

# Trustees Australia Limited

## Cashwerkz driving simplicity into term deposits and bonds

Trustees Australia Ltd (TAU.AX) recently merged with Cashwerkz, a Fintech business which has developed and operates an online term deposit marketplace and cash management platform. The platform offers a once-only identity verification process which, when accepted by the authorised deposit taking institutions (ADIs) on the platform, allows investors to move their maturing investments from one ADI to another without the need for further identity checks. Trustees Australia, which owns RIM Securities, an independent specialist fixed interest business, will use the Cashwerkz platform to automate its business, secure a greater share of the cash deposit taking market and offer the platform as a Software as a Service (SaaS) solution to ADIs and other institutions. The company is in the process of raising up to \$10m at \$0.20/share to fund Cashwerkz' growth trajectory and working capital requirements.

## Scope of report

This is an executive summary of a 24-page positioning paper commissioned by Trustees Australia and Cashwerkz and published on August 23, to present investors with an explanation of the business model, how Cashwerkz will operate within the frame of Trustees Australia and to explore the value created from a range of possible outcomes.

## Business model

Cashwerkz has developed a patent pending, streamlined Identity Verification and Management process which saves time and money for both consumers and authorised deposit taking institutions (ADIs). The merger between Cashwerkz and TAU brought together Cashwerkz' platform and technology and RIM Securities' established reputation and relationships with around 40 ADIs. RIM Securities has been operating for more than 13 years in the market and plans to migrate customers, and enhance the platform, to transact investments across all segments that invest in term deposits and other products using the Cashwerkz platform. For each dollar transacted through the platform Cashwerkz receives a commission rate of 0.10%. Cashwerkz' platform initially targets Term Deposits (TDs) but can be adapted to other financial products. The Identity Verification and Management system has the capacity to be sold as a separate product on a global scale. This is not included in our forecasts at this stage.

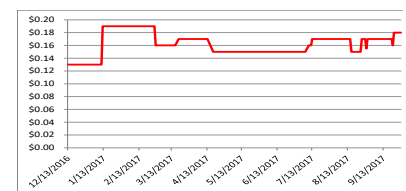
## Indicative valuation

Cashwerkz is an early stage, pre-revenue company. By merging with TAU, the company has immediate access to ADIs and a range of segments such as dealer groups, direct investors, Self-Managed Superannuation Funds (SMSFs), middle market participants, corporates, industry funds, fund managers and financial institutions. Our base case forecasts, which are discussed in more detail in the full report, deliver a DCF valuation of \$0.39/share (WACC of 11.7%, Beta of 1.5 and terminal growth rate of 2.2%). Our upside case, which sees Cashwerkz securing 1.14% of the \$2trillion cash deposits market by 2025, is \$0.55/share. Our downside case of \$0.09/share assumes the company secures less than 0.5% of this market by 2025. We would expect a significant gap between the DCF valuation (a fundamental valuation based on an early stage company achieving a strong growth trajectory) and the price that the market is prepared to pay. We see this gap closing as Cashwerkz demonstrates that it can attract and convert retail, wholesale and institutional customers to its platform.

### Share details

ASX Code	TAU
Share price at 29 Sept 17	\$0.18
Market Capitalisation	\$15.5M
Shares on issue	86.0M
Shares on issue post cap raise	136.0M

### Share performance (12 months)



### Upside Case

- White label opportunities for Identity Verification and Management technology
- Cash and term deposits remain one of the largest pools for SMSFs
- RIM Securities delivers a strong track record with ADIs

### Downside Case

- Financial comparison space is highly competitive
- Users can take information and transact offline
- Needs support of ADIs/dealer groups to succeed

### Board of Directors

Michael Hackett	Non-Executive Chairman
Brook Adcock	Non-Executive Director
Nathan Leman	Non-Executive Director
John Nantes	Non-Executive Director

### Company contacts

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[www.cashwerkz.com.au](http://www.cashwerkz.com.au)  
[www.trusteesaustralia.com.au/www.rimsec.com/](http://www.trusteesaustralia.com.au/www.rimsec.com/)  
[www.redgateam.com.au](http://www.redgateam.com.au)

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## Financial Summary

Trustees Australia Ltd (TAU.AX)						Share price ( 29 Sept 2017)						A\$	0.18								
<b>Profit and Loss (A\$m)</b>						<b>Interim (A\$m)</b>						H116A	H216A	H117A	H217A	H118F	H218F				
Y/E 30 Jun	FY15A	FY16A	FY17A	FY18F	FY19F	Revenue	0.0	3.9	0.1	1.2	1.5	1.9	EBITDA	0.0	(0.6)	(0.6)	0.5	(1.2)	(0.8)		
						EBIT	0.0	(0.6)	(0.8)	0.5	(1.2)	(0.8)	NPAT (normalised)	0.0	(0.6)	(0.6)	0.3	(0.9)	(0.5)		
Revenue	3.7	3.9	1.3	3.3	6.5	Minorities	0.0	0.0	0.0	0.0	0.0	0.0	NPAT (reported)	0.0	(0.6)	(0.6)	(1.3)	(0.9)	(0.5)		
EBITDA	(0.5)	(0.6)	(0.1)	(2.1)	1.0	EPS (normalised)	0.00	(1.92)	(1.67)	(1.52)	(0.63)	(0.38)	EPS (reported)	0.00	(1.92)	(1.67)	0.35	(0.78)	(0.38)		
Depn	0.0	0.0	(0.2)	(0.0)	(0.0)	Dividend (cps)	0.0	0.0	0.0	0.0	0.0	0.0	Imputation	30.0	30.0	30.0	30.0	30.0	30.0		
Amort	0.0	0.0	0.0	0.0	0.0	Operating cash flow	0.0	(0.5)	(0.3)	0.0	(1.3)	(0.7)	Free Cash flow	0.0	(0.2)	(0.2)	0.1	(1.3)	(0.7)		
EBIT	(0.5)	(0.6)	(0.3)	(2.1)	1.0	Divisions	H116A	H216A	H117A	H217A	H118F	H218F	Cashwerkz				0.0	0.0	0.7	1.1	
Interest	(0.0)	(0.0)	0.0	0.1	0.2	RIM securities				0.0	0.1	0.1	0.4	0.4							
Tax	0.0	0.0	0.0	0.6	(0.4)	TAU				0.0	0.0	0.1	0.1	0.1							
Minorities	0.0	0.0	0.0	0.0	0.0	Redgate				0.0	0.0	0.3	0.3								
Equity accounted assoc	0.4	0.2	0.0	0.0	0.0	<b>Total REVENUE</b>		3.9	0.1	1.2	1.5	1.9	Cashwerkz				(0.4)	(0.4)	(1.1)	(0.7)	
NPAT pre significant items	(0.1)	(0.5)	(0.3)	(1.4)	0.9	Operating cash flow							RIM securities				(0.1)	(0.1)	(0.3)	(0.2)	
Significant items	0.7	0.2	(1.6)	0.0	0.0	Free Cash flow							TAU				(0.1)	(0.1)	(0.2)	(0.2)	
NPAT (reported)	0.6	(0.3)	(1.9)	(1.4)	0.9	Dividends paid							Redgate				(0.0)	(0.0)	0.3	0.3	
<b>Cash flow (A\$m)</b>						<b>Margins, Leverage, Returns</b>						FY15A	FY16A	FY17A	FY18F	FY19F					
Y/E 30 Jun	FY15A	FY16A	FY17A	FY18F	FY19F	EBITDA		(12.8%)	(15.4%)	(7.5%)	(61.9%)	16.2%	EBIT		(12.8%)	(15.4%)	(21.6%)	(61.9%)	16.2%		
EBITDA	(0.5)	(0.6)	(0.1)	(2.1)	1.0	NPAT pre significant items		(3.9%)	(11.8%)	(19.6%)	(41.3%)	13.2%	Net (Debt)/ Cash		0.5	0.4	0.5	8.6	9.4		
Interest	(0.0)	(0.0)	(0.0)	0.1	0.2	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	9.0	ND/ND+Equity (%)	(%)	(5.1%)	(5.2%)	(8.5%)	(121.2%)	(133.3%)		
Tax	0.0	0.0	0.0	0.0	(0.4)	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.2	ROA		(5.3%)	(6.4%)	(2.8%)	(14.7%)	5.6%		
Working capital changes	0.2	1.3	(0.2)	(0.0)	0.0	ROE		5.9%	(3.0%)	(23.2%)	(12.1%)	5.3%	ROIC		(5.2%)	(15.2%)	(8.6%)	(67.4%)	46.1%		
Operating cash flow	(0.3)	0.7	(0.3)	(2.0)	0.9	NTA (per share)			0.2	0.2	0.1	0.1	Working capital		(0.5)	(0.3)	(0.0)	0.0	0.0		
Mtce capex	(0.2)	(0.2)	(0.2)	(0.0)	(0.0)	WC/Sales (%)		(13.0%)	(8.7%)	(1.7%)	0.0%	0.0%	Revenue growth			6.7%	(67.2%)	157.2%	94.2%		
Free cash flow	(0.6)	0.5	(0.5)	(2.0)	0.9	EBIT growth pa			n/a	n/a	n/a	(150.7%)	Pricing		FY15A	FY16A	FY17A	FY18F	FY19F		
Growth capex	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	-	33	33	136	136	Weighted Av Dil Shares	(m)	191	33	33	111	136		
Acquisitions/Disposals	0.9	(0.5)	0.0	0.0	0.0	EPS Reported	cps	0.63	(1.92)	(6.20)	(1.01)	0.63	EPS Normalised/Diluted	cps	(1.52)	(1.92)	(6.20)	(1.15)	0.63		
Other	0.0	0.0	0.0	0.0	0.0	EPS growth (norm/dil)			n/a	n/a	n/a	(154.6%)	DPS	cps	-	-	-	-	-		
Cash flow pre financing	(0.2)	0.5	(1.0)	(4.0)	1.7	DPS Growth			n/a	n/a	n/a	n/a	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%		
Equity	0.0	0.0	0.0	10.0	0.0	Dividend imputation			30	30	30	30	30	30	PE (x)	28.7	-	-	-	28.7	
Debt	(0.0)	0.0	0.6	0.0	0.0	PE market					15.8	15.8	15.8	81%	Premium/(discount)						
Dividends paid	0.1	0.0	0.0	0.0	0.0	EV/EBITDA			(1.1)	(9.1)	(55.5)	(7.7)	14.4	FCF/Share	cps		2.17	(0.91)	(1.46)	0.63	
Net cash flow for year	(0.2)	0.5	(0.4)	6.0	1.7	Price/FCF share					8.3	(19.8)	(12.3)	28.6	Free Cash flow Yield			12.0%	(5.0%)	(8.1%)	3.5%
<b>Balance sheet (A\$m)</b>																					
Y/E 30 Jun	FY15A	FY16A	FY17A	FY18F	FY19F																
Cash	0.5	0.5	0.5	8.6	9.4																
Accounts receivable	0.6	0.6	0.3	0.0	0.0																
Inventory	0.0	0.0	0.0	0.0	0.0																
Other current assets	0.2	1.9	8.2	8.2	8.2																
Total current assets	1.4	3.0	9.0	16.8	17.6																
PPE	4.3	4.9	0.0	0.0	0.0																
Goodwill	0.9	0.9	0.8	0.8	0.8																
Other intangibles	0.0	0.0	0.0	0.0	0.0																
Deferred tax asset	0.0	0.0	0.0	0.6	0.6																
Other	2.4	1.1	0.0	0.0	0.0																
Total non current assets	7.6	6.9	0.8	1.4	1.4																
Total Assets	9.0	9.9	9.8	18.2	19.0																
Accounts payable	1.1	1.0	0.3	0.0	0.0																
Short term debt	0.0	0.0	0.0	0.0	0.0																
Tax payable	0.0	0.0	0.0	0.0	0.0																
Other current liabilities	0.0	0.0	2.5	2.5	2.5																
Total current liabilities	1.2	1.0	2.8	2.5	2.5																
Long term debt	0.0	0.0	0.0	0.0	0.0																
Other non current liabs	0.0	0.0	0.0	0.0	0.0																
Total long term liabilities	0.0	0.0	0.0	0.0	0.0																
Total Liabilities	1.2	1.0	2.8	2.5	2.5																
Net Assets	7.8	8.9	7.0	15.7	16.5																
Share capital	4.1	4.1	4.1	14.1	14.1																
Accumulated profits/losses	5.1	4.8	2.9	1.6	2.4																
Reserves	0.4	0.2	0.0	0.0	0.0																
Minorities	0.0	0.0	0.0	0.0	0.0																
Total Shareholder funds	9.6	9.0	7.0	15.6	16.5																



# 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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This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS’s services and includes such things as

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

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RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

**What Financial Services are we authorised to provide?** RaaS is authorised to

- 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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BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.



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