

2012 ANNUAL GENERAL MEETING

CHAIRMAN & CEO ADDRESSES

Sydney, 26 November 2012

CHAIRMAN'S ADDRESS

Ladies and Gentlemen,

It is my absolute pleasure to be able to present to you today not only the results of an exceptional year but the expectations for continued solid growth in the 2013 and 2014 financial years.

The year ended 30 June 2012 delivered an outstanding performance for shareholders, which has included the following highlights:

- Cash net profit after tax ("Cash NPAT") was \$61.3 million, which represented a 16% increase on the previous year;
- Our new businesses contributed more than half of overall receivables and our receivables portfolio grew 24% over last year.
- Certegy profit grew 60% and over the three years of ownership is \$43.4 million. Well in excess of the \$31m acquisition price;
- The \$10 million acquisition of Lombard Finance further diversifies our portfolio;
- Continued reduction in cost of funds with the successful securitisation of \$255 million receivables;
- The Board declared a fully franked final dividend of 6.5 cents per share which is an annual dividend growth of 19%.

Today, we are also reaffirming our FY13 market guidance of Cash NPAT growth of 11% to 16%.

Our Chief Executive Officer John DeLano will address you shortly to provide you an update on the operations of the four business units that have delivered such a strong result for shareholders.

Before we discuss this year's results, I would like to take a moment to recap on the significant journey FlexiGroup has travelled since IPO listing 6 years ago.

- Over this period, Cash NPAT has more than doubled from \$29.3 million to \$61.3 million.
- Volumes have increased from \$310m to \$801 million.
- Funding sources have expanded to multiple banks and institutions and to more capital efficient, lower cost of funds.
- In 2006, FlexiGroup offered a single lease product in computer and electrical channels with a high concentration of business originated by one key retailer.

Today, following three acquisitions and two organic start-ups the Group is now a fully diversified financial services company operating in numerous consumer and commercial segments. Multiple products include: lease, interest free, no interest ever, credit card, mobile broadband and online and mobile payment services.

With diversified income sources, FlexiGroup has been protected from the retail downturn and has generated broader and higher quality earnings as a result.

The new acquisitions and the start-ups have contributed 45% of FlexiGroup's cash NPAT.

Now turning to the year ended 30 June 2012, the strategy of diversification continued as two new businesses were acquired.

- Paymate was acquired to provide a platform for entry into the large, high growth online and mobile payments market.
- Lombard, an interest free and Visa card business, was acquired and provides access to the \$5 billion interest free and credit card segment.

A well thought out strategy is vital. It must be supported by top management talent and executed to a high standard. Every aspect of FlexiGroup relates to fostering a culture of excellence and begins with a talent strategy that "over recruits" for roles and includes global searches for the best available talent.

The Board appointed Egon Zehnder to conduct an international search for a CEO.

The Board was pleased to announce on the 23rd of October that Tarek Robbiati will be John's successor as CEO. Tarek is here with us today – welcome Tarek. He will commence in the New Year and is a widely recognised and respected telecommunications and corporate finance executive. His business pedigree is well known locally and he brings an international background that will further FlexiGroup's growth into new markets and will continue our consolidation in Australia.

Tarek is a former deputy CFO of Telstra Corporation and is currently the Group Managing Director of Telstra International Group and Chairman of CSL-NWM, the number one mobile operator in Hong Kong.

Tarek inherits a high performing team with the proven ability to deliver in the face of challenging market conditions such as that experienced during the GFC, and in the current difficult retail environment.

FlexiGroup success has also been driven by developing an engaged workforce. As one of Australia's Best Employers in 2011, the Board is proud that the programs implemented across the Group have been recognised externally. This year our contact centre has again been recognised with four individual awards including Best Contact Centre Manager of the Year, in both Australia and New Zealand.

FlexiGroup's diverse businesses and funding capabilities provide a solid platform for growth in FY13 and FY14. The Group continues to maintain a strong balance sheet with committed funding in place from multiple sources.

As mentioned earlier we are reaffirming our FY13 market guidance of Cash NPAT growth of 11% to 16% with continued strong growth expected through FY14 as:

- Cost of funds reduce due to lower market interest rates, and our ongoing securitisations.
- Receivables continued to grow strongly, due to repeat customers and longer term contracts from Certegy and Flexi Commercial; and
- Scale across the Group is leveraged and there is a shift to shared services in areas such as credit, systems and operations.

Additionally, we continue to actively seek accretive acquisition opportunities to further diversify FlexiGroup.

In conclusion, on behalf of the Board of Directors I would like to thank all of FlexiGroup's shareholders for your continued support. I would also like to extend our appreciation to the Company's customers, partners, funders and our CEO John Delano and the entire FlexiGroup team for an outstanding year.

Tribute to John Delano

Before John's address, I would like to recognise John for his role in leading the company since 2003.

Following the successful IPO in 2006, under John's leadership, FXL has flourished and this year, reached a key milestone when the ASX announced the inclusion of FXL in the ASX200 index.

For the 4th consecutive year our market cap has grown substantially and Total Shareholder Return ranked in the top quartile of the ASX listed companies. In fact, over this period, FXL ranked 2nd among the ASX300 non mining companies.

It is particularly gratifying that since our last AGM the share price has risen from \$2.25 to approximately \$3.70 on Friday and our dividends for the year have increased from 10.5 cents to 12.5 cents.

This success is very much the result of the strong management team that John has recruited and a diversification strategy that has expanded FXL into new products and markets. Since the IPO in 2006, the Group has transitioned from a retail point of sale leasing business to a fully diversified financial services company.

The talent of the management team and the value of this diversification strategy is clearly reflected in our strong profit, volume and receivables growth results.

John, you have been an outstanding CEO of Flexi for every year of the 9 years you have served as CEO. Your leadership, determination, commitment and motivation of your team has been exemplary. I also pay tribute to your leadership of our financial results and on behalf of the Board, shareholders, our stakeholders, and staff I say thank you.

On a personal note, it has been my pleasure to be your Chairman for the past 6 years and I thank you for your respect, diligence, integrity and tenacity. You have been a delight to work with. Thank you.

Our CEO, John DeLano, will now address you to provide an update of the four business units that have delivered strong results for shareholders over the last year.

CEO's ADDRESS

Thank you Margaret and good afternoon everyone.

As the Chairman outlined in her address, FlexiGroup's continued strong performance stems from a very sound strategy of diversification that has been superbly executed by a high calibre management team.

Over the last three years FlexiGroup has acquired three businesses and launched two organic start-ups. In FY12 those businesses contributed 61% of the Group's \$920 million of receivables.

I am delighted to share some of the divisional highlights for FY12 and the outlook for each business unit.

Certegy our no interest ever payment provider continues to be one of the Group's stand-out divisions.

In the three years since we acquired this highly scalable business it has produced \$43 million in cash NPAT which is well in excess of the acquisition price of \$31 million. For the year cash NPAT has grown to \$21.9 million up 60% on the previous year.

Volume of \$439 million was an increase of 17% while receivables increased 31% to \$357 million. The Solar industry continued to perform strongly for Certegy. With 100 formal merchant relationships in place, we believe that further opportunities exist to grow.

During FY13 we plan to:-

- Continue to identify and test new industries to provide further diversification and new growth opportunities.
- Leverage the well-received VIP program to engage customers and drive an increase in repeat business.
- Launch a merchant reward scheme to drive deeper penetration of existing channels.

The second business in the Group is **Flexirent** (the Group's retail point-of-sale business) and it has had a solid result with volume, profit and receivables reported in line with last year. This was a good outcome considering the challenging retail environment as evidenced by a 20% decline in the IT market in the second half.

Volume of \$260 million and receivables of \$358 million were reported with cash NPAT of \$36.5 million. Diversification into the non-retail SME sector which includes equipment such as: refrigeration, trade equipment, servers, networking and telephony remains a highlight and contributed 32% of volumes.

Blink Mobile Broadband delivered a solid result with a customer base of 81,000 up from 74,000 last year.

Our shared services initiative is ahead of schedule and after incurring transitioning costs due to running parallel operations in FY13, we anticipate \$2m to \$3m cost savings in FY14.

The Paymate business was acquired in December and the Paymate system was transitioned to Australia from the US parent in March. The Flexirent IT team has worked hard to ensure the IT platform is scalable and to launch Paymate OnTheGo the new mobile payment product which turns a smart phone into a credit card device.

During FY13 we plan to:-

- Expand our presence in the SME non-retail segment and continue to increase the contribution from this commercial market.
- Leverage the volume opportunity afforded by the Windows 8 and Ultrabooks launch.
- Launch eBay promotions, Ezimerchant, and Paymate OnTheGo promotional activity to drive growth in the Paymate business.

Our third business, **Flexi Commercial** (our vendor finance provider) has consistently delivered strong results since it commenced in 2009.

This year NPAT was up 88% to \$4.9 million and volume increased 66% to \$102 million. Receivables were up 146% to \$155 million and exceeded volume growth due to a longer average contract term.

Of the 106 vendor relationships in place, 41 were newly secured throughout the year and those new relationships contributed 35% of the volume.

Our success in Flexi Commercial is partially due to product innovation. We have developed a managed services product where services and consumables are bundled with the asset. An example is cost per copy, one bill solutions. These programs contributed 46% of volume and remain a key performance area.

During FY13 we plan to:-

- Increase gross margins as our receivables income continues to grow on a fixed cost base.
- Drive organic growth by maximising the volume opportunity from the 41 new partners acquired in FY12 and continuing to attract new vendors.
- Capitalise on the green technologies opportunity afforded by the Energy Smart Finance Program.

The fourth business, **Lombard** is an interest free and credit card business which was acquired in June 2012 and has already shown promising early performance. The business attracts customers with interest free offers at retail point of sale and subsequently provides a Visa card for customers' everyday purchases

Prior to acquisition Lombard's growth opportunities were hampered by capital constraints. Now with access to FlexiGroup's balance sheet, the business is well placed to penetrate the \$5 billion interest free market.

Current year to date volumes are performing ahead of plan with growth in excess of 85% driven by the significant signing of Ikea and the introduction 368 new retail outlets.

During FY13 we plan to:-

- Increase growth of interest free originations as pre-acquisition capital constraints are removed.
- Increase Visa card activations and spending by improving the card value proposition and cross-selling the enhanced card to the large, extensive FlexiGroup customer base.

In summary FlexiGroup is exceptionally well positioned for future growth. A diversified business with multiple products, excellent risk management and funding competencies is supported by a strong culture led by a talented management team.

Achieving these great results all starts with talent and culture. At FXL, we believe, that performance is all about people. It starts with finding the best talent; encouraging innovation and then motivating achievement to create a fabulous work environment.

FlexiGroup has a high performance culture where talented people strive for excellence and challenge themselves every day to make it "Too Easy" for customers and partners to interact at all levels of the business.

This culture is embedded in the company's DNA and is evident through all levels of the organisation - from the Board, through the executive team, mid-level management and at a staff level. It has been a privilege to work with this talented team of people.

I am thrilled that the Board has recruited Tarek, who is clearly a highly talented executive and he will be a great fit with the FlexiGroup culture.

On a final note I would like to take this opportunity to thank Margaret, my chairman, the Board, the executive team and all the staff who over the years have shown me tremendous support and demonstrated outstanding enthusiasm and commitment to the FlexiGroup vision.

Thank-you and I will now hand back to the Chairman.