MoneyHero Ltd(2Q24 Earnings)

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Corporate Speakers:

- Rohith Murthy; MoneyHero Ltd; Chief Executive Officer, Director
- Hao Qian; MoneyHero Ltd; Chief Financial Officer
- Chadwick Dorai; MoneyHero Ltd; Strategic Finance Lead

Participants:

- Milo Bussell; Edison Group; Analyst
- Nirgunan Tiruchelvam; Aletheia Capital; Analyst

PRESENTATION

Operator^ Good day, ladies and gentlemen. Thank you for standing by. Welcome to MoneyHero Group's Second Quarter 2024 Earnings Conference Call. (Operator Instructions). Please note that today's conference is being recorded. I will now hand the conference over to your host, Chadwick Dorai, Strategic Finance Lead. Please go ahead.

Chadwick Dorai^ Thank you, Olivia. Hello, everyone. Very good morning, good evening, depending on where you are. My name is Chadwick Dorai, and I am Strategic Finance Lead for MoneyHero Group, overseeing our Investor Relations activities.

We're excited to have you join us for MoneyHero Group's second Quarter 2024 Earnings Conference Call. Today, we have with us Rohith Murthy, our CEO; and Hao Qian, our CFO.

Let's start with a few friendly reminders. First off, you can find detailed results in our earnings release, located in the Investor Relations section of our website. Also, we are recording today's webcast, so don't worry if you miss anything. A replay and a transcript will be posted on our website, under the Investor Relations section.

A heads up, during this call, we'll discuss some future projections and expectations for our business. Keep in mind, these forward-looking statements are based on what we currently expect, and are subject to risks and uncertainties that could cause our actual results to differ. We also encourage you to look at our earnings release and SEC filings for a detailed discussion of these risk factors.

Remember, these forward-looking statements reflect our views as of today, and we are not obligated to update them unless required by law. Also, we'll talk about some non-IFRS financial measures today. For a reconciliation of non-IFRS financial measures to a most directly comparable IFRS metric, please see our earnings press release.

And one last thing, all monetary references will be in United States dollars unless we say it otherwise. Shortly, Rohith and Hao will be discussing our Q2 performance and business strategy. With that, let me pass on the time to Rohith Murthy, CEO of MoneyHero Group. Over to you, Rohith.

Rohith Murthy^ Thank you, Chad. Hi, everyone. Today, we share our performance update for the second quarter that ended June 30, 2024. As we -- also, near the end of the third quarter, I'd like to provide some early guidance on our performance leading up to September 30, 2024.

Our core business online financial comparison grew by 26% year-on-year, and Creatory, our B2B business, grew by 13% YOY. In our core markets, Singapore posted an impressive 68% YOY growth to US$9 million, while Hong Kong grew 19% YOY to US$7.3 million.

While we faced some temporary setbacks in the Philippines and Taiwan due to provider constraints, we have swiftly addressed these issues, and we are confident we'll be back on track in the upcoming quarters. Revenue from our insurance products increased by 89% YOY to US$2.2 million. Insurance now contributes 11% of our Group revenue, compared to 7% in the prior year.

I think it's important to take a step back and look at the bigger picture. Focusing solely on quarterly results can sometimes mask the full scope of our performance and growth potential, which is much clearer when you view it from a long-term perspective. Here's what I mean by that.

First, consider our first half 2024 results. We processed 970,000 banking and insurance applications through our platform. That's an impressive 100% YOY growth and nearly three times the volume of 2021. And yet, our insurance engine is just getting started.

I don't believe any other aggregator in the region has experienced growth at this scale. In anticipation of this, we built additional capacity and we made strategic investments that's enabling us to outpace industry growth rates.

Second, our industry is still in the very early stages of growth. We represent a small portion of the overall industry, and there is substantial room for expansion and diversification ahead of us.

Third, our strategy remains focused on growth, prioritizing long-term value over short-term profit optimization. While we could optimize for short-term profits in any given quarter, our priority remains focused on investing for future growth.

And finally, efficiency gains are driving operational leverage, something I spoke about in the last two earning calls. And this will be even more impactful as we continue to scale. We're already seeing improvements across key areas of our business from marketing to operations.

Now, talking about our strategic pillars, we've made significant progress across each of our strategic pillars, consumer pulls, conversion expertise, insurance brokerage, partner relationships, and operating leverage.

This quarter, we hosted Singapore's largest personal finance festival, drawing a record 5,000 attendees. We partnered with over 35 banking and insurance providers, and the event featured more than 70 prominent speakers from the financial industry and government.

This marks our seventh consecutive year hosting this festival, and it was our largest and most successful event to date. I'm also pleased to share that we were recently named Personal Finance Tech of the year at the Asia FinTech Awards 2024.

MoneyHero was selected from six finalists, which is a testament to our strong user connection, consumer pull, and technological superiority. This recognition underscores our market leadership across greater Southeast Asia and highlights the strong consumer demand and loyalty that continue to drive our sustained growth and success.

An important thing to note is we are now pivoting from simply driving traffic growth to focusing on monetizable engagement metrics. So this would include monthly unique visits to our transaction pages, conversions to applications, and registered members.

This shift has resulted in a 50% increase in approved applications, with our membership rates now growing to 6.5 million as of June 30th, 2024. We are now focused on driving strong repeat behavior supported by our cross-sell and upsell initiatives.

In the coming quarters, we are also rolling out new capabilities to enhance engagement of our member base. These would include a mobile app, a new car insurance vertical, one-click insurance purchasing, and an improved site and content architecture.

In the first half of 2024, we generated approximately 4 million in revenue from insurance products, representing 65% YOY growth. This is nearly four times our revenue from the same period in 2021, making this now our fastest growing vertical.

As a licensed insurance broker in three of our four markets, we will continue to invest in this business. While insurance verticals typically have lower margins in the first year, simply due to the cost of acquiring users, these margins grow significantly through renewals. This is a high margin segment for us, and we will continue to make strategic investments focused on growth with profitability as a long-term outcome.

Creatory, our B2B business, is still relatively young, but has already demonstrated impressive growth. We are increasingly confident about our ability to scale this business across all our markets. The creator market holds significant potential, and we are investing in building a strong brand with the aim of becoming a market leader.

We are also highly focused on building operating leverage for this business, with several actions and initiatives in place to control our operating expenses and drive efficiency gains. We streamlined our headcount and operations, and we are investing in AI to further enhance efficiencies.

As you may recall, we previously announced the addition of a head of AI, and since then, we've identified efficiency opportunities across various business functions. A couple of examples I could cite is we are now enhancing content production, creative production. We are exploring in a chatbot to automate our customer service capabilities, and also looking at AI to help us drive conversion rates on our transaction pages.

Coupled with a disciplined approach to managing expenses, these efforts will keep our operating costs relatively fixed as we grow, allowing more of our top-line growth to flow directly to the bottom line.

As a result of this, we expect significantly lower EBITDA losses next quarter, reflecting the progress in building our operating leverage, and we are aiming for profitability in the last quarter. As part of our broad growth strategy, we continue to explore strategic M&A opportunities with a focus on market consolidation. Rather than competing head-on, we prioritize collaboration and investment.

A recent example is our transaction in Malaysia, where we transitioned from being an operator to an investor in our competitor, demonstrating our ability to adapt and consolidate the market. Our acquisition of Seedly in Singapore also exemplifies this approach with the brand thriving post-acquisition.

We remain open to opportunities that provide synergies across data, technology, revenue expansion, and operational efficiency. We are more confident in our strategy and trajectory than we were three months ago, and I look forward to answering questions shortly after I hand over the call to our CFO, Hao.

Thank you all once again for your trust and support. With that, I would like to now turn the call over to Hao Qian, our CFO.

Hao Qian^ Thank you, Rohith. Good day, everyone. In Q2, 2024, MoneyHero's strategic expansion resulted in solid growth in approved applications with 24% year-over-year revenue growth to over USD 20.7 million.

We have made strong market share gains, particularly in our core market, as we continue to expand across Greater Southeast Asia. However investment into strategically expanding our customer acquisition, brand building, technology re-platforming, and the data infrastructure led to an adjusted EBITDA loss of USD negative 9.3 million for the quarter.

Now, let's turn to our second quarter 2024 financial performance. In the second quarter of 2024, MoneyHero delivered 24% year-over-year revenue growth to USD 20.7 million.

We realized significant growth year-over-year in Singapore, up 68%, and Hong Kong, up 19%, where we have increased our customer acquisition and strengthened our already dominant market share.

This top-line growth was driven by maintaining a strong provider relationship and by investment in both traffic and the conversions.

Our Philippine business decreased 16% year-over-year. Largely due to reduced volume with a key client as its completes system and the database migration post-acquisition. We are working closely with the client to ramp up our commercial engagement, position us for recovery in the coming quarters.

Our Taiwan business decreased marginally by 4% year-over-year to USD 1.4 million in the second quarter due to paused product offerings from several key clients. For Taiwan and the Philippines, we will focus on building long-term sustainable profitability and focus on building new vertical to replace the loss of revenue from our key client's strict decision to exit the market.

Our B2B business, Creatory, also continued to show growth. With second quarter revenue increased 13% year-over-year to USD 2.9 million, which represents 14% of Group revenue. We will continue to leverage a Creatory platform as a competitive advantage to drive traffic and gradually decrease reliance on performance marketing.

Insurance remains our fastest growing product vertical, with second quarter revenue increased 89% year-over-year to USD 2.2 million. We will continue to explore new opportunities to offer more new product lines to further fuel the top line and the bottom line growth. In addition to our core business growth, we aim to insurance -- to use insurance as a differentiator to increase both frequency and the share of wallet.

For the second quarter 2024, our adjusted EBITDA loss increased to a loss of USD negative $9.3 million from a loss of USD negative $6.4 million in Q1 2024. The primary drivers for the increased loss for the second quarter are; one, strategic investment. We prioritize growth through increased investment in branding, customer acquisition, data, and technology aimed at capturing new customers and building infrastructure for future profitability.

Second, provider constraints. During the Q2, multiple providers in Taiwan and the Philippines underwent significant platform migrations, temporarily holding new card acquisitions. These transitions impact our short-term financial performance. We anticipate acquisition volume will return to normal level in Q3 as these migrations approach completion.

Furthermore, when key providers exit from several key markets also had a major impact on our revenue and profitability. To mitigate this revenue loss, we have invested in other providers' products and expanded into other verticals. We anticipate revenue and profitability loss from these providers' exits will be addressed in Q3 and Q4 and thus will only have minor impact from Q4 and onwards.

Three, increased operation costs. Total operating costs rose year-over-year, largely due to additional expenses associated with being a public company including audit fees, D&O insurance, and IR/PR-related fees.

Looking ahead, we anticipate a narrowing of our adjusted EBITDA loss in the second half of 2024, with margins starting to recover in Q3 and continue to improve throughout the year. We have initiated a comprehensive review of our organization structure, which begins with our recent re-org announcement and we expect it to be completed by the end of Q3. This will create a more streamlined and cost-efficient operation.

We expect to reach adjusted EBITDA profitability on a monthly basis by year-end as we have been focused on efficiency and optimizing the return on our growth investments. Looking forward, we will continue to use our strong cash position to expand our footprint.

We see this in two distinct paths. First, through organic efforts such as our insurance business, personal loans, Creatory, and the streamlined costs with efficiency gain in using AI.

Second, as Rohith mentioned earlier, and I would like to reiterate, we are actively pursuing a growth strategy by continuing to explore strategic acquisition and investment opportunities to consolidate the industry, as we believe the timing is right for industry consolidation in Greater Southeast Asia.

We believe that there is ample opportunity for consolidation in our emerging industry and we aim to lead the way. These two strategies will aid us in scaling both our market share, top-line growth, and the bottom line for years to come. With that, I thank you for your attention today and I turn it over to the operator to take any questions.

QUESTIONS AND ANSWERS

Operator^ Thank you. (Operator Instructions). first question coming from the line of Milo Bussell with Edison. Your line is open.

Milo Bussell^ Hi, guys. It's Milo Bussell from Edison. Congratulations on the results and thanks for the presentation.

Three questions from me. The figures reported today indicate that the full-year results should be H2 weighted. So I just want to understand what are some of the levers you can pull to achieve the $100 million revenue target and what is underpinning your confidence in achieving that target?

The second question is, what was the rationale for the MoneySmart acquisition? And more broadly, how should we think about inorganic growth strategy going forward?

And finally, I just want to understand how you're leveraging AI, the ShopHero app, and the Creatory platform to continue the improvement in the approved application conversion rate. And if there are any KPIs, we should look to measure success against this. Thanks very much.

Rohith Murthy^ Thank you for the questions. I'll start with your first question around our revenue drivers and revenue line. Now as we look quarter on quarter, there are a few key revenue drivers we focus on.

The first is wherever we see an opportunity for what we would like to call organic growth. A classic example is typically in the last quarter of this year, we have what we call a tax loan season. Typically in the last quarter of this year, we have what we call a tax loan season in a couple of our markets.

And here we see an organic growth in demand for personal loans. So that's a real good opportunity for us to attract that demand, convert that demand as and when people do come to our platform looking for this product.

The second thing is we typically see in the last couple of quarters, especially around our banking acquisitions, we do see a beautiful scale-up of the budget from a lot of our providers. As you'll appreciate, this is also close to the annual targets. The majority of that budget allocation typically comes to us.

We are, for many of the providers, one of the largest sort of digital partners. So we do get the first port of call to use that budget, and that's where we have a lot of marketing campaigns, especially in the last couple of quarters.

Insurance. Now we've been really thoughtfully building the insurance vertical. If you take a look at travel insurance, for example, today you can buy travel insurance on our platform in Singapore and Hong Kong.

We've been really optimizing our UX/UI, and that really sets it up beautifully as we head towards the last quarter of the year, where, again, there's a seasonality spike of travel, especially in the markets we operate. These sort of investments we've made in our capabilities allows us to attract the demand and convert that demand.

And Creatory, again, is a very new business for us. We don't really try and set targets for Creatory because it's such a really interesting space we are operating in and really learning how to capture more of the space across all our markets. There are some interesting plans and interesting things we're going to also invest in to try and expand that B2B brand that's very unique and innovative.

It doesn't exist in our industry that we operate. So, the beauty of our business is we are multi-market, we are multi-vertical, and we have different sort of core businesses that we can scale. And a lot of this will also start to demonstrate returns on the investments we've made, especially in the first two quarters this year.

Those were very deliberate investments we made in acquisition. Today we have about 6.5 million registered members as of June 30th. This now allows us to also cross-sell and upsell to this base. We've made investments in data, we've made investments in our technology infrastructure, and now we're going to be launching a mobile app.

So we do believe we have the drivers now to expand our revenue, and we'll be very focused on execution against these.

Now I'll go on to your second question, which was around the recent announcement of an acquisition and what synergies we were expecting. Firstly, the point I would like to make is we are the largest aggregator platform in the region, and we have a very unmatched footprint across four key markets. No other aggregator operates at our scale within these markets. That's an important point to note.

Second, since 2015, we've seen numerous aggregators enter and exit the region. We are the only one from that early batch to have successfully gone public. We strongly believe the market is ripe for consolidation, as Hao mentioned, and we see ourselves as a key player in helping drive that process, rather than just merely engaging in direct competition.

Having said that, we are well-capitalized and ready to compete, but we prioritize partnerships and collaboration first over competition. And the recent transaction in Malaysia is a prime example of that, where we ourselves transitioned from being an operator to an investor and a competitor to facilitate market consolidation.

A third thing to note is we had a highly successful IPO, backed by top investors, and we've raised substantial capital as a result. While we are happy to see this capital generate returns, we've received a number of inbound inquiries regarding our M&A strategy. Consequently, as a management team and a board, we are now actively exploring acquisition opportunities.

And fourth, we have a proven history of M&A. I mentioned in 2020 we acquired Seedly, a leading personal finance platform. Many consider Seedly our biggest competitor in Singapore. Post-acquisition, Seedly has continued to thrive as a brand, and this is a testament of how we approach M&A, with a focus on fostering growth, not just absorbing competition.

And finally, there are several similar smaller fintech platforms that could be of interest for us for a potential merger. As I mentioned before, our approach has centered around a buy-over-build strategy, which is evident in how we scale key areas of our business, especially in insurance and creativity.

As for synergies, any acquisition target will ideally provide value across multiple dimensions. Number one, data integration, technology enhancements, revenue expansion and operational efficiencies through consolidation. This is the strategic framework that we use and that allows us to fully leverage the benefits of any acquisition and generate significant growth.

And coming to your final question around how we are leveraging AI and the app, and the creative platform. Look, AI is a very interesting and exciting space for us. We have already started leveraging AI and automation to drive efficiencies across every aspect of our business, from content generation to customer service. And this approach is helping us achieve operational leverage by reducing costs while at the same time scaling our operations.

AI is a crucial tool for us, also allowing for more personalized customer journeys, automating our workflows, and really optimizing our decision-making processes. All of this contributes to a higher conversion rate for approved applications.

Regarding the app, you know, the ShopHero app, after our initial soft launch, we are now transitioning into a fully functional mobile app with an integrated marketplace. We expect to roll this out in the next quarter. This will be our primary mobile app play, enhancing the end-to-end user journey with an improved UX/UI.

As we mentioned, we are very focused on traffic utilization and this will allow us to drive that and also focus on monetizable metrics like conversion rates and completed applications. And through this, we aim to significantly improve our performance and engagement.

Coming to Creatory, as I mentioned, still very much in the early stages. We are very steadily adding content creators and strategic partners. The addressable market here is vast and we see several exciting opportunities for growth.

Creatory offers a very unique platform that combines a content play for us, a distribution play, a traffic play, and a conversion play. And we are really confident in its potential and excited about the potentials and possibilities as we continue to scale this B2B brand.

And finally, in terms of KPIs to watch, as I mentioned, we are now pivoting and focusing on application conversion rates, traffic engagement and utilization, and user retention metrics across our platforms. These would be the key indicators on how well we drive operational efficiency and improve our monetization. Thank you again for the question.

Operator^ Thank you. And our next question coming from the line of Nirgunan Tiruchelvam with Aletheia Capital. Your line is open.

Nirgunan Tiruchelvam^ Thank you for giving me this opportunity to pose a question at this forum. First of all, I'd like to congratulate the management on a phenomenal set of results and the eloquent manner in which the CEO has presented them is very encouraging. In terms of the questions, what would your guidance be for the FCF burn in FY'24?

Hao Qian^ Okay, let me address this question, please. So we are not giving specific guidance for free cash burn in FY'24. However, we expect EBITDA loss to be reduced to between $5 million to $6 million next quarter, driven by key actions to optimize market investment, streamline operation, and the focus on efficiency optimization.

We expect to reach adjusted EBITDA probability on a monthly basis by year end, as we have been very focused on efficiency and optimize the return on our gross investments.

Nirgunan Tiruchelvam^ I see. My next question is about the markets that would drive the revenue growth in the next two years. Can you identify them, please?

Rohith Murthy^ Sure, let me take that. We anticipate sustained growth from our core markets, our core markets being Singapore and Hong Kong. They remain our largest revenue drivers. And in these markets, insurance will be our fastest growing vertical.

As we roll out several key initiatives, I mentioned the revamped mobile app, an enhanced sort of membership feature, a new car insurance vertical, a refreshed site architecture, and an improved UX/UI. All these upgrades will elevate the customer experience and drive deeper engagement.

Beyond Singapore and Hong Kong, we are seeing strong growth in the Philippines, where the market is again expanding beautifully. We have also strategic plans in place for Taiwan, positioning us for future growth in the region.

I mentioned about Creatory, our B2B business, relatively young, but has already demonstrated impressive growth and a unique brand with incredible growth potential that I would like to believe is ahead of its time.

Meanwhile, our insurance engine is just getting started. We are constantly enhancing our platform and user journeys. All of this, we believe will solidify our position in the market, but also fuel long-term growth across all our business sectors.

Nirgunan Tiruchelvam^ Thank you.

Operator^ Thank you. And I see no further questions in the Q&A queue at this time. I will now turn the call back over to Mr. Rohith Murthy for any closing remarks.

Rohith Murthy^ Thank you again all for your time. And I look forward to sharing our next set of results. For those back in Asia, again, wishing you all a very happy mid-autumn festival.

Operator^ Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation. And you may now disconnect.