Scottish Pacific Group Limited

Full Year 2016 Financial Results Presentation

29 August 2016

Presenters:
Peter Langham – CEO
Chris Hedge – CFO and COO

Agenda

1. Overview – Peter Langham, CEO
2. Financial Results – Chris Hedge, CFO and COO
3. Integration Update and Outlook – Peter Langham, CEO
4. Q&A

1 Overview

FY16 Financial Results Highlights

Strong financial performance in-line with Prospectus forecasts

A$ millions	Prospectus Forecast FY16	Pro Forma Result FY16	Variance (%)
Net Revenue	93.7	**92.8**	(0.8)%
Total Expenses	60.5	**59.3**	(1.2)%
PBIT	33.1	**33.5**	+1.1%
NPATA	22.3	**23.0**	+3.1%
Key Metrics			
Turnover ($m)	11,317.5	**11,300.4**	(0.2)%
Average Exposure	666.2	**653.2**	(1.9)%
Bad debt expense / average exposure (%)	0.43%	**0.43 %**	-
PBIT Margin (%)	35.4%	**36.1 %**	+73bps
PBIT Growth (%)	18.1%	**19.5 %**	+134bps

Commentary

- FY16 results in line with expectations:
  - Pro forma net revenue of $92.8m
  - Pro forma NPATA $23.0m
  - Turnover of $11,300.4m
  - Average Exposure of $653.2m
- Strong improvement in PBIT margin
- Business and funding conditions remain conducive
- Confirming FY17 prospectus forecasts

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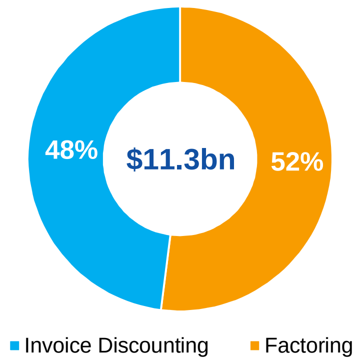
Who We Are

Scottish Pacific is the leading independent Debtor Finance provider to SMEs in Australia

Introduction to Scottish Pacific

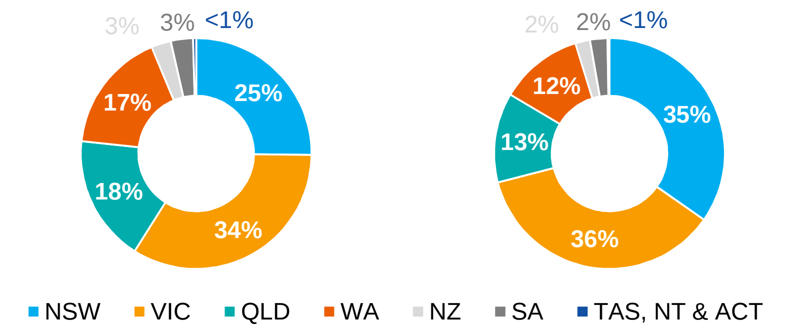
- Founded in 1988
- Today:
  - Serves over 1,700 clients across Australia and New Zealand
  - Over 250 employees
  - ~20% market share by invoice turnover[2]
- Scottish Pacific offers 2 core products:
  - Invoice Discounting
  - Debtor Factoring
- Complementary product offering includes:
  - International trade finance
  - Bad debt protected facilities
  - Asset finance
- In December 2015, Scottish Pacific merged with Bibby Financial Services who was Australia's 3rd largest debtor finance business
- In May 2016, Scottish Pacific acquired the customer relationships and accounts of GE Capital's debtor finance business and Suncorp-Metway's Debtor finance business

FY16 Scottish Pacific Invoice Turnover[1]



Funding Exposure by Geography

2015	2016



[1] *Includes 6 months' contribution from the Bibby business, 54 days' contribution from the GE debtor finance portfolio and 34 days' contribution from the Suncorp debtor finance portfolio.*

[2] *Scottish Pacific's market share based upon Scottish Pacific's FY2016 turnover pro-forma for management's estimate of a full year contribution from recent business and portfolio acquisitions, as a percentage of total industry turnover for the 12 months ended 30 December 2016 (as the most recent available). Industry data reported by the Debtor and Invoice Finance Association of Australia and New Zealand Inc.*

Initial Public Offering Update

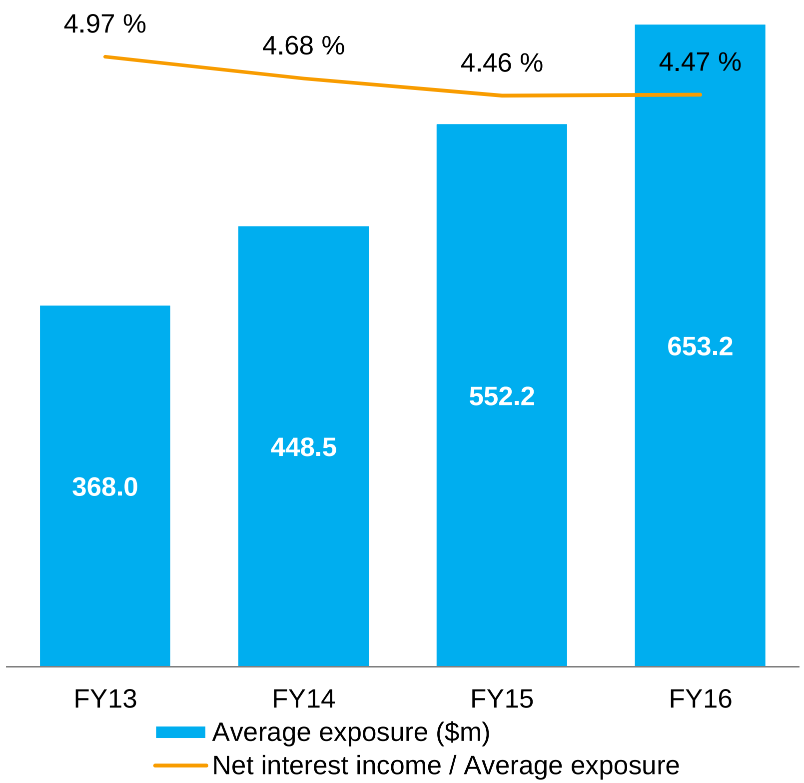
- ✓ Successfully listed on the ASX (ASX:SCO) on 13 July 2016 at an IPO price of $3.20
- ✓ Raising provided access to capital markets to improve capital management flexibility and provided the capacity to fund future growth initiatives
- ✓ Extended funding commitments from two major Australian Banks and a new funding commitment from one International Bank
- ✓ Two mezzanine funders introduced (non recourse to the company) to further improve capital efficiency
- ✓ Market capitalisation of Scottish Pacific was $485m at close on 26 August 2016

Scottish Pacific's Growth Profile

As discussed in the Prospectus, growth into larger, lower risk clients has reduced net interest income as a percentage of average exposure. However, volume and sustained cost improvements have increased PBIT margins

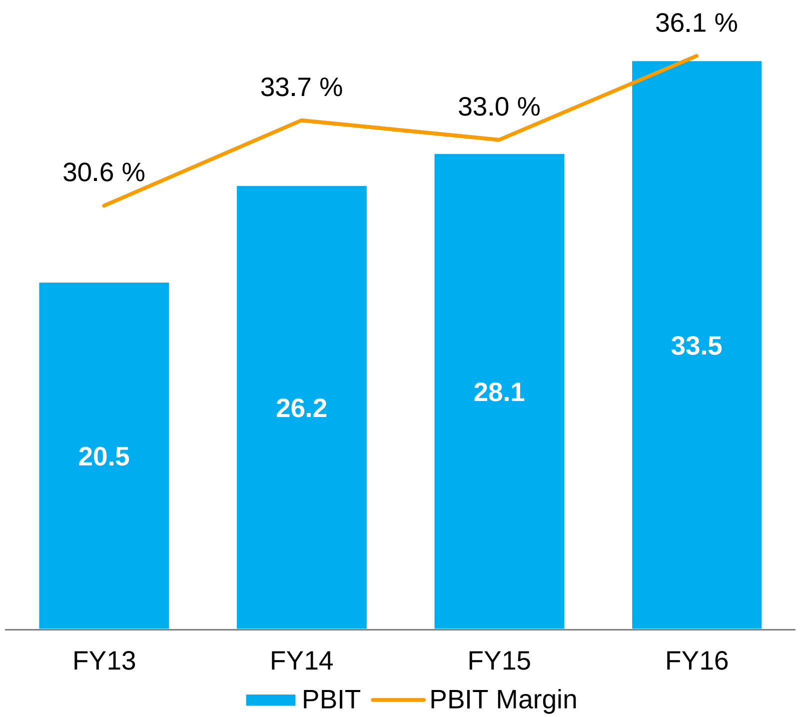
Average Annual Exposure ($m)

FY13-FY16 CAGR: 21.1%



Pro forma PBIT[1] ($m)

FY13-FY16 CAGR: 17.8%



[1] Pro Forma PBIT taken as profit before interest on corporate debt and tax, excluding the impact of transaction and restructuring costs from recent acquisitions, listing costs, new mezzanine funding and changes in the corporate debt structure related to the funding of recent acquisitions; PBIT margin calculated as Pro Forma PBIT / Net Revenue.

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2 Financial Results

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Income Statement

A$ millions	Pro Forma FY15	Pro Forma FY16	Change (%)
Management Fees – Debtor Finance	57.4	59.0	3.2 %
Management Fees – Trade Finance & Other	3.2	4.6	43.5 %
Net Interest Income	24.4	29.2	19.7 %
Net Revenue	**85.0**	**92.8**	**9.5 %**
Staff Expenses	(35.0)	(36.0)	2.9 %
Office and Administration Expenses	(15.5)	(15.9)	2.8 %
Marketing and advertising expenses	(2.3)	(1.5)	(33.0)%
Bad debt expense	(3.3)	(2.8)	(15.6)%
Depreciation and amortisation	(0.9)	(3.1)	260.8 %
Total Expenses	**(56.9)**	**(59.3)**	**4.3 %**
PBIT	**28.1**	**33.5**	**19.8 %**
Borrowing Costs	(2.6)	(3.5)	33.2 %
PBT	**25.4**	**30.1**	**18.4 %**
Income Tax Expense	(7.7)	(9.2)	19.5 %
NPAT	**17.7**	**20.9**	**18.1 %**
Acquisition amortisation	-	2.1	n/a
NPATA	**17.7**	**23.0**	**29.9 %**
Key Metrics			
Turnover ($m)	8,897.1	11,300.4	27.0%
Average Annual Exposure ($m)	552.2	653.2	18.3%
Bad debt expense / average exposure (%)	0.59%	0.43 %	(17)bps
PBIT Margin (%)	33.0%	36.1 %	309bps

Commentary

Net Revenue

- Strong core growth driven by increase in exposure
- Additional contributions from GE and Suncorp acquisitions in FY16 (partial year)
- Management fee as a percentage of turnover and Net Interest Income (NII) as a percentage of average exposure have declined due to growth in number of larger clients and better credit quality clients

Total expenses

- Staff expense as a percentage of Net Revenue declined as the company benefited from operating leverage and growth into larger clients
- Forecast Bibby cost synergies of $1.4m in FY16 fully achieved with the full run rate of $5.1m expected in FY17
- GE & Suncorp Acquisitions materially reduced operating costs as percentage of revenue given better credit quality client portfolio (predominantly invoice discounting), and ability to introduce onto existing systems with limited increase in staff numbers
- Reduction in bad debt expense relative to exposure as client credit quality increased and as business mix moved proportionally towards invoice discounting
- Depreciation and amortisation growth due to amortisation of intangibles associated with recent acquisitions

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Balance Sheet

A$ millions	Pro Forma FY15	Pro forma FY16[1]
Assets		
Cash and cash equivalents	13.1	20.6
Client receivables (net)	2.1	5.6
Other debtors and prepayments	1.8	4.3
Deferred tax assets	3.4	12.4
Investments	53.0	61.1
Property, plant and equipment	1.3	2.1
Goodwill and Intangible assets	56.1	162.8
Total Assets	**130.8**	**268.9**
Liabilities		
Trade and other payables	13.2	34.8
Current tax payable	1.7	-
Loans and borrowings	24.0	56.9
Total Liabilities	**38.9**	**91.7**
Net Assets	**91.9**	**177.3**
Equity		
Share Capital	75.2	221.0
Reserves	0.7	(14.5)
Retained Earnings	15.9	(29.2)
Total Equity	**91.9**	**177.3**

Balance Sheet

- Strong balance sheet with pro forma drawn debt balance of $56.9m (with additional undrawn availability)
- Gearing is expected to continue to decline as a result of continued organic earnings growth and realised synergies from recent acquisitions

[1] Pro forma balance sheet after removing the impact of the consolidation of the limited-recourse Funding Vehicles from Scottish Pacific's statutory consolidated balance sheet

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Statutory Results

A$ millions	Statutory Result FY15[1]	Statutory Result FY16	Change (%)
Management Fees – Debtor Finance	30.2	43.5	44.0 %
Management Fees – Trade Finance & Other	3.2	4.6	43.7 %
Interest income	33.8	47.6	40.8 %
Interest expense	(17.3)	(22.5)	30.0 %
Net interest income	**16.5**	**25.1**	**52.1 %**
Net Revenue	**49.9**	**73.2**	**46.6 %**
Staff Expenses	(20.3)	(27.7)	36.4 %
Office and Administration Expenses	(9.6)	(12.0)	25.0 %
IPO Costs	-	**(21.6)**	n/a
Bad debt expense	(1.2)	(2.2)	83.3 %
Depreciation and amortisation	(0.5)	(3.0)	500.0 %
Total Expenses	**(31.6)**	**(66.5)**	**110.4 %**
PBIT	**18.3**	**6.7**	**(63.3)%**
Borrowing Costs	(4.3)	(6.2)	44.2%
PBT	**14.0**	**0.5**	**(96.4)%**
Income Tax Expense	(4.2)	(0.4)	(90.6)%
NPAT	**9.8**	**0.1**	**(98.9)%**

Commentary

Expenses

- Statutory result significantly impacted by non-recurring acquisition and IPO related costs as contemplated in the Prospectus forecasts:
  - Integration costs $3.7m
  - Transaction costs $15.8m
  - IPO costs expensed in FY16 $2.1m[2]
- Absolute staff expenses have increased as a consequence of recent acquisitions but decreased as a % of net revenue (40.7% to 37.8%), driven by increased cost efficiencies and the realisation of synergies
- Scottish Pacific's consistent credit performance reflected in bad debts remaining a constant % of net revenue
- Increase in Depreciation and Amortisation charges driven by the amortisation of acquired intangible assets
- Borrowing Costs on corporate debt facility now recognised separately from operational interest on securitised debt following refinancing executed in FY16

[1] Revenue and expense items have for the FY15 statutory result been reclassified from the historical basis as presented in the prospectus. This has occurred in order to align more closely with the pro-forma presentation which is considered to best represent the business operations. This reclassification has been adopted in the audited financial statements for FY2016. The key adjustments are to $4.2m borrowing costs on corporate debt which have been disclosed separately from interest expense and $0.8m of recoverable operating costs which have been offset against management fees and interest expense. NPAT remains unchanged.

[2] Further IPO costs of $9.7m to be expensed in FY17, inline with the Prospectus forecasts.

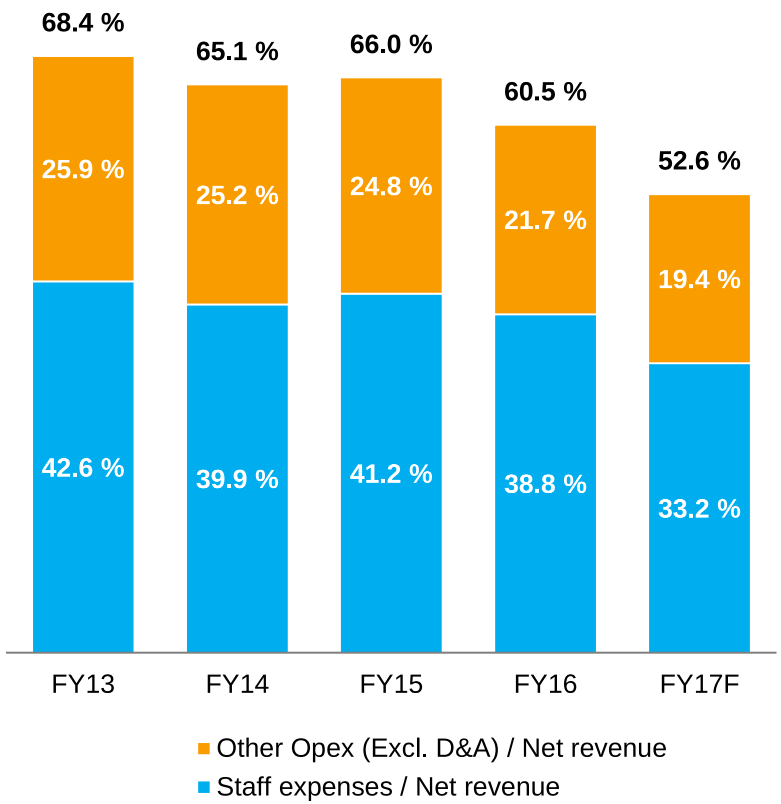
3 Integration Update and Outlook

Recap and Update on Acquisitions

Commentary

- Three acquisitions are fully on track to deliver synergies forecasted in the Prospectus
- In December 2015, Scottish Pacific acquired Bibby Financial Services who was Australia's 2nd largest independent debtor finance business
  - Operated with a moderately higher concentration of factoring clients
  - Expanded the distribution network
  - Added to the existing product suite
  - $5.1m of annual pre-tax cost synergies forecast in FY2017F, primarily related to the elimination of duplicated shared services
- In May 2016, acquired the customer relationships and accounts of GE Capital's debtor finance business and Suncorp's Debtor finance business
  - Customer acquisition only, primarily consisted of discounting clients; with high average client and loan book size and low historical loss ratios
  - Referral agreements with ANZ and Suncorp-Metway
  - Further enhanced Scottish Pacific's scale and competitive positioning
- All teams have been moved to the Scottish Pacific localised operating centre model
- Project to change to one operating platform has begun, scheduled for FY18 and capex required to achieve this already included in FY17 prospectus forecast

Operating Leverage[1]



[1] *Pro forma historical and forecast Opex (Excl. D&A) / Net revenue. Forecast FY17F as per prospectus disclosures.*

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Significant Scope to Grow Core Exposure and Revenue

Scottish Pacific is well positioned to leverage its increased scale and new product capabilities across broader client segments

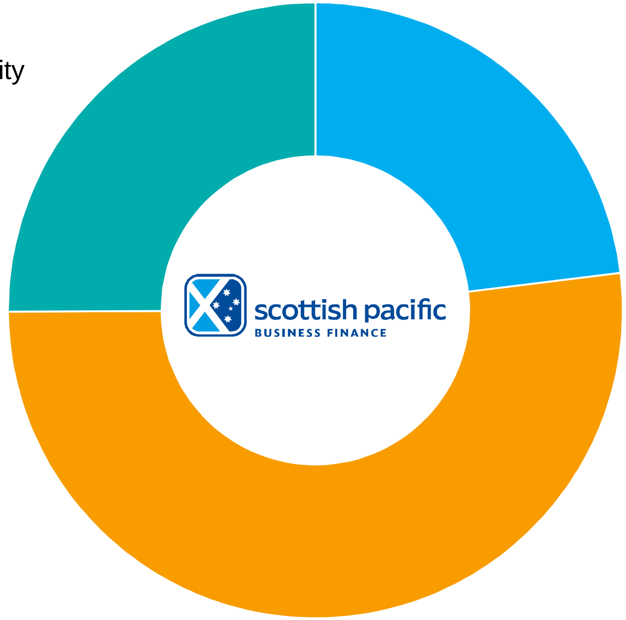
Broadening client segments

Higher Touch | Higher Yield | Lower Volume

Lower Touch | Lower Yield | Higher Volume

- Minimal or no debtor management capability
- Lower limits and advance rates
- Increased frequency of audit, compliance and performance analysis
- Very limited access to funding

Average Exposure per client ~$300,000



- More resources with accounts receivable capability
- Longer operating histories
- Commonly larger operations
- Better access to bank funding
- Lower yield nature of business offset by higher volume and lower servicing costs

Average Exposure per client ~$1,300,000

- Clients have moderately effective debtor collection policies and systems
- Smaller businesses with limited access to funding

Average Exposure per client ~$500,000

Additional Areas of Growth

1

Direct Originations – ***more leads than we can satisfy***

Online lead success

- ✓ FY16 saw over 1600 leads generated – only ~50% could use existing products
- ✓ Scope to develop more products to meet demand
- ✓ Direct marketing sources accounted for 20% of new business in FY16 (vs. 9% in FY15)

Investing in direct distribution capabilities

- ✓ Development of direct products with "quick and easy" application processes
- ✓ Showtime Digital campaign started July 2016
- ✓ Additional direct enquiry staff to handle increased volume of enquiry

2

New Referral Agreements – ***build on bank and industry bodies***

Referral arrangements

- ✓ Scottish Pacific is set to benefit from the broad network of relationships that ANZ and Suncorp-Metway have within their business banking divisions
- ✓ Recruiting specialist BDMs to manage these new relationships
- ✓ Industry body arrangements set to build stronger ties

3

New Products – ***meeting the demand generated online***

Newly launched products

- ✓ Selective Invoice Finance – easy to onboard – transition to core long-term relationships - started July 2015 - $400k operating profit in FY16
- ✓ Trade Finance net revenue growth exceeds 50% in FY16 to $4.3m
- ✓ Tradeline UK launched May15 - $500k Net Revenue in FY16

Inherited Bibby products

- ✓ Bad debt protected facilities now being offered to increased client base – from ~500 to ~1700
- ✓ Progress Claim Finance – to grow with additional funding

Product Development

- ✓ Developing new products to meet the demand seen from digital origination

Positioned to Grow

- ✓ Currently over $400m of headroom in 3 warehouse facilities to fund continued loan book growth
- ✓ Increased headcount in direct marketing to support the rapid growth in direct business enquiries
- ✓ All operations and sales functions integrated and will deliver the forecast $5.1m pre-tax in cost synergies
- ✓ All South Australia clients migrated to newly opened, full function office in Adelaide
- ✓ Financing costs for the business are locked-in until at least August 2017
- ✓ Strong balance sheet – $20.7m of cash and 0.9x Debt / PBITDA[1]

[1] Net Debt/ FY17 Pro-Forma PBITDA

Trading Update and Outlook

- ✓ Average annual turnover of new customers in July of $44m, up from a 2H15 monthly average of $18m
- ✓ 35 new clients settled in July, up from a 2H15 monthly average of 26. Attrition rates steady.
- ✓ Market outlook remains supportive of continued growth:
  - ✓ Cash flow is keeping 70% of CFOs awake at night[1]
  - ✓ Decrease in planned funding from banks and an increase from non-banks[2]
- ✓ NSW and Victoria continue to demonstrate strong growth whilst Queensland and West Australia lag, reflecting relative state economic performance
- ✓ Reaffirming Proforma FY17 NPATA of $31.8m

1. *East & Partners August 2016 survey of 1200 businesses with Annual Turnover between $1m and $20m*
2. *East & Partners August 2016 survey compared to same period in 2014*

4 Q&A

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