

Trustees Australia Limited

Interim result reflects funding lag

Trustees Australia Ltd (TAU.AX) owns Cashwerkz, a fintech business which developed and operates an online term deposit marketplace and cash management platform, RIM Securities, an independent specialised fixed interest business, Redgate Asset Management, and the Trustees Australia custodial business. Pre-merger in August 2017, TAU announced it would raise up to \$10m at \$0.20/share to fund Cashwerkz' growth trajectory and working capital requirements. The capital raise has yet to take place and this delay has had the effect of slowing Cashwerkz' rollout. The interim result, released on February 28, reflect this time lag. TAU reported H118 revenue of \$0.42m and a net loss pre one-off items of \$2.2m. This was below our forecasts for \$1.5m in revenue and a \$0.9m net loss. We have adjusted our forecasts accordingly, resulting in a reduction in the DCF valuation to \$0.35/share (previously \$0.39/share).

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 is in the process of migrating customers to the platform. Cashwerkz' platform initially targets Term Deposits (TDs) but can be adapted to other financial products.

Earnings adjustments and valuation

TAU reported NPAT of \$1.332m for H118 after posting a \$2.85m gain on the purchase of Cashwerkz, writing back an impairment expense of \$0.15m and posting a profit of \$0.5m on the demerger with Jimmy Crow (JCC.NSX). Underlying NPAT loss of \$2.2m was below our forecast for a net loss of \$0.9m and reflected the lag in the rollout of Cashwerkz. We have adjusted our FY18 and FY19 forecasts to reflect this lag and this has resulted in a paring back of revenue forecasts by 66% and 53% respectively and this has flowed through to the bottom line. We now expect TAU to report net losses (pre-one-off items) of \$4.0m (previously \$1.4m) in FY18 and \$2.6m (previously \$0.7m NPAT) in FY19. Our base case forecasts deliver a DCF valuation of \$0.35/share (previously \$0.39/share) using a WACC of 11.7%, Beta of 1.5 and terminal growth rate of 2.2%. We would expect a significant gap between the DCF valuation (a fundamental valuation based 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.

Historical earnings and RaaS estimates

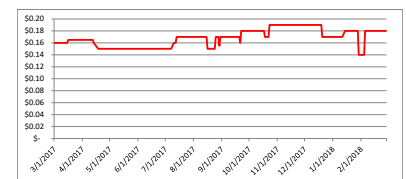
Year end	Revenue (\$m)	EBITDA* (\$m)	NPAT* (\$m)	EPS* (c)	P/E (x)
Jun-16	3.9	(0.6)	(0.5)	(1.9)	n/a
Jun-17	1.3	(0.1)	(0.3)	(6.2)	n/a
Jun-18e	1.1	(3.7)	(4.0)	(5.2)	n/a
Jun-19e	3.0	(2.4)	(2.6)	(3.0)	n/a

Source: TAU data, RaaS Advisory forecasts *NPAT pre significant items

Share details

ASX Code	TAU
Share price at 2 March	\$0.18
Market Capitalisation	\$15.5M
Shares on issue	86.0M
Enterprise value	\$16.8M
Net debt at 31 Dec 17	\$1.3M

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

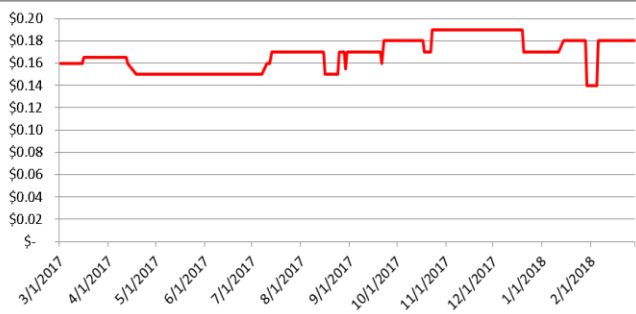
Hector Ortiz Chief Executive Officer	+61 413 418 808 hortiz@rimsec.com
---	--------------------------------------

www.cashwerkz.com.au
www.trusteesaustralia.com.au/www.rimsec.com/
www.redgateam.com.au

RaaS Advisory contacts

Finola Burke	+61 414 354 712 finola.burke@raasgroup.com
Moirra Daw	+61 418 697 275 moirra.daw@raasgroup.com

Financial Summary

Trustees Australia Ltd (TAU.AX)						Share price (1 March 2018)						A\$	0.18	
Profit and Loss (A\$m)						Interim (A\$m)								
Y/E 30 Jun	FY15A	FY16A	FY17A	FY18F	FY19F	H116A	H216A	H117A	H217A	H118F	H218F			
Revenue	3.7	3.9	1.3	1.1	3.0	0.0	3.9	0.5	0.8	0.5	0.7			
EBITDA	(0.5)	(0.6)	(0.1)	(3.7)	(2.4)	0.0	(0.6)	(0.3)	0.2	(1.6)	(2.0)			
Depn	0.0	0.0	(0.2)	(0.5)	(0.1)	0.0	(0.6)	(0.4)	0.1	(2.2)	(2.6)			
Amort	0.0	0.0	0.0	(0.5)	(1.0)	0.0	(0.6)	(0.4)	0.1	(2.2)	(1.8)			
EBIT	(0.5)	(0.6)	(0.3)	(4.7)	(3.5)	0.0	(0.6)	(0.4)	0.1	(2.2)	(1.8)			
Interest	(0.0)	(0.0)	0.0	(0.1)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0			
Tax	0.0	0.0	0.0	0.8	1.1	0.0	0.0	0.0	0.0	0.0	0.0			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Equity accounted assoc	0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
NPAT pre significant items	(0.1)	(0.5)	(0.3)	(4.0)	(2.6)	0.0	(0.6)	(0.7)	(1.2)	1.3	(1.8)			
Significant items	0.7	0.2	(1.6)	0.0	0.0	0.0	(0.6)	(0.7)	(1.2)	1.3	(1.8)			
NPAT (reported)	0.6	(0.3)	(1.9)	(4.0)	(2.6)	0.00	(1.92)	(2.02)	(1.38)	1.84	(2.12)			
Cash flow (A\$m)						Share price chart 12 months								
Y/E 30 Jun	FY15A	FY16A	FY17A	FY18F	FY19F									
EBITDA	(0.5)	(0.6)	(0.1)	(3.7)	(2.4)									
Interest	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)									
Tax	0.0	0.0	0.0	0.0	0.0									
Working capital changes	0.2	1.3	(0.2)	0.5	0.0									
Operating cash flow	(0.3)	0.7	(0.3)	(3.2)	(2.6)									
Mlce capex	(0.2)	(0.2)	(0.2)	(0.8)	(1.1)									
Free cash flow	(0.6)	0.5	(0.5)	(4.0)	(3.6)									
Growth capex	0.0	0.0	0.0	0.0	0.0									
Acquisitions/Disposals	0.9	(0.5)	0.0	0.0	0.0									
Other	0.0	0.0	0.0	(0.3)	0.0									
Cash flow pre financing	(0.2)	0.5	(1.0)	(8.3)	(7.3)									
Equity	0.0	0.0	0.0	3.1	0.0									
Debt	(0.0)	0.0	0.6	0.2	0.0									
Dividends paid	0.1	0.0	0.0	0.0	0.0									
Net cash flow for year	(0.2)	0.5	(0.4)	(5.1)	(7.3)									
Balance sheet (A\$m)						Margins, Leverage, Returns								
Y/E 30 Jun	FY15A	FY16A	FY17A	FY18F	FY19F	FY15A	FY16A	FY17A	FY18F	FY19F				
Cash	0.5	0.5	0.5	(1.5)	(5.2)	EBITDA	(12.8%)	(15.4%)	(7.5%)	(320.6%)	(79.3%)			
Accounts receivable	0.6	0.6	0.3	0.0	0.0	EBIT	(12.8%)	(15.4%)	(21.6%)	(414.2%)	(114.9%)			
Inventory	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	(3.9%)	(11.8%)	(19.6%)	(353.2%)	(84.5%)			
Other current assets	0.2	1.9	8.2	0.3	0.3	Net (Debt)/ Cash		0.5	0.4	0.5	(4.1)	(7.8)		
Total current assets	1.4	3.0	9.0	(1.2)	(4.8)	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	n/a		
PPE	4.3	4.9	0.0	0.7	1.7	ND/ND+Equity (%)	(%)	(5.1%)	(5.2%)	(8.5%)	34.7%	59.8%		
Goodwill	0.9	0.9	0.8	0.2	0.2	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	n/a		
Other intangibles	0.0	0.0	0.0	10.0	9.0	ROA		(5.3%)	(6.4%)	(2.8%)	(46.2%)	(37.3%)		
Deferred tax asset	0.0	0.0	0.0	0.8	1.9	ROE		5.9%	(3.0%)	(23.2%)	(54.5%)	(39.3%)		
Other	2.4	1.1	0.0	0.0	0.0	ROIC		(5.2%)	(15.2%)	(8.6%)	(66.2%)	(57.5%)		
Total non current assets	7.6	6.9	0.8	11.8	12.8	NTA (per share)				0.2	0.2	0.1	0.1	
Total Assets	9.0	9.9	9.8	10.6	8.0	Working capital				(0.5)	(0.3)	(0.0)	0.0	
Accounts payable	1.1	1.0	0.3	0.0	0.0	WCI/Sales (%)				(13.0%)	(8.7%)	(1.7%)	0.0%	
Short term debt	0.0	0.0	0.0	2.6	2.6	Revenue growth				6.7%	(67.2%)	(11.9%)	164.9%	
Tax payable	0.0	0.0	0.0	0.0	0.0	EBIT growth pa				n/a	n/a	n/a	n/a	
Other current liabilities	0.0	0.0	2.5	0.0	0.0	Pricing				FY15A	FY16A	FY17A	FY18F	FY19F
Total current liabilities	1.2	1.0	2.8	2.6	2.6	No of shares (y/e)	(m)	-	33	33	86	86		
Long term debt	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	191	33	33	72	86		
Other non current liab	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	0.63	(1.92)	(6.20)	(0.29)	(2.97)		
Total long term liabilities	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	(1.52)	(1.92)	(6.20)	(5.16)	(2.97)		
Total Liabilities	1.2	1.0	2.8	2.6	2.6	EPS growth (norm/dil)				n/a	n/a	n/a	n/a	
Net Assets	7.8	8.9	7.0	8.0	5.4	DPS	cps	-	-	-	-	-		
Share capital	4.1	4.1	4.1	12.2	12.2	DPS Growth				n/a	n/a	n/a	n/a	
Accumulated profits/losses	5.1	4.8	2.9	(4.4)	(6.9)	Dividend yield				0.0%	0.0%	0.0%	0.0%	
Reserves	0.4	0.2	0.0	0.0	0.0	Dividend imputation				30	30	30	30	
Minorities	0.0	0.0	0.0	0.0	0.0	PE (x)				28.7	-	-	-	
Total Shareholder funds	9.6	9.0	7.0	7.8	5.2	PE market					15.8	15.8	15.8	
						Premium/(discount)							-100%	
						EV/EBITDA				(1.1)	(9.1)	(55.5)	(5.4)	(9.7)
						FCF/Share	cps			2.17	(0.91)	(3.71)	(2.99)	
						Price/FCF share				8.3	(19.8)	(4.9)	(6.0)	
						Free Cash flow Yield				12.0%	(5.0%)	(20.6%)	(16.6%)	



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



About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License (“AFSL”) number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

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

Contact Details, BR and RaaS

BR Head Office: Level 2, 129 Robertson Street, Fortitude Valley QLD, 4006

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns a fee from companies for providing a research report and/or a financial model on the company, for dealing in its securities or for assisting in raising capital. You don’t pay anything.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS’s representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should

- contact your Adviser and tell them about your complaint, the adviser will follow our internal dispute resolution policy, including sending you a copy of the policy if required
- 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

Professional Indemnity Insurance

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.



DISCLAIMER and DISCLOSURES

This report has been commissioned by Trustees Australia Ltd and prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however neither Trustees Australia Ltd nor RaaS Advisory guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the previous two pages. RaaS Advisory holds Corporate Authorised Representative no 1248415 of AFSL 456663. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. Past performance is not a guarantee of future performance. To the maximum extent permitted by law, RaaS Advisory, its affiliates, the respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. Copyright 2018 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.