

# Plexure Group

## Grocery upsizes the global opportunity

We initiate coverage on Plexure with a Buy rating and A\$1.36 price target. Plexure is a leading global provider of customer engagement and personalisation software, tailored to retail and grocery enterprises seeking to interact with customers and influence their behaviour more effectively. With global demand for mobile customer solutions and personalisation expanding rapidly, now is a pivotal point to build out additional functionality, grow the global customer base and embed a transaction based-revenue model where possible. We believe that Plexure has built a high-quality technology platform supported by a large key customer with a substantial runway for growth in the Grocery and Quick Service Restaurant (QSR) markets.

### Enterprise software with personalisation tailwinds

- Plexure was founded in 2010 in New Zealand and following the flagship signing of McDonald's in 2013, has grown to service customers in 60 countries, employing 161 staff and capturing over 210 million users on the platform. We estimate that NZ\$30m has been invested into the platform since inception. Proceeds of the recent NZ\$37m capital raising and SPP can be deployed into feature and product development to broaden the contract opportunity and position for a transition to transactional revenues.

### Revenue growth in FY21, acceleration from there

- Plexure has issued guidance for revenue of NZ\$29.1m in FY21e. Whilst the 15% growth rate is below historical growth rates, we have digested the guidance in light of COVID's impact on QSR foot traffic, sales discussions and the timing of recent additions to the McDonald's customer base globally.

### Extending reach into the Grocery segment

- Plexure's new signing of Super Indo represents an important step into the large Grocery vertical. Initial metrics from the Super Indo deployment are encouraging (107% of annual user adoption target achieved in 3 months, 55% increase in average basket size for app members). Super Indo is a subsidiary of major global grocery company Ahold Delhaize (FY19 revenue ~€66bn) which has over 6,500 stores across Europe and the USA. We view the Grocery vertical as a compelling growth opportunity which shares the attractive characteristics and customer economics of Plexure's proven capabilities in QSR.

Year-end March (\$)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (\$m)	16.8	25.3	29.0	38.5	53.2
EBITDA (\$m)	2.9	2.4	(5.9)	(5.8)	(0.5)
EBIT (\$m)	1.1	0.3	(10.0)	(10.1)	(5.5)
Reported NPAT (\$m)	1.0	0.3	(10.0)	(10.0)	(5.5)
Reported EPS (c)	(0.7)	0.5	(5.8)	(5.8)	(3.2)
Normalised NPAT (\$m)	1.0	0.3	(10.0)	(10.0)	(5.5)
Normalised EPS (c)	0.9	0.2	(6.4)	(5.8)	(3.2)
EPS Growth (%)	-	(77.0)	-	-	-
Dividend (c)	-	-	-	-	-
Net Yield (%)	-	-	-	-	-
EV/EBITDA (X)	45.4	-	-	-	-
Normalised ROE (%)	16.2	2.4	-	-	-

Source: OML, Iress, Plexure Group

### Last Price

**A\$1.04**

### Target Price

**A\$1.36**

### Recommendation

**Buy**

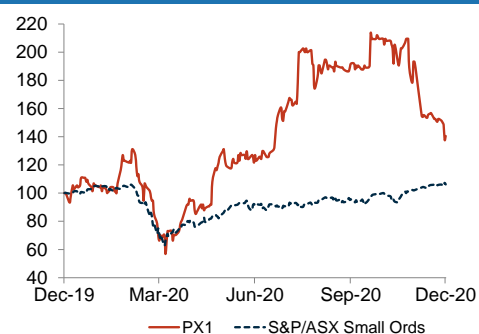
**Risk**

**Higher**

### Application Software

ASX Code	PX1
52 Week Range (\$)	0.42 - 1.58
Market Cap (\$m)	186.2
Shares Outstanding (m)	179.1
Av Daily Turnover (\$m)	0.0
3 Month Total Return (%)	-26.8
12 Month Total Return (%)	40.5
Benchmark 12 Month Return (%)	6.2
NTA FY21E (¢ per share)	20.7
Net Cash FY21E (\$m)	37.1

### Relative Price Performance



Source: FactSet

### Consensus Earnings

	FY21E	FY22E
NPAT (C) (\$m)	-	-
NPAT (OM) (\$m)	(10.0)	(10.0)
EPS (C) (c)	-	-
EPS (OM) (c)	(6.4)	(5.8)

Source: OML, Iress, Plexure Group

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## Investment highlights

- **Industry leading solution** – Plexure’s targeted R&D is largely funded by the enterprise customer (at a margin) and fit for purpose for specific segments and geographies. Planned investment in R&D continues to improve and expand Plexure’s product suite (such as order and pay), increases the capturable revenue opportunities and embeds Plexure further within its customers software and marketing stack.
- **Validated by key customer McDonald’s** – From a single contract with McDonald’s Netherlands in 2013, Plexure’s solution has grown to now represent over 59 separate countries and contracts with McDonald’s, Japan being the largest. Many of these agreements have been signed within the past 12-24 months and we are yet to see full revenue potential. McDonald’s is a 9.8% shareholder of Plexure and serves as a globally significant case study.
- **Super Indo creates a grocery launching pad** - Super Indo represents Plexure’s first major win in the Grocery segment. Sales and engagement results from Super Indo’s 170 stores have been positive (+55% increase in basket size) and this may create new contract opportunities within Super Indo’s parent company Ahold Delhaize. Ahold Delhaize generated €66.3b in revenues across 6,500 stores during FY19. With grocery channels looking more seriously at mobile engagement and membership programs, we see Ahold Delhaize and the broader grocery market as a source of blue-sky potential.
- **Investment in sales capability to drive new customer expansion** - We expect additional investment in marketing headcount to drive contract discussions with new greenfield customers and to support revenue pull through from existing customer contracts (White Castle, Super Indo) that are still maturing to potential.
- **Transition to usage revenue model can drive improving returns at scale** - Many enterprise modules (e.g. Eagle Eye, Airship) that service the QSR and Grocery sectors are transitioning to a part-usage fee revenue model. We believe that modular investment and technology innovation from Plexure can accelerate this contractual discussion with new and existing customers. We see a transactional revenue component as supportive for gross margins.
- **Financial performance** – Plexure has produced positive pro-forma EBITDA and free cash flow during FY19 and FY20. This financial performance supports our confidence in the business model and a likely return to positive profit and free cash flows, after a period of investment to accelerate opportunities in this high-growth segment.
- **Experienced board and management** – The management team and board are highly experienced and well credentialed at growing brands and software technologies in a global context.
- **A large and global addressable market opportunity in QSR and Grocery** - The global mobile engagement market is forecast to rise to US\$38.7b by 2023 (from US\$4.4b in 2017) , the loyalty management market is forecast to reach US\$6.9b by 2023 (from US\$1.9b in 2017) and mobile order and pay solutions are forecast to account for US\$9b or 11% of all QSR sales during 2020.
- **M&A potential** - In a fragmented industry, we see M&A as a potential strategy to grow in specific regions, add technical capabilities and gain exposure to specific customers.

## Company overview

Plexure is a leading global provider of customer engagement and personalisation software, tailored to retail and grocery enterprises seeking to interact with customers and influence their behaviour more effectively.

Plexure was founded in 2010 in New Zealand and following the flagship signing of McDonald's in 2013, has grown to service customers in 60 countries, employing 161 staff and capturing 210 million users on the platform.

Plexure's key customer is McDonald's which made up ~95% of PX1's FY20 sales. PX1 has expanded its relationship with McDonald's from a single country in 2013 to 59 countries to-date. McDonald's Japan is the largest and most developed implementation of Plexure's product and represents an estimated NZ\$10.6m or 43% of PX1's FY20 revenue.

Other Plexure customers include Loyalty NZ as well as recent new customers White Castle (US burger chain) and Super Indo (Indonesian grocery store and subsidiary of European grocery giant Ahold Delhaize) both signed in 2019 and deployed in 2020.

We estimate that Plexure has spent approximately NZ\$30m developing the platform to date. A large part of Plexure's platform development has been effectively funded via the enterprise agreement with McDonald's, which indicates close alignment between Plexure's product development and its customers' real-world needs.

With global demand for mobile customer solutions and personalisation expanding rapidly, now is a pivotal point to build out additional functionality, grow the global customer base and embed a transaction-based revenue model where possible. In November 2020 the company raised A\$34.7m in order to support product innovation, efficiency and to drive sales into new and existing customers, verticals and geographies. We believe that Plexure has built a high-quality technology platform supported by a large key customer with a substantial runway for growth. The key risks we see in the business are 1) customer concentration (albeit McDonald's is spread across 50+ contracts), 2) execution of new customer agreements and 3) transition to a transaction-based revenue model.

**Figure 1: Founded in 2010, deployed in 60 countries to date.**

Date	Milestone
2010	• VMob Limited founded
2012	• Vmob listed on New Zealand Stock Exchange
2013	• Contract signed with McDonald's Netherlands
2014	• McDonald's Japan signed
2015	• Signing of SaaS Agreement with McDonald's Corporation
2016	• Vmob rebranded to Plexure
2017	• Craig Herbison appointed as CEO
2018	• Plexure deployed in 23 McDonald's markets globally • US-based sales team established
2019	• A subsidiary of McDonald's Corporation purchases a 9.9% shareholding in Plexure • A US-based marketing team is established • White Castle signed
2020	• Super Indo signed • Achieved 200 million users in 60 countries

Source: Plexure, Ord Minnett Research

Figure 2: Platform functionalities and key stats

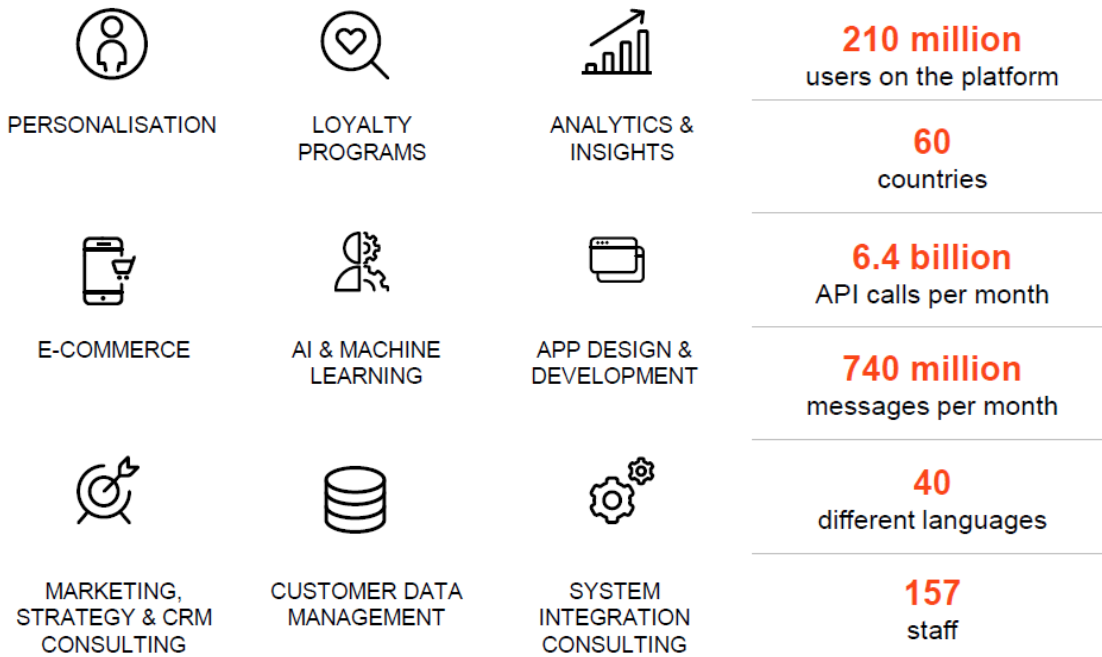
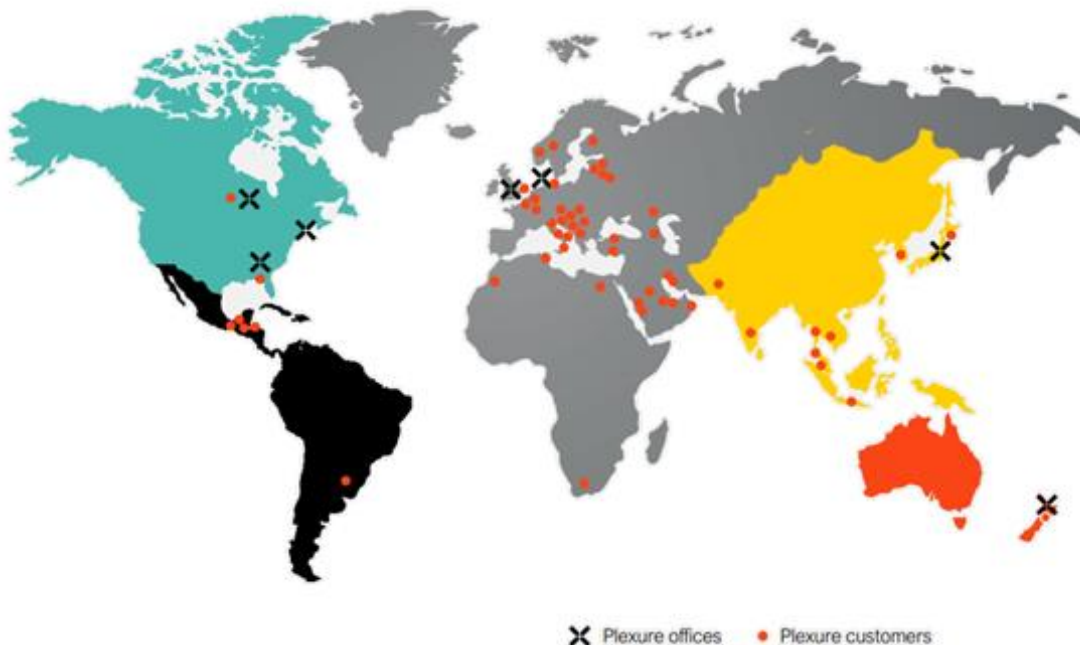


Figure 3: Plexure key customers



Figure 4: Plexure global rollout map



Source: Plexure

Figure 5: Financial Summary

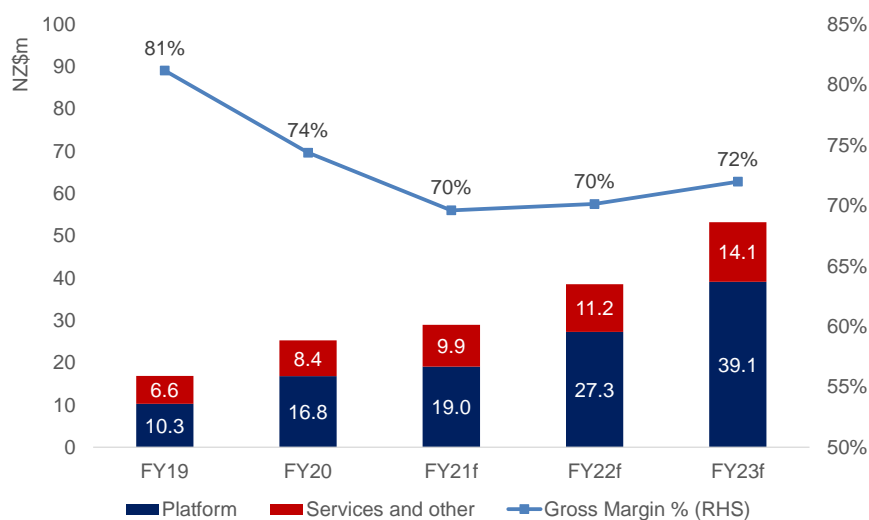
NZ\$(m) Y/E March	FY19	FY20	FY21e	FY22e	FY23e
Platform	10.3	16.8	19.0	27.3	39.1
Services	6.4	8.2	9.9	11.2	14.1
Other	0.1	0.2	0.1	0.0	0.0
<b>Revenue</b>	<b>16.8</b>	<b>25.3</b>	<b>29.0</b>	<b>38.5</b>	<b>53.2</b>
Platform %	61%	67%	66%	71%	73%
Services %	38%	32%	34%	29%	27%
IT Costs	-3.2	-6.5	-9.0	-11.5	-14.9
<b>Gross Margin</b>	<b>13.7</b>	<b>18.8</b>	<b>20.1</b>	<b>27.0</b>	<b>38.3</b>
Margin %	81%	74%	69%	70%	72%
Employees	-8.1	-12.8	-21.3	-26.7	-30.0
Bus. Dev	-0.9	-1.5	-1.0	-2.1	-3.4
Office	-0.5	-0.5	-0.6	-0.8	-1.1
Other	-1.2	-1.5	-3.1	-3.2	-4.4
<b>Opex</b>	<b>-10.8</b>	<b>-16.4</b>	<b>-26.0</b>	<b>-32.8</b>	<b>-38.8</b>
<b>EBITDA</b>	<b>2.9</b>	<b>2.4</b>	<b>-5.9</b>	<b>-5.8</b>	<b>-0.5</b>
Capitalised dev.	-0.6	-2.6	-3.6	-4.6	-5.1
Leases	0.0	-0.1	-0.1	-0.1	-0.1
Total cash costs	-14.6	-25.5	-38.7	-49.0	-59.0
<b>Operating cash flow</b>	<b>3.9</b>	<b>4.5</b>	<b>-5.4</b>	<b>-4.4</b>	<b>1.6</b>
Free cash flow	3.2	1.4	-9.3	-9.3	-1.3
<b>Invested capital</b>	<b>8.1</b>	<b>16.9</b>	<b>46.2</b>	<b>36.1</b>	<b>30.7</b>

**Key metrics**

Closing headcount	69	139	190	215	230
Avg. Rev/head (\$)	300,500	242,923	176,498	190,263	239,172
Employee exp. / head	-145,250	-123,231	-129,410	-131,999	-134,639
Other opex costs / head	-46,857	-34,192	-28,480	-29,994	-39,967
IT costs % Platform	-31%	-38%	-47%	-42%	-38%

Source: Plexure, Ord Minnett Research

Figure 6: PX1 Revenue and Gross Profit Margin



Source: Plexure, Ord Minnett Research

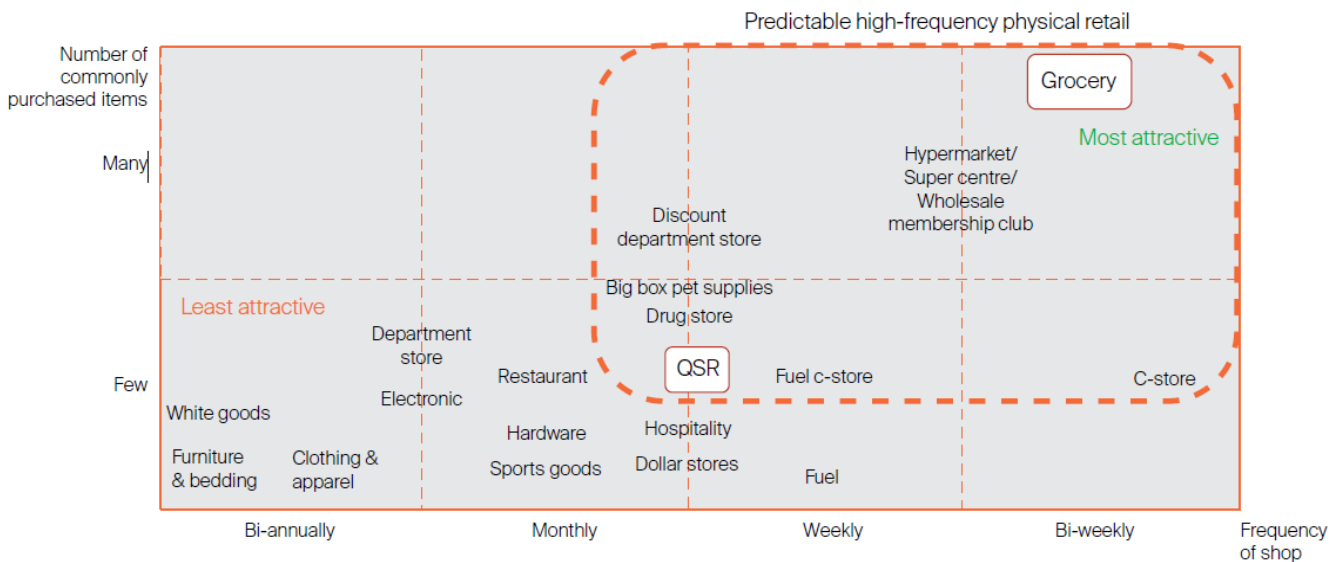
## Plexure Growth Strategy

- Ramp up of investment in sales and marketing capability, combined with wider system functionality, is likely to support the capacity to execute on a significant pipeline of greenfield opportunities within the QSR and Grocery segments.
- The recent contract win with White Castle has validated Plexure’s capacity to win QSR customers outside of McDonalds. The Super Indo contract has opened up the important grocery channel and in particular, provides a platform for growth within the broader Ahold Delhaize group.
- We see potential upside to gross profit margins as Plexure builds in a transactional component to existing and new customer contracts. Loyalty programs are an important pivot point in this transition and Plexure have activated loyalty programs across numerous McDonald’s locations.
- We see expansion in existing customers through further module adoption on the Plexure platform as well as opportunities in new geographies as a potential source of growth.
- Future M&A could accelerate growth in particular markets or customer segments and onboard new technology skill sets

### Value proposition centres on personalisation to drive customer returns

Plexure’s capabilities are designed to capture and analyse data so that marketers can place the best offer, to a target customer in the most relevant context, and thereby improve returns on marketing activities.

**Figure 7: Plexure aims to target predictable, high frequency physical retail customers such as Grocery and QSR**



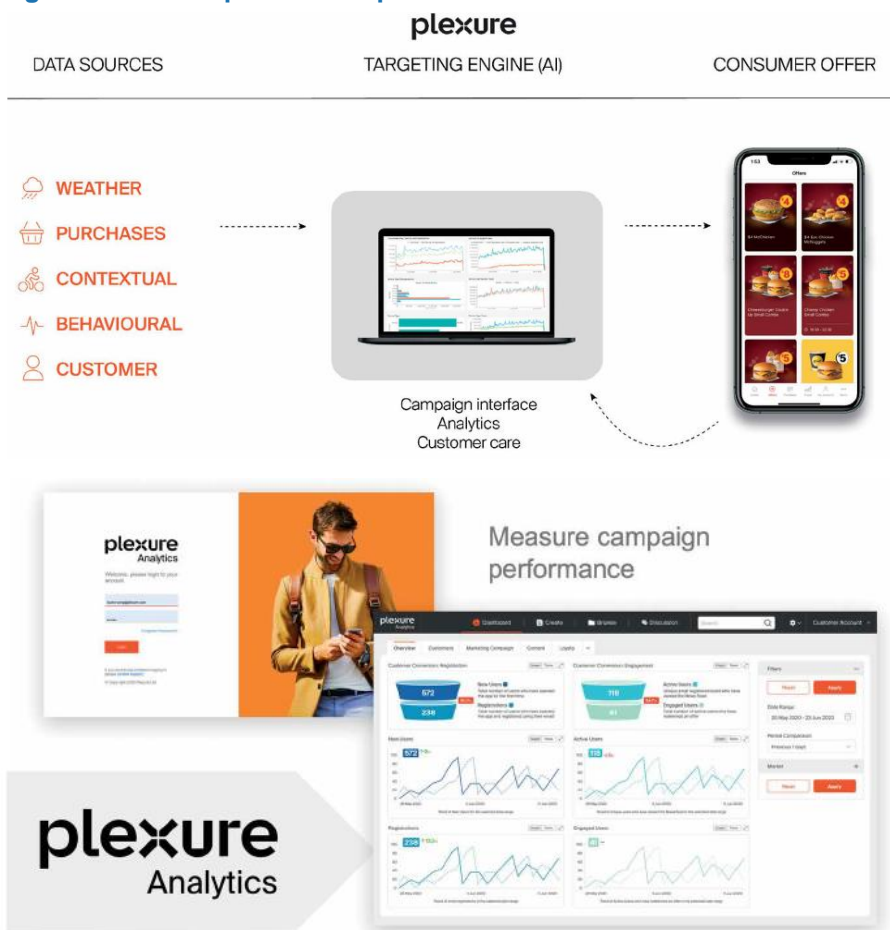
Source: Plexure

## Plexure’s product capabilities

Plexure’s capabilities are designed to capture and analyse data so that marketers can place the best offer, to a target customer in the most relevant context, and thereby improve returns on marketing activities.

- **Personalisation** – acts as the foundation for all Plexure products. Personalisation is a scalable data engine which powers client marketing campaigns and messaging using Machine Learning and AI.
- **Campaigns** – campaign builder which uses deep personalisation and loyalty to create offers.
- **Consumer Care** – administration tool for clients to manage loyalty programs, points, customer accounts.
- **Analytics** – delivers results and analysis of marketing campaigns and consumer activity to generate insights on marketing activities.
- **Mobile** – links Plexure’s mobile marketing functionality to the brand’s existing mobile app.
- **Customer App** – Plexure’s own mobile application if the customer has not already developed their own.
- **Order & Pay** – a Plexure designed and developed app that allows consumers to browse customer offerings, order and pay from anywhere using their mobile.

Figure 8: Plexure product snapshot



Source: Plexure



**Plexure addresses the following challenges faced by grocers:**

- **Bulk discounting erodes profitability** – Plexure reduces reliance on bulk discounting by identifying targeted offers served to specific customers.
- **Difficulty influencing customer behaviours** – Plexure drives specific outcomes across digital and physical channels and through the entire customer journey, from activation to winning back lapsed customers;
- **New competitors** such as delivered meal kits are eroding market share

**Platform native to QSR developed alongside key customer**

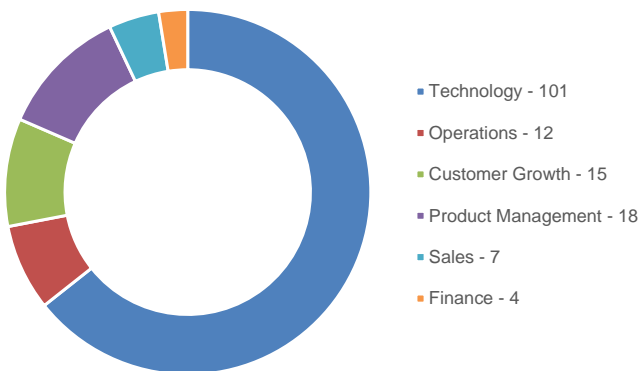
- McDonald’s currently stands out as the largest and most developed customer on Plexure’s platform: ~200 million registered end-customers, ~68 million offer redemptions per month, 11,500 locations served across 59 countries to-date.
- Super Indo and White Castle represent important new signings for Plexure with both customers completing deployments of the platform in 2020.
- Super Indo is Plexure’s first Grocery deployment and represents an important foothold into parent company Ahold Delhaize and the Grocery industry more broadly.

## Staff and operations

At September 2020, Plexure employed 161 staff across six key business units:

- **Technology** – responsible for developing, building and operating Plexure’s platform, including developing platform features, building and maintaining mobile SDKs and applications, managing cloud infrastructure and site reliability
- **Product Management** – responsible for leading the definition of the product vision and strategy, defining the products and features in the Plexure product roadmap, ensuring Plexure products drive value and ROI for Plexure, its clients and their customers
- **Customer Growth** – responsible for the management of the Super Indo, White Castle and Loyalty NZ and McDonald’s relationships. The team is assisted by data scientists, data analysts and data engineers for support functions
- **Sales** – responsible for targeting new enterprise clients through account-based marketing (ABM) campaigns, webinars, thought leadership, conferences and client referrals
- **Operations and Finance** – responsible for the commercial support of pricing, strategy and partnerships





**Figure 9: Plexure headcount by function**



Source: Plexure, Ord Minnett, LinkedIn

## Customer overview

Figure 10: Plexure Customer Snapshot

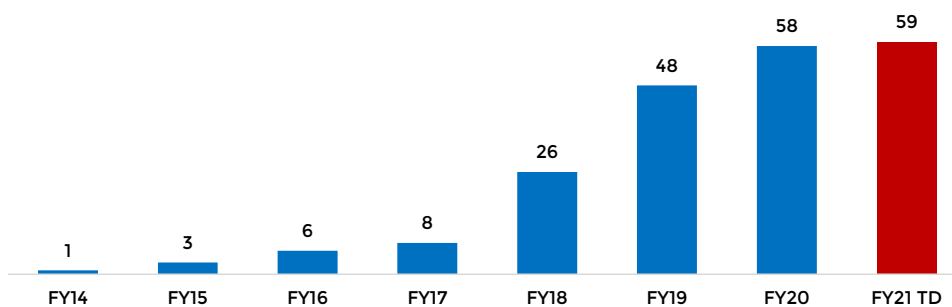
				
 <b>Locations</b>	c.11,500 location across 59 countries	182 locations within Indonesia	363 locations within the U.S.	New Zealand
 <b>Registered Customers</b>	~209 million	~429,000	~106,000	~530,000
 <b>Offers redeemed / month</b>	~59 million	~420,000	~20,000	<i>Offers to be implemented</i>
 <b>Messages sent / month</b>	~760 million	<i>Messaging to be implemented</i>	<i>Messaging to be implemented</i>	~37,000

Source: Plexure, Ord Minnett Research

### McDonald's – the ideal major customer rolled out at scale

- **Key anchor customer** - McDonald's combined agreements are the company's largest customer, representing 95% of FY20 revenue (~\$24m). We estimate McDonald's (ex-Japan) contributed 53% (\$13.4m) of FY20 revenue, and McDonald's Japan an estimated 42% (\$10.6m) of FY20 revenue.
- **Geographic expansion** - 22 new geographies were added in FY19, 10 new geographies added in FY20. We estimate that geographies can take 1-3 years to reach maturity depending on the store profile and customer adoption of mobile solutions, creating a utilisation tailwind in future periods.
- **Services and development revenues** - Campaigns and paid platform development, including the development of McDonald's Order and Pay in Japan – services revenue grew to NZ\$8.2m in FY20 from NZ\$4.1m in FY18.
- **Building in the personalization modules-** All McDonald's markets in which Plexure is deployed use the Personalisation module. Loyalty services are currently offered in 20 markets with additional Loyalty rollouts a possibility in FY22.
- **Supportive shareholder/customer-** Plexure's success with McDonald's demonstrates the capabilities of its platform and effectiveness in meeting McDonald's objectives. McDonald's acquired a 9.9% stake in Plexure in 2019 which we see as further validation of commitment to the Company's partnership with Plexure.

Figure 11: McDonald's country rollout

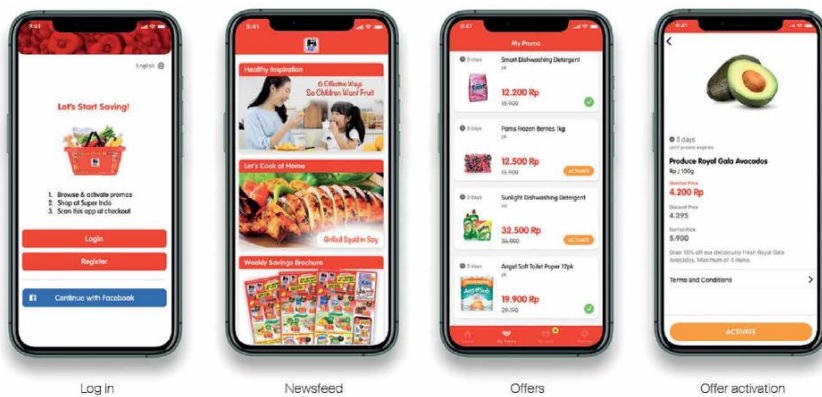


Source: Plexure, Ord Minnett Research

**Super Indo - a foothold into Ahold Delhaize’s global opportunity**

- **Foothold secured into Ahold Delhaize** - In 2019 Plexure formed a relationship with Ahold Delhaize, a world-leading food retailer based in the Netherlands with >6,500 stores across 11 markets that generated €66.3 billion in net sales in FY19.
- **Super Indo building out the grocery model** - Plexure executed a contract with Super Indo in 2019, commencing deployment in June 2020 and services in July 2020. The agreement represents Super Indo’s first step into personalised engagement, supporting its objective to transition from physical cards and generic bulk offers to digitised and personalised offers and loyalty.
- Early metrics on Plexure’s initial deployment are highly encouraging:
  - 55% increase in avg. basket size for app members vs non-members
  - 60% of members have redeemed an offer
  - 107% of annual user adoption target reached in 3 months
  - 1.7x member transaction frequency per month
  - 20% offer utilisation per transaction
- **Future growth prospects** - We believe a successful rollout of Plexure in Super Indo has the potential to expand the solution into parent company Ahold Delhaize’s global grocery footprint over time.

**Figure 12: Super Indo offering**



Source: Plexure

**White Castle – a second QSR customer validates the offering**

In 2019, Plexure signed a contract with White Castle, a US burger chain with ~363 locations and estimated annual revenue of US\$720m. Rollout and launch of Plexure’s offering was completed during 2020 and as at November 2020 had achieved initial results of 106,000 registered customers on platform generating ~20,000 offer redemptions per month.

We forecast a modest scaled up revenue contribution from White Castle (FY22e ~\$1.0m) however see the signing as important validation of Plexure’s product set in a second QSR customer outside of McDonald’s.

## Industry overview

### Mobile engagement a growing segment

Plexure is a vendor of a Customer Engagement solutions with a specific focus on Mobile Engagement. Plexure’s platform utilises customer data to deliver highly personalised offers and content to its clients’ end-customers.

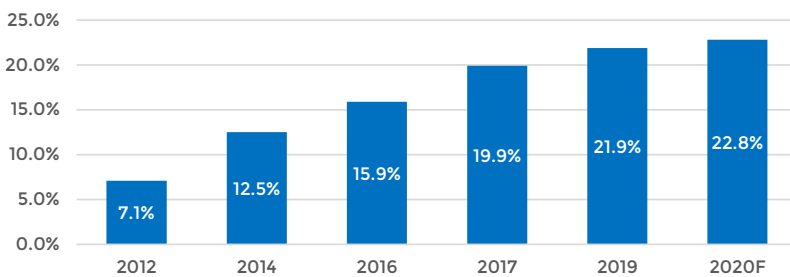
Plexure’s predominant use-cases to date have focused on “high frequency” sectors where consumers make purchases often, with a lower average value. Key sectors include Quick Service Restaurants (QSR) and Grocery. These sectors rely on strong customer engagement to generate brand loyalty.

The market opportunity for Plexure is driven by the increased focus on mobile customer engagement as a key revenue enabler. Highly engaged customers are more likely to repeat purchase from a brand and spend more.

**Industry Evidence:** *Customer and brand adoption of mobile technologies has seen digital’s share of overall marketing expense increase from 7.1% in 2012 to 22.8% in 2020F in the US.*

**Industry Evidence:** *Research by Gallup estimates that fully engaged customers drive a 23% uplift in terms of wallet share, profitability and revenue vs the average consumer.*

**Figure 13: US Marketing spend through digital channels (%)**



Source: Cadent Consulting Group 2020 Marketing Spending Industry Study

### Loyalty delivered online easier and preferred by customers

Mobile makes it easier and more convenient for customers to benefit from discounts and offers and marketers can better target their offers to the right customers.

Delivery of coupons has shifted to mobile over time with the value of digital coupon redemptions forecast to reach US\$90bn by 2022 from US\$47bn in 2017 according to Juniper Research. Mobile is expected to account for 80% of all coupon redemptions.

Loyalty is also a key method of engagement for brands – where customers obtain points and rewards for repeat shopping. Membership of loyalty programmes is high among customers and the programmes are used widely by QSR and grocery brands.

**Industry Evidence:** Global grocery industry sales are forecast to increase to US\$8.3 trillion in 2024F according to IGD retail analysis. QSR industry revenue estimated to grow to US\$691bn by 2022F (CAGR 4.2%) (Zion Market Research).

**Industry evidence:** HelloWorld’s Loyalty Barometer Report survey results identified that 67% of respondents accessed loyalty information via mobile app.

**Industry Evidence:** Starbucks, Dunkin Donuts and KFC have recently deployed mobile order and pay functionality and QSR magazine expects ~11% of QSR transactions to use the tech in 2020.

**Industry Evidence:** Personalisation of marketing messages, product recommendations and content has the potential to grow top-line sales by up to 2% in Grocery according to McKinsey.

## Large and growing addressable market

Plexure’s primary addressable markets sit across the mobile engagement, loyalty and mobile order-and-pay verticals. These segments are driven by the increasing relevance of mobile as a key platform for the distribution of offers and advertising, a preferred method of payment (mobile wallet) and a primary channel for customer communication and engagement.

### Mobile Customer Engagement Platforms

Revenue for vendors of customer engagement platforms is based on ongoing license fees from clients, as well as implementation, support and maintenance fees. The mobile customer engagement platform market (i.e. total revenues for vendors of commercial platforms) is undergoing rapid growth and remains highly fragmented.

**Industry Evidence:** MarketsandMarkets place the mobile engagement segment at an estimated US\$4.4 billion market in 2017, forecast to increase to US\$38.7 billion by 2023.

### Loyalty Management Platforms

Loyalty management platforms are used to manage the operation of customer loyalty programs.

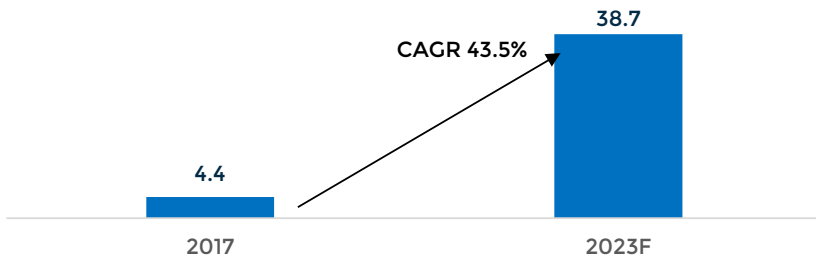
**Industry Evidence:** In 2016, expenditure on loyalty management platforms was estimated at just under US\$2.0 billion, expected to increase to ~\$7.0 billion by 2023F according to Allied Market Research.

### Mobile order and pay

The mobile order and pay solutions market is still emerging and is often addressed by in-house development. Demand for mobile order and pay solutions is anticipated to grow strongly, given the benefits that they offer to customers and the high degree of take-up of the solution by customers.

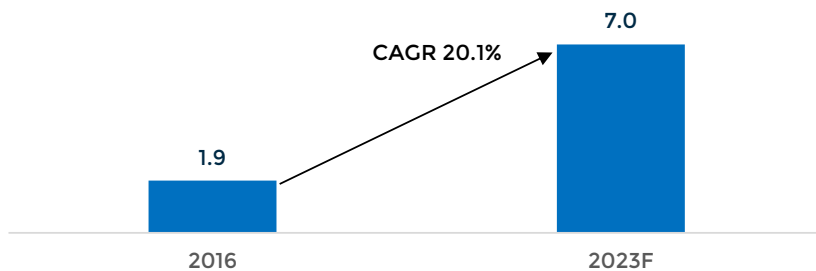
**Industry Evidence:** QSR Magazine estimates mobile order and pay to represent a US\$9bn market in 2020 with the technology accounting for 11% of QSR transactions.

**Figure 14: Mobile Engagement a US\$38.7bn market by 2023**



Source: MarketsandMarkets

**Figure 15: Loyalty management a US\$7bn market by 2023**



Source: Allied Market Research

## Competitor Analysis

Plexure's competitors were largely founded recently, reflective of efforts to serve a mobile-first market following the rise of smartphones since 2009. The space has been actively funded with approx. US\$600m contributed across the peer set below, highlighting the large market opportunity. Peers are largely private enterprises with the exception of Eagle Eye (LSE: EYE).

**Figure 16: Plexure key competitors**

Competitor	Description and Functionality	Ownership	Founded	Employees	HQ	Selected Customers
<b>Airship</b>	AI and Machine Learning enabled with built in analytics for audience targeting and campaigns. Focus on retail, media, fin services, travel and hospitality.	Privately Held; ~\$100m funding	2009	300	Oregon, USA	Chipotle, ASDA, OneFootball, NBC, Vodafone, AstraZeneca, Gamestop, BBC, WSJ,
<b>Braze</b>	Real-time customer engagement across multiple channels. Focus on high-tech, retail, media industries. AI and Machine Learning under development.	Privately Held; ~\$175m funding	2011	617	New York, USA	Postmates, OkCupid, Delivery Hero, Rakuten, American Cancer Society, MindBody
<b>Certona</b>	Provides an AI-based personalisation platform focused on the retail sector. Acquired by Kibo in 2019	Privately Held; Acquired by Kibo in February 2019; ~\$37m funding	2004	57	San Diego, USA	GameStop, MSC, eBags, Lamps Plus, Eyeconic, Destination Maternity, Patrick James,
<b>Eagle Eye Solutions</b>	Provides a mobile engagement platform for a series of applications including digital coupons, gifts and loyalty. Focused on grocery, QSR and retail.	Publicly Listed (LSE: EYE)	2003	154	United Kingdom	ASDA, Heineken, Greggs, Pets at Home, Budweiser, Ladbrokes, Prezzo, Goldsmiths
<b>MoEngage</b>	Focus on enterprise in Asia, US, Europe. Serves retail, media, travel and hospitality. Majority of customers are midmarket.	Privately Held; ~\$41m funding	2014	280	San Francisco, USA	Jimmy Brings, Oyo, Landmark Group, RentoMojo, Deutsche Telekom, and Samsung
<b>Punchh</b>	Customer acquisition, loyalty, ongoing engagement. Historically focused on restaurants but expanded to all retail, travel and hospitality.	Privately Held; ~\$68m funding	2011	259	California, USA	200+ brands including Denny's, Pizza Hut, Hucks, El Pollo Loco, Quiznos, TGI Fridays
<b>SessionM</b>	Mobile capabilities for loyalty programs, incentive driven mobile messaging. Targets brands in retailing, restaurants, travel and hospitality, consumer goods.	~\$97m funding Acquired by MasterCard in 2019	2011	209	Boston, USA	Shake Shack, L'Oreal, Pepsico, Chipotle, Arby's, Ratner Companies, Huggies,
<b>Swrve</b>	Purpose built MMP. Analytics engine delivers personalised customer interactions. Focus on travel, media, financial services, telecommunications.	Privately Held; ~\$76m funding	2011	87	San Francisco, USA	Telefonica, Warner Bros, Conde Nast, Emirates, Sony, Netgear, Ryanair, Three, Woolworths
<b>Upland Localytics</b>	Localytics is a mobile customer engagement platform. Upland acquired Localytics for US\$67 million in 2020. Localytics revenue was reported as US\$13.5 million	Sub of Upland (NDQ: UPLD) Acquired in 2020 for \$67.7m (5.0x EV/Sales)	2008	49	Texas, USA	Albertson's, Comcast, E*Trade, GoPro, HSN, LiveNation, Verizon, ZipCar
<b>Vibes</b>	Designed for consumer-facing companies engaging customers on mobile. Includes analytics and AI. Primarily serves retail, quick-service restaurants, travel and hospitality.	Privately Held; ~\$60m funding	1998	198	Chicago, USA	Chipotle, Comcast, Dick's Sporting Goods, Chico's Lane Bryant, Kwik Trip, Dollar General, Lego, PetSmart

## Revenue model

Plexure’s revenue is generated via contracts with clients on both a recurring and non-recurring basis in the form of Platform and Services revenue.

### Platform revenue is comprised of:

- License fee – fixed monthly fee (determined by solution)
- Usage fee – scaling monthly fee (determined by platform usage)
- Support fee – fixed / scaling monthly fee (determined by selected support SLA)
- Managed service fee – monthly fee (determined by resources requirements)

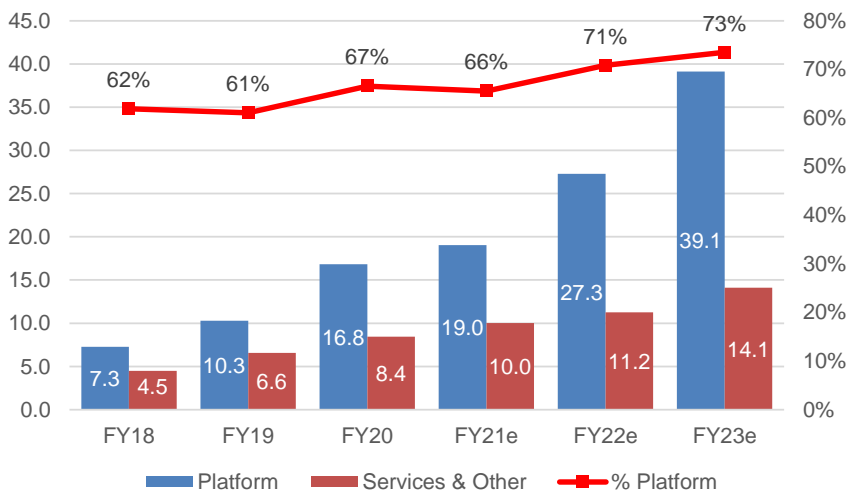
### Services revenue is comprised of:

- Integration fees (time and resources, hourly rate)
- Funded development fees (time and resources, hourly rate)
- Consulting service fees (time and resources, hourly rate).

### Transition to usage-based model underway

The majority of Plexure’s client contracts have pricing based on store numbers (license fee). However, the Company is now seeking to execute contracts based on digital adoption (usage fee). The primary reason for this shift in pricing is to align revenue more closely with costs (hosting and cloud), which are driven by the number of users on platform.

**Figure 17: Increased usage to drive higher platform revenues**



Source: Plexure, Ord Minnett Research

## Financials

Figure 18: Plexure summary financials

NZ\$(m) Y/E March	FY19	FY20	FY21e	FY22e	FY23e
Platform	10.3	16.8	19.0	27.3	39.1
Services	6.4	8.2	9.9	11.2	14.1
Other	0.1	0.2	0.1	0.0	0.0
<b>Revenue</b>	<b>16.8</b>	<b>25.3</b>	<b>29.0</b>	<b>38.5</b>	<b>53.2</b>
Platform %	61%	67%	66%	71%	73%
Services %	38%	32%	34%	29%	27%
IT Costs	-3.2	-6.5	-9.0	-11.5	-14.9
<b>Gross Margin</b>	<b>13.7</b>	<b>18.8</b>	<b>20.1</b>	<b>27.0</b>	<b>38.3</b>
Margin %	81%	74%	69%	70%	72%
Employees	-8.1	-12.8	-21.3	-26.7	-30.0
Bus. Dev	-0.9	-1.5	-1.0	-2.1	-3.4
Office	-0.5	-0.5	-0.6	-0.8	-1.1
Other	-1.2	-1.5	-3.1	-3.2	-4.4
<b>Opex</b>	<b>-10.8</b>	<b>-16.4</b>	<b>-26.0</b>	<b>-32.8</b>	<b>-38.8</b>
<b>EBITDA</b>	<b>2.9</b>	<b>2.4</b>	<b>-5.9</b>	<b>-5.8</b>	<b>-0.5</b>
Capitalised dev.	-0.6	-2.6	-3.6	-4.6	-5.1
Leases	0.0	-0.1	-0.1	-0.1	-0.1
Total cash costs	-14.6	-25.5	-38.7	-49.0	-59.0
<b>Operating cash flow</b>	<b>3.9</b>	<b>4.5</b>	<b>-5.4</b>	<b>-4.4</b>	<b>1.6</b>
Free cash flow	3.2	1.4	-9.3	-9.3	-1.3
<b>Invested capital</b>	<b>8.1</b>	<b>16.9</b>	<b>46.2</b>	<b>36.1</b>	<b>30.7</b>

**Key metrics**

Closing headcount	69	139	190	275	230
Avg. Rev/head (\$)	300,500	242,923	176,498	190,263	239,172
Employee exp. / head	-145,250	-123,231	-129,410	-131,999	-134,639
Other opex costs / head	-46,857	-34,192	-28,480	-29,994	-39,967
IT costs % Platform	-31%	-38%	-47%	-42%	-38%

Source: Plexure, Ord Minnett Research

**Key points and features of Plexure's financial position include:**

- **High gross profit margins:** gross profit has grown at a 2yr-CAGR of 46% to NZ\$18.8m in FY20. Gross profit margins were reported at 74% in FY20, down from a peak of 81% in FY19. The margin compression reflects increased usage in McDonald's contracts which is mostly charged on a per store basis meaning higher individual customer usage drives higher IT costs relative to the revenue received.
- **Investment required to counter the GP margin compression:** Plexure's contracts with new customers now incorporate a usage component to offset this trend. As Plexure signs additional customers in our forecast years, we have modelled stabilisation in margin followed by modest growth.
- **Technology capability:** we understand that Plexure intends to invest in its technology capabilities to reduce cost to serve for customers – also positive for gross margin.
- **IT investment:** IT costs as a % of platform fees has risen to 38% during FY20, which is still materially above what has previously been achieved in FY19 (31%).
- **Positive EBITDA versus investment in growth:** Plexure has recorded positive EBITDA in FY19 and FY20, demonstrating the capacity of the business to generate profit on a stand-alone basis.

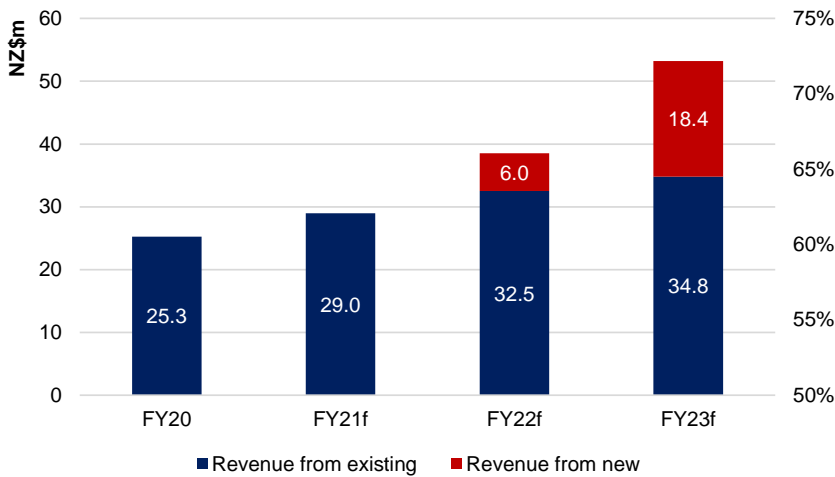


## Key assumptions

On our numbers, we estimate that revenue from existing customers currently signed can grow from NZ\$25.3m in FY20 to NZ\$34.8m by FY23 at a CAGR of 11.2%.

Growth in revenues from existing customers captures further rollouts in McDonald’s geographies, increased modular adoption across the platform and full year contributions and growth from recent new customer wins Super Indo and White Castle.

**Figure 19: \$53m rev achievable in FY23**



Source: Plexure, Ord Minnett Research

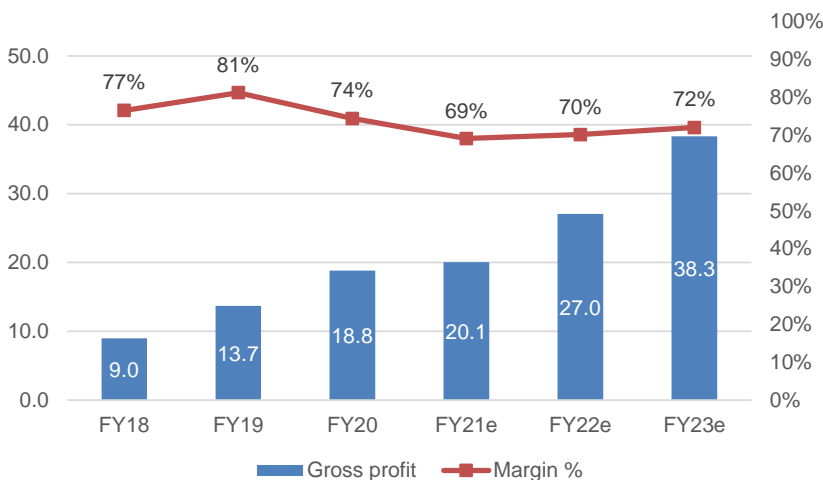
We forecast revenues from new customers not yet signed to reach NZ\$18.4m in FY23e. New customer forecasts assume no new customer wins in FY21 with Plexure flagging that COVID-19 impacts had delayed progression of deal flow during FY21e.

New customer revenue contributions of \$6.0m in FY22 and \$18.4m in FY23 reflect OML estimates on returns from Plexure’s existing pipeline of customer leads across QSR, Grocery and Entertainment verticals across USA, UK and Europe.

### 4 new customers p.a. at NZ\$2m per contract achievable long-term

Our long-term forecasts assume a sustainable new customer win-rate of 4 contracts per annum (1 per quarter) with an average fully rolled out annual contract value of NZ\$2.0m. Our long-term forecasts assume a 5% growth rate on new contracts as they move to the backbook reflecting growth in customer usage and module adoption.

**Figure 20: Margin recovery post-FY21 following investment**



Source: Plexure, Ord Minnett Research

### Cash Flow

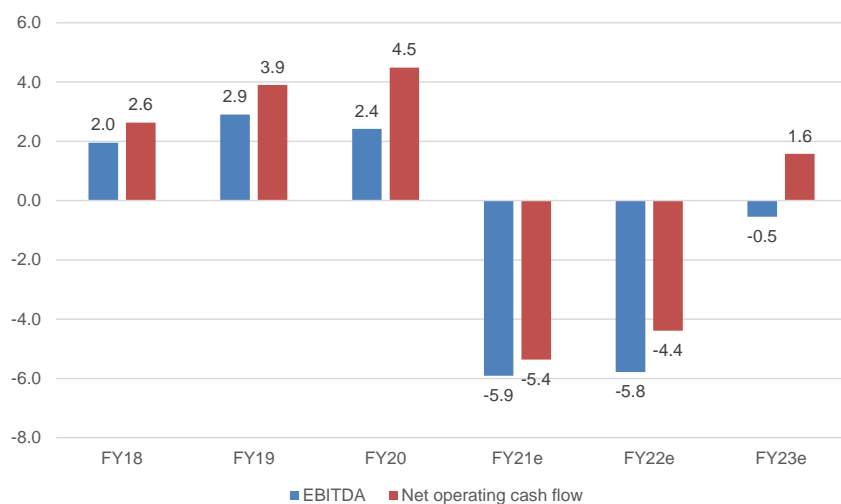
- Plexure has recorded positive operating cash flow and free cash flow in each of FY18, FY19 and FY20.
- \$2.6m of R&D was capitalised in FY20. The core platform is amortised at a rate of 20% and the mobile platform is amortised at a rate of 50%.
- We assume operating cash flow losses in FY21e and FY22e as the company invests in headcount to support new contract growth.
- We assume that Plexure becomes operating cash flow positive in FY23e, with a higher and more diverse revenue base.

**Figure 21: Summary cash flow**

Cash Flow (NZ\$m)					
Y/E 31 March	FY19	FY20	FY21e	FY22e	FY23e
<b>EBITDA</b>	<b>2.9</b>	<b>2.4</b>	<b>-5.9</b>	<b>-5.8</b>	<b>-0.5</b>
Cash tax	-0.2	-0.2	0.0	0.0	0.0
Net interest	0.1	0.2	0.1	0.1	0.1
Net working capital	0.8	1.0	0.5	1.3	2.1
Other asset movements	0.3	1.1	0.0	0.0	0.0
<b>Operating cash flow</b>	<b>3.9</b>	<b>4.5</b>	<b>-5.4</b>	<b>-4.4</b>	<b>1.6</b>
PP&E capex	-0.1	-0.5	-0.3	-0.3	-0.3
Software capex	-0.6	-2.6	-3.6	-4.6	-2.5
Term deposits	-6.1	3.1	0.0	0.0	0.0
<b>Net investing cash flow</b>	<b>-6.8</b>	<b>0.0</b>	<b>-3.9</b>	<b>-4.9</b>	<b>-2.8</b>
Equity issues	0.0	5.5	37.2	0.0	0.0
Borrowings	0.0	0.0	0.0	0.0	0.0
Finance leases	0.0	-0.1	-0.1	-0.1	-0.1
<b>Net financing cash flow</b>	<b>0.0</b>	<b>5.5</b>	<b>37.2</b>	<b>-0.1</b>	<b>-0.1</b>
Net cash flow	-2.9	9.9	27.9	-9.3	-1.3
Free cash flow	3.2	1.4	-9.3	-9.3	-1.3

Source: Plexure, Ord Minnett Research

**Figure 22: Operating cash flow vs EBITDA**



Source: Plexure, Ord Minnett Research

## Balance Sheet

- Plexure has historically funded growth via shareholders equity and organic cash flows. The FY20 balance sheet includes ~\$2m of leased equipment classified as an IRU liability.
- As at FY20 Plexure recorded invested capital of \$16.9m and net working capital (excluding cash and term deposits) of -\$3.6m. The negative working capital balance is due to the favourable mix of deferred revenues.
- We assume debtor days of 75, deferred revenue days of 85 and creditor days of 41 throughout our forecast periods in-line with reported figures in FY20.

**Figure 23: Summary balance sheet**

<b>Balance Sheet (NZ\$m)</b>					
<b>Y/E 31 March</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21e</b>	<b>FY22e</b>	<b>FY23e</b>
<b>ASSETS</b>					
Cash	7.3	14.2	39.0	29.7	28.4
Trade receivables	2.6	5.2	6.0	7.9	10.9
PP&E (incl. ROU)	0.2	2.5	2.4	2.3	2.1
Intangibles	3.3	4.1	9.1	9.9	7.9
Other assets	0.0	0.0	0.0	0.0	0.0
<b>Total assets</b>	<b>13.4</b>	<b>26.0</b>	<b>56.5</b>	<b>49.8</b>	<b>49.4</b>
<b>LIABILITIES</b>					
Payables	1.3	2.8	3.3	4.3	6.0
Borrowings (incl. leases)	0.0	2.3	1.9	1.9	1.9
Deferred revenue	3.9	5.9	6.8	9.0	12.4
Other liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities</b>	<b>5.2</b>	<b>11.0</b>	<b>11.9</b>	<b>15.2</b>	<b>20.3</b>
<b>EQUITY</b>					
Capital	31.3	36.8	76.3	76.3	76.3
Reserves	0.5	0.9	0.9	0.9	0.9
Retained earnings (losses)	-23.7	-22.7	-32.7	-42.7	-48.2
<b>Total equity</b>	<b>8.1</b>	<b>15.0</b>	<b>44.6</b>	<b>34.5</b>	<b>29.1</b>

Source: Plexure, Ord Minnett Research

## Funding round to accelerate growth

Plexure raised NZ\$32m via share placement and NZ\$5m via a share purchase plan (combined A\$34.7) in November 2020. The issue price was NZ \$1.20 (A\$1.13). The transaction included a successful application for the shares to trade on the Australian Stock Exchange (ASX) as a foreign exempt listing.

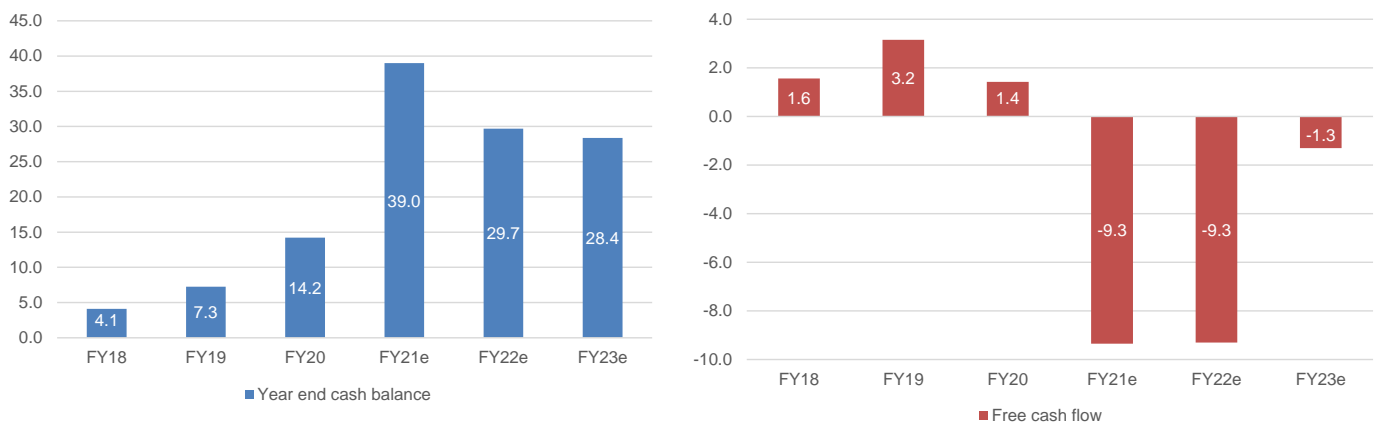
Plexure intends to deploy the funds as follows:

- staffing to pursue customer expansion (A\$10.1m), new product development and innovation (A\$4.6m) and in support of new vertical and geographic expansion (A\$6.9m). Plexure intends to expand existing relationships (e.g. Super Indo and Ahold Delhaize) as well as pursue new opportunities in Grocery, QSR and Retail with a primary focus on Europe, UK and the US
- staffing to support scale and productivity (A\$2.0m). Focus on codification, automation and quality to drive higher margins and productivity,
- A\$8.3m is set aside to fund working capital as Plexure continues its growth trajectory
- Costs of the offer amounted to A\$2.8m.

We expect Plexure’s investment to contribute to material headcount growth - Plexure have already invested heavily in additional headcount with 70 net hires in FY20 to reach 139 at year end. The company forecasts net FY21 headcount additions of 51 to reach 190 at year end.

On our forecasts Plexure is sufficiently capitalised to return to cashflow breakeven following the company’s investment in people, product and technology through FY21-FY23. Under the company’s new cost structure, we estimate that Plexure will be breakeven around NZ\$53m of revenue, achievable in FY23 in our forecasts.

**Figure 24: Sufficient capital to return to cash flow breakeven post-FY23 following period of investment**



Source: Plexure, Ord Minnett Research

## 1H21 result overview

- Plexure's most recent result saw the company generate revenues of \$14.4m up 23% vs pcp and an EBITDA loss of \$3.0m (vs EBITDA profit of \$2.2m in 1H20) reflecting the increased investment in sales and marketing functions.
- The company finished the half with net cash (incl. term deposits) of NZ\$8.8m (pre-raise) and generated a net operating cash outflow of \$3.6m (vs \$2.4m inflow during pcp).
- Plexure's rate of revenue growth slowed in the half which the company attributed to impacts of COVID-19 on customer activity (lower foot traffic in-store) and the new customer sales pipeline (deferred decision making).
- The company has accelerated investment in product and technology with additional hires taking FTEs to 161 at 30 September (up 66 heads YoY) resulting in a 79% higher cost base vs 1H20. Plexure also noted higher IT costs (\$4.0m vs \$2.6m pcp) driven by higher customer usage and dual running costs due to ongoing cloud provider platform transition.
- Plexure notes that market conditions have improved as the impact of COVID-19 has become better understood and the company is seeing an increased sales pipeline with prospective customers now actively engaging in sales conversations
- FY21e forecast guidance was provided with the company anticipating full year revenue of NZ\$29.1m up 14% yoy and an NPAT loss of \$10.0m reflecting the cost of investments made in headcount in FY21 with anticipated returns to be delivered in FY22 and beyond.

**Figure 25: 1H21 Plexure result summary**

1H 30 Sep / 2H 31 March	1H20	2H20	1H21	2H21e	1H v 1H%
<b>Sales by segment \$m</b>					
Platform fees	7.3	9.5	9.0	10.0	23%
Consulting fees	4.2	4.0	5.3	4.6	28%
other	0.2	0.1	0.0	0.1	na
sales - total	11.7	13.6	14.4	14.7	23%
<b>key P&amp;L metrics \$m</b>					
gross profit	6.7	12.1	9.1	11.0	36%
gp margins	58%	89%	63%	75%	6%
opex expensed	-4.5	-11.9	-12.1	-13.8	169%
EBITDA	2.2	0.2	-3.0	-2.9	-238%
D&A	-0.9	-1.2	-1.3	-2.8	36%
EBIT	1.2	-0.9	-4.3	-5.7	-447%
NPAT - underlying	1.2	-0.9	-4.4	-5.6	-474%
EPS -cents	0.8	-0.6	-3.1	-3.2	-472%
NPAT - reported	1.2	-0.9	-4.4	-5.6	-474%
<b>Key metrics \$m</b>					
net debt (cash)	-12.0	-11.9	-6.8	-37.1	-44%
operating cash flow	2.4	2.1	-3.7	-1.7	-255%
capex	-1.5	-1.6	-1.7	-2.2	18%
free cash flow	0.9	0.5	-5.4	-3.9	-706%
1H/2H revenue %	46%	54%	49%	51%	7%
1H/2H EBITDA %	91%	9%	51%	49%	-43%

Source: Ord Minnett Research

## Peer Analysis

On our estimates, Plexure currently trades on a fully diluted 1yr fwd EV/Sales multiple of 4.7x at a modest discount to global marketing tech peers and Australian software peers which trade at 5.6x and 5.0x respectively.

**Figure 26 & 27: Plexure relative valuation vs peers**

Ticker	Name	Mkt cap (AUD\$m)	EV (AUD\$m)	EV/Revenue			Rev growth
				FY20	FY21	NTM	NTM
OML	Ooh!Media Ltd	1,005	1,938	4.6	3.5	3.6	-1%
3925	Double Standard	355	329	6.1	5.9	5.3	14%
ADS	Alliance Data	4,614	10,703	1.8	1.8	1.8	-19%
ICLK	iClick Interactive	883	844	2.5	2.0	2.0	22%
MGNI	Magnite Inc	2,927	2,845	9.7	7.9	7.9	29%
QUOT	Quotient Technology	1,116	1,095	1.9	1.7	1.7	6%
MDLA	Medallia Inc	6,995	6,071	10.0	9.5	8.3	8%
PHUN	Phunware Inc	80	88	5.6	4.3	4.4	27%
AFFLE	Affle India Ltd	1,800	1,807	24.7	19.9	16.7	57%
SHSP	Sharpspring Inc	280	278	7.0	5.9	5.9	15%
EYE	Eagle Eye Solutions	194	192	5.2	4.5	4.3	18%
<b>Average</b>				<b>7.2</b>	<b>6.1</b>	<b>5.6</b>	<b>16%</b>
<b>Median</b>				<b>5.6</b>	<b>4.5</b>	<b>4.4</b>	<b>15%</b>
<b>PLX</b>	<b>Plexure Group Ltd</b>	<b>185</b>	<b>148</b>	<b>6.2</b>	<b>5.4</b>	<b>4.7</b>	<b>20%</b>

Ticker	Name	Mkt cap (AUD\$m)	EV (AUD\$m)	EV/Revenue			Rev growth
				FY20	FY21	NTM	NTM
ELO	Elmo Software	575	454	8.9	6.9	6.1	50%
IFM	Infomedia Ltd	719	620	6.5	6.1	5.8	14%
IRI	Integrated Research	517	519	4.8	4.7	4.5	3%
TNE	Technology One	2,618	2,522	8.3	7.9	7.7	9%
IRE	IRESS Ltd	2,065	2,176	3.9	3.5	3.5	14%
FCL	FINEOS Corp	1,098	1,055	7.3	5.7	5.4	35%
WSP	Whispir Ltd	348	336	7.6	6.3	6.3	37%
CL1	Class Ltd	239	221	5.1	4.2	4.0	26%
LME	Limeade Inc	377	341	4.7	4.3	4.3	15%
RDY	ReadyTech	189	208	5.2	4.3	3.9	37%
APX	Appen Ltd	3,037	2,975	4.7	4.0	4.0	25%
<b>Average</b>				<b>6.1</b>	<b>5.3</b>	<b>5.0</b>	<b>24%</b>
<b>Median</b>				<b>5.2</b>	<b>4.7</b>	<b>4.5</b>	<b>20%</b>
<b>PLX</b>	<b>Plexure Group Ltd</b>	<b>185</b>	<b>148</b>	<b>6.2</b>	<b>5.4</b>	<b>4.7</b>	<b>20%</b>

Source: Bloomberg, Ord Minnett Research

## Price Target, Rating and Valuation

### Initiating on Plexure with a Buy rating and PT of A\$1.36

We value Plexure using a DCF approach with a WACC of 10.5%, a cost of equity of 9.6% and a terminal growth rate of 3.0% based on forecasts for FY21-FY33.

We have converted the NZD cash flows into A\$ at a NZ\$/A\$ rate of 1.06.

We assume a 0% effective tax rate over the forecast period to FY25 to account for the unwind of retained losses accumulated during PX1's investment phase.

The results of our DCF valuation yields a 12-mth price target of A\$1.36 reflecting a 31% premium to last price of A\$1.04.

At last price, Plexure trades on a fully diluted 1yr forward EV/sales multiple of 4.7x and our A\$1.36 PT implies that a multiple of 6.5x can be achieved reflecting success in the large QSR and Grocery market opportunities.

We initiate coverage with a BUY recommendation.

### Figure 28: PX1 DCF valuation yields PT of NZ\$1.45, A\$1.36 at spot.

Firm Value	NZ\$m	220.7
Less (Net Debt) / Cash	NZ\$m	37.1
Proceeds from exercise of options	NZ\$m	1.7
<b>Equity Value</b>	<b>NZ\$m</b>	<b>259.5</b>
Ordinary shares outstanding	m	172.4
In-the-money options outstanding	m	6.6
<b>Fully diluted shares outstanding</b>	<b>m</b>	<b>179.1</b>
Value per share	NZ\$	1.45
<b>Value per share</b>	<b>AUD\$</b>	<b>1.36</b>
Plexure Last Price	AUD\$	1.04
Discount/(Premium) to OML	%	31%

Source: Ord Minnett Research

## Capital Structure

The total number of shares following the placement and SPP issue were 172,246,564.

Post transaction, Plexure has issued a further 175,323 employee option shares taking total ordinary shares to 172,421,887 with a further 6,622,406 options all in-the-money (weighted average strike NZ\$0.261) outstanding implying a fully diluted shares outstanding of 179.1m.

All of Plexure's outstanding options are issued to key executives and staff within the firm and vest in three equal tranches on the first, second and third years post-grant.

We have adjusted our valuation to account for the dilutionary nature of the options balance, offset by our estimated cash proceeds to Plexure on exercise of NZ\$1.7m (options outstanding x weighted average strike price).

**Figure 29: Summary of options outstanding and recent transactions**

	Options (m)	Strike Price (NZ\$)	Proceeds (NZ\$m)	
<b>1/04/2020 Opening</b>	<b>7.901</b>	<b>0.234</b>	<b>1.847</b>	<i>FY20 balance, weighted strike</i>
18/05/2020 Exercised	0.017	0.205	0.003	
11/06/2020 Exercised	0.140	0.408	0.057	
11/06/2020 Exercised	0.133	0.233	0.031	
17/06/2020 Exercised	0.150	0.240	0.036	
27/08/2020 Exercised	0.007	0.205	0.001	
30/04/2020 Issued	0.490	0.610	0.299	
<b>30/09/2020 Closing</b>	<b>7.944</b>	<b>0.254</b>	<b>2.017</b>	<i>1H21 balance, weighted strike</i>
17/11/2020 Exercised	0.400	0.240	0.096	
17/11/2020 Exercised	0.215	0.193	0.041	
17/11/2020 Exercised	0.333	0.188	0.063	
17/11/2020 Exercised	0.198	0.233	0.046	
27/11/2020 Exercised	0.023	0.240	0.006	
27/11/2020 Exercised	0.030	0.193	0.006	
27/11/2020 Exercised	0.013	0.208	0.003	
27/11/2020 Exercised	0.102	0.233	0.024	
27/11/2020 Exercised	0.007	0.622	0.004	
<b>30/11/2020 Closing</b>	<b>6.622</b>	<b>0.261</b>	<b>1.729</b>	<i>Latest disclosed balance, weighted strike</i>
Ordinary shares outstanding	172.4			
Options outstanding	6.622	<i>All in-the-money</i>		
<b>Fully diluted shares</b>	<b>179.1</b>			

Source: Plexure, Ord Minnett Research



## Board & Management

### **Phil Norman – Independent Non-Executive Chairman**

Phil was appointed as Chair and Director of Plexure in 2012. He was the founding Chairman of Xero and his other directorships include Loyalty New Zealand, Straker Translations, Just Life Group, and Touchpoint Group Limited. At 31 March 2020 held 3,194,405 shares in PX1.

### **Craig Herbison – Chief Executive Officer & Director**

Craig was appointed CEO of Plexure in 2017 and has been a Director since June 2018. Craig brings over 20 years' global marketing, business transformation, sales and corporate leadership experience having held several positions in the UK, Australia and NZ. As at 31 March 2020 held nil PX1 shares and 3,250,000 options.

### **Sharon Hunter – Independent Non-Executive Director**

Sharon was appointed to the Plexure Board in 2015 and brings over 20 years' governance experience. She is currently Chair of Eventfinda and prior experience includes directorships with Cranleigh NZ, Robin Hood Foundation NZ and several others. Sharon remains an active entrepreneur in platform technology and consumer lifestyle businesses.

### **Brian Russell – Independent Non-Executive Director**

Brian and brings 27 years' experience having founded Zephyr Technology Corp. His experience includes VC, strategic financing and strategic relationships with Under Armour, 3M, Motorola, NASA and the US DoD.

### **Robert Bell – Independent Non-Executive Director**

Robert is an experienced businessperson with experience in finance, operations and sales across numerous sectors in New Zealand, the US and the UK. Most recently, Robert was a Director of HRV and in 2019 established Viand Foods Limited. Robert is a CA and member of the Institute of Directors NZ.

### **Jack Matthews – Independent Non-Executive Director**

Jack was appointed to the Plexure Board in 2019 and has broad governance and management experience across the technology and media sectors. Jack is currently Chairman of MediaWorks, and Non-Executive Director at Chorus Limited.

### **Andrew Dalziel – Chief Financial Officer**

Andrew has worked in multiple CFO and senior financial roles with experience in publicly traded businesses. Andrew has also specialised in working with technology start-ups and is a CA and qualified lawyer. As at 17 November holds 1,000,000 PX1 shares.

### **Richard Fraser – Chief Product Officer**

Richard brings over 20 years' international commercial experience from the telco, content, digital media and consumer technology sectors. Richard's experience spans the UK, EMEA, USA, South America, and Asia.

### **Andrew Flavell – Chief Technology Officer**

Andrew was appointed CTO of Plexure in 2020 and brings global experience from Nike where he was VP of Architecture and VP of Nike+ Brand. Andrew also spent 14 years at Microsoft and holds a Master's Degree and a Doctorate from the University of Tokushima.

## Risks

- **Customer concentration risk:** Plexure's key customer McDonald's has contributed a large part of the historical revenues of the company. There is a risk that if the McDonald's relationship were to be ended or scaled back, the financial performance of Plexure would be materially impacted.
- **COVID-19 business risk:** The impact of COVID-19 on Plexure's operations continues on a developing basis. While Plexure is relatively resilient to the effects of COVID-19, impacts to Plexure or Plexure's clients, end-users or employees could impact the Company's financial performance.
- **Revenue model transition:** To date the majority of Plexure's revenue has been based on the number of QSR restaurants on the platform and is not driven by the number of underlying customers on platform. Plexure is in the process of transitioning to a usage-based model with new and some existing customers. If Plexure fails to renegotiate its pricing model or fails in penetrating the global market for its products there is a risk that Plexure may not become profitable.
- **New sales risk:** Plexure's growth strategy in part relies on the successful sale of the platform into new customers and verticals. There is a risk that Plexure are unsuccessful in their sales strategy which would materially impact the company's ability to grow revenue and increase profitability.
- **Customer expansion risk:** In addition to selling into new customers, Plexure's growth strategy also considers expansion of usage within existing customers over time via additional module adoption, higher user numbers and processing volumes. If Plexure were unable to grow platform usage within existing customers there is a risk that the company's growth and profitability would be impacted.
- **New technology and competitor risk:** a number of competitors compete both directly and indirectly with Plexure. There is a risk that competitors may develop new technologies, acquire market share, or adopt pricing strategies which may impact Plexure's competitive position and impact its financial performance.
- **Development risk:** Plexure's strategy includes the development of new products to expand usage within its customer base. As with all R&D, there is a risk that the developed products fail to resonate with the target market and generate an acceptable rate of return on development expense.
- **Data security risk:** Plexure's platform collects and stores a wide range of customer data. There is a risk that this data could be compromised via a data leak or through a malicious attack which could present significant reputational risk to the Company and hinder their ability to conduct business.
- **Contract renewal risk:** Plexure generates revenue primarily via fixed and variable fees over a contracted term. Upon expiry of their contracts, there is a risk that Plexure's customers may choose not to renew, or attempt to negotiate less favourable terms which may impact Plexure's financial performance.

**Plexure Group**

<b>PROFIT &amp; LOSS (NZ\$m)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Revenue	16.8	25.3	29.0	38.5	53.2
Operating costs	(13.9)	(22.8)	(34.9)	(44.3)	(53.8)
<b>Operating EBITDA</b>	<b>2.9</b>	<b>2.4</b>	<b>(5.9)</b>	<b>(5.8)</b>	<b>(0.5)</b>
D&A	(1.8)	(2.1)	(4.1)	(4.3)	(5.0)
Non-operating items	-	-	-	-	-
<b>EBIT</b>	<b>1.1</b>	<b>0.3</b>	<b>(10.0)</b>	<b>(10.1)</b>	<b>(5.5)</b>
Net interest	0.1	0.2	0.1	0.1	0.1
<b>Pre-tax profit</b>	<b>1.1</b>	<b>0.5</b>	<b>(10.0)</b>	<b>(10.0)</b>	<b>(5.5)</b>
Net tax (expense) / benefit	(0.1)	(0.2)	-	-	-
<b>Normalised NPAT</b>	<b>1.0</b>	<b>0.3</b>	<b>(10.0)</b>	<b>(10.0)</b>	<b>(5.5)</b>
<b>Reported NPAT</b>	<b>1.0</b>	<b>0.3</b>	<b>(10.0)</b>	<b>(10.0)</b>	<b>(5.5)</b>
Normalised dil. EPS (cps)	0.9	0.2	(6.4)	(5.8)	(3.2)
Reported EPS (cps)	(0.7)	0.5	(5.8)	(5.8)	(3.2)
Effective tax rate (%)	12.7	42.6	-	-	-
DPS (cps)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Payout ratio (%)	-	-	-	-	-
Diluted # of shares (m)	120.0	146.7	179.1	179.1	179.1

<b>CASH FLOW (NZ\$m)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
EBITDA incl. adjustments	2.9	2.4	(5.9)	(5.8)	(0.5)
Change in working capital	0.8	1.0	0.5	1.3	2.1
Net Interest (paid)/received	0.1	0.2	0.1	0.1	0.1
Income tax paid	(0.2)	(0.2)	-	-	-
Other operating items	0.3	1.1	-	-	-
<b>Operating Cash Flow</b>	<b>3.9</b>	<b>4.5</b>	<b>(5.4)</b>	<b>(4.4)</b>	<b>1.6</b>
Capex	(0.7)	(3.1)	(3.9)	(4.9)	(2.8)
Acquisitions	-	-	-	-	-
Other investing items	(6.1)	3.1	-	-	-
<b>Investing Cash Flow</b>	<b>(6.8)</b>	<b>(0.0)</b>	<b>(3.9)</b>	<b>(4.9)</b>	<b>(2.8)</b>
Inc/(Dec) in equity	(0.0)	5.5	37.2	-	-
Inc/(Dec) in borrowings	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other financing items	0.0	(0.1)	(0.1)	(0.1)	(0.1)
<b>Financing Cash Flow</b>	<b>(0.0)</b>	<b>5.5</b>	<b>37.2</b>	<b>(0.1)</b>	<b>(0.1)</b>
FX adjustment	-	-	-	-	-
Net Inc/(Dec) in Cash	(2.9)	9.9	27.9	(9.3)	(1.3)

<b>BALANCE SHEET (NZ\$m)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Cash	7.3	14.2	39.0	29.7	28.4
Receivables	2.6	5.2	6.0	7.9	10.9
Inventory	-	-	-	-	-
Other current assets	0.0	0.0	0.0	0.0	0.0
PP & E	0.2	0.5	0.6	0.7	0.8
Intangibles	3.3	4.1	8.9	9.6	7.5
Other non-current assets	-	2.0	1.8	1.6	1.4
<b>Total Assets</b>	<b>13.4</b>	<b>26.0</b>	<b>56.3</b>	<b>49.5</b>	<b>49.0</b>
Short term debt	-	0.4	0.4	0.4	0.4
Payables	1.3	2.8	3.3	4.3	6.0
Other current liabilities	3.9	5.9	6.8	9.0	12.4
Long term debt	-	1.9	1.5	1.5	1.5
Other non-current liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>5.2</b>	<b>11.0</b>	<b>11.9</b>	<b>15.2</b>	<b>20.3</b>
<b>Total Equity</b>	<b>8.1</b>	<b>15.0</b>	<b>44.6</b>	<b>34.5</b>	<b>29.1</b>
Net debt (cash)	(7.3)	(11.9)	(37.1)	(27.8)	(26.5)

**Buy**

<b>DIVISIONS</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
<b>KEY METRICS (%)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Revenue growth	43.3	50.1	14.9	32.7	38.1
EBITDA growth	48.7	(16.7)	-	-	-
EBIT growth	-	(70.2)	-	-	-
Normalised EPS growth	-	(77.0)	-	-	-
EBITDA margin	17.2	9.6	-	-	-
EBIT margin	6.4	1.3	-	-	-
Return on assets	7.9	0.9	-	-	-
Return on equity	16.2	2.4	-	-	-

<b>VALUATION RATIOS (x)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Reported P/E	-	210.2	-	-	-
Price To Free Cash Flow	39.9	107.8	-	-	-
Price To NTA	28.0	13.8	5.4	7.6	8.9
EV / EBITDA	45.6	-	-	-	-
EV / EBIT	123.9	442.1	-	-	-

<b>LEVERAGE</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
ND / (ND + Equity) (%)	(835.3)	(391.1)	(495.8)	(411.8)	(1,017.5)
Net Debt / EBITDA (%)	(249.8)	(493.8)	627.7	480.5	4,853.8
EBIT Interest Cover (x)	-	-	149.8	150.9	82.4
EBITDA Interest Cover (x)	-	-	88.2	86.3	8.1

**SUBSTANTIAL HOLDERS**

	<b>m</b>	<b>%</b>
<b>VALUATION</b>		
Cost of Equity (%)		9.6
Cost of debt (after tax) (%)		5.0
D / EV (%)		(15.5)
<b>WACC (%)</b>		<b>10.5</b>
Forecast cash flow (\$m)		66.6
Terminal value (\$m)		154.1
Enterprise Value (\$m)		220.7
<b>Equity NPV Per Share (\$)</b>		<b>1.36</b>

Target Price Method	DCF
Target Price (\$)	1.36
Valuation disc. / (prem.) to share price (%)	31.0

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SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historic volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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Ord Minnett acted as Joint Lead Manager to the Placement, SPP and ASX listing of PX1 in November 2020 and received fees for acting in this capacity

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