

Geneva Finance posts pre-tax profit lift up 22% to \$8.2m for the year to March 2022

30 May 2022

COMMENTARY

Trading Performance

The Group unaudited pre-tax profit of \$8.2m is up \$1.5m (22%) on last year. The lift in pre-tax profit was largely driven by improved contributions from the insurance and lending business, up \$1.5m (47%) and \$0.6m (12%) respectively. A pleasing performance in a difficult year.

Geneva Financial Services' (the lending business) pre-tax profit result of \$5.4m was up \$0.6m (12%) on last year. The lending side of business started strongly before the COVID lockdowns and restrictions cut in, hampering the receivables ledger growth. Positive changes to the lending mix continued to show improvements in asset quality, delivering lower provisioning levels. The receivables ledger closed at \$77.4m, up 2.7% on last year.

Quest Insurance Group Limited (Quest) reported a pretax profit of \$4.7m, up 47% on the prior period. The result was largely driven by the continued increases in gross written premium, which at \$30.1m was 40% up on last year. Costs were controlled, as the benefit of the lift in revenue flowed directly into an increase in underwriting margin and pre-tax profit. Cash on hand increased to \$24.8m from \$15.8m, and as at March 2022 Quest's solvency surplus increased to \$4.02m above the minimum \$5m requirement.

Federal Pacific Tonga (60% owned by the Group) reported a pre-tax profit of NZD \$1.5m (+4%). The Group's share amounted to \$0.9m pre-tax profit (\$0.65m after tax). This business was impacted by COVID and the recent earthquake and tsunami in the form of lower demand for lending. The full impact of these will be felt in the coming financial year. Once Tonga recovers from these events it is expected that lending volumes will return to normal trading patterns.

Stellar Collections (Stellar), including the debt litigation business, felt the brunt of COVID, with the uncertain environment resulting in reductions of new business, compounded by periods of the courts being closed. As a consequence the debt litigation operation reported a loss for the period but is starting to rebound following the return to normal business conditions. Stellar reported a \$0.2m profit, down \$0.16m on the prior year.

Geneva Capital (invoice factoring), reported a \$0.2m loss for the period, down \$0.3m on the prior year. The loss is largely attributable to a bad debt write-off and increased provisioning. The board is committed to ensuring that recent changes made will return the business to sustainable profit growth.

The after-tax unaudited financial result for the period was a profit of \$5.9m, down \$0.7m (10%) due to an increased tax charge for the year. The prior year tax charge included an adjustment to account for unrecognized tax losses. The after-tax profit attributable to Geneva shareholders was \$5.5m, down \$0.7m (11%).

COVID-19

Covid impacted the business on two fronts: first through lower than budgeted lending, Insurance and debt litigation volumes, and second in operational areas (Court closures) and, to a lesser extent, receivables arrears, where while there was an increase in hardship requests, they were well managed and relative to our total client base, the impact was not significant. As a consequence, as signaled in last year's report, the board has concluded to release just over half of the COVID provision taken up in March 2020.

Balance Sheet	Total Group assets increased to \$156m (9% increase). The company's equity to total assets ratio is 24.6% vs 24.0% in the prior year.
Revenues	Revenue totaled \$42.7m, an increase of \$7.9m (23%).
Operating Costs	Operating costs increased by 17% to \$19.5m. The increase primarily relates to increased commissions paid to introducers in lending business as the company moved into a more competitive market, and to introducers from Quest's increased insurance premiums volumes.
Funding	Group funding: <ul style="list-style-type: none">a. The lending and invoice financing businesses' securitisation facility increased to \$75m, drawn to \$65.8m at balance date.b. Stellar's banking facility remained unchanged at \$3.4m. The facility's term was renewed and extended to 31 July 2025. The facility will be repaid in equal repayments commencing 31 July 2023.c. Professional investor debt funding increased to \$14.2m and includes loans from directors.
Credit Rating	The Group's insurance company Quest Insurance Group Limited's credit rating issued by AM Best is unchanged at current ratings, being a Financial Strength Rating of B outlook stable and an issuer credit rating of bb+ outlook stable. The current year review is currently underway.
Highlights / Key Events	Group pre-tax profit, a record for the Group, increased to \$8.2m, up 22%. Quest premium sales increased to \$30.1m, up 40%. Total Cash holdings increasing to \$38.8m up 40% Total Group assets increased to \$156m, up 9%. Group equity increased to \$38.3m, up 12%.



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*Events
Subsequent to
Balance Date* The Janssen Insurance distribution agreement with Quest Insurance was extended by a further five years from 1 April 2022.

*Strategic
Direction* The Group remains focused on its core lending, insurance and collections businesses. For the immediate future, there will be an increased focus on improving our IT systems, in particular building on the established platforms to enhance new business originations.

*Summary and
Outlook* The Group ends the March 22 year with a pleasing NPBT result up 22% on the previous year. We enter the coming year with a solid balance sheet including a well performing and well provisioned loan book. The Group has sufficient funding to support its expected growth in the coming financial year and also expects the insurance business to continue its upward revenue and profit growth.

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For further information, please contact:

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