

# 1H20 Financial Results

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Investor presentation

12 November 2019



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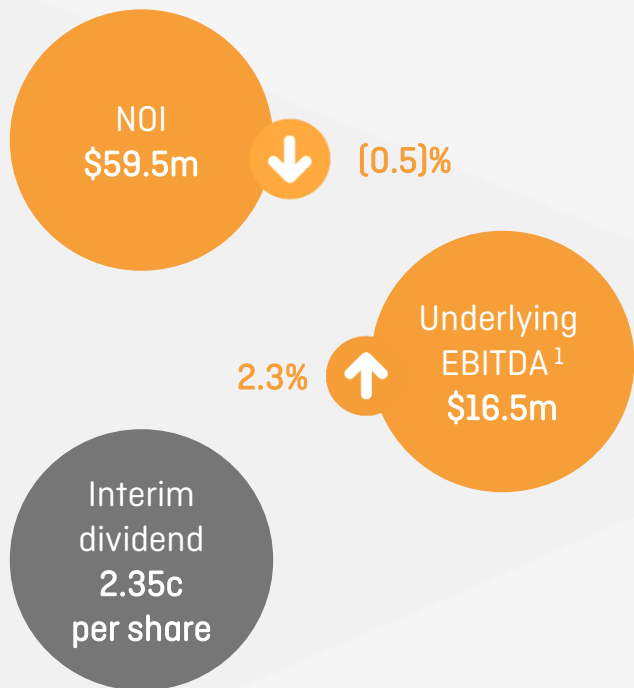
# 1H20 Summary

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Skander Malcolm

Chief Executive Officer and Managing Director





## Continued improvement in fundamentals

- Revenue<sup>2</sup> up 0.5%, strong momentum in North America & Corporate
- Transactions up 5.2% and transactions per active client<sup>3</sup> up 9.3%
- ATV's down 9.3% increasing transaction costs as proportion of revenue, NOI down 0.5%
- Strong control of expenses, down 1.6%, underlying EBITDA<sup>1</sup> up 2.3%
- Cost per registration (CPR) down 14.5%, cost per new dealing client (CPNDC) down 18.4%
- Stable NOI margin<sup>4</sup> ex IPS at 56bps
- Underlying return on invested capital<sup>5</sup> (ROIC) of 32.3%

## Targeted revenue growth

- North America up 19.3%, US up 25.2%
- Corporate growth of 9.7%, GCA up 24.5%
- Active clients up 4.0% in Corporate

## Strong partnership momentum

- Won Link Market Services
- Won International Tennis Federation
- Accelerated global Stake growth
- New Alliance with Payability

1. Excluding corporate action costs of \$0.4m.

2. Revenue represents "Fee and trading income" in the statutory accounts.

3. Active clients are numbers of clients who have transacted at least once in the prior 12 months.

4. NOI margin = Net Operating Income / Turnover

5. ROIC represents Underlying Net Operating Profit After Tax / Invested Capital. Invested Capital = shareholders equity less cash held for own use plus collateral, working capital and fixed assets being property, plant and equipment and intangibles.

# Strong business model: 2Q20 record quarter



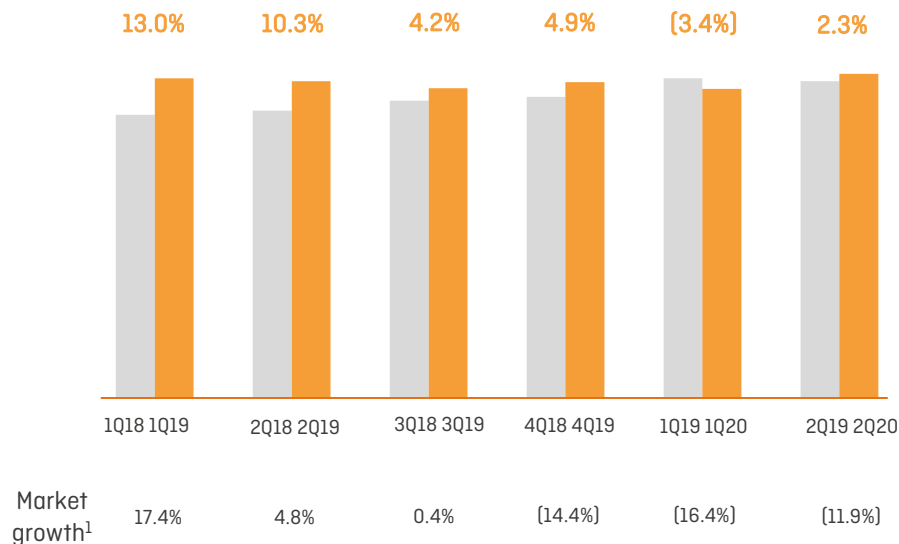
## Challenging global spot markets

- Political uncertainty (Brexit, Trade wars)
- Business and consumer confidence down<sup>2</sup>, impacting inventory levels and spending, flowing through to ATV's
- Period of low volatility (19 days in 1H20 vs 30 days in 1H19)

## Performance trends

	1H18	1H19	1H20
Days of Volatility	21	30	19
Transactions (# 000's)	470.2	521.2	547.9
Transactions per Client	5.6	6.4	7.0
NOI	\$53.6m	\$59.9m	\$59.5m
Underlying EBITDA	\$15.0m	\$16.1m	\$16.5m
Underlying EBITDA margin <sup>3</sup>	25.8%	24.9%	25.3%

## OFX quarterly NOI growth



<sup>1</sup>Source: OFX analysis and <https://www.thomsonreuters.com/en/resources/fx-volumes.html>

<sup>2</sup>Based on average Business Confidence Index (BCI) and Consumer Confidence Index (CCI) from OECD for 2Q20 vs 2Q19

<sup>3</sup> Underlying EBITDA margin = Underlying EBITDA / Revenue

# Strong fundamentals driving a more valuable company



Decline in active clients due to pivot to Corporate

Active clients  
**154.0k**  
down 3.0% from  
30-Sep-18



Corporate driving strong activity

Transactions per active client  
**7.0**  
Up 9.3% from  
30-Sep-18



Strong growth in transaction volumes

Transactions  
**547.9k**  
5.2% up on 1H19



But decline in ATV due to economic uncertainty

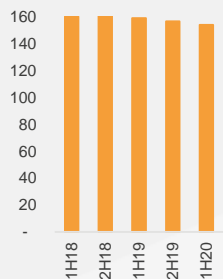
ATV  
**\$21.1k**  
9.3% down on 1H19



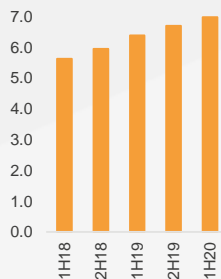
Resulting in lower turnover

Turnover  
**\$11.5b**  
5.0% down on 1H19

Active clients ('000)

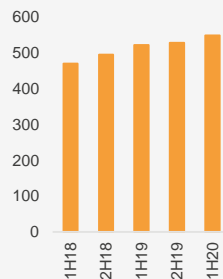


Transactions per active client (LTM)

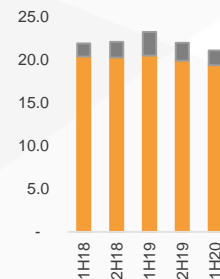


LTM = Last twelve months

Transactions ('000)

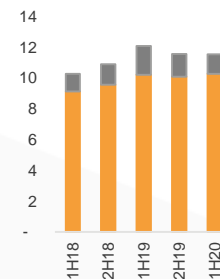


Average transaction value (\$'000)



ATV = Average transaction value

Turnover (\$b)



IPS (International Payment solutions)  
 International Payment Services

# Growing lifetime value with strong recurring revenue



■ New clients  
■ Returning clients<sup>1</sup>

Revenue from returning clients<sup>1</sup>

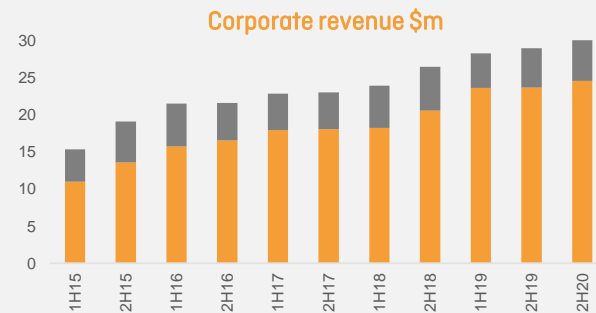
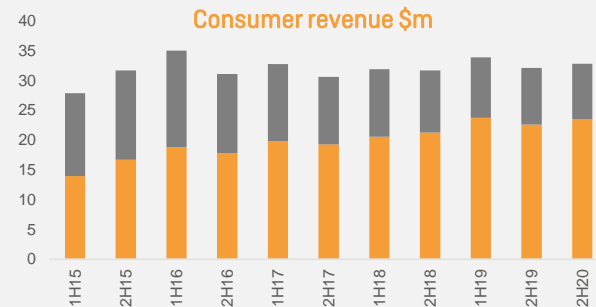
**76%**

Stable from 76% in 1H19

Active Clients at  
30-Sep-19

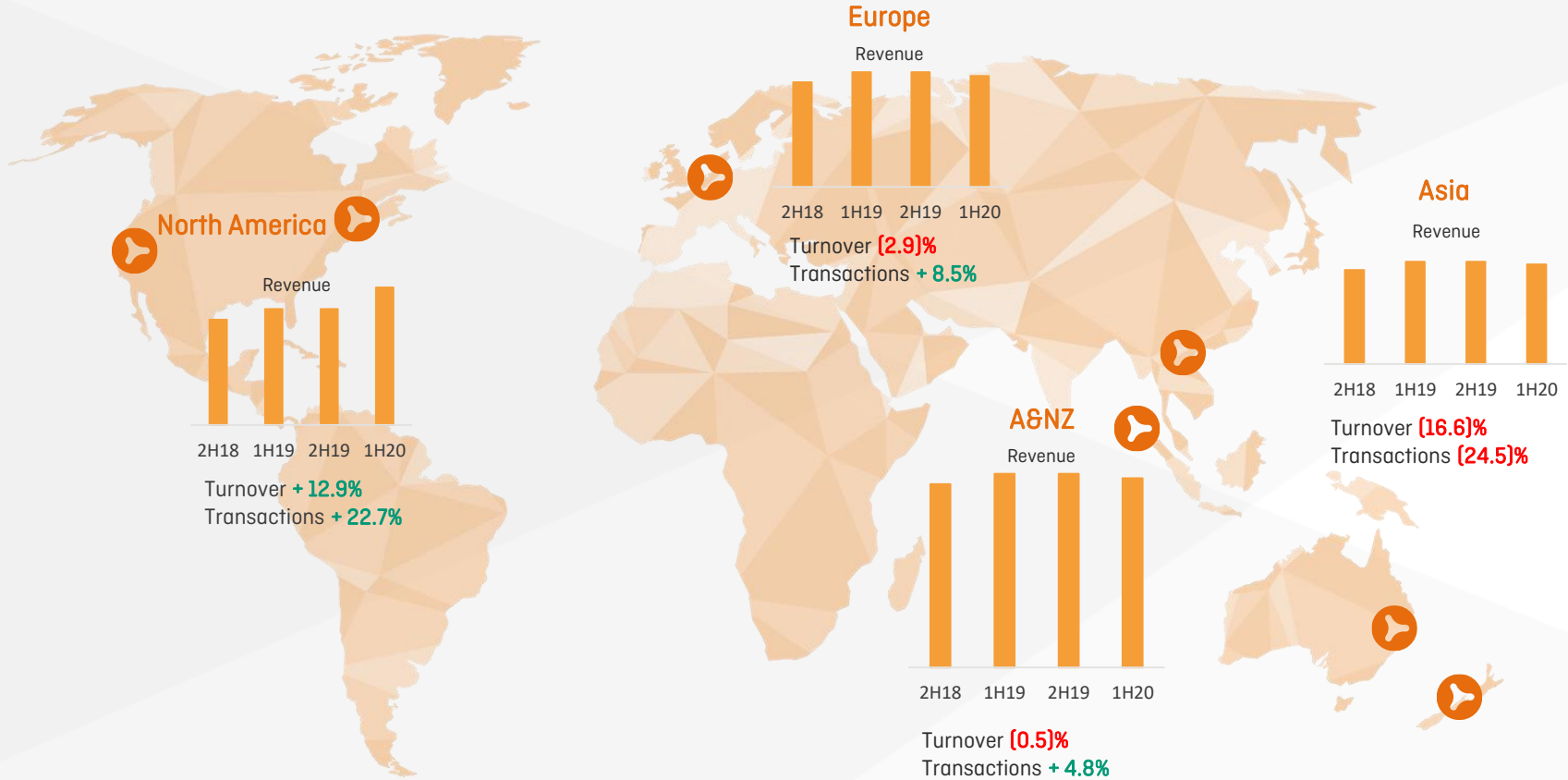
**154.0k**

Down 3.0% from 30-SEP-18



1. Returning clients are active clients who first transacted > 12 months ago

# Strong lead indicators, pivot in Asia



• Turnover and transactions represent growth from 1H20 to 1H19



## Client experience

- Improved website experience; registration completion rates up 20% 1H20 vs 1H19
- Continued improvement in NPS up 2 pts to 62
- Increased App usage now accounting for 30% of US transactions



## Corporate

- Grew pipeline in Corporate by 136% in 1H20
- 206% increase in converting pipeline opportunities to active clients
- New sales training programs rolled out
- Implemented online Corporate registration process in the US, positive early indicators for turnaround time and conversion

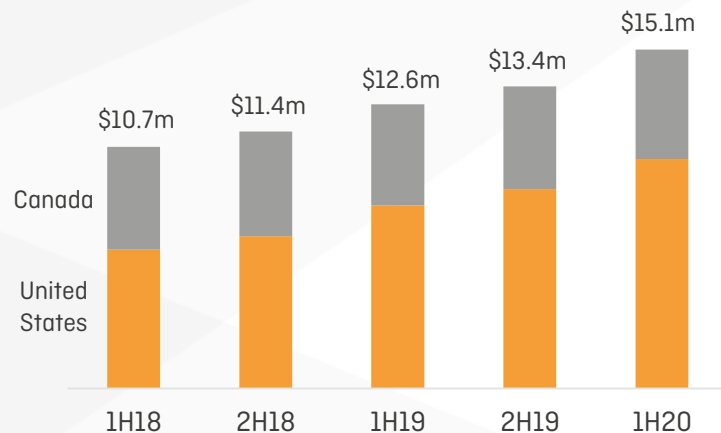


## People

- Hired Alfred Nader to lead next stage of growth
- Strong turnaround in Canada +8.4% growth in 1H20 revenue
- Continue to expand sales team



## Revenue



# 1H20 Financial Results

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Selena Verth

Chief Financial Officer



Financial results	1H19	2H19	1H20	V% 1H19
<b>Financial Metrics</b>				
Fee and trading income (\$m)	65.0	63.8	65.3	0.5%
Net operating income (\$m)	59.9	58.9	59.5	(0.5)%
Underlying Operating expenses <sup>1</sup> (\$m)	(43.7)	(39.0)	(43.0)	(1.6)%
Underlying EBITDA <sup>1,3</sup> (\$m)	16.1	19.8	16.5	2.3%
Underlying EBT <sup>1,3</sup> (\$m)	11.3	14.6	10.7	(4.9)%
Statutory NPAT <sup>3</sup> (\$m)	9.0	8.0	8.3	(7.7)%
Total cash held for own use <sup>4</sup>	66.6	58.6	51.5	(22.6)%
<b>Operational Metrics</b>				
Registrations ('000's)	70.6	69.0	61.9	(12.3)%
Active clients <sup>2</sup> ('000's)	158.8	156.5	154.0	(3.0)%
Turnover (\$b)	12.1	11.6	11.5	(5.0)%
Transactions ('000's)	521.2	527.4	547.9	5.2%
Average transaction value ('000's)	23.2	22.0	21.1	(9.3)%

1. Excluding corporate action costs of \$0.4m for 1H20 and \$4.3m for 2H19

2. Active clients are clients who have transacted at least once in the prior 12 months

3. Underlying EBT for 1H19 restated due to accounting changes for lease (AASB 16)

4. Total cash held for own use includes deposits with financial institutions. Note \$26.5m of cash is held as collateral

- Good visibility and decisions delivering EBITDA growth
- Transactions up 5.2% (Consumer up 0.7%, Corporate up 12.0%)
- Active clients down 3.0% (Consumer down 4.2%, Corporate up 4.0%)
- IPS revenue of \$2.3m down 29%, EBITDA of \$0.9m down 14%
- Promotional expense down 25.1% but registrations only down 12.3%
- Taxes at 19.3% due to prior year R&D tax true up and lower offshore tax rates
- Statutory NPAT decreased 7.7%, due to corporate action costs of \$0.4m, \$0.4m in software intangible amortisation and \$0.3m in lease depreciation. Underlying NPAT decreased 4.5% to \$8.6m
- Interim dividend of 2.35c per share, franked at 70%

# Strong expense management



## Underlying Operating Expenses<sup>1</sup>

\$m	1H19	2H19	1H20	V% 1H19
Employee expense	(26.7)	(23.7)	(26.8)	0.4%
Promotional expense	(9.5)	(8.0)	(7.1)	(25.1)%
Technology infrastructure	(2.5)	(2.6)	(2.8)	12.8%
Occupancy expense	(0.4)	(0.2)	(0.3)	(21.6)%
Bad and doubtful debts	(0.6)	(0.2)	(1.2)	99.1%
Other expense	(4.1)	(4.3)	(4.8)	19.3%
<b>Underlying operating expenses</b>	<b>(43.7)</b>	<b>(39.0)</b>	<b>(43.0)</b>	<b>(1.6)%</b>

- Employee expenses up 0.4%, average FTEs up 3.6%, with revenue generating FTEs up 6.1%
- Disciplined management of promotional expense, down 25.1%, cost per registration down 14.5%, cost per new dealing clients down 18.4%
- Technology infrastructure costs up 12.8% due to increase in software as a service as components of our technology stack are purchased
- Leases have been restated in line with AASB16. Occupancy includes maintenance, utilities and short-term rentals
- Bad and doubtful debts up 2x due to losses on a small number of transactions, further controls implemented

1. Excluding corporate action costs of \$0.4m for 1H20 and \$4.3m for 2H19

	Investments	Impact
 Client experience	<ul style="list-style-type: none"><li>• Consumer and Corporate onboarding</li><li>• Global Currency Account</li><li>• Pricing engine</li></ul>	<ul style="list-style-type: none"><li>• Global registration complete rates +40% vs 1H19, 90 Day clear to deal rate +84%</li><li>• Global Currency Account active clients +79%</li><li>• Pricing program established, scaling tests</li></ul>
 Reliable, scalable systems	<ul style="list-style-type: none"><li>• Payments engine</li><li>• Transaction monitoring</li><li>• Risk Management</li></ul>	<ul style="list-style-type: none"><li>• Improved CNY payment capability</li><li>• Best in class money laundering detection capability</li><li>• Continued strong outcomes on US regulatory exams, 7 states reviewed during 1H20</li></ul>

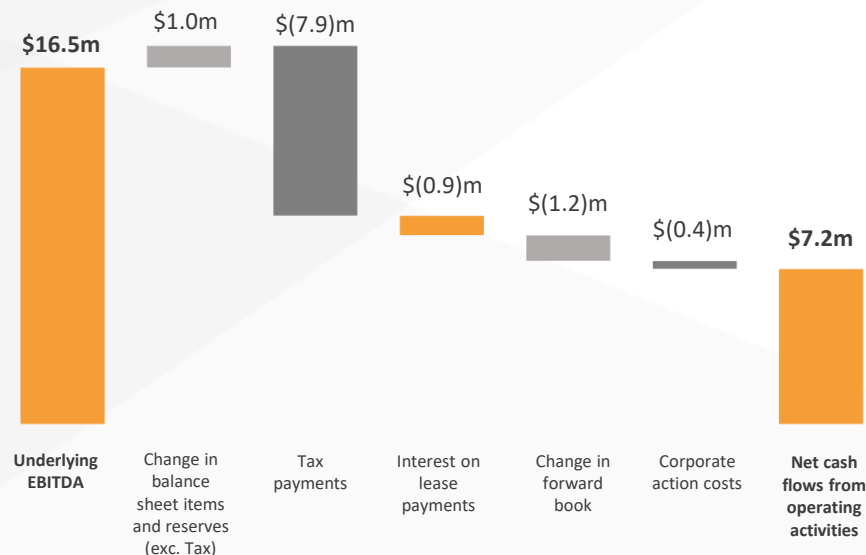
# No debt, strong cash flow and high returns



\$m	30-Sep-18	31-Mar-19	30-Sep-19
<b>Assets</b>			
Cash held for own use	49.5	26.1	19.4
Deposits with financial institutions	17.1	32.5	32.1
Cash held for settlement of client liabilities	158.5	155.2	244.0
Derivative financial assets	11.5	9.1	17.0
Right-of-use assets <sup>1</sup>	11.3	14.7	12.9
Other assets	4.2	6.9	7.8
Property, plant and equipment	3.4	3.2	2.8
Intangible assets	9.0	11.0	12.3
Deferred and prepaid tax assets	0.4	3.0	8.5
<b>Total assets<sup>1</sup></b>	<b>264.8</b>	<b>261.7</b>	<b>356.8</b>
Client liabilities	159.4	157.2	246.9
Derivative financial liabilities	8.5	6.4	13.1
Lease liabilities <sup>1</sup>	13.2	17.2	16.1
Other liabilities	15.0	11.2	11.4
<b>Total liabilities<sup>1</sup></b>	<b>196.1</b>	<b>192.1</b>	<b>287.5</b>
<b>Total equity<sup>1</sup></b>	<b>68.7</b>	<b>69.6</b>	<b>69.3</b>

- Cash held for own use including deposits with financial institutions \$51.5m
- Tax payments of \$7.9m due to increase in instalments paid
- Invested \$4.0m in capex from own cash generation
- Interim dividend of 2.35c per share
- Dividend franked at 70%

## 1H20 Net Cash Flows from Operating Activities



1. Right-of-use assets and Lease liabilities for 30-Sep-18 and 31-Mar-19 restated due to accounting changes for lease (AASB 16)



# FY20 Outlook

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Skander Malcolm

Chief Executive Officer and Managing Director



## Growth Drivers

### Client Experience

- Substantially improve Corporate client onboarding
- Deploy Corporate CRM
- Scale pricing improvements



### Geographic Expansion

- Continued investment in North America
- Continue Corporate growth in A&NZ and UK
- Realign Asia to Corporate and high value Consumer



### Partnerships

- Grow pipeline / win Enterprise
- Grow GCA partnership programs
- Launch Link program



## Foundational Enablers

### Reliable, Scalable Systems

- Implement treasury management
- Scale payments engine
- Implement mass onboarding



### Risk Management

- Leverage new transaction monitoring system
- Implement refined fraud management controls



### People

- Deploy global sales training program
- Grow sales headcount





## Build More Valuable Business



Grow Corporate clients



Grow regionally



Win in Enterprise

## Financial Commitments

Deliver annual positive operating leverage<sup>1</sup> on an EBITDA basis

Maintain stable NOI margin

Invest Capex: expected to be \$11m in FY20 including Link investment

<sup>1</sup> Positive operating leverage: NOI is growing at a faster rate than underlying operating expenses.

# Questions

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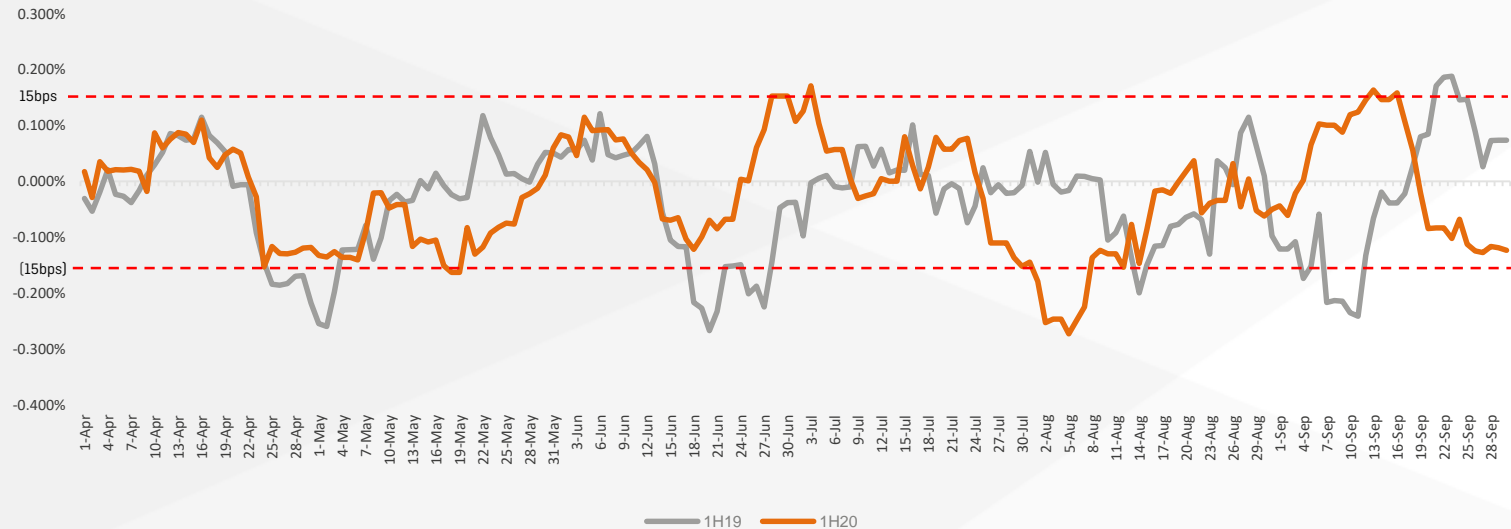




# Lower volatility in 1H20 vs 1H19



14 day moving average of daily % movement in spot price (AUD/USD)<sup>1</sup>



1. Represents the 14 day moving average of daily % movement in spot price. AUD/USD is a major trading corridor

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