

# MicroFinancial, Inc.

Investor Presentation

October 2011

# Safe Harbor Statement

Statements in this presentation that are not historical facts are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, words such as “believes,” “expects,” “anticipates,” “views,” and similar expressions are intended to identify forward-looking statements. The Company cautions that a number of important factors could cause actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. Readers should not place undue reliance on forward-looking statements, which reflect the management’s view only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

The Company cannot assure that it will be able to anticipate or respond timely to changes which could adversely affect its operating results in one or more fiscal quarters. Results of the operations in any past period should not be considered indicative of results to be expected in the future periods. Fluctuations in the operating results may result in fluctuations in the price of the Company’s common stock. For a more complete description of the prominent risks and uncertainties inherent in the Company’s business, see the risk factors described in documents the Company files from time to time with the Securities and Exchange Commission.

# Why Invest in MFI?

- ▶ **Proven business model over 25 years.**
- ▶ **Significant market opportunity.**
- ▶ **Strong quarterly and year-to-date cash flows in excess of \$1.85 and \$5.47 per share.**
- ▶ **Have consistently grown the quarterly cash flow since Q1-07.**
- ▶ **Have consistently paid a dividend since 2005.**
- ▶ **Strong balance sheet with a Debt / Equity ratio of 1.03 to 1**
- ▶ **Insiders hold large stake in the company.**

## Key Data (as of 10/19/11)

Nasdaq: MFI

52 Week Range: \$3.76 - \$6.42

Recent Price: \$5.55

Market Cap: \$79M

9/30/11 Book Value: \$5.06/share

Dividend/ Yield: \$0.20/ 3.6%

# Business Overview

MicroFinancial, Inc. (MFI) is a unique specialized micro-ticket lease/finance company

- ▶ Focus on Micro-Ticket transactions.
- ▶ Credit Scoring.
- ▶ Multi-Tiered Pricing Model.
- ▶ Positioned as Sales Fulfillment, Sales Consulting and Sales Training.
- ▶ Automation is key driver.

# Lease Overview

- ▶ Typical Customer: Manufacturer, distributor or selling organization of micro-ticket equipment
- ▶ Typical Client: small, owner-operated business (often with limited business credit history).
- ▶ Typical Contract Size Ranges: \$500 - \$25,000 funded with an average transaction of approx. \$6,500.
- ▶ Avg. Contract Term: 44 mo.

# Solid History

**After 25 years in the industry, MicroFinancial has a proven track record**

- ▶ Through Q3-2011 MicroFinancial has underwritten:
  - ▶ Over 751,000 contracts.
  - ▶ Geographically Diversified writing leases in all 50 states.
  - ▶ More than \$1.26 billion in leases funded to dealers.
- ▶ To date has collected more than \$1.78B on these contracts.
- ▶ More than 52,000 active contracts in our current portfolio.

# Market Overview

# Small Business Growth

- ▶ Core lessees are drawn from the small business segment
  - ▶ 7 of 10 small business owners start with less than \$20K, driving the need for alternative financing sources
  - ▶ Small businesses continue to be the fastest growing segment of U.S. economy, accounting for more than 75% of all jobs created over the last decade

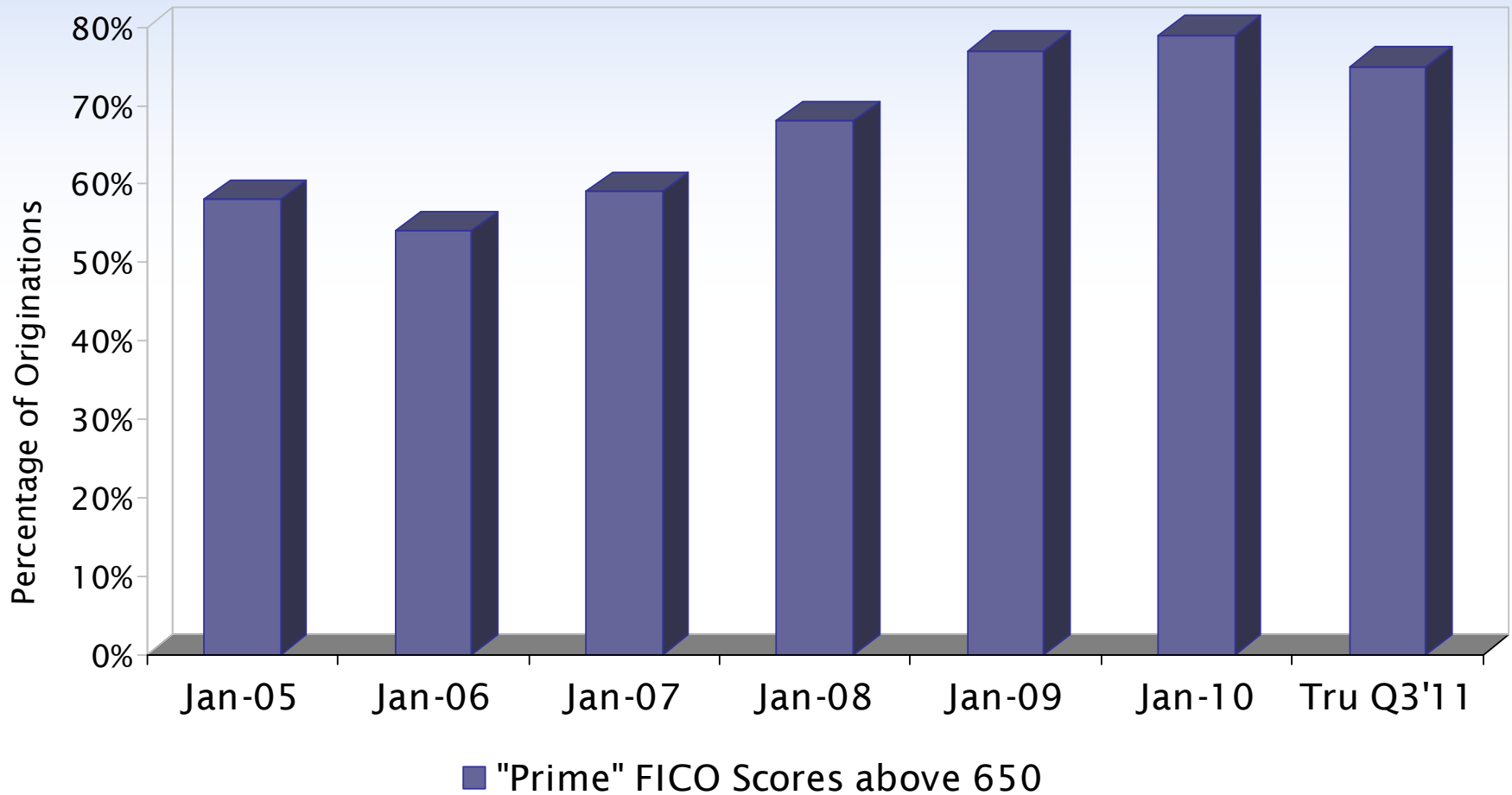
# Significant Market Opportunity

## General Equipment Market

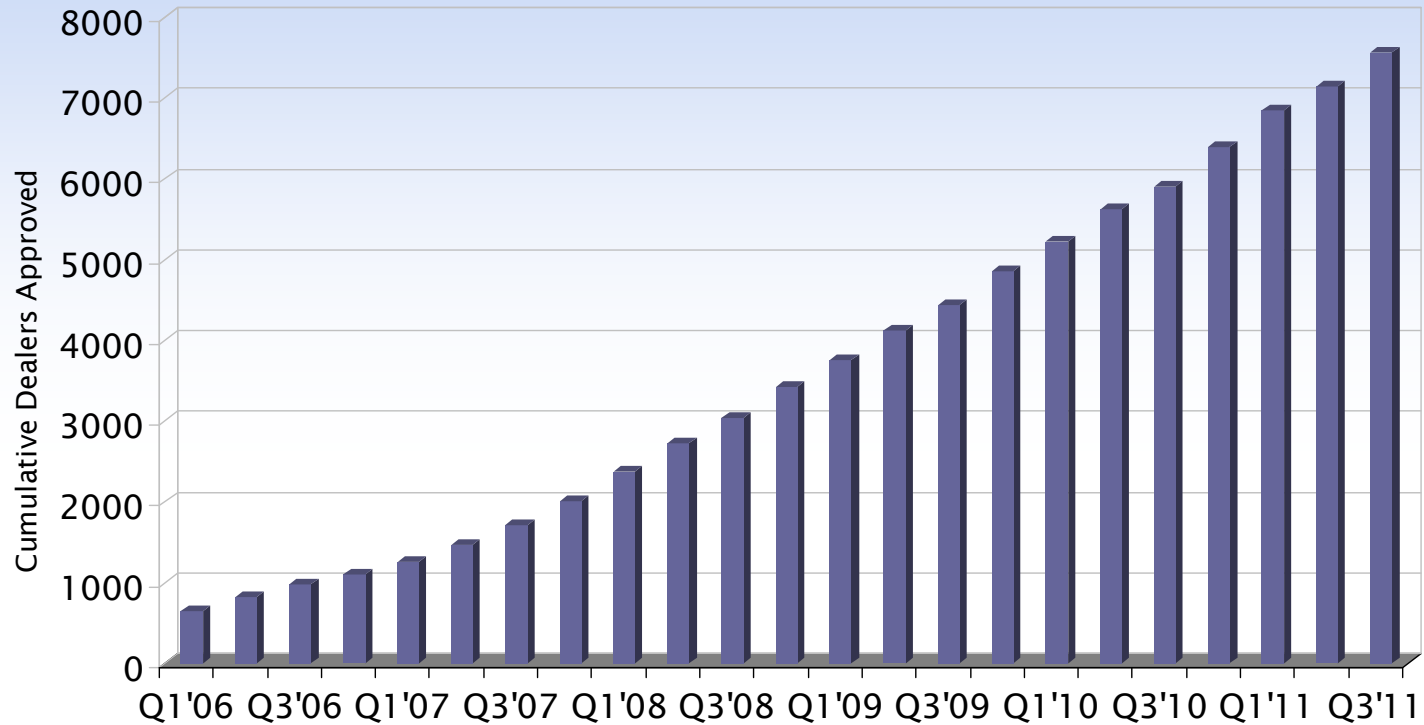
- ▶ 80% of US companies lease some or all of their equipment
- ▶ According to the ELFA (Equipment Leasing and Finance Association) the overall equipment leasing market is estimated to be \$560B with \$13B in equipment costing less than \$25K.
- ▶ MFI has identified 27 vertical market segments to focus on and the company's analysis suggests that there is an estimated \$30B of equipment sales of which currently \$6B is either leased or financed.

# MFI Operating Results

# Originating Better Quality Receivables

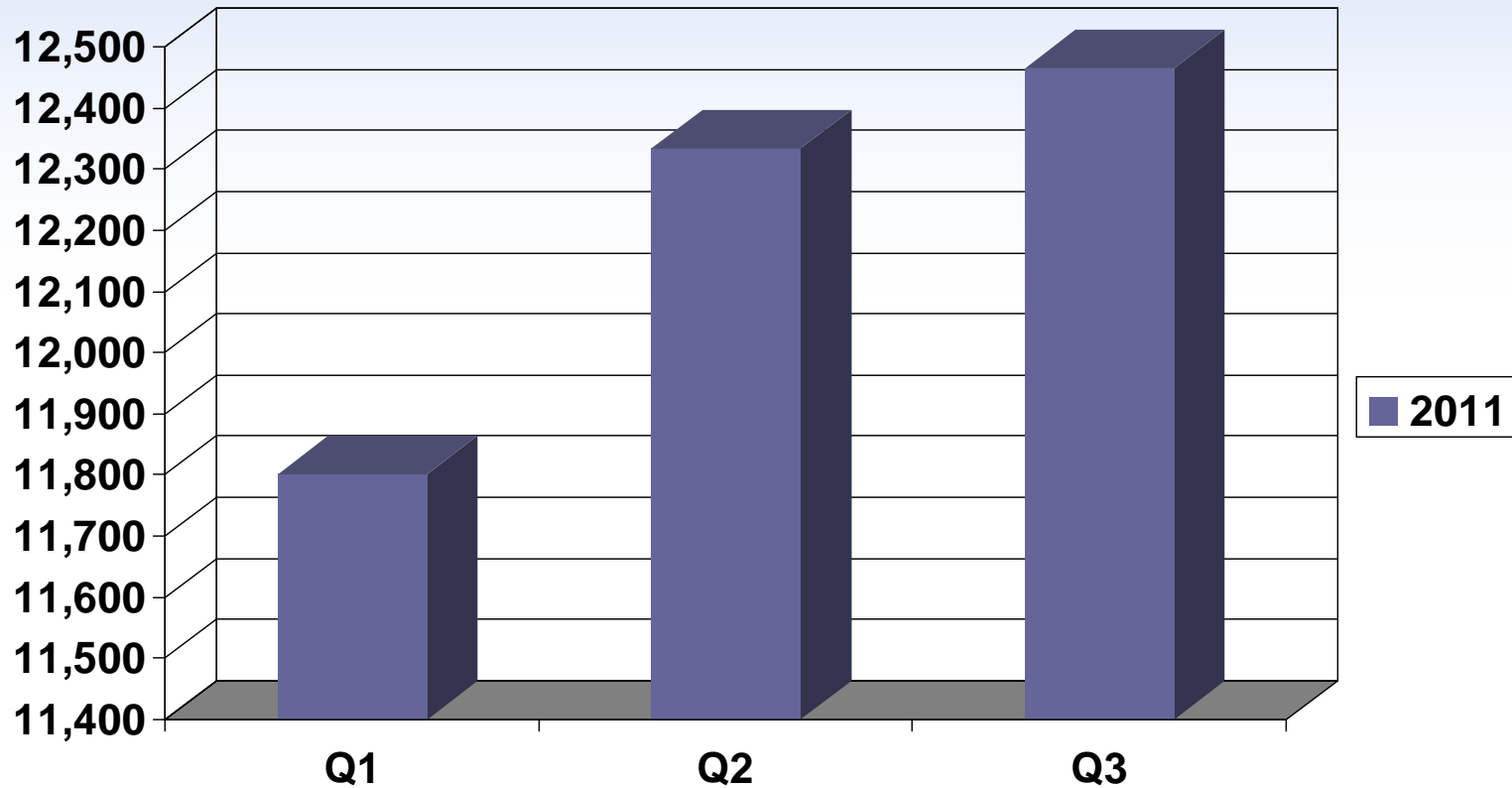


# Cumulative Vendor Approval

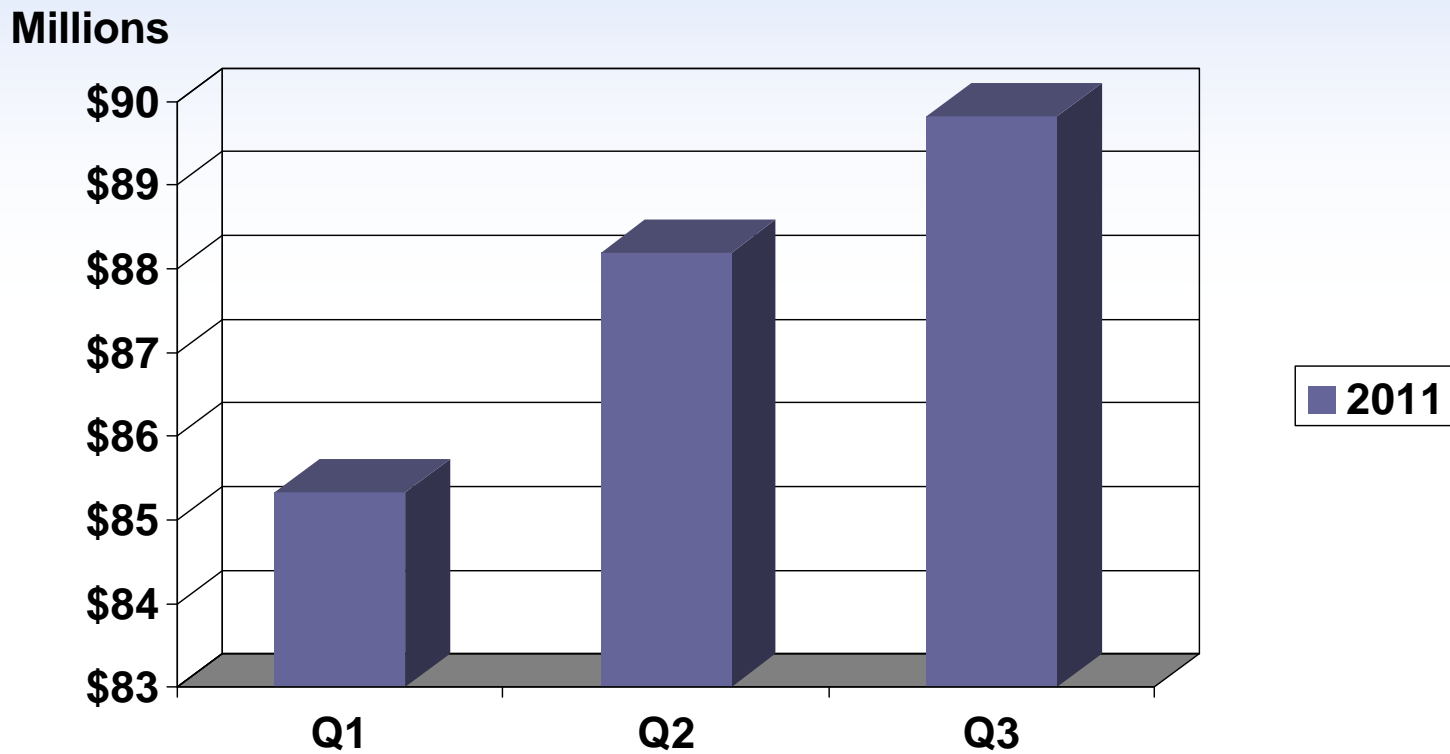


- ▶ Our vendor base was over 7,500 by the end of Q3-2011
- ▶ We have received applications from 4,687 or 62% of these 7,500 vendors
- ▶ We have received leases from 2,686 or 36% of these vendors.

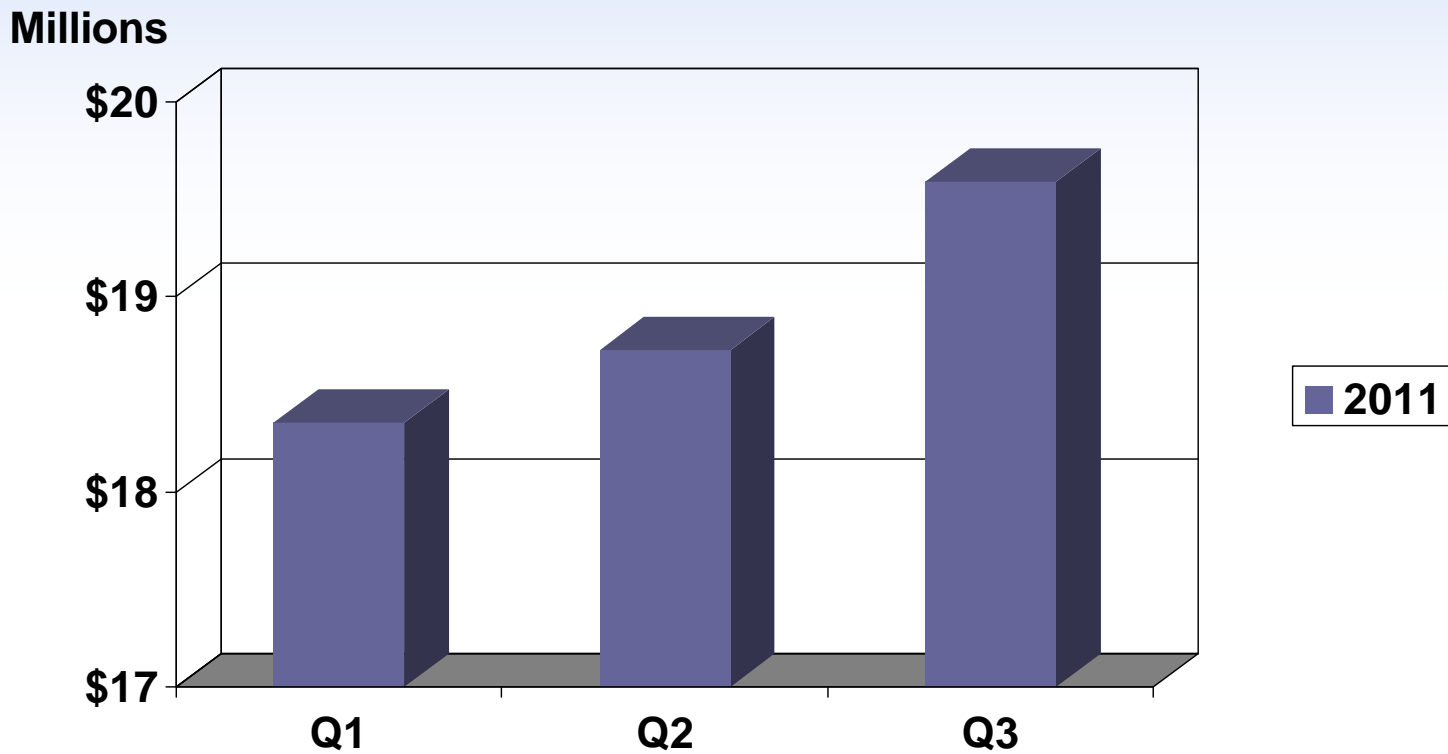
# Monthly Application Volume Fiscal 2011



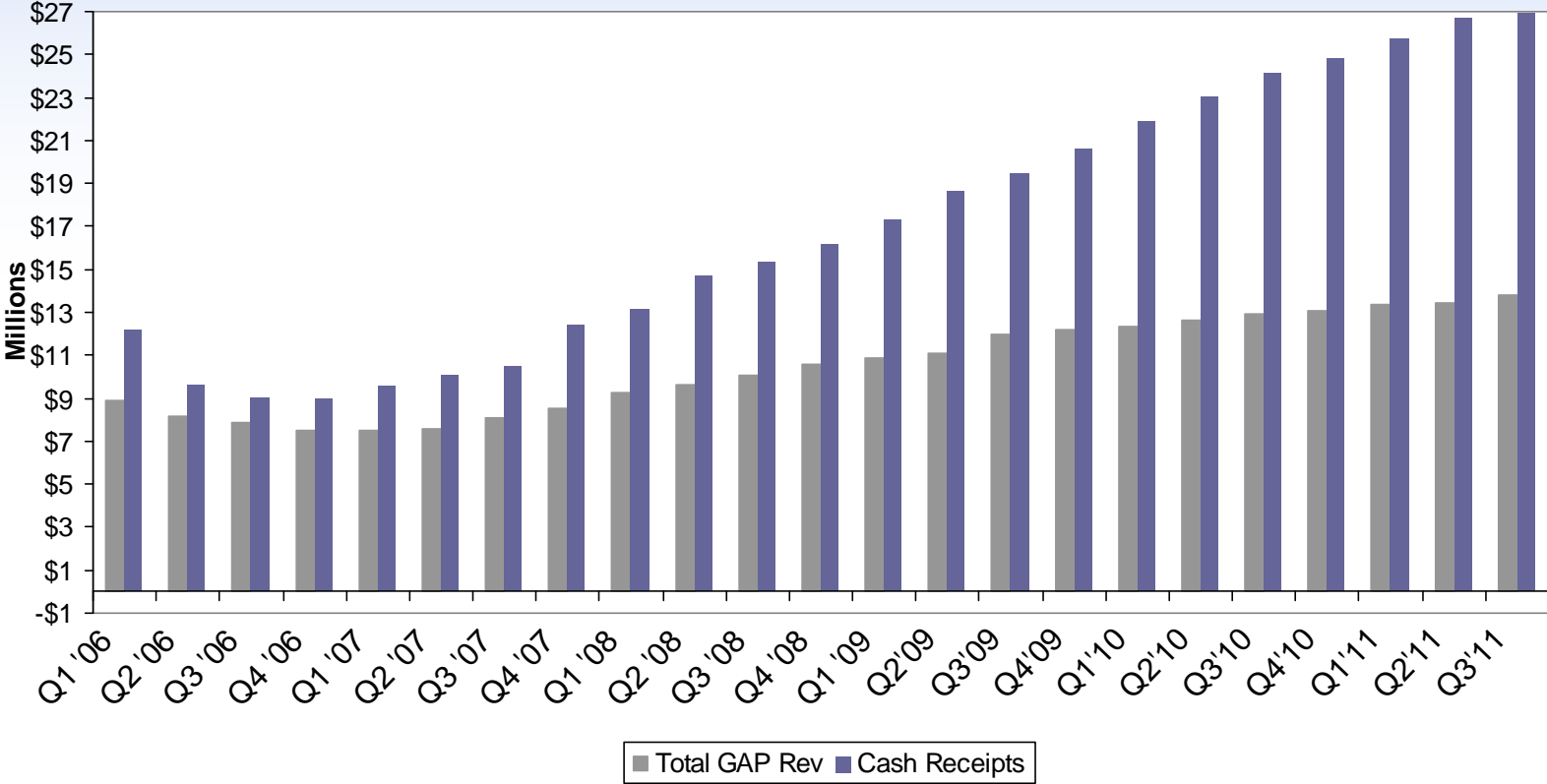
# Monthly Application Volume in Dollars Fiscal 2011



# Monthly Lease Volume in Dollars Fiscal 2011

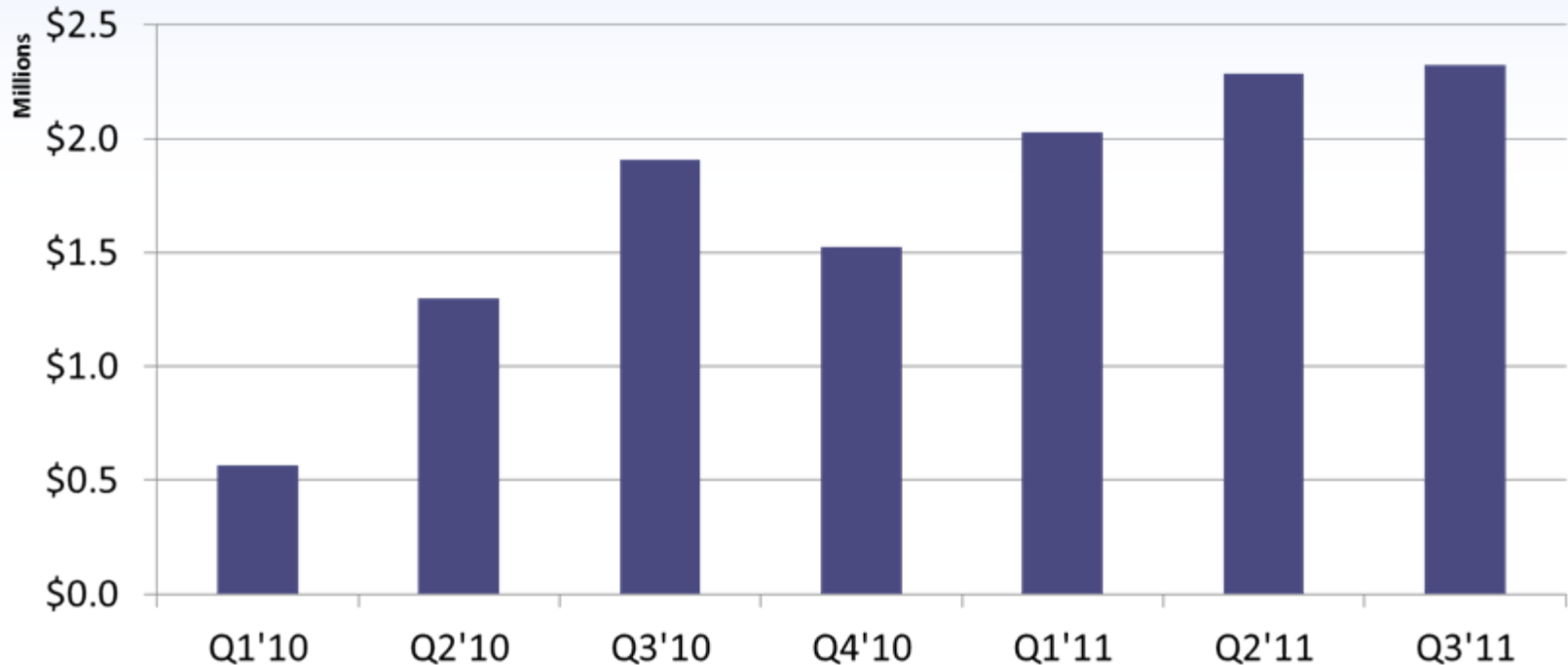


# Cash Receipts versus Total GAAP Revenues



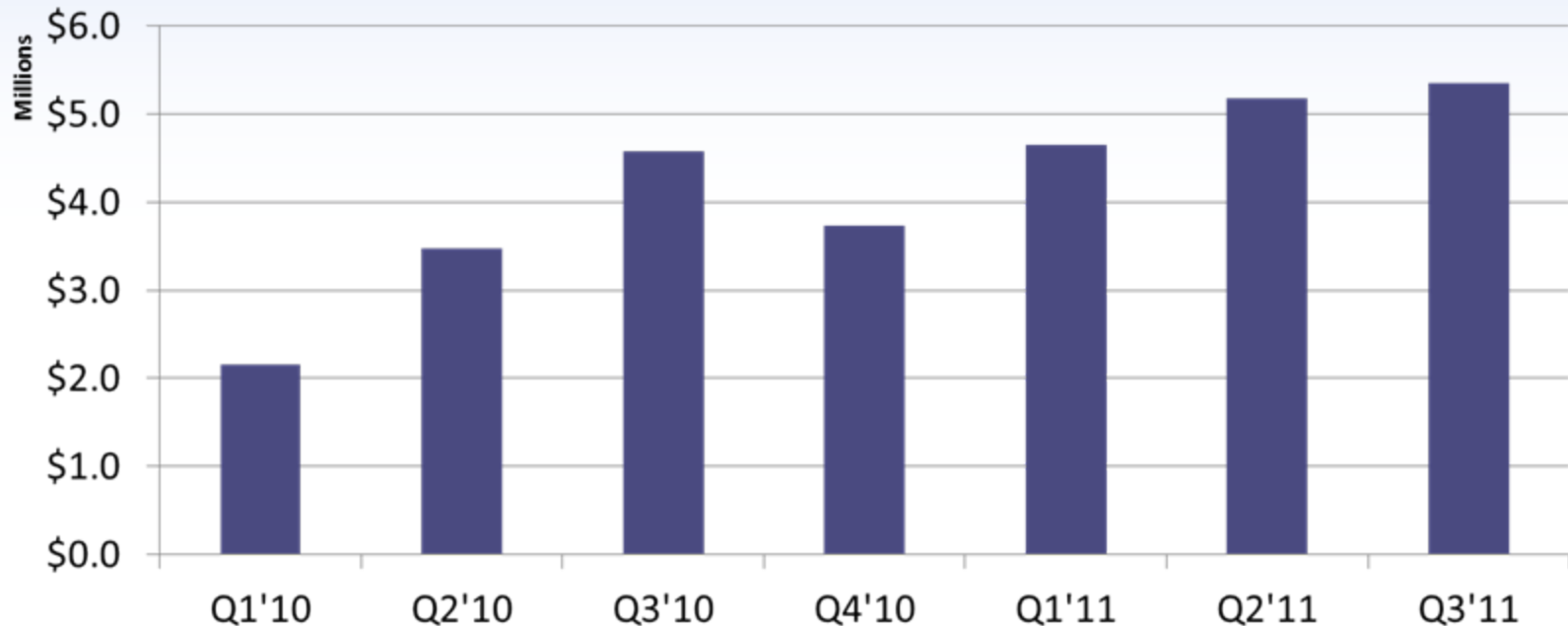
# Quarterly Net Income Performance

Q3'11 Net Income Increased 22% to \$2.3M  
YTD Net Income Increased 74% to \$6.6M



# Quarterly EBITDA\*

Q3'11 EBITDA Increased 17% to \$5.4M  
Year to Date increased 49% to \$15.2M



\* A reconciliation of EBITDA to net income is provided in appendix A of this presentation

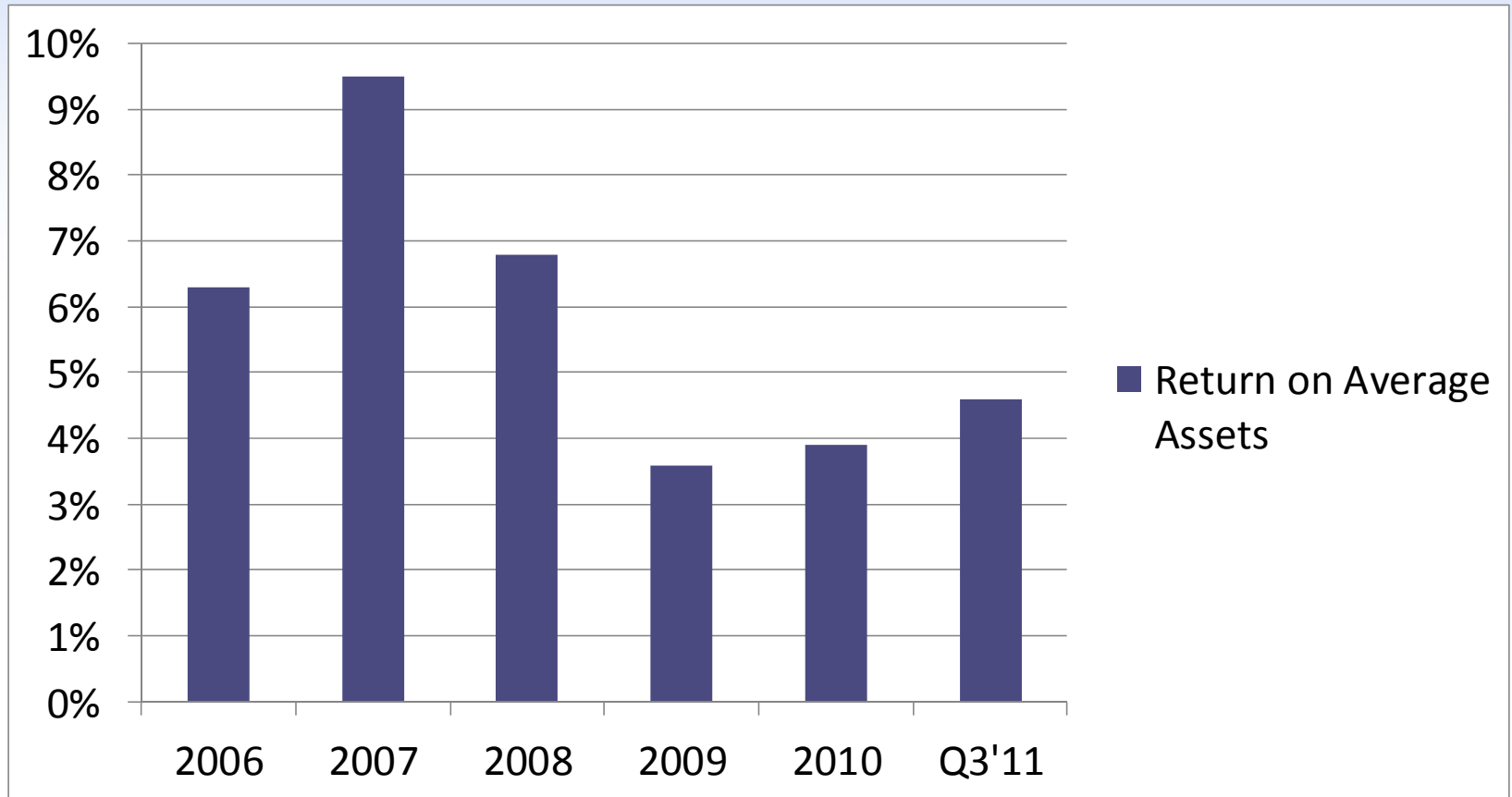
# Exhibit A – EBITDA Reconciliation to Net Income

(In \$,000s)

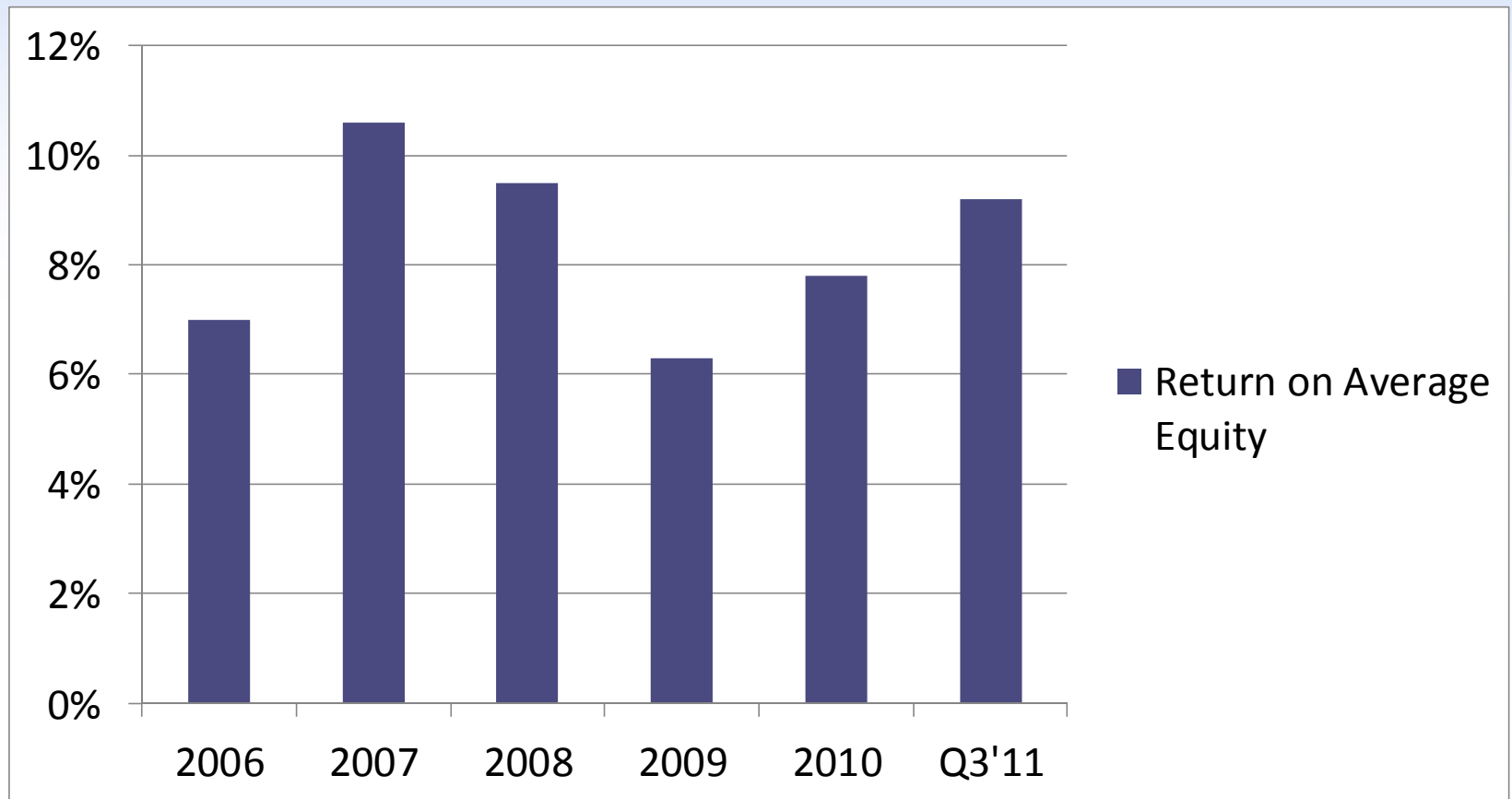
	31-Mar-10	30-Jun-10	30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11
Net Income (Loss)	565	1,302	1,906	1,524	2,029	2,283	2,325
Interest	811	885	744	711	663	679	700
Provision for Income Taxes	353	817	1,193	920	1,270	1,429	1,456
Depreciation & Amortization	429	474	731	579	681	783	873
<b>EBITDA (1)</b>	<b>2,157</b>	<b>3,477</b>	<b>4,573</b>	<b>3,735</b>	<b>4,643</b>	<b>5,174</b>	<b>5,354</b>

1The Company uses EBITDA (earnings before net interest, income taxes, depreciation and amortization), which excludes certain one-time and non-cash charges, as part of its overall assessment and comparison of financial performance between accounting periods. MicroFinancial believes that EBITDA is often used by the financial community as a method of measuring the Company's performance and of evaluating the market value of companies considered to be in similar businesses. EBITDA is a non-GAAP financial measure and should not be considered an alternative to net income or cash provided by operating activities, as defined by accounting principles generally accepted in the United States ("GAAP"). A reconciliation of EBITDA to net income is provided above.

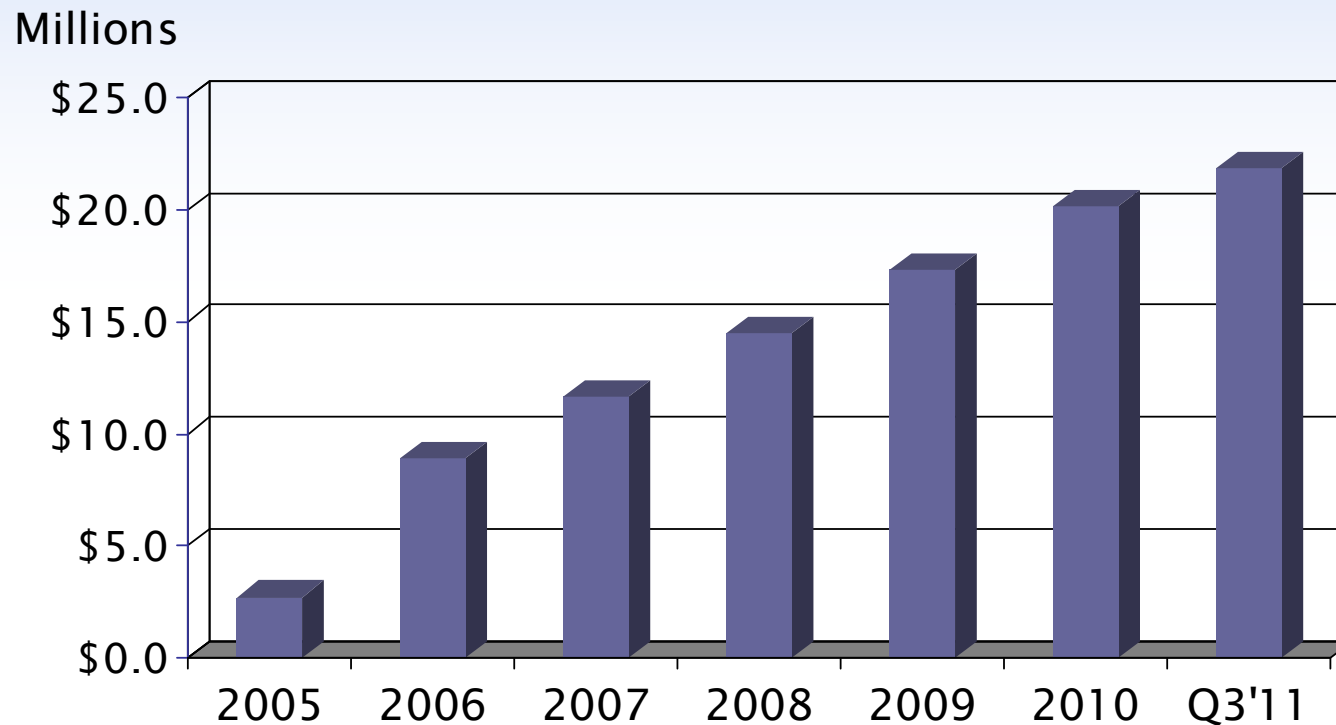
# Return on Average Assets



# Return on Average Equity



# Cumulative Dividends Paid



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## Contact Information:

Dave Mossberg

Investor Relations

Three Part Advisors

817-310-0051

[dmossberg@threepa.com](mailto:dmossberg@threepa.com)