

# MEDIOBANCA

## COMPASS: AGREEMENT TO ACQUIRE 20% STAKE IN BFI FINANCE ADDING A SECOND GROWTH CONSUMER FINANCE MARKET

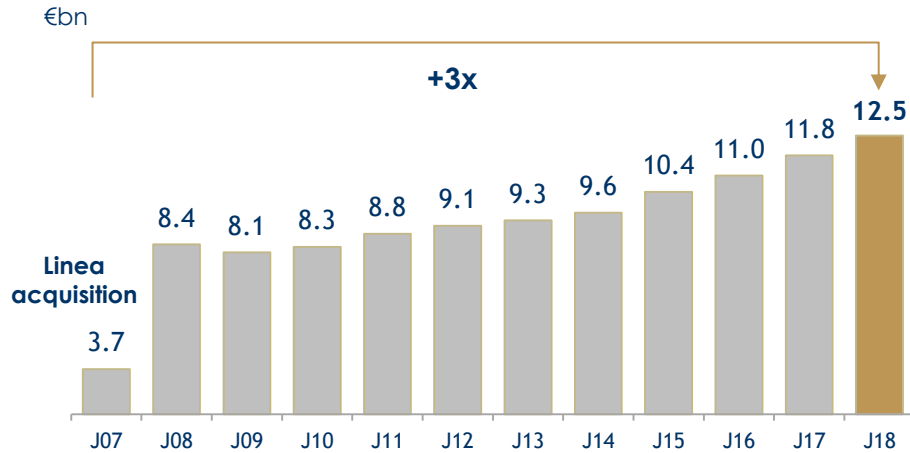
Milan, 3 August 2018



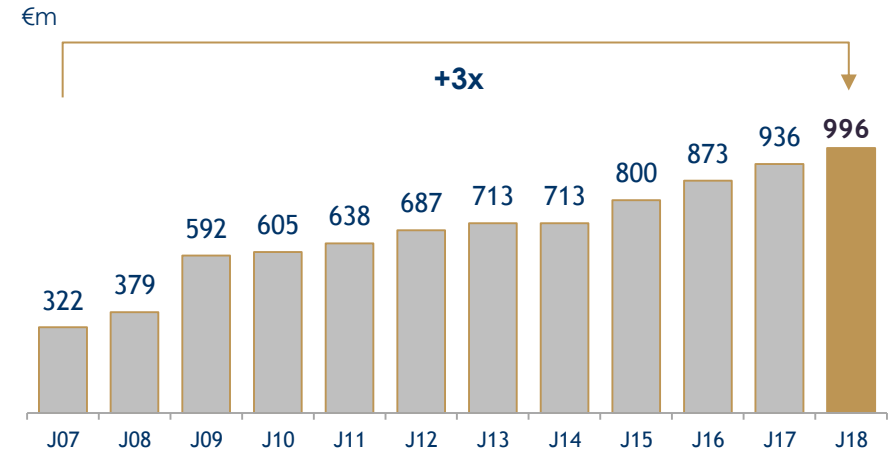
MEDIOBANCA

# IN LAST 10Y COMPASS HAS DELIVERED IMPRESSIVE RESULTS OVER THE WHOLE CYCLE THROUGH ORGANIC GROWTH AND M&A...

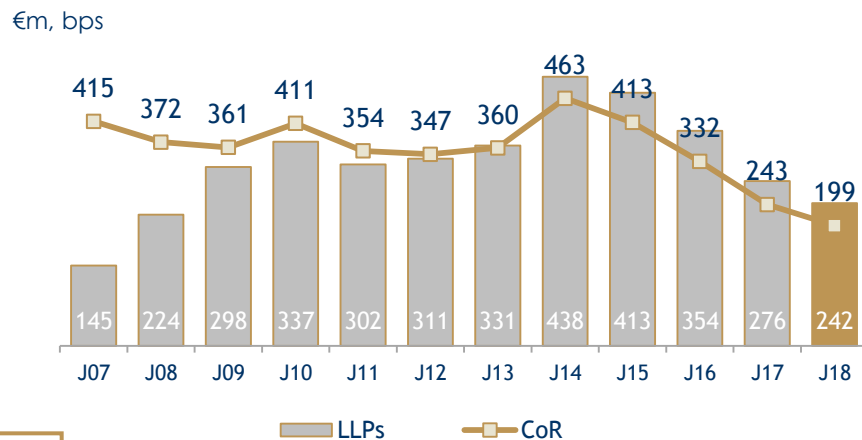
In the last 10Y Compass's loan book has tripled...



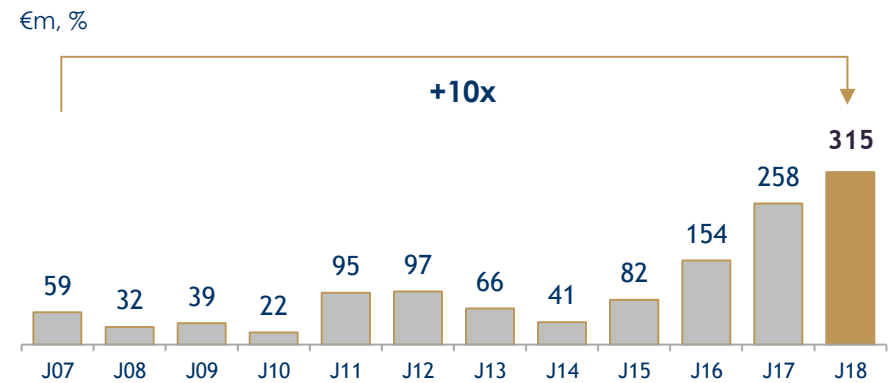
... as have its revenues ...



... while careful risk assessment has shrunk CoR...



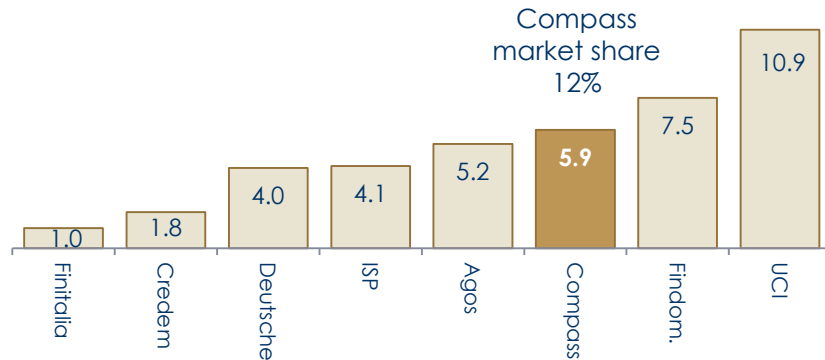
...with net profit up 10x to record levels



# ...LEVERAGING ON STRENGTHS AND MARKET OPPORTUNITIES

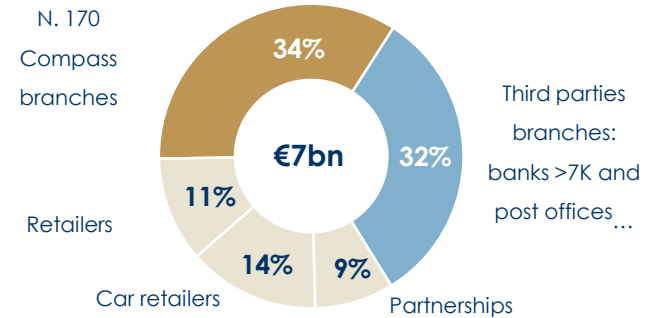
## Strong market positioning

2017 Consumer credit market ranking<sup>1</sup>  
(new business >€1bn)



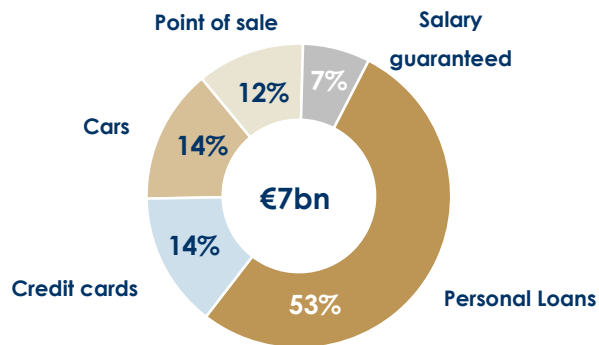
## Unique integrated distribution platform

Compass distribution  
(% of 2018 new business)



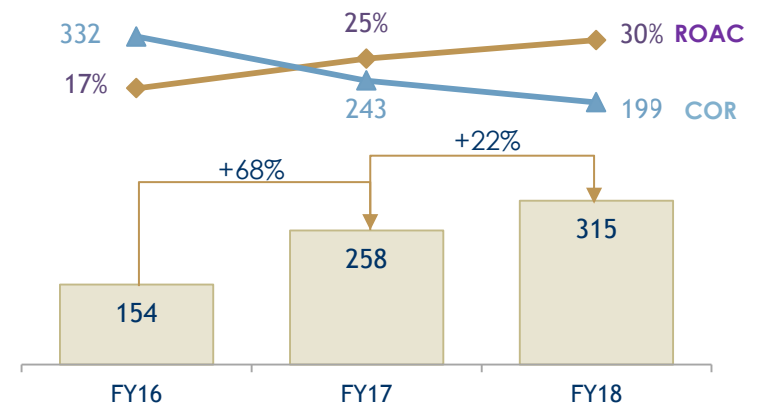
## Profitable and wide product range

Compass product  
(% of 2018 new business)



## Strong credit assessment/pricing capabilities

Net profit (€m), ROAC (%) COR (bps)



# COMPASS'S STRONG EXPERTISE CAN BE LEVERAGED FURTHER IN A SECOND GROWTH CONSUMER FINANCE MARKET

- ◆ **M&A extensive analysis of untapped potential in consumer credit markets.**
- ◆ **Some markets rejected** due to issues related to **political-economic stability** (South America, Middle East), **economic development and consumption cycle** (Africa), **protectionism** versus foreign players (China among others) and level of **competition**
- ◆ **Focus shifted to those markets that combine a relative political-economical stability with high growth potential: South East Asia**, namely India, Indonesia, Philippines and Vietnam

KPIs <sup>1</sup>	India	Vietnam	Philippines	Indonesia
GDP per capita (US\$,2017)	1,820	2,170	3,660	3,540
RATING	S&P	BBB- stable	BB- stable	BBB positive
	Fitch	BBB- stable	BB stable	BBB stable
	Moody's	Baa2 stable	B1 stable	Baa2 stable
2017 GDP growth	6.6%	6.8%	6.7%	5.1%
«Ease of doing business» <sup>2</sup>	100	68	113	72
Foreign Direct Investments/GDP	1.5%	6.3%	3.2%	2.2%

**Indonesia identified as key target area**

**Bottom-up analysis of Indonesia consumer market**

- ◆ First 33 companies by total assets scouted (25 private, 8 listed on the Jakarta stock market)
- ◆ 12 potential target companies identified; analyzed in detail and management met with
- ◆ 3 key target companies identified; **since 2017 Compass management has met with the management teams of these companies, their shareholders and the business community in Indonesia to evaluate deal considerations**

**BFI identified as the best option**

1) Source: World Bank, website – July 2018

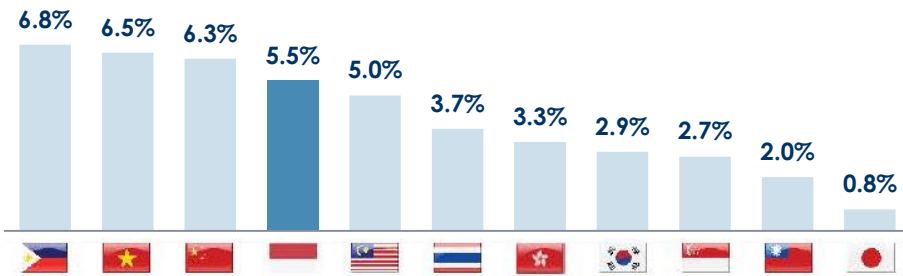
2) World Bank Doing Business ranking - 1 (top) to 190 (lowest)



# INDONESIA: "GROWTH MARKET" DRIVEN BY ATTRACTIVE MACRO ....

## Indonesia: high GDP growth...

2018 – 2021E average real GDP growth % (source: IMF)



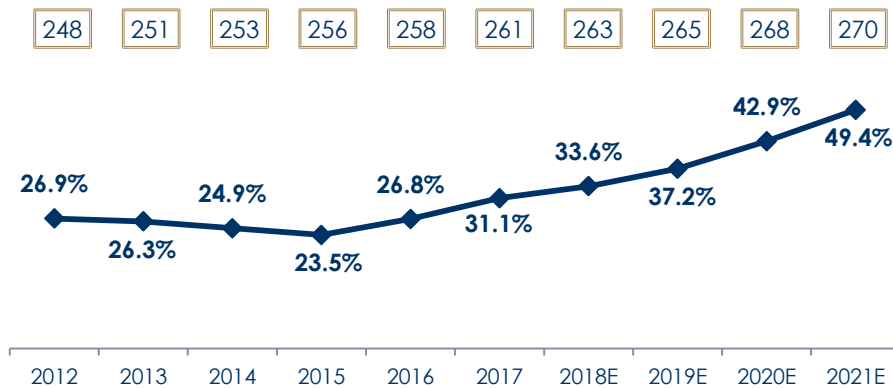
## ... and improving institutional scenario...

Source: S&P, BICRA analysis (Dec.2017)

- ◆ "... effective policy-making in recent years to promote sustainable public finances and balanced economic growth"
- ◆ "Indonesia publishes timely economic, fiscal, and financial statistics in great detail"
- ◆ "...reducing corruption and promoting better governance"
- ◆ "...we expect the administration to further improve critical infrastructure, address legal and regulatory uncertainties, and tackle bureaucratic obstacles"

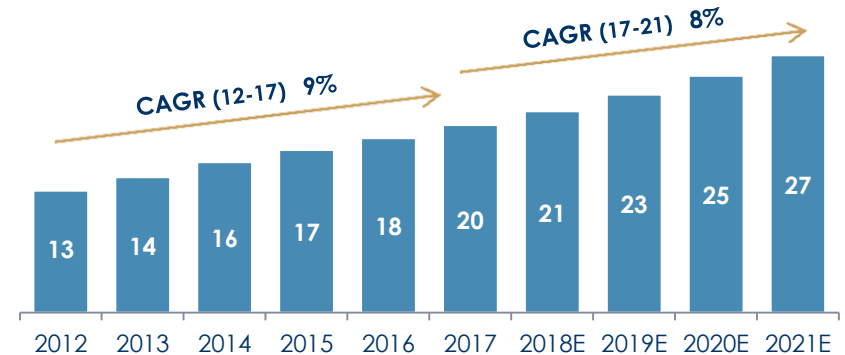
## ... are fostering individual wealth growth...

Population (m) and % of middle class<sup>1</sup> (source: Euromonitor)



## ... as well as disposable income for consumption...

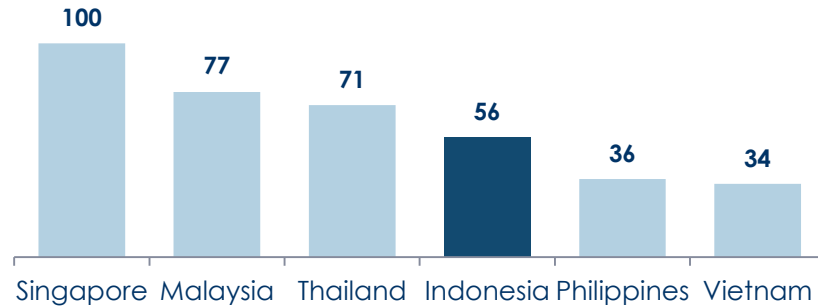
Average annual expenditure<sup>1</sup> per capita on non-food items, IDR '000 (source: Euromonitor)



# ... AND OPPORTUNITIES FOR CONSUMER LENDING EXPANSION

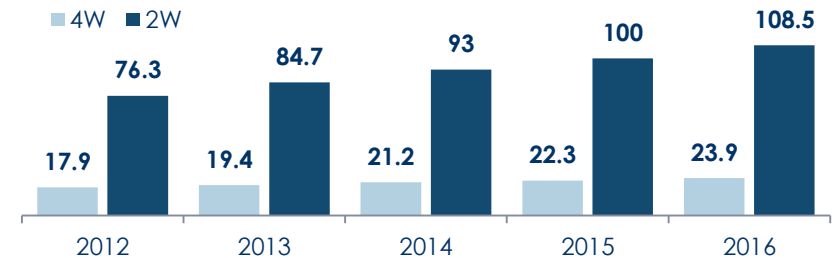
## ... but with a very large unbanked population, ...

Banked population (%; source: Euromonitor)



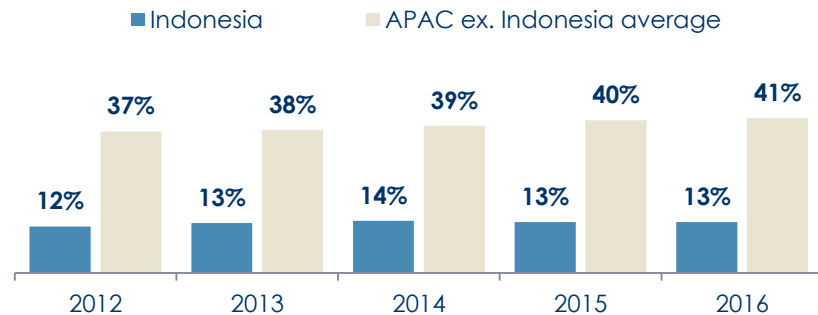
## ... significant appetite for personal transport...

Growth in vehicle ownership in Indonesia (m units, source: BMI)



## ...and low consumer lending penetration ...

Consumer lending (% of GDP, source: EIU, Euromonitor)



## ... Indonesian market is the right place to be

To seize the opportunities stemming from:

- ◆ **green market in a still fast growing country**
- ◆ **change in consumer** financial behavior to support new consumption habits
- ◆ **change in products**, where the sector is still "secured" driven but is evolving, in the next 5-7 years, towards an "unsecured" **business model** based on an **advanced "credit analytics" system with the introduction of credit bureau services like in Italy during the 1990s.**
- ◆ **chance to partner with an outstanding market player** with a "Compass-like" approach to the business

# BFI FINANCE – THE LEADING INDEPENDENT MULTIFINANCE COMPANY

## BFI Finance: a unique opportunity in Indonesia ...

- ◆ **PT BFI Finance Indonesia** has been **listed on the Jakarta Stock Exchange since 1990**
- ◆ **Large multifinance company**, the only non "captive" in the top 10, with ...
- ◆ **...positive credit rating (Fitch: AA-(idn) vs country rating BBB)**
- ◆ **Senior management with long-tenured experience**, supported by high-quality middle management
- ◆ **A (significant) growth story** with a positive and healthy track record
- ◆ **US (private equity) investors with significant stake and governance** in the company **since 2011**

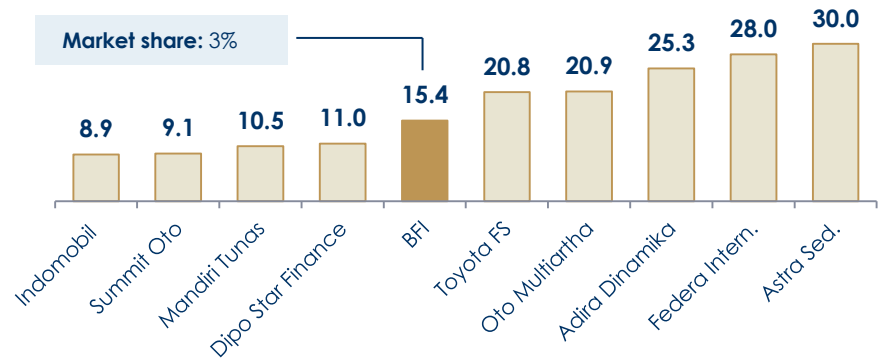
## ... effective distribution platform with high customer base ...

- ◆ **Effective integrated distribution network**
  - ◆ >350 outlets (220 branches + >130 kiosks) in Jakarta and the largest islands of the country (Java, Bali, Sumatra, Sulawesi, Kalimantan)
  - ◆ partnership agreements with car dealers
  - ◆ independent agents
  - ◆ telemarketing for car and motorcycle loans
- ◆ **419,000 active customers**

## ... in terms of market positioning ...

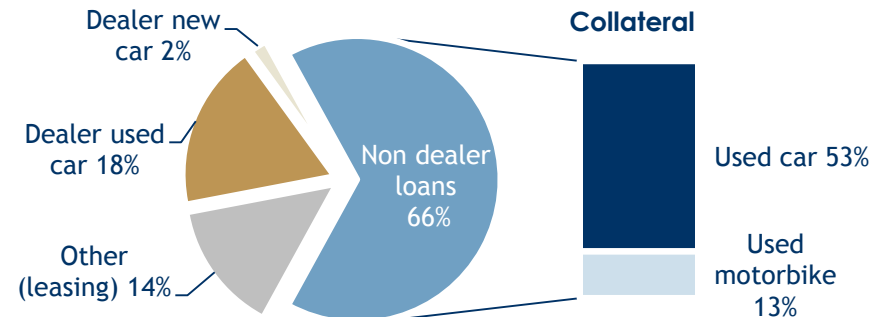
(Source: Infobank, Indonesia Finance Services Association)

Net receivables (IDRtr; source: Infobank, Indonesia Finance Services Ass.)



## ...and a leadership positioning in the market in high-profitable secured products: cars and motorcycles

BFI: loan book breakdown (IDR15.3tr as at Dec,17; source: company data)

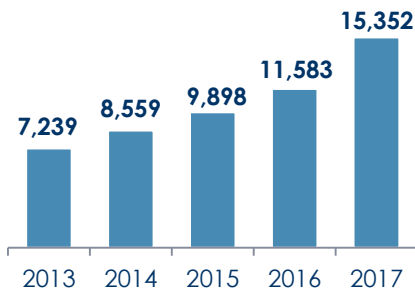


# BFI HAS ACHIEVED UNBROKEN GROWTH IN RECENT YEARS WHILE REMAINING THE MOST PROFITABLE OF ITS PEERS

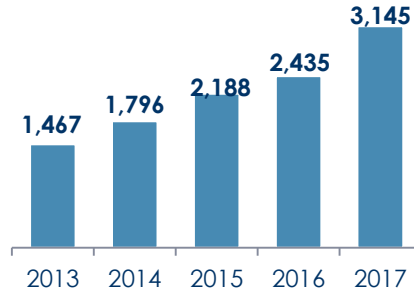
## Significant growth achieved ...

(IDR bn)

**Loan book doubled**  
financed by bank debt and bonds

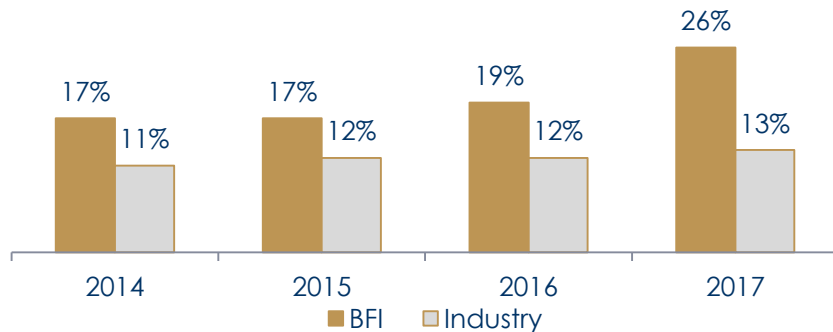


**Revenues 4YCAGR +21%**  
up 30% in 2017



## ... to preserve outstanding profitability (2X the industry average) ...

ROE vs Industry (Source: Company, OJK)

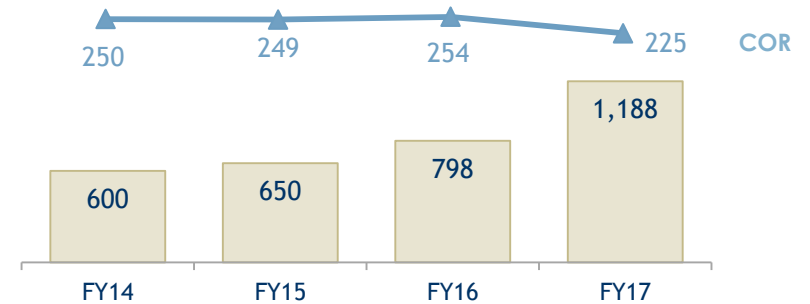


## ... with strong risk management/pricing capabilities ...

Net profit (IDRbn)  
COR (bps)

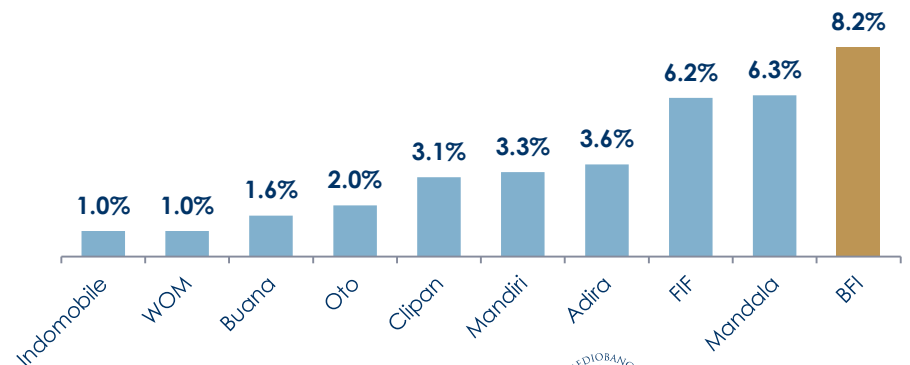
**Net profit 4YCAGR +24%**

**NPLs/Ls = 0.9% (NPLs<sup>1</sup> are 100% provisioned after 270days)**



## ... and become the most profitable Indonesian MFI

Post-tax RoAA (%) - data are at YE 2017 for BFI, YE2016 for the Company peers



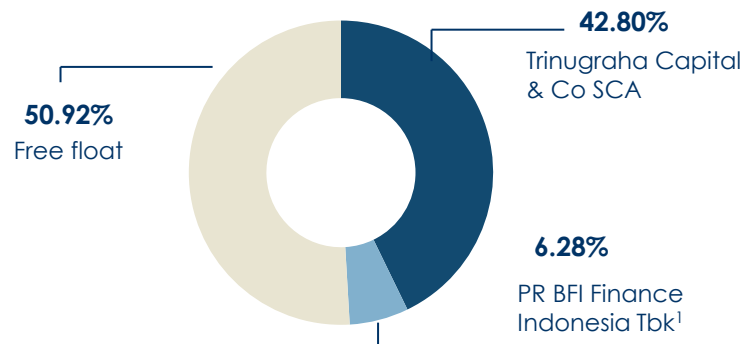


# SHAREHOLDERS – QUALITY INTERNATIONAL PRESENCE

- ◆ **BFI is 42.8%-owned by Trinugraha Capital SA**, a consortium of private equity funds that includes TPG and Northstar
- ◆ **Free float**, beside retail investors, **includes various international outstanding institutional investors**
- ◆ **Roughly 80% of BFI shareholders are international**

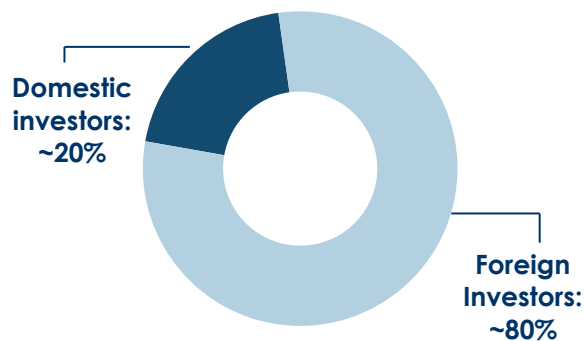
## Shareholder composition

Source: Company



## Significant international presence ...

Source: Company



## ... of global institutional shareholders

Source: Bloomberg

Based on data available on Bloomberg, the table on the right shows the key shareholders within the free floating shares

NT Asian Discovery Fund	9.90%
J.P. Morgan Asset Management (Singapore) Ltd	1.80%
Goldman Sachs Group Inc	1.48%
Matthews International Capital Management, LLC	1.03%
FIL Investment Management (Singapore) Ltd	0.74%
Commonwealth Bank of Australia	0.59%
J.P. Morgan Asset Management (Singapore) Ltd	0.08%
BNP Paribas Asset Management USA, Inc	0.05%
Virtus Investment Partners	0.04%

# BFI FINANCE: KEY FINANCIAL INFORMATION

IDRbn	FY13	FY14	FY15	FY16	FY17	4Y CAGR	FY17 €m <sup>(1)</sup>
<b>Net revenues</b>	<b>1,467</b>	<b>1,796</b>	<b>2,118</b>	<b>2,435</b>	<b>3,145</b>	<b>21%</b>	<b>185</b>
o/w NII	1,082	1,281	1,412	1,609	2,088	18%	123
<b>Net profit</b>	<b>509</b>	<b>600</b>	<b>650</b>	<b>798</b>	<b>1,188</b>	<b>24%</b>	<b>70</b>
<b>Loan book</b>	<b>7,239</b>	<b>8,559</b>	<b>9,898</b>	<b>11,583</b>	<b>15,352</b>	<b>19%</b>	<b>904</b>
Banks debt	3,172	3,933	5,637	4,691	6,819		402
Bonds outstanding	1,454	1,622	1,681	2,965	3,909		230
Equity	3,363	3,567	4,019	4,255	4,904		289
NPL ratio		1.4%	1.3%	0.9%	0.9%		0.9%
<b>C/I</b>	<b>45%</b>	<b>45%</b>	<b>46%</b>	<b>46%</b>	<b>43%</b>		<b>43%</b>
COR (bps)		250	249	254	225		225
<b>ROE</b>		<b>17%</b>	<b>17%</b>	<b>19%</b>	<b>26%</b>		<b>26%</b>

1) Exchange rate (IDR/€: 16.974)

# HOW CAN COMPASS LEVERAGE ITS STRENGTHS IN INDONESIA

**BFI is the perfect option for Compass as a leading consumer finance company in Indonesia, already profitable and with a business model that can be leveraged and accelerated by Compass which can add significant value as a strategic investor by contributing its expertise in credit management (both underwriting and collection), product innovation and cross selling**

## COMPASS

### **Credit risk assessment**

Advanced scoring models and risk pricing capability

### **Collection**

Data-driven, highly industrialized processes

### **Ability to craft distribution agreements**

Top-level service to both customers and dealers

### **CRM advanced platform**

Predictive models to run event-driven cross selling

### **Customized product design**

Flexible product customization for marketing campaigns

## BFI

### **Established platform**

Large multifinance company

### **Outstanding management**

Senior management with long-tenured experience, Reputation and track record

### **Fast growing**

Loan book has grown by more than 2x in the last 5Y

### **Profitable**

Significant profitability, higher than peers' average

### **Risk control**

Excellent "Compass-like" risk management

# DEAL STRUCTURE

Compass has agreed<sup>1</sup> to acquire a 19.9%<sup>2</sup> stake in BFI

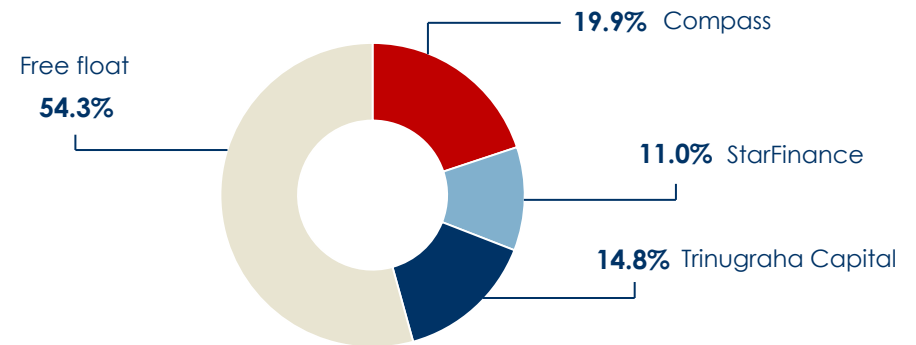
## Main deal features

### A first step in the Indonesian market

- ◆ Indonesia will be a new growth driver for Compass to leverage its business strengths. The investment represents an **entry point for Compass to access the Indonesian market progressively**
- ◆ The stake will, at this stage, be treated as a **financial investment. In the medium term Compass will evaluate to increase the stake and to go to full consolidation.**
- ◆ **The management team will continue to manage the company**
- ◆ **Due to the potential upside the seller will retain an approx. 15% stake** and a group of Italian investors has decided to invest at the same time as Compass

## Post-deal shareholder structure<sup>1</sup>

### An attracting opportunity

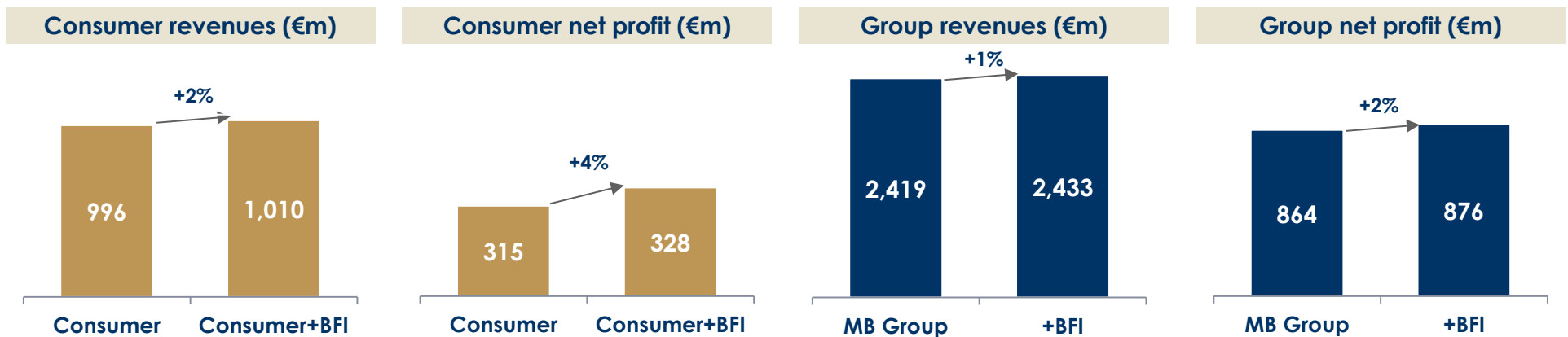


- ◆ **New investors: 30.9% with Compass holding 19.9%<sup>1</sup> and StarFinance (Italian SPV gathering private investors) holding 11%**
- ◆ **Sellers: Trinugraha retaining a stake** to further benefit from the company's growth.

# POSITIVE IMPACT ON COMPASS AND MB GROUP

Another disciplined investment, with limited K absorption, representing a significant potential growth opportunity for the Group

- ◆ **The investment will be accounted for using the equity method** (with net profit booked pro rata accordingly). This will apply to both Mediobanca Group and business line (Consumer Division)
- ◆ **The investment will be fully deducted from MB Group CET1 and will absorb ~30bps**
- ◆ **The impact on Compass will be accretive:** revenues up 2%, net profit up 4%
- ◆ **The impact at Group level will also be accretive:** revenues up 1%, net profit up 2%





**MEDIOBANCA**

**COMPASS ACQUIRES  
20% STAKE IN BFI FINANCE  
ADDING A SECOND GROWTH  
CONSUMER FINANCE MARKET**

Milan, 3 August 2018



**MEDIOBANCA**