



# FY18 RESULTS PRESENTATION

**28 AUGUST 2018**

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Peter Langham, CEO

David Rose, CFO

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All currency amounts are in AUD dollars unless stated otherwise.



# HIGHLIGHTS

# FINANCIAL HIGHLIGHTS – FY18 PRO-FORMA

## STRONG UNDERLYING GROWTH ACROSS THE BUSINESS

Net Revenue

 **\$108.6M**  
+8.2%

PBIT

 **\$47.6M**  
+14.1%

NPAT

 **\$29.7M**  
+17.4%

Cost to income ratio

 **50.2%**  
from 52.4%\*

Cash Flow from Operations

 **\$49.8M**  
+17.5%


NPATA

 **\$33.8M**  
+15.0%

Basic EPS\*\*

 **24.2 cents**  
+15.0%

Full Year Dividends

 **19.0 cents**  
+15.2%

# RECORD BREAKING OUTCOMES – FY18

## GROWTH AND RETURNS; YET STILL BUILDING CAPABILITY



### Debtor Finance Growth

Average exposure up 14.3%

Turnover up 13.3%

Net Customer growth up 2.5%

Customer attrition down 28%

Net Revenue up 8.3%



### Specialised Finance Growth

Net Revenue up 13.9%.

- Selective Invoice Finance \$1.9m up 40.9%
- Trade Finance \$5.5m up 11.2%
- Bad Debt Protection \$1.3m up 16.1%
- Progress Claim Finance/Other \$2.3m *down 0.6%* and UK \$0.8m *down 15.3%*

Debtor finance customers with 2+ products up to 13.7% from 9%



### Responsible Business Management

Cost to Income down to 50.2% from 52.5% - PY adjusted for STI

Added Senior Roles in Risk Management, Marketing, New Products and Treasury

Low Bad and Doubtful Debts. \$1.1m one time benefit from reduction in coverage to 30bps; aligning to historical loss rates

New products launched using “test and learn” model



### Developing People, Systems and Processes

Ongoing investment in single Customer Administration System – On track for Q2 completion

New roles filled in New Products, Channel Partnerships and Customer Experience

Continued focus on people development and diversity



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. A large, stylized white 'X' is overlaid on the left side of the image, with blue and teal geometric shapes filling the areas it divides. The word 'FINANCIALS' is written in white, bold, sans-serif capital letters across the center of the image.

**FINANCIALS**

# PROFIT OR LOSS STATEMENT PRO-FORMA

## STRONG FULL YEAR PERFORMANCE

A\$ millions	FY18	FY17	Change %
Management fees - Debtor Finance*	58.7	58.3	0.7
Management fees - Trade Finance and Specialised*	11.2	10.1	10.9
Net Interest Income	38.7	32.0	20.9
<b>Net Revenue</b>	<b>108.6</b>	<b>100.4</b>	<b>8.2</b>
Staff expenses	(37.8)	(33.8)	11.8
SG&A expenses	(16.6)	(17.2)	(2.9)
<b>Operating Costs</b>	<b>(54.4)</b>	<b>(51.0)</b>	<b>6.8</b>
Operating Contribution	54.2	49.4	9.5
Bad and doubtful debt expense	0.1	(1.1)	(109.6)
<b>PBITDA</b>	<b>54.3</b>	<b>48.3</b>	<b>12.3</b>
Depreciation and amortisation	(6.7)	(6.6)	1.1
<b>PBIT</b>	<b>47.6</b>	<b>41.7</b>	<b>14.1</b>
Borrowing costs	(5.2)	(5.2)	-
<b>PBT</b>	<b>42.4</b>	<b>36.5</b>	<b>16.2</b>
Income tax expense	(12.7)	(11.2)	13.5
<b>NPAT</b>	<b>29.7</b>	<b>25.3</b>	<b>17.4</b>
Acquisition amortisation	4.1	4.1	0
<b>NPATA</b>	<b>33.8</b>	<b>29.4</b>	<b>15.0</b>

### Net Revenue

- Exposure and Turnover growth from customer business growth and increased customer numbers
- Strongest growth in mid-size clients (\$750k - \$5m facility size)
- UK and Progress Claim Finance slight drag

### Operating Contribution

- Includes \$1.6m for STI payments not paid in FY17
- Includes capability spend for marketing, business development and training
- Excludes \$0.6m of Aquarius expense

### Bad and Doubtful Debts

- \$680k new specific provisions offset by recoveries
- Reduced collective provision to 30bps coverage – “one off” \$1.1m adjustment

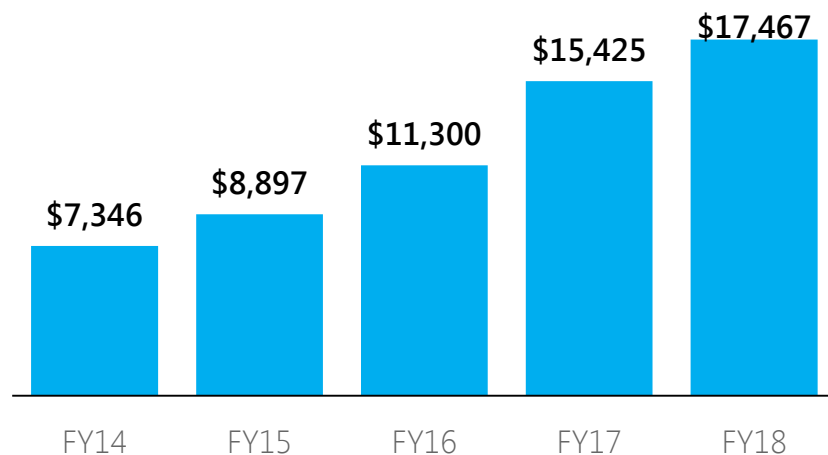
### PBIT

- Strong growth - up 14.1%

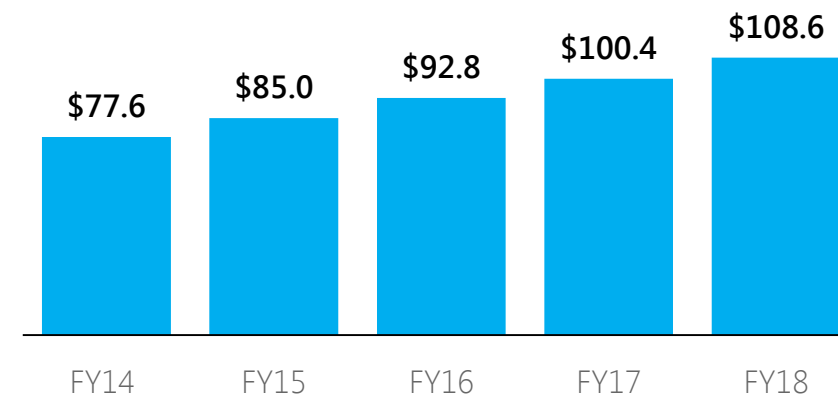
# GROWTH IN VOLUMES AND LOAN BOOK

## DRIVING NET REVENUE AND PROFIT INCREASES

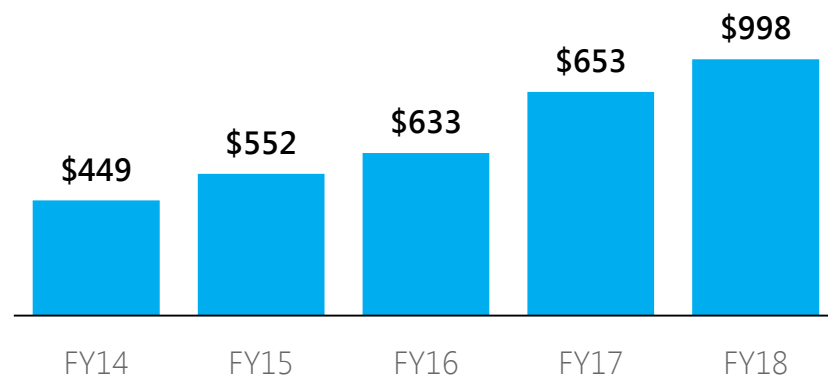
Invoice  
Turnover  
(\$m)



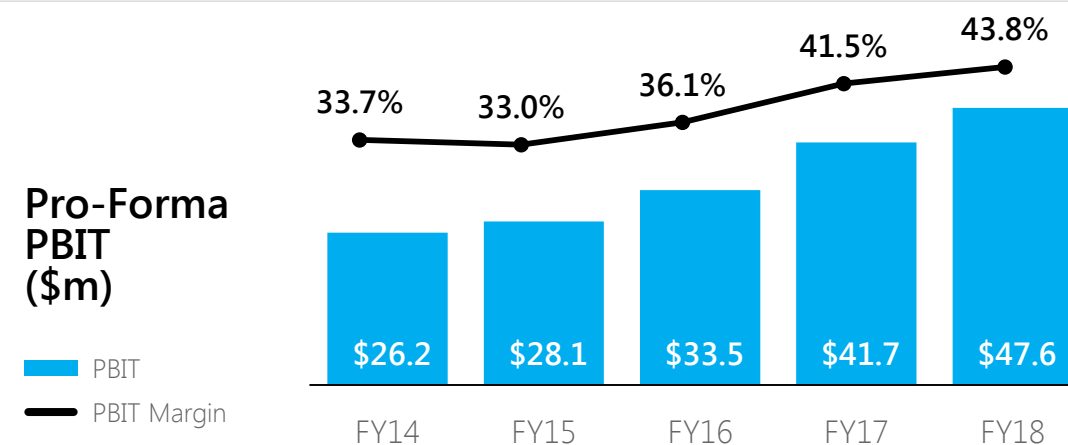
Net  
Revenue  
(\$m)



Average  
Exposure  
(\$m)



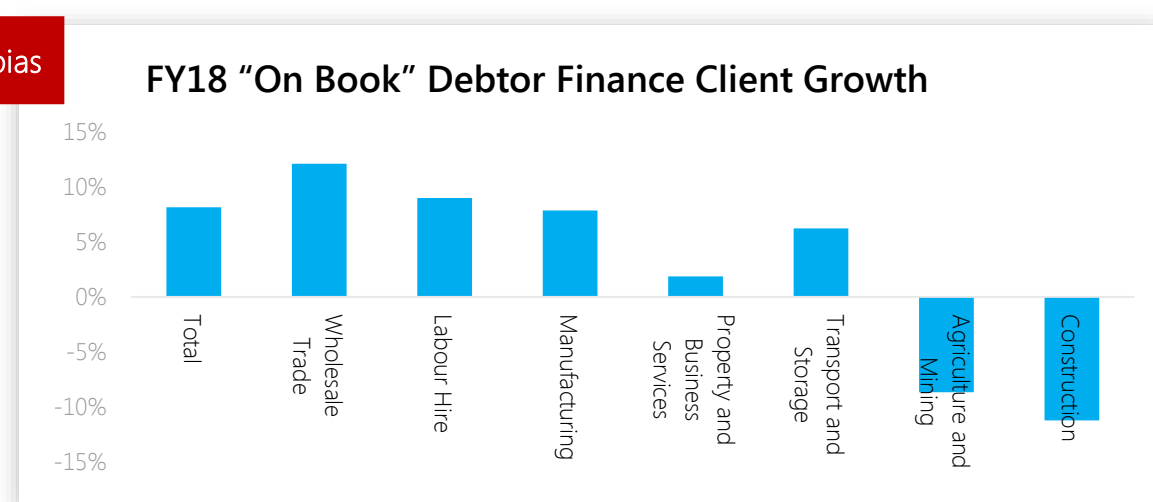
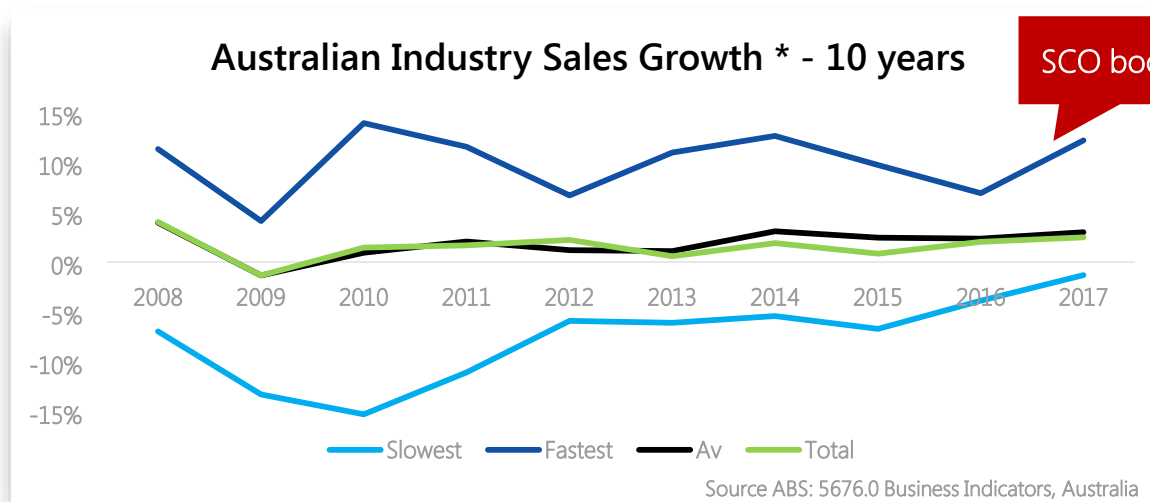
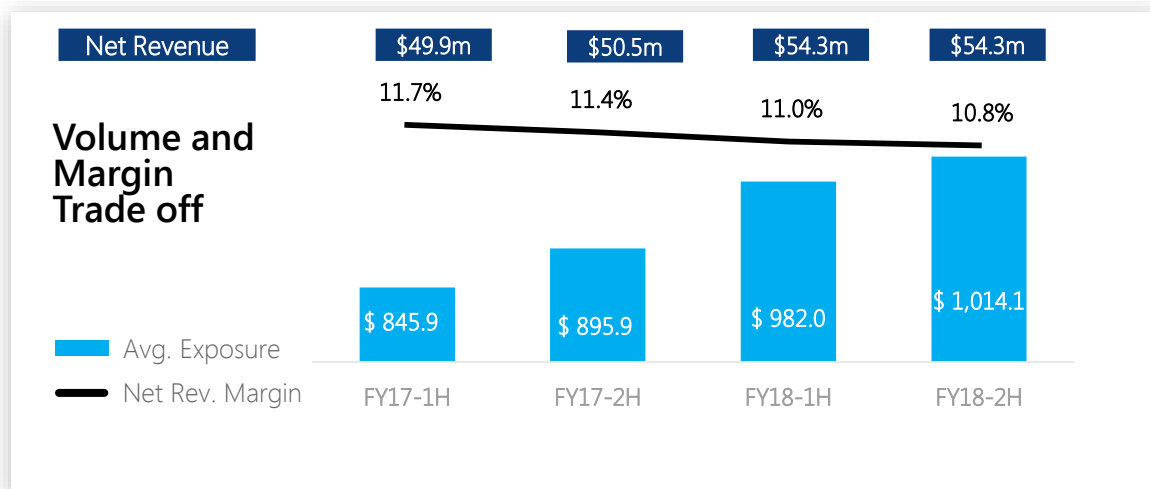
Pro-Forma  
PBIT  
(\$m)





# REVENUE TRENDS AND DRIVERS

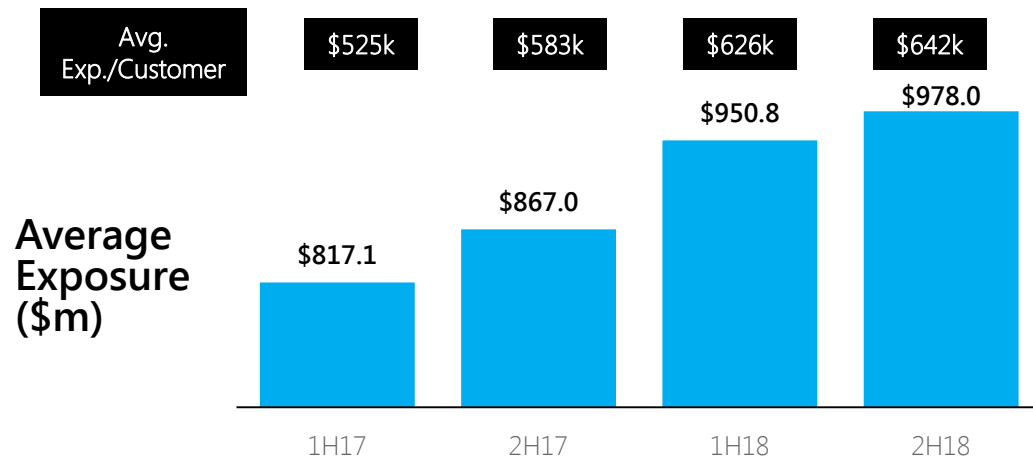
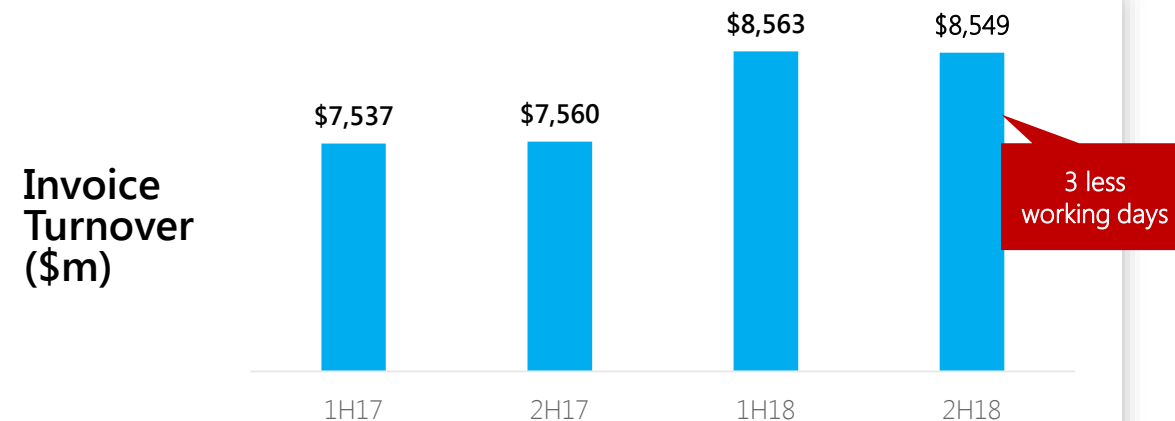
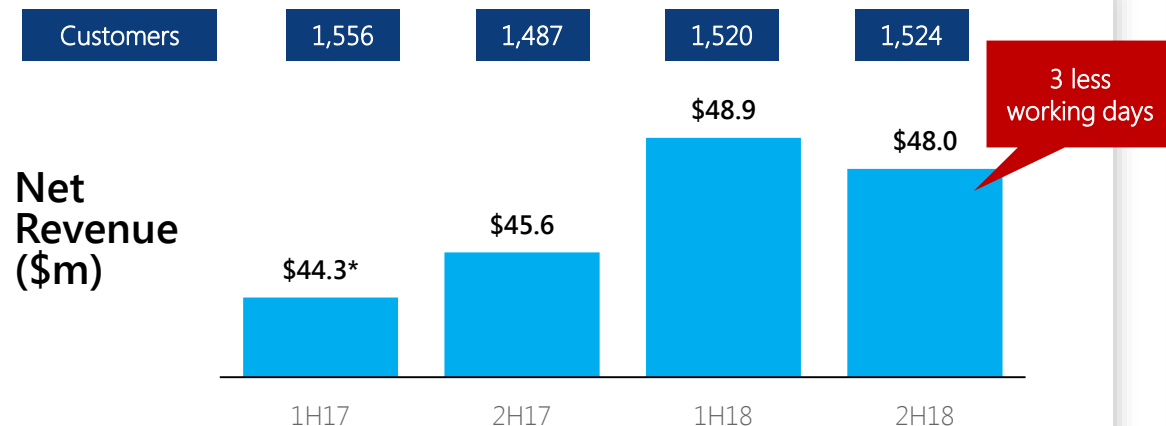
LARGER, BETTER QUALITY LENDING; VOLUME GROWTH AT LOWER MARGINS



\* In FY17 - Slow (inc. Mining) - Average (inc. Construction, Property and Real Estate) - Fast (inc. Services)

# DEBTOR FINANCE

**\$17.5 BILLION IN CORE BUSINESS TURNOVER, NET REVENUE GROWTH 8.3%**



## Key Metrics

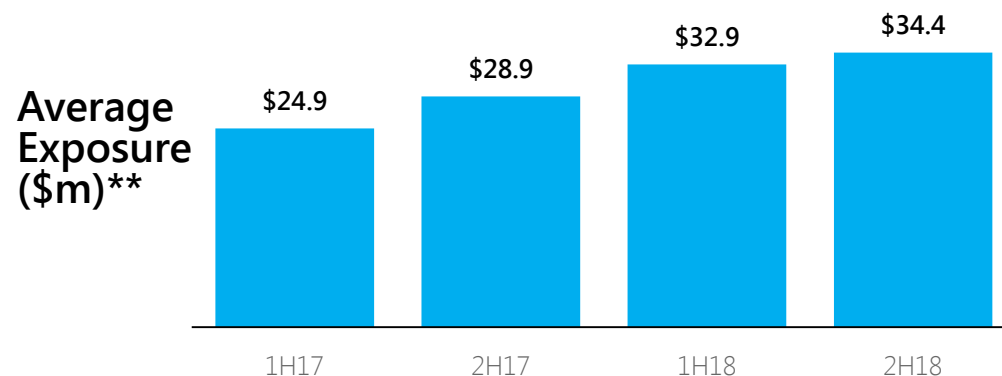
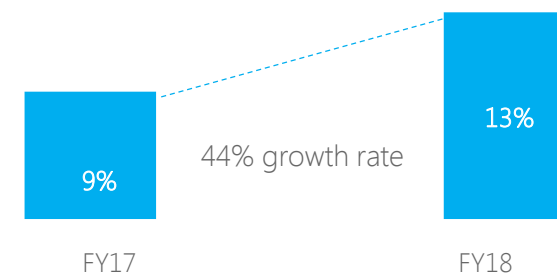
	FY18	FY17
Average Management Fee/Turnover	29bps	32bps
Net Interest Income / Average Exposure	3.94%	3.68%
Growth in Average Exposure on pcp	14.3%	23.1%**
Net Revenue Margin	10.0%	10.6%

# SPECIALISED FINANCE

## REVENUE GROWTH UP 13.9%



Debtor Finance Customers with Specialised Product



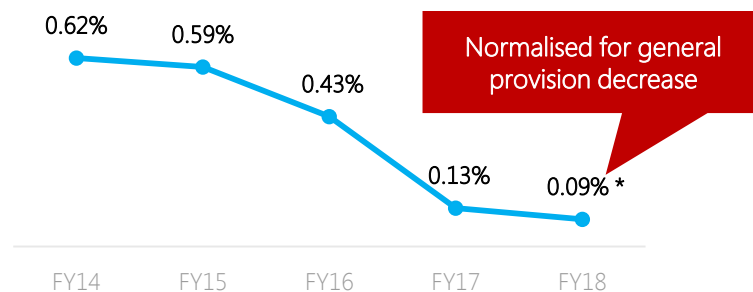
Net Revenue (\$m)	FY18	FY17	Change
Trade Australia	\$4.6 m	\$3.9 m	17.9%
Progress Claims Finance & Asset Finance	\$2.9m	\$2.8 m	4.6%
Single Invoice Finance & Bad Debt Protection	\$3.2 m	\$2.4 m	35.2%
Trade UK	\$0.8 m	\$1.0 m	(15.3%)
Specialised Total	\$11.6 m	\$10.0 m	13.9%

# COST MANAGEMENT

## RESPONSIBLE APPROACH TO EXPENSES AND CREDIT RISK

Disciplined credit management; low bad and doubtful debts

### Bad, Doubtful Debt expense (%)

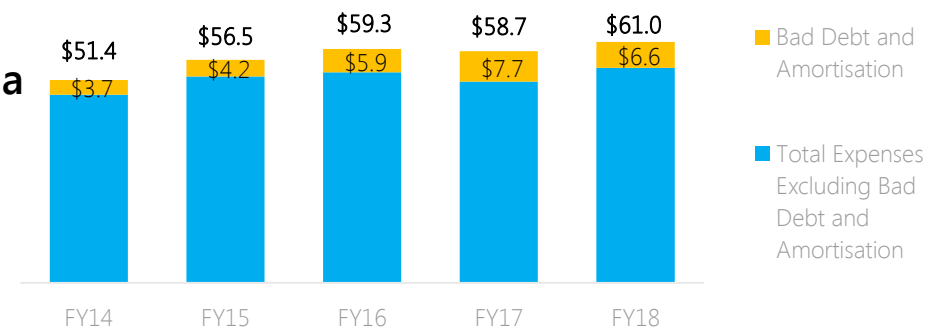


### Credit Risk Matrix

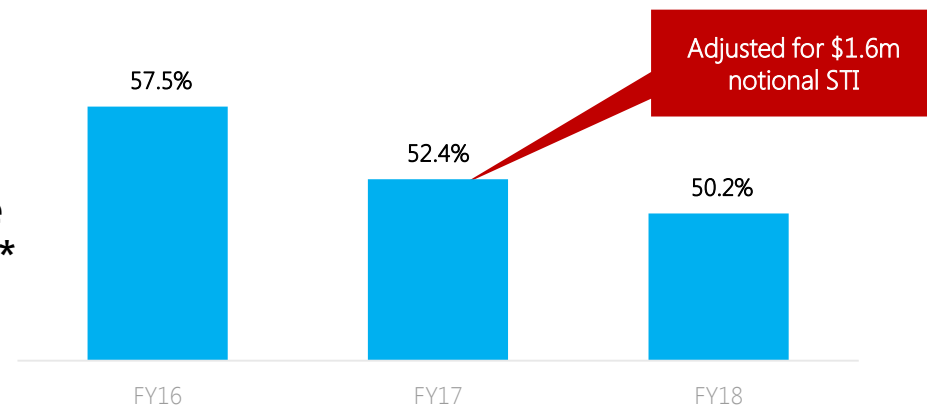
	FY18	FY17
LVR (%)	54.7%	54.9%
Debt Turn (days outstanding)	44	45
Invoices received within 60 days (%)	84.9%	89.0%
Dilutions (%)	3.0%	3.6%

Delivering scale efficiencies; maintaining investment

### Pro-Forma Total Expenses (\$m)\*\*



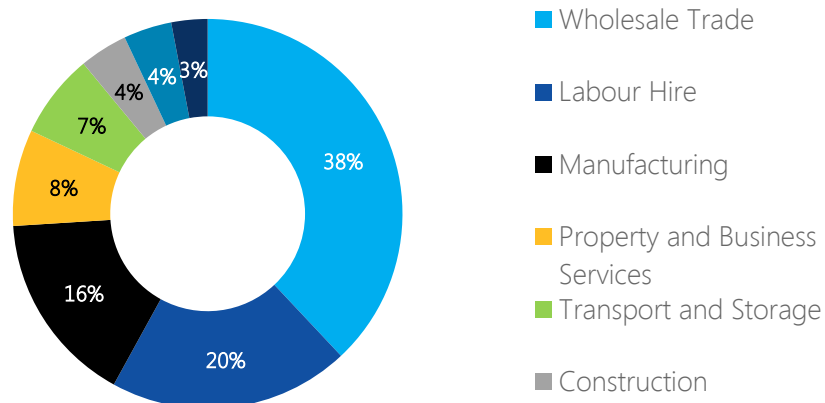
### Cost to Income Ratio\*\*\*



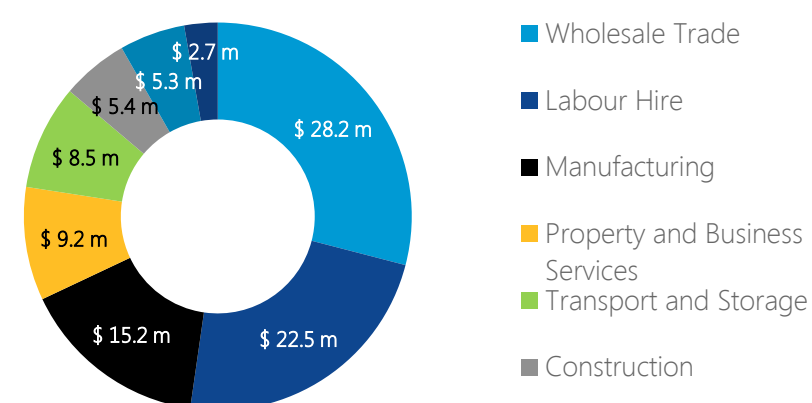
# DIVERSE PORTFOLIO OF EXPOSURES

## ECONOMIC AND BUSINESS RISK MITIGANT

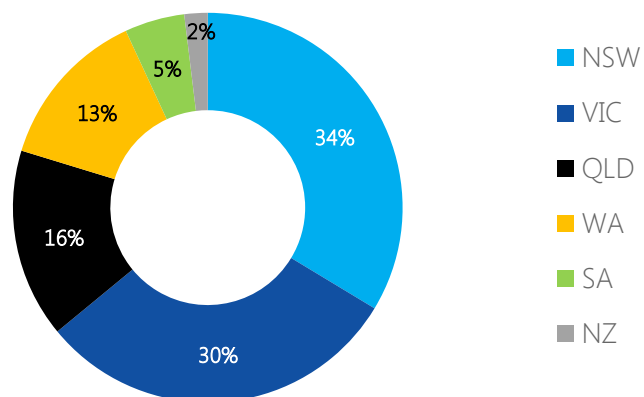
Customer Exposure by Sector (30 June 2018)



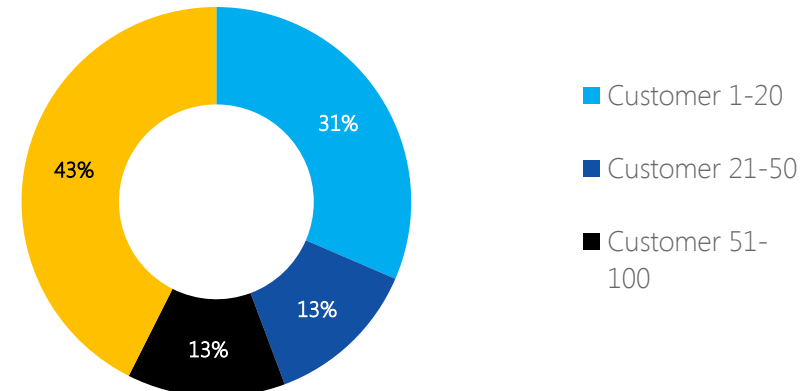
Revenue by Sector (FY18)



Funding Exposure by Geography (30 June 2018)



Funding Exposure by Customer (30 June 2018)





# SOUND CAPITAL MANAGEMENT

SUPPORTING BUSINESS GROWTH; BACKED BY COMMITTED, FLEXIBLE FUNDERS

Facility	Term	Maturity	Commitment (A\$m)	Drawn at 30 June 2018
Major Bank 1 (Aus. and NZ)	1 year + 1 year	06/19	709	1,023
Major Bank 2	1 year + 1 year	06/19	275	
Global Investment Bank	3 years + 1 year	05/20	350	
<b>Senior facilities</b>			<b>1,334</b>	<b>1,023</b>
Mezzanine Facility	3 years	06/19	60	50
<b>Limited recourse facilities</b>			<b>1,394</b>	<b>1,073</b>
Corporate Debt	3 years	12/19	70	59
<b>Total</b>			<b>1,464</b>	<b>1,132</b>

Cashflow Use (A\$m)	FY18	FY17
Opening Cash	21.8	16.1
Cash flow from operations	48.7	42.4
Lease Payments	(0.2)	(0.2)
Tax payments	(5.1)	(9.1)
Dividend	(24.4)	(47.5)
Investment in Warehouse	(10.0)	(11.0)
Investment outside Warehouse	(16.3)	-
Capex Spend	(0.3)	(0.4)
IPO and Transaction costs		31.5
<b>Net Cash Movement</b>	<b>(7.6)</b>	<b>5.7</b>
<b>Closing Cash</b>	<b>14.2</b>	<b>21.8</b>

Delivers 25% ROFE, supports \$175m of DF business.

# DIVIDEND



Final Dividend of **10.0 cents** per share. Fully franked payable 19 September 2018

Adds to Interim dividend of **9.0 cents** per share, fully franked, paid 22 March 2018

Total FY dividend at **19.0 cents** per share represents a payout ratio of **78.5%** of Pro-Forma NPATA

## Dividend dates

Shares trade ex-dividend: **4 September 2018**

Record date: **5 September 2018**

Payment Date: **19 September 2018**

A group of four people (three men and one woman) are gathered around a table, looking at a document held by the woman. They appear to be in a collaborative meeting or workshop. The background is slightly blurred, showing a modern office or studio environment. On the left side of the image, there is a large, stylized 'X' graphic composed of teal and light blue geometric shapes. The text 'FUTURE DIRECTION' is overlaid in the center in a bold, white, sans-serif font.

# FUTURE DIRECTION



# SCOTTISH PACIFIC GROUP

## SUMMARY OF OPERATIONS



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

# STRATEGIC INITIATIVES

## HOW SCOTTISH PACIFIC IS DELIVERING



### Strong Business Foundations

- Single stable operating system
- Simple policies and processes
- Risk/Return framework
- Seamless, Integrated technology
- Leading Data Analytics capability to drive insight
- Change Management capability



### Better Customer Experience

- System Integration for Xero, MYOB, Quickbooks
- Automation of Customer take-on
- Valuable Customer Data Insights
- Segmentation for differing needs
- Automation of reporting and workflows



### New Channels and Partnerships

- Broker portal
- Develop online platform/origination
- New national Product referral partnerships
- Activating existing national referral relationships

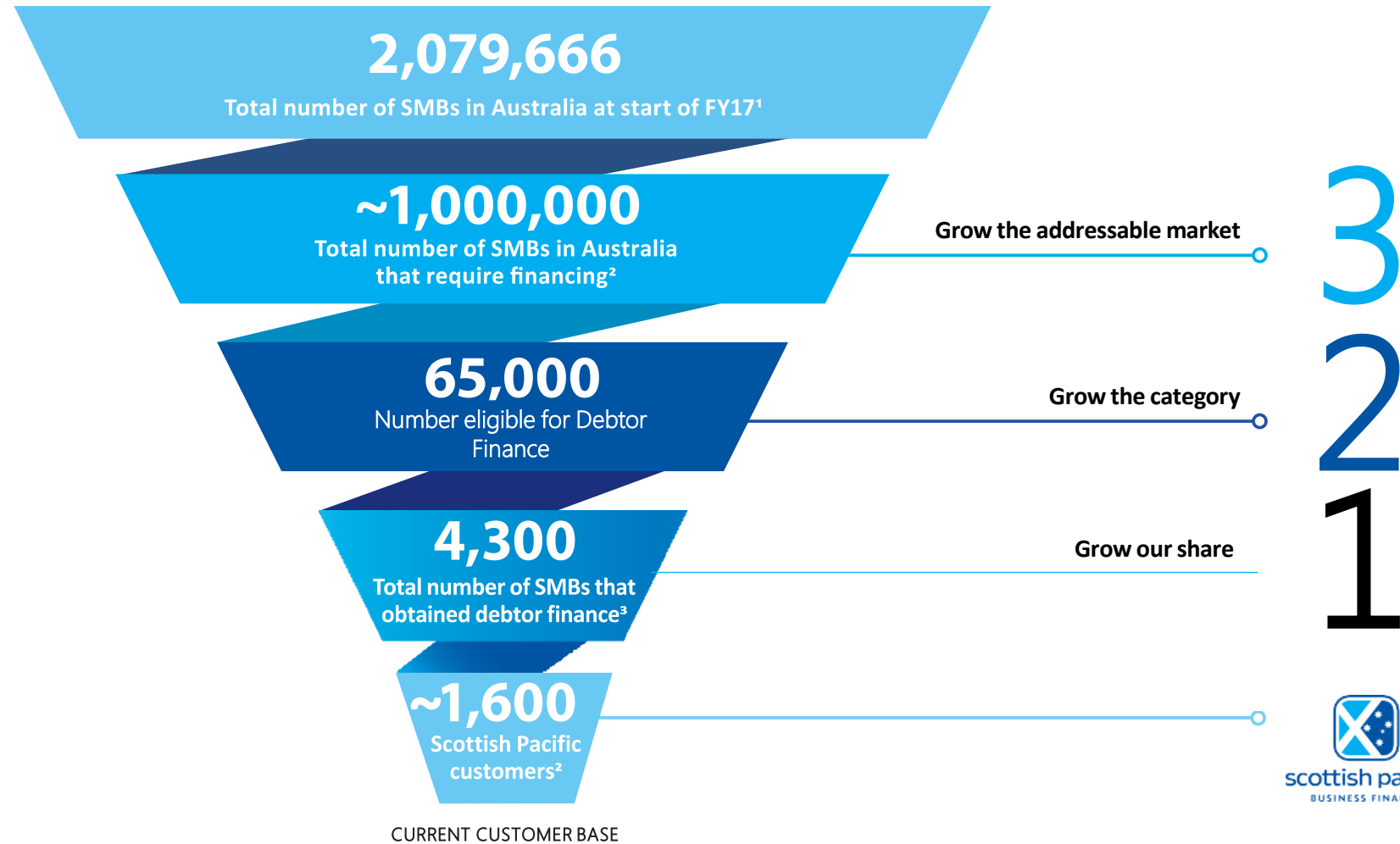


### New Products

- Asset Finance
- Quick Business Loan <\$250k
- Asset Backed Lending >\$250k
- Boost Business Loan



# MARKET SIZING AND OPPORTUNITY





# OUTLOOK

Guidance of low double digit NPATA growth

Supported by:

- July 18 Net Revenue growth ahead of FY18 growth rate
- July 18 average exposure and turnover up 14% and 15% respectively on pcp
- Strong pipeline of new opportunities
- Accelerated use of Specialised Finance products to win and retain customers
- Full launch of new Asset Finance products
- Continued improvement in cost to income ratio from sales/operational efficiencies and technology leverage



A photograph of an office environment. In the foreground, a woman with long brown hair, wearing a grey blazer over a white top, 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 tie. In the background, another woman with blonde hair is seated at a desk, looking at a phone. The office has modern decor, including a desk lamp and various papers. The image is overlaid with a large white 'X' shape on the left side, and the text 'FINANCIAL APPENDICES' is centered in white capital letters.

# FINANCIAL APPENDICES



# PROFIT OR LOSS STATEMENT STATUTORY

A\$ millions	Statutory FY18	Statutory FY17
Management fees - Debtor Finance	58.7	58.0
Management fees - Trade Finance and Specialised	11.2	10.1
<b>Net Interest Income</b>	<b>38.7</b>	<b>32.2</b>
Interest income	78.9	67.9
Interest expense	(40.2)	(35.7)
<b>Net Revenue</b>	<b>108.6</b>	<b>100.3</b>
Staff expenses	(37.8)	(33.8)
SG&A expenses	(17.7)	(26.1)
Operating Contribution	53.1	40.4
Bad and doubtful debt expense	0.1	(1.1)
PBITDA	53.2	39.3
Depreciation and amortisation	(6.7)	(6.6)
<b>PBIT</b>	<b>46.5</b>	<b>32.7</b>
Borrowing costs	(5.2)	(5.2)
<b>PBT</b>	<b>41.3</b>	<b>27.5</b>
Income tax expense	(8.0)	(7.1)
<b>Net Profit after Tax</b>	<b>33.3</b>	<b>20.4</b>

Reconciliation - Statutory to Pro-Forma Profit or Loss Statement	FY18	FY17
<b>Statutory Revenue</b>	<b>108.6</b>	<b>100.3</b>
<b>Pro-Forma adjustments</b>		
Adoption of AASB139 re: Management Fee Income		0.3
Adoption of AASB139 re: Net Interest Income		(0.2)
<b>Adjustments total</b>		<b>0.1</b>
<b>Pro-Forma revenue</b>	<b>108.6</b>	<b>100.4</b>
<b>Statutory NPAT</b>	<b>33.3</b>	<b>20.4</b>
<b>Non-Operating Adjustments</b>		
Offer costs		8.9
Customer Administration System costs	0.6	
Consolidation adjustments*	0.5	
<b>Adjustments total</b>	<b>1.1</b>	<b>8.9</b>
Tax adjustments	(4.7)	(4.1)
<b>Tax Total</b>	<b>(4.7)</b>	<b>(4.1)</b>
<b>Pro-Forma NPAT</b>	<b>29.7</b>	<b>25.2</b>
<b>Acquisition amortisation add-back</b>	<b>4.1</b>	<b>4.1</b>
<b>NPATA</b>	<b>33.8</b>	<b>29.4</b>

\*Adjustment made in FY18 due to the audit timing of the Hong Kong and UK operations in prior years.

# BALANCE SHEET

A\$ millions	Statutory FY18	Non Recourse Movement	Pro-Forma FY18	Statutory FY17	Non Recourse Movement	Pro-Forma FY17	Change \$
<b>Assets</b>							
Cash and cash equivalents	14.2		14.2	21.8		21.8	(7.6)
Restricted Cash	122.8	(122.8)		146.7	(146.7)	-	
Customer receivables (net)	1,018.6	(995.0)	23.6	830.1	(821.2)	8.9	14.7
Other debtors and prepayments	2.5		2.5	3.1		3.1	(0.6)
Investment in Warehouses		79.7	79.7		68.3	68.3	11.4
Current and deferred tax assets	7.9		7.9	10.3*		10.3	(2.4)
Property, plant and equipment	1.3		1.3	1.8		1.8	(0.5)
Goodwill and Intangible assets	152.6		152.6	157.2		157.2	(4.6)
<b>Total Assets</b>	<b>1,319.9</b>	<b>(1,038.1)</b>	<b>281.8</b>	<b>1,171.0</b>	<b>(899.6)</b>	<b>271.4</b>	<b>10.4</b>
<b>Liabilities</b>							
Trade and other payables	15.9	3.9	19.8	15.1	4.8	19.9	(0.1)
Loans and borrowings	1097.4	(1042.0)	55.4	959.1	(904.4)	54.7	0.7
<b>Total Liabilities</b>	<b>1,113.3</b>	<b>(1,038.1)</b>	<b>75.2</b>	<b>974.2 *</b>	<b>(899.6)</b>	<b>74.6</b>	<b>0.6</b>
<b>Net Assets</b>	<b>206.6</b>		<b>206.6</b>	<b>196.8</b>	<b>-</b>	<b>196.8</b>	<b>9.8</b>

- Non recourse movements adjust for warehouse funded customer receivables
- Customer receivables of \$23.6m funded solely by Scottish Pacific pending securitisation
- Investment in Warehouses: \$79.7m Scottish Pacific's equity contribution in funding warehouses
- Loans and Borrowings on a Pro-Forma basis: \$55.4m corporate debt minus unamortised borrowing costs



# CASHFLOW

A\$ millions	Pro-Forma FY18	Pro-Forma FY17	\$Var	Statutory FY18
<b>Cash Flow</b>				
<b>Net Profit before Tax</b>	<b>42.4</b>	<b>36.5</b>	<b>5.9</b>	<b>41.3</b>
Add back non-cash Items				
Bad and doubtful debt expense	(0.9)	(1.0)	0.1	(0.9)
Depreciation and amortisation	7.7	8.1	(0.4)	7.7
Customer Administration System spend	2.3		2.3	
Movement in working capital*	(1.7)	(1.2)	(0.5)	0.6
<b>Operating cash flow before financing and tax</b>	<b>49.8</b>	<b>42.4</b>	<b>7.4</b>	<b>48.7</b>
Capital Expenditure	(0.3)	(0.4)	0.1	(0.3)
Investment in Warehouse	(10.0)	(11.0)	1.0	
Investment outside of Warehouse	(16.3)		(16.3)	
Net increases in customer receivables				(187.6)
Proceeds from warehouse debt facilities				161.3
Lease payments	(0.2)		(0.2)	(0.2)
<b>Net cash flow before corporate financing and taxation</b>	<b>23.0</b>	<b>31.0</b>	<b>(8.0)</b>	<b>21.9</b>
Income taxes paid	(5.1)	(9.1)	4.0	(5.1)
Acq'n of new business (net of cash acq.)		(2.2)	2.2	
Dividend	(24.4)	(11.1)	(13.3)	(24.4)
<b>Net Cashflow</b>	<b>(6.5)</b>	<b>8.6</b>	<b>(15.1)</b>	<b>(7.6)</b>
<b>Opening Cash</b>				<b>21.8</b>
<b>Closing Cash</b>				<b>14.2</b>

Cashflow Bridge A\$ millions	Statutory FY18
<b>Cash Flow</b>	
Opening Cash	21.8
Cash flow from operations	48.7
Lease Payments	(0.2)
Tax payments	(5.1)
Dividends	(24.4)
Investment in Warehouse	(10.0)
Investment outside of Warehouse	(16.3)
Capex	(0.3)
<b>Net Cash Movement</b>	<b>(7.6)</b>
<b>Closing Cash</b>	<b>14.2</b>

\* FY17 Working Capital movement driven by IPO accruals. Normalised balance sheet position in FY18.

# HALF ON HALF ANALYSIS PRO-FORMA

A\$ millions	2H18	2H17	Change %	1H18	Change %
Management fees - Debtor Finance	29.1	29.2	(0.3)	29.6	(1.7)
Management fees - Trade Finance and Specialised	5.7	5.0	14.0	5.5	3.6
Net Interest Income	19.5	16.3	19.6	19.2	1.6
<b>Net Revenue</b>	<b>54.3</b>	<b>50.5</b>	<b>7.5</b>	<b>54.3</b>	<b>0.0</b>
Staff expenses	(19.3)	(16.9)	14.2	(18.5)	4.3
SG&A expenses	(7.2)	(8.5)	(15.3)	(9.4)	(23.4)
<b>Operating Costs</b>	<b>(26.5)</b>	<b>(25.4)</b>	<b>4.3</b>	<b>(27.9)</b>	<b>(5.0)</b>
Operating Contribution	27.8	25.1	10.8	26.4	5.3
Bad and doubtful debt expense	(0.1)	(1.3)	(92.3)	0.2	(150.0)
<b>PBITDA</b>	<b>27.7</b>	<b>23.8</b>	<b>16.4</b>	<b>26.6</b>	<b>4.1</b>
Depreciation and amortisation	(3.3)	(3.3)	0.0	(3.4)	(2.9)
<b>PBIT</b>	<b>24.4</b>	<b>20.5</b>	<b>19.0</b>	<b>23.2</b>	<b>5.2</b>
Borrowing costs	(2.6)	(2.6)	0.0	(2.6)	0.0
<b>PBT</b>	<b>21.8</b>	<b>17.9</b>	<b>21.8</b>	<b>20.6</b>	<b>5.8</b>
Income tax expense	(6.6)	(5.6)	17.9	(6.1)	8.2
<b>NPAT</b>	<b>15.2</b>	<b>12.3</b>	<b>23.6</b>	<b>14.5</b>	<b>4.8</b>
Acquisition amortisation	2.1	2.1	0.0	2.0	5.0
<b>NPATA</b>	<b>17.3</b>	<b>14.4</b>	<b>20.1</b>	<b>16.5</b>	<b>4.8</b>



# THANK YOU

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