Hartleys

MNY.asx
Speculative Buy

Subprime Finance

MONEY3 LTD

Priced for large risks, but only small changes likely

Money3 is a provider of subprime finance for motor vehicles from $2,000-$35,000 (secured) and short term cash loans between $100-$5,000 (unsecured) and over periods of four weeks to ~5 years.

The secured division (~65% of earnings) loans are regulated as a standard credit contract. However, given the sub-prime nature of most customers, these attract high interest rates. This is the segment that MNY plans to allocate capital towards and is expected to have less regulatory and reputational risk in the short and medium term.

Around 75% of the unsecured loan division (~35% of MNY earnings) is regulated as Small Amount Credit (SACC) contracts, commonly known as payday loans. MNY is considering reducing exposure to this segment. We estimate that the probable earnings risk is low (<5% of group), and potentially small changes could be modestly accretive given the smallest loans (<$500) make minimal contribution. Note, if MNY were to exit SACC completely (unlikely in our view), we estimate FY17 EBIT would be $24m (versus $35m with SAC), but we estimate that in FY17 MNY would be net cash ~$8m (rather than net debt of $28m with SACC). Using an EV/EBIT ratio of 8x, our MNY valuation with no SACC would be ~$1.35 (versus ~$1.80 with SACC).

Hartleys expects FY16 NPAT $18.4m, FY17 NPAT $19.4m

We expect FY16 NPAT of $18.4m and eps of 14.1cps (Company guidance is $18m NPAT). We expect DPS of 5.5cps. This is based on a total loan book at the end of FY16 of ~$150m (versus $130m at end FY15). We estimate net debt of ~$30m (it will be higher if growth is higher).

We expect FY17 NPAT of $19.4m and eps of 14.7cps. This is conservatively based on relatively flat total loan growth as we assume that the unsecured division shrinks. We expect DPS of 6cps.

MNY still to announce new transactional banking relationship

MNY currently has a debt facility with Westpac (drawn $10m), and a corporate bond ($30m). Westpac is no longer supporting the SACC industry, and hence companies need to find new providers (CCV.asx is in a similar position).

MNY may close the SACC product offering, and then presumably could maintain its relationship with Westpac. Alternatively, we expect it will move to one of the speciality transaction service providers.

We assume that part of MNY's decision regarding the future of SACC will depend on the outcome of the Federal Government's review of high cost credit legislation, which we expect to be completed by the end of CY15.

Initiate with Speculative Buy recommendation

The key near term risks include securing a new transactional bank and the outcome to the regulatory review towards the end of CY15. In our view, the risk of an adverse outcome for either is low, and for MNY is even lower given it has a large proportion of income that falls outside of the SACC regulation.

However, given the near term, high impact risks (however remote) regarding the new transaction banking relationship, we are initiating coverage with a Speculative Buy.

	21 Sep 2015
Share Price:	$1.195
Valuation:	$1.34
12mth price target:	$1.57

Brief Business Description:
Subprime motor vehicle loans (secured lending) and payday lending (unsecured lending)

Hartleys Brief Investment Conclusion
Cheap on earnings multiples, diversified away from payday lending. Regulation and transaction banking near term risks.

Chairman & operations director:
Vaughan Webber (Chairman, Non-exec.)
Scott Baldwin (MD)

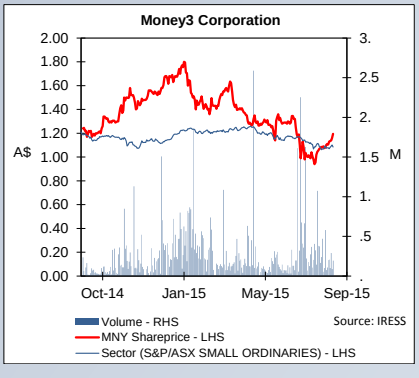
Substantial shareholders:
Thorney Funds Mgt (10.0%)
Rob Bryant (ex MD) (6.2%)
Wayne Hosking (5.6%)
Pie Funds Mgt (5.2%)

Company Address:
Level 1, 40 Graduate Rd
Bundoora, Victoria, 3083

Issued Capital:	129.3m
- fully diluted	160.5m
Market Cap:	$154.5m
- fully diluted	$191.8m
Net Debt (30 Jun '15a):	$22.8m

	FY15a	FY16e	FY17e
Op Cash Flw	18.1	19.7	20.8
Free Cash Flw	12.8	19.2	20.8
NPAT* (A$m)	**13.9**	**18.4**	**19.4**
EPS ($, bas)	11.8	14.1	14.7
P/E (basic)	10.1x	8.5x	8.1x
P/E (diluted)	13.8x	10.4x	9.9x
EV / EBITDA	7.4x	5.3x	4.9x
DPS (cps)	5.25	5.50	6.00
Franking	100%	100%	100%
Dividend Yield	4.4%	4.6%	5.0%
N.D. / equity	19%	22%	18%

Source: Hartleys Research. * normalised



Authors:
Trent Barnett
Head of Research
Ph: +61 8 9268 3052
E: trent_barnett@hartleys.com.au

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Money3 Ltd (MNY)

Recommendation: Speculative Buy

Company Information		
Date	21 Sep 2015	Level 1, 40 Graduate Rd
Share Price	$1.195	Bundoora, Victoria, 3083
52 Week High-Low	$1.83 - $0.92	Ph: +61 3 9093 8250
Market Cap ($m)	$154.5	Fax: +61 3 9093 8227
Enterprise Value ($m)	$177.3	www.money3.com.au
Ordinary Shares	129.3	
Fully Diluted Shares	160.5	

Valuation	
Spot DCF (WACC 10.3%, Terminal growth 3.00%)	$1.34
12mth fwd DCF (WACC 10.3%, Terminal growth 3.00%)	$1.41
12mth forward P/E base case earnings of 14x (peak)	$1.77
June15a 1x Price / NTA (1x $0.80)	$0.80
12mth fwd Div Yield of 5.2% (Gross yield=7.4%)	$1.11
12 Months Price Target (wgted avg above 4 avg)	**$1.57**
P / E (6/16F) at price target	*13.7x*
P / E (6/17F) at price target	*13.0x*
EV/EBITDA (6/17F) at price target	*7.8x*
EV/EBIT (6/17F) at price target	*8.1x*

Multiples (S/price at $1.20)	6/14A	6/15A	6/16F	6/17F
P / E (reported, basic weighted)	14.7x	10.1x	8.5x	8.1x
P / E (normalised, dil. weighted)	23.3x	13.8x	10.4x	9.9x
P / E (mkt cap / norm. NPAT)	18.7x	11.1x	8.4x	7.9x
P / E (fully diluted mkt cap / norm. NPAT)	23.3x	13.8x	10.4x	9.9x
Dividend Yield	3.8%	4.4%	4.6%	5.0%
Group Free Cash Flow (f.c.f) / EV	5.8%	9.5%	10.8%	11.7%
Equity f.c.f. / Mkt Cap	4.7%	10.9%	7.6%	8.6%
Norm f.c.f. / Mkt cap	4.7%	10.9%	7.6%	8.6%
Mkt cap / operating cash flow	13.4x	8.5x	7.9x	7.4x
EV/EBITDA multiple	13.2x	7.4x	5.3x	4.9x
EV/EBIT multiple	14.4x	7.7x	5.5x	5.1x
Price / Book Value	1.6x	1.3x	1.2x	1.1x
Price / NTA	1.9x	1.5x	1.3x	1.2x

Ratios	6/14A	6/15A	6/16F	6/17F
Return on Average Equity	12.5%	13.7%	14.2%	13.6%
Return on Assets	9.5%	9.8%	9.7%	9.0%
ND / ND + Equity	6.5%	15.7%	18.2%	15.2%
ND / Equity	7.0%	18.6%	22.3%	18.0%
Net Interest Cover (EBIT)	16.8	8.0	5.3	4.6

Free Cash Flow Analysis ($m)	6/14A	6/15A	6/16F	6/17F
Net Operating Cash Flow	11.6	18.1	19.7	20.8
Capex (Reported)	-1.3	-1.3	-0.5	0.0
Group Free Cash Flow (reported)	10.3	16.8	19.2	20.8
Fixed Debt Repayments	-3.1	0.0	-7.5	-7.5
Equity Free Cash Flow (reported)	**7.2**	**16.8**	**11.7**	**13.3**
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0
Free Cash Flow (normalised)	**7.2**	**16.8**	**11.7**	**13.3**
Capex (inc HP) / depreciation	110%	138%	37%	0%

Share Data	6/14A	6/15A	6/16F	6/17F
Ord Issued shares (m)	107.2	129.3	131.3	133.2
growth	37.0%	20.6%	1.5%	1.5%
Weighted ave shares (m)	96.3	118.0	130.3	132.2
growth	62.6%	22.5%	10.4%	1.5%
Diluted shares wgted (m)	102.4	140.7	159.5	159.5
growth	64.7%	37.4%	13.4%	0.0%

Unpaid Capital (including DRP assumption)

Year Expires	Number	% ord	Avg Price	$m unpaid
30-Jun-16	1,998,465	1.5%	$ 1.18	$ 2.3
30-Jun-17	1,909,015	1.5%	$ 1.20	$ 2.3
30-Jun-18	19,831,729	15.3%	$ 1.17	$ 23.2
30-Jun-19	4,500,000	3.5%	$ 1.49	$ 6.7
30-Jun-20	3,000,000	2.3%	$ 1.67	$ 5.0
30-Jun-21	-	0.0%	$ -	$ -
TOTAL	31,239,208	24.2%	$ 1.27	$ 39.6

Directors & Senior Management	Substantial S/holders	
Vaughan Webber (Chairman, Non-exec.)	Thorney Funds Mgt	10.0%
Scott Baldwin (MD)	Rob Bryant (ex MD)	6.2%
Bettina Evert (Non-exec)	Wayne Hosking	5.6%
Kang Hong Tan (Non-exec)	Pie Funds Mgt	5.2%
Miles Lawrence Hampton (Non-exec)		
Craig Harris - CFO		

Profit & Loss ($m)	6/14A	6/15A	6/16F	6/17F
Secured - Rev	14.5	29.7	39.3	46.9
Secured - EBITDA	9.5	20.5	27.7	33.1
Secured Assets	51	104	127	138
Unsecured - Rev	28.9	39.3	48.4	41.4
Unsecured - EBITDA	9.4	11.6	14.0	12.0
Unsecured Assets	42	52	52	44
Total Loan Book (Sec + Unsec)	73.2	130.3	152.8	156.1
Group Revenue	**43.3**	**68.6**	**88.2**	**88.9**
growth	*89.9%*	*58.6%*	*28.6%*	*0.8%*
Ratio Rev / Prev Loan Bal.	1.3x	0.9x	0.7x	0.6x
Ratio EBITDA / Prev Loan Bal.	0.4x	0.3x	0.3x	0.2x
EBITDA	**13.4**	**24.0**	**33.3**	**36.3**
margin	**31.1%**	**34.9%**	**37.7%**	**40.8%**
Depreciation/Amortisation	-1.2	-0.9	-1.3	-1.4
EBIT	12.3	23.0	32.0	34.9
EBIT / Sales	28.4%	33.6%	36.3%	39.3%
Net Interest	-0.7	-2.9	-6.1	-7.5
Profit Before Tax	11.5	20.1	25.9	27.4
- margin	26.7%	29.4%	29.4%	30.8%
Tax	-3.1	-6.2	-7.5	-7.9
Effective Tax Rate	27.1%	30.8%	29.0%	29.0%
NPAT Pre Minorities	**8.2**	**13.9**	**18.4**	**19.4**
Net Profit / Sales	**19.1%**	**20.3%**	**20.9%**	**21.9%**
Minorities	0.0	0.0	0.0	0.0
Normalised NPAT to equity	**8.2**	**13.9**	**18.4**	**19.4**
Abnormals / discontinued	-0.4	0.0	0.0	0.0
Reported Profit to equity	7.8	13.9	18.4	19.4
Reported EPS (basic, w'ghted)	8.1	11.8	14.1	14.7
Normalised EPS (weighted)	8.6	11.8	14.1	14.7
Normalised EPS (full. diluted)	**5.1**	**8.7**	**11.5**	**12.1**
DPS (cps)	**4.50**	**5.25**	**5.50**	**6.00**
Franking	100%	100%	100%	100%
Payout Ratio	58.5%	48.7%	39.3%	41.1%

Cashflow Statement ($m)	6/14A	6/15A	6/16F	6/17F
Cash Receipts	37.3	58.9		
EBITDA	13.4	24.0	33.3	36.3
Working Capital Change	1.7	2.0	0.0	0.0
Cash from Operations	15.1	26.0	33.3	36.3
Net interest Paid	-1.5	-2.2	-6.1	-7.5
Tax Paid	-2.0	-5.7	-7.5	-7.9
Net Operating Cash Flow	**11.6**	**18.1**	**19.7**	**20.8**
Capital Expenditure	-1.3	-1.3	-0.5	0.0
Asset Sales	0.8	0.1	0.0	0.0
Net increase in loan book	-40.5	-56.4	-21.5	-11.5
Other (inc invest.)	0.0	-4.0	0.0	0.0
Net Investing Cash Flow	**-41.0**	**-61.5**	**-21.9**	**-11.5**
Proceeds from Equity Issues	24.7	28.8	2.3	2.3
Net Change in Debt & Leases	27.1	7.5	27.1	-4.0
Dividends Paid	-3.1	-4.1	-7.2	-7.6
Net Financing Cash Flow	**48.7**	**32.2**	**22.3**	**-9.3**
Movement in Cash	19.2	-11.3	20.0	0.0
HP Lease Capex (non-cash)				

Balance Sheet ($m)	6/14A	6/15A	6/16F	6/17F
Cash	23.7	12.4	32.4	32.4
Receivables	47.0	88.5	86.2	98.4
Inventories	0.0	0.0	0.0	0.0
Other	0.1	0.3	0.3	0.3
Total Current Assets	**70.8**	**101.3**	**118.9**	**131.1**
Non-current receivables & other	28.4	45.1	70.1	69.1
Property, Plant & Equipment	2.1	2.6	2.2	1.5
Intangibles	15.4	19.4	19.4	19.4
Total Non Current Assets	**45.9**	**67.1**	**91.7**	**90.0**
Total Assets	**116.7**	**168.3**	**210.6**	**221.1**
Accounts Payable	2.3	4.7	5.8	5.6
Interest Bearing Liabilities	0.0	7.5	7.5	7.5
Other	3.9	5.6	5.6	5.6
Total Current Liabilities	**6.2**	**17.8**	**18.9**	**18.6**
Accounts Payable	0.0	0.0	0.0	0.0
Interest Bearing Liabilities	29.3	27.7	55.3	52.0
Other	0.1	0.1	0.1	0.1
Total Non Current Liabilities	**29.4**	**27.8**	**55.4**	**52.1**
Total Liabilities	**35.6**	**45.6**	**74.3**	**70.7**
Net Assets	**81.1**	**122.7**	**136.3**	**150.4**
Net Asset Value / Share ($)	0.76	0.95	1.04	1.13
NTA / Share ($)	0.61	0.80	0.89	0.98
Net Debt (net cash)	5.7	22.8	30.4	27.0

Analyst: Trent Barnett
Phone: +61 8 9268 3052

Last Earnings Estimate Changes:
21 September 2015

Sources: IRESS, Company Information, Hartleys Research

Fig. 1: Current regulation of high cost credit

Type of contract	Contract definition	Maximum costs	Responsible lending obligations: General	Additional obligations
Small amount credit contract (payday loan)	Amount borrowed: Less than $2,000 Term: Between 16 days and 1 year	The provider cannot charge interest, and can only charge a maximum establishment fee of up to 20% of the amount of credit and a maximum monthly fee of 4% of this amount (for a 12-month contract, the maximum amount that can be charged in fees is equivalent to 68% of the amount of credit) No establishment fee can be charged where the contract refinances an existing small amount credit contract On default: The consumer cannot be charged more than twice the amount of credit (including the amount already paid)	The provider must assess whether the consumer can afford the repayments, on the basis of reasonable inquiries The product must meet the consumer's requirements and objectives	Procedural requirement: Bank statements must be obtained for 90 days Presumptions: The contract is unsuitable if the consumer: • is already in default under an existing small amount credit contract; or • has been a party to two or more small amount credit contracts in the last 90 days Additional disclosure: There must be a warning statement on the provider's website Protection for Centrelink recipients: Repayments cannot exceed 20% of income
Medium amount credit contract	Amount borrowed: Between $2,001 and $5,000 Term: Between 16 days and 2 years	Cap: The provider can charge interest and fees provided the amount charged does not exceed a maximum cost calculated as the sum of interest charged at 48% and a fee of $400	As for a small amount credit contract	No additional obligations
All other credit contracts (including rental agreements with a right or obligation to purchase)	All other credit contracts	Cap: The provider can charge interest and fees provided the amount charged does not exceed a maximum cost calculated as the sum of interest charged at 48%	As for a small amount credit contract	No additional obligations
Consumer leases	Fixed term contracts of greater than 4 months The consumer pays more than the cash value of the goods There is no right or obligation to purchase the goods	There is no cap	As for a small amount credit contract	No additional obligations

Source: ASIC

BUSINESSOVERVIEW

Money3 offers subprime consumer finance

Money3 is offers subprime finance by providing short term loans between $100-$5,000 (unsecured) and vehicle finance from $2,000-$35,000 (secured) over periods up to 5 years. Other services include cheque cashing and insurance.

Revenue is generated from fees and charges including loan application fees, credit fees, account keeping fees, cheque cashing fees and commissions received from insurance companies. The head office is based in Melbourne.

The Company has ~60 company owned branches throughout Tasmania, Victoria, New South Wales, Queensland and South Australia. However, we expect future growth to be via on-line (unsecured) and the broker network (secured).

Fig. 2: Loan Range Analysis

Loan Type	Loan Numbers	% of Loan No.	Cash Out $	% of $ Cash Out.
SACC* < $500	101,791	51.33%	$21,645,065	11.80%
SACC* $501 - $1000	57,573	29.03%	$36,074,414	19.66%
SACC* $1001 - $2000	19,127	9.65%	$24,512,098	13.36%
AOC* / MACC*	10,750	5.42%	$29,939,875	16.32%
Secured loans	9,066	4.57%	$71,332,564	38.87%
GRAND TOTAL	**198,307**	**100%**	**$183,504,016**	**100%**

Unsecured loans:
*Small Amount Credit Contract – SACC
*Medium Amount Credit Contract – MACC
*All Other Credit - AOC

Source: MNY

SECURED CREDIT (SUB-PRIME CAR LOANS)

The sub-prime secured loans are usually car purchases (typically second hand), but also provides loans for motorbikes (growth area, typically new), caravans and other light vehicles. The typical loan size is $2,000-35,000 with a duration of ~5 years.

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There are two divisions.

The Loan Centre:
This is the larger business. It provides loans between $2,001 and $35,000 for a period of up to 5 years. In FY14 it processed 2,589 loans and generated earned income of $11.8 million (2013: $7.5 million)

Micro Motors:
This is a smaller division, and provides higher risk loans. Loans are between $2,001 and $6,000 for a period 2 years. In FY14, it processed 2,193 loans and generated earned income of $2.7 million (2013: $0.5 million).

The Unsecured Credit division can be broadly described as "payday lending".

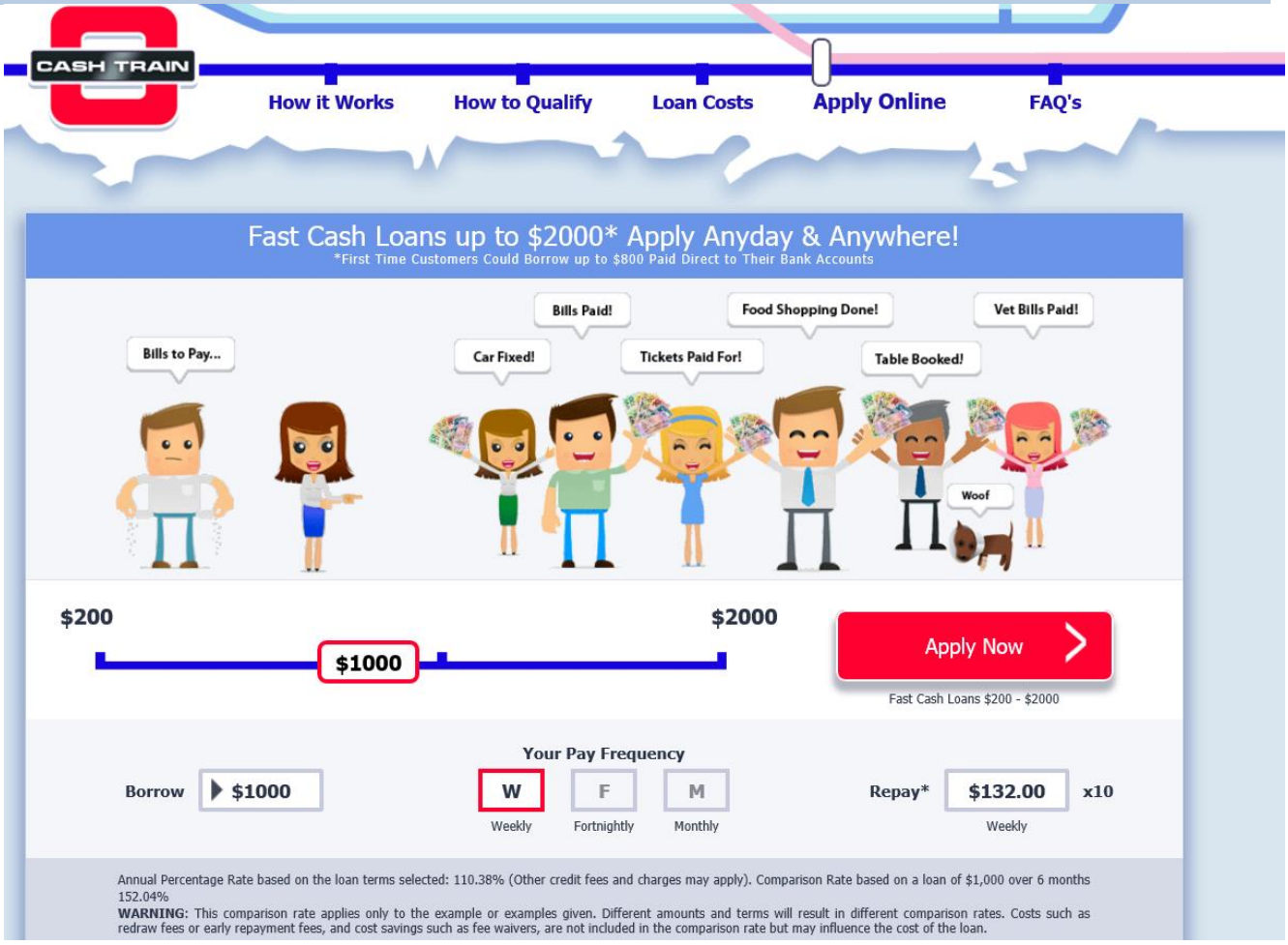
UNSECURED CREDIT (SMALL AMOUNT CASH LOANS)

The Unsecured Credit division can be broadly described as "payday lending" although the industry prefers to call it "high cost credit".

Historically, the typical loan size is $500-$2000 with a duration less than twelve months. However, Cash Train provides two products a) SACC (<$2,000) and b) MACC (avg size $2,300). The MACC product is growing and is now ~16% of Cash Train loans. Overtime, MNY expects the MACC product to increase the proportion of the loan book to reduce the relevance of SACC loans.

At June, MNY had ~$40m of outstanding loans (plus unearned interest). In July, MNY said it was reviewing the sector, and may *"transition out of some unsecured loan products. This is likely to include some Small Amount Credit Contracts (SACC's)"*. Hence, we assume that this division declines in FY17. We note though, this may depend on the outcome of the Federal Government review later in CY15.

Fig. 3: Cash Train MNY's main "payday" brand



Source: MNY

INDUSTRY EXPOSURE

MNY provides finance for sub-prime customers. It provides unsecured cash loans (small amount credit) and secured car loans. Consequently it is exposed to the second hand car market and the subprime consumer market.

MNY only operates in Australia

GEOGRAPHIC EXPOSURE

MNY only operates in Australia.

Unsecured earnings are distributed across all states (broadly by population). Secured earnings are primarily from Queensland and Victoria.

PEERS AND COMPETITORS

In the unsecured credit division, the main competitors are CCV.asx, TGA.asx, CCP.asx, CLH.asx, FSA.asx and Nimble. Additional peers include FXL.asx and SIV.asx.

In the secured credit division, peers are similar to above. The Company competitors include Finance One, Liberty, PEP.asx and car yards.

Fig. 4: Consensus Comparisons

Bloomberg Consensus Estimates											P/E (dil. for new shs)					
NAME	TICKER	Last	M. CAP	"FY0"	EV/EBITDA			EV/EBIT			(curr mkt cap / NPAT)			Dividend Yield		
		Price	loc c (m)	Year	FY0	FY1	FY2	FY0	FY1	FY2	FY0	FY1	FY2	FY0	FY1	FY2
Unconventional finance																
Money3 - Hartleys Estimates		**1.19**	**153**	**06/2015**	**7.3**	**5.4**	**4.9**	**7.6**	**5.6**	**5.1**	**11.0**	**8.3**	**7.9**	**4.4%**	**4.6%**	**5.1%**
Cash Converters - Hartleys Estimates		0.48	235	06/2015	5.2	3.8	3.7	6.1	4.5	4.2	8.4	5.9	5.5	3.9%	7.8%	7.8%
CASH CONVERTERS INTL LTD	CCV AU	0.48	235	06/2015	7.1	3.9	3.6	5.2	4.4	4.1	6.5	6.1	5.5	8.5%	9.4%	4.2%
MONEY3 CORP LTD	MNY AU	1.19	153	06/2015	6.4	5.0	4.1	8.4	5.2	4.3	13.1	9.5	8.2	4.4%	5.2%	6.1%
THORN GROUP LTD	TGA AU	2.03	309	03/2015	67.3	6.5	5.8	9.2	7.5	6.6	9.9	8.6	7.8	5.7%	6.5%	7.1%
FLEXIGROUP LTD	FXL AU	2.49	757	06/2015	9.8	10.9	10.3	11.8	11.5	11.0	8.5	8.2	7.8	6.9%	7.2%	7.5%
CABCHARGE AUSTRALIA LTD	CAB AU	3.00	361	06/2015	7.3	7.0	7.5	7.5	8.3	8.8	6.2	7.0	7.3	7.0%	6.4%	6.4%
MCMILLAN SHAKESPEARE LTD	MMS AU	12.70	1,057	06/2015	8.2	5.2	5.0	12.3	9.6	9.1	15.0	11.9	11.1	4.3%	5.1%	5.4%
SILVER CHEF LTD	SIV AU	9.09	282	06/2015	4.1	3.7	3.2	14.3	11.8	10.4	18.7	15.2	13.2	3.7%	4.4%	5.0%
THINKSMART LTD	TSM AU	0.41	39	06/2015												
COLLECTION HOUSE LTD	CLH AU	2.38	315	06/2015	-12.2	5.9	5.5	11.1	10.2	9.5	14.2	12.9	12.0	3.7%	4.1%	4.4%
CREDIT CORP GROUP LTD	CCP AU	11.06	512	06/2015	9.6	8.4	7.5	9.7	8.5	7.6	13.3	12.0	10.9	3.9%	4.3%	4.7%
PIONEER CREDIT LTD	PNC AU	1.80	82	06/2015	11.9	4.3	3.5	9.7	7.6	6.1	10.7	9.0	7.6	4.1%	5.3%	6.3%
FSA GROUP LTD	FSA AU	1.26	157	06/2015	66.8											
ZIPMONEY LTD	ZML AU	0.28	33	06/2015	-0.7											
PEPPER GROUP LTD	PEP AU	3.41	618	12/2014								13.1	10.7		0.9%	2.0%
AUST AVERAGE					**19.8**	**6.1**	**5.6**	**9.9**	**8.5**	**7.7**	**11.6**	**10.3**	**9.3**	**5.2%**	**5.4%**	**5.4%**
AUST MEDIAN					**7.7**	**5.6**	**5.2**	**9.7**	**8.4**	**8.2**	**11.9**	**9.5**	**8.2**	**4.4%**	**5.2%**	**5.4%**

Source: Bloomberg

KEY SUPPLIERS & CUSTOMERS

Westpac has been the key funder and provided transactional banking facilities. However, Westpac has withdrawn its support for the Small Amount Credit industry. MNY is currently looking for a new transactional banking and financing relationship. The Company may also close the Small Amount Credit offering, and hence it could re-engage with Westpac again.

The main broker relationships for the secured division are with MMS.asx.

MANAGEMENT, DIRECTORS AND MAJOR SHAREHOLDERS

Economic Exposure of Board and key management	Position	Total Shares	Total Options	Total Economic Exposure	rank
Directors					
Vaughan Webber	Chairman	40,345	-	40,345	5
Scott Baldwin	Managing Director	2,311,328	2,200,000	4,511,328	2
Bettina Evert	Non-Executive Director	260,713	-	260,713	3
Kang Hong Tan	Non-Executive Director	5,222,067	-	5,222,067	1
Miles Hampton	Non-Executive Director	160,345	-	160,345	4
Key Management Personnel					
Craig Harris	Chief Financial Officer and Company Secretary	undisclosed			

Source: MNY

Board member profiles taken from MNY website

Vaughan Webber, Non Executive Chairman
Mr Webber is an experienced finance professional with a background in chartered accounting at a major international accounting firm and since 2000 in corporate finance servicing Australian capital markets. Mr Webber has also developed extensive experience as a public company director and is currently a non executive director of HUB24 Limited and Anchor Resources Limited.

Scott Baldwin, Acting Chief Executive Officer and Managing Director
Joining Money3 in 2008 as the Chief Operating Officer, Mr. Baldwin brought a wealth of experience in sales, marketing and technology. Appointed to the board in 2009, Mr. Baldwin established and led the growth of the secured finance division at Money3. Prior to joining Money3, Mr Baldwin spent over a decade in a variety of senior roles with General Electric Healthcare. From leading infrastructure projects for Warehousing, CRM, Sales & Service across Asia, to working on the GE Mergers and Acquisitions team, Mr. Baldwin also held the position of Marketing Manager – IT Solutions Asia.

Bettina Evert, Non-Executive Director
Ms Evert is a partner of Holman Webb, an east coast based Law firm. She is highly experienced in commercial law and commercial and property litigation. She advises various public companies on debt and credit issues. A winner of an LIV Legal Award in 2013 for services to the Legal industry, Ms Evert is past Deputy Chair of the Law Institute of Victoria Executive Committee Litigation Section, the Chair of the Courts Practice Committee of the Law Institute of Victoria and a lay member of the CPA Australia Disciplinary Committee which hears professional disciplinary matters relating to members of CPA Australia. Ms Evert sits on the Audit and Remuneration committees.

Kang Hong Tan, Non Executive Director
Mr Tan has been a member of the Institute of Chartered Accountants in England and Wales since 1983 and a fellow of the Institute of Public Accountants in Australia since 1998. Mr Tan spent ten years as an Accountant with La Trobe University Union. Before coming to Australia, in Malaysia Mr Tan was the Group Financial Controller of Tanming Corporation Berhad for four years. Mr Tan established his first small cash loan branch in Glenroy, Victoria in August 2000. He has been the architect for the policies and

procedures of the Money3 Group with a strong attention to detail and knowledge of the industry. Mr Tan held an ownership interest in four of the Money3 Trading Companies prior to being acquired by Money3. Mr Tan has jointly developed the computer systems and oversees all operating systems of Money3. He sits on the Audit and Remuneration Committee after listing on the ASX.

Miles Hampton, Non-Executive Director

Prior to commencing a career as a professional company director, Mr. Hampton had a successful career as Managing Director of ASX listed agribusiness & real estate company Roberts Limited, a position he held for 20 years until his resignation in 2006. Mr Hampton is currently Chairman of ASX listed bank & financial services company MyState Limited and Chairman of TasWater. Mr Hampton has significant experience as a non executive director of both public and private companies. He has been a director of ASX listed Ruralco Holdings Ltd, Gibsons Ltd, HMA Ltd and Australian Pharmaceutical Industries Ltd. He has been a director of Impact Fertilisers Pty Ltd and Deputy Chairman of The Van Diemans Land Company. He has been Chairman of Forestry Tasmania and Chairman of Hobart Water.

Craig Harris, Chief Financial Officer and Company Secretary

Prior to joining Money3, Mr Harris acquired a wealth of experience working through varied industries including mining, manufacturing, financial services. Mr Harris previously spent 4 years in various roles including CFO and Company Secretary at listing property group Wentworth Holdings Limited. Prior to Wentworth, he spent 10 years as Group Financial Controller for a large Financial Services company Oamps Ltd. Mr Harris brings a strong background in financial reporting, company secretarial, mergers and acquisitions and change management. He is also a member of the Certified Practicing Accountants (CPA) and at Money3, Mr Harris is responsible for all financial aspects of the company.

MAJOR SHAREHOLDERS

There are four substantial shareholder. There are two fund managers Thorney and Pie Funds, the ex-MD, Rob Bryant and a private investor, Wayne Hosking.

Fig. 5: Substantial Shareholders

Substantial S/holders	
Thorney Funds Mgt	10.0%
Rob Bryant (ex MD)	6.2%
Wayne Hosking	5.6%
Pie Funds Mgt	5.2%

Source: MNY

Our fully diluted estimates assume an estimate of future DRP shares.

OPTIONS, CONVERTIBLES AND UNPAID CAPITAL

The main holders of the listed options (MNYO.asx) are the bond holders (15m options). Other options are held by staff.

The Company has a DRP, for which take-up has historically been ~30%. In our model, we assume the DRP continues for another three years (with a 30% take-up). Our fully diluted estimates assume an estimate of future DRP shares.

The Company also has a buyback in place, but we assume no meaningful number of shares are bought.

Fig. 6: Unpaid Capital

Expiry	Strike	Number	$ unpaid capital
31-Dec-15	$1.00	200,000	200,000
30-Sep-17	$0.50	2,950,000	1,475,000
16-May-18	$1.30	15,000,000	19,500,000
21-Oct-18	$1.00	500,000	500,000
30-Nov-18	$1.50	4,000,000	6,000,000
20-Oct-19	$1.50	500,000	750,000
14-Apr-20	$1.70	2,500,000	4,250,000
TOTAL	$1.27	25,650,000	$32,675,000

Source: Hartleys Research Estimates

We have compiled a list of resources regarding High Cost Credit in Australia.

HIGH COST CREDIT REFERENCES

We have compiled a list of resources regarding High Cost Credit in Australia. The most comprehensive review is Chapter 5 of the "*Inquiry into the Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011*", although it is a very long and difficult. The next best read is the *Consumer Credit Legislation Amendment (Enhancements) Act 2012* because this details the requirement of lenders and the protections for consumer (neither of which are discussed well in mainstream media). However, this is also not easy to read. The best simple read is *"Stopping the game of loans will take more than regulation"*, but it is not comprehensive and therefore we suggest that if you need to understand the risk and protections of the industry, unfortunately you must spend the time to read the Inquiry and the Consumer Credit Act.

SACC

A credit contract is a ***small amount credit contract*** if:

(a) the contract is not a continuing credit contract; and

(b) the credit provider under the contract is not an ADI; and

(c) the credit limit of the contract is $2,000 (or such other amount as is prescribed by the regulations) or less; and

(d) the term of the contract is at least 16 days but not longer than 1 year (or such other number of years as is prescribed by the regulations); and

(e) the debtor's obligations under the contract are not, and will not be, secured; and

(f) the contract meets any other requirements prescribed by the regulations.

A SACC is allowed a loan establishment fee 20% of the net amount of the loan and a monthly fee 4% per month.

MACC

A credit contract is a **medium amount credit** contract if:

(a) the contract is not a continuing credit contract; and

(b) the credit provider under the contract is not an ADI; and

(c) the credit limit of the contract is:

(i) at least $2,001 (or such other amount as is prescribed by the regulations); but

(ii) not more than $5,000 (or such other amount as is prescribed by the regulations); and

(d) the term of the contract is at least 16 days but not longer than 2 years (or such other number of years as is prescribed by the regulations); and

(e) the contract meets any other requirements prescribed by the regulations.

A MACC can charge an establishment fee of $400, but the maximum other fees/interest (excluding the $400 establishment fee) of 48% APR.

Fig. 7: Payday Lending References

Title	Link	Comment
Inquiry into Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011	http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/Completed_inquiries/2010-13/Consumer_Credit_Corporations_2011/report/c05	**This was a comprehensive Government review where every stakeholder was incentivised to put their best case forward. See Chapter 5.**
Positive industry commentary		
Stopping the game of loans will take more than regulation	http://theconversation.com/stopping-the-game-of-loans-will-take-more-than-regulation-39506?utm_medium=email&utm_campaign=Latest+from+The+Conversation+for+2+April+2015+-+2600&utm_content=Latest+from+The+Conversation+for+2+April+2015+-+2600+CID_522acc44cdd70df87be065f2d090962b&utm_source=campaign_monitor&utm_term=Stopping%20the%20game%20of%20loans%20will%20take%20more%20th	Must be read by all investors.
Caught Short. Exploring the role of small, short -term loans in the lives of Australians. Final report. July 2012	http://www.uq.edu.au/swahs/news/CaughtShortFinalReport.pdf	Worth reading
EIRIS is a global leader in the provision of environmental, social, governance (ESG) research for responsible investors.	http://www.eiris.org/blog/social-risks-consumer-finance-unpri-panel-melbourne/#more-2913	EIRIS review of debate on ESG of payday lending
No Cap	www.nocap.com.au	Consumer backlash following attempts to ban payday lending in Australia
The Politics of Payday Lending Regulation in Australia	http://www.law.unimelb.edu.au/files/dmfile/201421.pdf	Anti-payday lending article published in Monash Law Review that includes a history of the recent legislative reviews.
National Credit Providers Association	http://www.ncpa.net.au/contact/contact-us.html	Australia's Peak Body For The Small Amount Consumer Lending Industry
Finder.com.au	http://www.finder.com.au/payday-loans	Consumer website comparing products with industry commentary
Government & regulators		
Consumer Credit Legislation Amendment (Enhancements) Act 2012	http://www.comlaw.gov.au/Details/C2012A00130	Australian relevant legislation regarding caps on fees and charges
National Consumer Credit Protection Act 2009	http://download.asic.gov.au/media/2243019/rg209-published-5-november-2014.pdf	Australian relevant legislation regarding suitability of lending and the independent review
Credit licensing: Responsible lending conduct	http://www.asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-209-credit-licensing-responsible-lending-conduct/	Unsuitable lending
Inquiry into Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011	http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/Completed_inquiries/2010-13/Consumer_Credit_Corporations_2011/report/c05	This was a comprehensive Government review where every stakeholder was incentivised to put their best case forward. See Chapter 5.
15-056MR ASIC puts payday lending industry on notice to lift standards	http://www.asic.gov.au/about-asic/media-centre/find-a-media-release/2015-releases/15-056mr-asic-puts-payday-lending-industry-on-notice-to-lift-standards/	While ASIC's review found compliance with some rules was working, it also found that payday lenders are falling short in meeting important new obligations.
ASIC Deputy Chairman Interview "ASIC report on payday lenders and the new small amount lending provisions"	https://www.youtube.com/watch?v=oSLXYevMnVU	Interview with Peter Kell, to get a balanced/official view of ASIC's concerns
PS14/16: Detailed rules for the price cap on high-cost short-term credit - Including feedback on CP14/10 and final rules	http://www.fca.org.uk/news/ps14-16-detailed-rules-on-the-price-cap-on-high-cost-short-term-credit	UK relevant legislation
Assistant Treasurer announcement regarding the review.	http://jaf.ministers.treasury.gov.au/media-release/037-2015/	Scope of the Government review in CY15
Review of the small amount credit contract laws	**http://consumercredit.treasury.gov.au/content/downloads/Review-of-SACC-laws/Review_of_SACC_laws_CP.pdf**	**Government review request for submissions (CY15 expected completion)**
ABC interview with Assist. Treasurer, Josh Frydenberg	http://mpegmedia.abc.net.au/news/audio/am/201508/20150807-am-full.mp3	Listen to the interview (above the first arrow on the fast forward button)
ASIC report on consumer leases	http://download.asic.gov.au/media/3350956/rep-447-published-11-september-2015.pdf	Argues that there perhaps should be a cap on fees for consumer leases
AML/CTF Act Review	http://www.ag.gov.au/Consultations/Documents/StatutoryReviewAnti-MoneyLaunderingAndCounter-TerrorismFinancingActCth200/national-financial-services-federation-ltd-28february2014a.pdf	Payday lending Anti-money laundering
Anti industry commentary		
Consumer Action Law Centre	http://consumeraction.org.au/	Loudest anti-payday lobby group

Source: Hartleys Research

Fig. 8: Current regulation of high cost credit - protections

Type of contract	Contract definition	Maximum costs	Responsible lending obligations: General	Additional obligations
Small amount credit contract (payday loan)	Amount borrowed: Less than $2,000 Term: Between 16 days and 1 year	The provider cannot charge interest, and can only charge a maximum establishment fee of up to 20% of the amount of credit and a maximum monthly fee of 4% of this amount (for a 12-month contract, the maximum amount that can be charged in fees is equivalent to 68% of the amount of credit) No establishment fee can be charged where the contract refinances an existing small amount credit contract On default: The consumer cannot be charged more than twice the amount of credit (including the amount already paid)	The provider must assess whether the consumer can afford the repayments, on the basis of reasonable inquiries The product must meet the consumer's requirements and objectives	Procedural requirement: Bank statements must be obtained for 90 days Presumptions: The contract is unsuitable if the consumer: • is already in default under an existing small amount credit contract; or • has been a party to two or more small amount credit contracts in the last 90 days Additional disclosure: There must be a warning statement on the provider's website Protection for Centrelink recipients: Repayments cannot exceed 20% of income
Medium amount credit contract	Amount borrowed: Between $2,001 and $5,000 Term: Between 16 days and 2 years	Cap: The provider can charge interest and fees provided the amount charged does not exceed a maximum cost calculated as the sum of interest charged at 48% and a fee of $400	As for a small amount credit contract	No additional obligations
All other credit contracts (including rental agreements with a right or obligation to purchase)	All other credit contracts	Cap: The provider can charge interest and fees provided the amount charged does not exceed a maximum cost calculated as the sum of interest charged at 48%	As for a small amount credit contract	No additional obligations
Consumer leases	Fixed term contracts of greater than 4 months The consumer pays more than the cash value of the goods There is no right or obligation to purchase the goods	There is no cap	As for a small amount credit contract	No additional obligations

Source: ASIC

Fig. 9: Current regulation of high cost credit - penalties

Obligations	Maximum penalties	Maximum infringement notice	Other sanctions*
Maximum Costs SACCs: charging in excess of a maximum establishment fee of up to 20% of the amount of credit and a maximum monthly fee of 4% of this amount (s31B of the Credit Code)	Criminal penalty: 100 penalty units (max penalty of $18,000 per breach)	Individual: 20 penalty units ($3,600) Body corporate: 100 penalty units ($18,000) (If the conduct also falls within s24 of the Credit Code)	Borrower is not liable to make the payment and may recover any payment already made.
Medium amount credit contracts (MACCs): charging above 48% cap and a fee of $400 (s32A of the Code, see s32B of the Credit Code)	Criminal penalty: 50 penalty units (max penalty of $9,000 per breach) However, if the conduct also falls within s24 of the Credit Code – Criminal penalty: 100 penalty units (max penalty of $18,000 per breach)	As above	The provision of a credit contract that imposes costs exceeding the maximum cost is void to the extent it does so and the borrower may recover prohibited amounts already paid. (If the conduct also falls within s23 of the Credit Code)
Other credit contracts: charging above 48% cap (s32A of the Credit Code)	As above	As above	The provision of a credit contract that imposes costs exceeding the maximum cost is void to the extent it does so and the borrower may recover prohibited amounts already paid. (If the conduct also falls within s23 of the Credit Code)
Responsible lending obligations • Obligation to assess unsuitability (ss 115 and 128) • Reasonable inquiries and verification (ss 117 and 130) including for SACCs Obtaining and considering account statements for preceding 90 days (ss 117(1A) and 130(1A)).	Civil penalty: 2,000 penalty units (max penalty of $360,000 per breach)	Individual: 50 penalty units ($9,000) Body corporate: 250 penalty units ($45,000)	None
Additional obligation for SACCs Presumptions: The contract is unsuitable if the consumer (ss 118(3A) and 131(3A)): ▪ is already in default under an existing SACC; or • has been a party to two or more SACCs in the last 90 days.	Civil penalty: 2,000 penalty units (max penalty of $360,000 per breach)	Individual: 50 penalty units ($9,000) Body corporate: 250 penalty units ($45,000)	None
Additional disclosure: Requirement to display a warning statement (s133CB and regulations 28XXA, 28XXB, 28XXC and 28XXD)	Civil penalty: 2,000 penalty units (max penalty of $360,000 per breach) Criminal penalty: 50 penalty units (max penalty of $9,000 per breach)	N/A	None
Protection for Centrelink recipients: Repayments cannot exceed 20% of income (s133CC and regulation 28S)	As above	N/A	None

* In relation to civil penalties, where the court has made a declaration of contravention of a civil penalty provision the court may order a pecuniary penalty payable to the Commonwealth up to the maximum number of penalty units referred to in the provision for a natural person, or 5 times the maximum number of penalty units referred to in the provision for a body corporate, partnership or multiple trustees (s167).

In relation to criminal offences, s4B(3) of the Crimes Act 1914 (Cth) allows a court to impose on a body corporate convicted of an offence a fine of not greater than 5 times the maximum that court could impose on an individual convicted of that offence.

A court is also able to make other orders including injunctions, compensation orders and adverse publicity (div 1, Part 4-2). ASIC can also take administrative action, including for breaching the credit legislation, to:

- suspend, cancel or vary credit licences (div 6, Part 2-2); and/or
- ban persons from engaging in credit activities either for a specified period or permanently (Part 2-4).

The value of a penalty unit is given in section 4AA of the Crimes Act 1914 (Cth) and changes from time to time. The above maximums are calculated on the basis of the penalty unit of $180, which applies to contraventions and offences committed on or after 31 July 2015.

Source: http://consumercredit.treasury.gov.au/content/downloads/Review-of-SACC-laws/Review_of_SACC_laws_CP.pdf

FEDERAL GOVERNMENT REVIEW

The review will provide the Assistant Treasurer with a written report by the end of 2015.

On 7th August 2015 the Federal Government announced the long awaited review of the National Credit Legislation. The main points were…

1) The review will make recommendations that take into account:
   - competition;
   - fairness;
   - innovation;
   - efficiency;
   - access to finance;
   - regulatory compliance costs; and
   - consumer protection.

2) It is to be chaired by Ms Danielle Press, the CEO of Equipsuper. The two to other panel members are Ms Catherine Walter AM, Deputy Chair of Funds Management Victoria, and Mr Stephen Cavanagh, Partner at HWL Ebsworth.

3) The review includes looking at the cap on fees and charges (including the maximum of a 20 per cent establishment fee and of a monthly 4 per cent fee).

4) The review will provide the Assistant Treasurer with a written report by the end of 2015.

5) The review will also look at the consumer leasing industry, which could have significant ramifications for that segment (MNY does not operate in the consumer lease segment, although may enter it depending on regulatory certainty).

   http://jaf.ministers.treasury.gov.au/media-release/037-2015/

On 17th September the Committee called for submissions (closing date 15th October). The request for submissions is very detailed, and also includes more detail of ASIC findings in its reviews of the industry.

In simple terms, the review asks…

"From the consumer perspective, a key issue for the review will be making sure that the regulatory settings enable consumers to access credit, while ensuring consumers are treated fairly and do not have excessively large debt burdens."

"From the industry perspective, a key issue for the review will be to ensure that the regulatory settings foster innovation, minimise regulatory compliance costs and allow the industry to remain viable."

http://consumercredit.treasury.gov.au/content/downloads/Review-of-SACC-laws/Review_of_SACC_laws_CP.pdf

Fig. 10: Review relating to small amount credit contracts

(1) The Minister must cause an independent review of the following matters to be undertaken as soon as practicable after 1 July 2015:

(a) the operation of the following provisions:

(i) subsections 117(1A), 118(3A), 123(3A), 130(1A), 131(3A) and 133(3A) of this Act;

(ii) Division 7 of Part 3-1 of this Act;

(iii) Part 3-2C of this Act;

(iv) sections 23A, 31A, 31B, 39A and 39B of the National Credit Code;

(b) whether a national database of small amount credit contracts should be established;

(c) whether any additional provisions relating to small amount credit contracts should be included in this Act and/or the National Credit Code.

(2) The review must be undertaken by 3 persons who, in the Minister's opinion, possess appropriate qualifications to undertake the review.

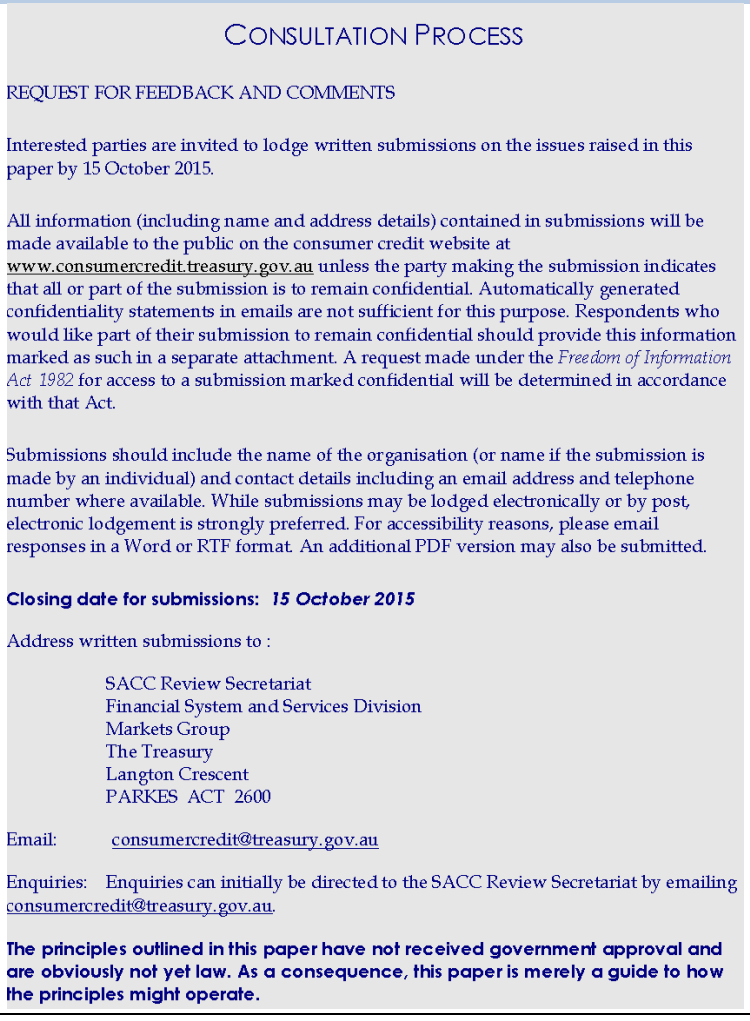
(3) The persons who undertake the review must give the Minister a written report of the review.

(4) The Minister must cause a copy of the report to be tabled in each House of the Parliament within 15 sitting days of that House after the day on which the report is given to the Minister.

(5) The report is not a legislative instrument.

Source: NATIONAL CONSUMER CREDIT PROTECTION ACT 2009 - SECT 335A
http://www5.austlii.edu.au/au/legis/cth/consol_act/nccpa2009377/s335a.html

Fig. 11:Govt Review Consultation



CONSULTATION PROCESS

REQUEST FOR FEEDBACK AND COMMENTS

Interested parties are invited to lodge written submissions on the issues raised in this paper by 15 October 2015.

All information (including name and address details) contained in submissions will be made available to the public on the consumer credit website at www.consumercredit.treasury.gov.au unless the party making the submission indicates that all or part of the submission is to remain confidential. Automatically generated confidentiality statements in emails are not sufficient for this purpose. Respondents who would like part of their submission to remain confidential should provide this information marked as such in a separate attachment. A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

Submissions should include the name of the organisation (or name if the submission is made by an individual) and contact details including an email address and telephone number where available. While submissions may be lodged electronically or by post, electronic lodgement is strongly preferred. For accessibility reasons, please email responses in a Word or RTF format. An additional PDF version may also be submitted.

Closing date for submissions: *15 October 2015*

Address written submissions to :

SACC Review Secretariat
Financial System and Services Division
Markets Group
The Treasury
Langton Crescent
PARKES ACT 2600

Email: consumercredit@treasury.gov.au

Enquiries: Enquiries can initially be directed to the SACC Review Secretariat by emailing consumercredit@treasury.gov.au.

The principles outlined in this paper have not received government approval and are obviously not yet law. As a consequence, this paper is merely a guide to how the principles might operate.

Source: ASIC. http://consumercredit.treasury.gov.au/content/downloads/Review-of-SACC-laws/Review_of_SACC_laws_CP.pdf

FINANCIALS

PROFIT & LOSS

Company guidance

Typically MNY provides guidance, and it has provided FY16 guidance of $18m NPAT (7 September 2015).

Typically MNY provides guidance, and it has provided FY16 guidance of $18m NPAT (7 September 2015). The Company expects the secured division should see growth again. MNY has said it is reviewing the unsecured division, which may mean that earnings for that division are at risk, at least in the longer term. We note though, the impact on group earnings may be less pronounced as we expect the capital from the unsecured division (>$40m) would be reinvested in the secured division or into MACC unsecured loans.

Hartleys Forecasts

We derive our earnings estimates based on an assumed ROA of the average period loan book. Given the strong growth in the loan book to June 2015, this implies significant earnings growth in FY16, even if the FY16 loan book growth is only modest.

Given the unexpected requirement for MNY to negotiate new banking facilities, we have been conservative on our payout ratio assumption (~40% payout rather than historical 50% payout).

Fig. 12: Production and Profit and Loss

Profit & Loss ($m)	Dec-12(a)	Jun-13(a)	Dec-13(a)	Jun-14(a)	Dec-14(a)	Jun-15(a)	FY16e
Secured - Rev	3.1	3.1	6.8	7.8	14.2	15.5	39.3
Secured - EBITDA	1.8	-0.1	4.4	5.1	9.3	11.2	27.7
Secured Assets	14	33.1	36	50.7	69.2	104.1	126.6
Unsecured - Rev	6.9	9.6	12.5	16.3	18.2	21.1	48.4
Unsecured - EBITDA	2.6	0.0	4.1	5.3	7.0	4.6	14.0
Unsecured Assets	15	21.0	42	42.3	42.3	52.0	52.0
Total Loan Book (Sec + Unsec)	24.2	32.2	55.0	73.2	105.0	130.3	152.8
Group Revenue	**10.2**	**12.6**	**19.2**	**24.0**	**32.1**	**36.5**	**88.2**
sequential growth	*-34.3%*	*23.9%*	*52.5%*	*25.0%*	*33.7%*	*13.4%*	*28.6%*
Ratio Rev / Prev Loan Bal.		1.0x	1.2x	0.9x	0.9x	0.7x	0.7x
Ratio EBITDA / Prev Loan Bal.		0.3x	0.3x	0.3x	0.3x	0.2x	0.3x
EBITDA	**2.8**	**4.0**	**5.4**	**8.0**	**11.6**	**12.4**	**33.3**
margin	**27.4%**	**31.8%**	**28.2%**	**33.4%**	**36.1%**	**33.9%**	**37.7%**
Depreciation/Amortisation	-0.6	-0.7	-0.7	-0.5	-0.3	-0.7	-1.3
EBIT	2.2	3.3	4.8	7.5	11.3	11.7	32.0
EBIT / Sales	21.9%	25.9%	24.8%	31.2%	35.2%	32.1%	36.3%
Net Interest	0.0	-0.3	-0.1	-0.7	-1.3	-1.6	-6.1
Profit Before Tax	2.2	3.0	4.7	6.9	10.0	10.1	25.9
- margin	22.1%	23.6%	24.4%	28.5%	31.1%	27.8%	29.4%
Tax	-0.7	-0.9	-1.3	-1.8	-2.7	-3.5	-7.5
Effective Tax Rate	30.2%	30.2%	28.7%	26.1%	27.2%	34.3%	29.0%
NPAT Pre Minorities	**1.6**	**2.1**	**3.3**	**5.0**	**7.3**	**6.7**	**18.4**
Net Profit / Sales	**15.4%**	**16.5%**	**17.0%**	**20.7%**	**22.7%**	**18.3%**	**20.9%**
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Normalised NPAT to equity	**1.6**	**2.1**	**3.3**	**5.0**	**7.3**	**6.7**	**18.4**
Abnormals / discontinued	0.0	0.0	0.0	-0.4	0.0	0.0	0.0
Reported Profit to equity	1.6	2.1	3.3	4.6	7.3	6.7	18.4
Reported EPS (basic, w'ghted)	3.6	2.6	3.6	4.6	6.7	5.1	14.1
Normalised EPS (weighted)	3.6	2.6	3.8	4.8	6.7	5.1	14.1
Normalised EPS (full. diluted)	**1.0**	**1.3**	**2.0**	**3.1**	**4.5**	**4.1**	**11.5**
DPS (cps)	**1.75**	**2.25**	**2.00**	**2.50**	**2.50**	**2.75**	**5.50**
Franking	100%	100%	100%	100%	100%	100%	100%
Payout Ratio	49.3%	86.3%	56.3%	54.6%	37.3%	53.8%	39.3%

Source: Hartleys Research Estimates

BALANCE SHEET

Balance sheet is modest net debt

Fig. 13: Balance Sheet

Balance Sheet ($m)	Dec-12(a)	Jun-13(a)	Dec-13(a)	Jun-14(a)	Dec-14(a)	Jun-15(a)	FY16e
Cash	0.6	4.6	9.4	23.7	26.3	12.4	32.4
Receivables	14.8	17.7	33.7	47.0	61.4	88.5	86.2
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.6	0.8	0.7	0.1	1.1	0.3	0.3
Total Current Assets	**16.0**	**23.0**	**43.8**	**70.8**	**88.8**	**101.3**	**118.9**
Non-current receivables & other	10.3	15.6	22.8	28.4	47.1	45.1	70.1
Property, Plant & Equipment	3.2	3.3	2.9	2.1	2.5	2.6	
Intangibles	15.4	15.4	15.4	15.4	19.6	19.4	
Total Non Current Assets	**28.8**	**34.2**	**41.1**	**45.9**	**69.3**	**67.1**	**91.7**
Total Assets	**44.8**	**57.2**	**84.8**	**116.7**	**158.1**	**168.3**	**210.6**
Accounts Payable	1.5	1.2	2.7	2.3	6.2	4.7	5.8
Interest Bearing Liabilities	3.0	3.1	3.3	0.0	9.7	7.5	7.5
Other	1.5	1.7	2.6	3.9	6.1	5.6	5.6
Total Current Liabilities	**6.0**	**6.0**	**8.5**	**6.2**	**22.0**	**17.8**	**18.9**
Accounts Payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Bearing Liabilities	0.0	0.0	0.0	29.3	27.4	27.7	55.3
Other	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Non Current Liabilities	**0.1**	**0.1**	**0.1**	**29.4**	**27.4**	**27.8**	**55.4**
Total Liabilities	**6.1**	**6.0**	**8.6**	**35.6**	**49.4**	**45.6**	**74.3**
Net Assets	**38.7**	**51.2**	**76.3**	**81.1**	**108.7**	**122.7**	**136.3**
Net Asset Value / Share ($)	0.50	0.65	0.73	0.76	0.89	0.95	1.04
NTA / Share ($)	0.30	0.46	0.58	0.61	0.73	0.80	0.89
Net Debt (net cash)	2.5	-1.5	-6.1	5.7	10.8	22.8	30.4

Source: Hartleys Research Estimates

Gearing ratios

Fig. 14: Gearing Ratios

Ratios	6/14A	6/15A	6/16F	6/17F
Return on Average Equity	12.5%	13.7%	14.2%	13.6%
Return on Assets	9.5%	9.8%	9.7%	9.0%
ND / ND + Equity	6.5%	15.7%	18.2%	15.2%
ND / Equity	7.0%	18.6%	22.3%	18.0%
Net Interest Cover (EBIT)	16.8	8.0	5.3	4.6

Source: Hartleys Research Estimates

Fixed Assets

MNY has ~$2.6m of PP&E on the balance sheet.

Debt

MNY currently has a debt facility with Westpac (drawn $10m), and a corporate bond ($30m). Westpac is no longer supporting the SACC industry, and hence the $10m facility will run-off over a 12 month run off period after December 2015. The $30m bond facility is expected to remain in place. It has a maturity of 4 years (expire May 2018) and an interest rate of 9% paid quarterly.

Westpac is no longer supporting the SACC industry, and hence the $10m facility will run-off over a 12 month run off period after December 2015. The $30m bond facility is expected to remain in place

Our model assumes that MNY can replace the Westpac facility as well as find additional financing.

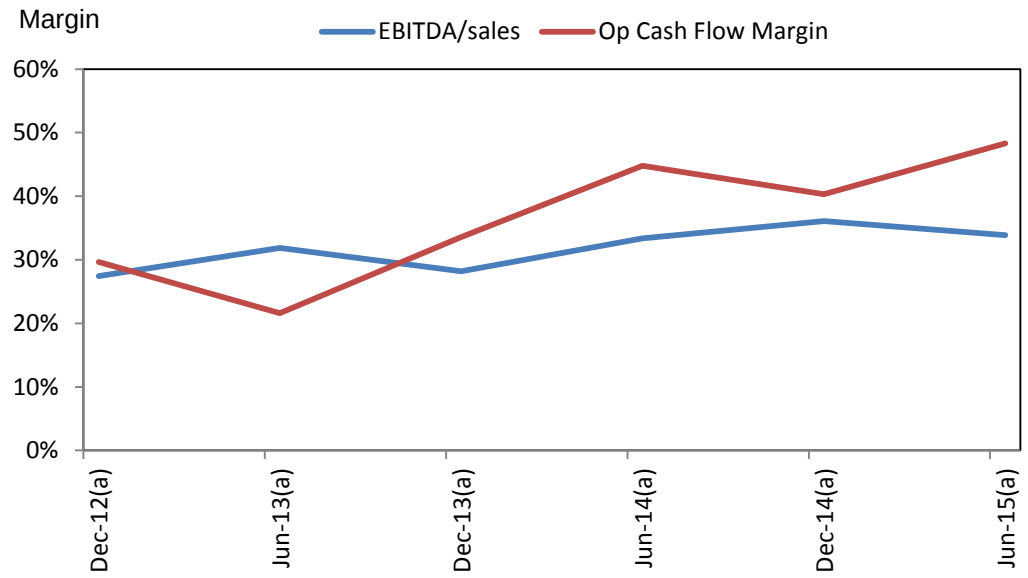
CASH FLOW

Fig. 15: Cash Flow Statement

Cashflow Statement ($m)	Dec-12(a)	Jun-13(a)	Dec-13(a)	Jun-14(a)	Dec-14(a)	Jun-15(a)	FY16e
Cash Receipts	7.9	11.7	14.3	23.0	30.6	28.3	
EBITDA	2.8	4.0	5.4	8.0	11.6	12.4	33.3
Working Capital Change	-0.4	-1.5	-0.6	2.3	0.7	1.3	0.0
Cash from Operations	2.3	2.5	4.8	10.3	12.3	13.7	33.3
Net interest Paid	-0.2	-0.2	-0.1	-1.4	-0.9	-1.4	-6.1
Tax Paid	-0.5	-0.9	-0.7	-1.4	-1.8	-3.9	-7.5
Net Operating Cash Flow	**1.7**	**1.5**	**4.0**	**7.5**	**9.7**	**8.3**	**19.7**
Capital Expenditure	-1.3	-0.7	-0.8	-0.5	-0.8	-0.5	-0.5
Asset Sales	0.1	0.1	0.3	0.5	0.0	0.1	0.0
Net increase in loan book	-6.1	-6.7	-20.6	-19.9	-31.8	-24.6	-21.5
Other (inc invest. & loan book)	0.0	-0.2	0.0	0.0	-1.7	-2.3	0.0
Net Investing Cash Flow	**-7.4**	**-7.6**	**-21.1**	**-19.9**	**-34.3**	**-27.2**	**-21.9**
Proceeds from Equity Issues	4.3	10.7	23.1	1.6	19.5	9.3	2.3
Net Change in Debt & Leases	1.5	-0.1	0.3	26.7	9.7	-2.2	27.1
Dividends Paid	-0.7	-0.7	-1.5	-1.6	-2.0	-2.1	-7.2
Net Financing Cash Flow	**5.0**	**9.9**	**22.0**	**26.7**	**27.2**	**5.0**	**22.3**
Movement in Cash	-0.7	3.9	4.9	14.3	2.6	-13.9	20.0
HP Lease Capex (non-cash)							

Source: Hartleys Research Estimates

Fig. 1:EBITDA and Cash flow margins



Source: Hartleys Research

Capex requirements

MNY requires a low capex spend, but has large capital requirements to fund loan book growth.

MNY requires a low capex spend, but has large capital requirements to fund loan book growth. Once the loan book stops growing, additional capital requirements will be minimal. In our model, we include loan book growth as "investing cashflow" rather than working capital in "operating cashflow". This is different to the audited accounts, but we believe our method shows the cash generation capability once growth slows.

Free cash flow

At current growth rates, the Company is not free cash flow generative, and requires more capital (we assume debt) in order to achieve our earnings forecasts.

Dividends

The payout ratio is 50%. MNY has a strong track record of paying and growing dividends.

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EQUITY ISSUANCE

MNY is capital intensive, and consequently has raised equity every year for the past three financial years. We assume slower loan book growth in coming years, and hence the Company should generate enough free cash flow to meet our earnings estimates without new equity, provided the bank lending facility can be replaced (we believe low risk).

SENSITIVITIES

FX exposure

The Company is not exposed to currency, with all costs and revenue being in AUD.

Interest Rate exposure

We expect debt to be a continued part of the capital structure. However, the returns allow for a high cost of debt, and hence MNY is relatively insensitive to interest rates.

However, interest rates obviously affect the broader economy. MNY customer demand is likely to be modestly countercyclical. The margin counter-cyclicality may be more pronounced than revenue because in poor economic times the quality of customer is likely to increase. Revenue may be less cyclical (in good times, consumers overspend, in poor times, higher grade consumers may struggle to meet cash requirements and fall into the sub-prime market).

Commodity price exposure

The Company is not exposed to commodity prices.

VALUATION CONSIDERATIONS AND PRICE TARGET METHODOLOGY

VALUATION

Our DCF valuation is $1.34. This is based on medium term annual free cash flow of ~$20-25m pa, a terminal growth rate of 3% and WACC ~10%.

Fig. 2: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
DRP (Dividend Reinvestment Plan)	Low	Moderate	We assume an ongoing DRP with ~30% take-up until and including FY18.
Secured finance grows at >10% pa	High	Very High	We believe we are realistic given past growth rates
Unsecured finance falls 20% in FY17	High	High, but less than if the secured finance division disappoints	We believe we are realistic, but there is a risk that MNY leaves this part of the industry. In which case, we expect the secured division to grow faster
A new transactional banking relationship	Low	Extreme	We believe it is unlikely that MNY cannot secure a new transactional banking provider
Conclusion	*We believe we have been realistic or conservative in our base case assumptions.*		

Source: Hartleys

PRICE TARGET

We have a twelve month price target based on arbitrary weighting of scenario valuations.

MNY Price Target Methodology	Weighting	Spot	12 mth out
DCF (WACC 10.3%, Terminal growth 3.00%)	20%	$1.34	$1.41
12mth forward P/E base case earnings of 14x (peak)	20%	$1.63	$1.77
12mth EV/EBIT with SAC of 8x	20%	$1.79	$2.02
12mth EV/EBIT with no SAC of 8x	20%	$1.35	$1.64
June15a 1x Price / NTA (1x $0.80)	5%	$0.80	$0.80
12mth fwd Div Yield of 5.2% (Gross yield=7.4%)	15%	$1.06	$1.11
Risk weighted composite		**$1.42**	**$1.57**
12 Months Price Target		**$1.57**	
Shareprice - Last		$1.20	
12 mth total return (% to 12mth target + dividend)		**43%**	

Source: Hartleys Estimate

RECOMMENDATION & RISKS

INVESTMENT THESIS & RECOMMENDATION

The key near term risks are securing a new transactional bank and the outcome to the regulatory review towards the end of CY15. In our view, the risk of an adverse outcome for either is low, and for MNY is even lower given it has a large proportion of income that falls outside of the SACC regulation.

We believe the share price is already factoring in an adverse outcome regarding regulation. However, given the risks (however remote) regarding the new transaction banking relationship, we are initiating coverage with a Speculative Buy. We have a $1.57 price target, implying FY17 p/e of 13.0x.

We believe the share price is already factoring in an adverse outcome regarding regulation. However, given the risks (however remote) regarding the new transaction banking relationship, we are initiating coverage with a Speculative Buy

RISKS

The main short term risk is obtaining a new transactional banking provider and finance facilities. Medium term risks are regulatory changes, reputation risk and associated brand damage.

The other risks for (like most industrial companies) are earnings disappointments, either from slower than expected growth or increases in bad debts.

We note that the ex-MD, Rob Bryant, recently requisitioned a meeting to remove some directors and re-appoint himself.

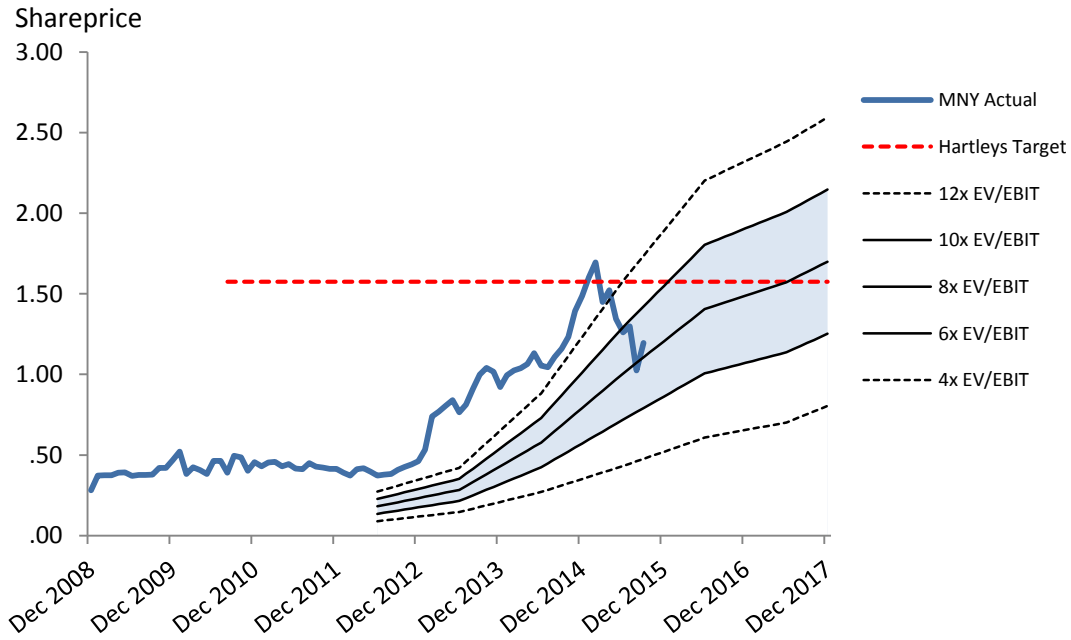
SIMPLE S.W.O.T. TABLE

Strengths	Diversified between SACC and MACC High margins Short duration loan book Limited legacy issues to move on-line
Weaknesses	Relies on brokers for distribution Regulatory risk
Opportunities	Increase market share New product offerings
Threats	Regulatory mistakes Competition Reputational damage Rising bad debts

Source: Hartleys Research

EV/EBIT BANDS

Fig. 3: Using Hartleys base case forecasts



Source: Hartleys Estimates, IRESS

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research	+61 8 9268 3052
Mike Millikan	Resources Analyst	+61 8 9268 2805
Scott Williamson	Resources Analyst	+61 8 9268 3045
Simon Andrew	Energy Analyst	+61 8 9268 3020
Janine Bell	Research Assistant	+61 8 9268 2831

Corporate Finance

Grey Egerton-Warburton	Director & Head of Corp Fin.	+61 8 9268 2851
Richard Simpson	Director	+61 8 9268 2824
Paul Fryer	Director	+61 8 9268 2819
Dale Bryan	Director	+61 8 9268 2829
Ben Wale	Associate Director	+61 8 9268 3055
Ben Crossing	Associate Director	+61 8 9268 3047
Stephen Kite	Associate Director	+61 8 9268 3050
Scott Weir	Associate Director	+61 8 9268 2821

Registered Office

Level 6, 141 St Georges TcePostal Address:

PerthWA 6000 GPO Box 2777
Australia Perth WA 6001
PH:+61 8 9268 2888 FX: +61 8 9268 2800
www.hartleys.com.au info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner:firstname_lastname@hartleys.com.au

Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867
Chris Chong	+61 8 9268 2817
Digby Gilmour	+61 8 9268 2814
Veronika Tkacova	+61 8 9268 3053

Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Tim Cottee	+61 8 9268 3064
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
James Gatti	+61 8 9268 3025
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
David Hainsworth	+61 8 9268 3040
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Charlie Ransom	+61 8 9268 2868
Brenton Reynolds	+61 8 9268 2866
Conlie Salvemini	+61 8 9268 2833
Mark Sandford	+61 8 9268 3066
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Samuel Williams	+61 8 9268 3041
Jayme Walsh	+61 8 9268 2828

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