



15 November 2019

## FlexiGroup Limited (FXL) 2019 Annual General Meeting CEO's address

Thank you, Chairman, and good afternoon everyone.

It's been a year since I stood here in front of you all and first discussed my plans for **flexigroup**.

I'll discuss in detail the significant progress made since we announced our new strategy in February shortly.

In my mind however, our biggest achievement is that we are now visible and at the front of consumers' minds. Gone are the 23 unknown and unloved brands – replaced by four unique and recognisable brands under three clear propositions.

Of course, none of this would be possible if our customers didn't trust us.

As Andrew has already mentioned, responsible lending is the prism through which we look when we consider how we should operate as a company. We have long acknowledged that the community has high expectations of us and we have a proud track record of not only adapting to, but also *leading* industry and regulatory change.

We have gone to considerable lengths in the past twelve months in this regard – from contributing to the ASIC Review of Buy Now Pay Later, participating in the Senate Inquiry and championing self-regulation by way of an industry Buy Now Pay Later Code of Practice with the Australian Finance Industry Association.

All of these things we do because ultimately our interests are aligned with those of our customers. Because affordability of finance means reliability of payments – and that is an outcome that is good for both parties. We believe that the right financial solution differs for each individual and each occasion, which is why we pride ourselves on being flexible to our customers' needs.

In February, following a period of review, I laid out the new strategy for **flexigroup**. Put simply, there are four strategic pillars to our transformation plan:

The first requires the simplification of our offer, plus the need for investment in order to build strong profitable brands that are well known and loved by our customers.

The second pillar requires us to take a leadership position in the Buy Now Pay Later marketplace ... we started it, after all...

The third calls for a streamlining of originations with instant credit decisions.

And the fourth pillar is an expansion of our reach, our target market, our audience and our relevance.

I'm pleased to say since the strategy was launched in February, we have made good progress in each of these pillars.

When I stood here in front of you last November, we had numerous products sold under a range of brand banners, all with different pricing and credit profiles. On top of which, there were a huge number of different applications and supporting platforms that only served to create inefficiencies across the business.

So we developed a plan to consolidate into fewer, more desirable products, supported by simplified and streamlined back-end operations.

Let's start with product ...

Over the last twelve months we have introduced three clear propositions that are underpinned by unique, recognisable brands.

In Buy Now Pay Later, we have **hummm** – the only product in its market to offer up to \$30,000 interest-free. We have also announced an extension of our Buy Now Pay Later offering, with the introduction of a new product that we believe is a category killer - **bundll**. **bundll** allows you to buy everything, everywhere and pay later. It's BNPL in your pocket.

In credit cards, we will have a new direct to consumer brand, **carrrt**, that consolidates Skye, Once, Lombard and Q offerings under one brand as we seek to expand our distribution channels to include direct to customer acquisition.

In commercial we see the opportunity with the small to medium business customer and our **wiired lease** and **wiired money** products are designed to address two main pain points – access to funding and lumpy cashflow.

Now to the simplification of our systems ...

**flexigroup's** technology landscape was heavily customised to suit separate legacy systems and products. We now have an architectural roadmap in place to reduce:

- six product systems to one web-origination platform
- three buyer management systems to one CRM system
- three fraud engines to one fraud platform; and
- seven credit decisioning instances to one single platform that is scalable for growth and works across markets.

We are simplifying our service too. And that means a digital-first approach, with a single approach to CRM for buyer and seller and an enhanced call-centre experience for our customers. To that end we have:

- reviewed duplicate positions from call centre and back office functions
- introduced webchat – which has reduced call volumes by 20%
- introduced apps for BNPL and Cards – which has empowered our customers to self serve; and
- in transitioning to **hummm**, improved our customer experience with an app rating of 4.6 stars.

And finally, we are simplifying our operations as well. To which end we have:

- completed an organisational realignment
- removed duplication of functions across each geography; and
- introduced new roles including Innovation, Digital and Data and Portfolio Optimisation.

By simplifying our product suite, the areas we 'play' in, and by moving to a full shared services model over the next 3 years, we aim to deliver a cost-to-income ratio sub 40%.

Our next objective is to lead the Buy Now Pay Later, a space that we invented nearly 20 years ago.

And spearheading that effort is our new product **hummm** ...

**flexigroup** had two invisible brands. They were unloved products with limited customer interface – and so we consolidated them into one and relaunched them as **hummm**.

**hummm** is the only product in market that can service transactions from \$1 to \$30,000; it's the only one that allows customers to access \$2,000 instantly, gives them more time to pay, and allows them to shop confidently, with pre-approval.

Unsurprisingly, our new product offering has been incredibly well received by the market. As highlighted by this video.

*This video is available on the flexigroup website for those not present in the meeting.*

Already in FY 20 we've seen:

- 132,000 new customers added to the platform
- the number of places to shop with **hummm** reach over 18,000
- a 35% increase in the number of transactions overall; an 84% increase in our 'little things' volume and 10% increase in our 'big things' volume over the same period last year

The broad demographic of the **hummm** customer continues to deliver value to our retail partners with a market leading average transaction value of \$386 for 'little things' and \$4,238 for 'big things'.

During that period, **hummm** has also successfully integrated with a wide number of ecommerce and Point of Sale platforms to drive increased adoption with retailers – plus we have added some big names to the platform – IKEA, Just Jeans, Myer, Bing Lee – to name but a few.

However, it's important to note that this opportunity will not be fully realised unless we have a fit-for-purpose digital credit decision framework to help us grow. We are focused on streamlining our originations with instant credit decisions.

**flexigroup's** objective is to foster a credit platform that is agnostic to product and market and therefore easily scaled for growth.

Significant work has been undertaken in the last year to decommission legacy systems and deliver a sophisticated proprietary decision engine that makes best use of the 20 million data reference points collected from customers. During that time period:

- one enhanced and optimised collections system has been put in place for all products
- new credit scorecards went live for Australia and New Zealand cards products
- we entered a new partnership with GBG to deploy the latest fraud detection tools
- and we deployed comprehensive credit reporting.

Work on this continues, but the company is already seeing the benefits of the investment with early improvements in arrears due to enhanced decision-making.

Finally, we wanted to increase our reach, our target market, our audience and our relevance.

Let's look briefly at who we see as our key target customers, each of whom is now served by one or more of our products.

First up, you have **The Balancer** who lives for the moment - served by our new BNPL category killer **bundll**.

Then you have **The Amplifier** who lives life by making what they have go further – and they are served by **hummm**.

You have **The Shopper** who lives a lifestyle to enjoy, and can do so with our new direct to consumer credit card.

There's **The Nomad** who lives life prioritising new experiences and does it with Flight Centre.

And finally, you have **The Founder**, who lives to create, build, grow and can do so with either of our two new SME products.

At our Full Year results in August we announced an extension to **flexigroup's** Buy Now Pay Later offering in a completely new category in its sector.

In a strategic partnership with Mastercard, **flexigroup** created an offer that will allow customers to buy everything, everywhere and pay later. It's Interest Free. It's BNPL in your pocket.

**bundll** is the only BNPL product in the market that can facilitate multiple payments up to \$1000 at almost any location that Mastercard is accepted.

You simply download the **bundll** app directly to your phone and register in a few simple steps. You can then use **bundll** for any purchases through ApplePay, Google Pay and other electronic wallets for your weekly purchases.

Customers then get up to two weeks to pay their bundle. If they are not ready to pay or need a bit more time they can use a 'snooze' to delay payment another two weeks and, if more time is needed, create a **superbundll** and repay in six fortnightly instalments over 12 weeks.

**bundll** will be co-branded and offered to over 200,000 Raiz customers. Raiz is Australia's largest mobile first consumer focussed mobile services app. **bundll** will be a means of creating instant liquidity in customers' Raiz accounts, funding purchases on **bundll** via Raiz. It will also allow customers the opportunity to round up **bundll** purchases and invest via Raiz.

Loyalty offers will be available to customers via the **bundll** marketplace on the app and we will be announcing our founding brand partners at launch.

**bundll** is now in beta and will be available in public beta in the coming weeks.

Which brings us neatly to our new card brand targeting The Shopper – consumers who live a lifestyle to enjoy.

**flexigroup's** credit card business continues to grow, and to capitalise on this opportunity the company is going direct to the consumer with a new card offering – called **cartt**.

To target The Shopper, **cartt** takes a direct-to-customer acquisition approach in Australia. Offering 90-days interest free and no international transaction fees, including international purchases made online, it's everything that appeals to the dedicated shopper.

Combined with a frictionless sign-up process, **cartt** provides an instant decision and an instant provision into your digital wallet.

We've also created two new products aimed at The Founder, who lives to create, build and grow.

Those products are **wiired lease** and **wiired money**.

There are approximately 2.3 million small businesses in Australia and 580,000 in New Zealand. For some of those companies, cash flow is their biggest concern. B2B e-commerce is set to grow to double the size of the B2C online market over the next 2 years.

**wiired lease** is a product designed specifically for Small and Medium Enterprises seeking a nimble and competitive leasing partner who can help finance technology investments for their business. **wiired lease** is Australasia's first digital, integrated leasing platform, providing instant quotations on commercial leases up to \$100,000.

**wiired lease** launched in New Zealand with Harvey Norman, Ingram Micro and Office Max as its first partners.

Complementing this is **wiired money**, an interest-free instalment digital wallet. Aimed to provide small to medium business owners up to \$30,000, with the flexibility of repaying in interest free instalments. Launch for this product is scheduled for Q4 FY20.

The steps we've taken over the last year have catapulted **flexigroup** towards our ambitious plan to become a digital spending powerhouse, helping people buy everything, everywhere, every day. And as outlined by the Chairman we've done that by committing to invest in enhancing our people capability, growing our brand presence through marketing, and digitising our customer experience to ensure that we are in a position to seize the opportunity that is before us. This is intended to ensure that we are:

- simplifying our products and brands to reduce effort, creating synergies and allowing us to focus on growth
- delivering customer experiences that create viral demand for our products, solving pain-points others can't solve
- creating and delivering products that increase our reach and exposure **hummm** was just the beginning, with **bundll** and **wiired money** to follow this year
- And growing the value of customers seamlessly within digital wallets and product platforms, making it easy for our customers to transact repeatedly

Thank you – I'd now like to take any questions you might have.

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**ABOUT FLEXIGROUP**

**flexigroup** provides a diverse range of finance solutions to consumers and businesses through a network of retail and business partners. This includes Buy Now Pay Later products, credit cards and commercial leasing. **flexigroup** has been operating in Australia for over 30 years, has partnerships with over 65,000 sellers and now serves over 1.7 million customers across Australia, New Zealand and Ireland.

For more information visit: [flexigroup.com.au](http://flexigroup.com.au)