

Pushpay Holdings Ltd

Quantifying 'g': Downgrade to NEUTRAL

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NEUTRAL

We downgrade Pushpay (PPH) to NEUTRAL from OUTPERFORM following its 1H21 result and subsequent Investor Day. We previously took the view that the market was underestimating the growth opportunity in regards to penetration of large US megachurches, with the company estimating a 25% market share in July 2020. However, it has become clear that penetration of US megachurches is now saturated and we cite increasing uncertainty over PPH's front book in view of its shifting focus towards smaller churches and the Catholic market – segments which the company has previously downplayed. In addition, PPH competitors Tithely and Givelify have seen net customer increases of up to +6,000 and +18,000 churches respectively over the past six month period, in comparison to PPH's net additions of medium/large churches by +13 and small churches by +296 on its donor management platform. Given clear competitor outperformance in this key growth segment, PPH's ability to meet our previous growth assumptions appears compromised, and we reduce our FY22 sales growth rate from 13% to 10%.

NZX Code	PPH	Financials: Mar/	20A	21E	22E	23E	Valuation (x)	20A	21E	22E	23E
Share price	NZ\$8.00	NPAT* (NZ\$m)	26.9	56.0	67.2	72.3	PE	82.0	39.4	32.9	30.6
Target price	NZ\$9.25	EPS* (NZc)	9.8	20.3	24.3	26.1	EV/EBIT	66.5	26.6	23.7	22.4
Risk rating	High	EPS growth* (%)	-3.1	n/a	19.8	7.5	EV/EBITDA	53.0	23.6	21.4	20.5
Issued shares	275.4m	DPS (NZc)	0.0	0.0	0.0	0.0	Price / NTA	n/a	n/a	22.1	12.5
Market cap	NZ\$2,203m	Imputation (%)	0	0	0	0	Cash div yld (%)	0.0	0.0	0.0	0.0
Avg daily turnover	650.7k (NZ\$4,233k)	*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	0.0

What's changed?

- **Earnings:** FY21 EBITDA largely unchanged from NZ\$60.5m to NZ\$60.6m
- **Target price:** Reduced from NZ\$11.44 to NZ\$9.25 due to a lower FY22 sales growth rate and longer term growth assumptions
- **Rating:** Downgrade to NEUTRAL from OUTPERFORM

Share of top 100 churches falls since July 2020

We update our estimate of PPH's current penetration of the top 100 US megachurches, showing five churches to have exited since July, with one church closure and one customer gained; decreasing its share from 58 to 54. We understand that PPH has increased its subscription fees during 1H21, making it less competitive against peers, particularly in the mid-sized church market. We believe that, 1) price elasticity of demand has heightened in light of COVID-19 across all churches, and 2) price elasticity of demand is far greater in mid-size churches than megachurches, compounded by significantly higher competition.

Positives still to be had given PPH's strong cash generation and operating leverage in the business

PPH has demonstrated its ability to penetrate over 50 of the largest US megachurches, boasting a quality product and operating in a large addressable market. However, with a higher degree of competition in the smaller and medium church market there is likely to be downward pressure on PPH's future subscription fees. Strong cash generation leaves PPH well positioned to make further acquisitions, which we would be unsurprised to see over the next 12 months, in an effort to grow its market share inorganically.

Valuation and outlook

We decrease our FY22 sales growth rate to 10%, implying an EV/Sales multiple of 7.4x, which we view as reasonable against PPH's current trading multiple of 7.1x. This is supported by our DCF valuation which sees a reduction in longer term growth assumptions.

Pushpay Holdings (PPH)

Priced as at 10 Nov 2020 (NZ\$)

8.00

12-month target price (NZ\$)*

9.25

Expected share price return

15.6%

Net dividend yield

0.0%

Estimated 12-month return

15.6%

Spot valuations (NZ\$)

1. DCF

8.83

2. Revenue Multiple

8.30

3. n/a

n/a

Key WACC assumptions

Risk free rate

1.30%

Equity beta

1.08

WACC

8.1%

Terminal growth

2.0%

DCF valuation summary (NZ\$m)

Total firm value

1,627

(Net debt)/cash

(50)

Less: Capitalised operating leases

(5)

Value of equity

1,572

Profit and Loss Account (US\$m)	2019A	2020A	2021E	2022E	2023E
Sales revenue	98.2	129.6	198.0	215.8	237.7
Normalised EBITDA	1.6	25.1	60.6	65.3	68.2
Depreciation and amortisation	(3.8)	(5.1)	(6.8)	(6.2)	(5.8)
Normalised EBIT	(2.2)	20.0	53.8	59.1	62.4
Net interest	0.2	(0.8)	(0.6)	0.6	1.9
Associate income	0	0	0	0	0
Tax	20.2	(5.7)	(13.9)	(16.7)	(18.0)
Minority interests	0	0	0	0	0
Normalised NPAT	18.8	16.0	35.8	43.0	46.3
Abnormals/other	0	0	0	0	0
Reported NPAT	18.8	16.0	35.8	43.0	46.3
Normalised EPS (cps)	6.9	5.8	13.0	15.6	16.7
DPS (NZ cps)	0	0	0	0	0

Growth Rates	2019A	2020A	2021E	2022E	2023E
Revenue (%)	40.5	32.0	52.8	9.0	10.1
EBITDA (%)	n/a	>100	>100	7.7	4.5
EBIT (%)	n/a	n/a	>100	9.9	5.6
Normalised NPAT (%)	n/a	-15.0	>100	20.0	7.7
Normalised EPS (%)	n/a	-15.2	>100	19.8	7.5
Ordinary DPS (%)	n/a	n/a	n/a	n/a	n/a

Cash Flow (US\$m)	2019A	2020A	2021E	2022E	2023E
EBITDA	1.6	25.1	60.6	65.3	68.2
Working capital change	(5.7)	(1.1)	2.4	2.0	2.8
Interest & tax paid	0	(1.0)	(1.5)	(17.4)	(18.3)
Other	1.4	0.4	0.2	0.8	0.8
Operating cash flow	(2.8)	23.5	61.7	50.7	53.5
Capital expenditure	(0.3)	(0.4)	(0.5)	(3.0)	(3.0)
(Acquisitions)/divestments	(0.0)	(84.4)	0	0	0
Other	0.1	(2.8)	(1.4)	0	0
Funding available/(required)	(3.1)	(64.1)	59.8	47.7	50.5
Dividends paid	0	0	0	0	0
Equity raised/(returned)	0	0	0	0	0
(Increase)/decrease in net debt	(3.1)	(63.2)	59.8	47.7	50.5

Balance Sheet (US\$m)	2019A	2020A	2021E	2022E	2023E
Working capital	8.1	11.3	16.8	18.3	20.2
Fixed assets	1.2	1.1	3.0	2.4	2.1
Intangibles	1.9	88.9	84.6	81.3	78.1
Right of use asset	0	3.3	3.3	3.3	3.3
Other assets	24.8	18.6	4.5	4.4	4.4
Total funds employed	36.0	123.3	112.1	109.7	108.1
Net debt/(cash)	(13.9)	49.7	(10.1)	(57.7)	(108.2)
Lease liability	0	2.3	2.3	2.3	2.3
Other liabilities	5.7	9.9	17.6	19.8	22.2
Shareholder's funds	44.3	61.3	102.3	145.3	191.7
Minority interests	0	0	0	0	0
Total funding sources	36.0	123.3	112.1	109.7	108.1

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Valuation Ratios	2019A	2020A	2021E	2022E	2023E
EV/EBITDA (x)	>100x	53.0	23.6	21.4	20.5
EV/EBIT (x)	n/a	66.5	26.6	23.7	22.4
PE (x)	79.4	82.0	39.4	32.9	30.6
Price/NTA (x)	35.2	n/a	79.8	22.1	12.5
Free cash flow yield (%)	-0.2	1.8	4.4	3.6	3.8
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Gross dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Capital Structure	2019A	2020A	2021E	2022E	2023E
Interest cover EBIT (x)	n/a	n/a	n/a	97.3	33.4
Interest cover EBITDA (x)	9.9	n/a	n/a	>100x	36.5
Net debt/ND+E (%)	-45.8	44.8	-10.9	-65.9	-129.6
Net debt/EBITDA (x)	n/a	2.0	n/a	n/a	n/a

Key Ratios	2019A	2020A	2021E	2022E	2023E
Return on assets (%)	-4.1	14.8	33.5	32.6	27.8
Return on equity (%)	42.5	26.1	35.0	29.6	24.2
Return on funds employed (%)	67.1	14.0	47.6	53.5	59.2
EBITDA margin (%)	1.6	19.4	30.6	30.2	28.7
EBIT margin (%)	-2.2	15.4	27.2	27.4	26.3
Capex to sales (%)	0.4	0.3	0.3	1.4	1.3
Capex to depreciation (%)	36	20	20	106	119
Imputation (%)	0.0	0.0	0.0	0.0	0.0
Pay-out ratio (%)	0.0	0.0	0.0	0.0	0.0

Revenue	2019A	2020A	2021E	2022E	2023E
Subscription Revenue	26.7	35.3	48.4	50.3	51.4
Processing Revenue	69.3	92.0	147.1	164.9	185.7
Other Revenue	2.3	2.3	2.5	0.6	0.6
Total Revenue	98.2	129.6	198.0	215.8	237.7

Revenue model	2019A	2020A	2021E	2022E	2023E
Total customers ('000)	7.6	10.9	0.0	0.0	0.0
CCB customers		4.2	4.3	4.4	4.5
Giving Customers	7.6	8.2	8.7	9.1	9.4
% S churches	44%	41%	44%	46%	47%
Implied number S churches	3.4	3.4	3.8	4.1	4.4
% M/L churches	56%	59%	56%	54%	53%
Implied number M/L churches	4.3	4.8	4.9	4.9	5.0
Processing volume (US\$bn)	4.2	5.0	7.7	8.2	9.3

Large church opportunity now limited

Feedback from the largest US megachurches had led us to believe that PPH's product suite was highly attractive to the large church market given the lack of competition existing for the largest churches, the quality of PPH's product, degree of both cost saving and increased donation growth seen from adopting PPH technology and PPH's relentless focus on R&D. In addition, we had previously anticipated PPH's penetration of the 1,700 largest US churches to continue growing for the foreseeable future given conversations with management in July that suggested penetration of the top 1,700 US churches to be around 25%.

However, PPH's 1H21 result showed its weighting of medium and large churches on its processing platform fell from 59% to 57%, with net additions for churches greater than 200 members only +13 on its donor management platform.

Top end churn greater than expected

On re-running our previous analysis of PPH's top 100 US church penetration, PPH's top 100 US church penetration has fallen to 54, down from 58 in July 2020 on our estimates. This net decrease of four takes into account one new additional user, five churches leaving PPH for new providers and one church closing.

Figure 1. Change in top 100 US church penetration

	Jul-20	Nov-20	% change
Top 10	7	7	0%
Top 50	31	30	-3%
Top 100	58	54	-7%

Source: Forsyth Barr analysis

Figure 2. Prior PPH customers using new providers

	New provider
Church 1	Giving Clicks
Church 2	Online Giving
Church 3	Simple Donation
Church 4	Closed
Church 5	Secure Give
Church 6	In house

Source: Forsyth Barr analysis

Direct church feedback from customer leaving PPH:

Following our analysis of five churches exiting PPH's donor management system, feedback from one of the churches was as follows:

"We started using PPH 4-5 years ago. It has been great, but we're switching away as don't need all the capabilities. We're now doing full-on digital and have switched to Simple Donation. We were on a PPH contract on a monthly deal, but they have increased the rate so we went to explore other options as we weren't using all the different functions and didn't need it all. We use ROCK RMS and wanted a cheap payment processor to go with it. PPH has been helpful over the years but the account manager is working on 12 other people currently. Our 3 year deal rolled off onto monthly and there was no wriggle room on price as we weren't using all the features".

Which could be driven by increased competition...

We also note that app competitor Subsplash now claims to provide over 50% of church apps for the top 100 US churches — a highly successful player which also provides apps for XBOX, Microsoft, Samsung, Expedia and Cisco. Whilst Subsplash does not have a Church Management System at present to our knowledge, there is no doubting the quality of its app provision and attractiveness to large churches for providing a high quality app to compliment other donor management and church management systems.

Mid-sized churches, what is the opportunity?

PPH's focus is clearly on medium sized churches going forward. PPH describes medium and large churches as churches of over 200 people average weekly attendance. At present PPH estimates to have 10% market share of churches between 500 and 1,110 average weekly members.

Figure 3. Customer mix on PPH's processing platform showing 13 new churches of +200 attendance in 1H21

PPH categorisation	PPH size	PPH customers Mar-20	PPH customers June-20	% change	Number of churches change
Small	0-199	3,354	3,650	9%	296
Medium	200-1,099				
Medium & large	200+	4,826	4,839	0%	13
Large	1100+				

Source: Forsyth Barr analysis

How many medium sized US churches are there?

In 2010 The Hartford Institute for Religious Research estimated there to be 124,000 churches of over 100 average weekly attendance, decreasing to around 112,500 on discussion prior to COVID-19 due to church consolidation. Post COVID-19 which has seen the closure of many churches, we estimate there to be roughly 100,000 churches of 100+ members.

How do medium sized churches differ to megachurches?

PPH's definition of medium sized churches is 200–1,099 average weekly attendance and the company considers these churches to be less technologically advanced, having not historically invested heavily into donor management technology. This is likely to be due to a far smaller number of donations, smaller communities with smaller churches often run by volunteers.

This is very different from the top 100 US megachurches which are run as corporate entities, with a focus on finances, all things digital and often boasting a substantial online presence. As we previously highlighted, large churches are also often assessed by stats, with pastors typically appraised by the number of new attendees or total giving raised across the year. These features make PPH's product highly compatible with large churches.

In our view smaller churches are more dependent on larger donations from a handful of wealthy individuals, predominantly from older demographics. Digital penetration is likely to be lower in these churches (as seen by PPH's comments regarding its digital penetration on Church Community Builder), with cheques making up a higher proportion of donations. We expect to see a higher degree of inertia in regards to change of giving methods in smaller churches

Medium sized church segment highly competitive, with competitors growing swiftly through out of the box solutions

Mid-sized church competitor Tithe.ly increased its customer base by 767 churches in the month of October which over a six month period is around 4,602 churches. In July Tithe.ly had 24,043 churches, which it now estimates to be around 30,000 churches. This is in comparison with net additions of 309 churches on PPH's Donor Management System and 78 on CCB in the same period.

We believe that although Tithe.ly's product is inferior when it comes to functionality, range of features and quality of technology, its pricing, simplicity and lack of contract makes it highly attractive to the mid-sized church market. We also note that Givelify has increased its customer base from 27,000 to 45,000 (+67%) in the same period.

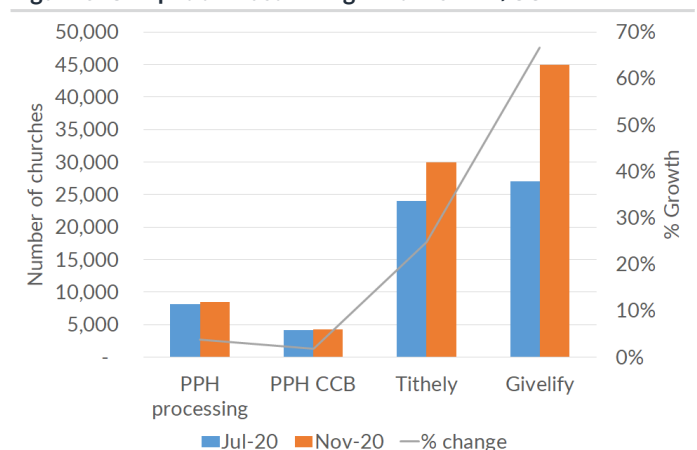
Other changing competitive dynamics in the mid-sized church market is the additional competition provided by organisations looking to providing donor management services near to cost price, such as Giving Clicks and Rebel Give.

Figure 4. Change in net customer numbers PPH vs peers

	Jul-20	Nov-20	% change
PPH processing	8,180	8,489	4%
PPH CCB	4,158	4,236	2%
Tithe.ly	24,043	30,000	25%
Givelify	27,000	45,000	67%

Source: Forsyth Barr analysis, company reports

Figure 5. Competitor customer growth vs PPH/CCB 1H21



Source: Forsyth Barr analysis, company reports

PPH's premium product pricing itself out of mid-market share?

PPH's unique selling point is its superior technology, range of features through its integrated bundle and bespoke compatibility for churches requiring a more custom-fit approach. It meets the needs of large megachurches through its powerful donor management system – able to cope with 150,000+ donations over the course of a year, aided by a range of giving options and a white label app to replay sermons and communicate regularly with large scale congregations.

However, although large churches are willing to pay the premium subscription and processing fees due to increased donations experienced on using PPH, employee cost saving and a reduction in both time spent reconciling/reporting donations, smaller and medium sized churches have different needs and requirements.

In our opinion, a cheaper and more basic product is more attractive to a small church than PPH's suite of products charged at a premium price. Although we estimate there to be some fee compression in the medium term, feedback from churches clearly suggest PPH is not willing to negotiate or lower its premium pricing. This could harm its ambitions to compete in the mid-sized market.

Next steps for PPH

Given both the slowdown in front book sales and higher than expected churn of both CCB customers and PPH's donor management system, the company is faced with a number of options by which to bolster its competitive position. These are 1) acquisitions of processing platforms to buy market share (most likely option), 2) an extension of the product suite into new markets such as charity giving, media or generic app and web development, 3) production of a smaller, more basic and cheaper product aimed at smaller churches, 4) a shift in focus towards the Catholic church.

- **M&A – horizontal competitor processing platform acquisitions:** We believe a move to acquiring additional processing platforms is most likely, but note management's comment regarding 'a small number of high quality providers' currently in the market. If PPH is able to acquire companies at a discount to its own trading multiples such acquisitions may be value accretive. We estimate PPH to have acquired Church Community Builder at an EV/Sales multiple of ~5x, while PPH is currently trading on ~7.1x. This strategy is supported by PPH's high cash generation.
- **Extend the product suite:** Another option would be to acquire companies in a similar but differentiated industry such as media, app or website design. This would significantly increase PPH's TAM and provide the option to further increase its current bundled solution. The risk reward outcome for this option is highly uncertain given PPH's historic focus on church customers.
- **Off the shelf product aimed at small churches:** Although unlikely, PPH could turn towards a smaller more basic product to substantially grow its market share for small churches. This would likely be at a much lower price, but risks cannibalisation if medium or larger churches wanted a basic product to add to in house infrastructure.
- **Denominational shift to the Catholic church:** In our view opportunities in the Catholic market are limited predominantly due to the structural decline of Catholic attendance since 1945 (the Archdiocese of Philadelphia estimated that Catholic attendance has halved in the past 28 years), while Catholics attend church less regularly than nondenominational church goers (Gallup estimates that fewer than four in 10 Catholic attend church in any given week). A product rolled out for the Catholic church is more likely to be subscription based rather than processing donation based in our view, given the additional product requirements needed to comply with Catholic traditions. We believe the hierarchical structure of the Catholic church is also likely to cause challenges for PPH.

What would make us more positive on 'g'?

While the net additions of medium and large churches in 1H21 was disappointing, PPH estimates it currently holds a 10% market share of US medium churches in the US. In our view, lowering its subscription price in a highly competitive market is likely to quickly increase its current market share, given the quality of its product.

We would also be unsurprised to see further acquisitions over the next 12 months, which are most likely to be competitor processing platforms. Given that PPH estimates total giving to have reduced by 5% against the prior year, and digital penetration yet to exceed 65% of donations, there is potential upside risk to numbers if 1) PPH can set its pricing at a more competitive rate driving net additional customer volumes, 2) total giving across small and medium churches recovers to pre COVID-19 levels, and 3) customer digital penetration continues to steadily increase.

Valuation

Applying an EV/Sales multiple typically used to value SaaS companies, we compare PPH's future expected revenue growth in FY22 against what the market is willing to pay for the stock. Using a combination of US and Australasian peers, a current EV/Sales multiple of 7.1x implies an FY22 growth rate of +9.7% which at this point we believe to be reasonable.

We reduce our FY22E operating revenue growth assumption to +10% from +13% due to 1) a higher weighting of smaller churches in FY22 than previously anticipated, slowing future back book growth, 2) an increased churn of megachurches than expected impacting PPH's top 100 US megachurch market share, and 3) a saturation of large US megachurches in regards to front book growth

Figure 6. Changes to earnings forecast FY21E-FY23E

(US\$'000)	FY21E			FY22E			FY23E		
	Old	New	% change	Old	New	% change	Old	New	% change
Total Revenue	198,410	199,649	0.6%	221,200	218,147	-1.4%	253,393	244,595	-3.5%
EBITDA	60,456	61,479	1.7%	65,943	65,347	-0.9%	73,943	70,442	-4.7%
EBITDA margin %	30.5%	30.8%	0.3%	29.8%	30.0%	0.1%	29.2%	28.8%	-0.4%
NPAT	35,721	36,468	2.1%	43,494	43,068	-1.0%	50,515	47,959	-5.1%
EPS (cent)	13.0	13.2	2.1%	15.7	15.6	-1.0%	18.3	17.3	-5.1%

Source: Forsyth Barr analysis

We also move from a mean average approach of EV/Sales multiples for both Australian and US peers individually to a combined approach (given the wide range of outcomes under an average approach and the lower correlation of Australasian peers). Our combined multiple approach implies an EV/Sales valuation of NZ\$8.30.

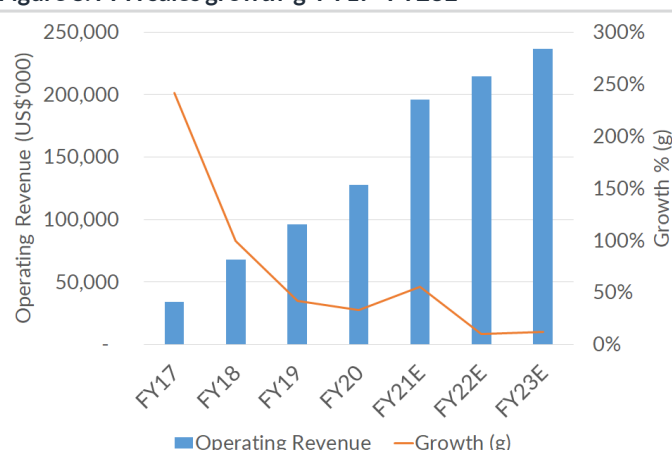
Our DCF valuation approach falls to NZ\$8.83 (from NZ\$9.65) based on lower long term revenue growth. Rolling our blended DCF/multiple valuation approach at the cost of equity, our target price is reduced to NZ\$9.25 and we downgrade our rating to NEUTRAL.

Figure 7. Blended DCF and multiple valuation approach (NZ\$)

	Valuation	Rolled forward	Dividends	Target price
DCF 50%	8.83			
EV/Sales US and Australia tech peers combined 50%	8.30			
Blended Average	8.56	9.25	0.00	9.25

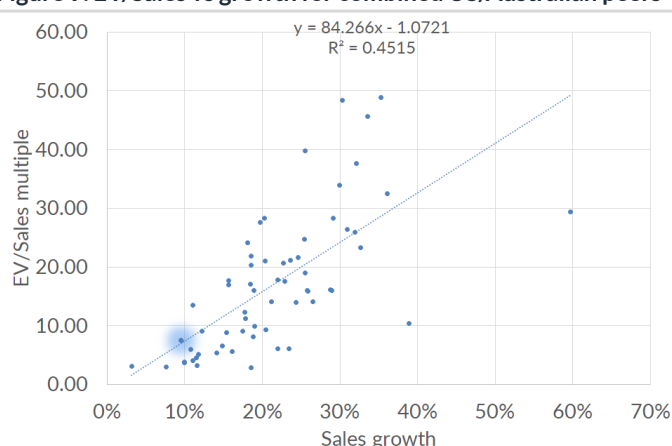
Source: Forsyth Barr analysis

Figure 8. PPH sales growth 'g' FY17-FY23E



Source: Forsyth Barr analysis

Figure 9. EV/Sales vs growth for combined US/Australasian peers



Source: Forsyth Barr analysis

Sensitivity to 'g'

Using our combined US and Australian technology peers EV/Sales multiple approach, sensitivity shows PPH's implied valuation to move materially on change of growth 'g'. If FY22E sales growth were to reach +15%, the implied EV/Sales multiple would be 11.6x and PPH's implied valuation would be NZ\$13.00 per share. However, with our forecast of +10% FY22E sales growth, the implied EV/Sales multiple valuation approach is NZ\$8.30 per share.

Figure 10. Sensitivity to 'g' for EV/Sales valuation

FY21E sales growth	EV multiple	Implied valuation (NZ\$)
8.0%	5.7	6.4
9.0%	6.5	7.3
10.0%	7.4	8.3
11.0%	8.2	9.2
12.0%	9.0	10.1
13.0%	9.9	11.1
14.0%	10.7	12.0
15.0%	11.6	13.0

Source: Forsyth Barr analysis

Figure 11. Customer product split forecast FY21E–FY23E

(Church customers)	FY20	1H21	FY21E	FY22E	FY23E
Donor Management System	8,180	8,489	8,680	9,055	9,355
Church Management System	4,158	4,236	4,283	4,411	4,541

Source: Forsyth Barr analysis

Calculating sales growth for FY22E

Although it is difficult to have any true visibility over PPH's front book and resulting FY22 sales growth, we decrease our assumptions from +13% to +10%. With PPH increasing its FY21 fees in a highly competitive market of over 100 Church Management Systems and Donor Management systems and with the recent growth in customers for both Tithely and Givelify, we believe substantial new customer growth for PPH is now highly uncertain.

With our estimated net customer addition growth of +4.3% of churches of PPH's donor management system in FY22, our forecast FY22 sales growth rate of +10% is now predominantly supported by church consolidation and back book growth. Applying a 0% growth rate to both CCB and PPH's processing net customer base while keeping the mix of medium and large churches flat at 59% would imply sales growth of +7% for FY22E. Thus our forecast frontbook/backbook FY22E sales growth split for FY22 is +3%/+7%.

What does a greater mix of smaller churches mean for PPH's processing volumes?

PPH reported its 1H21 processing platform split of medium and large churches (+200 people) vs small churches to be 57% after an FY20 split of 59%. As a result PPH's estimate for average digital penetration across its customer base was lower than we anticipated as smaller churches are typically more dependent on a few large donors, which are more likely to be through checks.

Smaller churches also have older demographics (lower propensity to use digital donations), slower rates of attendance and donation growth, and far less significant national and international profiles. There is also a much higher closure rate of smaller churches than larger churches.

Previously expectations were a higher growth rate of medium and large churches

Prior to PPH's 1H21 result we had expected PPH to reduce the number of smaller churches on its platform, with a greater focus on medium and large churches (+200 people). However, the half year result showed that there were 296 net additional churches in the small church category (<200 people) and only 13 churches won in the medium to large category (>200 people). This is contrary to PPH's target of gaining 50% market of medium and large churches.

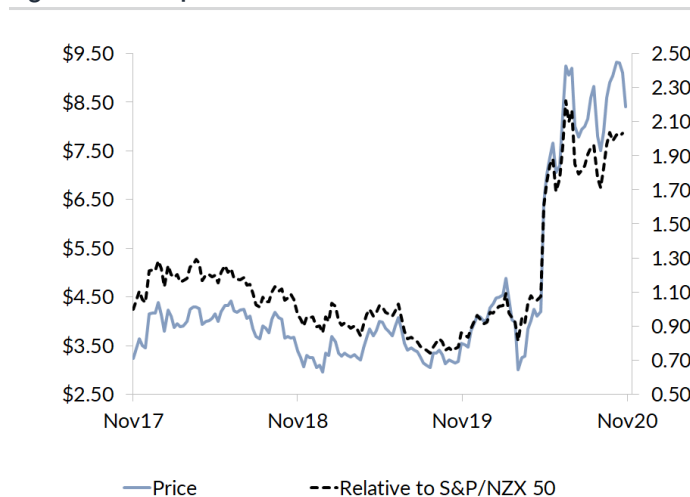
Figure 12. Change in forecast net customer church additions

Net additions	FY21E			FY22E			FY23E		
	Old	New	Difference	Old	New	Difference	Old	New	Difference
S churches (<200 people)	(49)	450	499	(71)	325	396	(78)	250	328
Medium & Large churches (+200 people)	131	50	(81)	319	50	(269)	334	50	(284)

Source: Forsyth Barr analysis

Price elasticity increases with smaller churches

Given the increased competition and increased funding pressures around smaller churches, medium and small churches are less likely to pay a premium price for additional features. Many smaller churches prefer a simpler, more basic product at a lower fee, and given the large number of providers in a highly fragmented market, these customers are likely to shop around for greater value for money.

Figure 13. Price performance


Source: Forsyth Barr analysis

Figure 14. Substantial shareholders

Shareholder	Latest Holding
Christopher & Banks V Limited	15.7%

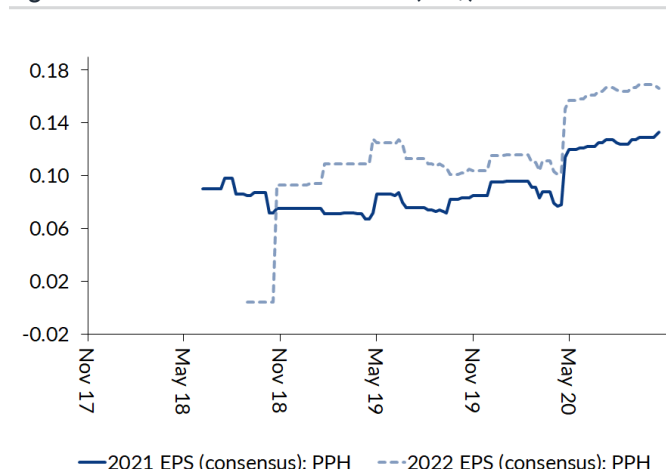
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 15. International valuation comparisons

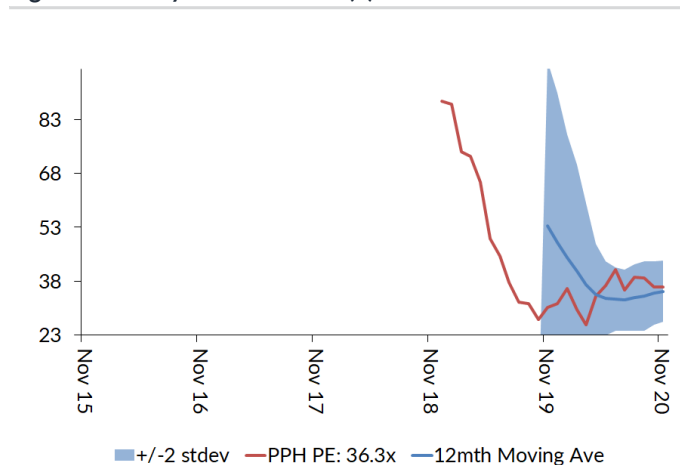
Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash Yld
(metrics re-weighted to reflect PPH's balance date - March)			(m)	2021E	2022E	2021E	2022E	2021E	2022E	2022E
Pushpay Holdings	PPH NZ	NZ\$8.00	NZ\$2,203	39.4x	32.9x	24.1x	22.4x	27.2x	24.8x	0.0%
ADOBE INC	ADBE US	US\$494.63	US\$237,283	47.9x	42.1x	36.4x	31.3x	41.4x	35.3x	0.0%
ATLASSIAN CORP PLC-CLASS A	TEAM US	US\$198.18	US\$49,387	>50x	>50x	>75x	>75x	>75x	>75x	0.0%
J2 GLOBAL INC	JCOM US	US\$78.59	US\$3,741	9.8x	8.8x	7.8x	7.1x	9.6x	9.2x	0.0%
PAYCOM SOFTWARE INC	PAYC US	US\$388.12	US\$22,710	>50x	>50x	66.7x	54.6x	>75x	71.2x	0.0%
PAYLOCITY HOLDING CORP	PCTY US	US\$189.33	US\$10,270	>50x	>50x	74.2x	55.9x	>75x	n/a	0.0%
PAYPAL HOLDINGS INC	PYPL US	US\$202.73	US\$237,537	>50x	42.4x	37.8x	31.5x	43.3x	34.9x	0.1%
REALPAGE INC	RP US	US\$61.39	US\$6,253	31.4x	27.7x	21.3x	18.7x	24.2x	n/a	n/a
RINGCENTRAL INC-CLASS A	RNG US	US\$294.34	US\$26,184	>50x	>50x	>75x	>75x	>75x	n/a	n/a
VEEVA SYSTEMS INC-CLASS A	VEEV US	US\$299.59	US\$45,186	>50x	>50x	74.9x	63.3x	>75x	68.3x	0.0%
WORKDAY INC-CLASS A	WDAY US	US\$225.00	US\$53,325	>50x	>50x	48.9x	42.7x	67.6x	60.9x	0.0%
ZOOM VIDEO COMMUNICATIONS-A	ZM US	US\$500.11	US\$142,242	>50x	>50x	>75x	>75x	>75x	>75x	0.0%
Compco Average:				29.7x	30.3x	46.0x	38.1x	37.2x	46.6x	0.0%
EV = Current Market Cap + Actual Net Debt PPH Relative:				33%	9%	-48%	-41%	-27%	-47%	-100%

EV = Current Market Cap + Actual Net Debt

Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (PPH) companies fiscal year end

Figure 16. Consensus EPS momentum (NZ\$)


Source: Forsyth Barr analysis

Figure 17. One year forward PE (x)


Source: Forsyth Barr analysis

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