



## FSA GROUP LIMITED

16 December 2019

### FSA Group launches new Azora home loans business

#### Background

FSA Group's business operates across the following key segments:

- Services; and
- Consumer Lending.

The Consumer Lending segment is broken down into:

- Home Loans; and
- Personal Loans.

Home Loans is operated out of FSA Group's subsidiary Fox Symes Home Loans Pty Limited (FSHL).

FSHL's historical profit before tax (PBT), loan pool, arrears and losses are as follows:

<b>FSHL</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
<b>PBT</b>	\$4.6m	\$3.8m	\$5.3m	\$6.0m	\$5.9m
<b>Loan Pool</b>	\$233m	\$262m	\$306m	\$360m	\$382m
<b>Arrears &gt;30 Day</b>	2.87%	2.17%	2.21%	1.40%	1.42%
<b>Losses</b>	\$0.14m	\$0.44m	\$0.34m	\$0.50m	\$0.28m

FSA Group's Executive Director Tim Odillo Maher said

*"Over the last 12 years we have proven our ability to successfully originate and manage non-conforming home loans. Our low level of arrears and losses are market leading. However, we have been unable to grow our loan pool and earnings at a desired level.*

*In order to grow we need to further develop our product offering and expand our external origination and distribution channels. We also need to diversify our funding by accessing the debt capital markets which will in turn de-risk our business. To succeed in this exciting new growth initiative, we are partnering with one of the most experienced management teams in the non-bank home loan sector".*

#### Azora Home Loans

FSHL will be rebranded "Azora Home Loans" (Azora).

Azora will be led by one of the most experienced management teams in the non-bank home loan sector with a proven track record in product design, credit policy development, responsible lending, loan underwriting, post-settlement servicing, and in managing warehouse funding, trust management and securitisation programs.

## **Azora's Management Team**

**Patrick Tuttle** is the former Australian CEO and Co-Group CEO of Pepper Group Limited (previously ASX:PEP), a role he held for nearly 10 years. Prior to joining Pepper, he was a Divisional CFO for various Macquarie Bank business units. He is an Australian Chartered Accountant and a former Deputy Chairman of the Australian Securitisation Forum.

**David Holmes** is the former Australian COO and Global Head of Credit of Pepper Group Limited (previously ASX:PEP), a role he held for over 17 years. Prior to joining Pepper, he was a pioneer of the non-conforming mortgage lending market in the UK. A retail banking and consumer credit specialist, David has also previously held senior roles with Citibank and Nationwide UK.

**Philip Sullivan** is the former Group Treasurer of Virgin Australia. He has over 20 years' experience in debt and equity capital markets, structured finance and financial risk management. He is a Chartered Accountant and Chartered Financial Analyst and previously held senior executive and treasury management roles with Macquarie Bank, Allco Finance, Fitch Ratings and Arthur Andersen.

Patrick Tuttle and David Holmes will join the Azora board as Executive Directors.

The Management Team has entered into a 5-year Joint Venture Agreement with Azora through their privately-owned management and asset finance business, Azora Finance Pty Limited.

## **Azora's 5 Year Plan**

Over the next 5 years Azora's Management Team will be aiming to:

- Grow its current loan pool from \$382 million (June 2019) to circa \$1.5 billion; and
- Grow annual PBT from \$5.9 million (June 2019) to over \$20 million per annum.

The Azora growth strategy will largely be self-funded through reinvestment of retained earnings. To diversify funding and de-risk the business we plan to periodically utilise the debt capital markets and are already well advanced on an inaugural \$200 million RMBS private bond issue.

The Management Team will be incentivised via an equity earn-in arrangement of up to 20% based on growing Azora's annual PBT from \$5.9 million (June 2019) to over \$20 million per annum, over the next 5 years. Azora and its Management Team are confident of their ability to achieve this growth, thereby positioning Azora as a key player in Australia's specialist residential home loan market.

The Azora transaction is subject to a number of conditions precedent which we intend to satisfy in the short term.

## **Cellina Chen Company Secretary**

### **Cautionary Statements and Disclaimer Regarding Forward-Looking Information**

This release may contain forward-looking statements, including statements about FSA Group Limited's (Company) financial condition, results of operations, earnings outlook and prospects. Forward-looking statements are typically identified by words such as "plan," "aim," "focus," "target," "believe," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "project" and other similar words and expressions.

The forward-looking statements contained in this release are predictive in character and not guarantees or assurances of future performance. These forward-looking statements involve and are subject to known and unknown risks and uncertainties many of which are beyond the control of the Company. Our ability to predict results or the actual effects of our plans and strategies is subject to inherent uncertainty.

Factors that may cause actual results or earnings to differ materially from these forward-looking statements include general economic conditions in Australia, interest rates, competition in the markets in which the Company does and will operate, and the inherent regulatory risks in the businesses of the Company, along with the credit, liquidity and market risks affecting the Company's financial instruments described in the Company's latest Annual Report.

Forward-looking statements are based on assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate. Those assumptions may not be correct or exhaustive.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. **You are cautioned not to place undue reliance on any forward-looking statements.**

Forward-looking statements are based on current views, expectations and beliefs as at the date they are expressed. The Company disclaims any responsibility to and undertakes no obligation to update or revise any forward-looking statement to reflect any change in the Company's circumstances or the circumstances on which a statement is based, except as required by law.

The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement to the extent permitted by law. Unless otherwise stated, the projections or forecasts included in this release have not been audited, examined or otherwise reviewed by the independent auditors of the Company.

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