

FY18 RESULTS

21 August 2018

Ross Aucutt

Acting Chief Executive Officer
& Chief Financial Officer

FLEXIGROUP^x

FY18 RESULTS HIGHLIGHTS

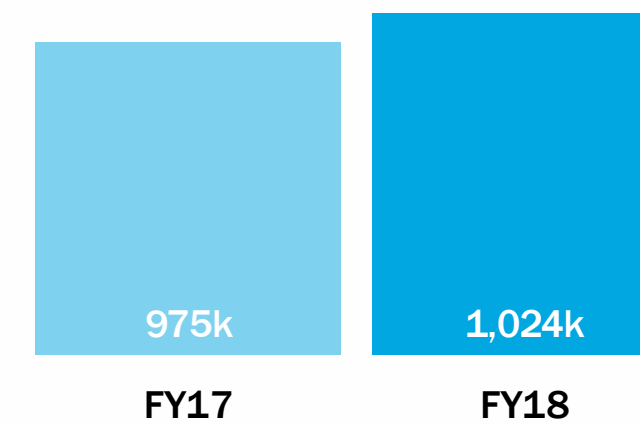


Over 1 million active customers and 46,000 retail partners driving strong volume growth and achieving higher guidance

- > We now have over 1 million active customers + 5%
- > 46,000 retail partners +8%
- > Group volume growth of +17%
- > Total receivables \$2.383bn +10%
- > Cash NPAT at higher end of guidance \$88.2m including \$2.5m restructuring costs (Cash NPAT \$90.7m excluding restructuring costs)
- > Statutory NPAT (\$10.3m) loss after accounting for impairment of goodwill and intangible assets on consumer lease product
- > FY19 Cash NPAT guidance of \$95-100m

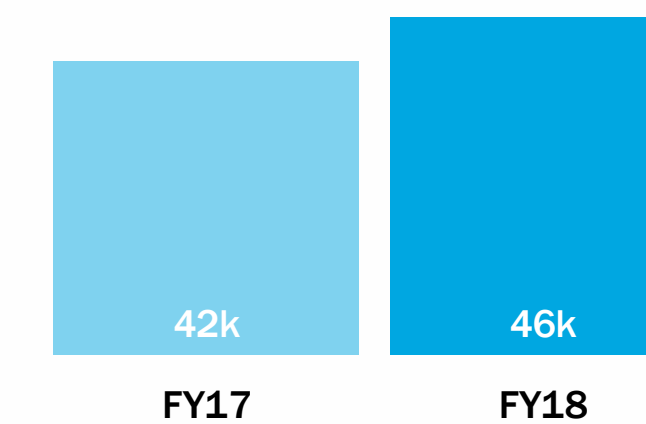
Customers

1,024k, +5%



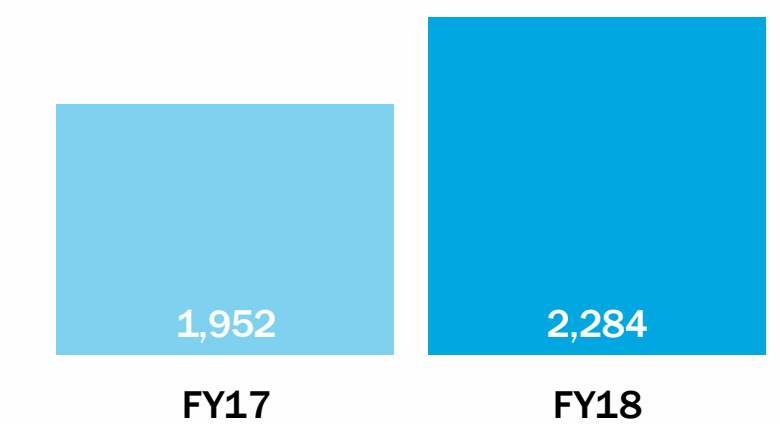
Retail Partners

46k, +8%



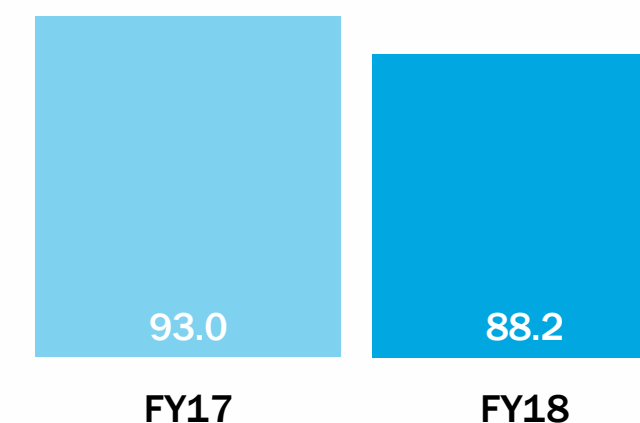
Volume

\$2,284m, +17%



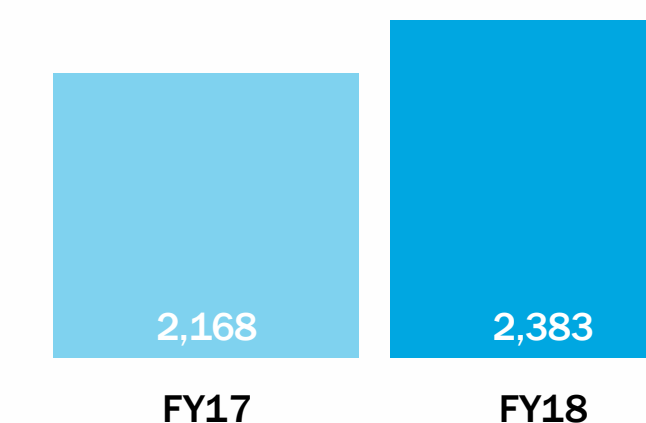
Cash NPAT

\$88.2m, (5%)



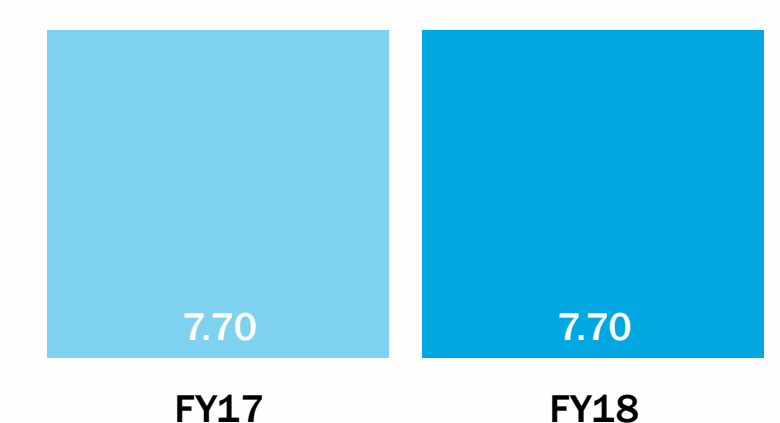
Receivables

\$2,383m, +10%



Dividends per share (cents)

7.70, +0%



OUR 3 KEY STRATEGIC THEMES



In building a sustainable growth orientated business

GROW



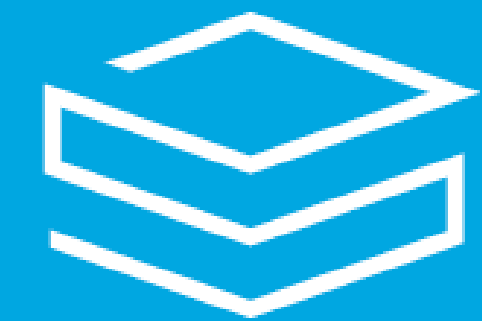
- › Organic customer and retailer growth is the fundamental driver of our shareholder value

DIGITISE



- › We are building digital solutions that simplify and improve the way we interact with our customers and retailers

OPTIMISE



- › By consolidating platforms, refining funding structures and integrating group functions, we will deliver material earnings upside

3 KEY STRATEGIC THEMES - GROW

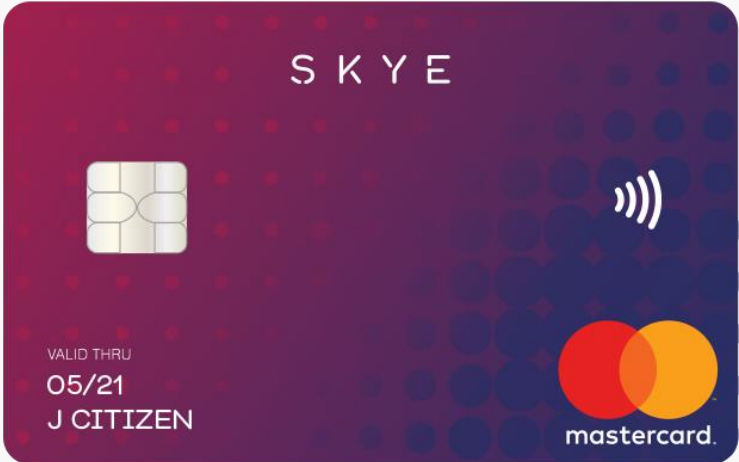


We said we needed to grow, we have delivered phase one

THEME	KEY INITIATIVES	CURRENT STATUS
 <p data-bbox="226 1215 406 1260">GROW</p>	<ul style="list-style-type: none"> › Certegy – investing to grow Ezi-pay by increasing our seller base and leveraging our strong and loyal customer base 	<ul style="list-style-type: none"> › 2H FY18 volume growth v pcp +10%. Seller base increased YoY by 4% › VIP marketing saw strong growth in repeat usage
	<ul style="list-style-type: none"> › New AU consumer lease product launched 2H FY18 – a fully digital consumer lease with enhanced customer value (price, product and speed) 	<ul style="list-style-type: none"> › Lisa launched Feb-18 with Harvey Norman to replace legacy Flexirent product – the first consumer lease in market that meets a number of government panel recommendations
	<ul style="list-style-type: none"> › New AU card launch 2H FY18 with enhanced customer value proposition replacing two different card brands 	<ul style="list-style-type: none"> › Skye Mastercard launched on target during 2H FY18 with strong product features and first to market “motion code”
	<ul style="list-style-type: none"> › Consolidate AU consumer sales team, leveraging products and scale 	<ul style="list-style-type: none"> › AU Consumer sales team consolidated & strategy implemented › Significant sales upskilling completed to lift product knowledge
	<ul style="list-style-type: none"> › Commercial – establishment of managed services product offering and grow core business 	<ul style="list-style-type: none"> › Signed three key partners – major driver of 2H FY18 volume growth › First managed services deals now funded and live › Significant additional opportunities in pipeline

SKYE CARD LAUNCHED MID 2018

Market leading customer value proposition



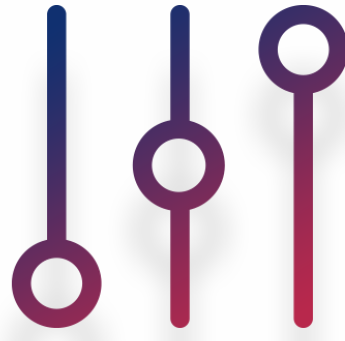
More time to pay

90 days Interest Free on every card purchase as compared to the standard 45 – 55 days



More flexibility & control

Customers can convert purchases of \$250 or more to an Interest Free Instalment Plan (SkyePlan) and pay it back over 9, 12 or 15 months



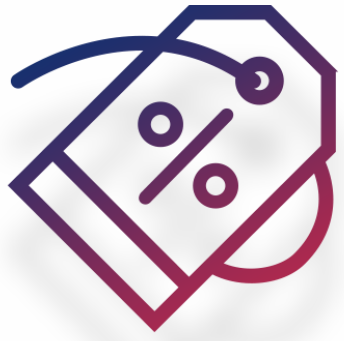
Shop anywhere

No international transaction fees for online or overseas purchases



Peace of mind when you shop online

The Skye Mastercard is the first card in Australia with MOTION CODE™ technology



Shop at more Retailers than ever before

With a consolidated retail network of 3,500 our customers can access exclusive long term Interest Free offers of up to 60 months



Enhanced self-service platform

Customers can now activate their card, check balances and transactions, make payments and update their details online through Skye Self Service, reducing the reliance on call centres, giving customers more control.

Further enhancements in Q1 FY19



Enhanced Retail Partner functionality

Retailers can now offer Interest Free with equal monthly repayments (on select terms)




A mini-screen replaces the 3 digit security code (CVV) which refreshes every hour

3 KEY STRATEGIC THEMES - DIGITISE



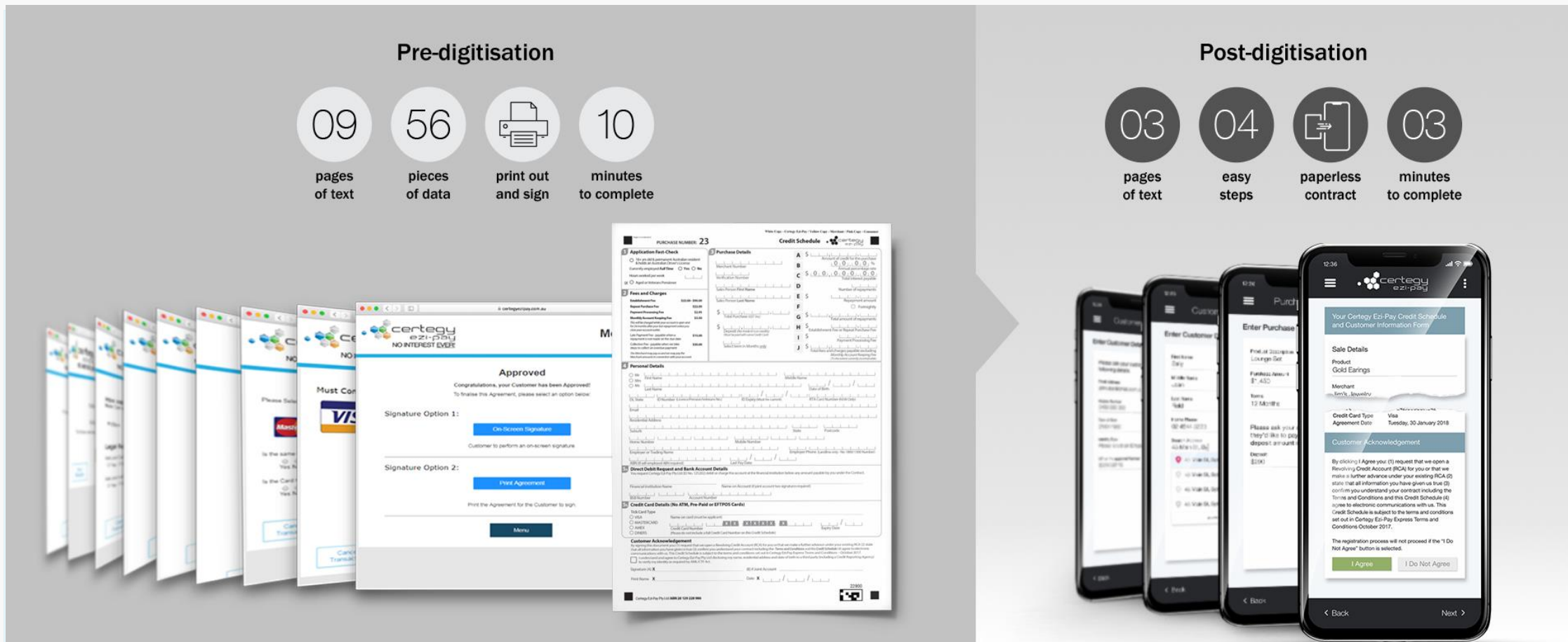
Improving our customer experience is crucial – we've invested strongly this year

THEME	KEY INITIATIVES	CURRENT STATUS
 <p data-bbox="179 1226 453 1271">DIGITISE</p>	<ul style="list-style-type: none"> › End to end digitisation of Certegy 	<ul style="list-style-type: none"> › Digital acceptance rolled out across seller network › 60% of all transactions now digital end to end › Seller app roll out complete
	<ul style="list-style-type: none"> › Enhanced AU and NZ card application process 	<ul style="list-style-type: none"> › Enhanced online application process launched in NZ Q4 – early indications showing 25% growth in cards issued › Card activation rates showing strong uplift which is driving increased card spend
	<ul style="list-style-type: none"> › New digitised Consumer Lease to drive buyer and seller benefits 	<ul style="list-style-type: none"> › Major new product launched within Harvey Norman Feb-18 - Lisa › Simpler, faster and paperless origination with 100% buyer income verification › Smartway launched in all other retailers in Q4
	<ul style="list-style-type: none"> › Migration to centralised credit decisioning platform 	<ul style="list-style-type: none"> › Consumer and Commercial leasing now using new decisioning platform
	<ul style="list-style-type: none"> › Deliver Oxipay to market as low cost customer acquisition channel 	<ul style="list-style-type: none"> › Enhancements being added including weekly payment option › Digitised on-boarding leveraged to minimise fraud risk

CERTEGY EZI-PAY DIGITISATION PROGRESS



Digitisation agenda driving results




- › Significant progress made on digitisation of Certegey front-end platform and processes across FY18
- › Focus on digital acceptance to reduce on-boarding from 10 mins to 3 mins
- › Seller app built and rolled out to improve experience for retailer and customer
- › Leveraging existing sellers through product and system enhancements
- › Shopping cart integration built and being rolled out

KEY BUSINESS DRIVER	DIGITISATION IMPACT
End to end digital acceptance rate	› 60% of all contracts are settled digitally end to end (previously 0%)
Time to settle funds with retail partner	› Within 24 hours (previously up to 7 days)
Net Promoter Score	› NPS consistently +50
Net new sellers	› Up 50% v FY17
Volume	› 2H FY18 +10% v PCP › Highest 2H volume result on record
Profitability	› FY18 Cash NPAT ahead of guidance

3 KEY STRATEGIC THEMES - OPTIMISE



By becoming more efficient we will drive our cost to income ratio towards 40%

THEME	KEY INITIATIVES	CURRENT STATUS
 <p data-bbox="176 1238 483 1285">OPTIMISE</p>	<ul style="list-style-type: none"> › Creation of a target IT systems architecture and consolidating back end systems 	<ul style="list-style-type: none"> › New products being developed on target architecture. New Skye Mastercard consolidating onto our NZ Cards platform
	<ul style="list-style-type: none"> › Creation of consolidated AU marketing team to leverage our strong retailer and buyer base 	<ul style="list-style-type: none"> › Consolidated AU Consumer Marketing team to drive cost efficiencies by leveraging digital capability and direct marketing automation tools across product lines
	<ul style="list-style-type: none"> › Implement group wide CRM and centralised data analytics capability 	<ul style="list-style-type: none"> › New centralised data analytics and seller CRM across AU Consumer delivers significant opportunity to provide easier access to enriched data
	<ul style="list-style-type: none"> › Deliver synergies through implementation of shared service model 	<ul style="list-style-type: none"> › Integrated functions implemented across Legal, Finance and HR › Significant savings in centralised procurement
	<ul style="list-style-type: none"> › Maximise efficiency of funding structures 	<ul style="list-style-type: none"> › Significant improvement in all funding facilities with increased size and lower margins › \$500m of term securitisation facilities issued in FY18, providing strong diversity to our funding base at improved margins

FLEXIGROUP[✂]
FINANCIAL RESULTS

FY18 RESULTS



Results delivered at higher end of guidance

FlexiGroup (\$m)	FY17	FY18	Growth v PCP%
Underlying Cash NPAT	93.0	90.7	(2%)
Restructuring Costs absorbed (after tax)	-	(2.5)	n/a
Cash NPAT ¹	93.0	88.2	(5%)
Volume	1,952	2,284	17%
Closing Receivables	2,168	2,383	10%
ROE % ²	14.5%	13.6%	(6%)

NOTES: 1. Cash NPAT reflects the reported net profit after tax adjusted for material infrequent items and the amortisation of acquired intangibles. 2. ROE calculated based on Cash NPAT as a percentage of average equity.

STATUTORY NPAT TO CASH NPAT RECONCILIATION



This year saw a dedicated effort to identify and remediate past consumer leasing issues

- > Per announcement to ASX on 7 Feb 2018, decision taken to retire existing Flexirent Consumer Lease product and launch new product into market (Lisa)
- > This led to impairment of goodwill and other intangible assets driven by the retirement of existing Consumer Lease product
- > We have provided for \$7m (\$4.9m post tax) of customer remediation relating to our historical consumer lease product
- > We continue to proactively engage with our regulators to enhance our responsible lending practices

FlexiGroup (\$m)	FY17	FY18	v PCP %
Profit after income tax on a statutory basis	\$87.4	(\$10.3)	(112%)
Non cash items			
Amortisation of acquired intangible assets	\$4.2	\$4.5	7%
Impairment of Goodwill and Other Intangibles	\$0.0	\$89.1	n/a
Customer remediation provision	\$0.0	\$4.9	n/a
Other	\$1.4	\$0.0	(100%)
Group Cash NPAT	\$93.0	\$88.2	(5%)

Digitisation delivering strong volume growth

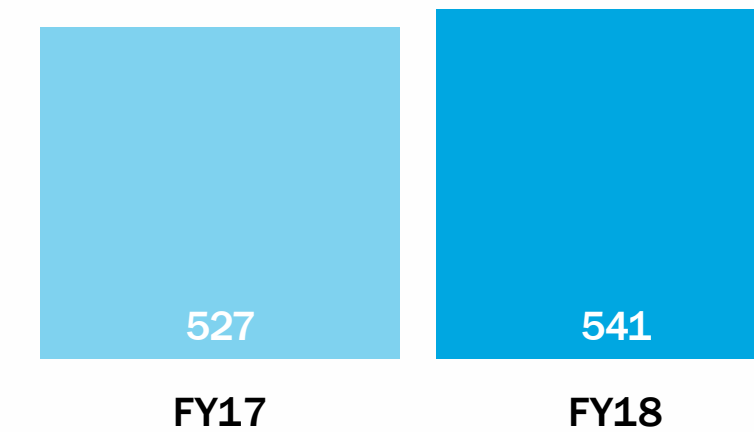


- › Significant volume momentum achieved:
 - 2H FY18 volume +10% v PCP
 - FY18 volume +3% v PCP
- › Volume growth demonstrates the initial success of product digitisation and the associated improvements in buyer and seller experience
- › Cash NPAT ahead of guidance, with the consolidation of AU Consumer Sales supporting strong volume growth and tight management of margins
- › Impairment losses decreased by 5%, reflecting strong discipline in seller accreditation and internal credit decisioning processes



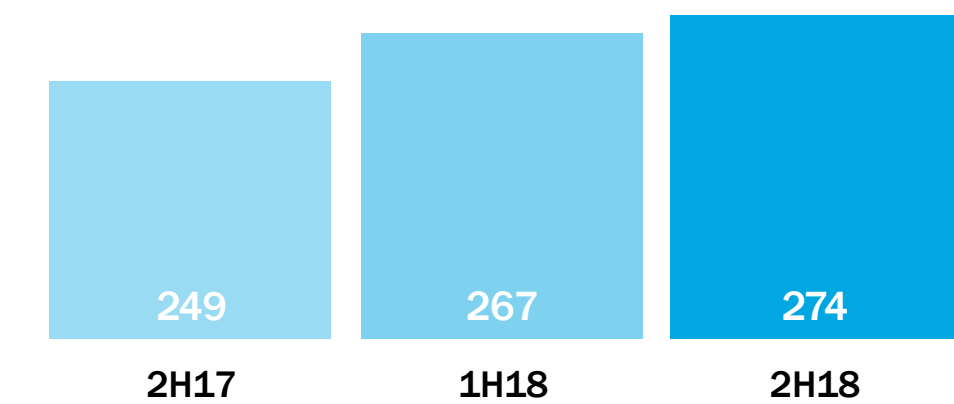
Volume

\$541m, +3%



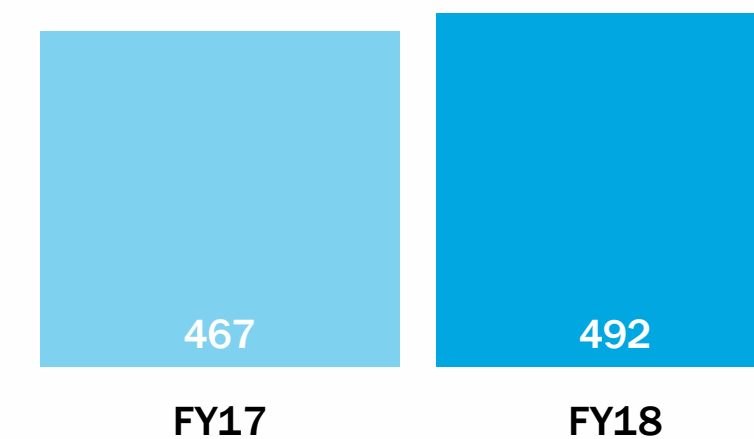
Volume Trend

2H18 +10% v 2H17



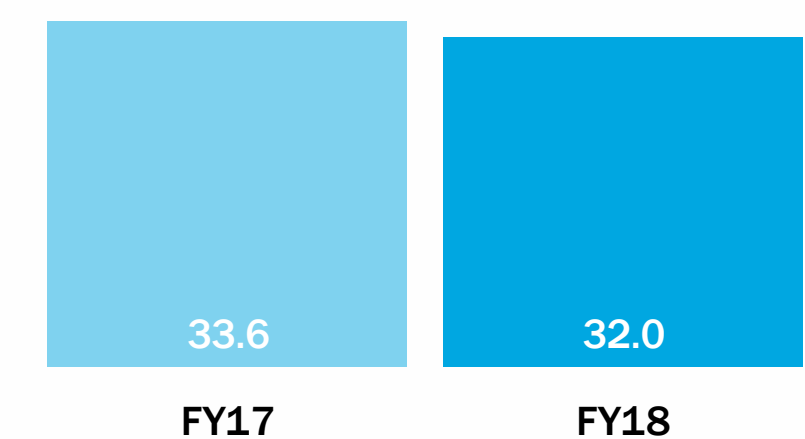
Closing Receivables

\$492m, +1%



Cash NPAT

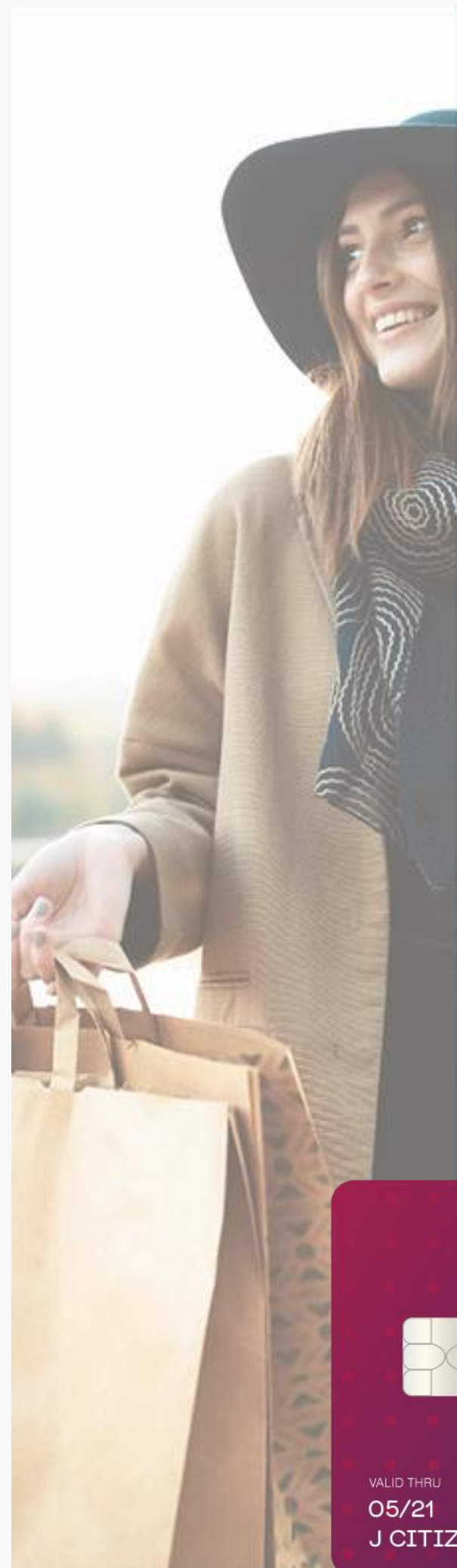
\$32.0m, (5%)



AUSTRALIA CARDS



Continuing strong volume growth and launch of innovative new product

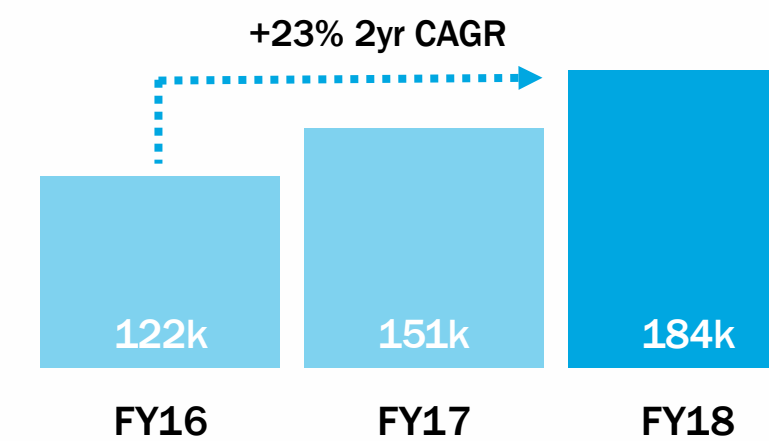


- > Strong customer growth +22%
- > Launch of Skye Mastercard in Q4 replaces existing Once and Lombard cards, integrating 3,500 sellers and delivering improved customer value proposition
- > 39% increase in volume driven by new customer acquisitions and 61% increase in card spend
- > Receivables +34% with increasing interest bearing mix
- > Cash NPAT impacted by short term collections issues driven by volume growth (~\$3m NPAT impact). Management have taken action to improve collections performance
- > Material improvement in Cash NPAT expected in FY19



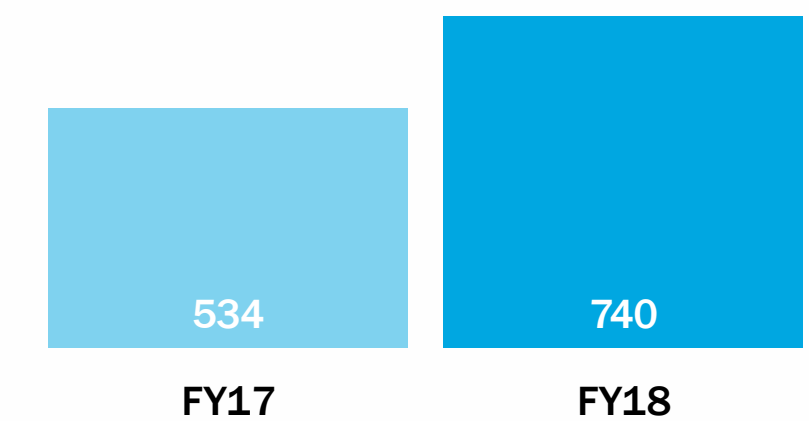
Active Customers

184k, +22%



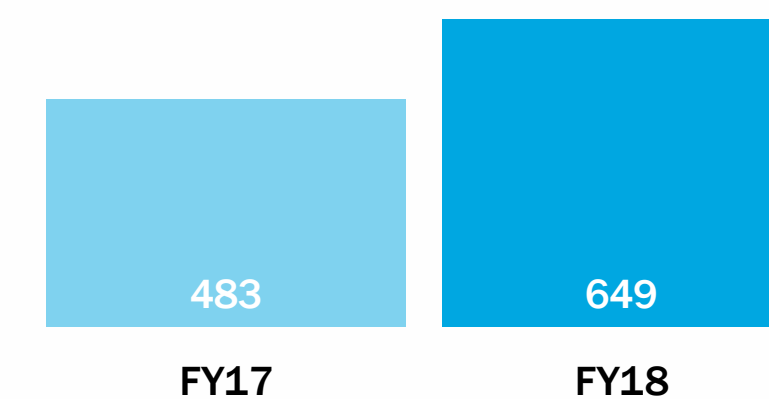
Volume

\$740m, +39%



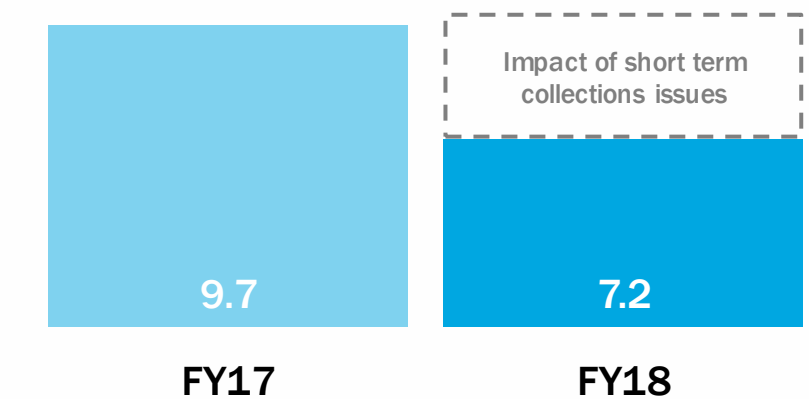
Closing Receivables

\$649m, +34%



Cash NPAT

\$7.2m, (26%)



NEW ZEALAND CARDS



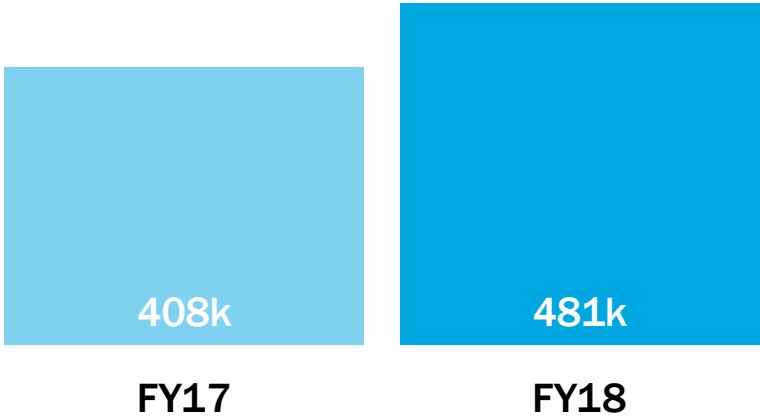
New Zealand’s largest non-bank card provider with strong customer, volume and receivables growth



- > Growth momentum re-established in FY18 after sustained period of flat volumes leading up to acquisition
- > Strong growth: customers +18%, volume +14%, receivables +9%
- > Customer spend growth of 14% ahead of market growth ~5%
- > Cash NPAT +9%
- > Oxipay gaining traction in NZ through leveraging existing strong seller relationships
- > Cards platform being used for new Skye Mastercard providing economies of scale in both AU and NZ

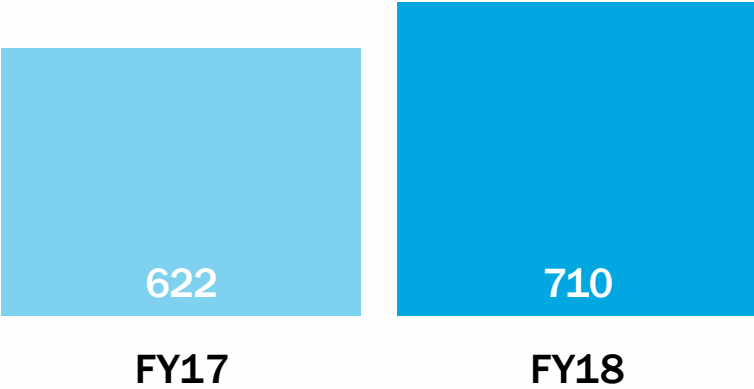
Active Customers

481k, +18%



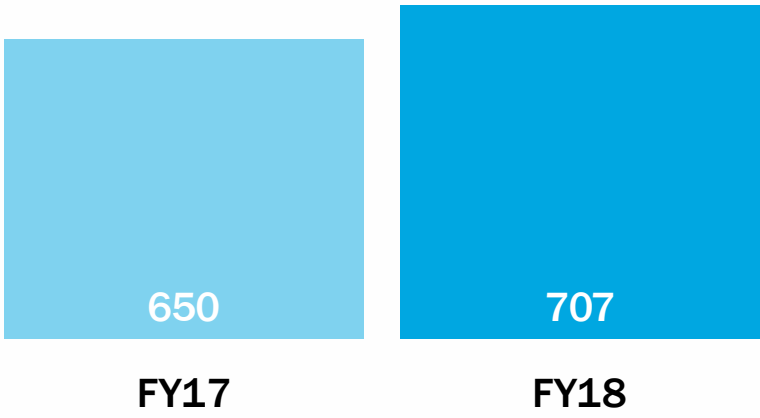
Volume (NZD)

\$710m, +14%



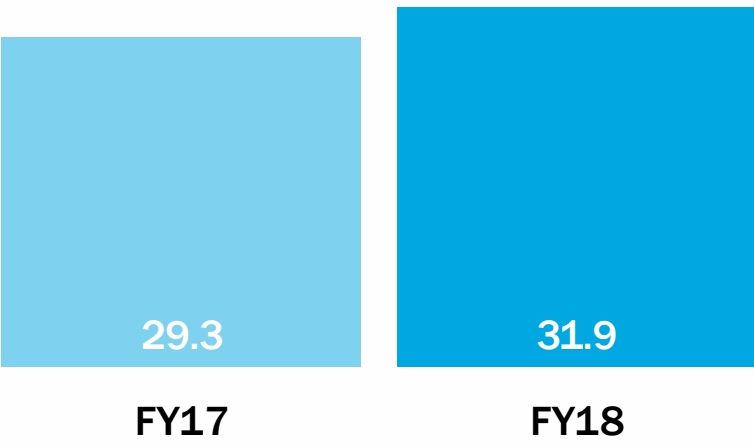
Closing Receivables (NZD)

\$707m, +9%



Cash NPAT (NZD)

\$31.9m, +9%



CONSUMER LEASING (AUS/IRELAND)



New Lisa product gains traction with retail customers



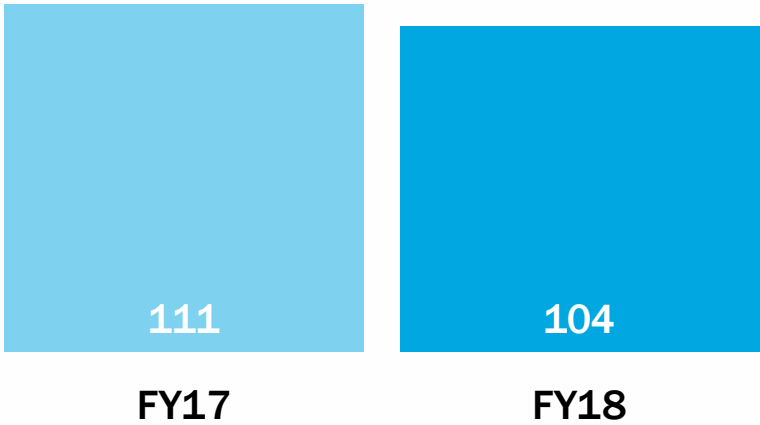
- > Lisa continues to make traction with significant customer NPS improvement v retired Flexirent product
- > Volume impacted by disruption in channel as new product, processes and training is implemented
- > Rationalisation of remaining brands and products into Smartway will deliver operational efficiencies
- > Cash NPAT impacted by investment in Lisa, Ireland and restructuring costs
- > Product profitability repositioned to improve customer value and differentiate from competition
- > Impairment reduction a result of improved origination and collection processes

Lisa.

SMARTWAY®

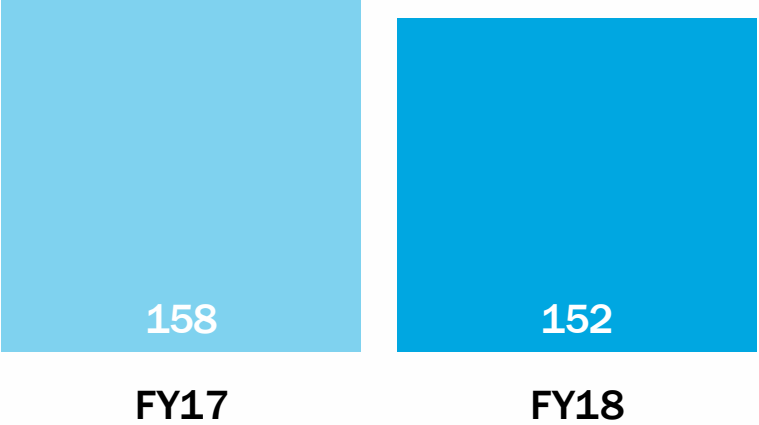
Volume

\$104m, (6%)



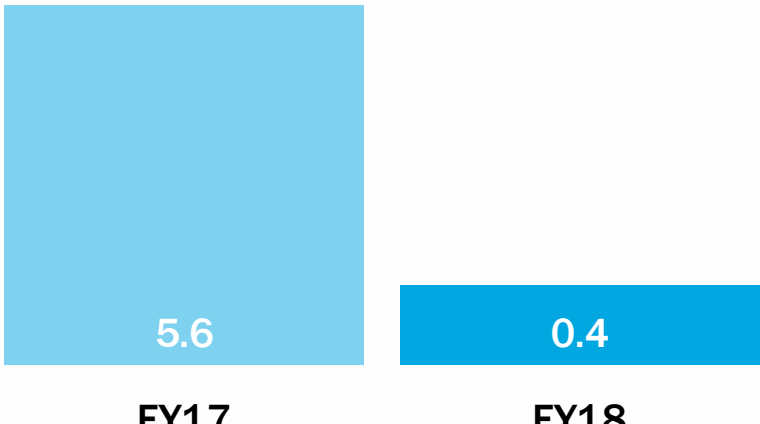
Closing Receivables

\$152m, (4%)



Cash NPAT

\$0.4m, (92%)



FlexiRent/Lisa NPS

+31 NPS



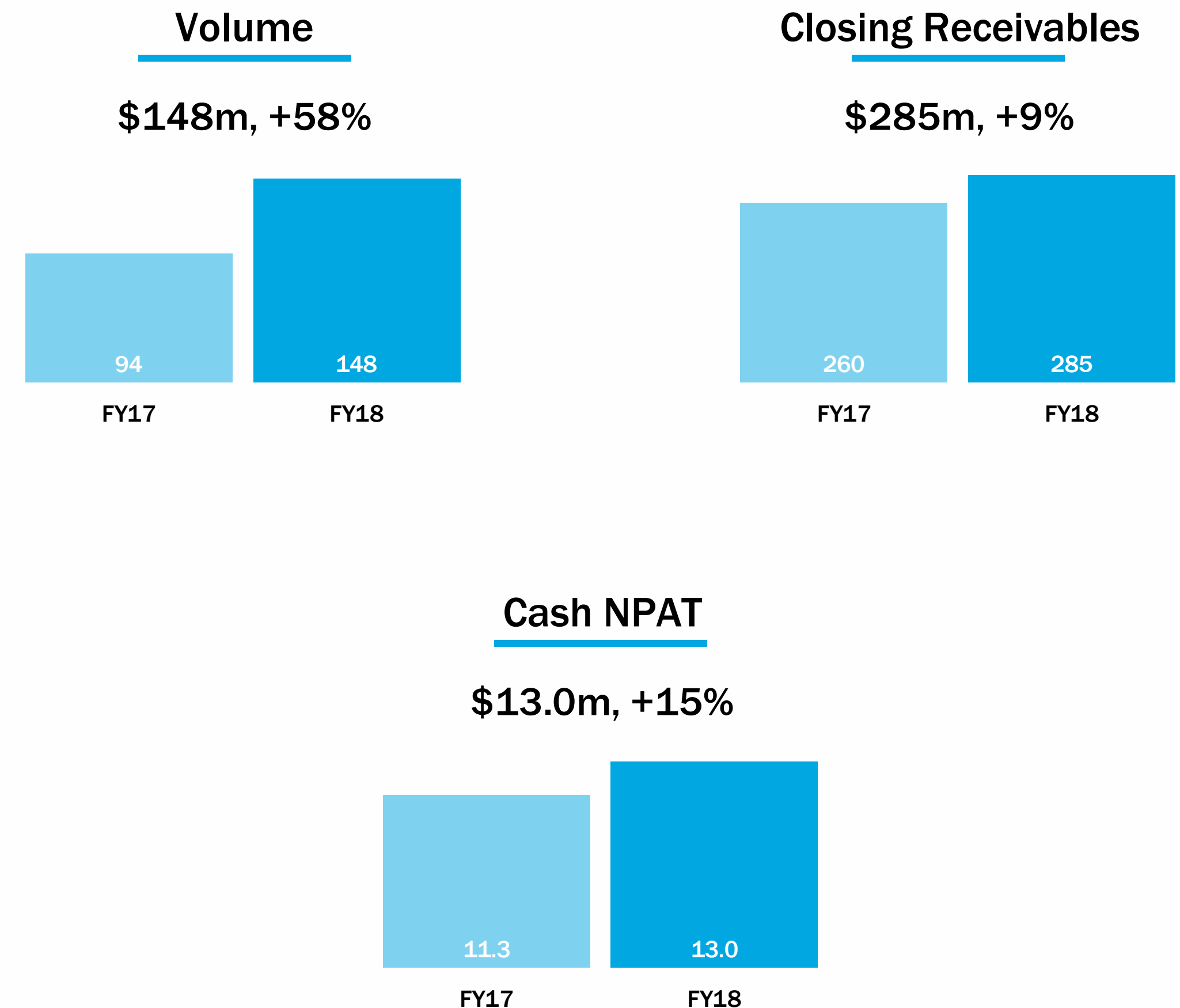
AU COMMERCIAL LEASING



Repositioning the business driving across the board growth



- › Significant volume momentum built during 2H18 driven by:
 - First managed services contracts
 - Repositioning of broker proposition
 - Channel engagement
 - Digitised origination platform now live
- › Cash NPAT increase +15% resulting from increased receivables, improved impairments and underlying credit quality
- › Managed Services platform operationalised and on-boarding new contracts commenced in H2



NZ COMMERCIAL LEASING

Refocusing of business to deliver future growth

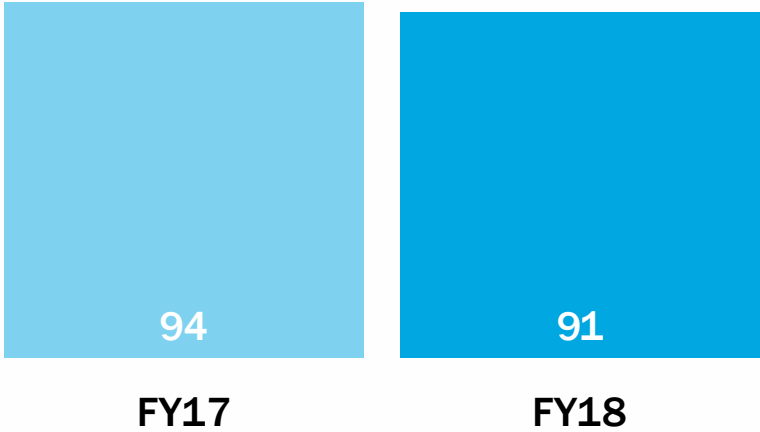


- > Volume momentum returning: 2H FY18 +6% v PCP
- > TELA contract re-secured for further 3 year term (circa \$70m volume over 3 years)
- > Focused on growing high quality business. Key discussions progressing with a number of government departments and corporates on long-term programme agreements
- > Managed services offer launched, leveraging Australian infrastructure



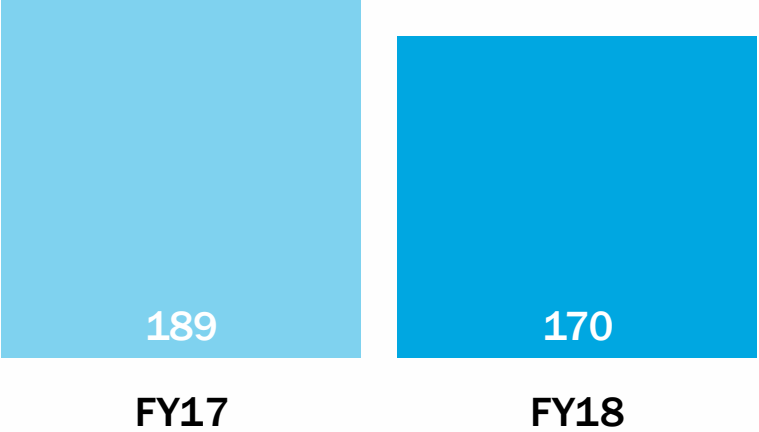
Volume (NZD)

\$91m, (3%)



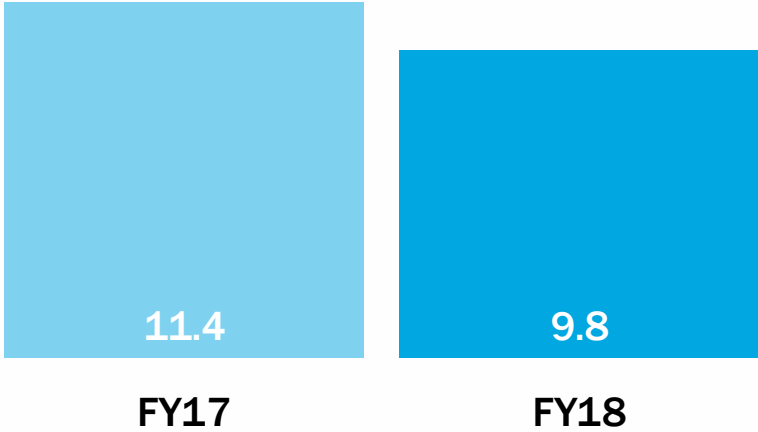
Closing Receivables (NZD)

\$170m, (10%)



Cash NPAT (NZD)

\$9.8m, (14%)



IRELAND UPDATE

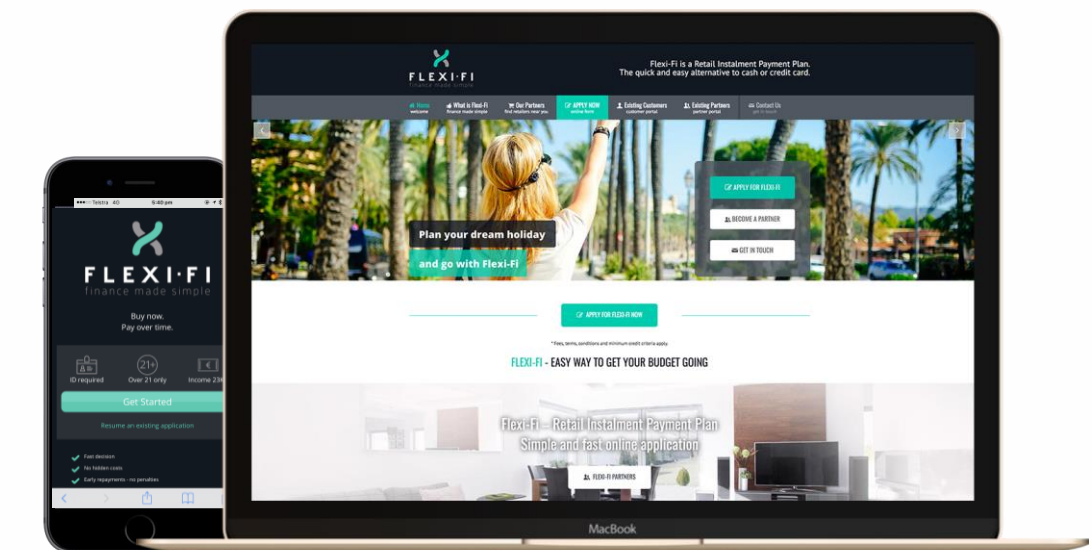
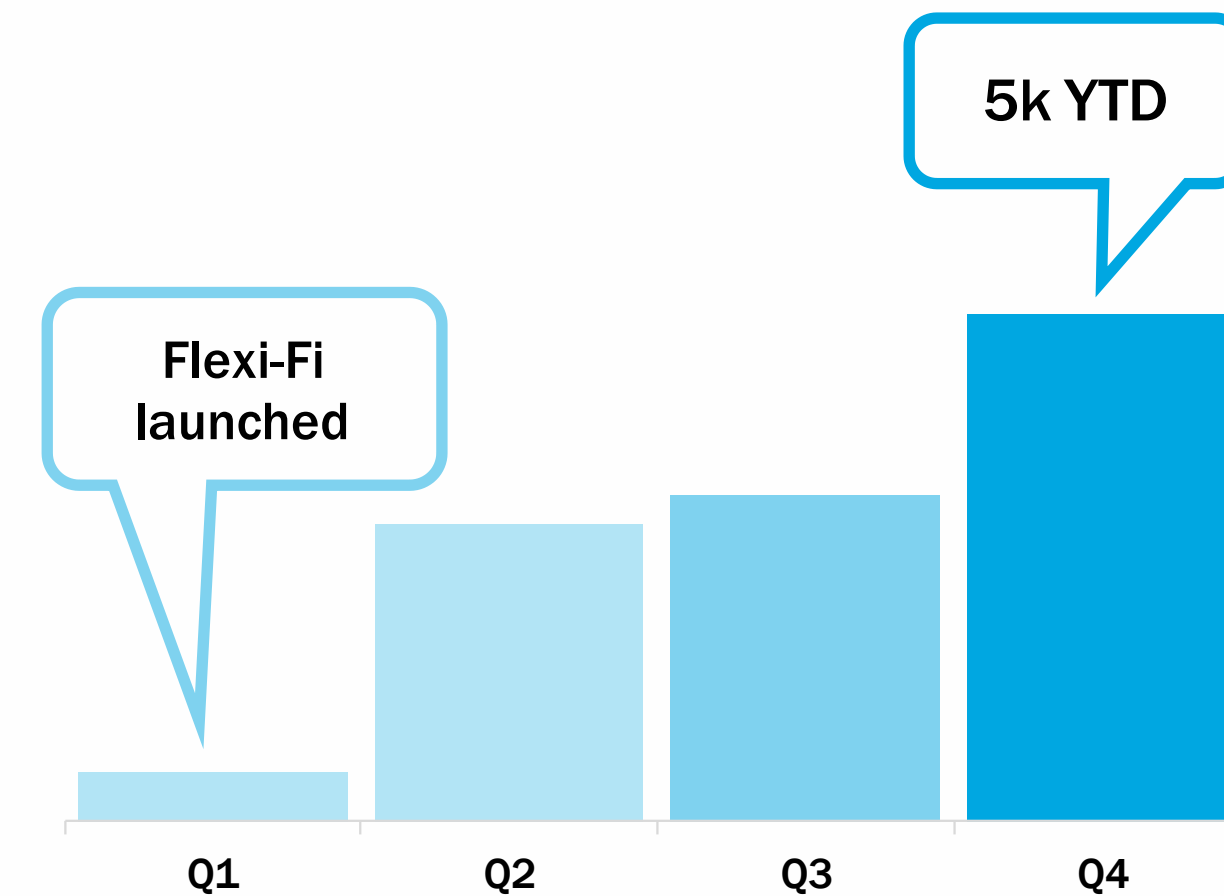


Investment in new product capability gaining traction in market



- > Flexi-Fi product launched August 2017 as digital offer to gradually replace legacy Flexirent product
- > Significant traction achieved across FY18: 100 retail agreements now signed and product rolled out across ~500 merchant stores
- > 5,000 customers acquired across FY18
- > FY18 investment significant (~\$3m)
- > Business on track to be profitable across FY19

Customers



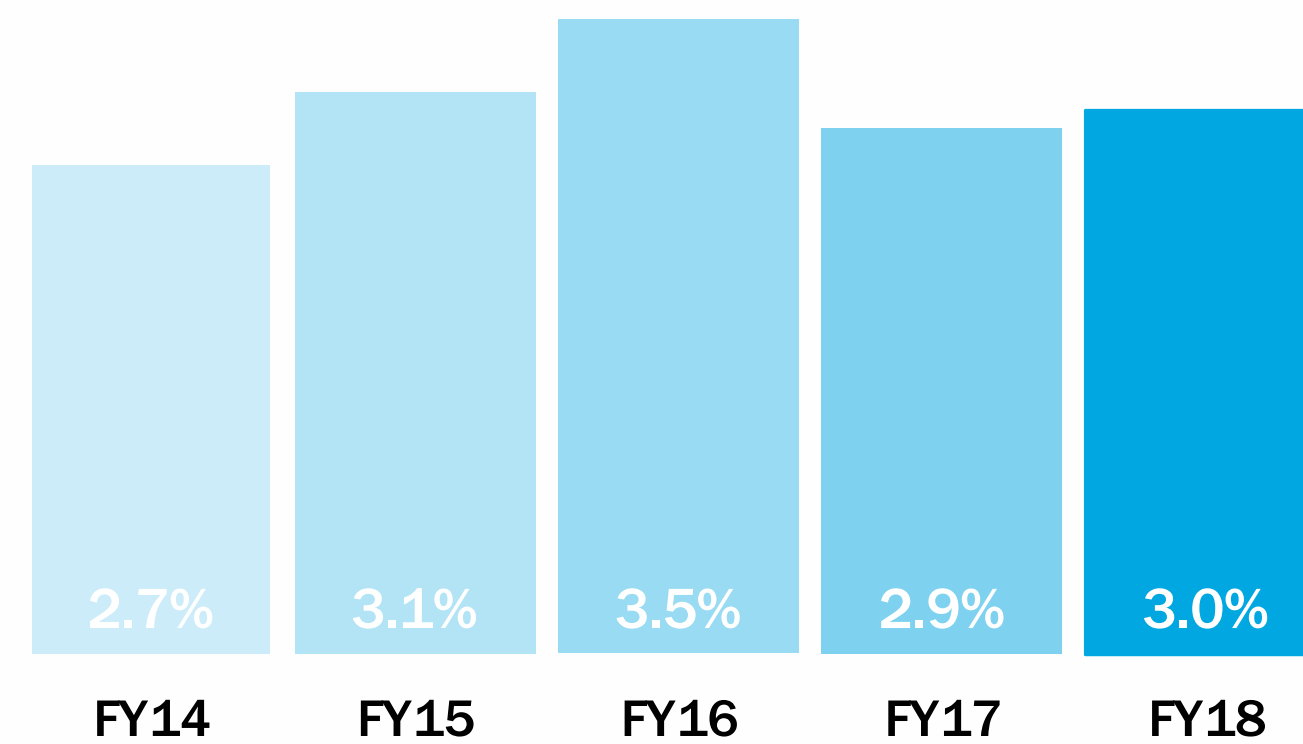
Business still in investment phase - Contribution to earnings not yet material

IMPAIRMENT COSTS STABLE

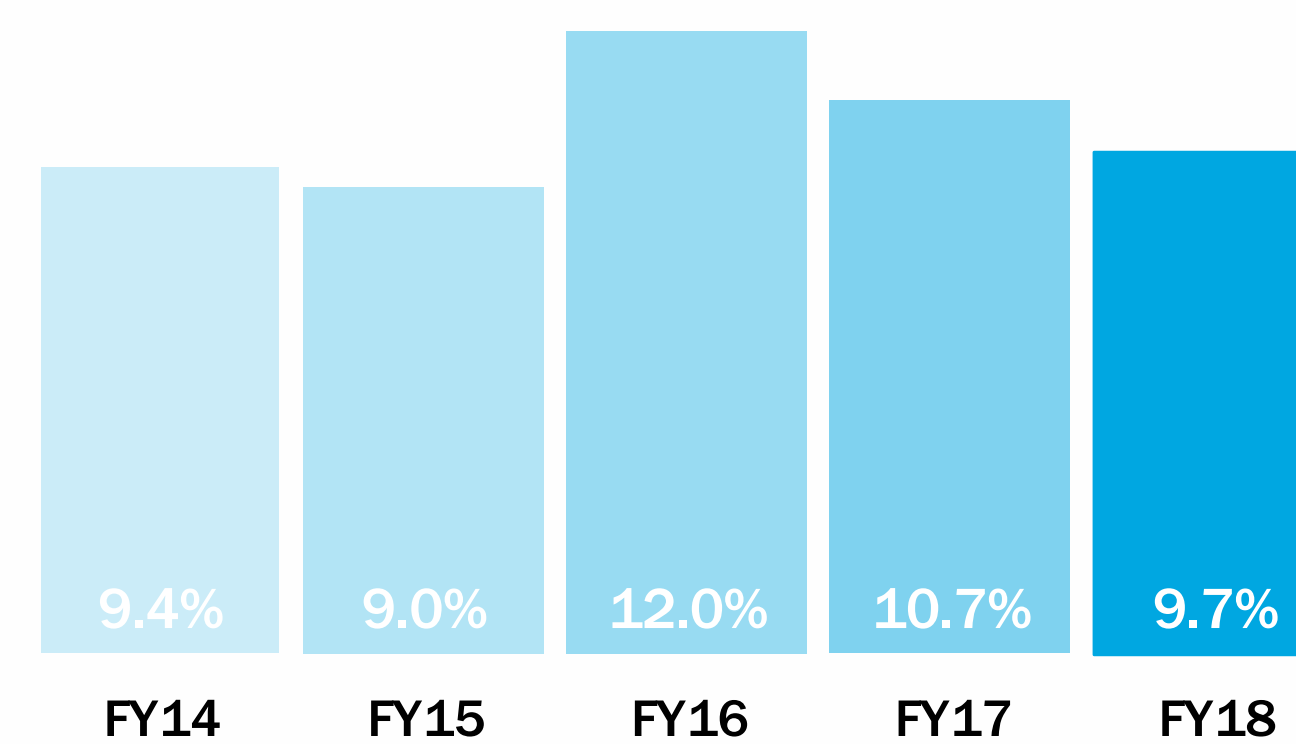


Strong credit decisioning paying dividends, offset by impacts of underinvestment in cards collections

Group Impairment / ANR %



Total Arrears / Receivables

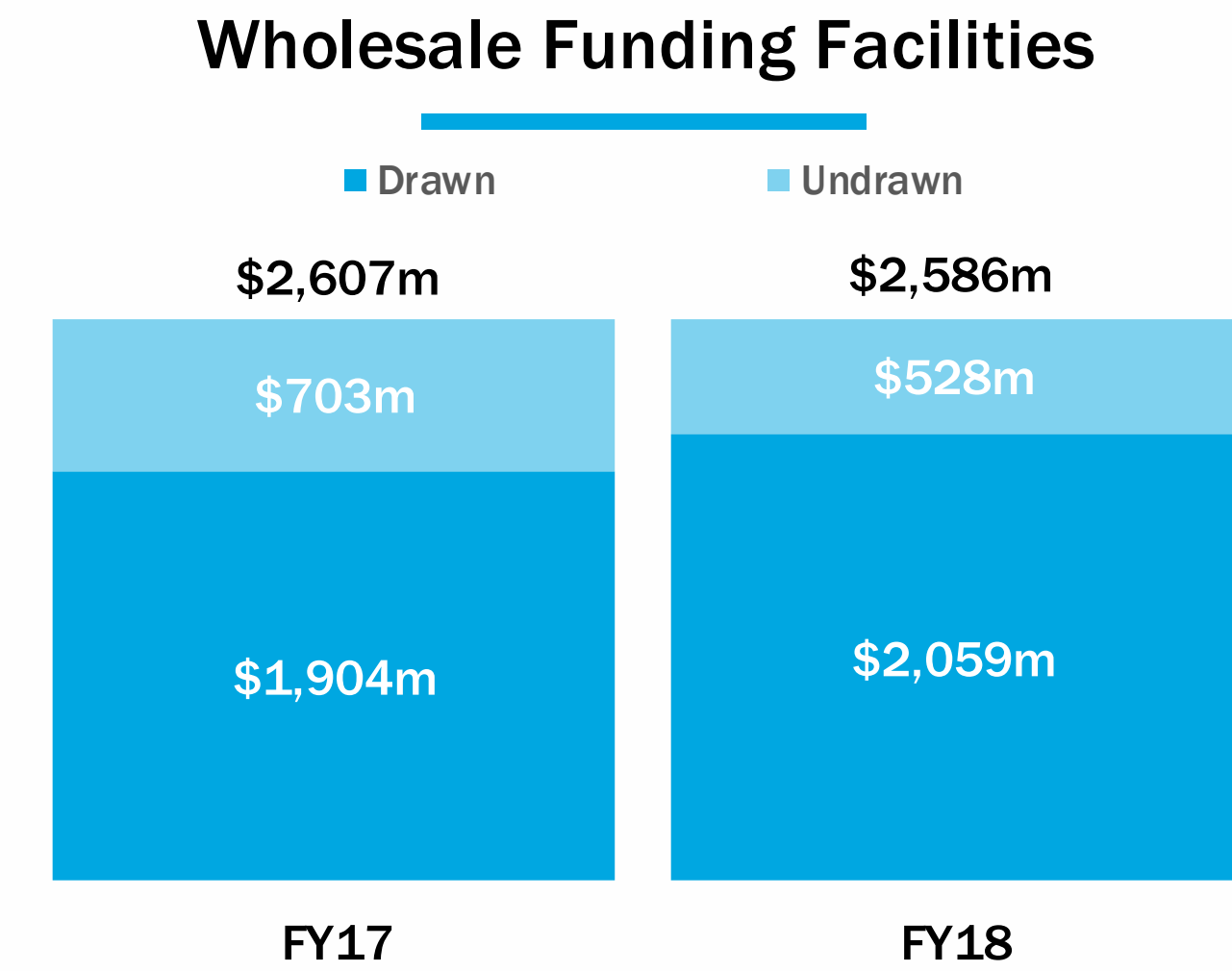
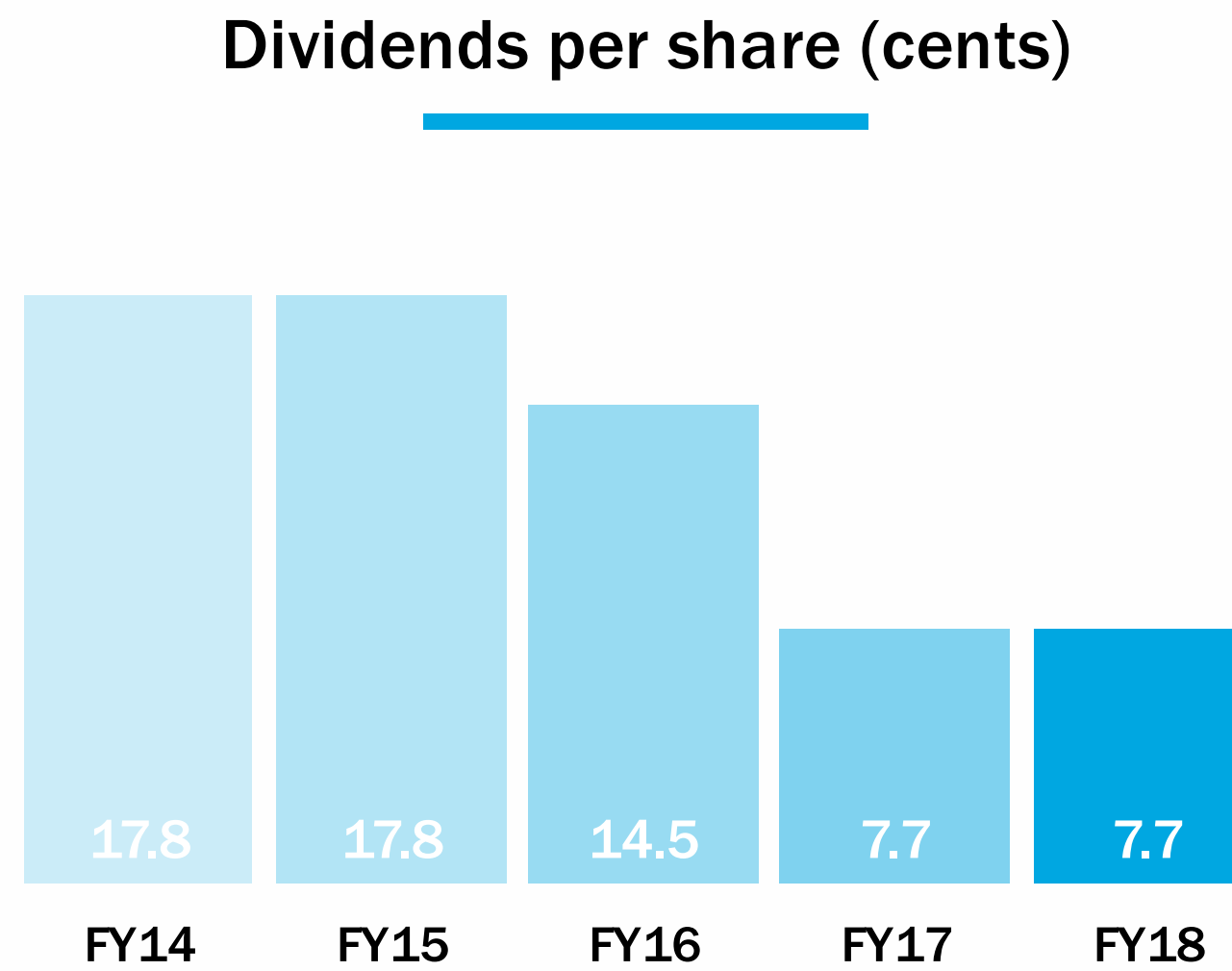
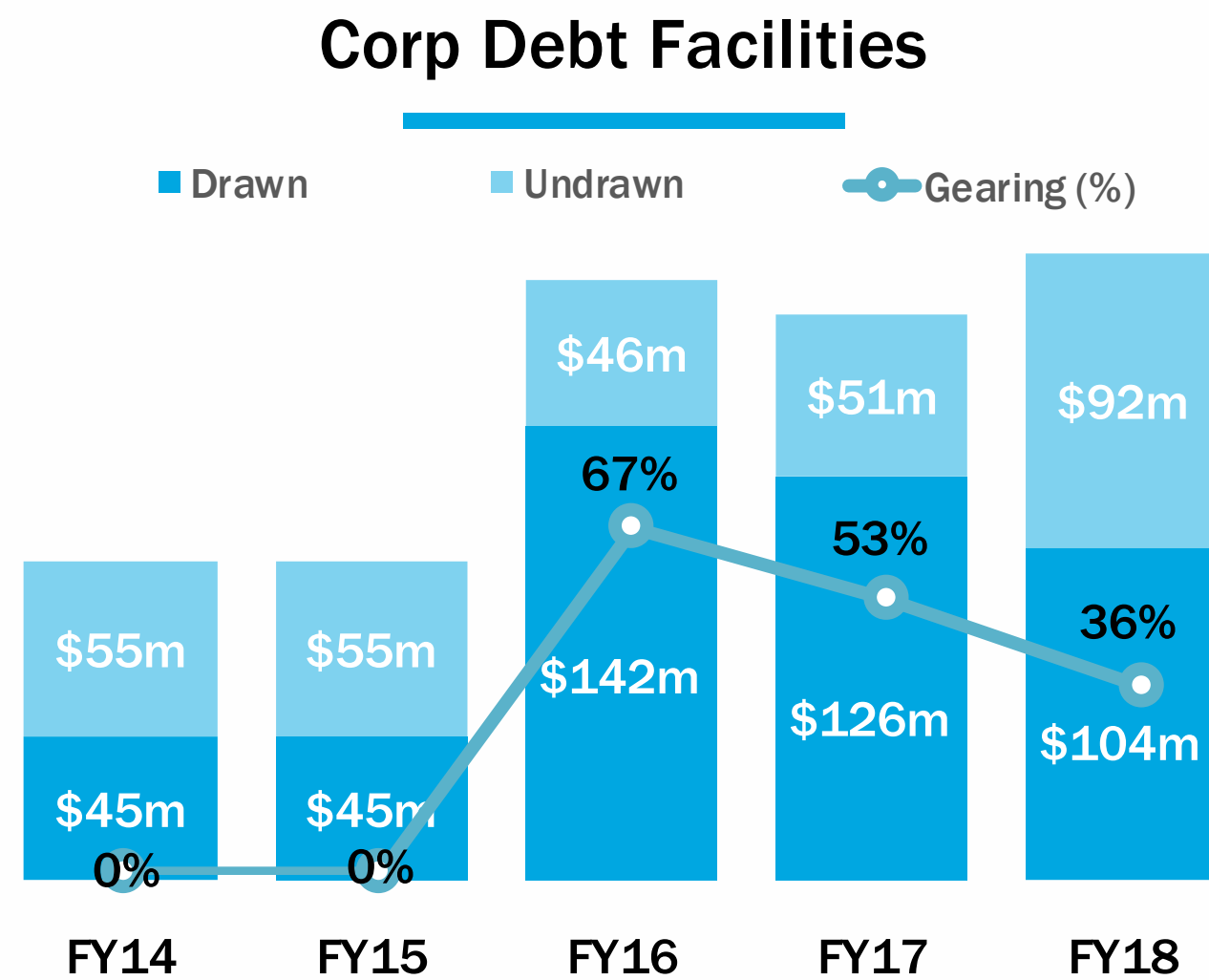


- › Results impacted by pressures on collections processes due to volume growth in AU Cards. Management have taken action to fix this, with early cycle delinquencies showing improvement
- › Further improvement expected from rebuild of later stage debt management and recoveries processes
- › Shift to lower risk commercial segments delivering lowering impairment costs in that segment
- › New Consumer Lease product to drive lower impairments in that segment
- › Strong and continued discipline in Certegy of Seller accreditation and credit decisioning has seen impairment drop 5% YOY

CAPITAL MANAGEMENT



Continued focus on reducing leverage despite strong balance sheet growth, building a sustainable capital model



Note: Gearing is recourse (corporate) borrowings as a percentage of equity excluding intangible assets.

- > Corporate debt reduced by \$22m YoY – gearing reduced to 36% from 53% pcp
- > Significant reduction in gearing achieved across FY17 & FY18 from high point of 82% post acquisition of NZ Cards in 1H FY17 to 36%
- > Deleveraging will continue to be focus in FY19
- > Well funded for growth with significant funding facility headroom
- > Final dividend declared – 3.85 cents in line with 1H FY18, 100% franked

COST MANAGEMENT



Cost reduction and efficiencies to drive cost to income ratio towards 40%

- › Significant restructuring undertaken in 1H18 leading to \$3.6m (pre-tax) restructuring costs absorbed in results
- › Rationalisation of headcount - focused on mid and back office functions
- › Renegotiation of multiple key supplier contracts
- › Implementation of new cost management platform
- › Roll out tightened policies on discretionary expenditure
- › FY18 reported operating expenses include \$7m customer remediation provision

Actions taken FY18 have generated \$8m in annual run rate savings/revenue generation

Next steps to drive further cost efficiencies

- › Additional key supplier contracts to be renegotiated
- › Release synergies from platform consolidations (e.g. combined cards platform across AU and NZ)
- › Implementation of shared service model
- › Group wide roll out of cost management platform
- › Ensure full cost benefits realised from previous actions

FLEXIGROUP[✂]
BUSINESS OUTLOOK

STRATEGIC THEMES IN FY19 - GROW




Accelerate growth momentum on increased core volume run rate

THEME	KEY INITIATIVES FOR FY19	NEXT STEPS
 <p>GROW</p>	<ul style="list-style-type: none"> › Certegy – utilise our strengths in key market sectors to grow and expand 	<ul style="list-style-type: none"> › Focusing on sector specific expansion including health and retail through skilled sales force with detailed sector knowledge › Broaden product offer to capture wider buyer and seller base
	<ul style="list-style-type: none"> › Consumer Lease – build on new digital offering and unique capabilities 	<ul style="list-style-type: none"> › Further product enhancements to drive customer take-up › Expand to new retail partners across AU and NZ to increase volume › Drive small business customer growth through simpler application process
	<ul style="list-style-type: none"> › AU and NZ Cards – growth in profitable volumes 	<ul style="list-style-type: none"> › New product enhancements to drive penetration through key partners › Grow retail base through new partnerships
	<ul style="list-style-type: none"> › AU and NZ Cards – leveraging our strong market position to increase spend frequency 	<ul style="list-style-type: none"> › Drive always on marketing capability to increase spend activation and frequency through targeted offers prompted by analytics capability › Scale migration of Lombard and Once customers to Skye to drive both customer spend and efficiencies
	<ul style="list-style-type: none"> › Commercial – growth in our core business and managed services 	<ul style="list-style-type: none"> › Leverage first mover and innovation advantage in managed services – multiple contracts now funded including a top tier accounting firm › Significant pipeline of opportunities to be signed and funded which will deliver sustained volume and profit growth › Expand product into key partners in NZ

STRATEGIC THEMES IN FY19 - DIGITISE




Digitisation of business delivering growth

THEME	KEY INITIATIVES FOR FY19	NEXT STEPS
 <p>DIGITISE</p>	<ul style="list-style-type: none"> › End to end digitisation of Certegy 	<ul style="list-style-type: none"> › Maximise take up of digital originations › Implement further product and UX enhancements
	<ul style="list-style-type: none"> › Launch Certegy seller app to enhance engagement and value 	<ul style="list-style-type: none"> › App launched and in use across the seller base
	<ul style="list-style-type: none"> › New digitised Consumer Lease to drive buyer and seller benefits 	<ul style="list-style-type: none"> › Improved UX to increase volume take up of digital applications › Expand product into NZ market through existing seller base › Roll out to additional partners
	<ul style="list-style-type: none"> › Migration to centralised credit decisioning platform 	<ul style="list-style-type: none"> › Future product development will be using centralised decision engine
	<ul style="list-style-type: none"> › End to end Commercial digital solution 	<ul style="list-style-type: none"> › Application and decisioning in market › Seller portal and electronic documentation in progress › Enhanced asset management portal being developed

STRATEGIC THEMES IN FY19 - OPTIMISE



Continuing opportunities to drive efficiency

THEME	KEY INITIATIVES FOR FY19	NEXT STEPS
 <p>OPTIMISE</p>	<ul style="list-style-type: none"> › Enhance AU Cards collections capability 	<ul style="list-style-type: none"> › Continue to execute short term management remediation plan › Develop strategic options for AU collections
	<ul style="list-style-type: none"> › Centralise marketing to leverage investment & capability 	<ul style="list-style-type: none"> › Develop direct marketing automation capability to drive efficiency and improve customer engagement › Digital product & innovation team being established
	<ul style="list-style-type: none"> › Implement group wide CRM and centralised data analytics capability 	<ul style="list-style-type: none"> › Seller/Partner CRM implementation in AU and centralisation of group-wide data in single data lake with a focus on sales analytics in first phase
	<ul style="list-style-type: none"> › Deliver synergies through implementation of shared service model 	<ul style="list-style-type: none"> › Complete integration of shared service functions across locations › Deliver synergies and simplification through functional alignment and platform consolidation
	<ul style="list-style-type: none"> › Maximise efficiency of funding structures 	<ul style="list-style-type: none"> › Maximise securitisation opportunities across AU and NZ › Implement wholesale funding structure in Ireland to support growth and release capital

FY19 VOLUME OUTLOOK



Momentum strong

SEGMENT	VOLUME TREND BY HALF YEAR	VOLUME OUTLOOK	MAJOR DRIVERS								
Certegy	<table border="1"> <tr> <td>278</td> <td>249</td> <td>267</td> <td>274</td> </tr> <tr> <td>1H17</td> <td>2H17</td> <td>1H18</td> <td>2H18</td> </tr> </table>	278	249	267	274	1H17	2H17	1H18	2H18		<ul style="list-style-type: none"> › Digital acceptance and seller app achieving increased take up by sellers › Verticals sales strategy leveraging deeper industry knowledge › Oxipay seller growth and further penetration into channels
278	249	267	274								
1H17	2H17	1H18	2H18								
AU Cards	<table border="1"> <tr> <td>238</td> <td>296</td> <td>358</td> <td>382</td> </tr> <tr> <td>1H17</td> <td>2H17</td> <td>1H18</td> <td>2H18</td> </tr> </table>	238	296	358	382	1H17	2H17	1H18	2H18		<ul style="list-style-type: none"> › New Skye Mastercard launched 2H FY18 › Consolidation of seller network to drive spend frequency › Increasing customer spend behaviour through enhanced card features
238	296	358	382								
1H17	2H17	1H18	2H18								
AU Consumer Leasing	<table border="1"> <tr> <td>57</td> <td>54</td> <td>52</td> <td>52</td> </tr> <tr> <td>1H17</td> <td>2H17</td> <td>1H18</td> <td>2H18</td> </tr> </table>	57	54	52	52	1H17	2H17	1H18	2H18		<ul style="list-style-type: none"> › New consumer lease product launched Feb-18 › Transition to new product across seller network through Q4 FY18
57	54	52	52								
1H17	2H17	1H18	2H18								
AU Commercial	<table border="1"> <tr> <td>49</td> <td>45</td> <td>49</td> <td>99</td> </tr> <tr> <td>1H17</td> <td>2H17</td> <td>1H18</td> <td>2H18</td> </tr> </table>	49	45	49	99	1H17	2H17	1H18	2H18		<ul style="list-style-type: none"> › Digitised origination platform now live in market › Managed services platform operationalised and first contract commenced › Restructuring of multiple seller partner agreement in progress
49	45	49	99								
1H17	2H17	1H18	2H18								
NZ Leasing	<table border="1"> <tr> <td>46</td> <td>48</td> <td>40</td> <td>51</td> </tr> <tr> <td>1H17</td> <td>2H17</td> <td>1H18</td> <td>2H18</td> </tr> </table>	46	48	40	51	1H17	2H17	1H18	2H18		<ul style="list-style-type: none"> › Managed services offer now in market with multiple opportunities › Digital portal within key distribution partners › TELA contract re-secured & other government opportunities being pursued
46	48	40	51								
1H17	2H17	1H18	2H18								
NZ Cards	<table border="1"> <tr> <td>325</td> <td>298</td> <td>362</td> <td>349</td> </tr> <tr> <td>1H17</td> <td>2H17</td> <td>1H18</td> <td>2H18</td> </tr> </table>	325	298	362	349	1H17	2H17	1H18	2H18		<ul style="list-style-type: none"> › Buyer numbers growing strongly › Multiple new product initiatives including fixed instalment plans
325	298	362	349								
1H17	2H17	1H18	2H18								

FY19 PROFIT GUIDANCE

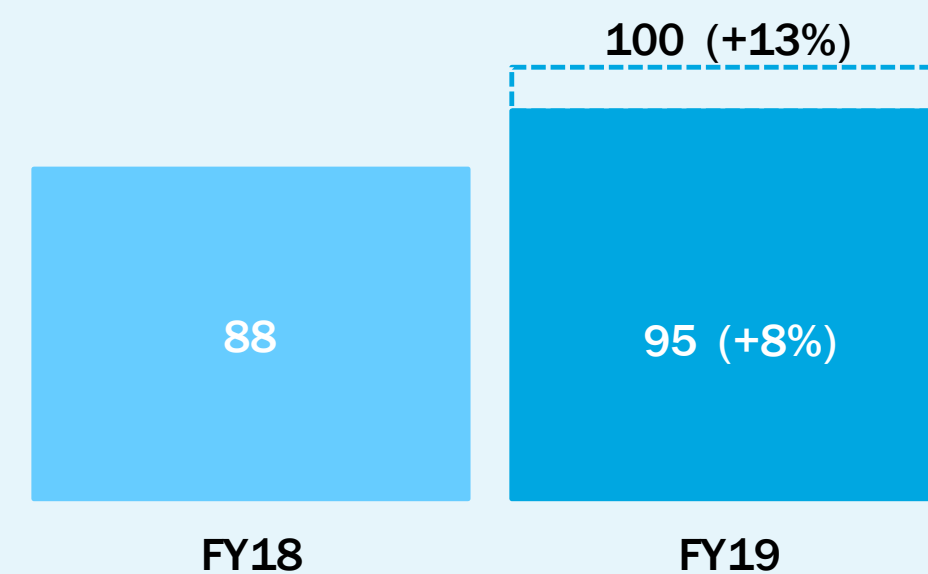


Cash NPAT growth of 8-13% forecast

FY19 Cash NPAT guidance \$95-100m

Represents growth of 8% to 13% Cash NPAT increase v pcp.

Cash NPAT Guidance



Note: Cash NPAT FY19 guidance assumes \$1.00 AUD = \$1.08 NZD



AASB9 accounting impact

Consumer lease portfolio run down



Certegy growth

AU Cards growth and interest bearing mix

Cost control

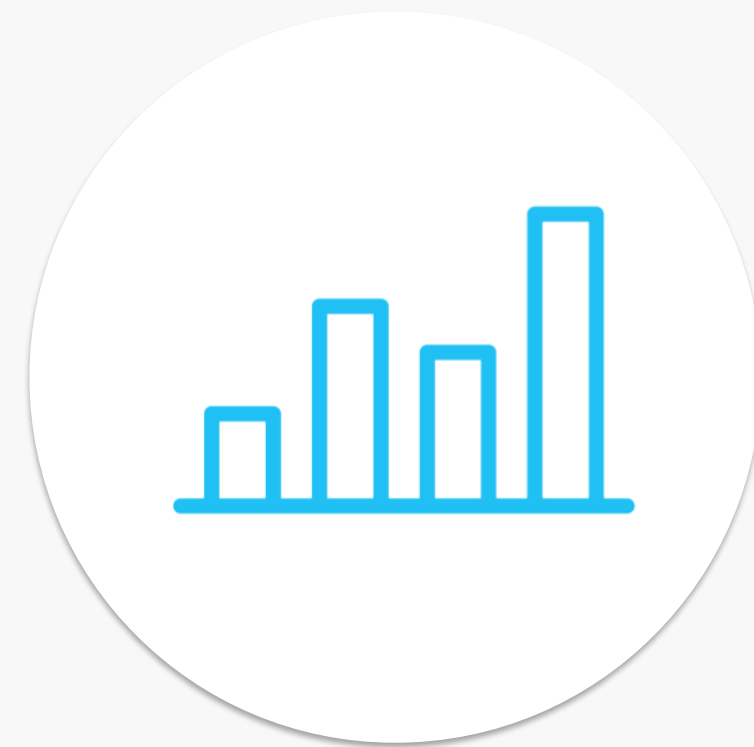
Funding efficiencies

Ireland growth

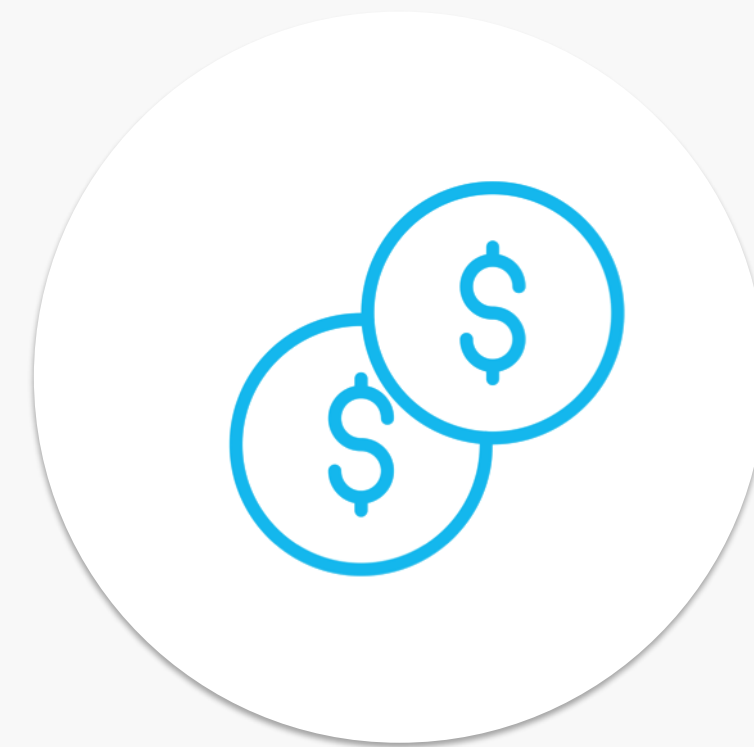
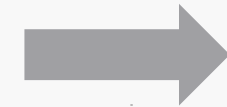
SUMMARY & CONCLUSIONS



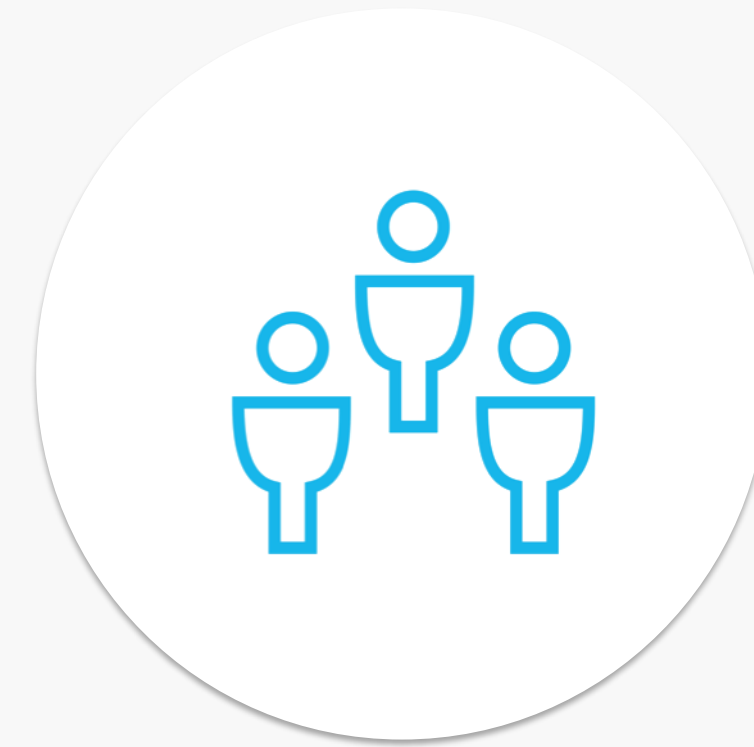
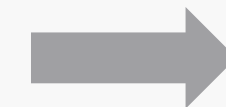
Consistent focus on key issues driving profit growth



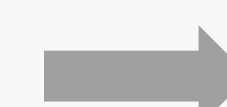
FY18 results delivered at higher end of guidance range



Investment in growth and focus on our 3 key strategic themes



Capitalise on our technologies, funding and distribution strengths



Drive Cash NPAT growth in FY19 and beyond

FLEXIGROUP[✂]
APPENDICES

AASB9 IMPACT



Background

- › AASB9 *Financial Instruments* to be adopted on 1 July 2018
- › Main impact to FXL relates to loss provisioning
- › Existing credit provision policy based on incurred loss
- › Adoption of AASB9 moves to provision based on expected loss
- › Transition adjustment on adoption will be recorded against FY19 opening balance sheet retained earnings
- › Significant work undertaken with EY in the design and build of AASB9 compliant models

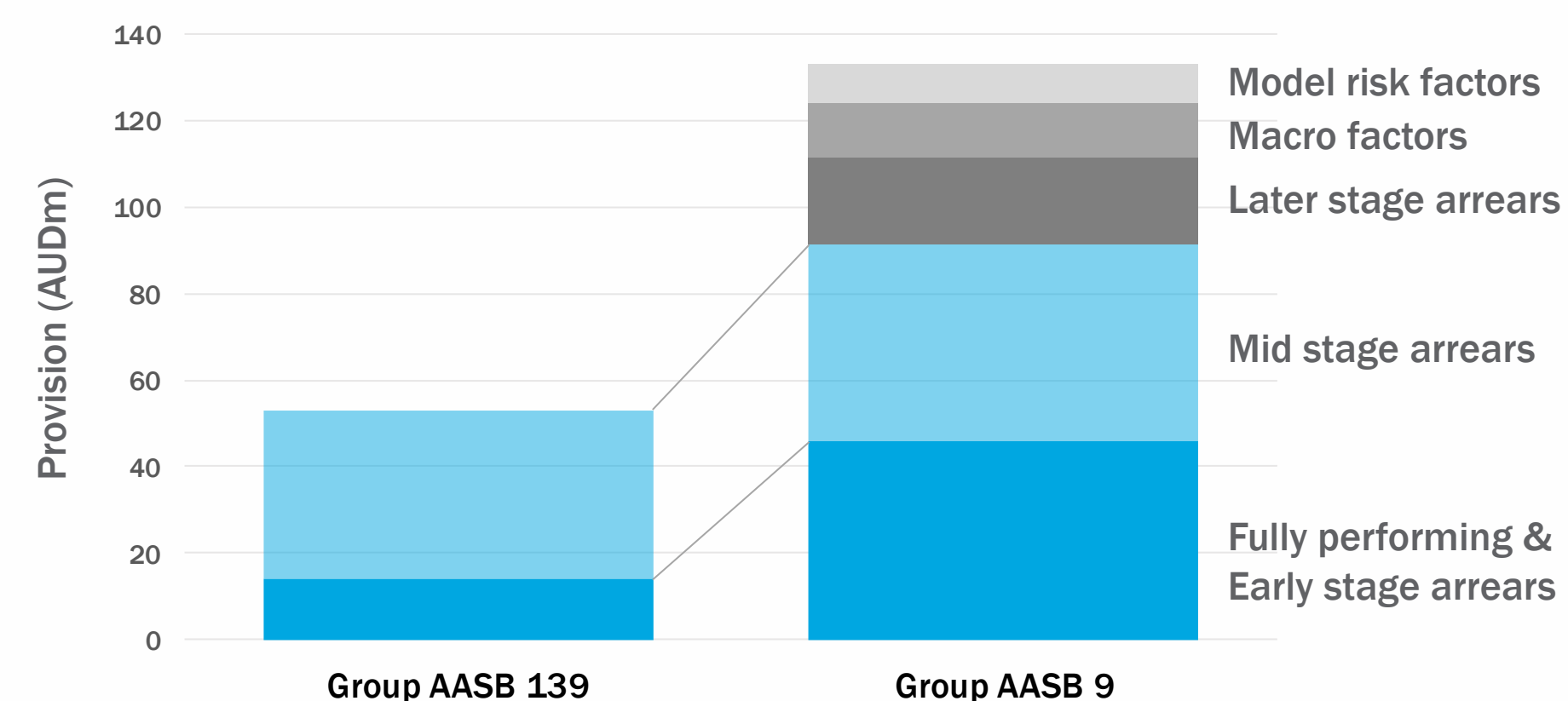
Transition Adjustment

- › Additional \$82m provision to be recorded at 1 July 2018
- › This increase in provision to cover expected loss on existing receivables
- › Expected loss provision required for fully performing contracts and undrawn limits
- › Other external factors are also provided for

Go forward impact

- › AASB9 accounting treatment has the effect of front-loading the provisioning process by providing for full lifetime expected loss at customer origination
- › Loss provision coverage rates will increase to reflect this
- › Impact is most significant on rapidly growing portfolios (i.e. AU Cards, AU Commercial)

AASB 9 Transition Adjustment



CONSOLIDATED STATUTORY INCOME STATEMENT



- > Interest expense decrease driven by improved funding facilities and repayment of corporate debt
- > Impairment expenses up slightly at 3.0% of receivables
- > Impairment of goodwill and other intangible assets driven by the retirement of existing consumer lease product
- > Increase in depreciation and amortisation expenses due to non-recurring FY17 impact of Fisher & Paykel Finance acquisition
- > Increase in operating expenses predominantly resulting from one-off customer remediation provision of \$7m (\$4.9m after tax)

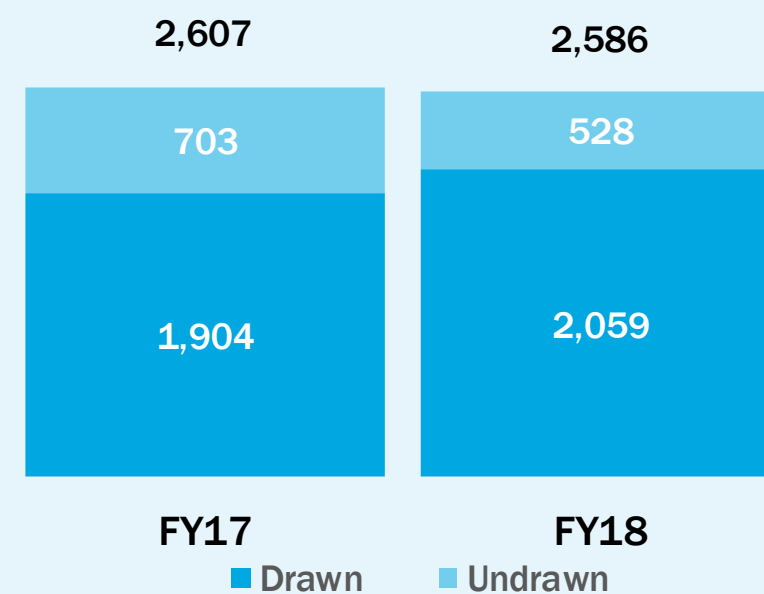
FlexiGroup (\$m)	FY17	FY18	v PCP %
Total portfolio income	\$462.8	\$460.4	(1%)
Interest expense	(\$102.0)	(\$98.0)	(4%)
Net portfolio income	\$360.8	\$362.4	0%
Receivables & customer loan impairment expenses	(\$62.8)	(\$66.5)	6%
Impairment of goodwill and intangible assets	\$0.0	(\$94.7)	n/a
Depreciation and amortisation expenses	(\$16.2)	(\$17.5)	8%
Operating and other expenses	(\$159.6)	(\$168.5)	6%
Profit before income tax	\$122.2	\$15.2	(88%)
Income tax expense	(\$34.8)	(\$25.5)	(27%)
Profit after income tax on a statutory basis	\$87.4	(\$10.3)	(112%)
Non cash items			
Amortisation of acquired intangible assets	\$4.2	\$4.5	7%
Impairment of Goodwill and Other Intangibles	\$0.0	\$89.1	n/a
Customer remediation provision	\$0.0	\$4.9	n/a
Other Adjustments	\$1.4	\$0.0	(100%)
Total non-cash items	\$5.6	\$98.5	1,659%
Group Cash NPAT	\$93.0	\$88.2	(5%)

BALANCE SHEET



- > Cash balance decrease 25% due to improved cash management processes
- > Goodwill decrease driven by impairment of the Consumer Lease product and exchange rate movement v pcp
- > Gearing reduction from 53% to 36% v pcp reflecting strong Corporate debt management with the drawn facility reduced by \$22m v pcp

Wholesale Funding Facilities



FlexiGroup (\$m)	FY17	FY18	v PCP %
Cash and cash equivalents	\$167	\$125	(25%)
Receivables and customer loans ⁽¹⁾	\$2,166	\$2,368	9%
Other assets	\$13	\$11	(17%)
Current tax receivable	\$4	\$1	(87%)
Goodwill	\$321	\$237	(26%)
Other intangible assets	\$114	\$100	(12%)
Disposal Group Assets	\$0	\$13	n/a
Total assets	\$2,786	\$2,854	2%
Payables	\$50	\$52	3%
Borrowings	\$2,008	\$2,125	6%
Other liabilities	\$31	\$22	(29%)
Current and deferred tax liabilities	\$25	\$26	(2%)
Disposal Group Liabilities	\$0	\$2	n/a
Total liabilities	\$2,114	\$2,227	5%
Equity	\$672	\$628	(7%)
Gearing ⁽²⁾	53%	36%	(18%)
ROE ⁽³⁾	14%	14%	(1%)

(1) Includes other debtors as disclosed in the statutory accounts.

(2) Gearing is recourse (corporate) borrowings as a percentage of equity excluding intangible assets.

(3) Calculated based on Cash NPAT as a percentage of average equity.



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