



# SCOTTISH PACIFIC BUSINESS FINANCE

**UBS AUSTRALIAN EMERGING COMPANIES  
CONFERENCE SERIES: FINTECH**

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All currency amounts are in AUD dollars unless stated otherwise.

# SCOTTISH PACIFIC

## PROVIDING ESSENTIAL CASHFLOW FOR EVERY BUSINESS



### About Debtor Finance

- Providing working capital that is the lifeblood for every business
- Available in all economic conditions
- A key business partner throughout the life of a business
- Lend to a business, get repaid by the broader economy
- Relatively under penetrated in the Australia and New Zealand markets, compared to other markets such as the UK and Europe
- No need to provide property security
- Leading choice of alternative lending options <sup>1</sup>

### Scottish Pacific

- Largest debtor finance company in Australia and New Zealand
- 9 out of 10 SME's say cashflow impacts revenue<sup>1</sup>, we have 30 years of helping SMEs find solutions
- Loan book \$1 billion
- Historical low bad debts
- Almost 300 staff, across four countries
- New products resulting in Scottish Pacific being a solution lead business

**USING OUR MARKET LEADING POSITION TO OFFER MORE PRODUCTS TO OUR CUSTOMERS  
AND AN EXPANDED TARGET MARKET**

# GROWTH DRIVERS

Existing customers  
increasing turnover



Increase in  
customer numbers  
and minimising  
attrition

Increase in average  
customer size



Creating new products  
to increase market  
penetration and increase  
value per customer

Profitable  
Growth

Delivering a business which remains highly relevant, competitive and scalable.  
Fit for further significant growth.

# HIGHLY RATED IN SATISFACTION AND VALUE

## EXCELLENT RESULTS FOR BUSINESS FINANCE INDUSTRY



**Adds Value  
to Business**

**81% customers  
agree**

**Trusted  
Advisor**

**68% customers  
agree**

**Flexibility  
and  
efficiency**

**65% customers  
agree**

### **Drivers of positive customer experience**

Being responsive

Timeliness

Professionalism

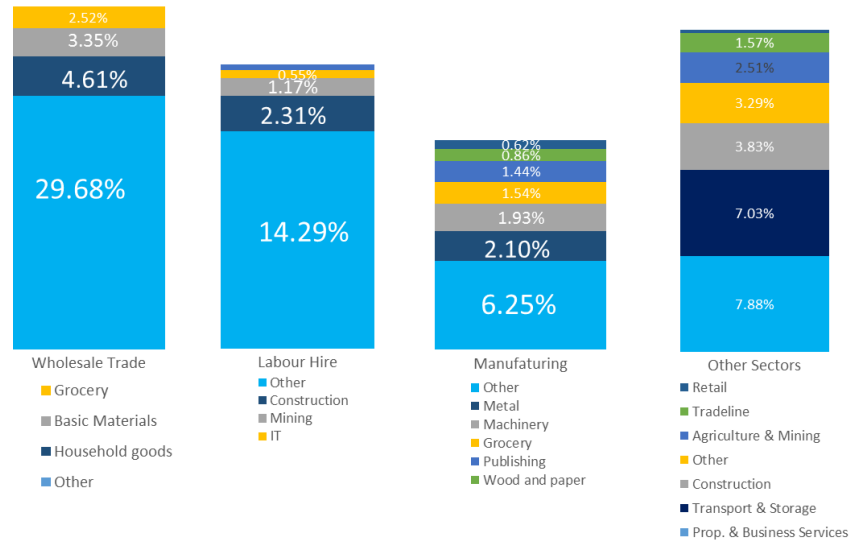
Being helpful and supportive

Understanding business  
needs and requirements

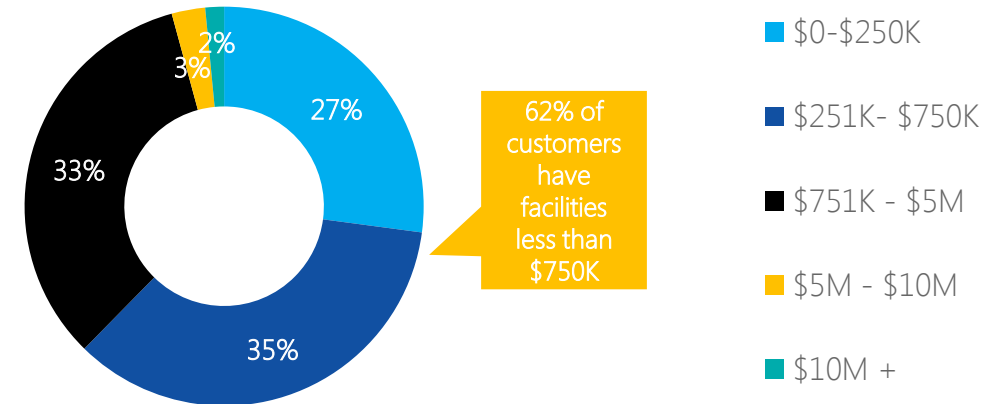
# DIVERSE PORTFOLIO OF CUSTOMERS

## ECONOMIC RISKS MITIGATED BY INDUSTRY AND REGIONAL MIX

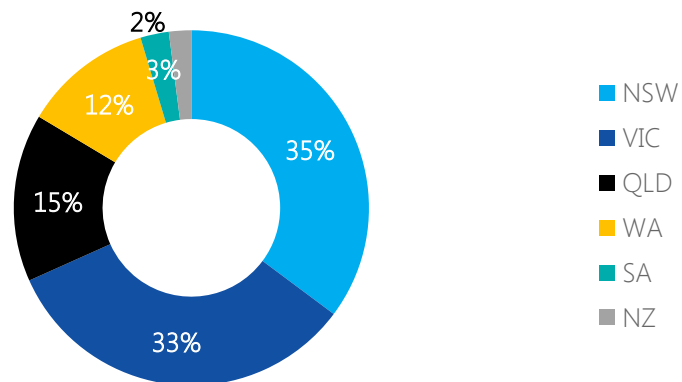
Customer Exposure by Sector (31 Dec 2017)



Customer Size by Facility Limits (31 Dec 2017)



Funding Exposure by Geography (31 Dec 2017)

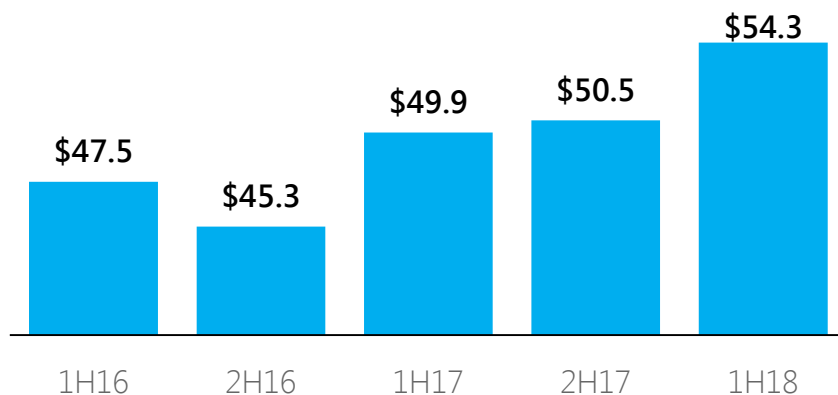


- Our business is personal – we work with business owners across a varied size
- Secure lending in all economic environments
- Working capital is essential throughout the life of a business
- Growth stays in line with business growth

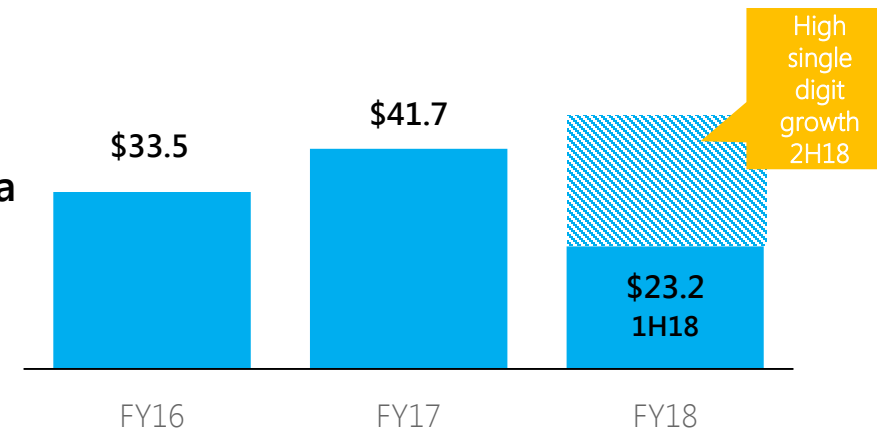
# FINANCIAL HIGHLIGHTS

## CORE BUSINESS NET REVENUE GROWTH 10.4%

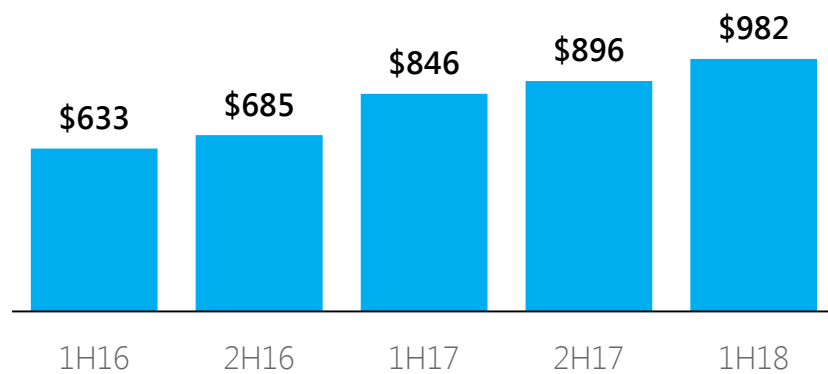
Net Revenue (\$m)



Pro-Forma PBIT (\$m)



Average Exposure (\$m)



### Dividend Payouts

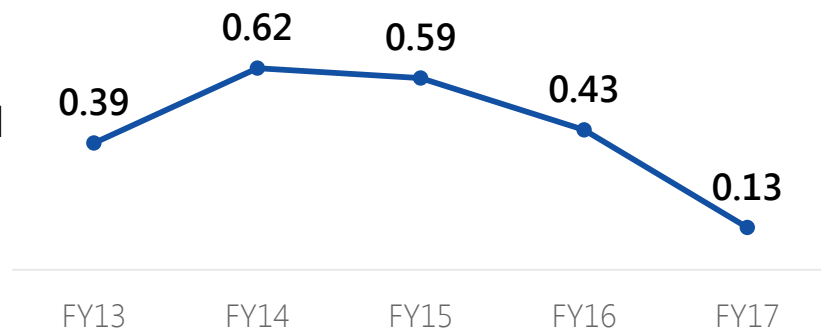
Interim Dividend 1H17	8.0 cents per share	Fully franked
Final Dividend 2H17	8.5 cents per share	Fully franked
Interim Dividend 1H18	9.0 cents per share	Fully franked

# RISK AND COST MANAGEMENT

## RESPONSIBLE APPROACH TO CREDIT RISK AND EXPENSES

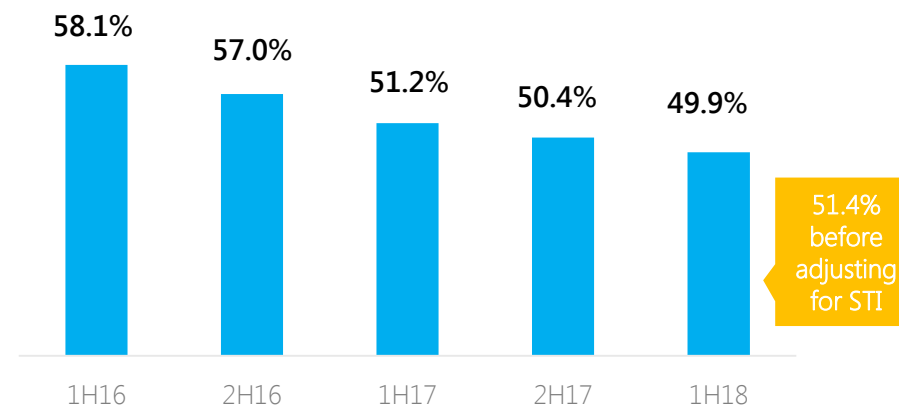
Disciplined approach to credit standards,  
underpins outstanding low bad and doubtful debt performance

Bad, Doubtful  
Debt expense  
(%)



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

Cost to  
Income  
Ratio\*



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



# BEN CUTLER - CHIEF CUSTOMER OFFICER



## Functional Responsibilities

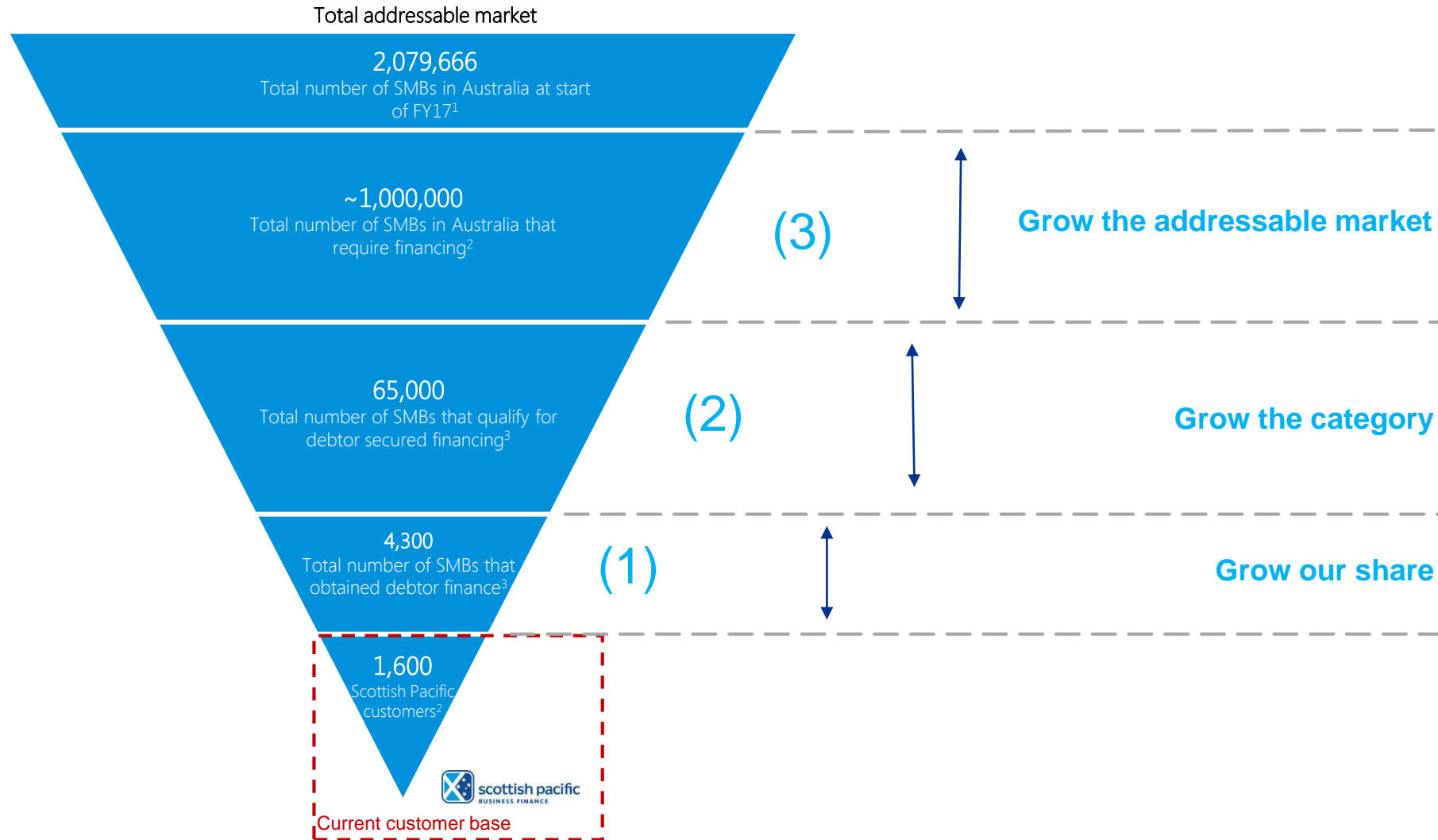
- Customer Growth Strategy
- Marketing
- New product development
- Digital platforms
- Research, insights and analytics
- Commercial partnerships
- Customer experience
- Corporate communications



## Objectives

- Grow customer numbers
- Grow distribution via partnerships and channel development
- Improve customer satisfaction and reduce attrition
- Expand range of working capital solutions
- Increase number of products per customer
- Lead the digital transformation
- Improve employee engagement
- Grow direct channel volume and reduce Cost Per Acquisition

# DEFINING THE MARKET OPPORTUNITY



<sup>1</sup> ABS (2016), Report 8165; <sup>2</sup> Scottish Pacific data; <sup>3</sup> Scottish Pacific Prospectus

# NEW BEHAVIOURS NEW OPPORTUNITIES



Digital data enabling a “win win” value exchange



Increasingly confident to go online for complex transactions



Younger, more mobile, more social, more vocal



More comfortable looking beyond the big banks



Exponential growth of personal data and the customer’s digital ecosystem



Speed, convenience, and simplicity are key drivers of choice

**CASHFLOW AND WORKING CAPITAL - STILL THE #1 THING KEEPING SME BUSINESS OWNERS UP AT NIGHT**



# TECHNOLOGY ENABLING A BRILLIANT CUSTOMER EXPERIENCE



## Channel and Distribution

Development of online channel for originating direct and third party business

API Integration into distribution and product partner environments

Tools to connect with customers earlier in the purchase journey

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Online application launched beginning of November 2017 enabling pre-approval offers in under 5 minutes



## Automation of workflow and processes

Straight through sales process for simple lends

Automation of customer processes to increase productivity, speed, transparency and lowering cost to serve

Cloud enabled collaboration and communication via O365 and CRM

Automation of low value process and shift resource to focus on high value tasks

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Completion of core operating system migration due in Sep 2018



## Relationship Management

Digitisation of relationship data to enhance existing relationship model:

- Predict need and match solutions
- Deliver data driven insight and advice to clients
- Automate marketing to personalise communication and experience

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New CRM implemented April 2018. Customer Data Layer live Q4 2018 connecting data sources from marketing, to sales and on boarding



## Credit Decisioning and Origination

Development of credit decisioning tools that scale existing risk and credit IP across multiple data sets.

Origination process based on risk profile (Low touch and No touch)

Delivering real time dashboards for credit and portfolio management

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New risk management system implemented in 2017

# NEW THINKING

## EVOLVING OUR ORGANISATIONAL CAPABILITIES TO ENABLE CUSTOMER GROWTH



### Strategy

A strategy and brand that provides alignment, focus and belief



### Customer Experience

Continual improvement to set the benchmark in the customer experience



### Insight

Research and data analytics to understand the customer, the market and improve decision making



### Engagement

Corporate communications expertise to engage our people, customers and the market



### Innovation

Dedicated new product development capability, to design the product roadmap



### Commercial Partnerships

Dedicated resource to develop new product and distribution partnerships

# STRATEGIC PRIORITIES

## INCREASING OUR INFLUENCE IN THE SME MARKET TO GROW THE CATEGORY



### Increase relevance by expanding the product portfolio

- Manufacture solutions for the majority of SME's working capital needs
- Extend and complete range with complimentary product partnerships
- Meet needs throughout the entire business lifecycle
- Tailored to specific segment needs



### Grow reach through channel development

- Create proprietary channels that operate early in the path to purchase
- Develop integrations that enable acquisition in partner environments
- Continue to grow the direct channel volume and origination capability
- Develop and activate distribution partnerships



### Understand customer needs and optimise the customer experience

- Develop an intimate understanding of the entire market through product and channel data
- Enhance the customer relationship by providing data driven insights and advice
- Create more ways to do business when and where it suits our audience. Use data analytics to predict needs and provide timely and contextually relevant recommendations to customers and prospects
- Develop a segmented customer experience model based on complexity of need.



### Ensure sustainability through operational excellence

- Operational efficiency of process and systems
- Flexible Funding options aligned for growth
- Attracting and developing the best talent
- Best practice risk management
- Fostering a high performing culture
- A clear data strategy and roadmap of enabling technologies

LEVERAGING STRONG FOUNDATIONS OF SCALE, BRAND, FUNDING, AND DISTRIBUTION



# TRADING OUTLOOK

Reconfirming earlier guidance of high single digit PBIT growth

Supported by:

- Strong growth in loan book and Net Revenue
- Flattening of fee margin compression





Q&A