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5 December 2023

Market Announcements Office  
ASX Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**AFG STRATEGY INVESTOR BRIEFING PRESENTATION**

Australian Finance Group Ltd will address investors at a Strategy Investor Briefing today. Attached is the accompanying presentation.

Authorised for disclosure by:

A handwritten signature in blue ink, appearing to read 'Michelle Palethorpe', is positioned above the typed name.

**Michelle Palethorpe**  
General Counsel and Company Secretary

**CONTACT DETAILS**

**Alison Clarke**, AFG Head of Corporate Communications  
**David Bailey**, CEO

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**AFG Strategy Investor Briefing**  
**December 2023**

# Presentation Outline

Item	Presenter	Pages
AFG	David Bailey, Chief Executive Officer AFG	3-15
Technology & data	Sam McCready, Chief Customer Experience & Digital Transformation Officer	16-21
Fintelligence	Chris Slater, Chief Executive Officer – Fintelligence	22-30
Financial discipline	Luca Pietropiccolo, Chief Financial Officer	31-38
Summary and Q&A		

**AFG Introduction**  
**David Bailey, CEO**



# Helping Australians find a fairer deal for over 29 years

Our founders saw an opportunity for mortgage brokers to provide a better solution for Australians' finance needs. So, 29 years ago, they founded AFG and helped to create an industry.



3,800+

Brokers



9,000+

Finance products



80+

Lenders



300+

Team members



# AFG's strategy is to be the **aggregator of choice**, distributing higher margin products through its national network

Our purpose...

Fairer financial future for all

Delivered through our competitive advantage...

3,800+ active brokers

Creating...

Competition and choice for brokers, customers & lenders

Growth through our strategic pillars...

Grow our distribution network

Provide market leading technology

Leverage our distribution delivering higher margin

Based on our foundation of...

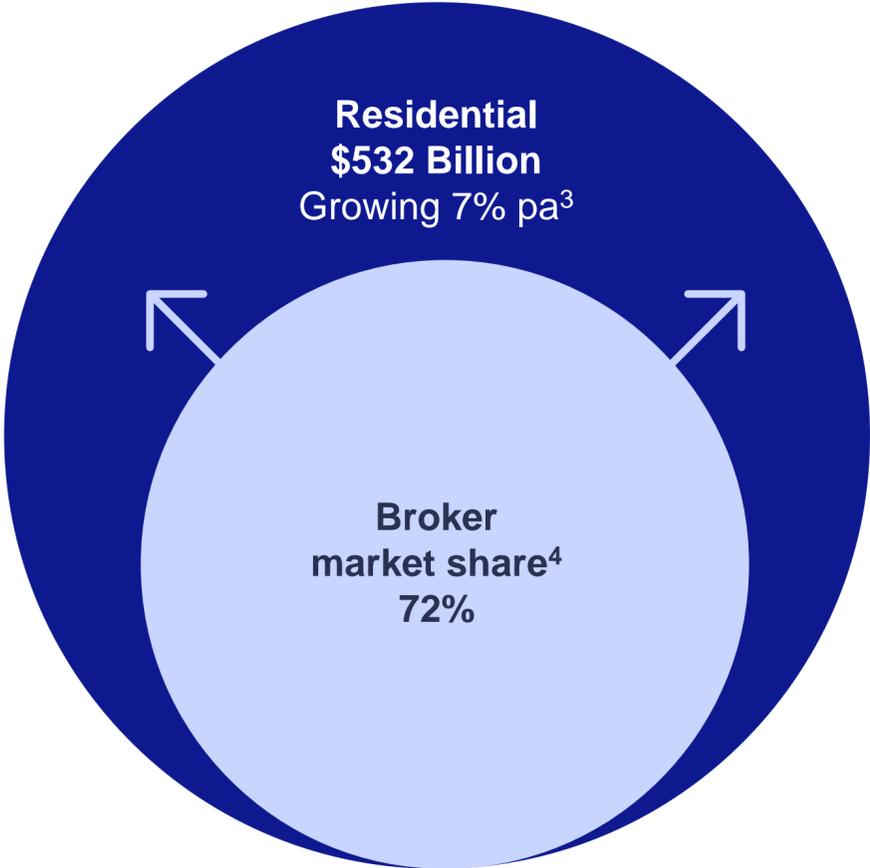
'Whole of business' broker support proposition

Extensive industry experience & rich transaction history

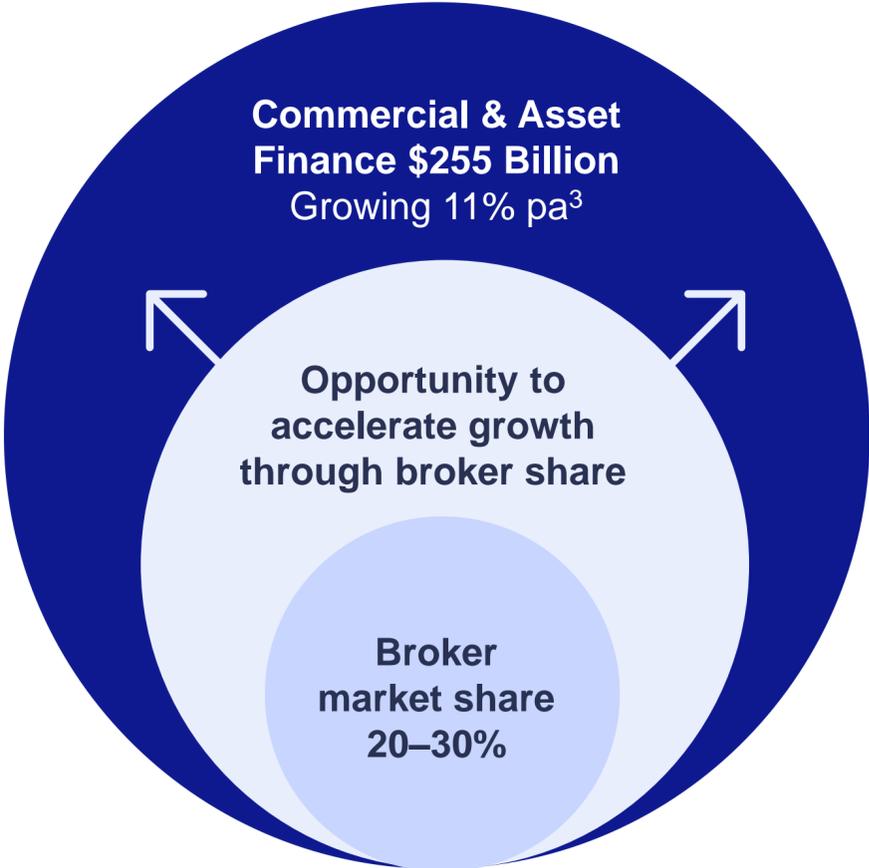
Financial discipline & strong balance sheet

# Operating in the large Australian finance market

Third largest industry in the Australian economy<sup>1</sup>  
Combined \$787 Billion settlements per annum with average 10-year growth of 6% per annum<sup>2</sup>  
AFG offers Residential, Commercial, Asset Finance, Personal Loans



Industry trend of bank branch closures underpinning future growth



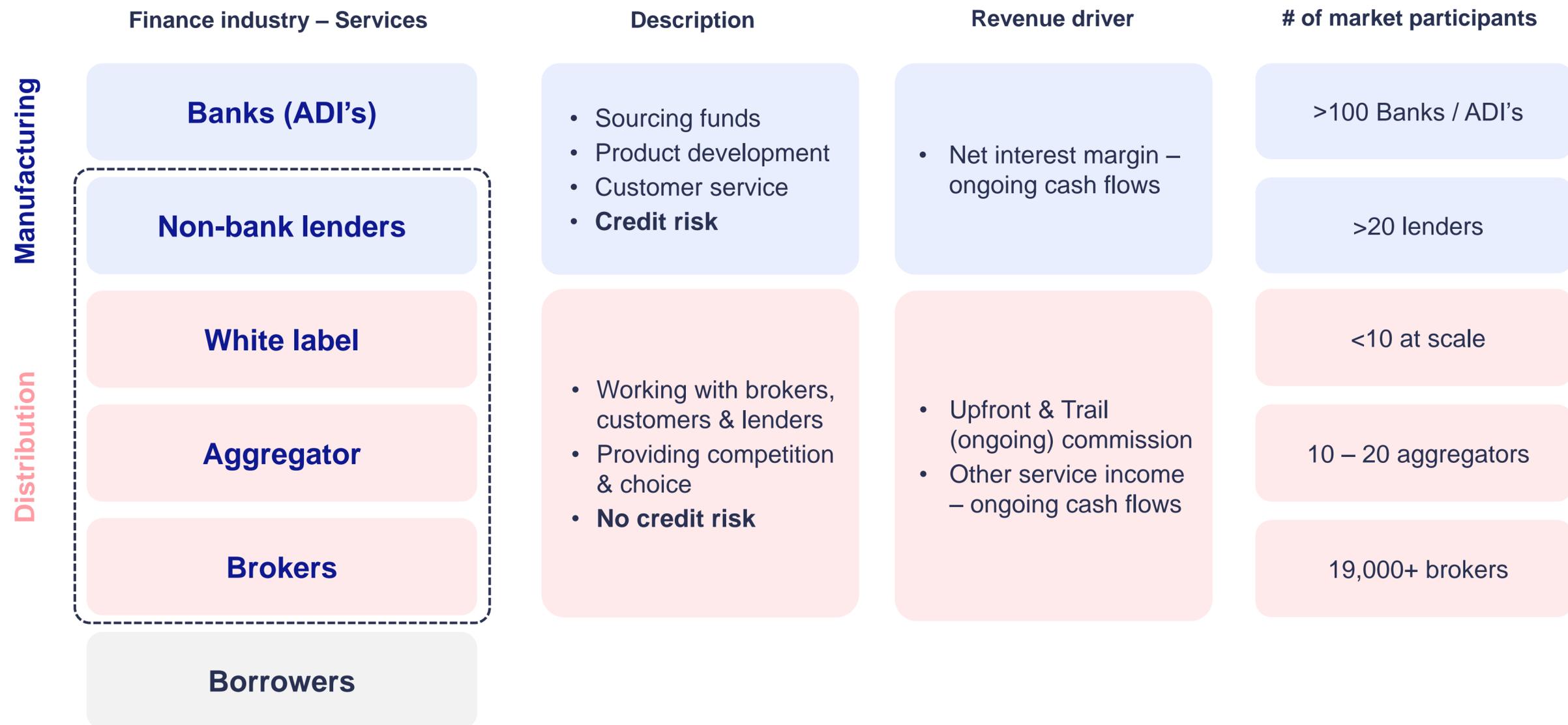
Similar thematic emerging as was seen in Residential, supporting broker market share growth

1. Source: ABS Industry Share of output  
2. Source: ABS Lending indicators FY23

3. CAGR from FY21  
4. Source: MFAA Residential mortgage market

# AFG's diversified position in the finance value chain

Diversification strategy has seen AFG expand from Distribution to Manufacturing. This vertical expansion results in deeper margins. The industry is fragmented, which we expect will result in a period of broker consolidation



AFG business models

# Customers choose broker for 72% of all home loans

For most Australians, a mortgage is the largest financial decision in their life.

We expect broker growth to continue and exceed 80% of the market – providing guidance, delivering competition & choice.

## Lender direct

Bank branches or existing relationships

- Trust is low with Australian banks
- Bank branches are closing at record rates

In decline

## Digital direct

Digital acquisition by lenders direct to consumer

- Currently possible for 'simple' approvals only
- Expensive to establish
- Low personal interaction, used for information gathering, with customers' valuing broker guidance

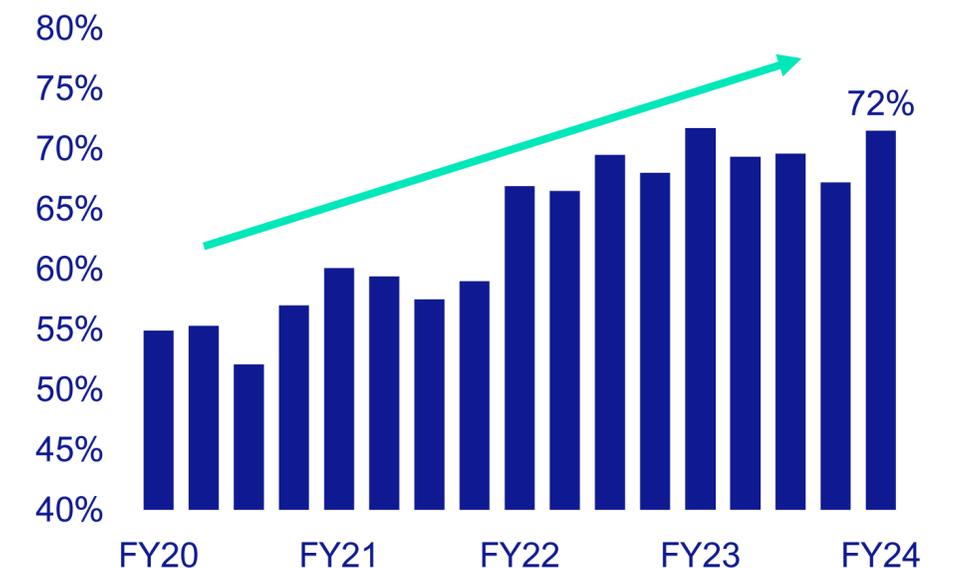
New but limited

## Broker distribution

- Provides competition & choice in a complex market
- Digital services to enhance the customer experience
- Cost efficient channel for lenders & integral for NBFIs
- Customers more likely to return to initial broker

Continues to be dominant

Australian Broker Market Share over time<sup>1</sup>



A trend seen in international markets, with the broker market share in the UK as high as 80%<sup>2</sup>

1. Source: MFAA

2. Source: McKinsey

# Residential mortgage market is transitioning

Broker consolidation is inevitable, with aging broker demographics & increasing industry complexity, as well as a growing investment need in digital to meet evolving customer expectations.

 <b>Bigger and busier</b>	 <b>Consolidation is coming</b>	 <b>Technology to drive efficiency</b>	 <b>Diversification is critical</b>
<p>Industry average broker settlement growth of 7% pa<sup>1</sup></p> <p>Demand growing faster than broker numbers</p> <p>Movement away from contractor model to enhance customer experience</p>	<p>Broker market is fragmented with an aging demographic</p> <p>Increasing fixed costs – regulatory, technology, insurance</p> <p>Technology enabling broker organisations to grow larger</p>	<p>New brokers are looking for technology solutions to business problems</p> <p>Compliance &amp; cyber security requirements are growing</p> <p>Customer’s growing demand for a more digital experience</p>	<p>Residential growth has kept brokers busy</p> <p>Commercial &amp; asset are opportunities to continue broker earnings growth</p> <p>Provides a broader offering improving customer retention</p>

**How we support AFG brokers**



# Our 'shared growth' broker proposition, means we're invested in seeing our brokers succeed

We are invested in helping our brokers grow, improving their efficiency and success. Our business model means when brokers grow, so do we creating earnings to reinvest and grow.

Tools	Platform	Support
<p><b>Help brokers to monetise and increase margins</b></p>	<p><b>Process efficiency to reduce time per deal, costs and enhance customer experience</b></p>	<p><b>Supporting brokers to grow and scale their businesses</b></p>
<p><b>Introduction of AFG Partner Connect</b> – a customer referral platform to offer additional services via a trusted partner network – Insurance, Asset Finance, Commercial.</p> <p><b>Marketing-as-a-Service (SMART)</b> – Full suite of automated marketing services. Brokers using SMART see a 14% increase in retention.</p>	<p><b>Investment in BrokerEngine</b> - Driving broker efficiency – hours off process.</p> <p><b>Digital lender accreditations and award-winning broker training</b> to accelerate onboarding of new businesses and brokers.</p>	<p><b>Tiered service model</b> with bespoke education content, tools and service.</p> <p><b>Investment in compliance and cyber security</b> providing increased broker trust &amp; lender efficiency</p> <p><b>Investment in Fintelligence</b> to open simplified and trusted pathways to Asset Finance, provide new revenue sources</p>



# Positioned for industry consolidation ahead

As the industry transitions aggregators that have the strength to invest in technology, establish new margin opportunities and advocate for the evolving industry complexities will take market share.



- **We are growth experts** – The majority of AFG’s large groups have been with AFG for 9+ years.
- Dedicated programs to support brokers: supporting large strategic groups and creating pathways for the next generation.
- Mortgage broker industry has a similar profile to Insurance and Real Estate that have experienced a period of consolidation.
- AFG's industry share of large broker businesses (24%) positions us to take advantage of consolidation.
- Our shared commission model means higher settlements delivers higher margin to both broker and aggregator, creating earnings to reinvest and grow

## AFG Broker Market Share<sup>1</sup> – 15% overall



1. Source: AFG and MFAA data



# Our 3,800+ broker **distribution network** is our biggest asset, with AFG executing on a range of initiatives to deliver growth

Deliver on

‘Grow the ocean’  
Scale the AFG broker network

‘Deeper margins’  
New products / markets

Through our  
strategic pillars

Capitalising on  
Industry trends

Select initiatives  
generating growth

Grow our  
broker network



Consumer **digital trust** as a differentiator for brokers  
Invest in **services** delivering quality demanded by brokers & lenders  
Product **diversification** for brokers

Provide market  
leading technology



**Tools to increase broker efficiency & reduce costs:**  
**Broker Engine Direct** to simplify the lodgment process  
**Platform services** allowing brokers to customise their environment

Leverage our distribution  
delivering higher margin



Commercial & Asset Finance investment through: **Fintelligence & Thinktank**  
Enterprise data to deliver **new products, services**

Industry trends  
– see slide 9



Bigger and busier



Diversification is critical



Technology to drive efficiency



Consolidation is coming

# Executed by an experienced executive team



**David Bailey, CEO**

21 years



**Lisa Bevan, COO**

25 years



**Luca Pietropiccolo, CFO**

1 year



**Sam McCready, CXO**

18 years



**Chris Slater,  
CEO Fintelligence**

28 years



**Damian Percy,  
GM Securitisation**

21 years



**Them Lam,  
Head of Sales & Distribution**

22 years



**Brad Wearn,  
CTO**

1 year

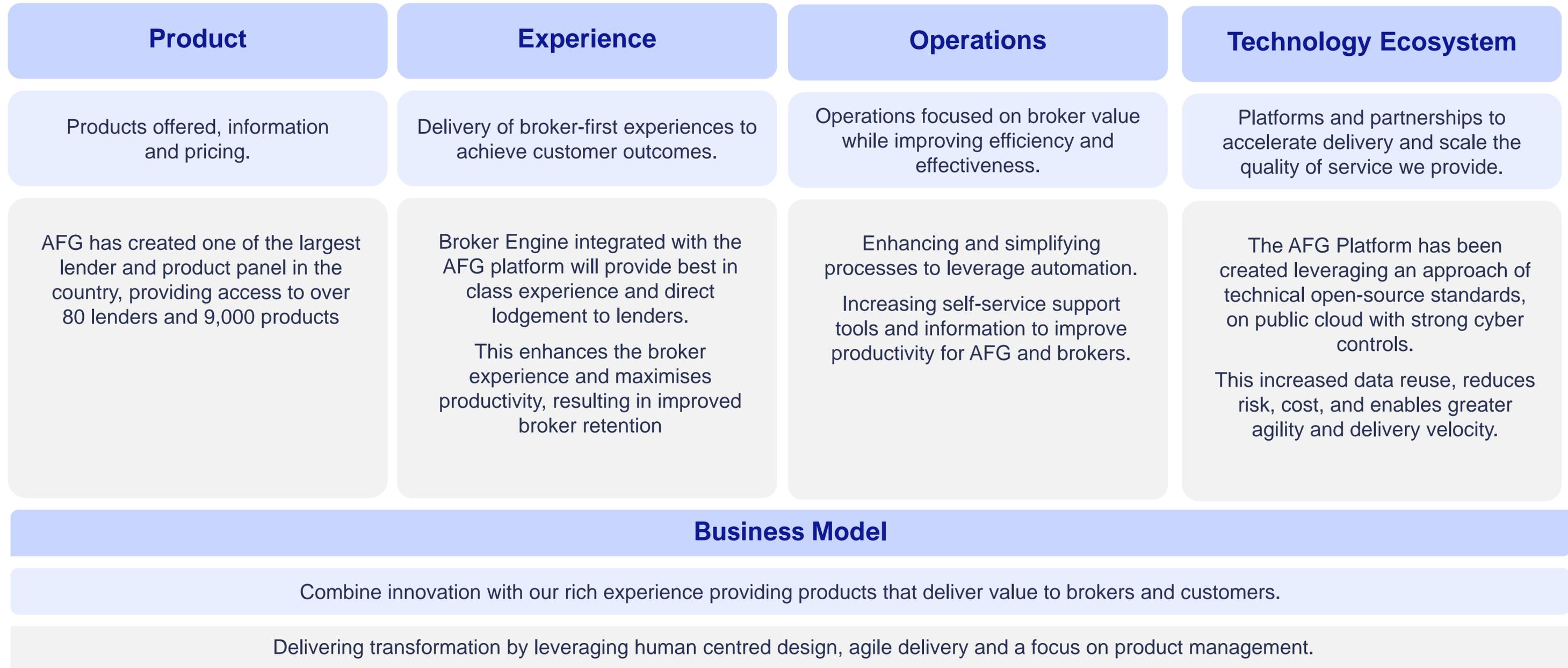
**Technology & data**  
**Sam McCready**  
**Chief Customer Experience &**  
**Digital Transformation Officer**

# Enhancing broker experience through technology

AFG is an advice-based business, providing high quality support, backed by technology to drive efficiency, scalability and performance insights to brokers.



# AFG is delivering a differentiated technology offering to brokers



# AFG is progressing the execution of its digital strategy

A digital strategy focused on delivering the immediate needs of AFG brokers, providing a transformed operating model and supporting business growth

Streamlining how we operate and the pace at which we deliver for our brokers enables continued growth for both brokers & AFG

## Creating the foundations

- Efficient Residential deal creation and direct lodgement via BrokerEngine
- Platform Services established
- Data Platform transformation
- Analytical insights delivered for brokers
- Enhanced digital security
- Improved broker satisfaction

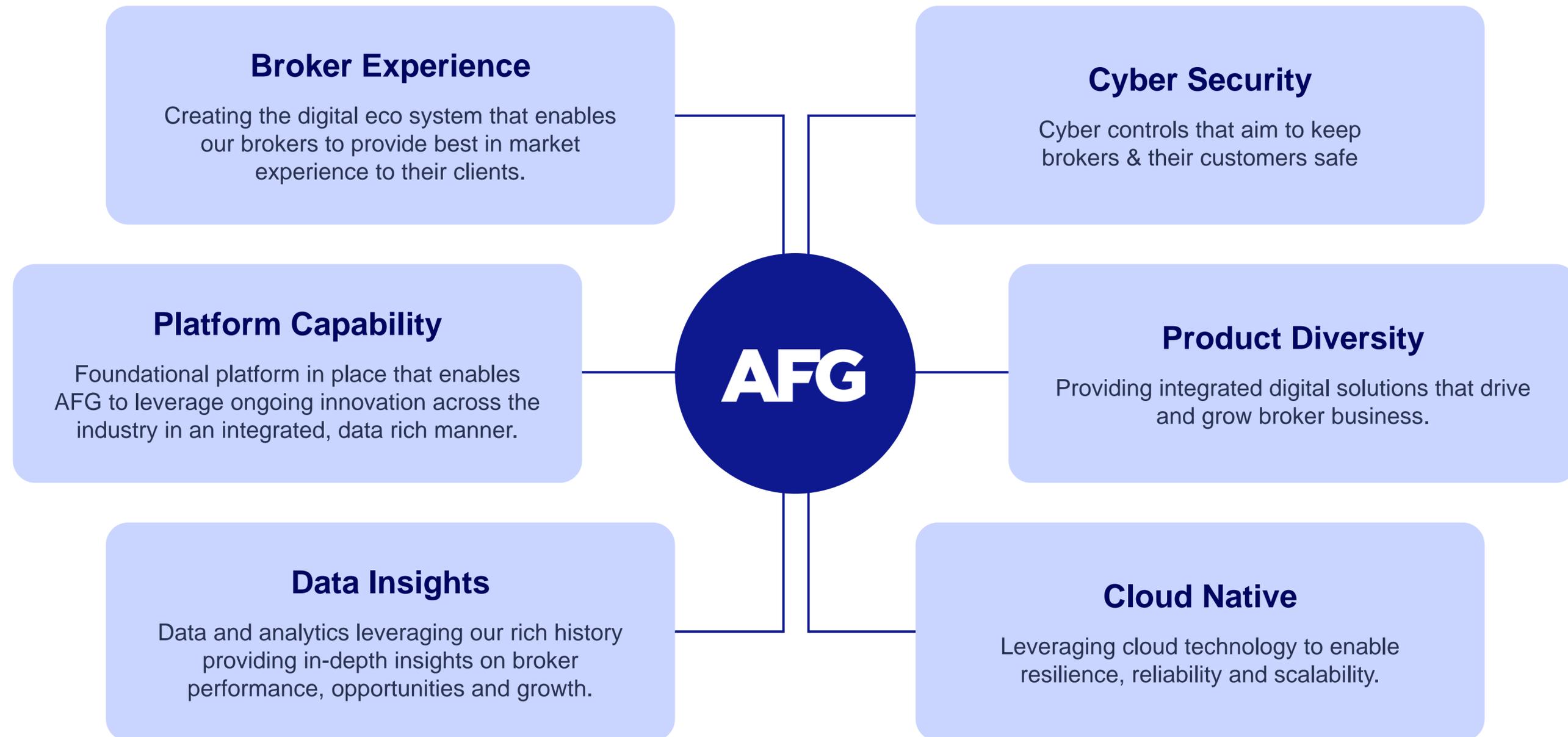
## Expanding Broker Experience

- Achieving productivity gains for brokers
- Establish & integrating the right Fintech partnerships
- 'Plug and play' integration with partnerships, creating simplicity for brokers
- Tailored experience for each broker segment

## Optimise productivity & experience

- Streamline Residential lodgement experience
- Direct lodgement of Asset Finance, Personal Loan
- Intelligent experiences driven by data and AI

# AFG's digital strategy is supported by six foundations providing a platform for sustainable growth



# AFG technology is driving differentiation in an industry that is becoming increasingly digitally focused

## We are ...



A business that has deep functionality that enables brokers to tailor their customer experience, mature and grow



Cloud based, with open architecture that supports integration and expansion



Creating a strong partnership model with SaaS providers, streamlining data integration and adoption to provide broader and deeper experience to brokers and their clients



Focused on creating differentiation through data insights that support growth and efficiency for brokers and providing the cyber controls required to keep our brokers and their clients data safe

## We have ...



Industry experts, backed by rich data and insights that support growth opportunities for brokers & our team



An agile operating model that enables speed to market of initiatives



A partner support network that allows increased capacity as demand rises



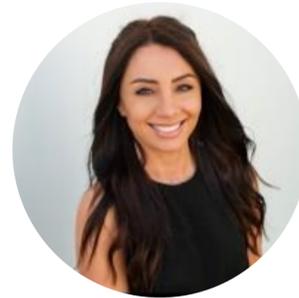
A nimble team with the core capabilities to execute

**Fintelligence**  
**Chris Slater**  
**CEO, Fintelligence**

# Executed by an experienced executive team



**Darren Rumble**  
Strategy & Partnerships



**Liz Somers**  
Growth & Distribution



**Greg Bellchambers**  
Head of IT



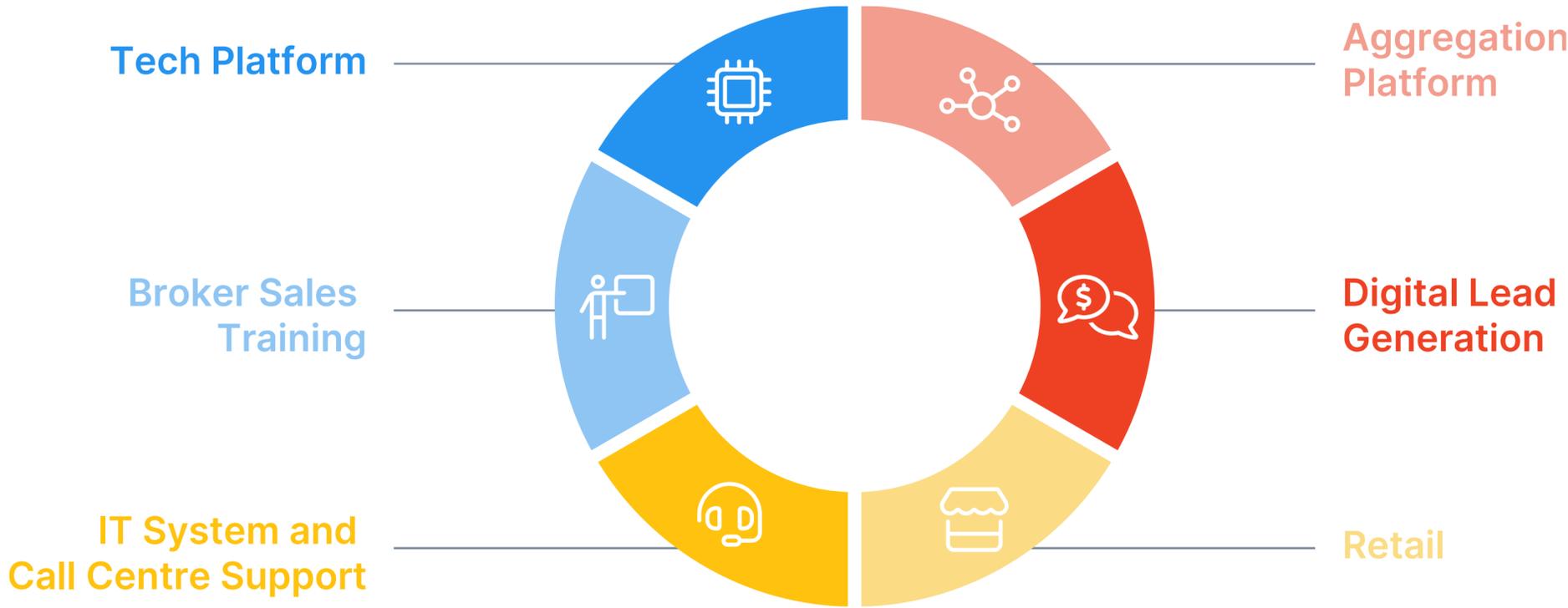
**Scott Valle**  
Group Operations Manager



**Tim Stevenson**  
Broker & Referral Services

# Fintelligence: a digital asset finance platform

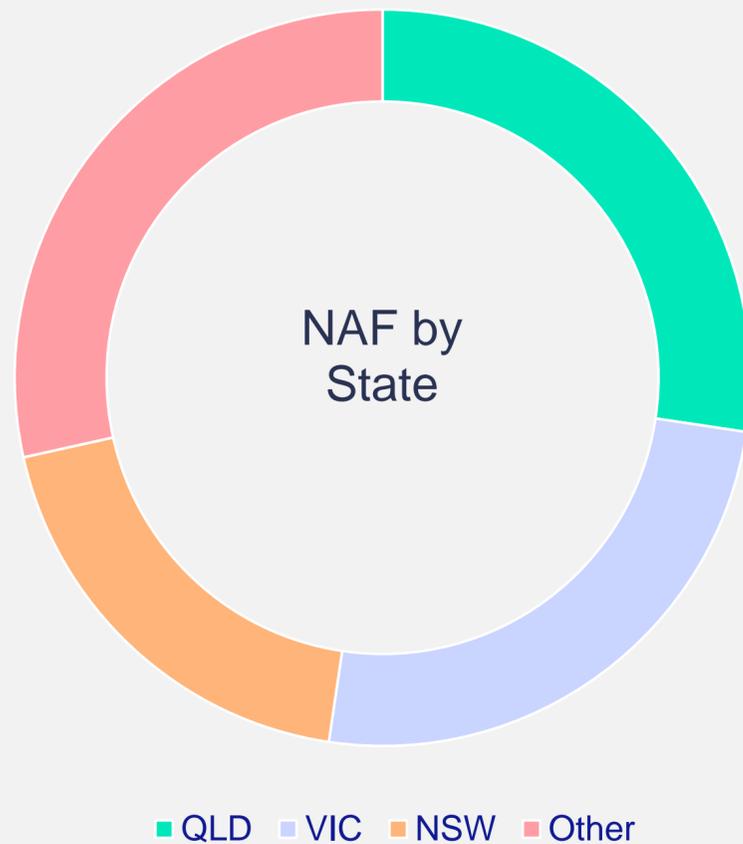
Fintelligence provides a full-suite of services to brokers, assisting them to maximise their profit, grow and improve broker business efficiency.



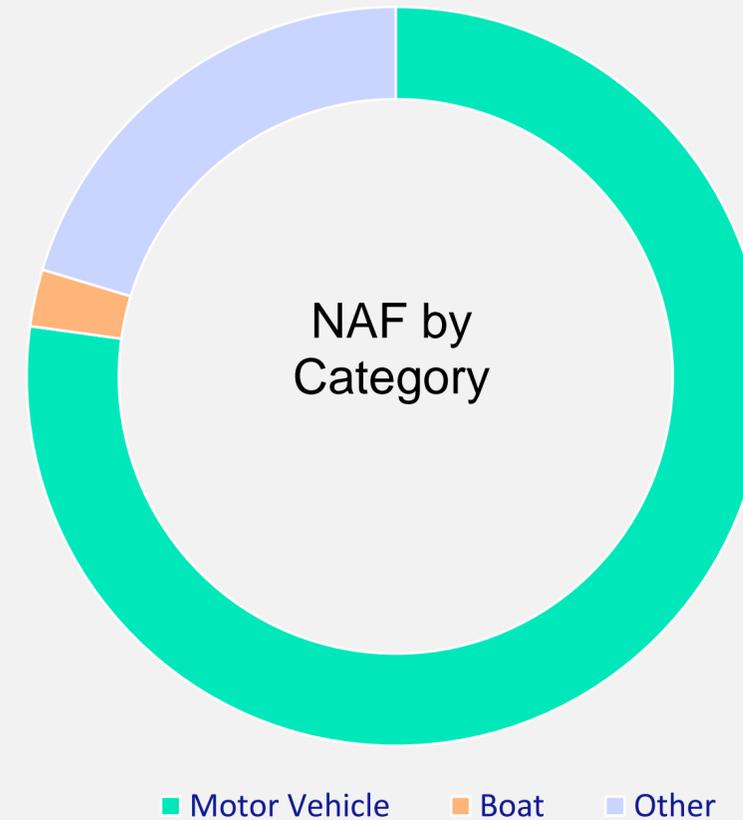
- Built by brokers, for brokers
- Proprietary 'Ambition Cloud' platform
- Open API technology allowing B2B processing
- Aggregation to over 45 commercial and asset finance lenders
- Fully automated digital lead allocation

# One of Australia's fastest growing asset finance aggregator, currently <3% market share, with lots of growth opportunities

Queensland origins, with national expansion commencing in '20



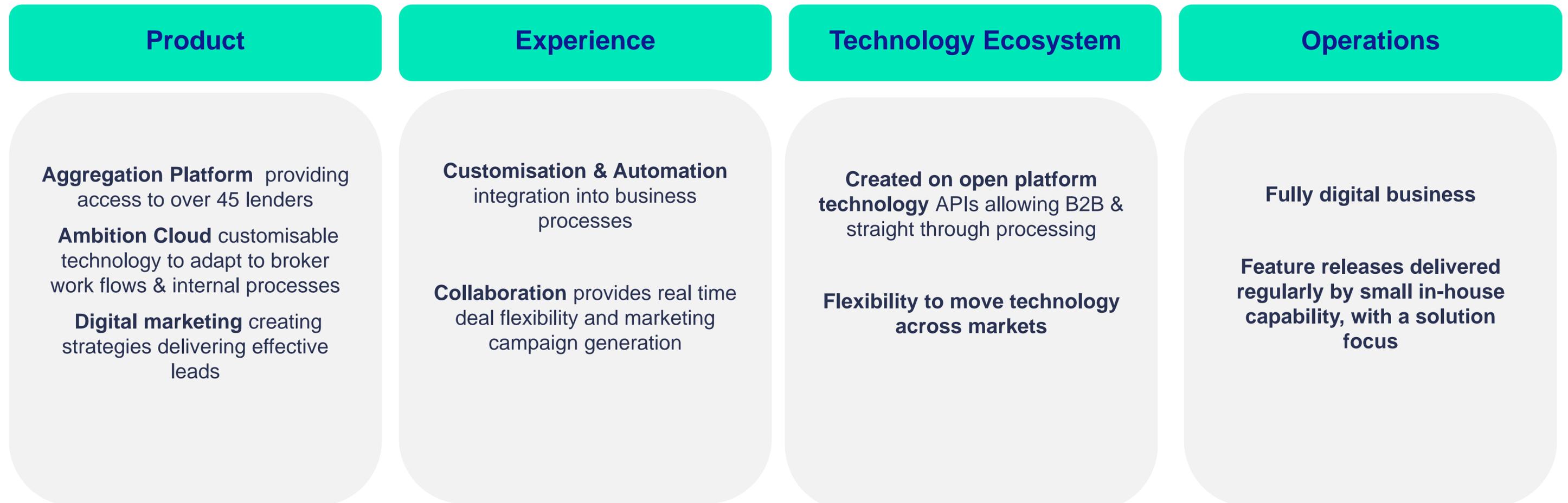
Predominately motor vehicle, with opportunity to expand across categories



# Creating digital success, with proven technology capability



“Built by brokers, for brokers” delivering a unique fully digital end-to-end platform for Asset Finance brokers to integrate into their business



# Fintelligence benefits from AFG's distribution strength, leading to an acceleration of its growth

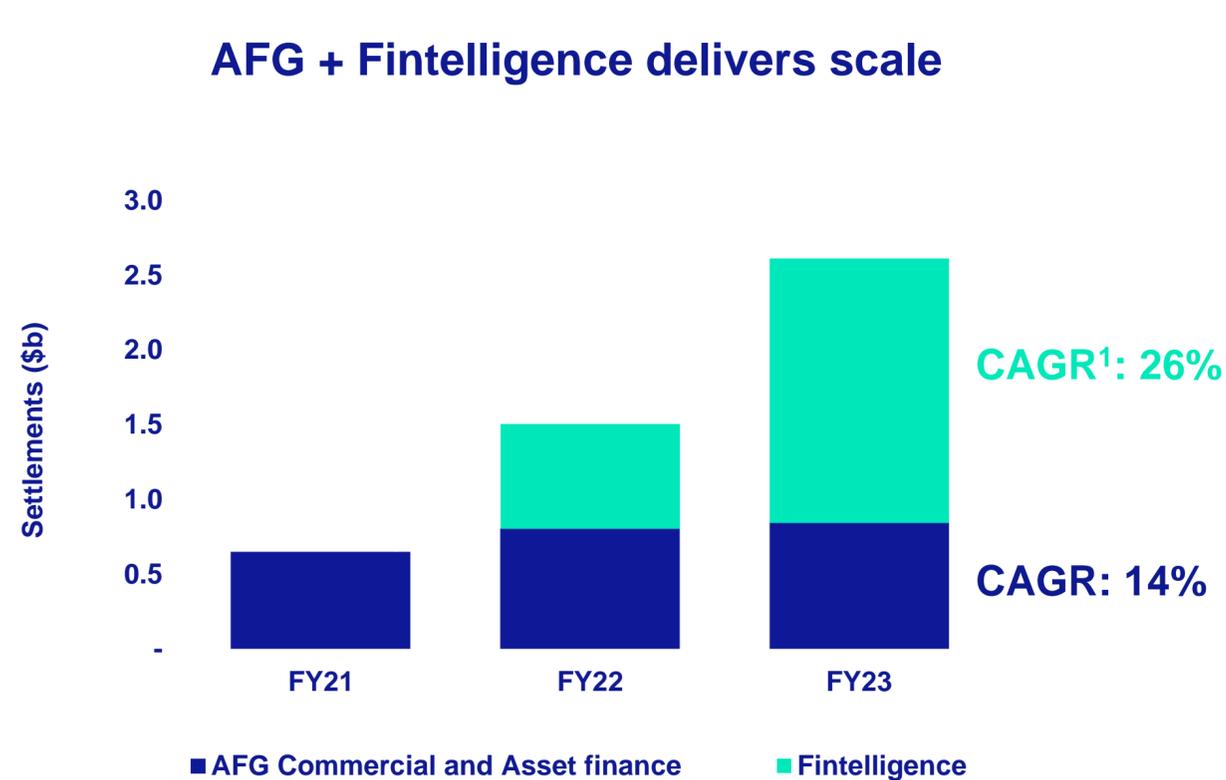
<b>Strategic Pillars</b>	<b>Grow our broker network</b>	<b>Provide market leading technology</b>	<b>Leverage our distribution delivering higher margin</b>
<b>Focus Areas</b>	Leverage broker recruitment and the AFG Broker Network across 600 broker groups	Develop and enhance our proprietary cloud-based platform providing direct lender lodgement	Innovation & accelerate speed to market across products & services
<b>Growth Achieved, since AFG ownership<sup>1</sup></b>	Over 65% growth in both broker numbers and settlements	Leveraging AFG infrastructure	60 AFG brokers on 'Spot & Refer' Pilot <sup>2</sup>

1. AFG acquisition December '21

2. Spot & Refer is a referral program which provides non-asset finance writing AFG Brokers an opportunity to refer clients to a Fintelligence broker in return for payment

# Delivering \$2.6bn in settlements in FY23

Fintelligence and AFG provide brokers an opportunity to participate in the \$257bn Asset Finance & Commercial market, with the highest exposure to the largest component of the asset finance market, motor vehicles at nearly 80%



## Fintelligence FY20



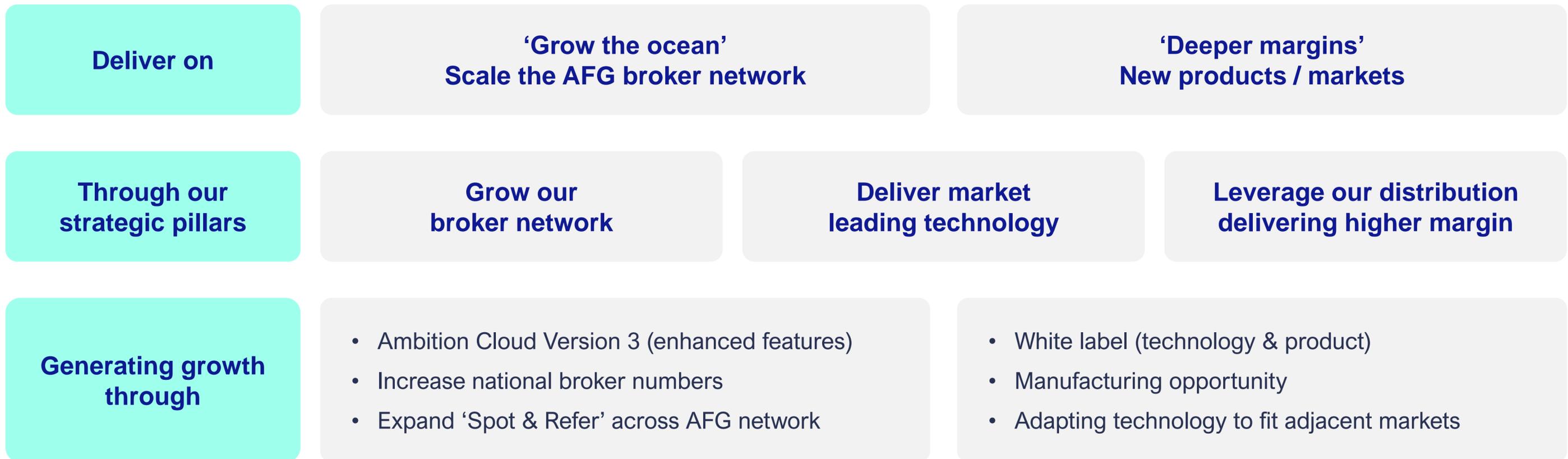
## Fintelligence FY23



# Fintelligence's plan for continued growth

Fintelligence introduces non-AFG brokers to the AFG proposition.

Growth through expansion of the distribution network and the introduction of higher margin products



# Fintelligence is a digital business, with a broker efficiency mindset

Delivering a full-service broker offer enabling both AFG & non-AFG brokers to efficiently grow in commercial & consumer asset finance a **key differentiator for AFG to be Australia's aggregator of choice**

## We are ...



An asset finance broking business providing a full-suite of services to brokers, "**built by brokers, for brokers**"



A business that has **deep functionality** that enables brokers to deliver a digital customer experience



Cloud based, with open architecture that supports integration and expansion

## We have ...



A **proven digital platform** allowing brokers to be more efficient through direct lodgement, digital leads & training



A small nimble team with the core capabilities, who are committed to helping brokers achieve their goals



An opportunity to use **flexible technology** to continue to grow in consumer asset & expand further into commercial

**AFG's financial discipline**  
**Luca Pietropiccolo, CFO**

# Returns focused decisions & strong cash generation has delivered 120% in total shareholder returns since listing

Stable & predictable cashflows provides the platform for growth investment

## Returns focused decisions

- Rigorous investment criteria
- Earnings diversification to deliver resilience across cycles
- **120% TSR since listing v ASX 300 Diversified Financials 49%<sup>1</sup>**

## Predictable cashflows

- 108% cash realisation ratio<sup>2</sup>
- 72% of our cashflows are ongoing (loan book & subscriptions)
- **\$288m paid in dividends or 93% of free cash flows<sup>3</sup>**

## Strong balance sheet

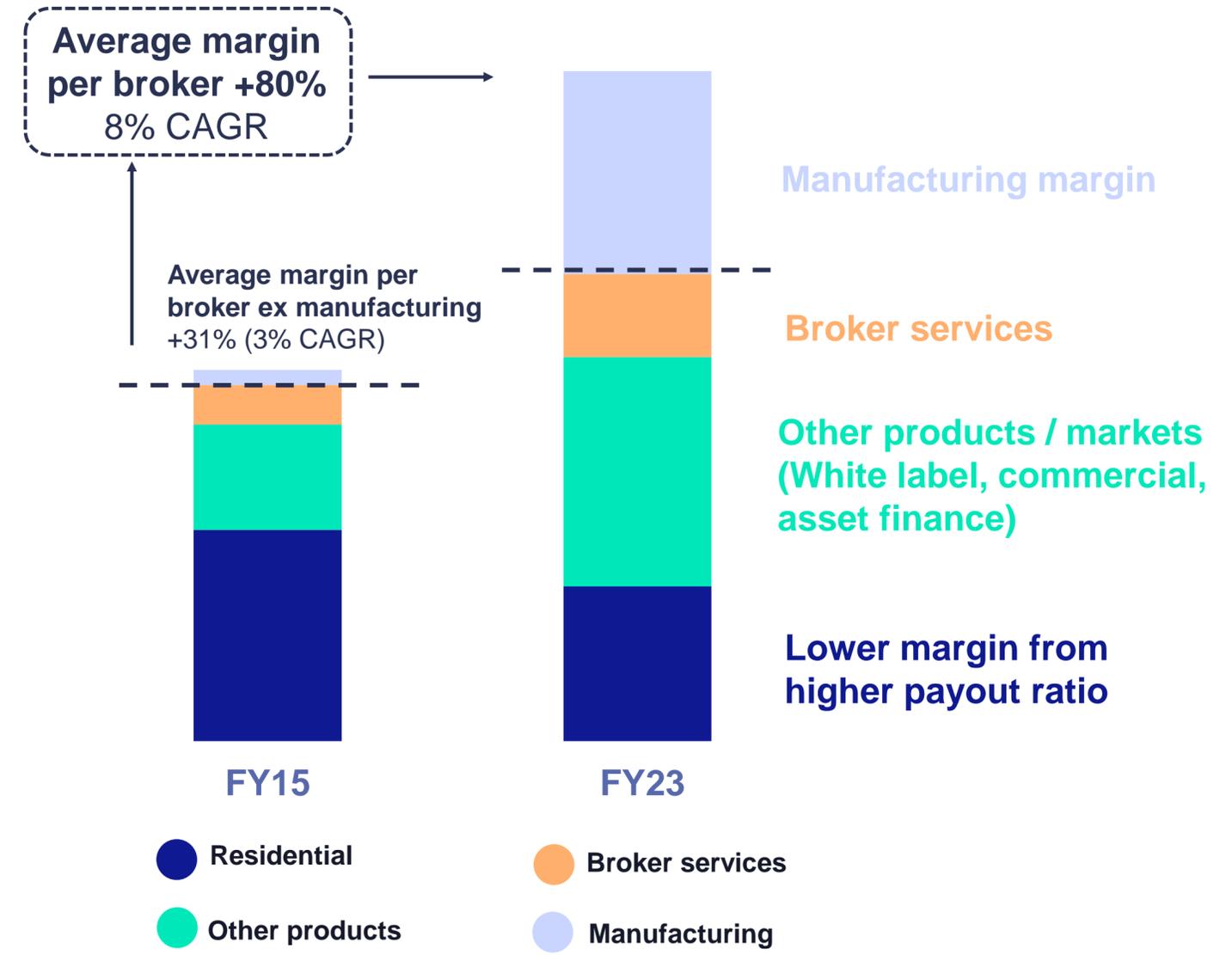
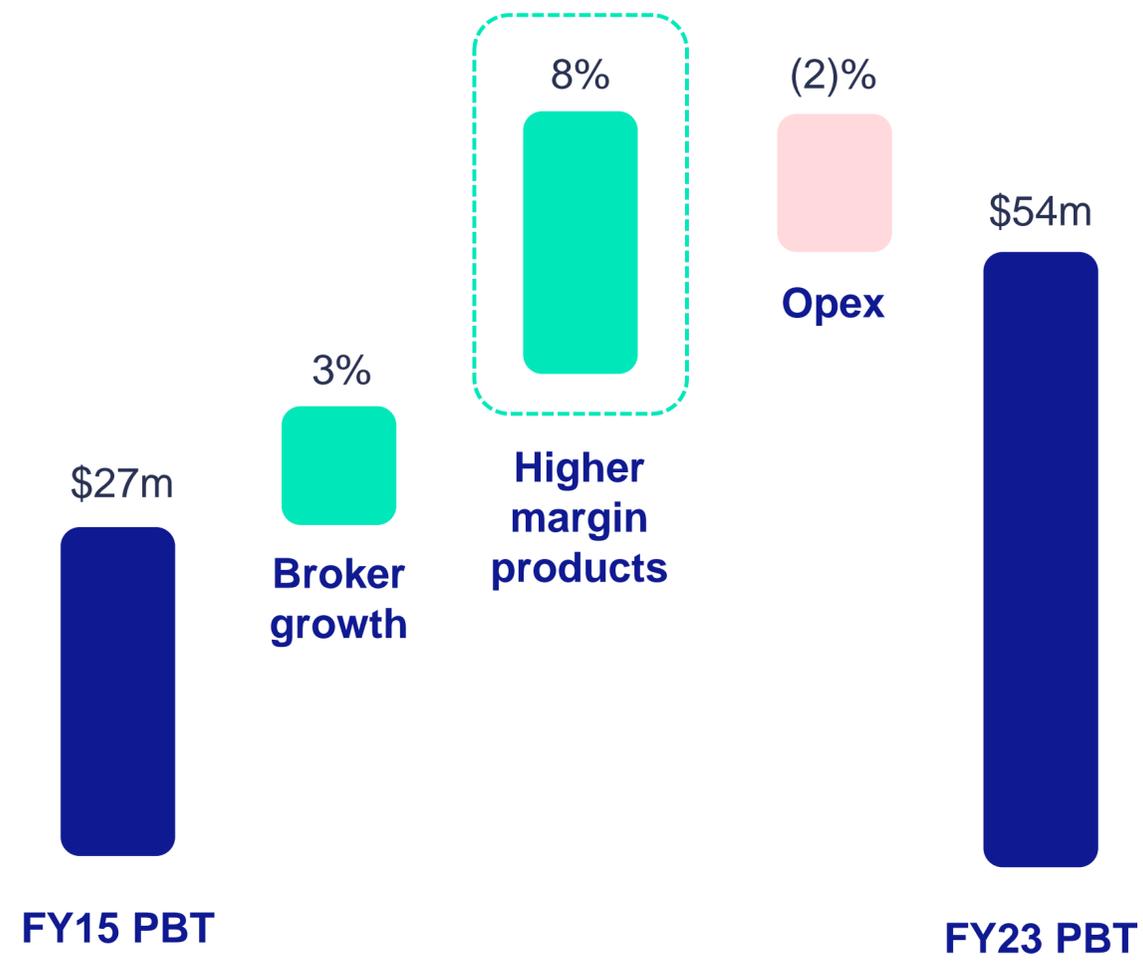
- 1.2 times<sup>2</sup> FFO: Debt<sup>4</sup>
- \$202m cash & liquid investments
- **Top quartile RoE of the ASX 300**

1. As at 24 November 2023, ASX 300 Diversified Financials Accumulation Index  
2. As at 30 June 2023  
3. Free cashflows defined as operating cash flows less capital expenditure on PPE & intangible assets  
4. Free Funds from Operations to Debt

# AFG's diversification strategy supports broker growth through new markets & higher margin products

Earnings have grown 9% on a compound average since listing ...

... driven by increasing product diversity delivering higher margin products distributed through AFG brokers



# Distribution provides predictable earnings, with higher margins from manufacturing when economics make sense

## Distribution

Underlying FY23 NPATA

**\$40<sup>M</sup>** Underlying ROE 45%

### Business model comparison

- No credit risk, or exposure to funding markets
- High quality actuarial assessed income
- Capital light, with earnings underwritten by large & growing sectors

### Includes:

- Core aggregation services through AFG & Broker Engine
- Growing exposure to asset finance through Fintelligence & 'Spot & Refer' program
- Higher margin revenue through white label products distributed by 3,800+ brokers

## Manufacturing

**\$25<sup>M</sup>** Underlying ROE 21%

- Credit risk, and exposure to funding markets.
- Higher margin value pools
- Earnings profile like: Pepper & Resimac

- Net interest margin through AFG funded residential loan book
- Net interest margin through AFG's 32% investment in Thinktank (commercial & residential)

## Central services

**-\$17<sup>M</sup>**

- Includes various centralised cost support functions, including IT, Finance, HR among other functions & costs

# Delivering earnings growth through investment

Investment positions AFG to capitalise on the industry transition. The investment is funded from the group's strong cash generation, and the temporary reduction in the dividend payout to 50 to 60% for up to 24 months<sup>1</sup>

## Digital

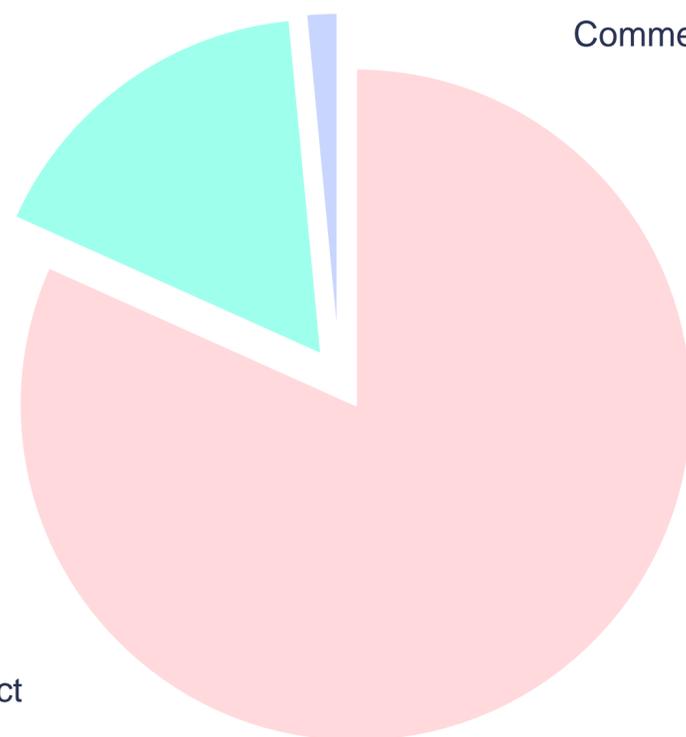
Digital trust  
Efficiency  
Maintenance

## Manufacturing

Commercial book growth  
New products

Platform Services  
Broker Engine Direct  
Fintelligence

## Distribution



### Investment to support broker growth

- Improve broker efficiency
- Increase broker retention
- Product diversification
- Modern compliance & regulation

### Investment in digital capability

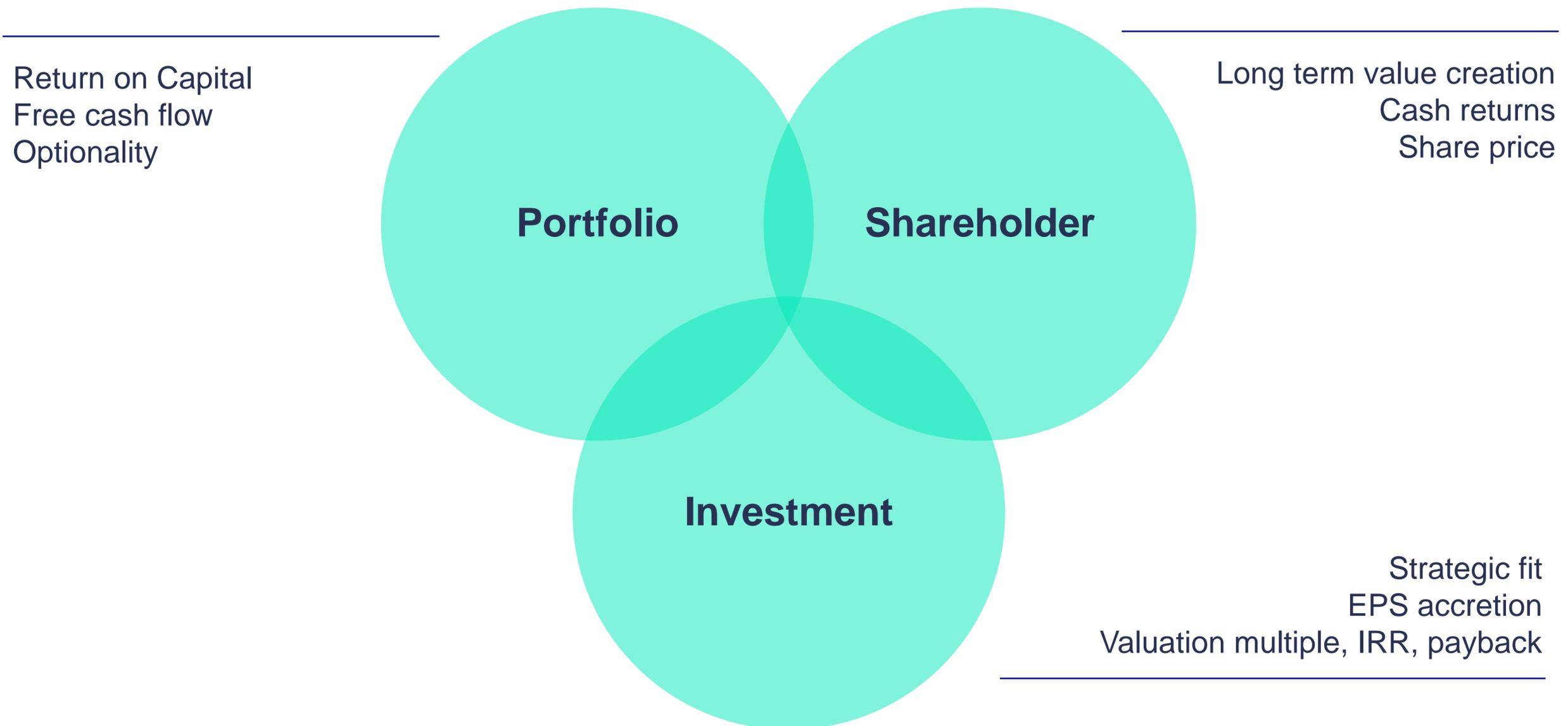
- Simplify the technology stack
- Enhance data capabilities
- Business process simplification

### Investment to grow loan book

- Ongoing investment in Thinktank
- Deliver new products

# AFG's investment evaluation approach

Underlying Return on Equity of 24%<sup>1</sup>, with a through the cycle investment approach to create sustainable shareholder value.



# AFG's strategic investments create a portfolio of growth options

	Industry Trend	Strategic Fit
Fintelligence		Digital business, provides brokers efficient processes to scale & diversify income Strengthens AFG's Asset Finance presence, reaching brokers beyond AFG network Optionality to distribute higher margin products
Broker Engine		Digital business, delivering streamlined workflows allowing brokers to scale efficiently Accelerates AFG's technology transition, providing new services income Provides access to brokers outside AFG network
Platform Services & Digital Capability		Delivery of broker-first experiences enhancing the digital experience Simplifying processes, increasing automation & improving productivity Creating broker demand and increasing speed AFG delivers higher margin products
Thinktank		Exposure to higher margin through commercial, residential & white label Provides insights to product innovation

Industry trends  
– see slide 9

Bigger and busier

Diversification is critical

Technology to drive efficiency

Consolidation is coming

# AFG's secure & predictable cashflows provide the foundation for its next growth phase

We have ...



Returns-focused decisions & commercial discipline delivering **top quartile return on equity**



High quality recurring incomes, providing **secure & predictable cash flows** to reinvest or return to shareholders

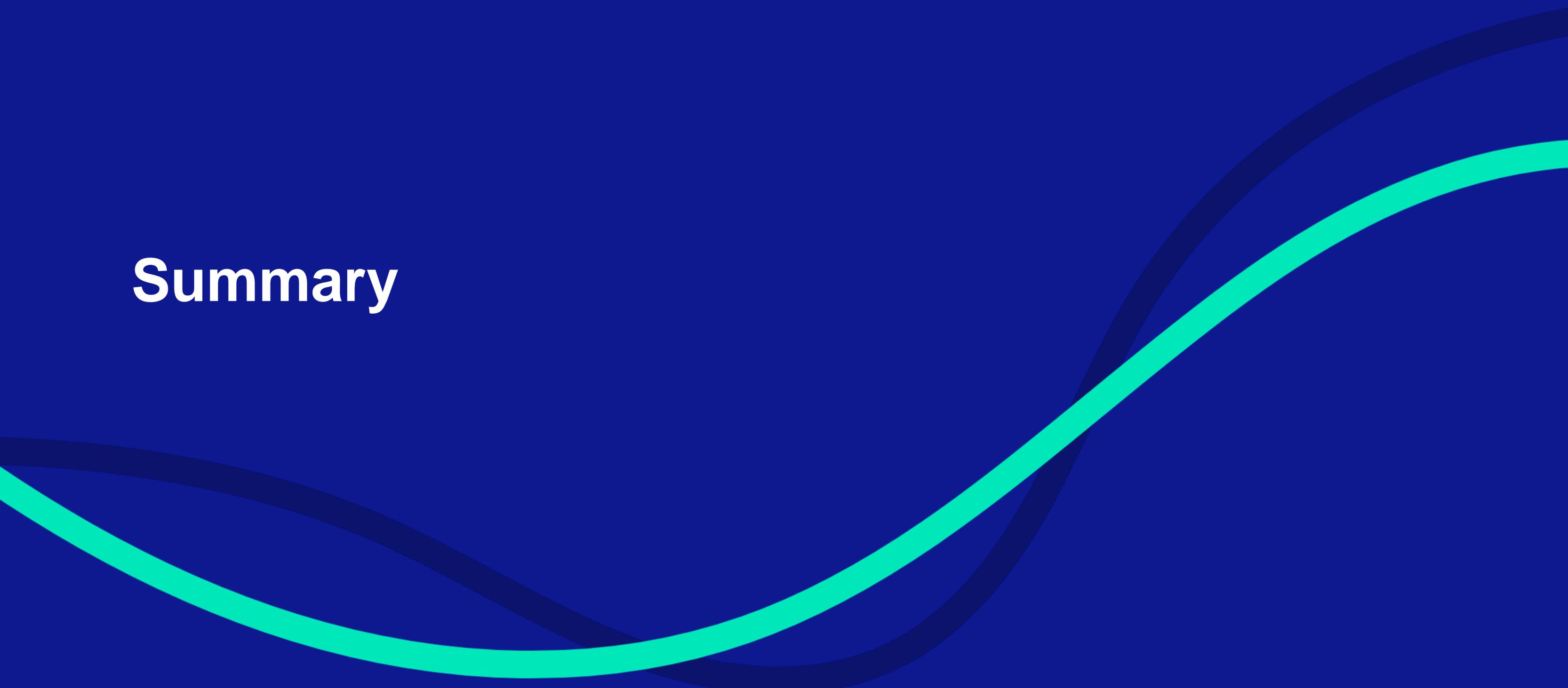


A **robust balance sheet**, providing flexibility to take advantage of opportunities & support investment



**Experienced management team** to identify and deliver meaningful growth investments

**Summary**



# AFG's purpose is to provide a **fairer financial future for all**

Delivered by our competitive advantage...

**3,800+ quality brokers**

with strategies to grow ...

**Grow our distribution network**

**Provide market leading technology**

**Leverage our distribution to deliver higher margin**

as the industry transitions & AFG delivers...

**Safe digital services demanded by brokers & customers**

**A differentiated technology offering improving broker efficiency**

**New products that diversify income streams as broker market share grows**

**AFG**

**Q&A**

