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MoneyMe to focus on cash profit over growth

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MoneyMe shares rallied in a tough market for "challenger" financial companies, after the personal lender reported stronger revenue and lower loan losses for the fourth quarter and said it would focus on delivering cash profits over plans for growth.

Following a high-profile brand campaign that has included prominent advertising around AFL grounds, MoneyMe said customer awareness of its loans and credit card products was growing and it expected to continue to steal market share from the large banks.

CEO Clayton Howes said a key challenge for MoneyMe was to distinguish itself from the buy now, pay later industry and broader fintech sector – an association that had sent the stock tumbling 64 per cent year to date.

Unlike BNPL, MoneyMe can easily pass on higher funding costs to customers, while secured loans are growing via a new vehicle finance product known as Autopay.

"BNPL is a race to the bottom on margin, but our model is calibrated to the environment and when interest rates go up, we can go with them," Mr Howes said. "We can pass the rising interest rate on to customers like a bank would do."

MoneyMe's loan book has hit $1.4 billion – up more than four times since the fourth quarter last year and up 8 per cent on the third quarter. This is still tiny compared to the overall personal loan market, estimated at $70 billion, of which the major banks have around an 80 per cent share.

But as it looks to take personal lending volume from the major banks, Mr Howes said they were still willing to back MoneyMe's growth. This included supporting the company's warehouse funding and securitisation deals, while Westpac could provide deposit accounts via its banking-as-a-service offering, currently in pilot.

"We are taking market share from the banks, but they are supportive," Mr Howes said.

Two major Australian banks and two international banks have backed its warehouse facilities of $1.65 billion, while one major bank, and some other local lenders, participated in a recent $200 million asset-backed securitisation – its first ABS transaction after it killed plans for a $20 million institutional placement.

MoneyMe has $384 million in undrawn securitisation facilities to fund future growth.

This funding is helping it capture market share from Macquarie Bank and Angle Finance (formerly Westpac) in car loans, with Autopay growing to a $500 million book in a year.

Andrew Smith, head of smaller companies at Perennial Value Management and a MoneyMe shareholder, said the fourth quarter result highlighted some advantages the personal lender has versus the BNPL sector, "to which it often gets compared, unfairly".

"Our view is the technology of MoneyMe is the differentiator: the ability to bring new products to market has been demonstrated now many times, while the ability to adapt to changing credit conditions should be helpful in coming years," Mr Smith said.

Overall originations in the fourth quarter of $334 million were more than double the prior fourth quarter, although they were down 1.8 per cent on the third quarter.

Net losses of 3 per cent of loans over the fourth quarter was down from 5 per cent in the same period of last year, and were steady on the third quarter.

"We are seeing no stresses to consumers," Mr Howes said. "Borrower behaviour is strong right now, and they still can change their consumption behaviour", as rates continue to rise.

The average MoneyMe customer is aged 33. Mr Howes added that credit quality should stay strong so long as unemployment remains low.

The shares were trading up 21 per cent at 82¢ just after midday yesterday, but are a far cry from the $2.21 at the start of the year.