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Market Release: 31<sup>st</sup> January 2020

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## **December 2019 Appendix 4C Commentary and Business Update**

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### **4C Commentary**

- Year to date earnings exceed budget by \$300,000 driven by core SME business lending
- FEIG repaid intercompany loans of A\$0.5m in the quarter. This was offset by the A\$3.5m raised in the prior quarter.
- Administration and corporate costs have consistently been below budget in the quarter, resulting in a lower cash outflow.
- New and reinvested deposits raised during the quarter ended 31<sup>st</sup> December 2019 were approximately A\$11.8m, maintaining our targeted deposit levels.

Net negative cashflow in the quarter due to loan book growth exceeded new deposits which is in line with the groups strategy in targeting and growing its SME business lending.

### **Business Update**

The Company has maintained positive lending growth and has closely managed its operating expenses enabling earnings (pre audit and provisions) to exceed forecasts. Year to date earnings are above budget by \$300,000 which has been driven by our core SME business lending.

FEI deposit customers have remained steady with a reinvestment rate YTD exceeding 63%. Liquidity is currently at 16%, significant above the Company's required 10% ratio to liabilities. In May 2019, FEI recorded deposits of over \$65m, which has been maintained over the last quarter enabling the company to provide additional SME funding opportunities.

Whilst traditional marketing activities for Deposits continues, the company has recently appointed a Head of Marketing who is due to launch an online digital campaign to further enhance the offering we have to

customers. This service will be supported by a new automated processing functionality, enhancing the customer experience through faster response times.

The company is actively working with Tomizone on accelerating a capital restructure with both parties continuing to work in tandem on executing the transaction.

The Company has recently appointed a Senior Legal In-House Council and an additional Financial Accountant in order to provide in house expertise and support to better position the company for the SME lending growth opportunities ahead.

## **Property**

### **Hobson and Anzac**

The company has engaged an independent accounting firm to review the property exposures in order to assist the company to expedite the completion of the two hotel property developments. Construction at the Hobson Street project is now expected to commence late in Feb 2020.

### **Alberton**

Only 1 unit remains to be sold on the project following further sales which are due to complete on 31<sup>st</sup> January 2020. The final standalone town house in this development is being actively marketed with strong interest shown post the holiday period, with an expectation for a sale to be contracted in February 2020.

### **View West**

The project is now being aggressively marketed, with substantial early interest, with offers expected by the end of February providing additional capital release for FEI.

### **Ruarangi**

Section development has been completed and marketing will commence 1 February 2020.



Marcus Ritchie  
Group CEO  
FE Investment Group Limited