



# Financial Year 2017 Results

Investor presentation

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23 May 2017

# Agenda

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FY17 summary



Financial update



Focus on execution



Summary and outlook



Q&A

# FY17 summary

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Skander Malcolm

Chief Executive Officer and Managing Director



## Fundamentals good

Fee and trading income  
\$114.1m

↑ 2.5%

Transactions  
852k

↑ 8.7%

Active clients  
157k

↑ 3.7%

Strong fee and trading  
income in North America  
\$20.0m

↑ 13.6%

Net cash  
\$42.6m

↑ 12.0%

Delivered

**\$27.8m**

underlying EBTDA,  
on guidance

Delivered

**\$19.6m**

underlying NPAT,  
on guidance

Final dividend of 2.9 cents per  
share

## Operational highlights

Rebranded Australia, UK, and US to OFX

Migration to Amazon Web Services (AWS)  
completed

Launched over 50 new features

Strong trading through Brexit

# Financial update

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Doug Snedden

Non-Executive Director

# Financial results in line with guidance

## Underlying results

	FY15	FY16	FY17
<b>Financial Metrics</b>			
Turnover (\$b)	16.6	19.6	19.4
Net operating income (\$m)	90.1	103.9	105.1
Expenses (\$m)	(53.5)	(65.7)	(77.5)
Long and short term incentives (\$m)	(2.2)	(2.1)	0.2
Underlying EBTDA (\$m)	34.5	36.1	27.8
Underlying EBT (\$m)	33.9	34.8	24.0
Underlying NPAT (\$m)	24.3	23.9	19.6
<b>Operational Metrics</b>			
Active clients <sup>1</sup> (000's)	142.5	150.9	156.7
Transactions (000's)	702.8	784.2	852.3
Average transaction value (000's)	23.7	25.0	22.8

1. Active clients are clients who have transacted in the past 12 months.

## Key takeaways

- ✓ Net operating income (NOI) increased
- ✓ Higher expenses reflect investment in brand and technology
- ✓ Underlying EBTDA and NPAT in line with guidance
- ✓ Net margin stable

# Selective investments in growth capabilities leading to positive jaws going forward

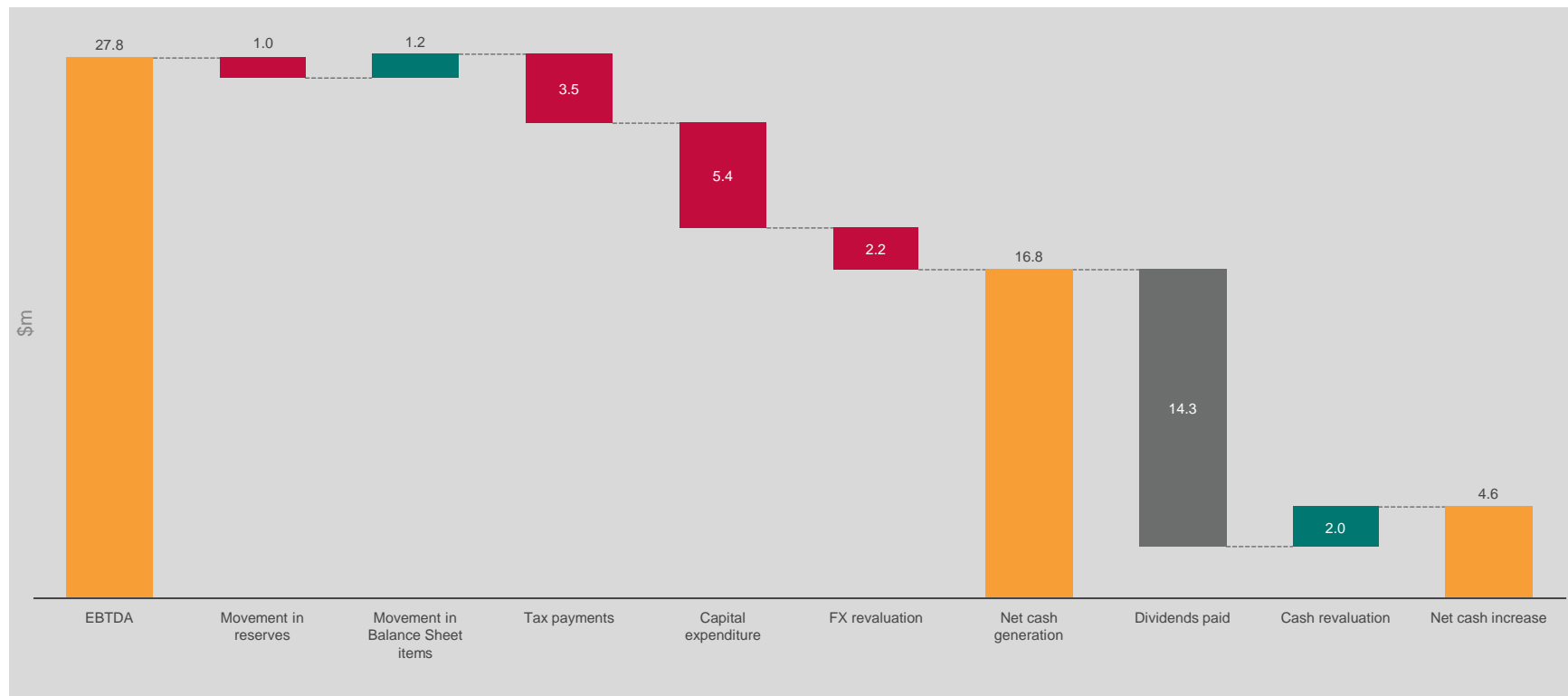
## Underlying operating expenses<sup>1</sup>

\$m	FY15	FY16	FY17
Employee expense	(28.3)	(36.1)	(42.8)
Promotional expense	(13.9)	(15.2)	(16.3)
Technology Infrastructure	(1.2)	(2.2)	(4.8)
Occupancy expense	(2.0)	(3.2)	(4.1)
Other expense	(8.1)	(8.9)	(9.5)
<b>Total underlying operating expenses</b>	<b>(53.5)</b>	<b>(65.7)</b>	<b>(77.5)</b>
Short and long term incentives <sup>2</sup>	(2.2)	(2.1)	0.2
<b>Total Expenses</b>	<b>(55.6)</b>	<b>(67.8)</b>	<b>(77.3)</b>

1. Underlying operating expenses exclude depreciation and amortisation.
2. A portion of the short and long term incentive provision was released in H2FY16 and H2FY17 as performance hurdles were not achieved.

- ✓ Investment in tech employees to drive technology upgrade
- ✓ Above the line marketing spend (\$2.5m in H1FY17) is non-recurring
- ✓ Increase in technology infrastructure costs reflect completed transition to AWS. FY18 hosting costs will decrease
- ✓ Clear shift in 2018 direction to driving positive jaws

## Strong cash generation





# Balance Sheet

\$m	H2FY16	H1FY17	H2FY17
<b>Assets</b>			
<b>Net cash<sup>1</sup></b>	38.1	41.5	42.6
<i>Cash and cash equivalents</i>	142.1	129.4	148.5
<i>Deposits with financial institutions</i>	20.8	26.6	10.1
<i>Client liabilities</i>	(124.8)	(114.5)	(115.9)
Net derivative financial instruments	6.7	6.5	6.8
Other assets	3.2	3.4	3.6
Property, plant and equipment	7.0	6.4	5.5
Intangible assets	2.3	4.0	5.5
Deferred and prepaid tax assets	3.3	2.6	2.5
<b>Total assets</b>	<b>60.5</b>	<b>64.4</b>	<b>66.4</b>
<b>Liabilities</b>			
Other liabilities	4.8	6.2	7.0
Provisions	2.5	2.7	1.8
Tax Liabilities	0.0	0.0	0.1
<b>Total liabilities</b>	<b>7.2</b>	<b>8.9</b>	<b>8.9</b>
<b>Net assets</b>	<b>53.2</b>	<b>55.4</b>	<b>57.5</b>
<b>Equity</b>			
Ordinary share capital	24.4	24.4	24.4
Foreign currency translation reserve	0.3	0.4	0.2
Share-base payments reserve	2.3	2.2	1.3
Retained earnings	26.3	28.5	31.6
<b>Total equity</b>	<b>53.2</b>	<b>55.4</b>	<b>57.5</b>

- ✓ Net cash \$42.6m up from \$38.1m as at 31 March 2016
- ✓ The Group requires net cash to enable:
  - Adherence with regulatory capital requirements
  - Collateral with banking counterparties
  - Working capital to prefund bank accounts ensuring fast execution of client payments
- ✓ \$5.4m of capex was incurred on technology and PPE upgrades in FY17

1. Net cash position consists of cash and cash equivalents, deposits with financial institutions and client liabilities (cash held for settlement of client transactions in progress).

# Focus on execution

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Skander Malcolm

Chief Executive Officer and Managing Director

# Gains in revenue drivers and operating metrics in challenging macro environment

Growth in engagement

Growth in repeat business of clients >3 years registered

Sustained growth in transactions from Corporate and Individuals

However, ATV impacted by global market events

... resulting in flat turnover on FY17

Transactions per active client  
**5.4**  
4.7% up on FY16

×

Active Clients  
**157k**  
3.7% up on FY16

=

Transactions  
**852k**  
8.7% up on FY16

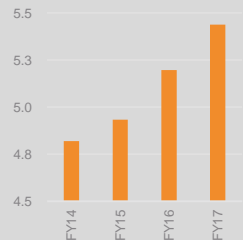
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ATV  
**\$22.8k**  
8.8% down on FY16

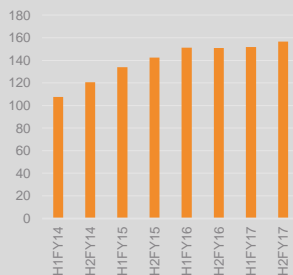
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Turnover  
**\$19.4b**  
1% down on FY16

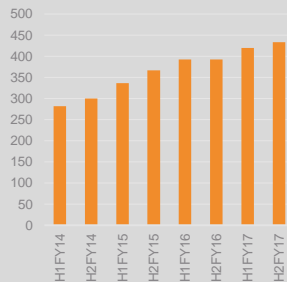
Transactions per active client ('000)



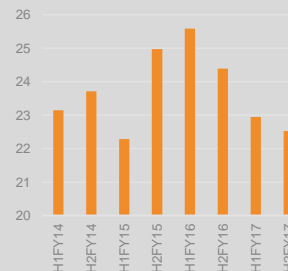
Active clients (000's)



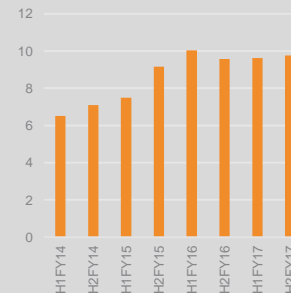
Transactions ('000s)



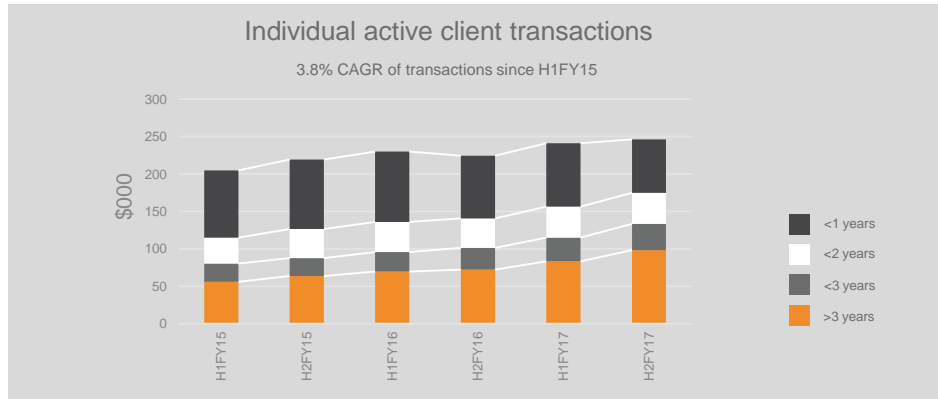
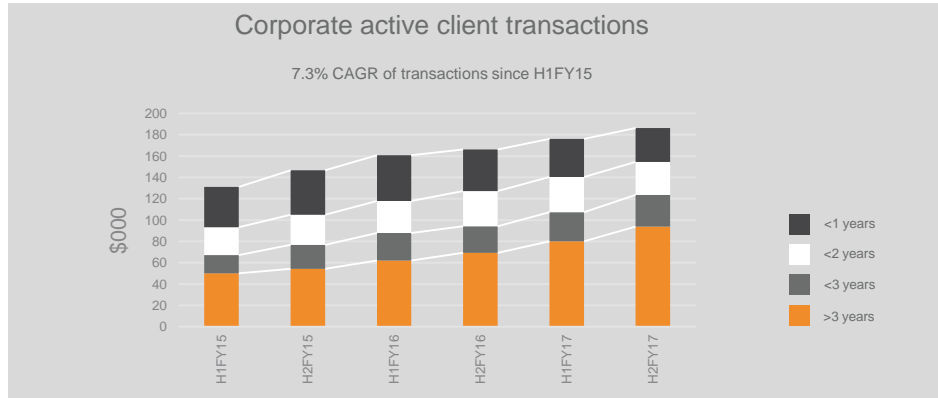
Average Transaction Value (\$000's)



Turnover (\$b)



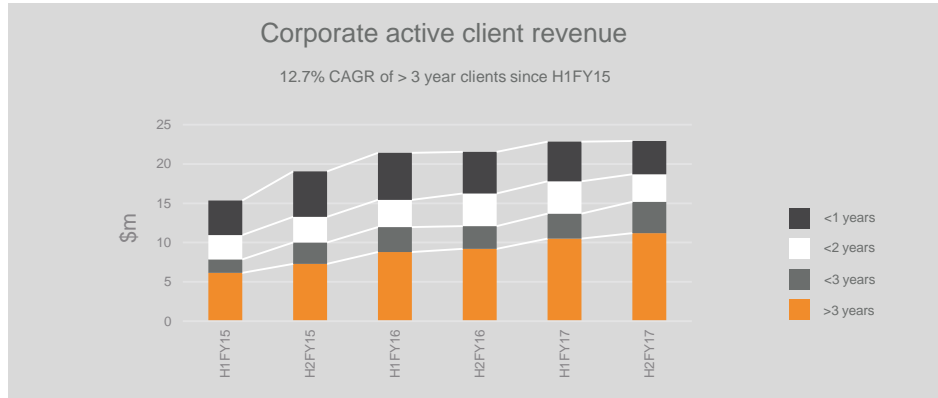
# Strong transactional growth from Corporate portfolio



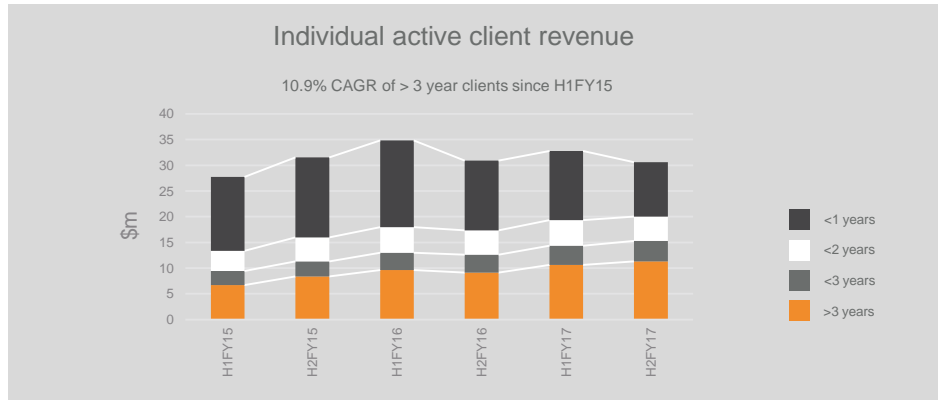
- ✓ Higher ATVs: Corporate clients >3 years old had an ATV 2.3x greater than Individuals in FY17
- ✓ Highly retained Corporate client base
- ✓ Corporate clients not well served by bank pricing

- ✓ Even in challenging market conditions, we can grow transactions
- ✓ Individual transactions grew by 2.1% in H2FY17
- ✓ Inactive Individual clients prefer OFX to our competition and will restore activity on either need or rate

# Repeat active clients provide steady, higher margin revenue flow

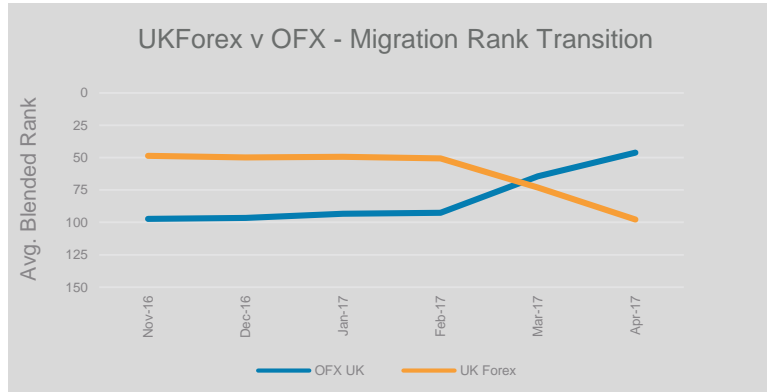


- ✓ Clients >3 years old = 47% of Corporate revenue (up from 42% in FY16)
- ✓ Higher transactions per client and ATVs



- ✓ Strong New Dealing Client (NDC) growth in prior years driving flow of retained revenue in older client cohort

# Our marketing is gaining traction, and sales is our next focus area

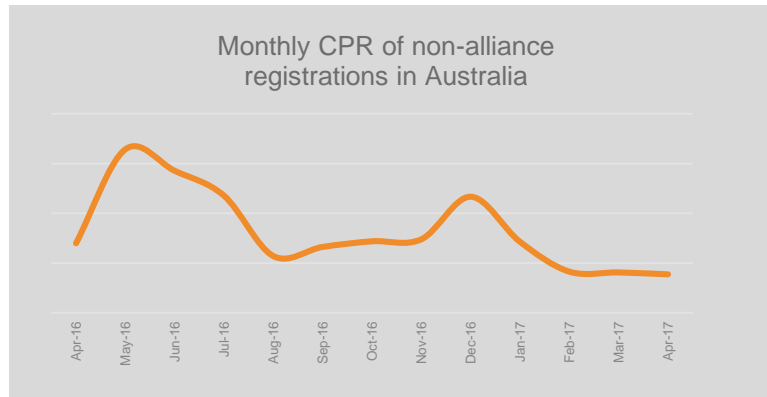


## The OFX brand is now live in our 3 core markets

- ✓ Successful completion of rebranding in the US and UK
- ✓ Applying learnings from Australia to restore search rankings within 8 weeks
- ✓ Roll-out of the OFX brand in our remaining markets by the end of FY18

## Cost of acquiring clients in Australia significantly reduced

- ✓ 45% drop in our Cost per Registration (CPR) between April 2016 and April 2017



## In FY18 we will continue to diversify our acquisition marketing mix

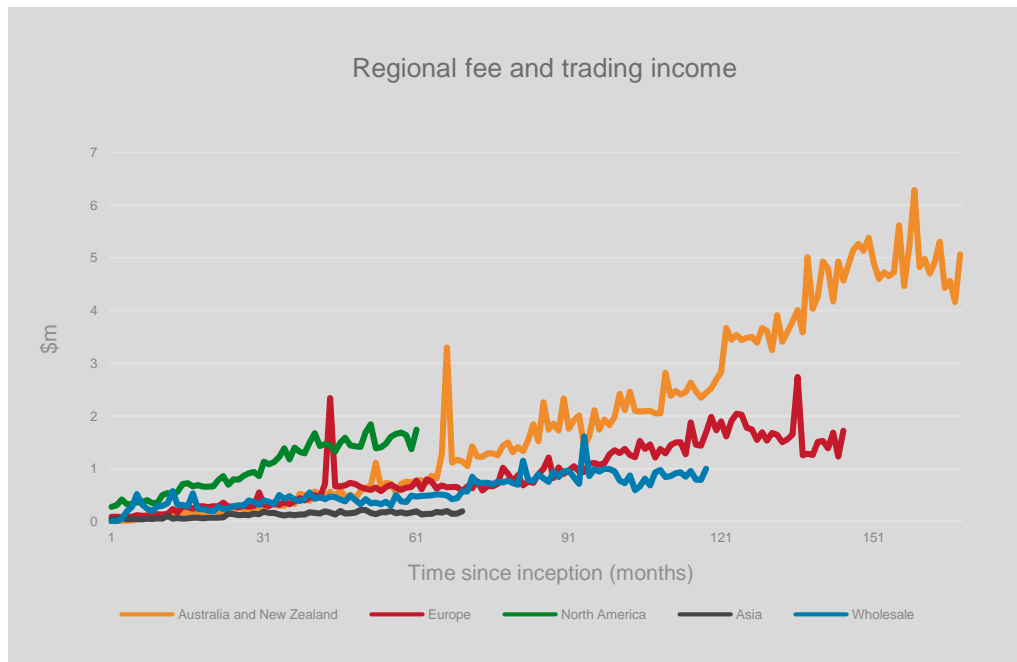
- ✓ Programmatic
- ✓ US outdoor campaign
- ✓ Content
- ✓ PR

## Sales focus is next

- ✓ Salesforce implementation in Q1FY18
- ✓ Increased headcount through FY18, especially for the dedicated Online Sellers (OLS) team



## North America is growing faster than ANZ at the same stage



- ✓ North America became the second largest fee and trading income contributor in Q2, ahead of Europe
- ✓ NDCs in North America grew by 7% in H2FY17 vs H1FY17
- ✓ Europe will rebound with a stronger GBP and EUR
- ✓ Asia will grow with increased Online Sellers and Corporate focus

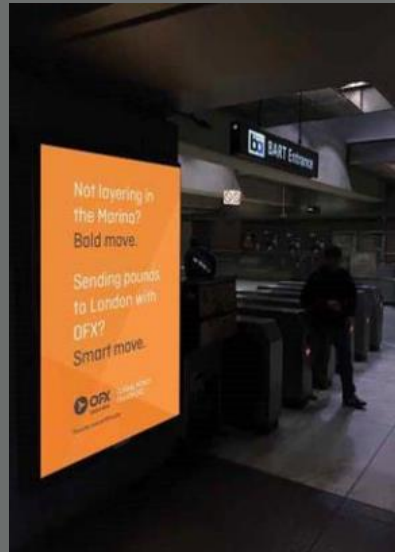
# Strong marketing investment in US underway



Street Pillar Kiosk



Embarcadero Station



Billboard



Posters





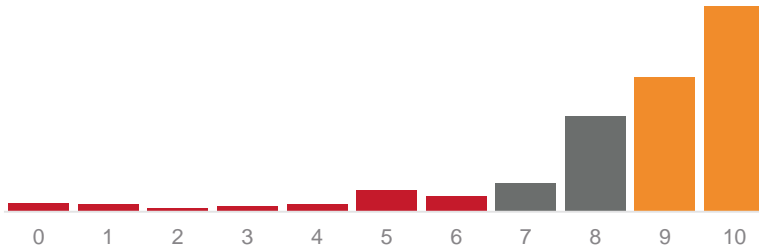
# Ongoing investment in client experience is key to success



## Very strong NPS overall

Globally OFX's satisfaction score is in the excellent range

51



NB: Global NPS survey conducted in March 2017.

## Opportunity to improve

The customer journey has been mapped out and pain points identified, particularly during the early on boarding stages

FY18 program of work

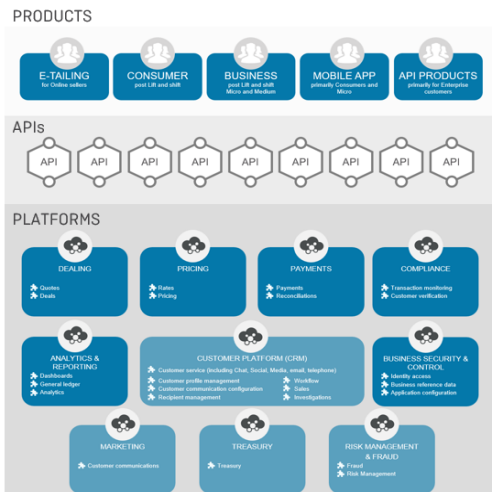
- ✓ Faster and simpler on-boarding experience
- ✓ Deeper customer relationship management and service delivery
- ✓ In-app experience enhancements

# Our technology roadmap for FY18 has been prioritised



## Technology architecture vision

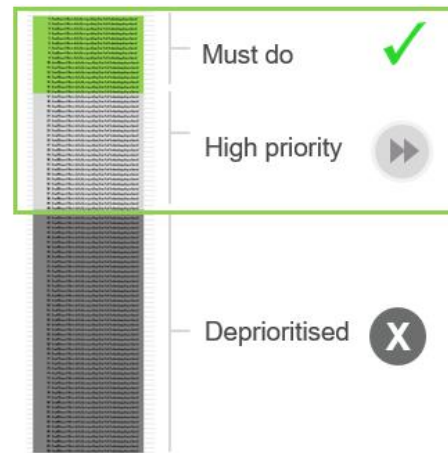
Continued investment in modernising our infrastructure  
 Progressing well on migrating to a modern architecture plan layered in Products, APIs, Platforms with all core applications now in the cloud



## Rigorous FY18 prioritisation plan

To ensure execution we have selected a number of items to be delivered, including key projects driven by customer features, operational efficiencies, corporate registration journey improvements and regulatory changes

### Opportunity investment in technology



### Underpinning principles

- ✓ Scalable
- ✓ Customer driven
- ✓ Data savvy
- ✓ Secure
- ✓ Best cost



Gaining traction on  
Marketing and Sales

- Active clients
- Transaction volume



Unlocking customer  
experience value

- Conversion rates
- NPS



Sustaining  
investment  
in Technology

- Completion of priority roadmap
- Better cost, security and client experience

***“Driving positive jaws  
through better execution,  
discipline and growth”***



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