



Chairman's AGM Address

Good morning all

2015 was a transformational year in the history of Pepper Group. Our listing on the Australian Securities Exchange signified our move from a highly entrepreneurial, profitable and fast growing, privately owned business to a successfully listed public company.

Pepper's business model, loan book and client relationships have been built over 14 years. Through all the change experienced by Pepper in the past year, the essence of our business has not changed.

We offer a unique, diversified, global portfolio of financial services including Lending and Asset Servicing across the residential and commercial property sectors - as well as in consumer, auto and equipment finance.

As a people focused lender, we specialise in flexible loan solutions based on individual credit assessment. It enables us to support many borrowers who fall outside the credit criteria of the major banks. As a third party servicer, we administer loan books on behalf of other banks and financial institutions – when they don't have the capacity or desire to manage them in house. We step in, using our own processes or expertise to administer loan payments or manage the arrears and recovery process.

Pepper's strong growth platform is delivering for shareholders

At this, our first Annual General Meeting, it is worth reflecting on the strong, consistent growth we have experienced since the global financial crisis:

- Our combined Assets Under Management has grown from \$4 billion in 2012 to \$45.5 billion at the end of 2015.
- We have expanded our operations such that we now operate in 6 countries around the world, even though we are best known as a residential mortgage provider in Australia.
- Our total income is now \$307 million per annum, a compound annual growth rate of 55% since 2012.

As a business, we are diversified across capabilities, asset classes and geographies – a feature that gives us confidence for future growth.

The 2015 financial result was ahead of prospectus forecasts

In 2015, our financial result exceeded the forecast we outlined in our prospectus by 3.4% and up 38% on the equivalent 2014 result. Pepper reported a statutory profit of \$3.4 million and an adjusted Net Profit After Tax of \$48.6 million.



Underpinning this strong result were the record mortgage originations in Australia and the significant wins in offshore asset servicing that boosted our AUM. Importantly, Pepper continued to invest in new business opportunities that are expected to fuel growth in coming years.

Your Directors declared a 3 cents per share, fully franked, final dividend for the 6 months to 31 December 2015 which was paid in April.

Subject to future business conditions, available profits and franking credits and the financial position of Pepper, it is the current intention of the Board to increase dividends broadly in line with the growth in Adjusted NPAT.

Overall, Pepper is in a strong financial position with net cash on balance sheet of \$225.8 million and pro forma net assets of \$409.4 million as at 31 December 2015. This equates to a net book value of \$2.26 per share.

The listing provided the group with capital to fund future growth in an efficient and flexible manner as opportunities emerge both in Australia and offshore.



Pepper is a business with strong fundamentals

We're growing strongly in residential mortgage, consumer lending and servicing and we believe we can continue this momentum as regulatory conditions and financial markets remain conducive to expansion.

Our growth is coming from greater penetration in the lending markets in which we operate, some opportunities in new markets and through the deep relationships we hold as a leading independent, pan-European player in the asset servicing business.

In addition, Pepper's global management team has deep operational expertise; a track record of delivering through the cycle and a demonstrated commitment to the business.

Finally, I would like to take this opportunity to thank the Board of Directors, the Executive Committee and all employees at Pepper Group, both in Australia and worldwide for the role they each played in making Pepper the business it is today.

Thank you

Seumas Dawes
Chairman