

5 Jun 2018

Share Price: \$1.32
12mth price target: \$1.80

GOLDFIELDS MONEY LIMITED (GMY)

FSSA approval received

Goldfields Money Limited (GMY) has announced that on 1 June 2018, FSSA approval from the Federal Treasurer was received. This long-awaited approval is a key step in paving the way for GMY's proposed merger with Finsure to proceed. GMY's announcement notes that the approval has been made subject to GMY raising at least \$20m in Common Equity Tier 1 Capital. Of this amount ~\$4.7m was raised at a price of \$1.40 / share in April 2018, with GMY expecting to now raise at least the residual \$15.3m required.

Transaction timetable

GMY expects to send a Notice of Meeting to all shareholders in June 2018, prior to the Shareholder meeting to approve the transaction being held in July 2018. All going well, the merger will complete shortly thereafter, also expected in July 2018. The Notice of Meeting will contain an Explanatory Memorandum, including an Independent Expert report as to whether the proposed merger is fair and reasonable to GMY shareholders.

Trading update

GMY reports that 3Q18 was a period of strong loan growth for the business, with loan settlements for the period of \$17m, being a record. Excluding costs incurred in responding to the Firstmac takeover offer and costs related to the Finsure transaction, GMY expects to report an underlying profit for FY18. Finsure continued to display strong lending growth with loan settlements during the period of ~\$2.8bn, resulting in the loan book growing to ~\$32bn. Loan writer number growth also continued, up to 1,415, from 1,370 at 1H18.

Share register sees some changes

Post the April 2018 capital raising, GMY's major shareholders saw their respective holdings decline as follows; Firstmac (from 14.9% to 13.0%), Aoyin (13.4% to 11.6%) and Aura FM (12.2% to 10.6%). In addition, Pioneer Credit (ASX:PNC) ceased to be a substantial shareholder upon the sale of 1.5m shares to entities associated with Fred Schebesta, co-founder of comparison website Finder.com.au, which becomes a (6.2%) substantial shareholder.

Speculative Buy; Price Target \$1.80

The securing of FSSA approval from the Federal Treasurer is a key step behind our GMY investment thesis, toward completion of the proposed Finsure transaction. We have updated our model to take into account the recent \$4.7m equity raising. We have previously forecast \$15m capital raisings in both FY19 and FY20, we maintain our assumptions here and await further information as to the pricing and timing of the required capital raising. Our model continues to assume a full 12-month contribution from Finsure in FY19, while this now looks more like an 11-month contribution we await completion of the transaction, prior to updating our assumptions.

There remains water to go under the bridge here, however this approval represents a key step in moving forward, both, with this transaction and the subsequent opportunity to execute on the potential growth prospects that the transaction will bring. We maintain our Speculative Buy recommendation.

Brief Business Description:

GMY is a small Authorised Deposit-taking Institution, providing clients with basic lending and deposit products. GMY is currently working toward a merger with mortgage aggregator Finsure.

Hartleys Brief Investment Conclusion:

Success in completing the proposed merger with Finsure will provide GMY with significant growth potential

Chairman & CEO:

Peter Wallace (Non-Exec. Chairman)
Simon Lyons (Exec. Director / CEO)

Top Shareholders:

Firstmac	13.0%
Aoyin Group	11.6%
Aura FM	10.6%
Lord of W Holdings	6.2%

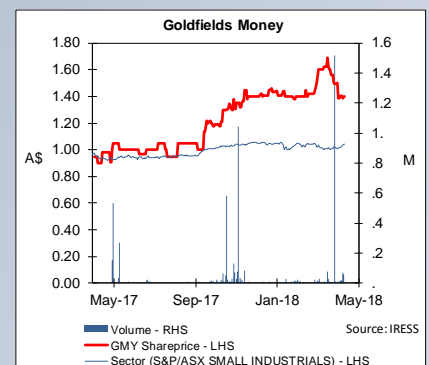
Company Address:

Unit 30, 118 Royal St.
Perth, WA 6004

Issued Capital:	25.9m
- fully diluted	32.3m
Market Cap:	\$34.2m
- fully diluted	\$42.7m

	FY17a	FY18e	FY19e
Op. Revenue	4.2	5.0	31.5
NPAT (A\$m)	-1.0	-0.3	8.3
NPAT (A\$m)*	-1.0	-0.3	6.9
EPS (c,basic)	-5.1	-1.2	10.9
P/E (basic)			12.1x
P/E (diluted)			12.1x
DPS (cps)	0.0	0.0	0.0

Source: Hartleys Research. *Cash NPAT



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Hartleys has assisted in the completion of part of a capital raising in the past 12 months for Goldfields Money Limited for which it has earned fees. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Goldfields Money for which it will earn fees.

SUMMARY MODEL

Goldfields Money Ltd (GMV)					Recommendation: Speculative Buy											
Company Information					Profit & Loss (\$m)											
Date	5 Jun 2018	Unit 30, 118 Royal St.			6/17A	6/18F	6/19F	6/20F	Operating Revenue	4.2	5.0	31.5	37.0			
Share Price	\$1.32	Perth, WA 6004			Operating Expenses	-5.3	-5.3	-19.0	-20.0	Loan Provisions	-0.3	-0.1	-0.6	-0.8		
52 Week High-Low	\$0.93 - \$1.75	Ph: 1300 464 4653			Deprn & Amort.	-0.3	-0.3	-1.0	-1.0	PBT	-1.3	-0.4	11.8	16.2		
Dil. Market Cap (\$m)	\$43	www.goldfieldsmoney.com.au			Tax	0.3	0.1	-3.5	-4.9	NPAT	-1.0	-0.3	8.3	11.3		
Ordinary Shares	25.9	Non-cash Adjustments														
Fully Diluted Shares	32.3	NPV of Trail Book (pre-tax)														
Price Target	\$1.80	NPV of Trail Book (post-tax)														
Upside / Downside	36%	Cash NPAT														
Price Target					Reported EPS (basic, wghtd)											
12 Month Price Target					Reported EPS (dil, wghtd)											
					Cash EPS (basic, wghtd)											
					Cash EPS (dil, wghtd)											
					DPS (cps)											
P/E (FY19) at price target - Reported EPS					16.6x											
P/E (FY20) at price target - Reported EPS					14.1x											
P/E (FY19) at price target - Cash EPS					19.9x											
P/E (FY20) at price target - Cash EPS					16.0x											
Multiples (\$/price at \$1.32)					Balance Sheet (\$m)											
		6/17A	6/18F	6/19F	6/20F	6/17A	6/18F	6/19F	6/20F							
P/E (basic, weighted)				12.1x	10.3x	Cash	16.2	20.0	34.3	60.4						
P/E (diluted, weighted)				12.1x	10.3x	Deposits with ADI's	26.9	26.9	26.9	26.9						
Cash P/E (basic, weighted)				14.6x	11.8x	FRNs with ADI's	11.1	11.1	11.1	11.1						
Cash P/E (diluted, weighted)				14.6x	11.8x	Loans & Advances	157.0	182.0	345.6	526.5						
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	NPV of Trail Comms - Receivable	0.0	0.0	195.7	223.9						
Price / Book	1.5x	1.4x	1.1x	1.0x	Shares in CUSCAL	0.4	0.4	0.4	0.4							
						Property, Plant, Equipment	0.8	0.8	0.8	0.8						
						Goodwill	0.0	0.0	37.3	37.3						
						Other Intangibles - Computer software	0.5	1.2	1.2	1.2						
						Deferred Tax Assets	0.6	0.6	0.6	0.6						
						Other	1.6	1.6	1.6	1.6						
Ratios						Total Assets										
		6/17A	6/18F	6/19F	6/20F	215.2	244.7	655.7	890.8							
Return on Equity		-5.0%	-1.1%	8.5%	9.2%	Deposits	194.1	219.1	382.7	563.6						
Return on Assets		-0.6%	-0.2%	1.8%	1.8%	NPV of Trail Comms - Payable	0.0	0.0	172.1	198.8						
						Creditors & other payables	0.6	0.0	0.0	0.0						
Share Data						6/17A	6/18F	6/19F	6/20F	Current Tax Liabilities	0.0	0.2	3.9	5.2		
Ord Issued shares (m)		22.5	25.9	78.6	88.6	Provisions	0.2	0.2	0.2	0.2						
growth		25%	15%	203%	13%	Interest Bearing Liabilities	0.0	0.0	0.0	0.0						
Weighted ave shares (m)		19.6	23.1	76.1	88.6	Deferred Tax Liabilities	0.0	0.0	0.0	0.0						
growth		22%	18%	229%	16%	Other	0.0	0.0	0.0	0.0						
Diluted shares wghtd (m)		24.1	29.6	76.1	88.6	Total Liabilities	195.0	219.6	558.9	767.8						
growth		17%	22%	157%	16%	Net Assets	20.2	25.1	96.8	123.0						
Unpaid Capital						Cashflow Statement (\$m)										
Expiry	Number (m)	Avg Price	\$m unpaid			6/17A	6/18F	6/19F	6/20F							
30-Nov-21	1.94	\$0.00	\$0.00			Net Operating Cash Flow	-1.7	0.2	12.9	13.7						
11-May-19	4.50	\$1.50	\$6.75			Net Investing Cash Flow	-44.2	-26.0	-165.6	-182.9						
TOTAL	6.44		\$6.75			Net Financing Cash Flow	59.7	29.5	167.0	195.3						
Directors & Senior Mgt						Key Metrics - Finsure										
Substantial Shareholders						6/17A	6/18F	6/19F	6/20F							
Peter Wallace (Non-Exec. Chairman)	Firstmac	13.0%				Loan writers	1,213	1,516	1,744	1,918						
Simon Lyons (Exec. Director / CEO)	Aoyin Group	11.6%				growth	31%	25%	15%	10%						
Derek La Ferla (NED)	Aura FM	10.6%				Loan writers - average	1,069	1,365	1,630	1,831						
Keith John (NED)	Lord of W Holdings	6.2%				Settlements per avg. loan writer (\$m)	9.7	9.5	9.3	9.3						
Peter Hall (NED)						growth	-2%	-3%	0%	0%						
Malcolm Cowell (CFO)						Total Settlements (\$m)	10,400	13,017	15,081	16,940						
						growth		25%	16%	12%						
						Aggregation - Upfront net revenue	0.035%	0.035%	0.035%	0.035%						
						Aggregation - Trail net revenue	0.014%	0.014%	0.014%	0.014%						
						Aggregation - Loan book (\$m)	25,000	32,697	40,608	48,647						
						Wholesale - Loan book (\$m)	1,500	2,225	2,180	2,244						
Analyst: Oliver Stevens						Last Earnings Estimate Change:										
Phone: +61 8 9268 2879						5 June 2018										
Sources: IRESS, Company Information, Hartleys Research																

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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.

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Hartleys has completed a capital raising in the past 12 months for Goldfields Money Limited ("GMY"), for which it has earned fees. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to GMY, for which it has earned fees.

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