FLEXIGROUP

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FLEXIGROUP DELIVERS HALF YEAR 2016 CASH NPAT OF $44.3 MILLION, IN LINE WITH GUIDANCE

Highlights

- FlexiGroup reports 4% increase in Cash NPAT to $44.3 million, with 5% growth in volume and 8% growth in closing receivables at 31 December 2015
- New Zealand Leasing profit grew 63% on 1H15, as Telecom Rentals performs and synergies are realised
- Significant organic volume growth achieved in Interest Free Cards, driving double digit segment Cash NPAT growth
- Cost to income ratio driven down by results from capex investment program and synergies realised on acquisitions
- Consumer, SME and Enterprise now consolidated into one reporting segment as Australia Leasing
- Full Year 2016 Cash NPAT guidance of $92 million to $94 million reaffirmed (excluding profit contribution from Fisher & Paykel Finance acquisition, completion expected February/March 2016)
- Symon Brewis-Weston commenced his role as Group Chief Executive Officer on 8 February 2016

FlexiGroup Limited (ASX:FXL) ("FlexiGroup" or "the Group") today released its results for the six months ending 31 December 2015 (1H16). Cash Net Profit After Tax (Cash NPAT) for the Group was $44.3 million, up four percent compared to the first six months of FY15 (1H15). Statutory NPAT increased eight per cent to $41.4 million.

Group volume grew five percent to $617 million and closing receivables were up eight percent to $1,456 million, on 1H15.

FlexiGroup Chief Financial Officer David Stevens said it was a good result overall across the Group with guidance being met and a significant amount of work completed to accelerate performance across Interest Free Cards and New Zealand Leasing segments.

"New Zealand Leasing delivered standout volume and receivables growth, with Cash NPAT growth of 63%, driven by the realisation of synergies from recent acquisitions and low impairment rates," said Mr Stevens.

"The New Zealand market represents an excellent opportunity for FlexiGroup, and since the F&P Finance transaction was announced in October 2015 we have been working closely with the F&P Finance management team to complete the acquisition."

"Our Interest Free Cards business also delivered double digit Cash NPAT growth, with customer card spend up 37% and a number of new retail relationships signed."

"Certegy continues to perform well, with Cash NPAT growth of 5 percent. Certegy's established customer base means the business is well positioned to take advantage of the emergence of product categories that are natural extensions of finance products Certegy currently offers in the marketplace. The development of new solar battery storage technology has been identified as a particularly compelling opportunity for FlexiGroup given Certegy has financed approximately 120,000 solar PV panel installations to date."

"The rebuild of the commercial offering in the Group's Australia Leasing segment, including an enhanced business development team, has seen a small increase in volume over the past 6 months (1H16 v 2H15)."

The Board of Directors declared a fully franked interim dividend of 7.25 cents per share. The dividend is in line with the total cash amount paid out in dividends in 1H15, however due to the timing of raising capital in advance of completion of the F&P Finance acquisition has resulted in a temporary reduction in dividend per share for the 1H16 interim dividend. As announced in October 2015, the acquisition will be accretive in FY17 and we anticipate dividends per share increasing in FY17 above historical levels.

There is no change to the dividend policy and the Board expects future dividends to fall within the stated payout ratio of 50-60% Cash NPAT.

Funding and Balance Sheet

FlexiGroup's strategy of diversifying funding sources has resulted in an ongoing reduction in funding costs. The Group continues to maintain a conservative funding strategy, underpinned by multiple committed debt facilities, matched term and rate structures for wholesale debt and an active debt capital markets presence. FlexiGroup holds significant undrawn committed bank lines that can be utilised in the event credit markets tighten. Throughout 1H16 the Group achieved a further 30bps improvement in cost of funds on FY15.

Within 1H16 FlexiGroup's corporate debt facility was increased from $100 million to $187.5 million to create capacity for the settlement of the F&P Finance acquisition and to retain headroom for organic and non-organic growth. Following the anticipated completion of the F&P Finance acquisition the drawn balance of the corporate facility will increase from nil (as at 31 December 2015) to between $130 million and $150 million.

Outlook

FlexiGroup today reaffirms FY16 Cash NPAT guidance of $92 million - $94 million, excluding profit contribution from F&P Finance acquisition.

FlexiGroup's acquisition of F&P Finance is expected to complete in February/March 2016. All required capital is in place to complete the transaction.

Relationship driven organic sales growth will be a key focus for the Group in FY16, with dedicated business development teams in place across all business units. FlexiGroup will continue to look at strategic acquisition opportunities to complement organic growth.

Medium term earnings are expected to benefit from:

- Significant recent growth in interest free cards portfolio which will mature into transacting cardholders
- Growth in core product volumes from increased focus on origination
- Significant technology and product investment during FY14-FY16
- Operational cost and synergy benefits

The Group's dividend policy remains unchanged.

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, lay-by and other finance 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 four business units: Certegy (no interest ever), Australia Leasing (point of sale and commercial), New Zealand Leasing 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.