JUNE 2021

ATLANTIC CAPITAL MARKETS

WISE IPO

01872 229 000
www.atlanticmarkets.co.uk

SO, WHO ARE THEY?

Wise, (formally TransferWise) are a provider of online money transfer services, a global fintech and stealth bank. The firm was founded in 2011 (as TransferWise) by Taavet Hinrikus and financial consultant Kristo Käärmann.

In its first year of operation, transactions through Wise amounted to around £8.5million.

- 2012, Was a year of recognition for the firm with them receiving several accolades including:-

    · East London's 20 hottest tech start-ups by The Guardian,

    · Start Up of the Week by Wired UK

    · One of five "start-ups to watch" at Seedcamp's 2012 US Demo Day by TechCrunch

    · Made it into the list of the top 100 UK start-ups of 2012 with Startups.co.uk's.

- May 2015, Wise was ranked No.8 on CNBC's Disruptor 50 list and the company was named a World Economic Forum Tech Pioneer.

- 2015 also saw the company become a unicorn, (a tech start-up worth at least $1bn).

- April 2017, saw an internal memo from British bank Santander claiming the bank could lose 84% of its revenue from its money transfer business if its charges were the same as Wise.

- April 2017, the company announced the opening of its APAC hub in Singapore.

- May 2017, the company announced its customers were sending over £1 billion every month using the service and that the company turned profitable six years after being founded.

- 2019, the company announced opening an office in Brussels.

- January 2021, Sky News reported that Wise had appointed Goldman Sachs and Morgan Stanley as joint global co-ordinators for its planned initial public offering.

- February 2021, the company rebranded from TransferWise to Wise. As part of this rebranding, the company also launched a new website. The company rebranded to reflect its expanded product offering beyond international money transfer.

What do they do?

Wise's business model is focused on the provision of financial services. Although initially started up for the purpose of currency transfers they also have aspirations to offer a wider range of financial services, and with the help of some serious international growth the company has now become one of the most valuable fintech start-ups in Europe. The firm's international monthly transfers amount to around £4.25 billion, servicing almost 10 million customers.

Wise provide a border-free currency service with ultra-low transfers costs directly attacking the traditional finance sector. The firm makes its money through these cross-currency transfer and the fees charged. They pride themself on enabling their customers to transfer money across 50 currencies with charges that are significantly lower than those of its competitors. Furthermore, the additional transparency and the company's bank transfer exchange rate (which remains fixed for two days) protect Wise customers against unfavourable hidden fees. Wise are also in a strong position to provide additional banking services and have made their intentions clear that they do want to pursue accounts that generate a return, starting in the UK. This well could be the trigger that puts Wise in a very strong position against the traditional banks and reaffirms their position as a leader in the UK fintech space.

Currently users may hold funds in various currencies and move money around without egregious exchange rates and excessive fees. The one thing missing from Wise's tech stack is a sweep account or investment service for cash holdings but apparently this feature will be made available at some point. Wise expects to first offer the service to UK customers with the rest of the world following.

Valuation

The estimated valuation of Wise, range from £4.25 billion to up to over £8.5 billion. In July 2020, it was reported that Wise raised over £200 million at a valuation of £3.5 billion. What makes this an interesting IPO is that Wise has been a profitable operation for several years and is not necessarily in need of any additional growth capital. Wise is said to be pursuing a dual class share structure and a direct listing thus providing early investors as well as company co-founders a greater voice in how Wise will be managed and controlled.

Because Wise are pursuing a direct listing, it does make it harder to gauge the valuation than it would be in the case of a normal IPO. Direct listings see the company sells shares directly to the public without getting help from intermediaries. This process is a chosen route for one of several

reasons, usually if the company can't afford underwriting, don't want share dilution, or are avoiding lockup periods.

The Wise target share price is not yet known. It will be determined by the IPO's underwriters via appropriate valuation techniques. Post-IPO, the price of the shares will be influenced by the supply of and demand for Wise's stock in the underlying market.

Summary

Wise is a very interesting prospect and one of the few Unicorns set to list on the London stock exchange, The firm looks to be in a robust position with plans to expand their offering and have strong plans for growth in the expansion of their offering to customers. The fact they don't need additional cash also adds to the appeal. The reality however, as with any IPO will come down to where the shares open for trading and what that values the overall market cap, but at this point the proposition certainly deserves some attention.

How to Participate

Initially trading will begin in a conditional period giving institutions the opportunity to fill orders. Conditional trading takes place for a few days between the official IPO date and full LSE listing. Shares can be traded during this period and held indefinitely thanks to trading moving seamlessly from conditional to full trading. Shares are bought and sold in the normal fashion during this period, but trading tends to be limited to larger investors due to the involvement of the underlying shares.

CFD traders can benefit from being able to take part in this window trading an instrument based on the underlying price and needing a deposit of only 20% of the trade value whilst benefiting from any potential gains (or losses) being magnified via the leverage involved.

Atlantic Capital Markets are a multi asset brokers meaning whether your view is long term or short term, bullish or bearish we can offer the facility to trade. For the long-term buyers, we offer share accounts and for the short-term traders use CFD's to capitalise on your view. Why go alone when you can have the professionals by your side.

About Atlantic Capital Markets

We are a multi-Asset brokers offering clients the ability to buy the shares either in a traditional fashion with standard shares or taking advantage of leverage and purchase via a CFD.

Call us on 01872 229 000.