

## Strategic execution drives earnings and builds a foundation for future growth

**AFG delivers positive earnings growth driven by record volumes across the business in an expanding market.**

### Financial highlights

- 1H25 revenue \$626 million, up 11% on the prior corresponding period, 1H24
- NPAT \$15.3 million, up 6% on 1H24
- AFG Securities loan book reaches a record \$5.1 billion, up 23% on December 2023
- Two equity investments in broking groups completed in 1H25
- Combined strategic investments expected to contribute additional EBITDA of up to \$7 million p.a.
- Fully franked interim dividend of 3.8 cents per share
- Well capitalised balance sheet with \$185 million in investments and liquid assets

AFG Chief Executive Officer David Bailey outlined the results on a call today. "In our 30 years as a leader in the finance industry the integral service AFG and its extensive network of 4,100 brokers provide to Australia's growing finance markets has never been stronger," he said. "We continue to drive a competitive lending market, while the industry continues its trajectory as the clear channel of choice for customers and lenders."

"Excellent lodgement and settlement activity has been achieved in both our Distribution and Manufacturing segments and the AFG Securities book has jumped to \$5.1 billion," he said. This higher loan book balance, combined with an improving NIM, returned Manufacturing earnings to growth mode."

Mr Bailey emphasised that the past six months had strengthened the company's growth platform, with favourable market conditions, an expanding distribution network, enhanced technology, and a larger loan book boosting confidence in future earnings. The first half also marks a continued focus on strategic capital investments which will further broaden AFG's earnings base.

"In an expanding market with brokers the dominant channel for delivery of customers to lenders, the AFG Board of Directors see opportunities to deploy capital to grow shareholder returns," he said. "Therefore, they have determined to pay a fully franked interim dividend of 3.8 cents per share, representing a 60 per cent dividend payout ratio."

### Distribution highlights

- Record number of brokers - over 4,100 across the country
- Record residential settlements of \$31.8b, up 13% on 1H24
- Record Distribution gross profit of \$56.5m, up 5% on 1H24
- Record subscription income of \$10.1m, up 12% on 1H24
- Record asset finance settlements of \$1.8b, up 12% on 1H24

AFG's powerful distribution network, with stable earnings enabling capital-light growth provides a platform for further positive expansion in the coming years. "The half has seen 8% growth in Distribution

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earnings, with an outstanding return on equity of 39%," said Mr Bailey. "Broker market share in Australia is delivering competition and choice to consumers and is currently sitting at nearly 75%. With the banks' continued outsourcing of customer acquisition and retention to the more efficient broker channel, we expect that number to continue to grow," said Mr Bailey.

"Our major technology investments have been delivered, driving efficiencies for our brokers and resulting in high Net Promoter Scores (NPS) for new features. Uptake is strongly ahead of our original expectations."

### **Manufacturing highlights**

- Record AFG Securities loan book size of \$5.1 billion, up 23% on 1H24
- Record AFG Securities settlements, up 147% on 1H24
- NIM expanding to 114bps in December

AFG Securities' loan book grew to a record \$5.1 billion in the half. "Signs towards the end of the 2024 financial year indicated more favourable lending conditions were returning, and we have built from there," he said. "We are delighted with the growth driven by our lending products, which have truly resonated with both our brokers and their customers."

As the lending cycle turns towards interest rate reductions we consider conditions for non-major lenders, including AFG Securities, will continue to improve. "Our NIM is showing positive trends, with our loan book now at a record level."

"In a further sign of an improved funding environment our recent non-conforming Residential Mortgage-Backed Securities transaction, AFG 2025-1NC, due to settle in early March 2025, has revealed cost of funds trending down. Strong support from new and returning local and international investors enabled the issue to be upsized from \$500 million to \$700 million to further fuel the growth in this part of our business," he said. The quality of the AFG Securities book remains industry leading.

Thinktank, of which AFG is a 32% shareholder, experienced loan book growth of 10% to \$6.4 billion. Thinktank's earnings contribution was however lower at \$0.4m, down 73% on 1H24, as a lower NIM affected trading results. "We expect Thinktank will also benefit from changes in the cash rate cycle," he said.

### **Outlook**

"The last six months have solidified our platform for growth," said Mr Bailey. "Looking ahead, favourable market conditions, an expanding distribution footprint, enhanced technology offerings and increased loan book size instil confidence in AFG's upward earnings trajectory."

"AFG's strong balance sheet and cash generating assets combined with our capital allocation strategy positions us well as we head into the second half," he said. "Major technology projects have been rolled out and our Broker Investments program is successfully underway, with further opportunities in the pipeline. Our commitment to delivering value to our shareholders through consistent execution of our strategy and capitalising on market opportunities remains on track. We look forward to continuing this positive momentum," he concluded.

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