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Yellow Brick Road Holdings Investor Update

FY 16 Summary & FY 17 Outlook



YellowBrickRoad
Wealth Management



Executive Summary

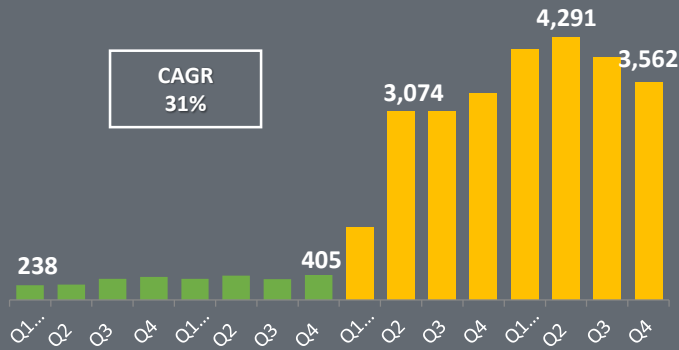
- 2016 strong investment provides robust business platform
 - Lending Scale – \$38B under management; settlement up \$28%
 - Distribution Scale – 1500 credit representatives; up 31%
 - Brand Equity – winning on key attributes versus competitors
- The Group reset to changing conditions in H2FY16
 - Improved focus on wealth by realigning structure & incentives
 - Lifted accountability by removing a level of management
 - Increased branch commerciality by adopting Franchise model
- 2017 focus on driving efficiencies and delivering wealth model
 - Pursue a substantial lift in lending conversion
 - Ruby - new proprietary lead management mobile App
 - Targeted program of sales skilling
 - New branch owners experienced brokers with business acumen
 - Drive out our proven wealth model
 - Recruit pool of dedicated advisers to support newer branches
 - Roll-out of wealth CRM to underpin branch profitability
 - Pilot test proprietary Money Manager cash-flow-management technology
 - Leverage strong brand through in market activation
 - Branch Digital Marketing Platform – Q1 rollout
 - Prosperity Through Property – national seminar series Q2 & Q3
 - Steadfast Group referral partnership – rollout in Q2
 - Firm cost discipline is reflected in bottom line; cash position solid



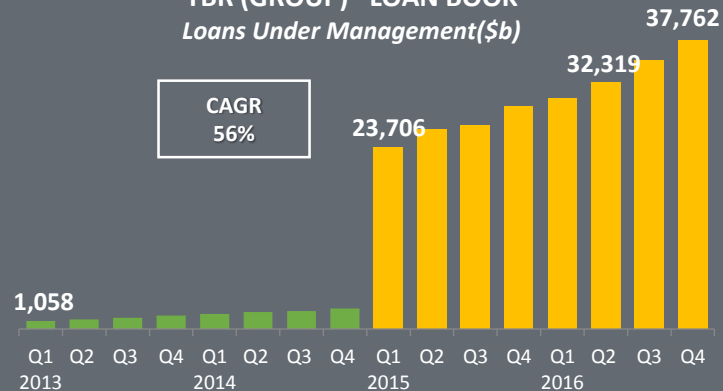
Building a strong base of recurrent revenues

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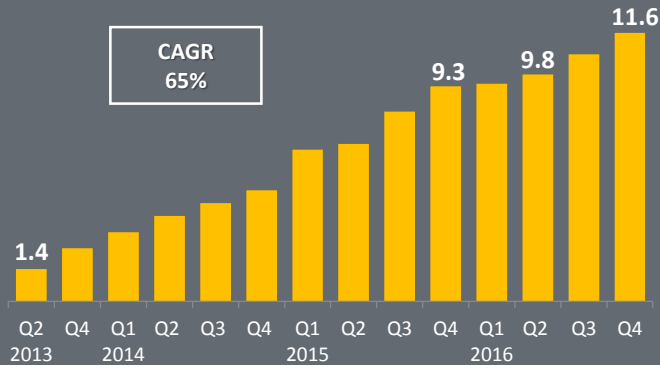
YBR (GROUP)– SETTLEMENTS (\$m)



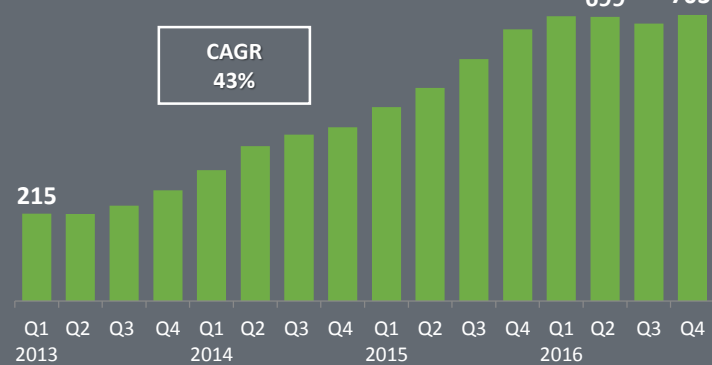
YBR (GROUP)– LOAN BOOK Loans Under Management (\$b)



YBR (Group) PUM Premiums Under Management (\$m)



YBR (GROUP)– FUM Funds Under Management (\$m)



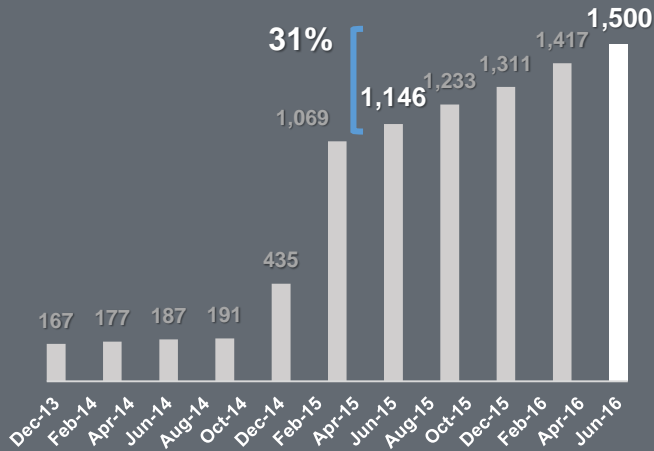
- Settlements strong in H1 (+ 96% vs PCP) but impacted by lender policy in H2 (+17% vs PCP)
- Loans under management at \$38B now a \$43M asset on balance sheet
- Steady premium growth but FUM slowing and needs attention in FY2017



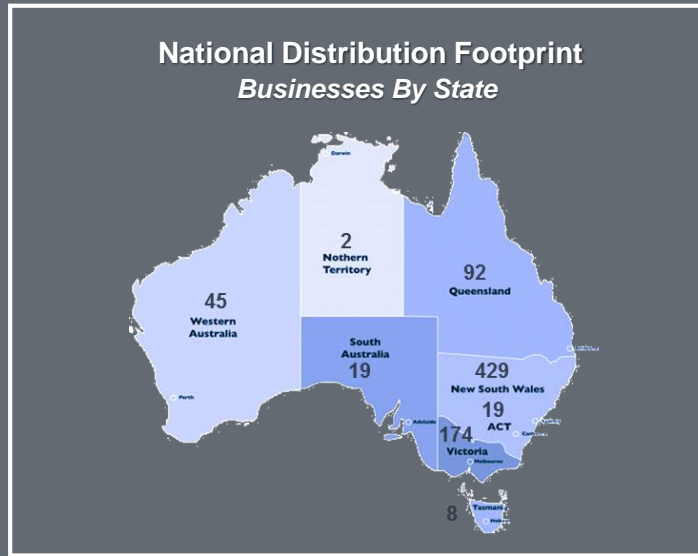
Distribution scale – 1500 qualified representatives; up 31% vs FY 15

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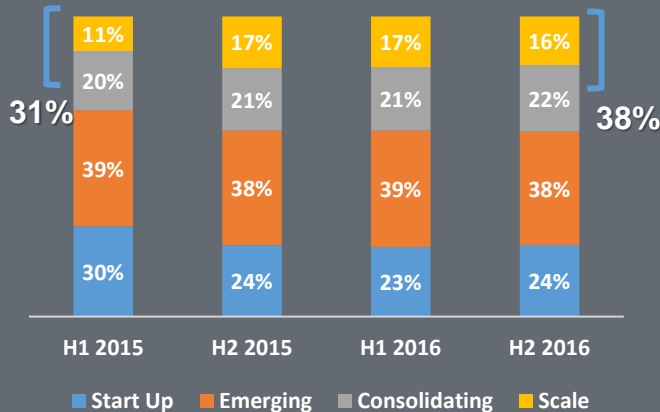
Qualified Representatives Up 31%



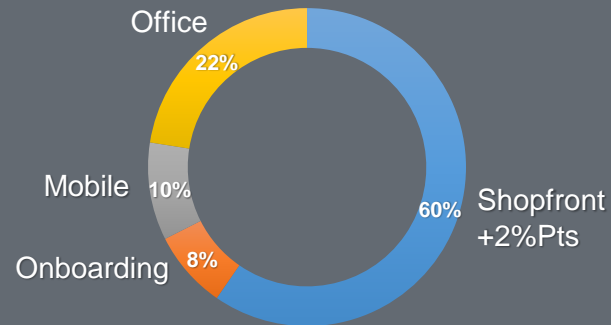
National Distribution Footprint Businesses By State



Franchise Branches Achieving Scale Lifecycle Stage % Of Total



Franchise Street Presence Growing Branch Type % of Total





Yellow Brick Road brand is strong versus competitors

Consumer rating of YBR versus key competitors:

	YBR vs. MOC (+% Pts)	YBR vs. RAMS (+% Pts)	YBR vs. MLC (+% Pts)	YBR vs. BT (+% Pts)
<i>Helps customers plan for their financial future</i>	15	13	1	8
<i>Services cater to the individual needs of the customer</i>	9	3	7	10
<i>Feels like they are growing more popular</i>	16	2	18	17
<i>Provides quality financial advice</i>	11	7	4	10
<i>Are the experts in wealth products and services</i>	15	11	-2	3
<i>Appeals more to you than other financial institutions</i>	13	5	6	8
<i>Are setting the trends in the industry</i>	14	7	13	13
<i>Has strong leadership</i>	16	12	8	13
<i>Offers something different to other financial institutions</i>	15	8	12	13
<i>Has competitive rates and pricing</i>	4	-5	8	10
<i>Has highly satisfied customers</i>	7	3	4	8
<i>Have heard a lot of good things about recently</i>	6	0	5	7

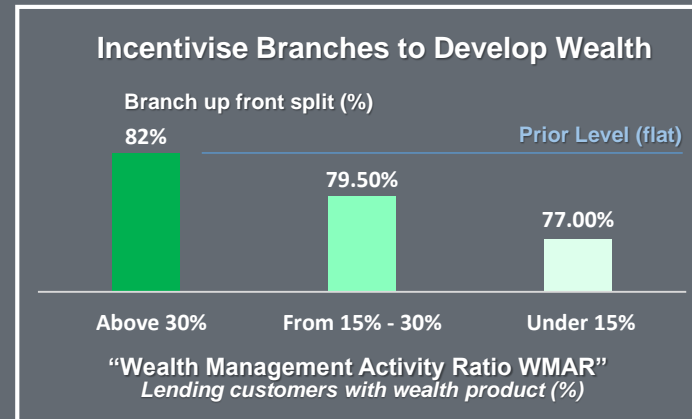
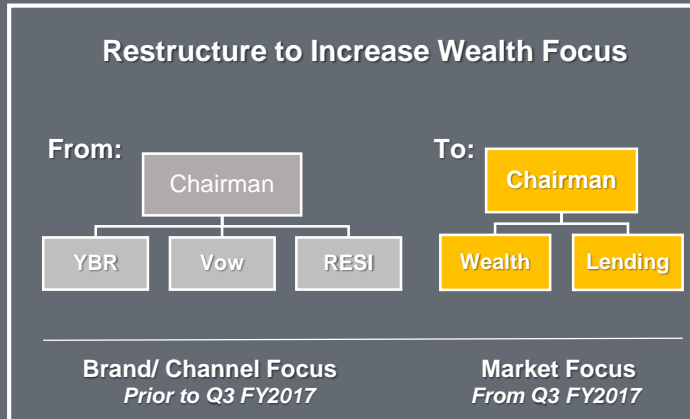
Measures brand ratings amongst those aware. Green = significantly different, in YBR's favour, at 95% confidence level. No colour is neutral. There is no case where YBR is statistically inferior.

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Group reset to address changing conditions in H2

Improve focus on wealth by realign structure & incentives



Increase branch commerciality by adopting franchise model

- Yellow Brick Road branched business transitioning from May
- Move from licence structure to a franchise model
- Important shift to set branded network up for future growth
- New application fees will offset on boarding costs
- Allows introduction of WMAR – incentivise wealth business
- Improves controls, market acceptance & business valuations

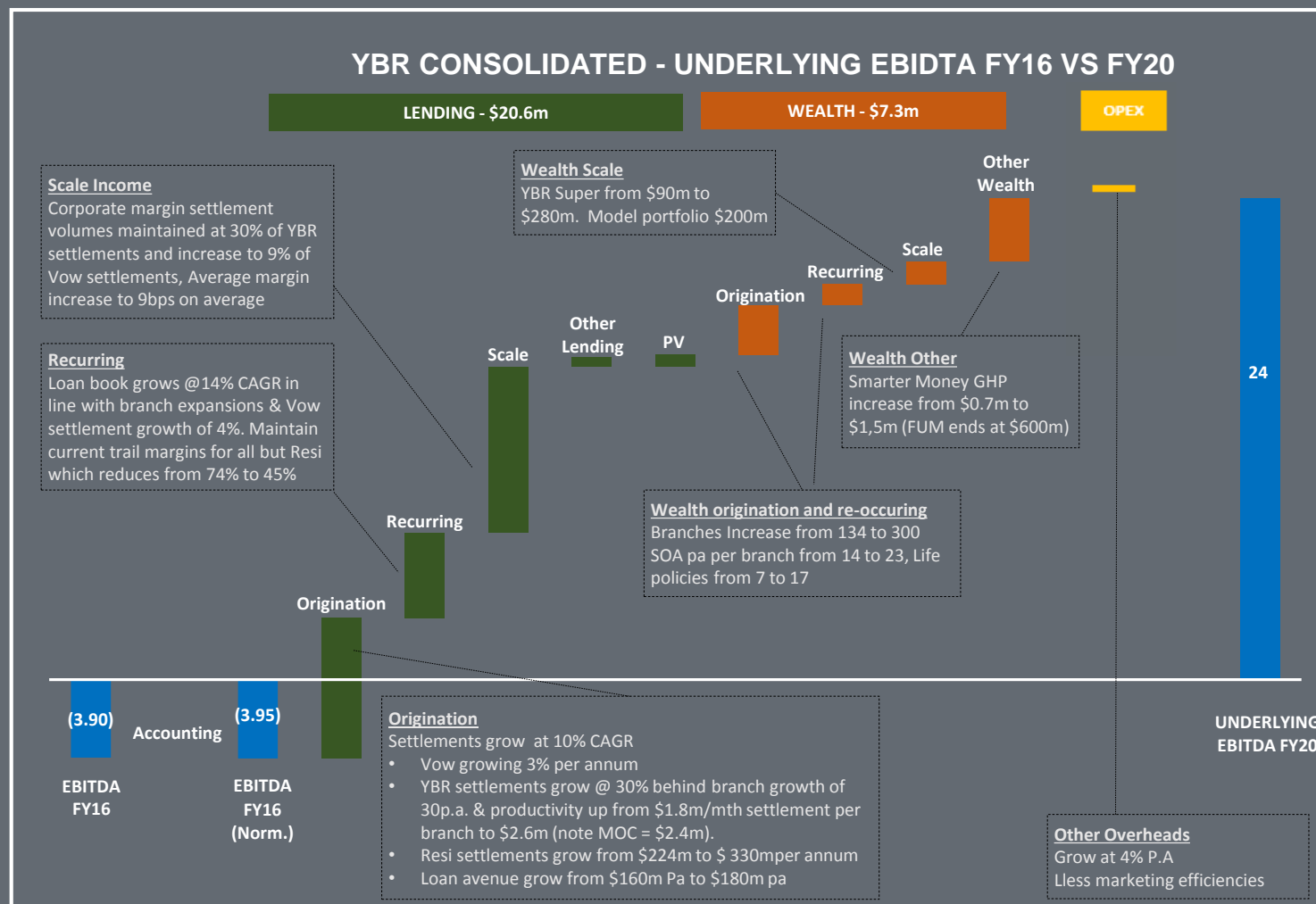
Lift accountability by removing level of management

- Removal of level of management across group August 2016
- General Manager Wealth now reports directly to Chair
- Increases wealth focus – driving out proven wealth model
- Acquisitions now integrated and IT projects complete
- Redundant roles in Lending, Marketing and Wealth removed

Journey to 2020 key drivers



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1. Operating performance review FY2016



FY16 Performance highlights & KPIs

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	FY 2015 ¹	FY 2016	FY16 v FY15
Loan book	\$29.2b	\$37.8b	30%
Settlements	\$12.4b	\$15.9b	28%
FUM	\$668m	\$703m	5%
Total Wealth Income	\$9.4m	\$10.4m	11%
Representatives - Brokers	1,100	1,452	32%
- Advisers	180	504	180%
- Points of Purchase	630	715	13%
Direct Income	\$2.5m	\$4.4m	76%
Own Brand Share – Lending	5%	8%	+3%pts
Group Mkt Share – Lending	3.38%	4.04%	+0.66%pts
Wealth Penetration – % Clients	27.3%	25.8%	(1.5%pts)
<u>Normalised:</u>			
UNPAT	6,679	(4,360)	165%
Underlying EBITDA	2,337	(3,901)	(267%)
Statutory NPAT	(1,407)	(9,528)	(577%)
Gross Margin	16%	16%	(0%pts)
Net Operating margin	1%	(2%)	(3%pts)
Cash>income	6%	3%	(3%pts)
Debt position	5,000	7,600	52%
Net cash	10,784	6,854	(36%)

1: 1H 2015 normalised for 2 months of VOW and RESI pre-acquisition results

P&L



Consolidated Profit & Loss '000	FY 2015 ¹	FY 2016	Var	%
Revenue				
Lending				
Origination Commission Received	75,480	91,272	15,792	21%
Trailing Commission Received (Incl PV)	89,008	107,357	18,349	21%
Total Commission Received	164,488	198,629	34,141	21%
Direct Product Income	2,534	4,409	1,875	74%
Total Lending	167,022	203,038	36,016	22%
Wealth				
Origination Commission Received	4,466	4,653	187	4%
Trailing Commission Received	3,374	3,855	481	14%
Total Wealth Management	7,840	8,508	668	9%
Other	9,624	8,031	(1,593)	(17%)
Total Revenue incl PV	184,486	219,577	35,091	19%
Gross Profit				
Total Lending	17,980	22,883	4,903	27%
Total Wealth Management	2,305	2,332	27	1%
Discontinued operation - Accounting	3,555	2,591	(964)	(27%)
Total Other	5,933	6,618	685	12%
Gross Profit	29,773	34,424	4,651	16%
Operating Costs				
Operating Costs (Excl. Marketing)	23,566	29,523	5,957	25%
Marketing	4,600	8,884	4,283	93%
Acquisition Costs	8,085	2,075	(6,010)	(74%)
Other Non-Cash ²	1,730	6,625	4,985	283%
Operating Costs	37,981	47,107	9,126	24%
Net Profit before Income Tax	(8,208)	(12,683)	(4,475)	55%
Underlying EBITDA	2,337	(3,901)	(6,238)	(267%)
Underlying NPAT	6,679	(4,360)	(11,039)	(165%)

1: 1H 2015 normalised for 2 months of VOW and RESI pre-acquisition results

2: Including 2016 loan book run-off adj.



Balance Sheet

Balance Sheet	Jun-15	Dec-15	Jun-16
Cash	10,784	6,607	6,854
Goodwill (Acquired Businesses)	36,747	36,141	31,821
Prepaid Advertising	2,500	1,647	1,248
Total Debt	(5,000)	(5,000)	(7,600)
Trail commission receivable (Loan Book value)	36,733	38,049	43,324
Deferred tax	(3,598)	(1,706)	(2,417)
Other	1,754	441	(1,558)
Net Assets	79,920	76,179	71,672
Cash and undrawn facilities	18,284	13,507	10,554

- YBR market capitalisation (@\$0.15) \$42m; is below embedded value of loan book
- The loan book is independently valued by Deloitte annually
- Reflects the net present value of future net cash inflows expected from existing loans
- The Group has adequate cash and undrawn facilities

Cash Flow



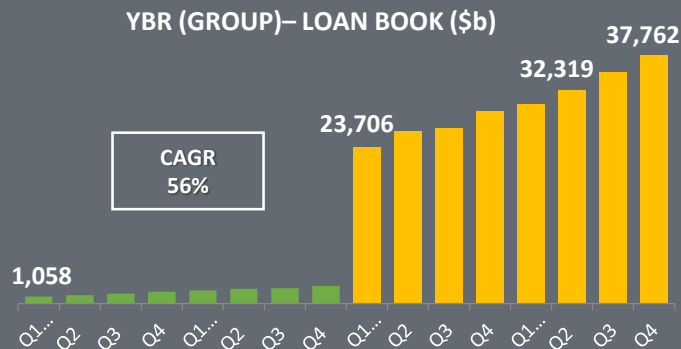
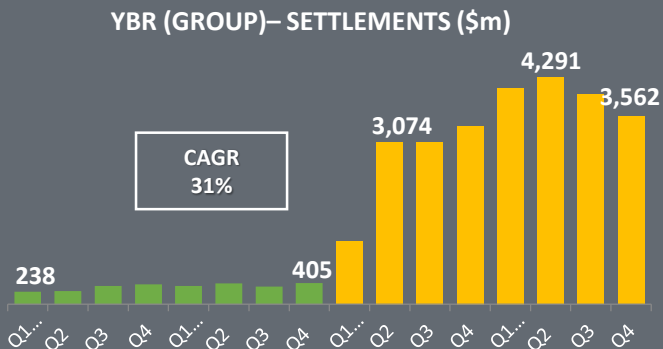
Consolidated	Jun-15	Jun-16
	\$'000	\$'000
Net cash used in operating activities	(\$2,723)	(\$2,388)
Net cash used in investing activities	(\$38,267)	(\$4,828)
Net cash from financing activities	\$39,660	\$3,286
Net decrease in cash and cash equivalents	(\$1,330)	(\$3,930)
Cash & cash equivalents at start of period	\$12,114	\$10,784
Cash and cash equivalents at end of period	10,784	6,854

- \$2.4m in operating activities includes \$2.1m integration and acquisition costs
- \$2.4m cash used in operating activities reconciles to reported EBITDA loss of \$9.1m via:
 - \$3.3 NEC advertising used in FY 2016 payable H1 FY17
 - \$1.1m impact of rent free period for premises lease
 - \$1.8 Non-cash expenditure (marketing, Share based payments Employee provisions)
 - \$0.5m Net other
- \$4.8m of investments includes
 - Acquisition of Loan Avenue and Brightday \$2.8m
 - Web site and lead generation infrastructure \$0.8m
 - Franchising \$0.3m
 - Money Manager \$0.5m
 - Other IT infrastructure \$0.4m
- At 30 June 2016 the company has \$6.9m in cash and \$3.7m in undrawn facilities

Lending – Performance Review



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	FY 2015	FY 2016	FY16 V FY15
Underlying loan book	\$29.2b	\$37.8b	30%
Settlements	\$12.4b	\$15.9b	28%
Applications	\$18.4b	\$25.9b	41%
Pipeline – Value	\$2.1b	\$2.4b	14%
Credit Representatives – Authorised	1100	1452	32%
Credit Representatives – Productivity	\$11.3m	\$11.0m	(3%)



- Loan book now at \$38B up 30% and valued at \$43m on balance sheet
- After a strong H1 (+115% vs PCP) in H2 Vow impacted by lender action against offshore borrowers (+11%)
- YBR settlements up 45% for full year behind strong marketing campaign
- New mentoring program offsets lower productivity with fees and stronger split



Lending – Performance Indicators

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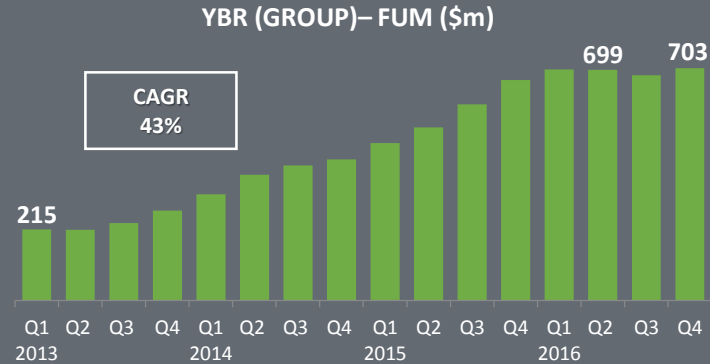
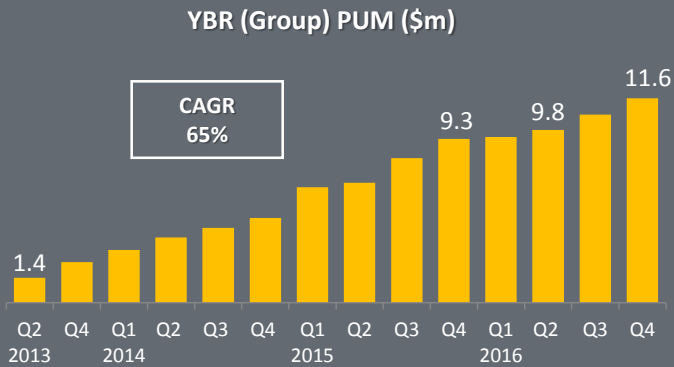
	FY 2015	FY 2016	FY16 v FY15	
Group Mkt Share	3.38%	4.04%	+0.66%pts	▲
Own Brand Share	5%	8%	+3%pts	▲
Loan Mix - Interest only/ P&I	44.3 / 55.7%	22.5 / 77.5%	(21.8%pts)	▲
- Investor/ Owner Occ	38.2 / 61.8%	23.6 / 76.4%	(14.6%pts)	▲
<u>Normalised:</u>				
Origination revenue	\$75.5m	\$91.3m	20.9%	▲
Trail revenue	\$89.0m	\$107.4m	20.6%	▲
Average gross trail rate	17.4bps	17.8bps	+0.4%pts	▲
Average gross upfront rate	64.4bps	63.5bps	(0.9%pts)	▼
Net core [origination + trail]	\$14.2m	\$18.9m	33.2%	▲

- Healthy growth in higher margin own brand business - share up by 3% points
- Lender policy change has driven a more conservative mix of interest only and investor lending
- Trail marginally up due to white label growth
- RESI share of settlements declined in 2016 – impacting upfront margin – FY 17 applications up ~20%



Wealth – Performance Review

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	FY 2015	FY 2016	FY16 V FY15
Investments – FUM*	\$668m	\$703m	5%
Life insurance – PUM**	\$9.4m	\$10.4m	11%
General – Gross Premiums	\$5.6m	\$6.6m	18%
Wealth Revenue	\$9.4m	\$10.4m	11%
AR General #	53	378	613%
AR Personal #	127	126	(1%)



- YBR Super and efficient model portfolios drove growth of 30% vs PP in YBR Super FUM
- Capability drive around protection strategies delivered uplift of 11% vs PCP in life premiums
- Revenue already impacted by lower upfront commissions as advisers move to "hybrid" model
- Growth in AR general growth to 378 driven by Loan Protect accreditation in Vow network

*FUM is Funds Under Management **PUM is Premiums Under Management



Wealth – Performance Indicators

	FY15	FY16	FY16 v FY15	
Wealth Penetration – % Clients	27.3%	25.8%	(1.5%pts)	▼
– % GProfit	8%	7%	(1%pts)	▼
SOA #	1116	1025	(8%)	▼
Life Insurance Policies	1849	2092	13%	▲
Recurrent revenue	3374	3855	14%	▲

- Acquisition of new lending clients has neutralised good wealth growth, holding penetration flat
- Gross margin influenced by higher volume coming from larger branches with larger pay away
- Capability drive around protection strategies delivered uplift of 13% vs PCP in policies
- Up front SOA payments impacted by advisers focusing on ongoing fees and commissions

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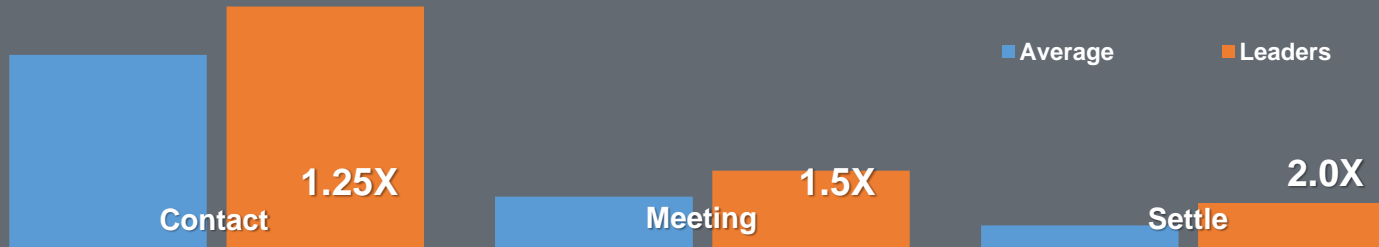
2. 2017 Focus

Driving efficiencies & proving the model



Substantial lift in lending productivity

Train and enable branches to drive toward benchmark targets



Proprietary Ruby tool drives higher conversion of leads

- Smart-phone, lead management app, proprietary
- Branches self-manage leads & connect with prospects
- Prompts, enables and tracks adviser contacts
- Schedules follow-up steps & provides metrics

Investing in skilling new & needy branches

- Doubled the duration of induction training for all
- New seven week credit course to upskill new to market
- Sales training program to help turn leads to meetings
- Further boost to credit coaches on the ground

Recruiting experienced brokers with business acumen

- In branded Yellow Brick Road network
- Focus on candidates with industry experience
- Experienced now around 70% versus 30% previously
- Accelerating ramp-up of new branches and productivity
- Entry level branches grew productivity 117% in FY16

Mentoring program accelerates new talent & is self funding

- Piloted in Vow Financial – 35 cadets to date
- In FY17 expanding to YBR network
- Self funding – pay mentoring fee
- Low risk – reduced base split & forfeit trail if leave
- Provides ready made talent for expanding branches

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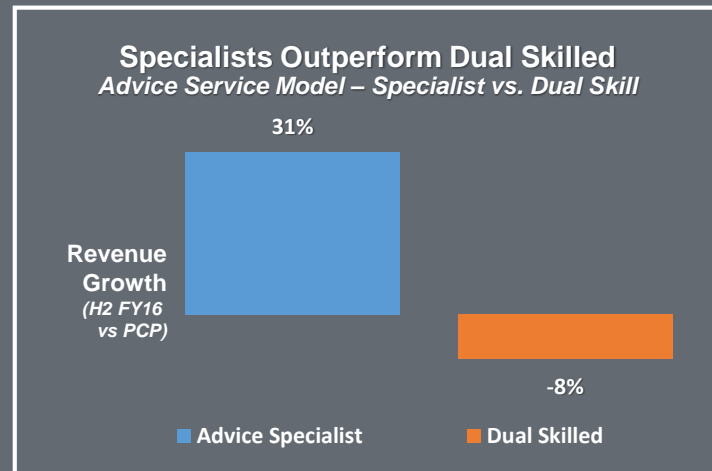


Drive out proven wealth model

Leverage learning & franchise agreement to expand coverage

Double number of branches with specialist wealth advisers

- Specialised adviser much more productive than dual skilled
- Recruiting skilled advisers from salaried competitors
- Franchisor recruits shared planners as entry point
- Advisers attach to single branch as scale grows
- Vow deliver protection in mortgage sale via Loan Protect



Roll-out of wealth CRM to underpin branch profitability

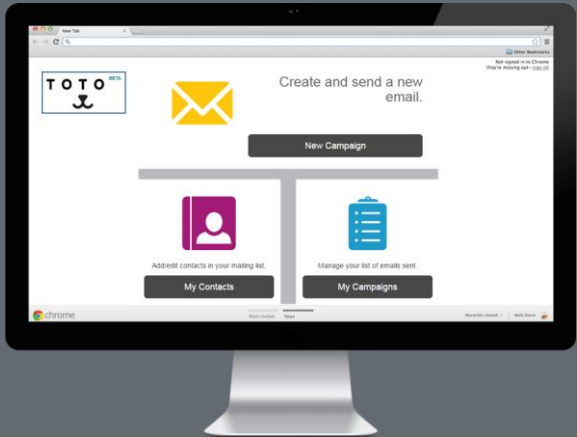
- Mandated financial planning platform across network
- Enables advisers to produce SOA in branch
- Reduces outgoings and pulls forward breakeven for wealth
- Live SOA build is faster /more engaging > higher conversion
- Greater speed to advice implementation and revenue
- Controlled environment improves compliance

Pilot Money Manager cash-flow-management technology

- A pioneering fintech “Financial Management” solution
- Simple consumer app / sophisticated intermediary service
- Connects wealth and lending through cash-flow
- Enables consumers to track and direct spending and savings
- Live tracking of spending and updating of budgets
- Boosts advisers ongoing value proposition

Leverage strong brand and local ownership via branch campaigns

Leverage technology & franchise agreement to expand coverage



Digital marketing platform (Q1) *Unique proprietary local store tool*

- Pre-packaged campaigns – 15 and growing
- Toto a proprietary eMail platform – over 50 email campaigns
- Micro-website optimised for SEO
- Digital lead manager to improve contact & meeting rates

Steadfast Group referral partnership – rollout in Q2

- Largest network of general insurance brokers in Australia
- In FY2015, Steadfast managed > 2 million insurance policies
- Over 150 insurers on panel
- No home loans currently offered within their network
- Activate, campaign and split payments via digital platform
- Enables go live in 3 steps and provides regular reports

Prosperity through property *Consumer direct seminars*

- Capital city seminars
- October focus on property as wealth driver
- Bouris presents three property finance experts
- Branches invite local prospects and referral partners
- February shift to risk and investment wealth focus
- Leverage national branding at local level



Cost discipline to flow to bottom line, solid cash position

- The Company's practice is not to provide specific guidance on future results. But it is noted that:
- Operating momentum
 - FY16 Underlying EBITDA was \$3.9m (loss) after adjusting for non-operating items
 - We expect reduction in FY2017 of over \$5m in operating overheads
 - We anticipate that gross profit will continue to grow
- Non-operating costs
 - FY 16 non-operating items included acquisition costs of \$2.1m (~\$4m in FY15)
 - The Company does not anticipate any significant acquisitions in FY17
 - Outstanding costs associated with prior acquisitions are expected to be below prior years
- Cash to fund operations – at 30 June 2016 the company has
 - \$6.9m in cash
 - \$3.7m in undrawn bank facilities

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END

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APPENDIX



Vision



Yellow Brick Road aims to become Australia's leading non-bank financial services company by 2020 through:

- **Lending** activity that provides scale – with \$38B in loans under management to date, we are pursuing a **\$100billion loan book (~5% mkt)**
- **Wealth** activity that provides margin. We're targeting **wealth penetration of 30%**, predominantly through cross-sell
- **Distribution Network** of local business owners in all communities across Australia, made up of **300 branches** and 1000 broker groups
- **Strategic partnerships** that leverage our scale to **contribute 10% of income** without the complexity or cost of vertical integration

Lending strategy

Target: \$100B underlying mortgage book by 2020



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The screenshot shows a website's navigation bar with the following items: Home (highlighted), Home Loans, Financial Advice, Insurance, Superannuation, Cash and Investments, About Us, and Find Us. Below the navigation bar is a promotional banner titled "How does your rate compare?". The banner features a large digital display showing "3.68" followed by "% p.a.". To the left of the display, text reads: "Switch to our 3.68% p.a. comparison rate* for the Rate Smasher Home Loan and you could save tens of thousands of dollars over the life of your loan." Below this text is a yellow button labeled "Start saving" with a right-pointing arrow. At the bottom of the banner, there is a legend: "Comparison rate* Rate Smasher Home Loan" with three colored dots (blue, yellow, blue) corresponding to the numbers in the display.

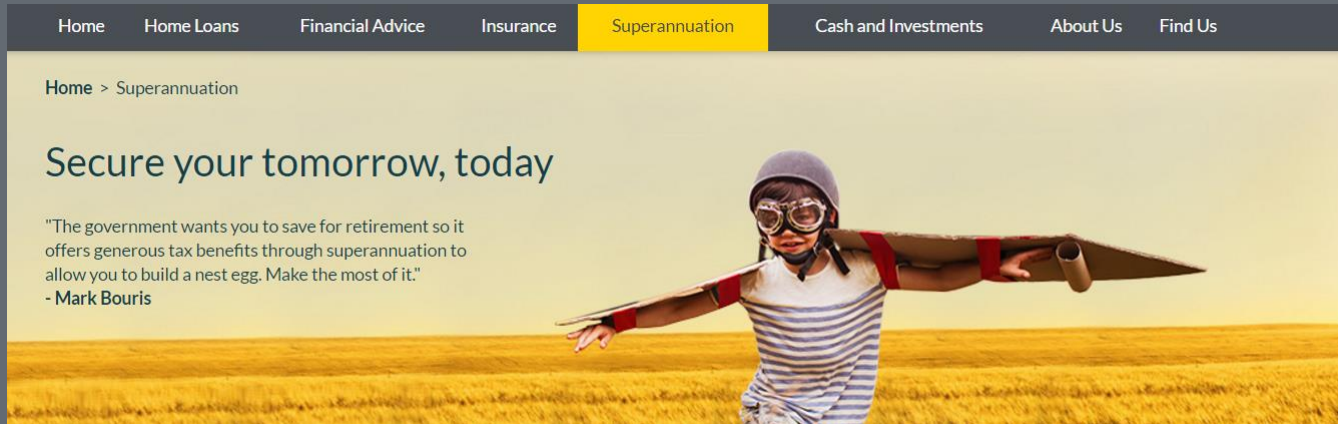
- **Maintain growth in points of distribution – double YBR to 300, Vow to 1000**
- **Accelerate ramp up of new franchisees through targeting and mentoring**
- **Drive YBR lending growth through local area lead generation program**
- **Maximise lead conversion through technology and sales training (new)**
- **Lift margin through investment in own brand products**

Wealth Strategy

Target 30% of Group Gross Profit by 2020 (2013 was 30% for YBR)



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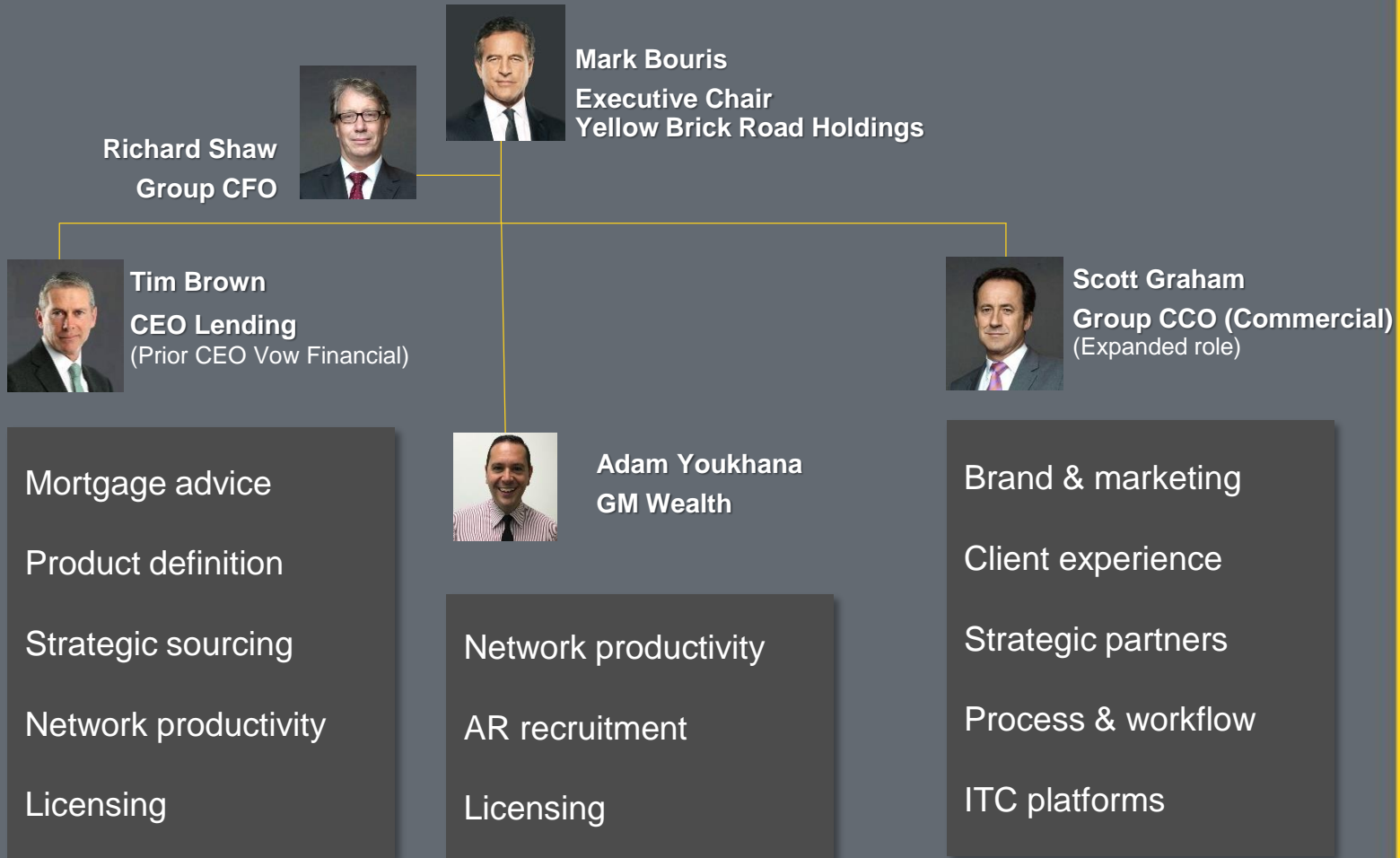


- **Leverage trust established with lending clients for warm introduction of wealth**
 - Embed wealth into mortgage transactions to initiate wealth journey earlier
 - Engage legacy lending clients via digital communications
- **Extend dedicated full service wealth advice capability to all branches**
- **Complete wealth technology set matched to needs of advice network**
- **Innovate to challenge and disrupt traditional planning model (FY2017 Pilot)**
- **Leverage YBR brand for a digital direct offer for self directed consumers (FY2018)**

New Group Structure



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- Improve focus on wealth and leverage YBR capability across group
- Enhance lending momentum by uniting lending operations for scale
- Create an operations centre of excellence for group-wide benefit