

## Wisr

### Wisr@Work partners with Smartgroup

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 it has signed a three-year agreement with Smartgroup Corporation Ltd (ASX:SIQ) to partner on the distribution of Wisr's ecosystem of financial wellness products. This agreement is the second significant partnership for the Wisr@Work program that the company launched in July 2018 and positions Wisr to deliver its consumer loans and financial wellness products, WisrApp which helps Australians pay down debt and WisrCredit.com.au, the online credit score comparison service, to Smartgroup's 4,000 employer clients. Our base case DCF valuation (WACC 14.0%, terminal value 2.2%) is \$0.29/share and estimates that WZR will have a 7.5% share of the consumer credit market by the end of FY28. An upside case valuation of \$1.51/share, which uses the same discount rate and valuation parameters, estimates a 23% share of the consumer credit market.

### 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. The company passed \$86.9m in loan originations after writing \$47m in new loans in the nine months to Q319, an increase of 367% on the same period in FY18. We are forecasting that the company writes \$109m loans in FY19. Wisr has used its technology platform to launch a range of non-lending initiatives, including WisrCredit.com.au, 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.

### Wisr@Work continued validation

The Smartgroup partnership is the second significant agreement for Wisr@Work and provides continued validation for the model. Smartgroup has approximately 4,000 employer clients employing in aggregate more than 1m people and more than 340,000 salary packaging customers. Wisr@Work also has previously announced it had partnered with O.C. Tanner, a global leader in workplace culture, to offer Wisr's financial wellness products to its Australian employer clients.

### Base case valuation is \$0.29/share

Our base case valuation is \$0.29/share fully diluted (WACC 14% and terminal value in year 10 of \$0.172/share) and assumes that Wisr's cumulative loan book will surpass \$1bn by June 2022. 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 2028, WZR will have 7.5% 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)
0618a	1.6	(6.1)	(6.2)	(1.4)	48.3	n/a
06/19e	3.3	(6.0)	(6.3)	(1.1)	36.6	n/a
06/20e	9.3	(1.9)	(2.6)	(0.3)	14.4	n/a
06/21e	18.8	5.9	3.1	0.41	8.0	44.5

Source: Company data, RaaS Advisory Estimates for FY19e, FY20e, FY21e

#### Share details

ASX Code	WZR
Share Price (intraday)	\$0.175
Market Capitalisation	\$138.3M
Number of shares	790.2M
Enterprise Value	~\$115M
Sector	Online lending
Free Float	~63%

#### Share price performance (12-months)



#### Upside Case

- Board and management team experienced in building financial services businesses
- Well capitalised following \$15m raising and strong backers (255 Finance and Bendigo and Adelaide Bank) for its 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
- Competitors aggressively grabbed market share in the 18 months Wisr was regrouping
- Takeover potential could diminish the upside for share

#### Catalysts

- Continued evidence of loan book growth
- Additional Wisr@Work partnership agreements

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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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