

# Half Year Results September 2018

**FEI Group Limited**



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# FEI Group Limited

## Business Update

FE Investments Group Ltd (FEI) is a specialist financial institution offering deposit taking and SME lending in New Zealand and Australia.



HY19 Half Year results have seen business improvements beginning to come through;

- » Strong new Business Lending growth of **25%** in the last 12 months
- » Loan book now totalling **\$52m**, mainly driven by:
  - » *SME Business Lending*
  - » *Online Sales*
  - » *LeaseTech Equipment Finance Leasing*
- » Property Development loan exposure reduced from 26% of loan portfolio (30 September 2017) to **15%** of loan portfolio (30 September 2018)
- » Property Development loan exposure should remain below **15%**
- » Revenue growth over last Half Year increased by **34%**
- » The additional disclosures made in the restatement of the Groups Financial Statements had no impact on the financial position
- » Additional auditing requirements and one off costs did impact the P&L
- » Australian Financial Services Licence (AFSL) application on track and expected shortly to enable Australian deposit-taking capabilities
- » Australian loan business is underway with a number of new loans and new opportunities

The Company is now reset and ready for business expansion

# FEI Group Limited

## Deposit Taking

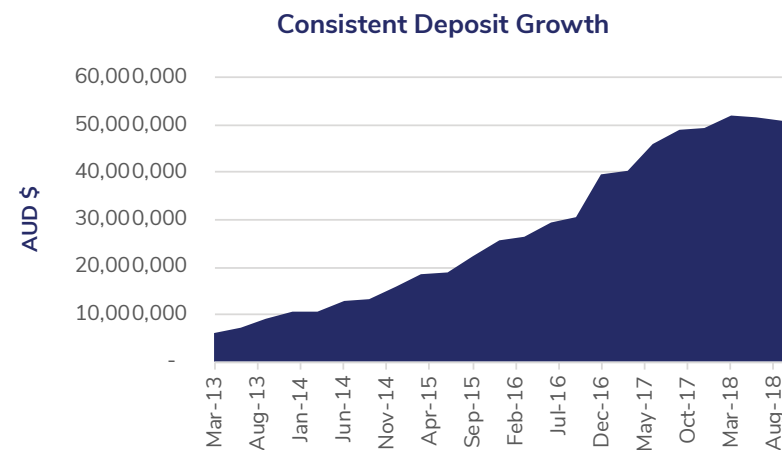
FEI's Deposit taking capabilities provide a competitive source of Capital Funding.

- » **Total Deposit Balance** currently at \$51m
- » Management utilised excess cash rather than increasing deposits
- » Management has also been able to reduce interest rate spread from domestic banks, enabling greater returns
- » **Deposit Mix** continues to grow, with foreign depositors making up over **30%** of current portfolios, providing a sticky customer base
- » Management has focused on extending deposit tenure by offering additional term deposits at 4 and 5 years (no 'at call' deposits)



Deposit Summary	Sep17	Sep18	%	
Total Deposits Balance	\$49.19m	\$50.95m	3.56%	↑
Deposit Amount (avg.)	\$44,641	\$45,775	2.54%	↑
Tenure (avg.)	9 Months	11 Months	23.86%	↑
Deposit Rate (avg.)	6.55%	5.96%	(0.59%)	↑

Note: Non-resident depositors require a New Zealand bank account with a major New Zealand bank.



# FEI Group Limited

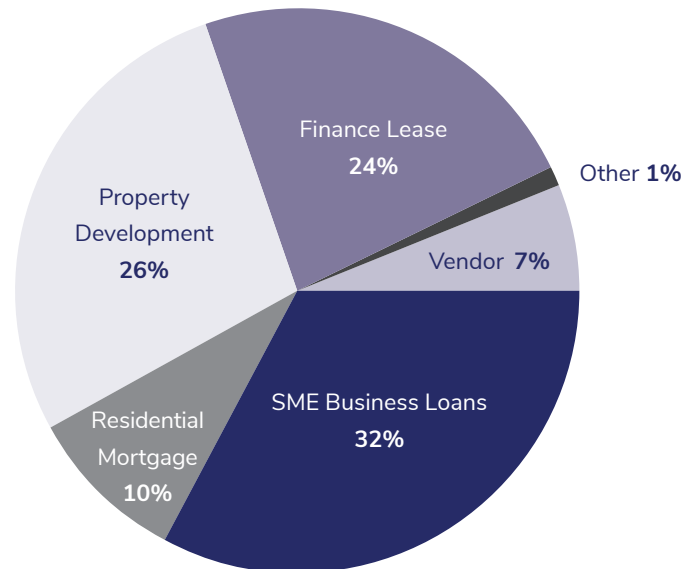
## FEI Lending

Total new Business Loan Book has grown by 25% over the past 12 months

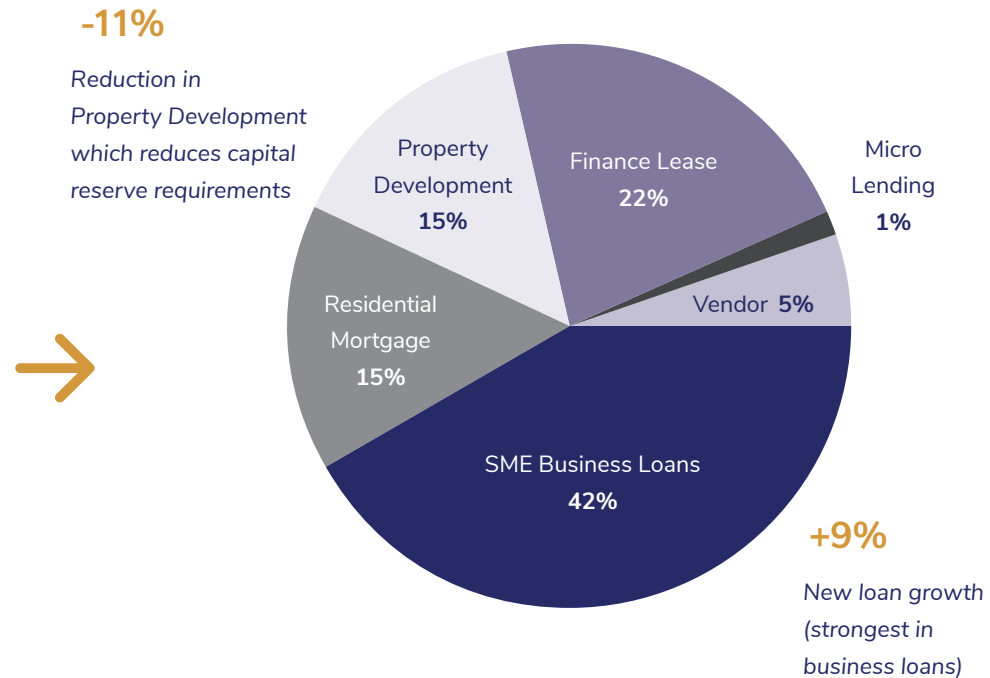
- » Excluding Property Development, new Business Loans in the last 12 months have grown rapidly:
  - » SME Lending & Residential Mortgages (+61% increase)
  - » LeaseTech equipment financing & other Leasing (+17% increase)

- » Key sectors of growth continue to be derived from:
  - » Retail Franchise Expansion
  - » Technology/IT Suppliers
  - » Hospitality & Manufacturing

Loan Book Breakdown September 2017



Loan Book Break Down September 2018

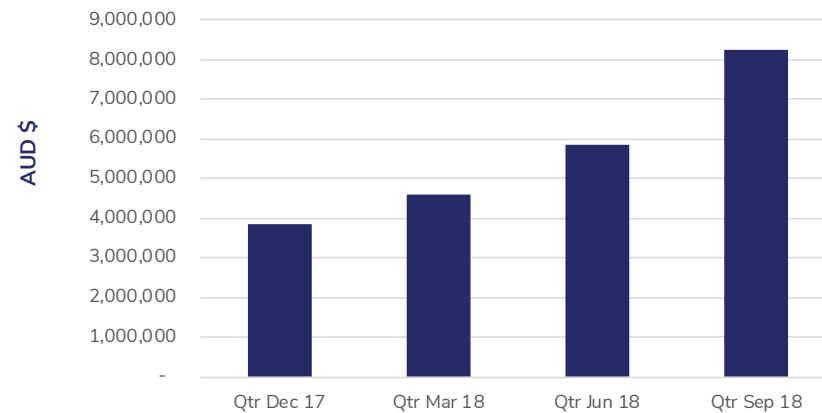


# FEI Group Limited

## FEI Lending

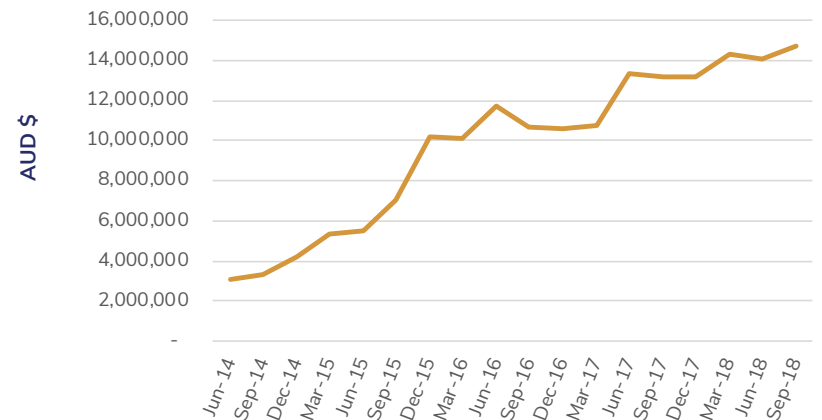
- » **New Loan Growth** (receivables and leasing) increased by **25%**
- » Property Development represented 26% of loan portfolio in Sep17 which reduced to 15% in Sep18
- » Total Loan Book remained steady as Property Development reduced while new Business Loans countered the reduction
- » This re-deployment away from high capital requirements had the following benefits:
  - » *The requirement for additional capital to support Property Development reduced*
  - » *This capital was reutilised into Business Lending, which required less capital reserves per loan*
  - » *New loans undertaken for Business Lending rebalanced the portfolio to smaller loans with higher volume; reducing single loan exposure*
  - » *LeaseTeach and Vendor Finance contracts now total over 5,500*

**New Additional Quarterly Loan Growth**



Note: New Loan Growth excludes Property Development.

**Value of Leasing Contracts**



## Financial Statements

# Income Statement

Revenue continued to show strong growth at **34%** due to the following:

- » SME Business Lending securing a number of new deals in the manufacturing, hospitality and healthcare industries
- » LeaseTech Leasing (Finance Lease) securing a number of broker-lead automotive contracts
- » Additional Fee Income of \$719k has not be recorded in FY18 as FEIG is seeking new arrangement with FES (a related party)
- » Operating expenses have increased due to one off items and two new staff
- » One-off items include auditing costs for restatement of accounts (\$100k) and founding directors settlement (\$408k) additional legal fees have not been regarded as One-off items however they contributed to cost over runs

### Income Statement (AUD)

	SEP17	SEP18
Finance Lease Revenue	1,631,165	3,497,057
Interest Income	2,592,076	2,739,697
Fee Income & Others	634,495	263,150
<b>Group Revenue</b>	<b>4,857,736</b>	<b>6,499,904</b>
Revenue Growth	45.43%	33.81%
Funding Costs / Interest Exp	1,486,295	1,547,727
COGS for Finance Lease	1,058,103	2,884,567
<b>Gross Profit</b>	<b>2,313,339</b>	<b>2,067,610</b>
Gross Margin	47.62%	31.81%
Operating Expenses	2,787,376	3,166,056
NPBT	(474,037)	(1,098,446)
Add back one-off items	322,749	667,503
<b>Normalised NPBT</b>	<b>(151,289)</b>	<b>(430,943)</b>

### Key Metrics

	SEP17	SEP18
NIM (Average)	9.53%	7.34%
Interest Cover	1.74	1.77

Note: Restatement adjustments of portfolio income for FES of \$1.8m - 30th September 2017 and \$719,000 for 30th September 18 which increased revenue and exepenses have not been outlined to the Income Statement due to nil impact on NBPT.

## Financial Statements

# Balance Sheet

\$63m in Total Assets as at HY19

- » Deposit Balance is at \$51m which was deliberately reduced in order to maximise lending utilisation
- » FEI has cash at bank of \$7.6m
- » Total loan growth increased by 25% even though property development reduced by \$6m
- » The reduction of property development loans will slow and be maintained below 15% in FY19, which will enabled Total Loan growth
- » RBNZ capital requirement remains 8%, however FEI has a voluntary Capital Adequacy Ratio in order to provide a greater buffer for any potencial downside

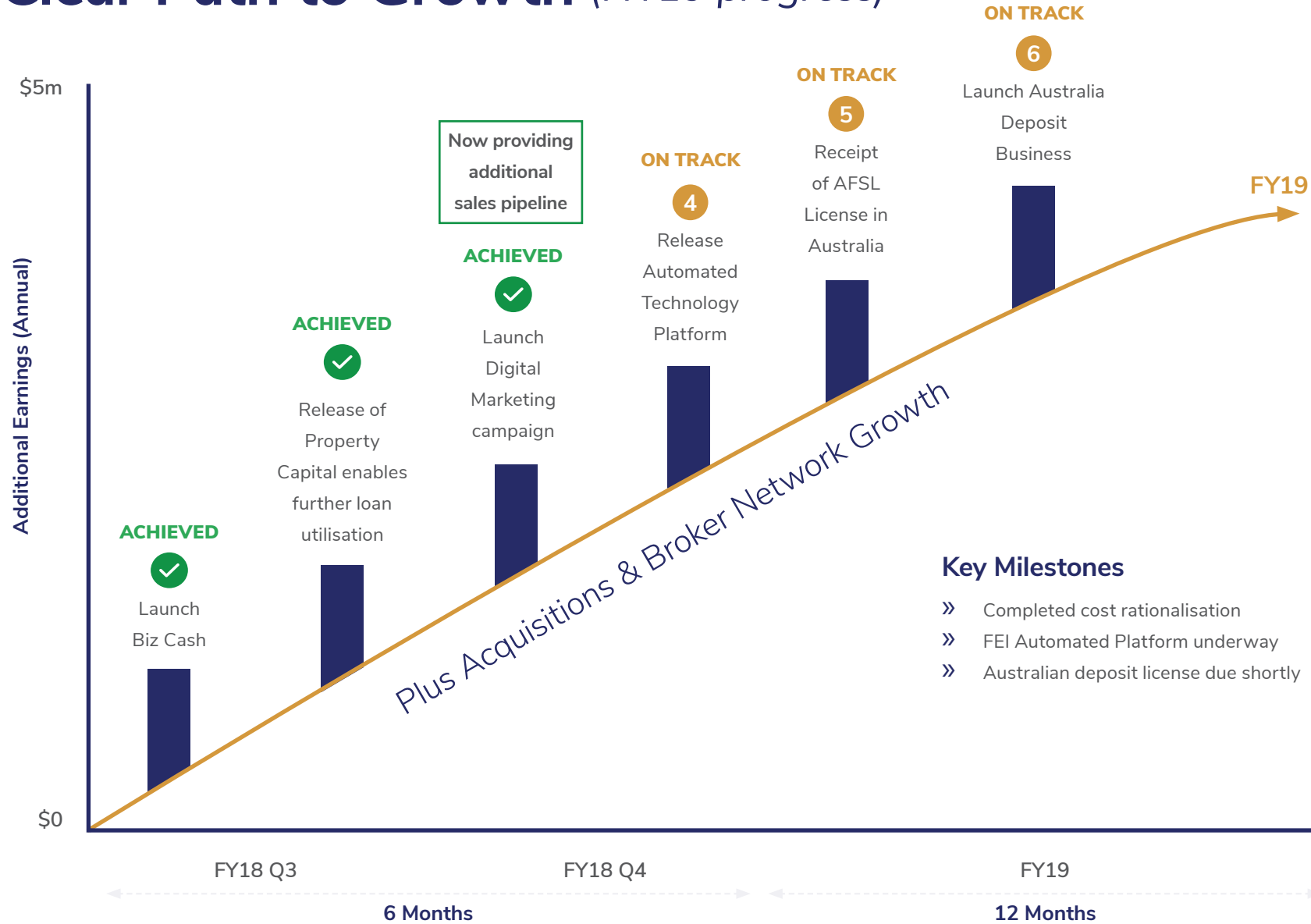
Balance Sheet (AUD)		
	SEP17	SEP18
Deposits	49,034,457	50,947,361
Deposit Growth	66.30%	3.90%
<b>Total Loans</b>	<b>41,645,233</b>	<b>51,980,985</b>
Loan Growth	23.09%	24.82%
<b>Total Assets</b>	<b>59,713,348</b>	<b>62,887,420</b>

Key Metrics		
	SEP17	SEP18
Loans / Deposit Ratio	0.85	1.02
Capital Adequacy Ratio	9.59%	9.30%
RBNZ CAR Required	8.00%	8.00%



# Clear Path to Growth (HY19 progress)



Market Opportunity

# FEI Priorities over the next 6 Months

Australia provides a competitive cost of funding advantage and is supported by sound lending opportunities.



## Receipt of AFSL license to enable deposit-related capabilities in Australia

- » Funding expected to be more cost-effective than New Zealand

## Australian Loan Growth

- » Recently signed new contracts
- » Strong pipeline already with NZ brokers already operating in Australia
- » Launch Australian Online Platform for Deposits and Lending

## Completion of Technology Automation & System Innovation

- » Straight-through application process ready to launch in early 2019



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