

Management Report

March 2021



Business Update and Investment Strategy 2021

Spain

We have recruited a salesperson to develop our physical “Point of Sale” network. This “offline” channel will be less competitive than the online affiliate channel and could become a stable source of leads at a potentially lower cost than the online channel. We are starting to contact loan brokers and car workshops to distribute our loans and the first leads are starting to come in, we hope to convert the first POS loan in April.

We are also testing social network advertising and increasing our investment in SEO and other landing pages.

Our new website is being tested and once live (in April) we will be able to generate real time loan offers while users are still on the website with only the number plate of the car.

International

We have spent a lot of time investigating countries where Ibanicar could be successful and have found car title markets in many countries (USA, China, Germany, Brazil, South Africa...) and all appear to have the same zero risk approach to asset based lending which means none are 100% remote.

We have not found a totally remote, online business model similar Ibanicar anywhere.

Of the countries investigated the **UK** and **Mexico** stand out as the most attractive and compatible markets for Ibanicar to enter in the short term.

With no barriers to entry, Mexico is an attractive market where Ibanicar can replicate its Spanish trajectory of learning and growing organically without significant upfront opex. We intend to recruit a potential Country Manager and start working on a remote car title business model that resembles our Spanish model immediately and if successful we will set up operations with existing resources to validate the model in Q3 or Q4 2021.

The UK, as a regulated market, is difficult to launch without spending a significant amount on the legal fees and business set up costs required to go through the regulatory licensing process. We intend to develop a business model for this market in parallel with Mexico but will not start operations until a Series B is completed.

Funding

Work continues on our asset backed debt facility (a true sale mechanism to an Ibanicar owned SPV) which will be set up in Spain. The facility has been seeded by an institutional investor with €2m and other investors will be joining from a minimum investment of €1m.

We will continue using P2P marketplaces where there is strong investor demand for Ibanicar loans. Our European P2P partners have also expressed an interest in offering Mexican Ibanicar loans to their investor base.

Overall, in the current market and with our positive track record, raising enough debt to achieve our growth targets is currently not a key risk.

Risk Management

With a 12 month rolling NPL recovery rate of 99% we have room to take more underwriting risk so we are reviewing our scoring and credit decision making to support our growth plan. Approving more loans increases our conversion rate and reduces CAC but this has to be done in a controlled manner so that any impact on impairments is manageable. As the main drivers of contribution margin our **marketing** has to work in harmony with our **underwriting**.

Our underwriting approval rate was 51% in March vs 53% in February. Of the 70 cases declined by underwriting:

- ❖ 51% were declined due to a pre-existing lien on the car
- ❖ 15% were declined because the borrower had no income
- ❖ 8% were turned down for fraud or other documentation issues
- ❖ 26% were **declined by our scoring model**

Our review of the model can therefore only have an impact on the 26% but this could still be significant as we continue to scale.

Collections remain more difficult than pre COVID and we see are seeing an increase in the time to resolve NPLs. March was the first month since October 2020 that we had more new than resolved cases with **15 new NPLs and 7 resolved NPLs**. We will need to focus on bringing the resolution rate back up in April.

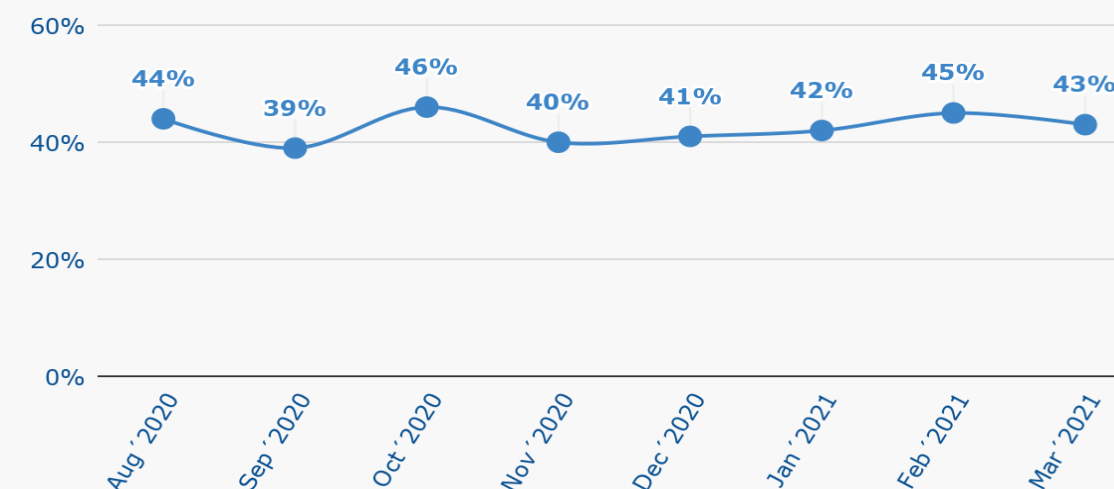
Of the resolved cases 2 were restructured and 5 were moved forward and converted into CPRs (“cars pending recovery”). We also recovered an impairment which had been written off in February.

Following a review with our auditors (BDO) our impairment policy has been agreed as follows:

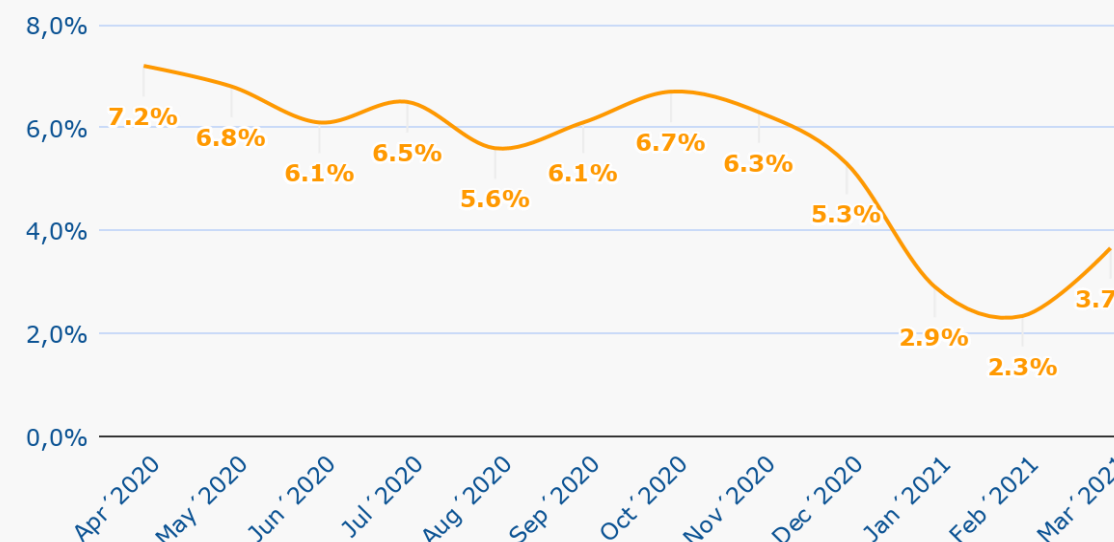
- ❖ **NPLs** will lead to impairment if we have not succeeded in changing title after 180 days
- ❖ **CPRs** lead to impairment when LTV exceeds 100% with car depreciation and costs accumulating
- ❖ Car sales lead to impairment if sale proceeds are less than outstanding capital plus recovery costs



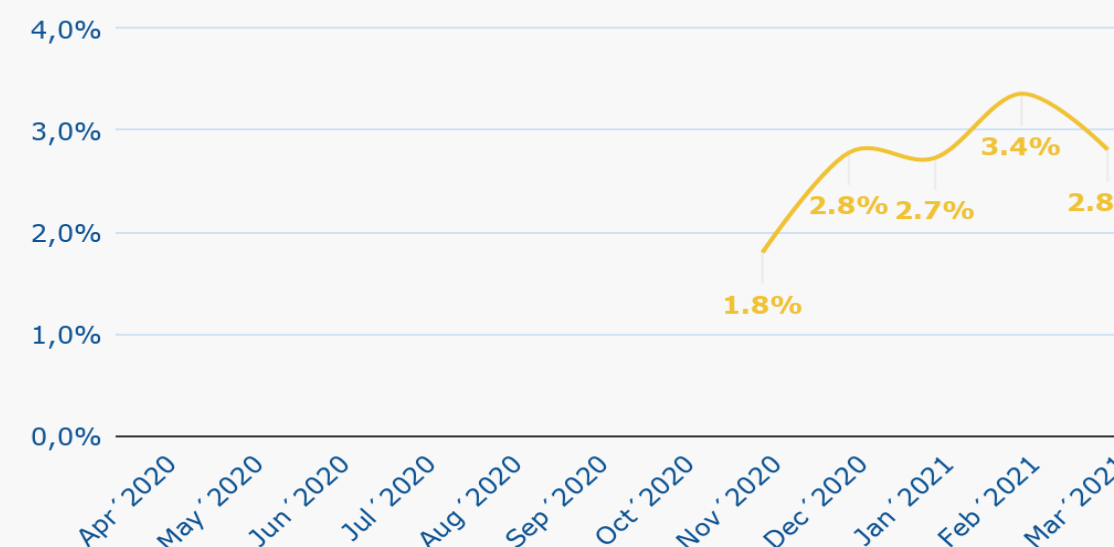
Average LTV



NPL Evolution

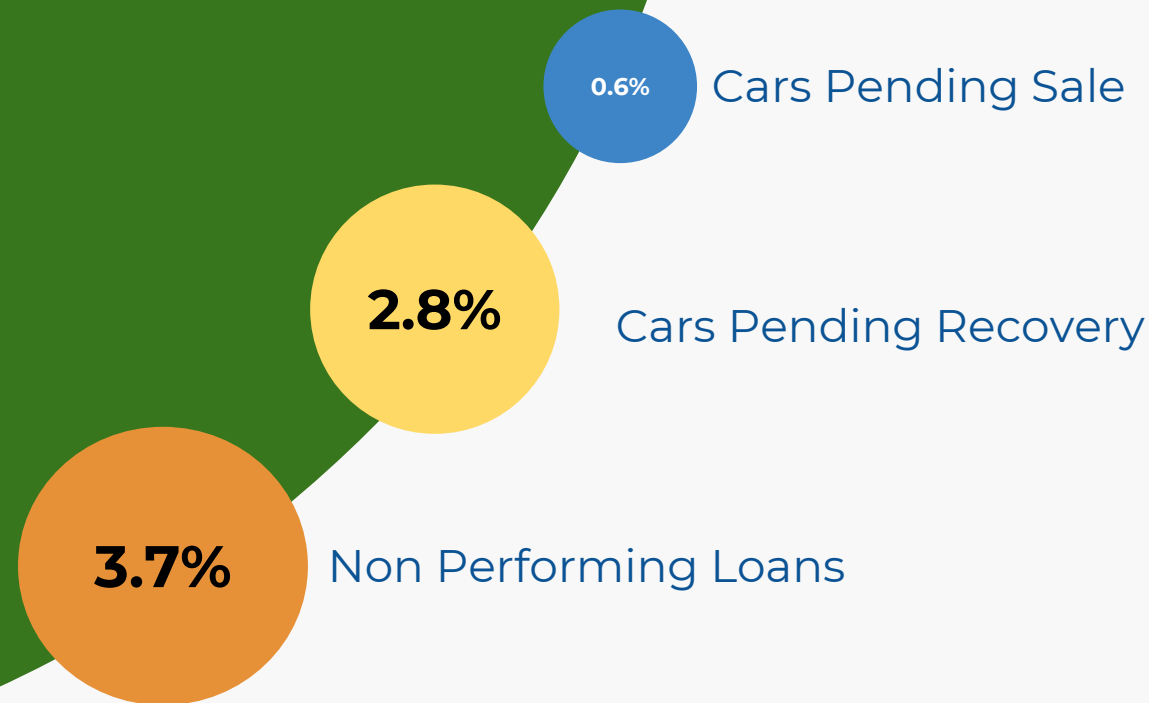


CPR Evolution

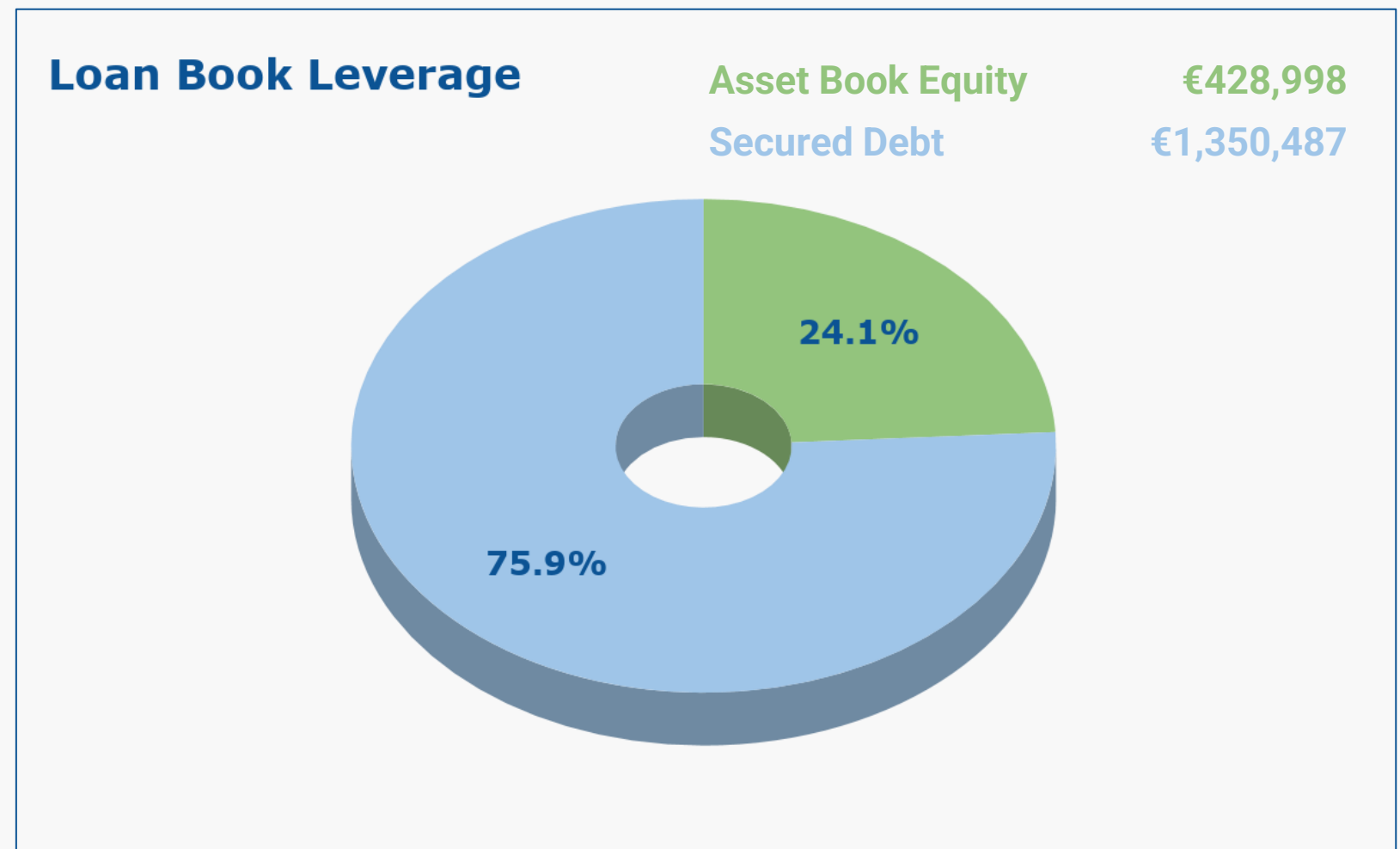


Asset Book Zoom

92.9% Active Performing Loans



ASSET BOOK	€1,779,485
Performing Loans	€1,654,044
Non Performing Loans	€65,168
Car Pending Recovery	€47,889
Car Pending Sale	€12,384

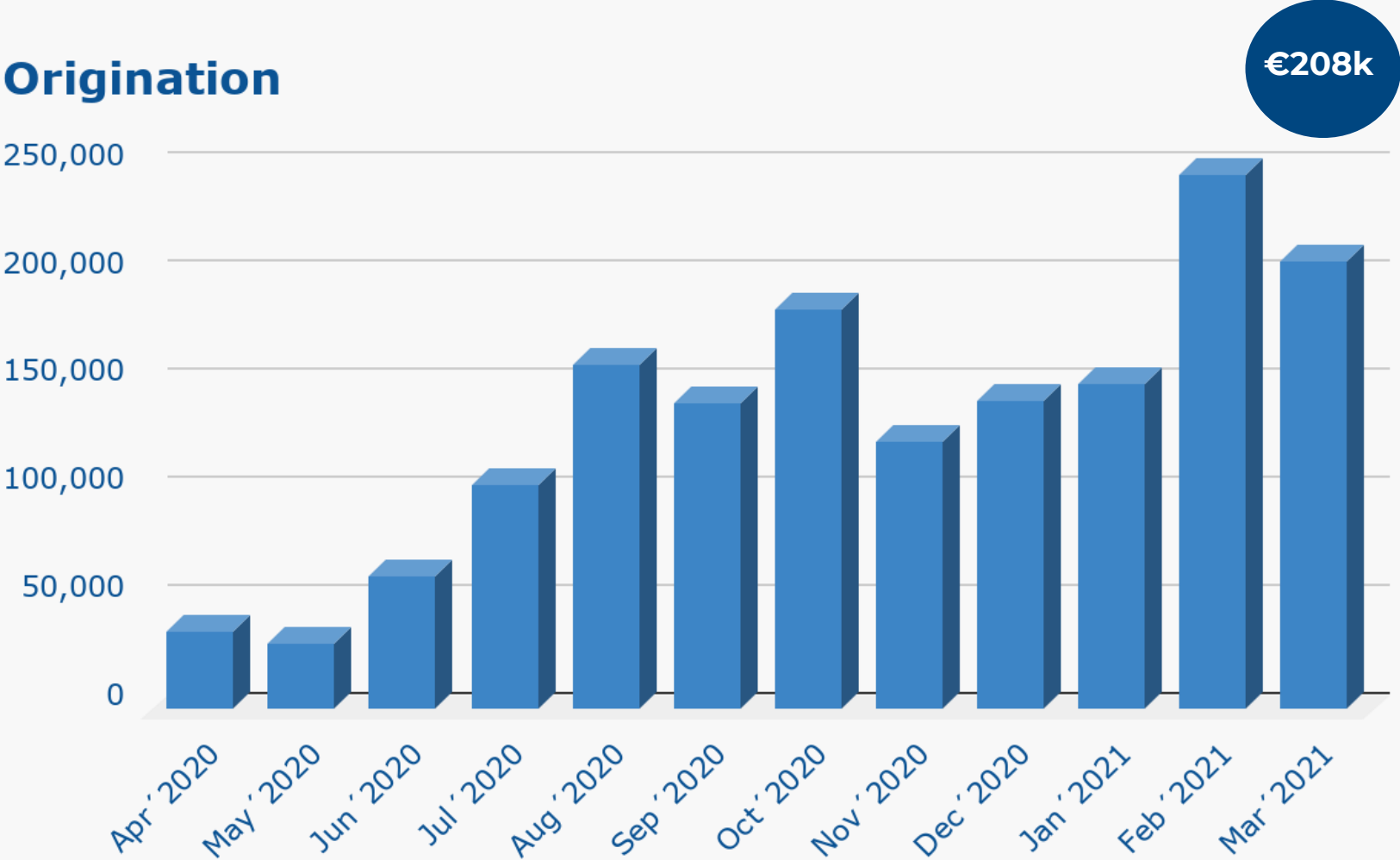


Individual loans can result in a profit or a loss. As of November we distinguish in our reporting between two “capital at risk” categories:

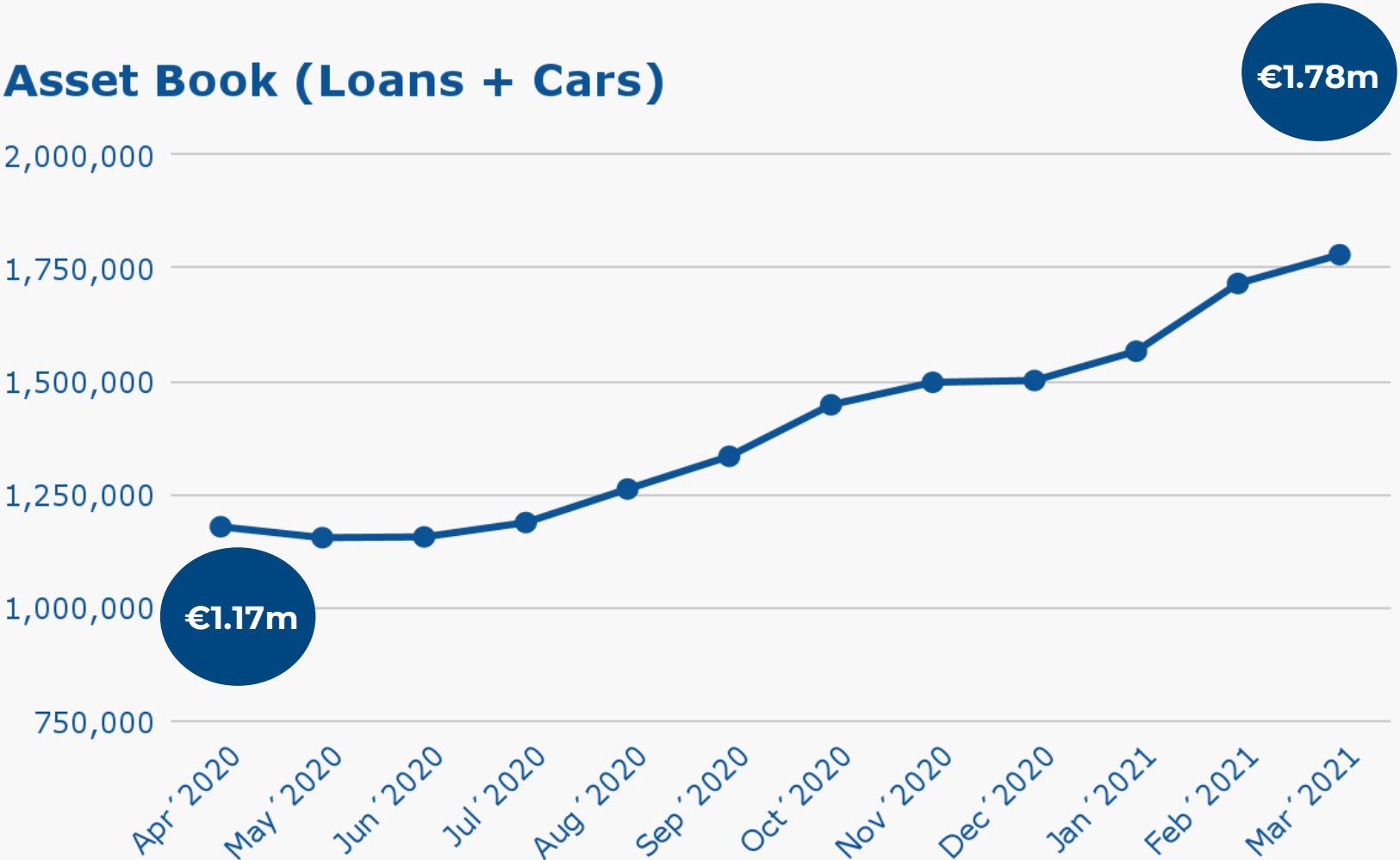
- ❖ **NPL**: At risk of problems changing title and an increasing LTV as the car depreciates. Under normal circumstances the title change takes less than 60 days. These loans will be taken as impairments after 180 days if title change was unsuccessful
- ❖ **CPR**: After title change these are no longer loans but cars that belong to Ibanicar. The risk of loss is therefore greatly reduced. They are at risk of depreciation and an increasing LTV during recovery or legal process as well as recovery costs.

KPIs: Origination and Asset Book

Origination

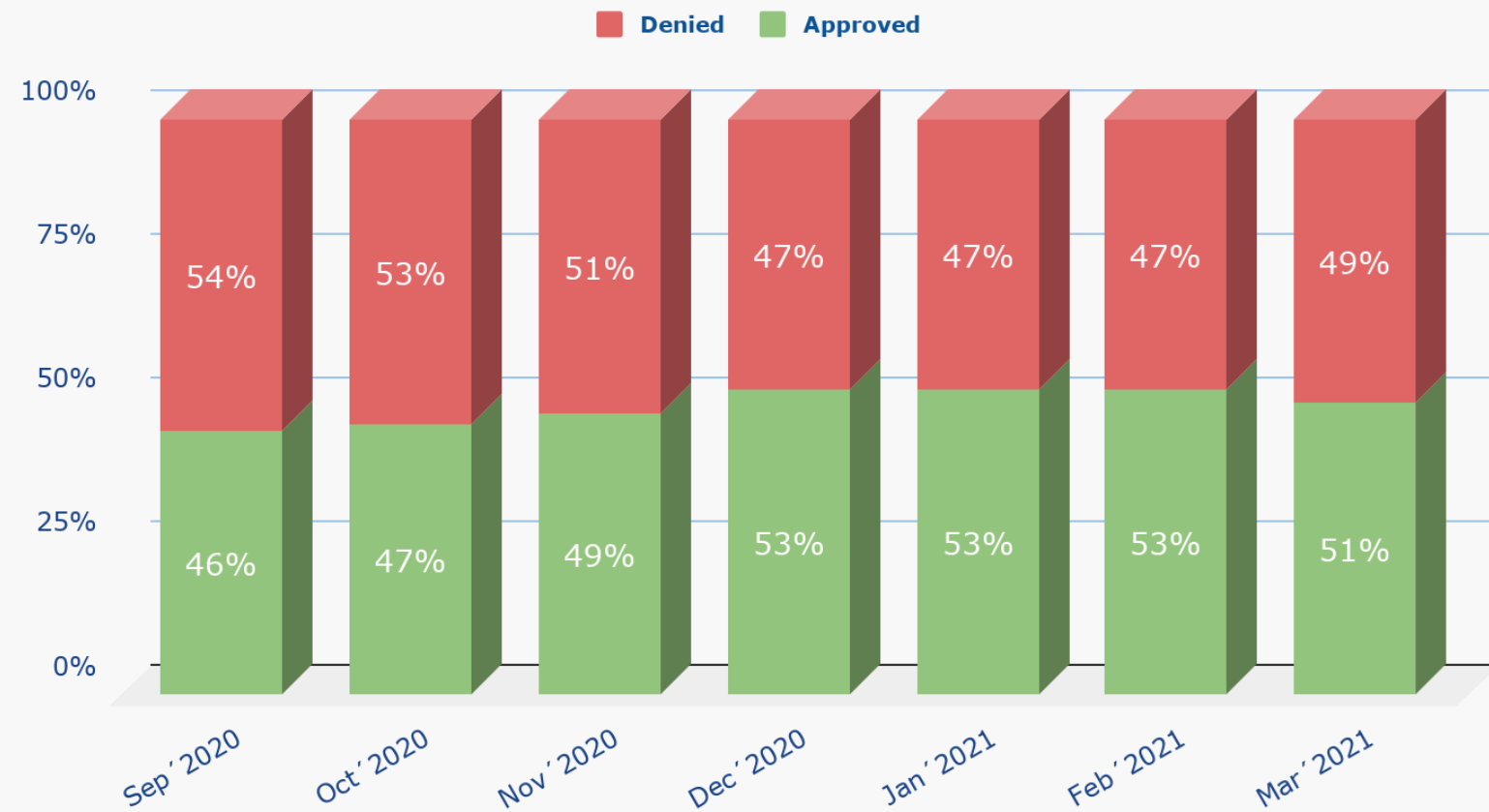


Asset Book (Loans + Cars)

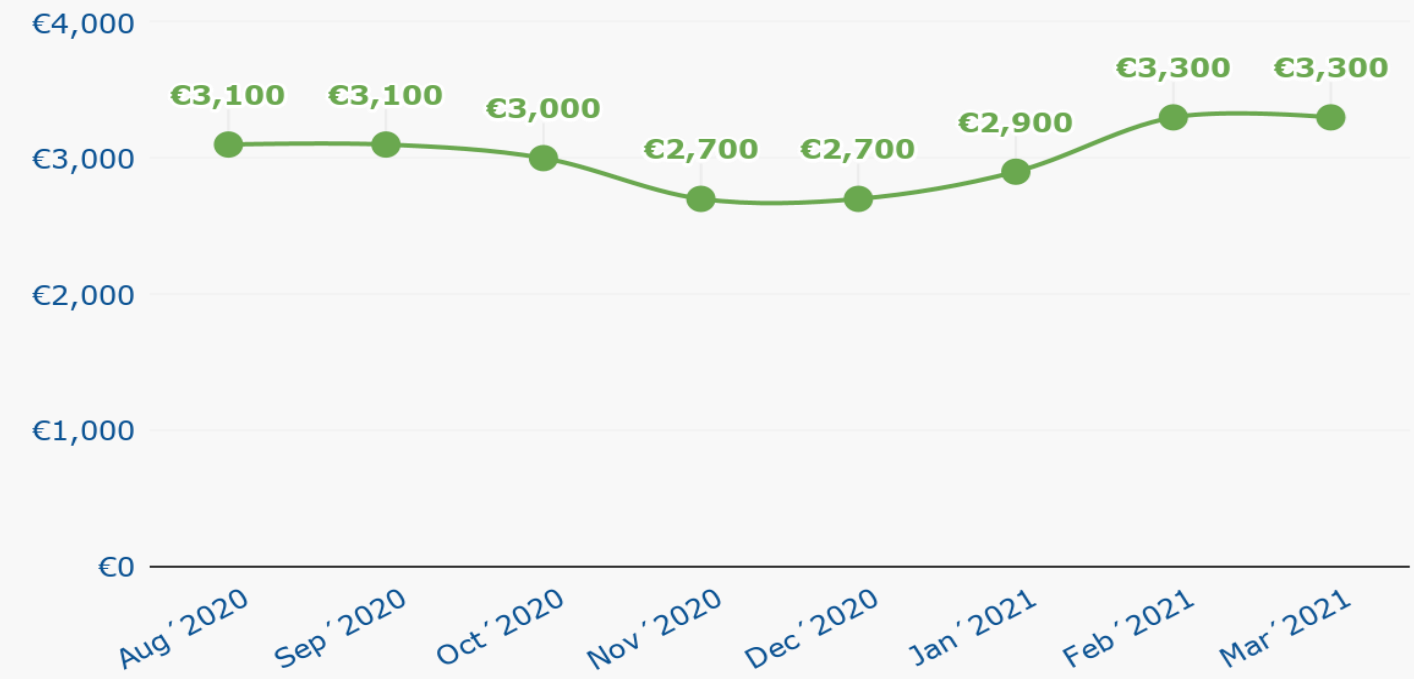


KPIs: Underwriting

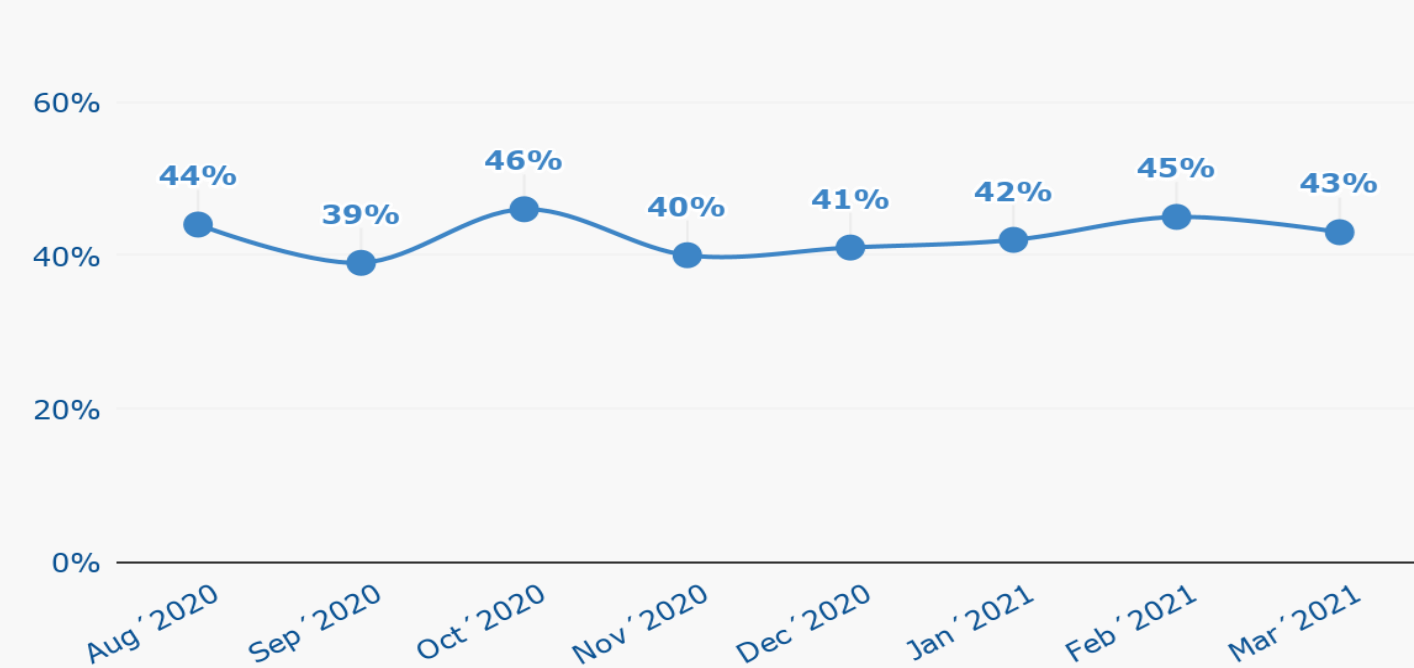
Underwriting Decision



Average Loan

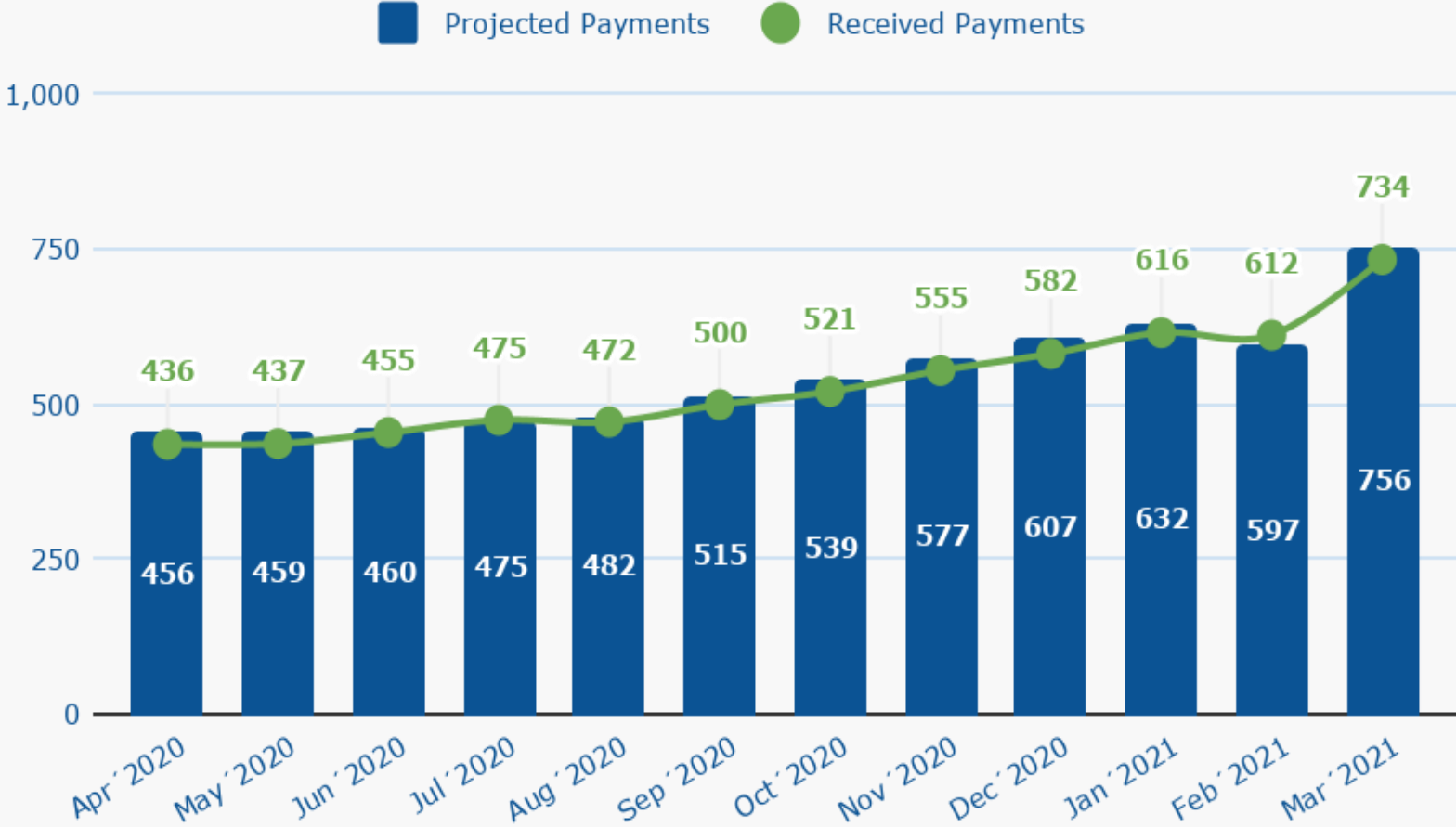


Average LTV

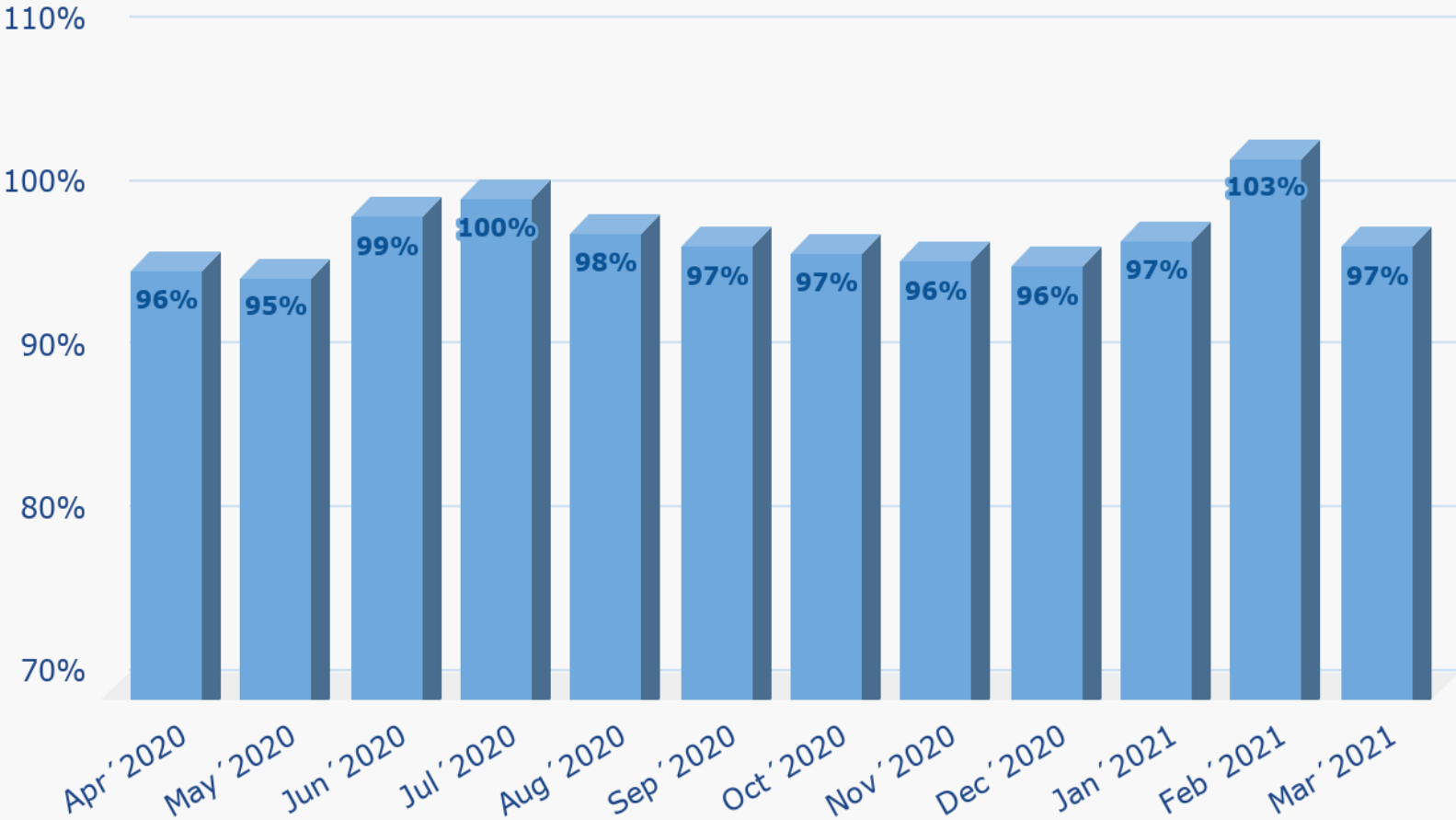


KPIs: Collections

Payments Plan vs Actual

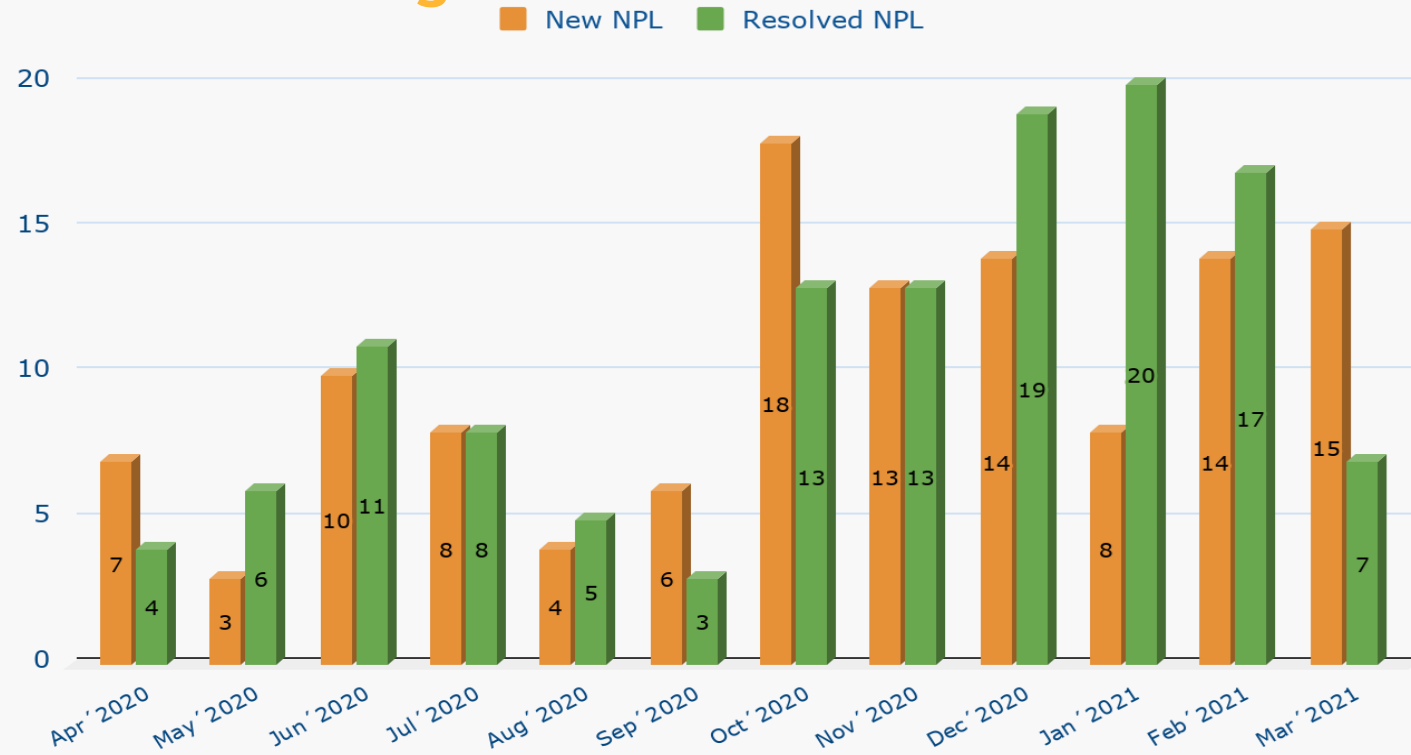


Capital Collection Rate

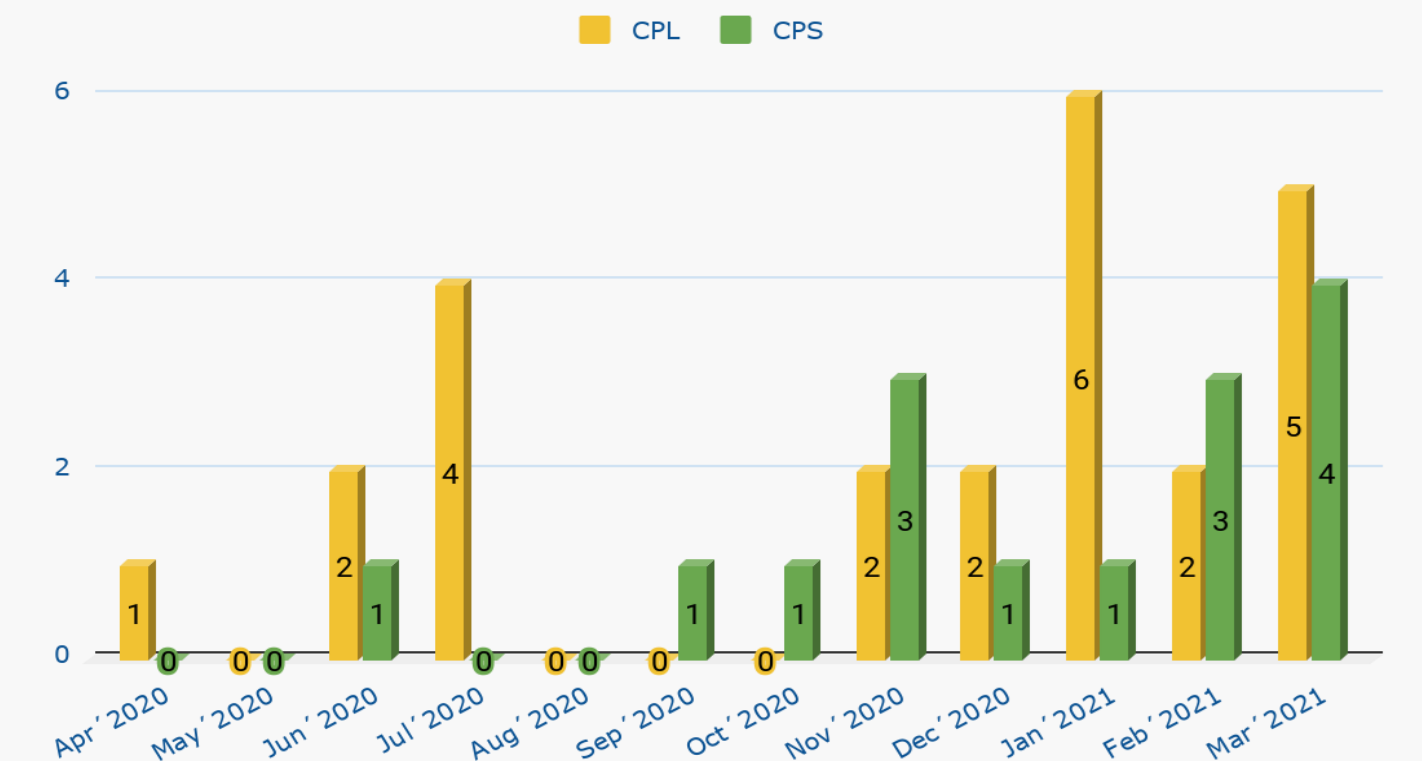
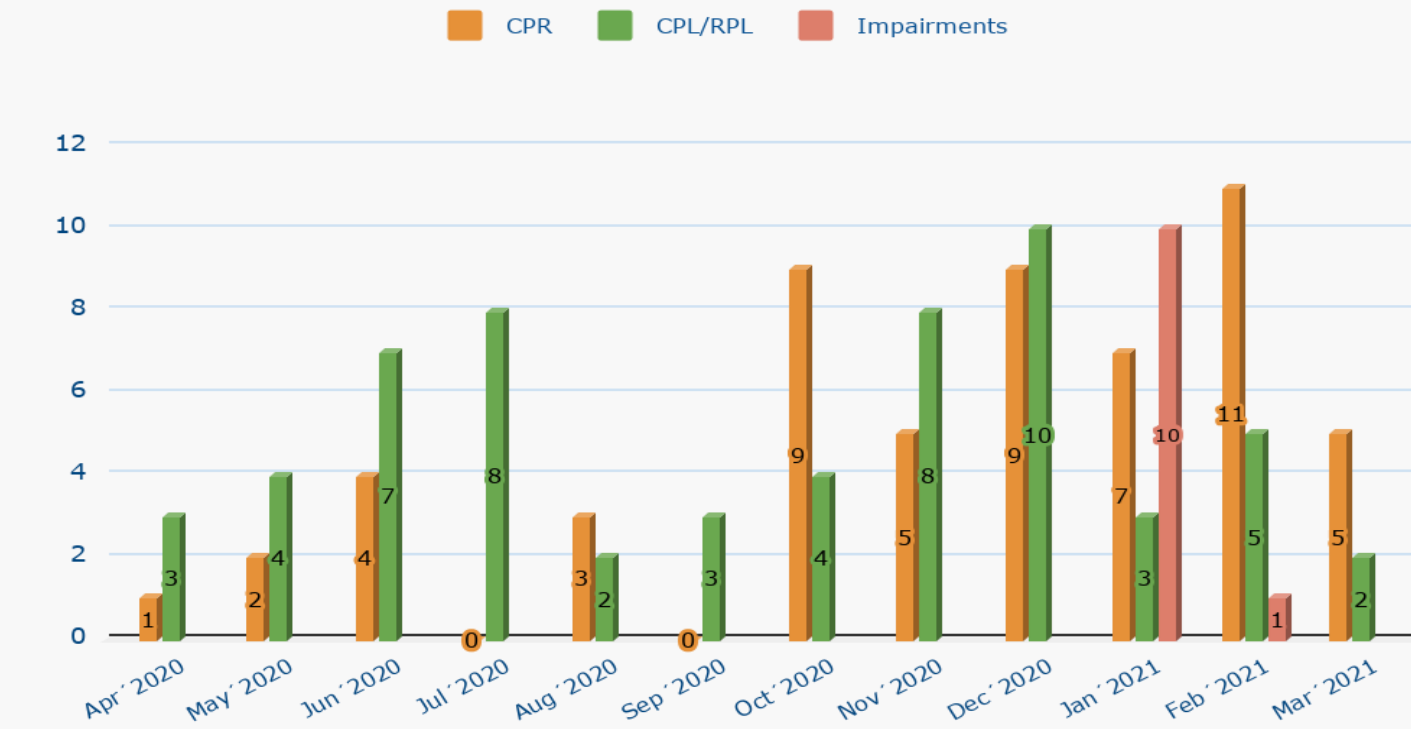
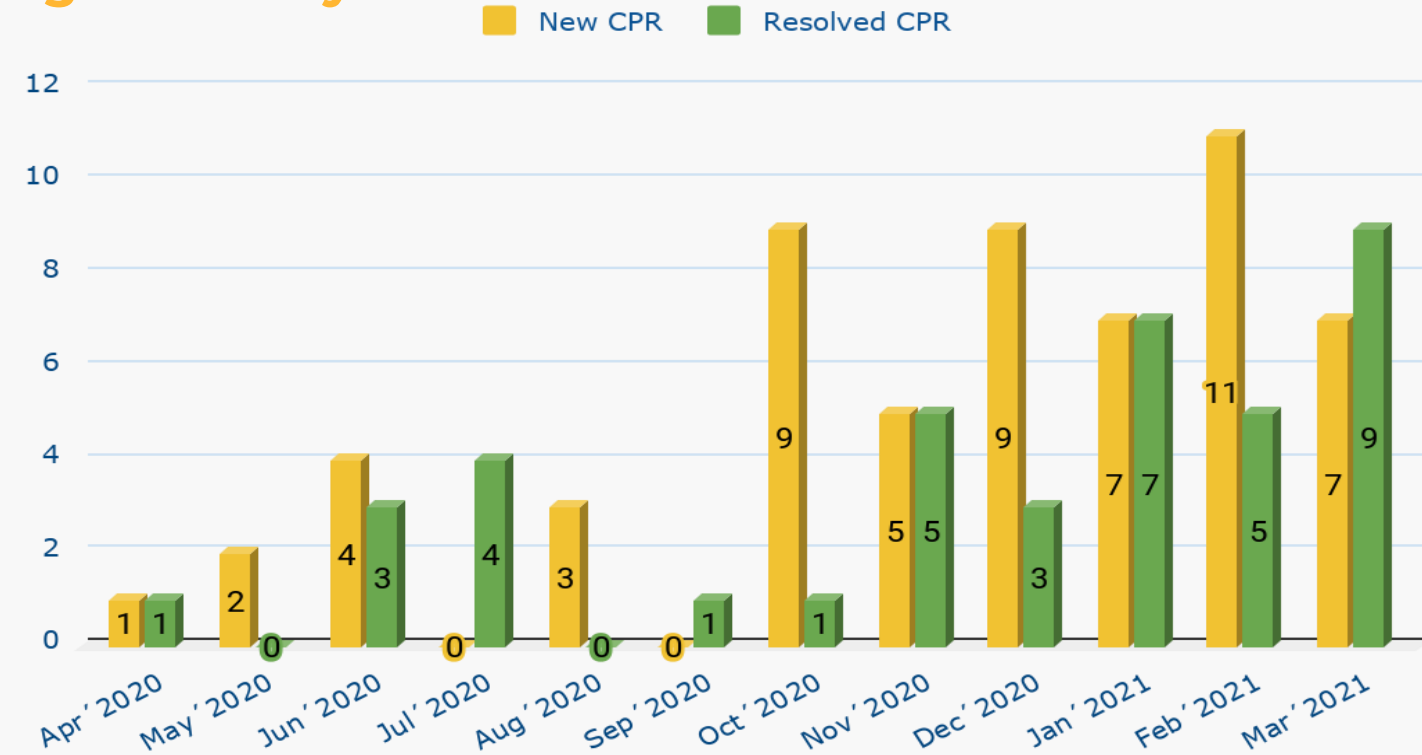


KPIs: NPL & CPR

Non Performing Loans



Cars Pending Recovery



Resolved Non Performing Loans turn into: Car Performing Loans, Cars Pending Recovery, Impairments

Resolved Cars Pending Recovery turn into Car Performing Loans, Cars Pending Sale, Impairments

Financials Full Q1 2021

Profit & Loss €'000	Actuals	Actuals	Actuals	Actuals	Plan Q1 '21	vs Plan	Actuals	vs YoY Q1 '20
	Jan '21	Feb '21	Mar '21	Q1 '21			Q1 '20	
Lending Revenue	77	87	103	267	254	14	169	98
Cars Sales Revenue	0	10	7	17	0	17	48	(31)
Other Income	0	0	0	1	0	1	2	(1)
Total Revenue	78	97	110	285	254	31	219	66
Impairments	2	(2)	2	2	0	2	0	2
Cars Purchase Costs	0	(6)	(4)	(11)	0	(11)	(38)	28
Funding Costs	(11)	(12)	(14)	(37)	(34)	(3)	(27)	(10)
CAC	(10)	(10)	(16)	(36)	(36)	(0)	(25)	(11)
Operating Costs	(4)	(8)	(9)	(21)	(8)	(12)	(26)	5
Contribution Margin	55	58	70	182	175	7	102	80
<i>Contribution Margin %</i>	<i>70%</i>	<i>60%</i>	<i>63%</i>	<i>64%</i>	<i>69%</i>	<i>(5%)</i>	<i>47%</i>	<i>17%</i>
Staff Costs	(59)	(61)	(59)	(180)	(179)	(1)	(83)	(97)
Infrastructure and Administration	(5)	(6)	(6)	(17)	(26)	9	(13)	(4)
External Services	(2)	(2)	(2)	(6)	(16)	10	(9)	3
Other Expenses	(3)	(1)	(5)	(9)	(7)	(2)	(10)	1
Overhead Costs	(69)	(71)	(72)	(212)	(229)	16	(116)	(97)
Operating Profit	(15)	(13)	(3)	(30)	(54)	23	(14)	(17)
Depreciation & Amortization	(1)	(1)	(3)	(5)	(3)	(2)	(2)	(4)
Financial Activity	(4)	(1)	(1)	(6)	(20)	14	(0)	(6)
Profit Before Tax	(20)	(15)	(6)	(42)	(77)	35	(16)	(26)
Income Tax expense	0	0	0	0	0	0	0	0
Net Profit/(Loss)	(20)	(15)	(6)	(42)	(77)	35	(16)	(26)
<i>Net Profit/(Loss) %</i>	<i>(26%)</i>	<i>(16%)</i>	<i>(6%)</i>	<i>(15%)</i>	<i>(30%)</i>	<i>16%</i>	<i>(7%)</i>	<i>(8%)</i>

KPIs	Actuals	Actuals	Actuals	Actuals	Plan Q1 '21	vs Plan	Actuals	vs YoY Q1 '20
	Jan '21	Feb '21	Mar '21	Q1 '21			Q1 '20	
Issuance	150	247	208	605	585	20	393	212
Asset Book	1,566	1,716	1,779	1,779	1,881	(101)	1,177	602
Total Debt	1,176	1,270	1,350	1,350	1,381	(30)	1,101	249
Debt to Asset Book	75.1%	74.0%	75.9%	75.9%	80.1%	-4.2%	93.6%	-17.7%
Available Cash	994	939	941	941	890	51	191	750

We finished Q1-2021 **on plan in terms of both growth and performance**: the planned asset book size of €1.8m was achieved and net profit was 46% ahead of plan.

Q1 total revenue was €285k, higher than plan by €31k or 12% due to higher interests and service fee revenue, and the sale of 4 cars.

Contribution margin finished on plan at €182k or 64%. We end the quarter with positive impairments as we recovered a loan which was written off in December 2020 and no new loans went 180 days past due in Q1.

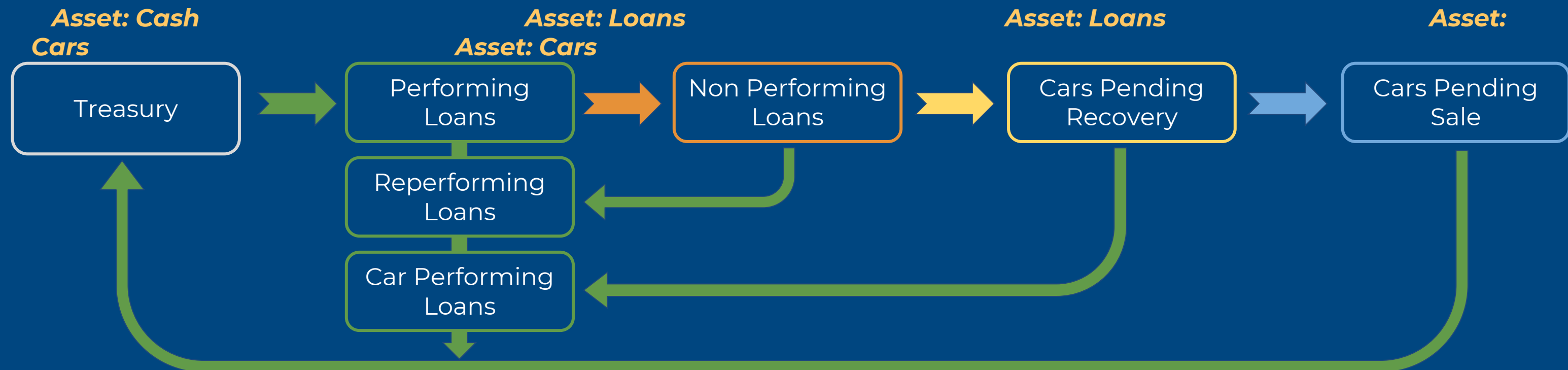
Overhead costs and financial expenses were 11% better than plan as we incurred lower legal fees which are expected in Q2 and our fixed costs remained under control.

Profit before tax in Q1 was -€42k, **beating the plan by 46%**.

Asset Book ended slightly below plan at **€1.8m** due to higher early repayments. **Debt to asset book** ratio is on plan at **76%** and available **cash balance** finished 6% better than plan at **€941k**

Addendum: Loan Book Management Flow

In November we introduced new asset based capital tracking to follow capital buckets in real time. The flow of capital through our lending, collection and recovery process is now broken down and managed as follows:



- **Performing Loan** - has never become non performing
- **Reperforming Loan** - non performing loan with a “debt payment agreement” that was restructured prior to title change
- **Car Performing Loan** - non performing loan with a “debt payment agreement” that was restructured after title change and we retain title until repaid
- **Non Performing Loan** - more than 30 days overdue payment, we have started the title change process
- **Cars Pending Recovery** - non performing loan cancelled when the car title change became effective, we have title but not possession
- **Cars Pending Sale** - we have title and possession, the car is available for auction and will generate a profit or a loss



Thank you for your
interest in Ibanicar

