

Dropsuite Limited

Investing for scale

DSE's 1Q24 result was modestly below our estimates for ARR (\$24.6m vs \$25.1m) and users (1.24m vs 1.25m), although growth across both metrics remains robust (+31%/+22% YoY respectively) and continues to underpin our positive view. DSE trades on just 4x FY24 ARR, is growing at >30% and has delivered positive FCF for 8 consecutive quarters. We maintain a BUY recommendation and \$0.34/sh PT.

1Q24: Investing for scale, churn a potential concern

- Growth re-accelerating.** US\$ ARR of \$24.6m (31% YoY) missed OML at \$25.1m. However, at +\$1.6m QoQ this result represented further re-acceleration from +\$1.5m/+\$1.0m in Q4/Q3. Net user growth of +71k was also comfortably up from +55k in Q4 and +33k in Q3.
- Investing for scale.** DSE is investing for growth (vs pursuing profitability) given the size of the opportunity it sees ahead. This was on display in Q1, with employee expenses +44% YoY and all-in cash costs +51%. We are supportive of this approach and believe a push for near-term profitability would be misguided. We expect DSE's business can support structural EBITDA margins of ~25% over time.
- Cash result.** DSE delivered its 8th consecutive positive FCF quarter, at +\$0.3m (OCF +\$0.4m). We expect ~this level of FCF generation to be maintained (ie. not rise materially) as DSE invests to support future scale. DSE is well-funded with ~\$25m in available funds.
- Churn rising = a potential concern.** DSE noted higher churn in Q1, at ~5% (vs ~3% historically) as "increased competition on pricing, especially in the EMEA region" weighed on performance. The company is already addressing this issue, although we view it as a potential concern and will continue to monitor developments accordingly.

Impact: no change to our thesis

- While today's result was below our expectations for ARR and net users, growth remains robust (at +31% / +22% respectively) and our longer-term thesis is unchanged. Ultimately, DSE trades below ASX peers at 4x ARR, despite faster growth (>30% vs 22%) and consistent profitability.

Maintain BUY recommendation, PT unchanged at \$0.34/sh

- We maintain a BUY recommendation and \$0.34/sh PT.

Year-end December (\$)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (\$m)	20.7	30.6	41.6	52.7	63.7
EBITDA (\$m)	1.3	1.1	2.6	4.8	7.9
EBIT (\$m)	1.2	0.9	2.4	4.6	7.6
Reported NPAT (\$m)	1.5	1.5	3.3	5.6	7.8
Reported EPS (c)	0.2	0.2	0.5	0.8	1.1
Normalised NPAT (\$m)	1.5	1.5	3.3	5.6	7.8
Normalised EPS (c)	0.2	0.2	0.5	0.8	1.1
EPS Growth (%)	2,129.8	3.1	112.4	70.8	39.3
Dividend (c)	-	-	-	-	-
Net Yield (%)	-	-	-	-	-
EV/EBITDA (X)	-	-	-	35.7	21.0
Normalised P/E (x)	-	-	64.3	37.6	27.0
Normalised ROE (%)	6.4	6.0	11.3	16.7	19.4

Source: OML, Iress, Dropsuite Limited

Last Price

A\$0.29

Target Price

A\$0.34

Recommendation

Buy

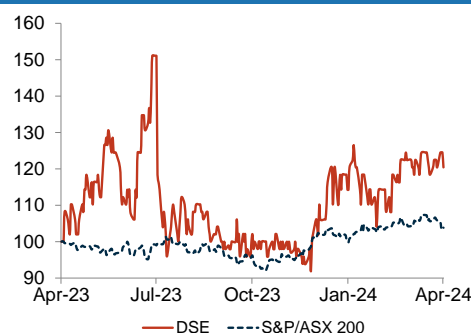
Risk

Higher

IT Services

ASX Code	DSE
52 Week Range (\$)	0.23 - 0.37
Market Cap (\$m)	205.3
Shares Outstanding (m)	696.1
Av Daily Turnover (\$m)	0.4
3 Month Total Return (%)	5.4
12 Month Total Return (%)	20.4
Benchmark 12 Month Return (%)	3.8
NTA FY24E (¢ per share)	5.1
Net Cash FY24E (\$m)	26.4

Relative Price Performance



Source: FactSet

Consensus Earnings

	FY24E	FY25E
NPAT (C) (\$m)	3.6	5.1
NPAT (OM) (\$m)	3.3	5.6
EPS (C) (c)	0.4	0.6
EPS (OM) (c)	0.5	0.8

Source: OML, Iress, Dropsuite Limited

Lindsay Bettiol, CFA

Senior Research Analyst
(03) 9608 4179
lbettiol@ords.com.au

Milo Ferris

Research Associate
(02) 8216 6691
mferris@ords.com.au

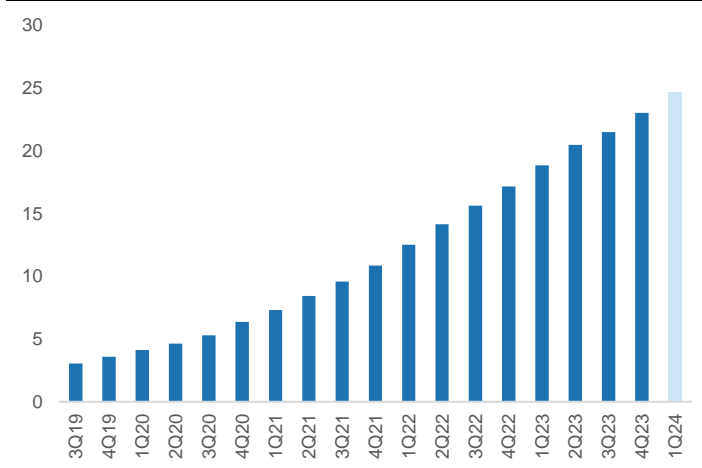
Figure 1: Financial Summary

Code	DSE						
Analysts	Lindsay Bettiol	Milo Ferris					
Date	28/02/2024						
Share Price	\$0.30						
Market Capitalisation (A\$m)	\$204.2						
Enterprise Value (A\$m)	\$181.2						
PROFIT & LOSS (Dec Year End)			FY22A	FY23A	FY24F	FY25F	FY26F
Revenue	A\$m	20.7	30.6	41.6	52.7	63.7	
COGS	A\$m	-7.1	-9.7	-12.9	-15.9	-18.6	
Gross Profit	A\$m	13.6	20.9	28.7	36.8	45.1	
Other Income	A\$m	0.0	0.0	0.0	0.0	0.0	
Expenses	A\$m	-12.4	-19.8	-26.1	-31.9	-37.1	
EBITDA	A\$m	1.3	1.1	2.6	4.8	7.9	
Depreciation & Amortisation	A\$m	-0.1	-0.2	-0.2	-0.2	-0.3	
EBIT	A\$m	1.2	0.9	2.4	4.6	7.6	
Net Interest Expense	A\$m	0.3	0.7	0.9	1.0	1.2	
Minorities	A\$m	0.0	0.0	0.0	0.0	0.0	
Reported PBT	A\$m	1.5	1.6	3.3	5.6	8.8	
Tax Expense / (Credit)	A\$m	0.0	0.0	0.0	0.0	-1.0	
Reported NPAT	A\$m	1.5	1.5	3.3	5.6	7.8	
Significant Items & FX	A\$m	0.0	0.0	0.0	0.0	0.0	
Underlying NPAT	A\$m	1.5	1.5	3.3	5.6	7.8	
BALANCE SHEET			FY22A	FY23A	FY24F	FY25F	FY26F
Assets							
Cash	A\$m	22.3	24.3	26.4	30.9	37.4	
Receivables	A\$m	4.1	5.9	7.9	9.8	11.8	
Prepayment & Other Receivables	A\$m	0.4	0.7	0.7	0.7	0.7	
PPE	A\$m	0.1	0.1	0.2	0.2	0.3	
Goodwill & Intangibles	A\$m	0.0	0.0	0.0	0.0	0.0	
Other Assets	A\$m	0.1	0.2	0.2	0.2	0.2	
Total Assets	A\$m	26.9	31.2	35.4	41.7	50.3	
Liabilities							
Payables	A\$m	2.5	3.2	4.1	4.9	5.7	
Accrued Liabilities	A\$m	0.0	0.0	0.0	0.0	0.0	
Borrowings	A\$m	0.0	0.0	0.0	0.0	0.0	
Provisions	A\$m	0.0	0.0	0.0	0.0	0.0	
Deferred Liability	A\$m	0.1	0.2	0.2	0.2	0.2	
Other Liabilities	A\$m	0.0	0.4	0.4	0.4	0.4	
Total Liabilities	A\$m	2.7	3.8	4.7	5.5	6.3	
Equity							
Share Capital	A\$m	43.4	43.4	43.4	43.4	43.4	
Other Equity	A\$m	1.0	2.6	2.6	2.6	2.6	
Retained Earnings	A\$m	-20.2	-18.6	-15.3	-9.7	-2.0	
Total Shareholders Equity	A\$m	24.2	27.4	30.6	36.2	44.0	
BV per share	Acps	3.5	3.9	4.3	5.1	6.2	
NTA per share	Acps	3.8	4.4	5.0	5.9	7.1	
CASH FLOW			FY22A	FY23A	FY24F	FY25F	FY26F
Cash at Start	A\$m	21.6	22.3	24.3	26.4	30.9	
Cash Flow from Operations	A\$m	0.9	2.3	2.4	4.8	6.9	
Capex	A\$m	-0.1	-0.1	-0.2	-0.3	-0.3	
Free Cash Flow	A\$m	0.9	2.1	2.1	4.5	6.5	
Cash Flow from Investing	A\$m	-0.1	-0.1	-0.2	-0.3	-0.3	
Cash Flow from Financing	A\$m	0.0	0.0	0.0	0.0	0.0	
Cash at End	A\$m	22.3	24.3	26.4	30.9	37.4	
FCF per share (cps)	Acps	0.1	0.3	0.3	0.6	0.9	
FCF / Underlying NPAT	%	58%	139%	66%	80%	84%	
FCF Yield	%	0.4%	1.0%	1.0%	2.2%	3.2%	
Rating:	Buy						
Price Target:	\$0.34						
Upside/downside:	15%						
Valuation:	\$0.30						
Valuation method:	DCF						
Risk:	Higher						
EARNINGS			FY22A	FY23A	FY24F	FY25F	FY26F
EPS - Underlying	Acps	0.2	0.2	0.5	0.8	1.1	
EPS Growth - Underlying	%	2125%	3%	112%	71%	39%	
EPS - Reported	Acps	0.2	0.2	0.5	0.8	1.1	
Diluted shares	m	699.5	711.2	711.2	711.2	711.2	
DPS	Acps	0.0	0.0	0.0	0.0	0.0	
Dividend Yield	%	0%	0%	0%	0%	0%	
Payout Ratio	%	0%	0%	0%	0%	0%	
VALUATION			FY22A	FY23A	FY24F	FY25F	FY26F
EV/Revenue	x	8.8	5.9	4.3	3.3	2.6	
EV/EBITDA	x	n.m.	162.8	68.8	35.7	21.0	
EV/EBIT	x	n.m.	204.7	74.6	37.6	21.9	
P/E - Underlying	x	n.m.	136.5	64.3	37.6	27.0	
Price/Book	x	8.5	7.7	6.8	5.8	4.8	
Price/NTA	x	7.7	6.7	5.9	5.0	4.2	
Price/FCF	x	237.1	95.7	95.4	45.7	31.4	
GROWTH			FY22A	FY23A	FY24F	FY25F	FY26F
Revenue	%	77%	48%	36%	27%	21%	
Total Expenses	%	66%	52%	32%	23%	17%	
EBITDA	%	n.m.	-12%	134%	88%	64%	
Adjusted EBITDA	%	n.m.	29%	76%	57%	46%	
PBT	%	n.m.	9%	106%	71%	58%	
Reported NPAT	%	n.m.	5%	112%	71%	39%	
Underlying NPAT	%	n.m.	5%	112%	71%	39%	
MARGINS & RETURNS			FY22A	FY23A	FY24F	FY25F	FY26F
Gross Margin	%	65.8%	68.3%	69.0%	69.8%	70.8%	
EBITDA Margin	%	6.0%	3.6%	6.2%	9.2%	12.4%	
Adj. EBITDA Margin	%	10.2%	8.9%	11.5%	14.3%	17.3%	
EBIT Margin	%	5.8%	2.9%	5.7%	8.7%	12.0%	
Underlying NPAT Margin	%	7.1%	5.0%	7.9%	10.6%	12.2%	
ROE	%	6.4%	6.0%	11.3%	16.7%	19.4%	
ROA	%	5.4%	5.1%	9.2%	13.4%	15.4%	
Effective Tax Rate	%	0.0%	0.0%	0.0%	0.0%	11.6%	
GEARING			FY22A	FY23A	FY24F	FY25F	FY26F
Net Debt / (Cash)	A\$m	-22.3	-24.3	-26.4	-30.9	-37.4	
Enterprise Value	A\$m	181.9	179.9	177.8	173.3	166.8	
Net Debt/EV	%	-12.3%	-13.5%	-14.9%	-17.8%	-22.4%	
Net Debt/Equity	%	-92.2%	-88.7%	-86.2%	-85.3%	-85.0%	
Net Debt/EBITDA	x	-17.9	-22.0	-10.2	-6.4	-4.7	
EBITDA/Net Interest	x	4.8	1.6	2.9	5.0	6.8	
SEGMENTS			FY22A	FY23A	FY24F	FY25F	FY26F
Revenue	A\$m	20.7	30.6	41.6	52.7	63.7	
ARR (AUD)	\$m	25.4	34.3	45.8	55.4	66.8	
ARR (USD)	\$m	17.2	23.0	29.7	36.0	43.4	
ARPU (Monthly, AUD)	\$	2.3	2.5	2.6	2.7	2.7	
ARPU (Monthly, USD)	\$	1.5	1.7	1.7	1.7	1.8	
CAC Payback		5.4	9.3	8.8	12.5	12.3	

Source: Ord Minnett Research

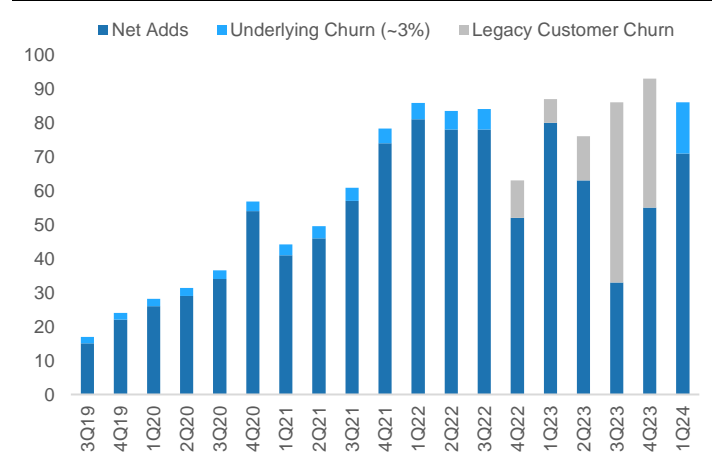
1Q24: KPI Dashboard

Figure 2: ARR +\$1.6m in 1Q24



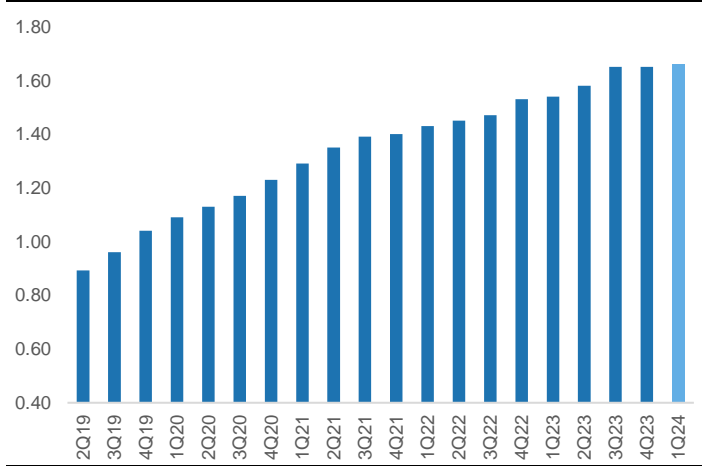
Source: Company reports, OMLe
Units: A\$m

Figure 3: Paid users +71k (gross 86k) as churn rises



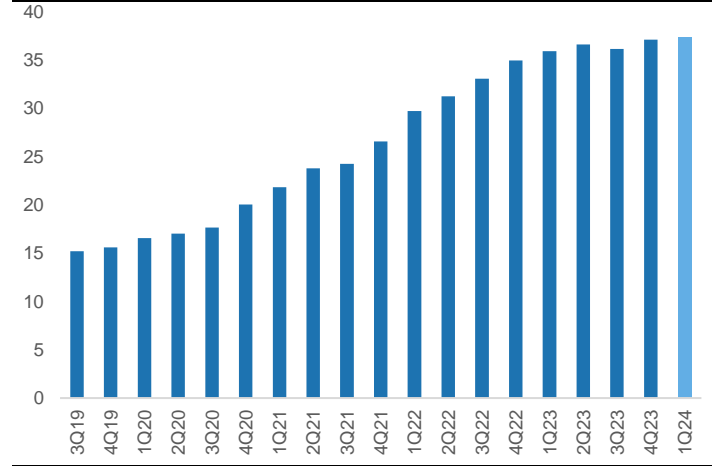
Source: Company Reports, OMLe
Units: 000s

Figure 4: ARPUs continue to move higher, +8% YoY



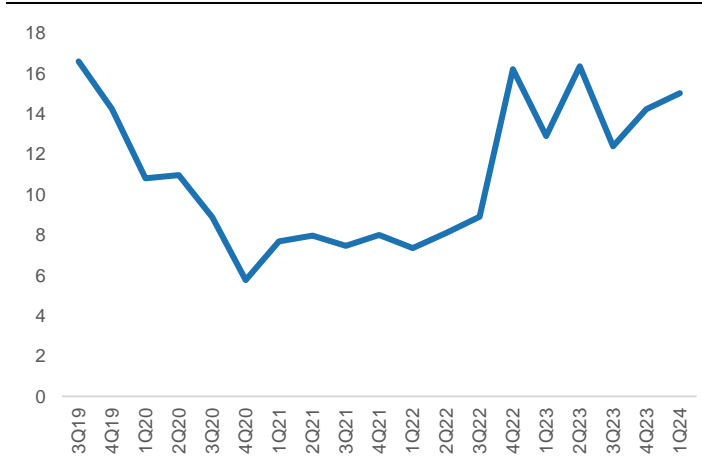
Source: Company Reports, OMLe
Units: US\$

Figure 5: ARR/partner shows increasing penetration



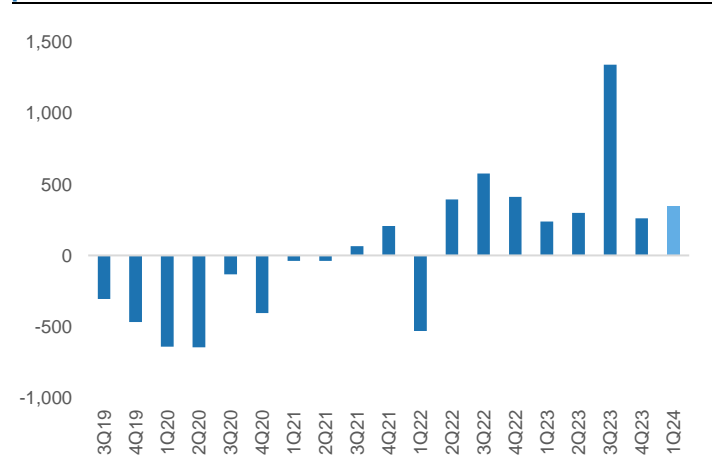
Source: Company Reports, OMLe
Units: A\$000s

Figure 6: At ~\$15, CAC payback remains comfortably <12 months



Source: Company Reports, OMLe
Units: A\$

Figure 7: DSE delivered an 8th consecutive quarter of positive FCF



Source: Company Reports, OMLe
Units: A\$000s

1Q24 Result Summary

Summary

- **ARR.** USD ARR of \$24.6m (+31% YoY) was below our estimate for \$25.1m, although at +US\$1.6m QoQ this represents a continued \$ re-acceleration from +\$1.5m in 4Q23 (and +\$1.0m in 3Q23). AUD ARR of \$37.6m, +33% (OMLe \$38.0m) was positively impacted by FX.
- **Net paid user** adds of +71k (OMLe = +86k) also represented a continuation of the recent QoQ re-acceleration we've seen in this metric (Q3/Q4 +33k/+55k), although was clearly impacted by higher churn at ~5% (vs ~3% historically) given "increased competition on pricing, especially in the EMEA region". We calculate this net result equates to **gross paid user** growth of ~86k for the quarter, slightly down on +93k in 4Q23.
- **Direct partner** growth of +40 QoQ was the standout (OMLe = +30), with total direct partners ending the quarter at 660, while indirect transacting partners rose by 220. Partner growth is a lead indicator of future growth / performance and should not be overlooked. DSE expects these increased MSP and channel partners to 'grow seat add momentum through 2024'.
- **Unit economics.** All measures of unit economics remained strong in Q1, with (1) ARPUs +8% YoY, (2) GP margins held steady at 69%, (3) ARR / partner continuing to move higher, +4% YoY and +1% QoQ – showing increased sell-through. On balance, these results were broadly in-line versus our estimates (refer figure below).
- **Cash flows.** OCF of \$0.4m represented the company's 8th consecutive positive OCF quarter. FCF was +\$0.3m. DSE expects to continue investing for growth (as we saw this quarter, with employee expenses +44% YoY), so this ~flat OCF / FCF result should be the expectation over the balance of FY24.
- **Balance sheet.** DSE remains well-funded with \$24.9m in cash at March 31. We continue to expect a portion of these funds will be allocated to value-accretive M&A over time.

Figure 8: 1Q24 Result & KPI summary

Quarterly Summary	Units	1Q23	2Q23	3Q23	4Q23	Actual		Diff.	YoY %
						1Q24	OMLe		
Paid users	000s	1,015	1,078	1,111	1,166	1,237	1,252	-1%	22%
Gross new*	000s	87	76	86	93	86	95	-10%	-2%
Net new	000s	80	63	33	55	71	86	-17%	-11%
ARPU	US\$/m	1.54	1.58	1.65	1.65	1.66	1.67	-1%	8%
ARR	US\$m	18.8	20.5	21.5	23.0	24.6	25.1	-2%	31%
ARR	A\$m	28.2	30.4	33.4	34.3	37.6	38.6	-3%	33%
Partners		524	559	594	620	660	656	1%	26%
New		33	35	35	26	40	30	33%	21%
ARR / partner	US\$000s	35.9	36.6	36.1	37.1	37.3	38.2	-2%	4%
OCF	A\$m	0.3	0.3	1.4	0.3	0.4	0.6	-38%	39%
Cash at hand	A\$m	22.7	23.0	24.6	24.3	24.9	24.9	0%	10%
KPIs									
ARR	US\$, YoY	50%	45%	37%	34%	31%	33%	-2%	
Paid users	YoY	39%	33%	25%	25%	22%	23%	-1%	
ARPU	US\$, YoY	8%	9%	12%	8%	8%	8%	-1%	
ARR / partner	YoY	21%	17%	9%	6%	4%	6%	-2%	
GP margins		69%	69%	68%	70%	69%	69%	0%	

Source: Company Reports, Ord Minnett Limited estimates

Estimate & Price Target Changes

Estimates

DSE's 1Q24 result was below our estimates across most key metrics, which sees our forecasts adjusted broadly lower.

- **Revenues** fall ~5-7% through FY26, driven by slight user reductions (in the near-term) and moderated ARPU assumptions.
- **GP down/GP% margin flat.** Gross profits fall 5-7% as a result of the fall in revenue. Short and long-term GP% margin assumptions remain unchanged.
- **EBITDA** falls ~20-40% through FY26 (optically deceiving given rates of change on small numbers), driven by the abovementioned changes.
- **Price Target remains unchanged at \$0.34/sh.** Despite a reduction in our estimates, our PT remains unchanged given (1) an increase in our terminal growth rate (to 2.5% from 2.0%), and (2) a rolling forward of our valuation.

Figure 9 provides an overview of these changes.

Figure 9: Estimate changes summary

Estimate Changes	Units	FY24			FY25			FY26		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
Paid users	000s	1,519	1,466	-3%	1,733	1,741	0%	1,946	1,979	2%
ARPU	A\$/m	2.66	2.60	-2%	2.78	2.65	-5%	2.86	2.69	-6%
ARR	A\$m	48.5	45.8	-6%	57.8	55.4	-4%	66.9	63.8	-5%
Revenue	A\$m	43.6	41.6	-5%	56.4	52.7	-7%	67.9	63.7	-6%
Gross Profit	A\$m	30.1	28.7	-5%	39.4	36.8	-7%	48.0	45.1	-6%
Margin	%	69.0%	69.0%	0%	69.8%	69.8%	0%	70.8%	70.8%	0%
Opex	A\$m	-26.3	-26.1	1%	-32.9	-31.9	3%	-38.1	-37.1	3%
EBITDA	A\$m	3.7	2.6	-30%	6.4	4.8	-25%	9.9	7.9	-20%
OCF	A\$m	3.6	2.4	-34%	6.4	4.8	-26%	8.8	6.9	-22%
FCF	A\$m	3.4	2.1	-37%	6.1	4.5	-27%	8.4	6.5	-23%
Price Target	A\$/Sh	0.34	0.34	0%						

Source: Ord Minnett Limited estimates

Valuation remains undemanding

Price Target = A\$0.34/Share

We derive our 12-month forward A\$0.34/Share Price Target via a 10-year DCF, which implies a FTM EV/revenue multiple of 4.3x. We believe this is appropriate given the considerable revenue growth we expect DSE to deliver in the medium-term (3-year CAGR = 28%), its solid gross margins (~70%) and strong FCF profile (FY26F = \$6.9m).

Our Price Target implies a 15% TSR, which underpins our BUY recommendation.

Figure 10: DCF summary

DCF inputs		DCF outputs	
Beta	1.5	Enterprise Value (\$m)	179.2
Risk Free Rate	4.5%	Less: Net Debt (1H24F) (\$m)	(25.1)
Market Risk Premium	4.0%	Equity Value (\$m)	204.3
Cost of Equity	10.5%	Implied Equity Value (\$/sh)	0.30
Cost of Debt (After Tax)	7.5%	Rolled forward at WACC	9.8%
WACC	9.8%	Price Target (\$/sh)	0.32
Terminal Growth Rate	2.5%		

RFR %	Beta				
	2.00	1.75	1.50	1.25	1.0
6.5%	0.24	0.26	0.28	0.30	0.3
5.5%	0.26	0.28	0.31	0.34	0.3
4.5%	0.29	0.31	0.34	0.38	0.4
3.5%	0.32	0.35	0.39	0.44	0.5
2.5%	0.36	0.40	0.46	0.52	0.6
1.5%	0.42	0.47	0.54	0.65	0.7

Source: Ord Minnett Limited estimates

Investment Thesis, Valuation, and Risks

Dropsuite Limited (Buy; Price Target: \$0.34)

Company Overview

Founded in Singapore in 2011, Dropsuite is a cloud-based software platform offering backup, archiving, and recovery solutions for businesses. The company specialises in protecting critical data from Microsoft 365, Google Workspace, QuickBooks, and others. Its products are distributed via a network of ~4k IT reseller partners globally.

DSE has delivered rapid top-line growth since its founding, with ARR rising at a 7-year CAGR of >70%, while growth has only fallen below 50% on one occasion. The company now serves >1.1m users and we expect it will generate >\$41m in revenue for FY24F.

A profitable grower at the intersection of three mega-trends

As a leading provider of cloud-based backup and archiving for businesses, DSE operates at the intersection of three mega-trends, being (1) the rise of cybercrime, (2) the migration of on-premise hosting to the cloud, and (3) MSP industry growth. These themes have long runways and will continue to act as positive tailwinds for growth.

DSE has delivered extraordinary growth over the past 7-years (a CAGR of >70%) and has managed to do so profitably – delivering positive FCF in each of the past seven quarters, while cumulative cash flows are now positive back to 2Q19. Additionally, management are prudent capital allocators, having built a ~\$200m business on just ~\$42m of outside capital (of which only ~\$18m has been spent). We expect this performance to continue.

Microsoft concerns appear overblown

At its Inspire Conference 2023, Microsoft provided a first look at its 365 Backup and Archive solution (B&A) – DSE's price fell 22% on the day and has not recovered since. However, based on our work, and discussions with industry participants, we conclude that fears of existential risks to DSE's business are overblown. Accordingly, we believe the market's scepticism is providing an opportunity.

Valuation and Recommendation

We derive our 12-month forward A\$0.34/Share Price Target via a 10-year DCF, which implies a FTM EV/revenue multiple of 4.3x. We believe this is appropriate given the considerable revenue growth we expect DSE to deliver in the medium-term (3-year CAGR = 28%), its solid gross margin (~70%) and strong FCF profile (FY26F = \$6.9m).

Our Price Target implies a 19% TSR, which underpins our BUY recommendation.

Risks to Rating and Price Target

Key risks to our core thesis, include:

- Point solution: M365 backup presents a concentration risk. Additional product launches and/or growth in secondary products moderates this risk.
- Increased competition from others within the cloud backup industry.
- Technology risk: new technologies / competitors enter the market and usurp DSE's products.
- Key person risk: DSE is run by a long-time CEO, Charif Elansari. His departure is a risk.
- Security breaches: A malicious attack on DSE's systems could result in client data loss and reputational damage.

Dropsuite Limited

PROFIT & LOSS (A\$m)	2022A	2023A	2024E	2025E	2026E
Revenue	20.7	30.6	41.6	52.7	63.7
Operating costs	(12.4)	(19.8)	(26.1)	(31.9)	(37.1)
Operating EBITDA	1.3	1.1	2.6	4.8	7.9
D&A	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
EBIT	1.2	0.9	2.4	4.6	7.6
Net interest	0.3	0.7	0.9	1.0	1.2
Pre-tax profit	1.5	1.6	3.3	5.6	8.8
Net tax (expense) / benefit	-	-	-	-	(1.0)
Significant items/Adj.	-	-	-	-	-
Associate NPAT	1.5	1.5	3.3	5.6	7.8
Normalised NPAT	1.5	1.5	3.3	5.6	7.8
Reported NPAT	1.5	1.5	3.3	5.6	7.8
Normalised dil. EPS (cps)	0.2	0.2	0.5	0.8	1.1
Reported EPS (cps)	0.2	0.2	0.5	0.8	1.1
Effective tax rate (%)	-	-	-	-	11.6
DPS (cps)	-	-	-	-	-
DPS (cps)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Payout ratio (%)	-	-	-	-	-
Diluted # of shares (m)	699.5	711.2	711.2	711.2	711.2

CASH FLOW (A\$m)	2022A	2023A	2024E	2025E	2026E
Net Interest (paid)/received	0.2	0.7	0.9	1.0	1.2
Income tax paid	-	-	-	-	(1.0)
Other operating items	-	-	-	-	-
Operating Cash Flow	0.9	2.3	2.4	4.8	6.9
Capex	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)
Other investing items	-	-	-	-	-
Investing Cash Flow	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)
Inc/(Dec) in borrowings	-	-	-	-	-
Financing Cash Flow	-	-	-	-	-
FX adjustment	(0.1)	(0.2)	-	-	-
Net Inc/(Dec) in Cash	0.9	2.1	2.1	4.5	6.5

BALANCE SHEET (A\$m)	2022A	2023A	2024E	2025E	2026E
Cash	22.3	24.3	26.4	30.9	37.4
Receivables	4.1	5.9	7.9	9.8	11.8
Inventory	-	-	-	-	-
Other current assets	0.4	0.7	0.7	0.7	0.7
PP & E	0.1	0.1	0.2	0.2	0.3
Investments	0.0	0.0	0.0	0.0	0.0
Intangibles	-	-	-	-	-
Other non-current assets	0.1	0.2	0.2	0.2	0.2
Total Assets	26.9	31.2	35.4	41.7	50.3
Short term debt	-	-	-	-	-
Payables	2.5	3.2	4.1	4.9	5.7
Other current liabilities	-	0.3	0.3	0.3	0.3
Other non-current liabilities	0.1	0.1	0.1	0.1	0.1
Total Liabilities	2.7	3.8	4.7	5.5	6.3
Total Equity	24.2	27.4	30.6	36.2	44.0
Net debt (cash)	(22.3)	(24.3)	(26.4)	(30.9)	(37.4)

Buy

DIVISIONS	2022A	2023A	2024E	2025E	2026E
KEY METRICS (%)	2022A	2023A	2024E	2025E	2026E
Revenue growth	77.0	48.1	35.7	26.7	20.9
EBITDA growth	49,740.6	(11.7)	133.8	87.7	63.5
EBIT growth	-	(26.2)	171.2	93.1	65.7
Normalised EPS growth	2,129.8	3.1	112.4	70.8	39.3
EBITDA margin	6.0	3.6	6.2	9.2	12.4
OCF /EBITDA	55.6	142.4	57.6	78.0	84.6
EBIT margin	5.8	2.9	5.7	8.7	12.0
Return on assets	4.7	3.0	7.2	11.9	14.7
Return on equity	6.4	6.0	11.3	16.7	19.4

VALUATION RATIOS (x)	2022A	2023A	2024E	2025E	2026E
Reported P/E	142.3	132.5	64.3	37.6	27.0
Normalised P/E	-	-	64.3	37.6	27.0
Price To Free Cash Flow	237.1	95.7	95.4	45.7	31.4
Price To NTA	7.5	6.6	5.8	4.9	4.1
EV / EBITDA	-	-	-	35.7	21.0
EV / EBIT	150.7	204.7	74.6	37.6	21.9

LEVERAGE	2022A	2023A	2024E	2025E	2026E
ND / (ND + Equity) (%)	(1,178.7)	(784.5)	(626.4)	(579.9)	(567.2)
Net Debt / EBITDA (%)	(1,785.5)	(2,198.1)	(1,023.2)	(637.1)	(471.6)
EBIT Interest Cover (x)	-	-	-	-	-
EBITDA Interest Cover (x)	-	-	-	-	-

SUBSTANTIAL HOLDERS	m	%
Topline Capital Management LLC	198.7	28.5%
John Fearon	37.4	5.4%
Charif El-Ansari	34.1	4.9%

VALUATION	
Cost of Equity (%)	10.5
Cost of debt (after tax) (%)	7.5
WACC (%)	9.8

Enterprise Value (\$m)	171.5
Equity NPV Per Share (\$)	0.30

Target Price Method	DCF
Target Price (\$)	0.34
Valuation disc. / (prem.) to share price (%)	14.6

Institutional Research

Alastair Hunter	Head of Institutional Research	+61 3 9608 4168	ahunter@ords.com.au
Malcolm Wood	Macro Strategy Analyst	+61 2 8216 6777	mwood@ords.com.au
Lindsay Bettioli	Senior Research Analyst	+61 3 9608 4179	lbettioli@ords.com.au
Nicolas Burgess	Senior Research Analyst	+61 3 9602 9379	nburgess@ords.com.au
James Casey	Senior Research Analyst	+61 3 9602 9265	jamescasey@ords.com.au
Phillip Chippindale	Senior Research Analyst	+61 2 8216 6346	pchippindale@ords.com.au
Tom Godfrey	Senior Research Analyst	+61 7 3214 5587	tgodfrey@ords.com.au
Paul Kaner	Senior Research Analyst	+61 7 3214 5514	pkaner@ords.com.au
John Lawlor	Senior Research Analyst	+61 7 3214 5506	jlawlor@ords.com.au
Ian Munro	Senior Research Analyst	+61 3 9608 4127	ian.munro@ords.com.au
John O'Shea	Senior Research Analyst	+61 3 9608 4146	joshea@ords.com.au
Leanne Truong	Senior Research Analyst	+61 2 8216 6367	ltruong@ords.com.au
Rushil Paiva	Research Analyst	+61 3 9608 4155	rpaiva@ords.com.au
Oliver Burston	Research Associate	+61 3 9608 4166	oburston@ords.com.au
Tim Elder	Research Associate	+61 7 3214 5565	telder@ords.com.au
Milo Ferris	Research Associate	+61 2 8216 6691	mferris@ords.com.au
Dylan Jones	Research Associate	+61 3 9608 4104	djones@ords.com.au
Benjamin Yun	Research Associate	+61 2 8216 6646	byun@ords.com.au

Institutional Sales (Australia)

Angus Esslemont	Head of Institutional Equities	+61 2 8216 6363	aesslemont@ords.com.au
Jim Bromley	Institutional Equities Sales	+61 2 8216 6343	jbromley@ords.com.au
Stephen Jolly	Institutional Equities Sales	+61 2 8216 6424	sjolly@ords.com.au
Isaac Morris	Institutional Equities Sales	+61 2 8216 6370	imorris@ords.com.au
Scott Ramsay	Institutional Equities Sales	+61 3 9608 4100	sramsay@ords.com.au
Matt White	Institutional Equities Sales	+61 3 9608 4133	mwhite@ords.com.au
Zac Whitehead	Institutional Equities Sales	+61 2 8216 6350	zwhitehead@ords.com.au
Trent Stewart	Institutional Derivatives Sales	+61 2 8216 6622	trent.stewart@ords.com.au
Brendan Sweeney	Operator	+61 2 8216 6781	bsweeney@ords.com.au

Institutional Sales (Hong Kong)

Chris Moore	Institutional Equities Sales	+61 2 8216 6362	cmoore@ords.com.hk
-------------	------------------------------	-----------------	--------------------

Ord Minnett Offices**Head Office**

Sydney
Level 18, Grosvenor Place
225 George Street
Sydney NSW 2000
Tel: (02) 8216 6300
www.ords.com.au

Adelaide

Level 5
100 Pirie Street
Adelaide SA 5000
Tel: (08) 8203 2500

Bendigo

Level 1
103 Mitchell Street
Bendigo VIC 3550
Tel: (03) 4433 3400

Buderim (Sunshine Coast)

1/99 Burnett Street
Buderim QLD 4556
Tel: (07) 5430 4444

Brisbane

Level 34
71 Eagle Street
Brisbane QLD 4000
Tel: (07) 3214 5555

Canberra

101 Northbourne Avenue
Canberra ACT 2600
Tel: (02) 6206 1700

Geelong

Office 3, Suite 4
200 Malop Street
Geelong VIC 3220
Tel: (03) 4210 0200

Gold Coast

Level 7
50 Appel Street
Surfers Paradise QLD 4217
Tel: (07) 5557 3333

Hobart

Ground Floor
85 Macquarie Street
Hobart TAS 7000
Tel: (03) 6161 9300

Mackay

45 Gordon Street
Mackay QLD 4740
Tel: (07) 4969 4888

Mildura

128 Lime Avenue
Mildura VIC 3500
Tel: (03) 9608 4111

Melbourne

Level 22
35 Collins Street
Melbourne VIC 3000
Tel: (03) 9608 4111

Newcastle

426 King Street
Newcastle NSW 2300
Tel: (02) 4910 2400

Perth

Level 27
108 St Georges Terrace
Perth WA 6000
Tel: (02) 4910 2400

International

Hong Kong
1801 Ruttonjee House
11 Duddell Street
Central, Hong Kong
Tel: +852 2912 8980
www.ords.com.hk

Guide to Ord Minnett Recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

Disclosure: Ord Minnett is the trading brand of Ord Minnett Limited ABN 86 002 733 048, holder of AFS Licence Number 237121 and is an ASX Group Participant, a Participant of Cboe Australia Pty Ltd and a wholly owned subsidiary of Ord Minnett Holdings Pty Limited ABN 32 062 323 728. Ord Minnett Limited and/or its associated entities, directors and/or its employees may have a material interest in, and may earn brokerage from, any securities referred to in this document. This document is not available for distribution outside Australia, New Zealand and Hong Kong and may not be passed on to any third party or person without the prior written consent of Ord Minnett Limited. Further, Ord Minnett and/or its affiliated companies may have acted as manager or co-manager of a public offering of any such securities in the past three years. Ord Minnett and/or its affiliated companies may provide or may have provided corporate finance to the companies referred to in the report.

Ord Minnett and associated persons (including persons from whom information in this report is sourced) may do business or seek to do business with companies covered in its research reports. As a result, investors should be aware that the firm or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This document is current as at the date of the issue but may be superseded by future publications. You can confirm the currency of this document by checking Ord Minnett's internet site.

Disclaimer: Ord Minnett Limited believes that the information contained in this document has been obtained from sources that are accurate, but has not checked or verified this information. Except to the extent that liability cannot be excluded, Ord Minnett Limited and its associated entities accept no liability for any loss or damage caused by any error in, or omission from, this document. This document is intended to provide general securities advice only, and has been prepared without taking account of your objectives, financial situation or needs, and therefore before acting on advice contained in this document, you should consider its appropriateness having regard to your objectives, financial situation and needs. If any advice in this document relates to the acquisition or possible acquisition of a particular financial product, you should obtain a copy of and consider the Product Disclosure Statement for that product before making any decision. Investments can go up and down. Past performance is not necessarily indicative of future performance.

Analyst Certification: The analyst certifies that: (1) all of the views expressed in this research accurately reflect their personal views about any and all of the subject securities or issuers; (2) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed herein.

Ord Minnett Hong Kong: This document is issued in Hong Kong by Ord Minnett Hong Kong Limited, CR Number 1792608, which is licensed by the Securities and Futures Commission (CE number BAI183) for Dealing in Securities (Type 1 Regulated Activity) and Advising on Securities (Type 4 Regulated Activity) and Asset Management (Type 9 Regulated Activity) in Hong Kong. Ord Minnett Hong Kong Limited believes that the information contained in this document has been obtained from sources that are accurate, but has not checked or verified this information. Except to the extent that liability cannot be excluded, Ord Minnett Hong Kong Limited and its associated entities accept no liability for any loss or damage caused by any error in, or omission from, this document. This document is provided for information purposes only and does not constitute an offer to sell (or solicitation of an offer to purchase) the securities mentioned or to participate in any particular trading strategy. The investments described have not been, and will not be, authorized by the Hong Kong Securities and Futures Commission.

Note: Through various investment entities, Bruce Mathieson beneficially holds a major shareholding in the Ord Minnett group as well as substantial shareholdings in Endeavour Group and Star Entertainment.

For summary information about the qualifications and experience of the Ord Minnett Limited research service, please visit <http://www.ords.com.au/our-team-2/>

For information regarding Ord Minnett Research's coverage criteria, methodology and spread of ratings, please visit <http://www.ords.com.au/methodology/>

For information regarding any potential conflicts of interest and analyst holdings, please visit <http://www.ords.com.au/methodology/>

The analyst has certified that they were not in receipt of inside information when preparing this report, whether or not it contains company recommendations. Any reports in this publication have been authorised for distribution by Alastair Hunter, Head of Institutional Research at Ord Minnett.