GBC AG
Investment Research

Research report (Anno)

Aspermont Ltd.

Aspermont
Information for Industry

XaaS powerhouse in the making
-
64% Gross Profit Margin
-
Record FY2022 results

Target Price: 0.10 AUD / 0.07 EUR
(previously: 0.11 AUD / 0.08 EUR)

Rating: BUY

IMPORTANT NOTE:
Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section § 85 WpHG und Art. 20 MAR on page 12

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II"

Date and time of completion of this research: 24.02.2023 11:00
Date and time of first distribution: 24.02.2023 12:00
Target price valid until: max. 31.12.2023

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Current price: 0.02
23/02/2022 / ASX / 00:12
Currency: AUD

Key Data:

ASX: ASP
ISIN: AU000000ASP3
Number of shares: 2.420[3]
Marketcap: 48.43[3]
[3] in m / in m AUD /

Primary listing: ASX
Secondary listing: Frankfurt

Accounting Standard:
IFRS

FY End: 30/09/2022

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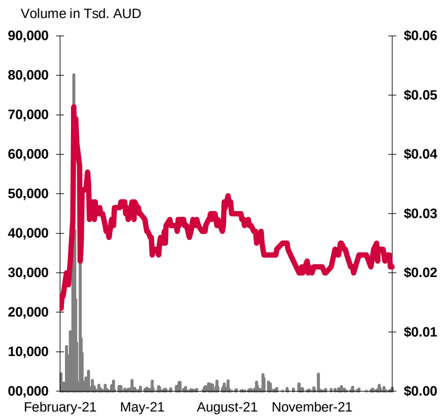
* List of possible conflicts of interest on page 13

Company Profile

Sector: B2B Media
Focus: Mining, Energy, Agriculture, Technology

Corporate Headquarters in Perth, Australia

Management: Alex Kent (Managing Director), Ajit Patel (COO), Nishil Khimasia (CFO), Matt Smith (CCO), Leah Thorne (Group People Director)



Aspermont Limited is the global leader of business-to-business (B2B) media for the resources industry. The company offers subscription-based content services in the mining, energy, agriculture, and technology sectors. Customers from all over the world use Aspermont's services. In addition, Aspermont Limited is a global leader in business-to-business marketing.

Aspermont has continuously increased its revenues over the last 25 quarters. The company will be releasing their new Skywave IT infrastructure as well as Esperanto and Archives products in 2023. The company currently has over AUD 6.6 million in cash and is debt-free.

Aspermont Limited reported their FY-2022 results.

GuV in Mio. AUD	FY 2021	FY 2022	FY 2023e	FY 2024e
Sales	16.10	18.70	23.41	29.26
EBITDA	1.60	2.10	2,21	4,69
Net income	0.15	-0.31	1.13	3.18
Gross margin	65.0%	64.0%	64.29%	64.23%
Operating cashflow	2.6	1.42	1.98	4.44

Key figures per share				
EPS	0.00	0.00	0.01	0.01
Dividend	0.00	0.00	0.00	0.00

Financial calendar	
05/2023	H1 2023
11/2023	FY2023 preliminary report
12/2023	FY2023 annual report

**last research by GBC:
Date: Publication / Target price in AUD / Rating
07/12/2022: RS / 0.11 / BUY
13/12/2021: RS / 0.09 / BUY
18/11/2021: RS / 0.09 / BUY
** the above-mentioned research studies can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg

Executive Summary

- **FY net results impacted by one-time event.** The company has posted their highest EBITDA results with 2.1M AUD but ended the financial year with a net loss of (0.31M AUD) due to a 700k write-off of the Blue Horseshoe investment.

- **Strong cash position.** The company has over AUD 6.6M cash on hand.

- **High gross margin maintained.** The company has maintained a 64% gross margin for the FY 2022 compared to 65% for FY 2021.

- **Stronger EBITDA margin.** The company increased their EBITDA margin from 10% for the FY2021 to 12% for the FY2022

- **Increase in recurring revenues.** Aspermont grew their recurring revenues base from 70% to 75% YoY for 2022.

- **Continued growth. The company is growing at a double-digit rate across the XaaS KPIs board.** Most importantly, their subscribers' ARPU has increased by 28% to a record $1538.

- **Delivering on promises:** The company has exceeded all their FY2022 guidance.

- **25 consecutive quarters of growth.** The CaaS model is still growing, such as total revenues and earnings.

- **Based on our DCF model, with an updated market risk premium, we reviewed our price target to 0.10 AUD / 0.07 EUR (previously: 0.11 AUD / 0.08 EUR) per share.**

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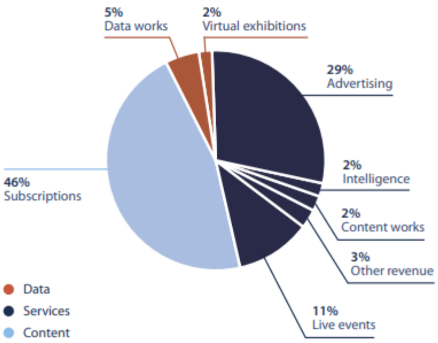
Aspermont Ltd. released their FY2022 results

On December 22nd, 2022, Aspermont Limited released their FY2022 financials. The company posted, once again, a record year for revenue, gross profit, EBITDA, and net liquidity. While the COVID crisis can be now viewed as being in the rear mirror, 2022 was a year of challenge. Increasing interest rates, inflation, personnel retention, trade tensions and political instability are only a small sample of the challenges industries had to face. Through these head winds, Aspermont has continued its rapid growth and maintained its high gross margin.

If the FY2021 financial results demonstrated the company's resilience and the strength of their new digital XaaS business, the FY2022 clearly indicated that the company has found its pace and rhythm. The company had one-time events that affected their EBITDA but once normalised, it was their strongest result ever published with AUD 2.8M. The company has a strong tailwind blowing as commodities are at the centre of every discussion nowadays and the company will be releasing their new content in Spanish with the Esperanto platform and monetizing access to Mining journal archives after digitalizing over 187 years of content.

FY2022 revenue mix



Source: Aspermont Ltd.

XaaS business model

Income verticals

Aspermont's business model is based on B2B XaaS sales. The company changed their income verticals as per below:

- XaaS: consisting of all subscription-based generated revenues
- Data: representing the income from B2B lead generation and **Virtual events & Exhibitions**
- Services: regrouping client marketing services such as Display Advertising, Content Marketing, Content Agency, ~~**and Virtual events & Exhibitions**~~

Revenues per income vertical (in %)

	FY2021	FY2022
Content	47	46
Services	47	47
Data	6	7

Sources: Aspermont Ltd., GBC AG

The relative proportion of each service to the total revue stayed stable. The allocation of events revenues to the services sector highlights the important growth of the data sector. As such, Aspermont saw an increase of 69% in data growth, the highest of all sectors.

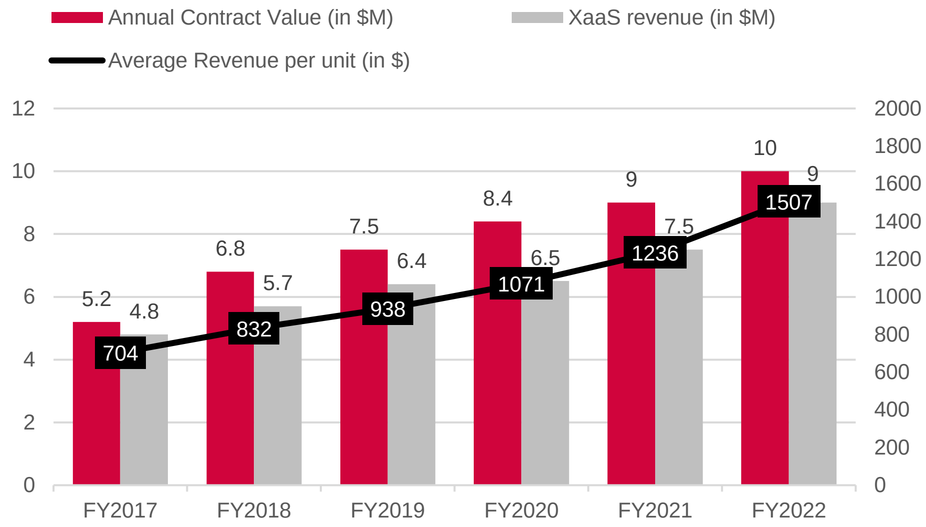
Key KPIs

	FY2018	FY2019	FY2020	FY2021	FY2022
Annual contract value (in $M)	6.8	7.5	8.4	9.0	10.0
XaaS revenue (in $M)	5.7	6.4	6.5	7.5	8.7
Net retention rate	87%	95%	101%	100%	102%
Retention rate	84%	84%	84%	83%	85%
Average revenue per unit (in $)	832	938	1,071	1,236	1,582
Digital users (in M)	1.9	2.6	3.7	3.6	3.6

Sources: Aspermont Ltd., GBC AG

For FY2022, the company's **net retention rate was 102 percent**, with an 85 percent retention rate. This is a significant increase compared to last year, as the company crossed the 100% rate. The company successfully prioritised an increase of these key metrics which help maintain high gross margins, allowing for more investment in the company. There was a significant increase in their online services visitors, as the digital users grew from 3.6m to 4m, with 229,000 monthly active users. The company has over 6,000 corporate subscriptions with an annual contract value of $10m.

Main KPIs growth



Sources: Aspermont Ltd., GBC AG

The company subscriptions services ARPU have seen their fastest growth since 2017 with 28% in growth from the 2021 level. We have forecasted $1,421 for FY2022. The company has largely beaten our expectations with $1,538. Coupling this result with their net retention rate of over 102% for a unit economics of over 30x, Aspermont is becoming a digital subscription powerhouse.

Overall, we expect the growth in all subscription metrics to continue over the next few years as the company focuses on adding new products and content value for each of their customers. However, with the release of new products in 2023, we could see these KPIs decreasing as they enter new markets with Esperanto, which would not indicate a slowing down of their subscription model but rather a successful expansion to new markets. We could then see an accelerated growth beyond 2023.

FINANCIALS

FY2022 Guidance

The company had five main objectives for 2022:

1. High growth in total revenue
2. High growth in XaaS and new product revenues
3. Relaunch of live events business
4. Significant investment in new technologies
5. Continued expansion in free cashflow and profitability

Considering the results reported by the company, the management has accomplished all the objectives that they set out for their FY2022 guidance.

They have grown their overall revenue through the relaunch of their live events business and increase of revenues from their XaaS, and they have maintained margins and profitability.

Historical development of the company

FY2022 financial results

Revenue (in AUD $'m)	FY2022	FY2021	YoY Growth %
Revenues	18.7	16.1	+17%
Cost of sales	(6.7)	(5.6)	+19%
Gross revenues	12,0	10.5	+17%
Gross margin (%)	64,0	65.0	-1%
Cash on hand	6.7	7.0	-4%
EBITDA	2.3	1.6	44%
Net profit after tax	(0.4)	0.1	

Sources: Aspermont Ltd., GBC AG

The company attributes the increase in revenues to a combination of new customer acquisitions and increased spending from existing customers. The company plans to continue expanding its product offerings and increasing its investment in R&D to stay competitive in the SaaS market. Additionally, Aspermont is also looking to improve its cost management to keep margins at high levels even in their investment phase. A slight decrease in margin is a natural outcome of investments in growth. The company's management is confident that the investments will bring more revenues and will bring back the margins to their previous level.

The company‘s normalised EBITDA was AUD 2.8m, compared to AUD 2.3m for the FY2021. This strong performance in EBITDA can be attributed to the company's successful cost management and strategic investments in long-term growth opportunities strategy put in place years ago.

We believe the company's investments in growth will bring more revenues and will bring back the margins to their previous level after FY2023e, which could see the gross margin drop under 60%. Their strong financial position will provide the company with the flexibility to continue investing in its product offerings and R&D initiatives to stay competitive in the SaaS market.

Pillars of growth

Earnings per sector (in $M)

	FY2022	FY2021	Change (in %)
CaaS revenue	8.7	7.5	+16
Data revenue	1.2	7.1	-15
Services revenue	8.8	1.5	+25
Total revenue	18.7	16.1	+17

Sources: Aspermont Ltd., GBC AG

In addition, the company has a very healthy **recurring revenue to new revenue ratio of 75%** for FY2022, up from 70% for FY2021. Recurring revenues are key to unlocking growth and minimising the cost of new client acquisition. This will serve as a launching platform for as accelerated expansion.

FY 2022 compared to FY 2021 financials results (in $M)

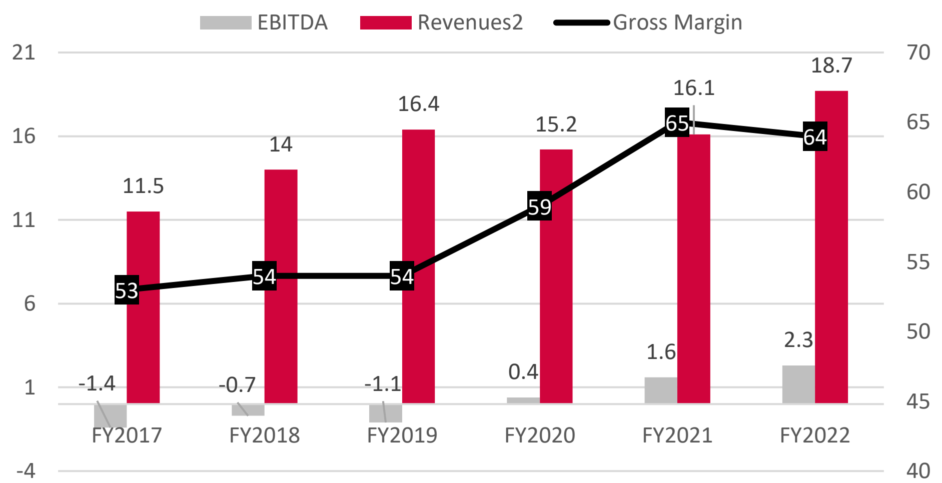
	FY2022	FY2021	Change (in %)
Total revenue	18.73	16.1	17%
Gross margins (in %)	64%	65	-1%
Reported EBITDA	2.3	1.6	40%
Cashflow from operations	1.4	2.6	-37%
Net profit after tax		0.1	

Sources: Aspermont Ltd., GBC AG

The company's total revenues increased by 17% from $16.1 million in FY2021 to $18.7 million in FY2022. The company results show an increase of 16%, a little shy of the 25% we projected but our projections did not account for the development of international market conditions in 2022 and the extended COVID situation. **The company has maintained its very high gross margin with 64%** for 2022 compared to 65% for 2021.

The company NPAT loss can be attributed to one-off 700k of its fintech Blu Horseshoe investment.

Historical key financials



Sources: Aspermont Ltd., GBC AG

Overall, Aspermont Ltd.'s results for FY2022 show a strong growth in revenues and a solid EBITDA performance. The company has successfully maintained its gross margin while increasing their head count of 10% in an inflationary economy. The new IT platforms are ready with new products, and we believe the company's management should continue its investment strategy, even if this could impact the FY2023e results, in order to optimize the return on investment and balance it with the need to grow the business at a faster pace.

FORECASTS AND VALUATION

FY2023e Guidance

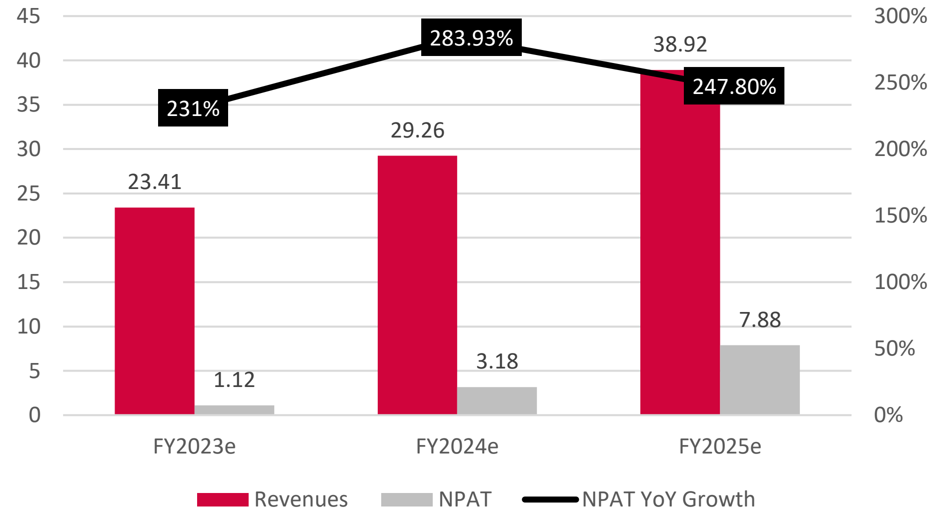
Aspermont has identified six main objectives for the FY2023:

1. Revenue growth in all lines
2. Expansion of senior leadership team
3. Moderate retraction in operating margins
4. Retractions in EBITDA
5. Net cash balances to remain above $4M
6. First generation launches of Skywave, Esperanto and Archives

Future earnings

Based on the company's guidance, we have adjusted our estimates for FY2023 and subsequent years. Project Skywave will require additional investment from the company to start driving new subscriptions and cross-selling growth. This should result in lower gross margin, EBITDA and net results.

Estimates key financials for FY2023e to FY2025e (in M AUD)



Sources: Aspermont Ltd., GBC AG

We expect net profit after tax to decrease in FY2023e and then grow again more rapidly, reaching $3.18M in FY2024e. We anticipate revenue increases of 25%, 25%, and 33%, respectively. We believe the company will continue posting high margins in the range of 65%. This will lead to Aspermont increasing significantly the NPAT on a YoY basis, reaching over $7.88M for the FY2025e.

We believe the company's growth rate will accelerate as it diversifies its operations and becomes a major player in the agricultural sector. The relaunch of the Live Events business will also add more water to the sales mill, as well as a lot of wind to the cross-selling sails. Because the mining sector is in a super cycle with high volatility, the data division should continue to be the fastest growing sector.

For the past two fiscal years, the company's free cash flow and operational cash flow have remained stable at $1.7M and $2.6M, respectively. With a positive net profit after tax for FY2021, we do not anticipate any further dilution from the company.
We still have difficulties addressing the Blue Horseshoe venture, but we saw positive results being posted by the management. After launching it in June last year, the financial-

services company had already executed 118 deals by mid-October 2022. This result has beaten even the most optimistic scenario. The solution proposed by Blue Horseshoe is tailor-made for the new type of investors that do want to deal exclusively through only one broker. Even if limited to the Australian market, we believe this venture has a lot of space to grow with the support of both brokers and investors.

Aspermont remains committed to a sustainable double-digit growth in revenues. The management have also maintained their gross profit and EBITDA this year even with increased costs all over the board, including a 10% increase in manpower. The FY2022 results show how solid and well-prepared the company is to face new challenges. We continue to believe the company is on track to unlock even more value for their shareholders in the near future.

Due to the increase in the market risk premium from 5.00% to 5.50%, our target price is now 0.10 AUD / 0.07 EUR (previously: 0.11 AUD / 0.08 EUR) with a BUY rating.

VALUATION

Model assumptions

Aspermont Limited was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2023 - 2025 in phase 1, the forecast is made from 2026 to 2030 in the second phase by applying value drivers. We expect annual revenue growth of 15%. We have assumed a target EBITDA margin of 35%. We have considered a tax rate of 15.0 % in phase 2. In the third phase, a residual value is also determined after the end of the forecast horizon using the perpetual annuity. In the terminal value, we assume a growth rate of 1.0 %.

Cost of capital

The weighted average cost of capital (WACC) of Aspermont Limited is calculated from the cost of equity and the cost of debt. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be calculated.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. This is based on the zero bond interest rates published by the Deutsche Bundesbank using the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. **The currently used value of the risk-free interest rate is 1.50. At the same time, the current value currently represents the lower limit in our valuation model.**

We use the historical market premium of 5.5% as a reasonable expectation of a market premium. This is supported by historical analyses of equity market returns. The market premium reflects the percentage by which the equity market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 2.57 is currently determined.

Using the assumptions made, we calculate a cost of equity of 14.36% (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of 90% for the cost of equity, the weighted average cost of capital (WACC) is 14.83%.

Valuation result

Based on our DCF valuation model, we have reviewed our target price to AUD 0.10. Using an exchange rate of 0.63714 (as of 23-02-2023, 9:40am), we maintained a target price 0.07 EUR.

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VALUATION

Aspermont Ltd. - Discounted Cashflow (DCF) model scenario

Value driver of the DCF - model after estimate phase:

consistency - Phase	
Revenue growth	30.0%
EBITDA margin	35.1%
Depreciation to fixed assets	1.0%
Working Capital to revenue	-36.6%

final - Phase	
Eternal growth rate	1.0%
Eternal EBITA margin	35.0%
Effective tax rate in final phase	15.0%

Three phases DCF - Modell:

Phase	estimate			consistency					final
in mAUD	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 30e	Terminal value
Revenue	23.41	29.26	38.92	50.60	65.78	85.51	111.16	144.51	
Revenue change	25.0%	25.0%	33.0%	30.0%	30.0%	30.0%	30.0%	30.0%	1.0%
Revenue to fixed assets	81.86	93.02	109.48	125.95	144.90	166.70	191.78	220.63	
EBITDA	2.22	4.69	10.32	17.73	23.05	29.97	38.96	50.65	
EBITDA margin	9.5%	16.0%	26.5%	35.1%	35.1%	35.1%	35.1%	35.1%	
EBITA	2.22	4.69	10.32	17.73	23.05	29.97	38.96	50.65	
EBITA margin	9.5%	16.0%	26.5%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Taxes on EBITA	-0.40	-0.74	-1.55	-2.66	-3.46	-4.50	-5.84	-7.60	
Taxes to EBITA	17.9%	15.9%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
EBI (NOPLAT)	1.82	3.95	8.78	15.07	19.59	25.47	33.11	43.05	
Return on capital	-22.1%	-44.8%	-80.7%	-108.6%	-108.3%	-108.0%	-107.7%	-107.5%	-83.3%
Working Capital (WC)	-9.11	-11.19	-14.23	-18.50	-24.04	-31.26	-40.63	-52.82	
WC to Revenue	-38.9%	-38.2%	-36.6%	-36.6%	-36.6%	-36.6%	-36.6%	-36.6%	
Investment in WC	0.61	2.08	3.04	4.27	5.55	7.21	9.38	12.19	
Operating fixed assets (OAV)	0.29	0.31	0.36	0.40	0.45	0.51	0.58	0.65	
Depreciation on OAV	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	-0.01	
Depreciation to OAV	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
Investment in OAV	-0.03	-0.03	-0.04	-0.05	-0.06	-0.06	-0.07	-0.08	
Capital employment	-8.82	-10.87	-13.87	-18.09	-23.59	-30.74	-40.05	-52.17	
EBITDA	2.22	4.69	10.32	17.73	23.05	29.97	38.96	50.65	
Taxes on EBITA	-0.40	-0.74	-1.55	-2.66	-3.46	-4.50	-5.84	-7.60	
Total investment	0.58	2.05	3.00	4.22	5.49	7.15	9.31	12.11	
Investment in OAV	-0.03	-0.03	-0.04	-0.05	-0.06	-0.06	-0.07	-0.08	
Investment in WC	0.61	2.08	3.04	4.27	5.55	7.21	9.38	12.19	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	2.40	6.00	11.77	19.29	25.09	32.63	42.42	55.16	318.19

Value operating business (due date)	218.01	244.33
Net present value explicit free cashflows	97.13	105.53
Net present value of terminal value	120.87	138.80
Net debt	-8.08	-13.82
Value of equity	226.08	258.15
Minority interests	0.00	0.00
Value of share capital	226.08	258.15
Outstanding shares in m	2340.00	2340.00
Fair value per share in AUD	**0.10**	0.11
Fair value per share in EUR	**0.07**	0.09

Cost of capital:	
Risk free rate	1.5%
Market risk premium	5.5%
Beta	2.57
Cost of equity	15.6%
Target weight	90.0%
Cost of debt	10.0%
Taxshield	10.0%
Taxshield	25.0%
WACC	**14.8%**

Return on Capital	WACC				
	14.2%	**14.5%**	**14.8%**	**15.1%**	**15.4%**
-83.8%	0.10	0.10	0.10	0.09	0.09
-83.6%	0.10	0.10	0.10	0.09	0.09
-83.3%	0.10	0.10	**0.10**	0.09	0.09
-83.1%	0.10	0.10	0.10	0.09	0.09
-82.8%	0.10	0.10	0.10	0.09	0.09

ANNEX

I.
Research under MiFID II
1. There is a contract between the research company GBC AG and the issuer regarding the independent preparation and publication of this research report on the issuer. GBC AG is remunerated for this by the issuer.
2. The research report is simultaneously made available to all interested investment services companies.

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A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

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Since 1/7/2006 GBC AG has used a 3-level absolute share rating system. Since 1/7/2007 these ratings relate to a time horizon of a minimum of 6 to a maximum of 18 months. Previously the ratings related to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are defined based on the categories described below, including reference to the expected returns. Temporary price fluctuations outside of these ranges do not automatically lead to a change in classification but can result in a revision of the original recommendation.

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The recommendations/ classifications/ ratings are linked to the following expectations:

BUY	The expected return, based on the derived target price, incl. dividend payments within the rel 10%.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the rel 10% and < + 10%.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the <= - 10%.

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

Section 2 (III) Past recommendations

Past recommendations by GBC on the current analysis/analyses can be found on the internet at the following address: http://www.gbc-ag.de/de/Offenlegung.htm

Section 2 (IV) Information basis

For the creation of the present analysis/analyses publicly available information was used about the issuer(s) (where available, the last three published annual and quarterly reports, ad hoc announcements, press releases, share prospectuses, company presentations, etc.) which GBC believes to be reliable. In addition, discussions were held with the management of the company/companies involved, for the creation of this analysis/these analyses, in order to review in more detail the information relating to business trends.

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In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (5a,7,11)

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