



## Updater Inc. (UPD)

*First pilot result exceeds expectations*

### Event:

- Early release of first pilot results for insurance vertical, updated price target.

### Details:

- **Updater Inc. (UPD) is a US based technology company that has produced a software platform to improve the relocation process.**
- UPD has announced its **first pilot result for the insurance vertical with results surpassing the company's and our expectations.** The company had promised the first set of pilot results by June 2017. We view the early release of results as a very positive signal from the company.
- The results of the insurance vertical pilot program indicate that movers who were exposed to communications via the UPD platform ('treated group') **purchased insurance products at a rate almost double (93% higher than)** that of the control group who were not exposed to the communications ('lift rate').
- Results indicate with **95% confidence** that insurance products were purchased at a higher rate by the treated group over the control group as a result of UPD communications. The company views this as a base line acquisition rate using the UPD platform, with opportunity for **further improvement through optimisation.**
- The results exceed the company's and our expectations for the lift rate in purchased products. UPD had initially targeted a lift rate of 10 to 20% across various pilots at the time of the announcement in August 2016. The demonstrated 93% lift rate, easily surpassing management's initial target lift rate. These pilot results only include the lift rate for acquisitions, with data on the lift rate for retention to follow in the coming months.

### Earnings and Valuation:

- **We have a valuation range of to A\$1.70/CDI to A\$3.14/CDI, increased from A\$0.90/CDI** and have updated our input assumptions for the revenue opportunity in the insurance vertical. This valuation range considers only the insurance vertical, and we note there are two more Pilots in other verticals on foot. **At the 93% Lift Rate data point as per the Pilot Results, we derive a valuation of A\$2.94/CDI.**
- We have reduced the risk factor to 40% from 45% as the company takes its first steps in de-risking the Business Product and now has Pilot Results to validate the value of its platform in the insurance vertical. Our valuation is based on a high growth P/E multiple of 25x of earnings from **only the insurance vertical.**

### Recommendation:

- **We now have a BUY recommendation (previously SPECULATIVE BUY) and a price target range of A\$1.70/CDI to \$3.14/CDI.** The early positive results from the insurance vertical pilot is a very positive signal for the company, and we believe this positions the company well for its planned deployment of Business Products in 2018.
- The market will look for continued growth in market share throughout the year, as well as further pilot results from new verticals as further catalysts in the de-risking of the company.

Recommendation	BUY
Previous	Speculative Buy
Risk	High
Price Target Range	<b>\$1.70 - \$3.14</b>
Previous Price Target	\$ 0.90
CDI Price (A\$)	<b>\$ 0.68</b>
ASX Code	UPD
52 week low - high (A\$)	0.17-0.65
Valuation Methodology	PE multiple
Capital structure	
CDIs on Issue (M)	489
<b>Market Cap (A\$M)</b>	<b>332</b>
Net Cash/(Debt) (A\$M)	46
<b>EV (A\$m)</b>	<b>286</b>
Options (M)	103
Warrants (M)	6
12mth Av Daily Volume ('000)	406
Board	
David Greenberg	Executive Chairman
Ryan Hubbard	Executive Director
Grant Schaffer	Non-Executive Director
Antony Catalano	Non-Executive Director
Major Shareholders	
David Greenberg	28.5%
Ryan Hubbard	10.2%
Grant Schaffer	7.3%
Thorney Investment Group	5.7%
Price Graph	



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 The analyst owns no UPD CDIs.

**Foster Stockbroking acted as Sole Lead Manager to the A\$30M placement of 60M UPD CDIs at A\$0.50 in September 2016. Foster Stockbroking also provides UPD with capital markets advisory services. Foster Stockbroking receives fees as consideration for these services.**