FSA Group
AGM Presentation
25 November 2021

Agenda

- Overview
- 2021 Financial Year
  - Segments
    - Services
    - Lending
  - Financials
- Our plan over the next 3 to 5 years
- 2022 Earnings and Capital Management

Overview

What we do

Australia's largest provider of debt solutions;
direct lender to individuals

What we do	For over 20 years, FSA has helped thousands of Australians. Our large and experienced team of professionals offer a range of debt solutions and direct lending services, which we tailor to suit individual circumstances and to achieve successful outcomes for our clients.
Segments	Operates across 2 segments: - Services - Lending

Services

Informal Arrangements and Debt Agreements	FSA offers a range of services to assist clients wishing to enter into a payment arrangement with their creditors. These services include informal arrangements, debt agreements, personal insolvency agreements and bankruptcy.
PIAs and Bankruptcy	

Lending

Home Loans	FSA offers home loans to assist clients wishing to purchase a property or consolidate their debt.
Personal Loans	FSA offers personal loans to assist clients wishing to purchase a motor vehicle.

History

2000	Founded with director loans of $50,000. Initial offering debt agreements then PIA’s and bankruptcy, then home loan brokering
2002	Back door listing raised $600,000 for shareholder spread
2006	Commenced home loan lending
2009	Raised $5.2m to underpin home loan pools
2015	Commenced personal loan lending
2021	PAT $20.1m, Shareholder equity $72m, ROE 31%
2011 to 2021	$81m returned to shareholders in buybacks and dividends
2002 to 2021	Shareholder return of 13% pa assuming dividends are re-invested

2021 Financial Year

Summary

Services

- COVID impacted and continues to impact the number of new callers seeking our assistance.
- In response we restructured parts of our business to materially reduce costs.
- We expect demand will start to return during 2H FY2022.

Lending

- During the year we focused on arrears and hardship management.
- Historically our Lending segment operated as a direct to consumer business. Going forward our focus will be on developing a broker channel and growing our loan pools.
- During the year upgrades were made to our system and procedures to accommodate brokers. These were successfully tested.

Services - Clients

New clients impacted by COVID

Informals and Debt Agreements	FY2019	FY2020	FY2021	% Change
New clients	4,573	4,327	1,463	-66%
Clients under administration	21,725	19,736	15,780	-20%
Debt managed	$379m	$353m	$209m	-41%
Dividends paid	$88m	$89m	$85m	-5%

PIA's and Bankruptcy	FY2019	FY2020	FY2021	% Change
New clients	436	347	89	-74%
Clients under administration	1,290	1,304	1,025	-21%

Lending - Loan Pools

Loan Pool Data	Home Loans	Personal Loans
Weighted average loan size	$360,528	$21,462
Security type	Residential home	Motor vehicle
Weighted average loan to valuation ratio	67%	83%
Variable or fixed rate	Variable	Fixed
Geographical spread	All states	All states

Lending - Loan Pools

Arrears and hardships back at Pre-COVID levels

Loan Pools	FY2019	FY2020	FY2021	% Change
Home loans	$382m	$394m	$382m	-3%
Personal loans	$59m	$63m	$65m	+3%
Total	**$441m**	**$457m**	**$447m**	**-2%**

Arrears > 30 day	FY2019	FY2020	FY2021
Home loans	1.42%	2.55%	1.04%
Personal loans	3.36%	2.41%	1.82%

Losses	FY2019	FY2020	FY2021
Home loans	$278,405	$171,265	$384,098
Personal loans	$564,022	$1,155,536*	$679,495

* The loss of $1,155,536 is distorted by a loss of $371,350 from the discontinued pilot product offering which we ran during the 2018 calendar year.

Lending - Funding

Funding facilities renewed

Funding	Facility Type	Provider	Limit	Maturity Date	Drawn
Home Loans	Non-recourse warehouse	Westpac	$350m	Oct-23	$230m
	Non-recourse warehouse	Institutional	$20m	Oct-23	$18m
	Securitised	Institutional		Mar-51	$130m
Personal Loans	Limited recourse warehouse	Westpac	$75m	Apr-26	$42m
	Corporate	Westpac	$15m	Mar-24	-

PBT by segment

Positively impacted by long term annuity income from clients, a material reduction in costs and in the cost of funding

		FY2020	FY2021	% Change
Services		$11.7m	$12.1m	+3%
Lending	Home Loans	$7.4m	$9.7m	+30%
	Personal Loans	$5.2m	$7.5m	+45%
Other/unallocated		$0.4m	$0.4m	
Profit before tax		**$24.8m**	**$29.7m**	**+20%**

Group financials

	FY2020	FY2021	% Change
Operating income	$68.2m	$61.4m	-10%
Profit before tax	$24.8m	$29.7m	+20%
Profit after tax attributable to members	$16.3m	$20.1m	+23%
EPS basic	13.05c	16.12c	+23%
Net cash inflow from operating activities	$19.4m	$29.5m	+52%
Dividend/share	6c	6c	
Shareholder equity attributable to members	$59.4m	$72.0m	+21%
Return on equity	30%	31%	

Operating cash flow

Positively impacted by long term annuity income from clients, a material reduction in costs and in the cost of funding

	FY2019	FY2020	FY2021	% Change
Net cash inflow from operating activities	$17.1m	$19.4m	$29.5m	+52%

	No of clients / loan pool size	Average client life in years
Services	16,805	3 to 5
Lending	$447m	3 to 5

Balance Sheet

Strong financial position

	FY2020	FY2021
Assets		
Cash and equivalents	$8.0m	$18.9m
Restricted Cash	$31.9m	$16.2m
Personal loan assets	$63.2m	$64.9m
Home loan assets	$393.8m	$382.5m
Trade and other receivables	$27.0m	$22.7m
Right of use assets	$11.5m	$10.3m
Other assets	$3.6m	$4.3m
Intangible assets	$2.7m	$2.2m
Total Assets	$541.5m	$521.9m
Liabilities		
Payables, provisions and contract liabilities	$9.9m	$8.3m
Lease liability	$11.4m	$10.6m
Other liabilities	$4.7m	$7.1m
Borrowings	$5.5m	-
Warehouse facilities	$268.6m	$290.2m
Securitised facilities	$178.7m	$130.2m
Total Liabilities	$478.6m	$446.3m
Net Assets	$62.9m	$75.7m

Our plan over the next 3 to 5 years
Reshaping Our Future

Expand lending offering to assist SMEs

- FSA's subsidiary Azora Finance Group P/L (Azora) operates our home loan lending business.
- In September 2021, Azora acquired an asset finance lending business owned by Tuttle, Holmes and Sullivan (PDP). Lends to SMEs for vehicles and business-critical equipment. Average loan size around $27k.
- Azora now operates our home loan lending and asset finance businesses.
- Azora will:
  - Focus on lending to Australia's underserved SMEs.
  - Specialise in home loans to self-employed borrowers and asset finance for vehicles and business-critical equipment.
  - Distribute products through direct, broker and other third-party intermediary channels.

Expand lending offering to assist SMEs

- Azora is managed by PDP.
- Azora is owned 76% by FSA and 24% by PDP.
- PDP have been issued Performance Shares (PS) which will progressively convert into ordinary shares if Azora achieves annual PBT of up to and greater than $30m on or before 2026. If all PS convert PDP will own 32% (from 24%).
- Azora expects PBT of around $12.5m for 2022, broken down as $9.2m for home loans and $3.3m for asset finance.

Digitisation and unsecured personal loans

- Focus on a digital future - Building a new technology platform which will automate the customer application process, the underwriting decisions with digital loan contracts and same day funding.
- Expand our lending offering into unsecured personal loans.

Develop broker channel, grow loan pools

Services	Regrow as demand returns
Home Loans	Increase origination from around $10m to $40m per month Grow loan pool from $382m to around $1.2b
Personal Loans	Increase origination from around $3m to $7m per month Grow loan pool from $65m to around $200m
Asset Finance	Increase origination from around $4m to $12m per month Grow loan pool from $40m to around $300m

2022 Earnings and Capital Management

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Earnings	We expect FY2022 earnings to be in line with FY2021. The impact of COVID will start to negatively impact our Services earnings during FY2023. We expect this to be offset by increased Lending earnings.
Capital Management	Due to our strong net cash inflow driven by long term annuity income from clients, we expect FY2022 full year dividend to be between 6 cents to 7 cents per share with the balance of earnings to be re-invested to support the growing loan pools. We plan to continue with our on market share buy-back as opportunities arise.

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