Moneysafe plc (MONEY.L)

Rating: BUY
Price: 25.25
Target Price: 35.00

Research analysts:
Rahul Sharma
Christopher Ross

BUY

First Half Results Comment

Summary:

Moneysafe results were solid and show the bank is making progress in retaining market share for its proprietary products but also benefiting from offering third party products on its platform. Despite modest pressure on net interest margins in its traditional lending business, fees from transactions on its third-party platform are allowing the bottom-line to progress.

Investment Thesis:

We believe Moneysafe's pre-eminent position in the banking and financial services market will remain unchallenged. We believe the bank's significant investments into customer data analytics and opening up its distribution platform to third parties will lead to market share gains. A significant increase in fee-based revenue from its third party business should provide fuel for rising dividends, coupled with a reasonable valuation.

Details:

- **Moneysafe's market share** across all major product lines including mortgages, credit cards and overdrafts remains strong. We believe the key factor is tighter product pricing, its strong brand, but also the early benefits of its personalisation strategy, driven through its investment in data analytics.
- **However, we noted a 2bp tighter net interest margin.** We believe the key factor is primarily tighter spreads in its mortgage book as greater competition through increased transparency on both its own and competitor platforms is driving tighter mortgage pricing in the marketplace, benefiting consumers.
- **While we noted modest pressure in traditional fee income** (such as in overdrafts), we were impressed by a tripling in platform fee income. Despite this still being a relatively small part of Moneysafe's revenue, at 5%, we believe it validates the relevance of the brand and demonstrates the necessity for financial services brands to be present on its platform.
- **This rising fee income was a key factor** behind a 10% increase in the interim dividend, as we note legacy banking business profit rose just c4%. We believe this rise in fee income is likely to be sustained and should drive further dividend growth both in the second half and in the years to come.

Share price performance