

Mortgage Choice Limited

Half Year Results Ending December 2012

Michael Russell
Chief Executive Officer

Susan Mitchell
Chief Financial Officer

February 2013

Agenda: 1H13 results

Performance highlights

Michael Russell

Financial performance

Susan Mitchell

Economy and industry

Michael Russell

Operations and strategy

Michael Russell

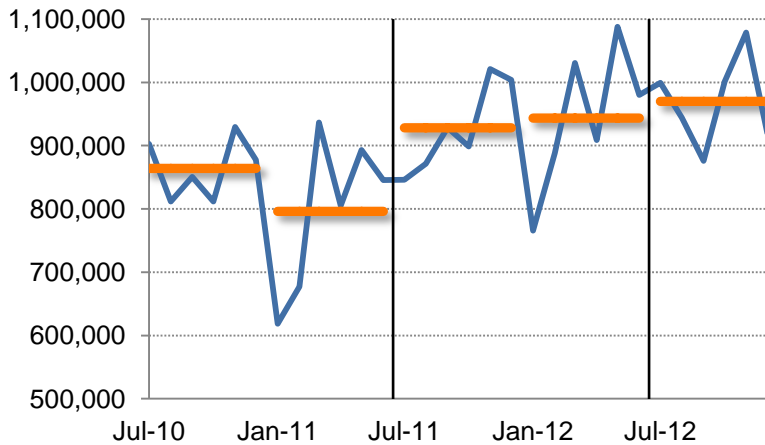
Appendices

1H13 group performance highlights

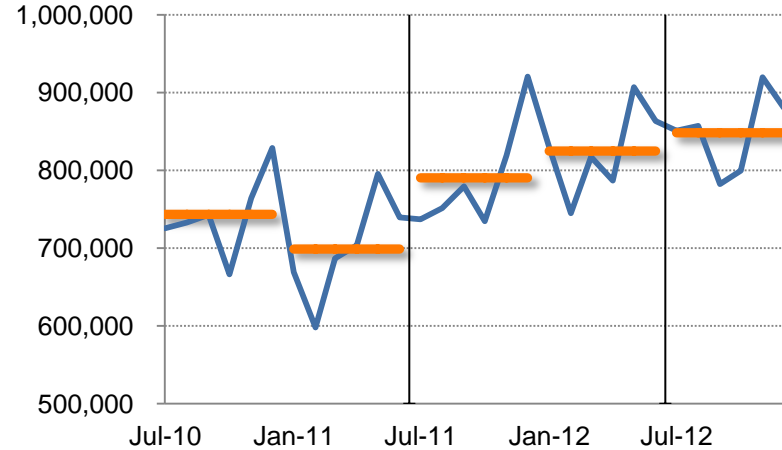
	1H13	2H12	1H12	1H13 VS 1H12	
NPAT - cash	7.8m	8.5m	6.5m	20.0%	↑
- IFRS	7.5m	12.1m	6.4m	17.2%	↑
Loan book	46.3b	45.1b	43.5b	6.4%	↑
Approvals	5.82b	5.66b	5.57b	4.5%	↑
Settlements	5.09b	4.95b	4.74b	7.4%	↑
Basic EPS - cash (Cps)	6.4c	7.1c	5.4c	18.5%	↑
- IFRS (Cps)	6.2c	10.0c	5.4c	14.8%	↑
DPS - ordinary (Cps)	6.00c	7.00c	6.00c	0%	=

Approvals, Settlements and Market Share

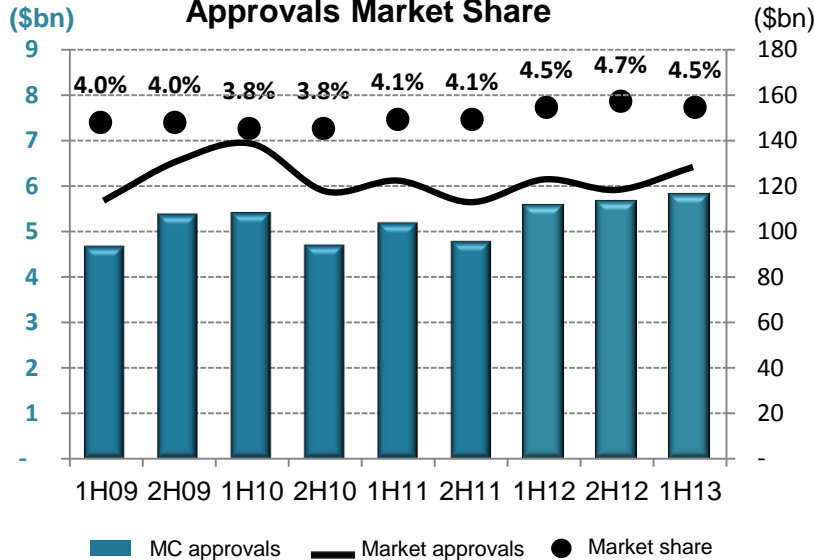
Approvals trend (\$000)



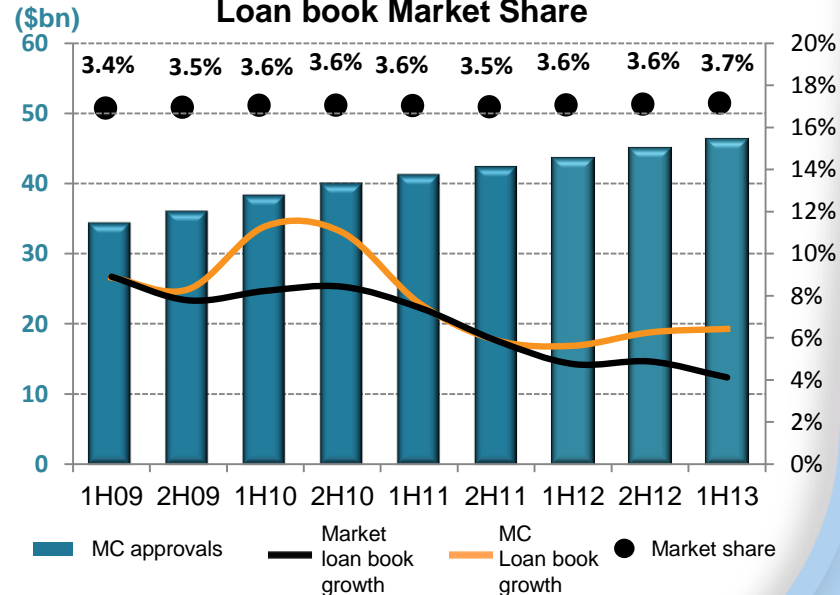
Settlements trend (\$000)



Approvals Market Share



Loan book Market Share



Market share calculated using ABS data original series (Includes 'Alterations and Additions'; excludes 'Construction of dwellings for rent/resale from Investment')

Mortgage Choice core business

	1H13	2H12	1H12	1H13 VS 1H12	
NPAT - cash	9.0m	9.4m	7.4m	21.6%	↑
- IFRS	8.5m	12.6m	7.2m	18.1%	↑
Loan book	44.4b	43.6b	42.4b	4.7%	↑
Approvals	5.09b	5.04b	5.11b	0.4%	↓
Settlements	4.43b	4.39b	4.34b	2.1%	↑
Market Share	4.0%	4.2%	4.1%	0.1%	↓

Key messages

- ✓ Solid, on-target results
- ✓ Group cash NPAT up 20% on 1H12
- ✓ Group loan book up 6.4% on 1H12
- ✓ Group market share flat while Mortgage Choice Core market share down 0.1% on 1H12
- ✓ New marketing campaign to start March
- ✓ Franchise count of 386 – highest since Jan 2009

1H13 results

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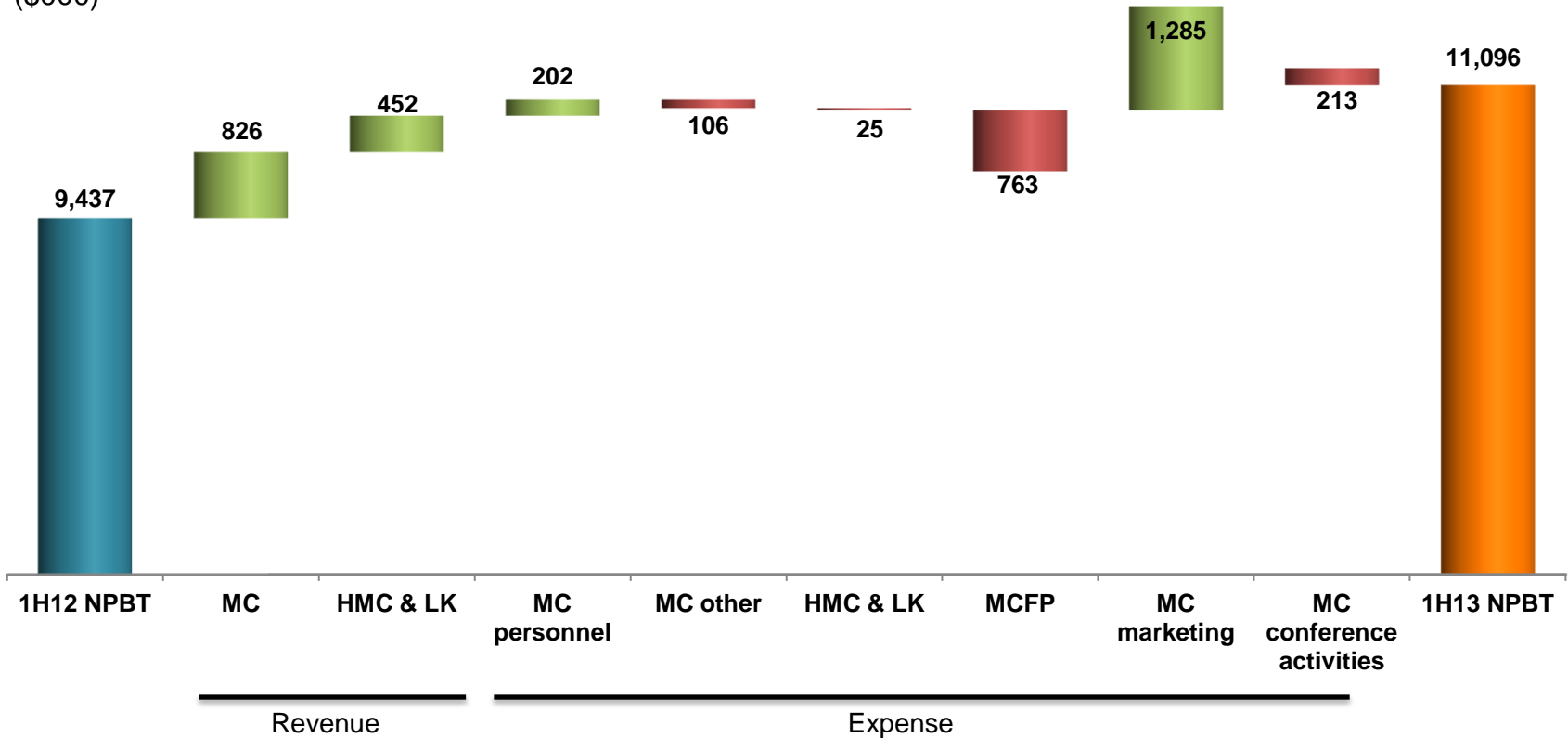
Profit & loss statement

	1H13 Cash*	1H12 Cash*	% change	1H13 IFRS	1H12 IFRS	% change
Origination commission received	26,025	25,983	0%	26,025	25,983	0%
Trailing commission received	43,400	42,125	3%	42,246	41,477	2%
	69,425	68,108	2%	68,271	67,460	1%
Origination commission paid	18,781	18,433	2%	18,781	18,433	2%
Trailing commission paid	25,688	24,994	3%	24,773	24,585	1%
	44,469	43,427	2%	43,554	43,018	1%
Net core commission	24,956	24,681	1%	24,717	24,442	1%
Diversified products net revenue	414	265	56%	414	265	56%
Help Me Choose, LoanKit and Financial Planning net revenue	1,035	587	76%	1,349	892	51%
Other income	2,003	1,597	25%	2,003	1,597	25%
Gross profit	28,408	27,130	5%	28,483	27,196	5%
Operating expenses	17,312	17,693	(2%)	17,312	17,693	(2%)
Share based remuneration	-	-		358	154	132%
Net profit before tax	11,096	9,437	18%	10,813	9,349	16%
Net profit after tax	7,819	6,497	20%	7,514	6,440	17%
EPS (cps)	6.4	5.4	19%	6.2	5.4	15%
DPS (cps)	6.0	6.0	0%	6.0	6.0	0%

* Cash is based on accruals accounting and excludes share based remuneration and the net present value of future trailing commissions receivable and payable

Net cash profit before tax

(\$000)



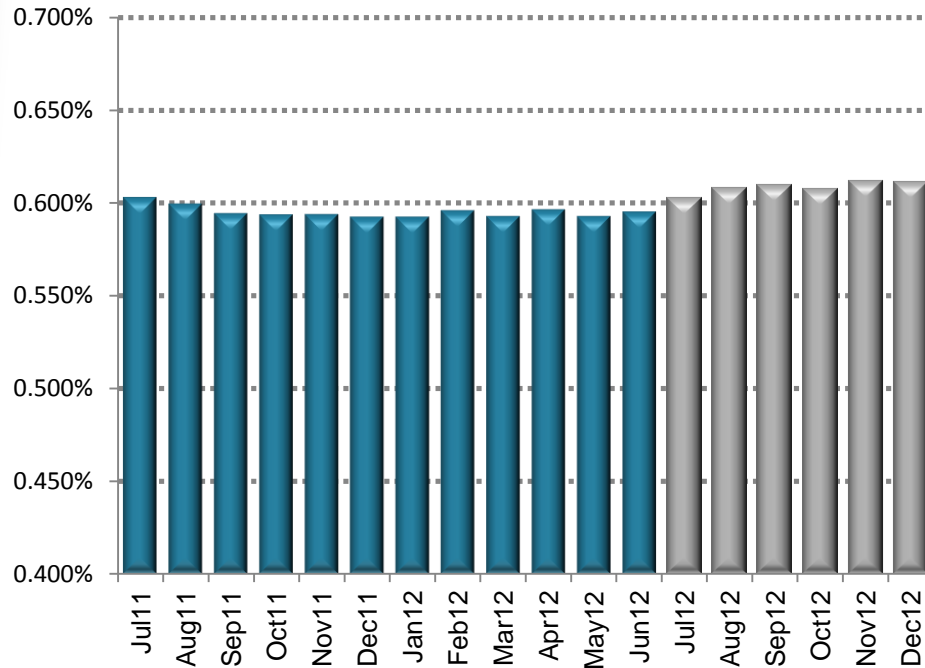
- ✓ Strong cost control across MC, HMC and LoanKit
- ✓ Addition of Mortgage Choice Financial Planning for full period
- ✓ Marketing spend pushed to 2H13 with introduction of new television commercial

Divisional results

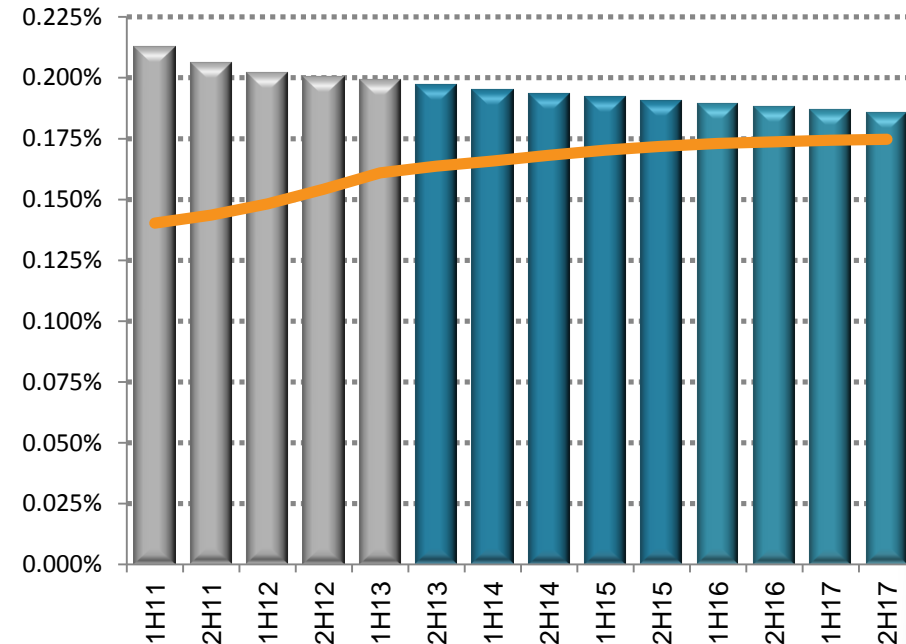
\$000	1H13				2H12				1H12			
	MC	HMC	LK	FP	MC	HMC	LK	FP	MC	HMC	LK	FP
Settlements	4.4b		0.7b		4.4b		0.6b		4.3b		0.4b	
Gross profit (IFRS)	27,108	905	468	2	30,827	949	476	-	26,284	590	322	-
Gross profit (Cash)	27,347	591	468	2	25,771	625	476	-	26,522	286	322	-
Cash EBITDA	13,268	(566)	(282)	(761)	14,065	(377)	(467)	(199)	11,543	(944)	(258)	-
NPAT (IFRS)	8,537	(232)	(249)	(542)	12,629	(89)	(386)	(139)	7,151	(496)	(215)	-
NPAT (Cash)	9,029	(449)	(232)	(529)	9,340	(316)	(360)	(139)	7,421	(709)	(215)	-

Average commission rates

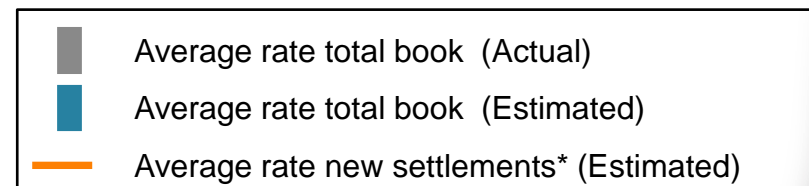
Average upfront rate



Average trail rate



- ✓ Average upfront rate for 6 months to 31 Dec 12 was 0.61%
- ✓ Average long term trail rate is improving to 0.175%



* Settlements from 1 Jan 2009 - projection based on our best estimates for lender mix, run off and settlements growth

Operating performance

\$000

	1H13	1H12
Net profit before tax (cash basis)	11,096	9,437
Tax paid	(4,671)	(3,168)
Depreciation and amortisation	845	904
Purchase of fixed assets and intangibles	(942)	(154)
Other balance sheet movements	(1,881)	(1,309)
Cash flow before dividends	4,447	5,710
Proceeds from issue of shares	1,900	-
Dividends paid	(8,467)	(8,396)
Net cash movement	(2,120)	(2,686)

1H13 results

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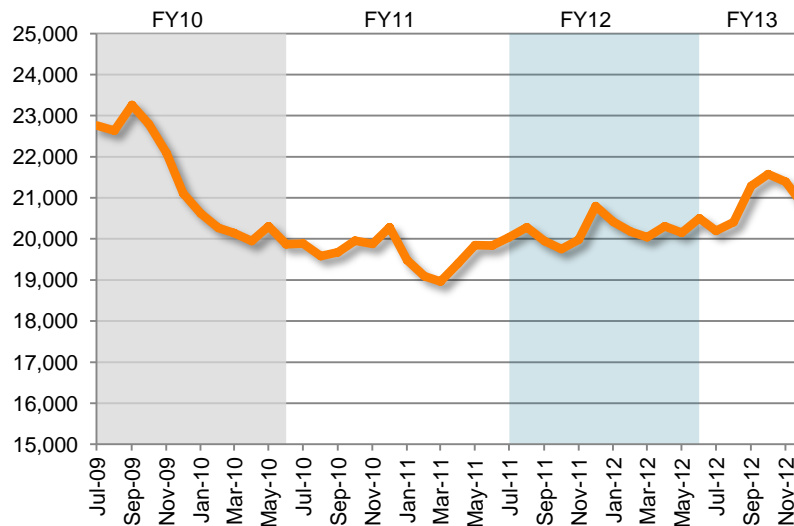
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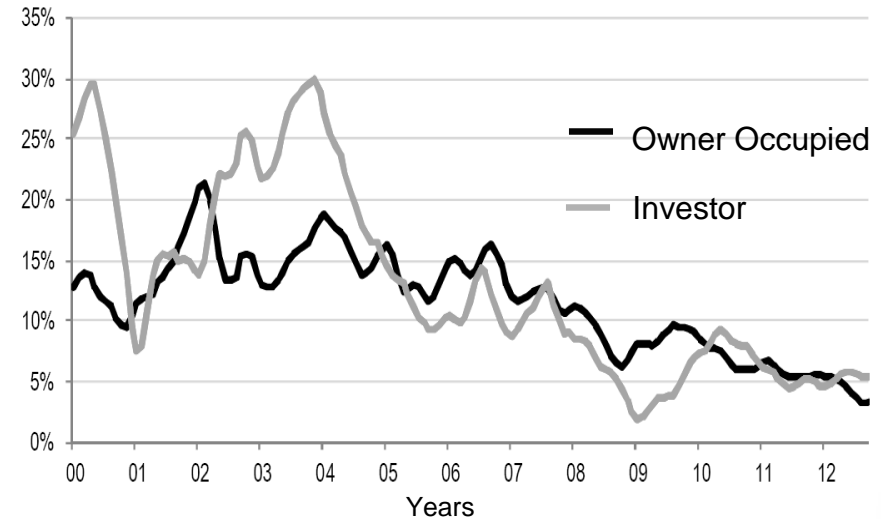
Housing finance

Housing finance \$m trend (Owner occupied + Investment)



Source: ABS 5609 table 11 - Housing Finance, Australia, Dec 2012 (seasonally adjusted series)

Housing credit annualised quarterly growth rate



Source: JP Morgan Australian Mortgage Industry – Volume 16, Figure 1

- ✓ 1H13 new housing finance commitments were up 3.4% on 2H12 and 4.0% on 1H12
- ✓ Oct 2012 housing finance commitments were the highest in \$ value since Nov 2009
- ✓ Housing credit growth looks to have bottomed, with dwelling prices and consumer confidence on the rise

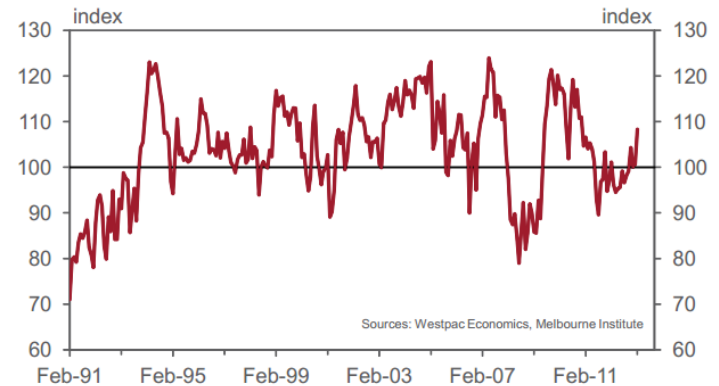
Housing finance – growth drivers evident

Dwelling price growth

Change in dwelling values	Month	Quarter	YoY
Sydney	1.8%	0.9%	3.4%
Melbourne	0.2%	(0.4%)	(0.4%)
Brisbane	2.0%	2.3%	2.3%
Adelaide	0.4%	1.0%	0.7%
perth	1.7%	3.0%	2.7%
Hobart	4.5%	5.3%	0.8%
Darwin	(2.2%)	(3.7%)	8.7%
Canberra	1.5%	1.7%	2.7%
8 capital city aggregate	1.2%	1.0%	1.8%

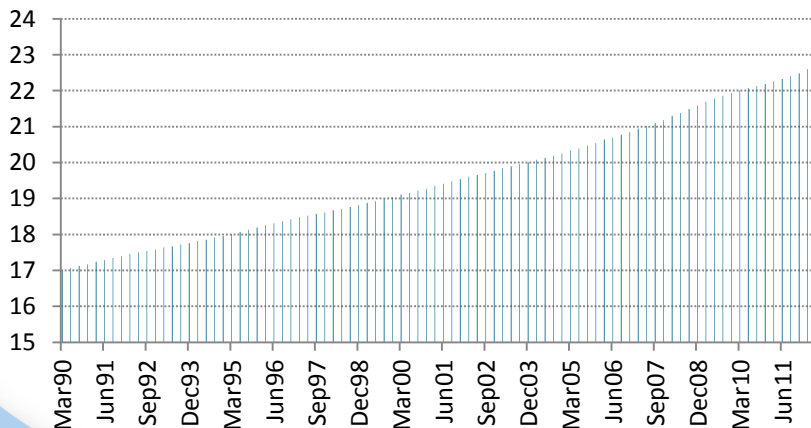
Source: RP Data Rismark Home Value Index Jan13 report

Consumer sentiment



Source: Westpac Consumer Sentiment Feb13 report

Populations \$m



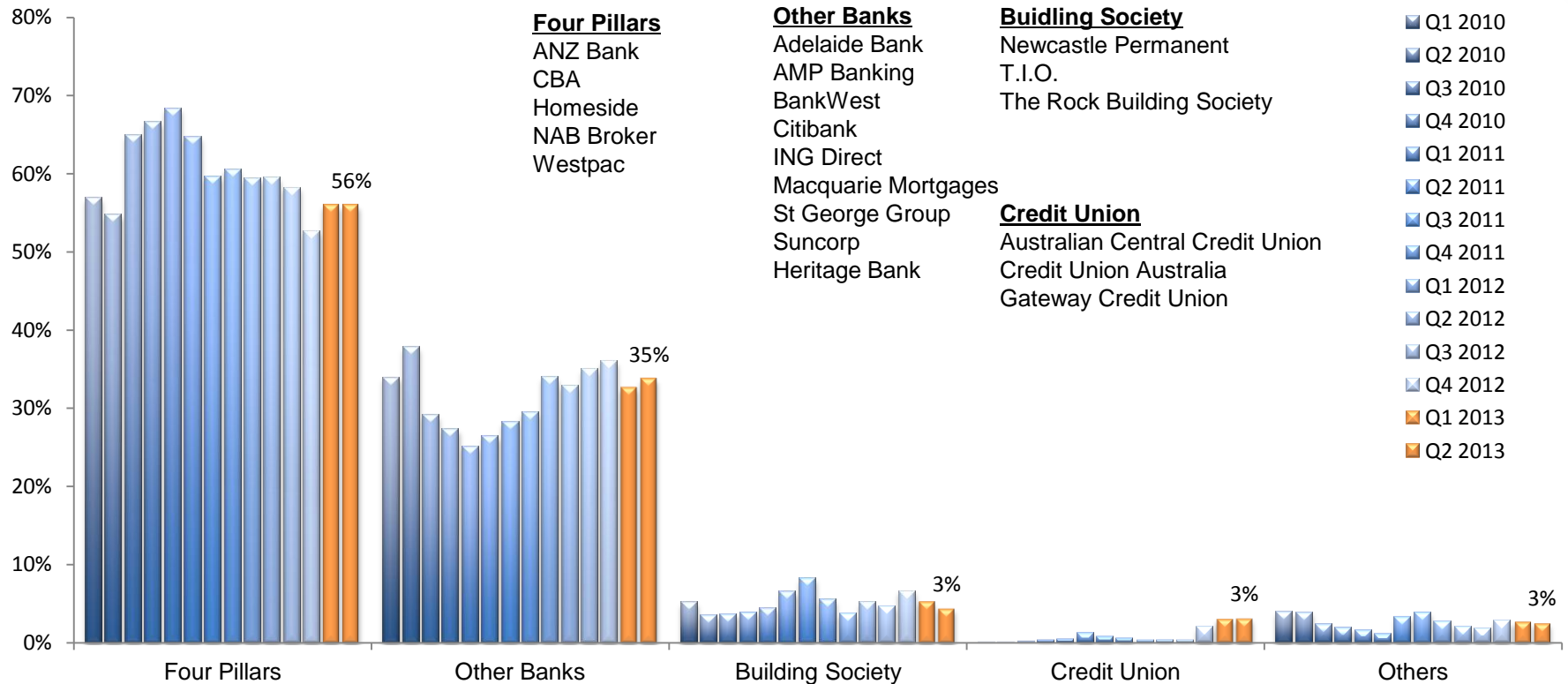
Source: ABS 3101 table1

Housing demand vs supply – '000 dwellings

Year	Demand growth	Supply growth	Cumulative supply gap
2002	138	117	21
2003	140	135	26
2004	138	138	26
2005	137	142	21
2006	137	137	22
2007	162	130	54
2008	157	125	86
2009	211	128	169
2010	159	127	200
2011	163	135	228

Source: National Housing Supply Council, Housing Supply and Affordability Key Indicators 2012

Mortgage Choice settlements by lender



✓ Four pillars market share increases from 56% to 71% with St George group and Bankwest

✓ Non-banks continue to vie for market share, however are in need of further assistance if competing as a genuine fifth pillar of banking

Broker usage by consumers

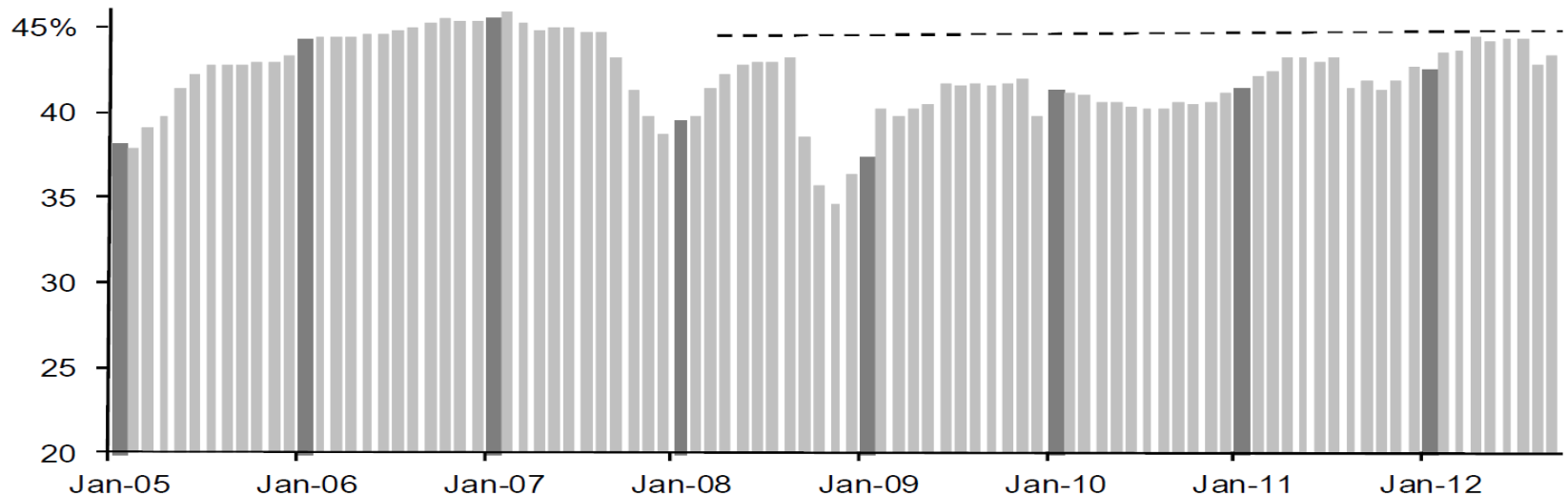
Mortgage Choice continues to provide a customer value proposition that no single lender can:

- ✓ *Choice of lender and loan product*
- ✓ *Convenience to meet our customers at a time and place that suits them*

The J.P Morgan/Fujitsu Australian Mortgage Industry report Oct 2012 found:

- ✓ *The proportion of new loans through brokers is approaching pre-GFC level of ~45%*

Figure 31: Broker Originated Loans as a Proportion of New Housing Loans



Source: DFA estimates (statistics based on number count).

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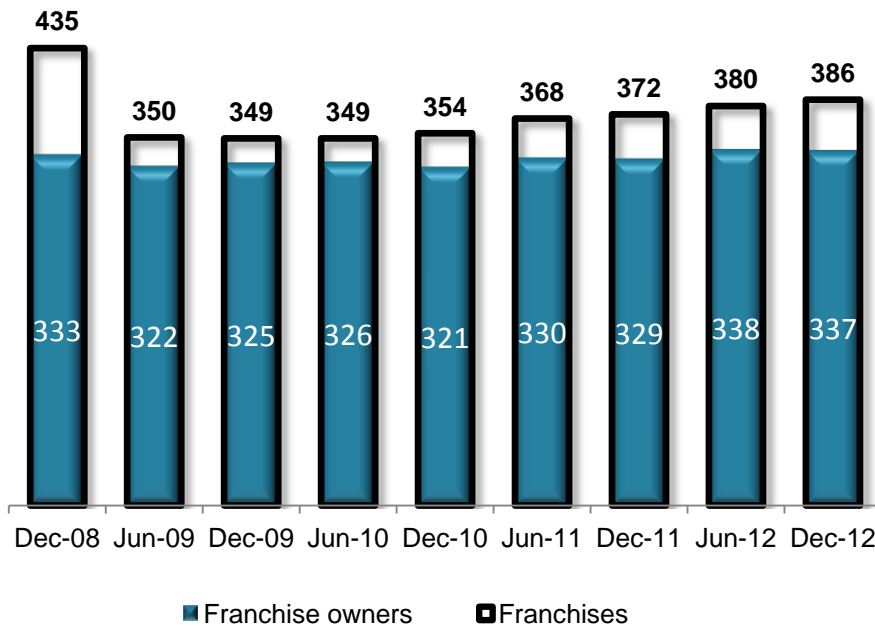
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1H13 operational landmarks

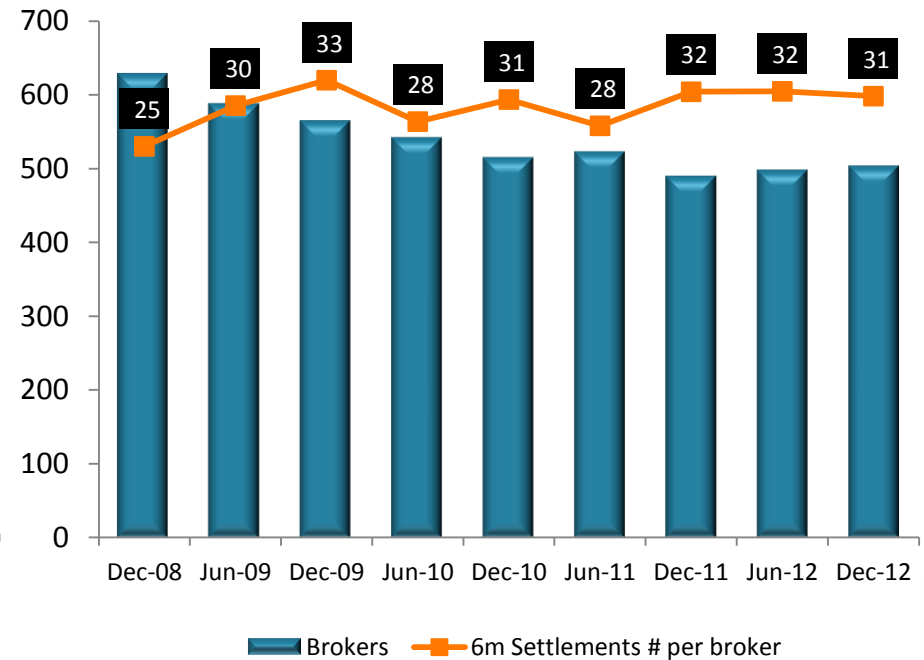
- ✓ Added Citibank to lender panel
- ✓ Launched new website – mobile friendly/improved navigation
- ✓ Health Insurance offering to new Mortgage Choice customers
- ✓ Significant enhancement to core broker software system - Discovery
- ✓ Acquired Prime loan tracking & administration software
- ✓ Celebrated 20 years in business

Our network strength is growing

Network



Productivity settlements

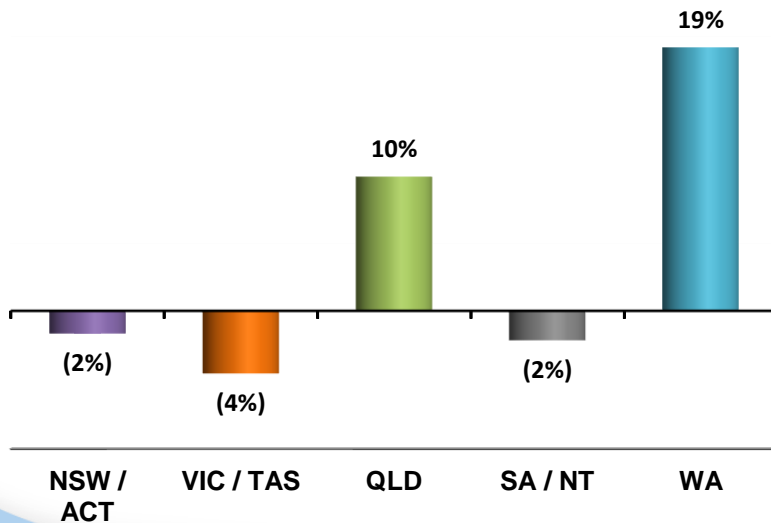


- ✓ Franchise footprint increased to 386
- ✓ Highest since Jan 2009

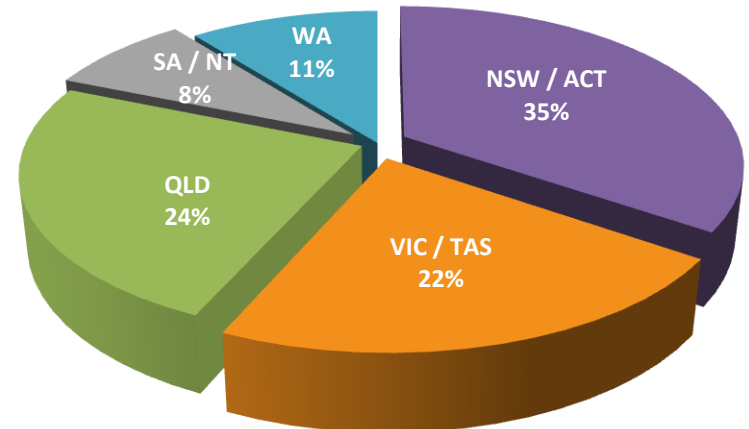
By state performance

<u>Settlements (\$ Mil)</u>	<u>1H13</u>	<u>%</u>	<u>1H12</u>	<u>%</u>	<u>Growth</u>
NSW / ACT	1,532	35%	1,558	36%	(2%)
VIC / TAS	979	22%	1,025	24%	(4%)
QLD	1,087	24%	991	23%	10%
SA / NT	363	8%	370	8%	(2%)
WA	469	11%	394	9%	19%
	4,430	100%	4,338	100%	2%

Settlements growth 1H13 / 1H12



States contribution to settlements

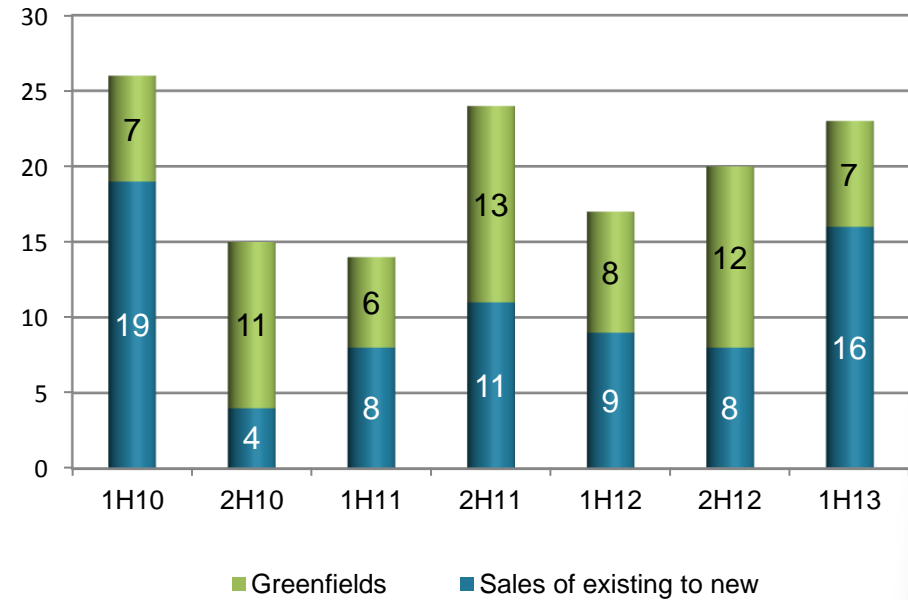


Franchise recruitment

Franchise Movement



Sale of greenfields and existing franchises



✓ Strong recruitment performance continues to add depth to our network

Leveraging technology

Business productivity gains

1. Cloud computing - cost savings & improved resource allocation
2. On-line access to tools of trade - anywhere, anytime, any device
3. Acquired and integrated Prime loan tracking & administration software



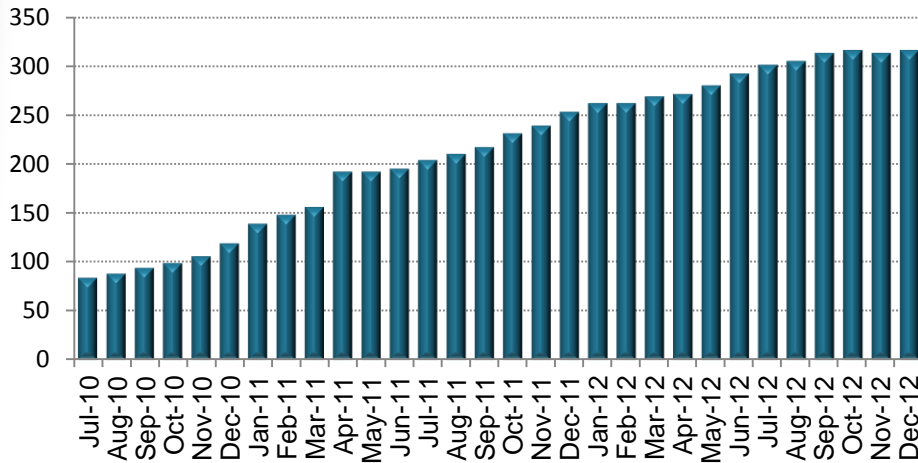
Consumer education and engagement

1. Launch of new website and franchisee local pages:
 - Boost lead generation and conversion
 - Enhance user experience
 - Improve cross-sell opportunities
2. Upgrade to Home Loan Helper app - iOS & Android
3. Integration of social media channels into the business

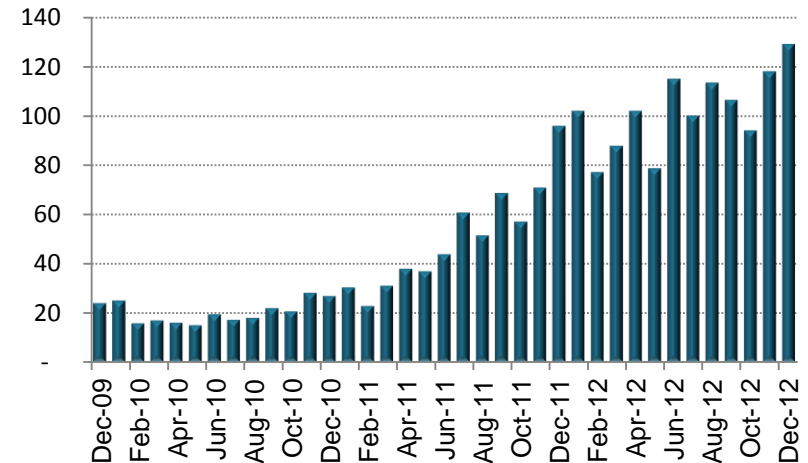


LoanKit snapshot

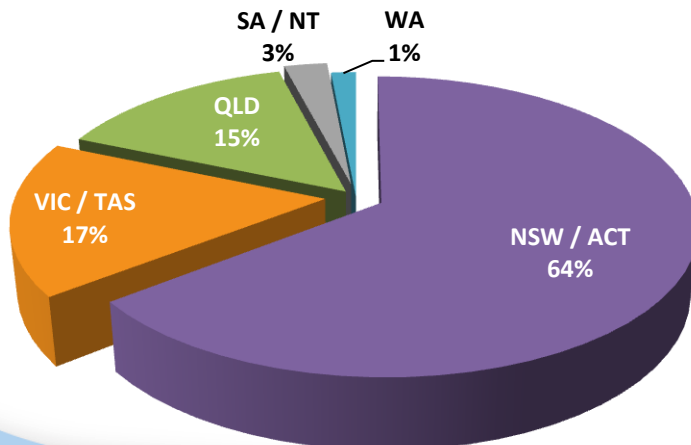
Direct broker count



Settlements trend (\$m)



Brokers by state



- ✓ Loan settlements over last 6 months averaging \$110m pm
- ✓ Loan book - \$1.93b as at Dec 2012, up 70% from 1.14b pcp
- ✓ Launched improved electronic lodgement for brokers
- ✓ Enhanced broker tools providing more comprehensive reporting to meet clients needs

HelpMeChoose.com.au

- ✓ Cost of customer acquisition remains a focus but continues to challenge
- ✓ Website enriched with added customer functionality to search, filter and save product information
- ✓ Website page views up 90% yoy
- ✓ Online sale conversion up 70% yoy
- ✓ Visit to lead up 20% yoy
- ✓ Organic search traffic up 82% yoy
- ✓ Launched online chat Nov12

Financial Planning

- ✓ Successful execution of business build - operationally ready late September, first advisers active in October
- ✓ Feedback on our customer and franchise propositions has been very positive
- ✓ Our strategic partnerships are locked and loaded:
 - Risk providers - Asteron, CommInsure, Macquarie Life, MLC, OnePath and TAL
 - Platform provider - Macquarie WRAP
 - FP Software - Visor
 - Catalyst Compliance
 - Asset Consultants / Research Providers - Morningstar
- ✓ Four advisers open for business (as at 20/02/13), with a strong recruitment pipeline
- ✓ Consumer campaigns in place for release early FY14
- ✓ We are on track!

Summary

- ✓ Solid, on-target result despite challenging market conditions
- ✓ Group cash NPAT up 20% on 1H12
- ✓ Group loan book up 6.4% on 1H12
- ✓ Group market share flat while Mortgage Choice Core market share down 0.1% on 1H12
- ✓ New marketing campaign launching March
- ✓ Mortgage Choice Financial Planning – business build successfully executed with soft-launch on-track
- ✓ Guidance reaffirmed: cash NPAT for FY13 in line with FY12 with full year dividend maintained at 13 cents

Questions

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Appendix 1: Half yearly statistics

\$Mil	1H08	2H08	1H09	2H09	1H10	2H10	1H11	2H11	1H12	2H12	1H13
Origination inc	34.81	29.63	25.60	27.81	27.99	24.16	25.51	23.59	25.98	25.08	26.03
Origination exp	(24.92)	(20.64)	(18.69)	(19.38)	(20.25)	(16.99)	(18.14)	(16.62)	(18.43)	(17.95)	(18.78)
Trail inc	40.35	41.83	43.23	41.39	41.48	41.45	42.30	41.48	42.13	42.32	43.40
Trail exp	(24.92)	(25.23)	(26.07)	(26.83)	(25.78)	(25.55)	(25.39)	(25.15)	(24.99)	(25.08)	(25.69)
Net Upfront	9.88	8.98	6.91	8.42	7.74	7.17	7.37	6.97	7.55	7.13	7.25
Net Trail	16.49	16.60	17.16	14.56	15.70	15.90	16.91	16.33	17.13	17.24	17.71
	26.37	25.59	24.07	22.98	23.44	23.08	24.28	23.30	24.68	24.38	24.96
Other Income	1.02	2.34	0.87	0.91	0.89	1.51	1.36	1.95	2.45	2.50	3.45
Cash PAT	8.58	8.49	6.43	6.55	7.79	7.04	8.84	7.08	6.50	8.52	7.82
IFRS PAT	10.63	8.71	8.25	18.60	9.76	13.72	8.79	18.67	6.44	12.02	7.51
Cash e.p.s.	7.3 c	7.1 c	5.4 c	5.5 c	6.5 c	5.9 c	7.3 c	6.0 c	5.4 c	7.1 c	6.4 c
IFRS e.p.s.	9.0 c	7.4 c	7.0 c	15.6 c	8.2 c	11.5 c	7.3 c	15.6 c	5.4 c	10 c	6.2 c
Div p.s.	6.00 c	8.00 c	4.75 c	5.50 c	5.50 c	6.50 c	6.00 c	7.00 c	6.00 c	7.00 c	6.00 c
Upront Payout	71.6%	69.7%	73.0%	69.7%	72.3%	70.3%	71.1%	70.4%	70.9%	71.6%	72.2%
Trail Payout	61.8%	60.3%	60.3%	64.8%	62.2%	61.6%	60.0%	60.6%	59.3%	59.3%	59.2%
Total Payout	66.3%	64.2%	65.0%	66.8%	66.3%	64.8%	64.2%	64.2%	63.8%	63.8%	64.1%
Volumes MC											
Settlements # ('000)	20.85	17.64	15.81	17.85	18.73	15.36	15.91	14.56	15.58	15.86	15.77
Settlements \$ bn	5.20	4.36	4.10	4.52	4.82	4.07	4.33	3.99	4.34	4.39	4.43
Approvals \$ bn	5.88	5.08	4.64	5.42	5.39	4.59	4.98	4.55	5.11	5.04	5.09
Market \$ bn	139.425	120.024	114.793	133.935	142.754	124.058	126.389	116.291	124.097	119.399	127.976
Market Share	4.2%	4.2%	4.0%	4.0%	3.8%	3.7%	3.9%	3.9%	4.1%	4.2%	4.0%
Avg Loan Book \$bn	30.83	32.50	33.91	35.06	36.97	38.40	39.73	40.68	41.68	42.76	43.80
Volumes LoanKit											
Settlements # ('000)						0.34	0.44	0.71	1.24	1.75	2.02
Settlements \$ bn						0.11	0.13	0.20	0.40	0.56	0.66
Approvals \$ bn						0.11	0.16	0.23	0.47	0.63	0.73
Avg Loan Book \$bn						0.73	0.76	0.87	1.03	1.32	1.76
Volumes Consolidated											
Settlements # ('000)	20.85	17.64	15.81	17.85	18.73	15.70	16.35	15.27	16.82	17.61	17.79
Settlements \$ bn	5.20	4.36	4.10	4.52	4.82	4.18	4.46	4.19	4.74	4.95	5.09
Approvals \$ bn	5.88	5.08	4.64	5.42	5.39	4.70	5.14	4.78	5.57	5.66	5.82
Market \$ bn	139.425	120.024	114.793	133.935	142.754	124.058	126.389	116.291	124.097	119.399	127.976
Market Share	4.2%	4.2%	4.0%	4.0%	3.8%	3.8%	4.1%	4.1%	4.5%	4.7%	4.5%
Avg Loan Book \$bn	30.83	32.50	33.91	35.06	36.97	39.13	40.49	41.54	42.71	44.08	45.55









Appendix 2: Balance sheet

	Dec-12 \$'000	Jun-12 \$'000	Change (%)
ASSETS			
Current assets			
Cash and cash equivalents	8,542	10,662	(20%)
Trade and other receivables	90,726	92,683	(2%)
Total current assets	<u>99,268</u>	<u>103,345</u>	<u>(4%)</u>
Non-current assets			
Receivables	222,036	221,801	0%
Property, plant and equipment	914	1,125	(19%)
Intangible assets	2,516	2,208	14%
Total non-current assets	<u>225,466</u>	<u>225,134</u>	<u>0%</u>
TOTAL ASSETS	<u>324,734</u>	<u>328,479</u>	<u>(1%)</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	58,362	61,968	(6%)
Current tax liabilities	1,536	2,935	(48%)
Provisions	1,178	889	33%
Total current liabilities	<u>61,076</u>	<u>65,792</u>	<u>(7%)</u>
NON-CURRENT LIABILITIES			
Trade and other payables	133,506	133,672	(0%)
Deferred tax liabilities	34,940	34,913	0%
Provisions	289	483	(40%)
Total non-current liabilities	<u>168,735</u>	<u>169,068</u>	<u>(0%)</u>
Total liabilities	<u>229,811</u>	<u>234,860</u>	<u>(2%)</u>
Net assets	<u>94,923</u>	<u>93,619</u>	<u>1%</u>
EQUITY			
Contributed equity	4,018	1,558	158%
Reserves	1,057	1,260	(16%)
Retained profits	89,848	90,801	(1%)
Total equity	<u>94,923</u>	<u>93,619</u>	<u>1%</u>

Appendix 3: Cash flow statement




	Half year	
	2012	2011
	S'000	S'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	69,900	65,316
Payments to suppliers and employees (inclusive of goods and services tax)	(65,359)	(62,008)
	<u>4,541</u>	<u>3,308</u>
Interest received from trailing commissions	13,203	13,637
Interest paid on trailing commissions	(7,966)	(8,229)
Income taxes paid	(4,671)	(3,168)
Net cash inflow from operating activities	<u>5,107</u>	<u>5,548</u>
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	(942)	(154)
Proceeds from sale of property, plant and equipment	-	1
Interest received	282	315
Net cash (outflow) from investing activities	<u>(660)</u>	<u>162</u>
Cash flows from financing activities		
Proceeds from issue of shares	1,900	-
Dividends paid to company's shareholders	(8,467)	(8,396)
Net cash (outflow) from financing activities	<u>(6,567)</u>	<u>(8,396)</u>
Net decrease in cash and cash equivalents held	<u>(2,120)</u>	<u>(2,686)</u>
Cash and cash equivalents at the beginning of the half-year	10,662	9,027
Cash and cash equivalents at the end of the half-year	<u>8,542</u>	<u>6,341</u>

Appendix 4: Lender commission rates

	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
	50	50	15	15	20	22.5	25
	50	65	0	20	20	20	20
 <small>powered by nab</small>	50	65	0	15	20	25	30
 <small>Spend your life well</small>	50	65	15	15	15	20	20
	50	65	15	15	15	15	15
	50	65	15	15	15	20	20
	50	50	15	15	15	15	15

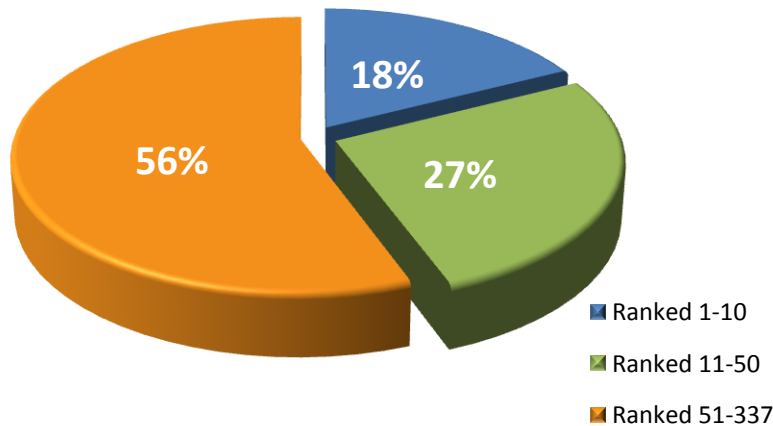
✓ Conversion, ELPS, submission quality, LVR, loan size, volume, delinquency rate and professional qualifications influence maximum rate

Appendix 5: MC snapshot

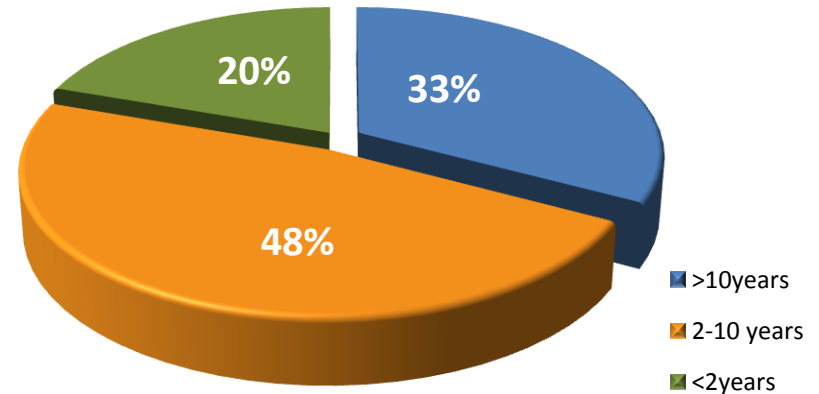
	National*		NSW&ACT		VIC&TAS		QLD		SA&NT		WA	
	<u>1H13</u>	<u>1H12</u>	<u>1H13</u>	<u>1H12</u>	<u>1H13</u>	<u>1H12</u>	<u>1H13</u>	<u>1H12</u>	<u>1H13</u>	<u>1H12</u>	<u>1H13</u>	<u>1H12</u>
	\$44.1bn	\$42.1bn	38%	38%	19%	19%	24%	24%	9%	9%	10%	10%
	386	372	146	136	81	80	86	86	24	24	49	46
	504	490	178	175	122	117	114	109	36	36	54	53

* Residential only, excludes LoanKit

Franchise owner share of settlements



Franchise owner experience



✓ Our professional, experienced brokers continue to proudly deliver service excellence to customers and lenders

Appendix 6: National accolades

Company

- ✓ 2012 Australian Broking Awards *Major Brokerage of the Year - Franchise*
- ✓ 2012 Australian Broking Awards *Best Training and Education*
- ✓ 2012 Australian Broking Awards *Best Ethical/Social Responsibility Program*
- ✓ 2012 The Adviser magazine *Top 25 Brokerages list* – No. 1
- ✓ 2012 FCA Excellence in Franchising Awards finalist in the *Established Franchisor* category

Franchise

- ✓ 2012 Australian Mortgage Awards *Quality Young Guns of the Year – Franchise*: Monica Van Riet
- ✓ 2012 Australian Mortgage Awards *Broker of the Year – Insurance (Loan Protection and Life)* finalists: Scott Bament, Bianca Long and Peta Short
- ✓ 2012 FCA Excellence in Franchising Awards *Franchisee of the Year Award (less than 2 staff)* finalist: Bianca Long
- ✓ 2012 FCA Excellence in Franchising Awards *Franchisee of the Year (2 or more staff)* finalist: Anthony Smith

Appendix 7: Capacity for growth in Recruitment



- ✓ Greenfield recruitment remains strong with significant capacity to assist more Australian homebuyers by expanding our national footprint

Disclaimer

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