

RBS Morgans
Queensland Conference October 2014

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Chief Financial Officer

Agenda

About Mortgage Choice

Economy and industry

Strategy

Our proud history

- 1992 – Founded by brothers Rod & Peter Higgins
- 1994 – Franchise system set up
- 2002 – Loan book \$10 billion
- 2004 – Company is listed on the ASX
- 2007 – Loan book \$30 billion
- 2010 – Acquired HelpMeChoose.com.au - loan book \$40 billion
- 2012 – Launched Mortgage Choice Financial Planning (MCFP)
- 2013 – Loan book \$45 billion
- 2014 – Highest settlements and best cash result to date

Our business today

Mortgage Choice Limited

ASX Code: MOC



Our business today

- Market cap \$328 million
- Strong balance sheet – No debt
- Cash NPAT \$18.7 million – up 18.6%, excluding gain from sale of subsidiaries
- Fully franked dividend, strong yield
- Loan Book >\$47.4 billion
- Settlements >\$10.4 billion per annum
- Mortgage brokers : 554
- Financial Advisers : 37

** Market cap as at 7 Oct 2014; NPAT, Loanbook and settlements - FY14; Mortgage brokers and financial advisers as at end of Sep14*

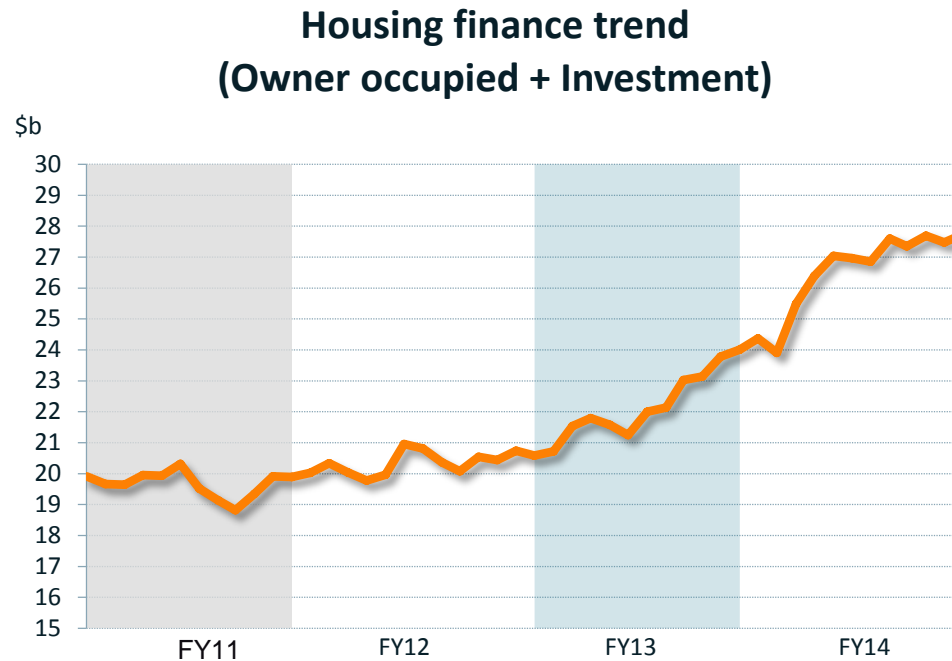
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Australia's housing finance commitments are growing



Source: ABS 5609 Table 11 – Housing Finance, Australia, Jun14 (Seasonally adjusted series)

- Housing finance commitments grew over the course of FY14 hitting an all time high.
- The level of investment activity high by historical standards.

Headwinds and tailwinds

Headwinds

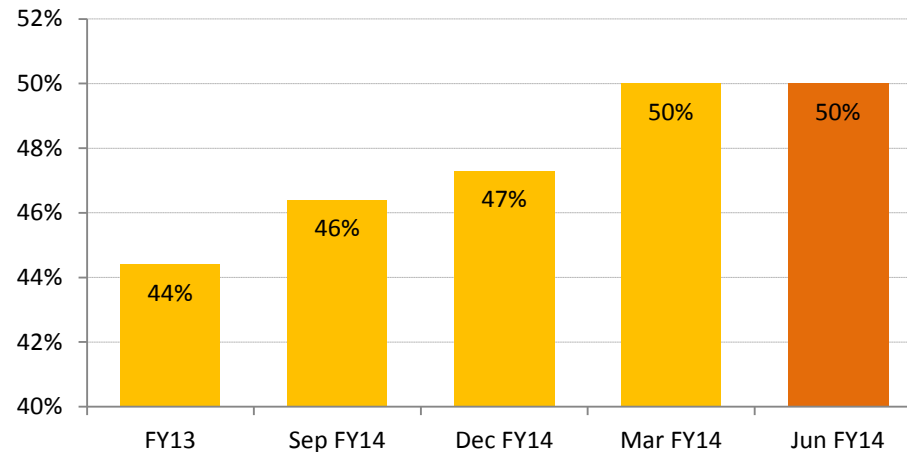
- ☒ Consumer confidence remains low post budget but slowly recovering.
- ☒ Has housing affordability reached its limit?
- ☒ Unemployment on the rise.
- ☒ New regulations.

Tailwinds

- ☒ Interest rates at historical lows and lenders competing hard for new mortgage customers.
- ☒ Broker usage growing.
- ☒ Property prices, auction clearance rates and housing finance commitments remain strong.

Housing market in an upward cycle and broker usage growing

Broker Usage



Source: MFAA's quarterly survey of leading mortgage brokers and aggregator – Jun14 report

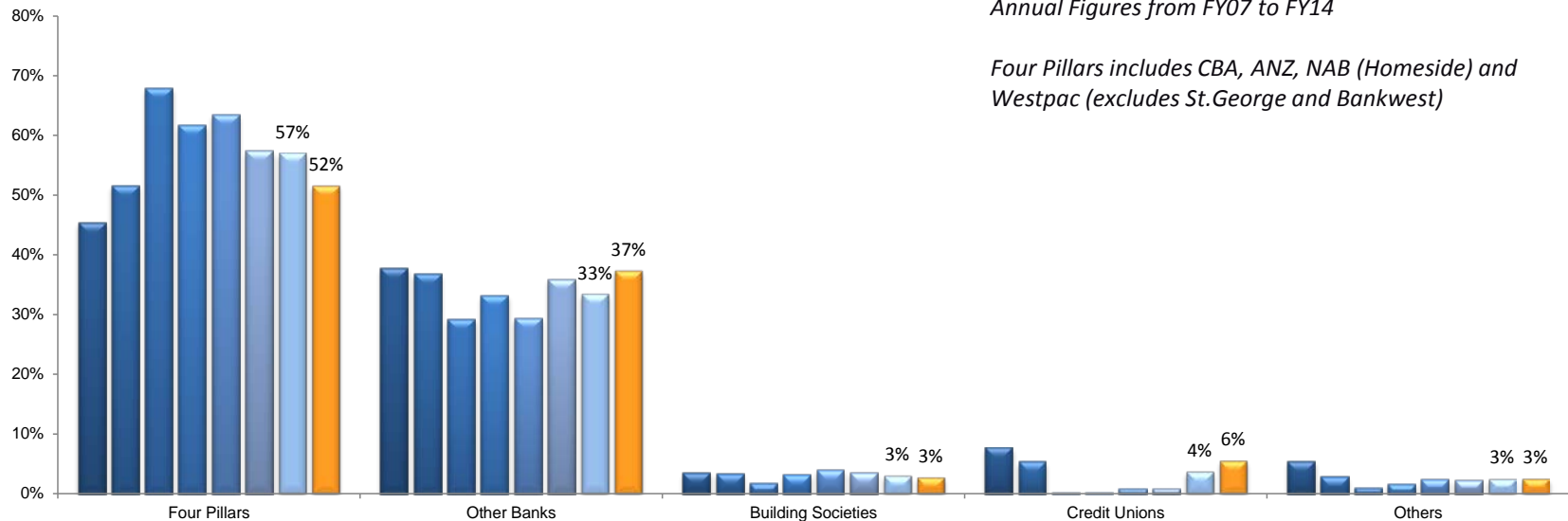
%	2013	2014	2015 (f)	2016 (f)
Credit growth				
Total	3.1	5.1	4-6	4.5-6.5
Housing	4.6	6.4	5.25-7.25	5.5-7.5
Business	1.0	3.5	2.5-4.5	3-5
Other personal	0.4	0.7	2-4	3-5
Cash rate	2.75	2.5	3.0	3.5

Source: CBA Full Year Results – 30 Jun14

Mortgage Choice settlements by lender










Annual Figures from FY07 to FY14

Four Pillars includes CBA, ANZ, NAB (Homeside) and Westpac (excludes St. George and Bankwest)



- Four pillars continue to dominate, however their share is declining.
- Other banks and credit unions have seen an increase in market share as they continue to compete aggressively on pricing and product innovation.
- Four pillars including St. George and Bankwest = 72% in FY13 vs 68% in FY14.

Lender Commissions

		Upfront rate bps		Trail rate p.a. bps				
		Basic Rate	Max Rate	Year 1	Year 2	Year 3	Year 4	Year 5+
		50	67.5	15	15	15	20	20
	↑	70	70	0	15	20	20	25
	↑	50	65	Jan-15	20	20	20	20
	↑	65	65	15	15	20	25	30
		50	65	15	15	15	20	20
	↑	65	65	15	15	15	15	15
	↑	65	65	15	15	15	20	20
	↑	50	65	15	15	15	15	15
	↑	70	70	15	15	17.5	20	22.5

Note: Conversion, submission quality, LVR, loan size and volume influence maximum rate

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The business is focused on 3 year ACT strategy

A

Acquire profitable market share in home loans

Focus on:

- Creating efficiencies in marketing to increase lead volumes
- Increasing franchise productivity

C

Cross sell financial advice to home loan customers

Focus on:

- Expanding the financial adviser network
- Maximising referral opportunities from home loan customers

T

Transition the business to a financial services business

Focus on:

- Broadening our financial services offerings to meet more of our customers' needs



Mortgage Choice Financial Planning

	Jun13	Dec13	Jun14
Franchises	11	17	28
Advisers	11	20	31

***As at Sep14, Franchises - 33; Advisers - 37**

- On target to hit 60 advisers by 30 June 2015.
- Forecasting to turn a profit on a monthly basis during FY15 as per previous guidance.

Our partners



Financial Planning Fundamentals

‘Specialist’

Both advisers and brokers

Franchise model

Partnership with current franchisees

Leverage MC model

**Harness significant lead flow
& trusted relationships
Co-locate in existing offices**

HelpMeChoose.com.au snapshot

- Online comparison site
- Compares mortgage, health, life, energy
- Cost of living reduction experts



Our partners

Home Loans



and many more...

Life Insurance



Health Insurance

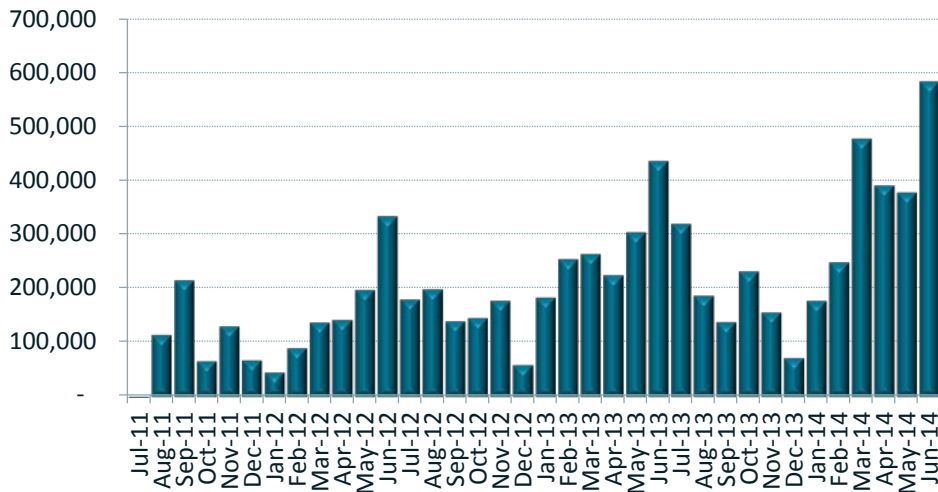


Energy - Electricity and Gas



HelpMeChoose.com.au snapshot

Gross Profit (\$)*



* Gross Profit = Revenue less lead acquisition costs

- Profitable trading result for the year.
- Monthly profit achieved Mar14 – Jun14.
- Number of health policies sold increased by 10%.
- Sales headcount increased from 12 (Jun13) to 40 (Aug 14).

Summary

- Increase on last year's best ever full year cash result
- Business to seize the opportunity now presented in mortgage market and increase market share
- Financial Planning rollout to 60 advisers by 30 June 2015
- Improved referrals between two franchise systems

QUESTIONS