



1H18 RESULTS PRESENTATION

28 FEBRUARY 2018

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All information in this presentation is current at the date of this presentation, unless otherwise stated.

All currency amounts are in AUD dollars unless stated otherwise.

A group of four people (three men and one woman) are gathered in a meeting, looking at a document held by the woman. The image is overlaid with a large, stylized 'X' graphic on the left side, composed of teal and light blue geometric shapes. The text '1H18 KEY HIGHLIGHTS' is centered over the image in a bold, white, sans-serif font.

1H18 KEY HIGHLIGHTS


1H18 FINANCIAL HIGHLIGHTS – PRO-FORMA

STRONG UNDERLYING GROWTH ACROSS THE BUSINESS

Net Revenue

 **\$54.3M**
8.8%


PBIT

 **\$23.2M**
9.4%

NPAT

 **\$14.5M**
11.5%

Cost to income ratio*

 **49.9%**
from 50.8% 2H17

Operational Cash Flow

 **\$29.6M**
67%

NPATA

 **\$16.5M**
10.0%

EPS

 **11.85 cents**
10.0%

Interim Dividend

 **9.0 cents**
1H17: 8.0 cents

* Operating Expenses minus BDD and D&A/Net Revenue; adjusted for STI

1H18 ACHIEVEMENTS

DELIVERING ON PROMISES, CONTINUING PROGRESS



Debtor Finance Growth

Average exposure up 16.4%

Turnover up 13.2%

Customer numbers up 3%

Customer attrition down to 21.3%

Net revenue up 10.4%



Specialised Finance Growth

Average exposure up 32.1%

Net revenue up 8%. Selective Invoice Finance and Bad Debt Protection up 77% and 58% respectively. UK and PCF drag.

Debtor finance customers with 2+ products up to 11% 1H18 from 7% 1H17

BDD in line with debtor finance experience



Responsible Business Management

Cost to Income ratio down to 49.9% after adjusting for STI

Continued outstanding BDD performance

Operational efficiencies resulting in customer to operational staff ratios up to 10:1 from 8:1

Ongoing strong support from Wholesale Funding Partners with opportunities for growth and simplification



Developing People and Capability

Emphasis on people development, diversity and professional advancement

Ongoing investment in Customer Administration System integration – three successful rollouts in NZ, SA and QLD. Group completion is expected September 2018.

Newly created risk training and product development roles

A photograph of a middle-aged man with grey hair and a beard, wearing a light blue button-down shirt and a green apron. He is looking upwards and to the left, reaching towards a wooden shelf filled with books. The background is a blurred interior space, likely a library or bookstore. On the left side of the image, there is a large, stylized white 'X' graphic that overlaps the man and the background. The word 'FINANCIALS' is written in white, bold, sans-serif capital letters across the center of the image, partially overlapping the man's torso and the 'X' graphic.

FINANCIALS

PROFIT AND LOSS – PRO-FORMA

PERFORMANCE IN LINE WITH GUIDANCE

A\$ millions	1H18	1H17	Change %
Management fees - Debtor Finance*	29.6	29.1	1.7
Management fees - Trade Finance and Specialised*	5.5	5.1	7.8
Net Interest Income	19.2	15.7	22.3
Net Revenue	54.3	49.9	8.8
Staff expenses	(18.5)	(16.9)	9.5
SG&A expenses	(9.4)	(8.7)	8.0
Operating Costs	(27.9)	(25.6)	9.0
Operating Contribution	26.4	24.3	8.6
Bad and doubtful debt expense	0.2	0.2	-
PBITDA	26.6	24.5	-
Depreciation and amortisation	(3.4)	(3.3)	-
PBIT	23.2	21.2	9.4
Borrowing costs	(2.6)	(2.6)	-
PBT	20.6	18.6	10.8
Income tax expense	(6.1)	(5.6)	9.3
NPAT	14.5	13.0	11.5
Acquisition amortisation**	2.0	2.0	-
NPATA	16.5	15.0**	10.0

Net Revenue

- Driven by Exposure and Turnover growth
- Impact of fixed fee deals felt as book grows
- Funding benefits flowing to NII
- UK and Progress Claim Finance drag

Operating Contribution

- Up 8.6%
- Includes \$0.8m for STI payments not paid in 1H17
- \$0.6m of 1H costs that will not recur in 2H
- Heavier investment in marketing, business improvement and training

Bad and Doubtful Debts

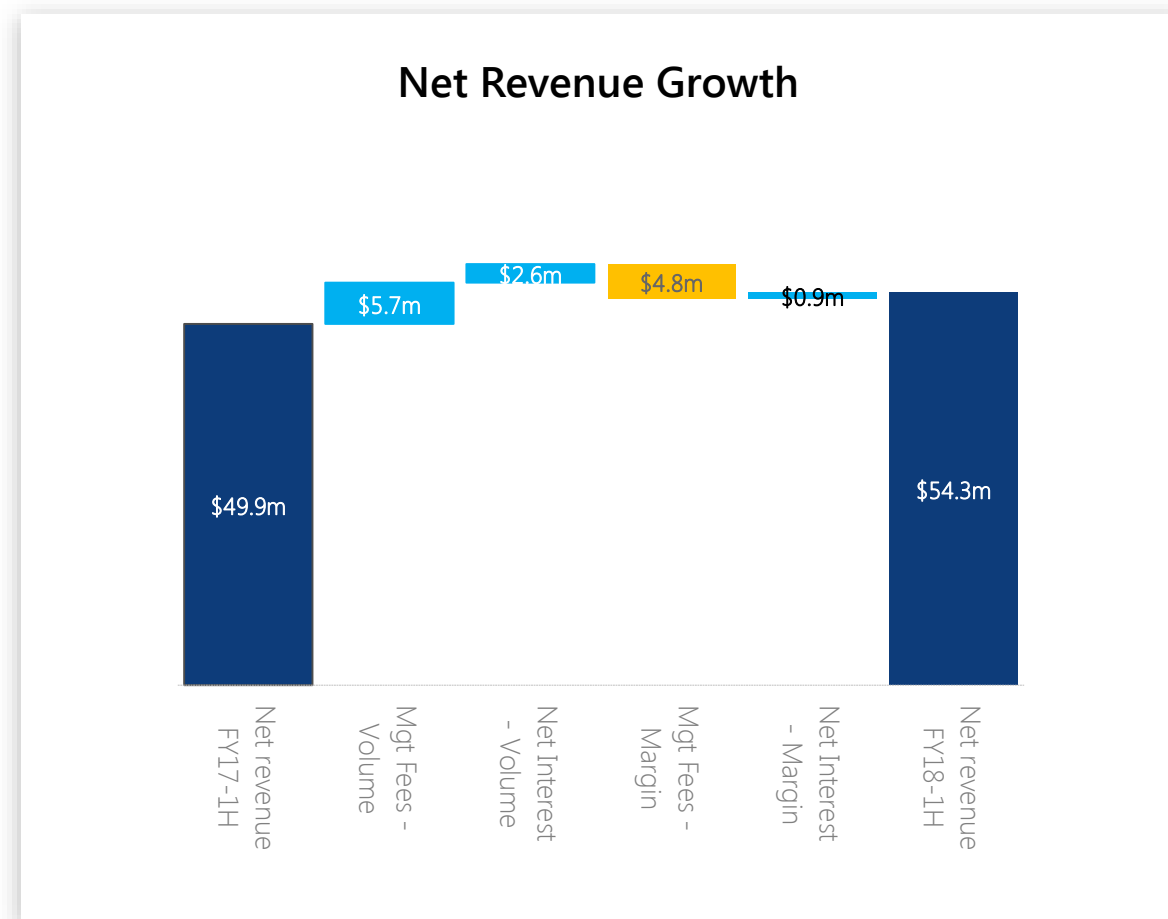
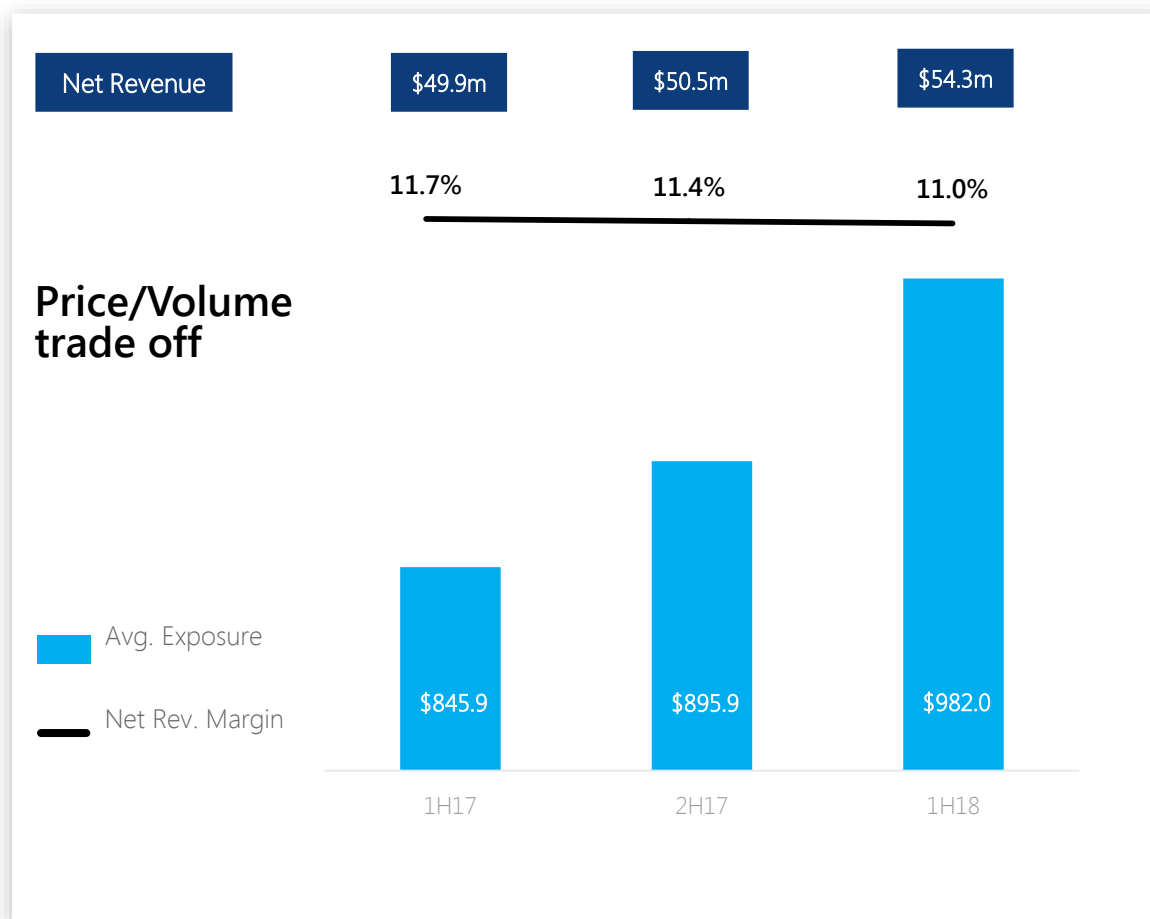
- Minimal specific provisions
- Excellent recoveries

PBIT

- In line with guidance
- 42.7% margin

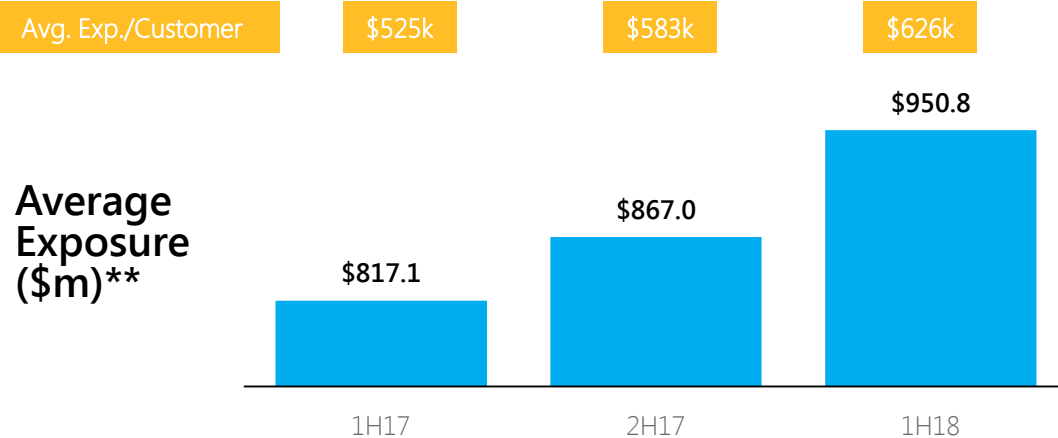
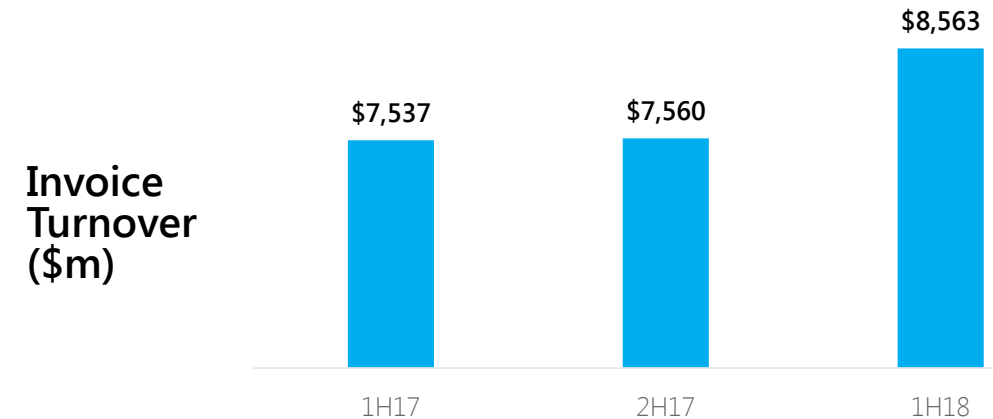
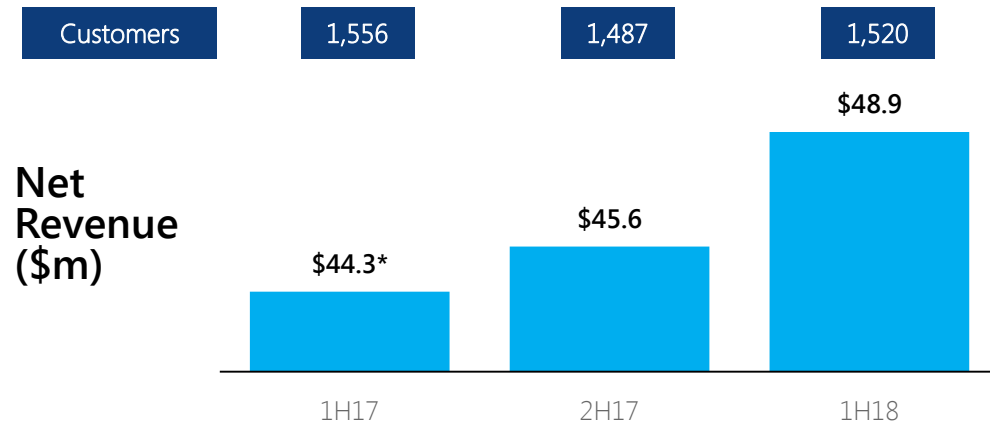
REVENUE DRIVERS

LARGER LENDS DRIVING VOLUME GROWTH AT LOWER MARGINS



DEBTOR FINANCE

CORE BUSINESS NET REVENUE GROWTH 10.4%

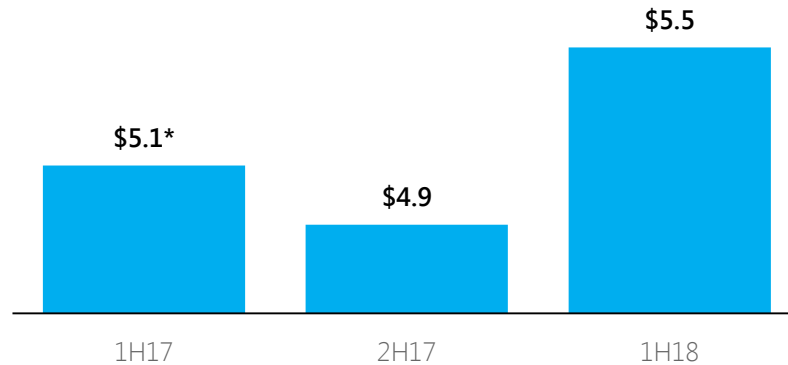


Key Metrics	1H17	1H18	Change
Average Management Fee/Turnover	0.37%	0.34%	-3bps
Net Interest Income / Average Exposure	3.68%	3.88%	+20bps
Growth in Average Exposure/Customer on pcp	n/a	19.2%	-
Net Revenue Margin	10.7%	10.2%	-50bps

SPECIALISED FINANCE

REVENUE GROWTH UP 7.8%

Net Revenue (\$m)



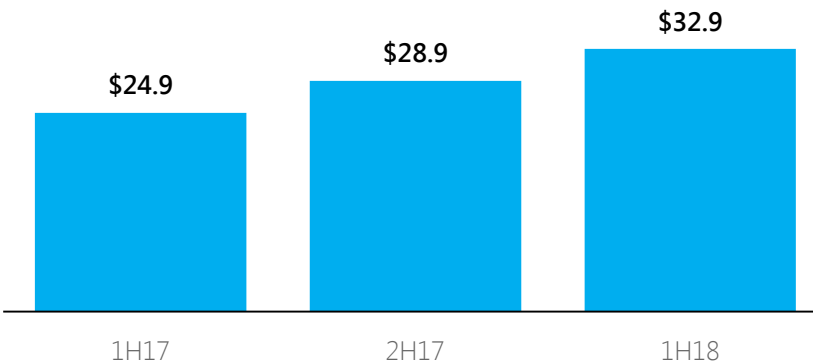
Avg. Exp./Customer

\$163k

\$177k

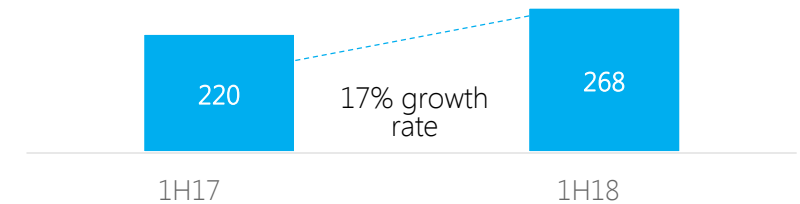
\$224k

Average Exposure (\$m)**

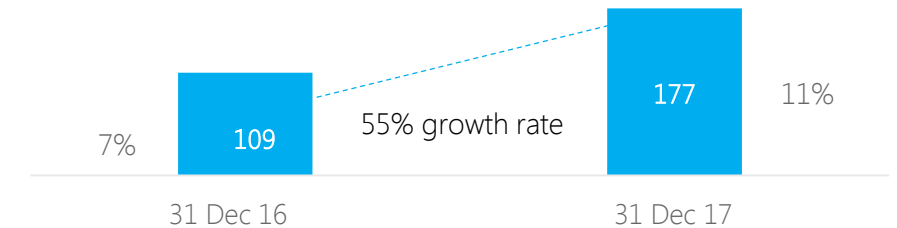


Assisting Debtor Finance Growth

Total New Specialised Product Facilities



Debtor Finance Customers with Specialised Product



Key Metrics	1H17	1H18	Change
Average Exposure growth	n/a	32.1%	-
Net Revenue Margin	40.6%	33.3%	-7.3pts
Growth in Average Exposure/Customer on pcg	n/a	37.4%	-
UK – Operating Contribution (\$Am)	0.1	(0.2)	(0.3)

*1H17 Segment result restated for movement of customers to Specialised Finance. \$0.5m of Post Integration Revenue adjustments in 1H17 not attributable to either segment

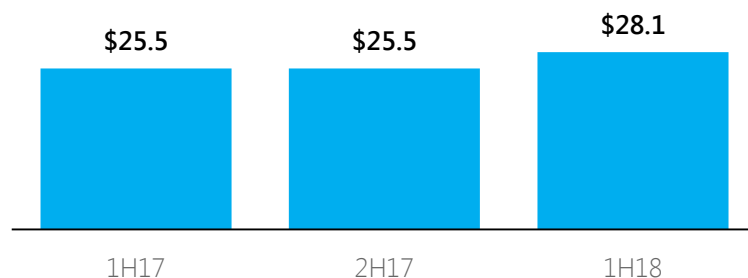
** Segment result may differ slightly from consolidated result.

COST MANAGEMENT

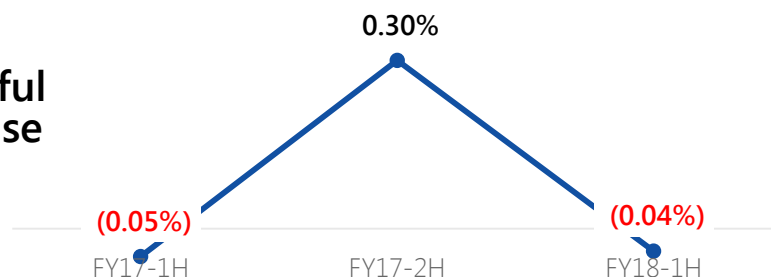
RESPONSIBLE APPROACH TO EXPENSES AND CREDIT RISK

Disciplined approach to credit standards,
underpins outstanding low bad and doubtful debt performance

Total
expenses*
(\$m)



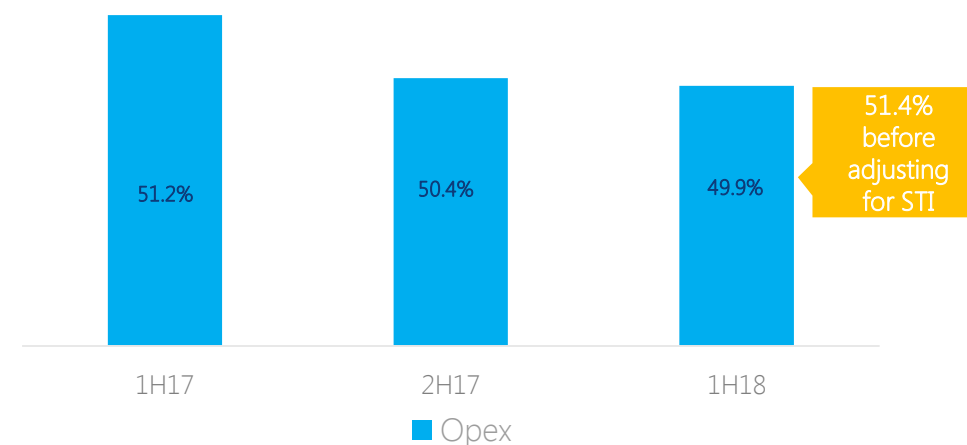
Bad, Doubtful
Debt expense
(%)



* Including bad and doubtful debts and amortisation

Increased scale driving cost efficiency,
whilst maintaining investment in people and systems

Cost to Income Ratio*



- One-off 1H costs
 - Senior Leadership recruitment
 - Timing of Sales Bonuses
 - Professional Services fees for Legal and Risk
- Investment in Marketing, Business Improvement and Training

* Operating Expenses minus BDD and D&A/Net Revenue

CASHFLOW

EFFICIENT CASH CONVERSION

A\$ millions	Pro-Forma 1H18	Pro-Forma 1H17	\$Var	Statutory 1H18
Cashflow				
Net Profit before Tax	20.6	18.6	2.0	20.0
Add back non-cash Items				
Bad and doubtful debt expense	(0.4)	(0.2)	(0.2)	(0.4)
Depreciation and amortisation	4.1	3.3	0.8	4.1
Customer Administration System spend	(0.6)	-	-	
Movement in working capital*	5.9	(4.0)	9.9	5.9
Operating cash flow before financing and tax	29.6	17.7	11.9	29.6
Capital Expenditure	(0.2)	(0.3)	0.1	(0.2)
Equity Investment in Non-recourse Trust	(4.1)	(5.7)	1.6	-
Net increases in client receivables	-	-	-	(128.3)
Proceeds from warehouse debt facilities	-	-	-	124.2
Lease payments	(0.1)	-	(0.1)	(0.1)
Net cashflow before corporate financing and taxation	25.2	11.7	13.5	25.2
Income taxes paid	(9.7)	(8.3)	(1.4)	(9.7)
Interim Dividend	(11.8)	-	(11.8)	(11.8)
Transaction costs	-	(8.9)	8.9	-
Net Cashflow	3.7	(5.5)	9.2	3.7
Opening Cash				21.8
Closing Cash				25.5

Cashflow Bridge A\$ millions	Statutory 1H18
Cashflow	
Opening Cash	21.8
Cashflow from operations	29.6
Lease Payments	(0.1)
Tax payments	(9.7)
Dividends	(11.8)
Equity Investment in Non-recourse Trust	(4.1)
Capex	(0.2)
Net Cash Movement	3.7
Closing Cash	25.5

* 1H17 Working Capital movement driven by IPO accruals. Normalised balance sheet position in 1H18.

SOUND FUNDING STRUCTURES

FLEXIBLE BACKING FROM WHOLESALE PARTNERS

Facility	Term	Commitment (\$m)	Drawn at 31 Dec 2017
Major Bank 1	1 year + 1 year ¹	708	
Major Bank 2	1 year + 1 year ¹	275	
Global Investment Bank	3 years + 1 year ¹	300	
Total senior facilities		1,283	942
Mezzanine Facility	3 years ²	60	50
Total limited recourse facilities		1,343	992
Corporate Debt	3 years ³	70	56 ⁴
Total		1,413	1,048

¹ Revolving period with 1 year amortisation period. Major Bank 1 facility matures June 2019, Major Bank 2 facility matures May 2019 and the Global Investment Bank facility matures May 2020.

² Mezzanine facility matures June 2019.

³ Corporate debt facility renewed to December 2019

⁴ Excludes additional \$3m drawn as payment of upfront borrowing costs

DIVIDEND



Interim dividend of **9.0 cents** per share, fully franked,
payable 22 March 2018

Total dividend represents a payout ratio of
75.9% of Pro-Forma NPATA

Dividend dates

Shares trade ex-dividend: **7 March 2018**

Record date: **8 March 2018**

Payment Date: **22 March 2018**



OUTLOOK



OUTLOOK

Earlier guidance of high single digit PBIT growth reaffirmed

Supported by:

- Strong growth in core debtor finance loan book
- Flattening of fee margin compression
- Increased use of Specialised Finance products to win and retain customers
- Strong pipeline of PCF prospects
- Launch of Working Capital Finance product
- Continued low bad debts and solid cost control



A photograph of an office environment. In the foreground, a woman with long brown hair, wearing a grey blazer over a white blouse, stands and points at a document held by a man with a grey beard and glasses, who is seated at a desk. The man is wearing a dark suit and a tie. In the background, another woman with blonde hair is seated at a desk, looking at a laptop. The office has modern decor, including a desk lamp and various office supplies. The text 'Q&A' is overlaid in white on the left side of the image.

Q&A

A photograph of an office environment. In the foreground, a woman with long brown hair, wearing a grey blazer over a white blouse, stands and looks down at a document she is holding. A man with a grey beard and glasses, wearing a dark suit and tie, is seated at a desk, looking up at her. In the background, another woman with blonde hair is seated at a desk, looking at a laptop. The office has various items on desks, including a desk lamp, a small potted plant, and some papers. The image is overlaid with a large white 'X' shape on the left side, and the word 'APPENDIX' is written in large white capital letters across the center.

APPENDIX

SCOTTISH PACIFIC GROUP

SUMMARY



The market for non bank lenders to SMEs continues to expand with tightening of scope by major banks

Debtor financing is stable through the economic cycle, is not subject to regulatory risk or residual value risk as may be the case with other NBFIs

Risk sits with the underlying debtor not the SME borrower. The highly liquid nature of the security combined with very low loss rates supports a deep and robust funding environment

With a loan book of ~\$1bn, SCO is by far the largest non bank provider of debtor finance and it is believed to have more debtor finance customers than any of the banks

Economies of scale create cost efficiencies, broad access to debt markets, the largest sales team in the industry and the capital to invest in new products and technologies. Scale also facilitates larger loans without creating customer concentration risk

The model is capital light with only 5% equity support required for new loans

SCO has 30 years of dealing with over 4,000 brokers and 3,000 accountants and the most experienced management team in the market

SCO continues to offer shareholders growth whilst maintaining a strong dividend payout ratio

PURPOSE AND VISION

THE WORKING CAPITAL SPECIALIST

Vision

The leading working capital financier in our chosen markets – helping our customers to achieve their aspirations



What business owners want to do

- Fund growth
- Take advantage of business opportunities
- Turn a business around
- Acquire another business
- Buy out a shareholder
- Release the family home
- Access to cash
- Pay staff
- Buy tools of trade

They want solutions not products



What we must do

- Give them solutions
- Offer more than debtor finance
- Acquire/develop new products to meet their needs
- Make our solutions easy
- Make ourselves visible
- Understand their needs
- Invest in technology that delivers a better experience

Develop ways to solve their problems



What this aims to deliver

- Renown amongst our staff, customers and introducers for helping others
- A great place to work
- Double digit EPS growth
- Strong dividend payout ratio

New products to increased market of over one millions SMEs

STRATEGIC THEMES

HOW SCOTTISH PACIFIC IS DELIVERING THE VISION



Debtor Finance Growth

- Continuing to grow customer numbers through new business gains and customer retention
- Continued growth in exposures – targeting 10% YoY
- Targeting revenue growth in excess of cost growth



Specialised Finance Growth

- Deepening existing relationships through:
 - Accepting more asset types as security in a folio
 - Offering additional services to meet broader needs
 - Identifying ways to work with customers and debtors
- Continuing to focus on digital sales and service
- Nurturing the UK business



Responsible Business Management

- Maintaining acceptable levels of risk within the core business
- Adhering to appropriate risk/return model balancing growth and loss for expansionary offerings
- Exercising prudent cost control



Developing People and Capability

- Expanding talent pools through investment in development, diversity and internal opportunities for advancement
- Successful completion of Customer Administration System migration due in September 2018 will further improve customer experience and cost to income ratio
- Investing in technology and streamlining policy and processes to increase productivity and overall customer satisfaction

CONTINUED COMMITMENT TO TECHNOLOGY INVESTMENT, STAFF DEVELOPMENT AND DIVERSITY



Technology Investment

- Consolidated Customer Administration System on track - targeting completion 09/18
 - Three successful territory migrations completed
 - \$1.6M spend over two years to be expensed
- CRM upgrade – starting 04/18 – will drive sales productivity
- Combination supports enhanced customer experience and improved customer analytics
- Online origination and application platform launched



Leadership and Talent

- Consistent application of new HR Administration System
- Customised Leadership Training on Emotional Intelligence, Communication & Leading through Change
- A continued focus on promoting internal talent.



Diversity and Other Initiatives

- Roll out of Inclusive Leadership and Unconscious Bias programs
- Launch of Charitable Giving program "Scotpac Gives Back"
- Extensive AIM management training course for all management staff completed

STATUTORY INCOME STATEMENTS

A\$ millions	1H18	1H17
Management fees - Debtor Finance	29.6	28.4
Management fees - Trade Finance and Specialised	5.5	5.8
Net Interest Income	19.2	15.7
Interest income	38.8	33.3
Interest expense	(19.6)	(17.6)
Net Revenue	54.3	49.9
Staff expenses	(18.9)	(17.0)
SG&A expenses	(9.6)	(17.6)
Operating Contribution	25.8	15.3
Bad and doubtful debt expense	0.2	0.2
PBITDA	26.0	15.5
Depreciation and amortisation	(3.4)	(3.3)
PBIT	22.6	12.2
Borrowing costs	(2.6)	(2.6)
PBT	20.0	9.6
Income tax expense	(2.4)	(1.1)
Net Profit after Tax	17.6	8.5

Statutory to Pro-Forma income statement reconciliation	1H18	1H17
Statutory Revenue	54.3	49.9
Pro-Forma adjustments		
None applicable	-	-
Adjustments total	-	-
Pro-Forma revenue	54.3	49.9
Statutory NPAT	17.6	8.5
Non-Operating Adjustments		
Offer costs	-	8.9
Customer Administration System costs	(0.6)	
Adjustments total	(0.6)	8.9
Tax effect of adjustments		
Offer costs	-	(2.7)
Transaction & Integration costs	-	(1.8)
Legacy LTI Scheme deduction	3.7	
Tax Total	3.7	(4.5)
Pro-Forma NPAT	14.5	12.9
Acquisition amortisation add-back	2.0	2.1
NPATA	16.5	15.0

BALANCE SHEET

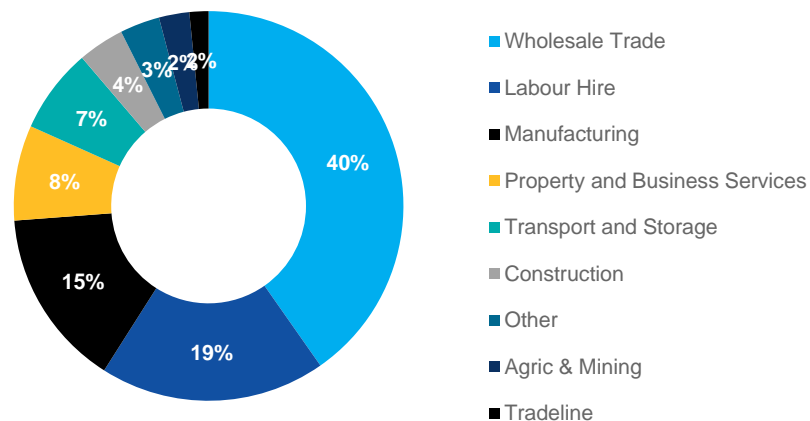
A\$ millions	Statutory 1H18	Remove Limited Recourse	Pro-Forma 1H18	Statutory 2H17	Remove Limited Recourse	Pro-Forma 2H17	Change \$
Assets							
Cash and cash equivalents	25.5		25.5	21.8		21.8	3.7
Restricted Cash	109.7	(109.7)	-	146.7	(146.7)	-	-
Customer receivables (net)	958.8	(949.6)	9.2	830.1	(821.2)	8.9	0.3
Other debtors and prepayments	2.1		2.1	3.1		3.1	(1.0)
Investment in Funding Vehicles		72.4	72.4		68.3	68.3	4.1
Current and deferred tax assets	14.1		14.1	10.3		10.3	3.8
Property, plant and equipment	1.5		1.5	1.8		1.8	(0.3)
Goodwill and Intangible assets	154.3		154.3	157.2		157.2	(2.9)
Total Assets	1,266.0	(986.9)	279.1	1,171.0	(899.6)	271.4	7.7
Liabilities							
Trade and other payables	15.8	4.8	20.6	15.1	4.8	19.9	0.7
Loans and borrowings	1,047.5	(991.7)	55.8	959.1	(904.4)	54.7	1.1
Total Liabilities	1,063.3	(986.9)	76.4	974.2	(899.6)	74.6	1.8
Net Assets	202.7	-	202.7	196.8	-	196.8	5.9

- Limited recourse adjusts for warehouse funded customer receivables
- Pro-Forma customer receivables = customer exposure funded solely by Scottish Pacific
- Investment in Funding Vehicles = Scottish Pacific's equity contribution in funding warehouses
- Loans and Borrowings on a Pro-Forma basis = corporate debt minus unamortised borrowing costs

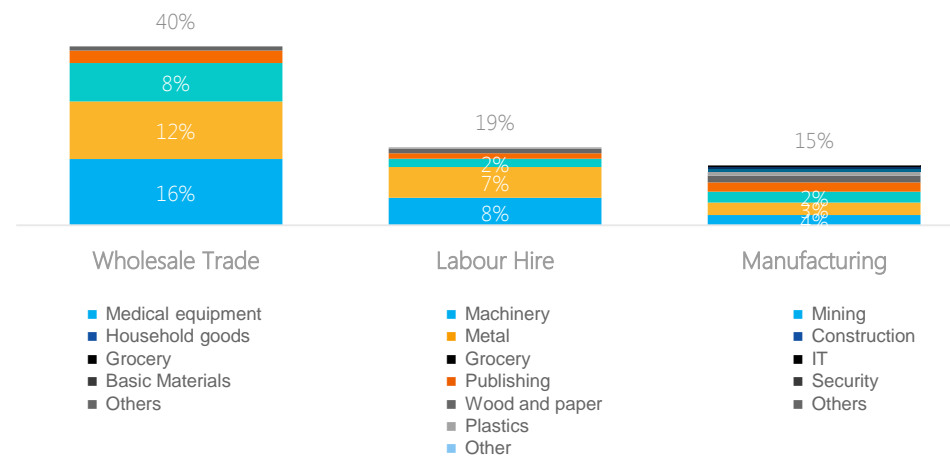
DIVERSE PORTFOLIO OF EXPOSURES

ECONOMIC RISKS MITIGATED BY INDUSTRY AND REGIONAL MIX

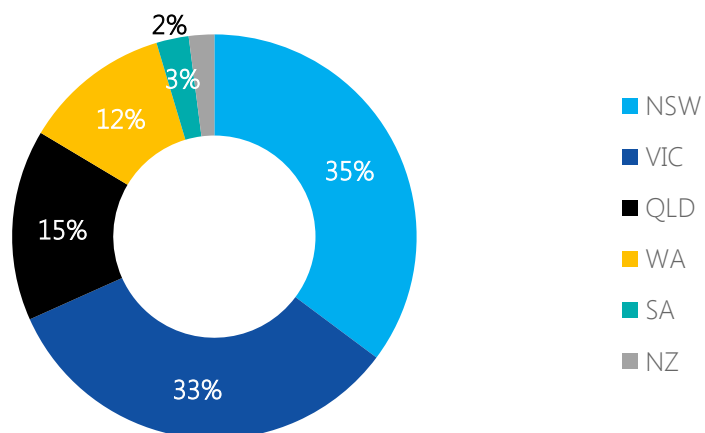
Customer Exposure by Sector (31 Dec 2017)



Customer Exposure by Sub-Sector (31 Dec 2017)



Funding Exposure by Geography (31 Dec 2017)



Funding Exposure by Customer (31 Dec 2017)

