Acquisition of Yes Car Credit
An excellent acquisition

> Good strategic fit
> Opportunity for leading position in attractive market
> Unique and attractive credit-led business model
> Excellent growth prospects
> Modestly earnings enhancing in 2003; increasingly thereafter
Principal terms of the transaction

- Purchase price: £53 million unconditional
- Management incentivised by earn-out
- Total earn-out capped at £88m
- 2003 acquisition multiple reduces as earn-out increases
- Funding - bank debt plus an equity placing of £50m
- Target capital structure achieved
Introduction to Yes Car Credit

Yes Car Credit – The business

> Founded in 1997
> £152.6m turnover for 2001
> Unique credit-led business model
> Integrated sub-prime car finance, car sales and insurance
> Sells & provides 4-year finance for cars, normally 3 - 5 years old
> Average vehicle sales price around £4,800
> Repayment by direct debit
Introduction to Yes Car Credit

Yes Car Credit’s growth record

Cars sold

- In-House Finance
- External Finance

<table>
<thead>
<tr>
<th>Year</th>
<th>In-House Finance</th>
<th>External Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>0</td>
<td>2500</td>
</tr>
<tr>
<td>1999</td>
<td>2500</td>
<td>5000</td>
</tr>
<tr>
<td>2000</td>
<td>5000</td>
<td>10000</td>
</tr>
<tr>
<td>2001</td>
<td>10000</td>
<td>20000</td>
</tr>
<tr>
<td>10 months</td>
<td>20000</td>
<td>25000</td>
</tr>
<tr>
<td>to Oct 2002</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Introduction to Yes Car Credit

Branch network & customer acquisition

> National TV advertising
> National press advertising
> Direct mail
> Internet
> Affinity partners
> Partial geographic coverage
Introduction to Yes Car Credit

Yes Car Credit sales process

- National advertising
- Contact with call centre
- Finance first, then select car
- Related insurances arranged
- High ratio of sales to appointments
Introduction to Yes Car Credit

Customer benefits

> Confidence of acceptance
> No complicated forms
> Quality car
> Insurance products to reduce risk
> Competitive APRs
Introduction to Yes Car Credit

Competitive advantages of the Yes Car Credit “integrated” model

> Control of customer acquisition
> Ownership of the customer relationship
> Captures all of the profit
> Direct control of quality of cars
## Yes Car Credit - financial summary

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Car unit sales</strong></td>
<td>12,718</td>
<td>24,049</td>
<td>26,276</td>
</tr>
<tr>
<td><strong>Finance contracts written</strong></td>
<td>8,356</td>
<td>16,035</td>
<td>19,592</td>
</tr>
<tr>
<td><strong>£m</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Turnover</strong></td>
<td>80</td>
<td>153</td>
<td>181</td>
</tr>
<tr>
<td><strong>Profit/(loss) before tax</strong></td>
<td>(3.1)</td>
<td>(1.6)</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Net receivables</strong></td>
<td>52</td>
<td>103</td>
<td>158</td>
</tr>
<tr>
<td><strong>Gross borrowing</strong></td>
<td>63</td>
<td>118</td>
<td>178</td>
</tr>
<tr>
<td><strong>Deferred revenue</strong></td>
<td>32</td>
<td>62</td>
<td>93</td>
</tr>
</tbody>
</table>
## Credit quality

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net receivables (£m)</td>
<td>52</td>
<td>103</td>
</tr>
<tr>
<td>Bad debt charge (£m)</td>
<td>7.1</td>
<td>12.9</td>
</tr>
<tr>
<td>% of receivables</td>
<td>13.6%</td>
<td>12.5%</td>
</tr>
<tr>
<td>% of turnover</td>
<td>8.9%</td>
<td>8.5%</td>
</tr>
</tbody>
</table>
## Unaudited balance sheet as at 31 October 2002

<table>
<thead>
<tr>
<th>Description</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>4</td>
</tr>
<tr>
<td>Vehicle stock</td>
<td>11</td>
</tr>
<tr>
<td>Gross receivables</td>
<td>265</td>
</tr>
<tr>
<td>Less: deferred revenue</td>
<td>(93)</td>
</tr>
<tr>
<td>Less: provision for bad debts</td>
<td>(14)</td>
</tr>
<tr>
<td>Net receivables</td>
<td>158</td>
</tr>
<tr>
<td>Other net current liabilities</td>
<td>(2)</td>
</tr>
<tr>
<td>Bank and other borrowings</td>
<td>(178)</td>
</tr>
<tr>
<td>Net liabilities</td>
<td>(7)</td>
</tr>
</tbody>
</table>
Growth prospects

**Sub-prime car finance market forecast to grow at 6% p.a**

Advances pa (through car dealers)

Sub-prime used cars £1.5bn

Predicted growth rate*: c.6% pa

*Datamonitor
Growth prospects

Compared to the USA, the UK sub-prime car finance market is relatively under developed

<table>
<thead>
<tr>
<th></th>
<th>UK Sub-prime</th>
<th>USA Sub-prime</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance penetration</td>
<td>48%</td>
<td>90%</td>
</tr>
<tr>
<td>Replacement frequency</td>
<td>3.4 years</td>
<td>3.0 years</td>
</tr>
<tr>
<td>Cars per household</td>
<td>0.75</td>
<td>1.25</td>
</tr>
</tbody>
</table>
Summary of key growth drivers for Yes Car Credit

- Market expected to grow by 6% per annum
- Greater access to funding
- Scope to expand branch network
- Increased in-house financing
- Increasing profits from deferred revenue release
An excellent acquisition for Provident Financial

> Good strategic fit
> Opportunity for leading position in attractive market
> Unique and attractive credit-led business model
> Excellent growth prospects
> Modestly earnings enhancing in 2003; increasingly thereafter
Financial information

Terms of the transaction

> £41 million payable to corporate vendors on completion
>
> £6 million payable to management on completion
>
> £6 million payable to management on 30 June 2004
>
> Management earn-out calculated as 2.58 times average 2002 and 2003 adjusted audited profit after tax, payable on 30 June 2004 (capped at £50 million)
>
> Institutional earn-out calculated at 6 times the excess of the average 2002 and 2003 adjusted audited profit after tax over £3.23m, payable on 30 June 2004 (capped at £38 million)
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