

Wise plc HY FY23 Interim Results Presentation Transcript

Tuesday 29 November, 2022

Martyn Adlam, Investor Relations

Good morning everybody. Those in the room and those joining virtually by Zoom. I am pleased today that we will be joined by our CEO and Co-founder Kristo who is going to talk through our mission update, our progress and our mission for the first six months and Matt here is going to talk through financials for the first six months. We'll then move onto Q&A so we'll start by taking Q&A in the room and then for those that are joining us virtually I will take questions by Zoom. Just as a reminder if you do have a question and you're joining by Zoom if you could just raise your hands through the Zoom function and I will introduce you. And with that I would like to hand over to Kristo.

Kristo Käärman, CEO and co-founder

Thanks Martyn. Josh you have to wait, still have about ten minutes of me talking and then Matt as well. Welcome everyone in the room and everyone on Zoom. So before we go into a bit more detail and a bit more numbers, I just wanted to remind us why I am here. So I am here with my team because we are solving like a really big problem for international people and businesses. It's a real thing we are working on. We are doing it by building something completely new, restating the infrastructure and how these payments work. And they power products that people and businesses love, so it is a great thing to be working on those. And doing it in a way that it is sustainable meaning we are independent, we are funding our own growth. So this is for me an amazing thing to be working on. And from the shareholders perspective when you can read these things you will see that working on a really large opportunity, which builds on this infrastructure a massive competitive advantage. And there has an inbuilt growth engine through word of mouth and then in the end it is a profitable company. So just to put this into context of why we are here and why I think you are here.

So how did we do in the last quarter? We had five and a half million customers use us for cross border transfers. Our average price is 0.64% and more than half of our payments are now instant. If you look at us in the context of growth our volumes are growing 49% year on year and our total income which Matt will breakdown a bit more, has gone up 63%. And we are staying at our 20% or above EBITDA margin.

Now I am going to take you through how did we actually do in this quarter in terms of the product and how our customer experiences evolved. So a reminder again, the reason, the things that our customers care about and things we are solving here is that money internationally is very slow, we are making it fast. It is quite expensive to use. It is inconvenient and has lots of hidden mark-ups and fees in there. So these are the things that we are solving on our own infrastructure. And in the context of where we are today, we are making visible progress on individuals, we are up to 4% of the global volume is moving on Wise. On businesses we are still a rounding error, so we are less than a percent we think in small businesses. So there is a lot of work for us to do here.

And going through each of these pillars one by one we see that over the years we've actually made really steady progress on instant and now half of these transfers are less than

twenty seconds and almost all the transfers in less than twenty-four hours. Last quarter we had a drop down and you will see some of these ups and downs. We anticipate this will be moving upwards and we can increasingly make more and more transfers instant.

On fees, the same journey, we have managed to bring the fees down to 0.61% for the last few quarters and then the last quarter was up to 0.64%. And then again in the long-term our goal is to bring this down rather than up. But then put this into context. The banks are still somewhere at 3%. The small ups and downs and our journey has to be seen in this context as well.

Now I have always talked you through a little bit on the progress on those four things that go around building our infrastructure. So first is expansions. We are expanding globally. We're already quite a lot in. There is plenty to do. This half year, some of the bigger achievements was getting a settlement account in Reserve Bank Australia which leads a way for us to become direct member of the Australian instant payments scheme which then again helps with our goal both on faster and more efficient transfers. On Japan we actually were already pretty fast, sadly just during the working hours so we changed the connectivity this time around and now we have brought faster transfers to Japanese twenty-four seven. On the regulatory front there is quite a bit of movement on Wise Assets. So we have got licences in Singapore and started serving our customers there. And also in the EU in Estonia so this is going to take a little while as we passport out of the rest of the Union. In operations we are onboarding a lot of new customers. We are going to be talking about the demand that we see for Wise and Wise Account. And we have been scaling up our operations teams we added about a thousand people there. And on technology, stat for the half year is 99.7% uptime, actually for the last quarter this was three nines so the reliability of our platform especially for our platform partners is relevant and important.

So now moving on into how do our customers experience this. They use us through three products, it is either the Wise Account, Wise Business or Wise Platform. And just as a reminder of who are these people who use this? I hope a lot of our shareholders are also customers. Just as a reminder so who do we see using the Wise Account, it is definitely digital nomads who spend their time working in countries where they're different than employers. We have expats who move into new countries and then use the Wise Account as their first account for a little while. We see travellers and we see students who are often expats as well. So these are a few groups that we see among the Wise Account users. And Wise Business users, that is actually even more diverse because these days there are so many businesses who do international payroll and pay suppliers internationally, so it's very hard to be really, really just a domestic business. And then increasingly businesses are using Wise to invoice their customers who are probably also not in the country where they operate. So for businesses to be able to operate internationally the Wise Account really does come to life.

So next I am going to talk a little bit through the features that we have added on the Wise Account for the last six months to bring out kind of the trend of development. There are a few in the US actually so our USD account or the Wise Account in the US got much better connectivity into the local brokerage platforms, the financial services apps. On the global front we are rolling out a new home page experience. So what we are seeing is that there is a lot of, we are hearing a lot of demand for the features that the Wise Account now offers but

they haven't been as easy to find so we expect that there is more people, even more people finding the features that are useful to them. We started rolling out debit cards in the US so again we have been talking about rolling out cards in different places around the world. There is one place where we didn't serve businesses with cards yet, that was the US, we have fixed that now and US businesses are getting cards. And again on the business side we are starting to enable our business customers to invoice their customers and get paid by cards. Our business customers use our account numbers quite a lot so they get local account numbers in ten different countries. So they use that to invoice their customers but sometimes they need to pay by cards so we are enabling that as we go forward.

And all these things we are building for the Wise Account really seem to resonate because we are seeing more and more of our customers and you will hear about how much more customers are generally signing up to Wise. But more of them using the Wise Account than merely transfers. So on individuals it is up to 30% and businesses up to about 50%. The interesting bit here is that those who use the Wise Account they have either more use-case, so larger use cases. So they end up using Wise for more volume moving through us and more transactions coming through us. So we feel that with the Wise Account we have definitely created a better product or an added product for our customers that means they can get more of their things done with us. So one thing as you saw there, the share of the Wise Account users is growing but also the general amount of users is going up quite fast as well. So there is no surprise that we see the balances that customers hold with us almost doubling year on year, 88% year on year growth. And they're split between personal and business and almost growing at the same pace so this again is so far, is a really steady mix.

So we talked a little bit about the Wise Business and the Wise Account. Now our customers reach us sometimes through our partners. So we have talked to you and shared a few platforms where Wise is built into other products and you see a lot of banks here, some challengers, some more traditional ones and different types of platforms where these platforms give their users the benefit of Wise. This last half year we had a few logos up of again we are seeing a few banks, both the challenger types and more traditional. And also quite a lot of none banks as payroll providers, company registration agencies and others who make use of Wise for their customers. And with that we kind of talked about all the new features we will bring out, all the new customers that we are servicing and the capability that we are building for that is something that we measure through the user experience. There are a few things that are really important for us, how quick and easy it is for a new person or business to start using Wise. If you've tried to open an international bank account for a business you might be spending weeks and months on it. We endeavour to get all of this done and open for you in 24/7 and in 24 hours. There is still quite a bit for us to do and also to kind of give you a view of how we're, like the standards that we keep ourselves up against. And when we say that 84% of payments arrived on time meaning some didn't but those that didn't, that means that they didn't arrive in 20 seconds they arrived in 25. So there is a bit of a scene setting here. But of course when we say to a customer their payment is going to arrive in 20 seconds we expect it to so. There is still something to grow towards the 100%.

And then moving on just to put this into the context, we have added about a thousand people to our team in the last six months and we keep hiring any more language support, more specialism. So there is a lot more there to build.

Now so the last thing for me is going to be just international context. I think we showed this maybe a year ago and we have kind of made this effort of plotting two axes. One is where we kind of see how deep we are integrated in the local regulatory and technical infrastructure. So going from partnerships through our own licensing process to having direct connectivity to their central banks and then like what that means to the customers. So obviously we expect this to be somewhere, the journey to be somewhere in the middle, the more better we integrate the better features are available to our customers and we see that in some of those countries at the top far, the UK, Singapore. We are kind of, we're already quite far ahead and then there is a lot of those countries where somewhere in the middle where the services are already pretty good, a lot of features available, but there is a lot there to build and there are a few countries you definitely don't even see on that map yet. So just to give you the kind of way that we think about the travel here.

And then just to narrate a little bit on what has happened in the last six months, we mentioned we acquired a licenced entity in India for example so that means we have moved a little bit on the X-axis. We haven't really moved on the y-axis yet, means that the customers haven't seen the benefit of that. So there is a bit more to do there. We see that Australia's a good example. We have the settlement account open so we definitely moved on that axis. There is still work to be done to actually get into the payment systems and start switching on instant transfers both ways out of Australia. And with Singapore mainly there is a good example in a different way. They already have a QR system that we are kind of connected to so enabling our customers to pay with QR codes, something that we are able to improve on the user experience side without too much effort on the integrations. So just to give you a kind of a view in our internal world of how we see our geographic expansions and deepening going on.

Now to summarise what I have been talking about here. So there are these four things that we work on that drive the user experience that we are measuring, the NPS, and that does play through in the word of mouth that is 70% probably highest we've seen as a share. And then moving onto driving growth. So the people recommend us that drives more growth both in personal and business customers and that yields the numbers that we are seeing both in the volumes that we transfer, the impact that we have on the movement of money. But also our year and year growth and the financials which Matt is going to talk us through next.

Thanks so much.

Matthew Briers, CFO

So what do we see? So we are moving an awful lot of money now, moved over 50 billion pounds and that is growing as Kristo just said around 50% year over year. That is generating 63% year on year growth in income, over 400 million pounds and that is actually pretty profitable, with a 22% EBITDA margin highly profitable 92 million pounds of EBITDA and that EBITDA is growing fast. And all of that is flowing through us as real bottom line profit before tax. And as you know the way we run our business it is high quality earnings, it is highly cash generative too.

So just to step back and put that into context before we go into the details on this. You know the environment we're in, we're still growing fast so a huge demand from our customer base

whether they are people, businesses to move money around the world. Actually we are translating that into transparent fees which we translate into income for us. And we are still highly profitable despite actually investing significant amounts in our growth and I will go into more detail as to how much of that gross profit we generate is actually translating through into investment which we are making for future growth into our business. And that is in context of a really challenging economic environment, you know we are a profitable cash business that is resilient through the good times and the challenging times. And that is intentional as to how we have built our company. So really proud of these results, but let's click in as to what they actually mean.

So our active customer base is growing. Our personal customer base has actually accelerated to growing over 40% year on year and we are seeing still strong growth in our business customer base. Those customers are moving more money through us. People moving 6-7% more versus last year. But actually business is moving quite a bit more. Now some of this is moving as Kristo mentioned, more customers using the Wise Account. And those customers will use us more, some of this is route mix. But also some of this is undoubtedly inflation flowing through particularly in the businesses we think where, for example you can imagine some of those examples Kristo showed where businesses are paying their suppliers and those costs are going up. That is translating to volume growth of almost 50%, on a currency adjusted worth calling out around 44%. But both business and personal volume growth are growing really strongly. But just step back and think about that 50 billion or 100 billion annual run rate. That puts us well ahead of I think nearly any other money mover around the world. So probably the largest standalone money mover growing really fast as well which is quite, just to frame this in context.

To describe here our take-rate, we have always talked around our cross currency take-rate and our other take-rate, but we now also have this interest income that gives our total income take-rate. You can see that has gone up. We see Kristo mentioned what has happened on cross currency prices. We see more and more customers use our Wise Accounts. And then we are also seeing some of this interest flow through into our total income take-rate. So overall what that means is that our revenue is growing around 55% year over year. And that is growing across all regions. In fact pretty amazing how even when you look at the UK this is growing very healthily still despite actually as we called out before having a really high share of the market. But really just shows that there is still a huge demand even in our most mature markets. All the markets have been operating the longest to continue growing. And people and businesses are actually holding £9 billion of balances with us. As Kristo mentioned that is really adoption of the Wise Account rather than the average balances growing. People finding use for the product, storing, and trusting us with their money.

So to be a little bit clearer around where do these balances sit and how do we hold these. You can see we have a mix of currencies. That isn't purely driven by the mix of customers but actually for example if you are a customer in the UK you might hold as many dollars with us as you hold pounds, just like if you are a customer in the US. But overall it means we have got a fairly even mix across Pounds, Euros and Dollars, and a lot of people try and understand what is the rate that we are earning for these. Half of that is still held in cash in banks so in high credit quality banks we partner with to help us run our infrastructure. And then another half of it is held in Government bonds or in money market funds which are

highly liquid. Our job is to keep this safe and secure and available for our customers. This means that actually, we often ask around what the yield is we see on these balances and just in September, because obviously rates changed and we also shifted our balance mix over this period of time, we are seeing around just over 1% yield on these assets. So you compare that to what the average rates would be. You can see we don't earn interest on all the balances but we are earning interest on a fair sum of this. So the question is what are we going to do with that? And I think we've been clear on is there are no new surprises today just to reiterate that. The first thing is many of our customers will have the opportunity to earn interest and we want to be able to pay interest but not always are able to. But we are looking at ways as to how we can do that.

Second is actually our accounts and account that people use and value where they are holding this can have costs of running that which we can help cover with some of this interest income rather than necessarily conversion fees or other ways. So some of this will interest we will use to cover the costs of that. And also where we can invest we always will. So some of this can help us continue to grow. And then across all these costs, any costs that this will cover are clearly, we will continue to earn a margin as we always will and always have done on these costs. There will be different answers in different regions but this is how we are thinking about moving into this.

So let's step back. So overall income growing around 63% year over year. Four hundred and sixteen million supported by you know the early stages of that interest income that started to come through in this half year. So these numbers you are familiar with it, let's just go through some of the margin stats. So we generated a 63% gross profit margin across the half year which means that two hundred and sixty two million of gross profit. Now we have always said and been clear around what do we do, what is our business model or our investing model. You know that we invest for growth so that is the gross profit generated from our product and we reinvest a bunch of that into marketing which helps us bring more customers, brings more volume. We invest in product and the features giving examples of sustaining that development in our infrastructure and our products which drives volume. And then also we will where we can lower price where that is possible. Also we will maintain our price or increase our price in order to make sure we can sustain this flywheel.

So today I just wanted to give you a bit more colour as to what some of this balance might look like because we have always talked around our expenses. If you look at that gross profit, that two hundred and sixty two million, where's it go? So I've kind of given a split here of three. A lot of that you know you can see at least a third of that is going into EBITDA, adjusted EBITDA. Actually a third of that, the other two thirds are split roughly between covering costs of running a company, think about our operational teams that have everything from customer services verifying customers, but also cost of running finance or our other corporate functions and the offices we are sitting in. Versus on the other side actually a third of that is investing in our growth for the future. And that's not really changed over time. So much so that actually if you think about, it's kind of an interesting fact here. But if you look at the cumulative amount of money that we have spent in product development since the very early days, the first engineer. We've spent around three hundred and fifty million pounds, that is all time spend on this. And then if you look at the five hundred and twenty-five is twice the current, it is not a guidance for the year. It is twice the last six months gross profit, right. Actually it's quite a nice return if you think about spend in one period and what you

get back in the next period. And the reason I show you this is highlights the discipline that we have when we see a third of that gross profit going into investment in growth. Those principles really haven't changed around investing in things that our customers want and need that will help them move more volume. That is a pretty healthy return on investment that we see on the spending. It gives us huge confidence to invest, keep investing in that third which when you look at that chart, it is around where we are investing. That also includes marketing spend. So actually if you look at that just media spend alone we have grown around 40%. And we have already said we have a nine month, less than nine month payback on that and that is literally the return on that media spend you know relative to the customers that brings it. Actually if you look at the blend across all of our customers it is radically lower at three months. But actually if you look at the returns across the period I know there is a lot of pressure on the returns on marketing and pressures on media spend. But actually our returns have got better over the last six months. Actually we have seen payback improve consistently over the last year. And let's just remember that actually 70% of our customers that join us do so without this media spend. They are coming through word of mouth, they are coming off the back of that cumulative investment of three hundred and fifty million pounds in our products which is only getting bigger and appropriately so given the opportunity we have got ahead of us.

If you look at total expenses, this the full stack of expenses, this is growing just over 40% year over year. Clearly we are investing heavily in our teams, employee benefit expenses. Investing in marketing and then some other things in there as well. And we did have some one offs in this time last year relating to the listing. And transparently if you look at the expenses that sit between gross profit and EBITDA that is growing around 57%. This shows that the slightly slower growth in some of the costs that sit below that whether it is the amortisation or the stock based comp charges. So 40% expense growth relative to the 60% income growth. So our EBITDA we said we are investing which has a very healthy gross profit. We are investing heavily in our future growth and maintaining a EBITDA at or above 20% and that is 22% for the half year up on the 20% we saw in the last period. So this is very intentional and reflects our balance of growth and profitability that we are managing of a highly profitable business growing really fast.

It is also cash generative. So if you look at the strict definition we have got of cash flow we generated seventy-eight million pounds of free cash flow. If you adjust for some of the working capital adjustments we always have working capital movements in and out of collaterals for example for these periods. Actually this underlying free cash flow is really growing in line with the income and the profits that we are generating. So some very healthy cash dynamics in the business today. We're bottom line profitable, a lot of companies which will use EBITDA, we do as a good comparison. We think it is helpful for our business but just to give the confidence, we see really fast growth in the bottom line profit before tax that we are seeing, more than fifty million pounds for the period.

So to summarise, we are moving a lot of money now, moving more than fifty billion pounds in the six months and that is still growing really fast like the incremental billions we are adding year over year is significant. That is translating to a very healthy income growth but also from a profitability perspective. Both the gross margin we are investing an awful lot of money in our future growth and still managing a very healthy 22% EBITDA margin and that is generating bottom line profits and cash generation. So pretty exciting now, think about the

context for this. We have got a very healthy business and very resilient and continue to invest in the future.

Thanks very much. So I am going to hand back to. So one more thing, no change in guidance, we upgraded our guidance you will remember in the last set of results. Still continuing 55-60% income growth for the year and no change to our guide on a revenue or adjusted EBITDA. Back to Kristo.

Kristo

Thanks Matt. And the last thing for me is just to check whether the numbers match back to the reasons why we are here. So we had to solve a big problem for people and businesses, receive more and more of the share of demand and starting to use Wise. We are building the infrastructure. I can show you the progress how that is going. And again we are seeing even in the markets where we are working on those markets for ten, twelve years they are still growing as the UK for example and creating the experience that people love, being sustainable on the way. The numbers do match up with what we do.

We have some time for Q&A. So we'll manage this in the room and then Martyn will help us broker this.

Question – James Goodman, Barclays

So James Goodman from Barclays, thank you for taking the questions. Maybe just to come to the account balances which clearly have grown extremely strongly actually ahead of volume when there is an argument that maybe customers just start to think about where they could get the best return on those balances. So you are clearly adding new functionality into that. Can you talk a little bit about your comfort in those balances continuing to grow and maybe just to help us think about that interest income percentage. When you show the amount of funds which can generate interest income for you where can that get to on a structural basis? So that is the question really, broad question around the account balances.

Second question is a bit more specific, just I noticed that with the business account you are starting to offer a cash back to some of those businesses, it is an interesting way to start to give some of this back to customers. I wondered whether you could talk to that and whether there might be the opportunity to do something similar at some point in consumer?

Matt: Okay I will take the first question and you cover second one. So the question is what our expectation of growth really of these balances and then also what might the structure of that look like from what we hold those balances in. So we haven't given any guidance on that outlook and don't plan do. But you can see so far they have really been driven by the rate at which customers are adopting our accounts, our Wise Account. So what that means is people are continuing to come and bring their balances to us. Now customers will have options no doubt, maybe not from their bank, maybe from somebody else, maybe to earn some interest. And this is inevitable and actually we will offer that option to our customers as well, hopefully through our Assets products in certain jurisdictions. So clearly like our objective, when we launched the balance product it wasn't to attract balances it was to help

people make it more convenient to use Wise Account. So we will continue to invest in that. If we can pay interest we will. But inevitably we will see like we will learn in each market as to how we develop our proposition as to what happens to those balances. The most important thing for us is that customers keep using Wise and keep moving their money and using Wise to save money, moving their money internationally. As to the mix we probably can go higher on the mix, but we will do that cautiously, we are not racing to chase the yields. We are making sure that the customers' money is safe, that it is available and liquid. And then as we feel comfortable with this and we are pretty cautious of this as you would hope you know we will work it out so that operationally it works really well and there might be a yield. So it can increase and it will be different depending on the jurisdiction and regulatory requirements.

Kristo: And on the business spend cashback that you are referring to, this is something that we are launching for UK businesses, and we are rolling out where we can and so this is really speaking to our approach to not subsidise across customer groups. So we are getting that interchange from the schemes and the merchants whether we want it or we don't want it. And this is what the business customers earn by using their card. It would be I think not really thoughtful to use that money to subsidise some of the other products that we are doing, but rather give it back to the people who kind of earned it. And I think eventually we will see other banks and card issuers do the same thing because otherwise everyone is going to start using the Wise Business card and they probably wouldn't wanna see that happening.

Question – Omar Keenan, Credit Suisse

Hi, good morning. Omar Keenan from Credit Suisse. So I have got a question for Kristo and a question for Matt please. So my first question for Kristo. So Wise has been a public listed company for more than twelve months now and part of the feature of that I guess has been a debate around where the cross-border market is going. I guess if we think about over more than twelve months you know we have had things like crypto currency, IXB, HSBC global money. The debate as to whether somebody can come along and do it better than you are doing or at least as good. And standing here today it feels like those fears are a little bit overblown and you are still doing it a lot better than other people are. So I just wanted to get your thoughts around the industry landscape when you think about the alternative ways that other fintech disrupters could potentially do this that is out in the market. Do you see any sort of obvious ideas that you could bring in and do things differently at Wise. And do you see any movement on the incumbent banks to reduce that differential in terms of how much more times expensive they are I guess. The most public one that we had was from HSBC global money and that has kind of gone a little bit quiet. So would like the thoughts there.

And then my question for Matt, I hope, I was wondering if you could help us a little bit more with the mechanics of the interest rate sensitivity around the Wise deposits? You know I appreciate you won't give guidance on growth in the levels of deposits but the 1% yield in September obviously the central bank rates go up from then. I understand that you are holding, there are some balances in bonds that you are holding, if you could talk about the roll off profile that can help us mechanically with interest income and where you have balances sitting with banks. I understand that you guys have hustled a little bit more in terms of trying to get the interest rate you

get up on that. Can you help us think about what that pass-through is going to be? And related to that the use of that money in terms of reducing price towards the customers, I understand that is going to be weighted towards other fees which is currently 15 basis points. Could you give us a bit of a steer as to what you have announced already, how that is going to change? So is the 15 basis points because you are using less domestic, charging less for domestic fees is that going to become before ten or something?

Kristo: Right now Omar you were asking for kind of advice of how to do this better than we are doing. And I wish I knew because then we would do it differently. The thing that I kind of shared on this map that works is really linking into the local payment systems, clearing in the local networks which is all doable and we can demonstrate it can be done with more than 50% of the payments already instant. So I think the technology exists, it is just a matter of how you make it work and how do you interconnect the world which is just a lot of work unfortunately. So I don't think that, so I wish there silver bullets there. I haven't seen any and I think that we are building and where we made gears of headway is the way how this money is going to work without borders. Now I think the first part of your first question.

Omar Keenan

Yeah the incumbent banks what you're seeing from them?

Kristo: Oh, the incumbent banks. I think for them the trickiness really is they have never told their customers what they charge. So very hard for them to say hey we are going to cut our fees by 50% but, because we never told you that we charge 3%, I think us telling you now that we are going to start charging 1.5% is really hard, it is just. I don't know how they are going to deliver that message. So I think we haven't seen much of that happen. But I think at first they will have to move towards being more transparent with what they charge only then, then quickly I think we are going to start seeing the fees come down as well. Of getting over the first hump is I think a harder journey.

Omar Keenan

So I am basically taking what you said that when you survey the landscape, this is the best way to do it and there is no threat to the virality in this business model for the foreseeable future, despite all the debates that you will have had in the past 12-18 months. This is still the best way to do it?

Kristo: It is the best way that I have found.

Matt: Cool, so the second question then is what are we seeing with these balances and then where might the rate go. I think was really where you were trying to get to. So far let's look over the last six months when we have really seen the interest rate environment start to change. As you can see we haven't see a radical shift in the vector and the rate at which these balances are growing. You know there are still people coming to us. Not to say that won't change, we will find out, like a lot of our customers have never seen an interest rate. You know think about the age of customers. So I think we will see how this works over time. The best we can do as I said is where we can or where we want to pay interest, we will.

Then you asked around like, actually you asked around what might be the impact of the things that we are doing to maybe like the other fees around these things. So clearly like some of these things were announced either towards the end of the quarter or even in this half year already. So they are not necessarily in these numbers. The way it is kind of stepping back from this, the way I think about this is it is like we look at the total income base that we have and actually we would think like effectively where do we want to cover our costs or pay for the costs of operating these accounts and where in the past it might have been from conversion fees now some of that might be from interest. So I would rather think that to try and think, don't think about how much of this would necessarily drop through as extra, try and think about the rates. We are really thinking about what margins do we want to continue to earn on our business and like what is the best way to fund those activities for our customers. So we will test things like cash back or look at things like domestic payments being free which we shipped recently in some markets. But overall I would think about you know still driving this volume growth and still seeing, if we have given you a sense as to the overall income growth, and we will test our way as to how that is made up between interest and revenue. Such that if interest really, let's say the central banks have to put their rates up to 10%. I am not sure this is in the curve, but like whatever, if that goes slightly faster it means we can really go slightly faster on our proposition if that makes sense because that is how we think about investing for the long-term. Yes we may be able to get a higher yield balance because some of that cash we might see moving into interest earning products. We might actually earn interest from banks on this. But I would rather think about this as the better job we do on that, the better our proposition gets rather than thinking about immediate drop through. Does that make sense?

Omar Keenan

Yeah that makes complete sense and I guess the reason for asking the question is not to assume that there is a full drop through, but the more interest income you earn then the better you can invest in the business and increase the virality of the business because it allows you to cut domestic payment fees. I guess that is why the question is interesting is that if that 1% yield on interest income goes to 2% or 3% and that allows you to cut other fees. I guess my question is mechanically is that going to go to 2% or 3%?

Matt: I mean the central bank rates have moved since that rate so it is definitely going to go up but at some point it might come down again. So you have seen it is connected to the central bank rates which you have seen have increased and probably will increase. So the question is what are we going to do with this as it is clear that we are going to have an opportunity to reward back our customers for holding balances with us where we can or other mechanisms to make our product really competitive.

Omar Keenan

Is there any colour you can give us on currency splits?

Matt: We showed you a currency split on the chart which is roughly split between dollars, pounds and Euros. You can see like sensitivity to one central bank rate or another.

Question – Kim Bergoe, Numis

So my questions are about growth, first of all I guess, between businesses and personal how should we be thinking about growth going forward? And we can see the customers you onboarded, you are clearly taking market share. Where is that market share coming from?

Then finally you know having existed, having seen you for this long, but we are going into a sort of different kind of macro economics. It is trying to figure out what might that do, what is your sensitivity to that. If you could, obviously nobody knows, nobody has got it, if you can help us think about your business in slower economics?

Matt: Alright, I think there are two, it might have been three but I have definitely got two of them. So business personal like what are, where is the growth going to come from or where is that going? And then second is like when the market's economic environment, our sensitivity.

Kristo: So the question was around how do we see going forward our business and personal growth, they are growing both very fast. So we have been asked a long time ago so when is the business going to overtake the personal and it hasn't because the personal has been growing so fast as well although the business customer base is growing really fast. So both are growing really fast. I think the dynamic to point out there is and you have heard us talk actually over the years now how we are building features for larger and larger businesses. So businesses are bringing on their team to Wise, they have dual approval accounts, employee cards. A lot of the things that businesses need to do that personal customers don't have interest in. So we have been building out these feature sets and rolling them out to business customers which has I think perhaps gotten that, you see the business per customer volumes are increasing a little bit in some that might be a mix that is more useful for larger types of businesses. So we see that, we are going from like very, very small businesses to a bit larger and larger ones that find Wise useful and usable in their business context. So I think we are definitely going to be seeing more like business growth even coming from that. Then again like there are so many more people that use us than business so it hard to kind of think about the mix top-down. So therefore it is easier to think about it bottom up.

And you asked about where the customers are coming from. They are really like nearly always coming from banks. And banks there's like six thousand of them around the world. And that is very kind of, it is a very fragmented business that is, there is no one competitor really to point out to you but a very large base of like normally I have used banks or maybe they have the first ever international payment to make in that and they kind of start looking around. And then the macro?

Matt: Yeah the macro like then, the context of both the use cases for people using Wise and what we have seen in the past. So we see in our customer base and maybe you saw some of these on the screen, it is not a purely discretionary activity you might be paying your mortgage, or might be paying supplies for your business. So these things turn not to, it is not ecommerce discretionary spend which we would imagine is on balance more resilient than a pure discretionary activity going into this. And then also if your cost of living is getting really tight you need to save money, you think Wise is a pretty good option for you if you are able

to compare between us and your bank. So on that perspective, on balance there is a level of customers are really going to continue to need us through this period. If you look at what happens to the remittances through the global financial crisis, this is reported now. It is a sub segment definitely of the market. But it is growing quite quickly is the first thing, it did slowdown but it slowed and maybe it dropped a bit but it kept growing quickly. But there is no doubt about it like our customers and small businesses will, some of them are going to suffer through this period.

But at the rate at which are growing and the rate at which we are shipping products, you know we are confident at the rate at which we can. You know whilst driving our growth is not the market, what is driving our growth is the rate at which as you said customers are joining us from an alternative. We have got inflation effectively in our cost base, but we also have this in our top line. So there is an element of call it protection or benefiting from this. If you step back and think about it really macro, seeing a growth business that are investing a lot in growth in future. We are doing that today, but we are doing it out of cash flow and we are doing it out of profitability and we have worked out how to charge. You know we have got a business model where they are charging our customers what it costs us to generate the product. And if it gets really hard and we have seen the volatility we have trained ourselves and our customers to prices may go up and on balance we want them to go down in the long run. But all of this mechanic, both the relationships and the customers, the business model and the way we have run it from the profitability perspective. So that sets us up pretty well to keep investing and growing even when times are, which I believe right now are very challenging for most businesses out there as I am sure you are meeting and seeing, pretty resilient.

Question – Hannes Leitner, Jefferies

I have a couple of questions so the first would be around your headcount growth, you go maybe into a more economic downturn the next couple of quarters. So how should we think about that? Is this now an inflection point for you to hire more talent?

And then second thing is for example on your business ventures you mentioned business cash back and other features and functions and expense management for example. Do you see they are moving more into the fintech space I am thinking now about a Marquette or Adyen. Is this tother competing element driven also by the thought process of your customers of your businesses?

And the last bit is just in terms of your partner network. When we think about Germany N26. When you move into these kind of business accounts and personal and reaching the features and functions are those partners all onboard? Do they use them then as well or are you competing directly with them?

Matt: So we are hiring but I think a lot of companies have hired speculatively thinking let's invest, see if we can generate some growth to pay back that cash flow in the future. We are quite more synchronous with this and we are hiring, yes we are hiring operational folks to help service the demand that we actually generated. So a lot of customer service verification agents. That is all funded by the products today.

And then on the product area which is that other third of the pie chart which I showed you. Actually we are hiring this area pretty quickly as well today. We haven't accelerated but we are just continuing to hire and lay down, put down teams and grow those teams to be able to grow those things in the future. So I don't think we would say we are opportunistic now. Nothing is really changing how we are managing the business through the cycle. We have just got this discipline, I talked about that three hundred and fifty million. That is really incrementally growing a really strong team that is able to continue to rollout features over time and that team is growing. Yes, if there is more talent on the market great we will love to hire them, but we will keep building the team at the rate at which we can sustain and be growing this and keep that discipline on the return.

Kristo: And then in terms of the features we are rolling out for businesses. The principle is roughly that to an extent we will probably be able to do a good job for businesses, but at some point along the verticals that you mentioned whether it is accounts payable or accounting or some treasury services. Someone else can and will build a specialised service and then it is more a matter of how do we integrate with that service. So it is a bit of the both, a good example is maybe we built a really good integration into Xero the accounting tool. We can help our customers do like basic accounting or at least get underway with any tool, then we build integrations with us and accounts payable tool, or a card issuance tool, we have a few of those as well. So therefore, there is no like yes or no answer to your question. We are definitely going to increase the breadth of things businesses can do on Wise or get their finance teams jobs done on Wise but then also help them use other more advanced services that are already out there. So both those ways.

And in fact with your second half of the questions, all these things that we build, think are these useful for our partners? I would say that our partners mostly use us for, they mostly bring the international infrastructure to distribute their customer payments so it is really the Wise transfer that they mostly want and need for their customers. And there might be ways how, we usually expose everything that we built to our partners as well. But I don't see that being too much of an interesting angle going forward.

Question – Andrew Gardner, Citi

Good morning Andrew Gardner from Citi. A question Kristo on the chart you showed about the relative maturation of your product by different country, clearly the UK and Singapore in the upper right there. When you give us the Wise Account adoption, that is on an overall basis. Can you give us a sense as to where you stand in those more mature markets today so the rate of adoption there? And being on the journey you have clearly done well here in the UK. But for those markets that have, we more recently launched that kind of future set. Are you seeing a similar rate of adoptions happening faster, slower just so that we can get an idea of where that might trend over the coming period?

Kristo: It is a good question.

Matt: The thing is I will not give you the number now like there is a few things to think about like where we launch the products. In some markets we have been open a long time without those features. So as a put and take if you imagine like some markets have been, we have got a lot of customers who onboarded to TransferWise over time and that is what they do.

Whereas in some markets we launch quite quickly with these features. So it might not be intuitive to look at that way, but clearly we try and look at markets here where we have those features and see what the penetration is. So I can't give the answer.

Kristo: But I think it is fair to say intuitively without having looked at that data. I will expect these to be correlated to the more, the better the feature set, the more penetrative, the more adoption we will find for the Wise Account users. We usually wouldn't build those features if no one is using them basically.

Andrew Gardiner

It is resonating similarly?

Kristo: We will expect so. I think we will see like small differences around where there is like specific demand or good competition that the banks do a good job of that as well and there is probably some local dynamics but generally we expect that to be correlated.

Matt: We couldn't get that kind of number across the base if it is not pretty well spread to think about it. Given how well you understand the basis for this spread.

Question – Tytus Zurawski, Goldman Sachs

Thanks for my question. My first question is on volume growth. Could you help us understand how inflation contributed to your volume growth?

And my second question is on geographical expansion. You launched Wise Account in Brazil earlier this year. Saw healthy growth. You also had a slide on progress in different geographies where we have that matrix. I am just wondering whether you are looking into M&A to expand or accelerate your expansion please?

Matt: Okay cool. To start on the volume, on inflation on volume growth. We look at the volume per customer. You can see definitely in the business customer base under that I feel is coming through from inflation. You have to do your judgement of your maths as to how you think that is impacting it. There is also a currency impact in there which we have tried to be really transparent on. There is definitely inflation in some of that growth in volume. So active customer users is not a bad proxy to keep it really, really clean.

Kristo: And in terms of M&A and things that we have acquired. We have recently announced we acquire a small company in India that carries licences that we believe will be useful for our customers over there. I think looking forward we just remain pragmatic about what is the addictive thing an acquisition could bring to our infrastructure really and kind of follow-up from that.

Matt: You know that chart with the flags. So any of these radically move us up or to the right of these verses doing it ourselves and we have to weigh up these opportunities. Just keep going.

Question – Nick Andersom, Liberum

Just three questions. So first of all net credit losses both in absolute terms and relative terms they picked up. So is that a new normal or just some kind of aberration?

And secondly on other operating income that is also kind of picked up again. Is there something one-off on there or is that a new normal level?

And the third and final question is on regulation and compliance and you sort of flagged the fine in Abu Dhabi. So the question is with the regulation and compliance. Do you aim to meet the standards within the jurisdiction what you are operating in or do you have a highest common denominator approach globally.

Matt: Okay let me do the finance questions. So the credit risk in the portfolio from a consumer or business basis, we don't have a credit risk on these. From time to time we might make a loss on actually probably more so a while ago we had a loss in Brazil where we had a dispute with a partner. This was actually this is relatively low and not something that we expect to be meaningful over time. Then on the other income. So in our total incomes that I think you were referring to.

Nick Anderson

No sorry it is the kind of seven million just above the PBT line. It is just much higher than usual?

Matt: So we have a bunch of movements below this. This being maybe an interest that we are seeing on lots of our own cash, our own balances. I think that is most of the cash we hold, if you think about the interest that we are holding in, the interest that we are reporting on the top line is interest on customer balances, so effectively we can earn interest income on our own cash balances which came through that line, I think.

Nick Anderson

So sorry just to be clear on the net credit losses that you are saying that it wasn't like a one off in there like Brazil two years ago?

Matt: That was a one off we saw that, but we also see, so we will make some product losses in a product that see is relatively small. We haven't seen anything material shift over the last twelve months or six months.

Kristo: And in terms of the question about the regulatory footprint. The answer there is really clear, actually this chart that we had with the two axis in all the countries that we operate. This is all about taking regulatory exposure and the answers are very clear that every country has their own rules and in this country we operate in those rules. So therefore absolutely we need to operate in the local regulator's rule set whether we like it or not, whether we think it is effective or not. And we always intend to do that. As you rightly pointed out, in Abu Dhabi, we had very tiny operations. We didn't adapt as well into the local regime as we should have and therefore we were fined there. And of course if we look at it in the global scale the intents of the regulators are often very, very similar if not the same and therefore there is a large common denominator and when we build the systems that support that, of course we try to take advantage of the way that we could simplify the

experience but the bottom line is we are responsible in the business that we operate to their local regulator and their laws.

Nick Anderson

I guess maybe as you go more global and therefore more complicated if you look at the kind of banking industry people tend to use one of two models. When they are smaller they tend to. Everyone always meets compliance at a local level, that is kind of given. But sometimes they just decide you know it is getting so complicated, kind of go to a kind of like highest common denominator approach. So that you have the highest possible standards in every jurisdiction?

Kristo: So highly. I mean that is kind of unlikely that we would end up there. I think we'd rather follow the local complexity and then in the background if we can make it simpler that is fine. This is the bonus of efficiency.

Question - Josh Levin, Autonomous

Good morning just one question. Matt you had said earlier this year that volatility in the FX markets had benefited Wise as it likely pulled forward some demand. What are your latest thoughts on that, is that FX volatility still a driver of demand and if FX volatility were to subside how do you think that might impact growth? Thank you.

Matt: Thanks Josh for the question. So we do see noise or ups and down and we see volatility in FX market relaying into customers sending more typically more with us over short time horizons. So what that means is if you see rates move people maybe with larger payments might decide right now is the time to do this or now is not the time. But tend to be like now is the time to do this on certain directions. So whenever I see this volatility start I am always cautious in that this could be short lived and definitely starting the year I was, it was a very kind of strong first quarter and saying this could move away. Now that volatility has hung around. But actually over time I would expect this to be, over the very long-term I think this phenomenon doesn't exist because people only have a finite out amount of money to functionally move around the world if that makes sense. So that bring forward would largely have happened if that makes sense and I think we would have seen some of that, so very good underlying strong growth in our product, in our business which has given us the confidence to shift our outlook for the year from up to this 55%-60%. Now I do think this volatility will have driven some volume this year and maybe some more people to look for solutions and maybe they find Wise. So we don't change our long-term outlook as to growth. But I think if this was like a onetime pull forward which you know I think largely we would have seen that already Josh if that makes sense. So over the 6-9 months now that we have seen this volatility I think a lot of people will have moved that money, pulled it forward already by now.

Josh

Thank you.

Question – Aditya Buddhavarapu, Bank of America

Thanks for taking the question. On the operations side, you said that you hired about a thousand people in the first half, can you maybe talk about how much of that was related to the ramp up in your markets in Brazil or Malaysia and as you expand into

newer markets in the future, is it proportionate on the operation side, the first question.

And the second you speak about from a macro perspective that it is not purely discretionary flows. Could you give us a breakdown of actually the flows in terms of how much these are discretionary vs non-discretionary

You are seeing on emerging markets, say in India trying to facilitate low cost transfers to markets like Singapore through local networks. So as you see more of those initiatives in EMs especially. What does that mean for Wise's expansion in those markets?

Kristo: So on the headcount growth, I agree the expansion into new markets is one driver and oftentimes it is actually the language that is the driver so we go into the market that usually serves in a different language so building up the operating capacity in that language takes a little bit of extra work. But often the markets where we enter they take a bit of a while to get to the scale where the operations need to be at scale as well. So I wouldn't consider this as the main driver of our intent to build operating capacity. I think we just really think about us onboarding 60% more new customers than we did the same time last year is the lot of work to be done across not just the new markets but also the old markets. So that is driving it. So yes, but it is not really significant driver of this.

Matt: So on use-cases we haven't disclosed like a mix of what is, it's very hard for us to judge for each customer, what's discretionary and what's not. We definitely see a mix of payments across our customers. One way to think about this is it probably doesn't look that different to if you looked at your own direct debits that go out of your account and your payments, a lot of our customers just need to do that across currencies and across borders. So actually like there is clearly an element of it which might be discretionary, but if you think about the big ones, the big ones that go out of my account, the ones that pay my mortgage and other things that customers really depend on just like the businesses. They might be paying their AWS bill or their staff.

Kristo: And coming to your question on paying systems it links up with what Omar was asking before I think. For sure the silver bullet which we are using is, we have these local really good domestic networks developing and what Wise is building is the overlay across them so they can use, it can get the benefit if you are not in that country from the instant payments that are happening around the world. And of course I would expect or hope that others if they are working on cross border payments they would use the same method, because it is a no brainer. So therefore I would expect there is more development in that area. Still think that we do the best job of that and kind of seeing in our growth as well. So yes you are right this is interesting that generally how it should be, these good local networks are being put to use in international transfers as well.

Adita

Thank you very much.

Question – Grégoire Herman, Alpha Value

Hi everyone. Thanks for taking my question. The first one, sorry if you already addressed it but on the free cash flow conversion I think in the press release you mentioned a one-off item. Could you please expand on that and just telling where does that come from please?

And the second one, sorry again if it is redundant, but trying to ask the question differently on the guidance on the top line growth. I mean could you sort of clarify what are the moving parts that undermine some kind of I would say conservatism on the guidance there, is it a basis affect from this year's growth which is expected to be quite high or are you expecting to shrink the costs charged to customers quite heavily over the next years? Could you just clarify that again please? Thank you.

Matt: Sure. So just on cash flow we try and clean this. There is a bunch of, we talk about working capital movements in this and there might be, we have some lumpy movements where we recognise a gain and then you might see cash flow come through or maybe other ways round. So where these are like not purely describing the operational flows of the product, we show for transparency and the top number. But actually if you clean for those you can see more the underline dynamics. So they might be like a working capital movement for a collateral payment or we get rebates from some of the card schemes. So where those are lumpy and around and maybe fall either side of the financial year, you know one year vs the other. We try and clean that out so that we get a clean view of what this looks like. Sometimes it will help us, sometimes it won't but I think that what we are trying to get across to the investors just to understand the underlying dynamic if you are interested in modelling this.

So then on guidance. We were guiding to 30-35% this year on the top line growth. We have seen much stronger volume growth than we expected this year. Early on we thought maybe at this point, very early volatility. We are really continuing to invest in as we have tried to show you today like how much of our, you know we continue to invest in long-term growth and have got a lot of stuff to build as you have seen. So we have confidence we are going to be growing above this kind of 20% CAGR and we're very much focused that on the medium term and you know we will drive down the cost of cross border transfers. We will focus very much on driving the volume growth but obviously we want to maximise that long-term growth. But no further updates on the medium-term mechanics.

So I think those were the two questions. I pull stumps there as we say in the UK and thanks very much for those that have joined us in person, it was very cool to see people in the office. Enjoy any of the pastries that get left. And then thanks everyone online for dialling in especially if it has been early for you. I appreciate around the world people have been getting up a little bit early to listen in so we will speak to you again in a few months and no doubt speak to some of you inbetween. Thanks very much.

End