

ASX/MEDIA RELEASE
Sydney, 31 August 2016
OPERATING AND FINANCIAL REVIEW FOR 2016 FULL YEAR
Overview

DirectMoney (ASX:DM1) is Australia's only listed, online marketplace lender. We believe a technology-enabled marketplace is a far more efficient mechanism to bring together borrowers and investors than the traditional banking system. DirectMoney substantially reduces the need for physical infrastructure, reduces transaction costs and provides online and mobile convenience improving the overall borrower and investor experience.

DirectMoney's vision is to become Australia's most respected and innovative online marketplace lender accounting for a growing share of the \$90 billion unsecured consumer credit market and grow to having \$500+ million of loan assets under management.

Chief Executive Peter Beaumont described the year as "one of establishment and significant achievement, consistent with the Company investing to achieve its vision and delivering on a mission of offering personal loan borrowers and investors a far better deal than that offered by traditional financial institutions. There continues to be huge opportunity to disrupt the personal loan market with technology - the journey has just begun".

Key Company highlights include:

- **Revenue growth of 171% compared to prior year**
- **Loan originations growth of 77% compared to prior year**
- **Losses of \$3.8 million, excluding significant one-off items, in line with expectations as the Company continues to invest to gain competitive advantage**

This release provides commentary on the operational achievements and financial results for the Company during the financial year to 30 June 2016 and provides an update on the Company's strategy and immediate priorities.

Financial results and operational achievements

DirectMoney Limited reported a net loss after tax of \$7.9 million for the full-year ended 30 June 2016. This result includes costs related to the purchase of DirectMoney Finance Pty Ltd and the \$11.3 million capital raising conducted by the Company in July 2015 and \$0.5 million in one-off fees paid in relation to loan funding. At 30 June 2016 the Company was managing approximately \$12.8 million of personal loans assets and held \$7.6 million of personal loan assets on its balance sheet.

Table 1. Key financial results

FY2016	Reported	Excluding significant one-off items ¹
Revenues from ordinary activities	\$1.2 million	\$1.2 million
Loss before income tax	\$7.9 million	\$3.8 million
Earnings per share	(3.0) cents	(1.4) cents

FY2015 ²	Reported	Excluding significant one-off items ³
Revenues from ordinary activities	\$0.4 million	\$0.4 million
Loss before income tax	\$4.2 million	\$4.1 million
Earnings per share	(1.6) cents	(1.6) cents

1. Excludes one-off expenses related to the purchase of DirectMoney Finance Pty Ltd (\$2.7 million), the non-recurring capital raising costs conducted by the Company in July 2015 (\$0.9 million) and Macquarie Bank Limited's Funder Fee (\$0.5 million).
2. Comparative results reflect the operations of DirectMoney Finance Pty Ltd.
3. Excludes the one-off legal costs related to the purchase of DirectMoney Finance Pty Ltd (\$0.1 million).

Important operational achievements for the Company during the period include:

- Engagement with approximately 9,500 unsecured personal loan applicants;
- Writing \$11.2 million of new unsecured personal loans;
- Significant investment in the delivery and enhancement of the Company's proprietary end-to-end technology platform;
- Updating the Product Disclosure Statement for the **DirectMoney Personal Loan Fund** in conjunction with the Responsible Entity, One Managed Investment Funds Limited. The Fund is open to retail and wholesale investors and provides a straightforward means of investing in pools of unsecured personal loans. The Fund returned 7.7% to investors net of fees and credit provision during the year ended 30 June 2016;
- Establishing agreements with 10+ broker aggregators including leading aggregator firms AFG, Loan Market, Finsure and the McMillan Shakespeare entities National Financial Choice and United Financial Services;
- Accrediting 500+ brokers with the capability to introduce loans to the Company and supporting this process via an integrated, web-based on-boarding portal;
- Raising equity capital of \$11.3 million (before costs) in July 2015; and
- Selling \$5 million of loans to Macquarie Bank in February 2016.

Revenue

The Company generated revenue of \$1.2 million in the year. Revenue was derived from interest earned on loans held on balance sheet, crystallisation of loan establishment and other fees, fees earned from servicing loans sold to third parties and ongoing fees from borrowers related to late payments.

In February 2016 the Company sold a \$5 million loan portfolio to Macquarie Bank Limited which provided the Company with cash for additional lending and crystallised revenues from loan establishment fees and broker fees included in the loan principal amounts. The Company did not complete any material loan sales for the remainder of the year which had the effect of deferring revenue recognition related to loans held on balance sheet and delaying the release of cash for additional lending.

Expenses

The Group incurred operational expenses of \$5 million in the year, excluding costs related to the purchase of DirectMoney Finance Pty Ltd, the capital raising conducted by the Group in July 2015 and funder fees. These expenses arose from the Group's commitment toward building out its marketplace lending business, in particular the continued development of the web based, integrated, end-to-end platform for writing personal loans and building an ecosystem of partners and loan sales channels to support future growth.

The Company spent \$2.6 million on staff and contractor costs, increasing staff and contractor numbers during the year to approximately 20, adding capacity and skills in the critical areas of IT development, broker business development and loan processing.

The Company invested \$0.5 million in a range of marketing and advertising programs to support the DirectMoney brand, attract personal loan applications and attract applications for units in the **DirectMoney Personal Loan Fund**. The Company monitored the acquisition cost for loan applications and costs for loan settlements continually during the year and refined its marketing spending by channel regularly.

DirectMoney worked extensively with One Investment Group during the year to update the Product Disclosure Statement for the **DirectMoney Personal Loan Fund** and to enhance online access to the Fund for investors. The Company incurred \$0.3 million in legal and other costs related to the Fund reflecting the Company's commitment to the Fund as a key source of loan sales in the future and an attractive investment proposition for investors. The Fund generated a return to investors of 7.7%, after all costs and credit provisions, during the year ended 30 June 2016.

The Company recognised expenses of \$0.5 million in the period related to the \$5 million loan sale transaction to Macquarie Bank Limited and their ongoing advisory role.

Expenses relating to bad debts, doubtful debts and loss on sale of impaired loans recognised in the year totalled \$0.4 million, of which approximately 90% related to loans written in the period from October 2014 to February 2015. Significant adjustments to the Company's credit team and credit processes made during Q1 and Q2 2015 have materially improved the credit performance on loans written subsequently, which is reflected in the fact that of the 517 loans (\$11.2 million) written in the year, only approximately \$0.04 million have been provided for.

Strategy and outlook

DirectMoney's strategy to achieve its vision is centred on applying technology to grow loan volumes, differentiating our product offering, enhancing the overall customer experience and achieving the necessary scale economies to drive shareholder value. Growing loan volumes, which drives growth in assets under management, requires the Company to have well-established institutional loan sale channels operating in concert with the DirectMoney Personal Loan Fund.

The Company understands the dynamic and competitive nature of both the consumer lending business and the fin-tech segment. The Company is committed to responding quickly and appropriately to changing market conditions and commercial challenges as they arise.

To support the Company's growth ambitions the Company has recently undertaken a \$5.7 million Rights issue (July/August 2016) and has also recently welcomed a new Executive Chairman, John Nantes, to a key leadership position. The Company thanks former Executive Chairman Stephen Porges for his guidance in transitioning DirectMoney to a compliant public Company, leading the capital raising of \$11.3 million and setting the vision for our loan broker distribution channel which has proved successful. Stephen will remain on the Board in a non-executive capacity.

Mr Nantes brings over 20 years of experience in financial services to the Company. Prior to being the Chief Executive Officer of Adcock Private Equity, Mr Nantes was Group Head of Financial Services at Crowe Horwath, which held over \$10 billion in funds under management and was Australia's largest SMSF provider with over 10,000 funds. Mr Nantes has held various Chief Executive roles in financial services organisations and Senior Executive roles at St George Bank and Colonial State Bank.

Mr Nantes listed the key immediate priorities for the Company to be:

- finalising institutional loan sale facilities, which are currently in late stage negotiation and due diligence phase with several parties, to provide new loan funding for the Company and grow assets under management;
- continuing to market and develop sales channels for the DirectMoney Personal Loan Fund to provide new loan funding to the Company and grow assets under management;
- continuing the process of optimising our proprietary, integrated, end-to-end web-based loan processing platform, including rolling out customer facing initiatives to enhance user experience and leverage the Company's technology skill set;
- increasing the number of accredited brokers, introducers and referrers significantly to deploy new loan funding; and
- maintaining focus and discipline on achieving credit performance from the loan portfolio within the target parameters to support loan sales to the **DirectMoney Personal Loan Fund** and institutional investors.

In addition Mr Nantes and the Board have instituted a strategic review of the business to consider:

- The optimal product offering that will best support our vision and our positioning in the Australian market place short and long term;
- Our most appropriate organisational structure to enhance our capabilities, continue to manage business risk tightly and forward our growth initiatives;
- How to continually lead the disruption of lending practices to the betterment of our customers through technology, service and innovation; and
- The most appropriate remuneration and reward practices to make DirectMoney an employer of choice, aligning improved customer outcomes and profitability to shareholders with staff and Board key focusses and incentives.

Mr Nantes and the Board look forward to sharing the outcomes from this review as well as our overall business update at the Annual General Meeting scheduled for November 2016.

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