MOELIS AUSTRALIA

Initiation of Coverage

Credible (ASX:CRD)

Huge Opportunity Ahead

Buy rating, $1.40 target price (last close: $1.03)

10 October 2018

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I. Investment Summary

Investment Summary

- **Summary:** We initiate coverage on Credible Labs ("**ASX:CRD**") with a **BUY** rating and a $1.40 price target (last close: $1.03). Our target price is derived using a 10 year DCF valuation.
- **Overview:** Credible is a consumer finance marketplace which enables borrowers to compare and apply for financial products online. The company's platform extends the value proposition of traditional online intermediaries through its integration with credit bureaus and financial institutions to provide consumers with accurate, pre-qualified and personalised credit offers in real-time.
- **History:** Credible was founded in 2012 by its CEO, Stephen Dash, as a student loan marketplace to capitalise on the systemic mispricing of student debt in the US. Following several funding rounds, the company has developed and expanded its core technology platform to include new products such as student loan origination, credit cards, personal loans and mortgages. Credible raised US$39m in its IPO in December 2017 to support ongoing product development and accelerate market penetration.

Income Statement (US$m)

Year End Dec	2015pf	2016pf	2017a	2018e	2019e	2020e
Closed Loan Volume	81	364	787	1,002	1,516	2,321
Growth	n/a	347%	116%	27%	51%	53%
Revenue	**1.5**	**8.8**	**19.8**	**23.7**	**36.9**	**53.9**
Growth	n/a	502%	124%	20%	56%	46%
Cost of Sales	(1.2)	(4.4)	(14.0)	(17.4)	(25.8)	(36.4)
Gross Profit	**0.2**	**4.4**	**5.8**	**6.3**	**11.1**	**17.5**
Margin	16.4%	49.9%	29.1%	26.5%	30.0%	32.5%
Opex	(2.8)	(6.4)	(10.9)	(22.7)	(29.0)	(32.8)
EBITDA	**(2.6)**	**(2.0)**	**(5.1)**	**(16.4)**	**(17.9)**	**(15.3)**
Margin	(175%)	(23%)	(26%)	(69%)	(48%)	(28%)

Note: 2015-16 financials are presented on a proforma basis.

Summary Metrics (ASX:CRD)

Investment Summary	AUD
Investment Rating	**BUY**
12M Price Target	1.40
Share Price (10-Oct-18)	1.03
Upside	35.9%

Capital Structure	AUD	USD
Share Price	$1.03	
Fully Diluted Shares	274.8m	
Market Capitalisation	**$283.0m**	**$200.9m**
Less: Net Cash (Jun-18a)	$51.0m	$36.2m
Enterprise Value	**$232.0m**	**$164.7m**

EV/Sales	2018e	2019e	2020e
Current Enterprise Value	164.7	164.7	164.7
Sales	23.7	36.9	53.9
EV/Sales	6.9x	4.5x	3.1x

Note that all currency is in USD unless otherwise specified.

Source: Moelis research

Investment Summary

INVESTMENT THESIS

- **Huge market opportunity with supportive tailwinds.** The US consumer finance market is the largest in the world with over $13 trillion in outstanding consumer debt. Domestic lenders spend around $13bn on digital marketing with online intermediary channels representing a $2.5bn segment. We believe the online intermediary channel is significantly underpenetrated compared to other industries (e.g. travel, insurance) and will increase substantially as technological solutions improve and consumers increasingly utilise technology to compare financial products and make financial decisions.

- **Credible's unique lender integrated model creates meaningful benefits for both lenders and consumers.** Credible's unique lender integrated platform extends the value proposition of traditional online intermediaries through its ability to generate accurate, instant, pre-qualified credit offers from its financial institution partners and to manage much of the origination workflow without leaving Credible's website. For consumers, this creates a faster, more seamless and favourable experience. Credible's first mover advantage with its lender integration model makes it well placed to continue attracting visitors to its marketplace and increase its share of industry originations.

- **Product development enables significant expansion of addressable market opportunity from $550m to $34bn.** Credible is currently developing mortgage, personal loan and credit card verticals which will we estimate will create a combined market opportunity roughly 60x larger than its core student loan platform. Given the scale of the opportunity, this creates a long runway for growth with material upside to Credible's current valuation if it captures even a small proportion of the overall market (<0.5%).

- **Strong execution in student loans makes Credible well placed to win share in new verticals.** We believe Credible's leading market share and strong execution in in student loans makes it well placed to win share in mortgages, credit cards and personal loans through building brand affinity early in the consumer's financial product life cycle. Over time, this will allow Credible to build a consumer finance ecosystem and maximise customer lifetime value as consumers utilise the platform for multiple financial products.

- **Highly scalable platform building a powerful network effect.** As Credible continues to attract consumers and financial institutions to its marketplace, it is building a self-reinforcing network effect. This network effect is a powerful competitive advantage and will be strengthened as new products are added to the marketplace. We believe this will create a long runway for revenue growth with margin expansion underpinned by a highly scalable platform and efficient cross-selling opportunities.

- **Strong founder-led management team with good alignment.** Credible's management team have executed extremely well since inception as highlighted by its growth, leading position in student loans and high customer ratings. The management team has significant experience in the financial services, private equity and fintech sectors and is led by founder Stephen Dash, who has a 43% equity stake, offering excellent alignment with shareholder interests.

RISKS

- The three key risks we see are: **(1) Execution:** Our estimates for Credible are underpinned by management's ability to continue executing in product development, marketing and partnerships. **(2) Competition:** Competition from online intermediaries, financial institutions or walled garden tech platforms may drive up the cost of advertising, reduce site traffic or drive down take rates. **(3) Supplier Power:** Credible's business model is dependent on its ability to profitably attract consumers to its marketplace via advertising and partnerships. Search engine marketing is a key customer acquisition channel which is dominated by Google.

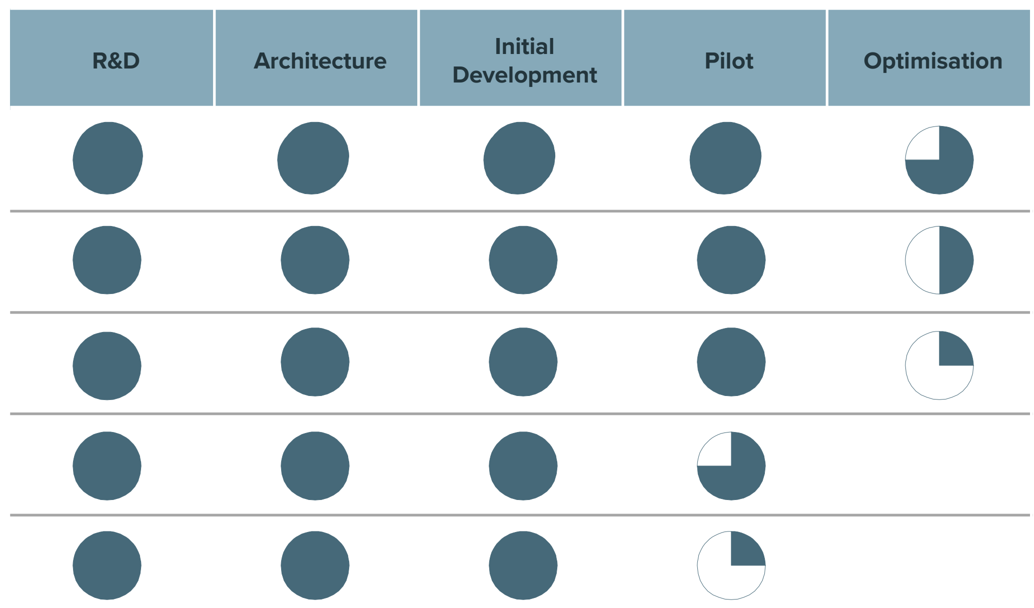
II. Company Overview

Overview & History

- **Overview:** Credible Labs ("**CRD**") is an financial marketplace which enables consumers to compare and apply for financial products online. The company's platform extends the value proposition of traditional online intermediaries through its integration with credit bureaus and financial institutions to provide consumers with accurate, pre-qualified and personalised credit offers in real-time.
- **History:** Credible was founded in 2012 by its CEO, Stephen Dash, to capitalise on the systemic mispricing of student loan debt in the US. The company launched Credible.com in April 2014 as a student loan refinancing marketplace. Following several funding rounds, Credible has developed and expanded its core technology platform to include new products. Credible raised US$39m in its IPO at A$1.21 per CDI in December 2017 to support ongoing product development and accelerate market penetration.
- **Product Development:** Credible's platform currently consists of 5 verticals in various stages of development. We estimate that student loan refinancing represents >70% of revenue with this vertical still being continuously optimised. The student loan origination, credit card and personal loan verticals all represent large opportunities which are still in the early stages of commercialisation. Mortgage refinancing represents an enormous market which is still being developed with the public launch targeted for October 2018.

	Annual Originations	Public Launch	Development Period
Student Loan Refinancing	$10bn	April 2014	4-6 years
Student Loan Origination	$12bn	July 2015	4-6 years
Personal Loans	$110bn	January 2016	2-3 years
Credit Cards	70m cards	August 2017	2-3 years
Mortgages	$1,700bn	Targeting October 2018 For Refinance	4-6 years

Note that all currency is in USD unless otherwise specified.

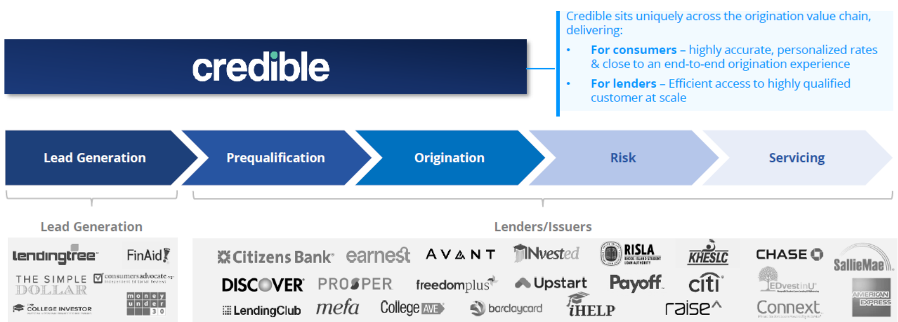


Note that development periods are not uniform in duration.

IP

- **Credible's platform offers a differentiated value proposition to traditional online intermediaries through its unique lender integration model.** Credible's platform features a simplified concierge style application form that guides consumers through the process with assistance via phone or chat available if necessary. Consumers complete the online application by providing the requisite data (personal details, income, assets, etc) within 2 to 3 minutes. Credible then collects the prospective borrower's credit data from third party credit bureaus (Experian, Equifax, TransUnion) without impacting their credit rating (known as a "soft" credit pull). Credible then combines the various data points into its financial institution partners' unique underwriting models, which are built into its platform, to generate a legally binding, personalised credit offer (as opposed to a rate range). Once consumers provide documents for validation, a promissory note is issued from the lender and funding can occur within as little as 2-4 days from approval (depending on loan type).
- **Credible's platform allows consumers to self-serve throughout the whole process.** This can be contrasted with traditional comparison sites which are focused on lead generation rather than origination. These traditional players simply provide a rate comparison (generally expressed as a rate range) and connect lenders with prospective borrowers. Credible generates higher conversion through offering pre-qualified rates where consumers are able to self-serve through virtually all of the origination process. As a result, it provides lenders with high intent customers that are deeper down the acquisition funnel ("deep funnel") and a higher, more predictable ROI on marketing spend and lower onboarding costs.
- **Ongoing product development will extend Credible's share of the origination workflow.** Credible is constantly refining and improving its platform to further extend its technological advantage through initiatives such as document upload capability, e-signing and integration with third party information sources (e.g. tax returns, bank accounts). This will further strengthen its advantages in customer experience.

CREDIBLE'S PLATFORM EXTENDS INTO ORIGINATION...



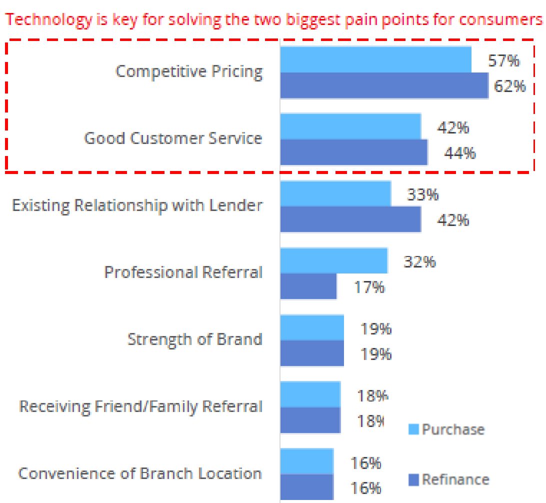
... WHICH GENERATES MATERIAL BENEFITS FOR CUSTOMERS

		credible	Lead Generation
1	Lender acquires ...	Customers	Leads (which require internal resources to convert)
2	% of origination process occurring onsite	~80-90%	<10%
3	Furthest point in origination process borrower reaches	Legally binding, personalised offers of credit	Rate ranges or marketed rates
4	Borrowers who self-serve through the entire process	~70%	0% Origination occurs on lender sites
5	Pre-qualification interest rate accuracy	~95% Integrated lender underwriting model	n/a Based on general rate tables
6	Average lender close rates	~60-70% Depending on lender and product	~1-3% Depending on source
7	Borrowers' ability to control sharing of personal data	Borrower remains in control of which lenders receive their data	Borrower data often sent and/or sold to multiple lenders

The Value of Credible's Platform For Consumers

- **Online intermediaries can create significant benefits for consumers** through creating price competition and facilitating better, more informed decision-making. These platforms are becoming more relevant for consumers with nearly half (49.7%) of all customer interactions with financial services companies now occurring online[(1)]. Furthermore, brand disintermediation is occurring in financial services as consumers are now more likely than ever to shop around and switch providers with 37.7% of customers holding accounts with multiple banks and 29% of mortgage applicants likely to apply to more than one lender[(1)].
- **Credible extends the value proposition of traditional online intermediaries through integrating more deeply with its financial institution partners**. Consumers benefit from a faster, more seamless experience, better transparency and greater certainty of outcomes through creating almost instantaneous, pre-qualified product offers. There is less duplication of onboarding steps (e.g. forms, paperwork) while the technology accelerates the documentation process and avoids the need to endure follow up calls on leads. Approximately 70% of Credible's consumers self-serve throughout the entire process which compares with effectively 0% on lender websites for most financial products due to online applications almost always becoming referred to phone associates.
- **These factors are particularly important for Credible's core target market, Millennials,** (generally defined as being born from the early 1980s to the early 2000s) with this demographic increasingly likely to compare financial products online and utilise technology to create a better user experience (convenience, speed, simplicity, transparency, trust). In a recent Oliver Wyman study, it found that 29% of borrowers seeking to refinance mortgages utilised online search engines although this figure was even greater at 69% for the more internet savvy demographics. For Millennials, traditional lenders are highly inefficient at originating and servicing loans, and lengthy, paper-based application processes are too time consuming.

IMPORTANT FACTORS FOR CONSUMERS WHEN CHOOSING BETWEEN FINANCIAL PRODUCTS[(3)]

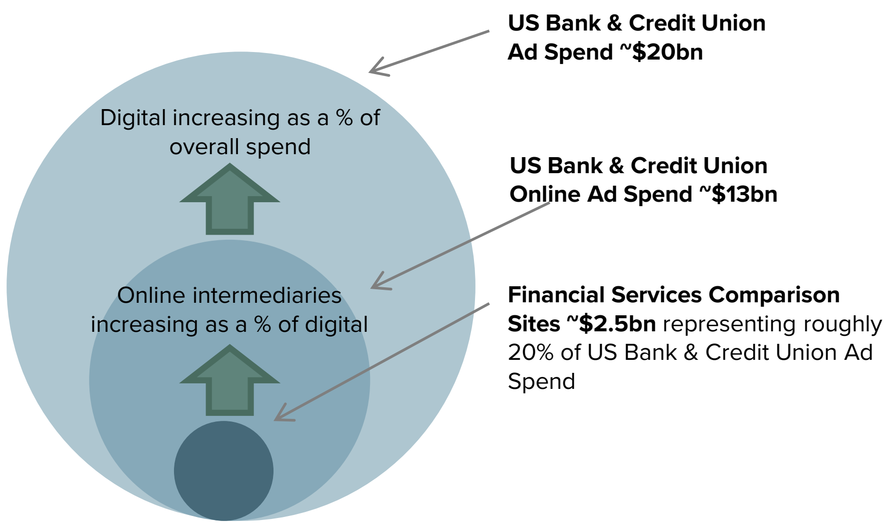


Sources: (1) Frost & Sullivan,; (2) Frost & Sullivan; (3) Credible, Oliver Wyman

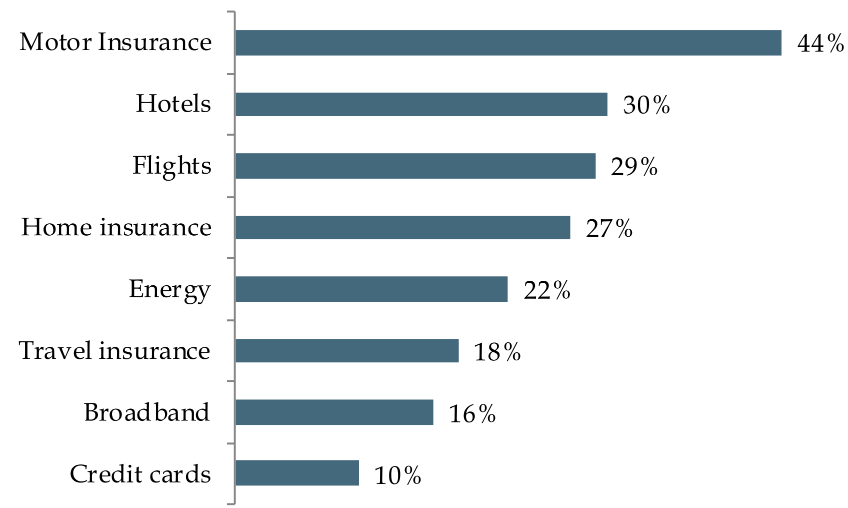
Underpenetration of Online Intermediaries

- **Despite the clear value proposition for consumers, online intermediaries remain very underpenetrated in the financial services industry** compared to other industries. In the UK, generally regarded as being one of the most digitally advanced regions in the world, only 10% of customers used a comparison site for credit cards in the last 12 months which compared with 44% for motor insurance and 30% for hotels. We think the underpenetration in other categories such as mortgages is likely to be even more pronounced given that credit cards are one of the most digitally amenable financial products. For example, one of the leading online intermediaries in the US mortgage market, Lending Tree, is estimated to generate 1.4% of industry originations while Expedia originates 12% of travel bookings (accommodation, flights, car rental) in North America.
- **We think comparison sites will substantially increase their penetration from ~$2.5bn industry revenue in 2018.** Online financial services comparison sites are predominantly considered a component of financial institutions' digital marketing budget given the traditional focus on lead generation. In the UK, leading financial intermediary, Money Supermarket, believes financial comparison channels are growing at 7% per annum. We believe similar market growth rate should be applicable for the US. However, arguably this online comparison site market size becomes a less relevant figure for Credible as its operations span further into origination workflow.

ADDRESSABLE MARKET[1]



USE OF COMPARISON SITES IN LAST 12 MONTHS BY SECTOR[2]

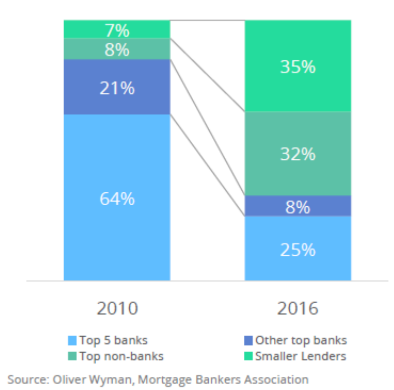


Sources: (1) Lending Tree, Moelis research; (2) Competition & Markets Authority (UK), Moelis research

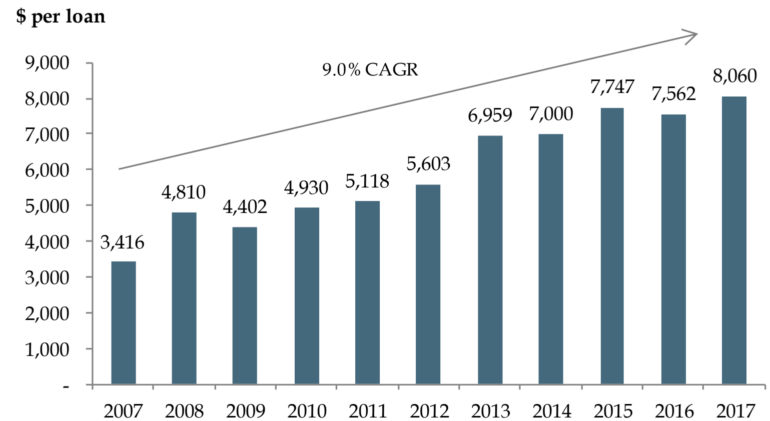
The Value of Credible's Platform for Financial Institutions

- **Online intermediaries are an important customer acquisition tool.** This is especially important in the US given the high fragmentation amongst US financial institutions which underscores the need for effective customer acquisition strategies. Fragmentation has been increasing as major lenders pulled back their loan books following the GFC with non-bank lenders filling the gap.
- **Credible's platform is a more effective customer acquisition tool through its deep funnel approach.** Financial institutions achieve higher close rates and are able to generate a higher return on advertising spend. We believe the ability of Credible's financial institution partners' to generate a better close rate on its platform will eventually enable CRD to extract higher returns on marketing spend than its competitors.
- **Credible's lender integrated model also provides for a lower cost of loan origination and higher data accuracy.** Loan origination is predominantly a paper based system which is heavily reliant on manual processes which can be time-consuming, error prone and inefficient. Mortgage loan origination costs have more than doubled to $8,060 per loan since the GFC due to increased regulatory, compliance and investor requirements with the industry predominantly leveraging a phone-centric engagement model. While almost one third of mortgage applications start online[1], the online origination process stops at the pre-qualification stage before directing applications to speak to a loan officer who then initiates a more traditional loan application process. Credible's platform will allow mortgage applicants to largely self-serve through the whole refinancing process.
- **Importantly, Credible's unique lender integration model helps solve many of the issues that have held back digital mortgage origination** such as regulatory compliance and customer experience. Digitisation allows lenders to further automate compliance processes, remove manual interference and limit human error.

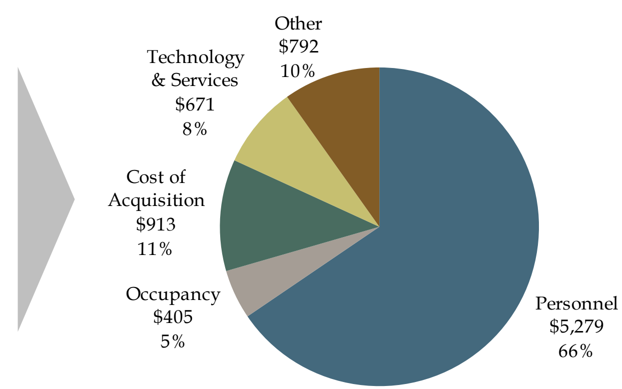
MORTGAGE ORIGINATION MARKET SHARE[1]



LOAN PRODUCTION COSTS[2]



LOAN PRODUCTION COST BREAKDOWN[2]



Source: (1) Oliver Wyman, MBA, Credible (2) Ellie Mae, MBA

Market Opportunity

- **Large market opportunity with strong growth potential.** We estimate a visible medium term market opportunity of $5.8bn for the online intermediary market. This represents ~2.4x the current market penetration and assumes that intermediaries can generate 10-25% of total originations (above current levels but significantly less than travel). However, we note that this assumes take rates remain in line with current levels. As Credible extends its technology across the origination workflow, we expect it will be able to improve take rates to the upper end of the ranges in the table below, thus providing further upside to our estimates.
- **We estimate the opportunity in mortgages, credit cards & personal loans is ~60x larger than CRD's core student loan vertical.** These are the three most nascent products within Credible's portfolio which highlights the large market opportunity ahead. While we believe Credible generates the vast majority of its revenue from student loans, we note it is a relatively small market in comparison with the other three verticals. However, it is strategically important given that it allows Credible to build a relationship early in consumers' financial product life cycle.
- **We estimate the market potential for credit cards is the second largest behind mortgages despite being a much smaller segment in terms of debt outstanding.** This is attributable to the higher digital penetration for credit cards, proliferation of credit cards (over 70% of American adults have a credit card with the average card holder having over 3 cards), shorter product holding period (in some cases every 1-2 years) and the high profitability for financial institutions given the elevated interest rates (generally 14-20% p.a. vs 4-6% for mortgages). However, we also note the credit card opportunity is also more competitive given the existing entrenched players (e.g. CreditCards.com) and lower differentiation.

Addressable Market For Online Intermediaries (US$bn)

	Annual Originations ($bn)	Take Rate	Est. Current Penetration		Addressable Market At Various Penetration Levels ($bn)			
			%	US$bn	100%	50%	25%	10%
Mortgages	1,700	0.8-1.5%	3.0%	0.5	17.0	8.5	4.3	1.7
Student Loans	22	2.0-3.0%	12.5%	0.1	0.55	0.28	0.14	0.06
Personal Loans	110	2.0-3.0%	8.0%	0.2	2.8	1.4	0.7	0.3
Credit Cards	70m cards	$50-350	12.5%	1.5	12.3	6.1	3.1	1.2
			Total	**2.3**	**32.6**	**16.3**	**8.1**	**3.3**
					Visible Medium Term Opportunity			**5.6**

Source: Moelis research/estimates

Product Development

- **Credible is focused on building out new product verticals and continuous optimisation of its existing verticals.** Optimisation efforts are focused on both the front end and back end. The back end improvements allow for the automation of workflow and extend Credible's presence in the origination process. These developments will allow Credible to improve its share of the value chain (i.e. increase take rates) and also support a more seamless customer experience. Front end improvements are also focused on improving customer experience and should facilitate higher conversion rates.
- **Mortgage refinancing pilot launched in July.** Credible launched an invitation-only private pilot of its mortgage refinancing marketplace in California and North Carolina. The launch occurred 6 months ahead of schedule through the company's ability to leverage previous experience in lender integration. The pilot featured 4 of top 10 US mortgage lenders and represents the first multi-lender pre-qualification experience for refinancing mortgages. Credible originated its first mortgage in August following the trial. Credible reported that:
  - The prequalification process took less than 3 minutes.
  - Received accurate rates from all four mortgage lenders across four fixed rate terms (10, 15, 20 and 30 years) and four variable rate structures.
  - The loan promissory note was signed within 21 days and closed within 25 days of the application. This compares with the national average of 41 days.
- **Credible is preparing for a public launch in October 2018.** The company has secured regulatory approval to offer mortgage broking across 20 states which represent approximately 65% of overall US mortgage refinancing originations.
- There are three key types of mortgage products
  - Conforming. These loans must meet specific criteria in order for the mortgage originator to onsell the mortgage to government sponsored enterprises, Fannie Mae or Freddie Mac. These loans must generally be under $424k for single family, one unit properties.
  - Jumbo: Jumbo loans are conventional loans which generally exceed the limits to be sold to Fannie Mae or Freddie Mac. These loans are more common in more affluent areas and generally require more documentation to qualify.
  - Government-Insured Mortgages: These loans are insured by government agencies (FHA, USDA and VA) to help lower income Americans access the property market.
  - Non-Qualified Mortgages: Loans which do not comply with the Consumer Financial Protection Bureau's rules. These are generally higher risk loans such as interest only or high debt to income.
- Credible will initially prioritise the conforming and jumbo offering which represent the vast majority of mortgages in the US. After this, it is likely the company will develop a purchase mortgage offering. A deep funnel mortgage purchase platform will be more challenging to develop as these initially require a higher level of manual intervention in the loan application and distribution process (e.g. reliance on mortgage brokers, realtors, appraisals which are administered locally and not yet automated).
- **Credit cards and personal loans are still being optimised.** We estimate that these two products comprise approximately 10% of Credible's revenue. As Credible improves the platform for these two verticals we believe they can ramp up significantly.

Company Drivers

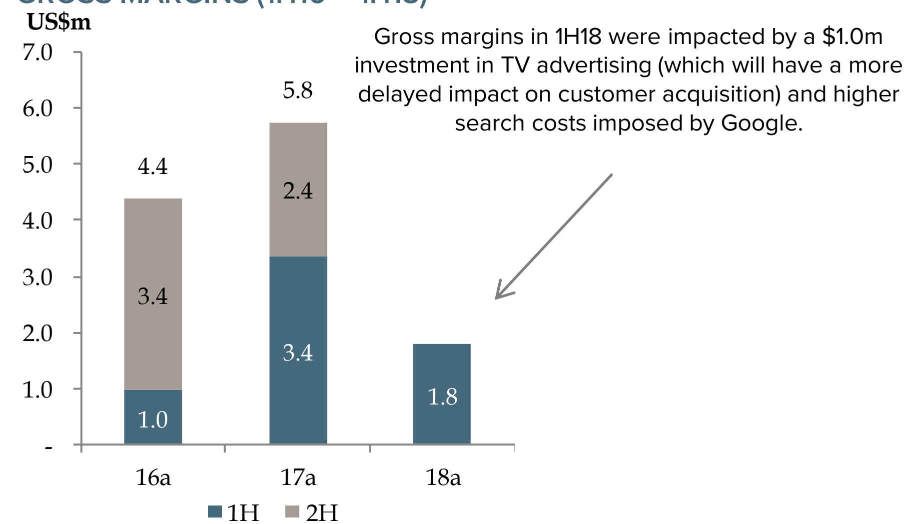
- **Marketing is a critical part of Credible's business.** As an online intermediary, Credible's business model is heavily dependent on its ability to attract consumers to its platform and convert & monetise these consumers. Given the relationship between site traffic and marketing spend, we believe gross profit is the most important overall benchmarking metric for the company. This benchmark captures the impact of each marginal dollar spent on marketing spend (i.e. that each customer is being acquired profitably).

	Key Determinants	
Number of Visitors	▪ Magnitude and effectiveness of marketing spend ▪ Brand strength (organic leads) ▪ Partnership network	▪ Macro environment (e.g. interest rates, house prices) ▪ Breadth and depth of product offering
x Conversion Rates	▪ Ease of use ▪ Competitiveness and breadth of products available	▪ Customer experience ▪ Breadth of origination flow assumed
= Closed Loan Volumes		
x Take Rates	▪ Size and profitability of products for financial institutions (i.e. ability to pay) ▪ Close rates for end customer	▪ Total loan volumes originated for customer (volume bonuses) ▪ Online origination capability of lenders
= Revenue		
- Marketing Spend	▪ Magnitude of campaigns run ▪ Channel mix	▪ Cost of marketing (e.g. Google AdWords rates, TV, direct mail) ▪ Partner royalties
= Gross Profit		

Marketing

- **Credible has a diversified market mix across digital (search, display, social media), TV and its proprietary partnership/affiliate channels.** We estimate 30-40% of site visitors come from paid channels (search, social, display, TV, direct mail), 20-30% direct and the remainder from partnership channels. While CRD's marketing strategy is constantly evolving, the company has been prioritising its partnership channels due to its ability to generate a better return on advertising spend, which is in part due to payment to the referral partner being based on a closed loan basis. Partnership models generally leverage online referrals or cobranded email/ mail marketing. We think establishing proprietary marketing channels such as professional groups or alumni associations will be a key competitive advantage for Credible while also reducing its reliance on Google.
- Credible is also investigating the use of employee benefit channels as a distribution outlet. In May 2018, Credible announced a partnership with Fidelity Investments as part of its Student Debt Employer Contribution Platform which will launch in 2H18.
- **Credible's natural target market is Millennials through its origins as a student loan marketplace**. Around 65% of Credible's customers are aged 18 to 35. The focus on Millenials is important as this demographic is the most likely to utilise online intermediaries and value Credible's superior customer experience. However, it also creates the opportunity for Credible to builds brand affinity early in the consumers' financial services life cycle as customers move from student loans to credit cards, personal loans and mortgages later in life.

GROSS MARGINS (1H16 – 1H18)



Source: Credible, Moelis research

Financial Partners

- **We believe Credible has reached critical mass in terms of the number of financial institutions on its platform.** The company has grown its financial institution base from 15 in December 2016 to 35 as at June 2018. Additions in 2018 include Marcus by Goldman Sachs, SunTrust Bank plus 5 mortgage lenders including four of the top 10 mortgage originators in the USA (Quicken Loans, Caliber Home Loans, UWM and LoanDepot). However, we still believe the addition of further financial institutions will strengthen its negotiating leverage, improve outcomes for consumers and enhance its network effect.
- Credible generates revenue from its financial institution partners generally as a fixed percentage of closed loan volume for loans and a fixed fee for closed credit cards. This compares with competitors which rely on a combination of cost per click (CPC), cost per impression (CPM) and cost per acquisition (CPA) models.

Financial Institution Partners

Student Loan Lenders

Citizens Bank, RISLA, College Ave, SallieMae, purefy, SunTrust, earnest, iHELP, EDvestinU, DISCOVER, Education Loan Finance, splash financial, Connext, raise, KHESLC, INvested, mefa, Brazos Higher Education

Mortgage Lenders

Quicken Loans, loanDepot, Caliber Home Loans, UWM

Personal Loan Lenders

Marcus by Goldman Sachs, LightStream, LendingClub, Payoff, freedomplus, Marlette Funding, AVANT, Upstart, PROSPER, Citizens Bank

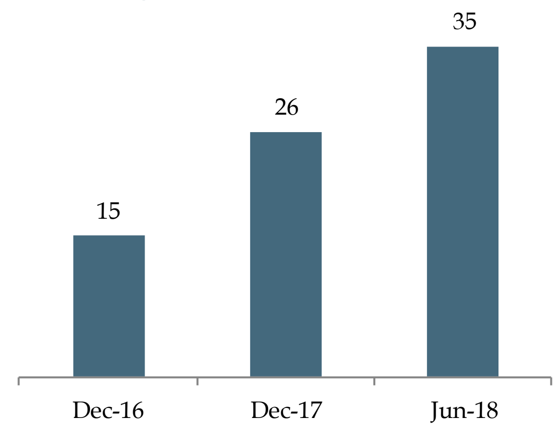
Credit Card Issuers

American Express, barclaycard, DISCOVER, CHASE, Wells Fargo, Citizens Bank

Top 10 Mortgage Lenders[1]

Rank	Name	Loans (#)	Value ($bn)
#1	Quicken Loans	436,289	$91
#2	Wells Fargo	393,568	$126
#3	Chase	173,702	$74
#4	Bank of America	152,811	$58
#5	Freedom Mortgage	152,017	$32
#6	loanDepot	132,440	$36
#7	usbank	108,171	$29
#8	Caliber Home Loans	105,371	$28
#9	Flagstar Bank	99,341	$27
#10	UWM	82,231	$23

NUMBER OF FINANCIAL INSTITUTION PARTNERS



Management & Board

- **Credible has a high quality board and management team** with experience across financial services, technology, venture capital and private equity at top tier institutions (JP Morgan, Prosper, Paribas, Wells Fargo, Bain & Company). Importantly, founder/CEO Stephen Dash owns 43% of Credible which creates strong alignment with shareholders.

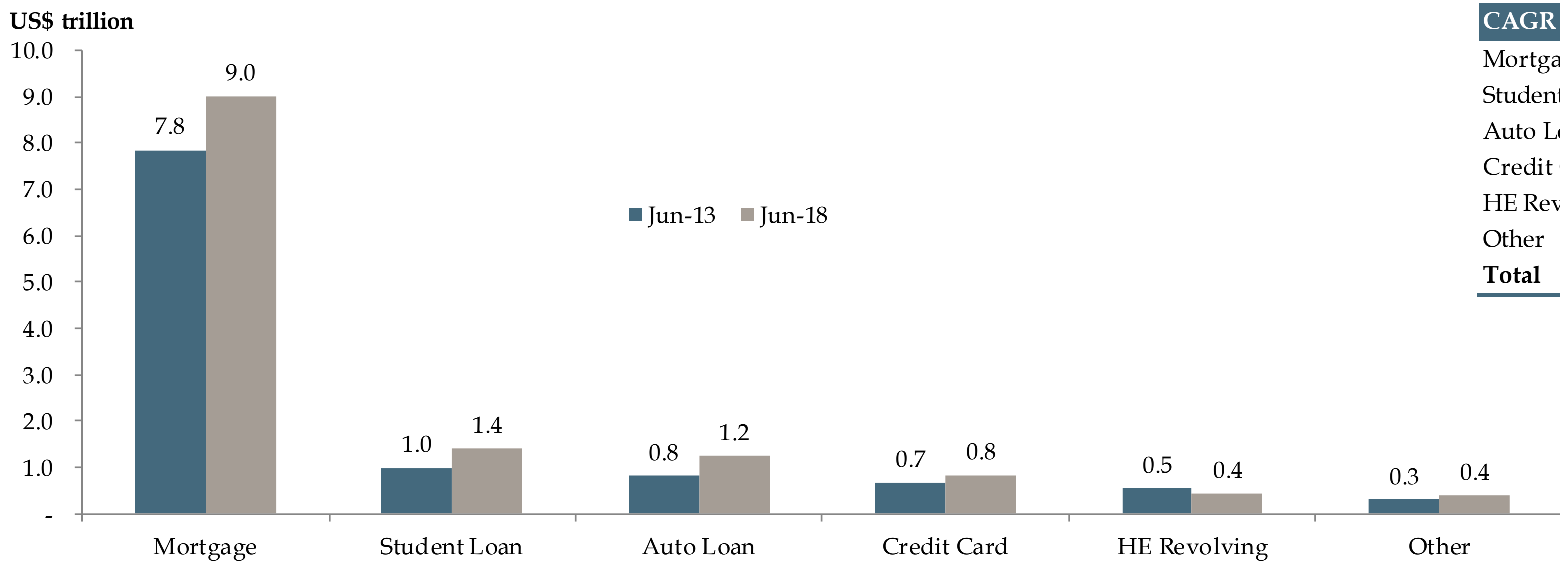
Position / Ownership	Commentary
Stephen Dash (43%) *Founder/CEO*	Founder and major shareholder of Credible with 43% ownership. Prior to founding Credible, Stephen was an Investment Banker at J.P. Morgan; Investment Director at M.H. Carnegie & Co private equity and a Co-founder of Quickcharge Media.
Ron Suber (0.9%) *Chairman*	Prominent leader in the U.S. Fintech industry having more than 20 years' experience and multiple leadership positions in the Fintech and financial services sectors. Current positions include: President Emeritus and Senior Advisor to Prosper, Advisory board member to Docusign, Juvo, Unison, Money360 and eOriginal. Previous positions include: Director/President at Prosper; Managing Director at Wells Fargo Securities; Head of Global Sales and Marketing, Senior Partner and Director of Merlin Securities; Senior Managing Director of Global Clearing Sales at Bear Sterns and President of Spectrum Global Fund Administration.
Dean Dorrell (1.3%) *Non-Executive Director*	Early seed investor in Credible. Dean has over 30 years experience in the financial services and investment industry. He is currently the Co-Founder/Managing Director of seed investment fund Carthona Capital and sits on several of the portfolio company boards. Previous roles include Managing Director of M.H. Carnegie & Co private equity, Head of Bond Trading at Paribas in London; Greenwich Capital; Greenwich Natwest.
Annabelle Chaplain (0.1%) *Non-Executive Director*	Annabelle is a former Investment Banker with extensive experience across a range of industry sectors. Non-executive director of Downer EDI Ltd and Seven Group Holdings Ltd; Chairperson of Queensland Airports Ltd and Canstar Pty Ltd
Ray Yang (2.4%) *Non-Executive Director*	Partner at Marathon Venture Partners ("MVP"), a China-based early to growth stage fund focusing on healthcare and fintech. Prior to MVP, Ray was a Managing Director at Northern Light Venture Capital, where he led the firm's investments both in healthcare and Fintech. He started his venture capital career with Orchid Asia Group Management in 2004, where he helped establish the firm's China operations and served as an Investment Director.
Chris Bishko *CFO*	Joined Credible in 2018 with over 20 years in technology, venture capital and investment banking. Prior to joining Credible, Chris was a partner at Omidyar Technology Ventures, where he was focused on venture investments in financial technology, enterprise software and consumer Internet platforms. Chris also brings direct experience in marketplace lending, having served as a board member of Prosper Marketplace since 2013.
Colin Bowman *VP, Head of Product & Design*	Joined Credible in 2014, and drives its product vision and execution. Colin has a wealth of experience crafting online user experiences and optimising product conversion. Prior to Credible, Colin spent five years at Yahoo building personalised experiences for hundreds of millions of users, including time leading key product initiatives on the Yahoo Homepage. Previous to this, Colin was a management consultant at Bain & Company, where he focused on strategic growth initiatives for clients in financial services and other industries in Toronto, New York, London, and the United Arab Emirates.
Allan Gellman *CMO*	Joined Credible in 2017 with over 25 years in marketing and ecommerce across several industries including financial services, health care and consumer packaged goods. Prior roles include Chief Marketing Officer of Esurance – where Alan drove significant growth while building marketing capabilities, efficiency and a stronger brand – and SVP of Digital Marketing for Wells Fargo where he led the digital transformation of marketing. Earlier roles included marketing and E-Business at Blue Shield of California and at Kraft and ConAgra.

III. Industry Overview

Consumer Debt

- **The mortgage opportunity is significantly larger than Credible's existing verticals.** The US consumer finance market is the largest in the world with over $13.2 trillion in outstanding consumer debt. Mortgages are by far the biggest category with $9.0 trillion outstanding, 6.4x larger than the next largest category, student loans. However, excluding federal student loans, we note that annual mortgage originations of ~$1,700bn is approximately 80x larger than private student loan originations (including refinancing).
- **Student debt is the fastest growing category.** Student debt has grown at a 7.2% 5 year CAGR to $1.24 trillion in 2018 as students rely more on loans to fund education. Credit card debt has also been growing at a robust rate of 4.4% per annum over this period while mortgage debt growth has been modest at 2.8%.

US OUTSTANDING CONSUMER DEBT BALANCES

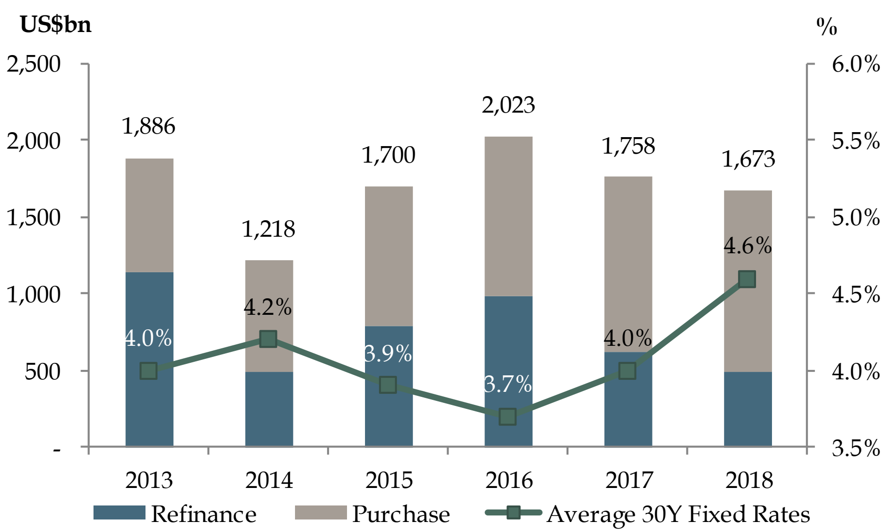


CAGR 2013-18	
Mortgage	2.8%
Student Loan	7.2%
Auto Loan	8.7%
Credit Card	4.4%
HE Revolving	(4.4%)
Other	5.7%
Total	**3.6%**

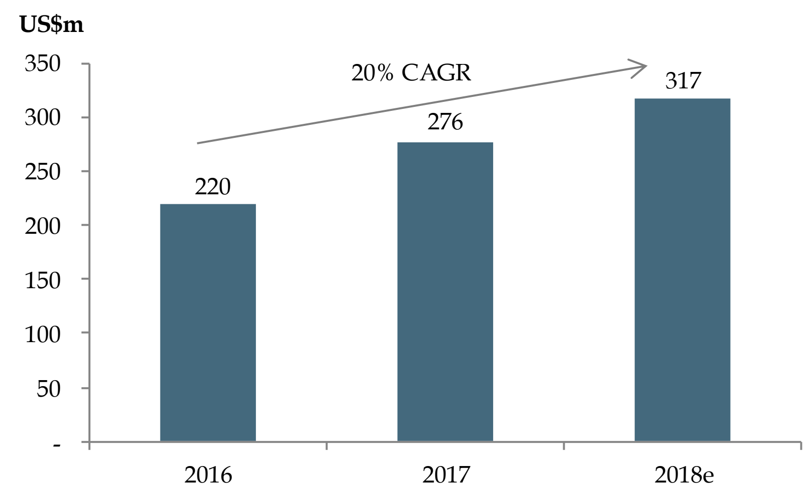
Mortgage Drivers

- **The health of the real estate sector and interest rates are the two major drivers of the mortgage market.** Mortgage refinancing is most likely to occur in a declining interest rates environment as consumers look to refinance at a lower rate, whereas purchase origination is more likely to occur when house prices are rising. As shown in the figure below, the overall mortgage market has declined over the past three years as the impact of lower mortgage refinancing volumes (due to rising interest rates) has outweighed purchase originations.
- **We believe that Credible will be able to generate robust revenue growth in a rising interest rate environment.** Despite mortgage origination values potentially declining over the near term, we note Credible will benefit from online intermediaries increasing penetration and market share growth given that Credible's penetration is effectively zero the mortgages. We note that Lending Tree is estimated to deliver organic mortgage revenue growth of 20% per annum from 2016 to 2018 despite being a mature operator in a declining mortgage origination environment.
- Longer term, we see the negative correlation between interest rates and mortgage refinancing as underscoring the need for Credible to develop additional products with different macroeconomic drivers such as home equity, deposits and purchase origination. However, we also note that interest rates are not the sole driver of mortgage refinancing. There may still be refinancing of mortgages of adjustable rate mortgages and cash out refinancing regardless of interest rate environment.

MORTGAGE ORIGINATIONS & INTEREST RATES



LENDING TREE MORTGAGE REVENUE

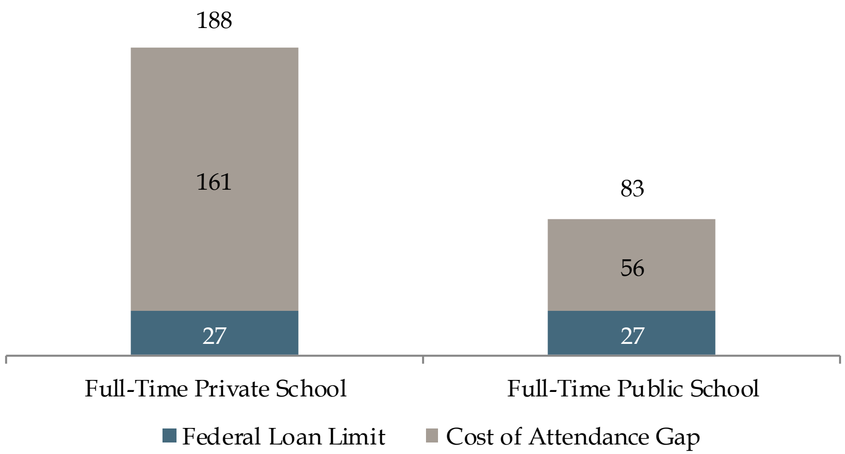


Source: MBA, Lending Tree, Moelis Research

Types of Student Loans

- **Students typically use multiple sources of funding to pay for college** with federal loans generally being most students' primary funding choice. These loans are offered by the Department of Education and generally have lower interest rates, more generous repayment terms and limited credit score requirements compared to private loans. In the 2018/19 academic year, federal loan interest rates ranged from 5.0% to 7.3% with this rate determined by Congress as a margin above the 10 year treasury note). Federal loans generally have aggregate and annual limits which are insufficient to cover the cost of education as shown in the bottom left chart. Private student loans from banks and credit unions play an important role for some students funding the gap between their education requirements. In the 2016/17 academic year, there was $11.6bn of private student loans originated. These loan rates can range from 4.0 to 11.0%
- **Student loan refinancing** can be undertaken to consolidate loans (federal and private), reduce monthly payments/interest rates or change loans terms. Generally, student loan refinancing occurs when a consumers' credit quality has improved through employment. As a result, improving economic conditions will generally result in more refinancing although this is partly offset by the impact of rising interest rates. In 2017, Credible reported that the average self-reported annual income of its borrowers was $75,000.

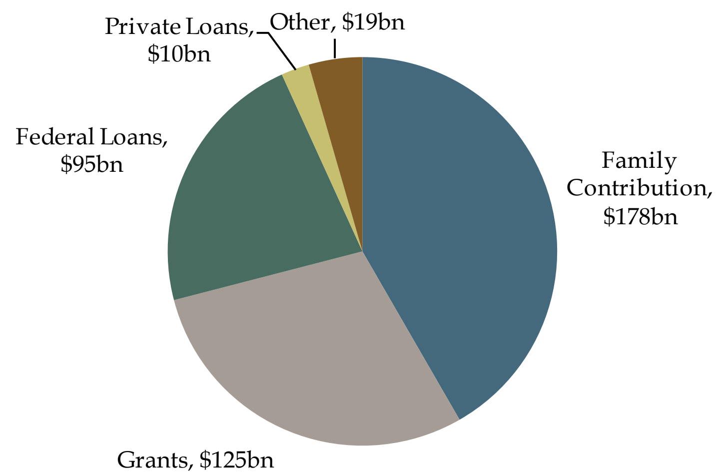
COST OF COLLEGE (BASED ON A FOUR YEAR TERM, US$K)



Source: Sallie Mae, Student Aid, Moelis research

ESTIMATED FUNDING OF EDUCATION (2016/17 AY)

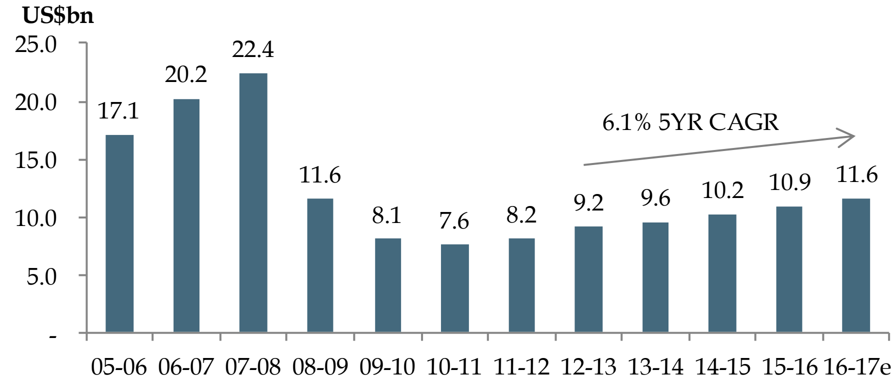
Total Estimated Cost: $427bn



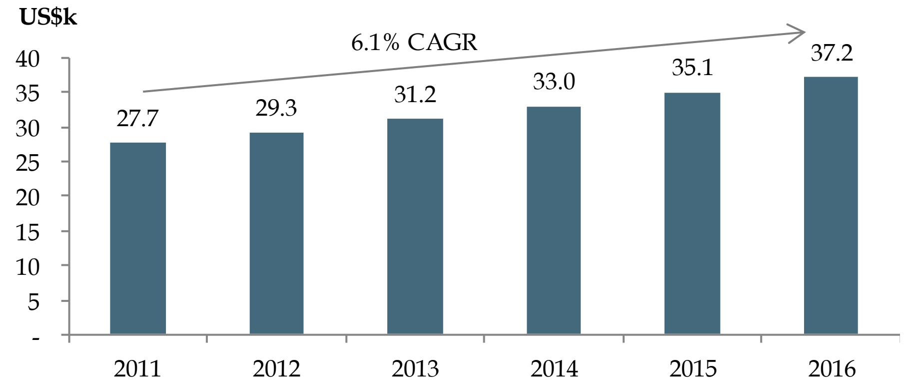
Student Loan Market Growth

- The student loan market has grown to $11.6bn, representing a 6.1% CAGR over the past 5 years, although the total value remains 48% below pre-GFC highs. The increase over the past 5 years has largely been driven by students becoming more indebted with each graduating class as tuition fees increase. Despite this, the need for education has never been greater due to cost of living pressures and widening income inequality which underpins credit growth over the longer term.

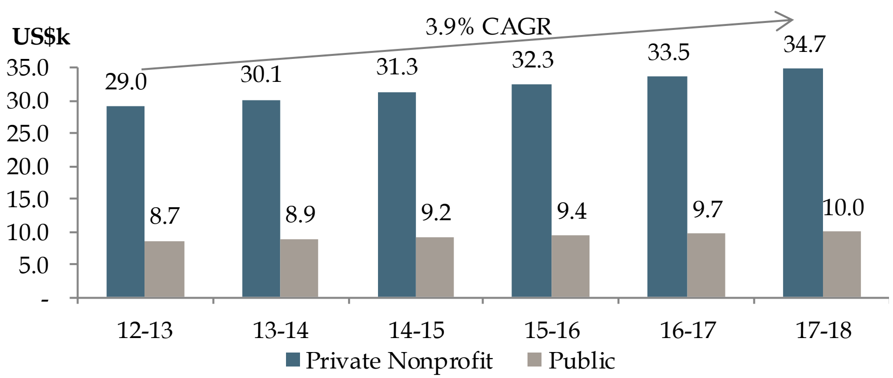
PRIVATE STUDENT LOAN ISSUANCE



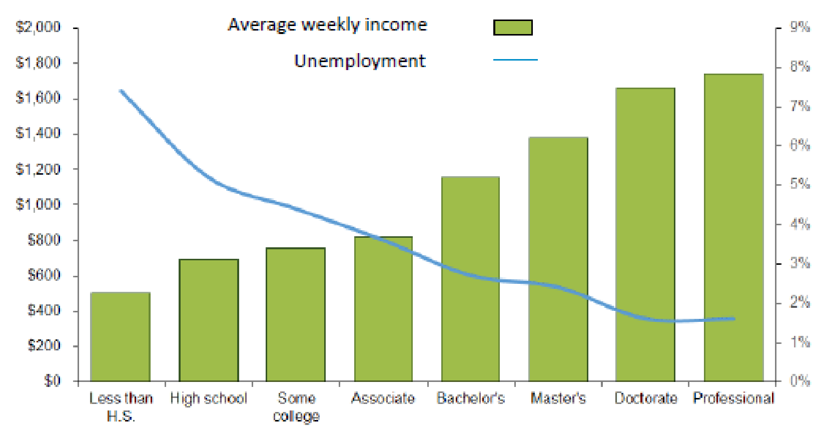
AVERAGE DEBT PER BORROWER BY GRADUATING CLASS



TUITION & FEES



RELATIONSHIP BETWEEN EDUCATION, INCOME & EMPLOYMENT

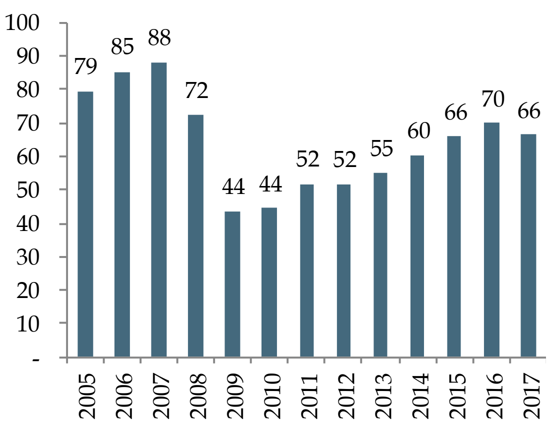


Source: College Board, , Student Debt Relief, Sallie Mae, Moelis research

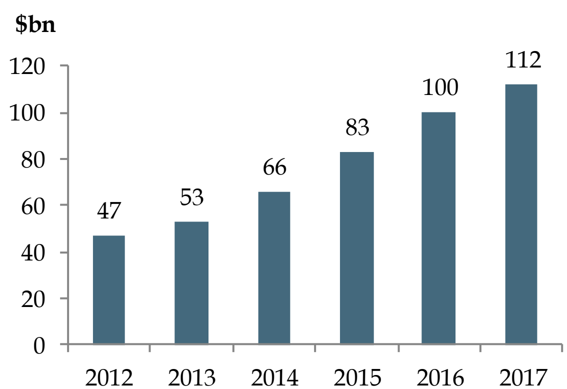
Personal Loans & Credit Cards

- **Personal loans volumes growing rapidly.** A personal loan is an unsecured loan typically from $1,000 - $100,000 that can be used to make a large purchase or to consolidate debt. These loans are typically repaid within 2 to 5 years. Overall, personal loan volumes have been growing rapidly over the past 5 years which has been partly attributed to availability improving through fintech players.
- **High credit cards penetration.** Over 70% of American adults have at least one credit card with an estimated 364 million open credit card accounts in the US in 2017. According to the Federal Reserve Bank of Boston, the average card holder has 3.7 cards per person. Overall, credit card growth has been growing steadily over the past 10 years although remains significantly below pre-GFC levels.
- **The credit card market is relatively concentrated.** The top four players (JP Morgan, Citi, Capital One and Bank of America) provide roughly 60% of cards with the top 10 players accounting for 90% of the market.
- **The use of credit cards and personal loans increases significantly with age.** As highlighted in the bottom right chart below from Sallie Mae (leading US private student loan provider), this underscores the opportunity for Credible to capitalise on its strong position in student loans to build brand affinity early in the consumers' financial services life cycle as the customers move from student loans to credit cards, personal loans and mortgages later in life.

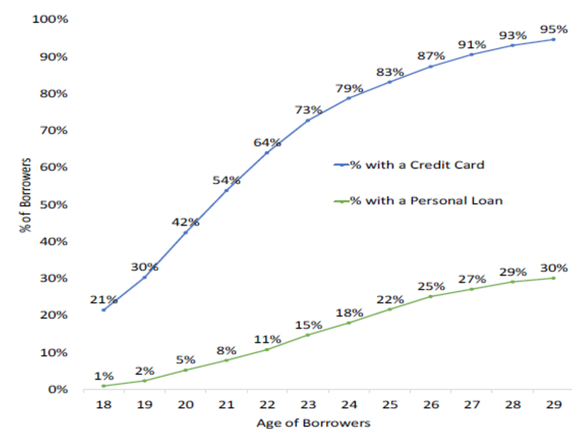
CREDIT CARDS ISSUED



PERSONAL LOANS BALANCE OUTSTANDING



DISTRIBUTION OF SALLIE MAE BORROWERS BY PRODUCT AND AGE



Sources: Federal Reserve, Lending Club, Sallie Mae Moelis research

IV. Competitive Framework

Competitors

- **Credible has a diverse peer set with most players significantly larger.** The peer set includes pure-plays, content based players with comparison offerings and players focused on other verticals (e.g. real estate) with a complementary financial lead generation offering. We note that Credible is unique in applying the deep funnel lender integration approach with all peers only offering lead generation. We see its peer set as being the logical strategic acquirers of Credible as a means to gain its lender integration IP and as a defensive play to stop CRD being a disruptive force within the industry.
- **Lending Tree ("TREE")** is the largest listed online financial services marketplace with a dominant share in mortgages. In recent years, the company has focused on building a consumer finance ecosystem and expanding its revenue mix outside of mortgages (currently ~57% of revenue) to other categories such as credit cards, personal loans, student loans, home equity, deposits and auto loans. The company has been highly acquisitive in acquiring new product categories (e.g. CompareCards.com, DepositAccounts.com, Student Loan Hero, Simple Tuition). We see the breadth of TREE's product offering as indicative of how Credible's verticals could expand over time.
- **BankRate** was founded in 1976 as a print publisher for the banking sector. In 1996, the company started bankrate.com which provides comparisons for consumers across mortgages, home equity, credit cards, deposits and personal loans as well as personal finance editorial content. BankRate also owns CreditCards.com, a leading credit card comparison site. In late 2017, Bankrate was acquired by Red Ventures at an implied enterprise value of $1.4bn based on 2016 sales of $434m.
- **Nerd Wallet** is a personal finance website which helps consumers compare financial products online and also provides editorial content to help make financial decisions. The company was founded in 2008 and now has 10 million monthly visitors.
- **Credit Karma** offers consumers access to their credit scores, borrowing history and credit monitoring. The company also offers lead generation for credit cards, personal loans, mortgages, student loans and auto loans. Credit Karma provided its first credit report in 2008 and has grown its user base to over 80 million across North America. According to Bloomberg, Silver Lake recently bought into Credit Karma at a $4bn valuation with revenue of $682m achieved in 2017.
- **Zillow** is a leading online real estate marketplace (similar to RealEstate.com.au) with a small mortgage comparison offering which is complementary to its core real estate vertical.

Competitor Summary (US$m) (1)(2)

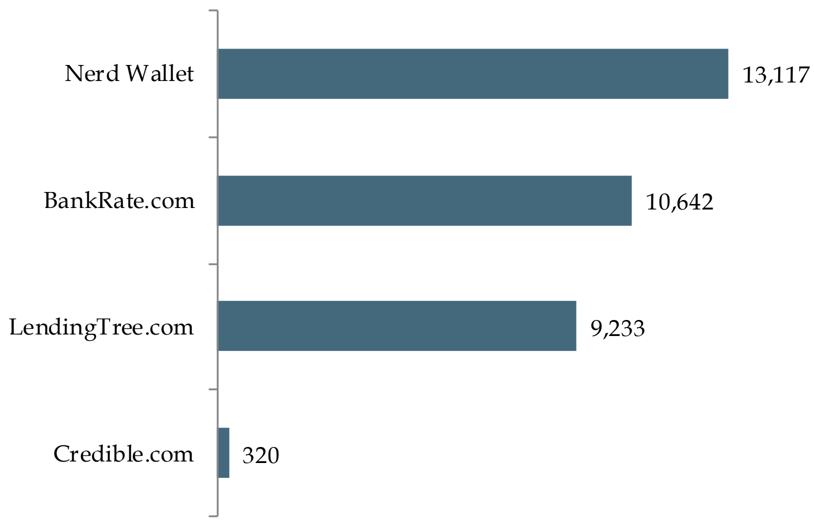
Company	Est. Revenue (2017, $m)	Enterprise Valuation (US$m)
Credible	20	175
Zillow	75	10,000
NerdWallet	100	est. 500 - 1,000
Bankrate	494	est. 1,400
Lending Tree	650	3,725
Credit Karma	682	est. 4,000

Notes: (1) Revenue shown for Zillow is for the mortgage vertical only. Total 2017 revenue was $1,077m. (2) NerdWallet, Bankrate and Credit Karma are private companies. As such, revenue and enterprise valuations are sourced from various news articles referencing most recent financials and capital raisings / M&A activity.

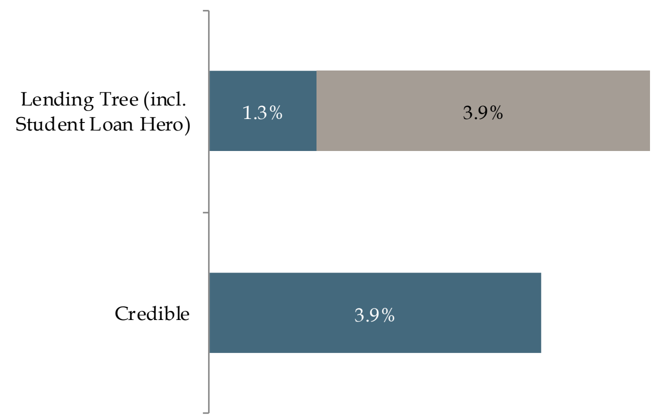
Market Share

- **Credible is the #1 player in student loan refinancing and benefits from being an early mover into the space**. We estimate that Credible originated 8-10% of the private student loan refinancing volumes in 2017 and 3.9% of the collective student loan refinancing and origination. Lending Tree did not enter student loans until 2014 and has made acquisitions in the space to build its offering (Student Loan Hero for $60m in July 2018; SimpleTuition for $4.5m in 2016). We estimate Lending Tree originated 5.2% of student loans in 2017 on a pro-forma basis (i.e including the full year contribution from Student Loan Hero). However, its network advantage is diluted by having its student loan offering across three platforms (LendingTree.com, StudentLoanHero.com and SimpleTuition.com).
- We believe Credible's strong position in student loans gives it a unique advantage through its ability to build brand affinity early in the consumers' financial product life cycle. Longer term this will facilitate Credible's ability to cross-sell and retarget existing customers with other financial products (e.g. mortgages, personal loans, credit cards).
- Given how early stage Credible's other products are, the value of the cross-selling opportunity is still being evaluated although management believe the company's early tests via retargeting and email marketing have been promising.

AVERAGE MONTHLY SITE VISITORS (2018 YTD, THOUSANDS)



ESTIMATED MARKET SHARE OF STUDENT LOANS MARKET (2017)



Source: Moelis research/estimates

Customer Reviews

- **Credible's platform offers a trusted, valuable solution for customers.** Gaining consumer trust is a key success driver for online intermediaries. Based on Trust Pilot reviews below, Credible appears to be performing better than its peers (although acknowledging limited sample sizes for some players). However, we note that overall execution amongst the online intermediary peers appears to be solid as a whole.
- **We also note that online intermediaries appear to offer a much better customer experience than traditional lenders.** Of the top 5 mortgage lenders, the three traditional bank lenders, Wells Fargo, Chase and Bank of America, all have very poor customer reviews. Not surprisingly, the other two players, Quicken Loans and Loan Depot are nonbank lenders focused on online origination and have significantly better Trust Pilot ratings.
- Overall, Credible's high customer satisfaction relative to peers supports our thesis that it will win market share of originations from both online intermediaries and lenders.

Platform	Trust Pilot Rating
Credible	Reviews (1,444) • Excellent
NerdWallet	Reviews (3) • Average
BankRate.com / CreditCards.com	Reviews (31) • Great; Reviews (63) • Great
Lending Tree / SimpleTuition	Reviews (6,221) • Excellent; Reviews (1,069) • Great

Platform	Trust Pilot Rating
Quicken Loans*	Reviews (10,176) • Excellent
Wells Fargo	Reviews (50) • Bad
Chase	Reviews (32) • Poor
Bank of America	Reviews (28) • Poor
Loan Depot*	Reviews (1,321) • Excellent

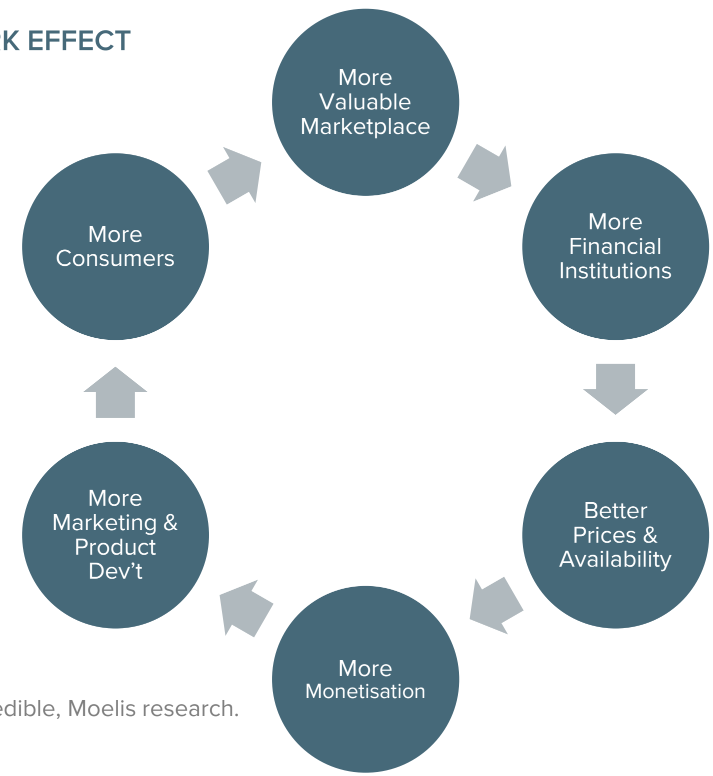
Source: Trust Pilot

** Credible Partner*

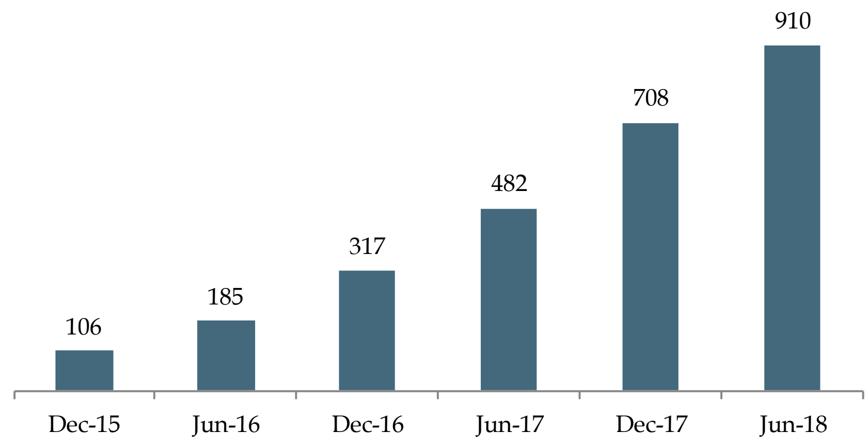
Network Effect

- **As a marketplace, Credible is working towards building a virtuous network effect**. As more consumers are drawn to Credible's platform, the value of the marketplace increases to financial institutions, thus attracting more institutions. This in turn creates wider choice and better price competitiveness for consumers and affords Credible better negotiating leverage with financial institutions.
- **Importantly, Credible's platform is highly scalable and will benefit from significant operational leverage** as it attracts new customers and adds new product verticals. Once the mortgage refinancing vertical nears completion, we see prospective product development opportunities over the longer term including mortgage purchase, home equity, deposits and auto.
- **Credible is on its way towards building its self-perpetuating network effect**, its strong position in student loans leaves it well-placed to capture share in other debt categories through building brand affinity early in the consumers financial services life cycle. We note Credible already has almost 1m unique user profiles. However, Credible does not yet have the product base to properly monetise its network. We anticipate this monetisation gap will close materially following the development of the mortgage products and further investments into credit cards and personal loans.

NETWORK EFFECT



CUMULATIVE USERS (THOUSANDS)



Source: Credible, Moelis research.

MOELIS AUSTRALIA

V. Financials & Valuation

Profit & Loss

- In 1H18, CRD reported flat closed loan volume due to increased competition in student loans and changes in the advertising mix. Gross profit fell 21% as search engine advertising costs increased and the advertising budget was deployed towards television marketing to build long term brand value. We forecast a significant rebound in revenue in the second half as site traffic has reached record levels reflecting business growth and the high weighting of student loan originations to Q3.
- We see 2H19/1H20 as an inflection point. By this time, we expect product development on the mortgage refinancing, personal loan and credit card verticals to be substantially complete with these products in the optimisation stage. We assume contribution from mortgage purchases from 2020. We forecast positive earnings are reached in 2022 at a 0.2% mortgage market share. Our estimates also assume a recovery in gross margin to 35% (still below 2016 levels) and significant operating leverage beyond 2019, highlighting the scalability of Credible's platform.

Year End Dec	2015a	2016a	1H17a	2H17a	2017a	1H18a	2H18e	2018e	2019e	2020e	2021e	2022e
Mortgage Market Share	-	-	-	-	-	-	0.00%	0.00%	0.01%	0.03%	0.11%	0.21%
Closed Loan Volume ($m)	81	364	385	402	787	382	620	1,002	1,516	2,321	3,961	6,283
Growth (%)	-	347%	217%	66%	116%	(1%)	54%	27%	51%	53%	71%	59%
Take Rate	1.8%	2.4%	2.4%	2.6%	2.5%	2.3%	2.4%	2.4%	2.3%	2.2%	2.0%	1.9%
Student Loans	1.5	8.8	9.3	10.2	19.5	8.0	13.0	21.0	28.6	34.1	39.8	45.5
Personal Loans/Credit Cards	-	0.0	0.1	0.2	0.3	0.8	2.0	2.7	7.4	12.3	18.3	26.4
Mortgages	-	-	-	-	-	-	0.06	0.1	1.0	7.6	28.1	59.7
Revenue	**1.5**	**8.8**	**9.4**	**10.4**	**19.8**	**8.8**	**15.0**	**23.7**	**36.9**	**53.9**	**86.2**	**131.6**
Growth	-	502%	253%	68%	124%	(7%)	44%	20%	56%	46%	60%	53%
Cost of Sales	(1.2)	(4.4)	(6.0)	(8.0)	(14.0)	(7.0)	(10.5)	(17.4)	(25.8)	(36.4)	(56.0)	(85.5)
Gross Profit	**0.2**	**4.4**	**3.4**	**2.4**	**5.8**	**1.8**	**4.5**	**6.3**	**11.1**	**17.5**	**30.2**	**46.1**
Margin	16.4%	49.9%	35.9%	23.0%	29.1%	20.6%	30.0%	26.5%	30.0%	32.5%	35.0%	35.0%
Opex	(2.8)	(6.4)	(5.0)	(5.9)	(10.9)	(10.5)	(12.2)	(22.7)	(29.0)	(32.8)	(36.7)	(40.9)
Growth			(21%)	16%	70.3%	(3.8%)	16.9%	108.6%	27.5%	13.4%	11.8%	11.4%
% sales	(191%)	(72%)	(54%)	(56%)	(55%)	(120%)	(82%)	(96%)	(78%)	(61%)	(43%)	(31%)
EBITDA	**(2.6)**	**(2.0)**	**(1.7)**	**(3.4)**	**(5.1)**	**(8.3)**	**(7.8)**	**(16.1)**	**(17.9)**	**(15.3)**	**(6.6)**	**5.1**
Margin	(175%)	(23%)	(18%)	(33%)	(26%)	(95%)	(52%)	(68%)	(48%)	(28%)	(8%)	4%
D&A	-	(0.5)	(0.5)	(0.3)	(0.8)	(0.4)	(0.6)	(0.9)	(1.8)	(2.7)	(3.6)	(4.6)
% sales	-	(5.9%)	(5.0%)	(3.2%)	(4.0%)	(4.3%)	(3.8%)	(4.0%)	(4.8%)	(5.0%)	(4.2%)	(3.5%)
EBIT	**(2.6)**	**(2.5)**	**(2.1)**	**(3.7)**	**(5.9)**	**(8.7)**	**(8.3)**	**(17.0)**	**(19.7)**	**(18.0)**	**(10.2)**	**0.5**
Margin	(175%)	(28%)	(23%)	(36%)	(30%)	(100%)	(56%)	(72%)	(53%)	(33%)	(12%)	0%
Net Interest	nm	nm	nm	nm	nm	-	0.4	0.4	0.5	0.1	0.1	0.0
Profit Before Tax	nm	nm	nm	nm	nm	**(8.7)**	**(8.0)**	**(16.7)**	**(19.2)**	**(17.9)**	**(10.1)**	**0.6**
Tax	nm	nm	nm	nm	nm	-	-	-	-	-	-	-
NPAT	nm	nm	nm	nm	nm	**(8.7)**	**(8.0)**	**(16.7)**	**(19.2)**	**(17.9)**	**(10.1)**	**0.6**

Source: Moelis research. Note that historical revenue split by product is estimated only.

Cash Flow & Balance Sheet

- Our estimates assume Credible reaches breakeven in 2022. While we think Credible could theoretically operate at cash flow breakeven at current levels, this would result in a much more conservative growth profile. Given the opportunity to build a powerful self-reinforcing network effect, we see considerable value in expanding more aggressively to significantly accelerate the ramp up of the mortgage vertical.

CASH FLOW STATEMENT

Year End Dec	2017a	2018e	2019e	2020e	2021e
EBITDA	(5.1)	(16.1)	(17.9)	(15.3)	(6.6)
Net Interest	-	0.4	0.5	0.1	0.1
Tax	-	-	-	-	-
WC Movement	-	1.3	0.1	0.1	0.2
Other	0.5	4.8	5.8	6.5	7.0
Operating Cashflow	**(4.5)**	**(9.6)**	**(11.5)**	**(8.5)**	**0.7**
Purchase of assets	(0.1)	(0.4)	(0.4)	(0.5)	(0.6)
Acquisition of Intangibles	(2.3)	(4.3)	(5.7)	(6.6)	(7.4)
Other	0.0	(0.5)	-	-	-
Investing Cashflow	**(2.3)**	**(5.2)**	**(6.0)**	**(7.1)**	**(8.0)**
Equity raised	36.5	-	-	12.5	-
Dividends paid	-	-	-	-	-
Net borrowings	0.1	-	-	-	-
Other	-	(0.1)	-	-	-
Financing Cashflow	**36.6**	**(0.1)**	**-**	**12.5**	**-**
Exchange Rate Adj	-	-	-	-	-
Net incr/(decr) in cash	**29.8**	**(14.9)**	**(17.6)**	**(3.2)**	**(7.3)**
FCF (CFO + CFI)	(6.8)	(14.8)	(17.6)	(15.7)	(7.3)

BALANCE SHEET

Year End Dec	2017a	2018a	2019e	2020e	2021e
Cash	43.9	29.0	11.5	8.3	1.0
Receivables	2.9	3.6	5.3	7.6	11.4
Intangibles	3.5	6.9	11.0	15.2	19.3
PPE	0.1	0.4	0.6	0.9	1.2
Other	0.9	0.7	0.7	0.7	0.7
Total Assets	**51.3**	**40.7**	**29.2**	**32.7**	**33.6**
Payables	1.7	3.7	5.6	7.9	11.9
Debt	-	-	-	-	-
Other	(1.7)	0.1	0.1	0.1	0.1
Total Liabilities	**-**	**3.8**	**5.7**	**8.0**	**12.0**
Net Assets	**51.3**	**36.9**	**23.5**	**24.7**	**21.6**
Equity & Reserves	65.0	69.0	74.8	93.8	100.8
Retained Profits	(15.4)	(32.1)	(51.2)	(69.1)	(79.2)
Shareholders Equity	**49.6**	**36.9**	**23.5**	**24.7**	**21.6**
Minorities	-	-	-	-	-
Total Equity	**49.6**	**36.9**	**23.5**	**24.7**	**21.6**

Source: Moelis research

Comparables

- **Comparable multiples valuations for Credible are inherently difficult** given that it is loss making and lacks any peers of similar maturity. Further, near term EV/Sales multiples effectively ascribe zero value to the mortgage, credit cards and personal loans verticals, given they are generating limited revenue. This is despite the fact these verticals will likely be the largest drivers of the business in medium term given the large market opportunity. However, we note that marketplace peers generally trade at 2019e EV/Sales multiples of 4.0-6.0x and EV/EBITDA multiples of 14-18x respectively which offers a reference for how Credible should trade at a more mature state.
- **Notwithstanding, we believe Credible's current market valuation ascribes limited value to the mortgage vertical.** CRD trades in line with its more mature peers on an EV/2019e Sales basis at 4.5x. This is despite the fact that the contribution from mortgages will be only $1m in 2019 under our estimates. We think a higher multiple is appropriate given that Credible's mortgage vertical will be ramping up significantly at this point.

	Enterprise	Sales (US$m)			Growth		EBITDA (US$m)			EBITDA Growth		EBITDA Margin		EV/ Sales		EV/ EBITDA	
Company	Value (US$m)	2018	2019	2020	2019	2020	2018	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Credible	165	24	37	54	55.6%	46.1%	(16)	(18)	(15)	nm	nm	nm	nm	4.5x	3.1x	nm	nm
USA Financial Marketplaces																	
LendingTree	2,733	756	910	1,068	20.3%	17.4%	151	191	234	26.6%	22.5%	21.0%	21.9%	3.0x	2.6x	14.3x	11.7x
USA Other Marketplaces																	
LendingClub	3,630	693	807	955	16.5%	18.3%	86	133	191	54.7%	43.7%	16.5%	20.0%	4.5x	3.8x	27.3x	19.0x
Redfin	1,230	484	614	777	26.8%	26.6%	(8)	7	17	nm	123.5%	1.2%	2.1%	2.0x	1.6x	166.4x	74.5x
Zillow Group	7,475	1,336	1,902	2,326	42.3%	22.3%	248	323	444	30.3%	37.4%	17.0%	19.1%	3.9x	3.2x	23.1x	16.8x
Median	**3,630**	**693**	**807**	**955**	**26.8%**	**22.3%**	**86**	**133**	**191**	**42.5%**	**43.7%**	**16.5%**	**19.1%**	**3.9x**	**3.2x**	**27.3x**	**19.0x**
ASX Marketplaces																	
Carsales.com	2,721	347	382	413	10.1%	8.2%	160	178	194	11.4%	8.8%	46.7%	47.0%	7.1x	6.6x	15.3x	14.0x
iSelect	85	133	137	148	3.1%	7.6%	13	17	19	27.9%	15.2%	12.2%	13.1%	0.6x	0.6x	5.1x	4.4x
Domain Holdings Australia	1,469	271	295	323	9.1%	9.6%	90	102	116	14.0%	13.5%	34.6%	35.8%	5.0x	4.5x	14.4x	12.7x
Freelancer Ltd.	156	36	40	47	12.4%	17.1%	0	2	5	nm	124.7%	5.5%	10.6%	3.9x	3.3x	70.5x	31.4x
LatAm Autos	61	7	13	24	98.9%	83.6%	(4)	1	11	nm	1061.5%	7.1%	44.9%	4.7x	2.6x	66.7x	5.7x
REA Group	7,648	627	708	784	12.9%	10.8%	363	416	472	14.8%	13.3%	58.8%	60.1%	10.8x	9.7x	18.4x	16.2x
Webjet	1,138	237	284	321	19.8%	13.0%	73	95	115	31.1%	20.2%	33.6%	35.8%	4.0x	3.5x	11.9x	9.9x
Median	**1,138**	**237**	**284**	**321**	**12.4%**	**10.8%**	**73**	**95**	**115**	**14.8%**	**15.2%**	**33.6%**	**35.8%**	**4.7x**	**3.5x**	**15.3x**	**12.7x**
UK Financial Marketplaces																	
Moneysupermarket.com Grp	1,891	456	480	519	5.5%	8.0%	168	182	197	nm	8.4%	37.9%	38.0%	3.9x	3.6x	10.4x	9.6x
USA Mortgage Tech (SaaS)																	
Ellie Mae	2,738	500	590	679	18.0%	15.0%	132	175	204	32.6%	16.9%	29.6%	30.1%	4.6x	4.0x	15.7x	13.4x
Black Knight	8,914	1,118	1,201	1,301	7.5%	8.3%	543	594	660	9.4%	11.0%	49.5%	50.7%	7.4x	6.9x	15.0x	13.5x
Median	**5,826**	**809**	**896**	**990**	**12.7%**	**11.7%**	**337**	**384**	**432**	**21.0%**	**14.0%**	**39.5%**	**40.4%**	**6.0x**	**5.4x**	**15.3x**	**13.5x**

All financials are in USD and on a calendarized basis

Valuation Analysis

- **Scenario analysis indicates the scale of the opportunity.** If Credible can get to just 0.5% of the total mortgage origination market, we estimate 2.9x upside to the current market valuation assuming that it continues trading on a 4.5x EV/Sales multiple.
- Our base case assumes Credible can get to 0.8% of industry mortgage originations. Our estimates are predicated on the following:
  - Online intermediaries will increase penetration of industry originations
  - Credible is best placed to capitalise on the opportunity through its lender integration model
  - Credible's strong position in student loans enables it to build brand affinity and cross-sell to existing customers
  - Management have good alignment and have demonstrated strong execution to date
- In simplistic terms, we think if Credible can get to 3.9% of the student loan market, it can achieve 0.8% of mortgage originations, offering material upside to its current valuation.

Credible Valuation/Market Share Scenarios - Mortgages

Scenarios					
Industry Originations ($bn)	1,700	1,700	1,700	1,700	1,700
Market Share	0.1%	0.5%	1.0%	2.5%	5.0%
CRD Originations ($bn)	1.7	8.5	17.0	42.5	85.0
Take Rate	1.25%	1.25%	1.25%	1.25%	1.25%
Revenue ($m)	**21**	**106**	**213**	**531**	**1,063**
EV/Sales	4.5x	4.5x	4.5x	4.5x	4.5x
Enterprise Value	**96**	**478**	**956**	**2,391**	**4,781**
Current Enterprise Value	165	165	165	165	165
Upside	0.6x	2.9x	5.8x	14.5x	29.0x

Source: Moelis analysis

Valuation Summary

- We derive a target price of $1.40 for Credible using a 10 year DCF.
- Our DCF assumes Credible reaches 0.8% of US mortgage originations by our terminal year 2028.
- We apply a 12.5% WACC which includes a 1.3% small company risk premium. We see scope to reduce the WACC as Credible executes in the mortgage market.
- We think Credible will become a valuable acquisition target for strategic players and larger tech platforms given the size of the opportunity, the strong structural growth drivers and CRD's leadership in the deep funnel approach.

Target Price (A$)	
DCF Valuation	1.24
Valuation grown at cost of equity	1.40
Less: Forecast 12 month dividends	-
12 Month Target Price	**1.40**
Current Share Price (10-Oct-18)	**1.03**

Return Analysis (%)	
12 month dividend yield	-
12 month capital return	35.9%
12 month total return	**35.9%**

DCF Inputs	
Risk Free Rate	4.0%
Equity risk premium	6.0%
Beta	1.20
Small Company Risk Premium	1.30%
Cost of Equity	**12.5%**
Equity weighting	100.0%
WACC	**12.5%**
Terminal EV/EBITDA	9.0x

Investment Summary	AUD
Investment Rating	**BUY**
12M Price Target	1.40
Share Price (10-Oct-18)	1.03
Upside	35.9%

Capital Structure	AUD	USD
Share Price	$1.03	
Fully Diluted Shares	274.8m	
Market Capitalisation	**$283.0m**	**$200.9m**
Less: Net Cash (Jun-18a)	$51.0m	$36.2m
Enterprise Value	**$232.0m**	**$164.7m**

EV/Sales	2018e	2019e	2020e
Current Enterprise Value	164.7	164.7	164.7
Sales	23.7	36.9	53.9
EV/Sales	6.9x	4.5x	3.1x

VI. Risks

Risks

Risk	Commentary
Supplier Power - Advertising	Credible's marketplace business model is dependent on its ability to profitably acquire consumers to its platform. We note that digital advertising is dominated by Google which has significant negotiating power. This underscores the need for Credible to pursue its proprietary marketing channels.
Competition	Competition from other intermediaries, tech platforms and financial institutions may result in reduced site traffic, drive up advertising costs (e.g. through higher Google AdWords prices) or lower take rates. We also note some players are significantly larger and may have a greater capacity to bid on advertising inventory than Credible. In addition, Credible currently benefits from its first mover advantage in the lender integration model which could be diminished if other players develop a similar capability.
Execution	Execution in marketing and product development is critical to Credible's success. Execution in marketing drives site traffic and execution in product development drives conversion and monetisation of site traffic. There is a risk product development takes longer or costs more than expected.
Macroeconomic	The overall origination activity for financial products is highly dependent on the prevailing economic conditions. However, we note most financial products have different drivers (e.g. borrowers are more likely to refinance mortgages in a declining interest rate environment, while they are more likely to purchase a house in a rising price environment) which highlights the importance of diversifying the product portfolio.
Customer/Lender Risk	The value of Credible's marketplace will be diminished if financial institutions leave the platform. Similarly, if these financial institutions reprice the rates they pay Credible for origination this could materially impact the cash flow profile of the business.
Regulation	The US financial services industry is highly regulated. Credible operates as an online broker which requires a high level regulatory compliance across the various states. Any failure to comply with regulations could impact Credible's license to operate.
Key Man Risk	Founder/CEO Stephen Dash has been instrumental to Credible's success. It follows that there is key man risk if he were to leave the company.
Employee Costs	Credible is reliant on its ability to attract high quality personnel to continue developing and optimising its platform. We note that labour costs in the Silicon Valley are very high. To date, Credible has mitigated this risk through setting up offices in North Carolina, Brazil and the Ukraine.

Disclosure Appendix

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