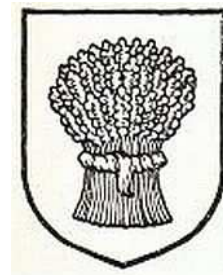


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# HALLGARTEN + COMPANY

## Coverage Update

Christopher Ecclestone  
[ceccestone@hallgartenco.com](mailto:ceccestone@hallgartenco.com)

## Aspermont (ASX:ASP, FSE: 00W) Strategy: NEUTRAL

### Key Metrics

Price (AUD)	\$0.02
12-Month Target Price (AUD)	\$0.021
Upside to Target (AUD)	5%
12mth hi-low	\$0.016-\$0.03
Market Cap (AUD mn)	\$48.00
Shares Outstanding (millions)	2,400.00
(Fully Diluted)	3,175.00

# Aspermont

## In Need of an Extreme Makeover

- + **Aspermont has been successfully negotiating the by-ways of the internet age where many a media company has found itself imprisoned behind their own paywalls**
- + **With its flagship publication, Mining Journal, it stands head and shoulders above competitors in the space that have shrunk to minimal regional franchises**
- + **The company has, to all intents and purposes, its corporate base in the City of London**
- + **New Initiative of Content Works offering brand positioning in the resources space**
- + **Recent results for 1Q23 show subscription revenues up 23% YoY**
- + **Cash holding were good at \$6.6mn at the end of September 2022**
- + **The company has *de minimis* financial debt to speak of**
  - ✗ **The Mines & Money conference business was forsaken with the sale of that franchise pre-pandemic, now re-entering the space has not proven to be easy**
  - ✗ **The company has been torpid, to say the least, in grappling with its own marketing efforts to the investor community**
  - ✗ **The obvious reforms of shrinking shares on issue, ditching a meaningless name and redomiciling to London have been relegated to the too-hard basket and investors have been fobbed off with “Mañana, mañana”**

### Revisiting Aspermont

While not a resources company, *per se*, Aspermont is joined at the hip with the mining space due to its pivotal role in the media covering the mining space.

The appointment of a UK-based Director at this company (re)piqued our interest. We had previously added this company to the Model Resources Portfolio in 2019 when, in a fit of hope springing eternal, we imagined that management was on the verge of a turn towards being market-friendly. Things did not pan out in that direction with management firmly refusing to roll-back the ridiculous numbers of shares on issue, pivot towards the London market (with at least a secondary listing) and shedding the corporate name, which is more redolent of a Swiss watchmaker than a dynamic media enterprise. None of this was done and we dropped the company in 2020. We haven't really missed anything in the meantime.

We have decided to revisit the story in the hope that there may be “movement at the station, for the word had passed around....”.

### Background

Aspermont styles itself as “the leading media services provider to the global resource sectors”. The company has built a commercial XaaS model for B2B media which distributes high-value content to a

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growing global audience. This versatile model can be scaled to serve new business sectors in new countries and languages. As Aspermont global (paid) audiences continue to grow, this opens new opportunities to monetise Aspermont's vast database, that are being grasped at via new hirings to expand the group's knowledge capital and capabilities.

The company has offices in UK, Australia, Brazil, USA, Canada, Singapore and the Philippines.

### **Betting on the Shovel Sellers**

The old adage of the California goldrush (and most artisanal goldrushes) is that those who sell the shovels to the miners make way more than the miners ever do. In an information-driven investment marketplace the investors are now the modern-day artisans and the information providers are the shovel sellers.

The modern paradigm is that "media companies can't make money", which is now patently untrue, but which was true for a good ten to fifteen years after 1995, when there was massive shrinkage of value in the media markets as the internet cannibalized the bottom lines and asset values of the media print titles, and as media companies delivered themselves a massive own goal via the "cult of free" (essentially where online content was given away). Rupert Murdoch (WSJ, The Times) was one of the first to spit the dummy on free content and has long been an advocate of paywalls, he was followed by much of the financial press (FT etc) and more recently the mainstream press has grappled with the issue.

The more that a media company was selling a unique product (investment information or ideas or political intelligence) the easier it was to paywall content than try selling something that didn't make money (stories on wars in Syria, tsunamis in Thailand). Still, the paywall model is not as easy as falling off a log. The East Germans put up a wall, but it didn't do them much good! We would even posit that some media outlets have created themselves a prison within their paywall where they are the only prisoners.

The model must be nuanced for each readership base and it's not as simple as taking the same approach one did in 1993 and then just ring-fencing it with a log-in name and password. The "cult of free" still exists and other aspects, particularly of the finance and mining world, have moved on and the media content must do so as well. Parts of the old model are gone for good. Readers have new demands and needs. Content must be different and, moreover, better than what is available for free. Artificial Intelligence (AI) and algorithm-driven marketing systems, based off continual digital data capture and behavioral analysis, are revolutionizing the way media businesses attract, retain, up-sell and cross monetize their audiences.

Having long-known the Mining Journal we were less cognizant of the media group to which it belonged until 2018. Certain changes in the world of mining conferencing had intrigued (and indeed effected) us so in the process of learning more we dug down into the ownership of the multifarious media outlets that claim to service the mining space. It turned out that the owner of Mining Journal and some other assets was an Australian group called Aspermont. Despite the Australian aspect, Aspermont is UK

headquartered, yet listed on the Australian Stock Exchange and with offices in London, Perth, Sydney, Denver and Belo Horizonte. Its coverage is across the mining, energy and agricultural industries.

### Old Model/New Model

Aspermont delivers subscription-based content through digital, print, conferencing and events channels. Its aim is to deliver Business to Business (B2B) information services across the sectors that it serves, supplemented with additional online resources.

The company's recent digital transformation (codename: Project Horizon) has completed its primary phase and is now focused significantly on marketing automation.

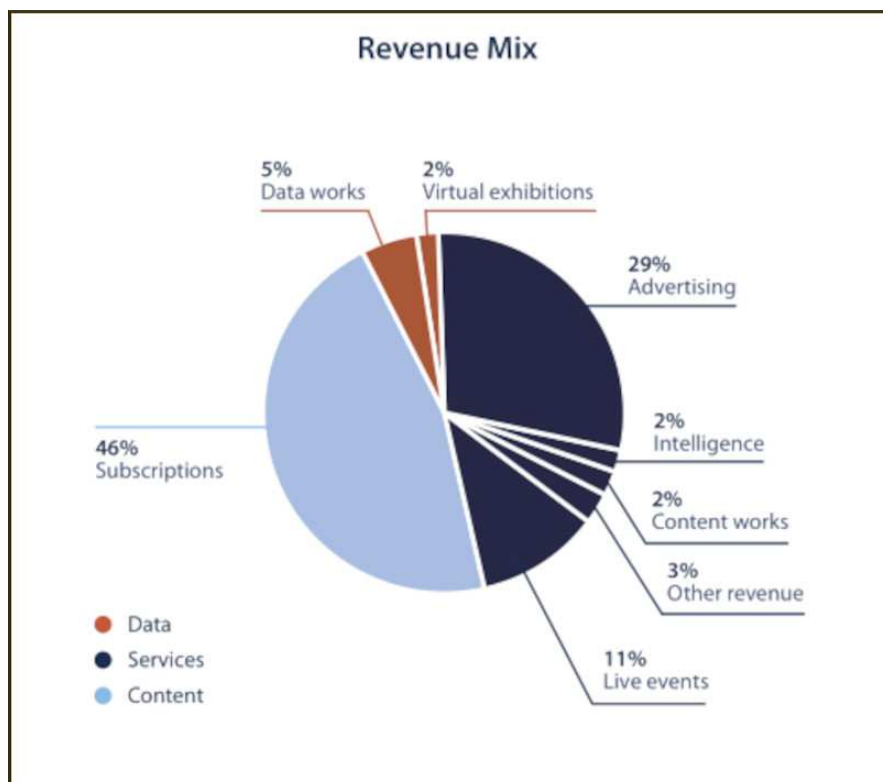
The company has become debt-free over recent years, having paid down over \$10mn in debt. The problematic Mines & Money events business was sold (with \$5.5mn received upon closing and balance of \$6mn paid in mid-2019) and the company launched a new brand (with dare we say it, a competing) conference product under the moniker of Mining Journal Select.

ASP has been reweighted towards being a digital distributor (by 2020, print had fallen below 22% of revenues) as the Project Horizon media technology platform needed for a B2B model became now fully operational.

### Rebalancing Revenues

The breakdown of revenues, in the FY ending September 2022, between the different categories is shown at the right:

As mentioned, Events was restarted as a revenue silo before the pandemic but was dealt a near-fatal blow by the prolonged hiatus the lockdowns produced. While this was an issue common for the whole events/conference space it was particularly



fraught for a new franchise that had not built enough presence to hit the ground running again, as the likes of 121, Indaba, PDAC and Mines & Money have done. The first revival of the Mining Journal Select

event was only held in London last month.

Revenues from this line are likely to be climbing again from here on out. However, profitability is unclear and it may even be a loss-leader. We suspect the space is overcrowded and differentiation as a unique offering has not crystallised, as yet.

The research/data business (including the Mining Journal Intelligence unit) is obviously also a growth area and can exploit the “back book” of material that such a long-established media group has at its disposal. In October of 2020, Aspermont launched its second research division - Mining Magazine Intelligence (MMI) - with the inaugural Automation Report 2020.

The company used to provide useful ARPU numbers that allowed YoY comparisons and more granularity. They also allowed peer comparisons. These appear to have been dropped since early 2022.

Some of the performance metrics that used to be provided can be seen below:

Subscriptions	June'16	Dec'18
No. of Subscriptions	7,158	8,208
ARPU	\$623	\$833
Renewal Rate (%)	73%	84%
Annual Contract Value	\$4.5m	\$6.8m
Lifetime Value (LTV)	\$16.5m	\$44.3m

They seem to have moved to a model of revenue per entity (per three-person subscription) at AUD\$1,500. Which is at best apples to oranges as one searches for comps in the media sector through which one might value the company.

### Financial Performance

Now the focus should be towards strengthening the bottom line.

The company has a fiscal year ending on the 30<sup>th</sup> of September. Some features of FY22 were:

- Record annual revenues of AUD\$18.7mn
- Gross profit of AUD\$12mn
- Normalised EBITDA of AUD\$2.8mn and cashflow from operations of \$3.6mn
- A net loss of AUD\$429k

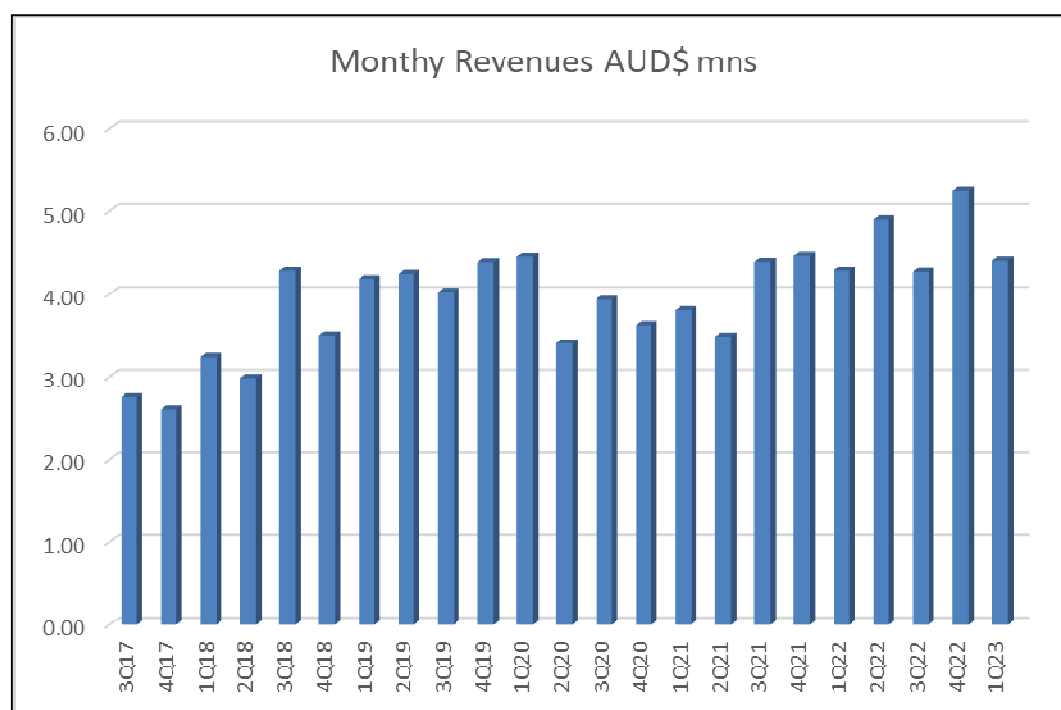
- Cash at year-end was AUD\$6.6mn
- Liabilities were AUD\$11.11mn, of which virtually none was financial debt

In February the company announced its results for the quarter ending 31<sup>st</sup> of December 2022. Some notable features of the Q1 results were:

- Total Revenue at AUD\$4.4mn was up 5% YoY
- Subscriptions revenue at AUD\$2.5mn was up 23% YoY

This represented the 26th consecutive quarter of growth in subscriptions revenues. The company claimed that it is maintaining “growth momentum in the face of challenging market conditions”.

Revenues in absolute terms have been progressing well, as can be seen on the bar graph below, except for dipping in the most recent quarter:



With its traditional bases being the UK and Australia (with an important title in Brazil), the group still has a glaring lack of presence in North America and on the ground in South Africa. Covering African-oriented stocks listed in London and reaching London investors interested in Africa (two of MJ’s strengths) is a different thing to having a serious presence in South Africa, where there is still a sizeable mining community and mining finance presence.

### Content Works

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Maybe we are getting slow, but it took us a while to realise that this new initiative was actually a pun. In fact, it's intended to be a content agency division. The division is the result of pilot testing with major clients, such as IBM, Thyssen-Krupp, Amazon and SAP.

The division will work to exploit existing relationships with resources companies, providing them with bespoke products such as audience identification, content creation, and creative production to undertake targeted campaigns.

Content Works formed a marketing partnership with Saudi Arabia, which was announced on the 6<sup>th</sup> of February. This in itself was interesting because it had looked like Beacon (the owners of the Mines & Money franchise) appeared to have a headlock on the KSA business.

### **The Cures?**

These seem so obvious that they scarcely seem worth reiterating but the mystery is why the nettle is not grasped.

### **Rename**

We always favour a corporate name for a listed entity that indicates what the "thing in the box" actually does. Aspermont is a strange name. If it was stuck on Aspermont Hotels or Aspermont Watches then we would not be surprised, but just sitting there as a bald corporate name of no significance does not help in lifting the company's game in the branding business. Far be it for us to foist a new name on the company, but how much better would International Resources Media be in pinning the company's flag to the mast?

### **Relist**

Once upon a time the Australian stock market(s) had a plethora of media stocks and investors that understood them. But since Rupert Murdoch hoovered up most of them in the 1980s and 1990s, and then the remnants (the Fairfax group) also fell out of sight, the Australian market understandably has been not fertile territory for Aspermont as the Last of the Mohicans. Now we have a situation where Mining Journal is London-based, most of the administrative executives are in London, the CEO is in Singapore with most of the rest of the management, so why on earth does the company hang on to a listing in such an unsympathetic environment as the ASX offers.

Arguments of wanting certain triggers before making the jump of redomiciling no longer hold water as it appears that the company is indulging in self-hurt by being so torpid on the issue.

Obtaining a secondary listing on the LSE main board is no great trial (the company mentions it is listed in Frankfurt). The secondary listing in London requires no prospectus or even an accompanying issue. The company has shareholders in the UK already and its main promotional oomph is also situated in the heart of the City (with the office on Poultry). This is like pushing on an open door. One then gradually (or swiftly) turns over the register and eventually London becomes the tail that wags the dog, and the

primary listing shifts and Australia is kept, or dropped....

### **Redenominate**

It is scant comfort that the company acts in solidarity with the vast heaving mass of ASX-listed miners that have too many shares on issue. But as a company wanting to build its credibility in the media space and achieve comps with that universe why does it persist in having nearly three billion shares on issue? If one wants a bogeyman to scare off serious US investors, here you have one.

The company could easily engineer an 100:1 consolidation that would take it to \$2.50 and make it a stock with a sterling price of over £1.20 (before the uplift a London listing would bring). It would obviously make it more institutionally investable and open it up to US-based investors who balk at the current diminutive denomination.

### **M&A – Bulking Up**

Senseless acquisitions are worse than no deals at all. However, it would seem to us that marriages can still be made that would be not only complementary, but also clean up in the resource media space and block out interlopers.

The company was seemingly waiting for some of its competitors to expire. Certainly that would have been the cheapest path, but we would note that South Africa and Canada are weak spots for Aspermont and they may not go away and indeed may actually get their own champions that regain their mojo, which might make entry (or gaining a better foothold) a more difficult task in the future.

Originally (a few years back) we thought that stalking Northern Miner might be the way to beef up the less-than-optimal position that Mining Journal has in Canada. Now we are more of the persuasion that making a move on the likes of Proactive, with its entire focus on digital (and Youtube-like video) content would give the company a more dominant position. It would also bring along the established mini-conference format they have.

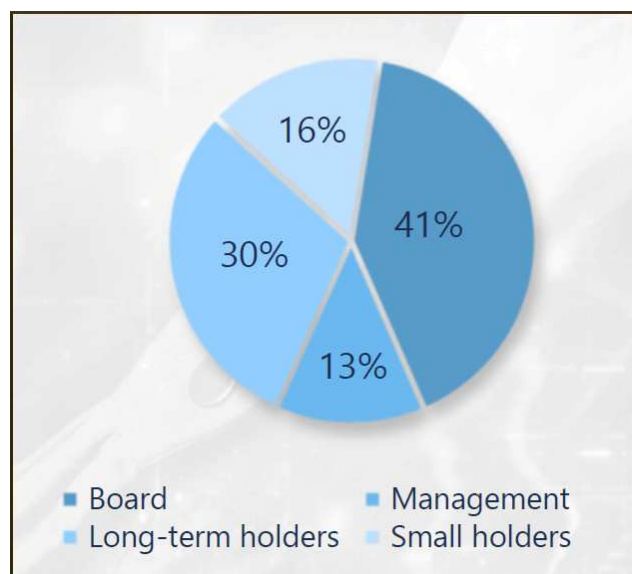
The market position that Proactive has could be replicated, but it would take years to do so, and cost. The video element is easily copied (and a plethora of wannabes already nip at Proactive's heels) but Proactive's reach to retail investors is stronger than MJ's and the opportunity to cross-sell to Proactive's very large position with mining corporates, particularly on the smaller side, is tempting indeed.

### **Shareholders & Financing**

As the company has been gradually reducing debt and its bottom line has been improving (with its free cashflow uptrending, it has not required a financing in recent years. Only in the circumstance of an acquisition of consequence might it need to raise extra funds, though ideally it could pull off an all-share transaction.

The current state of the shareholder balance is shown in the pie chart below:





### Board & Management

**Andrew Kent**, Non-Executive Chairman, is a Business Manager and Corporate Advisor with over 40 years' experience in international equities and media. He was the CEO of Aspermont from 2000 to 2005 and holds considerable knowledge of its products and the market landscape. He is a member of the Australian Institute of Company Directors.

**Geoff Donohue**, the Lead Independent Director since 2016. He has over 35 years' experience at both board and senior management level within public companies and the securities industry. He has a Bachelor of Commerce from James Cook University of North Queensland, Graduate Diploma in Financial Analysis from the Securities Institute of Australia and is a Certified Practicing Accountant.

He lives in Perth and is Chair of the Plastic Free Foundation which is a not-for-profit global social movement.

**Alex Kent**, the Managing Director, joined the company in 2007, Mr Alex Kent has worked across all divisions of Aspermont Group. He has held previous executive roles in both marketing and digital strategy at the group.

He is a graduate of Microsoft's Executive Academy with a double Honours degree in Economics, Accounting and Business Law. He holds a number of other private company directorships.

**Tricia Klinger**, a Non-Executive Director, has over 20 years' experience in digital marketing and communications, publications, sponsorship and events with high profile consumer and B2B brands in Asia and Australia. She currently serves on the board of Procurement Australia, one of Australia's largest procurement aggregators and Rigetti Australia, a leading quantum computing hardware provider. She is a graduate of the Australian Institute of Company Directors, holds a Bachelor of Economics (Sydney University) and Master of Commerce in Marketing (UNSW).

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**Dean Felton**, a Non-Executive Director, has over 25 years of mining industry experience with senior management and consulting roles at Rio Tinto, BHP and Vale. He has held recent senior management roles at Accenture and Ernst & Young.

The newest non-executive director is **Graeme McCracken** who was added in recent weeks. Interestingly, he is the first UK-based director. He has over 30 years' experience in innovation and digital transformation across the media, events, data and analytics sector, in particular across multiple global B2B markets. He has held senior leadership positions at several companies, including CEO roles at Proagrica and CMD Group. He is a graduate of the University of Glasgow, with a Masters' degree in Politics & Economics.

### **Risks**

The main risk for investors is that management continues to do nothing. Over and beyond that:

- The mining and resources space returning to the doldrums that reigned in the middle of last decade
- Some major new group decides the resources space is worth penetrating

Despite the gloomsters of the mining space always complaining of bad times, the resources space has done substantially better since 2019 than it did in the seven years from 2012-2019. Indeed, some mining sub-spaces, such as the battery metals complex have been roaring. Gold, in particular, has been having several good years. But those in the mining space know that the seven fat years are commonly followed by seven lean ones. We shall see how resilient Aspermont's activities are to such fluctuations... or not. We would note, however, that the biggest part of its performance turnaround was achieved during the down period in the mining space in the middle of last decade.

The resources media space has few barriers to entry, but neither does it have a large pool of informed correspondents/journalists so Mining Journal certainly has the high ground for the moment, and the commanding position gives it a clear field of fire at interlopers.

### **Target Price**

Our target price in a do-nothing scenario is AUD 2.1cts. This is equivalent to GBP 1.1 pence. Presuming the three measures that we would like to see are implemented, the price in sterling would be GBP£1.10, presuming zero positive effect from the changes.

However, we would expect a price of at least GBP£1.50, if not higher, within twelve months of a London listing being instituted.

### **Investment Thesis**

Cleopatra reputedly died by clasping an asp to her breast. Alas, she would have been wasting her time if she has latched onto this ASP as it resolutely resists biting on the obvious which is right in front of it.

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Despite an environment which has been tough for conventional media Aspermont has adopted and thrived and its promotional efforts have been successful, except when it comes to itself. The singular failure to grasp the Three Rs:

- Rename
- Relist
- Redenominate (its overblown share count)

... has left the company relatively unloved and unnoticed despite being the premier resources media franchise.

In 2019 we added Aspermont to the Model Resources Portfolio, going slightly off-piste in adding a media stock due to its tangential relationship to the resources space. Unfortunately, the company did nothing in the subsequent period in terms of long overdue reforms and we dropped the position overboard in the following year. Since then, the company has soldiered on, getting better at what it does but failing to grasp the very obvious nettles in front of it that would propel it to a much higher valuation.

In crafting out front-page “metrics box” we decided to diverge from past practice and instead of showing just the values in AUD, we decided to show, in GBP, what type of market cap the company might get if it undertook a rollback and a redomiciling. The results are provocative electric cattle prod to management’s soft underbelly.

Due to the ongoing stasis in the reforms a **NEUTRAL** position in Aspermont in the Model Resources Portfolio and reiterate that, in the absence of a repositioning, the company and its shareholders cannot expect anything but more of the same: i.e. a price around AUD 2.1cts.

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