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MoneyMe to acquire SocietyOne as fintech personal lenders seek scale

Personal lender SocietyOne has dumped plans for an ASX float in favour of being acquired by ASX-listed MoneyMe, which will scale into an ASX300 company as it drives consolidation in the fragmented fintech personal lending space.

The $132 million scrip deal will see MoneyMe, which offers personal loans, credit cards and car loans, increase its lending book by 72 per cent to nearly $1 billion.

Its founder and CEO Clayton Howes said bulking up will allow MoneyMe, which listed on the ASX two years ago, to slice funding costs and take on the major banks more aggressively.

The two companies will have combined annual revenue of $146 million and pre-tax cost synergies of $17 million are expected from 2024.

Backed by the sons of media moguls, Lachlan Murdoch, Ryan Stokes and James Packer, in 2014, SocietyOne was an early leader of the local fintech scene, as its high-profile supporters sought to take a slice from major bank personal loan books.

But growing SocietyOne has been challenging, as the peer-to-peer lending model faltered, the prudential regulator restricted its access to institutional funding, and competition intensified - including from a bevy of rivals that got to the ASX before it, including MoneyMe, Plenti (formerly Ratesetter) and Harmoney.

SocietyOne, which expects to become profitable next year, has been tipped as a perennial float candidate for more than three years and was preparing an ASX listing for March, according to sources close to the company.

But plans changed after Mr Howes made an approach three months ago, convincing SocietyOne's high-profile shareholders the companies would be stronger together.

News Corp, Seven West Media, Consolidated Press Holdings, Australian Capital Equity and Reinventure Group, which is backed by Westpac, had been growing frustrated about the slow pace of product development and technology systems showing signs of age. It had been losing market share to newer players, including MoneyMe, which will roll SocietyOne onto its more modern technology and provide new products to cross-sell to existing customers.

All the major shareholders have agreed to take MoneyMe scrip, escrowed for a year. MoneyMe said it would leverage SocietyOne's media partnerships with News Corp and Seven West Media to support product distribution.

Transformative deal: MoneyMe founder and CEO Clayton Howes in Sydney this week. **Belinda Pratten**

"SocietyOne shareholders are banking on this to work and the deal makes sense - we will be in the ASX300 so remove ourselves from the sub-scale, small cap fatigued environment," said Mr Howes. "We will move into a different league."

The deal is expected to be finalised by March 2022 and comes amid a flurry of merger and acquisition deals, which are expected to continue into 2022.

Already this year in the non-bank personal lending space Latitude has paid $200 million to acquire personal lender Symple in August, while National Australia Bank bought neobank 86400.

MoneyMe is being advised by Morgan Stanley and Gilbert + Tobin.

The deal will see MoneyMe issue up to 75 million fully paid shares; MoneyMe shareholders will own around 70 per cent of the combined company, with SocietyOne shareholders owning around 30 per cent.

Based on MoneyMe's share price of $1.76 on Thursday, the value of the scrip consideration is $132 million, but up to $9.7 million could be paid in cash. It is a condition of the transaction no more than 7.5 per cent of SocietyOne shares take the cash option.

SocietyOne started as a peer-to-peer lender, where loans were funded by matching particular retail investors looking for yield, but it soon shifted to a 'marketplace lending' model funded by institutions including mutual banks, when P2P lending fell out of favour globally given the lack of diversification for investors.

Plans for a float in early 2019 were derailed by the Australian Prudential Regulation Authority, which wrote to some of SocietyOne's mutual bank funders saying it wasn't comfortable with them funding the loans. This forced SocOne to cut its bank lending panel and consolidate funding, which now includes wholesale facilities provided by National Australia Bank and Westpac, and asset-backed securities.

SocietyOne has maintained a close relationship with Westpac. Its current CEO, Mark Jones, worked there, and before him, the former head of retail banking at Westpac, Jason Yetton, ran the business. In addition to the Reinventure equity investment and debt facilities, more recently Westpac provided SocietyOne with a 'banking as a service' (BaaS) deal, which MoneyMe plans to use to expand into transaction accounts.


Lachlan Murdoch, James Packer and Ryan Stokes in 2013, the year before they invested in SocietyOne. **Rob Homer**

Unlike many of its competitors, SocietyOne has only offered one product, the personal loan. In contrast, MoneyMe has launched multiple, contemporary products including digital credit cards under the Freestyle brand, and an auto-finance product that is growing strongly as Macquarie and Westpac exit the market.

The ability to cross-sell products increases revenue per customer, and after the acquisition there are plans to offer a similar suite of products to SocietyOne's existing customers.

This has helped MoneyMe grow larger than SocietyOne, despite being founded two years later, as its brand resonated with Millennial customers. MoneyMe's loan book is $542 million with 55,000 active customers, compared to SocietyOne at $392 million with 25,000 active customers.

The plan is for the SocietyOne brand to remain, given it targets an older demographic compared to MoneyMe's younger customers. The average age of the MoneyMe customer is 34, lower than SocietyOne's at 45.

Faster system, synergies

By using MoneyMe's technology platform known as Horizon, SocietyOne will be able to reduce the time to get money into a customer's account from one to two days, to between one and two hours,

"We will decommission their whole platform and transition customers over onto Horizon, which is a Ferrari on the racetrack compared to a Toyota Corolla," Mr Howes said in an interview.

Revenue synergies should be at least $15 million a year. On the costs side, the expectation is for $17 million in pre-tax cost synergies as the companies consolidate leases and some SocietyOne staff are made redundant.

"We are not competing, but we are highly complementary," Mr Howes said. "There is no cannibalisation effect when you join these businesses together."

The deal will create a more aggressive and larger competitor to the major banks, which have neglected personal lending over the past decade, favouring mortgages.

SocietyOne had been working with Morgans and Evans and Partners for a potential ASX listing, with hopes for a valuation around $200 million. But the sale will avoid it listing into a crowded fintech and diversified financial services market which is still digesting floats over the past year of Liberty Financial and Pepper Money.