Return to some semblance of normality edition.

Welcome back. The markets have been on a tear since December last year, and despite experiencing a brief pause, optimism abounds. Has it overrun? Yes probably, principally because overpriced large caps have been unworthy beneficiaries. We are however witnessing significant movement in businesses further down the list, which is appreciated and long overdue.

She's going to be a rocky year 2024. As discussed in the final Morrissey Exchange podcast last year, there is instability and uncertainty aplenty around the world. A US election in November and all the economic and political manipulation that goes with it, two hot wars refusing to die down, US debt breaching $34 trillion costing no less than $3billion/day in interest, and on and on.

Will they cut in the US this year? Yes, probably, but just as they've escaped the shackles of excessive inflation, interest rate cuts, along with stockmarket strength will no doubt encourage further spending resulting in? a return of inflation. A tricky balance.

It's going to be interesting.

Kinatico (KYP)

Flash update

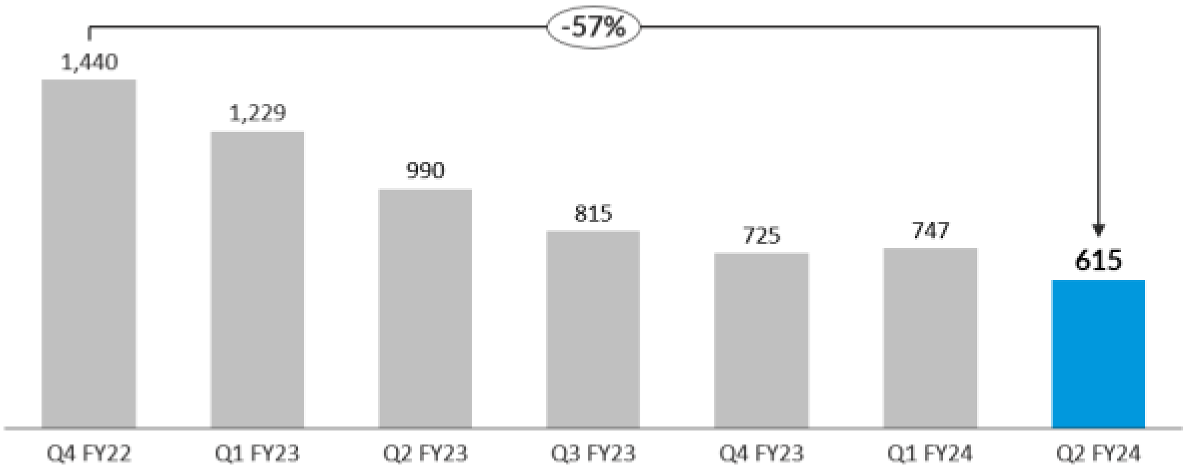
- Profit to half year of $0.4m (up 136% from a $1.0m loss in previous corresponding period (pcp))
- Half year SaaS revenue of $4.4m (up 159% on pcp) ($2.4m for Q2)
- Half year revenue of $14.3m, including 31% from SaaS

- Q2 revenue of $7.1m, 33% from SaaS
- Cash in the bank is $9.4m
- *"KYP continues to transform to a provider of simplified daily compliance management delivered through Software-as-a-Service (SaaS) from being only a credential checking business. As a result of this transformation, the Company will report a profit for the FY24 half year of $0.4m".*
- KYP believe their compliance model can be adapted across almost any industry
- KYP's revenue will continue to grow but at a much slower rate than the explosion of the EBITDA, which at the current growth rate, looks set to crescendo to a $10m figure by EOFY 2024.

Dorsavi (DVL)

- A largely underwhelming result for the quarter, $316k in revenue for Q2 2024, up 8% on pcp
- Annualised recurring revenue (ARR) steady at $1.1m
- Raised $500k via placement to sophisticated investors
- Continued reduction in cash expenses, which was impressive, down from $1.44m in Q4 '22

Figure 1: Cash expenses (A$k)



- Two new contracts signed in US, for a total of $168k for two years. Still only small
- Excluding Government grants/tax incentives and incorrectly tax from previous quarter, cash burn was $414k
- DVL need to get their skates on to benefit from their technological advance on competition in the human movement sensory market. There's a staggeringly large market out there, the overarching difficulty is to convince government bodies, business and insurance companies that prevention is better than the cure. Problem is, there's so many snouts in the trough to benefit from 'the cure' that the message to date has been drowned out by big business.

Coventry Group (CYG)

H1 FY24 Trading Update

Largely a duplication of the result I reported on in December last year, but:

- H1 FY24 Group sales of $185.3m, up +5.4% on the prior year and unaudited EBITDA of $9.8m, up +18.1% on the prior year.
- *Robert Bulluss, Group CEO and Managing Director of Coventry Group said, "…Initiatives to grow EBITDA % to Sales to 10% in the medium term have delivered positive results. These buy-side and sell-side initiatives were implemented early in the financial year. The run-rate from these initiatives continued to improve in the December quarter with Q2 EBITDA up +28.9% on the pcp…."*
- This is the first time the company has officially reported their goal of a 10% EBITDA margin, which if achieved, will have a dramatic impact on the company's finances and ultimately, share price. The current EBITDA margin is 4.5%
- *"Demand remains robust in our primary end markets in Australia (mining and resources, infrastructure, commercial construction and industrial). The New Zealand economy has weakened due to the recessionary environment and this is having a short term negative impact on our Konnect and Artia New Zealand operations. Overall, our strategy based on specialisation and service excellence is continuing to be resilient."*
- CYG is already up over 50% in the last 12 months and looks likely to keep moving higher.

Whitehaven Coal (WHC)

WHC released its December 2023 quarterly activities report on 19.1.23. Guidance for FY24 is unchanged, although costs are tracking to the high end. The acquisition of Daunia and Blackwater from BHP is expected to complete in early April. Cash at 31-Dec was **$1.5b.**

- Equity sales of produced coal of 3.89Mt is up from 3.3Mt in the September quarter and in-line with guidance.
- Production at Maules Creek continues to improve and reached 3.14Mt in the December quarter, up 9% on September and up 54% 1HFY24 on 1HFY23.
- Narrabri is again having issues with washouts in the current longwall panel and FY24 production guidance has been downgraded to 5.1-5.7Mt from 6.0-6.7Mt.
- The production mix shift from Narrabri to Maules means costs will be higher. WHC noting costs are now tracking to the top end of the A$103-113/t range.
- The acquisition of Daunia and Blackwater from BHP will complete in early April 2024, which is in-line with '2Q24' guidance from last year. That will shift the product mix towards met coal.
- Whitehaven comments on coal markets:

Underlying demand for high CV thermal coal remains strong in Whitehaven's traditional and emerging markets in Asia, including to supply high-efficiency, low emissions (HELE) electricity generation, which is important for our customer countries as part of their long-term energy transition and decarbonisation plans. The structural supply shortfall in the seaborne market for high CV thermal coal is continuing to grow as a result of underinvestment in new supply and depletion of existing mines. This growing supply gap is supporting strong long term high CV thermal coal prices.

The metallurgical coal market is also strong and the anticipated growing structural shortfall in HCC production to supply Asia demand, particularly to India, is expected to underpin metcoal prices over the longer term. In the December quarter, the PLV HCC index averaged US$333/t due to strong demand from steel producers, driven primarily by the burgeoning Indian market. This is coupled with supply constraints particularly from Australian producers.

		Quarter Ended				
		Dec 2023	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**
Equity Coal Sales						
Total Equity Coal Sales	Mt	**3.89**	3.33	3.40	3.42	3.79
Sales of purchased coal	Mt	**0.18**	0.25	0.14	0.05	0.36
Equity coal reservation sales	Mt	**0.15**	0.05	0.30	-	-
Equity sales of produced coal (excluding coal reservation)	Mt	**3.56**	3.03	2.97	3.37	3.43
Coal sales mix[1]						
High CV thermal Coal	%	**72%**	65%	91%	68%	66%
Other thermal coal	%	**19%**	26%	5%	26%	27%
Metallurgical coal	%	**9%**	9%	4%	6%	7%
Pricing						
gC NEWC Index	US$/t	**135**	148	161	248	379
JSM Quarterly (SSCC)	US$/t	**278**	206	241	268	230
Price achieved[1]						
Average coal price[2]	A$/t	**216**	224	264	400	527
Thermal coal	US$/t	**142**	147	177	280	351
Metallurgical coal	US$/t	**166**	168	218	234	312
Premium / Discount						
Thermal to gC NEWC Index	%	**5%**	(1%)	10%	13%	(7%)
Metallurgical to JSM Qtrly	%	**(40%)**	(19%)	(10%)	(13%)	36%
Average coal price for coal reservation[3]	A$/t	**115**	113	115	-	-

Item		**FY24 guidance**	**Comment**
Managed ROM coal production	Mt	**18.7 – 20.7**	*Tracking within guidance*
Maules Creek	Mt	10.1 – 11.2	*Tracking around top end of range*
Narrabri	Mt	5.1 – 5.7	*Revised from 6.0 – 6.7Mt*
Gunnedah O/C	Mt	2.6 – 2.8	*Tracking around top end of range*
Managed coal sales[1]	Mt	**16.0 – 17.5**	*Tracking within guidance*
Equity coal sales[1]	Mt	12.7 – 13.9	*Tracking within guidance*
Unit cost of coal (excl. royalties)[2]	$/t	103 – 113	*Tracking towards top end of range*
Capital Expenditure[3]	$m	400 – 450	*Revised from $460 – $570m*

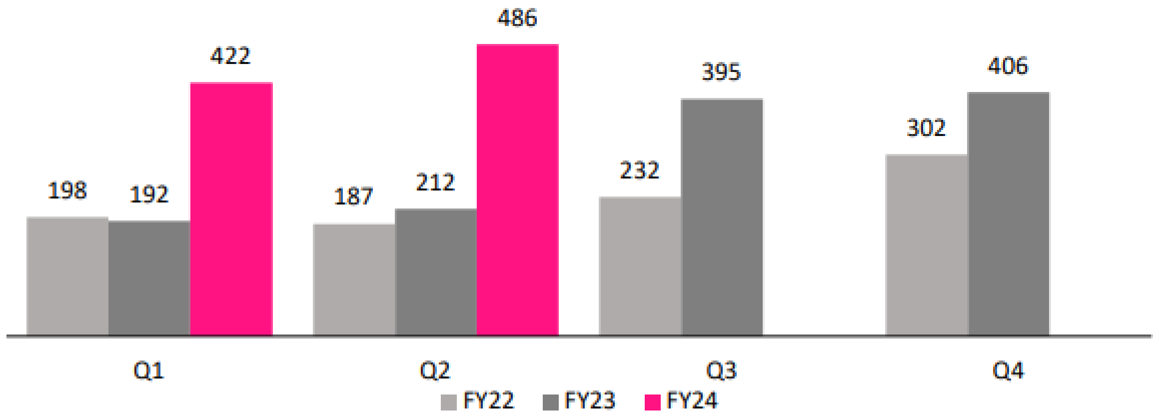
1. Excludes sales of third party purchases
2. Excludes the impact of domestic coal reservation policy
3. Excludes deferred settlement payments for past acquisitions and the acquisition of Daunia and Blackwater.

IODM Ltd (IOD)

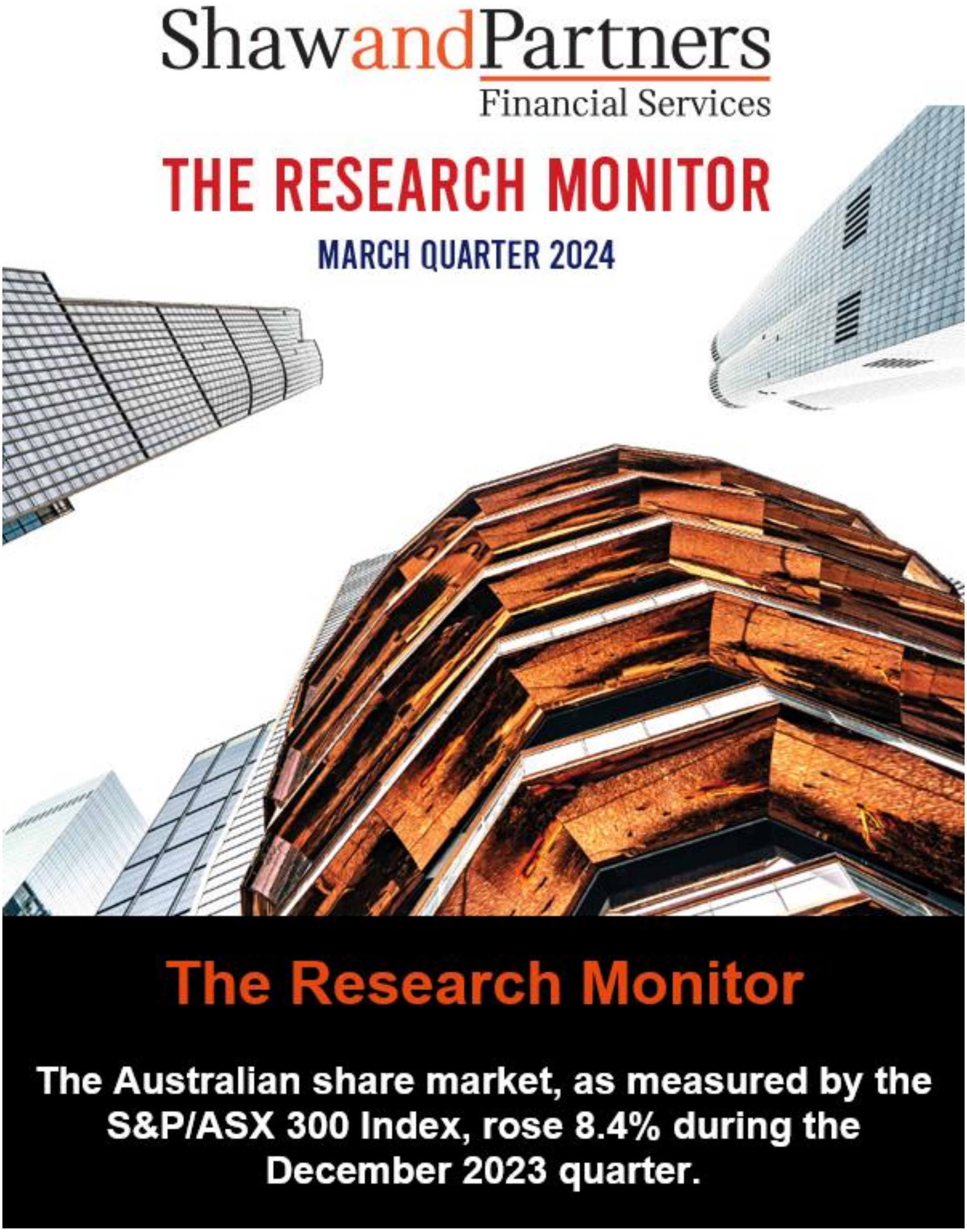
Q2 FY24 highlights:

- Quarterly cash receipts of A$486k, +15.4% quarter on quarter (+131% versus previous corresponding period ("pcp")

Figure 1: IODM Quarterly Cash Receipts (A$'000)



- UK cash receipts of A$233k + 51% quarter on quarter **(+ 603% pcp)**
- Domestic cash receipts of A$253k in line with last quarter
- The Company continues to onboard universities and allied educational organisations in the UK.
- First prospect meetings held in the USA with signings expected in Q3 FY24
- This is the second year working with Convera (Western Union) in the UK Education space. The rate of communications sent is expected to continue to increase as universities focus on their respective collection cycles. The total value outstanding of invoices continues to grow, underpinning the 'work-in-progress' revenue yet to be collected.
- IOD is experiencing an increasing number of companies seeking out the IODM solution and requesting presentations and contract proposals.
- The Company expects to see domestic and UK signings continue at an elevated rate in the coming quarters and first signings in the USA in Q3 FY24.
- On Thursday morning, IOD went into a trading halt until Monday, pending the release of **"an announcement regarding a material revenue event".** I'll report back next week



Click on the link below to read

The Research Monitor – March Quarter 2024 - 29 Jan 2024

Have a good weekend

Ben and the team.

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