



## Investor Presentation

For the year ended 30 June 2024

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SEPTEMBER 2024



A better rate  
is one **YBR**  
**broker** away.

Get started



# Agenda

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1.

## FY24 Overview



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What's next?



# FY24 Overview

Resilient performance in the face of industry headwinds following change in the interest rates regime and macro-economic factors

## Financial performance

**EBITDA (Cash basis):** \$0.7m (vs \$0.4m pcp)

**Normalised EBITDA (Cash basis):** \$1.7m (vs \$1.0m pcp)

**NPBT:** -\$0.2m (vs -\$5.0m pcp)

**Cash & Cash Equivalents:** \$6.7m (vs \$8.1m pcp)

**Net Cash after Borrowings:** \$6.0m (vs \$6.9m pcp)



## Operating performance

**Settlements** of \$20.9b (+5.0% above pcp)

**Underlying Loan Book** of \$67.5bn (+7.0% above pcp)

**Mortgage Brokers:** 1,239 (+1.6% vs pcp)

**Resi Settlements (white label & RWF)** \$473m (+9.9% on pcp) and ranked No.1 of share of applications for non-bank lenders within the YBR network



## Macro Environment

Origination volumes broadly in line with pcp despite headwinds

Shift in trend from refinance to new commitments

Low housing affordability, driven by migration (demand), lower development activity (supply), and inflation increasing pressure on cost of living

Monetary tightening likely peaked, with interest rates reduction expected within FY25.



## Executing on Our Strategy

We are investing in key initiatives to increase margin and grow our business. These include:

- Our own Brokers – Parramatta Branch
- Increasing sales of our own products
- Cost management – continue to actively manage cost and optimise the business model
- Optimise ancillary services offerings to brokers



# Settlements and Underlying Loan Book Growth

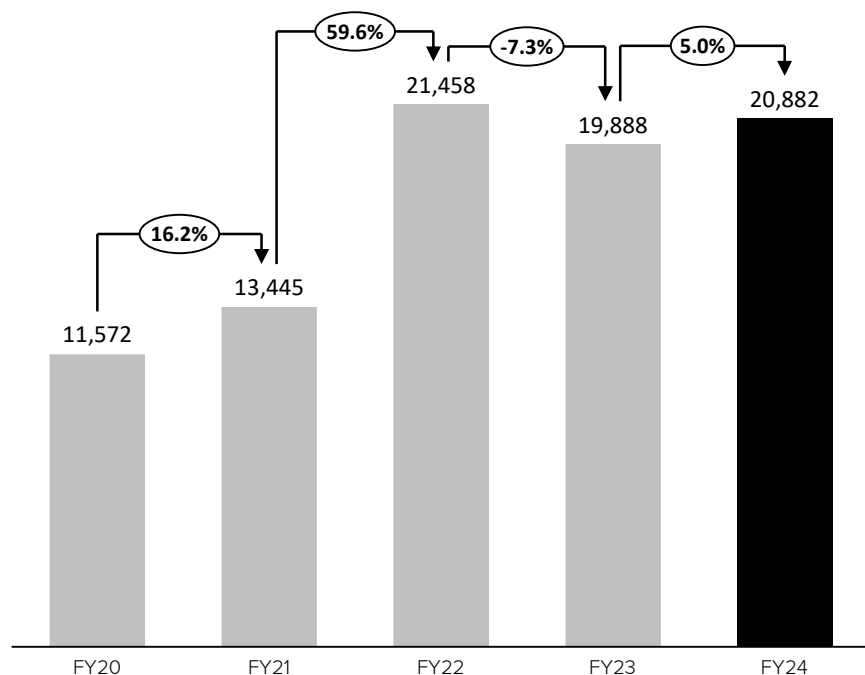
New business volumes and loan book growth performed ahead of market in FY24

- Settlements were +5.0% above pcp, driven by +5.9% growth in VOW Aggregation, which represents 88% of YBR Group origination volumes
- YBR Retail was down on pcp by -3.1% and Resi was up 9.9% respectively
- Settlements growth outperformed the market (seasonally adjusted total lending commitments as per ABS Housing Finance data set), which only grew by 0.1%.

- Loan book grew 7.0% year on year, with loan book reaching \$67.5b in Jun-24
- Loan book run-off rates reduced further towards the end of FY24 and are expected to decline further from current levels in FY25, as refinance activity continues to trend down towards historical low levels (refer to Our Industry slide)

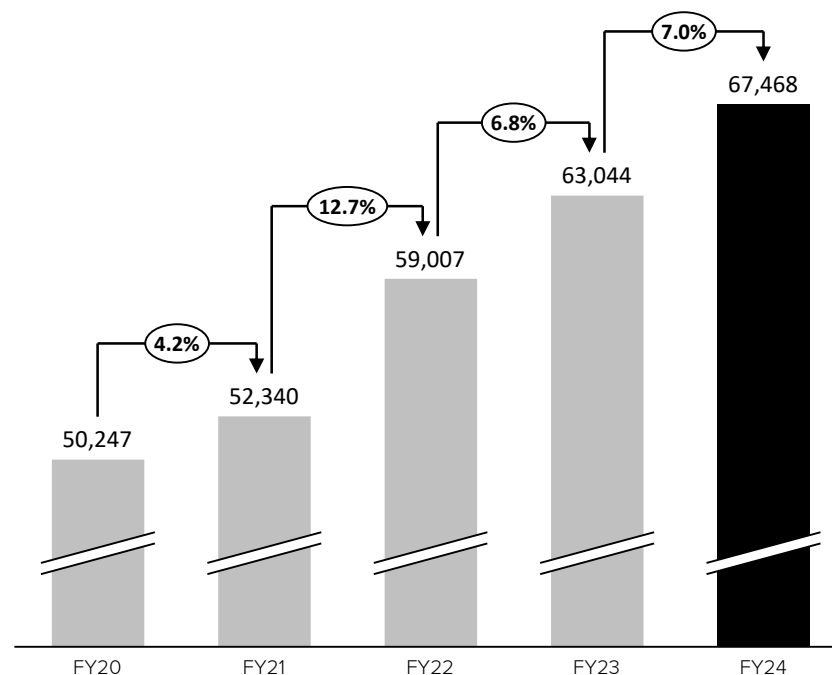
## Full Year settlements

Values in \$m



## Loan book

Values in \$m



# Our Business

We distribute home loans from an extensive panel of residential and commercial lenders, and offer our own lending products, through our YBR franchise and Vow aggregator channels



Independent aggregator model with stringent compliance principles and best in class technology



Franchise model leveraging the YBR Brand throughout Australia



Product design through White Label, credit assessment and securitisation capabilities



1,114 Brokers



125 Brokers



\$500m million of warehouse facilities



\$18.3b in settlements in FY24



\$2.1b in settlements in FY24



\$0.5b in settlements in FY24



\$58.2b in underlying loan book



\$8.0bn in underlying loan book



\$1.2b in underlying loan book



\$14.7m in NPV\* of future trail



\$10.9m in NPV\* of future trail



\$4.8m in NPV of future trail\*\*

\* Represents the actuarially assessed net present value of future net cashflows from the existing underlying book of loans

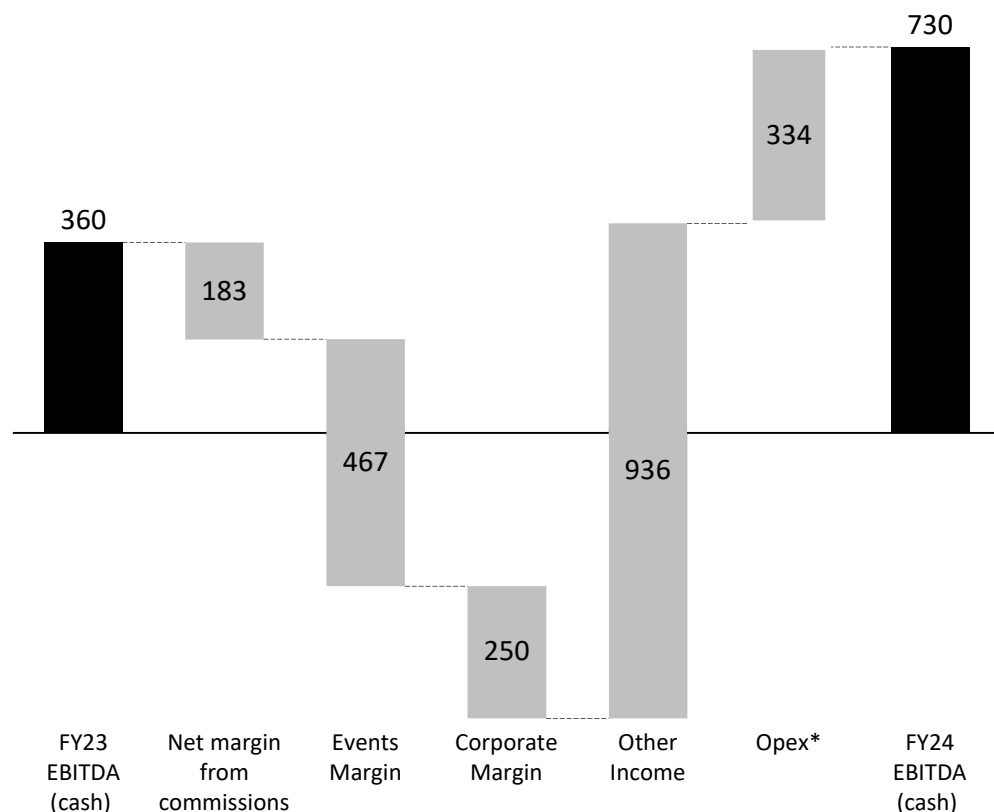
\*\* Does not include any NPV of RWF's Net Interest Margin from its own loan book

# EBITDA (cash) drivers of performance

Decline in net margin from commissions was offset by a reduction in operating expenses and net losses recorded from JV.

## EBITDA (cash) FY24 vs FY23, drivers of performance

Values in \$000



### Commission, Events & Corporate Margin

- Net commission margin was primarily impacted by the decline in net trail commissions as older, more profitable mortgage manager style loan books are gradually being replaced by newer, low margin products.
- Reduction in events margin largely attributed to timing issues related to the previous financial year.

### Other Income

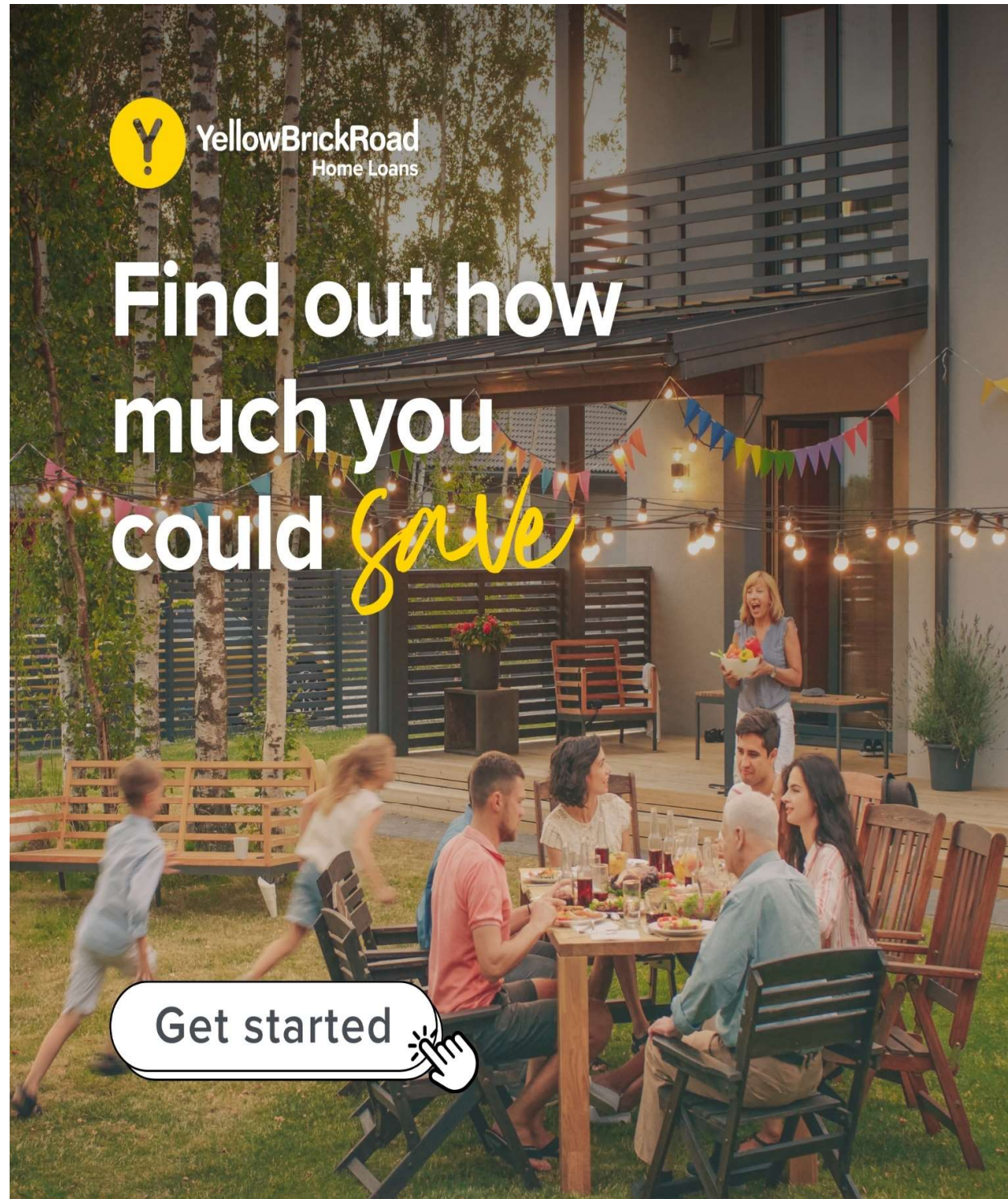
- The change in other income primarily resulted from the absence of losses from the Joint Venture in Resi Wholesale Funding Pty Ltd in FY24, compared to a loss of \$630k in FY23. Other contributing factors include a \$237k increase in professional and broker fees, an \$81k increase in volume bonuses, and approximately \$26k in additional income from financial assets and other sources. These gains were offset by a decrease in RWF margin of around \$38k.

### Opex

- Several cost optimisation initiatives were implemented in FY24 to better align expenditure with business activities. While these initiatives resulted in some redundancy costs, they also led to substantial monthly savings, which were largely redirected towards ramping up YBR's corporate branch initiative. The full effect of these savings and initiatives should become more evident in FY25.

2.

## Our Sector and Market





# Our Industry

Interest rate hikes cooled down housing finance and changed the market dynamics. However, the mooted rate reductions in FY25 are expected to boost activity levels

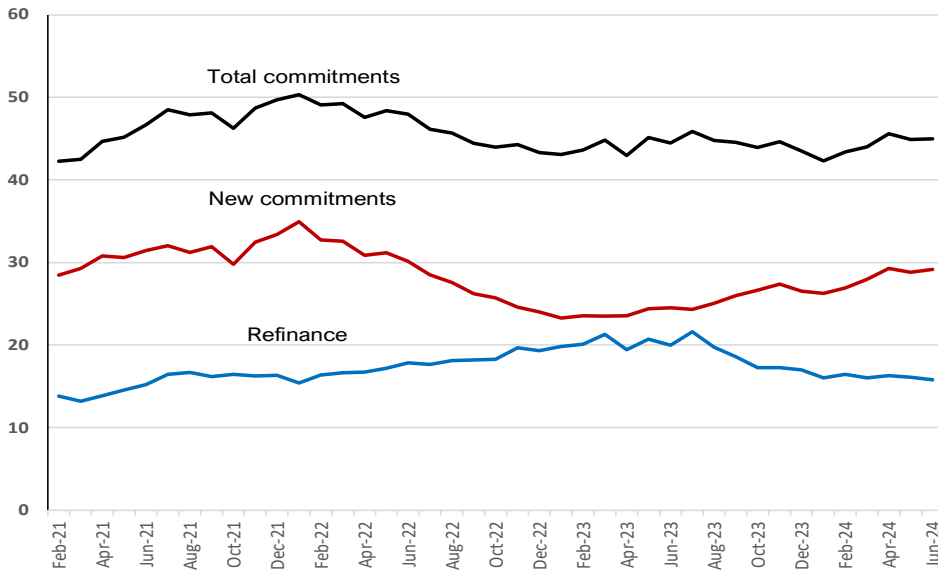
Total Housing Finance Commitments in FY24 were only up 0.1% on pcp, new commitments up 8.3%, offset by 10.5% decline in refinance.

The shift in mortgage origination trends, with refinancing losing momentum to new commitments in FY24, represents a positive trend.

C. >70% of all mortgage originations are settled through Brokers. The Broker channel continues to prove its value proposition year after year.

## Housing Finance Commitments

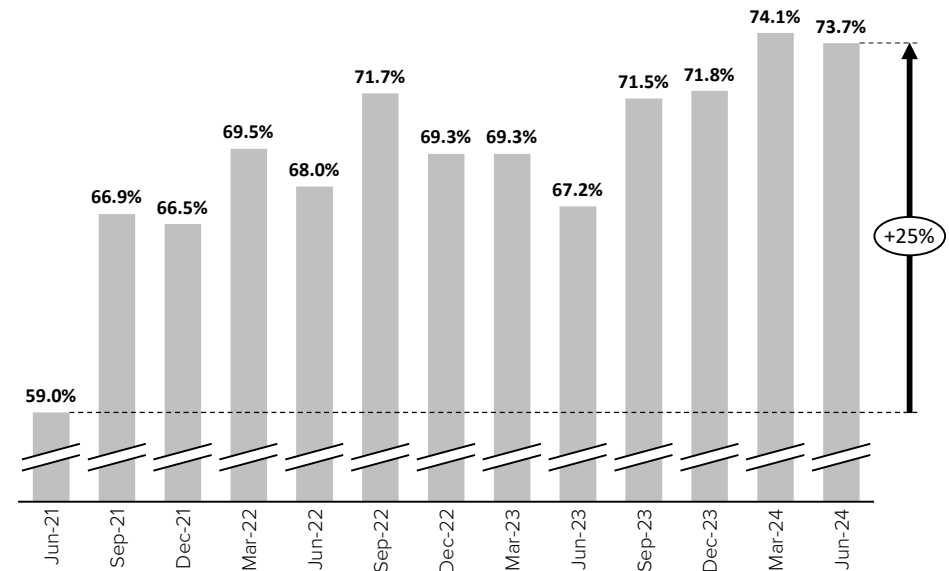
Values in \$b



Source: [www.abs.gov.au](http://www.abs.gov.au) - Lending indicators, Housing finance

## Broker Usage per Quarter

Values in %



Source: MFAA (Mortgage & Finance Association of Australia), CoreLogic

3.

Financial Results



Ready to  
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What's next?



# Profit & Loss Statement – key elements

## Profit & Loss Statement

### GROUP

#### Profit & Loss Statement

Values in \$'000

	Year to Date			
	FY24	FY23	Var.	Var. %
UF commissions received	122,161	113,718	8,443	7.4%
UF commissions paid	(117,828)	(109,777)	(8,052)	-7.3%
<b>UP FRONT MARGIN</b>	<b>4,332</b>	<b>3,941</b>	<b>391</b>	<b>9.9%</b>
Trail commissions received	115,962	110,111	5,851	5.3%
Trail commissions paid	(107,126)	(100,701)	(6,425)	-6.4%
<b>TRAIL MARGIN</b>	<b>8,836</b>	<b>9,410</b>	<b>(574)</b>	<b>-6.1%</b>
Broker fees	4,394	4,210	184	4.4%
Professional fees	2,913	2,861	52	1.8%
<b>BROKER FEES MARGIN</b>	<b>7,307</b>	<b>7,071</b>	<b>237</b>	<b>3.3%</b>
RWF service fees	662	757	(95)	-12.5%
Costs	(186)	(243)	57	23.4%
<b>RWF MARGIN</b>	<b>476</b>	<b>514</b>	<b>(38)</b>	<b>-7.4%</b>
Income from Events	2,605	3,138	(533)	-17.0%
Events costs	(1,281)	(1,347)	66	4.9%
<b>EVENTS MARGIN</b>	<b>1,323</b>	<b>1,791</b>	<b>(467)</b>	<b>-26.1%</b>
Volume bonus	913	832	81	9.8%
Corporate margin	917	1,167	(250)	-21.4%
<b>GROSS PROFIT</b>	<b>24,105</b>	<b>24,725</b>	<b>(620)</b>	<b>-2.5%</b>
Operating expenses*	(23,873)	(24,206)	334	1.4%
Equity income from JV	400	400	-	0.0%
Share of net loss from joint venture	-	(630)	630	100.0%
Financial asset income & others	97	71	26	36.5%
<b>EBITDA (Cash)</b>	<b>730</b>	<b>360</b>	<b>370</b>	<b>102.6%</b>
NPV of future trail	(736)	(5,524)	4,788	86.7%
<b>EBITDA (IFRS)</b>	<b>(6)</b>	<b>(5,164)</b>	<b>5,158</b>	<b>99.9%</b>
Depreciation & amortisation	(358)	(141)	(217)	-153.9%
Net interest income/(expense)	137	279	(141)	-50.7%
<b>NPBT</b>	<b>(227)</b>	<b>(5,026)</b>	<b>4,799</b>	<b>95.5%</b>

\* Note: Cost of Events has been excluded and rental expenses (right of use) recognised under depreciation in the statutory accounts are included in the operating expense line here.

#### Upfront Margin

Increase in upfront margin driven by increased group settlements further assisted by contributions from the YBR corporate branch initiative

#### Trail Margin

Trail margin decline in FY24 is attributed to the decline in margin percentage, despite a 7% year-on-year growth in the loan book. This is caused by the run-off in the older more profitable back books, although run-off rates reduced in the latter part of FY24.

#### Net Income from Broker Fees

Reflecting moderate growth in broker numbers

#### RWF, Events & Corporate Margin

Decrease driven by lower Service Fees from Resi Wholesale Funding (in line with lower settlements), lower Events income (mostly due to timing issues) and lower income from corporate margin (old loan book)

#### Operating expenses

Reduction of \$0.3 million resulted from cost optimisation initiatives, which were partially offset by \$618k in setup costs for the YBR corporate branch. The full effect of these initiatives should be more evident in FY25.

#### NPV of future trail commissions

NPV loss narrowed to c\$0.7m in FY24 (vs \$5.5m loss in FY23), due to favourable shifts in run-off rates and loan book growth

# Balance Sheet

## Balance Sheet GROUP

Values in \$000	As at			
	Jun-24	Jun-23	Var.	Var. %
<b>ASSETS</b>				
Cash and cash equivalent	6,754	8,059	(1,305)	-16.2%
Trade and other receivables	1,677	1,575	101	6.4%
Other assets	26,840	26,439	402	1.5%
Loan trail receivable	400,685	363,107	37,578	10.3%
Total Intangible assets	1,636	1,686	(50)	-3.0%
Right of use assets	1,616	2,347	(731)	-31.1%
Other Fixed Assets	112	105	7	6.7%
Financial assets at fair value through profit or loss	1,500	-	1,500	-
<b>TOTAL ASSETS</b>	<b>440,820</b>	<b>403,318</b>	<b>37,502</b>	<b>9.3%</b>
<b>LIABILITIES</b>				
Trade and other payables	32,087	31,960	127	0.4%
Borrowings	738	1,188	(450)	-37.9%
Provisions	1,345	1,198	147	12.3%
Trail payable	369,427	331,263	38,164	11.5%
<b>TOTAL LIABILITIES</b>	<b>403,597</b>	<b>365,609</b>	<b>37,988</b>	<b>10.4%</b>
<b>NET ASSETS</b>	<b>37,223</b>	<b>37,709</b>	<b>(486)</b>	<b>-1.3%</b>
Equity	114,437	114,845	(407)	-0.4%
Retained earnings	(77,214)	(77,136)	(78)	0.1%
<b>TOTAL EQUITY</b>	<b>37,223</b>	<b>37,709</b>	<b>(485)</b>	<b>-1.3%</b>
<b>NET TRAIL PV FOR LOAN BOOK</b>	<b>31,258</b>	<b>31,844</b>	<b>(586)</b>	<b>-1.8%</b>
<b>CASH LESS BORROWINGS</b>	<b>6,016</b>	<b>6,871</b>	<b>(855)</b>	<b>-12.4%</b>

## Assets

### Cash

Change in cash balance is primarily driven by the repayment of borrowings, share buy-backs, initial expenditures on the corporate branch initiative, and redundancy costs

### Other assets

Includes revenue accrual \$21.7m, prepayments of \$3.3m and deferred tax assets of \$1.4m

### Intangible assets

Includes capitalisation of Y Home Loans and Resi Assessment Platform

### Financial assets at fair value

Includes a shareholder loan extended to Resi Wholesale Funding Pty Ltd

## Liabilities

### Trade and Other Payables

Includes commissions accrual of \$21.9m, trade payables of \$2.5m, lease liabilities of \$1.8m, contract liabilities in relation to sponsorship of \$1.5m, accrued expenses of \$1.0m and other payables of \$2.8m

### Provisions

Includes employees related provision for annual and long service leave

# Cash Flow

Values in \$000

## CASH FLOW FROM OPERATIONS

	Year to Date			
	Jun-24	Jun-23	Var.	Var. %
Receipts from customers (inclusive of GST)	272,575	259,146	13,429	5%
Payments to suppliers and employees (inclusive of GST)	(271,558)	(260,198)	(11,360)	4%
Interest received	611	155	456	294%
Interest and other finance costs paid	(365)	(426)	61	-14%
<b>TOTAL CASH FLOW FROM OPERATIONS</b>	<b>1,263</b>	<b>(1,323)</b>	<b>2,586</b>	<b>-195%</b>

## TOTAL CASH FLOW FROM INVESTING

Payments for plant and equipment	(63)	(47)	(16)	34%
Payments for intangibles	(250)	(1,392)	1,142	-82%
Loan advanced to Resi Wholesale Funding Pty Ltd		(1,500)	1,500	-100%
Loans repaid by/(advanced to) Resi Wholesale Funding Warehouse Trust No.1		4,500	(4,500)	-100%
Payments for investments securities	(50)	(245)	195	-80%
Loans to franchisees and licensees	(549)	(335)	(214)	64%
<b>TOTAL CASH FLOW FROM INVESTING</b>	<b>(912)</b>	<b>981</b>	<b>(1,893)</b>	<b>-193%</b>

## CASH FLOW FROM FINANCING

Proceeds from issue of shares	194		194	-
Payments for share buy-backs	(602)		-	-
Net repayment of borrowings	(450)	(950)	-	-
Payment of leasing liabilities	(798)	(737)	(61)	8%
<b>TOTAL CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(1,656)</b>	<b>(1,687)</b>	<b>31</b>	<b>-2%</b>

## NET CASH MOVEMENT

Opening cash balance	8,059	10,088	(2,028)	-20%
<b>CLOSING BALANCE</b>	<b>6,754</b>	<b>8,059</b>	<b>(1,304)</b>	<b>-16%</b>

## Receipts From Customers

The positive variance is driven by increased settlements and loan book growth

## Payments to suppliers and employees

The variance is driven by increased settlements and loan book growth, as well as the timing of payments to brokers. The higher commission payments were partially offset by operational expense savings, particularly in legal, marketing, and personnel costs

## Interest And Other Finance Costs

Interest expense is combination of interest cost on borrowings and capitalised rental lease obligation due to adoption of AASB16

## Capex (Payments for intangibles)

Less money was spent on systems builds – e.g. RAP investments in FY24: \$250k vs. FY23: \$1,392k.

## Loan to Franchisees And Licensees

Interest-bearing loans to YBR branches

## Repayment of Borrowings

Current year includes a \$950k payment for the CBA finance facility, offset by a \$500k drawdown for interest bearing loans to YBR branches.

## Payment Of Leasing Liabilities

Payment of leasing liabilities mostly relates to the rental payment for Sydney CBD office

# Disclaimer

The information contained in this presentation is intended to be a general summary of Yellow Brick Road Holdings Limited (YBR) and its activities as at 30 June 2024 and does not purport to be complete in any respect.

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**Thank you**

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# Key metrics trends

Values in \$000

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>SETTLEMENTS</b>													
<b>Mortgage Broking</b>													
YBR	700	1,200	1,494	2,068	3,997	3,169	2,221	1,830	1,654	1,594	2,297	2,153	2,086
VOW	-	-	-	10,058	12,464	12,014	11,373	9,162	9,734	11,749	18,707	17,304	18,324
<b>Total</b>	<b>700</b>	<b>1,200</b>	<b>1,494</b>	<b>12,126</b>	<b>16,461</b>	<b>15,183</b>	<b>13,594</b>	<b>10,992</b>	<b>11,388</b>	<b>13,343</b>	<b>21,004</b>	<b>19,457</b>	<b>20,410</b>
<b>Own Product</b>													
White label	-	-	-	280	411	427	333	269	184	102	164	226	298
Warehouse	-	-	-	-	-	-	-	-	-	100	264	205	175
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>280</b>	<b>411</b>	<b>427</b>	<b>333</b>	<b>269</b>	<b>184</b>	<b>202</b>	<b>428</b>	<b>431</b>	<b>473</b>
<b>LOAN BOOK</b>													
<b>Mortgage Broking</b>													
YBR	900	1,857	2,736	3,832	5,350	6,843	7,295	7,614	7,740	7,962	8,026	7,918	7,984
VOW	-	-	-	25,317	29,346	34,640	38,505	40,127	41,057	43,120	49,703	53,874	58,185
<b>Total</b>	<b>900</b>	<b>1,857</b>	<b>2,736</b>	<b>29,149</b>	<b>34,696</b>	<b>41,483</b>	<b>45,800</b>	<b>47,741</b>	<b>48,797</b>	<b>51,082</b>	<b>57,729</b>	<b>61,792</b>	<b>66,169</b>
<b>Own Product</b>													
White label	-	-	-	1,646	2,167	1,993	1,851	1,675	1,450	1,162	964	891	923
Warehouse	-	-	-	-	-	-	-	-	-	95	314	361	374
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,646</b>	<b>2,167</b>	<b>1,993</b>	<b>1,851</b>	<b>1,675</b>	<b>1,450</b>	<b>1,257</b>	<b>1,278</b>	<b>1,252</b>	<b>1,297</b>

Note: Loan book in VOW and YBR includes Resi loans, a portion of which is eliminated upon consolidated