



WILSONS

Conviction Insights Report

Conviction Insights represents
our highest conviction calls from
across our coverage universe.

5 November 2020

The Latest

This month we add United Malt (UMG) to our Conviction Insights lineup. A large commercial malt producer with processing plants in North America, Australia and the UK, our inclusion of UMG and our overweight recommendation rests on a number of factors:

1. We are attracted to UMG's quality asset base and reasonably defensive revenue profile.
2. Peer earnings results and associated commentary indicate an improved sales trajectory and re-stocking in the off-premise channel. Our industry feedback suggests ordering patterns have improved further in recent weeks.
3. Valuation is attractive, offering a free cash flow (FCF) yield of -8% and trading on an FY21 cash price-to-earnings (P/E) ratio of -12.5x.

Recent Developments Across Conviction Insights

Food & Agriculture / Automotive

ARB Corporation (ARB)	ARB confirmed a strong start to FY21 with sales +18% and significant margin expansion. Excellent growth was achieved in export markets, while domestic sales remain constrained by new vehicle supply and the Melbourne lockdown.
Collins Foods (CKF)	Restaurant brands reported 3QCY20 same store sales growth (SSSG) of +3.3% in Australia (2Q20 -1.3%) and +5.9% in NZ (2Q20 +3%), which shows that trading activity is improving as lockdown restrictions are eased. Renewed lockdown restrictions in the Netherlands and Germany are minor concerns.
United Malt (UMG)	Peer earnings results and associated commentary indicate an improved sales trajectory and re-stocking in the off-premise channel. Our industry feedback suggests ordering patterns have improved further in recent weeks.

Healthcare / Biotechnology

Integral Diagnostics (IDX)	Integral Diagnostics continues to perform above industry averages through market share gains and to a lesser extent pricing. The 1Q21 update reported good organic revenue growth (4.2% versus pcp) considering that 30% of their practices are in VIC. Recent FY20 acquisitions, Imaging QLD and Ascot Radiology, are performing in line with expectations despite a second wave lockdown in Auckland (relevant to Ascot). This result confirms the strength of QLD and NZ markets – particularly in QLD, which is supported by anecdotal feedback of market share gains by South Coast Radiology. Revenue resilience despite VIC and NZ lockdowns is positive.
Telix Pharmaceuticals (TLX)	A subdued news flow month for Telix spent finalising its Investigational New Drug filing for TLX591 in prostate cancer therapy. Telix's Phase III trial plans to target second line therapy, which is ambitious and somewhat controversial in the market's view given Novartis' competing program was relegated by the FDA to salvage therapy. If the FDA supports Telix's proposal, that should lead the market to re-rate TLX591 in valuations.
ResMed (RMD)	1Q21 earnings beat again. We have warned that the next few quarters could be volatile because it is difficult to predict the degree to which slowing ventilator demand can be met by sequential improvement in the sleep business. On a brighter note, ResMed unveiled a surprising new product launch aimed at the homecare market, which looks to compete directly with Fisher & Paykel.

Technology

Whispir (WSP)	Following what we saw as a solid 1Q21, the next catalyst for Whispir will be an update on its US go-to-market strategy expected in the first half of November.
Appen (APX)	There have been no recent developments of note at Appen. With Appen being a December y/end business, there are no catalysts until the FY20 result in February.
ReadyTech (RDY)	New government stimulus measures including a wage subsidy funding ~100,000 new apprenticeships bodes well for ReadyTech customers in the education sector. Management is supportive and confident of new stimulus measures, and at a recent market presentation noted strong momentum across the business.

The Latest

Key Financial Metrics for Conviction Insights

Fund Name	Ticker	Mkt cap (\$M)	RoCE (%)	EPS growth (%)			Net debt (\$M)	Net debt / EBITDA (x)	PER (x)			Consensus rating *
				FY20	FY21	FY22			FY20	FY21	FY22	
Food & Agriculture / Automotive												
ARB Corporation Limited	ARB	2,484	24%	1%	38%	(5%)	(42)	-0.4x	42.2x	30.5x	32.1x	2.9
Collins Foods Limited	CKF	1,116	14%	5%	14%	5%	201	1.7x	23.6x	20.8x	19.9x	1.7
United Malt	UMG	1,230	6%	(33%)	29%	6%	304	2.2x	20.0x	15.5x	14.6x	2.9
Healthcare / Biotechnology												
Integral Diagnostics Limited	IDX	818	11%	2%	3%	20%	220	3.4x	24.7x	23.9x	20.0x	2.0
Telix Pharmaceuticals Limited	TLX	549	-142%	(8%)	94%	1560%	(13)	0.4x	n/a	n/a	19.9x	1.6
ResMed Inc.	RMD	40,112	24%	31%	6%	6%	836	0.9x	37.9x	35.8x	33.7x	3.2
Technology												
Whispir Limited	WSP	354	-151%	36%	18%	70%	(12)	1.6x	n/a	n/a	n/a	2.3
Appen	APX	3,923	22%	8%	59%	26%	(147)	-1.2x	64.0x	40.3x	32.1x	2.3
ReadyTech Holdings Limited	RDY	159	13%	56%	3%	10%	17	1.1x	19.1x	18.5x	16.8x	2.0

* 1 - Overweight. 3 - Market weight. 5 - Underweight

Source: Wilsons, Capital IQ

ARB Corporation (ARB)

Recommendation	OVERWEIGHT
Target	\$33.50
Sector	Automotive

ARB Corporation develops, manufactures, distributes and retails four-wheel drive vehicle accessories.

The company has manufacturing and warehousing facilities in Australia and Thailand, an ARB-branded retail store network in Australia, and wholesale distribution in Australia, the USA and numerous other export markets.

Investment thesis

We are attracted to ARB's fully vertically-integrated business model and dominant market position in the core Australian market. Long-term growth is underpinned by further

structural shifts to 4X4/SUVs and ARB's significant investment in product development and distribution. Export markets are an increasing focus for this investment in product development and distribution. Net cash on the balance sheet gives ARB the flexibility and firepower to fund these growth drivers.

RISKS AND CATALYSTS

Risks

Changes in business and consumer sentiment will influence demand. FX movements, particularly the A\$ versus THB will impact margins.

Catalysts

New vehicle sales are an important driver of demand. Announcements on new product and distribution in export markets.

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Share information

Share price @ 02-Nov-20 (AUD)	\$30.72
Forecast 12-mth capital return	9.0%
Forecast 12-mth dividend yield	1.5%
12-mth total shareholder return	10.6%
Market cap	\$2,484m
Enterprise value	\$2,437m
Shares on issue	81m
Sold short	0.3%
ASX 300 weight	0.1%
Median turnover/day	\$5.2m

12-mth price performance (\$)

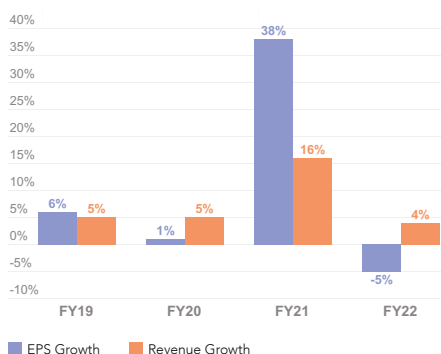


Earnings forecast

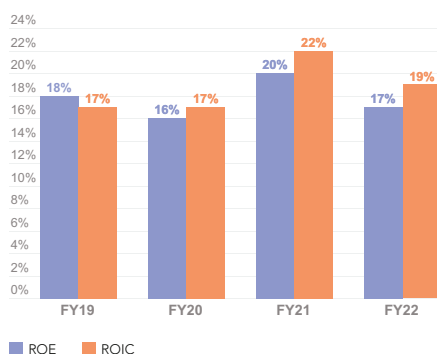
Year-end June (AUD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	54.1	57.3	80.5	76.3	85.1
NPAT norm (\$m)	57.1	58.1	80.5	76.3	85.1
Consensus NPAT (\$m)			72.5	74.0	81.6
EPS norm (cps)	72.0	72.9	100.8	95.6	106.7
EPS growth (%)	5.6	1.2	38.4	-5.2	11.5
P/E norm (x)	42.7	42.2	30.5	32.1	28.8
EV/EBITDA (x)	26.6	25.6	19.3	20.1	18.3
FCF yield (%)	1.4	2.8	2.3	2.7	2.8
DPS (cps)	39.5	39.5	46.5	52.5	58.5
Dividend yield (%)	1.3	1.3	1.5	1.7	1.9
Franking (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Wilsons estimates, S&P Capital IQ

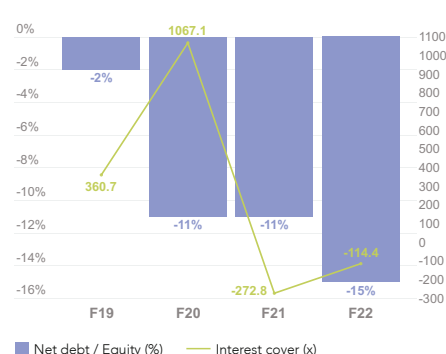
Growth rates



Returns



Solvency



Source: Wilsons estimates



Collins Foods (CKF)

Recommendation

OVERWEIGHT

Target

\$10.87

Sector

Restaurants

Collins Foods operates franchise networks under the KFC brand in Australia and Europe, and the Taco Bell brand in Australia.

Investment thesis

Momentum in the KFC Australia brand remains robust, with strong consumer engagement and effective cost control. This provides a stable platform and strong cash flow to fund growth opportunities in KFC Europe and Taco Bell. The balance sheet has meaningful capacity available to fund additional growth opportunities.

RISKS AND CATALYSTS

Risks

Economic conditions and consumer sentiment will influence demand. Execution of growth plans in new geographies / brands.

Catalysts

Success of promotional campaigns, execution of store opening and refurbishment targets, and acquisitions.

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Share information

Share price @ 02-Nov-20 (AUD)	\$9.57
Forecast 12-mth capital return	13.6%
Forecast 12-mth dividend yield	2.4%
12-mth total shareholder return	16.0%
Market cap	\$1,116m
Enterprise value	\$1,312m
Shares on issue	117m
Sold short	0.2%
ASX 300 weight	0.1%
Median turnover/day	\$4.1m

12-mth price performance (\$)



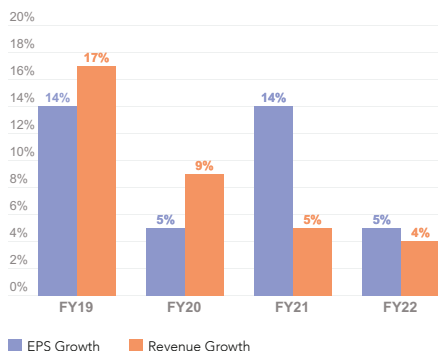
	1 Mth	6 Mths	12 Mths
Abs return (%)	-6.4	38.3	-4.0
Rel return (%)	-7.7	20.6	2.4

Earnings forecast

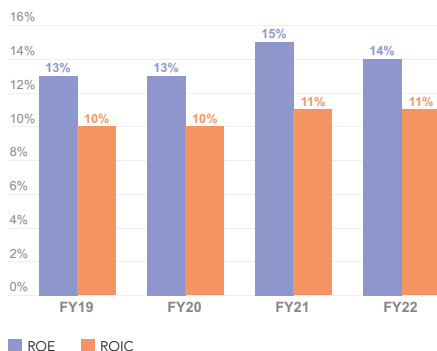
Year-end May (AUD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	39.1	31.3	52.3	54.8	64.7
NPAT norm (\$m)	45.0	47.2	53.7	56.2	66.1
Consensus NPAT (\$m)			45.6	52.3	63.9
EPS norm (cps)	38.6	40.5	46.1	48.2	56.7
EPS growth (%)	13.9	4.8	13.7	4.6	17.8
P/E norm (x)	24.8	23.6	20.8	19.9	16.9
EV/EBITDA (x)	11.5	10.9	10.0	9.5	8.3
FCF yield (%)	6.5	6.8	5.9	6.7	8.5
DPS (cps)	19.5	20.0	23.0	24.0	29.0
Dividend yield (%)	2.0	2.1	2.4	2.5	3.0
Franking (%)	100.0	100.0	100.0	100.0	100.0

Source: Company data, Wilsons estimates, S&P Capital IQ

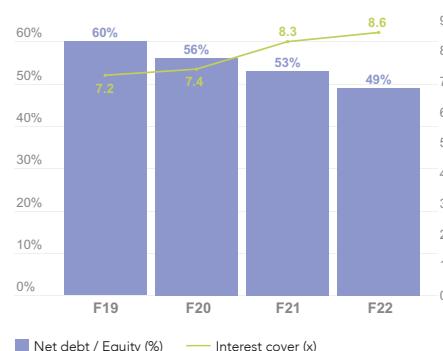
Growth rates



Returns



Solvency



Source: Wilsons estimates

United Malt (UMG)

Recommendation

OVERWEIGHT

Target

\$4.81

Sector

Food Products

United Malt is a large commercial malt producer with processing plants in North America, Australia and the UK.

United Malt also operates an international distribution business, which provides a full service offering for craft brewers and distillers including malt, hops, and related products.

Investment thesis

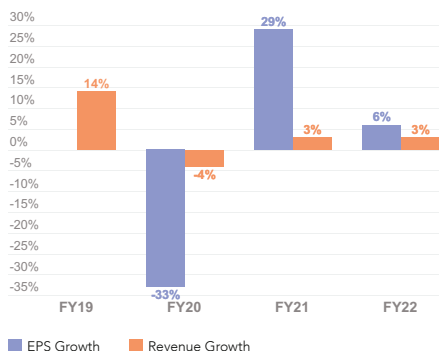
We are attracted to United Malt's quality asset base and reasonably defensive revenue profile. Underlying growth is modest but stable, and the business generates attractive FCF.

Earnings forecast

Year-end September (AUD)	FY18A	FY19A	FY20F	FY21F	FY22F
NPAT rep (\$m)	78.2	70.4	48.9	78.3	83.1
NPAT norm (\$m)	78.2	70.4	53.9	78.3	83.1
Consensus NPAT (\$m)			47.3	60.0	76.0
EPS norm (cps)			20.5	26.5	28.2
EPS growth (%)			-33.3	29.3	6.2
P/E norm (x)			20.0	15.5	14.6
EV/EBITDA (x)			9.0	7.5	7.1
FCF yield (%)			2.6	9.5	7.7
DPS (cps)			0.0	13.5	14.5
Dividend yield (%)			0.0	3.3	3.5
Franking (%)			0.0	0.0	0.0

Source: Company data, Wilsons estimates, S&P Capital IQ

Growth rates



RISKS AND CATALYSTS

Risks

COVID-19 impact, particularly lockdown restrictions on the on-premise channel. FX movements, particularly the A\$ strengthening against major cross-rates.

Catalysts

Trading updates, industry M&A activity.

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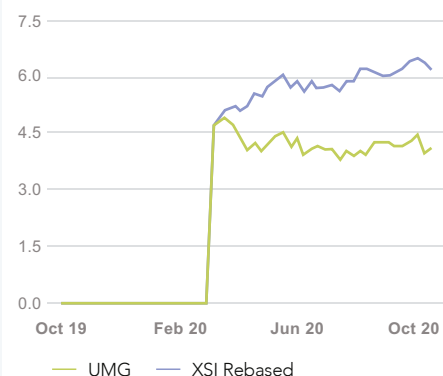
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Share information

Share price @ 02-Nov-20 (AUD)	\$4.11
Forecast 12-mth capital return	17.1%
Forecast 12-mth dividend yield	3.0%
12-mth total shareholder return	20.1%
Market cap	\$1,230m
Enterprise value	\$1,230m
Shares on issue	299m
Sold short	1.7%
ASX 300 weight	0.1%
Median turnover/day	\$3.9m

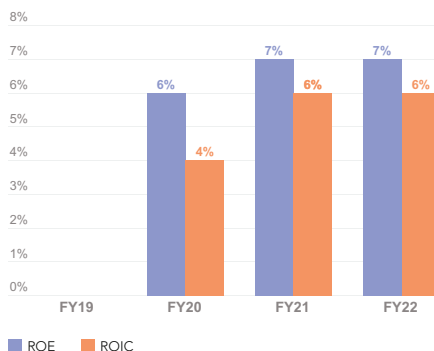
12-mth price performance (\$)



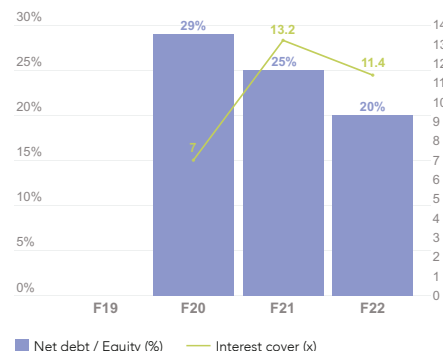
	1 Mth	6 Mths	12 Mths
Abs return (%)	0.5	-0.5	
Rel return (%)	-0.9	-18.1	

Source: Wilsons estimates

Returns



Solvency



Integral Diagnostics (IDX)

Recommendation

OVERWEIGHT

Target

\$4.75

Sector

Health Care Services

Integral Diagnostics is a provider of diagnostic imaging services.

The business owns and operates a network of 74 radiology clinics in VIC, QLD, WA and NZ. Integral provides a full menu of radiology services to GPs and specialists but has an emphasis on high-end technologies and clinical excellence.

Investment thesis

Clinically strong and with a rare ability in healthcare services to extract pricing advantages based on radiologist reputation and service levels, Integral is the fastest growing operator in the

radiology sector. In the past 5 years, the company has also proven itself to be a skillful and diligent M&A practitioner, preferring larger scale aggregation. We assess that Integral has the organic capabilities and M&A capacity to double its business over the next 5 years.

RISKS AND CATALYSTS

Risks

Adverse government funding policies for radiology, competition, elevated asset pricing, retention of key radiologists.

Catalysts

Market share gains, acquisitions, extensions to Medicare coverage for MRI and other complex radiology services.

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Share information

Share price @ 02-Nov-20 (AUD)	\$4.12
Forecast 12-mth capital return	15.3%
Forecast 12-mth dividend yield	3.2%
12-mth total shareholder return	18.5%
Market cap	\$818m
Enterprise value	\$925m
Shares on issue	199m
Sold short	0.2%
ASX 300 weight	0.0%
Median turnover/day	\$1.5m

12-mth price performance (\$)



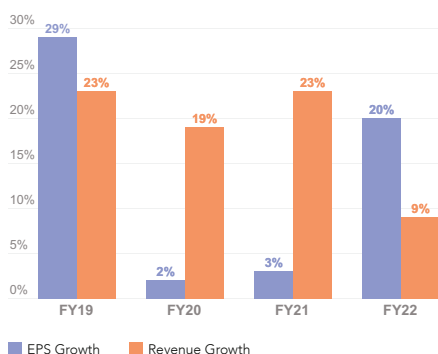
	1 Mth	6 Mths	12 Mths
Abs return (%)	2.2	28.0	17.1
Rel return (%)	0.9	10.3	23.5

Earnings forecast

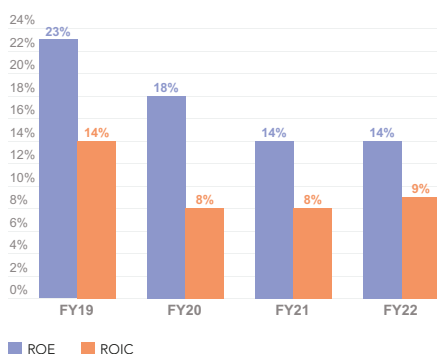
Year-end June (AUD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	21.0	23.0	34.0	40.8	43.5
NPAT norm (\$m)	25.6	31.2	34.0	40.8	43.5
Consensus NPAT (\$m)			36.5	41.9	46.8
EPS norm (cps)	16.3	16.7	17.2	20.6	22.0
EPS growth (%)	29.5	2.4	3.0	19.9	6.6
P/E norm (x)	25.3	24.7	23.9	20.0	18.7
EV/EBITDA (x)	17.5	14.4	11.5	10.2	9.7
FCF yield (%)	1.9	5.5	5.6	6.9	9.6
DPS (cps)	10.0	9.5	13.0	14.0	22.0
Dividend yield (%)	2.4	2.3	3.2	3.4	5.3
Franking (%)	100.0	100.0	100.0	10.00	100.0

Source: Company data, Wilsons estimates, S&P Capital IQ

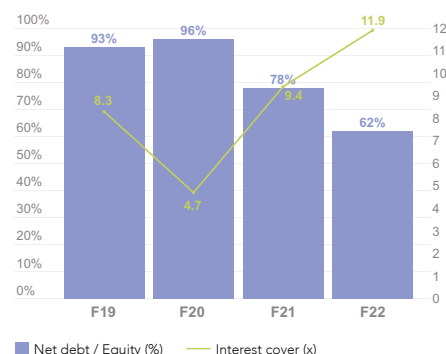
Growth rates



Returns



Solvency



Source: Wilsons estimates

Telix Pharmaceuticals (TLX)

Recommendation

OVERWEIGHT

Target

\$2.73

Sector

Biotechnology

Telix develops radiopharmaceuticals used for imaging and treating cancers.

Their initial product portfolio addresses cancers of the prostate, kidneys and brain.

Investment thesis

Telix is leading a renaissance in global radiopharmaceuticals with deep capabilities in drug design, clinical development, manufacturing and regulatory affairs. Telix's imaging technologies for prostate and kidney cancer should set a new standard of care and see widespread adoption.

The success of these products should provide an earnings platform from which Telix can develop their higher-value, therapeutic products.

RISKS AND CATALYSTS

Risks

Clinical trial results, regulatory decisions, reliance on channel partners, access to development capital.

Catalysts

Product approvals, market access, corporate actions.

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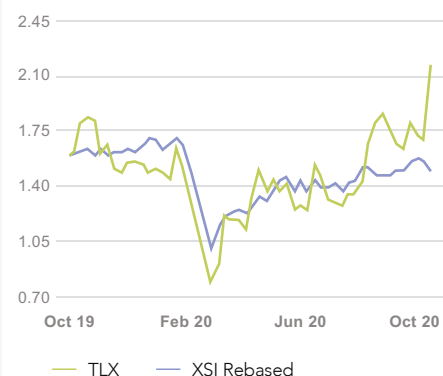
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Share information

Share price @ 02-Nov-20 (AUD)	\$2.16
Forecast 12-mth capital return	26.5%
Forecast 12-mth dividend yield	0.0%
12-mth total shareholder return	26.5%
Market cap	\$549m
Enterprise value	\$565m
Shares on issue	254m
Sold short	0.1%
ASX 300 weight	n/a
Median turnover/day	\$0.8m

12-mth price performance (\$)



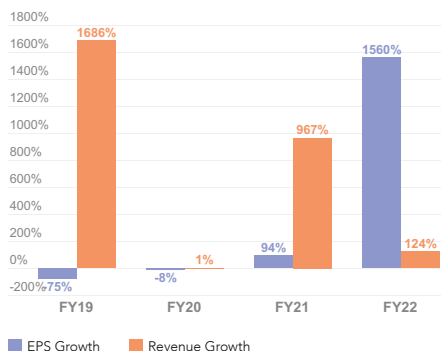
	1 Mth	6 Mths	12 Mths
Abs return (%)	30.1	66.8	35.8
Rel return (%)	28.8	49.1	42.3

Earnings forecast

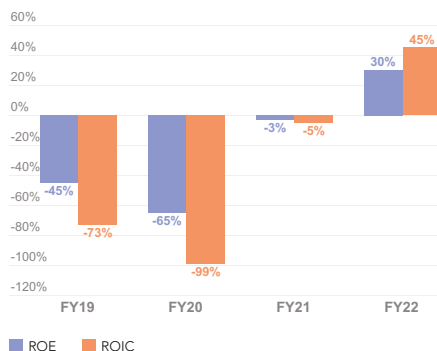
Year-end December (AUD)	FY18A	FY19A	FY20F	FY21F	FY22F
NPAT rep (\$m)	-13.8	-27.9	-34.8	-2.1	30.6
NPAT norm (\$m)	-13.8	-27.9	-34.8	-2.1	30.6
Consensus NPAT (\$m)			-29.9	-19.2	13.6
EPS norm (cps)	-6.8	-11.9	-12.9	-0.7	10.9
EPS growth (%)	-797.0	-74.6	-8.2	94.2	1560.3
P/E norm (x)	-31.6	-18.1	-16.7	-290.6	19.9
EV/EBITDA (x)	-35.9	-23.1	-18.0	270.6	16.5
FCF yield (%)	-3.8	-4.3	-5.3	-3.3	3.5
DPS (cps)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Wilsons estimates, S&P Capital IQ

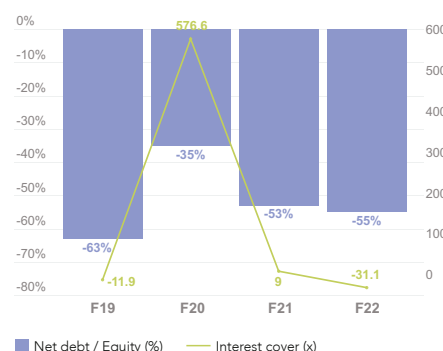
Growth rates



Returns



Solvency



Source: Wilsons estimates

ResMed (RMD)

Recommendation

OVERWEIGHT

Target

\$30.50

Sector

Health Care Equipment

ResMed develops and sells medical devices and software solutions for the management of chronic respiratory diseases.

Investment thesis

ResMed's 'connected care' strategy is a powerful differentiator. ResMed's medical devices share treatment data with the software systems that their customers rely on to deliver care in a profitable way. This strategy continues

to deliver market share gains for their core Sleep business, and we see ResMed replicating this strategy in new settings including chronic obstructive pulmonary disease, neuromuscular disease and respiratory insufficiency.

RISKS AND CATALYSTS

Risks

Higher COVID-19 disruption to sleep volumes, competition, pricing, delays to Respiratory Care strategy, FX (exposed to EUR, A\$).

Catalysts

Product approvals, market share, M&A, strong sales growth in Respiratory Care.

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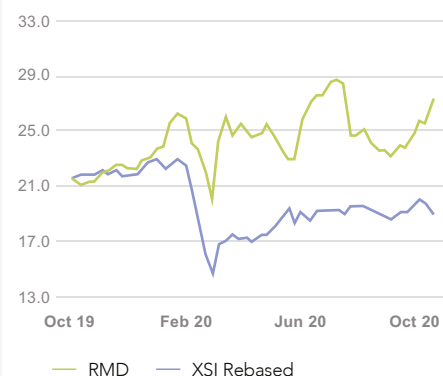
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Share information

Share price @ 02-Nov-20 (AUD)	\$27.47
Forecast 12-mth capital return	11.0%
Forecast 12-mth dividend yield	0.8%
12-mth total shareholder return	11.9%
Market cap	\$9,819m
Enterprise value	\$9,279m
Shares on issue	357m
Sold short	1.1%
ASX 300 weight	0.5%
Median turnover/day	\$28.2m

12-mth price performance (\$)



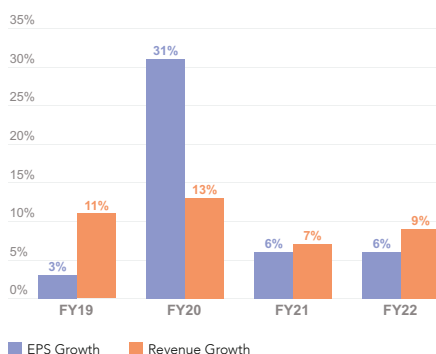
	1 Mth	6 Mths	12 Mths
Abs return (%)	17.6	14.1	28.4
Rel return (%)	14.7	0.8	39.5

Earnings forecast

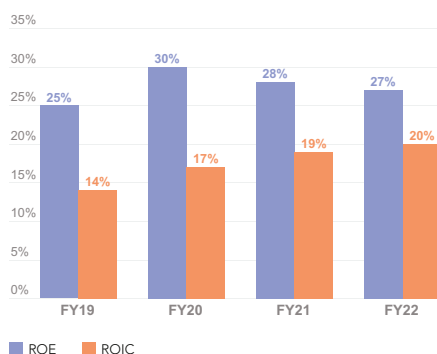
Year-end June (USD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	404.6	621.7	705.4	749.7	838.5
NPAT norm (\$m)	526.4	692.8	737.2	783.0	872.0
Consensus NPAT (\$m)			692.2	774.7	860.6
EPS norm (cps)	3.64	4.76	5.05	5.36	5.97
EPS growth (%)	3.1	30.8	6.0	6.2	11.4
P/E norm (x)	49.6	37.9	35.8	33.7	30.2
EV/EBITDA (x)	37.7	27.8	25.2	24.1	22.0
FCF yield (%)	5.7	10.3	11.4	11.5	12.5
DPS (cps)	1.50	1.56	1.66	1.73	1.77
Dividend yield (%)	0.8	0.8	0.9	0.9	0.9
Franking (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Wilsons estimates, S&P Capital IQ

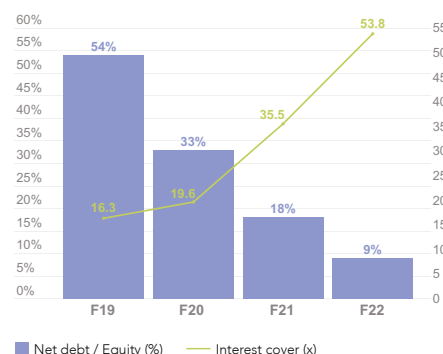
Growth rates



Returns



Solvency



Source: Wilsons estimates

Whispir (WSP)

Recommendation **OVERWEIGHT**

Target **\$5.10**

Sector **Technology**

Whispir provides a cloud-based communications platform to corporate and public sector customers globally.

Their tools connect businesses and people, unifying various messaging systems: SMS, voice, email, web, social media. etc. on one platform. The product is subscription-based and used for business coordination, customer engagement and crisis management.

Investment thesis

Whispir provides exposure to a strongly growing recurring revenue stream (>90% of revenues). Our forecasts assume >30%

revenue growth in FY21E. We are also attracted to the global nature of the business given operations in ANZ, US and APAC. The dual go-to-market strategy provides scale and leverage advantage. With a strong balance sheet (net cash ~\$17m), customers expanding their use of Whispir over time, and a reinvigorated US strategy, we are constructive on the opportunities for Whispir.

RISKS AND CATALYSTS

Risks

ANZ entry by global incumbents, channel partner dependence on Telstra, slower than expected yield from new hires.

Catalysts

Reinvigorated US expansion strategy (expected in October), positive impacts from the expanded senior executive team, ongoing traction offshore – Asia in particular.

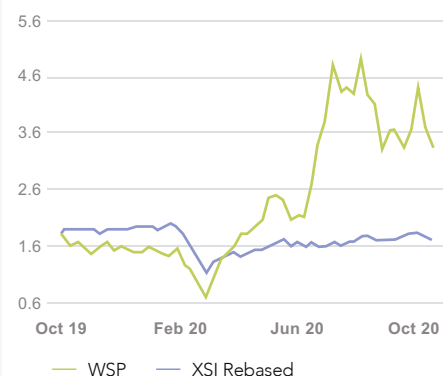
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Share information

Share price @ 02-Nov-20 (AUD)	\$3.40
Forecast 12-mth capital return	50.1%
Forecast 12-mth dividend yield	0.0%
12-mth total shareholder return	50.1%
Market cap	\$354m
Enterprise value	\$339m
Shares on issue	104m
Sold short	1.6%
ASX 300 weight	n/a
Median turnover/day	\$2.2m

12-mth price performance (\$)



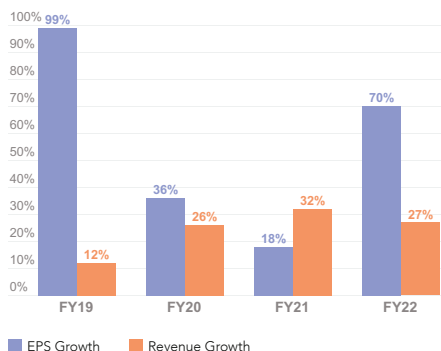
	1 Mth	6 Mths	12 Mths
Abs return (%)	3.7	83.8	82.8
Rel return (%)	2.3	66.1	89.2

Earnings forecast

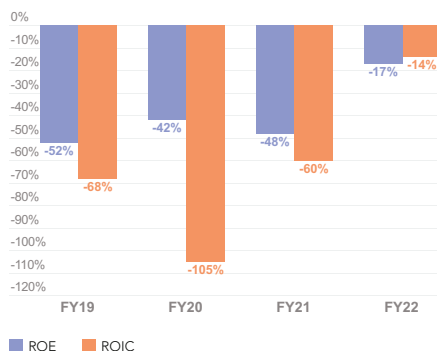
Year-end June (AUD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	-13.3	-9.9	-8.1	-2.4	3.8
NPAT norm (\$m)	-14.4	-9.9	-8.1	-2.4	3.8
Consensus NPAT (\$m)			-8.1	-4.0	1.3
EPS norm (cps)	-14.4	-9.2	-7.6	-2.2	3.5
EPS growth (%)	98.5	36.0	18.0	70.3	255.9
P/E norm (x)	-23.6	-36.9	-45.0	-151.6	97.2
EV/EBITDA (x)	-24.3	-46.6	-87.4	199.3	36.6
FCF yield (%)	-3.3	-2.3	-1.1	0.7	2.8
DPS (cps)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Wilsons estimates, S&P Capital IQ

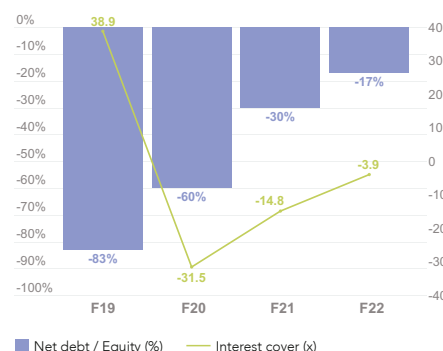
Growth rates



Returns



Solvency



Source: Wilsons estimates



Recommendation **OVERWEIGHT**

Target **\$43.99**

Sector **Technology**

Appen is a global leader in the collection, adaptation and labelling of various forms of data for some of the world's leading global technology firms.

Appen accurately analyses increasingly vast quantities of data in a timely manner at a competitive price, placing it well to capitalise on the secular growth story of Artificial Intelligence and Machine Learning.

Investment thesis

Our overweight recommendation is based on the following factors: a strong and growing track record of performance and profit growth, high quality customers, albeit very

concentrated (>85% of FY19 revenue), Appen is one of two leading global players, with a material gap to the 3rd biggest player, strong secular trends with AI-related revenues to grow at a ~40% CAGR and 3rd Party Data Labelling revenues to grow at a ~55% CAGR over the coming ~5 years; and Appen's dynamic growth strategy where it supplements its robust, core organic growth with strategic acquisitions.

RISKS AND CATALYSTS

Risks

High customer concentration, limited revenue visibility, FX fluctuations, successful recruitment and retention of its crowd workers, acquisitions not meeting expectations.

Catalysts

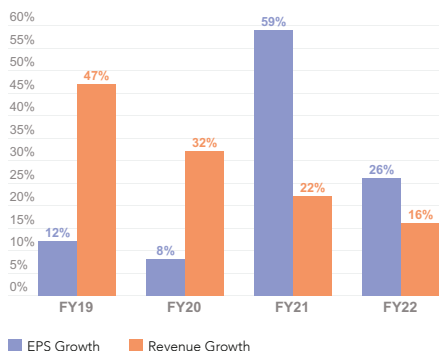
Operating leverage from improved execution and automation, continued strong demand from their major customers, material traction in the government sector.

Earnings forecast

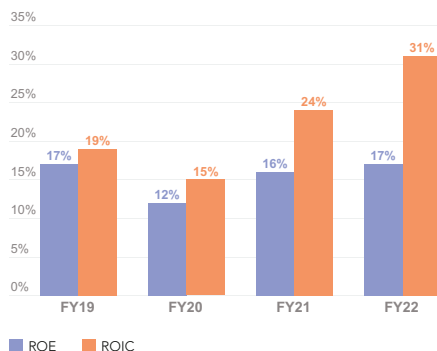
Year-end December (AUD)	FY18A	FY19A	FY20F	FY21F	FY22F
NPAT rep (\$m)	41.7	41.1	64.2	99.3	124.6
NPAT norm (\$m)	44.9	54.2	62.4	99.3	124.6
Consensus NPAT (\$m)			76.7	101.4	127.5
EPS norm (cps)	41.6	46.7	50.4	80.0	100.4
EPS growth (%)	113.8	12.1	7.9	58.7	25.5
P/E norm (x)	77.4	69.1	64.0	40.3	32.1
EV/EBITDA (x)	53.8	38.0	30.0	21.4	17.8
FCF yield (%)	1.2	1.7	3.6	3.8	4.6
DPS (cps)	8.0	9.0	9.5	11.5	13.5
Dividend yield (%)	0.2	0.3	0.3	0.4	0.4
Franking (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, Wilsons estimates, S&P Capital IQ

Growth rates



Returns



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Share information

Share price @ 02-Nov-20 (AUD)	\$32.25
Forecast 12-mth capital return	36.4%
Forecast 12-mth dividend yield	0.3%
12-mth total shareholder return	36.7%
Market cap	\$3,923m
Enterprise value	\$3,831m
Shares on issue	122m
Sold short	2.7%
ASX 300 weight	0.2%
Median turnover/day	\$22.8m

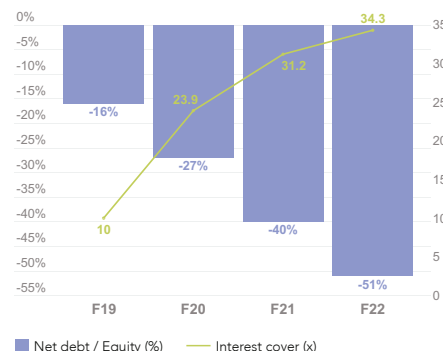
12-mth price performance (\$)



	1 Mth	6 Mths	12 Mths
Abs return (%)	-4.3	27.4	54.4
Rel return (%)	-7.3	14.1	65.6

Source: Wilsons estimates

Solvency



ReadyTech (RDY)

Recommendation

OVERWEIGHT

Target

\$2.60

Sector

Technology

ReadyTech is a leading provider of education and employment software.

ReadyTech has been operating within the education and employment markets for the past 20 years and offers end-to-end solutions for both verticals. The products have broad functionality including student management systems and payroll. The group services >4,000 customers. Education modules include: student management software, student self-service platforms, analytics and more. Employment solutions include: payroll management, onboarding, expense management, business intelligence and more.

Investment thesis

We are attracted to the high recurring revenue mix, uncommonly strong EBITDA margins and FCF. ReadyTech seems well placed to drive double digit top-line growth setting the group apart from peers. RDY's product is also integral to the investment case – the company has built a market-leading, modern, cloud-based solution which caters to mission critical business functions.

RISKS AND CATALYSTS

Risks

Increase in churn, declining \$ renewals from education customers, further downstream entry by larger comps.

Catalysts

Value-add M&A, improved liquidity and private equity dilution, flagship contract win upstream.

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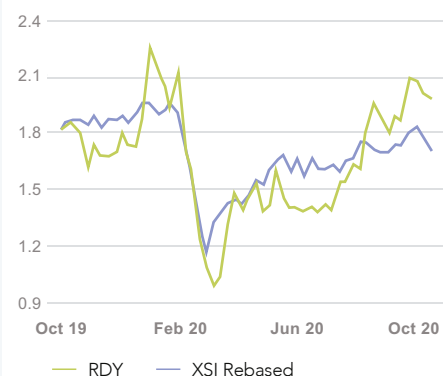
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Share information

Share price @ 02-Nov-20 (AUD)	\$1.99
Forecast 12-mth capital return	30.5%
Forecast 12-mth dividend yield	0.0%
12-mth total shareholder return	30.5%
Market cap	\$159m
Enterprise value	\$175m
Shares on issue	80m
Sold short	
ASX 300 weight	n/a
Median turnover/day	\$0.1m

12-mth price performance (\$)



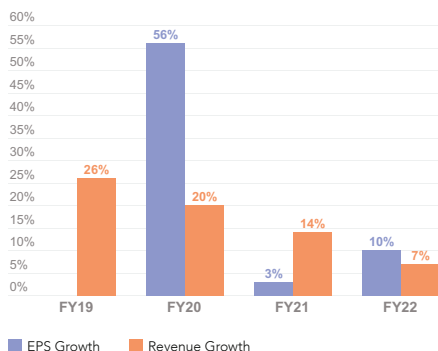
	1 Mth	6 Mths	12 Mths
Abs return (%)	5.6	36.8	8.2
Rel return (%)	4.2	19.1	14.6

Earnings forecast

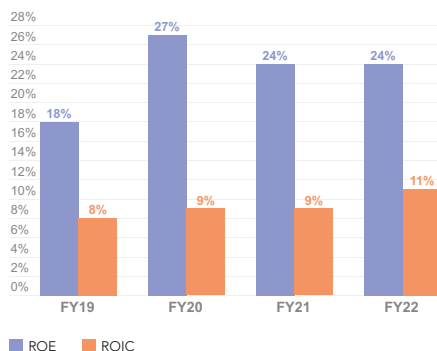
Year-end June (AUD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	1.9	3.9	4.1	4.7	5.6
NPAT norm (\$m)	5.4	8.3	8.6	9.5	10.7
Consensus NPAT (\$m)			6.1	7.1	8.4
EPS norm (cps)	6.7	10.4	10.7	11.9	13.3
EPS growth (%)		55.6	3.1	10.3	12.4
P/E norm (x)	29.7	19.1	18.5	16.8	14.9
EV/EBITDA (x)	14.0	11.3	10.3	9.4	8.6
FCF yield (%)	1.4	8.2	9.0	9.9	11.2
DPS (cps)	0.0	0.0	0.0	0.0	5.3
Dividend yield (%)	0.0	0.0	0.0	0.0	2.7
Franking (%)	0.0	0.0	0.0	100.0	100.0

Source: Company data, Wilsons estimates, S&P Capital IQ

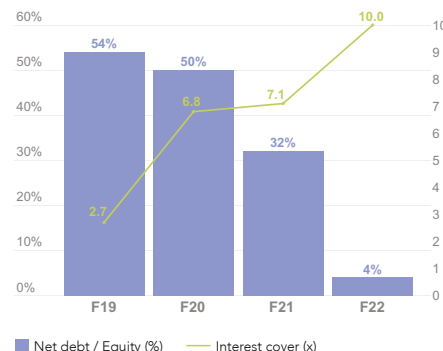
Growth rates



Returns



Solvency



Source: Wilsons estimates

Disclaimer and Disclosures

Recommendation structure and other definitions

Definitions at www.wilsonsadvisory.com.au/disclosures.

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