

eChoice

FY2015 Results

People | Partners | Process | Product | Profit



eChoice

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FY15 Results Presentation

FY2015 RESULTS

*One Team
One Target*



People



Partners



Process



Product



Profit

FY2015 Financial Highlights

- Cash operating EBITDA \$9.8 million (down 12.7%) in line with guidance
- Year end net debt \$54.4 million, down \$1.9 million
- Settlement volumes \$3.0 billion, similar to prior year
- Revenue down 13.7% to \$67.8 million reflecting shift in settlement mix
- Net loss after tax and before impairments \$1.0 million vs loss of \$1.8 million in FY14
- Non-cash impairments \$20.1 million; one-off restructuring and other non-recurring costs \$1.7 million
- Loan book down by 5.1% to \$17.3 billion in line with expected run-off
- Operating cost reductions of \$2.1 million partly offset revenue decline

Note: Cash Operating EBITDA represents operating Earnings Before Interest, Tax, Depreciation and Amortisation, and is adjusted for movement in the NPV net asset, abnormal items including write-back for deferred consideration, share based payments, acquisition costs and restructuring costs.



FY2015 Results

Statutory \$m	FY15	FY14	Δ
Revenue	67.8	78.6	-13.7%
Gross margin	19.0	24.3	-21.9%
Operating EBITDA	2.1	5.4	-60.1%
NPAT before impairment	-1.0	-1.8	
NPV trail movement	-7.7	-5.9	30.4%
Restructuring/ non-recurring costs	-1.7	-1.9	-10.2%

Cash Basis ¹ \$m	FY15	FY14	Δ
Cash operating EBITDA	9.8	11.2	-12.7%
<i>Cash Op. EBITDA Margin²</i>	12.4%	12.8%	(0.4)%

Statutory
V
Cash
variance is due to
NPV accounting
adjustment for
recognition of
future net trail
commission

Note: Future Statutory NPAT is expected to be negatively impacted due to NPV adjustments

- 1 Cash NPAT and Cash Operating EBITDA exclude the impact of the accounting policy for the recognition of future trail commission income and expense.
- 2 Cash Operating EBITDA on revenue excluding impact of NPV accounting.



FY2015 Operating Highlights

eChoice implemented a range of significant strategic and operational changes ahead of schedule:

- executive management team restructured to include new industry specialist team leaders;
- senior debt facility extended for a further 2 years to July 2018;
- further operational cost reductions realised;
- secured new contracts with eChoice's business partners; and
- development of lead generation, retention and database monetisation programs.

eChoice's business is now appropriately structured and resourced to comprehensively capitalise on its unique position in the market



Business Restructure Complete

- Strategic changes to management and business structure fully implemented
 - Early operational results are pleasing with 11.0% month-on-month settlement growth (aggregation and direct) since strategy implementation in March 2015 – pcp was 5.8%
 - This confirms the new strategy can deliver uplift in revenue and profitability over medium term
 - Initial impact of new strategy expected to be seen in FY16 accounts
- Intangible balances reviewed in light of business restructure
 - \$20.1 million impairment reflecting business structures and strategies no longer being pursued
 - Intangibles integral to the eChoice growth strategy retained

eChoice's business is now acutely focused on utilising its core competencies and growing strengths



Settlements and Loan Book

- Settlement volumes were down 3.5% on prior year
 - decrease on prior year contained in Wholesale and Firstfolio Capital
 - Aggregation and Direct represent 96% of settlements and were flat year on year
- Decision to cease broker sourced Wholesale originations
- Loan book \$17.3 billion - decline of \$0.9 billion in line with expectations
- Composition continues to shift to aggregation and direct
 - Aggregation and Direct loans – 83.3% (2014: 79.6%)
 - Wholesale and Firstfolio Capital loans – 16.7% (2014: 20.4%)



Operating Cost Reductions

- 3-year cost program enabling investment in growth initiatives
- Additional savings anticipated in FY16

Operating Costs	FY15	FY14	Variance
Sales related expenses			
Advertising and promotion	1.7	1.6	7.2%
IT and communication	1.6	1.6	2.1%
Total Sales related expenses	3.3	3.2	4.6%
Employment and Overheads			
Contractor and outsourcing	0.8	1.1	-29.8%
Employee benefits	9.1	10.7	-15.0%
Insurance and compliance	0.6	0.7	-7.5%
Management and professional fees	1.4	1.5	-7.9%
Occupancy	1.1	1.2	-8.6%
Other expenses	0.5	0.5	3.7%
Total employment and overheads	13.5	15.7	-14.2%
Total operating costs	16.8	18.9	-11.1%

Deliberate decisions have been made to pave the way for sustainable, long-term growth



Cash flow and Funding

- Net debt \$54.4 million, down \$1.9 million
- Operating cash flow before tax \$2.2 million, down \$5.6 million:
 - lower net warehouse interest
 - reduction in commissions net of related operating expenses
- Senior debt facility extended to 2018
 - Provides funding certainty to pursue growth opportunities
 - Repayment of at least \$5 million p.a. from FY16
 - Investigate options for additional repayments

A year of consolidation, transformation and renewal



FY15 Results Presentation

STRATEGY AND OPERATIONS

*One Team
One Target*



People



Partners



Process



Product



Profit

Momentum is building

- training future brokers via eChoice's Broker Academy
 - third group of graduates joined ranks of eChoice Home Loan Managers
- leveraging and capitalising on eChoice's extensive marketing capability
 - generating leads for brokers and other partners
- sales and distribution functions and broker support program enhanced
 - launch of an industry first Concierge service
- leading edge technology and systems
 - improving and speeding up business for eChoice and its partners
- widening the range of quality ancillary products offered
 - five new alliance partnerships established with respected industry groups to offer a complete borrower proposition for brokers

Significant progress in areas that will drive revenue and profitability





Products

Choice & Innovation

- eChoice's competitive advantage is underpinned by its innovative IT and CRM products and services:
 - **Lead Generation Programs** for Domain and other partners
 - **eChoice Concierge Platform** services partners and brokers
 - **FLeaTS Online platform** continues to be developed as a valuable customer and loan tracking system used by all eChoice aggregation and direct brokers
- Each of these platforms is scalable with future scope to extend use

With our in-house ability to customise our technology, we can create business building opportunities others simply cannot

***One Team
One Target***



People



Partners



Process



Product



Profit



Partnerships

New revenue streams

- Goal is to become largest third-party generator of lead opportunities
 - A driver of eChoice's earnings growth over the medium term
- While still only recently established, lead generation revenue was up 23.1% vs FY14
- Domain agreement renewed
- New lead generation partnerships with major financial institutions
 - Partnerships expected to contribute to FY16 earnings
 - launch of Firsthomebuyers.com.au to drive further opportunities
- Five new alliance partners for distribution of ancillary products including:
 - ✓ General insurance
 - ✓ Specialist lending
 - ✓ Asset finance
 - ✓ Mortgage protection
 - ✓ Property investment

*One Team
One Target*



People



Partners



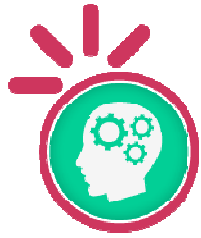
Process



Product



Profit



Processes

Broker Academy

- eChoice launched the Broker Academy
 - supporting the next generation of brokers
 - attractive to broker partners – outsourced leading edge training and compliance support
 - finalist for multiple industry career awards in 2015
- Program every 6-8 weeks, minimum 5 candidates per program
- 16 candidates graduated the Broker Academy since March 2015
 - graduates become dedicated eChoice Home Loan Managers
- Expected to contribute to settlement volumes in FY16
- Ongoing development - with view to eventually becoming best practice industry training model

*One Team
One Target*



People



Partners



Process



Product

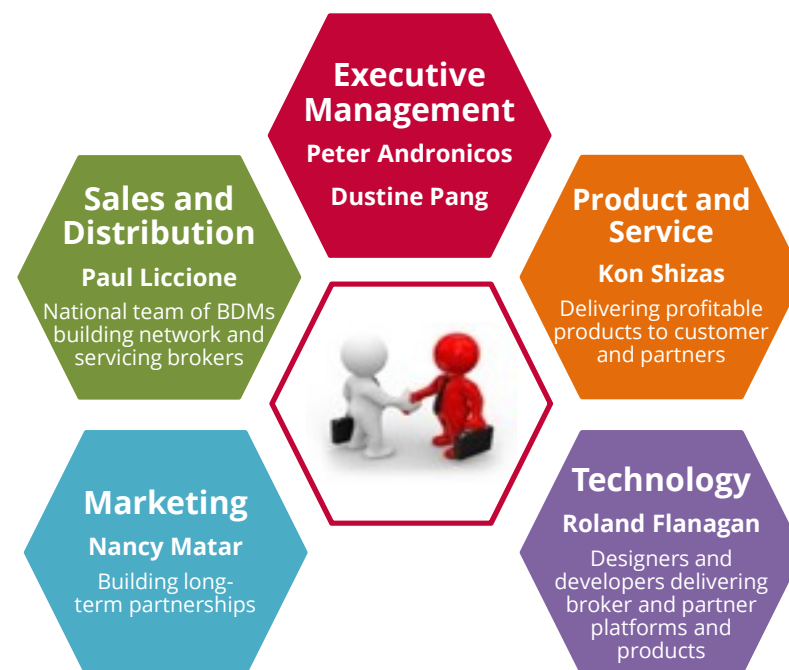


Profit



Our People

- eChoice's staffing and operational structure is now aligned with the company's strategic direction
- In 2015 significant appointments were made to key management roles in the Products and Service, Sales and Distribution and Technology divisions
- The right people are in place to accelerate execution of our strategy



Experienced, respected industry specialists = the right people in place

**One Team
One Target**



People



Partners



Process



Product



Profit

People | Partners | Process | Product | Profit



Our Priorities

Uniting

our business and partners – One Team with One Target

Building

the next-generation broker – to support our partners

Identify

and target emerging markets – generating opportunities for our partners

Innovate

through customised technology and data – empowering our partners

Creating

new revenue opportunities – for our partners and shareholders

Develop

a superior product and service – enabling growth for our partners

Capitalise

on our competitive advantages – technology | people | processes

We are a whole business enabler. We are not only focused on what's happening now, but are already preparing for what's next.

***One Team
One Target***



People



Partners



Process



Product



Profit

People | Partners | Process | Product | Profit

Core brand values

Passion

Innovation

Expert

Our 5 strategic pillars



PEOPLE

- Skilled
- Focused
- Approachable
- Action Orientated
- Business Acumen
- Accountable
- Dedicated



PARTNERS

Clients:
Our mortgage brokers

Business Facilitators:
Our strategic partners that underpin our business



PROCESS

- Technology
- Operations
- Data Capture, Analysis & Reporting
- Training & Development
- Network succession planning



PRODUCT

Empowering and educating our customers by providing a choice of products



PROFIT

- Target Driven
- Numbers focused
- Cost Conscious
- Profitable

Looking forward

Broker
invest

Partner
connect

Customer
solutions

- **Alternative revenue streams to drive long term returns**
 - Partnerships and the Broker Academy to make initial modest contribution to settlements in FY16
 - Lead generation commissions expected to become major driver of group earnings growth in coming years
- **eChoice focussing on the Aggregation and Direct loans**
 - Currently represents 94% of settlements
 - Provides for higher settlement growth without capital commitment
- **Cash operating earnings expected to grow**
 - Operating expenses lower and structure and personal in place to deliver on strategy
 - However, non-cash NPV adjustments will continue to impact accounting profit

“It’s not enough for an aggregator to just simply connect. We invest in individuals, we invest in businesses. We enable – that’s our difference.”

Peter Andronicos, CEO