



Updater Inc. (UPD)

Outstanding Pay TV / Internet pilot results

Event:

- Pay TV/Internet pilot results.

Analysis:

- UPD has announced its Pay TV/Internet pilot results.** Sampling a cohort of ~8,300 users the pilot delivered outstanding results. Users exposed to the UPD platform purchased the recommended Pay TV product at a **224% higher rate (99% significance) than those in the control group** (cf. 93% lift rate for insurance vertical, 520% for full service moving).
- Attractive industry characteristics in our view increases likelihood of Pay TV/Internet vertical delivering low hanging fruit.** The industry is highly concentrated with four main players covering an estimated ~80% share, with no licensing hurdles for the company.
- UPD estimate the **Pay TV/Internet vertical is a \$100B revenue market, with ~10% annual spend on marketing and advertising.**
- The company estimate a **US\$85Mpa revenue opportunity**, assuming 35% market penetration (updated target), average life time revenue per customer of US\$2,700, and 75% partner ROI. We had previously estimated a conservative US\$10M pa revenue opportunity to the company, assuming 20% churn, 15% penetration, US\$750 revenue per sub, 10% churn reduction, and 50% partner ROI. We note this was from churn reduction in the AT&T DirecTV product only.
- The company plan to secure **10 Paid Programs** (Business Product Sales) into the Pay TV/Internet vertical in CY18e. This is in addition to the previously announced intention to secure **15 Paid Programs in the Insurance vertical and 150 Paid Programs on the UPD MoveHQ platform by CY18e end.**
- The company is currently pre selling Business Products in Full Service Moving and Insurance, and UPD's 2018 goal is to be actively selling in 5 verticals.
- UPD expect initial revenue excluding Real Estate Products to be received in Q4 2017. The company also expect **aggressive QoQ revenue growth through CY18e.**

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 ultimately aims to engage in **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 view **critical major opportunities to derisk the business are revenue growth from Business Products ramp up and Paid Program announcements in CY18e.**

Recommendation:

- We maintain a **Buy recommendation and a price target range of A\$1.70-3.14/CDI.** We keenly anticipate Business Products ramp up in coming quarters, as well as revenue growth through CY18e.
- Near term catalysts include: **1) Business Products ramp up; 2) contracts with numerous business partners in the near term; 3) revenue growth QoQ 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\$)	\$ 1.32
ASX Code	UPD
52 week low - high (A\$)	0.38-1.445
Valuation Methodology	PE multiple

Capital structure	
CDIs on Issue (M)	539
Market Cap (A\$M)	712
Net Cash/(Debt) (A\$M)	69
EV (A\$m)	643
Options (M)	126
Warrants (M)	6
12mth Av Daily Volume ('000)	486

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%

Price Graph



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The analyst does not own UPD securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 3,776,432 UPD CDIs and 120,000 options on UPD common stock.

Cranport Pty Ltd owns 4,600,000 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.