



## Updater Inc. (UPD) – BUY, PT Range \$1.70-3.14

*Outstanding moving pilot results at critical user touchpoint*

<b>Recommendation</b>	<b>BUY</b>
Previous	Buy
Risk	High
<b>Price Target Range</b>	<b>\$1.70 - \$3.14</b>
Previous Target Range	\$1.70 - \$3.14
<b>CDI Price (A\$)</b>	<b>\$ 0.905</b>
ASX Code	UPD
52 week low - high (A\$)	0.245-0.905
Valuation Methodology	PE multiple
<b>Capital structure</b>	
CDIs on Issue (M)	490
<b>Market Cap (A\$M)</b>	<b>443</b>
Net Cash/(Debt) (A\$M)	46
<b>EV (A\$m)</b>	<b>397</b>
Options (M)	110
Warrants (M)	6
12mth Av Daily Volume ('000)	416
<b>Board</b>	
David Greenberg	Executive Chairman
Ryan Hubbard	Executive Director
Grant Schaffer	Non-Executive Director
Antony Catalano	Non-Executive Director
<b>Major Shareholders</b>	
David Greenberg	24.8%
Ryan Hubbard	8.9%
Grant Schaffer	6.3%
Thorney Investment Group	5.3%
<b>Price Graph</b>	



Analyst: Matthew Chen +61 2 9993 8130  
matthew.chen@fostock.com.au  
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.**

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### Event:

- **Full service moving company pilot program results released.**

### Analysis:

- **Updater Inc. (UPD) is a US based technology company that is developing a software platform to improve the relocation process.**
- UPD announced its **second pilot program results** on 28 June 2017. The pilot results are from the moving company pilot program announced in Q4CY16, and run in April to June 2017. The program had a sample of 6,847 users in Atlanta, Minneapolis, and Washington, DC.
- **Excellent pilot results exceeding expectations, delivered well ahead of schedule.** The second pilot program results had previously been promised some time during CY17. UPD continues to build on its strong track record of delivering excellent results ahead of milestone dates.
- **Significant 520% rate lift.** The pilot program has demonstrated users in the treated group (with UPD platform and booking feature exposure) purchased a full service move from participating moving companies at a **520% higher rate than control group users**, exceeding our expectations.
- The pilot results also demonstrated that users who purchased a full service had an **engagement rate with UPD platform features twice that of all other UPD users**, inferring strong cross selling potential.
- **US\$7.5M p.a. revenue opportunity from mover vertical.** Applying UPD's conservative assumptions of 15% market share and our assumptions of 50% ROI to movers and a 10% mover profit margin, the **mover vertical can be a conservative US\$7.5M p.a. revenue stream for UPD.**
- However, the true value of the mover vertical pilot program lies in the **user experience and network effect.** Client contact in the mover vertical is *the* critical touchpoint for UPD customers. The primary reason for using UPD is to relocate; this experience therefore has to be impeccable to build user credibility and in turn enable further cross selling.

### Earnings and Valuation:

- We maintain a **valuation range of to A\$1.70/CDI to A\$3.14/CDI**, which considers the revenue opportunity from the insurance vertical only.
- UPD will ultimately pursue **10-15 distinct verticals** including movers, banking, insurance, cable, internet, utilities, big box retail and pharmaceuticals. The ultimate valuation has the potential to be a multiple of our valuation range.
- We have maintained a risk factor of 40%. Future major opportunities to derisk are business product launch (4Q17) and contract wins (CY18).

### Recommendation:

- We maintain a **BUY recommendation and a price target range of A\$1.70/CDI to \$3.14/CDI.** Another early positive pilot result suggests UPD are on track for its planned deployment of Business Products in 2018e.
- Near term catalysts include: **1) market penetration updates, with the next expected within the month; 2) further pilot results during 2H17; 3) Business Products strategy and launch at CY17 end; 4) contracts with partners in one or more companies in CY18.**