

### **Chairman address to YBR AGM**

Hello and welcome to Yellow Brick Road's 2018 annual general meeting.

The past year has been one of continual change for your company, in a tough operating environment, in part caused by a tighter regulatory environment. We rationalised our Vow and YBR distribution channels and improved the quality and productivity of our network. We invested \$3.4 million in new systems and platforms which will help attract new brokers and drive higher lending volumes. Yellow Brick Road is continuing to be an innovator in our industry.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, conducted by Commissioner Kenneth Hayne, has dominated news in our industry in 2018. His findings, due for release early next year, will set the parameters for our business for the next decade.

Our investments over the past year and our planned push into mortgage securitisation means Yellow Brick Road will be well placed to succeed, whatever the outcome of the Royal Commission and any subsequent regulatory changes.

### **On to our financial performance.**

In the 2018 financial year, YBR reported a small net loss after tax of \$640,000. Importantly the Company improved its operating cash surplus to \$2.4m

The key metrics for your company were pleasing.

FY 2018 revenue increased 4 per cent to \$230.7 million, while costs fell by 2 per cent to \$33.6 million.

Underlying annuity generating assets, which are critical to our success, continued to grow, and the proportion of recurring revenue to total cash revenue increased to 52 per cent, up from 46 per cent the previous year.

The underlying loan book increased 8 per cent to \$47.6 billion. The YBR branded underlying loan book increased by 8 per cent to \$7.3 billion, taking the CAGR for the past four years to 24 per cent.

Underlying funds under management increased 24% per cent to \$1.0 billion, taking the four-year CAGR to 27 per cent.

Premiums under management increased 11 per cent to \$18.2 million, shifting the four-year CAGR to 25 per cent.

We have significantly sharpened our management capability with the appointment of Frank Ganis as CEO of Yellow Brick Road. Frank is a pioneer in mortgage backed securities, co-founding and establishing Macquarie Group's mortgages and securitisation business. He was instrumental in

establishing greater competition in the home lending market in the 1990s. I have known Frank for 25 years and believe his appointment is a leap forward for your company. He gives YBR a professionalism, discipline and depth of knowledge which will benefit the company in the years ahead, as the recommendations from the Hayne Royal Commission are enacted.

I would now like to turn my attention to a couple of issues that have attracted media attention in recent months.

The first is my remuneration. Shareholders of YBR have approved my remuneration as Executive Chairman of the company. It reflects my job as not just as executive chairman, but my strategic understanding of the sector and also my image rights. This has been a highly cost-effective driver of awareness and growth for Yellow Brick Road. I carry this out by using my profile in the general community, by working with my industry connections, and by using my media and social media following to promote Yellow Brick Road.

Shareholders may have noticed I've also stepped up my advocacy efforts on behalf of Australia's small business owners. That's because I am passionate about helping small businesses to prosper. When small businesses do well, so does the Australian economy.

The second issue is the recent hostile take-over bid by Mercantile OFM. The bid substantially undervalued your company, as demonstrated by an almost complete rejection of the offer by shareholders. Mercantile still holds 19.9 per cent of shares in YBR. I have built and sold a financial services business before and all shareholders were very happy with their returns. I will do the same thing at YBR.

As notified to the Australian Stock Exchange recently, our first quarter for the 2019 financial year generated an operating cash deficit of \$330,000. This was a better performance than the previous corresponding period. The first quarter of each year is typically the period in which the company's operating cash flows reach their minimum.

Annuity businesses take time to mature. At YBR we have been in the building and investment phase for several years and are now reaching the point of benefiting from all that hard work.

I personally, alongside the management team at YBR, thank our shareholders for your support during the investment phase, and particularly for your support during the past couple of months. We look forward to a prosperous few years ahead.

Thank You