



FSA Group  
AGM Presentation  
27 November 2020

# Agenda

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- Overview
- Summary of the year “Challenges and opportunity”
- Segments
  - Services
  - Consumer Lending
- Financials
- COVID-19, Strategy and Outlook
- Earnings and Capital Management



# Overview

# Overview



**Australia's largest provider of debt solutions;  
direct lender to individuals**

## What we do

For over 20 years, FSA has helped thousands of Australians take control of their debt. Our large and experienced team of professionals offers a range of debt solutions and direct lending services, which we tailor to suit individual circumstances and to achieve successful outcomes for our clients.

## Segments

Operates across 2 segments:

- Services
- Consumer Lending

# Overview



## Australia's largest provider of debt solutions; direct lender to individuals & businesses

<b>2000</b>	Founded with director loans of \$50,000. Initial offering debt agreements then PIA's and bankruptcy, then home loan brokering
<b>2002</b>	Back door listing raised \$600,000 for shareholder spread
<b>2006</b>	Commenced home loan lending
<b>2009</b>	Raised \$5.2m to underpin home loan pools
<b>2015</b>	Commenced car loan lending
<b>2020</b>	PAT \$16.3m, Shareholder equity \$59m, ROE 30%
<b>2011 to 2020</b>	\$73m returned to shareholders in buybacks and dividends
<b>2002 to 2020</b>	Shareholder return of 13% pa assuming dividends are re-invested



# Summary of the year “Challenges and opportunity”

# Challenges and opportunity

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## Services

- June 2019 amendments to the Bankruptcy Act took effect.
- As predicted non-home owners have been adversely affected.
- July 2019 launched our new service, an informal arrangement to assist non-home owners with their debt.
- The launch has been successful with positive feedback from clients and creditors.

# Challenges and opportunity

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## Consumer Lending

- Developed a long term growth strategy.
- Rebranded “Azora” and led by one of the most experienced management teams in the non-bank sector.
- December 2019 we announced our inaugural \$200m issue of non-conforming RMBS via sole arranger and manager Westpac.
- Accessing the debt capital markets is a key step in our strategy of diversifying our funding and de-risking the business. More importantly, it provides us with fresh funding capacity to pursue our growth strategy.



# Challenges and opportunity

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## COVID-19

- See Section “COVID-19, Strategy and Outlook”



# Services

# Services



## Informal Arrangements and Debt Agreements

## PIAs and Bankruptcy

FSA offers a range of services to assist clients wishing to enter into a payment arrangement with their creditors. These services include informal arrangements, debt agreements, personal insolvency agreements and bankruptcy.

# Services - Clients



<b>Informals and Debt Agreements</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>% Change</b>
New clients	5,797	4,573	4,327	-5%
Clients under administration	21,885	21,725	19,736	-9%
Debt managed	\$398m	\$379m	\$353m	-7%
Dividends paid	\$82m	\$88m	\$89m	+1%

<b>PIA's and Bankruptcy</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>% Change</b>
New clients	415	436	347	-20%
Clients under administration	1,253	1,290	1,304	+1%



# Consumer Lending

# Consumer Lending



## Home Loans

FSA offers home loans to assist clients with property who wish to consolidate their debt.

## Personal Loans

FSA offers personal loans to assist clients with the purchase of a motor vehicle.

# Consumer Lending - Loan Pools



<b>Loan Pool Data</b>	<b>Home Loans</b>	<b>Personal Loans</b>
Weighted average loan size	\$356,157	\$20,656
Security type	Residential home	Motor vehicle
Weighted average loan to valuation ratio	67%	85%
Variable or fixed rate	Variable	Fixed
Geographical spread	All states	All states

# Consumer Lending - Loan Pools



<b>Loan Pools</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>% Change</b>
Home loans	\$360m	\$382m	\$394m	+3%
Personal loans	\$48m	\$59m	\$63m	+6%
<b>Total</b>	<b>\$408m</b>	<b>\$441m</b>	<b>\$457m</b>	<b>+4%</b>

<b>Arrears &gt; 30 day</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
Home loans	1.40%	1.42%	2.55%
Personal loans	1.55%	3.36%	2.41%

<b>Losses</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
Home loans	\$ 501,494	\$ 278,405	\$ 171,265
Personal loans	\$ 263,251	\$ 564,022	\$ 1,155,536*

\* The loss of \$1,155,536 is distorted by a loss of \$371,350 from the discontinued pilot product offering which we ran during the 2018 calendar year.



# Consumer Lending - Funding



Funding	Facility Type	Provider	Limit	Maturity Date	Drawn
Home Loans	Non-recourse warehouse	Westpac	\$350m	Oct-21	\$198m
	Non-recourse warehouse	Institutional	\$20m	Oct-21	\$15m
	Securitised	Institutional		Mar-51	\$178m
Personal Loans	Limited recourse warehouse	Westpac	\$75m	Apr-23	\$42m
	Corporate	Westpac	\$15m	Mar-21	\$5m



# Financials

# PBT by segment



Profit before tax by segment		FY2019	FY2020	% Change
Services		\$11.6m	\$11.7m	+1%
Consumer Lending	Home Loans	\$5.9m	\$7.4m	+26%
	Personal Loans	\$5.3m	\$5.2m	-3%
Other/unallocated		(\$0.7m)	\$0.4m	
<b>Profit before tax</b>		<b>\$22.2m</b>	<b>\$24.8m</b>	<b>+12%</b>

# Group financials



<b>Financial Overview</b>	<b>FY2019</b>	<b>FY2020</b>	<b>% Change</b>
Operating income	\$69.7m	\$68.2m	-2%
Profit before tax	\$22.2m	\$24.8m	+12%
Profit after tax attributable to members	\$14.4m	\$16.3m	+13%
EPS basic	11.52c	13.05c	+13%
Net cash inflow from operating activities	\$17.1m	\$19.4m	+14%
Dividend/share	5c	6c	+20%
Shareholder equity attributable to members	\$51.0m	\$59.4m	+17%
Return on equity	30%	30%	

# What's underpinning operating cash flow



## Long-term annuity income

	FY2018	FY2019	FY2020	% Change
Net cash inflow from operating activities	\$14.5m	\$17.1m	\$19.4m	+14%

		No of clients / loan pool size	Average client life in years
<b>Services</b>	- Informals/ Debt Agreements	19,736	4.5 to 5.5
	- PIA/Bankruptcy	1,304	3
<b>Consumer Lending</b>	- Home Loans	\$394m	3 to 4
	- Personal Loans	\$63m	4 to 5



# COVID-19, Strategy and Outlook

# COVID-19 - Overview

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- We acted promptly to ensure we provided a safe working environment for our people and implemented flexible work arrangements including working from home.
- Due to Government and Bank support packages and temporary Legislative changes\*:
  - **(New Clients)** COVID-19 negatively impacted the number of new callers seeking our assistance, predominately for our Services segment;
  - **(Existing Clients)** COVID-19 negatively impacted then positively impacted collections, arrears and hardships for existing clients.

\* Temporary Legislative changes include extending the Bankruptcy Notice compliance period from 21 days to 6 months and increasing the Bankruptcy Notice threshold from \$5,000 to \$20,000.

# COVID-19 - New Clients - Services



## Services

New client numbers for March to October 2020 vs pcp

- down 37% for Informals/Debt Agreements; and
- down 67% for PIA/Bankruptcy

## Strategy and Outlook

In response we have restructured parts of our business to reduce costs.

We believe demand for our services will start to increase in the months leading up to the withdrawal of both Government and Bank support packages and the reversal of the temporary Legislative changes.



# COVID-19 - New Clients - Consumer Lending



## Consumer Lending

Loan pools at October 2020 vs January 2020

- Home loan pool \$387m relatively unchanged; and
- Personal loan pool \$65m up 2%

## Strategy and Outlook

During COVID-19 we focused on arrears and hardship management.

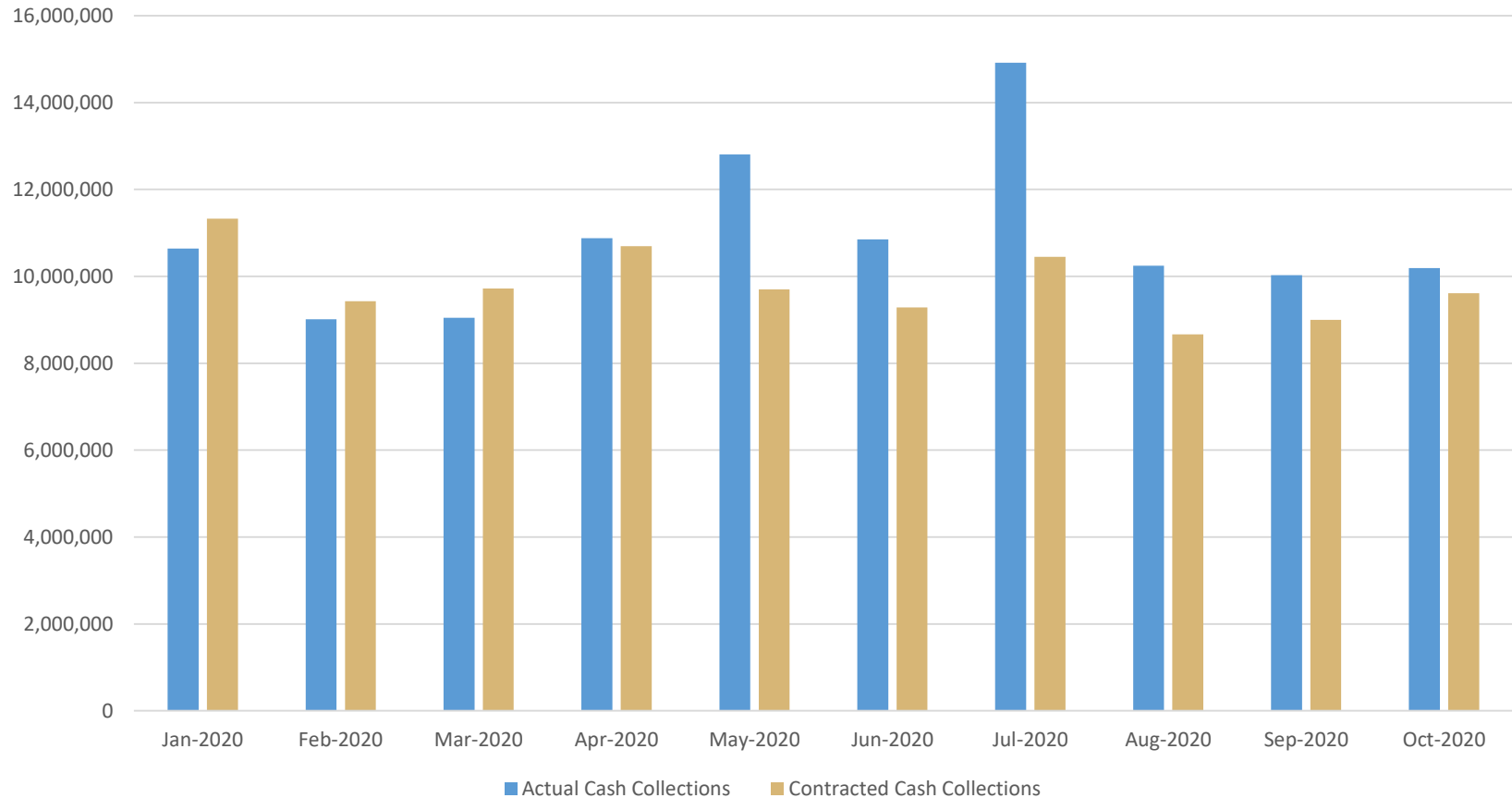
We are now preparing to take “Azora” to the broker market.

We are focused on developing a broker channel and growing our loan pools.

# COVID-19 - Existing Clients - Services



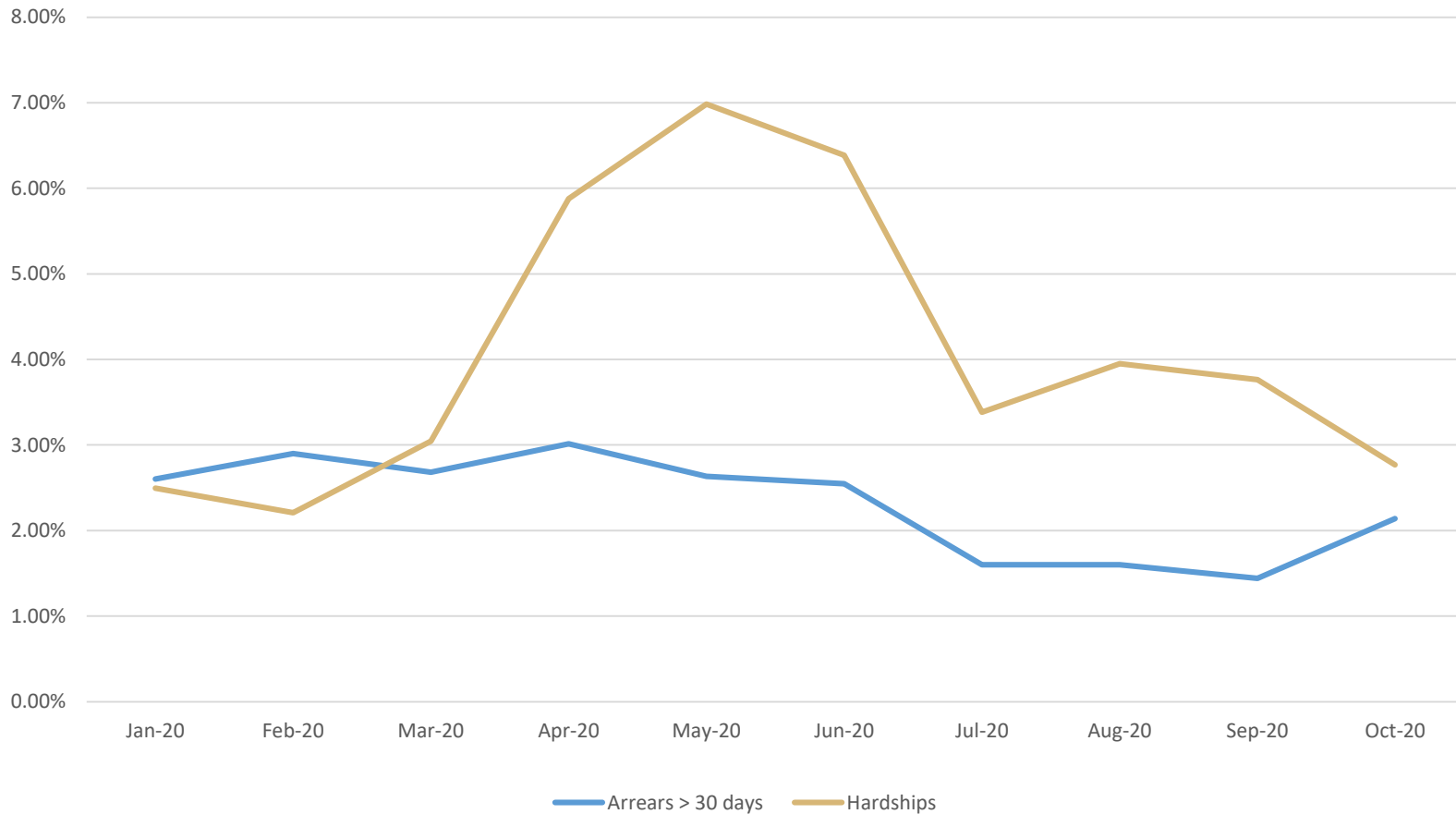
## Debt Agreement Collections



# COVID-19 - Existing Clients - Home Loans



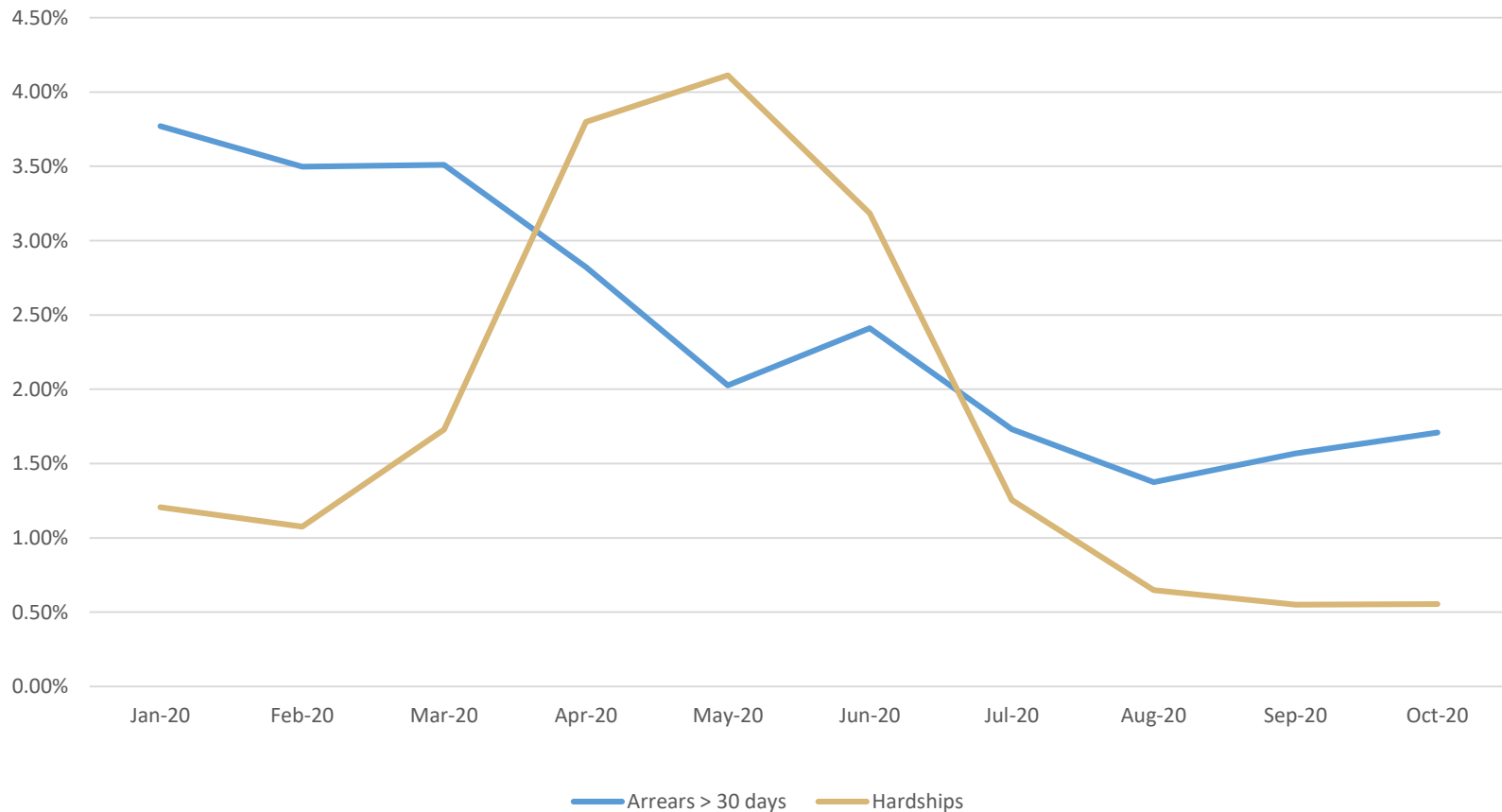
## Home Loan Arrears and Hardships



# COVID-19 - Existing Clients - Personal Loans



## Personal Loan Arrears and Hardships





# Earnings and Capital Management

# Earnings and Capital Management



<b>Earnings</b>	Due to increased cash collections and a reduction in costs we expect FY2021 earnings growth of 5% to 15%
<b>Capital Management</b>	Due to our strong net cash inflow driven by long term annuity income from our clients, we expect FY2021 full year dividend to be between 6c to 7c per share with the balance of earnings to be reinvested.
<b>On market share buy back</b>	We plan to continue with our on market share buy back.

# Investor Relations Contacts



**Mr. Tim Odillo Maher**

*Executive Director*

FSA Group Limited

Level 13, 1 Oxford Street

Darlinghurst NSW 2010

**T:** 02 8985 5090

**F:** 02 8985 5310

**E:** [tmaher@fsagroup.com.au](mailto:tmaher@fsagroup.com.au)

**Ms. Deborah Southon**

*Executive Director*

FSA Group Limited

Level 13, 1 Oxford Street

Darlinghurst NSW 2010

**T:** 02 8985 5091

**F:** 02 8985 5333

**E:** [dsouthon@fsagroup.com.au](mailto:dsouthon@fsagroup.com.au)

*Further information can be accessed from*

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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.

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