HEAD OFFICE
6b Pacific Rise, Mt Wellington
P) 0800 800 133 F) 09 573 5380

Geneva Finance Limited- Half Year Results

29 November 2019

COMMENTARY

Trading Performance

The group pre-tax profit of $2.3m down 19% on last year was disappointing. The half year result was impacted by the restructure costs associated with our debt collection and Invoice factoring businesses. We consider that these businesses are now positioned to generate ongoing profits for the group.

Geneva Financial Services' (GFSL - The lending business) pretax profit result of $2.4m was down on last year by 25%, this was anticipated in the budgets as the company re-focuses its lending profiles to lower risk, resulting in lower volume growth in the short term. This has impacted the profit in comparison to last year by a reduction in profit margins and increased introducer commission payments.

Quest Insurance Group Limited (Quest): Reported profit of $0.7m was 65% up on prior period. Gross written premium of $6.4m was 26% up prior period premium written. The increase in premium growth came from the Quest direct channel (+57%) and the Janssen channel (+28%).

Stellar Collections (Stellar): Stellar reported a profit of $0.2m for the period, $0.1m up on the prior year profit. The result is net of the restructure costs referred to above.

Geneva Capital: (Invoice Factoring), reported a loss of $0.3m for the period. During the period we took control of the minority interest portion (30%), restructured the operation, lowering operating costs and reworked the pricing model to increase yields.

Federal Pacific Tonga (60% owned by the group) reported a profit of NZD $0.6m, level with last year.

The after tax unaudited financial result for the period was a profit of $1.5m down $0.7m (33%) on the $2.2m after tax profit reported in 2018. The after tax loss reflects the increase in the tax rate from 13% last year (as the last of the group's tax losses were recognised in the financial statements) to 27% this year. These tax charge(s) are non cash items as the group still has tax losses available for offset against the current year profits.

Balance Sheet

Total group assets increased to $123m (8% increase). The company's equity to total assets ratio is 23.8% vs 25% prior year.

Revenues

Revenue increased by 20% to $15.2m, insurance revenue is the main reason for this increase.

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Operating Costs	Operating costs increased by 26% to $7.7m mainly due to insurance operating costs, lending acquisitions costs and costs associated with the restructure of Stellar and the invoice factoring businesses.
Funding	The group maintained its three sources of funding components during the period: a. The securitized current funding facility of $60m was drawn to $58m. The annual review for this facility was completed and the facility will increase to $70m. b. Stellar's banking facility remained unchanged at $3.4m, the facility's term was extended to 30 October 2020. c. Professional investor debt funding increased to $14.5m. This debt funding includes loans from directors.
Credit Rating	The group's insurance company, Quest Insurance Group Limited credit rating issued by AM Best remained unchanged being a Financial Strength Rating of B outlook stable and an issuer credit rating of bb+ outlook stable.
Highlights / Key Events	• Quest premium Sales increased by 26% to $6.4m • Revenue grew by 20% to $15.2m • Total group assets increased by 8% to $123m
Events Subsequent to Balance Date	The board is pleased to announce that the interim dividend of 1.25 cents per share will be paid on 30th December 2019. The ex-dividend date being 20th December 2019.
Strategic Direction	The primary focus is to continue the development and implementation of the sales and lending platforms of the trading businesses, including the group IT infrastructure, the new invoice factoring system, Quest's inhouse claim management system and Stellar's debt collection software.
Summary and Outlook	Despite a disappointing half year result, the group remains in a strong position to build on the core infrastructures that it has in place in the four trading businesses. The changes that have been made were necessary for the long term benefit of the group and our focus remains on continuing to deliver the profit growth we have enjoyed over the last five years.

END

For further information, please contact:

David O'Connell, Chief Executive Officer

0800 800 132