

Judo raising values neobank at \$1.6bn

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The Myer family and Bain Capital-backed Judo Bank has revealed it has secured more than \$140m from new investors in its latest capital raising, valuing the challenger neobank for small and medium-sized businesses at more than \$1.6bn.

Judo Bank confirmed on Tuesday that it had raised \$280m in new equity, with 60 per cent of the raising coming from new major institutional investors, most of whom are believed to be offshore.

Seventy per cent of the bank's largest current shareholders, which include the likes of Bain Capital Credit, Myer Family Investments, Abu Dhabi Capital Group, Ironbridge, SPF Investment Management, OPTrust and Tikehau Capital, chose to resubscribe and increase their stakes in the issue.

The raising takes to \$510m the value of equity raised by Judo Bank this year and gives the bank a post-money valuation exceeding \$1.6bn, representing an increase of more than 60 per cent in value over the past seven months during the COVID-19 pandemic.

Its \$230m capital raising in May valued the business at more than \$1bn, giving it a so-called "unicorn" status.

The successful raising comes less than a week after fellow start-up neobank Xinja announced it would hand back its banking



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JUDO CO-FOUNDER

licence after failing to secure a mooted \$433m investment over two years from Dubai investment company World Investments.

Xinja blamed COVID-19 and a tough capital raising environment for its decision to exit banking in

Australia and focus on its US share-trading platform.

"We are delighted with the strength and consistency of support received from the investment community with this latest \$280m capital raise," Judo's co-founder and co-CEO David Hornery said.

"This year alone, we have raised over half a billion dollars in funding across two rounds in the most challenging market conditions in living memory, with funding coming from some of the best-known and most widely respected private and institutional investors in the world."

According to the Australian Prudential Regulation Authority, Judo had a \$2.1bn lending book and \$1.9bn in deposits at the end of

last month. "It is during times like those we've experienced over the last year that commitment and consistency of support of the SME community are imperative and, as confirmed by APRA figures, Judo Bank has grown its lending book by over 60 per cent since the start of the pandemic, in line with our commitment to do exactly that," Mr Hornery said.

Over the same period, lending to small business shrank 2.8 per cent, according to APRA statistics.

Judo was founded in 2016 by Mr Hornery and fellow former NAB banker Joseph Healy.

Mr Healy last month said he remained concerned about the potential for credit losses across the economy in the second quarter of 2021 when government assistance is withdrawn from businesses.

Judo's accounts filed with the Australian Securities & Investments Commission for the year to June 30 reveal it reported a net loss of \$50.5m, up from a \$26.8m loss in the 2019 year.

This included a \$23.5m provision for impairments on loans and treasury investments following a review of its loan book triggered by COVID-19.

Judo claims it has a very high-touch business model with a ratio of about 25 customers per banker (about 75 per cent less than the big banks), which has allowed it to stay close to any troubled businesses during the pandemic.