

Wisr Ltd (DirectMoney)

Interim result draws a line in the sand

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 approved on February 28) and a restructure of its management team, board and business model. Wisr reported H118 revenues of \$0.76m, up 34% on pcp and a net loss of \$3.1m, up 12% on prior. Our DCF valuation remains at \$60m or \$0.13/share and is supported by several other valuation methodologies. Please refer to our 26-page positioning paper published on 5 February and available at www.raasgroup.com for further detail on our valuation.

Interim result

The company reported H118 revenue of \$0.76m up 34% on the prior year and a net loss of \$3.1m, up from \$2.8m a year before. Revenues were below our forecast for \$0.81m for the half and this had a flow on effect to the net loss. Our forecast was for a net operating loss for the half of \$2.5m. Expenses in the period increased 16%, predominantly due to an increase in employee expenses and marketing spend. Marketing spend of \$0.97m was up from \$0.14m y-o-y and was the main contributor to the 63% increase in other expenses. Employee costs of \$1.8m, which included non-cash share based payments of \$0.13m, increased 24% and reflects the company's investment in head count for its next growth phase. DM1 noted that it expected similar staff costs in H218. The operating cash loss for the period was \$1.48m, up from \$1.1m on pcp. At period end, Wisr had \$1.85m cash in hand. The result reflects a period of restructure for the company and, in our view, marks a line in the sand for the company's future performance.

Earnings adjustments and valuation

We have adjusted our forecasts for FY18 following the interim result and are now forecasting revenues of \$1.85m, down from \$1.9m previously, and a net loss of \$4.75m, down from \$3.55m previously. Our forecasts for FY19 and beyond are unchanged. We continue to anticipate that the company will be cashflow breakeven in 2H19 and profitable in FY20. Our base case forecasts are predicated on WZR following a similar growth trajectory to its Australian and international peers. This underpins our DCF valuation of \$0.13/share which is further supported by several other methodologies including loan book valuation, and early stage valuations. 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 DCF valuation of \$0.13/share.

Historical earnings and RaaS Advisory estimates

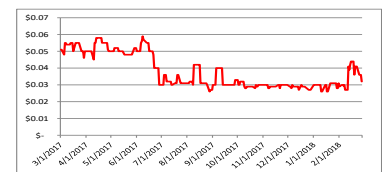
Year end	Revenue (A\$m)	EBITDA reported (A\$m)	NPAT reported (A\$m)	EPS* (c)	P/E (x)
06/17	1.16	-5.35	-5.43	-1.78	n/a
06/18e	1.85	-5.37	-4.75	-1.08	n/a
06/19e	6.73	-0.37	-0.43	-0.09	n/a
06/20e	14.16	5.6	3.8	0.85	3.8

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

Share details

ASX Code	WZR/DM1
Share price (at 1 March)	\$0.032
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

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Wisr Limited (WZR)						Share price (1 March 2018))						A\$		0.032				
Profit and Loss (A\$m)						Interim (A\$m)						H117A	H217A	H118F	H218F	H119F	H219F	
Y/E 30 June	FY16A	FY17A	FY18F	FY19F	FY20F	Revenue	0.6	0.6	0.8	1.1	2.7	4.0						
						EBITDA	- 2.7	- 3.0	- 3.1	- 2.3	- 0.8	0.4						
						EBIT	- 2.7	- 3.0	- 3.1	- 2.3	- 0.8	0.4						
Revenue	1.2	1.2	1.8	6.7	14.2	NPAT (normalised)	- 2.8	- 3.0	- 3.1	- 1.7	- 0.7	0.2						
EBITDA	(6.0)	(5.3)	(5.4)	(0.4)	5.6	Minorities	-	-	-	-	-	-						
Deprn	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	NPAT (reported)	- 2.8	- 3.0	- 3.1	- 1.7	- 0.7	0.2						
Amort	0.0	0.0	0.0	0.0	0.0	EPS (normalised)	- 0.81	- 0.77	- 0.71	- 0.37	- 0.14	0.05						
EBIT	(8.7)	(5.4)	(5.4)	(0.4)	5.6	EPS (reported)	- 0.81	- 0.70	- 0.71	- 0.37	- 0.14	0.05						
Interest	(0.1)	(0.1)	(0.0)	(0.2)	(0.3)	Dividend (cps)	-	-	-	-	-	-						
Tax	0.0	0.0	0.6	0.2	(1.5)	Imputation	28.0	28.0	28.0	28.0	28.0	28.0						
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	- 1.1	- 1.6	- 1.5	- 3.5	- 1.1	- 0.1						
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	- 1.1	- 1.6	- 1.5	- 3.4	- 1.0	- 0.0						
NPAT pre significant items	(8.8)	(5.4)	(4.7)	(0.4)	3.9	Divisions	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	0.5	0.5	1.4	2.1						
NPAT (reported)	(8.8)	(5.4)	(4.7)	(0.4)	3.9	Rev - Margin	-	-	-	0.2	0.7	1.1						
Cash flow (A\$m)						Rev - Referral Fees	-	-	-	0.1	0.3	0.6						
Y/E 30 June	FY16A	FY17A	FY18F	FY19F	FY20F	Rev - Other revenue	0.1	0.2	0.2	0.3	0.3	0.3						
EBITDA	(6.0)	(5.3)	(5.4)	(0.4)	5.6	Costs - Salaries	- 1.6	- 2.7	- 1.8	- 1.5	- 1.5	- 1.6						
Interest	(0.1)	(0.0)	0.0	(0.2)	(0.3)	Costs - Marketing	- 0.1	- 0.5	- 1.0	- 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	0.0	- 0.1	- 0.1	- 0.2						
Working capital changes	(2.6)	2.6	0.4	(0.5)	(0.8)	Costs - Other costs	- 1.4	- 0.1	- 1.0	- 1.3	- 1.3	- 1.3						
Operating cash flow	(8.7)	(2.7)	(5.0)	(1.2)	3.1	EBITDA	- 2.7	- 2.9	- 3.1	- 2.3	- 0.8	0.4						
Mtce capex	0.0	(0.1)	(0.0)	(0.0)	(0.0)	Margins, Leverage, Returns		FY16A	FY17A	FY18F	FY19F	FY20F						
Free cash flow	(8.7)	(2.8)	(5.0)	(1.2)	3.1	EBITDA		-482.5%	-460.9%	-290.4%	-5.5%	39.7%						
Growth capex	0.0	0.0	(0.1)	(0.1)	(0.1)	EBIT		-701.7%	-461.9%	-291.1%	-5.7%	39.6%						
Acquisitions/Disposals	(0.5)	0.0	0.0	0.0	0.0	NPAT pre significant items		-707.8%	-468.2%	-256.9%	-6.4%	27.2%						
Other	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)		0.3	2.8	- 5.1	- 11.3	- 18.6						
Cash flow pre financing	(9.2)	(2.8)	(5.0)	(1.3)	3.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	- 3.314						
Equity	11.3	5.4	0.6	0.0	0.0	ND/ND+Equity (%)	(%)	-3.5%	-43.9%	48.1%	69.1%	67.7%						
Debt	(1.0)	(0.4)	(0.1)	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0						
Dividends paid	0.0	0.0	0.0	0.0	0.0	ROA		-88.8%	-52.0%	-45.9%	-2.5%	23.4%						
Net cash flow for year	1.1	2.2	(4.6)	(1.3)	3.0	ROE		-111%	-64%	-65%	-8%	55%						
Balance sheet (A\$m)						ROIC		-228%	-148%	-108%	-5%	30%						
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	1.9	1.9	1.9	Working capital		-	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%	59%	264%	110%						
Other current assets	1.8	2.0	3.5	8.7	16.6	EBIT growth pa		n/a	n/a	n/a	n/a	-1556%						
Total current assets	3.2	5.6	5.5	11.3	20.0	Pricing		FY16A	FY17A	FY18F	FY19F	FY20F						
PPE	0.0	0.1	0.1	0.2	0.3	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	- 1.05	- 0.09	0.83						
Deferred tax asset	0.0	0.0	0.6	0.9	0.9	EPS Normalised/Diluted	cps	- 3.99	- 1.58	- 1.08	- 0.09	0.85						
Loan receivables	6.0	4.7	5.8	5.5	7.9	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	-996%						
Total non current assets	6.6	5.3	7.1	7.1	9.6	DPS	cps	-	-	-	-	-						
Total Assets	9.8	10.8	12.6	18.4	29.6	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	5.3	11.9	16.8	Dividend imputation		28	28	28	28	28						
Tax payable	0.0	0.0	0.0	0.0	0.0	PE (x)		-	-	-	-	-						
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	5.5	12.0	16.9	Premium/(discount)					-100%	-75%						
Long term debt	0.0	0.0	1.6	1.3	3.7	EV/EBITDA		- 1.4	- 2.1	- 3.7	- 69.5	5.9						
Other non current liabs	0.0	0.0	0.0	0.0	0.0	FCF/Share	cps	-3.2	-0.6	-1.1	-0.3	0.7						
Total long term liabilities	0.0	0.0	1.6	1.3	3.7	Price/FCF share		- 1	- 5	- 3	- 12	4.7						
Total Liabilities	1.9	1.6	7.1	13.3	20.7	Free Cash flow Yield		-99.6%	-19.1%	-34.0%	-8.1%	21.3%						
Net Assets	7.9	9.2	5.5	5.1	8.9													
Share capital	22.4	28.6	29.3	29.3	29.3													
Accumulated profits/losses	(15.4)	(20.8)	(25.5)	(26.0)	(22.1)													
Reserves	0.8	1.4	1.8	1.8	1.8													
Minorities	0.0	0.0	0.0	0.0	0.0													
Total Shareholder funds	7.9	9.2	5.5	5.1	8.9													

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: 11th 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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 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

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

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