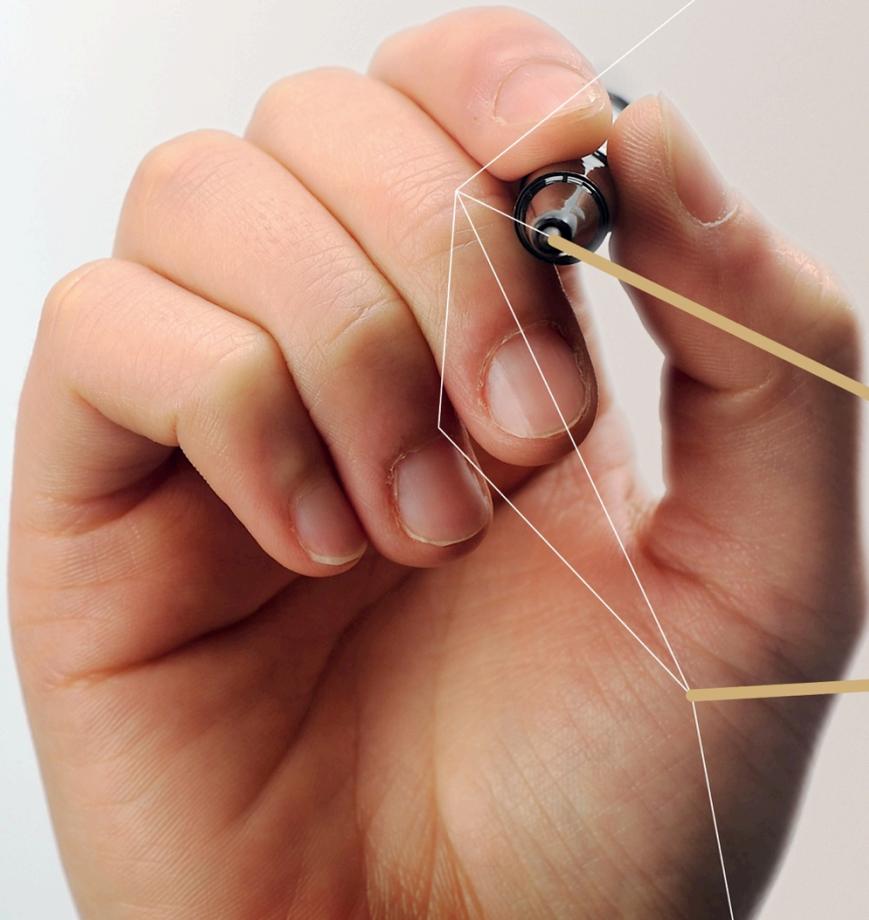




# **FSA Group Limited**

AGM Presentation

24 November 2016



# Agenda

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- Overview
- Segments
  - Services
  - Consumer Lending
  - *Business Lending – sold 30 May 2016*
- Financial Results 2016
- 5 Year Strategic Plan 2016 to 2020
- July to October 2016

# Overview

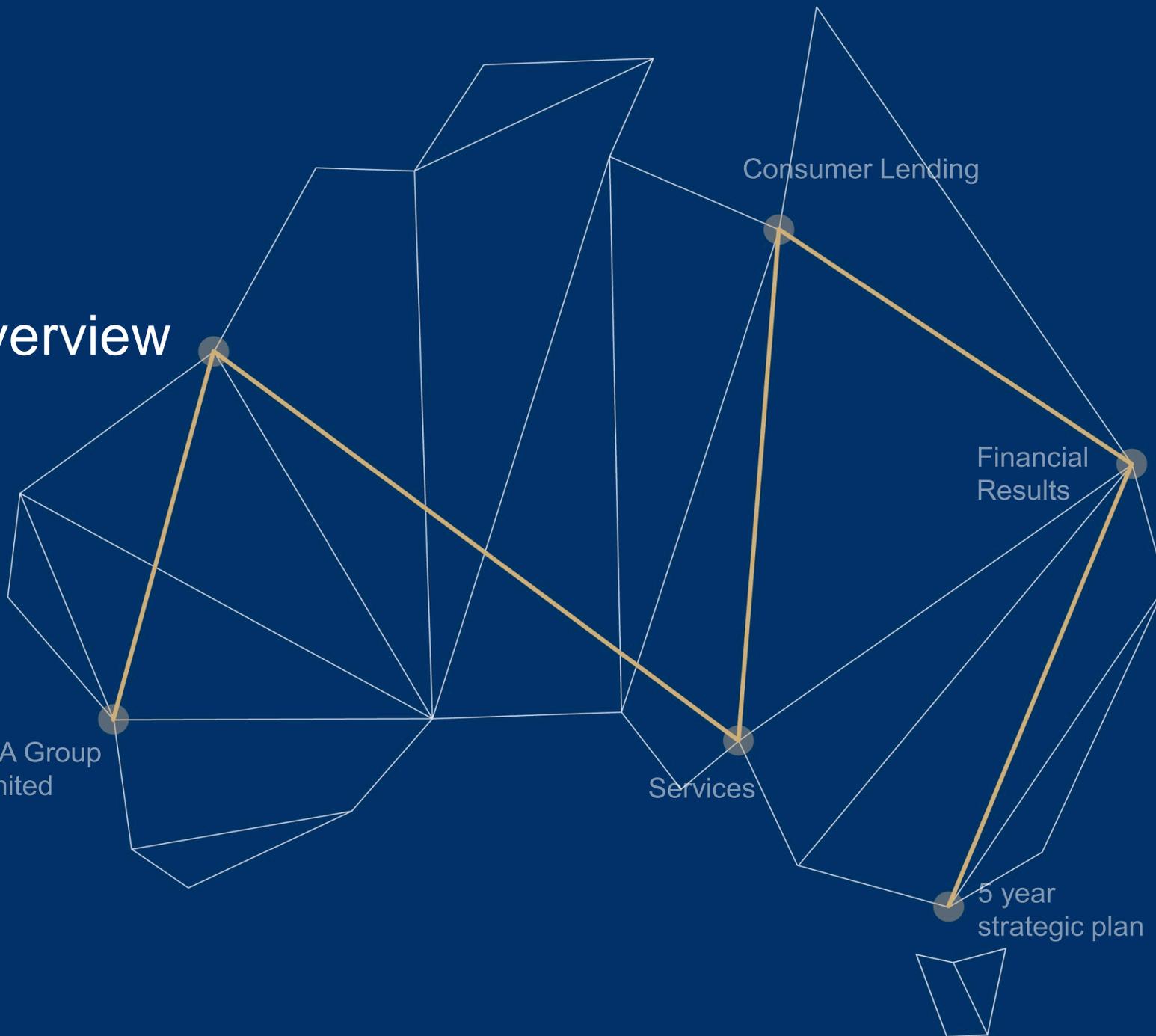
FSA Group Limited

Services

Consumer Lending

Financial Results

5 year strategic plan



# Overview



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

## What we do

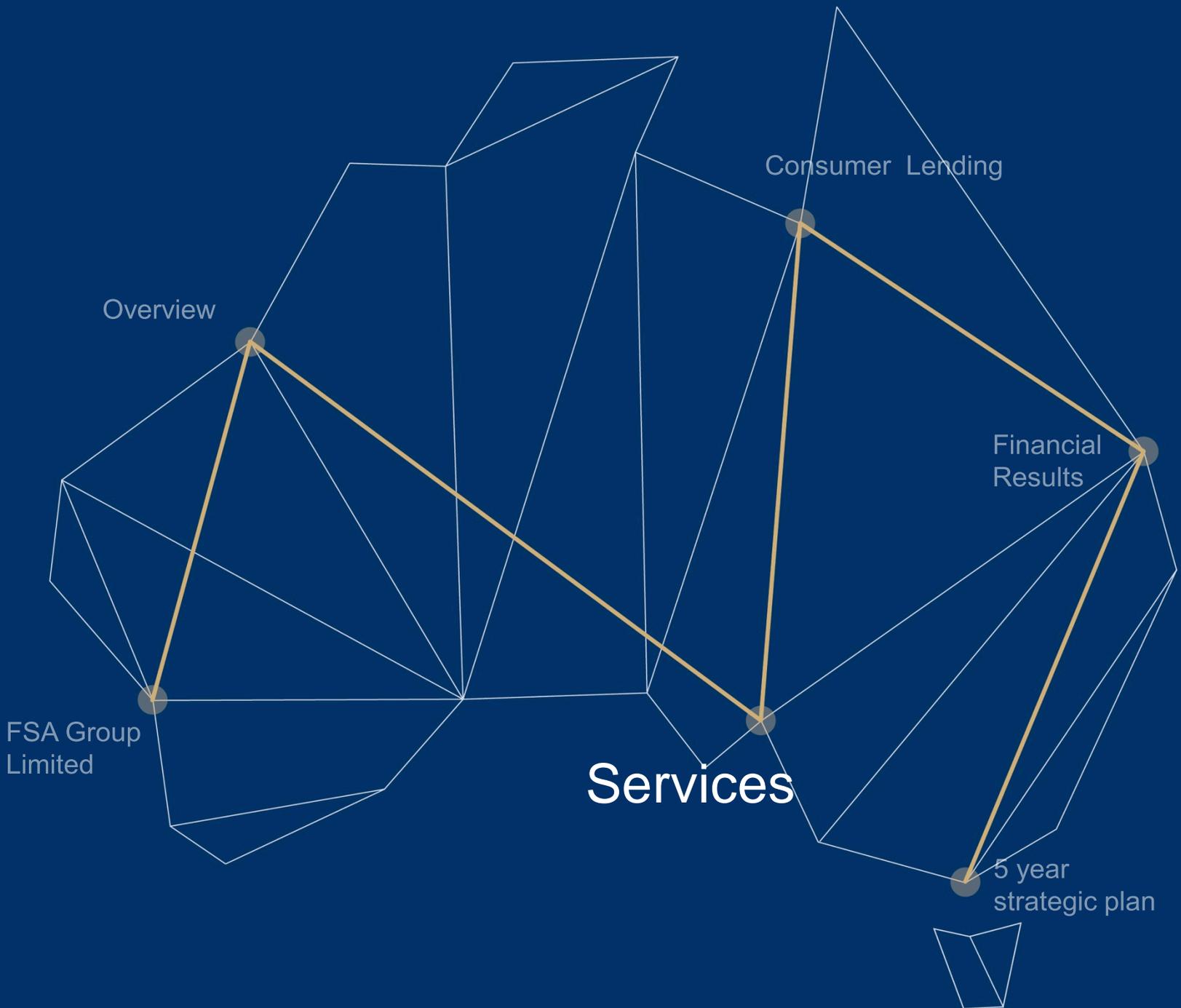
For over 15 years, FSA has helped thousands of Australians take control of their debt. Our large and experienced team of professionals offers a range of debt solutions and direct lending services, which we tailor to suit individual circumstances and to achieve successful outcomes for our clients.

## Segments

Operates across 2 segments:

- Services
- Consumer Lending

*Business Lending – sold 30 May 2016*



Overview

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FSA Group Limited

Services

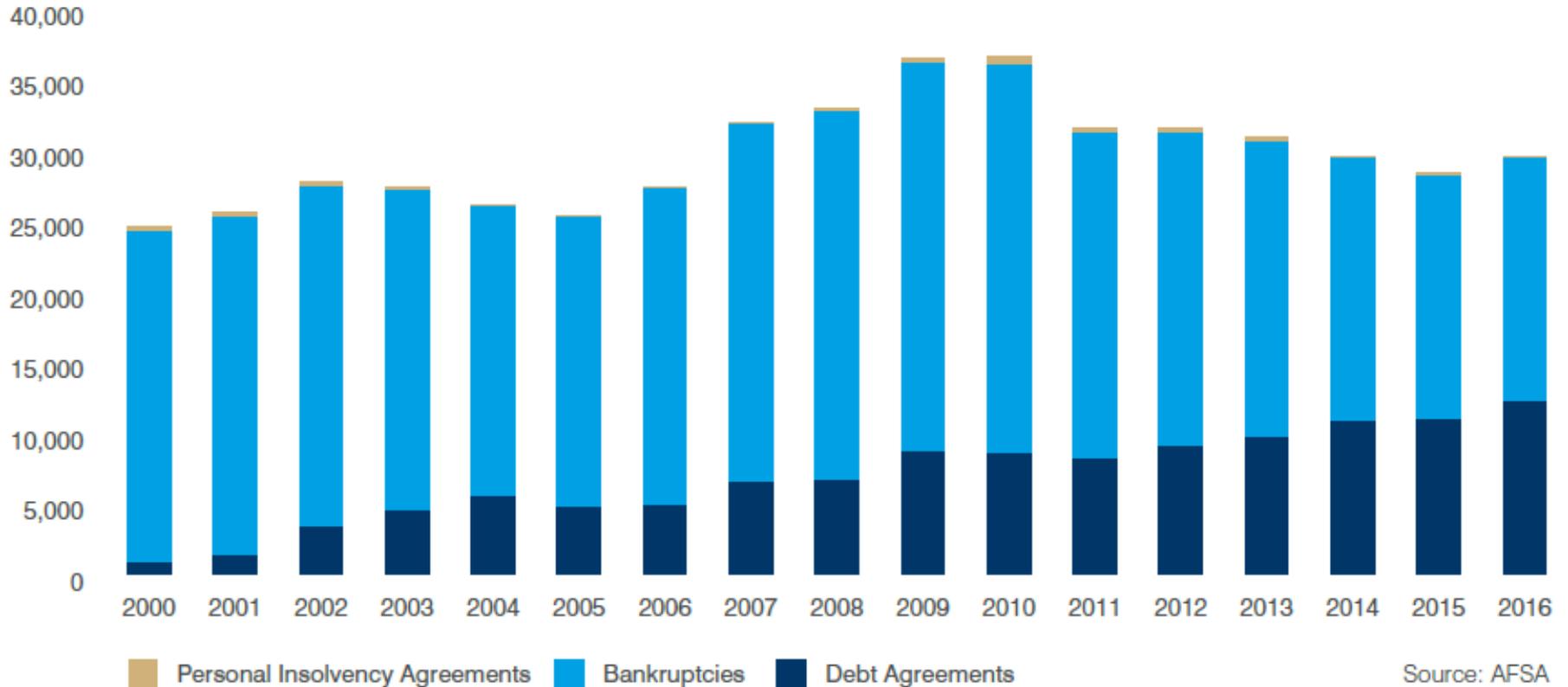
5 year strategic plan

# Services

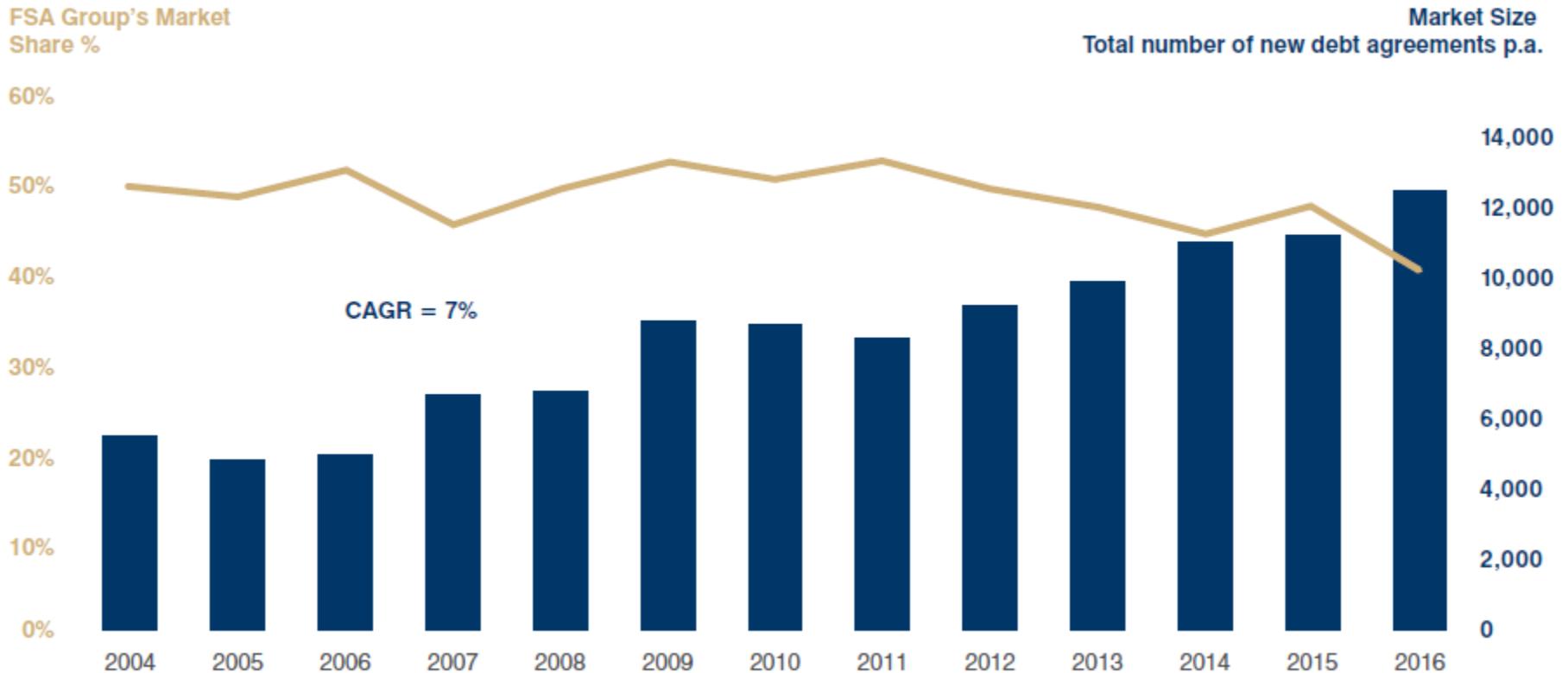


<b>Debt Agreements</b>	FSA offers a range of services to assist clients wishing to enter into a payment arrangement with their creditors. These services include informal arrangements, debt agreements, personal insolvency agreements and bankruptcy.
<b>PIAs and Bankruptcy</b>	
<b>Easy Bill Pay</b>	

# Market



# FSA is the leader in debt agreements



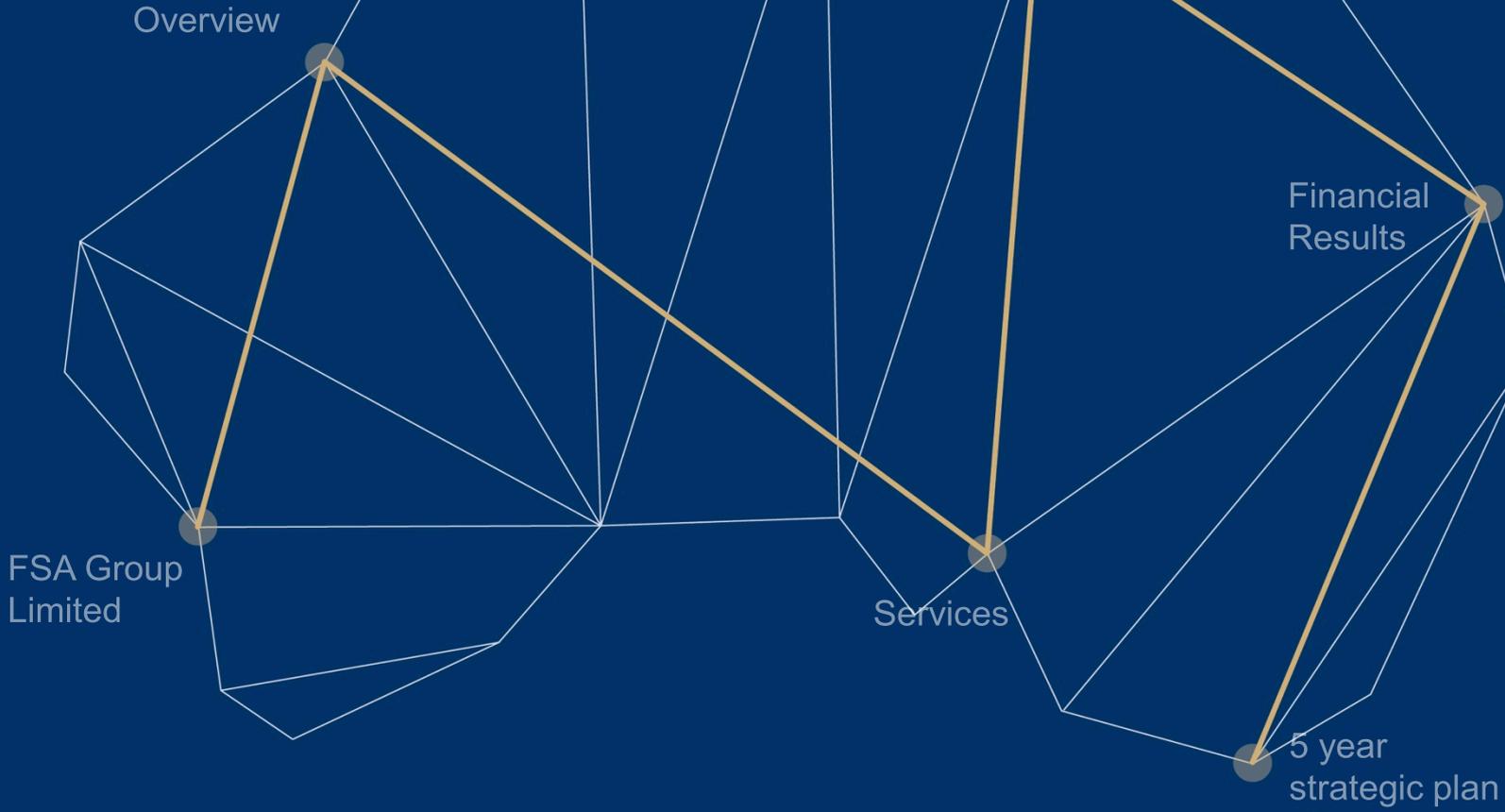
# Services



<b>Debt Agreements</b>	<p>Market share 41%* 5% decrease in new clients 19,553 clients under administration up 4% \$346m of debt managed \$79m paid to creditors</p> <p>Market share impacted by lower new client numbers due to staffing challenges in the first half. Appropriately staffed for 2017.</p>
<b>PIAs and Bankruptcy</b>	<p>One of the largest trustees 10% decrease in new clients 1,424 clients under administration down 12%</p>
<b>Easy Bill Pay</b>	<p>Still trialling 2,132 clients 131,408 bills paid totalling \$14.8m</p> <p>Investing in a new web site, mobile application and marketing strategy for launch in 2017</p>

\* Calculated using AFSA statistics for FY2016

# Consumer Lending



# Consumer Lending



## Home Loans

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

## Personal Loans

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

# Loan pools



<b>Loan Pools</b>	<b>FY2015</b>	<b>FY2016</b>	<b>% Change</b>
Home Loans	\$233.0m	\$262.0m	+12%
Personal Loans	\$5.9m	\$19.8m	+237%
<b>Total</b>	<b>\$238.9m</b>	<b>\$281.8m</b>	<b>+18%</b>

<b>Arrears &gt; 30 day</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
Home Loans	3.32%	2.87%	2.17%
Personal Loans	Not applicable	Nil	0.59%

# Loan pools



Loan Pool Data	Home Loans	Personal Loans
Average loan size	\$304,832	\$25,299
Security type	Residential home	Motor vehicle
Average loan to valuation ratio	67%	100%+
Variable or fixed rate	Variable	Fixed
Geographical spread	All states	All states

Funding	Facility Type	Provider	Limit	Renewal Date
Home Loans	Non-recourse senior	Westpac	\$275m*	Oct-17
	Non-recourse mezzanine	Institutional	\$20m	Oct-17
Personal Loans	Recourse corporate	Westpac	\$20m**	Jul-17

\* Increased by \$25m during November 2016

\*\* Looking at putting in place a \$50m facility



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Services

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# PBT by segment from continuing operations



Profit before tax by segment	FY2015	FY2016	% Change
Services	\$14.8m	\$14.2m	- 4%
Consumer Lending	\$ 5.1m	\$5.2m	+ 3%
Other/unallocated	\$0.1m	(\$2.5m)*	
Profit before tax	\$19.9m	\$16.8m	- 16%

*Excludes Business Lending segment sold 30 May 2016*

<b>Services</b>	Profit was impacted by lower new client numbers (due to staffing challenges in the first half) and an increase in marketing costs. Appropriately staffed for 2017.
<b>Consumer Lending</b>	Profit was impacted by an increase in staff numbers and marketing spend to grow our loan pools. As our loan pools grow our business will benefit from higher incremental margins due to fixed cost leverage.
<b>Other/unallocated</b>	* Includes the before tax \$2.4m mark to market unrealised loss in 2016 on our 5 year interest rate swap agreements. These swap agreements were put in place to enable us to protect our borrowers on a case by case basis in the event of interest rates increasing.

# Group financials from continuing operations



Financial Overview	FY2015	FY2016	% Change
Operating income	\$62.3m	\$62.1m	0%
Profit before tax	\$19.9m	\$16.8m	- 16%
Profit after tax attributable to members	\$12.9m	\$10.7m	- 18%
EPS basic	10.34c	8.52c	- 18%
Net cash inflow from operating activities	\$10.9m	\$11.2m	+ 3%
Dividend/share	6.50c	7.00c	+ 8%
Shareholder Equity	\$71.4m	\$76.8m	+ 8%

*Excludes Business Lending segment sold 30 May 2016*

## PBT, PAT, EPS

Impacted by the before tax \$2.4m mark to market unrealised loss in 2016 on our 5 year interest rate swap agreements.

## Operating cash flow

Strong net cash inflow driven by long term annuity income from clients.

# Group financials from continuing operations, excluding loss on swap agreement



Financial Overview	FY2015	FY2016	% Change
Profit before tax	\$19.9m	\$19.2m	- 3%
Profit after tax attributable to members	\$12.9m	\$12.3m	- 5%
EPS basic	10.34c	9.85c	- 5%

## PBT, PAT, EPS

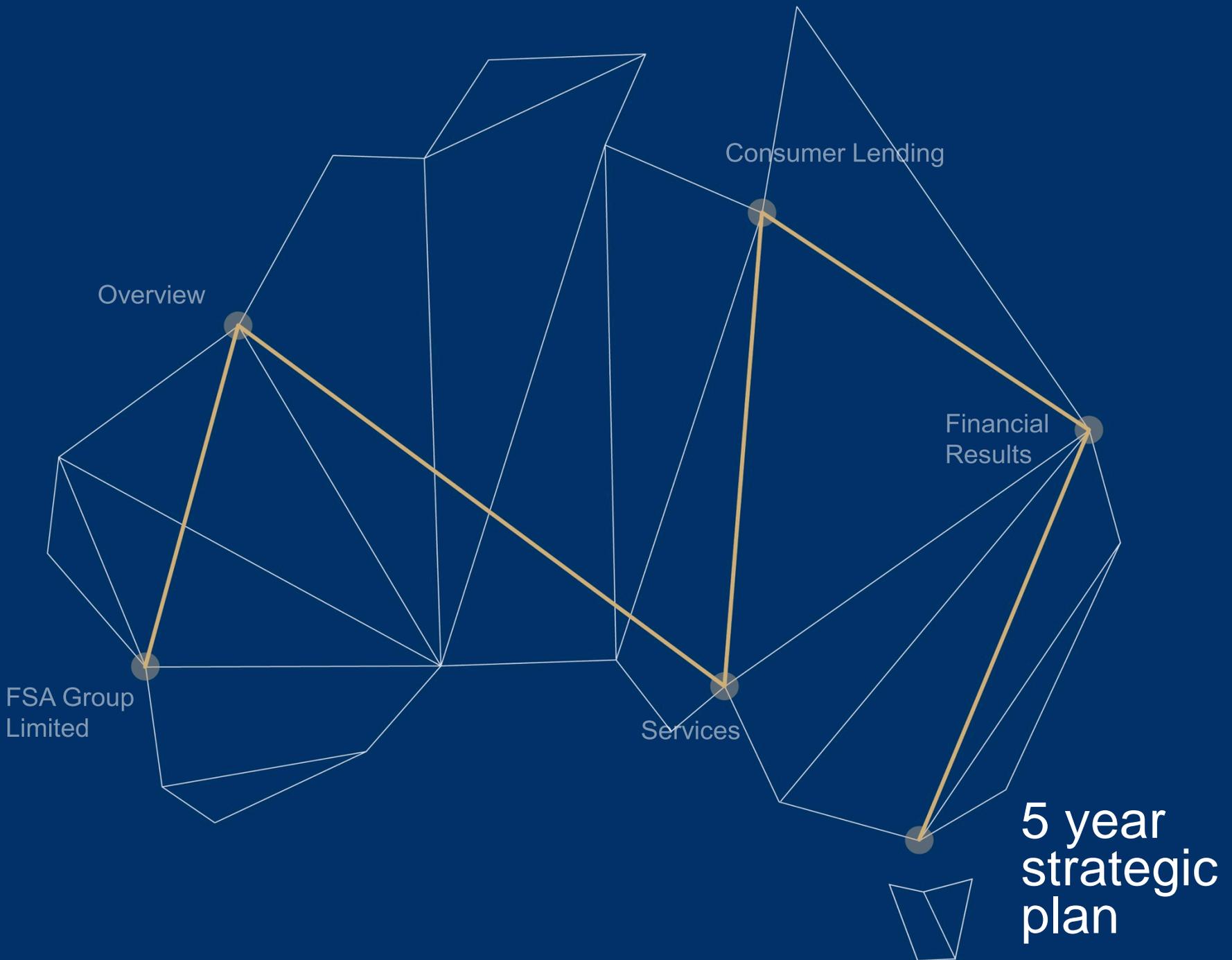
Excludes the before tax \$2.4m mark to market unrealised loss in 2016 on our 5 year interest rate swap agreements.

# What's underpinning operating cash flow



## Long-term annuity income

		No of clients/ loan pool size	Average client life in years
Services	- Debt Agreements	19,553	4.5 to 5.5
	- PIA/Bankruptcy	1,424	3
	- Easy Bill Pay	2,132	Expect > 5
Consumer Lending	- Home Loans	\$262m	3 to 4
	- Personal Loans	\$20m	4 to 5



# 5 year strategic plan 2016 to 2020



Services	<b>Debt Agreements, PIAs and Bankruptcy</b> <ul style="list-style-type: none"><li>- Maintain our leading position in a niche market</li></ul>
	<b>Easy Bill Pay</b> <ul style="list-style-type: none"><li>- Aiming to add over 500 new clients per month over the next few years</li></ul>
Consumer Lending	<ul style="list-style-type: none"><li>- Expand our product offering</li><li>- Focus on growing our loan pools</li><li>- Aiming to grow to around \$500m – 16% growth rate p.a.</li></ul>

# 5 year strategic plan 2016 to 2020



<b>Earnings</b>	<ul style="list-style-type: none"><li>- Expect average long term earnings growth of around 10% pa</li><li>- Growth rate in earnings may be lower in earlier years</li></ul>
<b>Capital Management</b>	<ul style="list-style-type: none"><li>- Dividends around 50% to 60% of earnings</li><li>- Balance of earnings to be re-invested to support the capital requirements of our growing loan pools</li><li>- Strategy is self-funding. We do not expect to raise equity capital</li></ul>
<b>Headwinds</b>	<p>Consumer debt levels are at a record high and demand for our products and services is strong. However, we may face a number of headwinds over the next few years, including historically low interest rates adversely affecting certain areas of our business.</p>

# July to October 2016



Services	<b>Debt Agreements:</b> <ul style="list-style-type: none"><li>- New client numbers up 4% on pcp</li><li>- Clients under administration up 1% on June</li></ul>
	<b>PIAs and Bankruptcy:</b> <ul style="list-style-type: none"><li>- New client numbers up 25% on pcp</li><li>- Clients under administration up 5% on June</li></ul>
	<b>Easy Bill Pay:</b> <ul style="list-style-type: none"><li>- Clients 2,597 up 22% on June</li><li>- 189,021 bills paid to date totalling \$21.1m</li></ul>
Consumer Lending	<b>Home Loans:</b> <ul style="list-style-type: none"><li>- Loan pool \$269.1m up 3% on June</li><li>- Arrears &gt; 30 day 1.56%</li></ul>
	<b>Personal Loans:</b> <ul style="list-style-type: none"><li>- Loan pool \$25.7m up 30% on June</li><li>- Arrears &gt; 30 day 0.91%</li></ul>
Earnings and Dividend FY2017	Earnings guidance - will be reviewed after half year results Dividend guidance - 6.50c to 7.50c per share

# Investor Relations Contacts



**Mr. Tim Odillo Maher**

*Executive Director*

FSA Group Limited

Level 3, 70 Phillip Street

Sydney NSW 2000

**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 3, 70 Phillip Street

Sydney NSW 2000

**T:** 02 8985 5091

**F:** 02 8985 5333

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

*Further information can be accessed from*

**[fsagroup.com.au](http://fsagroup.com.au)**

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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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