

Sydney – 8 August 2011

## FlexiGroup FY2011 cash profit up 27% to \$52.9 million

### Highlights:

- Cash net profit after tax<sup>1</sup> of \$52.9 million, a 27% increase
- Strong volume growth of 27% across all four businesses
- New businesses now contribute 37% of Cash NPAT as diversification strategy delivers
- Aon Hewitt Best Employer award fulfils strategic goal of engaged workforce
- Fully franked final dividend of 5.5 cents per share, annual dividend up 40%
- Growth of 12% to 15% forecast for FY12 Cash NPAT

FlexiGroup Limited (“FlexiGroup”) today reported a 27% increase in consolidated Cash Net Profit after Tax (NPAT)<sup>1</sup> to \$52.9 million for the 12 months ended 30 June 2011.

Directors declared a fully franked final dividend of 5.5 cents per share, compared to the 4.5 cents per share paid for the same period last year. Together with the 5c interim dividend, this represents annual dividend growth of 40%. The final dividend will be paid on October 13th.

FlexiGroup Managing Director and Chief Executive Officer, John DeLano, said: “This is an exceptional result that is both a validation of the company’s diversification strategy and a tribute to the quality of our staff.

“Three years ago, we had one business, today we have four,” Mr DeLano said. “This year our new businesses contributed 37% of Cash NPAT. Moreover, thanks to Certegy and BLiNK, almost 60% of our revenue base is now non-interest income.

“Since our IPO in FY2007, we have more than doubled NPAT and volumes. We ranked 8<sup>th</sup> among S&P/ASX300 non-mining companies for total shareholder return during FY2011. Over the past two years, we sit in the top 20% for earnings per share growth and the top 10% for dividend per share growth.

“I am particularly proud that our strategic goal of achieving strong financial performance by developing an engaged workforce and fostering a culture of excellence has been recognised by the receipt of three prestigious awards. FlexiGroup has been identified by Aon Hewitt as one of Australia’s Best Employers. Earlier in the year, we won the ATA Award for Australia’s Best Contact Centre, and the International iCMG Award for Best IT Architecture.”

FlexiGroup’s winning strategy of combining an engaged staff with an innovative culture and a prudent approach to risk to drive strong profit growth and investor returns is evidenced in the fact that the \$52.9 million Cash NPAT we delivered in FY2011 is more than 12% above guidance provided a year ago and just above the high end of revised guidance provided in February,” Mr DeLano said.

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<sup>1</sup> Reported Net Profit after Tax declined 12.1% to \$51.8 million due to the inclusion of a one-off tax refund of \$18.4 million in FY2010. Excluding the one-off, reported profit rose 27.9%.

## **New Businesses and Diversification Driving Growth**

Diversification of businesses and funding while focusing on product innovation has produced 27% volume growth. Despite a difficult retail environment the three businesses acquired or grown organically since October 2008 achieved volume growth of 41%.

- Certegy Interest Free (October 2008 acquisition) performance is a highlight. Volumes increased 30% to \$375 million, with second half volume growth even stronger at 38%. Certegy's cash profit rose 80% to \$13.7 million, or 26% of the group total. Volumes from the new Lay-by product were more than 10% of Certegy's transaction volume in June, and Lay-by is expected to contribute a similar percentage to the FY2012 total.

"Certegy has again delivered an exceptional result and is on track to repay its \$31 million acquisition cost in a little over three years," Mr DeLano said. "In the time we have owned Certegy, volumes have grown by 42% and NPAT has more than trebled."

- Maturing vendor relationships and conversion of business development activity allowed Flexi Commercial Vendor Finance (December 2009 organic start up) to increase volumes 221% to \$61 million or 9% of the group total. NPAT doubled to \$2.6 million. Formal program agreements were signed with 11 new vendors during the year and drove the strong performance.
- BLiNK Mobile Broadband (February 2009 organic start-up) increased its active customer base by 37% to 74,000 and now has more than a 35% share of key retail partners' volumes. NPAT improved \$4m to 6% of the group total. Efficiencies saw data costs per customer fall 21% and call centre volume per customer decline 38%.
- Flexirent, FlexiGroup's original small ticket leasing business, again outperformed in a challenging retail environment by delivering sales volumes of \$238 million, an increase of 6%. Flexirent secured growth through non-retail commercial segments. With growth accelerating, the volume contribution of the non-retail sector increased from 15% to 29% in the fourth quarter.

## **Further Improvement in Credit Metrics**

Net impairment losses in FY11 declined to 3.8% of average net receivables from 4.4% in FY2010.

"The results in this area reflect the experience gained from more than 20 years in providing consumer and business credit that is embedded in FlexiGroup's credit scoring systems, continued investment in new technology platforms, and, of course, our award winning collections team," Mr DeLano said.

## **Outlook**

FlexiGroup expects continued growth and product innovation. Committed funding facilities and a strong balance sheet will support growth as well as provide capacity to consider any value accretive acquisition opportunities that might arise.

FlexiGroup provides NPAT guidance of 12% to 15% growth in FY2012.

## Investors / Analysts

David Stevens  
T: 02 8905 2045

Garry McLennan  
T: 02 8905 2163

## Media

Alan Jury  
FD  
T: 02 8298 6100

## Notes to Editor:



FlexiGroup is a leading provider of vendor and retail point-of-sale finance and telecommunication services. Offering lease, rental, interest free and mobile broadband plans, performance has been characterised by solid, profitable growth as the company has expanded its business through organic growth, acquisition, product innovation and diversification.

FlexiGroup operates in Australia, New Zealand and Ireland within a diverse range of commercial and consumer industries including: IT, electrical appliance, telecommunications, home improvement, solar systems, medical, furnishings and travel. FlexiGroup markets its financial and telecommunication products under the following brands; Flexirent, EzyWay, Flexiway, Certegy Ezi-pay, Flexi Commercial and BLiNK.

Key to FlexiGroup's success are the long standing relationships developed with a number of successful retailers and commercial vendors. FlexiGroup has a distribution network of approximately 11,000 active retailers. Key retailers include Harvey Norman, Noel Leeming, Apple Resellers, Midas, Modern Group, The Good Guys, and Bing Lee together with vendor partnerships with Comcentre and M2.

John DeLano joined FlexiGroup in September 2003 as Managing Director. Prior to joining FlexiGroup, John was Managing Director of Avis Australia, and also served in a senior role as Travel Services International in the USA, a publicly listed company.

The Board of FlexiGroup is chaired by Margaret Jackson (also a Director of Billabong International Limited), and includes John Skippen, formerly Finance Director of Harvey Norman Holdings Limited, Rajeev Dhawan, a partner of Equity Partners, and Andrew Abercrombie, a founding director and major shareholder in the company.