



FY16

Half Year ending Dec 2015

FY16 Half Year Results presentation

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

Today:

1. Introduction
2. Financial performance
3. Progress against FY16 focus
4. Focus areas for 2H16
5. Appendices

Introduction

Highlights summary



- Cash NPAT up by 12.4%



- Loan book grew by 4.7% and passed \$50b



- Strongest settlement results ever – up 8.5% from 1H15



- Dividend up to 8.0c

1H16 performance highlights

	1H16	1H15	1H16 vs 1H15
NPAT - cash	10.1 m	9.0 m	12.4% ▲
- IFRS	10.7 m	10.0 m	7.8% ▲
Loan book^	50.7 b	48.4 b	4.7% ▲
Settlements	6.2 b	5.7 b	8.5% ▲
Basic EPS - cash	8.1 c	7.2 c	12.5% ▲
- IFRS	8.6 c	8.0 c	7.5% ▲
DPS - ordinary	8.0 c	7.5 c	6.7% ▲

^includes residential and commercial

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
Financial Planning net revenue
HMC net revenue
Other income

Gross profit

Operating expenses
Share based remuneration

Net profit before tax

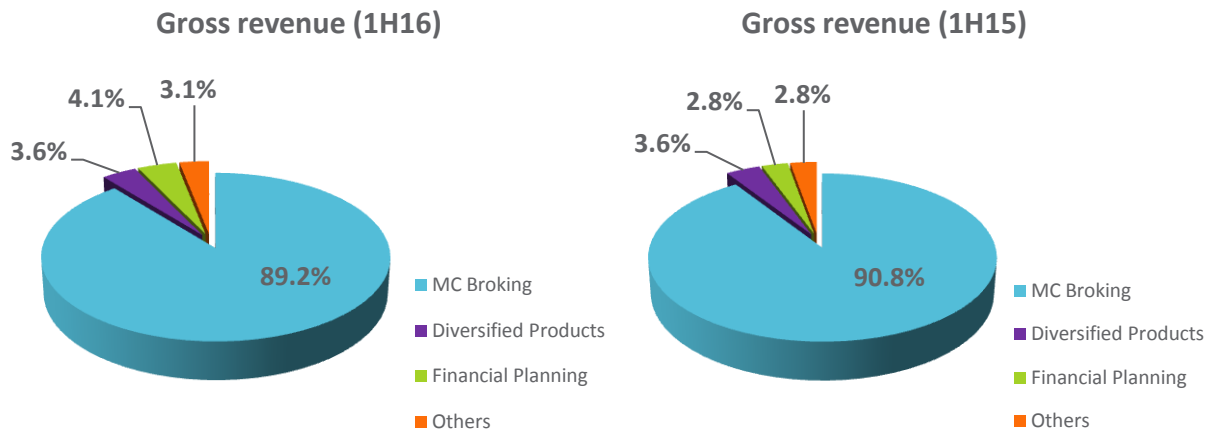
Net profit after tax

EPS (cps)
DPS (cps)

1H16 Cash^	1H15 Cash^	% change
37.3	35.0	7%
47.4	44.3	7%
84.7	79.3	7%
27.1	25.8	5%
28.8	26.7	8%
55.9	52.5	7%
28.8	26.8	7%
0.8	0.8	8%
0.8	0.5	63%
0.8	1.5	(45%)
3.1	2.6	19%
34.4	32.2	7%
19.9	19.6	1%
-	-	-
14.5	12.6	15%
10.1	9.0	12%
8.1	7.2	13%
8.0	7.5	7%

1H16 IFRS	1H16 IFRS	% change
37.3	35.0	7%
53.2	50.9	5%
90.6	85.9	5%
27.1	25.8	5%
32.9	30.9	6%
60.0	56.8	6%
30.6	29.1	5%
0.8	0.8	8%
0.8	0.5	63%
0.5	1.7	(73%)
3.1	2.6	19%
35.8	34.7	3%
19.9	19.6	1%
0.3	0.7	(57%)
15.6	14.4	8%
10.7	10.0	8%
8.6	8.0	8%
8.0	7.5	7%

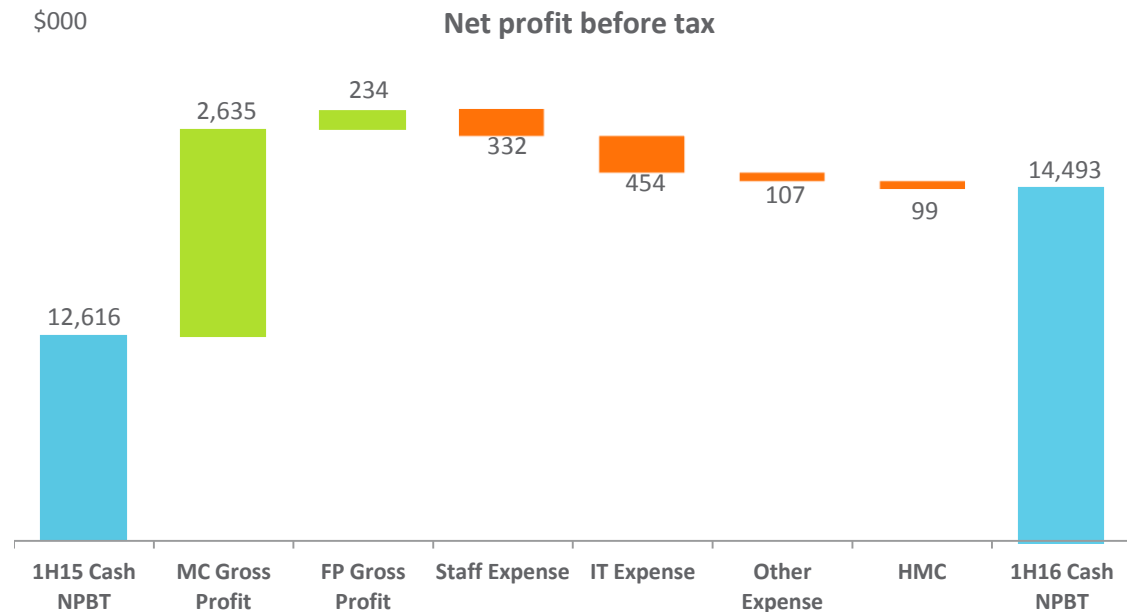
Successfully growing the core business and diversifying



* Gross Revenue excludes discontinued business HMC

- Percentage of gross revenue from diversified sources continues to grow along with continued growth in broking commission from increased settlements
- Financial Planning business continues to grow, with net revenue up 63% year on year

NPBT records strong growth and controlled expense



- Significant revenue growth drives increase in net profit before tax
- Increase in IT depreciation as FY15's 'Project One' comes online

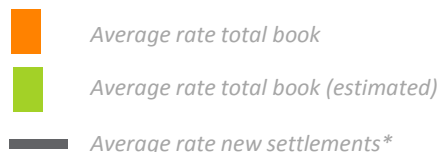
Strong gross profit growth in mortgage broking and financial planning

\$000	Divisional results								
	1H16			1H15			1H14		
	MC	HMC	FP	MC	HMC	FP	MC	HMC	FP
Settlements	6.2b	-	-	5.7b	-	-	5.3b	-	-
Gross profit (IFRS)	34,514	458	787	32,417	1,725	553	31,191	1,108	213
Gross profit (Cash)	32,728	844	787	30,095	1,559	553	29,398	1,055	213
OPEX	16,996	1,696	1,174	16,228	2,312	1,049	16,282	1,361	734
EBITDA (Cash)	16,258	(785)	(355)	14,106	(690)	(463)	14,244	(232)	(497)
NPAT (IFRS)	11,884	(851)	(284)	10,753	(422)	(359)	10,291	(177)	(365)
NPAT (Cash)	10,958	(603)	(266)	9,836	(522)	(342)	9,620	(203)	(349)
YOY Growth (%)	11%	(16%)	22%						

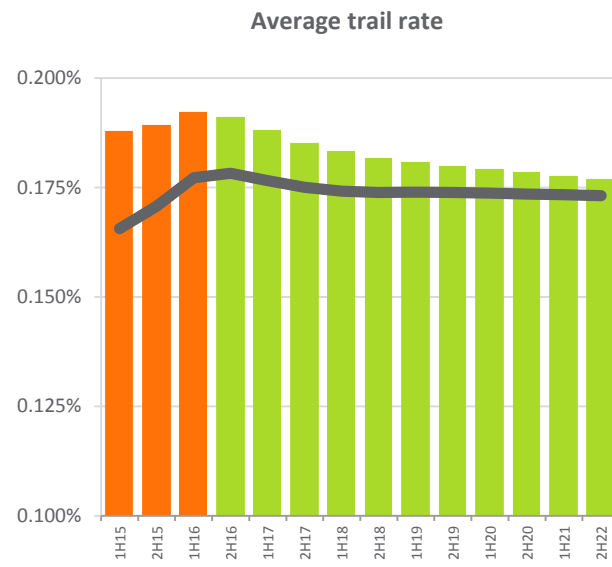
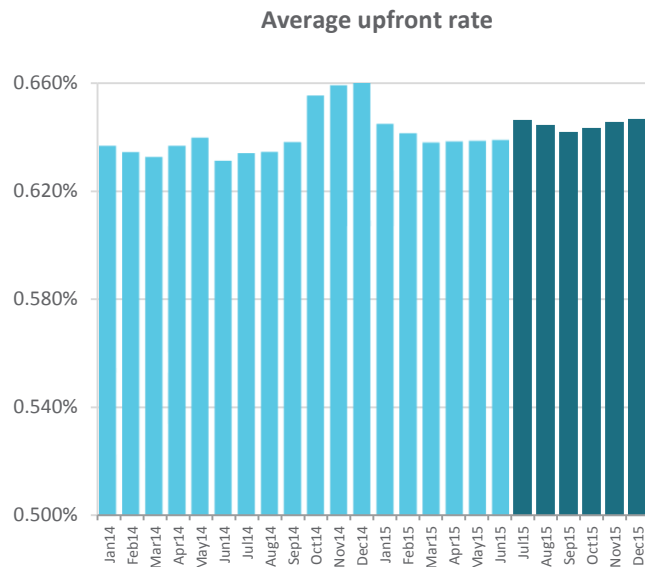
* 1H14 Divisional results excludes discontinued business LoanKit

- Core broking business cash NPAT up 11%
- Financial Planning business cash NPAT up 22% and this business will start to break even on a monthly basis by year's end
- On target to achieve forecasted cash loss of \$400K for Help Me Choose

Average upfront commission rates have improved



* Settlements post GFC changing commission rates



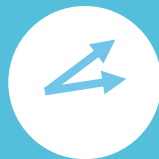
- Average upfront rate for 1H16 is 0.644%
- Trail rate to stabilise at 0.175%

Operating cash flow

(\$000)	1H16	1H15
Net profit before tax (cash basis)	14,493	12,616
Depreciation and amortisation	833	605
	15,326	13,221
Tax paid	(3,454)	(4,070)
Purchase of fixed assets and intangibles	(340)	(3,538)
Other balance sheet movements	(2,539)	(1,884)
Cash flow before dividends	8,993	3,729
Dividends paid	(9,945)	(9,910)
Net cash movement	(952)	(6,181)

Progress against FY16 focus

FY16 focus



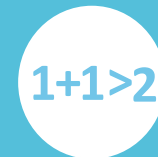
- NPAT growth (positive jaws)



- Market share growth



- Increase franchisee revenue



- MCFP integration

On track to meet all short term priorities

NPAT growth
(positive jaws)

Market share
growth

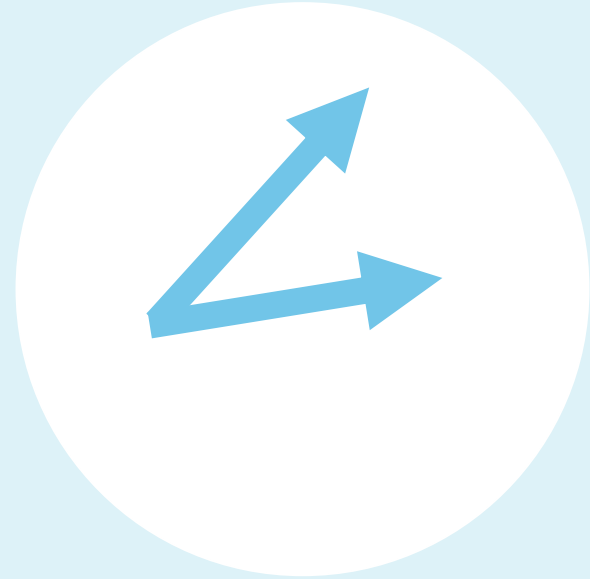
Increase
franchisee
revenue

MCFP
integration

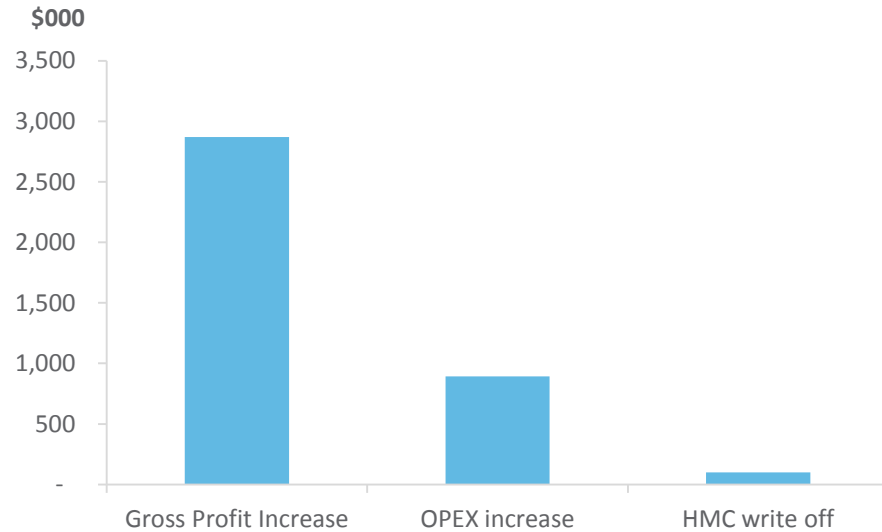
- Grow revenue but manage expenses
- Address profitability of Help Me Choose as a matter of urgency
- Increase national home loan lead volumes
- Grow broker numbers
- Increase franchisee revenue
- Improve broker productivity by embedding new CRM
- Increase the number of home loan customers referred to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

NPAT Growth (positive jaws)

Significant
inroads have
been made to
improve
positive jaws



Revenue and gross profit is increasing faster than growth in expenses



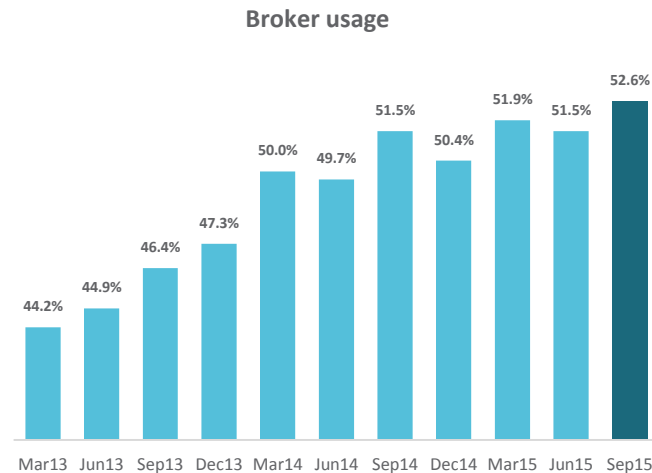
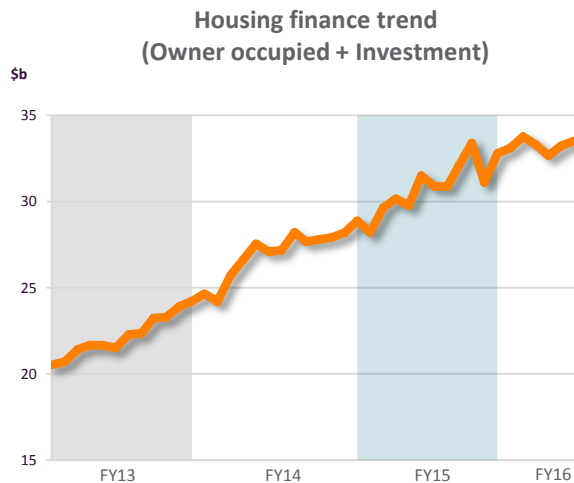
- Despite increased investment in the business, gross profit continues to outpace growth in expenses

Market Share

Small improvement in market share, but continued focus needed to improve position



Home loan market remains robust



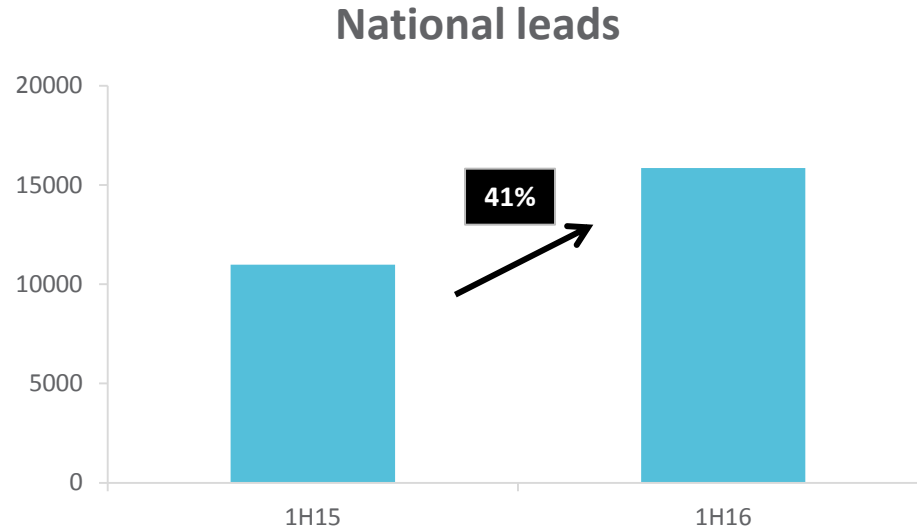
Housing finance source: ABS 5609

Table 11 – Housing Finance, Australia, Dec15 (Seasonally adjusted series)

Broker usage source: MFAA's quarterly survey of leading mortgage brokers and aggregators – Sep15 report

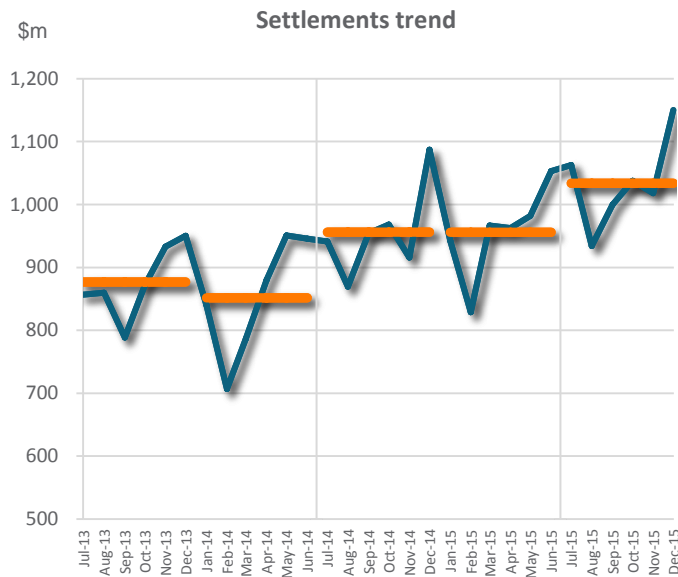
- Housing finance commitments remain high, providing Mortgage Choice with plenty of business opportunities
- Mortgage Choice remains well placed to capture market share even if the heat comes out of the housing market
- Broker usage continues to grow

National home loan leads



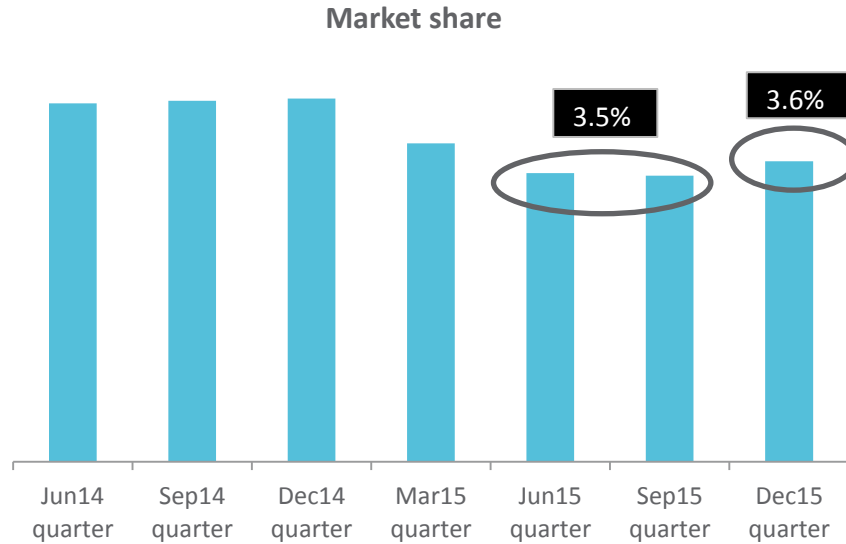
- National home loan leads are up significantly year on year due to a change in the type of media selected and messaging used

Home loan
settlements
up 8.5% and
loan book up
4.7% year on
year



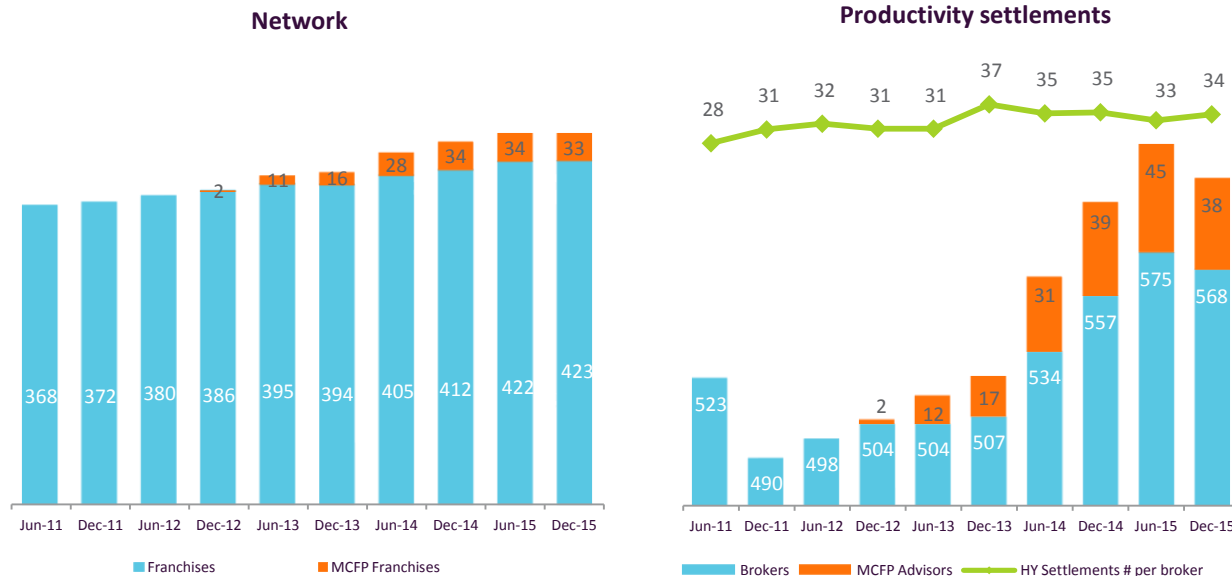
- Mortgage Choice's home loan settlement volumes continue to grow significantly year on year, with the company setting a new monthly record in December
- Loan book continues to enjoy strong growth, surpassing \$50 billion

Market Share



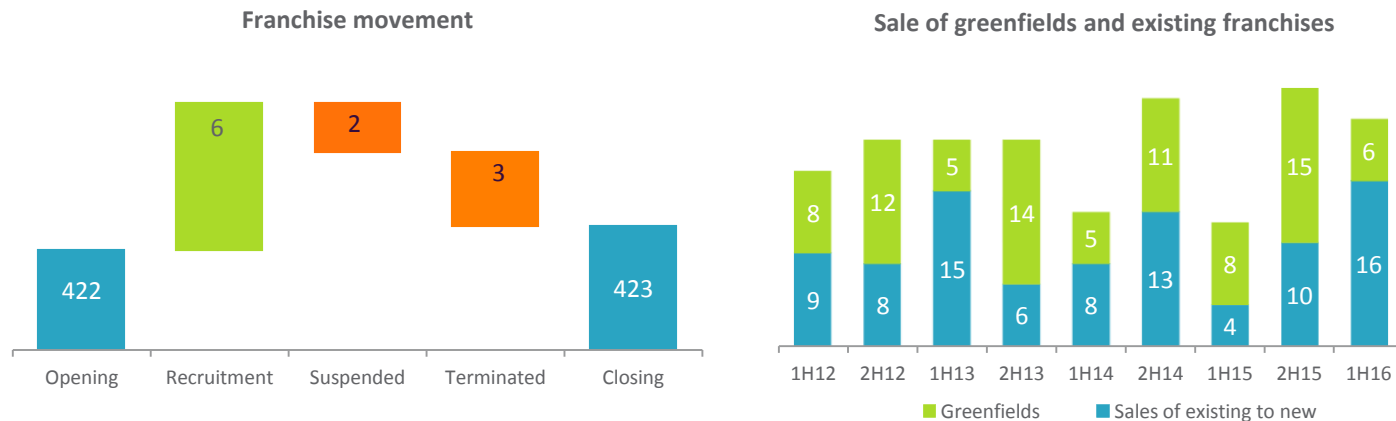
- Mortgage Choice's market share starting to recover after hitting a low in the June quarter
- Market share growth remains a key focus

Broker productivity continues to be industry leading



- Mortgage Choice continues to maintain industry-leading productivity levels
- Slight drop off in broker numbers will be rectified through the introduction of growth initiatives

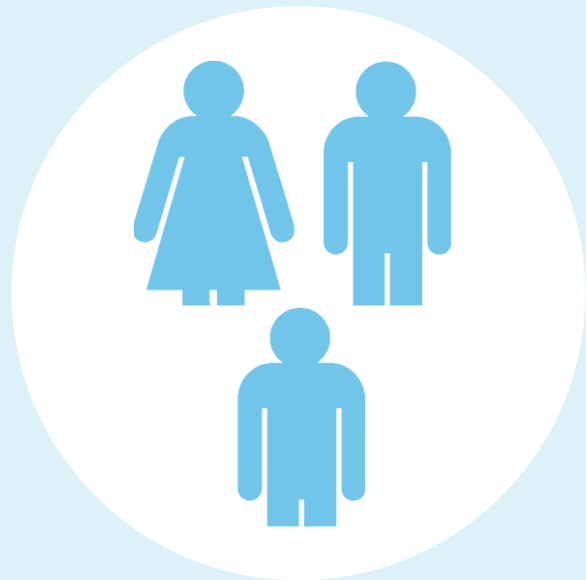
Recruitment remains a key focus for Mortgage Choice



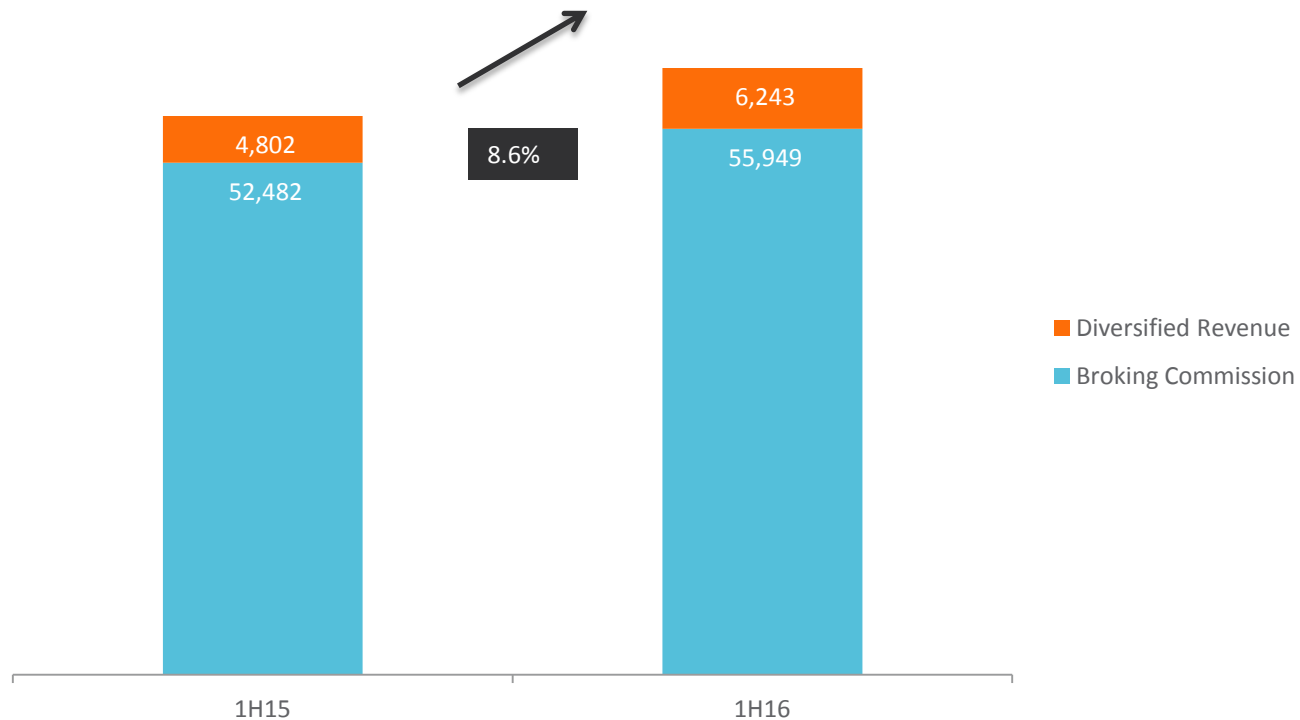
- Solid number of greenfields recruited in first half of the year
- Mortgage Choice has appointed a new Head of Growth to help the business grow its broker and adviser footprint

Increase
franchisee
revenue

Growth goal
for franchisee
revenue
surpassed in
1H16



Franchisee revenue



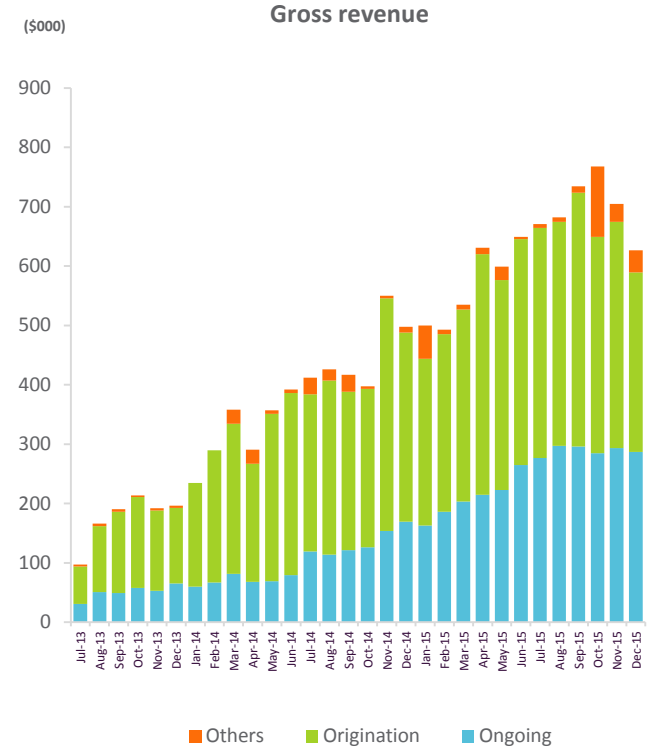
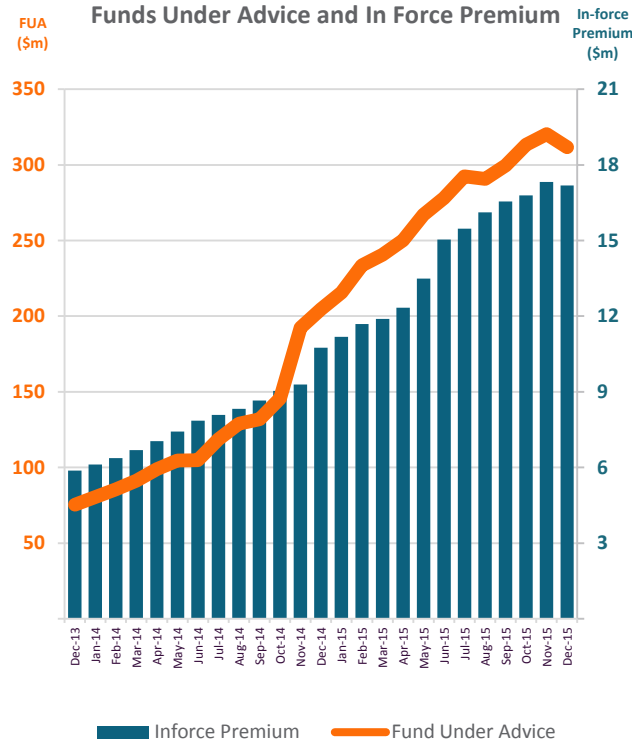
MCFP integration

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

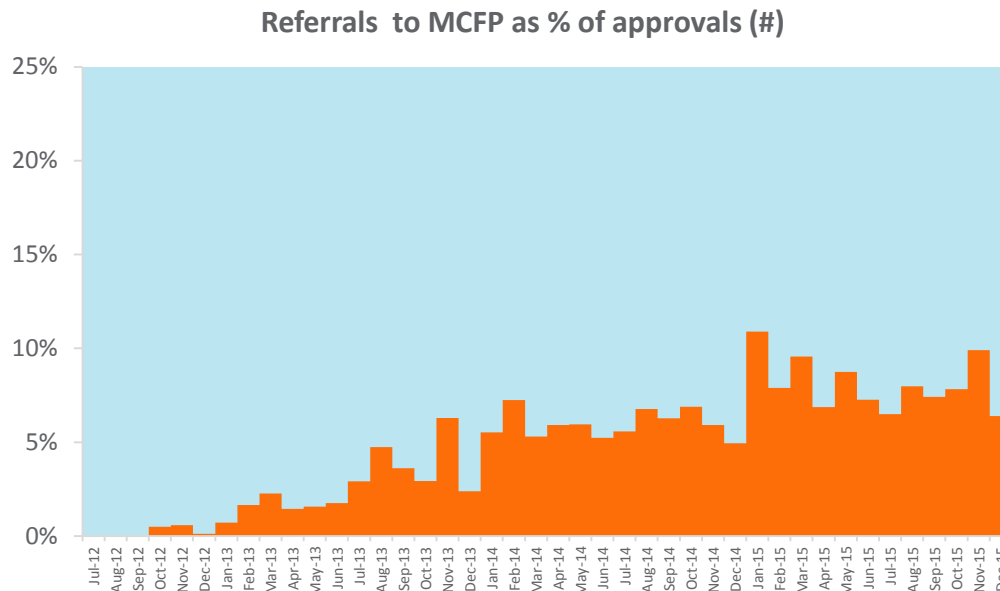

$$1+1>2$$

Continuous strong growth in FUA and In Force Premium

Includes insurance written by broking network



Referrals to MCFP – increasing but opportunities still exist



- Referrals from the core broking business to the financial planning business have begun to trend upwards
- Still plenty of opportunity to further grow referral numbers from the broking network

Focus areas for 2H16

Strong results for 1H16

Success in FY2016

NPAT growth
(positive jaws)

Market share
growth

Increase
franchisee
revenue

MCFP
integration

	1H16	1H15	% Change	
Head Office Leads	15,853	11,229	41.2%	▲
Home Loan Settlements \$M	6,226	5,736	8.5%	▲
Financial Planning Revenue \$M	778	477	63.1%	▲
Group Revenue \$M	102.3	97.0	5.4%	▲
NPAT \$M	10.089	8.972	12.4%	▲
Dividend	8.0c	7.5c	6.7%	▲
	6 mth closing 31 Dec 2015	6 mth opening 30 Jun 2015		
Change in share price *	\$1.82	\$2.39	(23.8%)	▼

* Based on 5 days VWAP

Questions?

Appendices

Half yearly stats – P/L

\$m	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13	1H14	2H14	1H15	2H15	1H16
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	37.32
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)	(27.10)
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	47.40
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)	(28.85)
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	10.22
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	18.55
	23.44	23.08	24.28	23.30	24.68	24.38	24.96	25.02	26.69	25.77	26.77	26.93	28.77
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	5.59
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	10.09
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	10.75
After tax gain on Loankit sale	-	-	-	-	-	-	-	-	1.34	-	-	-	-
Cash PAT including 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	10.09
IFRS PAT including 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	10.75
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	8.1c
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	8.6c
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	8.0c
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%	72.6%
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%	60.9%
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%	66.0%
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	19.80
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	6.23
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	7.20
Market \$b	142.8	124.1	126.4	116.3	124.1	119.8	128.0	133.1	157.1	157.7	177.2	185.4	202.2
Market Share	3.8%	3.7%	3.9%	3.9%	4.1%	4.2%	4.0%	4.0%	3.9%	3.8%	3.9%	3.5%	3.6%
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	49.73

Balance sheet

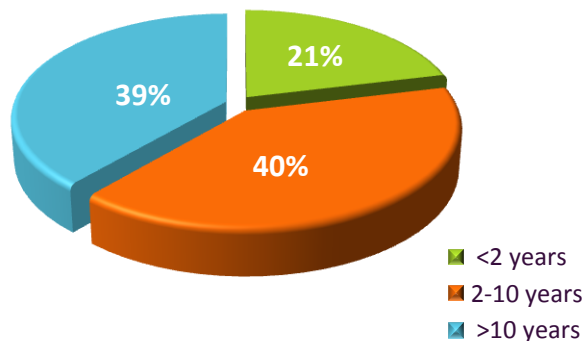
	Dec 2015 \$'000	Jun 2015 \$'000		Dec 2015 \$'000	Jun 2015 \$'000
ASSETS			LIABILITIES		
Current assets			Current liabilities		
Cash and cash equivalents	6,875	7,827	Trade and other payables	66,350	69,931
Trade and other receivables	100,511	100,399	Current tax liabilities	737	119
Total current assets	107,386	108,226	Provisions	1,020	1,305
			Total current liabilities	68,107	71,355
Non-current assets			Non-current liabilities		
Receivables	241,740	238,209	Trade and other payables	146,067	142,895
Property, plant and equipment	578	826	Deferred tax liabilities	38,229	37,476
Intangible assets	6,532	7,148	Provisions	797	771
Total non-current assets	248,850	246,183	Total non-current liabilities	185,093	181,142
Total assets	356,236	354,409	Total liabilities	253,200	252,497
EQUITY					
Contributed equity	6,804	5,780			
Reserves	1,205	1,909			
Retained profits	95,027	94,223			
Total equity	103,036	101,912	Net assets	103,036	101,912

Cash flow statement

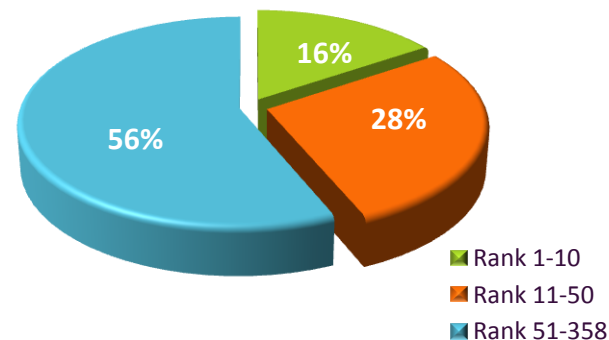
	Half-year ended	
	31-Dec-15	31-Dec-14
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	108,351	99,332
Payments to suppliers and employees (inclusive of goods and services tax)	(95,772)	(88,263)
	12,579	11,069
Income taxes paid	(3,454)	(4,070)
Net cash inflow from operating activities	9,125	6,999
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	(340)	(3,538)
Interest received	208	268
Net cash (outflow) from investing activities	(132)	(3,270)
Cash flows from financing activities		
Dividends paid to company's shareholders	(9,945)	(9,910)
Net cash (outflow) from financing activities	(9,945)	(9,910)
Net decrease in cash and cash equivalents held	(952)	(6,181)
Cash and cash equivalents at the beginning of the half-year	7,827	12,445
Cash and cash equivalents at the end of the half-year	6,875	6,264

Network snapshot

Franchise owner experience



Franchise owner share of settlements



	National*		NSW&ACT		VIC&TAS		QLD		SA&NT		WA	
	<u>Dec-15</u>	<u>Dec-14</u>	<u>Dec-15</u>	<u>Dec-14</u>	<u>Dec-15</u>	<u>Dec-14</u>	<u>Dec-15</u>	<u>Dec-14</u>	<u>Dec-15</u>	<u>Dec-14</u>	<u>Dec-15</u>	<u>Dec-14</u>
Loan book	\$50.2bn	\$48.0bn	35.2%	35.2%	20.0%	20.0%	26.3%	25.8%	8.9%	9.0%	9.6%	10.0%
Loan writer	568	557	202	197	133	127	133	132	40	41	60	60
Franchise	423	412	154	153	98	88	90	89	29	30	52	52

*Residential only; excludes MCFP

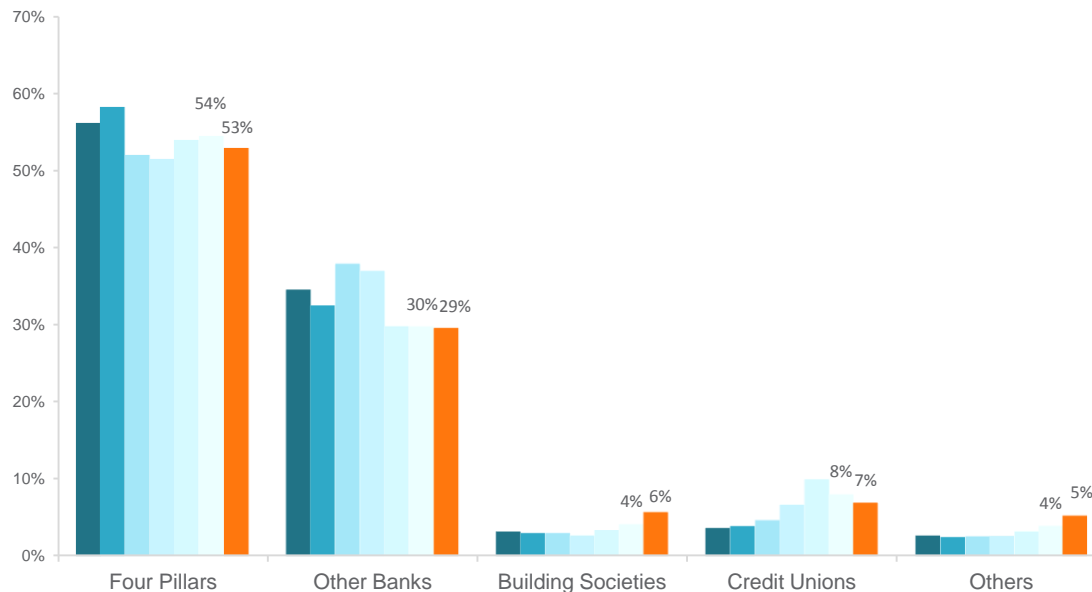
Capacity for growth in recruitment



- Marketing area capacities are assessed quarterly using an external benchmarking model that takes into account geographic data, ABS data and franchise settlements
- In 133 marketing areas, 118 greenfield sites are available
- We have capacity to increase our franchise footprint from 423 to 596

** Information based on Sep15 Quarter
Broker Resource Model*

Mortgage Choice settlements by lender



Figures from 1H13 to 1H16.

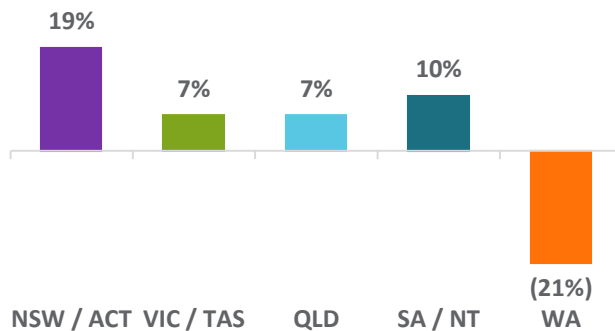
Four Pillars includes CBA, ANZ, NAB (NAB Brokers) and Westpac (excludes St George and BankWest)

- Four pillars continue to dominate
- Four pillars including StGeorge and Bankwest stays at 67%

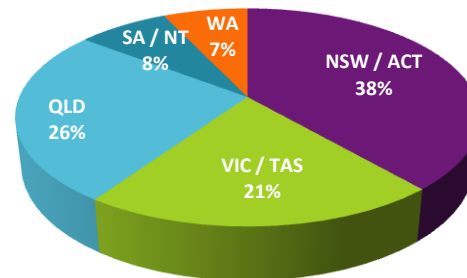
Settlements by state

<u>Settlements (\$m)</u>	<u>1H16</u>	<u>%</u>	<u>1H15</u>	<u>%</u>	<u>Growth</u>
NSW / ACT	2,402	38%	2,017	35%	19%
VIC / TAS	1,306	21%	1,226	21%	7%
QLD	1,607	26%	1,508	26%	7%
SA / NT	472	8%	428	8%	10%
WA	439	7%	557	10%	(21%)
	6,226	100%	5,736	100%	9%

Settlements growth 1H16 / 1H15



States contribution to settlements



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