

Media Release

21 February 2019

Mortgage Choice announces interim result

Mortgage Choice Limited (MOC) has today announced its financial results for the six months ending 31 December 2018.

July 2018 saw Mortgage Choice initiate the biggest change program in its history. The focus of this change program was to ensure we have a sustainable business and a strong platform on which to grow over the long term. Our first step was to introduce a new remuneration model to our broker network. This new model was the result of extensive consultation across the network and a review of the competitive landscape.

Today's interim results reflect the introduction of the Company's changed broker remuneration model and the changing operating environment.

Financial highlights for the six months to 31 December 2018 include:

- NPAT on a cash basis reached \$7.1 million, consistent with earnings guidance provided in December 2018
- NPAT IFRS of \$6.4 million
- Total loan book \$54.5 billion, up 1% from \$54.0 billion in 1H18
- \$5.3 billion settled home loans in 1H19, down 12.1% from \$6 billion in 1H18
- Financial planning Funds Under Advice rose 28.8% from 1H18 to \$816.9 million in 1H19
- Financial planning insurance Premiums In Force reached \$28.9 million, up 8.5% from 1H18
- Cash earnings per share of 5.7 cents
- An interim fully franked dividend of 3 cents per share was declared by the Board

Mortgage Choice Chief Executive Officer, Susan Mitchell said the interim financial results reflect the first five months under the new broker remuneration model, which was successfully implemented from 1 August 2018.

"The half year results are as we anticipated. The new broker remuneration model has been in place for five months and pays franchisees more whilst reducing their income volatility when the market slows. "

"Settlement volumes have been impacted by the slowing property and home loan markets. Loan applications are also taking longer to submit due to tightening lending policies. The uncertainty surrounding the Banking Royal Commission recommendations has added to this, to create a very different operating environment for the Company and its network of franchisees," said Ms Mitchell.

The Company's financial planning business continues to perform with Premiums In Force growing by 8.5% and Funds Under Advice rising 28.8% half on half. A new remuneration model was introduced for the advice business from 1st October 2018, which is reflected in the NPAT cash result for Mortgage Choice Financial Planning.

"It is pleasing to see Mortgage Choice Financial Planning Funds Under Advice and Premiums In Force continue to grow. With a significant amount of change on the horizon for the broking business, offering customers our full suite of financial solutions is important," said Ms. Mitchell.



Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

Mortgage Choice is supportive of the Royal Commission's recommendation to move to best interests duty for mortgage broking. Best interests duties already apply to the Mortgage Choice Financial Planning business so operationalising these changes will be manageable.

In response to the Royal Commission recommendations, both sides of federal politics have recognised the importance of a sustainable mortgage broking industry to maintain competition in the home lending sector.

"Mortgage Choice is calling for both sides of government to initiate a consultation process with the industry and is committed to working with policy makers to ensure Australian borrowers continue to have access to competitive pricing, choice and the expertise they have come to expect from their mortgage broker," said Ms Mitchell.

Strength and resilience in the face of change

Mortgage Choice will continue to build on the foundations of its business that enable it to be adaptable and resilient when facing change.

"Mortgage Choice has been an established brand for over 25 years and has demonstrated resilience through other periods of significant change, such as the Global Financial Crisis.

"The Company has already laid strong foundations with the recent delivery of the new purpose-built online Broker Platform. New financial planning software will roll out before the end of the FY19 financial year. And our marketing efforts are focused on building the brand and enabling franchisees to market their businesses at a local level," said Ms Mitchell.

At this point in time, the uncertainty surrounding the Royal Commission outcomes makes recruitment of new franchisees difficult. However, Mortgage Choice is well placed to be an aggregator of choice once the uncertainty subsides.

Ms Mitchell said, "Mortgage brokers and financial advisers will be looking to partner with a provider who can offer them the support required to grow and run an efficient business under a well known national brand. Mortgage Choice is well placed to provide the level of support required in this ever changing, complex environment".

"Mortgage Choice is a resilient business with the strength and agility to navigate through the changing operating environment. We believe that opportunities arise from change and we will be ready to take hold of them to grow the business in the longer term," concluded Ms Mitchell.

Dividends

Mortgage Choice will pay a fully franked half year dividend of three cents on the 15th April 2019. The Company's Board of Directors have decided it is prudent to retain a proportion of the Company's earnings to address the uncertainty arising from the Royal Commission's recommendations regarding broker remuneration.

Mortgage Choice welcomes a new Director

The Company announces the appointment of Dharmendra (Dharma) Chandran to the Mortgage Choice Board of Directors. Dharma is a highly respected corporate strategy and human resources executive with a track record in transformational business and cultural change. Dharma developed a deep understanding of the



financial services industry throughout his time in various consulting roles and his five years at Westpac. He has held various Board roles for private companies and government related organisations, more recently, as a Non-Executive Director and Chair of the Board People Committee for 7-Eleven.

Ends.

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Important information

This article is for general information purposes only. It has been prepared without considering your objectives, financial situation or needs. You should, before acting on the advice, consider its appropriateness to your circumstances.

About Mortgage Choice

Mortgage Choice is an ASX listed company that seeks to help Australians with all of their financial needs.

Established in 1992, Mortgage Choice was originally established to help Australians improve their financial situation by offering a choice of home loan providers, coupled with the expert advice of a mortgage professional.

Since that time, the company has grown and developed into a fully-fledged financial services provider.

Today, Mortgage Choice helps customers source car loans, personal loans, credit cards, commercial loans, asset finance, deposit bonds, and risk and general insurance.

Further, the company offers Australians access to real, relevant and affordable financial advice through our qualified financial advisers.

Mortgage Choice has no balance sheet or funding risk, and consistently delivers strong profits and attractive yields. It listed on the ASX in 2004 (MOC) and is a member of the Mortgage & Finance Association of Australia (MFAA).

Mortgage Choice holds an Australian Credit Licence: no. 382869 and Mortgage Choice Financial Planning Pty Limited holds an Australian Financial Services Licence: no. 422854. Both licences are issued by ASIC.

Visit www.mortgagechoice.com.au or call customer service on 13 7762.