

FY21 Half Year Results

18 February 2021

Presented by
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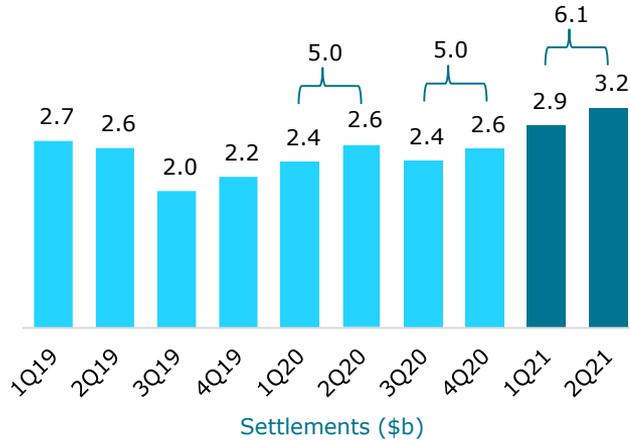
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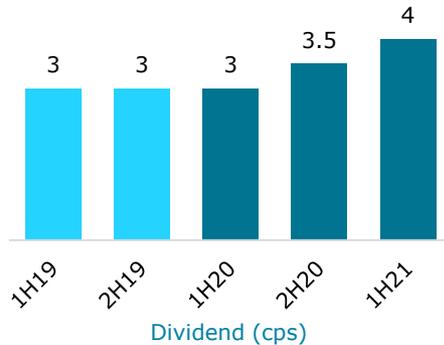
Executive Summary

1H21 performance highlights



Building recruitment momentum

Increase in loan writers over the COVID-19 period with loan administrators up 5.4% verse Dec-19



Positive settlement momentum

Approvals up 19.9% to \$3.7b in Dec-20 qtr
National Leads up 120.8% for the half

1H21 performance highlights

		1H21	1H20	1H21 vs 1H20
NPAT	- Cash	5.6m	5.5m	1%
	- IFRS	5.0m	4.0m	26%
	Adjustment to NPV payable for changes in pay-out assumption ¹	(0.9m)	-	-
	- IFRS final result	4.1m	4.0m	3%
Mortgage Broking	- Settlements	6.1b	5.0b	21%
	- Loan book	54.1b	54.3b	(0%)
FinChoice	- FUA	1.2b	1.1b	15%
	- PIF	35.0m	31.2m	12%
EPS	- Cash	4.5c	4.4c	1%
	- IFRS	3.3c	3.2c	3%
DPS	- Final Dividend	4.0c	3.0c	33%

Achievements and progress

Business outcomes

- Settlements up 21% on H1 FY20 and up 22% on H2 FY20.
- Quarterly settlement momentum continued throughout the period reflecting strong market conditions evidenced by increased refinance and first home buyer activity.
- No JobKeeper assistance received.
- 'Mortgage Choice Home Loans - Ignite' white label product (supported by Pepper Money) settlements continued to build following launch in February 2020.
- Building recruitment momentum with the number of loan writers increasing in the half.

Best Interests Duty Compliance

- Best Interests Duty compliant on 1 January 2021.

Trail book in transition

Payout

- The payout ratios on our trail book increased over the period with the increase in settlements. This increase will likely plateau in future periods with growth in the network.

Trail Book

- Increase in settlements of over 20% offset by a fall in average revenue of trail due to increased savings through COVID-19 and high levels of refinance activity.
- Run-off increased by 18.5%. Refinancing activity peaked for Mortgage Choice last quarter of FY20 and expect the balance of settlement activity from new originations to improve in future periods. Expect run-off to settle down over the next 6 to 12 months as economic activity resumes.
- Expected fall in trail rate a trend since 2009 but accelerated with increased run-off in older, higher margin book. This effect has a few more years to run (*see slide 12*).

Growth initiatives

Sales

- Invested in sales team leadership with renewed focus on partnering with franchisees to grow their businesses through sales insights, delivery of deepened lead source analysis and refined franchise success reporting.
- Refreshed our franchise value proposition to reflect our superior technology, business support and strong brand which lead to increased interest from prospective franchisees.

Marketing

- New email marketing platform capabilities implemented to increase and improve customer interactions and conversion.
- Brand strategy refresh with a new website led to improved customer experience and 121% increase in national leads.

IT

- Over 450 software enhancements to our proprietary Broker Platform delivered since inception.
- Continued to build out digital customer experience with more than half the network adopting newly integrated Fact Find gaining 80% completion rate from customers.

Financial Performance & Underlying Drivers

Profit & loss statement

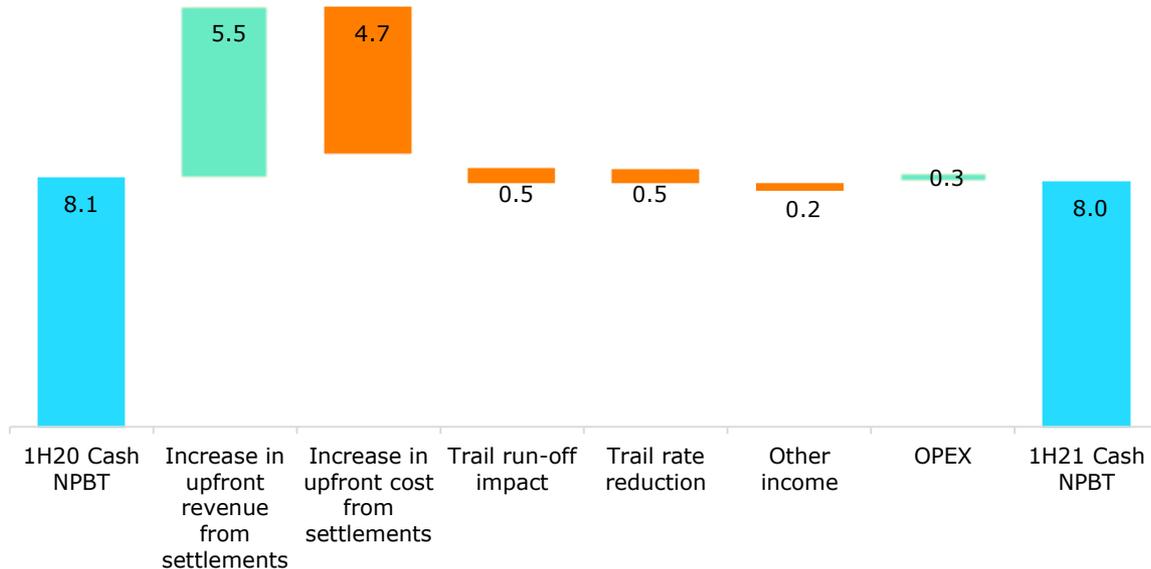
	1H21 Cash [^] \$m	1H20 Cash [^] \$m	Change %	1H21 IFRS \$m	1H20 IFRS \$m	Change %
Origination commission received	36.4	30.9	18%	36.4	30.9	18%
Trailing commission received	49.1	50.1	(2%)	51.4	44.9	14%
Total commission received	85.6	81.0	6%	87.8	75.8	16%
Origination commission paid	28.8	24.1	20%	28.8	24.1	20%
Trailing commission paid	35.8	35.7	0%	39.3	32.5	21%
Total commission paid	64.6	59.8	8%	68.1	56.6	20%
Net core commission	21.0	21.1	(1%)	19.7	19.2	3%
Diversified products net revenue	0.7	0.6	8%	0.6	0.6	8%
Financial Planning net revenue	0.9	0.9	1%	0.9	0.8	5%
Other income	1.0	1.2	(21%)	1.0	1.2	(21%)
Gross profit	23.5	23.9	(2%)	22.2	21.8	2%
Operating expenses	15.6	15.8	(2%)	15.6	15.8	(2%)
Share based remuneration	-	-	-	0.6	0.1	n/a
Net profit before tax	8.0	8.1	(2%)	6.1	5.9	3%
Net profit after tax	5.6	5.5	1%	4.1	4.0	3%
EPS (cps)	4.5c	4.4c	1%	3.3c	3.2c	3%
DPS (cps) – Full year	4.0c	3.0c	33%	4.0c	3.0c	33%

- 1H21 cash origination revenue up 18% in line with the increase in settlements.
- Cash trail impacted by COVID-19 with high levels of savings paid into mortgages and high refinance levels.
- Average payout ratio of 75.5% (upfront 79.2%, trail 72.8%) compared to 73.9% 1H20 (upfront 78.0%, trail 71.4%) due to strong settlements.
- Tight expense control. No JobKeeper payments received.
- \$470k of non-recurring expense relating to review of growth opportunities not proceeding.

[^]Cash is based on accruals accounting and excludes share based remuneration and the net present value of future trailing commissions receivable and payable. This is an extract from our audited accounts.

Cash NPBT waterfall

Net Profit Before Tax (\$m)



Increase in gross cash origination commission offset by the following:

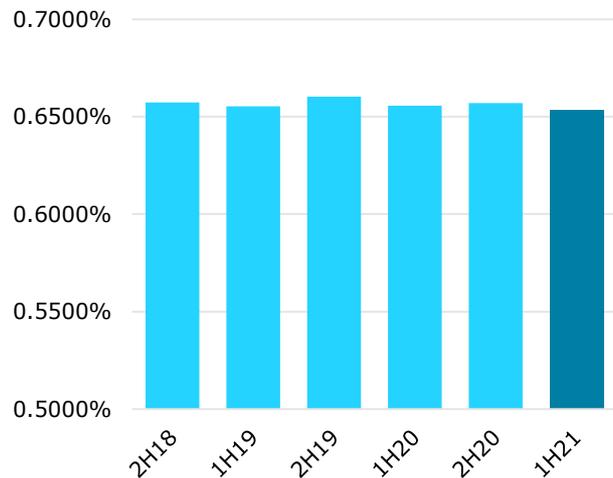
- Increase in payout as a result of increased volumes.
- Increased run-off of \$0.5m as a result of refinancing activity and build up of savings in offset/loan accounts.
- Expected reduction in trail rate from pay down of older, higher margin portfolio accelerated by increased run-off.

Upfront & trail commission rates

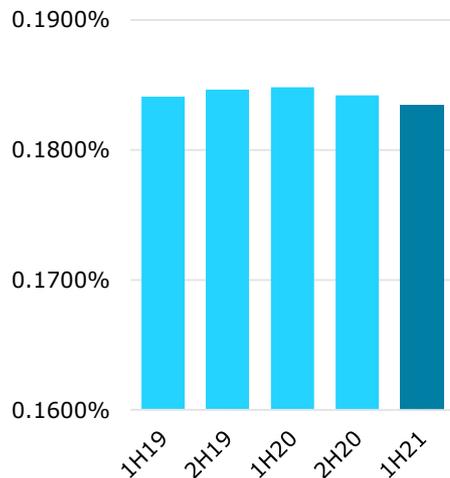
Average upfront rate for 1H21 is stable at just over 0.65%.

Average trail rate for 1H21 is 0.1835% - a drop from 0.1848% in 1H20 as the older higher margin trail books run down over time. Trail rate forecast to reduce and stabilise at just over 0.17% in FY24.

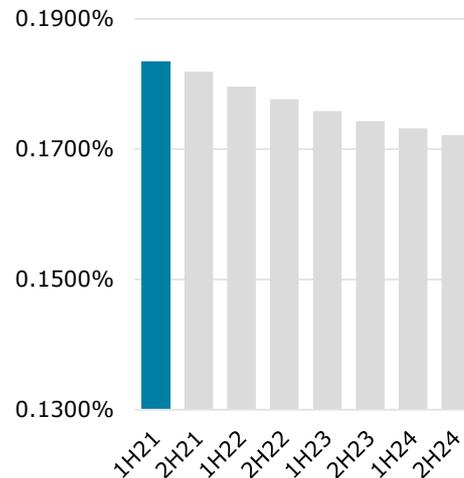
Average Upfront Rate (%)



Average Trail Rate (%)



Forecast



■ Average rate total book

■ Average rate total book (estimated)

Divisional results

	1H21			1H20		
	Total \$'000	MC \$'000	FinChoice \$'000	Total \$'000	MC \$'000	FinChoice \$'000
Settlements		6.1b			5.0b	
Gross profit (IFRS)	22,177	21,303	874	21,846	21,018	828
Gross profit (Cash)	23,517	22,524	993	23,902	22,925	977
OPEX	(15,560)	(14,311)	(1,249)	(15,811)	(14,504)	(1,307)
EBITDA (Cash)	9,736	9,969	(233)	9,790	10,123	(333)
NPAT (IFRS)	4,086	4,337	(251)	3,964	4,292	(328)
NPAT (Cash)	5,577	5,760	(183)	5,541	5,774	(233)
YOY growth (%)	1%	0%	n/a			

MC - Broking Business

Cash gross profit grew only 1% with strong settlement growth dampened by increased payout ratio and impact of trail book run-off.

FinChoice

Financial planning result improved. Expenses for the FinChoice IT platform absorbed until 30 June 2021. Current project to outsource back office operations.

FinChoice does NOT include any grandfathered commissions.

Operating cash flow

	1H21 \$'000	1H20 \$'000
EBITDA (cash basis)	9,737	9,790
Net interest income	185	238
Depreciation and amortisation - other	(1,424)	(1,357)
Net Profit Before Tax (cash basis)	8,498	8,671
Depreciation and amortisation - other	1,424	1,357
Tax paid	(2,609)	(2,632)
Purchase of fixed assets and intangibles	(1,848)	(1,586)
(Net advances) / net repayment of loans to franchisees	812	882
Loans book purchases	(515)	(720)
Prepaid insurances	(1,406)	(22)
Other balance sheet movements*	(1,391)	883
Cash flow before borrowings and dividends	2,965	6,833
External borrowings, net of repayments	-	(2,000)
Dividends paid	(4,375)	(3,750)
Net cash movement	(1,410)	1,083

*Includes other prepayments, other payables and receivables.

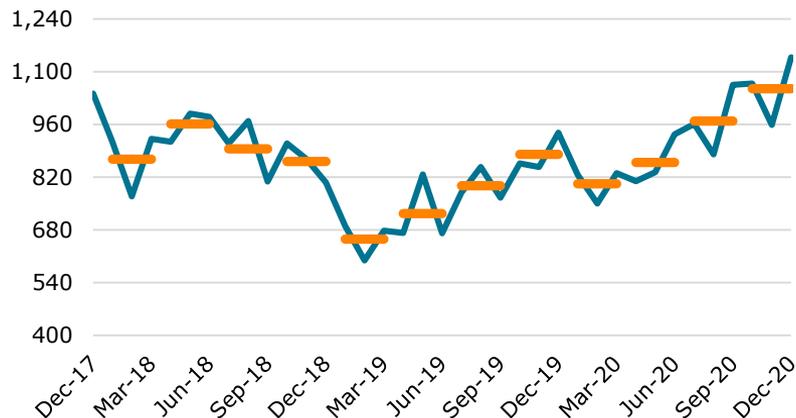
- EBITDA cash generation remains solid.
- IT investment expected to be lower in the second half.
- Prepaid insurance reflects timing difference of payment across periods.
- External borrowings repaid in full in previous financial year.
- Interim dividend of 4.0 cents (fully franked), payout ratio of 89%.

Settlements improved with market

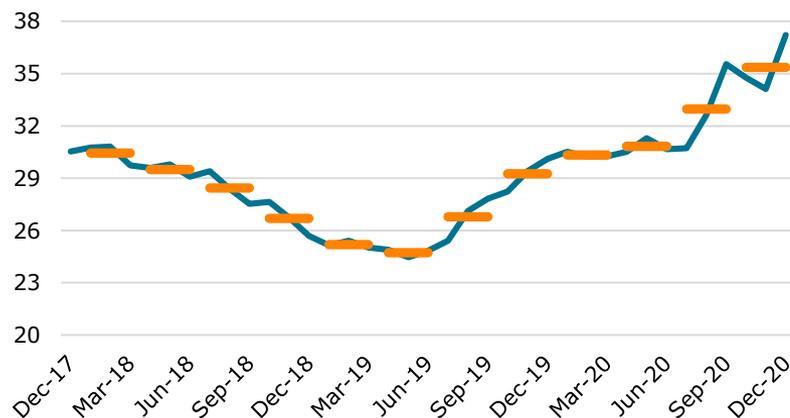
Settlement activity tracked in line with market following a low point in February 2020.

Settlements remained strong in six months to December 2020 despite extended lockdown period in Victoria and broader impacts across other key states.

Mortgage Choice Settlements Trend (\$m)



Housing Finance Approvals (\$b)

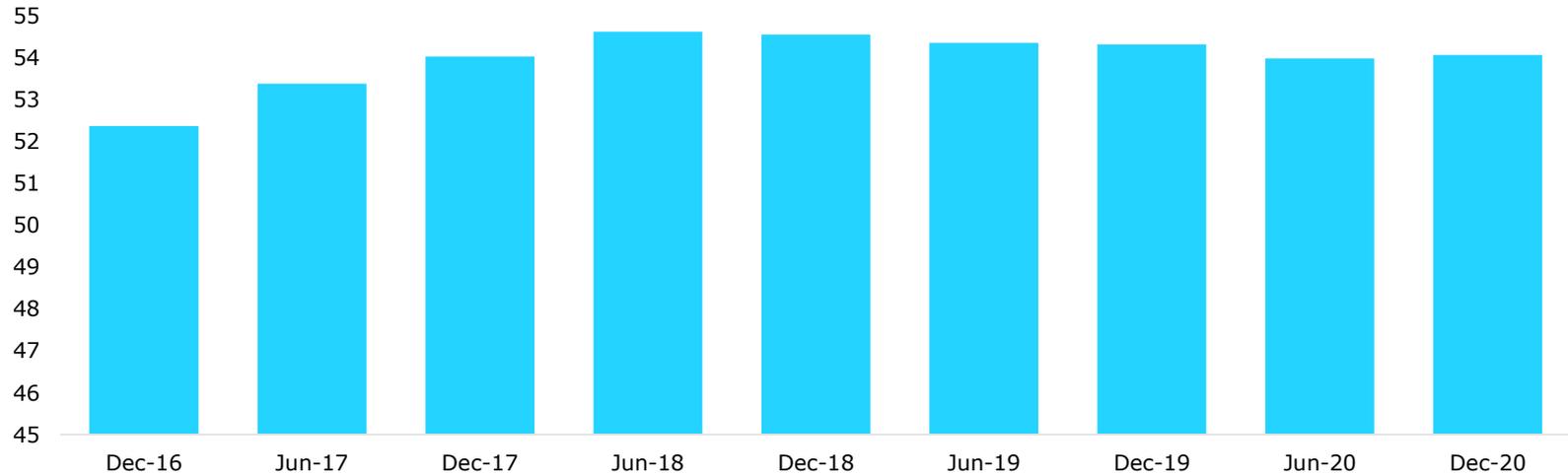


Source: ABS 5601 Table 3 and Table 13 December 2020 (Seasonally adjusted series)

Mortgage Choice loan book

Loan book of \$54.1b at 31 December 2020 increased slightly from June 2020. Strong settlement growth offset by 18.5% spike in run-off due to an increase in COVID-19 related savings and record refinance activity in historic low rate environment.

Loan Book (\$b)



Broker franchise network

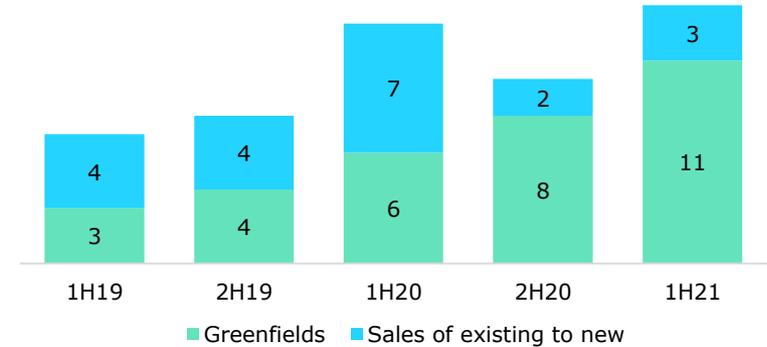
Recruitment continuing to build momentum and regeneration of network progressing.

Franchise Movement



*Inactive includes franchise retired without sale, franchise terminated or active franchise merged.

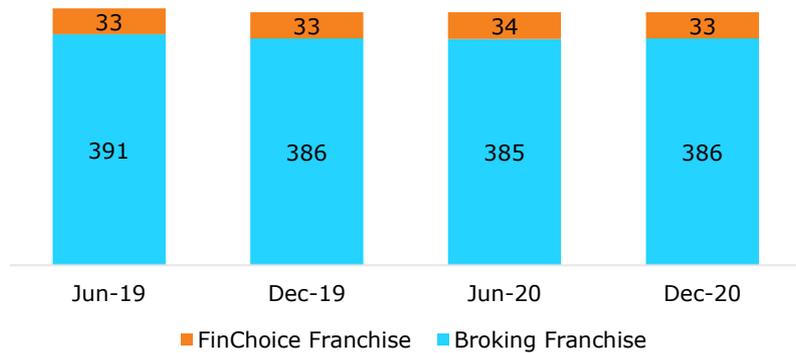
New Owners



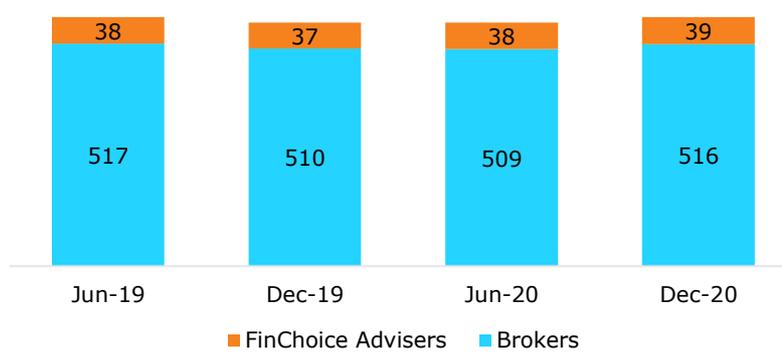
Franchise Network - Brokers and Advisers

Focus on growth in network reflected in increase of loan writers on prior periods. Closing loan writers of 516 after a low of 504 in April 2020 as recruitment momentum builds. Franchise loan administrators are up 5.4% from 386 to 407.

Franchise Network



Brokers & Advisers

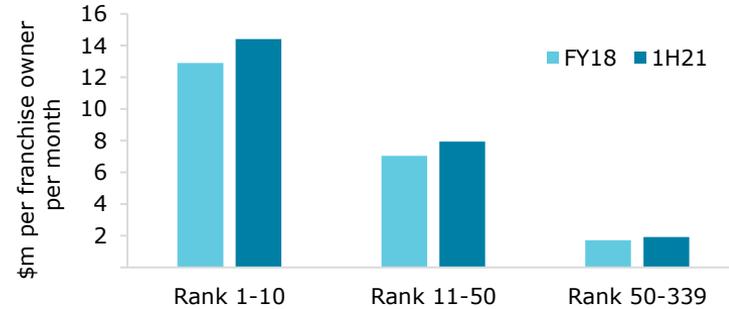


Regeneration of Broker Network

The settlement demographic of our network has improved over the past 3 years through investments we have made in regenerating the network. The network is well positioned to continue to increase productivity through growth in loan writers and franchisees as well as inherent capacity of existing businesses.

The charts below illustrate that the increase in broker productivity has been spread evenly across the network with the share of settlements remaining relatively constant over the last 3 years whilst overall settlements have increased.

Average Settlements



Franchise Owner Share of Settlements – FY18



Franchise Owner Share of Settlements - 1H21



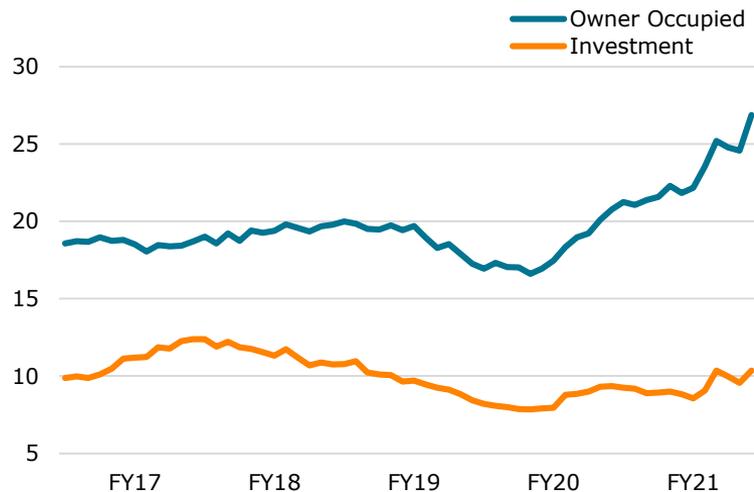
Market Update

Demand for Broking Services rebounds

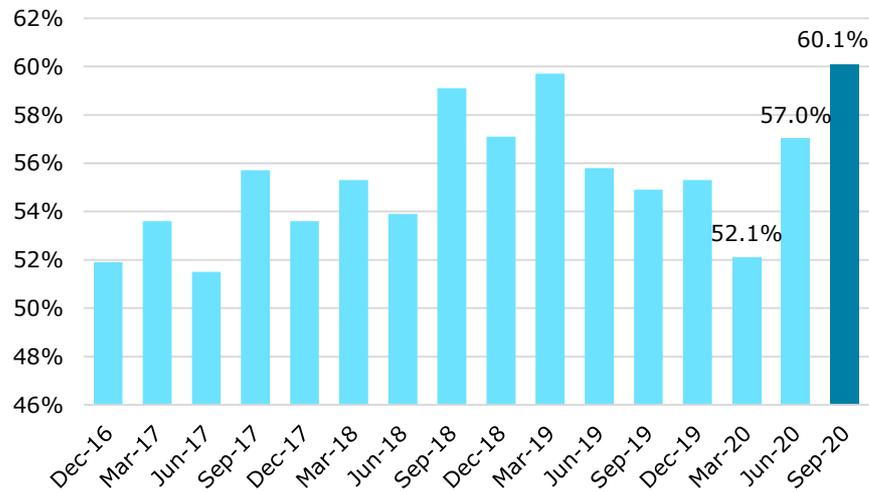
Broker market share has rebounded to a high of 60% for the September quarter after a dip to 52% in the March 2020 quarter.

Total housing market approvals averaged at \$34.2b per month in 1H21, up 21.9% on 1H20 (\$28.0b).

Housing Finance Approvals, ABS (\$b)



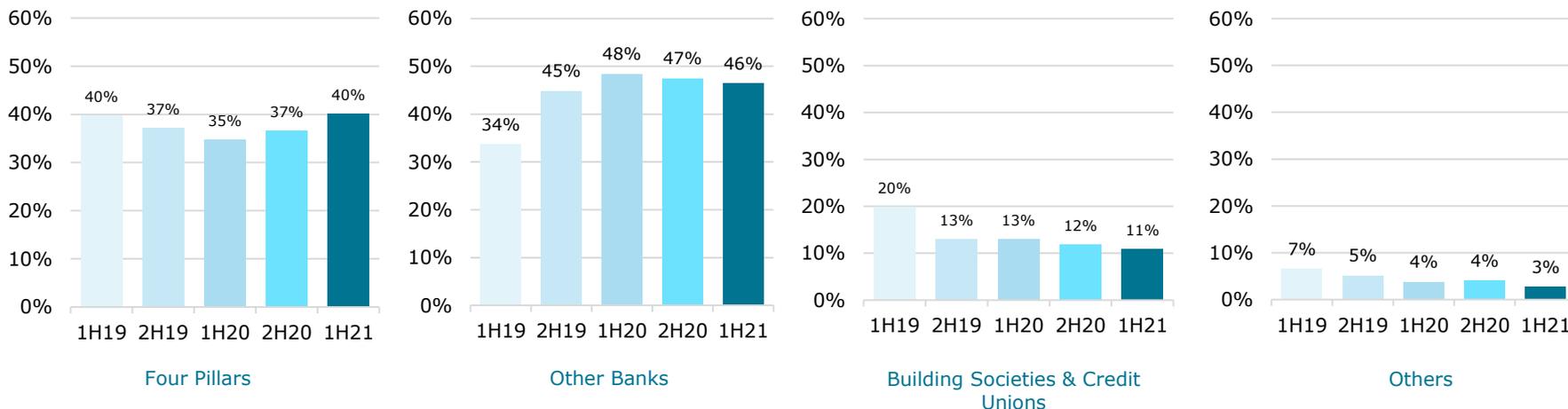
Broker usage, MFAA (%)



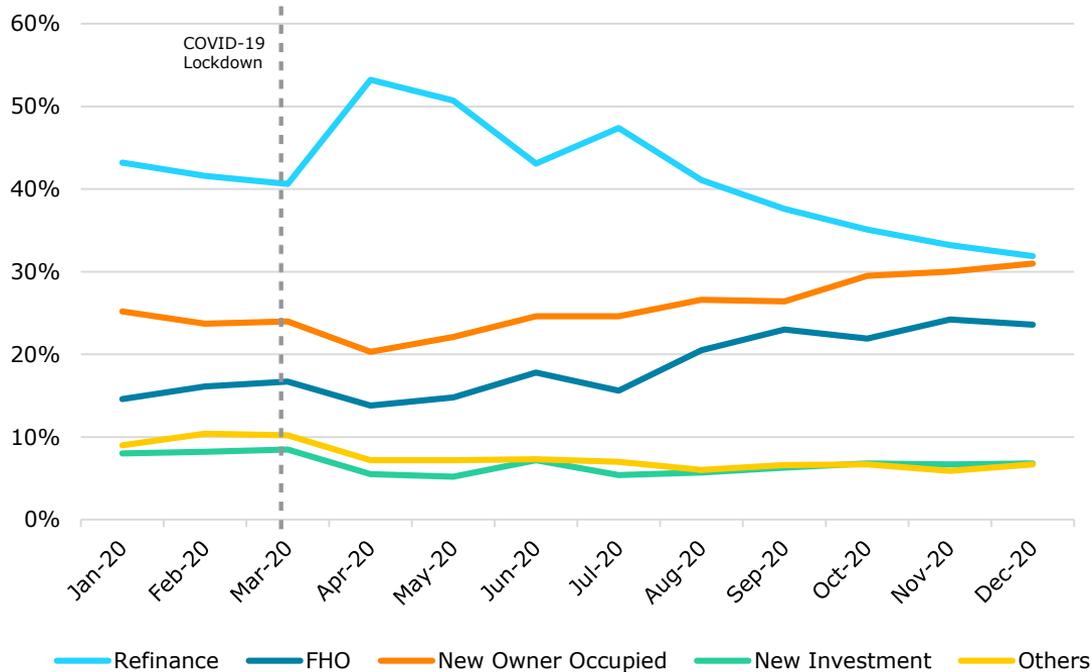
Settlements shift back to four pillars

Four pillars picked up market share with building societies and smaller banks pulling back slightly. Attractive fixed rates and cashback offers in market are having an impact. Including St. George and Bankwest the four pillars rose from 47% to 55%.

Mortgage Choice Residential Settlements by Lender (%)



Mortgage Choice approvals mix %



Approvals Trends

Based on the Mortgage Choice approval flows the graph highlights:

- Refinance activity peaked in April 2020.
- First Home Owner (FHO) and New Owner Occupied gradually built up as the economy moved out of lockdown.

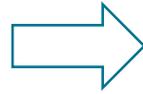
Focus for FY21 and Summary

FY21 Initiatives

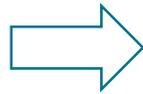
FY21 Progress Made



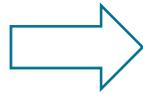
Growth of our revenue base through recruitment, regeneration and retention of franchise talent.



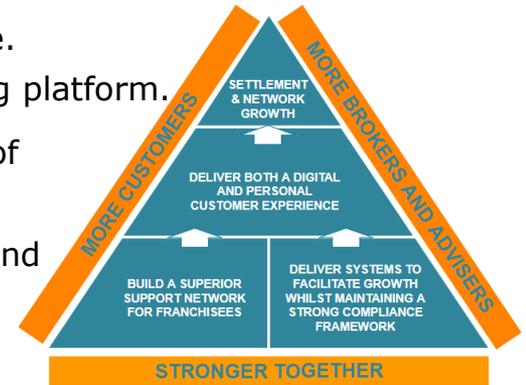
Accelerated investment in an enhanced and digitally-driven customer experience (CX).



Delivery of systems and processes that create digitally efficient broker and adviser businesses.



- YTD settlements averaging \$1b per month.
- YTD growth in loan writers.
- White label settlements growing with digital mortgage solution through new partner Australian Mortgage launched in 2H21.
- Significant enhancements made to our broker platform.
- Digital Fact Find, new website and enhanced customer experience.
- New email marketing platform.
- Successful delivery of Best Interest Duty compliant systems and extensive training to the broker network.



Summary



Engaged and highly productive network able to respond to increase in market activity despite period of COVID-19 lockdown. Highlighted by settlement growth averaging \$1b per month.



Focused on building franchise and broker footprint to drive future growth.



Successful delivery of Best Interest Duty compliant systems and extensive broker training of both systems and new compliance obligations.



Moving forward with the digital customer experience supported by efficient and digitally enabled franchises to further support settlement growth. Significant enhancements made to core systems in 1H21 and further enhancements planned for 2H21.



Lead volumes and settlement pipelines remain ahead of prior years going into second half. Strong underlying cash flows and debt-free balance sheet.



Mortgage Choice brand and broker value proposition well positioned in a rapidly changing broker landscape.

Appendices

5 Year Stats – P/L

\$m	1H17	2H17	1H18	2H18	1H19	2H19	1H20	2H20	1H21
Origination inc	39.28	36.57	36.21	33.81	32.09	25.77	30.89	30.57	36.42
Origination exp	(28.46)	(26.15)	(24.84)	(24.00)	(24.64)	(19.74)	(24.08)	(23.62)	(28.83)
Cash Trail inc	48.39	48.30	49.29	49.17	50.16	49.67	50.07	49.22	49.14
Cash Trail exp	(29.41)	(29.69)	(29.88)	(30.03)	(35.18)	(35.95)	(35.73)	(35.68)	(35.78)
Net Upfront	10.82	10.43	11.37	9.81	7.45	6.03	6.81	6.95	7.59
Net Trail	18.98	18.61	19.41	19.14	14.98	13.72	14.34	13.54	13.37
Net Commission	29.80	29.03	30.78	28.94	22.43	19.75	21.14	20.49	20.96
Other Income (inc Diversified products and FinChoice)	3.13	5.80	3.45	5.25	3.09	4.09	2.76	4.04	2.56
Cash OPEX	16.28	19.34	16.23	18.88	15.20	13.96	15.81	16.02	15.56
Cash NPAT	11.72	10.91	12.54	10.84	7.14	6.89	5.54	6.18	5.58
IFRS PAT	11.43	10.74	11.44	(7.20)	6.39	7.34	3.96	5.46	4.09
Cash e.p.s.	9.4 c	8.7 c	10.0 c	8.7 c	5.7 c	5.5 c	4.4 c	5.0 c	4.5 c
IFRS e.p.s.	9.2 c	8.6 c	9.2 c	(5.8)c	5.1 c	5.9 c	3.2 c	4.3 c	3.3 c
Div p.s.	8.5 c	9.0 c	9.0 c	9.0 c	3.0 c	3.0 c	3.0 c	3.5 c	4.0 c
Upfront Payout	72.5%	71.5%	68.6%	71.0%	76.8%	76.6%	78.0%	77.3%	79.2%
Trail Payout	60.8%	61.5%	60.6%	61.1%	70.1%	72.4%	71.4%	72.5%	72.8%
Total Payout	66.0%	65.8%	64.0%	65.1%	72.7%	73.8%	73.9%	74.3%	75.5%
Volumes MC									
Settlements # `000	20.01	18.56	18.46	15.91	15.17	12.42	14.67	14.94	18.16
Settlements \$b	6.37	5.97	5.99	5.49	5.27	4.14	5.03	4.98	6.07
Approvals \$b	7.29	6.78	6.93	6.19	5.87	4.93	5.91	5.90	7.23
Market \$b*	188.58	182.29	190.91	175.39	172.69	144.43	176.18	177.60	213.70
Market Share	3.9%	3.7%	3.6%	3.5%	3.4%	3.4%	3.4%	3.3%	3.4%
Avg Residential Loan Book \$b	51.54	52.52	53.32	53.90	54.19	53.97	53.89	53.67	53.47

* Source: ABS 5601 Table 3 and Table 13 December 2020 (original series, non-seasonally adjusted).

Balance Sheet

	Dec-20 \$'m	Jun-20 \$'m
Assets		
Current assets		
Cash and cash equivalents	4.7	6.1
Trade and other receivables	16.6	14.1
Contract assets	92.2	92.1
Total current assets	113.5	112.3
Non-current assets		
Receivables	2.8	3.5
Contract assets	281.4	280.0
Property, plant and equipment	0.5	0.6
Right of use asset	2.9	3.5
Intangible assets	11.1	10.7
Total non-current assets	298.8	298.1
Total assets	412.2	410.4
Equity		
Contributed equity	8.2	8.2
Reserves	2.5	2.0
Retained profits	78.5	78.8
Total equity	89.2	88.9

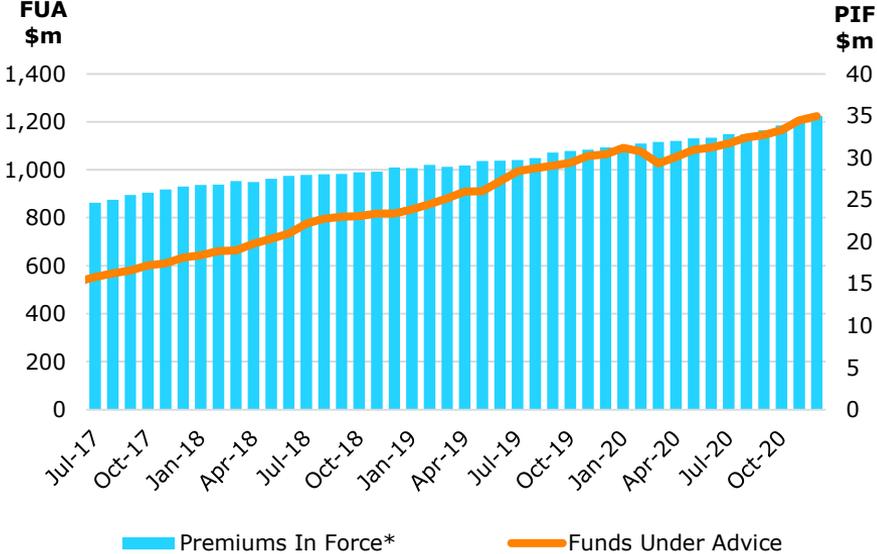
	Dec-20 \$'m	Jun-20 \$'m
Liabilities		
Current liabilities		
Trade and other payables	13.6	13.6
Future trailing commissions payable	68.0	67.0
Lease Liabilities	1.1	1.1
Current tax liabilities	0.3	0.4
Provisions	1.2	1.3
Total current Liabilities	84.0	83.3
Non-current liabilities		
Future trailing commissions payable	205.5	203.7
Lease Liabilities	2.1	2.7
Deferred tax liabilities	30.8	31.1
Provisions	0.7	0.7
Total non-current liabilities	239.0	238.2
Total liabilities	323.0	321.5
Net assets	89.2	88.9

Cash Flow Statement

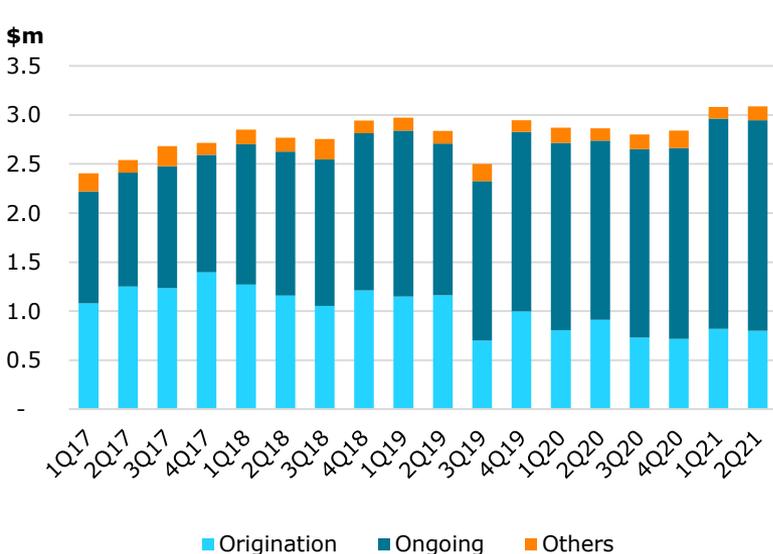
	1H21 \$'000	1H20 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	101,797	95,808
Payments to suppliers and employees (inclusive of goods and services tax)	(94,827)	(85,198)
Net	6,970	10,610
Income taxes paid	(2,609)	(2,632)
Net cash inflow from operating activities	4,361	7,978
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	(1,848)	(1,586)
Net repayment of/(increase in) loans to franchisees	812	882
Interest received	185	257
Net cash (outflow) from investing activities	(851)	(447)
Cash flows from financing activities		
Proceeds/(repayment) of external borrowings	-	(2,000)
Payment of lease liabilities	(545)	(652)
Interest paid	-	(46)
Dividends paid	(4,375)	(3,750)
Net cash (outflow) from financing activities	(4,920)	(6,448)
Net decrease in cash and cash equivalents held	(1,410)	1,083
Cash and cash equivalents at the beginning of the half-year	6,108	1,972
Cash and cash equivalents at the end of the half-year	4,698	3,010

Funds Under Advice & Premiums In Force continue to grow

FUA and PIF (\$m)



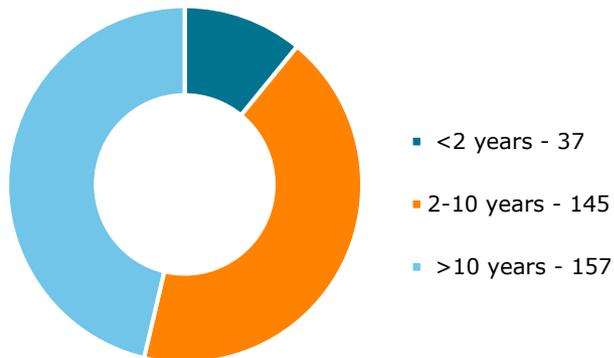
Gross Revenue (\$m)



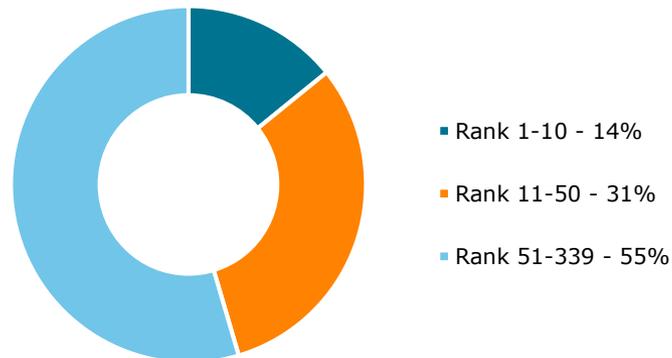
*Includes insurance referred by broking network

Network Snapshot

Franchise Owner Experience



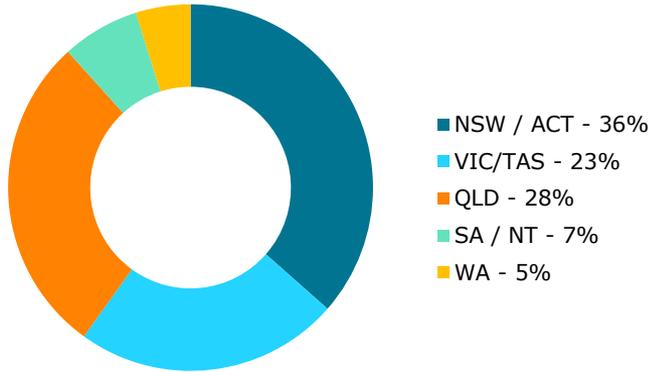
Franchise Owner Share of Settlements



	National		NSW/ACT		VIC/TAS		QLD		SA/NT		WA	
	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19
Loan book (\$b)	54.1	54.3	36.3%	36.5%	20.3%	20.1%	27.9%	27.5%	7.9%	8.0%	7.7%	8.0%
Loan writer (incl LCR)	556	550	195	188	133	138	135	131	45	46	48	47
Franchise	386	386	149	143	94	98	80	84	26	26	37	35

Settlements by State

States' contribution to settlements



Settlements growth FY21/FY20 (%)



Settlements	1H21 \$m	%	1H20 \$m	%	Growth
NSW / ACT	2,216	36%	1,865	37%	19%
VIC / TAS	1,423	23%	1,192	24%	19%
QLD	1,720	28%	1,372	27%	25%
SA / NT	417	7%	385	8%	8%
WA	294	5%	219	4%	34%
Total	6,071	100%	5,033	100%	21%

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