

18 January 2021

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Money3 Corporation Limited

Finance

BUY

MNY A\$2.73
TARGET PRICE A\$3.22

Money3 Corp. Ltd. is a non-bank credit provider. It is focused on the provision of automotive finance in Australia and New Zealand. The firm engages in providing flexible secured and unsecured personal loans to customers often excluded by traditional lenders. The company was founded on November 25, 2005 and is headquartered in Bundoora, Australia.

Company Data

Number of shares	205.0M
Market Capitalisation	\$559.8M
Free float (%)	83.0
12-month high/low	\$0.303/\$0.81
Average Daily Turnover (\$m)	0.321
% S&P/ASX200	0.03%
DDM Ranking	51
% All Ordinaries	0.03%
GICS Industry Group	Finance

Source: FactSet, Barclay Pearce Capital

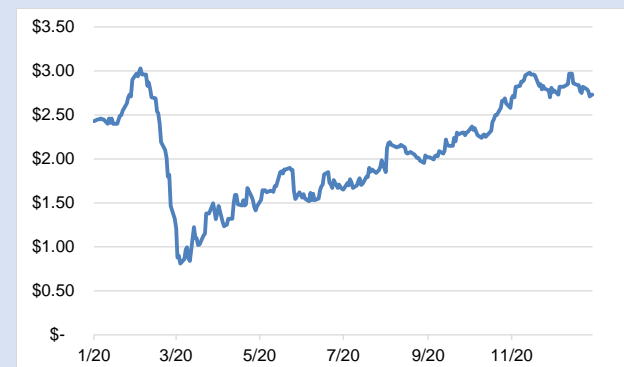
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	124.0	148.5	176.1	190.7
EBITDA (\$M)	49.1	73.9	87.7	95.7
Reported NPAT (\$M)	24.2	36.5	47.8	56.1
Adjusted NPAT (\$M)	32.3	36.9	48.2	56.1
Reported EPS (c)	13.1	19.4	23.9	27.5
Adjusted EPS (c - FD)	12.0	19.6	24.6	27.0
Adjusted EPS growth (%)	-38.3	63.6	25.3	9.9
Adjusted P/E (x)	22.8	13.9	11.1	10.1
Dividend (c/sh)	8.0	11.5	14.9	16.2
Gross yield (%)	4.2	5.7	7.4	8.1
Net yield (%)	2.9	4.0	5.2	5.7
ROIC (%)	8.6	7.5	8.2	0.0

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

GMFA Acquisition and Guidance Increase

On 18 January Money3 Corporation (MNY) announced their agreement to acquire GMF Australia Ltd (GMFA) and FY21 revised guidance. Highlights include:

Acquisition Highlights

- GMFA is a subsidiary of General Motors consisting of 700 automotive loans for new vehicles;
- GMFA customers purchased a new vehicle through Holden dealership in 2018 and 2019 in Australia and has a strong credit profile;
- Transaction is expected to settle February 2021.
- Expected to increase the Group's automotive loan book by approximately \$23M;
- Prime credit quality customer database will facilitate growth of the Group's market leading customer care operation with minimal ongoing operational expenses; and
- The group has over \$350M of undrawn funding capacity and available cash to fund further loan book expansion through organic growth and loan portfolio acquisitions.

MNY MD, Scott Baldwin, stated "Money 3 continues to leverage its strengths in collections with the acquisition of approximately 700 customers of prime credit quality that purchased a new vehicle through Holden leadership. It demonstrates the group's ability to acquire customers either organically or through portfolio acquisitions."

There are no staff or complicated transition process needed for this acquisition as all outstanding commitments will roll into the existing Customer Care team deploying capital immediately with customer repayment patterns aligning nicely with the cash requirements of the business in 2021."

Revised Guidance

- Acquisitions and trading conditions in 1H21 will have a positive impact on full year result; and
- Guidance for net profit after tax is increased from \$34M to \$36M.

Earnings changes

The strong trading conditions and positive outlook for the acquisition of GMFA exceeds market expectations and is reflected in the increase in the guidance to \$36M from \$34M. Hence, we expect positive earnings revisions of 5% for FY21 and future periods.

Additionally, the acquisition announcement is expected to have a positively impact upon future earnings but at this stage we cannot determine the level of earnings accretion.

Valuation

We are initiating on Money3 Corporation Ltd. with a 12-month price target of \$3.22 and a BUY recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)