

AUDIENCE ANALYTICS LTD

BUY

Share Price:	S\$0.310
Target Price:	S\$0.425
Upside:	37.1%

COMPANY DESCRIPTION

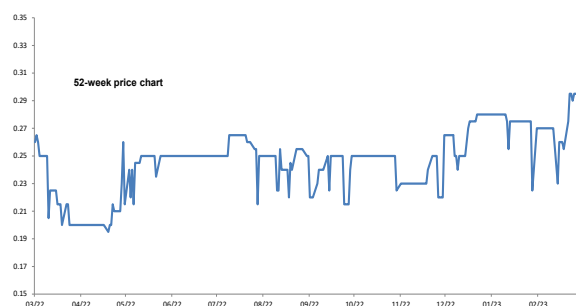
Audience Analytics Limited operates as a holding company. The Company, through its subsidiaries, provides exhibitions, conferences, digital and print media, and business analytics services that enables us to support companies at different stages of their growth. Audience Analytics serves customers across Asia.

Name	AUDIENCE ANALYTICS LTD
Bloomberg Code	AAL SP EQUITY
3M Avg Daily Trading Vol (k)	64.3
3M Avg Daily Trading Val (\$'000)	16.9
Major Shareholder / Holdings	Bain Equity Sdn Bhd/ 84.5% Ooi Keim Fung/ 1.1%
Shares Outstanding (m)	168.2
Market Capitalisation (\$m)	52.1
52 week Share Price High/Low	0.325 / 0.195

STOCK PRICE PERFORMANCE

	1M	3M	12M
Absolute Return (%)	9.3	11.3	14.9

PRICE CHART



Source : Bloomberg

A Small Cap In A Large Ocean

We initiate Audience Analytics with a BUY recommendation and a Sum-of-the-Parts (SOTP) target price of S\$0.425 representing an upside of 37.1%. Our target price is based on a conservative 5.4x ex-cash FY2023F PE and adding the Group's strong net cash position as at end of FY2022 of S\$0.103/share (35% market cap). Our target price of S\$0.425 has an implied FY2023F PE of 10.6x, 60.3% discount to the Group's global peers 2022 PE of 26.7x. Dividend yield of 4.1% is supported by a robust free cashflow yield of 14%, Audience Analytics is a rare value-growth gem with a highly scalable business that have compounded its earnings at a 2018-2022 CAGR of 28%.

The Group holds the IP to several established business impact assessment and recognition ("BAR") programs, such as SME 100 and HR Asia, which attracts participation from thousands of corporates annually including several Fortune 500 companies. In addition to being a very lucrative cashflow generative business, the monetisation of the IPs could be potential share price catalysts should the Group choose to sell any of its IP one day.

In the meantime, Audience Analytics is expected to continue with its strong earnings growth profile due to the current low penetration its existing markets. The Group has been growing its average number of participants per BAR program by 10-24% p.a. since FY2018.

Other potential catalysts include plans to enter new markets, significant cross-selling synergies between BAR programs, and potential M&A as Audience Analytics taps into its war chest for inorganic growth.

KEY FINANCIALS

FYE Dec	FY20	FY21	FY22	FY23F	FY24F
Revenue (\$S mln)	7.6	9.9	14.1	16.6	19.3
Gross Profit (\$S mln)	5	6.5	9.1	10.7	12.6
Gross Profit Margin (%)	65.8	65.7	64.5	64.4	65.2
Net Profit	2.9	4.2	5.7	6.8	8.1
Adjusted Net Profit	3.5	4.6	5.7	6.8	8.1
EPS (\$ cents)	1.8	2.5	3.4	4.0	4.8
EPS Growth (%)	28.9	42.7	35.2	18.9	20.0
P/E (x)	18.0	12.4	9.1	7.7	6.4
P/B (x)	3.3	3.3	3.3	3.3	3.3
ROE (%)	93.0	33.5	35.5	34.9	34.6
DPS (\$ cents)	-	1.3	1.8	2.0	2.4
Dividend Yield	-	4.1%	5.8%	6.5%	7.8%

Source : Bloomberg, Lim & Tan Research

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AUDIENCE ANALYTICS LTD

➤ **Business Impact Assessment And Recognition (Award Program)**

- Conducts business impact assessments on companies to assess their eligibility to participate in the business recognition awards organised by our Group
- Ranks award nominees using a range of research tools, surveys and verification methods to determine the winners

The Group generates revenue primarily through:

- “nomination fee” to participate in the awards and
- Nomination fee is recognised at the point in time upon the completion of assessment exercise and when the results are announced to the winners.
- The sale of awards packages to winners.
- Revenue from sale of awards packages is recognised at the point in time when the awards ceremonies are held where the items within the packages are delivered to customer with no unfulfilled obligation.

Exhibit 3: Key Award Types



Source: Audience Analytics Ltd

AUDIENCE ANALYTICS LTD

Business Media

- Offers both digital and print business media brands which provide informative and timely intelligence for business professionals across Asia via amongst others, our online portals and print publications.
- Organises networking events and conferences to facilitate networking and industry connections within the business community and to offer advertisers and event sponsors an additional avenue to increase their brand awareness

The Group generates revenue through the sale of event sponsorship packages. Revenue is recognised at the point in time when the networking events and forums are held. In addition, the Group provides advertorial production and advertisement placement services in the Group's magazines, and recognises revenue when the advertorials and advertisement are published.

Exhibit 4: Well-established business awards across 15 markets in Asia

<p>SME</p> <p>News updates and business intelligence relevant to SMEs, including events and interviews pertaining to the SME sector.</p>	<p>HR Asia</p> <p>Primarily targeted at HR professionals, and serves as a source of information for best practices and up-to-date HR trends on a global scale. It also encompasses coverage of on-the-ground developments, which helps to contribute to faster and more effective adaptation of decision-making.</p>	<p>资本 ASIA</p> <p>Covering a wide spectrum of business and investment topics such as accounting and financial reporting, banking, capital markets, corporate governance, risk management, private equity and real estate. It is targeted at Chinese-speaking professionals and businesspeople.</p>	<p>CXP CUSTOMER EXPERIENCE ASIA</p> <p>A platform to educate and connect customer experience, marketing, fulfilment and product development professionals across Asia. Covering news, insights and business intelligence related to customer experience across the globe and diverse industries, with a fundamental objective of promoting better customer experience for businesses and consumers alike.</p>
<p>ENERGY ASIA</p> <p>Energy Asia is targeted at senior management and decision-makers within the Asian energy sector, including oil and gas exploration, processing and trading, clean and renewable energy and electricity generation, transmission and distribution.</p>	<p>真相</p> <p>Truth Asia 《真相》 is launched to provide social and economic news and investigative articles to complement the Group's other business media assets. This digital-first and mobile-optimised online portal focuses on news and articles with potential to become viral, and provides companies with an additional avenue to promote their products and services to a digital-savvy audience.</p>	<p>LOGISTICS ASIA</p> <p>Logistics Asia aims to be the industry's "go-to" source of breaking news, reporting, and insightful analysis platform for the regional logistics and transportation industry. As our suite of editorial products continues to grow, so do opportunities for our brand partners to tell their stories and reach our executive readership.</p>	

Source: Audience Analytics Ltd

AUDIENCE ANALYTICS LTD

► **Exhibitions**

- Organises large-scale exhibitions
- Offers companies the opportunity to be event sponsors, which enables them to engage directly with the audience and raise their brand awareness at these exhibitions.

Revenue is derived from rental of exhibition booths and space to exhibitors. Revenue is recognised over the period of the exhibitions based on the number of days which the customers simultaneously receive and consume the benefits from the services provided by the Group.

Exhibit 5: Types of Exhibitions



MCTF is one of Malaysia’s largest career and training fairs. Aside from 2020 due to the COVID-19 pandemic, the exhibition has been held annually and lasts between 2 to 3 days. MCTF targets working professionals aged between 21 and 45 and attracts hundreds of employers comprising multi-national and public listed companies.



Held in Malaysia, MEGA Career Fair targets highly skilled and experienced professionals between 30 and 50 years old. This large-scale annual career fair attracts over a hundred employer exhibitors annually over the course of 2 to 3 days.



Post Graduate Education Fair is one of the longest running large-scale education fair in Malaysia for universities and colleges offering post-graduate programs, and has been held annually since 2002. The PGEF is also organised by AIC and attracts participants from various local and overseas tertiary institutions. It lasts for 2 or 3 days and features colleges and universities offering a slew of post-graduate programs such as postgraduate diplomas, master’s degree programmes and Ph.D. programs.

Source: Audience Analytics Ltd

About Audience Analytics

- Established portfolio of business impact assessments and award programs with a track record that is hard to replicate. Audience Analytics holds the IP to some of the most prominent BAR programs in Asia including HR Asia and SME100. While the barriers to entry to organize a new BAR program may be low, it takes a long time to establish the track record and regional reach that Audience Analytics has nurtured for its flagship BAR programs. As a testament to the established track record and prominence of its BAR programs, the Group's BAR programs attract thousands of corporates annually across the region, including major MNCs such as Johnson & Johnson, Prudential, Pfizer and Fedex.

According to the management, it is the only BAR program provider with its scale and reach in multiple markets in the region. The Group's HR Asia BAR program is in 15 markets, while its SME 100, Golden Bull and CXP BAR program are in 5, 4 and 3 markets respectively.

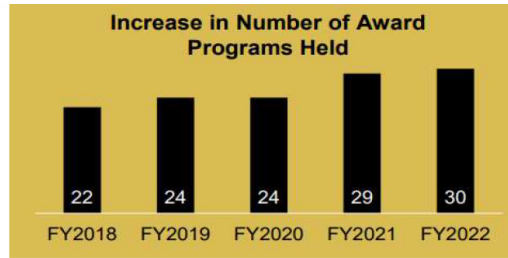
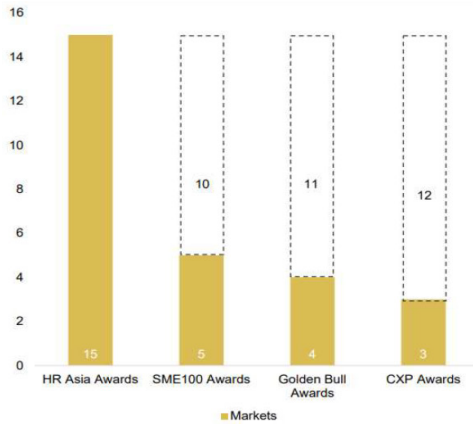
Exhibit 6: Well-established business awards across 15 markets in Asia



Source: Audience Analytics Ltd

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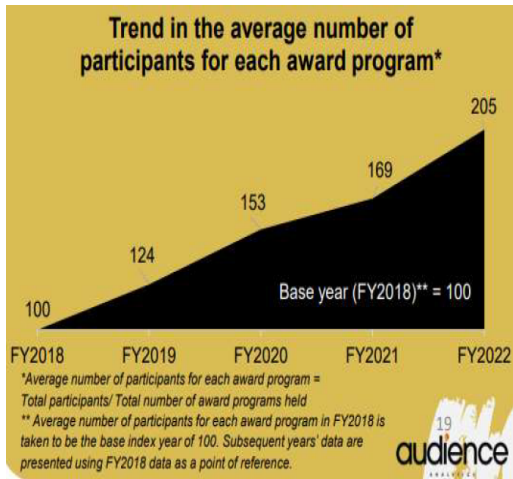
Exhibit 7: Award Programs Held



With the increase in number of markets, the Group has also steadily increase the number of BAR programs it held each year.

Source: Audience Analytics Ltd

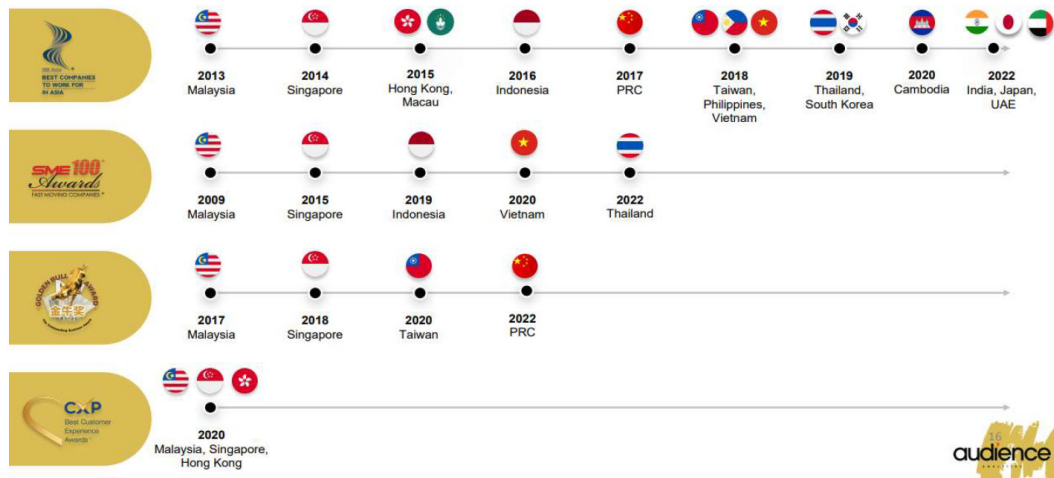
Exhibit 8: Participation Trend



Despite its strong growth over the years, we understand from management that their market penetration in existing markets is still low due to the sheer number of MNCs and SMEs in each country. This implies significant room for continuous growth, as the Group continues to grow its average number of participants per BAR program by 10-24% p.a.

Source: Audience Analytics Ltd

Exhibit 9: Participation in New Markets



Source: Audience Analytics Ltd

AUDIENCE ANALYTICS LTD

Revenue from BAR segment has grown at a 2018-2022 CAGR to S\$13.3m driven by:
 (i) increase in number of BAR programs organized,
 (ii) increase in number of participants and
 (iii) increase in fees charged in some markets

Exhibit 10: BAR Revenue Growth



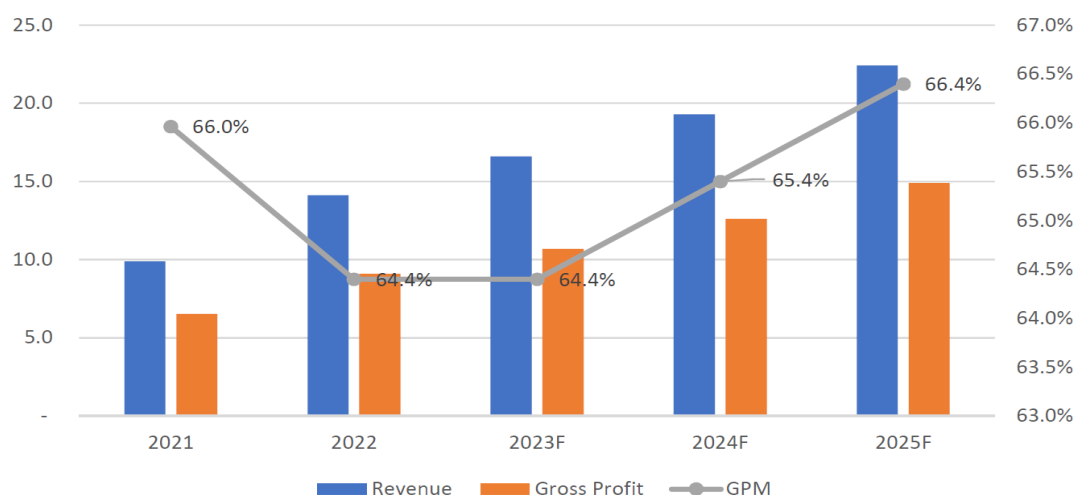
Source: Audience Analytics Ltd

Highly complementary business segments with an extremely scalable asset light business model. The Group's 3 business segments are highly complementary within the targeted specialization verticals from media to business recognition award programs and exhibition. Due to the nature of its business, Audience Analytics has a relatively low fixed costs, allowing it to enjoy significant operating leverage as the number of BAR program participants grow. Audience Analytics has achieved a high gross margin of more than 60% in 2021 and 2022. Gross margins dipped slightly in 2022, as the Group transited from some virtual events to physical events in Thailand, Singapore and Taiwan which resulted in an increase in event-related costs such as cost of venue, production cost and performance costs. Going forward, we conservatively forecast 2023F gross margins to remain stable despite a projected increase in revenue as we assume some increase in costs for the transition of the remaining events that was previously held virtually in 2022 to physical events in 2023. We assume gross margins to then continue expanding in line with the forecasted rise in revenue in 2024F and beyond.

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▶ **Business is highly cashflow generative.** (2022 Free cashflow yield: 14%) Due to the nature of its business, Audience Analytics do not have to invest heavily in any fixed equipment. As such, it has been able to generate very strong free cashflow of more than 7% in the last few years. In particular, in 2022, the Group generated free cashflow of S\$7m (representing 14% of free cashflow yield), boosting its netcash position to S\$17m as at end of 2022.

Exhibit 11: Revenue, Gross Profit and Gross Profit Margin



Source: Audience Analytics Ltd

Exhibit 12: BAR Revenue Growth

S\$m	2018	2019	2020	2021	2022
Net cash generated from operating activities	1.4	3.8	3.7	3.7	7.2
Net cash generated from investing activities	(0.3)	0.1	0.1	0.0	(0.3)
Net cash generated from financing activities	(0.1)	(3.1)	(1.6)	3.2	(2.2)
Net increase in cash and cash equivalents	1.0	0.7	2.3	6.9	4.7
FX changes		(0.1)	(0.1)	0.0	(0.1)
Cash at end of year	3.0	3.7	5.9	12.8	17.4
Less					
Lease liabilities	0.3	0.2	0.1	0.1	0.1
Net cash	2.7	3.5	5.8	12.7	17.3
Net cash/share*	0.016	0.021	0.034	0.075	0.103
Free cash flow generated**	1.3	3.8	3.7	3.7	7.0
Free cashflow yield***	2.6%	7.6%	7.5%	7.5%	14.1%
CAPEX-purchase of PPE	(0.07)	(0.00)	(0.03)	(0.00)	(0.2)

*Calculated using 168.2 million shares (applied retrospectively for 2018-2020, assuming same number of shares post placement after IPO)

**Free cashflow = Operating cashflow – CAPEX

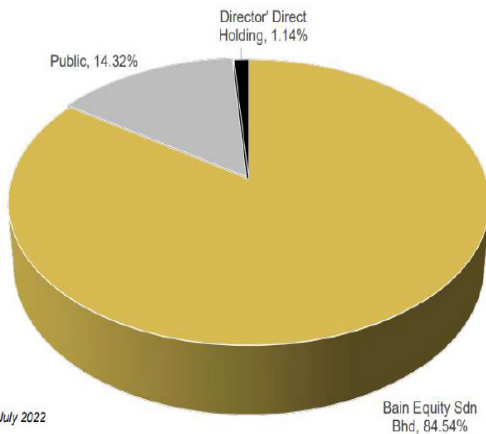
***Based on share price of S\$0.295

Source: Audience Analytics Ltd

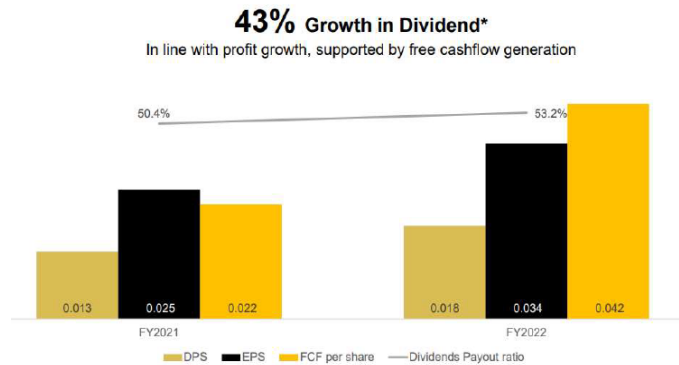
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- Significant cross-selling opportunities across BAR programs.** There are significant cross-selling opportunities between BAR programs for Audience Analytics. For example, in 2020, the Group introduced its CXP BAR program, which recognizes excellence in customer experience. CXP has been launched in only 3 markets so far, implying significant room for growth as the Group taps into its established participant base from HR Asia (15 markets) for further cross-selling synergies.
- Management’s interests are highly aligned with investors.** The management team at Audience Analytics are also major shareholders of the company, holding more than 80% of the total shares in the Group. Bain Equity Sdn Bhd Is Held By Datuk William Ng (Chairman And Managing Director) and Dato’ Ryan Ooi (Executive Director). This supports call for continuous generous dividend payment. For FY2021-FY2022, the Group paid out more than 50% of profit as dividends. We believe the lucrative dividends yields are likely to continue in the future given the strong alignment of interests and strong free cashflow generated.

Exhibit 13: Shareholders



Source: Audience Analytics Ltd



*Proposed dividend in FY2022 is subject to shareholders' approval at forthcoming annual general meeting of the Company.
DPS: Dividend per share (in S\$)
EPS: Earnings per share (in S\$)
FCF: Free cashflow (defined as operating cashflow less purchase of property, plant and equipment) (in S\$)

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- Cheap valuations.** We based our target price of S\$0.425 based on a SOTP valuation, using the summation of a conservative 7.7x FY2023F ex-cash PE and adding the Group's strong net cash position as at end of FY2022 of S\$0.103/share (33.2% market cap). Our target price of S\$0.425 has an implied FY2023F PE of 10.6x FY2023F PE which is also a 60.3% discount to the Group's global peers 2022 PE of 26.7x.

Currently, shares are trading at an ex-cash 2022 PE of 5.4x, dividend yield of 4.1% that is supported by a robust free cashflow yield of 14%.

Exhibit 14: Audience Analytics Peer Valuations

Name	Market Cap (\$mIn)	Forward PE (x)	PE (x)	EV/EBITDA Fwd (x)	PB (x)	ROE (x)	Div Yield	Last Price
AUDIENCE ANALYTICS LTD	52.1	7.7	9.1	4.0	3.3	36%	4.3%	0.310
RELX PLC	78,306	-	29.8	-	12.8	47%	2.0%	2,535.00
S&P GLOBAL INC	152,175.8	-	47.4	24.8	3.2	17%	1.0%	351.32
WOLTERS KLUWER	40,832.7	-	34.6	15.4	10.7	34%	1.5%	110.35
INFORMA PLC	47.8	12.3	12.8	-	0.5	22%	5.7%	675.60
Average		12.3	26.7	14.7	6.1	32%	2.9%	

Source: Bloomberg, Lim & Tan Research

Risks

- Loss of reputation in the Group's brands.** Audience Analytics's business is dependent on the reputation of its brands (eg. SME100 Awards and HR Asia Awards), which allows it to attract participation from corporates over the years. Negative comments or publicity about its BAR programs may negatively affect the Group's performance.
- Risk of personal data and cybersecurity breaches or leaks.** The Group handles personal data when carrying out its operations. In the event there is a personal data breach or leak, the Group may be penalised for such breaches of law or regulation.

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