

Goldfields Money

Australia's first bank without the bricks and mortar

Goldfields Money Limited (GMV.ASX) is Australia's new digital bank, distributing its products through a largely branchless distribution network. The digital banking platform is built on a recently implemented mobile first, core banking system provided by Swiss-based banking software giant, Temenos. GMV is an authorised deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA). In September 2018, Goldfields successfully completed its merger with one of Australia's fastest growing mortgage aggregators, Finsure. As part of the merger conditions, GMV raised an additional \$20m (15.385m shares at \$1.30 a share) by way of a placement to institutions and professional investors.

Business model

Goldfields Money has two key divisions: banking and mortgage aggregation. Banking, which operates under the Goldfields Money and Better Choice brands, is an APRA regulated bank offering deposit and loan products that are funded either on- or off-balance sheet through a range of third-party lenders. The mortgage aggregation division, which operates under the Finsure and Loankit brands, is an ASIC regulated mortgage aggregation and software technology platform with more than 1,475 loan writers on the platform.

FY18 Earnings and Trading Update

Goldfields reported FY18 revenues of \$9.9m, up 23.3% on the prior year and NPAT excluding one off items of \$0.5m, a turnaround of \$1.0m on the 12 months prior. One off items of \$0.94m were associated with the costs to fend off an unsolicited takeover bid from former major shareholder FirstMac. In FY17, the company had one-off items of \$0.47m associated with the early termination of a contract. The company's capital adequacy ratio was 21.97% at year end, well ahead of the 17.5% base that the company has set for itself.

GMV also provided a trading update for August 2018 which demonstrated a strong performance of Goldfields and Finsure combined, with increases across all key operating metrics: managed loan settlements, aggregation settlements and recruitment of loan writers. In August 2018, managed loan settlements increased 435% to \$84m, aggregation loan settlements increased 16% to \$1.15b and total loan writers at month end increased 21% to 1,475.

GMV is actively followed by one broker who is forecasting FY19 EPS of \$0.109 a share and FY20 EPS of \$0.128 a share.

Historical earnings

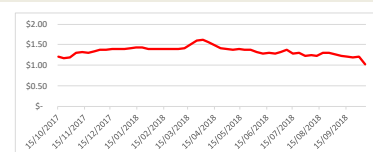
Year end	Revenue (\$m)	NPAT reported (\$m)	NPAT Adj (\$m)	EPS* (c)	Capital adequacy %	P/E (x)
06/16	7.2	(0.1)	(0.1)	(0.01)	20.92	N/A
06/17	8.0	(1.0)	(0.5)	(0.03)	19.37	N/A
06/18	9.9	(0.4)	0.5	0.02	21.97	51.5

Source: Company reports EPS adjusted for one off items

Share details

ASX Code	GMV
Share price (12 Oct 18)	\$1.03
Market Capitalisation	\$90.2M
Enterprise Value (at June 30, 2018)	\$51.2M

Share performance (12 months)



Size of market

Australia's banking sector has 147 authorised deposit-taking institutions (ADIs) which collectively hold 55% or \$4.6tr of the assets owned by Australian financial institutions.

Upside Case

- Strong board and management team
- Underlying profitability in FY18
- Opportunity to leverage its brands on the mobile first, digital platform

Downside Case

- Competitive marketplace with four dominant players
- Highly regulated sector with potential for more red tape following the Royal banking commission
- Trading at ~20% discount to the last raise price

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