



26 August 2020

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flexigroup announces 2020 full year results, strategy update and equity raising

FY20 RESULTS HIGHLIGHTS

- FY20 Statutory Net Profit After Tax (**NPAT**) of \$21.4m and Cash NPAT¹ of \$29.2m, reflecting COVID-19 macro overlay provision
- 2.3 million active customers, up 30% on prior year
- 73,000 retail and commercial partners, up 13% on prior year
- \$2.5 billion in transaction volume, up 17%² on prior year
- Cost to income ratio of 49% (FY19: 48%)

STRATEGY UPDATE AND EQUITY RAISING

- Continuing to deliver on our key strategic pillars with significant rationalisation of products while achieving double digit volume growth and strong customer engagement
- **flexigroup** products will unify under our most recognised and loved brand, **hummm**, to create a seamless checkout ecosystem to harness the natural synergies across our consumer and SME offerings
- Announcing an equity raising via a 1 for 3.20 entitlement offer with total offer size of ~\$140 million and total estimated underwritten amount of ~\$115 million to provide balance sheet flexibility and support the sustainable and profitable growth outlook
- Announcing a strategic review of **flexigroup**'s high performing Commercial and Leasing business

FY20 RESULTS

FlexiGroup Limited (ASX: FXL) ("**flexigroup**" or the "**Company**") today reports our results for the financial year ended 30 June 2020 ("**FY20**").

Commenting on the results, Rebecca James, Chief Executive Officer of **flexigroup**, said:

*"FY20 has seen **flexigroup** make significant progress against its strategy, with the Company now primed for sustainable and profitable growth. With the simplification of the business nearly complete, and a common credit decision platform in place across our core consumer product suite, we are*

¹ Cash NPAT reflects the reported net profit after tax adjusted for material infrequent items and the amortisation of acquired intangibles.

² Excluding Consumer Leasing, Once and Lombard which have ceased.

ready to put our firepower into larger ticket buy now pay later, and expand our offering with **hum90** and **bundll (powered by humm)**. We are now more nimble with a clear focus on the products that will continue to drive our growth.

*“COVID-19 has only accelerated our progress, as buy now pay later has become ubiquitous, e-commerce embraced, and our restructuring fast-tracked. The actions taken over the course of the year have put **flexigroup** in the strongest possible position to capitalise on a A\$450 billion retail opportunity across Australia, New Zealand and Ireland.”*

This growth in customers and retailers is supported by FY20 transaction volume which increased 17%³ on the last financial year to \$2.5 billion, with total receivables of \$2.5 billion as at 30 June 2020.

FY20 Cash NPAT before the COVID-19 macro overlay provision was \$60.1m. This resulted in an FY20 Cash NPAT, after the \$30.9m (post tax) COVID-19 macro overlay provision, of \$29.2m.

Operational highlights include:

- Volume growth in buy now pay later (“**BNPL**”) of 18% in FY20, reflecting merchant onboarding and penetration of key verticals in Australia and strong growth in New Zealand and Ireland.
 - FY20 online volume in Australia increased by 172%, having accelerated to 262% in 2H20.
- AU Cards continuing products volume increasing 45% on FY19.
- NZ Cards volumes trending ahead of market despite the impact of COVID-19 in the last quarter of FY20.
- Commercial and Leasing volume growth of 15%, excluding the discontinued consumer leasing business.

STRATEGIC UPDATE AND UNIFICATION OF THE HUMM ECOSYSTEM

Since announcing our strategy in 2019, **flexigroup** has delivered significant progress on our key strategic pillars resulting in:

- Double digit volume growth across a simpler line of products in BNPL, Cards and Commercial.
- Cost savings in excess of \$10m, on an annualised basis, resulting from reduced labour costs, process optimisation, and renegotiation of supplier arrangements.
- 172% online growth year-on-year in BNPL via a seamless digital experience to our customers.
- 37% consumer growth in FY20 (570,000 new retail customers) and 5,000 new retailers.
- 9x p.a customer usage and growing, with significant engagement and 600,000 app downloads.
- Doubling of customers in Ireland to 40,000, up 136% on FY19, combined with strong double-digit growth in volumes (+57%) and retail partners (+63%) over the same period. With many of these retail partners in Ireland also operating in the UK, this provides us strong optionality for further expansion.
- Launched bundll, our ‘buy anywhere, pay later’ product in February 2020 with significant adoption already underway.

Today marks a further simplification of the business around a unifying value proposition of interest free instalment payments for consumers and SMEs. One year since launching, the **hum** brand is a leader in transactions over \$1,000 with strong and profitable customer growth. The customer and retailer engagement around **hum** is delivering a loud and clear message. As a result, **flexigroup** and our flagship products will be rebranded and brought under our most recognised and loved brand, **hum**.

Commenting on the unified **hum** ecosystem, Rebecca James said:

³ Excluding Consumer Leasing, Once and Lombard which have ceased.

*“On the back of our significant achievements to date, we see a clear rationale to unify and rebrand our business around **hum** as the final step of our simplification journey. The single **hum** ecosystem will create a seamless checkout experience under one brand for our customers and retailers, with significant cross promotional opportunities, and lower customer acquisition costs through a boost in brand awareness. It will also simplify our story to our customers and retailers, and clarify our significant market position as a leading BNPL player and provider of long term interest free solutions.”*

The unified **hum** ecosystem is powered by a common credit and insights engine, enabling **flexigroup** to continually enhance and adapt our platform and offer a seamless check-out solution for merchants across our simplified suite of products.

hum becomes a single platform serving everybody from Gen Z and millennial spenders through to young families and SMEs, financing everything from life’s little luxuries through to significant purchases.

The rebranding of **flexigroup** to **hum** will be subject to a shareholder vote which will take place at the FY20 Annual General Meeting. **flexigroup** has reserved the ASX ticker ‘HUM’.

As part of the rebrand and further simplification of the business, **flexigroup** is today also announcing a strategic review of our high performing Commercial and Leasing business to assess opportunities to help this business realise its full potential.

RESPONSE TO COVID-19

flexigroup benefits from a diverse business model with a product suite that spans BNPL, revolving credit and SME finance, which is a significant strength in a challenging economic environment. The Company has taken a proactive approach to assisting our customers, including an outbound contact program for those who had requested hardship assistance, to discuss their financial position and offer support.

This program, combined with preemptive adjustments to credit decisioning undertaken in March 2020, has seen:

- Over 50% of customers who entered financial hardship as a result of COVID-19 resume normal payment arrangements.
- The number of customers seeking hardship relief return to pre COVID-19 levels
- July 2020 30+ day arrears across all portfolios now broadly in line versus the same period last year, with AU cards improving by 120 basis points.
- July 2020 BNPL 90+ day arrears of 0.53%, representing a 10 basis point improvement versus the same period last year.

flexigroup has prudently set aside a COVID-19 macro overlay provision of \$30.9m (post tax). This forward looking provision relates to the projected impact of economic conditions due to COVID-19.

EQUITY RAISE

flexigroup is today announcing a pro rata accelerated non-renounceable entitlement offer (**Entitlement Offer**) to create additional balance sheet flexibility to take advantage of the opportunities presented by the unification of **flexigroup's** strong customer propositions under the **hum** brand.

Commenting on the equity raise, Rebecca James further said:

“With the hard work now done in simplifying and streamlining our business, the equity raise will allow us to invest and grow our strongest brand from a position of strength. With our business focussed on one brand and one ambition, we are confident that now is the time to ramp up our go to market

strategy as *hum*. It also provides us with additional balance sheet flexibility and allows us to take advantage of opportunities that arise from the further simplification of our business.”

The Entitlement Offer will take the form of a 1 for 3.20 pro rata accelerated non-renounceable entitlement offer of new ordinary shares in flexigroup (“New Shares”) comprising a fully underwritten institutional component (“**Institutional Entitlement Offer**”) and a 50% underwritten retail component (“**Retail Entitlement Offer**”). The total offer size is ~\$140 million with an estimated underwritten amount of ~\$115 million.

The offer price payable for New Shares under the Entitlement Offer is the same for eligible shareholders participating in either the Institutional Entitlement Offer and the Retail Entitlement Offer.

The offer structure and amount sought to be raised under the Entitlement Offer is designed to (i) enable the two largest strategic shareholders to participate in the Entitlement Offer, and (ii) provide funding certainty for the estimated capital requirement to support flexigroup’s growth outlook, whilst minimising potential shareholder dilution.

Under the Institutional Entitlement Offer, Andrew Abercrombie (Chairman and Founder) will subscribe for \$7.5m worth of New Shares (equal to ~23% of his total pro-rata entitlement). John Wylie (NED) & associated entities will subscribe for 100% of their pro-rata entitlement under the Entitlement Offer.

The Company’s pro forma net debt position will be nil post the equity raise, creating significant financial flexibility to pursue sustainable and profitable growth across the core business lines.

CAPITAL MANAGEMENT

As at 30 June 2020, **flexigroup** had committed wholesale funding facility headroom of \$648m, and \$145m of undrawn corporate debt facilities and unrestricted cash representing net gearing of 29%⁴. **flexigroup** remains well supported by key banking partners, with five wholesale funding facilities extended since 1 January 2020 and all corporate debt facilities extended to at least December 2021. On a pro forma basis, post the equity raise, the Company will have nil corporate debt gearing.

flexigroup also received delegate approval from the Australian Office of Financial Management through the Structured Finance Support Fund of up to \$114m of investment into **flexigroup**’s Australian wholesale funding facilities.

DIVIDENDS

The Board has decided not to pay a final FY20 dividend given current economic circumstances and the equity raising. The deferred 1H20 dividend will be paid in October 2020. Decisions on future dividends will be made after assessing macroeconomic factors and capital management requirements for sustainable and profitable growth. The Company will provide a further update on dividends at the 1H21 results announcement.

ENTITLEMENT OFFER OVERVIEW AND TIMETABLE

The Entitlement Offer will take the form of a pro rata accelerated non-renounceable entitlement offer where eligible shareholders will be entitled to acquire one New Share for every 3.20 ordinary shares (“**Shares**”) they hold as at 7.00pm (Sydney, Australia time) on Friday, 28 July 2020 (“**Record Date**”), at a price of \$1.14 per New Share (“**Offer Price**”). Fractional entitlements will be rounded up to the nearest whole Share. The Offer Price payable for New Shares under the Entitlement Offer is the same whether shareholders are participating in the Institutional Entitlement Offer or the Retail Entitlement Offer.

⁴ Gearing is recourse (corporate) borrowings as a percentage of equity excluding intangible assets.

The Institutional Entitlement Offer will be fully underwritten and the Retail Entitlement Offer will be partially underwritten (as to 50% of the New Shares to be issued under the Retail Entitlement Offer) by Citigroup Global Markets Australia Pty Limited ("**Citi**" or "**Lead Manager**").

The Offer Price of \$1.14 per New Share represents:

- a discount of approximately 12.6% to the last closing price of **flexigroup** Shares as traded on ASX before announcement of the Entitlement Offer (being \$1.305 on Tuesday, 25 August 2020); and
- a discount of approximately 10.0% to the theoretical ex-rights price ("**TERP**") of \$1.266⁵

Entitlements cannot be traded on the ASX or transferred. Eligible shareholders of **flexigroup** who do not take up their entitlements under the Entitlement Offer in full or in part, will not receive any value in respect to those Entitlements not taken up.

flexigroup's Shares will remain in a trading halt pending completion of the Institutional Entitlement Offer.

The Entitlement Offer will raise up to approximately \$140 million and comprise:

- **Institutional Entitlement Offer:** Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer, which will open today, Wednesday, 26 August 2020 and close on Thursday, 27 August 2020. Entitlements not taken up by institutional shareholders cannot be traded on market or transferred. Entitlements not taken up by eligible institutional shareholders, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to new and existing institutional shareholders concurrently with the Institutional Entitlement Offer. The Institutional Entitlement Offer is fully underwritten by the Lead Manager.
- **Retail Entitlement Offer:** Eligible retail shareholders with a registered address in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer. The Retail Entitlement Offer will open Wednesday, 2 September 2020 and will close on Tuesday, 15 September 2020. Eligible retail shareholders who wish to participate in the Retail Entitlement Offer must do so by 5:00pm (Sydney, Australia time) on Tuesday, 15 September 2020. The Retail Entitlement Offer is being partially underwritten by the Lead Manager who has agreed to subscribe for 50% of the New Shares not taken up by eligible retail shareholders under the Retail Entitlement Offer.

Further details about the Retail Entitlement Offer will be set out in the retail offer booklet ("**Retail Offer Booklet**"), which **flexigroup** expects to lodge with the ASX and despatch to eligible retail shareholders on Wednesday, 2 September 2020.

Eligible retail shareholders should read the Retail Offer Booklet in full before deciding whether to subscribe for New Shares. Any eligible retail shareholders who wish to acquire New Shares under the Retail Entitlement Offer will need to complete, or otherwise apply in accordance with, the personalised entitlement and acceptance form that will accompany the Retail Offer Booklet.

flexigroup expects to announce the outcome of the Institutional Entitlement Offer to the market prior to the commencement of trading on Friday, 28 August 2020 and will remain in trading halt until that time.

Further details of the Entitlement Offer are set out in **flexigroup's** investor presentation, provided to the ASX today. The investor presentation contains important information including key risks, assumptions and foreign selling restrictions with respect to the Entitlement Offer.

⁵ TERP is the theoretical price at which Shares should trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Shares traded on ASX immediately after the ex-date for the Offer depended on many factors and may not have been equal to TERP. TERP is calculated by reference to the closing price of Shares as traded on ASX of \$1.305 on Tuesday, 25 August 2020, being the last trading day prior to the announcement of the Entitlement Offer.

Entitlement Offer timetable

Event	Date ⁶ (2020)
Trading halt and announcement of accelerated non-renounceable entitlement offer	Wednesday, 26 August
Institutional Entitlement Offer opens	Wednesday, 26 August
Institutional Entitlement Offer closes	Thursday, 27 August
Institutional Bookbuild for any shortfall (if applicable)	Thursday, 27 August
Announcement of results of Institutional Entitlement Offer	Friday, 28 August
Trading halt lifted and shares recommence trading on ASX on an ex-entitlement basis	Friday, 28 August
Record date for determining entitlement to participate in the Entitlement Offer	7:00pm (Sydney, Australia time) Friday, 28 August
Retail Offer Booklet despatched to eligible retail shareholders	Wednesday, 2 September
Retail Entitlement Offer opens	Wednesday, 2 September
Settlement of New Shares issued under the Institutional Entitlement Offer	Wednesday, 2 September
Issue and commencement of trading on ASX of New Shares issued under the Institutional Entitlement Offer	Thursday, 3 September
Retail Entitlement Offer closes	5:00pm (Sydney, Australia time) Tuesday, 15 September
Announcement of results of Retail Entitlement Offer	Thursday, 17 September
Settlement of New Shares issued under the Retail Entitlement Offer	Monday, 21 September
Issue of New Shares under the Retail Entitlement Offer	Tuesday, 22 September
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Wednesday, 23 September
Despatch of holding statements	Wednesday, 23 September

The Entitlement Offer timetable is subject to change. Flexigroup and the Lead Manager reserve the right to vary the timetable for the Entitlement Offer without notice, subject to the Corporations Act, ASX Listing Rules and other applicable laws. The commencement of quotation of New Shares under the Entitlement Offer is subject to confirmation from ASX.

WEBCAST

flexigroup's CEO, Rebecca James and CFO, Jason Murray will host a webcast at 10.30am on Wednesday 26 August 2020.

Details of the webcast: <https://webcast.openbriefing.com/6271/>

Authorised for release by the flexigroup Board.

-ENDS-

⁶ Note: (1). The timetable (and each reference in this presentation to a date specified in the timetable) is indicative only and flexigroup and the Lead Manager, may, in their absolute discretion, vary any of the above dates by lodging a revised timetable with the ASX. All times referred to in this presentation are Sydney, Australia time.

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ABOUT FLEXIGROUP

flexigroup is a diversified full service payments company with leading offerings in Buy Now Pay later, revolving credit and SME finance. Serving a broad footprint of millennial spenders, through to young families and small and medium businesses, it facilitates purchases for over 2.2 million customers. For more information visit: flexigroup.com.au

FURTHER INFORMATION

flexigroup is being advised by Citigroup Global Markets Australia Pty Limited as sole lead manager and bookrunner to the Entitlement Offer and underwriter to the Institutional Entitlement Offer and partial underwriter to the Retail Entitlement Offer. MinterEllison is acting as legal adviser to flexigroup in relation to the Entitlement Offer.

IMPORTANT NOTICE AND DISCLAIMER

This release is for information purposes only and is not financial product or investment advice or a recommendation to acquire Shares (nor does it or will it form any part of any contract to acquire Shares). The information in this release is in summary form and does not contain all the information necessary to fully evaluate the Entitlement Offer or any potential investment in flexigroup. It should be read in conjunction with flexigroup's other periodic and continuous disclosure announcements lodged with ASX. This release has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives and financial situation and seek legal, financial and taxation advice.

This release may not be released or distributed in the United States. This release does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or in any other jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. The offer and sale of the Entitlements or the New Shares have been referred to in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933 (the U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements and New Shares may not be offered or sold, directly or indirectly, in the United States, except in pursuant to an exemption form, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

All dollar values are in Australian dollars (A\$) unless otherwise stated. All times and dates refer to Australian Eastern Standard time (AEST).

LEAD MANAGER DISCLAIMER

The Lead Manager, together with its related bodies corporate, shareholders and affiliates, and each of their respective officers, directors, employees, affiliates, agents and advisers (each a Limited Party) have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this announcement and there is no statement in this announcement which is based on any statement made by the Lead Manager or any other Limited Party. To the maximum extent permitted by law, the Lead Manager and each other Limited Party expressly disclaim all liabilities (including for negligence) in respect of, and take no responsibility for, any part of this announcement, and make no representation or warranty (whether express or implied) regarding any part of this announcement, including as to the currency, accuracy, reliability or completeness of any information in this

announcement.

Neither the Lead Manager nor any other Limited Party makes any recommendation as to whether any potential investor should participate in the Entitlement Offer. Further, neither the Lead Manager nor any other Limited Party accepts any fiduciary obligations to or relationship with any investor or potential investor in connection with the Entitlement Offer or otherwise, and by accessing this announcement each recipient expressly disclaims any such fiduciary relationship and agrees that it is responsible for making its own independent judgements with respect to the Entitlement Offer and any other transaction or other matter arising in connection with this announcement.

The Lead Manager and other Limited Parties may have interests in the securities of flexigroup. Further, they may act as market maker or buy or sell those securities or associated derivatives as principal or agent. Such persons may receive fees or other benefits for engaging in these activities.

Determination of eligibility of investors for the purposes of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of flexigroup and/or the Lead Manager. To the maximum extent permitted by law, flexigroup, the Lead Manager and the Limited Parties each disclaim any duty or liability (including for negligence) in respect of the exercise of that discretion or otherwise. The Lead Manager may rely on information provided by or on behalf of institutional investors in connection with managing, conducting or underwriting the Entitlement Offer without having independently verified that information and the Lead Manager does not assume responsibility for the accuracy or completeness of the information.

ALLOCATION POLICY – INSTITUTIONAL ENTITLEMENT OFFER

In respect of the Institutional Entitlement Offer, flexigroup will attempt to allocate Shares to its existing institutional shareholders in accordance with their pro-rata entitlements. To the extent that the applications received do not amount in value to the target amount of proceeds under the Institutional Entitlement Offer, eligible institutional shareholders will be permitted to apply for more than their entitlement. flexigroup may also in those circumstances offer shares to new institutional investors.

FORWARD LOOKING STATEMENTS

*This announcement contains certain "forward-looking statements" including but not limited to projections, that are based on management's beliefs, assumptions and expectations and on information currently available to management. Forward-looking statements can generally be identified by the use of forward-looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Such forward-looking statements include statements regarding the timetable, conduct and outcome of the Entitlement Offer and the use of proceeds thereof, statements about the plans, objectives and strategies of the management of **flexigroup**, statements about the industry and the markets in which **flexigroup** operates and statements about the future performance of the **flexigroup** businesses. Indications of, and guidance or outlook on, future earnings or financial position or performance, future earnings and distributions are also forward-looking statements. You should note the current economic climate and the significant volatility, uncertainty and disruption to equity and capital markets caused by the outbreak of COVID-19. Any forward looking statements, opinions and estimates in this announcement speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. This includes statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this announcement are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of **flexigroup** and its subsidiaries, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Forward-*

looking statements may also assume the success of the **flexigroup's** business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond the **flexigroup's** control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward looking statements may have been prepared or otherwise. Refer to the key risks in the Investor Presentation for a non-exhaustive summary of certain key business, offer and general risk factors that may affect **flexigroup** and its subsidiaries.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the Australian and global economic environment and capital market conditions and other risk factors set out in the Investor Presentation. Investors should consider the forward-looking statements contained in this announcement in light of those risks and disclosures. The forward-looking statements are based on information available to **flexigroup** as at the date of this announcement. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including **flexigroup** or any of its advisers). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual operations, results, performance, production targets or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Except as required by law or regulation (including the ASX Listing Rules), none of **flexigroup**, its representatives or advisers undertakes any obligation to provide any additional or updated information in respect of any statements made, whether as a result of a change in expectations or assumptions, conditions, new information, future events or results or otherwise.