



# Market Update

**Strategic Direction and Background to FY21 Results**

Presented by  
Mark Bouris (Executive Chairman)

20 October 2021



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# Executive Summary

Mark Bouris  
Chairman



# Our Businesses

We distribute home loans from a panel of lenders, and offer our own funded products



Aggregator model with stringent compliance principals and best in class technology



1,321 Brokers (30 September 2021)



\$11.8 billion in settlements in FY21



\$43.1 billion in underlying loan book at Jun-21



\$14.6 million in NPV of future trail \*



Franchise model leveraging YBR brand throughout Australia



108 Brokers (30 September 2021)



\$1.6 billion in settlements in FY21



\$7.6 billion in underlying loan book at Jun-21



\$15.5 million in NPV of future trail \*



Product design through White Label and securitisation capability



\$250 million Warehouse facility, plus other wholesale funding lines



\$301 million in settlements in FY21 (including Resi Wholesale Funding)



\$1.3 billion in loan book at Jun-21 (including Resi Wholesale Funding which is now at \$150m+)

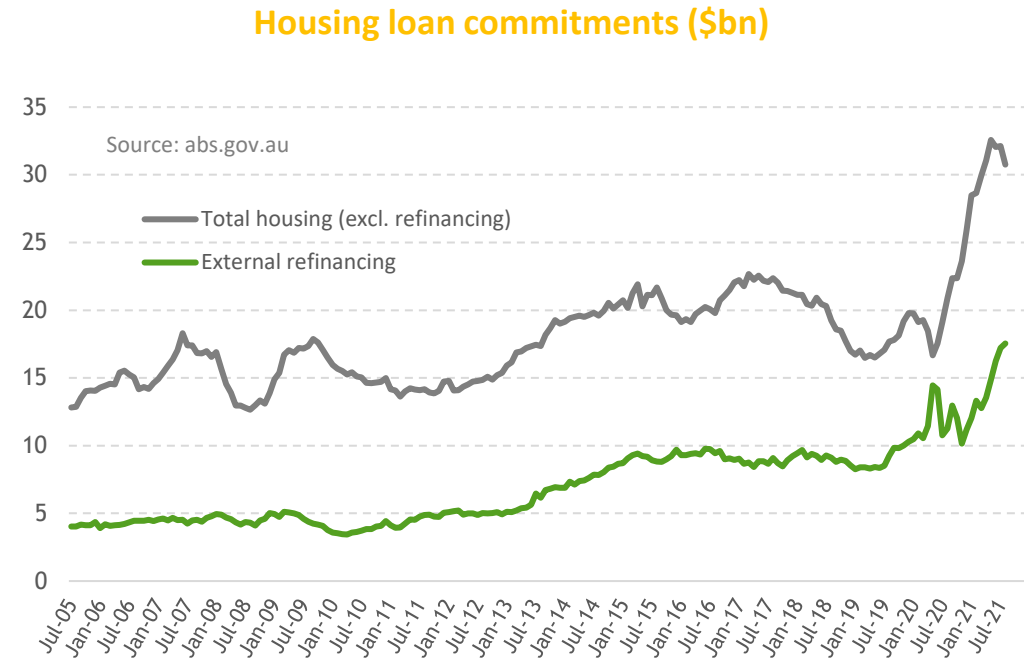
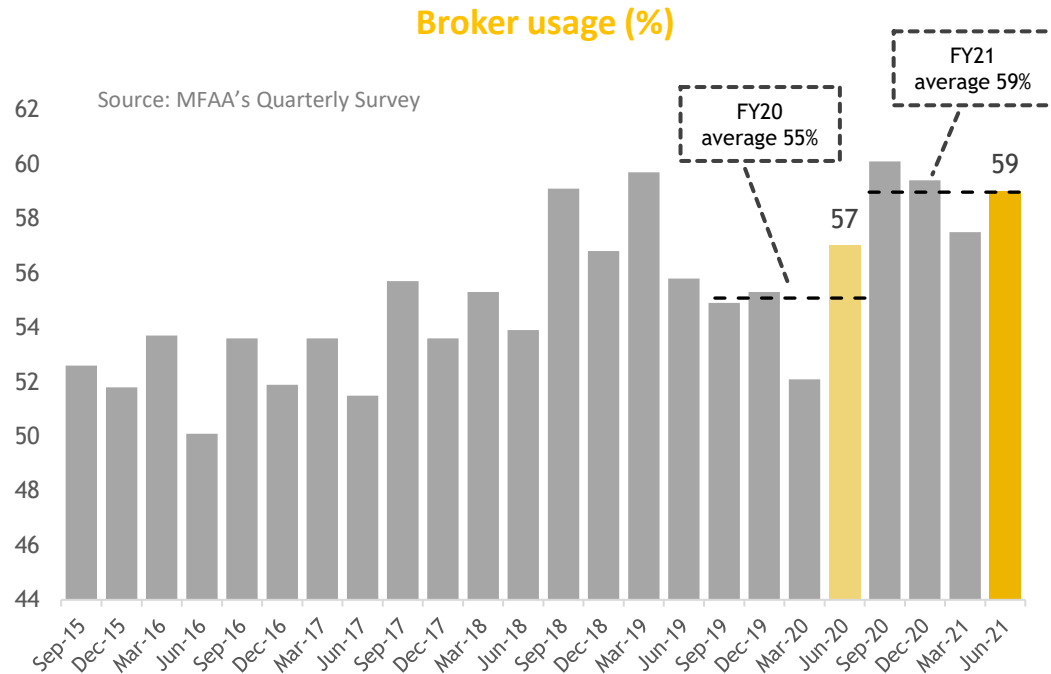


\$10.7 million in NPV of future trail \*

\* Represents the actuarial assessed net present value of future net cashflows from the existing underlying book of loans

# Our industry

Broker channel proposition remains strong and home lending activity has gained momentum



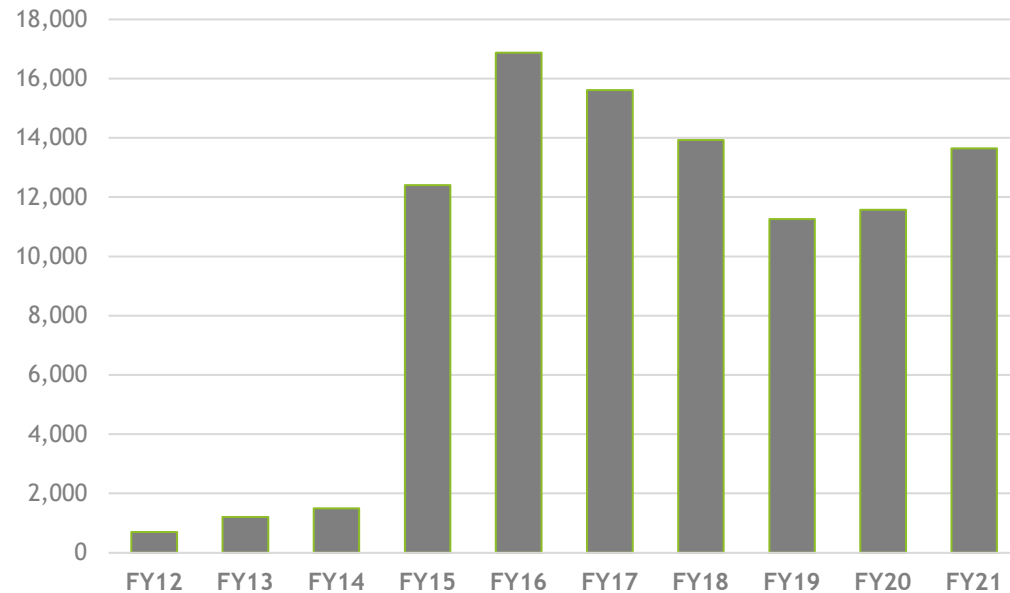
- MFAA Survey shows broker usage has maintained strength and continues to be the main channel for mortgage distribution
- Industry adapted well during Covid and continued supporting customer's needs
- Broker usage increased from 55% in FY20 to 59% in FY21 driven by higher market activity

- Housing loan commitments reached all time highs in May-21
- Strong market activity in FY21 with total housing commitments (excl. refinancing) up 44% year on year
- Solid housing fundamentals underpinned by low interest rate environment and low unemployment rate

# Our journey

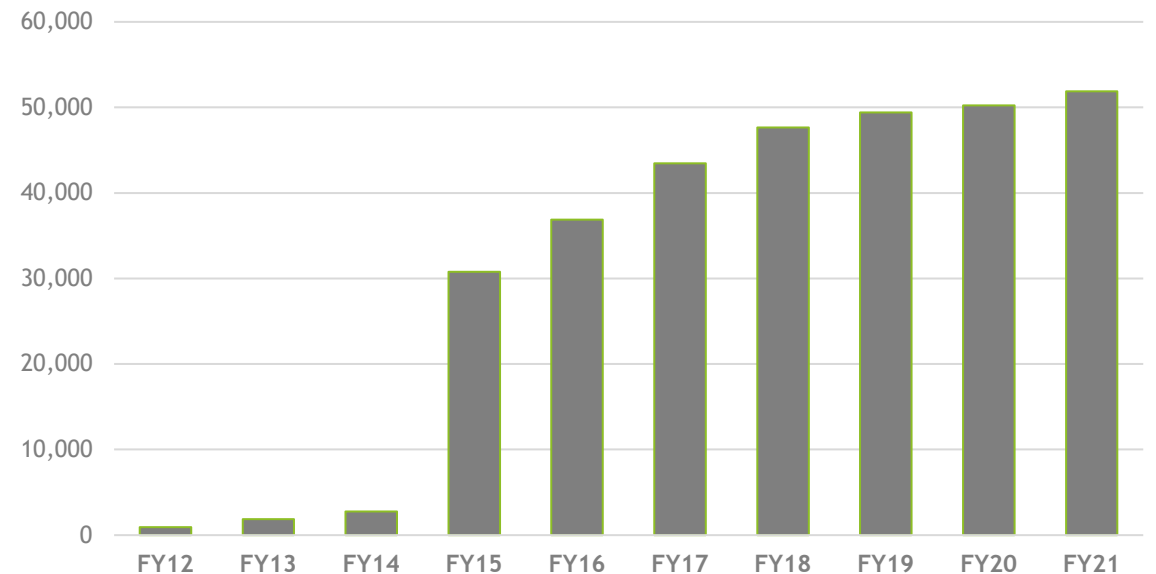
The YBR Group has grown substantially from inception through a combination of strategic acquisitions and organic means

YBR Group Settlements (\$'000)



- Note: FY21 includes RWF Joint Venture settlements
- Settlements have increased 21% from FY19 with the majority of growth in the wholesale aggregation business

Underlying Loan Book (\$'000)

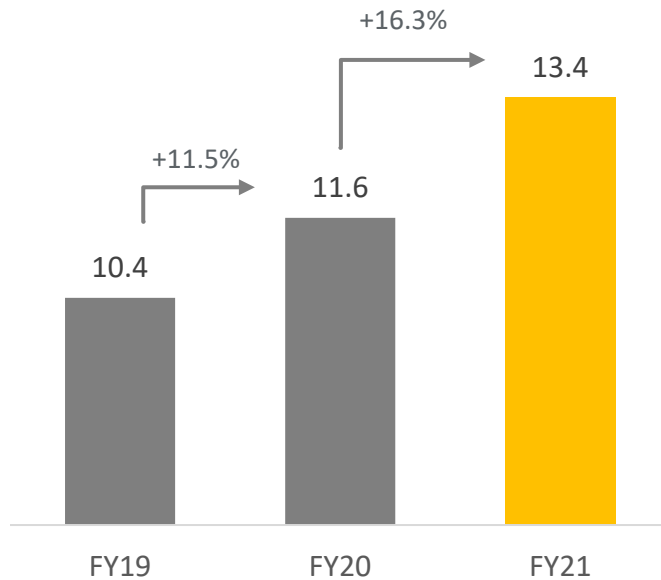


- Note: FY21 includes RWF Joint Venture funded loan book
- The YBR Group loan book has experienced growth in each financial year
- The loan book is over 19% higher than that at 30 June 2017

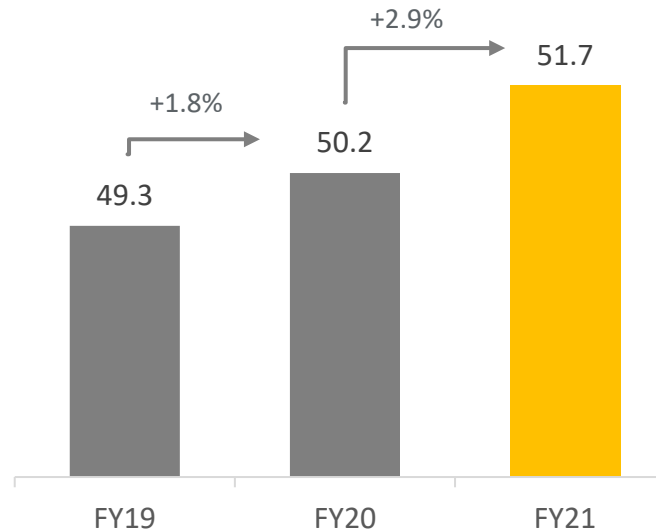
# FY21 performance

Strong volumes and cost-out initiatives underpinned another year of growth

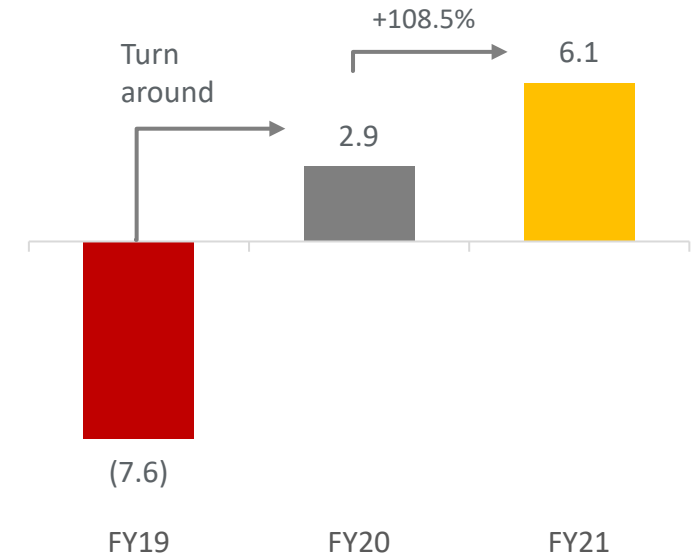
Settlements (\$bn)



Loan book (\$bn)



EBITDA (adjusted cash basis \$m)



- Strong market activity, driven by low interest rates and government stimulus, underpinned a solid year of settlement volumes across the YBR Group.
- Volumes have continued to be strong in FY22 with settlements to 30 September up 43% on LY

- The loan book grew in FY21 despite increased run off associated with market factors such as high levels of refinancing and increased levels of loan pre-payments.

- Following the simplification of the business, including the divestment of Wealth, we have benefited from the focus on our core mortgage business.
- EBITDA excludes gains on disposal of joint ventures and other business and write down of investments in joint ventures.

# FY21 Key metrics

FY21 delivered \$5.2m in EBITDA (cash) driven by double digit settlement growth and tight operating expense management

			FY21	FY20
<b>Volumes</b>	Settlements	(\$bn)	13.4	11.6
	Loan book	(\$bn)	51.7	50.2
<b>EBITDA</b>	Cash	(\$000)	5,198	9,785
NPV of trail movement	IFRS	(\$000)	(5,225)	(447)
<b>EBITDA</b>	IFRS	(\$000)	(27)	9,338
<b>EBITDA excluding disposal of business *</b>	Cash	(\$000)	6,059	2,891
	IFRS	(\$000)	834	2,444
<b>NPAT</b>	IFRS	(\$000)	(460)	5,957
<b>Cash</b>		(\$000)	12,506	11,327
<b>Cash less borrowings</b>		(\$000)	9,206	6,127

\* Excludes profit on sale of businesses and JV write downs

## Volumes

- Settlements up 15.5% year on year with loan book growth of 3%.

## Cash Generation

- In FY21, the YBR Group generated a positive cash-based profit with an EBITDA (cash) of \$5.2m
- On a comparative basis, EBITDA (cash) excluding profit on disposal of business and JV write-downs was up 94% on FY20 to \$6.1m.
- Cash net of borrowings reached \$9.2m as at 30 June 2021, up 50.3% on prior year.

## Non-Cash Items

- Net present value of future trail (non-cash item) impacted the bottom line, resulting in \$0.46m NPAT loss.
- The net present value loss resulted from a combination of market factors and lower margins on new settlements.





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# Strategic Direction

Mark Bouris  
Chairman



# YBR Group Strategic Focus

We undertook a large transformational journey over the last 3 years to reset our business model

## FY19

Focus on home loans

### Divestment of non-core businesses

- Wealth
- Smarter Money Investments
- General Insurance

## FY20

Strengthened our foundations

### Rebuilt financial position

- Opex reduction
- Grew cash and reduced debt

### Improved our distribution capability

- Investment in better tools and enhanced support for YBR and VOW brokers
- Launch of new CRM's for the YBR and VOW Networks

## FY21

Enhancing our position in the market-place

- Rebrand of our business to reflect focus on Home Loans
- Launch of new website – ybr.com.au
- Ramp up of digital focus with Social media and digital marketing
- Launch of our own securitised lending products via the Resi Wholesale Funding (RWF) joint venture

## FY22 and beyond

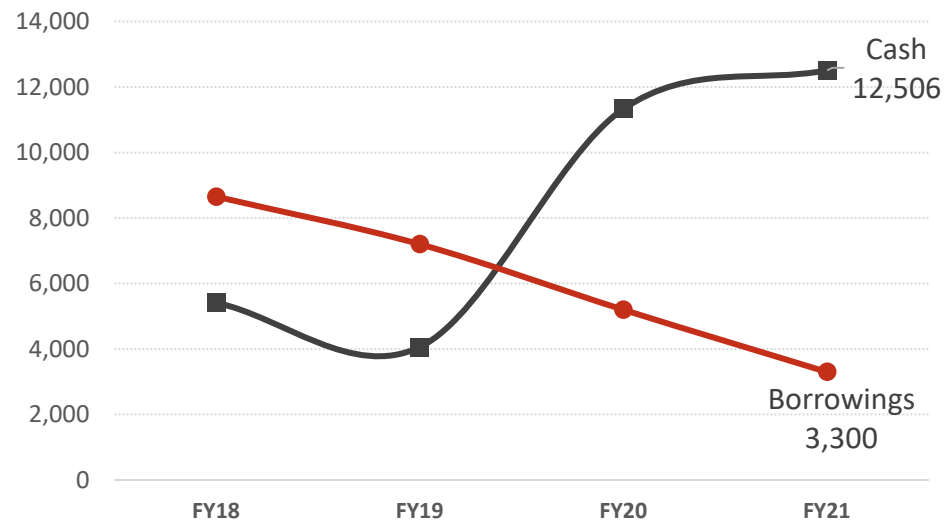
Going digital

- Launch of Y Home Loans - YBR's digital mortgage broking business
- Expand YBR/VOW distribution by 100 brokers
- Turbo charge RWF through expanded funding, product sets and features
- Expand data capabilities to improve understanding of potential customers, existing customers and brokers

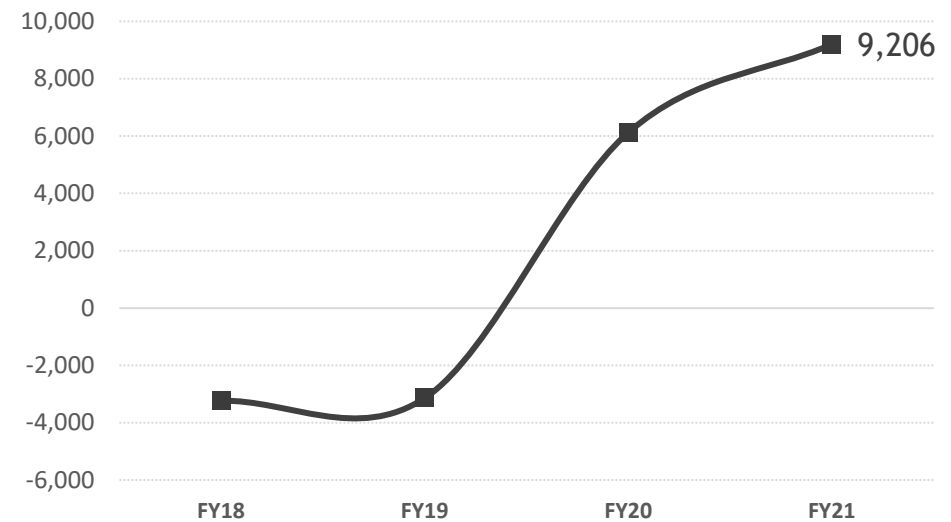
# Enhanced Net Cash Position

The sale of non-core businesses and tight expense management has placed us in a strong position to invest in our growth strategy

Cash vs. Borrowings (\$'000)



Net Cash Position (\$'000)



# Resi Wholesale Funding

RWF is our own home loans factory, strategically established to leverage existing capabilities within the YBR Group and to move up the value chain in the mortgage industry

- Strong progress in growing RWF venture in FY21
- Foundation has been set to support growth in volumes in FY22
- Investment continues in underlying systems to increase the automation of credit decisioning

Settlements

**\$170m**

Loan Book

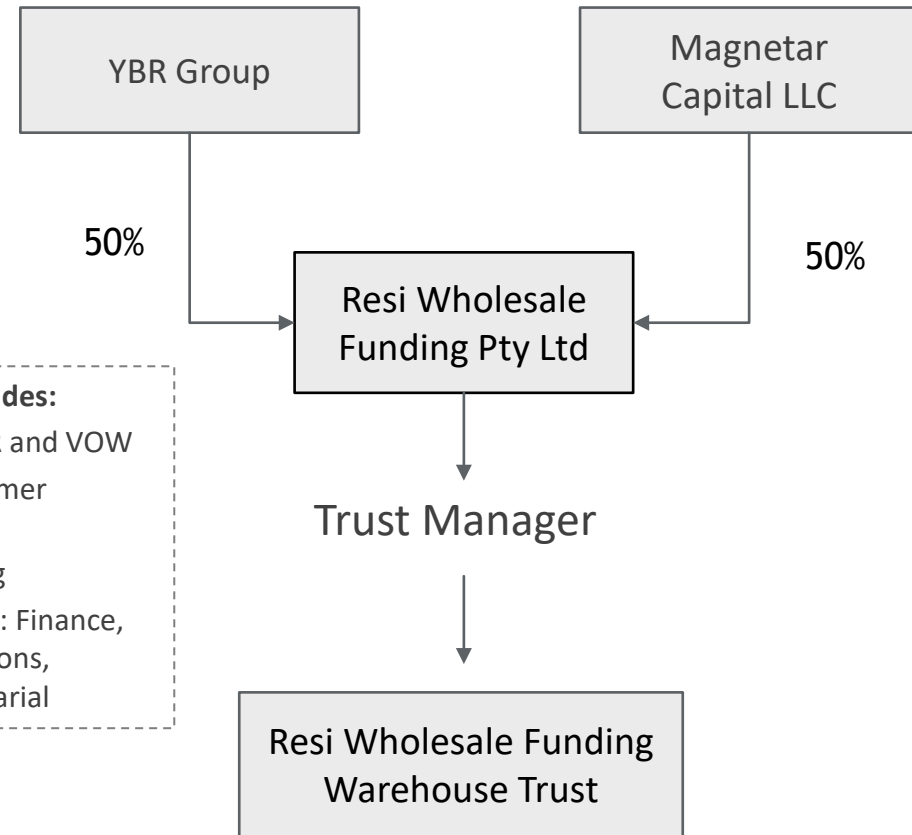
**\$152m**

Loans in Arrears

**NIL**

Broker adoption

**236**



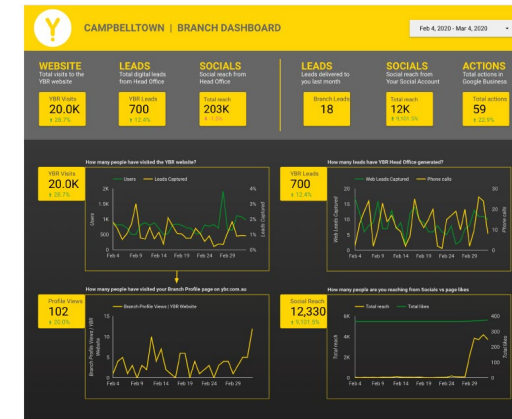
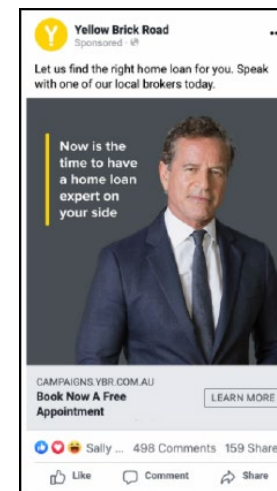
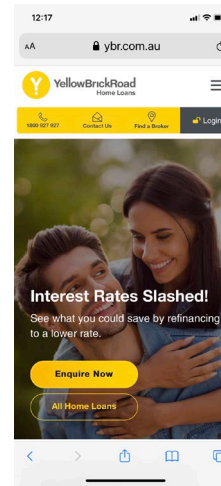
**YBR Group Provides:**  
 Distribution: YBR and VOW  
 Credit and customer services  
 Digital Marketing  
 Support Services: Finance, IT, HR, Commissions, Company Secretarial

**Perpetual:** Trustee Services  
**AMAL Asset Management:** Primary Loan Servicer  
 Loan Management System  
**Big 4 Bank:** Senior Warehouse Facility \$250m

1. Settlements since inception to 30 September 2021, 2. Loan book as of 30 September 2021, 3. Loans in arrears as at 30 September 2021, 4. Broker adoption based on broker applied for at least one RWF Product since inception

# Developing industry leading digital marketing capabilities

Leveraging the Company's technology and data capabilities together with the Mentored Platform's substantial social media community to progress the digital targeting of potential customers with a high propensity to seek a home loan



## Overhaul of Digital Platforms

- Significant overhaul of digital platforms with focus on user experience & lead management
- Ybr.com.au: New YBR Home loans website to attract additional customers
- Resi.com.au: New Resi home loans website to provide all relevant content and tools to brokers and customers
- Revamp of social media profiles – Facebook, Instagram, LinkedIn

## Targeted Marketing Campaigns

- Targeted omni-channel digital marketing campaigns geared to drive leads to broker franchise locations
- Consistent campaigns across all platforms



## Social Media:



## Google Ads

## Digital Marketing Dashboards

- Digital dashboards for all YBR franchisees to assess their lead generation and digital marketing performance

# Strengthening our network capability



Continued focus on training and technology enhancements to support our YBR Franchisees and Vow Independent Brokers

## Connecting with Customers

- Best in class CRM platforms
- Handover of Warm Leads for Franchises

## Training

The YBR Group offers a leading edge online training platform for brokers. This is complemented by:

- Small business support programs
- Mentoring program for new industry entrants
- Online and face-to-face events
- Field support staff for YBR Franchises
- Digital marketing master classes

## Regulatory Support

Supporting our brokers through the significant regulatory change including:

- Best Interest Duty
- Design & Distribution Laws
- Breach Reporting
- NCCP amendments

**FY22 and Beyond**







# FY22 and Beyond

## Turbo charge Resi Warehouse Funding

### Automation

- Invest in technology to reduce human interaction involved in the credit assessment and settlement process for home loan applications.
- Our goal is to achieve instant conditional approvals for standard home loans

### Data Analytics

- Utilise data to understand broker and consumer appetite to support our product design process
- Increase conversion rates by understanding areas of leakage
- Identification of brokers with profiles aligned to the RWF appetite

### Broker Adoption

- Promote RWF products within our network of 1,400 plus brokers utilising a combination of:
  - Highly credentialed BDM team
  - Value add online tools and content
  - Direct access to a customer focused credit team
  - Rapid processing times

### Growth in Available Funding

- The success to date of the RWF program provides additional opportunities to grow available funding including additional warehouses and the issue of mortgage backed securities to the public securitisation markets

# FY22 and Beyond

Increasing our distribution channel, particularly in our branded branch network

Rebrand from Wealth Management to Home Loans



Through to



Enhancing our Channel Offering

## Options

- Full franchise – branded YBR Branch
- Hub model – incentives to employ additional brokers
- Mobile broker – non-exclusive territory
- Wholesale aggregation

## Proposition

- Leading digital marketing campaigns strategy
- Independent from major banks
- Market leading software & compliance
- Market leading commission levels
- Data driven omni channel approach

Execution

## Brand Awareness

- TVC advertising
- Creation of an industry based Mortgage Broker podcast series hosted by Mark Bouris
- Maximisation of digital channels – Seek Business, YBR Website, LinkedIn, Online webinars
- Undertake PR activities utilising Mark Bouris's profile

## Data

- Using external and internal data, determine optimal competitive market positioning for new Brokers

## Resourcing

- Increase capabilities to recruit, onboard and build broker businesses

Target

+100 YBR or VOW Brokers in 12 months

Achievable due to:

- ✓ Strong Brand
- ✓ Market Leading Commission Structure
- ✓ Arguably #1 in Digital Marketing
- ✓ Arguably #1 lead management and tracking system

# FY22 and Beyond

YBR is in a unique position to capitalise on presented opportunities

- A strong home loan lending and residential property market
- A strong brand
- Strong and growing distribution
- A multi channel distribution offering a blend of both digital (Y Home Loans) and traditional (YBR and Vow) mortgage broking



03

# Financial Performance



# Profit & loss statement

	FY21	FY20	Variance
Upfront commissions received	85.2	69.1	23%
Trailing commissions received	94.9	96.6	-2%
<b>Total commissions received</b>	<b>180.0</b>	<b>165.6</b>	<b>9%</b>
Origination commissions paid	(81.5)	(65.3)	25%
Trailing commissions paid	(83.8)	(83.5)	0%
<b>Total commissions paid</b>	<b>(165.4)</b>	<b>(148.8)</b>	<b>11%</b>
<b>Net commissions</b>	<b>14.7</b>	<b>16.8</b>	<b>-13%</b>
Net income from fees	6.1	5.2	17%
Other Income	5.1	4.3	18%
<b>Gross profit</b>	<b>25.9</b>	<b>26.4</b>	<b>-2%</b>
Operating expenses	(19.9)	(23.5)	-15%
<b>EBITDA (Cash basis)</b>	<b>6.1</b>	<b>2.9</b>	<b>108%</b>
NPV of future trail commissions	(5.2)	(0.4)	1069%
<b>EBITDA (IFRS)</b>	<b>0.8</b>	<b>2.5</b>	<b>-66%</b>
Depreciation & amortization	(0.2)	(0.2)	8%
Net interest expense	(0.2)	(0.4)	-48%
Share of losses in joint venture	(1.0)	(0.3)	235%
Net gain on disposal of businesses	0.1	7.2	-98%
<b>Net profit before tax</b>	<b>(0.4)</b>	<b>8.8</b>	<b>-105%</b>
<b>Net profit after tax</b>	<b>(0.5)</b>	<b>6.0</b>	<b>-108%</b>

- The YBR Group generated a positive cash-based profit in FY21 which continued the turnaround experienced in FY20.
- Key drivers of the increased cash result was increased fee and other income from brokers and lenders and the tight management of operating expenses
- A \$5.2m loss on the net present value of future trail (non-cash item) resulted in an overall NPAT \$0.46m loss. The NPV was impacted by a combination of market factors and lower margins on new settlements.
- Increased settlements assisted in a sizable uplift in commission revenue. Due to the channel mix of the new business, overall margin slightly declined.

# Balance Sheet

<i>Values in \$000</i>	<b>FY21</b>	<b>FY20</b>
<b>ASSETS</b>		
Cash and cash equivalent	12,506	11,327
Trade and other receivables	20,823	19,311
Future Trail commissions receivable (NPV)	348,094	372,368
Other assets	3,632	3,679
Investments - using equity accounting method	1,554	425
Total Intangible assets	218	418
Total Fixed assets	132	127
<b>Total Assets</b>	<b>386,959</b>	<b>407,655</b>
<b>LIABILITIES</b>		
Trade and other payables	27,872	25,917
Future Trail commissions payable (NPV)	307,321	327,730
Borrowings	3,300	5,200
Provisions	1,219	1,630
Other liabilities	3,732	3,202
<b>Total Liabilities</b>	<b>343,444</b>	<b>363,679</b>
<b>Net Assets</b>	<b>43,515</b>	<b>43,976</b>
Equity	112,450	112,457
Reserves	2,212	2,206
Accumulated losses	(71,147)	(70,687)
<b>Total equity</b>	<b>43,515</b>	<b>43,976</b>
<b>Net trail PV for Loan Book</b>	<b>40,773</b>	<b>44,637</b>
<b>Net tangible assets per ordinary security *</b>	<b>12.88c</b>	<b>13.43c</b>
<b>Net tangible assets per ordinary security - incl 50% share Resi Wholesale Funding JV</b>	<b>15.54c</b>	<b>16.00c</b>

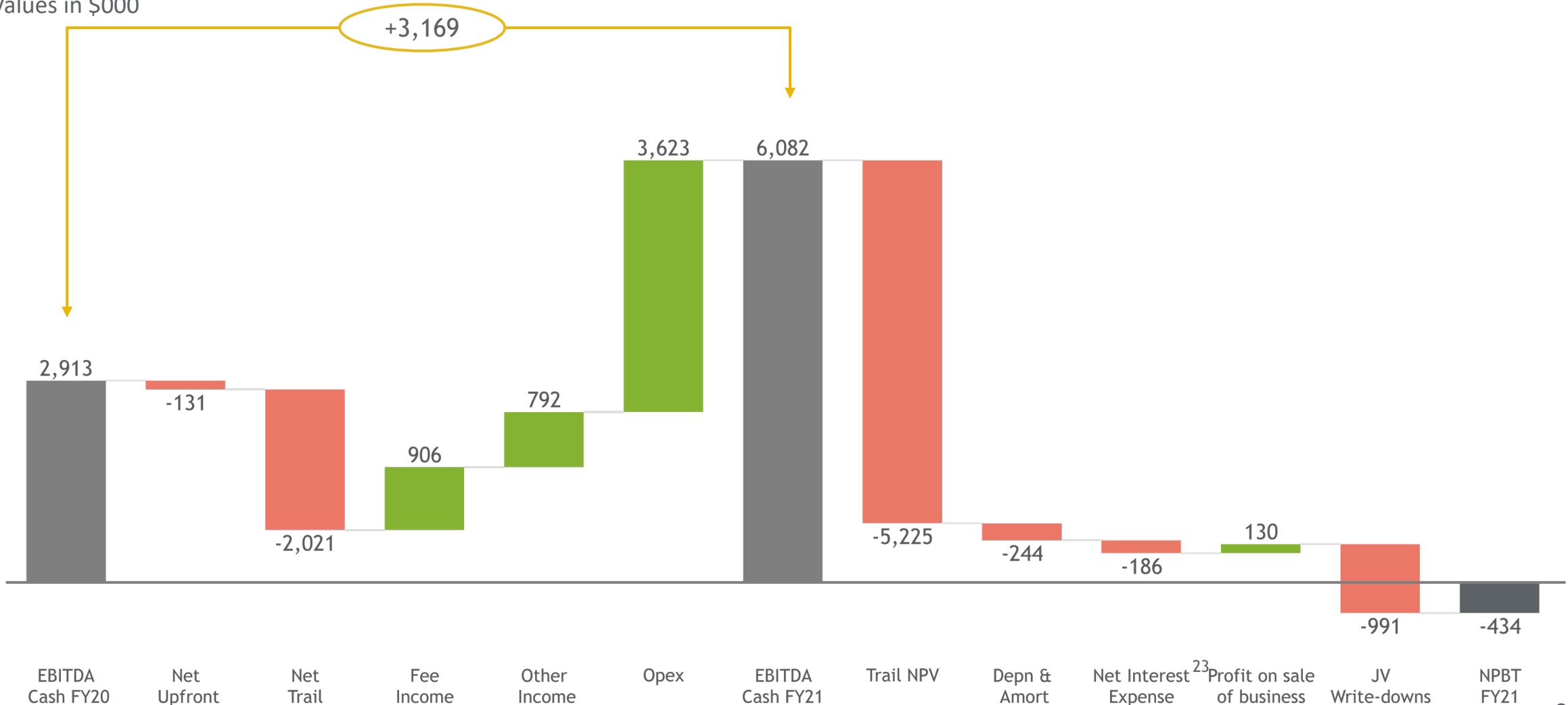
- The YBR Group Balance Sheet is characterised as being Strong and Clean
- During FY21, cash increased by \$1.2m with a reduction of \$1.9m in Bank Borrowings

\* excludes net right-of-use assets and lease liabilities

# FY21 drivers of performance

Increases in Fee and Other Income and Opex reduction were partially offset by decreases in upfront and trail commission margins

Values in \$000



\* EBITDA excludes profit on business sales and JV write-downs

# Key metrics 10 years trend

<i>Values in \$000</i>	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
<b>SETTLEMENTS</b>										
YBR	700	1,200	1,494	2,068	3,997	3,169	2,221	1,830	1,654	1,594
VOW				10,058	12,464	12,014	11,373	9,162	9,734	11,749
RESI & Loan Avenue				280	411	427	333	269	184	201
Resi Wholesale Funding										100
<b>Total</b>	<b>700</b>	<b>1,200</b>	<b>1,494</b>	<b>12,406</b>	<b>16,872</b>	<b>15,610</b>	<b>13,927</b>	<b>11,261</b>	<b>11,572</b>	<b>13,644</b>
<b>LOAN BOOK</b>										
YBR	900	1,857	2,736	3,832	5,350	6,843	7,295	7,614	7,740	7,514
VOW				25,317	29,346	34,640	38,505	40,127	41,057	43,120
RESI & Loan Avenue				1,646	2,167	1,993	1,851	1,675	1,450	1,162
Resi Wholesale Funding										95
<b>Total</b>	<b>900</b>	<b>1,857</b>	<b>2,736</b>	<b>30,795</b>	<b>36,863</b>	<b>43,476</b>	<b>47,651</b>	<b>49,416</b>	<b>50,247</b>	<b>51,891</b>



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