Mortgage Choice Ltd
FY19 Half Year results presentation

Presented by Susan Mitchell (CEO) and Ian Parkes (CFO)

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1. Performance highlights

1H19 Performance highlights

1H19 Financial results		
NPAT	- Cash	7.1 m
	- IFRS	6.4 m
Basic EPS	- Cash	5.7 c
	- IFRS	5.1 c
DPS	- Interim Dividend	3.0 c

		1H19	1H18	1H19 vs 1H18
Lending	- Loan book	54.5 b	54.0 b	1.0% ▲
	- Settlements	5.3 b	6.0 b	(12.1%) ▼
Financial Planning	- Funds Under Advice	816.9 m	634.2 m	28.8% ▲
	- Premiums In Force	28.9 m	26.6 m	8.5% ▲
	- Financial Planning gross revenue*	5.8 m	5.6 m	3.3% ▲

** Cash earnings*

Mortgage Choice

2. Operating environment

The environment Mortgage Choice operates has changes

The changes impacting current results

Falling property prices

According to the CoreLogic Home Value Index, Australian dwelling values fell 4.8% through 2018, marking the weakest housing market conditions since 2008. Sydney dwelling values declined by 8.9% and Melbourne by 7.0% over the 2018 calendar year. National dwelling prices fell 2.3% in the December quarter, the largest quarter on quarter decline since the December quarter of 2008.

Softening home loan market*

ABS Housing Finance shows a 9.7% decline in approvals in comparison to 1H18. November and December approval volumes dropped sharply by 11.2% and 15.8% respectively comparing to the same months in 2017. December 2018 volumes were the lowest December on record since 2013.

Tightening credit standards

In response to APRA's prudential guidelines, and in anticipation of the outcomes of the Royal Commission, the lenders have tightened their lending policies and increased the level of information required on a home loan application. As a result, applications are taking longer to complete and consumers are borrowing less.

Uncertainty surrounding the Royal Commission

The uncertainty driven by the Royal Commission's review of broker remuneration has impacted Mortgage Choice's ability to recruit new franchisees and has dampened the appetite of existing franchisees to invest in their business for the short term.

** Seasonally adjusted*

The most relevant Royal Commission recommendations for MC

Mortgage Broking Royal Commission recommendations	Mortgage Broking Government response
Best interests duty	
When giving credit assistance, mortgage brokers must act in the best interests of the borrower.	The Government has agreed to implement this but has not been specific about the timing.
Broker remuneration	
The borrower, not the lender, should pay the mortgage broker a fee for acting in connection with home lending. • Changes should be made over a period of two or three years. • Firstly prohibiting trail commission on new loans while retaining trail on existing loans. • Then prohibiting lenders from paying all commissions on new loans. A treasury-led working group should be established to consider any fee that lenders should be required to charge to achieve a level playing field.	The Government recognised the importance of competition in the home loan sector and will proceed carefully and in stages. • Government will prohibit the payment of trailing commissions from July 2020. • Trailing commissions on existing loans remain. The Government will ask the Council of Financial Regulators and the ACCC to review the implications of a borrower pays fee on competition in three years time.
Mortgage brokers as financial advisers	
After a sufficient period of transition, mortgage brokers should be subject to and regulated by the law that applies to entities providing financial product advice to retail clients.	After the implementation of the best interests duty, the Government has committed to align the regulatory frameworks of brokers and advisers.

The most relevant Royal Commission recommendations for MC

Financial Advice Royal Commission recommendations	Financial Advice Government response
Annual renewal and payment	
Ongoing fee arrangements must be renewed annually for all clients.	The Government agrees.
Grandfathered commissions	
Grandfathered commissions should be repealed as soon as is reasonably practical.	The Government agrees to end grandfathered commissions effective January 2021.
Life risk insurance commissions	
In its next scheduled review, ASIC should consider reducing the cap on commissions for life risk insurance products. Unless there is a clear justification for retaining those commissions, the cap should ultimately be reduced to zero.	The Government supports ASIC conducting this review in 2021 and considering the factors identified by the Royal Commission when undertaking this review.
Limitations on deducting advice fees from superannuation accounts	
No deducting advice fees from MySuper. Deduction of any advice fees from superannuation accounts should be prohibited unless an annual review has been completed.	The Government agrees.

3. Financial performance and underlying drivers

Profit and loss statement

	1H19 Cash^	1H18 Cash^	% change	1H19 IFRS	1H18 IFRS	% change
Origination commission received	32.09	36.21	(11.4%)	32.09	36.21	(11.4%)
Trailing commission received	50.16	49.29	1.8%	45.93	48.98	(6.2%)
	82.25	85.50	(3.8%)	78.02	85.19	(8.4%)
Origination commission paid	24.64	24.84	(0.8%)	24.64	24.84	(0.8%)
Trailing commission paid	35.18	29.88	17.7%	31.63	30.15	4.9%
	59.82	54.72	9.3%	56.27	54.99	2.3%
Net core commission	**22.43**	**30.78**	**(27.1%)**	**21.75**	**30.20**	**(28.0%)**
Diversified products net revenue	0.66	0.88	(24.7%)	0.65	0.88	(26.3%)
Financial Planning net revenue	1.02	1.07	(4.3%)	0.92	1.07	(13.3%)
Other income	1.41	1.51	(6.3%)	1.41	1.28	10.3%
Gross profit	**25.52**	**34.23**	**(25.4%)**	**24.73**	**33.42**	**(26.0%)**
Operating expenses	15.20	16.23	(6.4%)	15.20	16.23	(6.4%)
Share based remuneration	-	-		0.21	0.54	(61.8%)
Net profit before tax	10.32	17.99	(42.7%)	9.33	16.65	(44.0%)
Net profit after tax	**7.14**	**12.54**	**(43.0%)**	**6.39**	**11.44**	**(44.1%)**
EPS (cps)	5.7	10.0	(43.0%)	5.1	9.2	(44.6%)
DPS (cps)	3.0	9.0	(66.7%)	3.0	9.0	(66.7%)

^ *Cash is based on accruals accounting and excludes share based remuneration and the net present value of future trailing commissions receivable and payable for both mortgages and life insurance premiums. This is an extract from our audited accounts.*

Key drivers of result

The key driver impacting on the result for the six months to 31 December 2018 is the adoption from 1 August 2018 of a new franchisee remuneration model structured to increase the quantum paid to franchisees (in response to market changes) and reduce the volatility in their earnings. Accordingly, Gross Profit is down 25.4% on PCP.

Other factors impacting the result include:

- The cash result of $7.1m is delivered in a period of slowing residential credit growth, tightening credit conditions, easing of property markets and economic uncertainty surrounding the Royal Commission.

- Settlements of $5.3bn are 12.1% down on 1H18 with a noticeable decline in lending activity in the months of November and December. The impact for the six months of the reduction in settlements is a reduction in NPAT of $0.8m calculated under the new model.

- Following the finalisation of the new remuneration model, the payout ratio from 1 August 2018 is higher than anticipated with an average payout ratio of 74.3% (upfront 77.5%, trail 72.3%) against an expected average payout of 73.4% (upfront 75.3%, trail 72.0%); the month of July 2018 results were calculated under the old model.

- Full year operating expense reduction target of 10% remains on track.

- Financial planning results reflect a new remuneration model for the Financial Planning business introduced on 1 October 2018. Statutory financial planning revenue for the half also reflects a change in recognition for life insurance premium trail income and expense in accordance with AASB 15. Insurance trailing commission will now be recognised upfront on a discounted basis as is trailing commission in the broking business.

Divisional results

$'000	1H19 Total	1H19 MC	1H19 FP	1H18 Total	1H18 MC	1H18 FP	1H18 HMC
Settlements		5.3 b			6.0 b		
Gross profit (IFRS)	24,732	23,808	924	33,417	32,307	1,089	21
Gross profit (Cash)	25,517	24,483	1,034	34,228	32,891	1,089	248
OPEX	(15,201)	(14,212)	(989)	(16,234)	(15,420)	(814)	-
EBITDA (Cash)	11,017	10,972	45	18,460	17,936	275	248
NPAT (IFRS)	6,388	6,434	(46)	11,436	11,247	174	15
NPAT (Cash)	7,142	7,107	35	12,540	12,166	200	174
YOY growth (%)	(43%)	(42%)	(83%)				

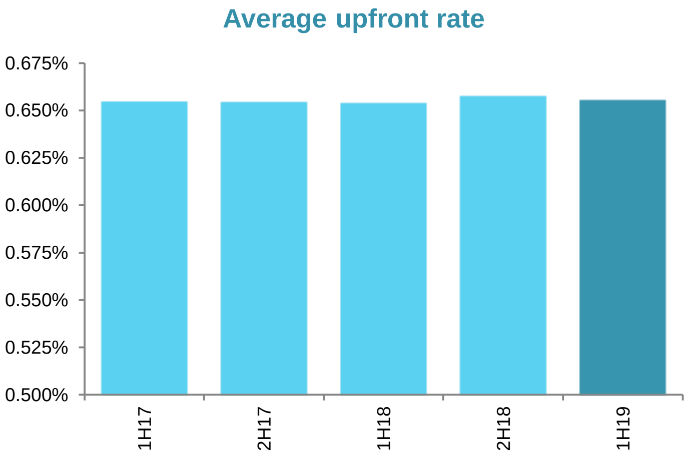
- Core broking business cash Gross Profit decline due to remuneration model change and decreased settlements, partly offset by expense reductions.
- MCFP NPAT impacted by new remuneration model from 1 October 2018.
- Health insurance trail from Help Me Choose (HMC) ceased in September 2018 with any small remaining receipts included in other income for Mortgage Choice.

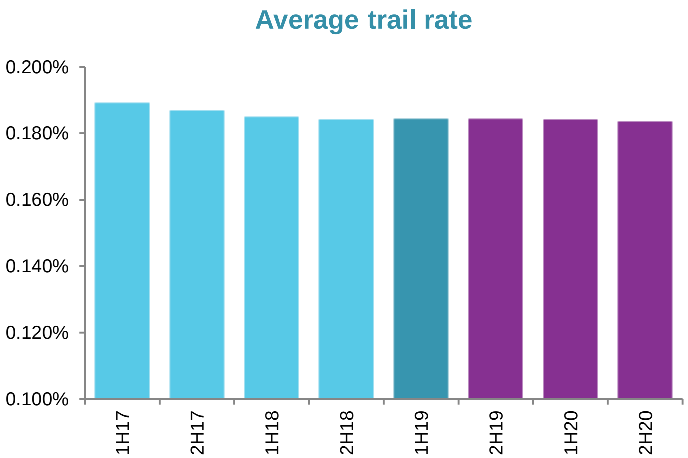
Operating cash flow

$’000	1H19	1H18
EBITDA (cash basis)	11,017	18,460
Net Interest income	291	296
Depreciation and amortisation	(992)	(762)
Net profit before tax (cash basis)	**10,316**	**17,994**
Depreciation and amortisation	992	762
Tax paid	(2,770)	(5,535)
Purchase of fixed assets and intangibles	(1,951)	(1,609)
Loans to franchisees	(694)	(891)
Loan book purchases as part of model restructure	(1,695)	(75)
Other balance sheet movements	154	(965)
Cash flow before borrowings and dividends	4,352	9,681
External borrowings, net of repayments	4,000	-
Dividends paid	(11,250)	(11,246)
Net cash movement	**(2,898)**	**(1,565)**

- Interim dividend of 3 cents, payout ratio of 53%.
- Prudently retain a portion of earnings to address the uncertainty arising from the Royal Commission recommendations regarding broker remuneration.

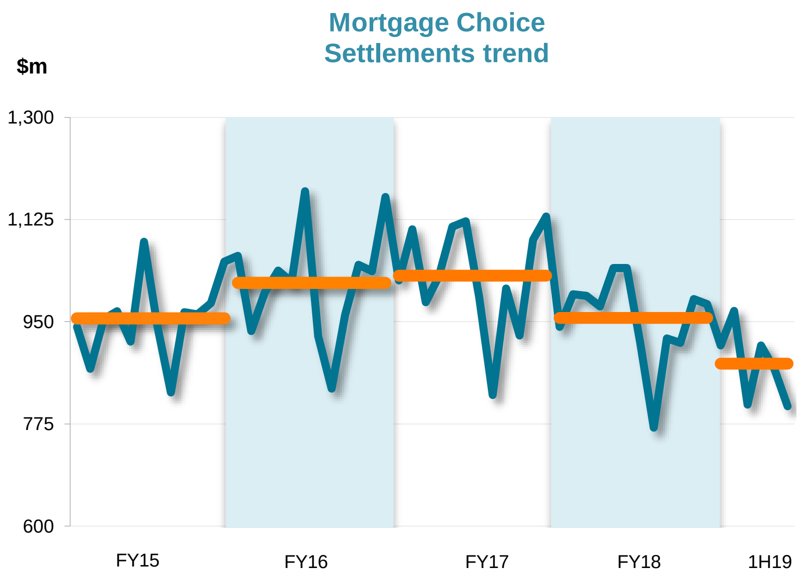
Average upfront and trail commission rates

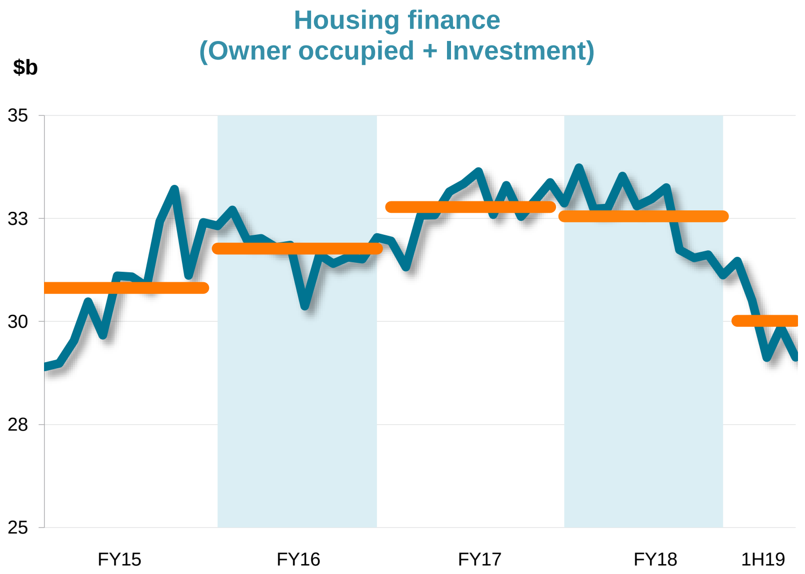




- Average upfront rate for 1H19 is 0.6554%.
- Average trail rate for 1H19 is 0.1842%.

Settlements MC vs ABS

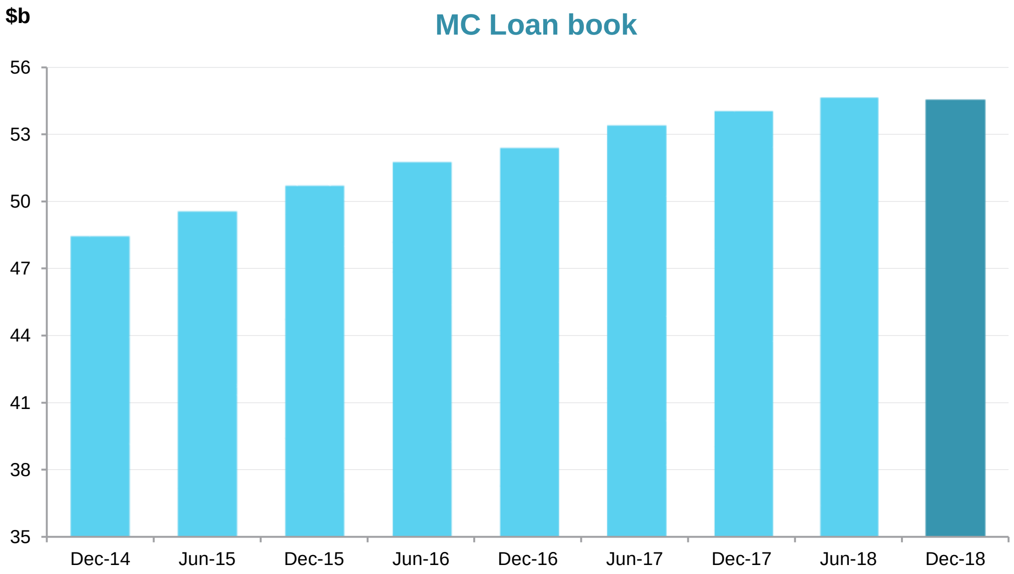




Source: ABS 5601.0 Lending to households for owner occupied and investment dwellings, seasonally adjusted

- Settlements declined 12% on 1H18 with noticeable softening of flows in second quarter (October 2018 - December 2018) reflecting tightening of credit standards and assessment by lenders combined with softening property markets.

Loan book MC

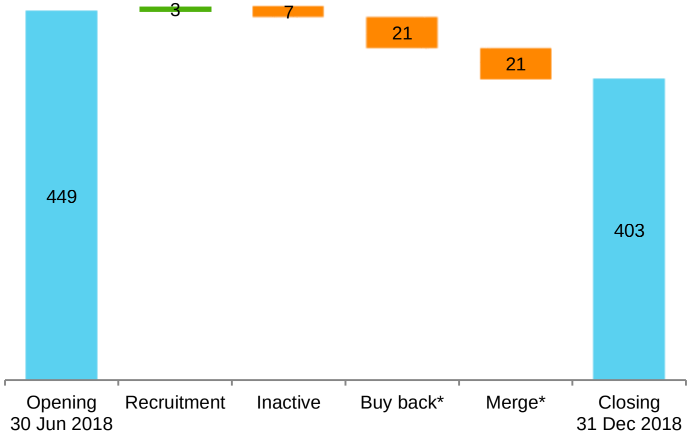


- Settlements declined 12% on 1H18 partly offset by a slowing in run off of existing loans.
- Loan book steady with growth of 1% at 31 December 2018 versus 31 December 2017.

Franchise recruitment

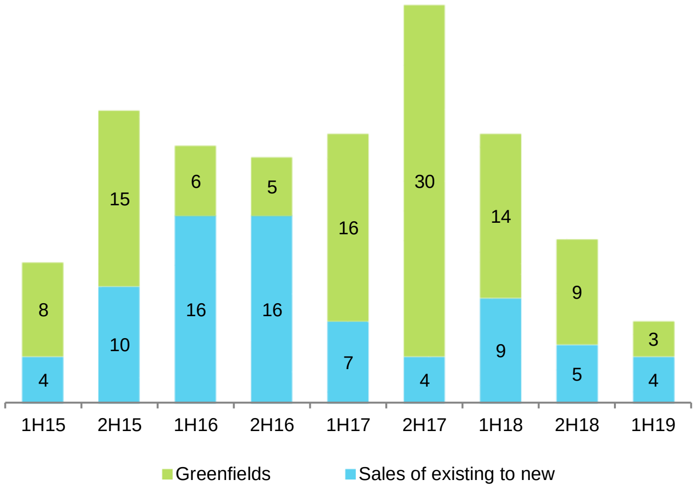
- Franchise numbers decreased due to the one-off impact from merging owners of multiple franchises and the buyback of books following restructure of the remuneration model.
- New franchise recruitment impacted in the half by uncertainty created by Royal Commission with focus on building strong pipeline of interested parties.

Franchise movement



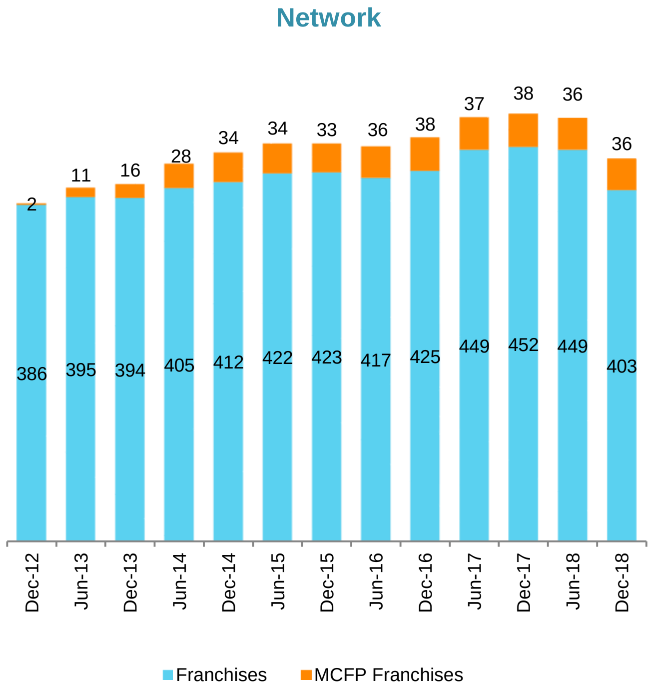
** One-off, due to model change*

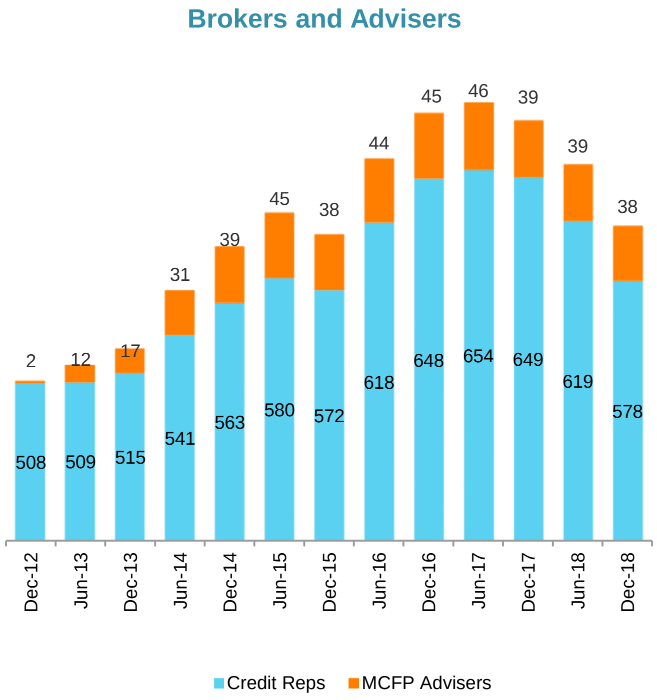
Sale of greenfields and existing franchises



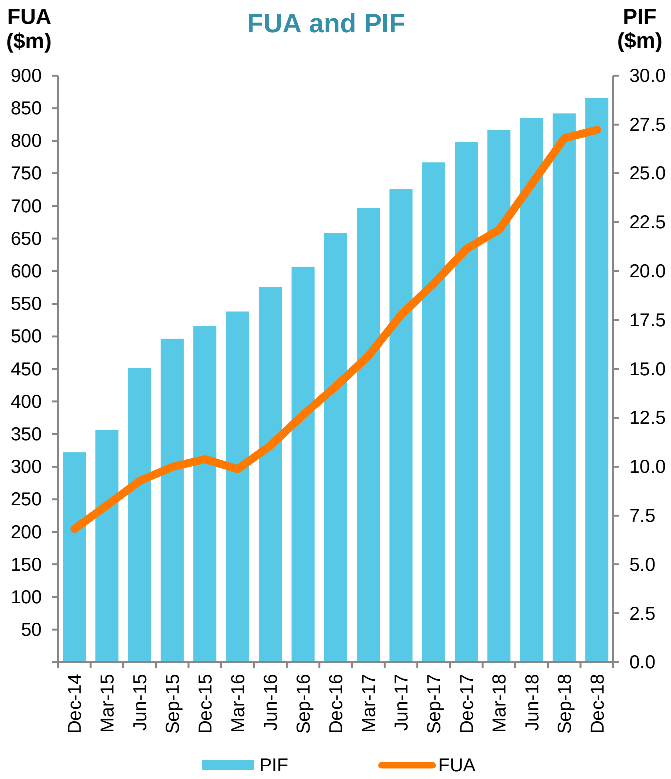
Broker and adviser network

- Reduction in credit representatives associated with mergers and buybacks following restructure of remuneration model.
- New recruitment of franchisees and loan writers impacted by uncertainty surrounding the Royal Commission.
- Credit reps include 43 limited credit reps as at 31 December 2018.
- MCFP network growth expected following new FP remuneration model and roll out of new FP Platform in the second half of FY2019.

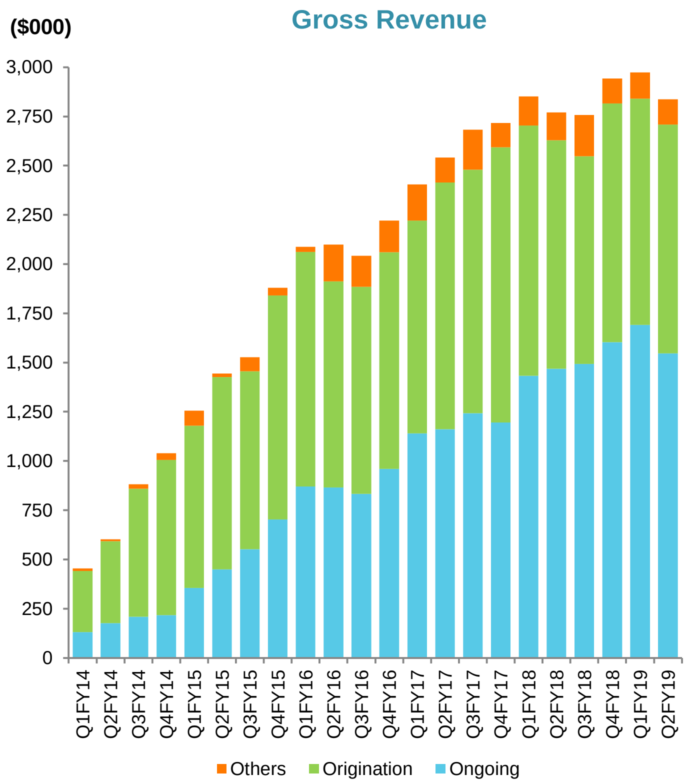




Funds Under Advice and Premiums in Force continue to grow



*Includes insurance written by broking network



4. Royal Commission response

Response to the Royal Commission – Mortgage Broking

Mortgage Choice supports best interests duty for mortgage broking. Best interests duties already apply to the Mortgage Choice Financial Planning business so we know how to operationalise these changes.

Mortgage Choice was surprised by the recommendations related broker remuneration and believe they have gone too far. The Royal Commission has not adequately considered the impact of its recommendations on competition in the residential home lending market and therefore its affect on customers.

The removal of trail

- The quantum of the upfront commission paid would need to increase to be commensurate with the cost of providing the service to the customer.
- If the upfront is not commensurate, the broking industry will shrink leaving consumers with less choice, less access to credit and giving more power to the big banks.

Borrower pays

- Independent research has shown the majority of customers will not pay a fee to use a broker*.
- To level the playing field, lenders would need to charge the consumer an origination fee. This would increase the cost to the consumer by thousands of dollars and discourage switching.
- This change could decimate the broking industry and many of the smaller lenders who rely on it for distribution. Competition within the home lending market would suffer, ultimately leading to higher interest rates.

Taking action

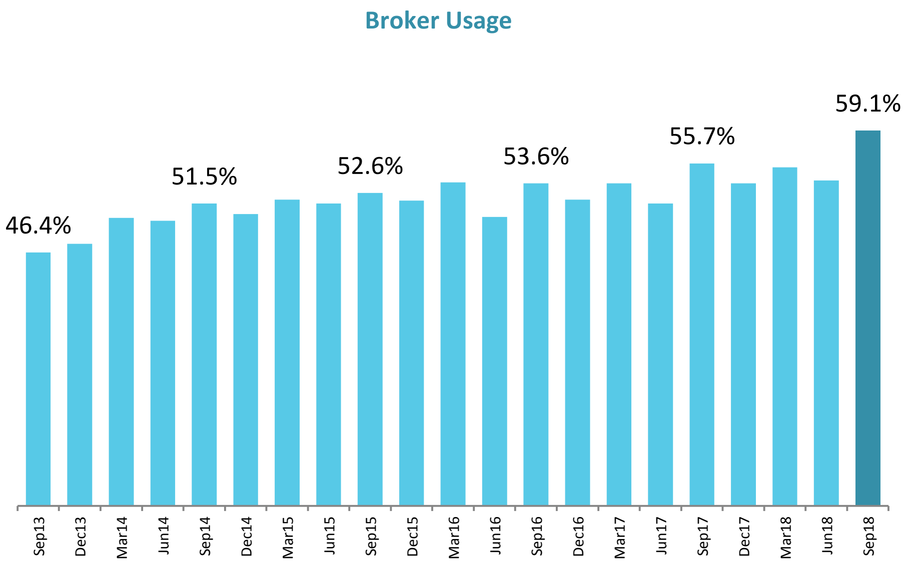
- Mortgage Choice contributed to the Mortgage and Finance Association of Australia’s (MFAA) “Don’t Kill Competition” campaign.
- Proactive media strategy to enable CEO, Susan Mitchell to fight publicly for the industry and the consumer.
- Called for the Government to confirm a consultation process with the industry before considering any reforms.
- The Mortgage Choice franchise network is engaging local members of parliament.

** Momentum Intelligence, Consumer Access to Mortgage Brokers, January 2019*

Brokers deliver good customer outcomes

Consumers value the services of mortgage brokers and there is no systematic evidence to suggest the current remuneration model leads to poor consumer outcomes.

- 59.1% of all home loans were originated by a broker in the September 2018 quarter*
- 90% of customers who use a broker are satisfied with the service^
- The Net Promoter Score (NPS) customer satisfaction measure of Mortgage Brokers is in excess of +70#
- In November 2018, AFCA received 6,522 complaints of which 29 were in relation to mortgage brokers. That's less than half a percentage of reported complaints.
- ASIC's 2017 Review of Mortgage Broker Remuneration found that consumers who used brokers tended to have a larger loan value and a higher loan to value ratio. This is to be expected when compared to loans originated directly with the lender as the lenders' results are skewed by top-ups.



** Broker usage source: MFAA's quarterly survey of leading mortgage brokers and aggregators – September 2018 report*

^ Deloitte Access Economics, The Value of Mortgage Broking, July 2018

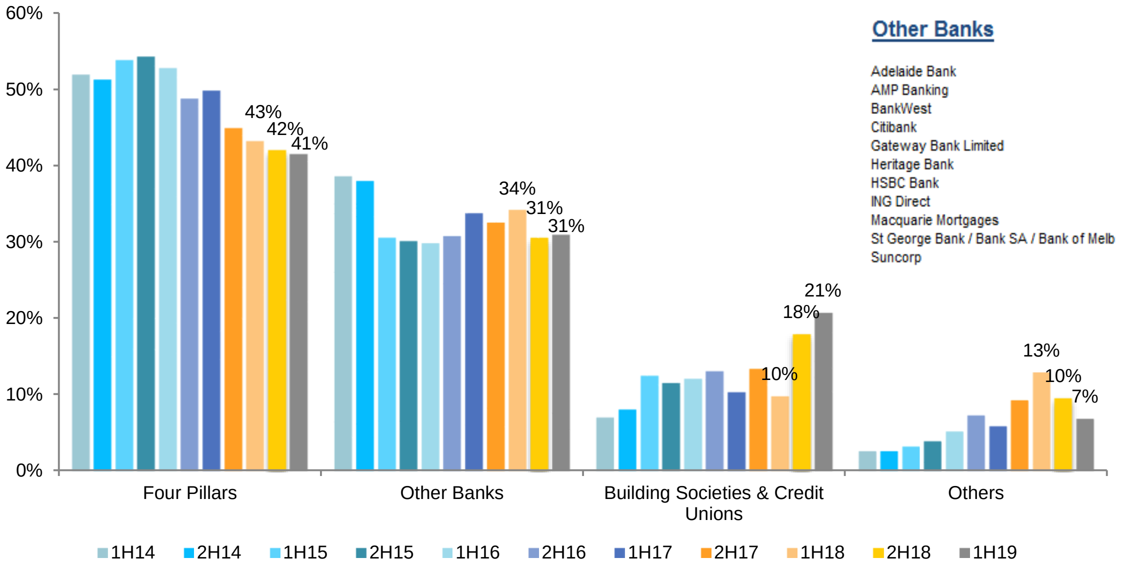
 # MFAA's The Australian Mortgage Broking Industry: Through A Different Lens

Brokers drive competition in the home lending market

Mortgage brokers act as distribution channels to smaller lenders. To be able to compete without the broking channel, the smaller lenders would need to build the equivalent of 118 branches*.

The competition brought to the home lending market by mortgage brokers, has led to a fall in Net Interest Margins of over 3 percentage points over the past 30 years*.

Mortgage Choice residential settlements by lender



- Four pillars continue to lose market share.
- Four pillars including St. George and Bankwest fell from 57% to 55%.
- As lending criteria tightens, opportunities arise for some of the niche lenders.
- Mortgage Choice Home Loans accounted for 3% of total settlements (categorised in Others).

** Deloitte Access Economics, The Value of Mortgage Broking, July 2018*
Four Pillars includes primary brands CBA, ANZ, NAB and Westpac

Response to the Royal Commission – Financial Planning

Due to the fundamentals underlying the existing Mortgage Choice Financial Planning model, many of the recommendations will have little impact on Mortgage Choice.

The Mortgage Choice Financial Planning business:

- is not reliant on grandfathered commissions
- is a fee for service advice model – no hidden fees
- has strong controls in place to ensure “fees for no advice” does not occur

Annual renewal and payment of ongoing advice fees

Current legislation requires clients to opt-in for ongoing service every two years. Mortgage Choice takes a best practice approach and already has the systems and processes in place to enable annual opt-in. The systems and processes also cover the Royal Commission’s requirements regarding the payment of advice fees from superannuation accounts.

Life risk insurance commissions

If the ASIC review in 2021 recommends the removal of commission on life risk insurance products, insurance advice will need to move to a consumer pays fee for service. This will exacerbate the sizable underinsurance issue Australian has today.

Mortgage Choice is well prepared to navigate change

The business is entering a period of increased uncertainty as it faces the dual challenges of a potential fundamental change to the broker remuneration combined with a slowing mortgage market.

Mortgage Choice is well placed to navigate any regulatory changes that come our way. We have strong foundations in place that enable us to be adaptable, resilient and opportunistic in the face of change.

The key to success is building a bigger, better business and helping our franchisees to do the same.

Adaptable and resilient
Mortgage Choice has been established for over 25 years and has demonstrated resilience through other major changes (e.g. GFC).

The business model is mature with a strong operational backbone; robust compliance processes under a single ACL and AFSL; a well known and trusted national brand; a diversified product offering; and a well established franchise network.

Actively fighting
This is going to be a marathon not a sprint. Mortgage Choice has called for consultation with the industry. We will fight for the future of the 17,000 small businesses across the industry, for competition in the home lending market and for Australian consumers.

Mortgage Choice has been preparing for change and will continue to do so

To enable future growth, Mortgage Choice and our franchisees will need to improve efficiencies, diversify revenue streams and attract and retain more customers.

Already made steps forward
- ✓ New broker platform rolled out to improve broker productivity and the customer experience.
- ✓ Operational efficiency and workflow automation projects continuing.
- ✓ New Financial Planning remuneration model rolled out.
- ✓ Marketing efforts focused on increasing brand awareness and engagement.

In the second half, the business will deliver
- ✓ Task management functionality for the broker platform.
- ✓ New financial planning software platform.
- ✓ A comprehensive change and communication strategy to prepare the business for potential changes.

5. Appendix 1: Detailed Royal Commission summary

Response to Royal Commission – Mortgage Broking

Impacts

The key recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry impacting on Mortgage Choice are:

RC Recommendation	Government Response	Mortgage Choice Response
1.2 Best Interests duty, when acting in connection with home lending, mortgage brokers must act in the best interests of the intending borrower.	Government agrees to introduce a best interests duty for mortgage brokers to act in the best interests of the customer. The Government agrees, following the implementation of the best interests duty to further align the regulatory frameworks for mortgage brokers and financial advisers.	• Experience within business of best interest duty through MCFP business. Well positioned to adapt to any new requirements with all credit representatives sitting under central corporate ACL.
1.3-1.4 Mortgage broker remuneration, the borrower, not the lender, should pay the mortgage broker a fee. Changes in broker remuneration should be made over a period of two to three years, first prohibiting lenders from making trail commission on new loans, then prohibiting lenders from paying other commissions to mortgage brokers.	The government recognizes the importance of competition in the home lending sector and will proceed carefully and in stages. From 1 July 2020, the Government will prohibit for new loans payment of trail commission. From this date the value of upfront commissions be linked to the amount drawn down and ban volume based commissions. The Government will ask the Council of Financial Regulators, along with the ACCC, to review in three years time the impact of the above changes and implications for consumer outcomes and competition of moving to a borrower pays remuneration structure, and any associated changes that should be made to non-broker facilitated loans.	• Mortgage Choice is supportive of the current trail commission model and is seeking to influence government and regulators to ensure an orderly and consultative approach to any changes to remuneration structures to ensure a fair remuneration outcome for both brokers and aggregators. • Existing trail book asset will remain grandfathered post 1 July 2020 (Net NPV value at 31 Dec 2018 $100m). • Expect upfront commission will increase to reflect removal of trail post 1 July 2020. • Mortgage Choice is encouraging brokers to diversify their revenue streams using our full financial services offering.

Response to Royal Commission – Mortgage Broking

Impacts

The key recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry impacting on Mortgage Choice are:

RC Recommendation	Government Response	Mortgage Choice Response
1.5 After a sufficient period of transition, mortgage brokers should be subject to and regulated by the law that applies to entities providing financial product advice to retail clients.	Government agrees to introduce a best interests duty for mortgage brokers to act in the best interests of the customer. The Government agrees, following the implementation of the best interests duty to further align the regulatory frameworks for mortgage brokers and financial advisers.	• Experience in both mortgage broking and financial advise leaves Mortgage Choice well placed to understand and have input into any consultation involving this transition.
1.6 Misconduct by mortgage brokers, ACL holders be bound by information sharing and reporting obligations similar to financial advisers.	Government agrees to apply information sharing and reporting obligations to ACL holders in respect to misconduct by mortgage brokers.	• Mortgage Choice supports the extension of requirements to ACL holders for mortgage broker misconduct. This will complement our existing screening processes for new franchisees.

Response to Royal Commission – Financial Planning

Impacts

The key recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry impacting on Mortgage Choice are:

RC Recommendation	Government Response	Mortgage Choice Response
2.1 Annual renewal and payment. Ongoing fee arrangements must be renewed annually by the client, advisers must record in writing each year the services that the client will be entitled to and the fees to be charged.	Government agrees to require advisers to seek annual renewal, in writing, of ongoing fee arrangements and to require advisers to record the services that will be provided and the associated fees and mandate the clients express written authority for the payment of fees from any account held by the client. This will apply for all clients.	• Current legislation requires clients to opt-in for ongoing service every two years. Mortgage Choice takes a best practice approach and already has the systems and processes in place to enable annual opt-in.
2.3 In three years' time there should be a review by the Government in consultation with ASIC of the effectiveness of measures that have been implemented to improve the quality of advice.	The Government agrees to a review in three years' time on the effectiveness of measures to improve the quality of advice.	• Mortgage Choice supports a consultative approach to any assessment of the quality of advice.
2.4 Grandfathered provisions for conflicted remuneration should be repealed as soon as is reasonably practicable.	The Government agrees to end grandfathering of conflicted remuneration effective from 1 January 2021.	• MCFP was established in a post FOFA environment and has a minimal exposure to grandfathered commissions.

Response to Royal Commission – Financial Planning

Impacts

The key recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry impacting on Mortgage Choice are:

RC Recommendation	Government Response	Mortgage Choice Response
2.5 ASIC should consider further reducing the cap on commissions in respect to life risk insurance products. Unless there is a clear justification for retaining those commissions, the cap should ultimately be reduced to zero.	The Government supports ASIC conducting this review and considering the factors identified by the Royal Commission when undertaking this review.	• Mortgage Choice will continue to monitor the progress towards the review by ASIC to better understand the potential impact on MCFP.
2.6 ASIC to also consider whether the remaining exemption to the ban on conflicted remuneration remains justified, including the exemptions for general insurance products and consumer credit insurance products.	The Government agrees to review remaining exemptions to the ban on conflicted remuneration in the course of its review in three years' time on the effectiveness of measures to improve the quality of advice.	• Mortgage Choice will continue to monitor the progress towards the review by ASIC to better understand the potential impact on MCFP.
3.2. Deduction of any advice fee (other than for intra-fund advice) from a MySuper account should be prohibited.	The Government agrees to prohibit the deduction of any advice fees from a MySuper Account (other than for intra-fund advice)	• Mortgage Choice will continue to monitor the impact this may have on the advice business.
3.2. Deduction of any advice fee (other than for intra-fund advice) from superannuation accounts other than MySuper accounts should be prohibited unless the requirements about annual renewal, prior written identification of service and provision of the client's express written authority set out in Recommendation 2.1 in connection with ongoing fee arrangements are met.	The Government agrees to limit deduction of advice fees levied on non-MySuper superannuation accounts consistent with the Government's response to Recommendation 2.1, which will require ongoing fee arrangements to be renewed annually in writing by the client, and prevent fees being deducted from the client's accounts with the client's express written authority.	• Mortgage Choice takes a best practice approach and already has the systems and processes in place to cover the requirements regarding the payment of advice fees from superannuation accounts.

6. Appendix 2: Detailed financial statements

5 Year stats- P/L

$m	1H14	2H14	1H15	2H15	1H16	2H16	1H17	2H17	1H18	2H18	1H19
Origination inc	31.72	31.29	34.98	35.02	37.52	35.32	39.28	36.57	36.21	33.81	32.09
Origination exp	(23.08)	(22.69)	(25.83)	(25.66)	(27.10)	(25.84)	(28.46)	(26.15)	(24.84)	(24.00)	(24.64)
Cash Trail inc	43.94	43.47	44.27	45.06	47.42	47.76	48.39	48.30	49.29	49.17	50.16
Cash Trail exp	(25.89)	(26.30)	(26.65)	(27.48)	(28.85)	(29.00)	(29.41)	(29.69)	(29.88)	(30.03)	(35.18)
Net Upfront	8.64	8.60	9.15	9.35	10.42	9.48	10.82	10.43	11.37	9.81	7.45
Net Trail	18.05	17.17	17.62	17.58	18.58	18.76	18.98	18.61	19.41	19.14	14.98
	26.69	25.77	26.77	26.93	28.99	28.24	29.80	29.03	30.78	28.94	22.43
Other Income	4.31	4.79	5.43	4.58	5.37	3.20	3.13	5.80	3.45	5.25	2.66
Cash PAT	8.97	9.74	8.97	9.59	10.09	10.46	11.72	10.91	12.54	10.84	7.14
IFRS PAT	9.66	8.80	9.97	8.88	10.75	8.79	11.43	10.74	11.44	(7.20)	6.39
After tax gain on Loankit sale	1.34	-	-	-	-	-	-	-	-	-	-
Cash PAT including gain on sale	10.31	9.74	8.97	9.59	10.09	10.46	11.72	10.91	12.54	10.84	7.14
IFRS PAT including gain on sale	11.00	8.80	9.97	8.88	10.75	8.79	11.43	10.74	11.44	(7.20)	6.39
Cash e.p.s.	8.3 c	7.9 c	7.2 c	7.8 c	8.1 c	8.4 c	9.4 c	8.7 c	10.0 c	8.7 c	5.7 c
IFRS e.p.s.	8.9 c	7.1 c	8.0 c	7.2 c	8.6 c	7.1 c	9.2 c	8.6 c	9.2 c	(5.8)c	5.1 c
Div p.s.	7.5 c	8.0 c	7.5 c	8.0 c	8.0 c	8.5 c	8.5 c	9.0 c	9.0 c	9.0 c	3.0 c
Upfront Payout	72.8%	72.5%	73.8%	73.3%	72.2%	73.2%	72.5%	71.5%	68.6%	71.0%	76.8%
Trail Payout	58.9%	60.5%	60.2%	61.0%	60.8%	60.7%	60.8%	61.5%	60.6%	61.1%	70.1%
Total Payout	64.7%	65.5%	66.2%	66.4%	65.9%	66.0%	66.0%	65.8%	64.0%	65.1%	72.7%
Volumes MC											
Settlements # (000)	18.66	17.86	19.24	18.81	19.80	19.10	20.01	18.56	18.46	15.91	15.17
Settlements $b	5.26	5.11	5.74	5.74	6.23	5.97	6.37	5.97	5.99	5.49	5.27
Approvals $b	6.13	6.04	6.90	6.55	7.22	6.78	7.29	6.78	6.93	6.19	5.86
Market $b	160.15	160.94	181.16	181.93	198.15	180.19	196.54	188.80	197.97	181.08	174.43
Market Share	3.8%	3.8%	3.8%	3.6%	3.6%	3.8%	3.7%	3.6%	3.5%	3.4%	3.4%
Avg Residential Loan Book $b	45.56	46.48	47.65	48.65	49.73	50.70	51.54	52.52	53.32	53.90	54.19

Balance sheet

	Dec-18 $'000	Jun-18 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**455**	3,353
Trade and other receivables	**108,777**	104,038
Current tax assets	**112**	112
Total current assets	**109,344**	107,503
Non-current assets		
Receivables	**283,549**	275,685
Property, plant and equipment	**847**	686
Intangible assets	**9,359**	8,562
Total non-current assets	**293,755**	284,933
Total assets	**403,099**	392,436
EQUITY		
Contributed equity	**8,040**	7,764
Reserves	**1,238**	1,309
Retained profits	**73,422**	76,579
Total equity	**82,700**	**85,652**

	Dec-18 $'000	Jun-18 $'000
LIABILITIES		
Current liabilities		
Trade and other payables	**81,206**	77,211
External borrowings	**3,000**	-
Provisions	**1,194**	1,258
Total current liabilities	**85,400**	78,469
Non-current liabilities		
Trade and other payables	**201,429**	196,711
External borrowings	**1,000**	-
Deferred tax liabilities	**31,813**	30,913
Provisions	**757**	691
Total non-current liabilities	**234,999**	228,315
Total liabilities	**320,399**	306,784
Net assets	**82,700**	**85,652**

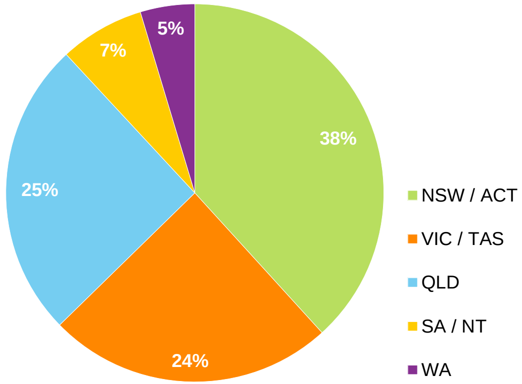
Cash flow statement

	1H19 **$'000**	1H18 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**96,163**	105,314
Payments to suppliers and employees (inclusive of goods and services tax)	**(86,687)**	(87,894)
	9,476	17,420
Income taxes paid	**(2,770)**	(5,535)
Net cash inflow/(outflow) from operating activities	**6,706**	11,885
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	**(1,951)**	(1,609)
Loans to franchisees	**(694)**	(891)
Interest received	**306**	296
Net cash (outflow) from investing activities	**(2,339)**	(2,204)
Cash flows from financing activities		
External borrowings net of repayments	**4,000**	-
Interest paid	**(15)**	-
Dividends paid	**(11,250)**	(11,246)
Net cash (outflow) from financing activities	**(7,265)**	(11,246)
Net increase/(decrease) in cash and cash equivalents	**(2,898)**	(1,565)
Cash and cash equivalents at the beginning of the financial year	**3,353**	8,646
Cash and cash equivalents at the end of the half-year	**455**	7,081

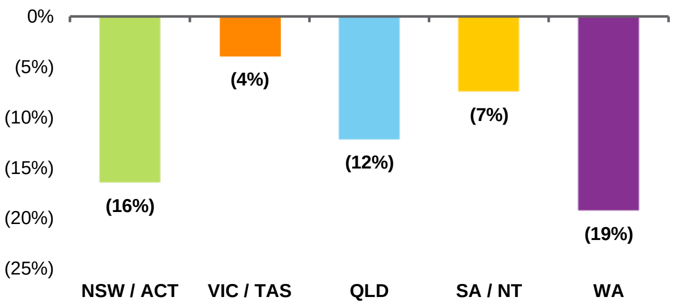
Settlements by state

Settlements ($m)	1H19	%	1H18	%	Growth
NSW / ACT	2,015	38%	2,412	40%	(16%)
VIC / TAS	1,288	24%	1,340	22%	(4%)
QLD	1,339	25%	1,524	25%	(12%)
SA / NT	382	7%	413	7%	(7%)
WA	245	5%	304	5%	(19%)
	5,269	100%	**5,992**	100%	**(12%)**

States Contribution to Settlements

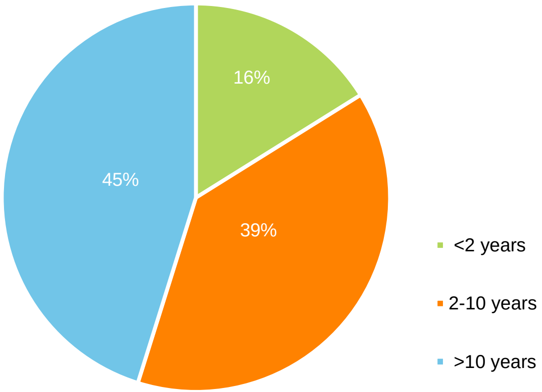


Settlements growth 1H19 / 1H18

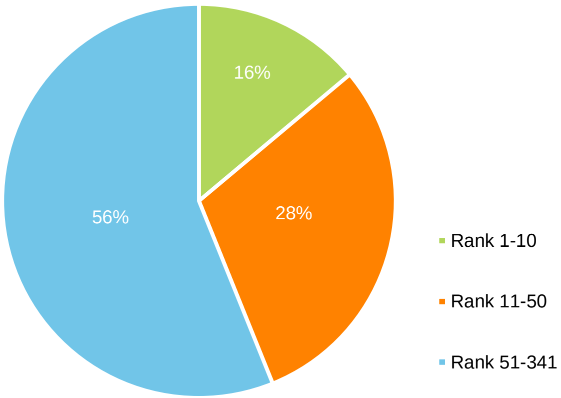


Network snapshot

Franchise owner experience



Franchise owner share of settlements



	National		NSW / ACT		VIC / TAS		QLD		SA / NT		WA	
	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
Loan book ($b)	54.5	54.0	36.3%	35.9%	20.0%	19.8%	27.2%	27.1%	8.2%	8.4%	8.4%	8.8%
Credit Reps	578	649	199	242	139	155	139	142	49	46	52	64
Franchise	403	452	150	165	102	111	89	97	26	29	36	50

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