

## Wisr Ltd (DirectMoney)

### Strategic placement at 56% premium to previous close

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 announced on February 13 that Alceon, an alternative investment manager with more than \$1bn in assets under management, had taken a strategic stake in the company, paying \$0.042/share for a \$600,000 initial investment. Further, Alceon has been issued with options of equal number with a strike price of \$0.08/share and a 24-month expiry. If exercised, the total investment would come to \$1.74m. In our view, this investment is a validation of the company's strategy. Our DCF valuation remains at \$60m with a slight dilution to \$0.13/share (previously \$0.14/share) due to the shares issued in the placement.

### Update on initial report

RaaS Advisory published a 26-page positioning paper on Wisr on 5 February 2018 in which we concluded that the company had refit the business for growth and that, based on our forecasts, the company should be cashflow breakeven in 2H19 and profitable in FY20. A full copy of the report is available at [www.raasgroup.com](http://www.raasgroup.com) or from the company's website.

### Strategic placement

Alceon has made an initial investment of \$600,000, paying \$0.042/share for 14,285,715 shares, which translates into a 3.1% holding in the company. The price is at a 56% premium to the last previous close on 9 February. Alceon has also been issued an equal number of call options with a strike price of \$0.08/share and a 24 month expiry. If exercised, this would lift Alceon's investment to \$1.74m. In our view, this investment is a positive validation of Wisr's business restructure and outlook.

### Earnings forecasts and valuation

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 \$0.13/share following the share placement to Alceon.

#### Historical earnings and RaaS Advisory estimates

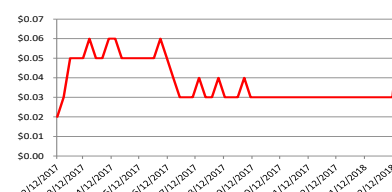
Year end	Revenue (A\$m)	EBITDA reported (A\$m)	NPAT reported (A\$m)	EPS* ©	P/E (x)
06/17	1.16	-5.35	-5.43	-1.78	n/a
06/18e	1.90	-4.82	-3.51	-0.80	n/a
06/19e	6.73	-0.37	-0.44	-0.11	n/a
06/20e	14.16	5.6	3.8	0.83	4.8

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

#### Share details

ASX Code	WZR.AX/DM1.AX
Share price (at 13 <sup>th</sup> Feb)	\$0.039
Market Capitalisation	\$17.6M
Shares on issue	455.5M
Net cash at 31 Dec 2017	\$1.85M

#### 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	Chairman
Craig Swanger	Non-Executive Director
Chris Whitehead	Non-Executive Director

#### Company contacts

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Wisr Limited (WZR)						Share price (14 Feb 2018)						A\$ 0.039					
Profit and Loss (A\$m)						Interim (A\$m)											
Y/E 30 June	FY16A	FY17A	FY18F	FY19F	FY20F	H117A	H217A	H118F	H218F	H119F	H219F						
Revenue	1.2	1.2	1.9	6.7	14.2	0.6	0.6	0.8	1.1	2.7	4.0						
EBITDA	(6.0)	(5.3)	(4.8)	(0.4)	5.6	- 2.7	- 3.0	- 2.5	- 2.3	- 0.8	0.4						
Depn	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	- 2.7	- 3.0	- 2.5	- 2.3	- 0.8	0.4						
Amort	0.0	0.0	0.0	0.0	0.0	- 2.8	- 3.0	- 1.8	- 1.7	- 0.7	0.2						
EBIT	(8.7)	(5.4)	(4.8)	(0.4)	5.6	-	-	-	-	-	-						
Interest	(0.1)	(0.1)	(0.1)	(0.3)	(0.3)	-	-	-	-	-	-						
Tax	0.0	0.0	1.4	0.2	(1.5)	28.0	28.0	28.0	28.0	28.0	28.0						
Minorities	0.0	0.0	0.0	0.0	0.0	- 1.1	- 1.6	- 3.4	- 2.5	- 1.1	- 0.1						
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	- 1.1	- 1.6	- 3.4	- 2.4	- 1.1	- 0.1						
NPAT pre significant items	(8.8)	(5.4)	(3.5)	(0.5)	3.8	<b>Divisions</b>						H117A	H217A	H118F	H218F	H119F	H219F
Significant items	0.0	0.0	0.0	0.0	0.0	Rev - Establishment fees	0.5	0.4	0.3	0.5	1.4	2.1					
NPAT (reported)	(8.8)	(5.4)	(3.5)	(0.5)	3.8	Rev - Margin	-	-	0.2	0.2	0.7	1.1					
<b>Cash flow (A\$m)</b>						Rev - Referral Fees	-	-	0.1	0.1	0.3	0.6					
Y/E 30 June	FY16A	FY17A	FY18F	FY19F	FY20F	Rev - Other revenue	0.1	0.2	0.3	0.3	0.3	0.3					
EBITDA	(6.0)	(5.3)	(4.8)	(0.4)	5.6	Costs - Salaries	- 1.6	- 2.7	- 1.5	- 1.5	- 1.5	- 1.6					
Interest	(0.1)	(0.0)	(0.1)	(0.3)	(0.3)	Costs - Marketing	- 0.1	- 0.5	- 0.5	- 0.5	- 0.5	- 0.5					
Tax	0.0	0.0	0.0	(0.1)	(1.5)	Costs - Prov for bad debts	- 0.2	- 0.2	- 0.1	- 0.1	- 0.1	- 0.2					
Working capital changes	(2.6)	2.6	(0.9)	(0.5)	(0.8)	Costs - Other costs	- 1.4	- 0.1	- 1.3	- 1.3	- 1.3	- 1.3					
Operating cash flow	(8.7)	(2.7)	(5.8)	(1.3)	3.0	EBITDA	- 2.7	- 2.9	- 2.5	- 2.3	- 0.8	0.4					
Mtce capex	0.0	(0.1)	(0.0)	(0.0)	(0.0)	<b>Margins, Leverage, Returns</b>						FY16A	FY17A	FY18F	FY19F	FY20F	
Free cash flow	(8.7)	(2.8)	(5.8)	(1.3)	3.0	EBITDA		-48.5%	-46.9%	-25.7%	-5.5%	39.7%					
Growth capex	0.0	0.0	(0.0)	(0.1)	(0.1)	EBIT		-701.7%	-461.9%	-25.1%	-5.7%	39.6%					
Acquisitions/Disposals	(0.5)	0.0	0.0	0.0	0.0	NPAT pre significant items		-707.8%	-468.2%	-186.8%	-7.3%	26.8%					
Other	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)		0.3	2.8	5.8	12.1	19.5					
Cash flow pre financing	(9.2)	(2.8)	(5.9)	(1.4)	2.9	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	- 3.471					
Equity	11.3	5.4	0.7	0.0	0.0	ND/ND+Equity (%)	(%)	-3.5%	-43.9%	47.8%	67.3%	66.9%					
Debt	(1.0)	(0.4)	0.0	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.1					
Dividends paid	0.0	0.0	0.0	0.0	0.0	ROA		-88.8%	-52.0%	-36.1%	-2.1%	20.5%					
Net cash flow for year	1.1	2.2	(5.2)	(1.4)	2.9	ROE		-111%	-64%	-46%	-8%	49%					
<b>Balance sheet (A\$m)</b>						ROIC		-228%	-148%	-83%	-4%	28%					
Y/E 30 June	FY16A	FY17A	FY18F	FY19F	FY20F	NTA (per share)		0.03	0.02	0.01	0.01	0.02					
Cash	1.3	3.5	3.5	3.5	3.5	Working capital		-	0.7	- 0.7	0.2	0.7	1.5				
Accounts receivable	0.1	0.1	0.2	0.7	1.5	WC/Sales (%)		-54%	-62%	11%	11%	11%					
Inventory	0.0	0.0	0.0	0.0	0.0	Revenue growth		-6%	64%	254%	110%						
Other current assets	1.8	2.0	3.9	9.1	17.0	EBIT growth pa		n/a	n/a	n/a	n/a	-1552%					
Total current assets	3.2	5.6	7.6	13.3	22.0	Pricing		FY16A	FY17A	FY18F	FY19F	FY20F					
PPE	0.0	0.1	0.1	0.2	0.2	No of shares (y/e)	(m)	272	437	455	455	455					
Goodwill	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	269	396	452	455	455					
Investments	0.5	0.5	0.5	0.5	0.5	EPS Reported	cps	- 3.94	- 1.71	- 0.78	- 0.11	0.82					
Deferred tax asset	0.0	0.0	1.4	1.6	1.6	EPS Normalised/Diluted	cps	- 3.99	- 1.78	- 0.80	- 0.11	0.83					
Loan receivables	6.0	4.7	6.3	6.0	8.4	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	-875%					
Total non current assets	6.6	5.3	8.3	8.3	10.9	DPS	cps	-	-	-	-	-					
Total Assets	9.8	10.8	15.9	21.7	32.9	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Accounts payable	0.8	0.8	0.0	0.0	0.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Short term debt	1.0	0.7	7.7	14.3	19.3	Dividend imputation		28	28	28	28	28					
Tax payable	0.0	0.0	0.0	0.0	0.0	PE (x)		-	-	-	-	4.8					
Other current liabilities	0.1	0.2	0.2	0.2	0.2	PE market				15.2	15.2	15.2					
Total current liabilities	1.9	1.6	7.9	14.5	19.5	Premium/(discount)						-100%	-69%				
Long term debt	0.0	0.0	1.6	1.3	3.7	EV/EBITDA		- 1.7	- 2.7	- 4.9	- 80.3	6.6					
Other non current liabs	0.0	0.0	0.0	0.0	0.0	FCF/Share	cps	- 3.2	- 0.6	- 1.3	- 0.3	0.7					
Total long term liabilities	0.0	0.0	1.6	1.3	3.7	Price/FCF share		- 1	- 6	- 3	- 14	5.8					
Total Liabilities	1.9	1.6	9.5	15.8	23.2	Free Cash flow Yield		-81.7%	-15.6%	-32.8%	-7.0%	17.1%					
Net Assets	7.9	9.2	6.4	5.9	9.7												
Share capital	22.4	28.6	29.3	29.3	29.3												
Accumulated profits/losses	(15.4)	(20.8)	(24.3)	(24.8)	(21.0)												
Reservs	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	6.4	5.9	9.7												

# 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: 11<sup>th</sup> May 2017

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

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- BR is a member of the Financial Ombudsman Service, our external dispute resolution provider.

Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08 Email: nfo@fos.org.au

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