

Media Release  
22 August 2019

## Mortgage Choice FY2019 results

Mortgage Choice Limited (ASX:MOC) has today announced its annual results for the financial year ended 30 June 2019.

### Financial Highlights

- NPAT on a cash basis of \$14.0 million, in line with guidance
- NPAT on an IFRS basis of \$13.7 million
- \$9.4 billion settled home loans, down 18% from \$11.5 billion in FY2018
- Total loan book was \$54.3 billion, down 0.5% from \$54.6 billion in FY2018
- Funds Under Advice was \$952.2 million, up 30% from FY2018
- Financial planning insurance Premiums In Force was \$29.7 million, up 7% from FY2018
- Fully franked final dividend of 3 cents per share, bringing the total dividend for the year to 6 cents per share.

Mortgage Choice Chief Executive Officer, Susan Mitchell said the full year financial results reflected a solid performance in a considerably weaker property and home loan market, as well as the impact of changes to the company's mortgage broking and financial planning remuneration models.

"Settlements for the year were lower than we expected, given a tightening of credit and lending processes for residential mortgages and a continued softening of the housing market in the wake of the Royal Commission, especially in the second half," Ms Mitchell said.

"In August last year we introduced a new mortgage broking remuneration model, and in October a new remuneration model for our financial planners. While significantly impacting our performance, these initiatives were necessary to ensure we can compete and grow sustainably by attracting new franchisees to the network. In addition, we have made major enhancements to the broker and adviser technology platforms, and these actions will set us in good stead to drive future growth."

"We have also restructured the business to improve efficiencies and reduce our cost base, but without compromising the service we provide to our franchisees. We achieved expense reductions of 17%, ahead of our previous guidance of 10%, which allowed us to deliver overall cash NPAT in line with the guidance provided in December," Ms Mitchell said.

### Results Overview

Mortgage Choice settled \$9.4 billion in home loans for the year, down 18% from \$11.5 billion in FY2018. The Company's total loan book was \$54.3 billion at 30 June 2019, down 0.5% from \$54.6 billion from the previous year. Cash Net Profit After Tax (NPAT) was \$14.0 million, down 40% from

\$23.4m in FY2018 but in line with the market guidance provided in December 2018, with operating expenses down 17% to \$29.2m. NPAT on an IFRS basis was \$13.7m compared to \$4.2m in FY2018, the prior year reflecting a one-off non cash adjustment related to the new mortgage broking remuneration model introduced on 1 August 2019.

Mortgage Choice Financial Planning delivered a Funds Under Advice result of \$952.2 million, up 30% and Premiums In Force of \$29.7 million, up 7% from the prior year. Net revenue of \$1.9m was impacted by the new remuneration model introduced on 1 October 2018.

“We continue to capitalise on the disruption in the financial planning industry by seeking out high quality advisers who are considering changing licensees to Mortgage Choice. Our new remuneration model aims to attract talented financial planners, which will help regenerate the network and take the business to the next level,” Ms Mitchell said.

### **Investing for Growth**

Mortgage Choice made considerable improvements to its mortgage broker and financial adviser offerings through the roll out of new technology platforms and software during the year. These provide greater efficiencies and productivity across the network while enhancing the overall customer experience.

“With the investment we have made across the business, we’ve strengthened our service proposition to truly support our network to thrive. Our mortgage broker and financial adviser partners have the latest technology and tools to support them to run and grow their businesses efficiently and deliver the best outcomes for consumers,” Ms Mitchell said.

### **Dividend**

Mortgage Choice believes it is prudent at this point to retain some cash in the business, taking into account the softer property conditions and ongoing investment. The board declared a fully franked final dividend of 3 cents per share to be paid to shareholders on the register at 3 September 2019. This brings the total dividend for the year to 6 cents per share, fully franked.

### **Outlook and Guidance**

Looking to the financial year ahead, as market conditions begin to improve, Mortgage Choice will continue to look for efficiencies across the business and implement its strategic change program to build a platform for long-term sustainable growth. Key focus areas will be to grow its franchise and customer base while continuing to invest in its IT infrastructure and service proposition.

“We are seeing signs that the market is turning, and we expect settlement flows to improve in FY2020. Since the Federal Election we have seen more stability in house prices and interest rates have moved to historically low levels. At the same time, the trajectory of the fall in property prices in major metropolitan areas has significantly slowed,” Ms Mitchell said.

“Our focus will be on attracting new brokers and advisers, and attracting and retaining more customers by continuing to invest in the Mortgage Choice brand,” she said.

Ends.

**For further information or to arrange an interview, please contact:**

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**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](http://www.mortgagechoice.com.au) or call customer service on 13 7762.