

Judo Bank joins elite unicorn club

By James Eyers

Australian Financial Review (AFR)

Thursday 7th May 2020

565 words

Page 17 | Section: The road out Companies&Markets

416cm on the page



Judo Bank joins elite unicorn club

James Eyers

Fintech

Judo Bank has raised \$230 million in fresh equity at a post-money valuation north of \$1 billion, lifting it into an exclusive club of local unicorns and showing the support of existing investors despite the risks COVID-19 present to business banking.

The lender to small- and medium-sized businesses, which was licensed to take deposits just over a year ago, has now raised a total of \$770 million in equity over three rounds.

The new shares were placed at a higher price than the second, \$400 million funding round in the middle of last year, Judo said, valuing it at “well over” \$1 billion inclusive of the new equity. It did not disclose its valuation at the second round.

The new funding was open to existing Judo shareholders, which include Bain Capital Credit, Myer Family Investments, the Abu Dhabi Capital Group, Ironbridge, SPF Investment Management, OPTTrust and Tikehau Capital.

David Hornery, who co-founded Judo with Joseph Healy, said the deal

“underscores the confidence and commitment” of existing investors, “particularly at a time of extreme volatility in global markets that has impacted all bank valuations”.

Major bank valuations on the ASX are down around 20 per cent in the past year, as the market worries about profits being hit by loan losses due to COVID-19.

Mr Hornery said Judo would inevitably have to raise provisions due to the crisis, but said the “very substantial” proportion of loans were holding up well given personalised interaction between Judo and all customers.

The other fintech unicorn in Australia is Airwallex, a cross-border foreign exchange service that counts Tencent as an investor. The Chinese tech giant last week became a substantial shareholder in Afterpay.

The unicorn tag refers to a private company valued at more than \$1 billion, so Tyro, which listed on the ASX in December at a valuation of \$1.4 billion, and Afterpay, which is trading with a market capitalisation of \$10 billion, are not included.

Judo joins several other unicorns in Australia, including graphic design

software company Canva; SafetyCulture, which manages workplace safety and counts former prime minister Malcolm Turnbull as an investor; and Culture Amp, a tech platform to manage people and culture.

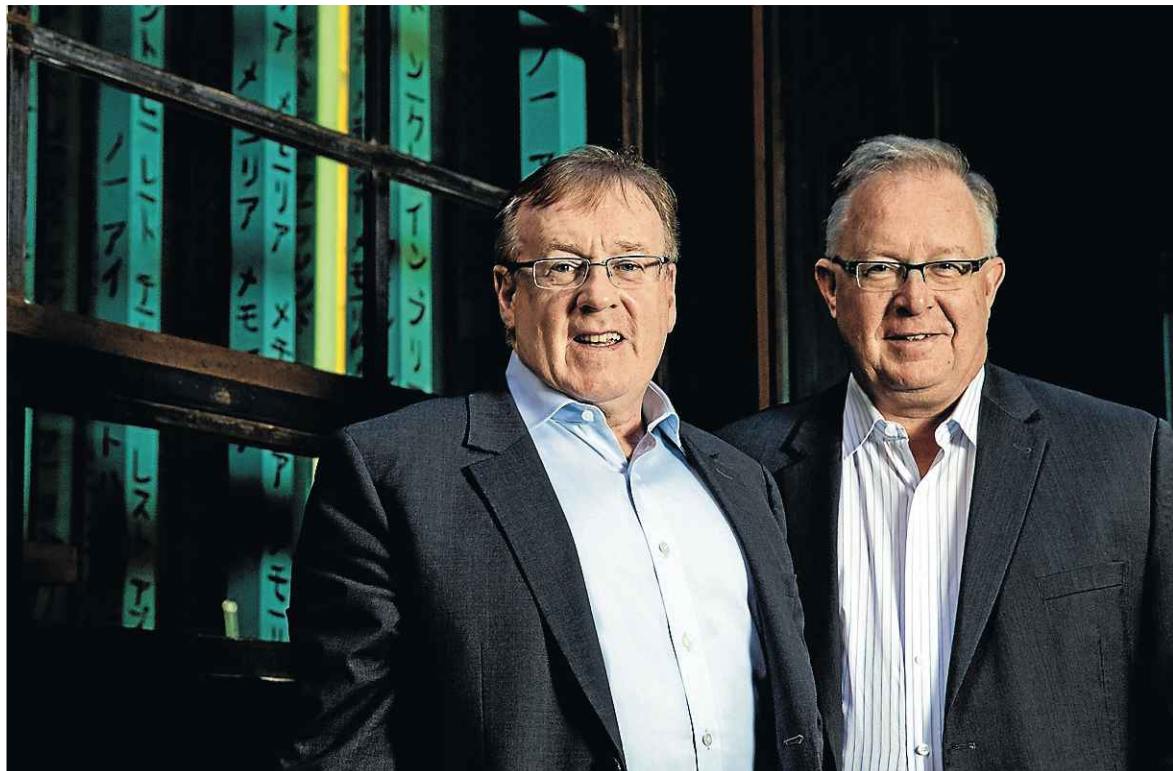
Judo Bank is the first of the new breed of neobanks to become a unicorn. Another local neobank, Xinja, has also received capital from the Middle East.

Mr Hornery said Judo had “one of the strongest capitalised tier-1 ratios in the country”, but declined to reveal the number. He said the bank would become profitable in the “very near term”.

In addition to the equity, it has received a combined \$800 million in debt funding from big investment banks Citi, Goldman Sachs and Credit Suisse. During the coronavirus crisis, it has drawn an additional \$500 million from the federal government through the Australian business securitisation fund and structured finance support fund.

Judo has 55 bankers serving 650 customers, and has made \$1.6 billion in loans and taken \$1.5 billion of deposits.

Mr Hornery says the pipeline of new loans is strong and the bank is well capitalised and maintains strong liquidity given its deposits, institutional funding lines and access to government schemes.



Judo Bank co-founders Joseph Healy, left, and David Hornery, who says the raising “underscores the confidence and commitment” of investors at a time of extreme volatility. PHOTO: COLE BENNETTS