



FRANCHISE OPPORTUNITY 2013



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HISTORY AND FOOTPRINT OF DEBT SMART HOLDINGS (PTY) LTD

Moved into Debt Counselling profession in June 2008 – Algoa Debt Counsellors.

Explored viability of various business models (agencies and branches).

Determined that Franchising was best model to take this business forward.

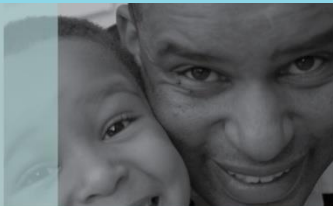
Rebranded in July 2009 and formed DEBTSMART Newton Park - PE (July 2009)

Developed franchise systems, operations and training.

Started marketing of Franchise Opportunity in Sep 2009.

East London (Sep 2009), Walmer – PE (Nov 2009), Cape Rd – PE (Dec 2009) joined network.

George (Mar 2010), Krugersdorp – JHB (Mar 2010), Pretoria (Jan 2011), Graaff-Reinet (May 2011) and Nationwide branch (Jan 2012).



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DEBT SMART VISION

To build a Proudly South African Debt Counselling organization comprising of the top echelon of entrepreneurs who, by providing an essential service to the general public, empower themselves to achieve their financial dreams and goals.

DEBT SMART MISSION STATEMENT

To build a national network of successful, professional Debt Counselling offices.

To train and support DEBTSMART Debt Counsellors to be the most qualified and sought after professionals in the field in Debt Counselling.

To provide outstanding customer service.

To provide Franchisees with a business environment and the systems that will allow them to prosper and build a successful business.



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THE DEBT COUNSELLING INDUSTRY IN SOUTH AFRICA

NEW INDUSTRY – National Credit Act: came into effect 1 June 2007

Latest figures from DCASA (2012)

- **Stats SA states total debt in SA is R 1.44 trillion (Dec 2012)**
- **Currently 18 million active consumers (9 million in arrears)**
- **Total applications since 1 June 2007: 289,280 (Feb 2012)**
- **186,305 active Debt Review cases (102,975 terminated)**
- **PDA payments to credit providers (R231m in Dec 2011)**
- **Only 1.83% over-indebted consumers under Debt Review.**

Most Debt Counsellors do not have the necessary training or experience to deal with the practical application of Debt Counselling and the legal process.



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WHAT IS DEBT COUNSELLING?

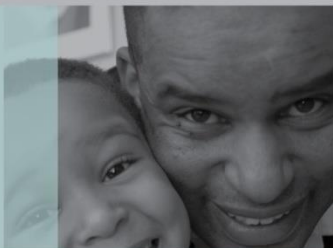
The National Credit Act 34 of 2005 came into full operation on the 1st June 2007. It was enacted to regulate the Credit industry, Credit Bureaux, Debt Counsellors and protect consumers.

The Act protects Consumers by preventing unfair credit practices, it promotes responsible credit granting and provides the ability to restructure debt in cases of over indebtedness.

A Debt Counsellor registered in terms of the NCA is permitted to assist the public in determining whether they are over indebted, whether a consumer cannot pay all his/her obligations (accounts) per month after providing for himself/herself and his/her dependants, he/she is over-indebted.

FACT:

You are not alone - 17,6 million South Africans are indebted, of which 7,5 million are over-indebted.



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HOW DOES IT WORK?

When a consumer realizes he/she is over-indebted or receives a Letter Of Demand in terms of Section 129 from a Creditor, he/she can go to a Counsellor and apply for Debt Review.

The Debt Counsellor will then notify all credit providers and Credit Bureaux of the application.

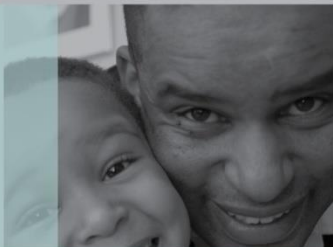
For the following 60 days, no Credit Provider can take any further steps to collect money from the consumer – this is the period of debt freezing during this 60 day period, the DC will negotiate with the Credit Providers in order to restructure the debt obligations to an affordable monthly installment.

During the 60 day period, the Consumer must pay the Credit Providers the maximum affordable amount, as advised by the Debt Counsellor. If the Credit Providers consent to the rescheduled amounts as proposed by the DC, the Court will grant the Consent Order.

If the Credit Providers do not consent to the proposed amounts, the DC will complete an application to the Magistrates Court and make a recommendation for debt restructuring.

The Court will then make a Court Order suitable for the Consumer.

Once all arrears debts are paid in full the DC will issue a Clearance Certificate in order to uplift the Debt Review Order.



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THE ROLE OF THE DEBT COUNSELLOR

To carry out a financial review of consumer's affairs to determine over-indebtedness.

To assist with budgeting and determining Essential Monthly Living Expenses.

To act as mediators and negotiate with the Credit Providers in order to obtain a debt restructuring order.

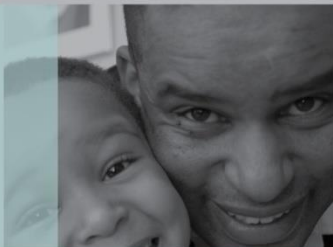
To make recommendations whether reckless credit granting has occurred.



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FRANCHISE OPPORTUNITY



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IMPORTANT POINTS TO CONSIDER WHEN PURCHASING A FRANCHISE

1. DEMAND

Is there a demand for the services offered by the franchise? Is there a demand in your area or the area you plan to operate? With over a trillion rand being lent by creditors this year alone, and considering the current economic recession, consumers are finding it more and more difficult to meet their debt repayment obligations.

2. TRAINING AND SUPPORT

This is one of the most important points to consider. The NCR course is limited to legislation and basic training. Real-life applications of the Act are more complex with each case being unique. Debtsmart offers training and support to help the new DC avoid making mistakes that could potentially cost the client their house and car, and also prevent litigation against the DC.

3. MARKET SATURATION

Debt Counselling is still a relatively new industry. The National Credit Act which came into full effect on 1 June 2007 allowed for the registration of Debt Counsellors to assist over-indebted consumers. Of the 18 million people active consumers in South Africa, 9 million are over-indebted of which only 180,000 consumers have applied for Debt Review.



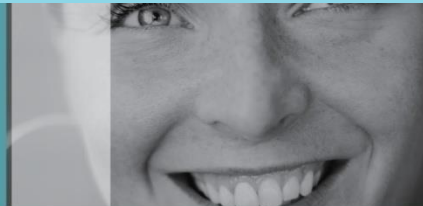
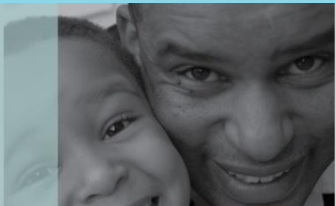
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WHAT CAN DEBT SMART HOLDINGS OFFER YOU?

1. **Legal Backup - Regionally contracted Legal Experts**
 - Specialized in **DEBT COUNSELLING**

2. **Training**
 - **CSTI Debt Counsellor training course plus one exam (R8000)**
 - **3 Days on-site Training with our Training Officer at your office including training for all your staff who will be involved in the DC process**
 - **1 Franchise Office visit (after first 20 clients have been signed)**
 - **Ongoing training and Support**
 - **Additional Staff / Management Training (if required)**

3. **Computers and IT Support**
 - **Website**
 - **E-mails**
 - **Logos and Letterheads**



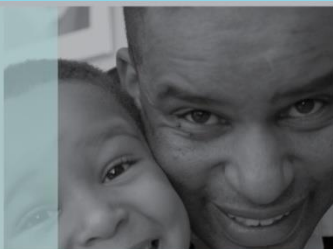
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WHAT CAN DEBT SMART HOLDINGS OFFER YOU?/ cont

4. Advertising – Guidance – we have learnt valuable and expensive lessons over the past 5 years in various marketing methods such as radio advertising, print media and gantry boards – we will steer you clear of these methods as they realize no ROI.
 - Stock adverts to use for print media
 - Marketing Strategy

5. Insurance - Preferred Service Provider will tailor insurance for branches
 - Short Term Insurance
 - Professional Indemnity
 - DEBT SMART HOLDINGS will broker a working relationship with our preferred and brokers – extra revenue stream for Franchisee

7. Turn-Key
 - Our NCR-Registered DC at Holdings will assist in signing off your applications while you wait for NCR Registration (3 months – 7 months)



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TIMELINE – HOW TO GET STARTED

1. The INDEPENDENT DC timeline

- 1 month – Source CSTI Training Course (R8000)
- 1 month, 1 week – Attend Training
- 1 month, 2 weeks – Register with NCR
- 8 month – NCR Registration approved, Open Office
- 9 months – Setup, Market and CLIENT NUMBER 1
- 15 months – Learn intricacies, LAW101, Magistrates Act, NCA

2. The DEBTSMART timeline

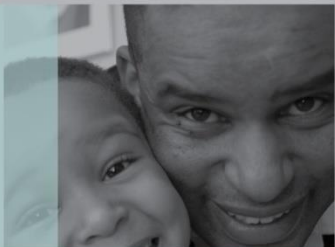
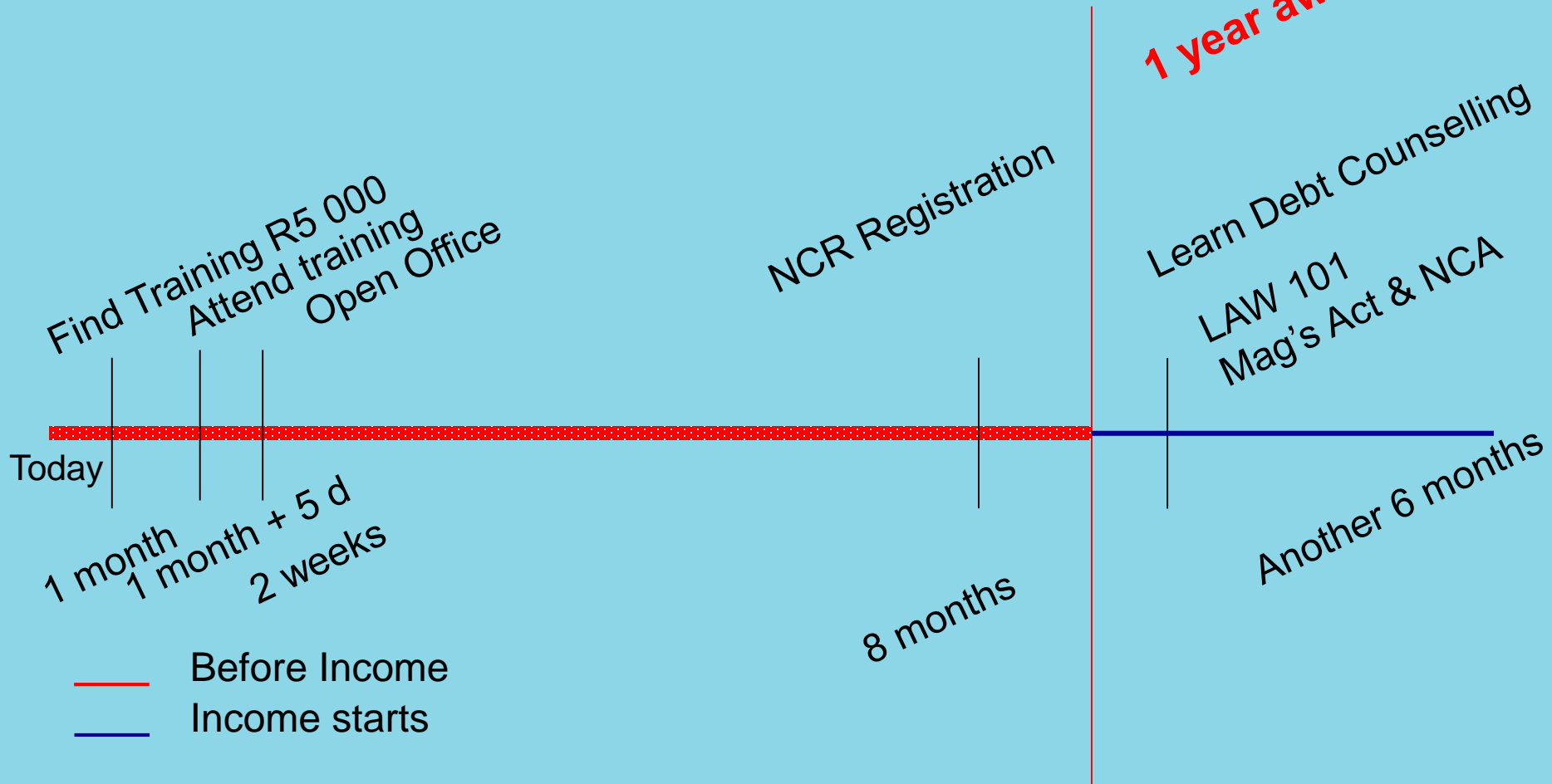
- Day 1 – complete Franchise Application
- 2 weeks – Attend CSTI Training
- 4 weeks – Register with NCR, Attend DEBTSMART training
- 5 weeks – Open office, setup and Market
- 7 weeks – CLIENT NUMBER 1
- 8 months – NCR Registration



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DEBT COUNSELLING

Client ONE



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DEBT COUNSELLING – The DEBTSMART WAY

Client ONE

8 weeks away

DEBTSMART
Training
Open

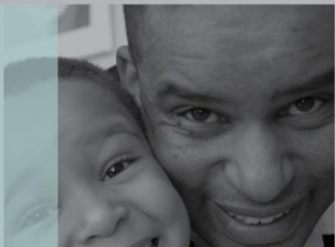
NCR Registration

Today

2 weeks
4 weeks

8 months

— Before Income
— Income starts



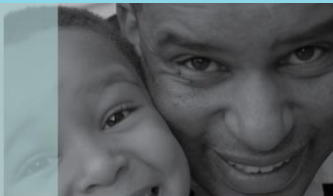
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FINANCIAL IMPLICATIONS AND COMMITMENTS

FRANCHISE FEES:	DEBTSMART Branch Offices:	R 65,000 (National) R 45,000 (East Cape)
MONTHLY LICENCE FEES:	10.0% of DC Fees	

DC FEES STRUCTURE

1. Application Fee – R 50+VAT payable on signing Form 16 (petty cash box)
2. Restructure Fee – Equal to Distribution amount
– Capped at R 6,000 per application
3. After-Care Fee – monthly fee equal to 5% of Distribution Amount capped at R400
4. Legal Fees – for attorneys only – does not form part of DS monthly licence fees
– averages around R 3,000 per application



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TURNOVER PROJECTIONS

Based on Average Restructure Fee of R 4,500, Monthly After-Care Fee of R 300 and Legal Fees of R 3,000 per application.

SCENARIO ASSUMPTIONS: Conservative - 5 new clients per month

Monthly: 5 x Restructure Fee R 22,500

Monthly: After-Care Fee R 1,500

Monthly: Legal Fees R 15,000

TOTAL MONTHLY FEES: R 39,000

ANNUAL: = R 270,000 (R) + R 99,000 (A-C) + R 180,000 (L)

= R 552,420 for First Year (includes R57 App Fee)

At same Growth = R 270,000 (R) + R 315,000 (A-C) + R 180,000 (L)

(SECOND YEAR) = R 768,420 for Second Year



Join us now – DEBT SMART HOLDINGS

WE CAN BUILD A SUCCESSFUL
DEBT COUNSELLING NETWORK
TOGETHER!

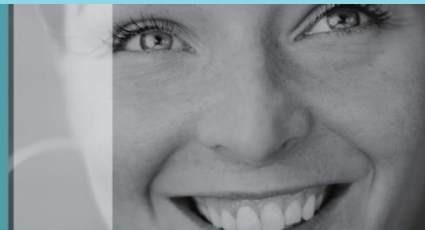
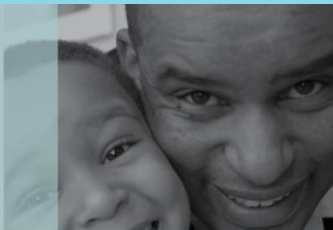
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The smart way to manage your debt!



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