

Ellerston Capital says the market is overlooking this ASX tech stock

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Jack Briggs is the co-portfolio manager of Ellerston Capital's mid-caps fund. The firm oversees \$3.3 billion in assets.

Life360 is among the fund's top holdings. It's one of the hottest stocks on the ASX. Are you worried it has run too hard?

We remain positive on the medium-term outlook. Life360 is the 13th most-used app in the US App Store by daily active users, [<https://www.afr.com/markets/equity-markets/is-this-asx-tech-darling-running-too-hot-20250820-p5moeh>] yet in 2024 it generated \$US372 million in revenue, while the other top 20 apps delivered a minimum of \$US3.6 billion each. This almost tenfold gap highlights the substantial opportunity.



Ellerston Capital mid-caps portfolio manager Jack Briggs at his office. **Louise Kennerley**

Life360's membership product that focuses on driver safety and roadside assistance has proven it can increase monetisation. It's offering its product at a substantial discount to competitors by leveraging its customer base. As a result, it can achieve materially lower customer acquisition costs than traditional roadside assistance competitors. We expect Life360 to repeat this model and expand its family-focused offerings like its recently launched pet tracker.

We are also excited by the value inherent in Life360 [<https://www.afr.com/link/follow-20180101-p5n0mqj>]'s live location database which is unique globally in its quality and scale. It is still early in the journey of offering advertisers digestible, scalable, targeted and measurable advertising products, but we believe the value of the data is so significant that strong revenue will accrue.

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Ellerston first invested at around \$7 in mid-2023 and has actively managed the position since. While we continue to hold a meaningful stake, our current position size is lower than our average over this time, reflecting a more balanced assessment of risk versus return at today's valuation.

Which stock in your fund has the most near-term upside?

We see compelling upside in Seek. The stock has been unloved in recent years following heavy technology reinvestment, competitive pressure in Asia, and weaker job ad volumes. Investors also questioned its cost discipline and venture capital investments.

We were initially drawn to Seek because of its ability to raise prices and capture more of the economics from successful hires. [<https://www.afr.com/markets/equity-markets/the-eight-asx-stocks-that-have-caught-short-sellers-out-20250814-p5mmze>] Today, Seek receives around 0.8 per cent of a candidate's salary in a successful hire, only about 10 per cent of the total cost to hire, highlighting the potential pricing power.

In the past year, we've also seen clear improvement in the issues that previously held the stock back. Technology spending has peaked and costs have reset lower. The Freemium product in Asia appears to be stabilising competition, with potential early signs of market-share gains. Job-ad volumes have returned to growth, guidance has been given for cost growth, and the capital-allocation

framework now points to a gradual rationalisation of the venture portfolio, with proceeds likely returned to shareholders.

What's a stock you like and own that most people haven't heard of?

ikeGPS provides integrated hardware and software to utilities and telcos across North America, helping them manage power distribution assets. Its products digitise key measurements and location of the poles across a network, giving customers better visibility for expansion planning, maintenance and compliance.

We like the strong structural tailwinds ikeGPS is experiencing: the asset base is significantly aged and replacement needs are growing, electrification and renewables are expanding the grid, increasingly extreme weather demands more resilient networks, and 5G and fibre rollouts require rigorous compliance testing of pole loads.

We believe ikeGPS is well positioned to win in this market as its product has been validated by eight of the 10 largest investor-owned utilities as customers. There is also limited competition with ikeGPS largely selling to customers who are using manual methods and spreadsheets.

What one piece of advice has influenced your approach to investing?

Early in my career I was taught that a company's share price reflects the market's expectations of its future cash flows. To outperform, you need a differentiated, and ultimately correct, view of those cash flows.

Our process focuses on understanding businesses deeply to forecast cash flows as accurately as possible. We identify the key drivers, then find the best data to predict them. We consistently talk to management, customers, suppliers, and competitors, and increasingly collect alternative data through tools such as web scraping.

Are there any podcasts you'd recommend?

Michael Mauboussin's *Value Investing with Legends* podcast features conversations with some of the biggest names in investing globally.

What's your favourite local bar or restaurant?

Braci Osteria + Pizzeria on High Street in Willoughby – it serves the best gluten-free pizza I've had outside of Italy.

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