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Wisr

Q2FY20 loans up 88%, cumulative loans now \$163.8m

Wisr Limited (ASX:WZR) is an online consumer lending platform focused on financial wellness and competing in the rapidly growing marketplace lending sector. The company has announced that it added \$31.6m in new loans in Q2 FY20, an increase of 88% on the previous corresponding quarter and the first time that the company has written more than \$30m loans in a quarter. Wisr noted that its new NAB funding facility was operational in the quarter, delivering triple the average margin on its previous loan economics. Wisr's cumulative loan book ended CY 2019 at \$163.8m, ahead of our forecast for \$160.8m and, in our view, puts the company on track to meet or exceed our forecast for \$240m in cumulative loans in FY20. Our base case DCF valuation (WACC 14.0%, terminal value 2.2%) is \$0.55/share and estimates that Wisr will have a 7.0% share of the consumer credit market by the end of FY29.

Business model

Wisr writes personal loans to Australian consumers for 3- and 5-year maturities and on-sells these loans either through internal mechanisms or to institutional, retail and wholesale investors. Wisr has used its technology platform to launch a range of non-lending initiatives, including WisrCredit, a comparison site for credit scores, WisrApp, which encourages consumers to round up small transactional purchases and use this to pay down debt, and Wisr@Work which partners with companies and organisations to deliver financial wellness to employees. These initiatives are driving down Wisr's cost of acquisition.

Loan book acceleration increases

The company added \$31.6m new loans in Q2 FY20, an increase of 36% on the previous quarter and an 88% increase on the previous corresponding quarter in FY19. This is the first time the loan book has increased by more than \$30m in a quarter, bringing the cumulative loan book to \$163.8m and ahead of our forecast for \$160.8m. With Q3 and Q4 both traditionally stronger quarters than Q2 for personal loans, we see Wisr on track to meet or exceed our forecast for a cumulative loan book of \$240m by the end of Q4 FY20. As we highlighted in our report [Growth trajectory earns a valuation upgrade](#), we anticipated that Wisr's loan book would emulate its international (Lending Club) and domestic (SocietyOne and Ratesetter) peers once its loan book surpassed \$100m, which it achieved in Q4 FY19. We highlighted our forecasts in our recent report, [NAB loan deal triples margin, DCF rises to \\$0.55/share](#).

Base case valuation is \$0.55/share

Our base case valuation is \$0.55/share fully diluted (WACC 14% and terminal value in year 10 of \$0.34/share) and assumes that Wisr's cumulative loan book will surpass \$1bn by June 2022. We have included the dilutionary effect of 52.9m performance shares in our DCF valuation. Our forecasts are predicated on the company following a similar growth trajectory to its Australian and international peers. Our base case implies that at 30 June 2029, WZR will have 7.0% share of Australia's ~\$110bn consumer credit market.

Historical earnings and RaaS Advisory estimates (in A\$m)

Year end	Revenue	EBITDA reported	NPAT reported	EPS (c)	EV/Sales (x)	PER (x)
06/19a	3.0	(5.8)	(6.0)	(1.03)	38.4	n/a
06/20e	6.5	(5.1)	(6.2)	(0.75)	31.1	n/a
06/21e	14.6	0.0	(1.8)	(0.22)	15.0	n/a
06/22e	25.5	8.2	2.6	0.32	9.0	75.0

Source: Company data, RaaS Advisory Estimates for FY20e, FY21e, FY22e

Share details

ASX Code	WZR
Share Price (intraday)	\$0.24
Market Capitalisation	\$194.2M
Number of shares	827M
Enterprise Value	~\$184M
Sector	Online lending
Free Float	~60%

Share price performance (12-months)



Upside Case

- Board and management team experienced in building financial services businesses
- Well capitalised following \$15m raising and Tier 1 Backer for loan book
- Loan book is growing faster than its larger peers

Downside Case

- Small player in a segment that commands 1% of the personal lending market
- Personal loans market highly competitive
- Takeover potential could diminish the upside for share

Catalysts

- Surpassing \$200m in cumulative loans
- Further evidence of NAB margin uplift

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FINANCIAL SERVICES GUIDE

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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