

## Digitising the automotive space

Infomedia (ASX: IFM) is a provider of cloud-based software-as-a-service (SaaS) and data-as-a-service (DaaS) solutions to the automotive industry's parts and service sector globally. It has over 250,000 active users in 186 countries, allowing its customers to stay informed and in control of decisions throughout the vehicle servicing process, leading to higher sales and better customer satisfaction.

### A healthy portfolio of products

IFM has a proven track record of growing new products. The company's foundation product, developed in the 1980s, is Microcat, an online Electronic Parts Catalogue (EPC) that allows dealers and users of automotive parts to efficiently connect with OEMs. Superservice is a platform designed to improve the profitability of care repair and service operations. Infodrive, a 'data-as-a-service' platform, provides automotive industry data & analytics. And SimplePart, is an auto e-commerce platform.

### Healthy financials

The company has delivered solid results amidst the pandemic. In FY22, it recorded \$120m in revenue (up 23%) and EBITDA \$24.8m (up 29%). It is also NPAT positive, notwithstanding that NPAT declined in FY22 due to non-cash depreciation. In 1HY23, IFM reported \$62.9m in revenue (up 6.7%) and \$4.8m NPAT (up 38.5%). It closed the latter period with a solid balance sheet with \$57m in cash on hand, \$141m in net assets, and no debt.

### Valuation range of A\$2.13–A\$2.93 per share

We value IFM at A\$2.13 per share base case and A\$2.93 optimistic case using a DCF approach. We believe IFM has significant scope to re-rate to levels seen prior to the pandemic. Key risks, outlined on p.14 include technology risks (specifically competition & operational risks), an inability to attract & retain appropriately skilled personnel, forex and cyber risks.

Share Price: A\$1.49

ASX: IFM

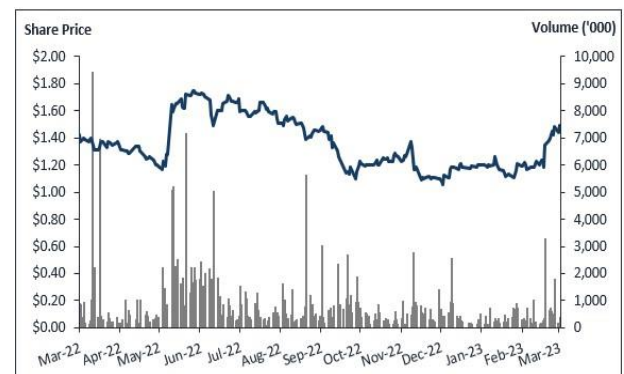
Sector: Technology

8 March 2023

Market Cap. (A\$ m)	559.9
# Shares outstanding (m)	375.4
# Shares fully diluted (m)	380.5
Market Cap Full. Dil. (A\$m)	566.9
Free Float	100%
12-months high/low (A\$)	1.75/1.06
Avg. daily volume ('000s)	839.1
Website	www.infomedia.com

Source: Company, Pitt Street Research

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



Source: Thomson Reuters, Pitt Street Research

Valuation metrics	
DCF fair valuation range (A\$)	\$2.13-\$2.93
WACC	10.62%
Assumed terminal growth rate	2%

Source: Pitt Street Research

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## Key Financial Data

Year to June (A\$m)	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY27E
Total revenue (m)	97.4	120.1	129.7	140.8	153.7	163.7	174.4
YoY growth	nm	23%	8%	9%	9%	6%	7%
EBITDA (m)	46.2	50.0	48.6	61.2	70.3	78.5	86.9
NPAT (m)	16.0	8.2	2.3	15.4	19.1	22.1	25.1
Operating Margin (%)	16.4%	6.9%	1.8%	10.9%	12.4%	13.5%	14.4%
ROA (%)	8.2%	4.3%	1.0%	6.2%	7.0%	7.4%	7.6%
ROE (%)	10.4%	5.6%	1.4%	8.3%	10.1%	11.5%	12.7%
EPS	0.043c	0.022c	0.006c	0.041c	0.051c	0.059c	0.067c
DPS	0.043c	0.048c	0.000c	0.023c	0.028c	0.032c	0.037c
EV/Sales	5.1x	4.7x	3.6x	3.3x	3.0x	2.9x	2.7x
EV/EBITDA	10.7x	11.4x	9.7x	7.5x	6.6x	6.0x	5.5x
P/E	35.1x	77.5x	244.3x	36.4x	29.3x	25.3x	22.3x
Dividend yield %	3%	3%	0%	2%	2%	2%	2%
Price	1.49	1.70	1.49	1.49	1.49	1.49	1.49
M-Cap (A\$ m)	559.8	637.8	559.0	559.0	559.0	559.0	559.0
Net Debt (A\$ m)	-66.8	-69.0	-89.0	-98.1	-93.7	-87.4	-80.1
EV (A\$ m)	493.0	568.7	470.0	460.9	465.2	471.6	478.9
Shares on issue	375.7	375.1	375.1	375.1	375.1	375.1	375.1

Estimates: Pitt Street Research



Infomedia is a provider of cloud-based parts and service software to the global automotive industry.

Introduction to Infomedia (ASX: IFM)

Infomedia is a provider of cloud-based parts and service software to the global automotive industry. The company’s technology suite allows customers to stay informed and in control of decisions throughout the vehicle servicing process, leading to higher sales and customer satisfaction.

It has four key products which complement each other while proving their individual worth at different stages of the vehicle and customer lifecycles (Figure 1):

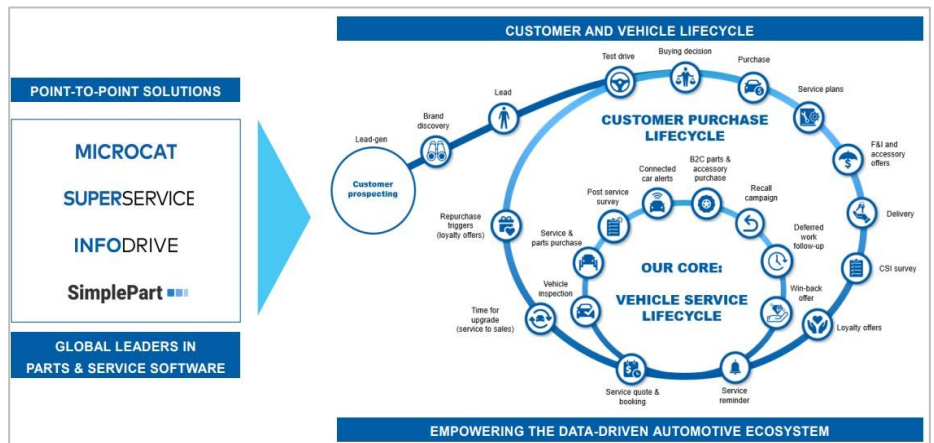
MicroCat – EPC parts solutions focused on driving parts sales.

SuperService – Service quoting and vehicle inspection solutions.

InfoDrive – Vehicle and customer lifecycle management.

SimplePart – Grows sales of automaker parts and accessories.

Figure 1: IFM’s ecosystem



Source: Company Investor Day Presentation

Infomedia’s technology suite is already used by over 250k users in 186 countries.

Infomedia’s technology suite serves a large and growing global market. The company’s product suite, deliverable on one single SaaS platform, is already used by over 250k users in 186 countries.

The company has experienced significant turbulence in recent months along with the broader industry. Car sales have been volatile throughout the pandemic, not to mention road traffic, and this flows downstream to parts and servicing providers. Business development has been more challenging than usual throughout the pandemic, particularly in the Northern Hemisphere. And there has been takeover interest in the company throughout 2022 but this interest has failed to convert itself into a final offer. Shareholders also did not like the recent FY23 outlook in which the company warned shareholders it was seeing a slower than expected growth rate in Simple Part along with product delivery and implementation delays.

Ultimately, we are optimistic about the company’s future heading in the coming years. We think the company has a solid competitive position in its industry and is set to benefit as car sales recover from pandemic lows.



## Key reasons to look at Infomedia

- 1) **Infomedia has a strong competitive position in software for the automotive trade**, with anyone involved in the industry globally generally needed to refer to Microcat and Infomedia's other products. Infomedia has in excess of 250,000 end-users in 186 countries around the world. Being a global companies means a significant opportunity awaits - IFM faces a TAM of US\$84bn by 2027<sup>1</sup>.
- 2) **A proven track record of growing new products**, with Superservice (introduced in 2012) and Infodrive (introduced in 2019, based on the 2019 acquisition of Nidasu) having been successful since they were first developed and growing strongly in recent years.
- 3) **Strong relationships with Original Equipment Manufacturers**. Its top 10 customers having been with Microcat for over ten years. These kinds of relationships allow rapid adaptation of the product as market conditions change. We also note that it is not overly reliant on any particular geography – its revenues are split roughly equally between North America, Europe and the Asia-Pacific
- 4) **Infomedia is set to benefit from several industry trends**. Most particularly, the recovery of new car sales to pre-pandemic levels<sup>2</sup>. Others include the ways in which sellers and OEMs are adjusting their business models to better meet customer expectations, including the adoption of an agency sales model and utilising data-driven marketing.
- 5) **A solid business model and financial position**. The bulk of its revenue (~80% in FY22) is recurring due to the SaaS nature of the business, and it is capital light with \$22m in free cash flow during FY22. The company has no debt, growing revenue streams and is profitable at the NPAT line as well as at the EBITDA.
- 6) **Set for a solid FY23**. New CEO Jens Monsees told the 16 November 2022 Annual General Meeting that it expected FY23 revenue in the order of \$127-\$131m, representing 5.7%-9% growth. The company's recent 1HY23 results confirmed that it is on track to reach that guidance. SimplePart and Infodrive are expected to be solid contributors.
- 7) **A significant transition is underway**. IFM is embarking on a transformation from a company focused on products to be sold to the automotive industry, to a company focused on data and information that players in the automotive industry can use. IFM is not a small cap company desperately trying to prove it can be profitable, this is an instance of the company setting itself up to go to the next level, taking steps including shifting regional headquarters and working on its data capture capabilities.
- 8) **A proven and confident management team**. Mr Monsees, who was appointed as CEO in March 2022 and started with the company in May, worked as the global lead for digital transformation at BMW Group between 2016 and 2019. We also take heart from recent on-market buying by company management. Mr Monsees purchased 122,746 at \$1.21 per share two months ago while Chairman Bart Vogel bought 50,000 at the same price, earlier that same week.

<sup>1</sup> IFM's estimated forecast total addressable market for global retail automotive technology solutions in 2026

<sup>2</sup> Source: Statista



- 9) **We believe Infomedia is undervalued** at its current market value. Our valuation using the DCF, outlined in the Valuation section is \$2.13 per share in our base case and \$2.90 per share in our bull case.

## Infomedia's history

Infomedia was founded in 1987, by Richard Graham, and listed on the ASX in August 2000. The company began as a computer importer but acquired the intellectual property for the MicroCat software in 1992. Mr Graham saw the need for the industry to have data organised and turned into relevant information, and thereby empower the company.

Within a decade, Infomedia had become the dominant player globally in the electronic autoparts catalogue business, and its software was used by tens of thousands of dealers globally. All the while, the company continued to launch new products. But a pivotal moment came in 2012 when the SuperService platform was born, the industry's first integrated service platform, containing several software solutions that Infomedia has acquired in the last decade, along with the original MicroCat solution. Infodrive was introduced by IFM in 2019 following the acquisition of Nidasu, an Australian-based automotive data solutions company. SimplePart was acquired in 2021.

## What Infomedia does for customers

Infomedia's portfolio of products utilise predictive data across the ecosystem of connected car, vehicle owners and dealer services to enable a seamless, personalised and convenient customer journey.

In doing so, IFM hopes to generate efficient retail performance for OEMs, NSCs, dealers and ecosystem partners and higher customer loyalty. IFM has four platforms, all of which are offered under one platform (Next Gen): MicroCat, SuperService, InfoDrive and SimplePart.

IFM's solutions offer five predominant services

**Data Management:** The IFM product suite sources, cleanses and standardises DMS and other disparate data to provide unique business transparency. The company's Business Intelligence engine brings to light hidden data relationships to power big ideas.

**Performance Insights:** Drives incentives and loyalty programs with real-time insights into dealer performance and customer behaviour. Dealership dashboards allow tracking of lapsed customers, parts and service sales, productivity KPI's and CSI. Tracking this data enables companies to act as necessary to obtain new customers, as well as to retain and upsell existing customers.

**Forecasting:** IFM's product suite enables the generation of accurate demand forecasts for parts and service sales using VIN precise analytics that unleash the potential of transaction data. IFM clients can easily map customers, discover patterns and calculate inventory requirements

**Enhancing of the Customer Experience:** IFM clients can build relationships with a VIN precise marketing engine that automates event driven satisfaction surveying, service retention programs, road side assistance registration, parts rebates and more.

**Dealer Optimisation:** Dealer performance can be optimised and grown with predictive analytics that drive dealer action plans, automate workflows, improve CRM processes and measure productivity and sales efforts.

*Infomedia's products utilize predictive data across the automobile ecosystem to enable a seamless, personalized and convenient customer journey.*



## A solid portfolio of products

*MicroCat is a portfolio of EPC (Electronic Parts Catalogue) solutions focused on driving sales of genuine car parts.*

### MicroCat

Released in 1990, MicroCat is Infomedia's first technology. MicroCat is a portfolio of EPC (Electronic Parts Catalogue) solutions focused on driving sales of genuine car parts. It connects the entire sales channel from OEM to wholesale customer, bringing everything they require into one holistic solution. There are five MicroCat platforms available to customers:

- **Microcat EPS:** An online EPC with automatic updates to the latest OEM parts data
- **MicroCat Partsbridge:** An EPC-based online parts ordering system that connects dealers with body shops, to sell more OE collision parts
- **MicroCat Market:** An EPC-based online parts ordering system that connects dealers with independent repair shops, to sell more OE mechanical parts
- **MicroCat CRM:** An online CRM that connects the entire parts sales channel from OEM, dealer to wholesale customer
- **MicroCat Messenger:** An EPC-integrated messaging tool that connects a parts department with wholesale customers and other internal dealer staff

The MicroCat platforms help customers increase revenue with real-time business intelligence to drive new sales, boosts lifetime value and retention with higher customer satisfaction, and to drive new efficiencies and better performance with simplified workflow.

*SuperService enables service quoting and vehicle inspection solutions.*

### SuperService

SuperService was born in 2012 and was the industry's first integrated service platform. It enables service quoting and vehicle inspection solutions. The aim of the software is to improve the productivity and profitability of automaker fixed operations departments.

- The **Superservice Platform** is leading edge software that improves the productivity and profitability of automaker Fixed Operations departments
- **SuperService Menus** is a VIN-precise Service Quoting software that grows customer satisfaction and increases sales of parts and labour.
- **SuperService Triage** enables mobile-friendly electronic Vehicle Health Check (VHC) software that enables staff to identify, price and convert additional repair work.

*InfoDrive enables vehicle and customer lifecycle management by providing critical automotive insights.*

### InfoDrive

Infodrive joined the Infomedia product suite following the 2019 acquisition of Australian-based automotive data solutions company Nidasu. Infodrive enables vehicle and customer lifecycle management by providing critical automotive insights.

It is a DaaS platform that leverages automotive data assets and Infomedia's analytics IP from Microcat and Superservice, and deliver the information in an accessible, useful and actionable format. It delivers data solutions that customers can implement to grow their aftersales business in a targeted and efficient manner.



*SimplePart enables automakers and OEMs to design, implement and manage consumer-facing e-commerce programs.*

## SimplePart

SimplePart enables automakers and OEMs to design, implement and manage consumer-facing e-commerce programs, helping them to increase their sales of automaker parts, accessories and service (Figure 2). SimplePart customers have access to several product features including a 24/7 support team, integration with eBay, clear and free analytics, and an in-house marketing team.

SimplePart was founded in 2008 by Cole Getzler, a car enthusiast who devised a solution to find genuine restoration parts. Infomedia purchased the platform in May 2021, a deal that resulted in Mr Getzler joining Infomedia, leading SimplePart from its Atlanta headquarters.

Figure 2: SimplePart



Source: Company

## The NextGen platform

For much of IFM's history, each of these solutions were delivered separately as separate point solutions. With IFM's Next Gen platform, the company is offering each of these solutions on one Integrated SaaS platform.

## Future opportunities

We see potential for growth in the following ways:

- **International expansion:** Although there is little room for further expansion of MicroCat, we think there is potential for a larger global footprint for SimplePart and InfoDrive.
- **Further software development:** We think there is opportunity for IFM to invest further capital into its software to enhance the software and open further commercial opportunities – both to win new clients and up-sell existing clients. In particular, we see opportunity to leverage further data across the automotive ecosystem as the automotive system becomes interconnected. We also think IFM might undertake further M&A activity – management confirmed this as a possibility in the 1HY23 earnings call.

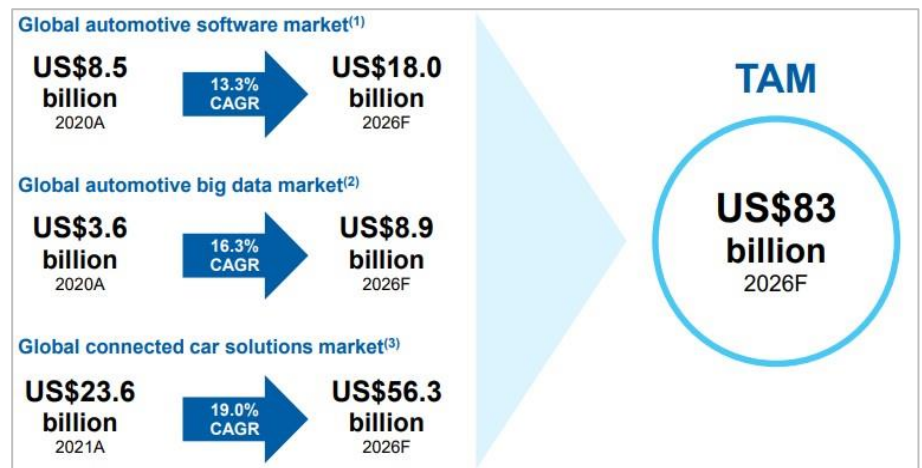




## Infomedia’s industry and key trends

Infomedia estimates that it has a US\$83bn Total Addressable Market (Figure 3) by 2026. This figure is derived from the Sum of the Parts of the global automotive software market, the global automotive big data market and the global connected car solutions market. These are forecast to be US\$18bn, US\$8.9bn and US\$56.3bn respectively and would represent 13.3%, 16.3% and 19% CAGR growth respectively from CY20<sup>3</sup>.

Figure 3: Infomedia’s market opportunity



Source: Company

**Infomedia is seeking to capitalise on five key industry trends.**

Infomedia is seeking to capitalise on five key industry trends. All of these trends are transforming vehicle innovation, dealer efficiency and customer expectations. OEMs, dealers, suppliers and industry stakeholders are evolving to pursue total brand experiences by capturing the abundance of information available in an increasingly connected world.

## Electric Vehicles

EV model adoption is growing substantially in most major markets. In 2021, there were 6.6m EVs sold, almost 10% of the global car market and roughly triple just two years ago<sup>4</sup>. There is even higher penetration in other markets – such as China and Europe where EVs represent 16 and 17% of new car sales respectively.

**Electric vehicles will pose a number of challenges that IFM can assist with**

While better for the plant, electric vehicles will pose a number of challenges that IFM can assist with. Electric vehicles have more electronic components, requiring more specialised servicing than traditional internal combustion engines do. Dealers will need to invest in technology to remain relevant to customers who expect a seamless and convenient customer experience. They will also need to invest in additional training for employees, at dealers and manufacturers, as well as in new supply chains to provide parts. While some electric vehicles may require less frequent scheduling, some parts may require longer replacement times and customer expectations will be higher.

<sup>3</sup> Orbis Research, Mordor Intelligence & Markets and Markets

<sup>4</sup> <https://www.energypolicy.columbia.edu/research/report/forecasts-electric-vehicle-penetration-and-its-impact-global-oil-demand>



## Connected cars

Beyond the electrification of cars, newer models are built to capture data for OEMs. However, this is a significant under-exploited opportunity by OEMs because it is difficult to analyse and leverage this information into simple and actionable insights to improve the customer experience during the service lifecycle.

Infomedia's products help individual data silos between departments work seamlessly together, no matter how disparate they might be. Examples of what could be made possible is helping workshops communicate with customers - even before they arrive - plan service visits with knowledge of what parts are required, and estimating when cars are available to enter and leave the workshop. Additionally, dealership staff will find pre-planning easier, knowing the faults the vehicle has before it. Parts departments will be able to use Just-in-time (JIT) parts ordering with better inventory control.

## Dealer agency model

Across the global car industry, firms are shifting from the traditional franchised dealer system towards a factory-direct sales model, involving the manufacturer selling directly to the consumer over the Internet. This new model is being embraced both by newer EV manufacturers such as Tesla, Rivian and Lucid and also older manufacturers such as Mercedes, Honda and BMW.

This model is being pursued because it promises more money for manufacturers. It also offers the chance to control the entire customer journey, while presenting the risk of underwhelming consumers. With global labour shortages and supply chain issues, this risk is greater but no likelier to draw sympathy from customers than otherwise would be the case.

## Data-driven marketing

With more customer interactions being digital during the customer lifecycle, automakers and dealers are looking for a data-driven approach to marketing that enables 1:1 person-based, relevant communication with vehicle owners and potential customers.

Relevant data could include demographic data, specialised auto data and market data. While lead generation has typically been through traditional media such as TV and radio, dealers are turning to newer methods such as paid and organic search, direct mail and email – the latter accounts for ~39% of car dealership leads<sup>5</sup>.

## Fragmented market

The market consists of many vendors offering 'point to point' technology solutions across the retail automotive ecosystem. OEMs and dealerships lack the consistent customer insights to drive dealer efficiency and customer retention programs.

In an increasingly competitive automotive market, such knowledge can be a competitive differentiation, enabling it to capture customers it otherwise would not have been able to - as well as the potential upselling of existing

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<sup>5</sup> Source: V12 Data



customers – and to design and scale operations to maximise efficiency. Infomedia’s product suite can assist its customers with these objectives.

## Recovery in car sales to pre-pandemic levels

The global automotive industry has yet to recovery to 2019’s 75 million level<sup>6</sup>. Sales fell due to the pandemic due to lockdowns and have persisted due to supply chain issues and inflation. LMC Automotive expects car sales to return to pre-COVID levels in 2024<sup>7</sup>.

In this context, Infomedia has the opportunity to capture value from the rise in sales. There is also incentive for automakers and OEM manufacturers to utilise Infomedia’s product suite to enhance the customer experience.

## The current state of play

### IFM’s financials

Despite a challenging environment, the company has been able to maintain profitability. In FY22, IFM generated \$120.1m in revenue (up 23%), \$24.8m in underlying cash EBITDA (up 29%) and an \$8.2m NPAT (down 49%). The latter figure was impacted by \$14m of non-cash depreciation and amortisation, along with other non-operating items including the expensing of earnouts during the period relating to the successful SimplePart deal. Free cash flow (cash generated from operating activities after capital expenditure and capitalised development costs) was up 79% to \$22.1m in FY22. The company’s balance sheet is strong, with \$69m in cash and no debt. The company paid a total dividend of 5.6cps, up 26% on the prior corresponding period.

At the release of its FY22 results in mid-August 2022, the company initially provided FY23 guidance of \$131-\$139m in revenue, up 9-16% on FY22. Three months later, at its AGM, it downgraded its guidance to \$129-\$132m. The ‘worst case’ scenario there would still represent 8% revenue growth, but investors never like downgraded guidance.

IFM’s 1HY23 results were released in late-February 2023 and were warmly received by investors. The company recorded \$62.9m in revenue (up 6.7%) as well as a \$4.8m NPAT and 1.29c EPS (both up over 38% from the prior corresponding period). The company’s underlying cash EBITDA fell 13.3% to \$11.5m due to a decline in non-recurring revenue and non-cash impacts. The company’s FY23 guidance was reiterated.

### IFM takeover bids

IFM has attracted attention for much of CY22 after receiving multiple takeover offers. On 13 May, the company told shareholders it had received a conditional \$1.70 a share proposal from TA Associates Management and that it was in preliminary discussions with other interested parties which made expressions of interest in respect of a potential transaction.

Two weeks later on 27 May, it received a further conditional proposal from Battery Ventures at \$1.75 per share. On 20 June, it received a third offer, from Solera Holdings (a portfolio company of US-based tech venture capital firm

*In FY22, IFM generated \$120.1m in revenue, \$24.8m in underlying cash EBITDA and an \$8.2m NPAT*

*IFM has attracted attention for much of CY22 after receiving multiple takeover offers.*

<sup>6</sup> Source: Statista

<sup>7</sup> Source: LMC Automotive. <https://lmc-auto.com/news-and-insights/global-demand-braces-for-impact/>



Vista Equity Partners) at \$1.70 per share. On 7 July, IFM informed shareholders it opted to grant due diligence to TA and Solera while Battery withdrew.

## No deal

After roughly 3 months of due diligence, without a binding proposal, the company opted to end the process, closing the virtual data room and requiring that TA and Solera destroyed or returned all confidential information.

It told shareholders it would be open to engaging on future change of control proposals that provides appropriate value for shareholders with sufficient certainty of completion in a reasonable time frame, but for now would direct its exclusive attention to execution of its business strategy.

After IFM shares rose by over 45% between 9 May and 9 June (the period during which the first two offers came to investors' attention), shares gradually declined over time, reaching early-May levels by early October.

We think there is some concern from investors that TA and Solera may have found certain inside information amidst their due diligence that would make the company a less compelling investment. Whether or not that was the case, we observe that IFM was the party that terminated the process, not Solera or TA. The events at IFM were different to what occurred at Link (ASX:LNK) and Appen (ASX:APX) - the bidders for those companies publicly walked away from the talks. Keep in mind too that the due diligence resulted in IFM incurring ~\$2m in cost.

## So, what now?

There have been no bids ever since. Could we see future takeover bids? This question cannot be answered with certainty. But we can say with certainty that any would-be bidders would have to make an offer at a significant premium to attract the attention of IFM and its management, considering IFM incurred ~\$2m in direct costs as TA and Solera conducted due diligence.

We don't think that shareholders should own IFM simply because they think that it will be acquired. This is for three reasons. First, we think that if the company executes on its current strategy, it can re-rate without takeover bids. As noted in our valuation section, we value the company at \$2.35 per share base case and \$3.87 bull case using the DCF model.

Second, there may be strategic interest beyond a simple takeover offer, for instance a merger or commercial alliance with another company. This could create more value for shareholders down the track beyond an M&A deal in the next 6-12 months, or even beyond what we have forecasted in our model.

And third, we think many takeover bids towards ASX tech companies (both executed deals and proposed deals that ultimately fell through) were opportunistic bids, driven by favourable exchange rates for US companies and share price declines. We would expect less M&A activity in the tech sector next year.



## Valuation of A\$2.13-\$2.93 per share

*We value Infomedia at A\$2.13 per share in our base case and A\$2.93 in our bull case*

We value Infomedia at A\$2.13 per share base case and A\$2.93 per share bull case (Figures 4 and 5). Our revenue model models growth for each of IFM's four software assets (MicroCat, SuperService, InfoDrive and SimplePart) over the next decade, and modest expense growth in line with inflation.

We have used a WAAC of 10.62%. This is derived from a risk-free rate of Return of 3.8%, in accordance with the current 10-year Australian government bond, a 1.37 beta (the current average beta for Application Software companies) and a 5% equity premium. We have not assumed any capital raisings given that the company is profitable.

Our base case assumes 15% revenue growth from FY23 to FY25 for InfoDrive and SimplePart with 10% growth thereafter. For Superservice, we assume 5.2% growth from FY23 to FY25 with 4% thereafter. And for MicroCat, we assume an average of 6% revenue growth from FY23 to FY25 and 5% thereafter.

The only difference between our base and bull cases is that we have added 25% higher revenue growth assumptions for each of Infomedia's products. For instance, in the latter example of SuperService, we assumed 6.5% growth from FY23 to FY25 with 5% thereafter.

**Figure 4: DCF valuation for Infomedia**

Valuation (\$'000s)	Base case	Bull case
Present value of FCF	347,617	379,811
Present value of Terminal FCF	519,693	651,541
<b>Enterprise Value</b>	<b>867,310</b>	<b>1,031,352</b>
Net debt (cash)	(69,045)	(69,045)
<b>Equity value</b>	<b>798,265</b>	<b>1,100,397</b>
Shares outstanding	375,149	375,149
<b>Implied price (A\$ cents)</b>	<b>2.13</b>	<b>2.93</b>
Adjusted Current price (A\$ cents)	1.49	1.49
<i>Upside (%)</i>	42.8%	96.9%

Source: Pitt Street Research

**Figure 5: DCF value in A\$ cents using various WACCs**

Sensitivity Analysis						
WACC	10.62%					
Terminal Growth Rate	2%					
Implied Price (A\$ cents)		8.6%	9.6%	10.6%	11.6%	12.6%
Change in Terminal Growth Rate	1.0%	2.62	2.26	1.97	1.74	1.55
	1.5%	2.75	2.36	2.05	1.80	1.60
	2.0%	2.91	2.47	<b>2.13</b>	1.86	1.65
	2.5%	3.09	2.60	2.22	1.93	1.70
	3.0%	3.30	2.74	2.33	2.01	1.76

Source: Pitt Street Research



## Re-rating

We believe IFM is undervalued at its current market cap and may see a re-rating based on the following factors:

- 1) Continued recovery in the global automotive industry.
- 2) The company's annual result in August 2023, buoyed by a reduction in the cost-base and increased revenue, consequently increasing margins.
- 3) Renewed interest from private equity or even strategic buyers.

## Risks

- **A sell-down by Viburnum or other substantial holders:** Insurance and Financial Services companies have traditionally sold
- **Downturns in the automotive industry or the broader economy:** Conditions in the general automotive market or the broader economy may impact the company's performance and/or the value its securities. It is difficult for the company to mitigate against macro-economic circumstances.
- **Technology risk:** Agents usually employ external spreadsheet and CRM software to meet their needs, with digital platforms being evolved alternatives to those systems. However, in time, carriers or agencies have started to develop internal software to address the exact needs of their agents, rendering external software redundant. The emergence of this trend could pose a threat to the platform's utility and the company's operations. There is also the risk of software or hardware errors that could cause significant dissatisfaction with customers.
- **Currency fluctuation:** A significant proportion of IFM's revenue is derived in foreign currencies. Adverse exchange rate movements may impact IFM's financial performance in AUD. The company uses instruments to hedge of limit extreme movement in interest rates, but it may limit benefit to the company when fluctuations are favourable to the company.
- **Personnel risk:** As a technology-based entity, the company is reliant on the performance of its employees and management. There is the risk that it might lose key executive and customers and have difficulty in replacing them. Alternatively, the company may require further staff and have difficulty recruiting them.
- **Cyber risk:** As a technology company, IFM is particularly vulnerable to targeted cyber-attacks against its assets and/or the theft of customer data. Such breaches would cause significant customer dissatisfaction and attract increased scrutiny from the broader public. There is also the risk of new regulation governing the use and cross border transfer of data and thereby inhibiting the company's operations.

## Experienced Leadership Team

Infomedia's current leadership team is listed below:

Figure 9: Board and management teams

Name	Designation	Affiliations (current and past)
<b>Board of Directors</b>		
Bart Vogel	Non-executive Chairman	Macquarie Telecom, BAI Communications, Bain & Company, Deloitte
Jim Hassell	Non-executive Director	BAI Communications, Sun Microsystems, BNB Co, Broadcast Australia
Kim Anderson	Non-executive Director	Carsales, WPP ANZ, Marley Spoon
Anne O'Driscoll	Non-executive Director	FINEOS, Steadfast, MDA National Insurance, IAG, Genworth
<b>Management team</b>		
Jens Monsees	Chief Executive Officer	BMW, Google
Gareth Turner	Chief Financial Officer	

Source: Company, Pitt Street Research

- **Independent Non-Executive Chairman Bart Vogel** serves as Company Chairman and as a member of the Remuneration & Nominations Committee. Mr Vogel is also a director of Macquarie Telecom Group Limited, BAI Communications Pty Ltd and the Children's Cancer Institute Australia. He has had extensive commercial experience from a range of sectors including telecommunications, information technology and business services. His executive career included CEO roles with Asurion Australia and Lucent Technologies (Australia and Asia Pacific), Computer Power Group, and over 20 years in the management consulting industry as a partner with Bain & Company, A.T. Kearney and Deloitte.
- **Independent Non-Executive Director Jim Hassell** serves as the Chair of the Technology & Innovation Committee, and as a member of the Audit & Risk Committee. Mr Hassell has more than 30 years' of experience in the Information Technology and Telecoms industries, having worked in these sectors both domestically and internationally. Mr Hassell has held positions as Group CEO of BAI Communications, VP and Managing Director of Sun Microsystems as well as various senior executive positions with NBN Co and Broadcast Australia. Mr Hassell holds a Bachelor of Business Studies and has completed the AICD Company Directors course.
- **Independent Non-Executive Director Kim Anderson** has more than 30 years' of experience as a CEO and senior executive in a range of media companies including Southern Star Entertainment, PBL and Ninemsn and Reading Room Inc (bookstr.com) of which she was CEO and founder. Ms Anderson holds a Bachelor of Arts from the University of Sydney and a Graduate Diploma in Library Information Science from UTS. Ms Anderson is currently a Non-Executive Director of Carsales (ASX:CAR), WPP AUNZ (ASX: WPP), Marley Spoon



(ASX:MMM), and the Sax Institute, a national leader in promoting the use of research evidence in health policy. She is a former Fellow of the University of Sydney Senate.

- **Independent Non-Executive Director Anne O’Driscoll** serves as chair of the Audit & Risk Committee. Ms O’Driscoll has over 35 years of business experience, having qualified as a chartered accountant in 1984. She was CFO of Genworth Australia from 2009 to 2012 and spent over 13 years with Insurance Australia Group. Ms O’Driscoll is Chair of FINEOS Corporations Holdings PLC and is a non-executive director of Steadfast Group Limited and MDA National Insurance Pty Ltd.
- **Chief Executive Officer Jens Monsees** is an experienced, global executive known for driving digital transformation, innovation, and strategy across a range of industries including automotive and technology. Mr Monsees brings over 20 years of experience to the role, having successfully led and participated in global automotive sector transformation and digitisation strategies as Chief Digital Officer with the BMW Group and Automotive Industry Leader at Google. He holds both a Bachelor and Masters degree in Business Administration.
- **Chief Financial Officer Gareth Turner** has significant experience as CFO of public companies. He previously held roles at amaysim, GBST Holdings and Hills Ltd. Mr Turner is a chartered accountant and holds a Master of Business Administration from the University of Oxford.





## Appendix I – Capital Structure

Class	In millions	% of fully diluted shares
<b>Ordinary fully paid shares</b>	<b>375.8</b>	<b>98.8%</b>
Performance rights – equity bonus plan	0.8	0.2%
Performance rights – Other	0.8	0.2%
Share appreciation rights	3.1	0.8%
<b>Fully diluted shares</b>	<b>380.5</b>	<b>100.0%</b>

Source: Pitt Street Research

## Appendix II – Major Shareholders

Investors	Ownership (%)
Viburnum Funds	14.5
Selector Funds Management	10.2
Pendal Group	5.0
Eley Griffiths	5.0
Yarra Funds Management	4.8
The Trustee for Aware Super	4.6
Ellerston Capital	3.4
Investors Mutual	2.6

Source: Bloomberg



### Appendix III – Analyst certification

Nick Sundich, lead analyst on this report, is an equities research analyst at Pitt Street Research.

- Nick obtained a Bachelor of Commerce/Bachelor of Arts from the University of Sydney in 2018. He has also completed the CFA Investment Foundations program.
- He joined Pitt Street Research in January 2022. Previously he worked for over three years as a financial journalist at Stockhead.
- While at university, he worked for a handful of corporate advisory firms.

Stuart Roberts 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.

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