

Praemium (PPS)			CASE:	BASE	DATE:	19/04/2021				
The Story										
Praemium is the smallest of the three leading finance platform providers in Australia that are taking FUM away from the incumbent financial and wealth management industry as part tech sector disruption and fall out from the Royal Commission. FUM growth is expected to be strong for a few more years as new funds are attracted to platform services adding to 5%+ system grow at rates that reflect ASX Index growth. UK market growth opportunities add to base line thesis (+20% value premium applied). Operating leverage will see bottom-line growth well in excess of top line and current PE and other ratios will change rapidly in the next few years as the business is still at the early stage of profitability. On growing investment and development of systems and products should maintain or growth Praemiums relevance and place as a key player in the market.										
The Assumptions										
What	Base Year	Terminal Year	Link to story							
FUM (\$m)	20,286	118,215	Organic growth from market value increases add to customer growth.							
Revenue	24.9%	5.0%	High terminal growth rates attributed to the nature of FUM							
Gross Margin %	0.253%	0.123%	Margin squeeze from competition and growth of low margin VMAAS FUM							
EBITDA Margin %	9.4%	45.5%	High operating leverage, business is in process of crossing over scale tipping point							
Tax	10.4%	27.5%	Australia based							
Capital Spend	5,261	11,726	5% growth to maintain current offering, upside growth opportunities with additional spend							
Share Count Changes	408,680	554,778	PowerWrap acquisitions (89.5m shares) & Modest 1% ESOP per year							
Discount% : EV/EBITDA	10.0%	20.00	Average risk factors, above average system growth rate due to nature of business							
The Cash Flows (A\$'000)										
Year	Dilution	FUM	Revenue	Gross Margin	%FUM	EBITDA	%	Tax	Capex	FCFF
1	502,233	39,830	63,696	63,696	0.160%	15,255	23.9%	2,102	7,199	5,954
2	507,256	46,358	71,976	71,976	0.155%	21,113	29.3%	3,609	7,559	9,946
3	512,328	53,478	80,613	80,613	0.151%	27,207	33.8%	5,175	7,936	14,096
4	517,452	61,142	89,481	89,481	0.146%	33,404	37.3%	6,764	8,333	18,307
5	522,626	69,274	98,429	98,429	0.142%	39,549	40.2%	8,332	8,750	22,466
6	527,852	77,773	107,287	107,287	0.138%	45,463	42.4%	9,831	9,187	26,444
7	533,131	86,515	115,870	115,870	0.134%	50,955	44.0%	11,208	9,647	30,100
8	538,462	95,348	123,981	123,981	0.130%	55,820	45.0%	12,406	10,129	33,285
9	543,847	104,101	131,420	131,420	0.126%	59,851	45.5%	13,367	10,636	35,848
10	549,285	112,586	137,991	137,991	0.123%	62,843	45.5%	14,035	11,167	37,641
Terminal	554,778	118,215	144,890	144,890	0.123%	65,986	45.5%	14,737	11,726	39,523
The Value (A\$'000)										
Terminal Value (Diluted)			972,173	Cashflows discounted for dilution						
PV (Terminal Value)			367,642							
PV (FCFF of next 10yrs)			102,059							
Value of Operating Asset			469,701							
Adjustment for Distress			- 46,970	Failure Probability = 10%, regulatory or legal threats or failings pose some risk						
Adjustment for Future Options			93,940							
- Debt & Minority Interest			- 15,119	Option Case = 20%, Accretive acquisitions or Additional Growth						
+ Cash & Equivalents			28,888							
Value of Equity			530,440							
Value per share (Base Currency)			\$ 1.30	Insider Holding%: 5.1%; 7p Remuneration Report; GlassDoor: Rec 78%, CEO 75%						
FX Rate			1.000							
Value per share (A\$)			\$ 1.30							
			\$ 0.81	60%						
Source: Methodology and Format are based on that done by Aswath Damodran (see: <a href="http://aswathdamodaran.blogspot.com">aswathdamodaran.blogspot.com</a> )										
Disclaimer: Valuation is not to be relied on as financial advice of any sort and is prepared for personal use of the author only.										