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# Nuix Ltd

July 29, 2024

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## Nuix Ltd

## Equity Analysis

**Kapitales Research Rating** ★★★★★  
**Recommendation** Spec Buy  
**Current Market Price** AU\$3.400  
**Risk** Low

52 Week Range (AUD)



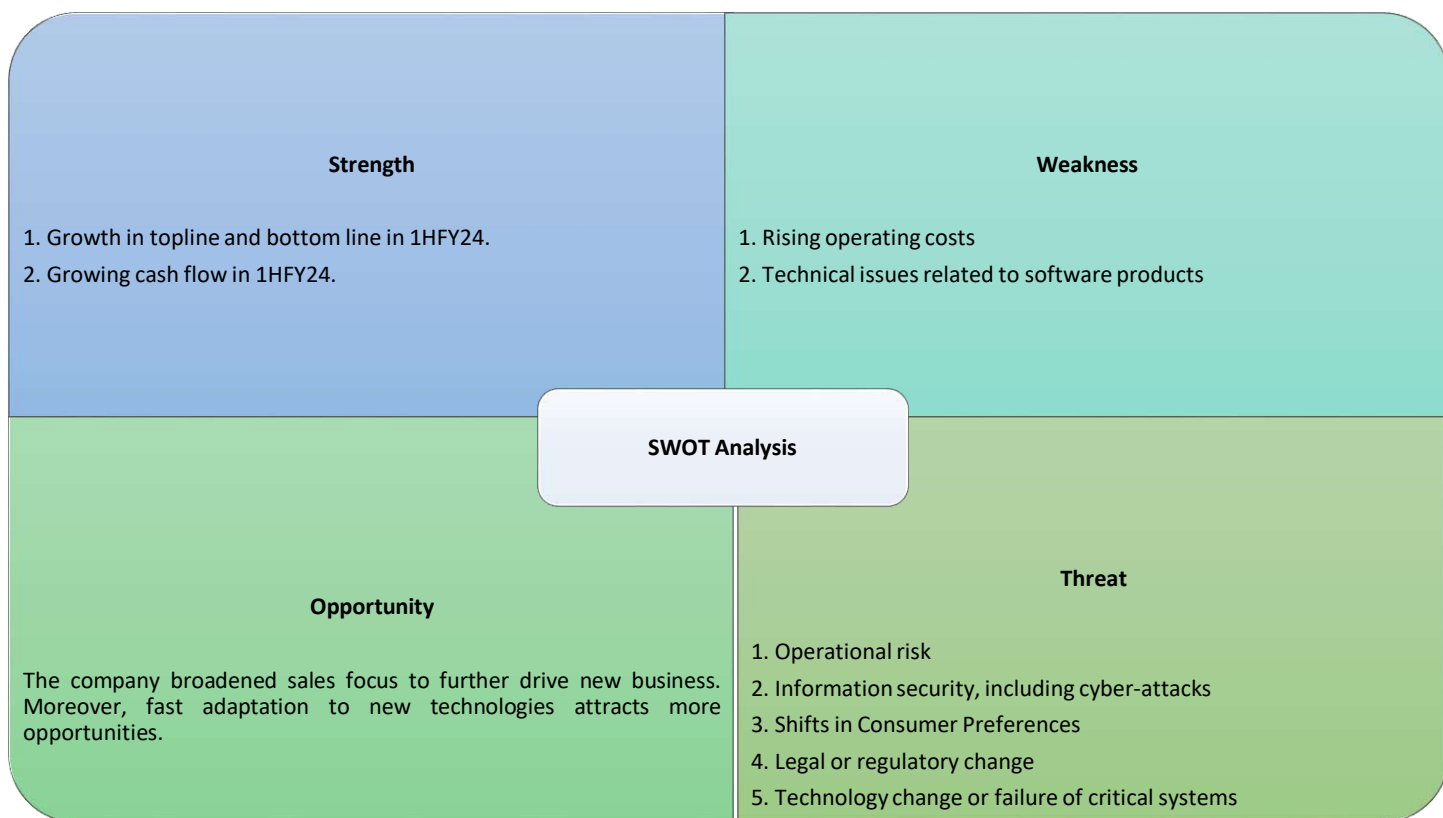
Average volume	0.723 million	52 Week Range (AU\$)	1.305-3.660
Shares outstanding	323.57 million	Dividend amount (AU\$)	-
Free float	197.20 million	Dividend Yield	0.00%
P/E (TTM)	-	Ex-date	-
Market cap (AU\$)	1.08 billion	Record date	-
EPS (TTM)(AU\$)	-0.036	Pay date	-
ROE	-2.07%	Franking	-

Source: (ASX and Koyfin), Analysis by Kapitales Research

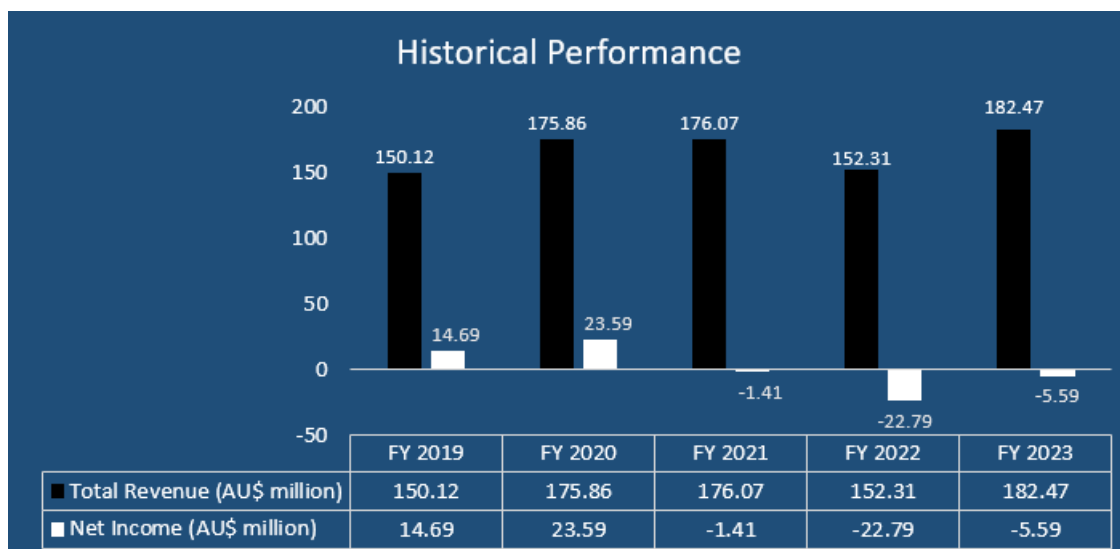
Nuix Limited (ASX: NXL) is a provider of investigative analytics and intelligence software, which enables organizations to find insights from large amounts of unstructured data. The Company helps customers collect, process, and review large amounts of structured and unstructured data. Its segments include Software, Services and Hardware. It offers a software platform (Nuix platform) comprising a data processing engine and several software applications. The Nuix platform operates at a forensic level, providing users with a highly detailed, contextualized and legally defensible way of viewing and interacting with data.

Its software platform is used for critical work, such as digital forensic investigation, financial crime, litigation support, employee and insider investigations, data protection and privacy, data governance and eDiscovery and regulatory compliance. Its software applications include Nuix Discover, Nuix Investigate, Nuix Enterprise Collection Centre, and others.

## SWOT Analysis



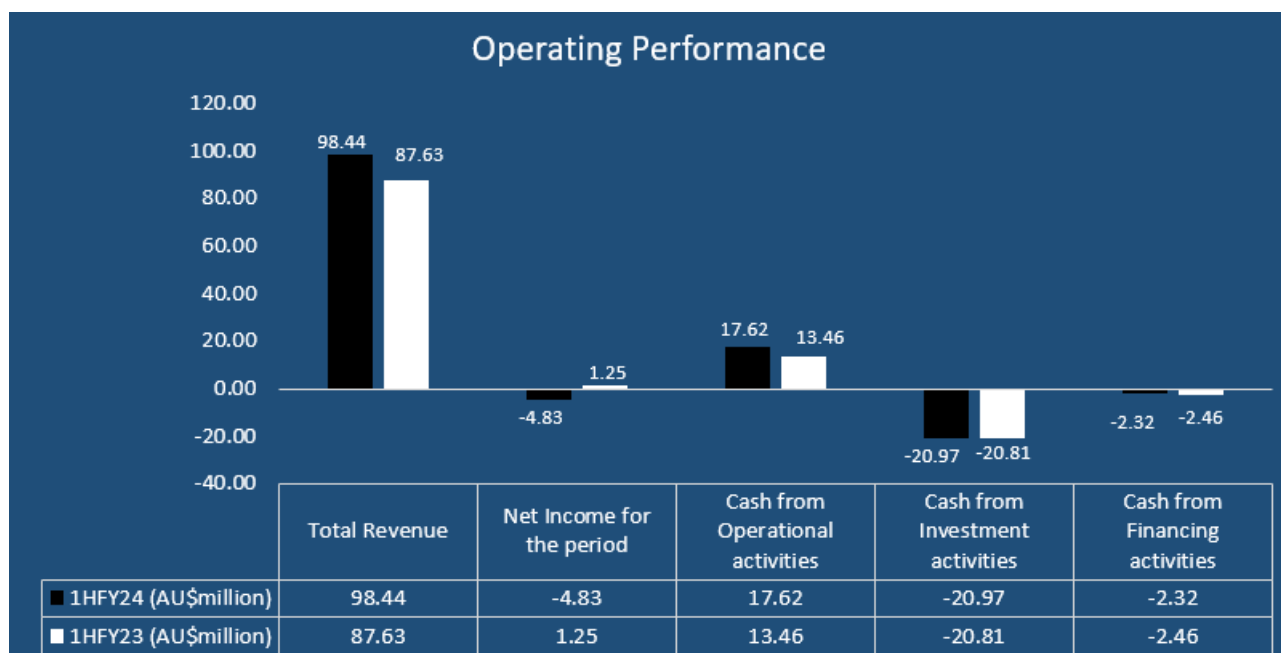
### Historical Performance



Source: Koyfin, Analysis by Kapitaless Research

Between FY2019 and FY2023, the company saw an ~5% rise in revenue, from AU\$150.12 million to AU\$182.47 million. Its net income in FY2023 has improved over previous year.

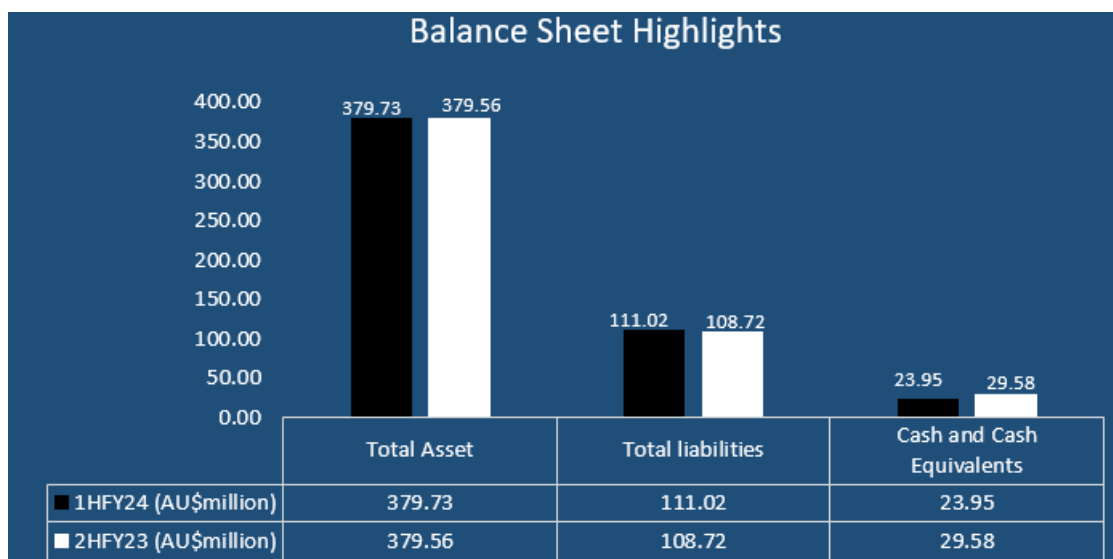
### Operating Performance (period ended 31 December 2023)



Source: Company Reports, Chart Prepared by Kapitales Research

During 1HFY24, statutory revenue rose by 12.3% on pcp to \$98.4 million. As a proportion of revenue, multi-year deals fell to 24%, from 29% in the pcp, driven by an increased customer focus on annual contracts. Annualised Contract Value (ACV), which provides an annualised “run rate” of the value of Nuix’s contract value at a given point in time, rose by 17.3% compared to the prior corresponding period (pcp), and by 7.6% from June 2023. The ACV outcome of \$199.6 million is slightly above the expected guidance range provided in the trading update in January 2024, of \$196 - \$199 million.

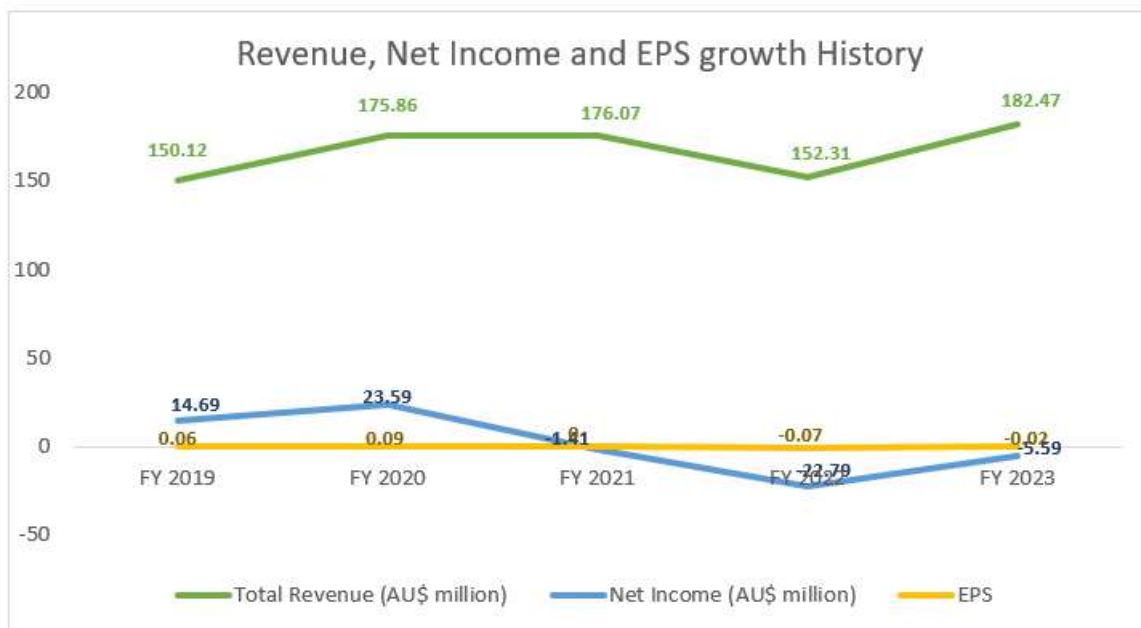
### Balance Sheet Highlights (period ended 31 December 2023)



Source: Company Reports, Chart Prepared by Kapitales Research

In contrast to the figures reported as of June 30, 2023, the company experienced a rise of 0.04% in total assets, a 2.12% rise in total liabilities and 19.03% fall in cash & cash equivalents by December 31, 2023.

Revenue, Net Income and EPS growth History



Source: Koyfin, Analysis by Kapitales Research

Fiscal Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Growth Trend
Total Revenue (AU\$ million)	150.12	175.86	176.07	152.31	182.47	— ■ ■ — ■
Net Income (AU\$ million)	14.69	23.59	-1.41	-22.79	-5.59	■ ■ — ■ —
EPS	0.06	0.09	0	-0.07	-0.02	■ ■ — ■ —

Source: Koyfin, Analysis by Kapitales Research

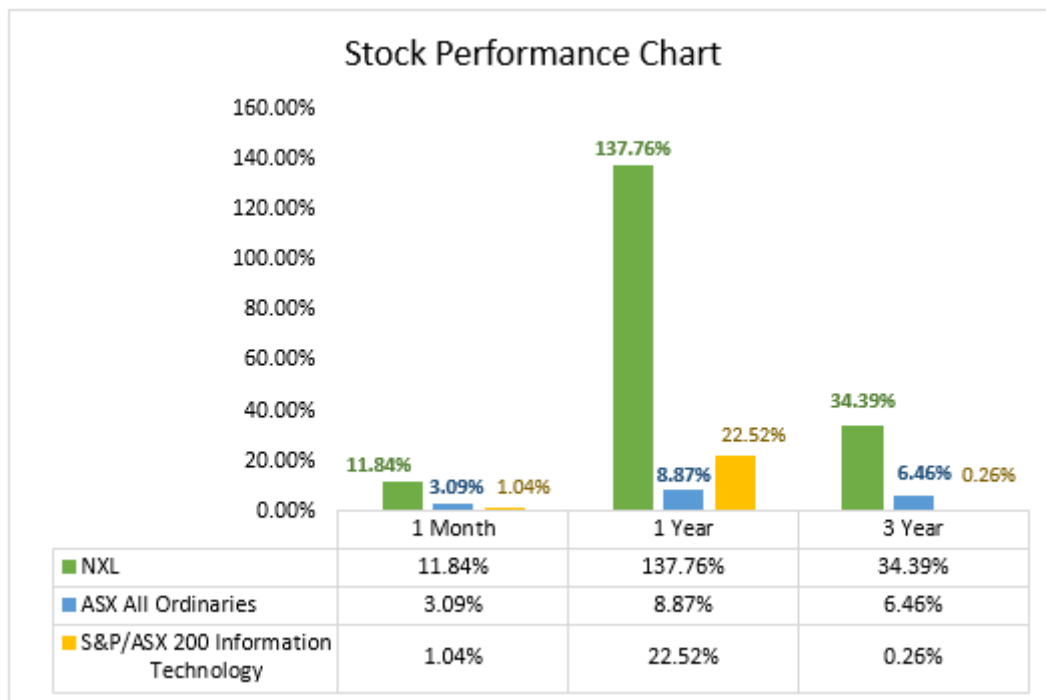
Ratio Analysis

Fiscal Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Return on Assets	7.03%	7.62%	6.12%	-3.98%	-0.96%
Return On Equity %	10.73%	12.29%	-0.59%	-8.29%	-2.07%
Return on Total Capital	8.73%	9.58%	7.85%	-5.11%	-1.28%
EBITDA Margin %	27.13%	33.69%	34.57%	6.07%	17.38%
Gross Profit Margin %	90.94%	88.24%	89.29%	87.89%	87.42%
Net Income Margin %	9.78%	13.41%	-0.80%	-14.96%	-3.06%
Asset Turnover	0.8	0.6	0.5	0.4	0.5
Inventory Turnover (Average Inventory)	-	-	-	-	-
Current Ratio	2.6	1.0	2.4	1.5	1.3
Days Sales Outstanding (Average Receivables)	96.2	100.0	119.2	137.3	119.4
Days Payable Outstanding (Avg)	125.0	108.7	122.1	110.4	75.8
Cash Conversion Cycle (Average Days)	-	-	-	-	-

Source: Koyfin, Analysis by Kapitales Research

During FY23, the company's EBITDA margin rose to 17.38% against 6.07% in FY22. In addition, current ratio slipped to 1.3x as compared to 1.5x in FY22.

## Price Performance



Source: Investing.com, Analysis by Kapitaless Research

When assessing NXL shares against both ordinary shares and sector performance, NXL shares exhibited robust performance in the span of last 1 year. Notably, NXL shares delivered noteworthy return of 137.76% indicating a positive and consistently strong performance in the last year.

## Outlook

NXL is targeting ~10% ACV and Statutory Revenue growth in constant currency. The successful rollout of Nuix Neo and associated Solutions to Early Adopters. The broadened sales focus to further drive new business. NXL anticipates revenue growth to exceed operating cost growth. The company expects underlying cash flow positive for the full year.

## Recent Update

Based on general positive trading into the second half, including a significant multi-year deal win, Nuix is likely to exceed its strategic target of growing statutory revenue by around 10% in constant currency for the full year, noting that June is a significant month for contract renewals. Nuix currently expects that Statutory EBITDA for the full year FY24 is likely to be in the range of \$47 - \$52 million.

## Key Risks and Uncertainties

The company has exposure to the following risks-

- Operational risk
- Market Volatility
- Regulatory and Legal Risk
- Intellectual Property Risk
- Shifts in Consumer Preferences

## Technical Analysis



Source: TradingView, Analysis by Kapitaless Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory Date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Nuix Ltd	NXL	Information Technology	3.400	29 July 2024	Speculative Buy	4.030	4.530	2.640

The stock of software & services company NXL settled at AU\$3.400 on 29 July 2024 after a gain of nearly 1.796% from the previous day’s closing. It is currently trading above its 52-week low-high average.

The stock is trading above the significant 20, 50 and 200 exponential moving averages (EMA) on a daily time frame, indicating bullishness for the near term. The stock is trading above the central pivot (AU\$1.490), holding a bullish momentum on a daily time frame chart.

**Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$4.030 and AU\$4.530 in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).**

**Investors are advised to keep a strict stop loss at or below AU\$2.640 (previous swing support) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.**

**Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.**



### Investment Summary

Nuix expects that Underlying EBITDA, which excludes non-operational legal costs, is likely to be unchanged in the range of \$63 - \$68 million for FY24. Nuix recorded positive underlying cash flow from operations, that is, cash flow before non-operational legal costs and payments related to the Rampiva acquisition, of \$6.6 million for the half year. Hence, after considering the facts mentioned above, investors are advised to have a "Speculative Buy" rating on the stock of NXL at the closing price of AU\$3.400 on 29 July 2024.

*Note: Kapitales Research Rating Star has been decided over the quantitative analysis of the stock. Maximum number of stars can be 5, with 5 for the top rating and 1 for the lowest rating.*

### Technical Indicators Defined:

**EMA:** Exponential Moving Average is the moving average that puts more weight on the most recent data points.  $EMA = \text{Closing price} * \text{multiplier} + \text{EMA (previous day)} * (1 - \text{multiplier})$ . For a 200-day exponential moving average, the multiplier can be calculated with the formulae i.e.  $[2/(200+1)] = 0.0095$ .

**RSI:** Momentum indicator, Relative Strength Index is used to evaluate the overbought or oversold nature of an asset by measuring the magnitude of its recent price changes.

**Bollinger Band:** A technical analysis tool that uses two parameters i.e. period (default is 20) and standard deviations, forming a kind of price envelope depicting a range of upper price band and lower price band. This price band shifts according to the volatility swings, and it helps in identifying whether the underlying asset is in the overbought zone or oversold zone.

**Support:** This is a level or zone where the stock finds good demand indicating the buyer's strength.

**Resistance:** This is a level or zone where the stock finds a good supply indicating the seller's strength.

**Stop-loss:** This is the level from where the investors should exit their positions to prevent any further losses in case of unfavorable movement in the stock prices.

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*Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e., Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.*

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