

Sydney – 29th May 2012

FLEXIGROUP ACQUIRES INTEREST FREE AND VISA CARD BUSINESS TO INCREASE MARKET PENETRATION

Highlights

- Acquisition of Interest Free and Visa card Lombard Finance for \$10m: 5x FCST FY13 Cash NPAT
- Extends FlexiGroup product offer in \$5bn “Interest Free” retail point of sale market
- Entry to credit card market with Visa card cross sell to FXL’s 700,000 existing and 250,000 new customers
- Platform to replicate successful “no interest ever” Certegy acquisition: 5%+ market share in 3 years
- Expands diversified financial services footprint with access to new merchants and categories
- Earnings accretive in FY13, with significant profit contribution expected beyond FY13
- Reaffirm FXL FY12 Cash NPAT guidance of 12% to 15% growth on FY11

FlexiGroup (ASX:FXL) today announced it had entered into an agreement to acquire Interest Free and Visa card business Lombard Finance Pty Ltd (“Lombard”). Under the agreement FlexiGroup will acquire Lombard for a net \$10 million funded from existing cash reserves (\$5m) and equity consideration (\$5m).

Lombard provides interest free financing through established relationships with a number of leading retailers and currently has approximately 23,000 active customers, including 11,000 Visa cards on issue.

John DeLano, CEO and Managing Director of FlexiGroup said: “Lombard represents a compelling opportunity to expand our footprint in the highly attractive Interest Free retail market, 95% of which is dominated by “Interest Free” cards.

The Lombard products complement our existing “no interest ever” products extremely well, opening up new industry segments, and enabling us to offer a Visa card to FlexiGroup’s 700,000 existing customers and 250,000 customers originated annually.”

“We see this as a very similar opportunity to our highly successful Certegy transaction which three years ago we acquired for \$31m and that business today is forecast to contribute \$19m to \$21m to the Group’s Cash NPAT.

“Lombard is a low cost, efficient and highly scalable business that has been capital constrained since the GFC. FXL has the balance sheet, customer base, and relationships with 11,000 retailers to significantly drive growth.”

Strategic Rationale

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

- **Extends reach into \$5 billion retail sales that are “Interest Free”.** The Lombard acquisition extends FlexiGroup’s reach into the more commoditised retail segments such as appliances, computers and

furniture. By providing capital to drive interest free originations and by executing on significant upside in card performance metrics, Lombard's volume and profit growth opportunity is significant.

- **Diversify into profitable credit card market by cross-selling to FXL customers.** Continue the shift from retail point of sale finance to diversified financial services company by securing share of wallet in everyday purchase categories. The Lombard Visa card will be available to 700,000 existing and 250,000 new FlexiGroup customers annually.
- **Speed to market.** The Lombard platform, card servicing infrastructure, and funding provides speed to market and accelerates results by 3+ years.

John DeLano said "We are very excited about the opportunity to work with the Lombard team and to build on our diversification strategy by growing our share in the Interest Free and cards market."

Financial Outlook

The acquisition is expected to be earnings accretive for FlexiGroup in FY13. Additional investment in Lombard to reposition the business for growth will occur in 1H13, with expected profit contribution to grow significantly beyond FY13.

FlexiGroup also reaffirms its FY12 Cash NPAT guidance of 12% to 15% growth on FY11.

Market Teleconference

FlexiGroup CEO John DeLano and CFO Garry McLennan will host a teleconference at AEST 1:00 pm on Wednesday May 30th 2012. Dial in details are for Australia: 1800 801 825 Passcode: 5371529. If you intend to dial in from outside Australia please contact Geri Hobbs on +612 8905 2156 prior to the call to obtain dial in details.

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ABOUT FLEXIGROUP

FlexiGroup is a diversified financial services group providing “no interest ever”, leasing, vendor programs, mobile broadband, lay-by and other payment solutions to consumers and businesses.

Through its network of 11,000 merchant, vendor and retail partners the Group has extensive access to three key markets, Business to Consumer, Business to Business and Retail to Consumers (and small business customers).

Performance has been characterised by solid profitable growth as the company has expanded and diversified its business through organic growth, acquisition and product innovation. This diversification strategy has been extended to the large, high growth online market with the 2012 acquisition of Paymate (an online payment processing business).

FlexiGroup operates in Australia, New Zealand and Ireland within a diverse range industries including: home improvement, solar energy, fitness, IT, electrical appliance, navigation systems, trade equipment and point of sale systems. Services are offered through four business units: Certegy (no interest ever & lay-by), Flexirent (lease), Flexi Commercial (vendor leasing programs) and Blink mobile broadband.

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 at Travel Services International in the USA, a publicly listed company.

The Board of FlexiGroup is chaired by Margaret Jackson, former Chairman of Qantas and previously a director of: Australian and New Zealand Banking Corporation, The Broken Hill Proprietary Company Limited and Billabong International Limited. The Board also includes John Skippen, former 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.