



We will lead the
transformation of the
consumer lending industry
in Australia

IMPACT OF PAID TRANSACTION

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Prepared by executive team

money3

M3 Reasoning to buy PAID business?

1. M3 has expressed concerns of the failed online models based on them not meeting the needs of customers. “Payday” lenders want loans paid back in 16 to 18 days. In M3 view this is not sustainable.
2. M3 brings in customers via front door, telephone and online.
3. Money3 offers products from 2 months to 48 months. These products are Unsecured and secured loans and we believe are a sustainable product offering.
4. The case to acquire the “**assets and business**” only of PAID is based on the PAID “**assets and business**” having well marketed brands, a substantial database, an improved complementary front end process to the existing online offering of M3 and a strong management level that once focussed on the customer needs will flourish under the certainty that M3 leadership and product offering provides.
5. The board of Money3 believes this is a very cost effective way to grow our business.

Transaction summary

Component	Description
Assets Purchased	<ul style="list-style-type: none">• Customer database<ul style="list-style-type: none">• 26,000 active customers in last 12 months• 62,000 loans in last 12 months• 79,000 automatic declines per quarter• Brands -Cash Train, First Stop Money, Handy Cash and Others• LAPS IT- Loans Management system• IP and front end customer integration• 60 staff in Perth plus expandable Manila Call Centre
Purchase Price	<ul style="list-style-type: none">• \$2.0M less employee entitlements• \$2.5M in lieu of per customer purchase(about \$100per customer)
Other Matters	<ul style="list-style-type: none">• The brands have had millions of dollars of marketing and development invested and are generating substantial leads. Each customer generated has cost PAID on average \$150

Strategic rationale

Component	Description
Overall Strategic Rationale	<ul style="list-style-type: none">• Increase customer leads for unsecured business with flow on to secured loans.• 7000 customer loans per month all online.• Customers are all working and earn \$57K average income. 25% are home owners.
Business Impact	<ul style="list-style-type: none">• Will Drive 30%- 40% increase to M3 unsecured business online and to M3 branch network and commensurate improvement to M3 secured business.• Currently 25% of M3 secured business comes from internal leads
Operational	<ul style="list-style-type: none">• As the Paid businesses are operating now and we are retaining all staff except the CEO and removing all distractions of the businesses, the transition to M3 culture and wider product offering will be swift. An excellent management team lead by PAID's operations manager will see them flourish under M3
Information Systems	<ul style="list-style-type: none">• Efficient systems and processes will benefit M3 current business and continue to grow the acquired businesses.
Financial	<ul style="list-style-type: none">• We have all financials including detailed MYOB accounts and we believe both expenses will be trimmed and income increased to immediately provide a profitable model with a run rate equivalent to \$1.9M pa within 6 months. At that point as we deploy loan funds in the wider M3 offering we will resume a return of our normal 20- 25% on funds deployed.

Business Assets

Component	Description
Customer Database	<ul style="list-style-type: none">50,000 to 60,000 successful applications and 79,000 unsuccessful applications per quarter
opportunity	<ul style="list-style-type: none">Complement M3branch leads with stronger (employed) leads and some of the declined applicant will be managed in the branch environment
Brands	<ul style="list-style-type: none">Cash Train, First Stop Money, Handy Cash(NZ)
opportunity	<ul style="list-style-type: none">Millions of Dollars have been invested in brands. Benefit still to be gained. Gives M3 entry to NZ
IT system	<ul style="list-style-type: none">Several systems all reliant on UK based LAPS IT are efficient. Acquired business Website functionality and contract generation will complement and improve M3 online system.
opportunity	<ul style="list-style-type: none">Combining M3 robust Loans Management and the acquired business simple website/app will lead to improved process and system while efficiently continuing the acquired businesses

Financial Business Case

	Base Case	Secured Lending Growth
Cash Paid	<ul style="list-style-type: none"> • \$2.0M for business • \$2.5M for customers 	
Active Customers	<ul style="list-style-type: none"> • 26,000 last year 	<ul style="list-style-type: none"> • 1,300 loans @5% referral to secured
Approximate Loan Book	<ul style="list-style-type: none"> • \$10M 	<ul style="list-style-type: none"> • \$10M
<u>Annualised Adjusted</u> Profit in first 6 months of trading	<ul style="list-style-type: none"> • \$1.9M pa 	<ul style="list-style-type: none"> • \$1M to \$1.5M
Profit once Loan Books fully deployed	<ul style="list-style-type: none"> • \$2M - \$2.5M 	<ul style="list-style-type: none"> • \$2.5M to \$3M
Conclusion	<p>With reduction in high end wages, a reduction in marketing and 4% increase in fees the unsecured acquired businesses become profitable before referrals to secured loan centre is considered.</p> <p>Once capital is deployed normal rates of return will see average 20 - 25% return on funds deployed</p>	

Go forward Cash Requirements

	Base Case <small>(next 6 months)</small>	Secured lending Growth
Cash Availability (current business)		<ul style="list-style-type: none"> \$20M Bank (\$11M due 12thDec)
Cash Requirement (PAID transaction)	<ul style="list-style-type: none"> \$4.5M 	
Cash Requirement (PAID business funding)	<ul style="list-style-type: none"> \$10M 	<ul style="list-style-type: none"> \$10M
Conclusion	<p>Extra cash required for transaction, funding new loans in the acquired business and growth in secured lending. As a result \$25M cash is needed over FY15 budget</p> <p>Important to note that the securitised bank facility can only be used for about 40% high end of the secured loan book.</p> <p>As a result of strong growth in M3 secured division 1QFY15 any extra growth in secured from PAID referral requires equity as well as debt.</p>	

Conclusion

- Money3 has been successful in taking over complementary business since listing in 2006
- Amazing Loans, Personal Finance Co, Summit Loans, Money Centre, AussieCash and others have all returned profits within the first 12 months of taking over management
- The most recent being the 41 branch The Cash Store in September 2013 which became profitable within 9 months.
- No other acquisition has offered such a strong database of working customers as PAID or complementary systems and process improvements to M3
- This acquisition offers inexpensive customer acquisition
- The capital raising of \$20M will fund the Loan Book that will stem from this acquisition and our strong growth in secured lending while the \$5M SPP will fund the acquisition of customers and processes of the acquired business.
- Given our experience in the acquisition and integration of Cash Store, we believe the quality and opportunities that these businesses represent, are an excellent acquisition for M3.