

Financial Presentation to Brokers - Half Year 2016



Agenda

1H2016

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Financial highlights

1H2016

- Revenue from continuing operations \$30.1 million, up 3.8% on pcp
- Other revenue, including growth businesses, up 16.4% on pcp
- Digital solution revenues, up by 94.7% on pcp
- Operating Costs reduced \$3.1 million compared to pcp
- Cash operating EBITDA from continuing operations of \$3.7 million
- Total settlement volumes of \$1.7 billion, up 10.8% on pcp
- Net debt reduced by \$10.6 million to \$47.7 million
- Net loss after tax of \$1.6 million after NPV adjustment of \$3.4 million

Note: Cash operating EBITDA represents the continuing operating EBITDA adjusted for the movement in the NPV net asset

Operating highlights

1H2016

- Continued transformation, business consolidation and financial confidence
- Significant debt reduction from operating cash flow and proceeds from sale of mortgage securitisation business (Firstfolio Capital)
- Major operational cost reductions realised with more to come
- Future digital business partners are actively being pursued
- Technology enhancements - FLaaS now completely digital and online and gaining reputation as the leading aggregation platform
- Increased growth in settlements supported by investment in broker network

Cash flow and funding

1H2016

- Debt reduction of \$10.6 million in the half to \$47.7 million via:
 - 1H2016 Cash operating EBITDA of \$3.7 million
 - Exit of Firstfolio Capital business in October 2015
 - Net capital release \$7.8 million with \$8.0 million used to reduced debt
- Commitment to reduce net debt by \$5.0 million p.a.
- Cash flows from \$16.8 billion loan book supports financial position

Mortgage business

1H2016

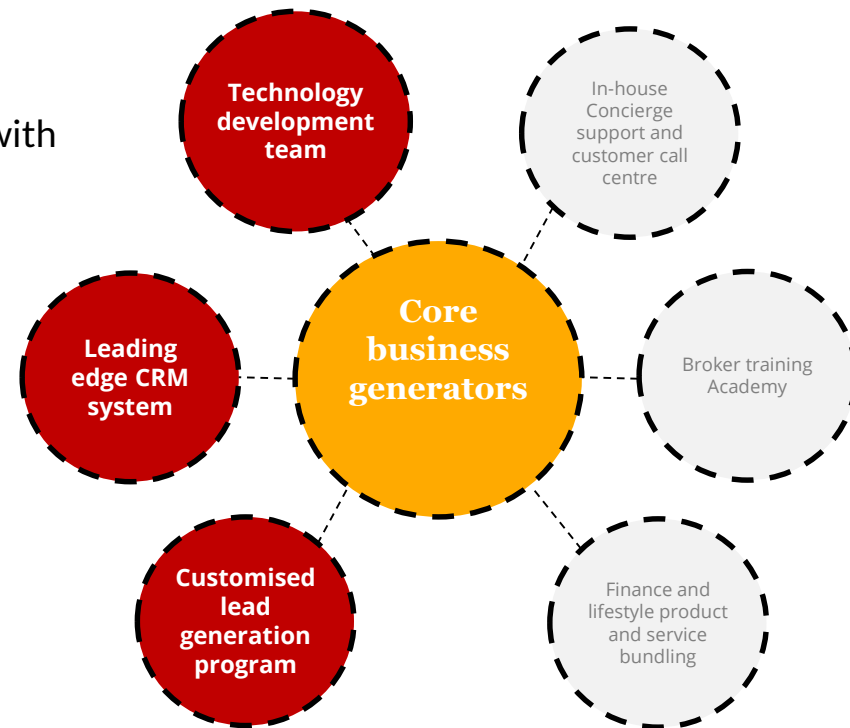
- Traditional mortgage business cash flow to support growth and provide financial confidence
- Aggregation - Attracting the right brokers through technology; support; compliance
 - 20 participants in latest Broker Academy session;
 - 2 sessions scheduled in 2nd half
- Wholesale - strategy to mitigate run off
- Direct - Home loan manager (HLMs) payouts increased; Increase in the number of Internal HLMs to increase conversion rates
 - Phone-based HLM pilot underway
 - New integrated broker strategy



Digital business

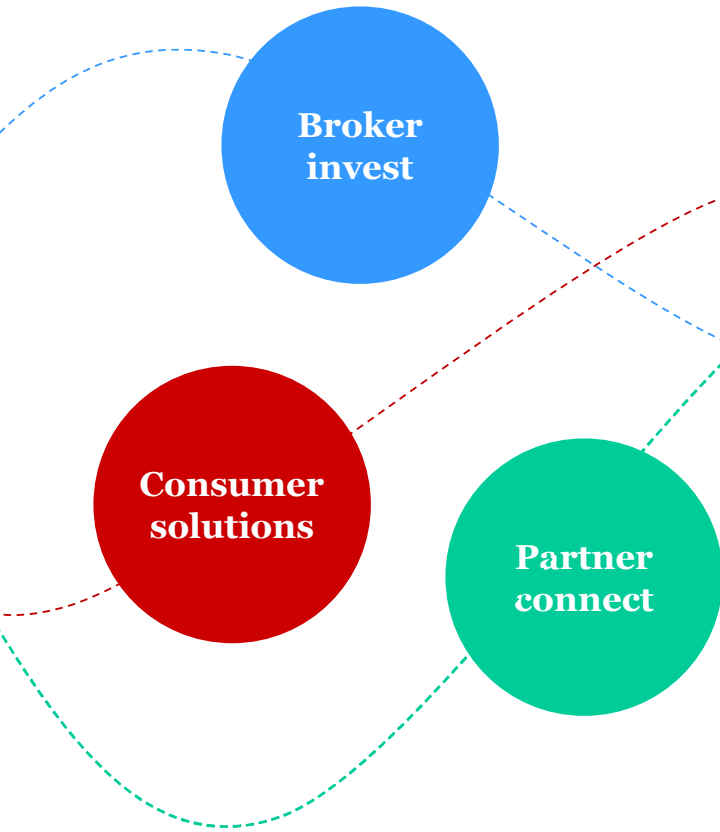
1H2016

- Lead generation – Partnerships
 - The Domain relationship has been consolidated with further commitments for the leads program
 - New partner programs are in progress
- Technology development
 - FLaaS platform is fast becoming the leading aggregation platform for brokers
 - eConcierge platform elevates our services to partners and brokers
- CRM & Digital sourcing
 - Ready to capitalise on commercial potential
 - Referrals to Real estate agents; Tax agents; Financial advisers



Summary & Outlook

1H2016

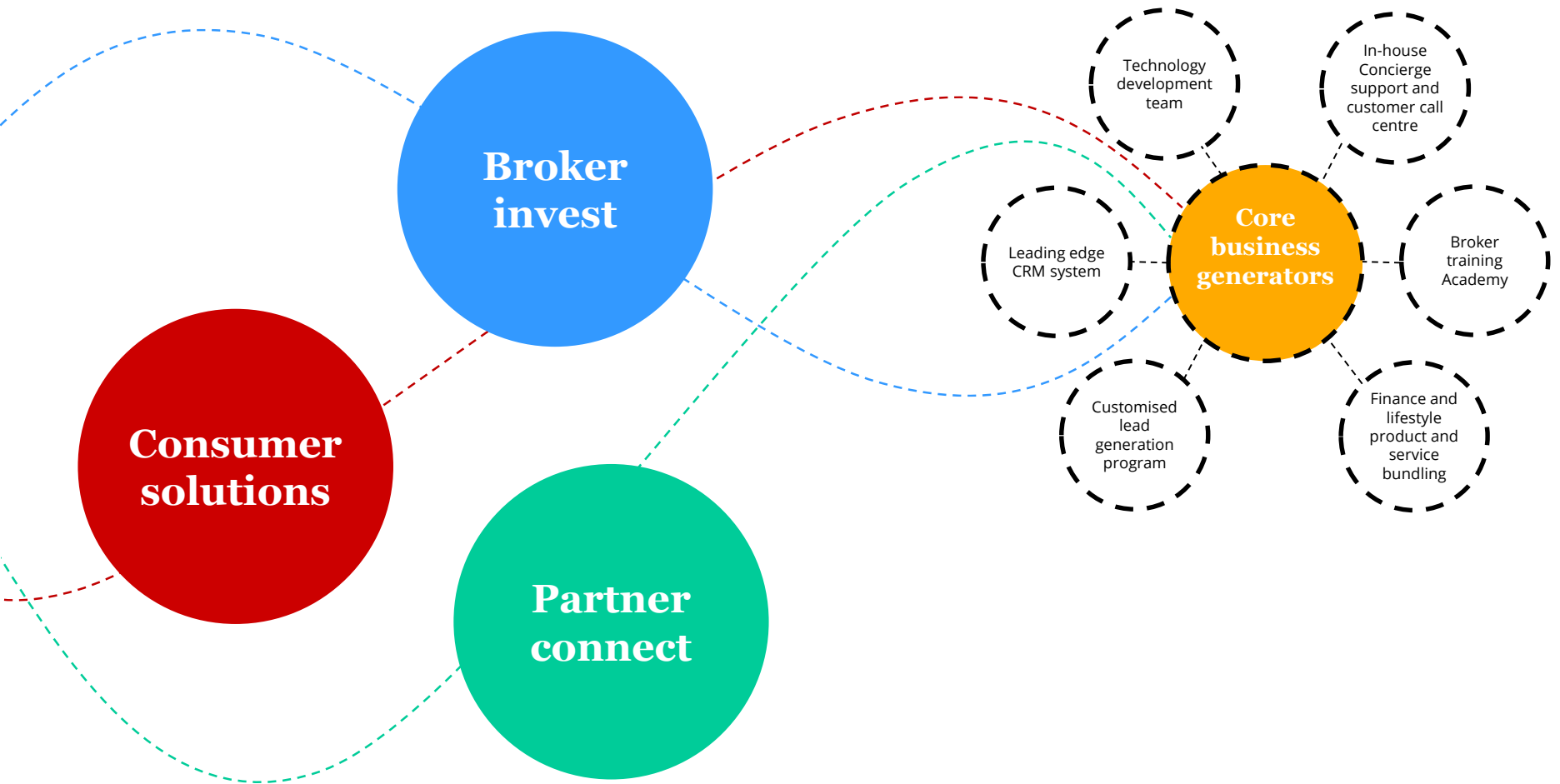


- 1H16 profit improvement driven by settlement growth and ongoing cost program
- Operations repositioned in line with strategy
- Loan book to support future cash flows to drive further debt reductions
- Expect increase in both broker numbers and settlement growth
- Digital solutions business small but growth rate highly encouraging

APPENDIX: THE NUMBERS

Strategic Pillars

1H2016



Financial results

1H2016

(\$m) Statutory	Continued Operations		
	1H16	1H15	Δ
Revenue	30.1	29.0	3.8%
Gross margin	7.2	7.4	(2.5%)
Operating EBITDA	0.4	(0.9)	142.6%
NPAT	(1.6)	(3.7)	56.0%
NPV trail movement	(3.4)	(4.9)	31.1%
Restructuring/ non-recurring costs	(0.2)	(1.2)	83.5%
Cash Basis ¹	1H16	1H15	Δ
Cash revenue	32.6	35.4	(8.0%)
Cash gross margin	10.5	12.2	(13.9%)
Cash operating EBITDA ²	3.7	4.0	(6.1%)
Cash profit after tax	1.7	1.2	45.9%

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

(\$m)	1H16		
	Continued Operations	Discontinued Operations	Total
Total revenue	30.1	2.2	32.2
Gross margin	7.2	0.8	8.0
Other interest	0.0	0.0	0.1
Total expenses	(9.4)	(0.6)	(10.0)
Profit before income tax expense	(2.2)	0.2	(2.0)
Income tax expense	0.6	(0.0)	0.6
Profit after income tax	(1.6)	0.2	(1.5)
Gain on disposal before income tax	-	2.0	2.0
Income tax expense	-	(0.6)	(0.6)
Gain on disposal after income tax	-	1.4	1.4
Profit/(Loss) after income tax	(1.6)	1.5	(0.1)

Balance Sheet

1H2016

(\$m)	31 Dec 15	30 Jun 15
Assets		
Cash	1.7	7.3
Receivables	3.3	2.6
Loans and advances to customers	-	130.4
NPV of trail commission income	126.8	129.4
Property, plant and equipment	0.3	0.5
Intangibles	20.1	20.0
Total assets	152.2	290.2
Liabilities		
Payables	2.5	3.6
Warehouse and other funding	0.0	127.0
NPV of trail commission expense	81.4	80.6
Borrowings	47.7	58.3
Provisions	0.6	0.7
Deferred tax	4.9	4.9
Total liabilities	137.2	275.1
Net Assets	15.1	15.0

- \$10.6m reduction in corporate net debt during 1H16
- NPV net asset decreased by \$3.4m
- Sale of assets in Firstfolio Capital

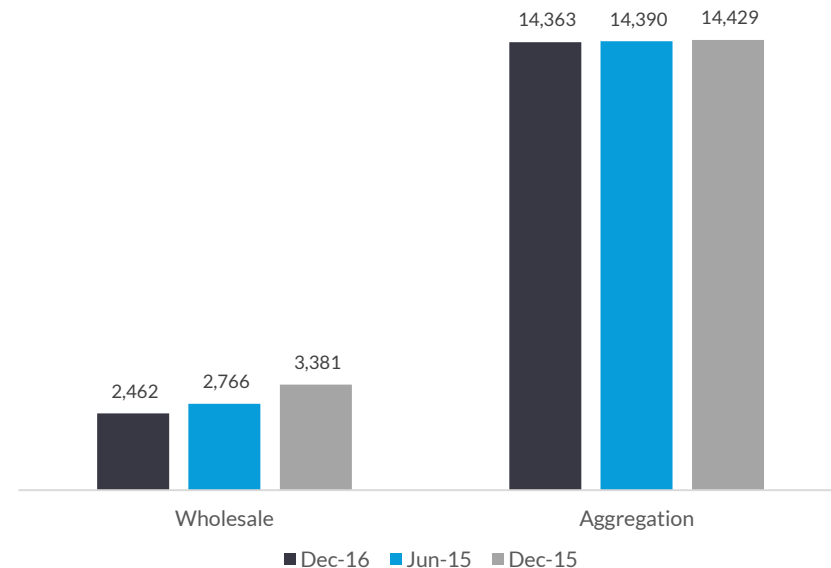
Mortgage Book

1H2016

- Loan book run off was up to 4.7% in 1H16, from 3.9% pcp
- The Wholesale and Aggregation run off was 23.8% and 0.46% in 1H16 respectively (1H15: Wholesale 18.6% and Aggregation 0.14% growth)
- Loan life is decreasing year on year, where new settlements have a higher life than existing loans
- Loan book composition impacted by settlement mix and an aging wholesale loan book in run off
- The weighted average net margin is significantly higher for wholesale loans that are 60+ months old
- Loans settled prior to FY12 comprise of 50% of the loan book

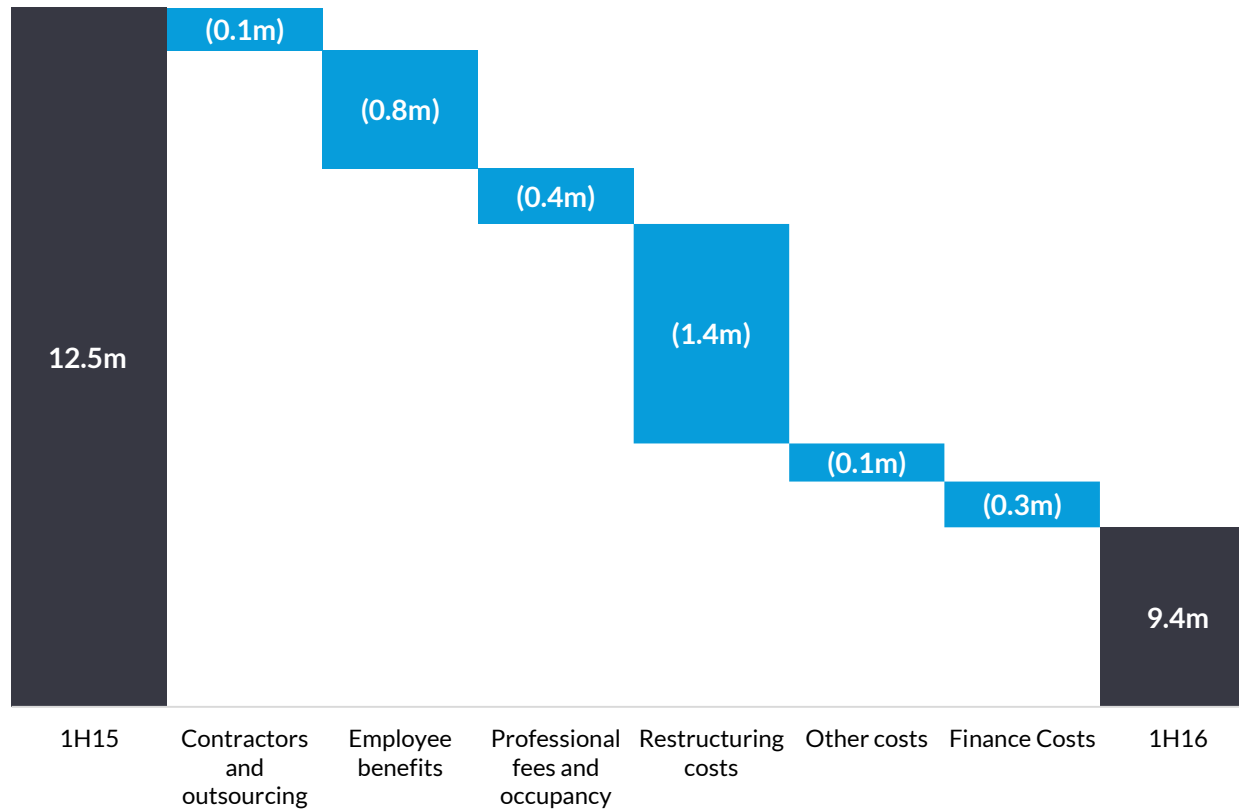
Year	Loan life (years)	
	New settlements	Existing loans
2015	4.9	3.8
2014	5.4	4.2

Mortgage book composition



Operating Costs

1H2016



- \$3.1 decline in operating costs compared to 1H15, driven by the major restructuring undertaken in FY15
- Cost initiatives in the areas of consultancy, contractors, and occupancy are expected to continue in the second half

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