WILSONS

# Conviction Insights Report

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

2 February 2021

# The Latest

This month we add Plenti Group (PLT) to our Conviction Insights lineup. A leading technology-focused non-bank lender focused on the personal, automotive and renewable energy sectors, its addition is driven by 3 key factors:

1

Attractive loan origination growth in the significant consumer automotive and personal loan segments, while improving its average borrower credit score and reducing risk.

2

The establishment of warehouse facilities with established domestic institutional banks reduces funding costs and has positioned the company well for profitability medium-term.

3

Attractive valuation, trading on 4.5x EV / revenue compared to peers at 5.7x.

## Recent Developments Across Conviction Insights

| | |
|---|---|
| **Food & Agriculture / Automotive** | |
| ARB Corporation (ARB) | ARB's recent trading update confirmed both sales growth and margin expansion accelerated in 2Q21. The order book remains strong and new vehicle supply constraints are easing, supporting a favourable near-term outlook. |
| Collins Foods (CKF) | Collins Foods delivered a strong 1H21 result, with NPAT growth of 15% – driven by exceptional trading performance in KFC Australia, partly offset by weaker results elsewhere. KFC Australia SSSg has continued at a strong pace early in 2H21. |
| **Healthcare / Biotechnology** | |
| Integral Diagnostics (IDX) | Medicare data from the December quarter shows sustained diagnostic imaging volumes (-1% QoQ; +5% versus pcp) following a large rebound in the September quarter after lockdowns abated (+23% QoQ). VIC in particular saw strong December quarter volume growth (+11% QoQ; +2% versus pcp) with other IDX territories increasing volumes versus pcp; WA (+14%) and QLD (+6%). This should support a positive 1H21 result on the 23rd February. |
| Telix Pharmaceuticals (TLX) | Positive feedback from the US FDA allows Telix to move ahead with a smaller, cleaner Phase III trial design. The ProstACT trial will enrol approximately 390 patients with PSMA-expressing, metastatic, castrate-resistant prostate cancer. The trial will compare standard of care plus or minus personalised dosing with TLX591. This is a coup for Telix given that the trial is fully funded. We expect continued stock outperformance as Telix moves towards major market approvals for its diagnostic assets later this year. |
| ResMed (RMD) | ResMed delivered a solid 1H21 result (+9% versus pcp) despite COVID-19 headwinds. Sleep activity levels are recovering, with the core sleep business back and strong mask resupply occurring. This was supported by some COVID-19 driven synergies in patient and HME attitudes toward equipment and resupply. COVID19 ventilator demand is now gone and results are reflective of a more "clean" core business as usual. POC exit was initially a surprise to the market; it appears reimbursement headwinds plus better innovation opportunities (HFT) drove this strategic decision. |
| **Technology** | |
| Whispir (WSP) | Whispir's 2Q21 update was constructive and in line with our expectation of ongoing strength. We are encouraged by +42 net customer additions which we hope will drive growth as WSP cross-sells other 'use cases' into both new and existing customers. |
| 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) | ReadyTech announced the potential for Open Office (the acquisition) to win a major new government contract worth up to $5m p.a. While the likelihood of the deal closing in RDY's favour is probable but not certain, our analysis suggests NPAT upgrades in excess of 10% are warranted should Open Office win the tender. We expect to learn more in early 2Q21 once the vendor makes their decision. |
| **Consumer Discretionary / Diversified Financials** | |
| Plenti (PLT) | Reported loan origination growth of +48.0% YoY and +58.0% YoY in 2Q20A and 3Q20A respectively after listing on the ASX in October 2020. |

# The Latest

## Key Financial Metrics for Conviction Insights

| Fund Name | 12 mth TSR (%) | Mkt cap ($M) | RoCE (%) FY20 | EPSg growth (%) FY20 | FY21 | FY22 | Net debt ($M) FY20 | Net debt / EBITDA (x) FY20 | PER (x) FY20 | FY21 | FY22 | Consensus rating * |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Food & Agriculture / Automotive** | | | | | | | | | | | | |
| ARB Corporation Limited (ARB) | 14% | 2,842 | 24% | 1% | 57% | (13%) | (42) | -0.4x | 48.2x | 30.6x | 35.4x | 2.4 |
| Collins Foods Limited (CKF) | 23% | 1,125 | 14% | 5% | 17% | 1% | 201 | 1.7x | 23.8x | 20.3x | 20.2x | 1.7 |
| **Healthcare / Biotechnology** | | | | | | | | | | | | |
| Integral Diagnostics Limited (IDX) | 8% | 895 | 11% | 2% | 3% | 20% | 220 | 3.4x | 27.0x | 26.2x | 21.8x | 2.0 |
| Telix Pharmaceuticals Limited (TLX) | 21% | 998 | 30% | 127% | (377%) | 214% | (91) | -7.6x | 122.5x | n/a | 38.9x | 1.7 |
| ResMed Inc. (RMD) | 13% | 9,778 | 24% | 31% | 11% | 3% | 836 | 0.9x | 42.3x | 38.3x | 37.2x | 2.9 |
| **Technology** | | | | | | | | | | | | |
| Whispir Limited (WSP) | 35% | 394 | -151% | 36% | 18% | 70% | (12) | 1.6x | n/a | n/a | n/a | 2.2 |
| Appen Limited (APX) | 44% | 2,732 | 17% | (16%) | 49% | 28% | (137) | -1.3x | 57.0x | 38.3x | 29.8x | 2.2 |
| ReadyTech Holdings Limited (RDY) | 34% | 194 | 13% | 56% | (9%) | 40% | 17 | 1.1x | 19.9x | 21.8x | 15.6x | 2.0 |
| **Consumer Discretionary / Diversified Financials** | | | | | | | | | | | | |
| Plenti (PLT) | 54% | 176 | -9% | n/a | n/a | 55% | 308 | -19.6x | 43.3x | 40.8x | 38.4x | 2.0 |

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

Source: Wilsons, Refinitiv

# ARB Corporation (ARB)

| | |
|---|---|
| Recommendation | OVERWEIGHT |
| Target | $39.75 |
| 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 @ 29-Jan-21 (AUD) | $35.15 |
| Forecast 12-mth capital return | 13.1% |
| Forecast 12-mth dividend yield | 1.4% |
| **12-mth total shareholder return** | **14.5%** |
| Market cap | $2,842m |
| Enterprise value | $2,778m |
| Shares on issue | 81m |
| Sold short | 0.3% |
| ASX 300 weight | 0.1% |
| Median turnover/day | $7.1m |

### 12-mth price performance ($)


| | 1 Mth | 6 Mths | 12 Mths |
|---|---|---|---|
| Abs return (%) | 11.6 | 75.9 | 94.7 |
| Rel return (%) | 12.8 | 59.0 | 94.8 |

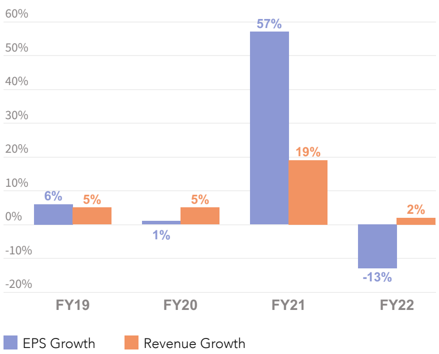
Source: Wilsons estimates

### Earnings forecast

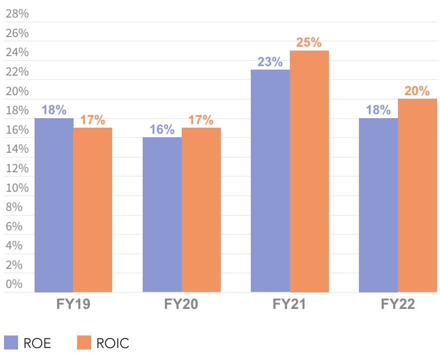
| Year-end June (AUD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|---|---|---|---|---|---|
| NPAT rep ($m) | 54.1 | 57.3 | 91.6 | 79.4 | 87.6 |
| NPAT norm ($m) | 57.1 | 58.1 | 91.6 | 79.4 | 87.6 |
| Consensus NPAT ($m) | | | 77.9 | 76.0 | 84.5 |
| EPS norm (cps) | 72.0 | 72.9 | 114.7 | 99.4 | 109.8 |
| EPS growth (%) | 5.6 | 1.2 | 57.5 | -13.3 | 10.4 |
| P/E norm (x) | 48.8 | 48.2 | 30.6 | 35.4 | 32.0 |
| EV/EBITDA (x) | 30.3 | 29.1 | 19.6 | 22.2 | 20.3 |
| FCF yield (%) | 1.2 | 2.5 | 2.6 | 2.2 | 2.5 |
| DPS (cps) | 39.5 | 39.5 | 46.5 | 52.5 | 58.5 |
| Dividend yield (%) | 1.1 | 1.1 | 1.3 | 1.5 | 1.7 |
| Franking (%) | 100 | 100 | 100 | 100 | 100 |

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

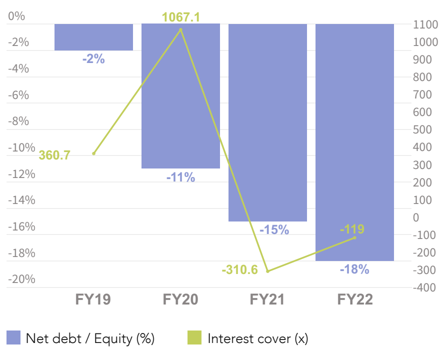
### Growth rates




### Returns




### Solvency



# Collins Foods (CKF)

| | |
|---|---|
| Recommendation | OVERWEIGHT |
| Target | $11.62 |
| 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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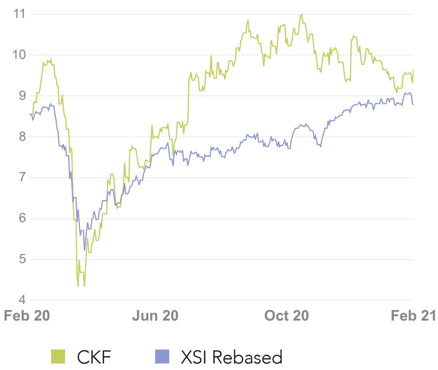
### Share information

| | |
|---|---|
| Share price @ 29-Jan-21 (AUD) | $9.65 |
| Forecast 12-mth capital return | 20.4% |
| Forecast 12-mth dividend yield | 2.4% |
| **12-mth total shareholder return** | **22.8%** |
| Market cap | $1,125m |
| Enterprise value | $1,316m |
| Shares on issue | 117m |
| Sold short | 0.1% |
| ASX 300 weight | 0.1% |
| Median turnover/day | $3.4m |

### 12-mth price performance ($)




| | 1 Mth | 6 Mths | 12 Mths |
|---|---|---|---|
| Abs return (%) | -1.4 | 0.9 | 12.2 |
| Rel return (%) | -0.2 | -16.0 | 12.2 |

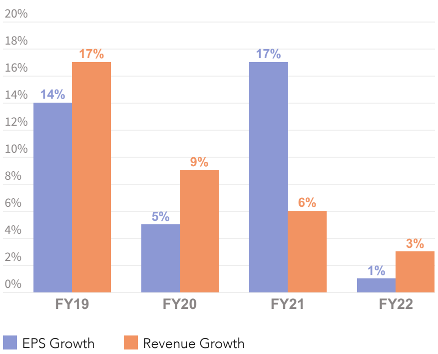
Source: Wilsons estimates

### Earnings forecast

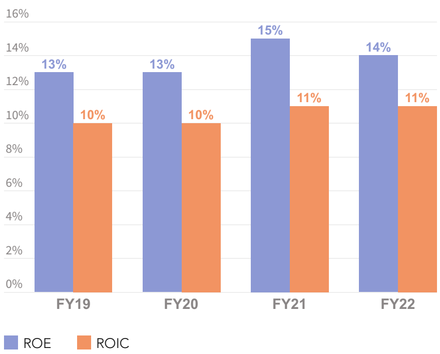
| Year-end May (AUD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|---|---|---|---|---|---|
| NPAT rep ($m) | 39.1 | 31.3 | 53.9 | 54.2 | 63.0 |
| NPAT norm ($m) | 45.0 | 47.2 | 55.3 | 55.6 | 64.4 |
| Consensus NPAT ($m) | | | 54.0 | 63.4 | 72.4 |
| EPS norm (cps) | 38.6 | 40.5 | 47.4 | 47.7 | 55.2 |
| EPS growth (%) | 13.9 | 4.8 | 17.1 | 0.6 | 15.8 |
| P/E norm (x) | 25.0 | 23.8 | 20.3 | 20.2 | 17.5 |
| EV/EBITDA (x) | 11.5 | 10.9 | 10.0 | 9.8 | 8.7 |
| FCF yield (%) | 6.5 | 6.8 | 6.8 | 6.0 | 7.9 |
| 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 | 100 | 100 | 100 | 100 |

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

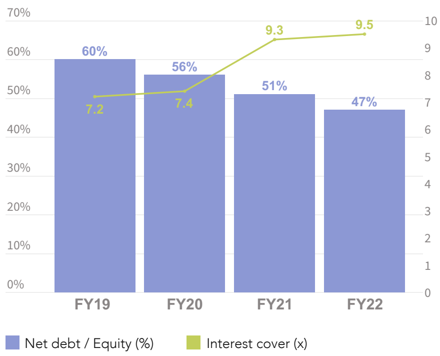
### Growth rates




### Returns




### Solvency



# Integral Diagnostics (IDX)

| | |
|---|---|
| Recommendation | OVERWEIGHT |
| Target | $4.75 |
| Sector | Healthcare 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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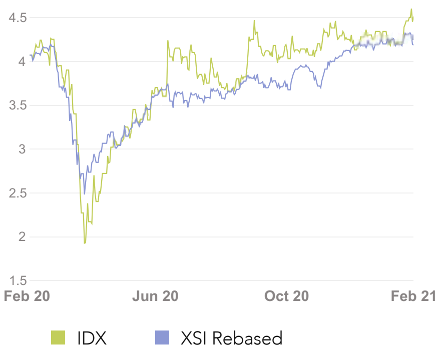
### Share information

| | |
|---|---|
| Share price @ 29-Jan-21 (AUD) | $4.51 |
| Forecast 12-mth capital return | 5.4% |
| Forecast 12-mth dividend yield | 2.9% |
| **12-mth total shareholder return** | **8.4%** |
| Market cap | $895m |
| Enterprise value | $1,001m |
| Shares on issue | 199m |
| Sold short | 0.4% |
| ASX 300 weight | 0.0% |
| Median turnover/day | $1.2m |

### 12-mth price performance ($)




| | 1 Mth | 6 Mths | 12 Mths |
|---|---|---|---|
| Abs return (%) | 6.1 | 21.1 | 13.1 |
| Rel return (%) | 7.3 | 4.1 | 13.2 |

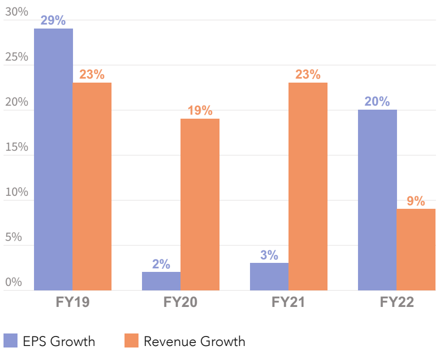
Source: Wilsons estimates

### Earnings forecast

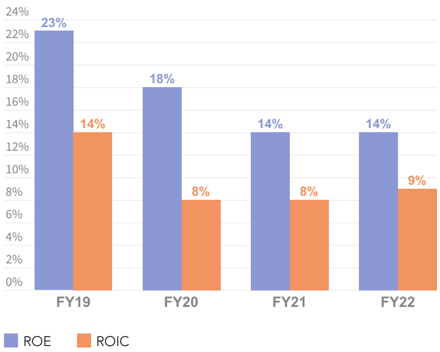
| Year-end June (AUD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|---|---|---|---|---|---|
| NPAT rep ($m) | 21.0 | 23.0 | 34.0 | 40.8 | 43.5 |
| NPAT norm ($m) | 25.6 | 31.2 | 34.0 | 40.8 | 43.5 |
| Consensus NPAT ($m) | | | 36.7 | 40.3 | 44.2 |
| EPS norm (cps) | 16.3 | 16.7 | 17.2 | 20.6 | 22.0 |
| EPS growth (%) | 29.5 | 2.4 | 3.0 | 19.9 | 6.6 |
| P/E norm (x) | 27.6 | 27.0 | 26.2 | 21.8 | 20.5 |
| EV/EBITDA (x) | 18.9 | 15.6 | 12.5 | 11.1 | 10.5 |
| FCF yield (%) | 1.7 | 5.0 | 5.1 | 6.3 | 8.8 |
| DPS (cps) | 10.0 | 9.5 | 13.0 | 14.0 | 22.0 |
| Dividend yield (%) | 2.2 | 2.1 | 2.9 | 3.1 | 4.9 |
| Franking (%) | 100 | 100 | 100 | 100 | 100 |

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

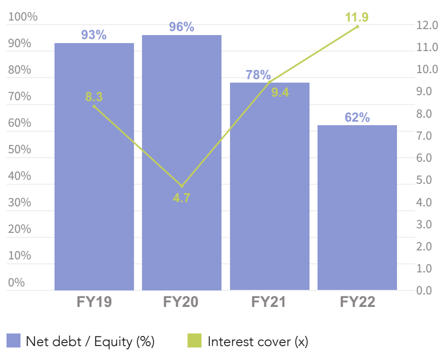
### Growth rates




### Returns




### Solvency



# Telix Pharmaceuticals (TLX)

| | |
|---|---|
| Recommendation | OVERWEIGHT |
| Target | $4.77 |
| 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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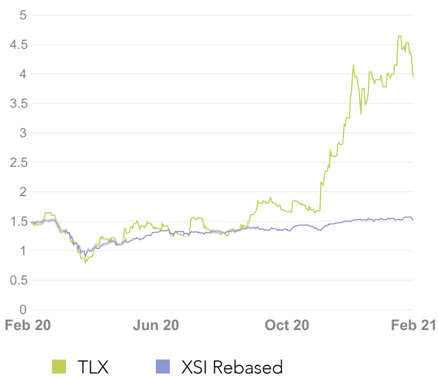
### Share information

| | |
|---|---|
| Share price @ 26-Nov-20 (AUD) | $3.93 |
| Forecast 12-mth capital return | 21.3% |
| Forecast 12-mth dividend yield | 0.0% |
| **12-mth total shareholder return** | **21.3%** |
| Market cap | $998m |
| Enterprise value | $1,059m |
| Shares on issue | 254m |
| Sold short | 0.0% |
| ASX 300 weight | n/a |
| Median turnover/day | $1.3m |

### 12-mth price performance ($)




| | 1 Mth | 6 Mths | 12 Mths |
|---|---|---|---|
| Abs return (%) | 1.8 | 209.4 | 162.0 |
| Rel return (%) | 3.0 | 192.5 | 162.1 |

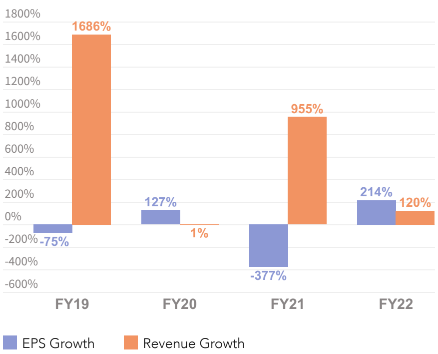
Source: Wilsons estimates

### Earnings forecast

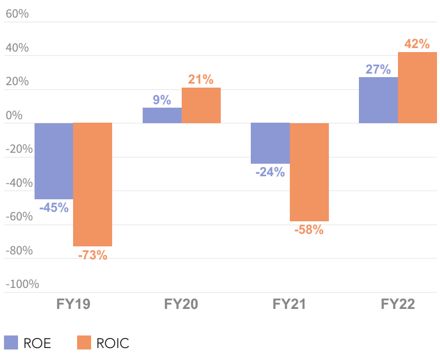
| Year-end December (AUD) | FY18A | FY19A | FY20F | FY21F | FY22F |
|---|---|---|---|---|---|
| NPAT rep ($m) | -13.8 | -27.9 | 8.6 | -24.9 | 28.3 |
| NPAT norm ($m) | -13.8 | -27.9 | 8.6 | -24.9 | 28.3 |
| Consensus NPAT ($m) | | | | -12.8 | -16.4 |
| EPS norm (cps) | -6.8 | -11.9 | 3.2 | -8.9 | 10.1 |
| EPS growth (%) | -797.0 | -74.6 | 126.9 | -377.0 | 213.6 |
| P/E norm (x) | -57.5 | -32.9 | 122.5 | -44.2 | 38.9 |
| EV/EBITDA (x) | -67.4 | -43.3 | 87.8 | -48.1 | 33.2 |
| FCF yield (%) | -2.1 | -2.4 | 1.5 | -4.1 | 1.7 |
| 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

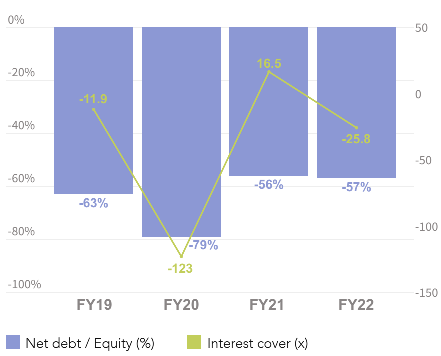
### Growth rates




### Returns




### Solvency



# ResMed (RMD)

| | |
|---|---|
| Recommendation | OVERWEIGHT |
| Target | $30.50 |
| Sector | Healthcare 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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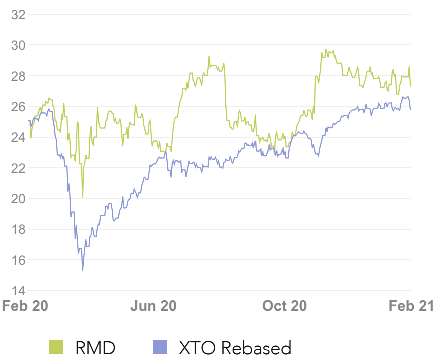
## Share information

| | |
|---|---|
| Share price @ 29-Jan-21 (AUD) | $27.22 |
| Forecast 12-mth capital return | 12.0% |
| Forecast 12-mth dividend yield | 0.8% |
| **12-mth total shareholder return** | **12.8%** |
| Market cap | $9,778m |
| Enterprise value | $9,360m |
| Shares on issue | 359m |
| Sold short | 0.7% |
| ASX 300 weight | 0.5% |
| Median turnover/day | $22.9m |

## 12-mth price performance ($)




| | 1 Mth | 6 Mths | 12 Mths |
|---|---|---|---|
| Abs return (%) | 0.0 | -3.5 | 9.3 |
| Rel return (%) | -0.5 | -14.7 | 15.7 |

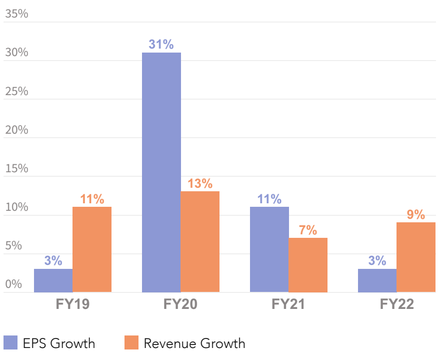
Source: Wilsons estimates

## Earnings forecast

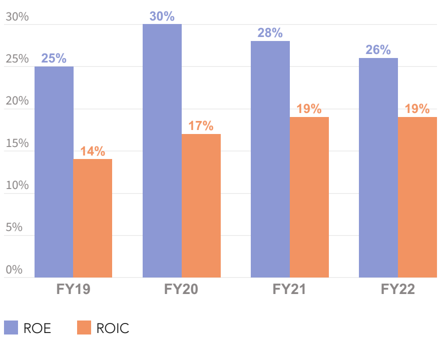
| Year-end June (USD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|---|---|---|---|---|---|
| NPAT rep ($m) | 404.6 | 621.7 | 720.4 | 759.9 | 848.8 |
| NPAT norm ($m) | 526.4 | 692.8 | 769.5 | 791.1 | 880.3 |
| Consensus NPAT ($m) | | | 560.2 | 605.1 | 673.6 |
| EPS norm (cps) | 3.64 | 4.76 | 5.27 | 5.41 | 6.02 |
| EPS growth (%) | 3.1 | 30.8 | 10.6 | 2.8 | 11.3 |
| P/E norm (x) | 55.4 | 42.3 | 38.3 | 37.2 | 33.5 |
| EV/EBITDA (x) | 41.9 | 30.9 | 28.0 | 26.7 | 24.4 |
| FCF yield (%) | 5.2 | 9.5 | 10.5 | 10.6 | 11.5 |
| DPS (cps) | 1.50 | 1.56 | 1.58 | 1.73 | 1.77 |
| Dividend yield (%) | 0.7 | 0.7 | 0.8 | 0.8 | 0.9 |
| Franking (%) | 0 | 0 | 0 | 0 | 0 |

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

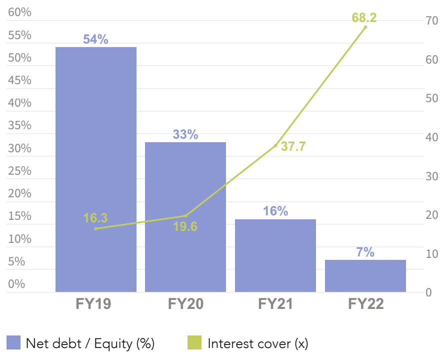
## Growth rates




## Returns




## Solvency



# 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

WSP 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

The next key catalyst for WSP will be the release of its detailed 1H21E result on February 18th.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### Share information

| | |
|---|---|
| Share price @ 27-Nov-20 (AUD) | $3.78 |
| Forecast 12-mth capital return | 34.9% |
| Forecast 12-mth dividend yield | 0.0% |
| **12-mth total shareholder return** | **34.9%** |
| Market cap | $394m |
| Enterprise value | $379m |
| Shares on issue | 104m |
| Sold short | 0.6% |
| ASX 300 weight | n/a |
| Median turnover/day | $2.1m |

### 12-mth price performance ($)


| | 1 Mth | 6 Mths | 12 Mths |
|---|---|---|---|
| Abs return (%) | 4.1 | -19.1 | 152.0 |
| Rel return (%) | 5.3 | -36.0 | 152.1 |

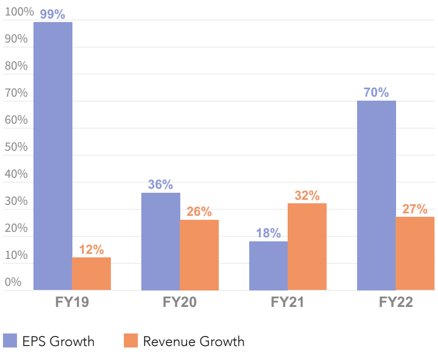
Source: Wilsons estimates

### Earnings forecast

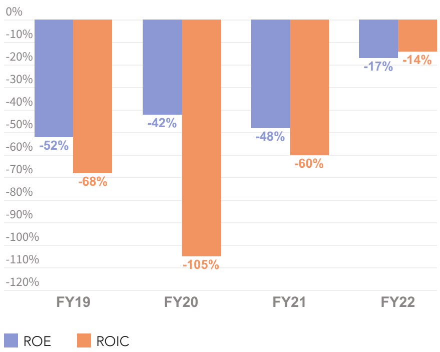
| Year-end June (AUD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|---|---|---|---|---|---|
| NPAT rep ($m) | -13.3 | -9.9 | -8.1 | -2.4 | 3.8 |
| NPAT norm ($m) | -14.4 | -9.9 | -8.1 | -2.4 | 3.8 |
| Consensus NPAT ($m) | | | -7.6 | -3.8 | 1.3 |
| EPS norm (cps) | -14.4 | -9.2 | -7.6 | -2.2 | 3.5 |
| EPS growth (%) | 98.5 | 36.0 | 17.7 | 70.8 | 260.4 |
| P/E norm (x) | -26.3 | -41.1 | -49.9 | -171.0 | 106.6 |
| EV/EBITDA (x) | -27.1 | -52.1 | -97.6 | 222.7 | 40.8 |
| FCF yield (%) | -3.0 | -2.0 | -1.0 | 0.6 | 2.6 |
| 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

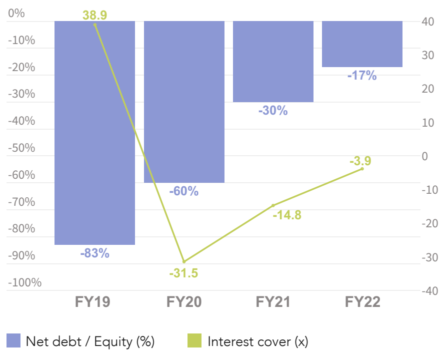
### Growth rates




### Returns




### Solvency



# Appen (APX)

| | |
|---|---|
| Recommendation | OVERWEIGHT |
| Target | $32.11 |
| Sector | Technology |

Appen is a global leader in the collection, adaptation and labelling of a 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, a rebound in demand from their major customers, an appreciation of the US$ versus A$.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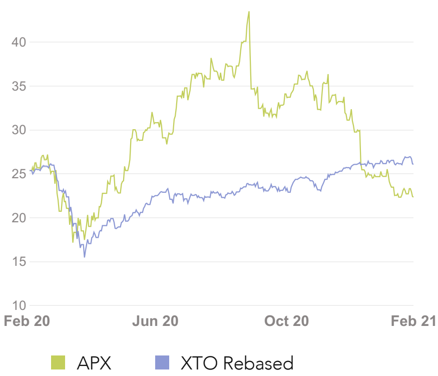
### Share information

| | |
|---|---|
| Share price @ 29-Jan-21 (AUD) | $22.33 |
| Forecast 12-mth capital return | 43.8% |
| Forecast 12-mth dividend yield | 0.5% |
| **12-mth total shareholder return** | **44.3%** |
| Market cap | $2,732m |
| Enterprise value | $2,640m |
| Shares on issue | 122m |
| Sold short | 1.9% |
| ASX 300 weight | 0.1% |
| Median turnover/day | $21.1m |

### 12-mth price performance ($)




| | 1 Mth | 6 Mths | 12 Mths |
|---|---|---|---|
| Abs return (%) | -10.0 | -38.7 | -11.7 |
| Rel return (%) | -8.9 | -47.7 | -5.4 |

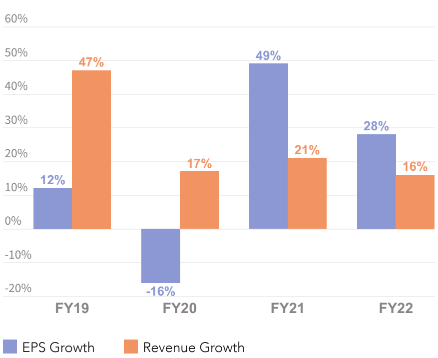
Source: Wilsons estimates

### Earnings forecast

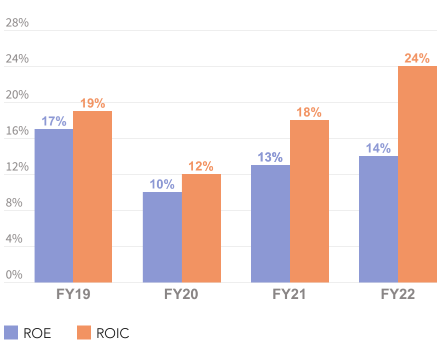
| Year-end December (AUD) | FY18A | FY19A | FY20F | FY21F | FY22F |
|---|---|---|---|---|---|
| NPAT rep ($m) | 41.7 | 41.1 | 50.3 | 72.5 | 93.0 |
| NPAT norm ($m) | 44.9 | 54.2 | 48.5 | 72.5 | 93.0 |
| Consensus NPAT ($m) | | | | 60.1 | 81.8 |
| EPS norm (cps) | 41.6 | 46.7 | 39.2 | 58.4 | 74.9 |
| EPS growth (%) | 113.8 | 12.1 | -16.1 | 49.1 | 28.3 |
| P/E norm (x) | 53.6 | 47.8 | 57.0 | 38.3 | 29.8 |
| EV/EBITDA (x) | 37.0 | 26.1 | 24.2 | 18.4 | 15.3 |
| FCF yield (%) | 1.7 | 2.4 | 4.8 | 4.5 | 5.4 |
| DPS (cps) | 8.0 | 9.0 | 9.5 | 11.5 | 13.5 |
| Dividend yield (%) | 0.4 | 0.4 | 0.4 | 0.5 | 0.6 |
| Franking (%) | 0 | 0 | 0 | 0 | 0 |

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

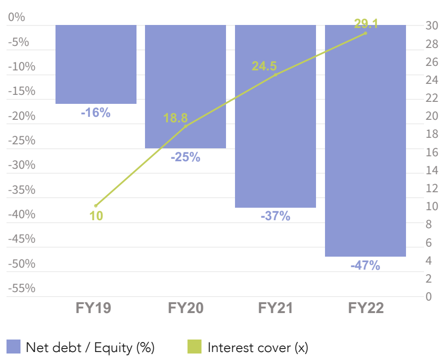
### Growth rates




### Returns




### Solvency



# ReadyTech (RDY)

| | |
|---|---|
| Recommendation | OVERWEIGHT |
| Target | $2.78 |
| Sector | Technology |

ReadyTech is a leading provider of education and employment software.

The products have broad functionality including student management systems and payroll. The group services >4,000 customers. ReadyTech has been operating within the education and employment markets for the past 20 years and offers end-to-end solutions for both verticals. 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 free cash flow (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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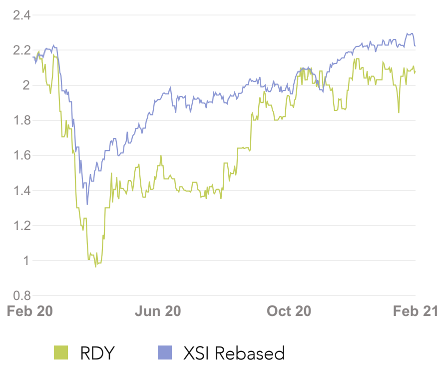
## Share information

| | |
|---|---|
| Share price @ 29-Jan-21 (AUD) | $2.08 |
| Forecast 12-mth capital return | 33.9% |
| Forecast 12-mth dividend yield | 0.0% |
| **12-mth total shareholder return** | **33.9%** |
| Market cap | $194m |
| Enterprise value | $223m |
| Shares on issue | 93m |
| Sold short | 0.0% |
| ASX 300 weight | n/a |
| Median turnover/day | $0.1m |

## 12-mth price performance ($)




| | 1 Mth | 6 Mths | 12 Mths |
|---|---|---|---|
| Abs return (%) | -1.9 | 48.6 | -1.9 |
| Rel return (%) | -0.7 | 31.6 | -1.8 |

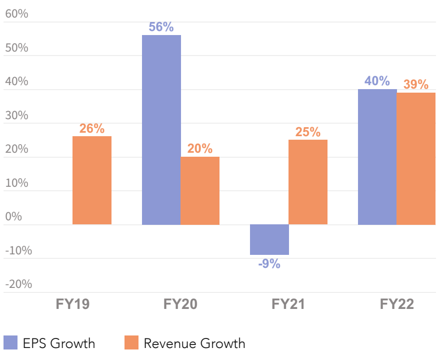
Source: Wilsons estimates

## Earnings forecast

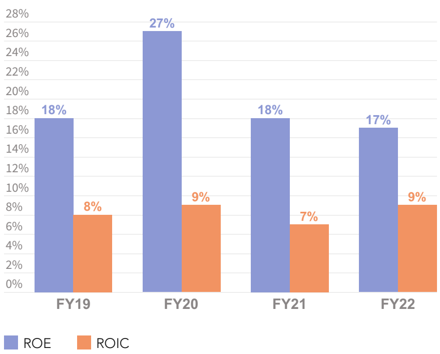
| Year-end June (AUD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|---|---|---|---|---|---|
| NPAT rep ($m) | 1.9 | 3.9 | 3.9 | 8.4 | 10.1 |
| NPAT norm ($m) | 5.4 | 8.3 | 9.6 | 14.1 | 16.1 |
| Consensus NPAT ($m) | | | 9.1 | 11.8 | 13.6 |
| EPS norm (cps) | 6.7 | 10.4 | 9.5 | 13.4 | 14.6 |
| EPS growth (%) | | 55.6 | -8.5 | 40.2 | 9.5 |
| P/E norm (x) | 31.0 | 19.9 | 21.8 | 15.6 | 14.2 |
| EV/EBITDA (x) | 17.8 | 14.3 | 12.1 | 8.6 | 7.7 |
| FCF yield (%) | 1.2 | 6.8 | 7.4 | 11.1 | 12.1 |
| DPS (cps) | 0.0 | 0.0 | 0.0 | 0.0 | 5.9 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 2.8 |
| Franking (%) | 0 | 0 | 0 | 100 | 100 |

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

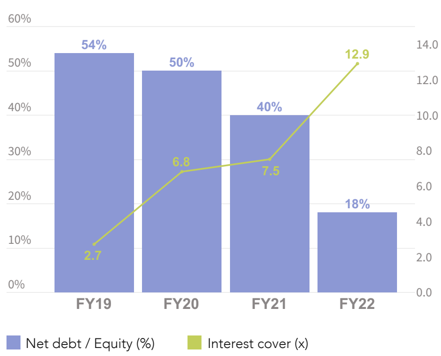
## Growth rates




## Returns




## Solvency



# Plenti (PLT)

| | |
|---|---|
| Recommendation | OVERWEIGHT |
| Target | $1.60 |
| Sector | Diversified Financials |

Plenti is a leading technology-focused non-bank lender focused on the personal, automotive and renewable energy sectors.

### Investment thesis

PLT has been able to achieve attractive loan origination growth in the significant consumer automotive and personal loan segments in recent years while improving its average borrower credit score and reducing risk. The establishment of warehouse facilities with established domestic institutional banks reduces funding costs and has positioned the company well for profitability medium-term.

### RISKS AND CATALYSTS

#### Risks

Consumer demand environment, execution of product launches and potential for an equity raising.

#### Catalysts

The successful launch of a commercial automotive lending product, 4Q20E trading update in early April 2021, and traction of renewable energy product offering.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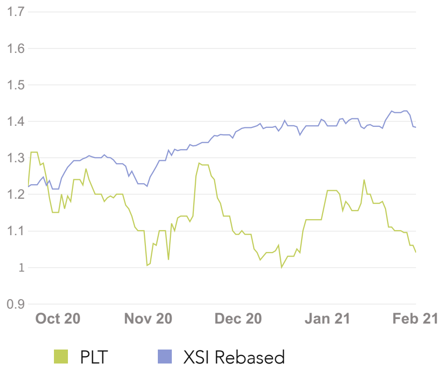
### Share information

| | |
|---|---|
| Share price @ 29-Jan-21 (AUD) | $1.04 |
| Forecast 12-mth capital return | 53.8% |
| Forecast 12-mth dividend yield | 0.0% |
| **12-mth total shareholder return** | **53.8%** |
| Market cap | $176m |
| Enterprise value | $161m |
| Shares on issue | 169m |
| Sold short | |
| ASX 300 weight | n/a |
| Median turnover/day | $0.2m |

### 12-mth price performance ($)




| | 1 Mth | 6 Mths | 12 Mths |
|---|---|---|---|
| Abs return (%) | -11.1 | | |
| Rel return (%) | -9.9 | | |

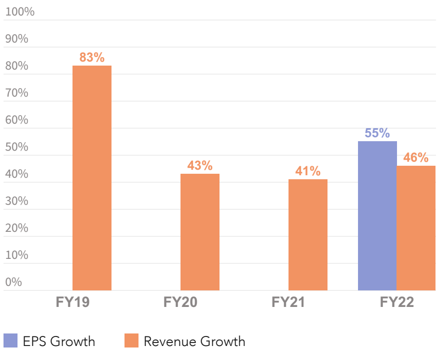
Source: Wilsons estimates

### Earnings forecast

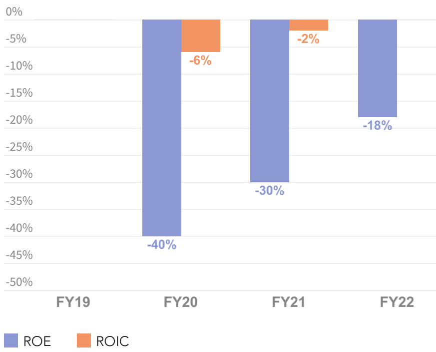
| Year-end March (AUD) | FY19A | FY20A | FY21F | FY22F | FY23F |
|---|---|---|---|---|---|
| NPAT rep ($m) | -14.2 | -16.4 | -14.6 | -5.1 | 0.1 |
| NPAT norm ($m) | -14.2 | -16.4 | -11.4 | -5.2 | 0.1 |
| Consensus NPAT ($m) | | | | | |
| EPS norm (cps) | | 0.0 | -6.7 | -3.0 | 0.1 |
| EPS growth (%) | | | | 54.8 | 102.2 |
| P/E norm (x) | | | -15.5 | -34.2 | 1545.9 |
| EV/EBITDA (x) | -11.8 | -10.2 | -15.2 | -37.4 | 167.9 |
| FCF yield (%) | -7.8 | -1.7 | 0.8 | 8.6 | 15.6 |
| 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

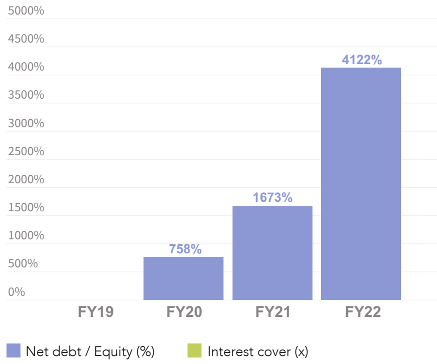
### Growth rates




### Returns




### Solvency



# Disclaimer and Disclosures

Recommendation structure and other definitions

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

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