

Jifiti Helps Banks Fight Pressure From BNPL Apps Like Klarna, Afterpay & PYPL

We recently hosted Jifiti's co-founder and CEO Yaacov Martin and co-founder and CMO Shaul Weisband as part of our Mizuho FinTech Disruption Series.

Jifiti - an Israeli startup - tosses a lifeline to traditional banks trying to stop the bleed to popular buy-now-pay-later (BNPL) apps like PayPal's Pay-in-4 product, Klarna, and Afterpay.

Jifiti offers banks a turnkey platform, helping them tap into the vast and fast-growing global BNPL market. The platform enables banks to quickly create and scale their POS loan business with merchants, increasing consumer conversion and basket size.

The key perspectives from our fireside chat with Jifiti's executives are laid out below.

Buy-Now-Pay-Later Offerings Like PayPal's Pay-in-4 Are Eating the Banks' Lunch

The rise of popular BNPL solutions such as PYPL's Pay-in-4, Klarna, and Afterpay is disadvantageous for banks, for which consumer loans are considered the 'bread and butter.' For example, JP Morgan's Consumer & Community Banking division, which serves 63 million U.S. households, generates more than \$5bn of card income, accounting for ~10% of total segment sales.

What is the key competitive advantage for BNPL apps like PYPL's Pay-in-4? McKinsey estimates that Sweden's Klarna - a highly popular BNPL app - uses advanced analytics to increase sales while minimizing financial risks. Specifically, McKinsey notes that Klarna has created accurate algorithms based on millions of purchases, enabling their BNPL service to deliver a best-in-class acceptance rate and instant purchase approval.

Jifiti Tosses Banks a Lifeline by Equipping Them with Similar Capabilities Like App-Based BNPL Services

Jifiti's turnkey platform helps banks compete in the attractive BNPL space by deploying loans at the merchant POS. A key differentiator of Jifiti's platform is the ease of use for banks. For example, the platform does not require integration with a merchant's POS, does not necessitate additional IT resources, and does not require the purchase of new hardware.

Specifically, Jifiti helps banks compete with Pay-in-4 or Klarna by utilizing traditional banks' relative competitive advantages, which include making consumer credit decisions and servicing consumer loans.

Furthermore, to compete with products like Pay-in-4, Jifiti offers a unified white-labeled consumer application customized for merchants, with both e-commerce and in-store displays. Unlike with PYPL and other apps, the merchants end up owning the data Jifiti collects about their customers. In PYPL's case, for example, PYPL owns the consumer relationships thus retains the data.

Company	Symbol	Price (12/22)	Rating	PT
PayPal Holdings, Inc.	PYPL	\$243.49	Buy	\$290.00

Source: Bloomberg and Mizuho Securities USA

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Rapid Integration, SMB Focus, & Boost in Engagement Are Key

The rapid integration Jifiti offers to its bank partners is a key competitive advantage, according to management.

For example, implementation with Jifiti can take as little as six days. This compares with several months for traditional implementations. Moreover, Jifiti also opens up the opportunity for banks to work with SMBs, where the costs and time to market can create significant hurdles.

IKEA Is a Prominent Jifiti Customer in Europe

Management believes that both customer conversion and average ticket value have increased following the deployment of Jifiti solutions.

One example of a prominent Jifiti customer is IKEA, which works with Jifiti in select markets across Europe.

Price Target Calculation and Key Risks

PayPal Holdings, Inc.

Our work hints of significant share gains for PYPL's checkout button, and a first-mover advantage in QR code checkout in the US. We believe PYPL should trade at a mid-teens revenue multiple, as the best-in-class e-commerce beneficiary merits a premium multiple vs the group of US payment peers. Our \$290 PT (up from \$270) is based on ~15x (unchanged) our 2023 sales forecast.

Downside risks include: (1) failure to acquire sufficient customers, (2) larger-than-expected impact from EBAY relationship, and (3) intensifying competition and higher customer attrition.

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Investment Risks and Valuation Methods can be located in the following section of this research report - Price Target Calculation and Key Risks.

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