

Using smarts to reposition with consumer credit

MoneyMe Limited (ASX:MME) is a digital consumer credit business using an artificial intelligence-driven technology platform, Horizon Technology Platform, to determine eligibility and to deliver loan offerings to consumers in a rapid manner. MoneyMe has six core products including: personal loans from \$2,100 to \$50,000 with terms from three months to five years; a freestyle virtual Mastercard credit account which offers a revolving line of credit up to \$20,000; automobile finance up to \$100,000 and from 36 to 84 months; a shop now, pay later facility with credit limits up to \$50,000; and List Ready and Rent Ready finance targeting the real estate sector. The company listed on the ASX in December 2019 after raising \$45m at \$1.25/share to give a market capitalisation at listing of \$211.8m. In December 2021, the company entered into a merger implementation agreement to buy unlisted consumer lender SocietyOne in a deal which will transform MoneyMe into one of Australia's largest non-bank personal lenders. The merger is on track for completion on March 15 after 99.9% of MoneyMe shareholders voted in favour of the acquisition. MoneyMe will pay a combination of cash (\$15m) and scrip on completion of the ~\$132m acquisition. The combined entity will have a loan book of \$994m and MoneyMe expects to extract \$17m a year in pre-tax cost synergies from FY24.

Business model

MoneyMe makes its money from interest and fees on the unsecured loans it offers to consumers. Its personal loans earn interest rates ranging from 6.25% to 21.95% depending on the risk profile of the customer and consumers pay a loan origination establishment fee of \$295 to \$495 and a \$10 monthly fee. The freestyle credit account attracts an annual fee of \$0 to \$149 depending on the credit limit and charges interest of 16.99% to 25.99% according to the customer's risk profile. The MoneyMe shop now and pay later product offers credit limits up to \$50,000, an interest rate of \$19.5% after the interest-free period, a \$5 per month fee, and a six month to 48 month term. Autopay offers car loans up to \$100,000 and from 36 to 84 months at an interest rate of 4.75% to 16.75%, a monthly \$10 fee and a \$350 establishment fee. ListReady and RentReady are short-term loans respectively up to \$35,000 and \$10,000. RentReady attracts an interest charge of 16.99%.

Strong loans growth in H1 FY22

MoneyMe reported total revenues of \$47.7m in H1 FY22, a 101% increase on that reported in H1 FY21 and a 41% increase on H2 FY21. Receivable provision ratios reduced, with the company reporting a 7.5% provision ratio for H1 FY22, versus 7.9% in both the same period a year ago and in the second half of FY21. MoneyMe reported a H1 FY22 net loss of \$18.7m, compared with NPAT of \$1.3m in H1 FY21. The adjusted cash net profit after tax was \$10m versus \$4m in H1 FY21 and \$7m in H2 FY21. In H1 FY22, MoneyMe generated \$441m in loan originations, compared with \$114m in H1 FY21.

Several listed peers in the consumer credit space

Australia has a robust non-banking consumer credit market with several listed players ranging from traditional consumer credit operators to fintechs such as Harmoney (ASX:HMY), Plenti (ASX:PLT) and Wisr (ASX:WZR). On a price to loan book basis, this group is trading on a median multiple of 0.49x. MoneyMe, pre-SocietyOne, is trading on a price to loan book multiple of 0.80x. However, post transaction this should fall to 0.30x, putting the company at a discount to its peers.

Historical earnings and ratios (In A\$m unless otherwise stated)

Year end	Total loan originations	Revenue	EBITDA adj.*	NPAT adj.	NPAT rep.	EPS adj. (c)	EPS rep. (c)	EV/Revenue (x)^
06/20a	179.0	47.7	13.6	1.3	1.3	1.00	1.00	3.7
06/21a	384.0	57.6	2.3	(7.9)	(7.9)	(4.70)	(4.70)	3.1

Source: Company data *EBITDA, NPAT and EPS adjusted for one-time, non-cash items ^calculated from current enterprise value

Diversified Financials

11th March 2022

Share Details

ASX code	MME
Share price	\$1.46
Market capitalisation	\$246.5M
Shares on issue	169.4M
Gross cash at 31-Dec-2021	\$68.0M
Free float	30.0%

Share Performance (12 months)



Upside Case

- Track record of returning customers
- Tailwinds in sector due to open-banking
- Opportunity to participate in further industry consolidation

Downside Case

- Increased risk of loan defaults in an inflationary environment
- Highly competitive market
- Market cash rate increasing

Catalysts

- Completion of SocietyOne acquisition
- Evidence of extracting synergies

Comparable Companies (Aust/NZ)

FSA Group (ASX:FSA), Harmoney (ASX:HMY), Latitude (ASX:LFS) Money3 Corp (ASX:MNY), Plenti (ASX:PLT), Wisr (ASX:WZR)

Board and Management

Peter Coad	Ind. Non-Executive Chair
Clayton Howes	Managing Director/CEO
Scott Emery	Non-Executive Director
Jonathan Lechte	Ind. Non-Executive Director
Susan Wynne	Ind. Non-Executive Director

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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- complaint processes

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