FY16 Cash NPAT update and Strategy briefing

31 May 2016

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A briefing will occur today at 9:30am AEST; refer to FlexiGroup website for webcast details

Where we are now

- **Focusing on our core (high ROE) business units of Cards, Certegy and Leasing** ✓
- **Discontinuing non-core (low ROE) business units of Blink, Think Office Technology and Flexi Enterprise; and divesting or writing off associated assets** ✓
- **Launching new payments business and commenced signing partners already** ✓
- **The FY16 dividend will be 50–60% of Cash NPAT, not Statutory NPAT, so the asset write-off <u>will not affect the dividend payment</u>** ✓

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Where we are now

	FY16 ($m)	YoY growth
FY16 Cash NPAT guidance	**97.0**	**8%**
Non-cash and one-off adjustments		
(1). Amortisation of acquired intangibles	(3.5)	
(2). Fisher & Paykel Finance transaction and integration costs	(5.2)	
Discontinued operations		
(3). Systems and goodwill write-off	(18.4)	
(4). Provisioning on Enterprise receivables portfolio	(15.7)	
FY16 Statutory NPAT guidance	**54.2**	**(35%)**

Notes:

1. This is a non-cash amortisation charge from acquired intangibles

2. One-off deal and integration costs relating to the FPF acquisition as announced on 27 October 2015, of which $6.9m pre-tax was incurred in FY16 and $2.5m to be incurred in FY17, with $5.6m related to equity raising costs deducted from equity

3. Relates to impairment of non-core assets that form part of the business units that are discontinued including Enterprise, Paymate, Telco (Blink) systems and TOT goodwill. Also includes write-off of AU cards IT platform which is being replaced by FPF NZ cards platform

4. Due to the discontinuance of the Enterprise business, an additional provision has been taken to recognise the lifetime loss that will be incurred in recovering the Enterprise portfolio value

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Path to double-digit Cash NPAT growth in FY18

	Cards – NZ	Cards – AU	Certegy	Leasing – NZ	Leasing – AU	Cash NPAT growth
FY17 Volume	8-10%	10%	1-3%	8-10%	1-3%	<10%
FY18 Volume	10-12%	10%	8-10%	10%	5-10%	>10%

FY17 Cash NPAT expected to be approximately $100m, from core business units; discontinued non-core business units have been excluded; FY17 guidance will be announced at full year results presentation on 30 August 2016

Strategic Direction

We have a competitive advantage in high volume small ticket transactions

- Strong Channel Partner relationships
- Digital origination capabilities
- Proven credit algorithms
- Suite of product solution offerings
- Technology driven collection capability
- Diversified funding
- Rich customer data

Issues we are addressing

We are discontinuing non-material and non-core business units, which distract from our core

Bringing back our sales culture and customer focus which has fallen away and is not as strong as it used to be

Refocusing IT spend on core business units and improving processes rather than mentality of ‘build it and they will come’

Utilising data analytics to the business’ advantage, and for the advantage of our Customers and Partners

Exit non-core business units to focus on our core

BLINK

<u>Current</u>
Non-core and declining product relevance of wireless broadband

<u>Strategy</u>
Discontinue

SUNSET

THINK OFFICE TECHNOLOGY

<u>Current</u>
Non-core and low growth in TOT geographies

<u>Strategy</u>
Divest

ROE ≤12%

FLEXI ENTERPRISE

<u>Current</u>
Delivering low returns at high risk and without internal capabilities to be successful

<u>Strategy</u>
Stop writing large exposures

ROE ≤10%

Returning focus to our core business units of consumer and business finance ≤$100k

≤$100k high-volume transactions

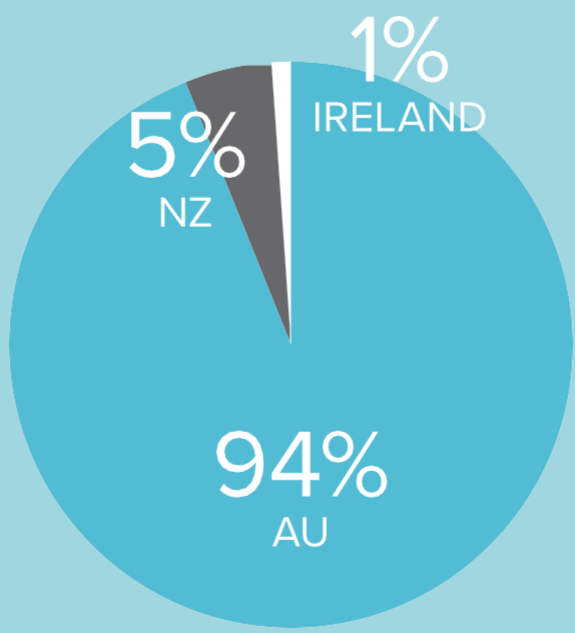
- Cards – AU and NZ
- Certegy
- Commercial Leasing – AU and NZ
- Consumer Leasing – AU and IRE

90%
of our volume

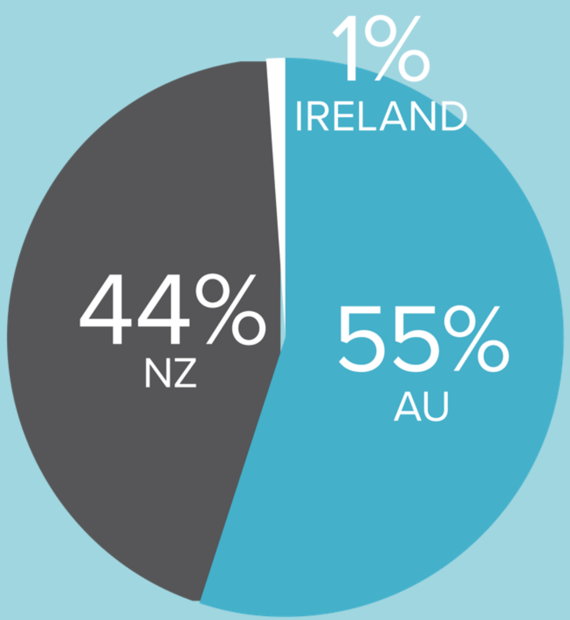
~$250b
addressable market

Source: RBA; APRA

Transitioning our business to a trans-tasman entity



FY15 volume
$1136m



FY17 volume

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The Australian and New Zealand economic outlook is solid

	New Zealand	Australia
Population	4.7m	24.1m
Annual GDP	NZ$240b growth 2.3%	AU$1,642b growth 3.0%
Wages and Unemployment	NZ$57k average; 5.8% unemployment	AU$81k average; 5.7% unemployment
Interest rates	2.25%	1.75%

Source: Commonwealth Bank of Australia

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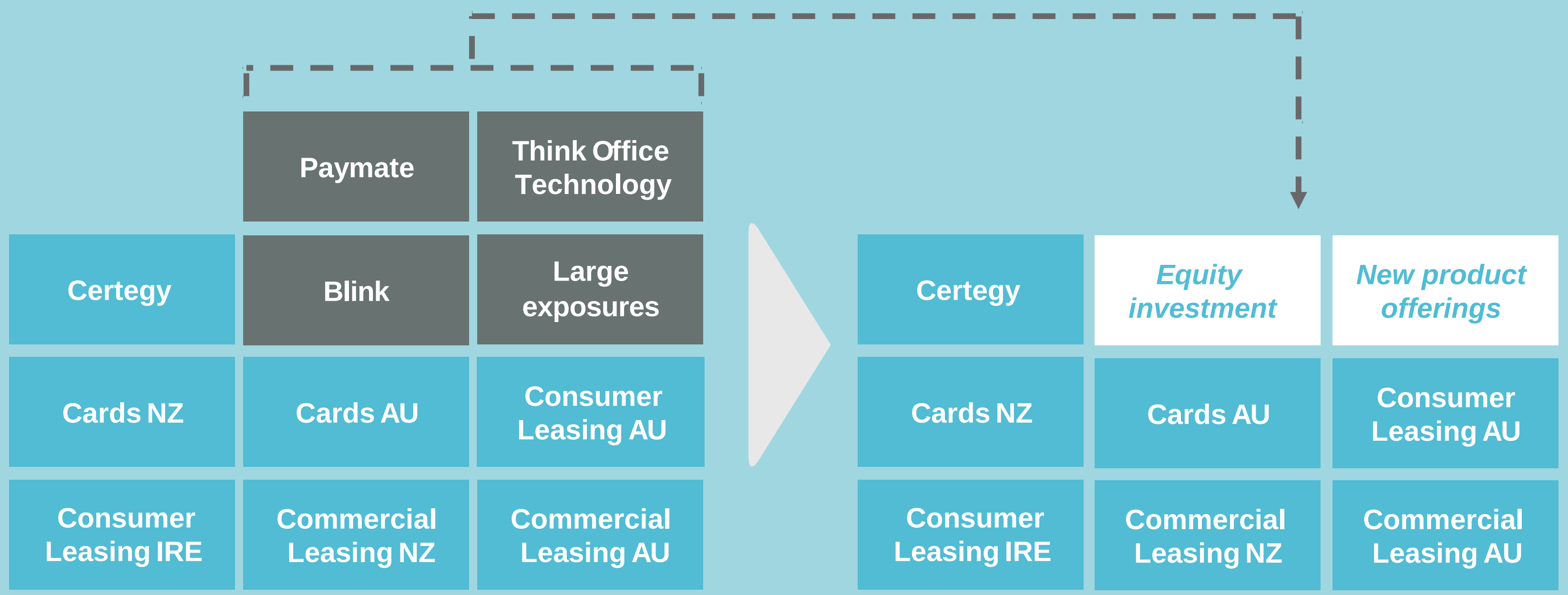
Building on our core business opportunities

Targeting redeployment of capital to enhance core business units with high return and quick capital turnover



Building on our differentiators

Focus on the Customer and Partner

- Over 1,000,000 customers
- Over 20,000 Partner stores
- Re-establish sales culture, which made FlexiGroup great

Leverage our data

- Over 4,000,000+ customer records
- Use data to our competitive advantage

Credit pricing

- Over 25 years of pricing credit
- Proven algorithms across each product

Funding

- Diversified funding facilities with significant room for growth
- Strong relationships with major banks

Proactive M&A

- Proactively identify strategic M&A targets

Opportunities for growth

Cards NZ

Current

- Implementation of a new cards management system across NZ and AU
- Drive increased card utilisation
- Opportunity for capability sharing between NZ and AU Cards business units

Strategy

- Realise cost and growth synergies
- Launching scheme card
- Optimise trans-tasman partnerships

Cards AU

Current

- Deepening existing retail partner relationships and creating new partnerships
- Customer acquisition is strong, up 51% YOY
- Increasing revenue through card activation and spend, up 35% YOY

Strategy

- Embedding NZ card management capability
- Consolidate to a single card brand in AU
- Utilise technology to provide frictionless finance at PoS for retail partners and customers

Certegy – No Interest Ever!

Current

- Over 90% of originations are digital
- Approval rates are 93%
- VIP repeat customer program delivering over 50% of our volume
- Smart phone app used by over 100,000 customers
- Solar volumes continue to be over $15m each month
- Solar Batteries (ESS) are still 1–2 years from becoming mainstream

Strategy

- Expanding transaction value to ≤$25k with launch of Ezi-Living brand for home renovations market
- Develop specific programs designed to maximise ESS and Solar PV expansion in FY17/18
- Further expansion of digital sales capabilities, tailored to specific retail requirements
- Increased digital, direct to customer engagement

Leasing NZ

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trl leasing technology finance
equico Funding Technology

Current

- Full integration benefits obtained from acquisitions of both TRL and Equico
- Leading market position in education leasing sector, including two-year extension of the Ministry of Education (TELA) contract
- First right of refusal arrangement on commercial and corporate leasing for Spark customers
- Compelling and proven customer and partner value proposition

Strategy

- Integration synergies and volume growth realised from EFL integration (Fisher & Paykel Finance leasing arm)
- Further enhance education vertical
- Continue to grow Spark volumes in commercial and corporate, through existing arrangement
- Maintain incremental growth in core leasing business through further improving partner value proposition

Leasing AU

Current

- Retail leasing focused on single transaction profitability rather than lifetime customer value
- Decreasing repeat volume and perceived reduction in product relevance
- Strong volume growth in Ireland
- Historical lack of focus on commercial leasing in AU

Strategy

- Revitalise the retail product to drive repeat customer volume
- Focus on lifetime customer value
- Focus on key asset classes
- Leverage NZ Leasing experience in commercial lending
- Equity interest in Kikka, a fintech commercial lender

Key growth initiatives for our business units

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KEY GROWTH INITIATIVES

Cards NZ	✓ Realise cost and growth synergies ✓ Launch scheme card
Cards AU	✓ Embed NZ card management capability ✓ Consolidate to a single card brand in AU
Certegy	✓ Launch Ezi-Living brand for home renovations market ✓ Develop specific programs for Solar Batteries (ESS) market
Leasing NZ	✓ Realise cost and growth synergies from EFL integration ✓ Further enhance education vertical and Spark arrangement
Leasing AU	✓ Revitalise the retail product to drive repeat customer volume ✓ Leverage NZ Leasing experience in commercial lending

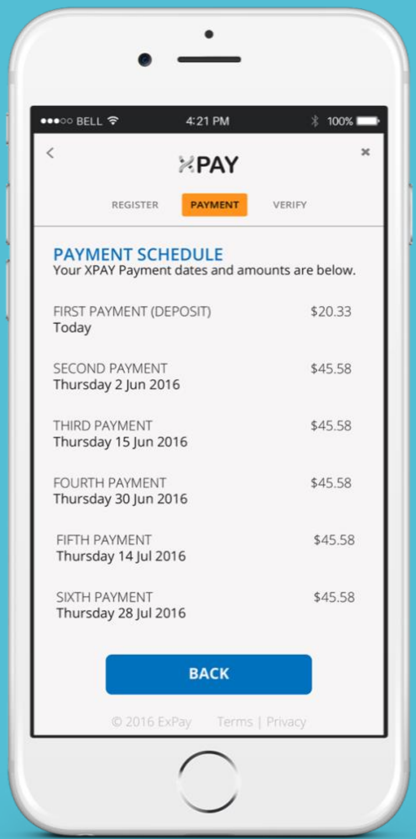
FlexiGroup investment in Kikka Capital

- We have made an equity investment and a funding line into Kikka, with the option to take ownership in the future
- Our investment will improve our risk pricing by pairing FlexiGroup's long history in assessing credit risk and Kikka's real time, daily cash flow assessment
- Kikka's credit algorithm leverages the USA-based Kabbage platform, which has over US$1.6B of loans to over 100,000 businesses
- This will also help us enter new markets at speed, selling our existing commercial products through our sales channels

Approved in 7 minutes, competitors take 1-7 days

X-PAY

- Organic growth initiative to build a new product
- No interest repayment plan for ≤$1000 transactions within online shopping carts and in-store
- Repayment plan runs for a small number of months in fortnightly instalments
- Automatic direct debit
- Built on our established Partner network as well as new Partners
- Leveraging our strong capabilities in credit pricing, access to low-cost warehouse funding and our skilled sales, service and collection teams



A large market opportunity for goods or services ≤$1000 such as retail, vet, optometrist/medical, as well as the growing online shopping market

X-PAY

Customer Value Proposition

- ✓ In-store and online, without paying right away
- ✓ No interest payment plan
- ✓ Payment reminder

Partner Value Proposition

- ✓ Higher strike rate
- ✓ Higher basket size and repeat
- ✓ Cash quickly
- ✓ No fraud risk, we handle that

We have started signing up Partners ready to use this service when it goes live in July

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Summary

- There are growth initiatives in each of our core business units and we are discontinuing non-core business units
- Our FY16 updated guidance is Cash NPAT of $97m and our ambition is to return to double-digit growth in FY18 and beyond
- We will return to a sales culture and focus on our Customers and Partners, delivering through our capabilities in data, credit pricing and funding
- We have made an initial equity investment in Kikka
- We are launching X-PAY in July and have commenced signing partners