

19 November 2020

FlexiGroup Limited (ASX: FXL) 2020 Annual General Meeting Chairman's address

On behalf of the Directors of **flexigroup**, I am pleased to welcome you all today to the 2020 Annual General Meeting, **flexigroup**'s first virtual AGM.

I am looking forward to taking you through some highlights of the financial year, before handing over to our Chief Executive Officer Rebecca James, who will discuss the significant progress made in the last twelve months pursuing our strategy.

We will then move to the business being put to the meeting for decision, and conclude with any questions you might have for the Board, management, or our auditors, PricewaterhouseCoopers.

COVID-19

It would be difficult to review the year without first addressing the COVID-19 global pandemic. The Board was proud and supportive of the decisive action taken by the **flexigroup** management team, led by Rebecca, which focussed not only on managing the wellbeing of employees by moving the workforce to work from home, but mobilised support for customers facing unexpected financial hardship, while continuing to strengthen the business in areas that have the greatest impact for our customers.

There is no question of the impact the global pandemic has had on the world economies, and will continue to have for some time. The stimulus packages from the Australian, New Zealand and Irish governments have provided – and continue to provide – support to our customers during a period of great uncertainty. **flexigroup** has coupled this stimulus with a range of proactive measures to support our customers in hardship, and updated its credit risk settings to manage arrears and losses.

Performance

During this period we have seen an acceleration in the adoption of online shopping with consumers becoming more comfortable making larger purchases online. The digital transformation we undertook in FY19 coupled with **hum**'s ability to facilitate purchases up to \$30,000 interest free has allowed **flexigroup** to leverage this trend and continue to grow our e-commerce volumes in buy now pay later, by 127% year on year, throughout a period of uncertainty.

By providing interest free instalments in new verticals such as health, veterinary, automotive and retail, along with our core leadership position in solar, **hum** has broadened its relevance to different consumer segments and it is now the clear leader in interest free payments over \$1,000. Our growing and differentiated offering presents an opportunity for us to expand into new international markets over the coming year as we pursue growth and shareholder value.

flexigroup also forged ahead with innovative new payment solutions, and in February 2020, **bundll** was launched in Australia. **bundll** uses the Mastercard network to support everyday spending, which

means that it is not reliant on a retail network and can be used anywhere. Despite the challenges presented by COVID-19, we are seeing **bundll** gain good traction, with the opportunity to scale it for new markets.

There are now 2.3 million customers using **flexigroup** products in Australia, New Zealand and Ireland, an increase of 37% on FY19. Adding more than 570,000 customers and 73,000 retail and commercial partners helped **flexigroup** deliver Cash Net Profit After Tax of \$29.2m. This includes a \$30.9m macro overlay provision relating to the COVID-19 pandemic that the Company prudently set aside. Without this overlay, **flexigroup** would have reported Cash NPAT of \$60.1m.

Demand for **flexigroup** products continues to increase, as evidenced by 18% growth in volume in buy now pay later. Promisingly, we are now seeing customers using our products an average of nine times per year across our interest free instalment payment solutions.

Card products delivered a positive result despite the exposure to the travel sector; Australian Card volume on our continuing products increased by 45% on FY19 and NZ Cards were ahead of the prior year by 2%.

The Commercial and Leasing business has continued to provide essential support to SMEs with volume of \$347m, an increase in receivables of 11%, while managing customers in – and through – hardship. As part of the rebrand and further simplification of the business, we also announced a strategic review of this high performing business to assess opportunities to achieve its full potential.

Capital management

Turning now to capital and funding.

The Board would like to thank participating shareholders for their support of the recent equity raising. The issue of \$115 million in new shares via an Accelerated Non Renounceable Entitlement Offer provides the Company with greater financial flexibility and the opportunity to pursue new growth initiatives. The participation by the directors, including me, in the entitlement offer is evidence of our support for the future direction of our Company.

As at 30 June 2020, **flexigroup** had committed wholesale funding facility headroom of \$648 million, and \$130 million of undrawn corporate debt facilities, representing net gearing of 29%.

In October 2020 we successfully completed our sixth Asset Backed Security issue since 2016, which included Green Notes, the \$250m Flexi ABS Trust 2020-1. These notes, secured by buy now pay later receivables, showcased the strong and consistent access we have had to capital markets, demonstrating a strong comparative advantage relative to our peers, as the buy now pay later sector grows.

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 has nil corporate debt gearing, positioning us well for future expansion and growth, and to help navigate any prolonged impact from COVID-19 on the economy.

In response to the ongoing uncertainty created by the pandemic, the Board made the decision to defer payment of the FY20 interim dividend from April to October 2020. Decisions on future dividends will be made after assessing macroeconomic factors and capital management requirements for sustainable and profitable growth. A further update will be provided at the 2021 financial year first half results announcement.

Regulatory matters

As part of our commitment to public policy, we continued to engage with a wide range of stakeholders focusing on the importance of responsible lending practices. **flexigroup** also took a leading role in the establishment of a self-governing BNPL Code of Practice, working with the Australian Finance Industry Association and peers.

In September this year, we welcomed the Australian Competition Tribunal decision to amend elements of the New Energy Tech Consumer Code in line with **flexigroup**'s application – a great win for consumers and merchants alike. This decision recognises the importance and popularity of buy now pay later as a way to finance new energy technologies. It also paves the way for buy now pay later to continue operating in its current form, supporting the continued and increasing adoption of new energy technology across Australia.

Board and management

As you will have observed in the Notice of Meeting, my fellow director Ms Jodie Leonard is not presenting herself for re-election as a Non-Executive Director as she is at the end of her term, having joined the Board in 2016. On behalf of the Board, I thank Ms Leonard for her contribution to **flexigroup**, particularly as Chair of the Remuneration Committee.

Outlook

For the last 30 years, **flexigroup** has been at the forefront of consumer payments both instore and online and we continue to innovate to meet changing consumer preferences. Our transformation as a business continues, and we are already realising the benefits of simplifying our offering by delivering cost savings in excess of \$10m on an annualised basis, greater operational efficiencies, and significantly extending our reach.

There is still strong growth potential in our established markets as interest free shopping becomes a ubiquitous form of payment and we broaden our appeal to new audiences with **bundll** and **humm pro**, our buy now pay later product for small business. However, it is a competitive and increasingly crowded sector and we must continue to innovate and look to new markets to capitalise on our position as Australia's third largest buy now pay later provider.

In conclusion, and on behalf of the Board, I would like to thank our shareholders for their continued support, and I would also like to thank all employees across Australia, New Zealand, Ireland and Manila for maintaining their focus on our customers through the challenges presented by the pandemic.

I will now hand over to Rebecca James for her Chief Executive presentation.

Authorised for release by the **flexigroup** Board.

-ENDS-

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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*