FLEXIGROUP

ABN 75 122 574 583

# ASX ANNOUNCEMENT

## 2010 ANNUAL GENERAL MEETING
## CHAIRMAN & CEO ADDRESSES

**Sydney, 16 November 2010**

## CHAIRMAN'S ADDRESS
## MARGARET JACKSON

Over the last 12 months, FlexiGroup has experienced strong profit and volume growth. This has been driven by the diversification strategy which began in financial year 2009 with the acquisition of the Certegy Interest Free business and continued with the organic start-up of Blink Mobile Broadband and the organic start-up of our newest business unit – Vendor Finance.

The key highlights from the last year include:

- A record net profit after tax of $60 million which included a one-off tax credit of $18.4 million and like for like net profit after tax growth of 24% to $41.6 million.

- Volume growth which outperformed the retail sector, and increased by 30% to $549 million. Notably, the new business units contributed 59% of the year's volume and 20% of the profit. It is expected these businesses contributions will continue to accelerate.

- Credit quality and our collections process through the GFC was tightly managed and delivered a 10% reduction this year in impairment costs. This is an outstanding result.

- In March, FlexiGroup successfully raised $40.5 million in its first public capital raising since the IPO, with a $15 million placement and a $25.5 million rights issue. There was significant support for the placement from institutional investors with the placement several times oversubscribed. There was also strong support for the rights issue with over 85% of shareholders participating. The Board members took up 100% of their rights entitlements. This new capital has been used to transition funding facilities and facilitate the growth that FlexiGroup is experiencing in Certegy and Vendor Finance.

- In August 2010 we announced our first rated securitisation deal with a $30 million placement of receivables with Challenger Life. It is expected that within two years the Group will have approximately 20% of receivables on these lower cost, rated facilities. Our existing funders and new funders have given us strong support and committed funding capacity will support volumes of $1.3 billion over the next two years.

- Our balance sheet is sound with a cash balance of $124.5 million and operating cash flow increased 42% to $53.4 million.

- In view of these strong results, the Board declared a fully franked dividend for the year of 7.5 cents, an increase of 25% over the last year.

- From a share market perspective, our results have been very pleasing. During the period of the GFC, earnings per share and dividends per share ranked in the Top 10% of the ASX 300 non-mining companies. Most satisfying was this year's result where total shareholder return ranked number twelve.

The results for the current financial period are solid with volume growth of approximately 20%. Net profit after tax growth has been strong, however given the uncertainty in the broader economy, we reaffirm our early guidance of $46 to $48 million.

Given the strong results from last year and continued solid performance this year, the Board has reviewed the dividend policy and has determined that the dividend payout ratio will be increased from "40 to 50 percent" to "50 to 60 percent" of net profit after tax. The dividends are expected to be fully franked for the foreseeable future. For the first half 2011, we expect to pay 5.0 cents per share up from 3.0 cents per share one year ago.

I would like to take this opportunity to thank the executives who consistently deliver results on or above target and provide quality leadership across the business. John DeLano provides strong leadership and is supported by an experienced group of executives who have created a great place to work and a culture that is innovative, collaborative and focused on delivering for our customers.

This culture has been recognised in several outstanding external awards during the year including an international IT architecture award and three Australian Contact Centre awards. As a board we believe that this culture of excellence not only benefits staff and customers but is a significant contributor to shareholder returns.

I would like to thank all shareholders for their ongoing support of the Group and I would now like to introduce your Chief Executive Officer, John DeLano to report on the company activities for the year.

**CEO's ADDRESS**
**JOHN DELANO**

Good afternoon everyone and thank you for joining us this afternoon.

As Margaret mentioned, it is particularly pleasing to be here today and report on our strong results in financial year 2010. Our teams have performed extremely well this year and I would like to take a moment to share some of the highlights.

I'm delighted with the performance of our Risk, Collections, and Treasury teams who have helped us emerge from the Global Financial Crisis as a stronger company well positioned to capitalise on growth opportunities. The teams have delivered an extraordinary result by reducing bad debts by 10%.

Our existing and new funders are pleased with how well the company has been managed during a very challenging environment and have provided committed funding capacity over the next two years to support 15% volume growth. At a time when credit markets are tight and in an environment where many competitors have found it challenging to retain adequate funding lines, this is an excellent result.

I'm also very pleased with the team's progress with our diversification strategy. Our organic start-ups of mobile broadband and vendor finance as well as our Interest Free acquisition are driving strong volume and profit growth. Our Point of Sale Leasing Team performed well and delivered volumes beyond expectations. I'll spend a few minutes recapping our performance in each of these businesses in more detail:

- Certegy, our Interest Free business, is now our largest business with volumes of $290 million and in financial year 2010 delivered 49% growth. As the interest free receivables portfolio increased, net profit after tax rose to $7.6 million up from $200 thousand in the previous year. Since acquiring the business and particularly in the first half of the year, we focused on improving margins and have improved our return on assets by 450 basis points. In the second half of the year, contributions from the home improvements and fitness industries drove continued strong volume growth.

- Flexirent is our second largest business and provides leases to IT and Electrical customers who acquire computers, plasma TV's and white goods. In financial year 2010, volumes were $245 million (an increase of 10%) underpinned by volumes from the new Vendor Finance business and 7% growth from Australian retail point of sale leasing. This is a very good result as we intentionally constrained volumes in New Zealand and Ireland due to concern over rising unemployment and poor economic conditions.

- Our Blink Mobile Broadband product is quite synergistic with our Retail IT Leasing product. The team responsible for our IT retail channel also manages the mobile broadband product. We offer Flexirent leasing customers mobile broadband at half the price and many customers take advantage of this offer. Our team is skilled in motivating retailers to offer our products, and this is apparent in our mobile broadband results. Our mobile broadband subscriber base has grown to 54,000 up from 15,000 in the prior year. As the mobile broadband business is just 18 months old, this is a very good result.

  Customer acquisition costs were significant in the start-up phase and the business recorded a positive net profit after tax contribution in the second half of financial year 2010.

- For those of you unfamiliar with our newest business line, Vendor Finance provides leasing programs and services to Vendors and Original Equipment Manufacturers focusing on mid to large size transactions.

To create this business we recruited an experienced team in late 2009 to target the commercial finance market left under-serviced as foreign and domestic banks either contracted or exited this space. This new vertical contributed volume of $19 million for the year and is expected to be a driver of growth for financial year 2011.

For the first part of financial year 2011, the Group's performance is solid with volume growth approximately 20% ahead of last year.

- Our Certegy interest free business has performed very well with strong growth in volume and profits as we have benefited from increased growth in the home owner sector and margin improvements from new product initiatives.

- We have had positive growth in IT and Electrical (our Flexirent Leasing business) but growth has been marginally lower than expected. Plasma retail prices have reduced significantly and the Computer sector growth slowed in the period against last year's strong volumes from the Windows 7 launch.

- Our mobile broadband subscriber base has continued to grow. Now that we have 18 months experience, we have chosen not to repeat some aggressive promotions that were offered last year and were high churn and not profitable. This year, activations will be less than last year, but profits will improve and we expect to meet our guidance of $3m net profit after tax.

- Our Vendor Finance business had a mixed first quarter. One of our largest accounts was acquired by a copy machine manufacturer who has a captive finance company so our product was no longer required. We have a strong volume opportunity through the M2 partnership which targets SME's with finance needs. We commenced rolling out this program in October and expect a strong volume contribution as this business ramps up.

For the current financial period, given the Group's net profit after tax growth we are on track to meet our guidance of $46 - $48 million.

While the GFC has created a challenging environment for the finance industry, FlexiGroup has expanded and emerged stronger with a more diverse business and reduced competition in many of our segments. I would like to take this opportunity to thank our funders as it is their continued and increased support that has allowed us to capitalise on growth opportunities.

I'd also like to take this opportunity to thank the executive team and staff who have again demonstrated determination and hard work to deliver strong financial results and have responded enthusiastically to a rapidly changing and diversifying business.

I am very proud that against this background of strong business results our culture of excellence has been recognised with some impressive accolades for the year.

- FlexiGroup's IT team received global recognition against international companies such as IBM, SAP AG, Oracle and LG Electronics. Our Credit Decisioning system was recognised with an International Award for the best IT architecture.

- Additionally, FlexiGroup dominated Australia's contact centre industry awards and received three first place awards at the 2010 ATA National Awards. As there are 3,500 call centres serving Australia it is an honour that our contact centre team, collections team, and team leader Alison Binskin were recognised as Australia's best.

These awards are an extraordinary achievement for FlexiGroup and again demonstrate our capability to deliver service and operational excellence. Our company ethos is to make it "Too Easy" for our partners and customers, and I'm pleased that our talented teams have been recognised for doing just that.

# 2010
# Annual General Meeting

**16th November 2010**

**John DeLano**
**Chief Executive Officer and Managing Director**

# Strong Financial Performance

- **Profit:** FY10 Core NPAT[1] of $60.0m (inc tax credit). Cash NPAT[2] up 24% to $41.6m
- **Volume:** 30% growth. Leases, Interest Free, Mobile Broadband double digit growth
- **Credit:** Continued improvement in quality; impairment falls by 10% to 4.4% of ANR[3]
- **Balance Sheet /Cash flow:** $124.5m cash at bank[6]; +42% operating cash flow on FY09
- **Fully franked final dividend:** 4.5 cents per share to be paid October 15th 2010

| | FY10 | Change FY09 - FY10 |
|---|---|---|
| Cash NPAT [2] | $41.6m | ↑ 24% |
| Core NPAT [1] | $60.0m | ↑ 79% |
| Volume[4] | $549m | ↑ 30% |
| Net Operating Cash Flow [5] | $53.4m | ↑ 42% |
| End of period cash (Unrestricted and Restricted) [6] | $124.5m | ↑ 22% |

Notes:

1. Core NPAT includes one off $18.4m tax credit and excludes Certegy Intangibles amortisation of $1.1m
2. Cash NPAT excludes Certegy intangible amortisation of $1.1m in FY10 and $18.4m one off tax credit.
3. ANR is Average Net Receivables
4. Volume is all volumes for leases, loans, vendor finance, Certegy and gross revenue for Blink mobile broadband.
5. Net operating cash flow is cash generated by the business before self funding of loans and leases and capitalisation of loss reserves. Excludes the one off $18.4m tax credit which was received after financial year end close.
6. Unrestricted cash is FlexiGroup's available cash at bank and includes cash which is held as part of FXL's funding arrangements which is not available to the Group. The balance was $15.9m at Jun-09 and $25.2m at Jun-10. Restricted cash is cash loss reserves of $49.7m reflected as an offset to Borrowings on the Balance Sheet.

# FlexiGroup's performance amongst the best in the ASX300 throughout GFC

| Metric | | FXL Performance | Position in ASX 300[2] | |
|---|---|---|---|---|
| **Earning per share growth** | FY08- FY10 EPS CAGR[1] | 29% | **Top 10%** | ✓ |
| **Dividend per share growth** | FY08- FY10 DPS CAGR[1] | 17% | **Top 5%** | ✓ |
| **Total Shareholder Returns** | ASX 300 TSR Ranking – last 12 months | 12th | **Top 5%** | ✓ |
| **Price Earnings ratio** | P/E ratio FY10[3] | 7.65x | **Bottom 15%** | |

Notes:
1. EPS and DPS data used is FlexiGroup's reported NPAT for financial years FY08 – FY10
2. Ranking in ASX 300, represents FlexiGroup's position in the ASX300 (excluding mining and metals companies)
3. Based on FlexiGroup's FY10 cash NPAT

# Well Positioned for Growth

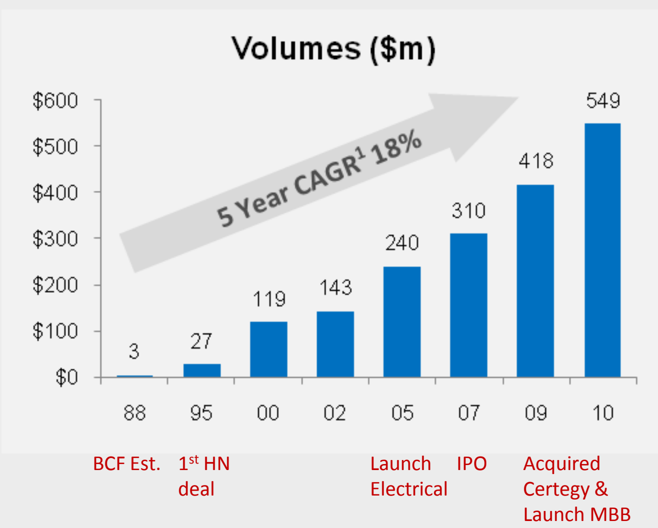
**Market** ➡ Under serviced market due to post GFC funding paradigm

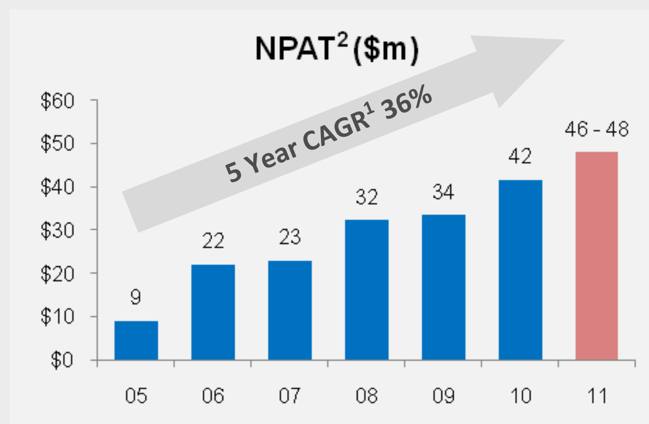
**Funding** ➡ With new and existing committed funding, facilities are in place to capitalise on growth opportunities

**Profit** ➡ New profit opportunities with Certegy and BLiNK through product innovation

**Acquisition** ➡ Opportunities expected to provide further growth potential

**Guidance** ➡ FY11 Cash NPAT of $46m-$48m, 11% to 15% ahead of FY10 $41.6m




Notes:

1. 5 year CAGR calculation is to FY10
2. NPAT excludes Certegy intangible amortisation of $1.1m in FY10 (FY09: $0.7m) and $18.4m one off tax credit.

# Strong volume performance in all businesses with NPAT growth exceeding receivables growth

- Australia Lease volumes in IT and Electrical outperform
- New vertical - Vendor Finance provided a strong contribution to lease growth
- Interest free (acquired in Oct 2008) and mobile broadband (launched organically in Feb 2009) contribute 55% of volumes

| Volume $m | FY09 | FY10 | FY10 v FY09 Growth |
|---|---|---|---|
| Leases and loans | $222m | $245m | 10% |
| Interest Free | $195m | $290m | 49% |
| Mobile Broadband [1] | $4m | $14m | 250% |
| Total Volume | $421m | $549m | 30% |
| **Total Receivables** | **$540m** | **$593m** | **10%** |
| **NPAT [2]** | **$33.5m** | **$41.6m** | **24%** |

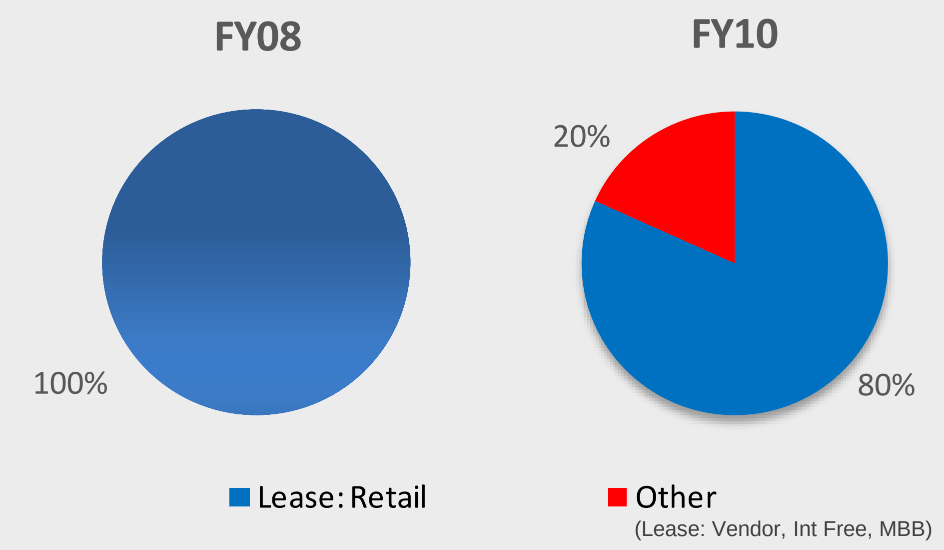
Notes:
1. MBB is gross access and excess revenue.
2. Excludes one-off tax credit of $18.4m and Certegy Intangibles amortisation expense of $1.1m in FY10 (FY09:$0.7m).

# Through downturn and GFC, FXL diversified into 4 businesses and increased NPAT 35%[1]

- In FY08 point of sale small ticket leasing produced 100% of profit
- In just two years, new businesses (interest free, vendor finance, mobile broadband) contribute 20% of profit
- This trend is expected to continue given strong volume growth and NPAT margins of these businesses

**Cash NPAT Contribution**

Diversification impact - strengthens as business lines mature.




Notes:

1. 35% NPAT growth is on a compound annual growth rate (CAGR) over the 2008-2010 period on a reported NPAT basis.

# Flexigroup's culture of excellence is recognised and rewarded in 2010

FlexiGroup wins 3 awards at the 2010 ATA National Awards.


FlexiGroup's IT team won global recognition at the iCMG Architecture Excellence Awards 2010 held in India.