

ASX Announcement | 27 February 2023

Raiz Invest (ASX:RZI)

Half year results commentary – H1 FY23

Financial & Investment highlights

- Australian business continues to be operating cashflow positive.
- Consolidated normalised Group loss after adjusting for non-cash, restructuring and one-off expenses reduced by 57.4% to (\$974K) from (\$2,289k) (see below).
- Significant reduction of 89.0% in operating cash outflow from Q1 23 to Q2 23, representing annualised cost savings of \$3.1m.
- Global active customers were 676,675 by the end of H1 FY23, up 13.7% YOY
- Global funds under management (FUM) were \$1.05bn at end of H1 FY23, up 0.3% YOY.
- Australian FUM remained flat YOY at \$1.04bn against the ASX200 (down 5.5%) and All Ords (down 7.2%).
- Cash, cash equivalents & term deposits held at end of H1 FY23 was \$11.1m.

H1 FY23 results

With the strategic review and associated structural changes in the senior management team, the results are accompanied by commentary highlighting some of the significant decisions made to enhance the sustainability and cash utilisation of the Company.

HALF YEAR RESULTS – 31 ST DECEMBER 2022			
\$'000	31 Dec 2022	31 Dec 2021	Variance
Group Loss for the half year	(4,914)	(3,948)	(24.5%)
Addback: Non-Cash Items			
Depreciation & Amortisation	1,878	1,505	24.8%
Share based payments	279	154	81.2%
SWM Contra advertising expense	744	-	100.0%
Nonrecurring restructuring cost	1,039	-	100.0%
Adjusted Normalised Group Loss	(974)	(2,289)	57.4%

Core Strategy

Over the last 5 months, as a result of the strategic review, the Company implemented a restructure to execute on the strategy more effectively and efficiently. The Raiz core competency remains being a leading innovative and financial wellness platform in Australia and it will transition the Southeast Asian operations to licence-based agreements with strong local joint venture partners who will be the majority owners. The Company will not provide further growth funding support to the Southeast Asian operations from March 2023 onward.

This realignment of the Group strategy has seen a reduction in the annualised operating cost base of \$3.1m (\$1.4m from Australia and \$1.7m from Southeast Asia) as compared to the FY22 actual costs.

During this period of strategy reassessment there was no disruption to the ongoing rhythm of the Australian business, with operations remaining cashflow positive over the six months reporting period.



Australian product suite expands with Raiz Property Fund, Raiz Super and Kids

Raiz remains focussed on the expansion of its product suite to meet the evolving demands of Australian investors.

After the successful beta launch of Raiz Kids during the year, with 20,549 kids accounts opened and over \$12m in FUM (at H1 FY23) we are excited to commence a dedicated marketing campaign around investing for kids supported with financial education modules.

The Raiz Rewards product offering has been expanded to over 1,081 merchants (an increase of 74% of instore and online merchants since June 2022), offering a greater range of merchants and rewards opportunities to our customers.

The Raiz Invest Australia Fund saw 7 new ETFs added to the customised portfolio investment options. Raiz now has a total of 23 ETF investment options, in addition to bitcoin and the Raiz Property Fund allocation options, available for investors to customise their investment portfolio.

The Raiz Property Fund was successfully launched in December 2022 providing retail investors with an opportunity to invest a portion of their savings into a diversified portfolio of Australian residential property.

In December 2022, Raiz completed the change of trustee and administrators for the Raiz Super Fund portfolio. This change provides us with the ability to provide innovative enhancements to the Super Fund offering, including a property option. The Super FUM growth over the December quarter (6.8% QoQ) was strong as new members joined and associated employee contributions continued.

In the coming months we plan to release several enhanced investment features, expand our current investment universe and also bring property into Raiz Super through the full integration of the Superestate Super products onto the Raiz investment platform.

Southeast Asia footprint review

We have already achieved significant reductions of an annualised \$1.7m in the operating costs associated with product development and marketing in our Southeast Asian operations.

The Southeast Asian strategy is to migrate from a majority owned owner-operator model in the geographies we operate to a business model that relies on a strong local JV partner being the majority shareholder. Raiz will provide the technology platform, as well as the product and marketing structures via licence agreements where there will be no associated capital commitments.

Indonesia

The Indonesian business has remained flat on all financial metrics for the first half of FY23, which was not unexpected, as the business operations underwent a detailed operational and strategic review.

As a result of this review, it has been determined to close the Indonesian business as the path to profitability is difficult to achieve under the current owner-operator model.

While we remain hopeful of achieving some value from this business through the customer base that we have grown, the reality is that Raiz is not the best operator of this business in the foreseeable future. There will be costs of around \$200k per month for the next 6 months as the Company executes upon its new strategy to close these operations. We do, however, remain in discussions with our JV partner to ascertain the opportunity to transition the business to the licence-based agreements



as local operators and majority shareholders. We are moving forward in limiting the future cost imposts that would exist if we continued operating under an outdated business model.

Malaysia

We have streamlined the operations and worked extensively with our partner, Permodalan Nasional Berhad (“PNB”) – one of the largest fund management companies in Malaysia, over the last 6 months with a view to developing a capital-light licence-based business, from a Raiz perspective.

The 12 months to December 2022 saw constant growth with active customers increasing by 16.9% to 113,491 and FUM increasing by 7.5% to cA\$13.1m. PNB is a very strong local partner and fits exactly the partner capability being sought under our new strategy, albeit they remain as a minority interest (30%) in the business currently.

While the Malaysian business is well capitalised for the short term it has been agreed that all future capital raising initiatives, should they be required, will be undertaken by PNB. This will result in Raiz diluting its equity holding over time in line with our preferred operating model moving forward which is a revenue model underpinned by licence-based agreements.

Raiz implements cost and contract review to optimize ROI

A singular focus on return on capital employed has driven a significant improvement in cash utilization during the December quarter with an 89% reduction in operating activities cash burn when compared to the September 2022 Quarter.

Annualised costs-based savings over the last 6 months amount to \$3.1m and there is a continued focus on further reducing operational costs and achieving efficiencies in the Southeast Asian operations through the restructuring of contracts.

Brendan Malone, Raiz Invest Managing Director and CEO said:

“Raiz enters an exciting time which bodes well for a strong, sustainable future. The execution of the new strategy is well underway and the outcomes being achieved are providing material benefits for all our stakeholders including shareholders, customers and staff.

As a result of the actions undertaken, we have delivered a significant reduction in our annualised cost base, whilst still achieving customer and FUM growth. There were some ‘one-off’ costs over the half year associated with the restructuring, however, the execution of the strategy positions the Group for an exciting future.

New product development and innovative new initiatives are on track and progressing well for the Australian business. Our customers continually provide us with constructive feedback which we listen to and act upon. The success of the Raiz Kids program and the continued daily growth in our superannuation business attest to this.

Our immediate priorities are focused on the successful execution of our Australian product development pipeline, finalising our positions following review of the Southeast Asian operations, returning the Company to a cashflow positive position, and surpassing the expectations of our customers.”

Ends



Authorised for release by The Board of Directors.

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Raiz Invest

About Raiz Invest Limited

Raiz Invest Limited (ASX: RZI) ('Raiz' or 'the Company') is a market leading, multi-award-winning micro-investing and fintech platform with operations in Australia and Southeast Asia.

With Raiz, users can automatically invest the virtual 'spare change' from their daily purchases in diversified portfolios constructed with various investment options. In Australia, this can be done to boost savings both inside and outside of superannuation, the country's compulsory pension system.

Since launching in 2016, Raiz has achieved solid growth, with customer sign ups currently in excess of 3.287 million and global funds under management over A\$1.1 billion as at 31 January 2023.

With continued customer feedback, Raiz continues to enhance its platform with 20 new innovative products and features since its inception. Raiz has operations in Southeast Asia with offices in Malaysia, Indonesia and Thailand.

To learn more, please visit: www.raizinvest.com.au