Firstfolio Limited

Full year results 2012

FIRSTFOLIO™

Disclaimer

This document has been prepared by Firstfolio Limited ("**Firstfolio**") and comprises written materials/slides concerning Firstfolio. The material in this presentation is general background information about Firstfolio and is current at the date of the presentation. It is information given in summary form and does not purport to be complete. All statements are based on the Company's best information as at the date of the presentation and Firstfolio has not independently verified the information contained herein.

This presentation is for information purposes only and does not constitute or form part of any offer or invitation to acquire, sell or otherwise dispose of, or issue, or any solicitation of any offer to sell or otherwise dispose of, purchase or subscribe for, any securities, nor does it constitute investment, legal, tax or accounting advice or recommendations, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision.

Potential investors should not rely solely on the information contained herein prior to making any investment decision. Investors should seek independent advice from a properly qualified advisor, giving regard to their own personal circumstances, prior to forming any investment decision.

This document contains certain statements (including indications of and guidance on future earnings and performance, projections, estimates and opinions which can be identified by the fact that they use words such as "anticipate", "estimate", "expect", "project", "intend", "plan", "budget", "believe", "target", "may", "assume" and words of similar import) concerning the anticipated future performance of Firstfolio ("**Forward Looking Statements**"). These Forward Looking Statements may involve significant elements of subjective judgment and assumption as to future events which may or may not be correct. None of these Forward Looking Statements is a guarantee or representation as to future performance or any other further matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside the control of Firstfolio.

Accordingly, Firstfolio's actual results, performance and prospects could differ materially from that expressed in or implied by the Forward Looking Statements. No representation or warranty, express or implied, is made by Firstfolio that the Forward Looking Statements contained in this announcement are accurate, complete, reliable or adequate that they will be achieved or prove to be correct. Except for any statutory liability which cannot be excluded, each of Firstfolio, its respective officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the Forward Looking Statements and excludes all liability whatsoever (including in negligence) for any direct or indirect loss or damage which may be suffered by any person as a consequence of any information in this release or any error or omission therefrom.

All references to dollars, cents or $ in this presentation are to Australian currency unless otherwise stated.

Agenda

- Summary of 2012
- Overview of Firstfolio businesses
- Demand, revenue and loan book
- Margins, costs and operating earnings
- Funding and balance sheet
- Strategy and outlook

Summary of 2012

- Revenue up 17.7% to $104.7 million
- Operating EBITDA down 2.4% to $15.2 million
- Acquisition of Calibre (Firstfolio Capital)
- Reported EBITDA up 13.9%
- NPAT down 49.5% to $3.2 million
- EPS down 50.2% to 0.42 cents
- Net interest cover 2.7 times
- No dividend declared

$'000	FY 2012	FY 2011	% Chg
Revenue	104,718	88,952	18%
Gross Margin	37,671	36,736	3%
Gross Profit Margin (%)	35.1%	41.3%	
Operating EBITDA	15,240	15,618	(2%)
Operating EBITDA Margin %	14.6%	17.6%	
Acquisition and Restructuring Expense	2,687	3,720	(28%)
Write-back of deferred consideration	(1,000)	-	nm
Share Based Payments (Non Cash)	132	110	20%
Reported EBITDA	13,421	11,788	14%
Depreciation	911	426	114%
Amortisation	4,114	3,588	15%
EBIT	8,396	7,774	8%
Net Finance Costs	4,971	3,320	50%
Deemed interest on deferred payments	548	1,050	(48%)
Profit Before Income Tax	2,877	3,404	(16%)
Income Tax Benefit	364	3,008	(88%)
Profit After Income Tax	3,241	6,412	(50%)
EPS (diluted) - cents	0.42	0.85	(50%)

Summary of 2012

- Acquisition of non-bank lender Calibre Financial Services (“Calibre”) provided revenue growth
- Stable revenue and operating EBITDA in the existing businesses; revenue up 0.8%
- Loan book stable at $19.9 billion; Calibre added $338 million at acquisition
- Firstfolio mortgage settlements up 5.9%
- Operating EBITDA down 2.4% to $15.2 million on lower margins
- Higher depreciation, amortisation and interest expenses, and lower tax benefits than FY11
- NPAT down 50% to $3.2 million
- Mortgage market remains subdued (credit growth); industry margin pressure continues

Overview of Firstfolio

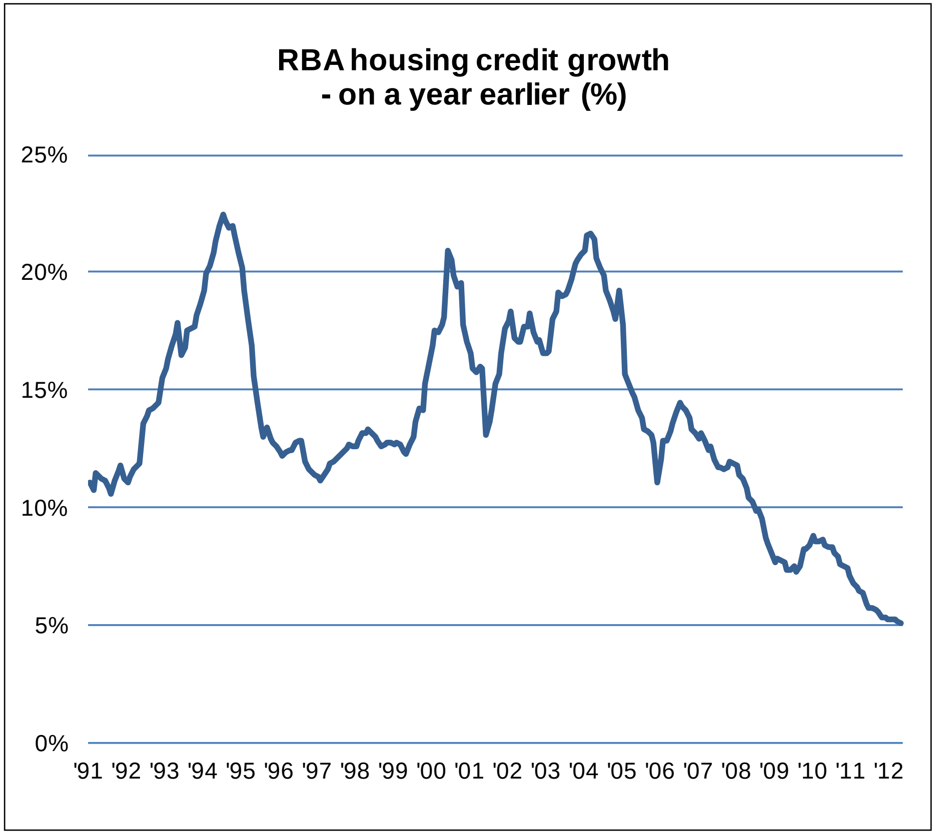
	Intermediary Activities		Non-Bank Activities	
	Aggregation	**Mortgage Broking**	**Mortgage Wholesalers and Managers**	**Calibre (Firstfolio Capital)**
Product	Provide mortgage brokers with: • Access to loan products from a range of banks and NBFIs • Support services (including IT and compliance)	• Home loan matching and selection of services for borrowers. • Assistance throughout application process.	• Arranges loan products from wholesale lenders to branded products for FF and per client requirements. • Provides end-to-end loan management services.	• Access to wholesale capital markets through bank supported warehouse facilities and bond issuance to debt capital markets. • Trust management services.
Brands	FIRSTFOLIO AGGREGATION FIRSTFOLIO-ONE	eChoice Club Financial Services	myrate National Finance Club LJ Hooker	Internal Firstfolio Capital Finance
Clients	Residential property owners and investors	Residential property owners and investors	Internal and external B2B clients	Residential and non residential
Suppliers	All major providers including FF wholesale products	All major providers including FF wholesale products	ING, Advantedge, Adelaide Bank	Funding from banks and institutional fixed income investors
LUM	$9.3 billion	$5.5 billion	$4.8 billion	$0.3 billion
Volume	$140-$170m per month	$40-$70m per month	$60-$90m per month	$15-$25m per month

Overview of Firstfolio

Aggregation and Broking	Wholesale	Calibre (Firstfolio Capital)
70,000 loans	30,000 loans	1,100 loans
$14.8 billion in loans	$4.8 billion in loans	$0.3 billion in MUM
Over 1,700 brokers	Over 800 brokers	22 mortgage managers
89 lenders	11 lenders	One funder

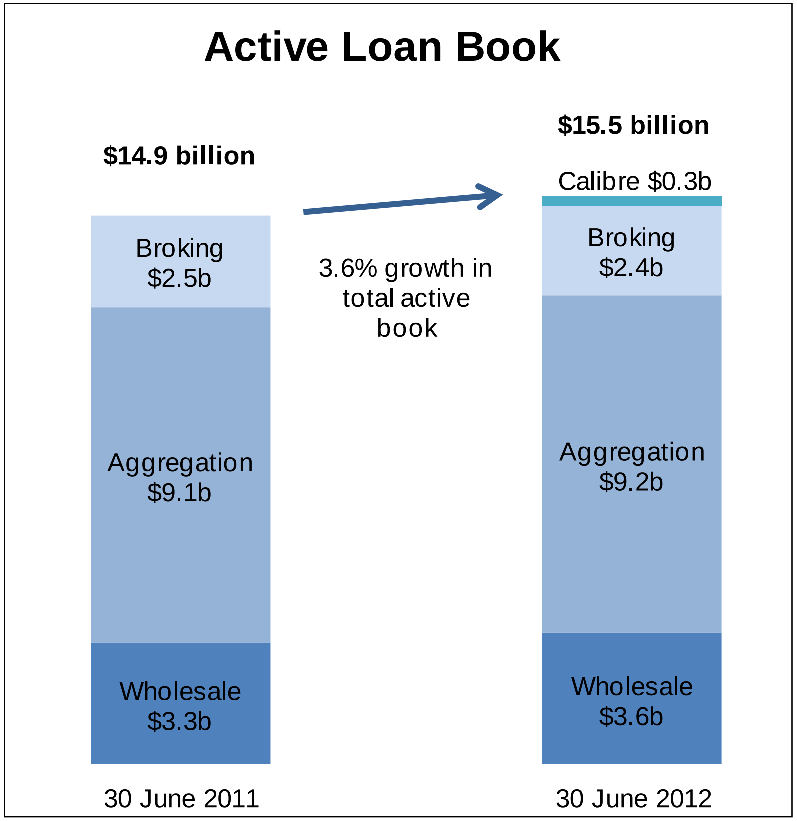
Demand and revenue

- RBA housing credit growth (system) grew by 5.1% in FY12
- Lowest rate since inception
- 10-year average growth 12.3%
- Refinancing presents challenges for origination and retention
- Mix changes affecting margins
- Pressure on industry margins continues



Loan book

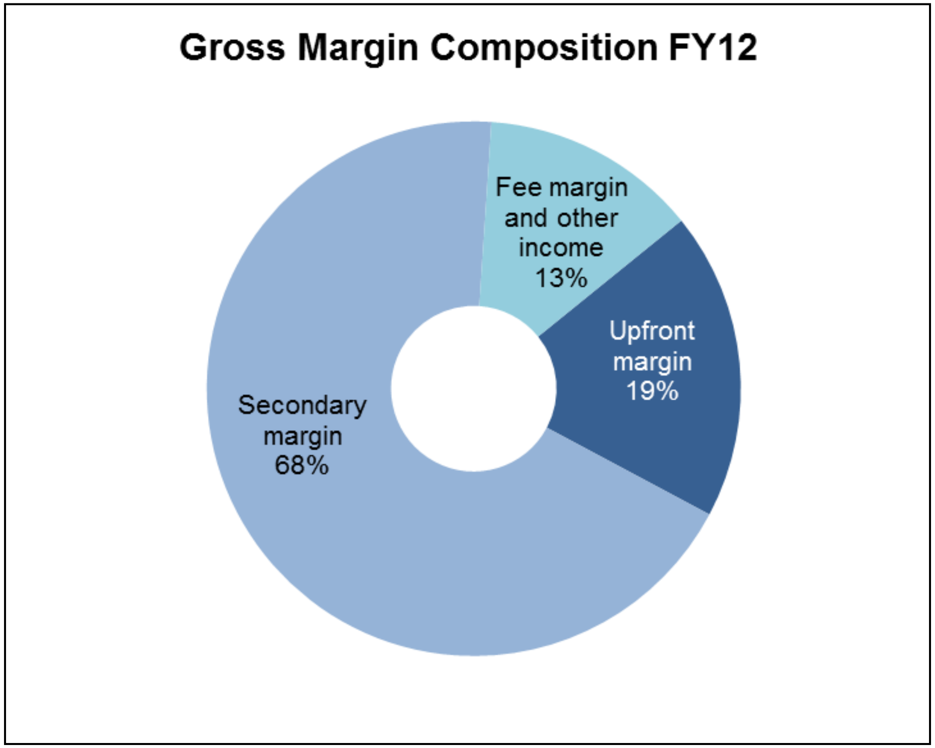
- Loan book stable at $19.9 billion
- Active book grew 3.6% to $15.5 billion
- Settlement volumes in mortgage origination business up 5.9%
- Inactive book down 11.4% to $4.4 billion
- Calibre loan book acquired $338m
  - Calibre met earnings expectations
  - Calibre loan growth held back by tight credit market - RMBS



FIRSTFOLIO

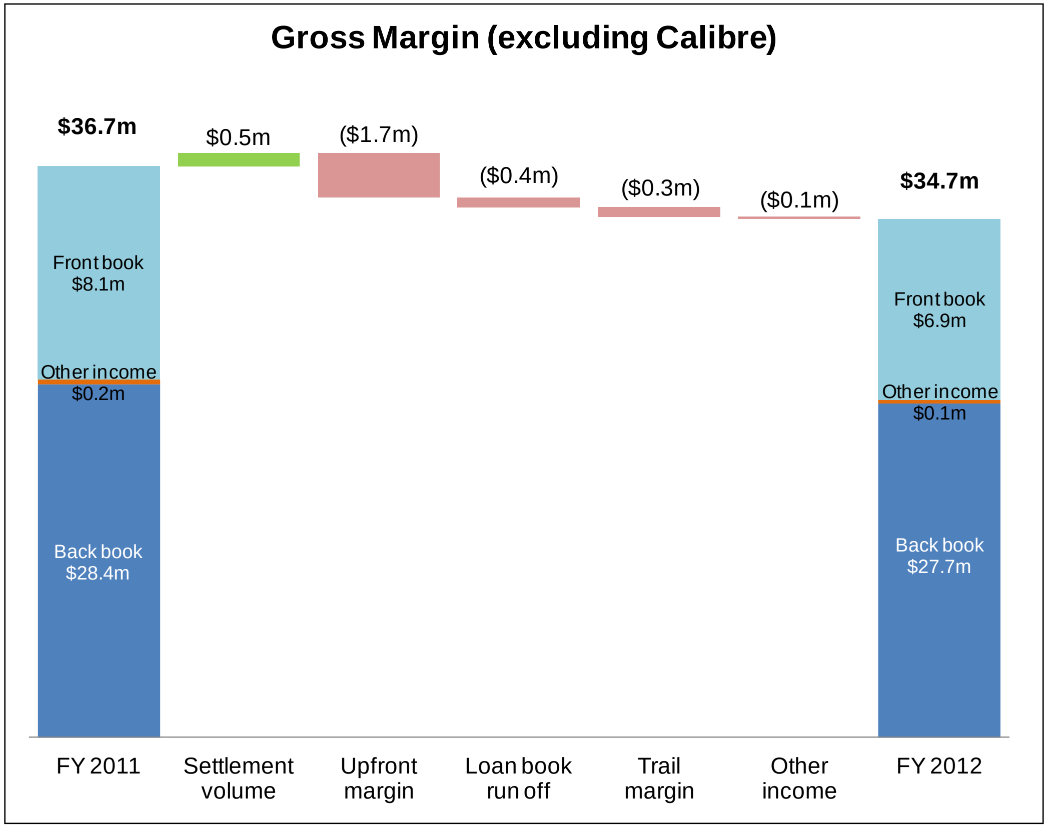
Margins

- Gross margin up 2.5% to $37.7m but below the 5.9% growth in new loan settlements
- Upfront margin represents one-fifth of gross margin
- Secondary (trail commission) represents two-thirds of gross margin
- Gross margins are after commissions paid to brokers
- Upfront margin is under pressure



Margins

- Gross margin 35.9% of revenue versus 41.2% in FY11
- Mix change away from higher margin wholesale – less upfront commission
- Industry commissions under pressure in recent years and remain so
- Operating EBITDA margin 14.6%; 17.6% in pcp



Costs

- Operating costs up 6.2% - of which 5.9% is the contribution of Calibre costs
- Restructuring and offshoring lowered staffing costs in the last quarter
- Some mortgage application processing outsourced
- Improvement in cost and turnaround late in the year
- Reduced acquisition costs in FY12
- Higher depreciation and amortisation charges, mostly due to acquisitions
- Management focus remains on efficiency and productivity

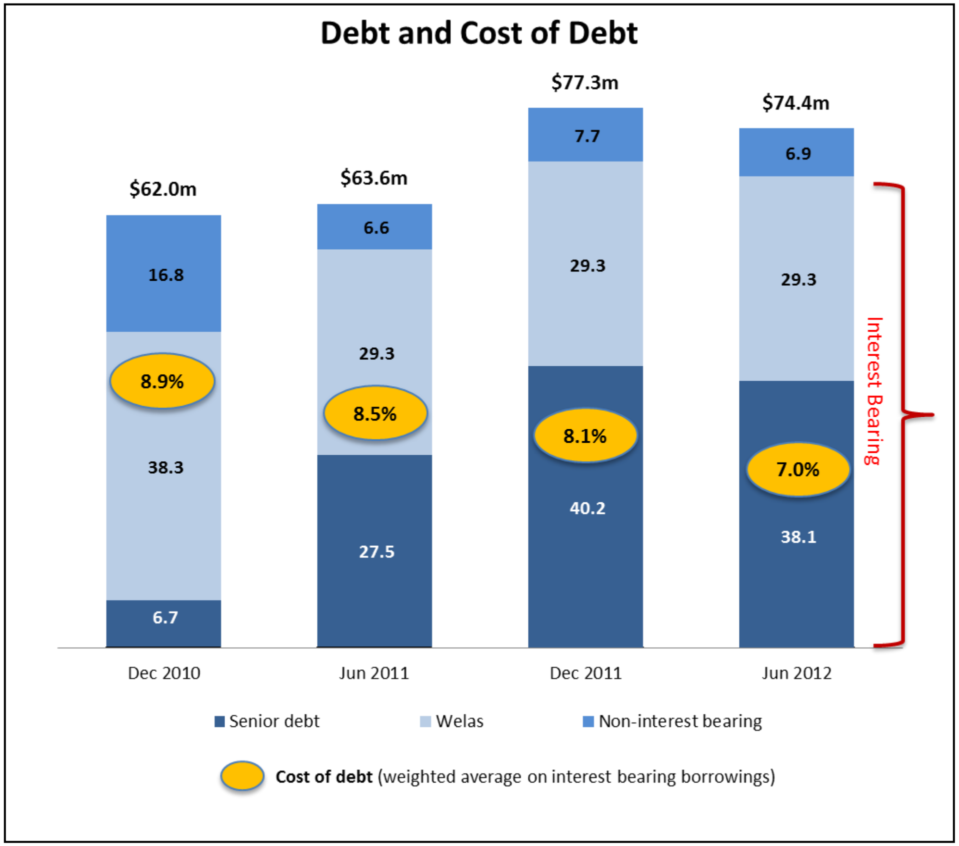
Operating EBITDA

- Operating EBITDA is an indication of underlying performance
- Adjusted for acquisition costs, restructuring and one-offs
- Acquisition costs declining
- FY12 write-back of deferred consideration on 2009 acquisition $1.0 million
- Reduced income tax benefit but still an important factor

Results $'000	FY 2012	FY 2011
Reported EBITDA	**13,421**	**11,788**
Acquisition costs	1,610	1,971
Restructuring/non-recurring costs	1,077	1,749
Share-based payments (non-cash)	132	110
Write-back of deferred consideration	(1,000)	-
Operating EBITDA	**15,240**	**15,618**
Depreciation	(911)	(426)
Amortisation	(4,114)	(3,588)
Net finance costs - actual cash payments	(4,971)	(3,320)
Underlying profit before income tax	**5,244**	**8,284**
Reconciliation to NPAT		
Acquisition costs	(1,610)	(1,971)
Restructuring/non-recurring costs	(1,077)	(1,749)
Share-based payments (non-cash)	(132)	(110)
Write-back of deferred consideration	1,000	-
Notional funding cost of deferred consideration	(548)	(1,050)
Profit before income tax	**2,877**	**3,404**
Income tax benefit	364	3,008
Profit after income tax	**3,241**	**6,412**

Interest and debt

- Net interest up 50% to $5.0 million
- Net debt $64.3 million
- CBA secured senior debt $37.8 million (exc. accrued interest)
- Unsecured debt $29.3 million
- Roll off of non-interest bearing vendor loans
- FY12 EBITDA interest cover 2.7 times
- Westpac warehouse funding for Calibre renewed to 31 Oct 2012
- No dividend declared



Balance sheet

$'000	30 June 2012	30 June 2011
Cash	11,480	3,473
Intangible assets		
Goodwill	49,226	48,334
Contract rights	24,553	20,080
Software and websites	3,405	1,407
Intellectual property	19,190	19,190
Other	299	276
	96,673	89,287
Loans and advances	286,967	-
Other assets	18,735	16,732
Total assets	**413,855**	**109,492**
Debt	74,409	63,618
Warehouse and funding		
Warehouse notes	245,283	
Bond fund notes	45,460	
	290,743	-
Other liabilities	9,726	10,268
Total liabilities	**374,878**	**73,886**
Net assets	**38,977**	**35,606**
Shares on issue (m)	**769.9**	**758.6**

- Intangible assets at 30 June 2012 of $96.7 million
- Include goodwill on acquisition, contract rights, software and intellectual property
- Reviewed for impairment based on the current business plans, historical activity levels and average inflation rates
- 10.4% discount rate (FY11: 12.2%)

Strategy and outlook

- The overall level of Australian mortgage activity remains subdued – record low housing credit growth
- Pressure on Australian margins evident in the last five years has continued
- Revenue and earnings will be influenced by, among other factors, the level of activity in Australian housing finance sector and the margins available
- Firstfolio will continue to focus on costs and productivity
- Michael Coomer appointed in July - technology and strategy
- Review of corporate strategy and options to improve shareholder value
- The results of the strategic review will be reported to shareholders in the December quarter

Appendix: Cash flow and tax

Operating EBITDA to Cash flow	FY 2012	FY 2011
Operating EBITDA	**15,240**	**15,618**
Less:		
Net finance costs (actual cash payments)	(4,971)	(3,320)
Acquisition costs	(1,610)	(1,971)
Restructuring	(1,077)	(1,749)
Taxes paid	(1,456)	(168)
Non cash interest margin income	(1,021)	(55)
Changes in operating assets and liabilities	2,589	29
Cash flows from operating activities	**7,694**	**8,384**

Tax assets	FY 2012	FY 2011
Tax losses (incl. RTFI)	8,282	3,486
Property, plant and equipment	(89)	138
Employee benefits	271	322
Accrued expenses	531	701
Other	176	165
Rights to Future Income	(4,605)	5
Total deferred tax asset	4,567	4,817