

Sydney – 17 August 2015

## FLEXIGROUP MEETS GUIDANCE WITH FY15 CASH NPAT OF \$90.1 MILLION, UP 6% ON FY14

### Highlights

- 6% increase in Full Year Cash NPAT to \$90.1 million, with 5% volume, 8% receivables growth and return on equity of 23%
- 17.75c Fully Franked Annual Dividend declared, up 8% on prior year (current yield ~7% fully franked)
- Receivables growth, cost control and cost of funds reductions underpin Cash NPAT growth
- Continued transformation of profit pool with all segments contributing higher earnings vs. pcp
- Further synergies created across the business, particularly in digital, as a result of the Group's strategic investment program
- Strong earnings momentum across Interest Free Cards, New Zealand and Certegy
- Excellent conversion of portfolio income to operating cash flow of 36%
- FY16 Cash NPAT guidance of \$92 million - \$94 million

FlexiGroup Limited (ASX:FXL) ("FlexiGroup", "the Company" or "The Group") today announced a 6% increase in Cash Net Profit After Tax (Cash NPAT) to \$90.1 million for the financial year ended 30 June 2015. Reported Statutory NPAT was \$82.7 million, up 44% on the prior year.

Group volumes increased 5% to \$1,136 million for the year, compared with FY14, and closing receivables rose 8% to \$1,428 million.

The Board of Directors declared a fully franked final dividend of 9c per share (annual dividend of 17.75c per share, an increase of 8% on the prior year).

Acting Chief Executive Officer Mr David Stevens said FlexiGroup has delivered a Cash NPAT result in line with guidance despite challenging volume performance in Enterprise and SME segments.

"Our focus on digitisation and product simplification is now starting to deliver strong momentum across Interest Free Cards, New Zealand and Certegy, and we see further upside in the business as this program continues," said Mr Stevens.

"Certegy VIP and Repeat volumes continue to grow at 20%, enhanced by our online services and tailored marketing with merchant partners.

"New Zealand Leasing is performing strongly with volume growth driving a 25% increase in Cash NPAT. The acquisition of Telecom Rentals, completed in May, will provide a platform for further growth. Additional volume opportunities exist after signing a preferred provider agreement in New Zealand with Apple for Commercial and Education leasing."

"FlexiGroup has made significant progress with its strategic transformation program. The investment made in customer facing digitisation projects is beginning to show benefits in both cost efficiency and customer experience and these benefits are beginning to drive positive changes in customer behaviour.

"The Company is also delivering significant benefits to our retail partners, with repeat-business value and continued improvements in service levels leading to an enviable Group Net Promoter Score of +15. We expect this to drive further sales growth and operating efficiencies in the medium term."

### Funding and Balance Sheet

The Group's focus on growth in high quality segments combined with continual optimisation of its funding structure has enabled FlexiGroup to continue to pursue securitisation and deliver capital efficient funding, resulting in a 60bps improvement in cost of funds on FY14.

FlexiGroup remains appropriately geared with recourse debt/equity at 21%. Balance sheet flexibility continues to be maintained with \$55 million undrawn in the corporate facility.

### **Strategy Update**

In FY14 FlexiGroup initiated a three year transformation program aligned to the Flexi2020 strategy and designed to enhance digital finance capability across the Group.

“This transformation program has been extremely important in preparing FlexiGroup for being a digital leader in sales finance and leasing. We are now ideally placed to drive organic sales origination and customer acquisition. Dedicated business development teams are now in place across all business units to strengthen this focus, which we see as a particularly crucial area for rebuilding our momentum in SME and Enterprise,” said FlexiGroup Chairman, Andrew Abercrombie.

### **Leadership Update**

As previously announced to the market, FlexiGroup’s CEO search is progressing well, with the Company receiving strong interest in the position.

The FlexiGroup Board commenced a search for additional non-executive directors earlier in the calendar year, and the Board anticipates being able to make new Director appointments shortly.

### **Outlook and Guidance**

FlexiGroup has provided Cash NPAT guidance of \$92 million - \$94 million, for the year ending 30 June 2016.

Dividends are expected to remain within 50-60% of Cash NPAT.

FXL continues to look at strategic acquisition opportunities.

FY16 Cash NPAT is expected to be driven by:

- Continued solid performance from Certegy through enhancements to VIP customer program, increased penetration within existing retail partners and targeted expansion into new product categories and new merchants
- Simplified product offerings and online origination capabilities across existing retail partners in Consumer & SME Leasing
- Strong volume growth in New Zealand Leasing primarily targeting the Education sector by leveraging deep sector knowledge and customer relationships through the acquisition of TRL
- Rebuild of the Enterprise Leasing business with an additional focus on broker based origination channels and managed service products
- FY16 investment program being redirected to front end origination in all segments
- Higher depreciation from investment program will impact FY16 earnings
- Relationship driven organic sales growth and leveraging dedicated business development teams which are now in place across all business units

For further information:

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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 over 16,000 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 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 \$45bn credit card market with the acquisition of Lombard and Once Credit businesses.

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 five business units: Certegy (no interest ever & lay-by), Consumer & SME Leasing - Australia, New Zealand Leasing, Flexi Enterprise (vendor leasing programs) and Lombard and Once (interest-free cards).

The Board of FlexiGroup is chaired by Andrew Abercrombie who is the founding director and 25% shareholder in FlexiGroup. The Board also includes John Skippen, former Finance Director of Harvey Norman Holdings Limited and Rajeev Dhawan, a partner of Equity Partners.

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