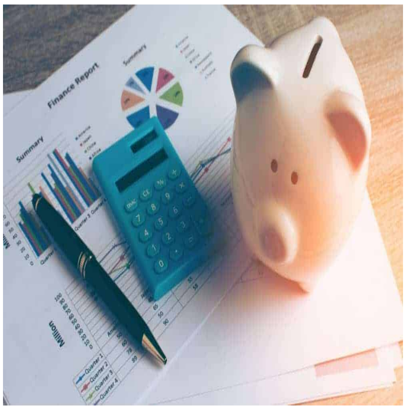

Should You Buy This Micro-Cap Fintech Stock After Earnings?

Description

Financial technology stocks attracted a great deal of interest in the years following the 2007-2008 financial crisis. Trust in large financial institutions was low, and investors were excited about the possibility of low fee and high-tech alternatives coming out to challenge banks.

Many fintech companies have made inroads over the past decade, but the Big Banks have used a large war chest to minimize the advantage many fintech firms have in attracting customers that do their banking primarily online.

Several fintech firms dipped into cryptocurrency in recent years. Back in March I discussed how **GoldMoney** (TSX:XAU), a fintech company that operates a gold based financial services platform, had elected to abandon bitcoin and crypto trading. Interestingly, bitcoin has gathered huge momentum in the late winter and early spring.

GoldMoney is a more specialized fintech company, catering specifically to clients focused on precious metals. Today we'll look at another exciting fintech company that released its first-quarter results earlier this month.

Mogo Finance (TSX:MOGO)(NASDAQ:MOGO) is a Vancouver-based fintech company that launched its IPO in 2015. Earlier this month, I discussed Mogo's stock ahead of its first-quarter earnings release. At the time I called Mogo a pricey addition after it surged to 52-week highs following the announcement that it would acquire Difference Capital. Mogo stock is down 17% from its 52-week high as of close on May 17.

The company has undergone an evolution in the latter part of this decade. It began offering mortgages in the beginning of 2017 to expand its lending portfolio. Lending now represents 50% of Mogo's revenue. In the first quarter, Mogo announced that it would offer a cashback feature on its MogoCard.

Core revenue increased 57% year over year to $16.4 million at the end of the first quarter. Subscription and services revenue rose 68% to $8.3 million. Gross profit jumped 14% to $10.7 million and adjusted EBITDA hit a record $2.2 million, representing a 639% jump from the prior year. Active members at Mogo climbed 34% year-over-year to 808,000, which equals more members than the largest Canadian credit union.

The big news for Mogo was its mid-April acquisition of Difference Capital. While there was speculation that Mogo would need to pursue financing, this move gives its balance sheet a boost in the near term. The transaction itself has very little dilution, with an issuance of 3.2 million shares. Mogo has said that the deal will provide the company with approximately $9-$10 million in cash and give it access to Difference Capital's investment portfolio. It will give Mogo access to private technology companies like Hootsuite Media and Vision Critical Communications.

Mogo and other fintech companies are pushing to make up ground in other areas, as banks have invested huge sums to improve their online platforms. This company aims to leverage a tricky economic environment in which consumers are under increasing pressure. Some of its offerings include a free credit check to clients, MogoCrypto, and MogoProtect, a digital solution that aims to help consumers protect against identity fraud.

Mogo stock fell 2.7% on May 17, and shares have exhaled after a big run-up in late April. Mogo stock has nice upside as the company continues to add members at an encouraging clip. It's worth adding on the dip for the long-term after retreating from 52-week highs.

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