



FLEXIGROUP 

1H FY18 Results

20 February 2018

Symon Brewis-Weston
Chief Executive Officer

Ross Aucutt
Chief Financial Officer

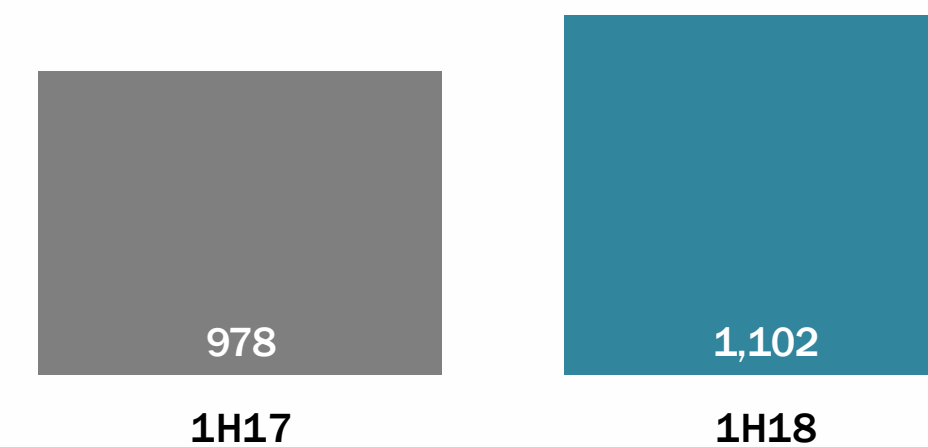


Volume growth & restructuring leaves company in strong position to deliver guidance for FY18

- › Overall group volume growth of +13%
- › Total receivables \$2.249bn +4%
- › Cash NPAT result within full year guidance range, underlying Cash NPAT \$44.0m
- › Reported Cash NPAT \$41.5m after \$2.5m restructuring costs absorbed in core result
- › Statutory NPAT (\$50.0m) after accounting for goodwill impairment and intangible assets on Consumer Lease product
- › FY18 Cash NPAT guidance reconfirmed at \$85-\$90m

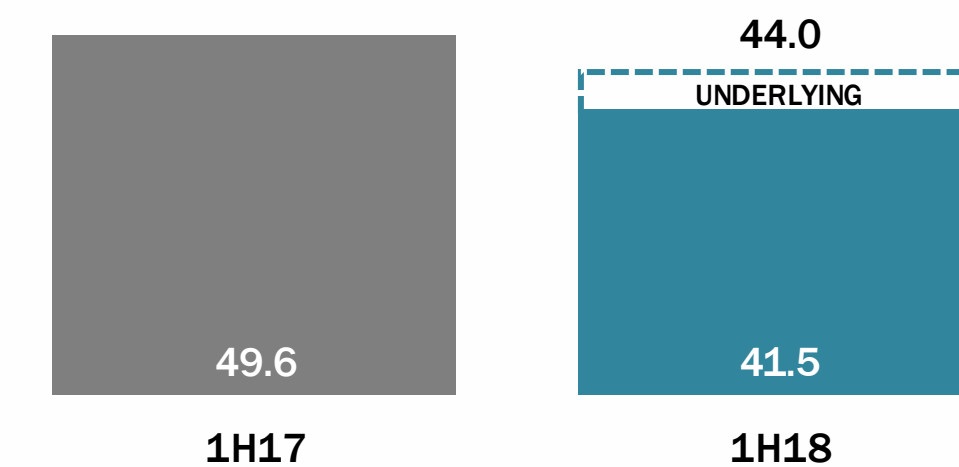
Volume

\$1,102m, +13%



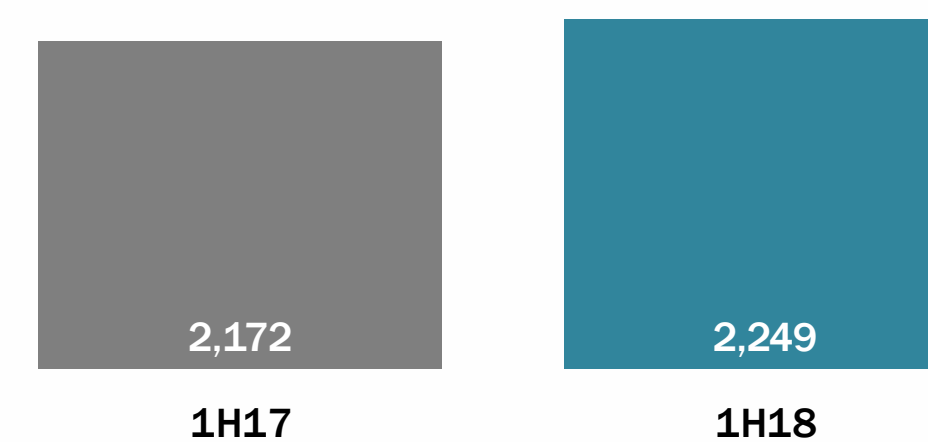
Cash NPAT

\$41.5m, (16%)



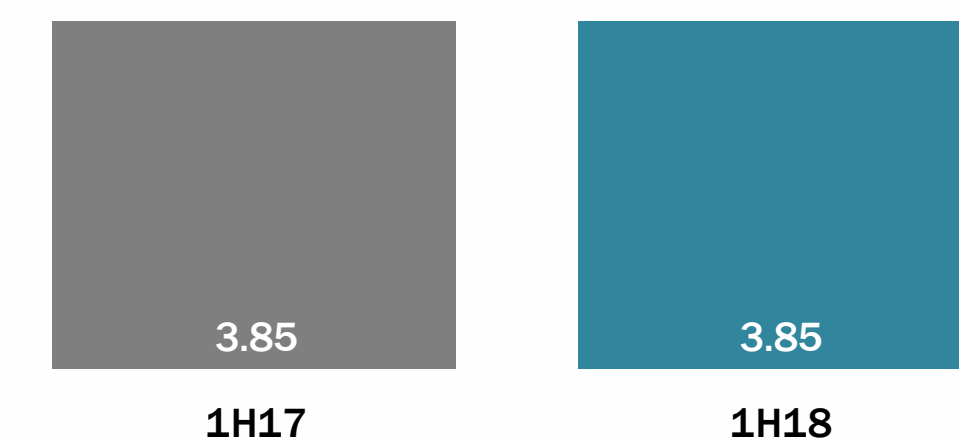
Receivables

\$2,249m, +4%



Dividends per share (cents)

3.85, +0%

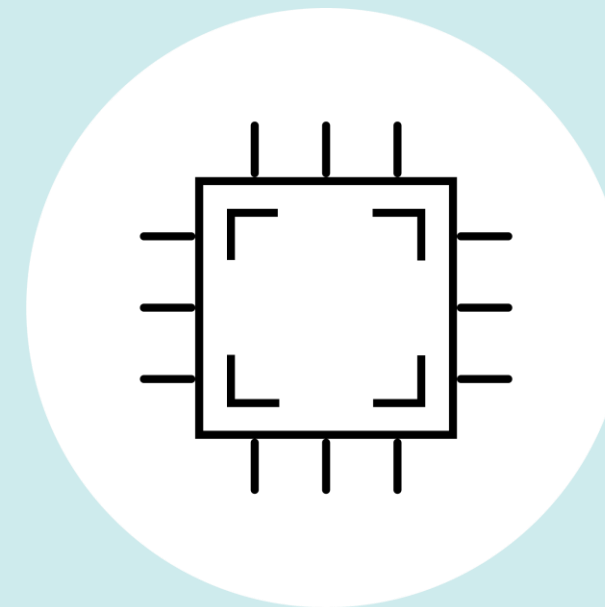


3 key strategic themes in building a sustainable growth orientated business



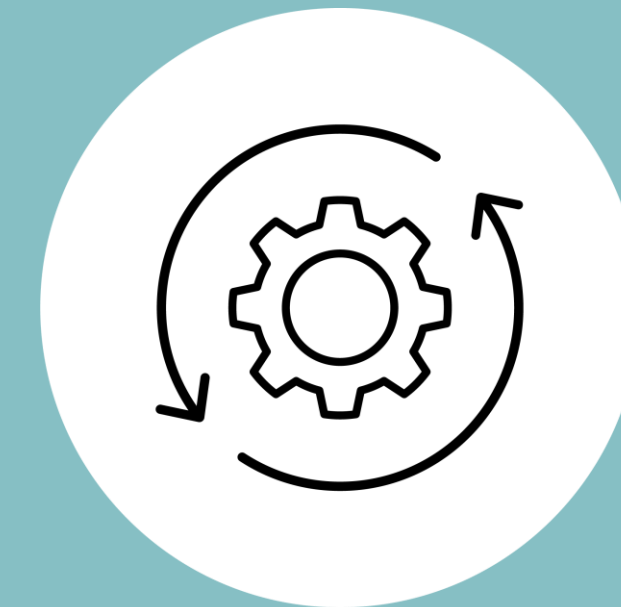
GROW

- › Imperative to re-establish organic growth as fundamental driver of shareholder value



DIGITISE

- › Enhance our value proposition to our customers through improved use of technology, in addition to delivering cost efficiencies and simplification




OPTIMISE

- › Optimisation opportunities will deliver material earnings upside through consolidating platforms, refining funding structures and integrating group functions

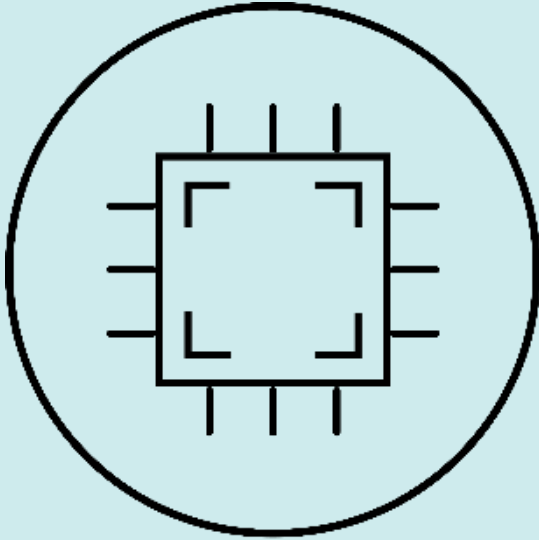
3 key strategic themes - GROW



THEME	KEY INITIATIVES	CURRENT STATUS
 GROW	› Certegy – growth through leveraging existing sellers & targeted sector expansion	› Multiple process and digitisation enhancements launched in 1H FY18
	› New AU consumer lease product to be launched 2H FY18	› Product launched mid Feb-18. Strong engagement with key seller partner
	› New AU card launch 2H FY18 with enhanced customer value proposition	› Platform built with pilot running. Card launch on track for 2H FY18. NZ product launch now delivering significant growth
	› Consolidate AU consumer sales team, leveraging products and scale	› Sales and BD teams realigned. Sales strategy across products next focus
	› Commercial – establishment of managed services product offering	› Product launched to market. First deal signed and being on-boarded

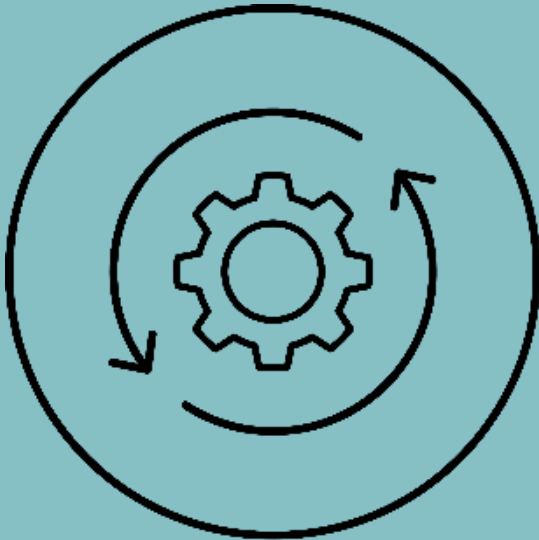
3 key strategic themes - DIGITISE



THEME	KEY INITIATIVES	CURRENT STATUS
 DIGITISE	› End to end digitisation of Certegy	› Digital acceptance being rolled out reducing on boarding from 10mins to 3mins
	› Launch Certegy seller app to enhance engagement and value	› Seller app built and well received. Roll out in progress
	› New digitised Consumer Lease to drive buyer and seller benefits	› Refreshed product launched within major channel Feb-18
	› Migration to centralised credit decisioning platform	› Consumer Lease on platform. Commercial leasing in progress
	› Deliver Oxipay to market as low cost customer acquisition channel	› Initial product launched and gaining traction. Enhancements to come

3 key strategic themes - OPTIMISE



THEME	KEY INITIATIVES	CURRENT STATUS
 OPTIMISE	› Migration towards target systems architecture, consolidating back end systems	› New products being developed on target architecture. New AU Card being launched onto existing NZ Cards platform
	› Centralise marketing to leverage investment & capability	› AU Consumer marketing on track for full consolidation
	› Implement group wide CRM and centralised data analytics capability	› Seller CRM build commenced – group wide roll out next phase
	› Deliver synergies through implementation of shared service model	› Integration of functions designed – next step to roll out across group › \$5-10m run-rate savings achieved in 1H. More to come in 2H
	› Maximise efficiency of funding structures	› AU Cards facility in place with further enhancements to come AU + NZ

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Financial Results

1H FY18 results delivered per expectation - on track to deliver FY18 guidance



FlexiGroup (\$m)	FY17 1H	FY17 2H	FY18 1H	Growth HoH%
Underlying Cash NPAT	49.6	43.4	44.0	1%
Restructuring Costs absorbed (after tax)	-	-	(2.5)	n/a
Cash NPAT ¹	49.6	43.4	41.5	(4%)
Volume	978	974	1,102	13%
Closing Receivables	2,172	2,168	2,249	4%
ROE % ²	16%	14%	13%	(1%)

NOTES: 1. Cash NPAT excludes amortisation of acquired intangibles \$2.4m (1H17: \$1.9m), impairment of assets \$89.1m. 2. ROE calculated based on Cash NPAT.

Statutory NPAT to Cash NPAT Reconciliation



- › Per announcement to ASX on 7 Feb 2018, decision taken to retire existing Consumer Lease product and launch new product into market
- › This has led to impairment of goodwill and other intangible assets driven by the retirement of existing Consumer Lease product

A\$m	1H17	1H18	v PCP %
Profit after income tax on a statutory basis	\$47.7	\$(50.0)	(205%)
Non-cash items			
Amortisation of acquired intangible assets	\$1.6	\$2.4	50%
Impairment of goodwill and intangible assets	\$0.0	\$89.1	n/a
Other adjustments	\$0.3	\$0.0	(100%)
Total non-cash items	\$1.9	\$91.5	4716%
Group Cash NPAT	\$49.6	\$41.5	(16%)

Australia Cards

- › Strong customer growth continues +30%
- › Volume +51% v pcp driven by new customer acquisitions and increasing spend behaviour
- › Customer spending up +69% v pcp
- › Receivables +48% with increasing portion interest bearing
- › Optimisation of platform onto existing NZ Cards platform will deliver operating leverage
- › Increased Cash NPAT contribution expected in FY19



Active Customers

171k, +30%



Volume

\$358m, +51%



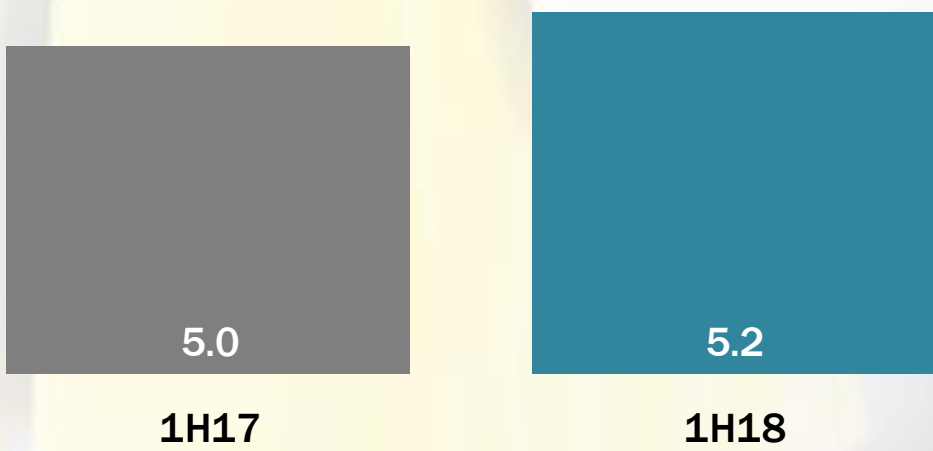
Closing Receivables

\$575m, +48%



Cash NPAT

\$5.2m, +4%



New Zealand Cards

- › Strong volume growth +12%, double system growth
- › Major focus on cost reduction leading to lower cost base from 2H FY18
- › Volume growth expected to continue off the back of a number of new customer engagement initiatives

Active Customers

384k, (2%)



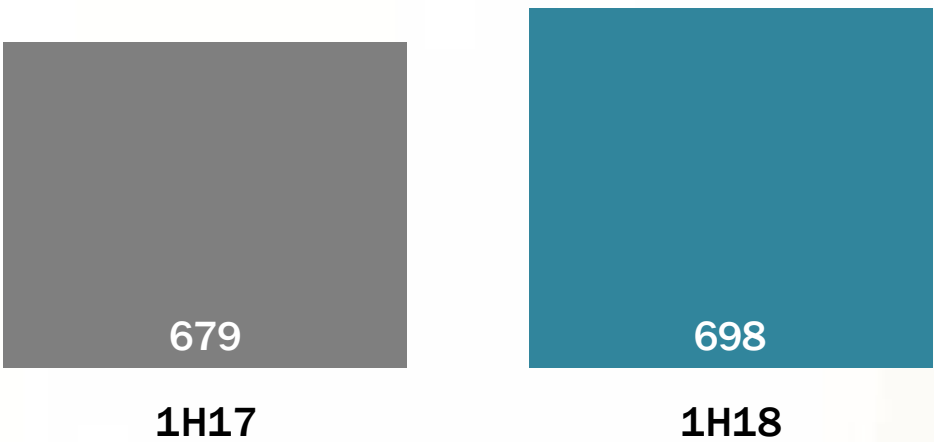
Volume (NZD)

\$363m, +12%



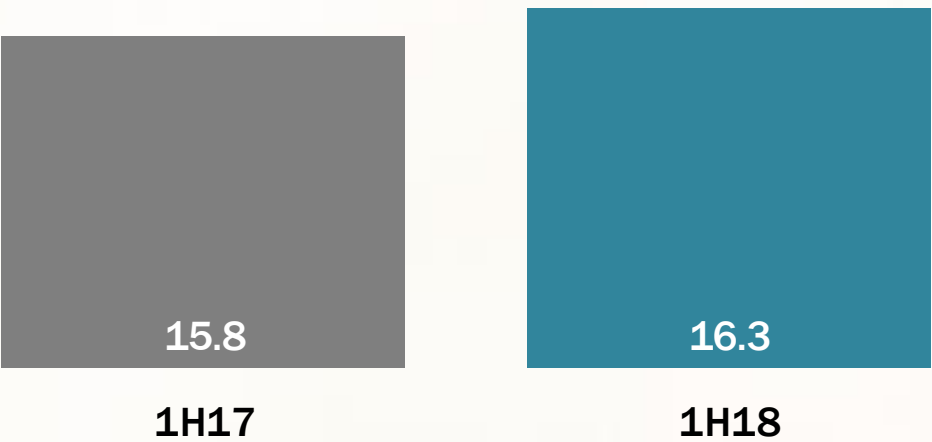
Closing Receivables (NZD)

\$698m, +3%



Cash NPAT (NZD)

\$16.3m, +3%



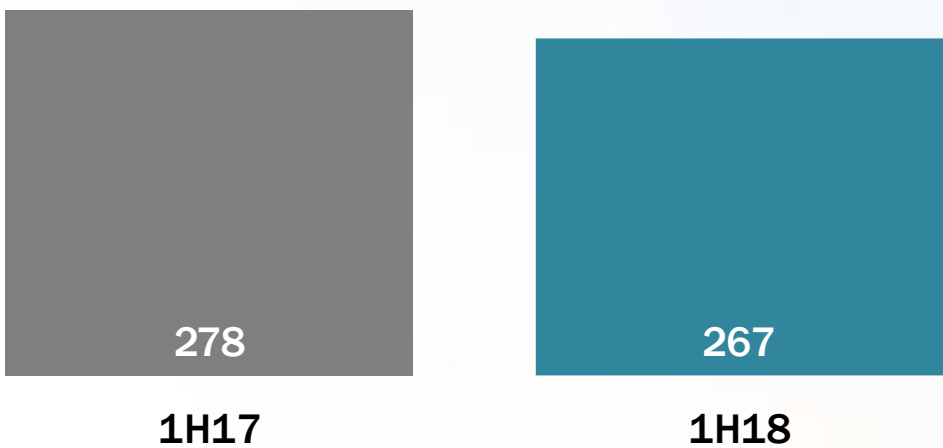


- > Volume -4% v pcp but trend improving at +7% v 2H17
- > Volume mix remaining stable across segments
- > Cash NPAT -9% impacted by investments in digital capability plus restructuring costs absorbed
- > Result significantly improved versus guidance of \$7-9m Cash NPAT reduction across FY18



Volume

\$267m, (4%)



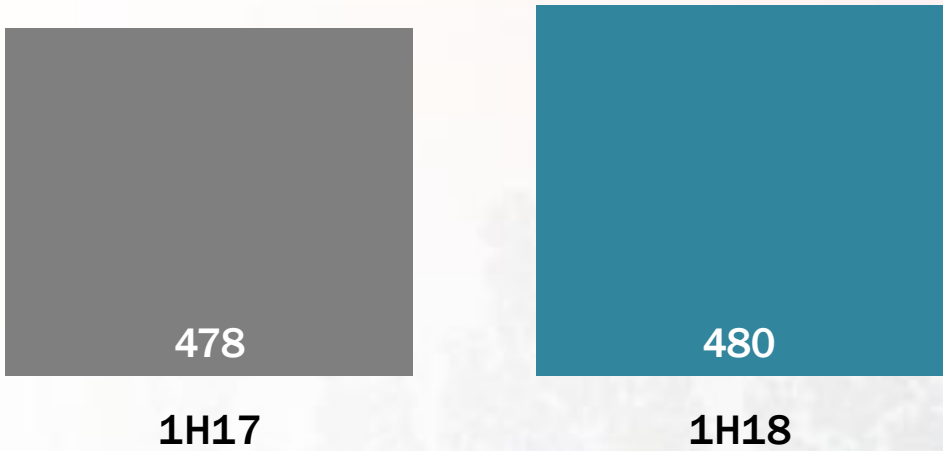
Certegy Volume Mix (\$m)

■ Retail & Homeowner ■ VIP Non-Solar ■ Solar



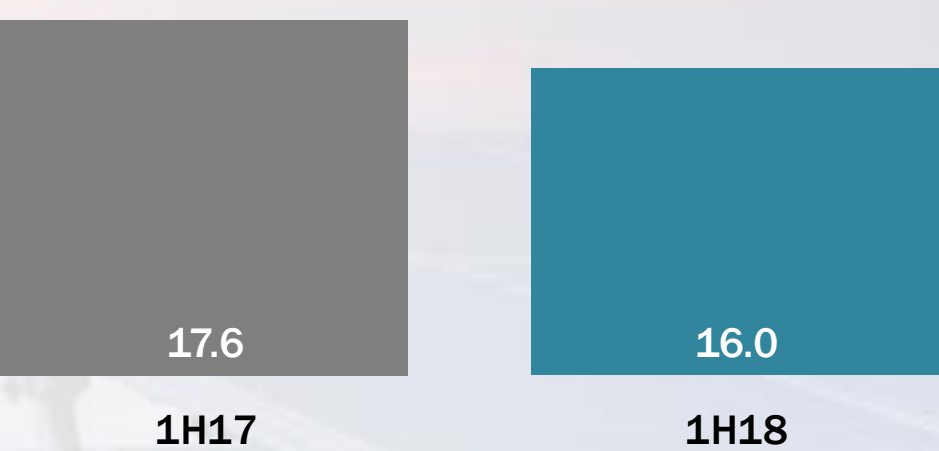
Closing Receivables

\$480m, +1%



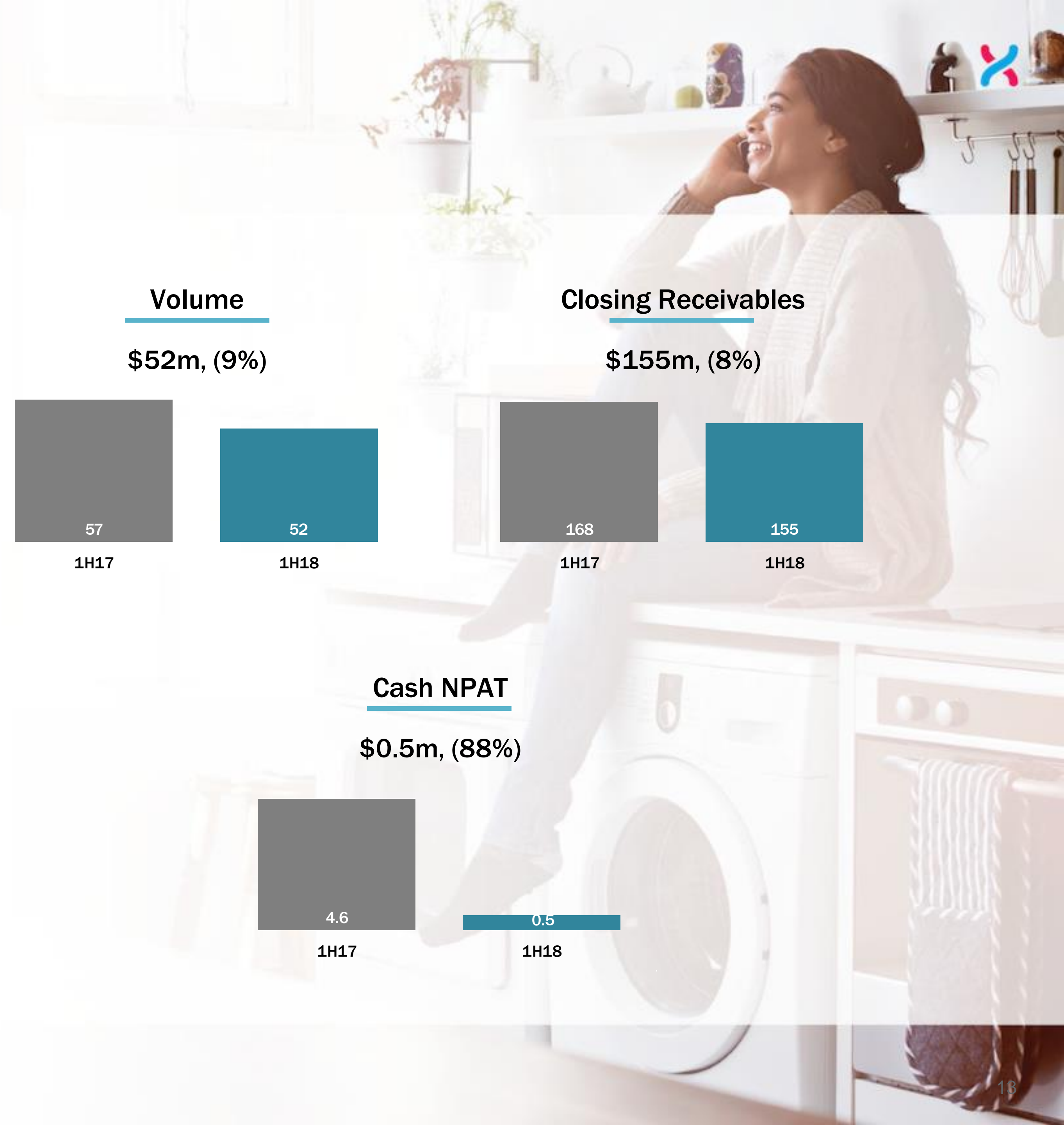
Cash NPAT

\$16.0m, (9%)



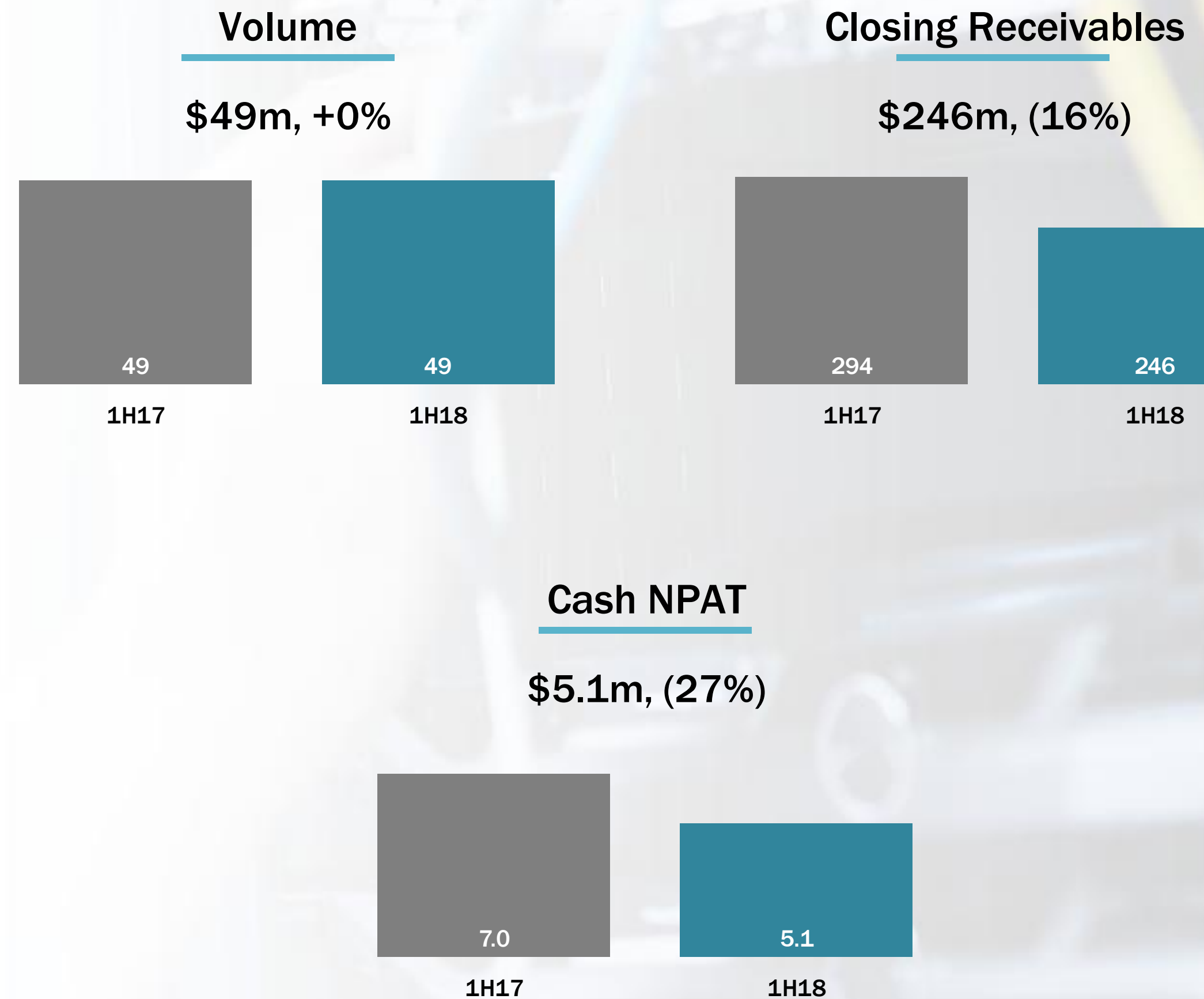
Consumer Leasing

- › New AU consumer lease product released in market February 2018
- › Existing Flexirent product retired – replaced by Lisa
- › Cash NPAT impacted by lower AU lease volume in addition to investment in both new product and Ireland (refer to FY18 guidance)
- › Current AU consumer lease portfolio will run down - product profitability repositioned to improve customer value and differentiate from competition



AU Commercial Leasing

- › Volume maintained during restructuring and systems rebuild
- › Digitised origination platform in pilot phase. Live 2H FY18
- › Managed Services platform operationalised and on-boarding of first contracts commenced
- › Repositioning of broker proposition and engagement
- › Receivables decline impacted by run down of legacy Enterprise portfolio



New Zealand Leasing

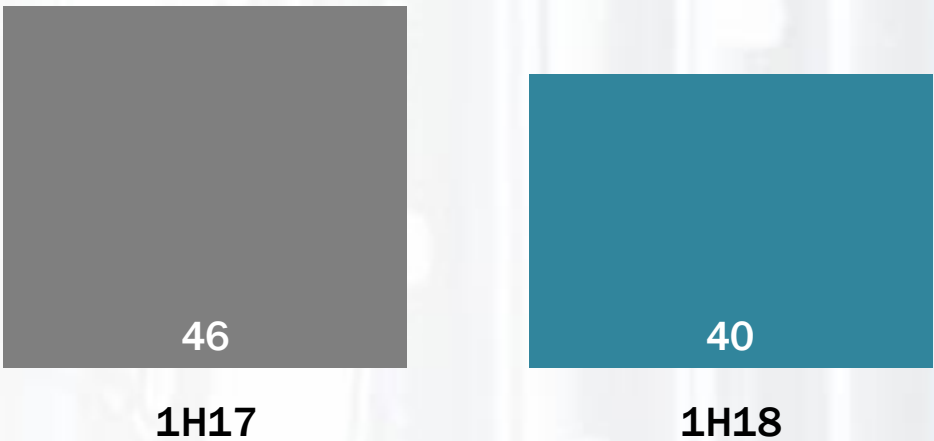


- › Managed services offer launched, leveraging Australian infrastructure
- › TELA contract re-secured for further 3 year term (circa \$70m volume over 3 years)
- › Focused on growing high quality business. Key discussions progressing with a number of government departments and corporates on long-term programme agreements
- › Relunched SME leasing product through major retail channel in addition to developing a new consumer leasing product



Volume (NZD)

\$40m, (13%)



Closing Receivables (NZD)

\$173m, (12%)



Cash NPAT (NZD)

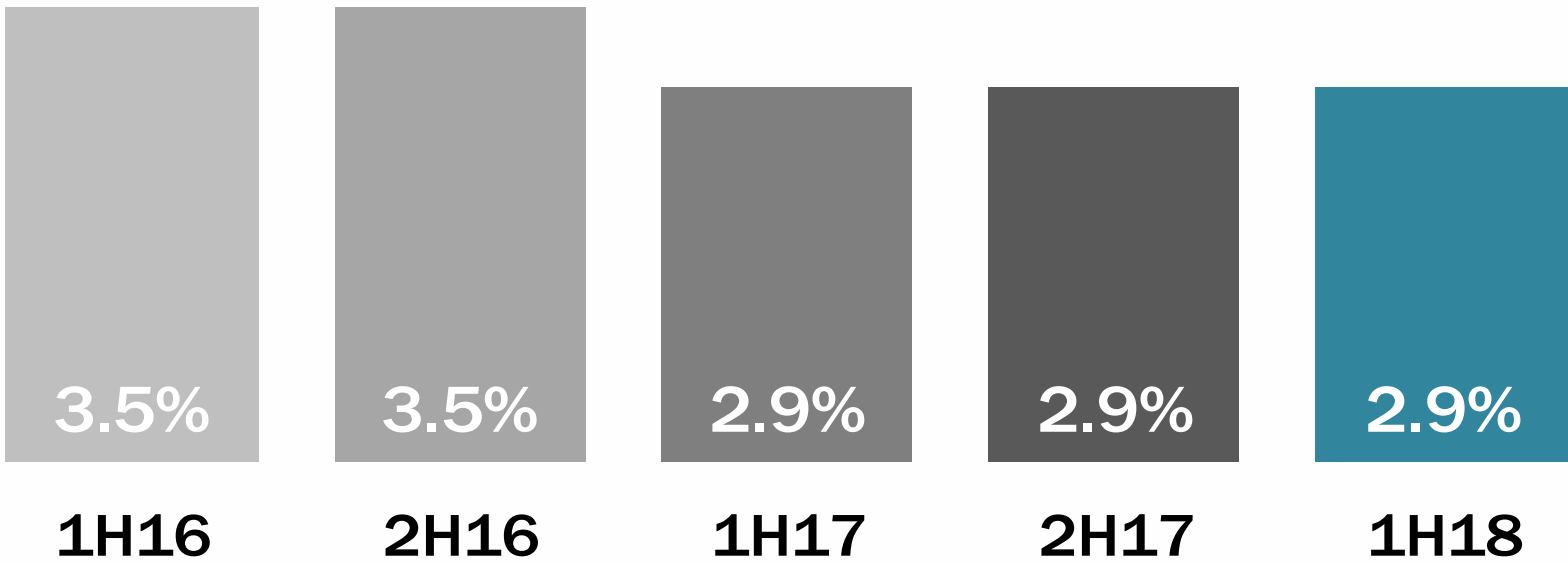
\$9.3m, (6%)



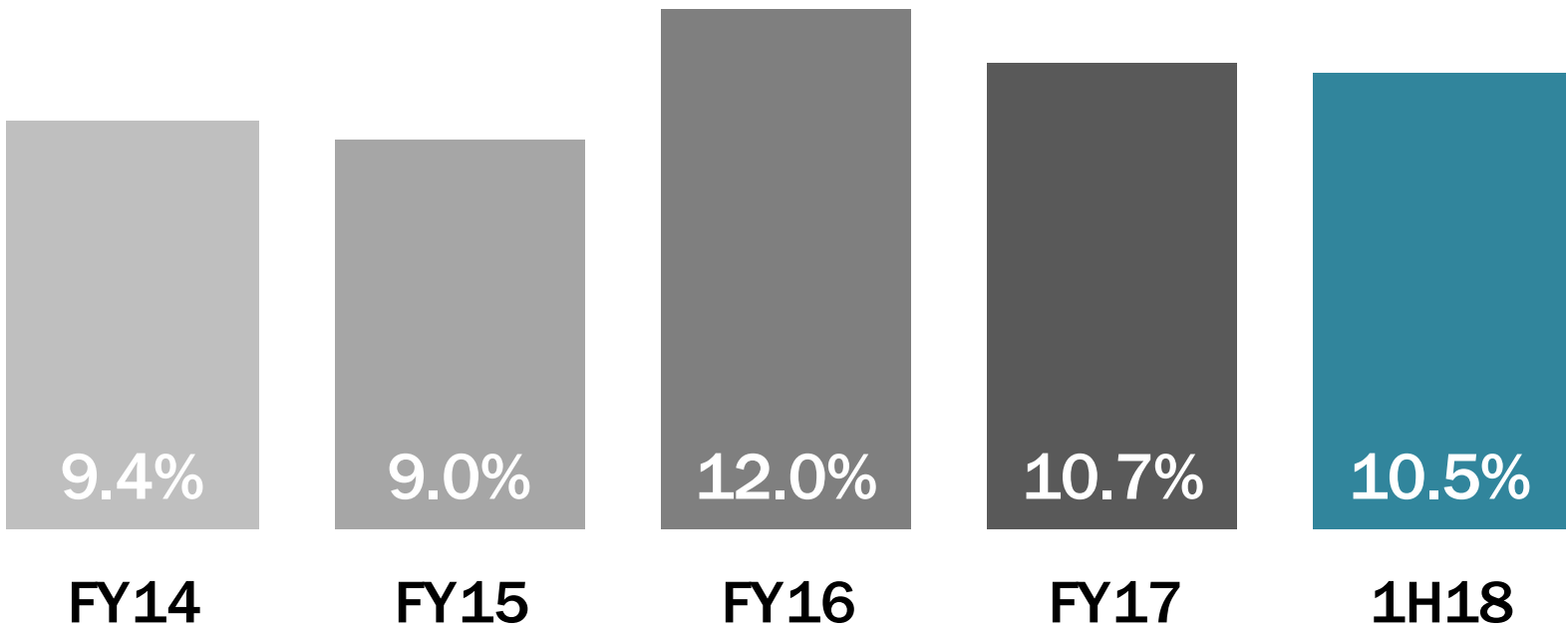
Impairment costs improving – strong receivables management paying dividends



FXL Group Impairment / ANR %



Total Arrears / Receivables

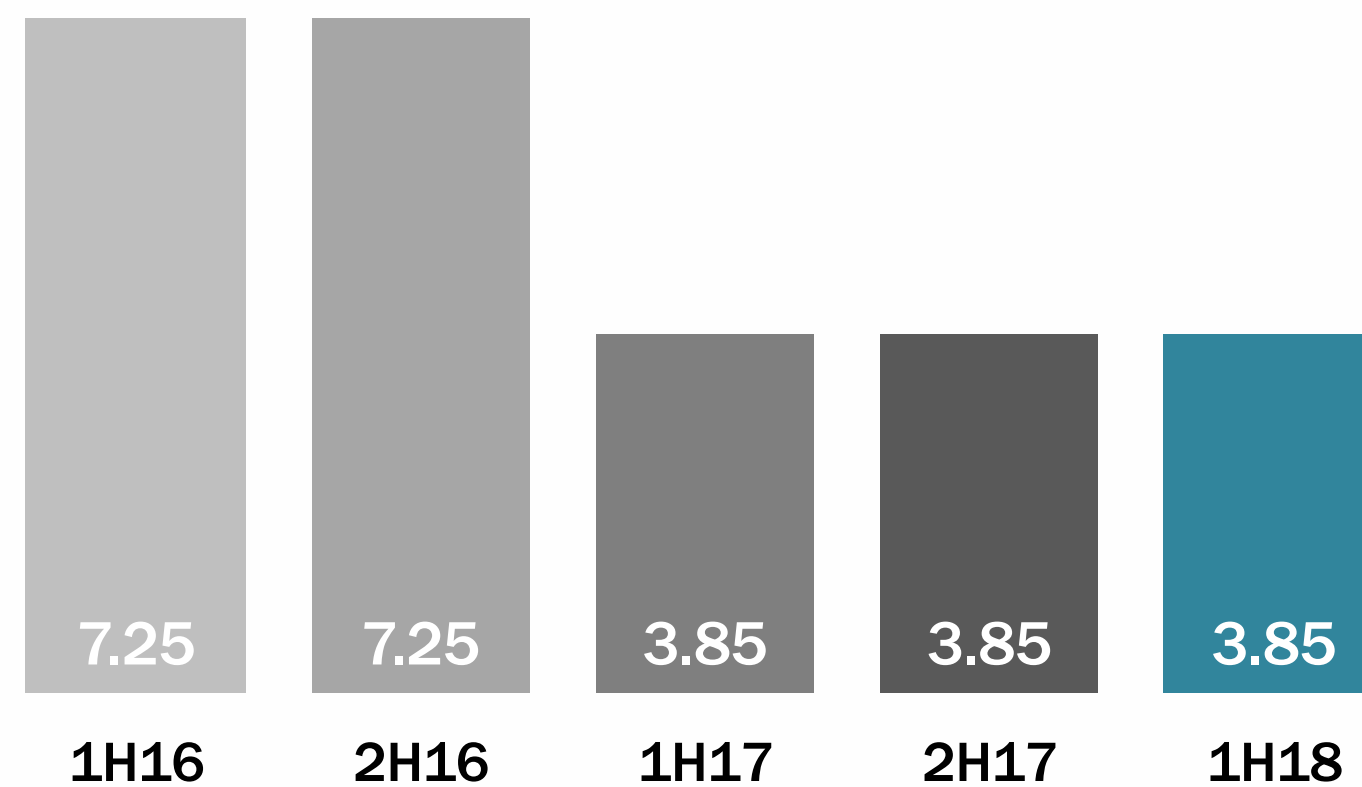


- › Results underpinned by continued collections improvement delivered by investment in new credit process and strong receivables management
- › Further improvement expected from rebuild of later stage debt management and recoveries processes
- › Shift to lower risk commercial segments
- › New Consumer Lease product to drive lower impairments in that segment

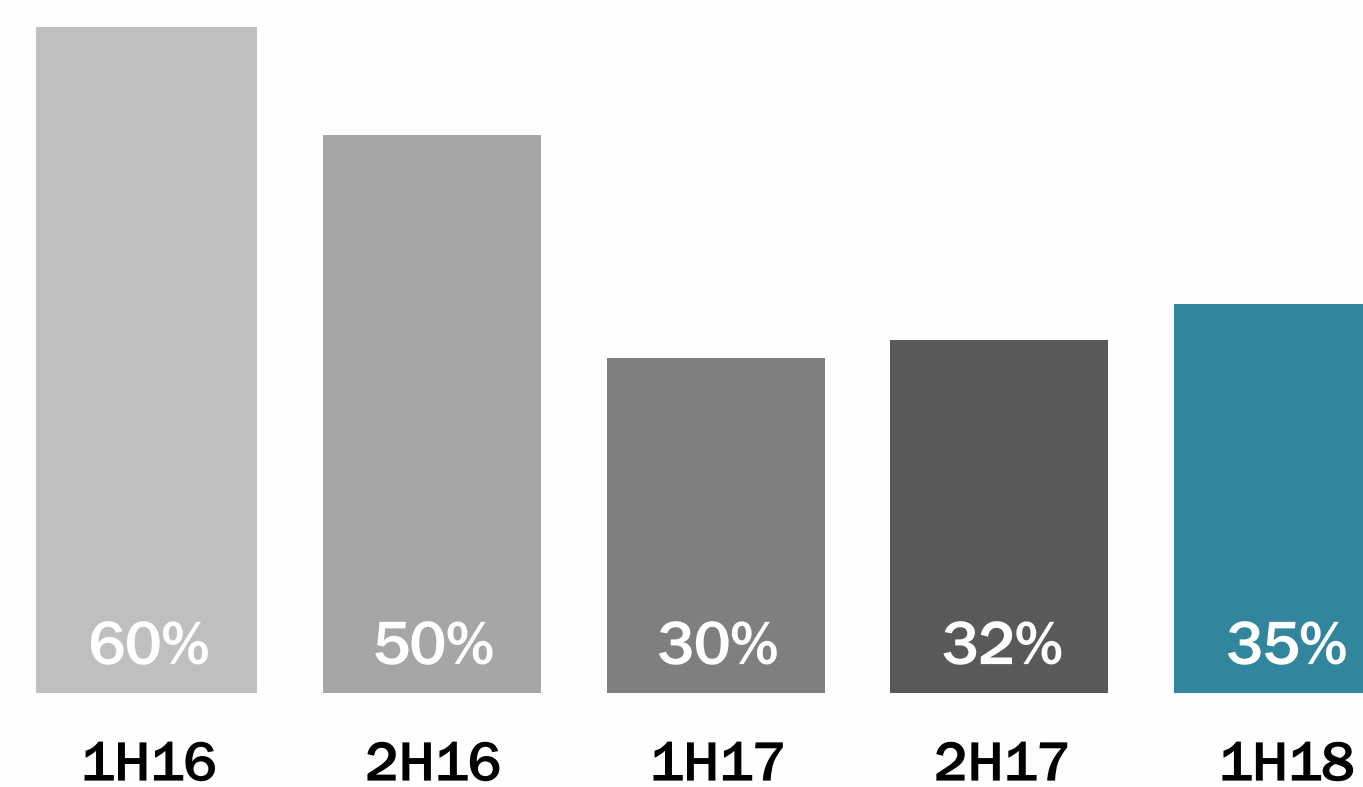
Capital Management – deleveraging and dividends



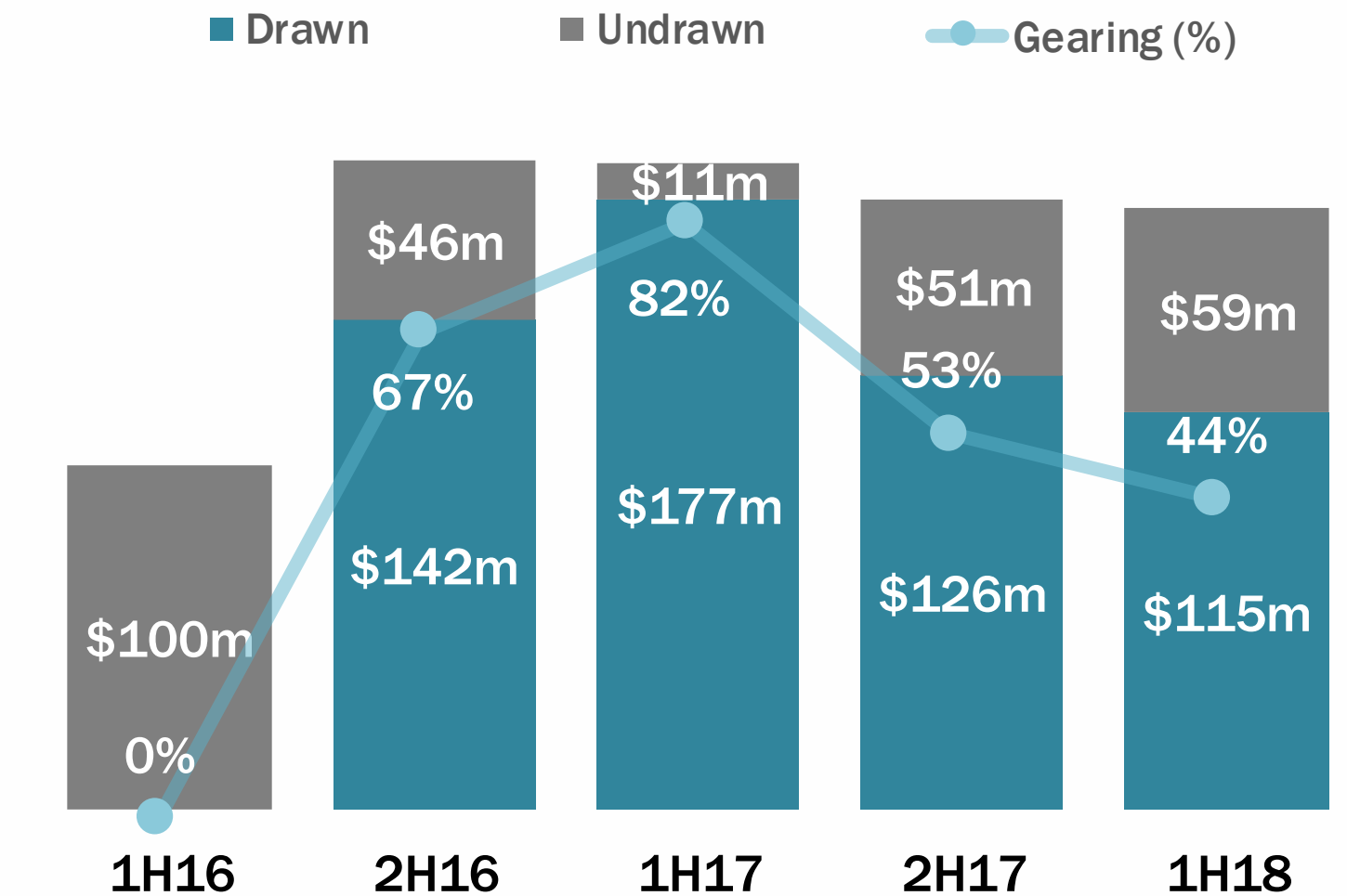
Dividends per share (cents)



Dividend Payout Ratio



Corp Debt Facilities



Note: Gearing is recourse (corporate) borrowings as a percentage of equity excluding intangible assets.

- › Final dividend declared – 3.85 cents in line with 2H FY17, 100% franked
- › Corporate debt reduced by \$62m YoY – gearing reduced to 44% from 82% pcp
- › Continuing to deleverage in 2H FY18

Cost reduction and efficiencies to drive down cost to income ratio



1H FY18 actions taken

- › Significant restructuring undertaken in 1H18 leading to \$3.6m (pre-tax) restructuring costs absorbed in results
- › Rationalisation of headcount - focused on mid and back office functions
- › Renegotiation of multiple key supplier contracts
- › Implementation of new cost management platform
- › Roll out tightened policies on discretionary expenditure

Actions taken 1H FY18 will generate \$5-10m annual run rate expense savings

Next steps to drive further cost efficiencies

- › Additional key supplier contracts to be renegotiated
- › Release synergies from platform consolidations
- › Implementation of shared service model
- › Group wide roll out of cost management platform
- › Ensure full cost benefits realised from previous actions

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Business Outlook

Strong plans in 2H FY18 - GROW



THEME	KEY INITIATIVES	NEXT STEPS
 GROW	› Certegy – growth through leveraging existing sellers & targeted sector expansion	› Execute strategy to leverage consolidated AU Consumer sales team and complete roll-out of digital and process enhancements
	› New AU consumer lease product to be launched 2H FY18	› Product launched mid Feb-18. Strong engagement with key seller partner and customers
	› New AU card launch 2H FY18 with enhanced customer value proposition	› Brand and card launch on track for May-18. Buyer migration plan to consolidated cards platform next priority
	› Consolidate AU consumer sales team, leveraging products and scale	› Group wide sales strategy to be developed and implemented during 2H
	› Commercial – establishment of managed services product offering	› Existing signed contracts to be funded and other opportunities closed

Delivering sustainable long term growth in Certegy

Significant progress made with focus on front end digitisation

Execution Priorities	Current Status
Digitise approval process and reduce time to 'yes'	<ul style="list-style-type: none">› Digital acceptance live at 89% of sellers removing paper contracts› Application processing time reduced from 10 to 3 mins› Currently rolling out across all sellers by Mar-18
Develop and roll out digital merchant app	<ul style="list-style-type: none">› App developed with key sellers currently live› Other top accounts currently being targeted for transition to app
Build shopping cart integration on multiple platforms	<ul style="list-style-type: none">› Integration technology has been built - roll out commenced
Develop sales strategy and target growth segments	<ul style="list-style-type: none">› Growth verticals identified with technology and pricing being used as key value proposition

Certegy Ezi-Pay Authorisation Process

Pre & Post Digitisation

Pre-digitisation

09

pages of text

56

pieces of data



print out and sign

10

minutes to complete

Post-digitisation

03

pages of text

04

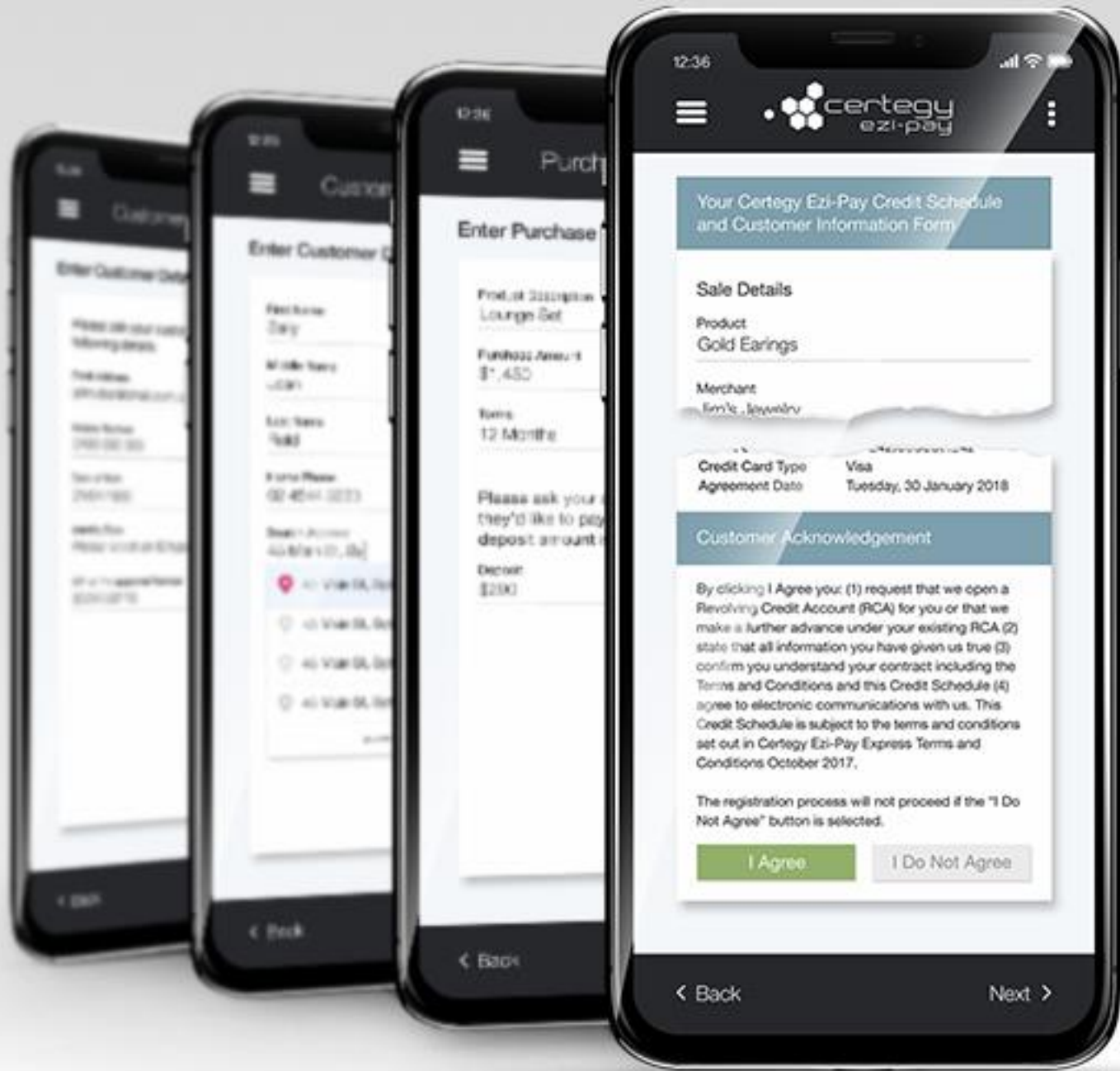
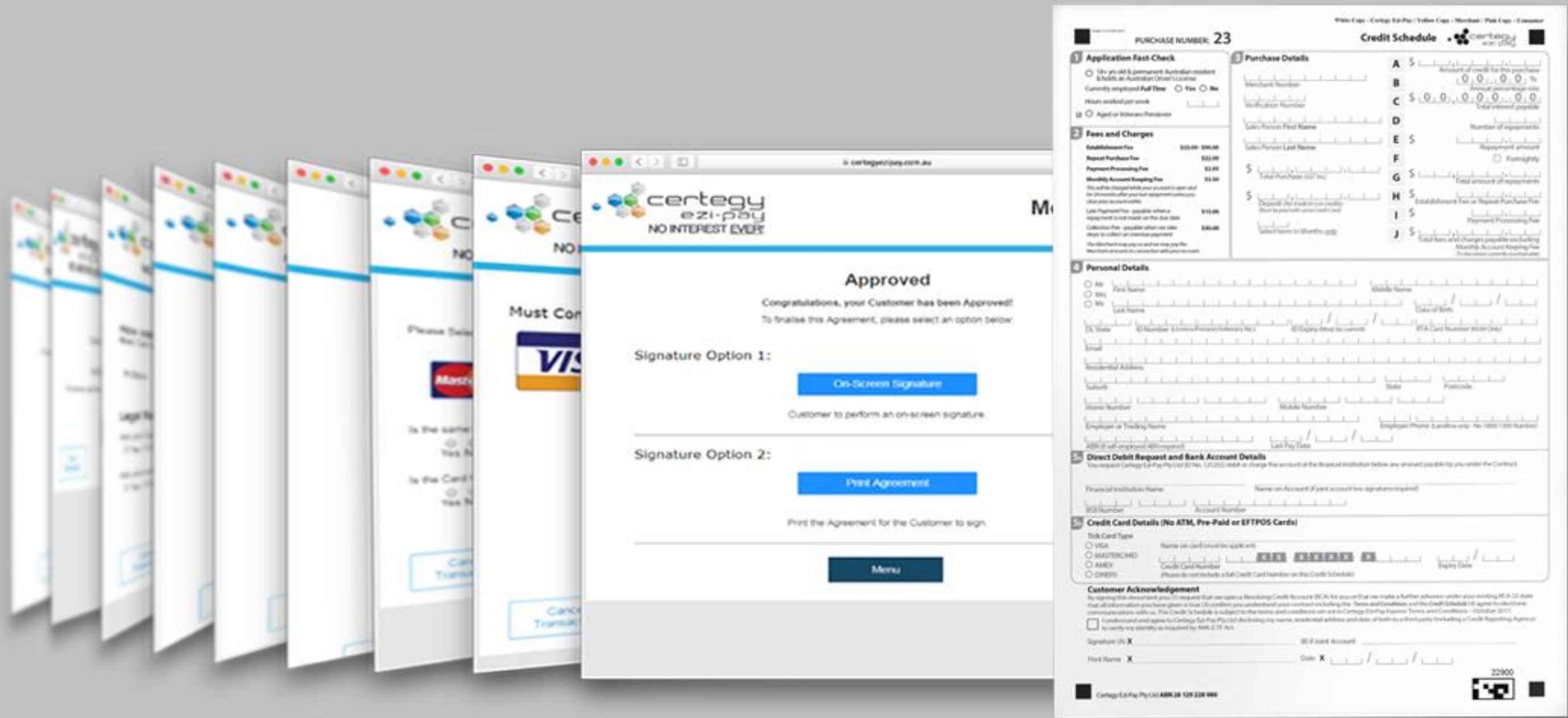
easy steps



paperless contract

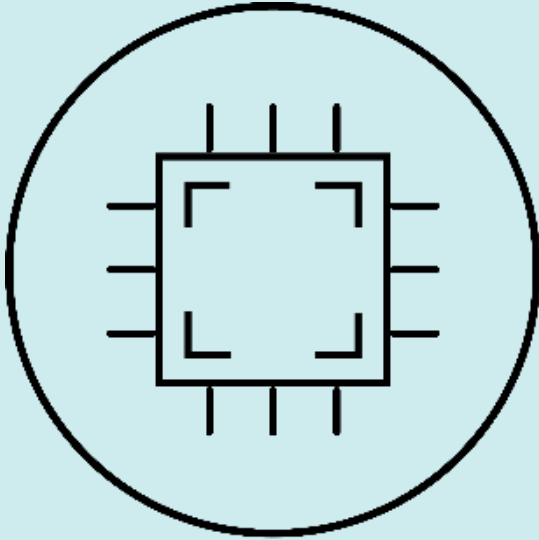
03

minutes to complete



Strong plans in 2H FY18 - DIGITISE



THEME	KEY INITIATIVES	NEXT STEPS
 DIGITISE	› End to end digitisation of Certegy	› Remaining roll out of digital acceptance and embedding with sellers
	› Launch Certegy seller app to enhance engagement and value	› Full roll out of app across all sellers to be completed during 2H
	› New digitised Consumer Lease to drive buyer and seller benefits	› National rollout during 2H. Potential for other channels to be considered
	› Migration to centralised credit decisioning platform	› Commercial Leasing to migrate during 2H. Cards is next priority
	› Deliver Oxipay to market as low cost customer acquisition channel	› Additional product features to be added to improve seller engagement


A new way for today's consumers to acquire products

Lisa. launched February 2018



New Product Value Proposition

- › Lower customer monthly payments (~12% reduction)
- › Increased flexibility and upgrade options
- › Fully digital acceptance
- › Enhanced asset protection
- › Transparency of product features
- › Product developed with strong major retailer engagement
- › Product attractive for buyer & seller vs alternative finance options
- › Early adoption of a number of proposed new consumer lease regulations

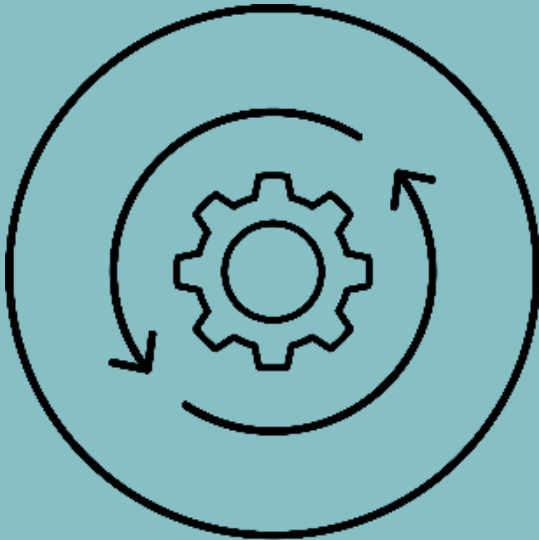


Here's to the perks of being a Lisa.

Value - Buyer	Lisa moves with you. Enjoy the feeling of new with the option to apply for an early upgrade. Switch to something new or completely different at anytime
Flexible	
Transparent	Relax with Lisa. Free yourself up to enjoy the best things in life. No deposit and affordable monthly payments. When used for work related purposes, payments may be tax deductible
Digital	
Value - Seller	Lisa cares. Lisa understands that life happens, so your goods are protected in the event of accidental loss, accidental damage or theft
Compliant	
Customer Centric	Lisa gives old goods new life. After your lease, Lisa sells and repurposes your old goods to schools and communities in need around the world

Strong plans in 2H FY18 - OPTIMISE



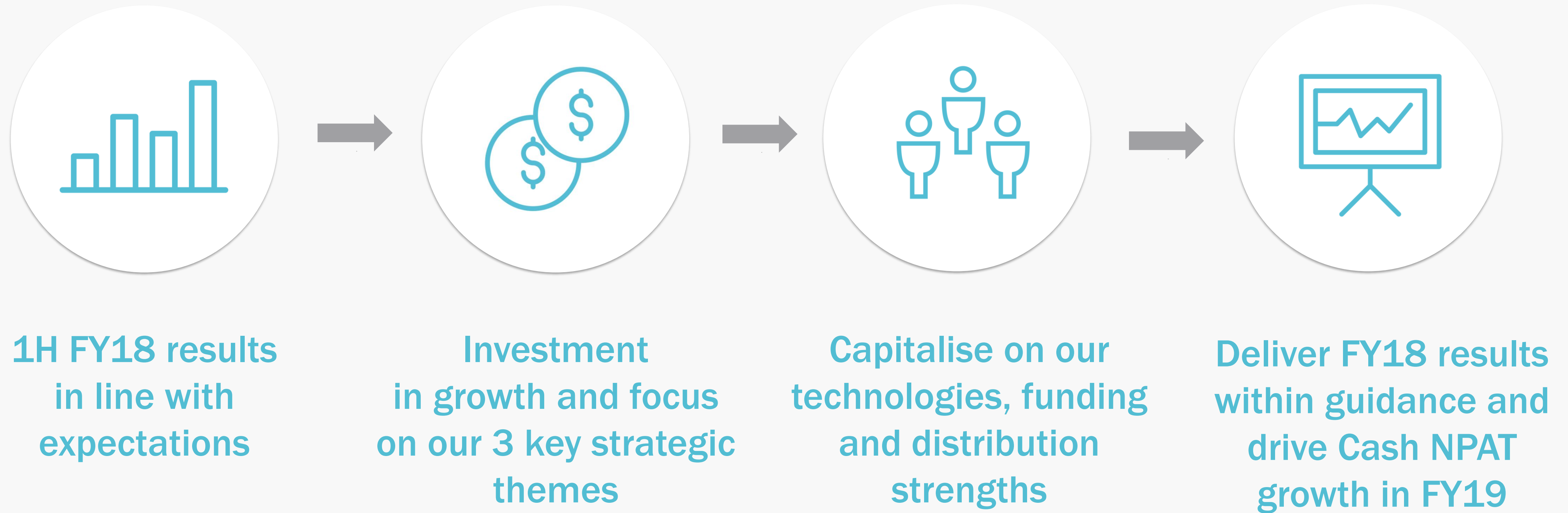
THEME	KEY INITIATIVES	NEXT STEPS
 OPTIMISE	› Migration towards target systems architecture, consolidating back end systems	› Migration plan for legacy systems to target architecture in development with a focus on Digital Front End and Credit Decisioning Engine.
	› Centralise marketing to leverage investment & capability	› Consolidation of group-wide marketing activity across all product offerings
	› Implement group wide CRM and centralised data analytics capability	› Seller/Partner CRM implementation in AU and centralisation of group-wide data in single data lake with a focus on sales analytics in first phase
	› Deliver synergies through implementation of shared service model	› Integration of IT, Marketing, Legal, Risk, Finance & HR functions across the group
	› Maximise efficiency of funding structures	› NZ improvements to come with funding sources being rationalised

2H FY18 Volume Outlook promising



SEGMENT	VOLUME TREND BY HALF YEAR	VOLUME OUTLOOK	MAJOR DRIVERS
AU Cards	<div> <div>171 2H16</div> <div>238 1H17</div> <div>296 2H17</div> <div>358 1H18</div> </div>	+VE	<ul style="list-style-type: none"> › Launch of new card 2H FY18 › Continued growth of existing major contracts › Increasing customer spend behaviour
NZ Cards	<div> <div>148 2H16</div> <div>325 1H17</div> <div>298 2H17</div> <div>363 1H18</div> </div>	+VE	<ul style="list-style-type: none"> › Seller numbers growing strongly › Multiple new product initiatives including fixed instalment plans
Certegy	<div> <div>255 2H16</div> <div>278 1H17</div> <div>249 2H17</div> <div>267 1H18</div> </div>	+VE	<ul style="list-style-type: none"> › Digital acceptance and seller app achieving full take up by sellers › Oxipay seller growth and further penetration into channels
AU Consumer Leasing	<div> <div>54 2H16</div> <div>57 1H17</div> <div>54 2H17</div> <div>52 1H18</div> </div>	FLAT	<ul style="list-style-type: none"> › New consumer lease product launched Feb-18 › Transition to new product across seller network focus 2H18
AU Commercial	<div> <div>62 2H16</div> <div>49 1H17</div> <div>45 2H17</div> <div>49 1H18</div> </div>	+VE	<ul style="list-style-type: none"> › Digitised origination platform in pilot – live 2H18 › Managed services platform operationalised and first contract commenced › Restructuring of multiple seller partner agreement in progress
NZ Leasing	<div> <div>60 2H16</div> <div>46 1H17</div> <div>48 2H17</div> <div>40 1H18</div> </div>	FLAT	<ul style="list-style-type: none"> › Managed services offer now in market with multiple opportunities › Relaunched SME product through major channels › TELA contract re-secured

Summary and Conclusions



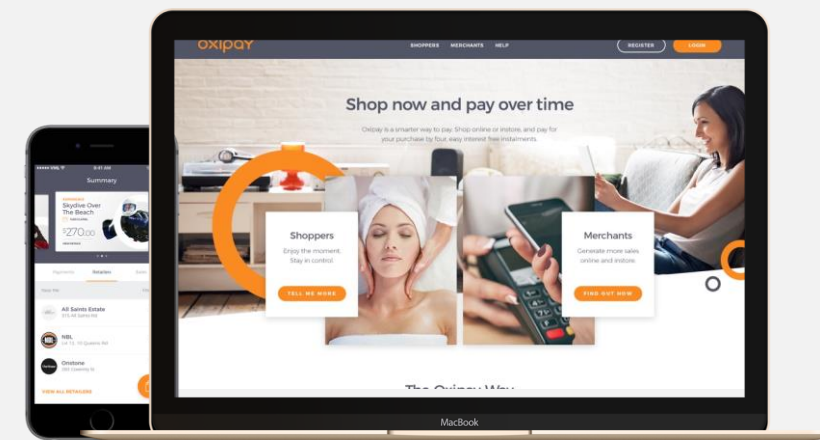
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Appendices

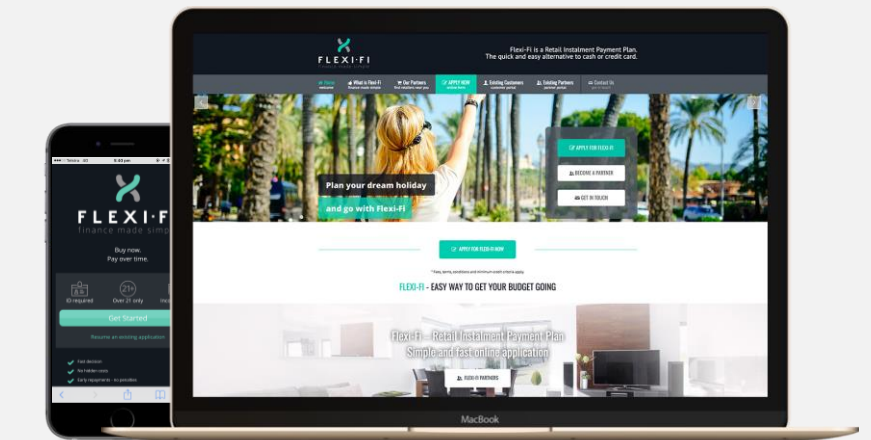
Oxipay and Ireland: new products gaining traction in market



- › Product launched in market in Australia & NZ
- › Live with 1,000+ merchants in AU and 250+ in NZ
- › 40,000+ customers in AU and 16,000+ in NZ



- › Ireland new business volumes up 25%
- › Flexi-Fi rolled out across 500+ merchant stores
- › 60 retail agreements now signed in market



Businesses both still in investment phase.
Contribution to earnings not yet material.

Consolidated Statutory Income Statement



- › Interest expense decrease driven by improved funding facilities and repayment of corporate debt
- › Impairment expenses flat at 2.9% of receivables
- › Impairment of goodwill and other intangible assets driven by the retirement of existing consumer lease product
- › Increase in depreciation and amortisation expenses due to non-recurring FY17 impact of Fisher & Paykel Finance acquisition
- › Increase in operating expenses predominantly resulting from one-off restructuring costs absorbed of \$3.6m (\$2.5m after tax)

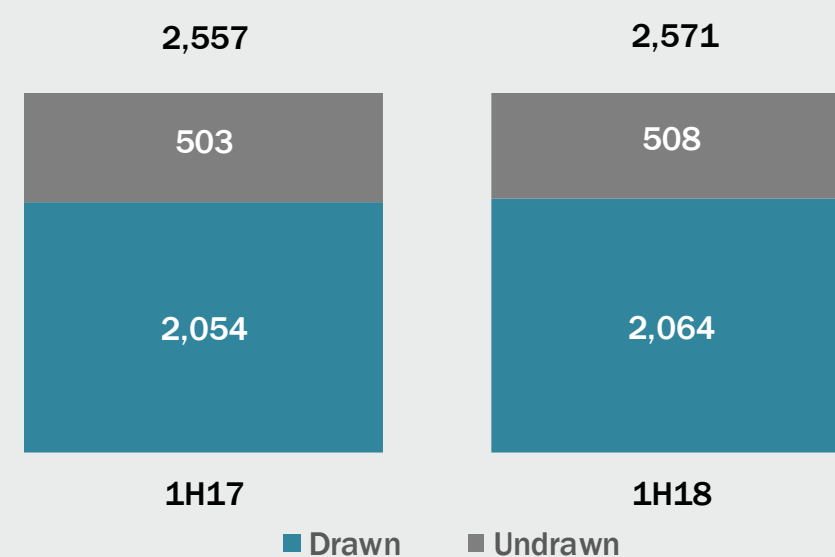
A\$m	1H17	1H18	v PCP %
Total portfolio income	\$235.5	\$229.3	(3%)
Interest expense	\$(51.5)	\$(48.2)	(6%)
Net portfolio income	\$184.0	\$181.1	(2%)
Receivables and customer loan impairment expenses	\$(30.6)	\$(32.0)	5%
Impairment of goodwill and intangible assets	\$0.0	\$(94.7)	n/a
Depreciation and amortisation expenses	\$(6.6)	\$(9.9)	50%
Operating and other expenses	\$(79.2)	\$(84.2)	6%
Profit before income tax	\$67.6	\$(39.7)	(159%)
Income tax expense	\$(19.9)	\$(10.3)	(48%)
Profit after income tax on a statutory basis	\$47.7	\$(50.0)	(205%)
Non-cash items			
Amortisation of acquired intangible assets	\$1.6	\$2.4	50%
Impairment of goodwill and intangible assets	\$0.0	\$89.1	n/a
Other adjustments	\$0.3	\$0.0	(100%)
Total non-cash items	\$1.9	\$91.5	4716%
Group Cash NPAT	\$49.6	\$41.5	(16%)

Balance Sheet



- › Cash balance decrease 29% due to improved cash management processes and timing
- › Goodwill decrease driven by impairment of the Consumer Lease product and exchange rate movement v pcp
- › Gearing reduction from 82% to 43% v pcp reflecting strong Corporate debt management with the drawn facility reduced by \$62m v pcp

Funding Facilities (\$m)



A\$m

Cash and cash equivalents

Receivables and customer loans⁽¹⁾

Other assets

Current tax receivable

Goodwill

Other intangible assets

Total assets

Payables

Borrowings

Other liabilities

Current and deferred tax liabilities

Total liabilities

Equity

Gearing⁽²⁾

ROE⁽³⁾

1H17

1H18

v PCP %

\$187

\$134

(29%)

\$2,149

\$2,244

4%

\$14

\$16

17%

\$3

\$4

10%

\$324

\$237

(27%)

\$111

\$96

(14%)

\$2,788

\$2,730

(2%)

\$52

\$45

(12%)

\$2,033

\$2,043

0%

\$31

\$28

(9%)

\$28

\$18

(36%)

\$2,143

\$2,134

(0%)

\$645

\$595

(8%)

82%

43%

(39%)

16%

13%

(3%)

(1) Includes other debtors as disclosed in the statutory accounts.

(2) Gearing is recourse (corporate) borrowings as a percentage of equity excluding intangible assets.

(3) Calculated based on Cash NPAT as a percentage of average equity.

Delivering sustainable long term growth in Certegy



Significant progress made with focus on front end digitisation

Execution Priorities	Current Status
Digitise approval process and reduce time to ‘yes’	› Digital acceptance live at 89% of sellers removing paper contracts. Application processing time reduced from 10 to 3 mins. Currently rolling out across all sellers by Mar-18
Develop and roll out digital merchant app	› App developed with key sellers currently live – other top accounts currently being targeted for transition to app
Build shopping cart integration on multiple platforms	› Integration technology has been built - roll out commenced
Reduce time lag to fund sellers	› Next day settlement released Oct-17 for all sellers (previously bi-weekly)
Develop sales strategy and target growth segments	› Growth verticals identified with technology and pricing being used as key value proposition
Strategically review pricing versus new entrants	› Pricing review undertaken with opportunities identified - revised pricing structure introduced with targeted sellers
CRM to be integrated with the rest of AU Consumer sales	› FXL wide CRM being implemented across Certegy in Feb-18
Relaunch VIP loyalty program (including digitisation)	› Improved data analytics providing increased VIP penetration
Integrate sales and marketing within AU consumer	› Sales & BD teams realigned into overall FXL structure - next step to implement group wide sales strategy
Integrate support functions with FXL shared services	› Integration plan developed. Finance and analytics integrated with benefits emerging - other functions to follow

AU Consumer Lease - we listened to consumer feedback and have responded



Lisa provides consumers with a strong value proposition

SITUATION	RESPONSE
Technology asset costs have reduced significantly, marginalising demand for lease finance product	Product construct and value proposition rebuilt - monthly payments ~12% lower than existing product
Consumer behavioural shift to subscription rather than ownership (e.g. Netflix, Spotify, vehicle sharing etc)	Value proposition is differentiated via greater flexibility, shorter upgrade cycles and asset protection
Increased range of competitive finance products in market	Reliable, transparent and consistent processes and communications driving reduced customer friction
Reduced consumer trust in leasing product	Proactive engagement with regulator that has seen requirements being fully scoped into new market leading product
Regulatory scrutiny and legislation has increased following action taken against other providers	Fully digitised origination process now in market that leverages existing market leading cards origination process
Increased customer expectations around transparency and speed of finance decisioning	Further deepening of relationships and strong engagement to ensure new product delivers channel partner needs
Changing competitive markets of channel partners	

FXL exposure to increasing interest rates limited by risk appetite



Background

- › In recent months, domestic and global benchmark yield curves have steepened indicating market view that we have entered a period of increasing interest rates driven by expected upward inflationary pressures
- › Domestic (AU & NZ) inflationary pressures are not seen as immediate e.g. wage rate growth continues to be flat
- › Funding costs are FXL's largest expense item so we are providing some insight on the potential earnings impact from increasing interest rates

Earnings impact to increasing interest rates is minimal given:

- existing hedge positions and
- ability to pass on rate increases to cards customers

- › 46% of FXL portfolio is comprised of fixed rate products i.e. leases, Certegy – these are funded primarily by hedged facilities
- › Remaining 54% of portfolio is comprised of variable rate products i.e. cards – these are partly hedged for 1-3 years out
- › We retain the ability to pass rate increases onto AU and NZ Cards customers at short notice. Rates are mid-pack so scope exists to increase rates if required
- › Longer term, the impact of rate rises would be felt across the sector hence our competitive position would likely remain comparable
- › FXL continually reviews its risk appetite as part of its risk governance protocols and retains the ability to extend hedge positions if deemed appropriate

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