

Viva Leisure Limited

Recovery session

This publication represents a transfer of research coverage to Jason Korchinski

VVA's 1H21 result showed that COVID-19 related restrictions continued to have an impact, resulting in reduced revenue early in the half and higher costs. Whilst revenue had recovered strongly by Dec-20, a by-product of COVID-19 has also been delays in securing acquisitions as VVA has battled border closures and lockdowns. In light of this, our new conservative base case for acquisitions looking forward, is one new acquisition per quarter and one franchise buy-back per half. Whilst these changes have led to reductions in earnings in the near-term, we prefer to keep acquisitions as a source of upside. Our adjusted approach still implies VVA is trading on an FY23 PE of 15.8x normalised earnings whilst growing FY23 EPS significantly. We still find substantial value in our base-case estimates and transfer coverage with a BUY recommendation and a 12-month price target of \$3.56ps, offering upside of ~33%.

1H21 result points to recovery

VVA's 1H21 result showed a business on the cusp of recovery from COVID-19. VVA managed to grow revenue +54% on pcp and achieve EBITDA of \$5.6m, despite lockdowns and the rolling-off of Government stimulus and rental waivers. From an outlook perspective, VVA announced its active member base as of 24 February 2021 was ~117k (~5k suspended), that Jan-21 revenue reached \$7.5m, a strong rebound from ~\$4.5m in Jul-20.

Changes to forecasts

We have adopted a new base-case which no longer incorporates a material numbers of acquisitions. As a consequence, we now forecast EBITDA margins of 17.8, 19.1 & 24.9% from FY21-23 off the back of reduced revenue per member and member numbers. This also reflects delayed break-even levels associated with the greenfields and pushes the substantial growth associated with these further into our forecast period as these mature.

Sensitivity analysis highlights upside

We have adopted a conservative approach in how we account for acquisitions in our forecasts. However, acquisitions remain an integral part of VVA's strategy, with substantial dry-powder capital ready to deploy. As such, if VVA reaches management's target of 27-28 acquisitions/buy-backs p.a., we can see material upside to OML's FY22 EV/EBITDA reaching 6.0x from 9.0x.

Year-end June (\$)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (\$m)	33.1	40.9	81.1	115.9	153.9
EBITDA (\$m)	7.5	6.1	14.5	22.2	38.3
EBIT (\$m)	5.3	2.0	5.6	9.9	22.7
Reported NPAT (\$m)	3.2	(6.2)	(7.1)	(4.7)	3.8
Reported EPS (c)	6.0	(10.3)	(9.2)	(5.7)	4.7
Normalised NPAT (\$m)	3.3	1.4	2.9	5.3	13.8
Normalised EPS (c)	6.2	2.4	3.7	6.6	17.0
EPS Growth (%)	-	(61.8)	57.6	75.9	158.6
Dividend (c)	-	-	-	-	-
Net Yield (%)	-	-	-	-	-
Franking (%)	-	-	-	-	-
EV/EBITDA (X)	16.9	21.7	12.9	9.5	5.6
Normalised P/E (x)	43.3	-	71.8	40.9	15.8
Normalised ROE (%)	25.3	3.2	3.9	6.5	16.8

Source: OML, Iress, Viva Leisure Limited

Last Price

A\$2.68

Target Price

A\$3.56 (Previously A\$4.60)

Recommendation

Buy

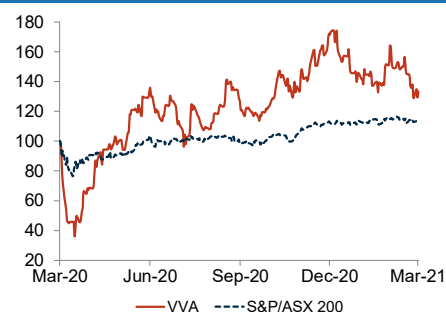
Risk

Higher

Leisure Facilities

ASX Code	VVA
52 Week Range (\$)	0.73 - 3.50
Market Cap (\$m)	191.6
Shares Outstanding (m)	71.5
Av Daily Turnover (\$m)	0.1
3 Month Total Return (%)	-22.3
12 Month Total Return (%)	33.3
Benchmark 12 Month Return (%)	13.0
NTA FY21E (¢ per share)	53.7
Net Cash FY21E (\$m)	21.5

Relative Price Performance



Source: FactSet

Consensus Earnings

	FY21E	FY22E
NPAT (C) (\$m)	7.2	15.5
NPAT (OM) (\$m)	2.9	5.3
EPS (C) (c)	10.1	21.7
EPS (OM) (c)	3.7	6.6

Source: OML, Iress, Viva Leisure Limited

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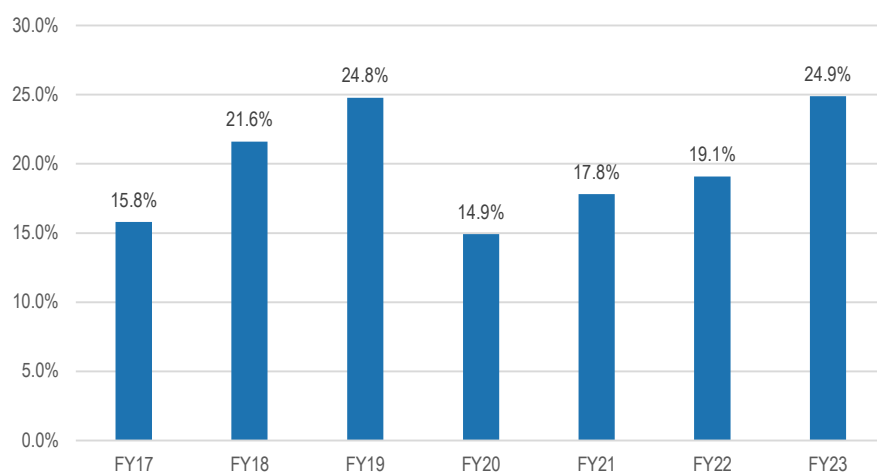
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Ord Minnett acted as lead manager to the IPO in June 2019, placements in Dec19, Jun-20 and Nov-20

1H21 result

- Viva Leisure sales revenue increased 54% to \$35.9m, boosted by a significant increase in new sites and the acquisition of Australian Fitness Management (AFM). EBITDA declined 0.5% to \$5.6m and EBITDA margins declined to 15.5%, a significant improvement on the 2.6% EBITDA margin reported in 2H20. Management maintains that a return to the EBITDA margins of ~25% reported in FY19 and FY20 is achievable in the medium term (Fig 1).

Figure 1: EBITDA Margins (%)



Source: OMLe

- VVA finished 1H21 with 95 locations, up 26 on the 79 sites as at FY20. AFM, which was acquired in August 2021, contributed \$3.6m in revenue during the period. Excluding this contribution, revenue increased 40.9%. The business has added a further seven locations in year-to-date trading taking total locations to 102. The company expects to be operating approximately 115 locations at year end, an increase of 36 on the pcp. The opening of 36 sites is slightly below the company's target of adding 7 sites via acquisition and 10 greenfield sites per quarter.
- VVA currently has 275k members, which includes 102.9k Viva members and 172.4k Plus Fitness members. Its members by state/region continue to diversify with its expansion, slowly lowering its ACT exposure in favour of NSW, QLD, and VIC.
- Outlook:** VVA stated that with a return to improved trading conditions, its annualised sales revenue run rate currently exceeds \$90m, based on January 2021 revenue of \$7.5m. In the medium term, VVA will continue to expand its operations through greenfield expansion and selective acquisitions. The recent acquisition of AFM (trading as Plus Fitness) in August 2020 should provide opportunities to grow the VVA network into new markets. The company's recent capital raising in December 2020, provides scope to look at opportunities as they become available.

Figure 2 – 1H21 result

	FY19a	1H20a	2H20a	FY20a	1H21a	%Δ pcp	1H21e	%Δ OMLe
Sales revenue	33.1	23.0	17.9	40.9	36.0	56.4%	35.7	0.7%
Rental expense	-7.1	-4.7	-4.9	-9.7	-8.7	82.9%	-10.4	-17.2%
Staff	-10.2	-6.8	-6.8	-13.6	-10.8	59.8%	-10.8	-0.1%
Other expenses	-8.3	-5.7	-5.9	-11.6	-10.9	91.3%	-9.1	19.5%
Opex	-25.6	-17.4	-17.4	-34.8	-30.4	74.7%	-30.6	-0.7%
EBITDA	7.5	5.6	0.5	6.1	5.6	-0.5%	5.1	8.9%
D&A	-2.1	-1.5	-2.5	-4.1	-3.8	149.4%	-3.3	17.6%
Normalised EBIT	5.3	4.1	-2.1	2.0	1.7	-57.2%	1.9	-6.5%
Net interest	-0.7	-0.3	-0.5	-0.8	-0.6	122.2%	-0.8	-28.0%
PBT	4.7	3.8	-2.6	1.2	1.1	-70.0%	1.0	11.0%
Tax	-1.4	-1.0	0.8	0.2	-0.5	-50.5%	-0.3	70.3%
Normalised NPATA	3.3	2.8	-1.8	1.4	0.6	-76.8%	0.7	-12.1%
Adjustments	-0.1	-1.7	-6.0	-7.7	-4.0	133.9%	-4.0	-1.3%
Reported NPAT	3.2	1.1	-7.8	-6.2	-3.3	-395.4%	-3.3	1.2%
EBITDA margin	22.6%	24.4%	2.6%	14.8%	15.5%	-8.9%pts	14.4%	1.2%pts

Source: OML

Sensitivity analysis

We continue to view acquisitions as an integral part of the VVA story. The benefits are that they typically have an active member base that contributes revenue and EBITDA from the date of settlement. These therefore contrast greenfield developments, which typically act as a short-term drag on revenue per member and EBITDA as they progress to breakeven. Therefore, the mix of acquisitions to greenfields can impact EBITDA margins in the short-term.

As such, we have conducted a sensitivity analysis over FY22 to illustrate the impacts of the acquisitions from a member and EBITDA margin perspective.

Figure 3: Sensitivity analysis

	Base (OMLe)	Mid (2x base)	Mgmt target
Acquisitions & Franchises	6	12	27
FY21 members (OMLe)	122,220	122,220	122,220
<1 year (new openings)	17,875	17,875	17,875
>1year	126,638	126,638	126,638
Franchise buybacks	1,800	4,500	10,800
CISAC	11,244	11,244	11,244
Acquisitions	3,600	6,300	13,500
FY22 members	161,157	166,557	180,057
Average members	141,689	144,389	151,139
Avg. revenue per month	59.4	63.6	64.8
Total revenue (incl. AFM)	115.9	125.2	132.5
FY22 OMLe forecast EBITDA margin	19.1% ¹	22.1% ²	25.0% ³
Total EBITDA	22.2	27.6	33.1
EV	198	198	198
EV/EBITDA	9.0	7.2	6.0

Source: OML *Note EBITDA margins are impacted by acquisitions and as such we use estimates for 6, 12 and 27 acquisitions.

The sensitivity analysis highlights the material impact quality acquisitions can have on both revenue and margins. If VVA meets management acquisition targets, it implies substantial upgrades to revenue and similar upgrades to EBITDA from our base case. This leads to the potential for FY22 EV/EBITDA of 6.0x and represents a material discount to all our competitor sets.

¹ FY22 OMLe margin

² Average margin

³ Pre-Covid margin

Changes to forecasts and assumptions

- Management maintains the target of adding approximately seven acquisitions and 10 greenfield sites per quarter, adding approximately 68 sites per annum. OML forecasts had assumed multiple acquisitions per year in its numbers.
- However, we have lowered our base case forecast for additional sites, over the forecast period. We believe there is risk in execution to adding such a large number of new sites into our forecasts given the variability in size, opportunity, and timing.
- Whilst acknowledging the company's target of 68 club additions per annum, we view this outcome as a source of upside on the stock, rather than the base case. We now include one acquisition a quarter and one franchise buy-back per half, assuming a total of six acquisitions per year. This equates to a minor member contribution of ~5k p.a. (~4% of FY21 total members).
- Our forecasts for greenfield sites remain in line with guidance. However, with our change of approach, our total new club forecasts have been reduced by 16 clubs a year in FY22 and 21 clubs from FY23 onwards.
- As a result of these changes, we have seen substantial movements in our forecasts. By only forecasting greenfields and adjusting our revenue yield to account for this, we expect EBITDA margins to revert back to pre-COVID 19 levels in FY23 and normalised EPS grow to 17.0cps (vs previous forecasts of FY21).
- The continued roll-out of greenfields results in a largely maintained cost-base in FY21 and FY22 which sees an EBITDA reduction of 34.6% in FY21.

Figure 4 – Changes to forecasts

	FY21 old	FY21 new	%Δ	FY22 old	FY22 new	%Δ	FY23 old	FY23 new	%Δ
Sales revenue	92.0	81.1	-11.8%	146.0	115.9	-20.6%	195.7	153.9	-21.4%
Opex	-69.9	-66.6	4.7%	-107.3	-93.8	12.6%	-140.2	-115.6	17.6%
EBITDA	22.1	14.5	-34.6%	38.7	22.2	-42.8%	55.5	38.3	-31.0%
D&A	-9.8	-8.9	9.3%	-14.4	-12.2	15.0%	-19.1	-15.6	18.2%
Normalised EBIT	12.3	5.6	-54.7%	24.4	9.9	-59.2%	36.4	22.7	-37.7%
Net interest	-1.7	-1.5	12.9%	-2.7	-2.3	13.6%	-3.5	-2.9	16.9%
PBT	10.6	4.1	-61.3%	21.7	7.6	-64.8%	32.9	19.8	-40.0%
Tax	-3.2	-1.2	61.3%	-6.5	-2.3	64.8%	-9.9	-5.9	40.0%
Normalised NPATA	7.4	2.9	-61.3%	15.2	5.3	-64.8%	23.0	13.8	-40.0%
Normalised EPS (NPATA)	9.6	3.7	-61.3%	18.6	6.6	-64.8%	28.3	17.0	-40.0%
Greenfield clubs	25.0	25.0	0.0%	35.0	40.0	14.3%	40.0	40.0	0.0%
Acquired clubs	15.0	7.0	-53.3%	15.0	4.0	-73.3%	15.0	4.0	-73.3%
Franchises bought back	10.0	2.0	-80.0%	12.0	2.0	-83.3%	12.0	2.0	-83.3%
Total clubs	129.0	113.0	-12.4%	191.0	159.0	-16.8%	258.0	205.0	-20.5%
Members (owned clubs)	139,645	122,220	-12.5%	197,272	161,157	-18.3%	258,476	206,754	-20.0%
EBITDA margin	24.0%	17.8%	-6.2%pts	26.5%	19.1%	-7.4%pts	28.4%	24.9%	-3.5%pts

Source: OML

Recommendation, valuation, and price target

Recommendation

- We transfer coverage with a Buy recommendation, seeing the business well placed to continue expanding its footprint in regional and suburban Australia through concerted club rollouts.
- Substantial upside remains for VVA if it is able to capitalise on the acquisition opportunities in a timely manner. Management's pipeline of 14 clubs helps to reaffirm this.

Valuation

FY23 PE comp – because of the significant investment in greenfields being made in FY21 and FY22 and COVID-19 resulting in one-off costs and member delays, we continue to utilise FY23.

In deriving our 15x PE multiple for FY23, we reference domestic leisure businesses (FY23 PE average of 21.7x) and domestic health/discretionary comps (FY23 average PE 16.1x). VVA's growth profile is far more impressive than the comp set, with OML's EPS growth in FY21, 22 & 23 at 58, 76 & 159% compared with the average growth rate in health/discretionary comps at 36, 9 & 11%.

Gym Group in the UK is trading at 22.3x FY23, while Planet Fitness in the US is 35.2x FY23.

Figure 5 – FY22 PE valuation

FY23 PE valuation

FY23 NPAT	13.8
PE multiple (x)	15.00
Equity value (\$m)	207.4
Equity value per share (\$)	2.54

Implied metrics	FY22	FY23
Implied FY22 EV/EBITDA (x)	8.1	4.7
Implied FY22 PE NPATA (x)	38.8	15.0

Source: OML

Price target

Price target – Based on the average of our DCF and PE valuations, rolled forward at our cost of equity, we derive a price target of \$3.56 per share, implying 33% upside to the last price of \$2.68.

Our \$3.56 target implies an FY23 PE of 21.0x

Figure 6 – Price target derivation

Price target derivation

DCF valuation (\$ ps)	3.88
FY23 PE (\$ ps)	2.54
Average	3.21
Cost of equity (%)	10.8%
Rolled-forward valuations (\$ ps)	3.56
Less dividend (\$ ps)	0.00
One-year forward price target (\$ ps)	3.56

Implied metrics by target	FY22	FY23
EV/EBITDA (x)	12.1	7.0
PE NPATA (x)	54.3	21.0

Source: OML

Comparables

Domestic leisure											
Code	Company	Mkt Cap AUD	PE			EV/EBITDA			EPS Growth		
			FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
EVT AU	EVENT Hospitality and Entertainment Ltd	1,897	-	39.9	21.4	33.5	13.2	10.8	-172%	n/a	86%
SLK AU	SeaLink Travel Group Ltd	1,983	27.3	25.3	22.0	13.8	12.7	11.1	47%	8%	15%
THL NZ	Tourism Holdings Ltd	306	-	-	10.8	14.6	7.5	3.9	-171%	n/a	n/a
ALG AU	Ardent Leisure Group Ltd	350	-	-	-	-	15.3	10.9	n/a	n/a	n/a
EXPAU	Experience Co Ltd	133	-	48.0	14.1	25.4	12.9	7.4	-133%	n/a	240%
ATL AU	Apollo Tourism & Leisure Ltd	51	-	91.7	5.6	23.9	6.6	4.9	-233%	n/a	1533%
Average (excl. EXP/ATL/THL)			na	32.6	21.7	23.6	13.7	10.9	-102%	na	60%
Median (excl. EXP/ATL/THL)			na	32.6	21.4	14.6	12.9	10.8	na	na	78%
VVA AU	Viva Leisure OMLe	218	71.9	40.9	15.8	14.1	9.2	5.3	58%	76%	159%
Domestic discretionary and health (sub \$2b mkt cap)											
Code	Company	Mkt Cap AUD	PE			EV/EBITDA			EPS Growth		
			FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
AX1 AU	Accent Group Ltd	1,244	16.6	16.4	14.8	7.2	6.9	6.4	41%	1%	11%
LOV AU	Lovisa Holdings Ltd	1,616	59.7	35.7	27.0	20.3	14.5	11.6	-28%	67%	32%
IDX AU	Integral Diagnostics Ltd	893	22.8	21.5	19.8	12.2	11.5	10.8	19%	6%	9%
NCK AU	Nick Scalfi Ltd	768	9.7	14.4	13.9	6.9	9.4	9.3	90%	-33%	3%
CCX AU	City Chic Collective Ltd	885	38.1	26.5	21.9	20.3	15.0	12.9	20%	44%	21%
API AU	Australian Pharmaceutical Industries Ltd	557	13.5	11.8	11.2	5.5	5.1	4.7	-22%	14%	5%
BBNAU	Baby Bunting Group Ltd	685	26.1	22.5	19.4	14.2	12.5	11.0	83%	16%	16%
ADHAU	Adairs Ltd	607	8.6	10.2	9.6	5.2	5.9	5.6	139%	-16%	7%
RDC AU	Redcape Hotel Group	514	11.3	11.2	10.7	18.9	18.2	17.2	22%	1%	5%
VRT AU	Virtus Health Ltd	490	14.1	15.6	12.0	8.5	8.8	8.5	23%	-10%	5%
BLX AU	Beacon Lighting Group Ltd	383	11.9	15.2	14.5	6.3	7.2	6.9	95%	-22%	4%
PSQ AU	Pacific Smiles Group Ltd	416	26.6	26.9	22.7	13.7	13.2	11.1	61%	-1%	19%
PFP AU	Propel Funeral Partners Ltd	293	18.8	16.8	16.0	11.1	10.4	9.9	24%	12%	5%
MVF AU	Monash MF Group Ltd	282	12.9	12.7	12.1	6.9	7.0	6.4	-33%	2%	5%
CAJ AU	Capitol Health Ltd	334	20.3	20.3	18.1	8.9	9.3	8.6	33%	0%	13%
TRS AU	Reject Shop Ltd/The	224	26.4	15.2	11.2	11.2	8.3	6.8	n/a	73%	36%
ONT AU	1300SMILES Ltd	173	18.8	18.2	18.7	10.3	10.2	9.8	13%	3%	-3%
Average			21.0	18.3	16.1	11.0	10.2	9.3	36%	9%	11%
Median			18.8	16.4	14.8	10.3	9.4	9.3	23%	2%	7%
VVA AU	Viva Leisure OMLe	218	71.9	40.9	15.8	14.1	9.2	5.3	58%	76%	159%
Global fitness centres											
Code	Company	Mkt Cap AUD	PE			EV/EBITDA			EPS Growth		
			FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
PLNT US	Planet Fitness Inc	9,150	76.3	44.6	35.1	34.4	25.1	21.9	-32%	71%	27%
BFIT NA	Basic-Fit NV	3,058	-	43.0	25.8	15.7	9.7	7.6	-126%	n/a	66%
8462 TT	Power Wind Health Industry Inc	530	19.2	17.0	-	9.5	8.1	-	23%	13%	na
TVTY US	Tivity Health Inc	1,523	15.8	14.5	14.9	10.4	9.8	9.8	-30%	9%	na
GYMLN	Gym Group PLC/The	718	-	77.4	21.8	38.4	10.8	7.3	-269%	n/a	na
SPORTS MM	Grupo Sports World SAB de CV	31	-	-	-	11.4	5.8	-	n/a	na	na
ATIC SS	Actic Group AB	43	-	8.4	6.4	5.4	4.8	4.6	-100%	na	na
Average			37.1	34.1	20.8	17.9	10.6	10.2	-89%	31%	47%
Median			19.2	30.0	21.8	11.4	9.7	7.6	-66%	13%	47%
VVA AU	Viva Leisure OMLe	218	71.9	40.9	15.8	14.1	9.2	5.3	58%	76%	159%

Source: OML and Bloomberg *prices as of 10 March 2021

Viva Leisure Limited

PROFIT & LOSS (A\$m)	2019A	2020A	2021E	2022E	2023E
Revenue	33.1	40.9	81.1	115.9	153.9
Operating costs	(25.6)	(34.8)	(66.6)	(93.8)	(115.6)
Operating EBITDA	7.5	6.1	14.5	22.2	38.3
D&A	(2.1)	(4.1)	(8.9)	(12.2)	(15.6)
EBIT	5.3	2.0	5.6	9.9	22.7
Net interest	(0.7)	(0.8)	(1.5)	(2.3)	(2.9)
Pre-tax profit	4.7	1.2	4.1	7.6	19.8
Net tax (expense) / benefit	(1.4)	0.2	(1.2)	(2.3)	(5.9)
Significant items/Adj.	(0.1)	(7.7)	(10.0)	(10.0)	(10.0)
Normalised NPAT	3.3	1.4	2.9	5.3	13.8
Reported NPAT	3.2	(6.2)	(7.1)	(4.7)	3.8
Normalised dil. EPS (cps)	6.2	2.4	3.7	6.6	17.0
Reported EPS (cps)	6.0	(10.3)	(9.2)	(5.7)	4.7
Effective tax rate (%)	30.0	(15.3)	30.0	30.0	30.0
DPS (cps)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Payout ratio (%)	-	-	-	-	-
Franking (%)	-	-	-	-	-
Diluted # of shares (m)	52.6	60.4	77.3	81.5	81.5

CASH FLOW (A\$m)	2019A	2020A	2021E	2022E	2023E
EBITDA incl. adjustments	7.5	6.1	14.5	22.2	38.3
Change in working capital	0.9	7.0	(0.0)	1.0	1.1
Net Interest (paid)/received	(0.6)	(7.9)	(1.5)	(2.3)	(2.9)
Income tax paid	(0.5)	(1.6)	(1.2)	(2.3)	(5.9)
Other operating items	-	-	-	-	-
Operating Cash Flow	7.3	3.6	11.8	18.6	30.6
Capex	(3.9)	(17.9)	(11.9)	(18.7)	(19.5)
Acquisitions	(7.1)	(17.7)	(23.1)	(5.5)	(3.7)
Other investing items	(0.3)	-	-	-	-
Investing Cash Flow	(11.2)	(35.1)	(34.9)	(24.2)	(23.2)
Inc/(Dec) in equity	22.5	43.2	28.9	-	-
Inc/(Dec) in borrowings	(3.5)	5.8	5.0	10.0	(5.0)
Dividends paid	-	-	-	-	-
Other financing items	(2.0)	(1.8)	(6.4)	(8.6)	(10.9)
Financing Cash Flow	17.1	47.1	27.5	1.4	(15.9)
FX adjustment	0.6	-	-	-	-
Net Inc/(Dec) in Cash	13.2	15.7	4.4	(4.2)	(8.5)

BALANCE SHEET (A\$m)	2019A	2020A	2021E	2022E	2023E
Cash	14.4	30.1	34.5	30.2	21.8
Receivables	0.2	2.7	1.6	2.3	3.1
Inventory	-	-	-	-	-
Other current assets	0.4	3.0	3.0	3.0	3.0
PP & E	19.2	28.6	42.7	64.6	85.9
Intangibles	6.6	20.5	43.6	49.1	52.8
Other non-current assets	3.5	234.6	234.6	234.6	234.6
Total Assets	44.3	319.5	359.9	383.8	401.2
Short term debt	2.3	16.1	22.9	35.5	32.9
Payables	2.5	5.1	4.1	5.8	7.7
Other current liabilities	2.5	2.5	2.5	2.5	2.5
Long term debt	5.7	174.5	177.4	181.6	185.7
Other non-current liabilities	4.1	57.3	67.3	77.3	87.3
Total Liabilities	18.5	256.2	274.8	303.3	316.9
Total Equity	25.8	63.3	85.1	80.5	84.3
Net debt (cash)	(14.4)	(22.1)	(21.5)	(7.2)	(3.8)

Buy

DIVISIONS	2019A	2020A	2021E	2022E	2023E
KEY METRICS (%)	2019A	2020A	2021E	2022E	2023E
Revenue growth	37.1	23.6	98.3	43.0	32.8
EBITDA growth	79.1	(18.9)	138.2	53.3	72.8
EBIT growth	102.1	(62.5)	178.7	78.4	128.2
Normalised EPS growth	-	(61.8)	57.6	75.9	158.6
EBITDA margin	22.6	14.8	17.8	19.1	24.9
OCF / EBITDA	112.4	215.5	99.9	104.7	103.0
EBIT margin	16.1	4.9	6.9	8.6	14.7
Return on assets	13.4	1.3	1.1	1.9	4.0
Return on equity	25.3	3.2	3.9	6.5	16.8

VALUATION RATIOS (x)	2019A	2020A	2021E	2022E	2023E
Reported P/E	44.7	-	-	-	57.1
Normalised P/E	43.3	-	71.8	40.9	15.8
Price To Free Cash Flow	39.3	-	-	-	19.7
Price To NTA	7.3	3.6	5.0	7.0	6.9
EV / EBITDA	16.9	21.7	12.9	9.5	5.6
EV / EBIT	23.7	65.8	33.3	21.2	9.5

LEVERAGE	2019A	2020A	2021E	2022E	2023E
ND / (ND + Equity) (%)	(126.5)	(53.7)	(33.7)	(9.9)	(4.7)
Net Debt / EBITDA (%)	(192.3)	(364.3)	(148.5)	(32.7)	(9.9)
EBIT Interest Cover (x)	7.8	2.6	3.8	4.3	7.7
EBITDA Interest Cover (x)	11.0	8.0	10.0	9.6	13.0

SUBSTANTIAL HOLDERS	m	%
Konstantinou Family	21.7	30.3%
BAEP	12.0	16.8%
WAM	5.3	7.5%

VALUATION	
Cost of Equity (%)	10.8
Cost of debt (after tax) (%)	7.3
D / EV (%)	15.0
WACC (%)	9.9

Forecast cash flow (\$m)	23.3
Terminal value (\$m)	264.9
Franking credit value (\$m)	-
Enterprise Value (\$m)	315.9
Less net debt / add net cash & investments (\$m)	(27.7)
Equity NPV (\$m)	288.3
Equity NPV Per Share (\$)	3.88

Multiples valuation method	FY23 PE
Multiples	15.0
Multiples valuation	2.54

Target Price Method	Rolled fwd DCF and PE
Target Price (\$)	3.56
Valuation disc. / (prem.) to share price (%)	32.8

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Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historic volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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Ord Minnett acted as lead manager to the IPO in June 2019, placements in Dec19, Jun-20 and Nov-20