

ChimpChange

Client activity to drive substantial growth in revenue

ChimpChange (CCA) is poised to deliver substantial revenue growth in FY17 and FY18 based on consensus estimates. Monthly client additions have been running 9% above the company's target since September 2016. Card activity rates doubled from 7.8% in February 2016 to 15.6% by September (Q1) and November data suggest further expansion. Ultimately, activity generates transaction volume and revenue and these positive trends augur well for the future. Consensus expects revenues to grow tenfold in FY17 and nearly sixfold in FY18. CCA trades on a FY18e P/E of 28x, which looks undemanding given its early stage of development. December and Q2 figures are expected later this month.

New clients ahead of target, rising activity rates

CCA announced November 2016 client metrics early last month. New customer additions totalled 7,700, up 10% m-o-m, bringing total new clients to 20,500 since September. CCA is targeting 25,000 new clients by December, implying it is running 9% ahead of target based on 6,250 clients per month on average.

More importantly, total transaction volume (TTV) of deposit loads and card swipes is accelerating ahead of customer numbers. TTV grew 21% and 32% m-o-m in October and November respectively, indicating that customer activity rates are continuing to expand in Q2 even though card activity rates for instance already doubled from 7.8% in February 2016 to 15.6% by the end of Q1.

Potential for upside in consensus estimates

CCA's business continues to build momentum and traction. Revenues at CCA are largely driven by the fees charged on TTV. As activity levels rise, TTV and revenues should grow disproportionately more than customer numbers. Thus, the accelerating trend in TTV augurs well for future revenue growth and suggests potential for upward revisions to revenues and earnings.

Valuation: Undemanding

Traditional valuation measures are not hugely meaningful for a high-growth business in its early stages of development. However, the consensus headline P/E of 27.4x for FY18e looks undemanding considering the high revenue growth rate, with consensus revenues forecast to rise nearly sixfold for that year. On an absolute basis, we estimate that the current EV of <US\$25m is not high for a service business with more than 100,000 customers.

Consensus estimates

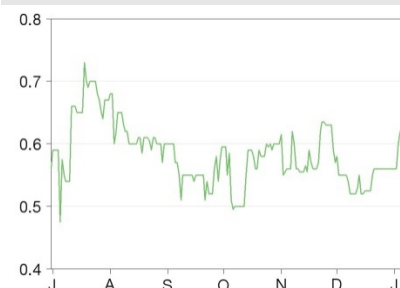
Year end	Revenue (US\$m)	PBT (US\$m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
06/15	0.00	(2.17)	(10.6)	0.0	N/M	N/A
06/16	0.18	(7.66)	(22.9)	0.0	N/M	N/A
06/17e	1.80	(6.72)	(8.6)	0.0	N/M	N/A
06/18e	10.70	1.22	1.6	0.0	27.4	N/A

Source: Bloomberg consensus 5 January 2017

FinTech
10 January 2017
Price **A\$0.60**
Market cap **A\$38.1m**

A\$/US\$0.73

Share price graph



Share details

Code	CCA
Listing	ASX
Shares in issue	63.5m

Business description

ChimpChange provides mobile digital banking services, targeting millennials and the underbanked in the US. The company offers a lower-cost alternative to traditional providers in a market characterised by high fees. The company was founded by CEO Ash Shilkin and launched in 2015.

Bull

- Fast-growing digital banking platform driven by strong customer acquisition and growing activity rates.
- Low fee structure is a competitive advantage vs high-cost incumbent US banks.
- CCA aims to leverage the platform further with new functionality and products, which could add significantly to revenues and profit in the future.

Bear

- The business is still in its infancy and has yet to achieve profitability due to heavy marketing spend.
- CCA is not unique in this segment of financial services and must compete with others.
- Significant losses are projected for FY17, although the company is expected to be profitable by FY18.

Analysts

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