



**COMPANY PRESENTATION  
2005**

# RC&C FINANCE



- Who is RC&C Finance?
- Business Model
- Funding
- Base Analysis
- Relevant Statistics
- The Future



# RC&C FINANCE

- RC&C Finance is the in-house asset finance company for the Reunert group.
- We specialise in office equipment for corporate customers for Nashua, Panasonic Sietel and their franchises.
- Only Rental agreements are financed.
- We advance funds against against a fixed income stream.



# MISSION STATEMENT

“Working together, to create wealth, through innovative finance products, to maximise the rewards for all our partners in profit”



# BASE ANALYSIS

## ■ SPLIT BY CUSTOMER

◆ Nashua	87%
◆ Panasonic	8%
◆ Sietel	5%



# HISTORY

- Started in 1988 as “Barcep”
- 1993 Renamed “RC&C Finance”
- 1999 Relaunch with “Partners in Profit” and a new logo
- 2000 Introduction of Recourse and Credit Warranty



## HISTORY (Cont'd)

- 2001 Launch “Nashua Finance” and “Panasonic Finance” brands.
- 2002 Revolutionise the credit application form.
- 2003 Electronic credit vetting goes live
- Dec 2003 sale of R1,189million book to Standard Bank.

# CURRENT

- 2005 Implementation of ISO9004
- 2005 BBBEE Certification



# COMPETITION

- Union Finance (ABSA)
- Sasfin
- Merchant West
  - ◆ Approach end users directly
  - ◆ Offer Below prime blanket funding

# BUSINESS MODEL

- Deals administered on the Nashua AS400 system
  - ◆ Amortised
  - ◆ Billing
- Rentals collected from end users by franchises
- Franchise pays finance full amount at month end
- Franchise is liable to pay rental or repay balance of amount advanced
- Review function audits all franchise contracts twice a year

# BUSINESS MODEL – CREDIT

- Since 2003 Credit Vetting has been automated
- Applications faxed to a file server or emailed direct
- System automatically requests all applicable data
- System scores the application and rates it.

# BUSINESS MODEL – CREDIT

- Manual final sign off
- Benefits:
  - ◆ Improved & accurate turnaround times
  - ◆ Less paperwork
  - ◆ Guaranteed consistency
  - ◆ Higher policy standards maintained
  - ◆ Accurate performance reporting

# FUNDING

- Overnight Funds from Shareholders
- Fixed Rate deals backed by fixed funding
- Utilise Swaps to fix margin on fixed rate deals
- Swaps matched to the expected life of the deal

# FUNDING (Cont'd)

- Policy to cover 70% fixed business.
  - ◆ Equity and Swaps
  - ◆ Based on Repayment profile of book
- Policy is to fix margin and not speculate.
- Swaps are defined as Derivative financial instruments for accounting and subject to AC133 adjustments.

# FUNDING (Cont'd)

- The book is funded as follows
  - ◆ Equity 10%
  - ◆ Non interest bearing funding 5%
  - ◆ Shareholder banks 85%
- Banks facility currently R1.2billion
- Excess cash may be invested by Reunert

# BASE ANALYSIS (Cont'd)

- Approx' 10,000 End users
- Largest End user 1.5% of total base
- Top 50 End users = 21% of total base
- Top 50 Geographically spread throughout SA ( Mainly Gauteng)



# STATISTICS - CREDIT

- Credit Vet average 1,480 applications pm
- Approval ratio 69% (average)
- Discount average 1,656 contracts
- Turnaround times
  - ◆ Average 7h51
  - ◆ Existing Users 6h17
  - ◆ New Users 12h13

# BASE ANALYSIS

	Own Book	Sold Book	Total
Value (R'000s)	903,189	482,575	1,385,764
Average period to run	41months	21months	30months

# BASE ANALYSIS (Cont'd)

■ Fixed Rentals	82%
■ Linked to Prime Rentals	18%
■ Coverage of Fixed Deals	65%
◆ Equity Cover	12%
◆ Swaps	88%

# SALE OF BASE

- The book was sold in December 2003
- Reasons; The perception was that the assets and liabilities had too large an impact on the Reunert balance sheet
- Subsequent to the sale no material adjustments to the Reunert value were forthcoming.
- It is not the current intention to sell the base again in the near future.

# STATISTICS – RATIOS

	2001	2002	2003	2004
Return on Equity	41.5%	29.8%	4.5%	51.9%
Costs to Revenue	17.7%	15.5%	18.4%	9.1%
Return on Assets	3.7%	2.9%	0.0%	10.0%
Bad Debts	0.1%	0.5%	0.9%	0.0%

# THE FUTURE

- Buy out capitalised base of franchises.
- Finance of buildings for group operations.
- Offer long term payment options to group customers on large contracts.
  
- Growth to come from within the markets we know and can manage.



**THANK YOU**

