



FSA Group
AGM Presentation
27 November 2020

Agenda



- Overview
- Summary of the year “Challenges and opportunity”
- Segments
 - Services
 - Consumer Lending
- Financials
- COVID-19, Strategy and Outlook
- Earnings and Capital Management



Overview

Overview



**Australia's largest provider of debt solutions;
direct lender to individuals**

What we do

For over 20 years, FSA has helped thousands of Australians take control of their debt. Our large and experienced team of professionals offers a range of debt solutions and direct lending services, which we tailor to suit individual circumstances and to achieve successful outcomes for our clients.

Segments

Operates across 2 segments:

- Services
- Consumer Lending

Overview



Australia's largest provider of debt solutions; direct lender to individuals & businesses

2000	Founded with director loans of \$50,000. Initial offering debt agreements then PIA's and bankruptcy, then home loan brokering
2002	Back door listing raised \$600,000 for shareholder spread
2006	Commenced home loan lending
2009	Raised \$5.2m to underpin home loan pools
2015	Commenced car loan lending
2020	PAT \$16.3m, Shareholder equity \$59m, ROE 30%
2011 to 2020	\$73m returned to shareholders in buybacks and dividends
2002 to 2020	Shareholder return of 13% pa assuming dividends are re-invested



Summary of the year “Challenges and opportunity”

Challenges and opportunity



Services

- June 2019 amendments to the Bankruptcy Act took effect.
- As predicted non-home owners have been adversely affected.
- July 2019 launched our new service, an informal arrangement to assist non-home owners with their debt.
- The launch has been successful with positive feedback from clients and creditors.

Challenges and opportunity



Consumer Lending

- Developed a long term growth strategy.
- Rebranded “Azora” and led by one of the most experienced management teams in the non-bank sector.
- December 2019 we announced our inaugural \$200m issue of non-conforming RMBS via sole arranger and manager Westpac.
- Accessing the debt capital markets is a key step in our strategy of diversifying our funding and de-risking the business. More importantly, it provides us with fresh funding capacity to pursue our growth strategy.

Challenges and opportunity



COVID-19

- See Section “COVID-19, Strategy and Outlook”



Services

Services



Informal Arrangements and Debt Agreements

PIAs and Bankruptcy

FSA offers a range of services to assist clients wishing to enter into a payment arrangement with their creditors. These services include informal arrangements, debt agreements, personal insolvency agreements and bankruptcy.

Services - Clients



Informals and Debt Agreements

	FY2018	FY2019	FY2020	% Change
New clients	5,797	4,573	4,327	-5%
Clients under administration	21,885	21,725	19,736	-9%
Debt managed	\$398m	\$379m	\$353m	-7%
Dividends paid	\$82m	\$88m	\$89m	+1%

PIA's and Bankruptcy

	FY2018	FY2019	FY2020	% Change
New clients	415	436	347	-20%
Clients under administration	1,253	1,290	1,304	+1%



Consumer Lending

Consumer Lending



Home Loans

FSA offers home loans to assist clients with property who wish to consolidate their debt.

Personal Loans

FSA offers personal loans to assist clients with the purchase of a motor vehicle.

Consumer Lending - Loan Pools



Loan Pool Data	Home Loans	Personal Loans
Weighted average loan size	\$356,157	\$20,656
Security type	Residential home	Motor vehicle
Weighted average loan to valuation ratio	67%	85%
Variable or fixed rate	Variable	Fixed
Geographical spread	All states	All states

Consumer Lending - Loan Pools



Loan Pools	FY2018	FY2019	FY2020	% Change
Home loans	\$360m	\$382m	\$394m	+3%
Personal loans	\$48m	\$59m	\$63m	+6%
Total	\$408m	\$441m	\$457m	+4%

Arrears > 30 day	FY2018	FY2019	FY2020
Home loans	1.40%	1.42%	2.55%
Personal loans	1.55%	3.36%	2.41%

Losses	FY2018	FY2019	FY2020
Home loans	\$ 501,494	\$ 278,405	\$ 171,265
Personal loans	\$ 263,251	\$ 564,022	\$ 1,155,536*

* The loss of \$1,155,536 is distorted by a loss of \$371,350 from the discontinued pilot product offering which we ran during the 2018 calendar year.

Consumer Lending - Funding



Funding	Facility Type	Provider	Limit	Maturity Date	Drawn
Home Loans	Non-recourse warehouse	Westpac	\$350m	Oct-21	\$198m
	Non-recourse warehouse	Institutional	\$20m	Oct-21	\$15m
	Securitised	Institutional		Mar-51	\$178m
Personal Loans	Limited recourse warehouse	Westpac	\$75m	Apr-23	\$42m
	Corporate	Westpac	\$15m	Mar-21	\$5m



Financials

PBT by segment



Profit before tax by segment		FY2019	FY2020	% Change
Services		\$11.6m	\$11.7m	+1%
Consumer Lending	Home Loans	\$5.9m	\$7.4m	+26%
	Personal Loans	\$5.3m	\$5.2m	-3%
Other/unallocated		(\$0.7m)	\$0.4m	
Profit before tax		\$22.2m	\$24.8m	+12%

Group financials



Financial Overview	FY2019	FY2020	% Change
Operating income	\$69.7m	\$68.2m	-2%
Profit before tax	\$22.2m	\$24.8m	+12%
Profit after tax attributable to members	\$14.4m	\$16.3m	+13%
EPS basic	11.52c	13.05c	+13%
Net cash inflow from operating activities	\$17.1m	\$19.4m	+14%
Dividend/share	5c	6c	+20%
Shareholder equity attributable to members	\$51.0m	\$59.4m	+17%
Return on equity	30%	30%	

What's underpinning operating cash flow



Long-term annuity income

	FY2018	FY2019	FY2020	% Change
Net cash inflow from operating activities	\$14.5m	\$17.1m	\$19.4m	+14%

		No of clients / loan pool size	Average client life in years
Services	- Informals/ Debt Agreements	19,736	4.5 to 5.5
	- PIA/Bankruptcy	1,304	3
Consumer Lending	- Home Loans	\$394m	3 to 4
	- Personal Loans	\$63m	4 to 5



COVID-19, Strategy and Outlook

COVID-19 - Overview



- We acted promptly to ensure we provided a safe working environment for our people and implemented flexible work arrangements including working from home.
- Due to Government and Bank support packages and temporary Legislative changes*:
 - **(New Clients)** COVID-19 negatively impacted the number of new callers seeking our assistance, predominately for our Services segment;
 - **(Existing Clients)** COVID-19 negatively impacted then positively impacted collections, arrears and hardships for existing clients.

* Temporary Legislative changes include extending the Bankruptcy Notice compliance period from 21 days to 6 months and increasing the Bankruptcy Notice threshold from \$5,000 to \$20,000.

COVID-19 - New Clients - Services



Services

New client numbers for March to October 2020 vs pcp

- down 37% for Informals/Debt Agreements; and
- down 67% for PIA/Bankruptcy

Strategy and Outlook

In response we have restructured parts of our business to reduce costs.

We believe demand for our services will start to increase in the months leading up to the withdrawal of both Government and Bank support packages and the reversal of the temporary Legislative changes.

COVID-19 - New Clients - Consumer Lending



Consumer Lending

Loan pools at October 2020 vs January 2020

- Home loan pool \$387m relatively unchanged; and
- Personal loan pool \$65m up 2%

Strategy and Outlook

During COVID-19 we focused on arrears and hardship management.

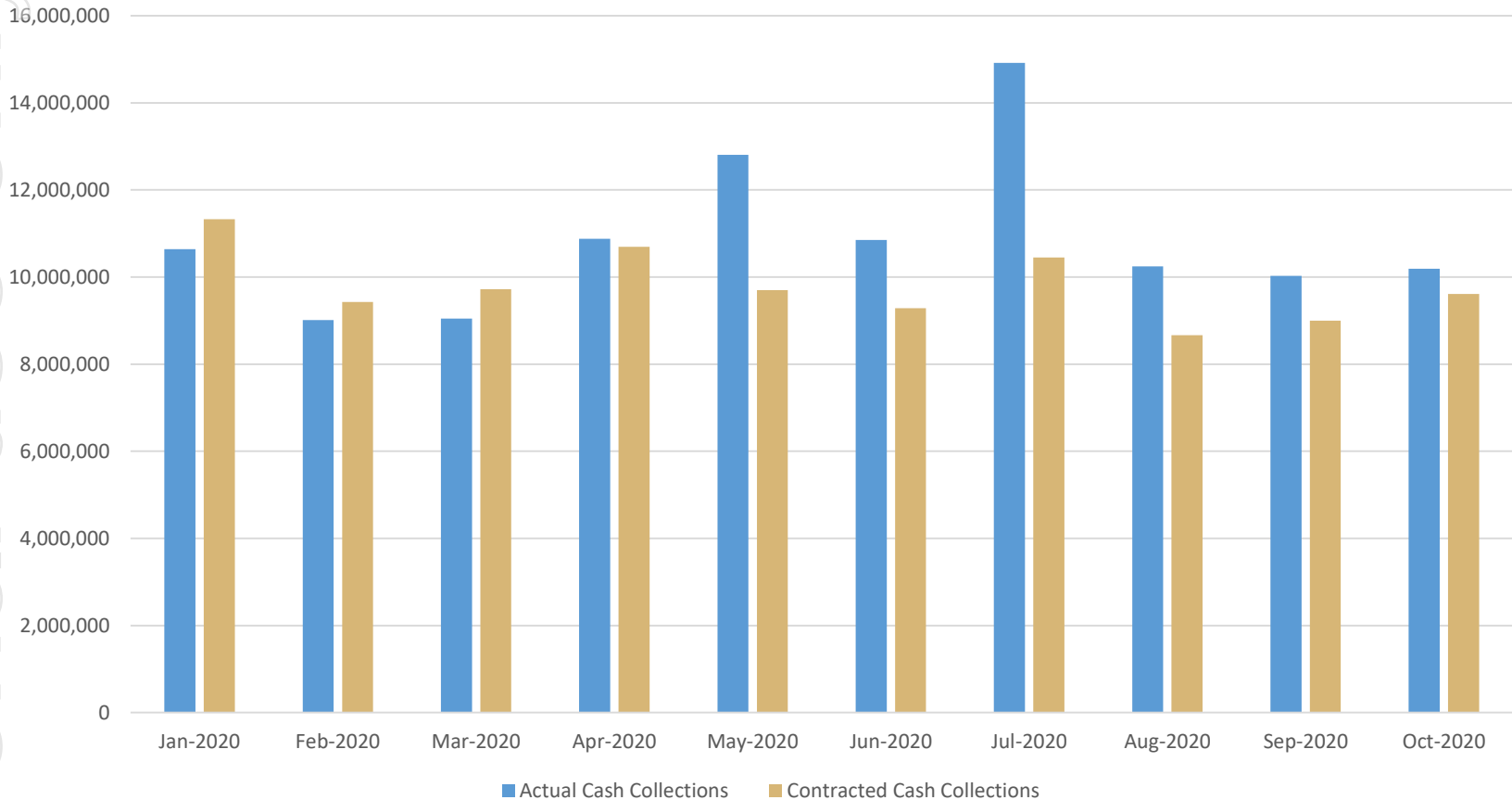
We are now preparing to take “Azora” to the broker market.

We are focused on developing a broker channel and growing our loan pools.

COVID-19 - Existing Clients - Services



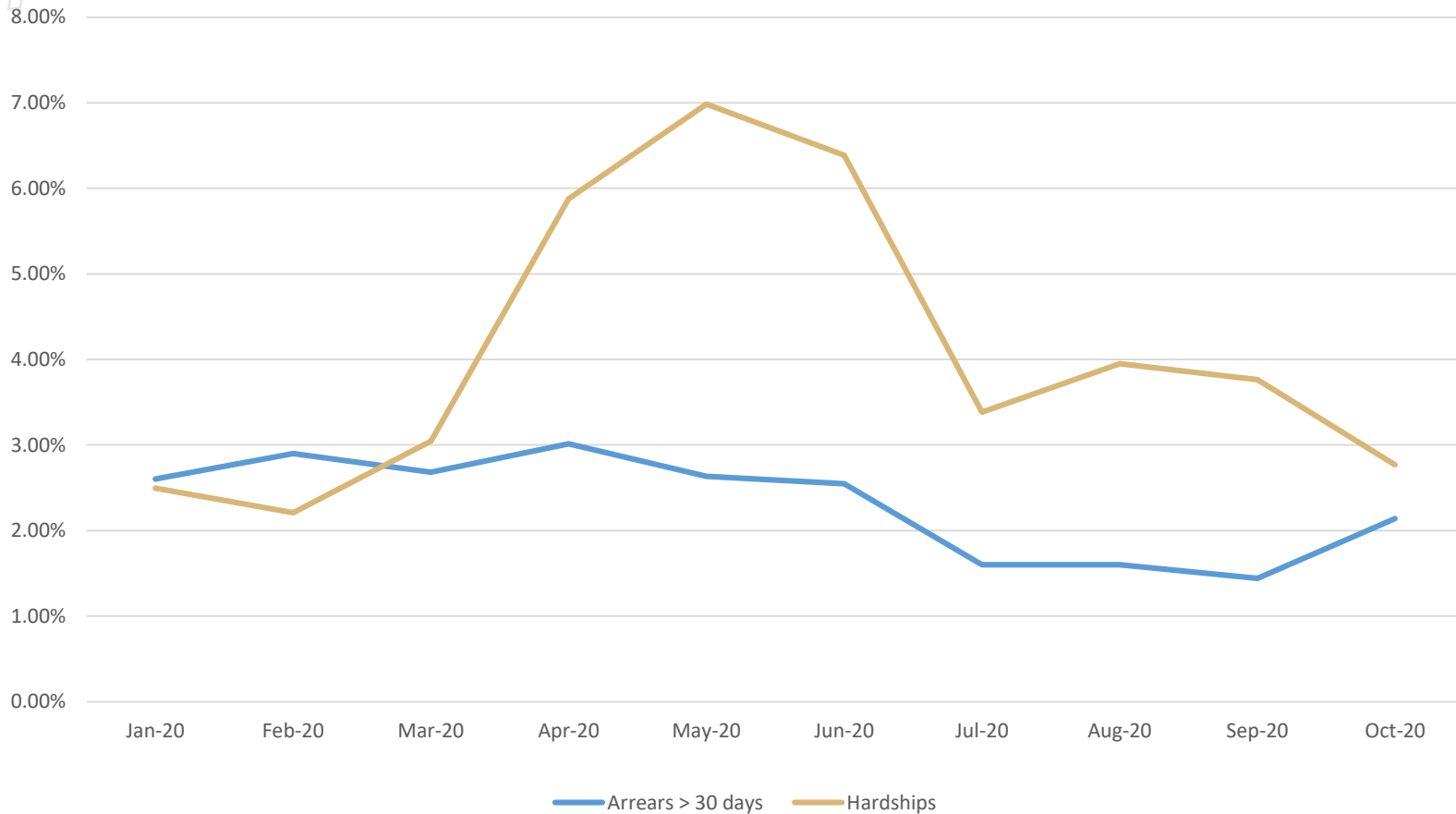
Debt Agreement Collections



COVID-19 - Existing Clients - Home Loans



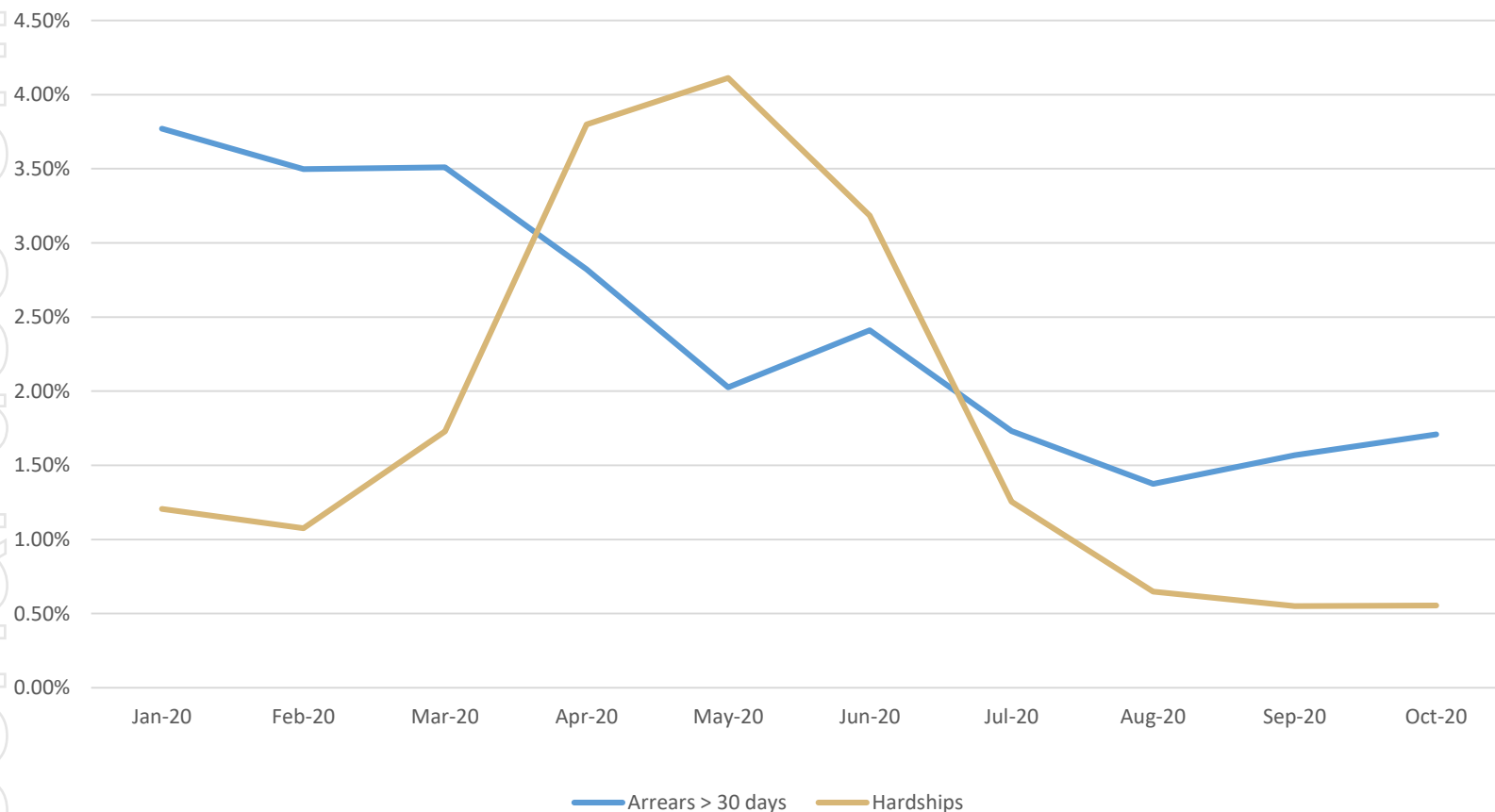
Home Loan Arrears and Hardships



COVID-19 - Existing Clients - Personal Loans



Personal Loan Arrears and Hardships





Earnings and Capital Management

Earnings and Capital Management



Earnings

Due to increased cash collections and a reduction in costs we expect FY2021 earnings growth of 5% to 15%

Capital Management

Due to our strong net cash inflow driven by long term annuity income from our clients, we expect FY2021 full year dividend to be between 6c to 7c per share with the balance of earnings to be reinvested.

On market share buy back

We plan to continue with our on market share buy back.

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Factors that may cause actual results or earnings to differ materially from these forward-looking statements include general economic conditions in Australia, interest rates, competition in the markets in which the Company does and will operate, and the inherent regulatory risks in the businesses of the Company, along with the credit, liquidity and market risks affecting the Company's financial instruments described in the Company's latest Annual Report.

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