

Media Release

21 August 2018

Mortgage Choice delivers cash NPAT of \$23.4m

Total dividend for the year of 18 cents per share

Mortgage Choice Limited (ASX:MOC) has today announced its annual results for the financial year ended 30 June 2018.

The results are in line with guidance provided in July when the Company announced its new broker remuneration framework and operational changes.

Financial highlights for the 12 months to 30 June 2018

- Cash NPAT was \$23.4 million, up 3.3% on FY2017;
- Underlying statutory NPAT result was \$25.6 million. The final result for FY2018 was \$4.2 million due to:
 - \$7.1 million positive adjustment to net NPV receivable for changes in run-off and other assumptions;
 - A one-off, non-cash adjustment of \$28.5 million due to the new broker remuneration model being introduced;
- Core broking business recorded cash NPAT of \$22.75 million, up 4% on FY2017;
- Loan book as at 30 June 2018 was \$54.6 billion, up 2.3% on FY2017;
- Settlements of \$11.5 billion were down 7% on FY17;
- Financial Planning gross revenue was \$11.3 million, up 10.4% on FY2017 while net profit grew by 116%;
- Funds Under Advice rose 37.8% to \$733.5 million and Premiums In Force grew 15.1% to \$27.8 million;
- A fully franked final dividend of 9 cents per share was declared by the Board, bringing the total dividend for the year to 18 cents per share.

Mortgage Choice Chief Executive Officer, Susan Mitchell said that while there were some positive aspects to the results, Mortgage Choice was losing market share and a change program is required to ensure the business has a platform for sustainable growth.

“Net profit in the broking business grew 4% and the financial planning business continues to grow and perform well. However, despite the strength of our brand and customer offering, settlements in FY2018 declined in a flat market, and we are not growing our franchisee numbers. Through a thorough consultation process with franchisees it became very clear we needed a more competitive remuneration structure and needed to adjust the way we deliver our services, so that we can grow our network and market share.

“The new hybrid broker remuneration model will provide franchisees with higher pay and reduce their income volatility, enabling them to invest in their businesses while attracting new, high quality brokers. The feedback has been positive with over 80% of broker franchisees already opting into the new model,” Ms Mitchell said.



To help offset the impact of a higher average payout rate to franchisees, the Company initiated a program to improve operating efficiencies across its business at the end of this financial year. This will result in a 10% reduction in its operating expense base going forward, while still providing franchisees with the same fundamental services. One-off costs associated with the changes were largely reflected in the FY2018 result.

The introduction of the new remuneration model in July 2018 resulted in a one-off, non-cash negative adjustment of \$28.5 million after tax to IFRS NPAT for FY2018, reflecting the higher share of future trail revenue going to franchisees. This was an improvement on the approximately \$30 million anticipated adjustment, as previously disclosed.

New Broker Platform

In FY2018 the Company invested \$3.4 million in its new Broker Platform, which will enter pilot phase before its roll-out to franchisees in early FY2019. This is an intuitive and integrated platform which increases productivity with a focus on reducing data entry across multiple systems, and providing a smoother loan submission process.

“Our new Broker Platform was built by our in-house team of talented technology professionals to meet the specific requirements of the business and will enable our network to operate more efficiently while improving the overall customer experience,” said Ms Mitchell.

Financial Planning

In FY2018, Mortgage Choice Financial Planning continued to grow with \$11.3 million in gross revenue, up 10.4% on FY2017, delivering a profit of \$362K.

Funds Under Advice and Premiums In Force both rose significantly, up 37.8% and 15.1% respectively to \$733.5 million and \$27.8 million.

“By delivering a wide range of financial products and services, Mortgage Choice can meet the broader financial needs of customers, while enabling our brokers and advisers to build stronger businesses,” said Ms Mitchell.

Outlook and Guidance

In FY2019, the Mortgage Choice management team will be focused on further implementing its change program, rolling out its new Broker Platform and recruiting new advisers and business owners to its network.

The outlook for the mortgage broking industry remains sound, with a combination of factors, including an increase in wholesale funding costs, regulatory changes and tightening lending policies creating a more complex lending environment. As a result, borrowers are increasingly seeking advice from qualified professionals.

“As we head into FY2019, we are confident the changes we have introduced will see us grow settlement volumes and market share over the medium to long-term. Having a greater share of revenue should enable our network to invest in their businesses while attracting new, high quality franchisees and loan writers to the network. At the same time, we continue to look at ways in which we can improve efficiencies,” said Ms Mitchell.



“More than half of all home loans each year are originated by mortgage brokers, and I am confident borrowers will look to our well-known and trusted national brand for one of the best consumer propositions in the market,” she concluded.

Consistent with previous guidance, Mortgage Choice expects FY2019 cash NPAT to be approximately \$16.5 million. This takes into account the new remuneration model and operational changes introduced and assumes settlements continue at the same level as FY2018.

Ends.

For further information or to arrange an interview, please contact:

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About Mortgage Choice

Mortgage Choice is an ASX listed company that seeks to help Australians with all of their financial needs. Established in 1992, Mortgage Choice was originally established to help Australians improve their financial situation by offering a choice of home loan providers, coupled with the expert advice of a mortgage professional.

Since that time, the company has grown and developed into a fully-fledged financial services provider.

Today, Mortgage Choice helps customers source car loans, personal loans, credit cards, commercial loans, asset finance, deposit bonds, and risk and general insurance.

Further, the company offers Australians access to real, relevant and affordable financial advice through our qualified financial advisers.

Mortgage Choice has no balance sheet or funding risk, and consistently delivers strong profits and attractive yields.

It listed on the ASX in 2004 (MOC) and is a member of the Mortgage & Finance Association of Australia (MFAA).

Mortgage Choice holds an Australian Credit Licence: no. 382869 and Mortgage Choice Financial Planning Pty Limited holds an Australian Financial Services Licence: no. 422854. Both licences are issued by ASIC.

Visit www.mortgagechoice.com.au or call customer service on 13 77 62.