



Year ended June 2014

Annual results presentation

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21st August 2014






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PERFORMANCE HIGHLIGHTS

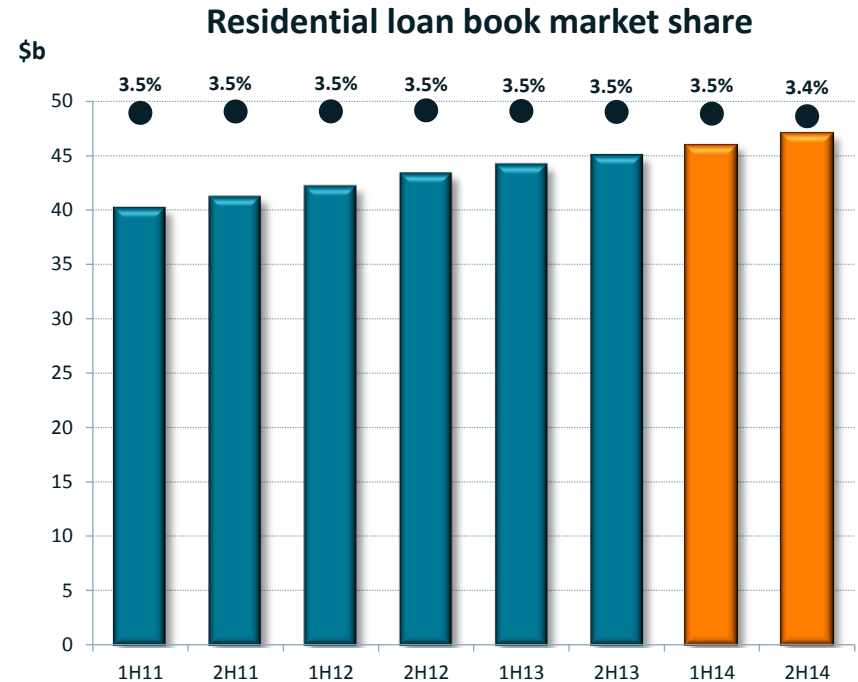
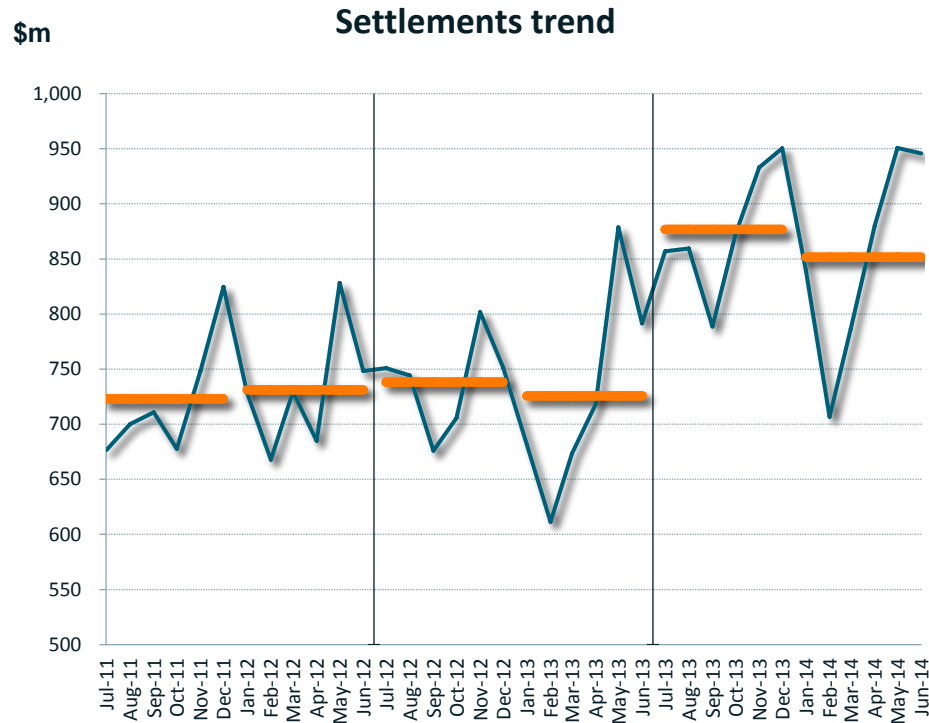
FY14 performance highlights

	FY14	FY13		
NPAT - cash	18.7 m	15.8 m	18.6%	
- IFRS	18.5 m	18.7 m	(1.4%)	
NPAT - cash (Inclu. Gain on LoanKit sale)	20.1 m	15.8 m	27.1%	
- IFRS (Inclu. Gain on LoanKit sale)	19.8 m	18.7 m	5.8%	
Loan book*^	47.4 b	45.3 b	4.6%	
Approvals*	12.2 b	10.4 b	17.3%	
Settlements*	10.4 b	8.8 b	18.1%	
Market Share (approvals)*	3.87 %	3.95 %		
Basic EPS - cash (Cps)	16.2 c	12.9 c	25.6%	
- IFRS (Cps)	16.0 c	15.2 c	5.3%	
DPS - ordinary (Cps)	15.5 c	13.0 c	19.2%	

*LoanKit figures excluded from FY13 and FY14

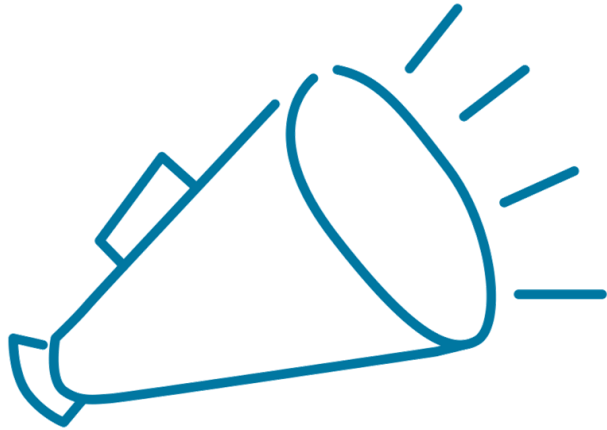
^Loanbook inclusive of residential, commercial loans and reverse mortgages

MC Settlements and loan book



- Highest annual settlements on record.
- Loan book continues to grow at steady rate despite low rate environment encouraging borrowers to pay off mortgage sooner.

Highlights Summary



- Best cash result ever.
- Highest settlement result ever, up 18.1% on prior year at \$10.4b.
- NPAT cash up 18.6% to \$18.7m and NPAT cash including gain on sale of LoanKit up 27.1% to \$20.1m.
- Shareholders rewarded with the highest dividend ever at 15.5c, fully franked.

FINANCIAL PERFORMANCE

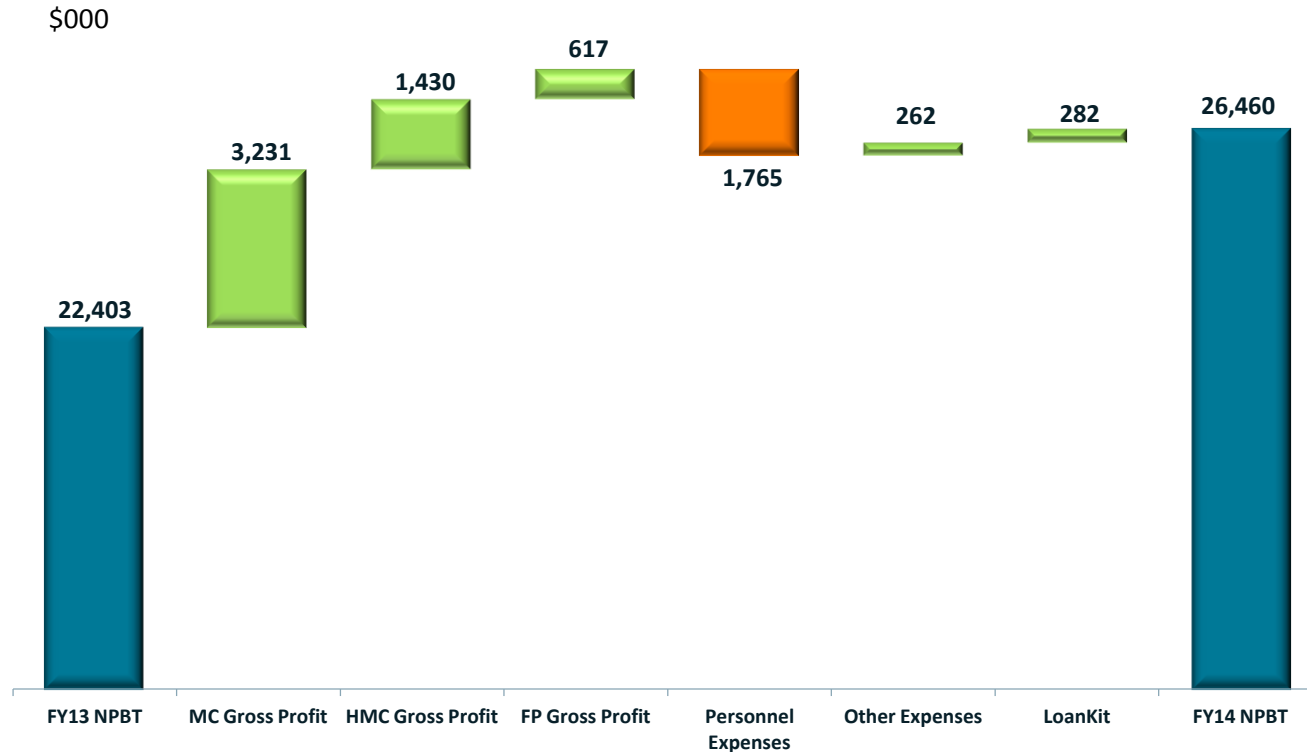
Profit and Loss Statement

\$m

	FY14 Cash	FY13 Cash	% change	FY14 IFRS	FY13 IFRS	% change
Origination commission received	63.0	52.0	21%	63.0	52.0	21%
Trailing commission received	87.4	86.7	1%	98.5	92.5	7%
	150.4	138.6	8%	161.5	144.5	12%
Origination commission paid	45.8	37.4	22%	45.8	37.4	22%
Trailing commission paid	52.2	51.3	2%	61.8	52.5	18%
	98.0	88.7	10%	107.6	89.9	20%
Net core commission	52.5	50.0	5%	53.9	54.6	(1%)
Diversified products net revenue	1.2	0.8	45%	1.2	0.8	45%
HMC, LoanKit and Financial Planning net revenue	4.1	3.0	39%	4.2	3.7	14%
Other income	3.8	3.3	14%	3.8	3.3	14%
Gross profit	61.5	57.1	8%	63.1	62.4	1%
Operating expenses	35.1	34.7	1%	35.1	34.7	1%
Share based remuneration	-	-	-	1.3	0.8	72%
Net profit before tax	26.5	22.4	18%	26.7	26.9	(1%)
Net profit after tax	18.7	15.8	19%	18.5	18.7	(1%)
After tax gain on sale of LoanKit	1.3	-	-	1.3	-	-
NPAT including gain on sale of LoanKit	20.1	15.8	27%	19.8	18.7	6%
EPS (cps)	16.2	12.9	26%	16.0	15.2	5%
DPS (cps)	15.5	13.0	19%	15.5	13.0	19%

* 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.

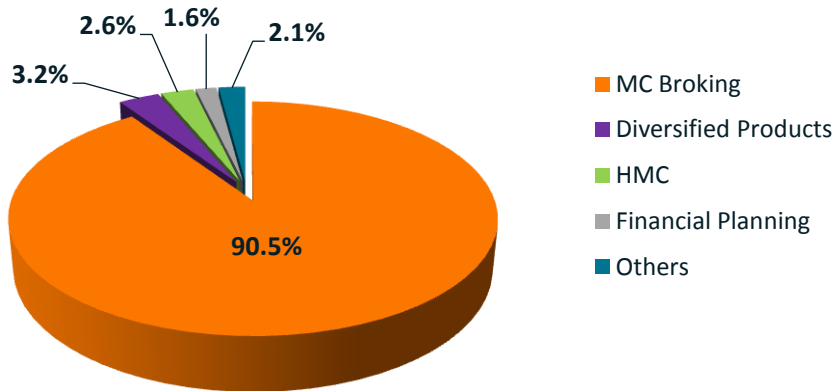
Revenue growth drives growth in cash NPBT



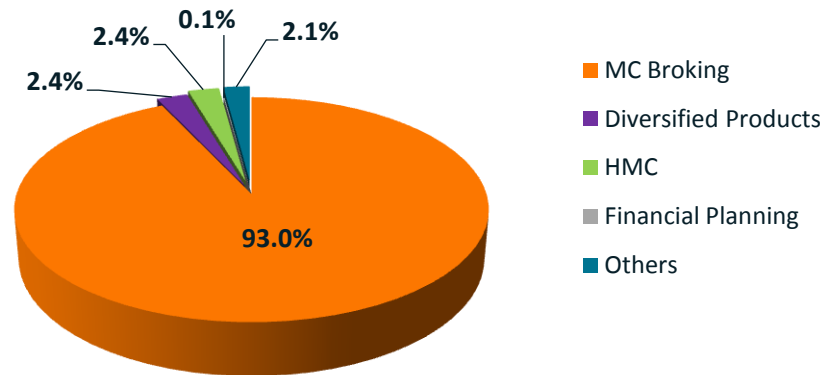
- Significant increase in profit across the business driven by increased revenue.
- Increased personnel expenses to support diversification in business.

Gross Revenue mix

Gross Revenue (FY14)



Gross Revenue (FY13)



- Gross revenue from broking commission up 8%, however represents 90.5% of gross revenue as opposed to 93% in FY13. These results reflect our success in growing the core business but still diversifying.

Divisional Results

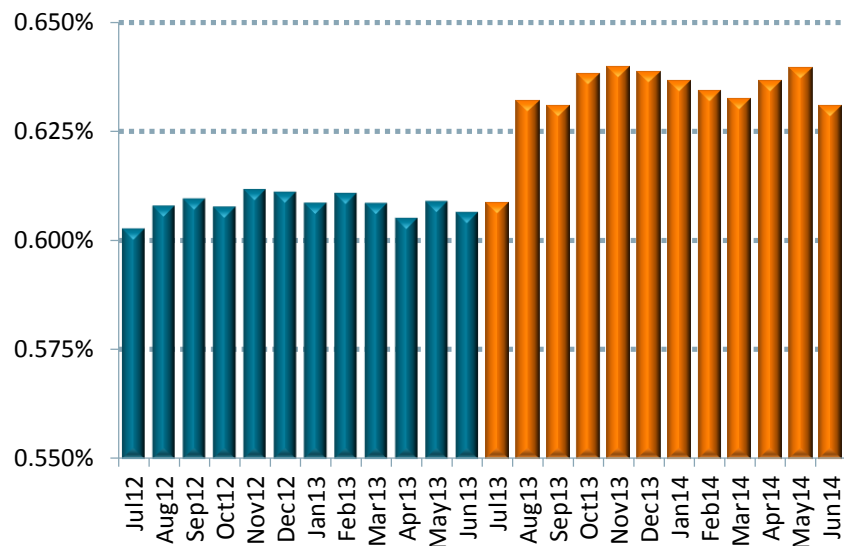
\$000

	FY14				FY13			
	MC	HMC	FP	LK (Discontinued)	MC	HMC	FP	LK (Discontinued)
Settlements	10.4b			0.5b	8.8b			1.4b
Gross profit (IFRS)	58,740	3,369	636	329	58,647	2,578	18	1,135
Gross profit (Cash)	57,261	3,319	636	329	54,031	1,889	18	1,135
EBITDA (Cash)	28,240	409	(1,016)	(109)	25,739	(427)	(1,370)	(313)
NPAT (IFRS)	19,106	214	(773)	(92)	19,944	69	(979)	(320)
NPAT (Cash)	19,342	203	(739)	(98)	17,410	(402)	(951)	(283)
NPAT (IFRS) including sale of LoanKit	20,450	214	(773)	(92)	-	-	-	-
NPAT (Cash) including sale of LoanKit	20,686	203	(739)	(98)	-	-	-	-
YOY Growth (%)	11%	150%	22%	65%				

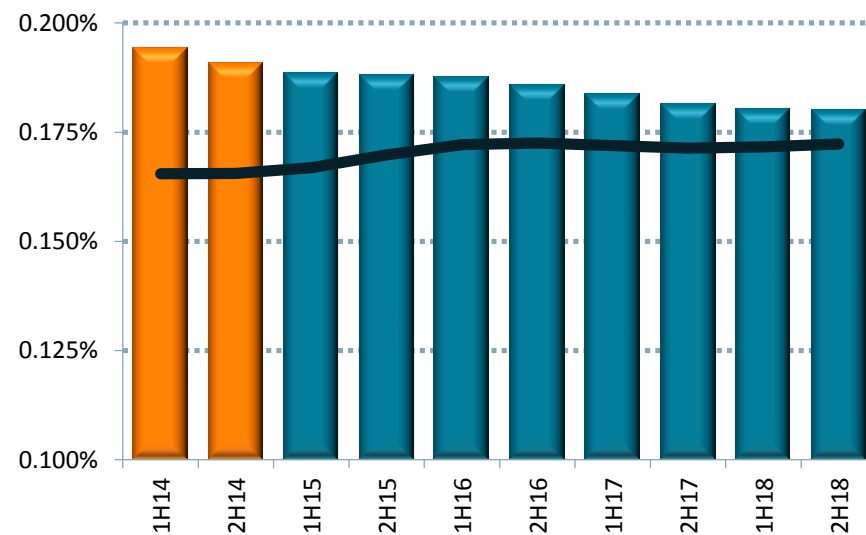
- Growth of 11% in cash profits (pre LoanKit gain) from core broking business.
- HMC made a profitable contribution to the Group this year and is growing in line with expectations.
- Financial Planning projected to move into profit on a monthly basis in FY15.

Average Commission Rates

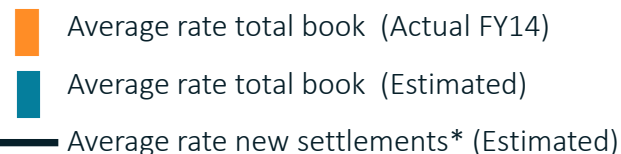
Average upfront rate



Average trail rate












- Average upfront rate for FY14 was 0.633%, up from 0.608% in FY13.
- Average trail rate for FY14 was 0.193%.



* Settlements from 1 Jan09 - projection based on our best estimates for lender mix, run off and settlements growth

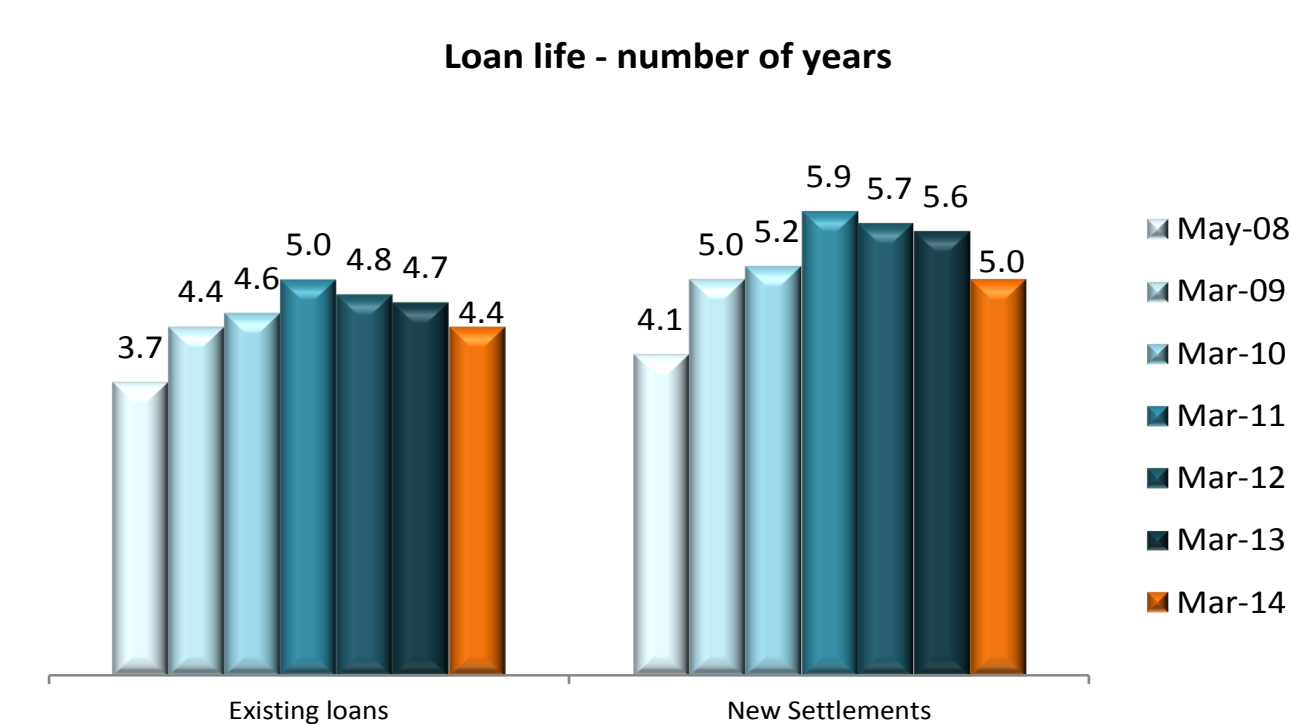
Lender Commissions

	Upfront rate bps		Trail rate p.a. bps				
	Basic Rate	Max Rate	Year 1	Year 2	Year 3	Year 4	Year 5+
	50	67.5	15	15	15	20	20
 ↑	70	70	0	15	20	20	25
	50	65	0	20	20	20	20
 *	65	65	15	15	20	25	30
	50	65	15	15	15	20	20
 ↑	65	65	15	15	15	15	15
 *	65	65	15	15	15	20	20
 ↑	50	65	15	15	15	15	15
 ↑	70	70	15	15	17.5	20	22.5

*Rate effective dates: NAB - Oct14 onwards; Suncorp Bank – Aug14 onwards

Note: Conversion, submission quality, LVR, loan size and volume influence maximum rate

Mortgage Choice broking loan life - Actual



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

- The decline in average loan life is a reflection of the current low interest rate environment and increased pay offs and pay downs.

Loanbook valuation adjustment

<u>Statutory IFRS from Continuing Operations</u>	FY14	FY13
	\$'000	\$'000
Profit before tax		
Underlying result before tax	28,434	23,068
Adjustment to valuation to loan book receivable	(1,638)	4,325
Total profit before tax	26,796	27,393

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.

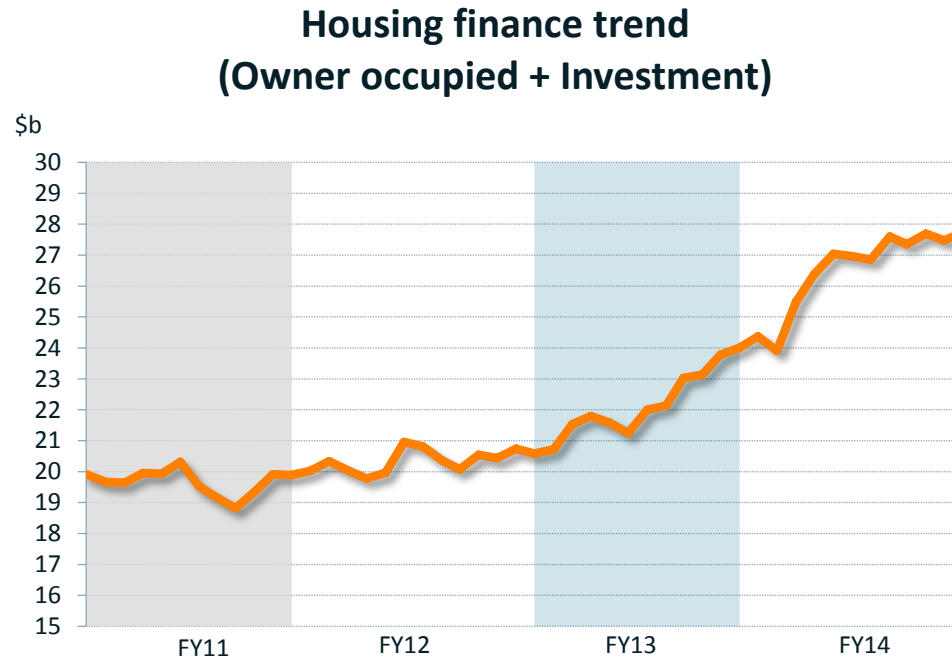
Factors combined to result in a write down of 1% of the ending value of Mortgage Choice's net loan book.

Operating Performance

(\$000)	FY14	FY13
Net profit before tax (cash basis)	26,460	22,403
Depreciation and amortisation	1,603	1,760
	<hr/> 28,063	<hr/> 24,163
Tax paid	(7,612)	(7,968)
Purchase of fixed assets and intangibles	(1,909)	(1,406)
Other balance sheet movements	874	1,375
Cash flow before dividends	<hr/> 19,416	<hr/> 16,164
Dividends paid	(17,924)	(15,873)
Net cash movement	<hr/> 1,492	<hr/> 291

ECONOMY AND INDUSTRY

Australia's housing finance commitments are growing



Source: ABS 5609 Table 11 – Housing Finance, Australia, Jun14 (Seasonally adjusted series)

- Housing finance commitments grew over the course of FY14 hitting an all time high.
- The level of investment activity remains high by historical standards, though emerging data shows activity in this area is starting to ease.

Headwinds and tailwinds

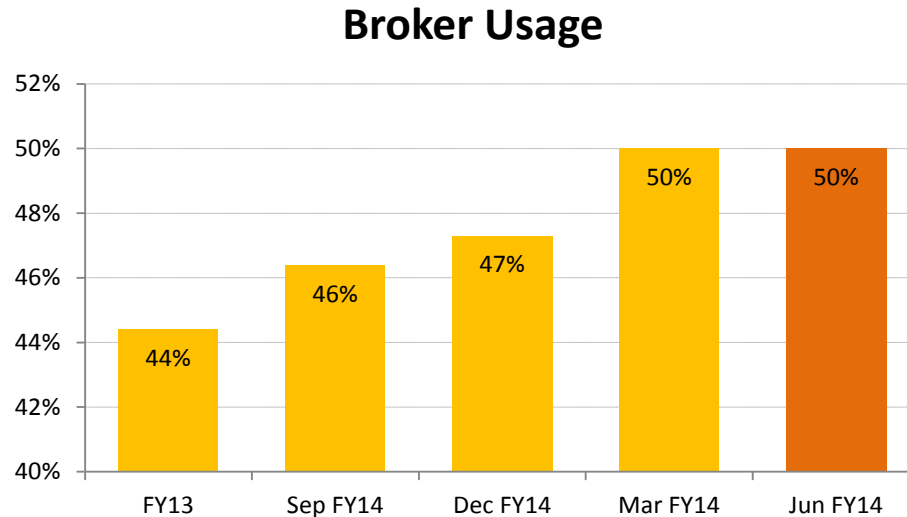
Headwinds

- ☒ Consumer confidence remains low post budget but slowly recovering.
- ☒ Has housing affordability reached its limit?
- ☒ Unemployment on the rise.

Tailwinds

- ☒ Interest rates at historical lows and lenders competing hard for new mortgage customers.
- ☒ Broker usage growing.
- ☒ Property prices, auction clearance rates and housing finance commitments remain strong.

Housing market in an upward cycle and broker usage growing

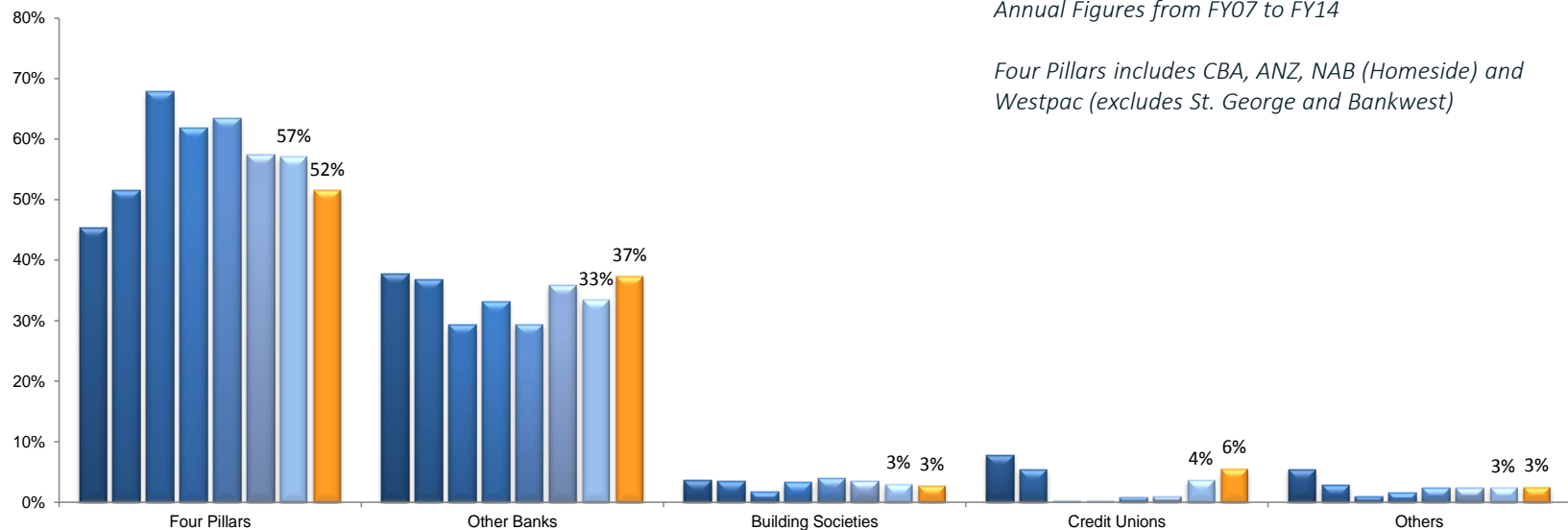


Source: MFAA's quarterly survey of leading mortgage brokers and aggregator – Jun14 report

%	2013	2014	2015 (f)	2016 (f)
Credit growth				
Total	3.1	5.1	4-6	4.5-6.5
Housing	4.6	6.4	5.25-7.25	5.5-7.5
Business	1.0	3.5	2.5-4.5	3-5
Other personal	0.4	0.7	2-4	3-5
Cash rate	2.75	2.5	3.0	3.5

Source: CBA Full Year Results – 30 Jun14

Mortgage Choice settlements by lender



- Four pillars continue to dominate, however their share is declining.
- Other banks and credit unions have seen an increase in market share as they continue to compete aggressively on pricing and product innovation.
- Four pillars including St. George and Bankwest = 72% in FY13 vs 68% in FY14.

OPERATIONS AND STRATEGY

The business is focused on 3 year ACT strategy

A

Acquire profitable market share in home loans

Focus on:

- Creating efficiencies in marketing to increase lead volumes
- Increasing franchise productivity

C

Cross sell financial advice to home loan customers

Focus on:

- Expanding the financial adviser network
- Maximising referral opportunities from home loan customers

T

Transition the business to a financial services business

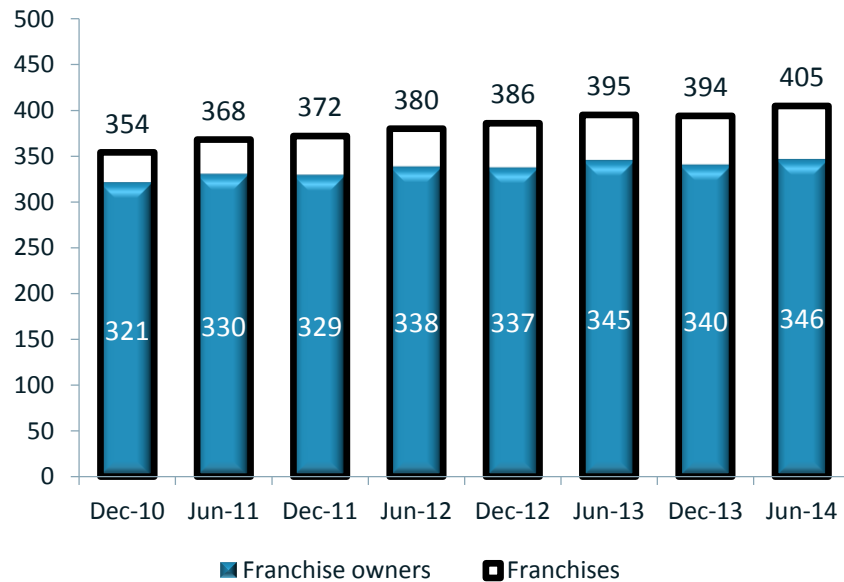
Focus on:

- Broadening our financial services offerings to meet more of our customers' needs

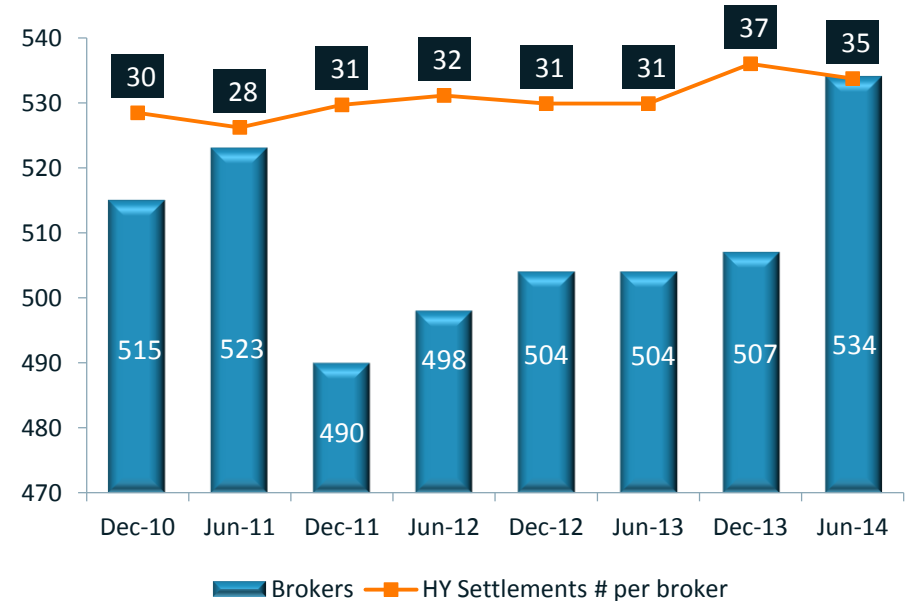


Strong network growth and productivity

Network

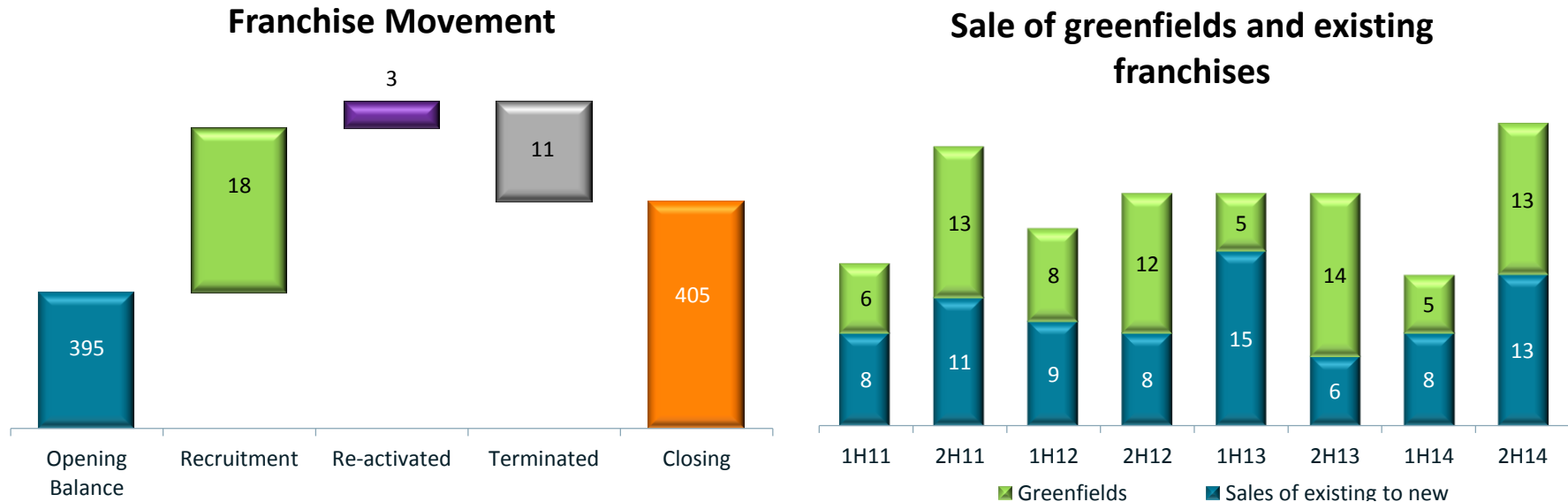


Productivity settlements



- Franchise numbers are up from 395 to 405.
- Productivity improved significantly in FY14.
- Plus One initiative pushed loan writer count to 549 by August end.
- By the end of The Plus One initiative at 30th Sept. 2014, the loan writer count is expected to reach 555.

Franchise recruitment strong and steady

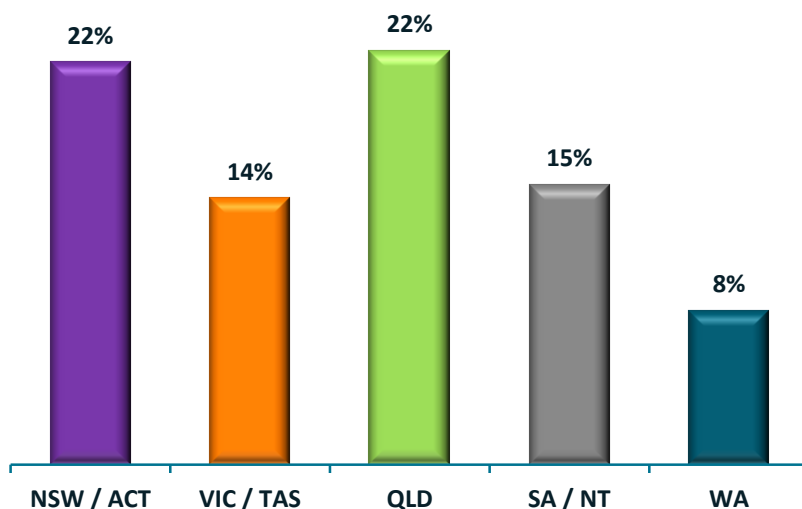


- 18 greenfields recruited in FY14 along with new franchise owners for 21 existing franchises.
- This result again demonstrates the strong commercial viability of our franchise system.

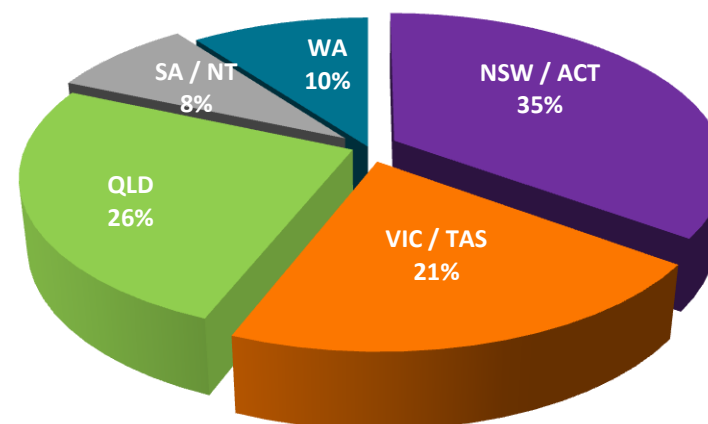
Mortgage Choice broking network snapshot – state performance

<u>Settlements (\$m)</u>	<u>FY14</u>	<u>%</u>	<u>FY13</u>	<u>%</u>	<u>Growth</u>
NSW / ACT	3,635	35%	2,991	34%	22%
VIC / TAS	2,177	21%	1,906	22%	14%
QLD	2,644	26%	2,164	25%	22%
SA / NT	858	8%	746	8%	15%
WA	1,057	10%	977	11%	8%
	10,370	100%	8,784	100%	18%

Settlements growth FY14 / FY13



States contribution to settlements



Mortgage Choice Financial Planning

	Jun13	Dec13	Jun14
Franchises	11	17	28
Advisers	11	20	31

*As at Aug14, Franchises - 30; Advisers - 33

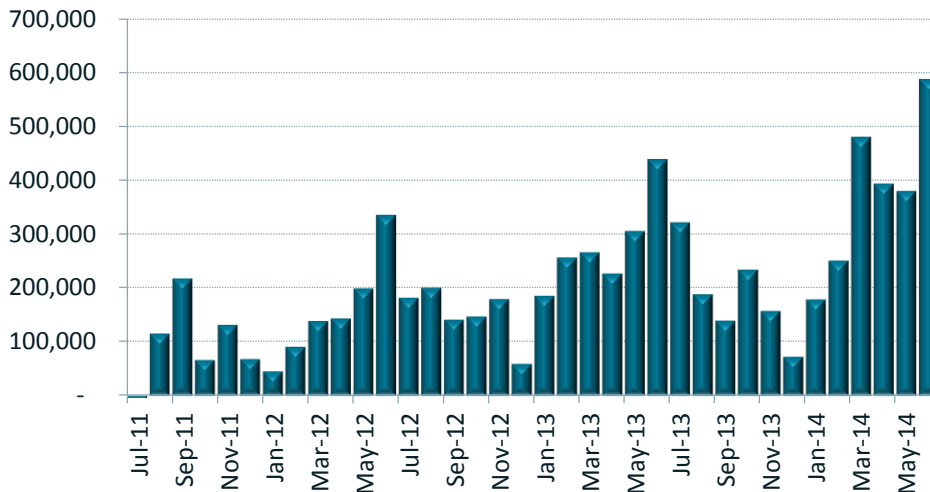
- On target to hit 60 advisers by 30 June 2015.
- Forecasting to turn a profit on a monthly basis during FY15 as per previous guidance.

Our partners



Help Me Choose snapshot

Gross Profit (\$)*



* Gross Profit = Revenue less lead acquisition costs

- Profitable trading result for the year.
- Monthly profit achieved Mar14 – Jun14.
- Number of health policies sold increased by 10%.
- Sales headcount increased from 12 (Jun13) to 40 (Aug 14).

Strategic Projects: Brand Strategy

Objective

To transition the BRAND to a full financial services brand.

Deliverables

1. The articulation of our purpose and customer promise – what we do, why we do it and how we do it.
2. A set of service standards to guide staff and franchisees in the delivery of amazing customer experiences.
3. A new visual identity, including a new logo.

Implementation

1. Launched at our National Conference in July.
2. Immersion workshops and training for all staff and franchisees.
3. New reward and recognition programs reflecting the new service standards.
4. Visual identity changes to be rolled out over the coming months.

Strategic Projects: Project One

Project One will implement an enterprise wide, trusted off-the-shelf CRM platform with an industry leading broker front end.

They will combine to provide our franchisees with a web based platform full of functionality to improve their productivity and overall customer experience.

Project One is a CAPEX project, commenced in FY14 and expected to be completed in FY16. Total CAPEX expenditure is estimated to be \$7.5m.



Summary

- Best cash result and dividend ever.
- Well placed for more growth in Mortgage Broking in FY15 with increased loan writer numbers.
- First profitable year for Help Me Choose with more growth planned.
- Financial Planning going from strength to strength and on track to achieve targets.
- Two strategic projects (Brand Strategy and Project One) set to deliver in FY15 & 16 to provide the platforms for sustainable, profitable growth.



QUESTIONS

APPENDICES

Half-Yearly Statistics – P/L

\$m	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13	1H14	2H14
Origination inc	27.99	24.16	25.51	23.59	25.98	25.08	26.03	25.94	31.72	31.29
Origination exp	(20.25)	(16.99)	(18.14)	(16.62)	(18.43)	(17.95)	(18.78)	(18.59)	(23.08)	(22.69)
Trail inc	41.48	41.45	42.30	41.48	42.13	42.32	43.40	43.28	43.94	43.47
Trail exp	(25.78)	(25.55)	(25.39)	(25.15)	(24.99)	(25.08)	(25.69)	(25.60)	(25.89)	(26.30)
Net Upfront	7.74	7.17	7.37	6.97	7.55	7.13	7.25	7.35	8.64	8.60
Net Trail	15.70	15.90	16.91	16.33	17.13	17.24	17.71	17.68	18.05	17.17
	23.44	23.08	24.28	23.30	24.68	24.38	24.96	25.02	26.69	25.77
Other Income	0.89	1.51	1.36	1.95	2.45	2.50	3.45	3.64	4.31	4.79
Cash PAT	7.79	7.04	8.84	7.08	6.50	8.52	7.82	7.95	8.97	9.74
IFRS PAT	9.76	13.72	8.79	18.67	6.44	12.02	7.51	11.20	9.66	8.80
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	8.97	11.08
IFRS PAT inclu. Gain on sale	9.76	13.72	8.79	18.67	6.44	12.02	7.51	11.20	9.66	10.14
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
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
Div p.s.	5.50 c	6.50 c	6.00 c	7.00 c	6.00 c	7.00 c	6.00 c	7.00 c	7.50 c	8.00 c
Upfront Payout	72.3%	70.3%	71.1%	70.4%	70.9%	71.6%	72.2%	71.7%	72.8%	72.5%
Trail Payout	62.2%	61.6%	60.0%	60.6%	59.3%	59.3%	59.2%	59.2%	58.9%	60.5%
Total Payout	66.3%	64.8%	64.2%	64.2%	63.8%	63.8%	64.1%	63.8%	64.7%	65.5%
Volumes MC										
Settlements # ('000)	18.73	15.36	15.91	14.56	15.58	15.86	15.77	15.68	18.66	17.86
Settlements \$b	4.82	4.07	4.33	3.99	4.34	4.39	4.43	4.35	5.26	5.11
Approvals \$b	5.39	4.59	4.98	4.55	5.11	5.04	5.09	5.28	6.13	6.04
Market \$b	142.8	124.1	126.4	116.3	124.1	119.8	128.0	133.1	157.1	157.7
Market Share	3.8%	3.7%	3.9%	3.9%	4.1%	4.2%	4.0%	4.0%	3.9%	3.8%
Avg Loan Book \$b	36.97	38.40	39.73	40.68	41.68	42.76	43.80	44.55	45.56	46.48

Balance Sheet

	FY14 \$'000	FY13 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	12,445	10,953
Trade and other receivables	98,876	95,310
Total current assets	111,321	106,263
Non-current assets		
Receivables	238,244	227,567
Property, plant and equipment	907	692
Deferred tax assets	-	-
Intangible assets	2,349	2,287
Total non-current assets	241,500	230,546
Total assets	352,821	336,809
LIABILITIES		
Current liabilities		
Trade and other payables	66,702	63,118
Current tax liabilities	2,418	2,017
Provisions	1,103	993
Total current liabilities	70,223	66,128
NON-CURRENT LIABILITIES		
Trade and other payables	142,900	134,938
Deferred tax liabilities	36,605	36,085
Provisions	762	526
Total non-current liabilities	180,267	171,549
TOTAL LIABILITIES	250,490	237,677
NET ASSETS	102,331	99,132
EQUITY		
Contributed equity	4,604	4,018
Reserves	2,210	1,472
Retained profits	95,517	93,642
Total equity	102,331	99,132

Cash Flow statement

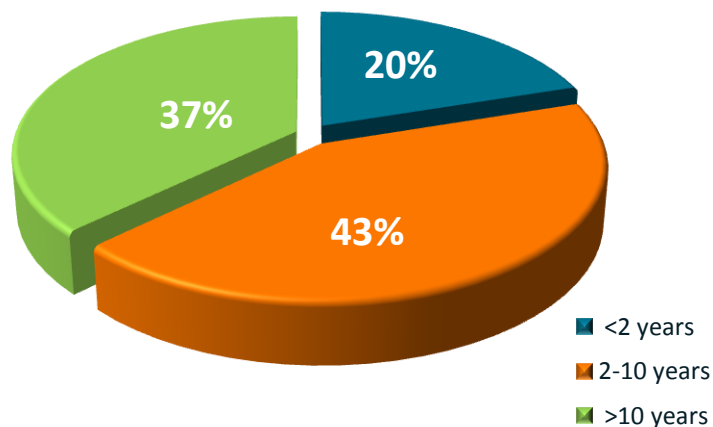
	FY14 \$'000	FY13 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	180,722	162,405
Payments to suppliers and employees (inclusive of goods and services tax)	(154,018)	(139,303)
	26,704	23,102
Income taxes paid	(7,612)	(7,968)
Net cash inflow from operating activities	19,092	15,134
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	(1,909)	(1,406)
Proceeds from sale of LoanKit net of selling costs	1,695	-
Interest received	538	536
Net cash inflow/(outflow) from investing activities	324	(870)
Cash flows from financing activities		
Proceeds from sale of shares	-	1,900
Dividends paid to company's shareholders	(17,924)	(15,873)
Net cash (outflow) from financing activities	(17,924)	(13,973)
Net increase/(decrease) in cash and cash equivalents	1,492	291
Cash and cash equivalents at the beginning of the financial year	10,953	10,662
Cash and cash equivalents at the end of year	12,445	10,953

Mortgage Choice broking network snapshot

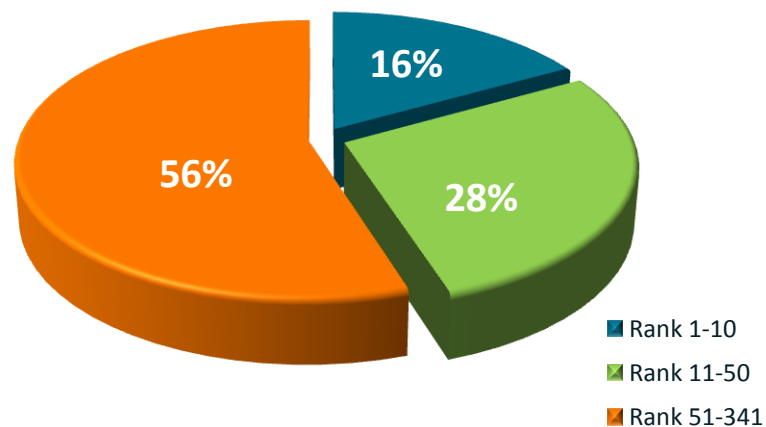
	National*		NSW&ACT		VIC&TAS		QLD		SA&NT		WA	
	<u>Jun-14</u>	<u>Jun-13</u>	<u>Jun-14</u>	<u>Jun-13</u>	<u>Jun-14</u>	<u>Jun-13</u>	<u>Jun-14</u>	<u>Jun-13</u>	<u>Jun-14</u>	<u>Jun-13</u>	<u>Jun-14</u>	<u>Jun-13</u>
Loan book	\$47.0bn	\$45.0bn	35.5%	36.0%	19.9%	19.7%	25.5%	25.0%	9.1%	9.1%	10.0%	10.2%
Loan writer	534	504	185	178	121	119	128	113	42	40	58	54
Franchise	405	395	148	147	87	83	89	89	29	27	52	49

*Residential only; excludes Loankit, HMC and MCFP

Franchise owner experience



Franchise owner share of settlements



Capacity for growth in recruitment



Note: All information based on Mar14 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 134 marketing areas, 109 greenfield sites are available.
- We have capacity to increase our franchise footprint from 405 to 572.

Disclaimer

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