

## RPMGlobal Holdings Ltd

Information Technology Application Software  
13 November 2023

BUY

## FY24 Guidance Upgrade

## EVENT:

RUL flagged they have received a \$3.1m payment related to a software agreement which was triggered by the change of control of the contract counterparty to that agreement.

As a result, revised FY24 guidance is for:

- > Revenue of \$110m to \$115m (vs. prev: \$107m to \$112m).
- > Underlying EBITDA of \$21.5m to \$23.5m (prev: \$18.5m to \$20.5m)

## IMPACT

We increase our FY24e EBITDA to \$20.7m (inclusive of management incentives).

## INVESTMENT VIEW

Given this payment appears one-off in nature there is minimal impact to our valuation. Across FY24e, we assume EBITDA growth of ~\$8.7m is driven by (a) the aforementioned one-off payment (+\$3m); (b) strong advisory demand (+\$3m); and (c) drop-through of incremental software sales.

Buy rating maintained, \$2.04 target price (prev: \$2.03). Our thesis comprises: (a) operating inflection reached, with strong organic growth outlook 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.

## COMPANY UPDATE

Ticker	RUL
Stock Price	\$1.62
Target Price	\$2.04
Forecast Capital Return	25.9%
Forecast Dividend Yield	0.0%
Estimated Total Return - 12Mth	25.9%

## COMPANY MARKET DATA

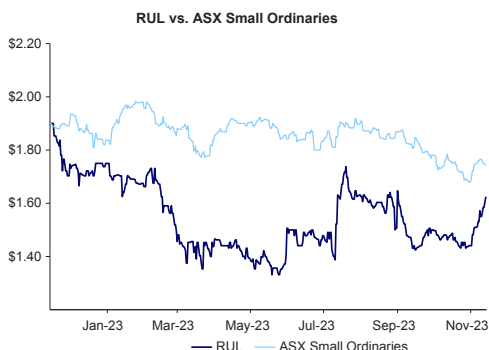
Market Cap	\$380.1m
Free Float (%)	50.0%
Enterprise Value	\$349.4m
Shares on issue	234.7m
52-wk Range	\$1.30 - \$1.90

## ESTIMATE CHANGES 2023a 2024e 2025e 2026e

EBITDA - new	12.0	20.7	22.0	25.8
EBITDA - old	12.0	17.2	21.7	25.7
% Change	0.0%	20.3%	1.3%	0.5%

All figures are in AUD unless otherwise specified.

## SHARE PRICE PERFORMANCE



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Y/E JUN 30	2023a	2024e	2025e	2026e
Sales	98.4	115.5	119.4	128.0
Sales Growth	18.4%	17.3%	3.4%	7.2%
EV/Sales	3.6x	3.0x	2.9x	2.7x
EBITDA	12.0	20.7	22.0	25.8
EV/EBITDA	29.1x	16.9x	15.9x	13.5x
FCF	7.7	13.0	16.4	20.1
P/E	74.7x	32.5x	29.2x	23.8x

All figures are in AUD.

## MA FINANCIAL ESTIMATES

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	45	56	66	
Maintenance	16	14	12	11	9	
Perpetual (upfront)	2	3	2	1	-	
Software Revenue	44	56	60	68	75	12%
Growth	15%	26%	7%	13%	11%	
Consulting/Implementation	12	10	10	12	13	
Advisory	27	31	42	40	40	
Services Revenue	33	42	52	51	52	0%
Other Income	1	1	4	0	0	
<b>Gross Revenue</b>	<b>83</b>	<b>98</b>	<b>115</b>	<b>119</b>	<b>128</b>	<b>5%</b>
Growth	31%	18%	17%	3%	7%	
Software Share	53%	57%	52%	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)	(81)	
<b>Expenses</b>	<b>(80)</b>	<b>(86)</b>	<b>(95)</b>	<b>(97)</b>	<b>(102)</b>	<b>4%</b>
<b>EBITDA</b>	<b>4</b>	<b>12</b>	<b>20.7</b>	<b>22.0</b>	<b>25.8</b>	<b>12%</b>
EBITDA Growth	93%	243%	72%	6%	17%	
EBITDA Margin	4%	12%	18%	18%	20%	
D&A	(6)	(6)	(5)	(4)	(4)	
<b>EBIT</b>	<b>(2)</b>	<b>6</b>	<b>16.1</b>	<b>17.6</b>	<b>21.4</b>	<b>15%</b>
Net Interest	(0)	(0)	0	1	1	
Tax	(1)	(1)	(5)	(5)	(7)	
<b>NPAT</b>	<b>(3)</b>	<b>5</b>	<b>11.7</b>	<b>13.0</b>	<b>16.0</b>	
EPS (cps)	(1.47)	1.64	4.99	5.54	6.81	
FCF	(8)	8	13	16	20	

RPMGlobal Holdings Ltd (RUL)	Market Cap: \$380.1m	Stock Price: \$1.62	Target Price: \$2.04	Buy
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Y/E JUN 30

PROFIT & LOSS (\$)	2022A	2023A	2024E	2025E	2026E
<b>Revenue</b>	<b>83.1</b>	<b>98.4</b>	<b>115.5</b>	<b>119.4</b>	<b>128.0</b>
<i>Growth</i>	31.5%	18.4%	17.3%	3.4%	7.2%
<b>Gross Profit</b>	<b>37.1</b>	<b>47.0</b>	<b>57.9</b>	<b>61.4</b>	<b>67.5</b>
<i>Margin</i>	44.7%	47.8%	50.1%	51.4%	52.8%
<b>EBITDA</b>	<b>3.5</b>	<b>12.0</b>	<b>20.7</b>	<b>22.0</b>	<b>25.8</b>
<i>Margin</i>	4.2%	12.2%	17.9%	18.4%	20.2%
Dep'n & Amort.	(5.9)	(5.6)	(4.5)	(4.4)	(4.4)
<b>EBIT</b>	<b>(2.4)</b>	<b>6.4</b>	<b>16.1</b>	<b>17.6</b>	<b>21.4</b>
Net interest Expense	(0.3)	(0.1)	0.4	0.7	1.1
<b>Profit Before Tax</b>	<b>(2.6)</b>	<b>6.3</b>	<b>16.5</b>	<b>18.3</b>	<b>22.5</b>
Tax	(0.9)	(1.1)	(4.8)	(5.3)	(6.5)
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>11.7</b>	<b>13.0</b>	<b>16.0</b>
<i>Growth</i>	(60.8)%	(245.9)%	128.1%	11.0%	22.9%
<b>NPAT (Reported)</b>	<b>(4.3)</b>	<b>3.8</b>	<b>11.7</b>	<b>13.0</b>	<b>16.0</b>
<b>EPS Underlying (Diluted) (¢)</b>	<b>(1.5)</b>	<b>2.2</b>	<b>5.0</b>	<b>5.5</b>	<b>6.8</b>
<i>Growth</i>	(61.2)%	(247.0)%	130.1%	11.0%	22.9%
<b>Free Cash Flow</b>	<b>(7.9)</b>	<b>7.7</b>	<b>13.0</b>	<b>16.4</b>	<b>20.1</b>

BALANCE SHEET (\$)	2022A	2023A	2024E	2025E	2026E
Cash	34.5	34.8	47.7	64.1	84.2
Current Receivable	20.9	22.8	25.5	25.7	26.3
PPE	4.0	10.2	11.1	12.0	12.9
Intangibles	2.6	2.1	1.5	1.3	1.2
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>131.1</b>	<b>148.3</b>	<b>169.8</b>
Current Payables	12.2	12.9	15.1	16.0	17.1
Debt	0.0	0.0	0.0	0.0	0.0
Unearned Revenue	23.2	27.1	29.2	32.6	36.9
Other	10.7	17.2	17.2	17.2	17.2
<b>Total Liabilities</b>	<b>46.1</b>	<b>57.2</b>	<b>61.4</b>	<b>65.7</b>	<b>71.1</b>
<b>Net Assets</b>	<b>60.1</b>	<b>57.9</b>	<b>69.7</b>	<b>82.6</b>	<b>98.6</b>
Equity & Reserves	95.7	89.9	89.9	89.9	89.9
Retained Profits	(35.6)	(32.0)	(20.2)	(7.2)	8.7
<b>Shareholders' Equity</b>	<b>60.1</b>	<b>57.9</b>	<b>69.7</b>	<b>82.6</b>	<b>98.6</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>69.7</b>	<b>82.6</b>	<b>98.6</b>

CASHFLOW (\$)	2022A	2023A	2024E	2025E	2026E
EBITDA	3.5	12.0	20.7	22.0	25.8
Net Interest	(0.3)	(0.1)	0.4	0.7	1.1
Tax	(0.7)	(0.8)	(4.8)	(5.3)	(6.5)
Δ in Working Capital	(2.8)	2.6	1.6	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>14.7</b>	<b>18.1</b>	<b>22.0</b>
<i>Growth</i>	(236.4)%	(234.7)%	61.7%	23.4%	21.3%
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>13.0</b>	<b>16.4</b>	<b>20.1</b>
<b>Free Cash Flow</b>	<b>(7.9)</b>	<b>7.7</b>	<b>13.0</b>	<b>16.4</b>	<b>20.1</b>

VALUATION SUMMARY					
Market Cap	\$380.1m				
Shares on issue	234.7m				
Stock Price	\$1.62				
Target Price	\$2.04				
Estimated Total Return - 12 Mth	25.9%				
12 Mth Fwd Dividend Yield	0.0%				

PERFORMANCE RATIOS	2022A	2023A	2024E	2025E	2026E
ROIC	(5.4)%	8.4%	18.0%	16.8%	17.4%
Net Debt (Cash) (\$m)	(34.5)	(34.8)	(47.7)	(64.1)	(84.2)
Working Capital	(14.5)	(17.2)	(18.8)	(22.8)	(27.7)
Working Capital/Sales (%)	(17.5)%	(17.4)%	(16.3)%	(19.1)%	(21.6)%

VALUATION RATIOS	2022A	2023A	2024E	2025E	2026E
Sales	83.1	98.4	115.5	119.4	128.0
<i>Growth</i>	31.5%	18.4%	17.3%	3.4%	7.2%
<b>EV/Sales (x)</b>	<b>4.2x</b>	<b>3.6x</b>	<b>3.0x</b>	<b>2.9x</b>	<b>2.7x</b>
EBITDA	3.5	12.0	20.7	22.0	25.8
<b>EV/EBITDA</b>	<b>99.8x</b>	<b>29.1x</b>	<b>16.9x</b>	<b>15.9x</b>	<b>13.5x</b>
EPS	(0.0)	0.0	0.0	0.1	0.1
<b>P/E (x)</b>	<b>(109.8)x</b>	<b>74.7x</b>	<b>32.5x</b>	<b>29.2x</b>	<b>23.8x</b>

CASH FLOW METRICS	2022A	2023A	2024E	2025E	2026E
<b>FCF/Share (\$)</b>	<b>(0.03)</b>	<b>0.03</b>	<b>0.06</b>	<b>0.07</b>	<b>0.09</b>
Free Cash Flow Yield (%)	(6.3)%	9.3%	14.6%	18.0%	21.7%
Capex/Sales (%)	(1.4)%	(1.4)%	(1.5)%	(1.5)%	(1.5)%

MARGINS	2022A	2023A	2024E	2025E	2026E
GPM	44.7%	47.8%	50.1%	51.4%	52.8%
EBITDA	4.2%	12.2%	17.9%	18.4%	20.2%
EBIT	(2.8)%	6.5%	14.0%	14.7%	16.7%
NPAT	(4.2)%	5.2%	10.1%	10.9%	12.5%

VALUATION METHODOLOGY					
WACC	9.65%				
Discounted Cash Flow Valuation/Share	\$2.07				
Sum-of-the-Parts Valuation/Share	\$2.00				
Average Valuation/Share	\$2.04				
Target Price	\$2.04				

## RESEARCH & SALES RESPONSIBILITIES

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