



Updater Inc. (UPD)

Fourth Vertical is DIY Moving

Event:

- DIY Moving Pilot Results.

Analysis:

- UPD has announced its DIY moving vertical pilot results. DIY moving makes up 12M+ moves p.a., and the UPD platform offers users a single portal for organising truck rental and packing supplies.
- 126% lift rate: users exposed to the UPD platform purchased the featured DIY moving provider at a 126% higher rate (lift rate) over those in the control group (1,000 sample in the Treated Group at 99% confidence). The latest results add to the database of excellent pilot results so far: 93% lift rate for the insurance vertical, 224% lift rate for pay TV/internet, and 520% for full service moving.
- DIY moving will be the fourth vertical targeted for Business Product sales in CY18e, joining the insurance, pay TV/internet, and full service moving verticals as nominated targets. The fifth vertical will be announced later this year.
- Completes the moving service segment for UPD, which we see as the critical touchpoint for engaging users in the first instance through a positive user experience. From here, UPD aims to build trust and engagement to enable revenue generation in products from other verticals.
- Management reaffirmed US\$19-23M FY18e revenue target. The company is anticipating launching numerous Paid Programs (performance and access fees from businesses to feature on the UPD platform) across full service moving, Insurance, and Pay TV/Internet in 1H CY18e, with the majority of revenue anticipated in 2H CY18e.
- The company aims to be actively selling Business Products in five distinct verticals by CY18e end. Specific Paid Program targets include 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. The Paid Programs target for DIY moving will be announced later this year.

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 have not included revenue opportunities from other verticals 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
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\$)	0.60-1.455
Valuation Methodology	PE multiple
Capital structure	
CDIs on Issue (M)	540
Market Cap (A\$M)	713
Net Cash/(Debt) (A\$M)	64
EV (A\$m)	650
Options (M)	131
Warrants (M)	6
12mth Av Daily Volume ('000)	516

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

Major Shareholders	
David Greenberg	22.5%
Ryan Hubbard	8.0%
Grant Schaffer	5.7%
Thorney Investment Group	4.8%



Analyst: Matthew Chen +61 2 9993 8130

matthew.chen@fostock.com.au

The analyst does not own UPD securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 3,455,163 UPD CDIs and 120,000 options on UPD common stock.

Cranport Pty Ltd owns 4,000,000 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.