

Sydney – 5 December 2011

## **FLEXIGROUP PURCHASES PAYMATE TO CAPITALISE ON HIGH GROWTH IN ONLINE SALES**

### Highlights

- FlexiGroup purchases online payment business Paymate
- Paymate has established relationships with 3,500 online retailers, including eBay
- Provides speed to market and immediate access to high growth online payments market set to grow 12% to \$38bn in 2013<sup>1</sup>
- Extends successful diversified financial services strategy, provides access to 12 online merchant categories and international markets
- Leverages FlexiGroup's high volume payment processing infrastructure which processes 11 million transactions p.a.

FlexiGroup (ASX:FXL) today entered into an agreement with ACT Merchant Services to acquire the business of Paymate Pty Limited ("Paymate"). Under the agreement, FlexiGroup will acquire the assets of the Australian, New Zealand and Asian business for an undisclosed but not material sum that will be funded from existing cash reserves and by deferred equity consideration.

Paymate is an online payments business, launched in Australia in July 2000. The company has established relationships with 3,500 retailers, and is one of only three payment options integrated into the eBay checkout.

FlexiGroup Managing Director and Chief Executive Officer, John DeLano, said: "Paymate is an attractive acquisition due to its compelling strategic value. The acquisition is an opportunity for FlexiGroup to gain an early mover advantage in the online payment market where volumes are growing at exponential rates."

### Strategic Rationale

The transaction significantly expands FlexiGroup's strategic footprint and the rationale for acquiring Paymate includes the following:

- Capitalises on the significant shift to online retailing and the large high growth online payments market;
- Provides a platform that delivers speed to market, support for a new innovative deferred payment product, and immediate access to online merchants;
- Supports FlexiGroup's retail partners move online and leverages existing customer relationships;
- Extends FlexiGroup's diversified financial services strategy. The acquisition provides a new online distribution channel, a broader range of merchant categories, and access to International markets.

The online market is forecast to grow 12% to \$38 billion by 2013, and is dominated by two payment methods – credit cards and PayPal, which account for 91% of the market. There are currently over 300,000 merchants trading online in Australia.

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<sup>1</sup> Source: Forrester Consulting Q3 2011

Paymate is well positioned to increase the number of merchant relationships and it's estimated eBay market share is less than 0.5%. Paymate's robust online technology platform, which includes key risk management, check-out flow and merchant billing capabilities, and existing merchant relationships are capable of supporting significant growth in payment volumes.

FlexiGroup's online initiative is managed by an experienced online payments team and led by Andrew Pipolo, former Managing Director of PayPal Australia.

John DeLano, said: "The acquisition is consistent with FlexiGroup's successful diversification strategy. The online distribution channel will provide access to new categories including online auctions, department stores, travel, groceries, clothing, sports and the health and pharmaceutical industries."

We will leverage our deep experience in credit assessment and in processing 11 million payments per annum. Using the Paymate technology platform, we will deliver a deferred internet payment product to be called FlexiPay. This product is similar to Bill me Later, a highly successful product offered in the US."

FlexiGroup's Head of E-Commerce, Andrew Pipolo, said; "Approximately 56% of Australians buy something online every month and people are increasingly looking for secure online payment plans beyond traditional credit cards."

"Secure payment providers are going to be an important part in the successful growth of this industry and Paymate is the first in a suite of online payment options that FlexiGroup is actively pursuing."

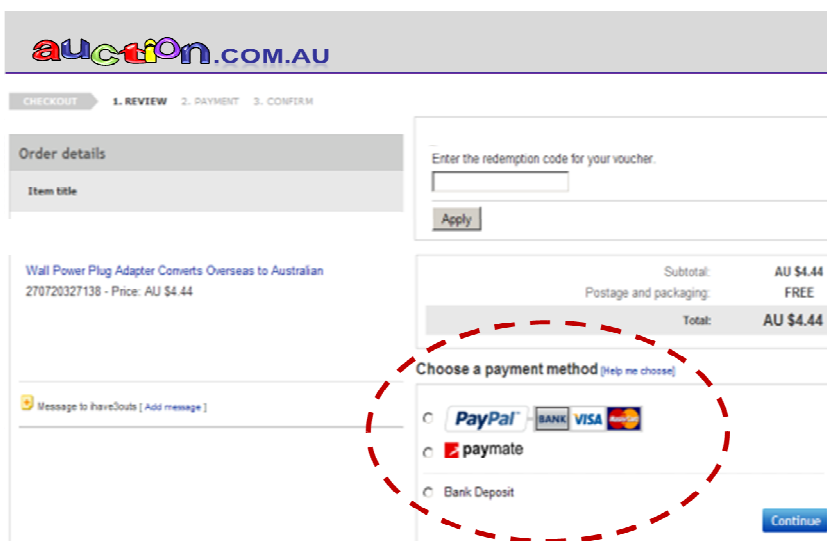
### Financial Outlook

FlexiGroup will make an investment in 2HFY2012 to reposition the Paymate business and expects a positive profit contribution from Paymate in FY2013.

FlexiGroup also reaffirms its FXL FY2012 NPAT guidance of 12 to 15% growth on FY2011 including Paymate.

### Market Teleconference

FlexiGroup CEO John DeLano will host a teleconference at 2:30pm today. Dial in details are 02 9324 2117 and the meeting ID is 0805229.



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## 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 publiclylisted 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.