

## Mortgage Choice delivers strong settlement growth

Mortgage Choice Limited (ASX:MOC) (Mortgage Choice or the Company) has today announced its financial results for the six months ended 31 December 2020. The results reflect growth in settlements in line with a more buoyant housing market and growing scale across its franchise network.

### Financial Highlights

- NPAT on a cash adjusted basis of \$5.6 million
- NPAT on an IFRS basis of \$4.1 million
- \$6.1 billion settled home loans, up 21% from \$5.0 billion in 1H20
- Total loan book of \$54.1 billion at 31 December 2020 (\$54.0bn at 30 June 2020)
- FinChoice Funds Under Advice (FUA) of \$1.2 billion, up 15% from 1H20
- FinChoice Premiums In Force (PIF) of \$35.0 million, up 12% from 1H20
- Final dividend of 4.0 cents per share (fully franked)

Mortgage Choice CEO, Susan Mitchell, said: “The growth in settlements during the first half was very pleasing, averaging more than \$1 billion per month. We grew the number of loan writers and capacity across the network, which despite COVID-19 restrictions has responded quickly to a more buoyant market driven predominantly by refinancing and first home buyer activity.

“As a result of the investments we have made in regenerating the network and improving the customer experience, we have seen a noticeable improvement in average settlements across our franchisees. The increase in settlement volumes during the first half resulted in a higher payout ratio, as more customers elected to refinance or build up cash balances in their mortgages due to COVID-related uncertainty. This resulted in cash net profit being steady on the prior half.

“The network is well positioned to further increase productivity through growth in loan writers and franchisees, which will expand the capacity of their existing businesses. We expect the balance of settlement activity from new loan origination and run off to return to longer-term levels, which will not only grow settlements overall but also improve our profitability. Expanding the network remains a key focus as we look to deliver sustainable growth, while continuing to manage our operating expenses well.”

### Results Overview

Cash Net Profit After Tax (NPAT) was \$5.6 million, up 1% from \$5.5 million in 1H20. Cash expenses were down on 1H20 with no JobKeeper assistance received. NPAT on an IFRS basis was \$4.1 million, up 3% from \$4.0m in 1H20. This IFRS result includes an adjustment of \$0.9m after tax representing a

revaluation of the carrying value of future trail payable of the entire trail book as at 31 December, 2020. The underlying NPAT result before this adjustment is \$5.0m, 26% up on the prior period.

Mortgage Choice grew settlements by 21% on the prior corresponding period to \$6.1 billion, with Q2 up 9% on Q1. Settlements were also up 22% on the six months ended 30 June 2020. Average housing market approvals were up 22% on 1H20 with broker market share reaching 60% for the September quarter. The housing market continues to rebound on the back of record low interest rates, easing lending conditions and increased Government incentives, especially for first home buyers and owner occupiers.

The total loan book was up on the June balance despite the high settlements as an unusually high number of customers elected to refinance their loans or reduce their loan balances due to COVID-related uncertainty and reduced interest rates. The Company's total loan book was \$54.1 billion at 31 December 2020, up from \$54.0 billion at 30 June 2020 as run off of existing loans offset new settlements. Trail commissions rates were also down on 1H20, due to a natural run off of older, higher margin loan books.

FinChoice continued to grow Funds Under Advice to \$1.2 billion, up 15% on 1H20. Premiums In Force grew 12% to \$35.0 million. Mortgage Choice has commenced a process of outsourcing a number of the back office operations of FinChoice to further reduce costs whilst improving the customer and adviser experience.

## **Dividend**

The Company continues to generate good operating cash flows, underpinning the ongoing investment in its IT platforms to support future growth. Its balance sheet was debt-free as at 31 December 2020. Reflecting the first half operating performance and confidence in the business momentum into the second half, the Board has declared an interim ordinary dividend of 4.0 cents per share.

## **Outlook**

Mortgage Choice has seen the positive momentum in settlements during the second quarter continue in January and February. Growth in loan writers has continued in 2H20 reflecting franchisees' confidence to invest in their businesses, with lead volumes and settlement pipelines ahead of the prior year. Along with a strong housing market, this is underpinned by enhanced marketing support for franchisees including a new email marketing platform, refreshed website and new brand strategy. In addition, technology enhancements and training programs ensure compliance with Best Interests Duty which came into effect from 1 January 2021.

The Company remains committed to the recruitment of new franchisees and new loan writers, investing in its technology platforms and systems to increase broker and adviser productivity, integrating its digitally connected customers and establishing a big data cloud platform.

"We have turned the corner on growing the network, with the investments we have made starting to pay off," said Susan Mitchell. "National leads are up 121% and at record levels, which bodes well for the second half as we look to deliver exceptional customer service through a combination of digital engagement and personalised, human service. Along with further efficiency improvements, this sets us up well to deliver sustainable growth for our shareholders."

**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 FinChoice 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 77 62.