



FY17

Full Year ending June 2017

FY17 Full Year results presentation

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and Susan Mitchell (CFO)

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1. Executive summary

Executive summary

Financial results

Mortgage Choice delivered yet another year of strong financial results:

- Cash NPAT up by 10.2% - two consecutive years of over 10% growth
- IFRS NPAT up by 13.5%
- Settlements grew to \$12.3b and the loan book grew to \$53.4b
- Financial Planning gross revenue passed \$10m, gross profit grew by 26% and the division delivered a profit for the year
- Asset Finance gross revenue grew by 9.3% with over 1,600 transactions completed for the year
- Record 46 new greenfield franchises were recruited
- Final dividend of 9c per share, taking the full year dividend to 17.5c per share fully franked, up 1c year on year

Operations

The Company successfully delivered a number of strategic initiatives to drive growth, including:

- Launch of a Mortgage Choice branded asset finance offer
- New induction and on-boarding program to accelerate the success of new franchisees
- Retail and collaborative marketing initiatives to drive local brand awareness
- Launch of two industry leading online tools to add further value to Mortgage Choice Financial Planning's offering

FY17 performance highlights

		FY17	FY16	FY17 vs FY16	
NPAT	- Cash	22.6 m	20.5 m	10.2%	▲
	- IFRS	22.2 m	19.5 m	13.5%	▲
Mortgage Broking	- Loan book	53.4 b	51.7 b	3.2%	▲
	- Settlements	12.3 b	12.2 b	1.2%	▲
	- Market share	3.7 %	3.7 %	0.0%	■
Financial Planning	- Funds under advice	532.4 m	332.1 m	60.3%	▲
	- Premiums in force	24.2 m	19.2 m	26.0%	▲
	- FP gross profit	2.2 m	1.7 m	26.0%	▲
EPS	- Cash	18.1 c	16.5 c	9.7%	▲
	- IFRS	17.8 c	15.7 c	13.4%	▲
DPS	- Ordinary	17.5 c	16.5 c	6.1%	▲

2. Financial performance

Profit and loss statement

^ Cash is based on accruals accounting and excludes share based remuneration and the net present value of future trailing commissions receivable and payable. This is an extract from our audited accounts.

\$m

Origination commission received
Trailing commission received

Origination commission paid
Trailing commission paid

Net core commission

Diversified products net revenue
Financial Planning net revenue
HMC net revenue
Other income

Gross profit

Operating expenses
Share based remuneration

Net profit before tax

Net profit after tax

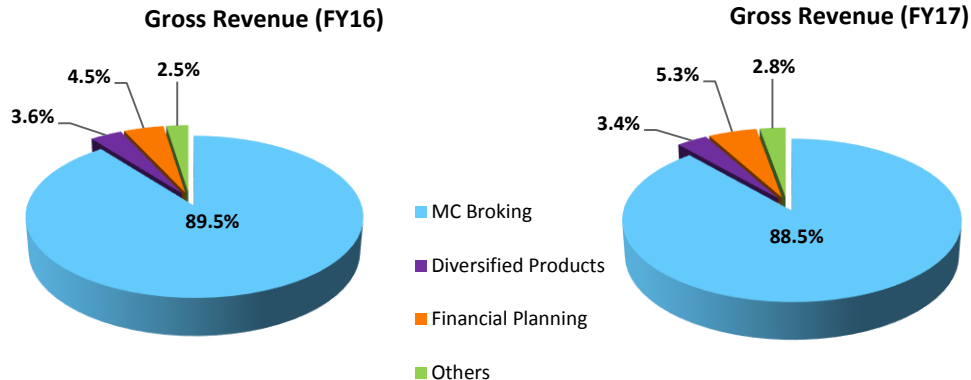
EPS (cps)
DPS (cps)

	FY17 Cash^	FY16 Cash^	% change
Origination commission received	75.08	72.31	3.8%
Trailing commission received	96.39	95.08	1.4%
	171.47	167.39	2.4%
Origination commission paid	54.61	52.94	3.1%
Trailing commission paid	59.10	57.85	2.2%
	113.71	110.80	2.6%
Net core commission	57.76	56.59	2.1%
Diversified products net revenue	1.69	1.58	7.0%
Financial Planning net revenue	2.07	1.69	22.5%
HMC net revenue	0.81	1.35	(40.1%)
Other income	5.43	4.58	18.4%
Gross profit	67.76	65.80	3.0%
Operating expenses	35.62	36.35	(2.0%)
Share based remuneration	-	-	-
Net profit before tax	32.14	29.45	9.1%
Net profit after tax	22.63	20.55	10.2%
EPS (cps)	18.1	16.5	9.7%
DPS (cps)	17.5	16.5	6.1%

	FY17 IFRS	FY16 IFRS	% change
Origination commission received	75.08	72.31	3.8%
Trailing commission received	102.49	104.71	(2.1%)
	177.57	177.01	0.3%
Origination commission paid	54.61	52.94	3.1%
Trailing commission paid	63.78	66.89	(4.6%)
	118.39	119.83	(1.2%)
Net core commission	59.18	57.18	3.5%
Diversified products net revenue	1.69	1.58	7.0%
Financial Planning net revenue	2.07	1.69	22.5%
HMC net revenue	-	0.44	(100.0%)
Other income	5.43	4.58	18.4%
Gross profit	68.37	65.48	4.4%
Operating expenses	35.62	36.35	(2.0%)
Share based remuneration	0.88	0.78	13.5%
Net profit before tax	31.87	28.35	12.4%
Net profit after tax	22.18	19.54	13.5%
EPS (cps)	17.8	15.7	13.4%
DPS (cps)	17.5	16.5	6.1%

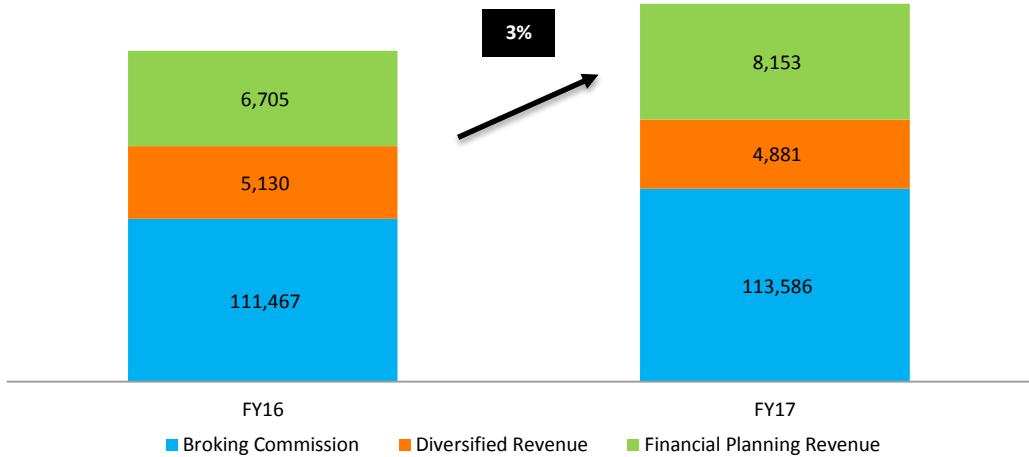
Continued focus on diversification delivers results

** Gross Revenue on a cash basis excluding
Help Me Choose (HMC), which closed in FY16*



- Proportion of gross revenue from non-residential lending activities increased in FY17 to 11.5%
- Significant growth in Financial Planning revenue of over 20%
- Increase in Asset Finance gross revenue of 9.3% offset by a fall in commercial revenue from a softening commercial market
- Diversification remains a key opportunity for further revenue growth in FY18

Franchisee revenue continues to grow



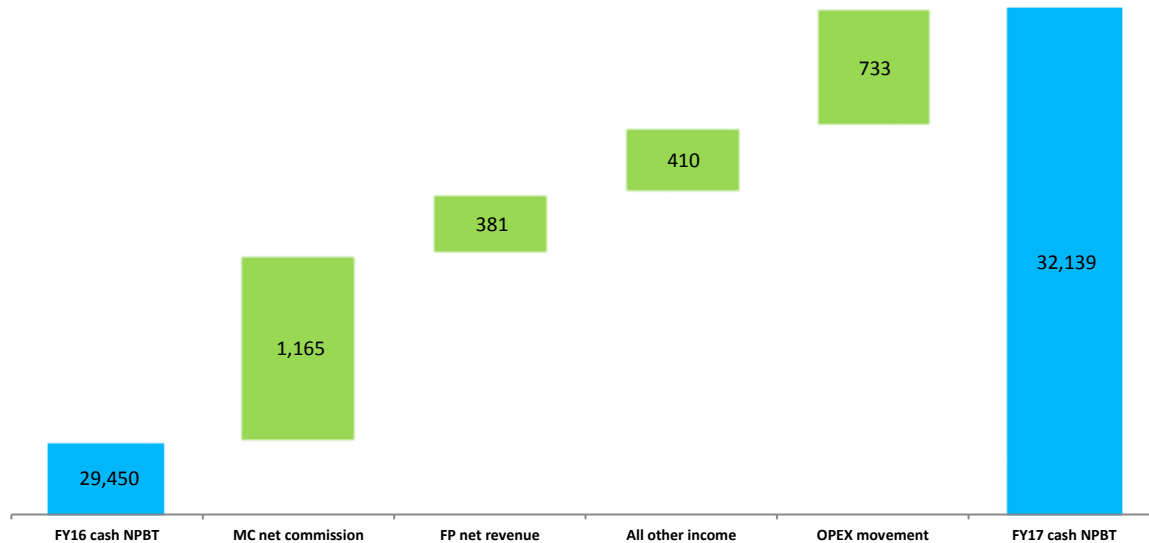
**Broking commission excludes movement in clawback provision*

- Franchisee revenue continues to grow due to increases in mortgage broking and financial advice revenue
- Opportunities for franchisees to grow their assets and revenue through further adoption of diversified services

Cash NPBT records strong growth and controlled expense

\$'000

Net Profit before tax



- Revenue growth in both the core broking business and financial advice arm drove 9% increase in net profit before tax
- Closure of HMC led to a fall in operating expenses in FY17 compared to FY16
- Business will continue to focus on revenue growth whilst prudently managing expenses

Financial Planning and core broking business deliver strong gross profit result

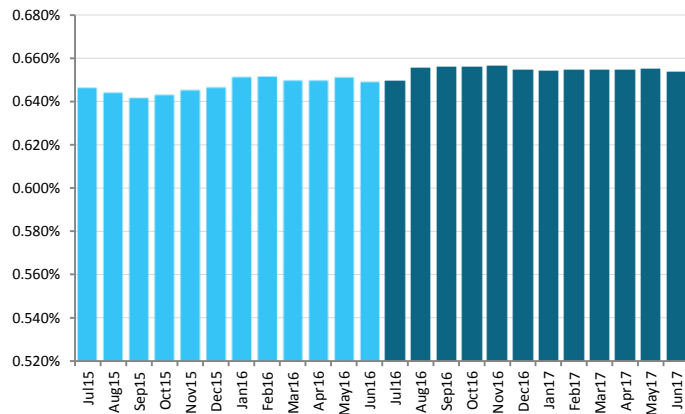
\$000	Divisional results								
	FY17			FY16			FY15		
	MC	FP	HMC	MC	FP	HMC	MC	FP	HMC
Settlements	12.3b			12.2b			11.5b		
Gross profit (IFRS)	66,177	2,192	-	63,294	1,745	437	60,315	1,268	3,800
Gross profit (Cash)	64,753	2,192	811	62,700	1,745	1,355	59,237	1,268	3,212
OPEX	(33,665)	(1,954)	-	(32,219)	(2,189)	(1,944)	(31,506)	(2,178)	(4,316)
EBITDA (Cash)	32,131	305	811	31,491	(377)	(541)	28,335	(843)	(957)
NPAT (IFRS)	22,036	141	-	20,913	(336)	(1,039)	19,901	(661)	(384)
NPAT (Cash)	21,889	177	568	21,264	(300)	(419)	19,955	(626)	(763)
YOY Growth (%)	3%	159%	-						

- Core broking business cash NPAT up 3% with a \$2m increase in gross profit against a \$1.4m increase in OPEX related to investment in a dedicated growth team
- Financial Planning business profitable on an annual basis hitting gross revenue of \$10m; reduction in OPEX as salaried advisers join network
- Help Me Choose (HMC) closed in FY16 and continues an orderly run-off; expect a declining cash contribution over FY18 and 1H19

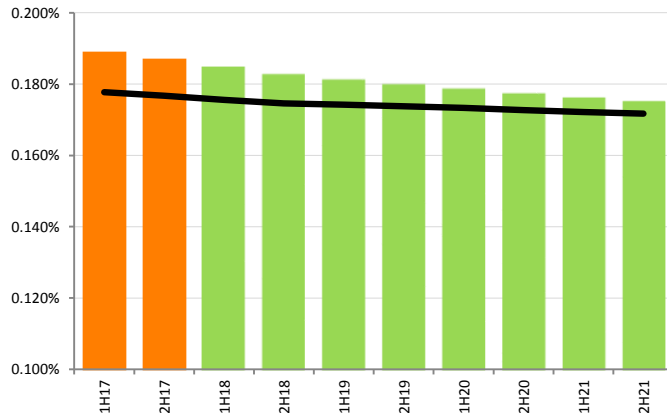
Average upfront commission rates have improved

- Average rate total book
- Average rate total book (estimated)
- Average rate of new settlements post GFC changing commission rates

Average upfront rate



Average trail rate

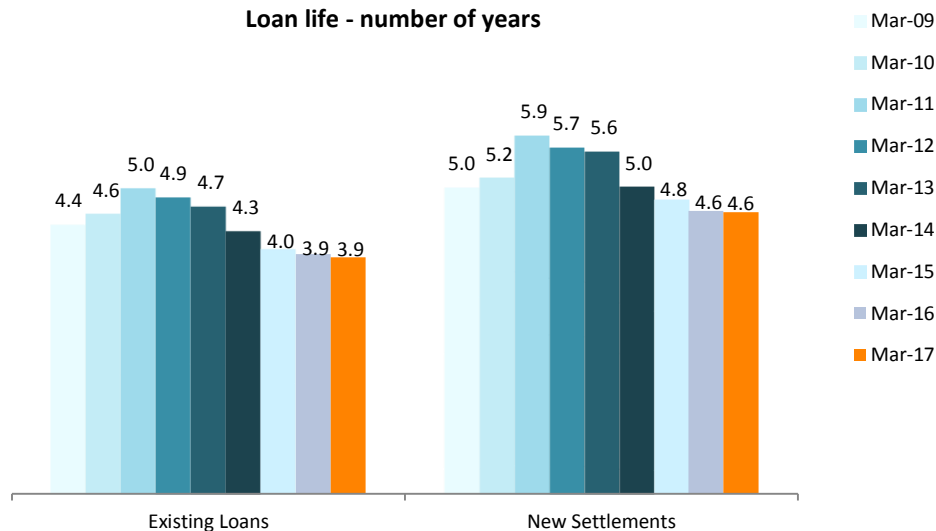


- Average upfront rate for FY17 is 0.6544%
- Average trail rate is predicted to be at 0.175% by June 2021 as book matures

Loan life more consistent after prolonged period of rate stability

Prepared by: Deloitte Actuaries & Consultants Limited

The loan life is a projection of the future at the date of calculation. Each year's loan life is based on the experience of that year, assuming this recurs in all the years.



- Negligible decline in average loan life, consistent with slightly higher run-off rates compared to FY16
- Decreasing loan life trend appears to have halted after 5 years
- Annual actuarial review resulted in a year end positive adjustment of \$1.6m to valuation of trail commission book

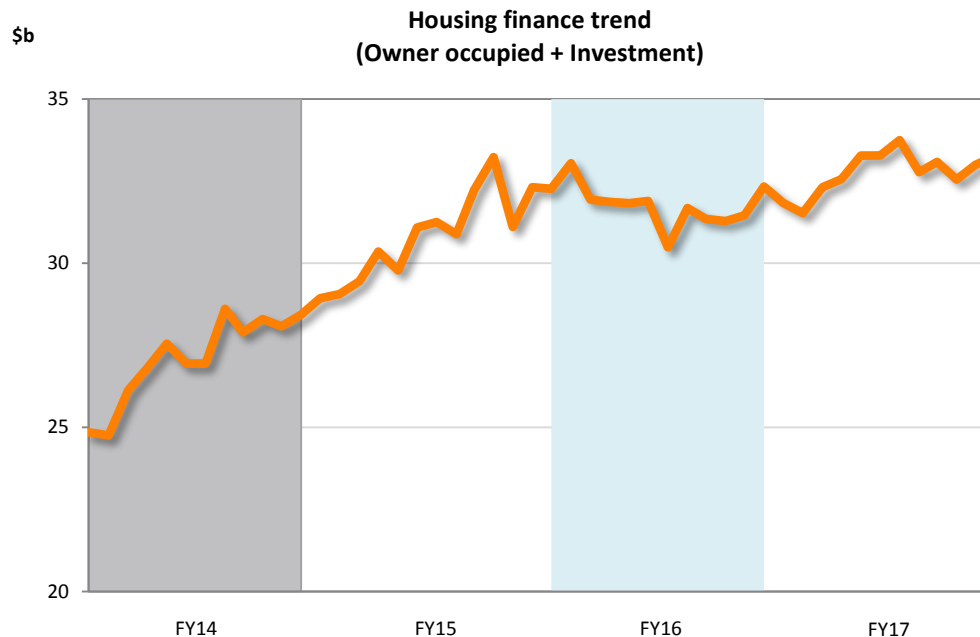
Operating cash flow

\$000	FY17	FY16
Net profit before tax (cash basis)	32,139	29,450
Depreciation and amortisation	1,581	1,541
	33,720	30,991
Tax paid	(9,162)	(7,584)
Purchase of fixed assets and intangibles	(1,395)	(1,040)
Loans to franchisees	(1,254)	(674)
Other balance sheet movements	(131)	(1,550)
Cash flow before dividends	21,778	20,143
Dividends paid	(21,200)	(19,902)
Net cash movement	578	241

3. Market update

Home loan market remains robust

*Housing finance source: ABS 5609
Table 11 – Housing Finance,
Australia, Jun17 (Seasonally
adjusted series)*



- Housing finance commitments remain high, with \$33 billion in approvals per month now the new black
- Mortgage Choice remains well placed to grow even if the heat comes out of the housing market

Heightened economic and regulatory changes drive complexity presenting Mortgage Choice with an opportunity to help Australians make sense of it all



Interest rates

- RBA cut the cash rate in May and August 2016 then moved into a prolonged period of interest rate stability
- Australia's lenders are moving out of cycle with the RBA
- Lenders have increased and decreased their rates across certain products over the last few months

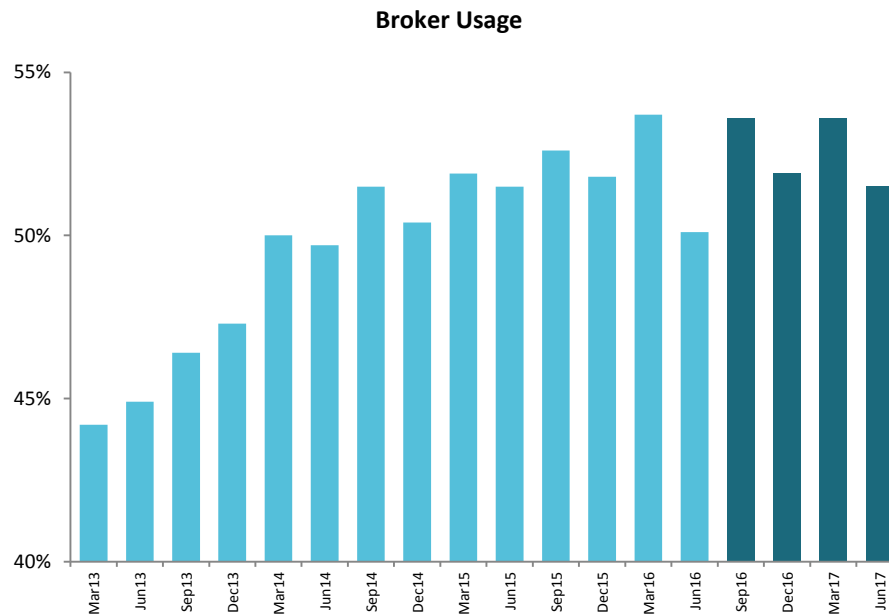


Regulatory changes

- APRA caps on investment lending growth continue to create policy and pricing change for investment lending
- In March, APRA asked lenders to limit interest-only lending to 30% of all new residential mortgages driving further policy and pricing changes
- Heightened complexity in the market has driven record levels of customers to Mortgage Choice

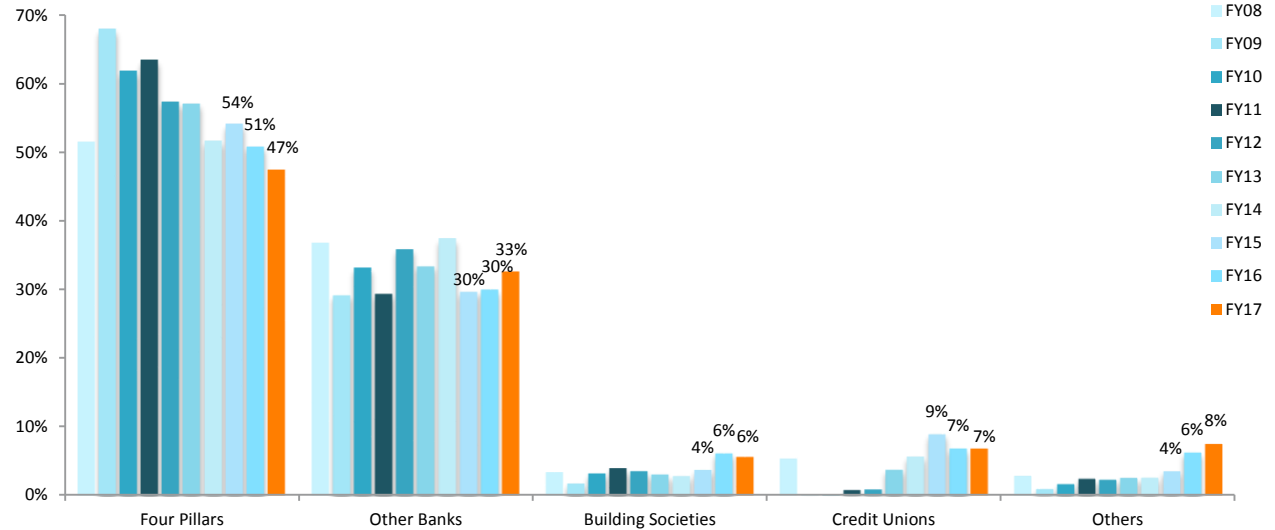
Broker market share continues to grow

Broker usage source: MFAA's quarterly survey of leading mortgage brokers and aggregators – Jun17 report



- Consumers value the expertise and experience of brokers, which is why their market share is more than 50%
- As brokers continue to diversify their service proposition, they will create deeper customer relationships leading to further growth in market share

Mortgage Choice settlements by lender



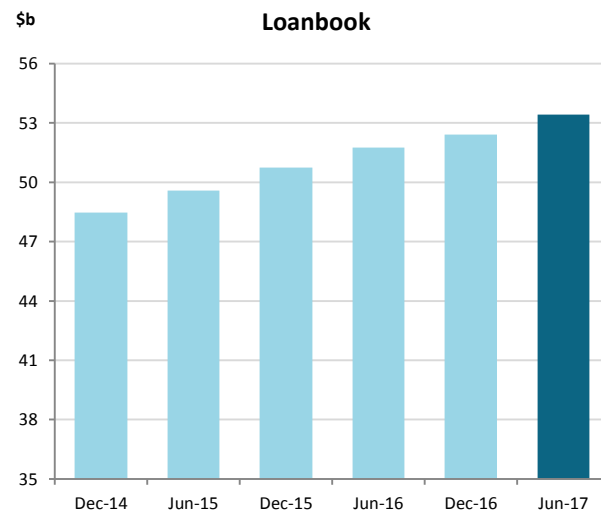
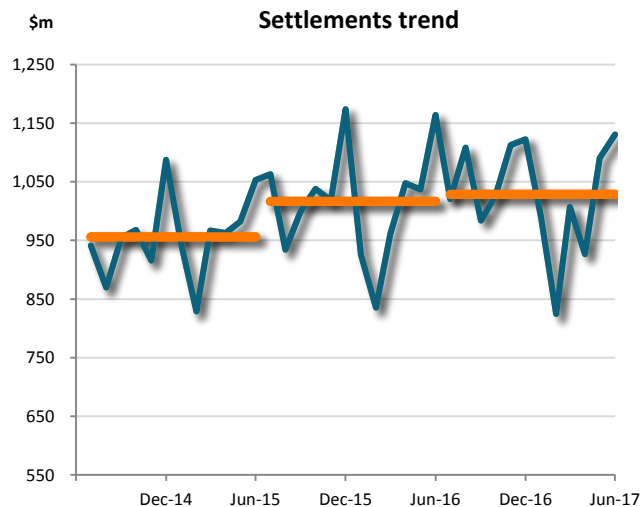
Annual Figures from FY08 to FY17

Four Pillars includes CBA, ANZ, NAB (Homeside) and Westpac (excludes St. George and BankWest)

- Four pillars continue to lose market share as consumers increasingly look to smaller banks and credit unions
- Four pillars including St George and Bankwest fell from 66% to 62%
- Smaller banks and credit unions more flexible and less impacted by regulatory changes, which has resulted in greater business opportunities for them

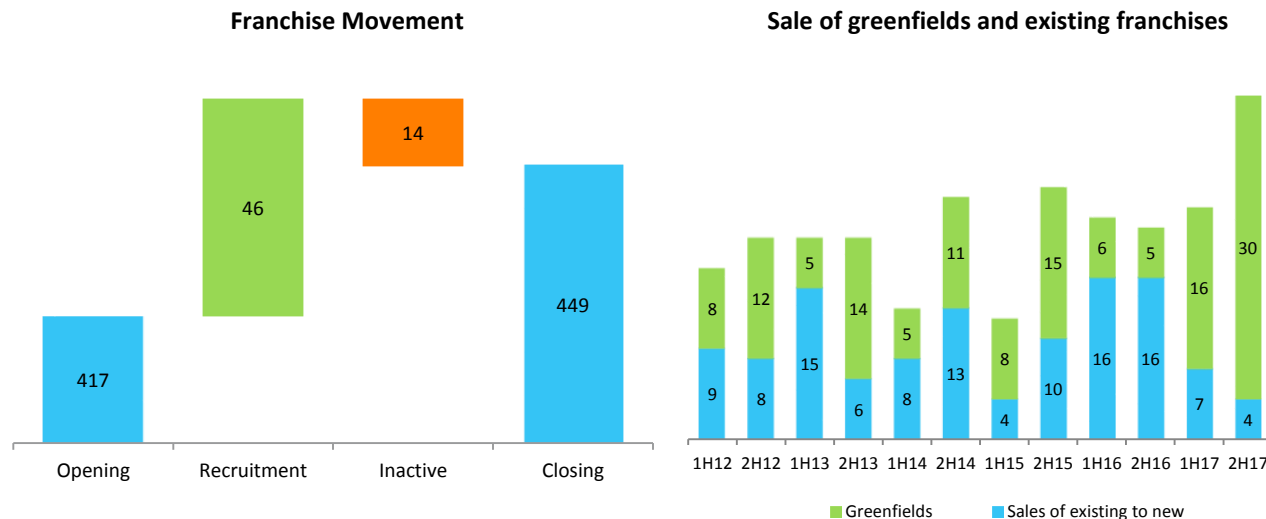
4. Operations

Settlements up 1.2% and strong recruitment results position the business for future growth



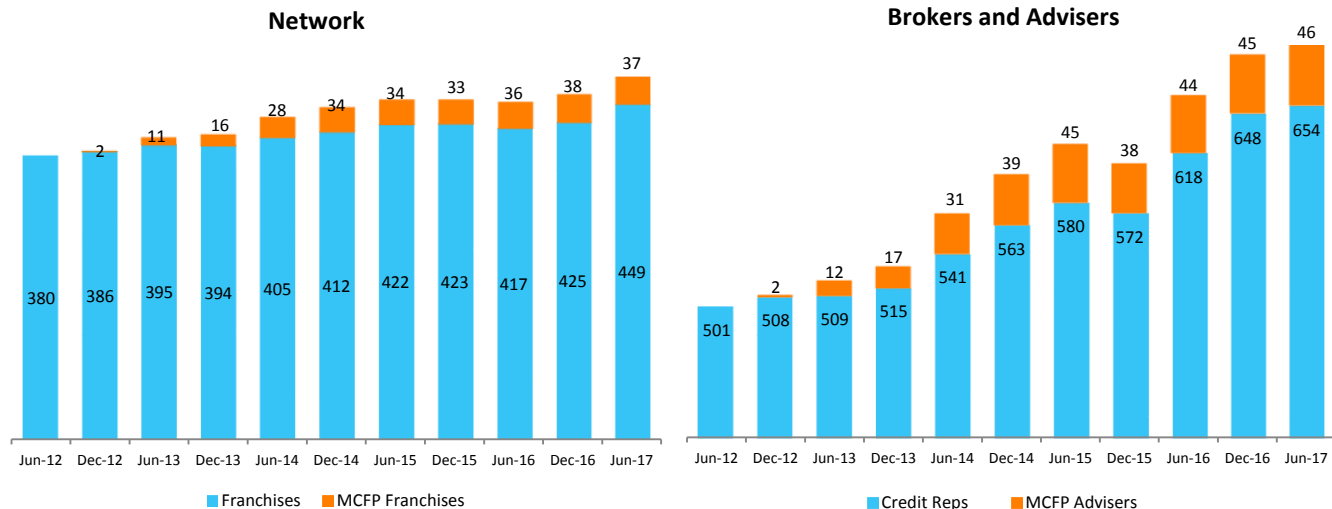
- Mortgage Choice achieves 'best ever' settlement result of \$12.3 billion
- Loan book grew 3.2% throughout FY17
- Strong recruitment results sets the business up for future growth

Record number of greenfield franchises recruited



- 46 Greenfields recruited throughout FY17, marking a new record for the business
- The Company has reaped the benefits of having a dedicated Mortgage Choice growth team
- New induction and continued support program, Accelerate, helping new recruits be more productive faster

Business continues to grow number of mortgage brokers



- Limited Credit Representative incentive encouraged people within the network to upskill
- Highest number of credit representatives since the GFC
- Adviser numbers stable and will grow as required to handle increased referrals

Mortgage Choice branded offerings increase brand engagement and improve retention

Mortgage Choice Home Loans

- Competitive pricing, backed by industry leading turn around times and strong customer service, drove increased take up of the Mortgage Choice branded home loan
- The home loan is included in the Mortgage Choice 'Paid the Same' philosophy

Mortgage Choice Asset Finance

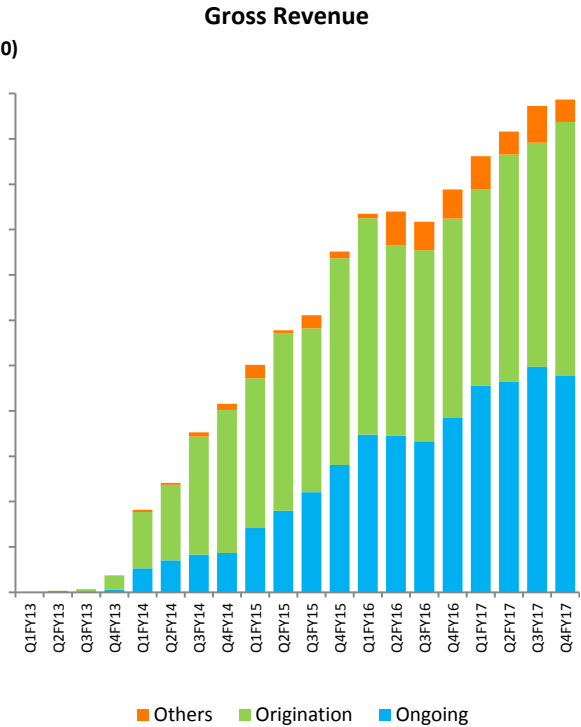
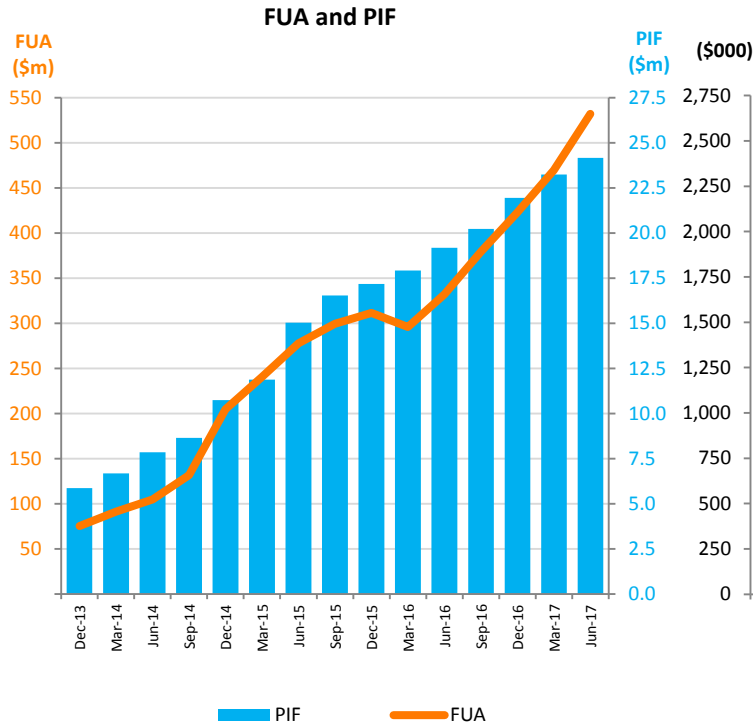
- More than 1,600 loans financed through Mortgage Choice Asset Finance
- 43% of the network sold at least one MCAF loan in a quarter, compared to 32% last year

Mortgage Choice Financial Planning

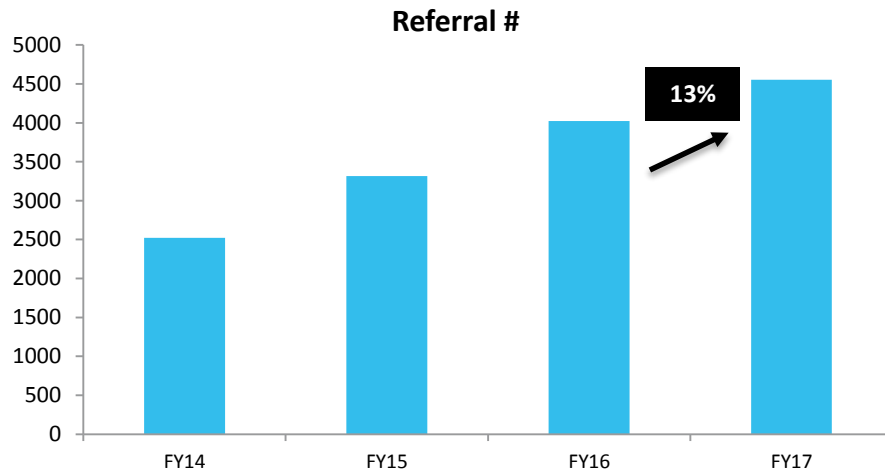
- Launched industry leading Retirement Income Calculator
- Launched new MoneyTrack application to help customers better manage their finances
- 13% increase in number of referrals from core broking business

Funds Under Advice and Premiums In Force continue to grow

**Includes insurance written by broking network*



Step up in
referral
numbers as
financial advice
business
matures



- Utilisation growing – 49% of brokers now refer customers on a regular basis
- As the financial advice business continues to mature and the relationships between brokers and advisers strengthen, we will see further natural uplift in referrals

Brand awareness
given a boost
through growth
in retail
shopfronts and
branded cars



- Mortgage Choice continues to enhance its local brand awareness and footprint, with 139 retail shopfronts nationwide, and 80 new branded cars

Collaborative marketing activities bring the brand to life in local communities



- Mortgage Choice matches the marketing spend of the local collaborative franchise groups
- 37% of the network now engaged in collaborative marketing activities

5. Focus areas for FY18

Our strategy for tomorrow and the future

Vision

To be Australia's leading provider of financial choices and advice, delivering exceptional customer value and profitability for our franchisees and shareholders

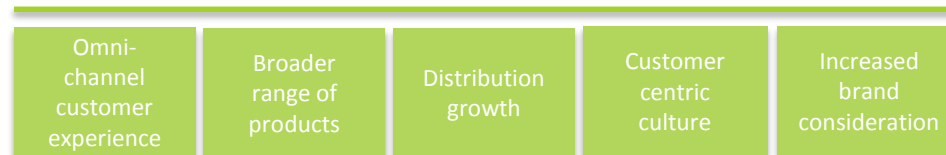
Purpose

To create a life of abundance for all Australians

Success in FY2018



Success in FY2020



Beliefs

- We deliver a highly valuable service to our customers via our service standards – Care, Solve and Amaze
- We do the right thing
- We attract the best and brightest in the industry and allow them to grow and prosper
- We make a positive contribution to our community

FY17 Summary

	FY17	FY16	% Change	
Cash NPAT (\$m)	22.6	20.5	10.2%	▲
IFRS NPAT (\$m)	22.2	19.5	13.5%	▲
Home Loan Settlements (\$m)	12,345	12,196	1.2%	▲
FUA (\$m)	532.4	332.1	60.3%	▲
PIF (\$m)	24.2	19.2	26.0%	▲
FP gross profit (\$m)	2.2	1.7	26.0%	▲
Greenfield franchises	46	11	318.2%	▲
Credit Reps	654	618	5.8%	▲
Dividend (\$c)	17.5	16.5	6.1%	▲

Questions?

6. Appendices

Yearly stats

– P/L

\$m	1H13	2H13	1H14	2H14	1H15	2H15	1H16	2H16	1H17	2H17
Origination inc	26.03	25.94	31.72	31.29	34.98	35.02	37.32	34.99	38.96	36.12
Origination exp	(18.78)	(18.59)	(23.08)	(22.69)	(25.83)	(25.66)	(27.10)	(25.84)	(28.46)	(26.15)
Cash Trail inc	43.40	43.28	43.94	43.47	44.27	45.06	47.40	47.69	48.27	48.12
Cash Trail exp	(25.69)	(25.60)	(25.89)	(26.30)	(26.65)	(27.48)	(28.85)	(29.00)	(29.41)	(29.69)
Net Upfront	7.25	7.35	8.64	8.60	9.15	9.35	10.22	9.14	10.49	9.98
Net Trail	17.71	17.68	18.05	17.17	17.62	17.58	18.55	18.68	18.86	18.43
	24.96	25.02	26.69	25.77	26.77	26.93	28.77	27.83	29.35	28.41
Other Income	3.45	3.64	4.31	4.79	5.43	4.58	5.59	3.62	3.58	6.43
Cash PAT	7.82	7.95	8.97	9.74	8.97	9.59	10.09	10.46	11.72	10.91
IFRS PAT	7.51	11.20	9.66	8.80	9.97	8.88	10.75	8.79	11.43	10.74
After tax gain on Loankit sale	-	-	1.34	-	-	-	-	-	-	-
Cash PAT including gain on sale	7.82	7.95	10.31	9.74	8.97	9.59	10.09	10.46	11.72	10.91
IFRS PAT including gain on sale	7.51	11.20	11.00	8.80	9.97	8.88	10.75	8.79	11.43	10.74
Cash e.p.s.	6.4 c	6.5 c	8.3 c	7.9 c	7.2 c	7.8 c	8.1 c	8.4 c	9.4 c	8.7 c
IFRS e.p.s.	6.2 c	9.0 c	8.9 c	7.1 c	8.0 c	7.2 c	8.6 c	7.1 c	9.2 c	8.6 c
Div p.s.	6.0 c	7.0 c	7.5 c	8.0 c	7.5 c	8.0 c	8.0 c	8.5 c	8.5 c	9.0 c
Upfront Payout	72.2%	71.7%	72.8%	72.5%	73.8%	73.3%	72.6%	73.9%	73.1%	72.4%
Trail Payout	59.2%	59.2%	58.9%	60.5%	60.2%	61.0%	60.9%	60.8%	60.9%	61.7%
Total Payout	64.1%	63.8%	64.7%	65.5%	66.2%	66.4%	66.0%	66.3%	66.4%	66.3%
Volumes MC										
Settlements # ('000)	15.77	15.68	18.66	17.86	19.24	18.81	19.80	19.10	20.01	18.56
Settlements \$b	4.43	4.35	5.26	5.11	5.74	5.74	6.23	5.97	6.37	5.97
Approvals \$b	5.09	5.28	6.13	6.04	6.90	6.55	7.22	6.78	7.29	6.78
Market \$b	129.74	134.12	160.15	160.94	181.16	181.93	198.15	180.19	196.5	188.80
Market Share	3.9%	3.9%	3.8%	3.8%	3.8%	3.6%	3.6%	3.8%	3.7%	3.6%
Avg Residential Loan Book \$b	43.80	44.55	45.56	46.48	47.65	48.65	49.73	50.70	51.54	52.52

Balance sheet

	Jun-17 \$'000	Jun-16 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	8,646	8,068
Trade and other receivables	101,089	102,140
Total current assets	109,735	110,208
Non-current assets		
Receivables	251,234	245,717
Property, plant and equipment	658	450
Intangible assets	6,081	6,475
Total non-current assets	257,973	252,642
Total assets	367,708	362,850
EQUITY		
Contributed equity	7,277	6,804
Reserves	2,075	1,664
Retained profits	94,836	93,859
Total equity	104,188	102,327

	Jun-17 \$'000	Jun-16 \$'000
LIABILITIES		
Current liabilities		
Trade and other payables	68,605	69,940
Current tax liabilities	1,448	1,159
Provisions	965	1,084
Total current liabilities	71,018	72,183
Non-current liabilities		
Trade and other payables	153,812	150,015
Deferred tax liabilities	37,899	37,661
Provisions	791	664
Total non-current liabilities	192,502	188,340
Total liabilities	263,520	260,523
Net assets	104,188	102,327

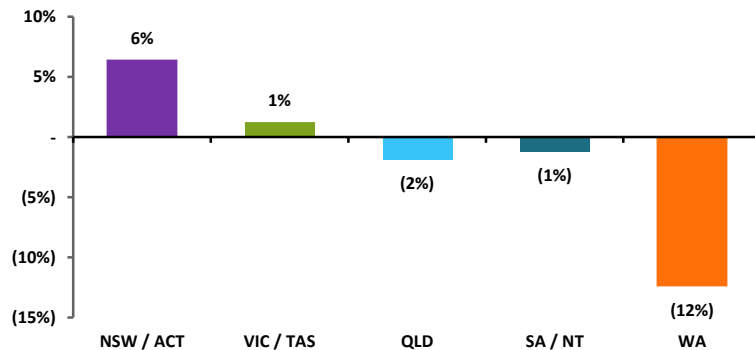
Cash flow statement

	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	214,259	206,602
Payments to suppliers and employees (inclusive of goods and services tax)	(182,399)	(178,298)
	31,860	28,304
Income taxes paid	(9,162)	(7,584)
Net cash inflow from operating activities	22,698	20,720
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	(1,395)	(1,040)
Proceeds from sale of property, plant and equipment	1	44
Interest received	474	419
Net cash inflow/(outflow) from investing activities	(920)	(577)
Cash flows from financing activities		
Dividends paid to company's shareholders	(21,200)	(19,902)
Net cash (outflow) from financing activities	(21,200)	(19,902)
Net increase/(decrease) in cash and cash equivalents	578	241
Cash and cash equivalents at the beginning of the financial year	8,068	7,827
Cash and cash equivalents at the end of year	8,646	8,068

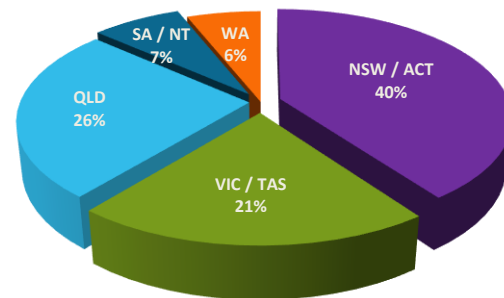
Settlements by state

<u>Settlements (\$m)</u>	<u>FY17</u>	<u>%</u>	<u>FY16</u>	<u>%</u>	<u>Growth</u>
NSW / ACT	4,941	40%	4,647	38%	6%
VIC / TAS	2,584	21%	2,553	21%	1%
QLD	3,153	26%	3,212	26%	(2%)
SA / NT	917	7%	928	8%	(1%)
WA	750	6%	856	7%	(12%)
	12,345	100%	12,196	100%	1%

Settlements growth FY17 / FY16

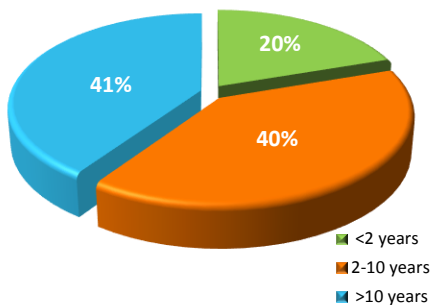


States contribution to settlements

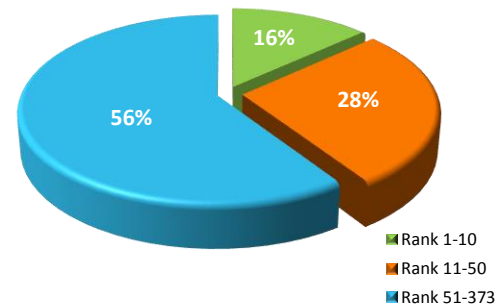


Network snapshot

Franchise owner experience



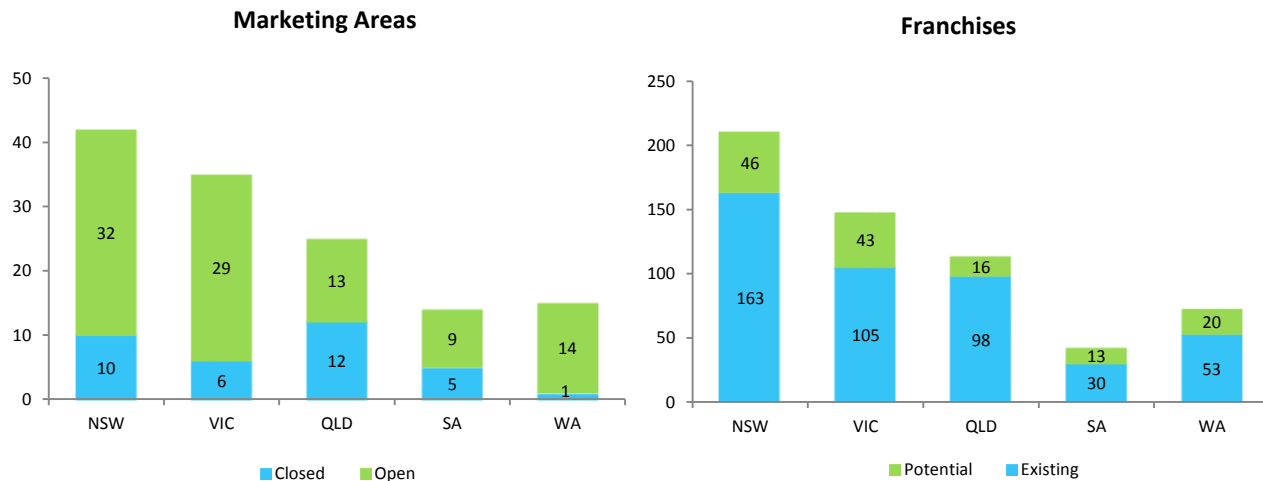
Franchise owner share of settlements



	National		NSW / ACT		VIC / TAS		QLD		SA / NT		WA	
	<u>Jun-17</u>	<u>Jun-16</u>	<u>Jun-17</u>	<u>Jun-16</u>	<u>Jun-17</u>	<u>Jun-16</u>	<u>Jun-17</u>	<u>Jun-16</u>	<u>Jun-17</u>	<u>Jun-16</u>	<u>Jun-17</u>	<u>Jun-16</u>
Loan book (\$b)	53.4	51.7	35.7%	35.2%	19.8%	19.9%	26.9%	26.7%	8.6%	8.8%	9.0%	9.4%
Credit Reps	654	618	235	212	152	144	150	153	50	48	67	61
Franchises	449	417	163	151	105	97	98	90	30	28	53	51

Capacity for growth in recruitment

** Information based on Jun17 Quarter Broker Resource Model*



- Marketing area capacities are assessed quarterly using an external benchmarking model that takes into account geographic data, ABS data and franchise settlements
- In 131 marketing areas, 97 greenfield sites are available
- We have capacity to increase our franchise footprint from 449 to 587

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