



Q4 FY21 results reiterate strong growth potential

Share Price: A\$0.05

Complii FinTech Solutions (ASX: CF1; Complii) released its quarterly activities report for Q4 FY21 on 12 July, according to which the company has been tracking strong growth in its client and recurring revenue base. The company also strengthened its board with the addition of Mr. Nick Prosser – a veteran in the fintech industry.

Another promising quarter for Complii

During Q4 FY21 (ending June), the group revenue receipts at A\$759k, witnessed a 7% q/q growth backed by the addition of four Australian Financial Services Licence (AFSL) clients, which takes Complii's total client base to 99 firms. It also registered an increase of A\$135k in annual recurring revenue (ARR) during Q4. The fact that Complii has added 12 clients since December 2020 amidst turbulent market conditions is a testament to its significant potential in the digital compliance space. The Q4 results come on the back of strong Q3 FY21 when revenue receipts rose by 75% q/q, with an A\$133k increase in ARR. We continue to believe in the growth potential of Complii underpinned by its solid product base, expanding clientele and management's ambition to grow through organic as well as inorganic means.

Valuation reiterated

We believe that Complii's solid growth trajectory, value proposition and potential are already factored in our long-term growth assumptions. Thus, we reiterate our valuation based on DCF at A\$0.13 per share base case and A\$0.23 per share bull case. Key risks include: 1) slower-than-expected product uptake; 2) high customer churn; and 3) acquisition synergies not meeting management targets.

Year to Jun (AUD)	2019A	2020A	2021P	2022F	2023F
Sales (mn)	1.0	1.1	2.2	3.7	5.6
EBITDA (mn)	(0.6)	(1.4)	(1.2)	(0.3)	0.8
Net Profit (mn)	(0.8)	(4.0)	(1.3)	(0.4)	0.6
EPS (cents)	NM	NM	NM	NM	0.2
EBITDA Margin (%)	NM	NM	NM	NM	14.1%
RoA (%)	NM	NM	NM	NM	14.0%
EV/Sales			5.2x	3.6x	2.3x
EV/EBITDA			NM	NM	16.4x
P/E			NM	NM	25.5x

Source: Company, Pitt Street Research

Note: 2021P - Complii has released only few headline numbers in its Q4 FY21 activities report

ASX: CF1

Sector: Technology

27 July 2021

Market Cap. (A\$ m)	15.0
# shares outstanding (m)	299.2
# shares fully diluted (m)	410.7
Market Cap Ful. Dil. (A\$ m)	20.5
Free Float	86.4%
52-week high/low (A\$)	0.080 / 0.036
Avg. 12M daily volume ('1000)	1,991.1
Website	www.complii.com.au

Source: Company, Pitt Street Research

Share price (A\$) and avg. daily volume (k, r.h.s.)



Source: Refinitiv Eikon, Pitt Street Research

Valuation metrics	
DCF fair valuation range (A\$)	0.13–0.23
WACC	11.5%
Assumed terminal growth rate	2.0%

Source: Pitt Street Research

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Complii continues to add to its customer base

The company has been demonstrating continued success in adding new clients. In Q4 FY21, Complii added four AFSL holders as clients, taking its total AFSL customer base to 99 firms. Notably, since its re-listing on the ASX in December 2020, Complii has added 12 clients to its portfolio, thereby exhibiting strong expansion capacity.

It has also established customer stickiness by retaining all its existing clients. Further, the company was able to sell two additional product modules to an existing client and we believe there will be similar upsell opportunities in future given the pipeline of new products and clients.

*Greater upsell opportunities
with a growing customer base*

Healthy Q4 FY21 results validate growth potential

During Q4 FY21 (ending June), the group revenue receipts, which stood at A\$759k, witnessed a 7% q/q growth backed by the addition of four AFSL clients. This healthy growth comes on the back of strong Q3 FY21 when revenue receipts rose by 75% q/q. It is worthwhile to mention that the recently on-boarded Australian Investment Exchange (AUSIEX), a leading Australian broker, contributed only two months of revenue in Q4 FY21. Moreover, the operating costs fell by 24.8% q/q in Q4 FY21, primarily due to absence of one-off costs pertaining to reverse takeover and historical obligations.

Continued uplift in ARR during Q4. Complii registered an A\$135k increase in ARR underpinned by new clients and additional modules. The company introduced two new modules, viz., Risk Management System and Financial Crimes Platform, to its existing clients in May 2021. Notably, it has retained all existing clients implying that its software systems are well integrated with the clients' systems. Even in Q3 FY21, Complii recorded an A\$133k increase in ARR from new clients. We believe that the robust uplift in ARR reaffirms the company's growth strategy to expand through a combination of recurring subscription revenues, acquiring complimentary technologies, and adding new products and clients.

Owing to its capital raising and strong financial performance, Complii had ~A\$4m in cash with no debt at the end of FY21. It has funding availability for over seven quarters and this can be utilised for pursuing both organic and inorganic growth opportunities.

*Continued q/q growth in
clients, revenue and ARR*

Board strengthened with addition of Nick Prosser

On 1 July 2021, Mr. Nicholas (Nick) Prosser joined Complii's board as a non-executive director. Nick brings over 20 years of experience in the Internet, Communications and Telecom (ICT) industry. He specialises in business development, project and programme management, and providing consulting for eBusiness and Enterprise Security.

Notably, Nick is the founder and director of ThinkCaddie, which was acquired by Complii in November 2019. ThinkCaddie is an e-learning module for AFSL holders, which Complii has now integrated with its core platform. He is also a founder of Canberra Data Centre, which was acquired in 2016 by Infratil and Commonwealth Superannuation Corporation, for an enterprise value of A\$1.1bn.

We think that Complii can leverage Nick's deep expertise and network to successfully execute its growth strategies and add value to its customers.



Road ahead for Complii

It is clear that the company is enjoying a strong growth trajectory with potential to expand further in terms of customers, products and geographies. In order to support the paid platform build requests that Complii has been receiving, the management is expanding its development team and key operational roles. Complii is currently scoping these requests, which will see development and delivery throughout Q1 and Q2 FY22.

Compliance in financial services industry is rapidly evolving and AFSL holders are facing new regulatory obligations. In June 2021¹, the Australian Securities and Investment Commission (ASIC) finished taking submissions under Draft Regulatory Guide 78, under which AFSL holders will need to report any investigation to the ASIC that lasts longer than 30 days. This reporting obligation will be effective from 1 October 2021 and license holders will be required to make the reporting within 30 days.

In order to cater to such rapid changes in the reporting environment, Complii is continuously developing efficient electronic processes. It is currently building solutions for Fee Disclosure Statements and Complaints Management System.

In addition to organic expansion, Complii's management has stated its intention to continue to acquire complimentary businesses. In our view, the ongoing enhancements in the product portfolio and the addition of new modules should help the company expand its customer base, and provide upselling opportunities.

Complii plans to expand through both organic and inorganic approaches

Valuation reiterated

Complii's healthy performance in the past two quarters validates our view on its significant potential and fast-growing industry acceptance of its products. We believe that Complii's solid growth trajectory, value proposition and potential are already factored in our long-term sales and cash flow growth assumptions. We continue to remain optimistic on the stock's upside potential and reiterate our valuation (conducted in May 2021) of A\$0.13–0.23 per share based on the DCF methodology (Figure 1 and Figure 2).

Figure 1: Base case DCF

Valuation (AUD)	
Present value of FCF	18.2
Present value of Terminal FCF	31.5
Enterprise Value (m)	49.7
Net debt (cash)	(2.2)
Minority interest	-
Other Investments	-
Equity value (m)	51.9
Diluted shares	410.7
Implied price (A\$)	0.13
Current price (A\$)	0.05
Upside (%)	143.2%

Figure 2: Bull case DCF

Valuation (AUD)	
Present value of FCF	33.1
Present value of Terminal FCF	60.3
Enterprise Value (m)	93.4
Net debt (cash)	(2.2)
Minority interest	-
Other Investments	-
Equity value (m)	95.7
Diluted shares	410.7
Implied price (A\$)	0.23
Current price (A\$)	0.05
Upside (%)	347.9%

Source: Pitt Street Research

¹ 'New AFSL obligation to report ongoing investigations after 30 days' *Lexology* (29 June 2021).



Key risks

We see following risks associated with Complii:

- **Slower-than-expected product uptake by customers.** There is execution risk associated with the new product modules – Risk Management System and Financial Crimes Platform – and their low acceptance by the existing client base.
- **Higher-than-expected customer churn.** There is a risk that competitive actions or industry pressures in the end market, such as drastic regulatory changes, could result in higher customer churn.
- **Extent of synergies being realised.** There is a risk that the newly acquired solutions such as ThinkCaddie and Shroogle see low adoption as compared to management’s expectations and targets.
- **Risk of data breaches and intellectual property risk:** Given that the company stores critical data on its own systems and networks as well as with various third-parties, it becomes vulnerable to risks associated with data breaches.

Please see <https://www.pittstreetresearch.com/> for our initiating coverage report on Complii.

Analyst Qualifications

Stuart Roberts, lead analyst on this report, has been an equities analyst since 2002.

- Stuart obtained a Master of Applied Finance and Investment from the Securities Institute of Australia in 2002. Previously, from the Securities Institute of Australia, he obtained a Certificate of Financial Markets (1994) and a Graduate Diploma in Finance and Investment (1999).
- Stuart joined Southern Cross Equities as an equities analyst in April 2001. From February 2002 to July 2013, his research speciality at Southern Cross Equities and its acquirer, Bell Potter Securities, was Healthcare and Biotechnology. During this time, he covered a variety of established healthcare companies, such as CSL, Cochlear and Resmed, as well as numerous emerging companies. Stuart was a Healthcare and Biotechnology analyst at Baillieu Holst from October 2013 to January 2015.
- After 15 months over 2015–2016 doing Investor Relations for two ASX-listed cancer drug developers, Stuart founded NDF Research in May 2016 to provide issuer-sponsored equity research on ASX-listed Life Sciences companies.
- In July 2016, with Marc Kennis, Stuart co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including Life Sciences companies.
- Since 2018, Stuart has led Pitt Street Research’s Resources Sector franchise, spearheading research on both mining and energy companies.

Cheng Ge is an equities research analyst at Pitt Street Research.

- Cheng obtained a B.Com in Finance and an LLB from the University of New South Wales in 2013, and has passed all three levels of the CFA Program.
- Before joining Pitt Street Research, he worked for several financial services firms in Sydney, where his focus was on financial advice.
- He joined Pitt Street Research in January 2020.

General advice warning, Disclaimer & Disclosures

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