Raiz Invest Limited
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ASX Release

24 July 2018

30 JUNE 2018 QUARTERLY UPDATE AND APPENDIX 4C

Raiz Invest Limited ("Raiz" or "the Company") (ASX: RZI), a first of its kind mobile-led financial services platform business, is pleased to provide a business update for the three-month period ended 30 June 2018 (Q4 FY18).

HIGHLIGHTS:

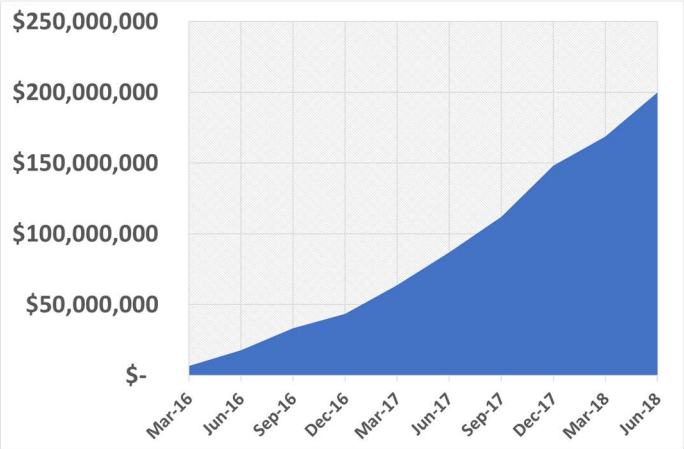
- ***Revenue Growth***
  - Normalised revenue[1] was up 126% over the 12 months from 30 June 2017 to 30 June 2018.
  - Total revenue[2] for the June quarter was $1,584,318.
- ***Customer Growth***
  - Active or paying customers increased 55.6% to 160,510 at 30 June 2018 versus 103,144 at 30 June 2017 and 3.9% from 31 March 2018.
  - High customer engagement with more than 80% of customers actively investing at least once a month.
- ***Funds Under Management (FUM) Robust Growth***
  - FUM grew 129.9% to $199.8m in the fiscal year to 30 June 2018 (from $86.9m at 30 June 2017). FUM over the quarter grew by 18.3% (from $168.9m at 31 March 2018).
- ***Executing on Strategic Initiatives***
  - Officially launched Raiz Invest Super to customers on 16 July 2018.
  - Raiz Invest Super integrates into the App, and gives a trusted, affordable, and engaging choice to the customer base.
  - Strategy to grow into Asia saw business entities incorporated in Malaysia and Indonesia.
- ***Customer Centric***
  - The Company continues to focus on customers, including considering the issues arising from the Royal Commission and Productivity Commission Report.
  - Initiatives aimed at customers with low balances to utilise the savings feature to its full potential or to close their accounts.
- ***Outlook***
  - Positive business momentum continues in Q1 FY2019 as evidenced by numbers in July 2018: Active customers are 164,000 as at 20 July 2018.
  - FUM was $214m as at 20 July 2018 as momentum in inflows increases on the back of Raiz Invest Super.
  - The Royal Commission has created an environment that creates an opportunity to place Raiz as an alternative to incumbents.

[1] Subject to audit and excluding other income and one off fees.

[2] Subject to audit and including other income and one off fees.

KEY OPERATIONAL METRICS

Growth in funds under management (FUM)



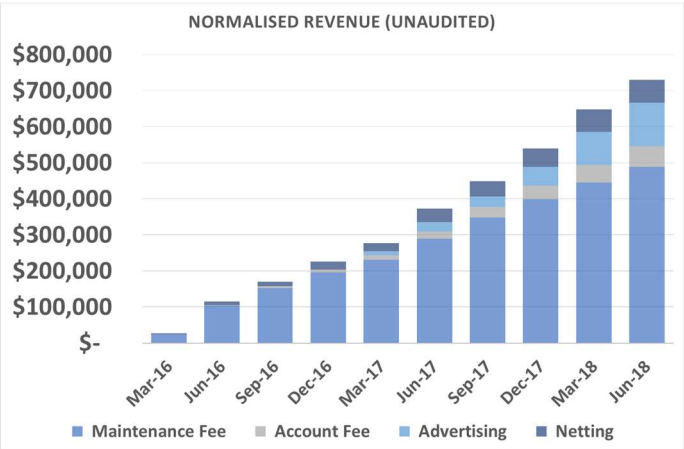
- FUM: $199.8m at end FY2018, up 129.9% vs end FY2017.
- FUM: $214m at 20 July 2018.
- FUM increase achieved by existing customers adding funds, new customers and movements in the market.

Continued growth in Active (paying) Customers and Sign-ups



- Active or paying customers up 55.6% vs end FY2017 and up 3.9% since 31 March 2018.
- Since 30 June 2018, active customers have increased to 164,000 (up 4,000) as at 20 July 2018.

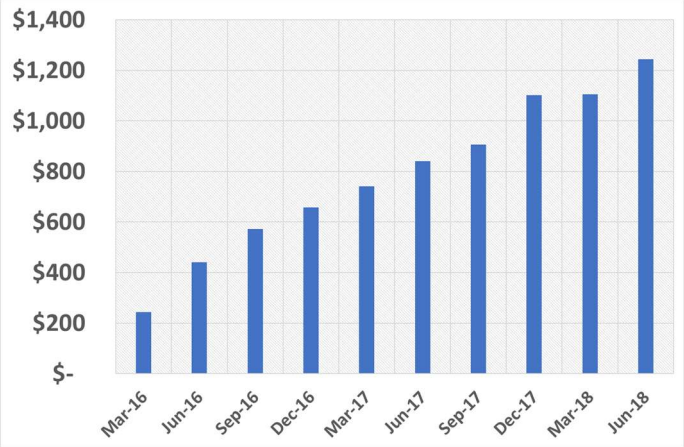
Revenue drivers



- 12.5% growth in normalised revenue[3] in the quarter and 126.2% on an annual basis.
- Revenue growth driven by funds under management, and advertising revenue.

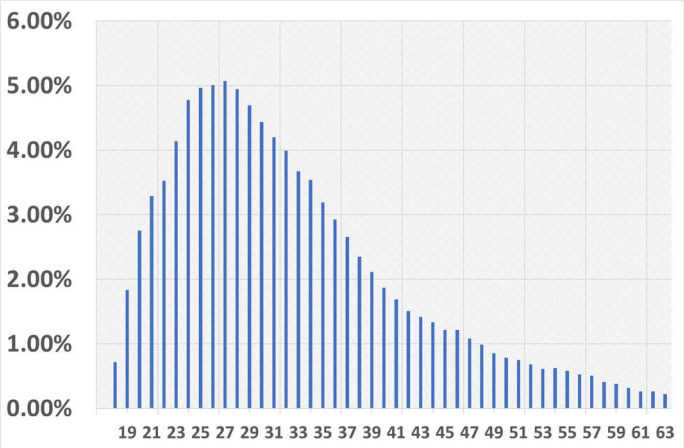
[3] Subject to audit and not including other income and ones off fees.

Continued Growth in Average Account Balance



- Engagement is strong, with more that 80% of customers investing at least once a month
- Average account balances was $1,243 as at 30 June 2018, and grew by 48% compared to the same quarter in 2017.

Platform demographics



- Millennials continue to be the biggest users of the platform.
- Customers aged 18 – 44 years make up 86.6% of total customers.
- Male customers at 63.2% (66.6% Q4 FY2017) and female customers at 36.8% (33.4% Q4 FY2017) in the quarter.

FINANCIAL PERFORMANCE

Unaudited revenue

- Normalised revenue[4] increased 122.9% to $729,000 versus $327,000 in the June quarter 2017 driven by growth in active customers, funds under management and advertising revenue.
- Revenue[5] was $1,584,318 for the quarter. This included $554,137 in corporate authorised representative fees paid as a percentage of revenue by Instreet Investment Australia Limited (the demerged entity) to Raiz.
- Compared to the fourth quarter in FY2017 (30 June 2017):
    - Maintenance fees up by 68.9%;
    - Account fees (linked to FUM) up by 187.7%;
    - Advertising revenue up by 346.8%; and
    - Netting Fee up by 72.5% from $36,314.

Cashflow[6]

- In the quarter, the company reported a negative operating margin of $4m. This included one off payments for:
    - A corporate authorised representative fee received from Instreet Investment Australia of $554,137;
    - Advertising and marketing costs which included an amount of over $500k for the re-branding and associated costs;
    - Staff Costs included $2m of staff bonuses related to the IPO, as outlined in the Raiz Invest Prospectus; and
    - Administration and corporate costs which included $1.0m in one off listing and professional fees (as foreshadowed in the Raiz Invest Prospectus).
- Section 9 of the Appendix 4C estimates the cash outflows for the next quarter on a more normalised basis than the last quarter, excluding advertising.

OPERATING ACTIVITIES

Customer acquisition and engagement

- The rate of growth in net paying customers continued to increase.
- Raiz diverted advertising expenditure from direct customer acquisition to support the company's rebranding from Acorns Grow Australia to Raiz Invest.
- Advertising expenditure in the coming quarter will be focused on direct customer acquisition, as well as rebranding.
- Engagement remains strong with more than 80% of customers investing at least monthly.
- Average account balances grew by 48% to $1,243 compared to the same quarter FY2017.
- Raiz proactively communicated to customers with low account balances to ensure they were utilising the savings feature to its full potential or to close their account.
- Raiz completed two research projects; one with UNSW and another with UNSYD on social responsible activities and consumer behaviour. This has led to a better understanding of the drivers behind customer engagement and how Raiz can capitalise on its large data set to reduce churn and acquire new customers.
- In March 2018 Raiz won the Investment Innovator of the Year - FinTech Business Award.

[4] Subject to audit and excluding other income and one off fees.

[5] Subject to audit and including other income and one off fees.

[6] Subject to audit and including other income and one off fees.

New Product Initiatives: Raiz Invest Super

- Raiz Invest Super was successfully launched to customers on 16 July 2018, after a period of beta testing in June.
- As at 20 July 2018 there was already over $4.5m of FUM in Raiz Invest Super.
- Raiz Invest Super is being marketed through the Raiz app to existing active customers. This has been supported by marketing initiatives through the Company's other online channels targeting the data base of over 500,000 sign ups.



We believe that current market dynamics, created by the Royal Commission and the Productivity Commission report, will be beneficial for the uptake of the Raiz Invest Super Product:

- The benefit of not being associated with an incumbent or large institution which is attractive to our customer base.
- Raiz has a low fee structure: bottom 25% of accumulation funds by cost.
- Consolidation simplicity: the ability to view all current superannuation funds and consolidate into Raiz Invest Super.
- Financial empowerment by providing all their market investments in the one place through a mobile app.

Product partners: Raiz Rewards

- In the June quarter, Raiz Rewards continued to grow its brand partnership portfolio with an increase of over 20%.
- Raiz customers can now redeem rewards with more than 115 brands including BWS, Apple, AirBNB, Woolworths Online, and STA Travel.
- The Company has seen over 12,000 customer transactions associated with Raiz Rewards and approximately $78,000 of rewards invested into customer accounts in the quarter.

Expansion into South-East Asia

- The company continues to progress its strategy to expand into the South-East Asian region.
- A financial services licence to distribute funds in Indonesia is expected to be lodged with the Financial Services Authority of Indonesia (OJK) in the next quarter.
- Discussions with the Malaysian regulator have been positive as the Company continues negotiation with partners and expects the licence application to be lodged in the second quarter of FY19.

Technology platform improvements

During the quarter:

- Raiz shifted its database to an Aurora cluster, a database solution to manage large data sets, allowing the Company to access data in a more efficient manner, as currently Raiz processes over 1 Terabyte per day of data (1,000,000 megabytes).
- The move will allow Raiz to:
    - continue the development and research into our machine learning algorithms used to minimise churn, improve and personalise customer experience and attract new customers;
    - keep response times fast, below 200ms for API calls, from the App; and
    - scale the database quickly in times of high traffic or data intensive operations.
- Raiz has been developing an intelligent chatbot which allows customers to ask questions about their account and their expenses to improve the user experience. For example: “can I afford to go out to dinner tonight? How much have I saved over the last 3 months?”. This will be launching in the Q1 FY2019.
- Raiz will continue to incorporate customer feedback into the platform to minimise issues and improve performance.

Customer Centric

- The Privacy Policy was externally reviewed and updated to address recent concerns, highlighted by Facebook and Cambridge Analytica about data privacy.
- Raiz implemented an intelligent third party cyber security package provided by Versive to strengthen data protection.
- As part of the listing process, the corporate governance processes and procedures were externally reviewed and changed when necessary.
- A comprehensive external review of management processes and procedures continues to ensure that Raiz has implemented best practices when managing and operating the business.

FOCUS FOR THE SEPTEMBER QUARTER

- Proactively engage with the 73,000 plus inactive customers to convert them back to paying customers.
- Market Raiz Invest Super via owned communication channels to the database of over 500,000 users.
- Advertising expenditure will focus on direct customer acquisition as well as branding. $1m has been budgeted for advertising during the next quarter. No other significant expenditures and CAPEX are expected.
- Capitalise on the recent Productivity Commission Report and Royal Commission to position Raiz as an alternative platform to the current incumbents and traditional banking models.
- Continue to improve customer experience and customer service with the introduction of an intelligent chatbot and other initiatives.
- Apply the Company’s continuous cycle of product improvements via the in-house technology team and customer feedback to frequently innovate the products offered.

CEO COMMENTARY

CEO of Raiz Invest, Mr. George Lucas, commented: "We are seeing continued robust and steady growth in customer numbers and engagement leading to ongoing growth in revenue, demonstrating Raiz's position in the market as a leading investment and savings platform. This growth has been driven by our millennial customer base who are not only using the platform to save, but also to improve their financial literacy. We expect this positive experience with the App to flow through to our customer take-up of Raiz Invest Super.

"We are well placed within a changing industry. The Royal Commission has created an environment of mistrust in incumbents and an opportunity for us to meet our customers' desire for trustworthy, transparent and affordable financial products. That is why Raiz has recently communicated with inactive or low balance customers and encouraged them to use the full saving functionality of the app or to close their accounts.

"Raiz has a strong balance sheet and capital position to execute against current strategic initiatives. We remain customer focused and dedicated to delivering the best, most innovative experience for customers."

Investor Conference Call

Shareholders are invited to join a teleconference briefing on Raiz Invest's quarterly results for the period ending 30 June 2018 on **Tuesday 24th July 2018 at 12:00pm AEST**.

Details of the call are as follows:

Date: Tuesday 24th July 2018
Time: 12.00pm AEST

Dial: Australia - **1800 896 323**
Hong Kong - **800 906 887**
Singapore - **800 852 3352**
United States - **1 855 731 0983**

Passcode: **65316994**

Participants will be asked to provide their name and company upon entry. They can press *1 when prompted to ask a question during Q&A.

- ENDS -

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About Raiz

Raiz Invest Limited (ASX: RZI) is a first of its kind Australian, mobile-led, financial services business offering customers an easy way to regularly invest either small or large amounts, in or outside superannuation, using its micro-investment platform available via the Raiz app or its website.

Since launching in 2016, Raiz has achieved solid growth, amassing over 500,000 signups, with 164,000 active monthly customers and $214 million funds under management as at 20 July 2018. Raiz was awarded Australia's Investment Innovator of the Year at the 2017 and 2018 FinTech Business Awards.

For more information: www.raizinvest.com.au

This document has been prepared for informational purposes only and is not intended to amount to financial product advice or a recommendation in relation to any investments or securities. You should not rely on it to make investment decisions. This document contains general factual information only and has not been independently verified. Any opinions or information expressed in the document are subject to change without notice.

Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Raiz Invest Limited

ABN	**Quarter ended ("current quarter")**
74 615 510 177	30 June 2018

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	1,176	1,176
1.2	Payments for		
	(a) research and development	(211)	(211)
	(b) product manufacturing and operating costs	(666)	(666)
	(c) advertising and marketing	(675)	(675)
	(d) leased assets	0	0
	(e) staff costs	(1,992)	(1,992)
	(f) administration and corporate costs	(1,468)	(1,468)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	8	8
1.5	Interest and other costs of finance paid	(29)	(29)
1.6	Income taxes paid	(103)	(103)
1.7	Government grants and tax incentives	0	0
1.8	Other (provide details if material)	(39)	(39)
1.9	**Net cash from / (used in) operating activities**	**(4,000)**	**(4,000)**

Cash movements for the Current Quarter included several 'one off' items:

- a corporate authorised representative fee received from Instreet Investment Australia of $554,137.
- advertising and marketing costs included an amount of over $500k for the re-branding and associated costs.
- Staff Costs included staff bonuses related to the IPO, as outlined in the Raiz Invest Prospectus
- Administration and corporate costs included $1.0m in one off listing and professional fees (as foreshadowed in the Raiz Invest Prospectus).

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	0	0
	(b) businesses (see item 10)	0	0
	(c) investments	(82)	(82)
	(d) intellectual property	(632)	(632)
	(e) other non-current assets	0	0
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	0	0
	(b) businesses (see item 10)	0	0
	(c) investments	0	0
	(d) intellectual property	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	**Net cash from / (used in) investing activities**	**(714)**	**(714)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	15,200	15,200
3.2	Proceeds from issue of convertible notes	0	0
3.3	Proceeds from exercise of share options	0	0
3.4	Transaction costs related to issues of shares, convertible notes or options	(875)	(875)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	(590)	(590)
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	**Net cash from / (used in) financing activities**	**13,735**	**13,735**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,425	2,425
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,000)	(4,000)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(714)	(714)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	13,735	13,735
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	**Cash and cash equivalents at end of quarter**	**11,446**	**11,446**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	11,446	n/a
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**11,446**	**N/A**

6.	Payments to directors of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	841
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	0

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

$840,957 was paid to directors and their contract companies as salaries and remunerations.

7.	Payments to related entities of the entity and their associates	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	45
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	0

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	Financing facilities available *Add notes as necessary for an understanding of the position*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
8.1	Loan facilities	0	0
8.2	Credit standby arrangements	0	0
8.3	Other (please specify)	0	0

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	Estimated cash outflows for next quarter	$A'000
9.1	Research and development	(220)
9.2	Product manufacturing and operating costs	(580)
9.3	Advertising and marketing	(1,000)
9.4	Leased assets	0
9.5	Staff costs	(710)
9.6	Administration and corporate costs	(300)
9.7	Other (provide details if material)	0
9.8	**Total estimated cash outflows**	**(2,710)**

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration	N/A	N/A
10.3	Consideration for acquisition or disposal	N/A	N/A
10.4	Total net assets	N/A	N/A
10.5	Nature of business	N/A	N/A

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..... Date: 23/7/2018
(Director/~~Company secretary~~)

Print name: GEORGE LUCAS

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.