



# SCOTTISH PACIFIC BUSINESS FINANCE

## MARKET EYE CONSUMER & FINANCIALS INVESTMENT CONFERENCE

**11 APRIL 2018**

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All currency amounts are in AUD dollars unless stated otherwise.

## 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

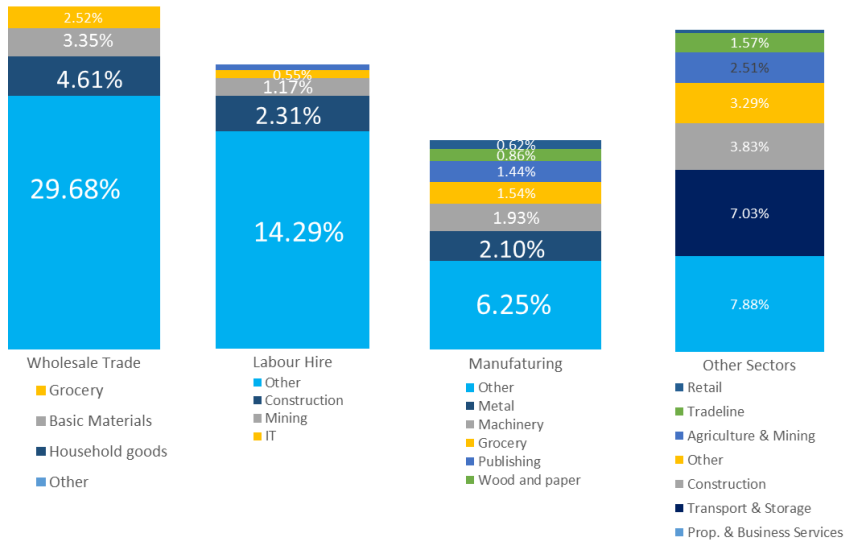
Being helpful and supportive

Understanding business  
needs and requirements

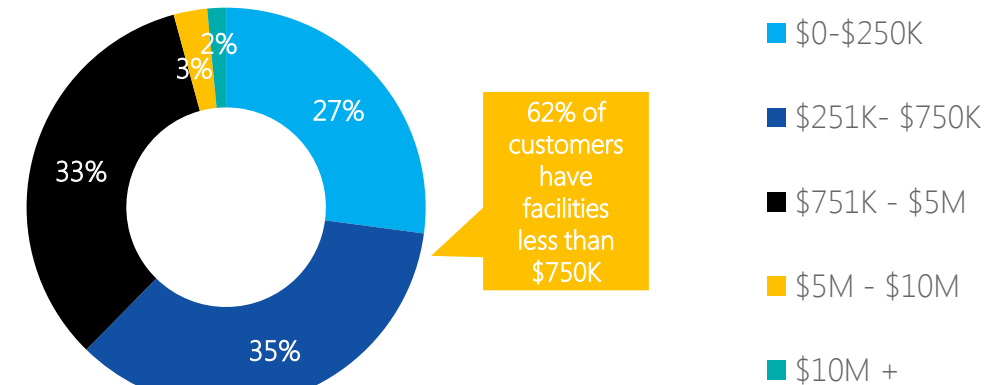
# DIVERSE PORTFOLIO OF CUSTOMERS

## ECONOMIC RISKS MITIGATED BY INDUSTRY AND REGIONAL MIX

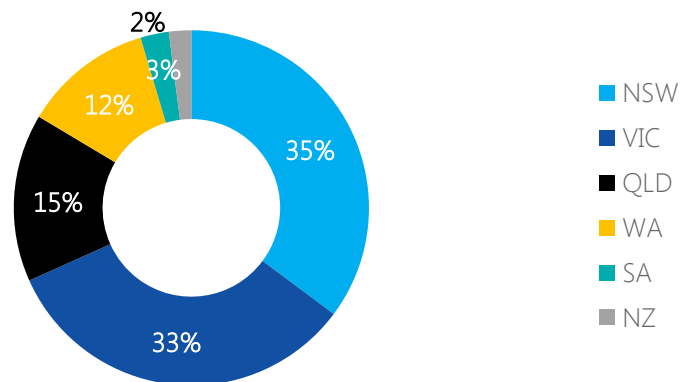
Customer Exposure by Sector (31 Dec 2017)



Customer Size by Facility Limits (31 Dec 2017)



Funding Exposure by Geography (31 Dec 2017)

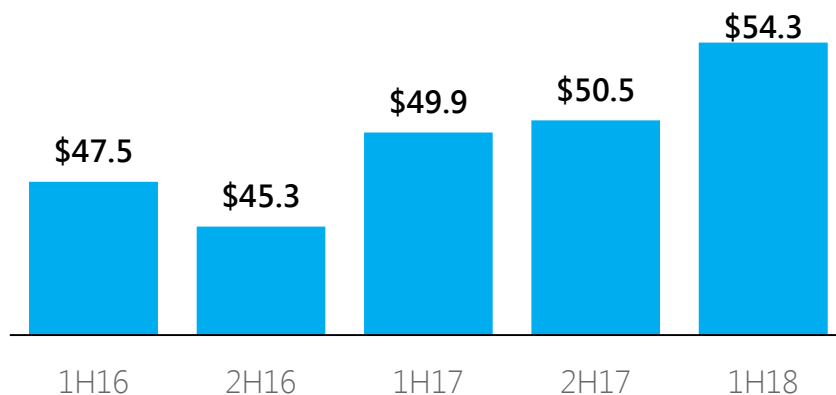


- Our business is personal – we work with business owners across a varied size
- Secure lending in all economic environments
- Working capital is essential throughout the life of a business
- Growth stays in line with business growth

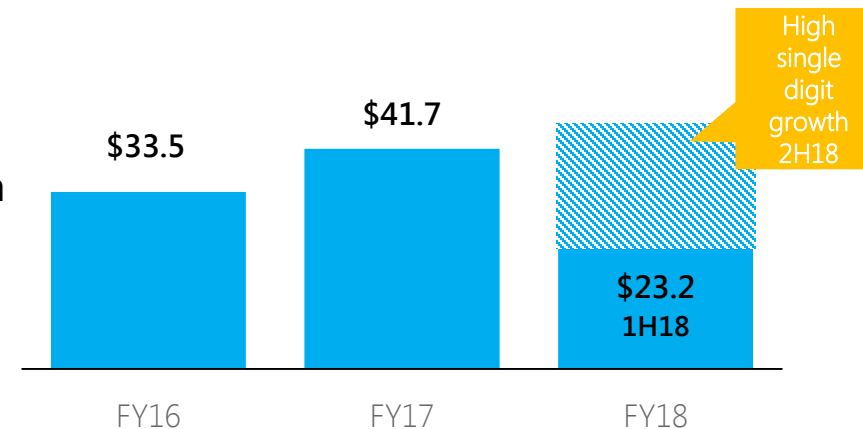
# FINANCIAL HIGHLIGHTS

## CORE BUSINESS NET REVENUE GROWTH 10.4%

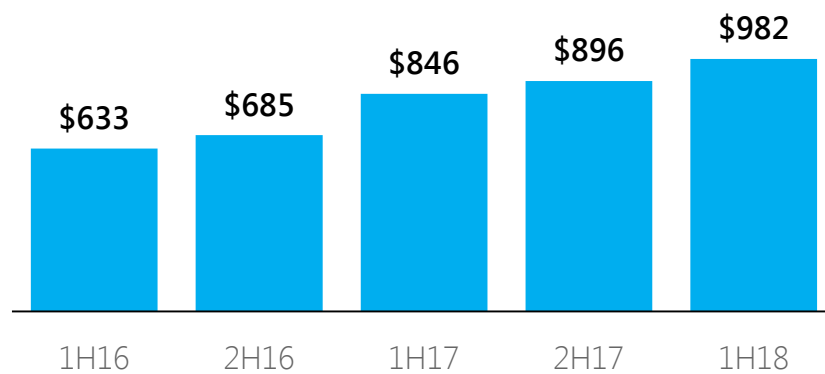
Net  
Revenue  
(\$m)



Pro-Forma  
PBIT  
(\$m)



Average  
Exposure  
(\$m)



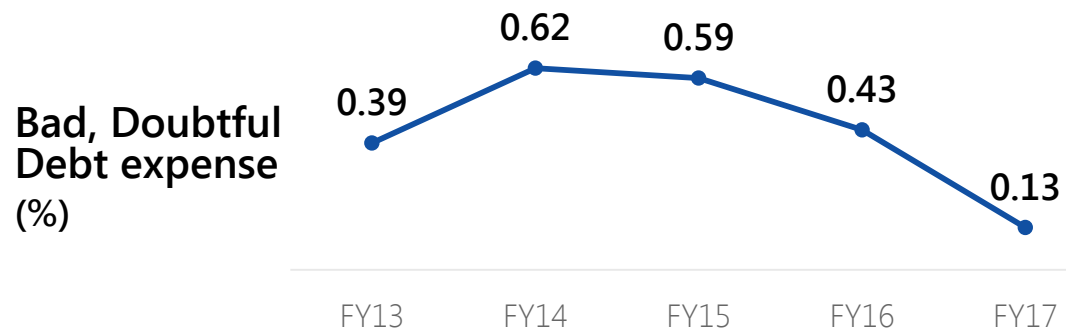
### Dividend Payouts

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

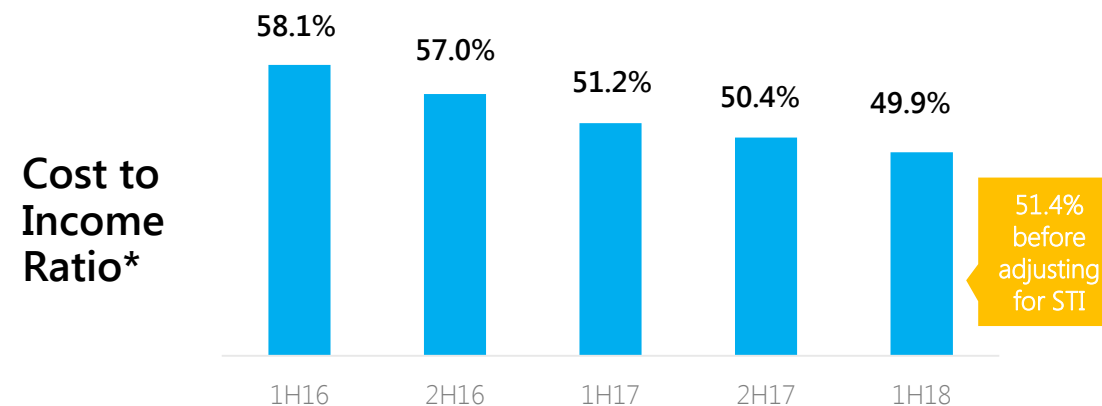
# RISK AND COST MANAGEMENT

## RESPONSIBLE APPROACH TO CREDIT RISK AND EXPENSES

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



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



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



# BEN CUTLER - CHIEF CUSTOMER OFFICER



## Functional Responsibilities

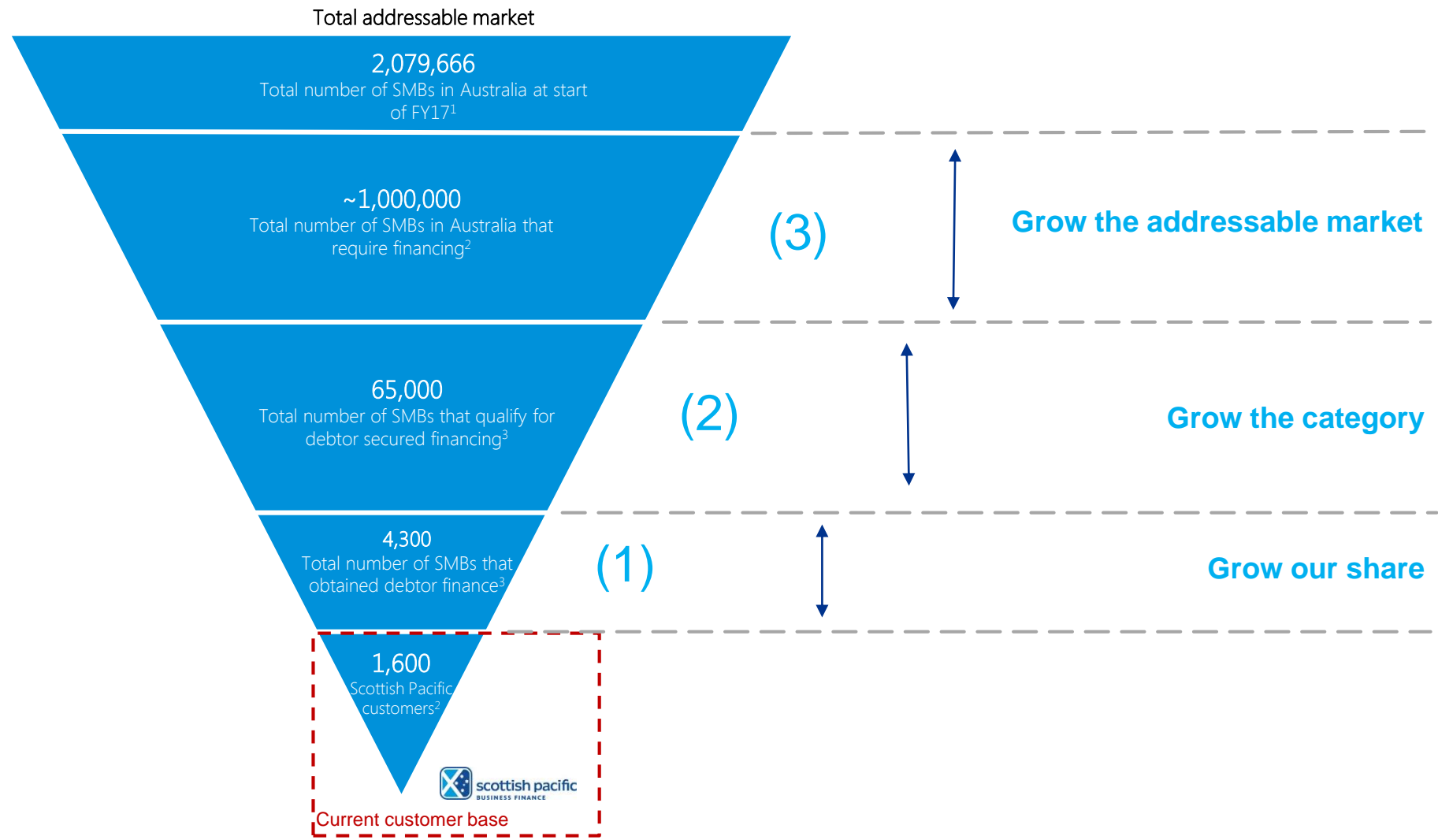
- Customer Growth Strategy
- Marketing
- New product development
- Digital platforms
- Research, insights and analytics
- Commercial partnerships
- Customer experience
- Corporate communications



## 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**





# 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





A photograph of an office environment. In the foreground, a woman with long brown hair, wearing a grey blazer over a white blouse, 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 a blue tie. In the background, another woman with blonde hair is seated at a desk, looking at a laptop. The office has various items on desks, including a desk lamp, a small potted plant, and some papers. The text "Q&A" is overlaid in white on the left side of the image.

Q&A