

# MyBucks

## Microfinance in growing markets

Founded in 2011, MyBucks has been profitable since its second year of operations, providing microloans via the internet primarily to low- and middle-income customers in sub-Saharan Africa. With smartphone ownership ahead of bank account penetration in many countries in the region, MyBucks seeks to use the internet to gain access to a large population with an increasing demand for small loans and other financial services. The recent acquisition of six banks from a not-for-profit organisation will provide a future source of funds for lending and the ability to offer a broader range of services to a wider market.

## Existing products and market

The core GetBucks lending products account for 95% of MyBucks' revenues. The €37m loan book (average loan size: €230) is spread across 14 countries with Botswana, Kenya, Malawi, South Africa and Zimbabwe making up 84%. GetSure credit cover is available in MyBucks' main markets, with legal and funeral cover available in four of them. GetBanked has been launched following the acquisition of Opportunity Bank in June 2016. It will offer savings accounts, mobile transactions and transaction cards initially and other financial solutions in future.

## Platform and execution

Customers typically come across MyBucks' offerings through internet search engines, then sign up and provide personal and credit information online too. This keeps the loan approval process under 15 minutes and allows the use of machine learning programmes to assess credit quality: the default rate was 7.2% at 31 December 2015 and the impairment rate had fallen from 21% to 19% over the six months to that date. This is helped by 69% of interest and capital payments being taken at source, as a payroll deduction from the customer's employer.

## Growth to come

Management targets a 20% revenue contribution from the insurance business in the long term, but in the nearer term organic lending growth is likely to be the main driver. Loan book growth of 50% per year has been possible to date and across MyBucks' target markets only c 15% of people have smartphones, leaving considerable room for growth. MyBucks is particularly well-placed as a market leader in Botswana, Malawi, Zambia and Zimbabwe, where GDP growth has been relatively strong in recent years.

## Valuation: Earnings growth expected

MyBucks currently trades at c 75x FY16e consensus EPS, falling to c 16x FY17e EPS, indicating that the market is pricing in considerable earnings growth.

### Consensus estimates\*

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
06/15	31.3	5.7	0.13	0	138.5	N/A
06/16e	45.9	7.9	0.24	0	75.0	N/A
06/17e	98.1	24.0	1.16	0	15.5	N/A

Source: Bloomberg. Note: \*Only one analyst covers MyBucks.

## Financial services

**Price** €18.00

**Market cap** €198m

### Share price graph



### Share details

Code	MBC
Shares in issue	11m
Net debt (€) as at 31 December 2015	45.7m

### Business description

MyBucks, a fintech company based in Luxemburg and listed in Frankfurt in June 2016, provides unsecured loans, banking solutions and insurance to consumers and SMEs in 12 African and 2 European countries. It assesses creditworthiness using a proprietary AI decision-making and is fully integrated with local banking systems in all areas of operation.

### Bull

- Mobile and internet penetration is ahead of banking in MBC's key markets, providing access to the unbanked population.
- MBC is well capitalised and banking licenses should help ensure future funding for lending.
- Integration of systems with local bank and government systems makes credit scoring and repayments easier, reducing default rates.

### Bear

- Competitive markets with major players including savings banks, development banks, charities and other commercial lenders.
- Governments could impose more restrictive legislation, interest rate caps or distort markets with subsidies.
- Sub-Saharan Africa is relatively more at risk from financial shocks than more developed regions.

### Analyst

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