

Stock stories: Wise

Ben James, June 2024

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Ben James: When entrepreneurs find a new way to solve a real-world issue, that's when innovation happens. Like in 2010, when two Estonians met at a party in London and discovered they had the same problem.

Taavet Hinrikus was being paid in euros but lived in the UK, and so needed pounds. Kristo Käärman had a salary in pounds, but a mortgage to pay in Estonia, and needed Euros. Both wanted to avoid the losses they'd make from bad exchange rates and hidden fees. Together they realised they could bypass the costly traditional banking systems by matching each other at the mid-market exchange rate.

They then created a platform that would allow others to do the same and launched Wise in 2011. What began as a solution created by two friends is today a world-leading fintech company, offering a cheaper and more transparent way to transfer money internationally. It has built a unique infrastructure that includes partnerships with banks, direct connections to payment systems, and a global treasury management system.

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Today, 16 million people and businesses use Wise globally, and it processes £9bn in cross-border transactions every month. So far, this is saving customers around £1.5bn a year.

Workers are becoming increasingly nomadic so the global remittance market is massive and is growing. We recognise, therefore, that Wise could have a profound impact on society. We were also attracted to the company's focus on transparency and fairness, which is at the core of its mission.

Baillie Gifford's head of private companies first met Taavet in the summer of 2015, and Scottish Mortgage helped lead a funding round in 2016. We continued to hold the company to and through its listing as a public company on the London Stock Exchange in 2021.

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Since our initial investment, Wise has expanded beyond just remittance solutions. Perhaps the most exciting growth avenue for Wise over the coming years will be expanding its services to businesses. It currently address less than 1 per cent of the small

and medium-sized business market globally. So the opportunity here is vast and the company is growing rapidly in this area.

Wise has all the ingredients of a truly innovative company that continues to empower individuals and businesses to take control of their money. We anticipate that as the digitisation of finance continues to grow globally, Wise will grow alongside it and ultimately build the network to move the world's money.

At Scottish Mortgage, we strive to invest in progress for our shareholders and that's why we invest in Wise.

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