

MoneyHero Limited(1Q24 Earnings)

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Corporate Speakers:

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

Participants:

- Milo Bussell; Edison Group; Analyst
- Nirgunan Tiruchelvam; Aletheia Capital; Head of Consumer and Internet

PRESENTATION

Operator^ Good day, ladies and gentlemen, thank you for standing by. Welcome to MoneyHero Group First Quarter 2024 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. I would like now to turn the conference over to Chadwick Dorai, Strategic Finance Lead. Please go ahead.

Chadwick Dorai^ Thank you, Olivia. Hello, everyone. Very good morning or 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 First Quarter 2024 Earnings Conference Call. Today we have with us Rohith Murthy, our CEO; and Hao Qian, our new 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 will 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 risk 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 own 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 the 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, our CEO will be discussing our Q1 performance and will also be introducing our new CFO, Hao Qian. With that, let me pass on the time to Rohith Murthy, CEO of MoneyHero Group. Over to you, Rohith.

Rohith Murthy^ Thank you, Chad. Thank you all for joining us today. I'm pleased to report that we have continued to deliver strong earnings for the first quarter of 2024 with revenue increasing by 24% year-on-year to USD 22.2 million. Now, this significant growth underscores the effectiveness of our updated strategic initiatives and our deep understanding of the evolving and growing demand for personal financial services in our key markets.

Now, despite Q1 historically being a lower quarter due to the Chinese New Year holidays and the shorter month of February, which typically results in a drop from Q4 to Q1, we have achieved substantial year-on-year growth. This demonstrates the resilience and strength of our business model in overcoming seasonal challenges.

Now, reflecting on the five key pillars I outlined in our fourth quarter '23 earnings call, number one, consumer pull, conversion expertise, insurance brokerage, strong partner relationships, and operating leverage, we see clear improvements and direct impact in our Q1 results. Our focus on enhancing the user experience and providing high-quality content has continued to attract and retain consumers across all markets, driving significant inbound traffic to those respective platforms.

Our conversion expertise continues to develop and strengthen, evidenced by the 72% year-on-year increase in approved applications in quarter one. Now, this dramatic improvement is a testament to a highly intuitive and streamlined UX and UI guiding consumers seamlessly through their financial decisions.

Our insurance brokerage segment saw revenue increase by 44% YOY contributing 8.2% to our group revenue. As a major driver for MoneyHero, we continue to expand, but also simplify the insurance purchasing process for our users. Our strong partner relationships have remained a cornerstone of our business, enabling us to be the largest digital acquisition channel for many of our financial partners. This quarter, we successfully ramped up our marketing and brand campaigns and market share acquisition strategies.

In Singapore and Hong Kong, our strategies resulted in revenue growth of 61% and 37% respectively. Now, these efforts are critical as we continue to expand our footprint and enhance our market leadership position.

Driven by our aggressive growth strategy and marketing investments around credit cards, which are strong lead products for customers, these initiatives serve several strategic objectives. Number one, a market share grab. We have acquired new users, as well as users from other platforms who have migrated to us because of our great offers, significantly expanding our user base.

Number two, preferred acquisition channels. We are now the preferred acquisition channel for many of our partners, resulting in co-created products and exclusive offers. And number three, cross-sell potential. Credit card acquisitions act as a great incubator for us to cross-sell higher-margin products to our user base, especially insurance.

Additionally, our creative platform continues to thrive, contributing 19% to our group revenue this quarter, up from 17% in the prior year. We continue to invest in and expand Creatory, our B2B platform, by adding and working with new creators through our marketing campaigns. This approach taps into newer audience segments and builds our marketplace brands through these collaborations.

Our increased EBITDA loss reflects our deliberate and strategic investments in growth and market share expansion. We have significantly ramped up our marketing efforts and customer acquisition strategies, which are essential for capturing market share and positioning us for long-term success. These investments are not merely about immediate revenue growth but are crucial for establishing a stronger, more sustainable business model.

By aggressively expanding our user base and enhancing our market presence, we are laying the foundation for future profitability and long-term shareholder values. This strategic expenditure includes co-creating exclusive products with our partners, increasing our cross-selling capabilities and solidifying our position as the preferred acquisition channel in our markets.

To further enhance our financial performance, we are optimizing operational efficiencies and expanding into higher-margin products such as personal loans, insurance, and advertising revenues.

We anticipate these initiatives will reduce our operating burn starting in the second half of this year. Additionally, leveraging AI and automation and centralizing data on a robust platform will enhance marketing efficiencies through better insights and CRM strategies. And lastly, our commitment to operational leverage remains unwavering.

Although total operating costs and expenses increased to support our aggressive growth strategies, we remain disciplined in our effort to expand our scale and drive efficiency, generating long-term value. With a debt-free balance sheet and a strong cash position, we are well positioned to execute our strategic initiatives and achieve our ambitious target of USD 100 million in revenue for 2024.

Now turning on to our performance in the first quarter this year, group revenues increased by 24% YOY to USD 22.2 million in the first quarter. Our core business, online financial comparison, grew by 22% YOY and Creatory our B2B business grew by an impressive 34% YOY contributing 19% to the group's revenue compared to 17% in the prior period.

Our revenue has been impressive across all markets. Now Singapore grew 61% YOY to USD 8.9 million. Hong Kong grew 37% YOY to USD 7.7 million. Philippines decreased 4% YOY to USD 4 million. And for Taiwan, despite a 40% decrease in revenue, YOY due to forced product offerings from some key clients, we have secured now deals with both new and returning clients this quarter, positioning us for recovery.

Our strategic focus on insurance is beginning to demonstrate increasing success with revenue now from insurance products increasing by 44% YOY this quarter, aligning with our ambition to become the preferred destination for insurance discovery and purchase.

As I mentioned, additionally our partnership strategies continue to grow and evolve with market dynamics. We are co-creating unique products and offerings with our financial partners. These new offerings will not only strengthen our partner relationships, but will also improve our profitability.

Moving on, we continue to make executive level hires that will help accelerate money heroes' next level of growth. This includes having recently appoint a head of AI, marking a significant step in our strategy to integrate advanced AI tools that streamline operations and enhance efficiencies across the enterprise. This move is aimed at improving our operational leverage and scaling our capabilities more effectively, ensuring we remain at the forefront of technological advancements in our industry.

Now, I'm delighted to introduce our new CFO, Hao Qian, who has recently joined MoneyHero Group. Before I pass the call over to Hao to share a little of his background and walk us through the financial highlights, I want to extend a warm personal welcome.

We're very happy to have Hao on board and look forward to the expertise and fresh perspectives he brings to our team. Thank you all once again for your trust and support. I look forward to discussing our detailed financial results and answering any questions you may have. With that, I'm now turning the call over to Hao, our CFO.

Hao Qian^ Thank you, Rohith. Good day, everyone. As Rohith mentioned, I have just joined MoneyHero Group to oversee firms' financial systems and teams, including accounting, capital markets, legal compliance, and the investment relationships.

Additionally, I will play a key role in our street financial initiatives, including M&A and commercial partnerships. I bring 17 years of financial and leadership experience before joining MoneyHero Group. I hold numerous senior finance positions at Alibaba Group, including serving as Venture CFO of the Lazada business units across multiple markets.

I look forward to continued contribution to MoneyHero's continued success and the working with the talent team to drive further growth in the long-term shareholder value. Now, let's turn to our 1Q '24 financial performance.

In the first quarter of 2024, MoneyHero delivered 24% year-over-year revenue growth to USD 22.2 million. We realized significant growth year-over-year in Singapore up 61%,

in the Hong Kong up 37%, where we have increased our customer acquisition and are strengthening our already dominant market share.

This top-line growth was driven by maintaining a strong provider relationship and by investments in both traffic and the commercials. Our Philippine business decreased 4% year-over-year, largely due to revised pricing terms for key clients on the completion of its service migration post-acquisition.

And our Taiwan business decreased 40% year-over-year to 1.4 million in the first quarter due to paused product offering for certain key clients. For Taiwan and the Philippines, we will focus on building long-term sustainable profitability and focus on building new verticals to replace the loss of revenue from key clients' decision to exit the market.

Our B2B business, Creatory, also continued to show strong growth and increasing contribution to the group. With fourth quarter revenue increased 34% year-over-year to USD 4.1 million, which represents 19% of group revenue. We will continue to leverage the Creatory platform as a competitive advantage to drive traffic and gradually decrease our performance marketing.

Insurance remains our fastest-growing product vertical, with fourth quarter revenue increased 44% year-over-year to USD 1.8 million. We will continue to explore new opportunities to offer more new product lines to further fuel the top line and bottom line growth. In addition to our core business growth, we aim to use insurance as a differentiator to further enhance user engagement in order to increase both frequency and the share of quality.

For the first quarter of 2024, our year-over-year adjusted EBITDA loss increased to a loss of USD 6.4 million from a loss of USD 0.3 million.

The primary drivers for the increased loss for the first quarter are our strategy to pursue market share versus competitors by increase rent and direct marketing expense. Second, provider constraints as one of our key providers exist our two critical markets, Taiwan and the Philippines.

Number three, total operation costs increase year-over-year primarily due to the additional costs associated with being a public company, such as audit fees, direct insurance, IR/PR rate fees and et cetera.

As a result of our strategic initiatives, we expect our adjusted EBITDA loss to remain elevated for the first half of 2024. But we expect margin to recover in the second half of 2024 and continue to expand for the rest of the year. We anticipate operating at adjusted EBITDA probability on a monthly basis in the later part of 2024.

On a normalized basis, we expect our adjusted EBITDA margin to be in the range of 5% to 10% within the next 12 to 24 months.

Critically, our business model at scale has proved to be highly cash-generative, with a significantly higher margin which we believe can achieve over time. Looking forward, we will continue to prudently use our strong cash position to extend our footprint. We see this in two distinct parts.

First, through organic efforts such as our insurance business, personal loans, Creatory, and streaming line costs with efficiency gain in using AI. Second, by continuing to explore strategic acquisitions and the investments that are in line with our long-term goals.

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

QUESTIONS AND ANSWERS

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

Milo Bussell^ Hi guys. It's Milo Bussell from Edison. Congratulations on the results and thanks for the great presentation. Two questions from me, please. The first is, the insurance vertical is obviously a strategic focus for you as you progress towards profitability. Are you seeing any changes in the competitive landscape within your markets and how do you see it evolving?

And then the second question is on conversion rates. So, could you just discuss some of the trends you're seeing to date and how you're investing to continue the improvement? Thanks very much.

Rohith Murthy^ Thank you for the question. I'll take the -- I'll start with the first question around insurance.

Now, I'll go back to our strategic pillars that I spoke about that have positioned us uniquely to succeed in the insurance landscape and let me elaborate on these strengths and see how the market is developing.

Number one, consumer pull. Now, we have a unique advantage in the insurance industry which is typically a push market where products are sold rather than bought. And we have cultivated a strong consumer pull with users now actively coming to our platform to seek out insurance solutions. And this positions us exceptionally well to meet their needs and drive growth.

Number two, conversion expertise. Now, our platform enables users to purchase insurance policies directly, streamlining the process and enhancing the user experience.

We've seen a significant increase in users buying travel insurance directly on our platform demonstrating this conversion expertise.

Number three, as a licensed insurance broker, we have the capability to expand into all forms of general insurance. Additionally, in markets like Hong Kong and Philippines, we can also offer life insurance, broadening our product portfolio and market reach.

Number four, data insights. Our central robust data platform now provides deep insights into our user base and this allows us to cross-sell and upsell relevant insurance products more effectively. Through the comprehensive marketing campaigns and growth strategies, we've also acquired a large user base and understand the needs through the various browsing, engagement, and purchasing data we capture.

And of course, AI, we are really excited about leveraging AI to provide more proactive assistance to our users. Now, AI will enable us to offer tailored recommendations and support when users are considering or they're ready to purchase insurance, again, enhancing the overall experience.

We place a strong emphasis on educating our users. So, through rich content, organic search, our email newsletters, we help users discover and understand the value of insurance products, empowering them to make informed decisions.

Our Creatory ecosystem allows us to reach wider audiences with educational content and relevant insurance products, such as travel and pet insurance. This platform enhances our ability to connect with users in a meaningful way.

Customer experience, we prioritize offering instant rewards and incentives to our users, investing in building loyalty and engagement. Our commitment to a superior customer experience is a key differentiator.

I spoke about co-creating exclusive products. We've already launched two exclusive travel insurance products in Singapore. We've developed and collaborated with our insurance partners. And these bespoke offerings are tailored to meet the specific needs of our users.

And finally, a large community platform in Singapore, Seedly, allows users to get reviews and answers from a trusted community. This, again, builds confidence and trust in the products we offer, further enhancing our market position.

So, the second part of the question around the competitive landscape, now, as we look at our footprint and scale, we currently don't see any platform in our region with these advantages I just spoke about. Now, here's how we perceive the competitive landscape and our positioning within it.

Firstly, the insurance market presents a significant opportunity, both now and in the future. Our goal is to attract more customers to MoneyHero Group and ensure they choose us for their insurance needs.

Now, while technically anyone selling insurance is a competitor, the key factor is whether the customer actively thinks about insurance. Our strategy focuses on drawing customers in rather than pushing products to them. This consumer pull is a significant competitive advantage.

We've invested significantly in making customers aware of the importance of insurance as part of their financial planning. Our strong brand recall ensures that when customers think of insurance, they think of MoneyHero Group.

This integrated approach combining consumer pull, conversion expertise, data insights, AI leverage, and a strong educational ecosystem uniquely positions us in the market. While traditional insurers and new digital players compete, no other platform matches our scale and these integrated strengths.

So in conclusion, while the competitive landscape is evolving, our strategic pillars and these unique advantages give us a very strong foundation to capitalize on these changes and drive sustainable growth in the insurance vertical.

Now, let me move on to the second question, which was around the conversion rate trends that we're seeing and how we're investing in it. Now, this is conversion rate optimization is one of our core pillars. And we have seen really encouraging trends in this area. Now, let me give you an overview of these trends and how we're continuing to invest.

Number one is we constantly refine our comparison journeys, our UX and UI to enhance user experience. Recently, we refreshed our credit card and personal loan comparison journeys, resulting in an instant uplift in conversion rates. More users are now picking products which demonstrate the effectiveness of our design improvements.

Number two, we have significantly improved our insurance purchasing journeys by enabling users to complete their transactions directly on our platform. Our data shows that users are more likely to purchase policies when they convert on our platform versus being redirected to an insurer site. This end-to-end integration has resulted in higher conversion rates for insurance products.

Number three, we are exploring the potential of GenAI and large language models to further enhance our user assistance capabilities. This is a really exciting technology that can provide users with instant answers and personalized guidance, which we believe will significantly improve our conversion rates by addressing these user queries more effectively and efficiently.

ShopHero, we know we recently launched the ShopHero mobile app, which I spoke about in our last earnings call. And this app focuses on deal discovery, helping users find the best deal for their credit cards quickly.

Now, this customer value proposition again aims at streamlining the deal discovery process, which we expect will drive higher engagement and conversions as users find relevant offers more easily.

And we obsessively track and monitor our email engagement metrics, metrics such as open rates, click-through rates, bounce rates. Running numerous marketing campaigns, we constantly test new campaign pages and creatives to optimize performance.

All these efforts have led to improved engagement and conversion rates as we refine our messaging and design based on real-time data. Coming to the trends, to date, we have seen and observed a positive trend in our conversion rates across multiple product lines.

Let's take credit cards and personal loans, for example. As I mentioned, the refreshed comparison journeys have led to double-digit conversion rate growth. On insurance, our end-to-end purchase journeys have significantly outperformed traditional redirect methods. And the email campaigns I spoke about have, we have higher engagement and conversion rates. And we continue to invest to drive this improvement.

We're really committed to ongoing improvements in our comparison journeys. I spoke about the fact that we will explore and leverage AI and LLM models. On app development, we will continue to expand the functionality of our ShopHero app so we can include more features that drive conversions.

We have a centralized data platform and we're using insights from that platform to refine our marketing strategy and process opportunity. And we continue to test and optimize our e-mail campaigns.

So, we are relentlessly focusing and continue to focus on conversion rate optimization through these various improvements. And we've remained committed to investing in these areas so we can further enhance our conversion rates. Thank you for the question again.

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

Nirgunan Tiruchelvam^ Hi, thank you very much for a fantastic set of results and a very illuminating presentation. I have two questions. The first is, am I right in saying that except the Philippines, the user numbers have actually fallen in this quarter?

Rohith Murthy^ Sorry, could you repeat the first question? I couldn't get the first question again.

Nirgunan Tiruchelvam^ I refer to the quarterly user numbers.

Rohith Murthy^ Yes.

Nirgunan Tiruchelvam^ Am I correct in saying that except for the Philippines, the monthly unique users have actually fallen in every market?

Rohith Murthy^ No. Actually, as we look at our monthly unique users, we've actually seen our monthly unique users increase in many of our core markets. Now, we do have seasonality in some of the markets where we've seen a drop and that's primarily been in markets like Taiwan and to an extent in Philippines.

However, we are not just focusing on monthly unique users because eventually we want users to transact and that's where we've seen a significant improvement in conversion rates. We actually have seen record number of transactions in this first quarter, which is a great sign because a lot more people are applying and getting the products, be it credit cards, personal loans and insurance.

So we look at both these metrics side-by-side and where traffic continues to be a very important metric for us, but we're also obsessed around making sure that when that traffic comes, it converts into transactions and that's where we are seeing a significant improvement even if there is a marginal drop in a couple of our markets.

Nirgunan Tiruchelvam^ Thank you. I would like to ask a question on the...

Operator^ Pardon me. Looks like our participant disconnected their line. (Operator Instructions) I will turn the call back over to the speakers now.

Rohith Murthy^ I guess there are no more questions. So thank you again and we will be publishing our results and I look forward to the next earnings call. Thanks again for your time.

Operator^ Thank you, ladies and gentlemen. This concludes today's conference call. Thank you for your participating. And you may now disconnect.