

# Cashwerkz

Driving simplicity into term deposits and bonds

## Scope

This report has been commissioned by Cashwerkz Pty Ltd to present investors with an explanation of the business model, how the company will operate within the frame of Trustees Australia Ltd and to explore the value created from a range of possible outcomes.

## Investment summary

Cashwerkz is a Fintech business which has developed an online term deposit marketplace and cash management platform. The platform offers a once-only identity verification process which, when accepted by the authorised deposit taking institutions (ADIs) on the platform, allows investors to move their maturing investments from one ADI to another without the need for further identity checks. This saves time and paperwork for investors and improves efficiency in the rollover and switching process at maturity.

Cashwerkz has merged with listed company, Trustees Australia Ltd (TAU.AX) which owns RIM Securities, an independent specialist fixed interest business, and boutique funds manager RedGate Asset Management. The Cashwerkz platform, with further development, will allow RIM Securities to automate its currently manual processes for managing bonds, term deposits and other cash-based securities. In turn, RIM Securities delivers to Cashwerkz a business with a 13-year track record of successful dealings with around 40 ADIs, an important pre-requisite for getting on financial adviser panels.

The merger, approved by Trustees Australia shareholders on July 31, delivers a market value of \$7.5m to Cashwerkz (based on the 49.8m shares issued to acquire the business) in a total market capitalisation, pre-capital raising of \$12.8m (based on the current price of \$0.15/share). Trustees Australia is now seeking to raise up to \$10m (at \$0.20 per share) in additional capital for sales and marketing, product/segment development and working capital needs, which, if successful, would give the company a market capitalisation of \$27m.

## Conclusions

We have developed a financial model using reported historical information released by Trustees Australia's Notice of Meeting for the merger and have formed a base case for earnings forecasts after discussions with management and reviewing other listed marketplaces. This has generated a DCF valuation of \$0.39/share with 68% of the value created post 2025. Our upside case valuation is \$0.55/share. We do see risks ahead for Cashwerkz, the main ones being the competitive market for financial comparison sites, the existence of a similar term deposit platform, and the need to convert site visitors to leads and revenue. However, our forecasts and valuation do not include any assumptions for developing additional revenue streams from Cashwerkz' patent pending identity verification and management system or any overseas expansion. We have calculated a reverse DCF to see what is implied by the \$0.20/share placement price. To arrive at a valuation of \$0.20/share, we have to assume that revenues will grow at a compound rate of 29% over the next eight years, which in our view represents a modest level of success for a fintech company at this stage of its life.

This report has been prepared by RaaS Advisory Pty Ltd (A.C.N. 614 783 363) on behalf of Cashwerkz Pty Ltd and should be read in conjunction with the Financial Services Guide and disclaimer at the end of the report.

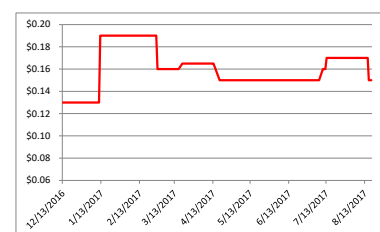
FinTech

23 August 2017

### Share details

|  |         |
|--|---------|
| ASX Code   | TAU     |
| Share price (at 18 Aug 17)                               | \$0.15  |
| Market Capitalisation post capital raise at \$0.20/share | \$27.2M |
| Shares on issue post capital raise                       | 136.0M  |

### Share performance (12 months)



### Upside Case

- White label opportunities for Identity Verification and Management technology
- Cash and term deposits remain one of the largest pools for SMSFs
- RIM Securities delivers a strong track record with ADIs

### Downside Case

- Financial comparison space is highly competitive
- Users can take information and transact offline
- Needs support of ADIs/dealer groups to succeed

### Board of Directors

|                 |                        |
|-----------------|------------------------|
| Michael Hackett | Non-Executive Chairman |
| Brook Adcock    | Non-Executive Director |
| Nathan Leman    | Non-Executive Director |
| John Nantes     | Non-Executive Director |

### Company contacts

|                         |                   |
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| Chief Executive Officer | hortiz@rimsec.com |

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[www.redgateam.com.au](http://www.redgateam.com.au)

### RaaS Advisory contacts

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## Trustees Australia post the Cashwerkz merger

Trustees Australia Ltd (TAU.AX) announced in December 2016 that it had entered into a heads of agreement to acquire Cashwerkz, an online term deposit marketplace and cash management platform. A formal agreement was reached on 29 June 2017 to acquire all the units in the trust that owned Cashwerkz in exchange for 49.6m new shares in TAU. In addition, Michael Hackett, the largest shareholder in TAU and Adcock Private Equity, the largest unitholder in Cashwerkz, agreed to subscribe for, in total, an additional \$650,000 in shares at a minimum price of \$0.20/share in TAU to ensure it satisfied minimum cash and net tangible asset backing requirements. TAU shareholders approved the merger on July 31. Trustees Australia is also seeking to raise up to \$10m through a placement in new shares, valued at \$0.20/share, to provide a combination of expansion and working capital.

### Investment case

In our view, Cashwerkz, in the TAU fold, has the opportunity to achieve success for these reasons:

- Cashwerkz has developed a patent pending, streamlined Identity Verification and Management process which saves time and money for both consumers and authorised deposit taking institutions (ADIs).
- The merger brings together Cashwerkz' platform and technology and RIM Securities' established reputation and relationships with around 40 ADIs. RIM Securities has been operating for more than 13 years in the market and plans to migrate customers and enhance the platform to transact investments across all segments that invest in term deposits using the Cashwerkz platform.
- GenY and Millennial investors increasingly are looking for simplicity in their investment platforms and Cashwerkz plays to this.
- Cashwerkz' platform initially targets Term Deposits (TDs) but can be adapted to other financial products.
- There is a shift among financial advisers to independence from one institution's products. This plays to Cashwerkz' ability to offer all TDs (and other products) on its platform.
- The Identity Verification and Management system has the capacity to be sold as a separate product on a global scale. This is not included in our forecasts at this stage.

### Indicative valuation

Cashwerkz is an early stage, pre-revenue company. By merging with TAU, the company has immediate access to ADIs and a range of segments such as dealer groups, direct investors, Self-Managed Superannuation Funds (SMSFs), middle market participants, corporates, industry funds, fund managers and financial institutions. Our base case forecasts, which will be discussed in more detail in this report, deliver a DCF valuation of \$0.39/share (WACC of 11.7%, Beta of 1.5 and terminal growth rate of 2.2%). Our upside case, which sees Cashwerkz securing 1.14% of the cash deposits market by 2025, is \$0.55/share. Our downside case of \$0.09/share assumes the company secures less than 0.5% of this market by 2025. It is important to note that independent expert PKF Corporate in concluding that the merger was fair to TAU minority interests, used future maintainable revenue of \$1m to \$1.5m per annum and a comparable company revenue

multiple of 1.5x to value the TAU core business. PKF valued the acquired Cashwerkz business using the book value of capital contributions from July 2013 to July 2016. The resulting valuation range, including the \$650,000 subscription from Michael Hackett and Adcock Private Equity, was \$0.059 to \$0.071 per share. This valuation did not take into account the future earning potential of the Cashwerkz business.

We would expect a significant gap between the DCF valuation (a fundamental valuation based on an early stage company achieving a strong growth trajectory) and the price that the market is prepared to pay. We see this gap closing as Cashwerkz demonstrates that it can attract and convert retail, wholesale and institutional customers to its platform.

## History

### Cashwerkz

Cashwerkz was incorporated in July 2013 with the aim of developing a platform that can efficiently offer cash and term deposit products to investors. The company operated through a unit trust, Werkz Trust, which was 85.29% controlled by Adcock Private Equity.

Cashwerkz was created to solve a long standing problem in the term deposits market, that being, that there was no automated way of efficiently switching term deposits between ADIs. Instead, consumers needed to switch manually, and if they were switching to another ADI, they were required to go repeat the whole identity verification process. Cashwerkz has developed a cloud-based platform to provide a transparent, secure platform where identity verification and management is streamlined and required once-only, allowing easy switching at maturity and offering consumers a wide choice of ADIs. The platform deals with the different processes presented by ADIs, and it presents a fully auditable evidence chain that can be tracked by third party financial and technical auditors, thus ensuring that errors do not occur in the Cashwerkz platform.

As the Exhibit 1 demonstrates, the company is pre-sales revenue with income mostly derived from the Federal government's R&D refund. Since incorporation the company's only activity has been the development of the platform, which to date, has cost around \$5.5m. Having been developed as an enterprise model, the company's platform is ready for the customers and financial institutions that the merger with Trustees Australia delivers.

| <b>Exhibit 1: Cashwerkz Historical Results</b> |                    |                    |                     |
|--|--------------------|--------------------|---------------------|
| <b>Year ended June 30</b>                      | <b>2015</b>        | <b>2016</b>        | <b>10 mths 2017</b> |
| Sales  |                    | 22                 | 1,249               |
| Asset disposal                                 |                    | 3,364              |                     |
| Other revenue                                  |                    |                    | 2,516               |
| R&D Refund                                     | 940,418            | 1,354,323          |                     |
| <b>Total Revenue</b>                           | <b>940,418</b>     | <b>1,357,709</b>   | <b>3,765</b>        |
| Occupancy                                      | 90,902             | 138,845            | 149,376             |
| General and Admin                              | 158,912            | 285,132            | 14,115              |
| Sales and Marketing                            | 245,321            | 1,453,868          | 309,777             |
| Prof and compliance                            | 243,312            | 201,972            | 338,239             |
| Employees                                      | 1,090,605          | 2,074,674          | 947,651             |
| Development                                    | 956,624            | 898,269            | 151,476             |
| Other  | 4,383              | 7,049              | 8,323               |
| Total Costs                                    | 2,790,059          | 5,059,809          | 1,918,957           |
| <b>EBITDA</b>                                  | <b>- 1,849,641</b> | <b>- 3,702,100</b> | <b>- 1,915,192</b>  |
| Depreciation                                   | 16,005             | 28,489             |                     |
| EBIT   | - 1,865,646        | - 3,730,589        | - 1,915,192         |
| Interest                                       | 6,767              | 92,215             | 35,885              |
| EBT  | - 1,872,413        | - 3,822,804        | - 1,951,077         |
| Income tax                                     | -                  | -                  | -                   |
| <b>NPAT</b>                                    | <b>- 1,872,413</b> | <b>- 3,822,804</b> | <b>- 1,951,077</b>  |

Source: Company Data (Trustees Australia Ltd Notice of General Meeting June 30 2017, page 33)

### Trustees Australia

Trustees Australia listed on the ASX in 1987 and is headquartered in Brisbane. The company operated two business streams:

- Financial Services including custodial, funds management and responsible entity services to corporates offered by Trustees Australia; term deposit and fixed interest broking and

advisory services offered by RIM Securities; and investment management offered by RedGate Asset Management.

- Tourism and Property interests which included the Magnums Backpackers Resort in Airlie Beach, North Queensland, an adjacent development property to the resort, a 10.8% stake in Australian Dairy Farms Group (AHF.AX) which owns dairy farms in Victoria and dairy processing plant at Camperdown in New South Wales.

The Tourism and Property interests are now held by Jimmy Crow which shareholders have voted to demerge from Trustees Australia. Jimmy Crow's shares will shortly commence trading on the National Stock Exchange.

Exhibit 2 below sets out Trustees Australia's historical results, including Jimmy Crow which was treated as a discontinued operation in the FY17 results.

| <b>Exhibit 2: Trustees Australia Historical Results (including Jimmy Crow)</b> |                  |                  |                   |
|--|------------------|------------------|-------------------|
| <b>Year ending June 30</b>   | <b>2015</b>      | <b>2016</b>      | <b>2017</b>       |
| Revenue  |                  |                  |                   |
| Jimmy Crow   | 2,259,342        | 2,399,576        | -                 |
| TAU revenue  | 1,438,672        | 1,547,360        | 1,293,591         |
| <b>Total Revenue</b>   | <b>3,698,014</b> | <b>3,946,936</b> | <b>1,293,591</b>  |
| Operating costs  | 4,170,111        | 4,553,782        | 1,572,823         |
| EBIT   |                  |                  |                   |
| Jimmy Crow   | - 573,385        | - 543,766        | -                 |
| TAU - EBIT   | 101,288          | - 63,080         | -279,232          |
| <b>EBIT</b>  | <b>- 472,097</b> | <b>- 606,846</b> | <b>-279,232</b>   |
| Interest   | 29,852           | 28,328           | 25,249            |
| EBT  | - 501,949        | - 635,174        | -304,481          |
| Share associates   | 357,145          | 169,954          | -                 |
| NPBT   | -144,804         | - 465,220        | -304,481          |
| Income tax   |                  |                  |                   |
| <b>NPAT (continuing businesses) normalised</b>                                 | <b>- 144,804</b> | <b>-465,220</b>  | <b>-304,481</b>   |
| Discontinued business/impairment   | 709,426          | 182,730          | -1,603,198        |
| <b>NPAT reported</b>   | <b>564,622</b>   | <b>- 282,490</b> | <b>-1,907,679</b> |
| Source: Company Data   |                  |                  |                   |

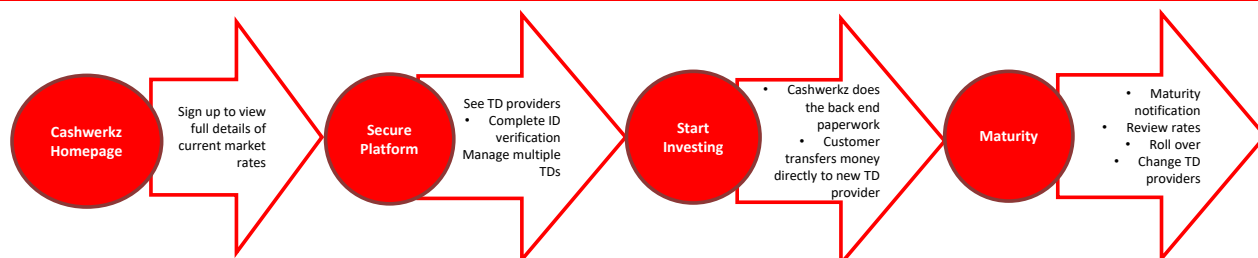
## How CashWerkz makes money

Cashwerkz is targeting five key markets for its platform – financial advisers, self-managed superannuation funds (SMSFs), the middle market (government and councils), direct investors and financial institutions such as fund managers. As Exhibit 3 highlights, each of these markets faces problems with the current term deposit and cash management regime and Cashwerkz's platform provides the following solutions.

| <b>Exhibit 3: Target markets' problems and the solutions that Cashwerkz presents</b> |   |   |
|--|---|---|
| <b>Market</b>  | <b>Problem</b>  | <b>Solution</b>   |
| Advisers   | Back of house administration, compliance, managing clients' needs at maturity, time and cost to advise on investments       | Streamlined workflow, specialised management platform, bespoke reporting, offers clients a greater range of choice                                      |
| SMSFs  | Time and effort needed in comparing options, lengthy process, administration costs  | Bespoke reporting, simplified investing, greater choice of defensive assets, specialised management platform  |
| Middle Market  | Lengthy process, compliance, administration time and costs, workflow inefficiencies   | Bespoke reporting, greater choice of defensive assets, specialised management platform, ability to tailor solutions                                     |
| Direct   | Time and effort needed in comparing options, 'owned' by the banks   | Greater range of defensive assets, ability to search, review, manage and transact in one place, greater choice of providers, easy switching at maturity |
| Financial Institutions/ Fund Managers  | Limited rates available, workflow, internal and external approvals, administration costs, managing to an investment mandate | Greater choice of rates, streamlined workflow, reduced administration costs, future investment policy engine and other workflow enhancements            |
| Source: Cashwerkz. RaaS Advisory   |   |   |

Cashwerkz's homepage carries the current market rates in a graph and encourages investors to register to see full details of the current market rates as well as which financial institutions are offering the rates that meet their needs. Registration to the site and access to the data is free but before the investor applies for the term deposit, they undergo a one-time simplified identity verification process. Exhibit 4 sets out how the platform works.

**Exhibit 4: How the platform works**



Source: Company data

Cashwerkz gets paid by the ADIs, earning from 5 to 25 basis points with an average of 10 basis points, in commission for attracting cash deposits.

## Industry

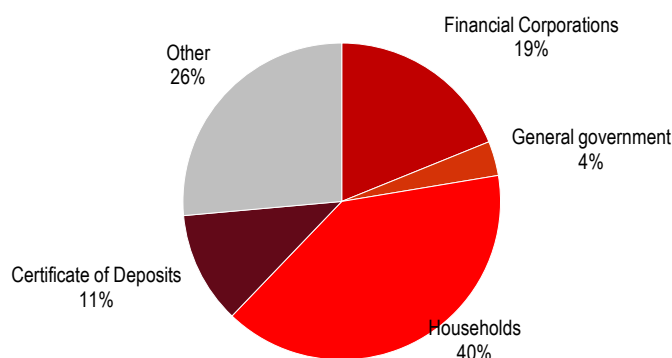
The Australian Prudential Regulation Authority estimates that there was \$2.1trillion on deposit with Australian banks at the end of June 2017.<sup>1</sup> Of this, the biggest proportion was owned by households. SMSFs invested in excess of \$160bn, or 40% of cash deposits invested by financial corporations. Exhibit 5 below sets out the cash deposits held by all banks at 30 June 2017 while exhibit 6 shows the proportionate breakdown of cash deposits.

**Exhibit 5: Cash Deposits held by banks in Australia at 30 June 2017 (in A\$billions)**

| In A\$billions                                   | Financial Corporations | General government | Households | Certificate of Deposits | Non-Financial and Other | Total Deposits |
|--|------------------------|--------------------|------------|-------------------------|-------------------------|----------------|
| Deposits on Australian books of individual banks | 400                    | 75                 | 844        | 243                     | 561                     | 2,123          |

Source: Australian Prudential Regulation Authority, Monthly Banking Statistics

**Exhibit 6: Percentage share of cash deposits held by banks in Australia**



Source: Australian Prudential Regulation Authority, Monthly Banking Statistics

Cashwerkz is targeting retail (direct investors, SMSFs and their advisers) wholesale and institutional investors (government bodies, corporates and fund managers) with its strategy. In our view, the retail market, particularly SMSFs represents the biggest opportunity for Cashwerkz.

<sup>1</sup> Monthly Banking Statistics June 2017 (released 31 July 2017), APRA

## SMSFs

The Australian Tax Office estimates that at June 30 2016, there were more than 570,000 Self-Managed Super Funds in Australia with more than 1.08m members.<sup>2</sup> This segment has increased by more than 20% in the past five years as the following exhibit demonstrates.

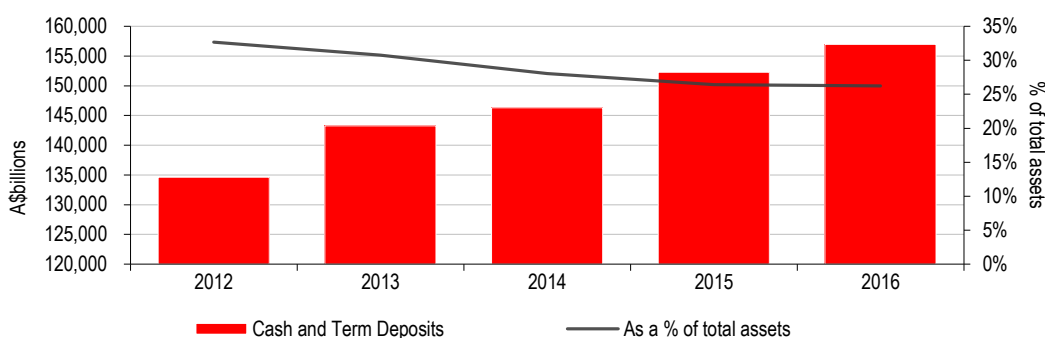
**Exhibit 7: Size of SMSF market by funds and members**

|        | Total Number of SMSFs | Total Members of SMSFs |
|--------|-----------------------|------------------------|
| Jun-12 | 473,369               | 899,205                |
| Jun-13 | 502,072               | 949,975                |
| Jun-14 | 523,925               | 992,075                |
| Jun-15 | 546,801               | 1,030,014              |
| Jun-16 | 574,988               | 1,083,425              |

Source: ATO, Super Statistics/SMSF 10 October 2016

The amount of cash and term deposits held by SMSFs has also increased in that time, from just under \$135bn in 2012 to \$158bn in 2016 (as at June 2017 this had expanded to more than \$160bn), although the decline in interest rates in that period and the shift away from post-GFC capital preservation strategies has resulted in cash's share of total assets reducing to 26% from 33% five years ago as exhibit 8 details.

**Exhibit 8: Cash and Term Deposits held by SMSFs at June 30 and as a % of total assets**



Source: ATO, Super Statistics/SMSF 10 October 2016

SMSFs as an investing class are expected to continue to grow. Rice Warner's Superannuation the Next Decade Report<sup>3</sup> estimates that SMSF funds under management would grow at a compound rate of 7.7% in the 10 years to 2026, ending with \$1.3trillion under management. Exhibit 9 sets out Rice Warner's forecasts for the next decade by sector.

**Exhibit 9: Superannuation funds under management**

| Sector                  | 2016 (\$b) | 2026 (\$b) | CAGR % |
|-------------------------|------------|------------|--------|
| MySuper                 | 474        | 989        | 7.6    |
| ADA's                   | 59         | 0          | -100   |
| Choice (APRA Funds)     | 639        | 1542       | 9.2    |
| Retirement (APRA Funds) | 314        | 774        | 9.4    |
| SMSF                    | 624        | 1305       | 7.7    |

Source: Rice Warner: Superannuation the Next Decade Report, 22 June 2017

If SMSFs maintain the same level of cash and term deposits as a proportion of total assets, this potentially will result in a two-fold increase in cash and term deposits held by SMSFs by 2026. The SMSF population by age demographic is, as one would expect, reflective of the aging population base in Australia. Sixty percent of members of SMSFs are aged 55 or over, as exhibit 10 on the following page shows. Over the next 10 years, the third largest age-group, 45s-54s will shift

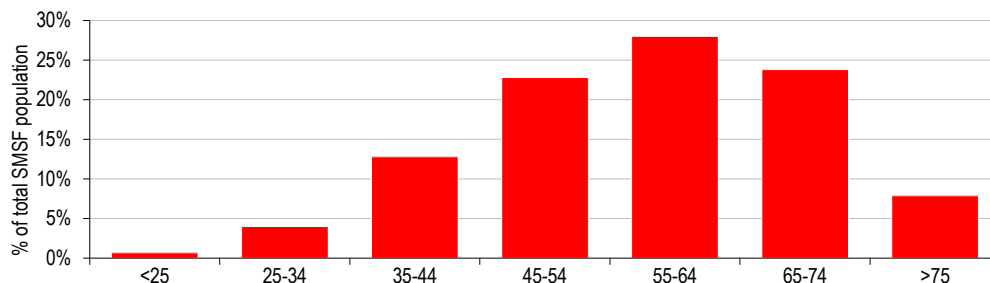
<sup>2</sup> ATO Super Statistics, SMSF, 10 October 2016

<sup>3</sup> Superannuation the Next Decade, Rice Warner, 22 June 2017



towards retirement age. In our view, it will be this age group and younger that will be crucial to Cashwerkz's success as people in the younger age groups are more likely to be prepared to operate on a more automated system.

**Exhibit 10: SMSF members by age range**



Source: ATO, Super Statistics/SMSF 10 October 2016

### Dealer Networks

Dealer networks will be another important component in Cashwerkz's business strategy. There are more than 25,000 current licensed financial advisers on the Australian Securities and Investments Commission's (ASIC) register.

According to Money Management's annual survey, last released on 13 October 2016, the top 100 financial planning groups employ 15,000 financial planners. Around 80 financial planning groups are classed as independent from ADIs. Cashwerkz is seeking to sign these groups as part of its strategy to attract individual planners to use the platform to manage their clients' cash and fixed interest investments.

Recent research by the Independent Financial Adviser Association of Australia (IFAAA) has found that most planners are becoming increasingly dissatisfied with traditional products. The 14th 2017 Planner Technology Report found that 74 % of planners were open to switching their primary platform in pursuit of either lower platform fees (47%) or a wider platform feature set (28%). The Investment Trends research found that even among the 47 per cent of respondents who were seeking lower administration fees, functionality enhancements remained a significant driver of potential switching, with 82 per cent indicating they could be lured to change by functionality enhancements. This plays to Cashwerkz's simplified, automated platform offering.

### Competitive landscape

There are several listed and unlisted companies seeking to provide a marketplace for financial products. The two most comparable listed companies to Cashwerkz are HUB24 (HUB.AX), which operates a wrap platform including managed portfolios for individuals, superannuation funds and financial advisers, and iSignthis Ltd (ISX.AX). In the unlisted space, the two main competitors are Australian Money Market and FiiG Securities.

In FY16, HUB24 exceeded \$3.3bn in funds under management and has grown this pool by more than 100% over the preceding two years. While HUB24 is focussed more on managed portfolios than cash and term deposits, it is targeting the same pool of investees and their advisers.

iSignthis Ltd provides identification and payment authentication services for Know Your Client (KYC) and anti-money laundering (AML)/counter terrorist funding (CTF) proofing. It provides online payment security, Internet identity, e-mandates and e-contract validation services to e-Commerce operators, and assists AML and CTF. The Company's solutions include Evidence of Identity (EOI), e-Know Your Customer (eKYC) and Strong Customer Authentication (SCA). Its Paydentity solution incorporates real time electronic verification to converge remote payment authentication and KYC identification. The technology, while not specifically applied to TDs, could be utilised by other platforms. Cashwerkz could potentially utilise some of ISX's systems to augment its own technology.

We have compiled a list of listed Australian Compco's in Exhibit 11. As the exhibit demonstrates, the forward median revenue multiple for this group is 5.5x, reflective of the early stage nature of many of the companies. If we were to apply this multiple to our FY19e revenue forecast for Cashwerkz, we would arrive at an enterprise value of \$36m (or \$0.27 a share post capital-raising).

| Exhibit 11: Listed Australian Compco's |      |             |                  |              |                    |                     |                           |                            |              |               |              |               |
|--|------|-------------|------------------|--------------|--------------------|---------------------|---------------------------|----------------------------|--------------|---------------|--------------|---------------|
| Company                                | Code | Share price | Market Cap (\$m) | EV (\$m)     | FY16 Revenue (\$m) | FY17F Revenue (\$m) | FY16 Revenue Multiple (x) | FY17F Revenue Multiple (x) | FY16 EPS (c) | FY17F EPS (c) | FY16 PER (x) | FY17F PER (x) |
| Austock                                | ACK  | 0.98        | 101              | 98           | 7.7                | 8.3                 | 12.8                      | 11.8                       | 2.1          | 1.0           | 47.3         | 98.0          |
| DirectMoney                            | DM1  | 0.03        | 14               | 13           | 1.2                |                     | 11.3                      |                            | -3.3         |               |              |               |
| EML Payments                           | EML  | 1.80        | 355              | 328          | 23.3               | 59.1                | 14.1                      | 5.5                        | 0.2          | 4.2           | 944.7        | 43.3          |
| Hub24                                  | HUB  | 6.28        | 330              | 321          | 43.7               | 58.4                | 7.3                       | 5.5                        | -2.7         | 7.0           |              | 89.7          |
| iSelect *                              | ISU  | 1.79        | 457              | 370          | 171.9              | 185.1               | 2.2                       | 2.0                        | 6.0          | 7.1           | 29.8         | 25.1          |
| iSignThis                              | ISX  | 0.17        | 103              | 94           | 0.4                | 10.1                | 213.5                     | 9.3                        | -1.5         | 40.0          |              | 0.4           |
| OFX Group                              | OFX  | 1.65        | 400              | 258          | 115.2              | 123.0               | 2.2                       | 2.1                        | 8.0          | 9.4           | 20.5         | 17.5          |
| ZipMoney                               | ZML  | 0.79        | 115              | 140          | 4.4                | 19.2                | 32.1                      | 7.3                        | -3.4         | -3.2          |              |               |
| <b>Median</b>                          |      |             | <b>222.5</b>     | <b>199.1</b> |                    |                     | <b>12.1</b>               | <b>5.5</b>                 |              |               | <b>38.5</b>  | <b>34.2</b>   |

Source: Thomson Reuters; Prices as at 18<sup>th</sup> August 2017 \*FY17 Actual

There are two unlisted companies that are direct potential competitors to Cashwerkz, although one of these, FiiG Securities, has withdrawn from the retail term deposit market due to complex and costly administration issues, which in turn opens up an opportunity for Cashwerkz.

Australian Money Market (AMM) is the largest online term deposit broker in Australia with more than \$4.0bn funds under management across more than 24,000 deposits. AMM, which commenced operating in 2007, has an automated online term deposit platform offering TDs from more than 20 ADIs, including the big four Australian banks.

There are four key differences between Cashwerkz and AMM:

- Investors do not send funds to a Cashwerkz account, nor are customers required to establish a cash management account, nor does Cashwerkz request authorisation over an existing CMA account. This should help mitigate against fraud.
- Cashwerkz utilises a more streamlined process by using an e-verification process and allowing clients to upload certified documents.
- At maturity, funds on the Cashwerkz's platform can be rolled directly or transferred to the client's account vs funds must be recalled to AMM and then re-deposited with the TD Provider.
- Cashwerkz, as part of publicly listed company, has another layer of corporate governance over it which should be of comfort to its customers.

FiiG Securities is a corporate bond and fixed income specialist with an estimated \$11bn in funds under management. RIM Securities competes with FiiG on corporate bonds and fixed income. FiiG also offers term deposits to its clients but recently exited the retail market, leaving an opportunity for other players to pick up the \$2bn+ it was estimated to run in the space. It is understood that one of the reasons FiiG decided to withdraw from the retail market was the cost involved in complying with the regulatory changes, not only from a government standpoint but also individual bank responses to the changes.

There are also several unlisted marketplaces which provide term deposit information to investors, but for the most part, do not arrange identity verification and management nor are their sites transactional with reporting capabilities, i.e. creating the documentation for TDs and issuing annual tax statements. These include:

- RateCity – compares a broad range of personal finance products including home loans, credit cards, personal loans, car loans and term deposits with most of the rates supplied by Westpac Bank, Bank SA and St George.
- Finder.com.au – offers a range of rates for term deposits, credit cards, insurance, mobile phone plans. TDs offered are from Bank of Melbourne, Bank SA, Bank of Queensland, St George and Citi.
- Canstar – included rates for term deposits, super, insurance, home loans and car loans.

## RaaS Advisory's forecasts

We have modelled TAU using the company's historical data, referenced in the Notice of Meeting to shareholders ahead of the merger. We have also made some assumptions on the rollout of Cashwerkz's platform, having regard to discussions with management. Our core assumptions are set out in Exhibit 12 below.

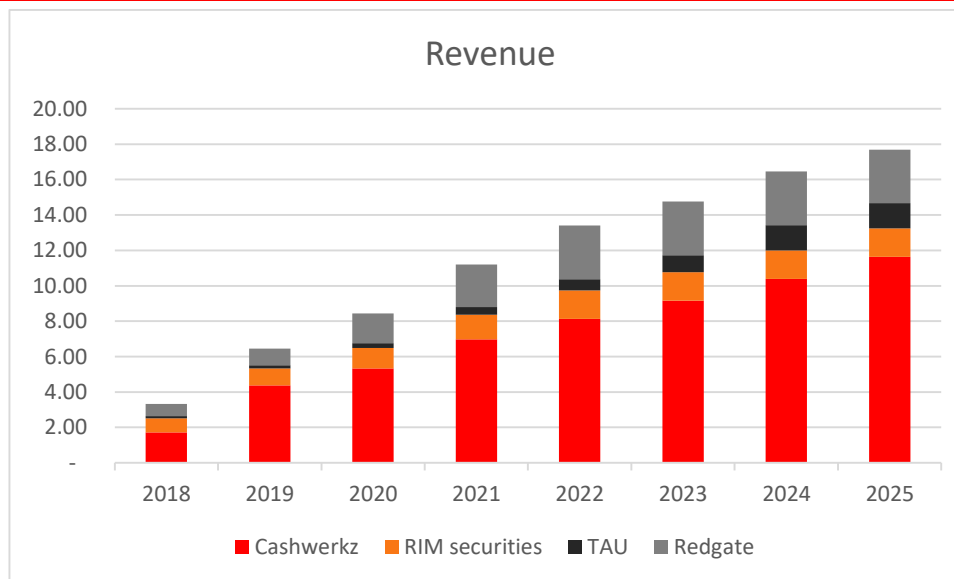
| <b>Exhibit 12: Core revenue drivers/assumptions used in RaaS Advisory forecasts</b> |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|
|   | <b>FY18</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21</b> | <b>FY22</b> |
| Cashwerkz individual clients  | 3000        | 6000        | 7500        | 12500       | 15000       |
| RIM Securities individual clients / prospects                                       | 2750        | 3328        | 4026        | 4872        | 5359        |
| <b>Takeup by Dealer groups</b>  |             |             |             |             |             |
| With \$200m FUM   | 10.0%       | 12.5%       | 13.0%       | 13.5%       | 13.5%       |
| With \$450m FUM   | 12.5%       | 15.0%       | 15.0%       | 15.0%       | 15.0%       |
| With \$600m FUM   | 13.0%       | 15.0%       | 15.0%       | 15.0%       | 15.0%       |
| Number of Powered by Cashwerkz Licences sold  | 4           | 6           | 6           | 6           | 6           |
| <b>Commission Rates</b>   |             |             |             |             |             |
| Retail  | 0.10%       |             |             |             |             |
| Wholesale   | 0.03%       |             |             |             |             |
| RedGate AM  | 0.18%       |             |             |             |             |
| Source: RaaS Advisory   |             |             |             |             |             |

Exhibit 13 sets out the revenue forecasts based on the above assumptions.

| <b>Exhibit 13: Revenue forecasts by division</b> |             |             |             |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | <b>FY18</b> | <b>FY19</b> | <b>FY20</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23</b> | <b>FY24</b> | <b>FY25</b> |
| Cashwerkz  | 1.72        | 4.38        | 5.33        | 6.98        | 8.13        | 9.17        | 10.38       | 11.63       |
| RIM Securities                                   | 0.79        | 0.95        | 1.15        | 1.40        | 1.61        | 1.61        | 1.61        | 1.61        |
| TAU  | 0.13        | 0.19        | 0.28        | 0.43        | 0.64        | 0.96        | 1.44        | 1.44        |
| RedGate AM                                       | 0.69        | 0.94        | 1.67        | 2.40        | 3.03        | 3.03        | 3.03        | 3.03        |
| Source: RaaS Advisory                            |             |             |             |             |             |             |             |             |

As Exhibit 14 shows, we anticipate Cashwerkz will become the key revenue driver in the business.

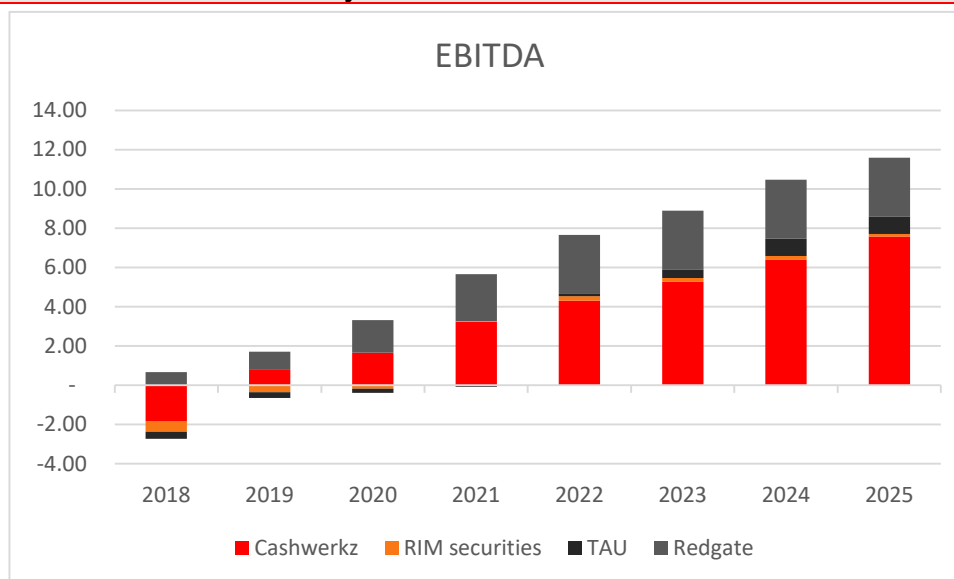
**Exhibit 14: Revenue forecasts by division FY18f-FY25f**



Source: RaaS Advisory

We are forecasting that the company will be EBITDA positive in FY19f as demonstrated in Exhibit 15 following.

**Exhibit 15: Forecasted EBITDA by division FY18f-FY25f**



Source: RaaS Advisory

## SWOT analysis

We set out the strengths, weaknesses, opportunities and threats that we see for Cashwerkz' business model. We believe the strengths and opportunities outweigh the weaknesses and threats although we caution that, in a fast changing technological environment, additional unforeseen threats can emerge.

| <b>Exhibit 16: Strengths, weaknesses, opportunities, threats</b>                         |  |
|--|--|
| <b>Strengths</b>   | <b>Opportunities</b>   |
| RIM Securities delivers 13-year history with ADIs  | Identity Verification and Management technology can be white labelled and sold globally                        |
| Patented technology with an opportunity to scale   | Opportunity to partner with market platforms   |
| Committed major shareholders   | Platform can be extended to other asset classes and other markets  |
| Highly experienced board and management team   | Opportunity to capture the largely untapped private investor market  |
| Most competitors are still using manual systems for identify verification and management | Opportunity to step into the breach left by FiiG Securities' decision to exit the retail term deposit market   |
| Strong growth anticipated for SMSFs segment  |  |
| Simplified automated verification process is attractive to dealer groups                 |  |
| <b>Weaknesses</b>  | <b>Threats</b>   |
| Investors can take information and transact offline                                      | ADIs may choose to establish own platforms   |
| Cashwerkz has a limited track record   | Highly competitive space with major player (iSelect) reporting declines in leads                               |
| Financial advisers and clients may not adopt the platform                                | Matching (AI) technology could negate the need for Cashwerkz's systems   |
| No independent directors on board  | Highly regulated sector which could see further tightening   |
| Technology investment required due to ongoing regulatory changes                         | Australian Money Market is the market leader in term deposits with dealer networks with \$4.5bn in funds flow. |
| Source: RaaS Advisory  |  |

## Sensitivities

In our view the key sensitivities relating to the TAU/Cashwerkz business model are:

- **Limited track record** – Cashwerkz is a new venture with a limited track record. While RIM Securities has a 13 year history with ADIs, there is no guarantee that they will adopt the new platform.
- **Competition** – Most online financial market places offer term deposits as part of their suite of products. Australian Money Market operates a very similar platform to Cashwerkz and already has \$4.5bn in term deposits.
- **Regulatory risk** – The financial services market is highly regulated and Cashwerkz is subject to Federal, State and local government regulatory environments. ADIs regularly change their information requirements in response to changing regulations both in Australia and offshore and this in turn require technological investment by platforms.
- **Capital requirements** – We have factored in the successful completion of a \$10m capital raise to fund product and segment development, sales and marketing and working capital needs of the merged entity. We note that both companies have reported losses in recent years and if unsuccessful in securing customers on the platform, additional capital may be required.

## Board and management

### TAU Board

**Chairman and Managing Director**— Michael Hackett was the largest shareholder in Trustees Australia (pre-merger) and has been the chairman/managing director of the group since July 1986. Michael is the responsible manager for AFSLs held by Trustees Australia, RIM Securities and RedGateAM. He holds a Bachelor of Commerce degree from the University of Queensland and is a Fellow of the Institute of Chartered Accountants. He is also the Chairman of Australian Dairy Farms Ltd (ADF.AX).

**Executive director** – Nathan Leman has been a director of Trustees Australia since November 2010. He has been responsible for the management of property and related projects for the Trustees Australia entities, including the financial services platforms. He has a right to be paid remuneration of \$160,000 per annum and has received remuneration and other benefits of \$350,000 in the two years' prior to the merger with Cashwerkz.

**Non-executive Director**— Brook Adcock is the founder and a director of Adcock Private Equity which focuses on early stage technology investments. He founded the business in 2009 after selling his share in Pandora Jewellery Australia, a successful on line and in store jewellery chain which he co-founded in 2004.

**Non-executive Director** – John Nantes is a director of Adcock Private Equity. He brings more than 20 years' experience in the financial services industry including managing Australia's largest SMSF business at Crowe Horwath with more than 10,000+ accounts. John is also Chairman of Direct Money Ltd (DM1.AX) of which Adcock Private Equity owns 44.2%.

### Management

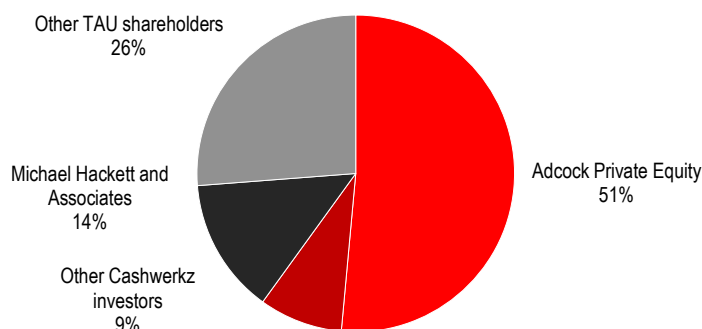
**CEO of Trustees Australia** – Hector Ortiz brings more than 30 years' experience with major financial corporates including Thomson Reuters and Credit Suisse Asset Management. Prior to the merger with Cashwerkz, Hector was the CEO and responsible manager for AFSL purposes of RIM Securities.

**Portfolio Manager, RedGate Asset Management** – Michael Kowalski is the PM and responsible manager for AFSL purposes of RedGate, a boutique fixed income investment manager.

## Capital structure

The merger of TAU and Cashwerkz has resulted in Adcock Private Equity emerging with a 51% stake in the combined entity, while Chairman Michael Hackett's stake has reduced to 14%.

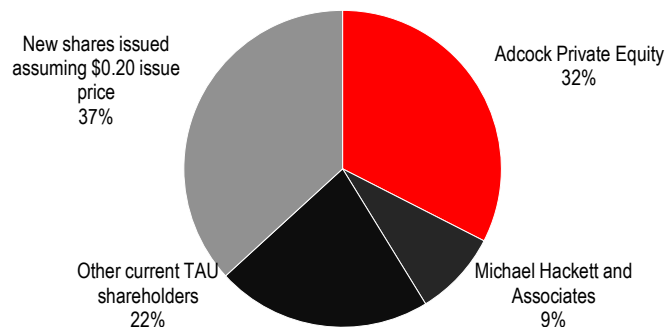
**Exhibit 17: Capital structure pre capital raising**



Source: Company Data

Assuming that the company successfully raises \$10m at 20c/share, the capital structure post-raising would see Adcock Private Equity's holding reduce to 32% with new shares issued accounting for 37%.

**Exhibit 18: Capital structure post \$10m capital raising**



Source: Company Data

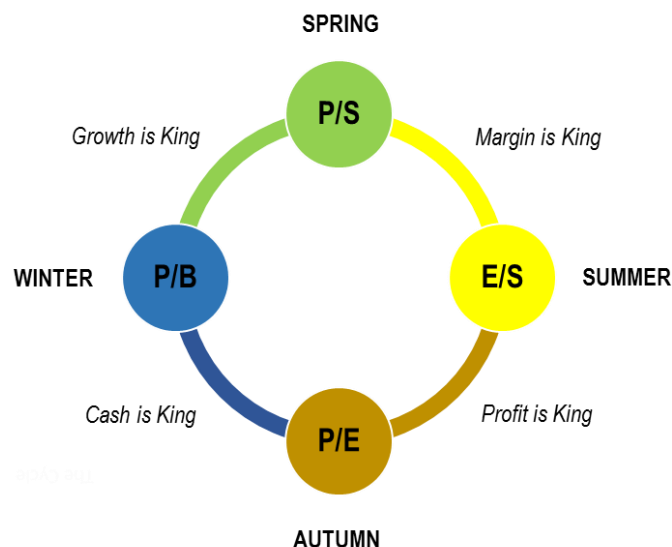
## Valuation of early stage tech companies

### Revenue and user multiples

Where a company is early stage, with little or no revenue and still operationally loss making, the challenge is to determine whether it is securing appropriate value for its shares.

Our simple valuation approach described below is a way of taking into account the ultimate profitability of each company. In a buoyant financial market where growth is king investors will tend to focus on revenue (the spring season). The next stage will be a focus on margins followed by an autumn period where the focus turns to profit before entering the depressed winter stage where cash is king. In our view the market seems to have turned its attention more to profitability or at least the path to profitability rather than revenue growth. Investor mood changes are illustrated in the chart below:

**Exhibit 19: The seasons of valuation**



Source: Jevons Global – Valuation for Early-Stage Technology Companies (P/S – Price/Sales; E/S – Earnings/Sales; P/E – Price/Earnings; P/B – Price/Book)

## Current price to sales using stable margin

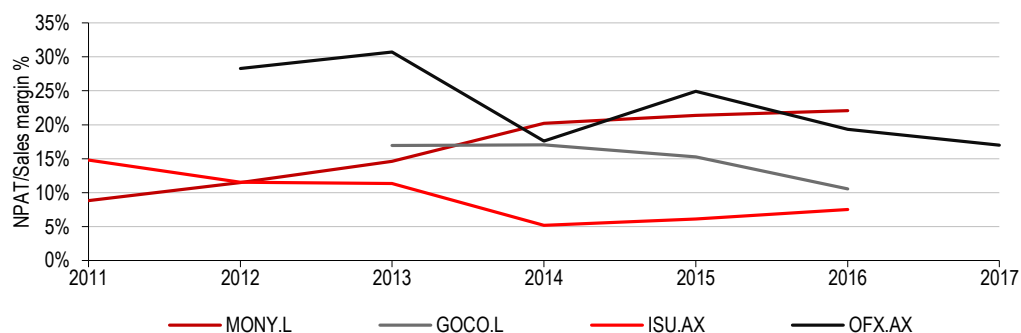
In our view, user metrics and revenue multiples used in isolation can be problematical because they are not anchored to profit margins or to earnings multiples. We have applied a simple valuation rule taken from a research paper by Dr Kingsley Jones, principal of Jevons Global. This simple valuation rule takes into account profit margins and earnings multiples and is defined as: *Current price to sales = Stable margin X Price Earnings Ratio X Sales uplift/Price uplift*<sup>4</sup>.

The price that the market will pay at a given time is dependent on the cyclical nature of markets. When the market favours growth then the emphasis is on revenue multiples with seemingly little regard for profitability. However, as this enthusiasm cools the market will turn its attention to profitability and return on funds employed.

If we apply the simple valuation rule explained above and make the following assumptions:

- Sales uplift (defined as the expected growth in sales over the investor's investment horizon) divided by price (to the investor) uplift (defined as the investor's expectations of return over the investor's investment horizon) is assumed to be 1. We have neutralised the impact of this assumption by setting the ratio to 1, however, in a growth company such as TAU it is possible that the sales uplift could be greater than price uplift which would mean a reduction in the implied PE.
- A long run profit margin for the industry of 18% which we have based on the average NPAT/Sales margins achieved by financial marketplaces, MoneySupermarket (MONY.L) and GoCompare (GOCO.L) in the UK and OFX Group (OFX.AX) and iSelect (ISU.AX) in Australia. We have used these comparable growth companies as they have all been listed for five or more years and are profitable. We have selected these companies as the benchmarks because they demonstrate the historical performance of early stage technology companies as they move to maturity. Exhibit 20 demonstrates their NPAT/Sales margins by year. Note that we have adjusted MONY.L and GOCO.L for the UK's lower corporate tax rate.

**Exhibit 20: NPAT/Sales Margins of Mature comparative companies**



Source: Company data, RaaS Advisory

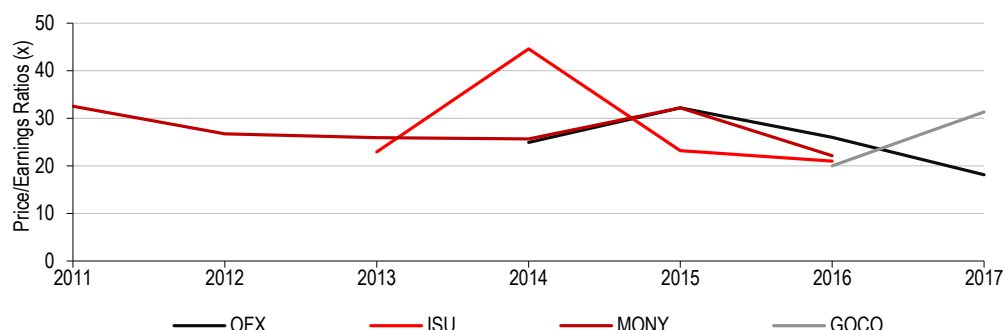
- The third component to this calculation is Price Earnings Ratio. The long term PE ratio of the ASX is 15x. However, to be fair, the comparative peer group above has consistently traded at a premium to the broader market, reflecting investor

<sup>4</sup> Valuation for early stage technology companies, Dr Kingsley Jones, Jevons Global, March 2016



expectations for superior earnings growth. Exhibit 21 sets out the PE multiple by financial year for MONY.L, GOCO.L, ISU.AX and OFX.AX. The median PE ratio of this group is 27.0x.

**Exhibit 21: Price/Earnings Multiples of Mature Comparative Companies**



Source: Company Data, ASX Data, RaaS Advisory

On this basis, it is more appropriate to apply a higher than market PE ratio similar to that delivered by the peer group discussed above. Assuming a ~20% discount to that median for TAU's earlier stage nature, we arrive at a 22.5x PER., which translates into an EV/Revenue multiple of 4.0x (stable Net Profit After Tax margin of 18% x discounted peer PE of 22.5x = EV/Revenue multiple of 4.0x). Applying this to the FY19e forecasted net revenue of \$6.5m gives us an indicative valuation of ~A\$26m. This compares with TAU's pre-capital raising EV of \$13m and post raising (at \$0.20/share) of \$27m.

### Comparable Tech IPOs

There have been a range of tech IPOs brought to the Australian market over the past two years; most of these have listed with Enterprise Values in excess of \$100m. As Exhibit 22 demonstrates, the average EV/Revenue multiple secured by these IPOs was 5.1x the current year's revenue. We have adjusted revenue to exclude pass through payments. If we were to apply this multiple to TAU's forecasted FY19 revenues, we arrive at an implied valuation of A\$33.2m which translates into a 23% premium to the implied market capitalisation post capital raise.

**Exhibit 22: EV/Revenue and EV/NPAT of recent Australian tech listings**

| Listed entity | Listing EV (\$m) | EV/Revenue (x) | EV/NPAT (x) |
|---------------|------------------|----------------|-------------|
| Aconex        | 285              | 3.4            | 109.5       |
| Mitula Group  | 138              | 5.3            | 15.2        |
| Novatti       | 15               | 3.0            | N/A         |
| OFX           | 452              | 5.8            | 20.4        |
| Redbubble     | 298              | 5.1            | N/A         |
| Touchcorp     | 142              | 3.5            | 21.9        |
| Wisetech      | 887              | 6.6            | 35.4        |
| Median        |                  | <b>5.1</b>     | <b>21.9</b> |

Source: Company Data, RaaS Advisory

### Valuation methodology

Given the early-stage nature of Cashwerkz, we have used the DCF valuation method to measure future estimated cashflows. As exhibit 23 sets out, the present value of the forecasted cashflows to FY25 are A\$14.1m with the terminal value accounting for more than two-thirds of the valuation.

### Exhibit 23: Discounted Cashflow Summary

| Key parameters                       |       |
|--------------------------------------|-------|
| Discounted cash rate                 | 11.8% |
| Beta                                 | 1.5   |
| Terminal growth rate                 | 2.2%  |
| PV of cashflows to 2025 (A\$m)       | 14.1  |
| PV of terminal cashflows (A\$m)      | 29.6  |
| Total PV (A\$m)                      | 43.7  |
| Less cash at 31 December 2017 (A\$m) | -9.1  |
| Total NPV (A\$m)                     | 52.8  |
| Total NPV/share (A\$)                | 0.39  |
| Source: RaaS Advisory                |       |

### Reverse DCF calculation

We have undertaken a reverse DCF valuation to determine what the company's earnings need to grow by to justify the \$0.20/share price for its \$10m placement. Our reverse DCF calculation based on a share price of \$0.20 assumes revenue and EBITDA as follows:

- FY18 revenue of \$1.6 and an EBITDA loss of \$3.8m
- FY25 revenue of \$12.6m and EBITDA of \$6.5m

To reach this we had to assume that Cashwerkz sold only one licence to its Powered by Cashwerkz enterprise solution, and assume conversion rates of 2.5% in the near term rising to 10% longer term. The following exhibit 24 sets out the Reverse DCF versus our current base case forecast. The market is therefore currently pricing in a relatively low level of success with revenues increasing ~7.5x over an 8 year period. This assumption is not supported by the performance of fintech businesses as previously discussed.

### Exhibit 24: Reverse DCF on \$0.20 share price versus RaaS Advisory base case estimates

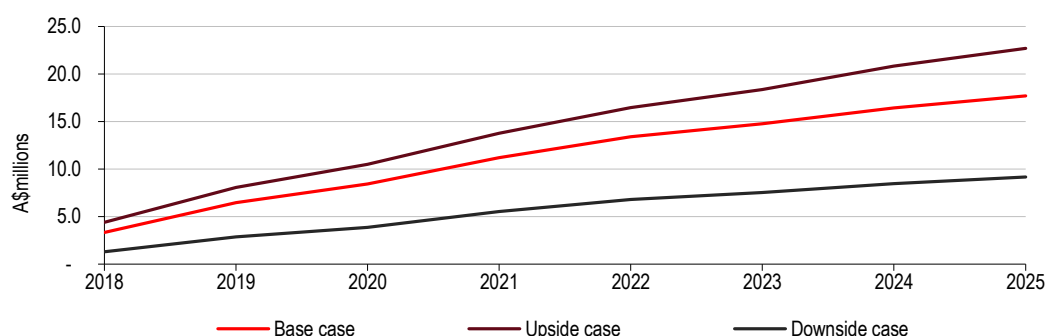
|                                 | Reverse DCF | RaaS Current Fcst | Forecasted Upside |
|---------------------------------|-------------|-------------------|-------------------|
| Share price                     | \$0.20      | \$0.39            | 97%               |
| FY18 Revenue (\$m)              | 1.6         | 3.3               | 106%              |
| FY18 EBITDA (\$m)               | -3.8        | -2.1              | -45%              |
| FY25 Revenue (\$m)              | 12.6        | 17.7              | 41%               |
| FY25 EBITDA (\$m)               | 6.5         | 11.6              | 79%               |
| Source: RaaS Advisory estimates |             |                   |                   |

### Scenario analysis

The charts below illustrate the impact of a range of possible increases in revenue. In this analysis we have used the following assumptions:

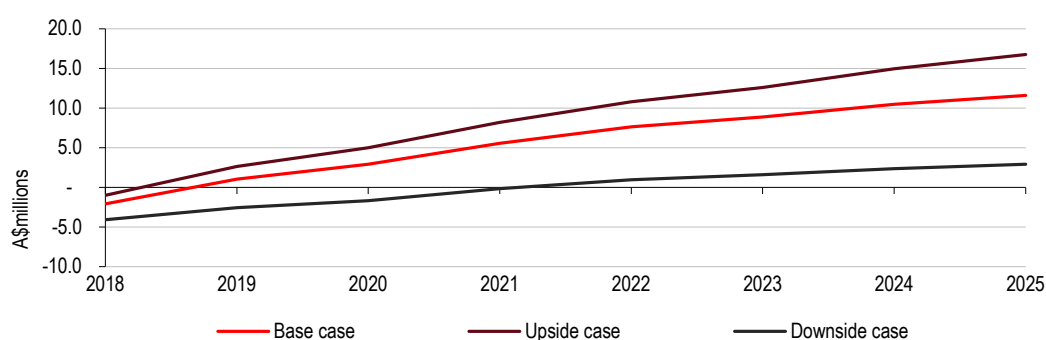
- Operating costs are fixed
- Upside case incorporates a median 25% increase in revenues over the base case
- Downside case assumes a median 50% decrease in revenues on the base case

**Exhibit 25: Sensitivity impact on base case revenue assumptions (+/- % increase on base)**



Source: RaaS Advisory

**Exhibit 26: Sensitivity impact on base case EBITDA (+/-% increase on base)**



Source: RaaS Advisory

Growth of 25%+ on the base case would result in a significant uplift in EBITDA margin as exhibit 26 above shows. It is worth noting that the DCF valuation rises to \$0.55/share in the upside case, which at FY24F results in Cashwerkz securing \$20m in commissions or 1% of the current \$2trillion cash and deposits market.

**Exhibit 27: Impact of sensitivity analysis on DCF valuation**

|               | A\$/share |
|---------------|-----------|
| Base case     | 0.39      |
| Upside case   | 0.55      |
| Downside case | 0.09      |

Source: RaaS Advisory

We have examined the impact on valuation if Cashwerkz were to secure a certain percentage of the \$2trillion cash and deposits market by 2025. This is set out in Exhibit 28 on the following page. As the exhibit demonstrates, our base case valuation of \$0.39/share factors in a 0.84% of the cash and deposits market by 2025 while our upside case of \$0.55/share assumes a 1.14% share. If Cashwerkz were to secure 2.0% of this market, the valuation rises to \$1.01/share, which we have highlighted in blue.

**Exhibit 28: Sensitivity on share of \$2trillion cash and deposits market by 2025**

| Share of \$2tr cash deposits market in 2025 | Revenue 2019<br>\$M | EBITDA 2019<br>\$M | NPAT 2019<br>\$M | Revenue 2025<br>\$M | EBITDA 2025<br>\$M | NPAT 2025<br>\$M | DCF<br>\$   |
|---|---------------------|--------------------|------------------|---------------------|--------------------|------------------|-------------|
| 0.54%                                       | 5.17                | - 0.24             | - 0.05           | 12.30               | 6.20               | 4.68             | 0.23        |
| 0.64%                                       | 5.60                | 0.19               | 0.25             | 14.10               | 8.00               | 6.00             | 0.28        |
| 0.74%                                       | 6.03                | 0.62               | 0.55             | 15.90               | 9.80               | 7.32             | 0.34        |
| <b>0.84%</b>                                | <b>6.46</b>         | <b>1.05</b>        | <b>0.85</b>      | <b>17.70</b>        | <b>11.60</b>       | <b>8.65</b>      | <b>0.39</b> |
| 0.94%                                       | 6.89                | 1.47               | 1.16             | 19.50               | 13.40              | 9.97             | 0.44        |
| 1.04%                                       | 7.32                | 1.90               | 1.46             | 21.30               | 15.20              | 11.29            | 0.50        |
| <b>1.14%</b>                                | <b>7.74</b>         | <b>2.33</b>        | <b>1.76</b>      | <b>23.10</b>        | <b>17.00</b>       | <b>12.61</b>     | <b>0.55</b> |
| 1.25%                                       | 8.25                | 2.84               | 2.12             | 25.24               | 19.14              | 14.18            | 0.61        |
| 1.50%                                       | 9.29                | 3.88               | 2.86             | 29.62               | 23.52              | 17.39            | 0.74        |
| 1.75%                                       | 10.39               | 4.98               | 3.64             | 34.24               | 28.14              | 20.79            | 0.87        |
| <b>2.00%</b>                                | <b>11.47</b>        | <b>6.06</b>        | <b>4.40</b>      | <b>38.77</b>        | <b>32.67</b>       | <b>24.11</b>     | <b>1.01</b> |

Source: RaaS Advisory

## Exhibit 29: Financial Summary

| Trustees Australia Ltd (TAU.AX) |       |       |       |       |       | Share price ( 18 Aug 2017) |       |         |         |         |          | A\$      | 0.15 |
|---------------------------------|-------|-------|-------|-------|-------|----------------------------|-------|---------|---------|---------|----------|----------|------|
| Profit and Loss (A\$m)          |       |       |       |       |       | Interim (A\$m)             |       |         |         |         |          |          |      |
| Y/E 30 Jun                      | FY15A | FY16A | FY17A | FY18F | FY19F | Revenue                    | H116A | H216A   | H117A   | H217A   | H118F    | H218F    |      |
| Revenue                         | 3.7   | 3.9   | 1.3   | 3.3   | 6.5   | EBITDA                     | 0.0   | (0.6)   | (0.6)   | 0.5     | (1.2)    | (0.8)    |      |
| EBITDA                          | (0.5) | (0.6) | (0.1) | (2.1) | 1.0   | EBIT                       | 0.0   | (0.6)   | (0.8)   | 0.5     | (1.2)    | (0.8)    |      |
| Depn                            | 0.0   | 0.0   | (0.2) | (0.0) | (0.0) | NPAT (normalised)          | 0.0   | (0.6)   | (0.6)   | 0.3     | (0.9)    | (0.5)    |      |
| Amort                           | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | Minorities                 | 0.0   | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      |      |
| EBIT                            | (0.5) | (0.6) | (0.3) | (2.1) | 1.0   | NPAT (reported)            | 0.0   | (0.6)   | (0.6)   | (1.3)   | (0.9)    | (0.5)    |      |
| Interest                        | (0.0) | (0.0) | 0.0   | 0.1   | 0.2   | EPS (normalised)           | 0.00  | (1.92)  | (1.67)  | (1.52)  | (0.63)   | (0.38)   |      |
| Tax                             | 0.0   | 0.0   | 0.0   | 0.6   | (0.4) | EPS (reported)             | 0.00  | (1.92)  | (1.67)  | 0.35    | (0.78)   | (0.38)   |      |
| Minorities                      | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | Dividend (cps)             | 0.0   | 0.0     | 0.0     | 0.0     | 0.0      | 0.0      |      |
| Equity accounted assoc          | 0.4   | 0.2   | 0.0   | 0.0   | 0.0   | Imputation                 | 30.0  | 30.0    | 30.0    | 30.0    | 30.0     | 30.0     |      |
| NPAT pre significant items      | (0.1) | (0.5) | (0.3) | (1.4) | 0.9   | Operating cash flow        | 0.0   | (0.5)   | (0.3)   | 0.0     | (1.3)    | (0.7)    |      |
| Significant items               | 0.7   | 0.2   | (1.6) | 0.0   | 0.0   | Free Cash flow             | 0.0   | (0.2)   | (0.2)   | 0.1     | (1.3)    | (0.7)    |      |
| NPAT (reported)                 | 0.6   | (0.3) | (1.9) | (1.4) | 0.9   | Divisions                  | H116A | H216A   | H117A   | H217A   | H118F    | H218F    |      |
| Cash flow (A\$m)                |       |       |       |       |       | Cashwerkz                  |       |         | 0.0     | 0.0     | 0.7      | 1.1      |      |
| Y/E 30 Jun                      | FY15A | FY16A | FY17A | FY18F | FY19F | RIM securities             |       |         | 0.1     | 0.1     | 0.4      | 0.4      |      |
| EBITDA                          | (0.5) | (0.6) | (0.1) | (2.1) | 1.0   | TAU                        |       |         | 0.0     | 0.0     | 0.1      | 0.1      |      |
| Interest                        | (0.0) | (0.0) | (0.0) | 0.1   | 0.2   | Redgate                    |       |         | 0.0     | 0.0     | 0.3      | 0.3      |      |
| Tax                             | 0.0   | 0.0   | 0.0   | 0.0   | (0.4) | Total REVENUE              |       | 3.9     | 0.1     | 1.2     | 1.5      | 1.9      |      |
| Working capital changes         | 0.2   | 1.3   | (0.2) | (0.0) | 0.0   | Cashwerkz                  |       |         | (0.4)   | (0.4)   | (1.1)    | (0.7)    |      |
| Operating cash flow             | (0.3) | 0.7   | (0.3) | (2.0) | 0.9   | RIM securities             |       |         | (0.1)   | (0.1)   | (0.3)    | (0.2)    |      |
| Mtce capex                      | (0.2) | (0.2) | (0.2) | (0.0) | (0.0) | TAU                        |       |         | (0.1)   | (0.1)   | (0.2)    | (0.2)    |      |
| Free cash flow                  | (0.6) | 0.5   | (0.5) | (2.0) | 0.9   | Redgate                    |       |         | (0.0)   | (0.0)   | 0.3      | 0.3      |      |
| Growth capex                    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | EBITDA                     |       | (0.6)   | (0.6)   | 0.5     | (1.2)    | (0.8)    |      |
| Acquisitions/Disposals          | 0.9   | (0.5) | 0.0   | 0.0   | 0.0   | Margins, Leverage, Returns | FY15A | FY16A   | FY17A   | FY18F   | FY19F    |          |      |
| Other                           | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | EBITDA                     |       | (12.8%) | (15.4%) | (7.5%)  | (61.9%)  | 16.2%    |      |
| Cash flow pre financing         | (0.2) | 0.5   | (1.0) | (4.0) | 1.7   | EBIT                       |       | (12.8%) | (15.4%) | (21.6%) | (61.9%)  | 16.2%    |      |
| Equity                          | 0.0   | 0.0   | 0.0   | 10.0  | 0.0   | NPAT pre significant items |       | (3.9%)  | (11.8%) | (19.6%) | (41.3%)  | 13.2%    |      |
| Debt                            | (0.0) | 0.0   | 0.6   | 0.0   | 0.0   | Net (Debt)/ Cash           |       | 0.5     | 0.4     | 0.5     | 8.6      | 9.4      |      |
| Dividends paid                  | 0.1   | 0.0   | 0.0   | 0.0   | 0.0   | Net deb/EBITDA (x)         | (x)   | n/a     | n/a     | n/a     | n/a      | 9.0      |      |
| Net cash flow for year          | (0.2) | 0.5   | (0.4) | 6.0   | 1.7   | ND/ND+Equity (%)           | (%)   | (5.1%)  | (5.2%)  | (8.5%)  | (121.2%) | (133.3%) |      |
| Balance sheet (A\$m)            |       |       |       |       |       | EBIT interest cover (x)    | (x)   | n/a     | n/a     | n/a     | n/a      | -        | 0.2  |
| Y/E 30 Jun                      | FY15A | FY16A | FY17A | FY18F | FY19F | ROA                        |       | (5.3%)  | (6.4%)  | (2.8%)  | (14.7%)  | 5.6%     |      |
| Cash                            | 0.5   | 0.5   | 0.5   | 8.6   | 9.4   | ROE                        |       | 5.9%    | (3.0%)  | (23.2%) | (12.1%)  | 5.3%     |      |
| Accounts receivable             | 0.6   | 0.6   | 0.3   | 0.0   | 0.0   | ROIC                       |       | (5.2%)  | (15.2%) | (8.6%)  | (67.4%)  | 46.1%    |      |
| Inventory                       | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | NTA (per share)            |       |         | 0.2     | 0.2     | 0.1      | 0.1      |      |
| Other current assets            | 0.2   | 1.9   | 8.2   | 8.2   | 8.2   | Working capital            |       | (0.5)   | (0.3)   | (0.0)   | 0.0      | 0.0      |      |
| Total current assets            | 1.4   | 3.0   | 9.0   | 16.8  | 17.6  | WC/Sales (%)               |       | (13.0%) | (8.7%)  | (1.7%)  | 0.0%     | 0.0%     |      |
| PPE                             | 4.3   | 4.9   | 0.0   | 0.0   | 0.0   | Revenue growth             |       |         | 6.7%    | (67.2%) | 157.2%   | 94.2%    |      |
| Goodwill                        | 0.9   | 0.9   | 0.8   | 0.8   | 0.8   | EBIT growth pa             |       | n/a     | n/a     | n/a     |          | (150.7%) |      |
| Other intangibles               | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | Pricing                    | FY15A | FY16A   | FY17A   | FY18F   | FY19F    |          |      |
| Deferred tax asset              | 0.0   | 0.0   | 0.0   | 0.6   | 0.6   | No of shares (y/e)         | (m)   | -       | 33      | 33      | 136      | 136      |      |
| Other                           | 2.4   | 1.1   | 0.0   | 0.0   | 0.0   | Weighted Av Dil Shares     | (m)   | 191     | 33      | 33      | 111      | 136      |      |
| Total non current assets        | 7.6   | 6.9   | 0.8   | 1.4   | 1.4   | EPS Reported               | cps   | 0.63    | (1.92)  | (6.20)  | (1.01)   | 0.63     |      |
| Total Assets                    | 9.0   | 9.9   | 9.8   | 18.2  | 19.0  | EPS Normalised/Diluted     | cps   | (1.52)  | (1.92)  | (6.20)  | (1.15)   | 0.63     |      |
| Accounts payable                | 1.1   | 1.0   | 0.3   | 0.0   | 0.0   | EPS growth (norm/dil)      |       |         | n/a     | n/a     | n/a      | (154.6%) |      |
| Short term debt                 | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | DPS                        | cps   | -       | -       | -       | -        | -        |      |
| Tax payable                     | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | DPS Growth                 |       |         | n/a     | n/a     | n/a      | n/a      |      |
| Other current liabilities       | 0.0   | 0.0   | 2.5   | 2.5   | 2.5   | Dividend yield             |       | 0.0%    | 0.0%    | 0.0%    | 0.0%     | 0.0%     |      |
| Total current liabilities       | 1.2   | 1.0   | 2.8   | 2.5   | 2.5   | Dividend imputation        |       | 30      | 30      | 30      | 30       | 30       |      |
| Long term debt                  | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | PE (x)                     |       | 23.9    | -       | -       | -        | 23.9     |      |
| Other non current liab          | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | PE market                  |       |         |         | 15.8    | 15.8     | 15.8     |      |
| Total long term liabilities     | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | Premium/(discount)         |       |         |         |         |          | 51%      |      |
| Total Liabilities               | 1.2   | 1.0   | 2.8   | 2.5   | 2.5   | EV/EBITDA                  |       | (1.1)   | (7.4)   | (45.3)  | (5.8)    | 10.5     |      |
| Net Assets                      | 7.8   | 8.9   | 7.0   | 15.7  | 16.5  | FCF/Share                  | cps   |         | 2.17    | (0.91)  | (1.46)   | 0.63     |      |
| Share capital                   | 4.1   | 4.1   | 4.1   | 14.1  | 14.1  | Price/FCF share            |       |         | 6.9     | (16.5)  | (10.3)   | 23.9     |      |
| Accumulated profits/losses      | 5.1   | 4.8   | 2.9   | 1.6   | 2.4   | Free Cash flow Yield       |       |         | 14.4%   | (6.0%)  | (9.7%)   | 4.2%     |      |
| Reserves                        | 0.4   | 0.2   | 0.0   | 0.0   | 0.0   |                            |       |         |         |         |          |          |      |
| Minorities                      | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |                            |       |         |         |         |          |          |      |
| Total Shareholder funds         | 9.6   | 9.0   | 7.0   | 15.6  | 16.5  |                            |       |         |         |         |          |          |      |

Source: RaaS Advisory

## **FINANCIAL SERVICES GUIDE**

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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