BELL POTTER

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Tech Sector

Updated key picks: CGL, IFM & TNE

Stock	Price	Target	Rating
ADA	$2.32	$3.00	Buy
ALU	$20.04	$19.25	Hold
APX	$9.80	$11.00	Hold
CAT	$1.105	$1.60	Hold (Spec)
EPD	$0.42	$0.65	Buy
IFM	$0.83	$1.00	Buy
IRI	$3.86	$4.15	Buy
MLB	$3.34	$3.50	Buy
OTW	$3.07	$3.50	Buy
SEN	$0.12	$0.13	Hold
TNE	$4.85	$6.20	Buy
CGL	$6.79	$7.75	Buy
WTC	$10.13	$9.00	Sell

Disclosure: Bell Potter Securities acted as joint lead manager of CAT's placement of shares in May 2017 and received fees for that service.

Disclosure: Bell Potter Securities acted as joint lead manager and underwriter of MLB's capital raising in May 2017 and received fees for that service.

Disclosure: Bell Potter Securities acted as lead manager and underwriter of APX's capital raising in November 2017 and received fees for that service.

Updated key picks: CGL, IFM & TNE

We have updated our key picks in the tech sector following last month's reporting season and ahead of potential catalysts we can see. Our updated key picks are:

- **The Citadel Group (CGL)**: Remains our number one pick in the sector given the strong growth outlook and the transition from a managed services provider to more of a software and services company;
- **Infomedia (IFM)**: A new key pick given the anticipated relatively weak 1HFY18 result has now passed and the outlook is for a much better 2HFY18 result and then strong growth in FY19; and
- **Technology One (TNE)**: Remains a key pick given the PE ratio discount to other high quality tech stocks (e.g. Altium and WiseTech Global) and ahead of what we expect to be a year of very strong earnings growth in FY18.

We last updated our key picks in early December and the stocks were CGL, TNE, Senetas (SEN) and Appen (APX). The key changes we have made today are to add IFM given the strong growth outlook for the next 18-24 months and to remove SEN and APX given we downgraded our recommendations on both last month to HOLD.

Updated key sells: WTC

Our key sells in early December were WiseTech Global (WTC) and Altium (ALU) though we then upgraded ALU to HOLD in mid December following an increase in global M&A activity in the sector (e.g. Oracle bidding for Aconex and Thales buying Gemalto). We still have, however, a SELL recommendation on WTC following a weaker than expected 1HFY18 result and a reduction in our price target from $10.00 to $9.00. This, therefore, is the one key sell we have in the sector.

Figure 1 - PE ratios and EV/EBITDA multiples for tech stocks under coverage

Company	Ticker	Share price at 05-Mar-18	Market cap	Year end	PE ratio FY18e/CY18e	PE ratio FY19e/CY19e	EV/EBITDA FY18e/CY18e	EV/EBITDA FY19e/CY19e
Adacel	ADA	$2.32	$180m	Jun	19.5x	17.0x	13.5x	11.7x
Altium	ALU	$20.04	$2,600m	Jun	54.6x	40.2x	43.0x	32.7x
Appen	APX	$9.80	$1,068m	Dec	30.3x	25.3x	20.4x	16.8x
Catapult Group Int'l	CAT	$1.105	$199m	Jun	NM	NM	NM	19.3x
Empired	EPD	$0.42	$71m	Jun	12.2x	8.0x	5.0x	3.8x
Infomedia	IFM	$0.83	$260m	Jun	20.8x	17.1x	8.6x	7.0x
Integrated Research	IRI	$3.86	$670m	Jun	31.5x	26.4x	16.0x	13.8x
Melbourne IT	MLB	$3.34	$392m	Dec	18.2x	14.3x	12.1x	8.8x
Over the Wire	OTW	$3.07	$136m	Jun	27.6x	21.6x	11.6x	9.6x
Senetas	SEN	$0.12	$135m	Jun	38.9x	24.3x	20.5x	16.1x
Technology One	TNE	$4.85	$1,502m	Sep	29.2x	24.1x	19.3x	15.9x
The Citadel Group	CGL	$6.79	$336m	Jun	25.1x	22.3x	9.4x	8.9x
Wisetech Global	WTC	$10.13	$3,025m	Jun	74.5x	55.2x	39.2x	30.7x

SOURCE: BELL POTTER SECURITIES ESTIMATES

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Key Picks

We have updated our key picks in the tech sector and these are detailed below.

The Citadel Group (BUY, PT $7.75)

The Citadel Group (Citadel) is a key pick for the following key reasons:

- **Strong growth outlook**: We forecast double digit EPS growth for Citadel in each of the next three years (FY18-FY20). We expect most of this to be organic growth with only some contribution from the recent acquisition of Charm which was more strategic. There is potential upside to our forecasts from further acquisitions – Citadel has made one in each of the last three years – which we have not assumed.
- **Potential for re-rating**: Our key investment thesis on Citadel is over time the PE ratio will re-rate from that of a managed services company b/w 20-25x to more of a pure software company b/w 25-30x. We acknowledge Citadel will always have a mix of both software and services but evidence of increasing sales of scalable products will, in our view, see it more closely compared with stocks like Technology One.
- **Key and unique differentiators**: In our view Citadel has a number of key and unique differentiators including large addressable growth markets, sticky revenues and clientele, defensible IP, best practice margins, scalable software, unique process and security cleared personnel. These differentiators set the company apart from its domestic and offshore competitors as well as other IT companies listed on the ASX.
- **Potential for further acquisitions**: As mentioned, Citadel has made an acquisition in each of the last three years and the potential is for the company to make more which will potentially add to level of forecast growth. Furthermore, we believe there is the potential for the company to make a much larger and more transformational acquisition than it has in the past following the experience gained through making a few acquisitions which have all been successfully integrated with the company.

Overall view*: Citadel is a high quality company with a number of key and unique differentiators but, for that reason, the market seems unsure how to value it and the PE ratio is between that of an IT services company and a pure software company. We believe, however, there is a lot of embedded IP in both the services and software it provides and, for that reason, the PE ratio of the company will eventually re-rate to that of a pure software company.*

Figure 2 - Financial summary for The Citadel Group (@ $6.79 share price)

Year end 30 June	2017	2018e	2019e	2020e
Total revenue excl. int. (A$m)	98.7	115.0	130.3	144.5
EBITDA (A$m)	29.9	33.3	37.4	41.0
NPAT from cont. ops. (A$m)	11.4	13.4	15.4	17.4
EPS (diluted) (cps)	23.6	27.0	30.4	33.9
EPS growth (%)	45%	14%	12%	12%
PER (x)	28.7	25.1	22.3	20.0
Price/CF (x)	13.2	15.0	13.3	12.2
EV/EBITDA (x)	10.4	9.9	8.4	7.3
Dividend (¢ps)	12.8	13.8	15.8	17.8
Yield (%)	1.9%	2.0%	2.3%	2.6%
ROE (%)	16.1%	15.9%	15.4%	14.9%
Franking (%)	100%	100%	100%	100%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Infomedia (BUY, PT $1.00)

Infomedia is a key pick for the following key reasons:

- **Through the valley**: Infomedia flagged numerous times that its 1HFY18 result was going to be relatively weak due to the roll-off of the Jaguar Land Rover contract and the result was largely as expected. The outlook now, however, is much better with a stronger 2HFY18 result expected due to the commencement of revenues from the new Nissan EPC contract as well as good growth in other parts of the business (e.g. Superservice Menus).
- **Positive outlook for FY19**: The outlook is for continued growth in FY19 as the new Nissan EPC contract ramps up and other parts of the business like Superservice Menus continues to grow. This positive outlook was highlighted by the company at the release of the 1HFY18 result last month when it took the unusual step of providing an outlook statement for FY19 which was "*momentum to continue in FY19 with the full benefit of recurring revenue from large contracts won in the previous year.*"
- **Pontential for more M&A**: Infomedia made a small acquisition at the start of FY18 and there is the potential for more. The acquisition was a CRM product that now forms part of the Microcat selling suite and there is the potential for more acquisitions to further expand the suite or addressable markets (e.g. smash repairs). Note there is also the potential for M&A in Infomedia's key market of parts and service software given there are only three key global providers in this market and one of these – Clifford Thames – was recently acquired by OEConnection,
- **Strong Balance Sheet**: Infomedia has a strong Balance Sheet with c.$13m cash and no debt. The company also has consistent good cash flow and, for instance, the cash flow conversion (GCF/EBITDA) was >100% in the 1HFY18 result. Infomedia has little capex requirements but does invest a lot in R&D and new products. This, however, it is able to fund mostly or wholly out of operating cash flow and is key for the future growth of the company.

***Overall view**: Infomedia is a quality global software company and yet is only trading on FY18/FY19 PE ratios of c.21x/17x respectively. The outlook is now much improved given the 1HFY18 result has now passed and we expect the next three results (2HFY18, 1HFY19 and 2HFY19) to all show strong growth versus pcp. The key push back on the stock is the emergence of electric vehicles will reduce the demand for parts and service software and, while this is true, the impact is likely to be gradual and over many years. Infomedia is also expanding its product suite and increasing the level of functionality of its software to help mitigate the impact.*

Figure 3 - Financial summary for Infomedia (@$0.83 share price)

Year end 30 June	2017	2018e	2019e	2020e
Total revenue (A$m)	70.5	72.7	81.0	88.6
EBITDA (A$m)	25.2	28.5	35.4	41.5
NPAT (A$m)	12.0	12.5	15.2	17.7
EPS (diluted) (cps)	3.8	4.0	4.8	5.7
EPS growth (%)	16%	4%	21%	17%
PER (x)	21.7	20.8	17.1	14.7
Price/CF (x)	11.8	10.1	8.6	7.3
EV/EBITDA (x)	9.7	8.7	6.9	5.8
Dividend (¢ps)	2.9	3.1	3.6	4.0
Yield (%)	3.5%	3.7%	4.3%	4.8%
ROE (%)	24.0%	22.8%	25.4%	26.8%
Franking (%)	100%	100%	100%	100%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Technology One (BUY, PT $6.20)

Technology One is a key pick for the following key reasons:

- **Minor blemish**: Technology One has had an unblemished track record over its history but had its first slip up in FY17 when, rather than generate its usual 10-15% pre-tax profit growth, it reported growth of only 9%. In our view, however, this was only a minor blemish and in fact was still a very good outcome considering how many factors negatively impacted the result (e.g. large conference and legal costs). Notably the growth in underlying pre-tax profit (i.e. before conference and legal costs) was 22% which was well ahead of the target 10-15% growth each year.
- **Expecting a strong rebound in FY18**: We expect FY18 to be a strong rebound year for Technology One and forecast EPS growth of c.18%. We expect the result to be driven by continued strong growth in the underlying business as well as a lack of any large conference or legal costs. We also expect the FY18 result to be boosted by improved profitability in both Cloud and Consulting.
- **Very positive medium term outlook**: We expect Technology One to generate strong earnings growth over the medium term with forecast EPS growth of 20% or more in both FY19 and FY20. The key driver of this forecast strong growth is Cloud starting to generate good margins as the business scales up and more on-premise customers are shifted to the TechnologyOne Cloud. Other key drivers are Consulting returning to 15-20% pre-tax margins (vs <10% in FY17) and the UK business becoming profitable.
- **Potential for further capital management**: Technology One has paid a 2.0cps special dividend in each of the last four years (FY14-FY17) and we expect the company to continue this practice for the foreseeable future. Despite paying out these special dividends, however, the cash balance continues to grow and was $93m at the end of FY17 and we forecast it to comfortably exceed $100m in FY18. The company has said it will continue to assess capital management initiatives and, in the absence of any major acquisitions, we believe the special dividends will continue and likely increase in size and there is even the potential of a share buyback.

***Overall view**: In our view Technology One is one of the highest quality listed technology stocks in Australia and we rate it similarly to such stocks as WiseTech Global and Altium. We regard the recent pullback in the share price as a rare opportunity to buy the stock below fair value before the likely strong result in FY18 drives a re-rating in the share price. Our $6.20 PT equates to an FY18/FY19 PE ratio of c.37x/31x which is consistent with or slightly above the 30-35x range we believe the stock deserves to trade on.*

Figure 4 - Financial summary for Technology One (@ $4.85 share price)

Year end 30 September	2017	2018e	2019e	2020e
Total revenue (A$m)	273.3	306.0	342.1	381.3
EBITDA (A$m)	61.6	72.9	87.6	104.9
NPAT (A$m)	44.5	53.1	64.5	77.7
EPS (diluted) (cps)	14.1	16.6	20.1	24.1
EPS growth (%)	10%	18%	21%	20%
PER (x)	34.4	29.2	24.1	20.2
Price/CF (x)	32.9	27.6	23.7	19.9
EV/EBITDA (x)	23.3	19.4	15.9	13.0
Dividend (¢ps)	10.2	11.9	13.8	16.0
Yield (%)	2.1%	2.5%	2.9%	3.3%
ROE (%)	28.2%	29.8%	31.6%	32.8%
Franking (%)	75.0%	90.0%	100.0%	100.0%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Key Sells

We have updated our key sells in the tech sector and these are detailed below.

WiseTech Global (SELL, PT $9.00)

WiseTech Global (WiseTech) is a key sell for the following key reasons:

- **Valuation**: We have high regard for WiseTech and believe it is a high quality company with a very good software product – CargoWise One – and a lot of potential growth. Our recommendations, however, are based on valuation and we believe a forward PE ratio of well over 50x for WiseTech is excessive for the growth opportunity before it. We also note the EV/revenue multiple of over 10x is well above the multiple that Oracle bid for Aconex which in our view provides a guide for takeover multiples in the sector.
- **Single digit growth in 1HFY18 NPAT**: WiseTech reported 1HFY18 NPAT growth of 8% which was well below our forecast. The relatively modest growth was due to lower revenue, lower margins and higher D&A than we forecast. Notably there was not much if any operating leverage evident in the result despite a strong increase in revenue. In our view the modest 1HFY18 NPAT growth does not support a PE ratio well over 50x.
- **Maintained guidance despite acquisitions**: WiseTech maintained its FY18 guidance in February despite having made a number of acquisitions since the update of the guidance at the AGM in November. This implies an effective downgrade to the revenue guidance – given the contribution from the acquisitions in 2HFY18 – and either maintenance of or a modest downgrade to the EBITDA guidance assuming only a modest earnings contribution from the acquisitions. In our view a downgrade to the revenue guidance does not support a revenue multiple over 10x.
- **Large acquisition is unlikely**: WiseTech has said it will continue to seek and make relatively small acquisitions to expand its geographical presence in key markets. This suggests the company will not make any particularly large acquisitions that are significantly EPS accretive or accelerate the rate of growth. In our view the low probability of a large and accretive acquisition does not support a PE ratio over 50x.

***Overall view**: WiseTech is a high quality global software company but the lack of growth and operating leverage in the 1HFY18 result as well as a soft downgrade to the FY18 guidance does not support a PE ratio of well over 50x. Our $9.00 PT equates to an FY19 PE ratio of c.50x which we believe is appropriate for the stock and is reflective of the strong growth outlook.*

Figure 5 - Financial summary for WiseTech Global (@ $10.13 share price)

Year end 30 June	2017	2018e	2019e	2020e
Total revenue (A$m)	153.8	210.6	257.5	304.3
EBITDA (A$m)	53.9	74.7	97.2	121.7
NPAT (A$m)	31.9	40.0	54.1	69.7
EPS (diluted) (cps)	10.9	13.6	18.4	23.6
EPS growth (%)	122%	25%	35%	29%
PER (x)	93.3	74.5	55.2	42.9
Price/CF (x)	54.1	50.1	37.9	30.5
EV/EBITDA (x)	52.9	38.9	29.9	23.7
Dividend (¢ps)	2.2	2.7	3.7	4.7
Yield (%)	0.2%	0.3%	0.4%	0.5%
ROE (%)	15.1%	15.4%	17.4%	18.6%
Franking (%)	100%	100%	100%	100%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Company Summaries

The Citadel Group (CGL)

Company Description

The Citadel Group (Citadel) is a software and services company that provides integration and managed service solutions to state and federal governments departments and the private sector in Australia. The company specialises in managing information in complex environments through integrating know-how, systems and people to provide information on an anywhere/anytime basis. The majority of Citadel's revenue is derived from long term managed services contracts and high quality strategic advisory services.

Investment Thesis

We maintain our BUY recommendation on Citadel. Our investment thesis is based on:

- **Valuation**: Our 12 month price target on Citadel is $7.75. The price target is generated from a blend of three valuation methodologies we apply to the company: PE ratio, EV/EBITDA and DCF. The price target is a 14% premium to the current share price and the total expected return (which includes the forecast dividend yield) is 16%.
- **Key and unique differentiators**: In our view Citadel has a number of key and unique differentiators including large addressable growth markets, sticky revenues and clientele, defensible IP, best practice margins, scalable software, unique process and security cleared personnel. These differentiators set the company apart from its domestic and offshore competitors as well as other IT companies listed on the ASX.
- **Strong growth outlook**: We forecast double digit EPS growth in each of the next three years (FY18-FY20). Most of this forecast strong growth is driven organically with only a relatively small portion coming from acquisitions made in both FY16 (Kapish) and FY17 (Charm Health). We do not assume any future acquisitions in our forecasts though the company has said it will look to make further complementary acquisitions.

Key Risks

Key downside risks to our estimates and valuation include (but are not limited to):

- **Loss of key contracts**: Citadel has a number of key contracts and the loss of one or more of these contracts could have an adverse impact on the financial performance of the company. One mitigating factor, however, is that all of the key contracts are managed services contracts over multiple years and Citadel has a strong track record of delivering on and renewing these contracts.
- **Failure to win new contracts**: Our forecasts assume that Citadel is successful in securing one or two new material managed services contracts each year and failure to do this could create downside risk to these forecasts. The company does, however, have a good track record in adding new managed services contracts and, for instance, added three such contracts in FY17.
- **Disruption through technological advances**: Citadel is a technology company which is subject to technology risk and, in particular, advances that make its products and/or services less relevant or efficient and in some cases even obsolete. Citadel tries to mitigate this risk by investing in the development and advancement of its products and services and well as developing new solutions but the risk cannot be eliminated.

Infomedia (IFM)

Company Description

Infomedia is a leading provider of software solutions to the parts and service sector of the global automotive industry. The key products of the company are online parts selling systems and sophisticated service selling systems. The company also provides data analysis and information research for the automotive and lubricant industries.

Investment Thesis

We maintain our BUY recommendation on Infomedia. Our investment thesis is based on:

- **Valuation**: Our 12 month price target on Infomedia is $1.00. The price target is generated from a blend of three valuation methodologies we apply to the company: PE ratio, EV/EBITDA and DCF. The price target is a 20% premium to the current share price and the total expected return (which includes the forecast dividend yield) is 24%.
- **One mature product, one immature product**: Infomedia has one mature product – Microcat – which is used by a large number of customers and generates approximately 75% of the company's revenue. Infomedia also has one immature product – Superservice – which is gaining traction in a fragmented market and generates approximately 20% of the company's revenue. The outlook is for continued modest growth in the mature product and potentially strong growth in the immature product.
- **High level of recurring revenue**: All of Infomedia's products are sold on a subscription basis so almost all of the revenue is recurring. Infomedia is currently in the process of moving towards reporting monthly recurring revenue but has yet to disclose what the amount is. We estimate that around 95% of total revenue is recurring and this easily exceeds the cost base of the company.

Key Risks

Key downside risks to our estimates and valuation include (but are not limited to):

- **Loss of key licence agreements**: Continued access to OEM parts information is integral to several of Infomedia's product lines. Loss of this access through the loss of one or more key licence agreements would therefore have an adverse impact on one or more of the company's product lines and negatively impact the financial performance. Infomedia attempts to mitigate this risk by managing key account relationships, continually investing in its products and focusing on customer service.
- **Loss of key customers**: The relatively concentrated motor manufacturing industry means there is a degree of customer and revenue concentration for Infomedia. The loss of a key customer, therefore, would have an adverse impact on the company's revenue and negatively impact the financial performance. Infomedia attempts to mitigate this risk by, again, managing key account relationships, focusing on identification of new OEM licence agreements and participating in industry forums.
- **Product obsolescence or substitution**: Infomedia operates in a competitive market and a risk is that its products do not keep up with developments in market needs or competitors (including OEMs) may develop superior products. Either outcome would have an adverse impact on demand for the company's products and negatively impact the financial performance. Infomedia attempts to mitigate this risk by closely monitoring market developments, direction and OEM strategies and continually investing in R&D.

Technology One (TNE)

Company Description

Technology One is an end-to-end provider and consultant of enterprise software. The company develops, markets, sells, implements and supports its own enterprise software for each customer. Technology One was formed in 1987 and head office is in Brisbane, Queensland. The company markets its software in Australia, New Zealand, Malaysia and the UK and has in excess of 1,000 customers across these regions.

Investment Thesis

We maintain our BUY recommendation on Technology One. Our investment thesis is based on:

- **Valuation**: Our price target for Technology One is $6.20 which is a 28% premium to the current share price. The price target is generated from a blend of the three valuation methodologies we apply to the company: PE, EV/EBITDA and DCF.
- **PEG ratio now under 2x**: We forecast EPS to grow by an annual average of 20% over the next three forecast periods (FY18 to FY20) and in our view this strong growth justifies a PEG ratio of c.1.5x in FY18 and c.1.2x in FY19.
- **Reasonable yield**: The forecast yield for Technology One is reasonable b/w 2-3% which includes the assumed payment of special dividends. In our view this a reasonable yield for a company with such high forecast growth.
- **Less of a takeover target**: At the current share price we believe Technology One is less of a takeover target assuming that some sort of premium would have to be paid for a successful takeover given the sizeable stakes still held by Adrian DiMarco and John MacTaggart.

Key Risks

Key downside risks to our estimates and valuation include (but are not limited to):

- **New technology**: The core enterprise product suite of Technology One (called Ci) has been in commercial use for many years. Technology One is currently upgrading the software in this product suite (to be called Ci Anywhere) and this is scheduled to be completed by the end of 2017. The release of this next generation of software and the transfer of customers to the upgraded products carries technology and execution risk.
- **Competitive threat**: Technology One is one of only a few enterprise developers and vendors globally and its key competitors are large, global software companies such as Oracle and SAP. The size of these competitors presents a competitive threat to Technology One with the large marketing and R&D budgets of these companies and also the global presence and support provided.
- **Key staff**: Adrian Di Marco is the founder and Executive Chairman of Technology One and has been the key driver and visionary of the company over its 30 year history. He is employed under contract but may terminate this contract by giving only three months' notice. All other key executives are employed on a continuing basis and are similarly required to only provide three months' notice if resigning.

WiseTech Global (WTC)

Company Description

WiseTech Global (WiseTech) is a leading global provider of software solutions to the logistics services industry. The core product of the company – CargoWise One – is an integrated software platform that enables logistics service providers to facilitate the movement and storage of goods and information. WiseTech provides software solutions to over 6,000 customers including 19 of the 20 largest global logistics service providers.

WiseTech was founded in 1994 by Richard White who is the CEO and largest shareholder. Global headquarters are in Sydney, Australia and the company also has offices in New Zealand, China, Singapore, South Africa, the UK and the US. The company reports in AUD and, while there is forex exposure, this is limited by both natural and actual hedging.

Investment Thesis

We maintain our SELL recommendation on WiseTech. Our investment thesis is based on:

- **Valuation**: Our 12 month price target on WiseTech is $9.00. The price target is generated from a blend of three valuation methodologies we apply to the company: PE ratio, EV/EBITDA and DCF. The PT is an 11% discount to the current share price and the total expected return (which includes the forecast dividend yield) is the same.
- **Integrated platform is key competitive advantage**: The key competitive advantage of WiseTech is it provides a single, integrated platform that enables logistics service providers to execute key logistics transactions and also manage their businesses. The single platform delivers significant benefits to customers (e.g. reduced costs, improved productivity, etc.) and use of the platform tends to grow once it is installed.
- **High level of recurring revenue**: Approximately 82% of WiseTech's revenue comes from "On-Demand" licensing where customers pay a monthly fee in arrears based on their usage of the platform. Another 10% of revenue comes from ongoing licence maintenance fees. Both of these are recurring and represent 93% of total revenue.

Key Risks

Key downside risks to our estimates and valuation include (but are not limited to):

- **Customer risk**: WiseTech's business depends on its ability to retain existing customers and its growth depends on its ability to generate further business from existing customers as well as attract new customers. There is risk that WiseTech may lose some of its existing customers or alternatively retain its customers but some reduce their use of the software or cease using it entirely.
- **Macroeconomic risk**: A decline in regional and global trade volumes and/or recessionary economic conditions may adversely affect the financial performance of WiseTech. The customers of WiseTech are logistics service providers whose business operations depend on regional and global logistics activities which are closely linked to regional and global trade volumes.
- **Competition risk**: WiseTech competes against both other commercial logistics service software providers and potential customers' own IT departments that develop in-house logistics software. These competitors could increase their competitive position or expand their product offering and new competitors could also enter the market.

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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Disclosure of interest:

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