

# Carfinco Income Fund

CFN/UN.TO (Carfinco Income Fund) TSE  
17-Oct-2011 10:09 am

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# Investor Presentation



## **CARFINCO INCOME FUND**

Toronto Stock Exchange: CFN.UN

## Assured Automotive Financing

October 2011

# Forward Looking Statements

This presentation contains certain statements that may be deemed "forward-looking statements". All statements in this document, other than statements of historical fact, that address events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward looking statements include, failure to successfully negotiate or subsequently close such transactions, inability to obtain required shareholder or regulatory approvals, uncertainty with respect to findings under exploration programs and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change.

# Unit Price Chart

CFN/UN.TO (Carfinco Income Fund) TSE  
3-Oct-2011 12:51pm

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# What the Analysts are Saying

|   |    |  |  |
|---|--|---|---|
| Target Price  | \$9.50   | \$9.50  | \$9.00  |
| Forecast Revenue – 2011   | \$58.7 million   | \$58.6 million  | \$54.5 million  |
| Forecast Net Earnings/Unit – 2011   | \$0.70   | \$0.74  | \$0.70  |
| Top pick on Market Call<br>Jamie Horvat @ Sprott<br>Jason Donville @ Donville<br>Kent |  |   |   |

# A Harbor Amidst the Storm

- Management sees no storm clouds as identified in late 2007 prior to economic melt-down
- Credit controls remain as stringent as those introduced in 2008
- Reserve allowance for future credit losses far exceed bank covenants
- Quality loan originations remain at record levels
- Delinquencies remain at record low levels

# Key Investment Highlights

- A uniquely positioned, highly profitable auto finance company
- Has delivered consistent 20% + annual growth in its business providing car loans to “non-prime” credit applicants
  - Record Q2-2011 finance receivables: \$152.5 million, 16,100 customers
- Provides a unique program structure which aligns customer, dealer and Carfinco interests
- Refined system of credit control checks and balances
- Combining technology & an experienced human touch
- Strong management
  - Expertise
  - Ownership
- Barrier’s to entry
  - Experienced call center, customized software systems & detailed monitoring of customer base
- Vertically integrated
  - All key functions are internal: underwriting, account management, inventory tracking, legal, collections, skip tracing, repossession & re-sales

# Funding

## ■ Credit Facility Summary

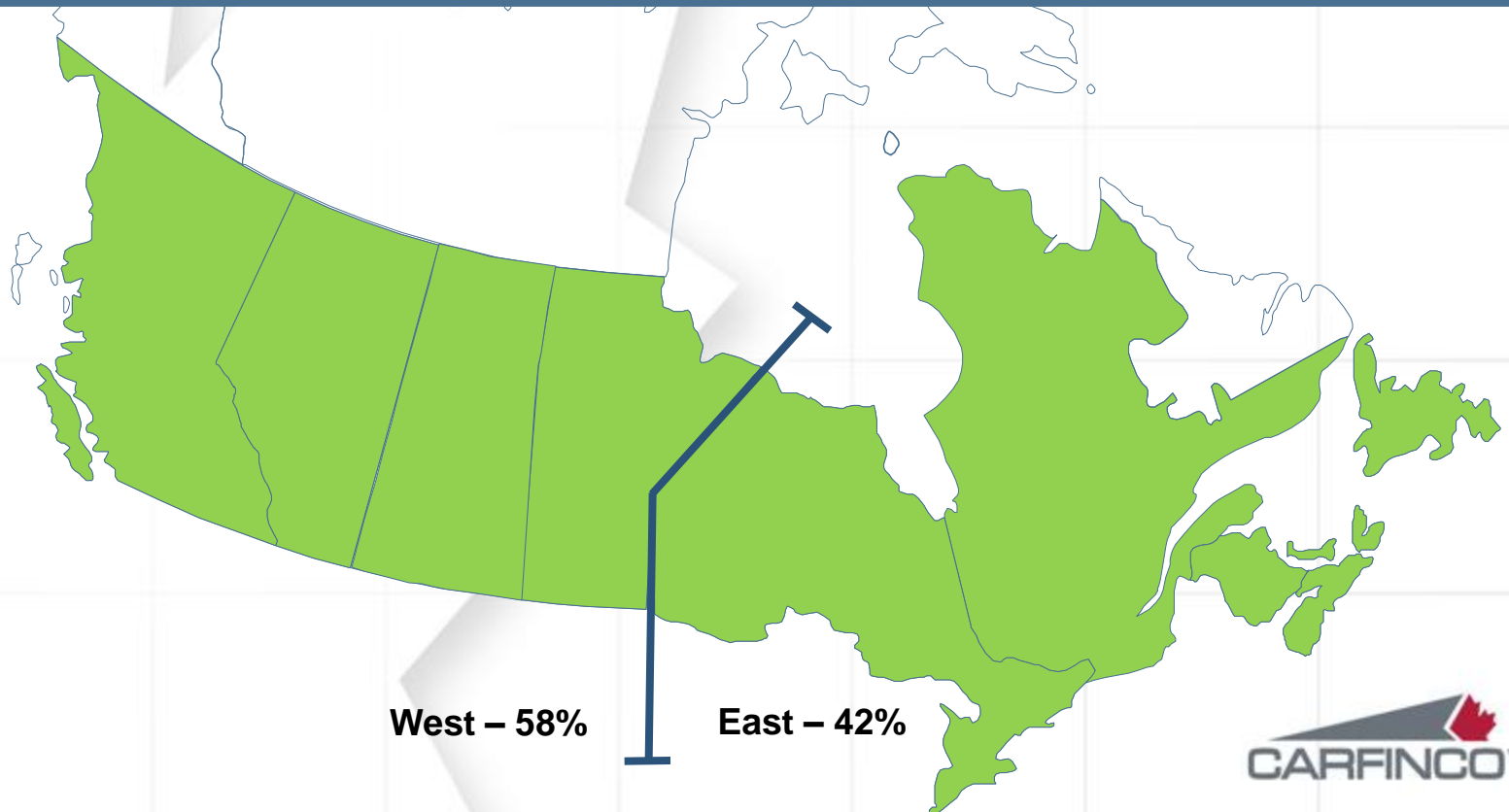
|                           |  |
|---------------------------|--|
| Banking Syndicate         | <ul style="list-style-type: none"> <li>• Bank of America, N.A.</li> <li>• Wells Fargo Financial Corporation Canada</li> <li>• Bank of Montreal</li> </ul>  |
| Facility Size             | <ul style="list-style-type: none"> <li>• \$130 million</li> </ul>  |
| Increase in Facility Size | <ul style="list-style-type: none"> <li>• Feb. 2008: Increased Facility from \$65mm to \$85 and added BMO to syndicate</li> <li>• Dec. 2008: Wells Fargo Financial Corporation Canada added to syndicate</li> <li>• June 2010: Increased facility from \$85mm to \$105mm</li> <li>• April 2011: Increased facility from \$105mm to \$130mm</li> </ul> |
| Maturity                  | <ul style="list-style-type: none"> <li>• June 30, 2013</li> </ul>  |
| Rate                      | <ul style="list-style-type: none"> <li>• Bankers' Acceptance Rate plus 3.25%</li> </ul>  |
| Leverage Ratio            | <ul style="list-style-type: none"> <li>• 3.50:1</li> </ul>   |

# Carfinco is...

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## GEOGRAPHICALLY DIVERSE

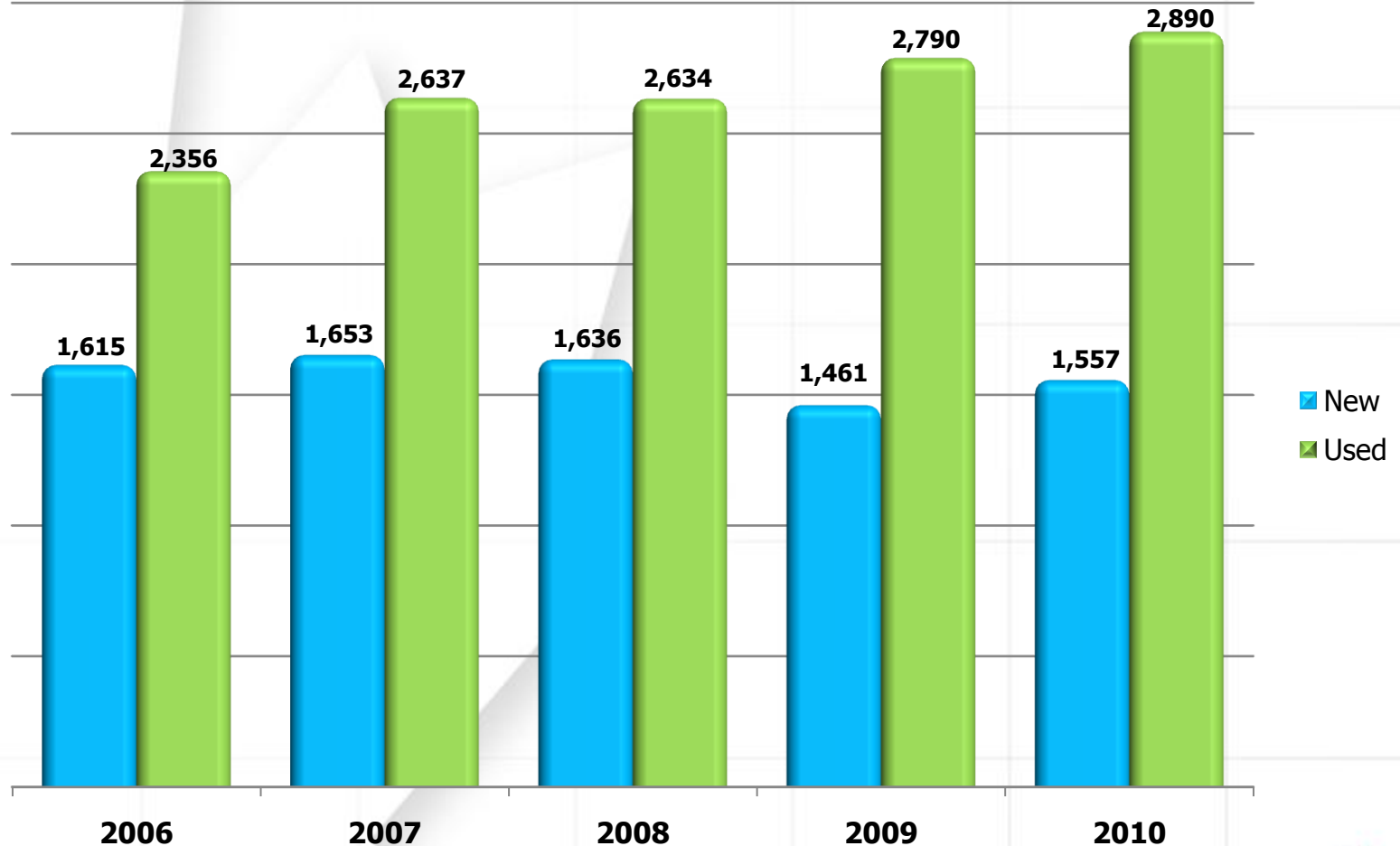
- 1997 founded in Alberta. 1,300+ dealers in 10 provinces
- 45% franchised dealers & 55% independent used car dealerships
- Geographically diverse portfolio - 58% West & 42% East



# Canadian Vehicle Market

## NEW AND USED VEHICLE SALES (000s OF UNITS)

Source: DesRosiers



- In 2010, there were 22.0 million cars and light trucks on Canadian roads. 81.4% were 4 years old or older.

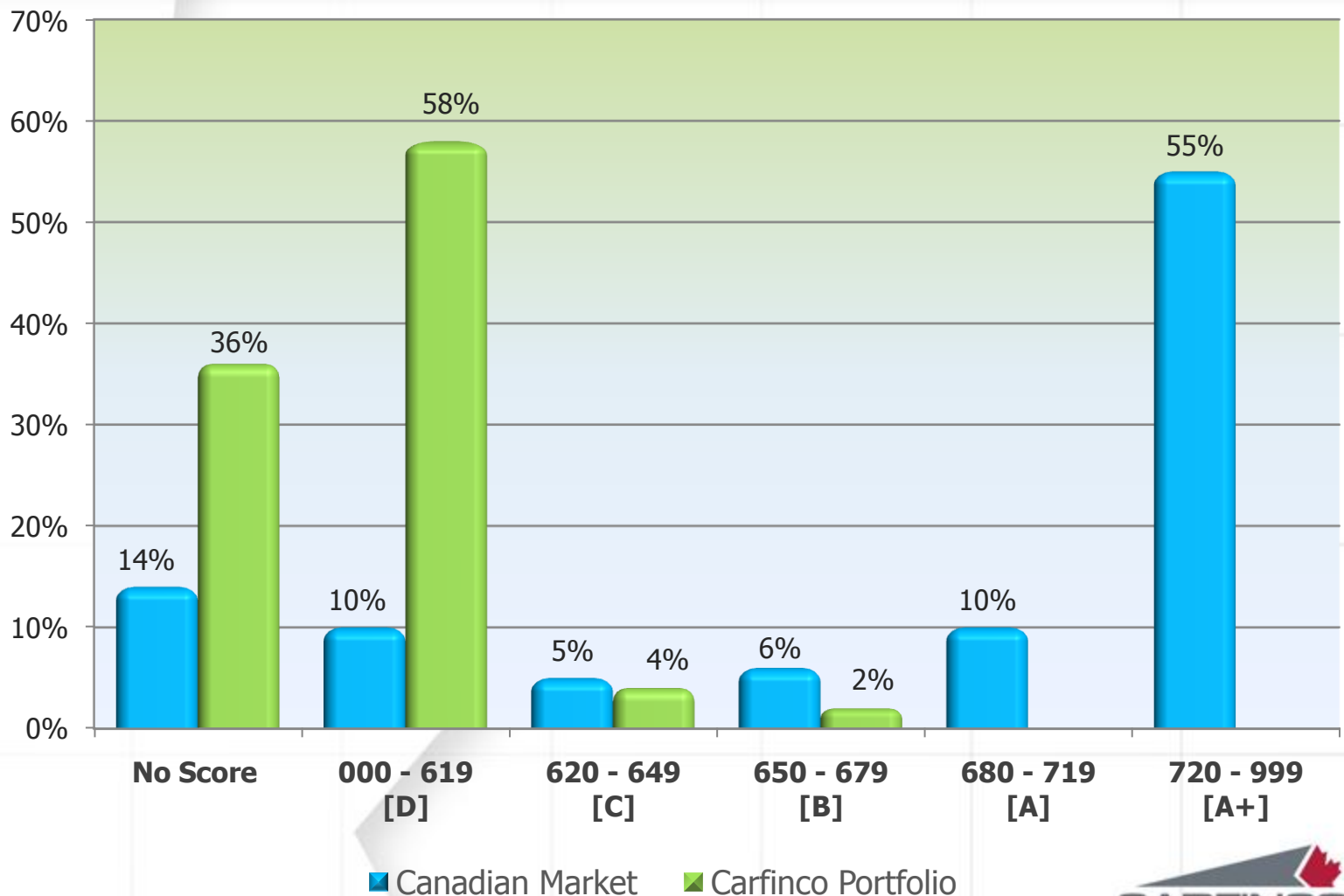
# Carfinco's Competitive Position



# Canadian Non-prime Market

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BEACON SCORE AS A % OF THE CANADIAN CREDIT MARKET



# Our Customers

- Average age: 37.8 years
- Average residency: 4.7 years
- Average job length: 4.0 years
- Average income: \$3,200/month



# Carfinco's Typical Car Loan

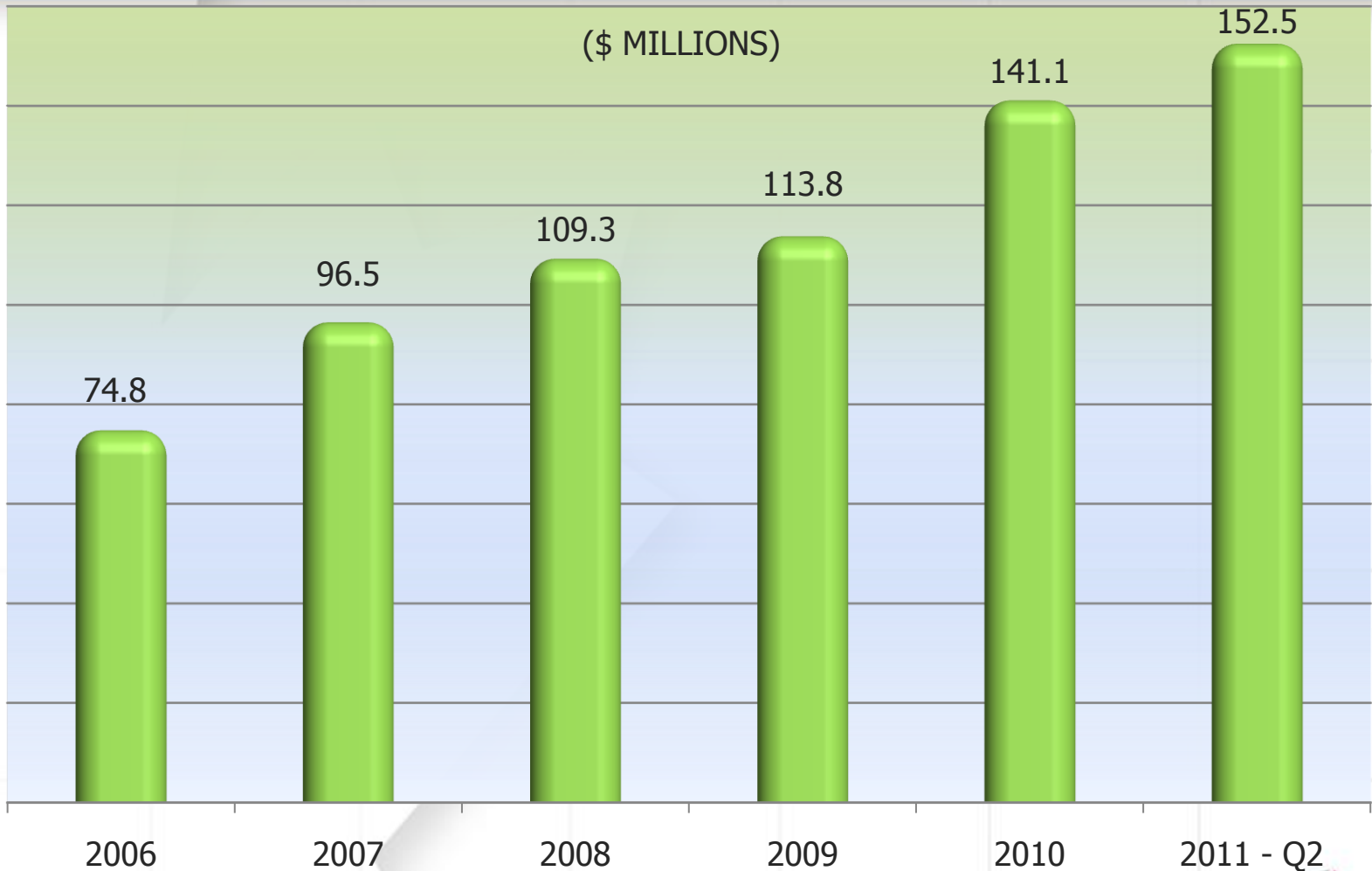
- Loan size: \$12,000
- Average term: 51.9 months
- Average payment: \$406
- Vehicle age: 4.6 years
- Interest rate: 29.5%
- Effective rate: 32.9%
- Administration fee: \$499



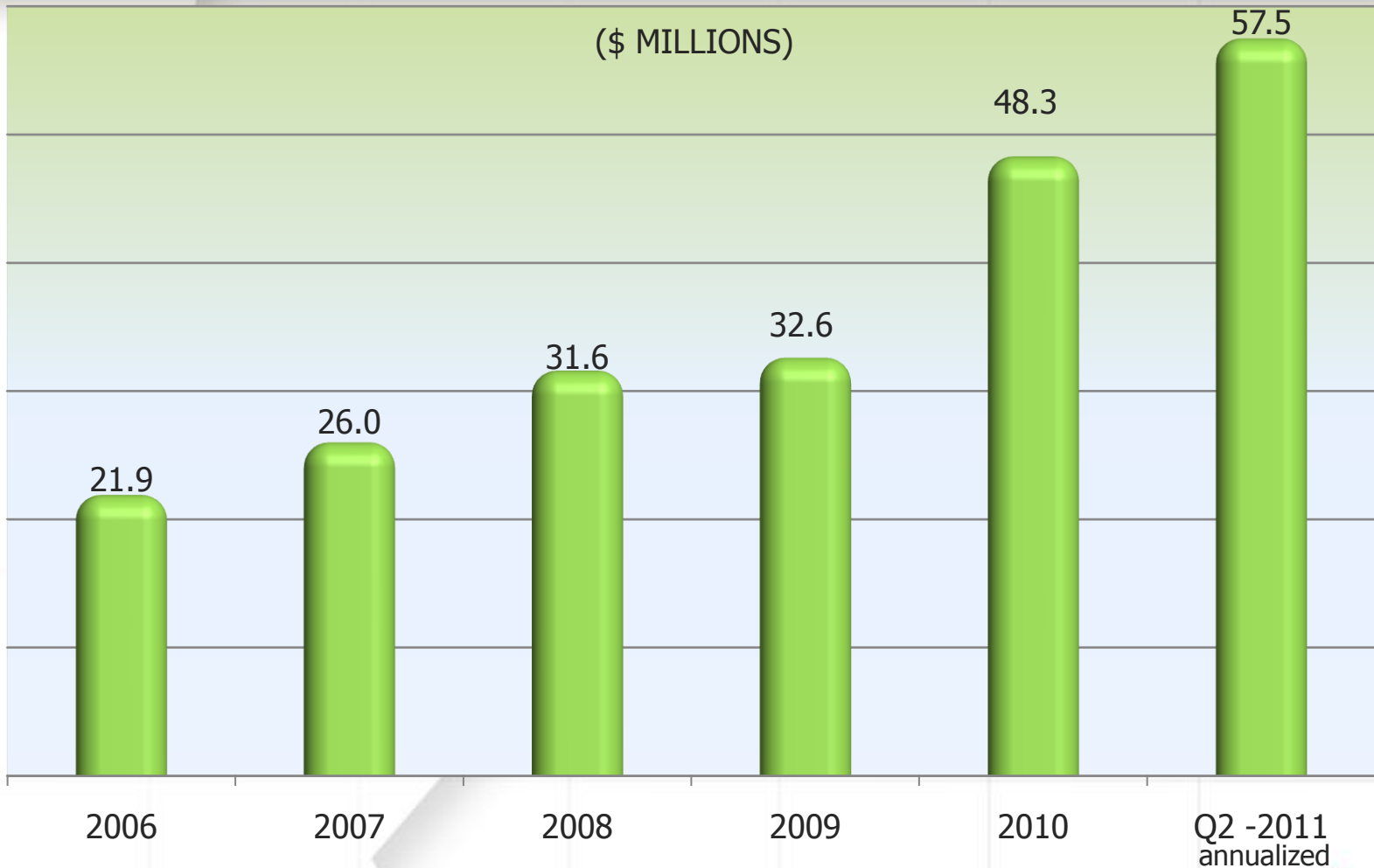
# Growing Loan Portfolio

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## PRINCIPAL OF FINANCE RECEIVABLES



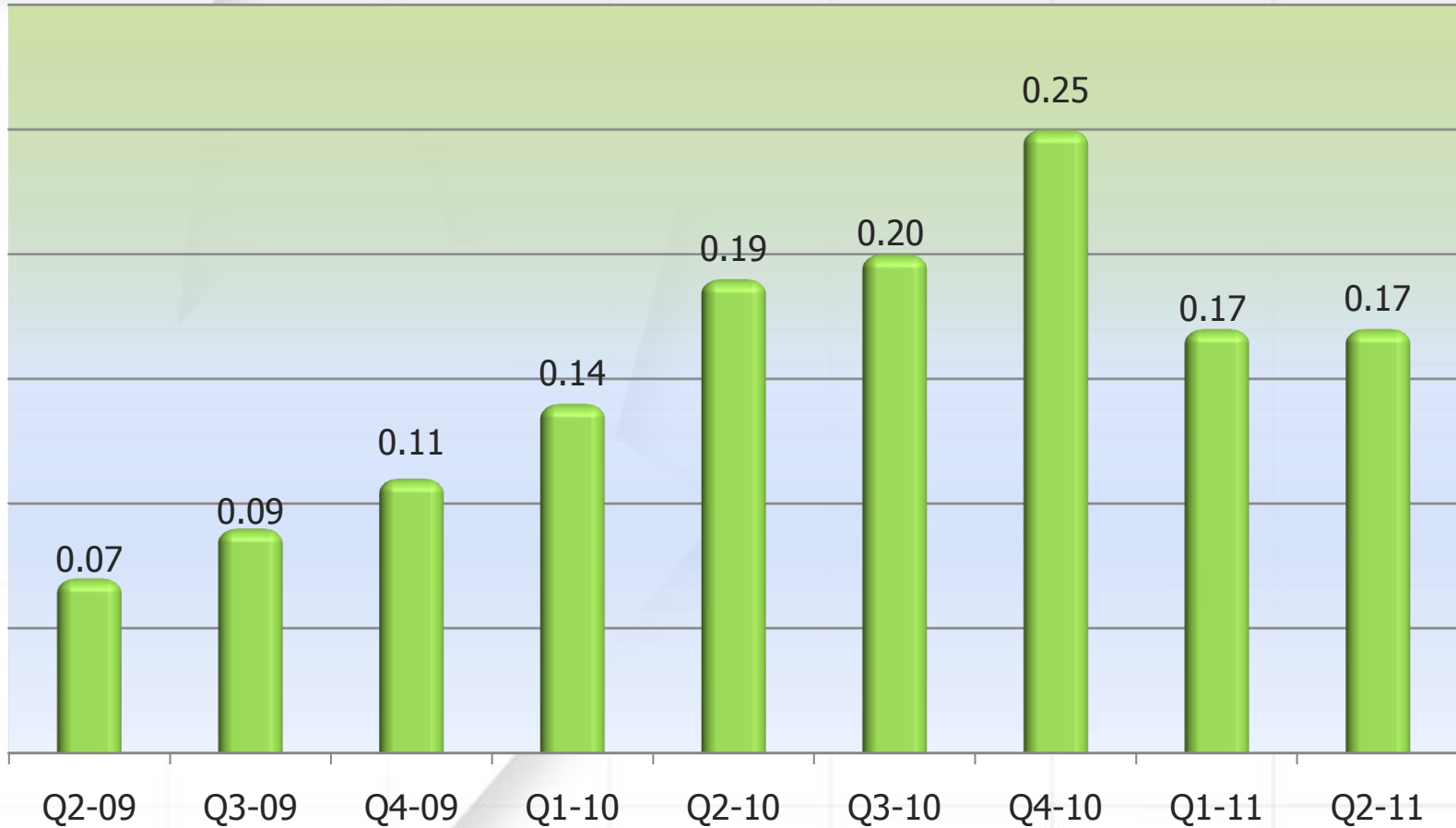
# Leads to... Growing Revenues



Prepared using IFRS ( Previous GAAP Revenues for 2010 were 37.9)

# Leads to... Earnings Per Unit

## QUARTERLY EARNINGS PER UNIT (dollars)



Note: 2011 numbers after tax and 2010 forward prepared under IFRS

# Impressive ROE

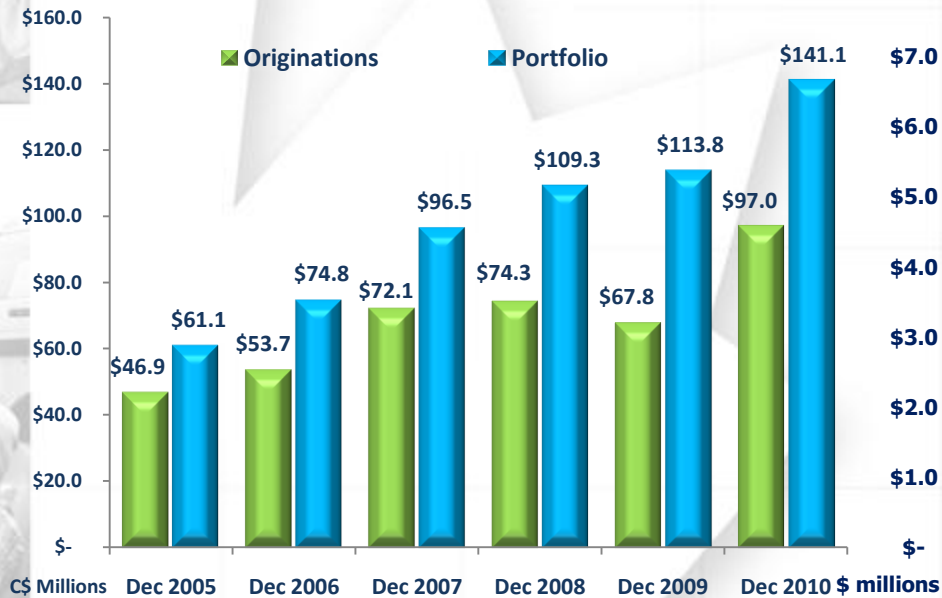
## RETURN ON UNITHOLDERS' EQUITY (PERCENTAGE)



H1- 2011  
After tax annualized

# Financial Summary

Origination & Portfolio Growth



Quarterly Pre-tax Net Income and ROE



Seven straight years of revenue and portfolio growth as well as nine straight quarters of record pre-tax earnings with pre-tax ROE in excess of 75%

# Capital Structure

## UNITS

- Issued:
  - Insiders: free-trading 6,752,869
  - Public: free-trading 17,859,027
- Total issued: 24,611,896
- Fully diluted: 24,645,230
- No unit option plan
- No warrants

# Leadership Team

- Management
  - Tracy Graf – President & CEO
  - Troy Graf – COO
  - Stephen Dykau – CFO
- Board of Trustees
  - Tracy Graf – President & CEO
  - David Prussky – Director, Patica Securities Ltd
  - David Rosenkrantz – Director, Patica Securities Ltd
  - J. Daryl MacLellan – Past President, CIT Canada
  - Brent Channell – Partner, Spartan Fund Management
  - Maurice Kagan – President, Sparkle Solutions Income Fund
  - Simon Serruya – Chief Operating Officer, Yogen Früz International Inc.

# Why Carfinco?

1. Consistent positive growth amidst economic volatility
2. Target a 20% annual increase in the finance receivable portfolio
3. Board of Trustees intends to maintain a minimum 3.0 cent per month cash distribution/dividend through 2011 and beyond
4. Nine consecutive quarters of record pre-tax net earnings
5. Large management and board ownership aligns the interest with shareholders



# Investor Presentation



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October 2011

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