

New name, same trajectory

Cashwerkz Ltd (TAU.AX), previously Trustees Australia, is a fintech/regtech business which has developed and operates an online term deposit marketplace and cash management platform, an independent specialised fixed interest business, and a custodial business. On 24 September 2018, the company raised \$10m at \$0.20/share to fund Cashwerkz' growth trajectory and working capital requirements and has subsequently sought and received approval from shareholders to restructure the business and rename the company Cashwerkz. Since our initiation report, published on 23rd August 2017, Cashwerkz has made good progress in establishing beachheads with custodial businesses and financial adviser groups but the capital raising process, announced in July 2017, took longer than initially expected. At November 26, Cashwerkz' platform had transacted \$1.164bn in term deposits with an average term deposit size of \$298,000. We have rolled out financial model out to 2028 and adjusted our forecasts to reflect the impact of the capital raising's timing in terms of business development and marketing hires. We have also adjusted the share count for the raising and recent conversion of preference shares. Our base case DCF valuation is \$0.36/share is predicated on a WACC of 11.7% (beta 1.5, terminal growth rate of 2.2% and CAGR in free cashflows from 2021 of 37%).

Business model

Cashwerkz has developed a streamlined Identity Verification and Management process which saves time and money for both consumers and authorised deposit taking institutions (ADIs) in streamlining transacting and managing term deposits and easily establishing new compliant bank accounts. The merger between Cashwerkz and Trustees Australia in July 2017 brought together Cashwerkz' platform and technology and RIM Securities' established reputation and relationships with around 40 ADIs in promoting and placing term deposits and other cash investments. The company has announced, in response to the Hayne Royal Commission's spotlight on independent trustees, that it is exploring the prospect of demerging the trustees' business, Trustees Australia, to create a separate listed entity with appropriate trustee status and AFSL licencing.

Earnings adjustments and valuation

We have addressed our forecasts, last visited in June 2018, to reflect the FY18 result, the recent capital raise and preference share conversion, as well as timing differences we had in terms of business development and marketing hires to drive term deposit transactions. TAU reported a net loss of \$1.6m for FY18; compared with a net loss of \$1.86m in FY17. Adjusted for one-time gains, the net loss was \$5.1m.

We have reduced our forecasts for FY19 and FY20 after pushing out our expectations for the quantum of cash transacted on the platform. We have also rolled the model out to 2028. Our expectation is that by June 2028, Cashwerkz will have a 1.7% share of the \$2.0b+ cash deposits market. This translates into a base case valuation of \$0.36/share (WACC 11.7%, terminal growth value 2.2% and CAGR in FCF from 2022-28 of 37%). Two-thirds of our valuation is in the terminal value. The current share price reflects a CAGR in free cashflows from 2022-28 of 7.5%, which is modest growth for an early stage company, in our view. We expect to see the gap closing between price and valuation as Cashwerkz demonstrates growth in market share.

Historical earnings and RaaS Advisory estimates

Year end	Revenue(A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS*(c)	EV/Rev (x)	P/E (x)
Jun-18a	0.8	(3.7)	(1.6)	(3.6)	19.3	n/a
Jun-19e	1.9	(2.9)	(3.1)	(2.5)	15.6	n/a
Jun-20e	4.8	(0.3)	(1.2)	(0.8)	6.2	n/a
Jun-21e	7.8	2.7	0.9	0.5	3.8	28.8

Source: RaaS Advisory *excludes one-off items

Regtech/Fintech

23 January 2019

Share details

ASX Code	TAU
Share price at 2 March	\$0.18
Market Capitalisation	\$28.8M
Shares on issue	159.88M
Enterprise value	\$38.0M
Free float	60%
Avg Daily Volume (3 mths)	55,132

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
- Potential to unlock from flagged demerger of Trustees Australia business

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
Brooke Adcock	Non-Executive Director
Nathan Leman	Non-Executive Director
John Nantes	Non-Executive Director

Company contacts

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FY18 result

TAU reported an underlying net loss, exclusive of one-off items and discontinued operations of \$5.12m. The operating loss before interest, tax, depreciation and amortisation was \$3.73m, ahead of our forecast for an operating loss of \$3.04m, due to slightly higher than forecast employment costs. Depreciation and amortisation costs were also slightly ahead of our expectations. Revenue for the year was \$0.83m, down 36.1% on FY17 and lower than our forecast for \$1.31m. We note that while Cashwerkz has made good progress in securing both custodians and financial planning groups as customers, the conversion to revenue generation has taken longer than we had forecast and the time it took to complete the capital raising, in our view, impacted on the company's business development and marketing plans and created a distraction. Operating costs including employment costs were largely in line with our forecasts.

Exhibit 1: FY18 reported versus FY17 and RaaS estimates

	FY17	FY18	% chg	RaaS FY18e
Revenue from ordinary activities	1.29	0.83	(36.1%)	1.31
EBITDA	(0.03)	(3.73)	n.m	(3.04)
EBIT	(0.28)	(4.91)	n.m	(4.37)
NPAT adjusted for one off items	(0.25)	(5.12)	n.m	n.a
NPAT reported	(1.86)	(1.59)	(14.2%)	(3.78)
EPS reported	(6.20)	(3.60)	(41.9%)	(1.43)

Source: Company data, RaaS estimates

Earnings adjustments

We have addressed our forecasts to take into account the capital raising, conversion of preference shares, increased shares on issue, and the transactions that had crossed the platform by November 2018.

Unfortunately, when we struck these forecasts in May 2018, our expectation was for the capital raise to complete by July not September. This has created delays in having the capital to engage the staff to drive transactions from both a sales and conversion to platform perspective. As a result, we have pushed out our expectations for sales conversion in FY19 and FY20, resulting in a ~40% reduction in our revenue forecasts these years.

Exhibit 2: Earnings adjustments

	FY19 old	FY19 new	% chg	FY20 old	FY20 new	% chg
Revenue	3.2	1.9	-41%	7.9	4.8	-40%
EBITDA	-1.6	-2.9	81%	2.8	-0.3	-110%
EBIT	-3.2	-4.4	40%	1.4	-1.7	-225%
NPAT	-2.3	-3.1	39%	0.9	-1.2	-238%

Source: RaaS estimates

Valuation

Our base case DCF valuation on the increased share count of 159.88m shares and increased cash from the raise is \$0.36/share. The parameters for the DCF, WACC 11.7%, beta of 1.5, terminal growth rate of 2.2% remain unchanged. Our base case valuation is predicated on Cashwerkz securing a 1.7% share of the \$2.0bn+ cash deposits market by 2028. If Cashwerkz was to secure a 2.0% share of the cash deposits market, our valuation would rise to \$0.53/share; if the company was to secure a 3.0% share of the cash deposits market, the DCF valuation rises to \$0.97/share. As we set out in Exhibit 3 and 4, the upside case impact on revenues and EBITDA adds significantly to our base case forecasts. Upside case 2 is based on a 3.0% share of total market while the upside case is based on 2.0% share.

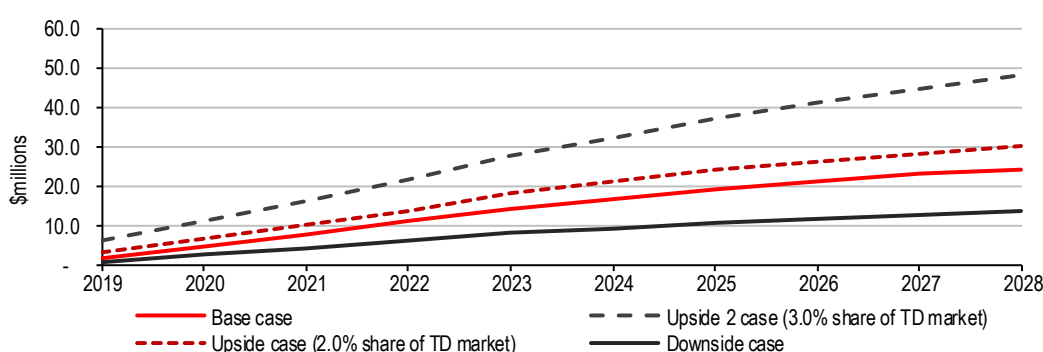
Reverse DCF

We have conducted a reverse DCF to see what CAGR in cashflows has been factored into the current share price of \$0.18/share. Using the same parameters for the DCF for WACC, Beta and terminal growth rate, we calculate that the current share price implies a CAGR in free cashflows of 7.5% from 2022 to 2028. In our view, this is a very modest rate of growth for an early stage company.

Scenario Analysis

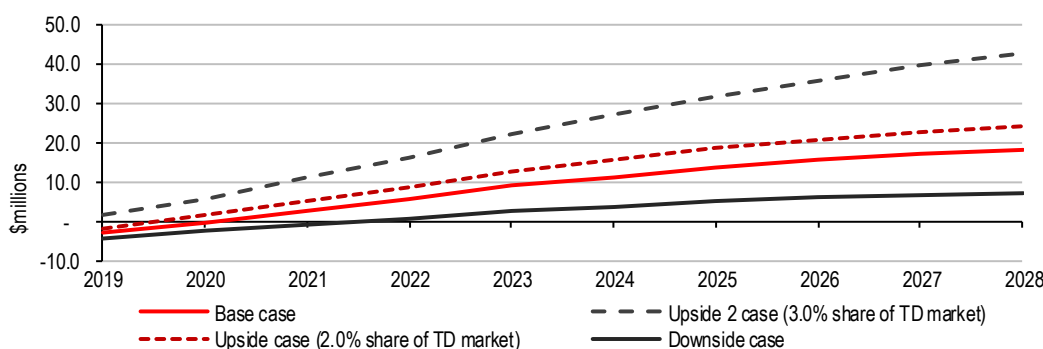
The two exhibits following highlight the different scenarios we have used to analyse upside cases and downside cases for Cashwerkz.

Exhibit 3: Scenario analyses impact on revenue forecasts



Source: RaaS Advisory

Exhibit 4: Scenario analyses impact on EBITDA forecasts



Source: RaaS Advisory

Our upside and downside cases (20%+/- base case revenues) as well as an additional upside case, that being 2.0% share of the term deposit market, are reflected in the following exhibit.

Exhibit 5: Scenario analysis impact on valuation

DCF case scenario	\$M	\$ per share	Share of cash deposit FUM market
Base case	58.0	\$0.36	1.7%
Upside Case	84.7	\$0.53	2.0%
Upside Case 2	154.3	\$0.97	3.0%
Downside case	12.4	\$0.08	0.9%

Source: RaaS Advisory

Exhibit 6: Financial Summary

Cashwerkz Ltd (TAUJAX)						Share price (21 January 2019)						A\$	0.18
Profit and Loss (A\$m)						Interim (A\$m)							
Y/E 30 Jun	FY18A	FY19F	FY20F	FY21F	FY22F	Revenue	H118A	H218A	H119F	H219F	H120F	H220F	
						EBITDA	(1.6)	(2.1)	(1.7)	(1.2)	(0.5)	0.3	
						EBIT	(2.2)	(3.3)	(2.4)	(2.0)	(1.3)	(0.4)	
Revenue	0.8	1.9	4.8	7.8	11.0	NPAT (normalised)	(2.2)	(3.5)	(1.8)	(1.3)	(0.8)	(0.3)	
EBITDA	(3.7)	(2.9)	(0.3)	2.7	5.7	Minorities	0.0	0.0	0.0	0.0	0.0	0.0	
Depn	(0.4)	(0.1)	(0.2)	(0.3)	(0.4)	NPAT (reported)	0.0	(6.5)	(1.8)	(1.3)	(0.8)	(0.3)	
Amort	(0.8)	(1.4)	(1.2)	(1.0)	(0.9)	EPS (normalised)	0.00	(7.51)	(1.64)	(0.82)	(0.51)	(0.16)	
EBIT	(4.9)	(4.4)	(1.7)	1.3	4.4	EPS (reported)	(3.03)	(4.02)	(1.64)	(0.82)	(0.51)	(0.16)	
Interest	(0.2)	0.0	0.2	0.1	0.1	Dividend (cps)	0.0	0.0	0.0	0.0	0.0	0.0	
Tax	0.0	1.3	0.5	(0.4)	(1.4)	Imputation	30.0	30.0	30.0	30.0	30.0	30.0	
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(0.9)	(2.6)	(2.4)	(1.5)	(1.0)	(0.4)	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.7)	(2.5)	(1.6)	(0.8)	(0.3)	0.3	
NPAT pre significant items	(5.1)	(3.1)	(1.1)	1.0	3.2	Divisions	H118A	H218A	H119F	H219F	H120F	H220F	
Significant items	3.5	0.0	0.0	0.0	0.0	Cashwerkz	0.0	0.2	0.6	1.0	1.7	2.4	
NPAT (reported)	(1.6)	(3.1)	(1.1)	1.0	3.2	RIM securities	0.3	0.1	0.1	0.1	0.1	0.1	
Cash flow (A\$m)						Other	0.1	0.1	0.0	0.1	0.1	0.2	
Y/E 30 Jun	FY18A	FY19F	FY20F	FY21F	FY22F	Total REVENUE	0.5	0.4	0.7	1.2	2.0	2.8	
EBITDA	(3.7)	(2.9)	(0.3)	2.7	5.7								
Interest	(0.0)	0.0	0.2	0.1	0.1								
Tax	0.0	0.0	0.0	(0.4)	(1.4)	Cashwerkz	(1.2)	(1.3)	(0.8)	(0.4)	0.2	0.9	
Working capital changes	0.2	(1.0)	(1.3)	(1.4)	(1.5)	RIM securities	(0.3)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	
Operating cash flow	(3.5)	(3.9)	(1.4)	1.0	3.0	Other	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	
Mtce capex	(0.3)	(1.5)	(1.4)	(1.4)	(1.3)	EBITDA	(1.6)	(2.1)	(1.7)	(1.2)	(0.5)	0.3	
Free cash flow	(3.8)	(5.4)	(2.9)	(0.4)	1.7								
Growth capex	0.0	0.0	0.0	0.0	0.0								
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	Margins, Leverage, Returns	FY18A	FY19F	FY20F	FY21F	FY22F		
Other	(0.3)	0.0	0.0	0.0	0.0	EBITDA	(450.8%)	(153.1%)	(6.0%)	34.2%	52.1%		
Cash flow pre financing	(4.1)	(5.4)	(2.9)	(0.4)	1.7	EBIT	(594.0%)	(231.6%)	(35.8%)	16.8%	40.1%		
Equity	4.4	14.3	0.0	0.0	0.0	NPAT pre significant items	(619.8%)	(161.2%)	(22.6%)	12.8%	28.9%		
Debt	0.0	0.0	0.0	0.0	0.0	Net (Debt)/ Cash	(3.6)	9.3	6.4	6.0	7.7		
Dividends paid	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	n/a	n/a	n/a	2.2	1.4		
Net cash flow for year	0.3	8.9	(2.9)	(0.4)	1.7	ND/ND+Equity (%)	35.0%	(73.5%)	(44.5%)	(38.0%)	(44.8%)		
Balance sheet (A\$m)						EBIT interest cover (x)	n/a	n/a	n/a	-	0.1	-	0.0
Y/E 30 Jun	FY18A	FY19F	FY20F	FY21F	FY22F	ROA	(46.2%)	(26.3%)	(7.9%)	6.1%	18.7%		
Cash	0.4	9.3	6.4	6.0	7.7	ROE	(23.9%)	(21.5%)	(5.0%)	4.7%	13.6%		
Accounts receivable	0.4	0.9	2.2	3.6	5.1	ROIC	(88.2%)	(53.2%)	(24.4%)	40.1%	81.2%		
Inventory	0.0	0.0	0.0	0.0	0.0	NTA (per share)	0.1	0.1	0.1	0.1	0.2		
Other current assets	0.3	0.3	0.3	0.3	0.3	Working capital	(0.1)	0.9	2.2	3.6	5.1		
Total current assets	1.0	10.4	8.9	9.9	13.0	WC/Sales (%)	(18.0%)	46.1%	46.1%	46.1%	46.1%		
PPE	0.2	1.6	2.9	3.9	4.8	Revenue growth	(36.1%)	130.0%	150.9%	64.2%	40.2%		
Goodwill	0.2	0.2	0.2	0.2	0.2	EBIT growth pa	n/a	n/a	n/a	(176.9%)	235.7%		
Other intangibles	9.9	8.5	7.3	6.2	5.3	Pricing	FY18A	FY19F	FY20F	FY21F	FY22F		
Deferred tax asset	0.0	1.3	1.8	1.8	1.8	No of shares (y/e)	86	160	160	160	160		
Other	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	76	107	160	160	160		
Total non current assets	10.4	11.7	12.1	12.1	12.1	EPS Reported	(6.73)	(2.46)	(0.67)	0.63	1.98		
Total Assets	11.4	22.1	21.0	22.0	25.2	EPS Normalised/Diluted	(3.60)	(2.46)	(0.67)	0.63	1.98		
Accounts payable	0.5	0.0	0.0	0.0	0.0	EPS growth (norm/dil)	n/a	n/a	n/a	-193%	216%		
Short term debt	4.0	0.0	0.0	0.0	0.0	DPS	-	-	-	-	-		
Tax payable	0.0	0.0	0.0	0.0	0.0	DPS Growth	n/a	n/a	n/a	n/a	n/a		
Other current liabilities	0.2	0.2	0.2	0.2	0.2	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%		
Total current liabilities	4.7	0.2	0.2	0.2	0.2	Dividend imputation	30	30	30	30	30		
Long term debt	0.0	0.0	0.0	0.0	0.0	PE (x)	-	-	-	28.6	9.1		
Other non current liabs	0.0	0.0	0.0	0.0	0.0	PE market	15.8	15.8	15.8	15.8	15.8		
Total long term liabilities	0.0	0.0	0.0	0.0	0.0	Premium/(discount)		n/a					
Total Liabilities	4.7	0.2	0.2	0.2	0.2	EV/EBITDA	(5.3)	(13.1)	(123.6)	13.0	0.0		
Net Assets	6.7	21.9	20.8	21.8	25.0								
Share capital	12.2	30.4	30.4	30.4	30.4								
Accumulated profits/losses	(5.5)	(8.5)	(9.6)	(8.6)	(5.4)	FCF/Share	(4.06)	(2.45)	(0.90)	0.60	1.90		
Reserves	0.0	0.0	0.0	0.0	0.0	Price/FCF share	(4.4)	(7.4)	(20.0)	30.1	9.5		
Minorities	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield	(22.6%)	(13.6%)	(5.0%)	3.3%	10.5%		
Total Shareholder funds	6.7	21.9	20.8	21.8	25.0								

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

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of

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Effective Date: 26th November 2018



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