

## The Millennials' Trading Choice?

SelfWealth (SWF) was established in 2012 and listed in November 2017. The group offers a range of services to investors and advisers including flat fee brokerage in Australia and the US, portfolio and trading analysis based on community trends. SWF attracts both sophisticated investors and younger investors who may not have existing relationships with large financial institutions and other first-time investors. The platform allows investors to benchmark portfolios and trades against SelfWealth community positions and absolute measures highlighting popular investment choices and comparing risk levels. SWF launched an ETF (ASX:SELF) in Nov 2019 which is now capitalised at \$108m. The group undertook a \$11.7m placement and share purchase plan in July to fund further investment in broadening the product offer requiring further Marketing and IT investment. In FY21 SWF served 100k active direct investors, 62 AFSL licensees and 130 financial advisers with the number of trades in the year up 147% to 1,630,180 and an annual operating cashflow surplus of \$1.1m. The board appointed a new CEO, Cath Whitaker, in March 2021 with Robert Edgley stepping back to non-executive Chairman (Anthony Ward, the founder stepped down in May 2020).

### Business model

SWF generates revenues from trading commissions and fees associated with managing client money via ETF and other platforms. SWF's success is contingent on growth in funds held under the SWF CHESS HIN and to increase those client's propensity to trade via education and providing social feedback regarding popular and widely held positions. Additional services provided are beginning to attract subscription fees and these (E.g., US market access) may become an important part of the revenue model. Increased penetration of the Financial Adviser segment may also drive revenues. The group launched iOS and Android Apps in FY21 along with the launch of US trading for Australian clients.

### Moving toward profitability while challenging incumbents

In FY21 SWF overhauled systems and processes improving robustness and delivering efficiencies which assisted in improving gross margin from 33.4% to 41.4%. Growth was strong with Revenue up 135%, take-up of the US trading product by 29% of Active Traders in the first six months and an increase in Equities Under Administration (via HIN) from \$2.5bn to \$6.0bn. The company added capability, expanding the Product and IT teams in preparation for further growth. SWF remains focused on diversifying revenue streams by offering a broad product portfolio to retail investors.

### Challenging in an increasingly crowded Fintech market

SWF is still at an early stage of development relative to similar firms such as Netwealth (ASX:NWL) and Hub24 (ASX:HUB). A more comparable peer in terms of market capitalisation could be Raiz Invest (ASX:RZI). SWF has focused directly on retail investors, particularly those new to share markets. Individual's flexibility relative to institutions is driving a relatively fast take-up of the SWF offer with SWF ranked fourth in trading market share.

#### Historical earnings and ratios

Year end	Revenue (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/18a	0.6	(5.3)	(5.4)	(4.68)	64.0
06/19a	1.4	(3.4)	(3.5)	(2.35)	48.3
06/20a	7.8	(0.4)	(3.0)	(1.69)	8.6
06/21a	18.4	3.3	(0.6)	(0.32)	3.6

Source: Company data \*EBITDA and NPAT adj for one-time, non-cash items

## Investor services

10<sup>th</sup> September 2021

### Share details

ASX Code	SWF
Share price	\$0.385
Market Capitalisation	\$90.8M
Shares on issue	236.0M
Net cash at Aug 2021	\$19.2M
Free float	37.3%

### Share performance (12 months)



### Upside Case

- Increasing momentum-based trading by retail investors
- Low returns from other asset classes
- Rise in numbers of new investors

### Downside Case

- Markets normalise reducing trading activity
- Large brokers reduce trading fees in response to competition.
- Regulator lifts hurdle rate for asset tests for sophisticated investors, thus reducing the pool

### Catalysts/upcoming events

- Quarterly Report Oct 2021
- AGM 21<sup>st</sup> October 2021

### Comparable companies (Aust/NZ)

Netwealth (ASX:NWL), HUB24 (ASX:HUB), Praemium (ASX:PPS), Raiz Invest (ASX:RZI)

### Top 5 shareholders

LGGC Pty Ltd	7.6%
Abadi Investments Pty Ltd	5.9%
Sandhurst Trustees	5.1%
Graham Newman Pty Ltd	4.1%
SWB Holdings Pty Ltd	3.9%

### Company contacts

Cath Whitaker (CEO)  
shareholders@selfwealth.com

### RaaS Advisory contacts

Scott Maddock	+61 418 212 625 scott.maddock@raasgroup.com
Finola Burke	+61 414 354 712 finola.burke@raasgroup.com



# 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**

**Effective Date: 6<sup>th</sup> May 2021**

### About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

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

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: [finola.burke@raasgroup.com](mailto:finola.burke@raasgroup.com)

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

**What Financial Services are we authorised to provide?** RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

The distribution of this FSG by RaaS is authorized by BR.

### Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

### Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

### How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

### Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

### Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto:info@afca.org.au); Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

### Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

## DISCLAIMERS and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd trading as Research as a Service ("RaaS"). This research is issued in Australia by RaaS and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2021 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.