

Sydney 5 February 2019

FlexiGroup announces \$12M after tax impairment in Commercial Leasing business

Revises full year cash NPAT guidance HY2019 results and Group strategy to be released 26 February

FlexiGroup Limited (ASX:FXL) (**FlexiGroup** or **Group**) advises that, following a review of its unaudited financial performance for the six months ended 31 December 2018 (1HFY2019), the Group now expects FY2019 cash net profit after tax (NPAT) to be in the range of \$76 - \$80 million.

Excluding an impairment and associated costs in Commercial Leasing, underlying operating performance remained positive with good momentum across the business. Cash NPAT for the first half of 2019 is expected to be \$32 million, 3% higher than the prior comparable period on an underlying basis, with 272,000 new customers added and 2,800 sellers onboarded in the last six months.

FlexiGroup's AU Commercial Leasing business, along with a number of other finance providers, has become aware that one of its equipment finance vendor program partners has entered into voluntary liquidation, with liquidators appointed. FlexiGroup believes its contractual arrangements with the underlying small business borrowers are sound and enforceable, and has been endeavouring to identify if there is a course of action which could be taken to assist in meeting the offer made to those customers by the intermediary. This has proven difficult, and FlexiGroup has therefore taken the decision to provision for \$12M after tax in relation to the Group's exposure generated through this equipment finance vendor program partner.

FlexiGroup's AU cards business total receivables grew by 18% year on year against a negative trend across the category, with a 3.1% drop in the total amount lent to households via credit cards being reported by the Reserve Bank of Australia. This 18% growth is, however, below budget expectations for the period.

As flagged at the FY2018 results, while there is improvement in arrears in AU cards business, the improvement is occurring at a slower than forecast rate, also impacting Group NPAT.

Investment in the Group's buy now pay later product Certegy EziPay, which appeals to consumers with average transaction values above \$1,000, continues to drive growth with volumes up 7% year on year.

Rebecca James, Chief Executive Officer of FlexiGroup said: *"Following good volume, customer and retailer growth across the business, it is disappointing to announce a significant one off impairment in our commercial leasing business."*

"Our Australian and New Zealand cards businesses have shown strong resilience against structural headwinds in the market. Coupling this with the growth in our buy now pay later offer, leads us to expect 1H2019 NPAT to be slightly ahead of the comparable period last year, on an underlying basis."

"Having undertaken a strategic review of FlexiGroup with the executive team, I look forward to sharing the outcomes of this work and outlining our new Group strategy when we announce our interim result on 26 February."

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ABOUT FLEXIGROUP

FlexiGroup provides a diverse range of finance solutions to consumers and business through a network of retail and business partners. This includes Buy Now Pay Later products, credit cards and consumer and business leasing. FlexiGroup has been operating in Australia for over 30 years, has partnerships with over 61,000 sellers and now serves 1.2 million customers across Australia, New Zealand and Ireland.

For more information visit: flexigroup.com.au

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