



Updater Inc. (UPD)

Market penetration reaches 15% milestone

Event:

- 15% market penetration milestone; June quarterly activities report.

Analysis:

- UPD announced on 14 August it has surpassed its **15% market penetration target, five months ahead of schedule**. A total of 234,503 moves were processed for the month of July, and UPD estimate market penetration of 15.7% of all US household moves. This follows fast from the 11.7% market penetration recorded for 2Q17, announced three weeks ago.
- The company continues to build on its excellent record of delivering strong results, ahead of schedule**. In May 2016 with penetration sub 5%, management set itself the 15% market penetration goal for the end of 2017; the latest milestone arrives five months ahead of schedule.
- Adds to the list of 2017 objectives achieved ahead of schedule, and builds on management credibility to deliver**. Key objectives achieved for CY17 so far include: outstanding pilot results in two distinct verticals (insurance and moving), announcement of the cable vertical pilot program, which is now under way, and now the 15% market penetration milestone to add to its momentum.
- The **15% market penetration was always critical to ensure the company has “scale to deliver successfully on the next stage of its evolution”**: i.e. developing and selling Business Products and reinventing the Mover Experience. Provides increased confidence of earlier than scheduled announcements on business product strategy launch and deployment in one or more industry verticals.
- As a result of market penetration milestone, we are now of the view there is **upside risk that a business product launch could come as early as 3Q17e**, as the company has delivered 15% penetration five months ahead of schedule.

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%. We still view the **critical major opportunities to derisk the business are the product launch (4Q17e) and contract wins (CY18e)**.

Recommendation:

- We maintain a **BUY recommendation and a price target range of A\$1.70/CDI to \$3.14/CDI**. Another milestone achieved ahead of schedule suggests UPD are gathering momentum for its planned deployment of Business Products in 2018e.
- Near term catalysts include: **1) additional pilot program in distinct vertical during 2H17e; 2) further pilot results during 2H17e; 3) Business Products strategy and launch at CY17e end; 4) contracts with partners in one or more companies in CY18e**.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target Range	\$1.70 - \$3.14
Previous Target Range	\$1.70 - \$3.14
CDI Price (A\$)	\$ 1.175
ASX Code	UPD
52 week low - high (A\$)	0.38-1.175
Valuation Methodology	PE multiple
Capital structure	
CDIs on Issue (M)	490
Market Cap (A\$M)	575
Net Cash/(Debt) (A\$M)	37
EV (A\$m)	539
Options (M)	115
Warrants (M)	6
12mth Av Daily Volume ('000)	375
Board	
David Greenberg	Executive Chairman
Ryan Hubbard	Executive Director
Grant Schaffer	Non-Executive Director
Antony Catalano	Non-Executive Director
Major Shareholders	
David Greenberg	24.9%
Ryan Hubbard	8.9%
Grant Schaffer	6.4%
Thorney Investment Group	5.3%

Price Graph



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 received fees as consideration for these services.