



WILSONS

Conviction Insights Report

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

1 December 2020

The Latest

This month we remove United Malt (UMG) from our Conviction Insights lineup. A large commercial malt producer with processing plants in North America, Australia and the UK, its removal is driven by two factors:

1 The United Malt share price has performed strongly over the past month, narrowing the valuation gap relative to our view of fair value.

2 Our conviction in United Malt was partly predicated on evidence of improved trading conditions and the recent FY20 result saw earnings exceed consensus expectations.

Recent Developments Across Conviction Insights

Food & Agriculture / Automotive

| | |
|-----------------------|---|
| ARB Corporation (ARB) | Industry feedback suggests demand levels in the automotive aftermarket remain buoyant. October new vehicle sales confirmed an improvement in volumes for the 4X4 segment, which suggests supply constraints are starting to ease. |
| Collins Foods (CKF) | We hosted Restaurant Brands at the Wilsons Rapid Insights conference and management confirmed an improvement in sales growth for its Australian operations. This presents a positive read-through for Collins Foods. |

Healthcare / Biotechnology

| | |
|-----------------------------|---|
| Integral Diagnostics (IDX) | Integral Diagnostics gave a positive update at our Rapid Insights conference. Medicare data also underlined good volume and benefits growth in QLD and WA which will benefit Integral. Asset pricing is high in the sector leading to a preference for brown and greenfield expansion. Four greenfields are maturing earnings over the forecast period: the specialist prostate centre in North Melbourne, the Peel Specialist practice in WA, and two centres on the Gold Coast (Spine Group, Miami Beach). |
| Telix Pharmaceuticals (TLX) | Since our last update Telix has signed an agreement with China Grand Pharmaceutical that will allow Telix to enter the Chinese market with their range of diagnostic and therapeutic assets, as well as receiving a nice US\$50M initial kick to their cash balance. They have also recently had their TLX591-CDx NDA accepted by the FDA and their pivotal Phase III prostate cancer therapeutic trial design is set to be finalised in mid-December. Confirmation of whether they have been granted priority review status will be another December catalyst. |
| ResMed (RMD) | 1Q21 earnings beat forecasts by 27%. Elevated R&D activity and a solid inventory build were both positive signals that major strategic plans (SaaS integration across customer settings, specific, device-level innovation in Respiratory Care, a potential AirSense platform refresh) have restarted, having been put on hold through the acute phase of the COVID-19 pandemic. We upgraded target 7% to A\$30.50/CDI. |

Technology

| | |
|-----------------|---|
| Whispir (WSP) | Following a solid 1Q21, the US go-to-market strategy update was disappointing and lacked depth of quantitative analysis, but their goal of 30% of revenue coming from the US by FY23E was encouraging and constructive. |
| 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) | This month RDY proposed the acquisition of Open Office, a local Government Software vendor that also services the Justice Case market. With the deal EPS accretive in the low double digit % range, we are encouraged by the increased scale of the RDY group and the increasing diversity of revenue sources. The transaction is expected to close early CY21 given FIRB approval is required. |

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 | 2,304 | 24% | 1% | 38% | (5%) | (42) | -0.4x | 39.1x | 28.3x | 29.8x | 2.9 |
| Collins Foods Limited | CKF | 1,097 | 14% | 5% | 14% | 5% | 201 | 1.7x | 23.2x | 20.4x | 19.5x | 1.7 |
| Healthcare / Biotechnology | | | | | | | | | | | | |
| Integral Diagnostics Limited | IDX | 844 | 11% | 2% | 3% | 20% | 220 | 3.4x | 25.4x | 24.7x | 20.6x | 2.0 |
| Telix Pharmaceuticals Limited | TLX | 825 | 30% | 127% | (380%) | 215% | (91) | -7.6x | 101.3x | n/a | 31.6x | 1.7 |
| ResMed Inc. | RMD | 40,112 | 24% | 31% | 6% | 6% | 836 | 0.9x | 43.3x | 40.8x | 38.4x | 2.9 |
| Technology | | | | | | | | | | | | |
| Whispir Limited | WSP | 334 | -151% | 36% | 18% | 70% | (12) | 1.6x | n/a | n/a | n/a | 2.2 |
| Appen Limited | APX | 3,784 | 22% | 8% | 59% | 26% | (147) | -1.2x | 61.7x | 38.9x | 31.0x | 2.2 |
| ReadyTech Holdings Limited | RDY | 190 | 13% | 56% | (3%) | 32% | 17 | 1.1x | 19.6x | 20.2x | 15.3x | 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 @ 27-Nov-20 (AUD) | \$28.50 |
| Forecast 12-mth capital return | 17.5% |
| Forecast 12-mth dividend yield | 1.7% |
| 12-mth total shareholder return | 19.2% |
| Market cap | \$2,304m |
| Enterprise value | \$2,258m |
| Shares on issue | 81m |
| Sold short | 0.3% |
| ASX 300 weight | 0.1% |
| Median turnover/day | \$5.8m |

12-mth price performance (\$)



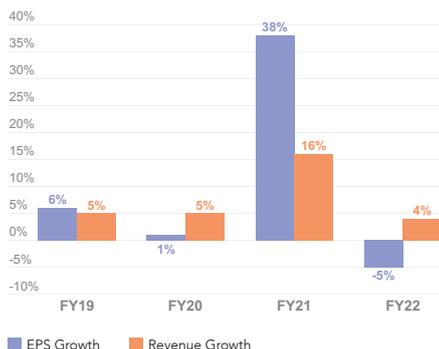
| | 1 Mth | 6 Mths | 12 Mths |
|----------------|-------|--------|---------|
| Abs return (%) | -9.9 | 69.4 | 53.9 |
| Rel return (%) | -18.8 | 54.5 | 52.9 |

Earnings forecast

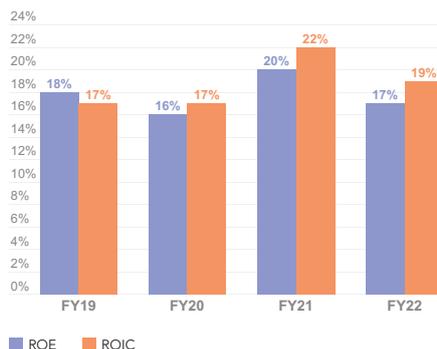
| Year-end June (AUD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|----------------------|-------|-------|-------|-------|-------|
| NPAT rep (\$m) | 54.1 | 57.3 | 80.5 | 76.3 | 85.1 |
| NPAT norm (\$m) | 57.1 | 58.1 | 80.5 | 76.3 | 85.1 |
| Consensus NPAT (\$m) | | | | | |
| EPS norm (cps) | 72.0 | 72.9 | 100.8 | 95.6 | 106.7 |
| EPS growth (%) | 5.6 | 1.2 | 38.4 | -5.2 | 11.5 |
| P/E norm (x) | 39.6 | 39.1 | 28.3 | 29.8 | 26.7 |
| EV/EBITDA (x) | 24.6 | 23.7 | 17.9 | 18.7 | 16.9 |
| FCF yield (%) | 1.5 | 3.1 | 2.5 | 2.9 | 3.0 |
| DPS (cps) | 39.5 | 39.5 | 46.5 | 52.5 | 58.5 |
| Dividend yield (%) | 1.4 | 1.4 | 1.6 | 1.8 | 2.1 |
| Franking (%) | 100 | 100 | 100 | 100 | 100 |

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

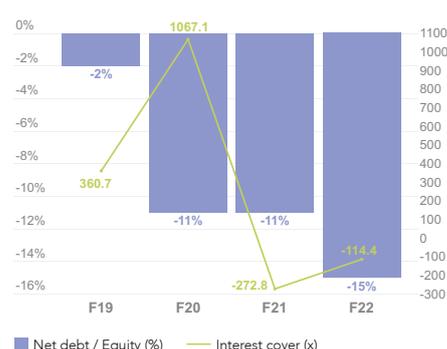
Growth rates



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 @ 27-Nov-20 (AUD) | \$9.41 |
| Forecast 12-mth capital return | 15.5% |
| Forecast 12-mth dividend yield | 2.5% |
| 12-mth total shareholder return | 18.0% |
| Market cap | \$1,097m |
| Enterprise value | \$1,294m |
| Shares on issue | 117m |
| Sold short | 0.2% |
| ASX 300 weight | 0.1% |
| Median turnover/day | \$3.9m |

12-mth price performance (\$)



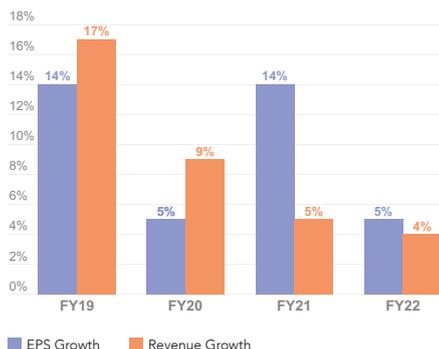
| | 1 Mth | 6 Mths | 12 Mths |
|----------------|-------|--------|---------|
| Abs return (%) | 5.2 | 19.0 | -6.7 |
| Rel return (%) | -14.1 | 4.1 | -7.7 |

Earnings forecast

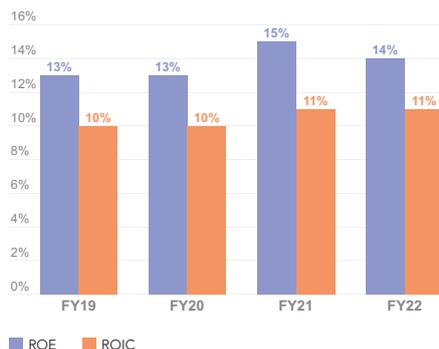
| Year-end May (AUD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|----------------------|-------|-------|-------|-------|-------|
| NPAT rep (\$m) | 39.1 | 31.3 | 52.3 | 54.8 | 64.7 |
| NPAT norm (\$m) | 45.0 | 47.2 | 53.7 | 56.2 | 66.1 |
| Consensus NPAT (\$m) | | | | | |
| EPS norm (cps) | 38.6 | 40.5 | 46.1 | 48.2 | 56.7 |
| EPS growth (%) | 13.9 | 4.8 | 13.7 | 4.6 | 17.8 |
| P/E norm (x) | 24.4 | 23.2 | 20.4 | 19.5 | 16.6 |
| EV/EBITDA (x) | 11.3 | 10.7 | 9.9 | 9.4 | 8.2 |
| FCF yield (%) | 6.6 | 7.0 | 6.0 | 6.8 | 8.6 |
| DPS (cps) | 19.5 | 20.0 | 23.0 | 24.0 | 29.0 |
| Dividend yield (%) | 2.1 | 2.1 | 2.4 | 2.6 | 3.1 |
| Franking (%) | 100 | 100 | 100 | 100 | 100 |

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

Growth rates



Returns



Solvency



Source: Wilsons estimates

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 @ 27-Nov-20 (AUD) | \$4.25 |
| Forecast 12-mth capital return | 11.8% |
| Forecast 12-mth dividend yield | 3.1% |
| 12-mth total shareholder return | 14.8% |

| | |
|---------------------|--------|
| Market cap | \$844m |
| Enterprise value | \$951m |
| Shares on issue | 199m |
| Sold short | 0.2% |
| ASX 300 weight | 0.0% |
| Median turnover/day | \$1.5m |

12-mth price performance (\$)



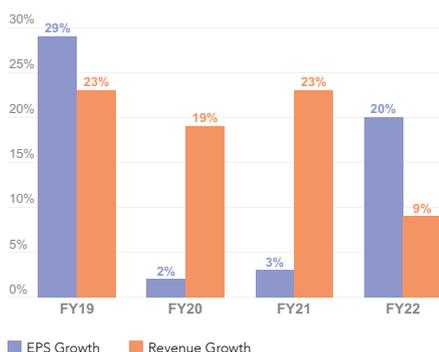
| | 1 Mth | 6 Mths | 12 Mths |
|----------------|-------|--------|---------|
| Abs return (%) | 3.2 | 15.9 | 19.5 |
| Rel return (%) | -5.7 | 1.1 | 18.5 |

Earnings forecast

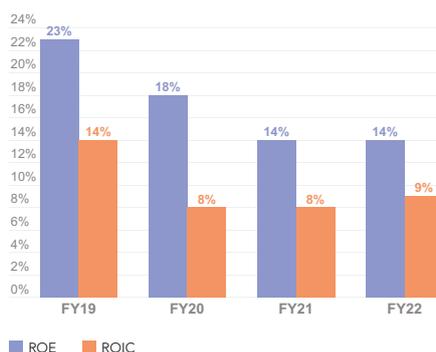
| Year-end June (AUD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|----------------------|-------|-------|-------|-------|-------|
| NPAT rep (\$m) | 21.0 | 23.0 | 34.0 | 40.8 | 43.5 |
| NPAT norm (\$m) | 25.6 | 31.2 | 34.0 | 40.8 | 43.5 |
| Consensus NPAT (\$m) | | | | | |
| EPS norm (cps) | 16.3 | 16.7 | 17.2 | 20.6 | 22.0 |
| EPS growth (%) | 29.5 | 2.4 | 3.0 | 19.9 | 6.6 |
| P/E norm (x) | 26.1 | 25.4 | 24.7 | 20.6 | 19.3 |
| EV/EBITDA (x) | 17.9 | 14.8 | 11.9 | 10.5 | 9.9 |
| FCF yield (%) | 1.8 | 5.3 | 5.4 | 6.7 | 9.3 |
| DPS (cps) | 10.0 | 9.5 | 13.0 | 14.0 | 22.0 |
| Dividend yield (%) | 2.4 | 2.2 | 3.1 | 3.3 | 5.2 |
| Franking (%) | 100 | 100 | 100 | 100 | 100 |

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

Growth rates



Returns



Solvency



Source: Wilsons estimates

Telix Pharmaceuticals (TLX)

Recommendation

OVERWEIGHT

Target

\$3.22

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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Share information

| | |
|--|--------------|
| Share price @ 26-Nov-20 (AUD) | \$3.25 |
| Forecast 12-mth capital return | -1.1% |
| Forecast 12-mth dividend yield | 0.0% |
| 12-mth total shareholder return | -1.1% |
| Market cap | \$825m |
| Enterprise value | \$886m |
| Shares on issue | 254m |
| Sold short | 0.1% |
| ASX 300 weight | n/a |
| Median turnover/day | \$0.9m |

12-mth price performance (\$)



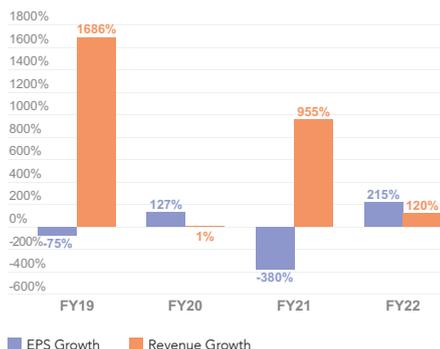
| | 1 Mth | 6 Mths | 12 Mths |
|----------------|-------|--------|---------|
| Abs return (%) | 94.0 | 136.4 | 91.7 |
| Rel return (%) | 85.1 | 121.5 | 121.5 |

Earnings forecast

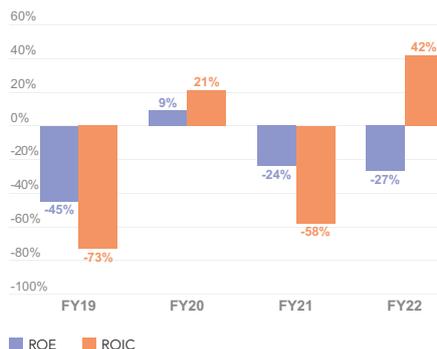
| Year-end December (AUD) | FY18A | FY19A | FY20F | FY21F | FY22F |
|-------------------------|--------|-------|-------|--------|-------|
| NPAT rep (\$m) | -13.8 | -27.9 | 8.6 | -24.9 | 28.3 |
| NPAT norm (\$m) | -13.8 | -27.9 | 8.6 | -24.9 | 28.3 |
| Consensus NPAT (\$m) | | | | | |
| EPS norm (cps) | -6.8 | -11.9 | 3.2 | -9.0 | 10.3 |
| EPS growth (%) | -797.0 | -74.6 | 126.9 | -379.6 | 214.6 |
| P/E norm (x) | -47.5 | -27.2 | 101.3 | -36.2 | 31.6 |
| EV/EBITDA (x) | -56.4 | -36.2 | 73.5 | -40.2 | 27.8 |
| FCF yield (%) | -2.5 | -2.9 | 1.8 | -5.0 | 2.1 |
| 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 |

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

Growth rates



Returns



Solvency



Source: Wilsons estimates

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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Share information

| | |
|--|-------------|
| Share price @ 27-Nov-20 (AUD) | \$28.00 |
| Forecast 12-mth capital return | 8.9% |
| Forecast 12-mth dividend yield | 0.8% |
| 12-mth total shareholder return | 9.7% |
| Market cap | \$10,043m |
| Enterprise value | \$9,530m |
| Shares on issue | 359m |
| Sold short | 0.9% |
| ASX 300 weight | 0.5% |
| Median turnover/day | \$26.6m |

12-mth price performance (\$)



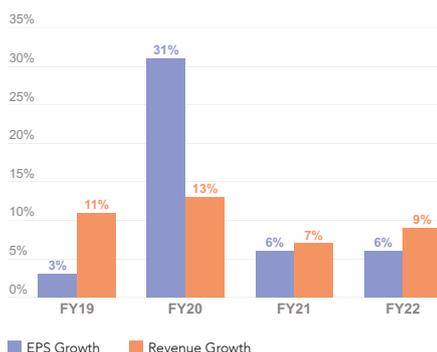
| | 1 Mth | 6 Mths | 12 Mths |
|----------------|-------|--------|---------|
| Abs return (%) | 9.9 | 18.4 | 27.0 |
| Rel return (%) | -1.0 | 3.4 | 31.1 |

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) | | | | | |
| 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) | 56.8 | 43.5 | 41.0 | 38.6 | 34.7 |
| EV/EBITDA (x) | 42.9 | 31.7 | 28.7 | 27.5 | 25.1 |
| FCF yield (%) | 5.3 | 9.5 | 10.6 | 10.7 | 11.6 |
| DPS (cps) | 1.50 | 1.56 | 1.66 | 1.73 | 1.77 |
| Dividend yield (%) | 0.7 | 0.8 | 0.8 | 0.8 | 0.9 |
| Franking (%) | 0 | 0 | 0 | 0 | 0 |

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

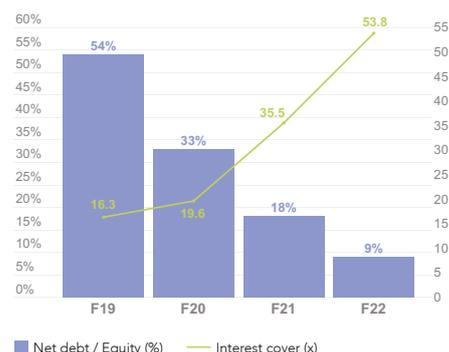
Growth rates



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 @ 27-Nov-20 (AUD) | \$3.20 |
| Forecast 12-mth capital return | 59.5% |
| Forecast 12-mth dividend yield | 0.0% |
| 12-mth total shareholder return | 59.5% |
| Market cap | \$334m |
| Enterprise value | \$318m |
| Shares on issue | 104m |
| Sold short | 1.2% |
| ASX 300 weight | n/a |
| Median turnover/day | \$2.3m |

12-mth price performance (\$)



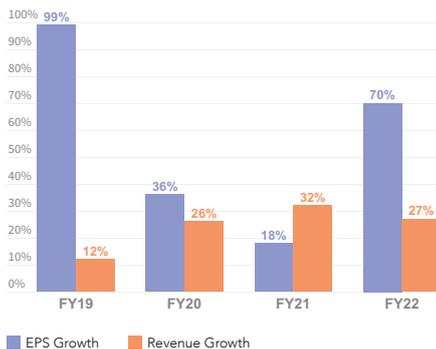
| | 1 Mth | 6 Mths | 12 Mths |
|----------------|-------|--------|---------|
| Abs return (%) | -13.5 | 35.6 | 109.2 |
| Rel return (%) | -22.4 | 20.7 | 108.2 |

Earnings forecast

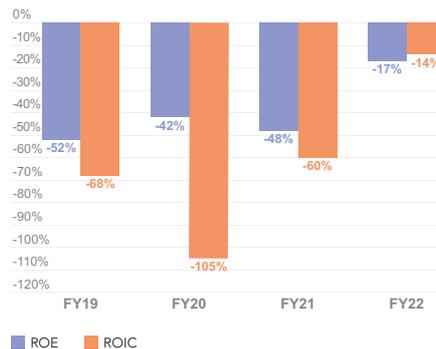
| Year-end June (AUD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|----------------------|-------|-------|-------|--------|-------|
| NPAT rep (\$m) | -13.3 | -9.9 | -8.1 | -2.4 | 3.8 |
| NPAT norm (\$m) | -14.4 | -9.9 | -8.1 | -2.4 | 3.8 |
| Consensus NPAT (\$m) | | | | | |
| EPS norm (cps) | -14.4 | -9.2 | -7.6 | -2.2 | 3.5 |
| EPS growth (%) | 98.5 | 36.0 | 18.0 | 70.3 | 255.9 |
| P/E norm (x) | -22.2 | -34.8 | -42.4 | -142.7 | 91.5 |
| EV/EBITDA (x) | -22.8 | -43.8 | -82.0 | 187.1 | 34.3 |
| FCF yield (%) | -3.5 | -2.4 | -1.2 | 0.7 | 3.0 |
| 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 |

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

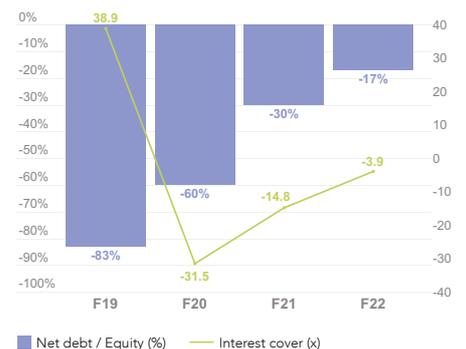
Growth rates



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

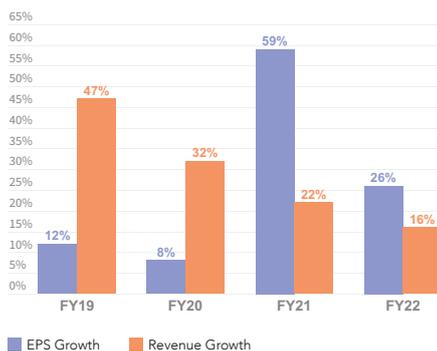
Operating leverage from improved execution and automation, continued strong demand from their major customers, material traction in the government sector.

Earnings forecast

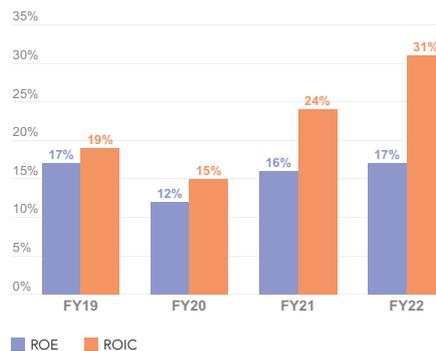
| Year-end December (AUD) | FY18A | FY19A | FY20F | FY21F | FY22F |
|-------------------------|-------|-------|-------|-------|-------|
| NPAT rep (\$m) | 41.7 | 41.1 | 64.2 | 99.3 | 124.6 |
| NPAT norm (\$m) | 44.9 | 54.2 | 62.4 | 99.3 | 124.6 |
| Consensus NPAT (\$m) | | | | | |
| EPS norm (cps) | 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) | 74.7 | 66.6 | 61.7 | 38.9 | 31.0 |
| EV/EBITDA (x) | 51.8 | 36.6 | 28.9 | 20.6 | 17.1 |
| FCF yield (%) | 1.2 | 1.8 | 3.8 | 4.0 | 4.8 |
| DPS (cps) | 8.0 | 9.0 | 9.5 | 11.5 | 13.5 |
| Dividend yield (%) | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 |
| Franking (%) | 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 @ 27-Nov-20 (AUD) | \$31.10 |
| Forecast 12-mth capital return | 41.4% |
| Forecast 12-mth dividend yield | 0.4% |
| 12-mth total shareholder return | 41.8% |
| Market cap | \$3,784m |
| Enterprise value | \$3,692m |
| Shares on issue | 122m |
| Sold short | 2.2% |
| ASX 300 weight | 0.2% |
| Median turnover/day | \$22.1m |

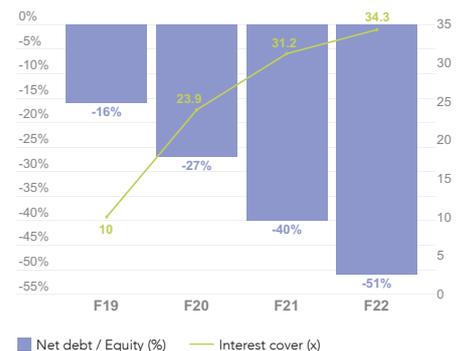
12-mth price performance (\$)



| | 1 Mth | 6 Mths | 12 Mths |
|----------------|-------|--------|---------|
| Abs return (%) | -7.5 | 1.1 | 27.5 |
| Rel return (%) | -18.4 | -13.9 | 31.6 |

Source: Wilsons estimates

Solvency



ReadyTech (RDY)

Recommendation

OVERWEIGHT

Target

\$2.79

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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Share information

| | |
|--|--------------|
| Share price @ 27-Nov-20 (AUD) | \$2.04 |
| Forecast 12-mth capital return | 36.8% |
| Forecast 12-mth dividend yield | 0.0% |
| 12-mth total shareholder return | 36.8% |
| Market cap | \$190m |
| Enterprise value | \$218m |
| Shares on issue | 93m |
| Sold short | |
| ASX 300 weight | n/a |
| Median turnover/day | \$0.1m |

12-mth price performance (\$)



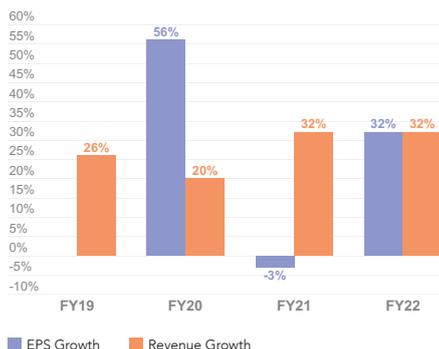
| | 1 Mth | 6 Mths | 12 Mths |
|----------------|-------|--------|---------|
| Abs return (%) | 2.8 | 32.5 | 17.6 |
| Rel return (%) | -6.1 | 17.6 | 16.6 |

Earnings forecast

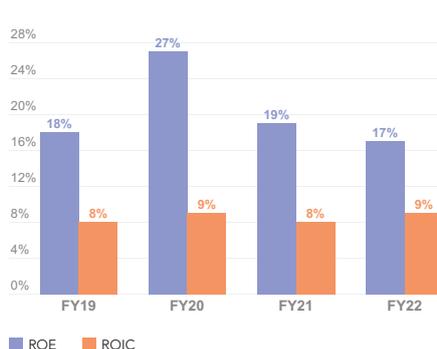
| Year-end June (AUD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|----------------------|-------|-------|-------|-------|-------|
| NPAT rep (\$m) | 1.9 | 3.9 | 4.4 | 8.4 | 10.1 |
| NPAT norm (\$m) | 5.4 | 8.3 | 10.2 | 14.1 | 16.1 |
| Consensus NPAT (\$m) | | | | | |
| EPS norm (cps) | 6.7 | 10.4 | 10.1 | 13.4 | 14.6 |
| EPS growth (%) | | 55.6 | -3.1 | 32.3 | 9.5 |
| P/E norm (x) | 30.4 | 19.6 | 20.2 | 15.3 | 13.9 |
| EV/EBITDA (x) | 17.4 | 14.0 | 11.2 | 8.4 | 7.5 |
| FCF yield (%) | 1.2 | 6.9 | 8.3 | 10.9 | 12.4 |
| DPS (cps) | 0.0 | 0.0 | 0.0 | 0.0 | 5.9 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 2.9 |
| Franking (%) | 0 | 0 | 0 | 100 | 100 |

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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