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# FY17 MICROCAP INVESTMENT CONFERENCE

October 2017

**Ray Malone**  
Chairman

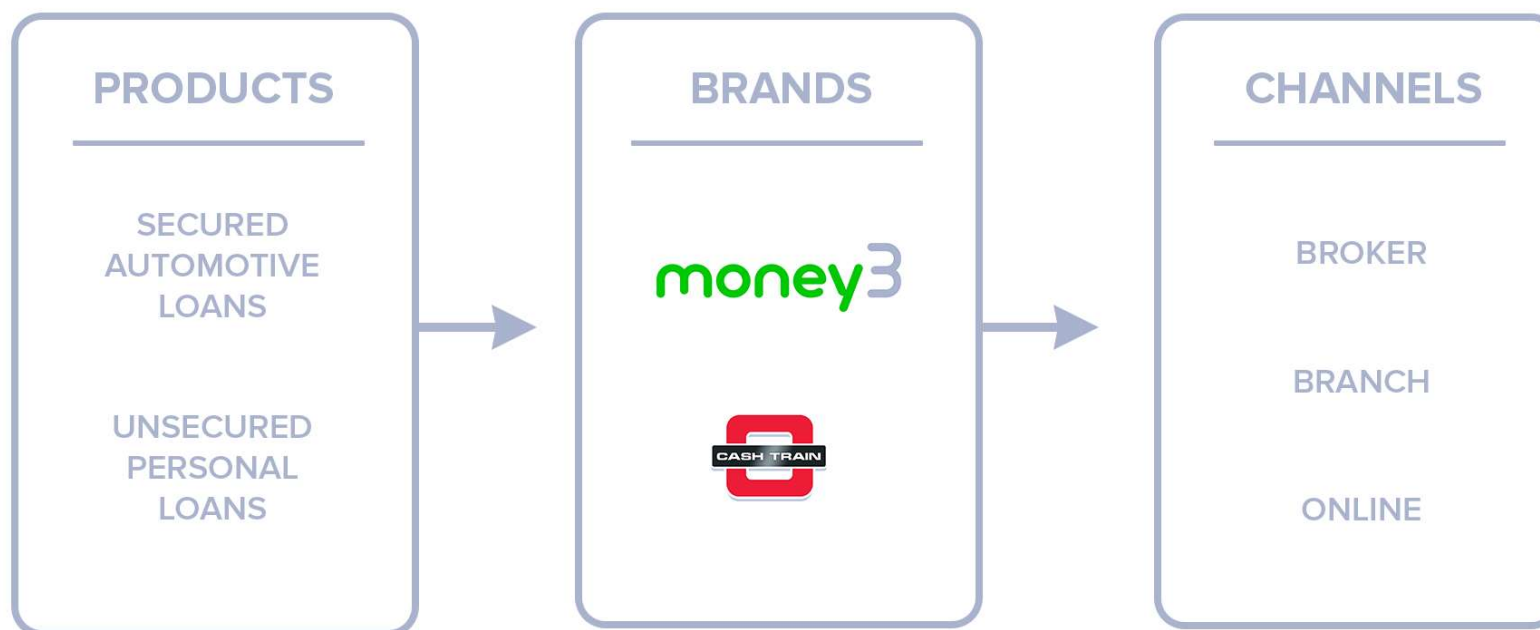
**Scott Baldwin**  
Managing Director

**Brett Coventry**  
Chief Financial Officer



# About Money3

Money3 is a national credit provider committed to servicing the needs of customers who cannot access funding from traditional lenders



# Money3 Products

Loan Product Type	Broker	Branch	Online	Outstanding Gross Loan Book*
Secured Personal Loans	\$2,000 - \$35,000 Terms 24-60 months	NA	NA	\$212.9 m
Unsecured Personal Loans	\$2,000 - \$8,000 Up to 36 months	NA	NA	\$1.0 m
Medium Amount Credit Contract (MACC)	\$2,001 - \$5,000 Up to 24 months	\$2,001 - \$5,000 Up to 24 months	\$2,001 - \$5,000 Up to 24 months	\$23.6 m
Small Amount Credit Contract (SACC)	Not Offered	\$100 - \$2,000 Up to 12 months	\$200 - \$2,000 Up to 12 months	\$35.6 m

\*As at 30 June 2017

# Key Financial Metrics



- Record full year revenue of \$109.6m up 13.4%, with all divisions delivering revenue growth
- Record full year EBITDA of \$50.6m up 43.4%
- Record full year NPAT of \$29.1m up 44.5%
- EPS (Basic) of 18.81 cps up 32.4%
- 26% increase in final dividend to 3.15 cents per share with dividend reinvestment program and 5% discount

# Key Highlights

## Group Performance

- Significant EBITDA margin improvement from FY16, 36.5% to FY17, 46.1%
- Gross loan book increased 37.4% to \$273.2m up from \$198.8m
- Reduction in bad debts as a percentage of gross loan book from 6.5% in FY16 to 4.5% FY17
- Record cash receipts of fees, interest and principle of \$307.4m up from \$282.6m
- \$21.1m cash on hand at 30 June 2017 to fund business growth in FY18

## Secured Automotive lending

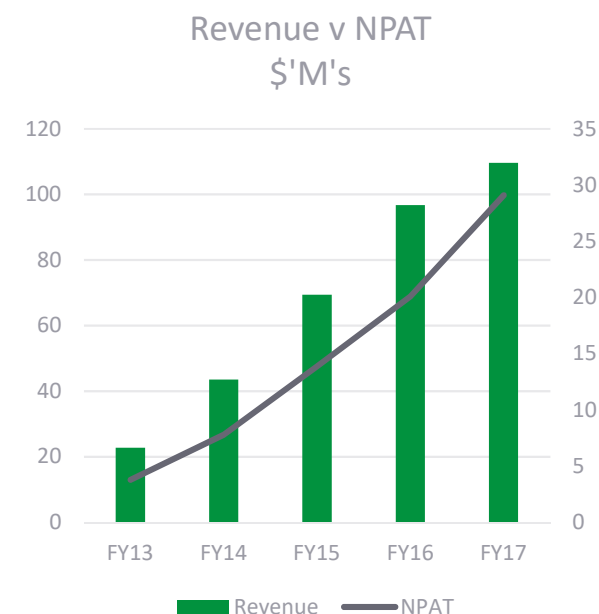
- Demand for secured automotive loans continues with 40.9% growth in loan book to gross loans of 213.9m
- Record full year revenue from secured automotive lending of \$56.0m up 21.5%
- Cash receipts from secured automotive loans grew 34.4%

## Branch & Online lending

- Completed Online lending platform integration into Money3 lending platform
- Completed closure of 13 branches into neighbouring sites including loan book run down

# Financial Performance

	FY17 \$m	FY16 \$m	\$ Change \$m	% Change
Revenue	109.6	96.7	+ 12.9	↑ 13.3%
Expenses	59.0	61.4	- 2.4	↓ 3.9%
<b>EBITDA</b>	<b>50.6</b>	<b>35.3</b>	<b>+ 15.3</b>	<b>↑ 43.3%</b>
<i>EBITDA as % of revenue</i>	46.1%	36.5%		
<b>NPAT</b>	<b>29.1</b>	<b>20.1</b>	<b>+ 9.0</b>	<b>↑ 44.8%</b>
<i>NPAT as % of revenue</i>	26.6%	20.8%		
EPS (Basic) cents per share	18.81 cps	14.21 cps	+ 4.6 cps	↑ 32.4%
DPS Cents per share	5.65 cps	5.25 cps	+ 0.4 cps	↑ 7.6%



# Balance Sheet

	FY17 \$m	FY16 \$m	FY15 \$m
Cash and Cash Equivalents	21.1	27.2	12.4
Loans and Other Receivables (Net)	225.1	164.4	130.3
Other Assets	9.3	7.1	6.2
Intangible Assets	19.2	19.7	19.4
<b>Total Assets</b>	<b>274.7</b>	<b>218.4</b>	<b>168.3</b>
Borrowings	79.5	48.6	35.2
Other Liabilities	13.1	13.3	10.4
<b>Total Liabilities</b>	<b>92.6</b>	<b>61.9</b>	<b>45.6</b>
<b>Total Equity</b>	<b>182.1</b>	<b>156.5</b>	<b>122.7</b>

# Sustainable Cashflow

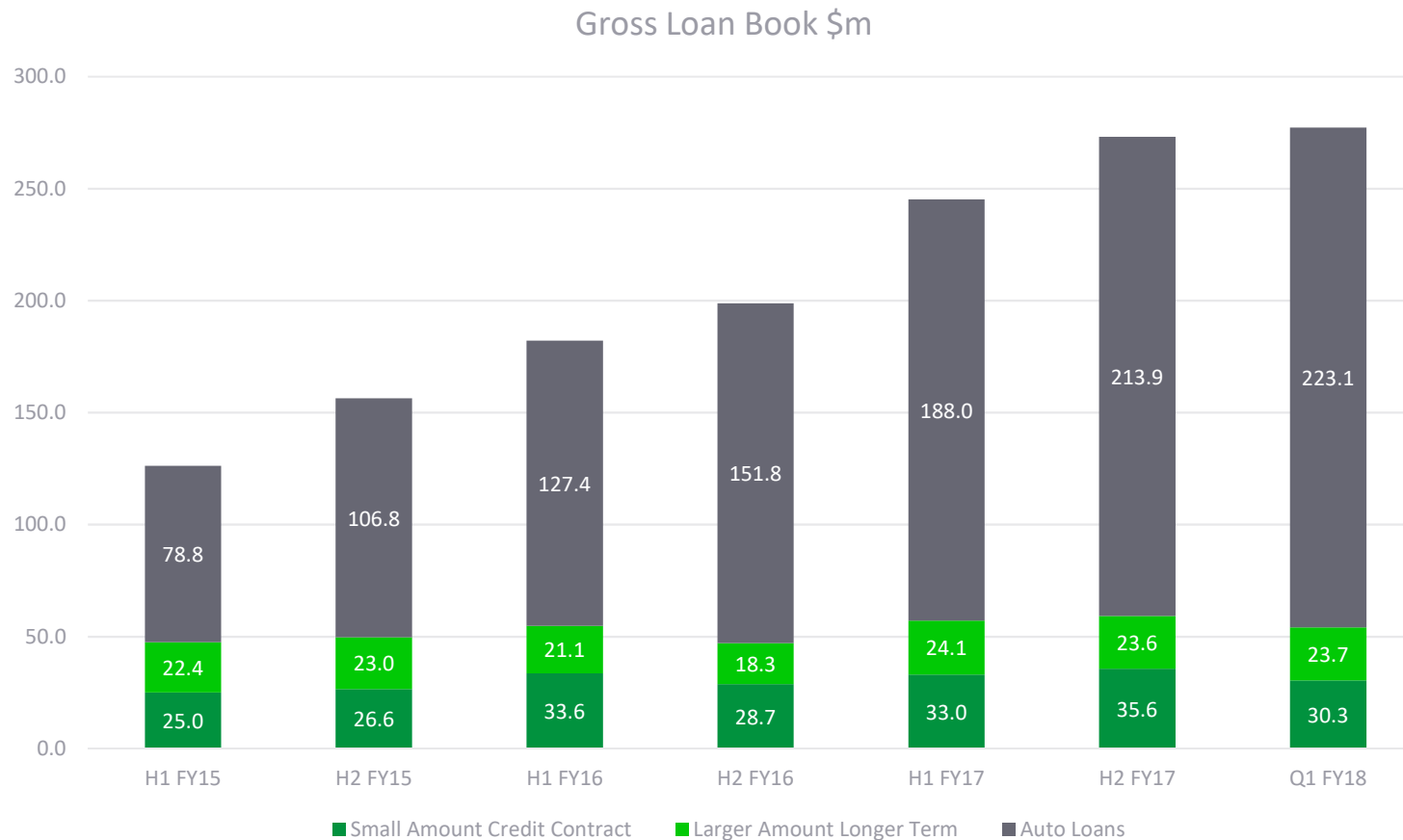
	FY17 \$m	FY16 \$m	\$ Change \$m	% Change
Receipts from customers <sup>1</sup>	307.4	282.6	+ 24.8	+ 9%
Payments to suppliers & employees	- 39.3	- 42.1	+ 2.8	- 7%
Net interest and finance expense	- 6.3	- 3.5	- 2.8	+ 80%
Income tax paid	- 15.7	- 9.9	- 5.8	+ 59%
<b>Cashflow from operating activities</b>	<b>246.1</b>	<b>227.1</b>	<b>+ 19.0</b>	<b>+ 8%</b>
Funds advanced for new loans	- 275.8	- 237.9	- 37.9	+ 16%
<b>Net Cash used in operating activities</b>	<b>- 29.7</b>	<b>- 10.8</b>	<b>- 18.9</b>	<b>+ 175%</b>

<sup>1</sup> Includes receipts from cheque cashing which decreased from 12m to 9m during FY17

Money3 delivered \$307m cash receipts in FY17, on the back of growth in lending activity, reinforcing the consistently strong and sustainable cash flows of the business.



# Continued Growth in Auto Lending



Strong start to FY18 in secured automotive lending, providing continued diversification of revenues towards secured automotive.

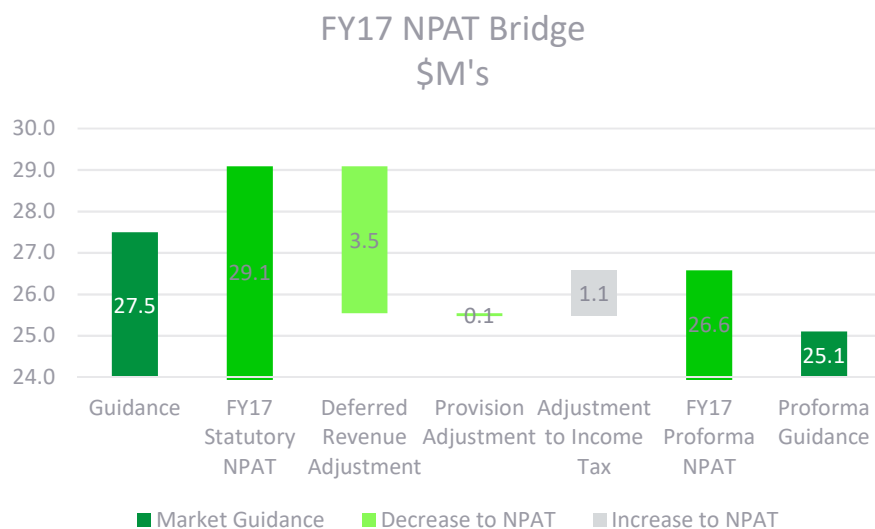
# FY18 Accounting policies

- Money3 is in compliance with all current accounting standards
- By implementing the changes below, Money3 will be compliant with new standards AASB 15 and AASB 9, which needs to be adopted by all companies for FY19
- Money3 regularly reviews its methodology regarding the recognition and timing of revenue and provisioning for doubtful debts. As a result, Money3 is planning to adjust its methodology for recognising revenue and its provisioning for doubtful debts from 1 July 2018. The new methodology will ensure revenue corresponds more closely to cash received
- While there is a change in the timing of the recognition of revenue, there is no change in the total amount of revenue recognised over the life of the loan that pay in full
- In addition, Money3 will increase it's emphasis on a predictive approach in providing for bad debts using various client demographics and market metrics in conjunction with the current methodology which is based on historical experience
- Modelling indicates immaterial increases to its current provisions process

*These accounting changes have no impact on Money3's loan book, which is the leading indicator of future revenue growth*

# FY18 Accounting policies

- Had the above methodology been adopted for the FY17 results, approximately \$3.5m (3.2%) of revenue would have been transferred to the balance sheet, with this revenue being brought to the P&L in future accounting periods
- Offsetting this would have been a positive \$1.1m tax effect with an overall impact of \$2.5m (8.6%) as seen in the bridge below



- Example of an under performing loan with \$100 fees charged, then gone on to pay in full
- Cash in does not change, it's just the accounting representation of revenue recognition
- Revenue on under performing loans aligned to cash receipts of the life of the loan diversifying revenue over the portfolio

## Revenue Recognition Worked Example

Total Fees Charged		\$ 100.00
Old Method	Year 1	\$ 100.00
	Year 2	\$ 0.00
New Method	Year1	\$ 40.66
	Year 2	\$ 37.73
	Year 3	\$ 21.61
Total		\$ 100.00

# Regulations

- The National Consumer Credit Protection Act of 2009 review, conducted after 1 July 2015, handed down 24 recommendations for changes to existing regulations. After review of these recommendations, Money3 has concluded there is no material financial impact should all of the recommendations be adopted into legislation
- On 5 September ASIC banned flex-commissions in the car finance market. This legislative change will not affect Money3, as Money3 does not provide flex commissions on its products

# Outlook

- Money3 estimates the addressable used car market in Australia is approx. 700,000 + vehicle sales per annum with Money3 writing 14,000 + automotive loans in FY17, which represents about 2% of the addressable market
- There is significant scope for Money3 to grow its market share of the used car finance market through leveraging the existing broker relationships established around the country
- Money3 continues to experience strong growth and demand for its loan products
- Strong cashflows will support continued loan book growth

Using new accounting policies and assuming no additional funding, Money3 is pleased to provide full year guidance for NPAT in the range of \$29-\$30 million, up from the proforma PCP of \$26.6 million (9-12%)

# Disclaimer



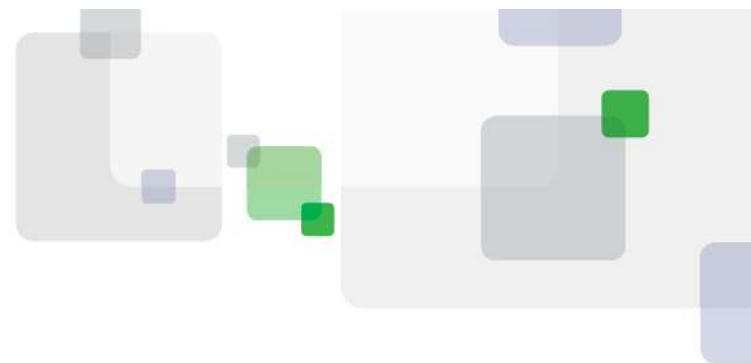
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# Money3 Corporation Ltd



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