

FY24 revenue guidance a continuation of Q1 FY24

Wrkr Ltd (ASX:WRK) offers compliance solutions for Australian superannuation contributions and payroll including member onboarding, super payments, messaging and employee validation. New AGM commentary is guiding FY24 revenue to \$9m-\$10m (RaaS \$10.2m), which includes forecast SMSF Hub revenue in-line with RaaS at ~\$800k and higher interest income, boosted by the recent RBA rate increase. While the onboarding of a 'significant fund' client of Link is expected 'within weeks' we have little in the way of transactional revenue in FY24, just implementation revenue. The Q1 FY24 activities report reported 43% growth in cash receipts on the previous corresponding period (pcp), 42% growth in revenue, and a cash burn runway of eight quarters before any R&D tax rebates or new customer transactions are considered. Positive EBITDA is expected in FY25 as transactional revenue from Link clients commences together with the further migration of ART customers to the Wrkr platform. Our numbers and valuation are unchanged.

Business model

WRK operates three separate products, but each serves as a compliance solution for the Australia superannuation sector in one way or another. Wrkr PAY is a gateway clearing house, payment solution and ATO digital messaging provider used by payroll providers, employers, SMSF's and funds which generates fees on transactions, SaaS fees and float interest. Wrkr PLATFORM licenses the platform to super funds as a white-label solution and derives revenue from licence fees per user. Wrkr READY is a white-label automated onboarding solution for employees when selecting their super fund of choice and derives a fee for each onboarding, with further functionality expected to be added.

Readying for the ART and Link user uplift

Q1 FY24 revenue increased 42% on the pcp and similar growth is expected for the full year based on FY24 revenue guidance of between \$9.0m and \$10m (+35%+52%), which compares well with RaaS estimate of \$10.2m. Key drivers include continued 'discovery and planning' work for Link Group (ASX:LNK), 'development work' for ART addressing additional customer-led innovative features, growth in SMSF Hub subscribers, and higher interest revenue, aided by the recent RBA rate increase to 4.35%. These are key planks to our earnings estimates into FY25, with the first Link client to be onboarded 'within weeks'. Once migrated to Wrkr PAY, WRK has the opportunity to earn income from transaction fees, float interest, and other services such as member onboarding.

Valuation of \$0.08/share or \$105m market cap fully diluted

The near-term multiples of WRK do not reflect the medium-term revenue and earnings potential from Link customer migration, Pay Day Super, or direct client acquisitions. As a result, we deem a DCF as the most appropriate valuation methodology for WRK. Our DCF is unchanged at \$0.08/share and is driven by Pay Day Super, Link client migration assumptions, and a normalised cash rate of 3.5% (for float interest) against the current 4.35% rate. WRK has performed well against our selected peer group over the past three months, increasing 18% against a peer group decline of 5%.

Historical earnings and RaaS' estimates (in A\$ unless otherwise stated)							
Year end	Revenue	EBITDA adj.	NPATA adj.	EPS adj.	P/E (x)	EV/EBITDA (x)	EV/ARR* (x)
06/22a	4.6	(2.0)	(2.2)	(0.002)	n.m.	n.m.	9.8
06/23a	6.6	(1.3)	(1.5)	(0.001)	n.m.	n.m.	8.1
06/24f	10.2	0.0	(0.3)	(0.000)	n.m.	n.m.	5.5
06/25f	17.0	5.5	4.3	0.003	7.8	5.0	2.8

Source: FY22 and FY23 actual, RaaS estimates FY24f and FY25f; *Excludes interest income

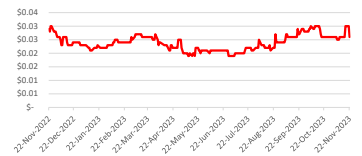
IT Services & Software

23 November 2023

Share Details

ASX code	WRK
Share price (22-Nov)	\$0.026
Market capitalisation	\$32.7M
Shares on issue	1,271.6M
Cash at 30-Sep-23	\$3.16M
Free float	33%

Share Performance



Upside Case

- Key Link clients migrate to Wrkr PAY
- Acceleration of direct customer growth using both super clearing, payroll, and onboarding
- Replicate the business model offshore

Downside Case

- Change in fund administrator or a client taking solutions in-house results in contract loss
- Reduction or elimination of the super contribution clearing period
- Slower-than-expected migration of customers to the PAY platform

Board and Management

Emma Dobson	Non-Executive Chair
Trent Lund	Executive Director/CEO
Paul Collins	Non-Executive Director
Randolf Clinton	Non-Executive Director
Karen Gilmour	Chief Financial Officer

Company Interview

[Wrkr \(ASX:WRK\) RaaS Interview 1 August 23](#)

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Exhibit 1: WRK Financial Summary

Wrkr Limited (ASX:WRK)						Share price (22 November 2023)						A\$	0.026				
Profit and Loss (A\$m)						Interim (A\$m)						H122A	H222A	H123A	H223A	H124F	H224F
Y/E 30 Jun	FY22A	FY23A	FY24F	FY25F	FY26F	Revenue	1.8	2.8	2.7	3.9	4.4	5.8					
Revenue	4.6	6.6	10.2	17.0	21.2	EBITDA	(1.6)	(0.4)	(1.2)	(0.1)	(0.5)	0.6					
Gross profit	4.0	5.8	8.4	15.0	19.8	EBIT	(2.9)	(1.8)	(2.6)	(1.5)	(2.1)	(1.0)					
GP margin %	87.6%	88.7%	82.1%	88.5%	93.4%	NPATA (normalised)	(1.6)	(0.6)	(1.3)	(0.2)	(0.7)	0.4					
EBITDA	(2.0)	(1.3)	0.0	5.5	9.8	Adjustments	(0.1)	0.6	0.1	(0.1)	0.0	0.0					
Depn	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	NPAT (reported)	(3.0)	(1.4)	(2.5)	(1.8)	(2.2)	(1.1)					
RoU	0.0	0.0	0.0	0.0	0.0	EPS (adjusted)	(0.001)	(0.000)	(0.001)	(0.000)	(0.001)	0.000					
Amortisation	(2.7)	(2.8)	(3.0)	(3.0)	(3.0)	Dividend (cps)	0.000	0.000	0.000	0.000	0.000	0.000					
EBIT	(4.7)	(4.1)	(3.0)	2.4	6.8	Imputation	0.0	0.0	0.0	0.0	0.0	0.0					
Interest expense	(0.0)	(0.1)	(0.3)	(0.1)	0.1	Operating cash flow	na	na	na	na	na	na					
Tax	(0.2)	0.0	0.0	(1.1)	(2.9)	Free Cash flow	na	na	na	na	na	na					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	NPATA normalised	(2.2)	(1.5)	(0.3)	4.3	6.9	Divisonals					
NPATA normalised	(2.2)	(1.5)	(0.3)	4.3	6.9	Divisonals	H122A	H222A	H123A	H223A	H124F	H224F					
Adjustments	0.5	0.0	0.0	0.0	0.0	Revenue	1.8	2.8	2.7	3.9	4.4	5.8					
NPAT (reported)	(4.3)	(4.2)	(3.3)	1.3	3.9	PAY	0.8	1.0	1.6	2.3	2.8	3.8					
Cash flow (A\$m)						PLATFORM	1.0	1.7	1.0	1.5	1.5	1.5					
Y/E 30 Jun	FY22A	FY23A	FY24F	FY25F	FY26F	READY	-	0.1	0.0	0.1	0.1	0.6					
Adj EBITDA (after rent)	(2.0)	(1.3)	0.0	5.5	9.8	Gross profit	1.5	2.5	2.4	3.5	3.6	4.8					
Interest	(0.0)	(0.2)	(0.3)	(0.1)	0.1	Gross Profit Margin %	85.0%	89.2%	87.6%	89.4%	82.2%	82.0%					
Tax	0.0	0.9	0.3	0.2	(2.9)	Employees	2.1	2.2	2.6	2.9	3.2	3.3					
Working capital/other	0.4	0.8	(1.0)	(0.7)	(0.2)	Administration	0.1	0.0	0.1	0.0	0.1	0.1					
Operating cash flow	(1.6)	0.2	(1.1)	4.9	6.7	Other	0.8	0.7	0.8	0.7	0.9	0.8					
Mtce capex	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	Total costs (ex SBP/1-off)	3.1	2.9	3.6	3.6	4.1	4.2					
Capitalised Software	(0.4)	(0.4)	0.0	0.0	0.0	EBITDA	(1.6)	(0.4)	(1.2)	(0.1)	(0.5)	0.6					
Free cashflow	(2.0)	(0.3)	(1.1)	4.9	6.7	EBITDA margin %	(88.2%)	(14.8%)	(44.8%)	(3.4%)	(12.2%)	9.5%					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	Margins, Leverage, Returns	FY22A	FY23A	FY24F	FY25F	FY26F						
Other	0.0	0.0	0.0	0.0	0.0	EBITDA margin %	-43.0%	-20.3%	0.2%	32.3%	46.1%						
Cash flow pre financing	(2.0)	(0.3)	(1.1)	4.9	6.7	EBIT margin %	-102.8%	-62.5%	-29.5%	14.4%	31.8%						
Equity	0.0	4.2	0.0	0.0	0.0	NPAT margin (pre significant items)	-46.8%	-22.2%	-3.4%	25.3%	32.4%						
Borrowings	0.6	0.1	0.0	0.0	0.0	Net Debt (Cash)	-	0.81	- 3.37	- 1.96	- 6.20	- 12.51					
Net Dividends paid	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	0.4	2.5	-122.9	-1.1	-1.3					
Change in cash	(1.5)	4.0	(1.1)	4.9	6.7	ND/ND+Equity (%)	(%)	(5.0%)	(22.5%)	1.7%	(49.3%)	(76.7%)					
Balance sheet (A\$m)						EBITDA interest cover (x)	(x)	-703.3	-13.8	0.0	68.4	-163.1					
Y/E 30 Jun	FY22A	FY23A	FY24F	FY25F	FY26F	ROA		nm	(22.4%)	(17.9%)	14.6%	33.3%					
Cash	1.3	4.1	3.0	7.9	14.5	ROE		nm	(33.8%)	(36.8%)	9.4%	22.1%					
Accounts receivable	0.3	0.6	0.7	1.4	1.6	NTA (per share)		0.00	0.00	0.00	0.01	0.01					
Other receivables	1.8	0.9	0.9	0.9	0.9	Working capital		2.0	1.4	1.5	2.2	2.4					
Other current assets	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		43.7%	21.2%	15.1%	13.0%	11.3%					
Total current assets	3.4	5.6	4.6	10.1	17.0	Revenue growth		126.5%	43.0%	55.3%	66.0%	25.3%					
PPE	0.0	0.1	0.1	0.1	0.2	EBIT growth pa		n/a	n/a	n/a	(181.4%)	176.0%					
Intangibles	15.0	12.6	9.6	6.6	3.6	Pricing		FY22A	FY23A	FY24F	FY25F	FY26F					
Other	0.0	0.0	1.0	1.3	1.7	No of shares (y/e)	(m)	1,223	1,272	1,272	1,385	1,385					
Total non current assets	15.0	12.7	10.7	8.0	5.4	Weighted Av Dil Shares	(m)	1,223	1,256	1,256	1,294	1,370					
Total Assets	18.4	18.3	15.3	18.1	22.4	EPS Reported	A\$ cps	(0.0036)	(0.0034)	(0.0027)	0.0010	0.0028					
Trade payables	0.1	0.1	0.1	0.1	0.1	EPS Normalised/Diluted	A\$ cps	(0.0018)	(0.0012)	(0.0003)	0.0033	0.0050					
Other Payables	0.5	0.8	0.8	0.8	0.8	EPS growth (norm/dil)		na	-34%	-76%	-1294%	52%					
Contract Liabilities	0.4	0.7	0.9	1.6	1.9	DPS	cps	0.000	0.000	0.000	0.000	0.000					
Borrowings	0.6	0.2	0.2	0.2	0.2	DPS Growth		na	na	na	na	na					
Employee benefits	0.6	0.8	1.0	1.1	1.2	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Other	0.4	0.1	0.1	0.1	0.1	Dividend imputation		0	0	0	0	0					
Total current liabilities	2.6	2.6	3.0	3.8	4.2	PE (x)	-	14.8	- 22.4	- 93.6	7.8	5.2					
Employee benefits	0.0	0.1	0.1	0.1	0.1	PE market		15.0	15.0	15.0	15.0	15.0					
Convertible Note	0.0	2.6	2.6	0.0	0.0	Premium/(discount)		(198.5%)	(249.4%)	(724.1%)	(47.7%)	(65.5%)					
Other	0.1	0.5	0.5	0.5	0.5	EV/EBITDA (x)		(16.1)	(24.4)	2,049.3	5.0	0.0					
Total long term liabilities	0.1	3.2	3.2	0.6	0.6	FCF/Share	A cps	(0.002)	(0.000)	(0.001)	0.004	0.005					
Total Liabilities	2.7	5.8	6.2	4.4	4.8	Price/FCF share		(15.8)	(97.1)	(28.9)	6.9	5.4					
Net Assets	15.7	12.5	9.1	13.7	17.6	Free Cash flow Yield		(6.2%)	(1.0%)	(3.5%)	14.9%	20.4%					
Share capital	44.0	44.9	44.9	48.2	48.2												
Reserves	0.2	0.2	0.2	0.2	0.2												
Accumulated losses	(28.6)	(32.7)	(36.0)	(34.7)	(30.9)												
Total Shareholder funds	15.7	12.5	9.1	13.7	17.6												

Source: Company data for actuals, RaaS estimates

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021

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

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 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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