

# Fisher & Paykel Finance Holdings Limited Group

Fisher & Paykel Appliances Holdings Limited  
Investor Day Presentation

Wednesday 7 December 2011

The logo for Fisher & Paykel Finance, featuring the company name in a stylized font with a circular graphic element behind it.

**Fisher & Paykel**  
Finance

Alastair Macfarlane

# F&P Finance Group

F&P Finance Group is a financial services business with nearly 40 years track record of success

## Background

- Finance business dates back to early 1970's
- Leading provider of Point of Sale finance
- Delivers innovative credit products and services

## Financial Position

- Owned 100% by FPAH
- Shareholder investment \$204m
- Acquired Farmers Finance 2003 \$188m

## Distribution Platform

- 460,000 customers, circa 10,000 retail channels
- Strong and established merchant and dealer relationships
- NZ household penetration circa 35%

## Culture of quality & conservative risk appetite

- Best practice consumer credit policies and procedures
- Values based people culture
- Measured and calculated decision making

## Balance Sheet

- Significant and diversified funding sources
- Solid capital base
- Diversified asset portfolio

## Governance Standards

- Consistently high standards achieved
- FPF regulated as NBDT
- Disciplined risk management focus



# F&P Finance Group

Long term financial stability

10 year annual average ROI of 17% (normalised)

Profitable performance in  
volatile market conditions

	EBIT	Change
FY07	\$29.2m	
FY09	\$21.1m	-28%
FY11	\$34.7m	+64%

Sustainable and resilient business  
through financial crisis

Bank funding strengthened and maintained  
Investor confidence continues  
FPF Long term Credit Rating consistent throughout (BB Stable)

Solid foundation for growth

SHF \$204m  
Total Assets \$805m  
Revenue \$145m  
Funding facilities \$670m plus retail deposits

# Financial Performance

Core business focus and sound risk management strategies driving strong results

- EBIT<sup>(1)</sup> : FY11 \$34.7m, 1HFY12 \$18.4m, FY12 guidance \$32m

- EBITDA<sup>(1)</sup> 5 year trend :

FY07 → FY09 : Decline 25%

FY09 → FY11 : Uplift 48%

- Gross Receivables :

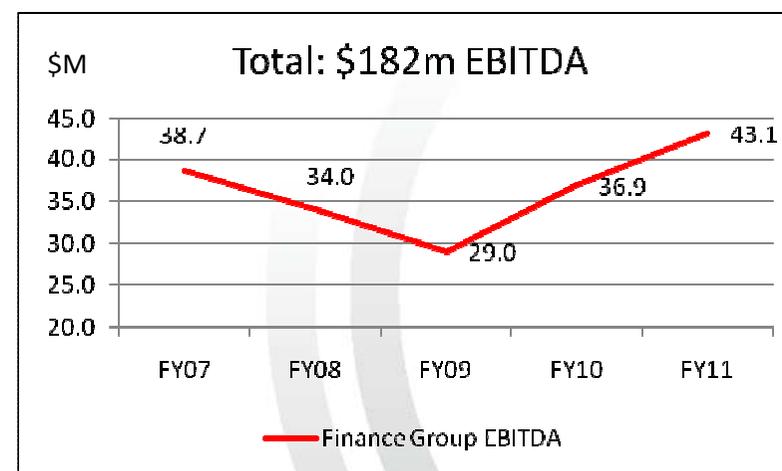
FY07 → FY10 : Growth 16% (FY10 \$641m)

FY10 → FY11 : Decline 2% (FY11 \$628m)

FY07 → FY11 : Q Card growth 69%, Farmers Card growth 18%

- Balance Sheet<sup>(1)</sup> : FY11 Return on equity 18% (FY07 → FY11 Average 17%)

- Cashflow to FPAH : FY07 → FY11: \$115m (Dividends, Subvention, and Interest)



# Experienced Board & Management Team

## Board of Directors Significant Board Experience

**John Gilks**  
 •Chairman  
 •Former FPAH Deputy Chair  
 •Former CEO of MTF  
 •Professional Director  
 •Chairman, Queenstown Airport

**Hugh Rennie QC**  
 •Independent Director since 2010  
 •Former Director Fletcher Challenge, BNZ Finance  
 •Various public sector appointments  
 •Former Chairman, Broadcasting Corp NZ, Forth Estate  
 •Member Board of NZ Institute of CA's

**Carlos da Silva**  
 •Independent Director since 2010  
 •Former Partner of Deloittes  
 •Former Chairman Greenlea Group  
 •Director and advisor to various other companies

**Gary Paykel**  
 •Director since 1988  
 •Previous Chairman FPAH  
 •Chairman F&P Healthcare

**Stuart Broadhurst**  
 •Director since 2011  
 •Joined FPA 1988  
 •Appointed CEO of FPA 2009

**Alastair Macfarlane**  
 •Managing Director since 2001  
 •Joined FPF 1988  
 •Previous : Citibank, & KPMG London, USA, NZ



## Senior Executive Team Wide range of skills and knowledge

Previous

**Ian McGregor**  
 CFO (2010)  
 •Fonterra Treasury  
 •BNZ Head Market Risk  
 •Lloyds Bank (London)  
 •BZW (London)  
 •NAB Treasury

**Greg Shepherd**  
 COO (2005)  
 •Westpac – Head of MMM & Broker Channels  
 •BNZ – Head of Lending Services, Regional Mgmt, Product & Marketing

**Sarah O'Connor**  
 CHRO (2010)  
 •Joined Farmers 2001  
 •ANZ operational mgmt

**Adrian Lichkus**  
 CRO (2006)  
 •Westpac  
 •Auckland District Health Board  
 •Deloitte

**Sarah Carstens**  
 General Counsel & Company Secretary (2009)  
 •ANZ / UDC  
 •Buddle Findlay, Minter Ellison  
 •Linklaters, London

**Colin Smith**  
 CIO (2010)  
 •Manukau City CIO  
 •3i plc. London

# Governance & Risk Management

- The F&P Finance Group operates as an independently funded autonomous business
- Separate Board of Directors from FPAH – 2 Independent Directors
- No related party lending transaction by FPF
  
- Risk Management standards benchmarked to industry best practice
- FPF preparing to become a fully licenced NBDT
- CISL applied to become licensed Insurer
- Management committee structures aligned to business risks
- Sound and proven B<sub>2</sub>B<sub>2</sub>C business model
- Asset quality proactively managed – consistent prudent provision ratio
- Liability and Asset maturities well matched together with approved Treasury policies

# Major Strengths – Strong culture of success

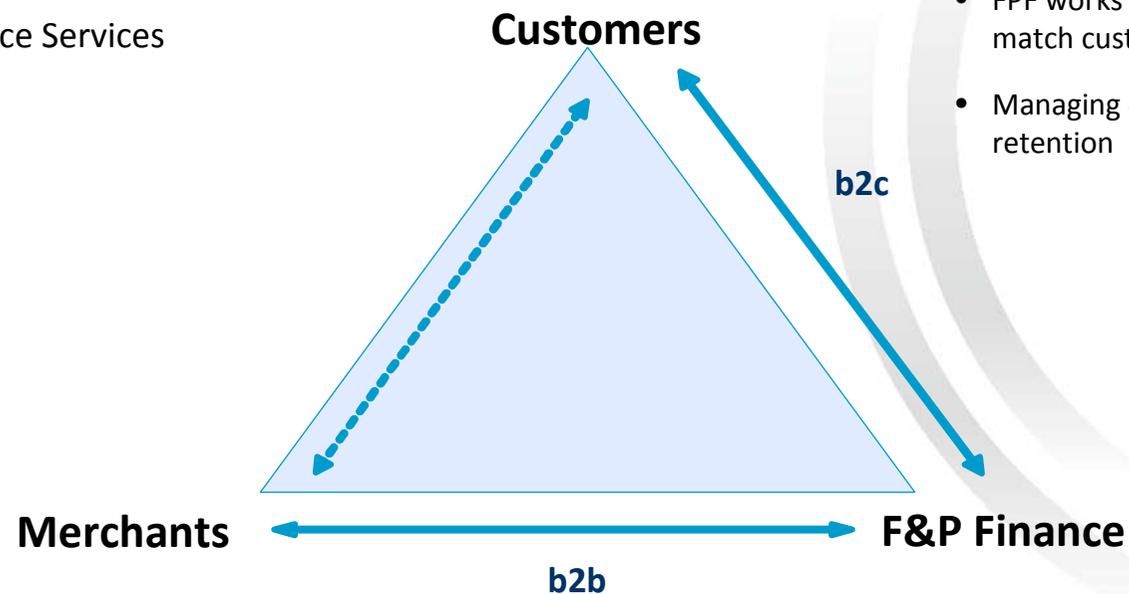
- Management experience and industry knowledge
- Consistent long term focus on Core Business
- Quality Risk Management disciplines
- Sound credit origination and account management
- Diversity of asset risk and credit lending – geographic and demographic
- Reliable and predictable positive cashflow model. \$580m per annum customer inflow
- Well funded with robust liquidity management
- Commitment to best practice governance standards
- Values based people culture – strong focus on staff engagement

# Celebrating Success with Awards

- Winners of HR Institute Wellness Programme 2011
- Direct Marketing Association finalists 2010 Supreme Award
- Contact Centre: > 100 seats finalists 2009
- NZ Print Awards: Gold Medal Award 2010 (marketing campaigns)

# Essence of our Business

- Providing affordable payment options to help customers buy the things that matter.
- Tailoring financial solutions at Point of Sale offering :
  - Revolving Credit
  - Structured Credit
  - Insurance Services



- FPF works with merchants to match customer affordability
- Managing customers is key to retention

- Working to improve share of payment at POS
- Focus on training staff and promotions

# Key Finance Products

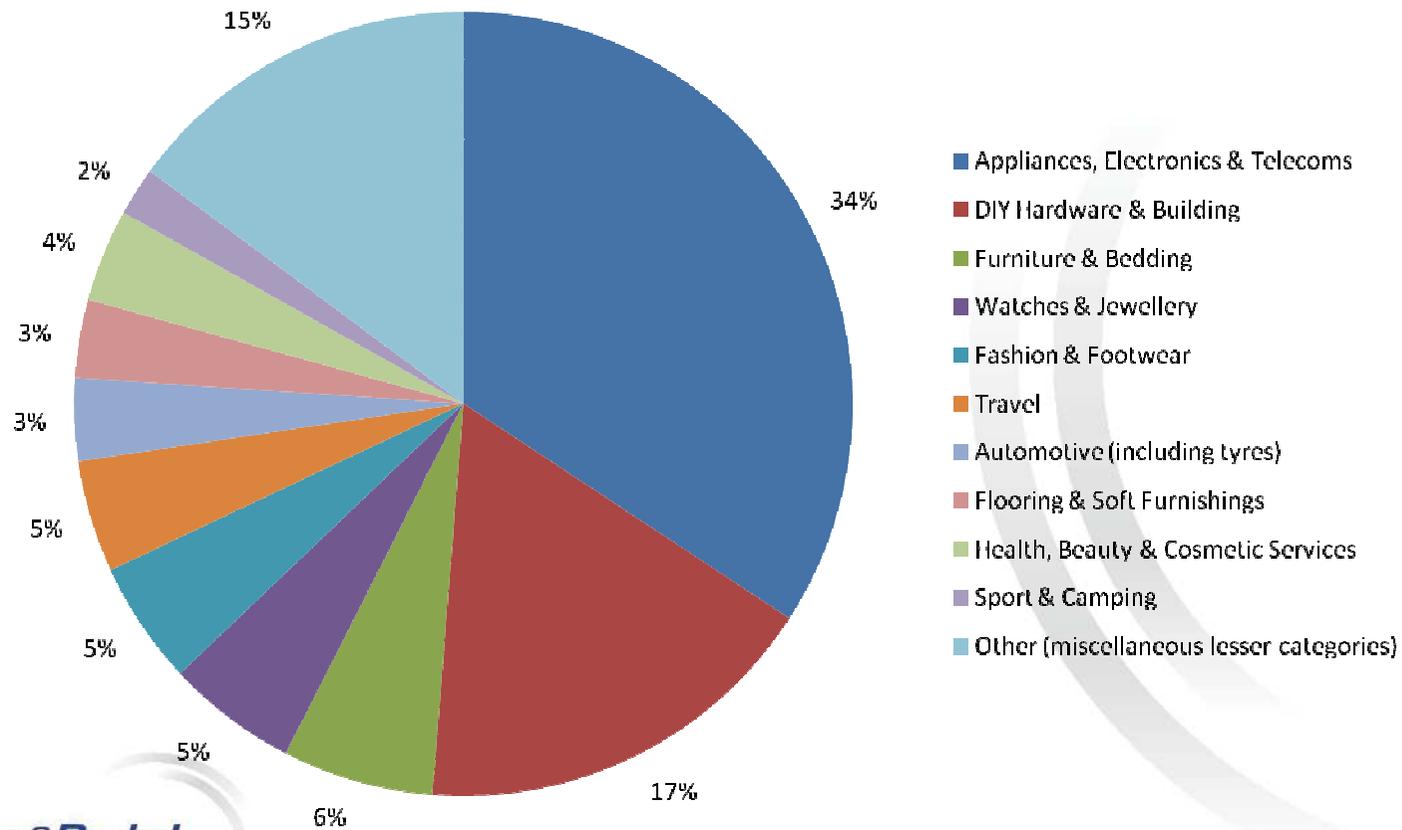


CONSUMER INSURANCE SERVICES LTD



Insurance & Warranty	Farmers Card	Q Card	Smiths City	Equipment Leasing
<ul style="list-style-type: none"> <li>• Goods &amp; payment protection policies</li> <li>• Q, FC and Smiths channels</li> <li>• Warranty exit October 2011</li> </ul>	<ul style="list-style-type: none"> <li>• Unsecured revolving credit</li> <li>• Up to 55 days interest free</li> <li>• Supports 20% - 22% of FTC sales</li> <li>• TPM – 30% of New Business</li> <li>• Accepted at over 10,000 outlets</li> </ul>	<ul style="list-style-type: none"> <li>• Multiple finance plans</li> <li>• Interest free, Interest bearing, Delayed payments, Structured payments, Eftpos</li> <li>• 90 days interest free – Q EFTPOS</li> <li>• 3% minimum repayment</li> <li>• Annual fees</li> </ul>	<ul style="list-style-type: none"> <li>• Relationship since 1990</li> <li>• Instore finance</li> <li>• Revolving and Structured credit</li> <li>• “Easy Pay” offering</li> <li>• Interest free and Interest bearing</li> <li>• Reseller of Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Rental</li> <li>• Fixed Term Loans</li> <li>• SME market</li> <li>• 3 year leasing terms</li> <li>• Tax benefits for business</li> <li>• Cashflow benefits</li> </ul>
<b>Key Metrics</b>				
<ul style="list-style-type: none"> <li>• 285,000 policies</li> <li>• Non interest income contributor</li> </ul>	<ul style="list-style-type: none"> <li>• \$200m receivables</li> <li>• \$240m volume</li> <li>• 250,000 active cardholders</li> </ul>	<ul style="list-style-type: none"> <li>• \$300m receivables</li> <li>• \$215m volume</li> <li>• 150,000 active cardholders</li> </ul>	<ul style="list-style-type: none"> <li>• \$75m receivables</li> <li>• 50,000 customers</li> </ul>	<ul style="list-style-type: none"> <li>• \$40m receivables</li> <li>• Long term maturities</li> <li>• 300 dealers</li> <li>• 11,000 customer accounts</li> </ul>

# Q Card Retail Categories – Market Penetration (Business written)



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12 months September 2011

# Q Card Merchants

Get a great Q Card deal at thousands of places nationwide.



Visit [www.qcard.co.nz/storefinder](http://www.qcard.co.nz/storefinder) for the full list of Q Card retailers.

For buying the things that matter.

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# Building the Q Card Brand

## Merchant Growth

- Year on year growth from existing Merchants
- Partnering with our merchants on joint marketing initiatives/promotions
- Exclusive and Preferred supplier agreements with key merchants
- Merchant Acquisition
  - Lumino
  - Bay Audiology
  - Husqvarna
  - Target Furniture
- Harvey Norman – lost business \$50m p.a being replaced with growth from other merchants. Q Card 28% growth YOY

	↑ 125%
	↑ 43%
	↑ 39%
	↑ 37%
	↑ 22%
	↑ 78%
	↑ 111%

New Business Growth year on year Apr-Oct 2011

# Farmers Card Merchants

Your Farmers Card is welcome at over 8,000 places nationwide.



# Key Competition & Strategies to Compete

## Competition

- Other finance companies
  - GE Money, Finance Now, Gilrose
- Banks – Credit Cards
- Cash and direct debit
- Personal loans

## Strategies

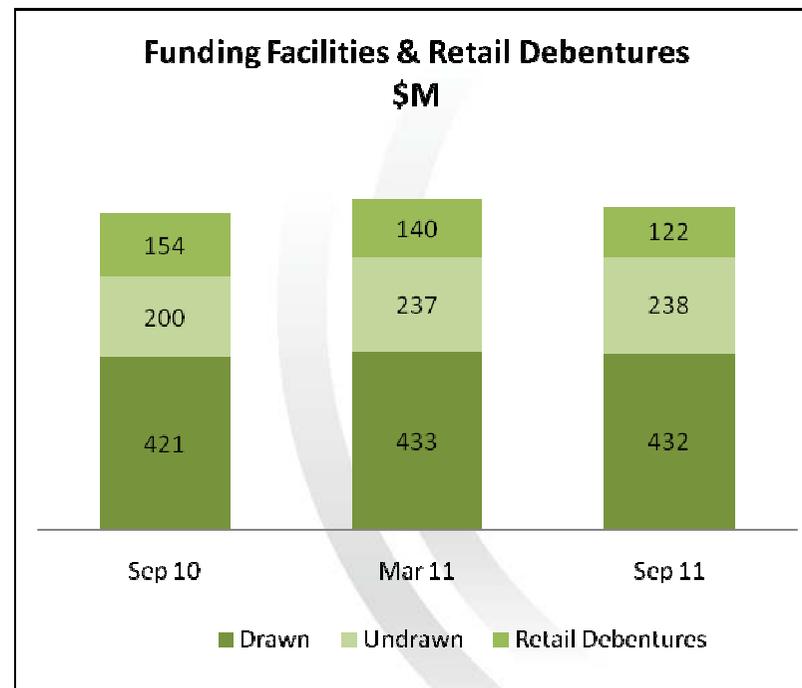
- Developing and maintaining strong partnerships with merchants
- Helping customers with affordable options to buy the things they need
- Customer segmentation, promotions, and direct marketing campaigns
- Achieving a customer acquisition and retention approach
- Focusing on delivering Value not competing on Price

# Culture of Credit Quality Delivers Results

- Conservative credit approval rates (65% - 80%)
- Intense focus on fraud prevention circa \$1m p.a. savings
- Effective collection strategies – technology solutions
- Focus on rehabilitation and retention strategies
- Declining arrears – Bad Debt Expense Ratio now 1.9% (FY11 3.1%)
- Christchurch performance on track – resilient customer base
- Scorecard rebuild and enhancements completed – new technologies
- Behavioural scoring going forward – predictive strategies
- Positive credit reporting going forward – value adding
- Continuous investment in credit - critical component

# Significant Diversified Funding from Banks, Institutions & Retail Investors

- Broad diversification
- Continuing strong Bank support
- Well supported A1+ rated CP programme by Institutions
- Retail funding softening
  - Ceased offering Guarantee deposits June 11
  - Crown Guarantee terminates December 2011
  - Debentures covered 160% by committed undrawn facilities
- Surplus Liquidity \$283m (Sept 11)
- Other funding sources being considered



# Strategies for Growth

Investment in quality is the key

- Strengthening Brands and Company image
- Introducing innovative product development initiatives
- Enhancing systems to support products and services
- Refining credit policies and processes
- Developing people and talent management
- Strengthening the balance sheet to Investment Grade

# Growth Opportunities

- Broadening merchant reach 15% → 20% in 2 years
- Targeting new retail channels – Health, Agri sectors
- Promoting customer loyalty to retailers
- White labelling for retail stores
- Gift and cash Card offerings
- Delivering further technology solutions to customers – digital (on-line)
- Undertaking acquisitions of core receivables



# Outlook for FY12 and Beyond

- F&P Finance Group FY12 EBIT guidance normalised \$32m achievable
  - 2H FY12 performance dependent on retail consumer spending, economic growth, interest rates, and impact of Global events
- Investment continuing in :
  - New finance products
  - Increasing merchant reach
  - Market sector penetration
  - Systems enhancements
  - Credit initiatives
  - Brand development
  - Customer driven promotions
  - Our people
- Assessing value adding acquisitions
- Remaining focused on core activities
- Capitalising on industry knowledge
- Maintaining sound funding and stable financial position

# Disclaimer

This presentation has not taken into account any particular investors investment objectives or other circumstances. Investors are encouraged to make an independent assessment of Fisher & Paykel Appliances Holdings Limited and its subsidiaries.

All currencies are expressed in New Zealand dollars unless otherwise stated

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