



# Management Update for Investors

September 2021



# Business Update and Investment Strategy 2021

## SPAIN

- ❖ We find ourselves ahead of plan on origination but with a backlog of leads and inquiries to process.
- ❖ The team continues to deliver the planned improvements on schedule and Spain continues to grow ahead of plan. Loan book performance remains excellent and we have a lot of backlog and market to capture.
- ❖ With a 50%+ contribution margin have plenty of financial firepower in reserve to pay more for leads once we have exhausted the current backlog.
- ❖ The stronger than expected growth means we also have to review our recruitment plans, we expect the headcount to double from 23 to almost 50 in 2022.
- ❖ On the tech side of the business we are prioritizing the back office (collections and NPL management) and our IT infrastructure ahead of marketing as we need to prepare for the increase in loan book and client volume that is underway.

## INTERNATIONAL

- ❖ **UK:** We have developed a loan product for the UK market with a supportive legal opinion and can start the regulatory approval process required to launch at any time. As our focus is on Mexico at the moment (where there is no regulatory barrier to entry) we will pick up the UK project as soon as we have sufficient time and resources to do so. UK regulatory approval can take up to 12 months (although this may also become possible via Gibraltar).
- ❖ **Mexico:** Our CEO has just returned from 6 weeks in Mexico working with our lawyers and local advisor to develop a legal model for Ibanca and we expect to incorporate in late 2021 or early in 2022. We have succeeded in designing a lending model that is 100% remote and similar to the Spanish model but potentially even more secure as we will be able to register an executable lien against all borrower vehicles digitally.

## FUNDING

- ❖ **Debt:** We continue working on our debt facility and hope to be drawing funds during Q4. This will be a significant step for Ibanca as it opens a scalable institutional debt funding channel to complement our retail crowdlending (P2P) channel. The additional funding available will allow us to continue our growth and accelerate the launch of new lending products in Spain. P2P market demand on Ibanca loans remains high. We continue selling +€10k of loans per day. September was a record amount for loans sold on crowdlending platforms and we increased our advance rate to 80%.
- ❖ **Equity:** We have decided to wait to launch our next equity raise until Ibanca is successfully operating in Mexico and has scaled further in Spain, unlocking a much higher valuation. We will raise a bridge round (a convertible note) through our UK based Holdco of €2.65m to fund Spain and Mexico through to the next equity raise, probably in Q1 2023

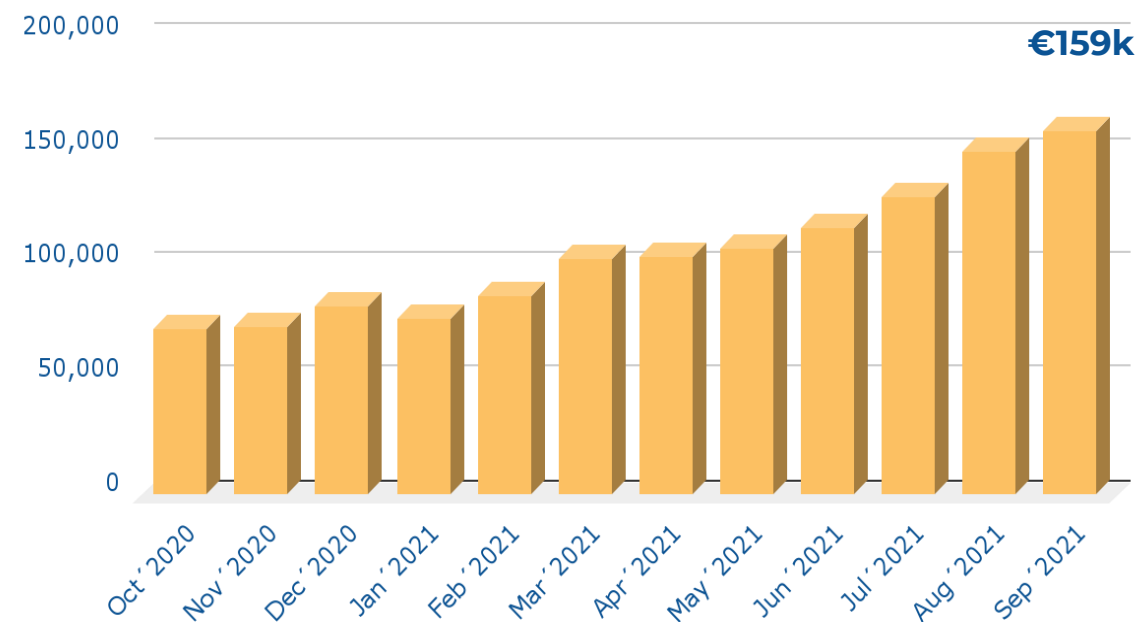
## Business Performance: Continuing to grow profitably

- ❖ Car sales revenue €34,260
- ❖ Lending revenue €159,335
- ❖ Total Revenue €194,621
- ❖ Contribution Margin €106,349 or 55%
- ❖ Net Profit: €10,250

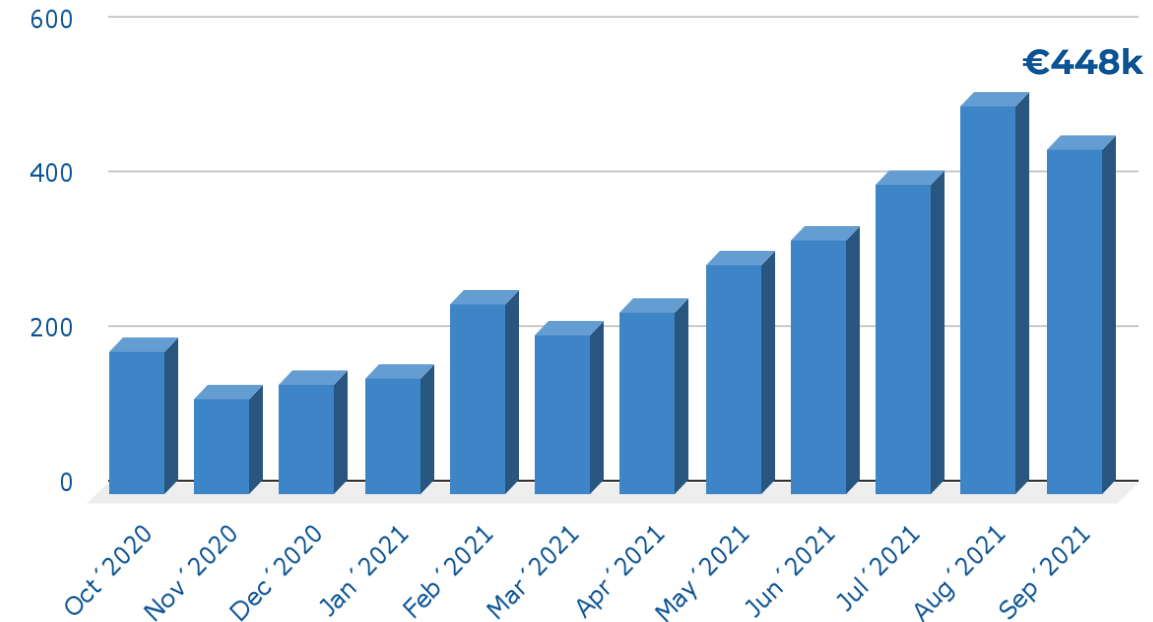
## Efficient capital management and stable loan book performance

- ❖ Asset book closed the month at €3,116,374
- ❖ Loan book composed of 1,252 active loans
- ❖ The loan book LTV is currently 39%
- ❖ NPLs at end of September were 3.0% vs 2.9% in August
- ❖ NPL capital was €94,797 which represented 31 cases
- ❖ Rolling 12 month capital recovery on NPLs, after impairments, is at 95%

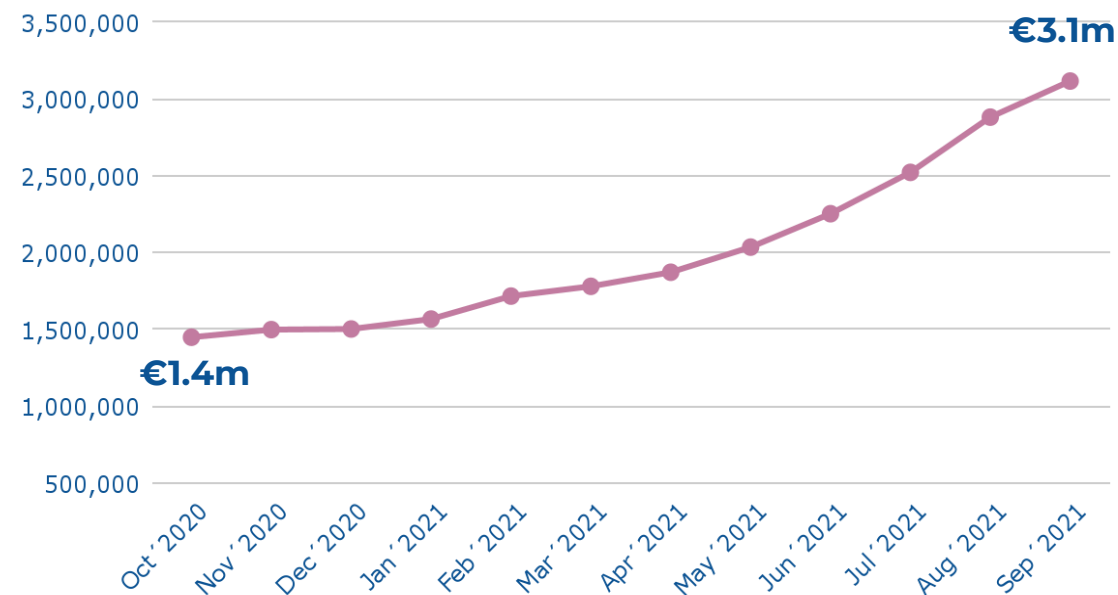
### Lending Revenue



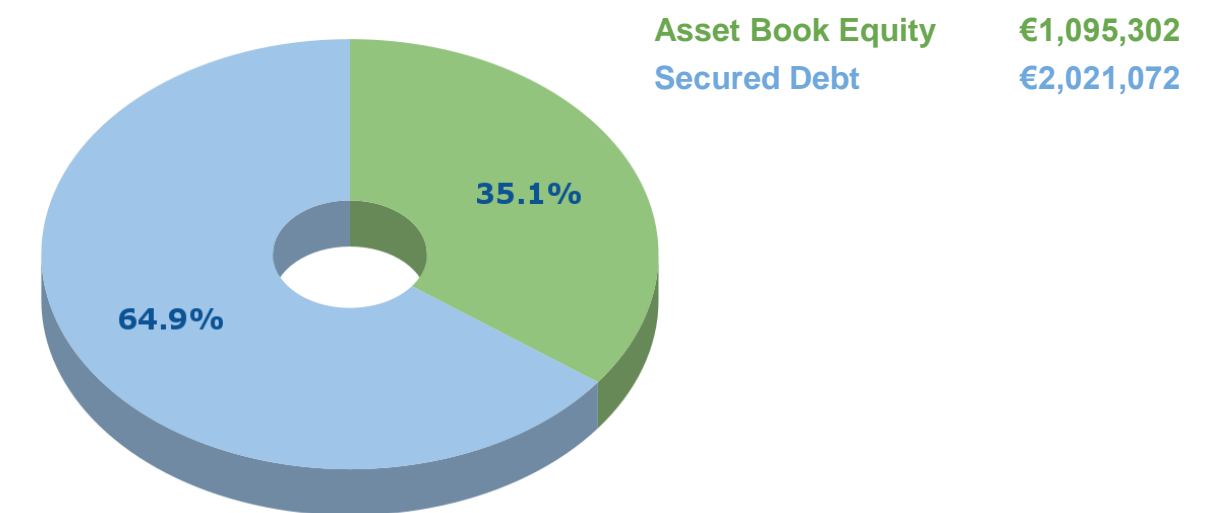
### Origination



### Asset Book (Loans + Cars)



### Loan Book Leverage





## Underwriting

In September, Underwriting continued its growth having reviewed 370 loan applications, which is almost three times more on a year-on-year basis. We approved 49% of these applications which is slightly lower than our average of 51%.

We have managed to reduce the average time to underwriting and the average time to sign loan agreements setting new speed records in September.

The causes of declined loan applications remain largely the same, in most cases this is because there is an existing lien or finance on the car. We continue to meet our objective of making underwriting decisions within hours of receiving the completed application and 89% of cases are reviewed during the same day showing that although the number of leads has increased significantly we have managed to handle the volume without additional resources. It is our goal to automate underwriting as much as possible in Q1 2022.

In October we will add new automated identity checks by implementing the “Fraud IQ” tool offered by ASNEF-Equifax. We will also be changing our scoring model, adding positive scoring points with the intention of increasing the average loan size and LTV.



## Collections

September was a month with stable and strong results, once again demonstrating that borrowers consider it a priority to pay Ibanca ahead of other obligations.

What has not changed is that our borrowers have not all recovered from the COVID crisis.

Many are still in distress - payment holidays ended the month above 5% and contracts in arrears rose slightly by 1.4% - whilst others have more liquidity as seen by the increase in early repayments of 1.2% month on month.

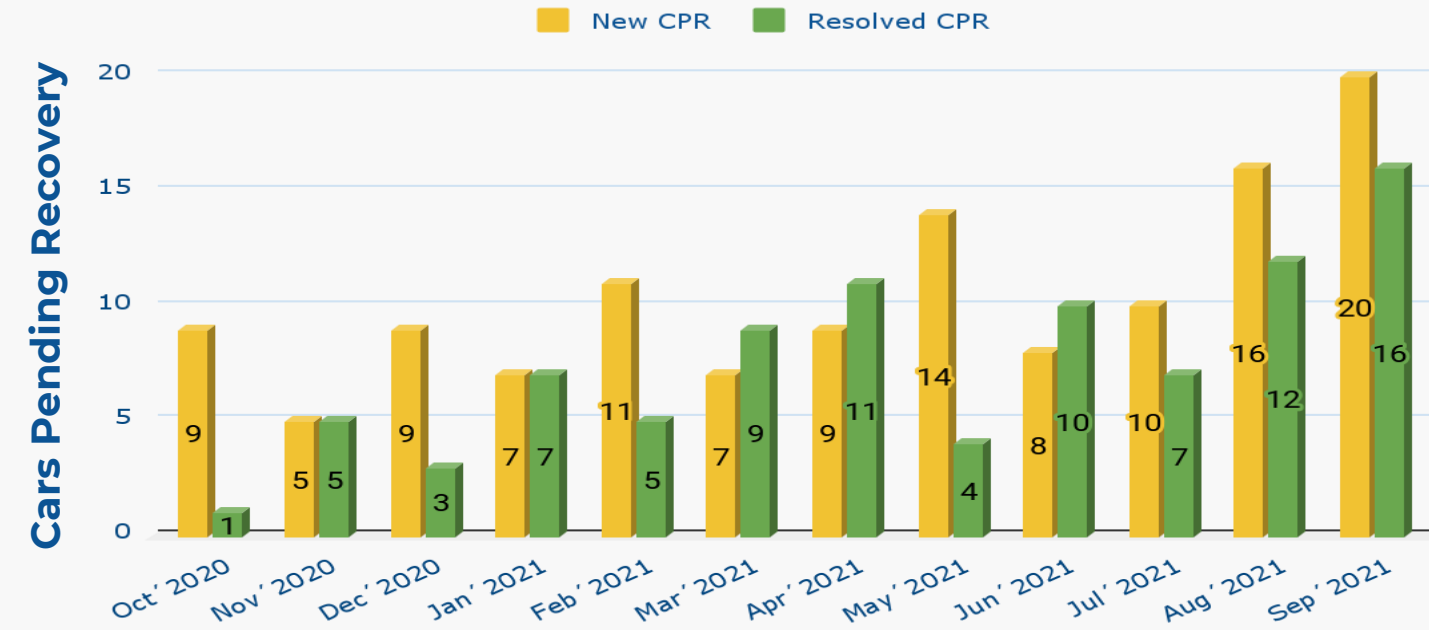
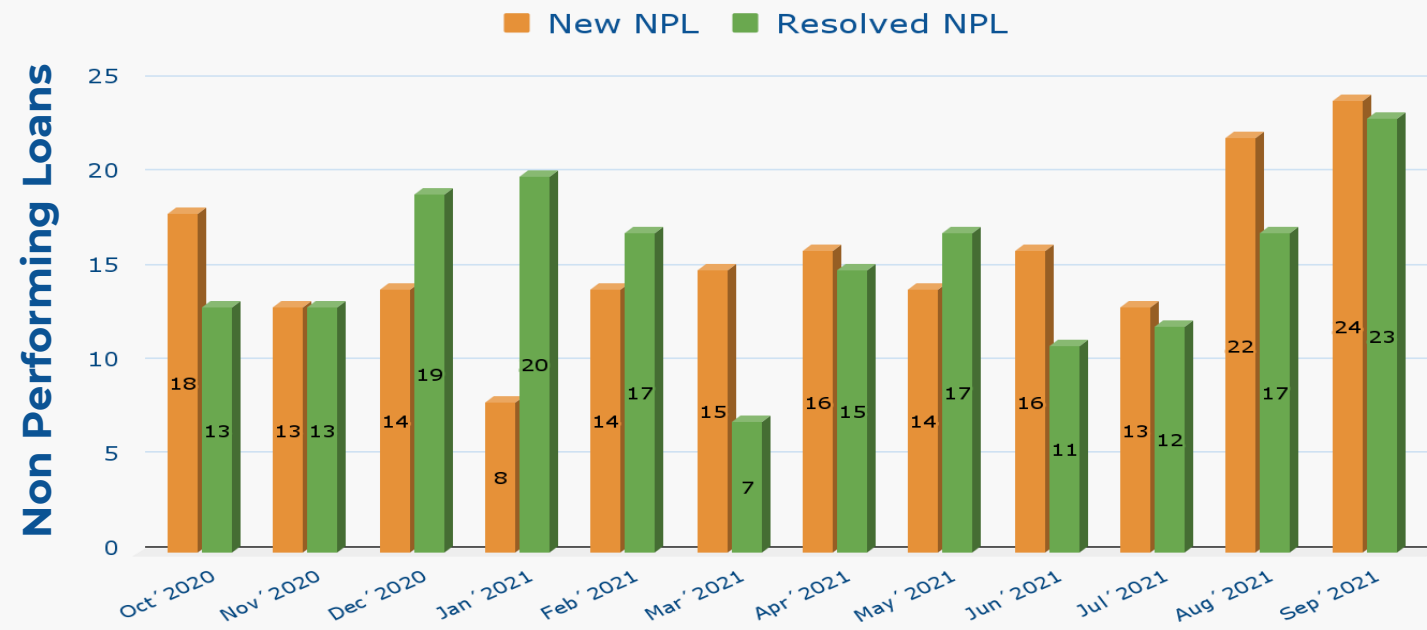
In general, despite a polarized client base, our collections performance continues to be excellent as we exceeded 88% of payments received on time and our success in collecting from contracts in arrears increased by 2%.

Fees	Total	%
Received	1,002	85.6%
Prepayments	33	2.8%
Unpaid Not Yet Late	80	6.8%
Unpaid Late	31	2.6%
Became NPL	24	2.1%

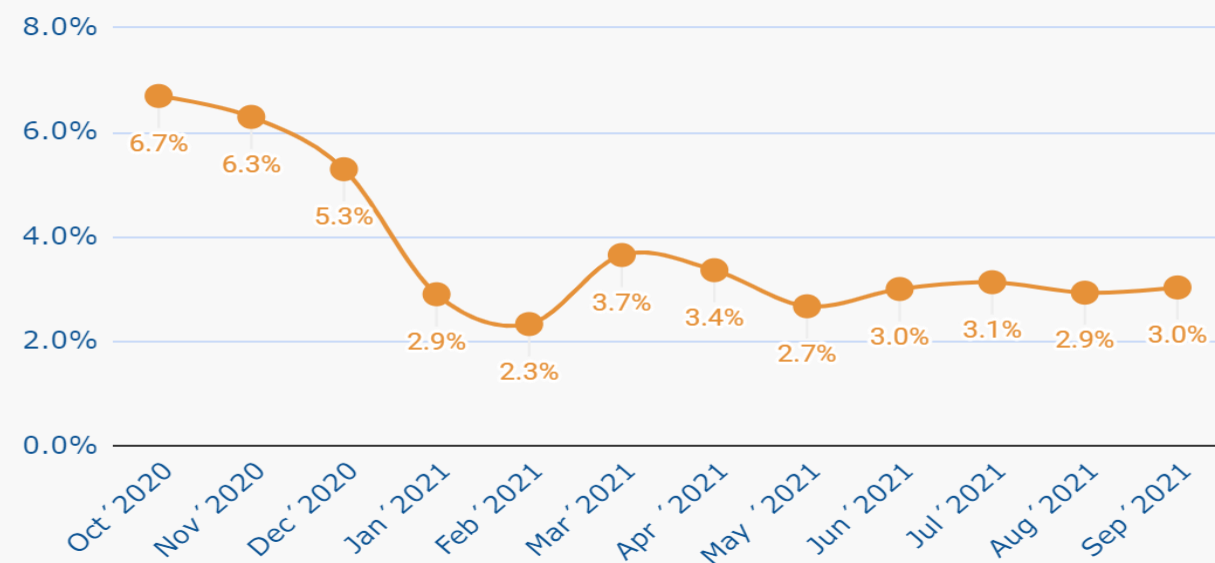


# Logistics & Recoveries

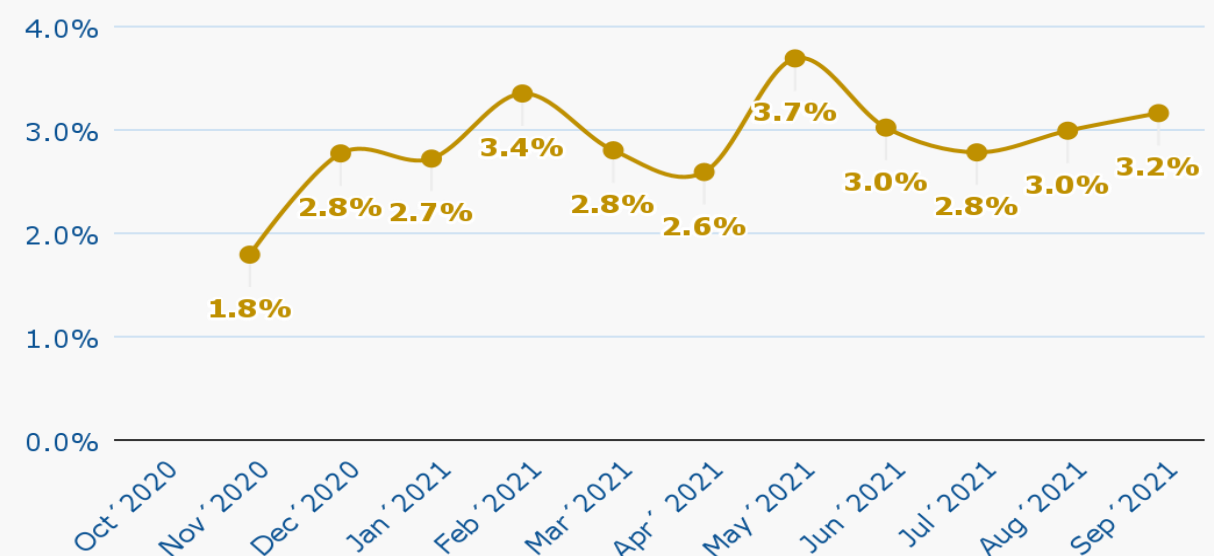
In September, as a new manager was appointed, we started a review of procedures and process in the logistics department. We are implementing different improvements to deal with the additional volume of cases and are carrying out a more intensive contact protocol and increasingly automating communications and processes. Following the review and implementation of some process changes excellent results were achieved: 10 restructuring agreements were signed, we recovered and sold 5 cars and we already have several restructuring agreements expected at the beginning of October. In September we had 24 new NPL cases and 23 were resolved. On the CPR front (Cars Pending Recovery) there were 20 new cases and 16 were resolved. We ended the month with a NPL+CPR ratio of 6.2% and the rolling 12 month capital recovery on NPLs, after impairments, improved to 95%.



### NPL Evolution



### CPR Evolution



# Financials Q3 2021

Profit & Loss	Actuals	Actuals	Actuals	Actuals
€'000	Jul '21	Aug '21	Sep '21	Q3 '21
Lending Revenue	130	150	159	440
Cars Sales Revenue	25	9	34	69
Other Income	0	0	1	1
<b>Total Revenue</b>	<b>155</b>	<b>160</b>	<b>195</b>	<b>510</b>
Impairments	0	(0)	(7)	(7)
Cars Purchase Costs	(11)	(6)	(16)	(33)
Funding Costs	(16)	(18)	(21)	(55)
CAC	(30)	(31)	(34)	(96)
Direct Operating Costs	(7)	(8)	(10)	(26)
<b>Contribution Margin</b>	<b>90</b>	<b>97</b>	<b>106</b>	<b>293</b>
Contribution Margin %	58%	61%	55%	58%
Staff Costs	(63)	(64)	(66)	(193)
Infrastructure and Admin.	(8)	(7)	(9)	(24)
External Services	(4)	(3)	(8)	(15)
Other Expenses	(8)	(14)	(7)	(29)
Overhead Costs	(83)	(87)	(91)	(261)
<b>Operating Profit</b>	<b>7</b>	<b>9</b>	<b>16</b>	<b>32</b>
Depreciation & Amortization	(3)	(3)	(2)	(7)
Financial Activity	2	(1)	(3)	(2)
<b>Profit Before Tax</b>	<b>6</b>	<b>6</b>	<b>10</b>	<b>23</b>
Income Tax expense	0	0	0	0
<b>Net Profit/(Loss)</b>	<b>6</b>	<b>6</b>	<b>10</b>	<b>23</b>
Net Profit/(Loss) %	4%	4%	5%	4%

KPIs	Actuals	Actuals	Actuals	Actuals
	Jul '21	Aug '21	Sep '21	Q3 '21
Origination	403	504	448	1,354
Asset Book	2,522	2,881	3,116	3,116
Total Debt	1,621	1,804	2,021	2,021
Debt to Asset Book	64%	63%	65%	65%
Available Cash	500	380	352	352

Plan	vs Plan
Q3 '21	€
420	20
0	69
0	1
<b>420</b>	<b>90</b>
(38)	31
0	(33)
(52)	(4)
(81)	(15)
(21)	(4)
<b>228</b>	<b>65</b>
54%	3%
(209)	16
(37)	13
(17)	1
(19)	(11)
(281)	20
<b>(53)</b>	<b>85</b>
(10)	2
(2)	0
<b>(65)</b>	<b>87</b>
0	0
<b>(65)</b>	<b>87</b>
(15%)	20%

Plan	vs Plan
Q3 '21	€
1,080	274
2,835	281
1,964	57
69%	(4%)
258	94

Actuals	YoY
Q3 '20	€
205	235
23	45
1	0
<b>229</b>	<b>281</b>
0	(7)
(14)	(19)
(24)	(31)
(26)	(69)
(13)	(13)
<b>152</b>	<b>141</b>
66%	(9%)
(119)	(74)
(15)	(8)
(18)	3
(10)	(19)
(163)	(99)
<b>(10)</b>	<b>42</b>
(4)	(4)
(16)	14
<b>(30)</b>	<b>52</b>
0	0
<b>(30)</b>	<b>52</b>
(13%)	17%

**Ibancar was profitable in every month of Q3-2021 and this was the result of consistent scaling.**

The business beat all its targets in terms of growth, profitability, and cash management.

**Q3 revenue was €510k which was higher than plan by €90k or 21%** due to higher lending revenue and the sale of 11 cars.

**Contribution margin finished at €293k or 58%**, which is better than plan due to lower impairments.

**Overheads and financial expenses were 8% better than plan** as we continue to focus on keeping an efficient cost structure.

**Net Profit in Q3 was €23k, as a margin 4%, which is better than plan.**

**Asset Book** ended 10% above plan at **€3.1m**.

**Debt to asset book** ratio is at **65%** and available **cash balance** finished 36% better than plan at **€352k**

Thank you for your interest in Ibancar

