

22<sup>nd</sup> November 2019

## Wisr

### Cumulative loan book hits \$150m

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 average daily settlements have now hit close to \$500,000, bringing the cumulative loan book to date to \$150m. This puts Wisr on track to meet or exceed our forecast for \$160m in cumulative loans in H1 FY20. Our base case DCF valuation (WACC 14.0%, terminal value 2.2%) is \$0.55/share and estimates that WZR's cumulative loan book will reach \$240m in FY20, rising to \$899m by FY22 and that Wisr will have a 7.0% share of the consumer credit market by the end of FY29. An upside case valuation of \$2.25/share, which uses the same discount rate and valuation parameters, estimates a 20% share of the consumer credit market by 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.

### Acceleration increases

The company has reached \$150m in cumulative loans this quarter to date after experiencing an acceleration in average daily settlements, which are approaching \$500,000. The \$150m mark was achieved with the initial \$50m taking 45 months to originate, the second \$50m taking more than 8 months and the most recent \$50m written in less than 6 months. 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. Wisr noted that daily settlements are up more than 105% on the same period last year. This puts Wisr on track to meet or exceed our forecast for H1FY20 cumulative loans of \$160m. 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)	21.3	n/a
06/20e	6.5	(5.1)	(6.2)	(0.75)	19.6	n/a
06/21e	14.6	0.0	(1.8)	(0.22)	9.9	n/a
06/22e	25.5	8.2	2.6	0.32	6.1	46.9

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

#### Share details

ASX Code	WZR
Share Price (intraday)	\$0.15
Market Capitalisation	\$124.0M
Number of shares	827M
Enterprise Value	~\$114M
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
- Competitors aggressively grabbed market share in the 18 months Wisr was regrouping
- 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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AFSL 456663

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

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