



## **Mortgage Choice Limited**

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# **Appendix 4D Preliminary Half Year Report 31 December 2020**

**Lodged with the ASX under Listing Rule 4.2A on 18 February 2021**

### **Reporting Period**

This report covers the half year period from 1 July 2020 to 31 December 2020. The previous corresponding period was the half year from 1 July 2019 to 31 December 2019.

## Results for announcement to market

### Discussion and analysis of statutory results

#### *Operational and financial results analysis*

Mortgage Choice's IFRS result for the six months to 31 December 2020 was \$4.09m, up 3% on the prior year. Settlements for the period reached \$6.1bn, an increase of 21% on the prior comparative period despite the challenges of the COVID-19 pandemic, while the loanbook stood at \$54.1bn, slightly down on the 31 December 2019 level of \$54.3 bn. The increase in revenue reflects the increase in settlements as future trailing income is recognised at the time of settlement under IFRS. This increase has been offset by a one-off adjustment of \$0.9m, after tax, to the net present value of future trailing commission payable. This adjustment to the valuation of net trail commission reflects the elevated pay-out rate resulting from the higher settlements.

The IFRS result prior to this adjustment is \$5.0m, up 26% on the prior year as shown in the table below:

<b><u>Underlying Statutory Results</u></b>	<b>1H FY2020</b>	<b>1H FY2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit after tax</b>		
Underlying result after tax	<b>5,001</b>	3,964
Adjustment to NPV payable for changes in pay-out assumption	<b>(915)</b>	-
Total profit after tax	<b>4,086</b>	3,964

Operating expenses for the half year increased by 1% compared to the prior comparative period.

Despite the challenges presented by COVID-19, Mortgage Choice has remained focused on delivering growth through regenerating the franchise network, maintaining a strong compliance framework and expanding the digital customer and broker experience. Solid underlying operating cash flows has helped to enable ongoing investment in IT platforms for future growth whilst increasing dividends to shareholders. During the period, Mortgage Choice implemented Best Interests legislative requirements which became effective on 1 January 2021. This involved system and process changes and associated training for both Group Office and credit representatives in the franchise network.

The impacts of COVID-19 on Mortgage Choice to date were all able to be successfully navigated to ensure the business and the franchisees remained open for business throughout periods of shutdown, including the stage four restrictions experienced in Victoria.

The financial planning division, FinChoice, is showing an IFRS loss for the six months to 31 December 2020 of \$251k primarily due higher IT costs.

The Group's cash NPAT was \$5.6m, an increase of 1% on the prior year despite the 21% increase in settlements. The low interest rate environment has seen an increase in refinance activity which, combined with an increase in offset account balances, has resulted in both a lower average loan book size and a 2% fall in cash trail revenue compared to the prior year. Trail payments to franchisees remained flat despite the fall in trail revenue. The pay-out percentage on upfront origination commissions increased from 78.0% to 79.2% in line with increased settlement levels.

The interim dividend of 4.0 cents is a 1.0 cent increase on the prior year.

6 months to 31-Dec-19	6 months to 31-Dec-20	% change Dec-19 – Dec-20
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### **Financial Summary**

	\$000's	\$000's	
Total revenue from ordinary activities	83,858	96,625	15%
IFRS profit before tax	5,897	6,064	3%
Profit from ordinary activities after tax attributable to members	3,964	4,086	3%
Net tangible asset backing per ordinary share*	57.8 cents	60.1 cents	4%

\* Net tangible assets excludes intangible assets and right-of-use assets

### **Dividends**

Details of dividends/distributions declared or paid during the twelve months ended 31 December 2020 are as follows:

Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
15 October 2020	Final	3.5 cents	\$4,375,000	3.5 cents	-
17 April 2020	Interim	3.0 cents	\$3,750,000	3.0 cents	-

Subsequent to 31 December 2020, a fully franked interim dividend of 4.0 cents was declared on 17 February 2021 and is expected to be paid on 15 April 2021. The record date for determining entitlement to this dividend will be 26 February 2021.