

## **Managing Director's Address to General Capital Ltd adjourned ASM 3/9/2021**

### **[Slide 14]**

Thank you, Chairman.

Good morning, everyone.

Thank you for taking the time to link up with us today.

Again, our apologies for the adjournment and the impact on your diaries.

We released our Annual Report on the 30<sup>th</sup> June 2021.

I hope you have had a chance to read it.

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The key feature is that we have maintained a moderate profit while managing the pressures of covid and growing General Finance's total Assets from \$47m to \$64m.

We met all of our Regulatory obligations (as you would expect) but with the requirements of working from home, we met these obligations plus the significant additional requirements that the Trustees and RBNZ put on us. At one stage we had daily, weekly, monthly and quarterly reports.

I have to pass my sincere thanks to Jonathan Clark and Greg Pearce for their outstanding performances during this time plus the support we received from the General Finance and General Capital Boards.

As they say in sport: a lot of winning games is staying in the game during the tough times. We stayed in it and made significant gains.

The bounce out of Covid was extreme. Probably the most explosive in my life.

The last quarter of 2020 had fantastic demand as Governments around the world pumped cash into the economies. We converted the cash we had (over \$25m) into loans.

These always take two months to become profitable as we pay marketing and onboarding costs and we create provisions up front (a percentage of the loan book).

Since January 2021 we have had a strong growth in our loan book and strong income.

### **3 Year Trend**

### **[Slide 16]**

We had always projected growth in our business.

If we look at this graph we can see very strong growth. General Finance had \$24m of assets in 31/3/19 and this increased to \$68m at 31/3/21.

How have we gone since ?

[Slide 17]

You will see that in the quarter to 30/6/21 General Finance has grown a further 10% to \$71m.

I advise that we have continued to grow in the quarter to 30 Sept.

This has been a little slower, it seemed that the talk and expectations of interest rate increases “flattened” the investment market a little. We are expecting growth of 4% to 7% in General Finance’s assets. We still have one month to go for the quarter but that is the indication as at today.

Note

The quarterly results for General Finance are uploaded to the Disclose Register each quarter.

The results for General Capital are only released to NZX 6-monthly.

The assets of General Finance are growing strongly. The assets of the other companies in the group are relatively static. To calculate the Groups total assets, you currently add approximately \$3.5m to General Finance’s total assets.

### **How much more can we grow with the current Capital?**

I have been asked that many times.

We have a Capital Ratio minimum of 8%. If we fall below 10% we are on watch.

We are currently on a ratio of approximately 15%.

That effectively means that we can grow 30% bigger without requiring more capital.

The Directors and management have set an internal limit of 14%. This is our own limit given the uncertain times we are in. We can change that at any time, and we are not required to give notice.

This allows us to handle the unexpected.

In summary we can grow 30% but we will limit ourselves by using a higher (more conservative) ratio.

This is the reason we have taken the steps discussed earlier in the meeting to allow the directors to do this.

Other achievements:

Credit Rating

General Finance has a credit rating from the NYSE listed International Credit Rating Agency, Equifax. We have found them to be very helpful and insightful for our business. We have had 6 reviews by them and we currently have a BB- with a stable outlook. This is near prime with low chance of default.

We have just received advice from Equifax that after reviewing our 31/3/21 accounts they are holding this rating. This is great news for us as there was a prospect that they would consider world events, covid, the New Zealand economy, etc.

This gives our depositors and shareholders comfort that not only do we have General finance Audited 6-monthly, that we report to a Trustee and ultimately to the RBNZ and we comply with NZX rules, our major business is reviewed for Credit rating purposes every 6 months.

There is a high level of reporting and regulation in our business. This creates a high level of confidence in our Group.

Please note that it also creates significant cost. This does not vary significantly with the size of our business. As we have grown, we have incurred extra expenses, but it is not proportionate to the increase in assets.

The growth allows a bigger base to spread costs over.

In summary, the financial and business components are strong!

Let's turn to the future.

[Slide 18]

The Future.

Assets

We are focusing on growing the business further with our next target being \$100m then \$125m of total assets.

We will consider acquisitions and we have done so this year, but we need to ensure that the businesses are earnings add to us. We will not buy simply for growth's sake.

We will advise as matters develop.

Greenfern Industries

As the market is aware, IRG is managing the listing for Greenfern Industries.

We are in the final stages of listing this interesting company.

We will advise the market as matters develop.

I do suggest that shareholders visit the website [GFI.nz](http://GFI.nz)

It is certainly an interesting business.

We had hoped to have income from this in the first 6 months.

There will be only small cost recovery income.

IRG has undertaken two mandates in the year to 31/3/21 and Greenfern plus 1 other since 31/3/21.

Expected earnings.

We are providing guidance to the market as follows.

We anticipate the NPAT to 30/9/21 will be between \$260,000 and \$350,000.

NPAT Guidance for the 12 months to 31/3/22 will be in the range of \$650,000 and \$850,000 for the full year.

This will depend on

- trading conditions post the Covid delta lockdown
- The GreenFern Listing
- Raising at least \$2.0m of new Capital
- Continued growth in deposits and loans.
- No unexpected major events.
- No adverse regulatory events.

If we achieve this result, we will make a 7% - 9% tax paid return on closing equity for the year.

This is a very acceptable return for an early stage fast growing financial services business. If you compare that with other listed Banks and finance companies.

We of course will not stop there.

We want the next year to be at least better!!

We have grown over 30% p.a. We will not accept less.

Opportunity.

I understand that the Government is planning to bring in new regulations in the Deposit taker sector.

We are monitoring this.

We have thoughts, ambitions, and plans.

This could be very positive for us, or it could be negative or little change.

If it changes only a little it could allow us to push through with a large growth plans.

If it changes and results in a significant regulatory burden, then making profits will be more difficult.

If it changes and allows us to become a licensed bank, that could be fantastic.

Australia, Singapore, and the UK have all gone this way, mainly to create more competition in the sector.

We do not know which way this will go.

We are consulting with others in the industry plus with specialist advisers.

Please do not read anything into this except things may change and opportunities will present themselves.

## Thanks and how we can progress together.

It has been a tough 18 months. We have seen our share price bounce all over the place from a high of 12.3cps down to 5.4cps. The markets are the markets.

Don't be led by 1 buyer and 1 seller often dealing in only \$10 (yes \$10) of shares. That is technically a market price but on a weighted average basis it has little impact.

It does depress a market if it is a low price because people read the paper or look at a screen and they think the company is doing well or not well.

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We want to continue to grow. You have seen that from our presentations today.

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No Promises.

This is an exciting opportunity for General Capital

Thank you all.

Our shareholders, the NZSA, the public, our advisors, our staff and our Directors.

Thank you all for your support and contributions.

Please note

The best is yet to come!!

Thank you all

Brent king

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