

FLEXIGROUP 

Macquarie
Australia
Conference
2017

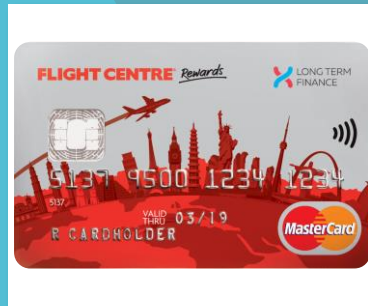
**Building for
Growth**

2 May 2017



FXL snapshot

Diversified
consumer and
commercial
lender



Rapidly
growing Cards
business



>20,000
distribution
points



Receivables
>\$2bn

Attractive
financial
metrics – FY17
Cash NPAT
\$90-93m



~1.1m
customers
across AU, NZ
and Ireland

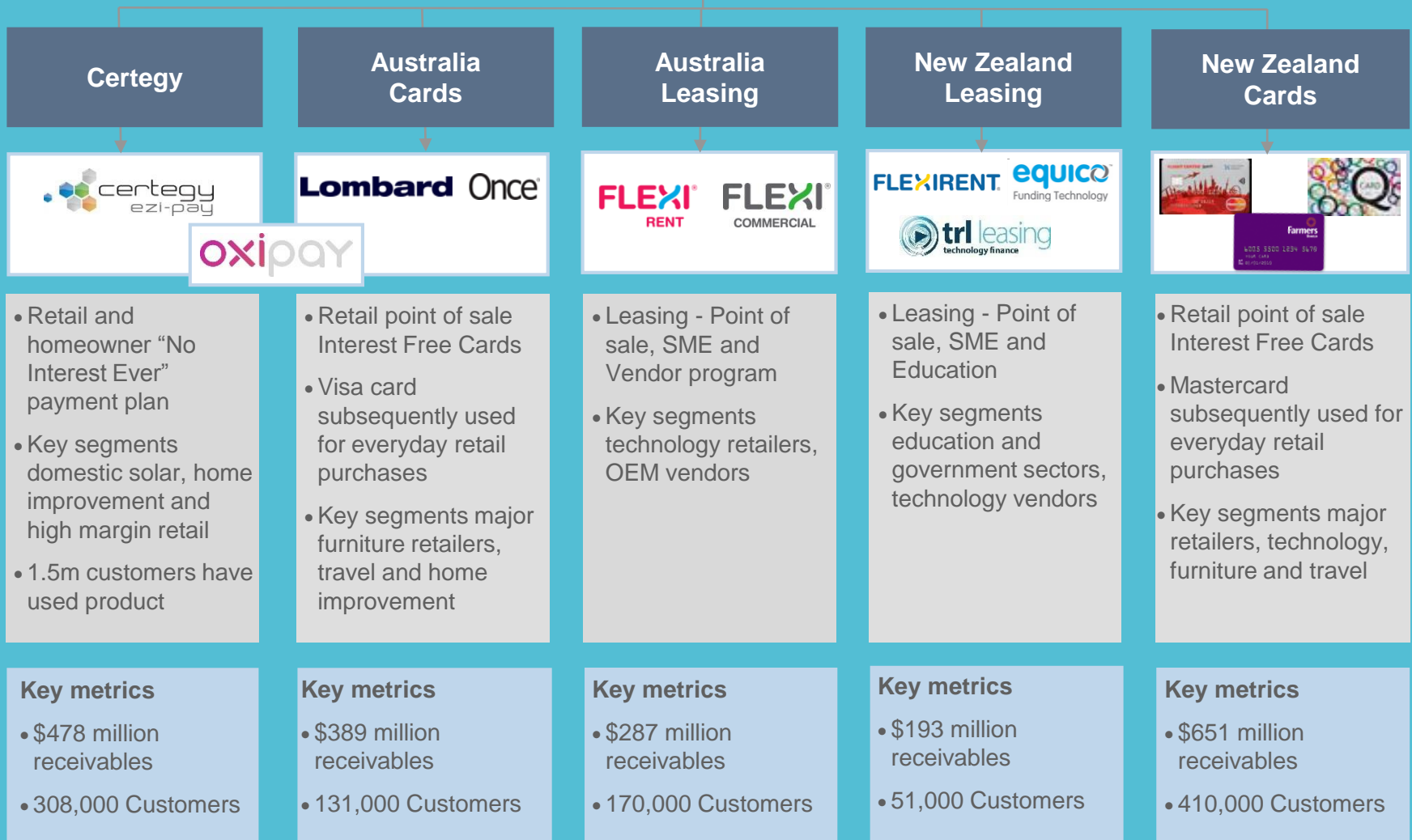


FXL key messages

- **Cards AU growth continues ahead of expectations**
- **Funding strategy progressing – expected to enhance ROE and reduce capital consumption**
- **Certegy repositioning for growth**
- **Well placed to adopt and benefit from new technologies**
- **FY17 Cash NPAT estimate updated to \$90-93m including ~\$2m investment in Ireland technology platform**
- **Overall FXL being repositioned for organic growth**

Connecting buyers and sellers

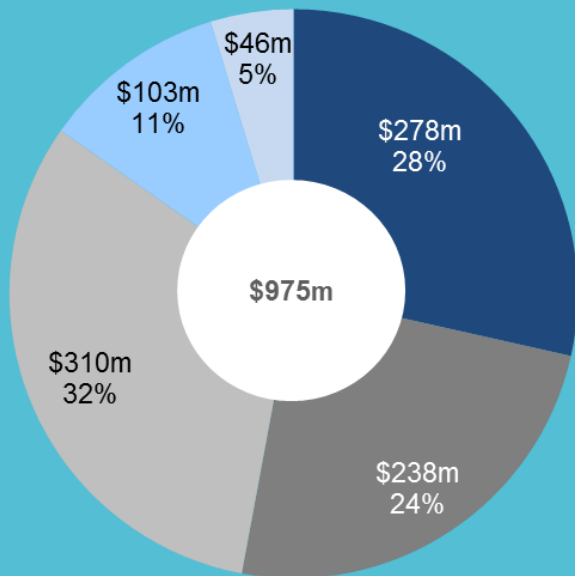
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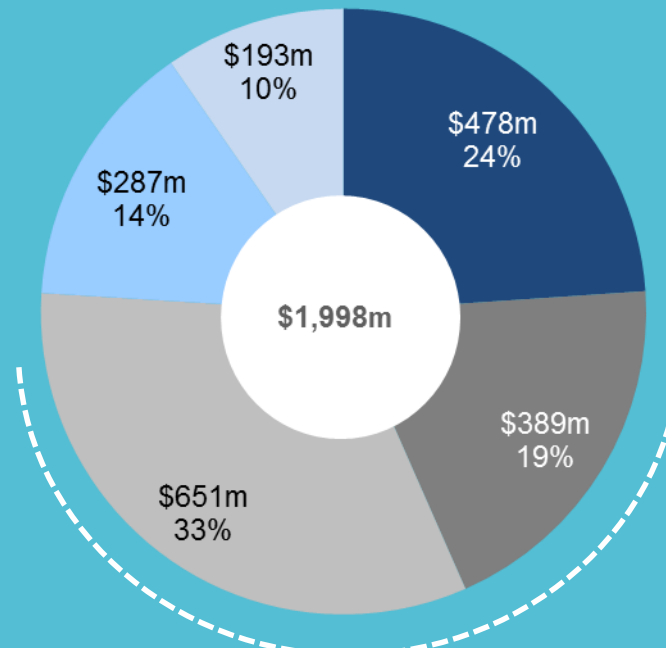
Segment overview

Driving growth in Cards - now makes up 52% of overall FXL receivables

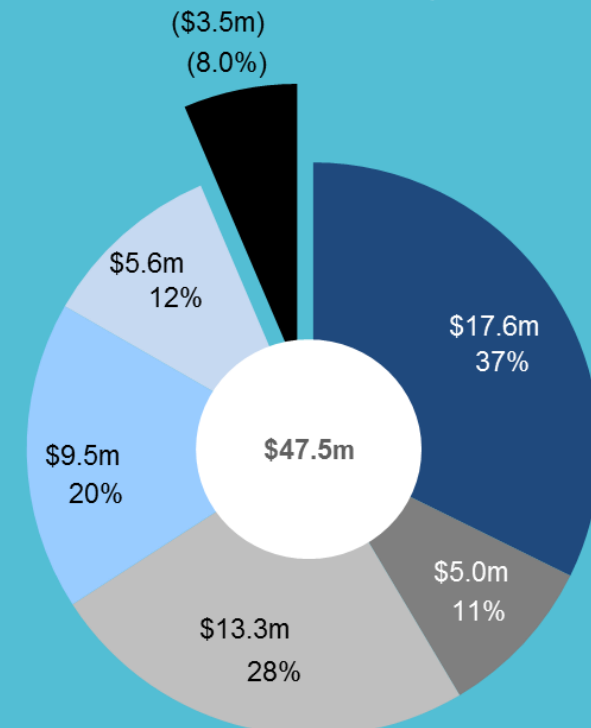
Volume by segment



Receivables by segment



Cash NPAT by segment



Combined Cards AU & NZ
\$1,040m
52%

■ Certegy ■ Australia Cards ■ New Zealand Cards ■ Australia Leasing ■ New Zealand Leasing ■ Net Corporate Debt Costs

Note:

All data refers to continuing operations

FY17 Cash NPAT estimate updated

- We previously expected FY17 Cash NPAT to be \$90-97m. This was dependant on timing of investments in Oxipay and Ireland projects.
- We have invested ~\$2m in Ireland in this period. In 2H17 we have seen strong growth in AU Cards, although Certegy is behind expectations.
- Today we are updating Cash NPAT estimate between \$90-93m. Underlying trading in Q4 expected to remain robust.

Building for growth

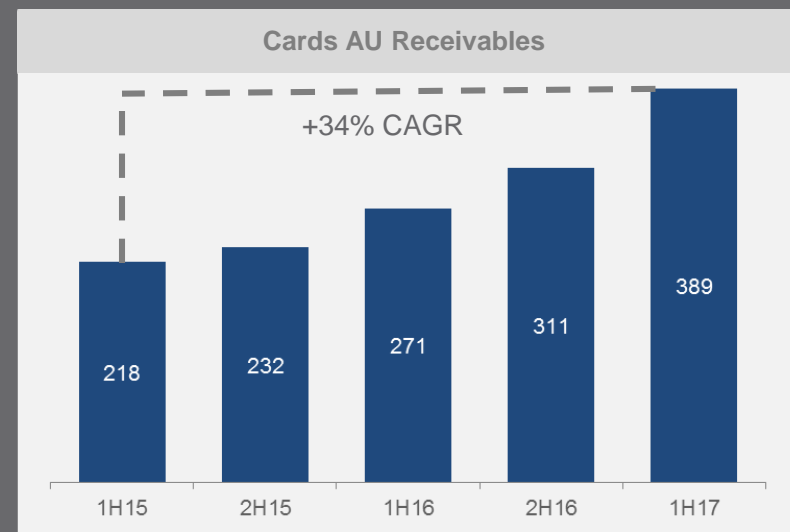
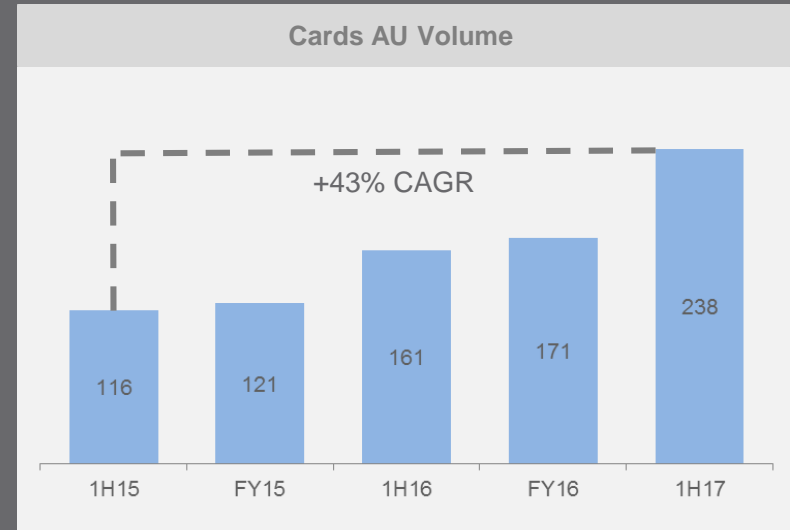


Cards AU growth engine

Significant volume and receivables growth as competitive advantages leveraged

Growth Outlook

- Volume growth 1H17 v 1H15 of 105% (43% CAGR)
- Receivables growth 1H17 v 1H15 of 78% (34% CAGR)
- Growth driven by leveraging strategic partnerships with major retailers and enhancements to customer value proposition - Flight Centre contract live Aug-16
- Funding options progressing well which will drive enhanced ROE and reduced capital consumption
- Technology investment also underpinned growth through market leading originations platform – business well placed to benefit further from technology
- Card spend per customer is key growth driver – this has increased by ~25% since 1H15 as a result of leveraging data on customer behaviour to deliver compelling and relevant offers
- Strategic project underway to roll out new cards platform to leverage NZ experience and knowledge. Significant opportunity for cost and revenue synergies



NZ Cards – building sales momentum FLEXIGROUP✶

Volume and receivables growth underpinned by the launch of two scheme cards

Growth outlook

- FPF acquisition completed during 2H16
- Business performing in line with expectations underpinned by the launch of Q MasterCard and Flight Centre MasterCard, and lower cost of funds
- Impairment losses historically low with arrears continuing to perform well. Provides opportunity to review credit equation to drive profitable incremental volume
- Re-establishing sales and marketing momentum is key focus
- Q Card relaunched with enhanced functionality and global acceptance as a MasterCard – transition will take 12-18 months
- White label Flight Centre card launched in December



Interest free cards finance offered through retail point of sale

New Zealand Cards, \$m	1H17
Volume	\$310m
Closing Receivables	\$651m
Cash NPAT ¹	\$13.3m
Cash NPAT/ANR %	4.2%
<i>Cash NPAT (NZD)</i>	<i>\$14.0m</i>

Notes
1. 1H17 Cash NPAT excludes amortisation of acquired intangibles of \$0.1m (1H16: nil)



Australia Leasing

Rebuild of Commercial underway with promising pipeline

Growth Outlook

Commercial

- Rebuild of Commercial product offer progressing strongly underpinning 1H17 84% volume growth v pcp
- Proven commercial finance leadership team recruited with focus on delivering managed services offering, new partnership agreements imminent

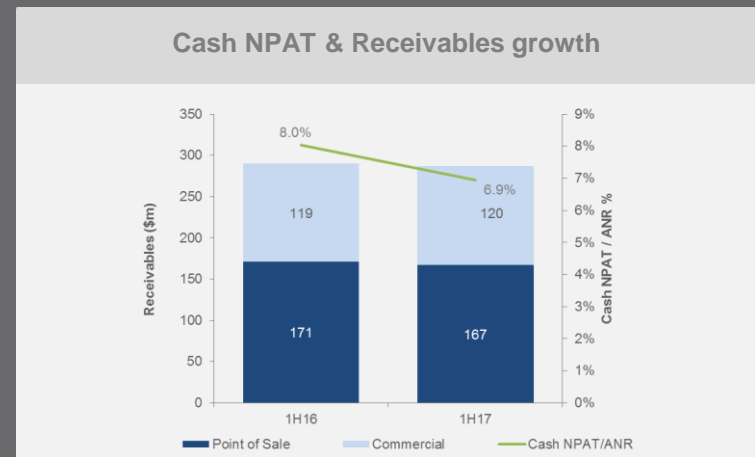
Point of Sale

- FXL has taken leadership position in segment to drive and implement product enhancements aimed at improving customer advocacy and value
- Opportunities in channels for multi product strategy. Enhanced value for buyers and sellers with a full product suite including Cards and Oxipay

FLEXI RENT		FLEXI COMMERCIAL		Leasing of IT, electronics and other assets through Point of Sale, Dealers and Vendors	
Australia Leasing, \$m	1H16	1H17	Growth v PCP		
Volume	\$85m	\$103m	21%		
Point of Sale	\$60m	\$57m	(5%)		
Commercial	\$25m	\$46m	84%		
Closing Receivables	\$290m	\$287m	(1%)		
Point of Sale	\$171m	\$167m	(2%)		
Commercial	\$119m	\$120m	1%		
Cash NPAT (Continuing Operations) ¹	\$11.9m	\$9.5m	(20%)		
Cash NPAT	\$16.0m	\$11.6m	(28%)		
Cash NPAT/ANR % (Continuing Operations)	8.0%	6.8%	(1.2%)		

Notes


1. 1H17 Cash NPAT excludes amortisation of acquired intangibles of \$0.2m (1H16: \$0.3m) and profit contribution from a minority interest \$0.3m (1H16: nil). 1H16 also excluded acquisition costs of \$1.7m.



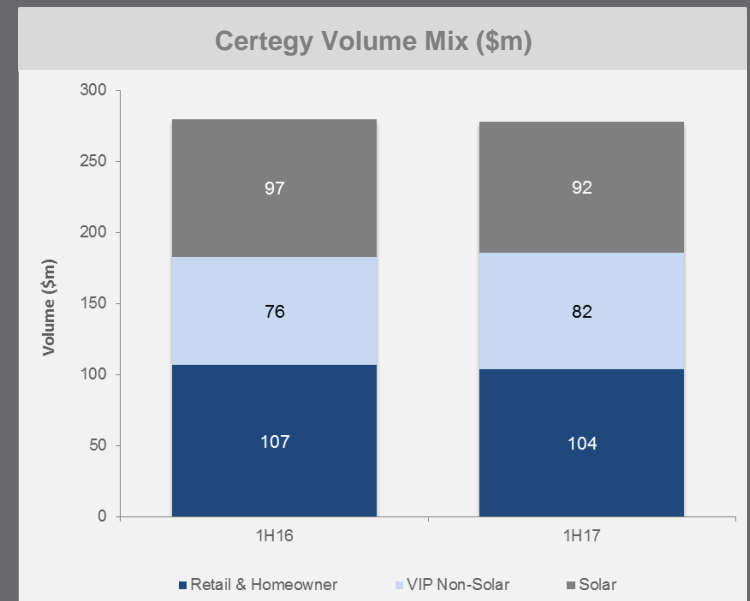
Certegy - establishing a growth strategy FLEXIGROUP

Growth Outlook

- Growth strategy being developed - identified 3 strategic products for release late 2017/18
- Key focus on targeted industry integration into POS systems to further expand new customer base
- Ongoing development of Ezi-Living product continues to gain market share within home renovation sector, with further tailored offerings being launched in July 17 (high value / lower risk)
- Agreement signed with national market leader to expand penetration in medical sector to 3,000+ dentists
- Solar Energy installations reach 140,000 customers – ready for domestic mass adoption of Energy storage systems

		No interest ever payment processing primarily in homeowner sector	
Certegy, \$m	1H16	1H17	Growth v PCP
Volume	\$280m	\$278m	(1%)
Closing Receivables	\$484m	\$478m	(1%)
Cash NPAT	\$17.5m	\$17.6m	1%

Notes
1. Cash NPAT excludes amortisation of acquired intangibles \$0.2m (FY15 nil).



Oxipay on track to launch into market Q4 FY17

Progress Update

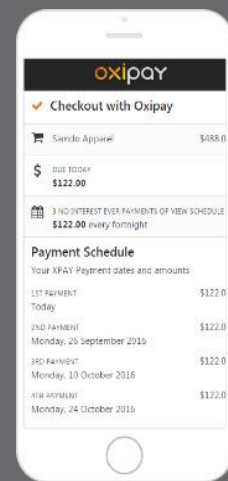
- Front and back end processes complete utilising existing Certegy platform
- Oxipay branding in market with marketing plan complete
- Relationships with a number of new retailers signed with more imminent
- Existing sellers to provide Oxipay as an incremental solution for customers. Strong relationships competitive advantage versus peers
- Offers key differentiation in product variables
- Pricing model finalised that leverages existing Certegy credit decision processes. Proven to reduce risk and increase transaction values

Next Steps

- Integration into online shopping carts Q4 FY17
- Acquisition marketing execution to accelerate growth
- Continued business development targeting value accretive sectors
- Continue to leverage existing sales team to drive multi product solution which includes Oxipay product
- Effective customer lifecycle management that leverages large customer base

oxipay

Pay the easier way.
Divide your purchase into four smaller payments and pay off over time. Oxipay gives you room to breathe.



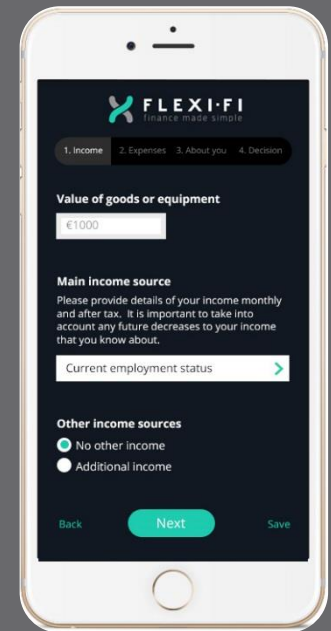
Ireland project on track – go live Q4 FY17

Progress update

- Operating in Republic since 2008
- Merchant footprint increased from 100 stores to 400 over the last 12 months
- Scalable cloud based lending platform nearing completion (live Q4)
- Irish credit license application progressing
- Local funding line terms agreed
- Built scale and capability in local management and sales team
- Local credit, risk and compliance resources recruited
- Negotiations progressing with multiple major retailers
- Ongoing discussions with existing channel partners to expand product offering

Next Steps

- Final testing and implementation – go live expected Q4
- Package final elements of application for submission
- Complete DD and documentation
- Experienced employee seconded to Ireland to facilitate product launch
- Enhance local knowledge base to deliver business growth
- Finalise value proposition and agree commercial terms
- Finalise scope of product and customer offering



Video on technology platform

FLEXIGROUP✖

Building a scalable technology platform with potential
to leverage more broadly across group

Note:

Video screenshot only



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FY17 scorecard progress on track

AU Cards scale	Major contract gained to drive scale in AU Cards business		<i>Store roll out complete Volumes and new customer acquisitions ahead of expectation</i>
Funding strategy	Funding strategy being developed to support growth		<i>AU Cards growth utilising available capital Alternative funding structures being considered as scale is achieved</i>
Oxipay launch	Build and launch low touch, consumer friendly payment product into market		<i>Launch on track for Q4 FY17 Relationships with a number of retailers signed with more imminent</i>
FPF Acquisition	Integrate and maximise performance of FPF acquisition		<i>Business now rebranded as Flexi Cards NZ Business performing in line with expectations Focus on rebuilding and reinvigorating sales</i>
Management strengthened	Board and management team to be strengthened, aligned with key areas of focus		<i>2 new Board Directors appointed in 1H17 with significant financial services experience Key roles in executive team appointed</i>
Certegy	Growth strategy to be developed for Certegy excluding Energy Storage		<i>Major new relationships signed Growth strategy WIP: opportunities emerging</i>
Non-core businesses	Exit non-core businesses and redeploy capital		<i>Enterprise portfolio in run-down with focus on releasing capital whilst maximising value</i>
Commercial	Commercial finance offer rebuilt and gaining traction in AU market		<i>Volume momentum established Value proposition and sales processes rebuilt Significant opportunities in managed services</i>

Conclusion – building for growth

- Cards AU growth ahead of expectations, leveraging extensive distribution, technology and IP
- Funding strategy progressing to diversify and strengthen access to funding. Expected to enhance ROE and reduce capital consumption.
- Certegy repositioning for growth targeting new growth segments
- Well placed to adopt and benefit from new technologies – Ireland platform creates broader opportunities internally
- FY17 Cash NPAT estimate updated to \$90-93m – includes ~\$2m investment in Ireland
- Overall FXL being repositioned for organic growth

Appendices – 1H17 financials

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Funding

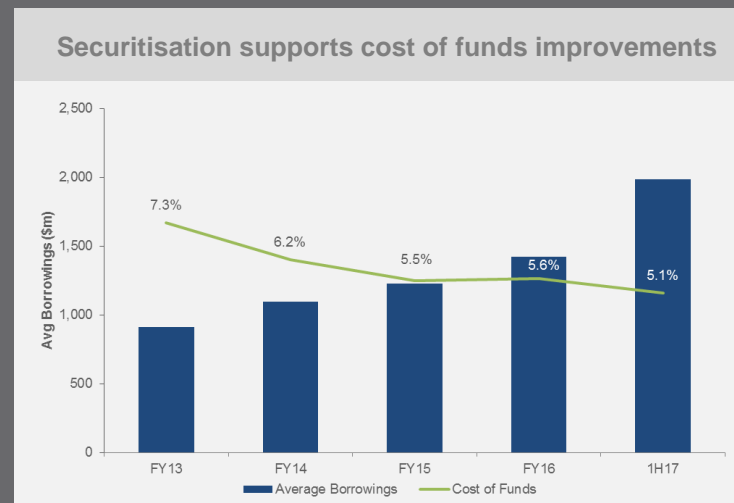
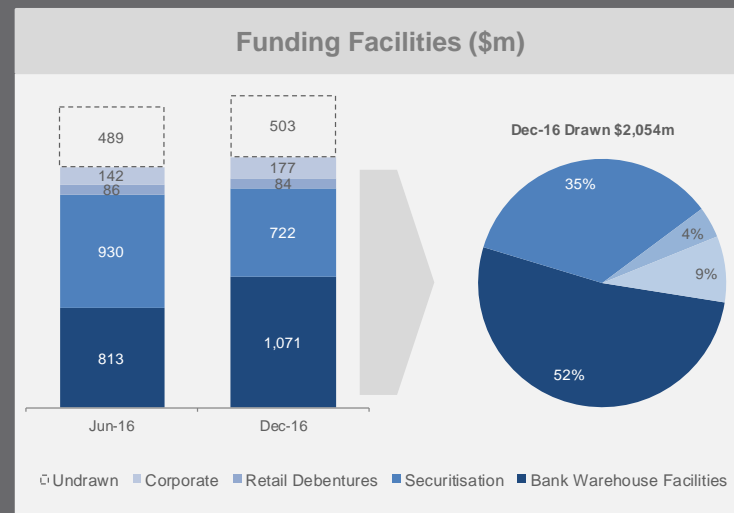
Committed support from banks and institutions, diverse funding sources

Funding Structure

- Continued focus on maintaining an optimised and conservative funding structure
- Underpinned by multiple committed debt facilities, matched term and rate structures for wholesale debt and an active debt capital markets presence
- Strong and stable relationships with 6 Australian institutions providing revolving committed facilities
- Additional warehouse facility was set up during 1H17 for new MasterCard product in NZ Cards
- Overall funding rate decreased driven predominantly by lower benchmark rates

Outlook

- Group has substantial unused committed revolving facilities to fund growth
- It will continue to securitise through its ABS program to decrease cost of funds, improve capital efficiency and maintain diversification of funding sources
- In February 2017, Group completed a \$265m Certegy securitisation issuance



Cash Flow

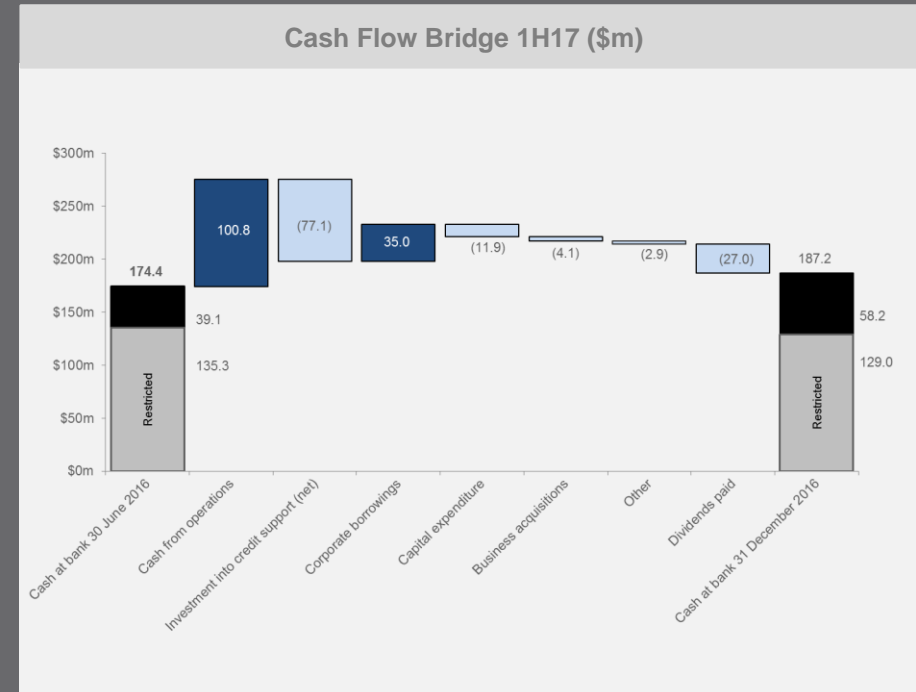
Strong operating cash flow supports investment into receivables growth

Performance

- Cash at bank was \$187m as at 31 December 2016
- Operating cash flow generation of the business continues to be the major source of funds for investment into receivables growth
- No securitisations done during 1H17, next regular issuance completed in February 2017
- Corporate borrowings were used to offset capital requirements throughout securitisation cycle and to support significant growth in AU Cards portfolio
- Capital expenditure includes the final stage of a major IT system upgrade project in NZ Cards

Outlook

- Dividend payout to be adjusted to 30-40% of Cash NPAT (from 50-60%)
- Investment into receivables and unrated notes in securitisation vehicles to support portfolio growth



Note:

1. Restricted cash represents balances on collection accounts, which are held as part of the Group's funding arrangements and are not available to the Group as at reporting date

Balance Sheet

Redesigning balance sheet to fund growth with optimal leverage

Performance

- Recourse Debt/Equity at 82% after increased corporate facility drawn down to partly fund FPF acquisition
- SPV borrowings are non-recourse to Group
- Borrowings are matched to customer contract term

Outlook

- 77% of total borrowings (including hedged positions) are fixed rate, which provides protection against underlying movements in base interest rates
- Remaining 23% of borrowings relate to AU Cards, a portion of NZ Cards and the corporate facility which are funded off a floating rate. Group has the ability in Cards to vary the customer rates to match any underlying change in official interest rates

Summarised Balance Sheet	Dec-15		Dec-16	
	FlexiGroup excl. SPV's	FlexiGroup incl. SPV's	FlexiGroup excl. SPV's	FlexiGroup incl. SPV's
Cash at bank	41.7	41.7	57.5	57.5
Cash at bank (restricted)	95.5	95.5	129.0	129.0
Receivables and customer loans	110.6	1,427.8	43.1	2,103.1
Investment in unrated notes in securitisation vehicles	155.7	-	204.3	-
Other assets	50.2	50.2	55.5	55.5
Goodwill and intangibles	207.8	207.8	428.7	428.7
Disposal group held for sale	-	-	14.0	14.0
Total assets	661.5	1,823.0	932.1	2,787.8
Borrowings	-	1,184.5	177.0	2,054.3
Cash loss reserve available to funders	-	(23.0)	-	(21.6)
Other liabilities	83.7	83.7	108.5	108.5
Disposal group held for sale	-	-	1.7	1.7
Total liabilities	83.7	1,245.2	287.2	2,142.9
Equity	577.8	577.8	644.9	644.9
Gearing (based on Net Tangible Assets)	0%	n/a	82%	n/a
Gearing (based on Total Equity)	0%	n/a	27%	n/a
ROE (i)	19%	n/a	16%	n/a

Segment Performance Overview

	Volume			Closing Receivables			Cash NPAT ¹			Cash NPAT / ANR %		
	1H16	1H17	Growth v PCP	1H16	1H17	Growth v PCP	1H16	1H17	Growth v PCP	1H16	1H17	Growth v PCP
Certegy	\$280m	\$278m →	(1%)	\$484m	\$478m →	(1%)	\$17.5m	\$17.6m →	1%	7.3%	7.4% →	0.1%
Australia Cards	\$161m	\$238m ↑	48%	\$271m	\$389m ↑	44%	\$6.2m	\$5.0m ↓	(19%)	4.9%	2.9% ↓	(2.1%)
New Zealand Cards	\$0m	\$310m ↑	0%	\$0m	\$651m ↑	0%	\$0.0m	\$13.3m ↑	0%	0.0%	4.2% ↑	4.2%
Australia Leasing	\$85m	\$103m ↑	21%	\$291m	\$287m →	(1%)	\$11.9m	\$9.5m ↓	(20%)	8.0%	6.8% ↓	(1.2%)
New Zealand Leasing	\$46m	\$46m →	0%	\$175m	\$193m ↑	10%	\$5.2m	\$5.6m ↑	8%	6.1%	5.7% →	(0.4%)
Net Corporate Debt Costs							(\$0.6m)	(\$3.5m) ↑	483%			
Total FlexiGroup (Continuing Operations)	\$572m	\$975m ↑	70%	\$1,220m	\$1,998m ↑	64%	\$40.2m	\$47.5m ↑	18%	6.7%	4.9% ↓	(1.8%)
Discontinued Operations	\$45m	\$3m ↓	(93%)	\$236m	\$174m ↓	(26%)	\$4.1m	\$2.1m ↓	(48%)	3.4%	2.1% ↓	(1.2%)
Total FlexiGroup	\$617m	\$978m ↑	59%	\$1,456m	\$2,172m ↑	49%	\$44.3m	\$49.6m ↑	12%	6.1%	4.7% ↓	(1.4%)

Notes

1. Cash NPAT adjustments are detailed in individual segment results

Consolidated Statutory Income Statement

A \$ MILLION	Dec-15	Dec-16
Total portfolio income	176.6	235.5
Interest expense	(32.5)	(51.5)
Net portfolio income (before impairment)	144.1	184.0
Impairment losses	(24.9)	(30.6)
Net portfolio income (after impairment)	119.2	153.4
Employment expenses	(32.3)	(43.7)
Depreciation and amortisation expenses	(5.9)	(6.6)
Operating expenses	(23.5)	(35.5)
Total expenses	(61.7)	(85.8)
Profit before income tax	57.5	67.6
Income tax expense	(16.1)	(19.9)
Statutory profit after tax	41.4	47.7
Amortisation of acquired other intangible assets	1.2	1.6
Other	-	0.3
Acquisition and integration costs	1.7	-
Cash net profit after tax	44.3	49.6

Consolidated Statutory Balance Sheet

A\$ MILLION			Excluding SPV's	
	Dec-15	Dec-16	Dec-15	Dec-16
Assets				
Cash at bank	137.2	186.5	137.2	186.5
Loans and receivables	1,456.0	2,171.9	138.8	111.9
Allowance for losses	(28.2)	(68.8)	(28.2)	(68.8)
Net receivables	1,427.8	2,103.1	110.6	43.1
Other receivables	41.3	47.7	41.3	47.7
Investment in unrated notes in securitisation	-	-	155.7	204.3
Inventory	3.9	1.3	3.9	1.3
Plant and equipment	5.0	6.5	5.0	6.5
Goodwill	153.1	321.6	153.1	321.6
Other intangible assets	54.7	107.1	54.7	107.1
Disposal group held for sale	-	14.0	-	14.0
Total Assets	1,823.0	2,787.8	661.5	932.1
Liabilities				
Borrowings	1,184.5	2,054.3	-	177.0
Loss reserve	(23.0)	(21.6)	-	-
Net borrowings	1,161.5	2,032.7	-	177.0
Payables	31.8	50.4	31.8	50.4
Current tax liability	9.4	7.9	9.4	7.9
Provisions	6.0	7.7	6.0	7.7
Derivative financial instruments	4.2	12.4	4.2	12.4
Contingent and deferred consideration	4.4	9.9	4.4	9.9
Net deferred tax liabilities	27.9	20.2	27.9	20.2
Disposal group held for sale	-	1.7	-	1.7
Total Liabilities	1,245.2	2,142.9	83.7	287.2
Net Assets	577.8	644.9	577.8	644.9
Equity				
Contributed equity	307.9	356.8	307.9	356.8
Reserves	4.3	19.9	4.3	19.9
Retained profits	265.6	268.2	265.6	268.2
Total Equity	577.8	644.9	577.8	644.9

Consolidated Statutory Cash Flows

A\$ MILLION	Dec-15	Dec-16
Cash flows from operating activities		
Interest and fee income received	182.2	250.2
Payments to suppliers and employees	(61.7)	(84.3)
Interest paid	(32.5)	(51.5)
Income taxes paid	(23.4)	(13.6)
Net cash inflows from operating activities	64.6	100.8
Cash flows from investing activities		
Payment for purchase of plant & equipment and software	(11.7)	(11.9)
Payment for deferred consideration relating to business acquisitions	(1.5)	(3.5)
Payment for business acquisitions	-	(2.4)
Payment for equity investment	-	(1.7)
Net movement in:		
Customer loans	(57.1)	(157.3)
Receivables due from customers	14.4	38.8
Net cash outflows from investing activities	(55.9)	(138.0)
Cash flows from financing activities		
Dividends paid	(27.4)	(27.0)
Proceed from equity raising, net of transaction cost	146.2	-
Treasury shares purchased on market	(0.7)	-
Draw down of corporate borrowings	43.0	52.0
Repayment of corporate borrowings	(88.0)	(17.0)
Net movement in non-recourse borrowings	(79.0)	41.1
Net movement in loss reserves on borrowings	3.2	0.3
Cash settlement on vesting of options	(0.1)	-
Net cash inflows/(outflows) from financing activities	(2.8)	49.4
Net increase in cash and cash equivalents	5.9	12.2
Cash and cash equivalents at the beginning of the half-year	130.3	174.4
Effects of exchange rate changes on cash and cash equivalents	1.0	0.6
Cash and cash equivalents at end of the half-year	137.2	187.2
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents on the statement of financial position	137.2	186.5
Cash and cash equivalents in disposal group	0.0	0.7
Cash and cash equivalents per above	137.2	187.2

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