

FLEXIGROUP 

Investor Day

JUNE 22 2017



Today's agenda

When	Who	What
2.30-3.30pm	Symon Brewis-Weston CEO	Business Overview and Vision
3.30-3.50pm	Verity Gilpin General Manager-Consumer Sales	Australian Cards
3.50-4.10pm	Chris Lamers CEO-NZ	New Zealand Cards and Commercial Leasing
4.10-4.30pm	Ken Richards General Manager Commercial	Australian Commercial Leasing
4.30-4.50pm	Ross Aucutt CFO	Financial Overview
4.50-5.00pm	Symon Brewis-Weston CEO	Wrap up and key takeaways
5.00-5.30pm	All	Q&A

Key messages from today

01 Relevant and sustainable

We are building on core competencies in credit, funding and distribution to create an increasingly relevant and sustainable FlexiGroup

02 Simpler, lower cost FlexiGroup

We are creating a simpler, more profitable FlexiGroup, integrating brands and digital platforms at the front end and rationalising systems and processes at the back end. This will create better customer experiences at lower cost

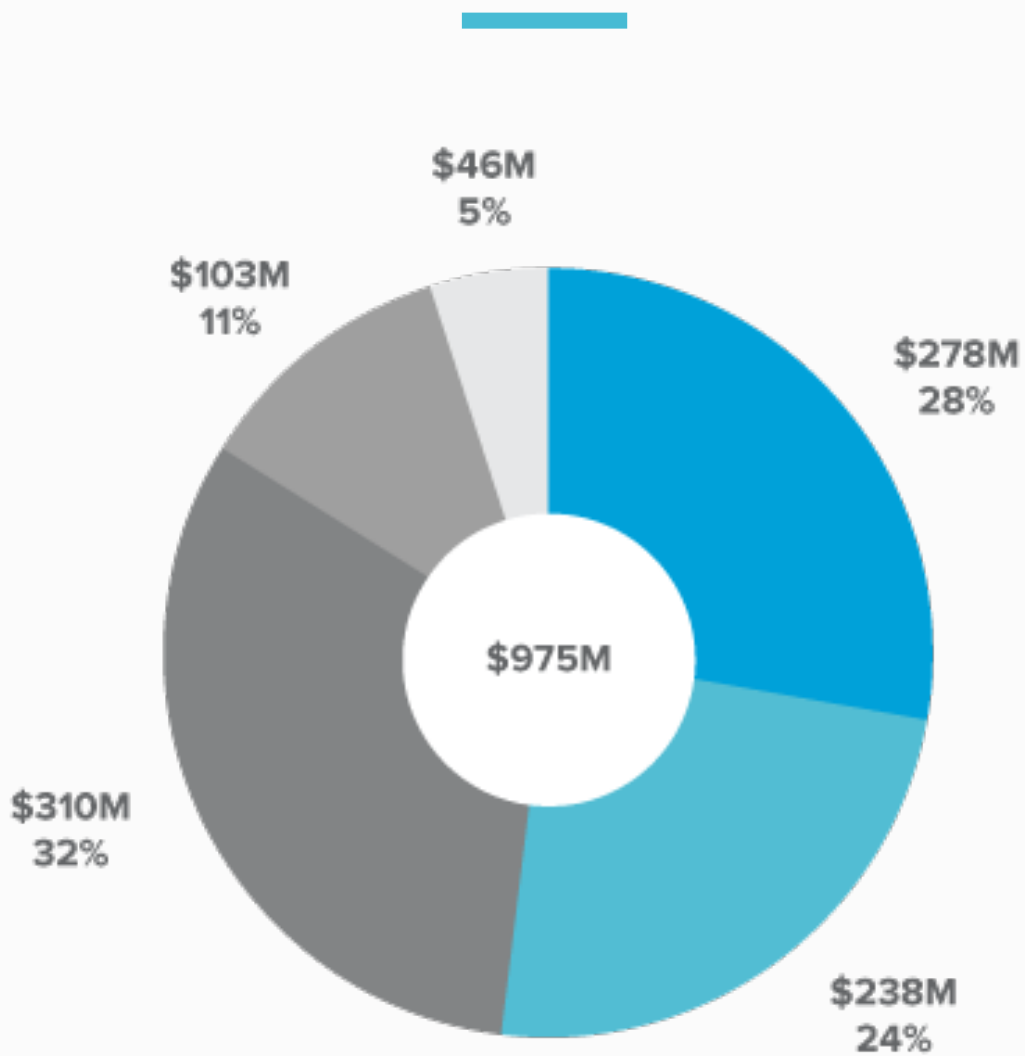
03 Well placed for profitable growth

We have a proven track record at restoring businesses back to growth. AU cards are a stand out performer with strong and accelerating volume growth clearly translating into revenue and NPAT. Certegy is in review

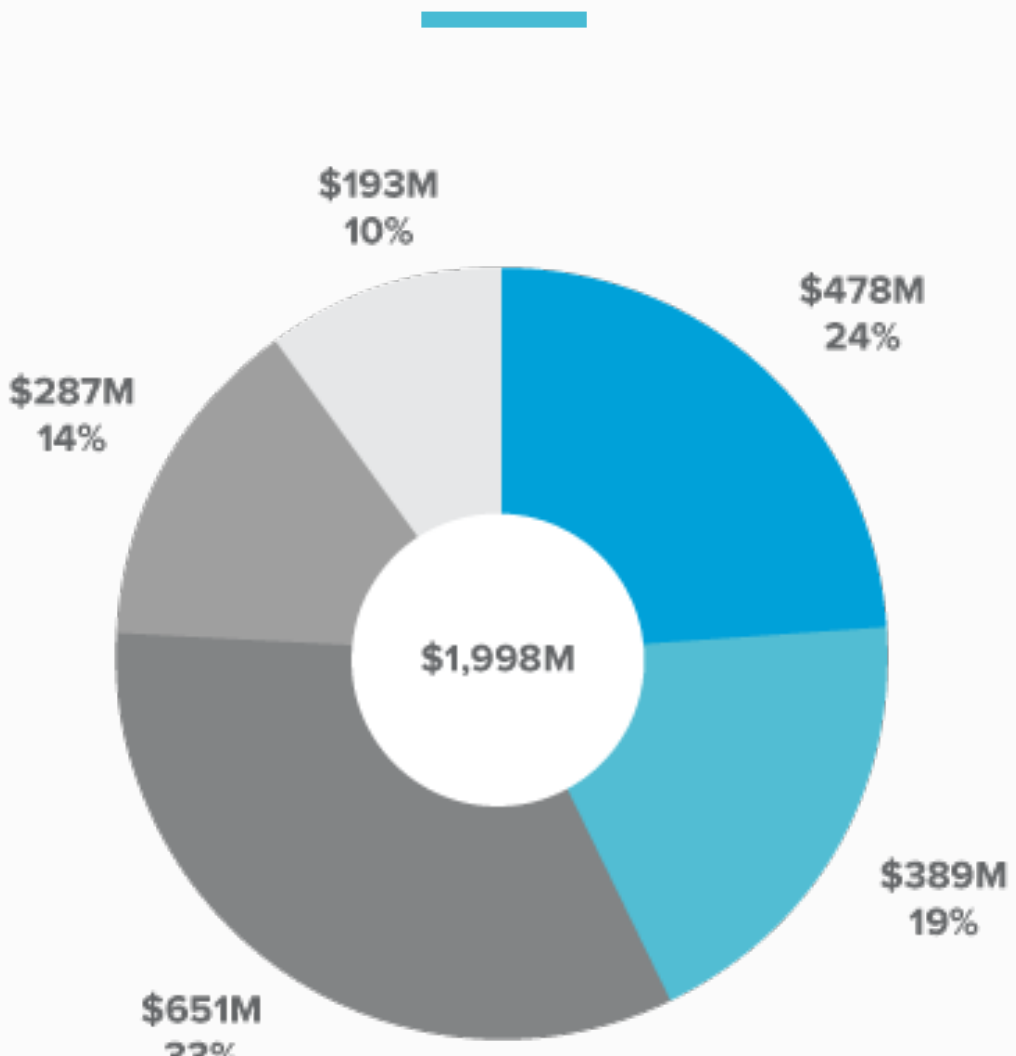
We affirm FY17 guidance, \$90-93m cash NPAT

FlexiGroup at a glance

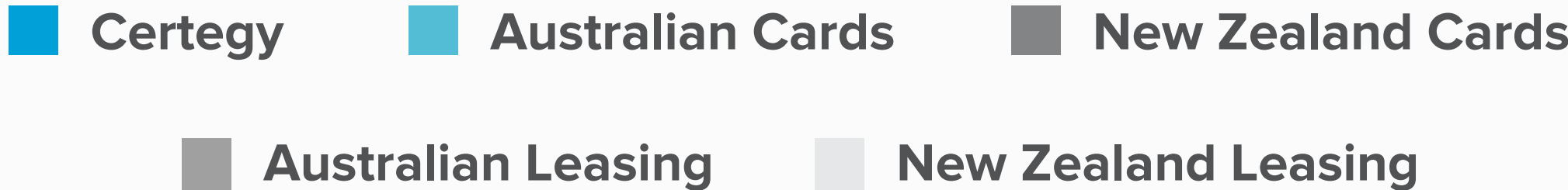
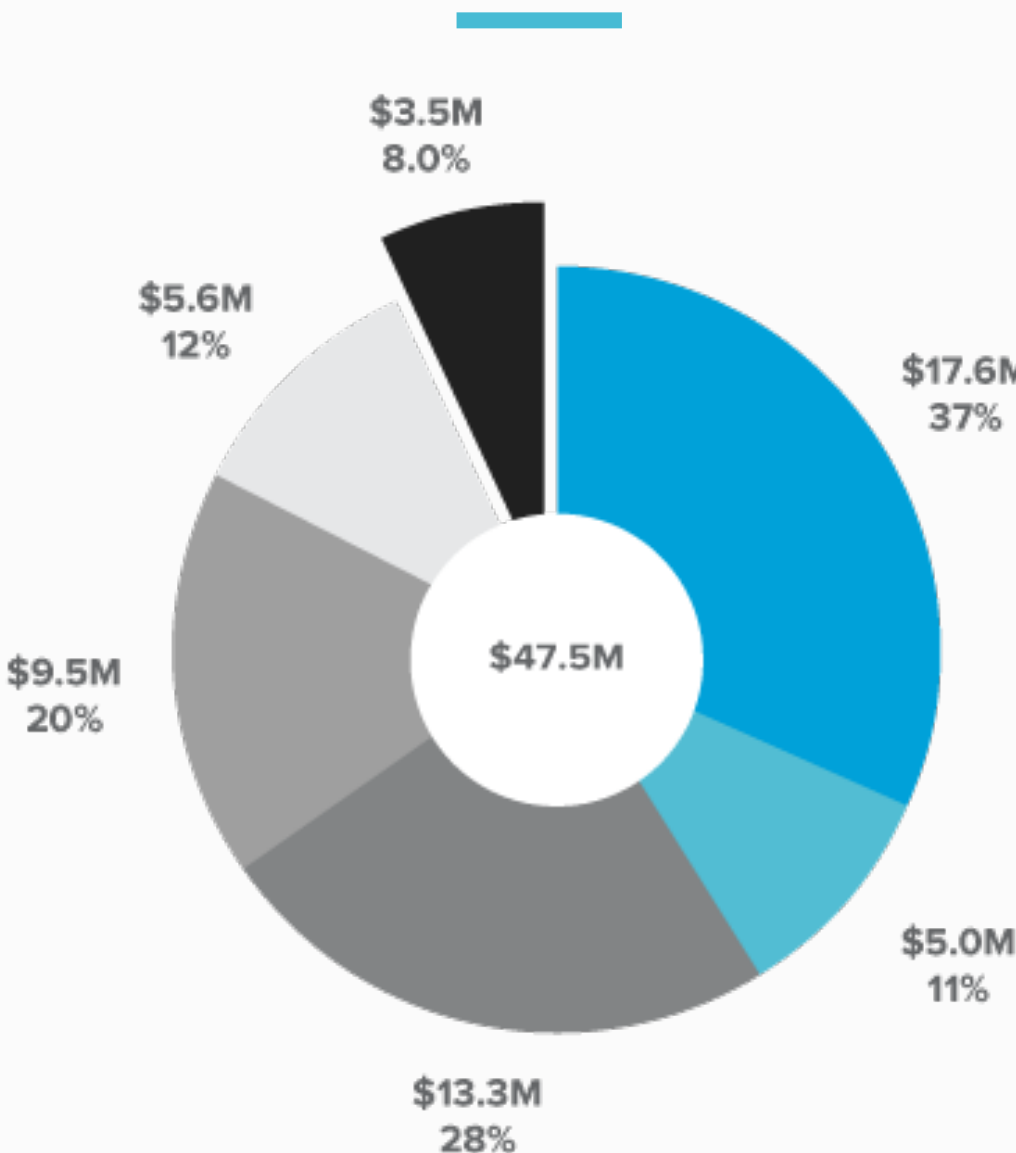
1H 17 Volume



1H 17 Receivables



1H 17 Cash NPAT



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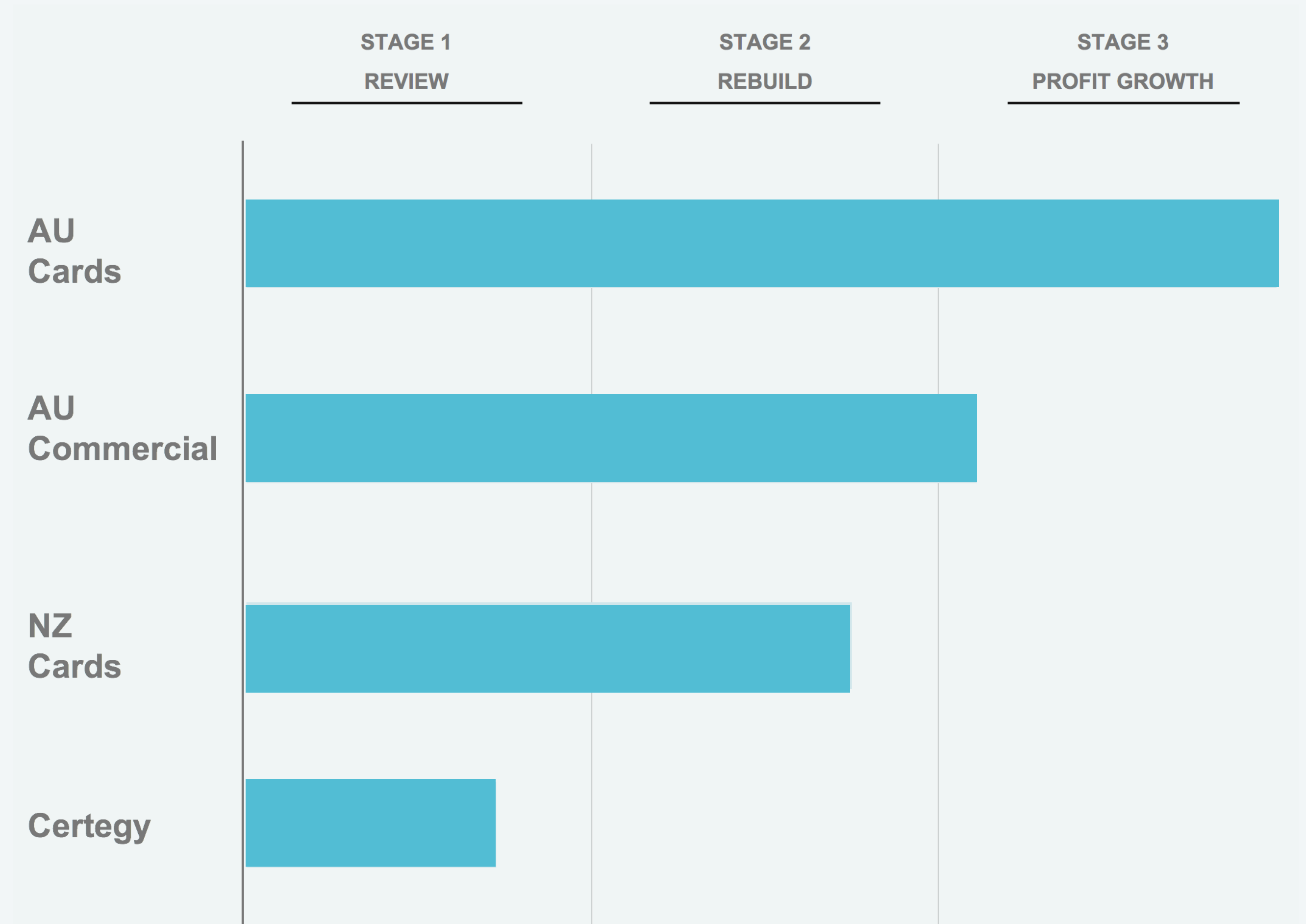
Segment review key points



FlexiGroup

Returning FlexiGroup to profitable organic growth

We are making progress across all business units to deliver sustainable performance



Australian Cards

A major growth story

Exceptional and continuing growth across all key metrics with a clear path from transaction volume to revenue to profit.

Successful initiatives to drive initial take up and repeat usage with positive results on volume and % of book bearing interest continuing strongly.

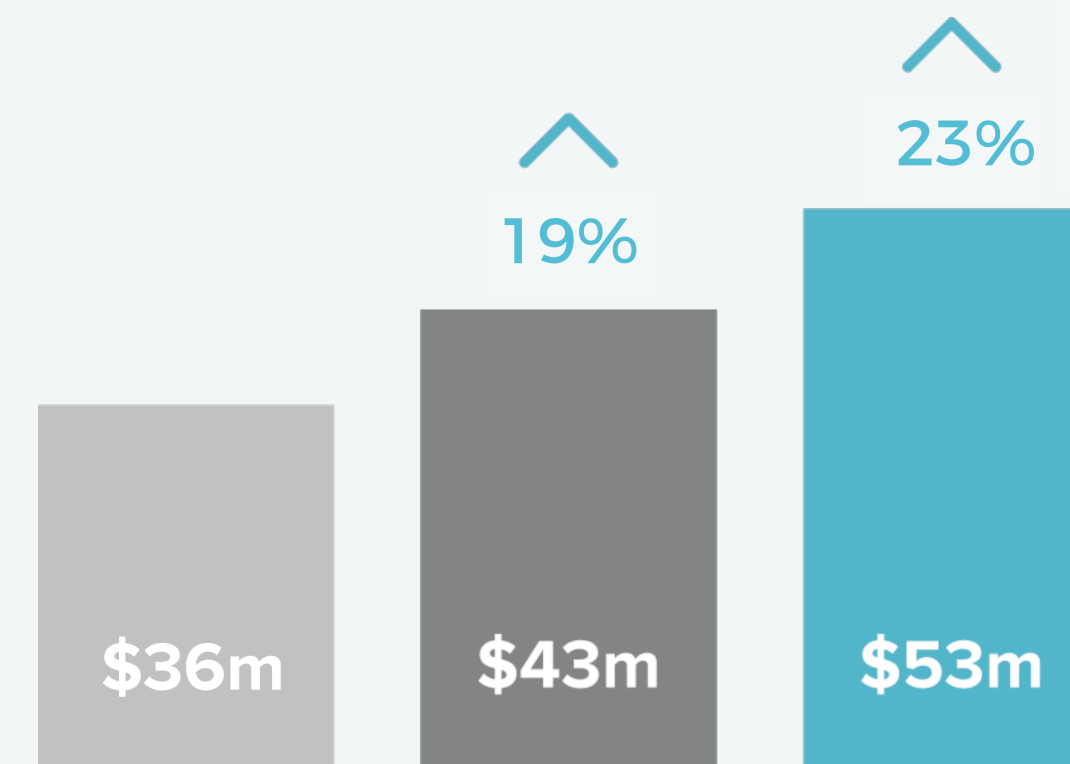
Product offering being simplified with brand consolidation.

Front and back end systems being digitised to improve customer experience and reduce cost.

Working closely with NZ cards on product, platforms and business intelligence.

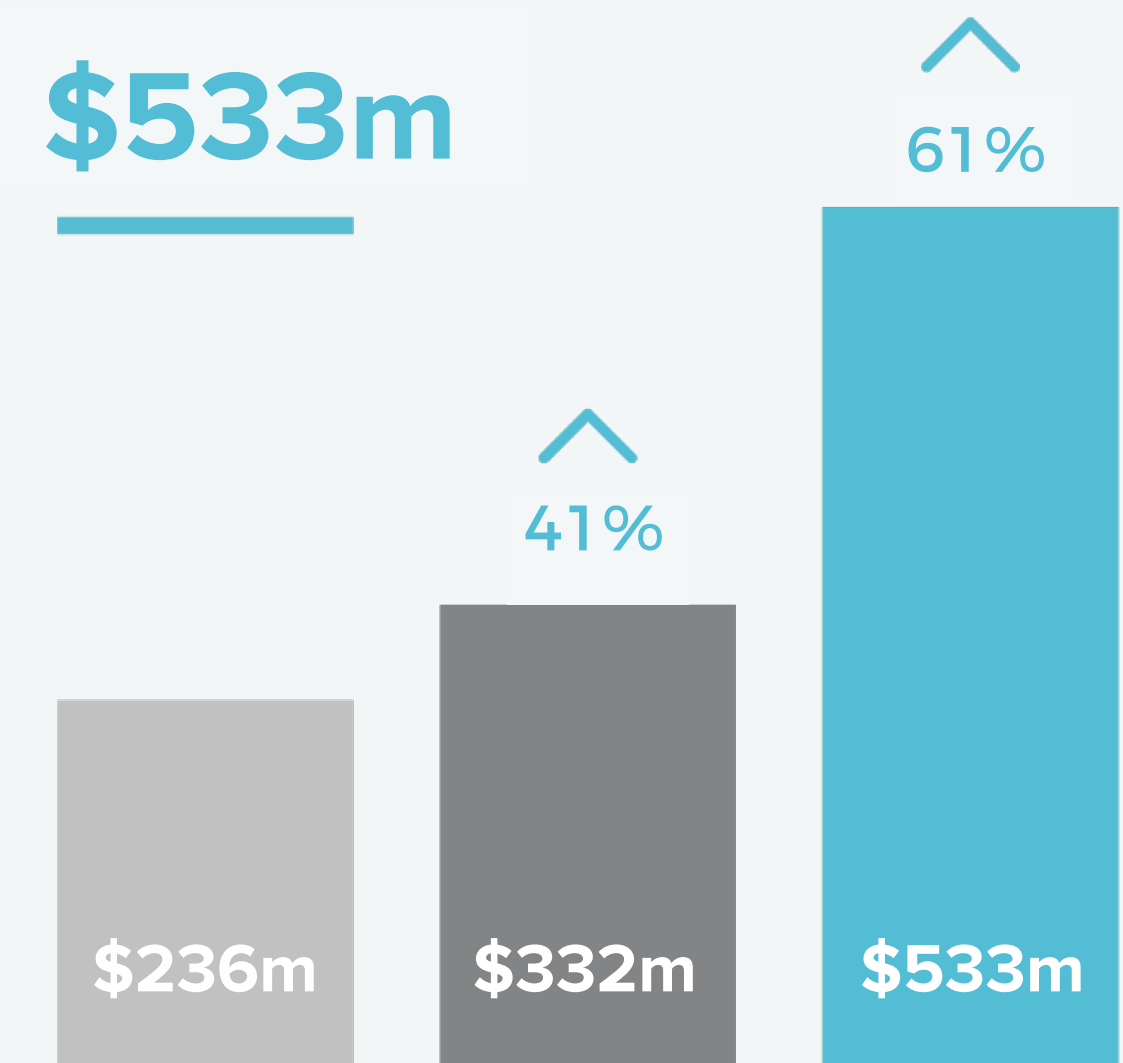
REVENUE

\$53m



RETAIL TRANSACTION VOLUME

\$533m



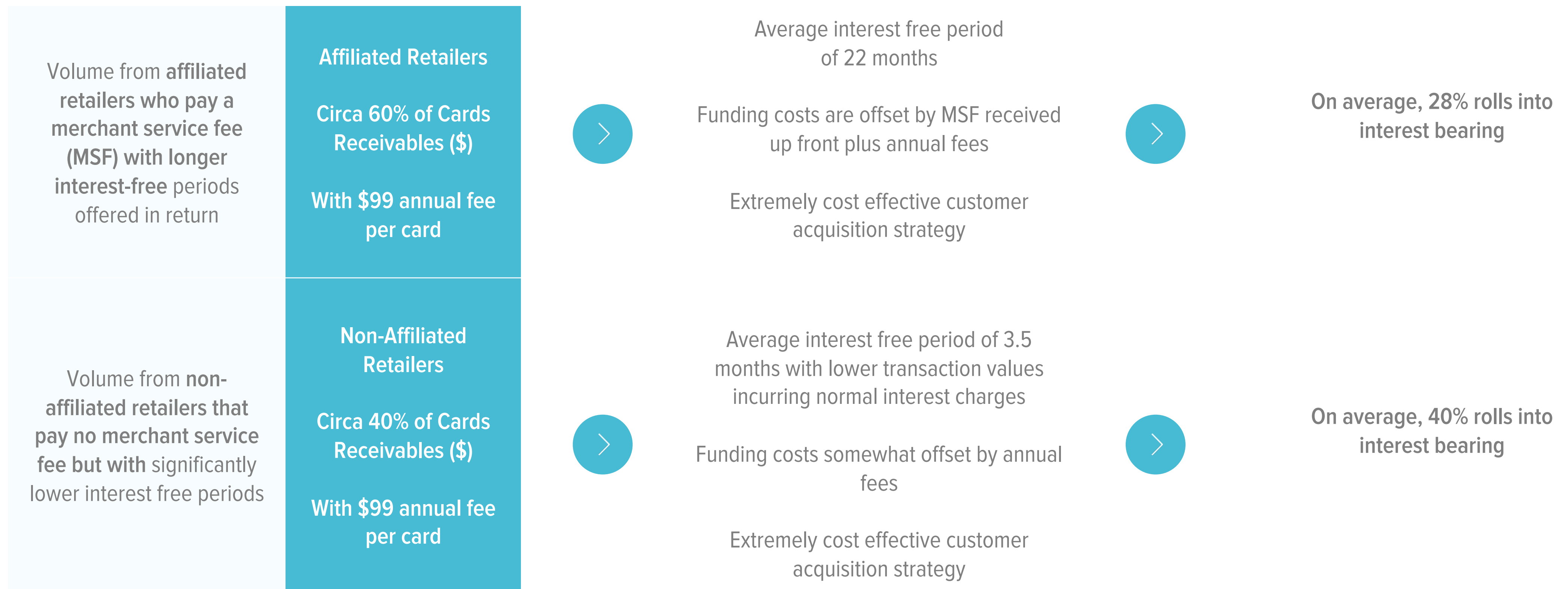
■ FY15 ■ FY16 ■ FY17 ESTIMATE

How does the cards business make money?

Up front merchant fees and annual card fees offset funding costs. Over time approx. one third of the book goes into interest bearing.

Card transactions volume (\$) by channel

How does the card business make money?



There is a lag from volume growth to revenue and NPAT growth

Consumer Leasing

Reinvigorated and positioned for selective growth

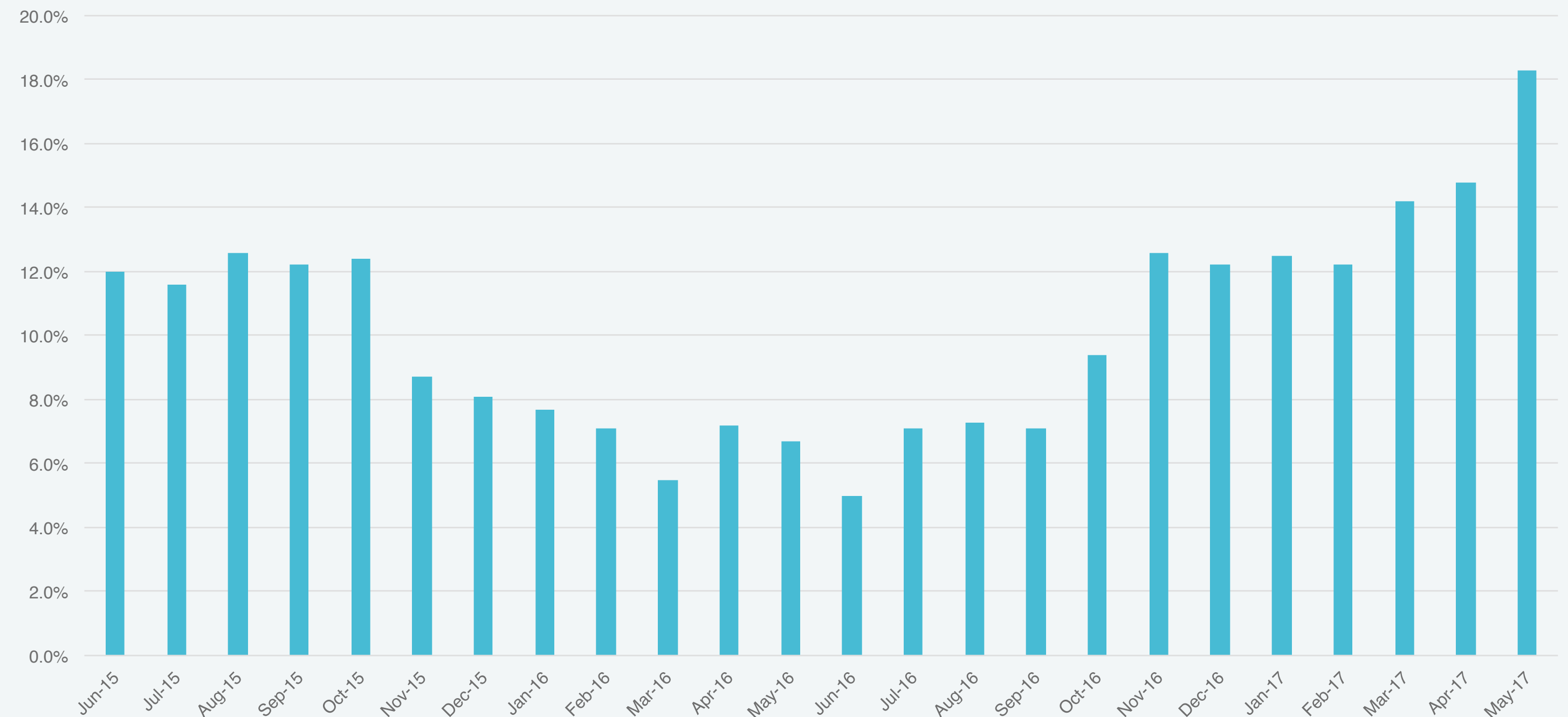
Volume holding firm with product reinvigoration and significant (3x) lift in end of term upgrade rates.

Actively engaging with key partners and market segments to target categories where lease has a product advantage to create growth.

Existing sellers are being retained with greater value add, particularly around data.

Regulatory environment being proactively and cooperatively managed to make necessary changes. No significant impacts to costs or volumes anticipated from compliance.

UPGRADE RATE AT END OF TERM



Certegy

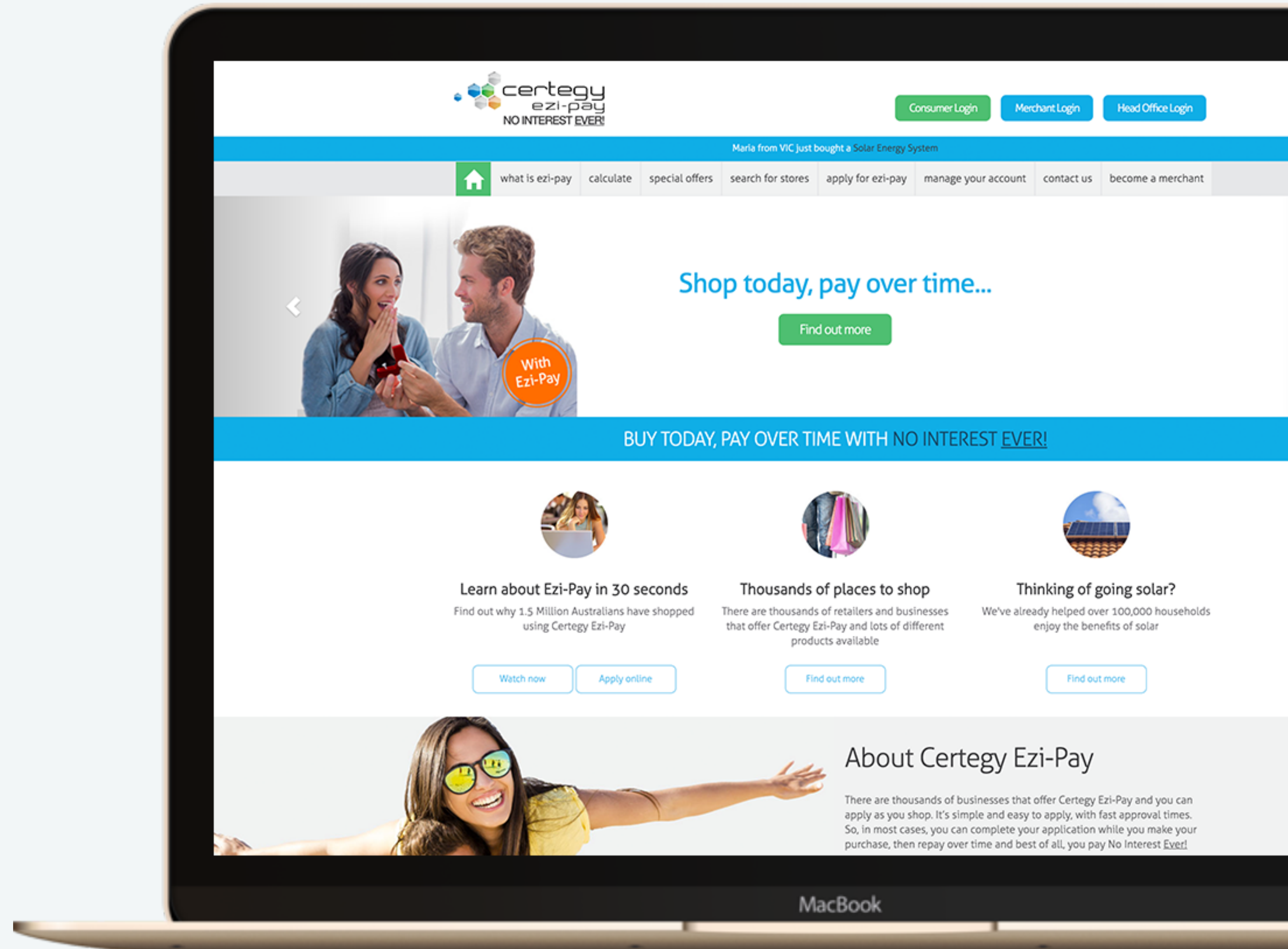
Strong market position, rebuilding in progress

Certegy's current market is middle to high value transactions at medium to longer terms.

2/3rds of amounts financed are between \$800 and \$8000.

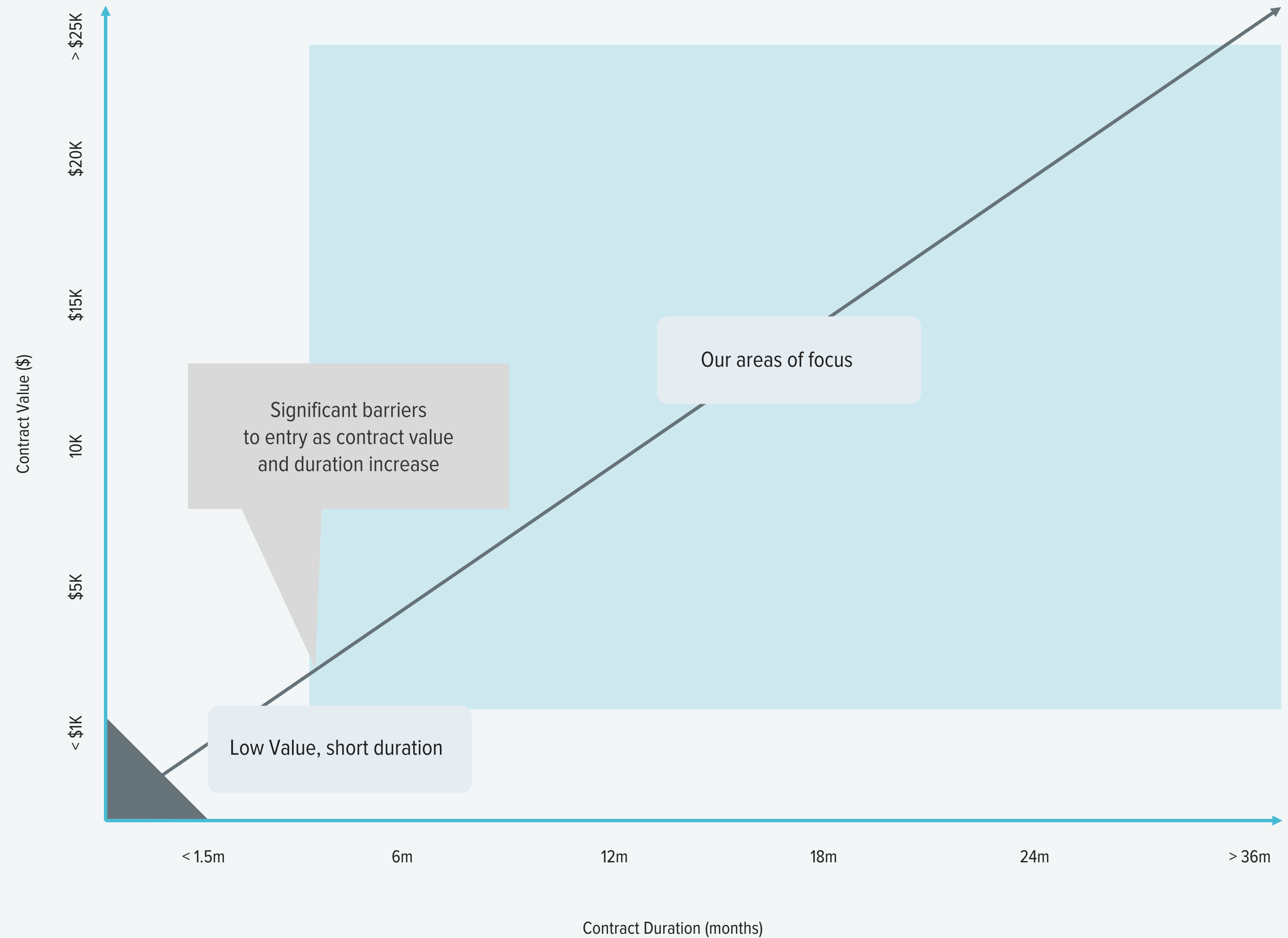
As values/terms go up, core competencies such as credit decisioning, funding, regulatory compliance and collections come into play and create barriers to entry.

We are identifying and addressing Certegy's operational challenges so that it is able to take advantage of these core competencies both to defend it's existing market and enter new ones.



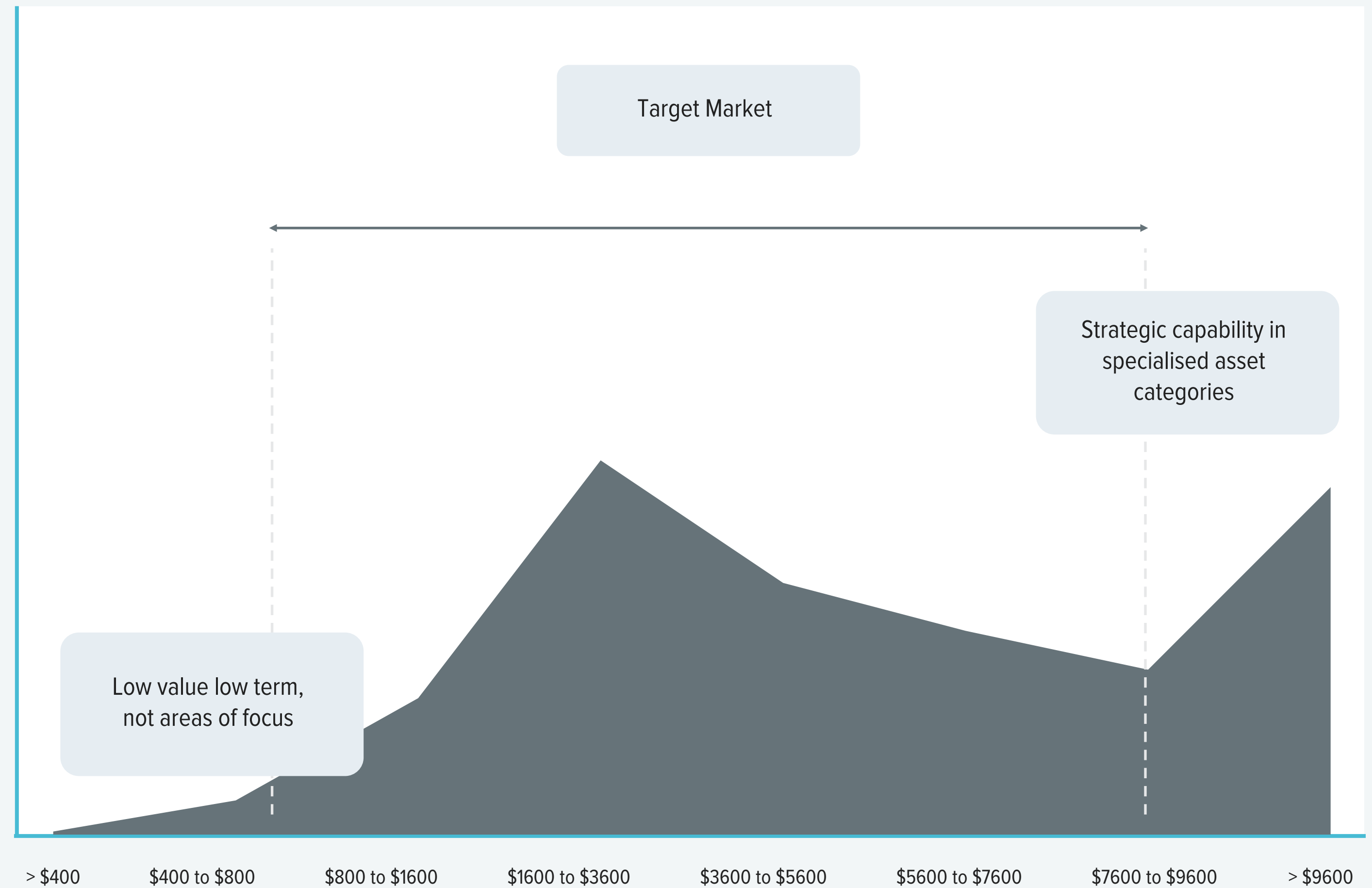
Industry structure

Certegy's target market is structurally differentiated.



Certegy Book Analysis

Two thirds of the amounts financed are between \$800 and \$8,000.



Key components for competition up the value and duration chain

FlexiGroup has developed these core strengths over 28 years.

As you go up the time and value scale, barriers to entry increase.

Key requirements include:

01 Robust and proven credit model

02 Large and stable funding lines

03 Low cost funding strategies

04 Strong collections capabilities

05 Regulatory approvals

06 Regulatory expertise

Certegy Review

Operational challenges affected performance – solutions under way

We have conducted a review of the business and identified several key areas for improvement

- 01** Lack of strong digital front-end capabilities
- 02** Un-scalable and suboptimum operating processes
- 03** Underinvestment in systems and brand
- 04** Slow to respond
- 05** Deterioration in margin driven by portfolio mix change and volume driven strategy



We have responded quickly and started the journey to reposition the business for ongoing success

- 01** Leveraging in-house Oxipay digital system to become Certegy front-end – low capex solution
- 02** Ongoing review of processes and systems
- 03** Unified brand strategy to build cohesive consumer facing front-end
- 04** Strengthening systems, processes and capabilities
- 05** Refocusing on core target market with attractive fundamentals

Outlook

The outlook for Certegy is improving

01 Our attractive and differentiated market opportunity remains intact

02 The target market has high barriers to entry. FlexiGroup has developed significant expertise in these areas over the last 28 years

03 Operational issues have affected recent performance – these have been identified, reviewed and are now being resolved

04 Given our technology, scale, distribution capability and expertise we are well placed to deliver strong returns over time

05 Volume vs. margin optimisation strategies

Oxipay, a new market segment for FXL

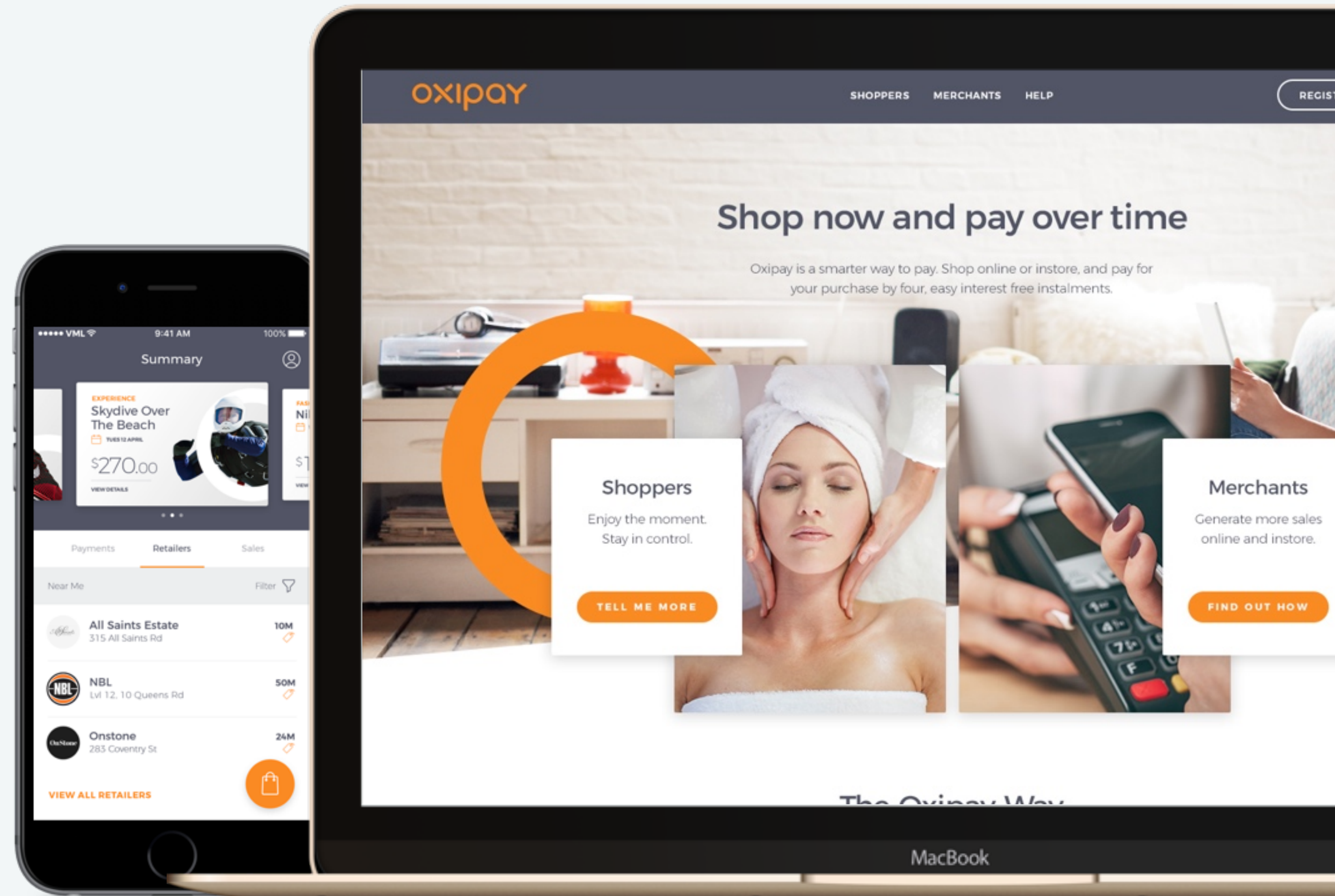
Oxipay is largely a new market segment for FXL (sub \$1000). Oxipay will be the entry level product in our Australian consumer strategy with an ability to upsell and cross sell from that point as part of an integrated product suite.

Front-end has been entirely updated to be fast, easy and convenient for buyers and sellers.

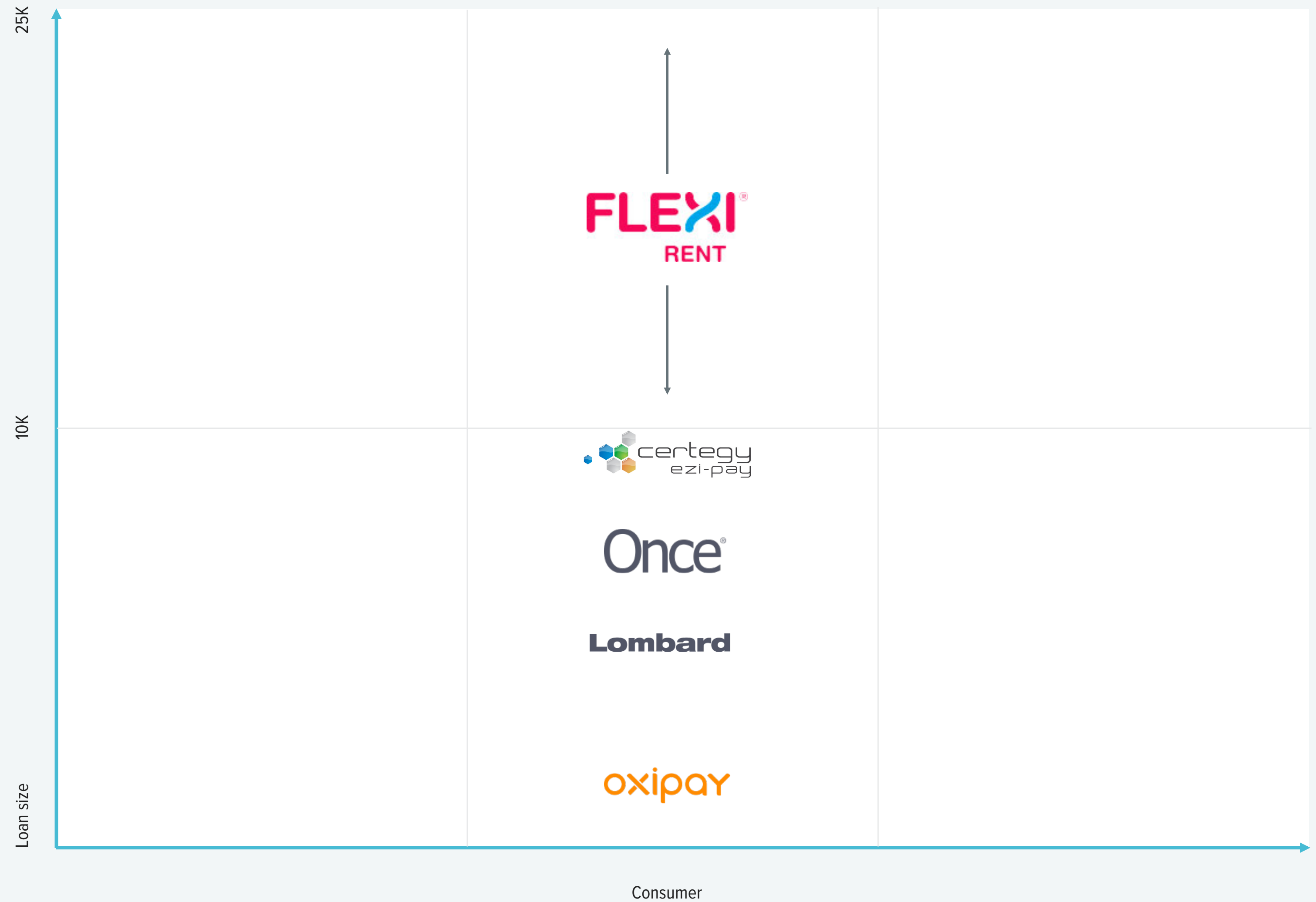
Popular carts are integrated for online transactions and nearly a dozen integration partnerships have been established to perform instore POS.

Oxipay will not focus on small ticket, high risk retail segments with a significant pipeline in other sectors.

Oxipay as an open loop product could effectively be available in any retailer anywhere in the world.



Brand consolidation and platform integration creates a unique offering



Australian Commercial Leasing

Rebuilding for growth

Single asset exposures have been minimised by exiting enterprise.

Portfolio is being managed to focus on quality and yield, not volume.

Back end systems are increasing automation to reduce cost.

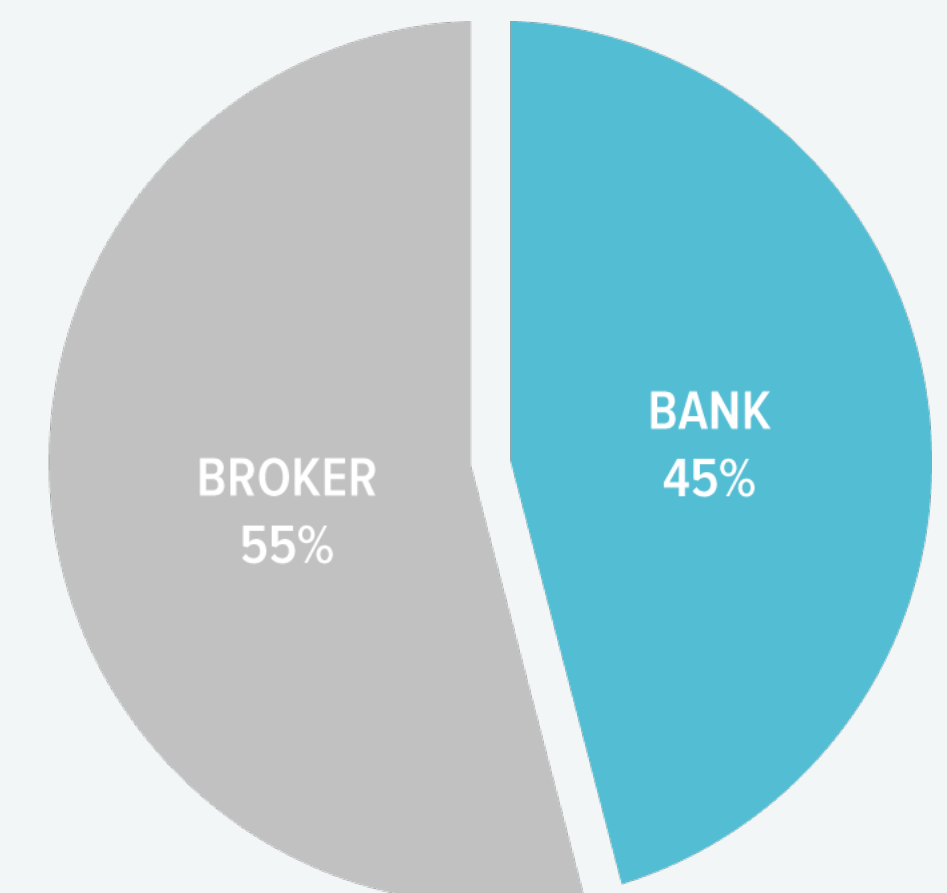
Managed Services offering is best in market with significant growth potential.

INDUSTRY CURRENTLY AT C. \$90BN RECEIVABLES - PRESENTING A SIGNIFICANT OPPORTUNITY FOR FLEXICOMMERCIAL

NEW LENDING VOLUME BY PRODUCT (\$BN)



SME BORROWERS ARE INCREASINGLY MOVING AWAY FROM TRADITIONAL LENDERS



New Zealand

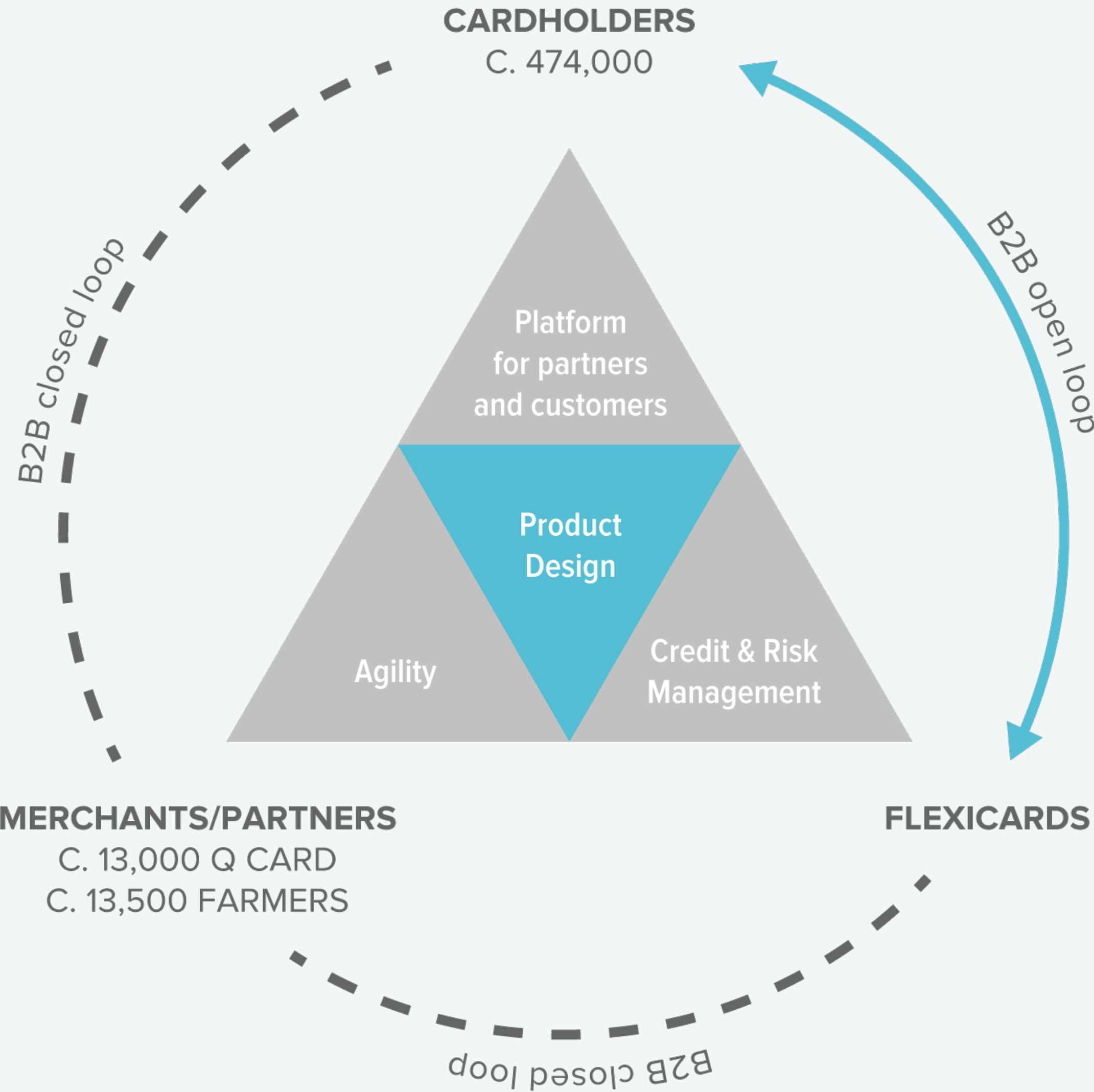
Strong business with leading market position and scope for growth

Strong adoption with nearly half a million cardholders (17.9% of market) and over 13,000 retail partners Q Card in 25% of stores.

Building strong synergy across cards and New Zealand leasing to grow revenue and reduce cost.

Driving product innovation including with “open loop” lending with MasterCard and Flight Centres.

Goal to be in 50% of NZ households with a \$1bn book in 3 years.



Ireland

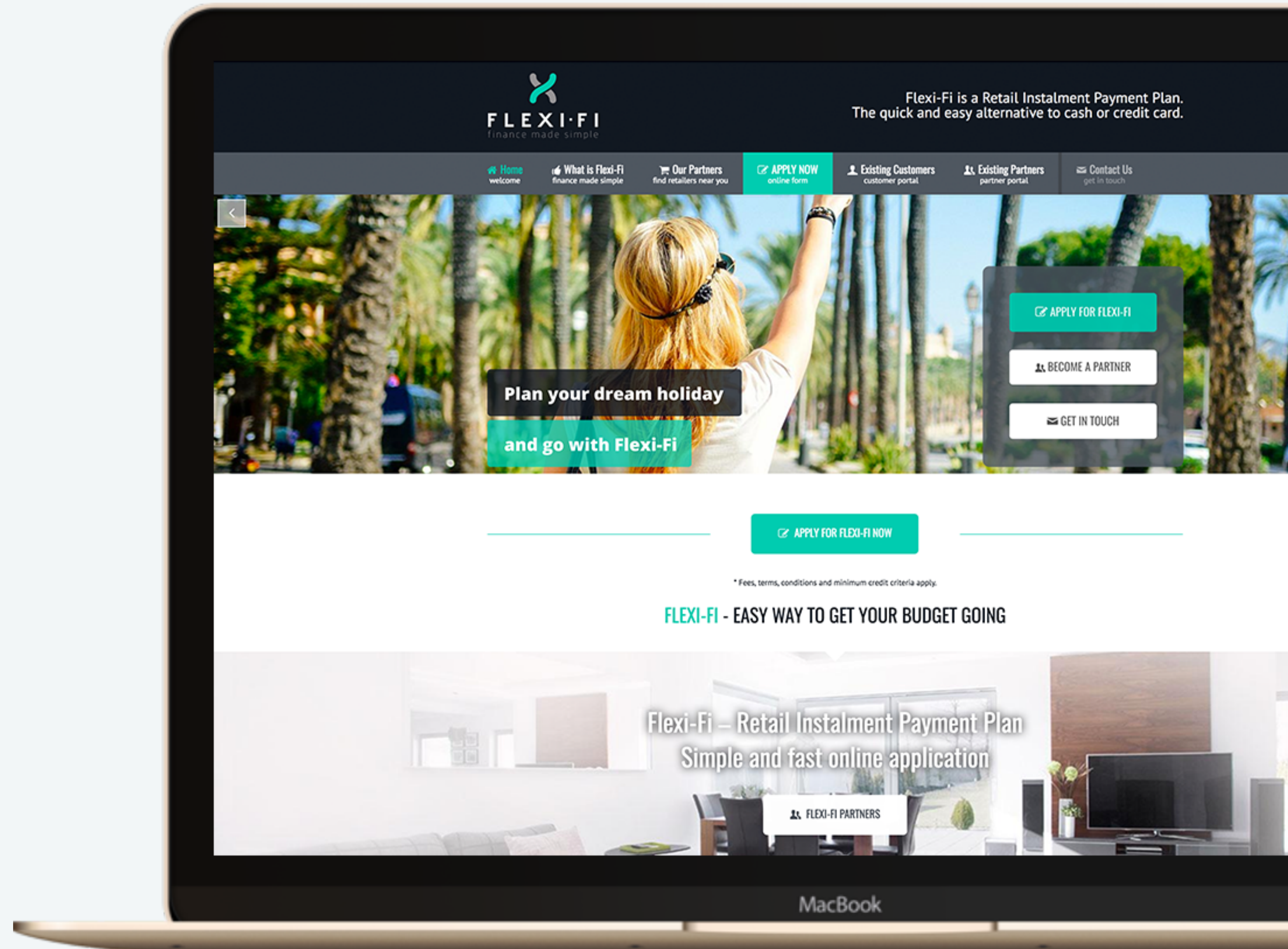
Flexi-Fi, using cutting edge technology to deliver growth

Flexifi Ireland launched 19 June with 5 sellers.

The Flexifi platform is entirely cloud based and maximises process automation to increase speed and reduce cost.

A strong pipeline of sellers promises growth.

Design process centered around the customer and delivers great experiences for both buyers and sellers.



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Looking to the future



Regulatory

We see actively managing legislative/regulatory change as a competitive strength. We strive to be part of the regulatory process and part of the solution.

We proactively engage with our regulators

We work with our regulators ASIC, ACCC, AUSTRAC, CIO and OAIC and proactively engage with, rather than react to, legislative/regulatory change

What does this mean?

We actively participated in the Government Panel review into consumer lease reform. This delivered a set of final recommendations for reform of the consumer lease product to Government in April 2016

This approach works

As a responsible lender, we welcome the Government Panel recommendations. The industry now has a clear pathway to address areas of consumer vulnerability and to eradicate some of the more disreputable consumer lessors and lending practices from the consumer lease market

Relevant and sustainable

A platform for growth

Proven industry experience

We have 30 years experience in assessing credit at all transaction values, funding and distribution

Greater customer focus

We can combine this with greater focus on the customer and rapid adoption of new technology and distribution methods

A platform for growth

This will ensure FXL remains relevant and sustainable and creates a strong platform for growth

Cards origination process video

A simpler Flexi with scale and a lower cost structure

Using scale to reduce cost

Removing complexity

We have exited non core businesses and are now simplifying the remainder from the front end to the back end

Integrating and rationalising

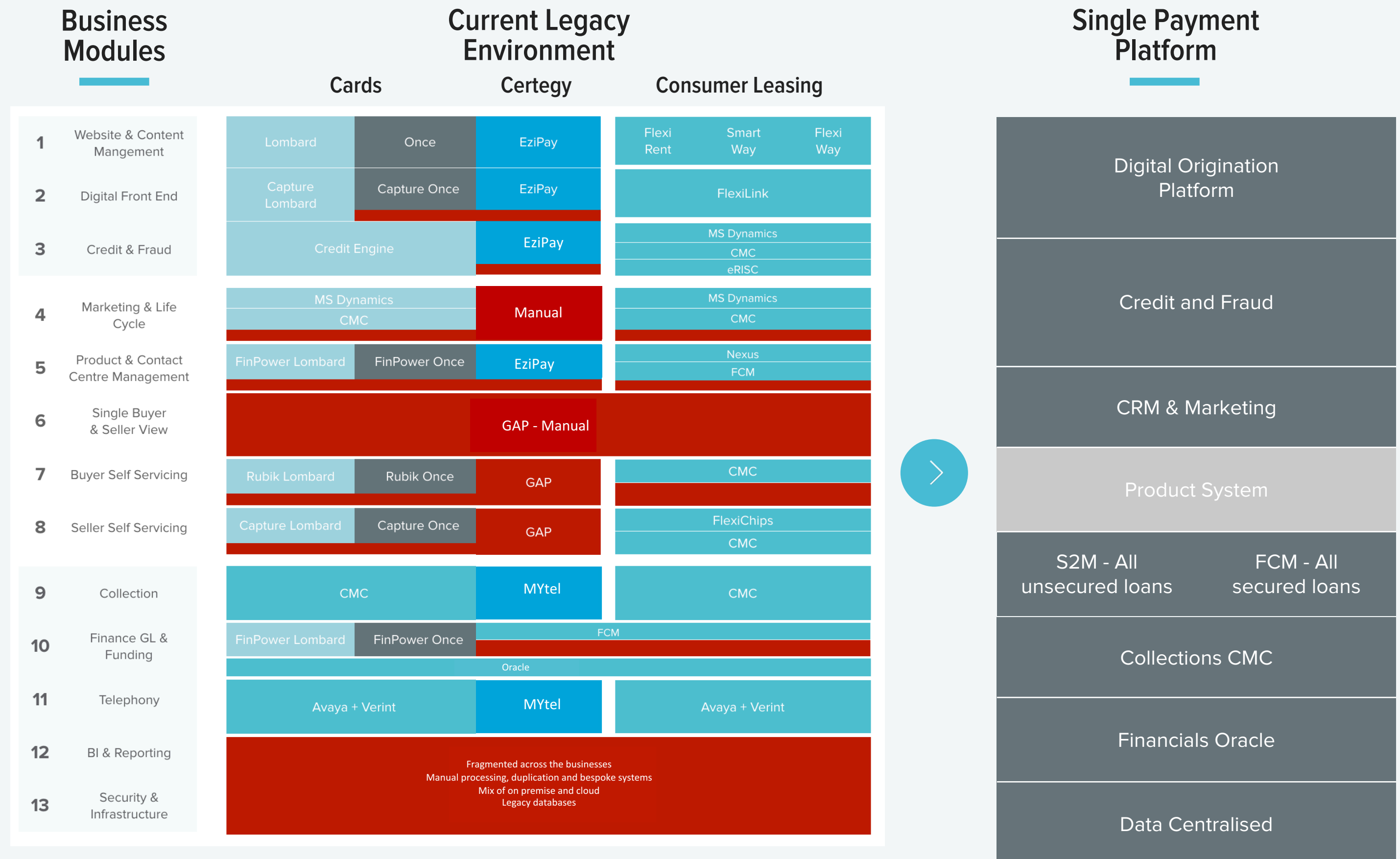
We are consolidating brands to create the only POS finance solution available from sub \$500 to \$25,000 and rationalising systems, processes and structures to reduce cost

Bringing more revenue with lower costs

The opportunity is to improve customer experience and therefore revenue while reducing costs with little lag from investment to improved profitability

Currently, many systems are reliant on manual process

Automation creates significant cost out opportunities



Well placed for growth

We are rebuilding what needs to be rebuilt and enjoying strong growth elsewhere. Managing a portfolio as a unified business will unlock significant value.

Some businesses in, or emerging from, rebuild

We have a clear plan for Certegy and leasing has built a strong platform with managed services and more

Some enjoying strong growth

Cards volume growth remains outstanding with a clear path to revenue and NPAT as the book matures and continues to grow

Disciplined approach to growth

Rationalisation and integration of the disparate businesses creates clear upside in product design and customer experience and also delivers a significantly lower cost base

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Wrap up



FY18 Headwinds and Tailwinds

Headwinds

- Certegy margin compression
- Continued investment in Ireland and Oxipay
- Costs of integrating and simplifying business

Tailwind

- Strong book growth in cards turning into strong revenue growth
- Significant cost out opportunities throughout the business which simultaneously improve consumer experience
- Revenue opportunities also exist in brand rationalisation and cross and upsell
- Increasing market access through open loop

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02 Simpler lower cost FlexiGroup

We are creating a simpler, more profitable FlexiGroup, integrating brands and digital platforms at the front end and rationalising systems and processes at the back end this will create better customer experiences at lower cost

03 Well placed for profitable growth

Open loop products, including cards, will become a larger part of the business mix over time. Cards remain a stand out performer with strong and accelerating volume growth clearly translating into revenue and NPAT.

FLEXI
RENT

 certegy
ezi-pay

Once®

oxipay

Lombard

SMART WAY

FLEXI[®]
RENT



oxipay

Lombard

Once[®]

SMARTWAY[®]

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Q&A

