PX1 Plexure Group

Company Overview

Imagine you're a quick serve restaurant (QSR) and your customer is driving by the store with no intention of coming in. Once your customers phone gets within 5km of your "geofence" (a virtual boundary around your store picked up by the app using GPS) your app sends your customer a push notification. The app has been collecting that customers data, all of their purchase history and behaviours and running it through Plexure's AI and machine learning algorithms. It knows that this specific customer loves cheeseburgers and fries after work and that on cold rainy nights like tonight they enjoy a hot chocolate instead of a coffee. Your customer gets a promotion for a double cheeseburger meal and hot chocolate. They hit "buy now" knowing it will be sitting in the warming slot waiting for them as they pull in.

By employing Plexure's software you've increased your guest count by 32% and average transaction value by 35% all because you can create a highly personalised and timely offer. Customers using personalised upsell offers will spend nearly double. Compare that to the effectiveness and cost of a generic TV ad, social media ad or those annoying Dominos Pizza flyers we get in our letterboxes.

How about those customers you're losing to the new Guzman y Gomez that opened up across the street? 71% of customers at high risk of churn can be engaged by personalised coupons bringing 20% of churned customers back to store.

Personalisation results in higher spend, more visits, lower churn and more engaged customers all while increasing brand loyalty.

By integrating Plexures platform into your existing app, or in McDonald Japans case having Plexure build your app, Plexure makes the sales process for physical retailers seamless, engaging and profitable by identifying where customers are, what they want and then facilitating their purchases.

Plexure has 210M users on their platform, 6B API calls per month, sends 740M push messages per month and is in 78 different languages and 58 countries.

Now imagine you're a grocery store. You are facing increased competition from aggressive competitors, eroding profitability from bulk discounting and Covid-19 has hit causing many customers to now prefer online ordering which further erodes your margins. Plexure's platform can encourage customers to visit physical stores through targeted offers only redeemable in store. These offers can influence shoppers' behaviours and incentivise them to re-establish their previous behaviours of in-store shopping all while deepening your brand loyalty and relationship.

Since Plexure launched their app for grocer Super Indo users have a 55% higher basket spend than non-users, 42% of app users have redeemed in store, they've achieved a 20% offer utilisation per transaction and 4.6 stars from 1,200 Play Store reviews, highlighting Plexure's value.

Compare these examples to traditional deeply impersonal marketing methods. You can now employ highly scalable data collection and ML programs to connect and engage with your customers in real time on their mobile phones.

McDonalds Japan Case Study

https://www.youtube.com/watch?v=XZKEwzu2AnI

Super Indo Case Study

https://www.youtube.com/watch?v=IBvEgmfFJYQ&feature=emb_logo

Market

Plexure operates across 3 segments: mobile customer engagement, loyalty management and mobile order & pay. They are focusing on the predictable high-frequency physical retail vertical – QSR and grocery; in other words, they're targeting the most attractive sector of the market where customers shop frequently and purchase many items.

Mobile customer engagement platforms expected to grow at a 43% 6-year CAGR to US$39B by 2023

Loyalty management platforms expected to grow at a 20% 7-year CAGR to US$7T by 2023

Mobile order and pay anticipated to grow strongly (no numbers provided)

Platform

Plexure's platform provides personalised content in real-time driving in-store and repeat visits. The platform uses customer and contextual data sources such as weather, purchase history, behaviour, customer demographics etc to personalise content. Plexure then employs AI and ML to determine the right offer at the right time to provide a highly personalised customer experience.

Plexure has the ability to deliver a loyalty program and personalised advertising content in the form of offers via banners, game pages and push notifications.

Platform offers the ability to link Plexure's mobile marketing functionality to customers' existing mobile app or Plexure's own mobile app if client does not have one themselves (e.g. McDonald's Japan). This app enables customers to browse, place orders and pay from their mobile device.

What problem does Plexure solve for the grocery business?

Bulk discounting erodes profitability – influence shopper's behaviour with targeted offers as needed

Online ordering erodes margins – encourage consumers to visit physical store through targeted offers only redeemable in-store

Trend to online grocery – incentivise customers to re-establish previous behaviours of in-store shopping

Aggressive new competitors – deepen relationship with customers with highly personalised engagements

Since Plexure launched their app for grocer Super Indo they have had 107% of their first-year registration target achieved in the first 3 months. App users have a 55% higher basket spend than non-users, 42% of app users have redeemed in store, 20% offer utilisation per transaction and 4.6 stars from 1,200 Play Store reviews, proving Plexure's value.

Clients

McDonald's, Super Indo, White Castle and Loyalty NZ.

McDonald's and Super Indo are the only 2 of significant importance. McDonald's currently accounts for 95% of PLX's revenue, while Super Indo (though parent company Ahold Delhaize) provides a significant growth opportunity in the grocery vertical and a chance to diversify revenue and industry concentration.

If Plexure can execute and prove value to Super Indo this is expected to lead to further contracts with Ahold Delhaize and potentially other grocers. Ahold Delhaize operates supermarkets and e-commerce businesses with 6,500 stores in 11 countries and if you view their Twitter page https://twitter.com/AholdDelhaize have been actively pursuing AI in their business model.

CEO Craig Herbison has stated concentration risk with McDonald's is not an issue as McDonald's are individual contracts/separate markets. While the company states there is still significant growth runway left with McDonald's it should be noted some markets have their own tech (North America may be one of these) restricting Plexure's growth in remaining McDonald's markets.

Plexure states existing McDonald's markets can grow through:

- Upselling additional platform and product offers to existing McDonald's customers
- Securing new territories/countries
- Developing new products
- Increasing user penetration

Plexure is restricted from pursuing contracts with select QSRs as part of the T&Cs when McDonalds bought a 9.9% stake in Plexure. This will limit their growth in the QSR sector.

Revenue Model

Recurring platform revenue (67%) consists of license fee, usage fee, support fee and managed service fee

Non-recurring services revenue (33%) consists of integration fee, funded development fee and consulting service fee

Non-recurring other revenue (1%) includes reimbursement of travel costs incurred by Plexure in servicing existing clients

Plexure plans to change their revenue model to usage so as users grow overtime Plexure will get the benefit with minimal additional cost.

Culture

Strong company culture (most of the following is from the website and job listings)

•"Jeans and t-shirt kind of company"

•Have a bring your dog to work day

•Flexible work culture with 2 work from home days a week "we want people to do the best work of their lives and fulfill their career goals while maintaining a happy work-life balance"

•"We also have an open plan office aids both work and play with a pool table, board games and large break out spaces with lots of comfy couches."

•During a CEO interview on Spotify you can hear pool being played in the background

•"we do provide snacks and fruit and have a thriving and competitive team of pool and table tennis players!"

•"opportunity to build your personal brand as you like"

•Focus on wellbeing – access to employee assistance program, free flu shots, special membership offers at local gym

•Learning and growth opportunities – leadership development programs, internal promotions are the "norm"

Am I concerned the workplace could be too laid back? No, financial performance has been strong.

Do Glassdoor reviews match what management is saying?

3 reviews 4.7/5

04/06/2020 “Great place to work” - positive outlook, great culture, open to innovation, excellent product, willingness to listen; nothing negative comes to mind; 5/5

14/06/2020 “Good place to work” - neutral outlook, cons – lots of managers, filter applicants better; 4/5

02/04/2020 “Strong business” - strong growth trajectory and quality product, recommends with neutral outlook, management “keep up the good work”, no cons; 5/5

10 Auckland based job listings in past 2 weeks. 14 listings in total*

The high number of recent job listings and increase in staff numbers are a strong leading indicator of growth.

Update: 4 of the 10 Technology job listings as of Aug 2020 are still listed (currently Nov 2020) – Intermediate Devops Engineers, Senior Data Engineers, Senior Devops Engineers, and Senior Software Engineers. Could a difficulty recruiting talent affect the company going forward? Yes, however, this is more likely this is due to quarantine and travel restrictions.

*As of 19/08/2020

Is the workforce diverse?

Based on https://www.plexure.com/careers/; and CEO stating they have 29 different ethnicities; Yes.

Management & Board

Phil Norman – Independent Non-Executive Chairman NZ$92,500; **2.28%**

•Phil was the founding Chairman of Xero Limited, retiring from Xero’s Board in July 2012 after five years.

•Current director roles: Independent Chairmanship of Loyalty New Zealand Limited and Chairman of ASX-listed Straker Translations Limited. Recently appointed a Director of NZX-listed Just Life Group Limited.

•Phil holds an MBA degree from the University of Auckland and is a Chartered Member of the New Zealand Institute of Directors.

With a 2.28% stake and proven experience in a successful high growth tech start-up Phil is the type of director you want on the board.

Craig Herbison – CEO & Director NZ$717,002 (base salary $500,000); 0%*

•Craig took over as CEO in Sept 2017 from the founder and has been an executive director since June 2018.

•Internationally experienced leader with over 20 years of digital brand marketing, business transformation, sales and corporate leadership experience.

•Experience with BNZ as Chief Marketing Officer, General Manager of Marketing and Brand at Spark New Zealand Ltd where he developed and led rebrand of Telecom's 'spark' brand, regional General Manager of brand and communications for Vodafone New Zealand.

Not only has Craig led Plexure's successful turnaround but he has a proven track record in the marketing space. A passionate CEO with relevant industry experience and proven track record. One negative is zero insider ownership (**update**: he will NOT be participating in the SPP). However, Craig does hold options.

*As at March 2020 Craig has 3,250,000 options granted to him.

Remaining directors are all reasonably paid making <NZ$50,000

Are key management diverse?

Of the 10 KMP 2 are females.

Does the BOD possess relevant experience?

Strong experience across marketing, tech and start-ups. Only one board member with AI & ML experience; Brian Russell "has 27 years of experience in artificial intelligence and machine learning, global technology commercialisation…".

Competitors

Gartner defines Mobile Marketing Platforms as "software solutions that help organizations manage, activate and optimize marketing campaigns that target consumers with multiple message types — SMS/text, push notifications and in-app messages — on their mobile device."

This competitor analyses focuses on mobile marketing platforms operating as stand-alone, purpose-built marketing platforms.

Core capabilities of mobile marketing platforms, as defined by Gartner, include the ability to:

•Gain insights via web and app analytics about customer activity on a brand's mobile website and/or application and generate useful engagements.

•Employ any of the major messaging types to enhance multichannel campaigns or to deliver mobile campaigns to a brand's customers.

•Leverage existing customer datasets to deliver a full range of marketing engagement types to an audience primarily accessible on mobile devices.

Leaders

Airship

Size: 201-500 employees

Focused on US and European markets with growing presence in Singapore and New Delhi. Clientele predominantly media and entertainment, retail, and travel and hospitality.

Strengths: scalable platform, can integrate data from multiple 3rd party systems, can stream data from Airship to other systems in real time. Tech partnerships with Salesforce, Adobe, Acoustic and Movable Ink.

Weaknesses: price and analytics and reporting.

Culture: 55 Glassdoor reviews, 3.6/5, 70% approve of CEO, 62% recommend to a friend.

MoEngage

Revenue: $10-25M

Size: 201-500 employees

Geographically diverse with clientele predominantly financial services, retail, telco and media. Employs AI & ML with focus on expanding AI capabilities. Strong company culture.

Strengths: AI-driven optimisation, training and support, push and app content customisation.

Weaknesses: can be a 45-60-minute refresh interval limiting real-time audience engagement in some cases, issues with platform performance consistency.

Culture: 66 Glassdoor reviews, 4.4/5, 94% approve of CEO, 85% recommend to a friend.

Swrve

Size: 51-200 employees

Geographically diverse with clientele predominantly travel and hospitality, streaming media, and financial services.

Strengths: real-time support, automation, dashboard and reporting, investments in AI and ML

Weaknesses: lack of B2B and small to midsize organisation focus as it shifts focus to enterprise customers – will service and support scale?

Culture: 63 Glassdoor reviews, 3.2/5, 80% approve of CEO, 55% recommend to a friend.

Vibes

Size: 1-50 employees

Focused on US and UK and clientele are typically restaurants, financial services, and retail. Similar to Plexure they are focused on enriching customer experiences between a company's physical locations and mobile channels.

Strengths: analytics and data visualisations, support for complex integrations, mobile messaging, ease of use for clients to access data.

Weaknesses: aimed at midsize-enterprise marketing teams with mature mobile marketing strategy.

Culture: 60 Glassdoor reviews, 3.8/5, 62% approve of CEO, 61% recommend to a friend.

Challengers

FollowAnalytics

Size: 1-50 employees

Integrates with MMH platform vendors to deliver a mobile product to enterprise marketing teams. Focused on US and France with expansions into Asia Pacific. Serves hospitality, retail and financial services.

Strengths: AI with plans to further expand, MMH integrations (Salesforce, Oracle, Adobe, SAP, Shopify), predictive capabilities.

Culture: 12 Glassdoor reviews, 3.8/5, 0% approve of CEO, 76% recommend to a friend.

IMImobile

Revenue: UK$171M Net Profit: UK$1.97M

Size: 1,100 employees

Geographically diverse with clientele mainly large enterprises in banking and financial services, telco, and retail. High CEO approval scores from employees.

Strengths: comprehensive channel offering (Apple Business Chat, WhatsApp etc), usability, real-time engagements.

Weaknesses: analytics and reporting, customer profile enrichment (may need to rely on IT support in some instances).

Culture: 178 Glassdoor reviews, 4.1/5, 97% approve of CEO, 67% recommend to a friend.

Pyze

Size: 1-50 employees

Geographically diverse with clientele typically large B2B and B2C in numerous industries.

Strengths: ability to track users across multiple channels and integrate a variety of data sources, customer journey analytics, white label services to integrate with mobile app development and publishing platforms. Strong company culture and CEO approval.

Weaknesses: widely spread focus, enterprise focus.

Culture: 14 Glassdoor reviews, 4.3/5, 100% approve of CEO, 100% recommend to a friend.

Upland

Revenue: $260M

Size: 832 employees

Acquired Localytics in 2020. Focused mainly in US and Europe with clientele predominantly media and entertainment, retail, financial services, non-profit and government. Common employee complaint – difficulty assimilating culture/people of acquisitions to Upland.

Strengths: analytics capabilities, ease of use, personalisation.

Weaknesses: growth strategy revolves around acquisition; feature sets tend to lag behind competitors.

Culture: 167 Glassdoor reviews, 3.4/5, 64% approve of CEO, 58% recommend to a friend.

Xtremepush

Focused mainly on North America and Europe but expanding globally. Clientele predominantly midsize companies in gaming, publishing, digital commerce, and financial services. Platform centres around AI & ML and customer engagement.

Strengths: AI & ML capabilities, advanced chat, extensive and easy to use workflows for mobile campaigns.

Weaknesses: does not offer messaging for OTT devices, dashboard lacks advanced visualisations or customisation capabilities.

Culture: n/a

Niche Players

CleverTap

Size: 51-200 employees

Geographically diverse with clientele predominantly small and midsize companies in retail, financial services, and media and entertainment. Focused on customer engagement and retention, audience segmentation and analytics for mobile apps.

Strengths: data visualisations, ease of use, audience segmentation

Weaknesses: may struggle servicing larger clients with legacy systems, customer acquisition.

Culture: 41 Glassdoor reviews, 3.7/5, 80% approve of CEO, 76% recommend to a friend.

Leanplum

Size: 51-200 employees

Geographically diverse with clientele typically in gaming, retail, and media and entertainment.

Strengths: single product, (A/B) testing and optimisation, natural and easy to use.

Weaknesses: simple predictive models, recent management changes and lack of revenue growth.

Culture: 113 Glassdoor reviews, 3.2/5, 100% approve of CEO, 56% recommend to a friend.

Punchh

Revenue: $100-500M

Size: 201-500 employees

Focused on developing customer relationships across physical locations and mobile channels as well as managing loyalty programs. Geographically diverse with clientele mainly QSR, convenience stores and retail organisations. Planning to expand into financial services, hospitality and life sciences.

Strengths: integration with physical retail, customer-oriented design.

Weaknesses: difficulty integrating with some legacy POS systems, predominant experience is in retail.

Culture: 60 Glassdoor reviews, 3.7/5, 76% approve of CEO, 75% recommend to a friend.

Plexure

Size: 161 employees

Geographically diverse serving QSR, retail (negligible), and grocery.

Strengths: modular platform layered onto AI & ML, real-time capabilities and predictive analytics make them well suited to for high-volume, high-frequency campaigns highly valued by large franchised QSR and franchised retail, fraud detection beyond SOC 2 compliance.

Weaknesses: mobile channel focus, size and resources

Culture: 3 Glassdoor reviews, 4.7/5

Summary

The market is young with plenty of time for companies to establish themselves in each market segment. If any decide to go public (appears only IMImobile and Upland are publicly listed) this could more easily provide them with funds to accelerate growth. Plexure has the advantage of already being publicly listed and the benefits that come with this.

Retail, telco and financial services appear to be the most competitive space and one that Plexure is not currently targeting.

Companies with a similar strategy of enriching customer engagement with physical stores through mobile but NOT directly operating in the same industry's include:

Vibes

Punchh

Neither are currently targeting Plexure's markets. Plexure has first mover advantage with grocery and preference for any unserved McDonald's markets having proof of value and McDonald's ownership stake.

Vibes is targeted at companies with a "mature mobile marketing strategy" whereas, Plexure has shown the capability serve both immature (McDonald's Japan) and mature mobile marketing segments.

Punchh provides a more geographical threat as well as industry overlap serving QSR, convenience and retail and managing loyalty programs. Similar to Plexure, Punchh's strengths are integrating with physical retail and customer-oriented design.

Founder led **Pyze** may have some overlap with Plexure but appear more widely focused and less specialised. Pyze has a strong company culture.

Threat from any of the others is a possibility and will require monitoring.

Plexure appears to have the highest security/anti-fraud detection of the group and their weaknesses seem the most addressable. They also have one of the strongest company cultures; however, there are only 3 reviews.

This competitor analysis focuses only on stand-alone mobile marketing. Additional competitors exist, such as **Salesforce**, **Oracle**, **Acoustic**, **Braze**, **Adobe**, & **Sailthru**, whose capabilities are sold as part of MMH solution and not stand-alone purpose-built mobile.

Glossary:

MMH: Gartner defines the **multichannel marketing hub** (MMH) as a technology that orchestrates a company's communications with and offers to customer segments across multiple channels. These include websites, mobile, social, direct mail call centres, paid media and email.

AI & ML: Artificial intelligence and machine learning

OTT: Over-the-top media service is a streaming service offered directly to viewers via the internet. OTT device is any device other than mobile, desktop, laptop and includes devices such as Smart TVs, Xbox, and other streaming devices.

A/B testing (split testing): shows two versions of the same webpage to different groups of website visitors at the same time and then compares which version drives more conversions.

Modular platforms: https://www.mckinsey.com/business-functions/operations/our-insights/platforms-and-modularity-setup-for-success

Gartner Magic quadrant Oct 26, 2020

https://www.gartner.com/doc/reprints?id=1-24GWT8KI&ct=201027&st=sb&submissionGuid=b0359c8c-08e3-4555-b42e-a93c6db0d3e5

Valuation & Modelling

This is my first model. There will be errors.

Assumptions	Modeling Spreadsheet	Historical Results					Forecast Period			$2.39	$2.52
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
LIVE SCENARIO											
Revenue Growth (% Change)		0.0%	31.2%	64.0%	45.7%	50.1%	27.5%	55.0%	45.0%	45.0%	25.0%
Cost of Goods Sold (% of Revenue)		-34.4%	-41.6%	-23.9%	-18.8%	-25.6%	-23.0%	-23.0%	-23.0%	-23.0%	-23.0%
Wages and Staff Costs (% of Revenue)		-90.6%	-73.5%	-36.5%	-37.4%	-43.7%	-50.0%	-40.0%	-30.0%	-30.0%	-30.0%
Contractors		-6.1%	-9.9%	-8.3%	-10.7%	-6.6%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%
Travel Costs		-16.5%	-9.7%	-3.8%	-3.4%	-4.7%	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%
Office Costs ($000's)		(529)	(504)	(381)	(514)	(526)	(650)	(650)	(750)	(750)	(750)
Depreciation (% of PP&E)		-38.6%	-55.0%	-41.6%	-55.1%	-17.2%	-33.3%	-33.3%	-33.3%	-33.3%	-33.3%
Amortization (% of Intangible Assets)		-26.6%	-33.6%	-44.0%	-54.5%	-42.6%	-44.0%	-44.0%	-44.0%	-44.0%	-44.0%
Tax Rate (% of Earnings Before Tax)		27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	30.0%	30.0%	30.0%	30.0%
Professional Costs		-13.91%	-5.44%	-2.54%	-3.59%	-3.19%	-3.20%	-3.20%	-3.20%	-3.20%	-3.20%
Board Fees		(182)	(178)	(189)	(166)	(295)	(300)	(300)	(325)	(325)	(350)
Marketing		(647)	(678)	(92)	(300)	(337)	(300)	(300)	(300)	(300)	(300)
IT Costs (% of Revenue)		-27.8%	-40.2%	-23.5%	-18.8%	-25.4%	-25.0%	-22.5%	-20.0%	-17.5%	-17.5%
Other expenses ($000's)		-196	-279	-463	-448	420	(450)	(450)	(450)	(450)	(450)

Capital Expenditures ($000's)	102	34	125	117	479	475	475	475	475	475
Capital Development Costs ($000's)	2,968	2,437	944	628	2,589	2,500	1,038	691	2,848	2,750
Debt Issuance (Repayment) ($000's)	-	-	20	(1,255)						
Equity Issued (Repaid) ($000's)	-	-	-	-						
Receivables Days	59	94	44	57	57	57	57	57	57	57
Accounts Payable Days	195	172	90	130	141	135	135	135	135	135
Deferred Revenue	8.3%	15.8%	20.8%	23.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

DCF Model

Assumptions	
Tax Rate	27.5%
Discount Rate	12%
Perpetual Growth Rate	4%
EV/EBITDA Multiple	8.0x
Transaction Date	22/08/2020
Fiscal Year End	31/03/2021
Current Price	1.33
Shares Outstanding	140,380,000
Capital raised from ASX IPO	32,000,000
Costs of offer	2,800,000
Shares issued for ASX IPO	26,666,667
Shares Outstanding Post IPO	167,046,667

SPP Price
1.20

Terminal Value	
EV/EBITDA	382,575
Perp. Growth	404,571
Average	393,573

Discounted Cash Flow	Entry	2020	2021	2022	2023	2024	2025	Exit
Date	22/08/2020	31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026	31/03/2026
Time periods		1	2	3	4	5	6	
Year frac		0.61	1.00	1.00	1.00	1.00	1.00	1.00
EBIT		1,284	-1,211	7,244	21,722	35,478	45,139	
Less: Cash Taxes		353	-333	2173	6517	10643	13542	
NOPAT		931	-878	5,071	15,205	24,835	31,598	
Plus: D&A		2,177	2,763	2,396	2,031	2,435	2,682	
EBITDA		3,461	1,552	9,640	23,753	37,912	47,822	
Less: Capex		479	475	475	475	475	475	
Less: Changes in NWC		1,071	209	2,293	2,354	3,924	2,684	
Unlevered FCFF		**1,558**	**1,201**	**4,699**	**14,407**	**22,870**	**31,121**	**393,573**
Transaction FCFF	0	**948**	**1,201**	**4,699**	**14,407**	**22,870**	**31,121**	**393,573**
IRR FCFF	**(181,767,067)**	**948**	**1,201**	**4,699**	**14,407**	**22,870**	**31,121**	**393,573**

Intrinsic Value Post ASX IPO			
Enterprise Value	253,452,939		
Plus: Cash	40,405,000		USD$ - NZD$
Less: Debt	0		1.43
Equity Value NZD$	420,216,852		
Equity Value AUD$	399,646,796		
Equity Value/Share NZD$	$2.52		USD$ - AUD$
Equity Value/Share AUD$	$2.39		1.36

Visuals

Plexure has an ugly history and falls into the turnaround category. The previous founder stood down in late 2017 and Craig Herbison took over as CEO. Herbison and CFO Dalziel have done a great job turning the company around as seen in the graphs below. It's worth noting founder Scott Bradley has been gradually selling down his stake since leaving and is no longer involved with the company.

All of these numbers will take a drastic hit as the company is aggressively pursuing growth with staff count more than doubling as a result. However, this gives us a unique insight into what the company and management CAN achieve and that this business model CAN be profitable and successful.

Some metrics in particular that stand out:

•FCF% revenue of 13.3%, 18.7% and 17.5% over the past 3 years

•ROIC 6.7% - this improves to 23% when negating the increase in staff costs as a result of pursuing growth

•High gross margins >70% over the past 3 years

An improving ROIC over the past 3 years suggests a healthy and improving competitive advantage.

Potential for higher ROIC and margins:

•Management are improving platform costs.

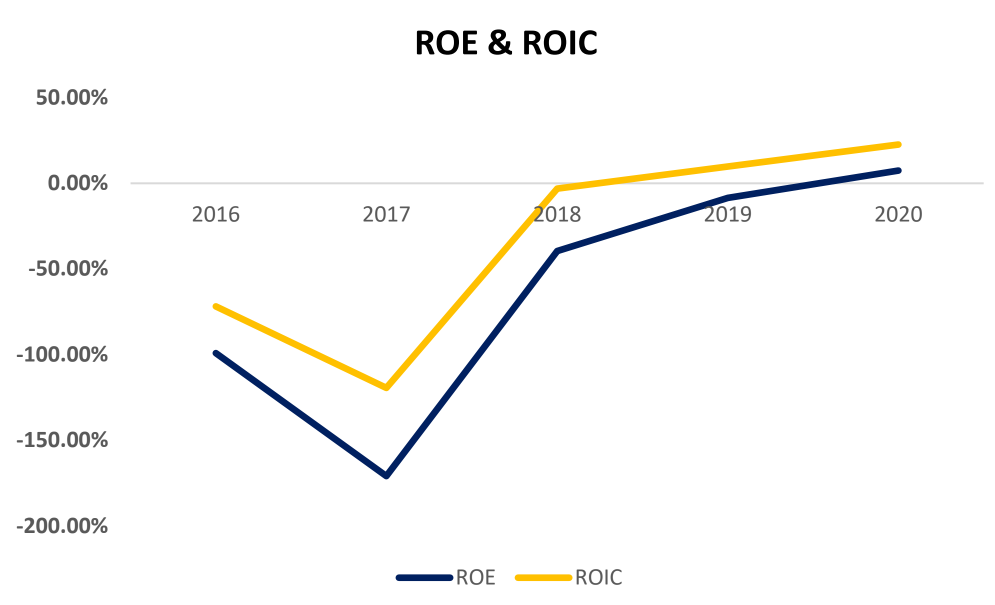
•New revenue model as Plexure attempts to transition existing clients onto new contracts based on usage and offer redemptions. Historically Plexure's revenue is fixed but costs to Plexure increase with increasing users, degrading their gross margin.

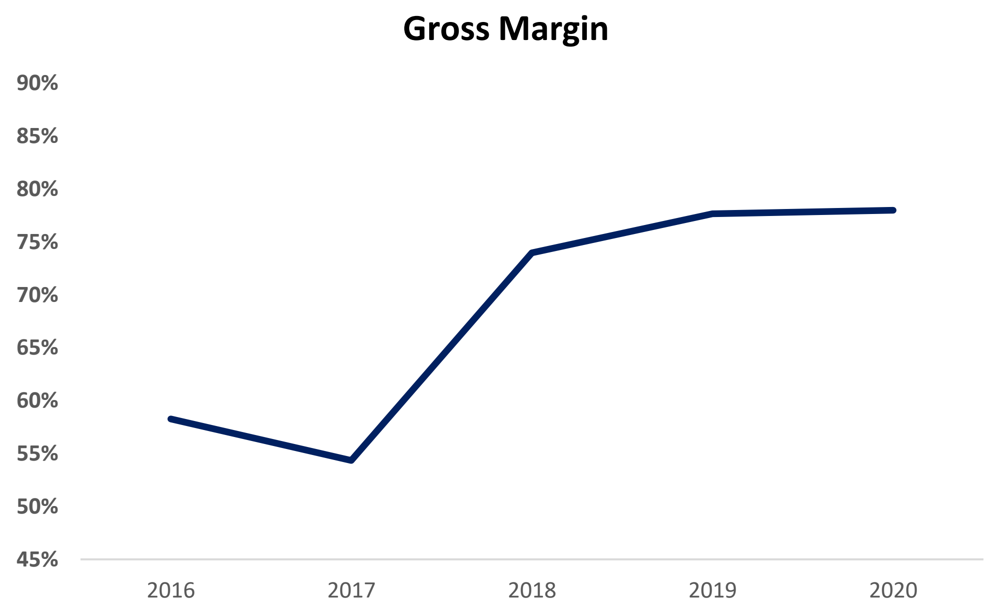
•As ML models scale with repetition they become more automated and less reliant on costly data scientists

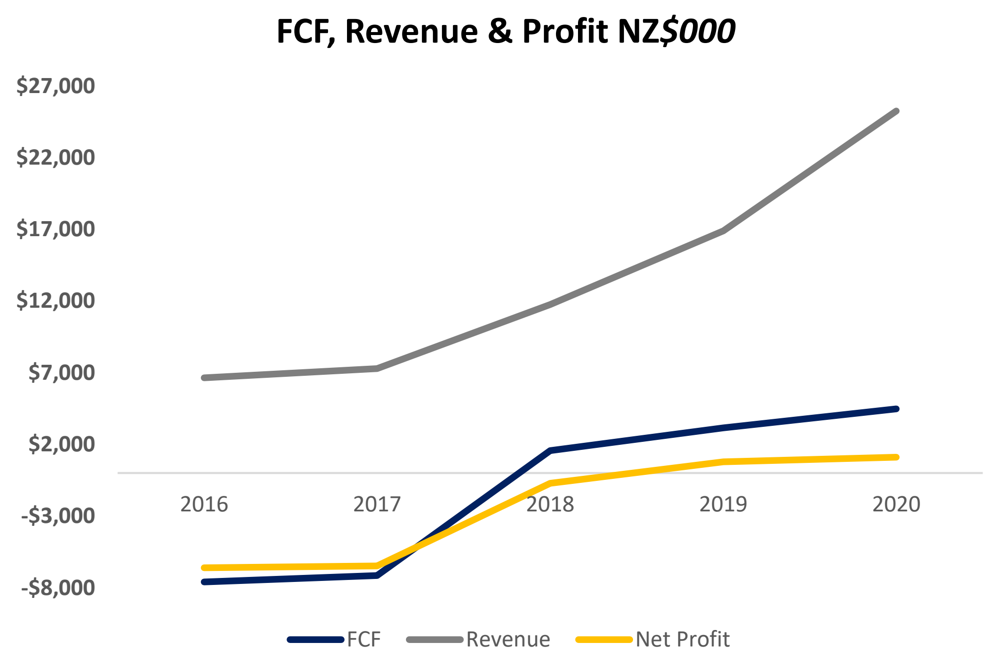
Graphs – see next page

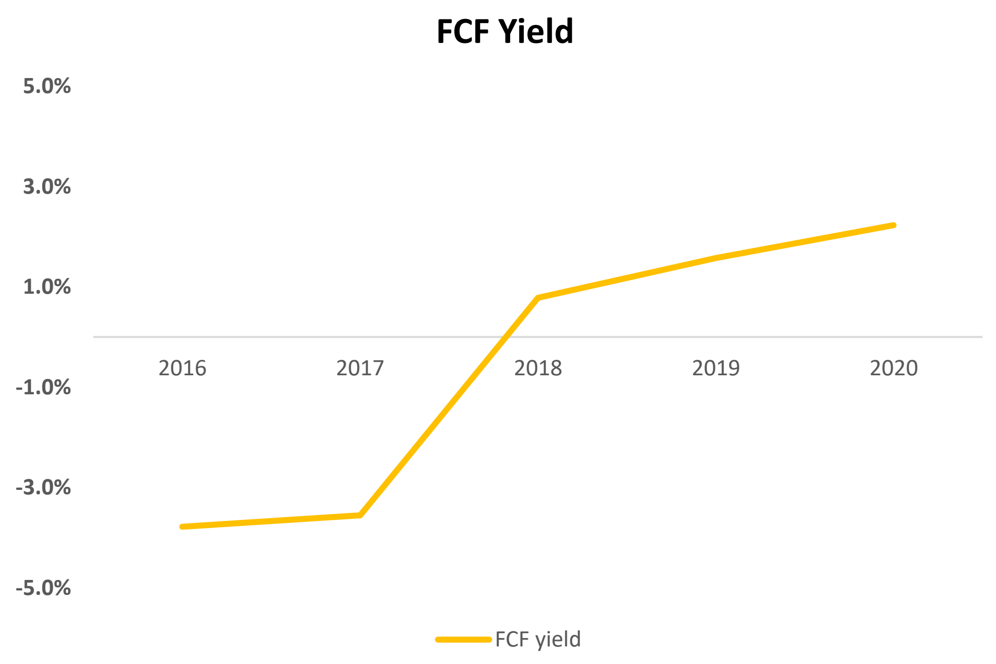
I've used Professional Costs and IT Costs for the COGs. Company defines IT Costs as "includes platform hosting, support and maintenance, licence, other IT expenses" and with regards to Professional Costs, I've come across "this line item captures salaries & benefits of a company's professional services employees that are directly related to delivering the services for which revenue has been recognised during the period."

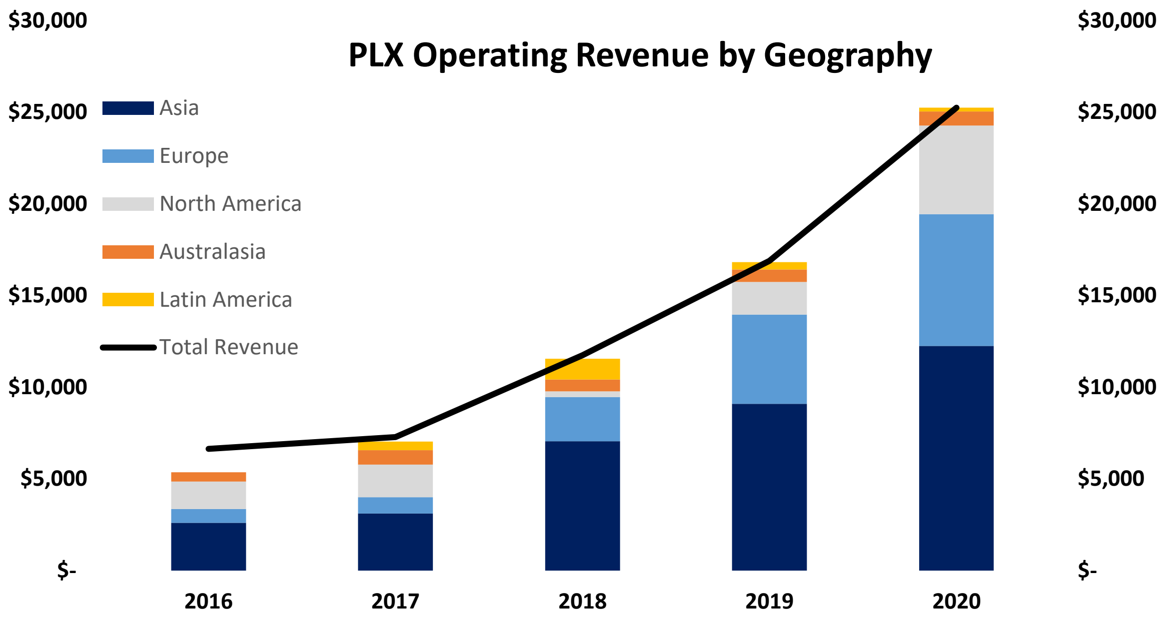
This will vary slightly from management's calculations of gross margin.


ROE & ROIC
50.00%
0.00%
-50.00%
-100.00%
-150.00%
-200.00%
2016
2017
2018
2019
2020
ROE
ROIC

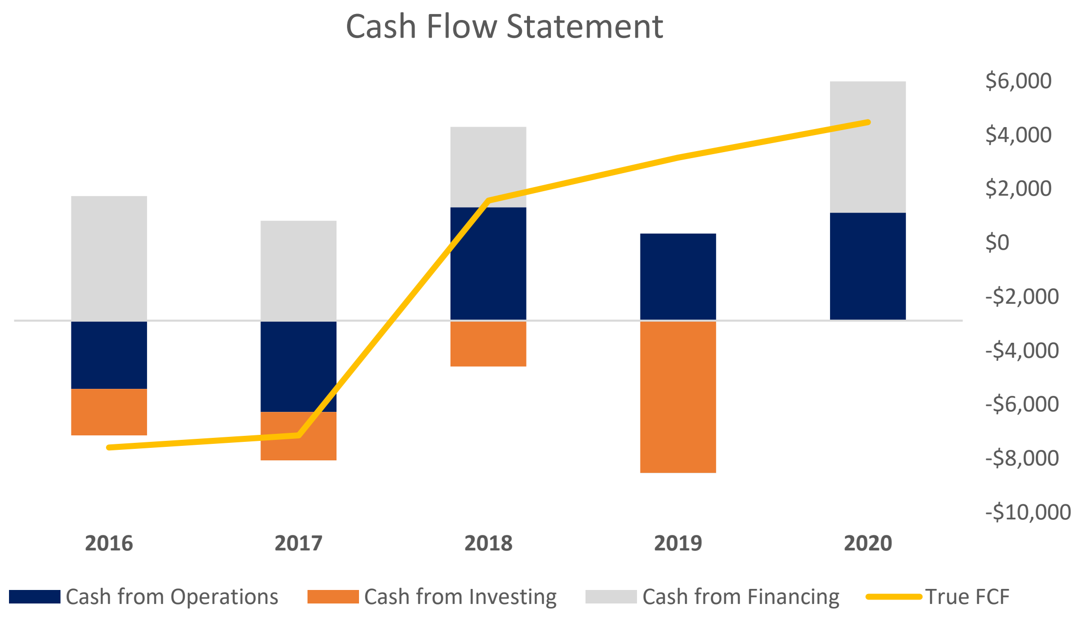

Gross Margin
90%
85%
80%
75%
70%
65%
60%
55%
50%
45%
2016
2017
2018
2019
2020


FCF, Revenue & Profit NZ*$000*
$27,000
$22,000
$17,000
$12,000
$7,000
$2,000
-$3,000
-$8,000
2016
2017
2018
2019
2020
FCF
Revenue
Net Profit


FCF Yield
5.0%
3.0%
1.0%
-1.0%
-3.0%
-5.0%
2016
2017
2018
2019
2020
FCF yield



PLX Operating Revenue by Geography
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$-
Asia
Europe
North America
Australasia
Latin America
Total Revenue
2016
2017
2018
2019
2020



Cash Flow Statement
$6,000
$4,000
$2,000
$0
-$2,000
-$4,000
-$6,000
-$8,000
-$10,000
2016
2017
2018
2019
2020
Cash from Operations
Cash from Investing
Cash from Financing
True FCF

Thesis (Aug 2020)

•45%+ revenue growth over the past 3 years

•Profitable over the past 2 years[1] & Cash flow positive for the past 3 years[1]

•High gross margins averaging 75% the past 3 years

•Strong balance sheet with no debt

•Strong company culture

•Bluechip customer base

•Strong and experienced management team

•Directors and management own 2.55% with further 5.7% possible through employee options[2]

•Employees have doubled from pcp – suggesting company is targeting growth++

-further 10 Auckland based job listings in past 14 days[3]

•Resilient business model showing continued revenue growth during Covid-19

•Largest customer in McDonald's holds 10% in the company

-highlights high-quality offering

•Valuation - DCF bear case NZD$1.61/AUD$1.43, base case NZD$2.52/AUD$2.39

-undervalued 14-92%[4]

•Positively trending ROIC indicates improving competitive advantage

•ROIC 7%; improves to 23% when negating staff costs associated with aggressive growth

-management are strong capital allocators

•Strong 40% rule - score of 80%, 63% and 67% over past 3 years (growth rate + EBITDA)

•Highly scalable

•Potential for highly sticky customers

•Misunderstood – company/industry can be difficult to understand

•Disruptive

•Strong tailwinds

Minor Concerns

•Low management ownership; however, CEO has 3.25M options

•AR days could be improved (50% are considered past due)[5]

•The rising cost of Azure's services continues to be a concern for the company

•Diversification – 95% of revenue comes from McDonald's[6]

•With staff doubling it is possible the bottom line is affected over the short-term

•NZSA encouraging shareholders to veto an ASX listing/ASX listing not proceeding

With regards to 95% of revenue coming from one customer, I think Plexure is a unique situation. McDonald's believed enough in the product they bought a 9.9% stake in the company. This currently sits at NZ$21M. While $21M is a drop in the bucket for a large corporation I can't see McDonald's terminating contracts and putting this investment at risk.

CEO Craig Herbison has stated concentration risk is not an issue as McDonald's are individual contracts/separate markets.

Update: The fact McDonalds will be participating in the capital raise to maintain their 9.9% stake further strengthens this view.

Why I Would Consider Selling

•McDonalds sells a significant stake (>50%)

•Dalziel, Herbison or Norman leave

•Company culture deteriorates

•Company unable to execute on growth strategy

•Government regulations negatively affecting business model

Update:

•ASX listing will go ahead but as a secondary listing (ASX/NZX PLX → PX1)

•Capital raise reduced to $30M to fund growth, no acquisitions at this stage

•Company's bottom line WILL be significantly impacted. They do not expect to be profitable for at least 2-3 years. This is the trade-off with a growth company and does not concern me despite attractive financials initially drawing me to the company.

Notes

1 ignoring issue of convertible notes in 2018 & 2019

2 excludes any dilution from ASX IPO

3 as of 19/08/20

4 Updated to include dilution from raising $32M worth of shares from an ASX listing based on share price of $1.31. Discount rate 12%, Perp Growth Rate 4%, EV/EBITDA Multiple 8.0x, 5-year DCF. Bear case 25%, 25%, 20%, 20%, 20% revenue growth over 5 years. Base case 27.5%, 55%, 45%, 45% & 25% revenue growth. Does this make sense? CEO "We want to be a $100M revenue business in a very short period of time." Base case has $105M revenue 2024; Yes.

5 Accounts receivable total of $4.341m, $2.167m is showing as past due (2019: $1.222m); however, based on overseas payment patterns this is considered normal.

6 successful expansion into grocers will provide diversification. Ahold Delhaize operates supermarkets and e-commerce businesses with 6,500 stores in 11 countries. In March 2020 Plexure launched mobile marketing technology for Super Indo – one of Indonesia's largest supermarket chains. Super Indo is majority owned by Ahold Delhaize and should they be successful could provide an opportunity with Ahold Delhaize's remaining brands.

Summary

Plexure is a high growth company hidden away on the NZX that I believe does not have its track record or future growth priced in. Management have done a tremendous job running a quality business and efficiently allocating capital.

Exposure to Ahold Delhaize through Super Indo, staff size doubling, directors with M&A experience being brought on, an ASX listing being pursued and managements comments all indicate continued strong growth potential as the company expands into the grocery market. Combined with moderate growth potential in their existing operating markets and strong tailwinds for their services in the grocery sector, Plexure's future looks bright.

It is rare to find a high-growth tech company with a 3-year proven track record, blue chip clients, and exceptional management team capable of allocating capital efficiently that is undervalued. This presents an investment with lowered risk and high upside.

Disclaimer: I hold PX1