



# **H1FY25**

## **Investor Presentation**

25 February 2025

Scott Baldwin (Managing Director & CEO)

Siva Subramani (CFO)



# BUILDING A **BIGGER** BETTER SOLVAR

Our success

## **"BUILDING FOR A BIGGER, BETTER SOLVAR"**

Underpinned by strong governance, efficient technology and a strong corporate culture

### **PROFITABLE AND CASH GENERATIVE GROWTH**

Growing profitability and cash generation to fund loan book expansion or acquisitions

### **INNOVATION AND INVESTMENT**

Continuous customer focused technology and product investment

### **DIVERSIFIED EARNINGS**

Large, consumer & commercial addressable market





# Highlights

# Foundations for sustainable growth

## Enhanced technology platform:

- Consolidated software platforms boosting productivity & system efficiency – anticipated to drive material loan growth in AFS business unit
- Improved API connectivity in AFS expected to enhance Broker experience
- Cyber security – achieved ISO 27001 certification protecting consumer and corporate data

## Credit and underwriting:

- Continue to refine credit and underwriting procedures
- Hardship and vulnerable customer training delivered across the Group
- Participation in an industry funding model for financial counsellors

## Capital management:

- Repaid debt facilities in New Zealand with unrestricted cash
- Introduced Money3 mezzanine funding, providing headroom for growth
- Share buy-back program in place

## Strategic initiatives:

- Launching new commercial lending business unit in FY25
- Executing expense reduction programs including delivering lower employee expenses, down 12% over pcip
- Closed several dormant entities to streamline operations

## Growing expertise:

- Organisation optimised for growth – appointment of new GM for commercial lending
- Appointment of new Chief Information Officer

## Market backdrop:

- Money3 back book will benefit from the rate-cutting cycle
- Interest rate cut expected to drive consumer sentiment and loan application numbers
- Purchased three small automotive loan books as small private lenders exit the segment

**Solvar** is strategically situated for robust growth in FY26, growing its resilient, stable profit profile. Group is well placed to take advantage of demand for asset financing, driven by growing consumer confidence from an interest rate cut

# Highlights

## Continuing Operations (Australia)

Interest Income<sup>1</sup>

**\$93.1m**

4.6% increase on pcp

Loan Book

**\$824.7m**

7.1% increase on pcp

Originations

**\$211.4m**

2.0% decrease on pcp

Bad Debt

**4.0%** (annualised)

Increase from 3.9% in FY24

NPAT<sup>2</sup> (normalised)

**\$15.9m**

Cash Collections

**\$233.7m**

7.9% increase on pcp

## H1 FY25

-  Technology simplification in AFS will improve efficiency and broker experience to support growth in originations
-  Focused on the launch of the Group's new commercial product offering
-  Increased Australian leverage allowed Group to repay higher cost debt in New Zealand
-  Focus on NIM and technology consolidation moderated H1 origination growth in AFS

<sup>1</sup>Interest income includes fees & charges, from loan and related products that are integral to the loan and bank interest income

<sup>2</sup> After adjusting for legal fees associated with the ongoing legal action, pcp omitted as prior to decision to discontinue GCF

# Highlights

Group (Australia & New Zealand)

Interest Income<sup>1</sup>

**\$108.6m**

3.1% decrease on pcip

NPAT<sup>2</sup> (normalised)

**\$18.5m**

26.9% increase on pcip

**EPS – 8.2c**

30.0% increase on pcip

**DPS – 6.0c**

20.0% increase on pcip

**NTA \$1.62** (per share)

Bad Debt

**4.1%** (annualised)

decrease from 4.4% in FY24

Loan Book

**\$930.4m**

flat on 30 June 2024

Cash

**\$132.1m**

Unrestricted \$59.0m

## H1 FY25

- Introduced Money3 mezzanine funding of \$60.0m (\$20.0m drawn) to support Australian growth
- 6.0c per share fully franked interim dividend up 20.0% on pcip; payment date of 3 April 2025
- Prudent run down of GCF operations,
- Paying down the higher cost debt in New Zealand
- On-market share buy back of up to \$15.0m. \$7.3m (5.7m shares) completed in H1 FY25
- Return on equity (normalised) of 10.1%

<sup>1</sup> Interest income includes fees & charges, from loan and related products that are integral to the loan and bank interest income

<sup>2</sup> After adjusting for legal fees associated with the ongoing legal action





# **H1 FY25 Results**

# Australian Operations

## (Continuing Operations)

- ➡ Loan book increased 7.1% to \$824.7m (vs pcp) with a shift towards higher credit quality customers
- ➡ Yield on loan book is 23.1% in H1 FY25 pcp: 24.1%
- ➡ Loan book growth resulted in increased interest income revenue 4.6% on pcp
- ➡ Bad debts 4.0% (annualised) within target range of 3.5% – 4.5%; Impairment provision increase driven by loan book growth
- ➡ Employee costs of \$16.5m down 1.5% vs pcp
- ➡ Normalised NPAT of \$15.9m

H1 FY25 Continuing Operations <i>AUDm unless stated otherwise</i>	H1 FY25	H1 FY24	Growth %
Interest income <sup>1</sup>	93.1	89.1	4.6%
Interest expense	22.2	22.6	(1.6%)
<b>Net Interest Income (NII)</b>	<b>70.9</b>	<b>66.5</b>	<b>6.7%</b>
<b>Net Interest Income margin<sup>2</sup></b>	<b>17.6%</b>	<b>18.0%</b>	
Impairment and bad debt expense	19.2	16.5	16.3%
Operating expenses <sup>3</sup>	29.4	28.7	2.4%
FX differences on revaluation	0.6	(0.5)	214.6%
D&A	0.5	0.5	(0.5%)
Tax	6.7	6.4	5.7%
<b>NPAT Statutory</b>	<b>14.5</b>	<b>14.9</b>	<b>(2.5%)</b>
Legal costs (post-tax)	1.4	1.4	
<b>NPAT Normalised</b>	<b>15.9</b>	<b>16.3</b>	<b>(2.3%)</b>
<b>NPAT Margin (normalised)</b>	<b>17.1%</b>	<b>18.3%</b>	

<sup>1</sup>Interest income includes fees & charges, from loan and related products that are integral to the loan and bank interest income

<sup>2</sup>NII Margin is annualised

<sup>3</sup>Operating expenses are the sum of loan origination, servicing costs and general administration expenses less FX differences on revaluation (see Appendix 4D and Interim Financial Report)



# Group H1 FY25

- ➡ Improved funding margins and reduced debt levels driving down interest expense
- ➡ Bad debt levels stable at 4.1% (annualised) despite cost-of-living pressure
- ➡ Employment expenses trending down by 12.1%, due to a reduction of staff in New Zealand and cost management initiatives in Australia
- ➡ Positive H1 contribution from New Zealand run-down. GCF is not expected to contribute to NPAT during the remaining run-down
- ➡ Operating expenses are trending down

H1 FY25 Group Financial Results <i>AUDm unless stated otherwise</i>	H1 FY25	H1 FY24	Growth %
Interest income <sup>1</sup>	108.6	112.1	(3.1%)
Interest expense	26.8	29.0	(7.8%)
<b>Net Interest Income (NII)</b>	<b>81.8</b>	<b>83.1</b>	<b>(1.5%)</b>
<b>Net Interest Income margin<sup>2</sup></b>	<b>17.6%</b>	<b>17.9%</b>	
Impairment and bad debt expense	19.5	23.9	(18.2%)
Operating expenses <sup>3</sup>	36.4	39.8	(8.2%)
FX differences on revaluation	0.6	(0.5)	214.6%
D&A	0.7	1.1	(31.6%)
Tax	7.7	5.7	33.3%
<b>NPAT Statutory</b>	<b>16.9</b>	<b>13.2</b>	<b>27.9%</b>
Legal costs (post-tax)	1.6	1.4	
<b>NPAT Normalised</b>	<b>18.5</b>	<b>14.6</b>	<b>26.9%</b>
<b>NPAT Margin (normalised)</b>	<b>17.0%</b>	<b>13.0%</b>	

<sup>1</sup>Interest income includes fees & charges, from loan and related products that are integral to the loan and bank interest income

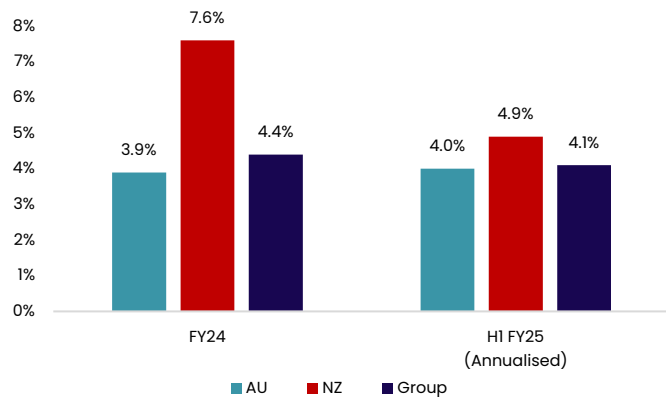
<sup>2</sup>NII Margin is annualised

<sup>3</sup>Operating expenses are the sum of loan origination, servicing costs and general administration expenses less FX differences on revaluation (see Appendix 4D and Interim Financial Report)

# H1 FY25 Results

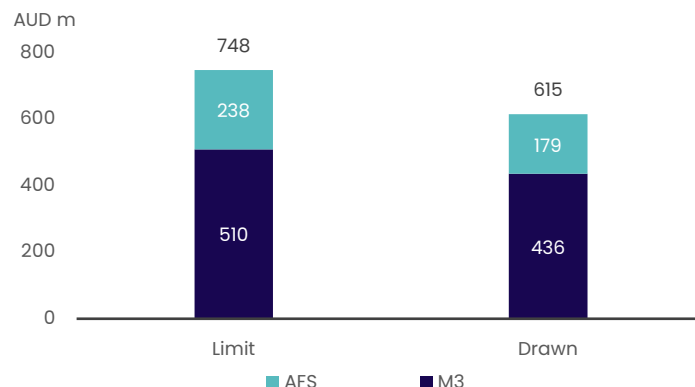
Stable bad debts – Significant funding headroom – Stable credit quality

## Bad debt – By geography



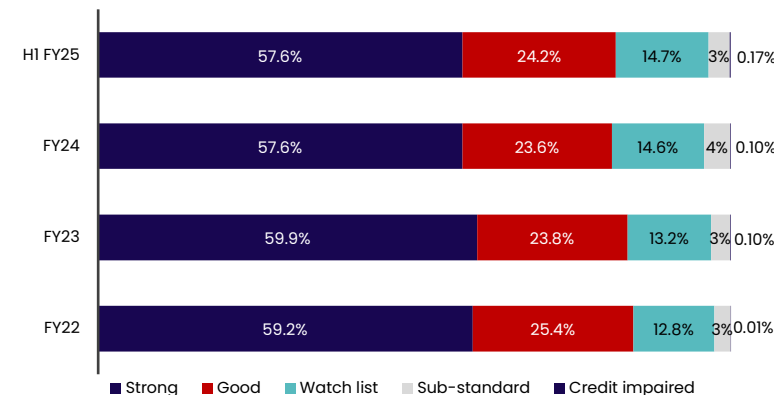
- H1 FY25 Group bad debt rate declined by 0.3% to 4.1% (annualised)
- New Zealand bad debts normalising post a spike in FY24

## Australia – debt facilities



- \$132.6m headroom in debt facilities with the ability to increase limits when needed
- Funder diversification through introduction of mezzanine funding in Money3
- Increased Money3 facility to \$510.0m in H1 FY25 from \$450.0m
- 74.6% leverage at Dec 2024 (FY24: 70.9%)
- \$59.0m in free cash to support organic loan book growth and/or fund acquisitions

## Maintaining credit quality – Australia loan book



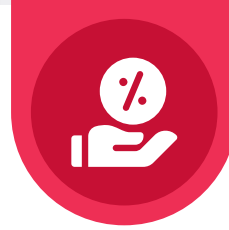
- Book adequately provisioned
- Maintaining credit quality in challenging macro-economic conditions and inflationary environment
- Bad debts 4.0% (annualised) in H1 FY25 is within target range
- 81.8% of Australian portfolio is 'Strong and Good', increased marginally from FY24

# Regulatory Update



## Australian Securities and Investment Commission (ASIC)

- On 6 February 2025, the trial started in respect to the proceeding against Money3
- The trial was adjourned on the morning of 17 February 2025 after the conclusion of evidence. The parties were directed to file and serve written closing submissions over the next few weeks and return to provide oral closing submissions on Thursday, 13 March 2025. This will be the final day of trial
- After closing submissions, the court will reserve judgment and deliver that judgment in the coming months



## Commerce Commission of New Zealand

- In March 2024, the Commerce Commission commenced proceedings making allegations that Go Car Finance contravened its responsible lending obligations with respect to certain loans under the Credit Contracts and Consumer Finance Act 2003 (CCCFA)
- Go Car Finance denies that it has breached its obligations and is defending the claim



# Outlook

# FY25 Outlook



## Financial

- Forecast normalised NPAT of \$34m
- Bad debt expected to be 3.5%-4.5%
- The Group expects to maintain a similar dividend payout ratio in H2 FY25
- Commercial loan originations to drive growth into FY26
- Money3 back book will benefit from the rate-cutting cycle



## Operations

- Near term focus on regulatory matters - ASIC trial near completion
- New Zealand run-down progressing as anticipated
- New commercial lending product launch in FY25
- Technology simplification in AFS will improve efficiency and broker experience to support growth in originations



## Market

- Labour market remains tight with low unemployment
- Upcoming Federal election is expected to deliver further cost of living relief in addition to February RBA rate cut
- Declining used car prices driving affordability



# Thank You!

CEO & Managing Director

**Scott Baldwin**

+61 3 7031 6019

[s.baldwin@solvar.com.au](mailto:s.baldwin@solvar.com.au)

Chief Financial Officer

**Siva Subramani**

+61 3 7031 6018

[s.subramani@solvar.com.au](mailto:s.subramani@solvar.com.au)

Investor Relations

**Tom Ng**

+61 490 796 752

[t.ng@solvar.com.au](mailto:t.ng@solvar.com.au)



# Glossary of Terms

**A\$ or \$** – Australian dollars

**Active customer** – A customer with an outstanding balance

**ASIC** – Australian Securities and Investment Commission

**AFCA** – Australian Financial Complaints Authority

**AFIA** – Australian Finance Industry Association

**AFS** – Automotive Financial Services business unit

**ARCA** – Australian Retail Credit Association

**AU** – Australia

**CAGR** – Cumulative Annual Growth Rate

**ComCom** – Commerce Commission of New Zealand

**DPS** – Dividend Per Share

**EPS** – Earnings Per Share

**EBITDA** – Earnings Before Interest Tax Depreciation and Amortisation

**FSCL** – NZ Financial Services Complaints Limited

**GCF** – Go Car Finance business unit

**GM** – General Manager

**HEM** – Household Expenditure Measure

**H1** – Results relating to the first half of the financial year, July – December

**H2** – Results relating to the second half of the financial year, January – June

**Loan Book** – Gross written loans, as defined in section 6, of the annual accounts

**M3** – Money3 business unit

**NED** – Non-Executive Director

**NPAT** – Net Profit After Tax

**NIM** – Net Interest Margin

**NAF** – Net Amount Financed: The amount of credit advanced to a customer in respect to their loan

**NTA** – Net Tangible Assets

**NZ\$** – New Zealand dollars

**NZ** – New Zealand

**PCP** – Prior Corresponding Period: A comparison of the results for the same period during the previous reported period, typically the previous financial year

**TMD** – Target Market Determination


**RBA** – Reserve Bank of Australia

**RBNZ** – Reserve Bank of New Zealand

**RoE** – Return on Equity

**YoY** – Year on Year comparison of performance

# Product Summary

Product					money3		 AUTOMOTIVE FINANCIAL SERVICES	
Location	Australia							
Purpose	Consumer Vehicle Finance		Consumer Personal loans		Consumer Vehicle Finance		Commercial Vehicle Finance	
Maximum loan amount	up to \$100,000*		up to \$30,000*		up to \$130,000*			
Term	24 – 60 months		24 – 60 months		12 – 84 months			
Interest rate	Fixed rate 13.95% – 24.95%				Fixed rate 8.19% – 19.79%			
Loan book	\$628.0 million				\$196.7 million			

All figures as of 31 December 2024 in \$AUD, unless otherwise stated  
\* Target Market Determination documents as of January 2025

# Disclaimer

The content of this presentation has been prepared by Solvar Limited (the Company) for general information purposes only. Any information included in this presentation on future financial performance, including industry sectors, income, profit and employment types, represent estimates of management. These views are inherently uncertain and Solvar takes no responsibility for the accuracy of such views.

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.