

# RPMGLOBAL

**RPMGlobal (ASX:RUL)**

**BUY Rating**

**Target: \$1.94 (Last: \$1.57)**



MA Financial Group

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# CONTENTS

HEADING	PAGE NO.
Investment Summary	03
Company Snapshot	05
Segment Overview	09
Industry Overview	17
Financials	22
Valuation	28
Appendix	32

# Investment Summary

We initiate coverage of RUL with a Buy rating and a \$1.94 target price.

**Profitable & well-capitalised with strong organic growth potential.** EBITDA CAGR of ~50% (FY22-25e) as platform costs amortise over a growing base of high-margin subscription sales, supported by deep up/cross sell opportunities & new product pipeline. ~\$40m net cash, buy-back commenced May'22.

**Well-established enterprise mining software servicing Tier 1 customer-base.** Premium software platform (~\$140m invested to date) with capability across the full mining lifecycle (from life-of-mine planning down to shift-level operations). Used by leading miners (e.g. RIO, BHP); OEM's (e.g. CAT); and contractors. Open architecture encourages data flow between other enterprise systems & stakeholders.

**Flagship product 'AMT' (asset management tool) is an industry-leading solution in its niche** and has been officially endorsed by Caterpillar. Mission-critical given maintenance can be up to 50% of total site opex.

**Revenue quality improving** with recurring subscription sales (>4yr avg. terms) rising from ~20% (FY21) to ~60% (FY25e) of Group sales. We assume ~2.5x uplift on maintenance to subscription sales conversion.

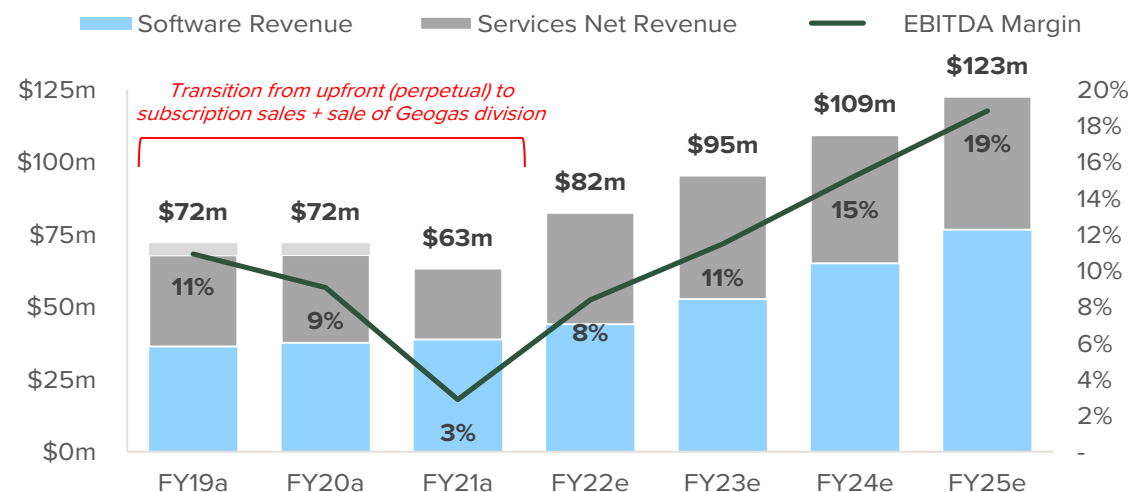
**Advisory segment enhances software distribution & product development.** Strong team of industry professionals (mining engineers; lawyers; finance professionals) working closely with end-customers, helps facilitate introductions; build ongoing relationships; and adapt software to latest needs.

**Growing ESG focus** following recent acquisitions in advisory + new emissions software applications.

**Software industry veteran CEO** with ~10yr tenure at RUL and career history of strong shareholder returns.

**Key risks:** Mining cycle downturn; competition; timing/size of maintenance to subscription conversion.

## Growing software mix driving margins



Investment Summary	
Rating	<b>BUY</b>
12mth Target Price	<b>\$1.94</b>
Last Share Price (21-Jul-22)	\$1.57
12mth Return	23%
Market Cap	\$374m
Net Cash	\$40m
Enterprise Value	\$334m

YE Jun (\$A)	FY22e	FY23e	FY24e	FY25e
Revenue	82	95	109	123
Revenue Growth	30%	16%	15%	12%
Gross Margin	51%	52%	55%	58%
EBITDA	7	11	17	23
EBIT	0	5	11	17
FCF	(0)	8	12	17
EPS (cents)	(0.28)	1.26	3.13	5.09
<b>Valuation</b>				
EV/Sales	4.1x	3.4x	2.9x	2.4x
EV/Software Sales	6.3x	5.0x	3.8x	3.0x
<b>EV/EBIT</b>	<b>na</b>	<b>70x</b>	<b>29x</b>	<b>17x</b>

## EV/FY25e EBIT Valuation

	FY22e	CAGR	FY25e	Comments
Total Software	44	20%	77	Maintenance to subscription @ 2.5x
Total Services	38	6%	46	
Total Revenue	82	14%	123	
Gross Margin est.	51%		58%	Software >80%, services 12-16%
EBIT	0		17	Leverage from software growth
EBIT Multiple			25x	Implies 4.8x FY25 Software Sales
Enterprise Valuation			437	
Plus Net Cash			60	at Jun'24, assumes no acquisitions
Equity Value			497	at Jun'24e
Equity / Share (EV/EBIT valuation)			1.88	PV for 12mth target
Equity / Share (DCF valuation)			1.99	PV for 12mth target
<b>Avg. Equity / Share (12mth target)</b>			<b>1.94</b>	

# FY25e Earnings Valuation

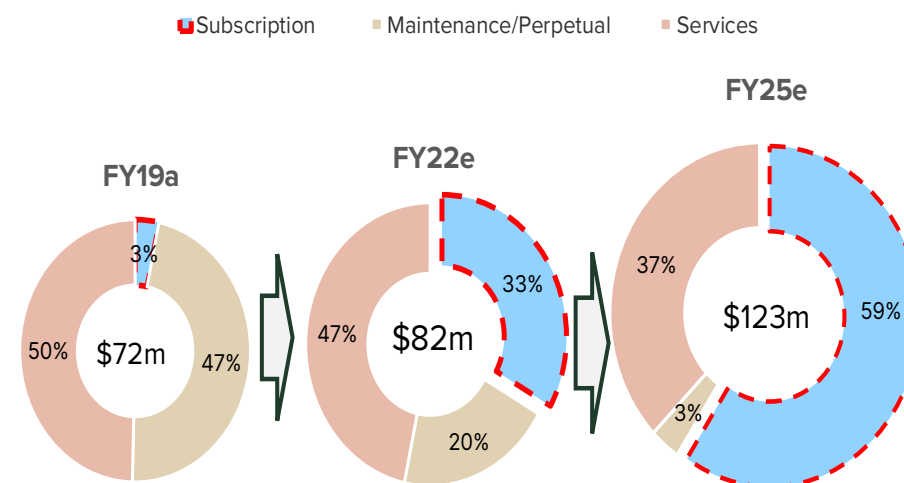
## Growing subscriptions sales will improve margins; earnings visibility; and profitability by FY25e

- We expect subscription sales (as % of Group sales) to grow from ~33% to ~60% (FY22-25e), lifting our estimate of gross margin from ~51% to ~58%.
- This implies ~\$46m of additional subscription sales between FY22-25e to be generated through:
  - **\$25-\$30m legacy maintenance to subscription sales conversion:** ~\$11m legacy maintenance sales converting into cloud subscription sales at a rate of ~2.5x. E.g. Teck resources upgraded from a legacy desktop solution to an enterprise cloud suite, with substantially higher annual sales.
  - **~\$10m upsell/cross sell to existing subscription customers:** Subscription base of existing customers growing at ~12% CAGR via both upsell (across more sites) and cross sell (into additional modules). E.g. potential for Rio Tinto to expand AMT from iron-ore sites into other commodity sites.
  - **<\$10m new wins:** RUL continues to add new logo's as it commercialises its growing product suite and capitalises on its cloud investments. New signings by year: FY19 (15); FY20 (28); FY21 (38).

## EV/FY25e EBIT Valuation

	FY22e	CAGR	FY25e	Comments
Subscription	27	39%	73	Maintenance sales converting to subscription at 2.5x; up/cross sell to existing base; new wins.
Maintenance	15	(36%)	4	
Perpetual	1		0	
Total Software	44	20%	77	
Total Services	38	6%	46	
Total Revenue	82	14%	123	
Gross Margin est.	51%		58%	Software >80%, services 12-16%
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<b>Avg. Equity / Share (12mth target)</b>			<b>1.94</b>	

## Group Sales Mix



# Company Snapshot

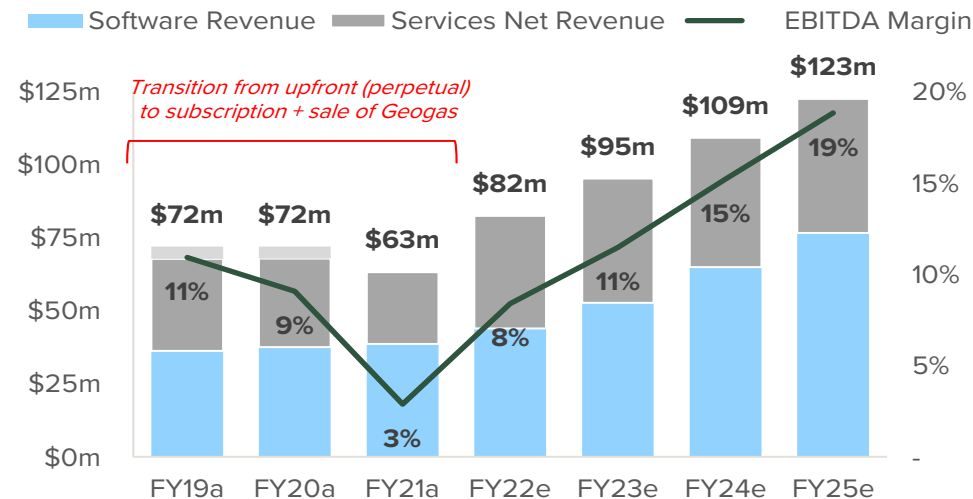
# Company Snapshot

Over decades, RUL has built a well-established reputation in software & advisory services for the global resources industry

## RUL Background



## Revenue & EBITDA Margin



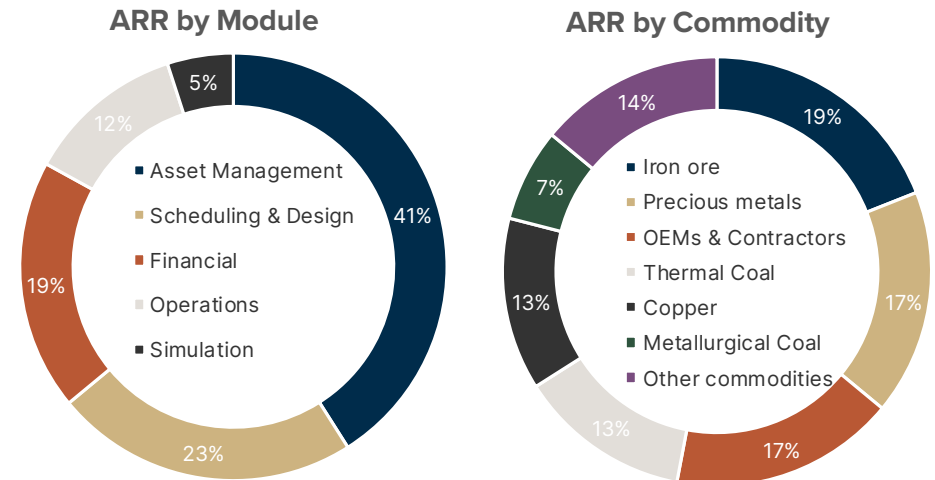
Sources: Company Presentations, MA Financial Research

MA Moelis Australia

## Customers (including Tier 1 miners and OEM's)



## Subscription Sales Breakdown



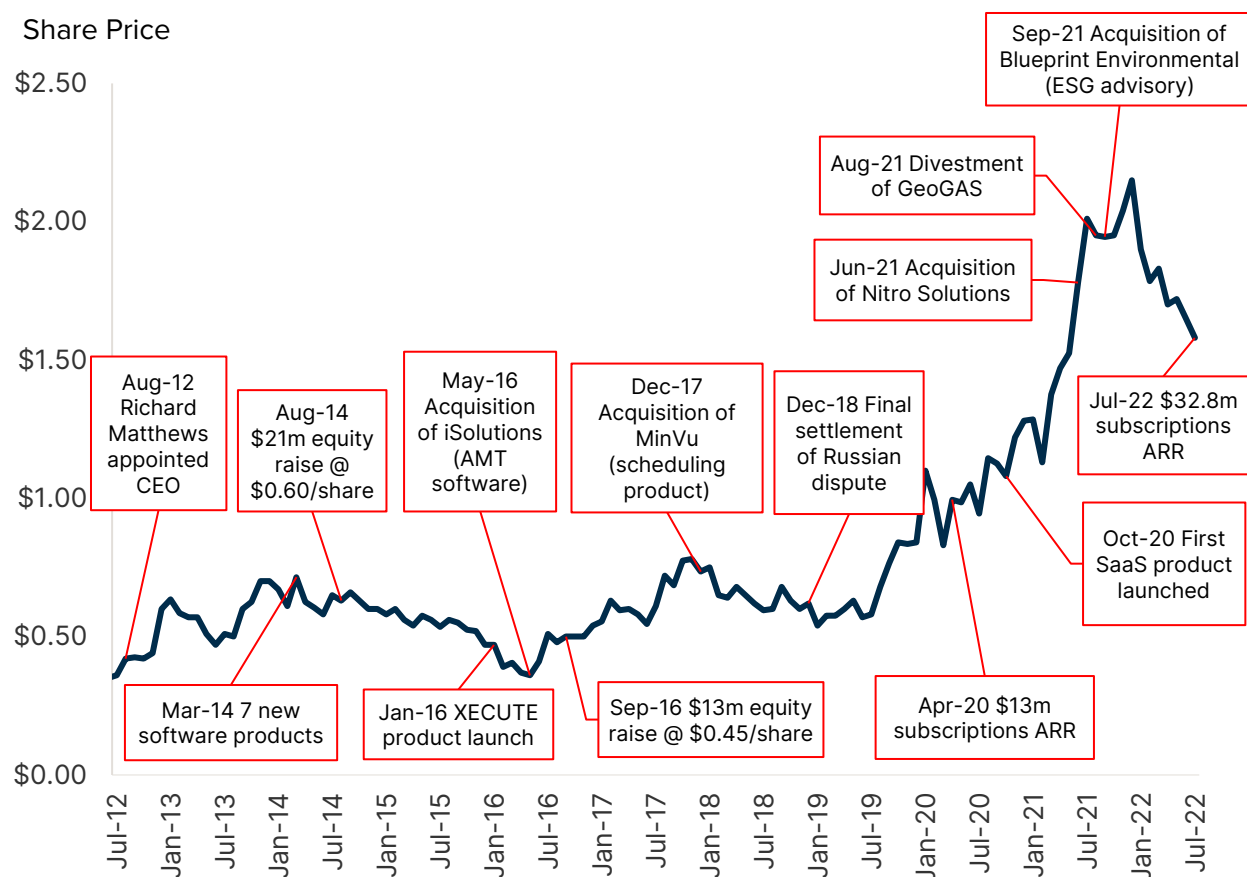
MA Moelis Australia is the advisory and equities division of MA Financial Group

# Company History

With origins dating back to the 1970's, RUL (formerly RungePincockMinarco) ASX-listed in 2008

- Runge Limited was originally founded by engineer & economist Ian Runge in 1977. The company developed original versions of its mining software solutions Xeras (finance) and XPAC (life of mine scheduling) in the 1980's. In the mid-2000's Runge acquired two mining consulting groups, Pincock and Minarco.
- Current CEO Richard Mathews was appointed in 2012. Mr Mathews was previously CEO of Mincom (who had attempted to buy-out RUL prior to IPO). Over his decade-long tenure, RUL has invested >\$140m into building its software offering which is currently used by the world's largest miners & OEMs.

## RUL Company History (post 2012)



## CEO Appointment 2012

**RUNGE LIMITED**  
(RUL)

**Annual General Meeting 2012**

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**Chief Executive Officer's Address**

Thank-you Allan.

It is great to be here today and have the opportunity talk to you as the company's new CEO. As you may know I am a substantial shareholder in the business having purchased all of my shares on market over the last 18 months so you can be assured that our interests are completely aligned.

My first introduction to Runge was when I was the CEO of Mincom, the country's largest software provider to the global mining industry. We actually tried to buy the business prior to the company's IPO in 2008.

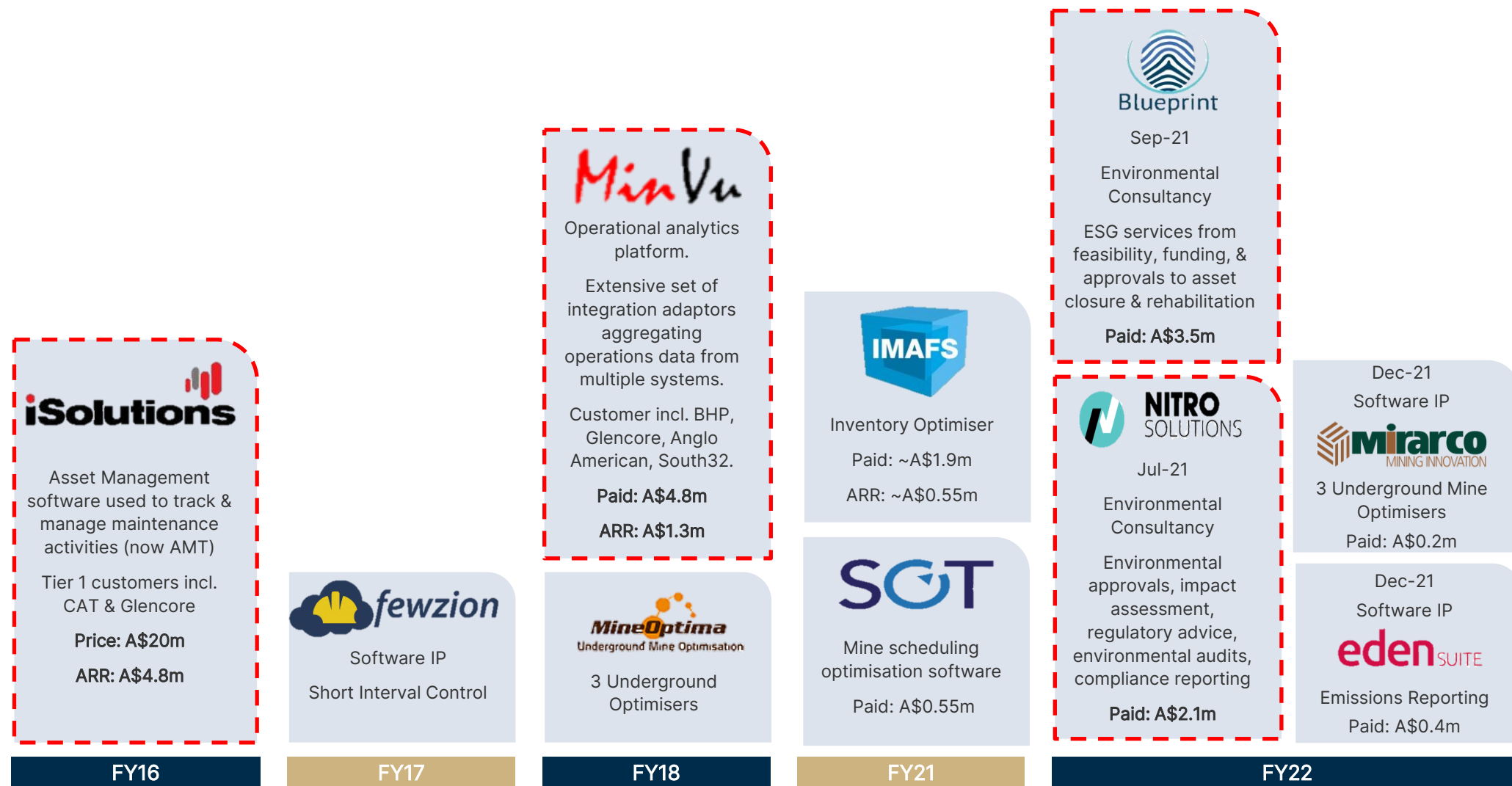
The reasons that I liked the company at the time (and still do) are because:

- It had a long history as a trusted advisor to the mining industry and its executives. Its people could really walk the walk and talk the talk.
- It had a competitive advantage that other pure software companies did not have – it worked directly with its customers in the mining space not just as a software provider but as an advisor which enabled it to develop a deep understanding of the customer's wants and needs which you cannot get from viewing the business from the outside.
- Its advisory team works closely with its customers to address and prepare for future changes in the industry, so again it really is a forward looking business which helps in terms of software development.



# Acquisitions (FY16-22)

RUL has broadened its product suite through point-solution acquisitions. RUL aims to enhance these products and accelerate their commercialisation via its well-established distribution.



Sources: Company Presentations, MA Financial Research



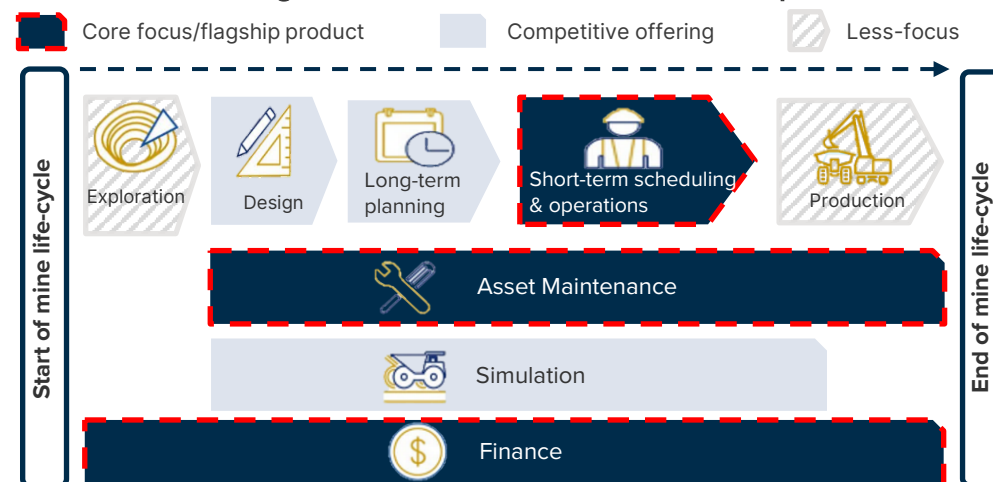
# Segment Overview

# Software Overview

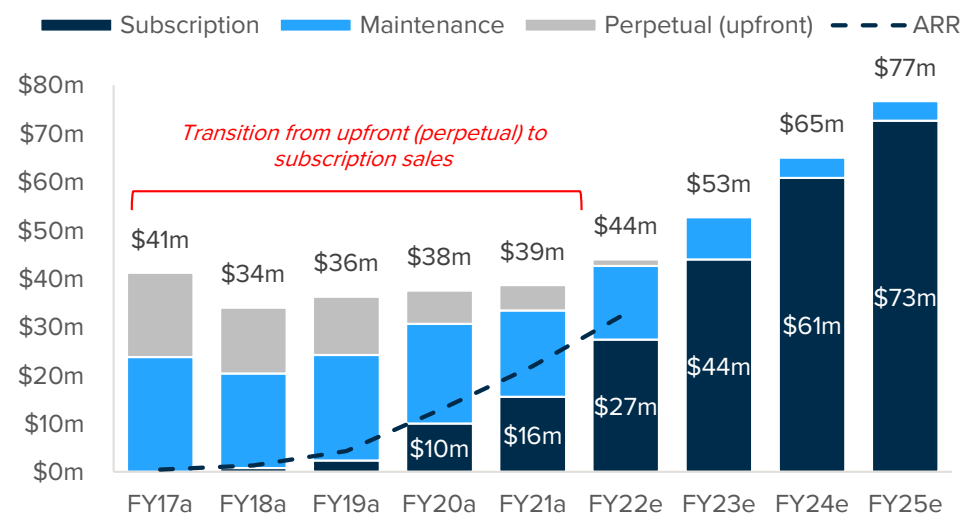
## Premium cloud-based enterprise software with broad capability across the mining lifecycle

- Platform comprises ~40 software modules across 8 product verticals.
- Pricing structures vary by customer; mine/asset size; and module but typically range from between ~\$50k (legacy desktop solution) up to ~\$2m (multi-module enterprise suite) per mine site per annum. Sales model has shifted from upfront perpetual & trailing maintenance to recurring subscriptions.
- Primarily off-the-shelf, straight-forward implementations with limited customisation (typically between ~2 weeks to 6 months).
- Capability across full mining lifecycle but with primary focus on the middle/operational phase (particularly short-term scheduling & asset maintenance). Applicable to most commodities (weighted to iron ore, precious metals and copper). Mainly used at surface but does have underground capability.
- Use open standards for easy integration with other enterprise systems, encouraging data share within a customer's organisation and across their stakeholders.
- \$140m invested to date with products having evolved from desktop to cloud-based enterprise solutions. SaaS enablement (live on 5 of 40 modules) will further increase the platform's efficiency/scale.
- RUL exclusively distributes its own software, but may use implementation partners.

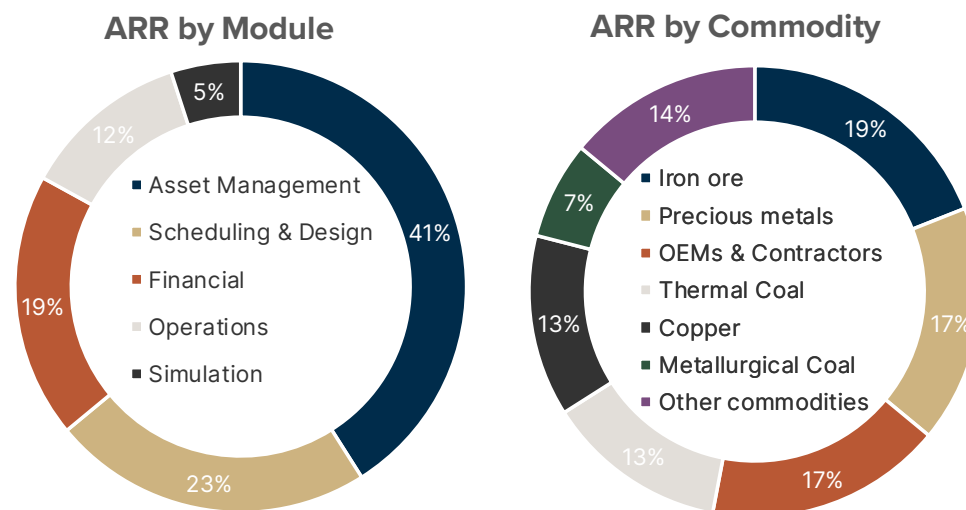
## End-to-End Mining Software (with focus on middle-phases)



## Software Revenue (excluding consulting/implementation)



## Subscription Sales (by module and commodity)



Notes: (1) Per Next DC June 2022 "Mining and exploration companies are only just starting to scratch the surface of innovation opportunities created from evolving cloud applications"

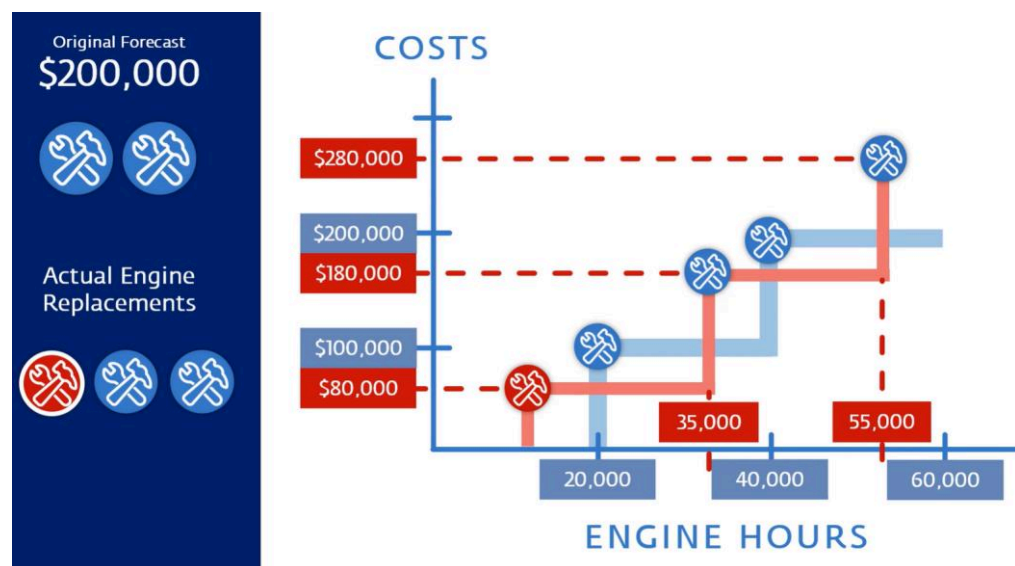
# Flagship Product: Asset Management Tool (AMT)

AMT is used to accurately track & forecast the maintenance costs of assets over their life cycle

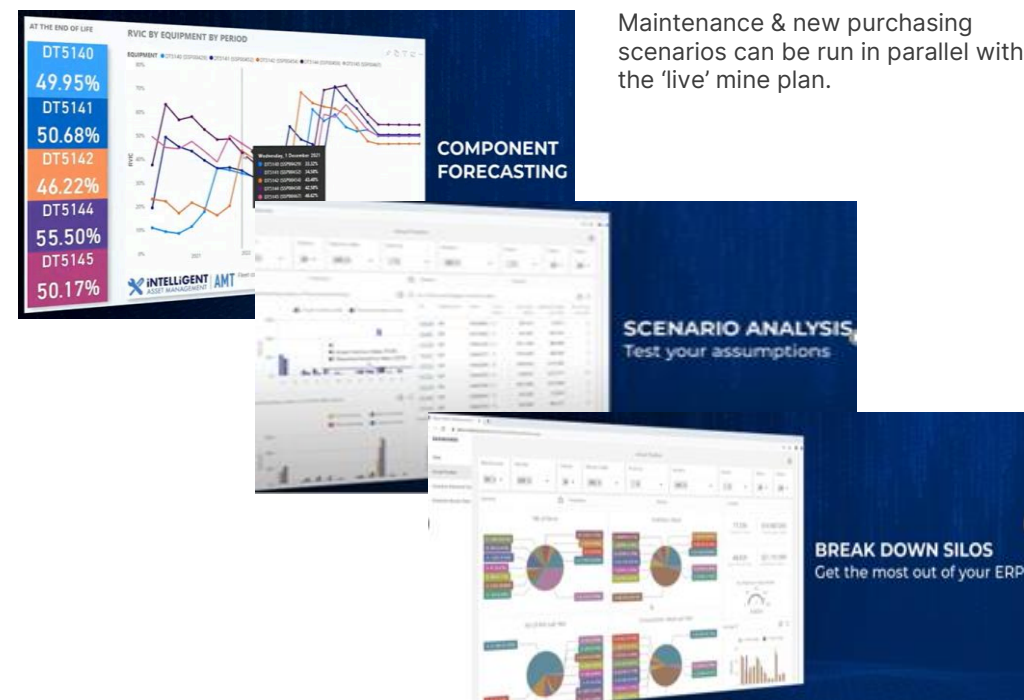
- AMT is RUL's **flagship product** (~40% of ARR). Industry channel checks plus recent marquee wins (incl. Rio Tinto) support AMT as the **category leader for maintenance software**.
- **Maintenance can comprise up to 50% of total mine operating cost** (and is often the most variable). E.g. CAT may sell equipment for \$1m with lifetime maintenance cost of ~\$3m.
- AMT tracks the usage & maintenance activities of assets on a mine site (down to potentially 1000's of individual components). The software can refresh the status of each individual asset on a daily-basis, providing an up-to-date picture of an asset's actual & forecast costs vs. budget (see dynamic lifecycle costing below). Reporting output is user-friendly & customisable, making variance investigation simple.
- **AMT's value proposition is to reduce maintenance cost & downtime by optimising future maintenance events.** This includes accurately forecasting when future maintenance events will occur for existing assets (ensuring efficient ordering of parts & labour); as well as producing 'return on investment' scenarios for whether an asset should be replaced or repaired (e.g with 3-year remaining mine life, would it make sense to keep running an old truck, which has suffered from abnormally high failures, or invest in a new one?)
- AMT uses open architecture to integrate with other enterprise systems (e.g. fleet management / GPS; ERP/finance tools; workflow management). Importantly, AMT can conduct **multiple scenario analyses independent of the 'live plan' being implemented across an ERP** such as SAP.
- AMT is **used by many of the world's largest miners (Rio, BHP, Glencore)**; mining contractors (NRW, Maca; THEISS); and OEM/dealers (Caterpillar; Komatsu; Hitachi). AMT has been **officially endorsed by CAT across its dealer network**. AMT provides OEM's like CAT good data & visibility into their customers equipment needs.
- Post-acquiring AMT from iSolutions in 2016, RUL has invested into the product's features & distribution, adding key customers (Rio & BHP, Hitachi) with scope for expansion.

## Dynamic Lifecycle Costing

AMT dynamically adjusts actual & forecast spend in the mine plan. In the below example a truck requires an extra engine replacement vs. original budget (~\$80k overrun).



## Module Features

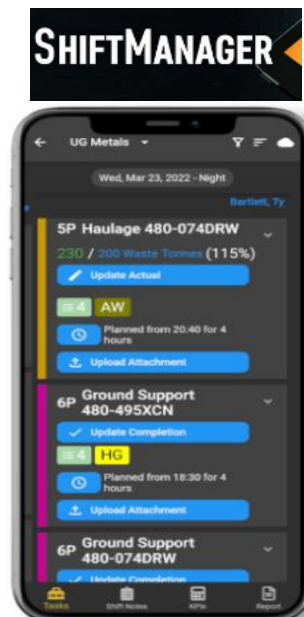
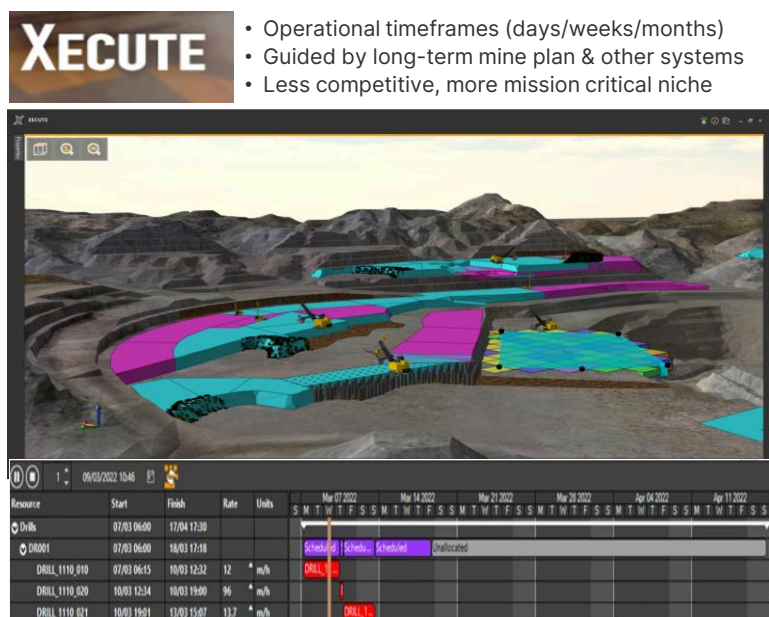
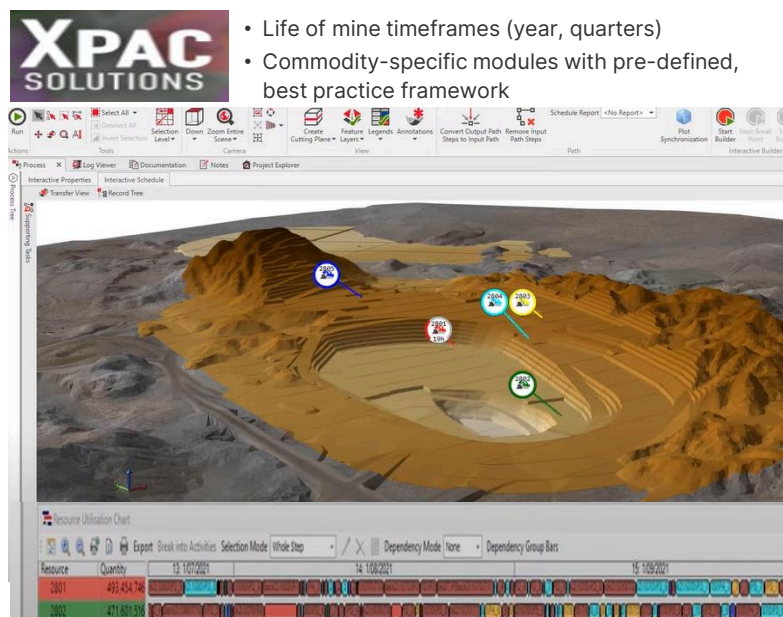


Sources: Company Presentations, MA Financial Research

# Scheduling / Operations Products

RUL's products assist mine planners across long-term (life of mine) to short-term (shift-level) timeframes

- RUL's main scheduling/operations products include **XPAC (long-term strategic planning)** and **XECUTE (short-term/shift level planning)**. XPAC is a long-standing product of RUL's which has evolved from a desktop product into a series of enterprise solutions tailored by specific commodity-type. Looking forward, RUL see the largest opportunity in XECUTE given shorter-term planning is less competitive and more mission critical (vs. long-term planning).
- 3D game-inspired, easy-to-use interfaces** include granular Gantt charts; and visual time-lapse walkthroughs of future planned activities. Commodity-specific workflows based on industry best practice are pre-defined, while dynamic product optimisation is also available (e.g. calculating the best area to excavate to achieve a specific ore grade/blend).
- Simultaneous multi-user functionality** allows for easier cross-departmental planning (e.g. drill planners in remote operations centres can work on the same model at the same time as on-site production planners). Open standards & API's facilitate simple integration with other enterprise systems and on-site data sources, allowing **data to easily flow into and out of the software (and up & down the mine planning lifecycle)**. Together, this enables continuous live planning to be undertaken.
- As an example, XECUTE can absorb information from: design tools (showing ore reserves qualities); fleet management / GPS systems (highlighting the ground that has already been drilled/blasted); and ERP's (showing financial budgeting) to help guide the time/people/tools required for next week's shifts. This short-term execution plan can then be fed back through the ERP (for work orders to be placed), as well as into XPAC to re-calibrate the long-term mine plan.
- Recent product upgrades made to XPAC/XECUTE are providing a significant catalyst for upsell/cross sell opportunities to existing customers. For e.g. **Teck Resources upgraded from low sales volume desktop XPAC solutions to the broader XPAC enterprise solution suite**; and are actively exploring other solutions such as XECUTE.



Sources: Company Presentations, MA Financial Research



# Other Products: Finance, Design, Simulation

RUL has a range of other competitive offerings covering the rest of the mining lifecycle

## RPMGLOBAL FINANCE

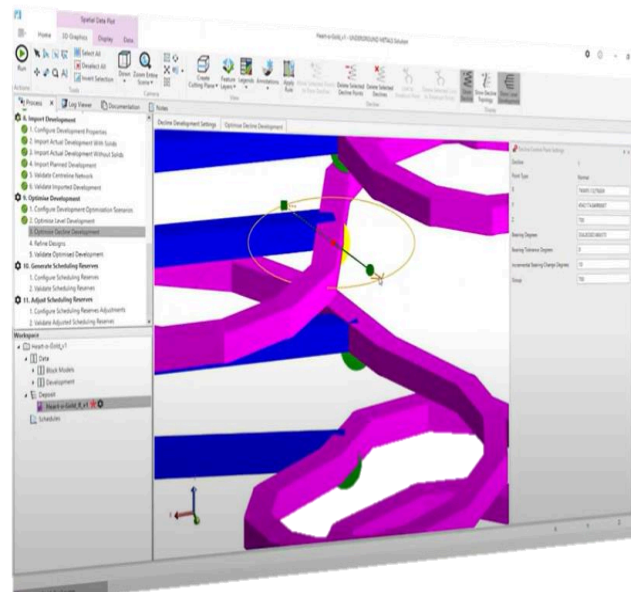
- Mining-specific financial planning module called 'Xeras'
- Zero-based budgeting
- Consolidation of multiple models
- Sensitivity analysis – testing assumptions
- Version comparison

## RPMGLOBAL DESIGN

- Parametric design
- Stope optimisation
- Integrated with most mine planning packages
- User-driven interface
- Scenario analysis

## RPMGLOBAL SIMULATION

- Create a digital twin of a mine operation
- Above or underground simulation
- Forecast productivity fuel usage & downtime using trusted travel time calculations
- Electric haulage modelling Largest publicly available equipment



Sources: Company Presentations, MA Financial Research

MA Moelis Australia

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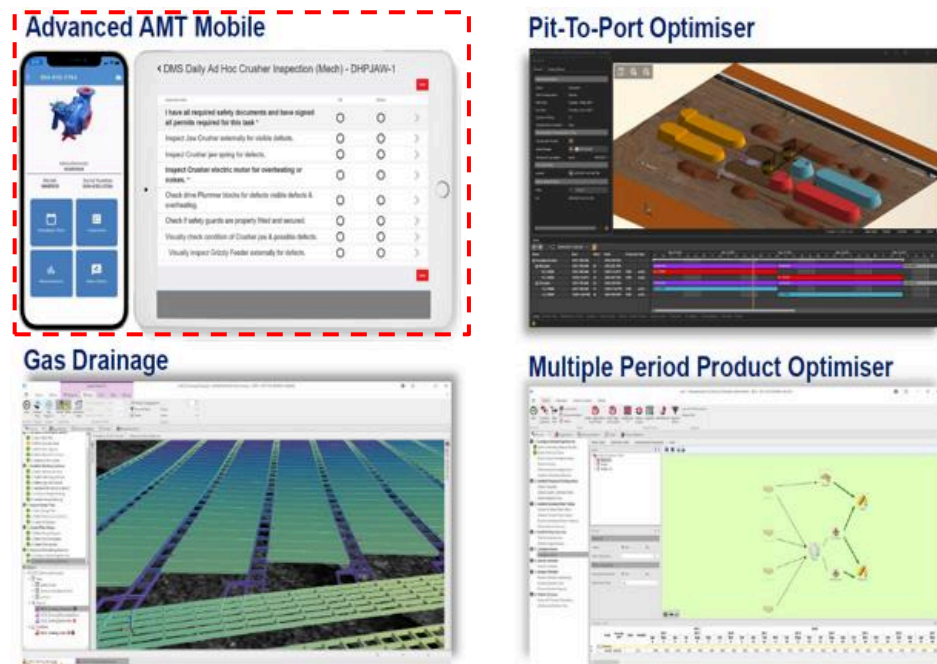
# New Product Releases

RUL's product development is often customer-led, with subsequent pilot programs preceding a wider launch

At its February 2022 result, RUL noted they expect each of the new software products launching CY22 to provide "meaningful sales revenue" in the future. We see the largest potential in the AMT mobile product, given it can be sold into the existing AMT customer base; but also offered to non-AMT customers using SAP.

- **Advanced AMT Mobile** offers a mobile application for recording real-time updates to work; safety; and inspection activities, replacing relatively manual paper or excel-based processes that technicians currently use. The application is built on Google Flutter (supports Apple & Android) and will feature bi-directional real-time integration with SAP & AMT. Following current pilot testing with a tier 1 miner, we expect broader commercialization to commence in 2023.
- **Enterprise Optimiser** performs high-throughput calculations (on particular sections of the mine plan) to determine the optimal NPV for complex projects, based on a network of mines & supply chains.
- **Emissions manager** automates capture of emissions data and produces streamlined National Greenhouse & Energy compliant reports.
- **Underground gas drainage** incorporates gas drainage considerations into the mine design and production schedules for underground coal customers.
- **Pit-to-port optimiser** aims at finding the most efficient flow of materials from multiple sites through to the port. Incorporates data from external sources including rail schedules, shipping schedules, and inventory management systems. We expect broader commercialization in FY24e+.

## Software Releases CY22



## New Product Adoptions (Jul'21 – Feb'22)



Sources: Company Presentations, MA Financial Research

# Advisory Segment

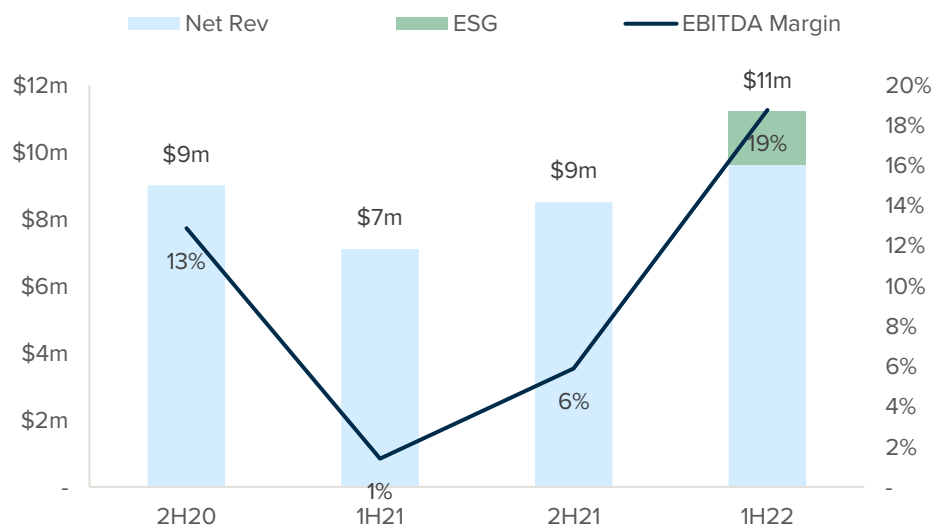
RUL delivers a broad range of advisory services to miners and financiers across the world

- RUL's advisory division comprises a >100 headcount mix of **engineers; geologists; lawyers and financial consultants** that deliver services spanning the full mining lifecycle.
- Key services include: geological modelling/resource definition; project feasibilities; valuation appraisals/M&A due diligence; experts witness/legal reports; ESG advice/impact assessment.
- Strong reputation in M&A/financier due diligence**, having supported banks; private equity; & sovereign funds in ~\$60bn equity transactions; \$15bn M&A deals; \$6bn debt financings.
- Growing presence in ESG** services following 2 acquisitions in FY22 (see overpage).
- Divisional performance has rebounded post the Covid malaise**, with revenue per employee (\$150k) exceeding pre Covid levels, and a strong pipeline as at 31 Dec'21.
- Inherently cyclical with **EBITDA margins typically fluctuating between ~5-20%** depending on activity levels. Our estimates assume ~3% revenue growth p.a. (mostly driven by ESG services) with EBITDA margins between ~12-15%.



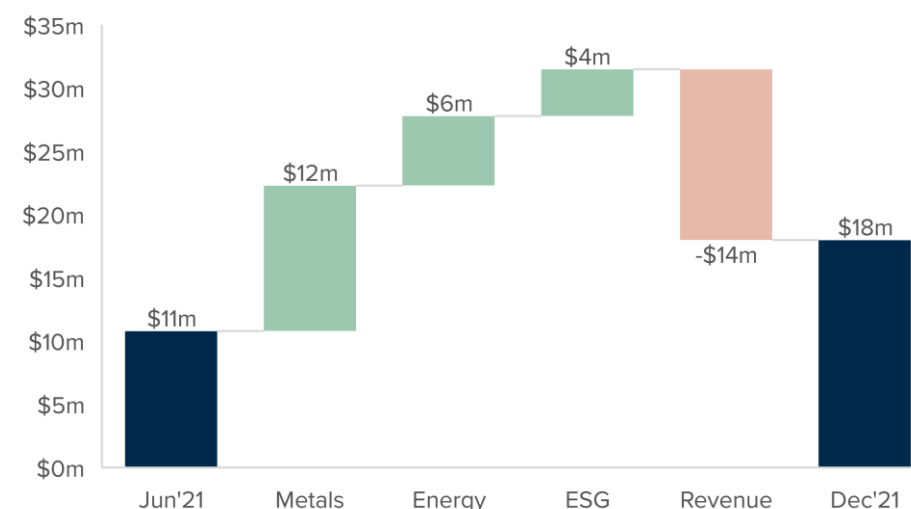
## Advisory Revenue & Margin

Advisory revenue per employee has increased from \$132k (2H20) to \$152k (1H22)



## Pipeline / Backlog

Advisory pipeline has been strong, with an increasing contribution from ESG.



Sources: Company Presentations, MA Financial Research



# ESG Presence

## RUL's advisory & software solutions assist mining companies navigate increasing ESG requirements on the path to net zero

- RUL has stated its intention to grow its ESG advisory & software divisions to service growing demands from its customer base.
- EY's 2021 annual survey of mining executives identified ESG risk as the number one risk facing global miners; further a 2020 survey by Deloitte Insights found that ~70% of energy and resources executives who reported that their company had a sustainability strategy in place cited **digital technologies as a key enabler**.
- RUL advises on ESG-compliance at each stage of the mining lifecycle from: exploration/approval (environmental impact assessment; community engagement; meeting financier standards to ensure a project is 'investor-ready'); to operations (ongoing audits/reporting); through to rehabilitation/closure requirements.
- These services are being complemented by RUL's growing environment management software suite with use cases including: tracking real-time emissions data; reporting historical greenhouse gas emissions (scope 1, 2, and 3); and conducting emissions simulation (battery electric, hydrogen, and hybrid vehicles).
- During FY22, RUL undertook a series of ESG-related acquisitions and divestments including:
  - Acquired Nitro Solutions (Jul-21 for \$2.1m)
  - Acquired Blueprint Environmental Consultancy (Sep-21 for \$3.5m)
  - Acquired Eden Suite (EmissionsManager) an emissions reporting & data management software product (Dec'21 for \$0.4m)
  - Divested its coal gas testing business GeoGAS (Aug-21 sold for \$0.5m via MBO) after it was deemed inconsistent with RUL's ESG strategy.

### RUL ESG Advisory Services



#### Environment

Incorporating the site-specific nature of the environment you operate and your current sustainability practices.



#### Stakeholders & community

Ensuring all the engagement you undertake is consistent and captured by your systems.



#### ESG drivers

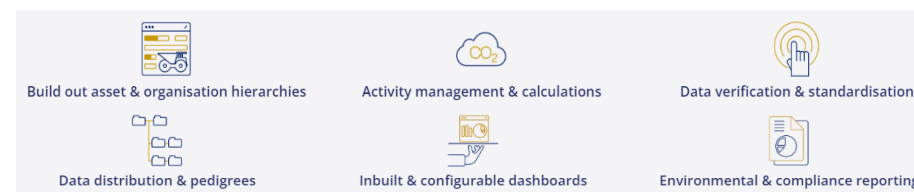
Understanding your drivers for taking the next steps on your ESG practices. This considers the jurisdiction in which you operate and your investment portfolio.



#### Frameworks

Identify a guidance framework such as Equator Principles, UN Sustainable Development Goals or the like to suit your objectives and develop a tailored plan to establish the best way forward.

### SaaS Emissions Manager (acquired Dec'21)



Sources: Company Presentations, MA Financial Research, EY, Deloitte

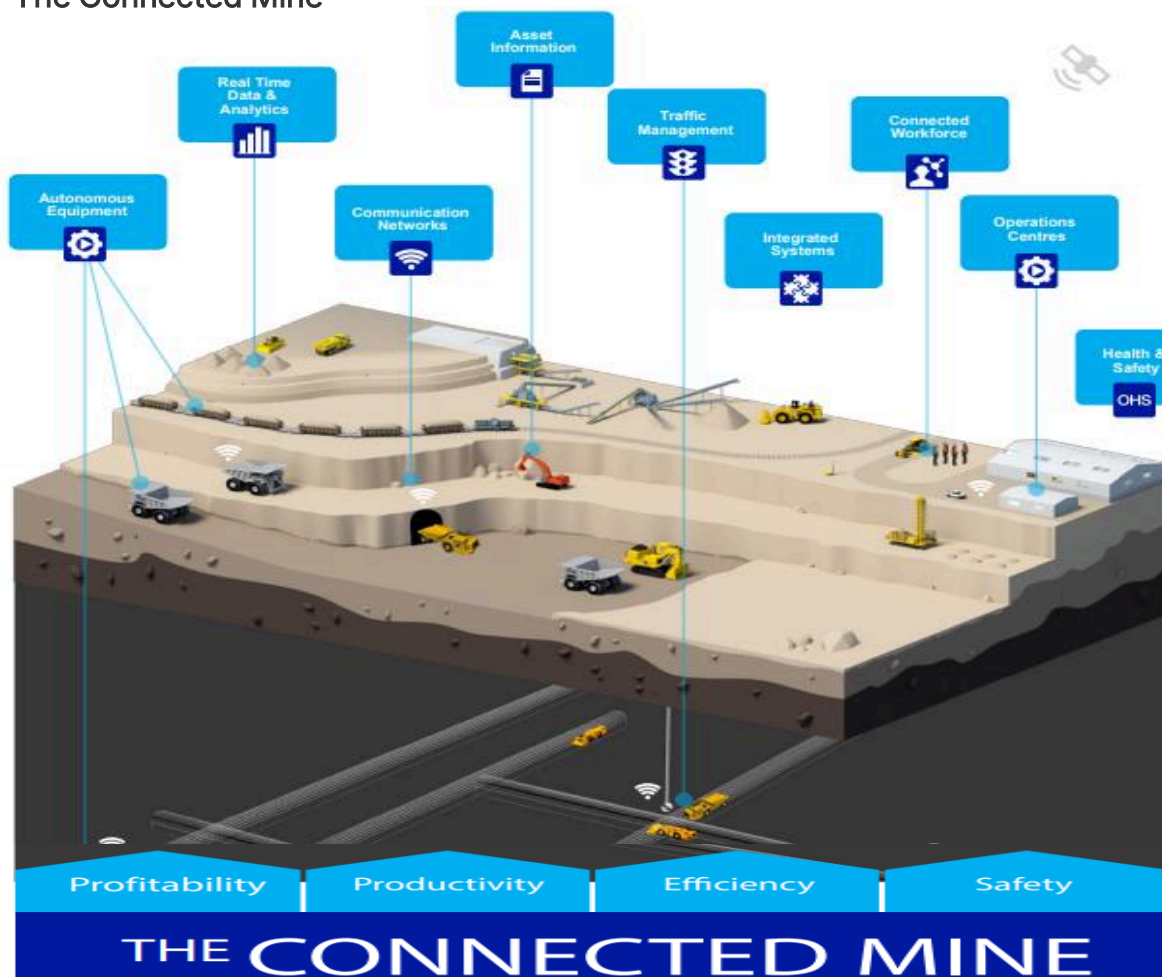
# Industry Overview

# Digitisation of Mining

The mining industry is still early in its adoption of cutting-edge cloud-based enterprise software solutions. Many processes remain manual/paper-based or conducted via excel/legacy in-house solutions

- We have not come across reliable estimates for an industry TAM. However, the industry is clearly a large, high-growth vertical given the volume of annual mining capex; and secular trends pushing miners & OEM's towards mine digitisation. As a rudimentary estimate of the addressable market: there are ~6,000 active mine sites globally, applying an arbitrary ~\$250k average software opportunity for RUL per site would imply an addressable global market of approximately ~\$1.5bn p.a.

## The Connected Mine



**"Digitising the mining process** changes it from a manual, paper-based operation to a digital platform that incorporates siloed systems, automation [and] AI to streamline operations and significantly improve business outcomes." **RCT Global**



**"Mines of the future taking shape in the present"** "Mining companies are only just starting to scratch the surface of innovation opportunities created from evolving cloud, core & edge applications....real-time data analytics are [driving] continual improvement of critical metrics: safety, productivity, cost reduction & environmental gains"

NextDC Jun'22

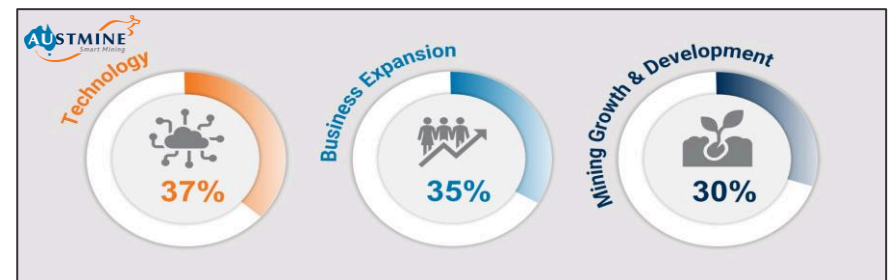


**"Teck's technology transformation expected to generate \$1.1bn in benefits p.a"** "Mine optimization - \$450m: Leveraging data, machine learning and digital applications has increased truck productivity by 10%, reduced drilling and fuel costs"

"Integrated Operations and Maintenance - \$150m: Digital planning applications that better connect operations with logistics teams have reduced costs and maximized throughput. Predictive maintenance enabled by equipment sensors has reduced equipment downtime and operational interruptions across all sites."

**Teck**

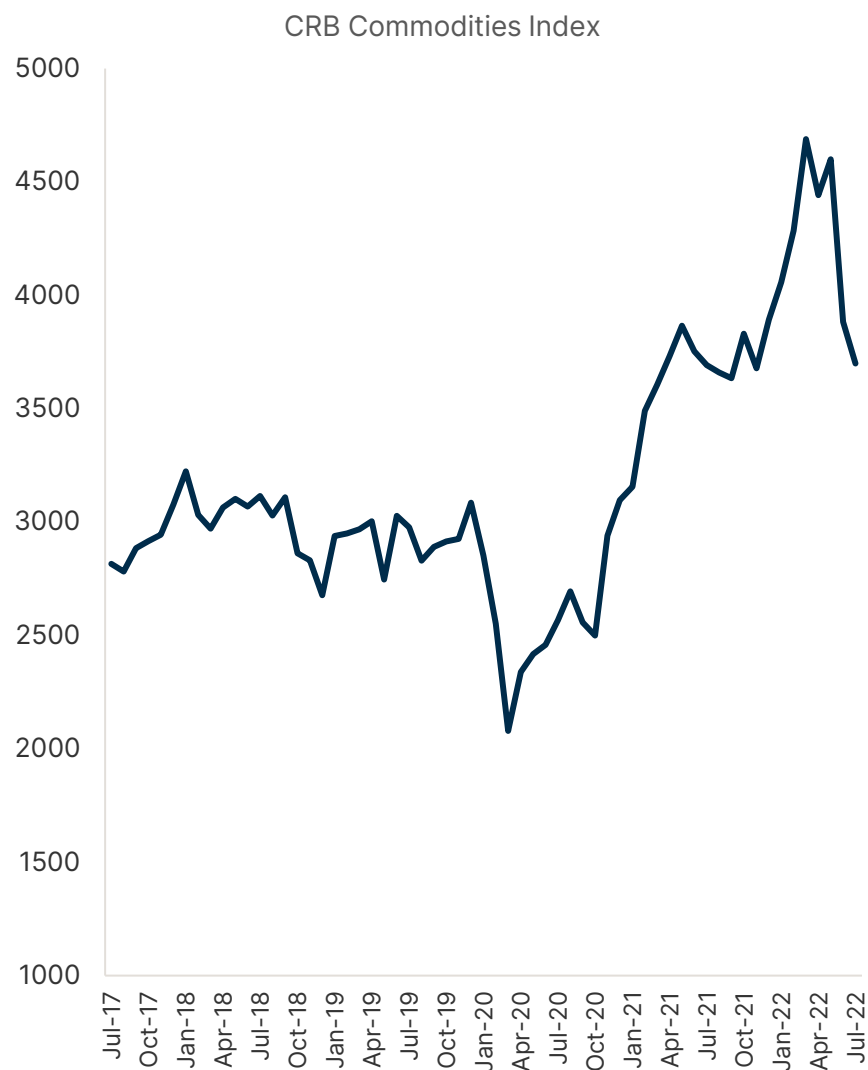
37% of mining executives stated technology as their top opportunity (Austmine 2020)



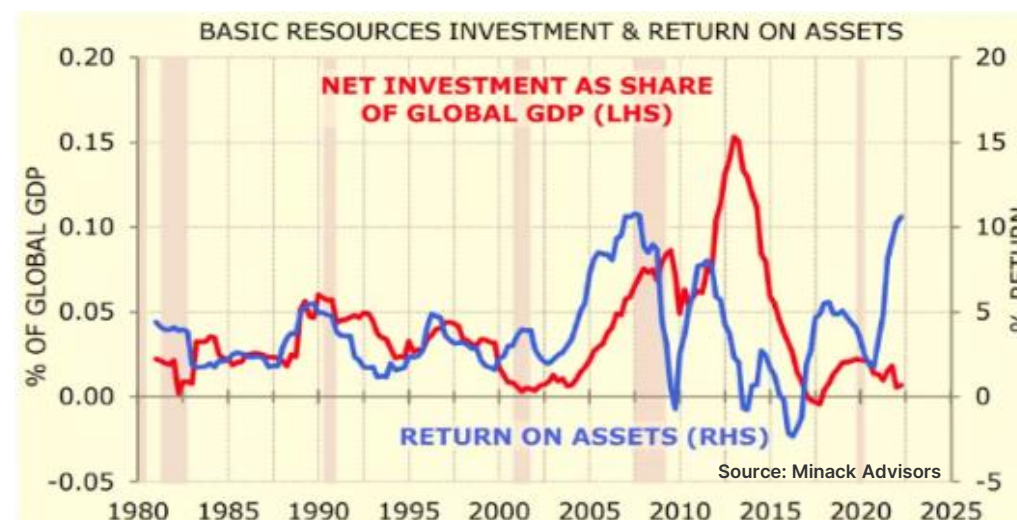
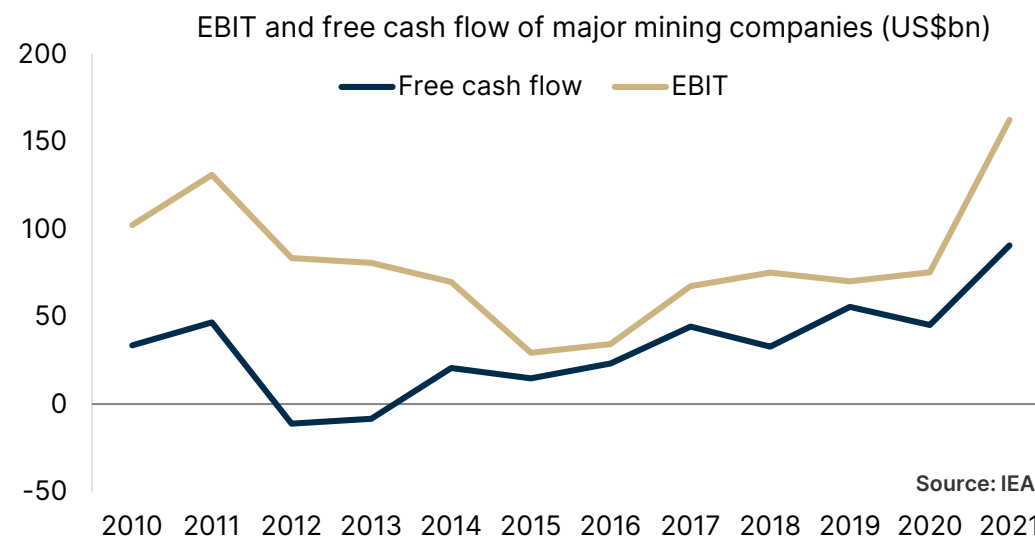
Sources: Deloitte, EY, SAP, Austmine, RCT Global, NextDC, IFS, McKinsey, Active mine site data: <https://www.nature.com/articles/s41597-020-00624-w>.

# Macro Backdrop (1/2)

Commodity prices have recently pulled back (creating some cyclical risk)...



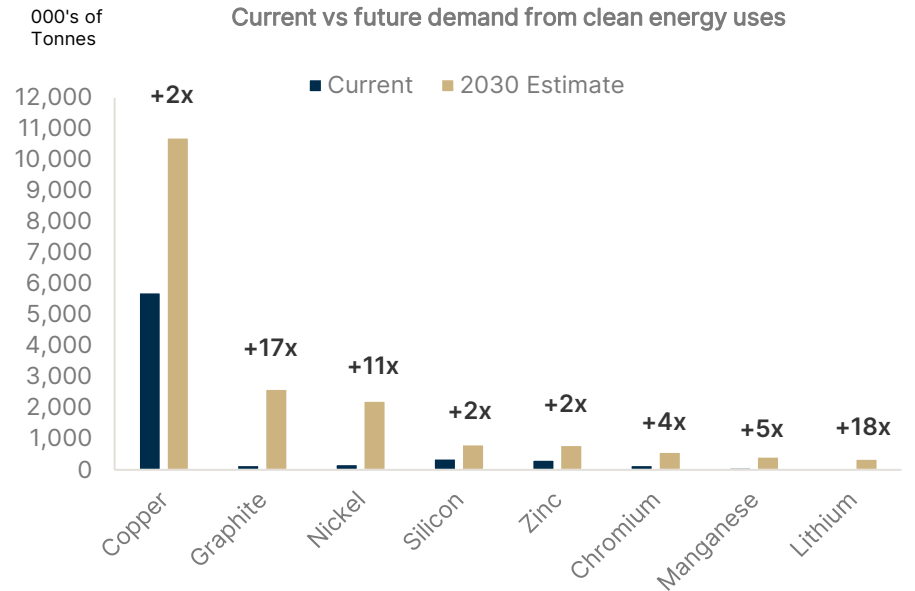
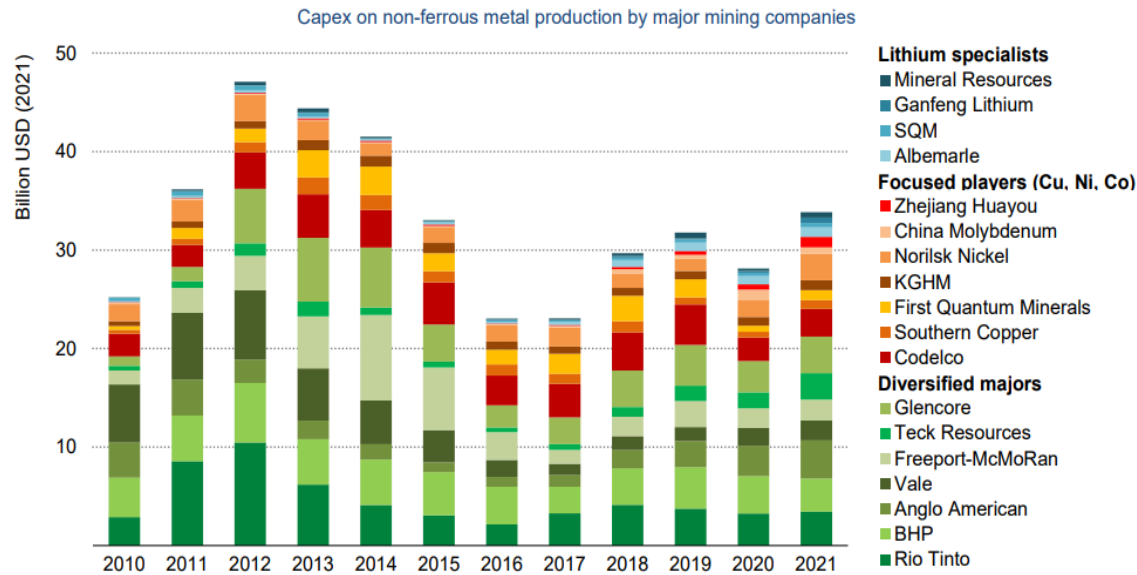
....cash positions of mining companies have improved following a period of higher returns and investment discipline



Sources: International Energy Agency (IEA), CRB Index, Minack Advisors, MA Financial Research

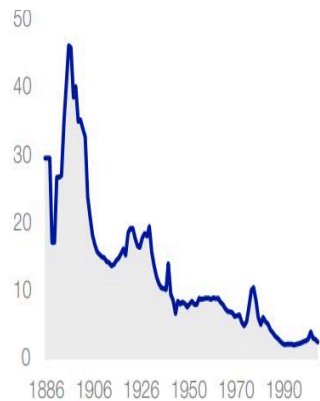
# Macro Backdrop (2/2)

...with incentives to invest to meet clean energy demands

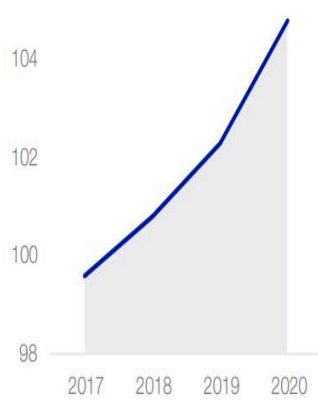


....while also searching for efficiencies due to grade declines & rising labour/input costs (gold example below)

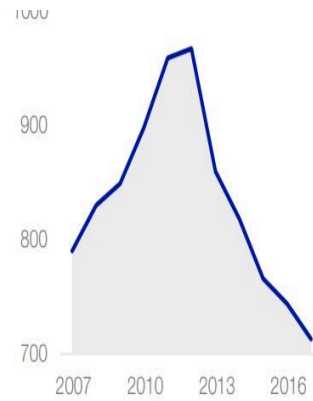
Declining Ore (AU)  
Grade Quality (g/t) - WA<sup>2</sup>



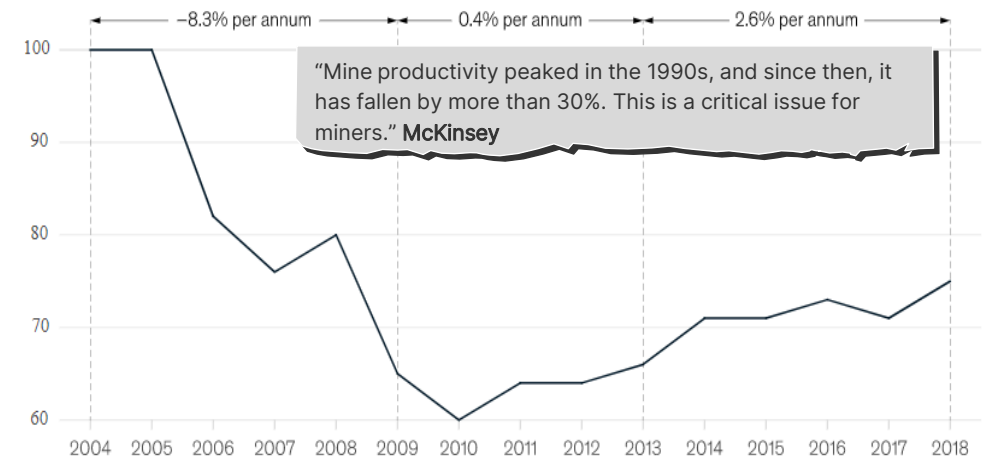
Rising Labour Costs  
(Points) - AU<sup>3</sup>



Declining Reserves  
(Au mn oz)<sup>4</sup>



Mining Productivity<sup>1</sup> Index, 2004 = 100



Sources: Company Presentations, MA Financial Research, IEA, McKinsey, RCT Global, Quantum Energy Partners. Note: (1) McKinsey's Mining Productivity Index (MPI) is a cross-commodity index designed to give insights into the industry's main productivity drivers: how much total material (ore and waste) is being moved by using what level of resources



# Mining Software Market

The mining software industry is highly fragmented, ranging from point-solution specialists to industry-agnostic ERP's. Recent high-volumes of M&A activity have been driven by large software players and OEMs looking to consolidate.

## Mining Software Peers

Company	Description
 <b>Deswik</b>	Founded 2008 in Australia, acquired by Sandvik in April'22. A global-leader in mine planning & design software (early-phase of mining lifecycle); strong position in underground hard rock mining, tier-1 customer base with low churn. Offers advisory services. ~45% recurring revenue. <b>Size:</b> ~\$80m sales; 30% EBITA; 60 countries, +10k software licenses
 <b>DATAMINE</b>	Founded 1981 in Australia, acquired by Canada-based software roll-up Constellation Software (TSX:CSU, Mcap \$40bn) in 2015; likely one of the largest global specialists in the mining vertical. Core offerings are at earlier phases of the mining lifecycle (competing more closely with Deswik) across exploration, geological data, resources & reserves, underground & open pit planning, operations, supply chain. Offers advisory services. <b>Size:</b> 500 experts; 20 countries; >100 customers.
 <b>micromine</b>	Founded in WA 1986; majority private equity owned today. Full mine lifecycle software from exploration & resource evaluation, data mgmt., mine planning & design, scheduling, fleet mgmt. , and production; Offers advisory services. <b>Size:</b> 22 offices globally, footprint 90 countries, >50 active mine sites, customers include BHP, FMG, MIN, AGG, MLD, NCM.
 <b>HEXAGON MINING</b>	Swedish-based (STO:HEXA-B, Mcap SEK290b) industry agnostic provider of sensor, software & autonomous solutions. Launched mining division in February 2015. Highly acquisitive. <b>Size:</b> 22,000 employees; 50 countries; ~800 employees in mining division.
 <b>DASSAULT SYSTEMES</b>	Founded 1982, French-listed (EPA:DSY, Mcap €50b) industry agnostic provider of 3D product design, simulation & manufacturing software. Operates a mining software division for geologists/engineers with capabilities including mine planning & design; scheduling; and production. <b>Size:</b> >10k employees, ~A\$8bn sales p.a, listed with >A\$70bn MC
 <b>IFS</b>	Sweedish-based; ERP & Asset Maintenance solutions for the aerospace & defense, construction & engineering, energy, utilities, & resources, and manufacturing industries. <b>Size:</b> >4,500 employees, 50 countries.
 <b>DINGO</b>	Founded 1991 in Australia; has an asset maintenance software product for mining, wind, oil and gas customers. <b>Size:</b> >60 employees.
 <b>MAPTEK</b>	Founded 1981 in Australia; software capabilities across exploration & geology, planning & design, operations & production <b>Size:</b> 300 staff; ~15 global offices.

## M&A Transactions

Date	Acquirer	Vendor	Description	Price
Apr-22	 <b>SANDVIK</b>	 <b>Deswik</b>	Deswik: Strong position in planning/design for underground	\$750m, ~9.5x sales
Jan-22	 <b>HEXAGON MINING</b>	 <b>minnovare</b>	Minnovare: hardware & software to improve drilling efficiency/productivity	Unknown
Sep-21	 <b>micromine</b>	 <b>micromine alastri</b>	Alastri: Scheduling software, strong in open pit metals	Unknown
Jun-21	 <b>micromine</b>	 <b>PRECISION MINING</b>	Precision Mining: Strong scheduling product 'Spry'	Unknown
May-21	 <b>Epiroc</b>	 <b>MineRP</b>	MineRP: Full lifecycle mining software & consulting. Epiroc: "This acquisition fits [our] focus on <b>supporting mining companies on their digitalization journey</b> . The combination of MineRP's platform capabilities with Epiroc's digital solutions, partners and global presence has the potential to transform the way that mines operate."	~A\$90m ~4.5x sales
Mar-21	 <b>Bentley</b>	 <b>SEEQUENT</b>	Seequent: Geological modelling core product called Leapfrog. Tier 1 customer base; 430 employees, 16 offices, 100 countries.	~US\$1bn
Jul-15	 <b>CONSTELLATION SOFTWARE INC.</b>	 <b>DATAMINE</b>	Strong software offering for early-phases of mining lifecycle. CSU has made over 500 acquisitions since 1995, with Datamine marking its entry into mining software in 2015.	Unknown

# Financials



# P&L

## Revenue & margin growth to accelerate having re-based under subscription sales model

### P&L

YE Jun (\$A)	FY19a	FY20a	FY21a	1H22	2H22	FY22e	FY23e	FY24e	FY25e	22-25 CAGR
<b>Key Metrics</b>										
ARR	4	13	22	27	33	33	48	68	79	
TCV	10	36	66	79	96	96	-	-	-	
TCV (new sales)	10	35	48	24	32	56	-	-	-	
<b>P&amp;L</b>										
Subscription	2	10	16	12	16	27	44	61	73	
Maintenance	22	21	18	9	7	15	9	4	4	
Perpetual (upfront)	12	7	5	1	0	1	-	-	-	
Software Revenue	36	38	39	21	23	44	53	65	77	20%
Consulting/Implementation	11	10	9	5	6	11	13	14	15	
Advisory	21	20	16	11	16	27	30	30	31	4%
Services Net Revenue	32	30	25	17	22	38	43	44	46	6%
Other Income (incl. GeoGas)	4	4	-	-	-	-	-	-	-	
<b>Group Net Revenue</b>	<b>72</b>	<b>72</b>	<b>63</b>	38	44	<b>82</b>	<b>95</b>	<b>109</b>	<b>123</b>	<b>14%</b>
Growth	(2%)	0%	(12%)	30%	31%	30%	16%	15%	12%	
Software Share	50%	52%	61%	56%	51%	53%	55%	59%	63%	
Development Expenses	(13)	(12)	(13)	(7)	(8)	(15)	(17)	(20)	(21)	
Other Expenses	(51)	(54)	(48)	(27)	(33)	(60)	(67)	(73)	(78)	
<b>Expenses</b>	<b>(64)</b>	<b>(66)</b>	<b>(61)</b>	<b>(34)</b>	<b>(41)</b>	<b>(76)</b>	<b>(84)</b>	<b>(93)</b>	<b>(99)</b>	<b>10%</b>
<b>EBITDA</b>	<b>8</b>	<b>7</b>	<b>2</b>	3.9	3.0	<b>6.9</b>	<b>11</b>	<b>17</b>	<b>23</b>	<b>49%</b>
EBITDA Growth	76%	(17%)	(72%)			281%	58%	52%	39%	
EBITDA Margin	11%	9%	3%			8%	11%	15%	19%	
D&A	(7)	(7)	(7)	(3)	(4)	(7)	(6)	(6)	(6)	
<b>EBIT</b>	<b>0</b>	<b>(0)</b>	<b>(5)</b>	1	(1)	<b>0</b>	<b>5</b>	<b>11</b>	<b>17</b>	
Net Interest	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
Tax	(8)	(1)	(1)	(1)	-	(1)	(1)	(3)	(5)	
<b>NPAT</b>	<b>(7)</b>	<b>(1)</b>	<b>(6)</b>	0	(1)	<b>(1)</b>	<b>3</b>	<b>7</b>	<b>12</b>	
EPS (cps)	(2.89)	(0.37)	(2.62)	0.05	(0.33)	(0.28)	1.26	3.13	5.09	
FCF	6	11	4	(10)	10	(0)	8	12	17	

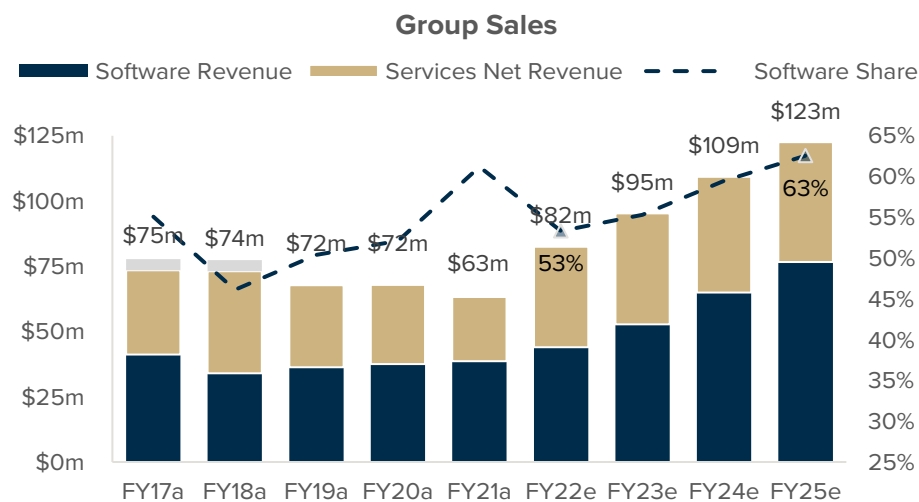
### Key Takeaways & Assumptions

- **Software CAGR of 20% (FY22-25E) based on:** maintenance to subscription conversion at ~2.5x multiple; up & cross sales to existing subscription customers; new wins.
- **Services CAGR of 6% (FY22-25E)** supported by additional ESG-related work in advisory; and ongoing software implementations associated with new subscription deals.
- **Software gross margin** assumed to rise from ~81% (FY22e) to ~84% (FY25e) as subscription sales scale (incl. SaaS). Separately, we assume a 15% margin for software consulting (implementation).
- **Advisory EBITDA margins** of ~16% over short-term, trending to ~13% longer-term. Higher activity levels post Covid + higher-margin ESG revenues should support a sustainably higher margin vs. FY19-20 average of ~13%.
- **Group EBITDA CAGR of ~49% (FY22-25e)** as operating leverage increases from: high-margin subscription sales; and bonus target levels being reset higher.
- **2H FY22e EBITDA below vs. 1H** due to assumed increases to headcount; elevated sales bonuses and write-off of residual Russian exposure.
- **Revenue visibility improving** from subscription sales (4yr terms); low churn (we estimate <5%); sales diversified by customer; product; geography (largest weightings: AUS 35%; US 32%).
- **Conservative accounting** with all R&D expensed. Foreign currency exposure is primarily unhedged USD.

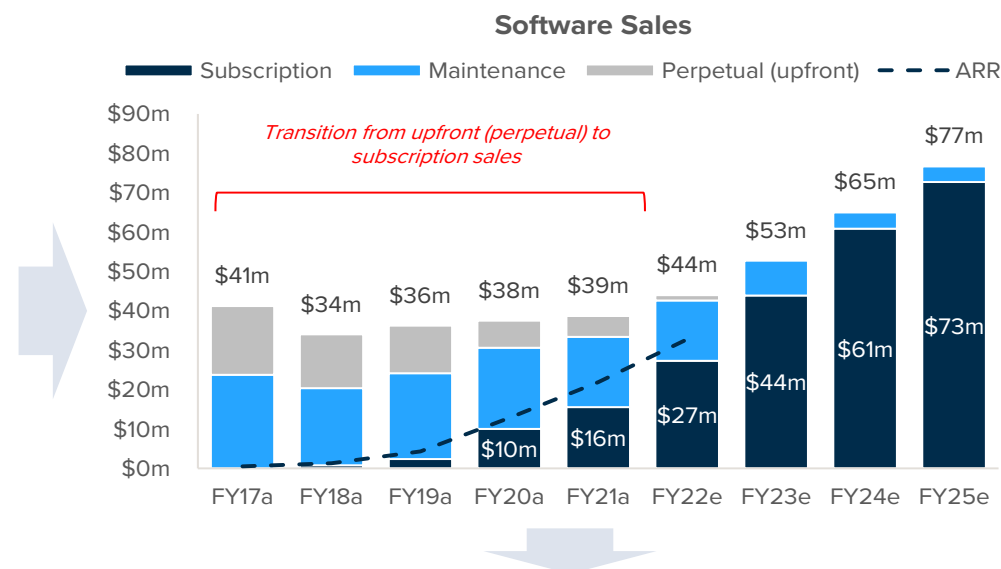
Notes (1) Estimates exclude government subsidies FY20 (\$1.8m); FY21 (\$3.7m); 1H FY22 (\$1m); (2) GeoGas division sold in Aug'21 for

# Sales & Margin Profile

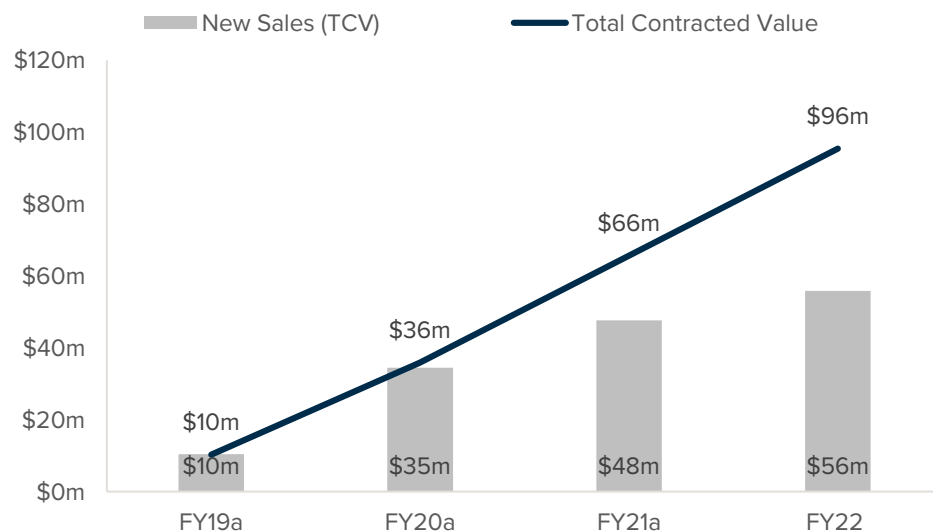
Group sales shifting towards software....



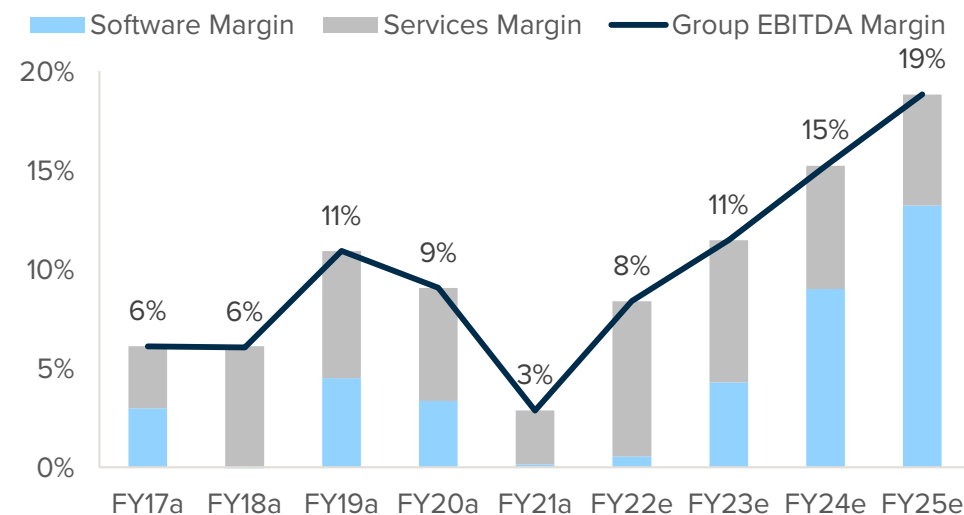
...and rebasing under subscription model



...and greater earnings visibility (longer contract terms)



...driving higher EBITDA margins



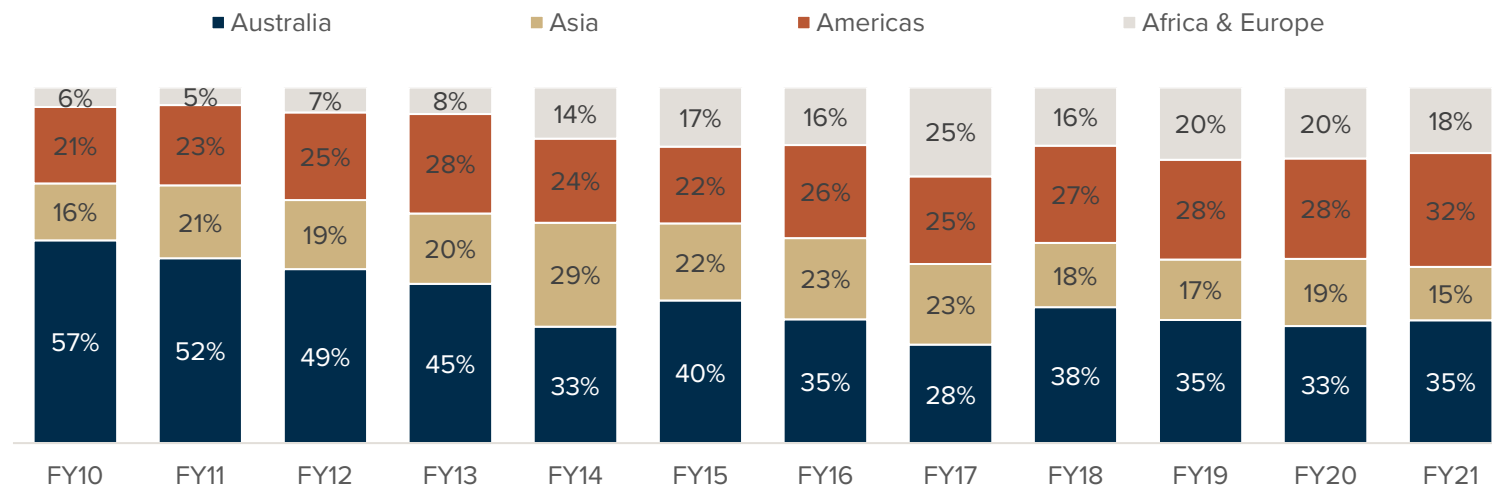
# Sales Diversification

Sales are diversified by client.....



....and geographic region

Sales by Region



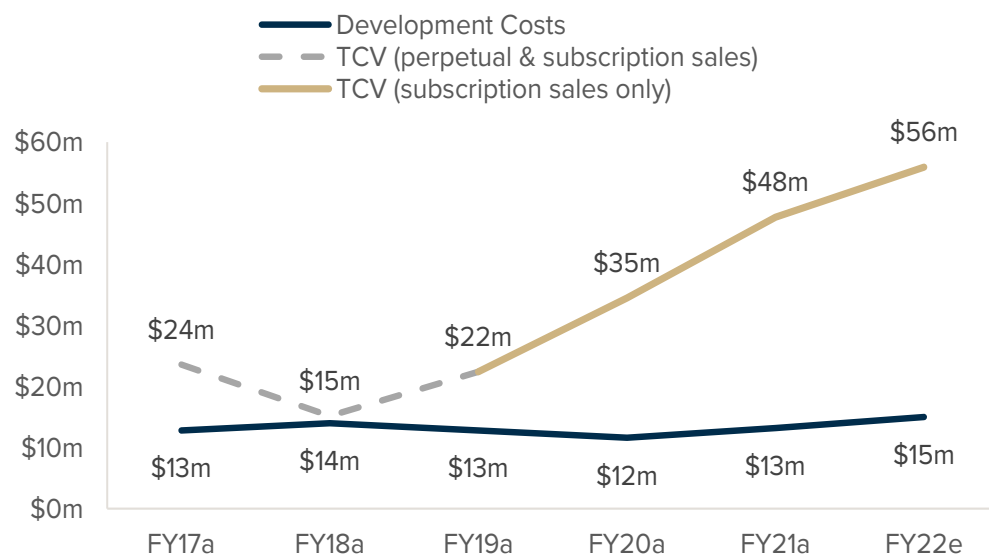
Sources: Company Presentations, MA Financial Research

# P&L: Expenses

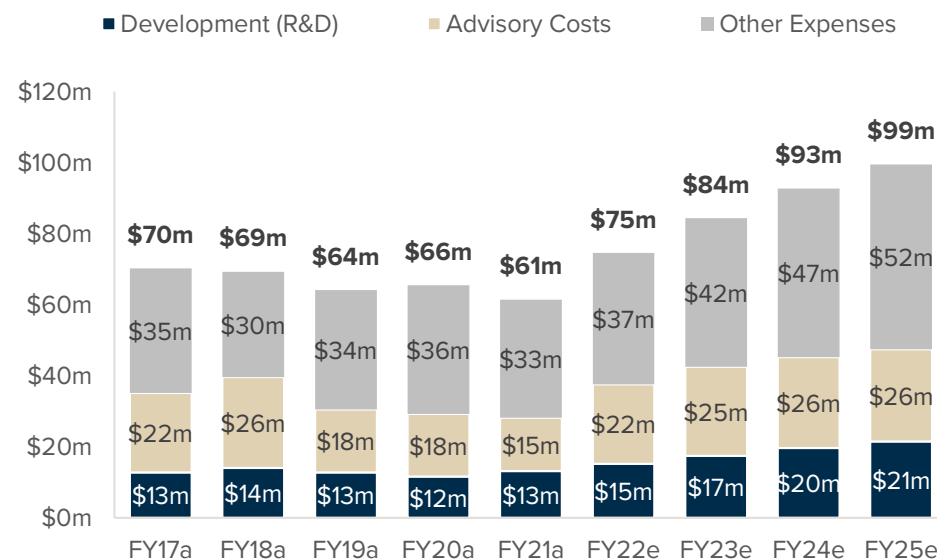
## Software platform costs to amortise over a growing subscription revenue base

- >400 group employees, spanning 15 countries & 24 global offices.
- Conservative accounting policy (all development and operating costs expensed).
- **Distribution:** Software is sold directly by RUL via its own >60-person sales team.
- **Implementation:** Mix of ~80 person in-house implementation team (inc. cloud delivery team) and partnering with systems integrators (e.g. Accenture).
- **R&D:** ~\$75m has been invested into internal software development over the past 5 years, as products evolved into a cloud-based enterprise software suite. While annual development costs have remained relatively stable, total contracted value of software sold each year has materially increased, aided by the longer average tenure under a subscription model (~4yrs).
- **Opex outlook:** We estimate elevated opex in 2H FY22 (vs. 1H) due to additional headcount; bonuses & assumed residual Russian exposure write offs. However, we expect operating leverage to ramp up in FY23+ as the subscription base grows relative to development costs; and bonus targets are re-set to higher sales.

## Development Costs vs. Total Software Sold



## Total Expenses



Sources: Company Presentations, MA Financial Research

# Balance Sheet & Cash Flow

RUL remains well-capitalised (~\$40m net cash) to fund buy-backs + acquisitions

## BALANCE SHEET

YE Jun (\$A)	FY21a	1H22	2H22	FY22e	FY23e	FY24e	FY25e
Cash	45	32	40	40	48	60	83
Receivables	14	18	20	20	22	24	25
Intangibles	4	5	4	4	2	2	1
PPE & Other	44	46	46	46	46	47	47
<b>Total Assets</b>	<b>107</b>	<b>102</b>	<b>110</b>	<b>110</b>	<b>118</b>	<b>132</b>	<b>156</b>
Debt	-	-	-	-	-	-	11
Payables	13	6	13	13	16	18	20
Deferred Revenue	18	17	21	21	24	28	32
Other	14	13	13	13	13	13	18
<b>Total Liabilities</b>	<b>45</b>	<b>36</b>	<b>47</b>	<b>47</b>	<b>52</b>	<b>59</b>	<b>71</b>
<b>Net Assets</b>	<b>61</b>	<b>66</b>	<b>63</b>	<b>63</b>	<b>66</b>	<b>73</b>	<b>85</b>

- ~\$40m net cash at 30 Jun'22e
- Buy back initiated in May'22 for up to 5% of SOI (~11.5m shares). As at 30 Jun'22 ~0.8m shares had been bought back @ \$1.3m total consideration (~\$1.57 average price).
- Deferred revenue balance growing with subscriptions sales mix

## CASH FLOW

YE Jun (\$A)	FY21a	1H22	2H22	FY22e	FY23e	FY24e	FY25e
EBITDA	2	4	3	7	11	17	23
Other	3	(13)	8	(6)	(2)	(3)	(4)
<b>Operating Cashflow</b>	<b>5</b>	<b>(9)</b>	<b>11</b>	<b>1</b>	<b>9</b>	<b>14</b>	<b>19</b>
Capex	(2)	(1)	(1)	(1)	(1)	(2)	(2)
Acquisitions	(2)	(3)	(1)	(4)	-	-	-
<b>Investing Cash Flow</b>	<b>(3)</b>	<b>(4)</b>	<b>(2)</b>	<b>(6)</b>	<b>(1)</b>	<b>(2)</b>	<b>(2)</b>
Equity raise	3	1	(1)	(0)	-	-	-
Other	(0)	(0)	-	(0)	-	-	6
<b>Financing Cash Flow</b>	<b>3</b>	<b>1</b>	<b>(1)</b>	<b>(0)</b>	<b>-</b>	<b>-</b>	<b>6</b>
Net Cash Movement	5	(12)	8	(4)	8	12	23
Ending Cash	40	45	32	45	40	48	60
<b>FCF</b>	<b>3</b>	<b>(10)</b>	<b>10</b>	<b>0</b>	<b>8</b>	<b>12</b>	<b>17</b>

- FCF conversion to be supported by growing subscription software mix (boosting deferred revenue); low capex investment (in part due to conservative accounting policy for development expenses); no debt.
- Cashflow is 2H weighted given:
  - All maintenance revenue is received in 2H
  - 70% of subscriptions are 2H
  - Bonuses are paid in 1H (following FY results)

# Valuation

# Valuation

## We initiate with a Buy rating and \$1.94 target price

- We value RUL using an average of DCF (WACC 10.3%) and EV/EBIT multiple (25x FY25e EBIT) methodologies.
- Our 25x FY25e EBIT multiple considers:
  - Growth outlook (FY22-25E software sales CAGR 20%; long industry runway) & strong cash generation;
  - Revenue quality (low existing churn; subscription mix rising to ~60% of Group sales provides higher visibility & margins; diversified by customer/product/geography);
  - Well-established reputation and strong product positioning (market-leading flagship module; significant up/cross sell opportunities across product suite);
  - M&A potential as suitor or vendor given market fragmentation and OEM focus on filling technology gaps across their digital offerings.
  - Balance sheet strength (>\$40m net cash); size/liquidity (~\$370M Cap, avg. daily volume ~\$400k); and
  - Key risks include fragmented competition; mining cycle cyclicality; product sales execution.

## EV/FY25e EBIT Valuation

	FY22e	CAGR	FY25e	Comments
Subscription	27	39%	73	Maintenance sales converting to subscription at 2.5x; up/cross sell to existing base; new wins.
Maintenance	15	(36%)	4	
Perpetual	1		0	
Total Software	44	20%	77	
Total Services	38	6%	46	
Total Revenue	82	14%	123	
Gross Margin est.	51%		58%	Software >80%, services 12-16%
EBIT	0		17	Leverage from software growth
EBIT Multiple			25x	Implies 4.8x FY25 Software Sales
Enterprise Valuation			437	
Plus Net Cash			60	at Jun'24, assumes no acquisitions
Equity Value			497	at Jun'24e
Equity / Share (EV/EBIT valuation)			1.88	PV for 12mth target
Equity / Share (DCF valuation)			1.99	PV for 12mth target
<b>Avg. Equity / Share (12mth target)</b>			<b>1.94</b>	

## Valuation Summary

Investment Summary				
<b>Rating</b>	<b>BUY</b>			
DCF Valuation (@ 10.3% WACC)	\$1.99			
Multiple Valuation (@ 25x EV/FY25e EBIT)	\$1.88			
<b>12mth Target Price</b>	<b>\$1.94</b>			
Last Share Price (21-Jul-22)	\$1.57			
12mth Return	23%			
Market Cap	\$374m			
YE Jun (\$A)	FY22e	FY23e	FY24e	FY25e
Revenue	82	95	109	123
Revenue Growth	30%	16%	15%	12%
Gross Margin	51%	52%	55%	58%
EBITDA	7	11	17	23
EBIT	0	5	11	17
FCF	(0)	8	12	17
EPS (cents)	(0.28)	1.26	3.13	5.09
Valuation				
EV/Sales	4.1x	3.4x	2.9x	2.4x
EV/Software Sales	6.3x	5.0x	3.8x	3.0x
<b>EV/EBIT</b>	<b>na</b>	<b>70x</b>	<b>29x</b>	<b>17x</b>

Sources: Company Presentations, MA Financial Research.



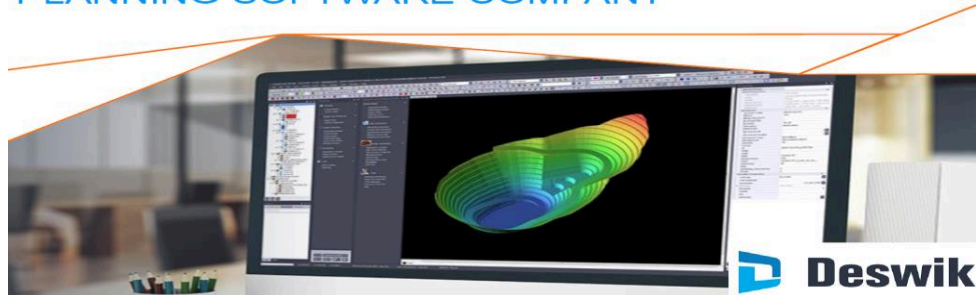
# Sandvik Acquisition of Deswik

In April-22, Sandvik acquired AUS-based mining software company, Deswik, for \$750m (~30x EBITA, ~9x sales)

Deswik had annual revenues of ~\$A80m (~45% recurring), not dissimilar to RUL in FY22 (\$83m revenue, ~55% software). Deswik's software primarily targets the beginning phases of the mining lifecycle (strong position planning & design for underground).

## Sandvik Acquisition Presentation

SANDVIK TO ACQUIRE THE LEADING MINE PLANNING SOFTWARE COMPANY



### Overview

- Leading mine planning software company established in 2008
- Provider of integrated software platform supporting mine digitalisation across all mine planning
- Subscriptions represent significant part of revenue
- Top profitability in niche
- Top tier customer base with low customer churn
- Diverse customer base across 60 countries
- Large and growing mine planning software market
- Very strong position in underground hard rock mining

### Geographic Presence



### Key Facts

<b>+10k</b>	<b>79m</b>	<b>~45%</b>	<b>~30%</b>
Software licenses	LTM Oct FY21 revenue (A\$)	LTM Oct FY21 share of annual recurring revenue	EBITA margin

## Sandvik Strategic Rationale

SHAPE THE SUSTAINABLE UNDERGROUND MINE OF THE FUTURE

- Target of 2x market growth, organic and through acquisitions.
- Expand the digital offering to SEK 7.5 billion by 2025
- Lead automation, digitalization and electrification
- Drive sustainability and productivity solutions in the customers value chain through digital solutions.



## Implied Pricing/Valuation

<b>Purchase Price</b>	<b>\$750m</b>
<b>Deswik Financials (LTM to Oct'21)</b>	
Sales	\$79m
EBITA Margin	30%
EBITA	\$24m
<b>Implied Valuation</b>	
EV / Sales	9x
<b>EV / Recurring Sales</b>	<b>19x</b>
<b>EV / EBITA</b>	<b>32x</b>

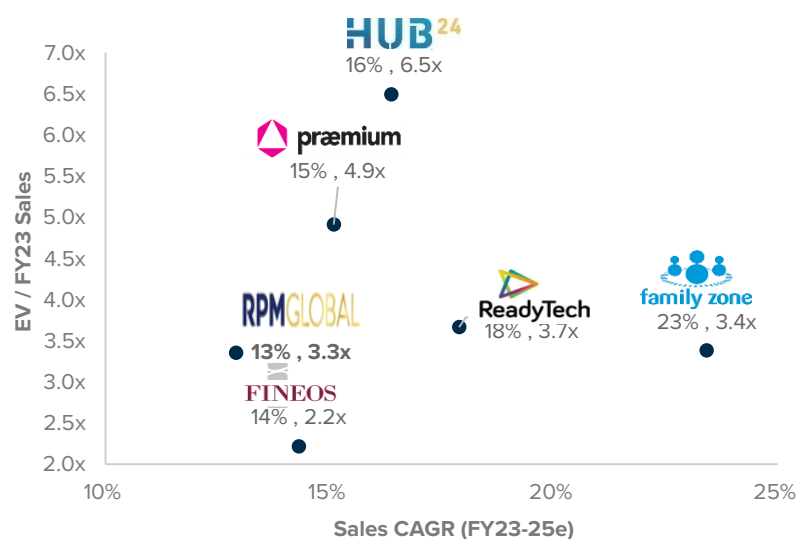
Source: MA Financial Research, Sandvik company presentation, <https://www.home.sandvik/en/news-and-media/news/2022/04/sandvik-completes-the-acquisition-of-the-leading-mine-planning-software-company-deswik/>

# Listed Comps

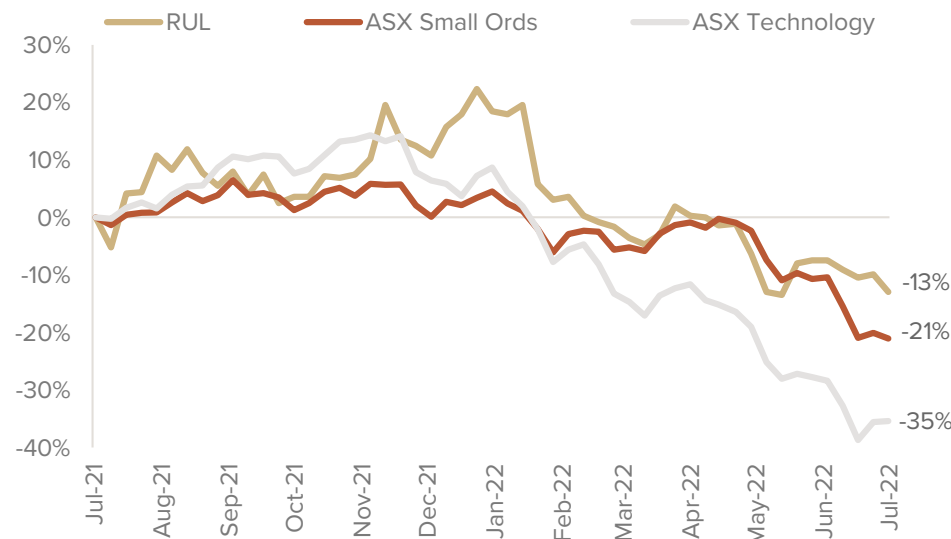
While there are no directly comparable ASX-listed mining software peers, the below peers set screens for: Vertical-software; >\$250m Mcap; >10% sales CAGR (FY23-25e); EBIT profitable by FY25e

Ticker	Company	Mcap \$Am	Price Local	Gross Margin FY23e	EV / Sales	EV / Software Sales	Sales CAGR	EV/EBIT			EBIT Margin	EBIT CAGR
					FY23e	FY23e	FY23-25	FY23e	FY24e	FY25e	FY25e	FY23-25
<b>RUL-AU</b>	<b>RPM Global</b>	\$374m	\$1.57	na	3.3x	4.9x	13%	65x	28x	17x	14%	87%
<b>Vertical Software Peers</b>												
HUB-AU	HUB24	\$1,814m	\$22.66	70%	6.5x	6.7x	16%	25x	20x	15x	32%	29%
OCL-AU	Objective	\$1,419m	\$14.95	95%	11.0x	11.0x	na	39x	30x	-	31%	na
FCL-AU	FINEOS	\$506m	\$1.59	68%	2.2x	3.1x	14%	na	na	26x	7%	na
PPS-AU	Praemium	\$343m	\$0.67	71%	4.9x	6.0x	15%	32x	22x	15x	25%	46%
RDY-AU	Readytech Holdings	\$331m	\$3.09	na	3.7x	4.0x	18%	19x	15x	12x	22%	25%
FZO-AU	Family Zone Cyber	\$295m	\$0.35	82%	3.4x	3.4x	23%	na	na	17x	13%	na
<b>Peer Average</b>		<b>\$785m</b>		<b>77%</b>	<b>5.3x</b>	<b>5.7x</b>	<b>17%</b>	<b>29x</b>	<b>22x</b>	<b>17x</b>	<b>22%</b>	<b>33%</b>

## Peer Valuations



## Share Price Performance (since Jul-21)



Note: (1) ASX Technology comprises ASX All Technology Index curated by MA Financial Research. (2) Proforma, assumes: 1.5x EV/services revenue; and consistent software mix to 1H FY22.

# Appendix

# Management & Board

Name	Title	Experience	RUL Ownership (%)
Richard Mathews	Managing Director	<p>Joined 2012. Richard has &gt;30 years management experience across the software, investment and advisory space. Prior to joining RUL in 2012 Richard was:</p> <ul style="list-style-type: none"> <li>• CEO of Mincom 2005-07 – a global enterprise mining software company. Over Richard’s tenure, Mincom’s share price rose by 250% from \$2.50 (2005) to \$8.77 (2007) when it was acquired by US-based PE firm Francisco Partners.</li> <li>• Non-Executive Chairman and CEO of eServGlobal Limited (2009-2010) – Australia’s largest mobile software provider to the telco industry (dual listed on ASX &amp; UK exchanges). In August 2010, Oracle purchase 45% of the business for 130% of the market capitalisation of the Company. Over Richard’s tenure, the market capitalisation of the company rose by 620%.</li> <li>• Founding partner of MHB Holdings Pty Ltd – private investment fund that held investments in a number of public and private software companies.</li> <li>• General manager to COO of JD Edwards (1994-2004) – an enterprise resource planning software vendor.</li> </ul>	~4%
Michael Kochanowski	Chief Financial Officer	<p>Joined 2008. Prior to joining RUL, Michael held a senior management position in the business advisory division of chartered accounting firm Moore Stephens. Michael has successfully aligned financial and business metrics throughout his 15+ year career in accounting and auditing to support business strategy and high growth.</p>	<1%
Stephen Baldwin	Chairman & Non-Executive Director	<p>Joined 2020. Stephen is a professional company director and has been a director of ~30 companies over the past 25 years. Stephen started his career as a chartered accountant with PwC, before entering funds management, initially with Hambro-Grantham and subsequently Colonial First State where he became Head of Private Equity. Stephen currently represents UniSuper as a director on 3 of their private investments (Axicom; Taumata; and Tiaki). He is also Deputy Chair of Wameja (ASX:MJA) and Chairman at Lignor.</p>	~1%
Angeleen Jenkins	Non-Executive Director	<p>Joined 2021. Angeleen has been involved in the multi-national construction and forestry industries for over 30 years at both executive and non-executive levels. Angeleen is currently a Director of Central Highlands Water, VicForests, Mayflower Enterprises (Hyne Group), Tiaki Plantations Company, and Taumata Plantations Ltd. Former Executive Director of McConnell Dowell Corporation Ltd.</p>	<1%
Paul Scurrah	Non-Executive Director	<p>Joined 2020. Paul has been involved in the transportation, logistics, travel and aviation industries for over 25 years at both executive and non-executive levels. Paul is currently the Managing Director &amp; CEO of Pacific National, Non-Executive Director at Whizz Technologies and Non-Executive Director of the Gold Coast Suns AFL team.</p>	<1%
Ross Walker	Non-Executive Director	<p>Joined 2007. Ross has &gt;20 years experience in corporate finance, auditing, valuations, capital raisings, and M&amp;A He was previously at Pitcher Partners in 1985; Managing Partner between 1992-2008 and 2014-2017. Ross is a listed company director with Wagners Holding Company and Sovereign Cloud Holdings.</p>	<1%
James O'Neill	Company Secretary & Group General Counsel	<p>Joined 2012. He has broad experience acting in an in-house legal capacity for multi-national companies. Prior to RPMGlobal, James was as Regional General Counsel with Hyder Consulting Pty Ltd and held Senior Legal Counsel roles at Ansaldo STS Australia Pty Ltd and Mincom Pty Ltd.</p>	<1%

Sources: Company Presentations, MA Financial Research

# Disclosure Appendix

## RESEARCH & SALES RESPONSIBILITIES

<b>Equities</b>			<b>Equities Research</b>	
Bryan Johnson	Head of Sales	+612 8288 5412	<b>Real Estate</b>	
Edward Day	Head of Research	+612 8288 5424	Edward Day	+612 8288 5424
Elliot Leahey	Business Director	+612 8288 5402	Murray Connellan	+612 8288 5421
Brooke Davis	Finance Executive	+612 8288 5417		
Jacqui Irons	Corporate Broking	+612 8288 5427		
<b>Equities Sales &amp; Trading</b>			<b>Industrials</b>	
Anura Logan		+613 8650 8626	Ronan Barratt	+612 8288 5426
Aaron Payne		+612 8288 5405	Sean Kiriwan	+618 6555 8602
Sam Clark		+612 8288 5410	Sarah Mann	+612 8288 5407
Jack Dyson		+612 8288 5401	David Meehan	+612 8288 5413
Jake Rischbieth		+612 8288 5654	Lachlan Scott	+612 8288 5403

## DISCLOSURE APPENDIX

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