MoneyMe shares surge as personal loans grow while credit losses fall

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25 July 2022

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Jul 25, 2022 – 2.05pm

MoneyMe shares won a reprieve in the tough market for challenger financial stocks on the back of a strong quarterly update which pointed to stronger revenue and lower loan losses as the personal lender said it would focus on delivering cash profits over growth plans.

Following a high-profile brand campaign that has included prominent advertising around AFL grounds, MoneyMe said customer awareness of its loans and credit card offering is growing and it expects to continue to eat into market share of large banks.

CEO Clayton Howes said a key challenge is distinguishing MoneyMe from the buy now, pay later sector and broader fintech sector, and association is the key reason the stock is down 64 per cent for the year to date. But 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.

Clayton Howes, CEO of MoneyMe: "We are taking market share from the banks - but they are supportive." *Belinda Pratten*

"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," he 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 attacks their lending, Mr Howes says major banks have been willing to back MoneyMe's growth. This includes supporting its warehouse funding and securitisation deals, while Westpac could provide deposit accounts via its banking-as-as-service offering, currently in pilot.

“We are taking market share from the banks - but they are supportive.”

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 banks, 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 from a standing start.

Andrew Smith, head of smaller companies at Perennial Value Management, a MoneyMe shareholder, said the fourth quarter result highlights some advantages the personal lender has versus the BNPL sector, “to which it often gets compared, unfairly in our opinion”.

“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 given challenges ahead for parts of the economy,” 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.

AFL games have been played in front of MoneyMe banner advertising at the MCG and Marvel Stadium. *Getty*

Net losses of 3 per cent of loans over the fourth quarter was down from 5 per cent in the fourth quarter of last year, and 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. He said credit quality should stay strong so long as unemployment remains low.

Shares were trading up 21 per cent at 82¢ just after midday, but a far cry from the $2.21 where they started the year.

“We are getting caught up in the fintech sector drag,” Mr Howes said.

“Neobanks who were never going to make money are falling around us, and BNPL needed very high growth to make sense of the model, but we are fundamentally different. Our fundamentals are strong, we are building sustainable revenue, are already cash profitable and the synergy benefits of SocietyOne are coming through strongly."

Of the expected $17 million in synergies expected from the SocietyOne acquisition, MoneyMe said $7 million of savings have already been delivered, and the rest would come by the end of the calendar year.

Mr Howes would not confirm that the SocietyOne brand will eventually be rolled into MoneyMe, although this appears likely.

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