



Resimac Group Ltd

FY19 FINANCIAL RESULTS

28 AUGUST 2019

PERFORMANCE HIGHLIGHTS

Scott McWilliam, CEO
Jason Azzopardi, CFO



FY19 PERFORMANCE HIGHLIGHTS

\$47.2m

STATUTORY
NPAT

↑ 86%

\$31.1m

NORMALISED*
NPAT

↑ 19%

\$117.9m

NET INTEREST
INCOME

↑ 15%

56.6%

COST TO INCOME
RATIO (NORMALISED)

↓ 510bps

\$3.6b

PRINCIPALLY FUNDED
SETTLEMENTS

↓ 1%

\$10.2b

PRINCIPALLY FUNDED
AUM

↑ 19%

\$13.4b

TOTAL ASSETS UNDER
MANAGEMENT

↑ 11%

1.5c

FINAL DIVIDEND

FINAL DIVIDEND OF **1.0c** PLUS ONE
OFF SPECIAL DIVIDEND OF **0.5c**
PER SHARE (FULLY FRANKED)

*FY19 normalised NPAT excludes one-off non-recurring income items per reconciliation on slide 18

PERFORMANCE HIGHLIGHTS

FINANCIAL RESULTS SUMMARY

- Strong earnings momentum and 510bps reduction in Cost to Income Ratio
- 2H19 settlements lower however Q4 settlements increased materially providing strong momentum into FY20
- PE Ratio of 10.3 based on share price of 80c and normalised earnings per share of 7.75

Financial Performance	FY19	1H19	2H19	FY18	FY19 vs. FY18 % Change	
NPAT (statutory)	\$47.2m	\$18.9m	\$28.3m	\$25.3m	86%	↑
NPAT (normalised)	\$31.1m	\$14.5m	\$16.6m	\$26.2m	19%	↑
Cost to Income Ratio (normalised)*	56.6%	57.8%	55.4%	61.7%	510bps	↓
Return on Equity (normalised NPAT)**	17.3%			17.2%	Flat	↑
Settlements	FY19	1H19	2H19	FY18	FY19 vs. FY18 % Change	
Settlements – Principally Funded	\$3.6b	\$1.9b	\$1.7b	\$3.6b	(1%)	↓
▸ Prime	\$2.6b	\$1.5b	\$1.1b	\$2.6b	(3%)	↓
▸ Specialist	\$1.0b	\$0.5b	\$0.5b	\$1.0b	4%	↑
Settlements – Non-Principally Funded	\$0.5b	\$0.3b	\$0.2b	\$0.7b	(36%)	↓
Settlements Total	\$4.1b	\$2.2b	\$1.9b	\$4.3b	(7%)	↓
Assets Under Management ('AUM')			30 June 2019	30 June 2018	Annualised % Change	
AUM – Principally Funded			\$10.2b	\$8.6b	19%	↑
AUM – Non-Principally Funded			\$3.2b	\$3.5b	(7%)	↓
Assets Under Management Total			\$13.4b	\$12.1b	11%	↑

*FY18 cost to income ratio restated for reclass between income and expenses **ROE based on normalised NPAT and average shareholders equity.

PERFORMANCE HIGHLIGHTS

EARNINGS GROWTH

- Net interest income up 15% driven by 19% principally funded AUM growth, partly offset by lower margins.
- FY19 JAWS +9% driving 510bps decrease in Cost to Income Ratio.
- FY19 net fees and commissions increased \$5.2m driven by higher RMBS funding fees and higher broker commissions on a larger principally funded portfolio.
- Loan impairment expense increased \$1.4m, driven by impairments in acquired legacy book (\$0.9m), and small increases (\$0.5m) across the portfolio in line with AUM growth.

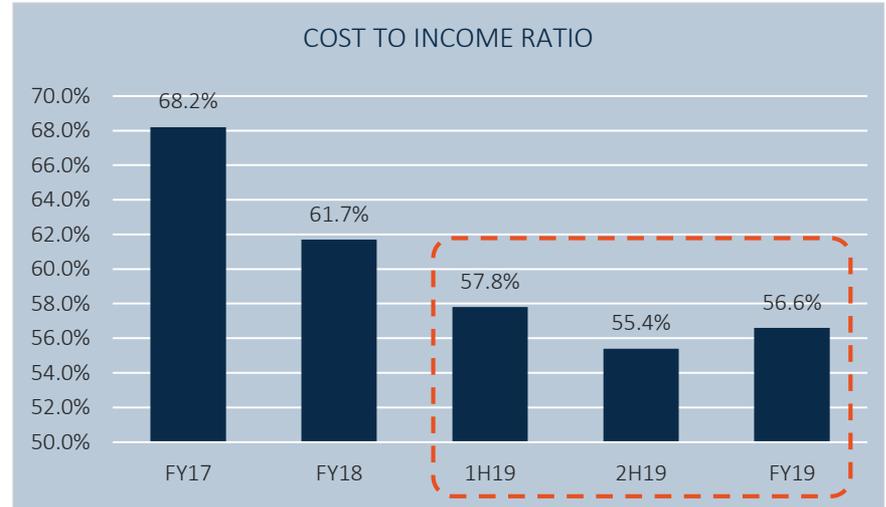
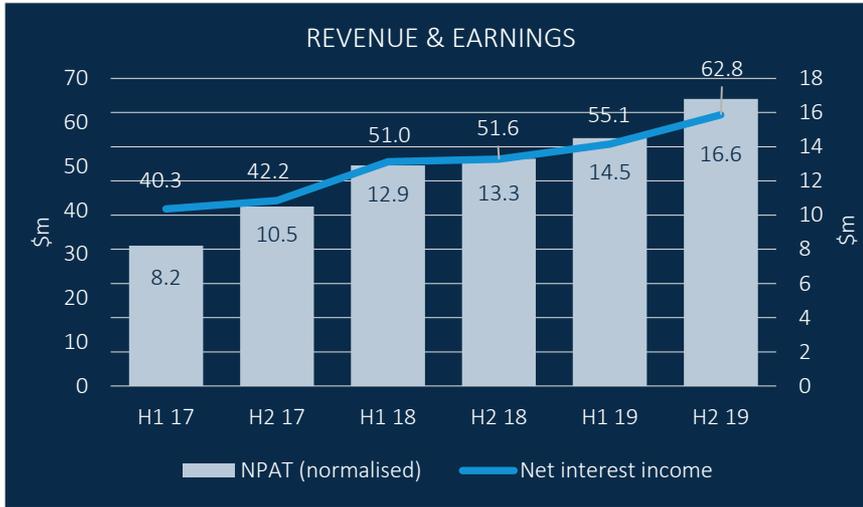
\$m	FY19	1H19	2H19	FY18	FY19 vs. FY18 % Change
NPAT (normalised)*	\$31.1m	\$14.5m	\$16.6m	\$26.2m	19%
▸ Net Interest Income (NII)	\$117.9m	\$55.1m	\$62.8m	\$102.5m	15%
▸ Net Fee & Commission Income/(Expense)**	(\$8.5m)	(\$2.1m)	(\$6.4m)	(\$3.3m)	+Lge
▸ Operating Expenses**	(\$61.9m)	(\$30.6m)	(\$31.3m)	(\$61.3m)	+1%
▸ Loan Impairment Expense	(\$3.0m)	(\$1.6m)	(\$1.4m)	(\$1.6m)	+83%

*Excluding one-off items. See reconciliation on slide 18.

**FY18 net fee and commission expense / operating expenses restated for reclass of expenses.

PERFORMANCE HIGHLIGHTS

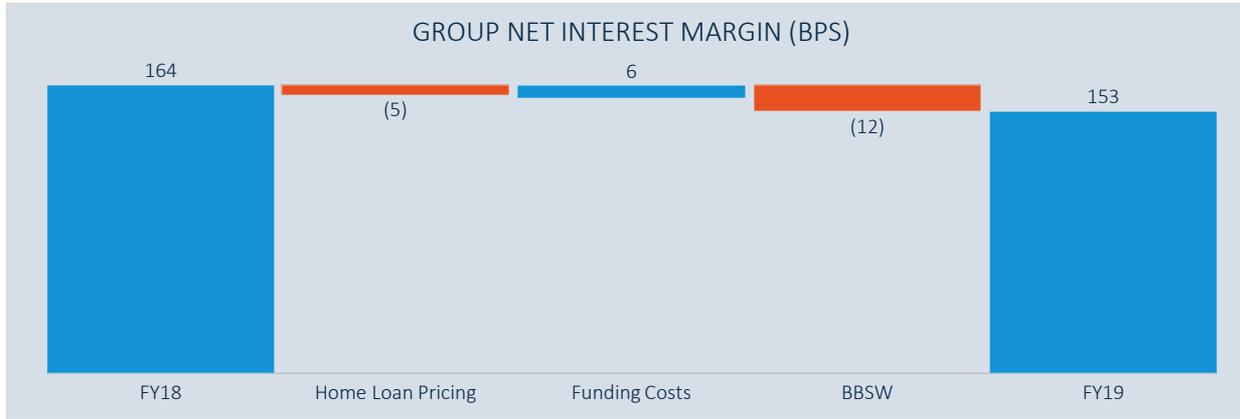
EARNINGS GROWTH



- FY19 normalised NPAT increased 19% vs. FY18. Earnings momentum continues with 2H19 NPAT increasing 15% vs. 1H19.
- 2H19 net interest income increased 14% vs. 1H19 driven by AUM growth, higher margins from October reprice, stabilised funding costs and BBSW normalising from December / January peak.
- 2H19 cost to income ratio decreased 240bps compared to 1H19.

PERFORMANCE HIGHLIGHTS

GROUP MARGIN

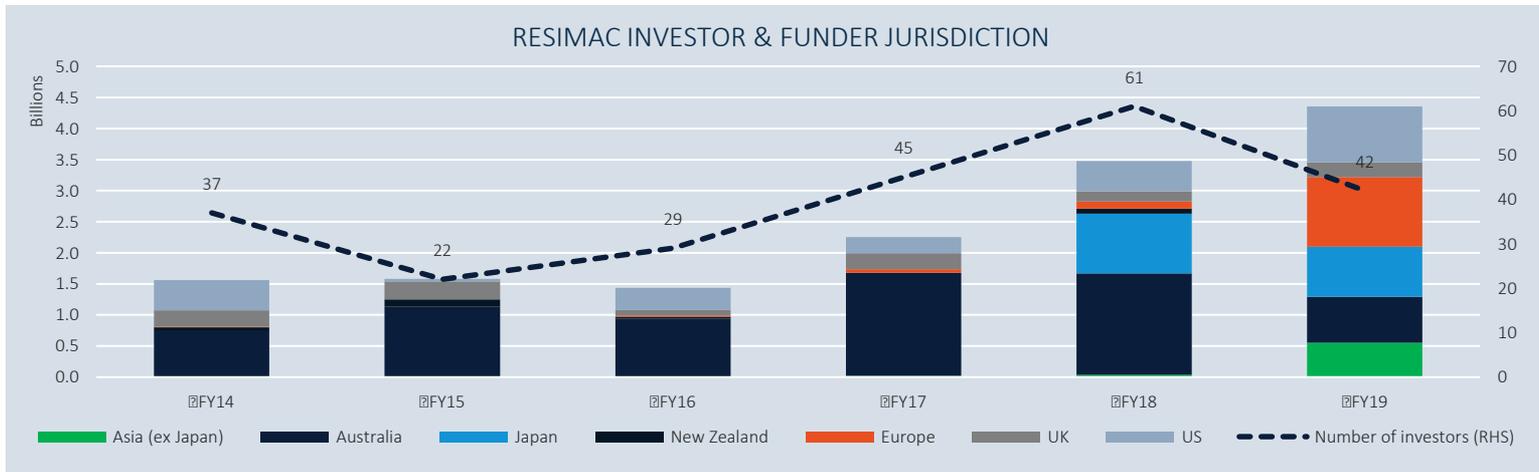


Source: Bloomberg

PERFORMANCE HIGHLIGHTS

FUNDING PROGRAM

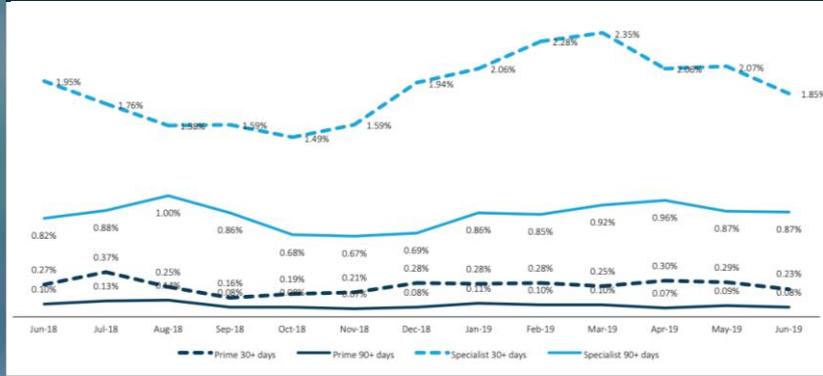
- Resimac has continued to strengthen its funding capabilities with new warehouse lines established with UOB (Singapore), MUFG (Sydney branch), and Deutsche Bank (Sydney branch), extending duration profiles and developing strategic relationships.
- Continued development of the RMBS program with an inaugural 144a issuance under “Bastille” non-conforming shelf in the US market providing a deep investor base for the Specialist Lending asset class growth.
- Private bond placement transactions completed with new banking relationships securing \$600m of incremental funding with 6 year duration profile – longest in Resimac’s issuance history.



PERFORMANCE HIGHLIGHTS

PRINCIPALLY FUNDED PORTFOLIO PERFORMANCE

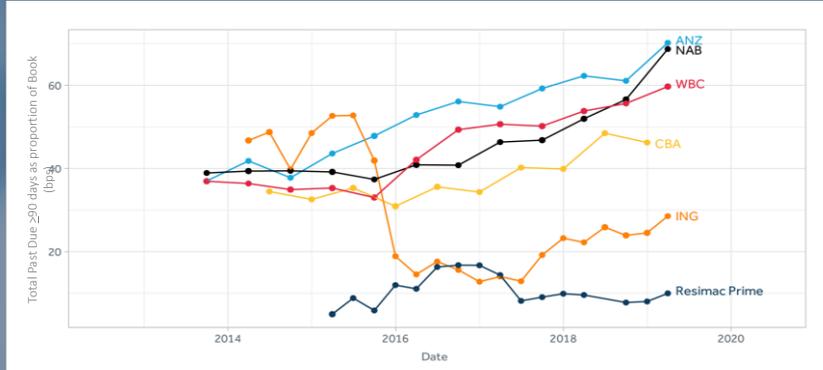
ARREARS (%)



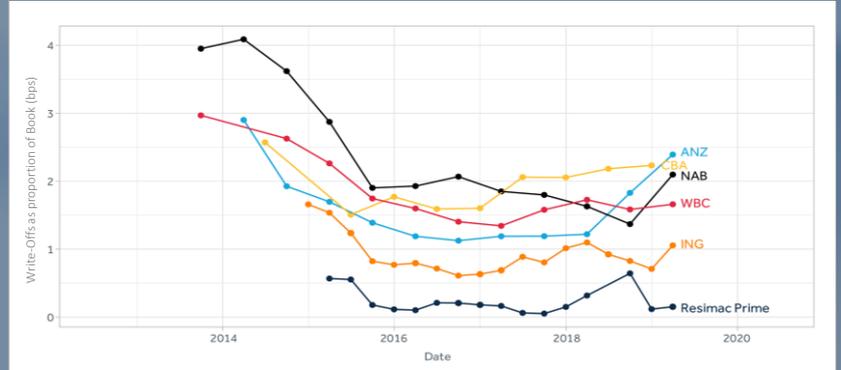
LOAN PROVISIONS

\$m	June 2019 (\$m)	BPS Coverage of AUM
Prime	4.1	6bps
Specialist / Near Prime	7.9	32bps
RHG	2.7	55bps
Other (incl. NZ)	1.8	32bps
Total Provisions	16.5	16bps

MORTGAGES PILLAR 3 TOTAL PAST DUE >90 DAYS (BPS)

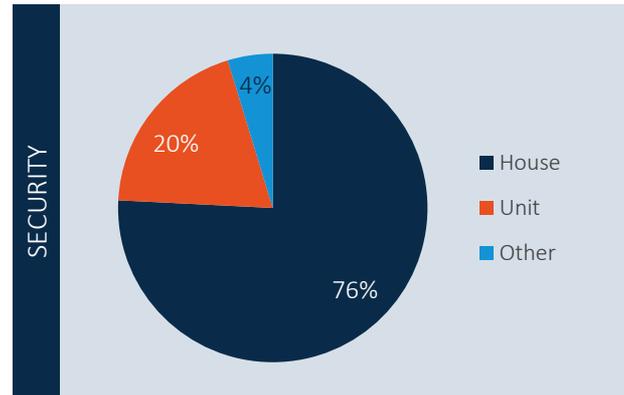
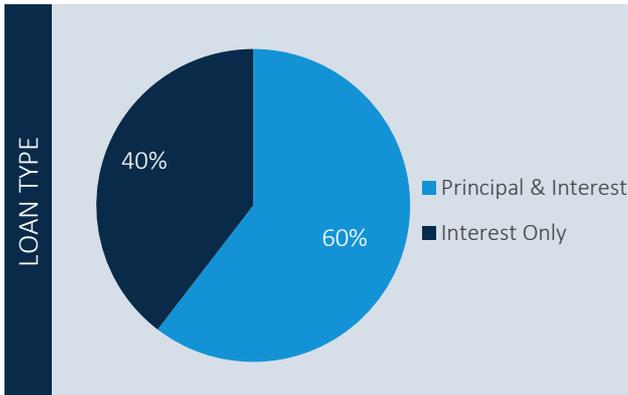
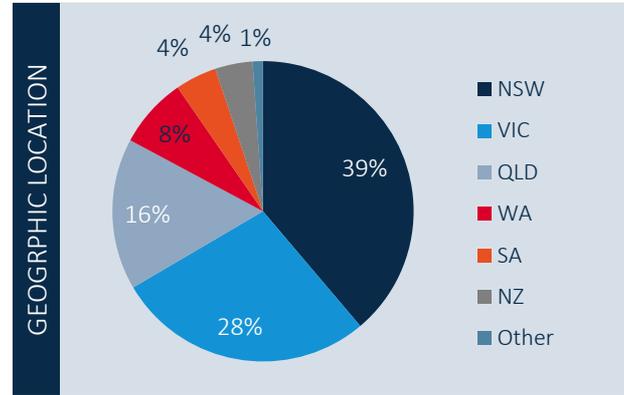
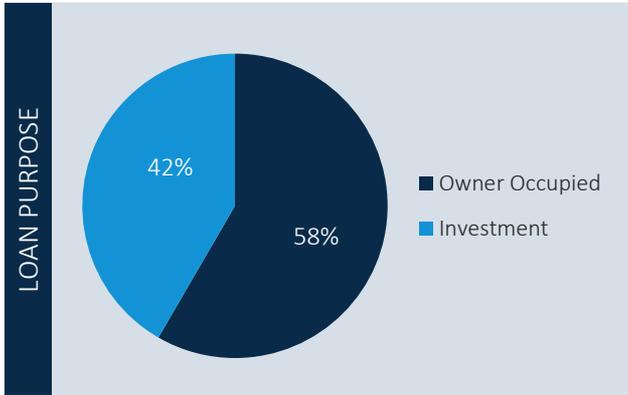


RESIDENTIAL MORTGAGES PILLAR 3 TOTAL WRITE-OFFS (BPS)



PERFORMANCE HIGHLIGHTS

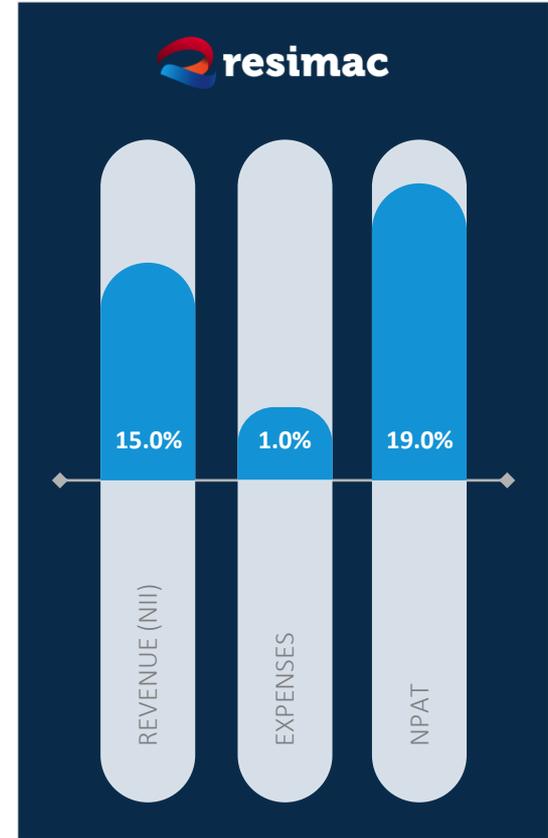
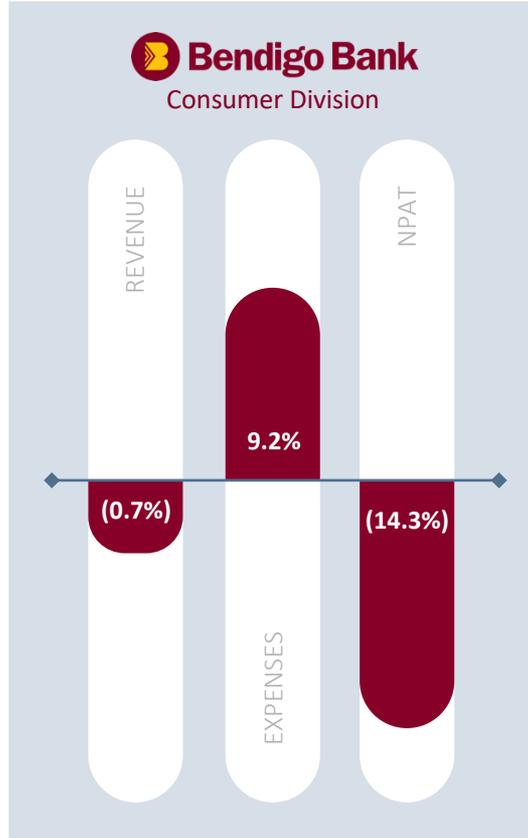
PRINCIPALLY FUNDED PORTFOLIO COMPOSITION



- Weighted average portfolio LVR – Prime 66.6%; Specialist 69.2%
- Geographical spread of portfolio reflective of Australian population
- Quality portfolio with low average LVRs weighted towards Eastern seaboard metropolitan market
- Conservative provision coverage -16bps of Total AUM

PERFORMANCE HIGHLIGHTS

INDUSTRY LEADING PERFORMANCE FY19 vs. FY18



OUTLOOK & PRIORITIES

Scott McWilliam, CEO



MARKET CONSIDERATIONS

ORGANISATIONAL RESILIENCE

Political Environment

- Following the Banking Royal Commission, we maintained our diligent responsible lending practices consistent with regulatory and consumer expectations
- Resimac strongly support the broker channel, providing consumers with choice across the entire lender market

Channel Strategy

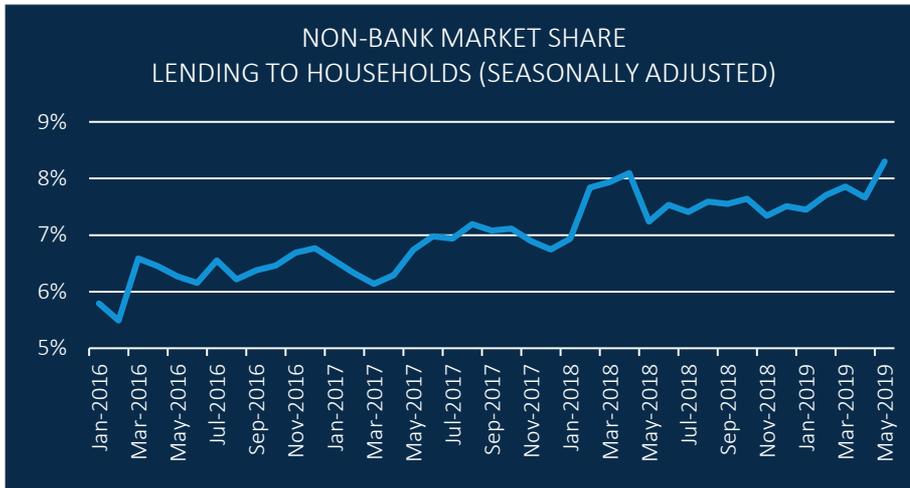
- Channel diversification developed and implemented
- Direct sales team moved to Sydney to leverage greater talent pool
- Onboarding efficiencies implemented across all channels
- Customer focused digital initiatives in progress

MARKET CONSIDERATIONS

ORGANISATIONAL RESILIENCE

Non-Bank Market Share

- Non-bank market share (c8.5%) continues to increase in line with increasing customer preference for the Broker channel (originating over 55% of all home loans).



Source: ABS

House Prices

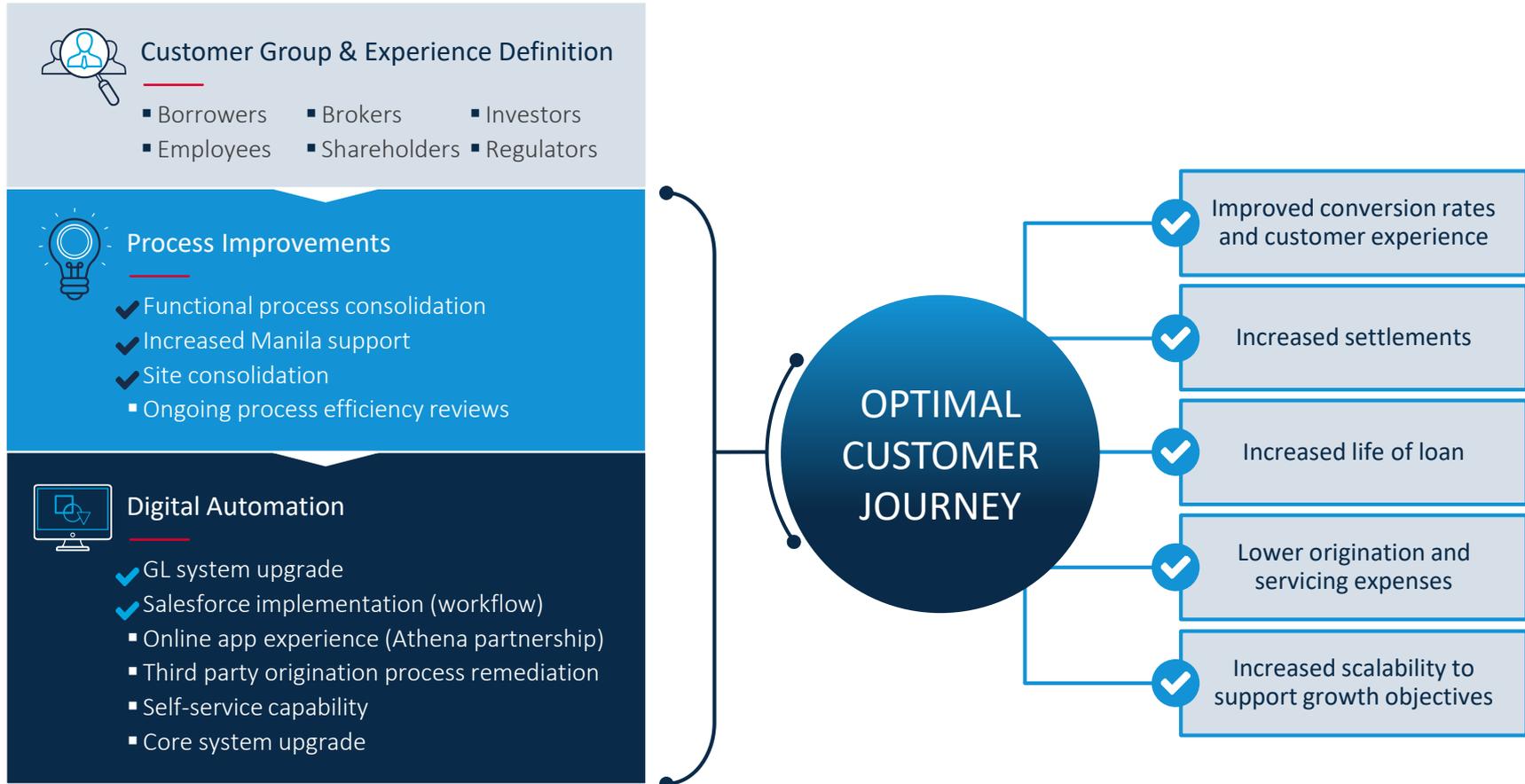
- Despite house price decreases over the last 18 months, our robust credit risk management practices are continuing to prove effective.
- Given the position of the housing cycle, additional risk-adjusted return opportunities may arise.

Mortgage Delinquencies

- Our portfolios continue to outperform industry benchmark measures of delinquencies and losses.

STRATEGIC PRIORITIES

CUSTOMER CENTRIC PROCESS IMPROVEMENT & DIGITAL AUTOMATION



STRATEGIC PRIORITIES

GROWTH IN MARKET SHARE

Increase Broker Channel Penetration

- ✓ Brand awareness and broker engagement focus
- ✓ Communications strategy developed across social media, websites and email
 - Sales team performance optimisation (ongoing)

Specialist Focus

- ✓ Product, policy and pricing positioning
- ✓ Market leading Broker service proposition
 - Specialist pilot through Direct Channel

Expand Direct Channel

- ✓ Pricing and lead gen strategy optimisation
- ✓ Team relocation; performance focus
- ✓ Scale initiatives – process review and Manila usage
 - Online application process enhancements
 - Re-launch of homeloans.com.au

FINANCIAL RESULTS

Jason Azzopardi, CFO

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2019

	FY19 \$m	FY18 \$m
Interest income	445.3	358.3
Interest expense	(327.4)	(255.8)
Net interest income	117.9	102.5
Fee and commission income	19.0	27.6
Fee and commission expense	(31.5)	(33.4)
De-recognition of investment in associate (Finsure)	5.8	-
Gain on disposal of subsidiary	13.1	-
Other income	4.5	2.1
Employee benefits expense	(37.7)	(38.2)
Operating expenses	(24.2)	(23.1)
Loan impairment expense	(3.0)	(1.6)
Profit before tax	63.9	35.9
Income tax expense	(16.7)	(10.6)
Net profit after tax	47.2	25.3
Reconciliation of Normalised Earnings With Statutory Profit	FY19 \$m	FY18 \$m
Normalised NPAT	31.1	26.2
Writedown of eChoice investment	-	(0.9)
Gain on disposal of subsidiary	13.1	-
De-recognition of investment in associate (Finsure)	5.8	-
Non-recurring income	0.5	-
Tax effect	(3.3)	-
Statutory NPAT	47.2	25.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

\$m	2019 \$m	2018 \$m
Assets		
Cash and bank balances	224.8	198.9
Trade and other receivables	10.7	7.3
Loans and advances to customers	10,341.9	8,633.6
Other assets	53.9	63.2
Other financial assets	5.1	0.3
Derivative financial assets	56.6	43.6
Intangible assets	23.4	22.1
TOTAL ASSETS	10,716.4	8,969.0
Liabilities		
Trade and other payables	25.3	43.6
Interest-bearing liabilities	10,450.6	8,717.1
Other financial liabilities	22.9	27.9
Derivative financial liabilities	1.6	0.6
Other liabilities	15.9	12.7
Provisions	4.0	4.4
TOTAL LIABILITIES	10,520.3	8,806.3
Net assets	196.1	162.7
Equity		
Share capital	180.5	177.3
Reverse acquisition reserve	(61.5)	(61.5)
Total issued capital	119.0	115.8
General reserves	(7.2)	(3.0)
Retained earnings	84.3	49.9
Equity attributable to owners of the parent	196.1	162.7
TOTAL EQUITY	196.1	162.7

\$m	2019 \$m	2018 \$m
Cash reconciliation		
Cash at bank and on hand	10.6	15.2
Cash collections account	212.7	182.0
Restricted cash	1.5	1.7
Cash at bank	224.8	198.9

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

\$m	2019 \$m	2018 \$m
Cash flows from operating activities		
Interest received	452.3	373.5
Interest paid	(318.6)	(242.0)
Receipts from loan fees and other income	51.7	56.8
Payments to suppliers and employees	(150.3)	(134.7)
Payments of net loans to borrowers	(1,713.8)	(1,992.9)
Income tax paid	(9.7)	(5.2)
Net cash used in operating activities	(1,688.4)	(1,944.5)
Cash flows from investing activities		
Payment for property, plant and equipment	(2.5)	(2.2)
Repayment of loans to related parties	-	(8.4)
Payment for new investments	(2.0)	-
Proceeds on disposal of Paywise	12.0	-
Cash on disposal of subsidiary	(10.0)	-
Net cash used in investment activities	(2.5)	(10.6)
Cash flow from financing activities		
Proceeds from borrowings	8,748.8	15,739.6
Repayment of borrowings	(7,027.4)	(13,766.8)
Swap payments	(0.9)	(1.1)
Payment of dividends	(4.4)	(4.0)
Payment of finance lease	(0.3)	-
Net cash generated by financing activities	1,715.8	1,967.7
Net increase in cash and cash equivalents	24.9	12.6
Cash and cash equivalents at the beginning of the period (1 July)	198.9	187.1
Effects of exchanged rate changes on cash balances held in foreign currencies	1.0	(0.8)
Cash and cash equivalents at the end of the period	224.8	198.9

RECONCILIATION OF NET PROFIT TO CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$m
Profit before tax per statement of comprehensive income	63.9
Addback non-cash items	
Depreciation & amortisation	1.3
Amortisation of capitalised bond issuance costs	7.0
Fair value movement on interest rate swaps	(0.4)
Derecognition of investment in associate	(5.8)
Gain on disposal of Paywise	(13.1)
Loan impairment	3.0
Net present value of trail commission receivable	4.0
Accrued interest payable	(0.7)
Cash profit before tax	59.2
Difference between profit before tax and cash flow explained by	
Cash profit before tax	59.2
Increase in trade and other receivables	(3.3)
Decrease in loans and advances	10.0
Decrease in trade and other payables	(4.1)
Capitalised bond issuance costs	(8.5)
Capitalised upfront commissions	(18.2)
Payment of net loans to borrowers	(1,713.8)
Income tax paid	(9.7)
Net Cashflow used in operating activities per consolidated statement of cash flows	(1,688.4)



Scott McWilliam
Chief Executive Officer

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

scott.mcwilliam@resimac.com.au



Jason Azzopardi
Chief Financial Officer

Jason joined the Resimac group in July 2018 as Chief Financial Officer. Prior to Resimac, Jason held senior finance roles in private equity in London with Fortress and 3i. Since relocating to Australia in 2011, Jason's extensive retail banking experience includes senior leadership roles at Bankwest and Macquarie.

Jason is a Fellow of CPA Australia

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ABOUT RESIMAC

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 34 years experience in delivering home finance solutions to a diverse range of customers, we're proud to be servicing over 50,000 current customers. Our distribution covers 85% of the total broker market, as well as tailored products direct to consumers via our State Custodians brand.

As a pioneer of the Residential Mortgage-Backed Securities (RMBS) industry we have one of Australia's most respected securitisation programs, having issued over A\$28 billion across more than 47 transactions.



CUSTOMERS
50,000+



SETTLEMENTS
\$4.1b P.A.



LOAN PORTFOLIO
\$13.4b



DISTRIBUTION
Available via **85%+** of mortgage brokers and direct to consumer online



PEOPLE
250+ staff operating across Australia, New Zealand and Philippines



SHAREHOLDERS
\$325m* (approx. market cap)

*Market cap based on 26 August 2019 closing share price.

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