

Annual Results 31 March 2019

FE Investments Group Limited



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FE Investments Group Limited

Highlights

FE Investments Group Ltd (FEI) listed on the ASX is a specialist financial institution offering deposit taking and business lending.



Total Assets now \$78m

Increase of 13% since FY18

Business Loan Growth +62%



Receipt of Australian Financial Service Licence (AFSL)

Enables further expansion in Australia



Operating Revenue Growth +17%



Key Executive Appointments

Marcus Ritchie appointed as Group Chief Executive Officer

Andrew Pike appointed as Chief Operating Officer



FY19 NPAT (Profit normalised)

FY19 \$1,042k

FY18 Normlised Loss (\$1,903k)

(Improvement of +\$2.9M)



First Digital Marketing Campaign

Website traffic increased by 134%

Deposit applications up 97%

Lending applications up 600%

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Clear Path to Growth



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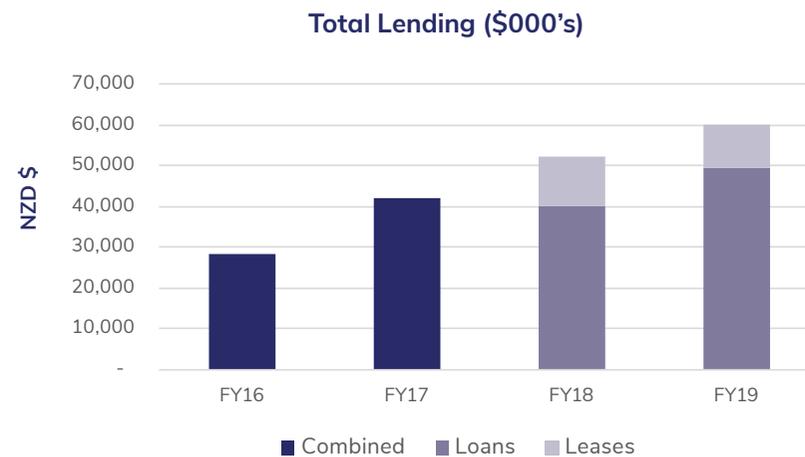
Lending Updates

- » Significant YOY Loan Growth of 16% from FY18
- » Business Lending grew by 62%
- » Growth from LeaseTech Leasing business will continue to enable diversity which grew by 11% to \$7.1m
- » FY19 growth driven by focussed customer penetration in targeted product segments;
 - » Auto sector equipment (+\$159%)
 - » Commercial (+69%)
 - » Medical Suppliers (+65%)



Note: FY16-FY17 pre merger.

Loan Summary	
MAR 19 (NZD)	
Total Loans	\$60.9m
Loan Size (Average)	\$12,000
Number of Customers	5,260
Loan Term (Weighted Average)	18 Months



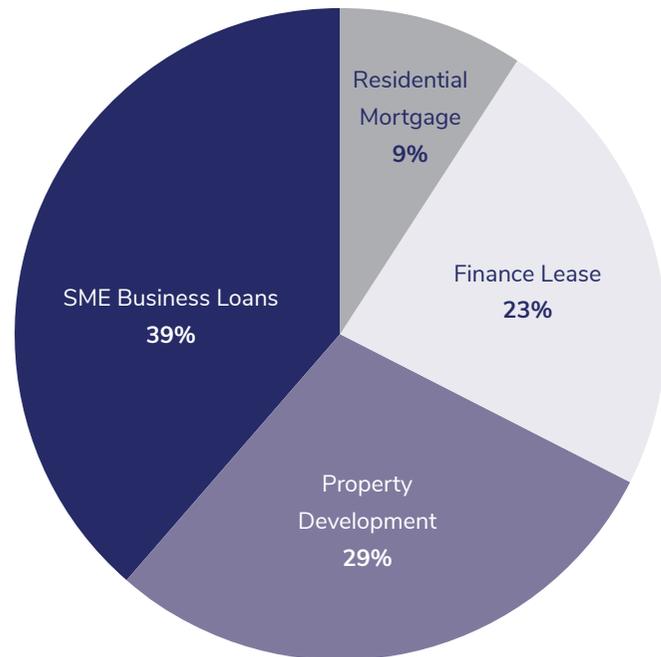
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Lending Breakdown

Core business products continue to grow, enabling exposure to FEI to increase customer diversity.

FEI expects continued Business Loan growth and Property to continue to reduce.

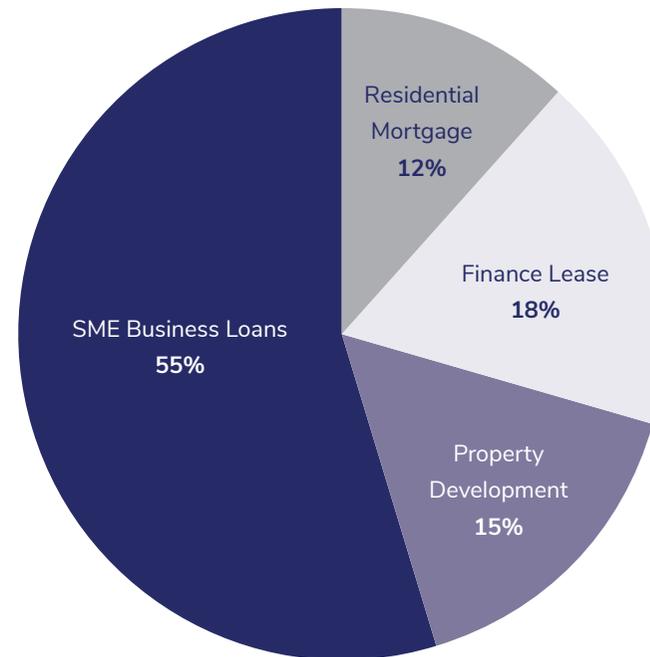
Loan Types as at 31 March 2018



FY18 \$52M



Loan Types as at 31 March 2019



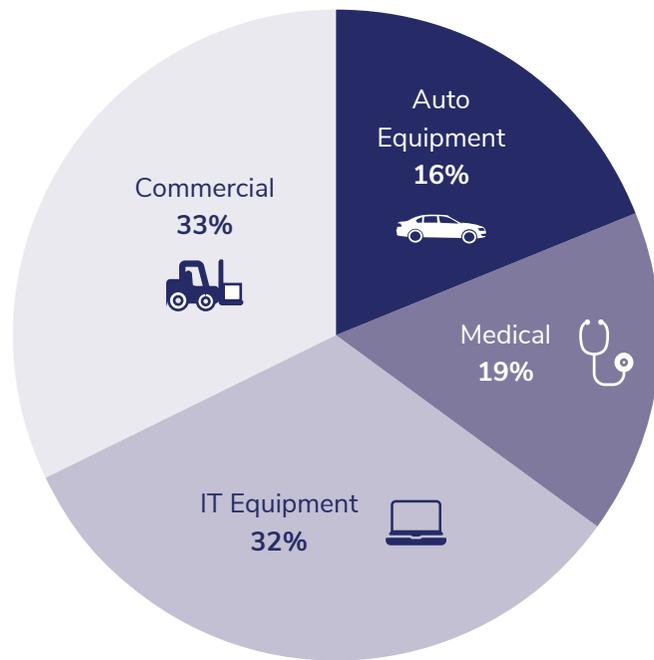
FY19 \$60M

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Lease Breakdown

Strong growth from Auto Equipment and Commercial with significant upside opportunity. FEI continues to focus on our niche sectors.

Sector Breakdown



- Automotive** Calibration machines, hoists & supplies from key auto suppliers
- Commercial** Construction and manufacturing equipment
- Medical** X-ray machines, heart scanners

Auto Equipment Growth



Commercial & Industrial Growth



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Customer Proposition

- Niche Target Market
- Price Competitive
- Licensed and Regulated Financial Institution

Advantage	Benefit	Company Values
Unique Financing Proposition	<ul style="list-style-type: none"> » Attractive Term Deposits for customers » Flexible/customisable Business Loan facilities » Depth of industry knowledge » Below industry average loan write offs 	<ul style="list-style-type: none"> » Competitiveness » Flexibility
Technology	<ul style="list-style-type: none"> » Automatic loan approvals » Seamless, end-to-end applications » Provision of Broker Portal for loans » Security guarantees 	<ul style="list-style-type: none"> » Accountability » Simplicity » Integrity
Customer Focus	<ul style="list-style-type: none"> » Simple, fast process » Experienced lending team with ability to tailor offering » Proactive and Reliable 	<ul style="list-style-type: none"> » Respect » Engagement » Collaboration



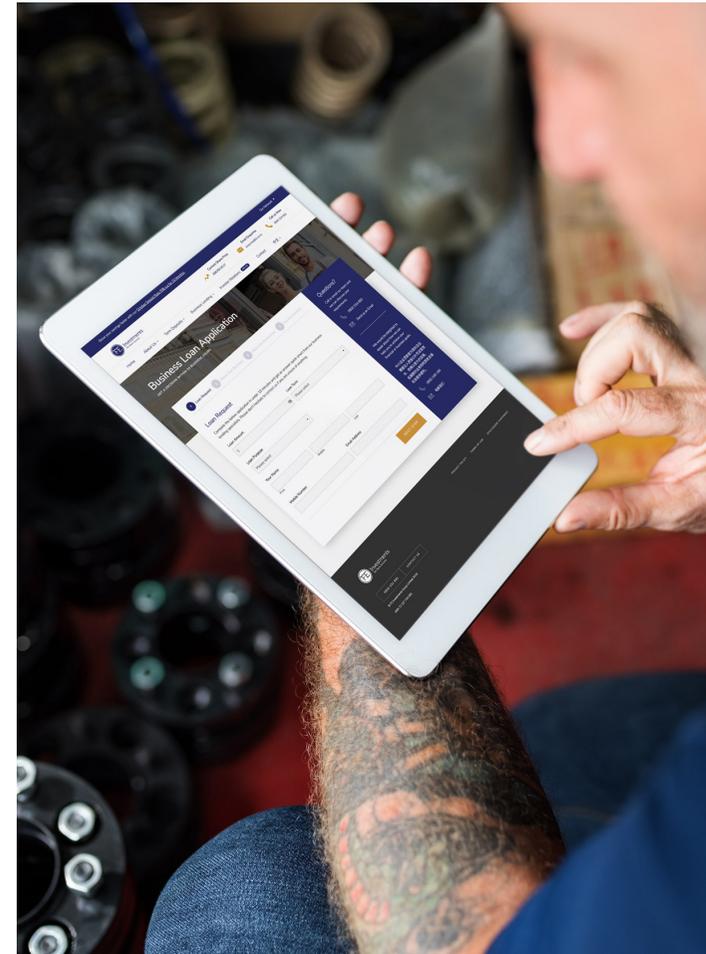
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Lead Generation

Continue proven approach to connect with SME businesses and consumer depositors - enhanced by leveraging recent technology advancements.

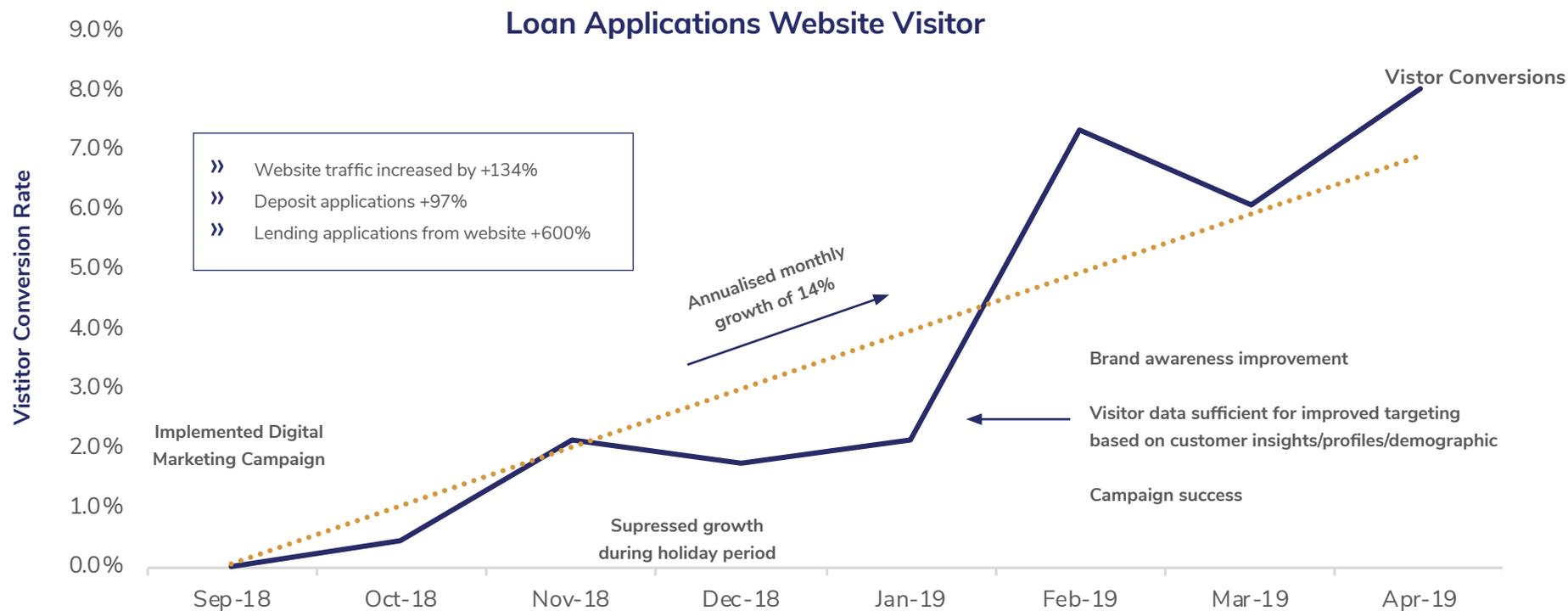
Channel	Platform	Key Competitive Advantage
Direct	» Website (Deposits/Lending)	» Pricing structure » Technology » Simple application process
	» Digital Marketing (Deposits/Lending)	
	» Print Media (Deposits)	
	» Radio (Deposits)	
Vendor Networks (Intermediaries)	» Sales force	» Strategic alignment » Relationship focus
	» Originators	
	» Bulk Vendors	
	» Distributors	
Recurring Business	» Direct Marketing	» High level of customer service » Product flexibility » Loyalty-based pricing
	» Customer Comms.	

» FEI has long standing relationships with vendor networks (of which a number are operating in Australia) which provides a significant advantage.



Marketing Effectiveness

- Enhanced website design and implemented our first digital marketing campaign.
- Pipeline Generator.
- This cost-effective approach has been refined to drive a higher proportion of potential customers to our online loan application platform.



Technology Platform Improvements Implemented

Transition from a manual, resource-heavy process to automated, instant application approvals



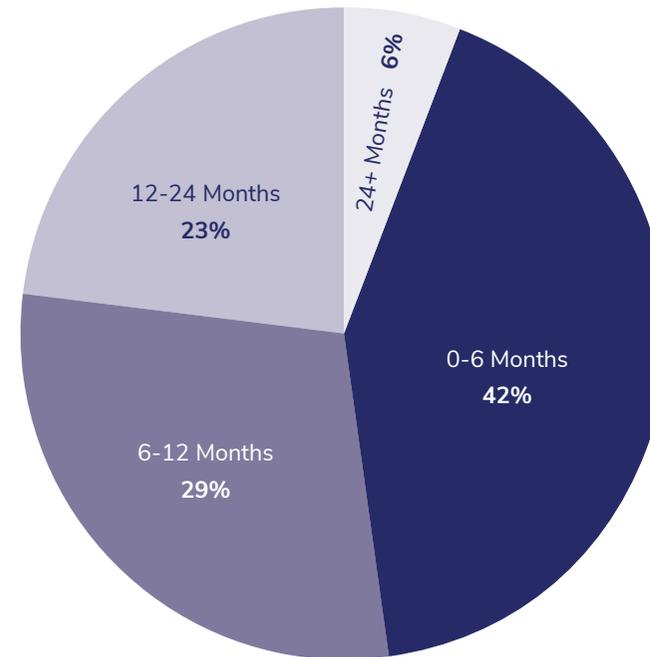
FEI Intellectual Property (future-proofed & scalable for NZ/AU growth)

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Deposits Overview

- » Total deposits balance is currently \$61m which is 10%+ growth YOY
- » License issued by Reserve Bank of New Zealand (RBNZ)
- » Avg. deposit amount continues to increase (currently at \$48,000)
- » Strong reinvestment rate of 67%
- » FEI purposely slowed deposit and lending growth over the past 6 months due to excess cash reserve and capital constraints
- » Seeking to replicate same model in Australia under AFSL with a more competitive cost of funding, resulting in more cost-effective returns

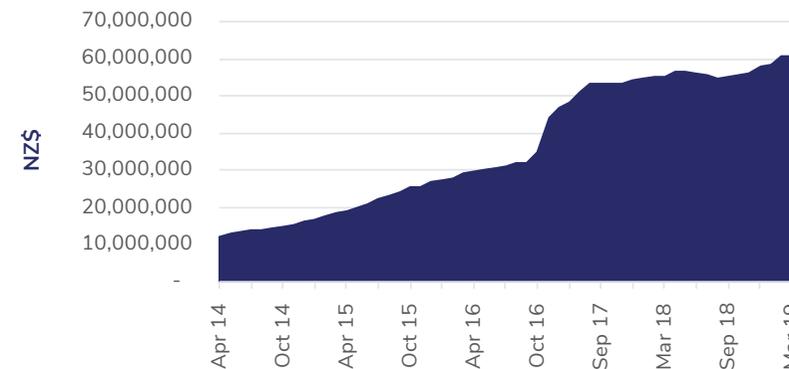
Deposit Tenure FY19



Deposit Summary \$	FY18	FY19	%	
Total Deposits Balance (\$000's)	55.45	61.06	10.1%	↑
Deposit Amount (avg.) (\$000's)	\$47.93	\$47.89	-0.1%	↓
Deposit Accounts	1,157	1,275	10.2%	↑
Tenure (avg. months)	9.24	9.98	8.0	↑
Deposit Rate (avg.)	6.39%	5.70%	-10.7%	↓

Note: Non-resident depositors require a New Zealand bank account with a major New Zealand bank. Current term deposit rates are subject to market change.

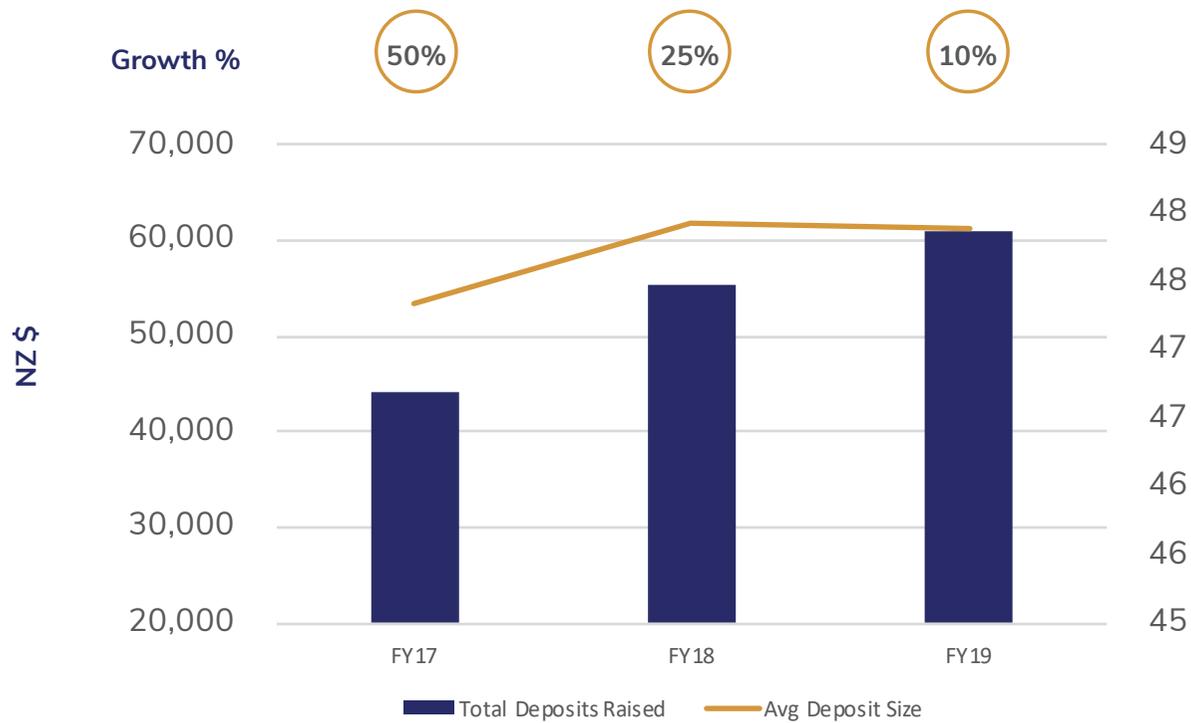
Consistent Deposit Growth



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Deposit Taking

Deposits - New and Reinvestment Totals



\$61m
Total Deposits Balance
(+10%)

\$48k
Average Deposit Size
(FY19)

67%
Depositors roll deposits
at expiry of term

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Income Statement

Revenue growth is expected to continue through FY20

- » Operating revenue continues to show strong growth of 17% in FY19 due to the following;
 - » LeaseTech leasing securing a number of automotive contracts
 - » Other Income - straight pass through
 - » Normalised NPAT of \$1.042m in FY19 is a considerable turn around over 12 months
 - » Business on a clear path to improved returns
 - » Loan book growth of 16% due largely to business loan growth of 62%

Income Statement (NZ \$'000's)			
	FY17	FY18	FY19
Finance Lease Revenue		5,594	7,186
Income from Loans	5,826	5,922	6,381
Fee incomes	1,649	1,274	1,348
Other incomes		2,668	692
Group Revenue	7,475	15,458	15,606
Operating Revenue Growth	48.2%	71.1%	16.6%
Funding Costs / Interest Exp	2,480	3,342	3,366
COGS for Finance Lease		4,118	5,753
Gross Profit	4,995	7,998	6,487
Gross Margin	66.8%	51.7%	41.6%
Operating Expenses	3,295	22,758	7,090
EBITDA		(14,760)	(603)
Depreciation & Amortisation		142	145
NPBT	1,700	(14,901)	(748)
NPBT Growth	47.9%	-976.5%	94.9%
Income Tax benefit / income tax (expenses)	(487)	(300)	815
NPAT	1,213	(15,201)	67
One-off costs	475	13,298	
Additional Audit related Exp			300
One-off director related expenses - Deed of settlement			408
Financing costs - Interest paid for Redeemable Preference Shares			188
Australian licence fee			79
Adjusted NPAT	1,688	(1,903)	1,042
Adjusted NPAT Growth	47.9%	-212.7%	154.8%
Normalised Opex	2,820	9,460	6,115

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Balance Sheet

\$78m in Total Assets as at FY19

- » Total assets have grown by more than 40% in last 2 years
- » Significant cash balance of \$13m supported by deposit growth when required
- » Loan book growth of over 16% to \$60m
- » Company raised over \$4.5m of ordinary equity via private placement at a premium

Balance Sheet (NZ\$000's)

	FY17	FY18	FY19
Deposits	44,210	55,453	61,064
Deposit Growth	50.0%	25.4%	10.1%
Cash	12,125	13,319	13,435
Loans	41,940	52,102	60,884
Loan Growth	48.1%	24.2%	16.8%
Total Assets	55,332	68,976	78,180

Key Metrics

	FY17	FY18	FY19
Loans / Deposit Ratio	0.95	0.94	1.00
Return On Assets	2.2%	-22.0%	0.1%
Return On Equity	11.0%	-142.7%	0.0%
Capital Adequacy Ratio	10.8%	9.1%	11.1%
Net Income	1,213	(15,201)	67
Equity	10,470	10,648	13,930
Impairment Expense		14,913	727

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Cash Flows

\$13.4m Cash at Bank

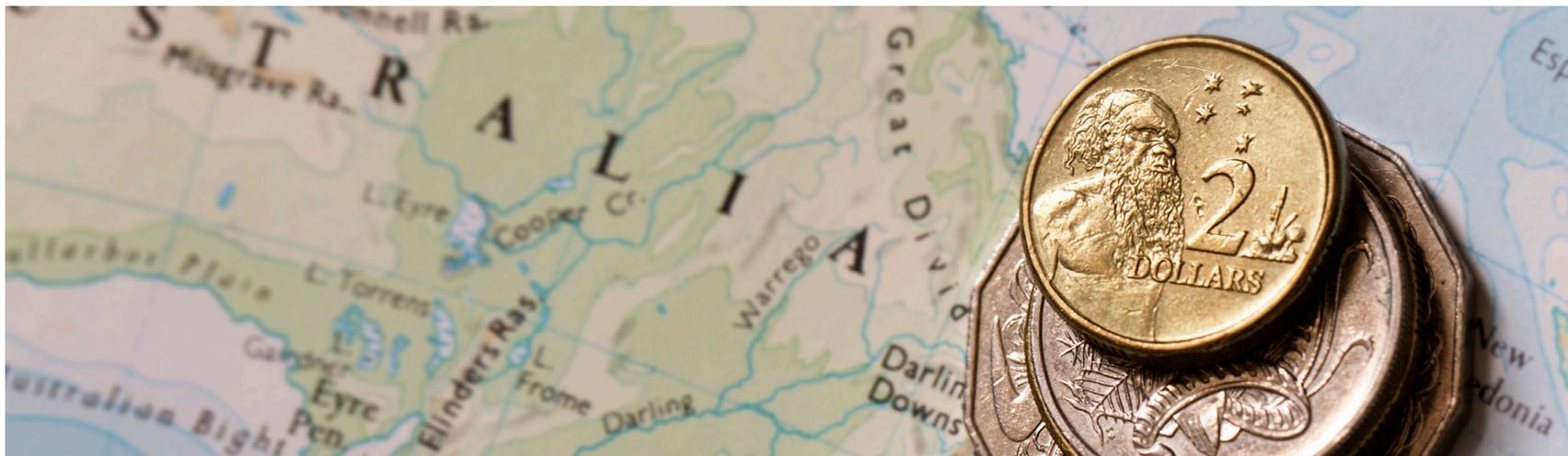
- » Strong growth in cash received from income (more than twice)
- » Increase in cash payments- due to FY18 restatement audit fee
- » Term deposits slowed in first 6 months in order to utilise excess cash
- » Negative cash from operating activities shows loan book continues to grow which is positive for a finance company like FEI

Cash Flows (NZD \$000's)		
	31 MAR 18	31 MAR 19
Net interest and fee income	1,360	3,255
Movement in receivables	(8,525)	(5,709)
Cash payments to suppliers and employees	(4,711)	(7,092)
Net increase in term deposits	10,070	5,633
Net cash flows from operating activities	(1,806)	(3,913)
Purchase of property and equipment	(122)	(169)
Acquisition of subsidiary, net of cash acquired	298	47
Net cashflows from investing activities	176	(122)
Issue of ordinary shares	1,805	4,699
Redeem of redeemable preference shares	241	(1,169)
Movement in borrowings	(10)	621
Net movement in related party advances	788	-
Net cashflows from financing activities	2,824	4,151
Opening cash equivalents	12,125	13,319
Net Movement in cash held	1,194	116
Closing cash equivalents	13,319	13,435

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FEI Priorities over the next 6 Months

Australia provides a competitive cost of funding advantage and is supported by sound lending opportunities.



Operational Improvements

- » Continued cost improvements
- » Funding cost expected to reduce as interest rates fall
- » Further operational efficiencies

Australian Loan Growth

- » Recently signed new AU contracts
- » Strong pipeline already with brokers already operating in Australia
- » Australian Online Platform

Technology Automation & System Innovation

- » Continued technology advancement
- » Straight-through application process for deposits in mid 2020



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