

Sydney – 7 August 2013

## FLEXIGROUP FY13 CASH NPAT UP 18% TO \$72.1M

### Highlights

- Cash Net Profit After Tax (NPAT) up 18% to \$72.1m exceeds guidance
- Continued strong volume growth, up 16% to \$907m
- 14% organic growth in receivables driven by Lombard (+52% to \$76m), Certegy (+18% to \$422m) and Enterprise (+27% to \$197m). Consolidated receivables grow 25% following the acquisition of Once Credit
- Once acquisition providing scale into the \$45b credit card market – Consolidated Interest-Free Card NPAT at \$2.7m in first 12 months
- FY14 guidance of 17% to 19% Cash NPAT growth to \$84m-\$86m
- Fully franked final dividend of 7.5c up 15% from the prior corresponding period and at top end of 50-60% payout range
- FXL rolls-out new customer-centric operating model and continues pursuit of value accretive acquisitions

FlexiGroup Limited (ASX:FXL, "FlexiGroup") today announced an 18% increase in consolidated Cash Net Profit After Tax to \$72.1million, accelerating from a 16% half-on-half growth in Cash NPAT in 1H13, and 14% like-for-like receivable growth for the 12 months to 30 June 2013.

The Board of Directors declared a fully franked final dividend of 7.5 cents per share, compared to 6.5 cents per share paid for the same period last year. The final dividend is at the top end of the 50-60% payout range.

FlexiGroup Managing Director and Chief Executive Officer, Mr Tarek Robbiati, said: "With full-year NPAT growth accelerating relative to the 1H13 growth rate, this is a strong result across the business. Our business mix is well diversified now, and our receivables continue to grow with the acquisition of Once Credit on 31 May 2013, adding further scale to our business for the full 12-months of FY14."

"Full-year receivables growth has been largely driven by Lombard, Certegy and Flexi Commercial Enterprise, with receivables increasing 52%, 18% and 27%, respectively on FY12.

"Certegy seized the volume opportunity induced by high government solar subsidies to grow strongly in the 1<sup>st</sup> half of FY13 and yet prepared for the subsequent significant reduction of these subsidies by 31 December 2012 by enhancing its VIP program in parallel. The VIP program delivered \$84m in new non-solar volumes in FY2013 which is a remarkable result. We see continued contribution of solar volumes as energy costs rise for consumers and businesses and the industry recovers from the significant reduction of government subsidies.

"Our Certegy and Flexi Commercial Enterprise businesses are well positioned to deliver sustained cash EPS growth because they have the right combination of large receivables volumes with low loss rates, and are highly scaleable with low cost operating platforms.

"The acquisition of Once Credit and its integration with Lombard provides FlexiGroup with the critical scale it requires to compete effectively in the Interest-Free Card market. We are pleased with the signing of large accounts such as Dick Smith Electronics who launched interest free cards with Lombard as of 1 July 2013.

"We are now strengthening our business model by embracing customer-centricity to become a full-service provider of finance solutions to consumers, retailers and businesses alike. We are rolling-out a strategic program of product innovation across the business, to sustain growth whilst continuing to look for value accretive acquisitions.

“Whilst the computing category remains challenged by price erosion, Flexirent and Blink performed in line with our expectations. We believe that there is good potential to introduce innovative offerings to increase growth in Flexirent Consumer and Flexi Commercial SME offerings in FY14.”

### **FY14 Guidance and Outlook are Strong**

FlexiGroup is targeting Cash NPAT growth of 17% to 19% (\$84m-\$86m) for FY14 stemming from (i) the 12-months contribution of Once volumes in FY14, (ii) the roll-out of its new customer-centric business model to drive greater product penetration across Retail and SME accounts, (iii) opex synergies resulting from the combination of Lombard and Once and the expansion of the Manila platform and (iv) the introduction of new products and services.

The Group remains committed to strong NPAT and receivables growth, increased economies of scale, reducing risk profile and funding costs. Strong new business volumes in Flexi Commercial, Certegy and the Lombard and Once interest-free cards businesses are expected to underpin future earnings momentum for the company.

### **Divisional Results (FY13 compared to FY12)**

#### Certegy - No Interest Ever

Certegy provides “no interest ever” finance to home owners across a diverse range of industries.

- Cash NPAT of \$27.5m, up 26% on FY12;
- Volumes of \$490m, up 13% on FY12;
- Highlights: Certegy, the largest business of FlexiGroup measured by receivables, contributing 38% of Group’s FY13 NPAT and 36% of Group’s receivables, generated \$84m in new non-solar repeat volumes with its VIP Program during FY13. 847 new merchants signed, including a relationship with Rebel Sports (155 stores);
- Outlook: New industries have been identified and tested for further growth and diversification opportunities in FY14/15.

#### Lombard and Once – Interest-Free Cards

Lombard and Once provide interest free finance through a number of leading retailers and VISA cards to their customer base.

- Cash NPAT more than doubles to \$2.7m (including a \$0.3m of contribution from Once in June 2013) from \$1.0m at 1H13;
- Volumes of \$88m (including \$8m for 1-month consolidation from Once);
- Under FlexiGroup’s ownership the interest-free card businesses are no longer capital-constrained and are delivering strong growth;
- Highlights: Approximately 500 new distribution relationships were established since acquisition including IKEA; New distribution relationship with Dick Smith Electronics (DSE) from 1 July 2013, with encouraging volumes after the first 4 weeks;
- Outlook: One-off integration costs of \$3.5m after-tax are expected to deliver annualised NPAT synergies of \$3.5m.

## Flexi Commercial - Enterprise

Flexi Commercial offers business equipment leasing through vendors, manufacturers and distributors.

- Cash NPAT of \$8.8m, up 79% on FY12;
- Receivables of \$197m, up 27% on FY12;
- Highlights: 135 vendor relationships in telephony, office equipment, software, energy / smart green and managed services segment, increases diversification;
- Outlook: Higher receivables income on fixed cost base focused on origination to drive increased profit contribution in FY14, albeit with compressed margins as competition from banks is increasing.

## Consumer & SME - Small ticket retail and SME leasing

Flexirent is the company's original retail point of sale leasing business which has diversified into the non-retail SME sector.

- Cash NPAT of \$33.1m, down 4% on FY12;
- Receivables of \$358m, down 2% on FY12 but stabilising relative to 1H13 (\$356m);
- Mobile Broadband – Blink has 75,000 active wireless broadband customers;
- Highlights: The diversification into SME helped mitigate a challenging retail environment. 44% of Flexirent volumes are now originated through SME channels, compared to 28% in FY10 and up from 42% in 1H13. 2H13 NPAT was positively impacted as the company transitioned to the new FlexiGroup shared services platform in Manila. Expanded Manila platform in FY14 will support the Lombard and Once integration;
- Outlook: Receivables expected to remain flat, supported by Apple computer availability in Harvey Norman stores and continued SME growth.

## **Group Strategy and Management Appointments**

"FlexiGroup will continue to be very focused on expansion of its core businesses by acquiring market share in low risk customer segments, while capitalising on economies of scale across the Group."

"FlexiGroup will also remain vigilant to value accretive acquisition opportunities to accelerate growth."

"FlexiGroup is currently rolling out a new customer-centric business model to become a full service provider of finance solutions to consumers, retailers and businesses alike. This includes ramping up the Company's online, wireless and payment functions to be ready for a world where 24x7 transactions at home or on the move are transforming purchasing behaviour.

"The customer-centric operating model is responding to demand for a single financier partner providing a full range of solutions. FlexiGroup has also made a series of senior executive appointments to support the execution of its strategy: Nicholle Lindner has been appointed General Manager of Consumer and SME, having previously been at Westpac as Executive Director and Head of Cards, Jane Miskell joins from Telstra as Group Head of Human Resources and Matt Beaman joins from Lloyds Australia as Group General Counsel.

"The quality of these three executives and the large blue chip organisations that they have left to join FlexiGroup is a strong endorsement of the growth path and overall future of this company. They are great additions to our leadership team," said Mr. Robbiati.

"After 5 years in the business our CFO Garry McLennan has decided to step down at the end of the calendar year to pursue other opportunities. Garry has been the architect behind the emergence of FlexiGroup out of the GFC and instrumental to the Group's success. He leaves on a high with a solid legacy and a strong team ready to take over. We thank him for his contribution and wish him well for his future.

“With Garry’s departure, FlexiGroup is pleased to announce the appointment of David Stevens as Chief Financial Officer and Ross Horsburgh as Chief Risk Officer of FlexiGroup. David and Ross bring collectively more than 15 years of experience at FlexiGroup. They are highly talented professionals in their field and have the right level of experience to drive FlexiGroup to new levels of performance.

Over the next 12 months FlexiGroup’s objectives will include the following:

- Continue to organically build scale in Interest Free Cards, Certegy and Flexi Commercial Enterprise – superior cash EPS growth to be generated through a combination of longer term receivables, lower capital utilisation and highly scalable, low cost operating platforms
- Deliver the synergies from the integration of Lombard and Once
- Accelerate its product innovation capabilities in online and wireless payments, cards and leasing for Consumer/SME/Enterprise
- Continue to improve capital efficiency by continuing FlexiGroup’s securitisation program
- Selectively acquire Consumer and Commercial finance businesses to accelerate scale in existing segments or reach new market segments.

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#### ABOUT FLEXIGROUP

FlexiGroup is a diversified financial services group providing “no interest ever”, leasing, vendor finance programs, interest free and Visa cards, mobile broadband, lay-by and other payment solutions to consumers and businesses.

Through its network of 11,000 merchant, vendor and retail partners the Group has extensive access to four key markets, Business to Consumer, Business to Business, Retail to Consumers (and small business-to-business customers) and online.

Performance has been characterised by solid profitable growth as the company has expanded and diversified its business through organic growth, acquisition and product innovation. This diversification strategy has been extended to the large, high growth online market with the 2012 acquisition of Paymate (an online payment processing business) and to the \$45bn credit card market with the acquisition of Lombard and Once Credit businesses.

FlexiGroup operates in Australia, New Zealand and Ireland within a diverse range of industries including: home improvement, solar energy, fitness, IT, electrical appliance, navigation systems, trade equipment and point of sale systems. Services are offered through four business units: Certegy (no interest ever & lay-by), Flexirent (lease), Flexi Commercial (vendor leasing programs) and Lombard and Once (interest-free cards).

Tarek Robbiati joined FlexiGroup as Managing Director and CEO in January 2013 replacing John DeLano, who joined FlexiGroup as Managing Director in 2003. Tarek was Group Managing Director of Telstra International Group (TIG), the fastest growing business unit of Telstra Corporation, and Executive Chairman of CSL-NWM, the number one mobile operator in Hong Kong. He was also previously deputy CFO of Telstra Corporation, and Head of Corporate Finance at Orange Plc in the UK.

The Board of FlexiGroup is chaired by Margaret Jackson, former Chairman of Qantas and previously a director of: Australian and New Zealand Banking Corporation, The Broken Hill Proprietary Company Limited and Billabong International Limited. The Board also includes John Skippen, former Finance Director of Harvey Norman Holdings Limited, Rajeev Dhawan, a partner of Equity Partners, Andrew Abercrombie, a founding director and major shareholder in the company, and Anne Ward, presently also Chairman of the Qantas Superannuation Plan.