

Sydney – 6 February 2014

## **FLEXIGROUP 1H14 CASH NPAT UP 20% TO \$39.0M**

## **FY14 GUIDANCE OF 17%-19% CASH NPAT GROWTH REAFFIRMED**

### **Highlights:**

- **Cash Net Profit After Tax (NPAT) +20% to \$39.0 million, on 1H13**
- **Volume growth momentum continues, +14% to \$537 million on 1H13**
- **Receivables +21% to \$1,227 million on 1H13**
- **Strong earnings growth momentum to be driven by major planned initiatives across interest free cards with 500 new distribution relationships in place, and scale benefits in established business segments**
- **Reaffirms FY14 guidance of 17% to 19% Cash NPAT growth (to \$84m-\$86m)**
- **Fully franked interim dividend of 8.0 cents, up 14% from prior corresponding period**

FlexiGroup (ASX:FXL, “FlexiGroup”) today announced a 20% increase in consolidated Cash Net Profit after Tax to \$39.0 million and 21% like for like receivables growth for the 6 months to 31 December 2013.

The Board of Directors declared a fully franked interim dividend of 8.0 cents per share, up 14% on the 7.0 cents per share paid for the same period last year.

FlexiGroup Managing Director and Chief Executive Officer Tarek Robbiati said: “This is another strong result which has been driven by our strategy of business diversification, innovation and disciplined execution.

“Following the extremely successful diversification of the Group’s revenue streams over recent years, FlexiGroup is taking the next step from product-centric finance provider to integrated full-service provider of finance solutions to businesses and consumers.

“As a result, the company is now well positioned to deliver strong and sustainable NPAT growth through the continued solid performance of our existing businesses, coupled with the significant growth opportunities available in the interest free card market.

“FlexiGroup paid \$46 million (net of cash acquired) for the Lombard and Once Credit acquisitions over 13 months and these combined businesses have added 500 new distribution relationships with key players including Dick Smith and IKEA, and are on track to deliver more than \$10 million in NPAT in the first full year.

“The successful acquisition of Thinksmart’s Australian and New Zealand assets, is also expected to drive NPAT growth in FY15.”

“With close to \$100m in solar volumes in 1H14, Certegy’s sales volumes performance has been excellent across the mix, with all categories (solar and non-solar) growing solidly.

“Our ability to grow volumes across all business segments whilst maintaining our impairment losses under control attests to the quality of our credit underwriting capabilities.

“This solid result allows FlexiGroup to reaffirm FY14 Cash NPAT guidance of 17% to 19% growth on FY13 (to \$84m-\$86m).

## Divisional Results

### No Interest Ever – Certegy

- Cash NPAT of \$15.1m, up 23% on 1H13
- Certegy volume has been robust across the mix, with almost \$100m of solar volumes in 1H14 despite significant wind back of Government subsidies (occurred in December 2012).
- Receivables of \$445m, up 8% on 1H13
- Highlights: Increase in repeat volumes attributable to VIP loyalty card program initiatives and continued momentum in Solar. Distribution across more than 4,000 Retail Groups with over 6,000 active merchant locations.
- Outlook: Certegy's growth to be supported by an outstanding team, a scalable platform and further penetration of the cash and carry sectors utilising new digital and mobile offerings.

### Interest Free Cards – Lombard and Once

- Cash NPAT of \$5.1m, up from \$1.0m in 1H13
- Receivables of \$195m – representing growth of \$131m on pcp driven by increases in interest bearing and interest free portfolios by \$68m and \$63m respectively
- Our Lombard and Once integration is providing scale and delivering NPAT growth above our expectations, with our Once acquisition on 31 May 2013 contributing ~\$110m in receivables
- Highlights: 500 new distribution relationships since acquisition including with Dick Smith, IKEA and Escape Travel. FXL's shared service infrastructure in Manila is realizing opex efficiencies resulting in a significant reduction in cost to income ratio for this segment.
- Outlook: The integration of Lombard and Once is now nearing completion and is on track to deliver annual NPAT savings of \$3.5m (after tax).
- We can now increase our marketing focus on driving card usage across our customer base.

### Small Ticket Leasing – FlexiRent, plus Mobile Broadband and payment services

- Cash NPAT of \$14.4m, down 8% on 1H13
- Volumes at \$112m, up 1% on 1H13 vs. -8% in the prior comparable period
- Highlights: Diversification into the SME sector is driving positive volume growth for the first time since 1H12. Our shared service platform and new operating model are creating cost efficiencies across the Group.
- Outlook: Continued growth in the SME sector is expected to sustain volume growth into the future. The consolidation of the RentSmart ANZ business from 1 February 2014 is expected to drive receivables growth in Consumer in 2H14.

### Enterprise - Flexi Commercial

- Cash NPAT of \$4.4m, up 20% on 1H13
- Receivables of \$226 million, up 26% on 1H13
- Highlights: Receivables growth is being supported by new distribution channels. Our ongoing focus on growing mid-large market segments (>\$250k average deal size) continues to underpin receivables growth with strong credit quality.

- Outlook: FXL forecasts ongoing growth in Enterprise through diversification of vendor relationships, leveraging industry expertise, FXL's exemplary service proposition and new product innovation. Maturing contracts from prior years are expected to create earnings momentum in 2H14 and beyond.

### Group Strategy

Mr Robbiati said: "In light of these successes to date, FlexiGroup will continue to pursue sustainable growth through value accretive acquisitions and scale benefits from further growth in our established businesses.

"Across Certegy, Enterprise and Interest Free Cards our focus is on growing receivables in large market segments, and these growth markets have similar low risk profiles that result in low loss ratios and lower capital requirements.

"Investment in our shared services platform and the transition to Manila has delivered significant cost efficiencies in 2H13, and we are expecting this to continue in FY14 and beyond.

"There will be an increased focus on digital across the business, and with the recently acquired RentSmart ANZ business we will be moving towards a Call&Click model across interest free cards, Consumer, SME Leasing and Enterprise."

Over the next 18 months FlexiGroup's focus will be on transforming itself to become an integrated full service provider of finance solutions to consumers and businesses. Initiatives will include:

- Driving growth in high quality Certegy, Interest Free Cards and Commercial leasing, in order to reduce credit support requirements and improve capital efficiency across the Group
- Leveraging product innovation in interest free cards and our new operating model to optimise retail relationships and build new growth opportunities
- Deploying a new Cards IT platform to support the Interest Free Online product across our Lombard & Once brands
- Integrating the RentSmart ANZ business and removing existing capital constraints to promote growth and the realisation of integration synergies.
- Delivering a new integrated online origination platform that extends our reach in Australia whilst providing more choice to our Enterprise, SME, Consumer customers and retail partners.

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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 over 12,000 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 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 \$45bn credit card market with the acquisition of the 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. 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.

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