

# Raiz Invest Limited (ASX: RZI)

Initiating Coverage

December 2018

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### Investment Profile

Share price (\$) as at 5 December 2018	0.56
Issued capital:	
Ordinary shares (M)	21.3
Ordinary shares restricted (M)	45.0
Options (M)	6.4
Fully Diluted (M)	72.7
Fully Diluted Market capitalisation (\$M)	40.7
12-month Share Price Low/High (\$)	0.50/1.79

### Board and Management

Peter Fay: Chairman
George Lucas: CEO and Managing Director
Kieran Moore: Director
David Gordon: Director
Nina Finlayson: Director
Brendan Malone: COO
James Poon: Chief Product Officer & International

### Major Shareholders

	%
George Lucas	10.1
Acorns Grow Inc.	7.8
Regal Funds Management	6.0
Peter Fay	4.6
St Helens Investments Pty Ltd	2.5

### Top 20 Shareholders

55.7

Source: IRESS

### Share Price



## MICRO INVESTMENT PLATFORM HELPING MILLENNIALS SAVE

Raiz Invest Limited (ASX:RZI) provides a micro-investment platform which acts as a savings tool for its users. The company has acquired and developed a user friendly mobile app that provides an easy mechanism to save and invest in one of the company's six investment options. The platform was introduced in Australia in February 2016 through a joint venture with Acorns US and Instreet Acorns with the Acorns brand. In January 2018, the application was rebranded as "Raiz"; the joint venture agreement was dissolved and RZI subsequently acquired all the shares on issue in Raiz Invest Australia.

## KEY POINTS

**Micro-Investment Platform:** The company has the exclusive and irrevocable right and licence for use and development of the Acorns (rebranded "Raiz") micro-investment platform in Australia, NZ and certain countries in South East Asia. The investment platform provides the ability for users to invest with small amounts of money. The investment platform is designed as a savings tool as opposed to an investment tool, with users able to contribute to their Raiz investment account through four different avenues, including a lump sum, using the round-up feature, regular savings plan and through the Raiz rewards program.

**Addition of Superannuation Product provides a Significant Value Proposition:** The company launched Raiz Invest Super in July 2018, which has been designed to help build wealth for retirement in a simple and transparent manner. The superannuation feature has been fully integrated into the existing app and provides low cost superannuation investment and administration. The superannuation product will charge a fee based on a percentage of the funds under management as opposed to a fixed fee. The company will be seeking to convert existing users of the app to the super product.

**Rapid Customer and FUM Growth:** Since launching the application in Australia in February 2016, the platform has experienced rapid customer and FUM growth with the platform having over 175,000 active users and \$261.5m FUM at 30 September 2018. The company has been successful in converting a high proportion of the 550,000 customers that have signed up for the application with over 175,000 active users.

**International Growth Prospects:** The company has the rights to distribute the investment platform into certain countries in South East Asia. The company is initially targeting Malaysia and Indonesia. The company has established a joint venture in Indonesia and has signed a non-binding agreement with a partner in Malaysia. The company lodged financial service licence applications in both of these countries in the September quarter and will be seeking to launch Raiz Invest in these two countries in 2H'FY19. South East Asia provides significant growth potential for the company, in particular Indonesia due to the sheer size of the population and the emerging middle class. We do note however that there will also be risks and challenges operating in these countries.

**Capital Position:** At 30 September 2018, the company had \$10m in cash and cash equivalents and no debt. The company had net operating cash outflow of \$1.2m in the September quarter and is expecting a net operating cash outflow of \$0.85m in the December quarter. The company is expected to have sufficient cash to meet the operating requirements of the company for at least two years. In the event the company does not achieve its growth targets and/or costs increase markedly, the company may be required to raise additional cash.

**Investment Case:** The company has experienced rapid growth in its active users and FUM since launching in Australia in February 2016. The recent introduction of the superannuation product is expected to provide an additional boost to FUM and grow the revenue per customer. The company is currently in the early stages of the growth phase and as such an investment in the company is considered at the higher end of the risk scale. There are a number of risks involved with the company, with a key risk being dilution of the share price when the restricted shares are released from escrow over the next two years. There are more than double the amount of shares currently available for trade being held in escrow. The share price has experienced significant selling pressure since listing in June 2018, with the share price falling 68.9% from its listing price of \$1.80. We view the launch of Raiz Invest internationally and the company becoming cash flow positive as milestones that may act as a catalyst for the share price.

## SWOT ANALYSIS

### STRENGTHS

- ◆ The Raiz micro-investment platform provides a simple and user friendly app to help users achieve their saving goals and introduces users to investing on the Australian market.
- ◆ The technology platform is scalable with RZI having the ability to distribute the platform internationally.
- ◆ The technology does the large majority of the administration work allowing the company to operate on a lean administration staff.
- ◆ RZI holds an exclusive, perpetual and irrevocable right and licence to use and develop the Raiz technology platform, originally provided by Acorns US.
- ◆ The company has experienced rapid user growth with the company growing the active user base to over 175,000 in less than three years.
- ◆ There are no customer acquisition costs for the super accounts with the company seeking to only convert the existing customer base into the super product.
- ◆ At 30 September 2018, the company had \$10m cash on hand. Given the current cash burn rate of \$1.2m per quarter, the company has sufficient cash on hand to cover at least two years of operations.
- ◆ The company has steadily increased the revenue per customer. The addition of the super accounts and increased use of the rewards program will likely result in the continued increase in the revenue per customer.
- ◆ Given the small average account size of Raiz customers, the client base is significantly diversified and the exit of a single customer has little impact on the company's earnings.

### WEAKNESSES

- ◆ Senior management personnel are taking a significant annual salary from the company given its current revenue base with the three senior executive having a combined annual base salary in excess of \$1m. In addition to this, 13% of the capital raised for the IPO was paid out to the senior personnel as a bonus.
- ◆ There are a significant number of shares that are currently being held in escrow. These shares will likely have a significant dilutionary impact on the share price once released from escrow.

### OPPORTUNITIES

- ◆ The company is seeking to expand offshore, initially to Indonesia and Malaysia. Expanding offshore provides a significant growth opportunity for the company.
- ◆ The company has experienced a steady increase in the average account size. As the account sizes grow to \$5,000 or more the revenue model changes from a fixed monthly fee to a percentage of the account value. The company has the opportunity to increase revenue through the increase in account sizes above this amount.
- ◆ The company will seek to build on its track record in establishing strategic partnerships to scale talent, investments, and other innovation-focused resources to meet its customers' holistic needs, through the delivery of transformational new digital products, and user experiences.

### THREATS

- ◆ With offshore activities comes the sovereign risk associated with operating in these countries. Political instability and a changing regulatory landscape are two key areas that may adversely impact RZI's ability to do business in these countries.
- ◆ The company has only a small number of shares on issue and as such there will likely be limited liquidity in the stock.
- ◆ Robo Advice is becoming more prevalent with more competitors seeking to enter the market. The addition of new entrants may take customers and market share from Raiz. We note that Raiz has the advantage of being one of the first movers into the Australian market. We would expect it to be difficult to convert customers to other platforms once customers have gained comfort and confidence in the Raiz platform.

## COMPANY OVERVIEW

Raiz Invest Australia was formerly a joint venture with Acorns US. Acorns US was launched in August 2014. The company launched a joint venture in Australia in February 2016 with Instreet Acorns to provide the micro investing application to Australia. Both in Australia and the US, the micro investing app has appealed to a new generation of investors who traditionally would not have access to investment markets.

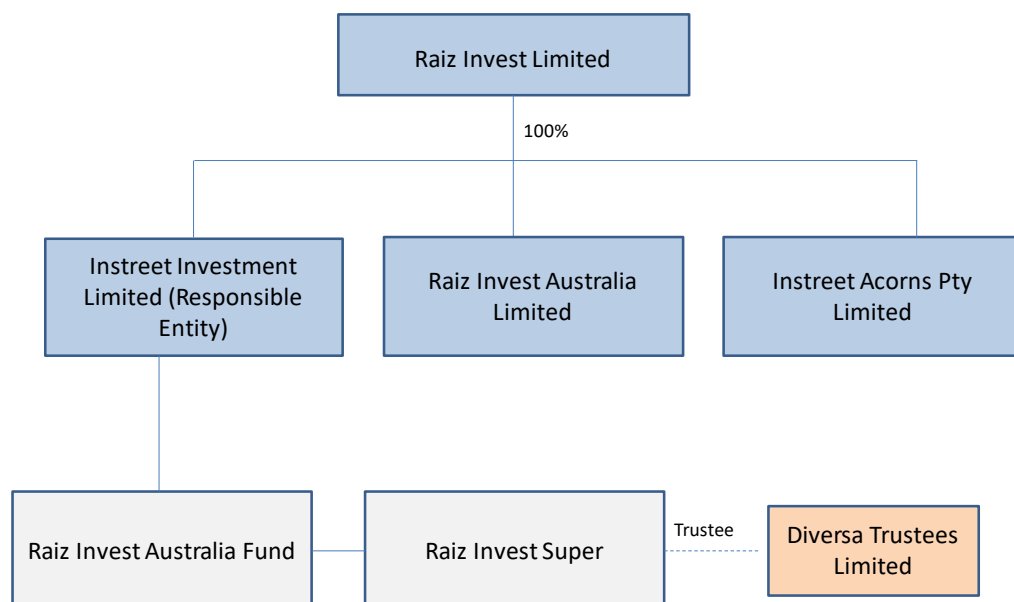
In January 2018, the joint venture agreement ceased and Acorns US became a minority shareholder in Raiz Invest Australia with Instreet Acorns acquiring 90.4% of the shares in Raiz Invest Australia for a total consideration of \$17.65m. In connection with this transaction it was agreed that the Australian operation would be rebranded to "Raiz" and that the Australian operation would be permitted to expand into certain countries in South East Asia. The remaining shares in Raiz Invest Australia held by Acorns US were acquired by the Raiz Group for a price of \$4.69m, which was satisfied in full through the issue of 5.19m shares.

The technology and investment platform was originally developed by Acorns US. The Raiz investment platform is the key to the operations of the company with the investment platform fully automating the large majority of the process. Raiz Invest Australia holds an exclusive, perpetual and irrevocable right and licence to use and further develop the Raiz technology platform. The original software includes the whole software stack from the front-end applications that run on smartphones and web browsers to the backend software that runs the registry, administration, customer reporting, marketing, operations and funds management features.

In June 2018, the company listed on the ASX after raising \$15.2m through the issue of 8.4m shares at \$1.80. The capital raised is being used primarily to meet regulatory requirements and for the geographic expansion prospects. The company had \$10m in cash and cash equivalents at 30 September 2018.

The company has grown the active user base to over 175,000 and is generating revenue with the company generating \$1.04m in FY17 and \$2.4m in FY18. The increased revenue was driven by the increase in active users, funds under management and advertising revenue, the key revenue drivers for the company.

## COMPANY OVERVIEW



## CAPITAL STRUCTURE

The company currently has 66.2m fully paid ordinary shares on issue, 44.95m of which are being held in escrow. These shares will be released from escrow over the 24 months after listing. Given the substantial number of shares held in escrow, these shares will likely have a dilutive impact on the share price upon their release.

The company has 6.39m options on issue with exercise dates ranging from July 2015 to June 2028. The large majority of these options are “out-of-the-money” based on the share price at the date of this report.

Capital Structure	
Total fully paid ordinary shares on issue	66.2m
Restricted shares on issue	44.95m
Options on issue	6.39m

## INVESTMENT PRODUCTS

There are currently two investment products that Raiz Invest users can invest in through the application: (1) Raiz Invest Australia Fund; and (2) Raiz Invest Super.

### RAIZ INVEST AUSTRALIA FUND

The Raiz Invest Australia Fund is the fund that all Raiz Invest customers use. The fund offers customers the ability to invest a minimum \$5 into one of six investment options, which are made up of a portfolio of ETFs. The investment options range from Conservative to Aggressive with the allocation to ETFs within each of these portfolios differing to suit the different risk levels.

There are four ways users can contribute funds to their account: (1) Make a lump sum deposit; (2) Activate round-ups; (3) Setup a regular savings plan; and (4) through Raiz Rewards program.

A feature of the app is the “round-up” technology, whereby Raiz customers can automatically invest their virtual spare change. When purchases are made on the debit or credit card linked to the Raiz Investment Account, the app automatically rounds-up each purchase to the nearest dollar and deposits the funds into your account for investment once the round ups accumulate to \$5. For example, if a Raiz customer purchased a coffee for \$4.20, the application would deposit \$0.80 into the Raiz account.

The Raiz Rewards program transfers rewards offered by online shops to a customers Raiz Investment Account. The rewards program continues to grow with the company having partnerships with 134 brands at 30 September 2018. When Raiz customers access online shops through the ‘Shop Now’ link on the application, customers receive a fixed dollar percentage amount in cash deposited into the customers Raiz Investment Account. The rewards program is one way in which the company is able to increase a customers account and can be used to increase advertising revenue.

### RAIZ INVEST SUPER

In July 2018, the company launched Raiz Invest Super. The company will be seeking to convert existing users to use or transfer their super accounts to the Raiz platform. Based on the current active user base, there is the potential for over 175,000 super accounts to be opened.

The Super product is a sub-plan of the DIY Master Trust with the trustee being Diversa Trustees Limited. Raiz seeks to offer a simple investment solution for customers and as such offers the same investment portfolio choices that are available for the customers in the Raiz Investment Account.

Over the three months since the product launched, the funds under management have grown to \$23.49m as at 30 September 2018. The addition of the super product provides the potential for the company to grow funds under management significantly for very little to no additional customer acquisition cost, given the company is targeting existing users. We would expect the conversion of users to the super product to be reasonably slow, given the enormity of a financial decision such as this. We would expect it to take some time for users to gain the required level of comfort and confidence in the platform to make the move with their super.

The company is looking to develop the current product offering. The company recently announced they have entered into an agreement with Swiss Re Life & Health Australia Limited (Swiss Re) to undertake research and develop tailored and personalised superannuation insurance products to be used by the Raiz super product. The research and development process will use predictive modelling technology, powered by machine learning developed by Swiss Re. This will include the development of a predictive underwriting model which aims to deliver a simpler underwriting experience. Once completed, the new product will replace the one-size-fits-all insurance policy currently available to customers.

The addition of the super product is expected to shift the revenue makeup of the company with an increase in the level of account fee revenue, which currently only accounts for a small portion of revenue. Given the account fee is charged as a percentage of the funds under management, revenue grows in line with the growth in funds under management.

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## INVESTMENT PLATFORM

The Raiz investment platform is key to the operations of the business. The platform uses proprietary technology with the key strength being the platform is fully automated and controls the investment process from trading, registry, operations and administration. This allows the platform to provide real-time communication to customers and eliminates the requirement for significant back office staff.

The company has a team of in-house developers that maintain and improve the platform with development of the platform largely driven by customer feedback and data.

The key functionality includes:

**1) Fractional Investing:** The investment platform has the ability to allocate fractional interests in ETF units to customers, allowing customers to invest with as little as \$5. The platform calculates the amount of ETF units the Fund is required to purchase and allocates fractional interests in these units to customers corresponding to the amount of funds they have invested in the selected portfolios.

The ETF units will be held in a pooled account with AETL, the custodian of the Fund, on behalf of customers that have fractional interests in the units. Excess fractions are held by the company as principal.

**2) Automatic Rebalancing:** The platform automatically rebalances and re-invests all ETF distributions on a daily basis. The platform seeks to keep the allocation of customers investment accounts within the specified investment range for the selected portfolio.

As customers invest or withdraw funds, the platform will initiate the corresponding transactions to rebalance the investment account within the target allocation range for the selected portfolio. The platform will also automatically rebalance the allocation of units to the investment account in the event the investment portfolio selection changes.

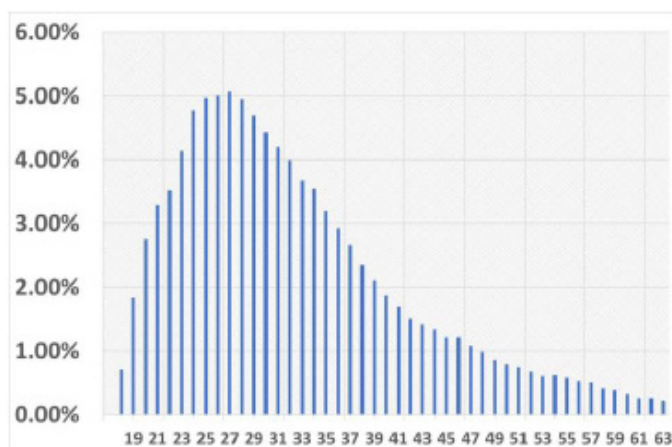
**3) Automatic Savings:** The platform is designed for regular investment to assist customers to save. Customers can add to their investment account for no additional cost via round-ups, setting up a regular savings plan or through a lump sum. We note that when the account size increases to \$5,000 or above customers will encounter an additional cost given the fees move to a percentage of the account as opposed to the fixed fee for account sizes below \$5,000.

**4) Netting of Transactions:** The platform calculates the required acquisition and sale of ETF units at the end of each day. This allows for the company to 'net transactions', eliminating unnecessary market transactions.

The company is targeting millennials given this demographic has the highest saturation of smart phone users and given the company is targeting those with smaller amounts of cash. This is reflected in the demographics of users as show in the below chart. A large portion of users are under the age of 30 and 83% of users are under the age of 44.



### Platform Demographics



Source: RZI

## REVENUE MODEL

RZI currently generates revenue through four key areas: (1) Maintenance fees; (2) Account fees; (3) Netting; and (4) Third party advertising and marketing.

### 1) Maintenance Fees

For accounts with values less than \$5,000 but more than \$1 at the end of each month, a maintenance fee of \$1.25 per month (\$15 p.a) will be charged. The maintenance fee is debited directly from the customer's funding account, not the customer's Raiz Invest Account. With the average account value of \$1,346 as at 30 September 2018, the large majority (71%) of RZI's revenue is generated from maintenance fees.

### 2) Account Fees

For accounts with value equal to or greater than \$5,000 at the end of the month will be charged a fee of 0.275% p.a, charged monthly, computed daily. No maintenance fee will be charged when an account fee is charged. As at 30 June 2018, account fees accounted for 7% of revenue.

### 3) Netting

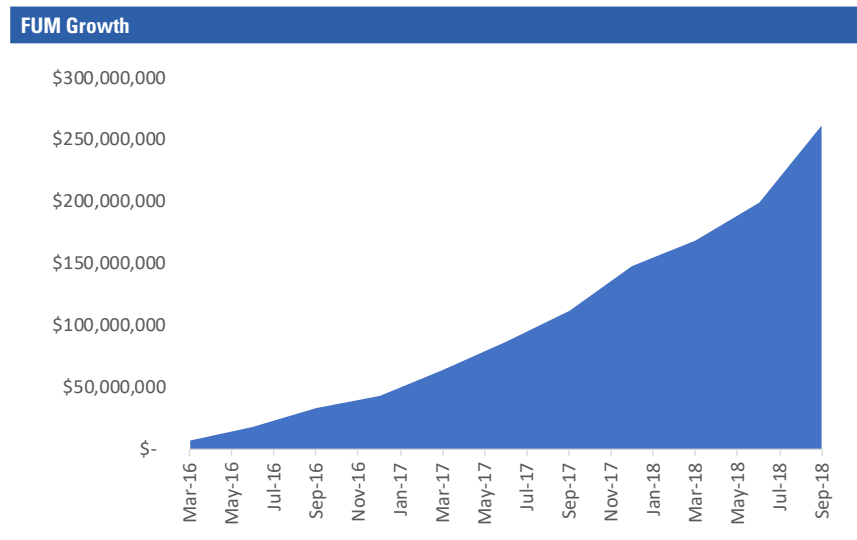
RZI charges a buy sell spread in the event the acquisition or disposal of ETF units does not require a transaction on-market. RZI absorbs the brokerage fees rather than passing this fee on. At 30 June 2018, netting accounted for 9% of revenue. Netting revenue has increased as the FUM has increased.

### 4) Third Party Advertising and Marketing

RZI uses its database to undertake highly targeted advertising for which it generates revenue. The revenue amount varies depending on the commercial arrangement. Advertising revenue accounted for 12% of revenue at 30 June 2018. We would expect the advertising revenue to grow as the customer base grows and the company can offer advertising to a larger audience.

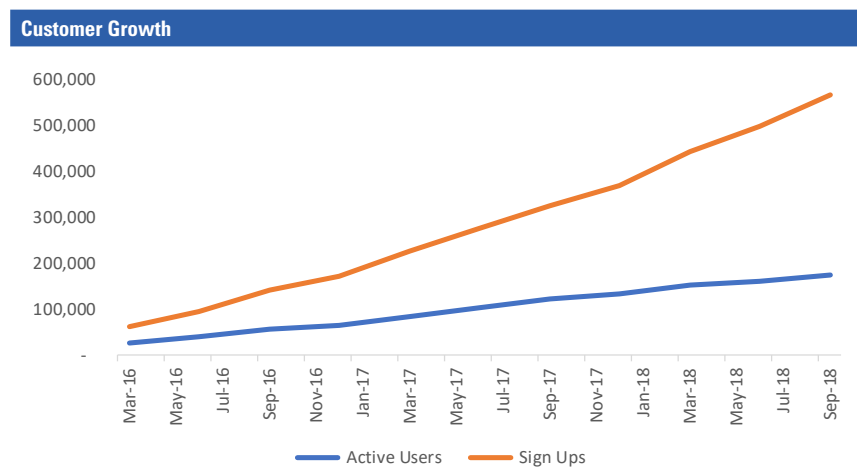
## KEY DRIVERS OF REVENUE

Revenue is driven by the number of active users, funds under management and advertising revenue. Since launching the app in Australia in February 2016, the company has grown the total funds under management to \$261.5m (\$238.1m in investment accounts and \$23.5m in super accounts) as at 30 September 2018 and active customers to 175,996.



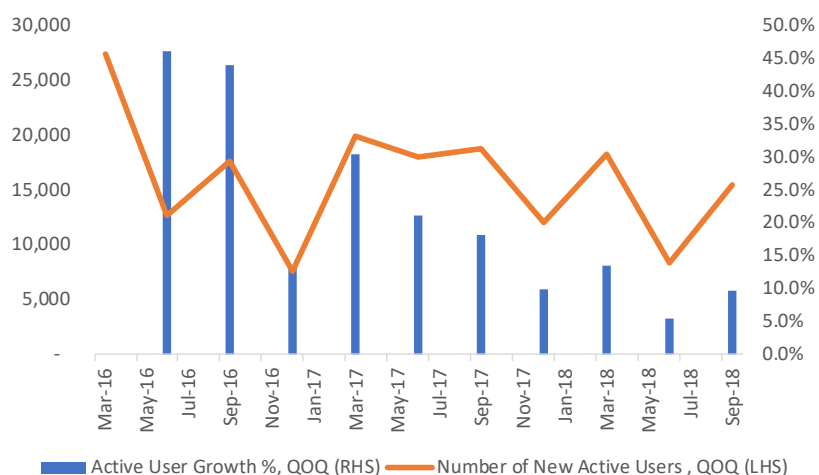
Source: RZI

Over 550,000 customers have signed up to use the app, 175,996 of which are currently paying customers. In addition to growing the number of users installing the app, the company will need to aggressively campaign to convert sign-ups to active users. As shown by the below graphic, the number of sign-ups has grown at a much faster rate than the active user growth, which is to be expected in the early stages of growth.



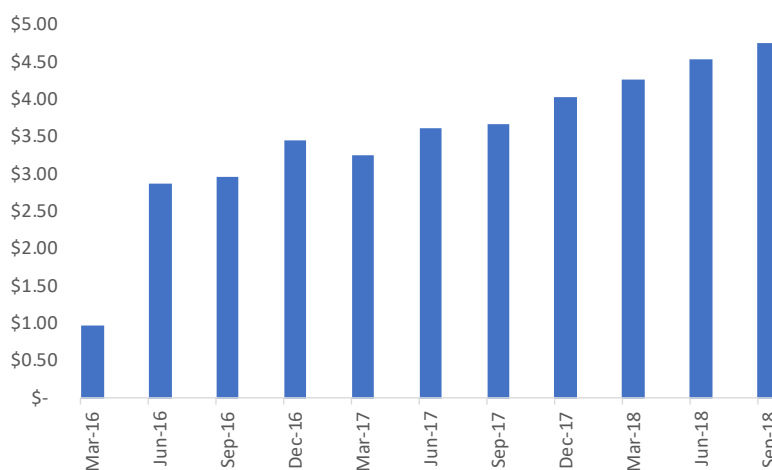
Source: RZI

The growth rate of active users has slowed as the number of users has increased, however growth in the actual number of new users remains reasonably steady, as detailed in the below graphic. The number of new active users on a quarterly basis is lumpy with the quarterly number of new users ranging from 7,645 to 19,838. On average, the company has captured 14,858 new active users on a quarterly basis to 30 September 2018.

**Quarterly Active User Growth (March 2016 - September 2018)**

Source: RZI

The ability of the company to grow the revenue per customer is a key metric for the company. The company has achieved steady growth in this metric to 30 September 2018. Key levers to continued growth in this metric will be growth in the super accounts, growth in advertising revenue and growth in the average account size. At present the average account size of a Raiz Investment Account is \$1,346. The company will generate more fee revenue when the average account size grows to in excess of \$5,000. For account sizes of \$5,000 or more the company moves from a fixed annual fee of \$1.25 per month (\$15 per annum) to a percentage of the account size (0.25% per annum). Therefore once the account size increase to \$5,000+, as FUM grows so does the company's revenue.

**Revenue Per Customer (March 2016 - September 2018)**

Source: RZI/IIR

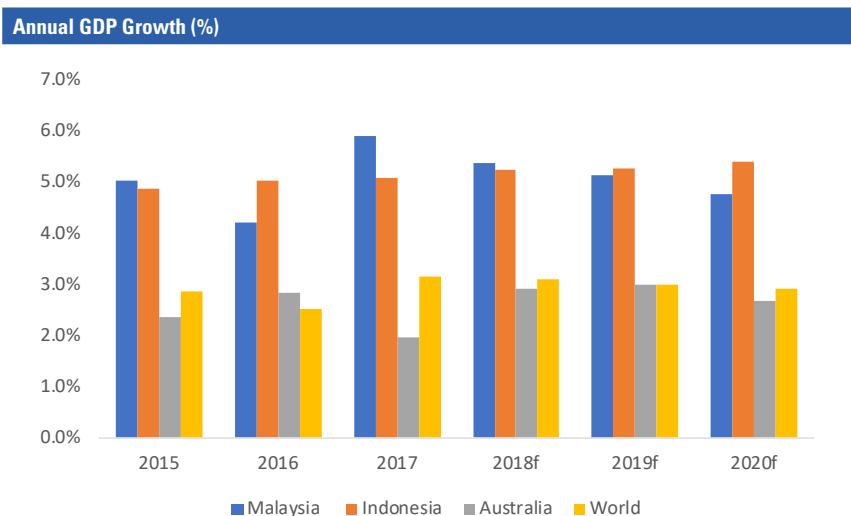
**GEOGRAPHIC EXPANSION**

In addition to Australia and New Zealand, the company has the licence to distribute the Raiz investment platform to countries across South East Asia including Indonesia, Singapore, Malaysia, Thailand, Vietnam, Cambodia, Laos, Myanmar and Brunei. The company is seeking to expand to the region, through Indonesia and Malaysia initially.

The company has partnered with local companies in each of the two countries, entering into a joint venture agreement in Indonesia and entering into a non-binding agreement with a partner in Malaysia. The company is well progressed with financial service licence applications lodged with the respective regulatory agencies in both countries during the September quarter. The company is seeking to launch Raiz Invest in these countries in 2H'FY19.

Indonesia and Malaysia provide a significant growth opportunity for the company given the demographics and growth profile of these countries.

Both Malaysia and Indonesia are forecast to have strong GDP growth with both countries forecast to have annual GDP growth above the rest of the world. The World Bank forecasts Malaysia GDP to grow 5.4% in 2018 with GDP growth tapering off to 4.8% in 2020. Indonesia GDP is forecast to grow 5.2% in 2018 with growth expected to steadily increase to 5.4% in 2020. This compares to Australia which is expected to grow at the moderate rate of 2.9% in 2018.



Source: World Bank

The size of the population and therefore the potential market for Raiz Invest is important. Population growth will be a tailwind for Raiz growth in Indonesia and Malaysia. Malaysia has had significant population growth since 1990 with the population growing 75.6% from 1990 to 2017. The population is expected to grow a further 28.8% to 40.7 million by 2050.

Indonesia's population has grown at a slower rate than Malaysia since 1990 with the population growing 45.6% to 2017 to 264 million. The population is expected to grow to in excess of 300 million by 2050 providing a significant market for Raiz Invest.

Millennials are the target market for Raiz Invest. 41% of the Malaysian population are aged between 25 and 54 and 42.4% of Indonesians fall within this age bracket according to Statista. This equates to a total potential market size of 12.96 million and 111.9 million for Malaysia and Indonesia, respectively, based on the total population in 2017.

Population Growth					
Millions	1990	2000	2010	2017	2050f
Australia	17.1	19.2	22.0	24.6	37.6
Indonesia	181.4	211.5	245.5	264.0	322.2
Malaysia	18.0	23.2	28.1	31.6	40.7

Source: Population Pyramid

Another driver for growth in the Indonesian and Malaysian markets will be access to users through smartphone penetration. Malaysia has quite high smartphone penetration with over 60% of the population owning a smartphone according to Statista. This is forecast to increase to almost 70% by 2022. Therefore, there is a significant portion of the population that Raiz Invest has the ability to market to.

The smartphone penetration rate in Indonesia is much lower than that of Malaysia and on a global basis with Newzoo reporting only 27.4% of the population currently use a smartphone. Despite the low penetration rate, Indonesia is still the third largest smartphone market in the Asia Pacific and is expected to continue to grow as a result of the emerging middle class and increasingly digital savvy nature of the population. If Raiz Invest could capture just 1% of the current smartphone market in Indonesia, this would equate to 730,000 users. At 31 October 2018, Raiz Invest had 176,440 active users.

While there is significant market potential for Raiz Invest in both Malaysia and Indonesia, Indonesia clearly provides the greatest growth potential given the sheer size of the population and the potential growth in smartphone penetration. However, there will be challenges with doing business in this country and penetrating the market in a meaningful way may take some time.

## COMPETITIVE LANDSCAPE

Robo Advice Service providers are becoming more prevalent in the Australian market, disrupting the traditional financial advice model. Robo advice platforms are reducing the barriers for gaining access to financial advice that exist under the traditional model, including minimum investment amounts and fees. There are now six platforms providing Robo Advice services in Australia, tabled below.

Robo Advice Platforms		
Platform	Financial Advice	Minimum Investment Amount (\$)
Clover	Yes	2,500
StockSpot	Yes	2,000
Quiet Growth	Yes	2,000
Six Park	Yes	10,000
Spaceship Voyager	No	5
<b>Raiz Invest</b>	<b>No</b>	<b>5</b>

While there are six platforms, Spaceship Voyager is the company's primary competitor in the micro investment market. Spaceship Voyager was launched in 2017 with the non-super product only launched in May 2018. Spaceship Voyager and Raiz are the only two platforms on the market that do not offer advice on which investment option the customer should select.

The Spaceship Voyager platform offers a lower fee option than the Raiz Invest platform with no fee charged for account sizes up to \$5,000 and fees of no greater than 0.10% for account sizes over \$5,000. While fees are lower, there are more ways to deposit funds into the Raiz account which makes up for the additional fees. Raiz Invest offers "round ups" and the rewards program, which is not offered by Spaceship Voyager. We view these functions as a distinct competitive advantage for Raiz Invest.

The Spaceship Voyager platform offers fewer investment options than Raiz Invest with only two investment options. This compares to the six portfolio options offered by Raiz Invest. There are some key differences between the investments as well. Raiz Invest only invests in ETFs, essentially providing market exposure, whereas the Spaceship Voyager platform invests in a portfolio of stocks selected by their team.

Like Raiz Invest, Spaceship Voyager also offer a super product. The companies appear to have similar funds under management although there is less transparency with Spaceship Voyager figures given they are a private company.

## INVESTMENT CASE

RZI is in the early stages of growth and therefore an investment in the company is at the higher end of the risk scale. Given the early stage nature of the business we have not provided a valuation at this stage. In the three years since its launch in Australia, Raiz Invest has experienced significant growth in the user base and the company has established new revenue streams growing the revenue per customer.

The company has a large fixed cost base given the current revenue base and will require further substantial growth in the user base to become cash flow positive. Given the small level of fees charged by the platform, to be profitable the business will require a significant volume of users and FUM.

In addition to the growth in active users, revenue growth will rely on the ability of company to exponentially increase the FUM in Raiz Invest Super. Superannuation money is inherently "sticky", therefore by converting users at an early stage to the Raiz Invest Super account will provide for a steady increase in super FUM. However, given the low level of fees, the company requires significant FUM levels for a meaningful contribution to revenue. Given the current pricing model, \$1 billion FUM in super accounts equates to \$2.5m in revenue for RZI.

The company is seeking to expand operations into South East Asia, with the company securing partners in Indonesia and Malaysia. The company is seeking to obtain a financial licence to operate in both these countries by the end of 2018 and launch the Raiz Invest application in 2H'FY19. The geographic expansion provides significant upside potential to the company.

The company is operating in a market that has significant tailwinds and has the potential for significant levels of growth, however, this is reliant on the management of the company successfully executing the growth strategy for the business and continuing to develop the product to ensure new market entrants do not erode their market share. Given the company is in the growth phase and is yet to be cash flow positive, there remains a number of risks associated with an investment in the company. One of the most prominent risks is the dilution risk that will likely occur from the release of shares from escrow over the next two years. This will increase the number of shares available for trade by 211% and will likely be dilutive on the share price at the time of release. In addition to this there will be sovereign risk when operations commence internationally. The company will seek to minimise these risks to the maximum extent possible, however, both Indonesia and Malaysia have experienced significant government instability which may adversely impact operations.

The share price has experienced significant weakness since listing in June 2018. The company will need to continue to generate strong active user and FUM growth to change the trend of the share price. The successful launch of Raiz Invest in Indonesia and Malaysia will be a significant milestone for the company. We expect this in addition to the company becoming cash flow positive to be catalysts for the share price.

## RISKS

- ◆ **Competition Risk:** The company is currently one of the first movers in the robo advice service market, which is disrupting the traditional financial advice model. The robo advice market is increasing in size and popularity and as such we expect there to be new entrants in this market. New entrants may take market share from RZI.
- ◆ **Reputation Risk:** One of the key risks associated with all financial products is reputation risk. The company needs to ensure that the customer has a positive experience as poor experiences may result in users moving to competitor platforms and could put a significant halt to the growth prospects of the company.
- ◆ **Regulatory Risk:** As with all companies that operate in the financial markets, there is significant regulatory burden. In the event the company does not meet these regulatory requirements this may impact their ability to continue operations or any changes to regulations may adversely impact operations. This is particularly relevant for international operations.
- ◆ **Sovereign Risk:** The company is seeking to expand into countries in South East Asia. Global operations entail sovereign risk with the risk high in Malaysia and Indonesia due to the known political instability.
- ◆ **Dilution Risk:** There is currently a significant number of shares being held in escrow. Release of these shares from escrow will likely have a significant dilutionary impact on the share price. Further to this, the company is currently not generating sufficient cash to meet its operating requirements. In the event the company needs to raise additional capital, depending on the share price at the time of the capital raising, this may dilute shareholders positions.
- ◆ **Platform Risk:** The operations of the business are entirely dependent on the operational stability of the investment platform. In the event there is substantial downtime with the platform, this may adversely impact the business. We note we view this risk as minimal given the company has a team of developers in-house for platform maintenance and improvement.
- ◆ **General Market Risk:** The company's revenue is driven to some extent by the FUM. As such, weak markets will adversely impact revenue, particular account fee revenue.

## BOARD AND MANAGEMENT

**Peter Fay - Chairman:** Mr. Fay has worked in financial markets since he graduated from Melbourne University in 1982. He has worked for several leading investment banks and brokerage firms and held senior positions with various industry bodies. He has a deep understanding of financial markets with particular expertise in derivative products. He was instrumental in establishing the agricultural derivatives markets in Australia and holds investments in a diverse portfolio of start-up ventures. His skills include management, product development, compliance, risk management, governance and marketing.

**George Lucas - CEO & Managing Director:** Mr. Lucas has over 30 years' experience in the investment banking and fund management industry. His experience spans retail product strategy, managing investment risk, portfolio management, financial quantitative methods and regulatory compliance. Prior to founding Raiz Invest Australia, Mr. Lucas was the Chief Investment officer of Mariner Financial. He has been a director of two listed investment trusts and was the head of the London equity derivative trading and structuring for First Chicago. Mr/ Lucas is a regular presenter at finance industry forums and Sky Business, and has written a book and tertiary courses regarding the use of derivatives and quantitative trading models. Mr. Lucas holds a Bachelor of Science from the University of New South Wales and is a member of the Australian Institute of Company Directors.

**Kieran Moore - Director:** Ms. Moore is currently the Chair of Ogilvy PR Australia and CEO Public Relations and Public Affairs, WPP AUNZ. As CEO of WPP AUNZ, Ms. Moore oversees 19 WPP agencies across the WPP AUNZ group's public relations, public affairs, and government relation agencies and has a client base of more than 500 organisations. Prior to becoming Chair of Ogilvy PR, Ms. Moore was the CEO and during her seven year tenure, grew the business to become the largest PR group in Australia. In that role she had responsibility for 120 people, across six businesses in Sydney, Canberra and Melbourne. Prior to becoming Ogilvy PR CEO, Ms. Moore was the managing director of Howorth, Ogilvy PR's largest business for eight years. Before that Ms. Moore was in London for almost 14 years serving as board director and shareholder of London-based Firefly Communications for eight years which had offices in England, Scotland, France and Germany. As well as the operations for the WPP AUNZ PR & PA companies, Ms. Moore is actively involved in client campaigns and advises at the most senior level. Her teams have won more than 30 international awards for client campaigns and over the years she has been named twice as one of The Australian's top 10 Women to Watch. Ms. Moore is an active campaigner for gender equality and diversity in the workplace and donates her time to a number of social justice organisations both in Australia and overseas. Ms. Moore is a Fellow of the PRIA and in 2015 joined the worldwide board of Ogilvy PR.

**David Gordon - Director:** Mr. Gordon has over 30 years' experience in the advisory industry specialising in financial, tax and business advisory. He has been a partner since 1985 in GHR Accounting Group, a BRW top 100 accounting practice and is a foundation director of Premium Wealth Management Ltd (Premium). Premium has over 20 investment advisory firms as members and supervises the investment of over \$2.5 billion of clients' monies. Mr. Gordon is also on the board of Premium. Mr. Gordon has extensive experience in providing financial services advice to clients, portfolio construction and in ensuring that managed investment schemes and structured and other financial products are relevant for individual investment portfolios. Mr. Gordon holds a practising certificate with CPA Australia, is a registered tax agent and a current member of the Financial Planning Association of Australia. He also has a Bachelor of Business (Accounting) from University of Technology Sydney.

**Nina Finlayson - Director:** Ms. Finlayson has over 26 years' experience as a leading market researcher and adviser to business on consumer attitudes, behaviour and experience. She is the managing director of Buzz Strategic Insights which was founded in 1995 and specialises in qualitative market research. Nina has worked with many of Australia's leading brands and organisations. With a UNSW Bachelor of Commerce, majoring in Marketing, Nina began her career in an undergraduate program with Price Waterhouse Coopers, before joining pioneering qualitative research agency, Kaleidoscope. Ms. Finlayson's skills in sifting out critical customer and user insights, often in highly immersive environments, are invaluable in shaping strategy, user experience and brand propositions.

**Brendan Malone - Chief Operating Officer:** Mr. Malone has over 20 years' experience in financial institutions including The Royal Bank of Scotland (RBS) and ABN AMRO (AMRO). Mr. Malone has extensive experience across all aspects of investment banking, client coverage and strategy, along with compliance and all operational functions. Mr. Malone is known

for his ability to innovate and operate at a highly strategic level, whilst driving operational excellence with a strong attention to detail. Mr. Malone has led large scale workforces across most front and back office functions and has delivered transformational agendas resulting in significant synergies through mergers, acquisitions, restructuring and downsizing. Mr. Malone has experience working across various continents, jurisdictions, legislations and regulatory environments as well as cultures in both developed and emerging economies. Brendan's previous roles have consisted of both front and back office functions across key financial hubs including London, Hong Kong, Singapore and Sydney.

Mr. Malone is responsible for the day to day operations of the Raiz Group's business and is passionate about his customer centric, highly efficient, productive and dynamic team who specialise in customer service, technology, finance and marketing.

**James Poon - Chief Product Officer & International:** Mr. Poon has over 19 years' experience working in financial markets, institutional and investment banking and wealth management in leading financial institutions such as Westpac, AMRO, RBS and more recently as the Head of Product at Instreet Investment. Mr. Poon was a Director of Structuring at RBS and was a nominated responsible manager for RBS' AFSL. Mr. Poon has broad experience across multi-assets in sales, trading and financial engineering of investment products. Mr. Poon is committed to improving the financial well-being and literacy of clients through sound education.

Mr. Poon holds a Bachelor of Business (Accounting) and LLB (Hons) from University of Technology Sydney and has been admitted as a legal practitioner in NSW.



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