



scottish pacific  
GROUP LTD

# 2017 ANNUAL GENERAL MEETING

15 NOV 2017

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All currency amounts are in AUD dollars unless stated otherwise.

# AGENDA

1. Chairman's Address – Patrick Elliott
2. CEO's Presentation – Peter Langham
3. Formal Business



# CHAIRMAN'S ADDRESS

Patrick ELLIOTT  
Chairman

# YOUR BOARD OF DIRECTORS



## **Patrick ELLIOTT,** Chairman

Founding partner of Next Capital  
Former Chairman of JB Hi-Fi and was  
Director of Invocare and the Reject Shop  
Chairman of AVCAL in 2004



## **Peter LANGHAM,** Executive Director

31+ years in debtor finance  
Joined Scottish Pacific in 1993  
Established Benchmark Debtor  
Finance in 1998 and continued  
as CEO following acquisition  
of Scottish Pacific in 2007



## **Peter CLARE,** Independent NED

Former Chief Executive Officer of  
Westpac New Zealand and prior to  
that numerous senior executive  
roles with Westpac and St George  
Bank.  
Director of ChimpChange (Chairman)



## **Katrina ONISHI,** Independent NED

Previously executive director  
of Concord Capital and Director of  
Vitaco including Chair  
of Audit & Risk Committee and  
member of Remuneration and  
Nomination Committee



## **Andrew LOVE,** Independent NED

Chairman Gateway Lifestyle and  
Non-Executive Director of  
Champion Iron  
Previous directorships include ROC Oil  
(Chairman), Charter Hall Office Trust,  
Riversdale Mining, Lead Lease Primelife.



## Integration Completed

- People and culture well managed with successful “one company” approach
- Now in a position to leverage the combined assets including highly experienced staff and specialised products
- Retention of key staff with very high levels of engagement to be commended



## System Infrastructure

- Current migration project to take us from three operating systems to a single, world leading operating platform Aquarius
- Includes investment in risk systems allowing for growth and flexibility in meeting clients’ needs

## Industry Leader

Nearly 30 years heritage of Debtor Finance backed by superior customer service  
Able to compete with big four commercial banks whilst maintaining ability to service smaller clients  
Continued significant investment in people and systems

## Supporting our future growth



### Investment in Marketing

- Additional resources
- New product development
- Expanding to a broader target market
- Solutions based, not products



### Expanded Channels to Market

- 60% of total new business originates outside traditional Broker channel
- Direct Origination capability
- New platform partnership and referral agreements extends our reach



### Increased Scale

- Low cost, reliable funding platform
- Technology and people investment to facilitate growth
- Ability to take on larger clients without customer concentration risks

**EXPERIENCED AND ENGAGED MANAGEMENT AND STAFF, MORE FLEXIBLE FUNDING SOLUTIONS AND A STRONG CREDIT MANAGEMENT FRAMEWORK WILL CONTINUE TO DELIVER SUCCESS**



# CEO'S PRESENTATION

Peter LANGHAM  
Chief Executive Officer

# FINANCIAL HIGHLIGHTS – PRO-FORMA

## REVENUE ON GUIDANCE, PBIT AHEAD OF GUIDANCE



Net Revenue	PBIT	NPAT
<b>\$100.4M</b> up 8.2%	<b>\$41.7M</b> up 24.4%	<b>\$25.3M</b> up 21.1%
Cost to income ratio	NPATA	Underlying EPS
down from <b>57.5%</b> to <b>50.8%</b>	<b>\$29.4M</b> up 27.2%	<b>18.2CPS</b> up 20.8%

### FY18 Guidance

#### HIGH SINGLE DIGIT PBIT GROWTH

- Core Debtor Finance to continue book growth ~10%
- Normalisation of staff and bad doubtful debt expenses

### FY17 Pro-Forma guidance:

Net Revenue of  
**\$100.9M**

PBIT of  
**\$40.7M**

NPATA of  
**\$30.8M**

Final dividend (fully franked) of  
**8.5CPS**

Interim dividend (fully franked)  
paid of  
**8.0CPS**

NPATA of  
**78.2%**  
(Pro-Forma basis)

# FY17 ACHIEVEMENTS

## ORGANIC LENDING GROWTH 11.3%



### Portfolio

Margins remained steady throughout FY17 and in line with expectations

Organic year on year loan book growth of 11.3% to June 2017

- Total new business enquiries up 70%
- New business generated from direct sources, now exceeding 20% on an ongoing basis
- Bedded down two bank referral agreements
- Improved the client offering for Selective Invoice Finance, Bad Debt Protection and Progress Claim Finance to enhance ease of use



### Risk Management

Strong underwriting standards maintained

Investment in Risk & Compliance capabilities through additional staff resources and an integrated system package providing real-time and streamlined data

Leading to low FY17 Bad and Doubtful Debts of 0.13% of Average Exposure (FY16 0.43%)



### People

New roles created adding resources in marketing, new product development, credit and operational excellence

Completed the operational restructure after merging four businesses/portfolios

Staff engagement scores increased in FY17



### Funding

Three banks now providing core warehouse facilities

Facility limits increased by \$125M to \$1,343M, with \$439M of headroom

Mezzanine warehouse introduced, reducing SCO equity support to 5% from 10%

# OUR PEOPLE

## Staff engagement scores increased in FY17

- Engagement score of 85%, against the external benchmark Culture and Values (Benchmark survey average 64%)
- 86% of staff strongly committed to helping the organisation achieve its vision and goals
- New roles created adding resources in marketing, new product development, credit and operational excellence
- Completed the operational restructure after merging four businesses/portfolios
- \$128,000 raised by staff and Scottish Pacific fundraising matching policy for various charities



# EXECUTIVE TEAM

## David ROSE, Chief Financial Officer

- Responsible for managing the accounting and finance functions
- Joined Scottish Pacific in 2017
- Previously held senior roles at CBA, Bankwest, NAB and PwC

## Chris HEDGE, General Manager - UK

- 20+ years Debtor Finance experience
- Formerly CFO of SCO, Head of Debtor Finance and Debtor Finance General Manager – NSW & ACT

## Craig MICHIE, Head of Specialised Finance

- Increase profits through Specialised Products, on their own generating profits, but also attracting and keeping debtor finance clients to the group
- Joined Scottish Pacific in 1987
- Founded Taurus Trade Finance Pty Limited in 2006
- Re-joined Scottish Pacific in 2012

## Steve DAVIES, Chief Operating Officer

- Delivering the strategic objectives of Human Resources, Information Technology, Business Improvement and Risk and Compliance functions
- Joined Scottish Pacific in 1994
- Founding director of Bibby in 2002, holding several senior roles
- Re-joined Scottish Pacific in 2016

## Wayne SMITH, Head of Debtor Finance

- Responsible for the performance of the Scottish Pacific and FactorONE debtor finance businesses
- 26+ years experience in commercial finance
- Joined Scottish Pacific in 2010, appointed Head of Debtor Finance in 2016

## Ben CUTLER, Chief Customer Officer

- Deliver growth in our business and client base through implementation and delivery of a Group marketing strategy
- Joined Scottish Pacific in 2017 in a newly created role
- Previously, General Manager, Brand Strategy and Marketing, at Telstra

# CURRENT TRADING AND OUTLOOK

- We confirm our guidance of 29 August 2017 of high single digit PBIT growth
- Four months to 31 October, year on year loan book growth 17%
- Management Fees lower than expected, but Net Interest Margins ahead
- Strong credit performance maintained with Bad & Doubtful Debts well under control
- Client Attrition levels returning to historical low levels
- Online origination platform launched October 2017
- Specialised Finance now adding more to our core Debtor Finance offering
- Renewed focus on our UK business

# BUSINESS FUNDAMENTALS

Working capital is essential for every business, throughout their business cycle, in all economic conditions

Scottish Pacific is well positioned to continue to grow with a broad range of funding solutions and an understanding of SMEs

- Extensive network of business introducers - Brokers, Accountants and Bankers that has been established over 29 years of trading
- The largest sales force of any debtor finance provider
- The free cash to invest in growing our business
- 29 years of experience in dealing with SMEs and their working capital needs
- Expert credit underwriting skills and continued investment in risk and compliance
- Increasing direct new business channels and investment in online origination
- Stable, long-term, supportive warehouse funding relationships
- A motivated and engaged workforce eager to deliver for our clients and take on new challenges
- Existing solutions outside Debtor Finance to attract and retain more clients

# OUR PURPOSE, VISION AND STRATEGY

## SCOTTISH PACIFIC GROUP - THE WORKING CAPITAL SPECIALIST

### Vision

The leading working capital financier in our chosen markets – helping our clients to achieve their aspirations



#### Fundamentals

- Can support a business in all economic cycles
- Cash flow is essential at all stages of business life
- SMEs are under serviced and require a high touch approach



#### Must do

- Attract new clients - large and small
- Continually invest in efficiency
- Add new products to enable us to service a higher number of SMEs



#### Delivering

- Double digit EPS growth
- Annual Dividend 60%-80% of NPATA
- New products to an expanded target market of over 1 million SMEs

Providing essential working capital to businesses, to help them achieve their aspirations

THANK  
YOU



**Website**

[www.scottishpacific.com](http://www.scottishpacific.com)



**Scottish Pacific**

[twitter.com/scottishpacific](https://twitter.com/scottishpacific)



**Scottish Pacific**

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