

# flexigroup

## 1H FY19 Results

# Responsible **lending.**

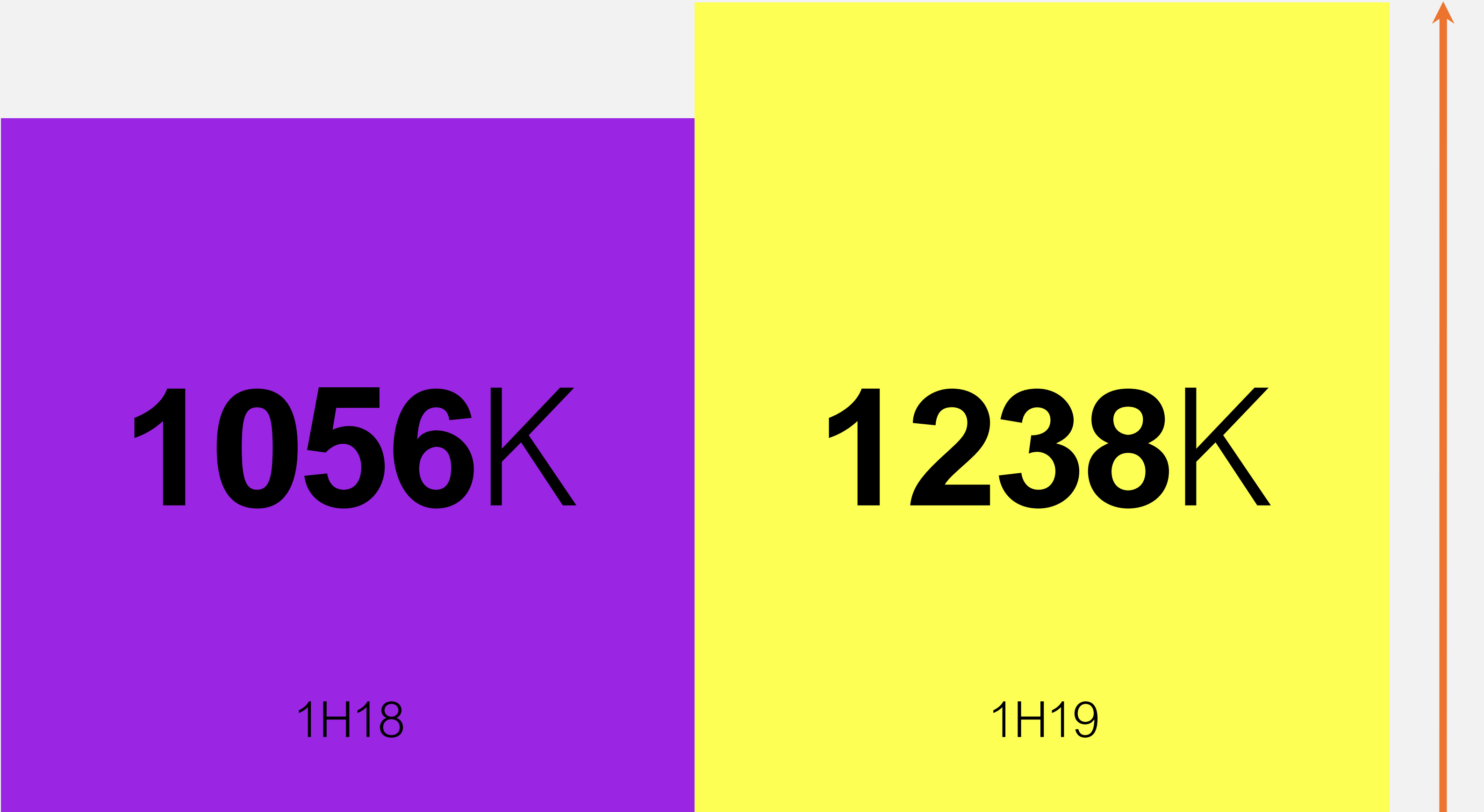
- We acknowledge that the community has high expectations of us
- We have a long track record of adapting to and, in many cases, leading industry and regulatory change
  - Consumer Leasing: early adoption of Government Panel regulations to launch Lisa
  - Buy Now Pay Later: opportunity for self-regulation in the form of a tailored BNPL Code of Practice
  - Point of Sale: designed to be customer led; clear parameters for offering our products; regular training and audit
- We are engaged with our stakeholders on the importance of responsible lending practices: submission to ASIC Review of BNPL; participation in Senate Enquiry; engagement with industry bodies and peers on self-regulation
- We remain engaged with our customers (while there's more to do, an NPS of 51 tells us we are getting it right)
- We believe that the right financial solution differs for each individual and occasion – which is why we pride ourselves on being flexible to our customers' needs
- Ultimately our interests are aligned with our customers – affordability of finance means reliability of payments

# Results **highlights.**

Strong customer and volume growth. Profit result impacted by large provision requirement in AU Commercial

# Customers

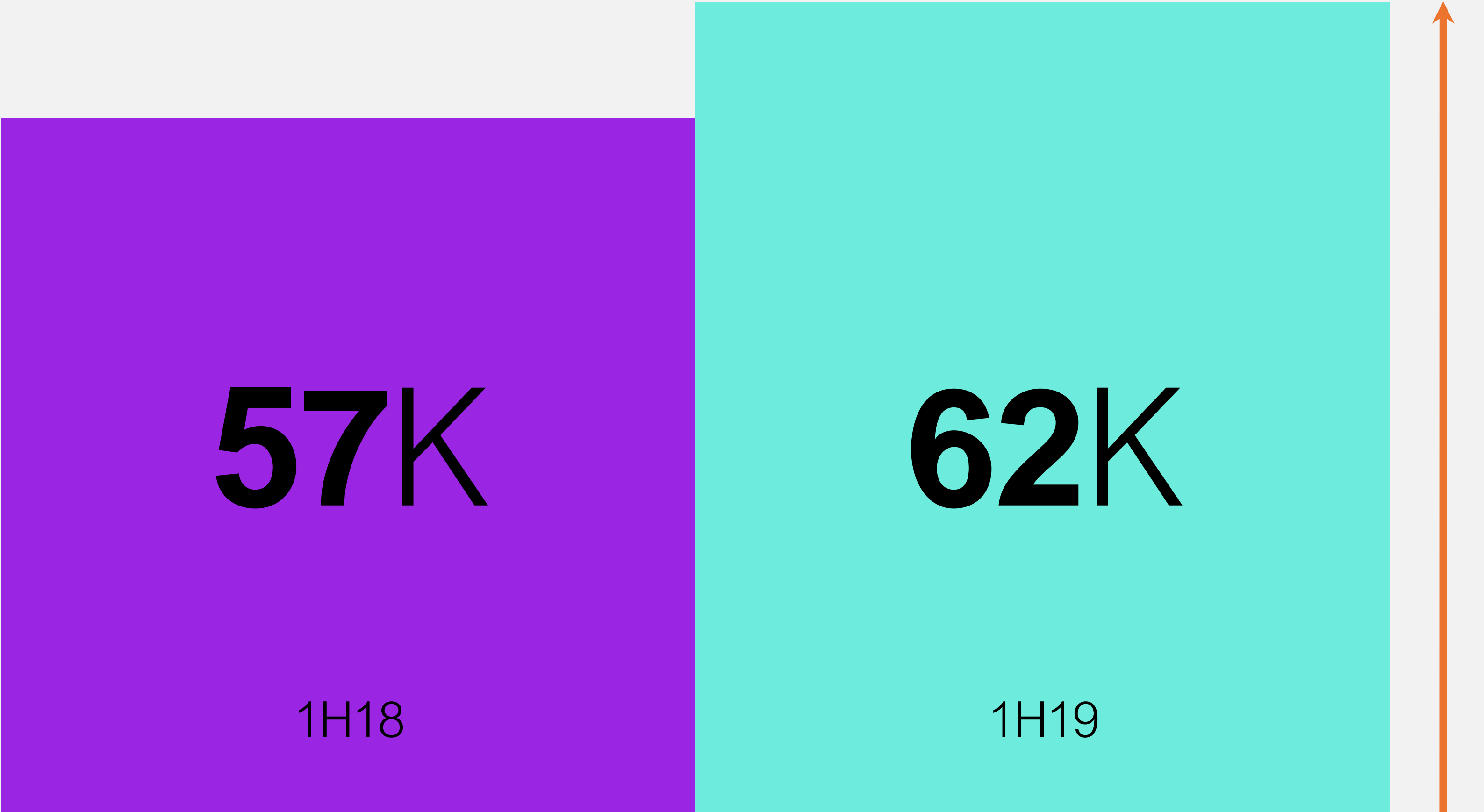
+17%



272,000 new customers added to reach 1.2 million active customers (+17% v pcp)

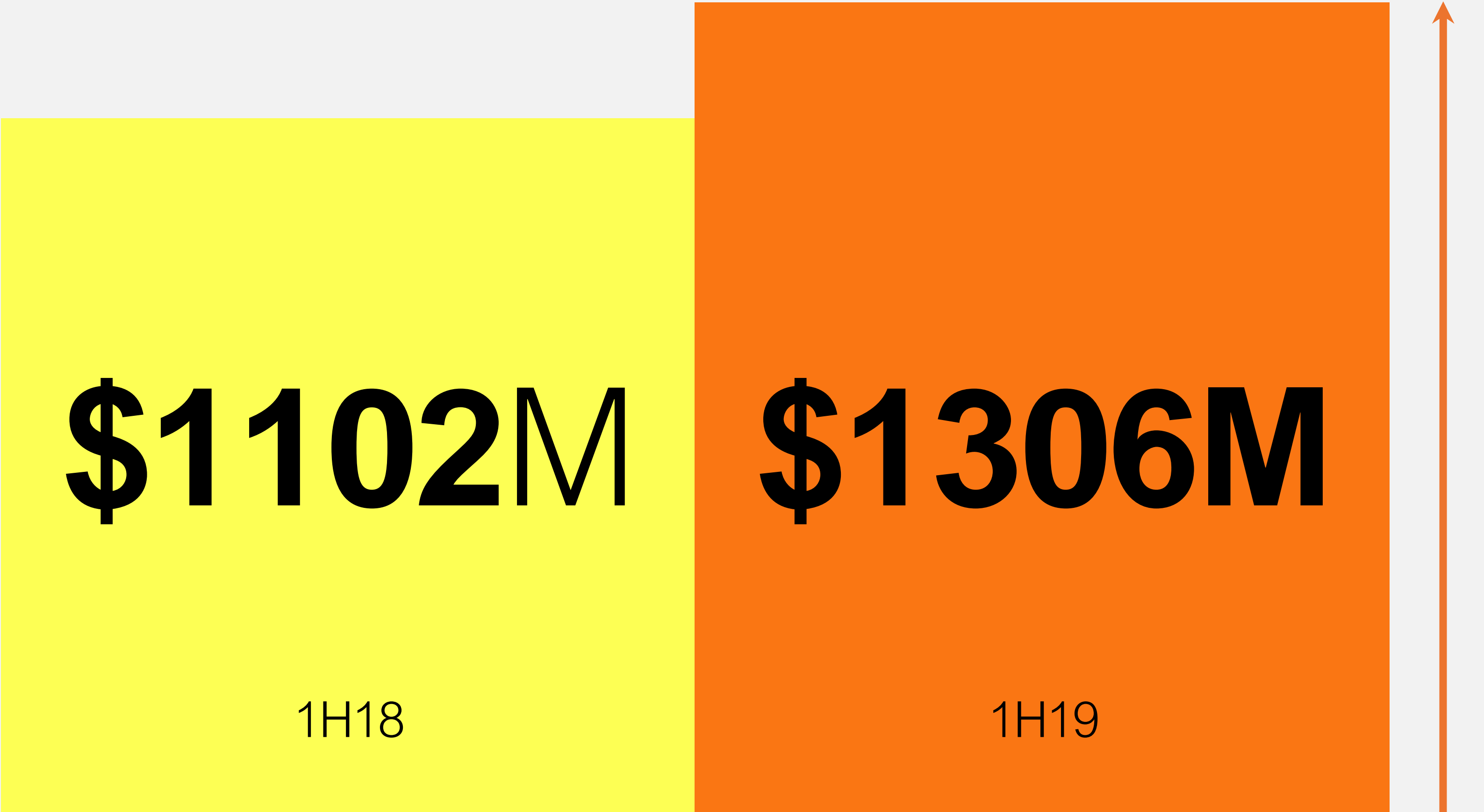
# Retail Partners

+8%



5,000 new partners added to reach 62,000 partners (+8% v pcp)

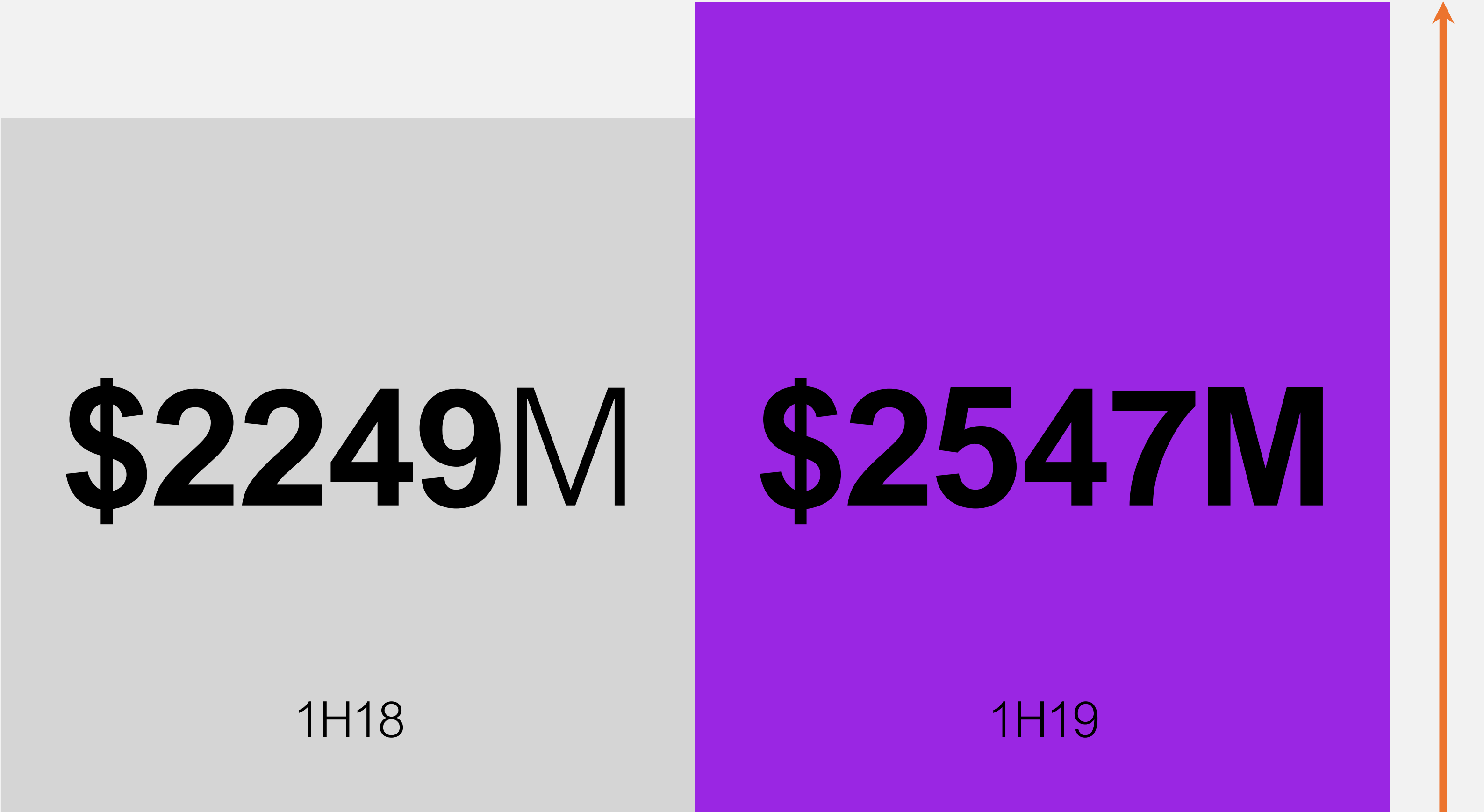
# Volume +19%



\$204m in additional transactional volume to reach a total volume \$1.306B (+19%. pcp)

# Receivables

+13%

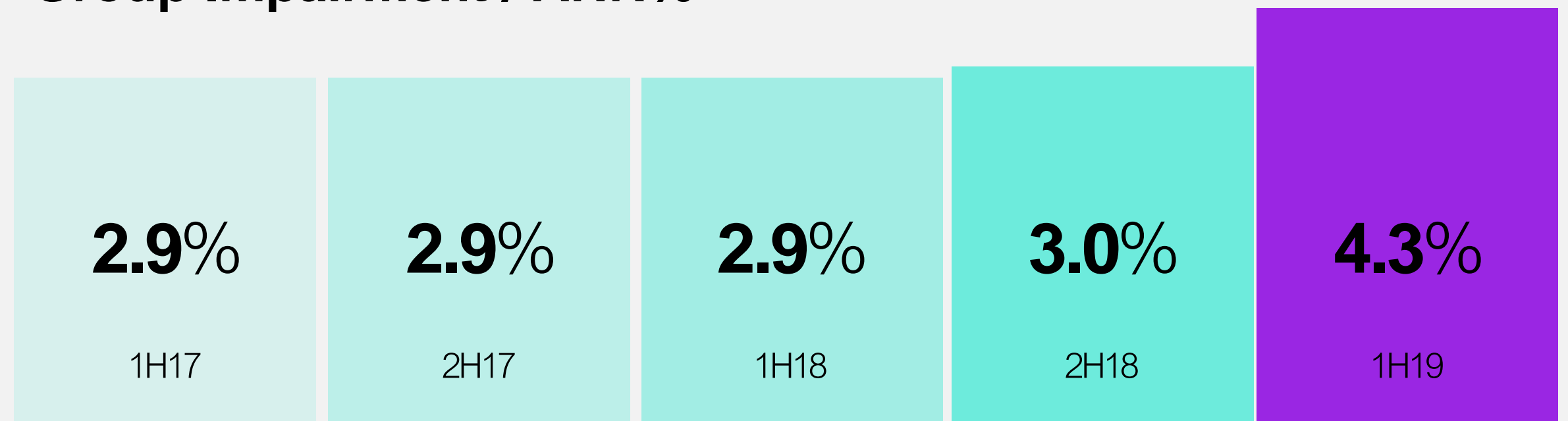


Total receivables  
\$2.547B (+13% pcp)

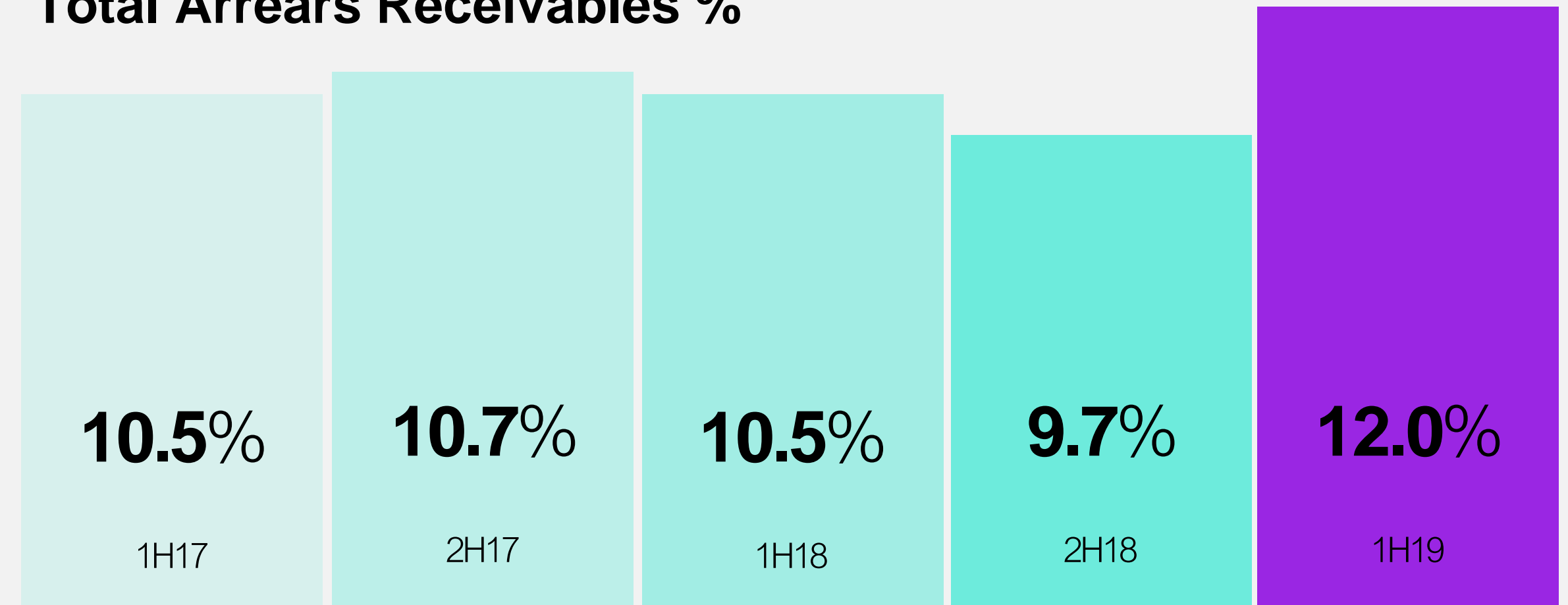
# Impairment costs have increased

- Results impacted by \$10M (post-tax) impairment taken in AU Commercial on one vendor program.
- In addition, remediation to ongoing collections process issues within AU Cards has taken longer than first anticipated.
- Other segments stable.
- Some increase in impairment costs impacting 1H FY19 due to adoption of IFRS 9 accounting standard.

Group Impairment / ANR%



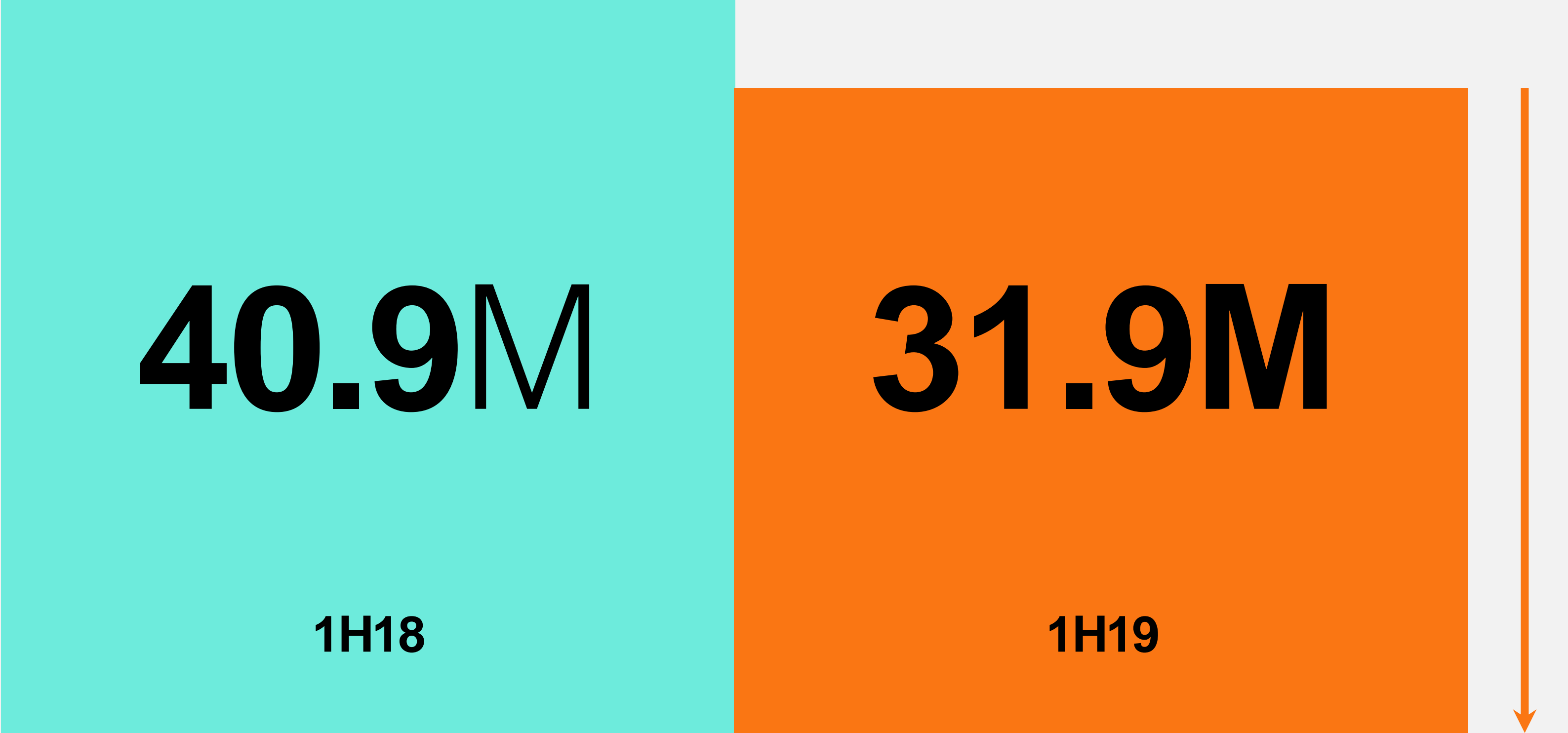
Total Arrears Receivables %





# Cash NPAT

-22%



Cash NPAT \$31.9M including \$10M impact of increased provision in AU Commercial

FY19 Cash NPAT guidance of \$76-80M

# Group Financials

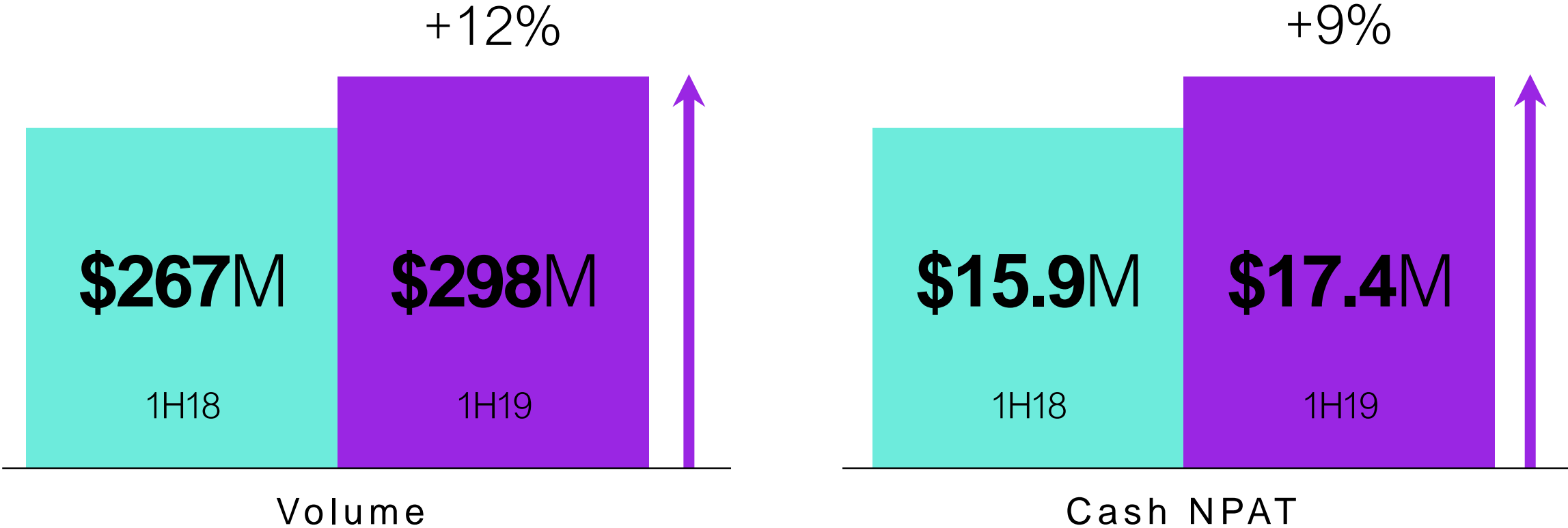
FlexiGroup (\$M)	1H FY18	1H FY19	Growth v PCP%
Underlying Cash NPAT	43.4	41.9	(3%)
Non-recurring items <sup>1</sup>	2.5	10.0	n/a
Cash NPAT <sup>2</sup>	40.9	31.9	(22%)
Statutory NPAT <sup>3</sup>	(48.9)	31.3	164%
Volume	1,102	1,306	19%
Closing Receivables	2,249	2,547	13%
ROE % <sup>4</sup>	13%	11%	(2%)

- Strong customer and volume growth

- Profit result impacted by large provision requirement in AU Commercial

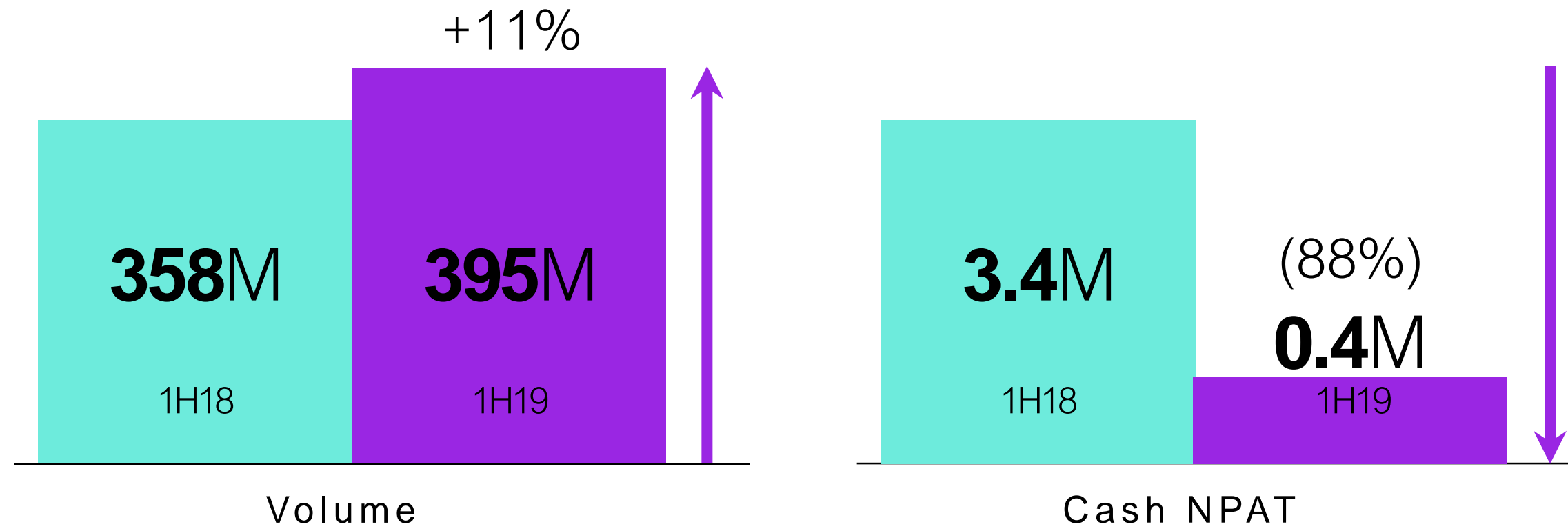
NOTES: 1. Non-recurring items adjusted from Underlying Cash NPAT: 1H FY18 – \$2.5m Restructuring Costs 1H FY19 – \$10m Additional Provision AU Commercial 2. Cash NPAT reflects the reported net profit after tax adjusted for material infrequent items and the amortisation of acquired intangibles. 3. See appendix slide for detailed reconciliation between Cash NPAT and Statutory NPAT. 4. ROE calculated based on Cash NPAT as a percentage of average equity

**Buy Now  
Pay Later**  
(Certegy)



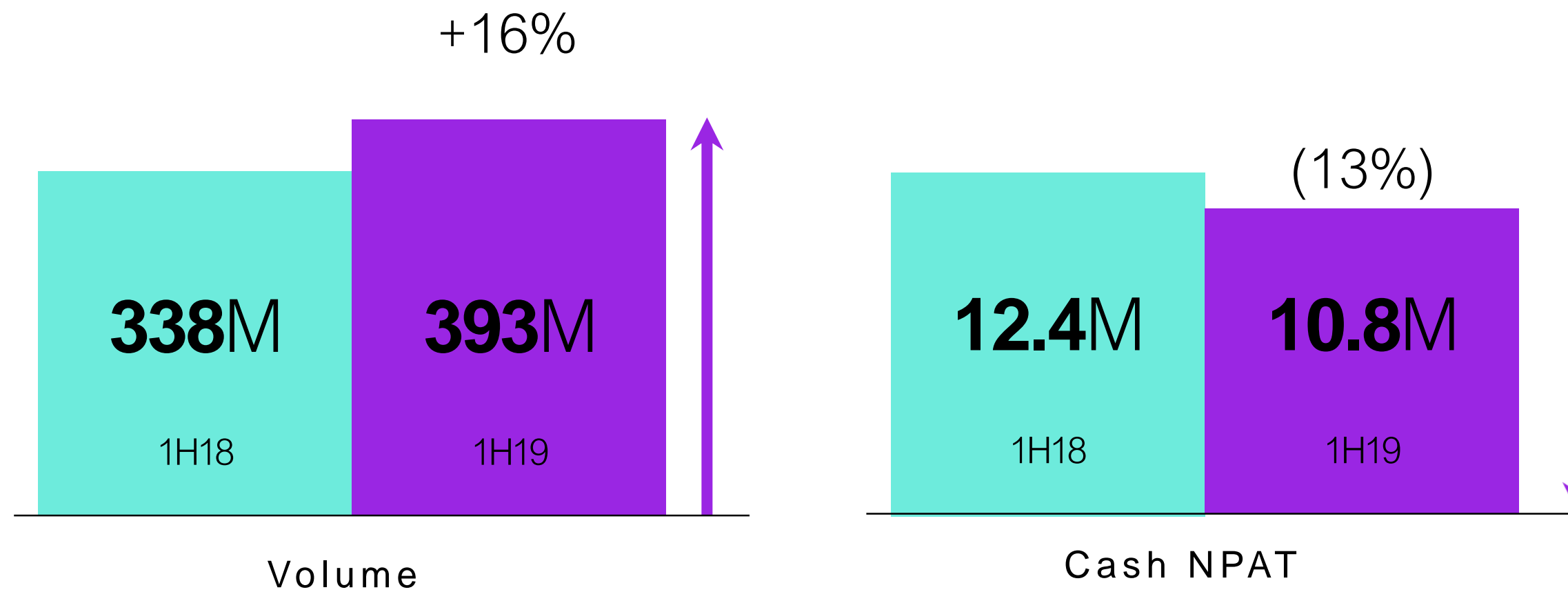
- Digitisation of BNPL Product
- Enhancements to Buyer Pre-Authorisation process
- Normalisation of OPEX (after significant investment in pcp)
- Strong discipline in arrears management

## AU cards



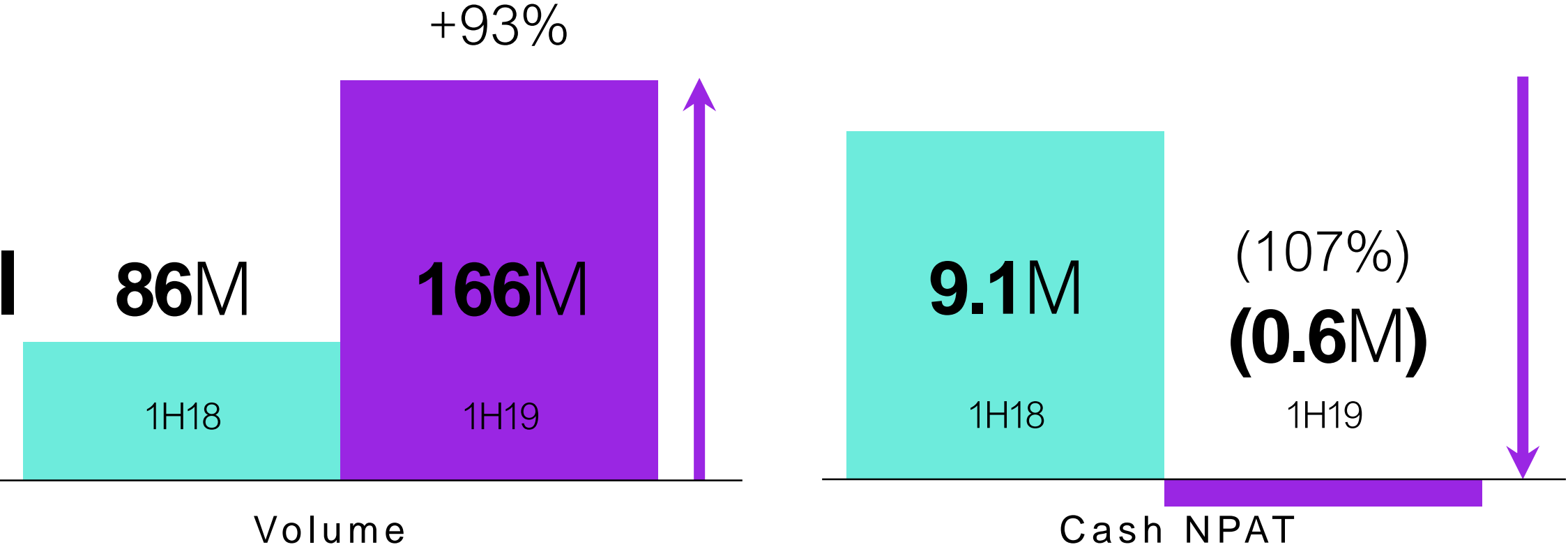
- Continued volume growth of +11%
- Net portfolio income grew 40% as a result of strong growth in receivables and usage
- Cash NPAT reduction of \$3M driven by the anticipated collections issues identified in FY18 as a result of underinvestment in collections systems, people and processes. Management well progressed on remediation with improvements expected in H2.

## NZ cards (AUD)



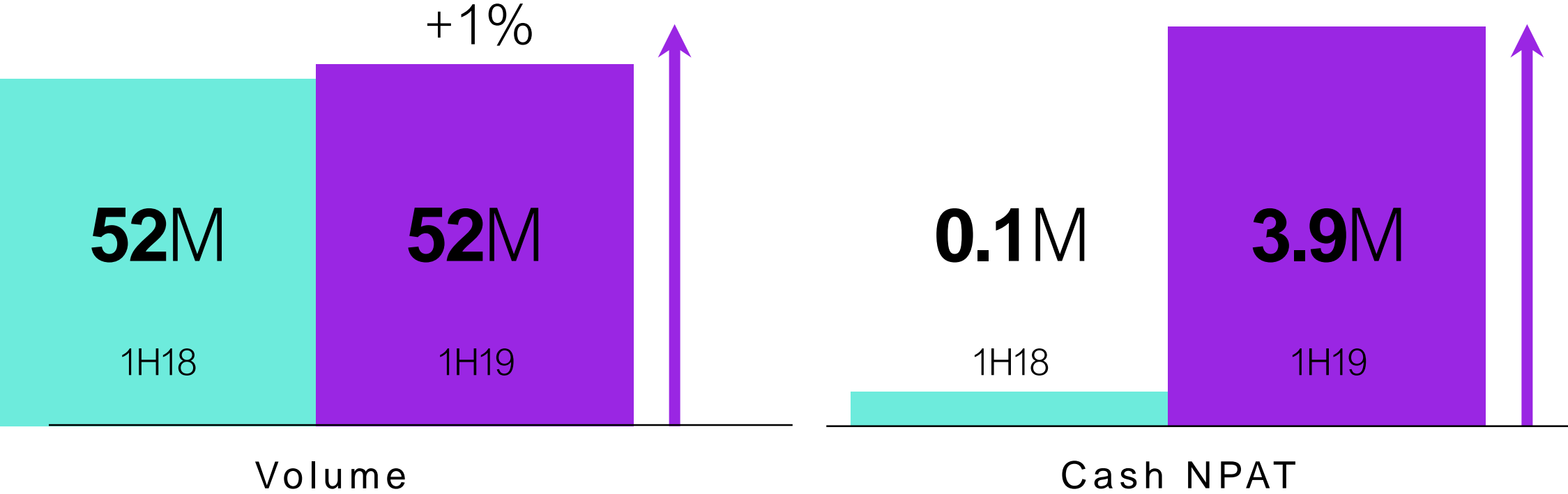
- Volume growth of 16% well ahead of market growth of ~5%
- Driven by 34% increase in transactional spend and Oxipay expansion
- Cash NPAT lower due to impact of higher interest free mix as portfolio grows and investment in business growth

### Commercial Leasing



- Volume increase driven by Managed Services and Broker channel
- Cash NPAT result impacted by \$10M post-tax impairment taken on one Vendor program
- Improving secondary income performance

### Consumer Leasing



- Volume in line with pcp with Lisa momentum increasing
- Improvement in impairment as a result of improved origination and collection processes
- Opex reduction driven by operational efficiencies as a result of process digitisation and rationalisation of brands

# Capital Management

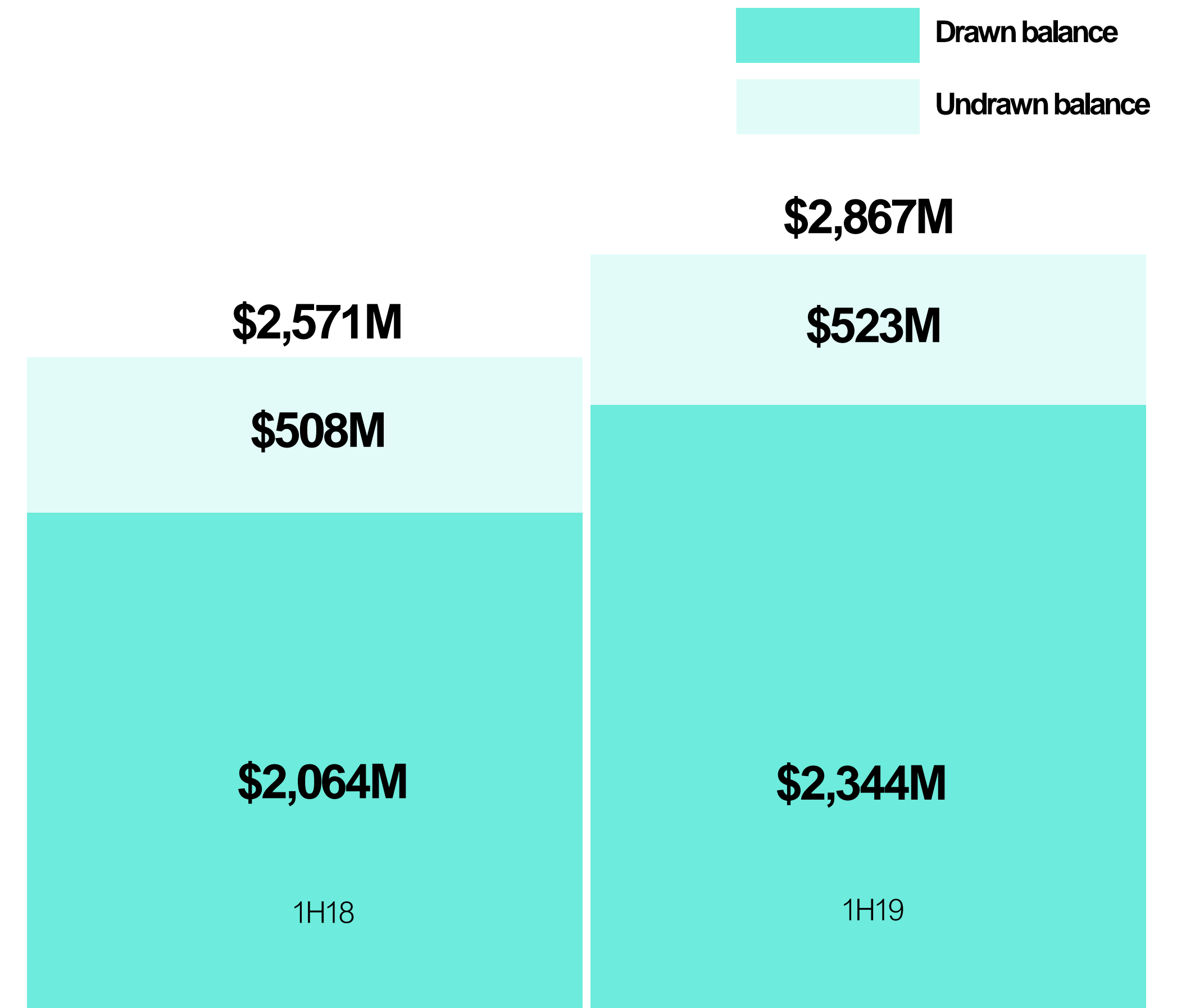
Funding facilities delivering efficient capital management structure with further enhancements to come

# Wholesale Funding Facilities

Well funded for growth with significant funding facility headroom

Euro funding facility well advanced to fund Flexi-Fi volume in Ireland

Well established Certegy securitisation program continuing to drive funding efficiency. Further issue to settle in March 2019





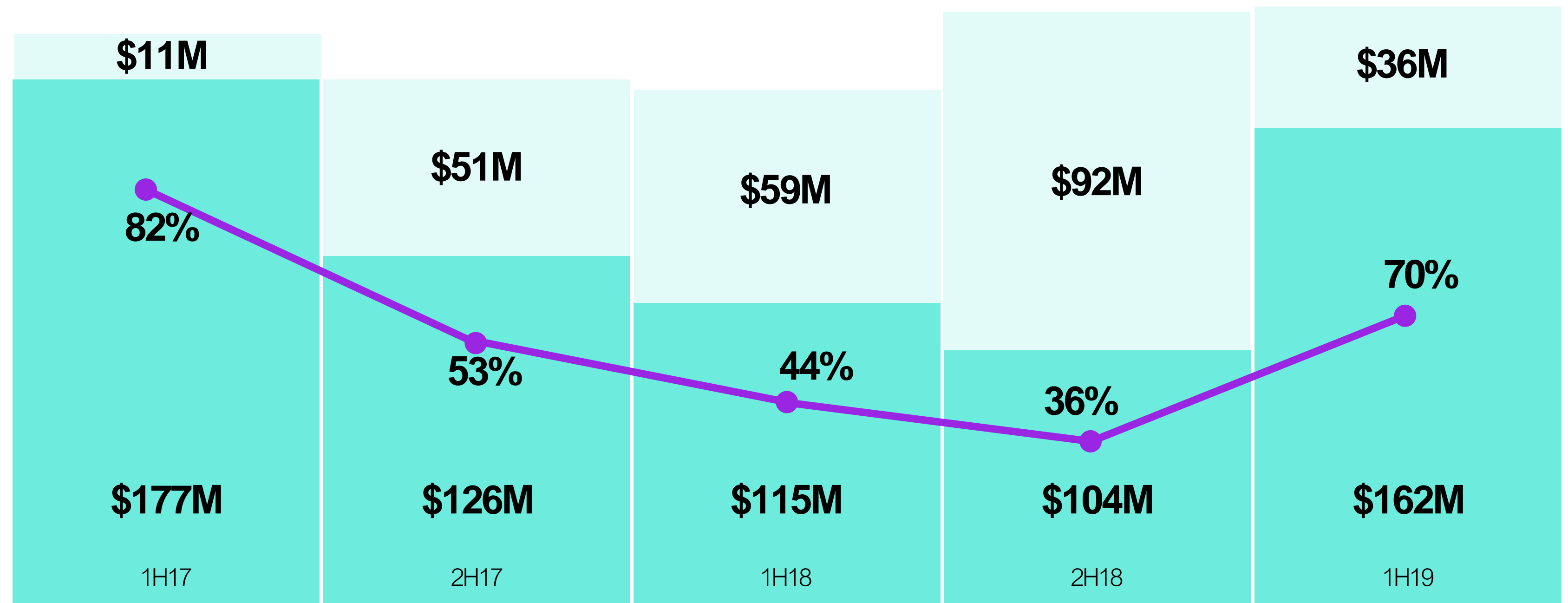
# Corp Debt Facilities

Corporate debt increased by \$47M YoY – gearing increased to 70% from 44% pcp

Gearing increase primarily the result of funding required on new business volumes and the impact of the vendor program impairment in AU Commercial

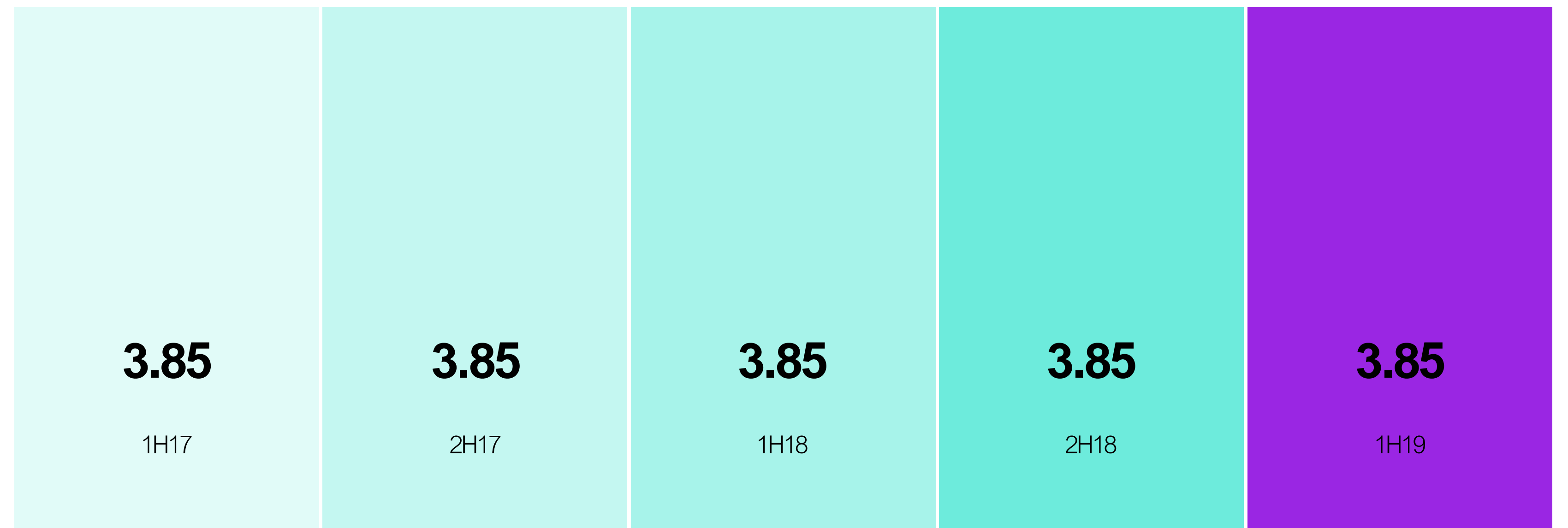
Flexi-Fi volume in Ireland has required capital, as to date, this has been funded on balance sheet. The process to establish a Euro denominated vehicle is advanced which will release capital

In addition, significant capital will be released from a Certegy securitisation to be issued in March 2019



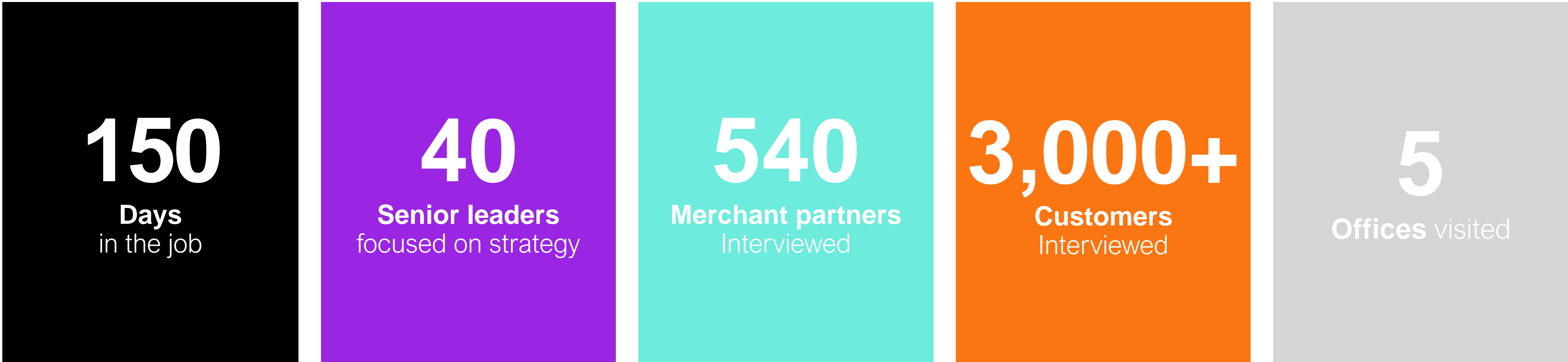
Note: Gearing is recourse (corporate) borrowings as a percentage of equity excluding intangible assets.

# Dividends per share (cents)



Final dividend declared – 3.85 cents in line with 1H FY18, 100% franked

# Strategic Review



FlexiFi Ireland, NZ Cards in Auckland, Certegy Adelaide, state offices in Brisbane and Melbourne

# Point of departure

## Our Heritage.

In 1991 FlexiGroup opened up a complete new world of financing.

Nearly 30 years later –

in the digital age –

with 1.2 million customers and 62,000 merchant partners,

in a world where transactions are borderless and credit decisions are virtually instant,

**imagine the possibilities ...**

Our operations	Our products	Our partnerships
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- Large amount of duplication
- Lack of scalability
- High touch and highly manual service model

- Too much complexity
- Unloved
- Out of date

- Highly concentrated
- Not consumer demand-driven
- Bricks and mortar focussed



# Business assessment

# Complexity

20 products sold under 21 different brand banners with different pricing and credit profiles

## CONSUMER LEASING



**42**

Applications & Supporting Platforms

**130**

Servers & Databases

## COMMERCIAL LEASING



Chattel Mortgage  
Managed Service

**16**

Applications & Supporting Platforms

**50**

Servers & Databases

## CARDS



Once  
**Lombard**

**26**

Applications & Supporting Platforms

**25**

Servers & Databases

## NO INTEREST EVER INSTALMENT PLAN



**oxipay**

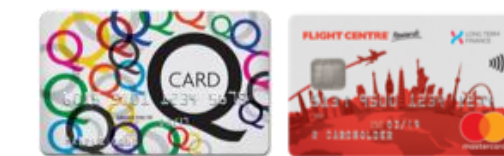
**13**

Applications & Supporting Platforms

**8**

Servers & Databases

## NZ CARDS & COMMERCIAL LEASING



**Farmers finance**



**28**

Applications & Supporting Platforms

**15**

Servers & Databases

## IRELAND LEASING & INSTALMENT PLAN



**FLEXI-FI**  
finance made simple

**11**

Applications & Supporting Platforms

**5**

Servers & Databases



**What.**

The digital spending powerhouse,  
helping people buy everything,  
everywhere, every day





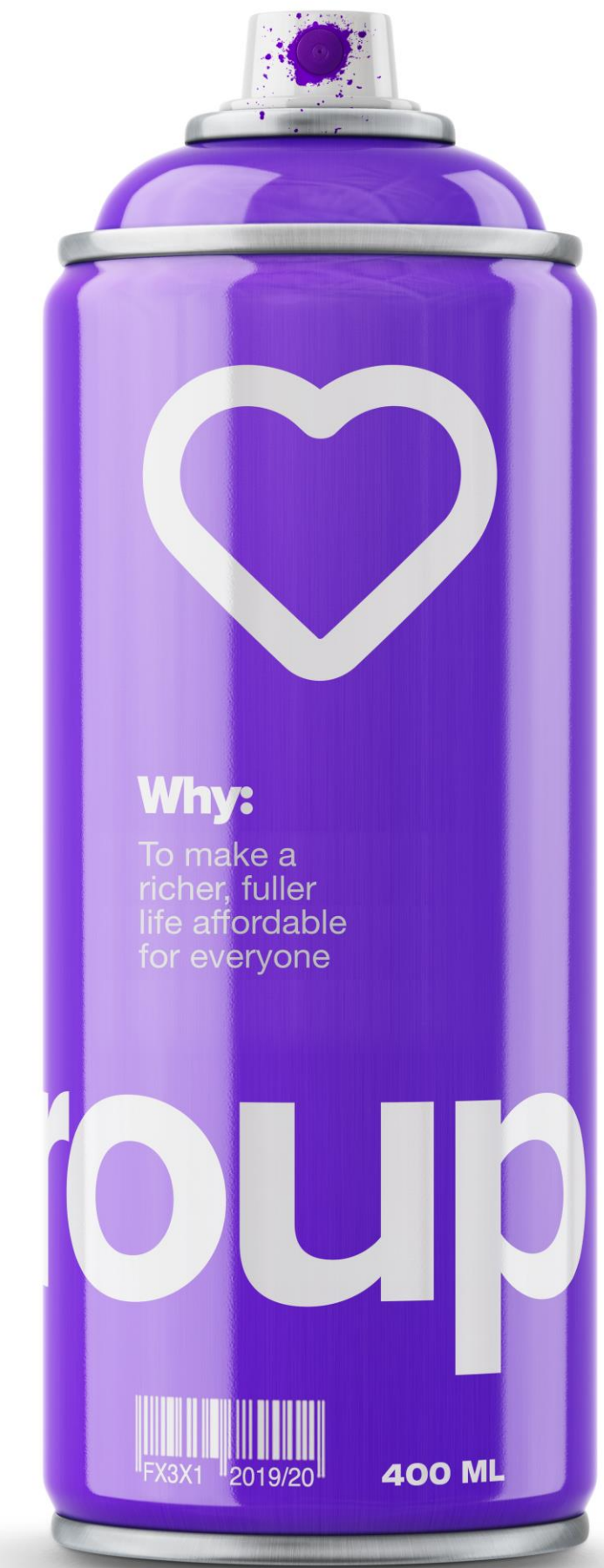
How.

Rewriting the playbook  
for digital spending



Why.

To make a richer, fuller  
life affordable for  
everyone

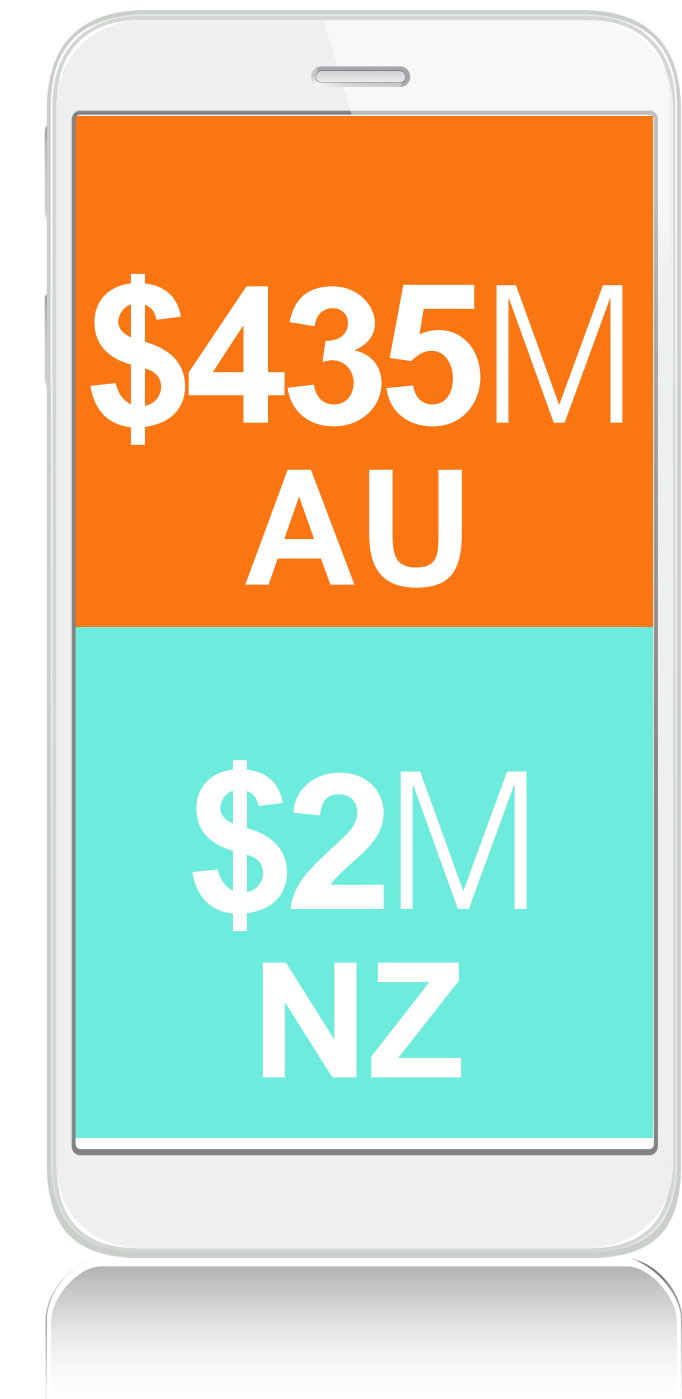
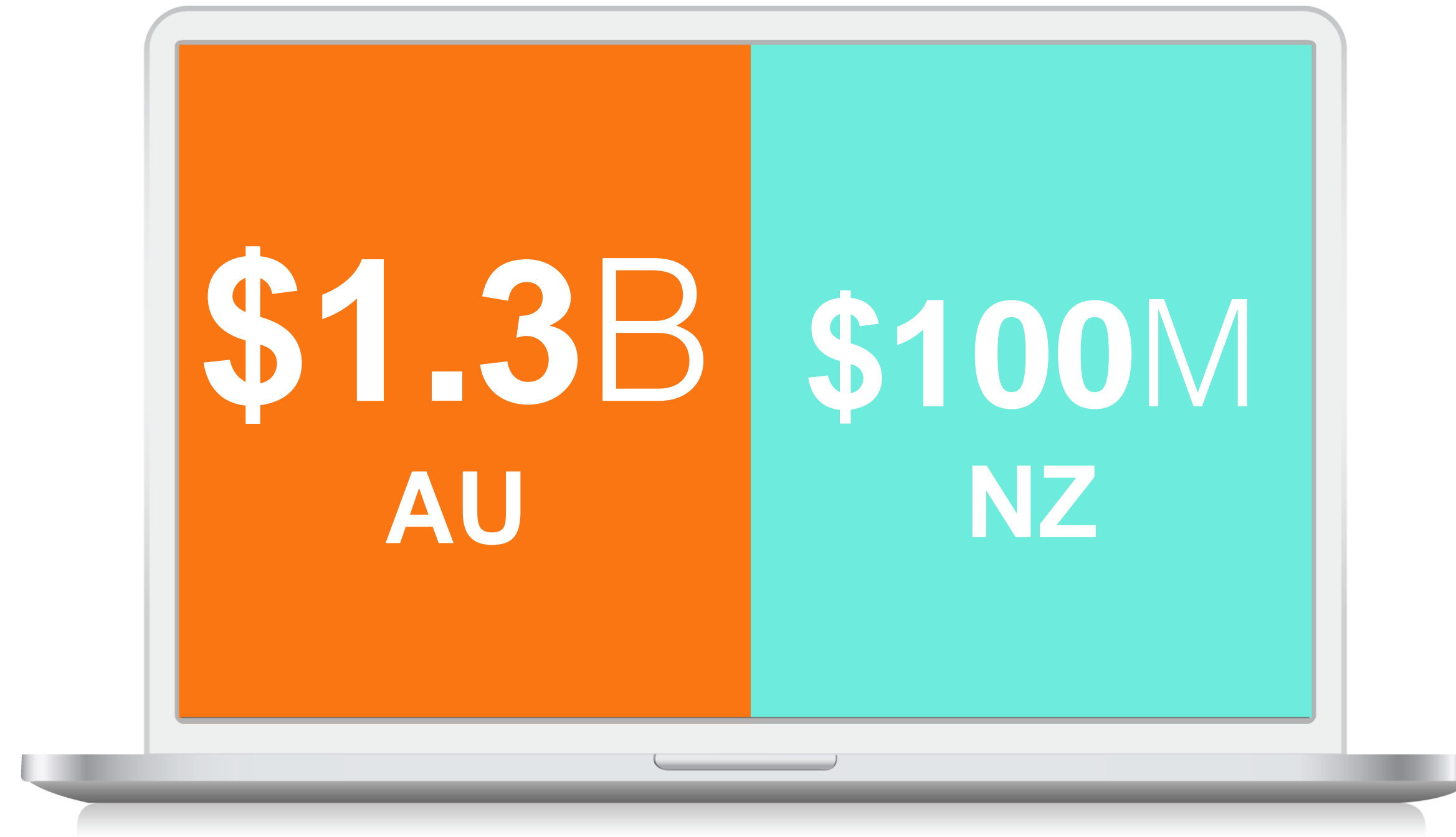


# \$5.8B market profit opportunity in our core product range

## CONSUMER AND SME LEASING

## BNPL

### CREDIT CARDS





# WE CAN WIN MORE OF IT BY BEING CUSTOMER LED

Knowing our customers



# STRATEGIC REVIEW



## The Organised Budgeter

### Profile

30-50 yo  
Often home owners

### Purchases

Up to \$30K  
Often invests in or for the home

### Seeking

Zero interest with opportunity to pay off in instalments



## The Millennial Consumer

### Profile

18-35 yo  
Urban, digital natives

### Purchases

Up to \$1K

### Seeking

Instant gratification  
Zero interest  
Conservative borrowing / less credit card debt



## The Confident Spender

### Profile

28-45 yo  
Financially confident

### Purchases

Various

### Seeking

The freedom and control of a card  
90 days interest free



## The Calculated Maximiser

### Profile

28-55 yo  
Financially established

### Purchases

High tech; high obsolescence

### Seeking

The latest technology  
The ability to trade up  
Having, not owning



## The Business Builder

### Profile

SMEs  
Less than \$2M turnover

### Purchases

Productive assets

### Seeking

Instant decisions  
Cashflow management  
Positive business partnership

# 4 steps to transformation

**1.**

**Simplify**

our offering and get  
fit to fight

**2.**

**Lead**

In Buy Now Pay Later  
(after all,  
we started it ...)

**3.**

**Streamline**

originations with instant  
credit decisions

**4.**

**Expand**

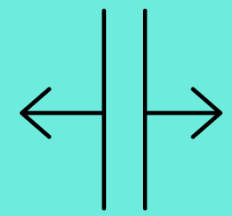
our reach, our target  
market, our audience,  
our relevance

# 1. Simplify

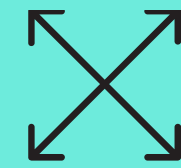
Simplify our offering and get fit to fight



# Questions we've asked ourselves



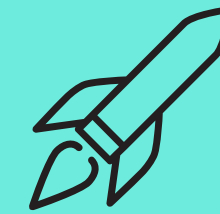
Does it align to our purpose?



Is it scalable?



Does it solve a significant market need?



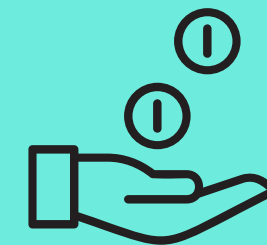
Do we have the ability to do it better than the competition?



Does it leverage our core capabilities?



Is it aligned to our risk appetite?



Will it create shareholder value?



## STRATEGIC REVIEW - KEY INITIATIVES

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### Simplify **Products**

**Stage One:** Simplification of consumer -12 products to 4, TransTasman (review complete)

**Stage Two:** Simplification of the commercial business (underway)

### Simplify **Systems**

move to future state architecture, decommission legacy systems

### Simplify **Service**

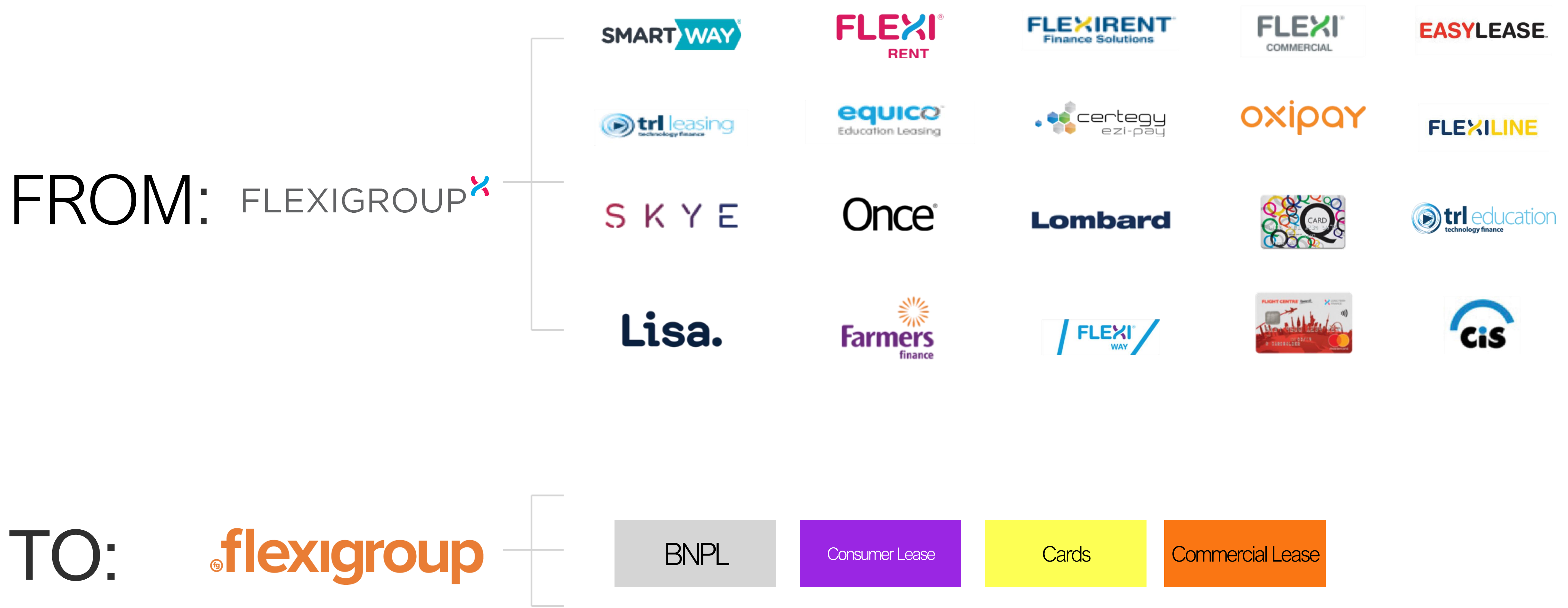
digital first, seamless buyer and seller experience, with an enhanced call centre capability

### Simplify **Operations**

realign shared service functions to better support the Group

**Improving service and reducing cost to serve by ~40% over 3 years**

# STRATEGIC REVIEW



# 2. Lead

Lead in Buy  
Now Pay  
Later

# STRATEGIC REVIEW: PRODUCT CONSOLIDATION

## MILLENNIAL CONSUMER

**oxipay**

Avg age: 18-35  
Avg Transaction: \$274



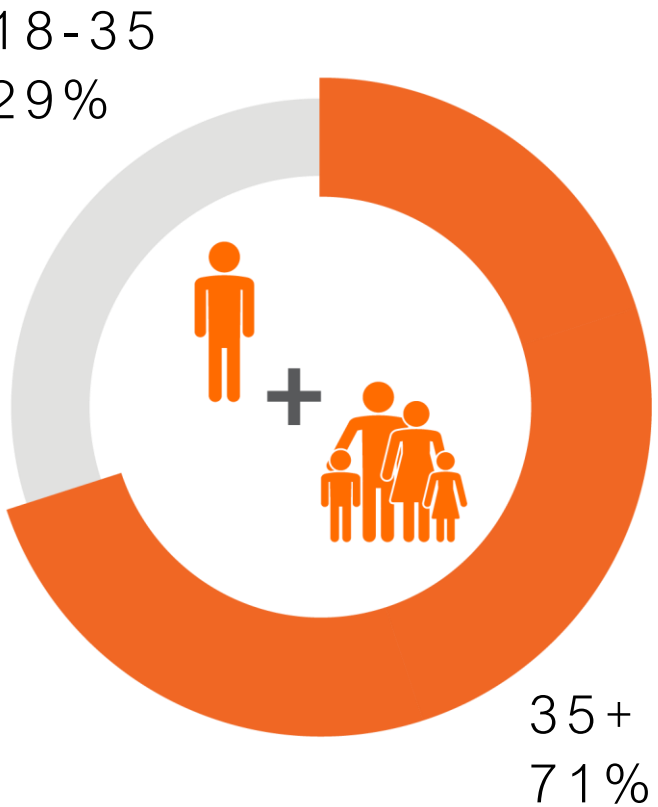
## ORGANISED BUDGETER

**certegy ezi-pay**

Age: 35-45  
Avg Transaction: \$3,629



- Currently serving 17% of the market in volume and 44% in receivables\*.
- Merginig OxiPay and Certegy Ezipay
- The only product that will:
  - Service transactions from \$1 to \$30K
  - Support a diverse retail network
- Provide retailers access to the spending power of 1 million customers in a broader demographic



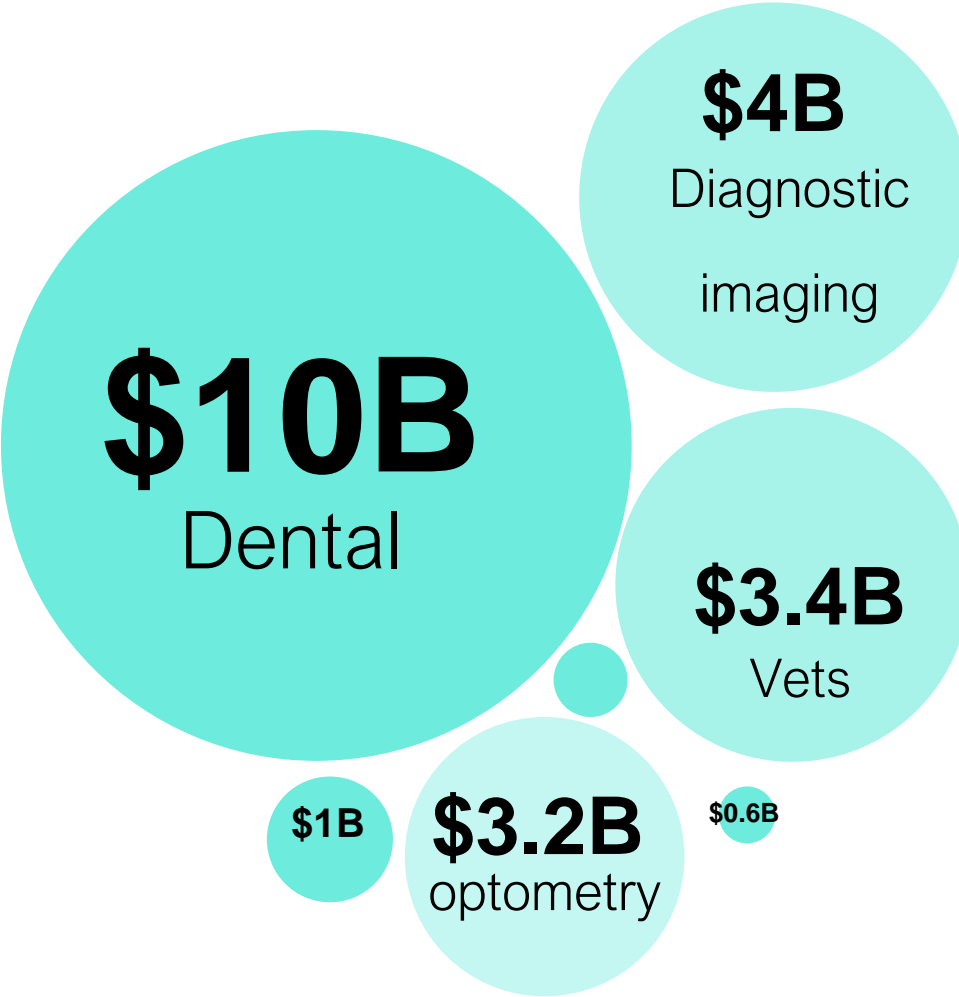
\* Market share based on publicly available information on new business volumes and receivables from Buy Now Pay Later providers in the 12 months to 30 June 2018



# STRATEGIC REVIEW – THE TRANS TASMAN OPPORTUNITY

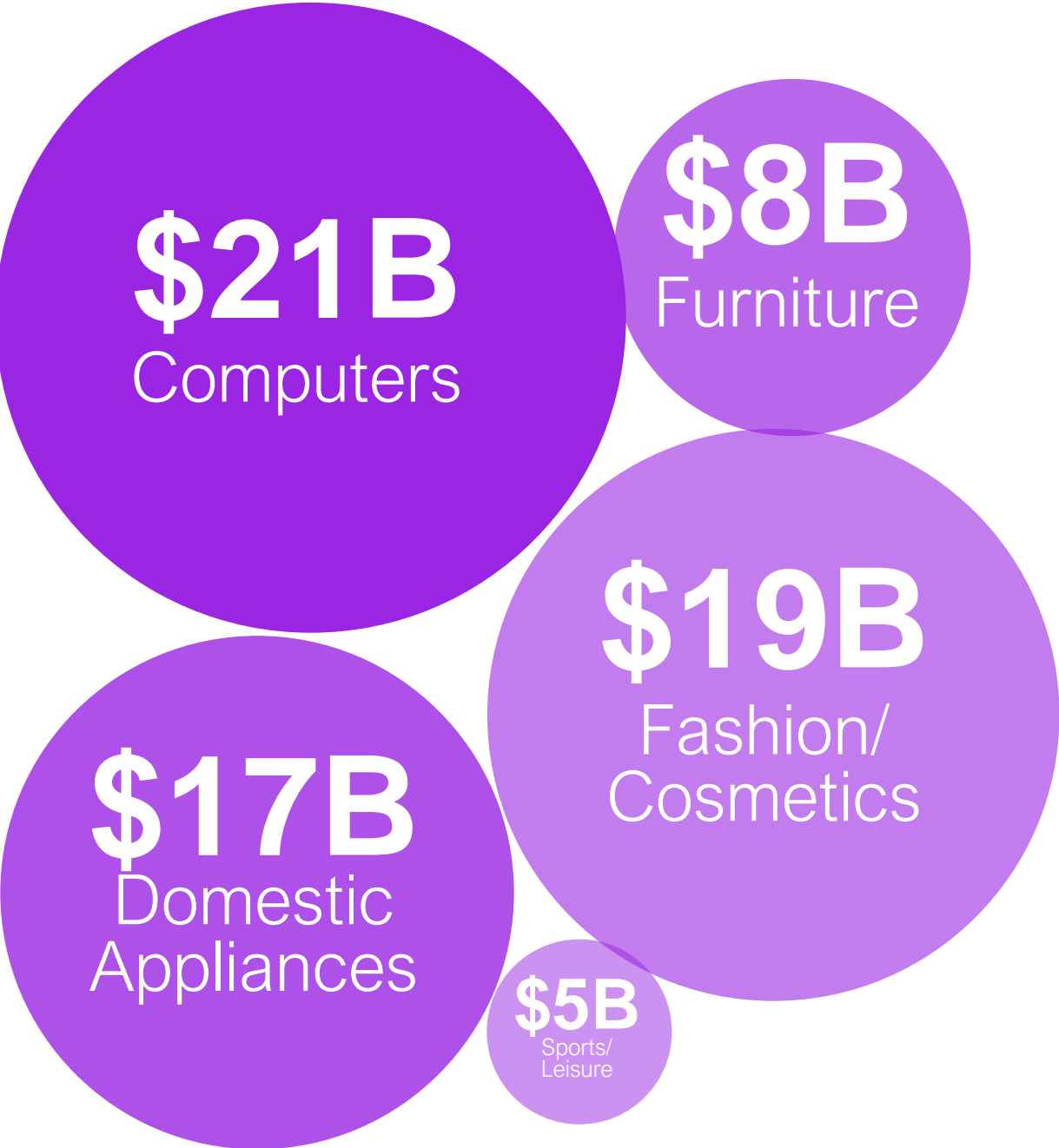
## HEALTH

\$22 B



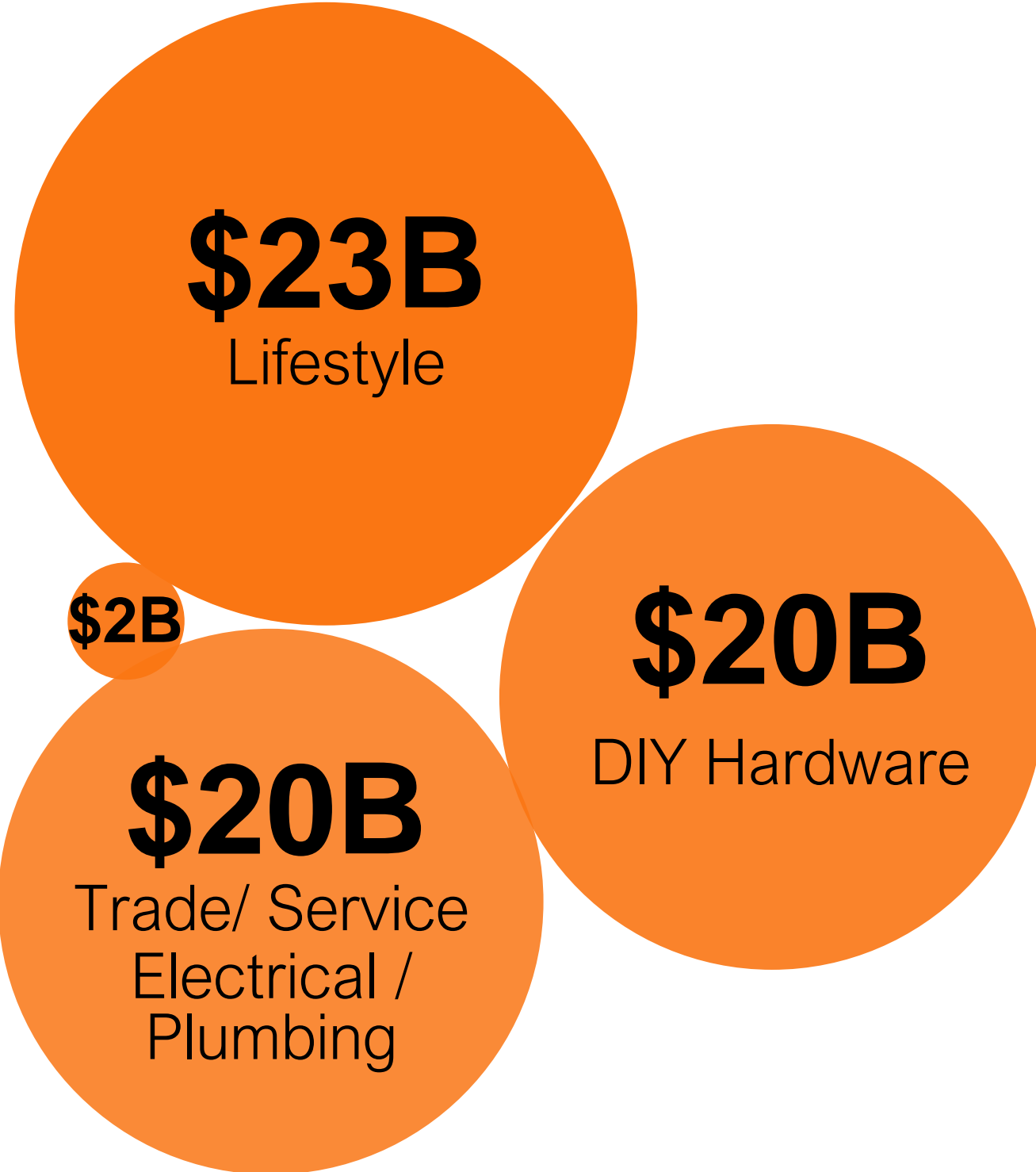
## RETAIL

\$70 B



## HOME IMPROVEMENT

\$65 B



# New product

- Launching in Australia at the end of March, New Zealand at the end of June
- Perfect for the little and BIG purchases in life
- Offering greater flexibility to repay – up to 60 months
- 12,000 seller locations and 1 million customers at launch
- First retail apparel fashion partnership: Premier Retail (leading global operator of brands including Smiggle, Peter Alexander, Portmans, Jacqui-E, Just Jeans, Jay Jays and Dotti)

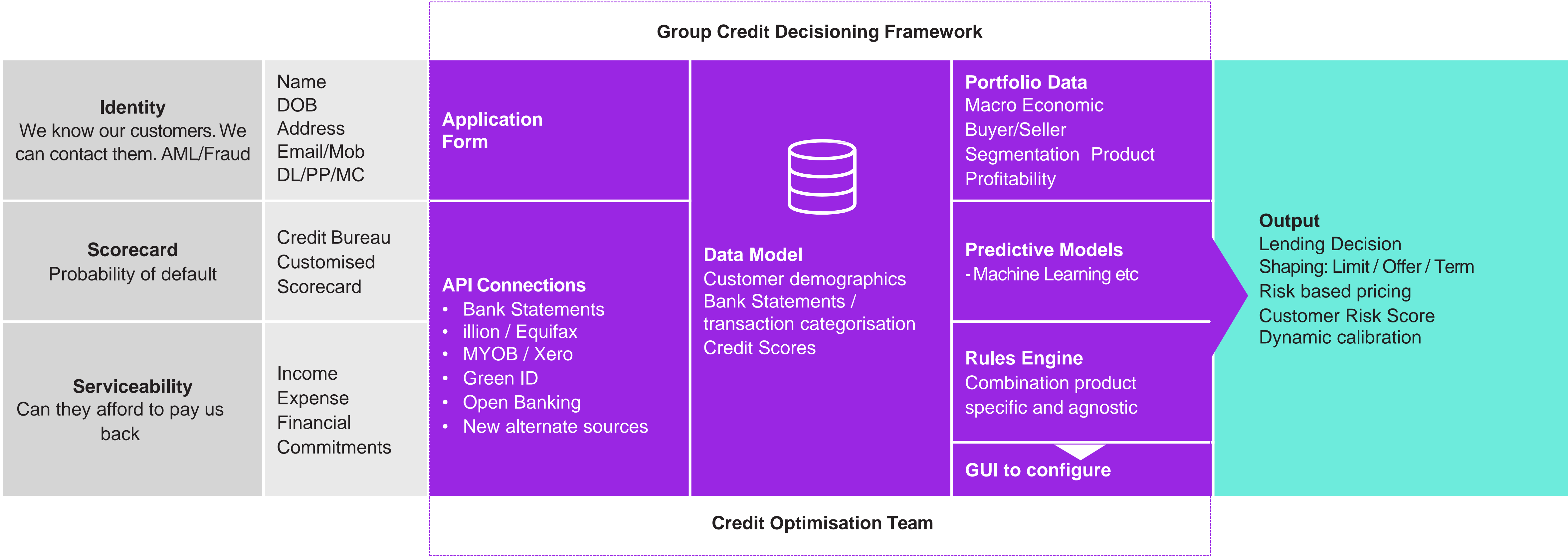


**new sofa.  
winter gear.  
rings and blings.  
new wheels.  
shiny kitchen.  
new barbie.  
whitegoods.  
high heels.  
smooth sneakers.  
home reno.  
pet makeovers.  
summer holidays.  
medical mishaps.  
dental for sarah.  
family fertility.  
swingin' golf clubs.  
fabulous hair.  
relaxing massage.**

# 3. Streamline

Streamline  
originations with  
instant credit  
decisions

# STRATEGIC REVIEW: DIGITAL FIRST DECISIONING ENVIRONMENT



Consolidate different engines into one platform that is product and market agnostic and scaleable for growth



# 4. Expand

Expand our reach,  
our target market,  
our audience,  
our relevance

# The Confident Spender



## Profile

28-45 yo  
Financially confident

## Purchases

Various

## Seeking

The freedom and  
control of a card  
90 days interest free

## EXPAND OUR REACH

Direct to customer acquisition for credit  
cards in Australia

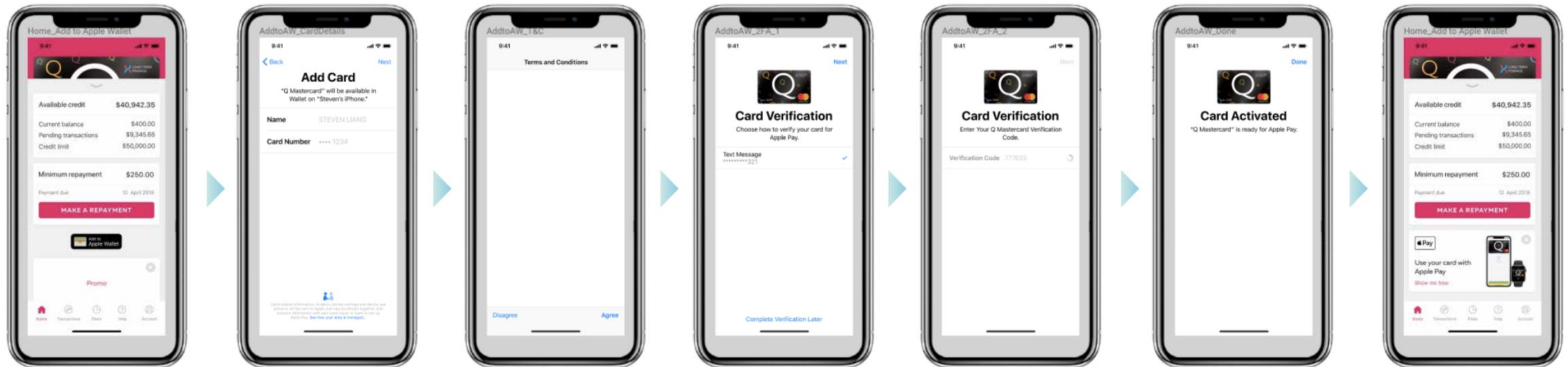
## FRICITIONLESS SIGN UP

Fast to join  
Instant decision  
Instant provision

## 90 DAYS INTEREST FREE

Convert purchases to interest free  
instalment plans  
No international transaction fees

# Instant decision/ instant provision



# Across all of our products we will stick to five principles - **always**:

1.

Simplify our products and brands to reduce effort, creating synergies and allowing us to focus on growth

2.

Deliver customer experiences that create viral demand for our products, solving pain-points others can't solve

3.

Create product platforms that allow us to offer customers the ability to personalise products

4.

Grow the value of customers seamlessly within digital wallets and product platforms, giving us higher profit per customer than our competition

5.

Leverage scale and a lower cost base to ensure we are not beaten on price

# 4 steps to transformation

**1.**

**Simplify**  
our offering and get  
fit to fight

**2.**

**Lead**  
In Buy Now Pay Later  
(after all,  
we started it ...)

**3.**

**Streamline**  
originations with instant  
credit decisions

**4.**

**Expand**  
our reach, our target  
market, our audience,  
our relevance



# Tanarra Capital

- Tanarra Capital has committed to invest \$25.1M in the company to be used for strategic initiatives and general purposes
- Strong endorsement of the strategy and significant transformation program announced today
- Placement of 20,113,947 shares at a value of \$1.25 per share
- 10.5% premium on the Volume Weighted Average Price from and including Wednesday 6 February 2019 until the close on Monday 25 February 2019
- Tanarra Capital to hold 5.1% of FlexiGroup's total shares on issue
- John Wylie to be invited to join the FlexiGroup Board



# Appendices

# Certegy

## Digitisation delivering strong volume growth

Strong volume growth +12%

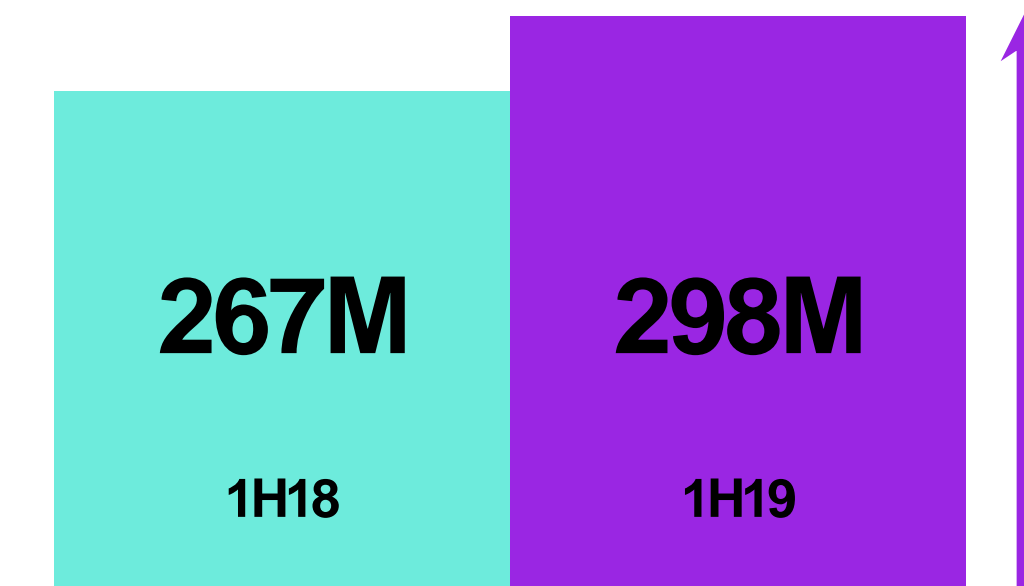
Significant NPAT growth +9%

Volume growth demonstrates the continued success of product digitisation and associated improvements in buyer and seller experience

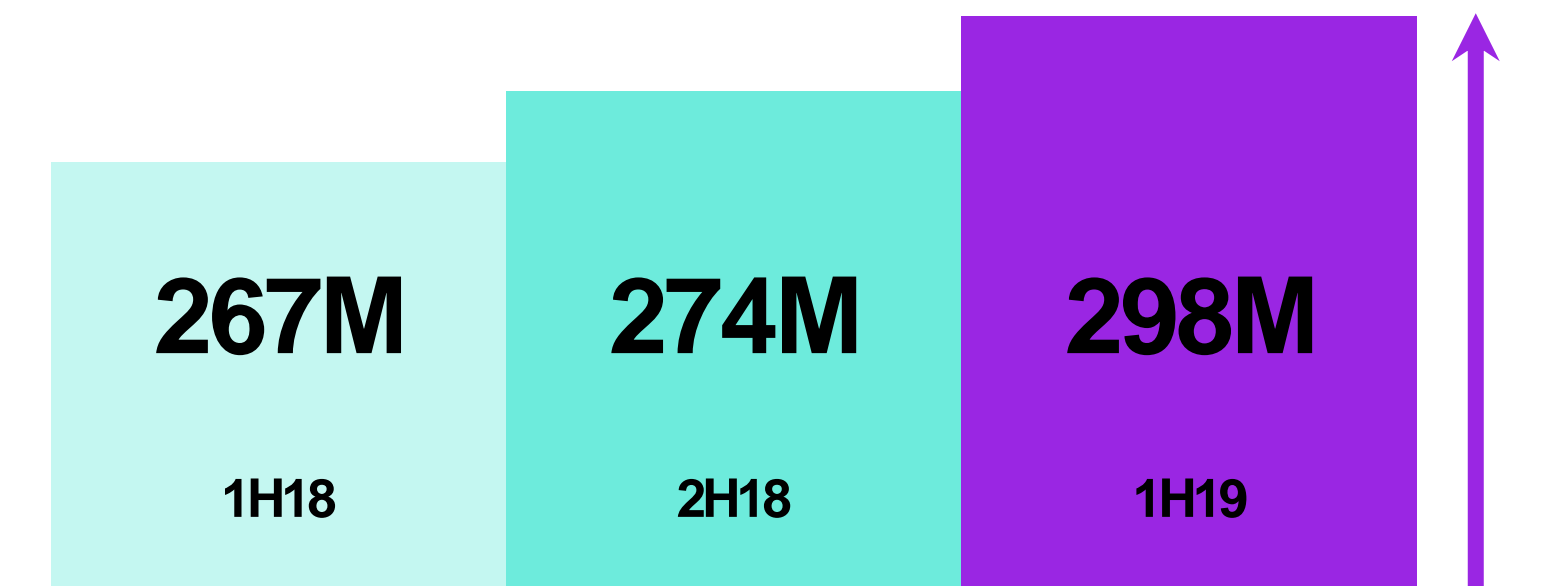
Cash NPAT growth underpinned by strong volumes, effective cost management and disciplined arrears management

Impairment losses have increased at a lower rate than Customer Loans, reflecting strong discipline in the customer collections capability

Volume \$298M, +12%



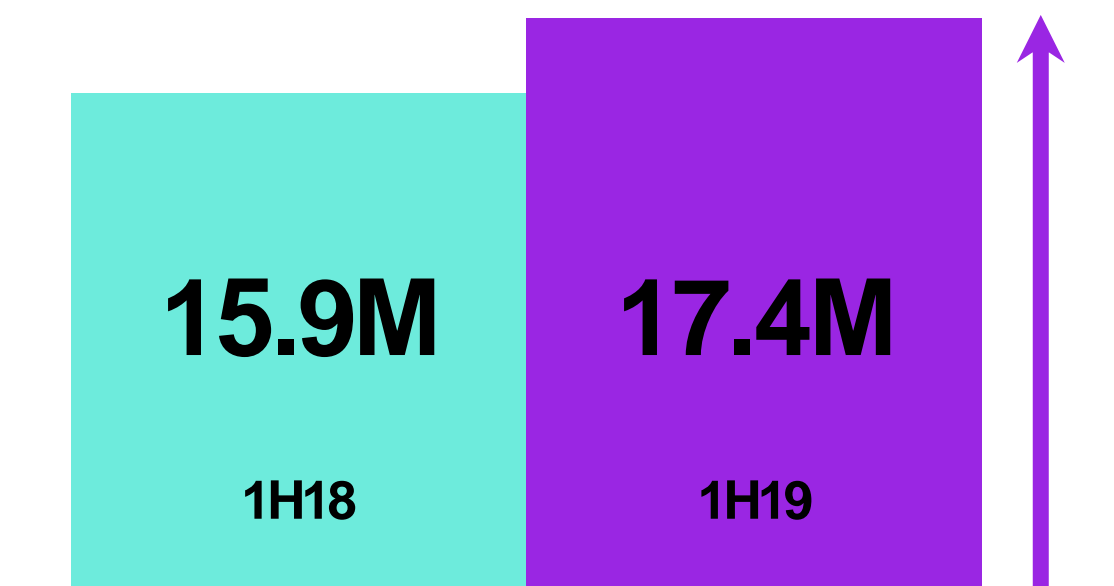
Volume Trend 1H19 v pcp, +12%



Closing Receivables \$514M, +7%



Cash NPAT \$17.4M, +9%



# Australia Cards

**Continuing strong volume growth and launch of innovative new product**

Strong customer growth +14% vs PCP

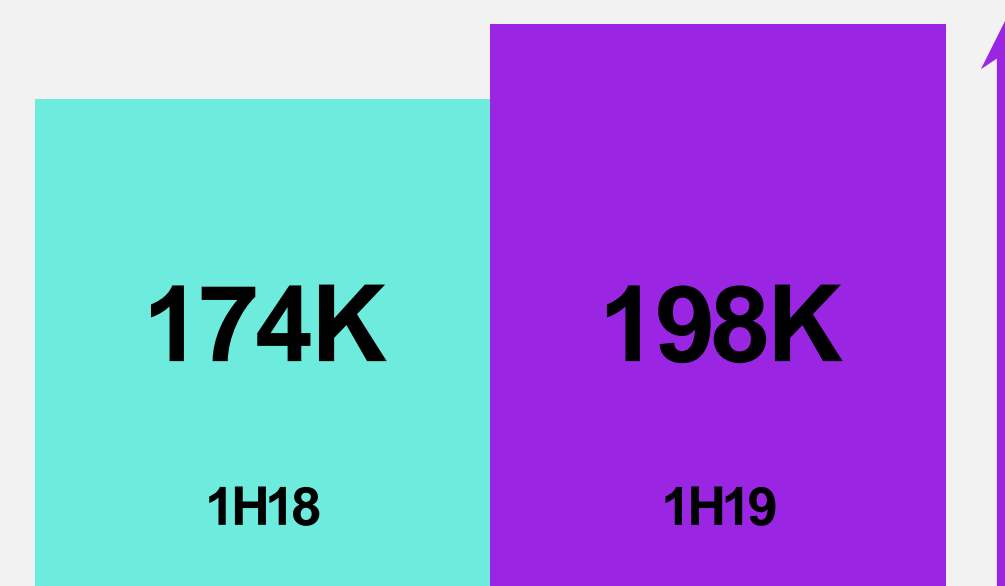
Launch of Skye MasterCard replaces existing Once and Lombard cards, integrating over 3,500 sellers and delivering improved customer value proposition

30% increase in card spend driving higher interest bearing receivables

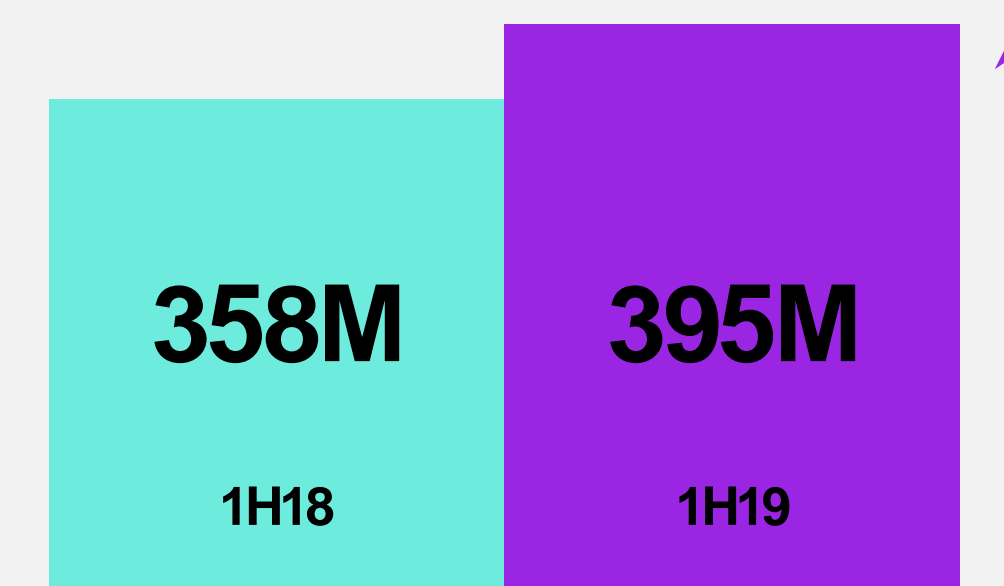
Receivables +18% with increasing interest bearing mix +43%

Cash NPAT impacted by anticipated carried forward impact of collections issues identified during FY18 which had resulted from underinvestment in collections systems and processes. Management continue to focus on the remediation plan to ensure losses revert to normal levels

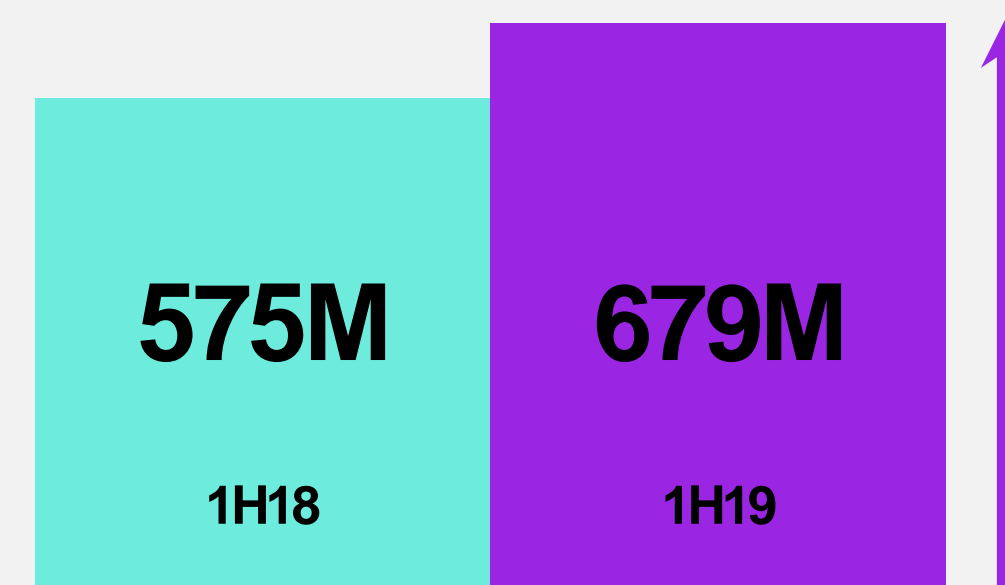
**Active Customers**  
198K, +14%



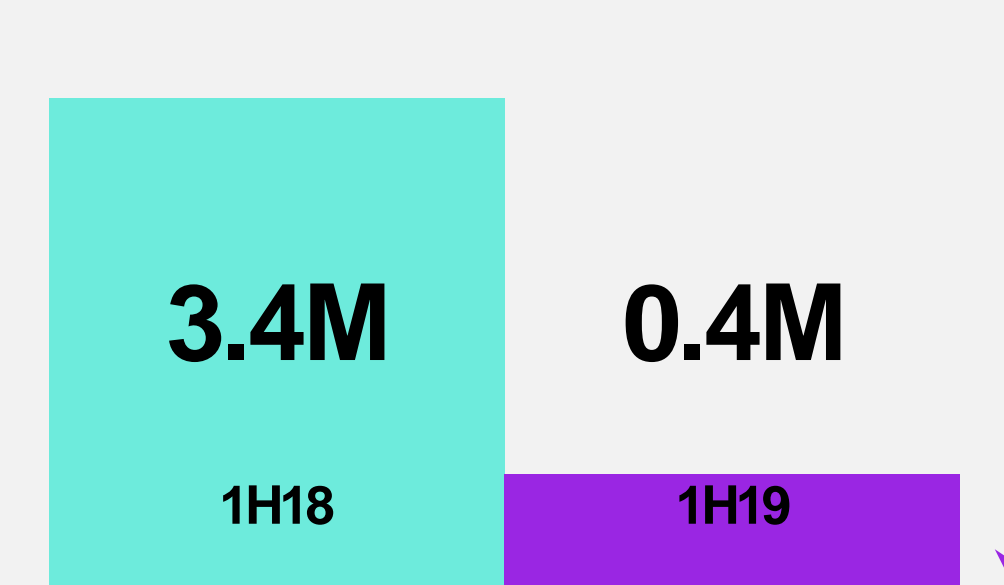
**Volume**  
\$395M, +11%



**Closing Receivables**  
\$679M, +18%



**Cash NPAT**  
\$0.4M, (88%)



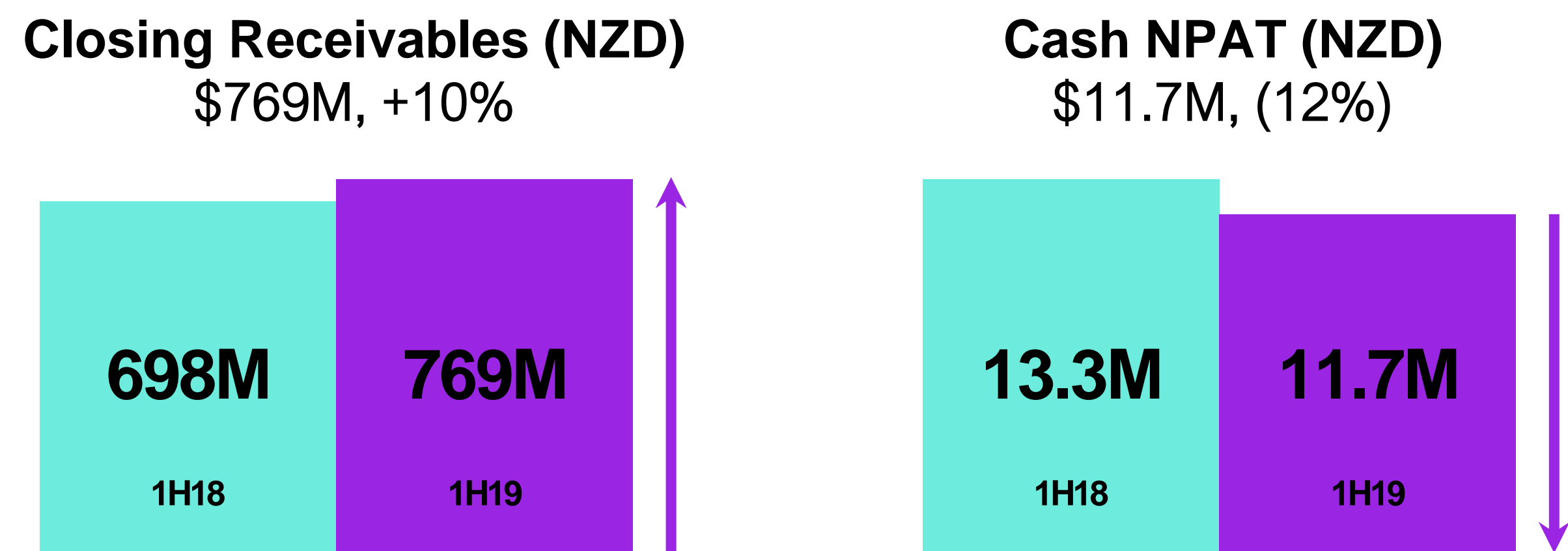
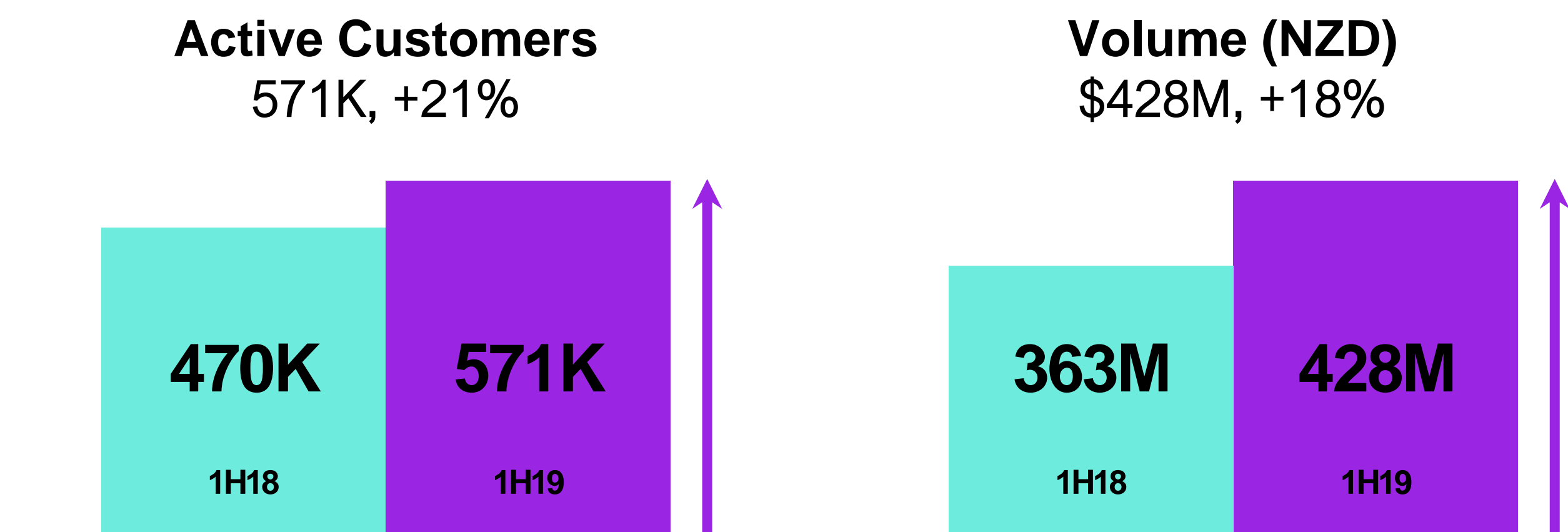
# New Zealand Cards

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

Strong growth continuing with volumes up 18%, (including 34% growth in transactional spend) compared with market growth of less than 5%; receivables 10% higher

Scheme card and oxipay expansion driving customer numbers up 21% on an already large customer base

Cash NPAT 12% lower; while interest income is growing and impairments are improving this has been offset by investment in business growth.



# Consumer Leasing (AU/IE)

**New Lisa product gains traction with retail customers**

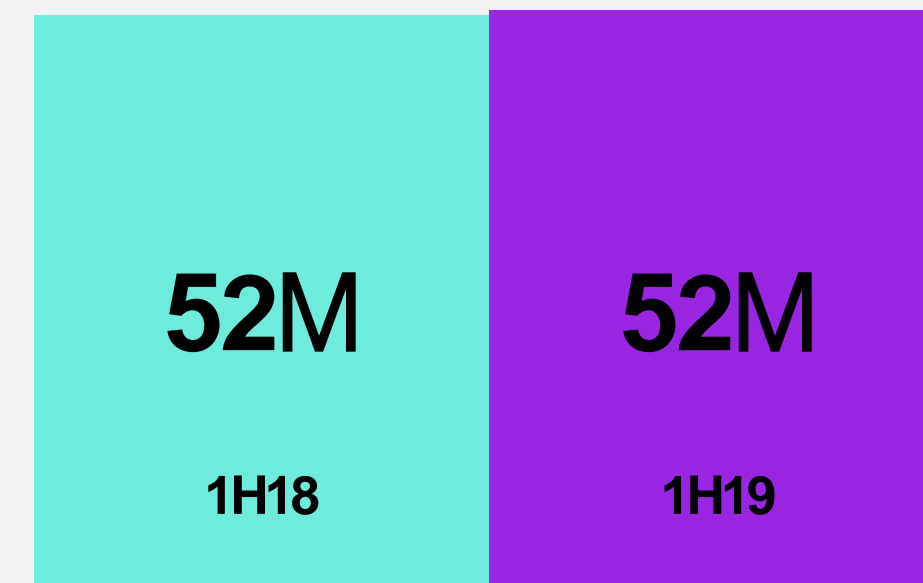
Volume in line with PCP. Strong volume growth from Flexi-Fi within Ireland has been mostly offset by the disruption in Channel with Lisa

Lisa volumes continue to grow, with significantly improved customer NPS v retired Flexirent product. Product is now fully embedded in channel partners

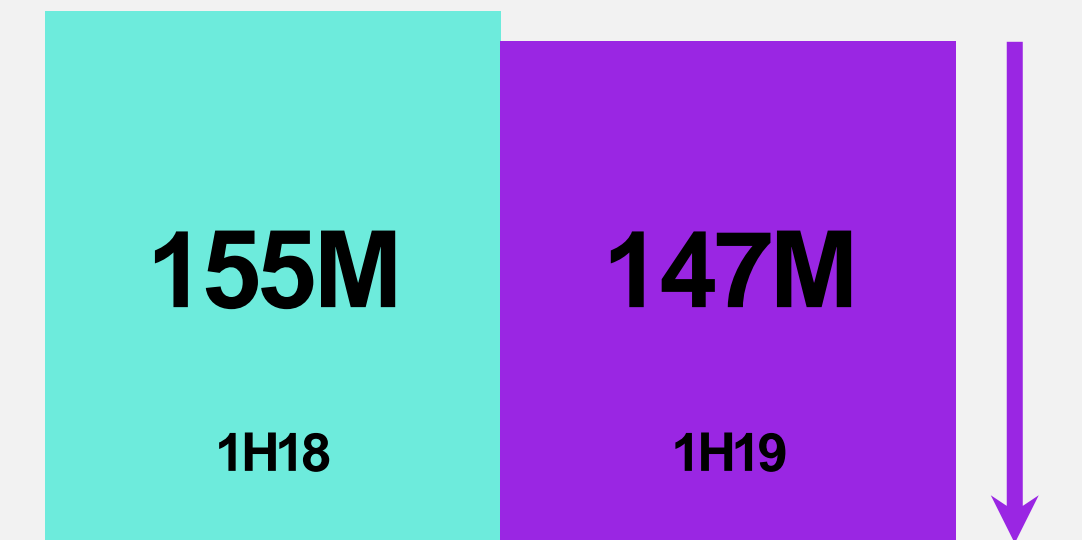
Strong impairment reduction has been realised in both Ireland and Australia. This is a result of both improved origination and collection processes

Investment in LISA and Ireland was largely completed in FY18 which is driving a Cash NPAT improvement in 1H19

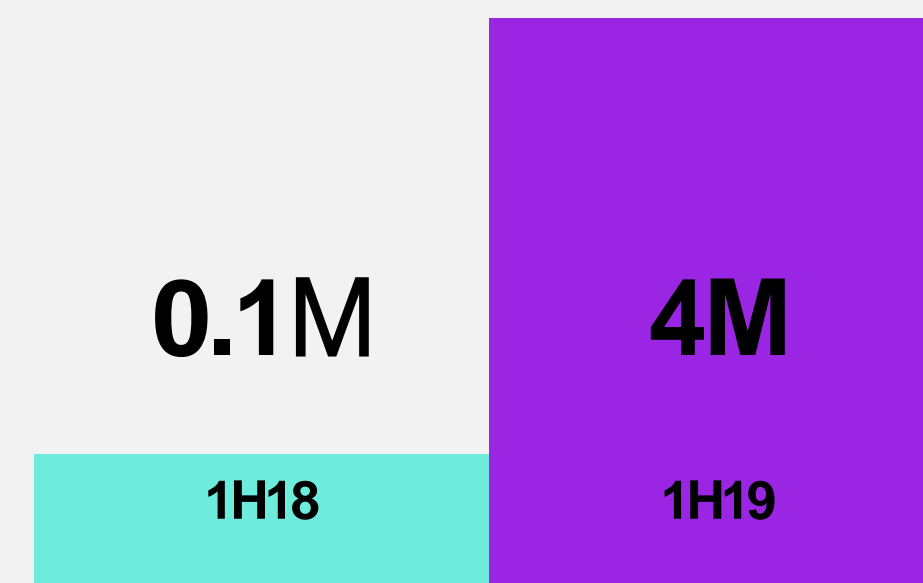
**Volume**  
\$52M, +1%



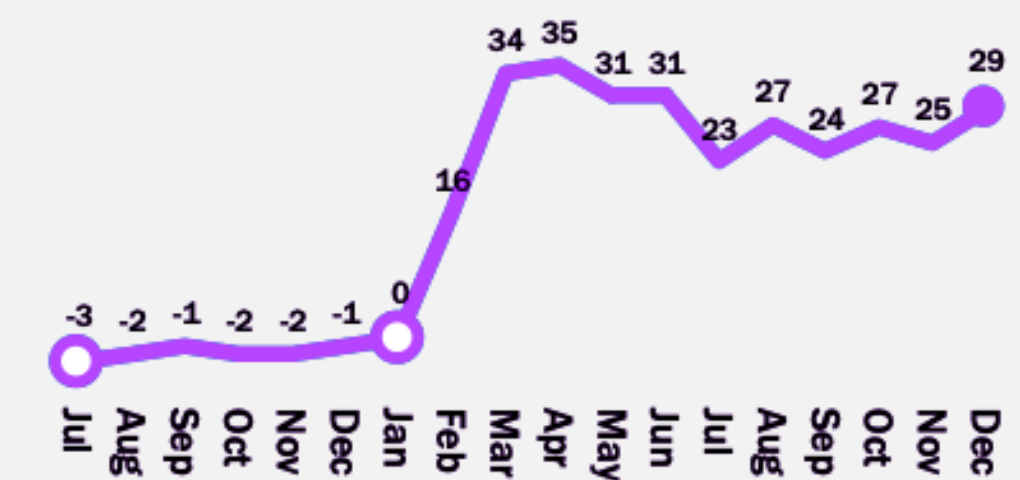
**Closing Receivables**  
\$147M, (5%)



**Cash NPAT**  
\$4.0M, +6142%



**FlexiRent/Lisa NPS**  
+29NPS



# AU Commercial Leasing

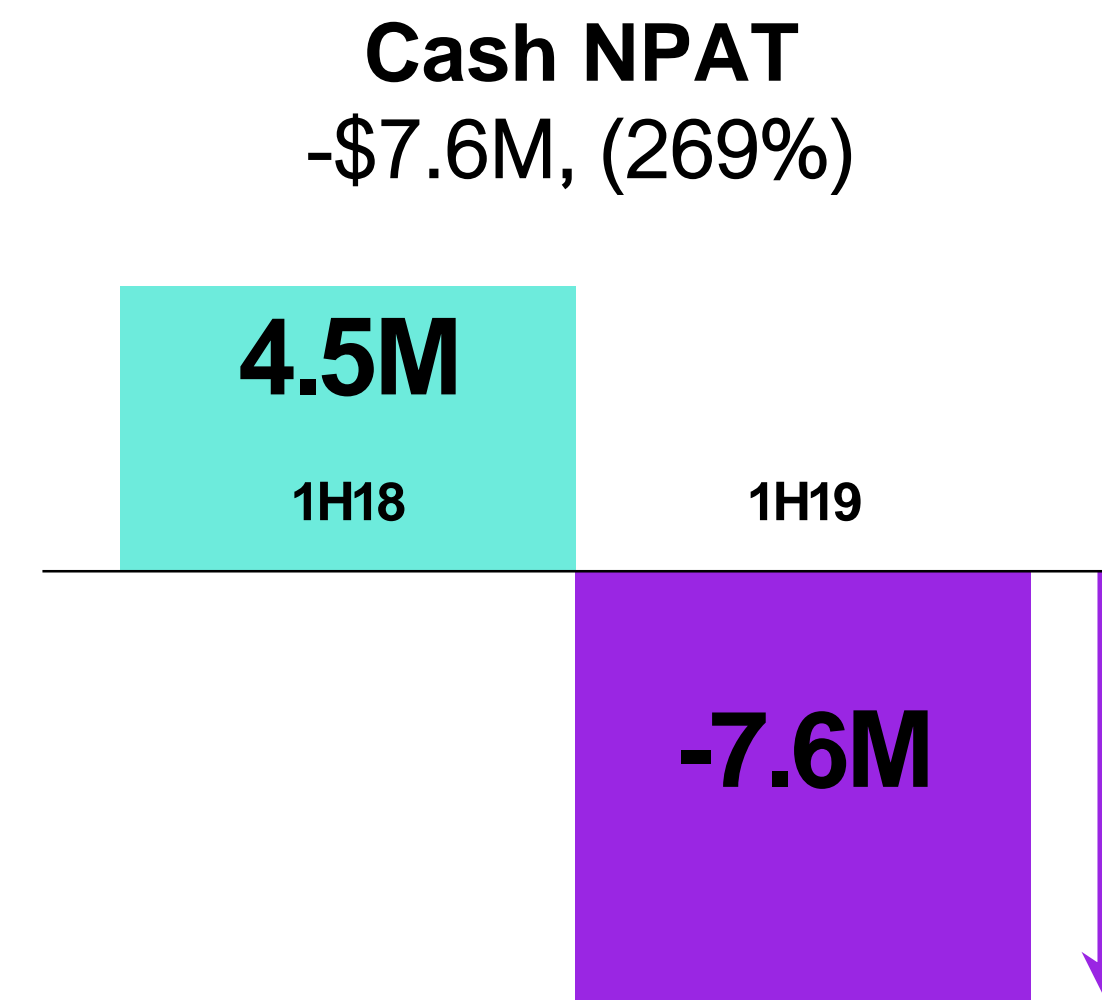
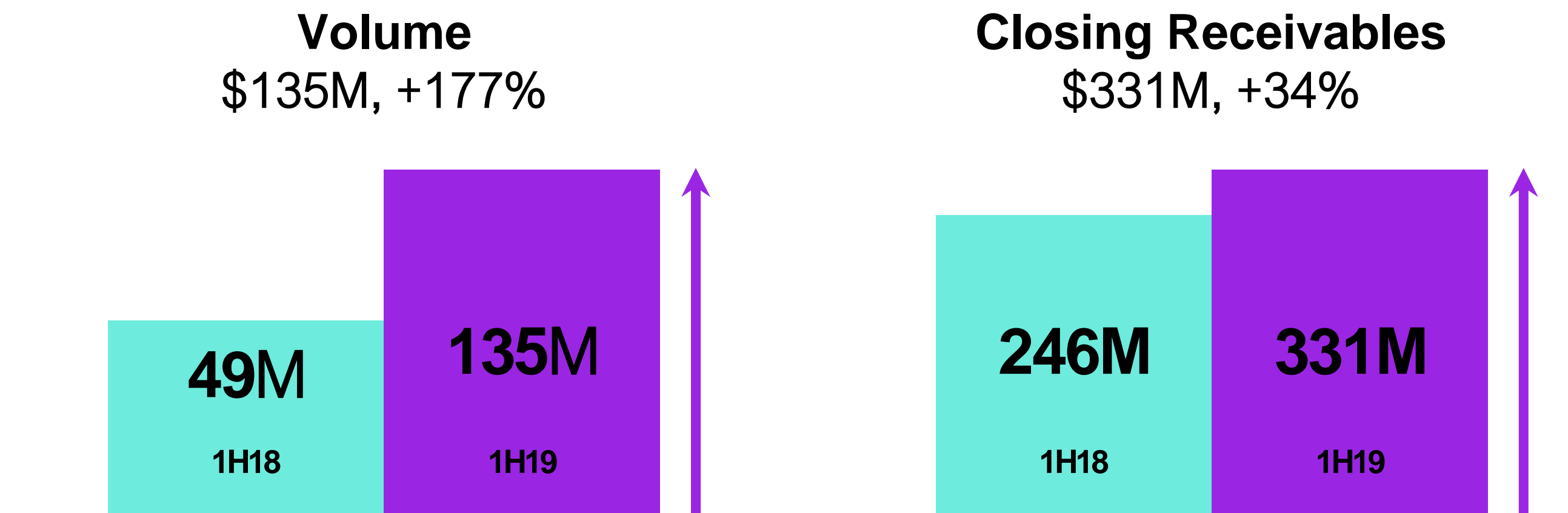
Repositioning the business driving across the board growth

Significant volume momentum built during 1H19 driven by:

- Growth of Managed Services channel
- Repositioning of broker proposition

Cash NPAT decrease resulting from impairment taken on one vendor program, only partially offset by strong secondary income performance and lower opex

Fully digitised sales and settlement offering to be completed by financial year end





# NZ Commercial Leasing

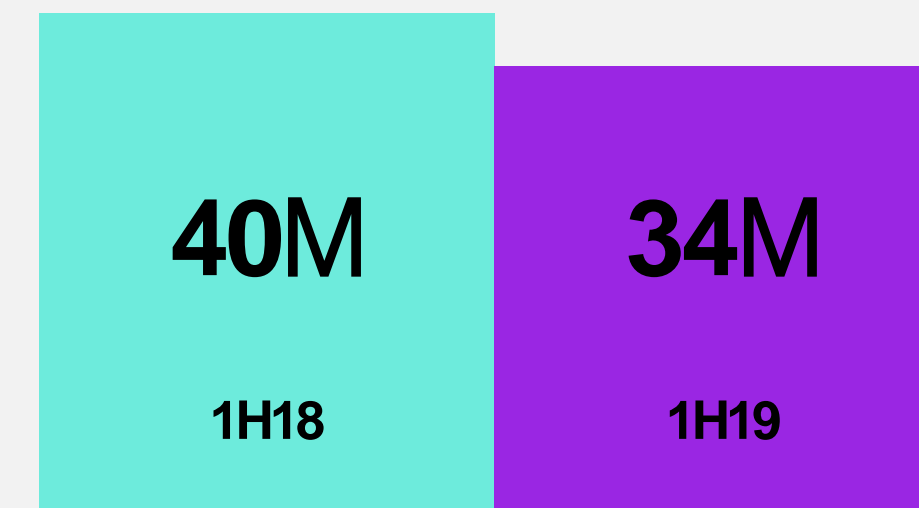
## Refocusing of business to deliver future growth

Future growth driven by launch of first of its kind 'lease hub' in partnership with Ingram Micro, the world's largest IT distributor. The 'lease hub' enables real time quoting to more than 3,000 IT resellers to businesses throughout New Zealand

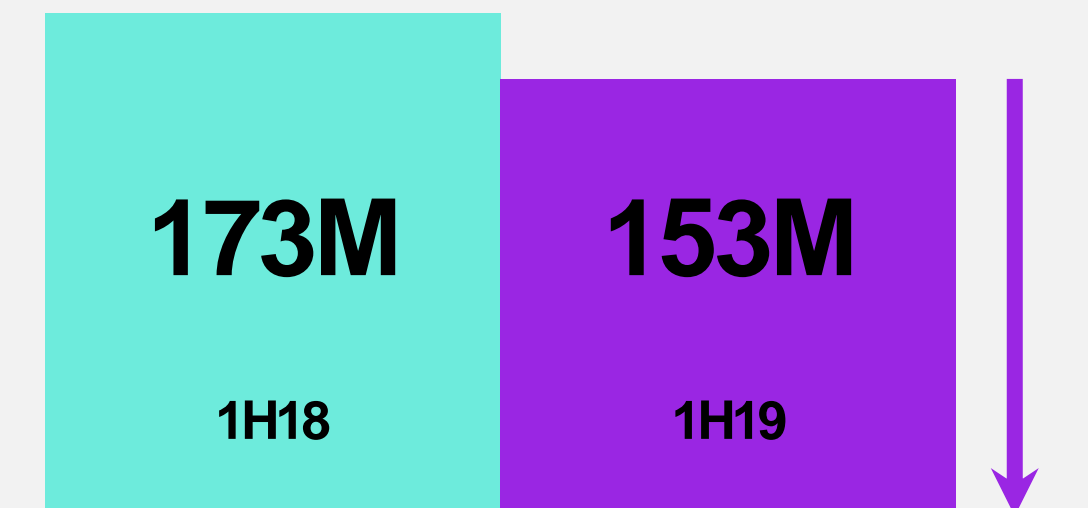
There has been a decline in sales volume with the focus on new partnerships and a new digital platform in 'lease hub'

55% growth in cash NPAT reflecting cost synergy realisation, improved arrears and a benefit from reduced Group head office cost allocation

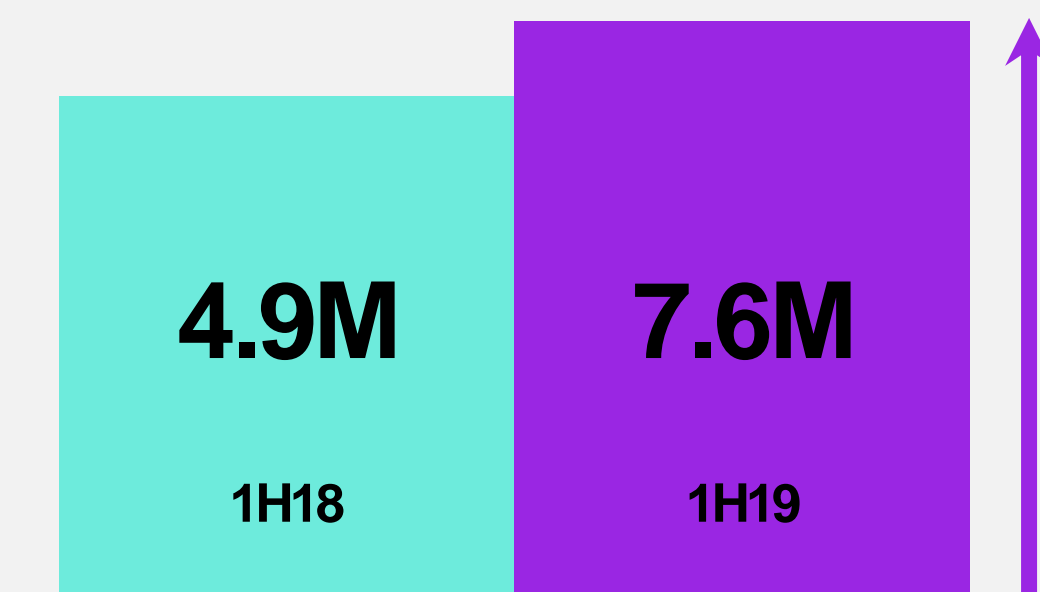
Volume (NZD)  
\$34M, (15%)



Closing Receivables (NZD)  
\$153M, (11%)



Cash NPAT (NZD)  
\$7.6M, +55%



## STATUTORY NPAT TO CASH NPAT RECONCILIATION

FlexiGroup (\$M)	1H FY18	1H FY19	v PCP%
<b>Profit after income tax on statutory basis</b>	<b>(\$48.9)</b>	<b>\$31.3</b>	<b>164%</b>
<b>Non cash items</b>			
Amortisation of acquired intangible assets	\$2.4	\$1.6	(33%)
Impairment of Goodwill & Other Intangibles	\$89.1	\$0.0	n/a
Customer remediation provision	\$0.0	\$0.4	n/a
Sale of Think Office Technology	\$0.0	(\$2.3)	n/a
Other	(\$1.7)	\$0.9	153%
<b>Group Cash NPAT</b>	<b>\$40.9</b>	<b>\$31.9</b>	<b>(22%)</b>

1H FY18 included the impairment of goodwill and other intangible assets driven by the retirement of the Flexirent Consumer Lease product

During 1H FY19 Think Office Technology was partially sold and a gain of \$2.3M (post tax) was recognised

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Thank You