



## Updater Inc. (UPD)

Going to market with Business Products

### Event:

- FY18e revenue guidance; reconfirming FY18e objectives; FY17a result.

### Analysis:

- Market penetration now stands at 18.0% at Q4FY17a end**, up from 7.1% in Q4FY16a; UPD exceeded the 15% target well ahead of schedule, which they had set at the beginning of FY17. UPD have a new long term market penetration goal of 35%, and this metric will now be updated to the market annually. Processed moves for the year totalled 2.36M in FY17, up 267% on FY16.
- 2018 objectives reaffirmed:** the company aims to be actively selling Business Products in five distinct verticals by CY18e end. UPD also has specific Paid Program targets for the UPD Platform by year end, including 15 Paid Programs in the Insurance vertical; 150 paid programs in the Full service moving vertical, and 10 paid programs in the Pay TV/Internet vertical.
- Management has now guided for US\$19-23M FY18e revenue.** Management had previously expected 8-10x growth on FY17a revenue.
- Strong cash position with A\$64M on hand at 31 December and nil debt.** The company is well funded to continue in its growth phase, and execute on FY18e objectives.
- FY17a result highlights** included the beginning of UPD's anticipated revenue stream (US\$2.2M for FY17a), a net loss of US\$13.7M for the year as the company is in early growth phase, and increased operating expenses and capability to enable go to market for its Business Products. Cash used in operating activities for the year was US\$11.7M.

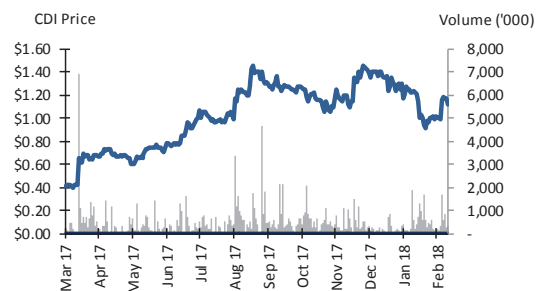
### Earnings and Valuation:

- 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. We note UPD estimate US\$85M p.a. revenue potential for year from the Pay TV/Internet vertical, assuming 75% partner ROI, 35% market penetration, 224% lift rate per pilot result, and US\$2,700 lifetime revenue per customer. We have not included revenue opportunities from verticals other than insurance in our valuation at this stage.
- 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 opportunities to derisk the business are revenue growth from Business Products ramp up and Paid Program announcements through the course of 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; 4) continued market penetration.**

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>\$ 1.12</b>
ASX Code	UPD
52 week low - high (A\$)	0.395-1.455
Valuation Methodology	PE multiple
Capital structure	
CDIs on Issue (M)	540
<b>Market Cap (A\$M)</b>	<b>605</b>
Net Cash/(Debt) (A\$M)	64
<b>EV (A\$M)</b>	<b>541</b>
Options (M)	131
Warrants (M)	6
12mth Av Daily Volume ('000)	506
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	8.0%
Grant Schaffer	5.7%
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 3,723,057 UPD CDIs and 120,000 options on UPD common stock.

Cranport Pty Ltd owns 4,500,000 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.