



## H1 FY19 RESULTS PRESENTATION

25 February 2019

**Scott Baldwin**  
Managing Director

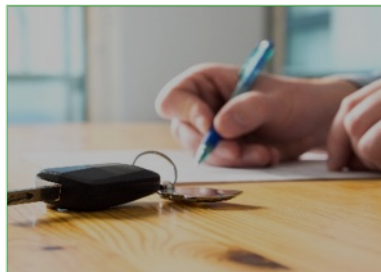
**Siva Subramani**  
Chief Financial Officer

# Introduction

Money3 is an Automotive Loans Specialist. Since inception the business has serviced 800,000 customers with over \$1b in loans



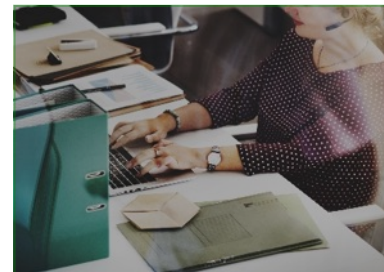
Money3 is an Automotive Loans specialist and non-bank credit provider of pre-owned automotive finance to **millions of Australians** excluded by banks and other non-bank lenders



Responsible lending drives and improves the quality of our **growing Automotive Loan Book**



With **\$100m+ available in deployable capital**, Money3 will continue to grow its loan book and market share



Through **exceptional customer service** we provide customers, with the opportunity, support and flexibility to own their own vehicle

## AN OPEN ROAD AHEAD OF US

# H1 FY19 Highlights

Sale and exit of SACC (Branch and Online) lending and Go Car Finance acquisition provides business additional capital to be deployed into Automotive Loan Book and geographical growth

 **+ 14.3%**

14.3% increase in **Gross Loan Book** to \$351.9 million (in H1 FY19)

 **+ 12.2%**

12.2% increase in **Broker Division Revenue** to \$40.4 million (pcp)

 **+ 9.3%**

9.3% increase in **Group Revenue** to \$66.0 million (pcp)

 **+ 13.2%**

13.2% increase in **Group EBITDA** to \$31.1 million (pcp)

 **+ 13.3%**

13.3% increase in **Group NPAT** to \$17.5 million (pcp)



Acquisition of Go Car Finance in NZ **adds NZ\$50m to Automotive Loan Book** and opens up new geography with strong prospects for growth



Sale and exit from SACC (Branch and Online) lending, through MBO releases **~\$46m in capital** into Automotive Loan Book



\$100m+ (\$50m debt, ~\$24m cash and ~\$46m from SACC sale) available to accelerate Automotive Loan Book growth



H1 FY19 dividend of **5.00 cents fully franked**



**Bad debts well managed** and in target range of 5-6% of gross loan book

# H1 FY19 Financial results

| <b>Group Financial Results</b><br><i>Amounts in \$m unless otherwise stated</i> | <b>H1<br/>FY19</b> | <b>H1<br/>FY18</b> | <b>Mvt %</b> |
|---|--------------------|--------------------|--------------|
| Revenue   | 66.0               | 60.3               | 9.3%         |
| Expenses  | (34.9)             | (32.9)             | 6.1%         |
| EBITDA  | 31.1               | 27.4               | 13.2%        |
| <i>EBITDA as % of revenue</i>   | 47.1%              | 45.5%              |              |
| NPAT  | 17.5               | 15.4               | 13.3%        |
| <i>NPAT as % of revenue</i>   | 26.6%              | 25.6%              |              |
| EPS (Basic)<br>cents per share  | 9.84               | 9.80               | 0.4%         |

12.2%

Increase in Broker division  
revenue to \$40.4m

13.2%

Increase in Group EBITDA


13.3%

Increase in Group NPAT

# H1 FY19 Operating cashflows

| <b>Group Operating Cashflows</b><br><i>Amounts in \$m unless otherwise stated</i>   | <b>H1<br/>FY19</b> | <b>H1<br/>FY18</b> | <b>Mvt %</b> |
|---|--------------------|--------------------|--------------|
| Receipts from customers   | 66.3               | 58.6               | 13.1%        |
| Payments to suppliers and employees   | (23.7)             | (21.1)             |              |
| Net finance costs paid  | (4.7)              | (5.7)              |              |
| Income tax paid   | (8.3)              | (11.1)             |              |
| <b>Net cashflows</b><br><i>(excluding loans advanced)</i>                           | <b>29.6</b>        | <b>20.7</b>        | <b>43.0%</b> |
| Cash advanced, net of principal repayments, contributing to growth of the loan book | 47.8               | 28.5               | 67.7%        |

## SECURED LOANS

 **24.4%**

Increase in Broker division cash collected (\$92.8m) on H1 pc

 **30.0%**

Increase in Broker division loans advanced (\$87.1m) on H1 pc



Revenue is highly correlated with cash receipts.



One-off tax refund as a result of new accounting standards.



# H1 FY19 Cash conversion metrics

| <b>Cash Conversion Metrics</b><br><i>Amounts in \$m unless otherwise stated</i> | H1<br>FY19 | H1<br>FY18 |
|---|------------|------------|
| <b>Income statement</b>   |            |            |
| NPAT  | 17.5       | 15.4       |
| Add: Impairment expense   | 11.9       | 10.1       |
| Cash NPAT   | 29.4       | 25.5       |
| <b>Cash flow statement</b>  |            |            |
| Net cash flows from operating activities (excluding loans advanced)             | 29.6       | 20.7       |
| Add: Capitalised borrowing costs  | -          | 2.2        |
| Net operating cash flow   | 29.6       | 22.9       |
| <i>Cash conversion</i>  | 99.3%      | 111.4%     |

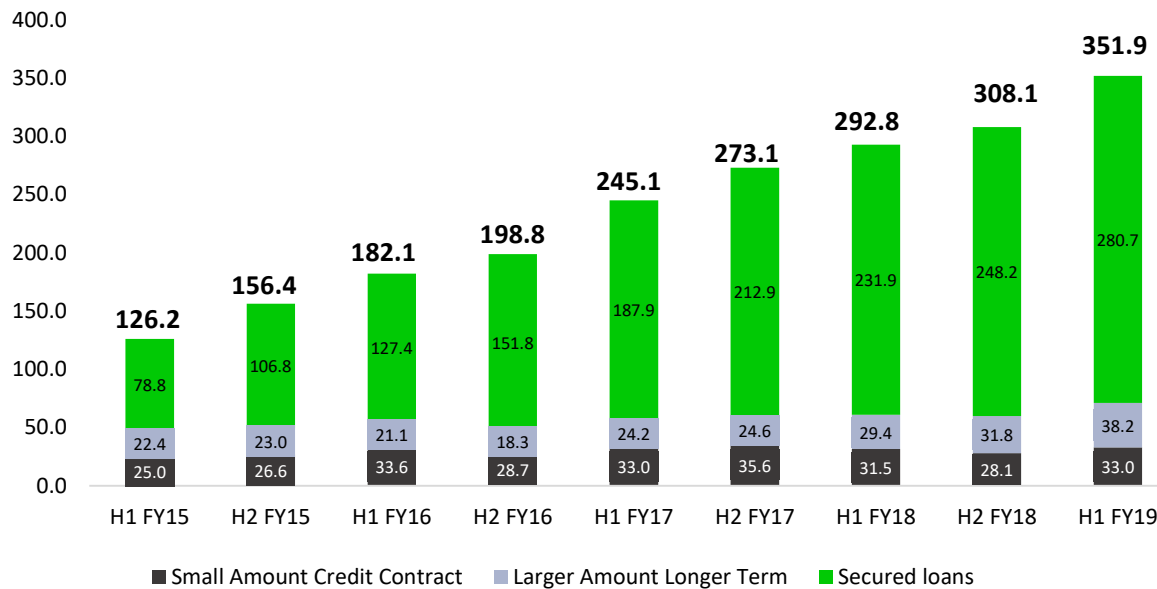


# Quality remains key while growing Automotive Loan Book

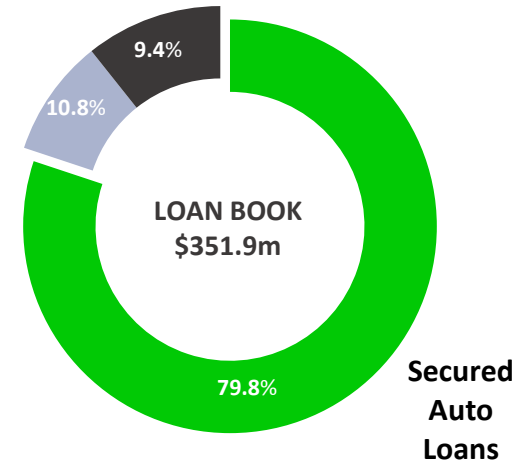
14.3% increase in Gross Loan Book to \$351.9 million (in H1 FY19).

Gross Loan Book is the key leading indicator of future revenue.

## GROSS LOAN BOOK (\$M)



SALE AND EXIT OF BRANCH AND  
ONLINE FOR ~\$46M, CAPITAL TO BE  
REDEPLOYED INTO  
AUTOMOTIVE LOANS



Money3 is now an  
Automotive Loans  
Specialist with  
~\$100m+ in  
deployable capital and  
an exceptional cash  
collections capability

**1 in 4 secured automotive applications settle as Money3**  
continues to prioritise the long-term quality of the secured Automotive Loan Book

# SACC exit ✓

Money3 has entered into an agreement to sell the assets of the Branch and Online distribution channels that support SACC (pay day) lending

The sale will yield in excess of ~\$46m, \$35m up front and the remainder over 6 months. Sale includes corporate entities operating SACC lending


Post transaction this will see the complete exit of SACC lending by Money3 and allow the business to focus on the growth of its Automotive Loan Book in both Australia and New Zealand

Sale to one of the founders of the business and the management team

The MBO acquires all staff, lease and other obligations of the corporate entities

Non-compete clauses and a complementary referral agreement for automotive lending

SACC sale will release ~\$46m to be redeployed into the originations of Automotive Loan Book



**PURCHASER ACQUIRES  
ALL STAFF, ASSETS,  
OBLIGATIONS AND LIABILITIES,  
INCLUDING THE CORPORATE  
ENTITIES AND RELATED ACL**



# Dividend



Money3 to  
pay 5c fully  
franked for  
interim FY19



**Money3 is  
intending to pay a  
fully franked 10c  
dividend for FY19  
and FY20**

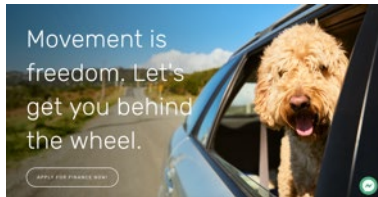


DRP with a 2.5%  
discount

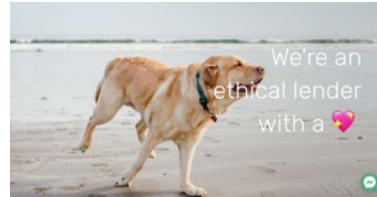
# Money3 enters NZ market with acquisition of Go Car Finance

**Go Car Finance**  
*Goes way further*





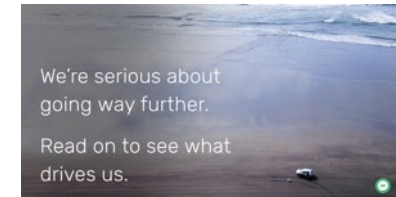
Go Car Finance acquisition provides Money3 with geographical expansion, market access and a strong existing business to leverage



Over NZ\$50m of existing receivables



Go Car Finance has an existing financing facility with significant capacity at a leading bank.



With 4m cars in New Zealand and Go Car's strong brand, there is significant growth opportunity

*"The cultural similarities between Money3 and Go Car are very real and we look forward to the opportunity of sharing best practices. With support from the Money3 mothership we believe we will be able to significantly grow our market share of the used car finance market here in New Zealand."* – Go Car Founder and CEO, Roy Gormley

# Automotive market opportunity

## Australian automotive market




**\$20bn**


### Huge Market

- \$80bn<sup>1</sup> of annual vehicle sales
- \$20bn<sup>2</sup> annual market for consumer vehicle financing
- \$6bn<sup>3</sup> is attributed to used car sales

### Growing

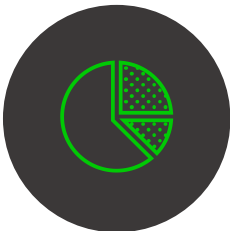
- 
- 19.2 million registered vehicles in Australia
  - Over 1.2m new vehicles and 2.1m used vehicle sales<sup>3</sup> annually
  - ~2.1%<sup>4</sup> increased number of cars on Australian roads in 2017 (or over 400,000 vehicles)

### Servicing Gap


- 
- Money3 estimates 4-5 million Australian's are either not serviced or excluded by traditional lenders
  - Requires highly experienced customer care function to serve appropriately

## Money3 Opportunity

### Money3 market share

- 
- 1 out of 550 registered vehicles in Australia are financed by Money3
  - Money3 estimates it finances 3% of the used car market annually

### Market opportunity

- 
- \$100m+ of available funds providing significant headroom for loan book growth
  - Over 500,000 unique customers
  - Expansion into New Zealand through acquisition

<sup>1</sup> Roy Morgan: Report - State of the Nation 27: Australian Automotive Industry accelerates towards 'Decade of Upheaval' – March 2017

<sup>2</sup> Royal commission into misconduct in the banking, superannuation and financial services industry: Report - Some Features of Car Financing in Australia

<sup>3</sup> ABS, 5671.0 Lending Finance, Australia, December 2017 (13 February 2018) Table 9 – Finance Commitments, for Motor Vehicles: Australia, Original (\$000) <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5671.0>>.

<sup>4</sup> Australian Bureau of Statistics: Report - 9309.0 - Motor Vehicle Census, Australia, 31 Jan 2018

# NZ automotive market opportunity

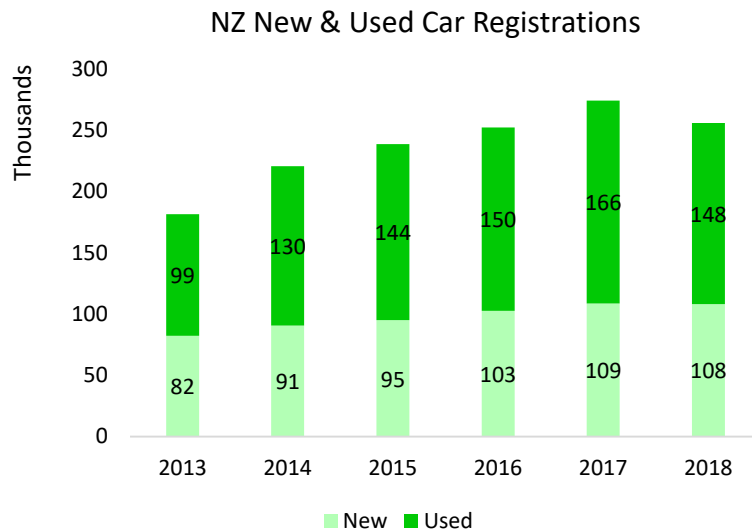
## New Zealand automotive market

### High vehicle ownership

- Fourth highest rate of vehicle ownership globally: 4.3m registered vehicles <sup>2</sup> from a population of 4.9m<sup>3</sup>

### Used car sector growing

- With no manufacturing in New Zealand a large number of used cars are imported
- Used cars make up a significant portion of newly registered vehicles
- 147,000 used cars registered in 2018 compared to only 108,000 new cars



## Go Car Opportunity

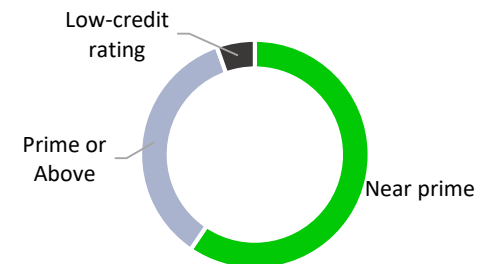
### Untapped Market

- Low-credit rating auto finance market relatively untapped (5%<sup>1</sup> of lender portfolio's are low-credit rating)
- Go Car Finance has strong brand recognition, opens up growth opportunity

### Existing lenders unwilling to service low-credit customers

- 85%<sup>1</sup> of existing car financiers said they will not change credit standards, and will continue excluding a large portion of low-credit rating families
- Flexible financing solutions are a significant opportunity in NZ market

### Existing NZ car financier loan portfolio



<sup>1</sup> <https://www.pwc.co.nz/pdfs/pwc-current-state-of-the-auto-finance-industry-nz-insights.pdf>

<sup>2</sup> <https://www.mia.org.nz/Portals/0/MIA-Sales%20Data/Vehicle%20Sales/Monthly%20Passenger%20Sales%20Stats/Passenger%20Registration%20Stats%20Full%20Year%202018.pdf>

<sup>3</sup> <http://archive.stats.govt.nz/infoshare/>

<sup>3</sup> <https://www.stats.govt.nz/topics/population>

# Summary

## SACC EXITED

Money3 has sold the Brand and Online (including all staff, assets and obligations and liabilities). Leaving the business focused on secured Automotive Loans and unsecured longer-term loans

## AUTOMOTIVE LOANS SPECIALIST

Money3 specialist capabilities and focus on Automotive Loans leaves it well placed to increase its market share in the sector.

## GEOGRAPHIC EXPANSION

Acquisition of New Zealand business provides Money3 with geographic diversification and further growth opportunities

## BOARD AND MANAGEMENT

Money3 has a stable, independent and balanced board with three non-executive directors. Executive team has proven expertise in Automotive Loan finance, cash collections and M&A activity

## QUALITY CONTROL

Management's ability to successfully grow its Automotive Loan Book, while maintaining the quality, is key to unlocking future shareholder value



# Strategy and Outlook



## SPECIALIST AUTO LENDER

- Management is focused on Automotive Loans, pursuing strong growth and maintaining the exceptional quality of the loan book while boosting our exceptional cash collections capability
- In light of recent changes to the business, Money3 now guides to the lower end of \$35-\$36m NPAT guidance
- Money3 intending to pay 10c dividend through to FY20



## FUNDING

- **\$100m+** of total available headroom
  - \$50m of undrawn finance facility for growth
  - \$24m cash at bank
  - ~\$35m from sale of SACC with remaining in 6 months
- No requirement for additional equity in the foreseeable future



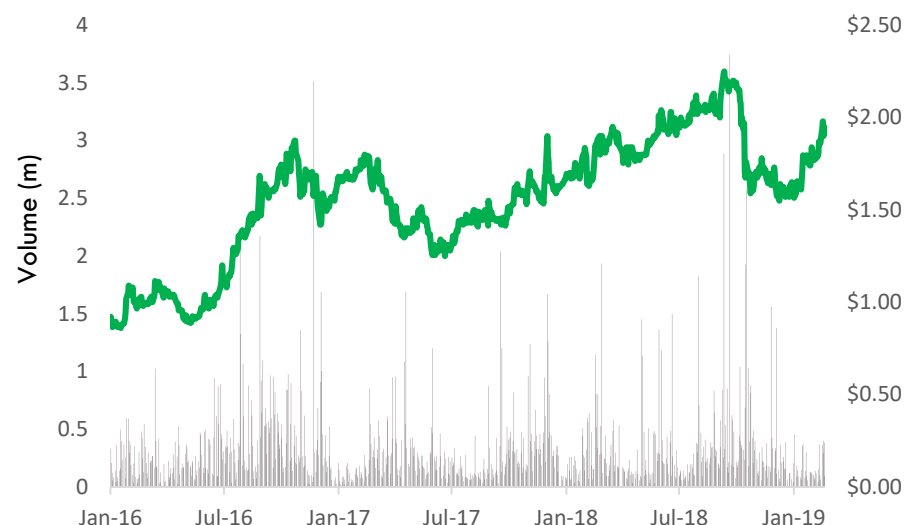
## REGULATORY

- Increasing regulatory headwinds and greater levels of conservatism in mainstream lending for personal and automotive loans are driving lenders to be more restrictive
- This has increased Money3's market opportunity
- Money3 has robust processes that are compliant with current regulations around flex commissions, add on insurance products and interest rate caps

# Appendix 1 – Corporate Information

## CAPITAL STRUCTURE

|  |                 |
|--|-----------------|
| Shares on issue                              | 180.2 million   |
| Share Price (22 <sup>nd</sup> February 2019) | \$1.94          |
| Market capitalisation                        | \$349.6million  |
| Cash at 31 January 2019                      | \$23.7 million  |
| Financing facility available                 | \$50.0 million  |
| Debt   | \$100.0 million |
| Earnings per share (H1 FY19)                 | 9.71 cents      |
| Dividends per share (Interim)                | 5.00 cents      |



# Disclaimer

The content of this presentation has been prepared by Money3 Corporation Limited (the Company) for general information purposes only.

Any recommendations given are general and do not take into account your personal circumstances and therefore are not to be taken as a recommendation or advice to you.

You should decide whether to contact your financial adviser so a full and complete analysis can be made in respect to your personal situation.

Whilst all care has been taken compiling this presentation neither the Company nor any of its related parties, employees or directors give any warranty with respect to the information provided or accept any liability to any person who relies on it.



money3

Scott Baldwin  
Managing Director  
[s.baldwin@money3.com.au](mailto:s.baldwin@money3.com.au)

Siva Subramani  
Chief Financial Officer  
[s.subramani@money3.com.au](mailto:s.subramani@money3.com.au)