



Full Year ending June 2015

FY15 Full Year Results presentation

Presented by John Flavell (CEO)
and Susan Mitchell (CFO)

19 August 2015

Today:

1. Introduction
2. Financial performance
3. Current position
4. Strategy
5. Appendices

Introduction

Highlights summary



- NPAT consistent with FY14



- Loan book grew by 4.6% and approaching \$50b



- Strongest settlement result in history – up 10.6% from FY14



- Dividend maintained at 15.5c

FY15 performance highlights

Unless noted, all FY14 figures exclude discontinued operations – LoanKit

**includes residential, commercial loans and reverse mortgages*

	FY15	FY14	FY15 vs FY14	
NPAT - cash	18.6 m	18.8 m	1.2%	▼
- IFRS	18.9 m	18.5 m	1.7%	▲
Loan book*	49.5 b	47.4 b	4.6%	▲
Approvals	13.4 b	12.2 b	10.5%	▲
Settlements	11.5 b	10.4 b	10.6%	▲
Market Share (approvals)	3.74 %	3.86 %	3.1%	▼
Market Share (residential loan book)	3.31 %	3.40 %	2.6%	▼
FUA	278.0 m	104.9 m	165.0%	▲
Inforce Premium	15.0 m	7.9 m	91.3%	▲
Basic EPS - cash	15.0 c	15.2 c	1.3%	▼
- IFRS	15.2 c	15.0 c	1.3%	▲
DPS - ordinary	15.5 c	15.5 c	0.0%	■
NPAT - cash (including discontinued operations)	18.6 m	20.1 m	7.4%	▼
- IFRS (including discontinued operations)	18.9 m	19.8 m	4.8%	▼

Financial performance

Profit and loss statement

Cash is based on accruals accounting; but 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
HMC and Financial Planning net revenue
Other income

Gross profit

Operating expenses
Share based remuneration

Net profit before tax

Net profit after tax

Discontinued operations

NPAT

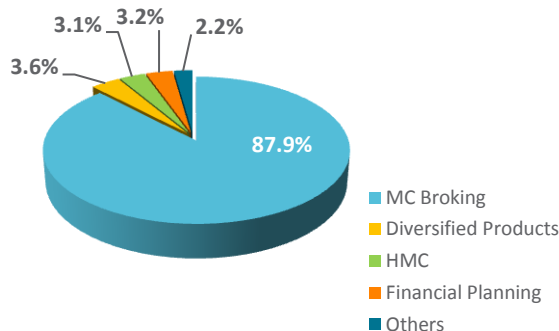
EPS (excluding discontinued operations)
DPS

FY15 Cash	FY14 Cash	% change
70.0	63.0	11%
89.3	87.4	2%
159.3	150.4	6%
51.5	45.8	12%
54.1	52.2	4%
105.6	98.0	8%
53.7	52.5	2%
1.6	1.2	30%
4.3	3.8	14%
4.1	3.7	10%
63.7	61.2	4%
38.0	34.6	10%
-	-	-
25.7	26.6	(3%)
18.6	18.8	(1%)
-	1.3	
18.6	20.1	(7%)
15.0c	15.2c	(1%)
15.5c	15.5c	0%

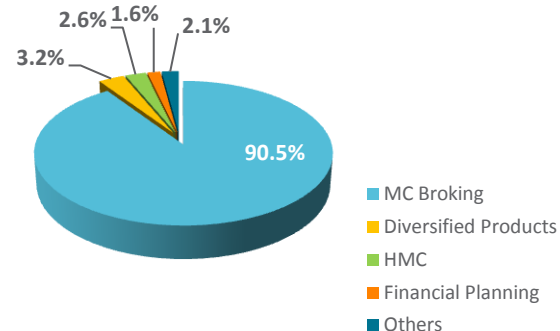
FY15 IFRS	FY14 IFRS	% change
70.0	63.0	11%
92.5	98.5	(6%)
162.5	161.5	1%
51.5	45.8	12%
56.2	61.8	(9%)
107.7	107.6	0%
54.8	53.9	2%
1.6	1.2	30%
4.9	3.9	27%
4.1	3.7	10%
65.4	62.7	4%
38.0	34.6	10%
0.9	1.3	(34%)
26.5	26.8	(1%)
18.9	18.5	2%
-	1.3	
18.9	19.8	(5%)
15.2c	15.0c	1%
15.5c	15.5c	0%

Successfully growing the core business whilst diversifying

Gross Revenue (FY15)

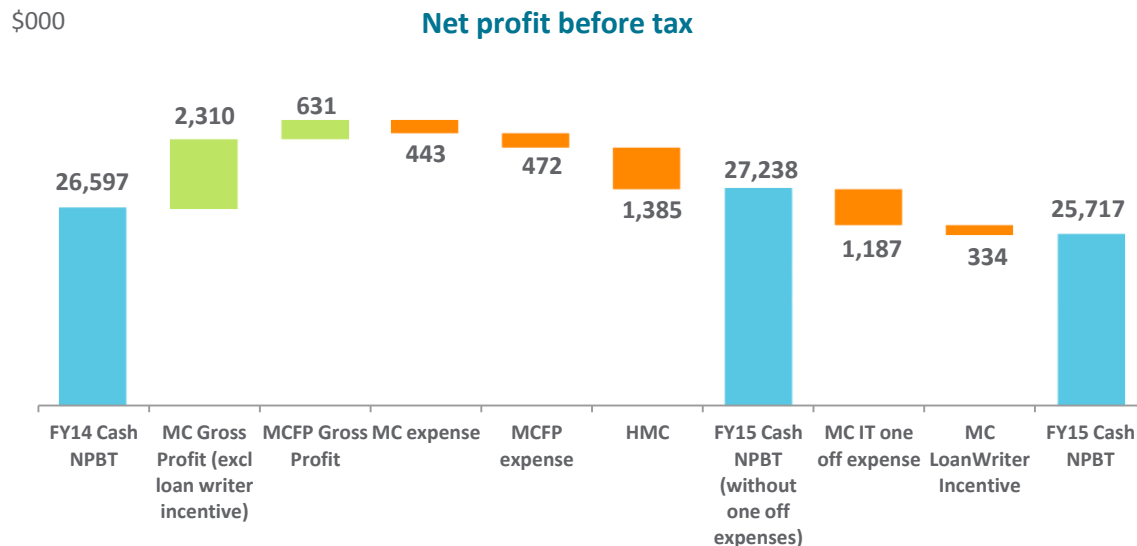


Gross Revenue (FY14)



- Percentage of gross revenue from diversified sources now accounts for 12% of total revenue despite the strong growth in broking commission from increased settlements. These results reflect our success in growing the core business while still diversifying.

Continuing to invest in the core business and diversification



FY14 Cash NPBT excludes discontinued operations – LoanKit

- 2.4 % increase in NPBT before non-recurring expenses.
- Increase in MC gross profit exceeds increase in recurring expenses by \$1.9m.
- Increase in MCFP gross profit exceeds increase in expenses by \$160k.
- HMC results reflect investment in staff, IT and website.

Strong gross profit growth in mortgage broking and financial planning

\$000

Settlements

Gross profit (IFRS)

Gross profit (Cash)

OPEX (excl SBR[^])

EBITDA (Cash)

NPAT (IFRS)

NPAT (Cash)

YOY Growth (%)

Divisional results

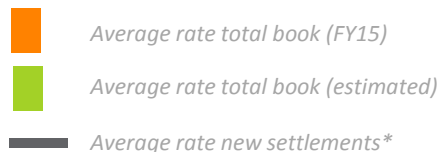
	FY15				FY14			
	MC	HMC	FP	LK*	MC	HMC	FP	LK*
	11.5b				10.4b			
								0.5b
	60,315	3,800	1,268	0	58,740	3,369	636	329
	59,237	3,212	1,268	0	57,261	3,319	636	329
	31,506	4,316	2,178	0	29,874	3,039	1,706	466
	28,335	(957)	(843)	0	28,240	409	(1,016)	(109)
	19,901	(384)	(661)	0	19,106	214	(773)	(92)
	19,955	(763)	(626)	0	19,342	203	(739)	(98)
	3%	(476%)	15%					

*LoanKit was discontinued in 1H14

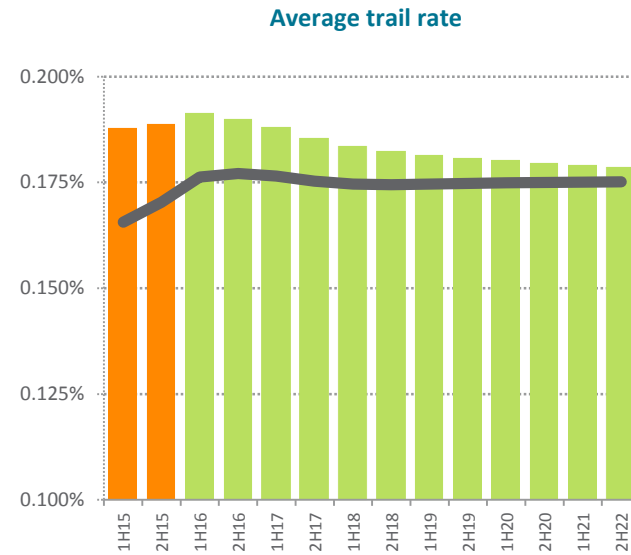
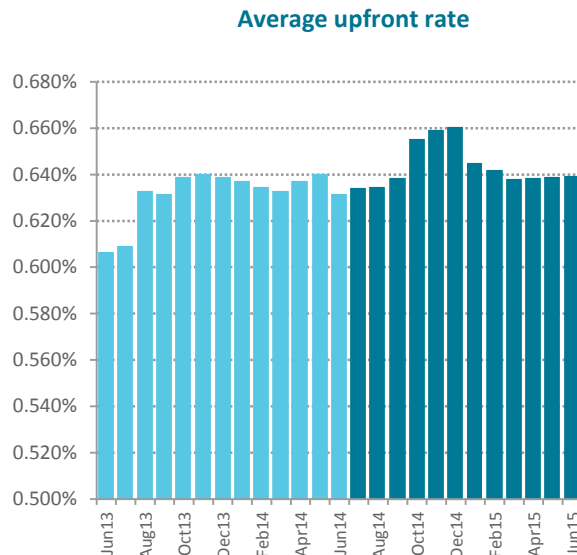
[^]Share based remuneration

- Cash gross profit increase of 3.5% in MC and 99.4% in FP.
- HMC invested in scale to capitalise on seasonal uplifts in 2H15 that didn't materialise.

Average upfront commission rates have improved



* Settlements post GFC changing commission rates



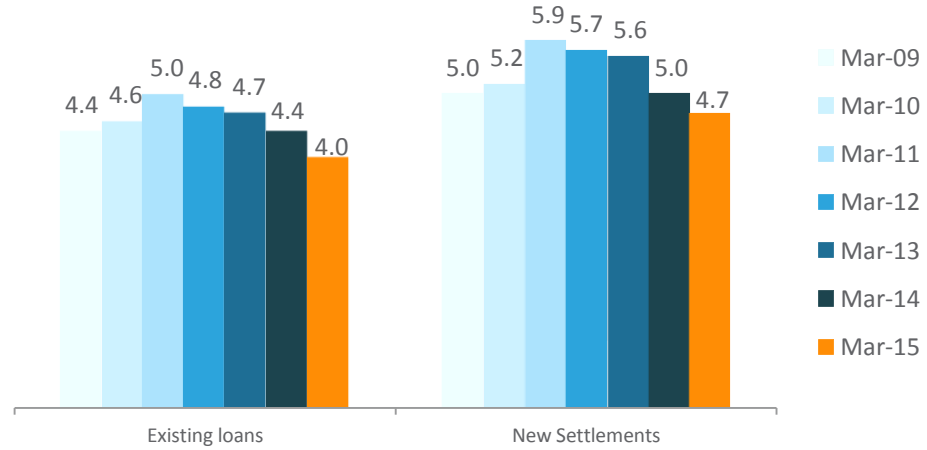
- Average upfront rate for FY15 of 0.643%, up 2% from FY14 due to specials.
- Upfront rate stabilised at just under 0.64% at year end.
- Trail rate to stabilise at 0.175%.

Declining average loan life a reflection of the current low interest rate environment

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.

Loan life - number of years



- Loan life shortened in FY15 – driven by low rates and refinance in a buoyant mortgage market. Average life of new loans fell 6% to 4.7 years.
- Overall weighted average life of portfolio in current environment at 4 years due to an increase in discharge rates at fixed rate refinance points.

Loan book adjustment

<u>Statutory IFRS from Continuing Operations</u>	FY15	FY14
	\$'000	\$'000
Profit before tax		
Underlying result before tax	28,801	28,434
Adjustment to valuation to net loan book receivable	(2,293)	(1,638)
Total profit before tax	26,508	26,796

- Negative valuation adjustment due to:
 - Increased run-off from customers pre-paying mortgages in the low interest rate environment;
 - Increased payouts from customers refinancing or upgrading homes driving increased settlement volumes;
 - Higher commission payments to franchisees driven by increased settlement volumes.
- Factors combined to result in a write down of 2% of the ending value of Mortgage Choice's net loan book.

Operating cash flow

\$000	FY15	FY14
Net profit before tax (cash basis)	25,717	26,460
Depreciation, amortisation and impairment	2,491	1,603
	28,208	28,063
Tax paid	(8,684)	(7,612)
Purchase of fixed assets and intangibles	(7,213)	(1,909)
Other balance sheet movements	2,298	874
Cash flow before dividends	14,609	19,416
Dividends paid	(19,227)	(17,924)
Net cash movement	(4,618)	1,492

Project One update

Phase 1 New CRM



Completed on time and on budget. The new CRM has been successfully rolled out across the country.

Phase 2 Broker front end



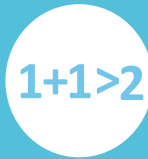
Paused to embed, enhance and streamline the new CRM to maximise return for the business before commencing phase 2.

Current position

Key observations from the new CEO



- Home Loan Market Share



- Financial Planning



- Positive Jaws



- Help Me Choose

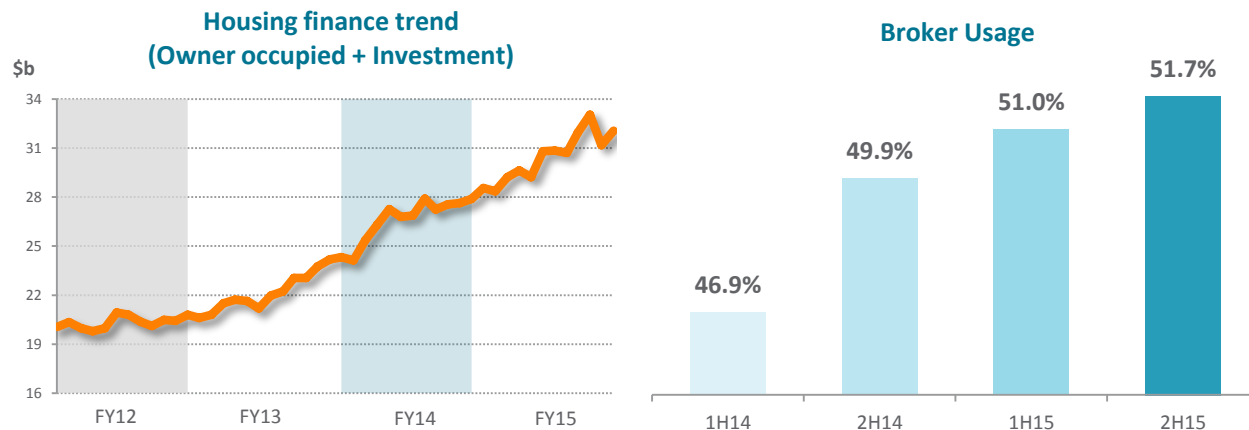
Home Loan Market Share

Healthy,
resilient broking
network, but
more
opportunity to
grow market
share profitably



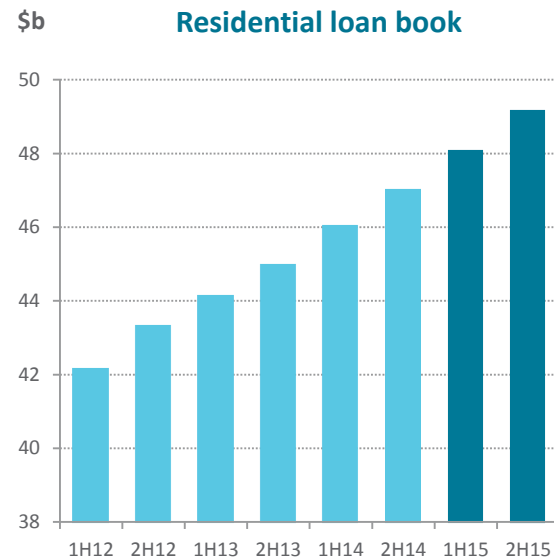
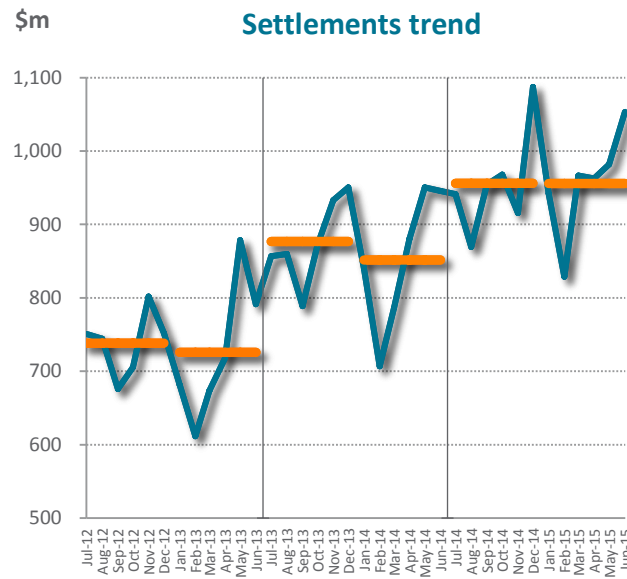
Plenty of opportunity for Mortgage Choice in the home loans market

Broker usage source: MFAA's quarterly survey of leading mortgage brokers and aggregators – Jun15 report



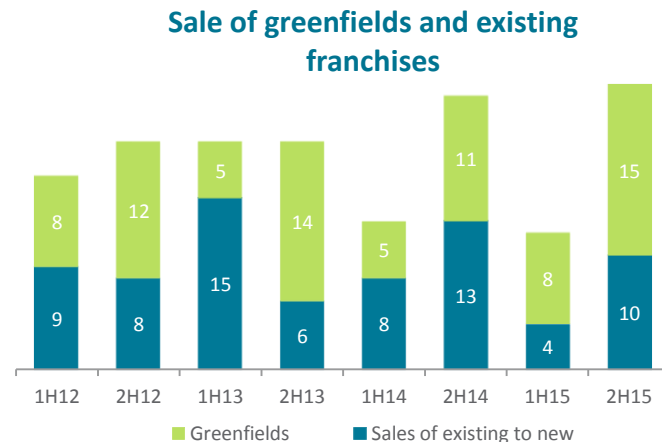
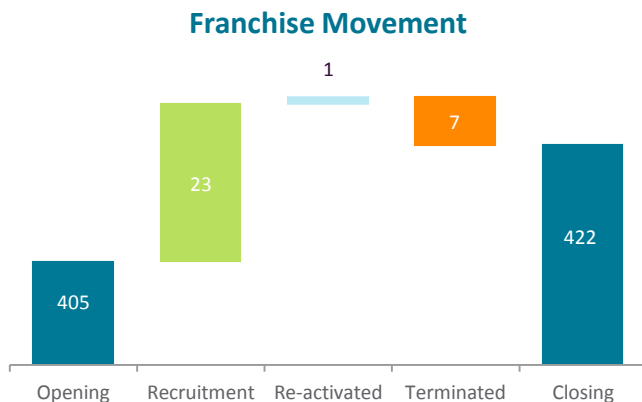
- Housing finance commitments are at an all time high and the percentage of borrowers using mortgage brokers continues to increase.
- Mortgage Choice is well placed to capture market share even if the heat comes out of the housing market. Our brokers numbers have grown and lead volumes are up significantly.
- The uncertainties around investment lending present an opportunity for brokers and advisers.

Home loan settlements up 10.6% and loan book up 4.6% and approaching \$50b



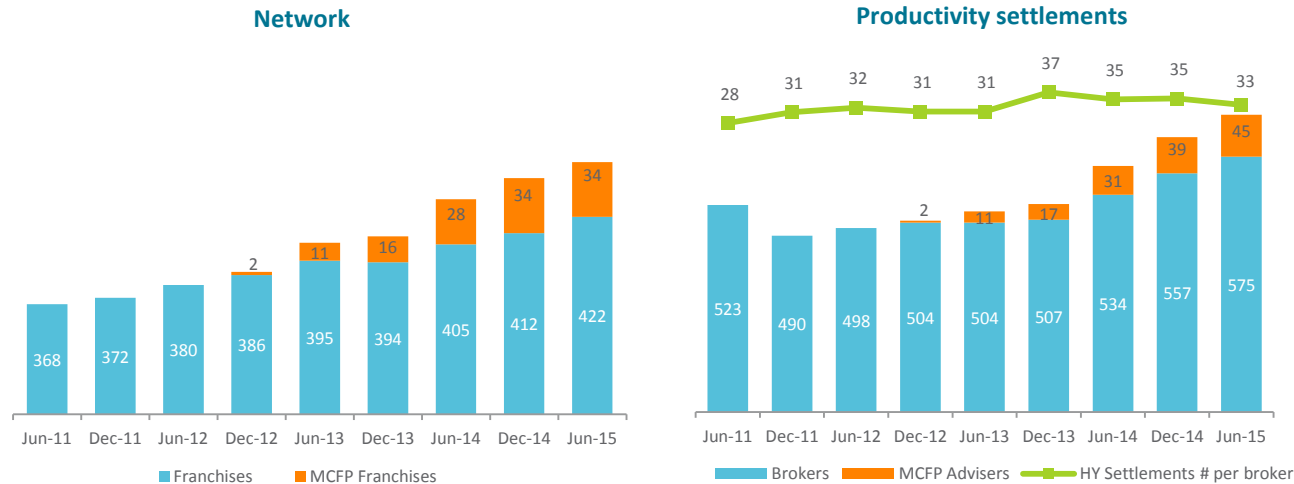
- Settlements up and opportunity exists to grow market share profitably.
- Loan book continues to grow at steady rate despite low rate environment encouraging borrowers to pay off mortgage sooner.

Record number of greenfields recruited



- Strong growth in recruitment with 23 greenfields sold.
- 14 sales of existing franchises.

Achieved strong network growth and maintained productivity



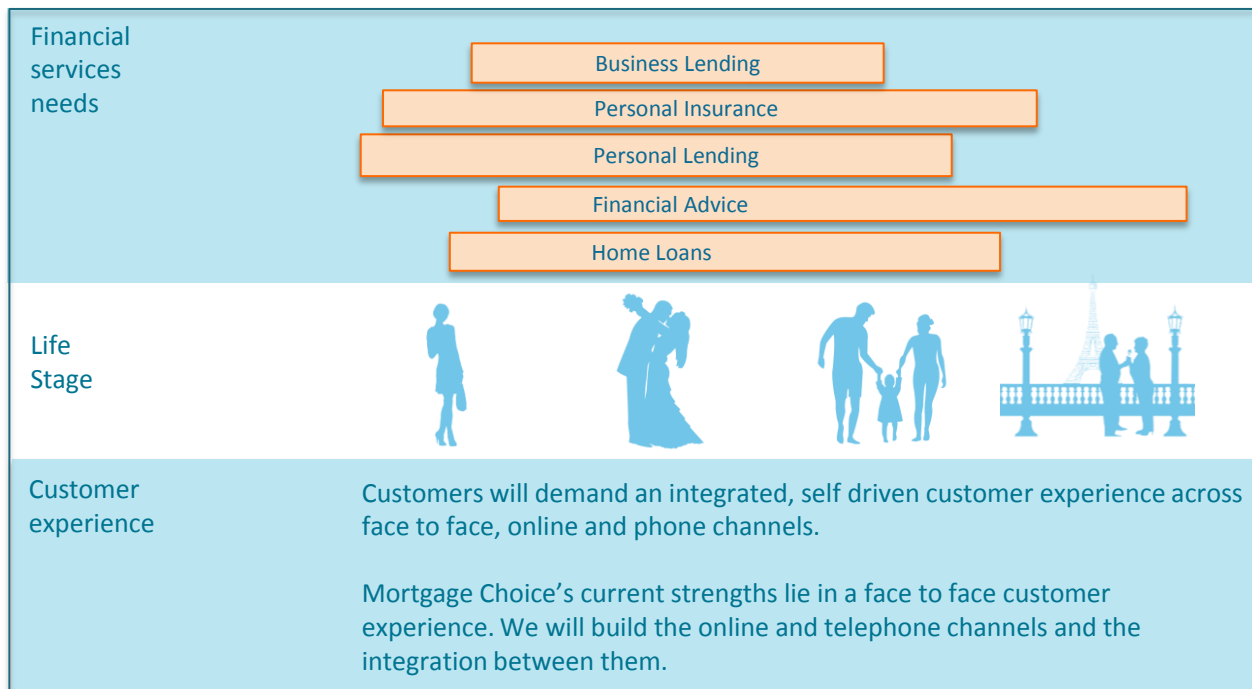
- Total franchise numbers are up from 433 to 456.
- Plus One initiative pushed loan writer count to 575.
- Adviser count grew to 45.
- Productivity maintained throughout this period of network growth.

Financial Planning

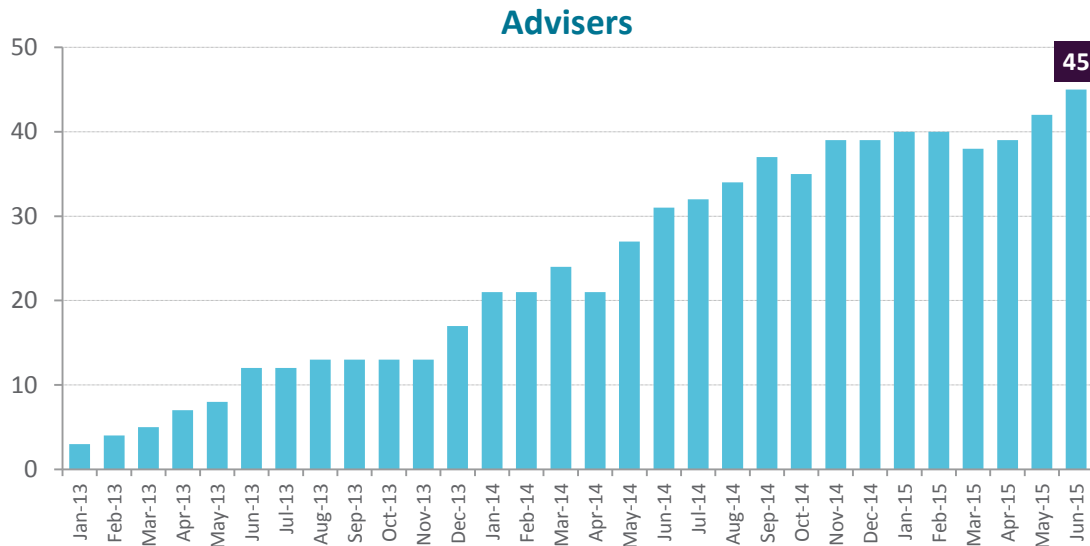
Mortgage Choice
believes 1 + 1 can
equal more than 2
for our customers,
franchisees and
shareholders


$$1+1>2$$

Mortgage
Choice
understands a
customer has
different
financial needs
throughout
their life



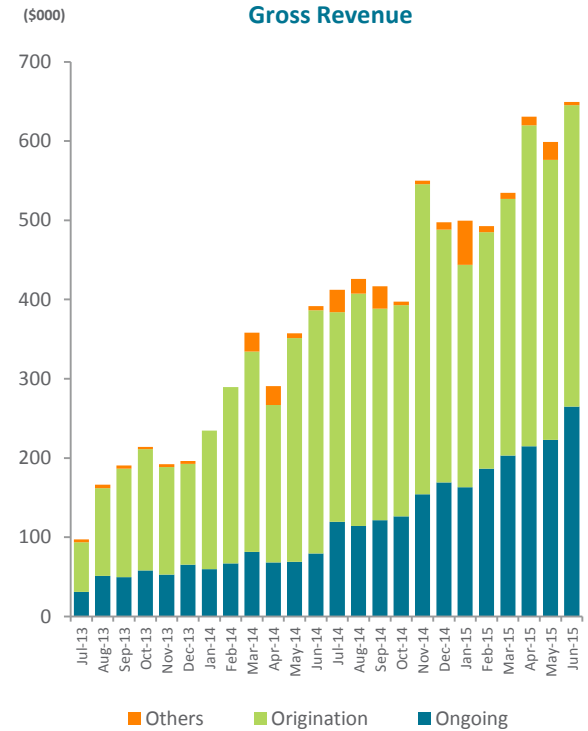
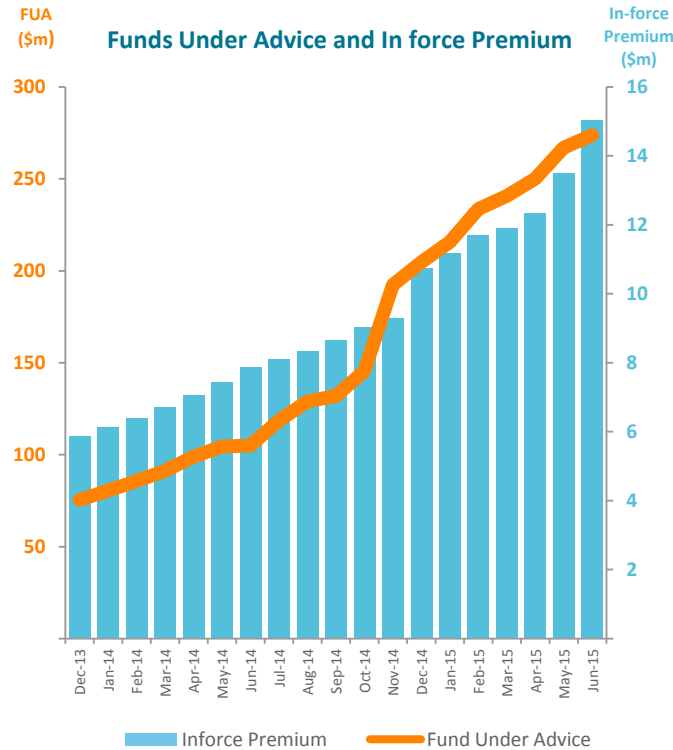
Adviser growth
remains a focus,
but growth in
referrals more
important



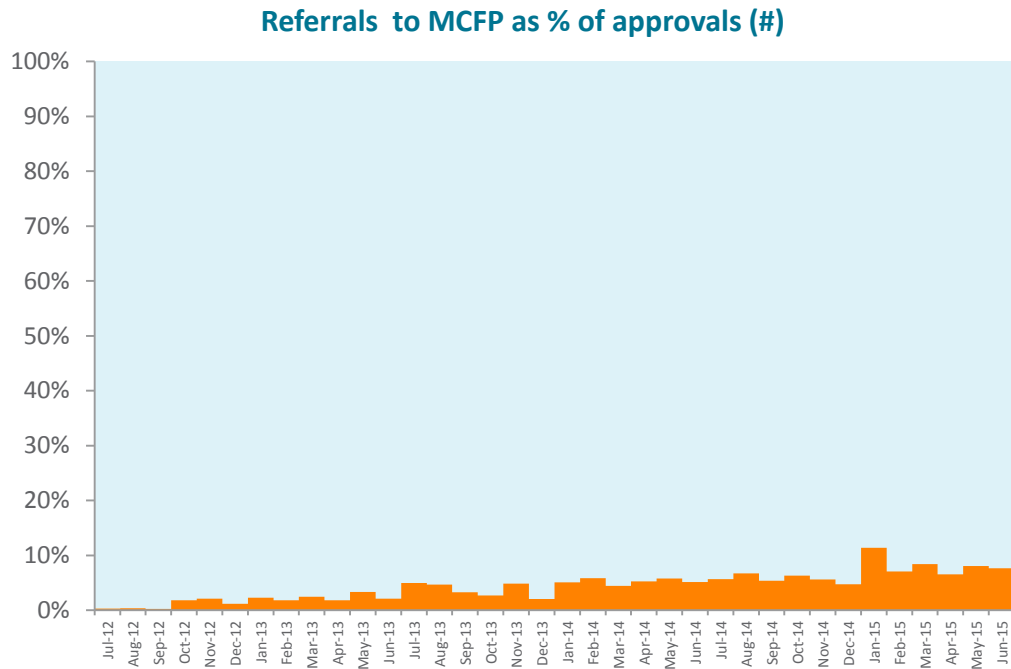
- Focus has shifted to growth in referrals; growth in advisers will come.
- Business on target to break even on a monthly basis in Q4FY16.

Continuous strong growth in FUA and In Force Premium

Includes insurance written by broking network



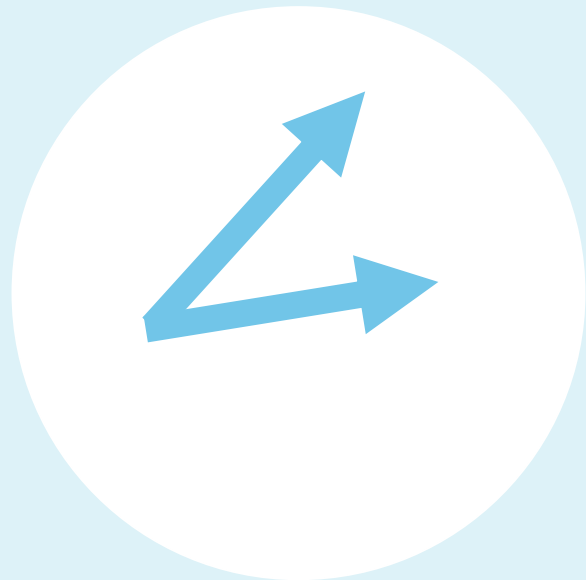
Referrals to MCFP
– increasing but
enormous
opportunities
exist



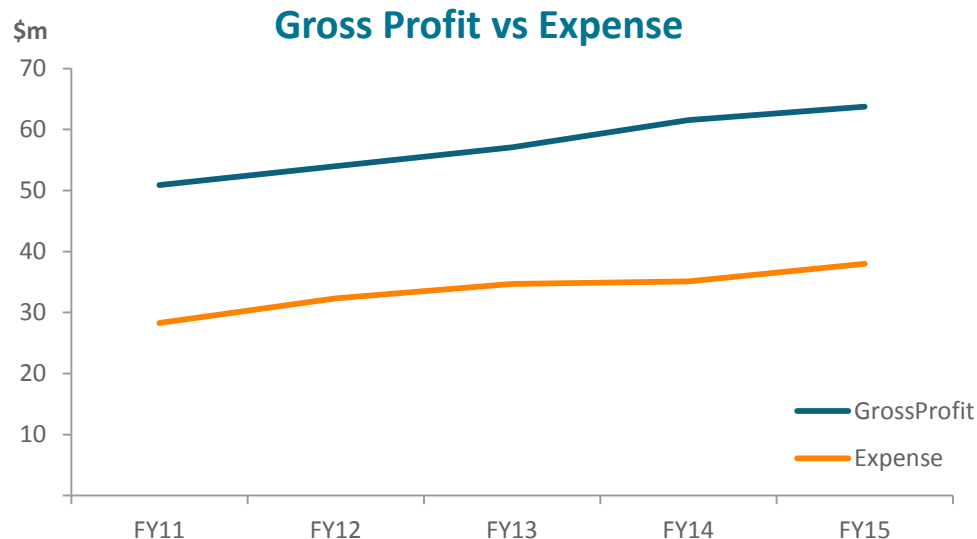
- There are significant opportunities for us in the financial planning space. We have just begun to scratch the surface.

Positive Jaws

More
opportunities
exist to create
positive jaws



We need to
increase
gross profit
faster than
we increase
expenses



- While we will continue to invest in the business, we need to control the growth in our expenses.
- NPAT growth will come from growth in revenue.

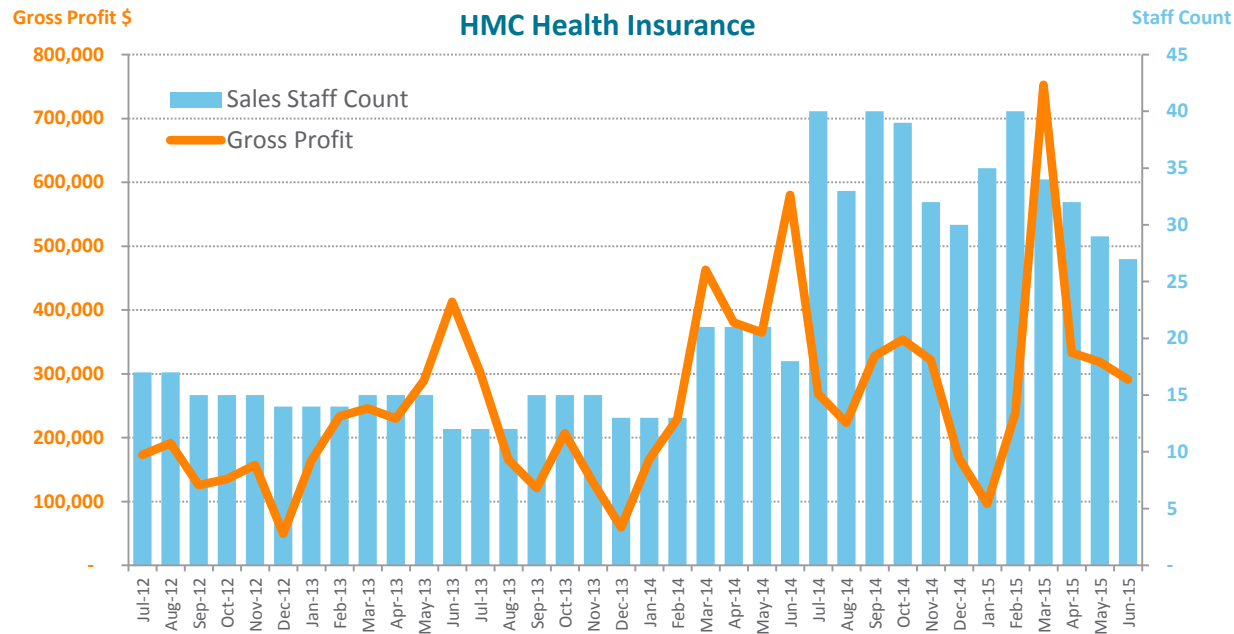
Help Me
Choose

Financial Result
needs to be
addressed as a
matter of
urgency



HMC

Gross revenue vs headcount



- An investment was made in headcount in order to capitalise on seasonal uplifts in the second half of the year, but uplift wasn't there.
- In hindsight, the headcount was recruited too early and the improved results in May/June did not increase revenue in proportion to the cost increases.

Strategy

Strategy on a page

Vision

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 FY2016

Increase
franchisee
revenue

MCFP
integration

Market
share
growth

NPAT
growth
(positive
jaws)

Success in FY2020

Omni-
channel
customer
experience

Broader
range of
products

Distribution
growth

Customer
centric
culture

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.

Short term priorities for 2016

Success in FY2016

Increase
franchisee
revenue

MCFP
integration

Market share
growth

NPAT growth
(positive jaws)

- Increase home loan lead volumes;
- Increase franchisee revenue by more than 7%;
- Increase the number of home loan customers referred to a Mortgage Choice financial adviser;
- Ensure MCFP business is profitable on a monthly basis by year's end;
- Grow broker numbers;
- Improve broker productivity by embedding new CRM;
- Grow revenue but manage expenses;
- Address profitability of Help Me Choose as a matter of urgency.

2020 Mortgage Choice's direction is clear

Success in FY2020

Omni-channel
customer
experience

Broader range
of products

Distribution
growth

Customer
centric culture

Any time



Any product



Any channel



Questions?

Appendices

Half yearly stats – P/L

\$m	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13	1H14	2H14	1H15	2H15
Origination inc	27.99	24.16	25.51	23.59	25.98	25.08	26.03	25.94	31.72	31.29	34.98	35.02
Origination exp	(20.25)	(16.99)	(18.14)	(16.62)	(18.43)	(17.95)	(18.78)	(18.59)	(23.08)	(22.69)	(25.83)	(25.66)
Cash Trail inc	41.48	41.45	42.30	41.48	42.13	42.32	43.40	43.28	43.94	43.47	44.27	45.06
Cash Trail exp	(25.78)	(25.55)	(25.39)	(25.15)	(24.99)	(25.08)	(25.69)	(25.60)	(25.89)	(26.30)	(26.65)	(27.48)
Net Upfront	7.74	7.17	7.37	6.97	7.55	7.13	7.25	7.35	8.64	8.60	9.15	9.35
Net Trail	15.70	15.90	16.91	16.33	17.13	17.24	17.71	17.68	18.05	17.17	17.62	17.58
	23.44	23.08	24.28	23.30	24.68	24.38	24.96	25.02	26.69	25.77	26.77	26.93
Other Income	0.89	1.51	1.36	1.95	2.45	2.50	3.45	3.64	4.31	4.79	5.43	4.58
Cash PAT	7.79	7.04	8.84	7.08	6.50	8.52	7.82	7.95	8.97	9.74	8.97	9.59
IFRS PAT	9.76	13.72	8.79	18.67	6.44	12.02	7.51	11.20	9.66	8.80	9.97	8.88
After tax gain on Loankit sale	-	-	-	-	-	-	-	-	1.34	-	-	-
Cash PAT inclu. Gain on sale	7.79	7.04	8.84	7.08	6.50	8.52	7.82	7.95	10.31	9.74	8.97	9.59
IFRS PAT inclu. Gain on sale	9.76	13.72	8.79	18.67	6.44	12.02	7.51	11.20	11.00	8.80	9.97	8.88
Cash e.p.s.	6.5 c	5.9 c	7.3 c	6.0 c	5.4 c	7.1 c	6.4 c	6.5 c	8.3 c	7.9 c	7.2 c	7.8 c
IFRS e.p.s.	8.2 c	11.5 c	7.3 c	15.6 c	5.4 c	10 c	6.2 c	9 c	8.9 c	7.1 c	8.0 c	7.2 c
Div p.s.	5.5 c	6.5 c	6.0 c	7.0 c	6.0 c	7.0 c	6.0 c	7.0 c	7.5 c	8.0 c	7.5 c	8.0 c
Upfront Payout	72.3%	70.3%	71.1%	70.4%	70.9%	71.6%	72.2%	71.7%	72.8%	72.5%	73.8%	73.3%
Trail Payout	62.2%	61.6%	60.0%	60.6%	59.3%	59.3%	59.2%	59.2%	58.9%	60.5%	60.2%	61.0%
Total Payout	66.3%	64.8%	64.2%	64.2%	63.8%	63.8%	64.1%	63.8%	64.7%	65.5%	66.2%	66.4%
Volumes MC												
Settlements # ('000)	18.73	15.36	15.91	14.56	15.58	15.86	15.77	15.68	18.66	17.86	19.24	18.81
Settlements \$b	4.82	4.07	4.33	3.99	4.34	4.39	4.43	4.35	5.26	5.11	5.74	5.74
Approvals \$b	5.39	4.59	4.98	4.55	5.11	5.04	5.09	5.28	6.19	6.04	6.90	6.55
Market \$b	142.8	124.1	126.4	116.3	124.1	119.8	128.0	133.1	157.1	157.7	177.2	177.6
Market Share	3.8%	3.7%	3.9%	3.9%	4.1%	4.2%	4.0%	4.0%	3.9%	3.8%	3.9%	3.7%
Avg Residential Loan Book \$bn	36.97	38.40	39.73	40.68	41.68	42.76	43.80	44.55	45.56	46.48	47.65	48.65

Balance sheet

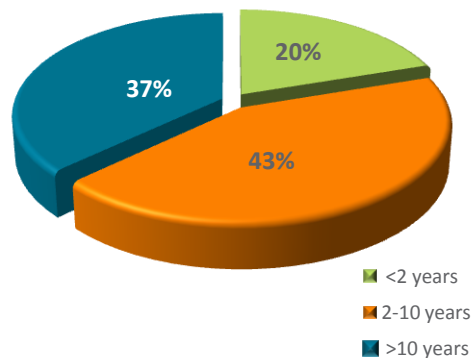
	Jun-15 \$'000	Jun-14 \$'000		Jun-15 \$'000	Jun-14 \$'000
ASSETS			LIABILITIES		
Current assets			Current liabilities		
Cash and cash equivalents	7,827	12,445	Trade and other payables	69,931	66,702
Trade and other receivables	100,399	98,876	Current tax liabilities	119	2,418
			Provisions	1,305	1,103
Total current assets	108,226	111,321	Total current liabilities	71,355	70,223
Non-current assets			Non-current liabilities		
Receivables	238,209	238,244	Trade and other payables	142,895	142,900
Property, plant and equipment	826	907	Deferred tax liabilities	37,476	36,605
Deferred tax assets	-	-	Provisions	771	762
Intangible assets	7,148	2,349			
Total non-current assets	246,183	241,500	Total non-current liabilities	181,142	180,267
Total assets	354,409	352,821	Total liabilities	252,497	250,490
EQUITY					
Contributed equity	5,780	4,604			
Reserves	1,909	2,210			
Retained profits	94,223	95,517			
Total equity	101,912	102,331	Net assets	101,912	102,331

Cash flow statement

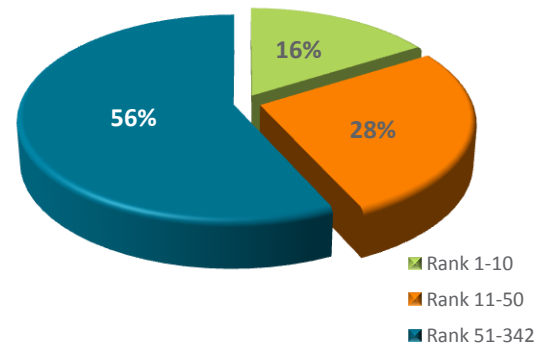
	FY15 \$'000	FY14 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	198,237	180,722
Payments to suppliers and employees (inclusive of goods and services tax)	(168,218)	(154,018)
	30,019	26,704
Income taxes paid	(8,684)	(7,612)
Net cash inflow from operating activities	21,335	19,092
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	(7,213)	(1,909)
Proceeds from sale of property, plant and equipment	-	-
Proceeds from sale of LoanKit net of selling costs	-	1,695
Interest received	487	538
Net cash (outflow) from investing activities	(6,726)	324
Cash flows from financing activities		
Dividends paid to company's shareholders	(19,227)	(17,924)
Net cash (outflow) from financing activities	(19,227)	(17,924)
Net decrease in cash and cash equivalents held	(4,618)	1,492
Cash and cash equivalents at the beginning of the half-year	12,445	10,953
Cash and cash equivalents at the end of the half-year	7,827	12,445

Network snapshot

Franchise owner experience



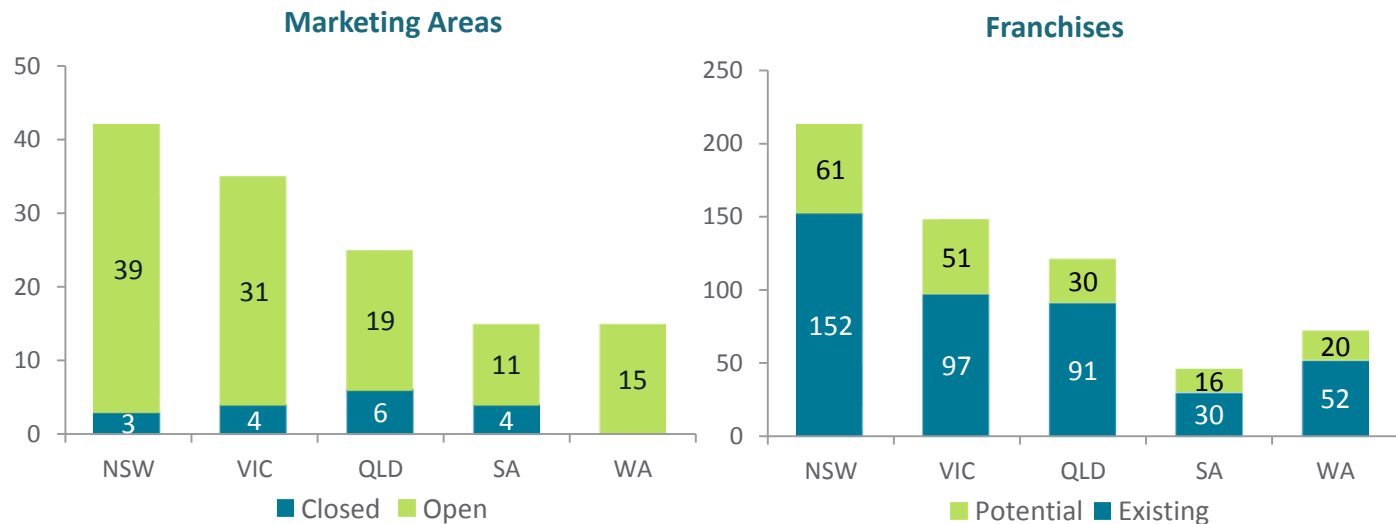
Franchise owner share of settlements



	National*		NSW&ACT		VIC&TAS		QLD		SA&NT		WA	
	<u>Jun-15</u>	<u>Jun-14</u>	<u>Jun-15</u>	<u>Jun-14</u>	<u>Jun-15</u>	<u>Jun-14</u>	<u>Jun-15</u>	<u>Jun-14</u>	<u>Jun-15</u>	<u>Jun-14</u>	<u>Jun-15</u>	<u>Jun-14</u>
Loan book	\$49.1bn	\$47.0bn	35%	35%	20%	20%	26%	26%	9%	9%	10%	10%
Loan writer	575	534	199	185	134	121	137	128	41	42	64	58
Franchise	422	405	152	148	97	87	91	89	30	29	52	52

*Residential only; excludes Loankit, HMC and MCFP

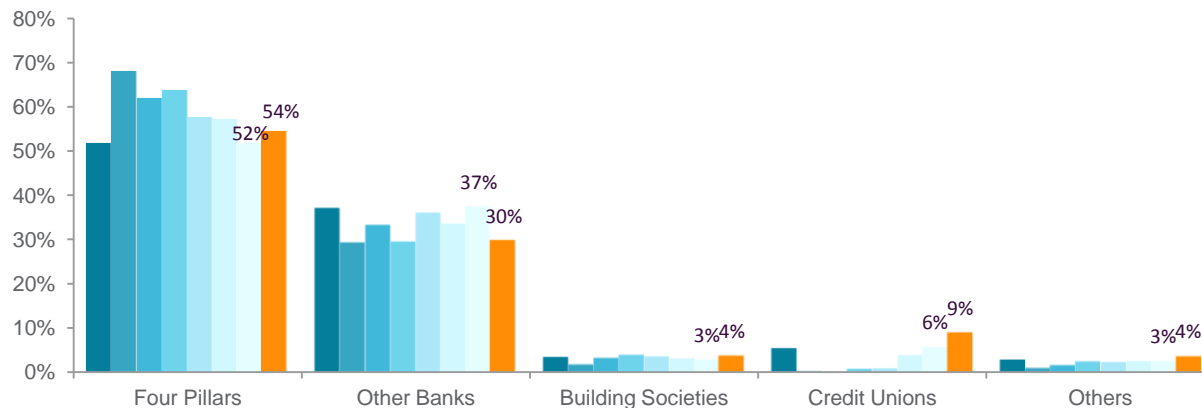
Capacity for growth in recruitment



- Marketing area capacities are assessed quarterly using an external benchmarking model that takes into account geographic data, ABS data and franchise settlements.
- In 132 marketing areas, 115 greenfield sites are available.
- We have capacity to increase our franchise footprint from 422 to 600.

** Information based on Jun15 Quarter
Broker Resource Model*

Mortgage Choice settlements by lender



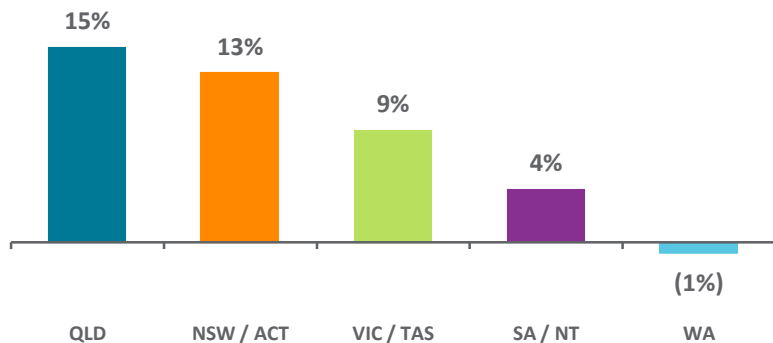
- Four pillars continue to dominate.
- Credit unions have seen an increase in market share as they continue to compete aggressively on pricing and product innovation.
- Four pillars including StGeorge and Bankwest = 68% in FY14 vs 67% in FY15.

Annual figures from FY08 to FY15.
Four Pillars includes CBA, ANZ, NAB
(Homeside) and Westpac (excludes St
George and BankWest)

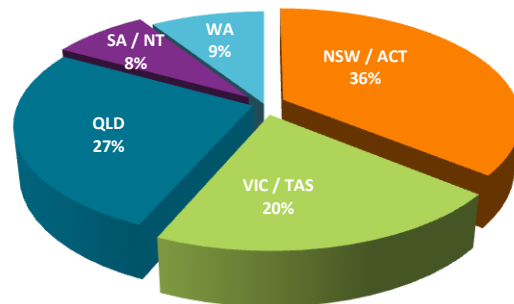
Settlements by state

<u>Settlements (\$m)</u>	<u>FY15</u>	<u>%</u>	<u>FY14</u>	<u>%</u>	<u>Growth</u>
NSW / ACT	4,117	36%	3,635	35%	13%
VIC / TAS	2,367	20%	2,177	21%	9%
QLD	3,047	27%	2,644	26%	15%
SA / NT	893	8%	858	8%	4%
WA	1,048	9%	1,057	10%	-1%
	11,471	100%	10,370	100%	11%

Settlements growth FY15 / FY14



States contribution to settlements



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