



# Australian Commercial Leasing

MARKET UPDATE





## Summary

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- Detailed review of Commercial business identified inherent weaknesses
- Strategies implemented to reset the business
- Stage two enhancements commence July 17



## Identified on Enterprise exit

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Enterprise transactions where large single asset exposures

Seller & buyer experience clunky

Internal skill set - weak

Faced increased competition

Internal systems, too consumer business focused



## INTRODUCTION



The Australian Equipment Finance Market has shown consistent year on year growth in receivables, positioning FlexiCommercial for growth

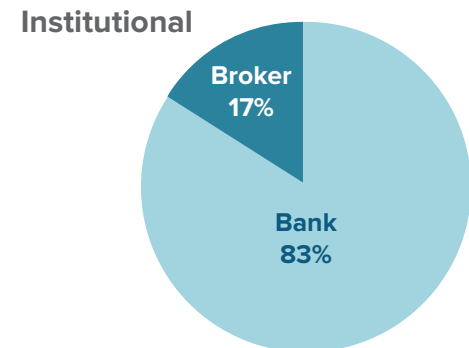
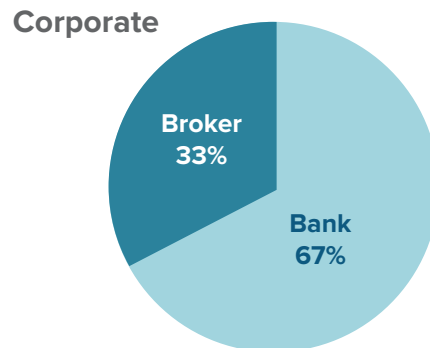
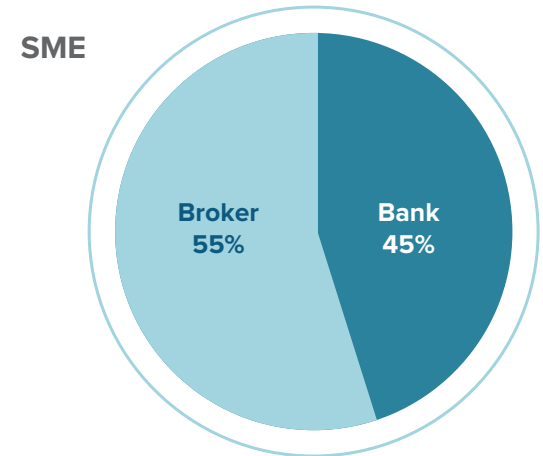
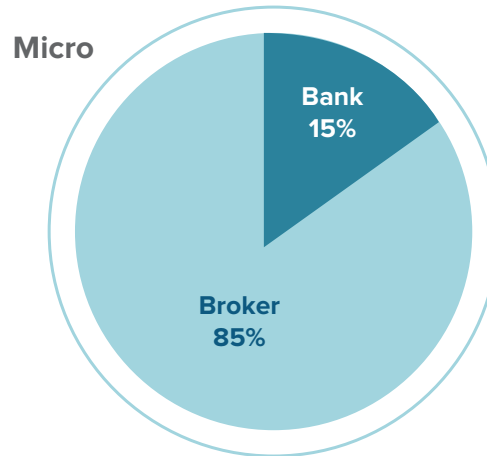
The commercial equipment finance market is over \$36b per annum or \$90b in receivables and growing year on year





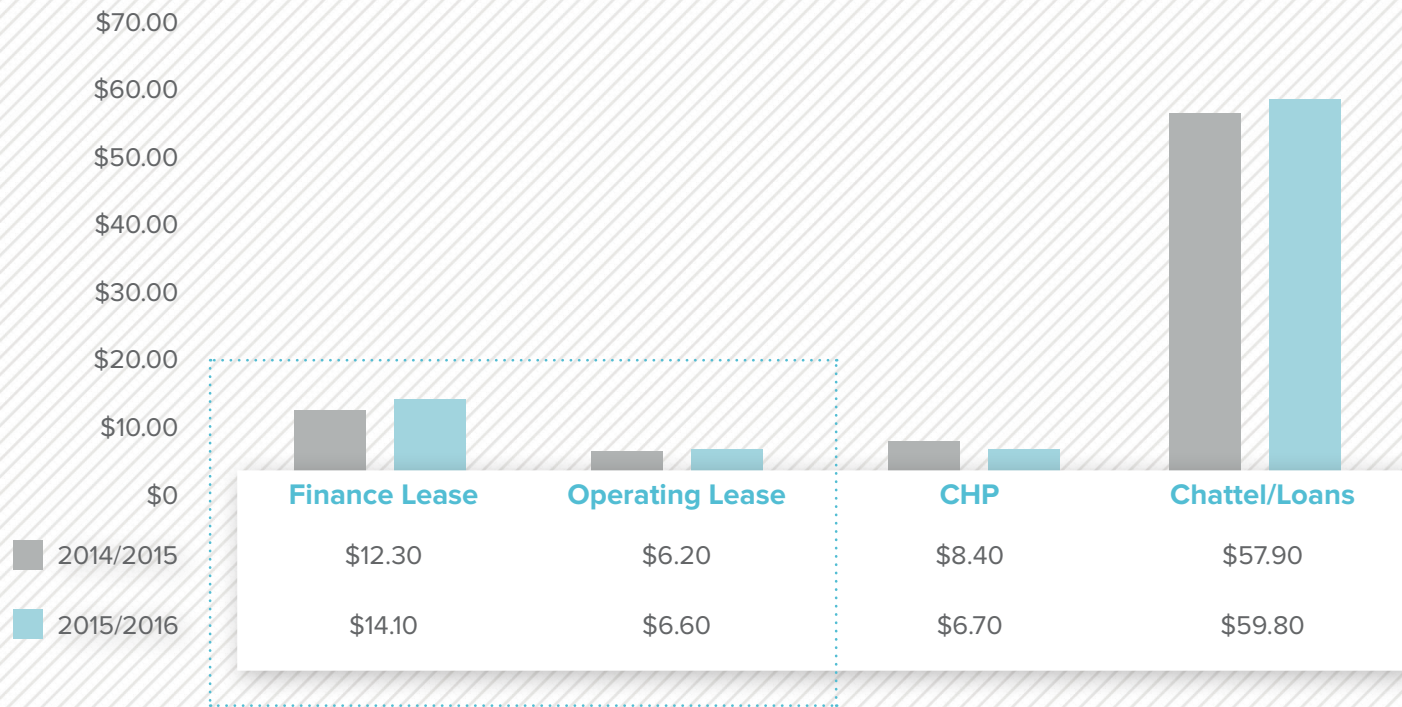
The market continues to move away from dealing directly with their incumbent bank

Opportunity for FlexiCommercial to increase market share in SME and Micro



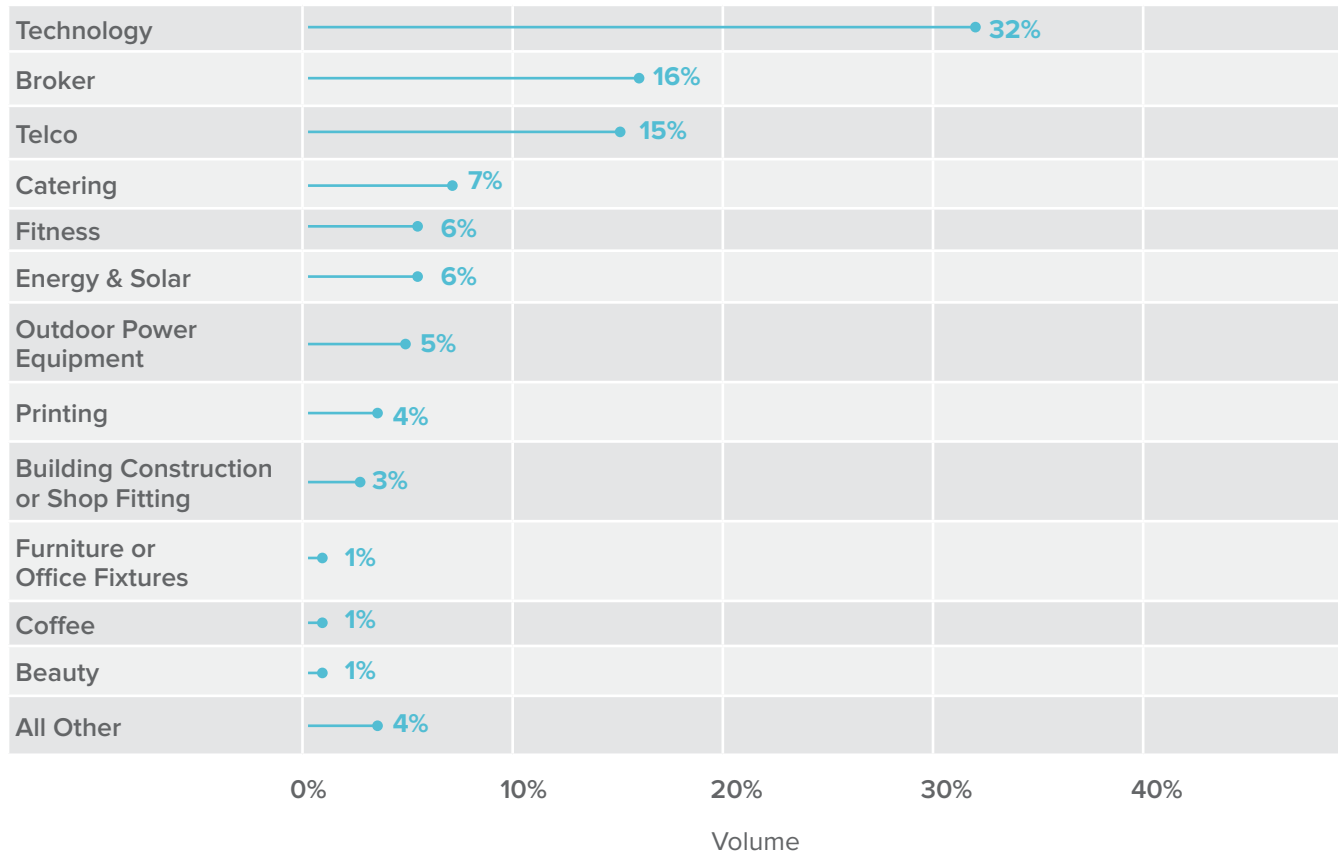


# Net Receivables by Product (\$bn)





# Commercial book by industry type







## Existing business strengths

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• Known brand

• Funding lines

• Back book

• Existing relationships  
/ Market presence

• Core collection  
systems

• Core  
products



## Key areas of focus

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- Asset and credit **quality** rather than volume
- **Investing** into our people, processes and systems
- **Building** scalable systems and operations that ensure process integrity and reduce Opex



# The business is positioned for sustained growth with strong fundamentals through five key pillars

- 1 Industry leading leadership team**

Strong leadership at the core of our strategy execution

Expert leadership team composed of industry experts across key disciplines
- 2 Rebuilt and streamlined internal processes**

Internal operating processes have been streamlined to allow for greater business efficacy

Internal operating model has been re-engineered and rebuilt to support effective pipeline flow

IT systems strategy developed for the Commercial business and expected to drive deal flow efficiency
- 3 Rebuilt National Broker Channel Offering**

National Broker Channel offering for distribution has been rebuilt

Dedicated internal Broker support team has been established to support new volume

Year on year growth expected to accelerate through aggregator relationships
- 4 Developed and operationalised asset management function**

Asset management function has been developed and operationalised

Focus on actively managing asset risk and residual value positioning

Refocus and a proactive end of term engagement
- 5 Managed Services Offering and key contracts**

Managed Services Offering is operationalised

Pipeline now pricing Tier 1 programs



# FlexiCommercial has four key segments

- 1 **The SME Direct business**
- 2 **The broker business**
- 3 **Branded/White label business**
- 4 **The managed services business**





# The SME Direct business



Our SME Direct business is a **dedicated function** specialising in providing our sellers with financial solutions for their business requirements



Our staff work closely with the seller to ensure that they are provided with the **right solution** for their requirement



Over the last year we have focused on replacing largely manual legacy processes with the introduction of greater process **standardisation and automation**



Operationally we have reduced our processing costs, increased processing efficiency and delivered initiatives aimed at **improving the customer experience**



From a Sales perspective, we have worked to tightly focus our efforts on yield and credit quality rather than volume, **deepening our connections with our Sellers and Buyers**





# The broker business



With Buyers increasingly using brokers, we have developed **dedicated and specialised** Broker team and are rebuilding our proposition.



We have bolstered the leadership of the team with leading industry experts, allowing us to **leverage their skills**, capabilities and deep-rooted business networks



Strategically our Broker Business is also **focused on book quality and yield** rather than seeking to compete on price for volume



Our distribution footprint strategy has focused on creating deep strategic **relationships with brokers across the country** to provide specialised commercial solutions leveraging our competitive advantage



Overall we are working closely with broker groups that collective write in excess of \$5b per year and we see our contestable share of this market to be in **excess of \$200m per year**



## Branded/White label business



One of our **key differentiators in the market** has been our successful program of branded / white labelled commercial finance solutions



We work with key Sellers to create and manage a white label finance solution for their Buyers, allowing them to **increase their sales performance** by leveraging our core skills and capabilities in commercial finance



Strategically we have refocused our strategy towards **selecting strategic partners** for these program to ensure and uphold book quality with greater yield and sustainability rather than volume



We have **improved** our asset and operating risk frameworks and resourcing



From a Trans-Tasman perspective, we have been working closely with our **NZ Commercial Business** and assisted them in the development of this strategic offering for their local market





# The managed services business



Equipment is **bundled with services** on a consumption basis and can range from IT equipment to larger asset classes



Our managed services product is **experiencing substantial interest** due to its unique features and we have signed a relationship agreement with a global IT manufacturer and have strong interest from a large global reseller



The solution is acknowledged in the industry to be **superior to other market offerings** due to quantity flexibility, no imbedded lease and IFRS 16 off balance sheet



Increasing focus on XaaS-“Everything as a Service”, mirroring developments in the US, our managed services offering strategically positions us to **capitalise as first movers** in the market



Our strategic partners are seeing extensive interest from **Tier 1 Australian and Global corporates**





## Summary

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- Our Goal is to double receivables book over the next 18-24 months
- Improve the book performance and yield by focusing on quality
- Roll out Managed Services product
- Introduce program level agreements and Managed Services to FlexiCommercial NZ