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# Lodgement of Open Briefing®

Customers Limited
Unit 2, 148 Chesterville Road
Cheltenham, VIC, 3192

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**Title:** Open Briefing®. Customers. MD & CFO on Capital Return

**Record of interview:**

**corporatefile.com.au**
Customers Limited today announced a proposal to make a capital return of 8 cents per share, subject to a favourable class ruling on its tax treatment from the Australian Tax Office. Why have you decided on a capital return rather than other forms of shareholder payment such as dividends?

**MD Tim Wildash**
We've always wanted to reward our very supportive shareholders. The funds realised from exiting our Asian investment and our interest in Strategic Payments Services (SPS), together with our low level of gearing, have given us the capacity to do that. In total, we'll distribute about half our return on these investments – $10.7 million – to our shareholders. Given the strong monthly cash flow generation of the business, we don't need cash right now, so we're keen to return these funds to shareholders as long as it's tax effective.

**CFO Peter Campigli**
As shareholders would be aware, we finished the June 2009 year with retained losses, which limits us somewhat in terms of paying dividends immediately. Following a review of our capital requirements, the board believes it's in our shareholders' interests to go down the capital return route first.

**corporatefile.com.au**
How might the capital return impact your ability to pay dividends in the current year and going forward?

**CFO Peter Campigli**
These are two separate issues: the capital return will not impact our ability to pay dividends.

This financial year as we continue to generate profits, we'll be able to move to paying "traditional" dividends out of current year profits. It's our intention to pay interim and final dividends, with the interim dividend partially franked and the final fully franked.

**corporatefile.com.au**
What is the intended level of your dividend payout?

**CFO Peter Campigli**
This year, which is the transitional year, we're looking at a 50 to 60 percent payout of earnings subject to finalisation of some of our strategic growth initiatives. Next year we'd expect the payout to be a bit higher.

**corporatefile.com.au**
How do you justify a higher dividend payout given your growth ambitions for the company?

**MD Tim Wildash**
We're confident our strategic plan for the next three to five years will deliver some exciting revenue opportunities and they won't necessarily require a lot of capital. All our current initiatives can be comfortably funded out of operating cash flows. We're already delivering under the plan: we've signed Bendigo and Adelaide Bank, we've signed a better deal with BP Australia, and we're confident of securing several other deals in the next months.

We're in a really strong position, and that absolutely reflects all the work we've undertaken over the last couple of years to restructure the business. We tick all the boxes with the prudential authorities, and we're the only independent ATM provider to have our own bailment facility and the only one to have bank branding. We're excited about the opportunities available to us to work with financial institutions and other major companies around Australia.

**corporatefile.com.au**
The proposed total capital return of $10.7 million compares with your cash in hand of $8.0 million as at the end of June. What were your main criteria in deciding the size of the capital return? What level of cash will you have post the return?

**CFO Peter Campigli**
The main criterion was the capital freed up from the divestment of our non-core investments. Our level of cash has increased significantly since 30 June, and we're certainly not borrowing to make the capital return. Post the return we'll still have a significant cash balance.

**corporatefile.com.au**
You've indicated that your target level of gearing is debt to equity of no more than 30 percent through the cycle. Gearing was 18 percent as at the end of

June 2009, down from 31 percent a year earlier. In light of the capital return, how do you expect gearing to trend in the nearer term?

**CFO Peter Campigli**
We'd expect gearing to be below the target level, the only exception would be if we identified a number of attractive strategic opportunities at the one time. Our board has focussed intensely on debt reduction over the last 12 months and as a rule our gearing should remain very conservative.

**corporatefile.com.au**
RBA statistics on cash withdrawals from "foreign" ATMs show monthly transactions down an average of 17 percent since March, when Direct Charging was introduced. Can you comment on the recent trend in Customers' transaction numbers and how it compares with your expectations?

**MD Tim Wildash**
In the week after Direct Charging was introduced, our transactions were down 12 to13 percent compared with levels before Direct Charging. That drop is gradually narrowing over time and our transactions are now at about 90 percent of their level directly prior to the introduction of Direct Charging. Pleasingly, this is absolutely in line with our expectations.

The interesting thing is that among the banks, foreign transactions are down somewhere in the range of 25 percent. We think that's because banks tend to concentrate their ATMs in well frequented areas such as large shopping malls or busy business centres. In those locations customers who don't want to pay the $2 convenience fee can easily walk to an ATM owned by their own bank. This is totally different from our locations, where we're the exclusive ATM provider: people would have to leave the venue to find an ATM owned by their bank. We offer pure convenience, and anyone thinking about saving $2 was probably never our customer in the first place.

That our market is different from that of the banks is also illustrated by the fact that we haven't been impacted by the new partnership up between NAB and rediATM, which has had a significant marketing push over the last two months.

**corporatefile.com.au**
In August you indicated you expect "continued growth" in EBITDA in the current year ending June 2010. Year to date, how are earnings tracking versus this expectation?

**CFO Peter Campigli**
Earnings are in line with our budgets, and we're now moving into what are traditionally the better months for the business, with the period from the Spring racing carnival through to Christmas our strongest from both an operational and profitability perspective.

We'll provide a trading update at the time of our AGM in late November.

**corporatefile.com.au**
Thank you Tim and Peter.

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For more information about Customers, visit www.customers.com.au or call Rohan Martin, Manager Corporate Affairs, Customers Ltd, (+61 3) 9090 4745

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