



## Updater Inc. (UPD)

*Getting ready for Business Products launch*

### Event:

- September quarterly activities report.

### Analysis:

- Market penetration of 16.6%:** 765,809 moves were processed for the September quarter, and UPD estimate 16.6% penetration of all US household moves, up an impressive 42% on the previous quarter. **Market penetration crossed the 15% threshold in mid-August**, and UPD considers it has reached the scale at which it can become the core platform of the relocation industry.
- New market penetration goal of 35%**, which will be updated semi-annually going forward, instead of quarterly. Future milestone updates will reflect the focus pivot to development and sales of Business Products.
- Completed an A\$50M institutional placement and a US\$5M US placement in September 2017** to fund go-to-market strategies and selling Business products in two separate verticals: insurance and full-service moving.
- Well-funded, nil debt, and we estimate A\$69M cash on hand** accounting for the US\$15M for recent acquisitions, IGC Software and Asset Controls Inc., two leading moving software companies to fast track the Moving Business Product.
- IGC Software and Asset Controls Inc. offer the relocation industry's most widely used software products for packers and drivers**, enhanced software solutions complementary to UPD's own development, and expedited Business Product deployment. Together with its technology, UPD will look to launch a paperless, full-lifecycle SaaS application in Q4 CY17e. Both companies are profitable and cash flow positive, and generated US\$7.2M revenue for CY16.
- Operating cash outflows of US\$3M for the quarter** as the company builds out its Business Products teams for Insurance and Moving, in anticipation of a launch of this product suite.
- Announced fifth and final pilot vertical is DIY Moving**, to accompany insurance, full service moving, consumer banking, and home telecommunications services (TV & internet).

### Earnings and Valuation:

- We maintain a **valuation range of to A\$1.70/CDI to A\$3.14/CDI**, which already considers the revenue opportunity from only the insurance vertical.
- 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 (Q4 CY17e) 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 busy quarter suggests UPD are getting ready for its planned deployment of Business Products in coming months.
- Near term catalysts include: **1) Business Products strategy and launch at CY17e end; 2) contracts with partners in one or more companies in CY18e**.

Recommendation	Buy
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>\$ 1.180</b>
ASX Code	UPD
52 week low - high (A\$)	0.38-1.445
Valuation Methodology	PE multiple
Capital structure	
CDIs on Issue (M)	539
<b>Market Cap (A\$M)</b>	<b>636</b>
Net Cash/(Debt) (A\$M)	69
<b>EV (A\$m)</b>	<b>567</b>
Options (M)	115
Warrants (M)	6
12mth Av Daily Volume ('000)	458

Board	
David Greenberg	Executive Chairman
Ryan Hubbard	Executive Director
Grant Schaffer	Non-Executive Director
Antony Catalano	Non-Executive Director

Major Shareholders	
David Greenberg	22.5%
Ryan Hubbard	8.1%
Grant Schaffer	5.8%
Thorney Investment Group	4.8%



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 The analyst owns no UPD CDIs.

**Foster Stockbroking acted as Co-Manager to the A\$50M placement of 40M UPD CDIs at A\$1.25 in September 2017. Foster Stockbroking received fees as consideration for these services.**