SOLVAR

# 2024 AGM Presentation

21 November 2024

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# The SOLVAR Group

AFS AUTOMOTIVE FINANCIAL SERVICES | money3 | GoCarFinance Goes way further

## Market Opportunity

Large addressable market
Consumer: $35+ billion [1]
SME Commercial: $8 billion [1]

1m new vehicles[2]
3m used vehicles[2]
sold annually

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$0.4 billion of vehicles funded FY24

Growth opportunity with ~2% market share

## Vision

Empower through accessible, responsible and flexible financial products

- **Underserviced markets**
- **Personalised**
- **Transparent & Responsible lending**
- **Flexible**

## Organisation

**Products**
- Market leading products extending a used vehicle's life to 2nd/3rd owners
- Expanding commercial products providing more options for SMEs

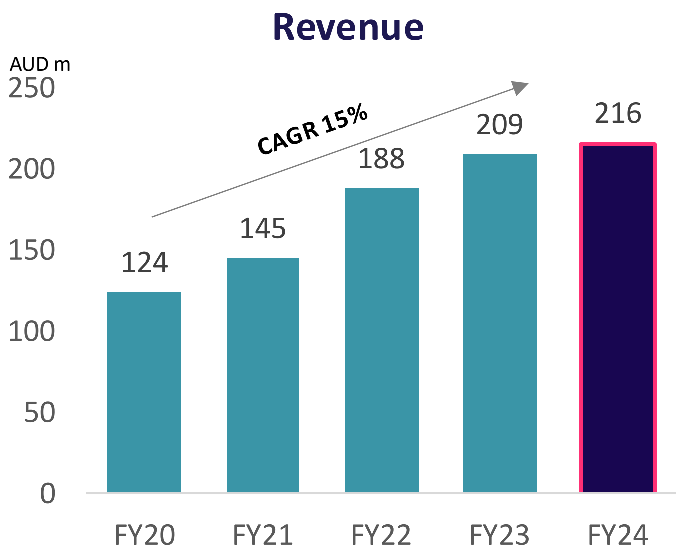
**Distribution**
- A breadth of broker relationships
- Strong direct and repeat business
- Dealer relationships
- Strategic partnerships

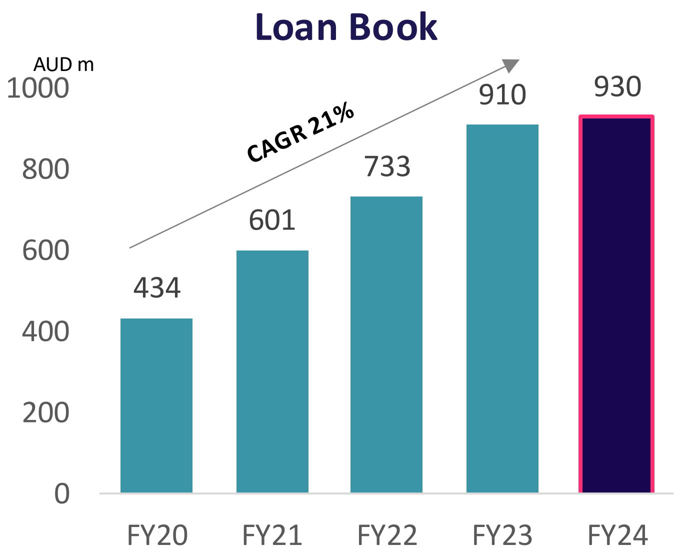
**Customer Care**
- The ability to speak to real people
- Tech driven payment flexibility

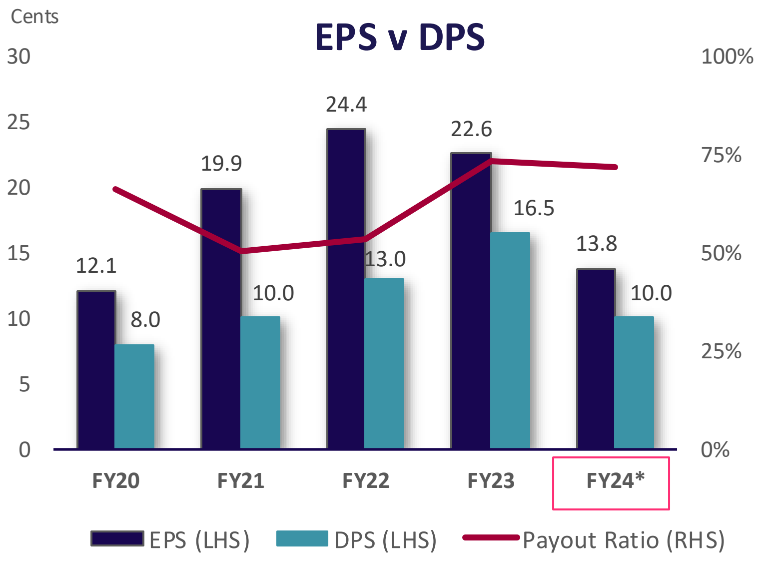
**Community**
- Carbon neutral organisation
- ~$265k contributed to charity and reducing Groups carbon footprint in FY24

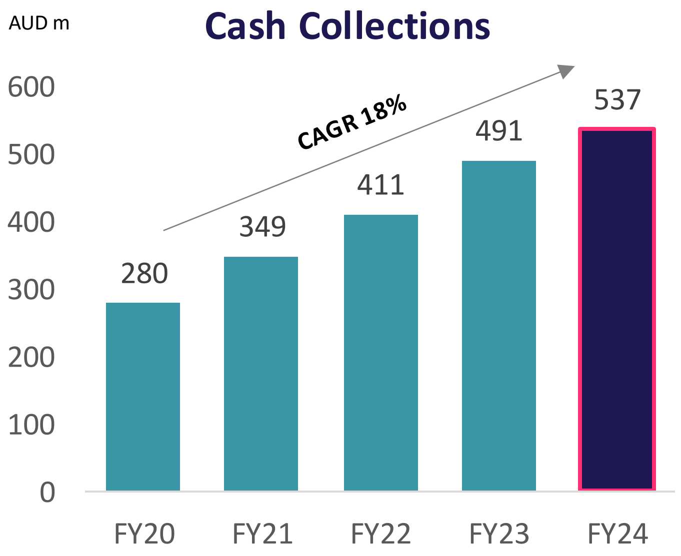
All figures as at 30 June 2024, unless otherwise noted
(1) Solvar management estimate for Australian annual consumer and commercial lending volume.
(2) New - Federal Chamber of Automotive Industries 2002 new car sales data (5 January 2023); Used - Carsales investor presentation dated 8 March 2023 respectively.

# Historic Group Performance




- Double digit growth in revenue and loan book
- FY24: 10c fully franked dividend per share
- Announced share buyback of $15.0 million in May 2024
- AFS and Money3 loan book CAGR (FY21 – FY24) of 48.8% and 15.8%, respectively



* Normalised for impairment of goodwill and other intangible assets and legal & professional fees associated with the ongoing regulatory related legal action.

# FY24 Financial Results

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| Group Financial Results<br>*AUDm unless stated otherwise* | FY24 (Normalised) | Adjustments | FY24 (Statutory) | FY23 (Statutory) |
|---|---|---|---|---|
| **Interest Income*** | **216.0** | | **216.0** | **209.3** |
| Interest expense | (54.8) | | (54.8) | (41.9) |
| **Net Interest Income (NII)** | **161.2** | | **161.2** | **167.4** |
| *Net interest margin* | *17.5%* | | *17.5%* | *20.4%* |
| Bad debts | (41.3) | | (41.3) | (33.4) |
| Impairment provisions | (6.6) | | (6.6) | (4.4) |
| Impairment of GCF goodwill** | - | (9.2) | (9.2) | - |
| Other operating expenses | (70.3) | (4.0) | (74.3) | (60.7) |
| D&A | (2.1) | | (2.1) | (2.3) |
| **NPAT (normalised)** | **29.0** | | **17.0** | **47.6** |
| *NPAT margin* | *13.4%* | | *7.9%* | *22.7%* |

**Interest income includes fees & charges, products that are integral to the loan and bank interest income*
***Includes goodwill, brand and other intangible assets related to the Go Car Finance business*

# FY24 Financial Results

- Normalised NPAT of $29.0 million
- Revenue growth driven by:
  - Australian loan book growth
  - Yield increasing from pricing improvements
  - An increase of higher quality borrowers which will impact yield and lower future bad debts
- Bad debts in-line with guidance range of 3.5% - 4.5%
- Statutory results impacted by one-off costs including:
  - Non-cash impairment of goodwill and other intangibles related to GCF ($9.2million)
  - Regulatory related legal action ($4.0million)

# Q1 FY25 Financial Results

# Q1 FY25 – Results summary
## (Continuing operations)

**Interest Income** ↑
**$46.4m**
4.9% increase on pcp

**Bad debts** ↔
**3.9%** (annualised)
flat on pcp

**NPAT** (statutory) ↑
**$7.9m**
6.4% increase on pcp

**Loan book** ↑
**$803.5m**
8.5% increase on pcp

**Cash In** ↑
**$116.9m**
8.2% increase pcp

**Opex** ↓
**$15.5m**
4.0% decrease on pcp

## Q1 FY25
### Australia
(Continuing Operations)

- Australian loan book continues to grow, increasing 8.5% over pcp
- Consolidation of credit assessment systems in Australia
- New originations of $99.8m, down 7.1% on pcp

# Q1 FY25 – Results summary
## (Group)

**Interest Income**
**$54.3m**
3.6% decrease on pcp

**Bad debts**
**3.9%**
(annualised)
decreased from 4.4% in FY24

**NTA per share**
**$1.62**
increased from $1.58 in FY24

**NPAT***
(normalised)
**$9.0m**
18.7% increase on pcp

**Loan book**
**$927.4m**
0.3% decrease since Jun-24
(NZ book in rundown)

**Opex**
**$18.6m**
11.0% decrease on pcp

**Unrestricted cash**
**$41.5m**
Total cash $132.8m

**Cash In**
**$138.3m**
2.1% increase on pcp

* After adjusting for legal & professional fees associated with the ongoing regulatory related legal action

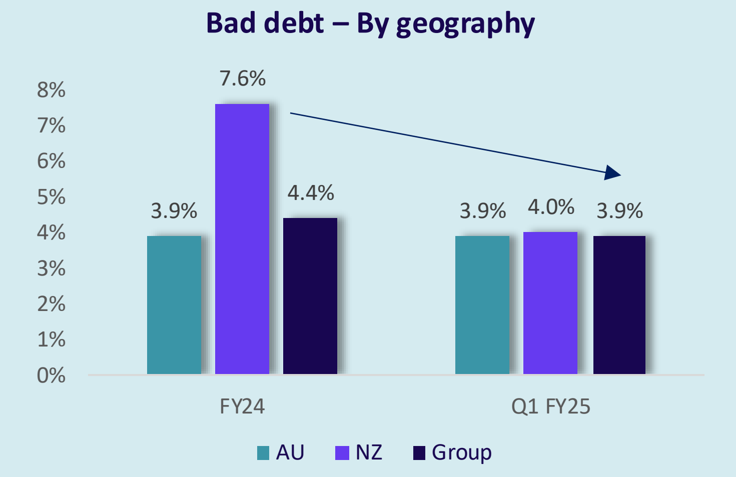
| Q1 FY25<br>**Group Financial Results**<br>*AUDm unless stated otherwise* | Q1 FY25 (Unaudited) | Q1 FY24 (Unaudited) | Growth % |
|---|---|---|---|
| Interest income* | 54.3 | 56.3 | (3.6%) |
| Interest expense | 14.0 | 14.1 | (1.0%) |
| **Net Interest Income (NII)**** | **40.3** | **42.2** | **(4.5%)** |
| ***Net Interest Income margin*** | ***17.4%*** | ***17.6%*** | |
| Bad debts | (9.1) | (9.5) | (4.3%) |
| Impairment provisions | (0.2) | (2.3) | (89.8%) |
| Operating expenses | (18.6) | (20.9) | (11.0%) |
| Depreciation & Amortisation | (0.4) | (0.5) | (31.6%) |
| Tax | (3.7) | (2.7) | 34.3% |
| **NPAT Statutory** | **8.3** | **6.2** | 34.4% |
| Legal costs (post-tax) | 0.7 | 1.4 | |
| **NPAT Normalised** | **9.0** | **7.6** | **18.7%** |
| ***NPAT Margin (normalised)*** | ***16.5%*** | ***13.4%*** | |

*Interest income includes fees & charges, products that are integral to the loan and bank interest income
**NII Margin is annualised

# Q1 FY25

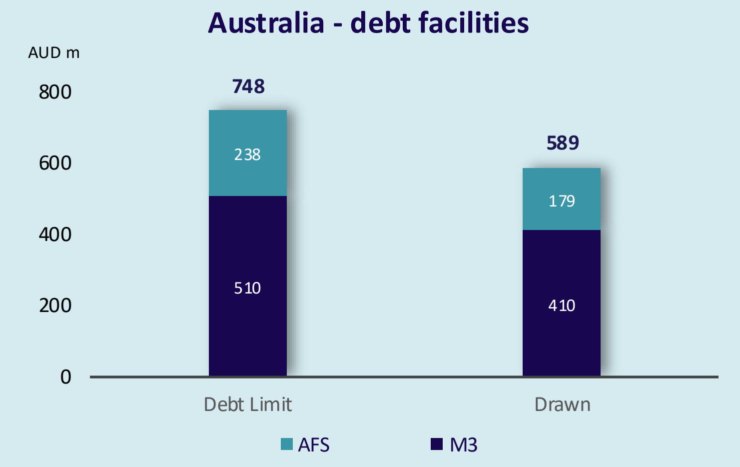
- Improving NPAT margin in Q1 driven by lower bad debts and prudent cost management
- NZ rundown contributing to lower impairment provision for the Group. No significant movement in Australian impairment provision rates
- Improving competitive landscape (competitors leaving market and muted competitor behaviour)
- Strong cash collection in Q1 in Australia up by 8.2% to $116.9m (Group up 2.1% on pcp to $138.2m)
- Group repaid ~$30m of debt during Q1 FY25

# Stable credit quality with funding available for future expansion

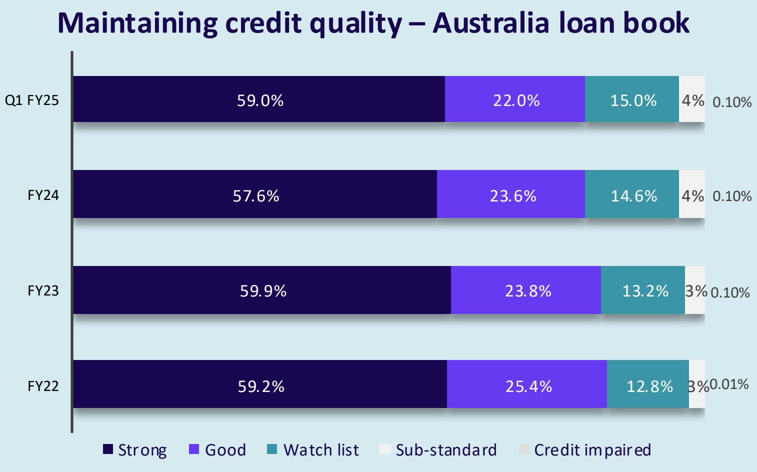



- Group bad debt rate declined by 0.5% to 3.9% (annualised) in Q1 FY25
- Australia bad debts rate maintained at 3.9%
- NZ bad debts have normalised post a spike in FY24

*While NZ bad debts is expected to decline the bad debts % may increase considering a declining loan book*




- **~$160.0m headroom in debt facilities with the ability to increase limits when needed**
- Increased Money3 facility to $510.0m in Q1 FY25 from $450.0m
- 73.2% loan book leverage at June 2024 (FY24: 70.9%)
- ~ $40.0m in free cash to support organic loan book growth or fund acquisitions




- Maintaining credit quality in challenging macro-economic conditions and inflationary environment
- Bad debts 3.9% (annualised) in Q1 FY25 is within target range
- 81% of Australian portfolio is 'Strong and Good'

# Outlook

# FY25 Outlook

## Financial

- Forecast NPAT of $34m (normalised)
- Bad debt target range of 3.5% -4.5%
- ~8% growth in Australian loan book to ~$850m
- Group yield and NIM evolving to reflect portfolio mix of higher credit quality loan book

## Operational

- No material updates regarding on-going legal action
- Run-down and capital return from New Zealand progressing well
- New AFS origination platform and retiring legacy system
- Continued work on funding to improve margins and diversify capital providers
- Appointed new head of dedicated commercial lending unit (November 2024)
- Cyber resilience & data security remains a focus, on track for ISO27001 certification in FY25

## Market

- Changing competitive dynamics providing the opportunity to take market share
- Several competitors leaving vehicle financing segment
- Strength in new vehicles sales improving supply of used cars – more consumer choice and improving affordability

**FY25 NPAT guidance of $34m (normalised)**
**17.2% growth from FY24**

# Thank-you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