



Hitachi Capital (UK) PLC Issuing Dim Sum

ACT Annual Conference 2018

What is it?

The bond gave us CNH funding (offshore Renminbi),
which we swapped into GBP.

Less regulation/requirements than Panda Bonds.



Hitachi Capital (UK) PLC

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CNH500 million

4.500% Fixed Rate Notes
due October 2020
Arranger &
Sole Lead Manager

Standard Chartered 

November 2017

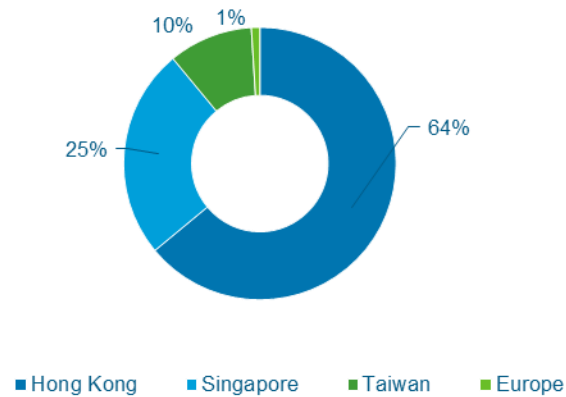
We had to receive quotes from some counterparties – to give pricing tension but not too many

Call at 3AM to keep refreshing prices

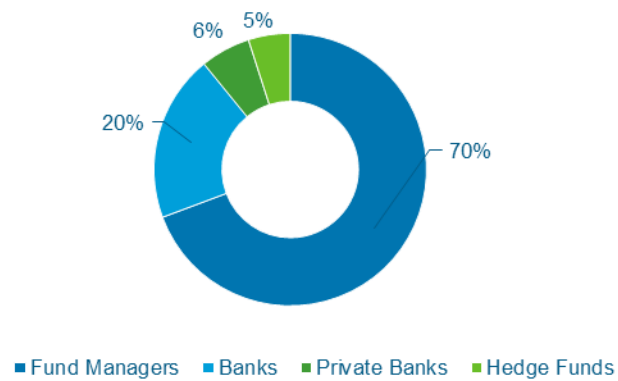


Who bought the note?

Investors by Geography



Investors by Type



Why did it work? (1)

We issued a Formosa Bond (Taiwan) previously



‘The Panda ate the Dim Sum’



Why did it work? (3)

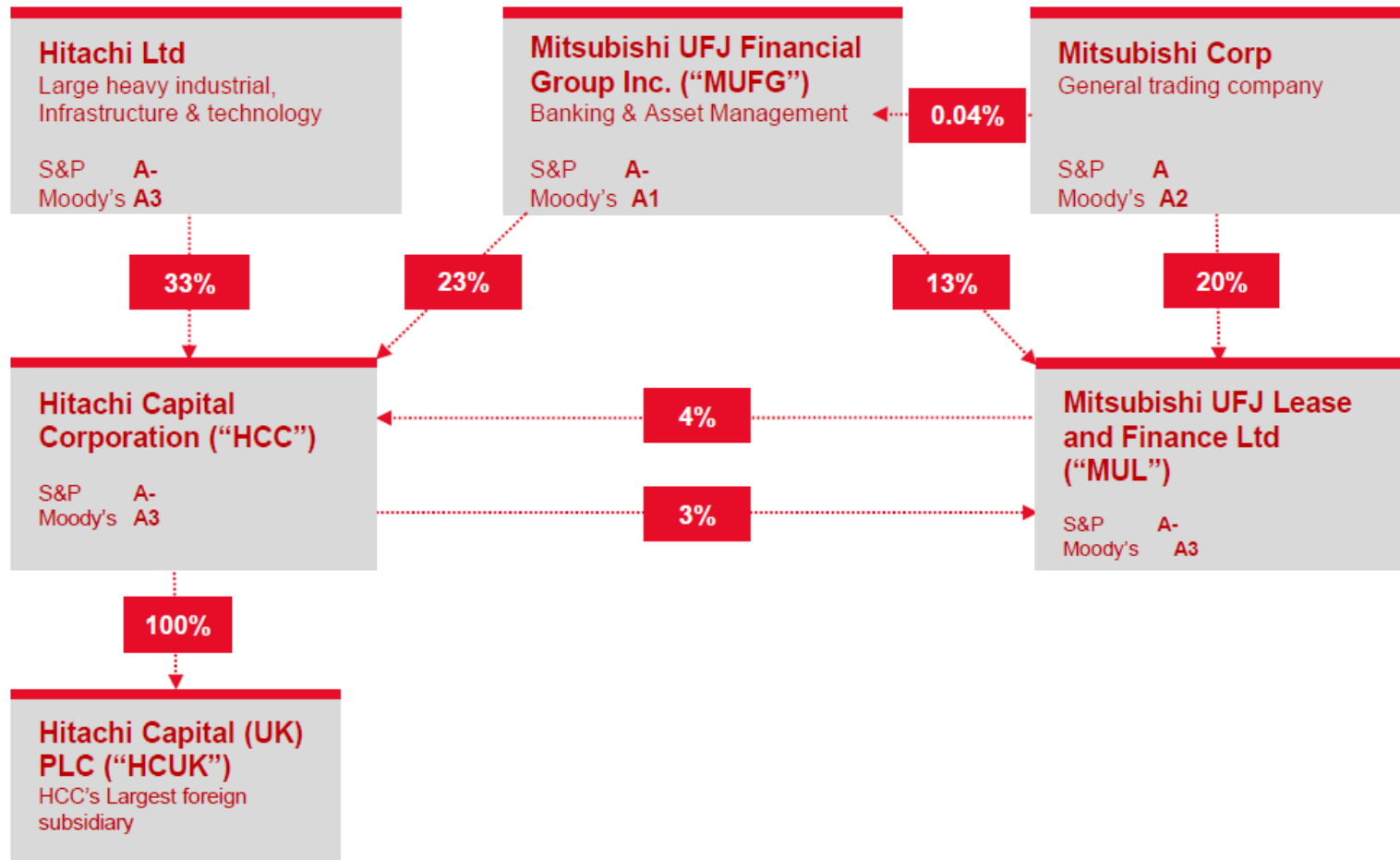
‘The Panda ate the Dim Sum’ . . . but not the cross currency swap



We spoke to the people that know them



What did you tell investors – who owns whom?



What did you tell investors – who are you?

We operate in four sectors:



Consumer Finance

- Hitachi Capital Consumer Finance ("HCCF") is the UK's leading retail point of sale finance provider, with a significant presence also in the motor finance and personal loans sectors



Business Finance

- Hitachi Capital Business Finance ("HCBF") is a leading provider of business asset finance to SMEs for products like industrial equipment, including funding a variety of Hitachi Ltd products and services



Vehicle Solutions

- Hitachi Capital Vehicle Solutions ("HCVS") has more than 25 years' experience of providing bespoke vehicle funding and fleet management services for business car leasing, specialist commercial vehicles and personal contract hire



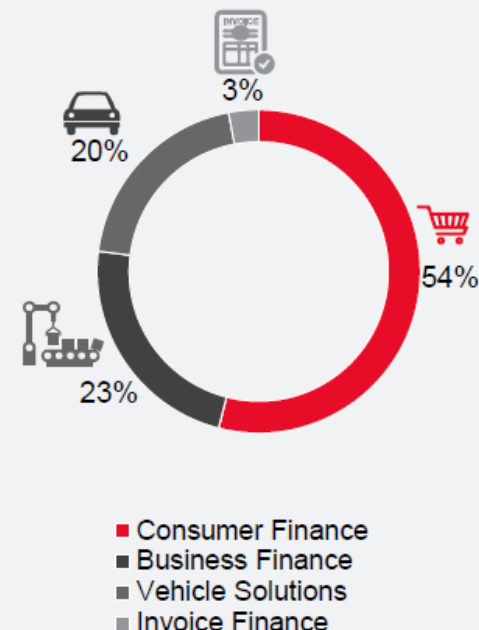
Invoice Finance

- Hitachi Capital Invoice Finance ("HCIF") provides cash flow solutions across a wide range of sectors to UK SMEs

*For further detail on Invoice Finance please see the appendices

HCUK Business Assets *
£4,265m at March 2017

Assets by Division



* Business Assets = Operating leases + Customer Accounts + Trade Debtors

HCUK is regulated by The Financial Conduct Authority (FCA) to provide regulated products and services to consumers



The FCA regulation regulates HCUK giving greater assurance that HCUK will act in the right way. We are regulated in the following areas:

- TCF – Treating Customers Fairly – delivering customers with fair outcomes
- Applying Anti-Money Laundering and terrorist financing measures
- Providing strict controls over products' terms and conditions
- Ensuring that Senior Management are approved persons

Consumer Finance

- Hitachi Capital Consumer Finance's consumer lending is regulated by the FCA.

Business Finance

- Hitachi Capital Business Finance's consumer, sole trader and small partnership lending is regulated by the FCA but lending to SMEs and Corporates is not.

Vehicle Solutions

- Hitachi Capital Vehicle Solutions' consumer, sole trader and small partnership lending is regulated by the FCA but lending to SMEs and Corporates is not.

Invoice Finance

- Hitachi Capital Invoice Finance's consumer, sole trader and small partnership lending is regulated by the FCA but lending to SMEs and Corporates is not.

Why is HCUK Low Risk

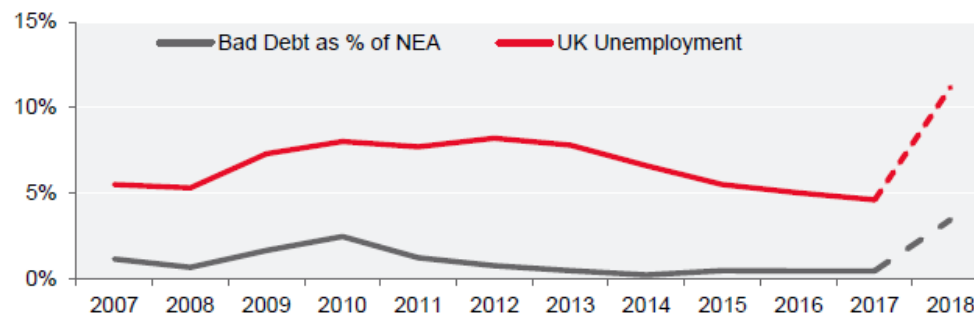
- Low risk end products – unlike credit cards and payday lenders
- Diversified risk – not just the consumer but also SME and vehicle leasing which are secured on diverse and business critical assets
- Bad debt has to increase by over 7 times its current level on the existing portfolio before it wipes out profit
- We are also well capitalised, allowing us to absorb losses
- We have the guarantee on the EMTN and ECP programmes from HCC

What did you tell investors – stress testing?

Scenario 1 : level of bad debts required to result in zero profits

- UK Unemployment required to rise to around **11%** (8.5% post Financial Crisis Peak, Unemployment is currently 4.3%)

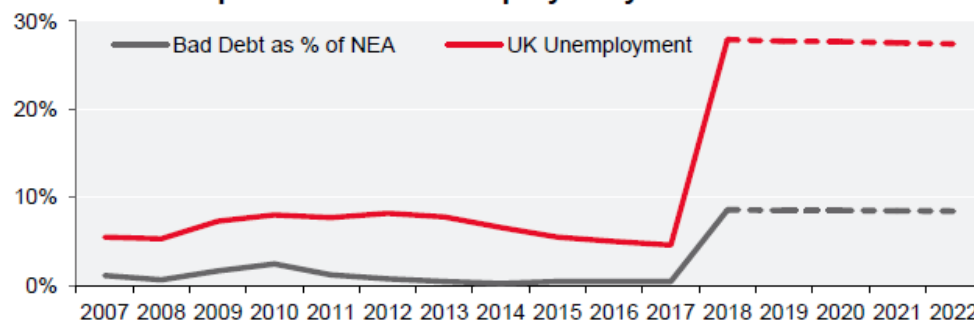
Bad Debt to Remove Profit



Scenario 2 : level of bad debts required to remove equity within 5 years

- UK Unemployment to rise above **27%** (8.5% post Financial Crisis Peak, Unemployment is currently 4.3%)

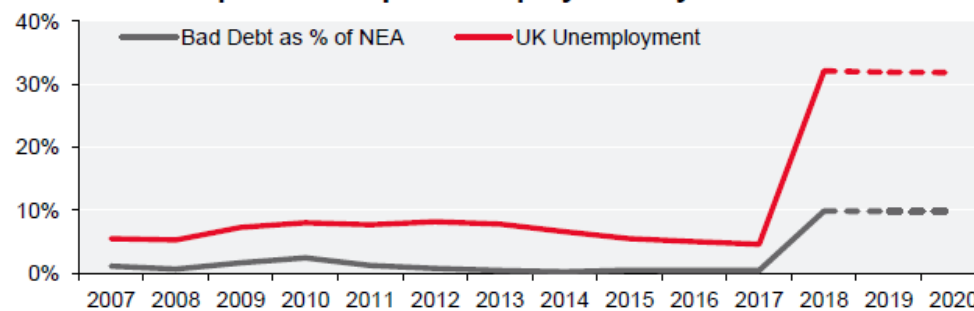
Bad Debt Required to Remove Equity in 5yrs



Scenario 3 : level of bad debts required to remove equity within 3 years

- UK Unemployment to rise above **31%** (8.5% post Financial Crisis Peak, Unemployment is currently 4.3%)

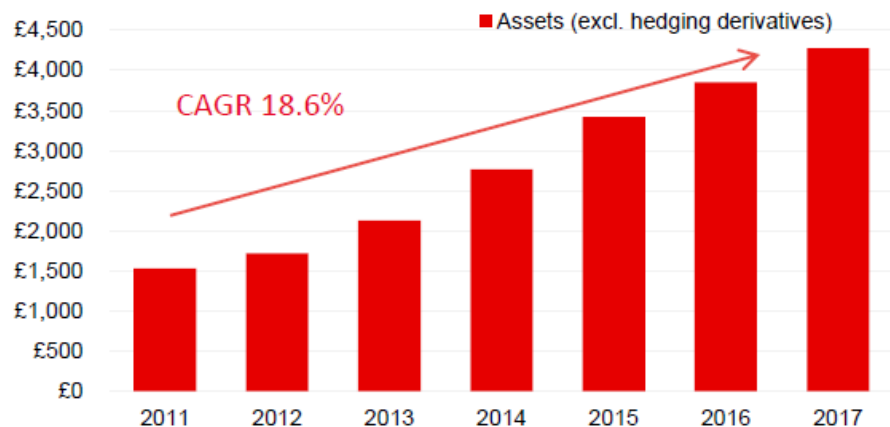
Bad Debt Required to Wipe Out Equity over 3yrs



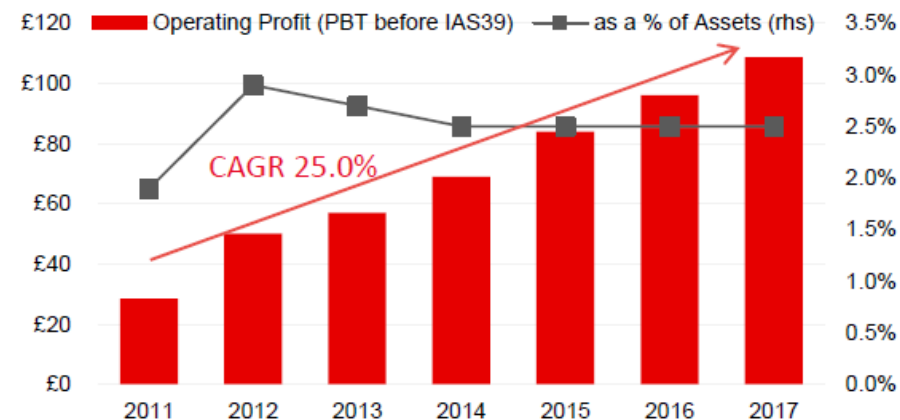
n.b. The Bank of England's Stress Testing assumes an unemployment rate of 9.5%

What did you tell investors – why do you need the funds?

Assets



Operating Profit



Tricky conversations with the business

Don't give competitive information away



Ensure that no material non-public information is published

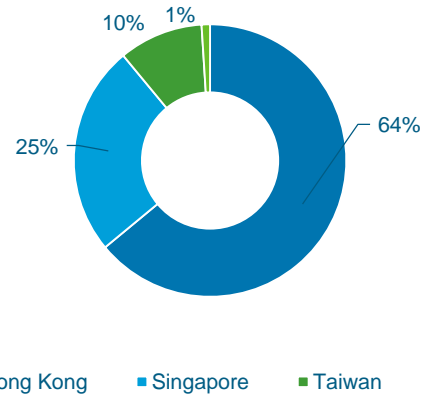
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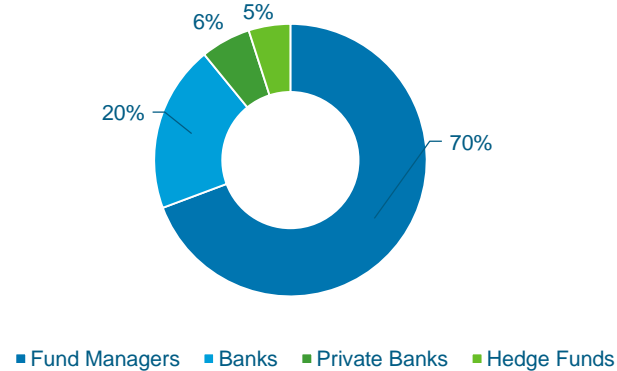
HOUK Funding

1. First public issue
2. Allowed HCUK to successfully diversify its investor base (36 investors)
3. Provides a platform for further issues in Asia

Investors by Geography



Investors by Type



1. The Panda hasn't eaten all of the Dim sum yet – arbitrage and regulation still makes it an interesting market



2. Take Control of your investor presentations

