Research as a Service

Wisr Limited(DirectMoney)

Positioning paper

Restructured and poised for growth

Fintech

Wisr Limited (WZR.AX) is an online consumer lending platform competing in the rapidly growing marketplace lending sector. The company has undergone significant transformation in the past 18 months, including a name change from DirectMoney (DM1.AX) (which shareholders will be asked to approve on February 28) and a restructure of its management team, board and business model. Wisr has also invested heavily in its technology, making the lending platform enterprise ready and able to rollout across multiple revenue streams using enhanced credit algorithms and automation. Wisr recently secured backing from a wholesale finance group as both a financier and shareholder. Multiple valuation methodologies deliver support for our DCF valuation of $60m/ $0.14/share.

Scope

This report has been commissioned by Wisr Limited to present investors with an explanation of the business model and to explore the value created from a range of possible outcomes.

Restructured and refined for future growth

Wisr writes personal loans to Australian consumers for 3 and 5 year maturities and on-sells these loans to either through internal mechanisms or to institutional, retail and wholesale investors. The company has spent the last 15 months restructuring its business team and systems and refining the technology and its business plan. The company appointed new leadership in November 2016 and the focus has been on bringing the business systems, culture and technology to a standard that would enable the company to secure bank grade credit from wholesale financiers. The company achieved this with the inking of a wholesale agreement in August 2017 and is near completion on another wholesale funding arrangement. The company is capping off the restructure with a name change to Wisr, which shareholders will be asked to approve on February 28.

Historical earnings, FY18 Earnings Forecasts and Valuation

WZR reported a net loss of $5.4m in FY17 on revenues of $1.2m. Revenues for FY17 were largely flat as the company deliberately slowed loan book growth during the year to restructure the business. We are forecasting that the company generates $1.9m in revenue in FY18 and an operating loss of $4.8m. Our base case forecasts are predicated on WZR following a similar growth trajectory to its Australian and international peers. We anticipate that the company will be cashflow breakeven in 2H19 and profitable in FY20. This gives us a base case DCF valuation of $60m or $0.14/share (WACC 16%, terminal value in Year 10 of $0.06 of the total per share valuation). We have also given consideration to other valuation methodologies including loan book valuation, early stage valuation using nine Australian peers and the most advanced international peer, Lending Club. This has yielded a very broad valuation range with support around ~$60m. In our view, execution of its strategy over the next 12-24 months should see WZR increase its loan book to ~$85m by the end of FY19 and this in turn should help reduce the gap between its current market capitalisation and our multi-supported valuation of ~$60m ($0.14/share) The current share price implies that WZR achieves on 39% of our forecast cashflows for the next 10 years.

Historical earnings and RaaS Advisory estimates

Year end	Revenue (A$m)	EBITDA reported (A$m)	NPAT reported (A$m)	EPS* ©	P/E (x)
06/17	1.16	-5.35	-5.43	-1.78	n/a
06/18e	1.90	-4.82	-3.51	-0.81	n/a
06/19e	6.73	-0.37	-0.44	-0.12	n/a
06/20e	14.16	5.6	3.8	0.85	3.4

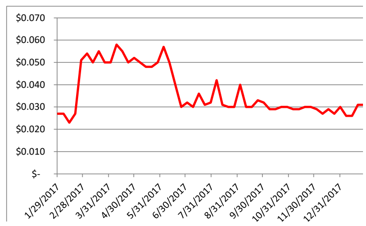
Source: WZR data, RaaS Advisory Estimates for FY18e, FY19e and FY20e

5 February 2018

Share details

ASX Code	WZR (DM1)
Share price at 5 Feb 2018	$0.029
Market Capitalisation	$12.8M
Shares on issue	441.12M
Net cash at 31 Dec 17	$1.85M
Free float	36.8%

Share performance (12 months)



Upside Case

- Board and management team experienced in building financial services businesses
- Has secured the backing of 255 Finance in a wholesale funding agreement and shares/options agreement
- Opportunity to be a part of likely industry consolidation

Downside Case

- Very small player in a segment of less than 1% of the personal lending market
- Competitors have aggressively grabbed market share over the past two years
- Stock liquidity, free float less than 40%

Board of Directors

John Nantes	Executive Chairman
Craig Swanger	Non-Executive Director
Chris Whitehead	Non-Executive Director

Company contacts

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Wisr Limited

Wisr Ltd (as DirectMoney) was vended into listed entity Basper Ltd on 13th July 2015, having raised $11.06m at $0.20/share. The market capitalisation of the company post float was $53.2m. At float, the loan book was $6m from 350 borrowers. In August 2016, the company raised an additional $5.4m (ex-costs) through a non-renounceable 1 for 2 rights issue, priced at $0.042/share. At that time the loan book was $17.6m. At June 30, 2017, the loan book was $11.2m, following a decision by the company in late 2016 to pause and restructure its business for longer term growth.

Investment case

In our view, WZR has the opportunity to achieve success for the following reasons:

- The company has invested 18months in restructuring and refitting the business and its technology for long term growth, whilst forming a strong go-to-market plan and strategy through to 2020;
- WZR has secured bank grade .credit from major financier 255 Finance, commencing with a wholesale funding agreement to purchase $50m of WZR's originated loan assets, with 255 Finance becoming a shareholder and options holder; this allows WZR to take loans off its balance sheet;
- The company's proprietary end-to-end platform has been built to scale to more than $1bn in originations a year with more than 85% of applications automated, delivering cost efficiencies (acquisition cost of less than $500 per loan with a current average loan size of $18,000);
- The DirectMoney Personal Loan Fund[1] (the Fund) provides monthly distributions and from inception in May 2015 to 31 December 2017, has delivered an annual return of 7.4%, in excess of its annual target return of RBA cash rate plus 5-5.5%, and is poised to scale;
- Opportunities to enhance revenues through changes to its product (such as increasing its establishment fees in line with the market and increasing its loan size limit) and rolling out new product through innovating its technology;
- WZR has the support of its largest shareholder, Adcock Private Equity Pty Ltd, which holds 44.6% albeit that this reduces free float and therefore liquidity.

Valuation support at ~$60m

Wisr has ambitions to grow into a market leading fintech platform and has spent the past 18 months restructuring, renegotiating and rebuilding the team and the technology to do so. We have based our forecasts on Wisr replicating a similar growth trajectory to its Australian and international peers and this has derived a base case DCF valuation of $60m or $0.14/share (WACC 16.0%, terminal growth rate of 2.0%, beta of 2.0). We have also developed an upside case which delivers a DCF valuation of $0.89/share and a downside case of ($0.06)/share. We have given consideration to other methodologies after examining the dominant US player, Lending Club, and nine ASX listed companies with similar business characteristics:

- Revenue multiple of the most comparable, albeit much larger and more mature companies ZipMoney Ltd (Z1P.AX) and AfterPay Touch Ltd (APT.AX) for CY18
- Golden Rule which relates the revenue multiple to profitability and investors' expected returns and determines the expected CAGR in revenues (as a proxy for loan book) for the first five years
- Loan book valuation
- Valuation using Lending Club's metrics to determine CAGR in revenue for the first five years

This has delivered us a very broad valuation range of $33m to $448m with clear support around $60m from the valuation using Lending Club's CAGR in revenue for the first five years and our base case DCF valuation and our Golden Rule valuation which implies a revenue multiple of 15.8x to achieve a valuation of $60m. In our view the valuation implied by Afterpay's 56.9x multiple is unrealistic given the traction that Afterpay has received globally and the relative stages of development of Afterpay and WZR. We see Z1P.AX as a more

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1 DirectMoney Personal Loan Fund ARSN 602325628 (the "Fund"), issued by One Managed Investment Funds Limited A.C.N. 117 400 987 AFSL 297042 as Responsible Entity of the Fund. DirectMoney Investment Management Pty Ltd is the investment manager of the Fund

realistic comparable company and our analysis demonstrates, it is the most closely aligned to WZR on several parameters.

Our reverse DCF suggests that the current share price of $0.028 assumes that net cash flows for the next 10 years will be 39% of our base case forecasts and that at the end of ten years the WZR business will have zero value. We have set out a summary of these valuation methodologies in the following exhibit.

Exhibit 1: Valuation methodologies considered

	Long Term PE	Long Term NPAT %	Investor expected return	Uplift	Val $m
Early stage valuation using Golden Rule (rev x 13.2x)	25	25%	20-25%	2.1	50
Early stage valuation using Golden Rule (rev x 26.3x)	25	25%	20-25%	4.2	100
Early stage valuation using Lending Club 50.3% CAGR	25	25%	25%	2.5	60
Early stage valuation to equal val $60m (rev x 15.8x)	25	25%	25%	2.1	60
Revenue multiple (FY17 Z1P.AX) using base and upside fct^	23.1x multiple				88-179
Revenue multiple (FY17 APT.AX) using base and upside fct^	56.9x multiple				216-440
Loan book valuation (using forecasted loan book in year 1)	$1:$1				33-96*
DCF valuation using base case forecasts					60

Source: RaaS Advisory *Base case for loan book is $45m in the 12 months to December 31, 2018 (Yr1), upside case $96m, downside case $33m ^Multiples based on closing prices at 2 February 2018

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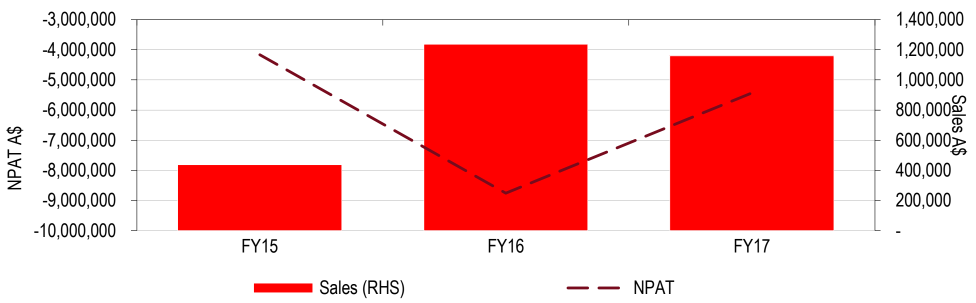
Wisr's business model

Wisr is an online consumer lending platform competing in the fast-growing marketplace lending sector. It offers personal loans up to $35,000 to consumers at interest rates competitive to the major banks. The company's current average loan value is $18,000 and the average income of its customers is $88,000. WZR only writes bank grade credit with the average credit score of its customers in FY17 at 747(industry rankings for credit scores range from less than 500 or terrible to 780 or higher which is excellent. 747 is in the very good range). Loans are offered to customers based on their credit score, at rates ranging from 8.5% to 16%. The company keeps its cost of customer acquisition low by almost fully automating its screening. Acquisition costs per customer are less than $500 versus industry estimates of $900 per customer. However it also has spent little on marketing over the past two years and this has assisted the company's low acquisition costs. Wisr also manages and services the Fund which has exceeded its target annual return rate of the RBA cash rate plus 5-5.5% since inception. The company now plans to expand the Fund based on its performance and this will potentially become another source of capital for the group.

Historical performance

Wisr is still early stage and pre-profit, as the following exhibit for the past three years' revenue and NPAT performance demonstrates. The company took the opportunity to pause in FY17 to restructure the business, bringing in a new executive team, cleaning up the loan book, enhancing the platform's automation and credit algorithms and securing the backing of bank grade wholesale financiers.

Exhibit 2: Wisr's sales and NPAT performance since listing



Source: Wisr (DirectMoney) accounts

We have set out the company's accounts for FY17 and FY16 in the following three exhibits.

Exhibit 3: Wisr Profit and Loss for FY17 and FY16 (in A$m)

Year ending June 30	2017	2016
Interest income on financial assets	0.86	1.04
Other revenue from financial assets	0.25	0.15
Interest on cash	0.01	0.02
Interest from investments	0.04	0.03
Revenue	**1.16**	**1.24**
R&D tax offset	0.37	
Rental income	0.01	
Other income	0.37	0.00
Total Revenue	**1.53**	**1.24**
Employee expenses	-3.32	-2.29
Listing expense	0.00	-2.71
Other expense	-2.50	-3.59
Share based payment expense	-1.06	-1.32
Loss before interest, tax, depreciation and amortisation	**-5.35**	**-8.67**
Depreciation and amortisation	-0.01	0.00
Loss before interest and tax	**-5.36**	**-8.67**
Finance Costs	-0.07	-0.08
Net Loss	**-5.43**	**-8.75**
Adjustment for impairments, one off costs	0.87	4.10
Net loss adj.	**-4.56**	**-4.65**

Source: Wisr (DirectMoney) accounts

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Exhibit 4: Wisr Balance Sheet for FY17 and FY16 (in A$m)

Year ending June 30	2017	2016
Cash	3.48	1.26
Loan receivables	1.73	1.55
Trade and other receivables	0.07	0.11
Other assets	0.29	0.29
Current Assets	**5.56**	**3.22**
Loan receivables	4.71	6.05
PPE	0.07	0.00
Available for sale financial assets	0.50	0.50
Non-Current Assets	**5.28**	**6.55**
Total Assets	**10.84**	**9.77**
Trade and other payables	0.78	0.78
Employee benefits	0.18	0.13
Convertible notes	0.67	1.00
Current Liabilities	**1.64**	**1.91**
Total liabilities	**1.64**	**1.91**
Net Assets	**9.20**	**7.86**
Issued capital	28.60	22.41
Reserves	1.39	0.82
Accumulated losses	-20.80	-15.37
Total Equity	**9.20**	**7.86**

Source: Wisr (DirectMoney) accounts

As Exhibit 3 on the previous page highlights, the FY17 net loss adjusted for one-off costs was largely in line with the net loss in FY16.

The slowdown in lending is apparent in the company's cashflow statement for FY17 which saw a significant reduction in the proceeds from the sale of loans and in payments to suppliers and employees.

Exhibit 5: Wisr Cashflow for FY17 and FY16 (in A$m)

Year ending June 30	2017	2016
Net of lending and repayments	-0.08	-8.30
Net proceeds from sale of loans	1.86	5.82
Payments to suppliers/employees	-4.95	-6.12
Interest received	0.05	0.06
Management fees received	0.09	0.04
Interest and finance costs paid	-0.08	-0.16
R&D tax grant	0.37	0.00
Operating Cashlow	**-2.74**	**-8.66**
Payments for investments	0.00	-0.50
Payment for PPE	-0.07	0.00
Investing cashflow	**-0.07**	**-0.50**
Share issuance	5.70	11.30
Cost of raising capital	-0.32	0.00
Repayment of convertible notes	-0.33	-1.00
Transaction costs on loans and borrowings	-0.03	0.00
Financing cashflow	**5.03**	**10.30**
Net increase in cash	2.21	1.13
Cash at beginning of the year	1.26	0.13
Cash at the end of the year	**3.48**	**1.26**

Source: Wisr (DirectMoney) accounts

Industry Analysis

Statista forecasted in mid-2016 that the global peer to peer consumer lending market would grow to US$1tr by 2025, off a base of US$64b in 2015. The research firm estimated that the sector generated US$1.2bn in loans in 2012, grew almost three fold in 2013 and did the same again in 2014 to generate US$9bn in loan originations.

US Market

The US market is by far the most developed for Peer to Peer Consumer Lending with US$21.1b allocated to the sector. It accounts for 60% of the $35b alternative finance market in the US.[2] As the following exhibit demonstrates, 2013 appears to have been the inflection point for the sector, having secured a 1.6% share. From there, the sector has grown to 9.3% of total consumer lending flows. However it is worth noting that in 2016, the pace of growth slowed, with a 22% increase in peer to peer consumer lending that year, compared with a more than two-fold increase in 2015 over 2014.

Exhibit 6: Peer to Peer Consumer Lending as a percentage of Traditional Consumer Lending (in US$b)

Calendar year	Total Consumer lending	Peer to Peer Consumer lending	% share of market
2013	175.8	2.81	1.6%
2014	221.9	7.64	3.4%
2015	235.1	18.0	7.7%
2016	228.1	21.1	9.3%

Source: Cambridge Centre of Alternative Finance “Hitting Stride” report May 2017, US Federal Reserve

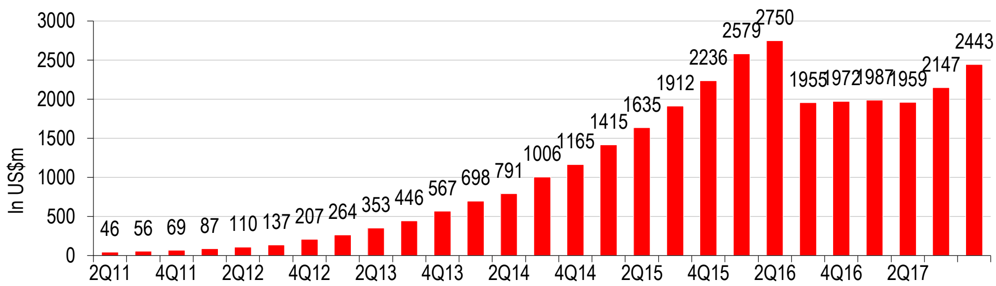
Key players

Two players dominate the US market and accounted for an estimated 51.5% of the total market; LendingClub and Prosper.

LendingClub

LendingClub (NYSE:LC) is the clear market leader, having increased its loan originations by US$8.7bn in 2016. Since inception, LendingClub’s marketplace has generated US$28.7b in almost 2.37m consumer loans; however the growth in loan origination seems to have peaked in the first half of 2016. As the following exhibit highlights, loan originations in dollar terms were lower in the second half of 2016 but have shown signs of recovering in the second and third quarters of 2017 with year to date now just under 2% below the same period a year ago.

Exhibit 7: LendingClub loan origination by quarter

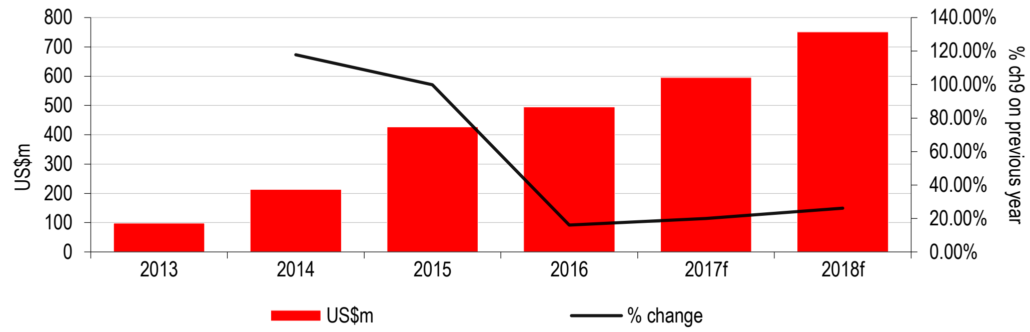


Source: LendingClub annual and quarterly reports

2 “Hitting Stride”, The 2017 Americas Alternative Finance Industry Report, May 2017, Cambridge Centre for Alternative Finance, University of Cambridge

This resulted in LendingClub's loan originations only increasing by 3.6% y-o-y in 2016 and the company posting a 16% increase in revenues for the year. The following two Exhibits highlight this result.

Exhibit 8: LendingClub's annual revenues and (r-Axis) percentage change in revenues



Source: LendingClub annual reports, Consensus forecasts for FY17 and FY18 from Thomson Reuters

Exhibit 9: LendingClub's increase in loan originations by year

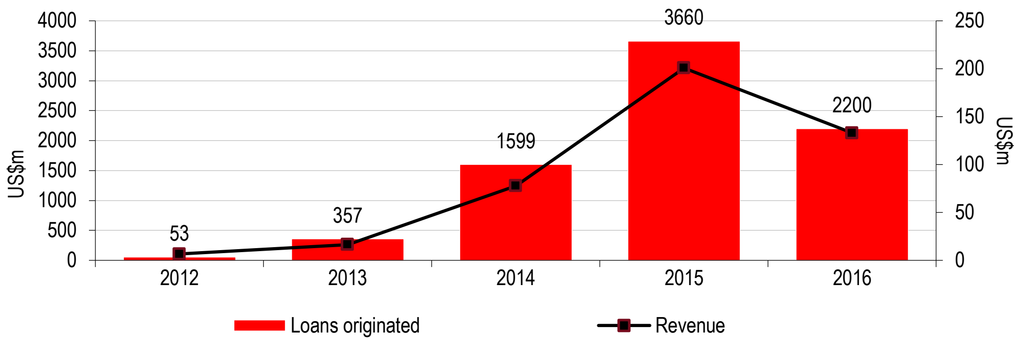
	in US$m	% chg
2012	718	
2013	1806	151.5%
2014	4377	142.4%
2015	8362	91.0%
2016	8664	3.6%

Source: LendingClub annual reports

Prosper

Prosper Marketplace, the first US online peer-to-peer consumer lender, has written US$8.3b in loan originations since it commenced operating in 2006. In 2016, Prosper wrote US$2.2bn in loan originations, significantly below its loan originations in 2015. As a consequence, the company reported a 34% drop in revenues for the year. The following exhibit demonstrates the decline in loan originations and revenue.

Exhibit 10: Prosper's loan origination by year and reported revenues



Source: Prosper annual report and website, Forbes

The following exhibit sets out Prosper's annual revenues and percentage change on the prior year. Transaction revenues for the first half of 2017 have recovered to post a 1.9% increase to US$62.3m.

Exhibit 11: Prosper's annual revenues and percentage change on prior year

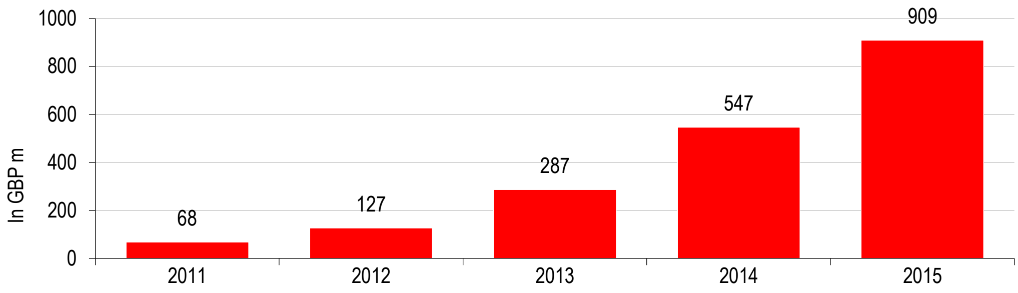
	US$m	% chg
2012	6.657	
2013	16.526	148%
2014	77.836	371%
2015	200.784	158%
2016	132.915	-34%

Source: Prosper Marketplace Inc SEC filings

UK market

The UK peer to peer consumer lending market generated an estimated £909m in loans in 2015, a three-fold increase in two years[3] and a CAGR of 91% since 2011. The UK market, like the US market, appeared to have reached a turning point in 2013, when the online market snared a 1.5% share of the total consumer credit market. By 2015, this share had increased to 4.4% of the £203b consumer credit market. Unfortunately no data is available for the 2016 peer to peer consumer lending market, however, the two leading players in the market (Zopa and Ratesetter) have, between them, reported writing £1.46b in loans in 2016.

Exhibit 12: Peer to Peer Consumer lending market in the UK



Source: "Pushing Boundaries", the 2015 UK Alternative Finance Report, Cambridge Centre for Alternative Finance, February 2016 and

As the following Exhibit demonstrates, once the P2P marketplaces in the UK reached 0.7% of the total consumer credit market, it was a one-year step to leap to 1.5%.

Exhibit 13: UK P2P Online Marketplace share of Total Consumer Credit

Calendar Year	Share of total consumer credit
2011	0.4%
2012	0.7%
2013	1.5%
2014	2.8%
2015	4.5%

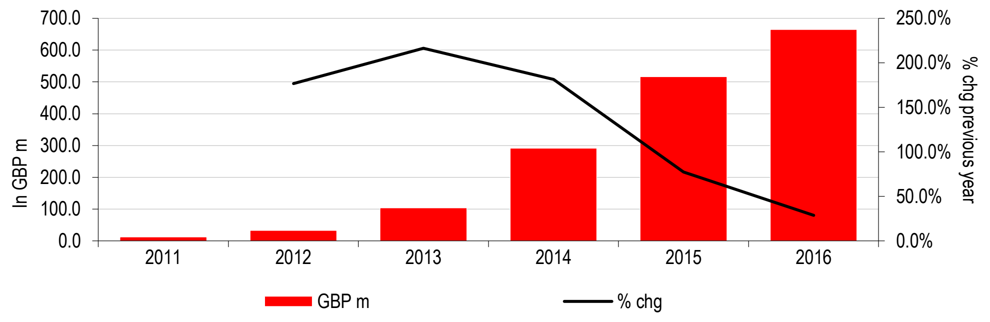
Source: Cambridge Centre for Alternative Finance, RaaS Estimates

Key players

Zopa and Ratesetter are the two market leaders in the UK peer to peer consumer lending market. Both companies are privately held. Zopa's website notes that since it commenced operating it had written £2.69b in loans to consumers and had written £800m in 2016. Ratesetter, while privately owned, posts its industry statistics on its website and notes that in 2016, loan originations were £664.7m and the originations since inception were £2.116b. As the following exhibit demonstrates, Ratesetter's loan originations continue to increase each year with a corresponding slowing of the y-o-y growth rate.

3 Pushing Boundaries", the 2015 UK Alternative Finance Report, Cambridge Centre for Alternative Finance, February 2016

Exhibit 14: Ratesetter UK loan originations by year and percentage change on prior year

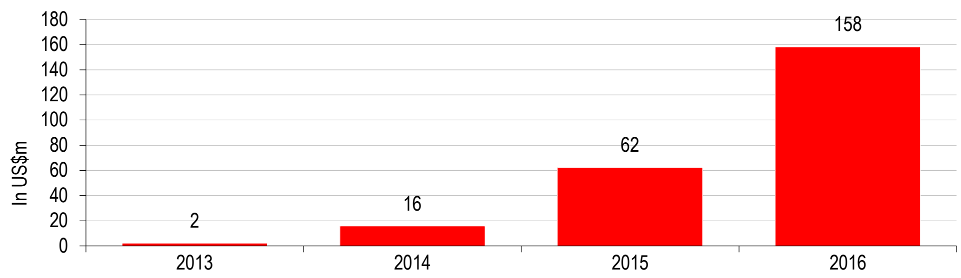


Source: Ratesetter UK

Australian market

Australia's peer to peer consumer loans market appears to be about five years behind the US and UK in terms of market development. According to the Cambridge Centre for Alternative Finance's September 2017 "Cultivating Growth" Asia Pacific Alternative Finance Report[4], Australia's online marketplaces lent US$158m to consumers in calendar 2016 and accounted for 26% of the total alternative finance market in Australia. As the following exhibit shows, the market has grown rapidly since 2013 with a threefold increase in loans on the platforms in 2015 and a 150% increase in 2016. The lift in 2016 took online consumer loan marketplaces to 0.2% of the A$100b Australian consumer credit market (ex-credit cards). The growth in the sector is estimated to have more than doubled again with SocietyOne announcing in October that it had written more than $141m new loans this calendar year to date while RateSetter Australia's website states it has written more than $110m in new loans this year. Other players such as Harmoney, Wisr, Money3, have generated more than $100m combined.

Exhibit 15: Australian peer to peer consumer loans market by year



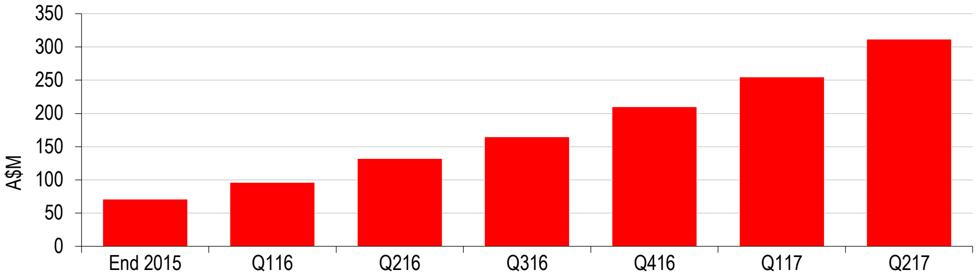
Source: Cambridge Centre for Alternative Finance

Key players

The Australian peer to peer consumer loan market has not yet yielded one clear dominant player, although SocietyOne can claim the most lifetime loan originations. SocietyOne's current loan book is A$200m with $141m new loans written in the first three quarters of calendar 2017, this compares with $136m in new loans in calendar 2016. SocietyOne's total loan originations since inception in 2012 are more than $350m. Exhibit 22 sets out the company's quarterly growth in loan origination. Life to date, it has helped 8,040 borrowers.

4 "Cultivating Growth" Asia Pacific Alternative Finance Report, Cambridge Centre for Alternative Finance, Sept 2017

Exhibit 16: SocietyOne's quarterly growth in its loan origination book



Source: Company data

RateSetter Australia reports on its website that its cumulative loan book is $191m and that its lender base is just under 8,400. New Zealand's dominant player in this space, Harmoney, entered the Australian market in 2015 with NZ$200m in new funding to build its presence in Australia. According to its website, since commencing operations in NZ in September 2014, its cumulative loans are just under NZ$597m and the current loan book is NZ$259m spread across New Zealand and Australia. Private backed MoneyMe has reportedly written $150m personal loans and amassed 70,000 customers in the past four years.

Private equity owned, second-tier lender Latitude Financial Services (formerly GE Finance) claims to have 2.5m customers across Australia and New Zealand utilising its personal loans, credit cards and consumer credit insurance. Listed personal and auto lender, Money 3 Corporation (MNY.AX) reports its small loans book stood at $36m at the end of June 2017.

RaaS Advisory's Wisr forecasts

We are anticipating that 2018 will be a year of growth for WZR and this is reflected in our forecasts for growth in its loan book. We are forecasting that the company will convert 7.0% of its direct quotes to its loan book as set out in the following exhibit.

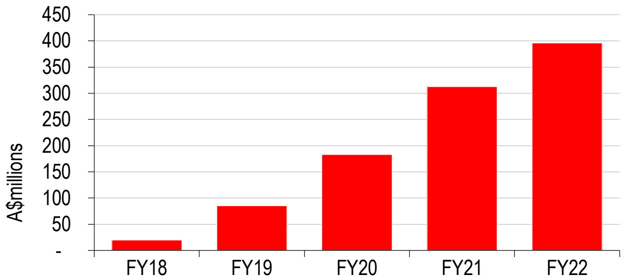
Exhibit 17: Base case forecasts for loan book growth and costs base

	FY18	FY19	FY20	FY21	FY22
Loan book ($m) – base *	20	85	183	313	428
Loan book - no of direct quotes	5,000	26,000	57,600	96,096	121,301
Conversion rate	6.5%	7.0%	7.0%	7.0%	7.0%
Loan book - third party referrals	250	1,300	2,880	4,805	6,065
Average loan size ($)	18,813	23,433	24,619	25,866	28,233
Establishment fees	4.1%	4.1%	4.1%	4.1%	4.1%
Margins	2.1%	2.2%	2.3%	2.3%	2.3%
Referral fee	50.0	52.0	54.1	56.3	58.6
Salaries ($M)	3.02	3.11	3.79	3.91	4.39
Fixed marketing ($M)	1.01	1.04	1.26	1.30	1.46
Variable marketing (per quote) ($M)	40.6	41.8	43.1	44.4	47.8
Other fixed costs ($M)	2.52	2.59	2.67	2.75	2.84

Source: RaaS Advisory *At the end of 31 December 2018, loan book is forecasted to be $45m on base case

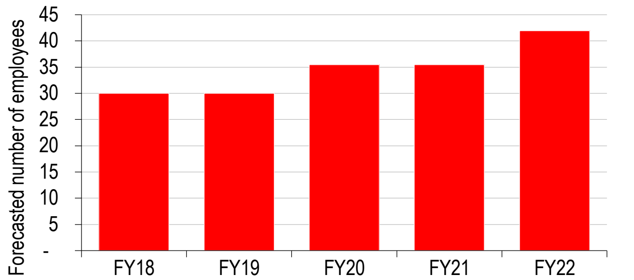
Exhibit 18 on the following page sets out our forecasts for the growth in the loan book. We are forecasting for growth in employee numbers as the loan book grows, although as the platform is largely automated, the growth in employee numbers is expected to be modest.

Exhibit 18: Forecasted loans written



Source: RaaS Advisory estimates

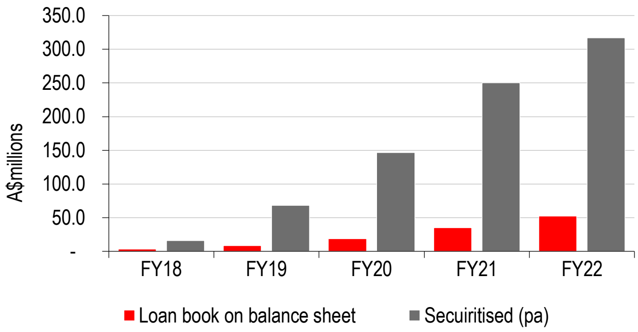
Exhibit 19: Forecasted number of employees by year



Source: RaaS Advisory estimates

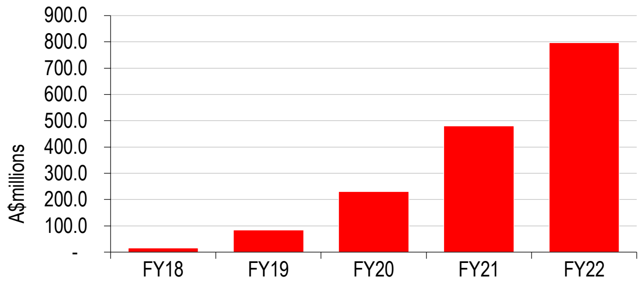
We are expecting Wisr to utilise the wholesale funding arrangement with 255 Finance and, eventually other institutions, to take a large proportion of its loans off balance sheet as set out in the following two exhibits.

Exhibit 20: Breakdown of estimated loan book



Source: RaaS Advisory

Exhibit 21: Total loan securitisation



Source: RaaS Advisory

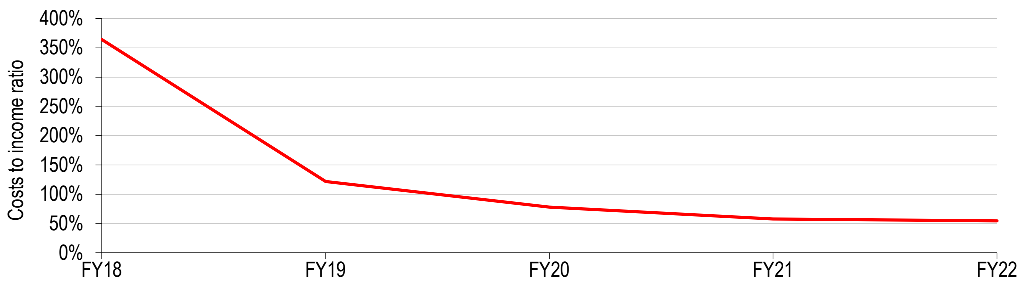
We are forecasting that FY20 will be the first full year of profitability for the company, with the estimated income to costs ratio forecasted to reduce from 364% to 54% over the next five years as the company scales.

Exhibit 22: Estimated costs to income ratio

	FY18	FY19	FY20	FY21	FY22
Revenue ($m)	1.9	6.7	14.2	24.0	30.2
Costs ($m)	6.9	8.2	11.0	13.8	16.5
Ratio (%)	364%	122%	78%	57%	54%

Source: RaaS Advisory

Exhibit 23: Cost to income ratio in graphed format



Source: RaaS Advisory

SWOT analysis

We set out the strengths, weaknesses, opportunities and threats that we see for WZR in the following table. We believe the strengths and opportunities in WZR's business model outweigh the weaknesses and threats. Many of the opportunities require minimal additional capital.

Exhibit 24: Strengths, weaknesses, opportunities, threats

Strengths	Opportunities
Strongly committed major shareholder	Fragmented industry with several chains available for acquisition
Board and senior executive team experienced in building fintech businesses, particularly in marketplace lending	Opportunity to branch beyond consumer lending and Australia
Technology has been built to enterprise grade with ability to scale	Technology platform can be further enhanced with machine learning and innovation
Platform already 85% automated with target to get to 95%	Opportunity to partner with a bank or significant industry player in one or more platforms
Credit controls have met the due diligence processes of 255 Finance and another tier 2 bank	Opportunity to expand the average loan size (and potentially loan book) by increasing the maximum loan size
255 Finance has taken a shareholding as has Macquarie Bank	
Weaknesses	**Threats**
Small player in a competitive market	Global players are aggressively chasing market share
Stock liquidity – free float is less than 40%	Banks may decide to compete more aggressively for personal lending
Most of the company's competitors are privately held, hence less scrutiny from the market that publicly traded companies like WZR	Larger players have deeper pockets to market their products extensively

Source: RaaS Advisory

Sensitivities

In our view the key sensitivities relating to the WZR business model are:

- **Competition** – WisrR is a small company in the marketplace lending sector. While the company focussed on restructuring, competitors such as SocietyOne and RateSetter grabbed market share. As we've discussed, the total peer to peer online lending sector is still immature and international experience suggests that the sector in Australia has several years of high growth before it secures meaningful market share. WZR is a player in the sector's growth trajectory.
- **Business plan execution:** Having paused the business rollout for 18 months, Wisr now needs to execute its strategy and grow the size of its loan book without diminishing its quality. The company has already demonstrated its capacity to do this, having increased the number of applications to a positive outcome of 29.3% from 2.4% a year ago while increasing the credit quality and fraud/security automation across the platform.
- **Stock liquidity**: Less than 40% of the company's free float is available to be traded and this may make it difficult to attract institutional investors.

Board and management

Directors

Executive Chairman – John Nantes is the CEO of Adcock Private Equity Pty Ltd, Wisr's largest shareholder with a 44.58% stake. He previously was Group Head of Financial Services at Crowe Horwath, which held more than $10b in funds under management, was CEO of Prescott Securities and held senior executive positions at St George Bank and Colonial State Bank. He also serves on the board of Trustees Australia Ltd (TAU.AX) as a non-executive director.

Non-executive Director – Craig Swanger brings more than 20 years' experience in financial services, having previously been executive director of Macquarie Global Investments responsible for managing $10b in client funds across North America, Asia and Australia.

Non-executive Director – Chris Whitehead has more than 30 years' experience in financial services and technology having been the former CEO of Credit Union Australia Ltd, CEO Retail Banking at BankWest and prior to that CIO of BankWest.

Management

The senior management team includes the following members:

Chief Executive Officer – Anthony Nantes brings several years of leadership experience in tech and IT companies to the role. Prior to joining Wisr in September 2016, he was the Chief Operating Officer at fintech, Prospa, which targets small business lending. He has also held several leadership roles at UXC (now CSC), and PlanPower.

Chief Financial Officer – Andrew Goodwin has more than 15 years' experience in the financial services sector, with stints in investment banking and principal investment with Macquarie Capital, private equity with Draycap, where he was a partner, and prior to joining Macquarie Capital, senior roles at FontEnergy and KPMG.

Chief Operating Officer – Peter Beaumont has more than 20 years' experience in global banking, finance and project delivery with international investment banks Citibank, UBS AG, Bank of America Merrill Lynch and ABN AMRO.

Chief Technology Officer – David Russell is a software engineer with specific expertise in real time trading systems (IRESS) and digital trading firns, Catch Group. Rockend Technology and CMYKHub.

Fund Portfolio Manager – Ray Tse has more than 20 years' experience in financial services, and prior to this headed up IT infrastructure for 10 years at INVESCO and 5 years at a boutique funds manager.

Credit Manager – Marianne Young has more than 18 years' experience in credit and lending roles within the Westpac Banking Group and, at a national level, managed the hindsight review process for consumer personal loans and credit cards across Westpac, St George, Bank SA and Bank of Melbourne.

Valuation – 'the Golden Rule'

The sense of pre-earnings and pre-cash flow valuations can be cross checked using a simple relationship that focuses attention on the most significant risks and opportunities. This premise was examined by Dr Kingsley Jones[5] and suggested as a golden rule used by venture capitalists and early stage investors to sense check their valuations. The golden rule is based on the following:

- Early-stage companies have revenue as the most visible performance metric
- Later-stage companies have earnings and margin as visible metrics
- Valuations at both stages are subject to sentiment and changing multiples

We apply the Golden Rule to our forecasts for WZR and assume that there is a five year ramp up period to reach a steady state. The steady state growth rate could be faster than the whole market which is the case with many companies in the fintech space. This growth rate is encapsulated in the Price Earnings multiple that is applied to each current year of earnings to drive the value of the firm. We have selected a steady state long term PE of 25x (see comparative companies' analysis section on page 17)

The variables are:

- Five year sales uplift = Sales in year 5 divided by Sales in Year 0
- Price uplift being the price in Year 5 less the price in Year 0 expressed as (1+ required rate of return)^5; the price uplift should be large enough to neutralise the equity dilution
- Steady state NPAT margin (25% selected – see comparative companies' analysis section)
- Steady state Price Earnings Ratio – this may be higher than the market due to the nature of the business model (25x selected – see comparative companies' analysis section)

The Golden Rule formula therefore is Sales uplift divided by Price uplift multiplied by the steady state NPAT margin multiplied by the steady state Price Earnings Ratio.

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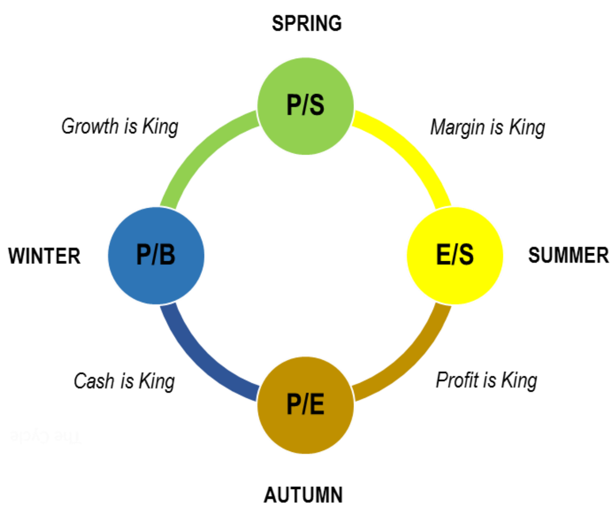
5 Jevons Global – Valuation for Early-Stage Technology Companies

The price that the market will pay at a given time is dependent on the cyclicality 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.

In early stage not yet profitable businesses such as WZR, the challenge in valuation is to convert the embryonic revenues into earnings. Early stage companies, particularly in the technology space often have their valuations expressed as a multiple of revenue or in the case of lenders as a multiple of the loan book. There are issues with using revenue numbers because of inconsistencies in revenue measurement and in the profitability of the comparable company group. 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. The price that the market will pay at a given time is dependent on the cyclicality 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.

Our simple valuation approach (the Golden Rule) described above 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 exhibit below:

Exhibit 25: 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)

Research as a Service

Growth of Peer to Peer (P2P) and Marketplace Lenders

LendingClub's 5 year CAGR (measured by growth in revenue, being a proxy for growth in loan book) since 2013 has been 50.3%. Harmoney (unlisted NZ) has grown its loan book by 106% in the last 2 years, but with a growing base, annual percentage growth rates have slowed with NZ$200m added in 2016 and NZ$256m added in the year to October 2017. Prosper in the US and Ratesetter in the UK have also seen a similar growth pattern as have SocietyOne, ZipMoney (Z1P.AX), Fox Symes (FSA.AX) and RateSetter in Australia. We have set out the annual growth rates in revenue/loan book of WZR's peers internationally and in Australia in Exhibits 26 to 32.

Exhibit 26: LendingClub – Rev (US$m) and growth rates

	Revenue (US$m)	Growth (%) pa
2013	98.0	189.8%
2014	213.4	117.8%
2015	426.7	100.0%
2016	495.5	16.1%
2017	596.8	20.4%
2018	751.0	25.8%
CAGR		50.3%

Source: LendingClub SEC 10K

Exhibit 27: Harmoney Loan Book (NZ$m) and growth rates

	Loan Book (NZ$m)	Growth (%) pa
2014	4.2	
2015	139.3	3216.7%
2016	339.4	143.6%
2017	595.6	75.5%
CAGR (2 years)		106.8%

Source: Harmoney.co.nz

Exhibit 28 Ratesetter UK – Loan and growth rates

	Loan Book GBP (m)	Growth (%) pa
2011	11.8	
2012	32.7	177.1%
2013	103.5	216.5%
2014	291.0	181.2%
2015	515.9	77.3%
2016	664.7	28.8%
CAGR		123.9%

Source: Ratesetter data

Exhibit 29: Prosper – Loans and growth rates

	Loan Book (US$m)	Growth (%) pa
2012	6.7	
2013	16.5	146.3%
2014	77.8	371.5%
2015	200.8	158.1%
2016	132.9	-33.8%
CAGR		111.4%

Source: Prosper data

Exhibit 30: Money3

Money3

Year ending June 30	Loan book ($M)	Advertising spend ($m)
2012	17	0.64
2013	32.1	0.58
2014	72.6	1.455
2015	156.4	3.105
2016	198.8	5.518
2017	273.1	4.119

Source: Money3 reports

Exhibit 31: ZipMoney

ZipMoney — Ad spend not specified in accounts

Year ending June	Total loans	Customers	Transactions
2015	2.9	6212	8385
2016	40.7	34000	41702
2017	152	301000	546611

Source: ZipMoney reports

Research as a Service

Exhibit 32 Fox Symes

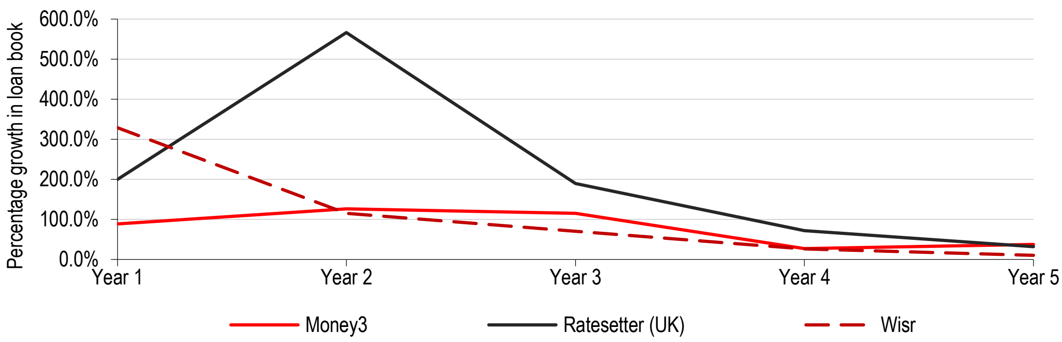
Fox Symes	Ad spend not specified in accounts			
Year ending June 30	Total loan book	Personal Loans	Home loans	Factoring
2014	246.5	1.1	221.1	24.3
2015	270.4	5.9	233	31.5
2016	281.8	19.8	262	
2017	366	35.3	306.3	

Source: Fox Symes reports

5 year and 4 year loan book growth comparison

Having examined this data, we have compared our WZR forecasts to the five year growth profiles experienced by Money3 and Ratesetter in the UK and Ratesetter UK, Lending Club and Prosper on a four year basis.

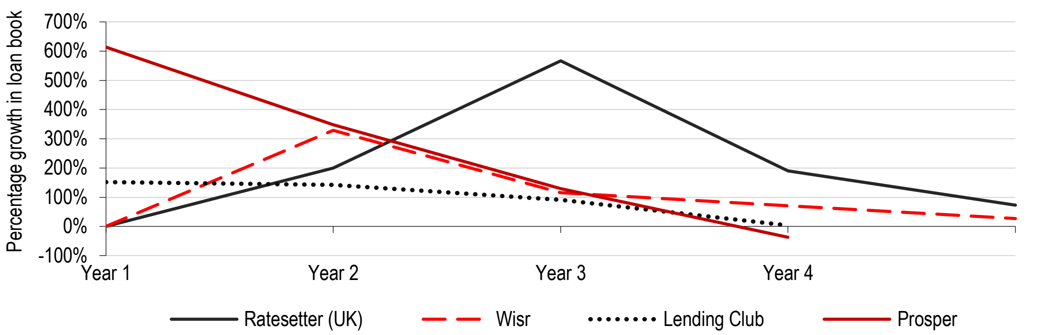
Exhibit 33: Five year comparison in loan book growth



Source: Company data, RaaS Advisory estimates

As the two exhibits demonstrate, our base case forecasts for WZR follow a similar trajectory to that experienced by these more mature stage companies.

Exhibit 34: Four year comparison in loan book growth



Source: Company data, RaaS Advisory estimates

$1 lent adds $1 to EV

The sector has traditionally applied the following rule of thumb to valuation - $1 lent adds $1 to enterprise value. This certainly was the experience with LendingClub up until its IPO. As Exhibit 35 sets out, there was a close correlation between the value ascribed to Lending Club at each funding round and its loan book with a price/origination ratio of 0.9x.

Exhibit 35: LendingClub value ascribed at each raising and origination book ratio (In US$m)

	Lending Club Value	Cumulative Origination book	Price/origination ratio
12-Aug-14	10157	6223	1.6
11-Aug-14	6171	6223	1.0
17-Apr-14	3750	4052	0.9
12-Nov-13	2330	2817	0.8
1-May-13	1550	1685	0.9
6-Jun-12	570	671	0.8
3-Aug-11	275	326	0.8
14-Apr-10	80	104	0.8

Source: Lend Academy, RaaS Advisory

This rule of thumb was validated right up to LendingClub's 2014 IPO. Lending Club set an IPO price of US$15/share for its 12 August 2014 listing. This gave the company a pre-listing valuation of US$6.2bn, or 1.0 times its loan book. However on the first day of listing, its shares rose to close at US$24.69, taking that valuation to US$10.2bn or 1.6 times the loan book. Since listing, there has been a disconnect in the price/origination ratio. At the current share price of US$5.98, the market value of the company is US$2.46b and the EV is US$1.83b while the cumulative loan book is US$28.7b.

Comparative companies' analysis

We have examined the key metrics for nine companies listed on ASX. The table below lists PE, NPAT margins and EPS growth using consensus estimates.

Exhibit 36: Comparative companies, pricing and margins

	PE 2018	PE 2019	Margin FY18	Margin FY19	EPS Growth FY18	EPS Growth FY19	Comment
AfterPay Touch (APT)	82.7	49.7	22.1%	24.6%	N/A	66%	Not full tax rate
REA Group (REA)	31.0	26.0	35.8%	37.3%	71%	19%	Full tax rate
OFX Group(OFX)	18.4	16.6	18.3%	19.6%	-3%	11%	Not full tax rate (16% FY17)
Trade me (TME)	17.8	16.6	38.9%	39.1%	6%	6%	Full tax rate
ZipMoney (Z1P)	n/a	54.5	n/a	2.8%	n/a	n/a	
Fox Symes (FSA)	10.9	10.0	21.5%	21.0%	11%	9%	Full tax rate
EML Payments (EML)	30.6	20.6	18.3%	19.6%	n/a	48%	Not full tax rate
Flexigroup (FXL)	6.9	6.5	19.0%	19.0%	0%	7%	Full tax rate
Eclipx (ECX)	16.8	14.7	11.4%	11.7%	40%	11%	Full tax rate
Average	**26.9**	**23.9**	**23.2%**	**21.6%**	**20.8%**	**22.2%**	

Source: Thomson Reuters *Prices as at 2 February 2018

We have used our Golden Rule formula to determine the Uplift factor implied in the current market capitalisation.

Exhibit 37: Up-lift factor implied (FY17 revenue) using long term steady state PE and NPAT%

	PE	NPAT %	Uplift	Rev x	Mkt Cap ($m)
APT	30.0	25%	7.6	56.9	1,650
REA	32.0	35%	1.3	14.6	9,811
OFX	18.4	18%	0.9	2.9	338
TME	17.0	39%	1.0	6.9	1,630
Z1P	25.0	25%	3.7	23.1	384
FSA	11.0	21%	1.0	2.4	200
EML	30.0	25%	1.1	8.2	478
FXL	7.0	19%	1.1	1.5	694
ECX	16.0	12%	1.1	2.1	1,240

Source: RaaS analysis, Thomson Reuters *Prices at 2 February 2018

Exhibit 38: Up-lift factor implied (FY18e revenue) using long term steady state PE and NPAT%

	PE	NPAT %	Uplift	Rev x	Mkt Cap ($m)
APT	30.0	25%	2.16	16.2	1,650
REA	32.0	35%	1.09	12.2	9,811
OFX	16.2	18%	1.01	3.0	338
TME	17.0	39%	0.97	6.4	1,630
Z1P	25.0	25%	1.22	7.6	384
FSA	11.0	21%	1.09	2.5	200
EML	30.0	25%	0.84	6.3	478
FXL	7.0	19%	1.14	1.5	694
ECX	16.0	12%	0.88	1.6	1,240

Source: RaaS analysis, Thomson Reuters for consensus data *Prices at 29 January 2018

We examined and scored the following qualitative factors to find the best match for Wisr. Each factor has been scored out of 5 with 5 being the closest match and 0 being no match:

- Number of years in operation – closest match APT and Z1P
- Size measured by market capitalisation – closest match Z1P and FSA
- Platform – all comparative companies are platform driven
- Market fit – focus on consumer lending – closest match APT and Z1P
- Risk profile – closest fit REA, OFX, TME and Z1P
- Profitability –WZR is expected to be profitable in the second half of FY19 – closest match APT and Z1P.

The highest scorers and therefore most comparable companies are Z1P (27 out of 30) and APT (23 out of 30).

The following two exhibits set out the implied value of WZR using our qualitative scoring and the revenue multiple each of these companies are trading on. We have used a 12-month forward revenue forecast for WZR to allow some time for the company's strategy to be deployed. In Exhibit 39, we use our base case revenue forecast while in Exhibit 40 we use an upside case revenue forecast.

Exhibit 39: Comparable companies – Qualitative Analysis using Base Case

	Years Op	Size	Platform	Mkt Fit	Risk	Profit	Total Score	Rev (x) FY17	WZR Rev 12 months fwd	Implied WZR value
APT	5.0	2.0	5.0	5.0	1.0	5.0	**23.0**	56.9	4	**216**
REA	-	-	5.0	2.0	5.0	1.0	**13.0**	14.6	4	**56**
OFX	2.0	3.0	5.0	3.0	5.0	1.0	**19.0**	2.9	4	**11**
TME	-	1.0	5.0	2.0	5.0	1.0	**14.0**	6.9	4	**26**
Z1P	4.0	4.0	5.0	5.0	5.0	4.0	**27.0**	23.1	4	**88**
FSA	-	4.0	5.0	3.0	3.0	1.0	**16.0**	2.4	4	**9**
EML	2.0	2.0	5.0	3.0	4.0	3.0	**19.0**	8.2	4	**31**
FXL	-	2.0	5.0	4.0	3.0	1.0	**15.0**	1.5	4	**6**
ECX	-	1.0	5.0	4.0	3.0	1.0	**14.0**	2.1	4	**8**

Source: RaaS analysis

As the exhibits demonstrate, if we were to apply the current multiples that ZipMoney is trading on to WZR, we would get an implied market capitalisation of from $88m-179m. Applying AfterPay Touch's multiples delivers an implied market capitalisation range of $216m-$440m.

Exhibit 40: Comparable companies – Qualitative Analysis using an Upside Case

	Years Op	Size	Platform	Mkt Fit	Risk	Profit	Total Score	Rev (x) FY17	WZR Rev 12 months fwd	Implied WZR value
APT	5.0	2.0	5.0	5.0	1.0	5.0	**23.0**	56.9	8	**440**
REA	-	-	5.0	2.0	5.0	1.0	**13.0**	14.6	8	**113**
OFX	2.0	3.0	5.0	3.0	5.0	1.0	**19.0**	2.9	8	**23**
TME	-	1.0	5.0	2.0	5.0	1.0	**14.0**	6.9	8	**54**
ZIP	4.0	4.0	5.0	5.0	5.0	4.0	**27.0**	23.1	8	**179**
FSA	-	4.0	5.0	3.0	3.0	1.0	**16.0**	2.4	8	**19**
EML	2.0	2.0	5.0	3.0	4.0	3.0	**19.0**	8.2	8	**64**
FXL	-	2.0	5.0	4.0	3.0	1.0	**15.0**	1.5	8	**12**
ECX	-	1.0	5.0	4.0	3.0	1.0	**14.0**	2.1	8	**16**

Source: RaaS analysis

Application of Golden Rule

Input selection

We have selected as a long term steady state PE 25x which is a 67% premium to the long term average market PE of 15x and a 37% premium to the current market PE of 18.2x. Our analysis of the comparative company group suggests that companies with intellectual property in operating platforms where they are able to scale on a fixed cost base are rewarded with long term PE multiples of 20-30x. The average for the group is 26.9x (FY18) and 23.9x (FY19) with more mature businesses such as Flexigroup and FSA trading on lower multiples.

For margins we have looked at APT, the closest comparative company with forecast earnings. The NPAT margin is overstated because tax losses have reduced the tax rate to ~16%. Adjusting to include a full tax rate NPAT margins reduce from 22.1% to 18.4% in FY18 and from 24.6% to 20.5%. In our view WZR should achieve a higher NPAT margin because, unlike APT, the bad debt assumed by (only on warehoused loans and those retained on balance sheet) is substantially less that APT. A long term steady state NPAT margin of 25% has been used in the application of the Golden Rule.

Using long term steady state we have determined the uplift factor required to reach values of $50m and $100m using expected CAGR in returns of 25% and 20%. We have also looked at the growth rates achieved by LendingClub and used these to determine a valuation which could be applied to Wisr if it was able to emulated Lending Club's revenue (and loan book) growth.

Using the Golden Rule formula, we have developed scenarios as follows:

- **Scenario 1** – assumed value of WZR $50m with an investor seeking a CAGR in returns of 25% requires growth in revenue (and loan book) at the CAGR of 49.3%. A $50m valuation is the equivalent of a revenue multiple of 13.2x and a price to revenue growth ratio of 0.51. Loans to be written in Year 5 $334m or an assumed market share of 0.3% of the total consumer credit market (currently A$100bn excluding credit cards and estimated at A$108b by 2022 after growing conservatively at 1.5%pa).
- **Scenario 2** - assumed value of WZR is $50m with an investor seeking a CAGR in returns of 20% requires growth in revenue (and loan book) at the CAGR of 44.2%. A $50m valuation is the equivalent of a revenue multiple of 13.2x and a price to revenue growth ratio of 0.57. Loans to be written in Year 5 $281m or an assumed market share of 0.3%.
- **Scenario 3** - assumed value of WZR $100m with an investor seeking a CAGR in returns of 25% requires growth in revenue (and loan book) at the CAGR of 69.2%. A $100m valuation is the equivalent of a revenue multiple of 26.3x and a price to revenue growth ratio of 0.36. Loans to be written in Year 5 $623m or an assumed market share of 0.6 %.
- **Scenario 4** - assumed value of WZR $100m with an investor seeking a CAGR in returns of 20% requires growth in revenue (and loan book) at the CAGR of 62.9%. A $100m valuation is the

equivalent of a revenue multiple of 26.3x and a price to revenue growth ratio of 0.40. Loans to be written in Year 5 $516m or an assumed market share of 0.5%.

- **Lending Club Scenario** – the CAGR in revenue from 2013 to 2018 is expected to be 50.3%. Using a required investor return of 25% the implied valuation is $60m. This valuation is the equivalent of 15.8x revenue and a Price to Revenue growth ratio of 0.5x. This would deliver an assumed market share of 0.3% by year 5.

Exhibit 41: Valuation scenario analysis and comparison with Lending Club (using base case)

Scenario	Long Term PE	Long Term NPAT %	Investor Expected Return	Uplift	Val $m	Rev Yr 0 $m	Rev Yr 5 $m	Diff to RaaS Rev fct at yr 5	Loans written in year 0 $m*	Loans written in year 5 $m	CAGR Rev & Book	PRG	Rev (x)	Share of personal credit mkt at yr 5
(1)	25	25%	25%	2.11	50	3.8	28.2	-10%	45	334	49.3%	0.51	13.2	0.3%
(2)	25	25%	20%	2.11	50	3.8	23.7	-25%	45	281	44.2%	0.57	13.2	0.3%
(3)	25	25%	25%	4.21	100	3.8	52.6	67%	45	623	69.2%	0.36	26.3	0.6%
(4)	25	25%	20%	4.21	100	3.8	43.6	38%	45	516	62.9%	0.40	26.3	0.5%
Lending Club	**25**	**25%**	**25%**	**2.53**	**60**	**3.8**	**29.1**	**-7%**	**45**	**345**	**50.3%**	**0.50**	**15.8**	**0.3%**

Source: Thomson Reuters (for Lending Club CAGR), RaaS analysis * Assumes $45m at end of first year

DCF valuation

We use the discounted cashflow methodology to value WZR as we believe this more accurately reflects its growth stage in its lifecycle. We have used a beta of 2.0, terminal growth rate of 2.0% and a WACC of 16.0%. This delivers a DCF/share of A$0.14 as Exhibit 42 sets out below.

Exhibit 42: DCF Valuation

Parameters	
Discount Rate / WACC	16.0%
Beta	2.0
Terminal growth rate assumption	2.0%
In A$m	
Present value of cashflows	32
Present value of terminal value	25
PV of enterprise	57
Add cash at last balance date (30 June 2017)	3
Net value	60
Net value per share	**$0.14**

Source: RaaS Advisory

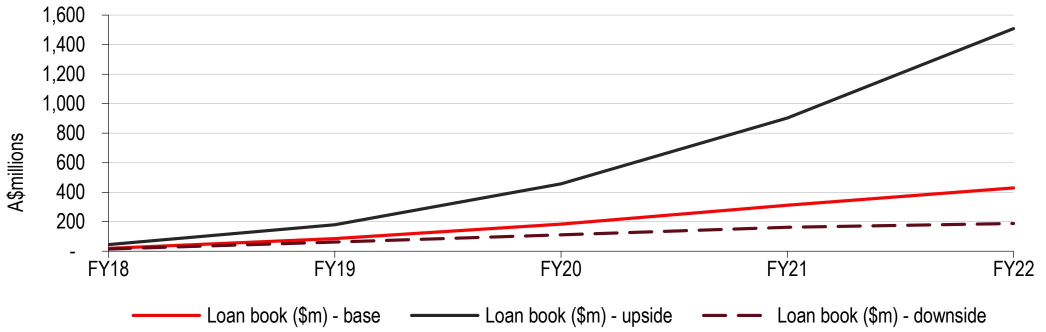
We are of the view that our WACC is appropriate given the higher risk, and therefore expected rate of return, that Wisr presents.

Scenario analysis

The charts below illustrate the impact of a range of possible outcomes should WZR outperform or underperform our base case forecasts. In this analysis we have used the following assumptions:

- CAGR of direct quotes of 89% in our base case, 94% compound growth in our upside case, 95% CAGR in our downside case (coming off a lower base);
- Retention rates of 7% in our base case, 8.5% in an upside case and 5.5% in a downside case;
- CAGR in the loan book of 85% in the base case, 102% in the upside case and 68% in the downside case.

Exhibit 43: Scenario analysis on loan book using an upside case and a downside case



Source: RaaS Advisory

The following exhibit sets out the impact of the scenario analysis on our DCF valuation.

Exhibit 44: Impact of scenario analyses on DCF valuation

DCF - 3 cases	
Base	$0.14
Upside	$0.89
Downside	($0.06)

Source: RaaS Advisory

Exhibit 45: Financial Summary

Wisr Limited (WZR)					
Profit and Loss (A$m)					
Y/E 30 June	**FY16A**	**FY17A**	**FY18F**	**FY19F**	**FY20F**
Revenue	1.2	1.2	1.9	6.7	14.2
EBITDA	(6.0)	(5.3)	(4.8)	(0.4)	5.6
Depn	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Amort	0.0	0.0	0.0	0.0	0.0
EBIT	(8.7)	(5.4)	(4.8)	(0.4)	5.6
Interest	(0.1)	(0.1)	(0.1)	(0.3)	(0.4)
Tax	0.0	0.0	1.4	0.2	(1.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0
NPAT pre significant items	(8.8)	(5.4)	(3.5)	(0.5)	3.8
Significant items	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	**(8.8)**	**(5.4)**	**(3.5)**	**(0.5)**	**3.8**
Cash flow (A$m)					
Y/E 30 June	**FY16A**	**FY17A**	**FY18F**	**FY19F**	**FY20F**
EBITDA	(6.0)	(5.3)	(4.8)	(0.4)	5.6
Interest	(0.1)	(0.0)	(0.1)	(0.3)	(0.4)
Tax	0.0	0.0	0.0	(0.1)	(1.5)
Working capital changes	(2.6)	2.6	(0.9)	(0.5)	(0.8)
Operating cash flow	(8.7)	(2.7)	(5.8)	(1.3)	3.0
Mtce capex	0.0	(0.1)	(0.0)	(0.0)	(0.0)
Free cash flow	(8.7)	(2.8)	(5.8)	(1.3)	3.0
Growth capex	0.0	0.0	(0.0)	(0.1)	(0.1)
Acquisitions/Disposals	(0.5)	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Cash flow pre financing	(9.2)	(2.8)	(5.9)	(1.4)	2.9
Equity	11.3	5.4	0.1	0.0	0.0
Debt	(1.0)	(0.4)	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Net cash flow for year	1.1	2.2	(5.8)	(1.4)	2.9
Balance sheet (A$m)					
Y/E 30 June	**FY16A**	**FY17A**	**FY18F**	**FY19F**	**FY20F**
Cash	1.3	3.5	3.5	3.5	3.5
Accounts receivable	0.1	0.1	0.2	0.7	1.5
Inventory	0.0	0.0	0.0	0.0	0.0
Other current assets	1.8	2.0	3.9	9.1	17.0
Total current assets	*3.2*	*5.6*	*7.6*	*13.3*	*22.0*
PPE	0.0	0.1	0.1	0.2	0.3
Goodwill	0.0	0.0	0.0	0.0	0.0
Investments	0.5	0.5	0.5	0.5	0.5
Deferred tax asset	0.0	0.0	1.4	1.6	1.6
Loan receivables	6.0	4.7	6.3	6.0	8.4
Total non current assets	*6.6*	*5.3*	*8.3*	*8.3*	*10.9*
Total Assets	9.8	10.8	15.9	21.7	32.9
Accounts payable	0.8	0.8	0.0	0.0	0.0
Short term debt	1.0	0.7	8.3	15.0	19.9
Tax payable	0.0	0.0	0.0	0.0	0.0
Other current liabilities	0.1	0.2	0.2	0.2	0.2
Total current liabilities	*1.9*	*1.6*	*8.5*	*15.1*	*20.1*
Long term debt	0.0	0.0	1.6	1.3	3.7
Other non current liabs	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	*0.0*	*0.0*	*1.6*	*1.3*	*3.7*
Total Liabilities	1.9	1.6	10.1	16.4	23.8
Net Assets	**7.9**	**9.2**	**5.8**	**5.3**	**9.0**
Share capital	22.4	28.6	28.7	28.7	28.7
Accumulated profits/losses	(15.4)	(20.8)	(24.3)	(24.9)	(21.1)
Reserves	0.8	1.4	1.4	1.4	1.4
Minorities	0.0	0.0	0.0	0.0	0.0
Total Shareholder funds	**7.9**	**9.2**	**5.8**	**5.3**	**9.0**

Share price (2 Feb 2018)					A$	0.029
Interim (A$m)	**H117A**	**H217A**	**H118F**	**H218F**	**H119F**	**H219F**
Revenue	0.6	0.6	0.8	1.1	2.7	4.0
EBITDA	- 2.7	- 3.0	- 2.5	- 2.3	- 0.8	0.4
EBIT	- 2.7	- 3.0	- 2.5	- 2.3	- 0.8	0.4
NPAT (normalised)	- 2.8	- 3.0	- 1.8	- 1.7	- 0.7	0.2
Minorities	-	-	-	-	-	-
NPAT (reported)	- 2.8	- 3.0	- 1.8	- 1.7	- 0.7	0.2
EPS (normalised)	- 1.02	- 0.70	- 0.40	- 0.39	- 0.15	0.04
EPS (reported)	- 1.02	- 0.77	- 0.41	- 0.40	- 0.16	0.04
Dividend (cps)	-	-	-	-	-	-
Imputation	28.0	28.0	28.0	28.0	28.0	28.0
Operating cash flow	- 1.1	- 1.6	- 3.4	- 2.5	- 1.2	- 0.1
Free Cash flow	- 1.1	- 1.6	- 3.4	- 2.4	- 1.1	- 0.1
Divisions	**H117A**	**H217A**	**H118F**	**H218F**	**H119F**	**H219F**
Rev - Establishment fees	0.5	0.4	0.3	0.5	1.4	2.1
Rev - Margin	-	-	0.2	0.2	0.7	1.1
Rev - Referral Fees	-	-	0.1	0.1	0.3	0.6
Rev - Other revenue	0.1	0.2	0.3	0.3	0.3	0.3
Costs - Salaries	- 1.6	- 2.7	- 1.5	- 1.5	- 1.5	- 1.6
Costs - Marketing	- 0.1	- 0.5	- 0.5	- 0.5	- 0.5	- 0.5
Costs - Prov for bad debts	- 0.2	- 0.2	- 0.1	- 0.1	- 0.1	- 0.2
Costs - Other costs	- 1.4	- 0.1	- 1.3	- 1.3	- 1.3	- 1.3
EBITDA	- 2.7	- 2.9	- 2.5	- 2.3	- 0.8	0.4
Margins, Leverage, Returns		FY16A	FY17A	FY18F	FY19F	FY20F
EBITDA		-482.5%	-460.9%	-253.7%	-5.5%	39.7%
EBIT		-701.7%	-461.9%	-254.1%	-5.7%	39.6%
NPAT pre significant items		-707.8%	-468.2%	-186.8%	-7.6%	26.6%
Net Debt (Cash)		0.3	2.8	- 6.4	- 12.8	- 20.2
Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	- 3.586
ND/ND+Equity (%)	(%)	-3.5%	-43.9%	52.8%	70.8%	69.1%
EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.1
ROA		-88.8%	-52.0%	-36.1%	-2.1%	20.5%
ROE		-111%	-64%	-47%	-9%	53%
ROIC		-228%	-148%	-83%	-4%	28%
NTA (per share)		0.03	0.02	0.01	0.01	0.02
Working capital		- 0.7	- 0.7	0.2	0.7	1.5
WC/Sales (%)		**-54%**	**-62%**	**11%**	**11%**	**11%**
Revenue growth			-6%	64%	254%	110%
EBIT growth pa		n/a	n/a	n/a	n/a	-1552%
Pricing		**FY16A**	**FY17A**	**FY18F**	**FY19F**	**FY20F**
No of shares (y/e)	(m)	272	437	441	441	441
Weighted Av Dil Shares	(m)	269	396	441	441	441
EPS Reported	cps	- 3.94	- 1.71	- 0.79	- 0.11	0.84
EPS Normalised/Diluted	cps	- 3.99	- 1.78	- 0.81	- 0.12	0.85
EPS growth (norm/dil)		n/a	n/a	n/a	n/a	-839%
DPS	cps	-	-	-	-	-
DPS Growth		n/a	n/a	n/a	n/a	n/a
Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%
Dividend imputation		28	28	28	28	28
PE (x)		-	-	-	-	3.4
PE market				15.2	15.2	15.2
Premium/(discount)					-100%	-77%
EV/EBITDA		- 1.3	- 1.8	- 4.0	- 68.7	5.9
FCF/Share	cps	-3.2	-0.6	-1.3	-0.3	0.7
Price/FCF share		- 1	- 5	- 2	- 10	4
Free Cash flow Yield		-109.9%	-21.0%	-45.6%	-9.9%	23.6%

Source: RaaS Advisory

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

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Effective Date: 11th May 2017

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