

Sector

Financing: Micro-loans

Location

Ireland

Established

2007

Raising

€6,500,000

EIS Approved?

N/A

Equity Offered

30%

Minimum Investment

€100,000

Pre-Money Valuation

€15,166,666m

Target IPO/Exit

2010

Website

www.rtffinance.com

(in Finnish only)

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Why we chose RTF Finance:

USP	****	Unique, IBAN compatible, software
Management	*****	Proven track record in IT and finance industry
Exit	****	IPO or trade sale in 2011
Scalability	*****	Very scalable with Scandinavian countries ready for rollout
Valuation	****	Realistic valuation with promising upside for the investor
Revenue	*****	Rapidly growing revenues with strong profitability

Introduction

RTF Finance is an Irish holding company, which operates in SMS, micro-loan, lending market. The company has been operating in the Finnish market since September 2007.

The opportunity was to gain a significant market share of Finland's SMS lending business utilising a highly automated proprietary back-end information system to keep the operating costs at a minimum.

Initial results exceeded all expectations with the company reaching profitability from month one, and significant inroads being achieved into the marketplace within Finland.

The Market

The whole SMS lending business area is new, with the first companies established in Finland in 2005. With advances in technology it has now become commercially viable to offer small loans, and RTF is taking the automation a step further by eliminating human involvement at the back end, i.e. credit checks, verification of address etc, thereby reducing process times and bad debt risks.

Growth of the SMS lending business and how it has been received in the consumer market in Scandinavia and the Baltic regions indicate that a service of this kind is in demand. Statistics indicate that most of the loans applications are made during office hours, indicating that the need for immediate cash funds is a matter of convenience. Also operating from 8 am to 8 pm has reduced bad debts associated with 'out of hours' lending experienced by the business in early trials.

RTF Finance has identified another 3 countries for initial roll out in addition to its operations in Finland:

Sweden

Although probably the most developed after Finland in terms of the SMS lending business population size and proximity to Finland (shared resources) makes this the ideal country to kick start the expansion drive

Norway

First competitors have entered the market, and lending laws are more onerous than in other countries, but once approval has been achieved it is considered to be a very good opportunity

Denmark

Details on the competition regulation is yet to be confirmed but it is not estimated to be significantly different from those of the other Baltic and Scandinavian countries.

Competitors

Mobile Credit Baltic Plc (AIM:MCRB.L)

Provider of immediate short term credit to consumers in Estonia, Latvia, Lithuania and Finland. MCB is focused on bigger web-based loans, but has recently entered the SMS micro-loan market.

Other Finnish Competitors

Luotto Talo Fenno Oy

Monetti

Ferratum

OPR Vakuus

Swedish competitors

Folkia

SMS Finans

Mobillån

Kundfinans



RTF differentiates itself from the competition with speed and commoditisation of the service. In the background the companies proprietary software system enables it to process loan applications faster and more reliably with a typical turnaround time (request to deposit in bank account) of 5 minutes.

Sales

Revenue is generated from two sources:

Premium SMS

Loan applications are made via SMS costing the customer €1.90 (of which €1.30 feeds through to RTF). In order to accept an approved loan another confirmation SMS is required resulting in an additional €1.30 revenue to the company for successful applicants. It is estimated that SMS related revenue will be sufficient to cover company overheads.

Fee Income

The typical fee for a 14 day loan is as follows:

<i>Loan Amount</i>	<i>Fee</i>
€50	€16
€100	€20
€150	€30
€200	€40
€250	€50
€300	€60

Most popular loan is €100 with a 14 day payback and an average 3% bad debt rate.

Overheads run at approximately €33,000 per office (country) and each new venture is expected to be profitable from the outset.

Revenue is strongly correlated to the available loan base, as demand is so robust that the access to credit is often the biggest obstacle to growth. To this end management has managed to secure a €2m facility, on a matched basis, with Danske Bank that could potentially be increased to €10m.

Key Management

Juha Kiikeri - CEO & Chairman of the Board - is the CEO and Executive Director of Mobile Gaming Solutions Plc. He has strong investment banking and venture capital background. Juha has also worked 20 years in various positions in technology companies.

Tuomo Mäki - Chief Operating Officer - has been working within the IT environment for 10 years. He was a founder of Nermill Oy which later joined Adcore. Tuomo was a member of the international management group of Adcore which consisted of more than 2000 IT professionals in 13 countries.

Sami Kuusisto - Business Development Director - has worked for 10 years in real estate business development. During the last six years he has been working in ICT— company business development as a strategic advisor in Finland, Russia and other European countries.

Investment Opportunity

The current Finnish operation is run through an Estonian 'off-shore' structure where tax rules have changed, and the operating assets will therefore be transferred to the Irish holding structure. To this end the new head office will be located in Ireland with each additional country rollout forming a new subsidiary to the group.

The proposal requires a €500,000 immediate investment together with a €6m over the next 12 months. This is for working capital purposes, and will need to be provided to coincide with initiating operations in each of the three Scandinavian countries.

This will achieve a 30% equity stake in the company, although there is some scope for financial engineering in order to facilitate other funding structures.

The exit is planned via a listing on AIM once a presence in at least 4 countries has been established. Management has already started detailed investigations into additional follow on markets.

For a full business plan please contact Tom Kristensen on 020 7382 4568 or email tomk@pre-x.com

€m	12/08E	12/09E	12/10E
Turnover	1.60	9.84	17.92
PBT	0.68	3.92	8.65
PBT %	42.5%	39.8%	48.3%

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