Results announcement for the half-year ended 30 September 2016

15 November 2016
Investment Highlights

We commenced our 3 year Accelerate Strategy with a step change in investment for marketing and technology and continue to be profitable in all segments. In the half we achieved;

**Increased Australian Market Penetration**
- Marketing mix broadened with increased investment in Australia,
- Group rebranding is gaining good traction in Australia,

**Increased Penetration in Non-AUD**
- Preparation for brand roll out in remaining geographies,
- Finalised US go to market strategy in advance of 2H17 launch,

**Continued Advancement of our Technology**
- Technology investment continues with move to Amazon Web Services,

**Robust Investment Rationale**
- Return to underlying metric growth despite market conditions post BREXIT,
- Half on half growth in net operating income (NOI) to $53.6m. Step change in strategic investment resulting in NPAT of $9.7m.
- Outlook for the full year is continued momentum in NOI growth, with leverage of strategic investments leading to increasing margins. EBTDA is expected to be lower, whilst NPAT will be slightly higher.
Operating Highlights

**Customer Experience**
- Improvements to client on-boarding process through use of technology
- New online sellers product launched
- Market leading net promoter score (NPS)

**Infrastructure**
- Continued expansion of banking capabilities
- Seamless handling of BREXIT volumes
- New cloud based global telephony system

**Scalability and process improvements**
- Migration to cloud based provider Amazon Web Services, providing variability and flexibility of cost base
- Implementation of segment based operating model
Finance Update

Mark Ledsham
Chief Financial Officer
### Underlying results

#### Financial Metrics

<table>
<thead>
<tr>
<th></th>
<th>1HFY17</th>
<th>2HFY16</th>
<th>1HFY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover ($bn's)</td>
<td>9.6</td>
<td>9.6</td>
<td>10.0</td>
</tr>
<tr>
<td>Net Operating Income ($m's)</td>
<td>53.6</td>
<td>50.3</td>
<td>53.6</td>
</tr>
<tr>
<td>Expenses ($m's)</td>
<td>38.8</td>
<td>32.9</td>
<td>32.8</td>
</tr>
<tr>
<td>Long and Short Term Incentives ($m's)</td>
<td>1.5</td>
<td>(0.6)</td>
<td>2.7</td>
</tr>
<tr>
<td>Underlying EBITDA ($m's)</td>
<td>13.5</td>
<td>18.0</td>
<td>18.1</td>
</tr>
<tr>
<td>Underlying FRT ($m's)</td>
<td>11.8</td>
<td>17.1</td>
<td>17.7</td>
</tr>
<tr>
<td>Underlying NPAT ($m's)</td>
<td>9.7</td>
<td>11.6</td>
<td>12.3</td>
</tr>
</tbody>
</table>

#### Operational Metrics

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Clients (000's)</td>
<td>151.7</td>
<td>150.9</td>
<td>151.1</td>
</tr>
<tr>
<td>Transactions (000's)</td>
<td>419.3</td>
<td>392.0</td>
<td>392.2</td>
</tr>
<tr>
<td>Average Transaction Value ($000's)</td>
<td>22.8</td>
<td>24.4</td>
<td>25.6</td>
</tr>
</tbody>
</table>

1. 1HFY16 and 2FYH16 excludes one off costs associated with CEO succession planning and executive team restructure, corporate actions and rebranding costs.
2. Excludes the provision for long and short term incentives.
3. Active clients are clients who have transacted in the past 12 months.

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- **Return to half on half revenue growth**
  - Driven by growth in transactions
  - Improving quality of active client base with more transactions per client
  - ATV is a driver of revenue, and has been impacted by post BREXIT market conditions

- **Controlled investment inline with strategic goals**
  - **People**
    - Technology
    - Compliance
  - **Marketing**
    - Roll out of brand in Australia
    - Broadening of marketing mix
  - **Technology**
    - Platform transitions to cloud native

- **Improved effective tax rate**
  - Implementation of Offshore Banking Unit (OBU) has reduced the effective tax rate to 24%

- **Interim dividend 2.8 cents per share fully franked**
Operating metrics underpin result

More corporate clients resulting in more transactions per client ...

Active Clients
152k
0.5% up on 2HFY16

Transactions
419k
7% up on 2HFY16

ATV
$23k
7% down on 2HFY16

Turnover
$9.3b
consistent with 2HFY16

... combined with an ATV impacted by market events has driven ...

... a turnover result that is consistent with 2HFY16.

Transactions per client
6% up on 2HFY16

Transactions

ATV

Turnover

Finance Update
Robust build up of cohorts drives strong transactional growth

Corporate clients

- On average transact 5 times more than an individual
- Better retention rates
- 46% of corporate transactions were from clients older than 3 years

Individual clients

- Have good rates of retention leading to 34% of all transactions been completed by clients older than 3 years

Both divisions have gained momentum following the short term impacts of the rebrand in Australia
Market conditions have caused lower ATV’s impacting revenue
Half on half revenue growth from all segments

<table>
<thead>
<tr>
<th>Segment Net Operating Income</th>
<th>1HFY17</th>
<th>2HFY16</th>
<th>1HFY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia and New Zealand</td>
<td>31.8</td>
<td>29.6</td>
<td>30.5</td>
</tr>
<tr>
<td>Europe</td>
<td>10.2</td>
<td>9.7</td>
<td>11.2</td>
</tr>
<tr>
<td>North America</td>
<td>9.6</td>
<td>8.9</td>
<td>8.7</td>
</tr>
<tr>
<td>Asia</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Wholesale</td>
<td>5.3</td>
<td>4.7</td>
<td>5.8</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>58.0</td>
<td>53.9</td>
<td>57.3</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>5.0</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>52.9</td>
<td>49.4</td>
<td>52.8</td>
</tr>
<tr>
<td>Net interest income</td>
<td>0.7</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>53.6</td>
<td>50.3</td>
<td>53.6</td>
</tr>
</tbody>
</table>

- Record net operating income revenue in Australia and North America
- Investment in brand and improving marketing mix in Australia, resulted in half on half revenue growth of 7.4%. Only the North America business achieved higher growth
- North America continues to deliver growth at a faster rate than ANZ at the same point in its maturity. The North American market is expected to be a significant contributor to the three year Accelerate Strategy growth target
- Europe continues to display strong key performance indicators and growth regardless of market conditions
Underlying operating expenses

<table>
<thead>
<tr>
<th></th>
<th>1HFY17</th>
<th>2HFY16</th>
<th>1HFY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee costs</td>
<td>20.3</td>
<td>18.1</td>
<td>18.0</td>
</tr>
<tr>
<td>Promotional costs</td>
<td>9.3</td>
<td>7.4</td>
<td>7.8</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>2.2</td>
<td>2.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Technology Infrastructure</td>
<td>1.8</td>
<td>1.4</td>
<td>0.9</td>
</tr>
<tr>
<td>Other costs</td>
<td>5.0</td>
<td>3.9</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total operating costs</strong></td>
<td><strong>38.6</strong></td>
<td><strong>32.8</strong></td>
<td><strong>32.9</strong></td>
</tr>
<tr>
<td>Short and long term incentives</td>
<td>1.5</td>
<td>(0.6)</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>40.1</strong></td>
<td><strong>32.2</strong></td>
<td><strong>35.6</strong></td>
</tr>
</tbody>
</table>

1. A portion of the short and long term incentives provision was released in 2H16 as performance hurdles were not achieved

- Strategic increase in operating expenses in order to invest in future growth is in line with previously disclosed Accelerate Strategy
- Investment in Technology Engineers, Data Analytics and HR affected employee costs
- Strategic investment during the half in broadening the Group's marketing mix and promoting the new brand OFX resulted in higher promotional costs
- Occupancy costs increased due to new leases entered into in Sydney, Toronto and Hong Kong during 2H16
- Technology Infrastructure costs have increased due to double up in costs during transition to AWS. This transitional period is expected to be exited as we start FY18
### Balance Sheet

- Net cash $41.5m up 9% from 31 March

- The Group requires net cash to enable
  - Adherence with regulatory capital requirements
  - Collateral with banking counterparties
  - Working capital to prefund bank accounts ensuring fast execution of client payments

- $1.8m of highlighted $5m of capex for FY17 has been incurred

<table>
<thead>
<tr>
<th></th>
<th>1HFY17</th>
<th>2HFY16</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>129.4</td>
<td>142.1</td>
<td>(9%)</td>
</tr>
<tr>
<td>Receivables due from financial institutions</td>
<td>26.6</td>
<td>20.8</td>
<td>28%</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>17.8</td>
<td>27.0</td>
<td>(34%)</td>
</tr>
<tr>
<td>Other assets</td>
<td>9.9</td>
<td>9.2</td>
<td>8%</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>6.4</td>
<td>6.5</td>
<td>(2%)</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>190.1</td>
<td>205.6</td>
<td>(8%)</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>11.2</td>
<td>20.3</td>
<td>45%</td>
</tr>
<tr>
<td>Client liabilities</td>
<td>114.5</td>
<td>124.8</td>
<td>8%</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>9.0</td>
<td>7.2</td>
<td>(25%)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>134.7</td>
<td>152.4</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>55.4</td>
<td>53.2</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary share capital</td>
<td>24.4</td>
<td>24.4</td>
<td>0%</td>
</tr>
<tr>
<td>Reserves</td>
<td>2.5</td>
<td>2.6</td>
<td>(4%)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>28.5</td>
<td>26.3</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>55.4</td>
<td>53.2</td>
<td>4%</td>
</tr>
</tbody>
</table>
Strong cash flow conversion supports investment

EBTDA to net free cash flow (excluding customer liabilities)
The Group will continue to acquire quality clients building on current cohorts, and maintaining the momentum in transactional growth.

Assuming the AUD continues to trade within current ranges against USD, GBP, EUR, CAD and NZD the transactional growth will translate into the equivalent revenue growth.

At the start of FY17 the Group made a step change investment in Marketing and Technology. Whilst this investment is now embedded within the cost base, the future growth in expenses is expected to be at a lower growth rate.

Ongoing lower rate of tax due to OBU benefits

Combined with the revenue growth, the group expects to experience positive jaws with second half margins expanding, resulting in a lower full year EBTDA, whilst NPAT is expected be slightly higher.
Our investments over 1H17 position OFX to achieve $200m revenue by FY19, with accelerated earnings growth.

A 3 year Accelerate strategy

GROWTH OPPORTUNITIES

- Increase AUD penetration
  Tilt towards corporates and unlock the value from our client base

- Increase non-AUD penetration
  Executing US go-to-market strategy

- Target adjacencies
  Scaling out new online sellers business line

CORE ENABLERS

- People
  Empowering Innovation

- Technology
  Building scalable and agile technology platform in the cloud

- Marketing
  Diversification of marketing channels

November 2016
Scalable operating model supported by world class assets

- **BRAND**: 1 single global brand developing
- **SERVICE**: Online scalable platform combined with global 24/7 service. Higher touch service for higher value clients.
- **POSITIONING**: Targeting mass affluent and corporates. Preferred option for high transaction value and regular payment needs.
- **DISTRIBUTION**: Digital online marketing and offline sales including strategic partnerships.
- **PAYMENT RAILS**: Leveraging global banking relationship to provide competitive Account to Account international payment in 900+ currency pairs.
- **LICENCES**: Fully regulated with 50 operating licenses in place, including 46 in the US. Single instance proprietary platform which is being moved to the cloud.
- **TECHNOLOGY**: Scalable operating model supported by world class assets.
Summary

• Delivered half on half revenue growth across all key markets.

• Period of significant investment: split equally between generating transaction growth and in underlying infrastructure to build a scalable and flexible business.

• Anticipate good second half margin growth as transaction volumes increase and we leverage step change in expense base.

• Encouraging early response to rebrand in Australia; continued global roll out into international markets over coming months.

• Roll out of go to market strategy in US during the second half is expected to provide positive momentum toward strategic goals.
AUD penetration: tilt towards corporates and unlock value from our client base

**OPPORTUNITY**

- Grow both market and wallet share in Corporates
- Unlock value of existing customer base

**PHASE 1**

Focus on building OFX Brand

- Above the Line advertising campaign
- Improved efficiency of Search Spend

**PHASE 2**

Targeted performance marketing across the customer value chain

- **ACQUIRE**: launching targeted Programmatic Display advertising with new creative to drive registrations
- **CONVERT**: improving the on-boarding journey by automating verification and simplifying the process
- **SERVE**: redirecting resources to support high value customers including corporates
- **MONETIZE**: unlocking the value from our client base by nurturing advocacy and activating dormant customers

November 2016
Non-AUD penetration: US go-to-market strategy

**OPPORTUNITY**

5x bigger payment flows than Australia yet 5x smaller share in OFX portfolio

Green shoots market largely untapped by digital MSBs

Higher margins captured by Banks and traditional players like WU and PayPal

Provides broader currency diversification, reducing exposure to volatility

**PHASE 1**

- Completed market research and identified target segments
- Enhancing trust & assurance markers on our website
- Streamlining ready to deal process to improve conversion rates

**PHASE 2**

- Introducing OFX brand in December 2016; full launch in April 2017
- Ramping up B2B marketing to support corporate sales
- Leveraging programmatic marketing Scaling customer acquisition via strategic partnerships
- Building US-based direct corporate sales capabilities in California

November 2016
Target adjacencies: scaling out new online sellers business line

**OPPORTUNITY**

Global Retail Ecommerce is estimated to be worth $1.9 trillion in 2017.

Marketplaces account for 30% of total sales volume today, forecast to be 46% by 2020.

Both marketplaces and their cross-border sellers have clearly defined FX needs.

**POSITIONING**

Providing 3rd party Online Sellers exporting on Amazon, Ebay and other Marketplaces, local currency collection accounts to save on their FX receivables.

Provide Marketplaces access to wholesale payments API's for their FX payables.

**PHASE 1**

Leverage our banking relationships to offer a collection account product

Benchmark competitors to build minimum viable product

Sell through existing sales teams and partner channels

Test, learn and validate product and marketing strategies

**PHASE 2**

Continue to roll out product releases making OFX a product leader

Eco systems focus on Asia – China in particular

Scale sales and marketing activates across other core markets US, UK and Australia

November 2016
**Technology: building scalable and agile technology in the cloud**

**SCALABLE AND RESILIENT INFRASTRUCTURE**

All core applications now in the cloud (AWS) Development and test environment now in AWS

**NEW TECHNOLOGY ARCHITECTURE**

Progressing well with migration to modern technology stack

**AGILE PRODUCT DELIVERY CAPABILITY**

Executing via product aligned development teams

Delivering regular and reliable customer feature releases [reality?]

Attracting top tech talent
People: empowering innovation

“Support every OFXer to be their best self”

Individuals who work as their best self will thrive. Thriving individuals will do their best work and make their greatest contribution which will ensure we achieve results beyond expectations.

CORE ENABLERS

**Leadership**
Strong Leaders for inspiration and guidance in all our teams

**Structure**
Succinct and clear policies and procedures to ensure individuals feel safe and secure

**Culture**
A tangible culture of high performance combined with fun and a strong sense of belonging

**Communication**
That ensures alignment and supports autonomy. Transparent and respectful two way dialogue that promotes innovation at all levels

**Talent**
Create an environment that encourages our people to pursue high performance and continually improve
Thank you