



## REFFIND Ltd (RFN.ASX) | Initiation.

*HR tech transforming the employee experience.*

### Event:

- We initiate research coverage on REFFIND Ltd (RFN.ASX). RFN have commercialised a smartphone app which facilitates more efficient and effective communication between a corporation's management and its employees.

### Investment Thesis:

- Current methods of 'engagement' are archaic.** Employee engagement is getting more difficult for corporations due to technology and structural workforce changes. There are too many emails, endless voicemails, mandatory training and cumbersome engagement surveys which lead to an overwhelmed, disengaged and unmotivated workforce.
- RFN currently has four 'pillars' to the platform providing multiple streams of revenue:** 'Employ' supercharges a company's employee referrals platform; 'Engage' provides a brief and simple communication tool for use between management and employees; 'Embrace' recognises and rewards employees; and 'Educate' (launch due early 2016) provides short form video content for compliance/induction/product training.
- Existing and growing client base.** What we are particularly impressed about is that RFN has been able to secure many tier 1 global clients (e.g. Uber, Met Life, Blackmores, Coles, Coca-Cola, AMP) in such a short period of time since commercialisation in early 2015. This is in addition to a growing pipeline of +200 leads. The revenue model in simple terms is a tiered (depending upon size of corporate) SaaS monthly fee, depending upon how many 'pillars' of the product a client takes up. Clients secured to date total ~80 and new clients are being signed up at a rate of ~15/month. A strategic alliance with major global recruiter Randstad is expected to be the first of many 'channel' type deals and in our view is a positive third party endorsement by a major recruitment firm.
- Experienced Board and management team with significant intangible value.** Geoff Morgan (Morgan and Banks, Talent2) and Peter Clare (ex CEO Westpac NZ) will both open plenty of doors. MD Jamie Pride (ex CEO of RealEstate.com) and NED Ben McGrath are co-founders of REFFIND and 48% shareholder Digital4ge. Mick Liubinskis (startup industry expert) recently joined as a NED in conjunction with RFN's acquisition of WooBoard.
- Aggressive M&A strategy.** Management are actively pursuing bolt-on M&A opportunities to further build open the existing platform (ie. via additional 'pillars') and add clients/user numbers. The recent acquisition of VC-backed WooBoard has provided RFN with a launch into the US, adding ~50 clients which can now be cross sold RFN's other pillars and is expected to intensify overall user engagement in our view given its gamified and social nature.
- HR Tech sector is HOT,** as demonstrated by the increasing number of successful IPOs and M&A in the space. ASX-listed HR tech peers include Seek (SEK, +\$4b market cap) and 1-Page (1PG, ~\$700m market cap).

### Recommendation:

- We initiate coverage with a BUY recommendation and price target of \$1.70.
- With reference to identified ASX-listed HR tech peers and our conceptual 12 month annualised revenue run rate of ~A\$25m by late CY16, our view is RFN should trade at ~6.5x revenue, a 20% discount to the peer group average given the early stage nature of the business. This equates to an initial price target of \$1.70/sh.

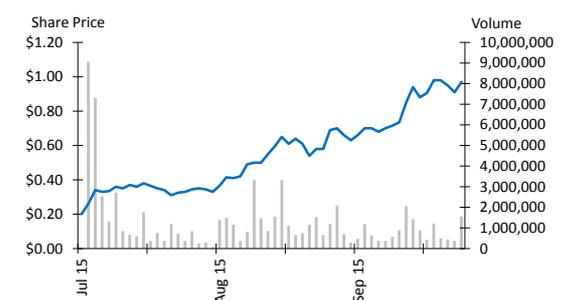
Rating	BUY
Previous	N/A
Price Target (\$)	\$1.70
Previous	N/A
Share Price (\$)	\$0.97
52 week low - high (\$)	0.22 - 1.10
Valuation (\$/share)	\$1.68
Methodology	EV/Revenue
Risk	High

Capital Structure		
Shares on issue (m)		
	FPO	100.0
	Options	12.1
	<b>Total</b>	<b>112.1</b>
Market Cap (\$m)		
	Undiluted	97.0
	<b>Diluted</b>	<b>108.7</b>
Net cash/(debt) (A\$m)		6.1
EV (A\$m)		
	Undiluted	90.9
	<b>Diluted</b>	<b>102.6</b>
Av 3mth daily volume ('000)		1,293

Board	
Peter Clare	Non Executive Chairman
Jamie Pride	Managing Director
Ben McGrath	Executive Director
Geoff Morgan	Non Executive Director
Mick Liubinskis	Non Executive Director

Substantial Shareholders (diluted)	
Digital4ge	48%

### Share Price Graph



Analysts	
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Foster Stockbroking acted as Lead Manager to REFFIND Ltd's \$8m IPO in July 2015. Foster Stockbroking received a fee for this service and continue to assist the company with capital markets advisory which may include research, marketing and ECM.



**BACKGROUND**

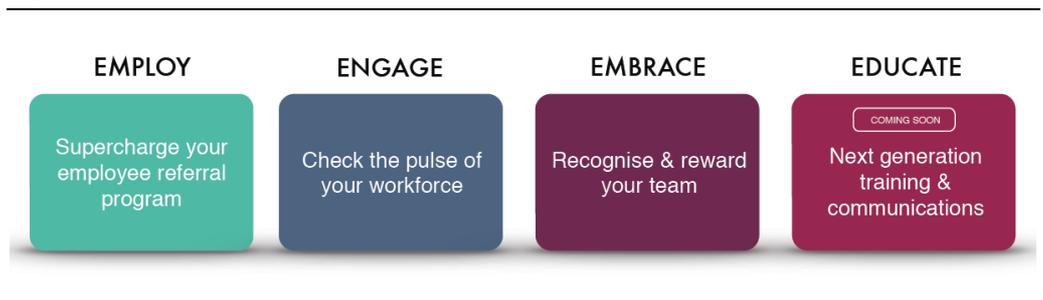
REFFIND Ltd ('RFN' or the 'Company') listed on the ASX via an IPO in July 2015. Contemporaneously with the IPO, RFN raised \$8m in a heavily oversubscribed equity issue at \$0.20. Sydney-based tech commercialisation company 'Digital4ge' (of which RFN MD Jamie Pride and Exec Director Ben McGrath are co-founders) remain 48% shareholders in RFN having vended the asset into the listed vehicle at \$12m. Thus the market cap upon listing was \$20m with 100m shares on issue at \$0.20. Since listing, the Company has released a stream of positive news flow which, when combined with the growing interest in the HR tech sector, has driven the share price 450% to a recent high of \$1.10.

**RFN list on the ASX in July 2015, raising \$8m at \$0.20/sh.**

Founded in early 2014 by Digital4ge, RFN was commercialised in early 2015 and at the time of listing had half a dozen paying clients together with a pipeline of ~100 targets. Since listing, RFN has closed numerous additional 'tier 1' clients, reached a channel agreement with major global recruiter Randstad and most recently announced the acquisition of employee recognition platform 'Wooboard'.

RFN has developed a smartphone application (iOS and Android) for use by employees and enterprises to facilitate more efficient and effective communication. The application currently encompasses four functions or 'pillars' which include *Employ* (supercharging a company's employee referral program), *Engage* (pulse checking and surveying of employees), *Embrace* (team recognition and rewards) and *Educate* (induction, product and compliance training). It is expected that the platform will be built out further (organically or via M&A) to encompass additional functionality.

**Figure 1: REFFIND Platform**



Source: REFFIND Ltd

**RFN is a HR tech company that has created a smartphone application for use by corporations to better facilitate effective and efficient communication with their employees.**

In terms of market stats/financials, RFN's cash position is ~A\$6M following the recent IPO and the Company is expecting to be break even towards the end of FY16. Current cash burn is ~\$300k/month. There are 100m shares on issue implying a market cap of ~\$100M (undiluted). Average daily volume is ~1.3m shares since listing in July. The founders (Digital4ge) own 48% of the register and are escrowed until July 2017.



### SEEKING TO TRANSFORM THE 'EMPLOYEE EXPERIENCE'

RFN's smartphone app is offering corporations a holistic offering to more efficiently and effectively communicate with their workforce. This encompasses a broad range of HR functions including but not limited to the following:

- Employment/recruitment;
- Communications and engagement;
- Education and training; and
- Performance reviews and recognition.

**REFFIND is providing companies with a holistic solution to better facilitate communication with employees, whilst at the same time making it an enjoyable experience for employees.**

Traditionally, these processes tend to be lengthy, expensive and ineffective:

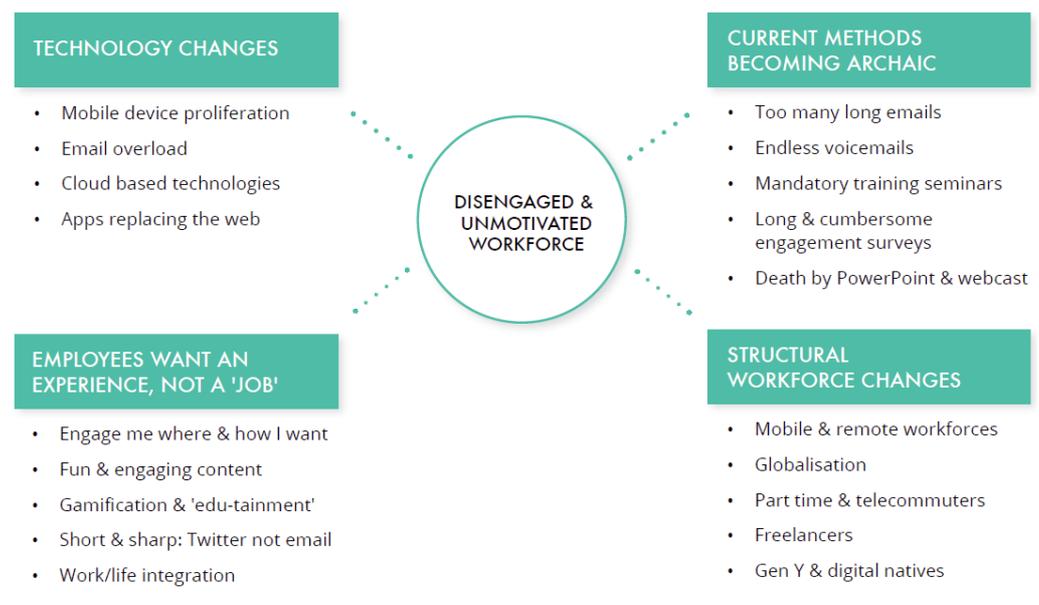
- Employee surveys can take a long time to prepare and process. More importantly, these surveys are usually found to be time consuming by the employees, while the feedback tends to be high level and not very actionable;
- Current job vacancies are not well understood or communicated internally, despite it being well recognised that referrals are by far the best hires; and
- Reviews are typically seen as cumbersome processes, both by employer and employees;

Employee engagement is getting more difficult for corporations due to technology and structural workforce changes. There are too many emails, endless voicemails, mandatory training and cumbersome engagement surveys which leads to a disengaged and unmotivated workforce. Whilst it is certainly very evident that technology within corporations is being embraced, this has also resulted in a requirement for corporations to change the manner in which they engage with employees. At present many workforces are overwhelmed, disconnected and disengaged.

**Figure 2: Corporations need to adapt to technological and structural changes in the workforce**

**Companies now realise that prior methods for recruiting, communicating, surveying, training and reviewing are increasingly archaic and ineffective.**

**REFFIND offers a dynamic approach which is fast being adopted by many corporates.**



Source: REFFIND Ltd



### CURRENTLY FOUR 'PILLARS' TO REFFIND'S PLATFORM

#### (EMPLOY, ENGAGE, EMBRACE AND EDUCATE)

##### **EMPLOY - supercharging a company's employee referral function**

Employ offers companies a simple solution to manage, analyse and improve their employee job referral program. When a customer signs up for Employ, each employee that has downloaded the REFFIND app to their smart phone will receive a daily notification of three job vacancies which their organisation is looking to fill. The app 'learns' which jobs to send to employees based upon their previous interactions. So over time, more relevant roles are sent to employees.

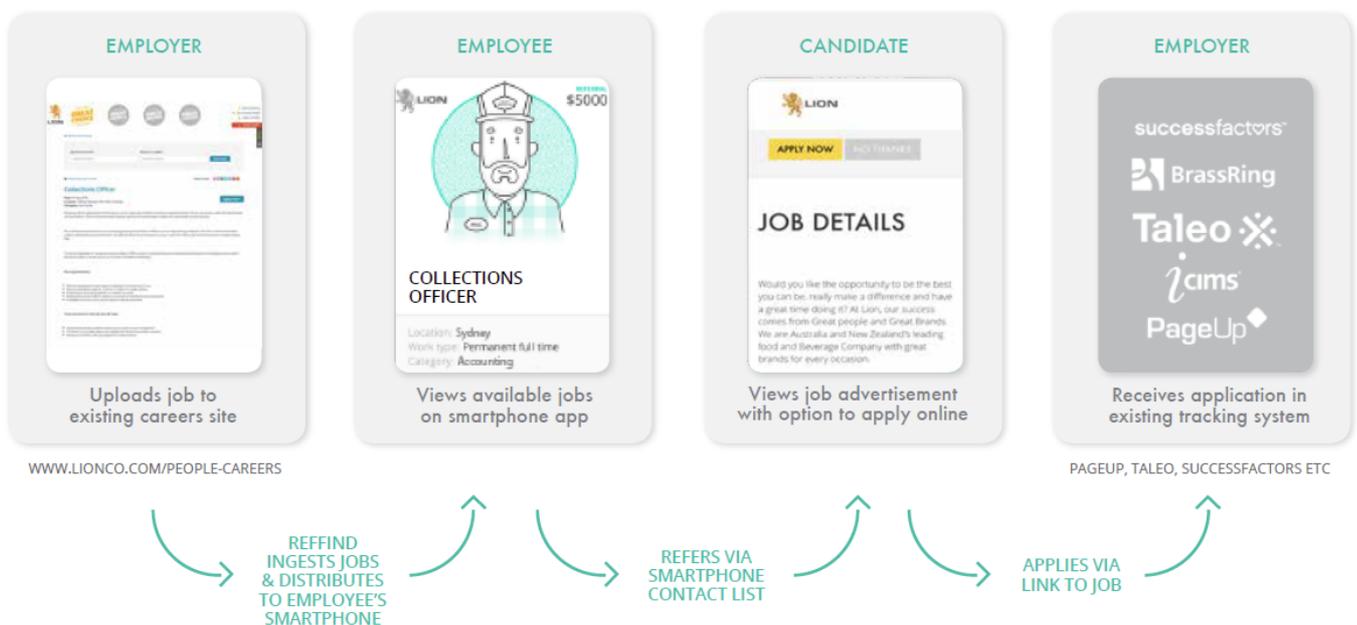
**All corporates acknowledge that the best candidates for job openings come via referrals. The challenge is effectively communicating open roles to existing employees. REFFIND's 'Employ' seeks to facilitate this function.**

On receiving a job role, the employee can take one of four actions:

1. Refer the job to a friend, colleague or acquaintance by swiping to the right, which takes them to their contact list. From there they can directly send the job opportunity to any contact they wish. This referral takes place over SMS or email and, importantly, the person receiving the referral does not require the app on their smartphone in order to apply for that job vacancy.
2. Snooze the job by swiping up in order to allow the user time to consider possible candidates for the job vacancy.
3. Dismiss the opportunity by swiping left.
4. Apply for the role themselves by swiping down.

Employees earn points for interacting with and referring candidates and Employ typically works with a corporate's existing referral program (i.e corporates typically pay \$5,000 - \$15,000 to an employee who refers a successful candidate).

Figure 3:Employ 'spiders' a company's job opportunities website



Source: REFFIND Ltd

Leveraging the power of employees' personal networks through the Employ function has three main advantages over traditional recruitment processes:

**'Employ' is faster, cheaper and results in a better candidate compared with traditional recruitment processes.**

1. **Faster:** job referrals through employees can be sent to prospective candidates within seconds after being pushed through Employ. This compares to days or weeks before job postings are viewed by potential candidates on recruitment sites, such as Seek. It is estimated there are almost 2b smartphones globally and employees are 2-5x more likely to access a HR application on a smartphone than a traditional PC.
2. **Cheaper:** compared to traditional hiring processes, REFFIND Employ can substantially reduce the total costs of hiring a new employee by eliminating advertising costs for recruitment websites and costs related to head hunters.
3. **Better fit of candidates:** most importantly, we believe Employ improves a company's chances of attracting the right candidate for a job, given that candidates are referred by current employees who have a personal interest in attracting the best candidates who match well within their organisation. It is estimated that almost 90% of employers feel referrals are the number one source for quality candidates.

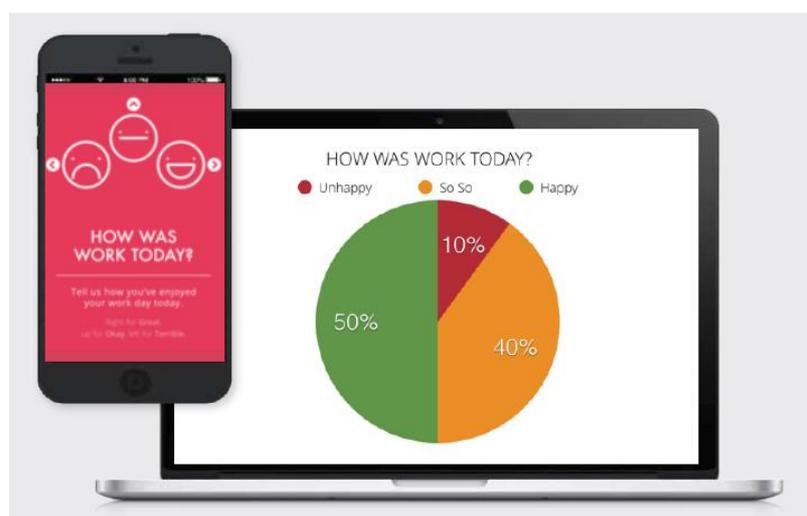
#### **Engage: "pulse checking" surveys**

REFFIND Engage allows companies to survey their employees in real time in the form of a "pulse-check". This survey takes the form of a question card that is distributed to all or a select group of employees. Employees can then respond quickly to the question by swiping to register their answer. Questions sent to employees are determined by the employer and could include anything from "is our corporate diversity policy adequately assisting women to achieve their potential?", "how was work this week?", "where do you want the Christmas Party to be held?" or "how enjoyable is your role?" Responses from employees are delivered back to the employer portal in near real time and can be anonymous if desired.

**'Engage' is a simple communication tool providing employers with the ability to "pulse check" their workforce in near real time.**

The benefits of the Engage solution compared to traditional employee surveys are primarily speed of feedback, ease of use and engagement level. Aggregated feedback to survey questions can be conveyed to employees within hours if desired, while the ease-of-use of a simple mobile app and answering just a few questions at a time rather than a 1-2 hour session on a PC, significantly improves employee engagement levels.

**Figure 4: Engage interface for employees (left) and employers (right)**



Source: REFFIND Ltd



**‘Embrace’ was formed following the recent acquisition of VC-backed ‘WooBoard’ and provides a platform for employee recognition and rewards.**

**Embrace: employee recognition and rewards**

The ‘Embrace’ pillar was recently created following RFN’s acquisition of WooBoard Pty Ltd in September 2015. WooBoard was founded in 2011, funded via VCs (Polleniser, Elevation Capital and Southern Cross Ventures) and has since emerged as a global leader in employee peer recognition and rewards securing circa 50 clients globally including the likes of Uber, Met Life and Blackmores.

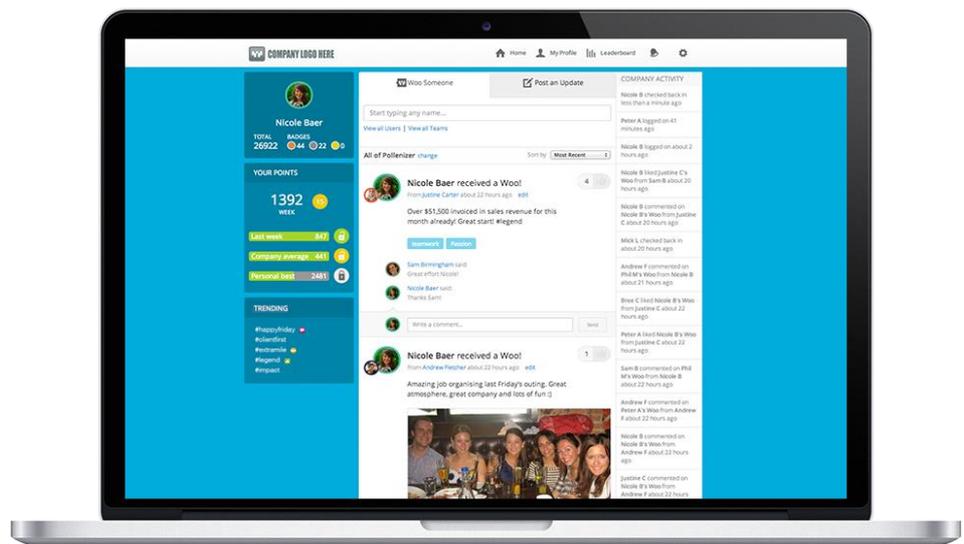
WooBoard is essentially a combination of an intranet and Twitter, with a ‘feed’ in which employees send recognition to one another and share updates relating to their work/projects. It is very much a gamified platform as employees are ranked by points (or Woos) according to recognition and interaction. Points may then be redeemed using a number of popular online retailers.

The acquisition of WooBoard is strategically important for RFN given it:

- Provides a platform into the US with an existing client base (more than 10 US based clients);
- Complements and fits seamlessly within RFN’s other products;
- Enables cross selling to both existing RFN clients and WooBoard clients;
- Is expected to appeal strongly to ‘millennials’ (aged 20-32), who now dominate the workforce;
- Is likely to intensify user engagement given the gamified and social nature of Embrace/WooBoard; and
- Brings additional experience to the Board with start-up industry expert and Pollenizer co-founder Mick Liubinskas joining as a Non-Executive Director.

RFN will develop WooBoard into a fully mobile technology operating within the existing RFN application.

**Figure 5: WooBoard interface**



Source: REFFIND Ltd

**REFFIND's 'Educate' platform is currently in development and targeted to be used for induction, compliance and product training.**

**Educate – efficient and simple mechanism to deliver training to employees**

REFFIND Educate provides organisations with the ability to send content (i.e short video clips) to employees in a mobile environment. This has many different applications, for instance a welcome video message from the CEO, introduction to culture, overview of internal IT systems, OH&S, sexual harassment, gender and cultural diversity training, compliance training, product training, etc. This function is currently being developed and is planned to be rolled out in early 2016.

In our view, the Educate function has enormous potential given it effectively replaces the time consuming and costly traditional forms of training. We see the potential for RFN to enter into transactions with content providers and also to engage in M&A in respect of Engage.

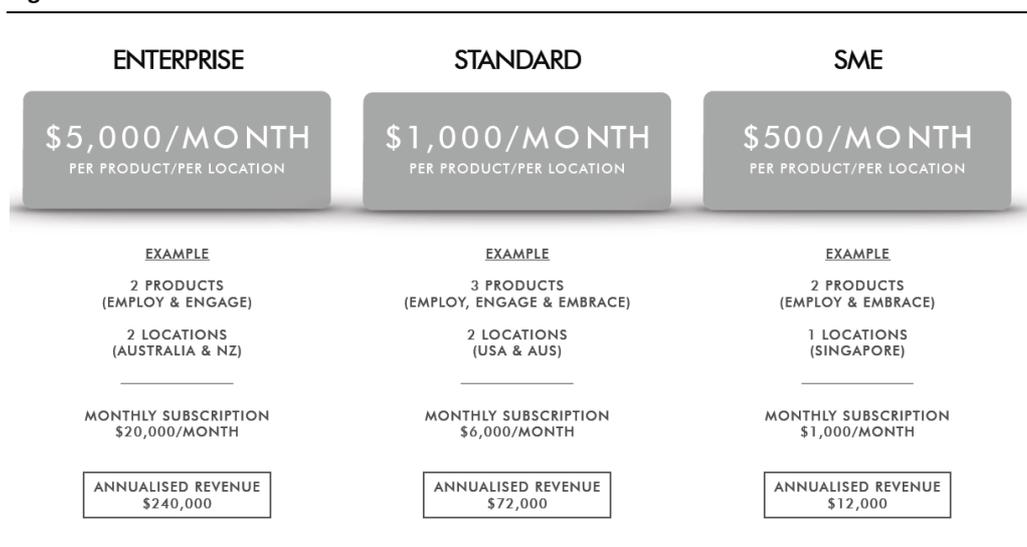
**REVENUE MODEL AND CLIENT TRACTION**

RFN's revenue model is software as a service (SaaS) and is 'tiered' according to a client's size:

- **'Enterprise'**: defined to be >5,000 employees. \$5,000/month per function (ie Employ, Engage and/or Educate), per geographic location.
- **'Standard'**: defined to be 500 - 5,000 employees. \$1,000/month per function, per geographic location.
- **'SME'**: defined to be <500 employees. \$500/month per month per geographic location.

**SaaS revenue model with monthly payment depending upon size of client and number of functions used.**

**Figure 6: Revenue Model**



Source: REFFIND Ltd

We consider this pricing to be attractive for corporates particularly when you consider the average turnover for an Australian corporate is ~10% p.a. Therefore for a company with 5,000 employees it could be expected that ~500 new hires would be required annually. Costs per hire range from \$5,000 - \$15,000 implying a total cost of ~\$5m p.a. for a large corporate vs. \$60,000 for REFFIND Employ or \$240,000 for the full REFFIND suite (Employ, Engage, Embrace and Educate).

**Total number of clients is ~80 and growing at 15-20/month.**

What we are particularly impressed about is that RFN has been able to secure many tier 1 clients (e.g. Coles, Coca-Cola, AMP, Fuji Xerox, Lion Nathan, Pac Brands, Qantas, Suncorp, Downer and McGrath Real Estate) in such a short period of time since commercialisation. The current number of paying clients totals 80, in addition to a pipeline of +200 leads within Australia. New clients are being secured at a rate of ~15/month (and growing).



User number growth (i.e number of handsets REFFIND is on) is very important in our view given one of the key attractions of the tool is the ‘stickiness’, effectively making it hard for corporates to ‘turn off’ the app. Growth across the client portfolio at a rate of 10% week on week is highly encouraging within the first 12 months of commercialisation.

**Maiden strategic alliance with major global recruiter Randstad expected to be the first of many ‘channel’ type deals.**

RFN have entered into an agreement with the Asia-Pacific arm of HR and recruitment specialists Randstad, who will use REFFIND Employ to push relevant job vacancies to their more than 1m professionals currently on Randstad’s database. This adds a significant number of users to the REFFIND platform who can apply (or refer a friend) to positions being sought to fill by Randstad for their clients. This in our view is a positive third party endorsement by a major recruitment firm of REFFIND’s product and acknowledge by recruitment majors the need to embrace technology to engage with job seekers and best service clients’ requirements. Randstad operates in 39 countries, employs almost 30,000 of its own staff and more than 500,000 people in contract work arrangements with Randstad clients.

**CONCEPTUAL VALUATION ANALYSIS**

**PRICE TARGET OF A\$1.70/SHARE**

Given that RFN is in its very early stages of development, with limited visibility on multi-year revenues and earnings, we have used EV/Sales as the primary valuation metric with which to value RFN.

**Notwithstanding the early nature of commercialization, we have attempted to estimate revenue through the next 12 months based upon assumptions on pricing and number of clients in each geographic region.**

We have taken a simplistic view in our approach to estimating the revenue run-rate in 12 months’ time, based upon the following assumptions:

- **Pricing:** As guided by management, pricing is dependent upon the client’s size/number of functions subscribed for/number of geographic locations.
- **Clients:** We conservatively estimate total clients in 12 months’ time amounting to 250. Given the current ~80 clients secured since March 2015 and monthly addition rate of ~15, we are comfortable with this estimate.
- **Geography:** We model 20% of group revenue coming from Asia and 20% from the US (amounting to 50 clients in each region). We expect RFN will secure these clients via channel style arrangements in which an assumed revenue share of 80% (RFN) and 20% (partner) is entered into.

**Figure 7: FSB revenue projections**

AUSTRALIA							
Type	No. of clients	Employ \$/month	Engage \$/month	Embrace \$/month	Educate \$/month	MRR	ARR
Enterprise (>5,000 employees)	50	\$5,000	\$5,000	\$5,000	\$5,000	\$1,000,000	\$12,000,000
Standard (500 - 500 employees)	50	\$1,000	\$1,000	\$1,000	\$1,000	\$200,000	\$2,400,000
SME (<500 employees)	50	\$500	\$500	\$500	\$500	\$100,000	\$1,200,000
	<b>150</b>					<b>\$1,300,000</b>	<b>\$15,600,000</b>

US							
Type	No. of clients	Employ \$/month	Engage \$/month	Embrace \$/month	Educate \$/month	MRR (less 20% rev share)	ARR (less 20% rev share)
Enterprise (>5,000 employees)	20	\$5,000	\$5,000	\$5,000	\$5,000	\$320,000	\$3,840,000
Standard (500 - 500 employees)	15	\$1,000	\$1,000	\$1,000	\$1,000	\$48,000	\$576,000
SME (<500 employees)	15	\$500	\$500	\$500	\$500	\$24,000	\$288,000
	<b>50</b>					<b>\$392,000</b>	<b>\$4,704,000</b>

ASIA							
Type	No. of clients	Employ \$/month	Engage \$/month	Embrace \$/month	Educate \$/month	MRR (less 20% rev share)	ARR (less 20% rev share)
Enterprise (>5,000 employees)	20	\$5,000	\$5,000	\$5,000	\$5,000	\$320,000	\$3,840,000
Standard (500 - 500 employees)	15	\$1,000	\$1,000	\$1,000	\$1,000	\$48,000	\$576,000
SME (<500 employees)	15	\$500	\$500	\$500	\$500	\$24,000	\$288,000
	<b>50</b>					<b>\$392,000</b>	<b>\$4,704,000</b>

SUMMARY				
Type	No. of clients	MRR	ARR	% OF REV
Australia	150	\$1,300,000	\$15,600,000	62%
US	50	\$392,000	\$4,704,000	19%
ASIA	50	\$392,000	\$4,704,000	19%
	<b>250</b>	<b>\$2,084,000</b>	<b>\$25,008,000</b>	<b>100%</b>

Source: FSB research, Company announcements, Broker research



- Whilst there are no direct ASX-listed peer comparables, there are a number of companies which operate within the HR tech sector including SEK, 1PG and FLN. We have referred to the valuations of these companies detailed below with their respective revenue guidance/estimates:

**Figure 8: Relevant ASX peer comps**

	Share Price	Market Cap (A\$m)	Net cash (A\$m)	EV (A\$m)	2016 Rev (F)	EV/Revenue
SEEK Ltd (SEK.ASX)	\$12.00	4,132.8	-448.0	4,580.8	1,002.0	4.6
1-Page Ltd (1PG.ASX)	\$4.90	690.9	10.0	680.9	76.4	8.9
Freelancer Ltd (FLN.ASX)	\$1.40	639.2	21.0	618.2	57.4	10.8
					<b>Average</b>	<b>8.1</b>
<b>REFFIND Ltd (RFN.ASX)</b>	<b>\$1.10</b>	<b>110.0</b>	<b>6.5</b>	<b>103.5</b>	<b>25.0</b>	<b>4.1</b>

Source: FSB research, Company announcements, Broker research

- With reference to the peers we have assigned a revenue multiple of 6.5x, which is a 20% discount to the peer group average to reflect the earlier nature of RFN's business. Based on our projected 12 month revenue run rate of ~\$25m, we derive a target equity valuation of ~\$170m and initial price target of \$1.70/sh. This represents ~70% upside to the current share price.

**Figure 9: RFN valuation and price target**

EV/SALES VALUATION ANALYSIS	
Target multiple	6.5
12 month estimated rev run-rate	25.0
<b>Target Enterprise Value</b>	<b>161.7</b>
Net cash	6.5
<b>Target Equity Value (A\$m)</b>	<b>168.2</b>
Shares on issue (m)	<b>100.0</b>
<b>Equity value/sh</b>	<b>\$1.68</b>
<b>Price target</b>	<b>\$1.70</b>

Source: FSB research

**With reference to the ASX-listed peers and our conceptual revenue profile, our view is RFN should trade on a multiple of 7.5x revenue, a 20% discount to the peer group. This equates to an initial PT of \$1.70/sh, and forms the basis of our initial valuation.**

## RECOMMENDATION

- We initiate coverage with a BUY recommendation and price target of \$1.70.
- With reference to identified ASX-listed HR tech peers and our conceptual 12 month annualised revenue run rate of ~A\$25m by late CY16, our view is RFN should trade at ~6.5x revenue, a 20% discount to the peer group average given the early stage nature of the business. This equates to an initial price target of \$1.70/sh.



## APPENDIX 1 - BOARD AND MANAGEMENT

### **Jamie Pride (Managing Director and Co-Founder, salary of \$273,750 incl super)**

- More than 20 years' experience in senior leadership positions with international technology and digital media organisations.
- Previously led realestate.com.au, and has held senior leadership positions with salesforce.com, Red Hat, Veritas & Cisco Systems.
- In 2013 co-founded Digital4ge – a leading Australian technology foundry.
- Sold technology startup, Velteo, to New York based System Integrator Bluewolf in 2012.
- Most recently a Partner at Deloitte.

### **Peter Clare (Non Executive Chairman, salary of \$150,000 incl super)**

- Highly experienced senior executive with a career in banking spanning 20 years.
- Most recently Chief Executive Officer and country head for Westpac in New Zealand.
- Prior Group Executive roles at Westpac and St.George Banks with responsibility for Strategy, Mergers and Acquisitions, Product, Operations, Technology, Property and Procurement.

### **Ben McGrath (Non Executive Director and Co-Founder, salary of \$80,000 incl super)**

- Extensive experience in making useful digital solutions user friendly.
- In 2013 co-founded Digital4ge – leading the customer experience and design efforts.
- Previously founded Freshweb – a digital agency specialising in banking, telco and government. Freshweb was sold in 2012 to Now Communications Group.
- Has built digital solutions for some of the world's largest companies including; VMware, Symantec, Telstra, Vodafone, GSK, Pfizer and Singtel Optus.

### **Geoff Morgan (Non Executive Director, salary of \$80,000 incl super)**

- Co-founded Morgan & Banks Pty Ltd in early 1985, and grew the company to become the dominant recruitment force in Australia and Asia. The company went public in 1995 and sales grew to over \$700 million, before it was acquired by TMP/Monster.com in 1999, a US listed company on the NASDAQ.
- In 2003, co-founded Talent 2, ultimately listing it on the ASX. In 2012, Talent2 was privatised by its founders, Geoff Morgan and Andrew Banks, through Morgan & Banks Investments (MBI) in partnership with Allegis Group, Inc.

### **Mick Liubinskas (Non Executive Director)**

- Recently joined following the acquisition of WooBoard.
- Very highly regarded tech startup veteran and co-founded of venture capital fund Pollenizer.

### **Nick Hillier (VP APAC)**

- More than 15 years working in leading International and Australian technology firms. Prior roles include Senior Sales Leadership and General Management positions in Australia and the Asia Pacific.
- Most recently worked as the Sales Director for Hewlett Packard Enterprise in the Server and Business Critical Systems business unit.

### **Robert Love (CTO)**

- More than 18 years of technology, software and innovation experience and is responsible for the overall leadership of product development and the RFN's global technology infrastructure.
- Most recently, held the position of CTO of Innovation & Digital Ventures for PwC Australia, where he was instrumental in building the fledgling division and identifying high quality, disruptive digital opportunities for the PwC partnership.



## APPENDIX 2 – RISKS

The following risks may negatively impact the RFN share price:

### Technology Risk

- The fast pace of software development for IT and may result in RFN's technology becoming outdated or less efficient compared to competitors' solutions.

### Partner Risk

- A component of RFN's business and revenue is likely to be dependent upon third party 'channel' arrangements. Should a partner decide to terminate any agreement, it may result in loss of credibility and revenue for RFN.

### Funding risk

- In developing and marketing its products, RFN may need to raise further funds. There is a risk this could be dilutive to shareholders or may be difficult to achieve.

### Key person risk

- RFN has a number of key people, such as MD and co-founder Jamie Pride. Should RFN lose key staff, it may weaken the company's management and strategy, adversely impacting earnings and future potential.

### Earnings risk

- RFN is in the early growth stages of a company lifecycle and there is a risk that profitable earnings may not eventuate as soon as the market expects.



## FOSTER STOCKBROKING DIRECTORY

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