

## RPMGlobal Holdings Ltd

Buy

Advisory-led upgrade to FY24 guidance

Information Technology Application Software

3 October 2023

## COMPANY UPDATE

Ticker	RUL
Stock Price	\$1.48
Target Price	\$2.03
Forecast Capital Return	36.9%
Forecast Dividend Yield	0.0%
Estimated Total Return - 12Mth	36.9%

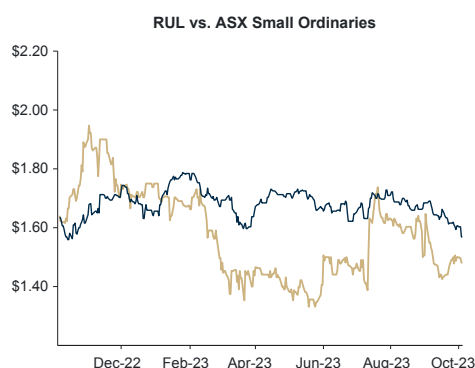
## COMPANY MARKET DATA

Market Cap	\$347.3m
Free Float (%)	50.0%
Enterprise Value	\$314.3m
Shares on issue	234.7m
52-wk Range	\$1.30 - \$1.95

ESTIMATE CHANGES	2023a	2024e	2025e	2026e
EBITDA - <i>new</i>	12.0	17.2	21.7	25.7
EBITDA - <i>old</i>	12.0	16.6	21.3	25.6
% Change	0.0%	3.6%	1.8%	0.3%

All figures are in AUD unless otherwise specified.

## SHARE PRICE PERFORMANCE



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## EVENT: 1Q24 TRADING UPDATE

FY24 revenue guidance upgraded by \$2m to range of \$107m to \$112m (prior \$105m-\$110m) implying 11% YoY growth at midpoint, and EBITDA guidance (before management incentives) upgraded by \$1m to range of \$18.5m to \$20.5m (prior \$17.5m-\$19.5m) implying 30% growth YoY.

Subscription and maintenance ARR ended 1Q24 at \$56m (+\$1m vs. Jun-23). 1Q24 new software TCV was \$13.2m (1Q23: \$5.2m). RUL starts 2Q24 with \$133m in pre-contracted & non-cancellable software revenue.

RUL signed another tier-1 miner under a global framework agreement (GFA) which included a \$6.4m, 60-month commitment for ongoing use of existing solutions, plus an incremental \$2.3m new software TCV across their global operations.

Advisory order backlog increased to \$24m (vs. \$18m at Jun-23). Strong demand for advisory services drove \$16m in advisory sales in 1Q24.

## IMPACT

We increase our FY24e EBITDA to \$17.2m (prev: \$16.6m) inclusive of management incentives, primarily driven by stronger Advisory performance. This implicitly assumes that RUL reaches the upper end of its EBITDA guidance range which triggers the payment of management incentives.

## INVESTMENT VIEW

While upgraded guidance was largely driven by strong advisory demand, the signing of another tier-1 miner under a Global Framework Agreement (GFA) is a further strategic deal which supports the TCV / ARR outlook into FY24+. In addition to this Tier 1 miner, the FY23 result announced GFA's with multiple Tier 1 customers (e.g. Glencore, Rio Tinto, South32), that position RUL as a preferred software vendor, significantly increasing the speed & efficiency of its sales function.

Across FY24e, we assume EBITDA growth of ~\$5m is driven by strong demand for advisory (+\$3.7m) plus drop-through of incremental software sales.

Buy rating maintained, \$2.03 target price (prev: \$2.01). Our thesis comprises: (a) Operating inflection reached, with strong organic growth outlook (2yr fwd EBITDA CAGR of ~23% supported by deep up/cross-sell opportunities); (b) flagship 'asset maintenance' solution considered industry-leading within its niche; (c) ~\$35m net cash B/S with buyback in place.

Y/E JUN 30	2023a	2024e	2025e	2026e
Sales	98.4	112.1	118.4	126.5
Sales Growth	18.4%	13.9%	5.6%	6.9%
EV/Sales	3.2x	2.8x	2.7x	2.5x
EBITDA	12.0	17.2	21.7	25.7
EV/EBITDA	26.2x	18.3x	14.5x	12.2x
FCF	7.7	11.4	15.7	19.3
P/E	68.3x	40.4x	27.9x	22.6x

All figures are in AUD.

## MA FINANCIAL ESTIMATES

## Profit &amp; Loss (A\$m)

YE Jun (\$A)	FY22a	FY23a	FY24e	FY25e	FY26e	24-26 CAGR
<b>P&amp;L</b>						
ARR	33	42	52	62	74	
Subscription	26	39	46	56	66	
Maintenance	16	14	12	11	9	
Perpetual (upfront)	2	3	2	1	-	
Software Revenue	44	56	60	68	75	<b>12%</b>
Growth	15%	26%	7%	13%	11%	
Consulting/Implementation	12	10	10	11	11	
Advisory	27	31	42	40	40	
Services Revenue	33	42	52	50	51	<b>(1%)</b>
Other Income	1	1	0	0	0	
<b>Gross Revenue</b>	<b>83</b>	<b>98</b>	<b>112</b>	<b>118</b>	<b>127</b>	<b>6%</b>
Growth	31%	18%	14%	6%	7%	
Software Share	53%	57%	53%	57%	59%	
Direct costs	(5)	(7)	(8)	(8)	(8)	
Net Operating Revenue						
Development Expenses	(16)	(18)	(19)	(20)	(21)	
Other Expenses	(63)	(69)	(76)	(77)	(80)	
<b>Expenses</b>	<b>(80)</b>	<b>(86)</b>	<b>(95)</b>	<b>(97)</b>	<b>(101)</b>	<b>3%</b>
<b>EBITDA</b>	<b>4</b>	<b>12</b>	<b>17.2</b>	<b>21.7</b>	<b>25.7</b>	<b>22%</b>
EBITDA Growth	93%	243%	43%	26%	18%	
EBITDA Margin	4%	12%	15%	18%	20%	
D&A	(6)	(6)	(5)	(4)	(4)	
<b>EBIT</b>	<b>(2)</b>	<b>6</b>	<b>11.8</b>	<b>17.4</b>	<b>21.4</b>	<b>35%</b>
Net Interest	(0)	(0)	0	0	0	
Tax	(1)	(1)	(4)	(5)	(6)	
<b>NPAT</b>	<b>(3)</b>	<b>5</b>	<b>8.6</b>	<b>12.4</b>	<b>15.4</b>	
EPS (cps)	(1.47)	1.64	3.66	5.30	6.55	
FCF	(8)	8	11	16	19	

## RPMGlobal Holdings Ltd (RUL)

Market Cap: \$347.3m

Stock Price: \$1.48

Target Price: \$2.03

Buy

Y/E JUN 30

PROFIT & LOSS (\$)	2022A	2023A	2024E	2025E	2026E
<b>Revenue</b>	<b>83.1</b>	<b>98.4</b>	<b>112.1</b>	<b>118.4</b>	<b>126.5</b>
<i>Growth</i>	31.5%	18.4%	13.9%	5.6%	6.9%
<b>Gross Profit</b>	<b>37.1</b>	<b>47.0</b>	<b>54.7</b>	<b>61.4</b>	<b>67.5</b>
<i>Margin</i>	44.7%	47.8%	48.8%	51.9%	53.4%
<b>EBITDA</b>	<b>3.5</b>	<b>12.0</b>	<b>17.2</b>	<b>21.7</b>	<b>25.7</b>
<i>Margin</i>	4.2%	12.2%	15.3%	18.3%	20.3%
Dep'n & Amort.	(5.9)	(5.6)	(5.4)	(4.3)	(4.3)
<b>EBIT</b>	<b>(2.4)</b>	<b>6.4</b>	<b>11.8</b>	<b>17.4</b>	<b>21.4</b>
Net interest Expense	(0.3)	(0.1)	0.3	0.1	0.3
<b>Profit Before Tax</b>	<b>(2.6)</b>	<b>6.3</b>	<b>12.1</b>	<b>17.5</b>	<b>21.6</b>
Tax	(0.9)	(1.1)	(3.5)	(5.1)	(6.3)
Minorities / Abnormal items	0.0	0.0	0.0	0.0	0.0
<b>NPAT (Underlying)</b>	<b>(3.5)</b>	<b>5.1</b>	<b>8.6</b>	<b>12.4</b>	<b>15.4</b>
<i>Growth</i>	(60.8)%	(245.9)%	67.5%	44.6%	23.5%
<b>NPAT (Reported)</b>	<b>(4.3)</b>	<b>3.8</b>	<b>8.6</b>	<b>12.4</b>	<b>15.4</b>
<b>EPS Underlying (Diluted) (c)</b>	<b>(1.5)</b>	<b>2.2</b>	<b>3.7</b>	<b>5.3</b>	<b>6.5</b>
<i>Growth</i>	(61.2)%	(247.0)%	69.0%	44.6%	23.5%
<b>Free Cash Flow</b>	<b>(7.9)</b>	<b>7.7</b>	<b>11.4</b>	<b>15.7</b>	<b>19.3</b>
BALANCE SHEET (\$)	2022A	2023A	2024E	2025E	2026E
Cash	34.5	34.8	49.6	65.3	84.6
Current Receivable	20.9	22.8	25.4	25.5	26.0
PPE	4.0	10.2	11.1	12.0	12.9
Intangibles	2.6	2.1	0.6	0.5	0.5
Goodwill	26.6	26.6	26.6	26.6	26.6
Other	17.6	18.6	18.6	18.6	18.6
<b>Total Assets</b>	<b>106.2</b>	<b>115.1</b>	<b>131.9</b>	<b>148.5</b>	<b>169.2</b>
Current Payables	12.2	12.9	15.0	15.8	16.9
Debt	0.0	0.0	0.0	0.0	0.0
Unearned Revenue	23.2	27.1	29.8	33.1	37.3
Other	10.7	17.2	17.2	17.2	17.2
<b>Total Liabilities</b>	<b>46.1</b>	<b>57.2</b>	<b>61.9</b>	<b>66.1</b>	<b>71.4</b>
<b>Net Assets</b>	<b>60.1</b>	<b>57.9</b>	<b>70.0</b>	<b>82.4</b>	<b>97.8</b>
Equity & Reserves	95.7	89.9	89.9	89.9	89.9
Retained Profits	(35.6)	(32.0)	(23.4)	(10.9)	4.5
<b>Shareholders' Equity</b>	<b>60.1</b>	<b>57.9</b>	<b>66.5</b>	<b>79.0</b>	<b>94.3</b>
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>60.1</b>	<b>57.9</b>	<b>66.5</b>	<b>79.0</b>	<b>94.3</b>
CASHFLOW (\$)	2022A	2023A	2024E	2025E	2026E
EBITDA	3.5	12.0	17.2	21.7	25.7
Net Interest	(0.3)	(0.1)	0.3	0.1	0.3
Tax	(0.7)	(0.8)	(3.5)	(5.1)	(6.3)
Δ in Working Capital	(2.8)	2.6	2.3	4.0	4.9
Other	(6.5)	(4.6)	(3.2)	(3.2)	(3.3)
<b>Operating Cash Flow</b>	<b>(6.8)</b>	<b>9.1</b>	<b>13.1</b>	<b>17.4</b>	<b>21.2</b>
<i>Growth</i>	(236.4)%	(234.7)%	44.1%	33.1%	21.7%
Capex	(1.2)	(1.4)	(1.7)	(1.8)	(1.9)
Acquisitions	(4.4)	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0
Other	0.6	(1.3)	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>(4.9)</b>	<b>(2.7)</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>(1.9)</b>
Equity Raised	1.6	0.8	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Net Borrowings	0.0	0.0	0.0	0.0	0.0
Other	(1.4)	(7.6)	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>0.2</b>	<b>(6.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
FX / Non Cash items	1.2	0.7	0.0	0.0	0.0
<b>Change in Cash</b>	<b>(10.3)</b>	<b>0.3</b>	<b>11.4</b>	<b>15.7</b>	<b>19.3</b>
<b>Free Cash Flow</b>	<b>(7.9)</b>	<b>7.7</b>	<b>11.4</b>	<b>15.7</b>	<b>19.3</b>

## VALUATION SUMMARY

Market Cap	\$347.3m
Shares on issue	234.7m
Stock Price	\$1.48
Target Price	\$2.03
Estimated Total Return - 12 Mth	36.9%
12 Mth Fwd Dividend Yield	0.0%

## PERFORMANCE RATIOS

	2022A	2023A	2024E	2025E	2026E
ROIC	(5.4)%	8.4%	13.2%	16.1%	16.8%
Net Debt (Cash) (\$m)	(34.5)	(34.8)	(49.6)	(65.3)	(84.6)
Working Capital	(14.5)	(17.2)	(19.4)	(23.4)	(28.3)
Working Capital/Sales (%)	(17.5)%	(17.4)%	(17.3)%	(19.8)%	(22.3)%

## VALUATION RATIOS

	2022A	2023A	2024E	2025E	2026E
Sales	83.1	98.4	112.1	118.4	126.5
<i>Growth</i>	31.5%	18.4%	13.9%	5.6%	6.9%
<b>EV/Sales (x)</b>	<b>3.8x</b>	<b>3.2x</b>	<b>2.8x</b>	<b>2.7x</b>	<b>2.5x</b>
EBITDA	3.5	12.0	17.2	21.7	25.7
<b>EV/EBITDA</b>	<b>89.8x</b>	<b>26.2x</b>	<b>18.3x</b>	<b>14.5x</b>	<b>12.2x</b>
EPS	(0.0)	0.0	0.0	0.1	0.1
<b>P/E (x)</b>	<b>(100.3)x</b>	<b>68.3x</b>	<b>40.4x</b>	<b>27.9x</b>	<b>22.6x</b>

## CASH FLOW METRICS

	2022A	2023A	2024E	2025E	2026E
<b>FCF/Share (\$)</b>	<b>(0.03)</b>	<b>0.03</b>	<b>0.05</b>	<b>0.07</b>	<b>0.08</b>
Free Cash Flow Yield (%)	(6.4)%	9.2%	12.9%	17.1%	20.8%
Capex/Sales (%)	(1.4)%	(1.4)%	(1.5)%	(1.5)%	(1.5)%

## MARGINS

	2022A	2023A	2024E	2025E	2026E
GPM	44.7%	47.8%	48.8%	51.9%	53.4%
EBITDA	4.2%	12.2%	15.3%	18.3%	20.3%
EBIT	(2.8)%	6.5%	10.5%	14.7%	16.9%
NPAT	(4.2)%	5.2%	7.7%	10.5%	12.1%

## VALUATION METHODOLOGY

WACC	10.25%
Discounted Cash Flow Valuation/Share	\$1.98
Sum-of-the-Parts Valuation/Share	\$2.07
Average Valuation/Share	\$2.03
Target Price	\$2.03

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