

# Resimac Group Ltd

DECEMBER 18 HY FINANCIAL RESULTS

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FEBRUARY 2019



**resimac**

# PERFORMANCE HIGHLIGHTS

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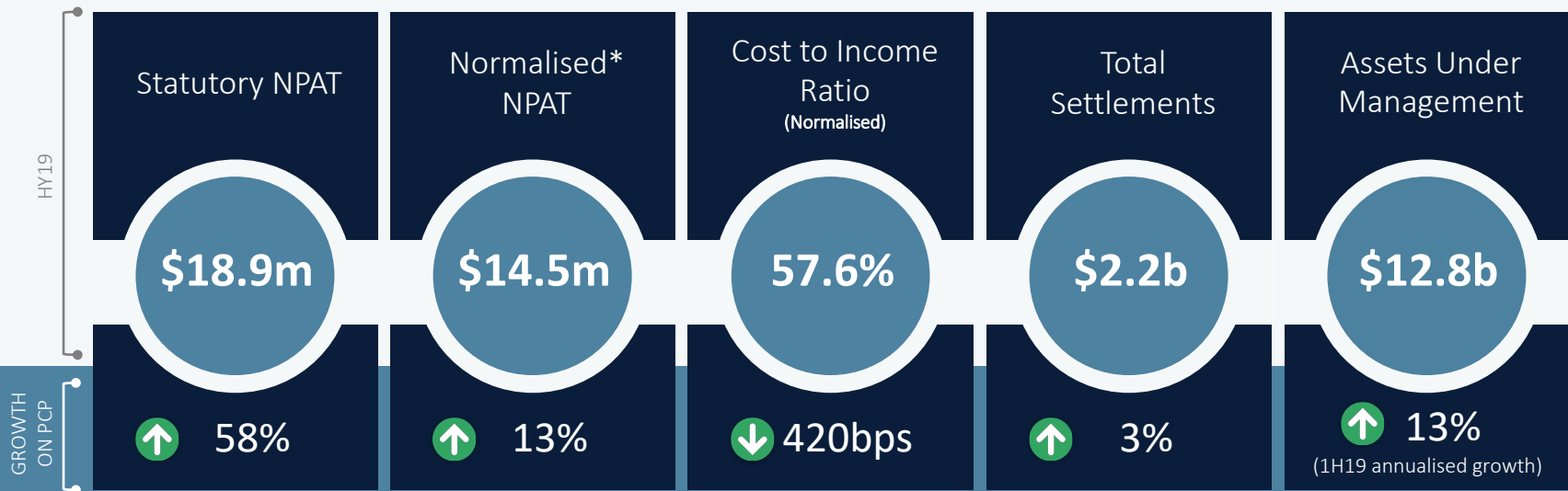
SCOTT MCWILLIAM  
CEO



**resimac**

# PERFORMANCE HIGHLIGHTS

A strong HY19 result of \$14.5m normalised NPAT (\$18.9m statutory NPAT) underpinned by 5x system principally funded portfolio growth and cost management.



- Net interest income \$55.1m, up 8% vs PcP
- Principally funded loan book of \$9.4b at 31 December 2018 (19% annualised growth v 30 June 18)
- Interim Dividend of 1.0 cents per share fully franked

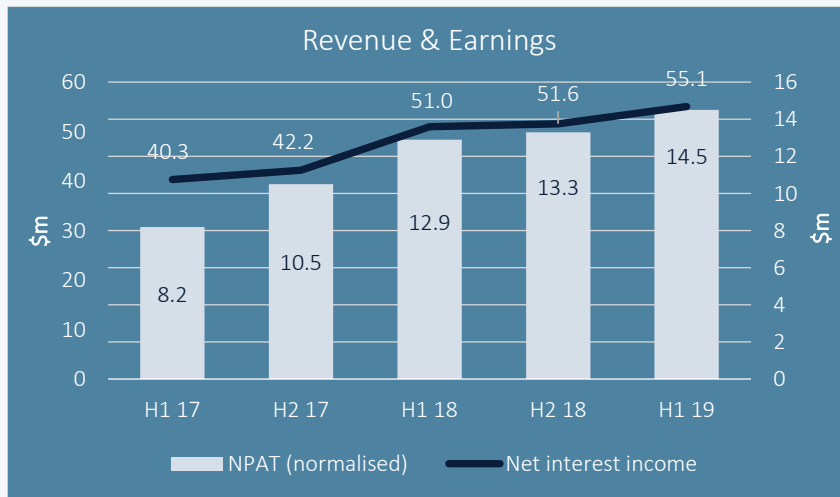
\* Excluding one-off items. See slide 18.

# PERFORMANCE HIGHLIGHTS

## EARNINGS GROWTH

Continued earnings momentum, lower Cost to Income Ratio, and higher Return on Equity.

\$m	1H19	1H18	2H18	FY18
NPAT (normalised)*	14.5	12.9	13.3	26.2
Net Interest Income (NII)	55.1	51.0	51.6	102.6
Other Income/(Expenses) (normalised)**	(2.3)	(2.3)	(1.8)	(4.1)
Operating Expenses (normalised)**	30.4	30.1	30.4	60.5
Cost to Income Ratio (normalised)**	57.6%	61.8%	61.0%	61.4%
Return on Equity (normalised NPAT basis)***	17.6%	17.6%	16.9%	17.2%



- NPAT growth trajectory continues with 1H19 NPAT increasing 13% v 1H18, and increasing 9% vs 2H18.
- Net interest income increased 8% v PcP driven by AUM growth, partly offset by higher BBSW spread (+27bps v 1H18).
- Cost to income ratio decreased 420bps v PcP, driven by net interest income growth and maintaining cost discipline.

\*Excluding one-off items. See slide 18.





\*\*Cost to Income ratio restated in FY18 for reclass of borrowing fees from Operating Expenses to Other Income/(Expenses).






\*\*\*ROE based on annualised NPAT and 1H19 average shareholders equity.




# PERFORMANCE HIGHLIGHTS

## FINANCIAL RESULTS SUMMARY

1H19 NPAT disclosed on a statutory and normalised basis. A reconciliation of 1H19 statutory and normalised profit is included on slide 18.

FINANCIAL PERFORMANCE	1H19	1H18	PCP% CHANGE
NPAT (statutory)	\$18.9m	\$11.9m	58% 
NPAT (normalised)	\$14.5m	\$12.9m	13% 
Cost to Income Ratio (normalised)	57.6%	61.8%	420bps 
ROE (normalised NPAT basis)*	17.6%	17.6%	Flat 

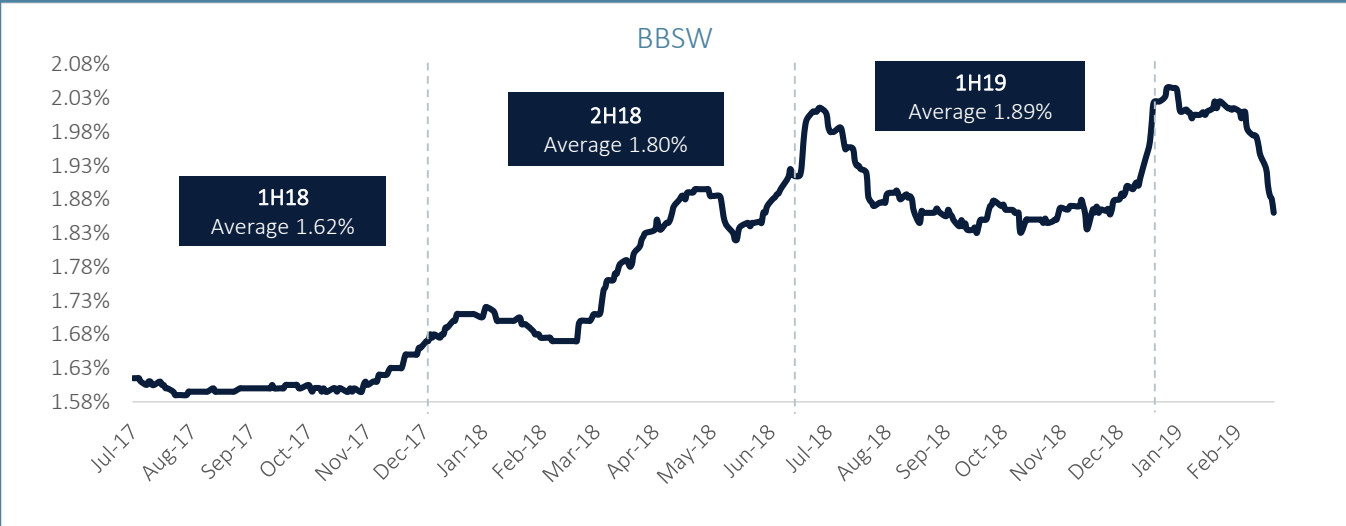
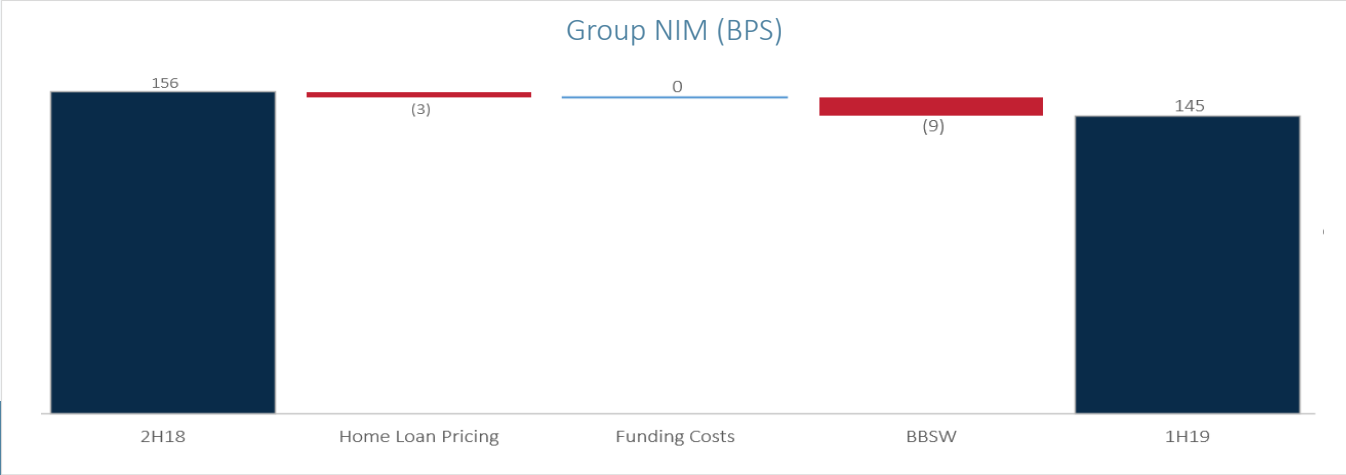
SETTLEMENTS	1H19	1H18	PCP% CHANGE
Settlements – Principally Funded	\$1.9b	\$1.8b	7% 
<i>Prime</i>	\$1.4b	\$1.4b	8% 
<i>Specialist</i>	\$0.5b	\$0.4b	5% 
Settlements – Non-Principally Funded	\$0.3b	\$0.4b	(17%) 
Settlements Total	\$2.2b	\$2.2b	3% 

ASSETS UNDER MANAGEMENT (“AUM”)	31 DEC 2018	30 JUN 2018	ANNUALISED % CHANGE
AUM – Principally Funded	\$9.4b	\$8.6b	19% 
AUM – Non-Principally Funded	\$3.4b	\$3.5b	(4%) 
AUM Total	\$12.8b	\$12.1b	13% 

\* ROE based on annualised NPAT and 1H19 average shareholders equity.

# PERFORMANCE HIGHLIGHTS

## GROUP MARGIN

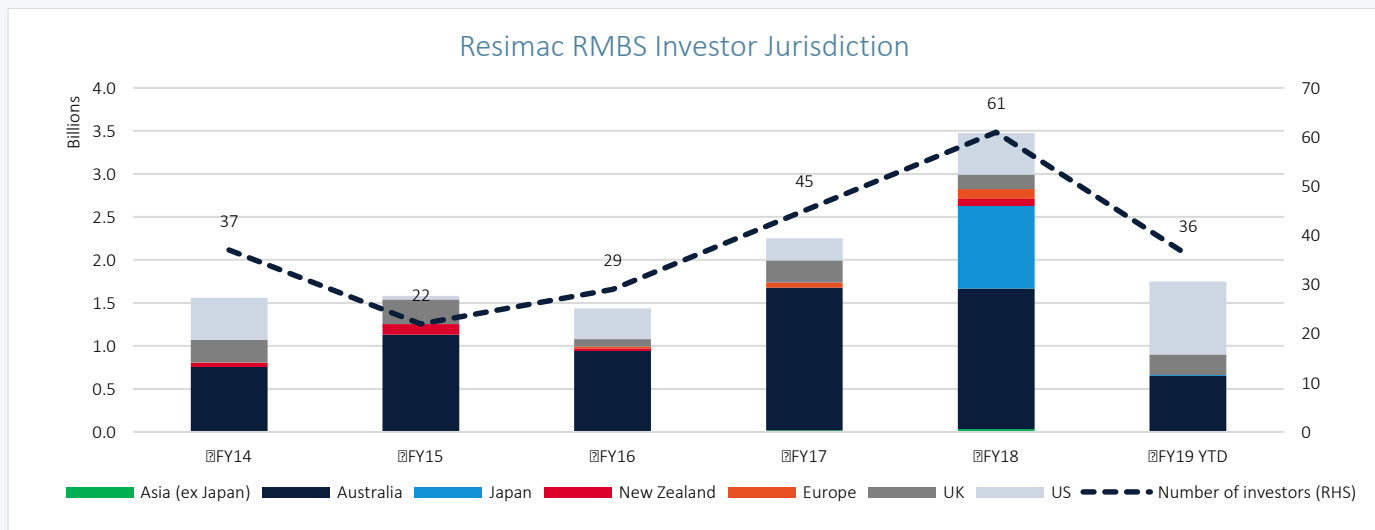


Source: Bloomberg

# PERFORMANCE HIGHLIGHTS

## FUNDING PROGRAM

- New warehouse lines established with UOB (Singapore) and MUFG (Sydney branch) further augmenting Resimac's short-term funding capability and establishing strategic relationships for further Asia-Pacific & Japan bond distribution
- Continued development of the RMBS program with an inaugural 144a issuance under 'Bastille' non-conforming shelf in the US market providing a deep investor base for the Specialist Lending asset class

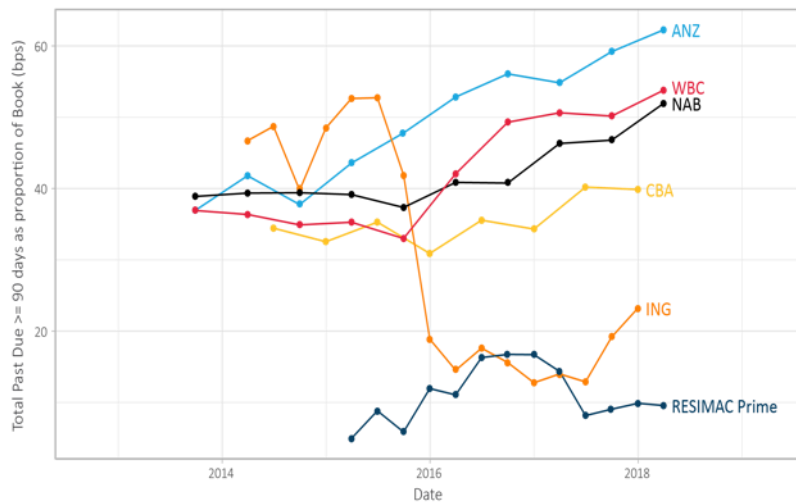


# PERFORMANCE HIGHLIGHTS

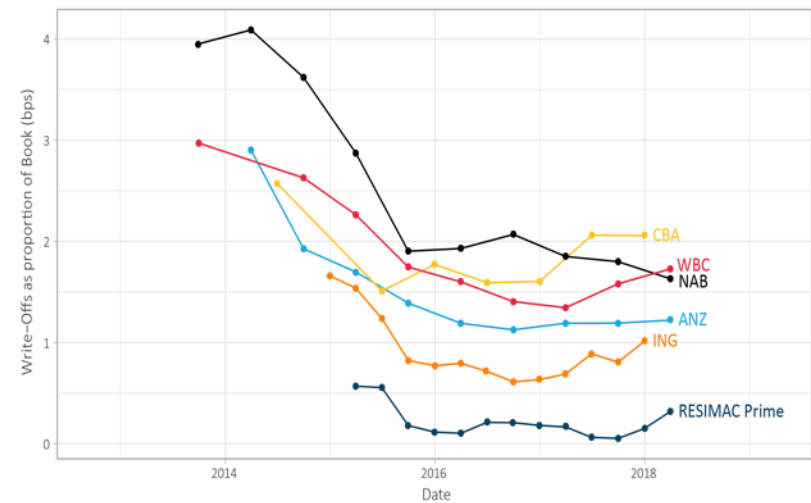
## PORTFOLIO PERFORMANCE

- Mortgage delinquencies and loss rates remain low consistent with the outstanding credit quality of the portfolio. >90 day delinquencies<sup>1</sup> at 31 December 2018 were 0.08% (June 2018 0.10%)
- Our Prime portfolio continues to outperform both major and non-bank competitors
- Our Prime and Specialist portfolios continue to outperform the SPIN<sup>2</sup> and DINKUM<sup>3</sup> indices by measure of delinquencies and losses

Residential Mortgages Pillar 3 Total Past Due >90 Days (bps)



Residential Mortgages Pillar 3 Total Write-Offs (bps)



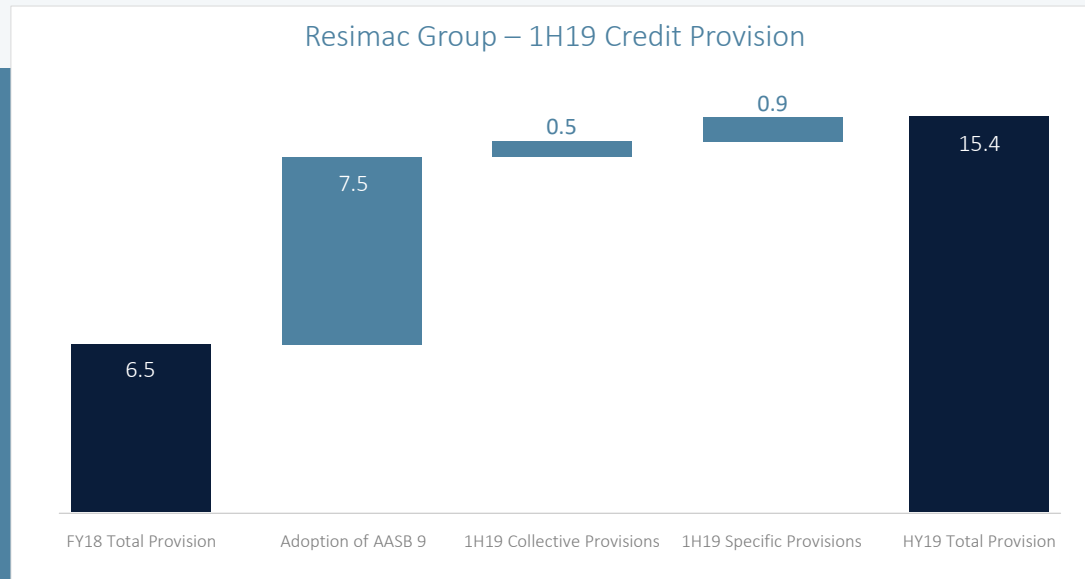
1. Prime principal-funded portfolio  
2. S&P Prime Delinquency Index  
3. Fitch Non-Conforming Delinquency Index



# PERFORMANCE HIGHLIGHTS

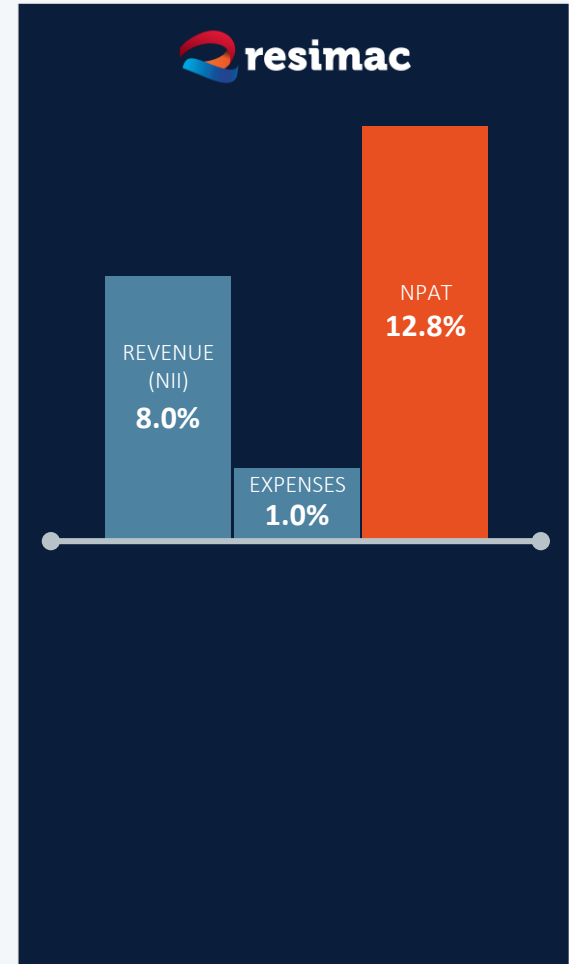
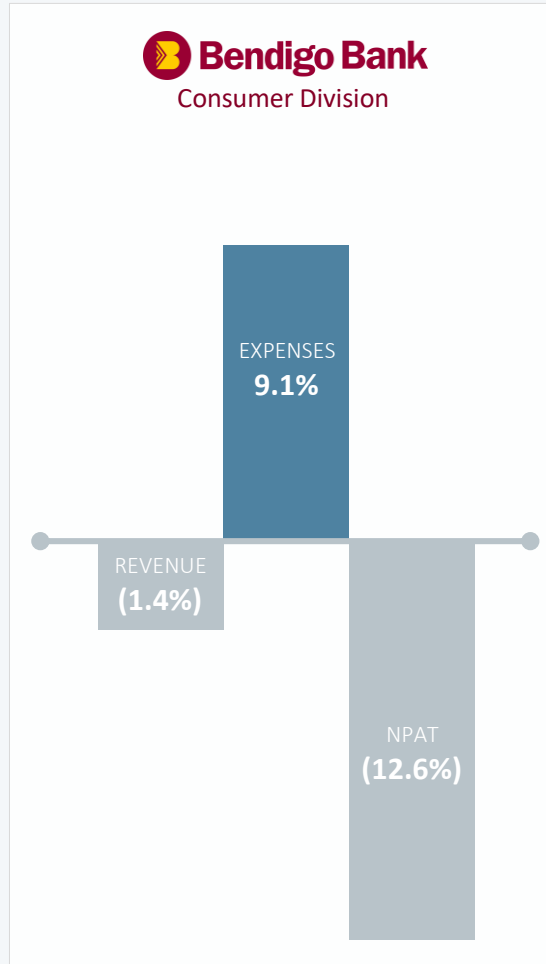
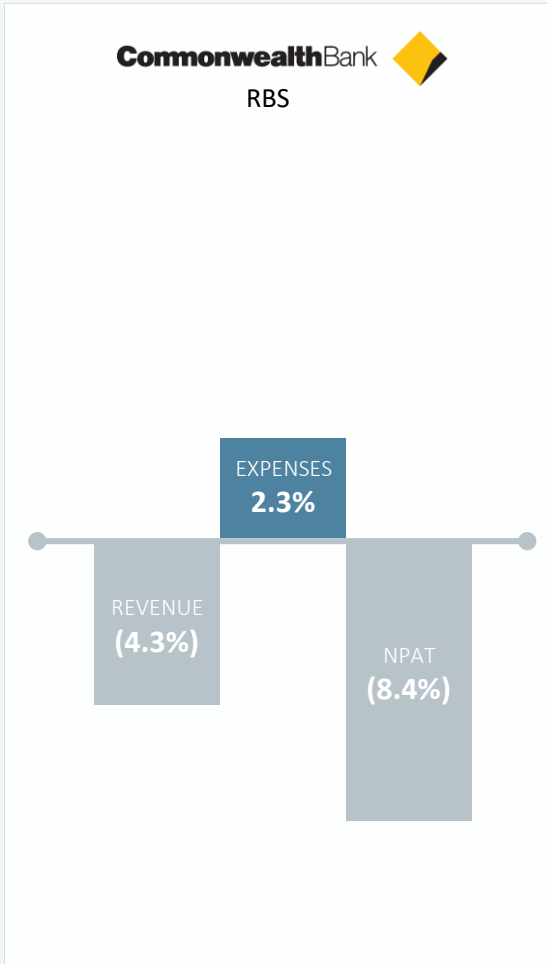
## CREDIT PROVISIONS

- AASB 9 Financial Instruments is adopted for the 31st December 2018 reporting period replacing AASB 139 Financial Instruments: *Recognition and Measurement*. AASB 9 recognition of collective provision is transitioned to an expected loss method.
- The adoption of AASB 9 increased the collective provision by \$7.5m (no P&L impact per AASB 9). Underlying portfolio credit quality unchanged.
- Provisions of \$15.4m include specific provisions of \$4.5m, providing c16bps coverage of the Group's principally-funded AUM.



# PERFORMANCE HIGHLIGHTS

INDUSTRY LEADING PERFORMANCE 1H19 vs 1H18



# OUTLOOK & PRIORITIES

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SCOTT MCWILLIAM  
CEO



**resimac**

# MARKET CONSIDERATIONS

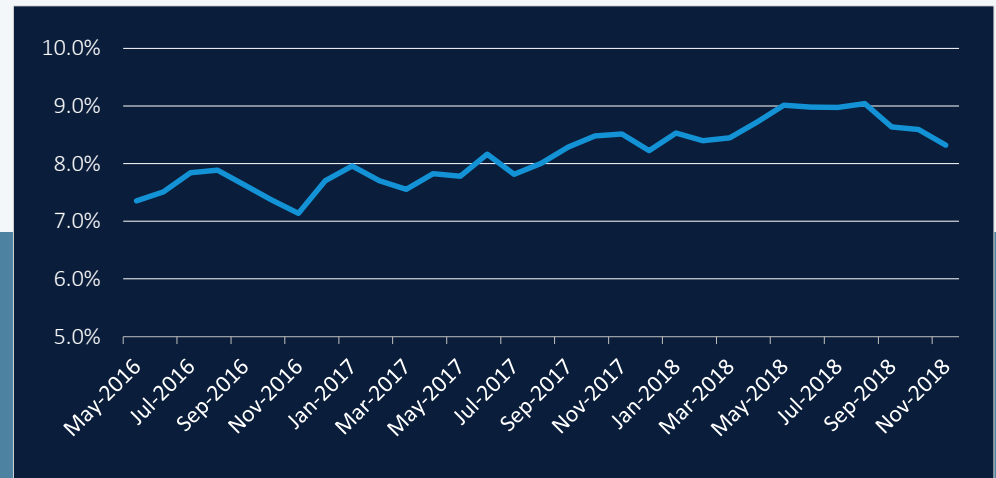
## BUILDING RESILIENCE

### Royal Commission

- We noted the Royal Commission recommendations and remain vigilant to ensure our lending practices are robust and consistent with regulatory expectations
- Active support of relevant discussions around broker remuneration model
- Support for MFAA campaign broker channel
- Channel diversification strategy already well advanced
- Borrower-focused and digital initiatives underway

### Non-Bank Market Share

Market share continues to favour our growth objectives and support our relevance to customers.



Source: ABS

### Housing Market Movements

Despite volatility in housing markets, our robust credit risk management regime is continuing to prove effective. Opportunities exist to further expand our risk appetite.

# STRATEGIC PRIORITIES

## LEVERAGING OUR BRANDS

### CORPORATE



- Clear communication of proposition and company vision and values
- Thought leadership on key industry issues
- Sponsorship, social media and PR activity to support vision

### DIRECT



- Leverage strength of brand in digital context
- Remove channel conflict potential
- Target new customer segment with direct & digital buying behaviour

### BROKER



- Leverage awareness built by corporate brand activity
- Build on awareness with products and services tailored to industry needs

# STRATEGIC PRIORITIES

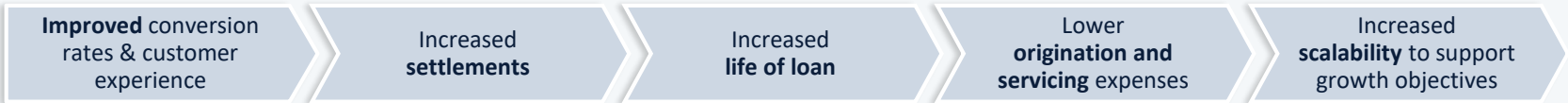
## CUSTOMER & DIGITAL FOCUS



- Customer proposition definition – required product and service (journey) ✓
- Marketing customer acquisition program development (by channel) ✓
- Marketing customer retention program development (IN PROGRESS)

- Gap analysis vs current state ✓
- Addressing current pain points ✓
- Ongoing process improvement changes and efficiency gains (incl. Manila) (IN PROGRESS)

- Salesforce implementation – end to end workflow management, lead management and reporting ✓
- Identifying best in class system solutions for: (IN PROGRESS)
  - Credit decisioning
  - Settlement processes
  - Online self service
  - Predictive analytics
  - Retention
  - Targeted / focused marketing activities



# STRATEGIC PRIORITIES

## DIRECT CHANNEL GROWTH

**c.\$360b p.a. Australian Mortgage Market**

Customers buying behaviour – channel usage

**DIRECT 45%**

c. \$160b p.a.

**BROKER 55%**

c. \$200b p.a.


Direct at Resimac



- Prime product only
- Highly effective lead generation strategy and process
- Market leading conversion rates during Direct Sales process
- In depth understand of Direct customer journey

Current: **\$500m** p.a. (0.31% market share)



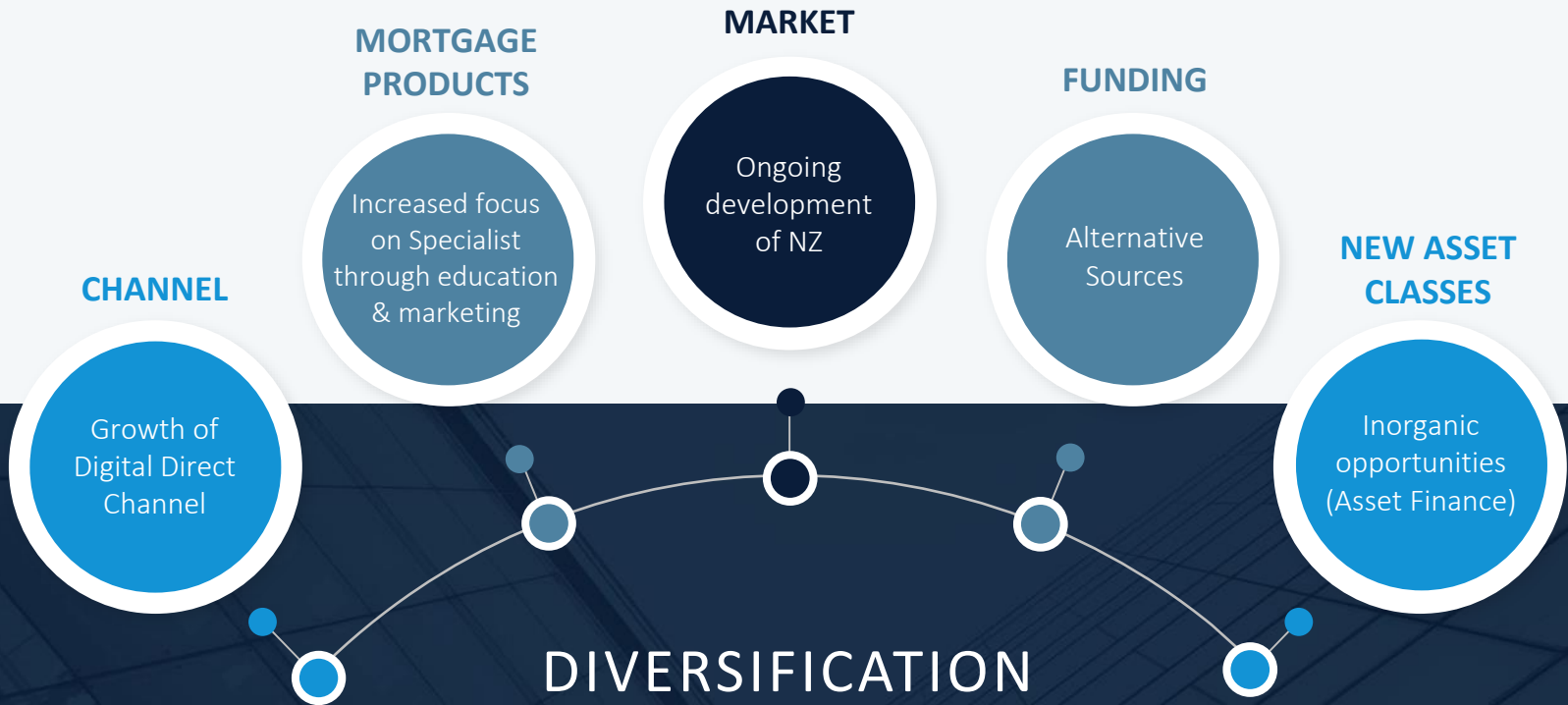
- Strong digital brand
- Proposition expansion – full product suite
- Leveraging best-in-class online application process in partnership with  ATHENA
- Leveraging Customer & Digital initiatives
- Leveraging effective lead generation and Direct Sales processes

3 Year Objective: **\$1.6b** p.a. (1% market share)

# STRATEGIC PRIORITIES

## DIVERSIFICATION

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# FINANCIAL RESULTS

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JASON AZZOPARDI  
Chief Financial Officer



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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	1H19 \$m	1H18 \$m
Interest income	217.0	169.6
Interest expense	(161.9)	(118.6)
<b>Net interest income</b>	<b>55.1</b>	<b>51.0</b>
Fee and commission income	12.0	14.6
Fee and commission expense	(16.1)	(17.8)
De-recognition of investment in associate (Finsure)	5.8	-
Other income	2.2	0.5
Employee benefits expense	(19.5)	(18.5)
Operating expenses	(10.9)	(11.6)
Loan impairment expense	(1.6)	(0.9)
<b>Profit before tax</b>	<b>27.0</b>	<b>17.3</b>
Income tax expense	(8.1)	(5.4)
<b>PROFIT FOR THE YEAR</b>	<b>18.9</b>	<b>11.9</b>
<b>RECONCILIATION OF NORMALISED EARNINGS WITH STATUTORY PROFIT</b>		
<b>Normalised NPAT</b>	<b>14.5</b>	<b>12.85</b>
Writedown of eChoice investment	-	(0.44)
Non-recurring other income	0.5	-
De-recognition of investment in associate (Finsure)	5.8	-
Tax effect	(1.9)	(0.48)
<b>Statutory NPAT</b>	<b>18.9</b>	<b>11.93</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

\$m	31 DEC 18	30 JUN 18
<b>Assets</b>		
Cash and bank balances	300.3	198.9
Trade and other receivables	8.4	7.6
Loans and advances to customers	9,445.5	8,633.3
Other assets	7.7	6.1
Other financial assets	54.0	57.4
Derivative financial asset	94.4	43.6
Intangible assets	22.0	22.1
<b>TOTAL ASSETS</b>	<b>9,932.3</b>	<b>8,969.0</b>
<b>Liabilities</b>		
Trade and other payables	31.4	43.9
Interest-bearing liabilities	9,693.3	8,716.9
Other financial liabilities	21.4	27.8
Derivative financial liabilities	0.8	0.5
Other liabilities	13.3	12.8
Provisions	4.4	4.4
<b>TOTAL LIABILITIES</b>	<b>9,764.6</b>	<b>8,806.3</b>
<b>Net Assets</b>	<b>167.7</b>	<b>162.7</b>
<b>Equity</b>		
Share capital	177.8	177.3
Reverse acquisition reserve	(61.5)	(61.5)
<b>Total issued capital</b>	<b>116.3</b>	<b>115.8</b>
General reserves	(8.6)	(3.0)
Retained earnings	60.0	49.9
<b>Equity attributable to owners of the parent</b>	<b>167.7</b>	<b>162.7</b>
<b>TOTAL EQUITY</b>	<b>167.7</b>	<b>162.7</b>

\$m	31 DEC 18	30 JUN 18
<b>Cash reconciliation</b>		
Cash and bank and on hand	20.8	15.2
Cash collections account	278.0	182.0
Restricted cash	1.5	1.7
<b>Cash at bank</b>	<b>300.3</b>	<b>198.9</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER

\$m	1H19	1H18
<b>Cash flows from operating activities</b>		
Interest received	215.2	176.1
Interest paid	(155.3)	(112.1)
Receipts from loan fees and other income	19.6	37.6
Payments to suppliers and employees	(76.9)	(79.6)
Payments of net loans to borrowers	(810.6)	(933.9)
Income tax paid	(5.8)	(1.8)
<b>Net cash used in operating activities</b>	<b>(813.8)</b>	<b>(913.7)</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(2.0)	(0.2)
Repayment of loans from / (to) related parties	-	(2.4)
Payment for new investments	(2.0)	-
<b>Net cash provided by investment activities</b>	<b>(4.0)</b>	<b>(2.6)</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	5,645.6	8,634.0
Repayment of borrowings	(4,723.6)	(7,691.0)
Swap payments	0.4	(0.6)
Payment of dividends	(3.1)	(0.8)
<b>Net cash generated by financing activities</b>	<b>919.3</b>	<b>941.6</b>
<b>Net increase in cash and cash equivalents</b>	<b>101.5</b>	<b>25.3</b>
Cash and cash equivalents at the beginning of the period (1 July)	198.9	187.1
Effects of exchange rate changes on cash balances held in foreign currencies	(0.1)	(0.9)
<b>Cash and cash equivalents at the end of the period</b>	<b>300.3</b>	<b>211.5</b>



## Scott McWilliam

Chief Executive Officer

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Scott has been with Resimac Group since 2004 and has held various senior executive roles including Chief Operating Officer and Head of Funding and Investments. Prior to joining Resimac Group, Scott held senior roles at Deutsche Bank in London and Sydney and Citibank in London, in the area of Debt Capital Markets. Scott has worked in Financial Services since 1996.

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## Jason Azzopardi

Chief Financial Officer

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Jason commenced with the Group in July 2018 as Chief Financial Officer. Jason is a Fellow of CPA Australia with an Australian tax public practice background, prior to holding senior private equity roles in the UK. Since returning to Australia in 2011, Jason's extensive Australian retail banking experience includes senior finance roles at Bankwest and Macquarie.

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# ABOUT US

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**resimac**

# ABOUT US

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CUSTOMERS

**50,000+**



SETTLEMENTS

over **\$4b** p.a.



PEOPLE

**300+** Australia,  
New Zealand & Philippines



PORTFOLIO

**\$12.8b** (AUM)  
(\$9.4b principally funded)



SHAREHOLDERS

**\$200m\***  
(approx. market cap)



DISTRIBUTION

Direct to  
consumer online

Access to  
**85%+**  
of mortgage  
brokers



TARGET FUNDING STRUCTURE

(Principally Funded)

**2/3** in term capital markets (domestic & international)  
**1/3** in revolving warehouse facilities

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Resimac Group is one of Australia and New Zealand's premier and most established non-bank lenders with a history dating back to 1985. Today, with over 30 years of experience in delivering home finance solutions to a diverse range of customers, we're proud to be servicing over 50,000 current customers.

\*Market cap based on 22 February 2019 closing share price.



# BUSINESS KEY ACTIVITIES

