

## Case Study on Brigit

### ## Overview and Origin

\* What is the name of the company?

Brigit-

\* When was the company incorporated?

October 2017 - the first seed round started with a 3 million funding on Feb1, 2019 and over the last 3 years, they've managed to increase in size almost exponentially to gain noticeability among one of the most used finance related apps on the apple app store- #16 in Finance Jul 18, 2022

\* Who are the founders of the company?

Hamel Kothari M&A director and years of investment banking at Deutsche, Zuben Mathews head of technical development at COO with Palantir experience

\* How did the idea for the company (or project) come about?

To make a dent to many long-established pay day credit agencies such as cash4less which have years of experience and noticeability in North America, was not an easy task, but the surge in demand from the working class and students primarily born after 1985 whom don't necessarily have access to large financial safety nets but don't trust the established short term loan system, highlighted the demand for a low hassle short term financing option for average customer, quite like the overnight rate in which banks have enjoyed for years to loan one another funds, for a short period.

\* How is the company funded? How much funding have they received?

Mixture of equity and debt financing is used with a more emphasis on debt financing in recent times, which could indicate the board of directors bullishness on the business as by choosing to retain more shares among themselves and financing activities by taking on more debt could increase the risk of the business but if the debt undertaken is used productively,

given a solid business plan and revenues, the same debt can lead to evermore returns for the current investors that avoided having their shares diluted, in order to finance the company activities for growth.

Total financing – July 2022; USD 113 Million

Apr 23, 2021		\$75M <a href="#">Community Investment Management</a> <a href="#">Debt Financing - Brigit</a>
Jan 1, 2020		\$35M <a href="#">Lightspeed Venture Partners</a> <a href="#">Series A - Brigit</a>
Feb 1, 2018		\$3M <a href="#">DCM Ventures</a> <a href="#">Seed Round - Brigit</a>

## ## Business Activities

\* What specific financial problem is the company or project trying to solve?

Access to small, short term loans with low to no interest- quite like payday loans but without the nickel and dime fees and high interest rates, instead they charge a monthly \$9.99 subscription fee for their services.

\* Who is the company's intended customer? Is there any information about the market size of this set of customers?

The total Global Digital Lending Market is estimated to reach USD 22.4 Billion by the year 2028 and is projected to grow exhibiting a Compound Annual Growth Rate (CAGR) of 13.5%,

Additionally, according to Citizens Advice, up to 4 out of 10 young adults will utilize a payday loan at some point in their lives. Furthermore, as the cost of living rises around the world, students with college loans are under increasing pressure to repay their obligations, and many young people are turning to the online payday loans industry, which is fueling the market's growth.

\* What solution does this company offer that their competitors do not or cannot offer? (What is the unfair advantage they utilise?)

They have decided to charge a monthly subscription to cover their costs to help people avoid having to pay interest. They additionally by connecting to your bank account, make sure your account does not go in overdraft. Overdraft fees on nsf are what banks charge their costumers when their account goes in negative balance. Brigit has an algorithm that detects when your account is soon going to be in overdraft status and automatically transfers funds in your account to prevent the overdraft charges. In return the loan that Brigit offered can be repaid without interest.

They eliminated the need for a credit checks when they partnered with a long-established data analysis firm to create their own credibility check.

They also through a good awareness campaign and gained more than 2 million costumers and 250k plus 5 star reviews which gives them creditability especially with people already doubtful about moving to online lending infrastructure.

2.13m monthly visitors

\* Which technologies are they currently using, and how are they implementing them? (This may take a little bit of sleuthing— you may want to search the company’s engineering blog or use sites like StackShare to find this information.)

Brigit instead of maneuvering engineering resources in order to come up with an appropriate data management system that assists them with approving costumers and overlooking their financial security, decided to partner with an already established firm that specializes in data analysis for financial sector

When borrowing through Brigit, they won’t charge you interest, check your credit, or hit you with hidden fees. However they properly incentivize the consumers to pay their loans back by charging a higher CAGR the longer the loan repayment takes up to 46%.

## Landscape

\* What domain of the financial industry is the company in?

personal loans- short term lending

\* What have been the major trends and innovations of this domain over the last 5–10 years?

Many FinTech's have emerged in hopes of being the hub in this market, some companies elected to have the same service but work on 'tips' and keeping costs low,

Other new players, namely Apple have came up with their own short term financing which will be offering Apple Pay users to take advantage of a 4 weeks free interest loan that might eliminate the demand of Apple users to rely on startups such as Brigit.

\* What are the other major companies in this domain?

Eanin: "With Earnin, I get a breakdown: The app says 'You've borrowed \$100, this is your fee, this is how much you're tipping, and this is why we're charging you this much,'" she said. "With my payday loan, I log into the website and it won't let me go past the home screen — it wants me to call them."

There seems to be lots of similar complaint about the 'free' services such as Earning that work on tips.

Dave, Brigit, Albert, and my Vara and now Apple are some of the other big competitors in the area

## ## Results

\* What has been the business impact of this company so far?

They quickly are making a name for themselves as since 2018 they've gained more than 2 million costumers and 250k plus 5 star reviews on app store which gives them lots of creditability and by utilizing their newfound free cash flow they have a good chance to leverage their position into a permeant name in short term lending, they also have a good traction as they are currently seeing 2.13m monthly visitors that farther flexes the size of this market.

\* What are some of the core metrics that companies in this domain use to measure success?

How is your company performing, based on these metrics?

Costumers- at the time of the analysis, they are the 2<sup>nd</sup> largest online payday-loans in north America.

in time repayments- private company, more access is needed.

positive customer reviews- 4.8 rating from 208k customers on apple app store

\* How is your company performing relative to competitors in the same domain?

analysis of the Global [Digital Lending Market](#) finds that the factors such as, government engagement towards digital lending, escalating demand for smartphones & rapid digitalization, greater visibility & options for borrowers & lenders, huge digital lending demand in MSMEs platform and huge growth of digital lending in pandemic period are augmenting the maximum growth for Digital Lending Market over projected years. However, high preference for traditional lending methods is a major obstacle in the growth of Digital Lending Market during forecast period. Whereas, increasing use of advance technologies in digital lending platform will create various growth opportunities for Digital Lending Market in the coming years.

## ## Recommendations

\* If you were to advise the company, what products or services would you suggest they offer? (This could be something that a competitor offers, or use your imagination!)

In order to be a reliable lender in the long-run, Bridgit needs detach itself from the economic cycles. As the interest rates remain low, bridgit's fixed rate subscription of \$9.99 works tremendously as Bridgit can obtain very cheap financing to cover its operations and consumer loans. However, as the rates increase, the margins of this firm decrease a lot. Whereas for borrowing \$250 before they could have charged \$9.99 Which is nearly 4% interest and assuming that they have borrowed at long-term risk free lending rate of 2%, they had a lending to deposit spread of 2% but now the rates have increased and to obtain financing they have to pay 4-7% of interest, they are effectively losing money with every transaction if they don't raise their rates. My remedy for this situation would be that Bridgit has to develop a derivative trading that effectively uses some of their spread in the good economic cycles to hedge against the bad ones by buying large scale future contracts that will be profitable when the interest raises increase.

\* Why do you think that offering this product or service would benefit the company? They would detach themselves from the economic conditions of the market and can thereby focus on optimizing their platform and marketing.

\* What technologies would this additional product or service utilize?

Algorithmic trading, by using models to determine when the company's spread is large enough that some of it can be used to hedge long-term risk and when the interest coverage ratio is getting too thin.

\* Why are these technologies appropriate for your solution?

As a fintech startup, however large, they should increasingly adopt risk management and capital investment plays that helps them optimize the large amount of capital they have access to.

\*\*\*\*, have highlighted the need for access to a short term instant loan system that is consumer friendly( in terms of a software instead of a bank branch) and is more affordable with minimal hidden fees and interest rates. In their past lives, the founders, among other 78% Americans have experienced living paycheck-to paycheck and alike them, had to deal with payday credit agencies who are allowed to charge more than 400% of the initial loan amount, when interest payments are internalized in the loan payments dependent on time taken to repay the loan. That means you could end up paying more than \$400 to repay a \$100 loan. This is called a debt trap system which these credit agencies have no incentive to The founders have realized that many people do not deal with these short term credit agencies because they are hesitant of the high interest rates, hidden fees and lack of transparency and their ice age technology upto and including using credit checks to understand the person's financial health.

To attract the new creditor, Brigit have introduced the pricing system this century loves most, a recurring monthly subscription fee of \$ 9.99 for their 'premium' account that lets you instantly borrow up to \$ 250 instantly with "no interest fees" for short term repayment.

WASHINGTON, May 09, 2022 (GLOBE NEWSWIRE) -- Vantage Market Research's recent analysis of the Global [Digital Lending Market](#) finds that the factors such as, government

engagement towards digital lending, escalating demand for smartphones & rapid digitalization, greater visibility & options for borrowers & lenders, huge digital lending demand in MSMEs platform and huge growth of digital lending in pandemic period are augmenting the maximum growth for Digital Lending Market over projected years. However, high preference for traditional lending methods is a major obstacle in the growth of Digital Lending Market during forecast period. Whereas, increasing use of advance technologies in digital lending platform will create various growth opportunities for Digital Lending Market in the coming years.