



Results announcement for the half-year ended 30 September 2016

15 November 2016



CEO Update

Richard Kimber

Chief Executive Officer



We commenced our 3 year Accelerate Strategy with a step change in investment for marketing and technology and continue to be profitable in all segments. In the half we achieved;

Increased Australian Market Penetration

- Marketing mix broadened with increased investment in Australia,
- Group rebranding is gaining good traction in Australia,

Increased Penetration in Non-AUD

- Preparation for brand roll out in remaining geographies,
- Finalised US go to market strategy in advance of 2H17 launch,

Continued Advancement of our Technology

- Technology investment continues with move to Amazon Web Services,

Robust Investment Rationale

- Return to underlying metric growth despite market conditions post BREXIT,
- Half on half growth in net operating income (NOI) to \$53.6m. Step change in strategic investment resulting in NPAT of \$9.7m.
- Outlook for the full year is continued momentum in NOI growth, with leverage of strategic investments leading to increasing margins. EBTDA is expected to be lower, whilst NPAT will be slightly higher.



Customer Experience



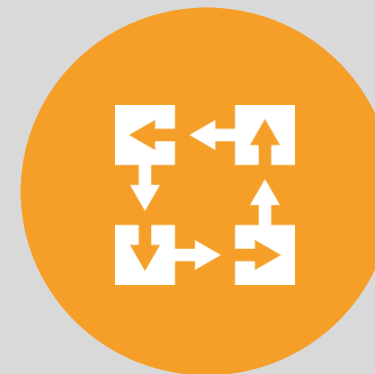
- Improvements to client on-boarding process through use of technology
- New online sellers product launched
- Market leading net promoter score (NPS)

Infrastructure



- Continued expansion of banking capabilities
- Seamless handling of BREXIT volumes
- New cloud based global telephony system

Scalability and process improvements



- Migration to cloud based provider Amazon Web Services, providing variability and flexibility of cost base
- Implementation of segment based operating model



Finance Update

Mark Ledsham

Chief Financial Officer



	1HFY17	2HFY16	1HFY16
Financial Metrics¹			
Turnover (\$bn's)	9.6	9.6	10.0
Net Operating Income (\$m's)	53.6	50.3	53.6
Expenses ² (\$m's)	38.6	32.9	32.8
Long and Short Term Incentives (\$m's)	1.5	(0.6)	2.7
Underlying EBTDA (\$m's)	13.5	18.0	18.1
Underlying EBT (\$m's)	11.8	17.1	17.7
Underlying NPAT (\$m's)	9.7	11.6	12.3
Operational Metrics			
Active Clients ³ (000's)	151.7	150.9	151.1
Transactions (000's)	419.3	392.0	392.2
Average Transaction Value (\$000's)	22.8	24.4	25.6

1. 1HFY16 and 2HFY16 excludes one off costs associated with CEO succession planning and executive team restructure,

corporate actions and rebranding costs

2. Excludes the provision for long and short term incentives

3. Active clients are clients who have transacted in the past 12 months

- **Return to half on half revenue growth**
 - Driven by growth in transactions
 - Improving quality of active client base with more transactions per client
 - ATV is a driver of revenue, and has been impacted by post BREXIT market conditions
- **Controlled investment inline with strategic goals**
 - **People**
Technology
Compliance
 - **Marketing**
Roll out of brand in Australia
Broadening of marketing mix
 - **Technology**
platform transitions to cloud native
- **Improved effective tax rate**
Implementation of Offshore Banking Unit (OBU) has reduced the effective tax rate to 24%
- **Interim dividend 2.8 cents per share fully franked**

Operating metrics underpin result

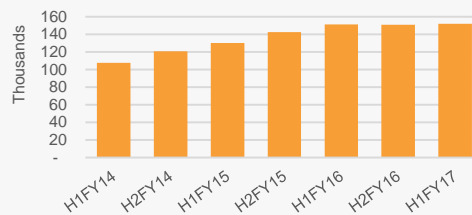
More corporate clients
resulting in more
transactions per client ...

Active Clients

152k

0.5% up on 2HFY16

Active Clients

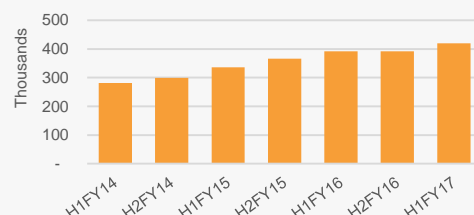


Transactions

419k

7% up on 2HFY16

Transactions



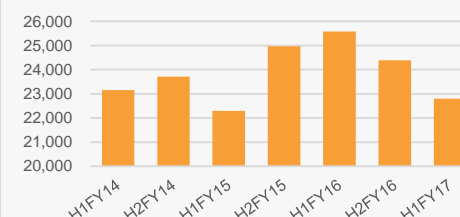
... combined with an
ATV impacted by market
events has driven ...

ATV

\$23k

7% down on 2HFY16

ATV



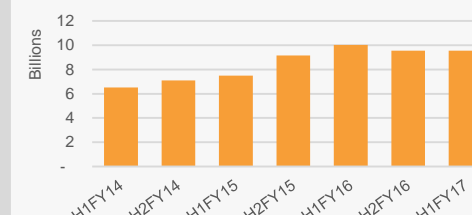
... a turnover result
that is consistent
with 2HFY16.

Turnover

\$9.3b

consistent with 2HFY16

Turnover



Transactions per client

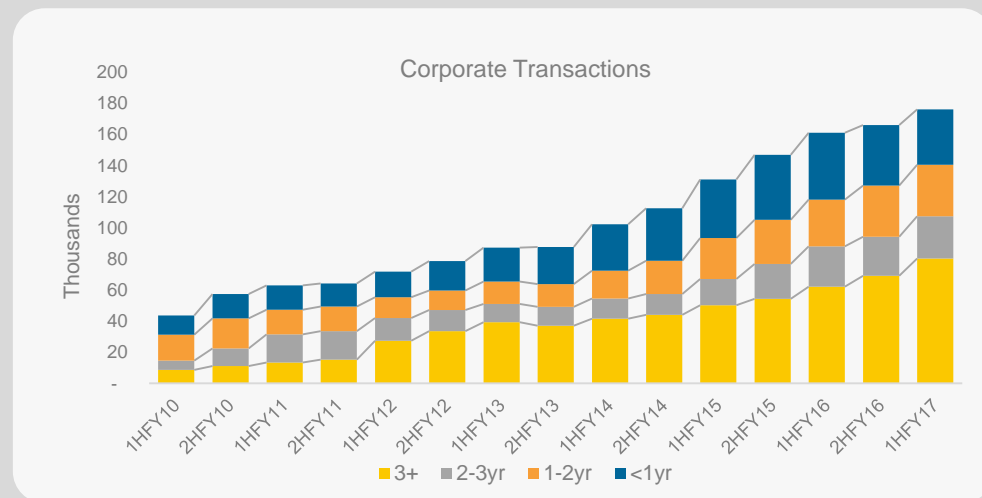
6% up on 2HFY16

Robust build up of cohorts drives strong transactional growth

Finance Update

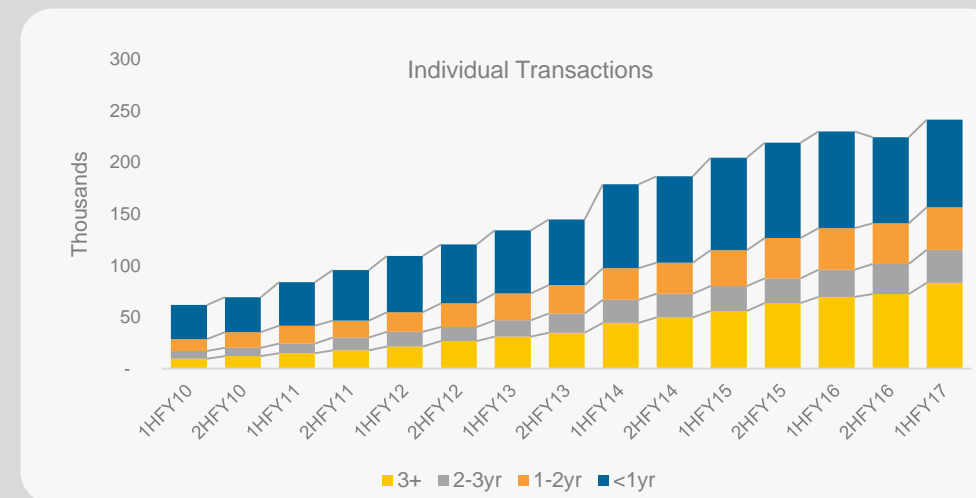


Corporate clients



- On average transact 5 times more than an individual
- better retention rates
- 46% of corporate transactions were from clients older than 3 years

Individual clients

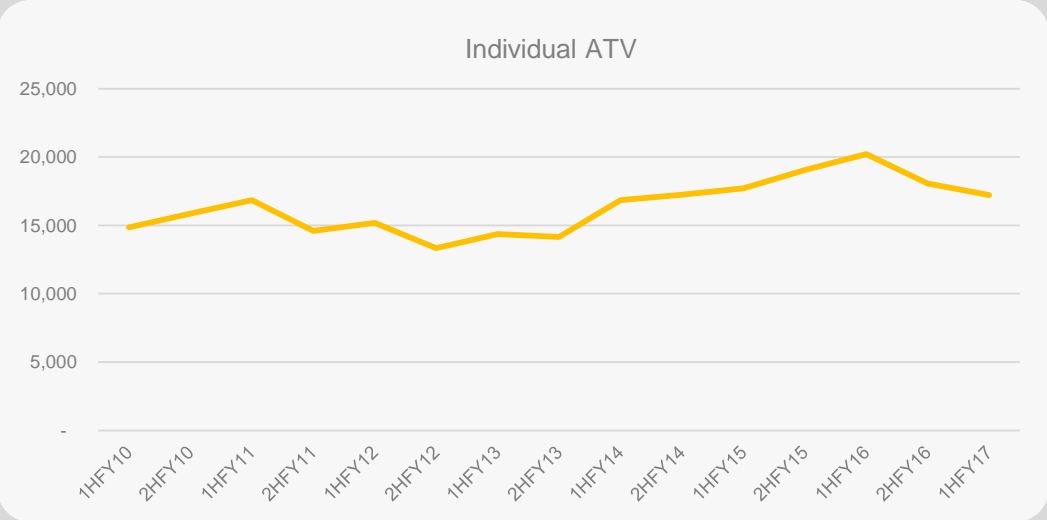
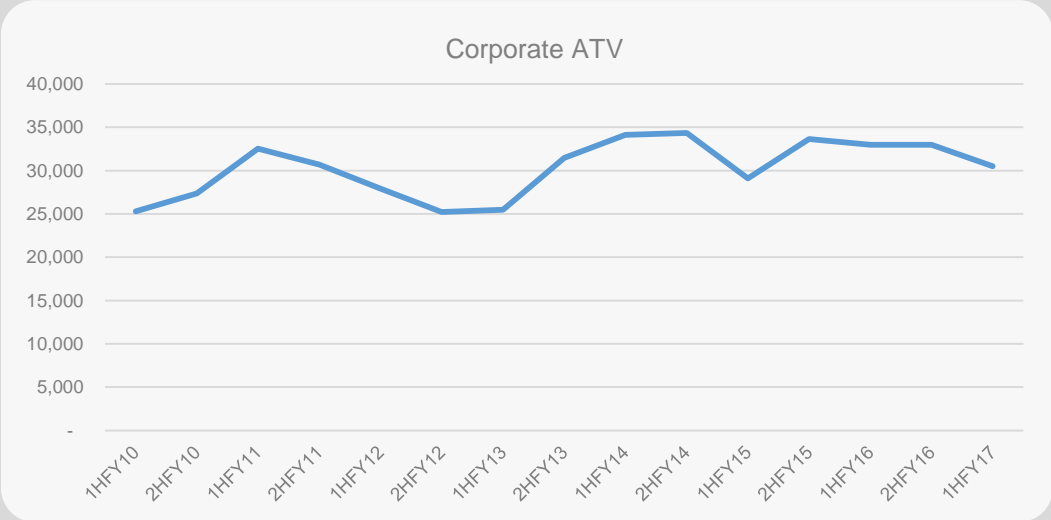
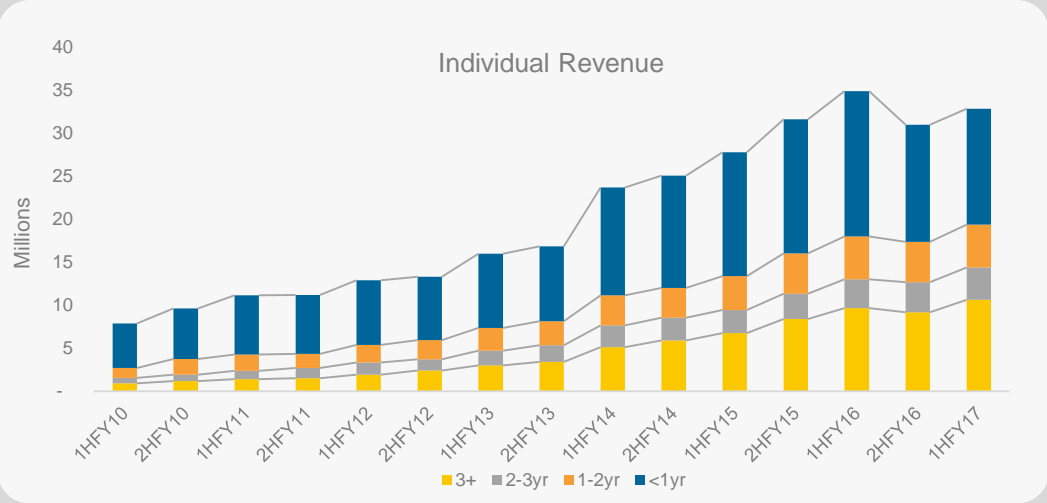
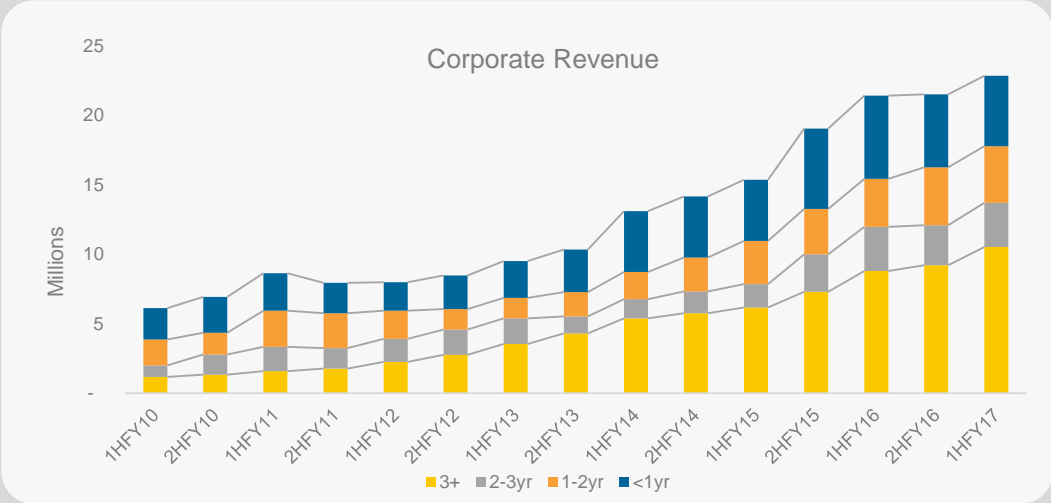


- Have good rates of retention leading to 34% of all transactions been completed by clients older than 3 years



Both divisions have gained momentum following the short term impacts of the rebrand in Australia

Market conditions have caused lower ATV's impacting revenue



Half on half revenue growth from all segments



Segment Net Operating Income

	1HFY17	2HFY16	1HFY16
\$m			
Australia and New Zealand	31.8	29.6	30.5
Europe	10.2	9.7	11.2
North America	9.6	8.9	8.7
Asia	1.0	1.0	1.1
Wholesale	5.3	4.7	5.8
Fee and trading income	58.0	53.9	57.3
Transaction costs	5.0	4.5	4.5
Net income	52.9	49.4	52.8
Net interest income	0.7	0.9	0.8
Net operating income	53.6	50.3	53.6

- Record net operating income revenue in Australia and North America
- Investment in brand and improving marketing mix in Australia, resulted in half on half revenue growth of 7.4%. Only the North America business achieved higher growth
- North America continues to deliver growth at a faster rate than ANZ at the same point in its maturity. The North American market is expected to be a significant contributor to the three year Accelerate Strategy growth target
- Europe continues to display strong key performance indicators and growth regardless of market conditions



Underlying operating expenses

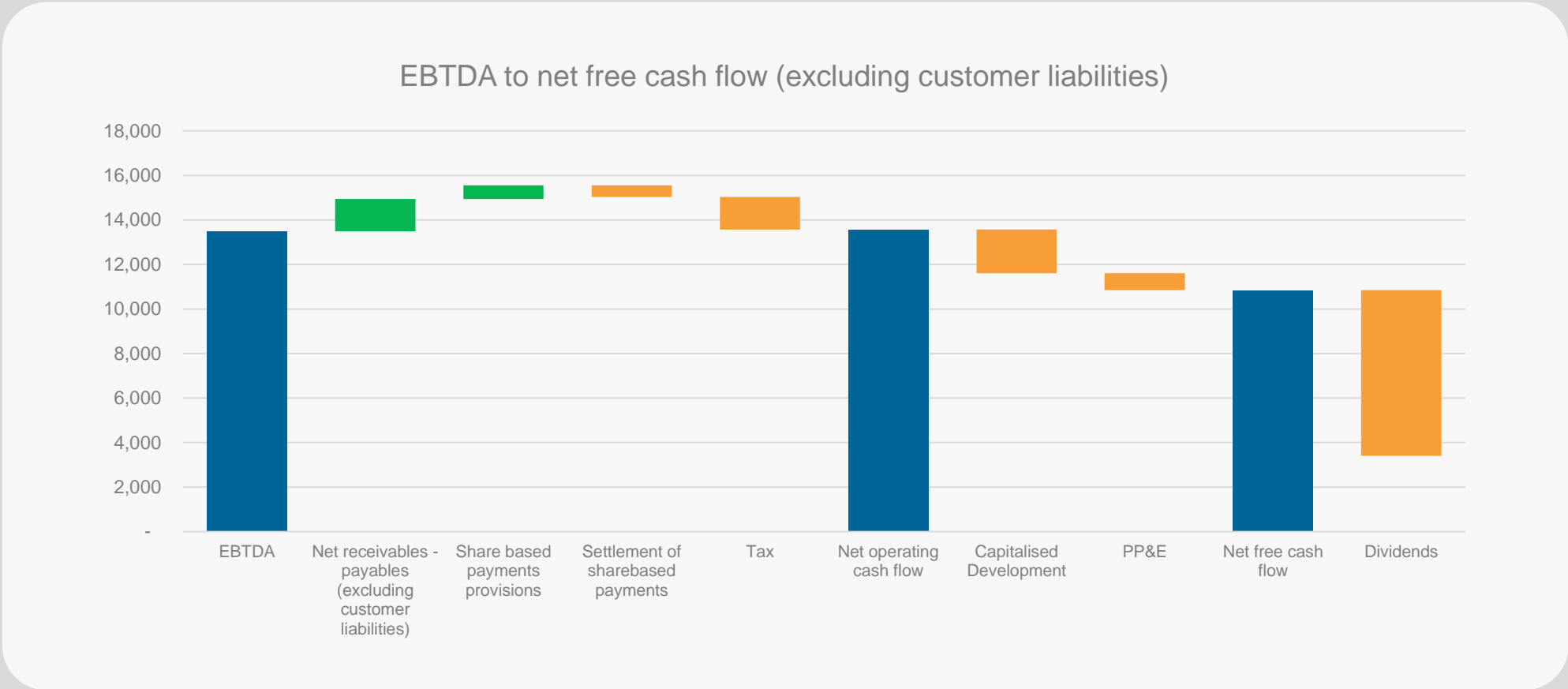
	1HFY17	2HFY16	1HFY16
Employee costs	20.3	18.1	18.0
Promotional costs	9.3	7.4	7.8
Occupancy costs	2.2	2.0	1.2
Technology Infrastructure	1.8	1.4	0.9
Other costs	5.0	3.9	5.0
Total operating costs	38.6	32.8	32.9
Short and long term incentives	1.5	(0.6)	2.7
Total Expenses	40.1	32.2	35.6

1. A portion of the short and long term incentives provision was released in 2H16 as performance hurdles were not achieved

- Strategic increase in operating expenses in order to invest in future growth is in line with previously disclosed Accelerate Strategy
- Investment in Technology Engineers, Data Analytics and HR affected employee costs
- Strategic investment during the half in broadening the Groups marketing mix and promoting the new brand OFX resulted in higher promotional costs
- Occupancy costs increased due to new leases entered into in Sydney, Toronto and Hong Kong during 2H16
- Technology Infrastructure costs have increased due to double up in costs during transition to AWS. This transitional period is expected to be exited as we start FY18

- Net cash \$41.5m up 9% from 31 March
- The Group requires net cash to enable
 - Adherence with regulatory capital requirements
 - Collateral with banking counterparties
 - Working capital to prefund bank accounts ensuring fast execution of client payments
- \$1.8m of highlighted \$5m of capex for FY17 has been incurred

	1HFY17	2HFY16	% change
Assets			
Cash	129.4	142.1	(9%)
Receivables due from financial institutions	26.6	20.8	28%
Derivative financial instruments	17.8	27.0	(34%)
Other assets	9.9	9.2	8%
Property, plant and equipment	6.4	6.5	(2%)
Total Assets	190.1	205.6	(8%)
Liabilities			
Derivative financial instruments	11.2	20.3	45%
Client liabilities	114.5	124.8	8%
Other liabilities	9.0	7.2	(25%)
Total Liabilities	134.7	152.4	12%
Net assets	55.4	53.2	4%
Equity			
Ordinary share capital	24.4	24.4	0%
Reserves	2.5	2.6	(4%)
Retained earnings	28.5	26.3	8%
Total equity	55.4	53.2	4%





Outlook

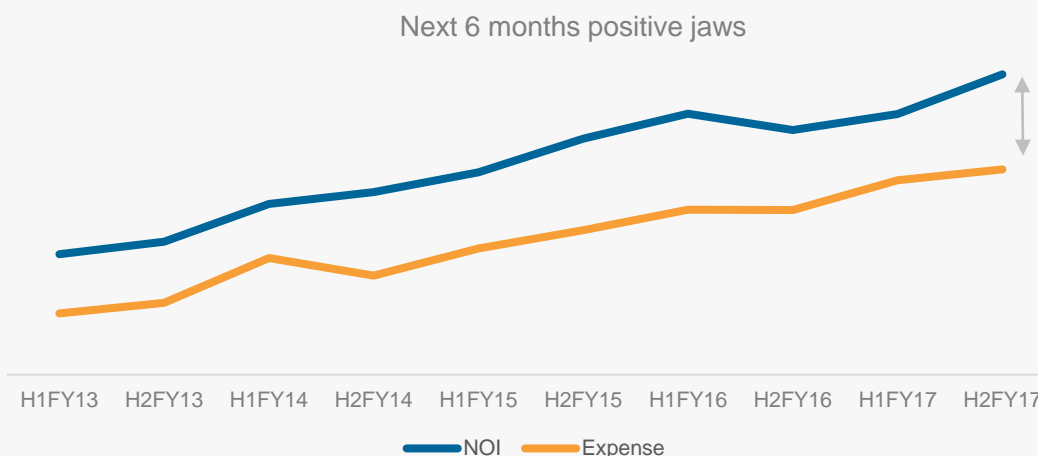
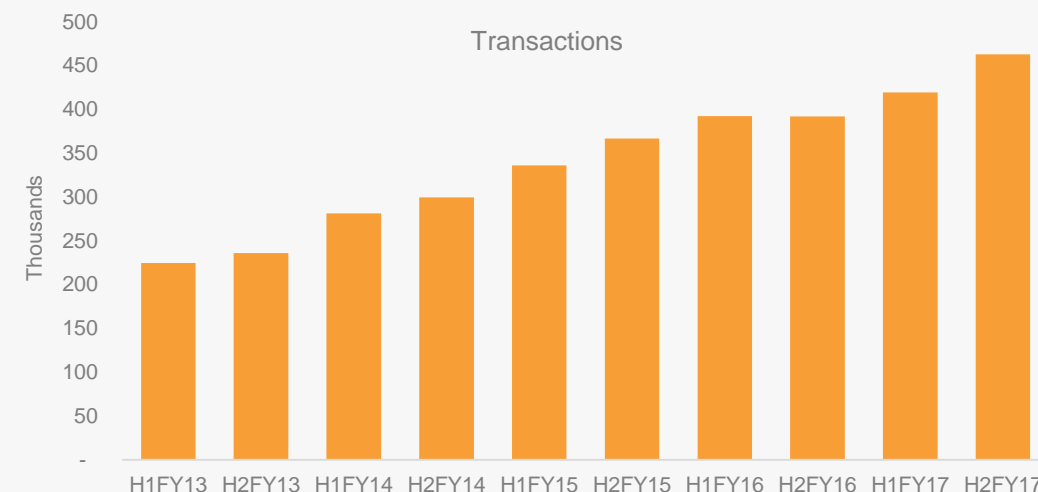
The Group will continue to acquire quality clients building on current cohorts, and maintaining the momentum in transactional growth.

Assuming the AUD continues to trade within current ranges against USD, GBP, EUR, CAD and NZD the transactional growth will translate into the equivalent revenue growth

At the start of FY17 the Group made a step change investment in Marketing and Technology. Whilst this investment is now embedded within the cost base, the future growth in expenses is expected to be at a lower growth rate.

Ongoing lower rate of tax due to OBU benefits

Combined with the revenue growth, the group expects to experience positive jaws with second half margins expanding, resulting in a lower full year EBTDA, whilst NPAT is expected be slightly higher.





Strategy Update

A 3 year Accelerate strategy

Strategy Update



Our investments over 1H17 position OFX to achieve \$200m revenue by FY19, with accelerated earnings growth.

GROWTH OPPORTUNITIES



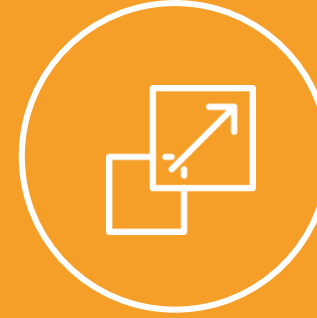
Increase AUD penetration

Tilt towards corporates and unlock the value from our client base



Increase non-AUD penetration

Executing US go-to-market strategy



Target adjacencies

Scaling out new online sellers business line

CORE ENABLERS



People

Empowering Innovation



Technology

Building scalable and agile technology platform in the cloud



Marketing

Diversification of marketing channels

Scalable operating model supported by world class assets

Strategy Update





- Delivered half on half revenue growth across all key markets.
- Period of significant investment: split equally between generating transaction growth and in underlying infrastructure to build a scalable and flexible business
- Anticipate good second half margin growth as transaction volumes increase and we leverage step change in expense base
- Encouraging early response to rebrand in Australia; continued global roll out into international markets over coming months
- Roll out of go to market strategy in US during the second half is expected to provide positive momentum toward strategic goals

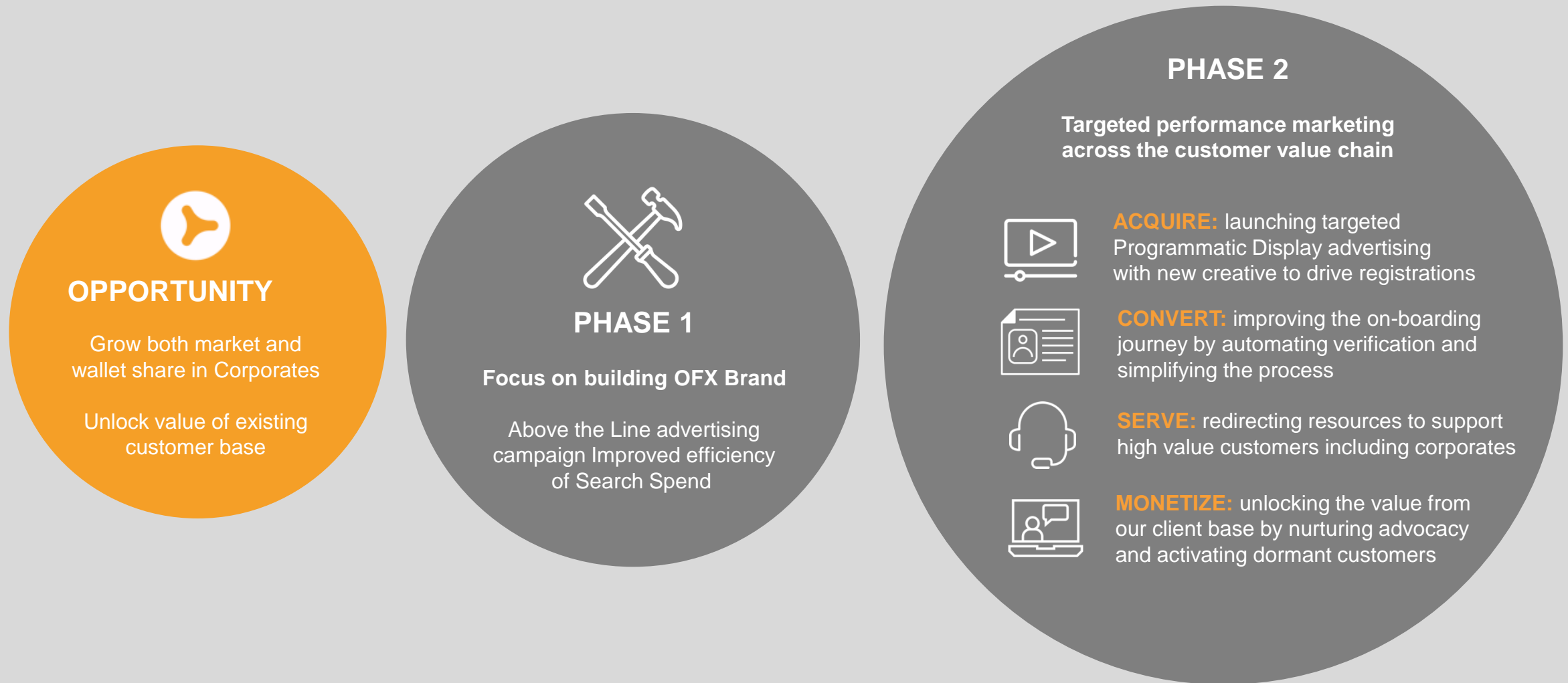




Q & A

A Appendix

AUD penetration: tilt towards corporates and unlock value from our client base





OPPORTUNITY

5x bigger payment flows than Australia yet 5x smaller share in OFX portfolio

Green shoots market largely untapped by digital MSBs

Higher margins captured by Banks and traditional players like WU and PayPal

Provides broader currency diversification, reducing exposure to volatility

PHASE 1



Completed market research and identified target segments



Enhancing trust & assurance markers on our website



Streamlining ready to deal process to improve conversion rates

PHASE 2



Introducing OFX brand in December 2016; full launch in April 2017



Ramping up B2B marketing to support corporate sales



Leveraging programmatic marketing
Scaling customer acquisition via strategic partnerships



Building US-based direct corporate sales capabilities in California



OPPORTUNITY

Global Retail Ecommerce is estimated to be worth 1.9 trn in 2017.

Marketplaces account for 30% of total sales volume today, forecast to be 46% by 2020.

Both marketplaces and their cross-border sellers have clearly defined FX needs.

POSITIONING



Providing 3rd party Online Sellers exporting on Amazon, Ebay and other Marketplaces, local currency collection accounts to save on their FX receivables.

Provide Marketplaces access to wholesale payments API's for their FX payables.

PHASE 1



Leverage our banking relationships to offer a collection account product

Benchmark competitors to build minimum viable product

Sell through existing sales teams and partner channels

Test, learn and validate product and marketing strategies

PHASE 2



Continue to roll out product releases making OFX a product leader

Eco systems focus on Asia – China in particular

Scale sales and marketing activates across other core markets US, UK and Australia



SCALABLE AND RESILIENT INFRASTRUCTURE

All core applications now in the cloud
(AWS) Development and
test environment
now in AWS



NEW TECHNOLOGY ARCHITECTURE

Progressing well with migration
to modern technology stack



AGILE PRODUCT DELIVERY CAPABILITY

Executing via product aligned
development teams

Delivering regular and reliable
customer feature releases [reality?]

Attracting top tech talent



**“Support every OFXer
to be their best self”**

Individuals who work as their best self will thrive.
Thriving individuals will do their best work and make
their greatest contribution which will ensure we
achieve results beyond expectations.

CORE ENABLERS

Leadership

Strong Leaders
for inspiration
and guidance in
all our teams

Structure

Succinct and clear
policies and procedures
to ensure individuals feel
safe and secure

Culture

A tangible culture
of high performance
combined with fun
and a strong sense
of belonging

Communication

That ensures alignment
and supports autonomy.
Transparent and respectful
two way dialogue that
promotes innovation
at all levels

Talent

Create an environment
that encourages our
people to pursue high
performance and
continually improve



Thank you