



FLEXIGROUP 

**Acquisition of ThinkSmart's
Australian and New Zealand businesses**

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Agenda

- ✕ Acquisition highlights
- ✕ Overview of RentSmart Australia and New Zealand
- ✕ Strategic rationale
- ✕ FlexiGroup FY14 Outlook

Acquisition highlights

Expands FlexiGroup's distribution footprint and leverages operational efficiencies

Acquisition	<ul style="list-style-type: none">✘ FlexiGroup has entered into binding agreement to acquire 100% of the Australian and New Zealand businesses of ThinkSmart Limited ("RentSmart ANZ") for a cash consideration of \$43million✘ RentSmart ANZ is a leading provider of POS financing that has exclusive distribution relationships with major retail partners✘ The acquisition consolidates FlexiGroup's distribution footprint in retail POS financing, while delivering a proprietary online POS credit capability
Strategic Rationale	<ul style="list-style-type: none">✘ Significant synergies expected within the first 12 months, delivered through product and operations rationalisation✘ Utilise FlexiGroup's credit and funding expertise to optimise funding facilities, delivering lower funding costs and improved capital efficiency✘ Potential to cross sell FlexiGroup's products through RentSmart ANZ's distribution channels✘ Leverage FlexiGroup's retail expertise to improve partner support and increase merchant volumes✘ Acquired business includes ~\$18million of Net Tangible Assets, including substantial cash reserves in current funding facilities✘ Australian patent and intellectual property rights on the software acquired as part of the transaction
Financial Impact	<ul style="list-style-type: none">✘ Consideration represents 9x FY15 Cash NPAT (after synergies and pre-financing costs) and 2.4x NTA✘ Acquisition will be Cash EPS accretive as of FY15✘ The acquisition will be funded by a combination of cash and debt facilities✘ Transitional services agreement and separation to occur over the first 6 months✘ Integration costs expected to be of \$3-4million over 18 months to realise \$4-5million per year of pre-tax synergies
Timing	<ul style="list-style-type: none">✘ The transaction is subject to customary conditions and is expected to be completed on 31 January 2014
Outlook	<ul style="list-style-type: none">✘ FlexiGroup FY14 Cash NPAT¹ guidance reaffirmed at \$84–86million, considering transition and separation timeframes

Notes:

1. FY14 Cash NPAT equals Statutory NPAT adjusted for amortisation of acquired intangibles, one-off deal costs of \$3m for RentSmart ANZ, and integration costs of \$3.5m related to acquisition of Once Credit Pty Ltd

Overview of RentSmart Australian & New Zealand businesses

Established in 1996, RentSmart ANZ is a leading POS financier with exclusive distribution relationships with major retail partners

RENTSMART

- × Launched in 1996 to provide a POS finance solution to SMEs and consumers
- × \$11m in new originations in the eleven months to November 2013
- × 43,300 customers of which 6,300 SME and 37,000 Consumer
- × Average transaction value of ~\$1,400
- × Extensive relationships with major retailers, including JB Hi-Fi, Dick Smith and Officeworks
- × Launched INFiNITY, a POS offering in the tablet/computer segment, in September 2013 through JB Hi-Fi
- × Margin accretive attachment for retailers
- × Launched SmartPay, a flexible paperless leasing solution, through Dick Smith in September 2013



- × Launched in 2012 as a "no interest ever" payment plan product
- × \$11m in new originations in the eleven months to November 2013
- × 9,000 Consumer customers
- × Average transaction value of ~\$1,500
- × 9 key retailer relationships, including JB Hi-Fi, Angus & Coote and Orbit Fitness

Large distribution footprint with growth opportunities





Distribution Footprint	Number of stores		Total
	Australia	New Zealand	
Retail Partner			
JB Hi-Fi	164	13	177
Dick Smith	267	61	328
Officeworks	152		152
Angus & Coote	151		151
	734	74	808

Strategic rationale


RentSmart ANZ acquisition is closely aligned with FlexiGroup's strategy

Strategic alignment



Customer Centricity

- ✘ Consolidation and alignment of sales force across Consumer, SME and Interest Free Cards businesses is expected to drive growth in distribution network by leveraging full product range and best practices across all Retail and SME accounts 
- ✘ Strong focus on rationalisation of IT and operational platforms to remove duplication and drive cost savings 

Invest and Optimise

- ✘ Drive operating expense efficiencies by building shared-services platforms such as the high touch / low cost FlexiGroup's call centre in Manila 
- ✘ Further improve capital efficiency and lower funding costs by continuing the securitisation program and by drawing additional corporate debt without compromising FlexiGroup's strong balance sheet position 
- ✘ Selectively acquire Consumer and Commercial finance businesses that provide additional scale in existing segments or a highly scalable platform in a new segment of the market 

Innovate and Grow

- ✘ Accelerate the building of online, wireless and payment capabilities to provide additional services to retailers and deepen the relationship with end customers, whilst lowering the cost to originate and service 
- ✘ Accelerate organic growth in Interest Free Cards (Consumer and SME) by leveraging existing lease accounts and enhanced capabilities of FXL sales and business development team 

FlexiGroup FY14 Outlook

Re-affirms FY14 guidance of 17% to 19% Cash NPAT growth

Drivers of FY14 Cash NPAT Growth

FlexiGroup's Cash NPAT is expected to grow by 17%-19% to \$84m-\$86m, driven by:

- x 12-months consolidation of Once Credit business volumes
- x Improved product penetration in key accounts with customer-centric operating model
- x New products and services offering
- x Operating expense efficiencies from transition of the shared services platform to Manila and synergies from Lombard-Once combination. Cost savings from rationalisation of IT and operational platforms in Interest Free Cards business
- x Optimisation of capital funding structures and targeted growth in low risk profile segments to drive lower funding costs
- x Receivables growth through scale in Interest Free Cards and increased distribution footprint in Enterprise

Risks to FY14 NPAT Growth

- x Deterioration in macro-economic environment (i.e. rise in unemployment in a context where the Australian consumer remains highly geared)
- x Delays in organisation's adjustment to new operating model
- x Reduced spending by Australian Consumer and Commercial customers on discretionary purchases and capital expenditure