

Laybuy Holdings

Buy now, pay later

Laybuy Holdings (LBY:ASX) is a buy now, pay later (BNPL) provider that was launched in 2017 in New Zealand. It subsequently expanded to Australia in May 2018 and the UK in February 2019. It has recently started beta testing in the US. Laybuy currently services more than 730,000 customers and 8,600 merchants worldwide. The company listed in September 2020, raising \$40m at \$1.41/share and facilitating a \$40m sell-down of existing shareholders. Capital from the raise was earmarked for the UK expansion. Over the last year, it has seen strong growth in lighthouse merchant/partner signings in the UK, whilst maintaining strong repeat customer and purchase frequency metrics in ANZ. The product has further expanded with its launch of the Laybuy app in October 2019 and a collaboration with Mastercard in its market first digital BNPL “Tap to Pay” card in Nov 2020.

Business model

LBY collects funds from merchants on transactions through Laybuy via commission (52.1% FY20 revenue) and late fees (47.9% of FY20 revenue). Furthermore, LBY’s six weekly payments business model enables Laybuy’s loan book to turn 24.4 times per annum (annualised), making it the most capital efficient payment frequency when compared to its competitors. Laybuy’s strong focus on large brands has paid its dividends through its key revenue metrics enjoying great growth in active merchants (+63.2%), repeat customers (+84.1%), active customers (+105.6%), average transaction value (+9.9%), GMV (+79.6%) and revenue (+92.1%) across FY19-20.

Q3 result demonstrates continued strong growth

Laybuy reported 184% growth in Gross Merchandise Value (GMV) in Q3 FY21 thanks to a surge in sales in the UK as a result of the COVID lockdowns. The UK’s GMV surpassed transactions generated in Australia and New Zealand for the first time, jumping 74% quarter on quarter to NZ\$100m. This has translated into a greater share of total income, with the UK contributing NZ\$5.4m of the total NZ\$9.5m reported in Q3. LBY’s purchasing frequency has increased to 72.5% in ANZ and 59.3% in the UK (increase of 10.8% on pcp and 59.9% on pcp respectively) in Q3FY21, due to its weekly payment scheme reducing defaults and filtering out ‘bad’ customers. LBY has secured debt funding arrangements with KiwiBank to fund its ANZ operations and Victory Park for its UK business, totalling NZ\$156.8M. Cash at 26 January 2021 was NZ\$19.3m, an increase of NZ\$5.9m from 31 December 2020 of NZ\$13.4m.

Trading at a discount to similar sized BNPL peers

Laybuy is one of a growing number of BNPL companies listed on the ASX. Peers of a similar market cap size include IOUPay, Openpay, Smartpay and Splitit. The median forward EV/Revenue multiple of this group is 33.7x. In comparison, Laybuy is trading on a forward EV/Revenue multiple of 6.8x based on consensus estimates for FY21 revenue of NZ\$31.3m. This is a significant gap when one considers that the relevant peer group has grown revenues at a median 3-year CAGR of ~25% while Laybuy’s revenues have grown at a three-year CAGR of 92%.

Historical earnings and ratios						
Year end	Revenue (NZ\$m)	Gross Profit (NZ\$m)	EBITDA (NZ\$m)	NPAT (NZ\$m)	EPS Rep. (c)	EV/Sales (x)
03/18a	1.9	1.2	(0.9)	(1.0)	na	na
03/19a	7.2	4.4	(2.8)	(3.6)	na	na
03//20a	13.7	9.2	(15.8)	(16.1)	na	15.6

Source: Company data

BNPL

12th March 2021

Share details

ASX Code	LBY
Share price	\$1.16
Market Capitalisation	\$202.4M
Shares on issue	174.5M
Net debt at 31 Dec 20	NZ\$143.5M
Free float	36.1%

Share performance (12 months)



Upside Case

- Increased market share in the UK
- Strong growth in recurring customers
- Increased average merchant fees via SMEs

Downside Case

- Increased competition from larger players
- Rising regulation risk in the UK
- Still loss-making

Catalysts/upcoming events

Launch into US Market, FY21 result (May 2020)

Comparable companies (Aust/NZ)

Openpay (ASX:OPY), Splitit (ASX:SPT), SmartPay (SPZ:NZX), IOUPay(OU:ASX)

Top 5 shareholders

Gary & Robyn Rohloff	29.54%
Pioneer Capital	25.48%
David Wilson	4.33%
One Funds Mgmt	1.58%
Newstead South Holdings	0.84%

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FINANCIAL SERVICES GUIDE

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