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# Newsletter / Management Report

March 2022

March was another record month for Ibancar. The implementation of new efficiency improvements in our onboarding process has led to a jump in conversions with the issuance of 305 loans versus 230 in February.

Total new origination hit **€808k**, up 30% on February, and this was achieved with a less than 5% increase in valid leads.

Lending revenue closed the month 29% higher and ARR is now at €3.6m.

P&L for March also hit a new record of **€44k** putting the business in a comfortable position and allowing us to move forward with recruitment and other growth plans without being dependent upon the next equity raise.

Most importantly, our operating cash flow was positive for the second month in a row. This is a key factor in the sustainability of our business and means that we are starting to generate internal equity to fund the loan book.

These are exceptional month on month increases in business performance, in part due to March having been a longer month, but they demonstrate that scaling is not just a question of buying more leads. It is much more important and productive to ensure internal process efficiency and optimal conversion rates as these things not only deliver “free” growth but also, simultaneously, improve cash flow, p&l and unit acquisition costs. It makes no sense to burn cash buying growth when we still have so many efficiency opportunities. This is how we intend to continue to build Ibancar - as a lean and scaling business that remains as cash flow efficient as possible.

Our CAC have grown 3x without burning unnecessary cash on marketing and almost 100% of our latest month on month growth came from improving conversion efficiency and this was achieved without changing our underwriting criteria (our average loan size and underwriting approval rate remained unchanged).

At the operating level we continue to have significant backlog with up to 200 clients waiting for replies on Whatsapp on some days and we intend to deal with this with an AI driven chatbot instead of continuing to increase the call centre headcount indefinitely.

Beyond the elimination of backlog, which could add 30% to lending volumes in the very short term, there remains a huge market to capture as we are now successfully converting all types of online loan leads - not just car title loan leads.

We are now simply a digital lender in a massive market offering loans that make more sense and solve real problems (as opposed to payday/mini loans that do not solve problems and are often misunderstood).

It is very difficult to obtain exact numbers on the size of our potential market in Spain as most of it is unregulated but, having stepped out of the car title “niche” with our 100% remote approach, we know we are competitive and can grow massively given the resources (and time to implement).

We have a significant advantage in the online lending market because most lenders will not lend thousands of euros to borrowers who are not previously known to them. Open banking is starting to change this but the algorithms making lending decisions remain very risk averse and are intended to credit score and lend to only the most perfect borrowers.

Ibancar is one of the only lenders offering up to €6,000 to first time borrowers at a competitive all in cost on the same day the application is received. Our use of collateral simplifies underwriting and opens up the market with minimal risk and we should therefore always outperform our unsecured online competitors.

Our potential market goes much further than the estimated €600m+ per year that is being borrowed at the lower end of the credit spectrum which is composed of traditional car title, pawnbroking and payday lending but now also includes anyone who needs a loan and owns an eligible car.

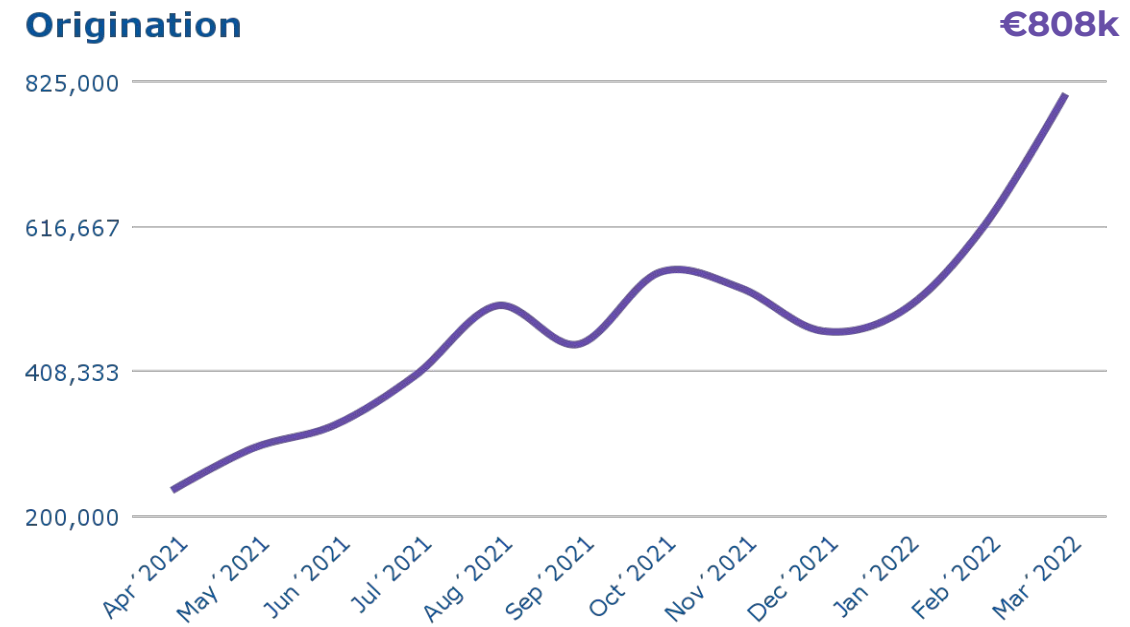
When we look at the market from the perspective of the collateral we get the following high level picture: there are 25m passenger cars registered in Spain of which approximately 11m are eligible for Ibancar loans. At least 16% of people in Spain have difficulty accessing conventional forms of credit (1.8m of the eligible cars/borrowers) and a much larger percentage cannot get the type of loans they really need but all of these 11m are potential Ibancar borrowers.

This means the market segment that we can serve runs into billions.

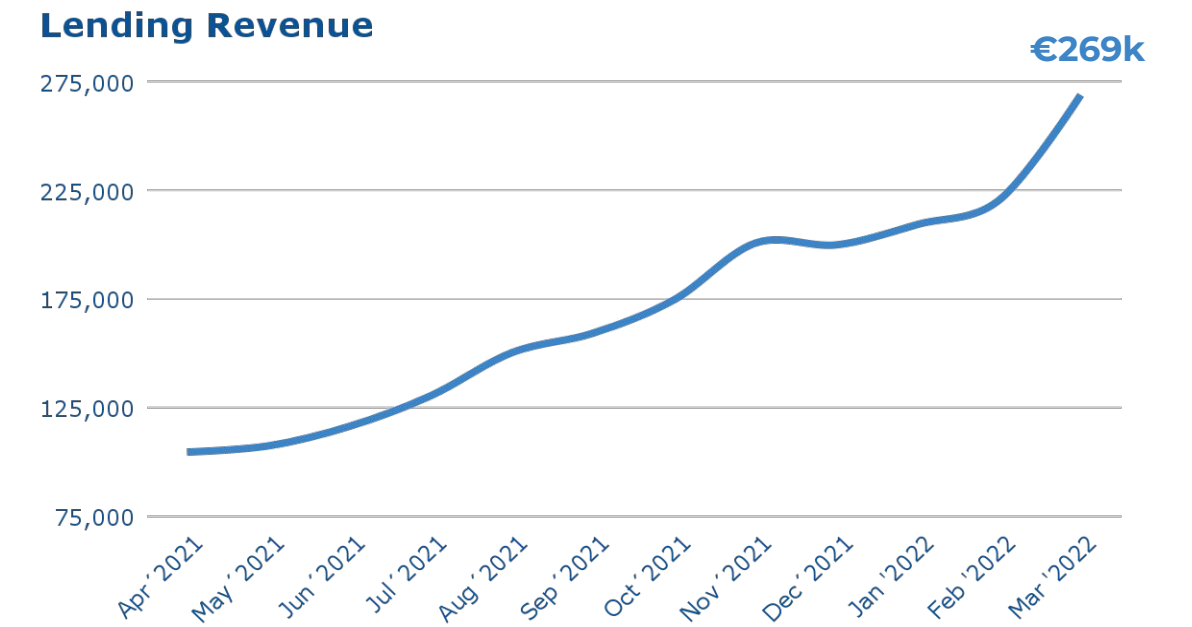
MARCH HIGHLIGHTS	
Origination	€808,350
Lending Revenue	€269,101
Total Revenue	€301,306
P&L	€43,810

ASSET BOOK	€5,076,116	100%
Performing Loans	€4,736,048	93.3%
Non Performing Loans	€128,901	2.5%
Car Pending Recovery	€181,927	3.6%
Car Pending Sale	€29,241	0.6%

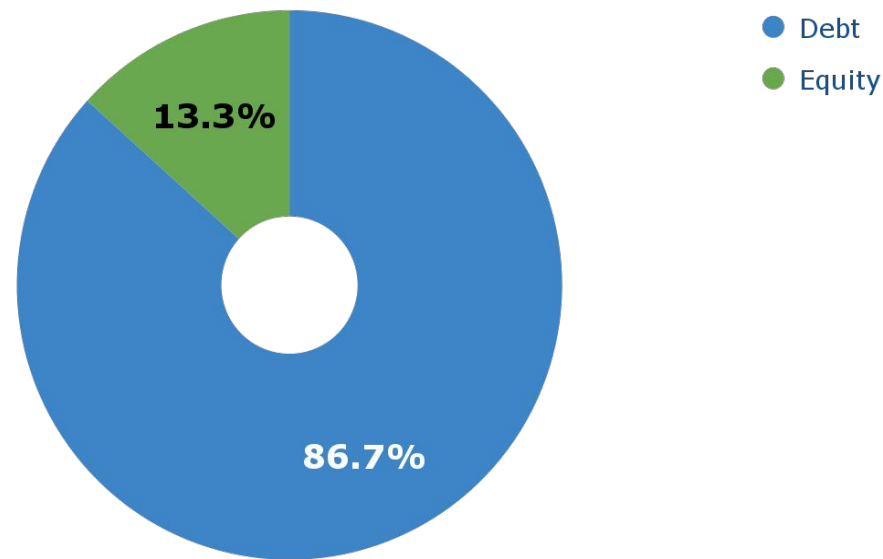
## Origination



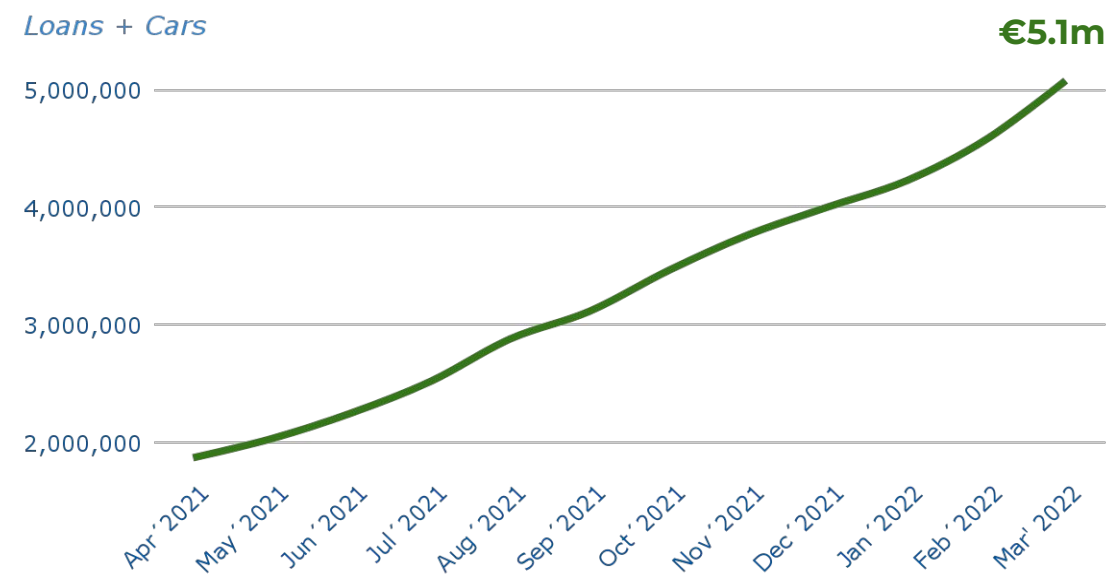
## Lending Revenue



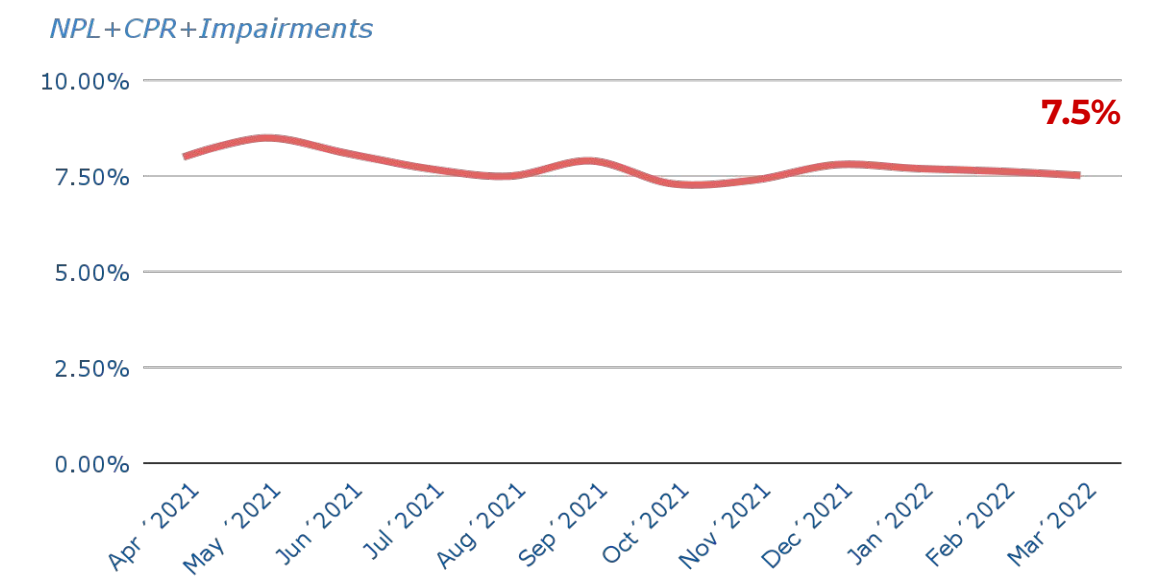
## Loan Book Leverage



## Asset Book



## Total Non Performing Book



\* Non performing at Ibanicar starts at 32 days past due

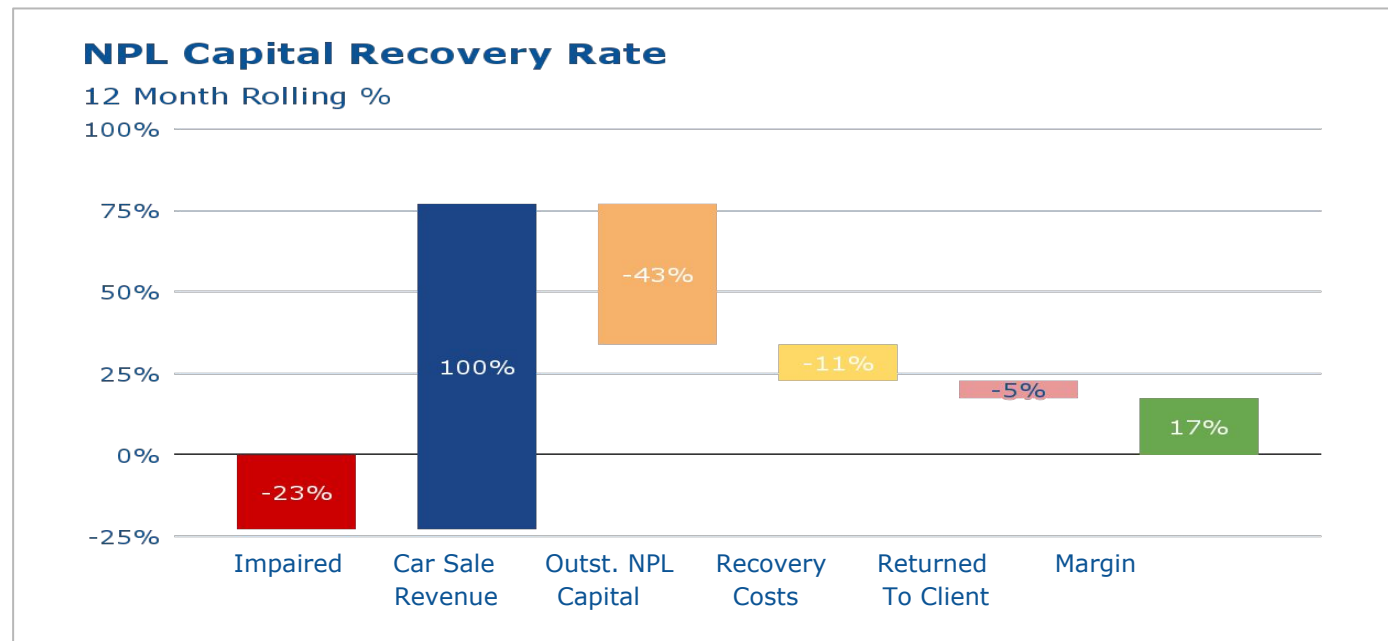
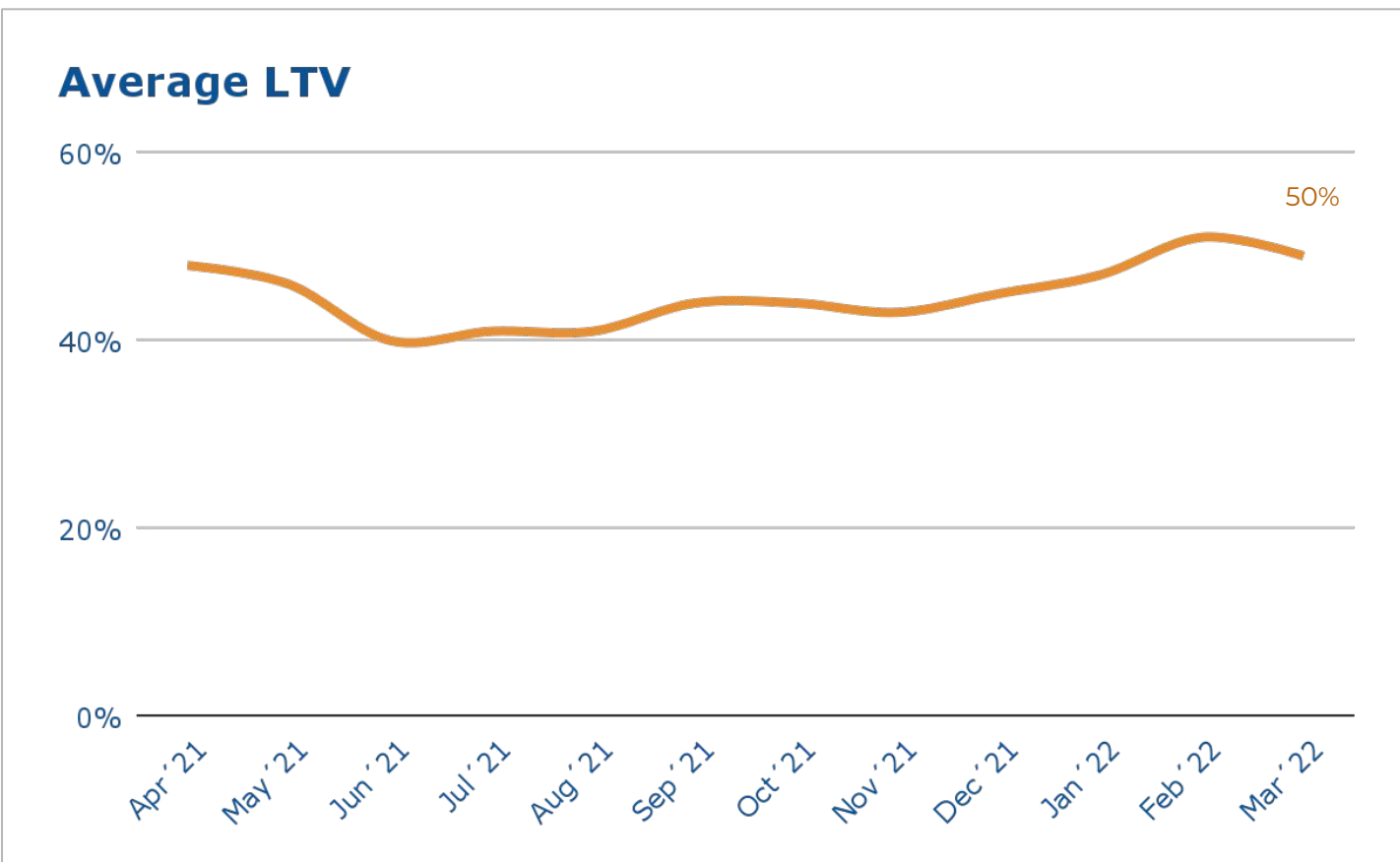
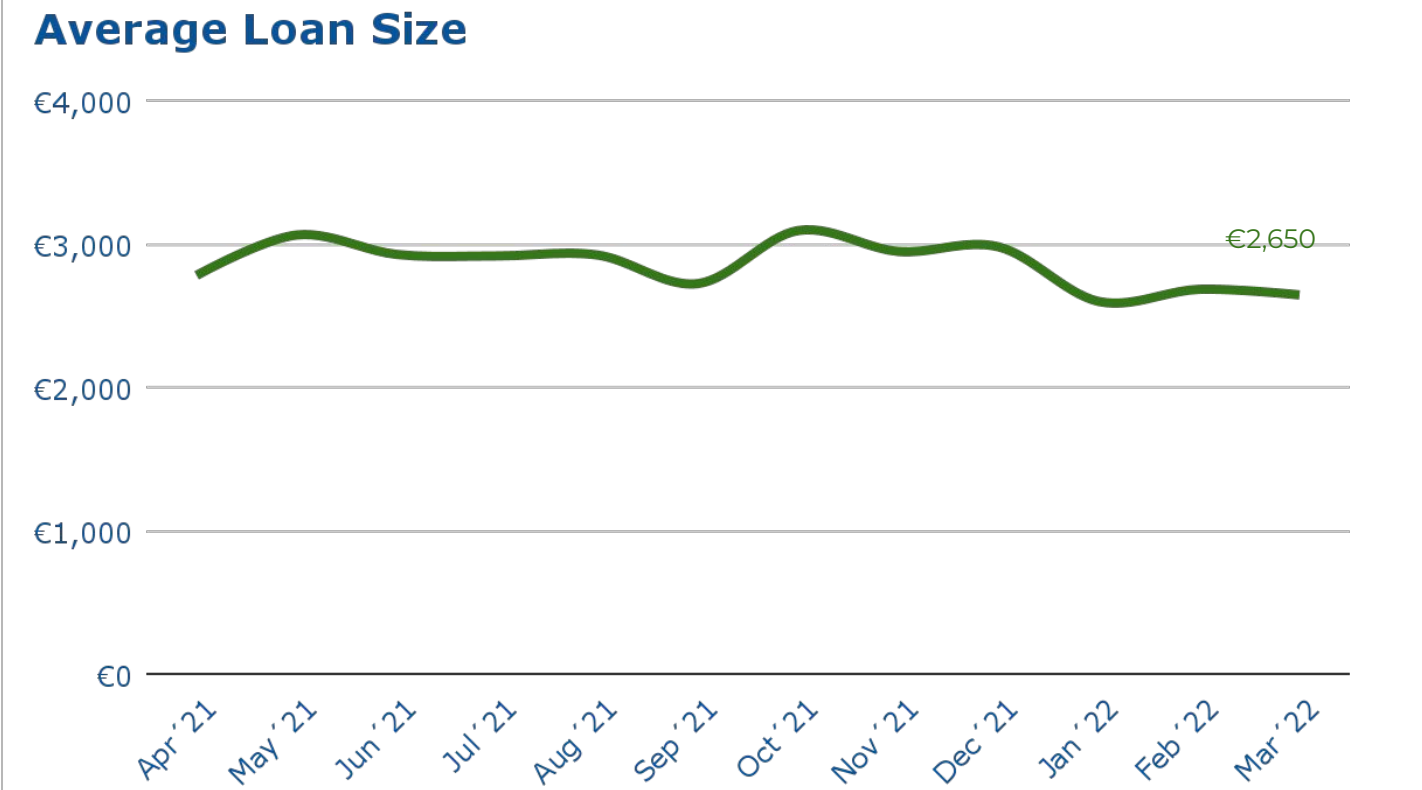
# Underwriting & Collections

In the month of March we received a record 664 fully documented leads for underwriting. This represents 30% more than in February and a 340% year on year increase. The approval rate was the same as February at 53%.

The average approved LTV was a little lower at 50% (51% in February) and the average loan was €2,700. We continue to work on automating more and more of the review and approval process and since the implementation of an API connection with the Ministry of Transport we are receiving car reports automatically. This has enabled us to underwrite 83% of loan applications in less than one hour and 93% in less than three hours.

Our collection rate in March was 87% and our legal and recoveries team successfully dealt with 56 new NPL cases converting 31 into cars pending recovery, 17 into reperforming loans and 4 were impaired. 8 remained NPLs at the end of the month.

On a 12 month rolling basis we have maintained a capital recovery rate on NPLs, after impairments, above 100% so on a net basis impairments remain negative (ie generate a small profit):



Profit & Loss €'000	Actuals			
	Jan '22	Feb '22	Mar '22	Q1 '22
Lending Revenue	209	221	269	699
Cars Sales Revenue	28	26	32	86
Other Income	0	0	0	0
<b>Total Revenue</b>	<b>237</b>	<b>247</b>	<b>301</b>	<b>786</b>
Impairments	(5)	(9)	(8)	(22)
Cars Purchase Costs	(15)	(11)	(11)	(36)
Funding Costs	(33)	(32)	(38)	(103)
CAC	(42)	(51)	(60)	(154)
Direct Operating Costs	(13)	(15)	(17)	(45)
<b>Contribution Margin</b>	<b>129</b>	<b>130</b>	<b>167</b>	<b>426</b>
Contribution Margin %	54%	52%	56%	54%
Overhead Costs	(94)	(95)	(112)	(301)
<b>Operating Profit</b>	<b>35</b>	<b>35</b>	<b>55</b>	<b>125</b>
Depreciation & Amortization	(6)	(5)	(7)	(18)
Financial Activity	(5)	(7)	(5)	(16)
<b>Profit Before Tax</b>	<b>25</b>	<b>23</b>	<b>44</b>	<b>91</b>
Income Tax expense	0	0	0	0
<b>Net Profit/(Loss)</b>	<b>25</b>	<b>23</b>	<b>44</b>	<b>91</b>
Net Profit/(Loss) %	10%	9%	15%	12%

Plan	Actuals
Q1 '22	Q1 '21
725	267
0	17
0	1
<b>725</b>	<b>285</b>
(29)	2
0	(11)
(108)	(37)
(128)	(36)
(39)	(21)
<b>421</b>	<b>182</b>
58%	64%
(314)	(216)
<b>107</b>	<b>(34)</b>
(24)	(5)
(7)	(1)
<b>76</b>	<b>(40)</b>
0	0
<b>76</b>	<b>(40)</b>
10%	(14%)

- Q1 was an exceptional quarter for Ibanca where we overperformed in all fronts
- Origination increased on a monthly basis finishing at €1.9m, leading into an Asset Book of €5.1m (185% YoY increase).
- Total revenue finished ahead of plan at €786k representing a 176% YoY increase.
- Despite the accelerated growth, our contribution margin remains high at 54%. This is due to an excellent credit risk performance, as impairments remained below 3% of revenue and efficient marketing, servicing and collections processes.
- While increasing year-on-year revenue by 176%, our diligent and disciplined profit oriented structure resulted on an only 50% increase on fixed costs, which remained below plan.
- Net profit in Q1 was €91k or 12%, which is 20% better than plan.
- From a cash flow perspective, Q1 operating cash flow was better than plan at only -€52k.
- Principal repayments also outperformed. Besides, we drew from our credit facility our first €2m to support the growth.
- And despite higher origination, we finished Q1-2022 with a stronger cash position at €995k.

KPIs	Actuals			
	Jan '22	Feb '22	Mar '22	Q1 '22
Origination	496	619	808	1,923
Asset Book	4,227	4,577	5,076	5,076
Total Debt	3,002	3,532	4,401	4,401
Debt to Asset Book	71.0%	77.2%	86.7%	86.7%
Operating Cash Flow	(91)	24	15	(52)
Available Cash	348	571	995	995

Plan	Actuals
Q1 '22	Q1 '21
1,800	605
5,061	1,779
3,716	1,350
73.4%	75.9%
(74)	(96)
310	941

Thank you for your interest in **ibancar**

