



27 August 2019

flexigroup Announces 2019 Full Year Results

HIGHLIGHTS

- 1.76 million active customers, up 8% on prior year
- 65,000 retail partners, up 8% prior year
- \$2.56 billion in transaction volume, up 12% on prior year
- \$2.64 billion in receivables, up 11% on prior year
- Cash NPAT in line with revised guidance of \$76.1 million
- Three new products: **bundll**, **wiired** lease and **wiired** money announced
- New card brand, **cartt**, consolidating five card brands into one consumer facing offering
- Significant investment and progress made in simplifying product suite and business systems

Commenting on the announcement, Rebecca James, Chief Executive Officer at **flexigroup** said:

*“I’m incredibly proud of the progress made over the last twelve months. **flexigroup** has delivered strong customer, retailer, transaction and receivables growth while executing against our four strategic pillars. Our new buy now pay later offering, **hummm**, has gone from strength to strength, reporting robust customer, retailer and volume growth since launch.*

*“We’re also delighted to announce the launch of **bundll**. We believe we’ve created a category killer. By partnering with Mastercard, we’ve launched a product that will for the first time allow consumers to buy everything, everywhere, and pay later. **bundll** is expanding **flexigroup**’s addressable market by targeting the millennial shopper who wants control over how they pay, where they shop and when.*

“We are already starting to see green shoots from the new strategy laid out at our half year results in February. The company has made significant strides in simplifying the business, building our buy now pay later offering, streamlining originations, and expanding our reach. We will continue to invest in our technology, our marketing and our products to drive continued customer and volume growth over the coming years and solidify our position as a digital spending powerhouse, helping people buy everything, everywhere, every day.”

FlexiGroup Limited (ASX: FXL) (“**flexigroup**”) today reports its results for the financial year ended 30 June 2019 (FY19).

In FY19, **flexigroup** attracted 134,000 new customers to its products, resulting in an active customer base of 1.76 million. The Group also added 5,000 new retail partners to its network, increasing its valued partnerships with retailers across Australia and New Zealand to 65,000.

This growth in customers and retailers is supported by FY19 transaction volume which increased 12% to \$2.56 billion, with total receivables of \$2.64 billion – an increase of 11% on the prior year.

The Group delivered a Cash Net Profit After Tax (NPAT) of \$76.1 million, in line with revised guidance.

Operational highlights include:

- **humm** volumes up 19% since April launch, with 1,200 app downloads per day.
- Australian Credit Card volumes up 10% and portfolio income growth of 39% as a result of strong growth in receivables and a 21% increase in interest bearing balances.
- New Zealand Buy Now Pay Later (BNPL) volumes up 383%, with 114,000 customers and 1,800 sellers.
- New Zealand Credit Card volumes up 12%, with interest bearing balances growing 10%.
- Consumer leasing NPAT of \$5.1 million, driven by improved collection processes.
- While commercial leasing volumes were strong (up 10%), cash NPAT was impacted by an impairment taken on one vendor program.

STRATEGY UPDATE

In February the company outlined a new strategy designed to transform **flexigroup** and ensure it maintains and grows its market share. In the four months to the end of the 2019 financial year, **flexigroup** has made pleasing progress against all of its strategic pillars and is seeing strong momentum into 2020.

1. Simplify

flexigroup has undertaken significant work to simplify its business, moving from twelve consumer products to five. **flexigroup** is now focused on three key market segments: Buy Now Pay Later; Credit Cards; and Leasing.

During the period the company put in place the architectural roadmap to simplify its systems over the coming year. The group will reduce six product systems to one web origination platform; three buyer management systems to one CRM system; and three fraud engines to one fraud platform.

The company also simplified its service offering by introducing webchat, reducing call volumes by 20% with an average customer service rating of +90%. As a result, **flexigroup** has removed 50 FTE from call centre and back office functions this year.

Finally, **flexigroup** simplified its operations, concluding its planned organisational realignment and removing duplicate roles and functions from across the business. The company is on track to deliver a \$7 million cost out target for FY20.

2. Lead in Buy Now Pay Later

The Buy Now Pay Later sector has experienced 250% growth in the last year alone and interest free shopping is now ubiquitous. In April 2019, **flexigroup** relaunched its Buy Now Pay Later offering in Australia, consolidating its two legacy products into one new consumer facing brand, **humm**. **humm** is the only product in the market that can offer instant finance for purchases up to \$30,000 dollars, interest free.

In the 2019 financial year, **humm** volumes in Australia were up 6% to \$574 million. **flexigroup** is focused on growing volumes strongly into 2020 and year to date, total transactions are up 19%, with volume in 'little things' up 36% and 'big things' up 12%.

63,000 new customers have joined in just four months since launch and the company has added an additional 5,000 sellers to its platform, up 42% on the prior comparable period.

During the period, **humm** has successfully integrated with a wide number of ecommerce and point of sale platforms to drive increased adoption with retailers.

flexigroup is also seeing significant traction and uptake in BNPL in the New Zealand market. Volumes in the region were up 383% on FY18 with significant new retail partners added including Farmers, Briscoes and Rebel Sport. In New Zealand, **flexigroup** now has 114,000 BNPL customers, up 138%, and 1,800 sellers, up 201% on FY18.

3. Streamline origination

flexigroup's objective is to foster a credit platform that is agnostic to product and market, and therefore easily scaled for growth. Significant work has been undertaken in the 2019 financial year to decommission legacy systems and deliver a sophisticated proprietary decision engine that makes best use of the 20 million data reference points collected from customers. Work on this continues, but the company is already experiencing the benefits of the investment with early improvements in arrears due to enhanced decision-making.

4. Expand our reach

Today **flexigroup** announces a number of new initiatives that are being rolled out in the coming year to expand the reach of **flexigroup** into new market segments.

bundll is an extension to **flexigroup**'s Buy Now Pay Later offering and a completely new category in the sector. In partnership with Mastercard, **flexigroup** is launching an offer that will allow customers to buy everything, everywhere and pay later – interest free. **bundll** is the only BNPL product in the market that can facilitate multiple payments up to \$1,000 at any merchant that accepts Mastercard transactions. Customers then get up to two weeks to pay their **bundll** or use a 'snooze' to delay payment another two weeks. If more time is needed, they can switch to a **superbundll** and repay in six fortnightly instalments over 12 weeks.

bundll has already signed a number of key partnerships ahead of launch:

- **bundll** has partnered with Mastercard in developing the product offering, with all transactions to be processed through the Mastercard network.
- **bundll** will be cobranded and offered to over 200,000 Raiz customers as a means of creating instant liquidity in their Raiz accounts, funding purchases on **bundll** via Raiz. It will also allow customers the opportunity to 'round up' **bundll** purchases and invest via Raiz. Raiz is Australia's largest mobile-first, consumer focused financial services platform.
- Loyalty offers will be available to customers via the **bundll** marketplace on the app (founding brand partners to be announced at launch).

bundll is now in beta and will be launched in the second quarter of FY20.

flexigroup's credit card business continues to grow. To capitalise on this opportunity, the company is going direct to the consumer with a new card offering: **cartt**. **flexigroup** will continue to have one of the most competitive credit card offers in the market. Designed for the dedicated shopper, **cartt** offers 90 days interest free and no international transaction fees.

In Q4 of FY19 we introduced **wired** lease, Australasia's first digital integrated leasing platform with a focus on transactions less than \$100,000. It delivers lease quotes in real time, which can be tracked and revisited at any time, including adding margins and bundling assets from a range of suppliers. It has launched in New Zealand with Harvey Norman, Ingram Micro and Office Max.

Later this year, we will be introducing **wiired money**, a digital wallet which will enable interest free instalment payments up to \$30,000 for small businesses. **flexigroup**'s existing ecosystem will make this the most flexible and widely accepted business instalment product across Australia and New Zealand.

CAPITAL MANAGEMENT

The company is well funded for growth with significant funding facility headroom:

- \$2.79 billion in wholesale debt, including \$474 million in undrawn facilities.
- Euro funding facility of €35 million successfully established in 2H FY19, providing a strong platform for growth to fund Flexi-Fi volume in Ireland.
- Well established Certegy/**hum**m securitisation program continuing to drive funding efficiency – \$300 million issuance in March, including \$91 million green bonds.
- Regular issuer under the Q Card master trust securitisation programme in NZ – NZ\$303 million issued during the year, +45% on prior year.
- Execution of an AU cards master trust programme, scheduled for FY20.

Corporate debt gearing was 37%, flat year on year. Corporate debt headroom of \$100 million provides headroom for growth for the coming financial year.

DIVIDENDS

The Board of Directors declared a fully franked final dividend of 3.85 cents per share bringing the FY19 total dividend to 7.70 cents per share (FY18: 7.70 cents per share). This dividend is in line with 1HFY19 payout and remains within the Group's stated payout ratio of 30-40% of Cash NPAT.

FY20 OUTLOOK

flexigroup is in the first year of a three year comprehensive business transformation plan designed to build on its first mover advantage in non-bank consumer finance. Our objectives are clear: accelerate growth; reduce costs; deliver a best in class digital platform; and invest in loved brands.

The plan is progressing well.

The company does not propose to issue short term earnings guidance as it believes a focus on short term profit objectives can contradict the broader goal of ensuring **flexigroup** achieves its medium term goals and emerges as a strong long-term industry leader. The company is on track and believes it can achieve its business improvement objectives, while maintaining a key focus at all times on earnings and return on equity.

In FY20, management expects volume to grow at least 15% as a result of new product launches, audience extension and new partnerships. The company also expects to balance margin with growth and to maintain a double digit return on equity.

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ABOUT FLEXIGROUP

flexigroup provides a diverse range of finance solutions to consumers and business through a network of retail and business partners. This includes Buy Now Pay Later products, credit cards and consumer and business leasing. **flexigroup** has been operating in Australia for over 30 years, has partnerships with over 65,000 sellers and now serves 1.7 million customers across Australia, New Zealand and Ireland. For more information visit: flexigroup.com.au