

Geneva Finance September 2023

29 November 2023

COMMENTARY



Trading Performance

The Group unaudited pre-tax profit of \$2.5m was down \$0.8m (-23.8%) on last year. This is higher than the range of 13% - 15.5% advised to market on 31 October 2023. The higher short fall is as result of additional insurance claims reserves processed following the completion of the actuarial review. The overall short fall against the prior year was largely driven by the increase in cost of funds over the period. In addition, the company incurred additional costs in strengthening its regulatory compliance functions. One-off costs were also incurred in relocating to new premises in July this year.

Geneva Financial Services' (the lending business) pre-tax profit result of \$1.4m was down \$0.6m (-29%) on last year. This lending business achieved good lending growth over the period resulting in revenue up \$1.5m (+22.6%). This was offset by the rising cost of funds which were up \$1.3m (+77.2%). The increase in lending also resulted in additional provision for the period which was up \$0.8m on the prior year. Total other overheads for GFSL were \$0.2m lower than the previous year. The current economic climate has not had an adverse impact on receivables but this is an area that will need to be monitored over the next coming months.

Quest Insurance Group Limited (Quest) reported a pretax profit of \$3.2m, up 27.1% on the prior period. The good result was driven by continuing the prior year's premium growth momentum. Premiums were up \$3.5m (+18.5%) for the period. The higher interest rates benefited investment income of \$0.9m, up \$0.7m on last year. Quest operating costs including direct costs were up \$1.3m mainly due to investment in staff and IT.

Federal Pacific Tonga (60% owned by the Group) continues to perform well and reported a pre-tax profit of NZD \$0.9m (60.5% up on last year). The Group's share amounted to \$0.5m pre-tax profit (\$0.4m after tax).

Stellar Collections (Stellar), including the debt litigation business, reported a \$0.2m loss for the period, down \$0.1m on prior year. This business is mainly tasked to manage the GFSL receivables ledger.

Geneva Capital (invoice factoring) reported a \$0.15m profit, up \$0.05m on the \$0.1m prior year profit.

The Group costs not included in the trading operations results amounted to \$2.9m, up \$1.2m on prior year.

The after-tax unaudited financial result for the period was a profit of \$1.8m, down \$0.8m (30.8%).

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Balance Sheet

Total Group assets increased to \$185m (14.6% increase). The company's equity to total assets ratio is 21.0%

Revenues

Revenue totaled \$30.6m, an increase of \$6.8m (29%).

Operating Costs

Operating costs (including insurance direct costs) increased by 19% to \$12.7m, up \$2.0m. This increase is largely driven by increased direct costs associated with premium growth and regulatory requirements, it also included one-off costs incurred in relocating to our new premises in July this year.

Funding

Group funding:

- a. The lending and invoice financing businesses' securitisation facility of \$100m was drawn to \$80.1m at balance date. The facility limit was increased to \$100m on 14th September 2023.
- b. Stellar's banking facility is being repaid in equal repayments from July 2023 to July 2025. The current drawn balance is \$3.1m at balance date.
- c. Wholesale investor debt funding increased to \$15.3m and includes loans from directors and shareholders.

Credit Rating

Quest Insurance Group Limited's credit ratings issued by AM Best were reaffirmed on 21st September 2023.

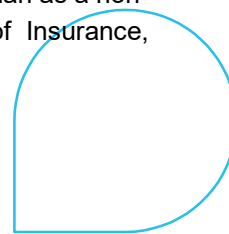
- Financial Strength Rating of B outlook stable
- Issuer credit rating of bb+ outlook stable.

Highlights / Key Events

Quest premium sales increased by 19%,
Strong Cash resources \$40.6m, up \$1.6m from last year \$39.0m,
Total Group assets increased to \$185m, up 15%,
New managing director appointment, Malcolm Johnston.

Events Subsequent to Balance Date

The Geneva board announced the appointment of Laurence Goodman as a non-independent Director on 13 October 2023. Greg Main, Head of Insurance,

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resigned in November and will finish with the Company on 2 February 2024.

**Summary and
Outlook**

The half-year result is disappointing and the rising interest costs were a large contributor to this. The insurance business is performing well and this is expected to continue into the second half of the year. At the AGM the board announced the start of a strategic review which also includes reassessing each business unit's contributions to the group and is looking at opportunities to streamline our operations. At this juncture no decisions have been made on this. Lending demand remains high and with good asset quality the company is well positioned to take advantage of this in the coming months.

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For further information, please contact:

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