

ANALYST
Hayden Nicholson
AUTHORISATION
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PRAEMIUM LIMITED (PPS)

Operationally sound

RECOMMENDATION (unchanged)

BUY

*See key risks on Page 3.

PRICE

A\$0.715

TARGET (12 MONTHS)

A\$1.200 (unchanged)

Expected return

Capital growth	67.8%
Dividend yield	3.6%
Total expected return	71.4%

Sector

Application Software

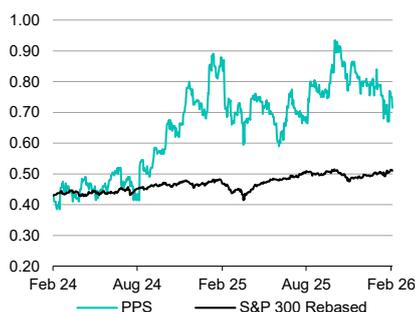
Capital structure & trading data

Enterprise value	\$309m
Market cap	\$349m
Issued capital	487m
Free float	100%
Avg. daily val. (52wk)	\$1.0m
12 month price range	A\$0.56-0.95

Price performance

	(1m)	(3m)	(12m)
Price (A\$)	0.79	0.79	0.84
Absolute (%)	-9.5	-9.5	-14.4
Rel market (%)	-11.0	-16.7	-23.3

Share price (A\$/sh) vs. XKO



Source: IRESS

All sound with synergies coming online

PPS delivered a strong result, consistent with prior aspiration for double digit revenue growth and slight operational leverage. PPS does not provide net inflow guidance but mentioned it expects meaningful flows to follow the recent client onboarding. Things generally sound better with PPS now on track to realise +\$3m run-rate EBITDA from OV before incrementing. Levers to achieving this include the final FTE synergies, and ending of the TSA, completed in Feb'25, providing confidence in the target.

Financial highlights: Pro-forma revenue of \$56.0m was up +5% on pcp against our \$55.6m forecast with Platform revenue ex-churn from OV up +10% on pcp. Main call out was Spectrum revenue margins, which had a dilutive effect due to large account balances of early enterprise clients. Portfolio Services revenue of \$10.2m declined by -3% on pcp. with the volume reduction offsetting some price benefits. We highlighted record volumes in the prior quarter, providing a recovery, and this was confirmed in the outlook statements, which guide to the full run-rate of portfolios in the second half. EBITDA of \$15.2m was up +18% on pcp. PPS continued to exercise measured cost growth around mid-single digits and captured some initial synergies, the net effect of this driving outperformance against our \$14.8m forecast. Below EBITDA line, items were broadly in-line with our thinking, where NPAT of \$8.7m was up +11% on pcp.

Outlook: PPS has reissued an expectation for \$9m in net salary cost reductions from the announced restructure, outlining tailwinds for operating expenses and capitalised costs. This is expected to see cash payments track back to the internal R&D levels of around \$10m. Cost reduction remains the smallest opportunity in the opinion of PPS, relative to transformation in the technology offering and revenue growth. This is based on an improved time-to-market, internalisation of the superannuation administration piece and greater relevance. OV churn has ceased with remaining assets transferred.

EPS: We make minor EPS changes to reflect some fine-tuning around the treatment of net salary reductions related to Technotia and D&A, modelling +2%/-2%/+1%.

Investment thesis: TP \$1.20 (unchanged)

PPS offered little surprises and remains well placed to reinvigorate sales growth while making the operations leaner. Our Buy rating is unchanged and we continue to see an opening to achieve double digit revenue growth, amplified through cost-out measures.

Earnings estimates

Year ending 30 June	2025	2026e	2027e	2028e
Sales (A\$m)	103.0	111.5	124.6	139.1
EBITDA (A\$m)	28.1	31.2	42.0	52.4
NPAT (reported) (A\$m)	13.6	15.9	23.4	31.4
NPAT (adjusted) (A\$m)	17.6	18.0	23.4	31.4
EPS (adjusted) (A¢ps)	3.7	3.7	4.8	6.4
EPS Growth (%)	41.6%	2.1%	28.5%	34.3%
PER (x)	19.5	19.1	14.9	11.1
EV/EBITDA (x)	11.5	10.3	7.7	6.1
FCF Yield (%)	2.6%	3.3%	7.5%	9.6%
Dividend (¢ps)	2.3	2.6	3.4	4.5
Yield (%)	3.1%	3.6%	4.7%	6.3%
Franking (%)	100%	100%	100%	100%

Source: Bell Potter Securities estimates

Praemium Limited (PPS)

BUSINESS OVERVIEW

Praemium is engaged in the provision of an investment platform and a branded online portfolio administration service, designed for financial intermediaries and investors. Following the launch of Spectrum in 2024, PPS integrates heritage managed models with broader investment options for a complete HNW value proposition. PPS controls the non-custodial market with +\$37bn FUA.

VALUATION METHOD

Our target price for PPS is \$1.20ps using a DCF model (11.5% WACC; 4.0% TGR; and 10-year cashflow projections).

RISKS

Risks to an investment in PPS include but are not limited to:

Economic risk: The operating and financial performance of PPS is reliant on domestic and international economic and business conditions, movements in equity and debt capital markets, interest rates, currency, and government fiscal, monetary and regulatory policies. In aggregate these factors influence investor demand and in turn the use of PPS products. Downturns or periods of volatility may therefore adversely impact financial performance.

Competition risk: The industry in which PPS operates is a competitive market. There is a risk that any increase in competitive activity from new or existing competitors may have a detrimental impact on the operations, particularly if PPS fails to respond effectively to that competitive activity or its response is delayed. Factors that may adversely impact the long-term performance of PPS include commercial factors including pricing terms; technological advancements; changing preferences of clients and underlying investor clients; and new or improved products being made available by competitors.

Integration risk: PPS has a record of completing strategic acquisitions and may continue to pursue future inorganic opportunities. There is a risk that an acquired business may not meet its expectations, including difficulties with operational integration or failure to achieve cost synergies and the benefits that PPS might anticipate.

Development risk: PPS operations require ongoing development of the technology and systems, which could cause unforeseen errors, delays, costs or outcomes in the process. A greater reliance on manual processes or unsuccessful technological advancement could see PPS miss out, incur data discrepancies and produce the loss of clients and revenue.

Revenue margin risk: The revenue model per customer may change depending on the selected mix of products, allocation of investment assets and services provided by PPS, which could have an adverse impact on profitability via reduced revenue margins. Further, PPS may change these pricing structures to suit broadening products, be influenced by competitor rate cards, or see the impact of lower ancillary fees, depending on cash deposit agreements with counterparties and monetary policy settings.

Compliance risk: Business undertakings are governed by various legislation, regulation, policies and standards. The regulatory environment for financial services in Australia has continued to increase and become more intricate, bringing an increased cost and burden of compliance. There is a risk that processes and systems may not be adequate to detect and prevent all potential compliance breaches in the current or future regulatory environments. This could result in litigation, fines, penalties or reputational damage. PPS also requires an Australian Financial Services Licence (AFSL) and a Registrable Superannuation Entity (RSE) licence to conduct business. Suspension or cancellation due to non-compliance may result in a loss of operations, and subsequent impact on PPS profitability.

Customer and contract risk: A failure to retain existing clients could adversely impact the financial condition and performance of PPS. Further, some customer contracts with Wealth Advice Groups may contain the right to terminate their agreement on a change of control event. The latter could have a material and immediate effect on PPS profitability.

Key personnel risk: Success is reliant on the ability and performance of key personnel, including but not limited to, directors and key executive management. These individuals have extensive experience in the financial services industry. A loss of key personnel may impact on PPS' ability to operate its business and certain licenses effectively.

Technology risk: The ability to serve clients is dependent on efficient and uninterrupted operation of platform technology, infrastructure and software. PPS also relies on third party IT suppliers in some instances. There is a risk that PPS may not be able to source similar commercial terms for contracts or experience unwarranted access or interruptions leading to lower service levels.

RECOMMENDATION (unchanged)

PRICE

TARGET (12 MONTHS)

Buy**A\$0.715****A\$1.200** (unchanged)

Table 1: Financial summary

Date	24/02/26						Bell Potter Securities	
Price	A\$/sh	0.72						Hayden Nicholson (hnicolson@bellpotter.com.au, +61 3 9235 1757)
Target price	A\$/sh	1.20						
PROFIT AND LOSS								
Year ending 30 June	Unit	FY24a	FY25a	FY26e	FY27e	FY28e		
Sales - Continuing Ops	A\$m	82.7	103.0	111.5	124.6	139.1		
... % Change	%	11%	25%	8%	12%	12%		
UEBITDA - Continuing Ops	A\$m	21.5	28.1	31.2	42.0	52.4		
... % Change	%	-8%	31%	11%	34%	25%		
SBP expense	A\$m	(2.2)	(1.8)	(1.9)	(2.5)	(3.1)		
Depreciation & amortisation	A\$m	(5.7)	(7.1)	(8.8)	(11.8)	(11.1)		
EBIT	A\$m	13.5	19.1	20.6	27.6	38.1		
Interest expense	A\$m	2.0	1.6	2.3	2.9	3.8		
Pre-tax profit	A\$m	15.6	20.7	22.9	30.5	42.0		
Tax expense	A\$m	(2.9)	(3.2)	(4.9)	(7.2)	(10.6)		
Underlying NPAT	A\$m	12.7	17.6	18.0	23.4	31.4		
Abs. & extras	A\$m	(4.0)	(4.0)	(2.1)	-	-		
Reported NPAT	A\$m	8.8	13.6	15.9	23.4	31.4		
CASH FLOW STATEMENT								
Year ending 30 June	Unit	FY24a	FY25a	FY26e	FY27e	FY28e		
OPERATING CASH FLOW								
EBITDA	A\$m	19.2	26.2	29.3	39.5	49.3		
Change in working capital	A\$m	(4.4)	(0.7)	2.0	(0.3)	(0.0)		
Change in provisions	A\$m	1.6	0.6	0.7	0.1	0.1		
Interest expense	A\$m	2.1	1.7	2.3	2.9	3.8		
Tax paid	A\$m	1.9	(4.9)	(4.9)	(7.2)	(10.6)		
Other	A\$m	(3.8)	(2.9)	(2.5)	(0.4)	(0.4)		
Operating cashflow	A\$m	16.7	20.0	26.9	34.6	42.2		
INVESTING CASH FLOW								
Capital expenditure	A\$m	(8.4)	(10.3)	(15.6)	(8.6)	(8.6)		
Acquisitions	A\$m	(0.1)	(0.6)	-	-	-		
Disposals	A\$m	-	-	-	-	-		
Investing cashflow	A\$m	(8.5)	(10.9)	(15.6)	(8.6)	(8.6)		
Free cashflow	A\$m	8.2	9.1	11.3	26.0	33.6		
FINANCING CASH FLOW								
Dividends paid	A\$m	-	(9.6)	(12.1)	(13.0)	(19.6)		
Other	A\$m	(0.2)	(0.2)	-	-	-		
Share issues	A\$m	(9.9)	(2.7)	7.5	-	-		
Change in borrowings	A\$m	-	-	-	-	-		
Financing cashflow	A\$m	(10.1)	(12.4)	(4.6)	(13.0)	(19.6)		
Net change in cash	A\$m	(1.9)	(3.4)	6.8	13.0	13.9		
BALANCE SHEET								
Year ending 30 June	Unit	FY24a	FY25a	FY26e	FY27e	FY28e		
ASSETS								
Cash & cash equivalent	A\$m	44.3	41.0	47.8	60.7	74.7		
Receivables	A\$m	4.6	4.0	5.5	6.1	6.9		
P,P&E	A\$m	3.0	2.2	2.4	2.7	2.9		
Intangibles	A\$m	68.8	72.9	79.9	76.9	74.5		
Contract assets	A\$m	6.3	6.4	6.4	6.4	6.4		
Other	A\$m	7.6	9.2	9.2	9.2	9.2		
Total assets	A\$m	134.6	135.6	151.2	162.0	174.5		
LIABILITIES								
Payables	A\$m	10.9	9.7	13.2	13.6	14.3		
Provisions	A\$m	5.4	6.0	6.7	6.8	6.9		
Lease liabilities	A\$m	2.0	1.5	1.5	1.5	1.5		
Other	A\$m	7.2	6.5	6.5	6.5	6.5		
Total liabilities	A\$m	25.4	23.6	27.8	28.3	29.1		
NET ASSETS								
Share capital	A\$m	103.0	100.4	107.9	107.9	107.9		
Reserves	A\$m	3.0	4.5	4.5	4.5	4.5		
Retained earnings	A\$m	3.1	7.1	10.9	21.2	33.0		
Total equity	A\$m	109.1	112.0	123.4	133.7	145.4		
Weighted average shares	m	491.9	479.9	482.2	486.8	486.8		
FINANCIAL RATIOS								
Year ending 30 June	Unit	FY24a	FY25a	FY26e	FY27e	FY28e		
EPS (adjusted)	Ac/sh	2.6	3.7	3.7	4.8	6.4		
EPS growth	%	-22%	42%	2%	28%	34%		
PER	x	27.7x	19.5x	19.1x	14.9x	11.1x		
DPS	Ac/sh	1.0	2.3	2.6	3.4	4.5		
Yield	%	1%	3%	4%	5%	6%		
Franking	%	100%	100%	100%	100%	100%		
Payout	%	39%	62%	69%	70%	70%		
OCF	Ac/sh	3.5	4.3	5.7	7.2	8.7		
FCF	Ac/sh	1.7	1.9	2.4	5.4	6.9		
FCF yield	%	2.3%	2.6%	3.3%	7.5%	9.6%		
NTA	A\$/sh	0.1	0.1	0.1	0.1	0.1		
EV/EBITDA	x	15.7x	11.5x	10.3x	7.7x	6.1x		
EV/EBIT	x	22.3x	15.8x	14.7x	10.9x	7.9x		
EV/Sales	x	3.7x	2.9x	2.7x	2.4x	2.2x		
P/NTA	x	8.5x	8.7x	8.0x	6.1x	4.9x		
LIQUIDITY & LEVERAGE								
Net debt/(cash)	A\$m	(44.3)	(41.0)	(47.8)	(60.7)	(74.7)		
Net debt/equity	%	-41%	-37%	-39%	-45%	-51%		
Net debt/EBITDA	x	-2.1x	-1.5x	-1.5x	-1.4x	-1.4x		
Interest cover	x	-6.7x	-11.9x	-9.0x	-9.6x	-10.0x		
Fixed asset turnover	x	3.8x	3.9x	3.6x	3.6x	4.7x		
Capex/Depn	x	1.5x	1.5x	1.8x	0.7x	0.8x		
PROFITABILITY RATIOS								
EBITDA margin	%	26%	27%	28%	34%	38%		
EBIT margin	%	16%	19%	18%	22%	27%		
OCF realisation	%	91%	81%	101%	99%	99%		
FCF realisation	%	65%	52%	63%	112%	107%		
ROE	%	12%	16%	15%	18%	22%		
ROA	%	10%	13%	13%	15%	19%		
ROIC	%	21%	28%	28%	37%	53%		
SEGMENT ASSUMPTIONS								
Year ending 30 June	Unit	FY24a	FY25a	FY26e	FY27e	FY28e		
Portfolio services	A\$m	20.5	20.8	22.4	23.9	24.9		
Platform	A\$m	62.2	82.2	89.1	100.7	114.2		
Total	A\$m	82.7	103.0	111.5	124.6	139.1		
PLATFORM DRIVERS								
Year ending 30 June	Unit	FY24a	FY25a	FY26e	FY27e	FY28e		
FUA (Custody)	A\$m	28,059	30,673	34,588	39,282	44,451		
Average FUA (Custody)	A\$m	23,944	29,592	32,673	36,944	41,873		
Net flows (Custody)	A\$m	-182	837	2,227	3,071	3,321		

Source: Bell Potter Securities estimates

**RECOMMENDATION
STRUCTURE**

BUY	Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.
HOLD	Expect total return between -5% and 15% on a 12 month view.
SELL	Expect <-5% total return on a 12 month view.

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