

Sydney – 7 February 2013

## FLEXIGROUP 1H13 CASH NPAT UP 16% TO \$32.6M

### Highlights

- Cash Net Profit After Tax (NPAT) +16% to \$32.6m
- Continued strong volume growth, +21% on 1H12
- Receivables growth driven by Certegy (+29% on 1H12) and Commercial Leasing (+82% on 1H12)
- Revenue mix further diversified with Lombard acquisition providing entry into the \$45b credit card market – Lombard NPAT doubles in first 6 months
- FXL to remain focused on core businesses and value accretive acquisitions under new CEO leadership
- Reaffirm guidance of 11% to 16% FY13 Cash NPAT growth
- Fully franked interim dividend of 7.0c up 17% from the prior corresponding period

FlexiGroup Limited (ASX:FXL, “FlexiGroup”) today announced a 16% increase in consolidated Cash Net Profit After Tax to \$32.6m and 22% like-for-like receivable growth for the 6 months to 31 December 2012.

The Board of Directors declared a fully franked (interim) dividend of 7.0 cents per share, compared to 6.0 cents per share paid for the same period last year.

FlexiGroup Managing Director and Chief Executive Officer, Mr Tarek Robbiati, said: “This is a strong result which highlights the successful diversification of our business revenue streams over the past few years. Our business mix is changing rapidly and our receivables are growing faster than our cash NPAT because of that and seasonal factors.

“Through a strategic program of organic start-ups and acquisitions FlexiGroup has established itself as an agile and highly competitive financial services company well placed for further growth initiatives.

“First half receivables growth has been largely driven by Certegy and Flexi Commercial, with receivables increasing 29% and 82%, respectively on 1H12.

“These two businesses are well positioned to deliver future cash EPS growth because they have the right combination of large receivables volumes with low loss rates, and are highly scaleable with low cost operating platforms.

“The company’s acquisition of Lombard has seen NPAT double in the first 6 months and provided FlexiGroup with an entry point into the \$45 billion credit card market with a competitive interest-free value proposition.”

### **FY13 guidance reaffirmed and FY14 outlook is strong**

FlexiGroup reaffirms Cash NPAT guidance of 11% to 16% growth for FY13.

The Group remains committed to strong NPAT growth through to FY14 from receivables growth, increased economies of scale, reducing risk profile and funding costs. Strong new business volumes in the Commercial, Certegy and Lombard businesses are expected to underpin future earnings momentum for the company.

## **Divisional Results (1H13 compared to 1H12)**

### Certegy - No Interest Ever

Certegy provides “no interest ever” finance to home owners across a diverse range of industries.

- Cash NPAT of \$12.4m, up 31% on 1H12
- Volumes of \$266m, up 22% on 1H12
- Highlights: Certegy is now the largest business of FlexiGroup measured by receivables, contributing 38% of Group’s 1H13 NPAT and 41% of Group’s receivables.
- Outlook: VIP volumes have driven significant growth with 420,000 VIP cards on issue and 312 new distribution relationships established in 1H13. New industries have been identified and tested for further growth and diversification opportunities in FY13/14.

### Lombard - Interest Free credit cards

Lombard provides interest free finance through a number of leading retailers and VISA cards to its customer base.

- Cash NPAT doubles in first 6 months to \$1.0m
- Volumes of \$39m, up 77% on 1H12
- Under FlexiGroup’s ownership the credit card business is no longer capital constrained and is now funded for future growth.
- Highlights: 400 new distribution relationships were established in 1H13 (up to 1200 from 800); Cross selling of the credit card to 700,000 existing and 250,000 new FXL customers was launched in late 2012 – with a positive impact on card spend volume.
- Outlook: Lombard NPAT/ANR is expected to mirror Certegy trajectory. Product & process enhancements are designed to improve on-boarding & increased card usage.

### Flexi Commercial - Enterprise Leasing

Flexi Commercial offers business equipment leasing through vendors, manufacturers and distributors.

- Cash NPAT of \$3.7m, up 118% on 1H12
- Receivables of \$180m, up 82% on 1H12
- Highlights: 105 vendor relationships including Green Energy Equipment vendors increases diversification
- Outlook: Higher receivables income on fixed cost base focused on origination to drive increased profit contribution in FY13.

### Flexirent - Small Ticket Retail and SME Leasing

Flexirent is the company’s original retail point of sale leasing business which has diversified into the non-retail SME sector.

- Cash NPAT of \$15.5m, down 9% on 1H12
- Receivables of \$356m, flat on 1H12
- Mobile Broadband – Blink active customers grew to 81,000 active Wireless Broadband Customers
- Highlights: The diversification into SME helped mitigate a challenging retail environment. 42% of Flexirent volumes are now originated through SME channels, up from 28% in FY10. First half NPAT was impacted as the company transitioned to a new shared services platform, with full material benefit in FY14
- Outlook: Receivables expected to remain flat driven by Windows 8 consumer take-up, and SME growth.

## Group Strategy

Mr Robbiati said: “FlexiGroup will continue to be very focused on expansion of our core businesses by acquiring market share in low risk customer segments, while capitalising on economies of scale across the Group.”

“We are also ramping up our online, wireless and payment functions to be ready for a world where 24x7 transactions at home or on the move are increasingly characterising the purchasing behaviour of consumers and businesses alike.

“For these reasons the shared services platform we are developing is fundamental to make FlexiGroup highly scalable and provide compelling value propositions to retailers, vendors and end customers.

“We will also remain focused on value accretive acquisition opportunities to accelerate our growth for the Group.”

Over the next 12 months we will focus our effort to:

- Continue to organically build scale in Certegy and Flexi Commercial – superior cash EPS growth to be generated through a combination of longer term receivables, lower capital utilisation and highly scalable, low cost operating platforms
- Accelerate organic growth in Interest Free Credit Cards (Lombard) to offset any impact of softness in retail leasing volumes
- Improved cost base across the Group by building a low cost shared-services platform
- Drive improved capital efficiency by continuing FlexiGroup’s securitisation program
- Selectively acquire Consumer and Commercial finance businesses to accelerate scale in existing segments or reach new market segments
- Accelerate the building of FlexiGroup’s online, wireless and payment capabilities

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## ABOUT FLEXIGROUP

FlexiGroup is a diversified financial services group providing “no interest ever”, leasing, vendor finance programs, interest free and visa cards, 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 four key markets, Business to Consumer, Business to Business, Retail to Consumers (and small business-to-business customers) and online.

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) and to the \$45bn credit card market with the acquisition of Lombard.

FlexiGroup operates in Australia, New Zealand and Ireland within a diverse range of 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 Lombard (Interest free credit card).

Tarek Robbiati joined FlexiGroup as Managing Director and CEO in January 2013 replacing John DeLano, who joined FlexiGroup as Managing Director in 2003. Tarek was Group Managing Director of Telstra International Group (TIG), the fastest growing business unit of Telstra Corporation, and Executive Chairman of CSL-NWM, the number one mobile operator in Hong Kong. He was also previously deputy CFO of Telstra Corporation.

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, Andrew Abercrombie, a founding director and major shareholder in the company, and Anne Ward, presently also Chairman of the Qantas Superannuation Plan.



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