

SCOTTISH PACIFIC REPORTS PRO FORMA NPATA OF \$15.9M FOR THE HALF YEAR ENDING 31 DECEMBER 2016**Result Highlights**

- Pro Forma NPATA¹ \$15.9m, up 34.7% on Pro Forma 1H16
- Net Revenue \$49.9m, up 5.1% on Pro Forma 1H16
- Pro Forma PBIT \$21.2m, up 16.5% on Pro Forma 1H16
- Pro Forma PBIT Margin 42.5%, up 450bps on Pro Forma 1H16
- Underlying EPS² 11.4cps
- Fully franked interim dividend of 8.0 cents per shares, representing a payout ratio of 70% of 1H17 NPATA
- Since October 2016, turnover and exposure growth rates have returned to historical levels
- FY17 guidance provided on 14 November 2016 Trading Update reaffirmed

Overview

Scottish Pacific Group Limited (SCO) today announced a pro forma Net Profit after Tax excluding Acquisition-related Amortisation (NPATA) of \$15.9m for the first half of FY2017, representing an increase of 34.7% over the pro forma previous corresponding period. Net Revenue of \$49.9m was recorded during the half year and pro forma Profit before Interest and Tax (PBIT) of \$21.2m.

Scottish Pacific's Average Exposure during 1H17 was \$846m and the loan book stood at \$980m as at 31 December 2016. The Group currently has a combined \$1,195m in approved funding via its three warehouse facilities with \$337m unused as at 31 December 2016.

As set out in the Trading Update issued to ASX on 14 November 2016, the first four months of the December half saw the Group achieve lower than expected loan book growth and lower invoicing volumes. Volumes were impacted by unexpectedly soft economic conditions (negative GDP growth recorded in the September quarter). The impact of this unusual economic phase, was compounded by higher than anticipated levels of client attrition, which was in part due to the application of Scottish Pacific credit policies on the acquired portfolios.

¹ Pro Forma NPATA = Pro Forma Net Profit after Tax excluding amortisation and impairment relating to acquired intangibles. Pro Forma adjustments to the statutory results primarily reflect costs incurred in the period associated with Scottish Pacific's initial public offer and are consistent with the prospectus. Pro forma 1H16 financials include the impact of the acquisition of Bibby Financial Services but excludes the client portfolios acquired from Suncorp and GE.

² Underlying EPS based on NPATA and total issued shares of 139.2m

As a result, Net Revenue performance for 1H17 was lower than expected at the time of the IPO. Importantly, Net Interest Margin and Average Management Fees were (and remain) in line with plan and expenses are comfortably within forecast levels. Notably, month on month volume growth has returned to trends expected at the time of the Company's IPO.

The reduction in 1H17 Net Revenue was partly offset by lower than expected bad debt provisions. Specific provisions were at lower than historic levels due to continued focus on credit control, and successful collection and account management practices.

Commenting on the results, Chief Executive Officer, Peter Langham said, "While volume growth was below expectations for the first four months of 1H17, we have since seen a sustained improvement in general business conditions and new client settlements. Our trading performance is in line with our revised forecasts and this performance has continued into the new year."

In 1H17, client numbers decreased by 3%, primarily as a result of higher levels of client attrition. This level of attrition was mainly experienced in the acquired portfolios, in part due to the application of Scottish Pacific's credit policies and procedures on clients in those portfolios during integration. With the integration phase now successfully completed, we do not expect a continuation of this trend. Pleasingly, our average client exposure which is a key driver of growth, increased from \$0.524m in July 2016 to \$0.642m in December 2016, offsetting this higher than planned level of client attrition.

In addition, our underlying average exposure (excluding the GE and Suncorp acquisitions) in December 2016 was 9.5% higher than for the same month in 2015. All of this gives us confidence that we have seen a normalisation in our operating conditions and a resumption of typical growth rates, albeit from a lower base."

Scottish Pacific's Board is pleased to advise that it has declared a fully franked interim dividend of 8.0 cents per share representing a payout ratio of 70% of NPATA, compared to our target payout ratio range of 60-80% of NPATA. The Board currently expects that a similar payout ratio will apply to the FY17 final dividend.

Integration Update

The first six months of FY2017 has seen continued focus by the Group's management team on integrating the staff, clients and systems of Bibby Financial Services and the Suncorp and GE portfolios. Expected cost synergies from the acquisitions have been fully achieved. The Group now has approximately 290 staff members.

While staff turnover following the acquisitions was initially higher than the Group has historically experienced, this has now stabilised and staff engagement scores in November 2016 are in fact higher than when last measured in October 2015.

We continue to listen to clients and our November 2016 client survey, confirmed that our clients continue to have a high demand for our working capital, but those from the acquired portfolios would prefer to have an easing of credit policies that have applied to them following their integration into Scottish Pacific. With the integration of these acquired clients now complete and our experience with and understanding of them improving through the passage of time, we will seek to appropriately address this concern within our normal risk management policies and procedures.

Acquisition of Sterling Trade Finance

In January 2017, Scottish Pacific completed the acquisition of a small UK trade finance business, Sterling Trade Finance (“Sterling”) at an acquisition price of £0.7m. The Group will also take on the funding of the existing loan book (approx. £1.2m) until external wholesale funding is secured.

Sterling is to be renamed Scottish Pacific Trade Finance (UK) Ltd and will provide immediate efficient scale to the UK operations and make a small contribution to earnings in FY17.

Strategy and Outlook

In Australia, New Zealand and the United Kingdom, small and medium sized enterprises (SME) continue to remain underserved by traditional bank lending practices and it is this opportunity that Scottish Pacific seeks to capitalise. Successful product innovation has been and will continue to be an important driver of business growth for the Group in seeking to maximise this opportunity.

Our existing product portfolio already includes recently introduced products such as Bad Debt Protection, Progress Claim Finance and Selective Invoice Finance, that have not yet achieved the level of market penetration that we believe is possible. The year to date FY2017 trading performance has been positively influenced as these products achieve greater market penetration.

The Group’s trading performance since providing the Trading Update, up to and including January 2017 is consistent with our revised FY2017 guidance. New client settlements and pipeline are strong while margins and costs are well in control. Accordingly, the Group reaffirms its FY2017 guidance of Net Revenue of \$100.9m, PBIT of \$40.6m and NPATA of \$30.8m.

-Ends-

For further information please contact:

Peter Langham

CEO

Phone: +61 2 9392 9999

Chris Hedge

CFO

Phone: +61 2 9372 9999

Scottish Pacific are hosting an investor conference call

Details: Tuesday 28 February 2017

11.00am

Dial in details:

Conference ID: 5509 2054

Participant Toll Number: +61 2 8038 5221

Participant Toll Free Number: 1800 123 296

To ask a question, participants will need to dial “*1” (star, 1) on your telephone keypad.