

N O N B A N K Y E A R B O O K

# KangaNews

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AUSTRALASIAN FIXED INCOME: GLOBAL REACH, LOCAL EXPERTISE



## BUILDING CONTINUES

Australasia's nonbank lenders see plenty of growth potential despite the **local housing market** entering a new phase in the cycle.

PREMIUM PARTNERS:



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# FLEXIGROUP'S GREEN SHOOTS OF GROWTH

**FlexiGroup** offers a broad range of options to securitisation investors, including assets in Australia and New Zealand and a pioneering green issuance programme. **Paul Jamieson**, the firm's Auckland-based group treasurer, and **Bianca Spata**, head of group funding in Sydney, update on developments.

**F**lexiGroup has been issuing asset-backed securities (ABS) transactions in Australia and New Zealand for a number of years. How has the business's presence in these markets developed?

■ **JAMIESON** Penetration in both markets has been evolving well. FlexiGroup now has more than a million customers, more than 46,000 retail partners and a receivables book of just more than A\$2.3 billion (US\$1.7 billion).

The growth in our credit-card businesses has been above system growth in Australia and New Zealand, which we are certainly pleased to see. We have also shown strong growth and significant improvement over the last year in consumer and commercial leasing.

**What is FlexiGroup's opportunity set in consumer finance?**

■ **JAMIESON** We have unique and flexible offerings in areas where the banks don't often compete. For example, our credit cards have a unique value proposition whereby a customer can enter into long-term finance transactions as well as normal credit-card transactions and receive 90 days interest free, rather than the 55 days a bank might offer. This presents to the consumer as a flexible cashflow-management offering which is not always offered by the banks.

Our fixed-installment Certegy Ezi-Pay (Certegy) product offers no interest to the customer. They can have solar panels installed and pay back the loan

over 60 months with no interest. It is very hard for banks to match this with personal loans, for example.

All this sector's issuers need to be innovative and improve their digital offerings. The customer experience has to be as frictionless as possible.

We are also focused on delivering new products with strong value propositions. We have recently released a new consumer-lease product called Lisa and we have also released a new SKYE mastercard. These offer strong customer value propositions which help us compete with banks and startups alike.

**FlexiGroup has pioneered green securitisation backed by solar receivables. How much of a focus is this for the business?**

■ **SPATA** Solar-energy financing has been a key focus of the business for some time. Following the success of our first green Certegy securitisation in 2016, we have come to the market with two further Certegy public deals which have included green bonds. The most recent included two green tranches, including non-triple-A notes.

We are focused on growing our presence in green-energy finance not just through our Certegy product but also in other parts of the business. The ability to offer green ABS is a key differentiator for FlexiGroup and we expect it will continue to grow.

There is a lot of talk about batteries and other assets outside the solar photovoltaic space where we have historically been focused. Expanding our

green asset base is certainly something we are looking at and, to the extent we can, we will look to include these assets in our capital-markets transactions.

■ **JAMIESON** We have seen demand for green tranches grow with each deal and we are keen to help expand the market. This is why we issued the double-A green tranche in our latest deal. We wanted to test demand for the product outside triple-A. We'll look at this again next time around and see if we can expand it further.

The South Australian government, together with the Clean Energy Finance Corporation, recently announced subsidies for solar panels and batteries. There is a lot of interest in the area and it is something we see continuing to grow. We are well positioned to capitalise on this growth given our history and foothold in the space.

**FlexiGroup has been issuing annually in Australia and New Zealand. What is your issuance strategy for the two markets?**

■ **SPATA** It is important to be a regular issuer and to maintain good investor relationships while also focusing on adding new investors. These fundamentals have driven our issuance strategy to date.

We plan to continue to come to market with an annual Certegy deal and with issuance out of our Q Card Trust programme in New Zealand once or twice a year. We also have a growing Australian credit-card book and we will be looking to term this out in the market sometime in 2019. •



# FLEXIGROUP

<b>SIZE OF LOAN BOOK</b>	A\$2.4BN
<b>MAKEUP OF LOAN BOOK</b>	<ul style="list-style-type: none"> <li>• CREDIT CARDS: 55%</li> <li>• CONSUMER AND COMMERCIAL LEASES: 25%</li> <li>• "NO-INTEREST-EVER" LENDING: 20%</li> </ul>
<b>GEOGRAPHIC DISTRIBUTION OF LOAN BOOK</b>	<ul style="list-style-type: none"> <li>• AUSTRALIA: 65%</li> <li>• NEW ZEALAND AND IRELAND: 35%</li> </ul>
<b>OUTSTANDING DEBT ISSUANCE</b>	<ul style="list-style-type: none"> <li>• PUBLIC ABS TRANSACTIONS: A\$800M</li> <li>• PRIVATE SYNDICATED AND BILATERAL FACILITIES: A\$1.4BN</li> </ul>

## About FlexiGroup

**F**lexiGroup is a diversified financial-services group providing "no-interest-ever" loans, leasing, vendor-finance programmes, interest-free finance, credit cards, lay-by and other finance solutions to consumers and businesses.

Through its network of more than 46,000 merchant, vendor and retail partners the group has extensive access to four key markets: business-to-consumer, business-to-business, retail-to-consumers (and small-business customers) and online.

FlexiGroup's performance has been characterised by solid, profitable growth as the company has expanded and diversified its business through organic growth, acquisition and product innovation.

FlexiGroup operates in Australia, New Zealand and Ireland in a diverse range of industries including home improvement, solar energy, fitness, IT, electrical appliances, travel and trade equipment.

## Ownership and history

FlexiGroup is an ASX-listed company which started business in 1988 by offering a simple lease product to small- and medium-sized businesses in Australia through office-equipment vendors.

Over the past 30 years with a well-defined strategy of diversification, FlexiGroup has expanded organically and through acquisition.

FlexiGroup acquired retail-finance provider, Certegy Ezi-Pay, in 2008 before going on to purchase the Lombard Finance and Once Credit interest-free cards businesses in 2012 and 2013. Most recently, FlexiGroup expanded its consumer offering by entering into the New Zealand cards market through the purchase of Fisher and Paykel Finance in 2016.

## Asset performance

FlexiGroup's asset portfolio is well diversified across Australia, New Zealand and Ireland. Asset performance has been strong and stable across asset types and geographies for an extended period of time. In particular, the assets securitised in the company's public securitisation vehicles (the Certegy Ezi-Pay and New Zealand card assets) have shown extremely stable performance over a number of years.

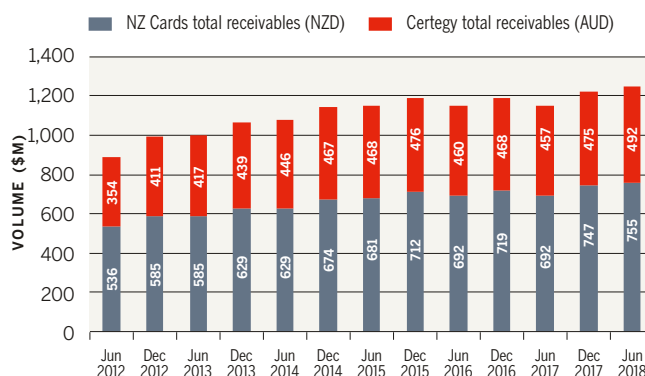
FlexiGroup continues to focus on developing new market opportunities to drive growth and further diversify its asset portfolio.

## Funding strategy

FlexiGroup's funding strategy is to enable business growth by providing flexible, stable, diverse and cost-effective funding over the long term. This is achieved through having multiple funding vehicles, unused committed facilities, a strong issuance profile, and positive and stable investor relationships.

FlexiGroup has multiple relationships with Australian, New Zealand and offshore banking institutions and a range of committed funding facilities. It also has two well-established public securitisation programmes – the FlexiGroup ABS programme funding the Certegy Ezi-Pay business and the Q Card Trust programme funding the New Zealand credit-cards business. In addition, FlexiGroup will likely set up an Australian credit-cards master trust in 2019.

## FLEXIGROUP RECEIVABLES BOOK VOLUME



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## FOR FURTHER INFORMATION PLEASE CONTACT:

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