



Sydney – 14 July 2008

FlexiGroup to acquire Certegy Australia and provides a trading update

Key Facts

- FlexiGroup agrees to acquire the business and selected assets of Certegy Australia Limited from Fidelity National Information Services Inc for ~ \$31.4m.
- The transaction will be settled with \$15 million of cash on hand, a \$15 million interest-only Subordinated Vendor Note with final maturity extendible to 3 years, and 3 million shares in FlexiGroup.
- FlexiGroup successfully modifies its credit facilities with existing funders to provide 2 year committed receivables funding for Certegy Australia.
- The acquisition is expected to be accretive in the second full year after acquisition.
- FlexiGroup confirms FY2008 profit guidance to be 8% to 12% ahead of FY2007 proforma result.
- To fund the repayment of the Vendor Note, Flexigroup proposes to amend its dividend payout ratio to circa 40% - 50% of NPAT. The dividend is expected to be 3 cents, fully franked, and is anticipated to be paid in November 2008.

FlexiGroup Limited (“ASX:FXL”) today entered into an agreement with Fidelity National Information Services Inc (“NYSE:FIS”) for the acquisition of the business of Certegy Australia Limited, a leading provider of interest-free finance.

Under the agreement (and subject to the satisfaction of conditions precedent) FlexiGroup will acquire 100% of the business, including Certegy’s operations in Australia and New Zealand, and selected assets, but excluding the current receivables portfolio. Adelaide-based Certegy Australia is best known for its Certegy Ezi-Pay interest free payment plan products. It is also one of the two major cheque guarantee businesses in Australia and New Zealand.

John DeLano, Chief Executive of FlexiGroup, said that Certegy was an attractive acquisition due to its compelling strategic value, offering increased scale, diversification and a significant customer base.

“The acquisition is expected to increase FlexiGroup’s annual assets financed by more than \$250 million per annum, boosting annual customer contracts originated from around 100,000 to over 250,000, and increasing the Group’s database of customer profiles from 350,000 to over 900,000” said Mr DeLano.

The transaction significantly expands FlexiGroup’s strategic footprint and increases the diversity of the Group in a number of key areas:

- Certegy’s interest free product (Certegy EziPay) provides FlexiGroup entry into the large Australian interest free market estimated at approximately \$5 billion per annum.

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- Certegy Ezi-Pay is offered by merchants in a broad range of large consumer market sectors, none of which overlaps with FlexiGroup's existing sectors. These include home improvement, spas and pools, solar energy systems, storage sheds, blinds and shutters, home furnishings and bedding, jewellery, automotive services, and health/fitness services.

FlexiGroup operates predominantly in three retail market sectors: computer retail, electrical retail and travel.

- The addition of Certegy Ezi-Pay's 5,500 merchant outlets doubles the number of outlets in FlexiGroup's distribution network to more than 11,000 outlets.
- With the acquisition, the concentration of new business originated from FlexiGroup's largest retail partner halves to less than 25% of the expected combined annual origination volumes.

The \$31.4 million acquisition will be settled by \$15 million of cash on hand, a \$15 million interest only subordinated vendor note with final maturity extendible to 3 years, and 3 million shares in FlexiGroup.

The acquisition includes Certegy's operations in Australia and New Zealand and excludes the current Certegy Ezi-Pay receivables portfolio. The new portfolio will be built up during the first 18 months of operation and will reach a normalised state during the 2nd full year (November 2009 – October 2010) after acquisition. The acquisition is expected to be 0.5 cents EPS dilutive in the first full year and is forecast to be 3.7 cents EPS accretive in its second full year after acquisition.

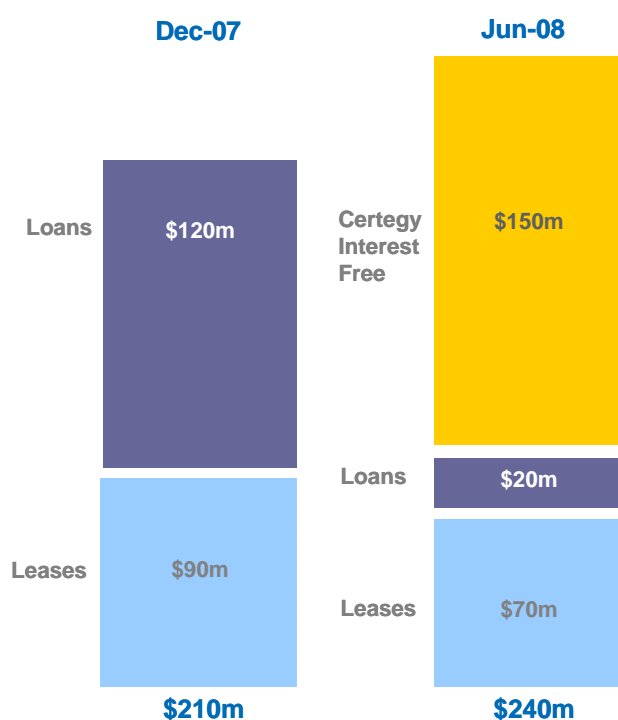
Two of FlexiGroup's existing funders will provide funding for Certegy's future receivables portfolio with two year committed facilities.

The acquisition of Certegy has come about despite tight global liquidity and constrained credit markets. Over the past few months, FlexiGroup has worked closely with its funders to successfully modify its facilities to meet the Group's changing needs.

Primary changes in FlexiGroup's funding arrangements include:

- Reorganisation of existing funding facilities and approval of new facilities to increase capacity to fund volumes generated by the Certegy acquisition;
- Modified funding of Flexirent Advantage and EzyWay lease contracts to increase cash flow in the year the leases are originated;
- Lengthening of facility terms to a minimum of 364 days, with the majority of approved undrawn facilities now on a 2 year committed basis up from 1 year as reported in the February 2008 Interim update;
- Strategically, given the current economic environment, FlexiGroup has reduced personal loan volumes. By not renewing one funding facility, which solely provided personal loan funding, FlexiGroup has been able to reduce future funding costs. The underlying receivables portfolio will now amortise over time. Other existing funding facilities provide sufficient capacity to fund forecast personal loan volumes.

Committed Undrawn Portfolio Funding Mix



In recognition of the increased cost of funds to most financial institutions globally and the revised and extended terms of FlexiGroup's funding facilities, the margin on the Group's cost of funds has increased. This increase does not apply to the funding cost of the existing receivables portfolio. Higher funding costs associated with new business written will partially be offset by pricing adjustments already made on Flexigroup products.

The strategic decision, given the current economic environment, to reduce personal loan volumes and tighten credit in certain customer demographics has produced a result of assets financed of \$293 million for FY2008, which represents a decline of 6% in volume on the prior year period.

Profit guidance is confirmed with the FY2008 result forecast to be 8% to 12% ahead of FY2007's pro forma results.

To retain sufficient operating cashflow to fully fund the repayment of the Subordinated Vendor Note, FlexiGroup proposes that for the medium term, it will amend its dividend payout ratio to approximately 40% - 50% of NPAT. The policy will be reviewed once repayment of the Subordinated Vendor Note has been completed. The dividend is expected to be 3 cents, fully franked, and is anticipated to be paid in November 2008.

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About FlexiGroup

FlexiGroup is a leading provider of retail point-of-sale lease and rental finance for IT equipment and electrical appliances such as plasma TVs, audiovisual equipment and whitegoods to small business and individual customers.

FlexiGroup provides a range of lease and other finance products to customers across Australia and New Zealand, marketing its financial products under multiple brands. Brand names include Flexirent, FlexiOwn, EzyWay and Flexiway.

Key to FlexiGroup's success are the long standing relationships the company has developed with a number of successful retailers. FlexiGroup has a distribution network of approximately 5,600 active retailers and travel agencies with a third party sales force of 13,000. In addition to Harvey Norman and Noel Leeming, FlexiGroup has relationships with other retailers including Apple and A&R Computers.

John DeLano joined FlexiGroup in September 2003 as Managing Director. Prior to joining FlexiGroup, John was Managing Director of Avis Australia, and also served in a senior role as Travel Services International in the UAS, a publicly-listed company.

The Board of FlexiGroup is chaired by Margaret Jackson (also a Director of Australia and New Zealand Banking Group Limited and Billabong International Limited), and includes John Skippen, recently retired CFO of Harvey Norman Holdings Limited, Rajeev Dhawan, a partner of Equity Partners, and Andrew Abercrombie, a founding director and major shareholder of the company.

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