ORD MINNETT RESEARCH

Findi Limited

Growing, profitable and catalyst rich – initiate at BUY

22 October 2024

We expand our technology coverage with the initiation of Findi Limited (FND). FND is an ASX-listed fintech and one of the largest non-bank ATM operators in India, with a network of ~21k ATMs deployed across the country. Following a change of Board and corporate structure in late-2021, Findi has implemented an aggressive growth agenda; signing multi-year deals with two of India's largest banks, increasing EBITDA by a factor of ~3x, and expanding its FindiPay (ie. digital offering) from a standing start to ~38k touchpoints. We expect this type of dynamism to continue and believe the company is inexpensive relative to small cap ASX tech peers (even after adjusting for emerging market risk). Accordingly, we initiate with a BUY recommendation.

A cash generative ATM business, funding digital upside

- Findi's core ATM business is growing rapidly (~30% in FY24), highly cash generative (FY24 OCF = $28m), and underpinned by multi-year contracts to major banks. The company has also been granted provisional authorisation to operate its own branded ATMs; which supports footprint growth in FY25.
- Additionally, given the rapid growth of digital payments across India, Findi is progressing an aggressive acquisition strategy for its FindiPay product – now used by ~38k merchants (from ~nil in mid-2023). Product development and growth at FindiPay will be underwritten by the company's ATM business.

Catalysts: six sources of potential upside

- In addition to our published estimates, we see multiple sources of potential valuation / earnings upside for Findi, namely: (1) a more-aggressive White Label rollout, (2) regulatory changes to interchange fees, (3) implementation of a share repurchase plan, (4) repayment of the company's convertible note to partner Piramal, (5) a listing of TSI India on the Bombay Stock Exchange (slated for 2026), and (6) M&A – particularly within the ATM space.

Initiate with a BUY recommendation

- We derive our $7.52/sh PT via a 10-year DCF, which includes an **additional country risk premium of 3.2%** given Findi's operational exposure to India.
- **Our PT implies a TSR of 30%, which underpins our BUY recommendation.**

Key Financials

Year-end June ($)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue ($m)	53.1	66.4	87.4	126.8	155.2
EBITDA ($m)	18.2	27.5	31.8	47.7	59.1
EBIT ($m)	8.0	12.0	15.1	26.1	39.2
Reported NPAT ($m)	2.4	4.0	0.4	8.5	18.2
Reported EPS (c)	1.2	7.4	0.7	14.5	30.9
Normalised NPAT ($m)	2.4	4.0	0.4	8.5	18.2
Normalised EPS (c)	1.2	7.4	0.7	14.5	30.9
EPS Growth (%)	-	494.7	(90.1)	1,895.4	112.7
Dividend (c)	-	-	-	-	-
Net Yield (%)	-	-	-	-	-
EV/EBITDA (X)	-	7.3	7.5	5.1	4.7
Normalised P/E (x)	-	78.8	-	40.0	18.8
Normalised ROE (%)	-	13.9	1.2	20.6	33.1

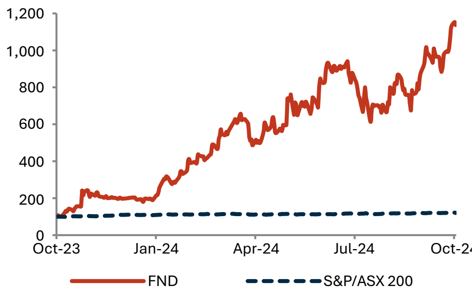
Source: OML, Iress, Findi Limited

Last Price
A$5.80
Target Price
A$7.52
Recommendation
Buy
Risk
Higher

Technology Hardware and Equipment

ASX Code	FND
52 Week Range ($)	0.51 - 5.88
Market Cap ($m)	283.0
Shares Outstanding (m)	48.8
Av Daily Turnover ($m)	0.4
3 Month Total Return (%)	35.5
12 Month Total Return (%)	1,015.4
Benchmark 12 Month Return (%)	18.9
Net Debt FY25E ($m)	46.4

Price performance



Source: FactSet

Consensus Earnings

	FY25E	FY26E
NPAT (C) ($m)	-	-
NPAT (OM) ($m)	0.4	8.5
EPS (C) (c)	-	-
EPS (OM) (c)	0.7	14.5

Source: OML, Iress, Findi Limited

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Company Snapshot

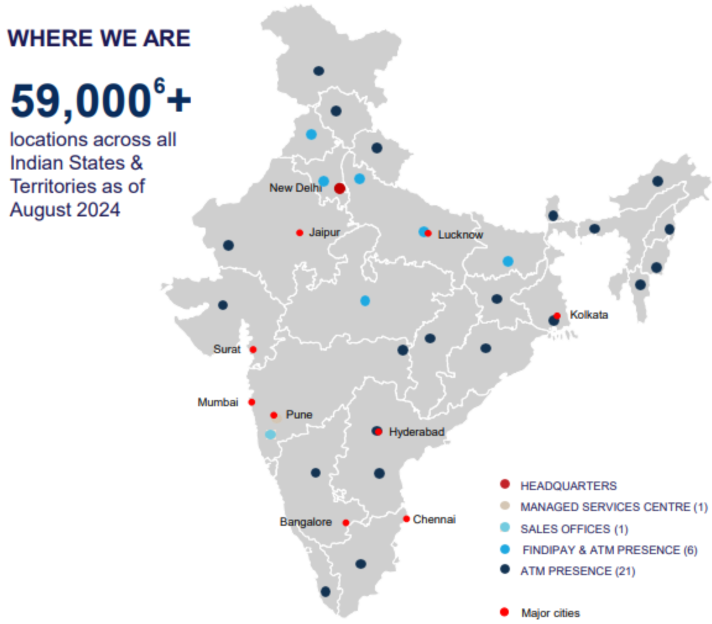
Overview

Findi is an ASX-listed fintech and one of the largest non-bank ATM operators in India, with a network of ~21k ATMs deployed across the country (~8k owned, ~13k third party managed). Additionally, the company services a network of 38k retail merchants, providing customised, flexible and scalable payment services via its FindiPay digital platform.

Findi aims to increase the breadth of its services over time and become a leading transaction banking service provider across India. The company currently employs ~650 employees over back-office and field operations, serves ~2.5m customers per day and processes >1 billion transactions annually.

Figure 1 gives an overview of Findi's geographic footprint and operations, noting the company is headquartered in Delhi.

Figure 1: Geographic footprint



Source: Company presentations, 1) Retail merchant network of 28,111 and ATM network of 20,933

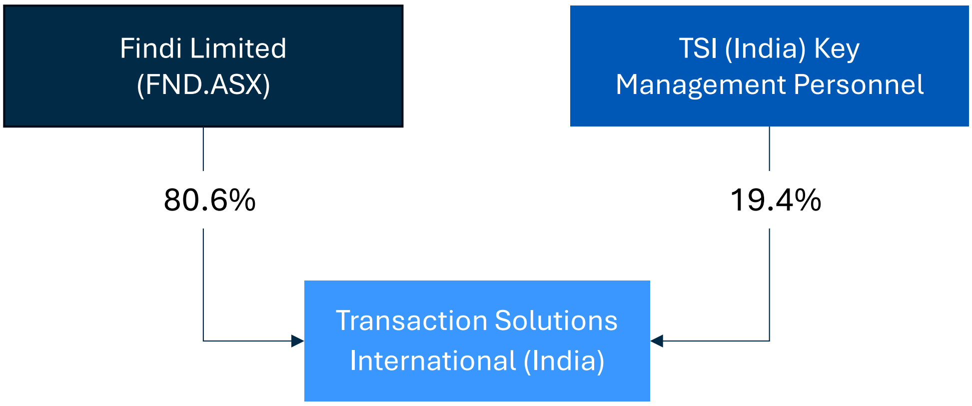
Ownership structure and history

Following a prolonged period of ~25% ownership, ASX-listed FND (then trading as Vortiv Ltd) acquired the remaining 75% of Transaction Solutions International (India) that it did not own, from CX Partners (an Indian private equity group) in 2021. Key management personnel were retained via a 19.4% equity ownership in TSI India, with FND retaining 81%.

A brief history follows:

- **2004.** Transaction Solutions International (TSI) is founded.
- **2005.** FND (then QED Corporation Limited) acquires a 35% interest in TSI.
- **2010.** QED and TSI announce a merger. The business has 350 ATMs installed across. India, with a further 140 planned for installation.
- **2013.** QED sells a 75% controlling stake in the business to CX Partners.
- **2021.** FND (then VOR) re-acquires the remaining 75% of TSI India that it does not own from CX Partners. Key management personnel retained via a 19.4% equity ownership.

Figure 2: Ownership structure



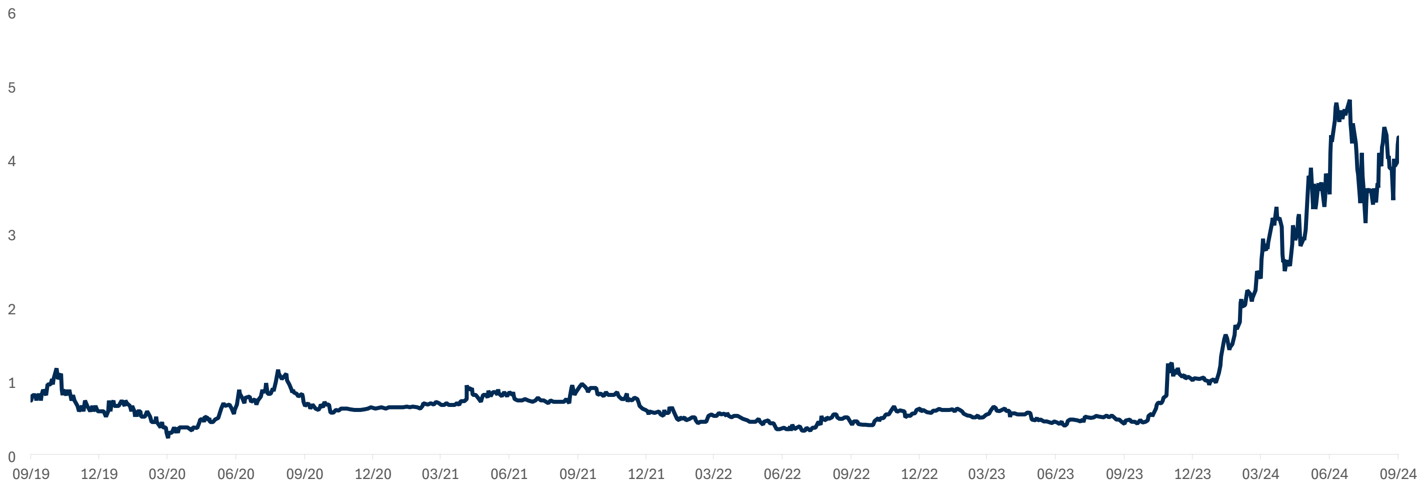
Source: Ord Minnett Limited, company data

Recent performance

Following its acquisition of TSI India, Findi implemented an aggressive growth agenda, with the company having since; signed new multi-year deals with the Central Bank of India (5 + 2 years) and State Bank of India (7 + 3 years), materially grown its deployed ATM footprint, and increased EBITDA from ~$10m to ~$30-35m (FY25 guidance).

Given these results, FND's share price has responded in-kind; rising >10x over the past year.

Figure 3: Historical price chart



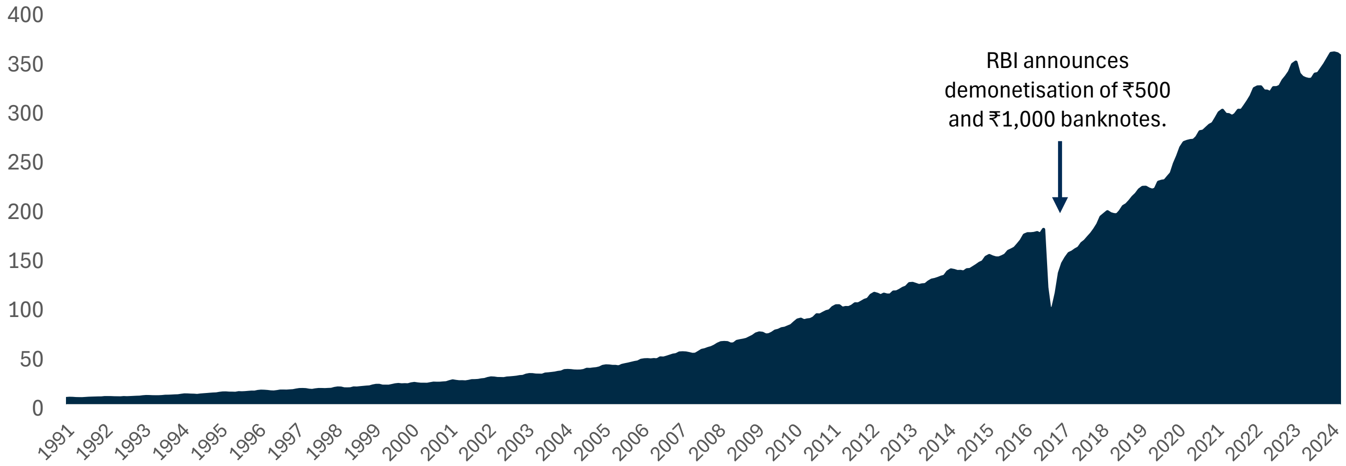
Source: Bloomberg

Investment Thesis

Exposure to the structural growth of cash, ATMs and India itself

India has been a cash-dominated economy historically, with cash transactions playing a major role in everyday life (especially rural areas) and continuing to account for ~80-85% of all consumer transactions today. Further, despite a rapid rise in the use of digital payments across the country, we demonstrate that cash usage continues to grow unabated; with total currency in circulation rising with a 15% CAGR post the country's 2016 demonetisation event (Figure 4).

Figure 4: Currency in circulation has grown at a 15% CAGR since the RBI's demonetisation event



Source: Reserve Bank of India Database on Indian Economy, CAGR measured from 2016 trough.
Units: Rupees Lakhs

Multi-year Brown Label contracts already in place...

Findi's current (and growing) revenue base is underpinned by two, multi-year contracts to the Central Bank of India (CBI) and State Bank of India (SBI). These contracts are for the deployment and operation of ~6.5k ATMs, **with the agreements running seven (5+2) and ten (7+3) years** respectively. We estimate these deals will generate annual revenues of ~$67m in FY25 (rising to ~$88m by FY27) and EBITDA of ~$26m (rising to ~$40m in FY27).

...with White Label rollouts are about to begin

Additionally, Findi was granted in-principle authorisation to operate White Label ATMs in early-2024 and now intends to redeploy its ~4k SBI ATMs (being replaced as part of its expanded relationship), as Findi branded ATMs. We expect this rollout will begin in Q4CY24 and deliver an additional ~$26m / $8m of EBITDA by FY27.

Findi's ATM businesses underwrite the FindiPay (i.e. digital) opportunity

Given the rapid growth seen in digital payments across India, Findi is progressing an aggressive merchant acquisition strategy for its FindiPay product – which is now used by ~38k merchants across the country (from ~nil in mid-2023).

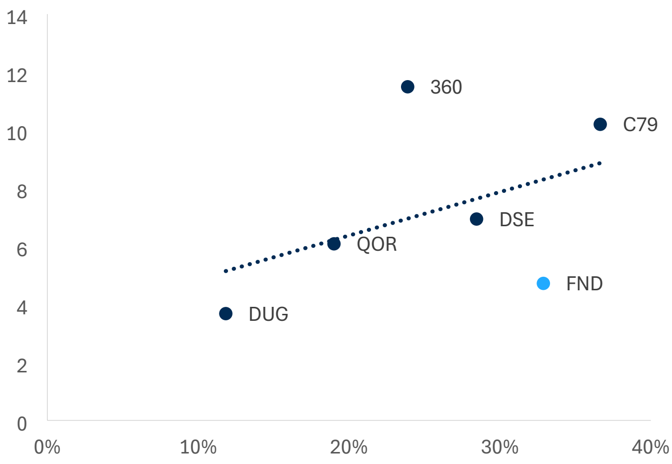
Importantly, as Findi's ATM division is highly cash generative, the company will utilise funds generated in other parts of its business to underwrite the growth and product development at FindiPay; alleviating much of the risk associated with startup ventures of this nature.

For context, we expect gross investment in FindiPay will be a relatively modest ~$4m in FY25 (~$2m net).

Valuation is undemanding

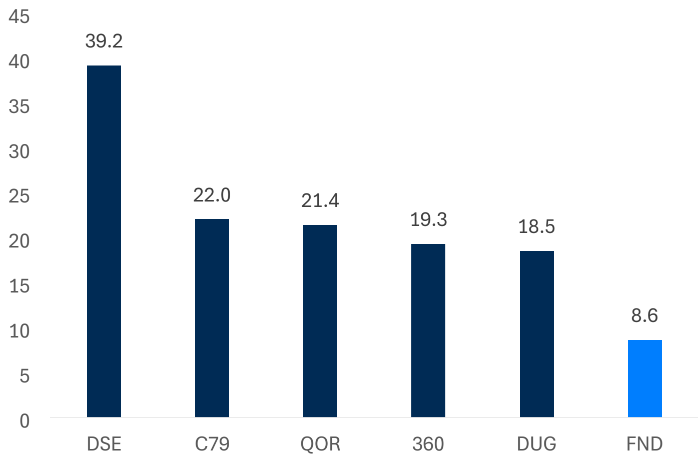
Despite a strong run-up in its share price over the past year, FND continues to trade at a sharp discount to the remainder of our small cap technology coverage (on a FCF and EV/revenue basis). And while we acknowledge the risks associated with FND's Indian operations; we account for this via use of a **country risk premium** in our DCF. Even factoring this in, we still find the company's valuation to be undemanding (Figures 5 & 6).

Figure 5: OMLe tech coverage (EV/rev vs growth)



Source: Ord Minnett Limited estimates, Bloomberg

Figure 6: OML tech coverage (FY27 FCF multiple)



Source: Ord Minnett Limited estimates, Bloomberg

Catalysts: Six sources of potential upside

In addition to our published estimates, we see six sources of potential valuation / earnings upside, namely: (1) a more-aggressive White Label rollout, (2) interchange fee changes, (3) implementation of a share repurchase plan, (4) a partial listing of TSI India on the Bombay Stock Exchange (slated for 2026), (5) repayment of convertible notes to Piramal, and (6) M&A – particularly within the ATM space.

Drawback: FY25 will be a heavy capex year

Findi's near-term ATM rollouts require heavy capital investment (i.e. ~$12k / ~$4k per BL / WL), which we estimate will total ~$60m across two programs, split ~$34m in FY25 (2H weighted) and ~$26m in FY26 (1H weighted). Nevertheless, these investments will deliver meaningful shareholder value over time, with the FY25 capex program driving ~$33m of FCF by year 4 (an ROI of >50%). This capital spending can also be managed within the company's existing cash reserves.

Recommendation

Findi provides exposure to a rapidly-developing Indian economy (and the structural growth of ATMs / digital payments within it). Additionally, the company has delivered strong revenue and EBITDA growth since its acquisition of TSI in late-2021, and we expect this will continue given long-term Brown Label contracts in place and the imminent rollout of its own White Label offering. Finally, post-FY25 we expect FND to become extremely FCF generative, while its valuation is undemanding relative other names under coverage.

Accordingly, we initiate with a BUY recommendation and $7.52/Sh PT.

Estimates Summary

Revenues

We expect revenue growth to accelerate from an already robust pace of +25% in FY24 to ~32% in FY25 and a 3-year CAGR of 33% through FY27. Our estimates are predicated on:

- **Brown Label**. Revenues are underpinned by multi-year contracts to the Central Bank of India (CBI) and State Bank of India (SBI). We expect these relationships will generate ~$27m and ~$40m in revenue for FY25 respectively, rising to ~$32m / ~$56m by FY27 as additional ATMs are rolled out (also already contracted).
- **White Label**. Following the redeployment of ~4k SBI ATMs, we expect FND's White Label business to generate ~$3m of revenue in FY25, rising to ~$39m by FY27 – this will be driven by a combination of the SBI re-allocation and organic deployment of an additional ~3k ATMs (OMLe).
- **Digital** revenues rise from ~$6m in FY24 to ~$19m by FY27 and are comprised of (1) an existing e-surveillance business; where we expect revenues will rise from ~$6m in FY24 to ~$12m by FY27, and (2) maturation of FindiPay; which contributes ~$6m by FY27.

Expenses

- **Employee expenses** rise as a % of revenues in FY25 (18%, from 13%) as FND invests in the concurrent rollout of its White Label and FindiPay offerings. However, post this heavy investment year, we model employee expenses moderating back to a ~15% historical average (i.e. FY24 = 13%).
- **Other expenses** are flat as a percent of revenues YoY (for the same 'investment year' reasons) and begin to decline slightly from FY26 (FY24 = 5.9%, FY27 = 5.4%). We expect the expense items captured in this line (i.e. office rents, IT spend) will see benefits from increased scale over time.

Profitability

- **EBITDA** rises from $27m in FY24 to ~$59m by FY27 (a 29% CAGR). This increase is driven entirely by revenue growth, as margins decline slightly (FY24 = 41%, FY27 = 38%), with benefits of scale offset by negative mix associated with growth in the lower-margin FindiPay and White Label businesses.
- **NPAT** declines in FY25 (~flat, from $4m in FY24) due to a modest uplift in D&A (larger capital base), higher finance expense (more debt) and tax treatment (FND received $2m tax benefit in FY24, we assume ~nil moving forward). NPAT subsequently rises in future periods; to $18m in FY27 (at 12% margins).

Cash flow and Balance Sheet

- **OCF** falls YoY, although this is due to our treatment of finance expense (run through OCF) rather than the company's treatment (through Fin. CF). Adjusting for these differences, OCF would rise ~10% in FY25 on a like-for-like basis.
- **FCF** is heavily impacted in FY25 and FY26 due to Findi's investment in the rollout of its White Label ATMs across the network. We model capex of $34m in FY25 (weighted to 2H) and $26m in FY26 (weighted to 1H). Post this period, capital expenditures are wound right back, and FCF ultimately rises over our forecast horizon, from $20m in FY24 to $33m in FY27 (and a doubling, from $14m to $28m ex-lease payments).
- **Net debt.** Findi finished FY24 with ~$135m in **gross debt** and ~$107m in **cash funds**, for a net debt position of ~$28m. We assume LT borrowings are slowly repaid from company cash generation, which sees net debt fall to just $9m by FY27.

Figure 7: Estimates summary

Estimates Summary		FY23	FY24	FY25	FY26	FY27	3YR
Brown Label	$m	47.6	60.1	75.9	90.0	97.8	18%
Digital	$m	5.5	6.3	8.5	13.6	18.6	43%
White Label	$m	0.0	0.0	3.0	23.2	38.8	nm
Gross Revenue	**$m**	**53.1**	**66.4**	**87.4**	**126.8**	**155.2**	**33%**
Other Income	$m	1.4	0.1	1.1	0.8	0.9	95%
Total Revenue	**$m**	**54.5**	**66.5**	**88.5**	**127.6**	**156.1**	**33%**
EBITDA	**$m**	**18.2**	**27.5**	**31.8**	**47.7**	**59.1**	**29%**
EBIT	**$m**	**8.0**	**12.0**	**15.1**	**26.1**	**39.2**	**48%**
NPAT	**$m**	**2.4**	**4.0**	**0.4**	**8.5**	**18.2**	**65%**
Margin	%	4%	6%	0%	7%	12%	
OCF	**$m**	**4.7**	**26.7**	**15.9**	**32.3**	**40.4**	**15%**
FCF	**$m**	**-27.5**	**20.0**	**-18.3**	**4.5**	**33.1**	**18%**
Margin	%	-50%	30%	-21%	4%	21%	
FCF / EBITDA	%	-151%	73%	-58%	10%	56%	
Net Debt	**$m**	**-29.6**	**-28.1**	**-46.4**	**-41.9**	**-8.8**	**nm**

Source: Ord Minnett Limited estimates

We provide detailed financial estimates on pages 30 through 33 of this note.

Catalysts: Six sources of potential upside

In addition to our published estimates, we see six sources of potential valuation / earnings upside for Findi, namely:

- A more-aggressive White Label rollout
- Interchange fee changes
- Implementation of a share repurchase plan
- A partial listing of TSI India on the Bombay Stock Exchange
- Repayment of the company's Piramal convertible notes
- M&A – particularly within the ATM space

None of the above are factored into our estimates, yet all support the potential for guidance upgrades over the course of FY25, and/or upside to our longer-term estimates / valuation.

Catalyst #1: A more-aggressive White Label rollout

We assume deployed ATMs rise from ~8k at the end of FY24, to ~16k by FY27 (+1k Brown Label, +7k White Label). And while our Brown Label assumptions are underpinned by long-term contracts with CBI / SBI and unlikely to change much, White Label deployments could occur faster than we assume.

Below we exhibit 'modest' (+3k ATMs by FY27) and 'substantial' (+7k ATMs) upside scenarios, concluding the impact on FY27 EPS to be +13% / +32% under these respective scenarios.

Figure 8: White Label ATMs under various scenarios

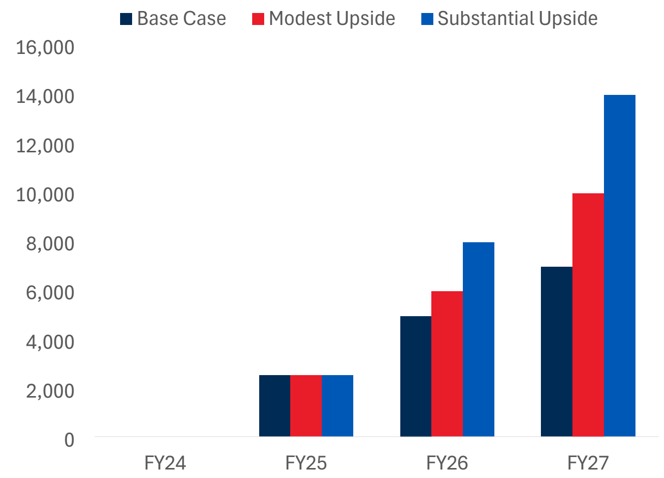
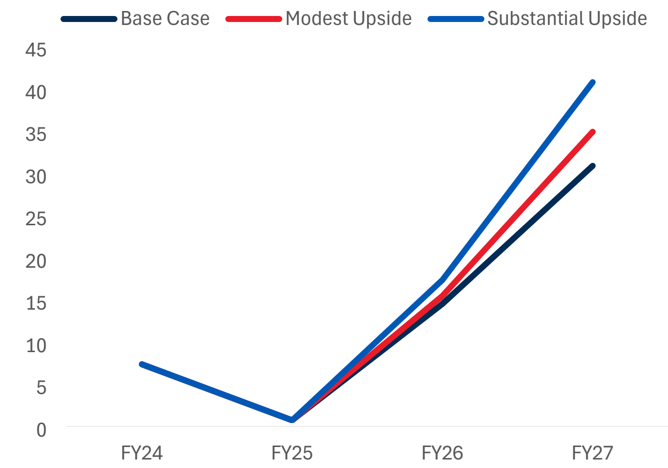


Figure 9: OMLe EPS under various scenarios (cps)



Source: Ord Minnett Limited estimates

Catalyst #2: Interchange fee changes

Interchange fees are the amount customers are charged for each individual ATM withdrawal. In India, these fees are currently capped at 17Rs, having been increased from 15Rs in 2021. However, given the impact of inflation over the subsequent ~3-years, many ATM operators have lobbied the RBI to increase this fee cap.

As it stands, industry bodies – i.e. The Confederation of ATM Industry (CATMI) – **are proposing an increase to 21Rs, while others have called for fees to be increased to as much as 23Rs.**

We look at the potential impacts of various interchange fee changes in Figures 10 & 11 below – assuming Findi will hold onto its proportional share of the fee increase as an operator. In the extreme scenario (ie. 23Rs), these changes would have a dramatic effect on FY27 EPS (+233%) and revenue (+39%).

Figure 10: Revenue impact under various scenarios (A$m)

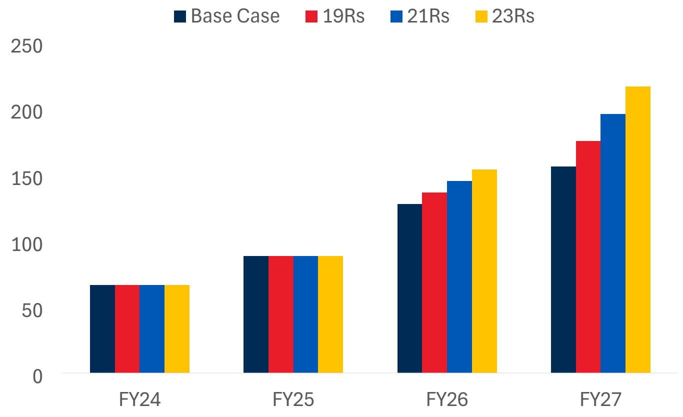
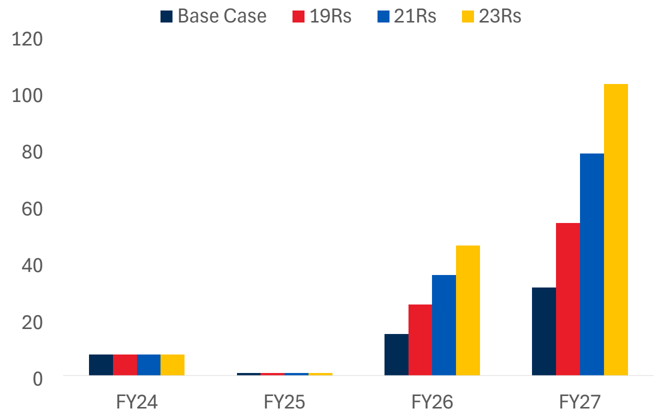


Figure 11: EPS impact under various scenarios (cps)



Source: Ord Minnett Limited estimates

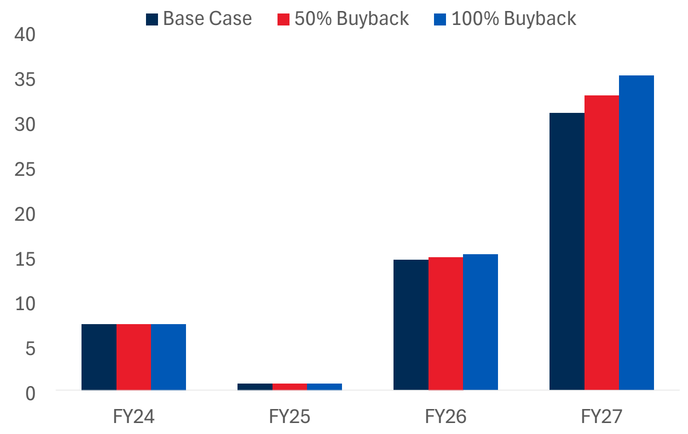
Additionally, the possibility of a Convenience Fee, or annual CPI increase to the fee, or both, have been floated by various ATM bodies. Any changes here would come in addition to (and be positive) relative to the above scenarios.

Catalyst #3: Implementation of a share repurchase plan

We expect FND will deliver meaningful FCF beyond FY25 (i.e. once all ATMs are deployed, FCF margins are ~20%) and assume excess funds are used to repay debt (at a ~11% blended interest rate). However, given the company currently trades on just ~8x FY27 FCF, these funds could be more-effectively utilised to repurchase outstanding stock (assuming the company's valuation remains ~unchanged).

Below we model two scenarios where (1) 50% of all excess funds are used to repurchase outstanding shares, and (2) 100% of excess funds are used. FY27 EPS rises 6% / 12% under these scenarios.

Figure 12: EPS upside under various buyback scenarios (cps)



Source: Ord Minnett Limited estimates

Catalyst #4: IPO of TSI India on the Bombay Stock Exchange

Findi remains on track to IPO TSI India on the Bombay Stock Exchange in 2026; with the rationale for this move being the materially higher valuations paid for fast-growth fintech's in the domestic market (as opposed to the ASX).

Figure 13 below outlines TSI's key listed competitors in the India market; noting peers trade on ~21x trailing EV/EBITDA (the cleanest metric), compared with Findi which is currently trading at just ~5x FY25 EV/EBITDA.

While details on any IPO remain scarce, the basic premise here is that a ~25% sell-down of the company's TSI India stake, at a prevailing market multiple of ~21x FY27 EBITDA (i.e. in-line with peers) **could deliver a one-time cash injection to Findi shareholders equivalent to ~100% of its current market cap.**

These funds could be utilised toward a one-time capital return (the company has a history of these), to accelerate growth, repay debt, or a mixture of the three.

Figure 13: Market multiples for BSE-listed fintechs

Company	Ticker	Price	Market Cap	EV	EV/Revenue (x)			EV/EBITDA (x)		
		$	A$m	FY25F	24A	25F	26F	24A	25F	26F
CMS Info Systems Ltd	CMSINFO IN	10.4	1,693	1,732	4.3x	3.7x	3.2x	15.7x	12.1x	10.8x
Infibeam Avenues Ltd	INFIBEAM IN	0.5	1,374	1,451	2.5x	2.1x	1.7x	31.3x	20.5x	n.a.
Network People Services Technologies	NPST IN	50.0	969	928	4.0x	n.a.	n.a.	7.9x	n.a.	n.a.
Capital India Finance Ltd	CIFL IN	4.4	339	355	2.8x	n.a.	n.a.	16.8x	n.a.	n.a.
BLS E-Services Ltd	BLSE IN	3.7	334	353	8.0x	n.a.	n.a.	141.1x	n.a.	n.a.
Findi Limited	FND AU	5.7	282	236	3.8x	2.8x	2.0x	8.6x	4.6x	3.5x
AGS Transact Technologies Ltd	AGSTRA IN	1.6	196	207	0.8x	n.a.	n.a.	5.7x	n.a.	n.a.
Delphi World Money Ltd	DELPHIFX	6.1	68	56	0.1x	n.a.	n.a.	32.8x	n.a.	n.a.
Transcorp International Ltd	TNI IN	0.6	19	20	0.1x	n.a.	n.a.	24.9x	n.a.	n.a.
Mean			555	567	5.7x	2.9x	2.5x	34.5x	16.3x	10.8x
Median			334	353	2.8x	2.9x	2.5x	20.8x	16.3x	10.8x
High			1,693	1,732	28.8x	3.7x	3.2x	141.1x	20.5x	10.8x
Low			19	20	0.1x	2.1x	1.7x	5.7x	12.1x	10.8x

Source: Bloomberg, Ord Minnett estimates

Catalyst #5: Repayment of Piramal convertible notes

In November 2023, TSI India raised A$37.6m via the placement of Compulsory Convertible Debentures (*"CCD", "convertible notes"*) to Piramal Alternatives. The convertible notes are required to convert to equity at IPO of TSI India.

However, the entry equity valuation on these notes was based on an FY23 EBITDA multiple and reflected a pre-IPO market cap of A$153m (pre-money) / A$190.6m (post-money) ahead of TSI India's intended listing on the Bombay Stock Exchange (BSE). **As Findi currently trades at a material premium to this valuation; exercise by Piramal would be highly dilutive.**

Alternatively, while these notes have an 8% coupon, **TSI India also has a call option to buy back the securities at a committed IRR of 18% (which today equates to ~$44m).** We model repayment of these notes to be high-single-digit, to low-double-digit EPS accretive.

Catalyst #6: M&A – particularly within the ATM space

Finally, our modelling does not account for any potential M&A by Findi. We understand there are a plethora of inorganic opportunities in the Indian market which could be pursued (and purchased at reasonable price points). **Any activity here could accelerate the company's ATM growth;** albeit these opportunities are difficult to quantify.

India's cash economy – a complex interplay

Concerns and rebuttal

India has traditionally been a cash-dominated economy, with cash transactions playing a major role in everyday life (especially in rural areas). However, we have heard some concerns that the rise of digital payments could pose a threat to this dynamic.

Ultimately, as we outline below; there is no evidence of cash usage being de-emphasised at this stage. **In fact, we demonstrate that cash usage continues to grow even in the face of government efforts to de-emphasise its use, and the recent exponential rise of digital payments** across the country (i.e. the *Currency Demand Paradox)*.

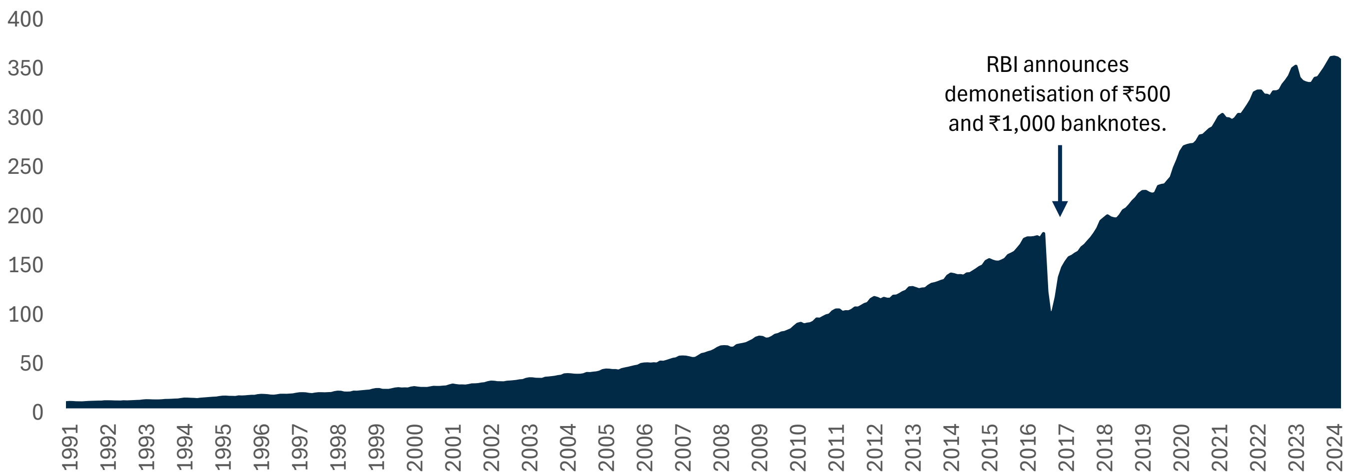
In India today, cash accounts for ~80-85% of all consumer transactions, with total currency in circulation rising with a rapid ~15% CAGR post 2016's demonetisation event (Figure 14).

Cash isn't going anywhere in India

Despite the aforementioned rise in digitisation across India, we expect cash will remain a cornerstone of commerce across the country, given:

- Cash remains a preferred mode of transaction for large segments of the population due to **cultural and behavioural factors** (i.e. tangibility).
- Lage regions across the country (i.e. rural and semi-urban) still suffer from **low banking penetration** and **limited access to digital infrastructure**.
- The **Indian economy itself continues to experience robust growth;** with GDP rising by a consistent ~5-9% year over the past twenty years (ex-Covid). As the country's middle class continues to expand and urbanise, this should remain a tailwind for the general use of cash.

Figure 14: Currency in circulation has grown at a 15% CAGR since the RBI's demonetisation event



Source: Reserve Bank of India Database on Indian Economy, CAGR measured from 2016 trough.

Demonetisation and the *Currency Demand Paradox*

Demonetisation

In late-2016, the Indian government under Prime Minister Modi announced 'demonetisation' of all ₹500 and ₹1,000 banknotes, in an attempt to combat certain black-market activities and increase tax compliance and formalisation across the country. At the time, these notes accounted for 86% of all currency in circulation.

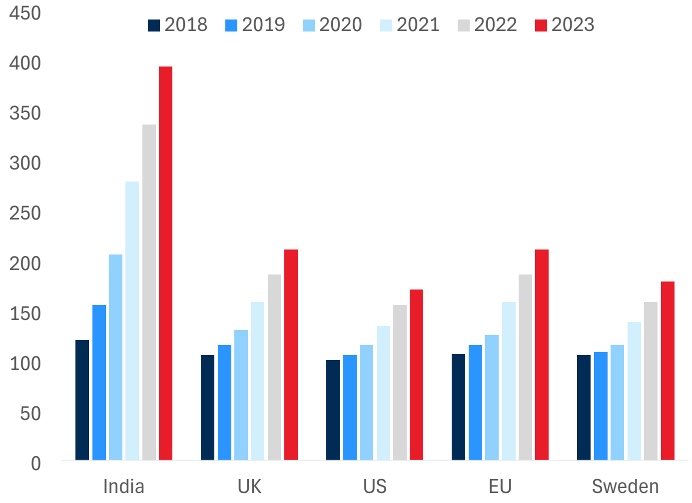
However, de-monetisation efforts ultimately proved unsuccessful in curbing the use of cash across India; with total currency in circulation continuing to rise post the event (per Figure 14 above). Additionally, the move also caused widespread concern, economic disruption and a loss of trust in government – **which counter-intuitively saw cash withdrawals and usage rise in certain segments of the population.**

Currency Demand Paradox

The above dynamic is commonly referred to as the *Currency Demand Paradox*; whereby the demand for physical cash has counterintuitively remained high, despite an exponential rise in the use of digital payments and the government's stated goal of greater digitisation across the economy. **Typically, a substitution effect would be expected.**

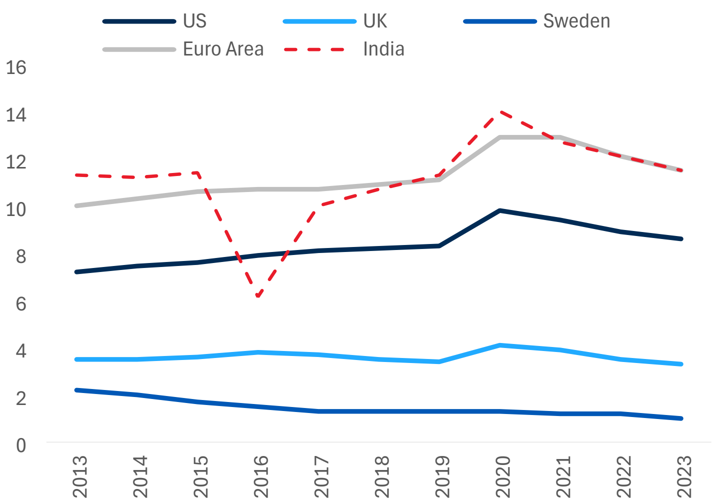
Figures 15 and 16 further demonstrate this phenomenon; with digital payments rising rapidly (note: much of this activity is low-value in nature), while India's currency-to-GDP ratio has remained relatively constant, and elevated relative to other developed economies (Australia, for example has a currency-GDP ratio of ~3%).

Figure 15: Digital payment growth has been exponential...



Source: Reserve Bank of India Annual Report 2024

Figure 16: ... but currency-GDP ratio remains elevated



Source: Reserve Bank of India Annual Report 2024

This all feeds into the requirement for more ATMs

ATMs: the gateway drug

With heavy-handed legislative efforts ultimately proving unsuccessful in the move to greater digitisation; a view has been formed that ATMs could serve as a potential stepping stone, or gateway drug to broader financial inclusion, given:

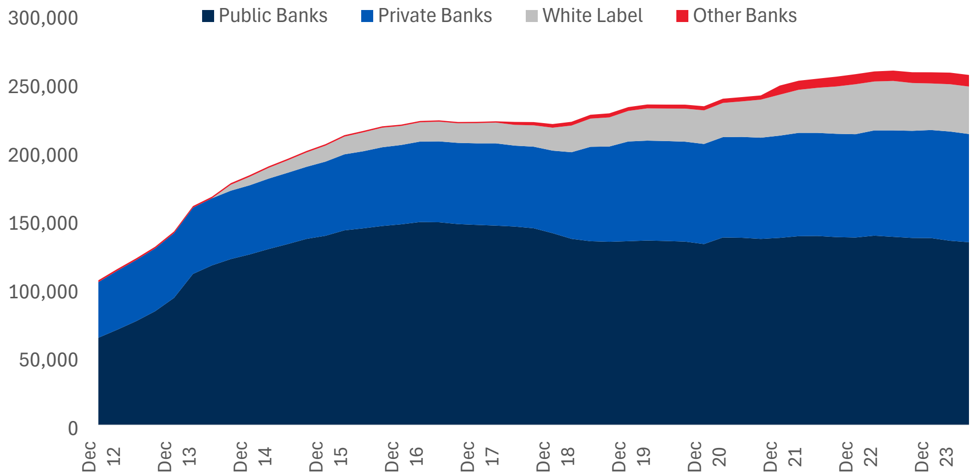
- **Access to banking services in rural and semi-urban areas remains limited**. Additional infrastructure is therefore seen as supportive for an ultimate move to digital banking.
- ATMs can act as an entry point for individuals to engage with more sophisticated digital banking services – i.e. basic features such as **fund transfers can introduce the benefits of cashless transactions**.
- **ATMs**, particularly in remote areas, **can facilitate the opening of bank accounts** and the use of biometric authorisations (common in India under Aadhaar).

Ultimately, as citizens become more comfortable with basic digital services via ATMs, they also become increasingly likely to adopt more-sophisticated services such as mobile banking apps and/or UPI transactions.

ATM usage continues to grow...

In-line with the logic above; the number of ATMs in India (excluding micro ATMs) have been on a consistent trajectory higher over the past decade (Figure 17). Notably it has been growth in White Label ATMs which contributed the bulk of the growth since 2014 – an area which FND is about to enter with its own branded ATMs.

Figure 17: ATM usage across India continues to grow



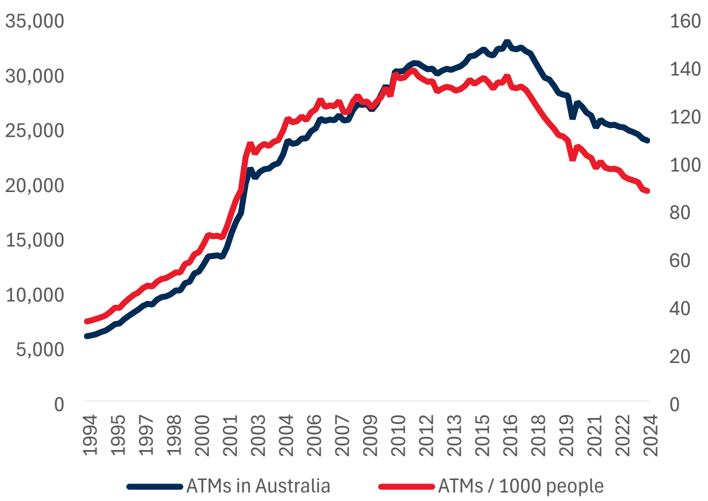
Source: Reserve Bank of India
Units: # of ATMs

...yet despite this growth, India remains underpenetrated for ATMs

We believe India is structurally underpenetrated for ATMs; as demonstrated in Figures 18 & 19 below. Here we contrast the prevalence of ATMs in Australia (a much less cash intensive economy) with India, noting there are still only ~17 ATMs for every 100k persons in the latter – or ~20% of the comparable figure in Australia (~87 ATMs for every 100k persons).

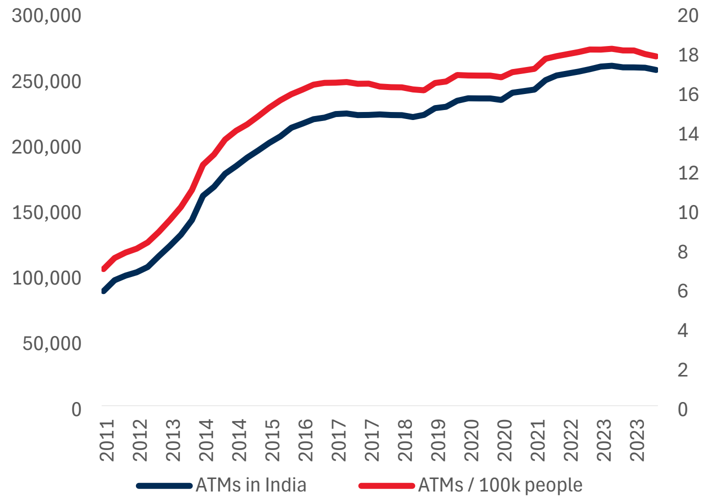
We believe this disparity is largely driven by a lack of financial infrastructure in rural regions of the country. **This is partially being addressed with the use of micro and White Label ATMs – two areas which FND already operates in, or is about to enter (as we discussed over the following sections).**

Figure 18: Australia – ATMs per 100k people



Source: Australian Bureau of Statistics, Australian Payments Network

Figure 19: India – ATMs per 100k people

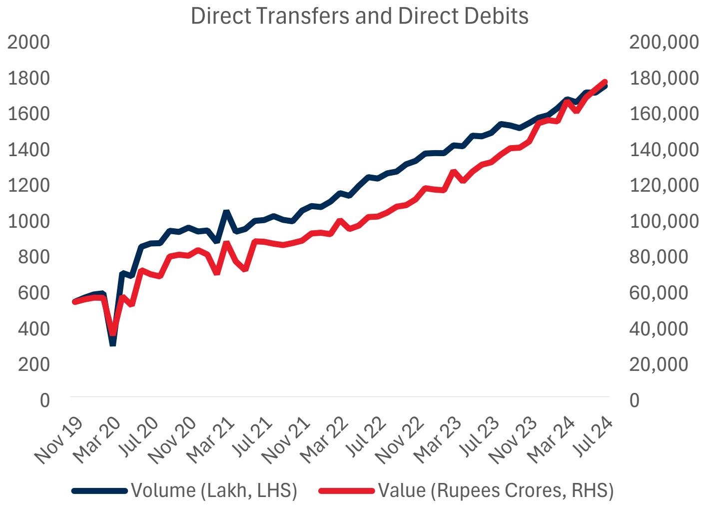


Source: Reserve Bank of India

Some additional (& interesting) trends in the Indian payments landscape

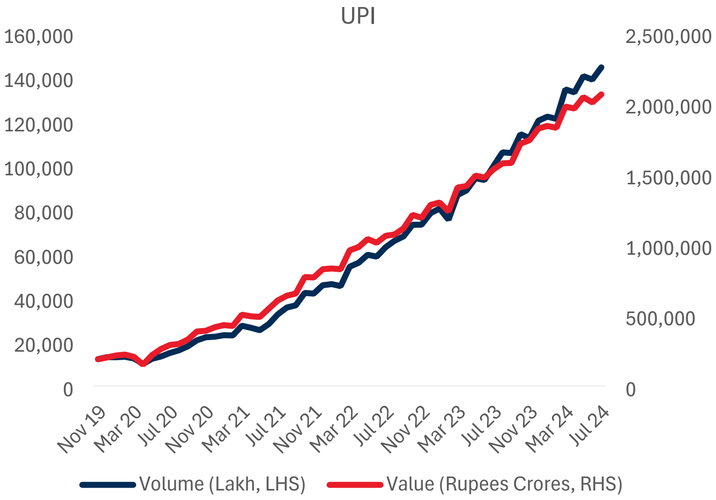
Digital and CCs rising, ATMs holding share, debit card usage declining

Figure 20: Direct transfers and debits showing steady growth



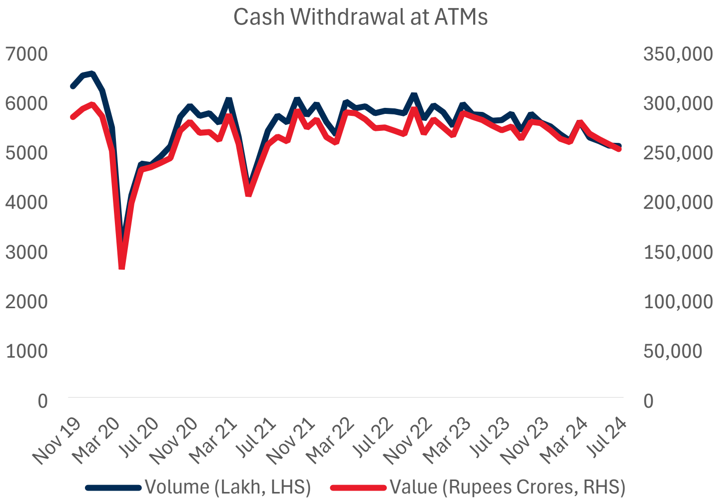
Source: Reserve Bank of India

Figure 21: UPI and digital payments have been strong



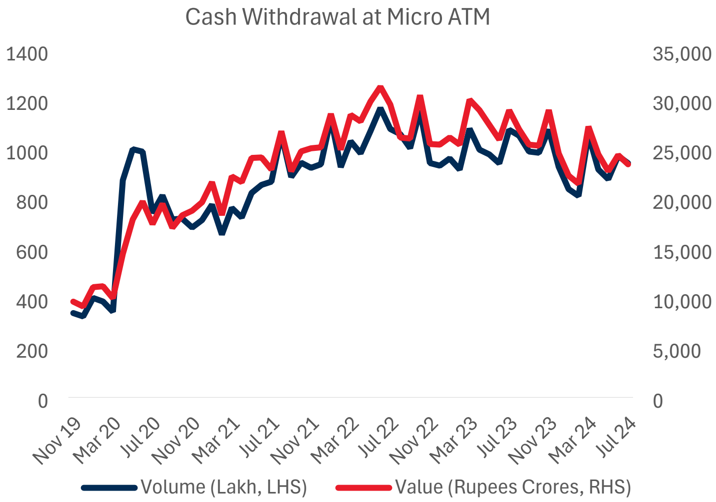
Source: Reserve Bank of India

Figure 22: Cash withdrawals remains steady across both...



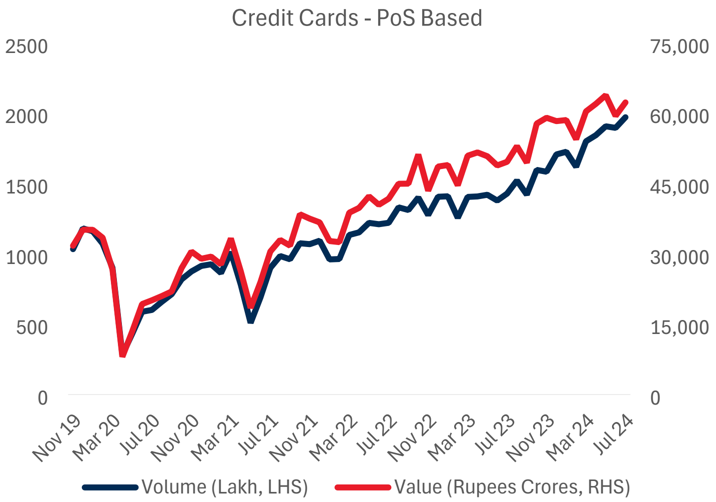
Source: Reserve Bank of India

Figure 23: ...standard and micro ATMs



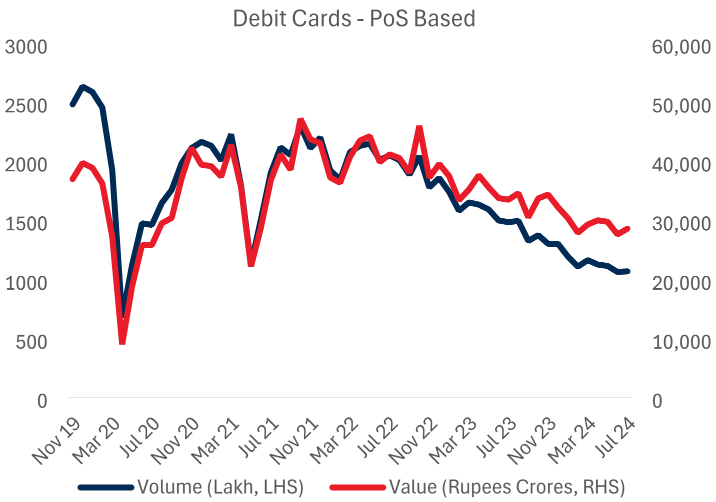
Source: Reserve Bank of India

Figure 24: Credit card usage is growing at the PoS...



Source: Reserve Bank of India

Figure 25: ...while debit cards are interestingly in a decline



Source: Reserve Bank of India

White vs Brown label ATMs: One Page Summary

Context

Findi is one of India's largest non-bank ATM operators; with a network spanning ~21k ATMs (~8k owned, ~13k third party managed), monitoring and processing >1 billion transactions annually.

All ~8k of Findi's owned ATMs are currently classified 'Brown Label'. However, the company has plans to begin rollout of its own White Label network in coming months; following the granting of a provisional 'White Label' licence in early 2024.

We expect White Label ATMs will now become the predominant driver of incremental growth over the medium term, with our FY27 split = ~9k (BL) / ~7 (WL).

Below provides a high-level summary of each.

Brown Label

Brown label ATMs are owned by banks (and branded so) yet operated by a non-bank entity (i.e. Findi). **This relationship benefits banks**; by allowing them to reach as many customers, in as many locations as possible, without the associated costs of ownership, while the **non-bank partner benefits** from revenues and fees generated by the ATM itself.

Brown label ATM growth has been relatively modest over the past decade, yet still accounts the majority of ATMs in India today. Brown Label ATMs are more likely to be found in urban or semi-urban areas where banks already have a presence.

White Label

Write label ATMs are defined as ATMs where transactions are completely independent of any one bank and can be owned, branded, operated, located and managed by non-bank entities – i.e. Findi.

The first White Label ATMs were introduced to India in 2013 after the RBI granted licences to several non-bank entities in an effort to enhance financial inclusion – allowing more people to enter the banking system by increasing the ease of access to simple services such as cash withdrawals and balance enquiries.

This government push was particularly aimed at rural and semi-urban areas; given ATMs were located at 'traditional' sites historically, i.e. within and/or near bank branches.

These changes resulted in a proliferation of White Label ATMs across the country; growing from ~4k in 2014 to ~35k today.

Figure 26: Brown vs White label ATMs

	Brown Label	White Label
Location	Typically found in more 'traditional' locations, ie. at, or near, bank branches. Urban / semi-urban skew.	No restriction on locations. Typical locations may include shopping malls, post offices, petrol stations, news agencies, small merchants. Rural / semi-urban skew.
Upfront requirements	ATM sites often required to have rigid specfiications, which increase operating and capital costs	WLA operators are not bound by site specfiications, potentially reducing deployment costs.
Economics	ATM deployments are typically won by tender, providing operators with a fixed proportion of interchange fees	Independent WLA operators are entitled to receive full interchange fees
Advertising	No advertising revenues are allowed, other than internal bank advertising	Advertising revenues are allowed

Source: Company Reports, Ord Minnett Limited estimates

White vs Brown label: Findi's positioning

Summary

We understand ~90% of FND's revenue in FY24 came from Brown Label ATMs, of which we estimate ~85% came from just two major agreements (i.e. ~80% of total group revenues). These agreements were to the CBI and SBI and run under multi-year agreements (i.e. to 2027 and 2034 respectively); **underpinning a high level of earnings visibility over the medium-term.**

Figure 27: SBI & CBI high-level overview

Terms	SBI	CBI
Contract length	10-years (7 + 3)	7-years (5 + 2)
Relationship since	2016	2006
Initial ATMs	3,375	2,550
Options	844	625

Estimates	SBI	CBI
Revenue	Up to $620m (total)	$25m - $30m (p.a)
EBITDA	$250m - $350m (total)	$11m - $13m (p.a)
IRR	>35%	
FCF		>$120m (total)

Source: Company Reports, Ord Minnett Limited estimates

Additionally, in early 2024 Findi was granted in-principle authorisation to operate White Label ATMs across India. This authorisation allows the almost 4k ATMs due to be replaced shortly (under the terms of its SBI contract extension) to be re-deployed as Findi-branded ATMs. **We expect this rollout will commence from 4QCY24.**

Multi-year Brown Label agreements are already in place...

Findi currently has ~21k ATMs in operation across India, although ~13k of these ATMs are third party managed (and thus contribute a de minimis amount to group revenues). The key contributor to group revenues and EBITDA are the ~8k ATMs fully owned and operated by Findi on behalf of various financial institutions.

A brief background of Findi's relationship / contract terms with its two major customers, SBI and CBI, is outlined below:

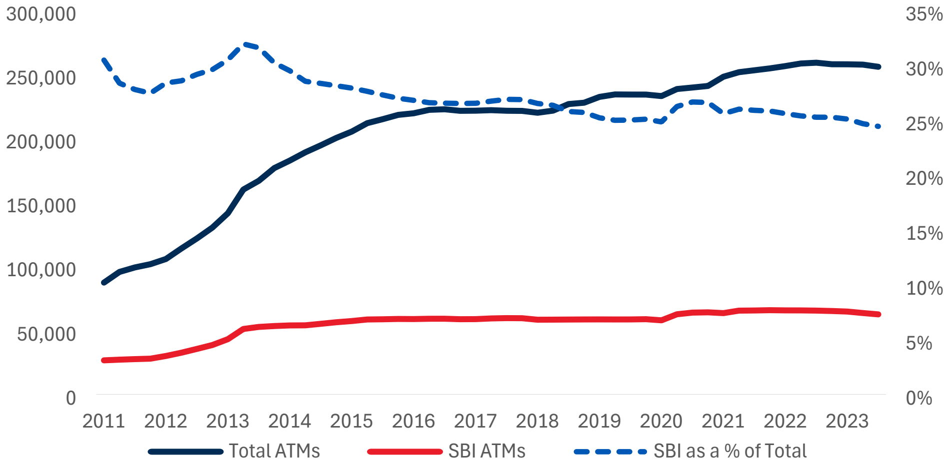
State Bank of India (SBI)

The SBI was founded in 1955 and is currently India's largest bank (by total assets). In 2017, the merger between SBI and its five associate banks was approved, creating the SBI entity as it stands today. The bank has over 22,000 branches in India with 62,533 ATMs (June-24), representing 24% of all ATMs domestically.

FND's current relationship with SBI:

- 10-year agreement to October 2034 (7-years + 3-year option to extend).
- For the operation of ~4,200 ATMs; being 3,375 machines initially with a further 844 to be deployed within 12 months of contract commencement (i.e. expected early 2025).
- The company estimates its SBI contract will generate up to ~$620m of revenue and $250m - $350m of EBITDA over its lifetime, at an IRR of >35%.
- Prior to this agreement, Findi had managed ATMs for SBI via a third-party outsourcing contract. This arrangement had been in place since 2016.

Figure 28: SBI ATMs as a proportion of the total Indian ATM market



Source: Ord Minnett Limited research, RBI data

Central Bank of India (CBI)

The CBI is one of twelve public sector banks in India. It was founded in 1911 and is headquartered in Mumbai. Although the name alludes to the CBI acting as India's central bank, it is not, with that role undertaken by the Reserve Bank of India. The CBI has between 4,500-5000 branches in India with 4,001 ATMs (June-24) representing 1.6% of all ATMs domestically.

FND's current ATM relationship with the CBI:

- 5-year agreement to December 2027 (extendable for a further 2 years).
- Agreement for the deployment of 2,550 ATMs (completed in November 2023), with an ability to add a further 638 machines under the contract. We expect these additional machines to be deployed by June FY25.
- FND estimates that post deployment, the CBI deal will deliver annual revenue of ~$30-36m, EBITDA of ~$13-$15.5m and cumulative FCF of >$120m over the contract life.
- The CBI relationship has been in place in various forms since 2006.

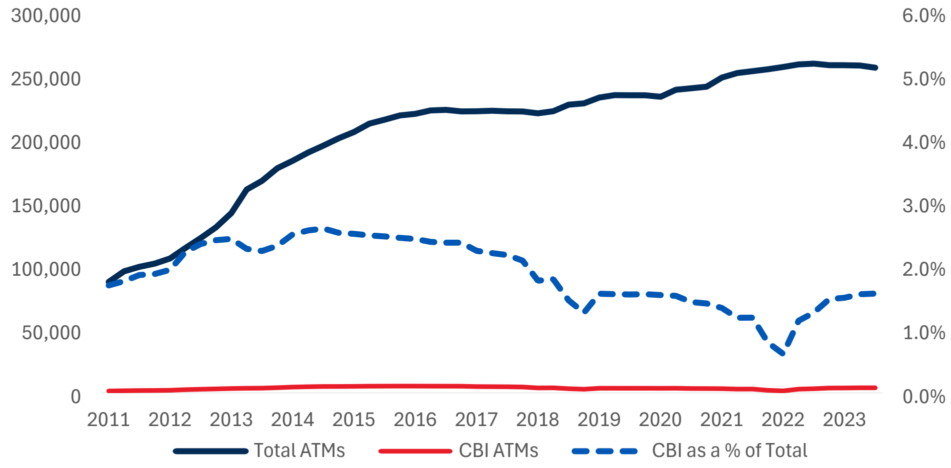
BC Max Centres

In addition to its ATM relationship, FND and the CBI are also progressing FND's B2C strategy branded as **BC Max Centres**. The agreement sees the two companies' pilot 25 co-branded banking correspondent branches before a wider rollout of further centres.

BC Max Centre's intend to become a one stop banking services hub and will provide:

- Access to a Findi-owned & operated CBI ATM
- 35 CBI products and services through on-site staff
- Existing FindiPay merchant services
- Extended operating hours, seven days a week
- An option of self-service or customer services

Figure 29: CBI ATMs as a proportion of the total Indian ATM market



Source: Ord Minnett Limited research, RBI data

Other Brown Label ATM relationships

Findi's remaining ~1,500 Brown Label ATMs are spread across a range of key clients. We believe the economics of these deals / contracts are broadly similar to those with SBI and CBI. Other key Brown Label clients include:

- Tamilnad Mercantile Bank
- HDFC Bank
- Punjab National Bank
- Canara Bank
- Indian Bank
- Indian Overseas Bank
- Kamataka Grameen Bank
- UCO Bank
- Union Bank of India

...White Label rollouts are about to begin

Approvals largely in-place

Findi was granted in-principle authorisation to operate White Label ATMs across India, earlier this year. Subsequent to the granting of this licence, the company lodged its Green System Audit Report (GSAR) ahead of an October deadline.

Findi expects to begin the deployment of its White Label ATM network from 4QCY24, subject to final approval from the RBI with submissions by FND now complete.

SBI replacements provide the inventory

Under the terms of its recently expanded SBI contract, FND will go from providing ATMs via a third-party outsourcing contract, to a direct relationship. This expanded relationship requires Findi to replace its existing ~4k ATMs in order to secure the 10-year deal.

As a White Label licensee, Findi will be able to redeploy these existing ~4k SBI ATMs as Findi branded ATMs, **i.e. the superfluous SBI ATMs become starting inventory for Findi's White Label network.**

For context, we expect the initial rollout of ex-SBI ATMs (under a White Label model) to be a major driver of growth for Findi in FY26 (+$20m in revenue). Through FY27, we see White Label ATMs accounting for ~85% of all ATM growth.

White vs Brown label: An economic comparison

Comparison: Benefits & Drawbacks

Brown and White Label ATMs are different operationally, but also economically; with puts and takes associated with each model. For example, the former is more likely to result in multi-year, opex-light contracts, where the latter allows for greater operational control, and lower upfront capex (and potentially better unit economics), yet comes with additional operational requirements.

Figure 30 provides a high-level overview of the economic / operational differences between the two models, i.e. which party handles which part of the operations. The key benefits and drawbacks and then discussed immediately below.

Figure 30: White vs Brown label ATM economics

Operations	Brown Label	White Label
Rent / Electricity	Operator	Franchisor
Maintenance	Operator	Operator
Connectivity	Operator	Operator
Cash Loading / Handling	Operator	Franchisor
Cash Procurement	Bank	Franchisor

Unit Economics	Brown Label	White Label
Working Capital	60-120 day cycle	Daily
Capital Investment	Operator (100%)	Franchisor (~75%) / Operator (~25%)
Useful Lfie	Bank discretion, typically 7-10yrs	Operator discretion, potentially into perpetuity

Source: Ord Minnett Limited estimates

White Label benefits

White Label benefits include:

- **Capital light.** An average Brown Label ATM will cost ~A$12k to deploy, while under the model being proposed by Findi; up to ~75% of the upfront capex will be borne by the Franchisor (for which they will receive a portion of interchange fees over time).
- **Working capital.** Under traditional Brown Label agreements, Findi often waits for up to 120 days to receive its share of transaction fees. Under a White Label approach, fees are received at the time of transacting (i.e. eliminating any working capital drag).
- **Useful life extension.** In theory, ATMs can remain operational into perpetuity under a White Label model, with ongoing maintenance performed by the Findi team ensuring all machines are kept in working order. Under a Brown Label model, Findi may be required to replace ATMs in sound working condition under terms of a contract extension (as we've just witnessed with SBI).
- **Cross-selling opportunities.** Findi can deploy its braded ATMs into merchants where it also has a FindiPay footprint (or potentially, in the opposite direction). This will open up cross-sell opportunities for Findi between its two key business lines.
- **Branding / ancillary benefits.** Finally, with operational control, Findi can look to better monetise ATMs themselves via initiatives such as (1) offers on transaction receipts, (2) advertising wraps around machines, and/or (3) marketing directly on display screens.

Unit economics

Beyond the initial capital investment, Findi's ATM business is highly cash generative – this is true of both its traditional Brown Label business as well as under the proposed White Label model. The key trade-off between the two models (economically) can be summarised as:

- **Brown Label.** Capex heavy, operationally modest, high % of interchange fees.
- **White Label.** Capex light, operationally light, modest % of interchange fees.

Figures 31 & 32 below provide the payoff diagrams under each model, based on our modelling (which differ slightly from the company's published estimates, seen in Figures 43 and 44 of this note). **We arrive at NPVs of $23k / $10k per ATM and IRRs of 46% / 53% respectively, on a Brown Label / White Label unit basis.**

Figure 31: Brown Label unit economics

Avg per month ($)	Year 0	Y+1	Y+2	Y+3	Y+4	Y+5	Y+6	Y+7	Y+8	Y+9	Y+10	Y+11
Revenue	4,580	9,160	11,358	12,721	13,866	14,421	14,997	15,597	16,221	16,870	17,545	18,247
growth		100%	24%	12%	9%	4%	4%	4%	4%	4%	4%	4%
Expenses	2,995	5,716	6,860	7,429	7,820	8,133	8,459	8,797	9,149	9,515	9,895	10,291
Growth		91%	20%	8%	5%	4%	4%	4%	4%	4%	4%	4%
Margin	35%	38%	40%	42%	44%	44%	44%	44%	44%	44%	44%	44%
OCF	1,585	3,444	4,498	5,292	6,046	6,287	6,539	6,800	7,072	7,355	7,650	7,956
Capex	-12,200											
FCF	-10,615	3,444	4,498	5,292	6,046	6,287	6,539	6,800	7,072	7,355	7,650	7,956
Cumulative	-10,615	-7,171	-2,673	2,619	8,664	14,951	21,490	28,291	35,363	42,719	50,368	58,324

NPV	23,192
IRR	46%

Source: Company Reports, Ord Minnett Limited estimates
Note: CBI contract economics used for our base assumptions

Figure 32: White Label unit economics

Avg per month ($)	Year 0	Y+1	Y+2	Y+3	Y+4	Y+5	Y+6	Y+7	Y+8	Y+9	Y+10	Y+11	Y+12	Y+13	Y+14
Revenue	2,228	4,455	5,524	6,187	6,744	7,014	7,294	7,586	7,890	8,205	8,533	8,875	9,230	9,599	9,983
growth		100%	24%	12%	9%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Expenses	1,666	3,243	3,966	4,381	4,707	4,896	5,091	5,295	5,507	5,727	5,956	6,195	6,442	6,700	6,968
Growth		95%	22%	10%	7%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Margin	25%	27%	28%	29%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
OCF	561	1,212	1,558	1,807	2,037	2,118	2,203	2,291	2,383	2,478	2,577	2,680	2,787	2,899	3,015
Capex	-3,636														
FCF	-3,075	1,212	1,558	1,807	2,037	2,118	2,203	2,291	2,383	2,478	2,577	2,680	2,787	2,899	3,015
Cumulative	-3,075	-1,863	-305	1,501	3,538	5,656	7,859	10,150	12,533	15,011	17,588	20,268	23,055	25,954	28,969

NPV	10,317
IRR	53%

Source: Company Reports, Ord Minnett Limited estimates
Note: We assume a 15yr useful life (i.e. Brown Label +3yrs). In reality, potential exists to extend beyond this point. This would improve the unit economics.

The FindiPay opportunity

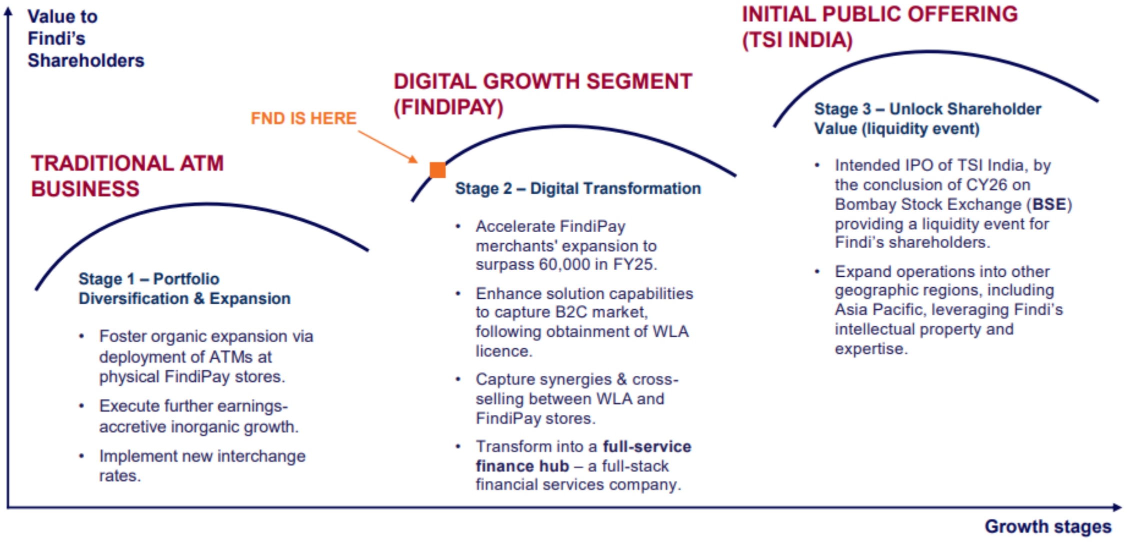
Findi's long-term roadmap

FND currently view themselves within a three-stage growth pipeline. Having passed **Stage 1**, where the firm expanded the traditional ATM business, FND has now entered **Stage 2** – Digital Transformation – where the focus will be on capturing a greater proportion of the financial services ecosystem. The company aims to achieve this via:

- **The rapid expansion of FindiPay**
- Capturing of synergies between the WLAs and FindiPay stores, and
- Transforming into a full-service finance hub

Stage 3 focuses on unlocking shareholder value through an intended IPO of TSI India on the Bombay Stock Exchange by the end of 2026 and the expansion of its operations in the Asia Pacific region, leveraging Findi's IP and expertise from the Indian market.

Figure 33: Findi's three stage growth plan



Source: Company presentation

FindiPay

Overview: the digital growth segment

With digital transactions growing exponentially across India, FindiPay is the company's entry into the digital realm; providing merchants with a retail financial hub and digital pipeline integrating payment services. This is effectively delivered through:

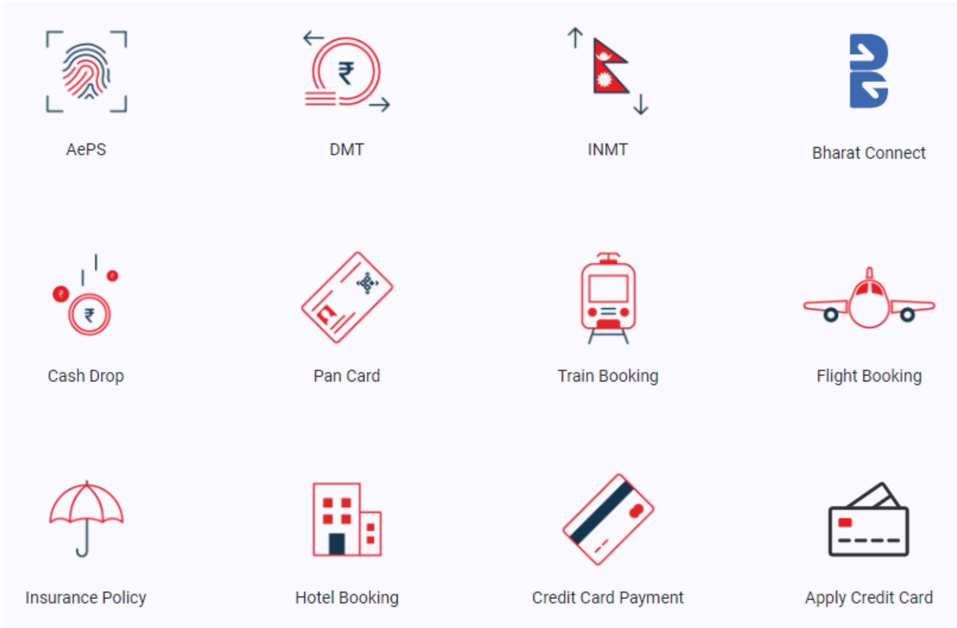
- Digital banking solutions, and
- B2C solutions

Findi is progressing with an aggressive merchant acquisition strategy, with these merchants effectively becoming a pseudo banking network, operating on behalf of the firm. Yet, without the necessary frameworks and regulations of a bank.

What does FindiPay offer?

The FindiPay platform offers merchant assisted online transactions. These range from money transfers (Domestic Money Transfer, Indo-Nepal Money Transfer, Aadhaar Enabled Cash Withdrawal), utility bill payments (Bharat Connect), travel and hotel bookings, credit card applications and more. Figure 34 provides an overview of these capabilities.

Figure 34: FindiPay's services and offerings



Source: FindiPay website

How does FindiPay's stack up against standard and micro ATMs?

FindiPay sits between the two with more offerings than a micro ATM but less than a standard ATM.

Figure 35: FindiPay's services and offerings

Services	ATM	Micro-ATM	FindiPay
Cash Withdrawal	Y	Y	Y
Balance Enquiry	Y	Y	Y
Mini-Statement	Y	N	Y
Pin Change	Y	N	N
Cash Deposit*	Y	N	Y
Debit Card Activation	Y	N	N
Bill Payment	Y	N	Y
Insurance	Y	N	Y

Source: Company Reports, Ord Minnett Limited estimates

The company offers the additional services through both three methods – AEPS, Bharat Connect, and DMT

Figure 36: FindiPay provides additional value add services through three providers

Services	Available in FindiPay Through
Cash Withdrawal	AePS
Balance Enquiry	AePS
Mini-Statement	AePS
Bill Payment	Bharat Connect (BBPS)
Cash Deposit	DMT
Insurance	Bharat Connect (BBPS)

Source: Company Reports, Ord Minnett Limited estimates

How do merchants access the platform?

Merchants are required to sign up via a three-step process. They must 1) submit contact details to be connected with someone at FindiPay, 2) complete the sign-up forms and provide the required documents to complete KYC verification, 3) after verification, the merchants FindiPay ID is activated and they may start using the platform either via the web or mobile application.

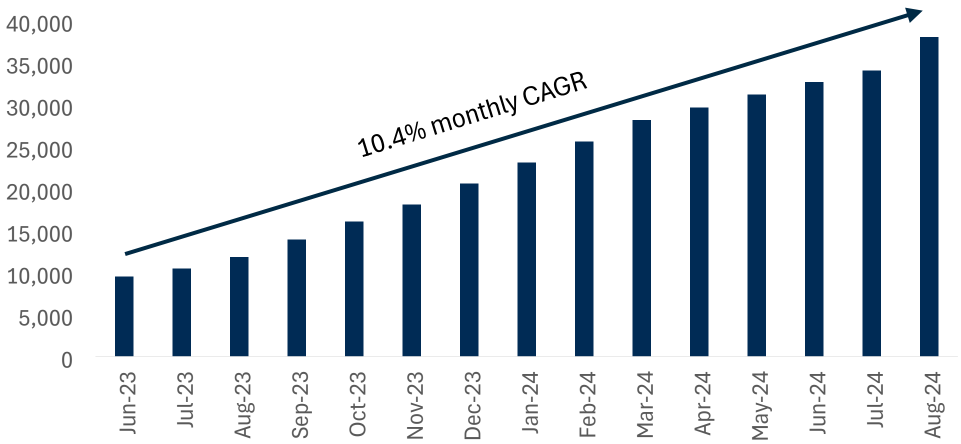
Recent performance and funding strategy

Recent performance

FindiPay current has ~38k FindiPay retail merchants – up from ~34k at June 30 (Figure 37). This implies a ~1k/month run rate in recent months; below the ~3k target required to achieve Findi's ~60k year-end target (FY25).

Nevertheless, growth in merchants has been relatively metronomic since the product was rolled out in mid-2023 and we expect FND to finish FY25 with 59k merchants on its platform (i.e. ~in-line with company guidance).

Figure 37: FindiPay merchant growth



Source: Company Reports, Ord Minnett estimates

ATM cashflows underwrite the FindiPay rollout

Importantly, as Findi's ATM division is highly cash generative – i.e. we estimate ~$28m of OCF will have been generated in FY24 ex-FindiPay outflows – the company is able to utilise funds generated in other parts of its business to underwrite growth and product development at FindiPay. This alleviates much of the risk associated with startup ventures of this nature.

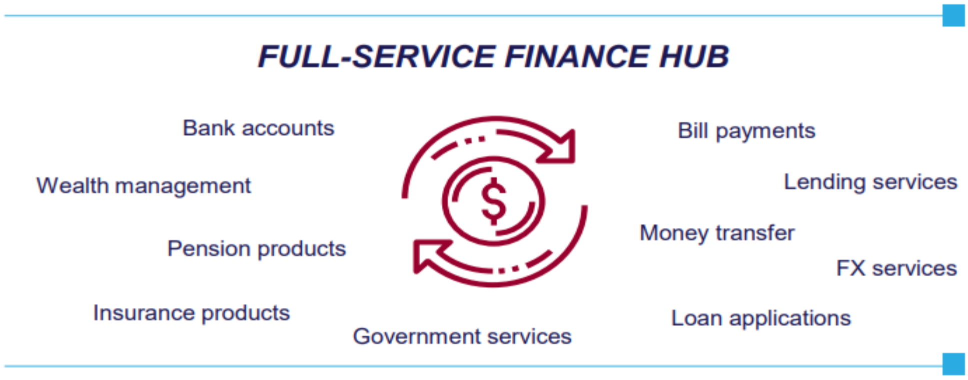
For context, we expect gross investment in FindiPay will be ~$4m in FY25 (net ~$2m). A relatively modest use of company funds.

Longer-term objectives

Full-service finance hub

Over the long-term, Findi aims to deliver a full-service finance hub to the underbanked Indian population, creating an ecosystem between the ATM and merchant services space, as well as offering a wide array of products. FND aims to leverage its white label ATM license to deploy ATMs, capture market data and deliver a full-stack of basic financial services and solutions to the underbanked, enabling financial inclusion in India.

Figure 38: FND aims to deliver a full suite of services and solutions for India's underbanked



Source: Company presentations

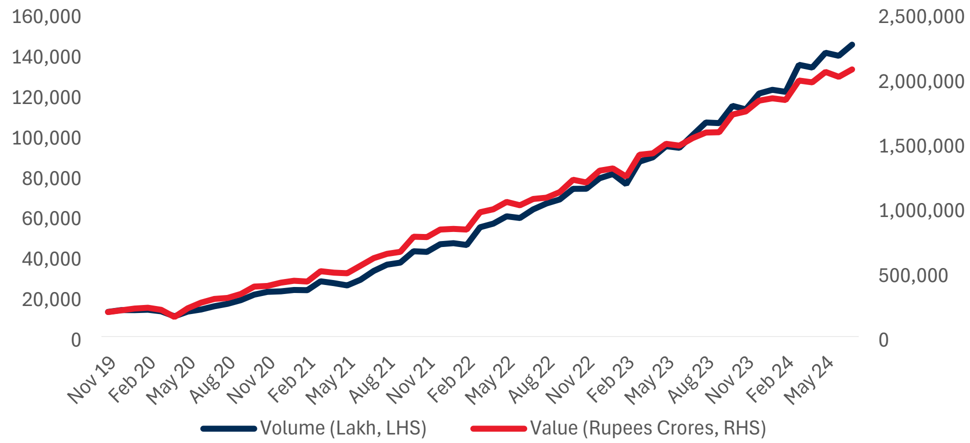
Thematics at play: growth of digital payments and micro ATMs

Digital payments

As discussed throughout this report; India's demonetisation efforts in 2016 also coincided with the launch of its Unified Payment Interface (UPI), a real-time payment system which allows users to transfer money virtually between bank accounts.

Since this time, growth of UPI usage has exploded, with total transaction volume rising from ~nil in 2019 to 2m crore Rupees today (Figure 39).

Figure 39: Growth of digital payments in India



Source: Reserve Bank of India

Micro ATMs

In simple terms, a micro ATM appears as a regular POS terminal with slight modifications that enables the functionality of standard ATMs – cash withdrawal, balance enquiries, and fund transfers using an Aadhaar number and biometrics – and may be paired with a mobile application for greater user functionality.

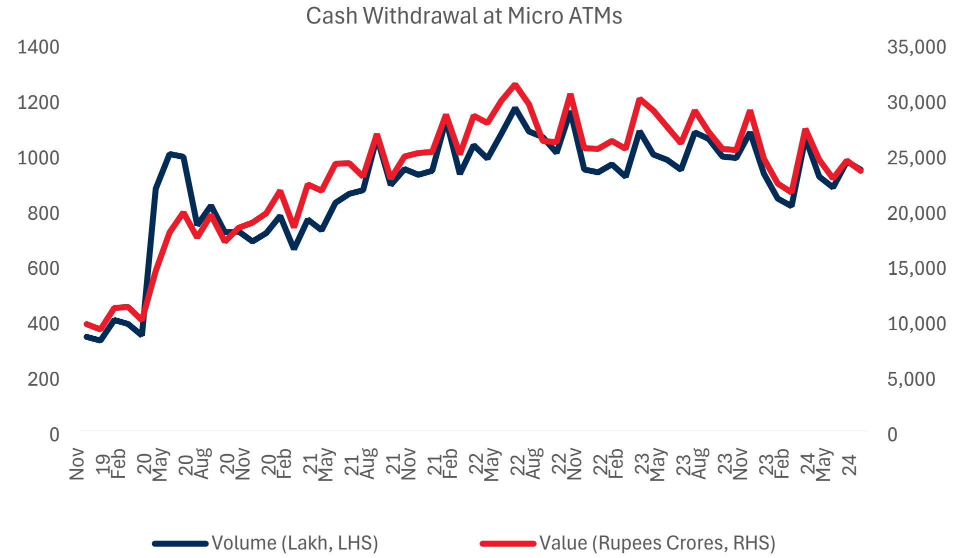
Figure 40: Micro ATM featuring a fingerprint scanner for verification...

Source: JustDial

What is "Aadhaar" and what is the Aadhaar Enabled Payment System (AEPS)?

The Aadhaar system was launched by the Indian Government in 2009 to provide residents a 12-digit unique identification number - the Aadhaar number – and is the world's largest biometric ID system with over a billion enrolments. The unique number is linked to an individual's biometrics of their fingerprints and iris was designed to streamline welfare schemes, reduce fraud, and establishing a single universal identity verification system.

Figure 41: Micro ATM usage holding steady (cash withdrawal at micro ATMs)



Source: Reserve Bank of India

The Aadhaar Enabled Payment System (AEPS)

Developed by the National Payments Corporation of India and launched in 2016, the AEPS allows people to make transactions using their unique Aadhaar number and biometric verification without the need for a physical card and with minimal infrastructure necessary to conduct the transactions.

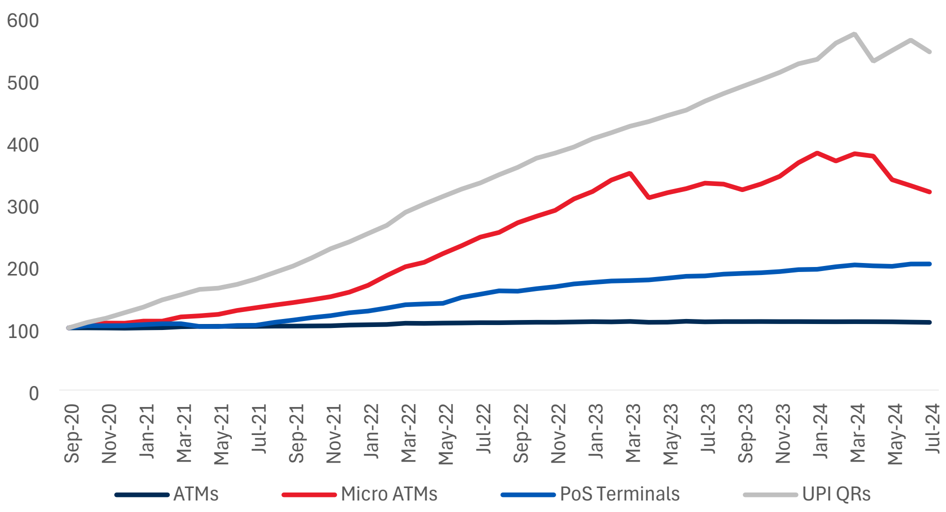
Users are first required to link their bank account to their Aadhaar number before they can make transactions. Transactions can be made at any AEPS-enabled banking point, most often a micro ATM or merchant, **i.e. one with FindiPay**, as long as individuals can provide their unique Aadhaar number and authenticate their identity with a fingerprint or iris scan.

What is the relevance of AEPS and micro ATMs?

The distribution of standard ATMs is skewed towards metros having an outside proportion with 54 ATMs per 100,000 people, while rural areas reportedly have 9 ATMs per 100,000 people and have a majority of the population.

The initial and ongoing costs associated with having standard ATMs in these areas makes the economic rationale harder for banks **and gives way to the use and traction of White Label ATMs and micro ATMs – both areas of focus for Findi.** This crucially enables the flow of cash in rural areas which are often underbanked and are reliant on it for their transactions.

Figure 42: Payments system infrastructure – rebased



Source: Reserve Bank of India, Base = Sep-2020

FY25 will be a heavy investment year

Overview

We expect Findi to increase deployed ATM's from ~8k to ~13.4k by 1H16 (+1k Brown Label, +4.4k White Label), underpinning a rapid uplift in half-year revenues over the period, from ~$35m (2H24) to ~$59m (1H16).

However, per our commentary throughout this report, these deployments come with heavy capex requirements (~$12k per Brown Label ATM, ~$4k per White Label). This sees us model ~$60m in capital expenditures through 1H26, leading the company to refer to FY25 as a "12-month investment cycle".

What are the implications of all this spending?

Figures 43 and 44 provide an overview of the Brown Label economics expected under FND's recently expanded deal with SBI – noting upfront capital expenditures are forecast to be fully recouped within 3 years, with a ~5x payback on capital employed over the first 10-years of deployment.

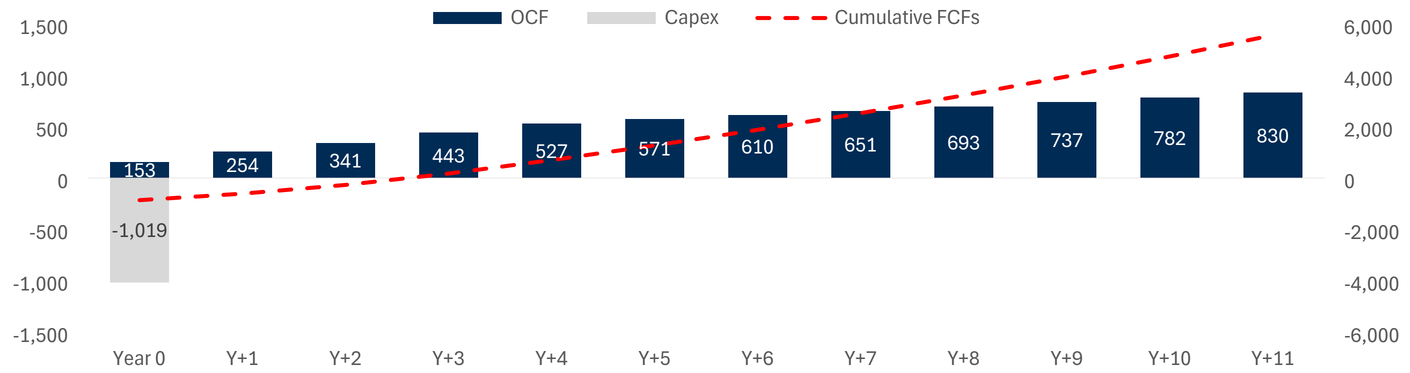
Our estimates (per Figures 31 & 32) are broadly similar to those provided by the company below; where we expect FY25 capex to drive ~$33m of FCF, for a Year 4 ROI of >50%.

Figure 43: ATM unit economics

Avg per month ($)	Year 0	Y+1	Y+2	Y+3	Y+4	Y+5	Y+6	Y+7	Y+8	Y+9	Y+10	Y+11
Revenue	321	622	772	861	937	974	1,013	1,054	1,096	1,140	1,185	1,233
Growth %		94%	24%	12%	9%	4%	4%	4%	4%	4%	4%	4%
Expenses	-168	-368	-431	-418	-410	-403	-403	-403	-403	-403	-403	-403
Growth %		119%	17%	-3%	-2%	-2%	0%	0%	0%	0%	0%	0%
% of revenue	52%	59%	56%	49%	44%	41%	40%	38%	37%	35%	34%	33%
OCF	153	254	341	443	527	571	610	651	693	737	782	830
Capex	-1,019											
FCF	-866	254	341	443	527	571	610	651	693	737	782	830
Cumulative	-866	-612	-271	172	699	1,270	1,880	2,531	3,224	3,961	4,743	5,573
				FCF +ve →								

Source: Company presentations

Figure 44: ATM unit economics



Source: Company presentations

Funding considerations

We expect FY25 capital expenditures to be comfortably financed from within Findi's existing cash reserves (available funds >$100m at FY24), noting additional asset finance / term loan facilities are also available if necessary.

Given the above, we are not concerned with the magnitude of Findi's near-term capex requirements.

How do we value Findi?

Price Target = $7.52/sh

We derive our **12-month forward A$7.52/sh Price Target** via a 10-year DCF, which includes an **additional country risk premium of 3.2%** given the company's operational exposure to India. This valuation does not make any assumptions regarding the future IPO of TSI India on the Bombay Stock Exchange.

Our Price Target implies a 30% TSR, which underpins our BUY recommendation.

Figure 45: DCF summary

DCF inputs	
Beta	1.2
Risk Free Rate	4.0%
Market Risk Premium	6.0%
Country Risk Premium	3.2%
Cost of Equity	14.4%
Cost of Debt (After Tax)	7.7%
WACC	12.4%
Terminal Growth Rate	3.0%

DCF outputs	
Enterprise Value ($m)	440.1
Less: Net Debt ($m)	(46.4)
Equity Value ($m)	393.6
Implied Equity Value ($/sh)	6.69
Rolled forward at WACC (%)	12.4%
Price Target ($/sh)	7.52

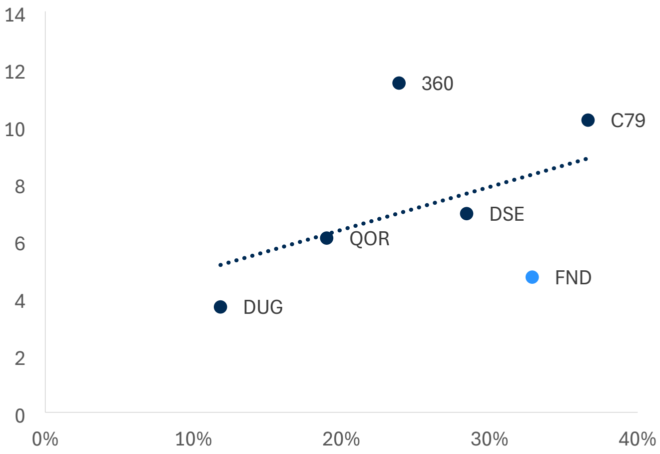
Source: Ord Minnett Limited research

Valuation in a peer context

Despite a strong run-up in its share price over the past year, FND continues to trade at a sharp discount to the remainder of our small cap technology coverage (on both a FCF multiple and EV/revenue, growth-adjusted basis).

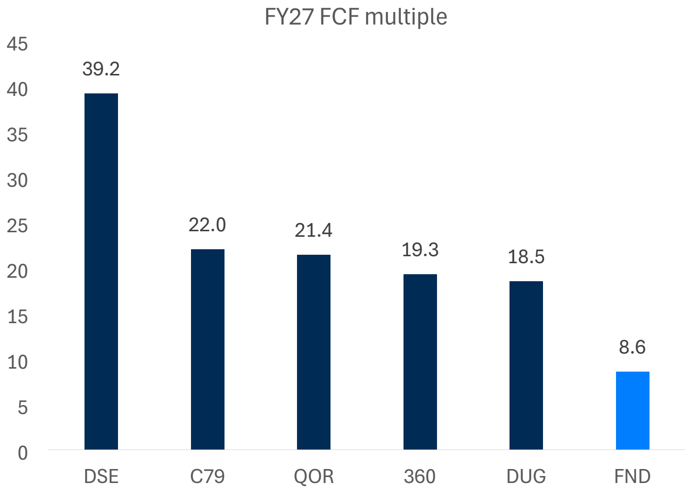
And while we acknowledge the risk associated with FND's Indian operations; we account for this via use of the abovementioned **country risk premium.** Even after factoring this in, we find the company's valuation to be undemanding.

Figure 46: OMLe tech coverage (EV/rev vs growth)



Source: Bloomberg, Ord Minnett Limited estimates

Figure 47: OML tech coverage (FY27 FCF multiple)



Source: Bloomberg, Ord Minnett Limited estimates

Detailed Financials

Revenues

We expect revenue growth to accelerate from an already robust pace of +22% in FY24 to ~32% in FY25 and a 3-year CAGR of 33% through FY27. Our estimates are predicated on:

- **Brown Label**. Revenues are underpinned by multi-year contracts to the Central Bank of India (CBI) and State Bank of India (SBI). We expect these relationships will generate ~$27m and ~$40m in revenue for FY25 respectively, rising to ~$32m / ~$56m by FY27 as additional ATMs are rolled out (also already contracted).
- **White Label**. Following the redeployment of ~4k SBI ATMs, we expect FND's White Label business to generate ~$3m of revenue in FY25, rising to ~$39m by FY27 – this will be driven by a combination of the SBI re-allocation and organic deployment of an additional ~7k ATMs (OMLe).
- **Digital** revenues rise from ~$6m in FY24 to ~$19m by FY27 and are comprised of (1) an existing e-surveillance business; where we expect revenues will rise from ~$6m in FY24 to ~$12m by FY27, and (2) maturation of FindiPay; which contributes ~$6m by FY27.

Figure 48: Revenue drivers

Revenue Drivers		FY23	FY24	FY25	FY26	FY27	3YR
Brown Label	**$m**	**47.6**	**60.1**	**75.9**	**90.0**	**97.8**	**18%**
CBI	*$m*	*5.7*	*19.1*	*26.9*	*31.5*	*32.2*	*19%*
SBI	*$m*	*32.7*	*31.8*	*39.8*	*49.4*	*56.3*	*21%*
All Other	*$m*	*9.2*	*9.2*	*9.2*	*9.2*	*9.2*	*0%*
Digital	**$m**	**5.5**	**6.3**	**8.5**	**13.6**	**18.6**	**43%**
E-surveillance	*$m*	*5.5*	*5.9*	*7.1*	*10.2*	*12.3*	*28%*
FindiPay	*$m*	*0.0*	*0.4*	*1.4*	*3.4*	*6.3*	*159%*
White Label	**$m**	**0.0**	**0.0**	**3.0**	**23.2**	**38.8**	**nm**
SBI conversions	*$m*	*0.0*	*0.0*	*3.0*	*20.3*	*25.7*	*nm*
All Other	*$m*	*0.0*	*0.0*	*0.0*	*2.9*	*13.1*	*nm*
Total Revenue	**$m**	**53.1**	**66.4**	**87.4**	**126.8**	**155.2**	**33%**
ATMs	**#**	**7,450**	**8,000**	**10,850**	**13,857**	**15,857**	**26%**
Brown Label	#	*7,450*	*8,000*	*8,350*	*8,945*	*8,945*	4%
White Label	#	*0*	*0*	*2,500*	*4,912*	*6,912*	nm

Source: Ord Minnett Limited research

Expenses

- **Employee expenses** rise as a % of revenues in FY25 (18%, from 13%) as FND invests in the concurrent rollout of its White Label and FindiPay offerings. However, post this heavy investment year, we model employee expenses moderating back to a~15% historical average (i.e. FY24 = 13%).
- **Other expenses** are flat as a percent of revenues YoY (for the same 'investment year' reasons) and begin to decline slightly from FY26 (FY24 = 5.9%, FY27 = 5.4%). We expect the expense items captured in this line (i.e. office rents, IT spend) to see benefits from increased scale over time.

Figure 49: Expense drivers

Expense Drivers		FY23	FY24	FY25	FY26	FY27	3 YR
Gross Profit	**$m**	**29.8**	**40.2**	**53.2**	**75.5**	**90.8**	**31%**
Margin	%	54.7%	60.4%	60.2%	59.2%	58.2%	
Operating Expenses							
Employee Expenses	$m	-7.1	-8.8	-16.3	-20.7	-23.4	39%
% of Sales	%	13%	13%	18%	16%	15%	
Professional Services	$m	-1.5	-1.5	-2.0	-2.7	-3.2	27%
Office	$m	-0.5	-0.4	-0.6	-0.8	-1.0	33%
IT	$m	-0.5	-0.6	-0.7	-1.1	-1.3	33%
Options	$m	0.0	-0.1	-0.2	-0.3	-0.3	33%
Other	$m	-2.1	-1.3	-1.6	-2.2	-2.6	26%
Total Opex	$m	-11.6	-12.7	-21.4	-27.8	-31.7	36%
EBITDA	**$m**	**18.2**	**27.5**	**31.8**	**47.7**	**59.1**	**29%**

Source: Ord Minnett Limited research

Profitability

- **EBITDA** rises from $27m in FY24 to ~$59m by FY27 (a 29% CAGR). This increase is driven entirely by revenue growth, as margins decline slightly (FY24 = 41%, FY27 = 38%) as benefits of scale are offset by negative mix associated with growth in the lower-margin FindiPay and White Label businesses.
- **NPAT** declines in FY25 (~flat, from $4m in FY24) due to a modest uplift in D&A (larger capital base), higher finance expense (more debt) and tax treatment (FND received $2m tax benefit in FY24, we assume ~nil moving forward). NPAT subsequently rises in future periods; to $18m in FY27 (at 12% margins).
- Figure 50 below shows an **EBITDA build-up by segment**, with corporate costs of ~$3m-$5m/yr removed. As opposed to the gross profit-driven, P&L version in Figure 49 above.

Figure 50: EBITDA build-up by segment

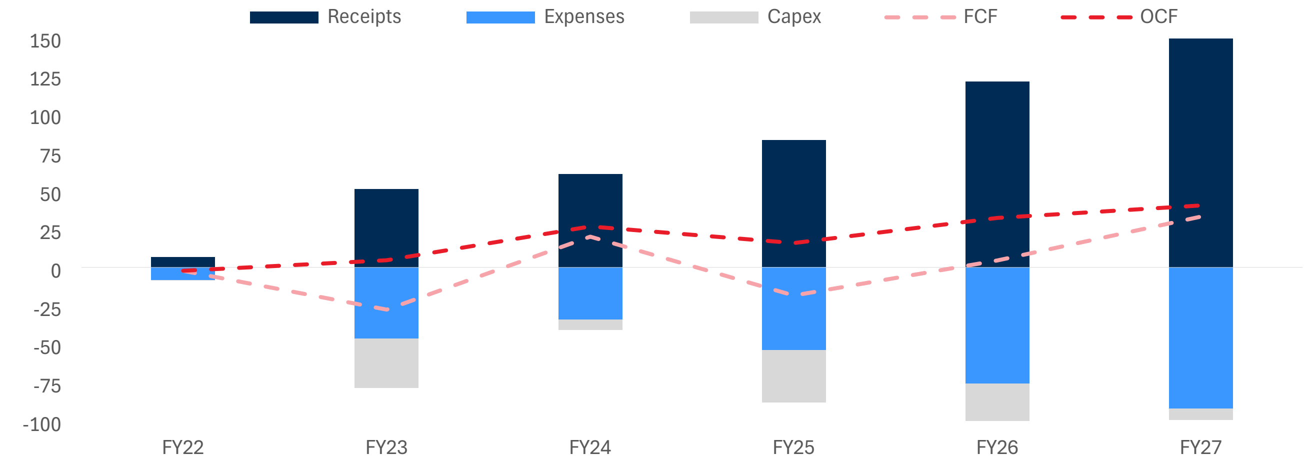
Revenue Drivers		FY23	FY24	FY25	FY26	FY27	3YR
Brown Label	$m	15.2	22.4	29.9	38.6	43.7	25%
Digital	$m	3.4	3.6	4.1	6.5	9.1	36%
White Label	$m	0.0	0.0	0.9	7.0	11.7	nm
Segment EBITDA	**$m**	**18.6**	**26.0**	**34.9**	**52.1**	**64.5**	**35%**
Corporate Costs	$m	-1.8	nm	-3.1	-4.4	-5.4	nm
Group EBITDA	**$m**	**16.8**	**27.4**	**31.8**	**47.7**	**59.1**	**29%**
Margin	%	32%	41%	36%	38%	38%	-3%

Source: Ord Minnett Limited research

Cash flow

- **OCF** falls YoY, although this is due to our treatment of finance expense (run through OCF) rather than the company's treatment (through Fin. CF). Adjusting for these differences, OCF would rise ~10% in FY25 on a like-for-like basis.
- **FCF** is heavily impacted in FY25 and FY26 due to Findi's heavy investment in the rollout of its White Label ATMs across the network. We model capex of $34m in FY25 (weighted to 2H) and $26m in FY26 (weighted to 1H). Post this period, capital expenditures are wound right back, and FCF ultimately rises over our forecast horizon, from $20m in FY24 to $33m in FY27 (and a doubling, from $14m to $28m ex-lease payments).

Figure 51: Free cash flow ($m)



Source: Ord Minnett Limited research

Balance Sheet

- Findi finished FY24 with ~$135m in **gross debt** and ~$107m in **cash funds**, for a **net debt** position of ~$28m. We assume LT borrowings are slowly repaid from company cash generation, which sees net debt fall to just $9m by FY27.

Figure 52: Balance sheet

Balance Sheet		FY23	FY24	FY25	FY26	FY27
Cash and Equivalents	$m	18.3	46.1	46.4	45.3	72.7
Trade and Other Receivables	$m	18.2	17.9	22.2	27.7	33.7
Term Deposits	$m	7.6	24.2	0.0	0.0	0.0
Total Current Assets	**$m**	**44.1**	**90.2**	**70.3**	**71.1**	**101.1**
PP&E	$m	40.5	41.6	67.9	80.1	71.8
RoU	$m	8.6	26.8	18.6	12.9	9.0
Intangibles	$m	1.9	2.1	1.5	1.1	0.8
Other Financial Assets	$m	7.8	36.3	36.3	36.3	36.3
Total Non-Current Assets	**$m**	**63.6**	**108.1**	**125.6**	**131.8**	**119.2**
Trade and Other Payables	$m	16.3	22.7	25.6	29.6	34.4
Provisions	$m	6.3	3.7	3.7	3.7	3.7
Borrowings	$m	22.6	44.0	44.0	44.0	44.0
Total Current Liabilities	**$m**	**45.2**	**70.4**	**73.2**	**77.2**	**82.0**
Trade and Other Payables	$m	0.4	0.4	0.4	0.4	0.4
Compulsory Convertible Debentures	$m	0.0	37.5	37.5	37.5	37.5
Borrowings	$m	40.8	53.3	47.6	42.0	36.4
Total Non-Current Liabilities	**$m**	**41.1**	**91.1**	**85.5**	**79.9**	**74.2**
Issued Capital	$m	42.2	53.4	53.4	53.4	53.4
Reserves	$m	0.8	1.0	1.0	1.0	1.0
Accumulated Losses	$m	-21.4	-17.9	-17.5	-8.9	9.3
Total Equity	**$m**	**21.3**	**36.9**	**37.3**	**45.8**	**64.0**
Net Debt	**$m**	**-29.6**	**-28.1**	**-46.4**	**-41.9**	**-8.8**

Source: Ord Minnett Limited research

Dividends

FND’s current dividend policy allows for up to 30% of after-tax earnings before significant items to be distributed as cash. **The company is yet to pay a dividend since introducing the policy, and as such, we have assumed no dividends at this stage.**

Following the sell down of the Cloudten and Decipher Works businesses, FND declared a $21.9m return to shareholders in March 2021. This comprised of a fully franked $7.8m dividend and a $14.1m capital return. Both were paid in April 2021.

Piramal Convertible Notes

TSI India in November 2023 raised A$37.6m via the placement of Compulsory Convertible Debentures (*“CCD”, “convertible notes”*) to Piramal Alternatives. The convertible notes are compulsory convertible to equity at IPO of TSI India. Piramal Alternatives is the fund management arm of The Piramal Group, an Indian multinational conglomerate.

The entry equity valuation was based on an FY23 EBITDA multiple and reflected a pre-IPO market cap of A$153m (pre-money) / A$190.6m (post-money) ahead of TSI India’s intended listing on the Bombay Stock Exchange (BSE).

Use of funds were allocated to working capital and capital expenditure, freeing up free cash flow for potential acquisitions to accelerate Findi’s Indian expansion plans.

The convertible notes are held by the Piramal Structured Credit Opportunities Fund. The fund is 75% owned by CDPQ, one of Canda’s largest pension funds. Piramal has the right to nominate a director to the TSI India Board. The notes reflect a fully diluted equity interest of approximately 16.7% of the company after conversion at IPO.

The convertibles notes have an annual coupon of 8% while TSI India has a call option to buy back the securities at a committed IRR of 18%. Tenure to redeem is 84 months from date of opting for the redemption options.

Key Risks

Key risks to our core thesis include:

- **Regulatory change.** The Indian government has a history of implementing meaningful regulatory change (i.e. demonetisation) on short notice. These changes have proven to be problematic in the past. Any further change in regulations, fees, or taxes could affect Findi's profitability.
- **Customer concentration.** We expect Findi to generate ~75% of its revenue from just two customers in FY25. And despite these customers being committed under multi-year contracts, any disruption to these relationships could pose a risk to Findi's business.
- **Rise of digital payments.** The use of digital payments has risen rapidly in India since the introduction of UPI in 2016. And while Findi aims to benefit from this growth via its FindiPay platform, the company's ATM business accounts for ~90% of group revenues; which could face headwinds from this dynamic.
- **Key person risk.** Findi's Board and Executive team (i.e. TSI's CEO / CFO) comprise only six people; with each holding a moderate level of operational control and/or strategic decision making power. Loss of any one of these members poses a risk.
- **Competition.** The Indian ATM market is reasonably competitive, with a mix of White and Brown Label operators present. Any increase in the competitive environment could lead to pricing pressures and/or margin erosion.
- **Balance Sheet / funding risk.** At FY24, Findi had gross debt of ~$135m. And while the company also holds available cash funds of >$100m, any change in interest rates, cash flows, or asset value, could impact its funding position.
- **Sovereign risk.** Findi predominantly operates in India, which is a developing country. As such, the company will be exposed to political, economic, security and social risks.
- **Economic slowdown.** Any economic slowdown within India may affect consumer spending, with ATM and/or merchant payment usage potentially declining. This could impact Findi's revenues and profitability.
- **Technology risk.** The fintech sector is fast-moving and as such, there is a risk that new (and superior) products come to market and usurp market incumbents.
- **Security risks**. ATMs are vulnerable to cyber and physical attacks, while the broader Findi business may also hold sensitive customer financial data. Any physical or online breaches are a risk.

ESG

Environmental

Sustainability of ATMs and digital payments: Develop programs for the proper and responsible disposal of outdated ATM hardware and other electronic devices. Where possible, FND should encourage the use of digital options for invoices and balance enquiries at ATMs to reduce paper usage and waste. The increased promotion and adoption of FND's digital payments platform, FindiPay, will further reduce the dependency of cash and paper receipts.

Energy efficient ATMs: Findi may adopt the use of energy-efficient ATMs through the use of renewable energy sources, particularly in rural areas with developing energy infrastructure. India is pushing to reduce emissions and increasing sustainability in its energy usage.

Social

Financial inclusion within rural India: Findi can extend ATM services and the FindiPay offering to underbanked and rural areas of India by increasing the accessibility and network of ATMs and FindiPay merchants, while also promoting user-friendly technology to bridge the digital divide. Additionally, FND may offer low-cost of free financial services to low-income people to help alleviate poverty and empower local communities.

Data privacy and security: Findi's ATM and services touch both personal, biometric and banking data. FND must ensure proper and robust cybersecurity measures are in place to protect user data and privacy amongst customers and merchants.

Workforce development and inclusivity: As FND grows, it can focus on the creating of jobs in both urban and rural areas of India, ensuring fair remuneration and benefits, while also implementing programs to upskill employees on upcoming fintech related technologies for career development.

Governance

Strong regulatory compliance: Findi will be required to maintain a rigorous compliance framework aligned with the governing body, the Reserve Bank of India, and other financial regulations. This may include establishing an internal audit team to ensure all aspects of ATM and FindiPay operations meet regulatory requirements. The RBI in recent times has been enforcing its powers through the revocation of licenses and penalties for firms.

Anti-money laundering (AML) and anti-fraud systems: As a financial services provider, Findi should focus on the implementation of robust real-time AML and fraud detection mechanisms across its ATM and fintech businesses to prevent suspicious activity.

Board and Management

Board of Directors

Nicholas Smedley – Executive Chairman

Mr Nicholas Smedley is an experienced Investment Banker and M&A Advisor with 14 years' experience at UBS and KPMG. He has worked on M&A transactions in the UK, Hong Kong, China and Australia with transactions ranging from the A$9bn defence of WMC Resources through to the investment of $65 million into Catch.com.au. Mr Smedley currently oversees investments in the Property, Energy, Technology and Medical Technology space.

Key areas of expertise include M&A, debt structuring, corporate governance and innovation. Mr Smedley holds a Bachelor of Commerce degree from Monash University. Mr Smedley is Executive Chairman of listed entity Respiri Limited (ASX: RSH), appointed 30 October 2019 to present, and non-executive Director of AD1 Holdings Limited (ASX: AD1), appointed 6 March 2020 to present.

Mr Smedley was appointed to the Board on 12 April 2021.

Simon Vertullo – Non-Executive Director

Mr Simon Vertullo is a Chartered Accountant with more than 20 years' experience in Australia, Asia and Europe working in C-Suite, corporate finance and restructuring roles. Mr Vertullo was previously partner and practice leader in international accounting firms and has extensive commercial and operational experience, having held various CFO, executive leadership and advisory roles with numerous listed and large private companies in Australia, Europe and Asia.

Key areas of expertise include equity and debt transactions, risk management and operational performance improvement. Mr Vertullo was previously a director of Donaco Ltd (ASX:DNA).

Mr Vertullo was appointed to the Board on 19 April 2021.

Jason Titman – Non-Executive Director

Mr Jason Titman is a SaaS technology C-Level Executive and Board Advisor, with extensive channel partnership and go-to market experience in Australia, South East Asia, Europe and the US. He is a proven multi-sector entrepreneur, with a track record of achieving significant growth in value and exits for business partners, shareholders and founders.

His key areas of expertise include deep operational experience, transformative leadership, strategy and lateral thinking, B2B channel partnerships, B2C fintech operations, international expansion and corporate governance. Mr Titman is a Chartered Accountant, has a Graduate Diploma from the Australian Institute of Company Directors and holds an MBA from the University of Queensland (UQ). Mr

Mr Titman was appointed to the Board on 19 April 2021.

Alastair Williams – CFO

Mr Williams is an experienced CPA with a Masters Degree in Commerce. He has recently been the CFO of an Electricity retailer and before that was a Partner at boutique accounting and finance firm, Clarendon Partners.

Key Management Personnel - Transaction Solutions International

Mohnish Kumar – Managing Director & CEO, TSI India

Mohnish Kumar is an Ex-Citibank Director who joined the TSI India team in 2006. He holds a postgraduate MBA with over 30 years of Marketing & New Business Development experience in the FMCG, consumer durable and Financial Services areas.

His roles at Citibank spanning 15 years included creating, developing and executing the Business plan for a range of prepaid card, Cross Border Payments and Cash management offerings across the retail and corporate bank for India.

Mr Kumar joined TSI in 2006.

Deepak Verma – Executive Director & CFO, TSI India

Deepak Verma is an experienced finance professional with 20 years of Telecom and Financial Services industry experience. Prior to joining TSI, Mr. Verma has worked on leadership positions at Bharti Airtel and Kroll. For Airtel, Mr. Verma has spearheaded finance for various strategic and transformation initiatives nationally for Network factory, Broadband and Data business, Retail and Online business. Mr Verma is a Chartered Accountant and a Commerce graduate from Delhi University.

Mr Verma joined TSI in 2015.

Remuneration

Figure 53: Remuneration of KMPs

Year End 31 March 2024	Short-term Benefits, Salary & Fees	Post-employment Benefits	Equity Compensation	Total	Compensation Based on Performance (%)
Nicholas Smedley	$150,000	-	-	$150,000	0%
Jason Titman	$120,000	-	-	$120,000	0%
Simon Vertullo	$120,000	-	-	$120,000	0%
Alastair Williams*	$24,000	-	-	$24,000	0%
Total	$414,000	-	-	$414,000	0%

Source: Company reports

Figure 54: Options Granted and Vested to KMPs

Year End 31 March 2024	Opening Balance	Acquired in the Year	Granted as Remuneration	Exercised	Cancelled	Closing Balance
Nicholas Smedley	1,583,336	-	3,000,000	-583,334	-1,000,002	3,000,000
Jason Titman	1,166,669	-	3,000,000	-166,667	-1,000,002	3,000,000
Simon Vertullo	1,504,467	-	3,000,000	-504,465	-1,000,002	3,000,000
Alastair Williams*	-	-	565,000	-	-	565,000
Total	4,254,472	-	9,565,000	-1,254,466	-3,000,006	9,565,000

Source: Company reports

Appendix A: Detailed Company history

Company history

- **Originally listing on the ASX in 2001** under the name "*QED Corporation Limited*" (QED), a wastewater and biomass management solutions business, the origins of FND's current business model begin when *Transaction Solutions International* (TSI) is founded in 2004.
- **2004:** QED starts outsourcing the commercialisation of its proprietary technologies, resulting in the sale of subsidiaries and operational assets. The business retains ownership of the IP and enters licensing agreements to earn royalties from the commercialisation.
- **2005:** QED announces the acquisition of a 35% minority interest in TSI. TSI at the time focused on the commercialisation and deployment of technologies within the financial payments sectors with activities including the deployment of hardware that allows automated transactions to occur between banks, financial institutions, and bank customers.
- **2010:** QED and TSI announce a merger. The business at the time of the merger has 350 ATMs installed in India with a further 140 planned for installation.
- **2013:** TSI sells a 75% controlling stake of the business to CX Partners, an Indian private equity group for A$22m, splitting the business into TSN and TSI India. TSI India has a presence of ~1,100 ATMs with discussions around expanding up to 4,000 ATMs.
- **2016**: TSI wins a management agreement to operate and service11,000 ATMs, bringing total ATMs within their network to 13,000. TSN enters an Exclusive Option Agreement to purchase the 75% of TSI held by CX Partners.
- **2017:** Government demonetisation policy has a material negative impact on the use of ATMs. TSN eventually lets the option agreement to acquire the remainer of TSI lapse, looks for opportunities in the cybersecurity space.
- **2017 cont.** TSN acquires 100% of cybersecurity specialist, Decipher Works (DWX) for a total consideration of A$5.1m.
- **2018:** TSN acquires cloud and cloud security business, Cloudten Industries for a total consideration of A$8.6m. Currency notes in circulation in India now exceed pre-demonetisation levels. TSI reaches ~14,000 ATMs in the network.
- **2019:** COVID-19 impacts usage of ATM, TSI India revalued down to $5.5m for TSN. TSN renames to Vortiv (VOR.ASX).
- **2020:** VOR divests Cloudten and DecipherWorks for $25m, leaving TSI India as its primary undertaking. Initiates $20m buyback.
- **2021**, December: VOR acquires the remaining 75% of TSI India from CX Partners. Key management retained via a 19.4% equity ownership in TSI India i.e. VOR retains 81%.
- **2022:** The company changes name to Findi (FND.ASX).
- **2023:** FND reaches ~21,000 ATM within its network.
- **2024:** FindiPay reaches 38,000 merchants and 21,000 ATMs. Receive license to operate white labelled ATMs, subject to an audit.

Findi Limited

Buy

PROFIT & LOSS (A$m)	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Revenue	53.1	66.4	87.4	126.8	155.2
Other income	1.4	0.1	1.1	0.8	0.9
Operating costs	(11.6)	(12.7)	(21.4)	(27.8)	(31.7)
Operating EBITDA	**18.2**	**27.5**	**31.8**	**47.7**	**59.1**
D&A	(10.2)	(15.5)	(16.7)	(21.6)	(19.8)
EBIT	**8.0**	**12.0**	**15.1**	**26.1**	**39.2**
Net interest	(5.5)	(9.9)	(14.5)	(13.9)	(13.3)
Pre-tax profit	**2.4**	**2.1**	**0.6**	**12.2**	**26.0**
Net tax (expense) / benefit	-	1.9	(0.2)	(3.7)	(7.8)
Normalised NPAT	**2.4**	**4.0**	**0.4**	**8.5**	**18.2**
Reported NPAT	**2.4**	**4.0**	**0.4**	**8.5**	**18.2**
Normalised dil. EPS (cps)	1.2	7.4	0.7	14.5	30.9
Reported EPS (cps)	1.2	7.4	0.7	14.5	30.9
Effective tax rate (%)	-	91.6	(30.0)	(30.0)	(30.0)
DPS (cps)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Payout ratio (%)	-	-	-	-	-
Diluted # of shares (m)	174.2	49.4	58.9	58.9	58.9

CASH FLOW (A$m)	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Net Interest (paid)/received	-	-	(13.4)	(13.1)	(12.4)
Income tax paid	-	(0.1)	-	-	(4.3)
Other operating items	-	-	-	-	-
Operating Cash Flow	**4.7**	**26.7**	**15.9**	**32.3**	**40.4**
Capex	(32.2)	(6.6)	(34.2)	(27.7)	(7.3)
Acquisitions	-	-	-	-	-
Other investing items	3.5	(41.6)	24.2	-	-
Investing Cash Flow	**(28.7)**	**(48.3)**	**(10.0)**	**(27.7)**	**(7.3)**
Dividends paid	-	-	-	-	-
Other financing items	-	4.0	(5.6)	(5.6)	(5.6)
Financing Cash Flow	**41.1**	**49.5**	**(5.6)**	**(5.6)**	**(5.6)**
FX adjustment	-	-	-	-	-
Net Inc/(Dec) in Cash	17.1	27.9	0.2	(1.1)	27.5

BALANCE SHEET (A$m)	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Cash	18.3	46.1	46.4	45.3	72.7
Receivables	18.2	17.9	22.2	27.7	33.7
Other current assets	7.6	24.2	-	-	-
PP & E	40.5	41.6	67.9	80.1	71.8
Financial Assets	7.8	36.3	36.3	36.3	36.3
Intangibles	1.9	2.1	1.5	1.1	0.8
Other non-current assets	13.4	28.1	19.9	14.2	10.3
Total Assets	**107.7**	**198.4**	**196.0**	**202.9**	**220.3**
Short term debt	22.6	44.0	44.0	44.0	44.0
Payables	16.3	22.7	25.6	29.6	34.4
Other current liabilities	6.3	3.7	3.7	3.7	3.7
Long term debt	40.8	53.3	47.6	42.0	36.4
Other non-current liabilities	-	37.5	37.5	37.5	37.5
Total Liabilities	**86.4**	**161.5**	**158.7**	**157.1**	**156.3**
Total Equity	**21.3**	**36.9**	**37.3**	**45.8**	**64.0**
Net debt (cash)	29.6	28.1	46.4	41.9	8.8

DIVISIONS	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**

KEY METRICS (%)	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Revenue growth	-	25.0	31.6	45.1	22.3
EBITDA growth	-	51.2	15.7	50.0	23.9
EBIT growth	-	50.7	26.2	72.6	50.3
Normalised EPS growth	-	494.7	(90.1)	1,895.4	112.7
EBITDA margin	34.2	41.4	36.4	37.6	38.1
OCF /EBITDA	25.7	97.4	92.1	95.2	96.5
EBIT margin	15.0	18.0	17.3	20.6	25.3
Return on assets	-	0.7	10.0	17.0	24.1
Return on equity	-	13.9	1.2	20.6	33.1

VALUATION RATIOS (x)	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Reported P/E	468.6	78.8	797.4	40.0	18.8
Normalised P/E	-	78.8	-	40.0	18.8
Price To Free Cash Flow	-	14.3	-	75.1	10.3
EV / EBITDA	-	7.3	7.5	5.1	4.7
EV / EBIT	123.4	16.7	15.7	9.3	7.0

LEVERAGE	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
ND / (ND + Equity) (%)	58.2	43.3	55.5	47.8	12.0
Net Debt / EBITDA (%)	163.0	102.2	146.0	87.8	14.8
EBIT Interest Cover (x)	1.4	1.2	1.0	1.9	3.0
EBITDA Interest Cover (x)	3.3	2.8	2.2	3.4	4.5

SUBSTANTIAL HOLDERS	**m**	**%**
Troy Harry	6.5	13.3%
Brian Flannery	3.0	6.1%
Jack Yetiv	2.8	5.8%

VALUATION	
Cost of Equity (%)	14.4
Cost of debt (after tax) (%)	7.7
WACC (%)	**12.4**
Equity NPV Per Share ($)	**6.69**
Target Price Method	DCF
Target Price ($)	7.52
Valuation disc. / (prem.) to share price (%)	29.7

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Guide to Ord Minnett Recommendations

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, historical 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.