

3 February 2020

flexigroup trading update

- New four-year exclusive agreement with Flight Centre Travel Group for **flexigroup's** long term interest free finance product
 - In line with **flexigroup's** vision to make larger, lifestyle driven purchases more affordable
 - Mid double-digit increase in total income for AU Cards forecast over the period of the commercial agreement
- Unaudited 1H20 Cash NPAT of \$34.5m, up 8% (1H19 Cash NPAT \$31.9m)
- Continued momentum in Buy Now Pay Later with 1H20 volumes up 23%

Flight Centre agreement to drive future cards growth

FlexiGroup Limited (ASX: FXL) ("**flexigroup**" or "the company") is pleased to announce that it has secured a four year agreement with its strategic partner, Flight Centre Travel Group Limited (ASX:FLT) ("Flight Centre") to be the exclusive provider of interest free finance to approved customers.

The new four year commercial arrangement, which extends to the Flight Centre, Universal Traveller and Travel Associates brands in Australia, focuses on enhancing the customer experience with **flexigroup's** long term interest free finance product. This, combined with incentives to drive repeat business to Flight Centre and investment in data driven marketing, is expected to result in a double-digit increase in total income for the company over the life of the partnership.

Increased card profitability will be achieved by rewards and new offers to customers, instant decisioning and continued improvement in **flexigroup's** credit risk and collections capabilities. This includes the adoption of comprehensive credit reporting which, when added to **flexigroup's** significant investment in other credit risk initiatives including new fraud controls, improved credit scorecards and enhanced collections capability, has the ability to deliver continued upside.

Commenting on the announcement, Rebecca James, **flexigroup's** Chief Executive Officer said:

*"This partnership will see Flight Centre and **flexigroup** continue to deliver an experience that is at the forefront of innovation and rich with rewards to our customers. Since the launch of Skye in 2018 and our data-driven lifecycle marketing, we have seen a significant increase in engagement with Flight Centre customers, with a greater number of customers making repeat purchases with our product. Flight Centre is a highly effective acquisition channel and attractive partner for **flexigroup**, providing high quality customers with greater than average income, driving higher average ticket size.*

"Thanks to a number of new initiatives within our card business, we expect that the renewed partnership with Flight Centre will result in an increase in profitability within our Australian Cards portfolio, which continues to be a focus for us as we restructure and simplify our business."

Trading update for 1H20

flexigroup continues to see positive traction against its strategy, delivering an increase in customer numbers (up 12%) and vendor partnerships (up 15%). Based on unaudited management accounts, **flexigroup** expects to report transaction volume of \$1.35 billion for 1H20, up 3% on 1H19. Excluding consumer leasing in Australia (a business that **flexigroup** has grandfathered and intends to exit), pro-forma transaction volume is up 5% on pro-forma 1H19 and in line with management's expectations. The rate of volume growth is expected to increase in 2H20 as new partners signed in 1H20 are onboarded.

flexigroup now expects transaction volumes to grow between 10% and 15% for FY20. Transaction volume uplift will be driven by new product launches, new customer segments and new partnerships, but will be partially offset by the softer retail trading environment.

As outlined at its FY19 results, **flexigroup** is increasing its investment for future growth with a significant part of the investment in brands, people, high performance digital marketing and streamlining of operations taking place in the current financial year. Based on unaudited management accounts, **flexigroup** expects to report Cash NPAT for 1H20 of \$34.5m.

flexigroup reiterates its prior stance on outlook, namely that the company is in the first year of a three year comprehensive business transformation plan, the objectives of which are to accelerate growth; reduce costs; deliver a best in class digital platform; and invest in loved brands.

While going through this transformation the company does not propose to issue short term earnings guidance as it believes a focus on short term profit objectives can contradict the broader goal of ensuring **flexigroup** achieves its medium term goals and emerges as a strong, long term industry leader.

We are pleased with our progress to date. In the early stages of this transformation plan however, the company will be investing to strengthen its brands and technology for the medium term and investors should not assume that an increase in profitability will be commensurate with increases in volume.

Over the past six months, **flexigroup** has focused on:

- Lifting Buy Now Pay Later (BNPL) volumes (up 23%) on the back of marketing and technology investment
- Consolidation of the cards business into a single credit card product with an attractive consumer proposition and a clear market position
- Consolidation and restructure of the commercial leasing portfolio with a focus on credit quality and broker distribution

Commenting on the trading update, Ms James said:

"Today's trading update shows that the company continues to progress well against its strategy of simplification and investment in the business. The company expects to increase the trajectory of volume growth as the year progresses, in line with the momentum that's created from both the onboarding of our new retail partners and increased investment across all areas of the business."

BNPL Code of Practice

In February 2019, **flexigroup** recognised the need for the industry to establish a self-governing Code of Practice (Code) for the BNPL sector. The Code, developed alongside BNPL peers over the last 12 months was made public for consultation last week and represents a world first for the sector.

*"We are extremely pleased with the progress made towards implementing the Buy Now Pay Later Code of Practice in collaboration with AFIA¹ and our industry peers. **flexigroup** was an early advocate for the Code and is proud to have played a key role in its development. We welcome feedback from stakeholders as we enter a consultation phase and look forward to seeing the Code implemented as soon as possible for the benefit of consumers,"* Ms James said.

¹ Australian Finance Industry Association

flexigroup will announce its 1H20 results on 25 February 2020.

Authorised for release by the **flexigroup** Board.

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ABOUT FLEXIGROUP

***flexigroup** provides a diverse range of finance solutions to consumers and business through a network of retail and business partners. This includes Buy Now Pay Later products, credit cards and consumer and business leasing. **flexigroup** has been operating in Australia for over 30 years, has partnerships with over 65,000 sellers and now serves 1.76 million customers across Australia, New Zealand and Ireland. For more information visit: flexigroup.com.au*

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