FLEXIGROUP

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ASX ANNOUNCEMENT

2016 ANNUAL GENERAL MEETING
CHAIRMAN & CEO ADDRESSES

Sydney, 22 November 2016

CHAIRMAN'S ADDRESS
ANDREW ABERCROMBIE

It is my pleasure to be able to present to you today the results of a solid year and the progress we are making executing our growth strategies. We have already successfully delivered receivables in excess of $2 billion for the first time. We are committed to returning FlexiGroup to organic profitable growth, and Symon will talk more about our plans and priorities to achieve this.

Transitioning activities

Four years ago, the Group entered the Interest Free Cards market with the acquisition of Lombard Finance, and since then we have continued to build expertise and market share with the additional acquisitions of Once Credit in 2013, and Fisher & Paykel Finance last March.

Two years ago, we signalled that increasing market share in New Zealand was a key growth strategy. Today, through organic growth and acquisition, 450,000 of our 1 million customers reside in New Zealand. We are now a dominant force in the New Zealand market and established as the #1 provider of technology leasing.

Cards and New Zealand now provide the most substantial volume growth impetus to the Group while our more mature businesses provide a strong platform for profit. In the 2016 financial year FlexiGroup delivered Cash NPAT growth of 8% to $97 million. The profit contribution from Cards will continue to develop while the portfolio builds and as customers cycle through the interest free period to interest bearing, and as card utilisation develops and matures.

It is against this background of significant opportunity that the decision was made to exit the non-core activities of Enterprise, Blink mobile broadband and Think Office Technology. While the rationale for building the Enterprise and Blink mobile broadband businesses was compelling at the time, and produced strong results, it was driven by unique external market forces and opportunities that are now less relevant.

During the GFC, banks and key financiers retracted from the mid-ticket market, creating an opportunity for FlexiGroup to leverage its secure funding lines. Today in a low interest rate environment and with bank activity returning to more normal levels, our ability to compete in this mid ticket space has been eroded. Our energies in the commercial space are better focussed on the SME, sub $100,000 small ticket space.

Similarly when mobile broadband technology arrived it was viewed as a compelling offer when bundled with a laptop lease, and sustained penetration as technology improved and prices declined. This opportunity had a finite timeline. Over time, the product would become ubiquitous, either as a standard inclusion in the hardware or as data plans offered with mobile phones and tablets increased in size and affordability.

There is no doubt that FlexiGroup's competitive advantage is most evident when we are supporting high volume, small ticket payment transactions.

With consensus that these businesses no longer fit squarely within our core competencies it was felt by the Board that corporate capital and energy is better deployed to new and existing opportunities of higher and more certain return. As disciplined managers of our capital we are recycling resources into our growth businesses.

Well positioned for growth

Now more streamlined than ever, the Group is focussed on three key organic growth drivers. These growth opportunities have the potential to change our scale, profitability and returns. This includes Cards, Commercial Leasing and Ireland. We have made good progress to date executing on these strategies. Growth in cards is strong. Our progress in Commercial is encouraging and our plans for Ireland are well advanced.

Additionally the Group has organically developed a new product called Oxipay which is a no cost, payment solution for micro ticket purchases available either in-store or online. Oxipay is a strategic opportunity for the Group both within our existing retailer network, and as a gateway to a new, broader range of retailers.

Solid returns maintained in a year of change

Cash NPAT of $97 million continues a track record of solid results with a four year compound annual growth rate of 12%. Statutory NPAT for the year was $50.2 million after incorporating non-cash and one-off adjustments that included deal and integration costs from the Group's acquisition of Fisher & Paykel Finance and impairments and provisioning from the discontinued operations.

The total annual shareholder dividend was 56% of Cash NPAT at 14.5 cents per share.

Positively, trading for the first four months of FY17 has been in line with our expectations. We affirm our estimate for the full 2017 financial year of Cash NPAT between $90 million and $97 million, after targeted growth investments. These investments are in line with strategy and are focused on delivering profitable growth and improved returns on invested capital; include growing Ireland, Commercial Lease and Oxipay.

Whilst M&A opportunities will continue to be considered if regarded as a compelling strategic fit, and accretive, the Group's main focus will be on delivering profitable organic growth. We believe that our strong channel partner relationships, digital origination capabilities, proven credit algorithms and diversified funding sources provide a deep competitive advantage that the Group can leverage to drive strong organic growth.

In addition, our substantial wholesale funding resources, securitisation skills and strong portfolio management processes hold FlexiGroup in good stead.

Board Evolution

Yesterday FlexiGroup announced that two new independent non-executive directors would be joining the board in December 2016. I would now like to introduce you to those directors, Christine Christian and Jodie Leonard. Our new directors bring strong experience in financial services, investment, risk management and marketing to the board. We look forward to their participation in the exciting growth ahead.

Other news regarding our board relates to John Skippen. Despite John having endured some adverse publicity relating to another public board, I would like to emphasise how much value he has had added to FlexiGroup over 10 years. His deep understanding of our most important channel partner, and broad commercial experience as a chartered accountant and retailer, not to mention extensive management experience have added huge value to FlexiGroup. I have asked John to remain on the board through 2017 calendar year especially to contribute to the induction of our new board members in the context of risk and audit. John will step down after this time.

With that in mind, the Board was pleased to welcome Symon Brewis-Weston as CEO to the Group in February. He brings strong leadership skills and a deep understanding of the consumer and business markets in Australia and New Zealand.

Symon is a great cultural fit for FlexiGroup and has adapted to the business quickly, recognising the fundamental importance of our supplier relationships and how success will ultimately be determined by the quality of interactions between FlexiGroup and our customers and our channel sellers.

He has recognised and prioritised sales and marketing as intrinsic to our DNA and has driven capital investment to the activities of highest impact. He and his team have already made progress in strengthening and rebuilding FlexiGroup to drive growth and there is more to do.

On behalf of the Board of Directors I would like to thank Symon and the FlexiGroup team who continue to drive strong outcomes with a high energy, solution based approach. I would also like to extend our thanks and appreciation to all of FlexiGroup's shareholders, customers, partners and funders for your continued support.

I would now like to introduce FlexiGroup's Chief Executive Officer, Symon Brewis-Weston who will provide further detail on the Company's performance and outlook.

CEO'S ADDRESS

SYMON BREWIS-WESTON

Thank you Andrew and good afternoon everyone. Thank you for taking the time to join the meeting this afternoon.

I am pleased to be here today as your CEO at my first FlexiGroup AGM.

Let me start with some key points.

2016 was a solid and productive year for us.

We acquired Fisher and Paykel's NZ card business, a transformational acquisition. I am pleased the business is performing well and integration is well advanced and on track.

We recycled capital out of non-core businesses and simplified our business model. We are disciplined capital, as well as operational managers.

And we started the process of strengthening, rebuilding and improving our processes, systems and capabilities to drive future growth and returns in our core businesses. This year we made good progress on many fronts. There is much work to do.

As Drew said, we are committed to returning FlexiGroup to profitable organic growth. We have three key growth priorities where we can leverage our competitive strengths of Sales and Marketing, Customer support and funding to drive superior outcomes for our distribution partners, our shareholders and our customers.

Our growth priorities are Cards, Commercial and Ireland.

Let's begin with the key highlights of the 2016 year :

- Cash NPAT growth of 8% to $97 million which continues a strong track record of consistent performance.
- Entering the New Zealand Cards market in March with the acquisition of Fisher & Paykel Finance has significantly expanded our trans-Tasman presence. Receivables originating from New Zealand increased from 12% to 39% and the proportion of Cards receivables also grew significantly from 16% to 45%.
- Overall receivables increased 47% to $2.1 billion; and new business volumes increased 19% to $1.35 billion delivering strong portfolio income growth of 16% to $396 million.
- New Zealand Leasing and the Australian Cards segment were key drivers of growth and performed strongly with 63% and 40% volume growth respectively.
- Particularly pleasing was the successful completion of a tender process with the Flight Centre Travel Group. Signed in August 2016, roll out commenced in mid-September to over 1,000 agencies across Australia. A strong partnership has been effective in rapidly accelerating interest free volumes in the new financial year and is expected to have significant impact over the coming years.
- The Commercial Leasing business (formerly SME Leasing) is being rebuilt and is tracking ahead of expectations as the pipeline of new business is growing following the signing of several new introducer agreements.
- Cards, Leasing and Certegy will continue to benefit from increased focus and are key drivers of profitable, organic growth.

The Group's operating activities delivered strong cash flow growth of 22% to $147 million.

Growth Strategies

Let me turn to our growth strategies.

In line with the strategy to return FlexiGroup to profitable growth we have identified three clear growth opportunities.

We have detailed execution plans for each of Cards, Commercial and Ireland and we are making progress in executing these goals.

Let me highlight a couple of points here. As part of our plan to develop our Commercial offering, in August 2016 FlexiGroup completed the acquisition of a 15% equity interest in Kikka Capital for $2 million. Kikka provides growth capital to small and medium businesses, via a revolving line of credit. Using a credit decisioning engine that assesses cash flow, a loan size and interest rate is determined and approved online in less than seven minutes.

Through this partnership the Group will be able to offer unsecured loans (up to $100,000) to established commercial customers seeking to grow and expand their businesses.

In recognition of an increasing Consumer demand for a no cost, payment solution for low value purchases, FlexiGroup has developed Oxipay. While our existing products are offered in the sub $1,000 category typically penetration falls away as the dollar value reduces. To better address this developing market, Oxipay is a new low touch, customer friendly payment option. Available in store or online, customers create an account in under 2 minutes and can pay for purchases in four easy payments over six weeks, with no fees and no interest.

Utilising the existing Certegy back end platform this product has been brought to the market at high speed and at a low cost. Oxipay is strategically important to FlexiGroup for two key reasons, firstly it provides a gateway to previously untapped retailers and channels and secondly it completes our product suite offering in existing relationships. Now with a payment solution that covers all consumer needs FlexiGroup has extended its core retailer and customer value proposition.

The Group is driving organic growth by focussing on improving sales effectiveness and operational excellence that enhance partner and customer engagement. Supporting this activity there have been wholesale improvements in core financial systems and online capability. While there remains much to do some highlights of what we have achieved so far include:

- The implementation of Oracle cloud finance system that consolidates the general ledger platform across all businesses and geographies.
- The introduction of a new collections platform that provides a customer self-serve portal which reduces call volumes and further automates the collections capability. Additionally, flexible payment term options are available for customers to self-select.
- Online and digital origination processes continue to be enhanced across Cards and Lease products – projects are performing to plan, delivering online capability and process improvements that enable customers to transact at a time and from a device of their choosing. 57% of our Leasing applications are now made online compared to 3% over 18 months ago.

Outlook –

- The AU Cards business has meaningful growth momentum. (Sales) this financial year are up over 30% year to date. We expect this strong volume growth to continue over the next few years as the strategic partnership with Flight Centre significantly accelerates originations and as other new, mid-tier relationships begin to transact.

To support activity the product and marketing teams will be expanded as there is considerable scope to optimise card usage and revenue opportunities.

We will improve the customer life cycle management by:

- leveraging data insights to drive portfolio profitability;
- adopting the customer segmentation approach developed in NZ Cards; and
- develop a test and learn program to identify customer behavioural drivers across segments.

- In AU Leasing, the rebuild of the Commercial offer will continue to progress as a proven commercial finance leadership team has been recruited to focus on operational and sales processes and are targeting specific sectors with a clearly defined value proposition. Additionally the Kikka partnership contributes new product and technology opportunities that can be leveraged in the channel.
- The Certegy, No Interest Ever business will see VIP and repeat volume momentum continue with customers increasing use of digital engagement. A new product called Ezi-living, with an expanded transaction limit, has been developed to target the high value / low risk home renovation sector.
- New Zealand businesses will continue as a growth engine for the Group. The Cards business will develop in line with expectations as synergies continue to be realised and we experience a full year of trading. It is expected that a reinvigorated sales culture and the broader appeal of the Q Mastercard, a recently introduced Scheme card, will drive increased volume.
- In line with our growth strategy of geographical diversification, FlexiGroup ramp up begin investment in Ireland. The Group entered this market eight years ago, and with the onset of the GFC was content to maintain a conservative presence that while profitable, is not currently material. As the Irish economy continues to recover strongly, we believe there is significant opportunity to be gained.
  There is minimal competition within point of sale finance and FlexiGroup is currently the only provider of a rental / lease product. Opportunity also exists to roll out a point of sale ownership product that has a broader market appeal. Multiple major retailers are requesting such a product and many have well established relationships with FlexiGroup within Australia and New Zealand. Achieving a 10% penetration in these retailers represents approximately a 100 million EURO volume opportunity per annum. While expansion will begin this year, it is not expected that volume impacts will be of significance until the 2018 financial year.

As Andrew mentioned, relationships and how we connect with our partners and customers ultimately determines our success. It is very pleasing to see that with a dedicated focus, the intrinsic FlexiGroup sales culture is again driving results and building the sales pipeline.

When supported by targeted improvements to systems and processes our ability to organically grow the business and seize opportunities has been substantially enhanced.

Let me now move, before I conclude, to reporting on our of trading and profit estimate for the full year.

I am pleased to report that we have made a positive start to the new financial year and trading for the first four months of FY17 has been in line with our expectations.

Consistent with previous years there will once again also be a small degree of seasonality between the two halves.

For the 2017 year as a whole we affirm the cash NPAT estimate of $90 – 97m including investment costs that we gave in August. This estimate is unchanged.

Finally, and on a personal note I would like to thank the Board, Executives and all the FlexiGroup employees, retail partners and broader stakeholders for their welcome and shared insights. In particular I would like to acknowledge and thank David Stevens and Peter Lirantzis who as acting CEO's provided outstanding leadership and guidance to the Group prior to my appointment in February.

Thank you and back to Andrew.