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# **IFS Capital Limited**

**Analysts Briefing**

**14 August 2009**



# **IFS Capital Limited**

**Half Year 2009 Results**

**Presentation**

**14 August 2009**





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"\$" means Singapore dollars unless otherwise indicated.  
IFS Capital Limited (Reg. No. 198700827C)



## Highlights

- **Consolidation of Thailand operations as subsidiaries w.e.f. 1 April 2009. Prior to 1 April 2009, the results of Thailand operations were equity accounted for as associated companies.**
- **Group continued to build up healthy net cash position of \$48.3 million as at 30 June 2009 resulting from strong cash flow from operating activities of \$56.8 million for 1<sup>st</sup> half 2009.**
- **Including consolidation of Thailand subsidiary, leverage & gearing ratios were at 2.2 times & 1.9 times respectively (31 Dec 08: leverage ratio at 2.0 times & gearing ratio at 1.7 times). Excluding the consolidation of Thailand subsidiary, leverage & gearing ratio would be 0.5 times lower to 1.7 times and 1.4 times respectively.**



## Highlights

- **Net asset value per share 90.3c vs. 88.5c as at 31 Dec 2008 after adjusting for the effects of Bonus Share on 6 May 2009 at 1 for 10 existing ordinary shares held.**
- **Sequential quarter on quarter basis, 2Q 2009's Group profit was up by 153% from \$0.8 million in 1Q 2009.**
- **2Q 2009's Group profit after tax decreased 26% to \$2.1 million vs 2Q 2008, mainly due to lower investment income & higher operating expenses.**



## Highlights

- **Group's profit for HY2009 was \$2.9 million, a decline of 52%, mainly due to lower investment income, higher impairment for loan losses and investments and net claims incurred, offset by higher interest income, lower operating expenses and recognition of negative goodwill of \$850,000 from the additional acquisition of the Thailand subsidiary.**
- **Group's total comprehensive income for HY2009 declined marginally by 3% to \$3.8 million due to improvements in fair value reserve of investments and foreign currency translation differences of regional subsidiaries.**



## Highlights

- **Net interest income (“NII”) increased by 7% despite decrease in business volume, due to consolidation of 3 month’s of Thailand subsidiary’s NII. Net interest margin increased from 3.9% to 5.1% in HY2009.**
- **Non-interest income declined 25% to \$4.5 million on the back of lower investment income attributable to non-recurring gains from disposal of some investments in the previous year and fair value loss on financial assets affected by global financial crisis.**
- **Group operating expenses decreased 11% to \$7.0 million as compared to \$7.9 million in HY2008. Excluding Thailand subsidiaries, operating expenses would have shown a decline of 20% to \$6.3 million.**



## Highlights

- **Set aside higher impairment for loan losses, investments and insurance claims of \$4.1 million.**
- **The Group's share of contributions from regional operations improved from \$1.2 million to \$1.4 million in HY2009.**
- **ECICS's contribution for HY2009 was marginally lower by 1% as compared to HY2008 due to lower business volume and net claims incurred vs reversal to income previously.**
- **Market showed signs of stabilisation, will cautiously expand business.**



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## **Business Model**

- **Commercial Finance**
- **Structured Finance**
- **Alternative Finance**
- **Credit Insurance & Guarantees**
- **Regional Operations - Indonesia, Malaysia & Thailand**



## Income Statement

(\$'000)

	HY 2009	HY 2008	+/( -) %
Net Interest Income	5,751	5,376	7.0
Net Earned Premium Revenue	3,286	3,286	-
Fee and Commission Income	3,108	3,419	(9.1)
Investment & Other Income	1,361	2,570	(47.0)
<b>Total Income</b>	<b>13,506</b>	<b>14,651</b>	<b>(7.8)</b>
Operating Expenses	(7,029)	(7,871)	(10.7)
<b>Operating Profit before Net Claims Incurred &amp; Allowances</b>	<b>6,477</b>	<b>6,780</b>	<b>(4.5)</b>
Net Claims (Incurred)/Reversal	(574)	791	(172.6)
Allowances for Loan Losses & Impairment of Investments	(3,532)	(1,918)	84.2
<b>Operating Profit after Allowances</b>	<b>2,371</b>	<b>5,653</b>	<b>(58.1)</b>
Negative Goodwill on Acq of a Subsidiary	850	-	NA
Share of after-tax Results of Associates	474	1,174	(59.6)
<b>Profit before Tax</b>	<b>3,695</b>	<b>6,827</b>	<b>(45.9)</b>
Tax	(775)	(764)	1.4
<b>Profit after Tax</b>	<b>2,920</b>	<b>6,063</b>	<b>(51.8)</b>



## Operating Expenses

	HY 2009		HY 2008		+ / (-) %
<i>(\$'000)</i>					
<b>Commission</b>	163	2.3	538	6.8	(69.7)
<b>Business Development</b>	322	4.6	538	6.8	(40.1)
<b>Staff Costs</b>	4,083	58.1	4,446	56.5	(8.2)
<b>General &amp; Administration</b>	2,461	35.0	2,349	29.9	4.8
<b>Total</b>	<b>7,029</b>	100.0	<b>7,871</b>	100.0	<b>(10.7)</b>
<b>Cost-to-Income Ratio</b>	<b>50.7%</b>		<b>51.4%</b>		<b>(1.4)</b>



## Contribution by Company

	<b>HY 2009</b>	<b>Contr %</b>	<b>HY 2008</b>	<b>Contr %</b>
<i>(\$'000)</i>				
<b><u>Singapore</u></b>				
<b>IFS' Contribution (after eliminating intragroup transactions)</b>	<b>(947)</b>	<b>(32.4)</b>	<b>2,326</b>	<b>38.4</b>
<b>ECICS' Contribution</b>	<b>2,474</b>	<b>84.7</b>	<b>2,509</b>	<b>41.4</b>
<b><u>Overseas</u></b>				
<b>Indonesia, M'sia &amp; Thailand</b>	<b>1,378</b>	<b>47.2</b>	<b>1,228</b>	<b>20.2</b>
<b>Minority Interests</b>	<b>15</b>	<b>0.5</b>	<b>-</b>	<b>NA</b>
<b>Group Profit after Tax</b>	<b>2,920</b>	<b>100.0</b>	<b>6,063</b>	<b>100.0</b>



## Key Financial Ratios

	<b>HY 2009</b>	<b>HY 2008</b>	<b>+/(-) %</b>	<b>FY 2008</b>
<b>Return on Equity - After Tax (%)</b>	<b>2.4</b>	4.9	(51.0)	6.5
<b>Net Interest Margin (%)</b>	<b>5.1</b>	3.9	30.8	3.5
<b>Cost Income Ratio (%)</b>				
- Including IFST	<b>50.7</b>	51.4	(1.4)	55.6
- Excluding IFST	<b>52.0</b>	51.4	1.2	55.6
<b>Return on Total Assets (%)</b>	<b>0.7</b>	1.5	(53.3)	2.2
<b>Earnings per Share (cts)*</b>	<b>2.1</b>	4.4	(52.3)	5.9
<b>Net Asset Value per Share (cts)*</b>	<b>90.3</b>	90.5	(0.2)	88.5
<b>Leverage (times)</b>				
- Including IFST	<b>2.2</b>	2.2	-	2.0
- Excluding IFST	<b>1.7</b>	2.2	(22.7)	2.0
<b>Gearing (times)</b>				
- Including IFST	<b>1.9</b>	1.8	5.6	1.7
- Excluding IFST	<b>1.4</b>	1.8	(22.2)	1.7

\* Adjusted BI 1 for 10 on 6 May 2009



## Regional Operations – Indonesia, Malaysia & Thailand (Group's share)

(\$'000)

	HY* 2009	HY 2008	+/(-) %
Net Interest Income	2,080	665	212.8
Non-Interest Income	831	434	91.5
Operating Expenses	(1,592)	(843)	88.8
<b>Operating Profit before Allowances</b>	<b>1,319</b>	<b>256</b>	<b>415.2</b>
<b>Allowances for Loan Losses</b>	<b>(8)</b>	<b>(171)</b>	<b>(95.3)</b>
<b>Profit before Tax</b>	<b>1,311</b>	<b>85</b>	<b>NM</b>
<b>Share of after-tax Results of Associates</b>	<b>474</b>	<b>1,174</b>	<b>(59.6)</b>
<b>Tax</b>	<b>(407)</b>	<b>(31)</b>	<b>NM</b>
<b>Profit after Tax</b>	<b>1,378</b>	<b>1,228</b>	<b>12.2</b>

NM : Not meaningful

\* Included the consolidation of the Thailand subsidiaries' results from 1 April 2009  
(Prior 1 April, equity accounting as assoc co)



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## **Regional Operations (cont'd)**

### **- Indonesia, Malaysia & Thailand**

#### **Indonesia**

- **Posted better 1<sup>st</sup> half 2009 results as compared to the corresponding period last year.**
- **Factoring business expected to grow in line with market acceptance & wider market penetration, primarily in serving the SME's growing portfolio.**

#### **Malaysia**

- **1<sup>st</sup> half 2009 result was a small loss.**
- **Business outlook remains competitive and challenging.**



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## **Regional Operations (cont'd)**

### **- Indonesia, Malaysia & Thailand**

#### **Thailand**

- **W.e.f. April 2009, Thailand operations were consolidated as subsidiaries.**
- **Performance for 1<sup>st</sup> half 2009 was satisfactory despite the drop in business volume due to the global economic meltdown.**
- **Thailand operations are expected to continue to perform well.**



## ECICS Limited

(\$'000)

**Net Earned Premium Revenue**  
**Fee and Investment Income**  
**Claims (Incurred) / Reversal**  
**Operating Expenses**  
**Operating Profit before Allowances**  
**Allowances for Ins. Receivables**  
**Profit before Tax**  
**Tax**  
**Profit after Tax**

<b>HY</b>	<b>HY</b>	<b>+ / (-)</b>
<b>2009</b>	<b>2008</b>	<b>%</b>
<b>3,286</b>	3,286	-
<b>1,650</b>	1,101	49.9
<b>(574)</b>	791	(172.6)
<b>(1,429)</b>	(2,040)	(30.0)
<b>2,933</b>	3,138	(6.5)
<b>(12)</b>	(93)	(87.1)
<b>2,921</b>	3,045	(4.1)
<b>(447)</b>	(536)	(16.6)
<b>2,474</b>	2,509	(1.4)



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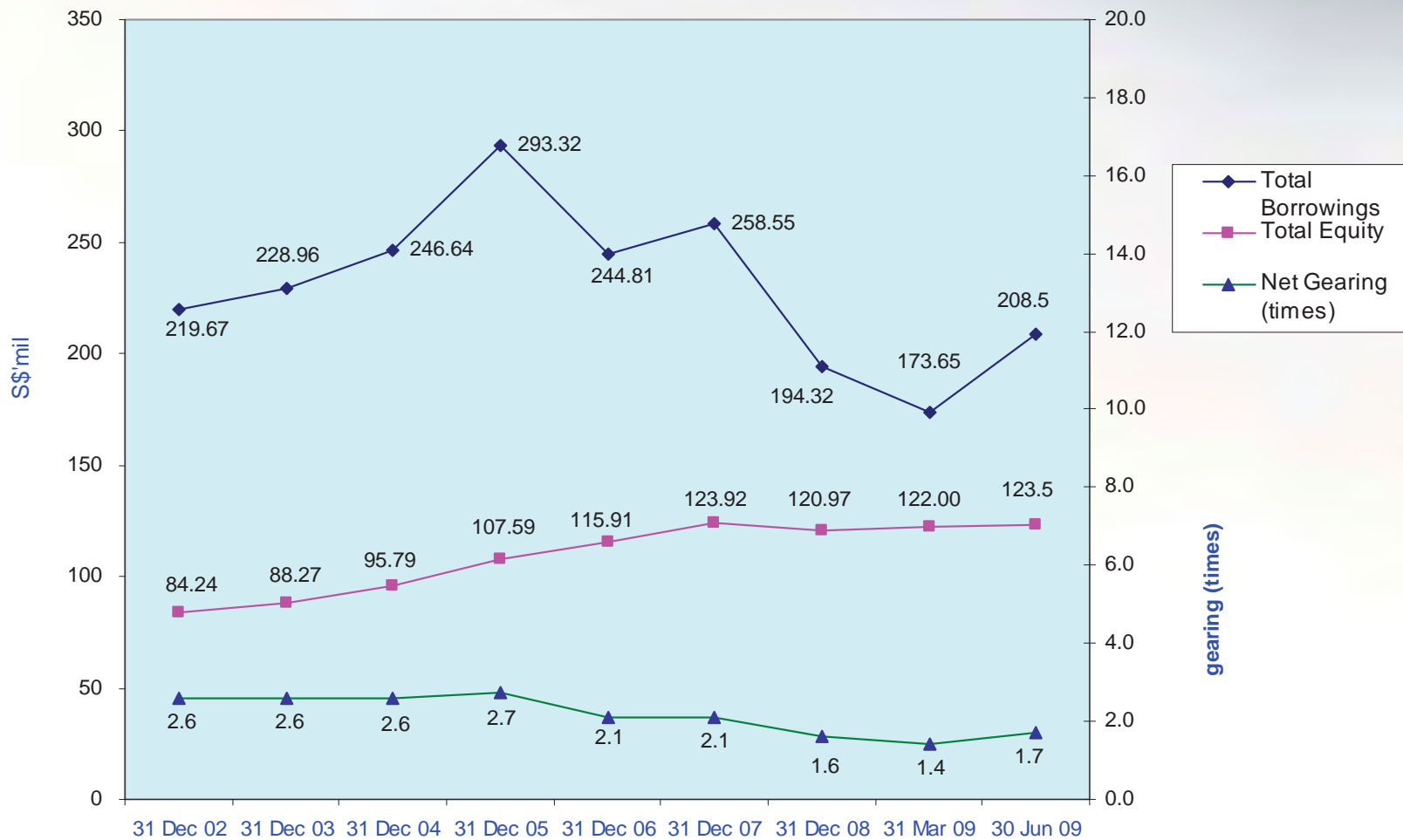


## **ECICS Limited**

- **Well capitalized. CAR ratio above the regulatory requirement of 120%.**
- **Loss ratio for ECICS remained well below industry comparables.**

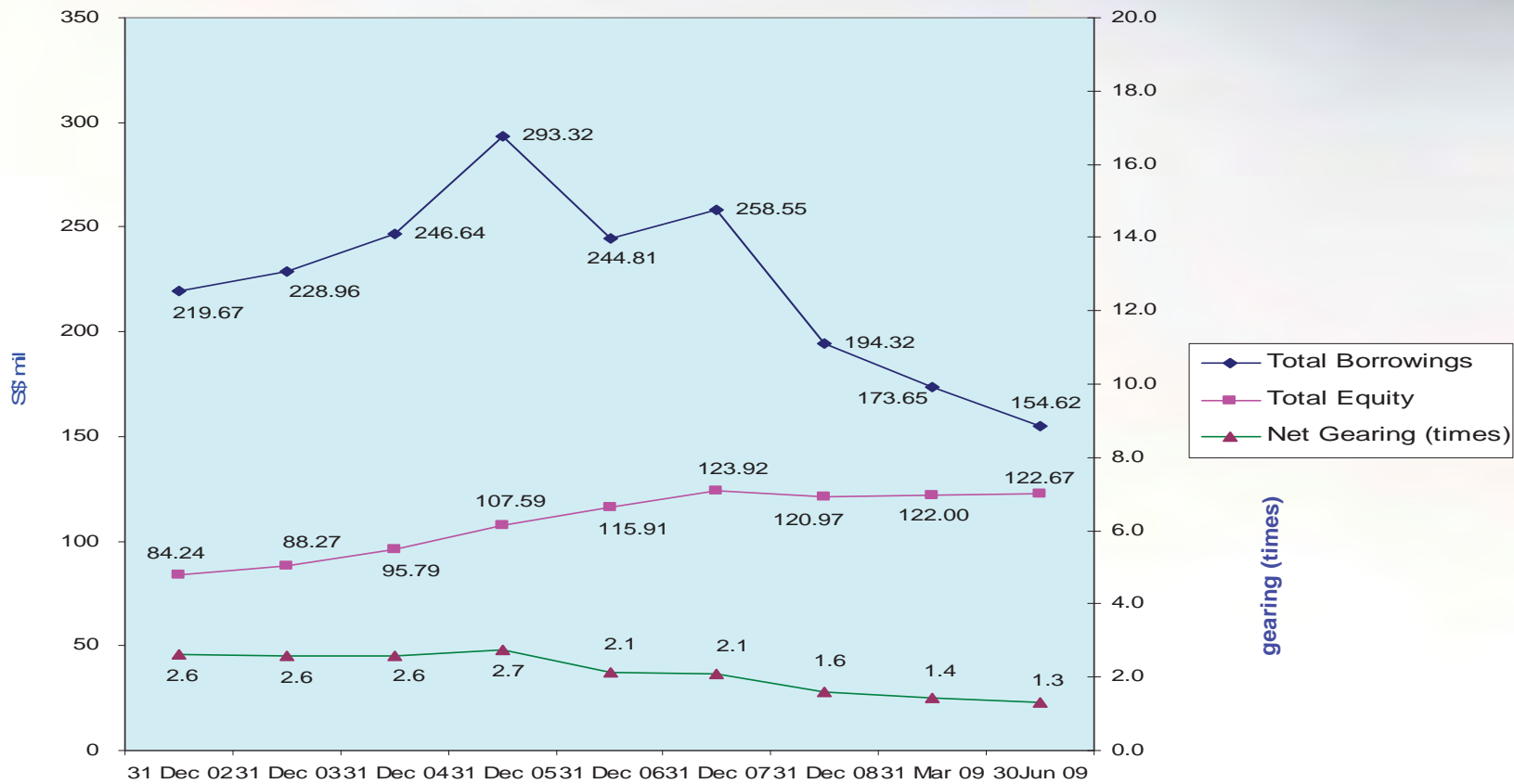


### IFS Group Borrowings, Equity and Gearing [Incl. IFST as at 30 June 09] (net of cash held for IFS excl. ECICS)





### IFS Group Borrowings, Equity and Gearing [Excl. IFST as at 30 June 09] (net of cash held for IFS excl. ECICS)





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## Q & A