



WILSONS

Conviction Insights Report

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

2 March 2021

The Latest

Following an active month of investment rating changes across our coverage list and taking stock of reporting season, we have made two changes to our Conviction Insights lineup:

1 Removed Integral Diagnostics (IDX), with the share price up 55% since its addition to Conviction Insights, and following a moderation in our investment rating to market weight.

2 Removed Appen (APX), with downgraded earnings forecasts diminishing our confidence in the growth trajectory.

Recent Developments Across Conviction Insights

Food & Agriculture / Automotive

ARB Corporation (ARB) ARB's recent 1H21 result confirmed very strong sales growth and significant margin expansion. The order books remain high and we continue to believe demand will stay elevated for longer as new vehicle supply constraints gradually ease, facilitating sales in relevant channels and categories.

Collins Foods (CKF) Yum Brands (YUM.US) reported 4QCY20 system sales growth of +5% for the Australian KFC network. Commentary from the result call included, "The UK, SOPAC (which includes Australia) and Canada continued to show strong customer resonance and operational execution, leveraging drive-thru and other off-premise channels to grow sales." Adjusting for the cycling of a 53rd week in the previous corresponding period (PCP), we estimate 4QCY20 system sales at +7% for the KFC Australia network. This is consistent with the 3QCY20 result, confirming that sales momentum remains robust.

Healthcare / Biotechnology

Telix Pharmaceuticals (TLX) Telix received its first national authorisation from the Czech regulator for use of their prostate cancer diagnostic, Illucix. This allows clinicians to use the technology under a special access scheme ahead of EMA approval. This authorisation expires Dec 2022 and further extends Telix's immediate sales into European markets ahead of marketing authorisations. The big near-term catalyst continues to be the FDA decision on Illucix (~May-June), with the FDA mid-cycle review meeting planned for mid-Feb delayed (administrative) until early March.

ResMed (RMD) ResMed delivered a solid 1H21 result in early Feb (+9% vs PCP) despite COVID-19 headwinds. Vaccination programs have however had a negative impact on all perceived COVID-19 beneficiaries (of which ResMed is one), depressing valuations. We saw ResMed taking market share in 4Q20, which will amplify sales growth in the event that sleep volumes rebound (10-30%) this year.

Technology

Whispir (WSP) Whispir's 1H21 update was constructive and in line with our expectation of ongoing strength. We are encouraged by +77 net customer additions which we hope will drive growth as WSP cross-sells other use cases into both new and existing customers.

ReadyTech (RDY) ReadyTech published a strong set of 1H21 numbers which included few blemishes. We note that while revenue growth of ~13% was slightly behind full-year guidance of "mid-teens" growth (14% - 16%), we understand newer deals signed in 2H20 and 1H21 have yet to fully be recognised. Coming into 2H21, this should provide a further tailwind alongside further implementation revenues arising from RDY's flagship BKI contract win. The Open Office acquisition remains on track, with formal completion expected by 23 March.

Consumer Discretionary / Diversified Financials

Plenti (PLT) Recently reported loan origination growth of +48.0% YoY and +58.0% YoY in 2Q20A and 3Q20A respectively, represent an attractive growth run-rate.

The Latest

Key Financial Metrics for Conviction Insights

Company name	Wilson's rating	12 mth TSR (%)	Mkt cap (\$M)	RoCE (%) FY20	EPSg growth (%)			Net debt (\$M) FY21	Net debt / EBITDA (x) FY21	PER (x)			Consensus rating *
					FY21	FY22	FY23			FY21	FY22	FY23	
Food & Agriculture / Automotive													
ARB Corporation Limited (ARB)	O/W	28%	2,710	38%	66%	(16%)	11%	(74)	-0.5x	27.8x	33.2x	30.0x	2.5
Collins Foods Limited (CKF)	O/W	24%	1,116	16%	17%	1%	16%	191	1.5x	20.2x	20.1x	17.3x	1.7
Healthcare / Biotechnology													
Telix Pharmaceuticals Limited (TLX)	O/W	24%	973	-82%	47%	214%	67%	(51)	2.3x	n/a	37.9x	22.8x	1.7
ResMed Inc. (RMD)	O/W	25%	8,739	26%	11%	3%	11%	459	0.4x	36.6x	35.6x	32.0x	2.9
Technology													
Whispir Limited (WSP)	O/W	27%	424	-69%	27%	76%	386%	(4)	1.0x	n/a	n/a	87.8x	1.6
ReadyTech Holdings Limited (RDY)	O/W	57%	170	10%	(6%)	41%	9%	26	1.4x	18.5x	13.1x	12.0x	2.0
Consumer Discretionary / Diversified Financials													
Plenti (PLT)	O/W	54%	176	-2%	n/a	55%	102%	569	-53.8x	43.3x	40.8x	38.4x	2.0

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

Source: Wilsons, Refinitiv

ARB Corporation (ARB)

Recommendation

OVERWEIGHT

Target

\$42.30

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.

James Ferrier, CFA

+61 3 9640 3827

Share information

Share price @ 26-Feb-21 (AUD)	\$33.52
Forecast 12-mth capital return	26.2%
Forecast 12-mth dividend yield	1.7%
12-mth total shareholder return	27.8%

Market cap	\$2,710m
Enterprise value	\$2,636m
Shares on issue	81m
Sold short	0.1%
ASX 300 weight	0.1%
Median turnover/day	\$7.4m

12-mth price performance (\$)



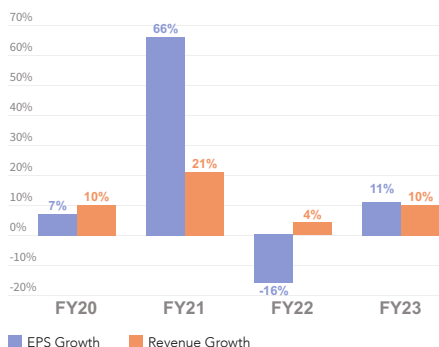
	1 Mth	6 Mths	12 Mths
Abs return (%)	-2.7	31.7	91.8
Rel return (%)	-4.1	19.0	84.5

Earnings forecast

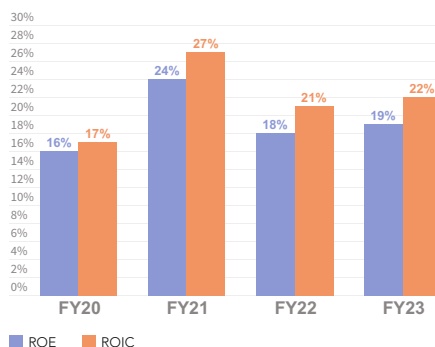
Year-end June (AUD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	54.1	57.3	96.6	81.5	90.3
NPAT norm (\$m)	57.1	58.1	96.6	81.5	90.3
Consensus NPAT (\$m)			92.2	82.5	93.0
EPS norm (cps)	72.0	72.9	120.6	100.8	111.7
EPS growth (%)	5.6	1.2	65.5	-16.4	10.8
P/E norm (x)	46.5	46.0	27.8	33.2	30.0
EV/EBITDA (x)	28.7	27.6	17.1	19.1	17.5
FCF yield (%)	1.3	2.6	2.7	2.7	3.1
DPS (cps)	39.5	39.5	57.0	55.5	61.5
Dividend yield (%)	1.2	1.2	1.7	1.7	1.8
Franking (%)	100	100	100	100	100

Source: Company data, Wilsons estimates, Refinitiv

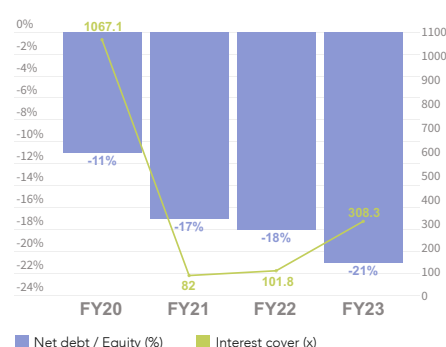
Growth rates



Returns



Solvency



Source: Wilsons estimates

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.

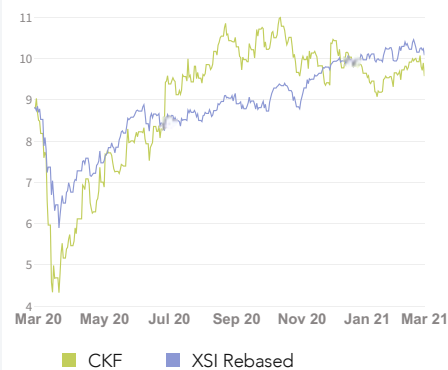
James Ferrier, CFA

+61 3 9640 3827

Share information

Share price @ 26-Feb-21 (AUD)	\$9.57
Forecast 12-mth capital return	21.4%
Forecast 12-mth dividend yield	2.5%
12-mth total shareholder return	23.9%
Market cap	\$1,116m
Enterprise value	\$1,307m
Shares on issue	117m
Sold short	0.1%
ASX 300 weight	0.1%
Median turnover/day	\$3.3m

12-mth price performance (\$)



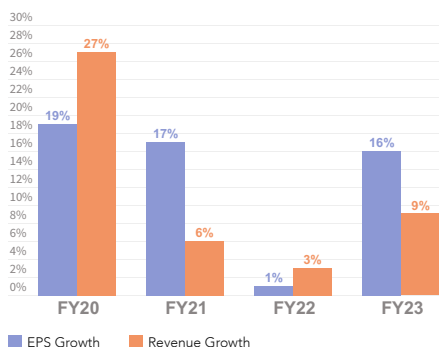
	1 Mth	6 Mths	12 Mths
Abs return (%)	0.1	-8.5	5.6
Rel return (%)	-1.3	-21.1	-1.7

Earnings forecast

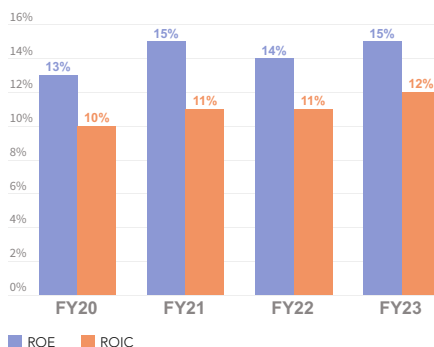
Year-end May (AUD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	39.1	31.3	53.9	54.2	63.0
NPAT norm (\$m)	45.0	47.2	55.3	55.6	64.4
Consensus NPAT (\$m)			54.0	63.4	72.4
EPS norm (cps)	38.6	40.5	47.4	47.7	55.2
EPS growth (%)	13.9	4.8	17.1	0.6	15.8
P/E norm (x)	24.8	23.6	20.2	20.1	17.3
EV/EBITDA (x)	11.5	10.8	9.9	9.7	8.7
FCF yield (%)	6.5	6.8	6.9	6.0	8.0
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, Refinitiv

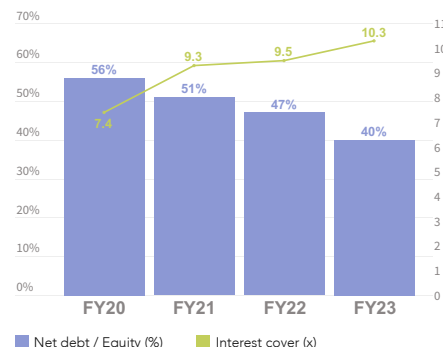
Growth rates



Returns



Solvency



Source: Wilsons estimates

Telix Pharmaceuticals (TLX)

Recommendation

OVERWEIGHT

Target

\$4.76

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.

Dr Shane Storey

+61 7 3212 1351

Dr Melissa Benson

+61 2 8247 6639

Share information

Share price @ 26-Feb-21 (AUD)	\$3.83
Forecast 12-mth capital return	24.3%
Forecast 12-mth dividend yield	0.0%
12-mth total shareholder return	24.3%
Market cap	\$973m
Enterprise value	\$1,034m
Shares on issue	254m
Sold short	0.0%
ASX 300 weight	n/a
Median turnover/day	\$1.7m

12-mth price performance (\$)

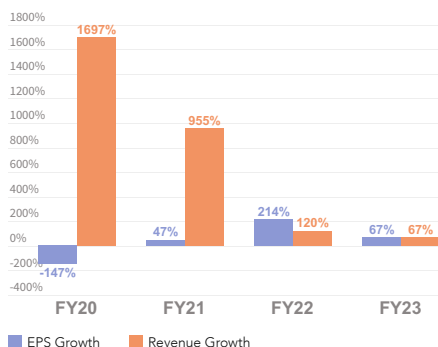


Earnings forecast

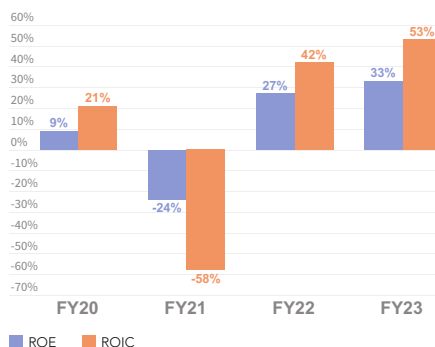
Year-end December (AUD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	-27.9	-44.9	-24.9	28.3	47.1
NPAT norm (\$m)	-27.9	-45.1	-24.9	28.3	47.1
Consensus NPAT (\$m)			-12.3	-16.0	-0.2
EPS norm (cps)	-11.9	-16.9	-8.9	10.1	16.8
EPS growth (%)	-74.6	-41.6	47.4	213.6	66.8
P/E norm (x)	-32.1	-22.7	-43.1	37.9	22.8
EV/EBITDA (x)	-42.2	-24.7	-46.9	32.4	18.3
FCF yield (%)	-2.4	0.2	-4.2	1.7	1.6
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, Refinitiv

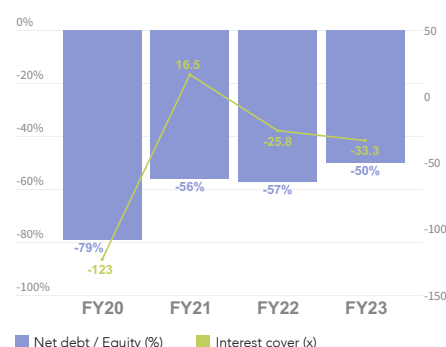
Growth rates



Returns



Solvency



Source: Wilsons estimates

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.

Dr Shane Storey

+61 7 3212 1351

Dr Melissa Benson

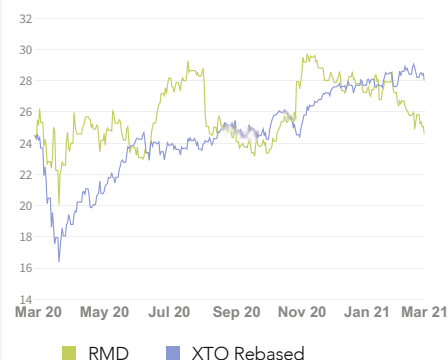
+61 2 8247 6639

Share information

Share price @ 26-Feb-21 (AUD)	\$24.55
Forecast 12-mth capital return	24.2%
Forecast 12-mth dividend yield	0.8%
12-mth total shareholder return	25.1%

Market cap	\$8,739m
Enterprise value	\$8,336m
Shares on issue	356m
Sold short	0.9%
ASX 300 weight	0.4%
Median turnover/day	\$21.8m

12-mth price performance (\$)



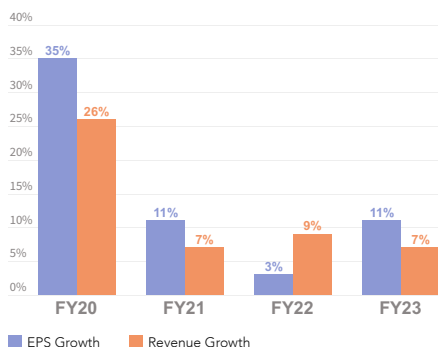
	1 Mth	6 Mths	12 Mths
Abs return (%)	-11.9	-1.4	-1.1
Rel return (%)	-9.6	-10.6	-0.1

Earnings forecast

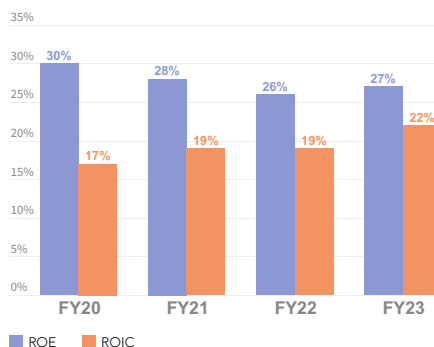
Year-end June (USD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	404.6	621.7	720.4	759.9	848.8
NPAT norm (\$m)	526.4	692.8	769.5	791.1	880.3
Consensus NPAT (\$m)			593.5	635.7	711.0
EPS norm (cps)	3.64	4.76	5.27	5.41	6.02
EPS growth (%)	3.1	30.8	10.6	2.8	11.3
P/E norm (x)	53.0	40.5	36.6	35.6	32.0
EV/EBITDA (x)	40.1	29.6	26.8	25.6	23.4
FCF yield (%)	5.6	10.2	11.4	11.5	12.4
DPS (cps)	1.50	1.56	1.58	1.73	1.77
Dividend yield (%)	0.8	0.8	0.8	0.9	0.9
Franking (%)	0	0	0	0	0

Source: Company data, Wilsons estimates, Refinitiv

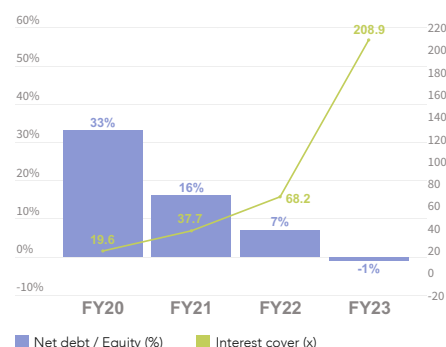
Growth rates



Returns



Solvency



Source: Wilsons estimates

Whispir (WSP)

Recommendation

OVERWEIGHT

Target

\$5.18

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 WSP 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 18 February.

Ross Barrows

+61 3 9640 3854

Cameron Halkett

+61 2 8247 3162

Share information

Share price @ 26-Feb-21 (AUD)	\$4.07
Forecast 12-mth capital return	27.3%
Forecast 12-mth dividend yield	0.0%
12-mth total shareholder return	27.3%
Market cap	\$424m
Enterprise value	\$414m
Shares on issue	104m
Sold short	0.6%
ASX 300 weight	n/a
Median turnover/day	\$2.0m

12-mth price performance (\$)



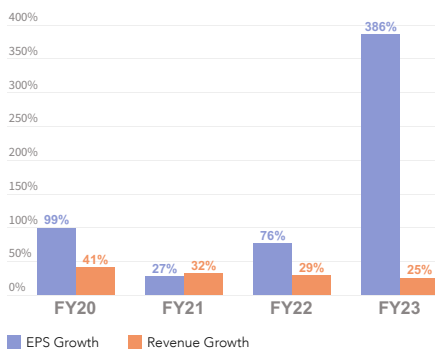
	1 Mth	6 Mths	12 Mths
Abs return (%)	-0.7	-8.9	182.6
Rel return (%)	-2.1	-21.6	175.4

Earnings forecast

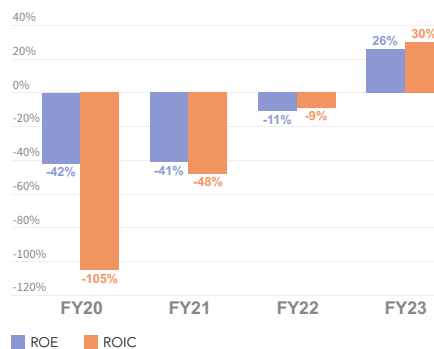
Year-end June (AUD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	-13.3	-9.9	-7.2	-1.7	5.0
NPAT norm (\$m)	-14.4	-9.9	-7.2	-1.7	5.0
Consensus NPAT (\$m)			-7.2	-3.5	1.3
EPS norm (cps)	-14.4	-9.2	-6.7	-1.6	4.6
EPS growth (%)	98.5	36.0	27.3	75.8	386.5
P/E norm (x)	-28.3	-44.2	-60.8	-251.6	87.8
EV/EBITDA (x)	-29.6	-56.8	-108.9	234.3	43.0
FCF yield (%)	-2.8	-1.9	-1.0	0.8	2.3
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, Refinitiv

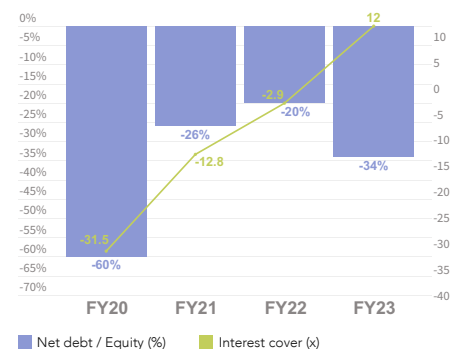
Growth rates



Returns



Solvency



Source: Wilsons estimates

ReadyTech (RDY)

Recommendation

OVERWEIGHT

Target

\$2.85

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 that 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.

Cameron Halkett

+61 2 8247 3162

Ross Barrows

+61 3 9640 3854

Share information

Share price @ 26-Feb-21 (AUD)	\$1.82
Forecast 12-mth capital return	56.7%
Forecast 12-mth dividend yield	0.0%
12-mth total shareholder return	56.7%
Market cap	\$170m
Enterprise value	\$195m
Shares on issue	93m
Sold short	0.0%
ASX 300 weight	n/a
Median turnover/day	\$0.1m

12-mth price performance (\$)



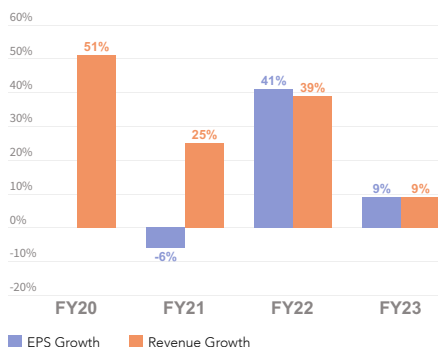
	1 Mth	6 Mths	12 Mths
Abs return (%)	-12.9	-0.5	-1.6
Rel return (%)	-14.3	-13.2	-8.9

Earnings forecast

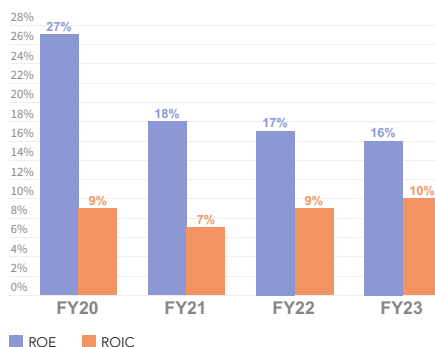
Year-end June (AUD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	1.9	3.9	3.1	9.1	10.9
NPAT norm (\$m)	5.4	8.3	10.0	14.6	16.6
Consensus NPAT (\$m)			9.4	13.8	15.7
EPS norm (cps)	6.7	10.4	9.8	13.9	15.1
EPS growth (%)		55.6	-5.6	41.1	9.1
P/E norm (x)	27.2	17.5	18.5	13.1	12.0
EV/EBITDA (x)	15.6	12.6	10.5	7.5	6.7
FCF yield (%)	1.3	7.7	8.6	12.9	14.1
DPS (cps)	0.0	0.0	0.0	0.0	6.1
Dividend yield (%)	0.0	0.0	0.0	0.0	3.3
Franking (%)	0	0	0	100	100

Source: Company data, Wilsons estimates, Refinitiv

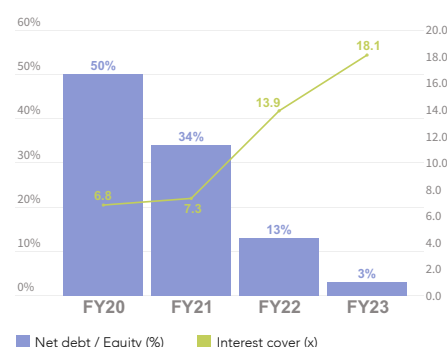
Growth rates



Returns



Solvency



Source: Wilsons estimates

Plenti (PLT)

Recommendation	OVERWEIGHT
Target	\$1.60
Sector	Diversified Financials

PLT 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 reduce 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

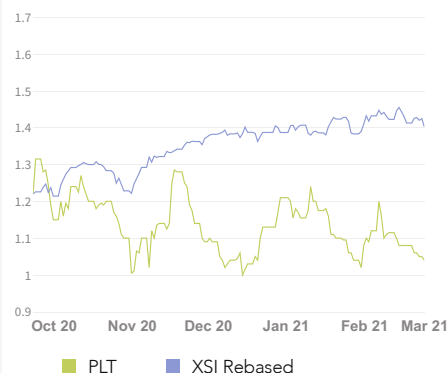
The successful launch of a commercial automotive lending product, 4Q20E trading update in early April 2021, traction of renewable energy product offering.

John Hynd +61 2 8247 6661 ✉
Sudipta Ghosh +61 2 8247 3106 ✉

Share information

Share price @ 26-Feb-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	\$0.1m

12-mth price performance (\$)

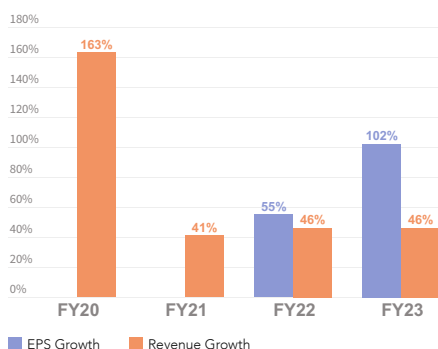


Earnings forecast

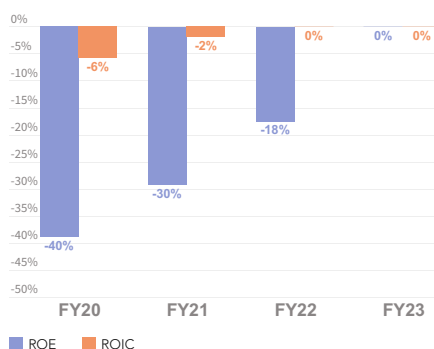
Year-end March (AUD)	FY19A	FY20A	FY21F	FY22F	FY23F
NPAT rep (\$m)	-14.2	-16.4	-14.6	-5.1	0.1
NPAT norm (\$m)	-14.2	-16.4	-11.4	-5.2	0.1
Consensus NPAT (\$m)			-11.4	-5.2	0.1
EPS norm (cps)			-6.7	-3.0	0.1
EPS growth (%)				54.8	102.2
P/E norm (x)			-15.5	-34.2	1545.9
EV/EBITDA (x)			-15.2	-37.4	167.9
FCF yield (%)			0.8	8.6	15.6
DPS (cps)			0.0	0.0	0.0
Dividend yield (%)			0.0	0.0	0.0
Franking (%)			0	0	0

Source: Company data, Wilsons estimates, Refinitiv

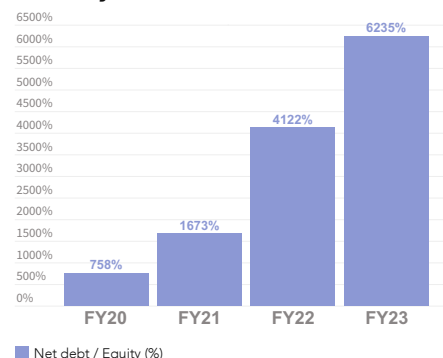
Growth rates



Returns



Solvency



Source: Wilsons estimates

Disclaimer and Disclosures

Recommendation structure and other definitions

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

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