FLEXIGROUP

**Sydney – 21 February 2017**

# FLEXIGROUP BUILDING FOR GROWTH
# SOLID HALF YEAR 2017 RESULTS, DELIVERS $47.5M CASH NPAT

## Highlights

- FlexiGroup reports 18% increase in Cash NPAT to $47.5 million, with 70% growth in volume, and 64% growth in closing receivables at 31 December 2016
- Australian Cards experienced significant volume growth of 48% in 1H17, and remains on track for +50% growth for FY17
- Rebuild of AU Commercial Leasing continues with volumes up 84% v pcp and the announcement of new agreements expected in 3QFY17
- Ireland expansion proceeding  as expected with funding lines agreed, platform build on track and distribution partnerships being established
- FY17 Cash NPAT estimate of $90 million to $97 million reaffirmed

FlexiGroup Limited (ASX:FXL) ("FlexiGroup" or "the Group") today released its results for the six months ending 31 December 2016 (1H17). Cash Net Profit After Tax (Cash NPAT) from continuing operations for the Group was up 18% to $47.5 million (1H16: $40.2 million). Statutory NPAT from continuing operations increased 22% to $45.9 million (1H16: $37.6 million).

Group volume from continuing operations for 1H17 grew 70% to $975 million (1H16: $572 million) while closing receivables were up 64% to $1,998 million (1H16: $1,220 million).

FlexiGroup CEO Symon Brewis-Weston said it was a strong overall result with the rebuilding of parts of the Group either completed or on schedule and estimates reaffirmed for FY17.

"Our Australian Cards business has been the standout performer this half and continues to be a key driver for the Group. In the past 12 months we have focussed on growing our presence in the large $45bn credit card market which has delivered strategic partnerships with Flight Centre and other retail partners. These partnerships have significantly driven growth in volumes, which has been ahead of expectations. During the period, while we have completed store roll outs, we have also invested in our technology to ensure we have a market leading platform that delivers compelling and relevant offers to customers, for example adopting Apple Pay."

"There remains great opportunity for us in New Zealand, where we completed the integration of the Fisher & Paykel Finance business, which has now been rebranded Flexi Cards NZ. Over the past six months, we have launched a number of new cards, including the new Q Mastercard with enhanced functionality and global acceptance. The business continues to perform in line with expectations although the focus now will be on new marketing initiatives to reinvigorate sales and deliver profitable growth and returns for the long-term."

"FlexiGroup's Certegy segment continues its solid performance with stable receivables and volumes. The 1% growth in cash NPAT resulted from our highly scalable platform as well as strong cost management.  While the business' primary focus has previously been Solar Energy installations and Energy Storage, which have reached over 140,000 customers, a new growth strategy has been developed which focuses on areas of the market other than energy storage. We have identified several key products for release in late 2017/18. Ezi-Living, our key non-solar growth initiative, continues to gain market share in the home renovation sector and in July 2017 we expect to launch further tailored products which will support our transition into higher value / lower risk offerings. A number of new relationships have been signed with major partners including a national market leader to expand our penetration into the medical sector through more than 3,000 dentists."

FlexiGroup's operations in Ireland are on track with the merchant footprint increasing from 100 stores to 400 over the past 12 months, a scalable cloud-based lending platform nearing completion, local funding line terms agreed and the Irish credit licence application progressing.

Symon Brewis-Weston said "Ireland presents a big opportunity for FlexiGroup and I am pleased with the excellent progress we have made so far. Currently we are underway with the final testing of the lending system which we expect to go live in Q4, after we have finalised the scope of the product and customer offering. With regard to the customer offering we are in final negotiations with several international retailers and as well as existing channel partners."

As anticipated, following a shift in the product mix from point of sale to Commercial, the Australian Leasing segment of the Group reported 20% decrease in Cash NPAT to $9.5 million. Symon Brewis-Weston commented, "while the drop in Cash NPAT is a disappointment, it was anticipated, and the new leadership team have been recruited with a focus on delivering managed service offerings and these are progressing strongly underpinned by an 84% growth (versus pcp) in volumes."

**Funding and Balance Sheet**

The Board of Directors declared a fully franked interim dividend of 3.85c per share (1H16: 7.25c per share). This dividend represents a rebasing of the Group's stated payout ratio to 30-40% of Cash NPAT (previously 50-60%). FlexiGroup has also reactivated its Dividend Reinvestment Program (DRP) for 1H17 interim dividend. The Group's founding shareholder and chairman will take up the option to participate in the DRP with 50% of his holding.

Symon Brewis-Weston commented, "The reason for the rebasing of our Dividend Policy is that our strategic growth into the large credit card market has been more successful than expected and our Cards receivables growth has been faster than anticipated. While this is a nice problem to have it means the cards businesses require increased capital. The resetting of our capital management allows growth to be funded sustainably during the rapid growth phase in AU Cards. We expect the increased investment in our Cards businesses will lead to stronger NPAT growth in the medium term."

"The Group has substantial funding lines in place with $503 million of capacity as at 31 December 2016 and we continue to operate well within all financial covenants."

**Outlook**

FlexiGroup's execution to build a more sustainable business with profitable organic growth remains on track and is supported by solid first half 2017 results and significant growth in the Cards businesses.

The Dividend policy has been rebased to provide additional capital to sustainably support significant organic growth opportunities within Cards, Ireland and Commercial leasing.

FlexiGroup today reaffirmed FY2017 Cash NPAT estimate of $90 million to $97 million.

A live (passive) URL link will be available at http://edge.media-server.com/m/p/mx242w85

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**ABOUT FLEXIGROUP**

FlexiGroup is a diversified financial services group providing "no interest ever", leasing, vendor finance programs, interest free and credit cards, lay-by and other finance solutions to consumers and businesses.

Through its network of over 20,000 merchant, vendor and retail partners the Group has extensive access to four key markets, Business to Consumer, Business to Business, Retail to Consumers (and small business customers) and online.

Performance has been characterised by solid profitable growth as the company has expanded and diversified its business through organic growth, acquisition and product innovation. This diversification strategy has been extended to the large $45bn credit card market with the acquisition of Lombard, Once Credit and Fisher & Paykel Finance.

FlexiGroup operates in Australia, New Zealand and Ireland within a diverse range of industries including: home improvement, solar energy, fitness, IT, electrical appliances, travel and trade equipment.

The Board of FlexiGroup is chaired by Andrew Abercrombie who is the founding director and ~24% shareholder in FlexiGroup. The Board also includes Symon Brewis-Weston, the FlexiGroup CEO, John Skippen, Rajeev Dhawan, Jodie Leonard and Christine Christian.