

May 31, 2023

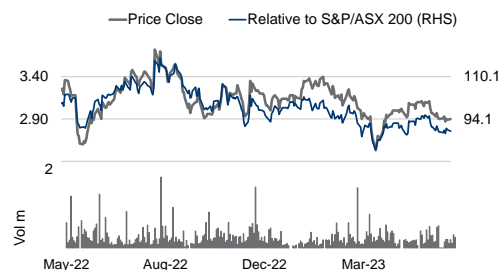
## ADD (no change)

Stock code:	PPE AU
Price:	A\$2.95
12-month target price:	A\$4.00
Previous target price:	A\$4.90
Up/downside to target price:	35.6%
Dividend yield:	5.3%
12-month TSR*:	40.9%
Market cap:	A\$300m
Average daily turnover:	A\$0.5m
Index inclusion:	ALL ORDINARIES

\* Total stock return – Up/downside to target price + 12-month forward dividend yield.

### Price performance

(%)	1M	3M	12M	3Y
Absolute	-4.8	-6.1	-9.0	40.5
Rel ASX/S&P200	-3.8	-5.9	-9.4	17.1



Source: IRESS

### Financial summary

	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Revenue (A\$m)	682.3	1,206.4	1,320.4	1,416.0
EBITDA Norm (A\$m)	47.9	64.3	70.2	75.4
Net Profit (A\$m)	17.7	22.3	23.7	28.1
EPS Norm (A\$)	0.26	0.28	0.28	0.31
EPS Growth Norm (%)	20.3%	5.2%	0.6%	13.2%
P/E Norm (x)	11.3	10.7	10.6	9.4
DPS (A\$)	0.13	0.15	0.16	0.17
Dividend Yield (%)	4.4%	5.0%	5.3%	5.6%
EV/EBITDA (x)	7.6	5.8	5.3	4.7
Gearing (Net Debt/EBITDA)	1.49	1.17	1.05	0.82

Source: Company data, Morgans estimates

### Related research

[PPE \(ADD - TP A\\$4.90\) - 19 Feb 2023](#)
[PPE \(ADD - TP A\\$4.70\) - 19 Oct 2022](#)

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Analyst(s) own shares in the following stocks mentioned in this report:

– N/A

# PeopleIn

## Strategic review see PPE stay the course

- In Nov-22 PPE launched a strategic review, as the Board felt the share price at the time (c.\$3/share) did not fully reflect shareholder value. The review has now been concluded, with the outcome that PPE should remain in its current form and continue executing its current three-year strategy.
- Whilst valuation and earnings forecasts are incrementally weaker post the announcement, PPE still screens well, in that the company trades at c.10x (FY24F PER), with earnings growing at low to mid double digits, strong free cash flow conversion and a c.5% dividend yield, all positive characteristics that are somewhat rare amongst the small cap universe.
- Retain ADD rating, whilst reducing our price target to \$4.00/share.

### Strategic review concluded and FY23 earnings guidance reaffirmed

- The strategic review has confirmed that PPE is best positioned to continue executing on its existing three-year strategic plan, with a focus on resilient sectors with long-term demand for staff, cross-selling between specialist brands and international recruitment.
- By way of background, in Nov-22 PPE confirmed the company was undertaking a strategic review. At the time, the shares were trading at c.\$3.00/share, which the Board considered didn't reflect the record financial results for FY22 or the fundamental strength of the business.
- As part of the most recent update, the company reaffirmed its FY23 earnings guidance for normalised EBITDA of \$62m - \$66m (MorgansF: \$63.0m).

### Analysis

- With a sale off the cards, the business will refocus on delivering organic growth from the existing business, whilst continuing to pursue incremental acquisitions (using free cashflow and incremental debt to drive additional growth).
- We estimate that in FY24 PPE will deliver free cash flow of c.\$39m, of which c.\$17m will go to dividends. This leaves a residual \$22m for reinvestment, which at an EBITDA multiple of c.5x would deliver an incremental \$4.4m or c.6% proforma EBITDA growth. The caveat is that in FY24F we estimate that free cash flow will likely be predominantly invested in the contingent consideration associated with the Food Industry People (FIP) and Perigon acquisitions.

### Forecast and valuation update

- **Earnings:** Whilst earnings guidance has been reiterated, we thought it prudent to reduce our forecasts toward the bottom of the range, reflecting a more challenging operating environment. That said, May and June are big revenue months for PPE and can move the dial (either way).
- **Valuation:** An unsuccessful sale process clearly draws into question the valuation multiples applied. On this basis we have reduced our adopted PER to 11.7x (previously 13.0x).

### Investment view

- Despite our reduced expectations, we remain positive on PPE, as this is a business that trades at c.10x PER (FY24F), can grow earnings at low to mid double digits (%), is cash flow positive and pays a dividend yield of c.5% pa.

### Price catalysts

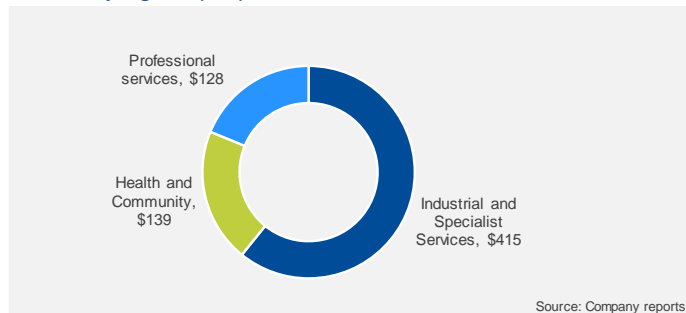
- **Clear strategy on free cash flow funded growth:** We believe investors will need to see a path to mid double digit earnings growth funded solely from free cash flow. Until that occurs, we believe the \$40m of acquisition debt capacity will be viewed by investors as a harbinger to future capital raisings.
- **Margin stabilisation:** The HY23 result showed signs of incremental margin weakness. Whilst the cause may have been the pursuit of lower margin business lines, investor uncertainty remains.

# PeopleIn

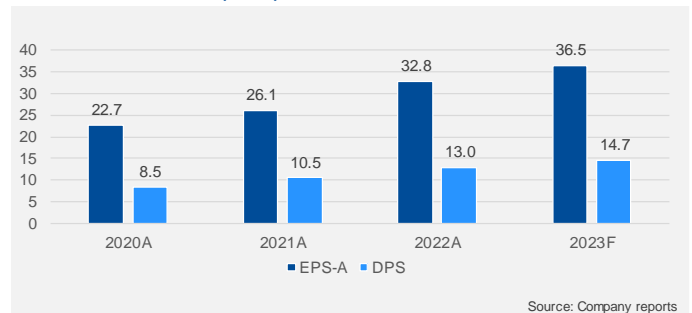
		as at May 31, 2023	
Price (A\$):	2.95	12-month target price (A\$):	4.00
Market cap (A\$m):	300	Up/downside to target price (%):	35.6
Free float (%):	67.8	Dividend yield (%):	5.3
Index inclusion:	ALL ORDINARIES	12-month TSR (%):	40.9

People Infrastructure Ltd (PPE) is an Australian workforce management company that aims to deliver innovative solutions to the management of contracted workforces to Australian and New Zealand businesses. People Infrastructure provides contracted

## Revenue by segment (A\$m) - FY22



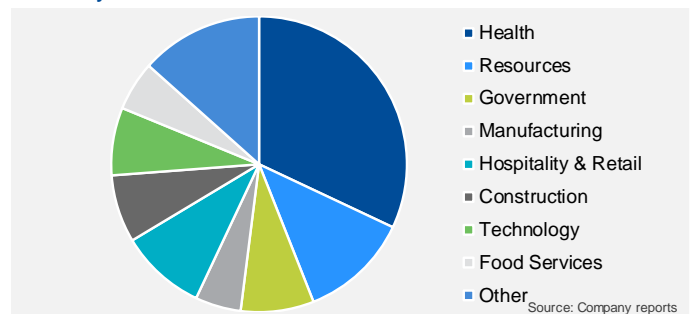
## Historical EPS and DPS (cents)



## Business snapshot



## Sectors by GM contribution



## Bull points

**History of delivering strong earnings growth**  
PPE has grown earnings at c.20% year-in year-out, with company guidance indicating FY23F EBITDA growth of 35%.

**Business continues to transition to more defensive sectors**  
Management remain focused on making the business more defensive, capable of navigating any potential downturn.

**Growth opportunities remain**  
The opportunity under the Pacific Australia Labour Mobility (PALM) scheme is significant, with the Federal Government committed to jobs growth and the role of increasing migration.

## Bear points

**Employment market**  
Labour market conditions have rarely been better in Australia, this raises the question, how will PPE navigate an economic downturn?

**Acquisitions**  
PPE has c.\$40m of debt capacity to undertake further acquisitions. Whilst this is a source of future earnings growth, it would take them to their target gearing level.

**Migration and COVID risks**  
Whilst out of the company's hands, changes to migration rules has a direct impact on PPE. Likewise, the Government's response to COVID, namely lockdowns, has an adverse impact on PPE.

## Environmental, Social and Governance



### Exposure

PPE align to the UN sustainability goals, with three key pillars of focus; 1) First Nations People (750+ First Nations candidates placed in FY22), 2) Sustainability (4.8m trees planted in FY22) and 3) equity and inclusion (female participation, PALM community and NDIS support).

### Management

PPE complies with the ASX Corporate Governance Council's corporate governance principles and recommendations.

Source: Morgans

Figure 1: Financial summary

Profit and Loss						Valuation details											
	2021A	2022A	2023F	2024F	2025F						Target						
<b>Sales</b>	<b>(\$m)</b>	<b>444.3</b>	<b>682.3</b>	<b>1,206.4</b>	<b>1,320.4</b>	<b>1,416.0</b>	Market cap	298.0	PER	70.0%	3.86						
Other income	(\$m)	0.1	0.3	0.8	0.0	0.0	Shares on issue (basic)	101	DCF	30.0%	4.37						
Operating Costs	(\$m)	(406.3)	(634.7)	(1,142.9)	(1,250.2)	(1,340.6)	<b>A\$ Share Price</b>					<b>2.95</b>	<b>A\$ Price Target</b>	<b>4.00</b>			
<b>EBITDA</b>	<b>(\$m)</b>	<b>38.1</b>	<b>47.9</b>	<b>64.3</b>	<b>70.2</b>	<b>75.4</b>	<b>Segment summary</b>					<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	
Depreciation	(\$m)	(2.6)	(4.6)	(8.5)	(10.7)	(8.9)	<b>Revenue</b>										
<b>EBITA</b>	<b>(\$m)</b>	<b>35.5</b>	<b>43.3</b>	<b>55.8</b>	<b>59.5</b>	<b>66.5</b>	Industrial and Specialist Services (\$m)	251.2	415.0	878.9	944.9	1,009.6					
Amortisation	(\$m)	(4.1)	(6.5)	(9.2)	(9.4)	(10.6)	Health and Community (\$m)	132.7	139.2	155.2	167.8	181.4					
<b>EBIT</b>	<b>(\$m)</b>	<b>31.4</b>	<b>36.8</b>	<b>46.6</b>	<b>50.2</b>	<b>55.9</b>	Professional services (\$m)	60.4	128.2	170.8	183.5	198.4					
Net Interest	(\$m)	(1.5)	(2.1)	(6.0)	(6.5)	(5.9)	Contingent income (\$m)	0.0	0.0	1.5	24.2	26.6					
Pre-tax Profit	(\$m)	29.8	34.6	40.6	43.7	50.0	Unallocated (\$m)	0.0	0.0	0.0	0.0	0.0					
Tax	(\$m)	(9)	(8.4)	(10.9)	(13.1)	(15.0)	<b>Underlying revenue</b>	<b>(\$m)</b>	<b>444.3</b>	<b>682.3</b>	<b>1,206.4</b>	<b>1,320.4</b>	<b>1,416.0</b>				
<b>Underlying NPAT (100%)</b>	<b>(\$m)</b>	<b>20.9</b>	<b>26.2</b>	<b>29.7</b>	<b>30.6</b>	<b>35.0</b>	<b>EBITDA</b>										
Exceptional items	(\$m)	(3.2)	(7.8)	(6.1)	(5.5)	(5.4)	Industrial and Specialist Services (\$m)	16.7	21.6	40.7	42.5	45.4					
<b>Reported NPAT (100%)</b>	<b>(\$m)</b>	<b>17.7</b>	<b>18.4</b>	<b>23.6</b>	<b>25.1</b>	<b>29.6</b>	Health and Community (\$m)	16.8	12.0	11.4	12.6	13.6					
Non-controlling interests	(\$m)	(0.1)	(0.7)	(1.3)	(1.4)	(1.5)	Professional services (\$m)	8.3	17.6	15.5	17.8	19.2					
<b>Underlying NPAT (equity)</b>	<b>(\$m)</b>	<b>20.9</b>	<b>25.5</b>	<b>28.4</b>	<b>29.2</b>	<b>33.5</b>	Contingent income (\$m)	0.0	0.0	0.2	1.4	1.5					
<b>Underlying NPATA (equity)</b>	<b>(\$m)</b>	<b>25.0</b>	<b>31.9</b>	<b>37.6</b>	<b>38.6</b>	<b>44.1</b>	Unallocated (\$m)	(3.7)	(3.3)	(3.5)	(4.1)	(4.4)					
<b>Reported NPAT (equity)</b>	<b>(\$m)</b>	<b>17.7</b>	<b>17.7</b>	<b>22.3</b>	<b>23.7</b>	<b>28.1</b>	<b>Underlying EBITDA (100%)</b>	<b>(\$m)</b>	<b>38.1</b>	<b>47.9</b>	<b>64.3</b>	<b>70.2</b>	<b>75.4</b>				
<b>Cashflow Statement</b>							<b>Underlying EBITDA (Equity)</b>	<b>(\$m)</b>	<b>38.0</b>	<b>47.2</b>	<b>63.0</b>	<b>68.8</b>	<b>73.9</b>				
EBITDA	(\$m)	38.1	47.9	64.3	70.2	75.4	<b>Per share data</b>										
Net interest	(\$m)	(1.2)	(2.1)	(5.8)	(6.5)	(5.9)	Diluted shares on issue (Qty)	96.8	101.0	104.6	105.9	107.6					
Tax	(\$m)	(11.2)	(13.9)	(9.0)	(13.1)	(15.0)	Normalised EPS (equity NPAT) (Cps)	21.8	26.2	27.6	27.7	31.4					
Other	(\$m)	(0.1)	(0.7)	(1.3)	(1.4)	(1.5)	Normalised EPS (equity NPATA) (Cps)	26.1	32.8	36.5	36.6	41.3					
Changes in working capital	(\$m)	(17.7)	(9.0)	(13.9)	(7.6)	(5.9)	Dividends per share (Cps)	10.5	13.0	14.7	15.6	16.6					
<b>Operating cash flow</b>	<b>(\$m)</b>	<b>8.0</b>	<b>22.1</b>	<b>34.3</b>	<b>41.7</b>	<b>47.1</b>	Reported payout ratio (%)	0.5	0.5	0.5	0.6	0.5					
Capex - maintenance	(\$m)	(1.3)	(4.5)	(5.1)	(3.0)	(2.0)	<b>Key metrics/ multiples</b>										
<b>Free Cash Flow</b>	<b>(\$m)</b>	<b>6.7</b>	<b>17.6</b>	<b>29.2</b>	<b>38.7</b>	<b>45.1</b>	P/E (x)	13.5	11.3	10.7	10.6	9.4					
Capex - growth	(\$m)	0.0	0.0	0.0	0.0	0.0	PEG (x)	0.5	0.8	3.6	0.7	0.8					
Acquisitions	(\$m)	(22.0)	(49.8)	(12.8)	(14.8)	(9.4)	EV/EBIT (x)	10.4	10.1	8.1	7.5	6.5					
Divestments	(\$m)	0.0	0.0	0.0	0.0	0.0	EV/EBITDA (x)	8.5	7.8	5.9	5.4	4.8					
Other	(\$m)	0.0	(0.1)	(0.2)	0.0	0.0	Dividend Yield (%)	3.6	4.4	5.0	5.3	5.6					
<b>Investing cash flows</b>	<b>(\$m)</b>	<b>(23.3)</b>	<b>(54.3)</b>	<b>(18.0)</b>	<b>(17.8)</b>	<b>(11.4)</b>	<b>Growth ratios</b>										
Increase / decrease in Equity	(\$m)	0.6	0.3	0.0	0.0	0.0	Sales (%)	19.7	53.6	76.8	9.5	7.2					
Increase / decrease in Debt	(\$m)	4.3	55.8	3.1	(6.4)	(26.6)	Operating costs (%)	17.6	56.2	80.1	9.4	7.2					
Dividends paid	(\$m)	(7.1)	(10.6)	(13.7)	(16.0)	(17.3)	EBITDA (%)	33.1	25.6	34.2	9.2	7.4					
Other financing cash flows	(\$m)	0.0	0.0	0.0	0.0	0.0	EBIT (%)	42.3	17.2	26.6	7.7	11.5					
<b>Financing cash flows</b>	<b>(\$m)</b>	<b>(2.1)</b>	<b>45.6</b>	<b>(10.6)</b>	<b>(22.4)</b>	<b>(43.9)</b>	NPAT (%)	46.7	25.1	13.4	3.0	14.5					
<b>Increase/decrease in cash</b>	<b>(\$m)</b>	<b>(17.4)</b>	<b>13.3</b>	<b>5.7</b>	<b>1.5</b>	<b>(8.2)</b>	EPS (%)	22.4	20.3	5.2	0.6	13.2					
<b>Balance Sheet</b>							DPS (%)	23.5	23.8	12.8	6.4	6.7					
<b>Assets</b>							Free cash flow (%)	(74.8)	164.2	66.1	32.4	16.7					
Cash	(\$m)	13.7	27.0	32.6	34.1	25.9	<b>Margin and return analysis</b>										
Debtors	(\$m)	76.0	107.5	134.8	148.5	159.3	EBITDA Margin (%)	8.6	7.0	5.3	5.3	5.3					
Inventory	(\$m)	0.0	0.0	0.0	0.0	0.0	EBIT margin (%)	7.1	5.4	3.9	3.8	3.9					
Other current assets	(\$m)	1.7	12.2	15.6	15.6	15.6	NPAT margin (%)	4.7	3.8	2.5	2.3	2.5					
<b>Total Current Assets</b>	<b>(\$m)</b>	<b>91.4</b>	<b>146.7</b>	<b>182.9</b>	<b>198.2</b>	<b>200.7</b>	ROE (%)	19.8	20.4	19.5	18.1	19.1					
Fixed Assets	(\$m)	9.1	15.8	27.9	23.3	19.3	ROIC (%)	19.4	14.6	14.5	14.4	15.6					
Investments	(\$m)	0.0	0.1	0.0	0.0	0.0	<b>Gearing</b>										
Intangibles	(\$m)	116.9	202.0	203.7	209.2	208.0	Net Debt (incl leases) (\$)	33.2	84.6	99.1	94.2	78.8					
Other non-current assets	(\$m)	0.0	0.2	0.5	0.5	0.5	Net Debt (excl leases) (\$)	25.2	71.4	75.1	73.7	61.9					
<b>Total Non-Current Assets</b>	<b>(\$m)</b>	<b>126.0</b>	<b>218.1</b>	<b>232.3</b>	<b>233.0</b>	<b>227.9</b>	Net Debt / Equity (%)	22.0	50.2	46.2	41.9	32.2					
<b>TOTAL ASSETS</b>	<b>(\$m)</b>	<b>217.4</b>	<b>364.8</b>	<b>415.2</b>	<b>431.2</b>	<b>428.6</b>	Net Debt / EBITDA (x)	0.7	1.5	1.2	1.0	0.8					
<b>Liabilities</b>							EBIT interest cover (x)	20.4	17.1	7.8	7.8	9.5					
Short Term Debt	(\$m)	15.5	32.6	45.3	0.0	0.0	Invested Capital (%)	139.9	213.7	237.6	249.3	253.7					
Creditors	(\$m)	33.7	51.0	60.6	66.8	71.7	Enterprise Value (%)	325.7	372.0	377.1	376.0	364.5					
Other current liabilities	(\$m)	17.5	36.6	39.1	39.1	39.1	<b>Result quality</b>										
<b>Total Current Liabilities</b>	<b>(\$m)</b>	<b>66.7</b>	<b>120.2</b>	<b>145.0</b>	<b>105.9</b>	<b>110.8</b>	Cash flow conversion (%)	52.4	79.6	75.9	87.2	90.2					
Long Term Debt	(\$m)	23.4	65.7	62.5	107.7	87.7	FCF vs NPAT (x)	0.4	1.0	1.2	1.5	1.5					
Other Non current liabilities	(\$m)	12.6	36.5	45.3	41.9	38.3	Effective tax rate (%)	29.8	24.4	26.8	30.0	30.0					
<b>Total Non-Current Liabilities</b>	<b>(\$m)</b>	<b>36.1</b>	<b>102.2</b>	<b>107.8</b>	<b>149.6</b>	<b>126.0</b>	<b>Equity</b>										
<b>TOTAL LIABILITIES</b>	<b>(\$m)</b>	<b>102.8</b>	<b>222.4</b>	<b>252.8</b>	<b>255.5</b>	<b>236.7</b>	Issued capital (\$m)	83.1	101.5	109.4	114.5	119.7					
<b>Equity</b>							Retained earnings (\$m)	26.9	32.8	40.9	48.6	59.4					
Issued capital	(\$m)	83.1	101.5	109.4	114.5	119.7	Other reserves and FX (\$m)	2.2	5.5	8.2	8.2	8.2					
Retained earnings	(\$m)	26.9	32.8	40.9	48.6	59.4	Minority interests (\$m)	2.4	2.6	4.0	4.3	4.6					
Other reserves and FX	(\$m)	2.2	5.5	8.2	8.2	8.2	<b>TOTAL EQUITY</b>	<b>(\$m)</b>	<b>114.6</b>	<b>142.4</b>	<b>162.5</b>	<b>175.7</b>	<b>191.9</b>				
Minority interests	(\$m)	2.4	2.6	4.0	4.3	4.6											

Source: Morgans estimates, company data

## Earnings forecasts

Figure 2: Earnings forecasts

Segment summary		2022A	1HFY23A	2HFY23F	2023F	1HFY24F	2HFY24F	2024F	2023F chg on pcp	2024F chg on pcp
		(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(%)	(%)
<b>Revenue</b>										
Industrial and Specialist Services	(\$m)	415.0	434.1	444.8	878.9	461.2	483.7	944.9	111.8	7.5
Health and Community	(\$m)	139.2	77.1	78.1	155.2	81.9	85.9	167.8	11.5	8.1
Professional services	(\$m)	128.2	85.4	85.4	170.8	89.6	93.9	183.5	33.2	7.4
Contingent income	(\$m)	0.0	0.0	1.5	1.5	12.0	12.2	24.2	n.a	1,533.8
Unallocated	(\$m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(66.4)	(100.0)
Underlying revenue	(\$m)	682.3	596.6	609.8	1,206.4	644.7	675.7	1,320.4	76.8	9.5
<b>EBITDA</b>										
Industrial and Specialist Services	(\$m)	21.6	20.7	20.0	40.7	20.8	21.8	42.5	88.3	4.5
Health and Community	(\$m)	12.0	5.7	5.7	11.4	6.1	6.4	12.6	(4.8)	10.5
Professional services	(\$m)	17.6	8.2	7.3	15.5	8.7	9.1	17.8	(12.4)	15.1
Contingent income	(\$m)	0.0	0.0	0.2	0.2	0.7	0.7	1.4	n.a	551.9
Unallocated	(\$m)	(3.3)	(1.5)	(2.0)	(3.5)	(2.0)	(2.1)	(4.1)	4.0	18.4
EBITDA (underlying)	(\$m)	47.9	33.2	31.2	64.3	34.3	35.9	70.2	34.3	9.2
<b>EBITDA (underlying   equity)</b>	<b>(\$m)</b>	<b>47.2</b>	<b>32.5</b>	<b>30.5</b>	<b>63.0</b>	<b>33.6</b>	<b>35.2</b>	<b>68.8</b>	<b>33.6</b>	<b>9.2</b>
<b>Per share data</b>										
Shares on issue (end) (Diluted)	(Qty)	101.0	103.7	104.6	104.6	105.5	106.3	105.9	3.5	1.2
NPATA (underlying) - equity	(CPS)	32.8	20.2	16.1	36.5	17.6	18.9	36.6	11.1	0.4
NPAT (underlying) - equity	(CPS)	26.2	15.7	11.7	27.6	13.2	14.5	27.7	5.2	0.6
Distributions	(CPS)	13.0	7.0	7.5	14.7	7.5	8.0	15.6	12.8	6.4
Payout ratio	(%)	49.6	44.4	64.1	53.2	56.7	55.3	56.3	7.2	5.7
<b>Profit and Loss</b>										
		(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	2023F chg on pcp	2024F chg on pcp
Sales	(\$m)	682.3	596.6	609.8	1,206.4	644.7	675.7	1,320.4	76.8	8.1
EBITDA	(\$m)	47.9	33.1	31.2	64.3	34.3	35.9	70.2	34.2	3.5
EBITA	(\$m)	43.3	29.6	26.2	55.8	28.8	30.8	59.5	29.0	(2.7)
EBIT	(\$m)	36.8	25.0	21.6	46.6	24.1	26.0	50.2	26.6	(3.3)
Underlying NPAT (100%)	(\$m)	26.2	16.8	12.4	29.2	14.5	15.5	30.0	11.3	(13.6)
Reported NPAT (100%)	(\$m)	18.4	14.4	8.7	23.1	11.8	12.8	24.6	25.5	(17.8)
<b>Underlying NPAT (equity)</b>	<b>(\$m)</b>	<b>17.7</b>	<b>13.7</b>	<b>8.0</b>	<b>21.8</b>	<b>11.1</b>	<b>12.1</b>	<b>23.2</b>	<b>23.2</b>	<b>(19.0)</b>
<b>Underlying NPATA (equity)</b>	<b>(\$m)</b>	<b>31.9</b>	<b>20.8</b>	<b>16.8</b>	<b>37.6</b>	<b>18.5</b>	<b>20.0</b>	<b>38.6</b>	<b>17.7</b>	<b>(10.9)</b>
Reported NPAT (equity)	(\$m)	17.7	13.8	8.5	22.3	11.2	12.5	23.7	26.2	(18.8)
Diluted shares on issue	(Qty)	101.0	103.7	104.6	104.6	105.5	106.3	105.9	3.5	1.7
<b>Normalised EPS (equity NPAT)</b>	<b>(Cps)</b>	<b>26.2</b>	<b>15.7</b>	<b>11.7</b>	<b>27.6</b>	<b>13.2</b>	<b>14.5</b>	<b>27.7</b>	<b>5.2</b>	<b>(16.1)</b>
<b>Normalised EPS (equity NPATA)</b>	<b>(Cps)</b>	<b>32.8</b>	<b>20.2</b>	<b>16.1</b>	<b>36.5</b>	<b>17.6</b>	<b>18.9</b>	<b>36.6</b>	<b>11.1</b>	<b>(12.8)</b>
Dividends per share	(Cps)	13.0	7.0	7.5	14.7	7.5	8.0	15.6	12.8	7.1

Source: Morgans estimates, company data

## Earnings changes

In adjusting our forecasts, we have made the following more notable changes:

- We have revised down our divisional growth forecasts to reflect our expectation for a weaker operating environment through 2HFY23. Commensurate with this we have incrementally lowered our margin assumptions to reflect the deleveraging effect.
- We have increased our interest rate assumptions, in line with recent movements in the BBSY.

Figure 3: Earnings changes

ASX:PPE	2022A			2023F			2024F		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
<b>EBITDA</b>									
Industrial and Specialist Services (\$m)	21.6	21.6	0.0	42.3	40.7	(3.8)	46.5	42.5	(8.6)
Health and Community (\$m)	12.0	12.0	(0.4)	11.7	11.4	(2.7)	13.0	12.6	(3.2)
Professional services (\$m)	17.6	17.6	0.3	16.8	15.5	(7.9)	18.7	17.8	(4.8)
Contingent income (\$m)	0.0	0.0	n.a	0.2	0.2	8	1.4	1.4	0.1
Unallocated (\$m)	(3.3)	(3.3)	0.8	(3.5)	(3.5)	(1.1)	(4.1)	(4.1)	(0.1)
<b>EBITDA (underlying) (\$m)</b>	<b>47.9</b>	<b>47.9</b>	<b>(0.0)</b>	<b>67.6</b>	<b>64.3</b>	<b>(4.9)</b>	<b>75.5</b>	<b>70.2</b>	<b>(7.0)</b>
<b>EBITDA (underlying   equity) (\$m)</b>	<b>47.2</b>	<b>47.2</b>	<b>(0.1)</b>	<b>66.3</b>	<b>63.0</b>	<b>(5.0)</b>	<b>74.0</b>	<b>68.8</b>	<b>(7.0)</b>
<b>Profit and Loss</b>									
Sales (\$m)	682	682	0.0	1,224	1,206	(1)	1,369	1,320	(3.5)
<b>EBITDA (\$m)</b>	<b>47.9</b>	<b>47.9</b>	<b>(0.0)</b>	<b>67.6</b>	<b>64.3</b>	<b>(4.9)</b>	<b>75.5</b>	<b>70.2</b>	<b>(7.0)</b>
Margin (%)	7.0	7.0		5.5	5.3		5.5	5.3	
EBITA (\$m)	43.3	43.3	(0.1)	59.1	55.8	(5.6)	64.8	59.5	(8.1)
Margin (%)	6.3	6.3		4.8	4.6		4.7	4.5	
EBIT (\$m)	36.8	36.8	(0.0)	49.9	46.6	(6.6)	55.4	50.2	(9.5)
Margin (%)	5.4	5.4		4.1	3.9		4.0	3.8	
Underlying NPAT (100%) (\$m)	26.2	26.2	(0.0)	31.8	29.2	(8.3)	34.6	30.0	(13.2)
Margin (%)	3.8	3.8		2.6	2.4		2.5	2.3	
<b>Underlying NPATA (equity) (\$m)</b>	<b>31.9</b>	<b>31.9</b>	<b>0.1</b>	<b>40.3</b>	<b>37.6</b>	<b>(6.7)</b>	<b>43.2</b>	<b>38.6</b>	<b>(10.7)</b>
<b>Underlying NPAT (equity) (\$m)</b>	<b>25.5</b>	<b>25.5</b>	<b>(0.1)</b>	<b>31.1</b>	<b>28.4</b>	<b>(8.7)</b>	<b>33.8</b>	<b>29.2</b>	<b>(13.6)</b>
Reported NPAT (equity) (\$m)	17.7	17.7	(0.2)	24.9	22.3	(10.4)	28.3	23.7	(16.2)
<b>Per share data</b>									
Diluted shares on issue (Qty)	101.0	101.0	0.0	104.7	104.6	(0.1)	106.3	105.9	(0.4)
<b>Normalised EPS (equity NPATA) (Cps)</b>	<b>32.8</b>	<b>32.8</b>	<b>0.1</b>	<b>39.0</b>	<b>36.5</b>	<b>(6.4)</b>	<b>40.9</b>	<b>36.6</b>	<b>(10.4)</b>
<b>Normalised EPS (equity NPAT) (Cps)</b>	<b>26.2</b>	<b>26.2</b>	<b>(0.0)</b>	<b>30.1</b>	<b>27.6</b>	<b>(8.5)</b>	<b>32.0</b>	<b>27.7</b>	<b>(13.3)</b>
Dividends per share (Cps)	13.0	13.0	0.0	14.7	14.7	(0.2)	15.6	15.6	0.0

Source: Morgans estimates, company data

## Valuation

In adjusting our valuation, we have updated our earnings forecasts and our market multiple. We have reduced our adopted FY24F PER to 11.7x (previously 13.0x), reflecting decline in the broader small cap index (applying a 20% discount to the index), factoring in the Board's conclusion that the current course of action best maximises shareholder value.

Figure 4: Valuation summary

Enterprise value	(\$m)	486.0					
Net debt (incl leases)	(\$m)	(84.6)					
Non-controlling interests	(\$m)	(2.6)					
Equity value	(\$m)	404.1					
Shares on issue (end) (Diluted)	(,000)	101.0					
<b>Valuation</b>	<b>(\$m)</b>	<b>4.00</b>					
Dividend yield	(%)	5.0					
Capital growth	(%)	35.6					
Total shareholder return	(%)	40.6					
			2021A	2022A	2023F	2024F	2025F
EV/EBITDA	(x)		12.8	10.1	7.6	6.9	6.4
EV/EBITA	(x)		14.3	11.7	8.8	8.0	7.5
EV/EBIT	(x)		15.5	13.2	10.4	9.7	8.7
<b>PER (EQ NPATA SBP)</b>	<b>(x)</b>		<b>16.0</b>	<b>13.7</b>	<b>12.4</b>	<b>12.1</b>	<b>10.6</b>
PER (underlying equity NPATA)	(x)		15.3	12.2	11.0	10.9	9.7
PER (underlying equity NPAT)	(x)		18.4	15.3	14.5	14.4	12.7
PEG	(x)		0.6	1.1	26.8	0.9	1.4
Dividend Yield	(%)		2.6	3.3	3.7	3.9	4.2
Free cash flow yield	(%)		1.6	4.5	7.0	9.2	10.6

Source: Morgans estimates, company data

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