

Raiz Invest Limited

Fractional investing is simple...

Raiz Invest Limited (ASX:RZI) is a micro-investing and financial technology (fintech) platform company. The initial RAIZ application facilitates micro investing in diversified portfolios of exchange traded funds (ETFs) offered by asset managers such as State Street, Blackrock, Russell, Vanguard and Betashares. A key feature of Raiz is the ability to allocate fractional interests in ETF units to individual investors. The fund will allocate fractional interests in these ETF units to a Raiz Investment Account, corresponding to the amount of funds invested in the selected portfolios. Fractional interests allow the Raiz Investment Account to be fully invested in the market from as little as \$5 and for investors to consistently invest funds as they become available. Originally launched in Australia as Acorn in 2016, Raiz rebranded and listed on the ASX in June 2018 raising \$15.1m. The company broadened the product offer from Australia to Indonesia and Malaysia and as at Dec-21 had 594,992 active customers with growth in Australia and a quicker take-up internationally. Customer growth for the 12 months to December 2021 was +73%, including active customers in Indonesia +200% to 206,708 and Malaysia +156% to 97,079. Raiz reached \$1.03b FUM at 31-Dec-2021. The business has been cashflow positive for nine quarters and secured a strategic investment from Seven West Media (ASX:SWM) in December.

Business model

In Australia Raiz charges a maintenance fee of at least \$3.50/month for the mobile app which is the gateway to the fractional ownership investment service. These fees deliver around 62% of revenues with account fees (20%), advertising revenues (15%), and netting of the bid/offer spread on off-market transactions (3%) making up the balance. The model allows Raiz a more stable income stream from open accounts but also provides some leverage as funds under management grow. Advertising revenue is earned from 418+ rewards partners who pay to advertise on the app and via email and mobile messaging.

Strong first half and 12 months

RZI has maintained momentum despite COVID-19 impacts in early 2021. Active customer numbers, revenues and funds under management have all grown strongly in the year to December 2021. The ability to save and invest small amounts of money is resonating with younger customers and customer acquisition costs (CAC) remain low at \$12.28/customer via online advertising and the app. Seven West Media's investment includes \$2m in cash and \$8m in advertising so CAC will likely remain low. Raiz is targeting expansion into Thailand in FY22 and research into Vietnam has begun. The company reported a loss of \$4m in H1 FY22 but finished the period with cash on hand of \$20.5m and positive operating cashflow for Q2 FY22.

Revenue and customers growing fast

Selfwealth (ASX:SWF), Dough (ASX:DOU), Peppermint (ASX:PIL) and Spenda (ASX:SPX) are pursuing similar strategies in attempting to simplify financial services and/or investing for consumers and small businesses. The companies are all growing, however, RZI has capital available and is notably operational cashflow positive. Raiz is, unlike many peers, based on a subscription model, not a transactional business model. EV/Sales or a DCF-based on addressable market are viable valuation techniques - and RZI is aiming at increasing addressable market with expansion in Malaysia, Indonesia and soon in Thailand and potentially Vietnam.

Historical earnings and ratios (In A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj. (c)*	EPS rep. (c)	EV/Revenue (x)^
06/18a	2.76	(7.36)	(8.66)	0.00	(0.13)	(0.13)	31.2
06/19a	6.23	(5.28)	(7.02)	0.00	(0.11)	(0.11)	13.8
06/20a	10.29	(2.31)	(4.53)	0.00	(0.06)	(0.06)	8.4
06/21a	13.97	(2.04)	(3.52)	0.00	(0.05)	(0.05)	6.2

Source: Company data; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items

^calculated from current enterprise value

Diversified Financials

11th March 2022

Share Details

ASX code	RZI
Share price	\$1.14
Market capitalisation	\$106.5M
Shares on issue	93.4M
Net cash at 31-Dec-2021	\$20.5M
Free float	60%

Share Performance (12 months)



Upside Case

- Australian FUM growth continues
- Indo and Malaysian customer growth continues
- Expansion plans

Downside Case

- Weak investment markets
- Increase in competition in Australia
- Slowing customer take-up

Catalysts

- Launch in Thailand
- Active customer numbers announced

Comparable companies (Aust/NZ)

Selfwealth (ASX:SWF), Dough (ASX:DOU), Peppermint Innovation (ASX:PIL), Frugl Group (ASX:FGL)

Board and Management

Harvey H. Kalman	Non-Executive Chair
George S. Lucas	Managing Director/CEO
Brendan B. Malone	Exec Dir / Group COO
Kelly Humphreys	Non-Executive Director
Phillipa Taylor	Non-Executive Director
Stuart Grimshaw	Non-Executive Director

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FINANCIAL SERVICES GUIDE

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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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Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

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

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