



**PROVIDENT
FINANCIAL**

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

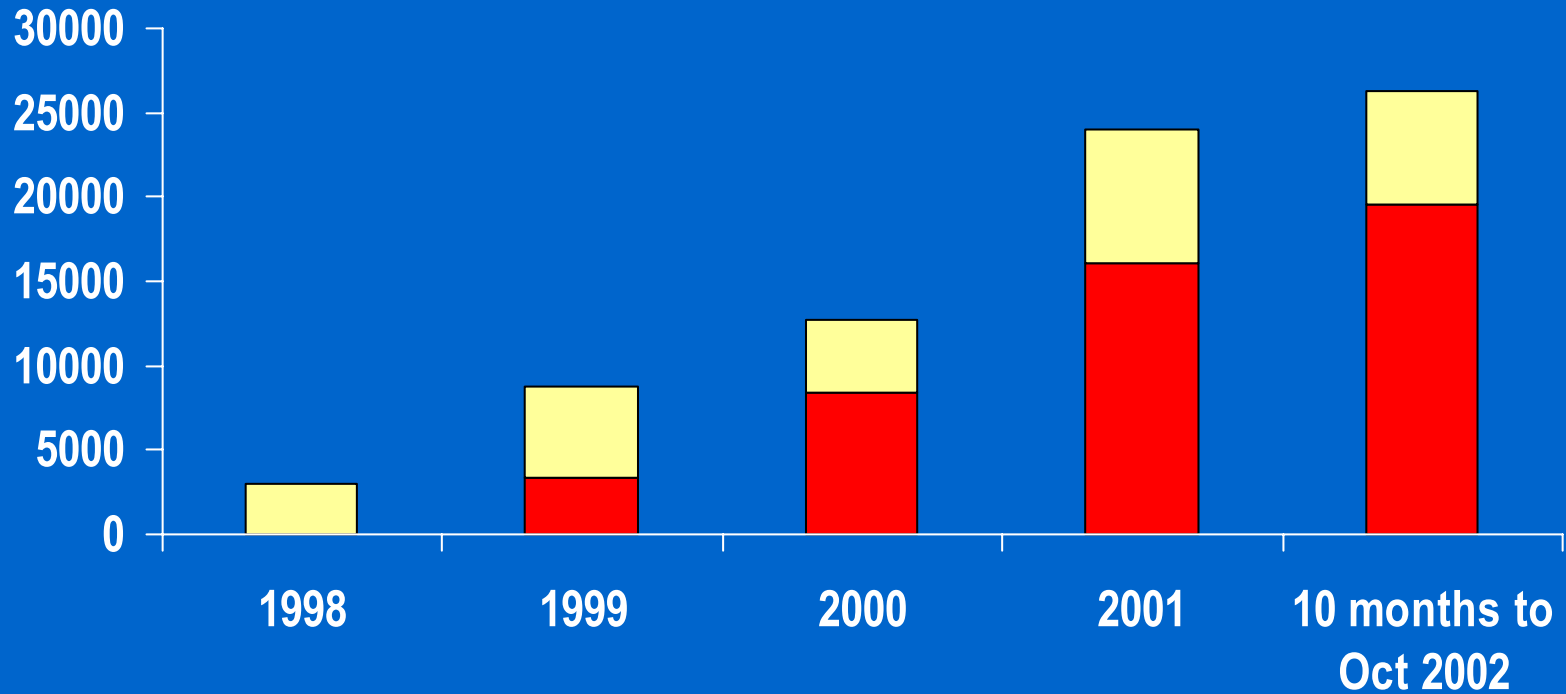
Yes Car Credit – The business

- > 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

Yes Car Credit's growth record

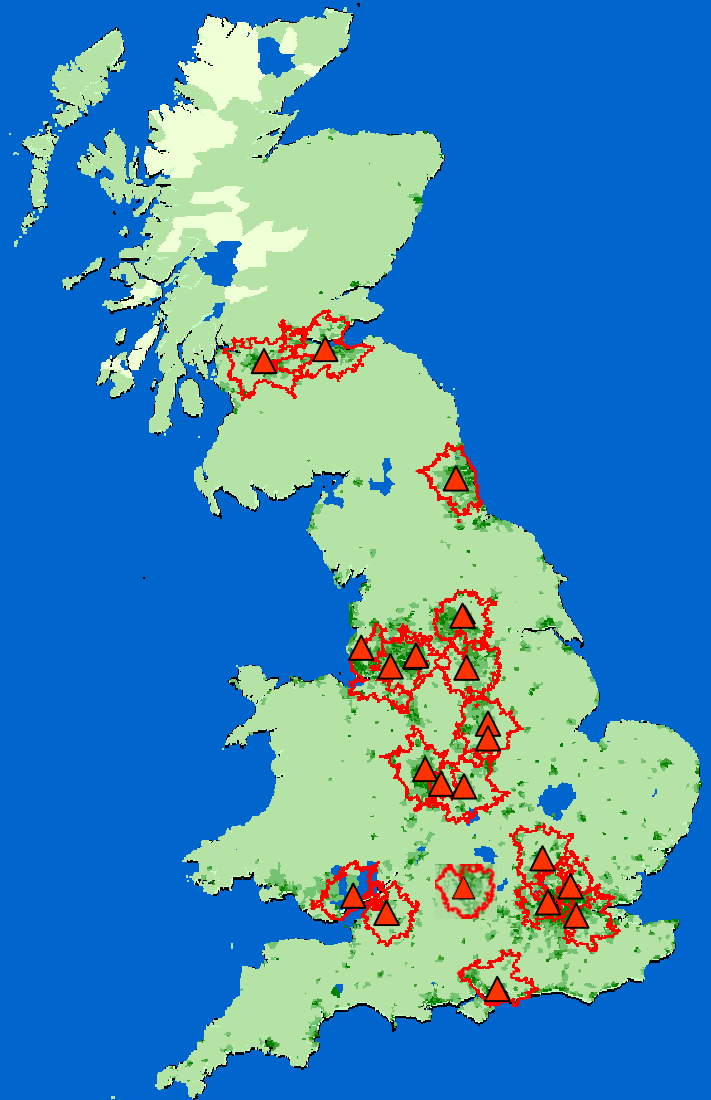
Cars sold

■ In-House Finance **■ External Finance**



Branch network & customer acquisition

- > National TV advertising
- > National press advertising
- > Direct mail
- > Internet
- > Affinity partners
- > Partial geographic coverage



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

Customer benefits

- > Confidence of acceptance
- > No complicated forms
- > Quality car
- > Insurance products to reduce risk
- > Competitive APRs

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

| | 2000 | 2001 | PRO FORMA 2002 10 months to Oct. |
|---------------------------|--------|--------|--|
| Car unit sales | 12,718 | 24,049 | 26,276 |
| Finance contracts written | 8,356 | 16,035 | 19,592 |
| £m | | | |
| Turnover | 80 | 153 | 181 |
| Profit/(loss) before tax | (3.1) | (1.6) | 4.0 |
| Net receivables | 52 | 103 | 158 |
| Gross borrowing | 63 | 118 | 178 |
| Deferred revenue | 32 | 62 | 93 |

Credit quality

| | 2000 | 2001 |
|----------------------|-------|-------|
| Net receivables (£m) | 52 | 103 |
| Bad debt charge (£m) | 7.1 | 12.9 |
| % of receivables | 13.6% | 12.5% |
| % of turnover | 8.9% | 8.5% |

Financial information

Unaudited balance sheet as at 31 October 2002

| | £m | £m |
|-------------------------------|-------------|-------------------|
| Fixed assets | | 4 |
| Vehicle stock | | 11 |
| Gross receivables | 265 | |
| Less: deferred revenue | (93) | |
| Less: provision for bad debts | <u>(14)</u> | |
| Net receivables | | 158 |
| Other net current liabilities | | (2) |
| Bank and other borrowings | | <u>(178)</u> |
| Net liabilities | | <u><u>(7)</u></u> |

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

| | UK Sub-prime | USA Sub-prime |
|-----------------------|-----------------|------------------|
| Finance penetration | 48% | 90% |
| Replacement frequency | 3.4 years | 3.0 years |
| Cars per household | 0.75 | 1.25 |

Growth prospects

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

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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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