



26 February 2020

**ASX RELEASE**

**HY20 Investor Presentation**

Resimac Group Ltd (ASX: RMC, “Resimac”) today announced its financial results for the six months ended 31 December 2019.

The Investor Presentation of the financial results authorised by the Board of Resimac is attached.

Chief Executive Officer, Scott McWilliam and Chief Financial Officer, Jason Azzopardi will host a conference call for investors and analysts at 1.30pm Sydney time, today.

The details for the call are below:

Dial: 1800 093 431

Pin: 40073969#

-ENDS-

**Scott McWilliam**

Chief Executive Officer  
P: 9248 0300

**Jason Azzopardi**

Chief Financial Officer  
P: 9248 0300

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**About Resimac Group:**

Resimac Group Ltd (“Resimac”) is a leading non-bank residential mortgage lender and multi-channel distribution business. It operates under a fully integrated business model comprising origination, servicing and funding prime and non-conforming residential mortgages in Australia and New Zealand. With over 250 people operating across Australia, New Zealand and the Philippines, the Resimac Group has in excess of 50,000 customers with a portfolio of mortgages on balance sheet of greater than \$11b and assets under management in excess of \$14b.

The Resimac Group is proud of its securitisation program. To date, Resimac has issued almost \$35b in bonds across 53 transactions in the global fixed income markets. The group has access to a diversified funding platform with multiple warehouse lines provided by major banks for short term funding in addition to a global securitisation program to fund its assets longer term.

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Resimac Group Ltd

1H20 RESULTS PRESENTATION

FEBRUARY 2020

# PERFORMANCE HIGHLIGHTS

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Scott McWilliam, CEO  
Jason Azzopardi, CFO



## 1H20 PERFORMANCE HIGHLIGHTS (vs 1H19)

**\$27.2m**

STATUTORY  
NPAT

↑ 44%

**\$26.9m**

NORMALISED\*  
NPAT

↑ 85%

**\$84.3m**

NET INTEREST  
INCOME

↑ 53%

**42.1%**

COST TO INCOME  
RATIO (NORMALISED)

↓ 1,570bps

**\$2.4b**

HOME LOAN  
SETTLEMENTS

↑ 22%

**\$11.3b**

HOME LOAN ASSETS  
UNDER MANAGEMENT

↑ 20%

**\$14.2b**

TOTAL ASSETS UNDER  
MANAGEMENT

↑ 11%

**26.0%**

RETURN ON  
EQUITY

↑ 840bps

\*Normalised NPAT excludes one-off non-recurring income per reconciliation on slide 17

# PERFORMANCE HIGHLIGHTS

## FINANCIAL RESULTS SUMMARY

- 1,570bps reduction in Cost to Income Ratio driven by revenue growth and continued cost discipline.
- Settlement volumes increased driven by a recovering housing market and FY19 macro headwinds easing.
- Fully franked interim dividend of 1.2c per share declared.

Financial Performance	1H20	1H19	1H20 vs. 1H19 % Change	
NPAT (statutory)	\$27.2m	\$18.9m	44%	↑
NPAT (normalised)	\$26.9m	\$14.5m	85%	↑
Cost to Income Ratio (normalised)	42.1%	57.8%	1,570bps	↓
Return on Equity (normalised NPAT)*	26.0%	17.6%	840bps	↑
Settlements	1H20	1H19	1H20 vs. 1H19 % Change	
Settlements – Home Loans	\$2.4b	\$1.9b	22%	↑
▪ Prime	\$1.7b	\$1.4b	17%	↑
▪ Specialist	\$0.7b	\$0.5b	39%	↑
Settlements – White Label	\$0.1b	\$0.3b	(76%)	↓
Settlements Total	\$2.4b	\$2.2b	9%	↑
Assets Under Management ('AUM')	31 Dec 2019	31 Dec 2018	% Change	
AUM – Home Loans	\$11.3b	\$9.4b	20%	↑
AUM – White Label	\$2.9b	\$3.4b	(16%)	↓
Assets Under Management Total	\$14.2b	\$12.8b	11%	↑

\*ROE based on normalised NPAT and average shareholders equity

# PERFORMANCE HIGHLIGHTS

## EARNINGS GROWTH

- Significant earnings growth with normalised NPAT increasing 85% driven by Net Interest Income (+53%).
- Cost to income ratio decreased significantly driven by higher Net Interest Income partly offset by digital and technology transformation costs.
- Excluding Paywise, 1H20 net fee and commission expense increased \$4.8m driven by home loan settlement costs (\$1.7m), larger funding task (\$1.5m), and lower white label fee revenue (\$1.4m).
- Excluding Paywise, 1H20 operating expenses increased \$3.4m driven by investment in digital transformation and technology (\$2.0m) and higher consulting fees (\$0.7m).
- Loan impairment expense increased \$2.2m driven by higher collective provision in line with AUM growth.

\$m	1H20	1H19	1H20 vs. 1H19 % Change
NPAT (normalised)*	\$26.9m	\$14.5m	85%
▪ Net Interest Income (NII)	\$84.3m	\$55.1m	53%
▪ Net Fee & Commission Income/(Expense)	(\$11.9m)	**(\$3.9m)	+Lge
▪ Operating Expenses	(\$30.6m)	***(\$30.6m)	Flat
▪ Loan Impairment Expense	(\$3.8m)	(\$1.6m)	+Lge

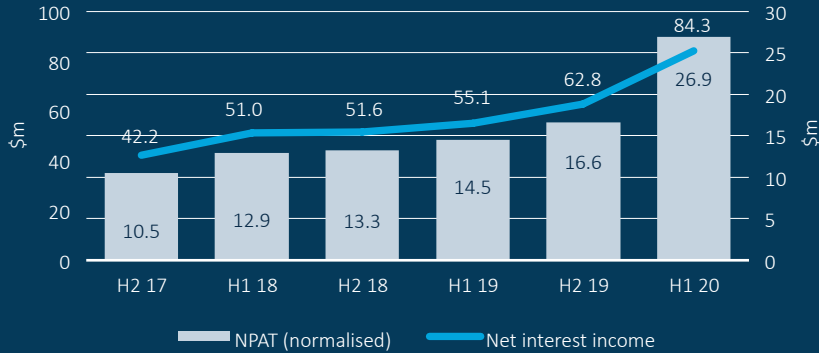
\*Normalised NPAT excludes one-off non-recurring income per reconciliation on slide 17

\*\*1H19 Net Fee & Commission Income/(Expense) includes \$3.2m fee income related to divested subsidiary Paywise. Excluding Paywise, 1H19 Net Fee & Commission Income/(Expense) is (\$7.1m)

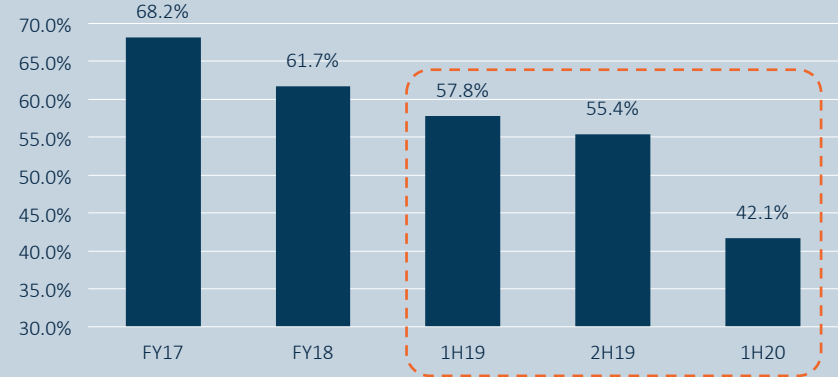
\*\*\*1H19 Operating Expenses include \$3.4m related to divested subsidiary Paywise. Excluding Paywise, 1H19 Operating Expenses were (\$27.2m)

# PERFORMANCE HIGHLIGHTS

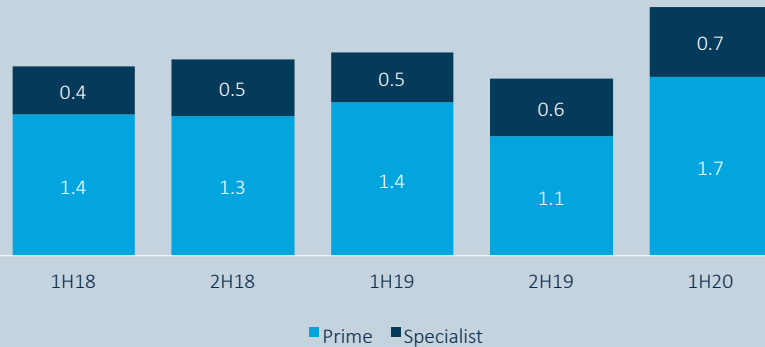
## REVENUE & EARNINGS



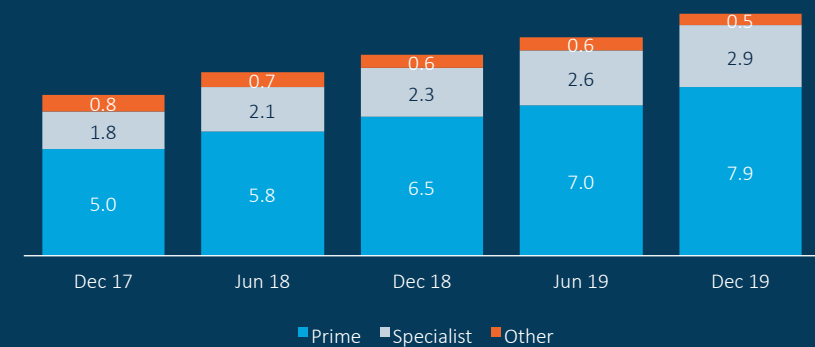
## COST TO INCOME RATIO



## HOME LOAN SETTLEMENTS (\$b)

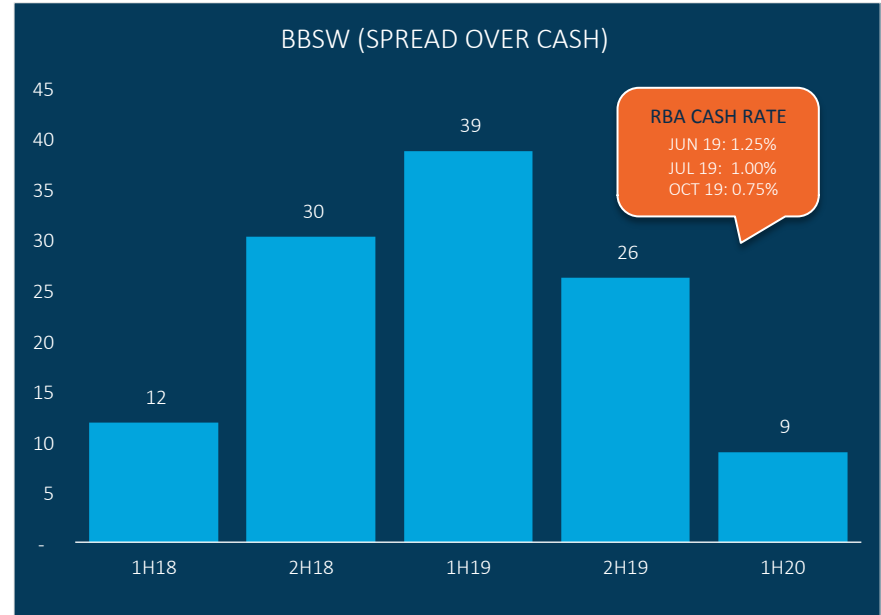
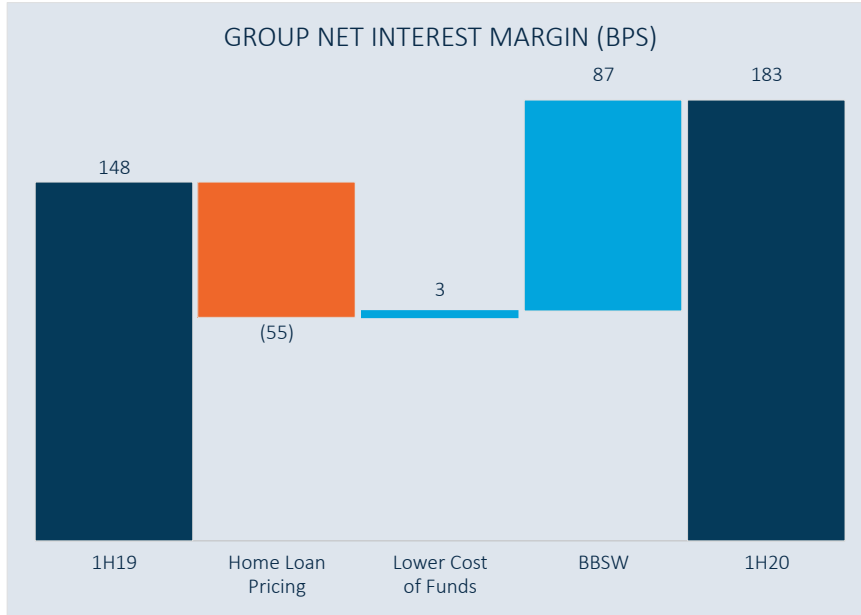


## HOME LOAN AUM (\$b)



# PERFORMANCE HIGHLIGHTS

## GROUP MARGIN



Source: Bloomberg

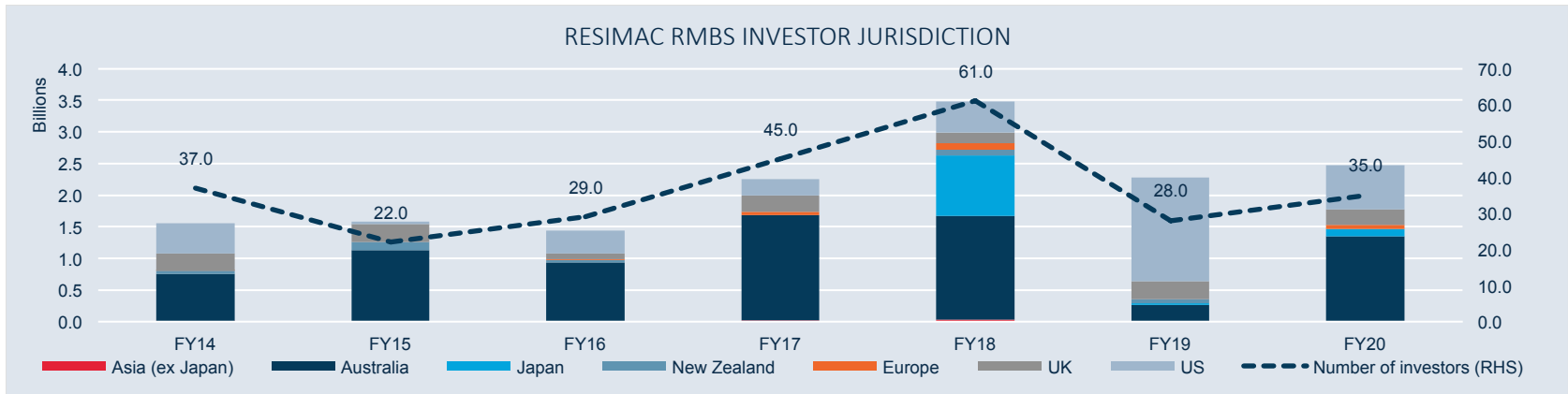
- Home loan pricing (-55bps) reflects customer rate repricing and organic run-off
- Lower cost of funds (-3bps) driven by lower new issuance / warehouse margins
- BBSW 1H19 average 1.89%; 1H20 average 1.02%



# PERFORMANCE HIGHLIGHTS

## FUNDING PROGRAM

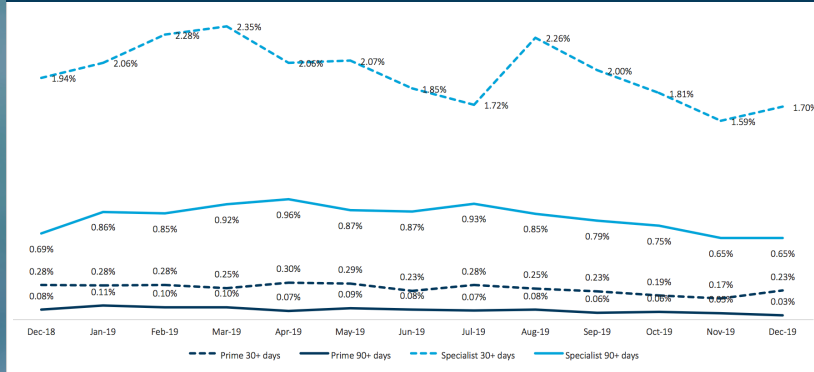
- During 1H20, the Group remained active in the global capital markets with \$2.5b of 5 year RMBS issued across 3 transactions in domestic, Asia Pacific & Japan (“APJ”) and US jurisdictions
- Resimac’s USD 144a programme continues to develop depth in the US investor space with key new accounts, such as state pension funds, participating in 1H20 transactions
- The Group will focus on developing distribution capabilities in APJ through targeted marketing strategies and distribution partnerships with UOB (Singapore), MUFG and SMBC banks
- Successful diversification initiatives on the Group’s warehouse facilities continue to support the new business funding task



# PERFORMANCE HIGHLIGHTS

## HOME LOAN PORTFOLIO PERFORMANCE

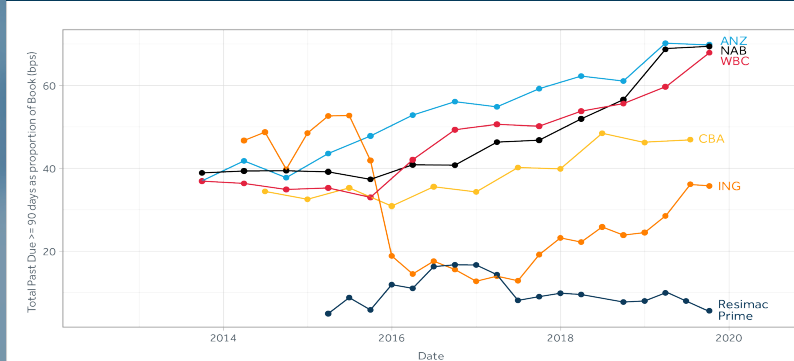
### ARREARS (%)



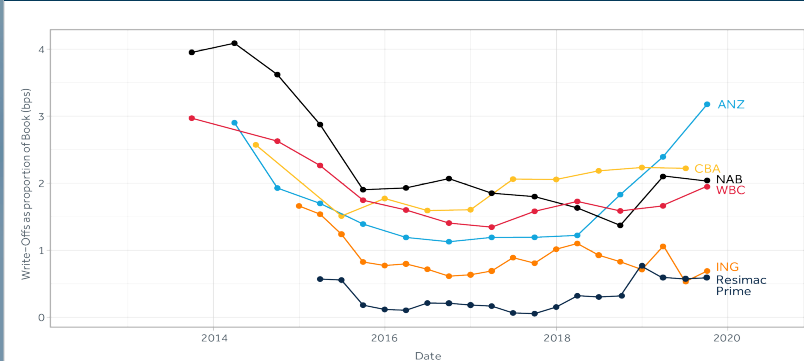
### LOAN PROVISIONS

\$m	Dec 2019 (\$m)	BPS Coverage of AUM
Prime	5.2	7bps
Specialist / Near Prime	9.7	35bps
RHG	3.2	69bps
Other (incl. NZ)	1.4	24bps
<b>Total Provisions</b>	<b>19.5</b>	<b>17bps</b>

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



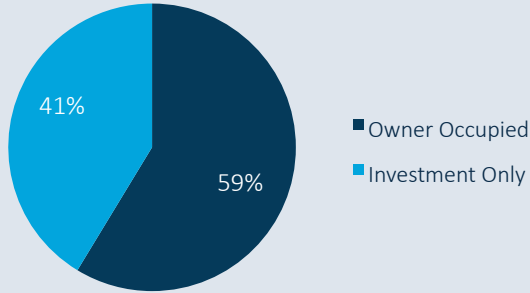
### RESIDENTIAL MORTGAGES PILLAR 3 TOTAL WRITE-OFFS (BPS)



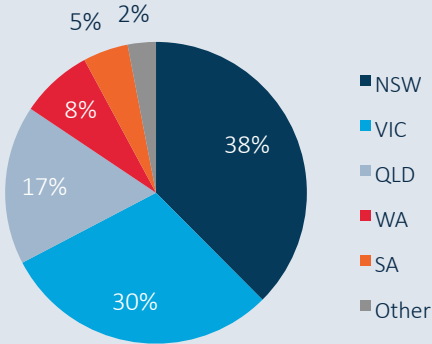
# PERFORMANCE HIGHLIGHTS

## HOME LOAN PORTFOLIO COMPOSITION

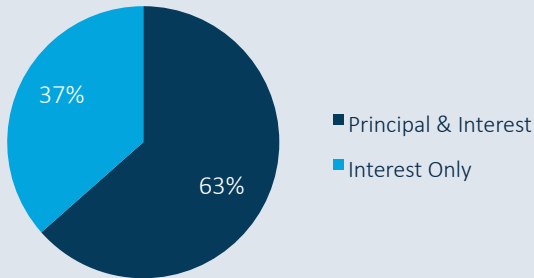
### LOAN PURPOSE



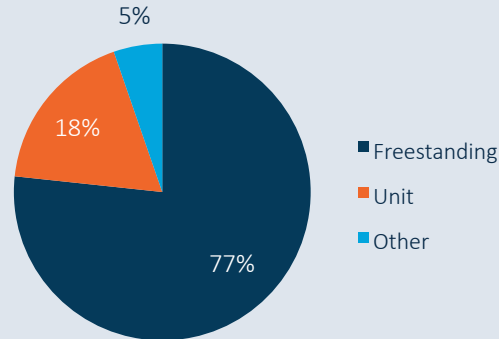
### GEOGRAPHIC LOCATION



### LOAN TYPE



### SECURITY



- Weighted average portfolio LVR – Prime 66.3%; Specialist 68.8%
- Geographical spread of portfolio reflective of Australian population
- Quality portfolio with low average LVRs weighted towards eastern seaboard metropolitan market
- Conservative provision coverage - 17bps of Total AUM

# STRATEGIC PRIORITIES & OUTLOOK

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Scott McWilliam, CEO



# STRATEGIC PRIORITIES

## DIGITAL AUTOMATION



### Digital Automation

- ✓ Workflow management system (Salesforce)
- ✓ New Direct channel online experience and application launched (Athena partnership)
- Core operating system and borrower self-service capability upgrade
- Broker experience and digital application upgrade

### OPTIMAL CUSTOMER JOURNEY



Increased scalability to support growth strategy



Increased settlements



Increased life of loan



Lower operating cost model



Improved customer experience

# STRATEGIC PRIORITIES

## ASSET CLASS DIVERSIFICATION

Purchased 60% of IA Group with option to acquire remaining 40% within 2 years.

### Strategic Objective

- ✓ Diversification from the residential mortgage market, complementing our recent strategic investment in asset finance fintech Positive Group
- ✓ Secured lending – all lending secured by the underlying asset and securitisable

### Market Opportunity

- ✓ Disruption of incumbent asset finance players provides a great opportunity via our disciplined “speed, service and consistency” strategy

### Synergies

- ✓ Funding - IA’s flexible funding platform combined with Resimac RMBS expertise provide margin upside
- ✓ Distribution - Resimac’s strong existing broker relationships allow a smooth transition to asset finance

# STRATEGIC PRIORITIES

## GROWTH IN MARKET SHARE

### Broker Channel Growth

- ✓ Ongoing brand awareness, education and broker engagement focus
- ✓ Enhanced broker and borrower experience through digital capability uplift
- ✓ Opportunity – Resimac represents less than 2% of new Broker originations

### Direct Channel Growth

- ✓ Redesigned online experience, including application process optimisation
- ✓ Process efficiency through smarter use of back office and technology
- ✓ Increased non-prime capability opening up new markets to this channel
- ✓ Re-launch of [homeloans.com.au](https://homeloans.com.au), presenting greater marketing opportunities



# FY20 OUTLOOK

- We expect the housing market recovery to continue, driving competition resulting in low new business rates to consumers.
- Consumer trends towards the Broker channel and lenders outside of the Big4 continues. December and January application volumes were strong in a traditionally softer seasonal period, providing a strong pipeline of settlements into 2H20.
- BBSW remains low compared to long-term averages, reflecting market sentiment of further RBA easing.
- Our investment in digital and technology will continue in 2H20. We expect 2H20 operating expenses will be higher compared to 1H20.
- Assuming BBSW spread over cash remains in line with 1H20 (+9bps), we expect 2H20 normalised NPAT to be in line with or above 1H20.



# FINANCIAL RESULTS

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Jason Azzopardi, CFO



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	1H20 \$m	1H19 \$m
Interest income	229.1	217.0
Interest expense	(144.8)	(161.9)
<b>Net interest income</b>	<b>84.3</b>	<b>55.1</b>
Fee and commission income	6.2	11.8
Fee and commission expense	(18.0)	(15.7)
De-recognition of investment in associate (Finsure)	-	5.8
Other income	0.6	2.2
Employee benefits expense	(17.4)	(19.7)
Operating expenses	(13.2)	(10.9)
Loan impairment expense	(3.8)	(1.6)
<b>Profit before tax</b>	<b>38.7</b>	<b>27.0</b>
Income tax expense	(11.5)	(8.1)
<b>PROFIT FOR THE YEAR</b>	<b>27.2</b>	<b>18.9</b>

Reconciliation of Normalised Earnings With Statutory Profit	1H20 \$m	1H19 \$m
<b>Statutory NPAT</b>	<b>27.2</b>	<b>18.9</b>
De-recognition of investment in associate (Finsure)	-	(5.8)
Non-recurring income	(0.4)	(0.5)
Tax effect	0.1	1.9
<b>Normalised NPAT</b>	<b>26.9</b>	<b>14.5</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

\$m	31 DEC 19	30 JUN 19
<b>Assets</b>		
Cash and bank balances	412.4	224.8
Trade and other receivables	6.5	10.7
Loans and advances to customers	11,439.2	10,341.9
Other assets	51.2	53.9
Other financial assets	7.9	5.1
Derivative financial assets	29.2	56.6
Right-of-use assets	12.8	-
Intangible assets	23.3	23.4
<b>TOTAL ASSETS</b>	<b>11,982.5</b>	<b>10,716.4</b>
<b>Liabilities</b>		
Trade and other payables	19.2	25.3
Interest-bearing liabilities	11,690.3	10,450.6
Other financial liabilities	21.8	22.9
Derivative financial liabilities	1.6	1.6
Lease liabilities	13.7	-
Other liabilities	14.9	15.9
Provisions	4.1	4.0
<b>TOTAL LIABILITIES</b>	<b>11,765.6</b>	<b>10,520.3</b>
<b>Net assets</b>	<b>216.9</b>	<b>196.1</b>
<b>Equity</b>		
Share capital	181.2	180.5
Reverse acquisition reserve	(61.5)	(61.5)
<b>Total issued capital</b>	<b>119.7</b>	<b>119.0</b>
General reserves	(7.6)	(7.2)
Retained earnings	104.8	84.3
<b>Equity attributable to owners of the parent</b>	<b>216.9</b>	<b>196.1</b>
<b>TOTAL EQUITY</b>	<b>216.9</b>	<b>196.1</b>

\$m	31 DEC 19	30 JUN 19
<b>Cash reconciliation</b>		
Cash at bank and on hand	11.3	10.6
Cash collections account	391.1	212.7
Restricted cash	10.0	1.5
<b>Cash at bank</b>	<b>412.4</b>	<b>224.8</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

\$m	1H20 \$m	1H19 \$m
<b>Cash flows from operating activities</b>		
Interest received	234.4	215.2
Interest paid	(137.5)	(155.3)
Receipts from loan fees and other income	25.4	18.1
Payments to suppliers and employees	(81.0)	(76.8)
Payments of net loans to borrowers	(1,892.0)	(809.2)
Income tax paid	(12.2)	(5.8)
<b>Net cash used in operating activities</b>	<b>(1,862.9)</b>	<b>(813.8)</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(0.1)	(2.0)
Repayment of loans to related parties	(2.4)	-
Payment for new investments	(3.0)	(2.0)
<b>Net cash used in investment activities</b>	<b>(5.5)</b>	<b>(4.0)</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	5,572.3	5,645.6
Repayment of borrowings	(4,304.5)	(4,723.6)
Proceeds of loans sold to external party (Athena)	794.9	-
Payment of lease liabilities	(0.8)	-
Swap payments	(0.8)	0.4
Payment of dividends	(5.4)	(3.1)
<b>Net cash generated by financing activities</b>	<b>2,055.7</b>	<b>919.3</b>
<b>Net increase in cash and cash equivalents</b>	<b>187.3</b>	<b>101.5</b>
Cash and cash equivalents at the beginning of the period (1 July)	224.8	198.9
Effects of exchanged rate changes on cash balances held in foreign currencies	0.3	(0.1)
<b>Cash and cash equivalents at the end of the period</b>	<b>412.4</b>	<b>300.3</b>



**Scott McWilliam**  
Chief Executive Officer

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Scott has over 20 years' experience in the financial services sector. This includes holding senior roles in debt capital markets for Deutsche Bank in both London and Sydney and with Citibank.

Scott has been with the Resimac Group for 15 years, initially as Head of Funding and Investments, followed by Chief Operating Officer and then CEO since 2013.

[scott.mcwilliam@resimac.com.au](mailto:scott.mcwilliam@resimac.com.au)



**Jason Azzopardi**  
Chief Financial Officer

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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.

[jason.azzopardi@resimac.com.au](mailto:jason.azzopardi@resimac.com.au)

# IMPORTANT NOTICE & DISCLAIMER

The information in this presentation provides an overview of the results for the half year ended 31 December 2019. It is general background information about the activities of Resimac Group Ltd and is current as at the date of the presentation, 26 February 2020. It is provided in summary and does not purport to be complete. You should not rely upon it as advice for investment purposes as it does not take into account your investment objectives, financial position or needs.

These factors should be considered, with or without professional advice, when determining if an investment is appropriate. Forward looking statements in this presentation are based on Resimac's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond Resimac's control and could cause actual results, performance or events to differ materially from those expressed or implied. These forward looking statements are not guarantees or representations of future performance and should not be relied upon as such.

This presentation has not been subject to auditor review and all dollar values are in Australian dollars (\$AUD), unless otherwise stated.

This presentation should be read in conjunction with all information which Resimac Group Ltd has lodged with the Australian Securities Exchange ("ASX"). Copies of those lodgements are available from either the ASX website [asx.com.au](http://asx.com.au) or Resimac's website [resimac.com.au](http://resimac.com.au)

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**resimac**