OFX Group Limited
Annual General Meeting
13 August 2019

Chairman's Address

We are living at a time of unparalleled change. I can't recall a time in my 40-year career where it has been so difficult to interpret the macro economic indicators or predict the fundamental performance of industries and companies.

I think this complexity is being caused by the confluence of a number of major trends, including:

- The technological revolution, mobility, the cloud, low cost storage, the internet of things and data analytics, which is profoundly changing business models.
- Accelerating globalization and increasing population growth, which has created perceived 'winners and losers' in many societies, which in turn is driving rising populism and trade wars.
- Changing climate and the impact on the world's resources and biodiversity. Even if you don't believe in climate change, we are stretching the resources of the planet, like water usage, arable land, deforestation.
- A sustained period of low interest rates, fuelling tremendous growth in leverage in almost every economy in the world.

While these changes are accelerating the political, bureaucratic and social governance systems are struggling to catch up and adjust to these changes. Similarly, companies and organizations around the globe are also challenged with adjusting to our rapidly changing world. This is having an unprecedented impact on global markets.

We have noted to shareholders several times the dramatic difference in valuations between some of the Venture Capital and Private Equity owned firms when compared to the few publicly listed firms. The primary reason behind this is that these privately owned companies are being valued by investors on growth in customer numbers and revenue growth, rather than earnings growth. This results in these companies acquiring new customers at a cost where, absent any other material revenue stream from these customers, they have no prospect of generating sufficient revenue to offset the cost of acquiring the customer. While this approach results in impressive growth in revenue and customer numbers, it is at the expense of profitability and positive cash flows.

With this backdrop we challenge ourselves at OFX with what our strategy should be to compete when our competitors adopt such approaches, whilst continuing to support loyal investors.

We have chosen to grow profitably. We believe in times like these, very late in the economic cycle, it is best to be disciplined with our growth. As such with every customer we onboard we ensure it is a profitable customer generating the kind of returns we are targeting. This does mean that sometimes our revenue and earnings growth may not be as high as we would like it, but the Board and Management of OFX strongly believe that this disciplined approach is appropriate in this current environment. That said, in the last financial year, whilst we doubled our revenue growth and delivered positive operating leverage, this fell short of our own expectations and Management compensation reflects that.

At OFX we are focused on delivering sustainable and consistent growth for our shareholders, at high returns on capital, while generating strong cash flows. We believe if we continue to achieve this, investors will be rewarded through the cycles. We also keep a close eye on emerging trends across the international payments industry and invest as appropriate.

Our strategy is clear. We are built on, and must continue to improve, our foundational enablers – strong risk management, reliable and scalable systems, and a great team. To grow, we have three core investment focus areas – 1. geographic expansion, 2. a better client experience, and 3. growing partnerships. To do this, we must invest wisely. Improving our systems, finding new Enterprise partners and growing our regional teams all require a level of Capital Expenditure and Operating Expenditure which is funded from our own cash flow. Putting it to work to grow remains a high priority.

In the last 12 months, we have increased our operating expenses 8%, but critically, we grew our revenue generating expenses – items like sales and marketing – three times faster than revenue enabling expenses. An even more substantial proportion of our Capital Expenditure – around 80% - has been directed to improving the client experience and expanding in our regions. These are both significant growth drivers for us and will help make our business more resilient in difficult markets.

As a Board, we have been actively involved in the strategy work that Skander and the team have completed. For OFX strategy discussions are a continuum throughout the year. They are not a once a year conversation. Last year the entire Board and Executive team visited our North American business to assess critical aspects of the strategy from Technology to Marketing. This year we are spending time in London to do the same.

In addition, the area we remain deeply engaged in is risk management. We have maintained the highest risk and compliance standards and continue to invest in and evolve this critically important aspect of the business. We need to be vigilant and prudent. This is not incompatible with being customer centric and fast.

All of our stakeholders highly value a trusted and well-regulated company, particularly our customers. The team is doing an excellent job of improving our risk and compliance with nearly 20% of last year's Capital Expenditure going into strengthening our risk management capabilities. The results of our regulatory audits are good, and our banking partners remain highly committed. I'd like to especially thank Grant Murdoch, Chair of our Audit, Risk and Compliance Committee, for his expertise and role in ensuring we are safe, sustainable, and vigilant.

During the year we strengthened the Board with the addition of Connie Carnabuci. Connie has a deep background working with digital companies to establish large commercial partnerships across Asia and the globe. She also has excellent experience in the media industry which has faced very substantive disruption and is ideally placed to help us think strategically about what to change and what to enhance.

The Board was pleased to announce a final dividend of 3.28 cents per share, fully franked, bringing the dividend paid for the full year to 5.92 cents per share fully franked, paid out of free cash flow. We regularly review our dividend policy in light of the performance of the business and our capital allocation priorities to support our growth plans and to maximise returns to shareholders over time.

In closing, on behalf of the Board I wish to thank the Executive Team and all of our employees for their hard work and commitment over the past year. They have done an excellent job in what has been a challenging year.

I would also like to thank you, our shareholders, for your continued support.

I would now like to hand over to Skander Malcolm our CEO and Managing Director.

-ENDS-

About OFX Group (ASX: OFX)

OFX Group Limited is a global provider of online international payment services for consumer and business clients. The OFX Group provides services under the single global brand, OFX, using a single domain name, www.ofx.com.