

Management facilitating a solid turnaround

Urbanise (UBN:ASX) is a provider of industry-specific cloud-based SaaS platforms to strata & facilities managers, with Australia/NZ ~69% of revenue, The Middle East/North Africa 27% and South Africa 4%. Target customers are strata managers, Tier 2 Facilities Management Outsourcers and Asset Managers. Urbanise's software allows customers to automate manual processes and workflows reducing costs and improving the transparency and quality of their reporting to clients. Mobile functionality facilitates the communication between customers and key stakeholders, further increasing the 'stickiness' of the platform. Urbanise provides facility managers (42% of revenue) with complete work order management system which enables them to manage multiple assets and contracts from one place. It uses AI and machine learning and allows for real time reporting and analytics. Urbanise provides an accounting and compliance system for Strata managers (58% of revenue). Following the sale of on IoT business in FY18, Urbanise's business model has been restructured with a focus on driving recurring licence revenue growth, reducing its cost base and realising working capital efficiencies. The FY20 results reveal the progress the company has made with revenue +20% to \$9.65m with 81% recurring revenue, up from 70% in FY18. Working capital as a % of sales was -3% compared to 13% in FY18 while EBITDA losses continue to narrow. COVID-19 had minimal impact on revenue over the period, highlighting its defensive nature. The business finished the year with \$4.5m cash on hand and no debt, having raised \$2.5m in December 2019 through an institutional-led placement. Based on the average quarterly cash burn rate over FY20 UBN has ample medium-term funding.

Business model

UBN derives revenue predominantly from recurring SaaS revenue (81% in FY20) and customer implementation or "professional" fees (19% of revenue in FY20). For Strata customers the licence fee is on a "per lot" basis and for Facilities customer on a "per user" basis. The group has key referrers/contracts with groups such as PICA (Australia's largest strata manager) and benefits from the network effects of increasing users through their ecosystem. A mobile app together with integration to key third party software providers in the sectors adds to the stickiness of the UBN platform.

Recent company commentary

The FY20 result highlights the progress the company has made on three key fronts since restructuring. Revenue increased 20% in FY19 to \$9.6m with recurring revenue now estimated at 81% of the total. Working capital was -\$0.3m (-3% of sales), a \$1m reduction on FY18 levels (13% of sales) as receivables are better managed. While absolute costs increased over FY19 the operating cost to sales improved to ~130% against 180% in FY18.

Trading at a slight premium to niche ASX listed software peers

A quick Google search of "strata management" software or "facilities management" software reveals a very competitive landscape. While comparison with listed facility/strata management software companies offshore would be useful it is just as useful to compare to niche ASX listed small cap SaaS software providers that face similar challenges in terms of funding, competitive environment and working capital management. Domestically listed companies such as PayGroup (PYG:ASX), SkyFii (SKF:ASX) and Connexion (CXZ:ASX) come to mind, with UBN trading at a slight premium to FY20 EV/sales.

Historical earnings and ratios

Year end	Revenue (A\$m)	EBITDA Adj.* (A\$m)	NPAT Adj.* (A\$m)	NPAT Rep. (A\$m)	EPS Adj.*(c)	EPS Rep. (c)	EV/Sales (x)
06/17a	4.7	(13.8)	(13.8)	(36.2)	nm	nm	9.5
06/18a	5.4	(12.0)	(12.0)	(27.6)	nm	nm	8.2
06/19a	8.1	(4.8)	(4.8)	(4.8)	nm	nm	5.5
06//20a	9.7	(2.4)	(4.2)	(4.2)	nm	nm	4.6

Source: Company data *EBITDA and NPAT adj for one-time, non-cash items

Software & Services

4 September 2020

Share details

ASX Code	UBN
Share price (3-Sep)	\$0.07
Market Capitalisation	\$52.1M
Shares on issue	745.2M
Net cash at 30/06/2020	\$4.5M
Free float	47.5%

Share performance (12 months)



Upside Case

- Grow user base through network effect
- Add new functionality to increase both revenue & product stickiness
- Secure additional referrals partner(s).

Downside Case

- Competitive environment pressures sell prices
- Referring partners adopt new technology
- Fails to secure necessary funding

Catalysts/upcoming events

- FY21 1H results (Late February 2021)
- Q1FY21 4C (Late October 2020)

Comparable companies (Aust/NZ)

PayGroup (ASX:PYG), SkyFii (ASX:SKF), Connexion Telematics(CXZ:ASX)

Top 5 shareholders

Argosy	31.25%
Bannaby Investments	6.41%
Australian Ethical Investments	6.00%
Jency Capital	5.11%
Ryder Capital	4.92%

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FINANCIAL SERVICES GUIDE

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