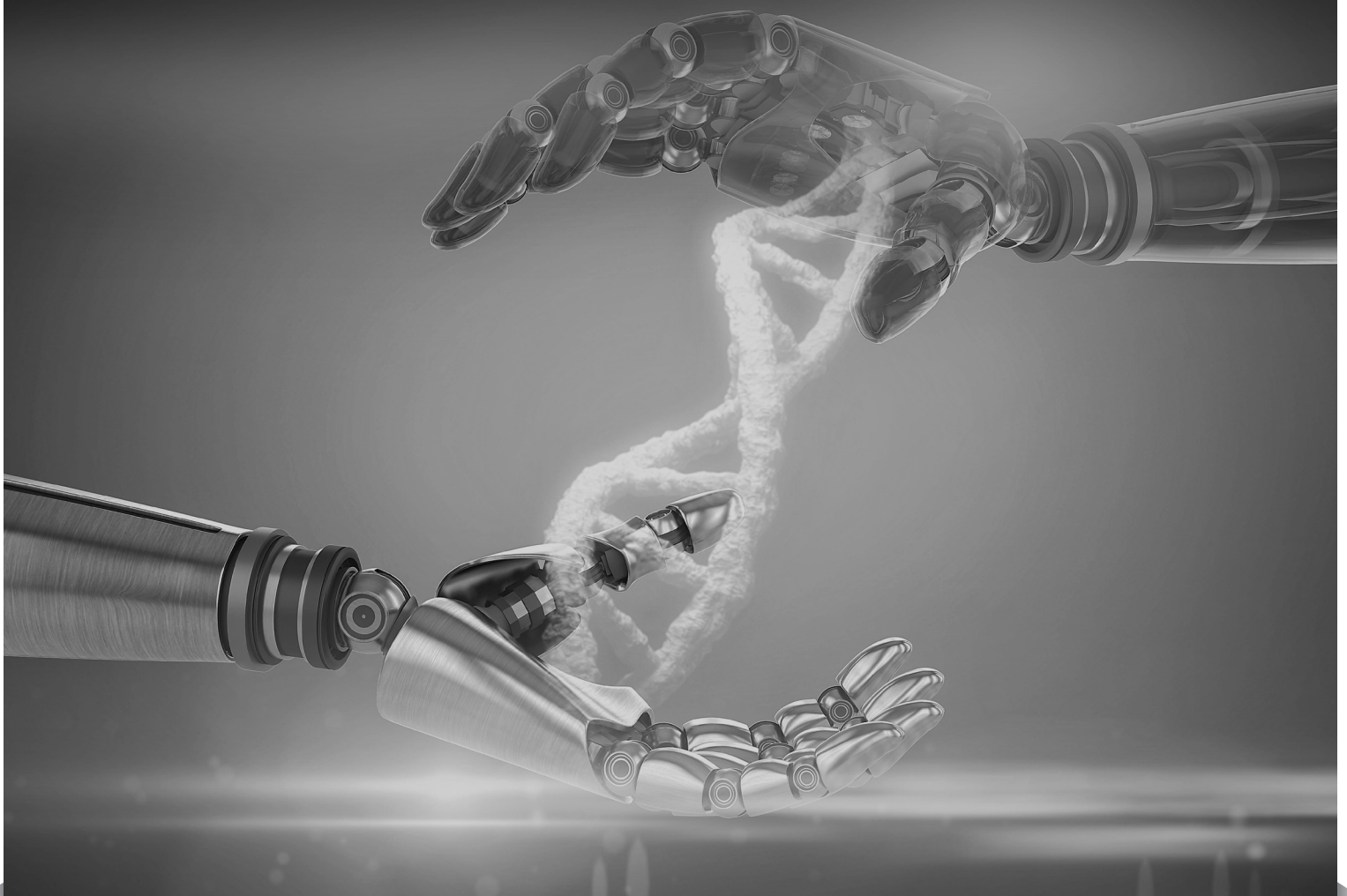




Emerging Stocks Down Under

🗨️ *The greatest wealth is created by...believing in something before the majority understand it.* 🗨️

- Mark Yusko (b. 1963), Morgan Creek Capital Management CIO



BRIDGE SAAS

Crossing the NDIS productivity chasm

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Crossing the NDIS productivity chasm

Stocks Down Under rating: ★★★★★

ASX: BGE
Market cap: A\$6.4M

52-week range: A\$0.092 / A\$0.185
Share price: A\$0.092

Australia's National Disability Insurance Scheme always seems to be in the news for the wrong reasons, but here's a NDIS good news story for you, Bridge SaaS (ASX:BGE). Bridge SaaS has developed software that can markedly improve the productivity of NDIS providers, as well as other outsourced service providers in the disability employment services sector. With \$60bn being spent in sectors of interest, we believe Bridge SaaS, the would-be Xero of outsourced service providers, has a lot of upside potential.

Share price chart



Source: Tradingview

How Hivetec got its new name

When Bridge SaaS started developing enterprise software solutions to support Australian government programmes, around 2008, it called itself 'Hivetec'. Years later someone had a bright idea: This company's products provide a 'bridge' between government programmes and outsourced service providers. It does this for disability employment service providers and, importantly, it is doing it for the NDIS. And the software is SaaS-based, where it's provided via the cloud for a small monthly fee. So, why not call the company 'Bridge SaaS'?

That was a genius move. You see, there's going to be a lot of growth in the years ahead in the number of sole traders and small businesses supporting massive government programmes. Anything that can make it easier for these folks to plug in to the programmes and get paid – including remembering the name of the best software available – is going to enjoy a large market opportunity. How large? Well, consider just the NDIS. The Scheme now has about half a million participants, that is, people eligible to receive services from providers. If a company like Bridge SaaS charges those providers just \$5 per participant per month, the NDIS alone would be a \$30m a year business.

Like Xero, only for outsourced service providers

Think of Bridge SaaS as Xero, but for outsourced service providers to government agencies rather than for accountants. And like Xero except at a much earlier stage in its commercial life with FY20 revenue of \$2.3m and FY21 revenue of \$1.8m. This company is, however, off to a good start. The platform, which historically has been mostly used by employment service providers, is now accredited for 14 Australian government programs and for each it's arguably the easiest way to be able to supply agencies, like the Department of Employment and Workplace Relations, with all the digital paperwork that it needs in one single user interface. With Bridge you can create files for each participant, manage work rosters, fill out all the forms the relevant agency needs, conduct participant assessments and so on. Basically, you can run an entire service provider business outside the business accounting on this one platform. Moreover, the software is enterprise-grade and is therefore very secure. And it scales easily because, being Cloud-based, the marginal cost of adding another user is tiny.

We think the well-publicised problems with the NDIS works in Bridge SaaS' favour. The National Disability Insurance Scheme, which went into full operation in 2020, is Australia's way of funding disability services for the roughly half a million people in the country under the age of 65 with permanent and significant disabilities. It's almost unique in terms of disability support worldwide in that it provides government funding for the disabled person (with their guardians) and allows that person to buy the support they need. Basically, it's a market-based solution with around 17,000 providers serving those 500,000 participants.

A good news story for the NDIS

The NDIS, however, always seems to be in the news for the wrong reasons. Either it takes too long for participants to get approved, or it's been subjected to fraud by providers, or the assessments are being done by unqualified people – you name it, the NDIS seems to have struggled with it. The biggest issue, however, is cost. By the middle of this decade the NDIS is expected to cost over \$40bn as against \$29bn now. How can Bridge SaaS help? Well, when providers have an easy interface to the National Disability Insurance Agency, they can spend less time on paperwork and more time on service provision, which, potentially, becomes more cost effective. In turn the Agency has better data to be able to manage the Scheme.

The thing we really like about Bridge SaaS is the applicability of the platform to multiple government programmes. The company is now talking about a push into aged care and home care services from the FY24 year and other government services beyond that. And it believes that the platform can be taken internationally in the years ahead.

Trading below IPO price

At the moment the market doesn't regard Bridge SaaS as the 'next Xero' just yet. The IPO valued the company at just \$13.9m after a \$4.5m raising at 20 cents a share and the stock has traded well below 20 cents since the first day of trade on 6 October. Obviously, investors aren't hot on tech stocks right now and speculation that the Albanese government might 'claw back' the NDIS due to budget pressures haven't helped sentiment towards this company. However, we think if the next couple of quarters can show decent growth in user numbers and ARPU, that Bridge SaaS will start to attract a following.

We think the news flow will be favourable. Bridge SaaS has flagged that the next twelve months will see the company scaling up its sales via channel partners and is continuing to improve the software itself, most notably through the introduction of some Artificial Intelligence into the platform to help providers better manage their working days.

Interestingly, the company expects that before 2023 is out overseas providers will be able to access government service offerings via Bridge. Ahead of all this, for tech investors knowledge about the risk of early-stage companies, this one is four stars.



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