

Momentum is with us...

SelfWealth (SWF) was established in 2012 and has developed to offer a range of services to investors and advisers including flat fee brokerage, portfolio and trading analysis based on community trends and building on trends seen in the US share markets. SWF focuses on both younger investors, who may not have existing relationships with large financial institutions, and other first-time investors. The platform allows investors to benchmark portfolios and trades against SelfWealth community positions and absolute measures highlighting popular investment choices and comparing risk levels. SWF now provides trading and portfolio services to individuals, companies, trusts, SMSF and advised accounts. Low returns in other asset classes has driven take-up of SWF's low-cost trading product this year, accelerating previous trends and allowing SWF to record its first cashflow positive quarter in June 2020. In recognition of the pace of change SWF raised \$3m in new equity in March 2020. An ETF was launched on November 2019 based on the best performing portfolios managed on the SWF platform. The ETF (ASX:SELF) is capitalised at \$93m. SWF's founder Andrew Ward stepped down as Managing Director in May 2020 and was replaced with Robert Edgley, an existing Director, who, had been acting in the CEO capacity from November 2019. Mr Edgley became Managing Director on 15 May 2020.

Business model

SWF generates revenues from trading commissions and fees associated with managing client money via ETF and other platforms. SWF's success is contingent on growth in client cash held on the platform and to increase those clients' propensity to trade via education and providing social feedback on popular and widely held positions. Additional services provided are beginning to attract subscription fees and these (E.g. US market access) may become an important part of the revenue model. Increased penetration of the Financial Adviser segment may also drive revenues.

Recent company commentary

The FY2020 result demonstrated a marked acceleration in active traders to 50,000+, and trading volumes have growth in pace since the COVID-19 pandemic has slowed the physical economy. In the course of the year active trader numbers increased from 13,856 to 46,445 and trade numbers rose from 164,999 to 659,131. The market decline in March has increased trading frequency and driven a sharp increase in revenue from FY19 \$1.4m to FY20 \$5.5m. SWF exited FY20 with a cash positive quarter and the possibility of being cashflow positive for FY2021.

Challenging the challengers...?

SWF is still at an early stage of development relative to similar firms such as Netwealth (ASX:NWL) and Hub24 (ASX:HUB). These companies are focused on taking market share in the advice sector by providing more flexible and less conflicted investment platforms to financial advisers and their clients. SWF also targets advisers dealing in direct equities through its SelfWealth Adviser Platform but its focus on retail investors, particularly those new to share markets, differentiates it from these peers. This segment is proving capable of quick growth.

Historical earnings and ratios

Year end	Revenue ^A (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS c)	EV/Sales# (x)
06/17a	0.09	(1.99)	(3.23)	na	n.a.
06/18a	0.62	(5.32)	(5.35)	(4.68)	27.7
06/19a	1.39	(3.37)	(3.45)	(2.35)	13.5
06/20a	5.51	(2.67)	(2.78)	(1.55)	15.4

Source: Company data ^Aexc interest earned on client trading accounts #Year end prices used

Investment Services

4 September 2020

Share details

ASX Code	SWF
Share price (3-Sep)	\$0.795
Market Capitalisation	\$156M
Shares on issue	197.65M
Net cash at 30/06/2020	\$5.26M
Free float	58.3%

Share performance (12 months)



Upside Case

- Increasing momentum-based trading by retail investors
- Low returns from other asset classes
- Rise in numbers of new investors

Downside Case

- Markets normalise reducing trading activity
- Large brokers reduce trading fees in response to competition.
- Regulation oversight increases

Catalysts/upcoming events

- Evidence of continued positive cashflows in Q1 FY21
- AGM Commentary (circa 20 November)

Comparable companies (Aust/NZ)

Netwealth (ASX:NWL), HUB24 (ASX:HUB), Praemium (ASX:PPS), Onevue (ASX:OVH)

Top 5 shareholders

LGGC Pty Ltd	8.46%
BNP Paribas Nominees	7.74%
Anthony Woolley	5.57%
Andrew Ward (founder)	5.49%
SBW Holdings Pty Ltd	4.64%

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

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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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