

# Inverted Analysis of Wise (LON:WISE) – Stress-Testing the Bull Case

**Introduction:** Charlie Munger's mantra *"Invert, always invert"* urges us to scrutinize an investment by imagining what could go wrong. In this analysis, we act as a skeptical analyst dissecting the bullish thesis on Wise plc ("Wise") by flipping each positive assumption on its head. Wise – a fintech known for cheap, fast international money transfers – has an attractive growth story, but here we explore **every plausible path to failure over a 5-10+ year horizon**. From overestimated growth and a fragile competitive moat to potential management missteps and valuation risks, we will rigorously **stress-test Wise's long-term compounding potential**. The goal is an unsentimental critique that challenges each pillar of the bull case.

## 1. Invert the Bull Thesis: When Strengths Become Weaknesses

Bullish investors tout several key arguments for Wise's enduring growth and market position. Let's identify the top three and **invert** them – showing how each pillar of the bull thesis could collapse:

- **Bull Claim 1 – Proprietary Low-Cost Infrastructure & Scale:** Wise's *"own infrastructure"* for cross-border transfers is often cited as a major competitive moat. By holding local bank accounts in countries worldwide and netting transactions, Wise avoids SWIFT fees and offers transfers *"tot een factor 10 goedkoper"* (up to 10× cheaper) than traditional banks <sup>1</sup> <sup>2</sup>. Bulls argue this cost advantage, combined with a strategy of sharing scale economies with customers (à la Nick Sleep's Costco model), creates a virtuous cycle of growth. **Inversion:** What if this cost advantage proves ephemeral or insufficient? New technologies could render Wise's 14-year head start moot. For example, **stablecoin-based payment networks** now enable **instant, near-free international transfers** that don't rely on banking infrastructure <sup>3</sup>. A 2025 survey showed 26% of U.S. cross-border senders had used stablecoins in the past year <sup>4</sup> – a rapid adoption rate that foreshadows mainstream disruption. Stablecoin transactions settle in seconds with *"fractions of pennies"* in fees on efficient blockchains, whereas even Wise still charges a **spread/fee** (albeit smaller than banks) and relies on some legacy rails <sup>5</sup>. If crypto-stablecoin solutions achieve regulatory clarity and user-friendly on-ramps, they could **undercut Wise's fees to virtually zero**, nullifying Wise's pricing edge <sup>6</sup>. Moreover, Wise's much-vaunted global banking network (65+ licenses, 40+ currencies <sup>7</sup>) might become a burden if **permissionless networks** allow transfers without the need for local bank accounts <sup>8</sup>. In a scenario where stablecoins (or future **CBDCs**) gain trust, Wise's infrastructure could flip from asset to liability – an expensive network of accounts and compliance obligations that cannot compete with the leaner, decentralized alternatives. In short, the very foundation of Wise's bull case (its unique low-cost infrastructure) could be **leapfrogged by technological innovation**, leaving Wise with higher costs and slower settlement than new entrants.
- **Bull Claim 2 – Massive Market Opportunity (TAM) and Growth Runway:** Wise bulls salivate over the *trillions* in global cross-border payment volumes. Wise itself highlights a **£27 trillion** total addressable market for international payments <sup>9</sup> – versus only **£118 billion** in volume processed by Wise last year <sup>9</sup>. This implies Wise has tapped well under 1% of the opportunity, leaving decades of growth. **Inversion:** A huge theoretical market is meaningless if structural realities prevent Wise from capturing it. First, much of that £27T includes **flows not readily**

**accessible** to Wise: e.g. corporate treasury and trade payments handled via banks, or remittances involving cash pickup in rural areas (served by players like Western Union). Wise's digital model might never penetrate segments that require physical cash-out or bespoke forex services. Competitors specialize in niches – e.g. Remitly in specific remittance corridors, Payoneer in B2B mass payouts – often **outcompeting Wise in those segments** <sup>10</sup> <sup>11</sup>. Furthermore, incumbent banks and networks will **not cede the field easily**. They are already reacting: Visa and Mastercard have invested heavily to **build their own cross-border payment capabilities**, even bidding against each other to acquire Earthport, a fintech with a global ACH network <sup>12</sup>. Visa stated this was to “*expand its cross-border network service,*” echoing Mastercard’s aims <sup>13</sup>. In effect, the card giants are leveraging their deep pockets and existing client base to replicate Wise’s model on a massive scale. If Visa/Mastercard integrate low-cost international transfers into every bank and fintech they power, Wise’s growth could stall as customers find **similar services bundled into their existing banking apps**. Also consider Big Tech and fintech unicorns: a powerhouse like **Revolut** (with >30 million customers) already offers free or cheap FX transfers and could decide to cross-subsidize international payments to grow its user base, undercutting Wise on price or convenience. In an “inverted” scenario, *Wise’s 0.4% market share stays stuck or even falls*. The optimistic TAM becomes irrelevant as **new well-funded entrants grab the growth**. If over 5–10 years Wise only grows to, say, 1–2% of the market while others (banks, crypto networks, or Big Tech) take the lion’s share, the bull thesis of endless 20%+ growth would collapse. In fact, recent data already show **growth deceleration** – Wise’s payment volume grew 27% year-on-year last quarter, but **fee income grew only 12%** as Wise cut prices <sup>14</sup>. Management guiding for ~15–20% revenue growth in FY2026 <sup>15</sup> suggests the era of 30%+ compounder growth may be ending. If growth tumbles toward single digits in coming years (due to competition or market saturation), Wise’s high-flying story could quickly revert to a mundane outcome.

- **Bull Claim 3 – The “Flywheel” Network Effect and Scale Economies Shared:** Wise bulls often point to a virtuous cycle: low fees → happy customers → viral word-of-mouth → more volume → even lower unit costs → further fee cuts → more customers. This *flywheel* is facilitated by Wise’s choice to **share scale economies** with users by steadily reducing its take rate (fee %) over time <sup>16</sup> <sup>17</sup>. Indeed, Wise’s take rate dropped from 0.74% to 0.59% over five years (a ~20% reduction) <sup>16</sup>, and management targets **20–23% adjusted EBITDA margins long-term**, down from ~28% today, to keep prices low and fuel growth <sup>18</sup>. Bulls hail this as evidence of customer-centric management, analogous to Amazon or Costco’s strategy of plowing efficiency gains back into lower prices. **Inversion:** The flywheel can spin in reverse. Wise’s deliberate margin compression is a double-edged sword: it fosters growth *only as long as* new volume floods in. If volume growth disappoints (see above threats), Wise could find itself **sacrificing profitability without adequate payoff in market share**. In a bearish scenario, Wise might cut fees to chase growth, only to see **competitors match those low prices** (since fintech rivals can also reduce their margins or VC-subsidize fees). The result would be eroding industry economics for everyone – a “race to the bottom” where no one earns attractive profits. Notably, many **neobank competitors already subsidize FX transfers**, sometimes offering *zero-fee* exchanges within limits <sup>19</sup>. If Wise’s moat boils down to underpricing the market, that’s an inherently fragile advantage – one a deep-pocketed rival could temporarily negate by simply charging nothing. Additionally, the much-praised word-of-mouth effect could turn against Wise in a crisis. Trust is paramount in money transfer; a single major **security breach or high-profile outage** could shatter Wise’s reputation for reliability, leading users to defect en masse to alternatives. Unlike a two-sided network like Visa (where merchants and cardholders are locked in by ubiquity), Wise’s customers face **low switching costs** – if a better/cheaper service emerges, switching is as easy as downloading a new app. Thus, the “network effect” for Wise might be shallow; its 16 million customers are a nice base, but they’re not captive. In an inverted scenario, **growth could**

**flatline or reverse** due to external or internal shocks, breaking the flywheel. Without perpetual volume gains, Wise's policy of fee reduction would simply compress margins, **shrinking earnings and straining its ability to invest** – the flywheel comes to a grinding halt. In summary, the presumed self-reinforcing growth engine can sputter if any link – customer satisfaction, price leadership, or word-of-mouth – weakens.

## 2. Invert the Industry & Moat: Erosion of Wise's Competitive Advantage

Wise's bulls believe it has a strong competitive moat in cross-border payments, but let's assume **the moat is fragile**. How might industry dynamics and external forces undermine Wise's position in the coming 5–10 years?

- **Technological Disruption (Stablecoins & New Rails):** As discussed, blockchain-based payment rails are a serious looming threat. If **stablecoins achieve mainstream adoption**, they could render Wise's service antiquated. Already, U.S. regulators are moving toward clearer rules (e.g. the GENIUS Act for stablecoin oversight <sup>20</sup> <sup>21</sup>), and major companies like Amazon, Walmart, Stripe, and PayPal are exploring or implementing stablecoin payments <sup>22</sup> <sup>23</sup>. Stablecoins allow value transfer globally without each party having a bank account in-country – removing one of Wise's key value-adds. In practical terms, a user could hold a dollar stablecoin (fully regulated and reserve-backed) and send it to a recipient abroad in seconds; the recipient can either spend it or convert to local currency via an exchange. This process can be **faster and even cheaper** than Wise, especially as fintech infrastructure for stablecoins grows. Notably, Stripe's CEO called stablecoins *"room-temperature superconductors for finance"* – hype aside, they enable nearly frictionless cross-border flows <sup>24</sup>. Wise currently does **not use crypto or blockchain** (sticking to its proprietary network), which puts it at risk of being **out-innovated** if this trend accelerates <sup>25</sup>. Beyond stablecoins, consider **central bank digital currencies (CBDCs)**: if major currency blocs (USD, EUR, GBP, etc.) issue CBDCs and establish cross-border interoperability, international transfers might occur on government-run digital ledgers at negligible cost, cutting out middlemen. At that point, Wise's role would diminish unless it can pivot to add value on top of those networks (a big unknown).
- **New Entrants and Competition (Big Finance and Fintech):** Wise's success has not gone unnoticed. The very incumbents it set out to disrupt (banks and card networks) have been **mobilizing their defenses**. Visa's acquisition of Earthport and Mastercard's investments are clear signals that global payments giants intend to compete in account-to-account transfers <sup>13</sup>. These companies bring formidable advantages: **global trust, existing client integration, and virtually unlimited capital**. Visa can embed cross-border transfer features into its offerings for thousands of banks and fintech partners overnight. Likewise, large banks might band together or use consortium networks (e.g. SWIFT gpi or RippleNet) to dramatically speed up and cheapen their transfers. If banks even partially close the gap on price and speed, many customers might prefer staying within their familiar banking app ecosystem rather than using a separate Wise app. **Fintech rivals** are also multiplying. Remittance-focused services (Remitly, WorldRemit, Xoom, etc.) have deep expertise in certain corridors and often tailor their UX to specific migrant communities – something Wise's one-size approach might not match <sup>10</sup>. **Neobanks** like Revolut, N26, and others offer multi-currency accounts and often *partner with Wise* for transfers now <sup>26</sup> <sup>27</sup>, but this could change. If Wise ever tries to increase its take rates, these partners could switch to a different backend or build their own solution. Revolut, for example, might leverage its banking licenses and user base to internalize FX transfers. Additionally, **PayPal** (through Xoom or even via crypto with its USD stablecoin) could refocus on remittances, instantly

tapping into its ~400 million user accounts – dwarfing Wise’s reach. In an inverted scenario, **market fragmentation increases**: instead of Wise emerging as the singular winner, we could see each region and use-case dominated by different players (some legacy, some crypto, some fintech), leaving Wise with only a moderate slice of a competitive market.

- **Regulatory Regime Shifts**: Regulation can be a moat for Wise (due to its hard-won licenses) but also a sword that cuts both ways. A change in regulatory stance could **erode Wise’s advantage or impose new burdens**. For instance, if regulators decide that non-bank money transmitters like Wise must **hold higher capital buffers or deposit insurance**, Wise’s cost of doing business would rise, reducing its pricing edge. There’s precedent: Wise is seeking a U.S. bank-like charter <sup>28</sup>, and along with that come stricter oversight and compliance costs. Regulatory crackdowns can also level the playing field – if banks are forced (by law or competition) to disclose FX fees clearly and cap excessive spreads, the gap between bank and Wise pricing might narrow. Alternatively, regulators might introduce real-time payment links between countries (e.g. linking FedNow in the U.S. with Europe’s SEPA Instant), effectively providing **public infrastructure for cheap cross-border payments**. That would commoditize much of what Wise charges for today. We’ve also seen Wise already hit by compliance issues: a **multistate U.S. investigation found AML control deficiencies**, resulting in a \$4.2 million fine in 2025 <sup>29</sup>. Wise had to commit to beef up its anti-money-laundering processes and even had faced a separate CFPB action over how it disclosed fees/exchange rates <sup>30</sup>. These incidents show Wise is **not invulnerable on the regulatory front** – further compliance problems could lead to harsher penalties or restrictions (e.g. suspension of licenses). At worst, a serious money laundering scandal or sanctions violation could get Wise **shut out of key markets entirely**, a deathblow scenario. In summary, while bulls see Wise as operating in a favorable regulatory sweet spot, one must invert that and imagine a future where **regulation commoditizes international transfers and heightens compliance costs**, squeezing Wise from both revenue and expense sides.

- **Shifting User Behavior and Preferences**: The last angle to invert is the customer. Wise has built its user base on convenience, transparency, and low cost. But what if user behavior changes in ways that disadvantage Wise? One possibility is the **mainstreaming of multicurrency crypto wallets among younger, globally mobile users** – tomorrow’s customers might bypass traditional remittance apps entirely, conducting financial life in crypto or digital dollars. Another trend could be the rise of **super-apps or integrated financial platforms** that bundle cross-border payments with other services. For example, if a platform like WeChat, Grab, or WhatsApp enables easy cross-border payments (perhaps via stablecoins or partnerships), users in certain regions might never bother with a standalone Wise app. Additionally, consider that Wise’s **transparency ethos**, while commendable, could be matched by others if market norms shift. We already see more fintechs advertising *mid-market exchange rates* and upfront fees (following Wise’s lead). If transparent, cheap FX becomes an industry standard – no longer a differentiator – Wise can’t market itself as the special “fair player” in a dirty industry. In a commoditized market, brand loyalty may evaporate, and users will just pick the app embedded in whatever service they’re already using (social network, gig platform, bank app, etc.). The inversion here is that **customer switching costs remain near-zero and loyalty proves fickle**. Any failure by Wise (outage, PR scandal, etc.) could push users to alternatives with a click. In short, the moat of strong customer loyalty may be far shallower than bulls assume when *anything* that moves money cheaply could suffice for users.

### 3. Invert the Management: From Visionary to Liability

Wise’s leadership – particularly co-founders Kristo Käärmann (CEO) and Taavet Hinrikus – are celebrated for their mission-driven approach (the company’s mantra is “*Money Without Borders! Min fees. Max ease.*”).

Full speed.”<sup>31</sup>). But to truly stress-test the investment, assume management is **incompetent, dishonest, or makes strategic blunders**. How could Wise’s own leaders jeopardize the company and its shareholders?

- **Strategic Missteps and Overreach:** One inverted scenario is that Wise’s management simply executes poorly on strategy. For instance, management might **diversify into wrong areas** – pouring resources into products that flop. If Wise, chasing growth, ventures beyond its core (e.g. offering loans, speculative crypto trading, or other financial services where it lacks a moat), it could burn money and focus. A historical cautionary tale is PayPal’s foray into physical point-of-sale, which distracted it for years. Wise could similarly lose focus. Another potential blunder is mis-managing its core expansion: opening in too many new countries too fast, or spending heavily to acquire customers in markets where it can’t achieve scale or network liquidity. Such over-expansion could drive up costs without commensurate returns, eroding the efficient cost structure. **Pricing strategy** could also be mis-handled – if management lowers fees too aggressively, Wise’s profits might evaporate; but if they ever *raise* fees to boost margins, they might kill customer growth and tarnish the brand. Getting this balance wrong even for a few years could stall the compounding story permanently. We should also consider whether Wise’s leaders truly understand emerging threats. Dismissing crypto/stablecoins too long (“it’s just hype”) could be a strategic miscalculation if that tech reaches an inflection point. In contrast, jumping into crypto without expertise (for example, launching their own token or acquiring a blockchain startup at great expense) could also backfire. In short, in the inverted view, **Wise’s future is one bad strategic call away from derailing its growth**.

- **Execution & Operational Failures:** Even absent grand strategic moves, **day-to-day execution blunders** can corrode a fintech’s trajectory. Wise prides itself on reliability and speed; what if management fails to maintain that as volume scales? A series of platform outages, slow customer support response to fraud cases, or bugs causing misrouted funds could severely damage the brand’s trust. These would signal that management isn’t investing enough in operational resilience or is hiring the wrong people. Additionally, compliance is a management responsibility – and we’ve seen warning signs. Regulators found Wise’s U.S. subsidiary had “*deficiencies in compliance controls*” for anti-money-laundering between 2022–2023<sup>32</sup>, resulting in a penalty and mandatory remedial actions. Wise was also called out by the CFPB for “*advertising inaccurate fees and failing to properly disclose exchange rates,*” leading to customer reimbursements and fines<sup>28</sup>. These issues suggest **lapses in oversight**. One can imagine a more severe compliance failure in the future – say management neglects to upgrade fraud detection, and criminals use Wise to launder money at scale, prompting a major regulatory backlash. If leadership is complacent (“our controls are fine”) or prioritizes growth over thorough risk management, the company could face an existential crisis when those risks materialize. Essentially, **operational risk is heightened if management execution is subpar**, and in financial services, that risk can quickly become financial and reputational damage.

- **Leadership Integrity and Shareholder Alignment:** Now consider if management isn’t just fallible, but **falling short on integrity or alignment**. One real example: CEO Kristo Käärmann was fined **£350,000 by the FCA** in 2024 for a “careless” lapse in his personal tax disclosures<sup>33</sup><sup>34</sup>. He failed to promptly notify authorities about a large tax bill and ended up on a tax defaulters list. While this was a personal matter, it raises concerns – a CEO who was “*careless*” with tax compliance might foster a similar culture of cutting corners within the company. It also put Wise under regulatory scrutiny (the investigation questioned his fitness, though it ultimately allowed him to continue as CEO)<sup>35</sup>. This incident can be viewed as a red flag on judgment. Now imagine a worse scenario: **ethical breaches or fraud at the leadership level**. While there’s no evidence of this currently, we are “inverting” possibilities – even well-regarded fintechs have

imploded from internal wrongdoing (e.g., Wirecard's accounting fraud). If Wise's growth or margins came under pressure, an unscrupulous management might be tempted to mask the problems via aggressive accounting (e.g., capitalizing expenses, or recognizing certain revenues upfront) to keep the stock buoyant. Any hint of accounting irregularities would be devastating for a company that relies on trust. Additionally, consider **governance and incentive alignment**: Wise's co-founders retain significant ownership (Käärmann still owned ~18% as of recent reports <sup>36</sup>) and they have unusual voting rights. In fact, a Wise co-founder recently **urged investors to block a U.S. listing plan over voting rights issues** (indicating tension about governance changes) <sup>37</sup>. This suggests founders may entrench control in ways not ideal for minority shareholders. Founder control can be a blessing during growth, but it can turn sour if their interests diverge (e.g. preferring long-term mission over near-term shareholder returns, or blocking an attractive acquisition because it dilutes their power). In a collapse scenario, one could see management pursuing pet projects or sticking stubbornly to a failing strategy, while insulated by their voting control – essentially “**empire building**” or doubling down as the company falters, destroying shareholder value. The inverted perspective forces us to ask: *What if Wise's management, rather than being exceptional capital allocators, turn out to be mediocre or self-serving?* The outcome for investors could range from years of wasted potential to outright catastrophe if missteps compound.

## 4. Invert the Financials & Valuation: What If Wise Is Wildly Overvalued?

Bulls view Wise as a high-quality growth company deserving premium valuation multiples. But we invert this: **assume Wise's financial performance disappoints and today's valuation proves unjustified**. How might that happen?

- **Margin Compression and Profit Erosion:** Wise currently enjoys healthy profitability *on paper* – e.g. ~80% gross margins and ~28% adjusted EBITDA margins as of recent reports <sup>38</sup>. However, management explicitly plans to **shrink margins** (to ~20% EBITDA) by lowering prices <sup>39</sup>. In a vacuum, lower take rates should spur higher volume, but what if that volume growth *never fully materializes* or stalls (per the scenarios above)? Wise could end up with materially lower margins *and* slowing growth – a nasty combination for valuation. Furthermore, competition and regulation could *force* margin compression beyond management's controlled reduction. If rivals undercut Wise's fees, Wise may have no choice but to drop prices faster or lose share. It's easy to envision a scenario where **net margin gets squeezed into the low teens or single digits** under competitive pressure. Notably, Wise's own guidance for FY2026 is an underlying profit before tax margin around 17% <sup>40</sup>, which is decent – but that's *guidance*. In a downside case, intensified competition or cost inflation (e.g. rising compliance and tech infrastructure costs) could push margins much lower. For perspective, legacy remittance companies like Western Union operate net margins in the teens or lower, despite higher fees – a sign that compliance, network, and customer acquisition costs are significant in this industry. If Wise's “lean” model encounters any inefficiencies or cost spikes (say, needing to massively scale compliance staff due to regulatory demands), its margin advantage could evaporate.
- **Stalling Volume Growth or Market Saturation:** Wise's valuation is predicated on robust growth for many years. If that narrative falters, the multiple could contract sharply. We already see hints: active customer growth was ~21% in FY2025 <sup>41</sup>, which, while solid, is down from higher rates in earlier years. Management's revenue growth forecast (15–20% for next year) is a step down from prior years' ~30%+ <sup>15</sup>. Imagine growth stabilizing at, say, 10% by 2027 as the easiest customer wins are behind them. If so, Wise's current valuation (recent P/E ~26–29 <sup>42</sup> <sup>43</sup>) starts to look

expensive for essentially a mid-teens growth fintech. And that P/E is based on *adjusted* earnings that might exclude certain costs. Wise has been profitable, but one must examine *quality* of earnings: for example, a growing portion of income recently comes from **interest on customer deposits** (as interest rates have risen) <sup>44</sup>. If global interest rates drop in the next few years (a plausible macro scenario), that interest revenue could fall, weighing on total income growth or even causing outright declines. Wise cannot control rate cycles; this is an extrinsic risk to its financials. Additionally, Wise uses adjusted metrics – e.g. “underlying profit” – which likely exclude share-based compensation and one-off items. Substantial stock-based pay (common in tech companies) means actual IFRS net income is lower than the adjusted figure. Indeed, Wise announced a £250 million **share buyback to “neutralize” past equity dilution** from employee compensation <sup>45</sup>. This indicates a meaningful amount of stock was issued (and hence expensed as SBC or similar). If one counts those as true costs, Wise’s real profitability is less impressive than the adjusted EBITDA suggests. Should the market start focusing on GAAP earnings or Free Cash Flow rather than adjusted metrics, the stock could de-rate.

- **Valuation vs. Reality – Hype Crash Potential:** Wise might currently be valued on narrative – as a unique fintech “disruptor” – but if it begins to resemble a more ordinary payments company, the valuation multiples could compress dramatically. Consider a peer comparison: PayPal trades around low 20s P/E; Western Union in single-digit P/E (reflecting no growth); Adyen (a high-growth payments firm) saw its stock crash when growth slipped. If Wise’s growth slows and competitive risks mount, the market might reassess it not as a limitless compounder, but as a nice niche business with moderate growth. Such a shift in sentiment can be brutal for stocks. A **collapse in the growth narrative** could easily cut Wise’s valuation by more than half, especially given that the stock has risen ~40% in the past year on optimism <sup>46</sup>. In an inverted outcome, one could argue **Wise is wildly overvalued today** because the market is extrapolating years of high growth and stable margins that may not come. For instance, if Wise’s earnings growth were to flatten out, a justified P/E might be closer to 15 or 20, not 30+. Any slip-up – a bad earnings quarter, a cut to the growth outlook, or a new competitive threat – could trigger a significant correction. We saw a preview of this when Wise missed a quarter’s expectations and the stock fell ~7% in a day <sup>47</sup>. The downside scenarios sketched in this report (margin squeeze, tech disruption, etc.) imply that **today’s valuation leaves little margin of safety**. Investors might be overpaying for a best-case scenario. If instead we get even a middling-case scenario, let alone a worst-case, the current stock price could, in hindsight, look like a bubble of over-optimism.

- **Accounting and Transparency Risks:** One more angle to consider is whether any accounting choices could be masking issues. Wise’s revenue recognition, for example, might be helped by the fact that customer funds earn interest – essentially *earning yield on float*. In a low-rate world, that income vanishes. Also, Wise might capitalize certain development costs for its platform (common in software companies), which flatters current profits. There’s no blatant red flag here yet, but inversion means being open to the possibility. Should Wise ever need to change an accounting method (due to regulation or auditors forcing a write-down), it could surprise investors. We note that Wise has prided itself on transparency in pricing; one hopes that extends to its financial reporting. However, the CFPB action mentioned earlier showed that even Wise **misrepresented some fee information to customers** <sup>30</sup>. If there’s any analogous over-aggressive presentation in its investor communications (for instance, overemphasis on adjusted metrics or selective disclosure of volume vs. revenue growth), investors should be cautious. In sum, a truly **rigorous bear case** must entertain that Wise’s finances might not be as rosy as the headline numbers – and that the stock could be significantly overvalued if growth or quality of earnings disappoint.

## 5. Paths to Zero: Plausible Collapse Scenarios for Wise

While it's unlikely that an established, profitable fintech like Wise goes *literally* to zero absent extreme circumstances, part of an inversion exercise is to map out how a worst-case implosion could occur. Here are some specific, plausible scenarios that could *destroy* Wise's equity value:

1. **Major Fraud or Financial Scandal:** Imagine a scenario where it comes to light that Wise has a black hole in its finances – e.g., an employee or a rogue team siphoning customer funds, or a big hole in the balance sheet due to mismanaged assets. As a regulated fintech, Wise holds billions in customer money; if an internal fraud or reckless investment of those funds were revealed, it could trigger a loss of confidence and immediate run on the platform. Even rumors of such malfeasance can be fatal (recall the swift collapse of Wirecard, which was also in payments). Wise's governance needs to be rock-solid to prevent this, but the *possibility* must be acknowledged. A less direct version: Wise aggressively chases yield on customer deposits (to boost its interest income) and ends up with major losses on risky securities – similar to how some banks failed by stretching for yield. If those losses impair Wise's ability to repay customers, the company could face insolvency. **Fraud, by its nature, is hard to predict**, but history shows it's not impossible even in admired companies.
2. **Regulatory Shutdown or License Revocation:** Wise could face a scenario where regulators lose trust in its compliance. For example, suppose authorities discover that terrorists or sanctioned parties used Wise to move money (perhaps due to a lapse in Wise's AML monitoring). This could lead to *immediate* suspension of licenses in multiple jurisdictions. A coordinated regulatory action could freeze Wise's operations – effectively cutting off the lifeblood of the business overnight. Even without wrongdoing, a shift in policy (say, a country deciding that only domestic banks can do currency exchange) might lock Wise out of critical corridors. If, for instance, the EU or US imposed an emergency rule halting non-bank payment processors due to a crisis, Wise would be caught in the net. These are tail risks, but they exist. We saw hints when multiple U.S. states penalized Wise for AML issues <sup>48</sup> ; had those issues been more severe, they might have ordered a halt on new customers or transactions. A **complete loss of regulatory permission** in any big market (UK, EU, US, India) could be devastating – not only cutting off revenue but damaging Wise's reputation globally (panic could spread to other regions). Unlike a bank, Wise doesn't have decades of regulatory rapport or a systemic status; regulators could make an example of it if something goes wrong.
3. **Reputational Collapse and Customer Exodus:** Trust is everything for a financial platform. A scenario to zero could involve a **massive reputational hit** that causes customers to flee en masse. For example, a high-profile **data breach or hack** that exposes sensitive user data or, worse, results in theft of customer funds. If hackers were to penetrate Wise and divert even a few million in customer transfers, it would make headlines and shatter confidence in the platform's security. Competitors would seize on that fear, and users might withdraw funds and close accounts in droves. Because switching costs are low, this could happen swiftly. Another reputational hit could be if Wise is implicated (even indirectly) in a scandal – imagine news breaks that a criminal syndicate laundered money through Wise for years (even if Wise was unwitting). That headline could tarnish the brand's "good guy" image irreparably. Once a fintech loses the public's trust, it's very hard to win back (ask any hacked exchange or breached bank). A **bank-run dynamic** could ensue, where so many customers pull money that Wise's liquidity buffers strain to meet redemptions. While Wise claims to safeguard customer funds 1:1, the logistics of unwinding huge volumes quickly across currencies could be chaotic. If customers experience delays getting their money out, panic would deepen – a self-fulfilling spiral to collapse.



4. **Technological Obsolescence:** In a long-term (10+ year) view, one can imagine technology changing so fundamentally that Wise's core service is no longer needed. This would be a slow death rather than an overnight zero, but nonetheless a path to irrelevance. For instance, if **global central banks and major banks create a seamless international transfer network** (perhaps using a consortium blockchain or a new protocol), it could make cross-border payments as easy as domestic ones, with minimal fees. If this network is widely adopted, the average consumer might use their bank or a public app for such transfers, and Wise's value proposition vanishes. Another angle is **AI agents handling financial transactions** – if in future, say, an AI embedded in your phone can automatically route money via the cheapest network (even splitting into crypto or sending through various channels), the user might not even know or care which service moves their money. Wise could be bypassed by such automated routing if it's not the absolute cheapest or fastest. Essentially, Wise faces the risk that it becomes the **MySpace** of money transfers – an early innovator that gets overtaken by a new paradigm. Technological obsolescence might not leave much salvage value for equity holders, especially if the transition to new rails happens faster than Wise can adapt.
5. **Severe Macroeconomic or Liquidity Crunch:** Consider a crisis scenario: a sharp currency crisis or financial panic that causes **extreme FX volatility** and government intervention. If one of Wise's major currency corridors suddenly freezes (e.g., capital controls imposed in a country due to economic crisis), Wise could be caught with large imbalances. Perhaps customers are sending tons of money *into* a country but that country's banks halt outbound flows – Wise might owe a lot of money that's trapped locally. This could create a **liquidity crunch** where Wise has to cover customer demands out of its own pocket until it can recover funds. If multiple such events happen or if a major currency (say USD-EUR corridor) is disrupted by a cyberattack on banking infrastructure, Wise's operations could seize up. Also, Wise's treasury management could be stressed if, for example, the value of one currency collapses and customers rush to exchange out of it – Wise might face losses covering the sudden currency move if its pricing didn't adjust in time. In a 5- or 10-year span, we can't rule out global shocks. Wise has not really been through a **full financial cycle** as a public company (founded 2011, mostly a period of benign conditions). A 2008-like event, where trust in financial intermediaries evaporates, could ironically hurt fintechs harder as people retreat to the safety of big banks or government-insured institutions. If in such a moment, Wise experienced even a whiff of trouble handling customer funds, the spiral could end in collapse.

Each of these scenarios, or a combination of them, shows that while the **base case for Wise is steady growth, the bear case includes existential threats**. The probability of total collapse is low, but it's not zero – and as investors, examining those tail risks is crucial. Wise does not have the same "too big to fail" backstop that large banks enjoy; if it stumbles badly, it could indeed go to zero for equity holders (customers might still get their money out, but the company would be dead or sold for scraps).

## 6. Invert the Analyst's Psychology: Detecting Biases in the Bull Thesis

Having inverted the business fundamentals, it's equally important to **invert the perspective of the analyst** promoting Wise. Are they seeing the full picture, or are cognitive biases and catchy narratives warping their judgment? Here we identify signs of **confirmation bias, narrative fallacy, and the "man-with-a-hammer" syndrome** in the bullish thesis:

- **Confirmation Bias and Selective Evidence:** Bullish analysts often highlight data that supports Wise's success (explosive user growth, high TrustPilot scores, cost leadership) while downplaying

contradictory signals. For instance, a bull thesis might celebrate that “active customers grew 30%” or that “Wise is profitable from day one,” yet gloss over the **recent slowdown in revenue growth to 12%** or the fact that growth is propped up by historically high interest income <sup>14</sup> <sup>15</sup>. There’s a tendency to interpret every development in a positive light – e.g. “*Margins are down because Wise is investing in customers – great!*” – whereas a neutral view might see a red flag in decelerating operating leverage. Our inversion exercise forces us to ask: *What evidence is the bull thesis not mentioning?* Perhaps the bull case ignores that **competition is also growing fast** or that some Wise customers use multiple platforms (so “15 million customers” might not equal 15 million loyal exclusives). A skeptical eye notices when analysis is one-sided. In Wise’s case, bulls often cite huge TAM figures and assume Wise will steadily grab share <sup>9</sup>, which is a form of confirmation bias – assuming a large market equals a large opportunity *for this company*, without proving why Wise specifically will win.

- **Narrative Fallacy (Too Good of a Story):** Wise has a compelling story: two founders frustrated by bank fees start a scrappy fintech, champion transparency, and take on goliaths – **David vs. Goliath, mission-driven disruptor**. It’s *feel-good* and easy to root for. The slogan “*Money without borders*” and the ethos of making global transfers “*as easy and cheap as a local one*” sound almost inevitable <sup>49</sup>. This narrative can enchant analysts, leading them to project linear success (the hero’s journey where Wise triumphs in the end). But business reality is often messier. The narrative glosses over the gritty details of fighting dozens of entrenched competitors and regulators worldwide. There’s also a **halo effect** around Wise’s likeable mission – investors may forgive weaknesses (like compliance issues or high valuation) because they “believe in” the story and the founders’ sincerity. That is dangerous; **investing is not charity**. One must ask, if this were a boringly-named company doing the same numbers, would we be as generous in our assumptions? The narrative fallacy may also manifest in how bulls talk about Wise’s future: for example, invoking analogies like “*Wise is the Amazon of payments*” or “*the next Visa*”. These analogies create a mental image of inevitability (“Amazon conquered retail, so Wise will conquer payments”), but they can be flawed. Visa’s dominance relies on a duopoly and decades of building trust and acceptance; Amazon benefited from winner-take-all network effects and Prime ecosystem. **Wise’s business might not enjoy the same network effects or scale curves**, but the narrative trick of analogy can mislead one into assuming it will.

- **Overreliance on Analogies and Mental Models (Man-with-a-Hammer Syndrome):** There is a popular mental model among value investors, championed by Nick Sleep, called “*scale economies shared*.” Bulls explicitly cite this model in Wise’s context <sup>50</sup>, comparing Wise to Costco or Amazon – companies that relentlessly cut costs to benefit customers and thus built deep moats. This is a classic case of the *man with a hammer* thinking everything is a nail. Yes, Wise follows a version of that strategy (lowering fees as it scales), but **blindly applying the model** can obscure key differences. Costco, for example, operates in a relatively static competitive field (few large players) and locks in customers with membership fees – dynamics not present for Wise. Amazon built a massive logistics and third-party seller ecosystem that gave it winner-take-most power. Wise, by contrast, operates in a space where customers can switch services in seconds and where many players can coexist (as money is fungible and can travel on many networks). By leaning too heavily on the “*Wise is like Costco/Amazon*” analogy, an analyst might ignore these sector-specific challenges. Similarly, comparing Wise to **Visa/Mastercard** – often done to suggest Wise could be as ubiquitous or profitable as the card networks – is likely an inappropriate analogy. Visa and Mastercard have a duopoly with extraordinary pricing power and a two-sided network effect (millions of merchants accepting, billions of cards issued) that is incredibly hard to replicate. Wise’s business is different: it’s more one-sided (users only) and faces no such high switching barriers. Overreliance on these analogies can breed overconfidence in Wise’s inevitability, which is precisely what an inversion analysis warns against.

- **Extrapolation and Optimism Bias:** A common bias in growth investing is assuming **recent growth rates will persist** for a very long time, and that a company will flawlessly execute its expansion plans. The bull case for Wise might assume, for instance, that it can maintain ~20%+ growth for a decade, expand margins after an investment phase, and face little pushback from incumbents. This might be an overly *optimistic extrapolation*. Few companies manage such sustained growth, especially in a business that could become more commoditized. Optimism bias also appears in how bulls treat competition: often you'll hear, *"The market is so big, multiple winners can thrive, and Wise will continue leading its niche."* This rosy view underestimates how competitive dynamics actually play out – sometimes rivals engage in price wars that hurt everyone, or a winner emerges that takes far more share than expected. There is a tendency to **underweight worst-case outcomes** and to assign high probabilities to best-case assumptions (like, "Wise will eventually handle a significant fraction of that £27 trillion TAM"). In psychological terms, it's more pleasant to imagine success than turmoil. But an inverted mindset deliberately visualizes turmoil to balance the scales.
- **"Skin-in-the-Game" and Groupthink:** Often, the analysts most vocal about a stock are investors in it themselves. Confirmation bias then gets supercharged by self-justification – they've bought the stock, so they seek evidence they're right. In the Wise community, one can observe a bit of *groupthink* in investor discussions – everyone reinforcing the view that Wise is great, sharing the latest upbeat metrics, quoting management's inspiring lines, etc. Dissenting views (like many we've raised here) might get discounted or not seriously engaged with. Charlie Munger cautions against this kind of echo chamber. A wise (no pun intended) investor should ask: *"Am I rationalizing why I'll be right, instead of actively searching for how I could be wrong?"* In the materials from a bullish analysis, the author even admits *"I realise I may be a bit too positive and that in itself is a risk"* <sup>51</sup>. This self-awareness is good – it shows the author recognizes potential confirmation bias in their stance <sup>52</sup>. However, acknowledging bias is only step one; truly overcoming it requires seriously considering analyses like this inverted one.

In summary, the bull thesis on Wise, while well-intentioned and often well-researched, **shows signs of bias**. A charismatic narrative, powerful analogies, and selective focus on positive indicators can lull investors into complacency. By inverting each aspect – questioning each assumption and shining light on what could go wrong – we counteract those biases. This ensures we don't become the proverbial man with a hammer, seeing only nails and overlooking the big risks that lie just outside the bullish field of view.

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**Conclusion:** Inverting the bullish case for Wise reveals a wide array of failure modes – from competitive and technological threats, to managerial pitfalls, to valuation and psychological traps. This doesn't mean Wise will fail; indeed, it may navigate many of these risks successfully. But a **rigorous analysis must contemplate the downside** as deeply as the upside. Wise's long-term compounding story is predicated on many favorable conditions holding true (continued growth, moat durability, smart management, etc.). By applying Munger's inversion, we've stress-tested those conditions and exposed where they might break. For the prudent investor, the key takeaway is to remain vigilant and **avoid wishful thinking**. Wise's future may be bright, but it is not assured – and the paths to disappointment or even disaster, however improbable, are very real. Investing with eyes wide open to these inverted scenarios will lead to better judgment on position sizing, required margin of safety, and continual monitoring of the thesis. In the end, *"invert, always invert"* is about expecting the unexpected and not letting a good story blind us to risk <sup>51</sup>. Wise is a remarkable company, but even the best can falter – and we have now outlined exactly how that could happen, so that a hopeful investor can plan (or price) accordingly.

**Sources:** The analysis above incorporates information from Wise's financial reports, industry commentary, and news sources to substantiate both bull arguments and bear counters. Key references include Wise's own disclosures on its cost structure and growth <sup>1</sup> <sup>9</sup>, reports on emerging threats like stablecoins <sup>5</sup>, news of competitive moves by firms like Visa <sup>13</sup>, updates on Wise's financial performance and regulatory issues <sup>14</sup> <sup>29</sup>, and perspective from investor memos acknowledging both strengths and potential biases <sup>53</sup> <sup>51</sup>. All citations are provided inline to encourage verification and further reading.

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<sup>1</sup> <sup>2</sup> <sup>7</sup> <sup>9</sup> <sup>10</sup> <sup>11</sup> <sup>16</sup> <sup>17</sup> <sup>18</sup> <sup>19</sup> <sup>26</sup> <sup>27</sup> <sup>31</sup> <sup>36</sup> <sup>38</sup> <sup>39</sup> <sup>44</sup> <sup>49</sup> <sup>50</sup> <sup>51</sup> <sup>52</sup> <sup>53</sup> 6f91d301-2947-4e07-b4b9-482bd8068f0c\_Wise\_analyse (1).pdf

<file:///file-KAhpxsLrUgXWHuzcy3gAb>

<sup>3</sup> <sup>4</sup> <sup>5</sup> <sup>6</sup> <sup>8</sup> <sup>20</sup> <sup>21</sup> <sup>22</sup> Stablecoin Advantage vs Wise Western Union 2025 | RebellFi

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<sup>14</sup> <sup>15</sup> <sup>40</sup> <sup>41</sup> <sup>45</sup> <sup>47</sup> Wise sees strong TPV growth but faces margin pressure; shares drop 7% By

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