Research report (Note)

Aspermont Ltd.

Growth even facing headwinds market conditions
-
Renowned top executive and management hiring
-
Forecast focus on return to double digit growth

Target Price: 0.08 AUD (0.05 EUR)
Previously: 0.10 AUD (0.07 EUR)

Rating: Buy

Date and time of completion of this research: 21.06.2023 16:00
Date and time of first distribution: 22.06.2023 10:00
Target price valid until: max. 31.12.2023

GBC AG Investment Research

Aspermont Ltd. 5a, 7, 11

Rating: Buy
Target price: 0.08 AUD (0.05 EUR)

Current price: 0.016
06/06/2023 / ASX / 15:54
Currency: AUD

Master Data:

ISIN: AU000000ASP3
WKN: A0NGFS
Stock exchange symbol: ASP
Number of shares³: 2,431
Market cap³: 38.90
Enterprise value³:
³ in million / in AUD million
Free float: 25%

Primary listing: ASX
Secondary listing: Frankfurt

Accounting Standard: IFRS

FY End: 30.09

Analysts:

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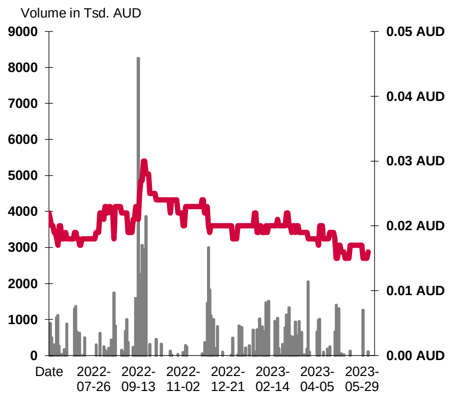
* List of possible conflicts of interest on page 13

Company Profile

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

Corporate Headquarters in London, United Kingdom

Management: Alex Kent (Managing Director), Ajit Patel (COO), Nishil Khimasia (CFO), Matt Smith (CCO), Josh Robertson (CMO), 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.

As a disruptive player in the B2B media market, Aspermont differentiates itself with its mediatech business model. The company boasts a debt-free status, generates free cash flow, and maintains a robust balance sheet. With 27 consecutive quarters of subscriptions growth and an exceptional senior leadership team, Aspermont is well-equipped to drive amplified growth across both established and new business units.

Aspermont Limited reported their HY-2023 results

in Mio. AUD	HY 2022	FY2022	HY 2023	FY2023e
Revenues	9.28	18.73	9.36	20.60
Gross margin	66.9%	64.2%	58.6%	63.6%
EBITDA	0.82	2.01	0.016	0.82
EBITDA margin	8.89%	10.7%	0.17%	4.05%
Net result	-0.29	1.89	0.06	0.26
Cash and cash equivalents	6.69	6.69	6.63	5.42
Key figures per share				
EPS	neg	0.00	neg	0.00
Dividend	0.00	0.00	0.00	0.00

Financial calendar	
11/2023	FY202 preliminary report
12/2023	FY2023 annual report

**last research by GBC:
Date: Publication / Target price in AUD / Rating
24/02/2023: RS / 0.10 / BUY
07/12/2022: RS / 0.11 / BUY
22/02/2022: RS / 0.11 / BUY
13/12/2021: 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

- **Facing headwinds but growing.** The revenues are up 1% YoY, reaching $9.36m AUD. Revenues are in line with company's guidance.
- **Increased net liquidity asset.** The company has a net liquidity position of 4.4m, up from HY 2022 $3.9m.
- **HY gross margin, lower but healthy.** The company's gross margin has decreased to 63.56% for the HY 2023.
- **Privileged position.** While the entire sector is seeing important diminution in publicity revenues and overall revenues, the company's revenues are still growing.
- **Accountable.** The company's guidance has proven right once again. The management has a core understanding of their business and market conditions.
- **Enviable Hiring.** The company continues to hire top talent from different bluechip companies, building a dream team. The fruit of this hiring should be borne soon enough with implementation and scaling of new and existing products.
- **Operational Agility.** Decentralised structure and scalable human resources for rapid launch or products while controlling investment risk as seen in the increase of their net asset liquidity.
- **Continued double digit growth.** The company guidance is to reach a double digit growth in revenues for the FY2023.
- **Based on our DCF model, we maintain our Buy rating with a price target at 0.08 AUD (0.05 EUR) (previously: 0.10 AUD (0.07 EUR)) per share.**

BUSINESS DEVELOPMENT

Business activity

Company latest press releases

Date	Type	Message
01.06.2023	Corporate news	Half-year financial results highlights
31.05.2023	Corporate news	Half-year financial results

Sources: Aspermont, GBC AG

On May 31st, the company published their HY2023 financial results. Aspermont's business performance in H1 has showcased resilience and growth amidst challenging market conditions, underscoring the company's strong position and optimistic outlook for FY23. Notably, the company achieved impressive double-digit growth in subscriptions revenue for the 27th consecutive quarter, a testament to its robust business model.

H1 Financial Highlights

- Total revenue: $9.4 million, a 4% year-on-year increase on a constant currency basis.
- Subscriptions revenue: $4.8 million, a 14% year-on-year growth.
- Gross margins: remained healthy despite contraction.
- Reported and normalised EBITDA: remained positive at $0.1 million and $0.7 million, respectively.
- Cash reserves: $5.4 million, well above our 'black swan coverage' level of $4 million.
- NPAT: $0.3 million, saw a 49% year-on-year increase on a normalised basis.
- Net liquidity: $4.4 million, saw 14% year-on-year growth.

Driven by ambition, Aspermont's management and operating teams are committed to achieving high levels of growth. Despite the challenges faced in H1, the company reported a 1% growth in total revenues (4% on a constant currency basis), with revenue momentum building in H2 2023.

The successful contribution of Content Works, highlighted by the Saudi Arabian media partnership, further validates the potential of this new business division. Aspermont's revenue momentum entering H2 is a positive sign, leading the company to maintain its current revenue guidance without any adjustments.

Aligned with the strategic vision outlined in the FY22 annual report, Aspermont has embarked on a progressive inward investment program. Projects such as Skywave, Esperanto, and archive digitalization are progressing, while key management appointments, including Josh Robertson as Chief Marketing Officer and Lindsay Santos as Group Head of Events, reinforce the company's commitment to expanding operational capacity.

Regardless of the challenging market landscape, Aspermont's performance in HY 2023 remained resilient, affirming its ability to deliver on prior full-year guidance. Their recurring revenues raise from 70% to 75% YonY clearly testifies on this resilience. The company approaches FY23 with cautious optimism, leveraging its strength and financial robustness to navigate the market challenges.

CORPORATE DEVELOPMENT

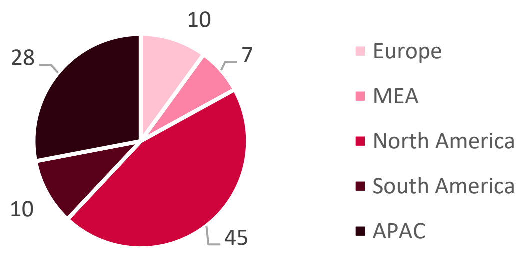
HY 2023 Key figures at a glance (in M AUD)

	HY 2022	FY 2022	HY 2023
Revenues	**9.28**	**18.72**	**9.36**
Cost of sales	-3.07	-6.69	-3.88
Gross revenues	6.20	12.0	5.48
Other expenses	-0.67	0.00	0.00
Distribution expenses	-0.29	-0.59	-0.16
Marketing expenses	-2.05	-4.29	-2.27
Occupancy expenses	0.00	0.00	0.00
Corporate and administration	-2.34	-5.12	-3.02
EBITDA	**0.82**	**2.01**	**0.01**
Depreciation	-0.50	0.00	-0.27
EBIT	**0.32**	**2.01**	**-0.25**
Other income	-0.14	0.19	0.98
Finance costs	0.03	-0,11	0.03
Other comprehensive income/(loss)	-0.12	0.50	-0.43
Share-based payment	-0.34	-0.57	-0,21
Profit before taxes	**-0.25**	**2.01**	**0.10**
Income tax	-0.04	-0.11	-0.04
Net result	**-0.29**	**1.89**	**0.06**
Revenues	**9.28**	**18.72**	**9.36**
Gross margin	66.8%	64.2%	58.5%
EBITDA	0.68	2.01	0.01
EBITDA margin	7.3%	10.7%	0.1%
EBIT	0.18	2.01	-0.25
EBIT margin	1.9%	10.7%	Neg
Net result	-0.29	1.89	0.06
Net margin	-3.1%	10.1%	0.7%

Sources: Aspermont, GBC AG

Aspermont's HY23 results for its different business segments reveal a mixed performance, with varying degrees of growth and decline. Understanding the underlying factors behind these results is crucial in assessing the company's overall business strategy and its ability to capitalize on market opportunities.

Board and Senior Management Contacts geographical location (in %)



Sources: Aspermont, GBC-AG

HY 2023 Revenues

Revenue (in AUD M)	HY 2022	HY 2023	Change
Content	4.2m	4.8m	+14%
Services	4.4m	4.3m	-3%
Data	0.7m	0.3m	-56%
Total revenues	9.3m	9.4m	+1%

Sources: Aspermont, GBC AG

Content (CaaS) revenue experienced a positive growth of 14% to reach $4.8 million, driven by increasing renewal rates, net retention rates, and new business sales. This growth can be attributed to the successful implementation of Account-Based Marketing (ABM) strategies, which have not only increased the number of paid members but also enhanced average revenues per unit. This highlights the effectiveness of Aspermont's content offerings and its ability to generate consistent revenue streams from its target audience. Aspermont has a database of over eight million contacts present in 190 different countries.

Services (MaaS) revenue, on the other hand, declined by 3% to $4.3 million. This decline was primarily influenced by a significant drop in digital advertising revenues, which can be attributed to general market volatility. However, it is important to note that this impact is expected to be temporary, and the H1 performance of the services division, including events and Content Works, remained strong. This indicates the resilience and potential for growth in these service offerings once market conditions stabilize.

The Data (DaaS) business segment faced a substantial decline in revenue, with a decrease of 56% to $0.3 million. This decline can be attributed to the reorganization of Virtual Events & Exhibitions (VEE) revenues into the Services division, as well as the amalgamation of revenues between advertising and live events. Despite this decline, the B2B lead generation revenues in Data Works fared relatively better, although growth rates were lower than anticipated due to prevailing market conditions. Similar to the decline in Services revenue, this impact is expected to be temporary, suggesting the potential for recovery once market dynamics improve.

HY23 Financial Highlights

Period end 31st March	HY2023	HY2022	Improvement
Total revenue	$9.4m	$9.4m	+1%
Net liquidity	$4.4m	$3.9m	+14%

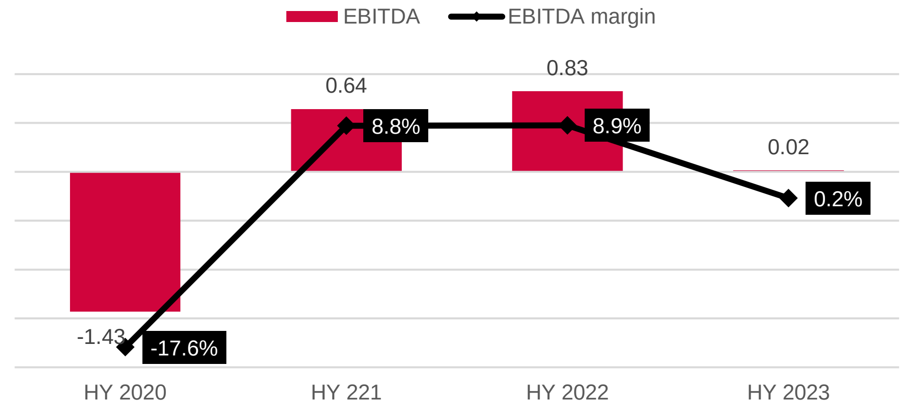
Sources: Aspermont, GBC-AG

Aspermont's total revenue for HY23 remained stable at $9.4 million, representing a modest increase of 1% compared to HY22. The growth in Content revenue demonstrates the effectiveness of Aspermont's CaaS business model, while the decline in Services and Data revenues highlights the temporary challenges faced in those segments. It is important to recognize that these challenges are not unique to Aspermont, as the wider market volatility and reorganization efforts have influenced the results.

Financially, Aspermont faced some headwinds during this period. Revenue from continuing operations showed a modest increase of 1%, reaching $9.4 million compared to the same period last year. It is important to note that, despite the challenging market environment, Aspermont managed to maintain stable revenue growth, a testament to its ability to adapt and find opportunities.

While gross profit saw a decline of 12% (10% on a normalized basis), mainly due to planned operating expenditure investments and inflationary pressures, Aspermont maintains a positive Reported and Normalized EBITDA. The company's cash balances remained strong throughout the period, providing a solid foundation for future growth.

EBITDA ($m) and EBITDA margin (%)



Sources: Aspermont, GBC AG

Net profit after tax from continuing operations, however, experienced a decline of 445%, resulting in a net loss of $0.9 million. While this downturn is noteworthy, it is crucial to consider the various factors that contributed to this result. Aspermont has encountered certain challenges during this period, necessitating a closer examination of its strategic direction and operational efficiency.

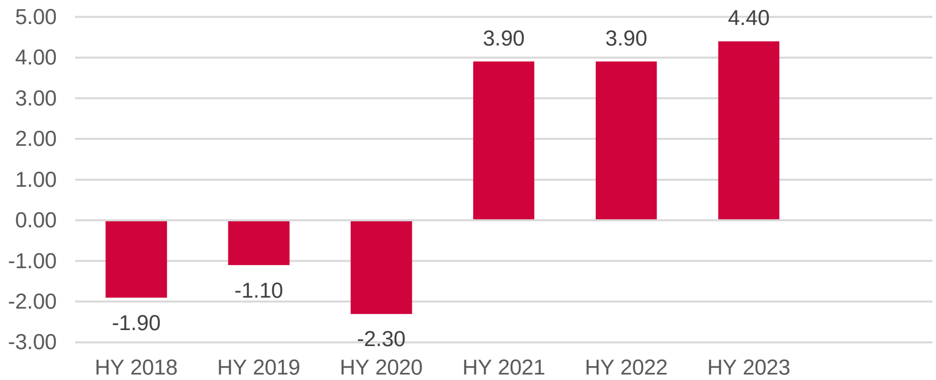
Key Financial Information A$'m HY 2023 Vs. HY 2022

	Change	AUS'm
Revenue continuing operations	1%	9.4
Net profit after tax arising from continuing operations	-445%	(0.9)
Net profit after tax attributable to equity holders of the parent entity	-445%	(0.9)
EBITDA	-94%	0.1
Net liquidity	14%	4.4

Sources: Aspermont, GBC-AG

EBITDA, reflecting the company's operational performance, experienced a decline of 94%, amounting to $0.1 million. This decline is indicative of the pressures faced by Aspermont during this period, which required careful management and adaptation to changing market dynamics. While this decline is significant, it is important to note that EBITDA remained positive, highlighting the company's ability to generate profitability even in the face of adversity.

Net asset liquidity ($m)



Sources: Aspermont, GBC-AG

Despite these challenges, Aspermont's net liquidity demonstrated resilience, increasing by 14% to reach $4.4 million. This growth in net liquidity showcases the company's prudent financial management and its ability to maintain a strong financial position. It also indicates the availability of sufficient resources to support future growth and navigate any unforeseen circumstances that may arise.

In terms of net tangible assets (NTA), Aspermont experienced a decline in net tangible asset backing per ordinary share, down 35% to (0.09) cents. While this decline is significant, it is important to consider the broader context and the company's overall strategy and growth potential. Aspermont has a proven track record of adapting to market conditions and capitalizing on opportunities, which should be taken into account when assessing its long-term value.

Aspermont's focus on building partnerships, such as the confirmed partnership with Saudi Arabia, demonstrates its commitment to expanding its global reach and leveraging opportunities in strategic markets. Additionally, the recent appointments of key personnel, including Ana Gyorkos as Group Content Director, Josh Robertson as Chief Marketing Officer, Graeme McCracken as Non-Executive Director, and Lindsay Santos as Group Head of Events, reinforce Aspermont's dedication to assembling a high-caliber team with diverse expertise.

In conclusion, Aspermont's financial results for the half-year ended 31 March 2023 reflect a period of challenges and adjustments. While some key financial indicators experienced declines, it is crucial to consider the broader context and the company's resilience in navigating these difficulties.

Forecasts and Valuation

Revenue (in AUD M)	FY 2020	FY 2021	FY 2022	FY 2023e	FY2024e
Revenues	14.44	16.05	18.72	20.60	24.72
EBITDA	-0.83	0.82	2.01	0.82	1.80
EBITDA margin (%)	(105.78)	5.15	10.75	4.05	7.42
Net profit after tax	-0.84	0.14	1.89	0.26	1.31

Sources: Aspermont, GBC AG

Aspermont had identified six main objectives for FY2023:

1. **Revenue growth** in all income lines with strong double-digit growth in Subscriptions, DataWorks, ContentWorks and Live events
2. **Expansion of senior leadership team** and overall headcount
3. **Retraction in operating margins** as we accelerate the development of operational capacity
4. **Retraction in EBITDA** and operating cashflow on a reported basis, but continued growth in both on a normalized basis
5. **Net cash balances to remain above $4m** to ensure we have protection from any 'black swan' events
6. **First generation launches** of Skywave, Esperanto and Archives

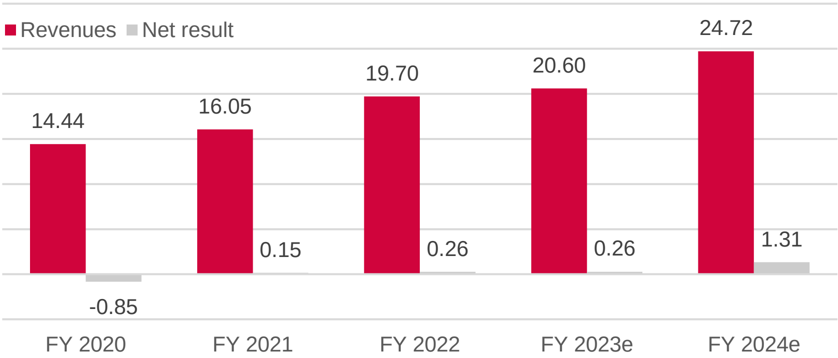
In view of the results posted by the company for the first half of 2023, **the management is on track to reach all their guidance objectives by year's end**. Aligned with the strategic vision outlined in the FY22 annual report, Aspermont has embarked on a progressive inward investment program. Projects such as Skywave, Esperanto, and archive digitalizations are progressing, while key management appointments, including Josh Robertson as Chief Marketing Officer and Lindsay Santos as Group Head of Events, reinforce the company's commitment to expanding operational capacity.

Despite the challenging market landscape, Aspermont's performance in H1 remained resilient, affirming its ability to deliver on prior full-year guidance. The company approaches FY23 with cautious optimism, leveraging its strength and financial robustness to navigate the market challenges.

Future earnings

Based on the company's guidance, we have lowered our current estimates for FY2023 and subsequent years.

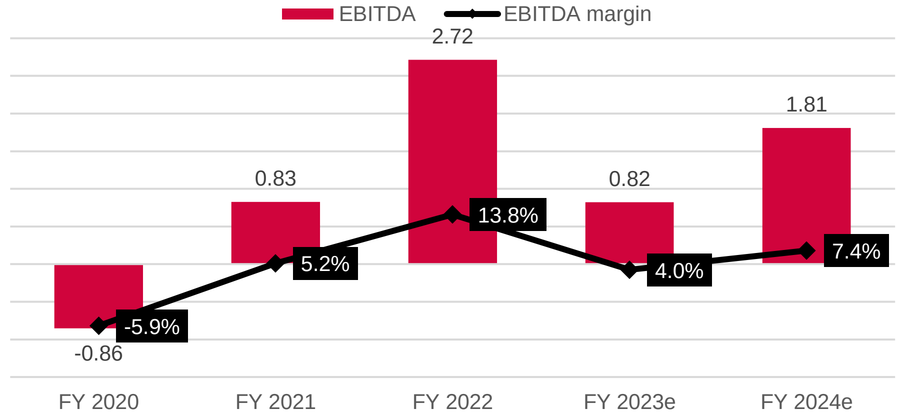
Revenues ($m) and Net revenues ($m)



Sources: Aspermont, GBC AG

Overall, Aspermont's unique value proposition, combined with its ability to adapt to changing market dynamics, positions it well for future success. However, it will be essential for the company to navigate the current challenges effectively, capitalize on its strengths, and seize emerging opportunities to drive revenue growth and enhance shareholder value.

EBITDA ($m) and EBITDA margin



Sources: Aspermont, GBC AG

Aspermont's ability to address the temporary setbacks in Services and Data revenue, while continuing to leverage the growth opportunities in the Content segment, will be crucial for its long-term success. By adapting its strategies to capitalize on market trends, optimizing its offerings, and maintaining a strong customer base, Aspermont can position itself for sustainable growth and profitability in the SaaS sector.

Based on our analysis, we anticipate that the company will achieve double-digit sales growth for FY 2023. This positive trajectory is expected to contribute to a solid gross margin. Moreover, we forecast that the net results will reach $0.263 million. This growth can be attributed to the recent recruitment of highly skilled and competent management personnel, who are well-equipped to maintain the company's growth strategy and restore financial performance to levels seen in previous years.

Aspermont's FY23 outlook remains optimistic, with higher growth expected in H2 2023. The company's financial strength, ongoing inward investment program, and operational capacity expansion position it for success. Aspermont's disruptive mediatech model, debt-free status, and consistent subscription revenue growth contribute to its undervalued status, presenting an opportunity to unlock further value for loyal shareholders.

Based on the company's guidance, we adjusted our current estimates for FY 2023 and subsequent years.

Looking ahead, we believe Aspermont is well-positioned to achieve higher growth in H2 2023. The company's strong financial position, coupled with the momentum building across various business units, sets the stage for continued progress.

We therefore maintain our Buy rating and adjusted our target to 0.08 AUD (0.05 EUR).

VALUATION

Model assumptions

Aspermont Limited was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2023 to 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 30%. We have assumed a target EBITDA margin of 35.1%. We have considered a tax rate of 15% 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%. The final of growth estimate was reduced to 1% to reflect the achieved maturity of the company reached in 2029 and forward.

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. The currently used value of the risk-free interest rate is 2.0%.

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 and remains unchanged from our last report.

Using the assumptions made, we calculate a cost of equity of 16.14% (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 15.28%.

Valuation result

Based on our DCF valuation model, we have maintained our Buy rating and adjusted our target price to AUD 0.08. Using an exchange rate of 0.6252 (as of 19-06-2023, 6:11am), we have a target price 0.05 EUR.

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	-43.3%

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	20.60	24.72	32.88	42.74	55.57	72.24	93.91	122.08	
Revenue change	10.0%	20.0%	33.0%	30.0%	30.0%	30.0%	30.0%	30.0%	1.0%
Revenue to fixed assets	72.03	78.58	92.49	106.41	122.41	140.83	162.02	186.39	
EBITDA	0.82	1.81	6.23	14.98	19.48	25.32	32.92	42.79	
EBITDA margin	4.0%	7.3%	19.0%	35.1%	35.1%	35.1%	35.1%	35.1%	
EBITA	0.82	1.81	6.23	14.98	19.47	25.32	32.91	42.78	
EBITA margin	4.0%	7.3%	19.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Taxes on EBITA	-0.47	-0.31	-0.93	-2.25	-2.92	-3.80	-4.94	-6.42	
Taxes to EBITA	57.4%	17.1%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
EBI (NOPLAT)	0.35	1.50	5.30	12.73	16.55	21.52	27.97	36.37	
Return on capital	-4.3%	-17.0%	-48.7%	-91.8%	-91.5%	-91.2%	-91.0%	-90.8%	-70.4%
Working Capital (WC)	-9.11	-11.19	-14.23	-18.50	-24.04	-31.26	-40.63	-52.82	
WC to Revenue	-44.2%	-45.3%	-43.3%	-43.3%	-43.3%	-43.3%	-43.3%	-43.3%	
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	0.82	1.81	6.23	14.98	19.48	25.32	32.92	42.79	
Taxes on EBITA	-0.47	-0.31	-0.93	-2.25	-2.92	-3.80	-4.94	-6.42	
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	0.93	3.55	8.29	16.95	22.05	28.67	37.28	48.48	260.89

Value operating business (due date)	177.20	200.72
Net present value explicit free cashflows	80.77	89.55
Net present value of terminal value	96.43	111.17
Net debt	-7.71	-11.04
Value of equity	184.91	211.76
Minority interests	0.00	0.00
Value of share capital	184.91	211.76
Outstanding shares in m	2340.00	2340.00
Fair value per share in AUD	**0.08**	0.09
Fair value per share in EUR	**0.05**	0.06

Cost of capital:

Risk free rate	2.0%
Market risk premium	5.5%
Beta	2.57
Cost of equity	16.1%
Target weight	90.0%
Cost of debt	10.0%
Taxshield	10.0%
Taxshield	25.0%
WACC	**15.3%**

Return on Capital	WACC				
	5.3%	**10.3%**	**15.3%**	**20.3%**	**25.3%**
-72.4%	0.30	0.13	0.08	0.06	0.05
-71.4%	0.30	0.13	0.08	0.06	0.05
-70.4%	0.30	0.12	**0.08**	0.06	0.05
-69.4%	0.29	0.12	0.08	0.06	0.05
-68.4%	0.29	0.12	0.08	0.06	0.05

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.

II.
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