FY17 summary

Skander Malcolm
Chief Executive Officer and Managing Director
FY17 summary

Fundamentals good

- Fee and trading income: $114.1m, 2.5%
- Transactions: 852k, 8.7%
- Active clients: 157k, 3.7%
- Strong fee and trading income in North America: $20.0m, 13.6%
- Net cash: $42.6m, 12.0%

Delivered

- $27.8m underlying EBTDA, on guidance
- $19.6m underlying NPAT, on guidance

Final dividend of 2.9 cents per share

Operational highlights

- Rebranded Australia, UK, and US to OFX
- Migration to Amazon Web Services (AWS) completed
- Launched over 50 new features
- Strong trading through Brexit
Financial update

Doug Snedden
Non-Executive Director
Financial results in line with guidance

**Underlying results**

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Metrics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover ($b)</td>
<td>16.6</td>
<td>19.6</td>
<td>19.4</td>
</tr>
<tr>
<td>Net operating income ($m)</td>
<td>90.1</td>
<td>103.9</td>
<td>105.1</td>
</tr>
<tr>
<td>Expenses ($m)</td>
<td>(53.5)</td>
<td>(65.7)</td>
<td>(77.5)</td>
</tr>
<tr>
<td>Long and short term incentives ($m)</td>
<td>(2.2)</td>
<td>(2.1)</td>
<td>0.2</td>
</tr>
<tr>
<td>Underlying EBTDA ($m)</td>
<td>34.5</td>
<td>36.1</td>
<td>27.8</td>
</tr>
<tr>
<td>Underlying EBT ($m)</td>
<td>33.9</td>
<td>34.8</td>
<td>24.0</td>
</tr>
<tr>
<td>Underlying NPAT ($m)</td>
<td>24.3</td>
<td>23.9</td>
<td>19.6</td>
</tr>
<tr>
<td><strong>Operational Metrics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active clients¹ (000's)</td>
<td>142.5</td>
<td>150.9</td>
<td>156.7</td>
</tr>
<tr>
<td>Transactions (000's)</td>
<td>702.8</td>
<td>784.2</td>
<td>852.3</td>
</tr>
<tr>
<td>Average transaction value (000’s)</td>
<td>23.7</td>
<td>25.0</td>
<td>22.8</td>
</tr>
</tbody>
</table>

1. Active clients are clients who have transacted in the past 12 months.

**Key takeaways**

✔ Net operating income (NOI) increased

✔ Higher expenses reflect investment in brand and technology

✔ Underlying EBTDA and NPAT in line with guidance

✔ Net margin stable
Selective investments in growth capabilities leading to positive jaws going forward

Underlying operating expenses ¹

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee expense</td>
<td>(28.3)</td>
<td>(36.1)</td>
<td>(42.8)</td>
</tr>
<tr>
<td>Promotional expense</td>
<td>(13.9)</td>
<td>(15.2)</td>
<td>(16.3)</td>
</tr>
<tr>
<td>Technology Infrastructure</td>
<td>(1.2)</td>
<td>(2.2)</td>
<td>(4.8)</td>
</tr>
<tr>
<td>Occupancy expense</td>
<td>(2.0)</td>
<td>(3.2)</td>
<td>(4.1)</td>
</tr>
<tr>
<td>Other expense</td>
<td>(8.1)</td>
<td>(8.9)</td>
<td>(9.5)</td>
</tr>
<tr>
<td><strong>Total underlying operating expenses</strong></td>
<td><strong>(53.5)</strong></td>
<td><strong>(65.7)</strong></td>
<td><strong>(77.5)</strong></td>
</tr>
<tr>
<td>Short and long term incentives²</td>
<td>(2.2)</td>
<td>(2.1)</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>(55.6)</strong></td>
<td><strong>(67.8)</strong></td>
<td><strong>(77.3)</strong></td>
</tr>
</tbody>
</table>

1. Underlying operating expenses exclude depreciation and amortisation.
2. A portion of the short and long term incentive provision was released in H2FY16 and H2FY17 as performance hurdles were not achieved.

- ✔️ Investment in tech employees to drive technology upgrade
- ✔️ Above the line marketing spend ($2.5m in H1FY17) is non-recurring
- ✔️ Increase in technology infrastructure costs reflect completed transition to AWS. FY18 hosting costs will decrease
- ✔️ Clear shift in 2018 direction to driving positive jaws
Strong cash generation

<table>
<thead>
<tr>
<th>Component</th>
<th>$m</th>
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</thead>
<tbody>
<tr>
<td>EBTDA</td>
<td>27.8</td>
</tr>
<tr>
<td>Movement in reserves</td>
<td>1.0</td>
</tr>
<tr>
<td>Movement in Balance Sheet items</td>
<td>1.2</td>
</tr>
<tr>
<td>Tax payments</td>
<td>3.5</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>5.4</td>
</tr>
<tr>
<td>FX revaluation</td>
<td>2.2</td>
</tr>
<tr>
<td>Net cash generation</td>
<td>16.8</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>14.3</td>
</tr>
<tr>
<td>Cash revaluation</td>
<td>2.0</td>
</tr>
<tr>
<td>Net cash increase</td>
<td>4.6</td>
</tr>
</tbody>
</table>
## Balance Sheet

<table>
<thead>
<tr>
<th>$m</th>
<th>H2FY16</th>
<th>H1FY17</th>
<th>H2FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash(^1)</td>
<td>38.1</td>
<td>41.5</td>
<td>42.6</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>142.1</td>
<td>129.4</td>
<td>148.5</td>
</tr>
<tr>
<td>Deposits with financial institutions</td>
<td>20.8</td>
<td>26.6</td>
<td>10.1</td>
</tr>
<tr>
<td>Client liabilities ((-124.8))</td>
<td>((-114.5))</td>
<td>((-115.9))</td>
<td>((-115.9))</td>
</tr>
<tr>
<td>Net derivative financial instruments</td>
<td>6.7</td>
<td>6.5</td>
<td>6.8</td>
</tr>
<tr>
<td>Other assets</td>
<td>3.2</td>
<td>3.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>7.0</td>
<td>6.4</td>
<td>5.5</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>2.3</td>
<td>4.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Deferred and prepaid tax assets</td>
<td>3.3</td>
<td>2.6</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>60.5</td>
<td>64.4</td>
<td>66.4</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>4.8</td>
<td>6.2</td>
<td>7.0</td>
</tr>
<tr>
<td>Provisions</td>
<td>2.5</td>
<td>2.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Tax Liabilities</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>7.2</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>53.2</td>
<td>55.4</td>
<td>57.5</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>24.4</td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>0.3</td>
<td>0.4</td>
<td>0.2</td>
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<tr>
<td>Share-base payments reserve</td>
<td>2.3</td>
<td>2.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>26.3</td>
<td>28.5</td>
<td>31.6</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>53.2</td>
<td>55.4</td>
<td>57.5</td>
</tr>
</tbody>
</table>

1. Net cash position consists of cash and cash equivalents, deposits with financial institutions and client liabilities (cash held for settlement of client transactions in progress).

- Net cash $42.6m up from $38.1m as at 31 March 2016
- 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
- $5.4m of capex was incurred on technology and PPE upgrades in FY17
Focus on execution

Skander Malcolm
Chief Executive Officer and Managing Director
Gains in revenue drivers and operating metrics in challenging macro environment

- **Transactions per active client**: 5.4 (4.7% up on FY16)
- **Active Clients**: 157k (3.7% up on FY16)

Growth in repeat business of clients >3 years registered

**Transactions**: 852k (8.7% up on FY16)

Sustained growth in transactions from Corporate and Individuals

**ATV**: $22.8k (8.8% down on FY16)

However, ATV impacted by global market events

... resulting in flat turnover on FY16

**Turnover**: $19.4b (1% down on FY16)

Growth in engagement

**Average Transaction Value ($000’s)**

- FY14: 4.5
- FY15: 4.8
- FY16: 5.0
- FY17: 5.3

**Transactions per active client (’000)**

- FY14: 4.5
- FY15: 4.8
- FY16: 5.0
- FY17: 5.3

**Active clients (000’s)**

- H1FY14: 0
- H2FY14: 50
- H1FY15: 100
- H2FY15: 150
- H1FY16: 200
- H2FY16: 250
- H1FY17: 300
- H2FY17: 350

**Transactions (’000s)**

- H1FY14: 0
- H2FY14: 50
- H1FY15: 100
- H2FY15: 150
- H1FY16: 200
- H2FY16: 250
- H1FY17: 300
- H2FY17: 350

**Turnover ($b)**

- H1FY14: 0
- H2FY14: 50
- H1FY15: 100
- H2FY15: 150
- H1FY16: 200
- H2FY16: 250
- H1FY17: 300
- H2FY17: 350

Growth in engagement

- **Transactions per active client**: 5.4 (4.7% up on FY16)
- **Active Clients**: 157k (3.7% up on FY16)

Sustained growth in transactions from Corporate and Individuals

**Transactions**: 852k (8.7% up on FY16)

However, ATV impacted by global market events

... resulting in flat turnover on FY16

**Turnover**: $19.4b (1% down on FY16)
Strong transactional growth from Corporate portfolio

- Higher ATVs: Corporate clients >3 years old had an ATV 2.3x greater than Individuals in FY17
- Highly retained Corporate client base
- Corporate clients not well served by bank pricing

- Even in challenging market conditions, we can grow transactions
- Individual transactions grew by 2.1% in H2FY17
- Inactive Individual clients prefer OFX to our competition and will restore activity on either need or rate
Repeat active clients provide steady, higher margin revenue flow

- Clients >3 years old = 47% of Corporate revenue (up from 42% in FY16)
- Higher transactions per client and ATVs

- Strong New Dealing Client (NDC) growth in prior years driving flow of retained revenue in older client cohort
Our marketing is gaining traction, and sales is our next focus area

The OFX brand is now live in our 3 core markets
- Successful completion of rebranding in the US and UK
- Applying learnings from Australia to restore search rankings within 8 weeks
- Roll-out of the OFX brand in our remaining markets by the end of FY18

Cost of acquiring clients in Australia significantly reduced
- 45% drop in our Cost per Registration (CPR) between April 2016 and April 2017

In FY18 we will continue to diversify our acquisition marketing mix
- Programmatic
- US outdoor campaign
- Content
- PR

Sales focus is next
- Salesforce implementation in Q1FY18
- Increased headcount through FY18, especially for the dedicated Online Sellers (OLS) team
North America is growing faster than ANZ at the same stage

- North America became the second largest fee and trading income contributor in Q2, ahead of Europe
- NDCs in North America grew by 7% in H2FY17 vs H1FY17
- Europe will rebound with a stronger GBP and EUR
- Asia will grow with increased Online Sellers and Corporate focus
Strong marketing investment in US underway
Ongoing investment in client experience is key to success

Very strong NPS overall
Globally OFX’s satisfaction score is in the excellent range

Opportunity to improve
The customer journey has been mapped out and pain points identified, particularly during the early on-boarding stages

FY18 program of work

- Faster and simpler on-boarding experience
- Deeper customer relationship management and service delivery
- In-app experience enhancements

NB: Global NPS survey conducted in March 2017.
Our technology roadmap for FY18 has been prioritised

Technology architecture vision
Continued investment in modernising our infrastructure
Progressing well on migrating to a modern architecture plan layered in Products, APIs, Platforms with all core applications now in the cloud

Rigorous FY18 prioritisation plan
To ensure execution we have selected a number of items to be delivered, including key projects driven by customer features, operational efficiencies, corporate registration journey improvements and regulatory changes

Opportunity investment in technology

Underpinning principles
- Scalable
- Customer driven
- Data savvy
- Secure
- Best cost
Summary and outlook

“Driving positive jaws through better execution, discipline and growth”

Gaining traction on Marketing and Sales
- Active clients
- Transaction volume

Unlocking customer experience value
- Conversion rates
- NPS

Sustaining investment in Technology
- Completion of priority roadmap
- Better cost, security and client experience
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