

## RPM GLOBAL (RUL)

15 April 2025

### 1H25 - Product Pilots & GFA's Driving TCV Growth

#### Our View

1H25 was a pivotal period for RUL. Divestment of the advisory business for AUD\$63m marks the end of an era. Honing focus on the software business will enhance transparency and enable investors to more directly compare RUL with other ARR centric software companies, thereby aligning the business with investor sentiment.

Software revenue for the half was lower than expected. Nonetheless, strong Total Contracted Value (TCV) growth signals sustained ARR expansion, with future growth indicated by accelerated Global Framework Agreement (GFA) signings and promising software pilot programs with Tier 1 miners.

**We maintain our Outperform recommendation.**

#### Key Points

**Divestment of advisory business** – February 25 saw RUL divest its advisory segment for A\$63m. Management indicated intention to utilise these funds and existing deferred tax assets for a once-off franked capital return to shareholders. We viewed the synergies offered by the advisory business as a net positive, however, we can see the appeal that by streamlining RUL into a pureplay software business, greater focus can be placed on ARR growth. We anticipate further detail on the post transaction profile to be released shortly. As such, our financial forecasts are on a pre-transaction basis. We note our FY25 estimate for software revenue of \$78m gives a post transaction EV/revenue multiple of ~6.1x.

**Competitor's transaction underwrites financial valuation** – RUL's competitor, Micromine competes in the mine design and planning space. In March, Micromine entered a sale agreement to WEIR group for ~\$1.3b on a ~10x FY25 EV/Revenue multiple. Said multiple further validates our Outperform recommendation, giving an implied EV for RUL's software segment of ~\$780m. We note the estimated market cap will likely be higher due to both RUL's consistent net cash position, and the \$63m cash paid for the advisory divestment.

**GFA signings gain momentum** – RUL signed a further four GFAs in 1H25. GFAs provide significant upside as they assign RUL as the customers de facto software supplier. Few competitors have been offered this opportunity. We view the increased rate of GFA signings as a positive step towards maximising future market share.

**Software pilot programs facilitate future growth** – Management have spoken to three pilots with Tier 1 miners nearing completion. If successful, all three could lead to material future revenue growth, though Rio Tinto's trial of XECUTE is particularly meaningful. In our view, XECUTE represents the greatest near-term revenue growth opportunity for RUL. Widescale adoption by Rio Tinto would substantiate product reliability and viability in RUL's target market of large-scale operations.

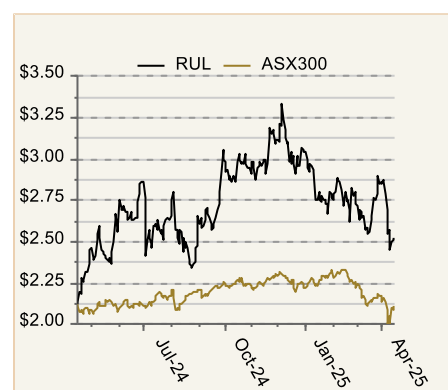
**TCV growth continues to fuel future ARR** – 1H25 software revenue fell short of our forecasts. Still, a 37% increase v PCP in signed 1H25 TCV implies accelerated future ARR growth. We speculate this growth was predominantly driven by the uptick in software sales for the historically under-penetrated Americas region. We also note ~\$10m of TCV was signed in January this year. Given the tendency for contracts to be signed in the last few weeks of the business and calendar year, we anticipate continued TCV signing growth for 2H25.

**Recommendation: Outperform**

#### Summary (AUD)

Market Capitalisation	\$562m
Share price	\$2.53
52 week low	\$2.07
52 week high	\$3.35

#### Share Price Graph (AUD)



#### Financial Estimates Are Pre-Advisory Divestment

##### Underlying Key Financials (AUD)

	1H25A	FY25E	FY26E
Revenue (\$m)	57.8	118.2	130.0
EBITDA (\$m)	8.0	15.6	21.8
EBIT (\$m)	5.5	11.0	18.0
NPAT (\$m)	4.8	8.8	13.1
PE Ratio (x)	117.9	63.9	42.0
EPS (cents)	2.1	4.0	6.0
EV/Revenue (x)	9.3	4.6	4.1
EV/EBITDA (x)	67.5	34.5	24.7
EV/EBIT (x)	98.6	49.0	30.0
EBITDA Margin	13.8%	13.2%	16.8%
ROE	8.7%	16.1%	23.4%

#### Software Segment ONLY

##### Underlying Key Financials (AUD)

	1H25A	FY25E	FY26E
Revenue (\$m)	37.7	78.0	89.8
EBITDA (\$m)	4.6	9.8	16.8
EBIT (\$m)	2.0	5.2	12.9
NPAT (\$m)	1.3	3.0	8.1

**Our numbers do not take into account the advisory divestment. Advisory growth is forecasted at 0%**

RPM Global Holdings LTD - Summary of Forecasts					\$ 2.53				
PROFIT & LOSS SUMMARY (A\$m)					BALANCE SHEET SUMMARY				
Year end June	FY24A	1H25A	FY25E	FY26E	Year end June	FY24A	1H25A	FY25E	FY26E
<b>Revenue</b>	<b>109.6</b>	<b>57.8</b>	<b>118.2</b>	<b>130.0</b>	Cash and cash equivalents	34.2	18.7	27.9	29.6
<b>Underlying EBITDA</b>	<b>11.7</b>	<b>8.0</b>	<b>15.6</b>	<b>21.8</b>	Trade and other receivables	22.2	25.3	26.5	29.2
Underlying D&A	(4.9)	(2.5)	(4.6)	(3.9)	Contract costs	7.0	9.6	8.2	8.6
<b>Underlying EBIT</b>	<b>6.8</b>	<b>5.5</b>	<b>11.0</b>	<b>18.0</b>	Other Current Assets	6.8	5.6	7.6	7.9
Net Interest	0.2	0.0	0.0	0.0	<b>Total Current Assets</b>	<b>70.2</b>	<b>59.2</b>	<b>70.2</b>	<b>75.2</b>
<b>Underlying PBT</b>	<b>7.0</b>	<b>5.5</b>	<b>11.0</b>	<b>18.0</b>	Intangible Assets	28.1	27.8	27.5	26.9
Tax (Expense)/Benefit	(15)	(0.7)	(2.2)	(4.8)	Plant & Equipment	8.3	7.4	6.6	5.8
<b>Underlying NPAT</b>	<b>5.5</b>	<b>4.8</b>	<b>8.8</b>	<b>13.1</b>	Deferred tax assets	3.4	3.5	3.5	3.5
Abnormals (after tax)	3.2	(0.1)	(0.1)	0.0	Other Non-Current Assets	3.4	5.0	4.6	4.9
<b>Statutory NPAT</b>	<b>8.7</b>	<b>4.7</b>	<b>8.7</b>	<b>13.1</b>	<b>Total Non-Current Assets</b>	<b>43.3</b>	<b>43.5</b>	<b>42.2</b>	<b>41.0</b>
<b>Margins on Sales Revenues</b>					<b>TOTAL ASSETS</b>	<b>113.5</b>	<b>102.7</b>	<b>112.4</b>	<b>116.2</b>
Gross Margin	39.4%	412%	41.1%	42.0%	Trade and other payables	12.6	7.1	13.2	12.6
Underlying EBITDA	10.6%	13.8%	13.2%	16.8%	Contract Liabilities	29.0	25.7	29.5	32.5
Underlying EBIT	6.2%	9.4%	9.3%	13.8%	Provisions	7.3	7.2	7.8	8.6
Underlying NPAT	5.0%	8.2%	7.4%	10.1%	Lease Liabilities	2.7	2.6	2.0	1.2
<b>Change on PCP</b>					Other Current Liabilities	0.5	0.7	0.7	0.7
Revenue	12.5%	9.4%	7.8%	10.0%	<b>Total Current Liabilities</b>	<b>52.1</b>	<b>43.3</b>	<b>53.2</b>	<b>55.6</b>
Underlying EBITDA	2.7%	21.8%	33.8%	39.9%	Provisions	10	11	12	13
Underlying EBIT	17.5%	35.1%	62.6%	63.4%	Other Non-Current Liabilities	4.5	3.6	3.4	3.2
Underlying NPAT	22.9%	42.4%	60.8%	49.1%	<b>Total Non-Current Liabilities</b>	<b>5.5</b>	<b>4.7</b>	<b>4.6</b>	<b>4.6</b>
<b>PER SHARE DATA</b>					<b>TOTAL LIABILITIES</b>	<b>57.6</b>	<b>48.0</b>	<b>57.9</b>	<b>60.2</b>
Year end June	FY24A	1H25A	FY25E	FY26E	<b>NET ASSETS</b>	<b>55.8</b>	<b>54.8</b>	<b>54.6</b>	<b>56.0</b>
<b>Underlying EPS (c)</b>	<b>2.47</b>	<b>2.15</b>	<b>3.96</b>	<b>6.02</b>	<b>TOTAL EQUITY</b>	<b>55.8</b>	<b>54.8</b>	<b>54.6</b>	<b>56.0</b>
Growth (pcp)	26.6%	45.1%	60.4%	52.0%	<b>CASH FLOW SUMMARY</b>				
Dividend (c)	0.0	0.0	0.0	0.0		FY24A	1H25A	FY25E	FY26E
Franking	n/a	n/a	n/a	n/a	<b>Statutory NPAT</b>	<b>8.7</b>	<b>4.7</b>	<b>8.7</b>	<b>13.1</b>
Gross CF per Share (c)	7.48	3.00	3.91	7.69	Add: D&A	4.9	2.5	4.6	3.9
<b>KEY RATIOS</b>					Other	15	0.0	0.0	0.0
	FY24A	1H25A	FY25E	FY26E	Net Working Capital	14	(13.8)	(4.7)	(0.2)
Current ratio (x)	13	14	13	14	<b>Gross Cashflows</b>	<b>16.6</b>	<b>(6.6)</b>	<b>8.7</b>	<b>16.7</b>
ROE (%)	9.8%	8.7%	16.1%	23.4%	Purchase of Plant and equipment	(11)	(0.4)	(0.7)	(10)
<b>VALUATION MULTIPLES</b>					Repayment of Lease Liabilities	(3.0)	(1.7)	(3.0)	(2.2)
	FY24A	1H25A	FY25E	FY26E	Other	(0.8)	(0.6)	(0.8)	(0.3)
<b>PE Ratio. (x)</b>	<b>102.4</b>	<b>117.9</b>	<b>63.9</b>	<b>42.0</b>	<b>Free Cashflows</b>	<b>11.7</b>	<b>(9.3)</b>	<b>4.2</b>	<b>13.3</b>
FCF Yield (%)	2.1%	(-1.7%)	0.7%	2.4%	Buyback of Shares	(12.7)	(6.8)	(11.0)	(11.6)
EV/Revenue (x)	4.9	9.3	4.6	4.1	Other	0.5	0.6	0.6	0.0
EV/EBITDA (x)	46.1	67.5	34.5	24.7	<b>Net Cashflows</b>	<b>(0.5)</b>	<b>(15.5)</b>	<b>(6.2)</b>	<b>1.6</b>
EV/EBIT (x)	79.6	98.6	49.0	30.0					

Source: Taylor Collison estimates

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