

# ***FEI Group Limited***



**Investments**  
Further Everyday



Investor presentation  
November 2017

# Business Overview

- A regulated financial institution offering deposit taking and lending services in Australia and New Zealand
- Established in 2003 as a leading SME financier with innovative funding solutions
- Two well defined business divisions:
  - **Deposit taking:**
    - Accepting Deposits from the public, like a bank
  - **Lending:**
    - Focused on leasing/financing equipment to the SME sector
    - Provision of term loans
- Credit rating of B 'stable' received in March 2017
- Deposit taking licence significantly enhances FEI's established SME lending platform
- Merger with Wolfstrike Rentals Group (ASX:WSG) completed June 2017 – enables expansion of products and access to larger customer base
- ASX listing provides platform to source growth capital

# WSG Transaction Background

- Merger with ASX-listed Wolfstrike Rental Group completed in June 2017
- Original FE Investment shareholders now hold ~ 55% of the fully paid ordinary shares in the listed FE Investments Group
- Current market capitalisation of ~A\$28m
- Integration now completed with dedicated leasing product sales team – both businesses have merged into FEI offices
- Additional synergies include:
  - Strengthened leadership team and employee base
  - Company website and marketing documentation updated
  - Cross selling of other finance products into a larger customer base
  - Expansion of deposit taking focusing on Australian growth
  - Lending and leasing capabilities supported by capital growth

# Corporate Snapshot



Corporate Overview	
ASX Code	FEI
Shares on issue	125.8m
Share price (as at 23 October 2017)	\$0.22
Market capitalisation	~\$27.7m
Debt (FY17A)	Nominal
Options on issue	5m
Cash at bank	A\$16.2m

Substantial Shareholders	%
Romulus Group Ltd	21.32%
First Eastern Holdings Ltd	21.32%
Hippo Trustee Ltd	7.95%
Kingfisher Corporate Trustee Ltd	6.04%
Kingbird Ltd	4.35%

Board & Management Ownership	%
Directors Holding	43.29 %

## Board of Directors:



**Jamie Green**  
Independent Chairman



**TK Shim**  
Founder & CEO



**Mel Stewart**  
Founder & Director



**Tom McDonald**  
Independent Director



**John Seton**  
Independent Director



**Cook Huang**  
Independent Director

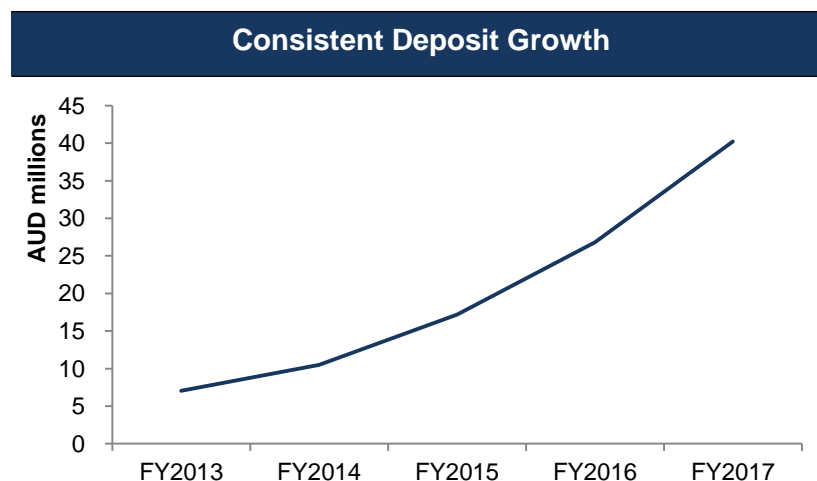
# Business Overview – Deposit Taking

- Licence issued by Reserve Bank of New Zealand (RBNZ) – enables deposit taking in NZ and Australia
- Deposits can be made in NZD, AUD, USD, GBP and Yen
- Deposits placed at 6,12,18 and 36 months terms
- No 'at call' deposits
- Average size of deposit is \$44,000 which ensures diversification of deposit base
- Approximately 65% of depositors roll their deposits at the expiry of the term
- FEI captures a large market of Asian depositors, as well as Australian and New Zealand residents
- Considerable growth in FY17 due to a targeted marketing campaign – continuing in FY2018

Term Deposit Rates	
Term	NZD\$5,000 or over
12 months	5.35%
18 months	5.50%
24 months	5.70%
36 months	5.85%

Subject to change at anytime by FEI

Note: Financial YE – 31 March



# Business Overview – SME Lending

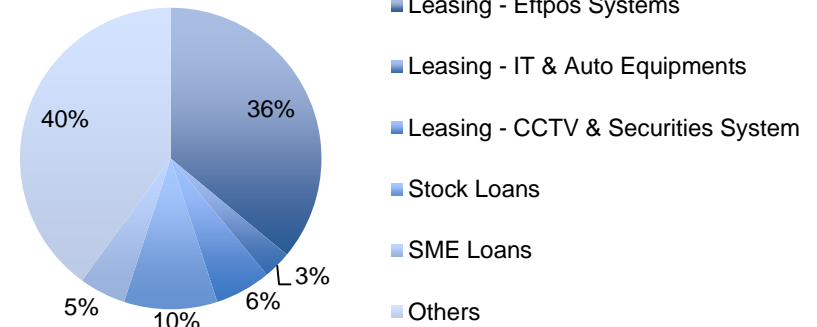
## Key Product Offerings:

- Cashflow lending on secured contracts
- Financing of Rental and Lease equipment
- Average loan size is ~\$8,000
- Diverse customer base of over 5,000 borrowers
- Loan fees range from 11% to 17% annually

## Types of Lending:

- Equipment rental: 3-4 year fixed term contracts
- Leasing: point of sale, SME vendor program
- Leasing of technology equipment
- Managers/originators of rental contracts
- Leasing/discounting of contracts for equipment
- Extensive product range of over 50 offerings includes:
  - Eftpos terminals
  - POS systems – inc. smartphone payment software
  - CCTV
  - Digital signage
  - Mobile ordering systems

## Product Allocations – October 2017



## Leasing/Rental Product Suite



POS hardware



CCTV systems



Cash registers



Payment terminals



Smart device accessories



Proximity beacons



Table pagers



Audio & PA systems

# Business Overview – SME Lending

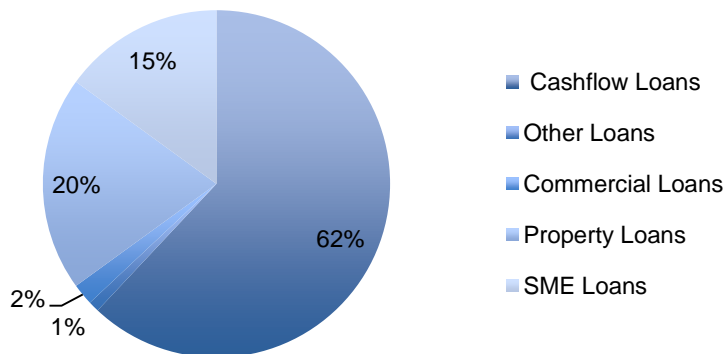
## Secured Lending:

- Outstanding record of lending with cumulative losses of less than 2% since 2013
- Conservative loan loss provision of 2% per annum
- Lending facilities comprised of:
  - 99% via secured loans of which 63% are first ranking securities (mortgages/ assets, personal security)
  - 97% lending facilities are in New Zealand
  - 3% of facilities in Australia – plans to increase in the near term

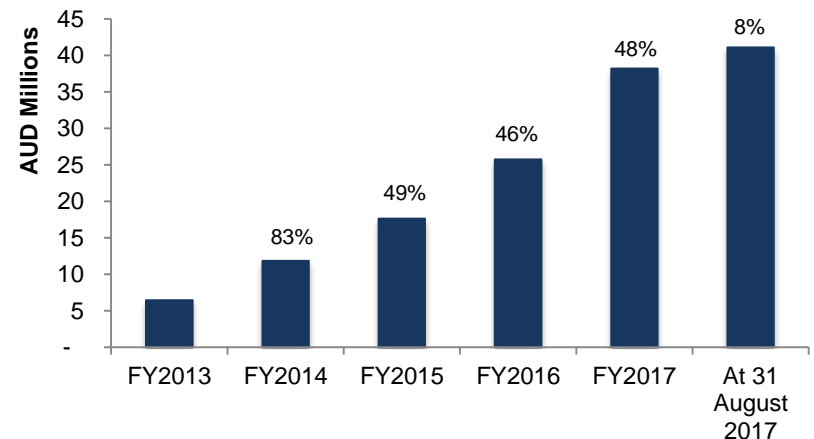
## Credit Rating: Stable “B” by S&P

- FEI is required to maintain a minimum capital ratio of 8% to its total assets
- FEI has a policy of keeping its capital ratio between 9% -10% even with total assets growing at a compounding rate of 50% over the last 3 years

Loan Breakdown



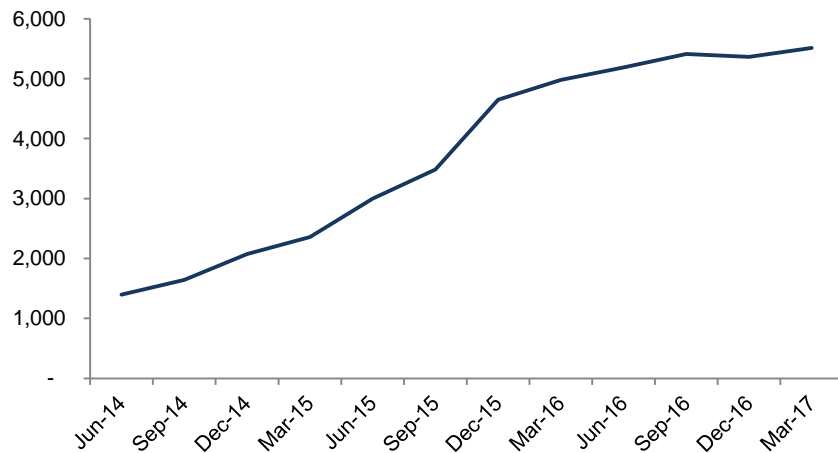
Loan Growth



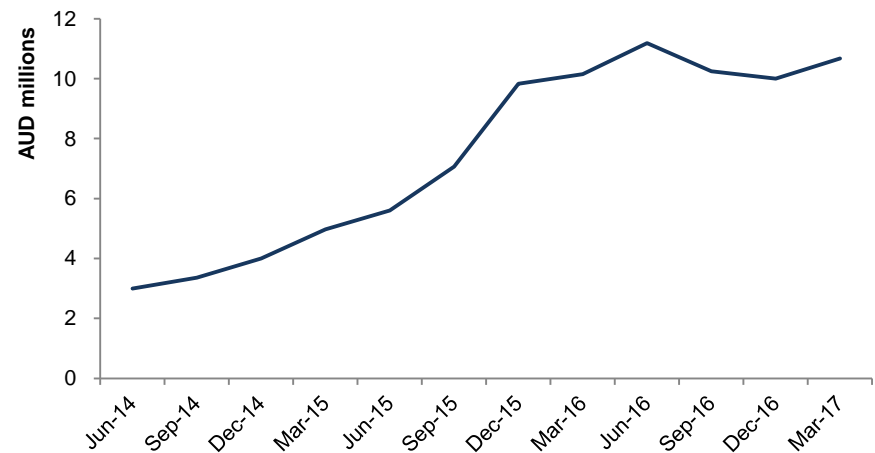
# Substantial Growth – Leasing and Rental Contracts

- Rental/Leasing Contracts have significantly grown over the past two years
- 65% - 75% of borrowers sourced via inbound enquiries
- Expanding network by recruiting more originators of contracts
- Value per customer cross sell has significantly increased
- Additional growth to follow through:
  - Product offering range expanded
  - Cross selling opportunities of other financing products

**Increase in Rental Contracts**



**Rent Book Value**





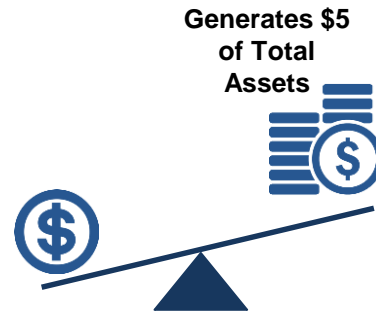
# Funding Considerations



- **Our only restriction to growth has been access to capital:**
  - Historically funded capital via equity contributions from shareholders (when private company)
  - Required to maintain a conservative capital ratio of currently 8% set by RBNZ
  - Conservatively operating with a risk – adjusted capital ratio of 9%-10%
  - Never breached capital ratio – even in periods such as the GFC



- **Significant returns to investors:**
  - Significant leverage can be applied to increase ROI
  - \$1 of **Capital** enables \$4 of **Deposits** which Generates \$5 of **Total Assets**
  - Average Return on Equity: over 11% consistently



\$1 of Capital  
X enables \$4 Deposits



- **Profitable Net Interest Margin:**
  - Average loan return: 13.5%
  - Less the cost of deposit: 6.2%
  - Net Interest Margin: **7.3%**

# Vertically Integrated Model



## ▪ **Deposit:**

- Ability to adjust interest rate dynamically
- No 'at call' deposits
- Independent of wholesale bank funding lines
- Substantial deposit base – easily grown through marketing campaigns and re-investment



## ▪ **Loans:**

- Broker network lowers fixed cost base – Significant ability to scale up
- Dedicated network established to source loans – also provides diverse customer base
- Disciplined lending policies



## ▪ **Platform:**

- Established lending platform with credit scoring matrix system
- 80% of credit scores and loan applications completed on platform
- Significant customer database with payment history to enable further lending opportunities into the database



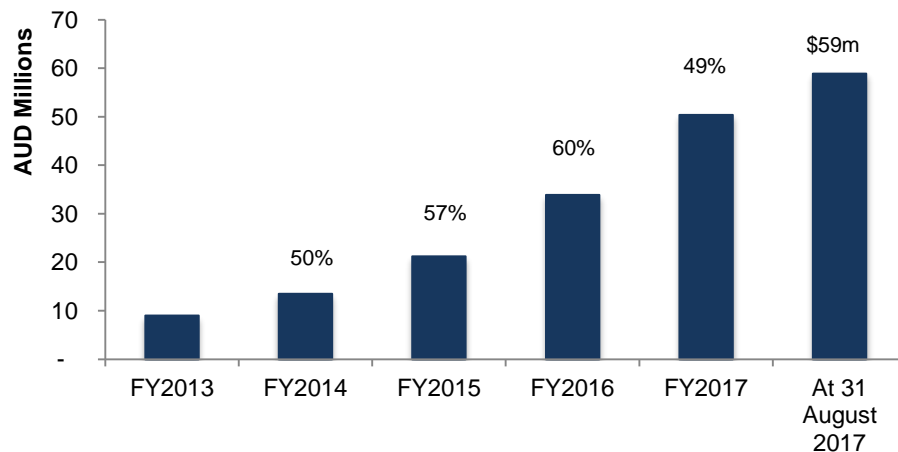
## ▪ **Products:**

- Opportunities to broaden product range and offering
- Enables ability to increase revenue per customer
- Diversification of business activities expands revenue base and further de-risks model

# Strong Total Asset Growth

- Total assets have been growing at a compounded rate of over 50% per annum since FY14
- Similar asset growth levels forecast for FY18
- Total Assets are now A\$58.9m (Aug 17)
- Cash Reserves at A\$16.2m (Aug 17)
- Shareholders' funds at A\$9.8m (Aug 17)

## Growth in Total Asset



## New Zealand Opportunities

- FEIG is only 1 of 3 Non Bank deposit takers in NZ with access to a market size of \$2.64bn FUM
- Broad and Diverse customer base for cross-selling of other financing products
- Strengthening of in-house leasing division by recruitment of sales force
- Collaboration with originators to expand product range to add to leasing/financing activities



## Australian Opportunities

- FEI's deposit taking licence (issued in NZ) allows it to accept deposits in Australia
  - Direct AU licence to be received in 2018
- Extending originator network in Australia
- Looking for acquisitions to add to total assets of the Group
- ***FEI positioned as a mini HSBC in NZ and seeking to replicate in Australia targeting higher saving Asians***



# Profit & Loss and Balance Sheet – FEI Only

Profit & Loss Statement (AUD)			
	FY2015	FY2016	FY2017
Interest Income	2,097,241	3,350,620	5,301,660
Loan Income	820,026	1,236,690	1,500,590
Group Revenue	2,917,266	4,587,310	6,802,250
Revenue Growth	44%	57%	48%
Gross Profit	1,139,355	1,751,750	2,256,800
Gross Margin	1,777,912	2,835,560	4,545,450
Funding Costs	61%	62%	67%
Operating Expenses	1,213,699	1,789,970	2,998,450
NPBT	564,213	1,045,590	1,547,000
NPBT Growth	50%	85%	48%
Key Metrics			
Loan Write offs	0.00%	0.10%	0.00%
NIM (Average)	5.26%	6.48%	8.28%
Interest Cover	1.84	1.91	2.35

- FEI shown consistent annual revenue growth since of 52% p.a since FY2014
- Due to strong demand for loans resulting in growth in loan receivables for FEI

Balance Sheet (AUD)			
	FY2015	FY2016	FY2017
Deposit	17,178,398	26,815,246	40,230,934
Deposit Growth	64%	56%	50%
Total Assets	21,184,837	33,861,246	50,352,120
	57%	60%	49%
Total Loans	17,640,259	25,757,325	38,165,400
Loan Growth	49%	46%	48%
Net Debt	\$0	\$0	\$0
Key Metrics			
Loans / Deposit Ratio	1.03	0.96	0.95
Return On Assets	2.66%	5.76%	2.19%
Return On Equity	15.46%	30.54%	11.59%
Capital Adequacy Ratio	10.47%	9.01%	10.82%
Impairments Losses -	0.00%	0.10%	0.70%

## Since FY2014-FY2017:

- Average ROA 3.2%
- Average ROE 17.0%

Note: Merger Costs have been Normalised. Financials are based of Audited Accounts. This excludes Merged Entity WSG

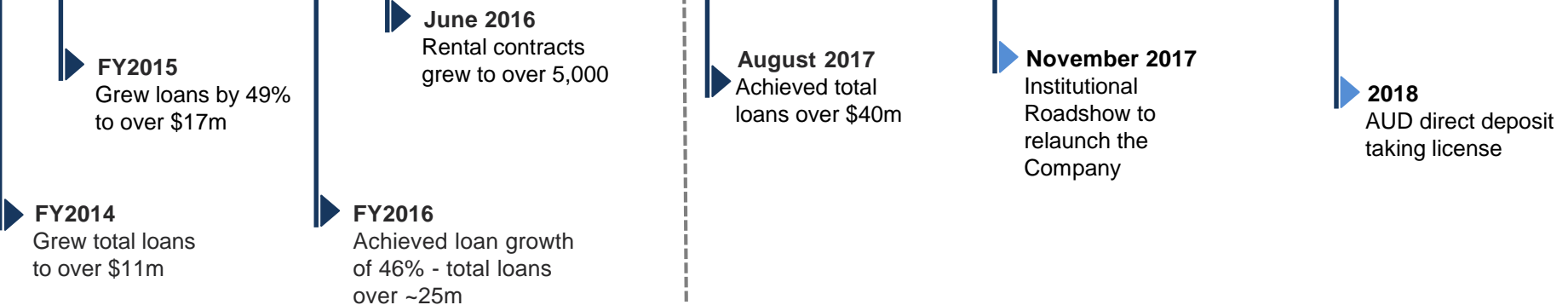
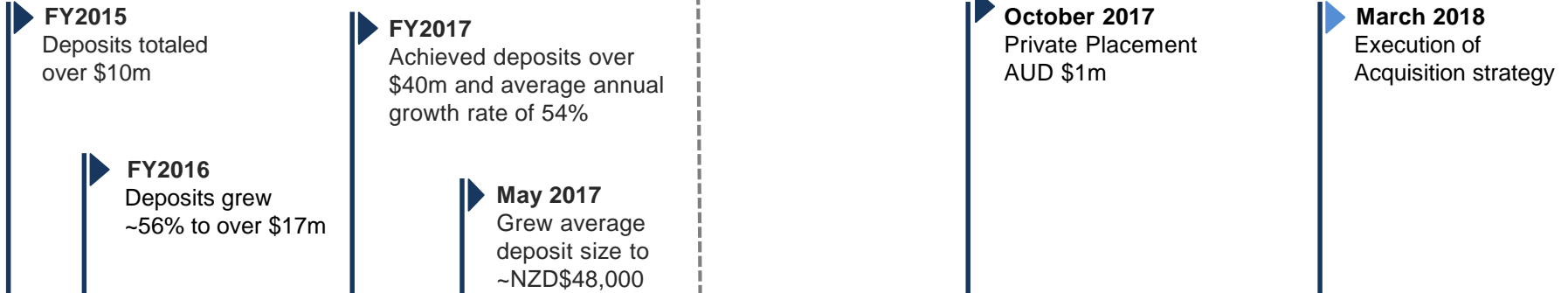
Year End is 31<sup>st</sup> March

Assume FX rate of \$0.91

# Achievements and Near Term Growth Drivers

## Deposit taking:

June 2017:  
Merger with WSG completed



## Lending:

# Unique Positioning



## ▪ **Established track record:**

- Well established reputation in New Zealand as a leading provider of innovative funding for the SME sector – operating for over 13 years
- Including secured debenture financing, cashflow lending, trade finance and bridging finance facilities



## ▪ **Loyal customer base:**

- Established brand name and proven network to raise deposits in NZ – household name through the high saver community
- Long term rental contracts with diverse customer base
- High rates of re-investment ensure deposit base grows sustainably
- Aiming to replicate position in Australia



## ▪ **Stringent governance – regulatory climate has tightened with high entry barriers:**

- Regulatory RBNZ reporting and oversight
- Operating with risk adjusted capital ratio of 9%-10% – opposed to current statutory mandated ratio of 8%
- Formal S&P rating of B stable



## ▪ **Financially profitable but equity capital will support stronger growth:**

- Total assets have growth steadily – annual growth rate of 54% (FY14 to FY17)
- Revenue growth annual growth rate of 52% (FY14 to FY17)
- ROE of 3.2% (FY14A to 17A)
- ROA of 17% (FY14A to 17A)
- Minimal debt – less than 1.5% of Total Assets



## Australia

Level 32, 101 Miller St  
North Sydney

Sydney, NSW 2060

**Phone:** +61 2 9025 3567



## New Zealand FEI - Head Office

Level 8 92 Albert Street, Auckland 1143,  
New Zealand

**Phone:** +64 9 359 9445

**Email:** [enquiries@fei.co.nz](mailto:enquiries@fei.co.nz)



## TK Shim Managing Director

**Mobile:** +64 21 618 889

**DDI:** +64 9 359 9715

**Email:** [tkshim@fei.co.nz](mailto:tkshim@fei.co.nz)

- This presentation may contain certain statements and projections provided by or on behalf of FEI Group Limited (ABN 72 107 745 095 ) with respect to anticipated future undertakings. Any forward looking statements reflect various assumptions by or on behalf of FEI Group Limited.
- Accordingly, these forward looking statements are subject to significant business, economic and competitive uncertainties and contingencies associated with the business of FEI Group Limited which may be beyond the control of FEI Group Limited. Unforeseen circumstances could cause actual results or trends to differ materially, including but not limited to competition, industry downturns, inability to enforce contractual and other arrangements, legislative and regulatory changes, sovereign and political risks, ability to meet funding requirements, dependence on key personnel and other market and economic factors. Accordingly, there can be no assurance that any such forward looking statements and projections will be realised. FEI Group Limited makes no representations as to the accuracy or completeness of any such statement of projections or that any forward looking statements will be achieved.
- Additionally, FEI Group Limited makes no representation or warranty, express or implied, in relation to, and no responsibility or liability (whether for negligence, under statute or otherwise) is or will be accepted by FEI Group Limited or by any of their respective officers, directors, shareholders, partners, employees, or advisers (Relevant Parties) as to or in relation to the accuracy or completeness of the information, statements, opinions or matters (express or implied) arising out of, contained in or derived from this presentation or any omission from this presentation or of any other written or oral information or opinions provided now or in the future to any interested party or its advisers. In furnishing this presentation, FEI Group Limited undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.
- Except to the extent prohibited by law, the Relevant Parties disclaim all liability that may otherwise arise due to any of this information being inaccurate or incomplete. By obtaining this document, the recipient releases the Relevant Parties from liability to the recipient for any loss or damage which any of them may suffer or incur arising directly or indirectly out of or in connection with any use of or reliance on any of this information, whether such liability arises in contract, tort (including negligence) or otherwise.