



# **FSA Group**

# **Investor Presentation**

## **22 August 2014**

# Agenda



- Overview
- Core division – Services
- Growth divisions – Consumer Lending and Business Lending
- Financial results 2014
- Where are we heading?



# Overview

# Overview



**Australia's largest provider of debt solutions;  
direct lender to individuals & businesses**

## **FY2014**

**Profit after tax \$13.5m up 25%**  
**EPS basic 10.78c up 27%**  
**Dividend/share 6.0c up 20%**

## **Divisions**

**FSA operates across 3 key divisions**

- Services**
- Consumer Lending (previously called Home Loans)**
- Business Lending (previously called Small Business)**

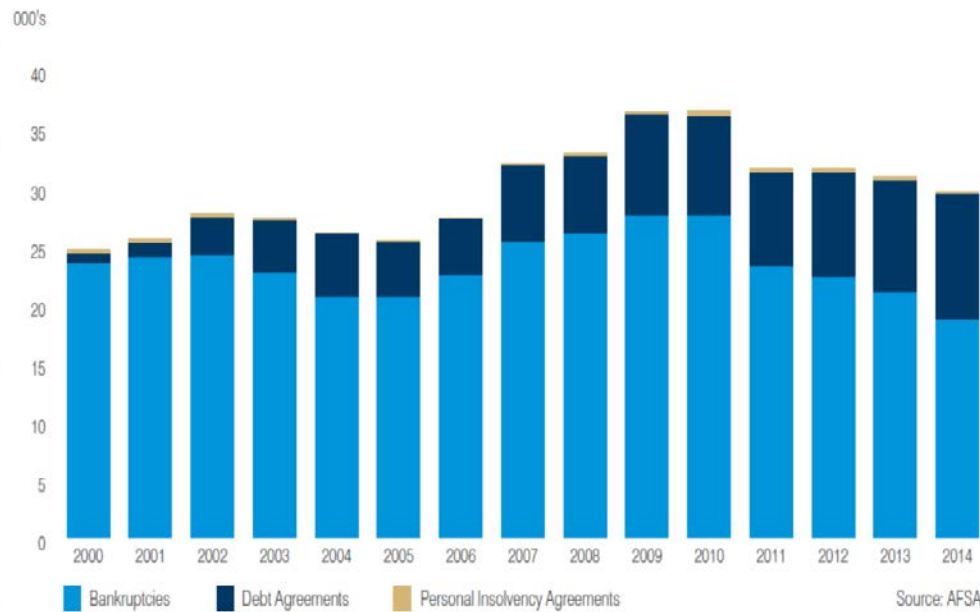


# Core Division Services

# Services



The Services Market



**FSA assists individuals wishing to enter into a formal payment arrangement with their creditors through:**

- 1. Debt Agreement**
- 2. Personal Insolvency Agreement**
- 3. Bankruptcy**

**FSA is Australia's largest provider of debt solutions**

# Services



## Debt Agreements

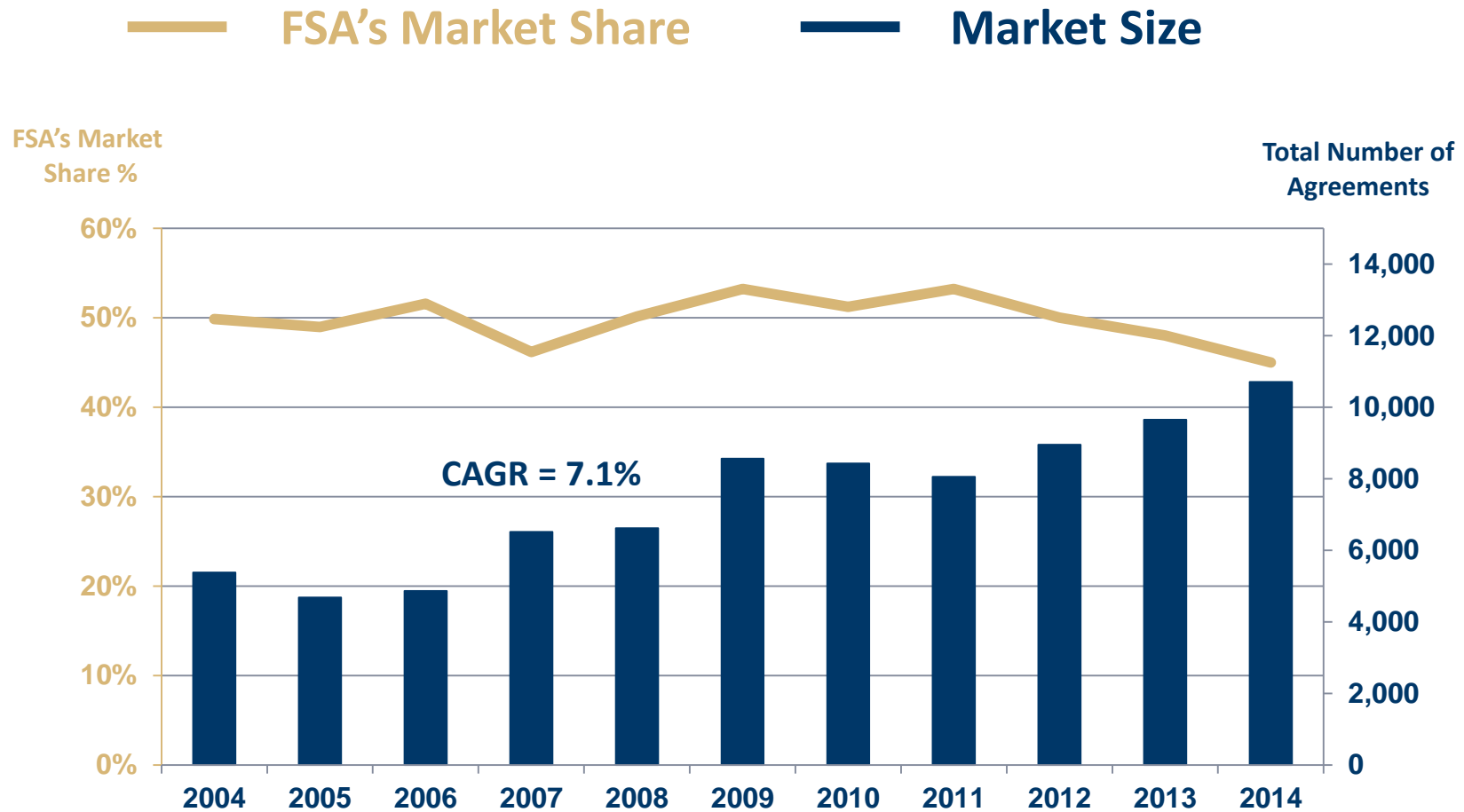
**Largest provider – market share 45%\***  
**Over 18,000 clients, owing \$313m to creditors**  
**Low arrears, \$81m paid to creditors in 2014**  
**Superior returns to creditors compared to market**  
**Fee for service income, delivering annuity cash flow**

## Personal Insolvency Agreements and Bankruptcy

**One of the largest providers**  
**Over 1,500 clients**  
**Fee for service income, delivering annuity cash flow**

\* Calculated using AFSA statistics

# FSA is the leader in debt agreements







# **Growth Divisions Consumer Lending and Business Lending**

# Consumer Lending



## Home Loans

FSA is one of the few remaining non-conforming home loan lenders assisting clients with property who wish to consolidate their debt.

## Personal Loans

FSA offers non-conforming personal loans to existing clients to assist with the purchase of a motor vehicle. Launched in February 2014.

# Consumer Lending



## Home Loans

Loan Pool Size	\$221m
Average Loan Size	\$207,951
Average Weighted LVR	67%
Variable Rate Borrowers	100%
Geographical Spread	Australia Wide
>30 day arrears	3.32%

### Funding

- Non-recourse funding of \$250m
  - WBC Senior \$230m
  - Institutional Mezzanine \$20m
- Renewed to October 2016
- FSA's balance sheet risk limited to 3% equity
- Lender's margin, delivering annuity cash flow

## Personal Loans

Loan Pool Size	\$1.1m
Average Loan Size	\$23,889
% Secured	100%
Fixed Rate Borrowers	100%
Geographical Spread	Australia Wide
>30 day arrears	NA

### Funding

- Corporate funding of \$10m from WBC
- Renewed to December 2015
- A structured funding facility will be established
- Lender's margin, delivering annuity cash flow

# Business Lending



## Business Lending

FSA Group offers factoring finance to assist small businesses with cash flow management.

### Business Lending

Loan Pool Size	\$24m
Average Loan Size	\$294,240
Average Weighted LVR	Ranges 55% to 65%
Variable Rate Borrowers	100%
Geographical Spread	Australia Wide
>90 day arrears	5.89%

### Funding

- Funding of \$35m from WBC
- Renewed to June 2015
- FSA 15% equity
- Lender's margin, delivering annuity cash flow



# Financial Results

# PBT by division



	FY2012	FY2013	FY2014	%
Services	\$11.6m	\$11.7m	\$11.2m	-4%
Consumer Lending	\$4.1m	\$5.1m	\$6.8m	+34%
Business Lending	(\$0.7m)	\$0.8m	\$2.8m	+240%
Other	(\$0.1m)	\$0.1m	(\$0.1m)	-
<b>Profit before tax</b>	<b>\$14.9m</b>	<b>\$17.8m</b>	<b>\$20.8m</b>	<b>+17%</b>

Home Loans pool	\$232m	\$221m	\$221m
Personal Loans pool	-	-	\$1.1m
Business Lending pool	\$25m	\$20m	\$24m

# Group financials

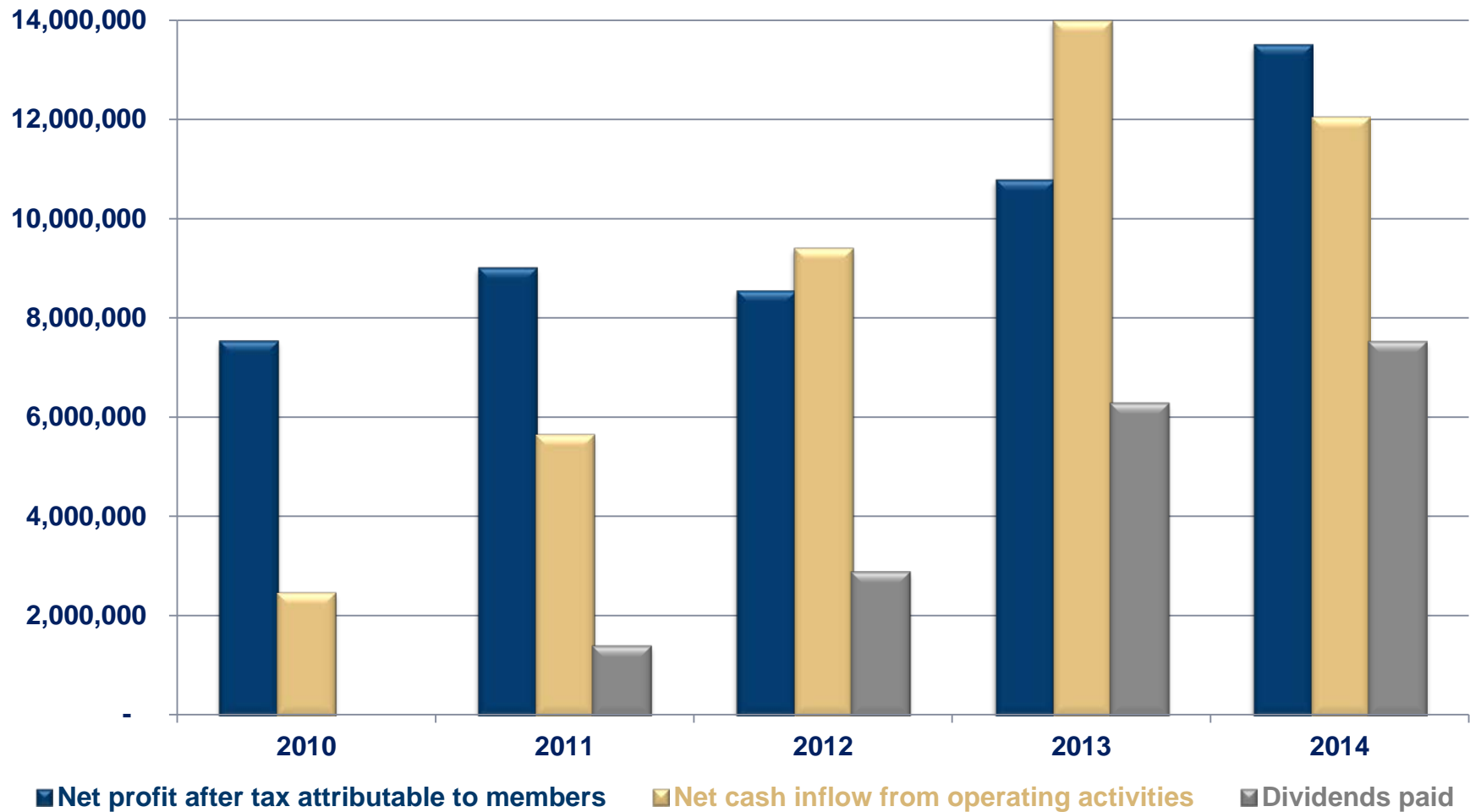


	FY2012	FY2013	FY2014	%
Revenue and income	\$59.0m	\$64.4m	\$65.5m	<b>+2%</b>
Profit before tax	\$14.9m	\$17.8m	\$20.8m	<b>+17%</b>
Profit after tax <sup>1</sup>	\$8.5m	\$10.8m	\$13.5m	<b>+25%</b>
Operating cash flow <sup>2</sup>	\$9.4m	\$14.0m	\$12.0m	<b>-14%</b>
NTA backing/share	37.8c	42.3c	47.1c	<b>+11%</b>
EPS basic	6.27c	8.51c	10.78c	<b>+27%</b>
Dividend/share	2.2c	5.0c	6.0c	<b>+20%</b>

1. Profit after tax attributable to members

2. Net cash inflow from operating activities

# PAT vs Operating cash flow vs Dividends





# What's underpinning operating cash flow?

Long-term annuity income



		Average client life (years)
Services	- Debt Agreements	4.5 to 5.5
	- PIA/Bankruptcy	3
Consumer Lending	- Home Loans	3 to 4
	- Personal Loans	4 to 5
Business Lending		2.5 to 3.5

# Growing loan pools - Capital requirements



**Operating cash flow** - \$14m in 2013 and \$12m in 2014

**Investing cash flow** - CAPEX around \$500k pa (stable)

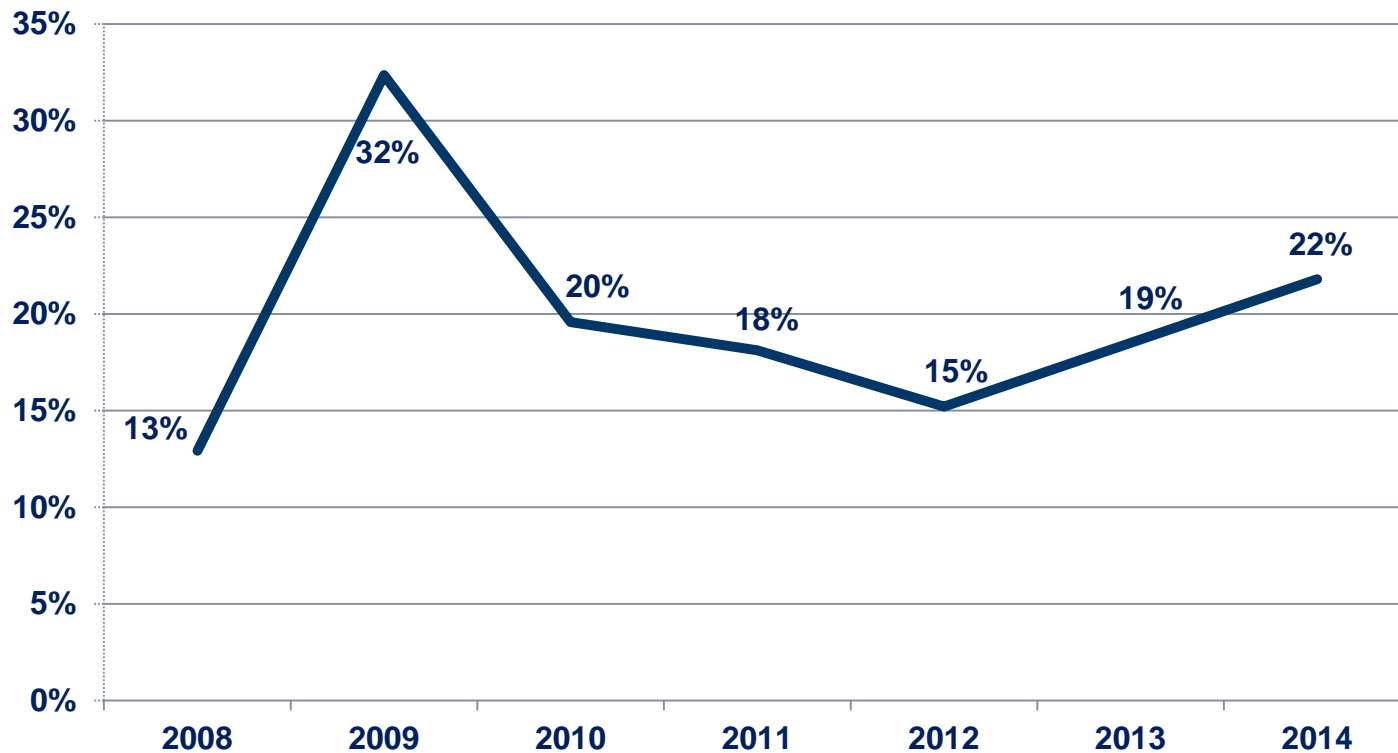
**Business generating \$12m plus a year in free cash flow**

## **Future capital requirements to support loan pool growth**

- Home Loans - \$0.3m capital required for \$10m increase in pool
- Personal Loans - \$3.0m<sup>1</sup> capital required for \$10m increase in pool
- Business Lending - \$1.5m capital required for \$10m increase in pool

1. Estimated – a structured funding facility has not yet been established for the Personal Loan product.

# Return on Equity



Growth in loan pools will be the key to growing profitability at an above average annual rate. ROE expected to increase as loan pools grow.



# Where are we heading?

# Where are we heading?



<b>Services</b>	Maintain our leading position in a niche market
<b>Consumer Lending</b>	Focus on growing our loan pools
<b>Business Lending</b>	Focus on growing our loan pools
<b>New Product</b>	Trial a new product to assist clients with paying their bills
<b>Staff</b>	Investing in professional development and growth
<b>Dividends</b>	Loan pool growth will require reinvestment of earnings. Dividend policy circa 40% to 60% of PAT

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