

CASHWERKZ REVENUE INCREASES 346% YOY

Cashwerkz Limited (ASX:CWZ) (ABN: 42 010 653 862) (Company) (Cashwerkz) is pleased to announce HY21 audited results showing strong progress on the realignment and growth of the Group.

Key highlights for HY21

- Underlying revenue increased 154% surpassing Full Year revenue of 2020.
- Revenue and operational income up 346%.
- \$880,000 received in R&D grant for investment in innovative technology.
- Fortlake Asset Management (Fortlake) reached \$300m FUM mandates in first month of launch and strong pipeline of new mandates.
- Realignment and expansion of the group has seen costs for HY increased \$6.6m, with \$5.2m in one off and non-cash items.
- Performance rights have been issued to attract significant talent across the business, invest in our first Fund and manage cash expenses. 61% of Performance Rights hurdles are set at more than 45c reflecting confidence in achieving significant enterprise value and alignment with Shareholders.
- The Group holds material carry forward tax losses which it will seek to use in the future.

The half-year results released today reflect the investment being made in our transition from a single-product deposit broker, to multi product provider of income investments.

Our headline numbers are both positive and confronting yet as we work through the numbers, our non-cash costs, one-off expenses and investment to reinvent the Cashwerkz business, bring our costs consistent with that posted in the first half FY20, yet we are a very different Group.

We believe the changes to the cost side of the business are largely in place. There has been a rise in recurring costs as we have brought in cutting edge technology and the best people to run these systems and face our clients. The big change going forward will come from the revenue side, the infrastructure we require is now in place.

We see this past six-month period as a transition. The purpose of this paper is to update stakeholders on the status of the company's growth plan and to revisit our longer-term strategy.

I encourage you to read the Directors' report that provides a more detailed assessment of our HY operating performance.

"Our Vision is to provide investors and portfolio managers with the most trustworthy and capable platform for research, execution and management of their investments. Our mission in part is to become the leading provider in Australia to income-investors."

Revenue

We have set targets for trade numbers, volume and for referrals into Fortlake. This latter aspect is important to us as many investors should be investing through a manager, not directly. The upward trend for all these metrics is healthy, and we remain confident of achieving profitability on a monthly basis, within FY21.

The Fortlake business started off better than we hoped for, receiving mandates for \$300m in funds under management (FUM) prior to Christmas. It is now cashflow positive, which is really encouraging. We believe the Fortlake opportunity is really exciting. The move to near zero returns on deposits has made most managers of money rethink how they get their returns. Fortlake is

marketing to traditional superannuation investors and insurance companies to encourage investment in the funds. Interestingly it is also in deep discussions with many corporate managers of cash deposits, looking for a better return. The pie is enormous, so CWZ will be focusing more on this Fortlake opportunity rather than looking for new funds within the FundIncome incubator.

Our investment in Fortlake has been predominantly in Performance Rights at 45c and 75c price hurdles. In our financial results they are shown at the current valuation. We believe given the rapid growth and pipeline of mandates, that this investment is worth significantly more than our book value valuation.

We believe we can achieve positive revenue from operations in FY22 and \$15m in earnings in coming years. We will grow significantly as we build capacities that enable us to more easily trade with investment banks and institutional investors. The exciting part is that the growth becomes exponential as we build a capital base that enables us to warehouse more secondary bonds and to underwrite primary issues, we are confident of selling. We are in the final stages of establishing a working relationship with an offshore bank that among other capabilities will enable the use of derivatives and leverage for clients.

By design, the platform developed by BondIncome does not compete with existing corporate bankers already operational in Australia. As such we are well placed to distribute corporate bonds for many companies and origination businesses, our distribution platform is for hire.

Costs

We remain acutely aware of the need to maintain vigilance on our cost base. In time, it will grow as we expand but we aim to outsource where it makes commercial sense and to keep tight purse-strings until we are able to build consistent profitability.

Of the \$6.6m increase in expense items in this half year, 77% was in non-cash items like share based payments, \$4.233m and one off costs. There were non-recurring items such as external implementation teams to assist with the integration of Bloomberg TOMS and Salesforce. We have changed a great deal of the team's focus and often this has meant that the individuals within the team have also changed. The restructuring cost on a one-off basis was \$400k for the half year, but as we are now well positioned, we do not foresee any more restructuring.

Of course, there was also an increase in recurring costs like Bloomberg, Salesforce, Bond Advisor (independent Research) and BondIT (AI based optimiser systems for both bonds and deposits). We are already seeing our revenue growth in February to be outstripping these recurring costs and we expect that trend to continue. Our staff costs have increased as we are bringing in highly experienced professionals in their fields across the business in client facing, operations, and external compliance and risk management.

Establishing an investment house, even a small one, is not cheap. However, we believe that the growth on the revenue side will surprise and delight all stakeholders in the coming months and years.

The half-year results released today reflect the investment being made in our transition from a single-product deposit broker, to multi product provider of income investments.

Our strong Revenue numbers show the investment and decisions we've made in the past 6 months are making a step change difference.

Jon Lechte

Chief Executive Officer

This announcement was approved for release by the Board of Directors.

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About Cashwerkz Limited

The Cashwerkz Limited Group of companies delivers an innovative income investment marketplace including, Bond sales, At Call and Term Deposits and managed fixed income investments. Cashwerkz now includes Cashwerkz Technology, BondIncome and FundIncome as its revenue and asset creating divisions. Listed on the Australian Securities Exchange (ASX:CWZ) the group is headquartered in Australia. The Group consists of the following companies:

- Cashwerkz Limited ABN 42 010 653 862 AFSL 260033;
- Cashwerkz FI Limited ABN 86 111 273 048 AFSL 283119;
- Cashwerkz Technologies Pty Ltd ABN 70 164 806 357 AFSL 459645;
- Trustees Australia Limited ABN 63 010 579 058 AFSL 260038; and,
- FundIncome Pty Ltd ACN 643 600 088.