

MicroFinancial, Inc.

Investor Presentation

August 2010

microfinancial

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.

Business Overview

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

- ▶ Typical Client: small, owner-operated business (often with limited business credit history).
 - ▶ Typical Contract Size Ranges: \$500 - \$15,000 funded with an average transaction of approx. \$5,500.
 - ▶ Avg. Contract Term: 44 mo.
 - ▶ Proven success across many different product lines.
- ▶ Established distribution network and strong origination history:
 - ◆ Over 24 years in the micro-ticket leasing industry, originating more than 738,000 contracts.
 - ◆ Contracts originated through 1000s of nationwide independent vendors and brokers.
 - ◆ Multi-Tiered pricing allows for a broader range of credit approvals as compared to a typical leasing company.

Solid History

After 24 years in the industry, MicroFinancial has a proven track record

- ▶ Through June 2010 MicroFinancial has underwritten:
 - ▶ Over 738,000 contracts.
 - ▶ Geographically Diversified writing lease in all 50 states.
 - ▶ More than \$1.2 billion in leases funded to dealers.
- ▶ To date has collected more than \$1.69B on these contracts.
- ▶ More than 48,000 contracts remain to be collected on.

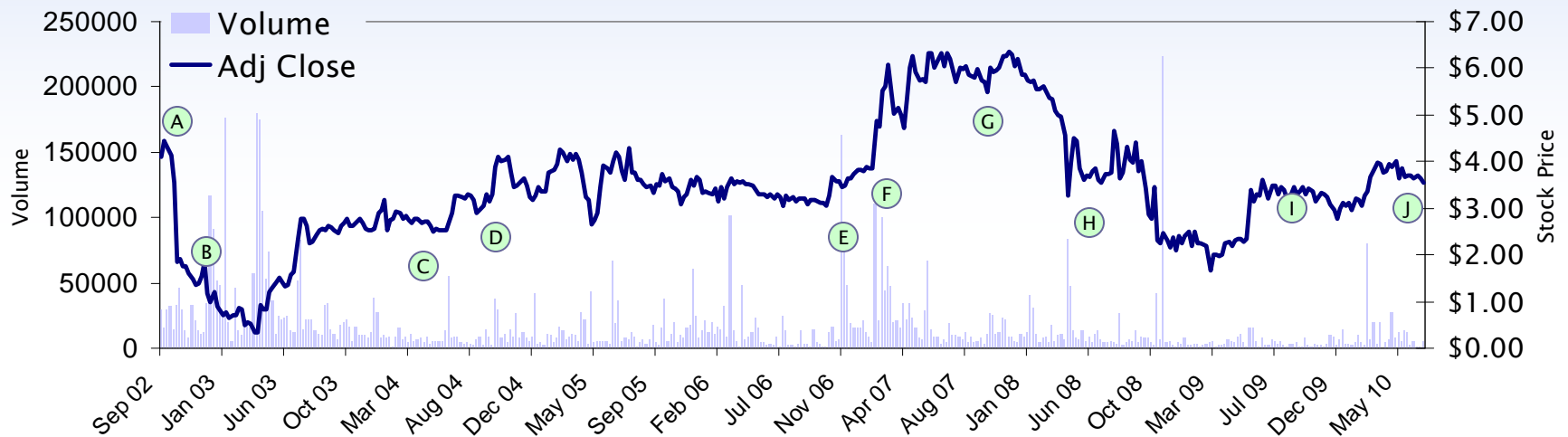
Significant Events

A 09/02: Loses credit line when 1 out of 9 lenders refuses to renew agreement

B 10/02: Virtually all leasing activity is suspended; Richard Latour named CEO

C 06/04: Establishes TimePayment Corp. subsidiary, begins making new leases

D 09/04: Establishes \$30M line of credit with CIT Commercial Services



E 12/06: Favorably resolves all major outstanding litigation and IRS audits

F 02/07: First full year of profitability since 2001

G 08/07: Establishes \$30M line of credit with two banks

H 07/08: Increases bank facility to \$60M with 4 member group

I 02/09: Increases bank facility to \$85M with 5 member group

J 07/10: Increases bank facility to \$100M with 5 member group



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 +75% of all jobs created over the last decade

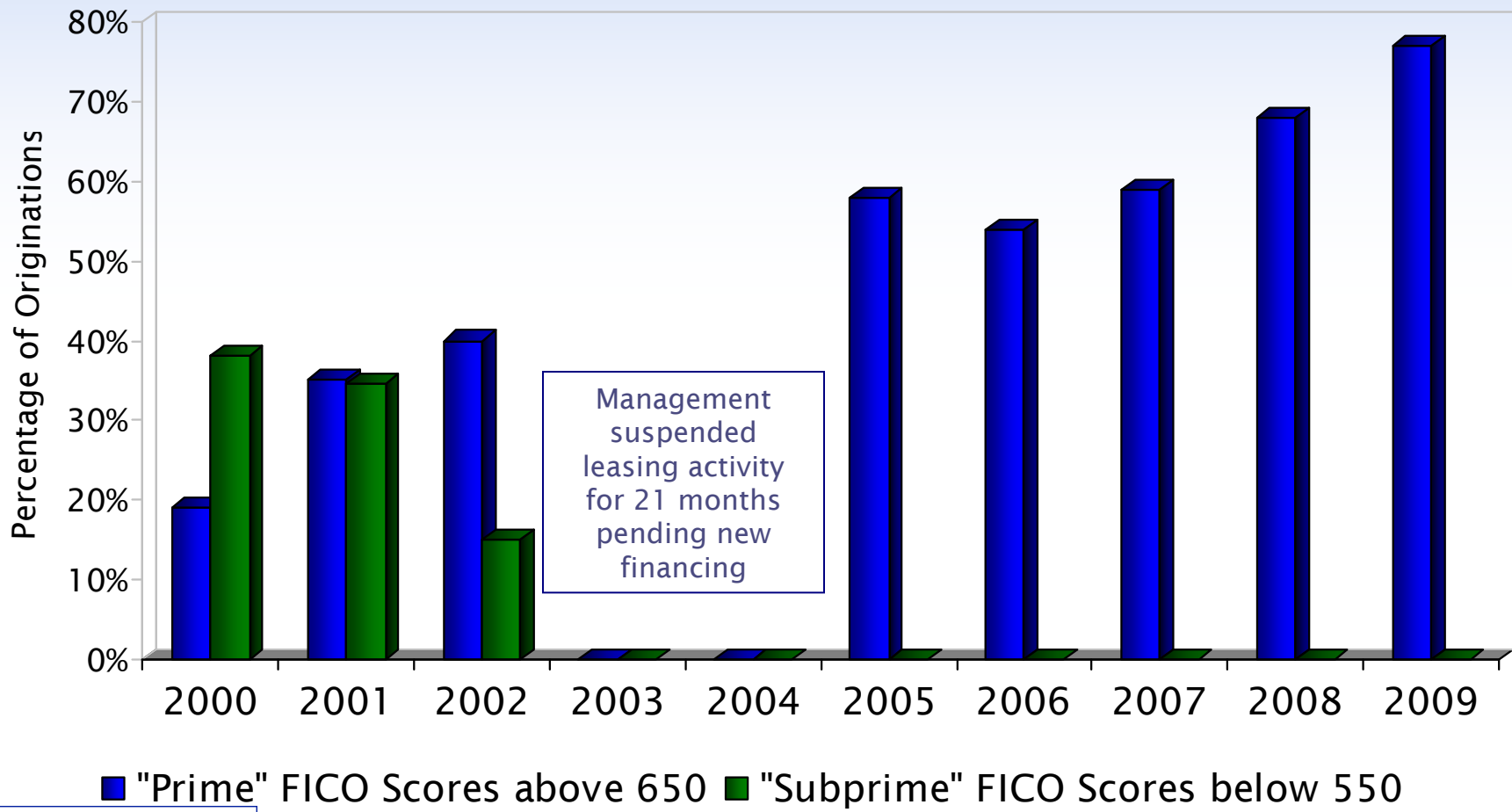
Significant Market Opportunity

General Equipment Market

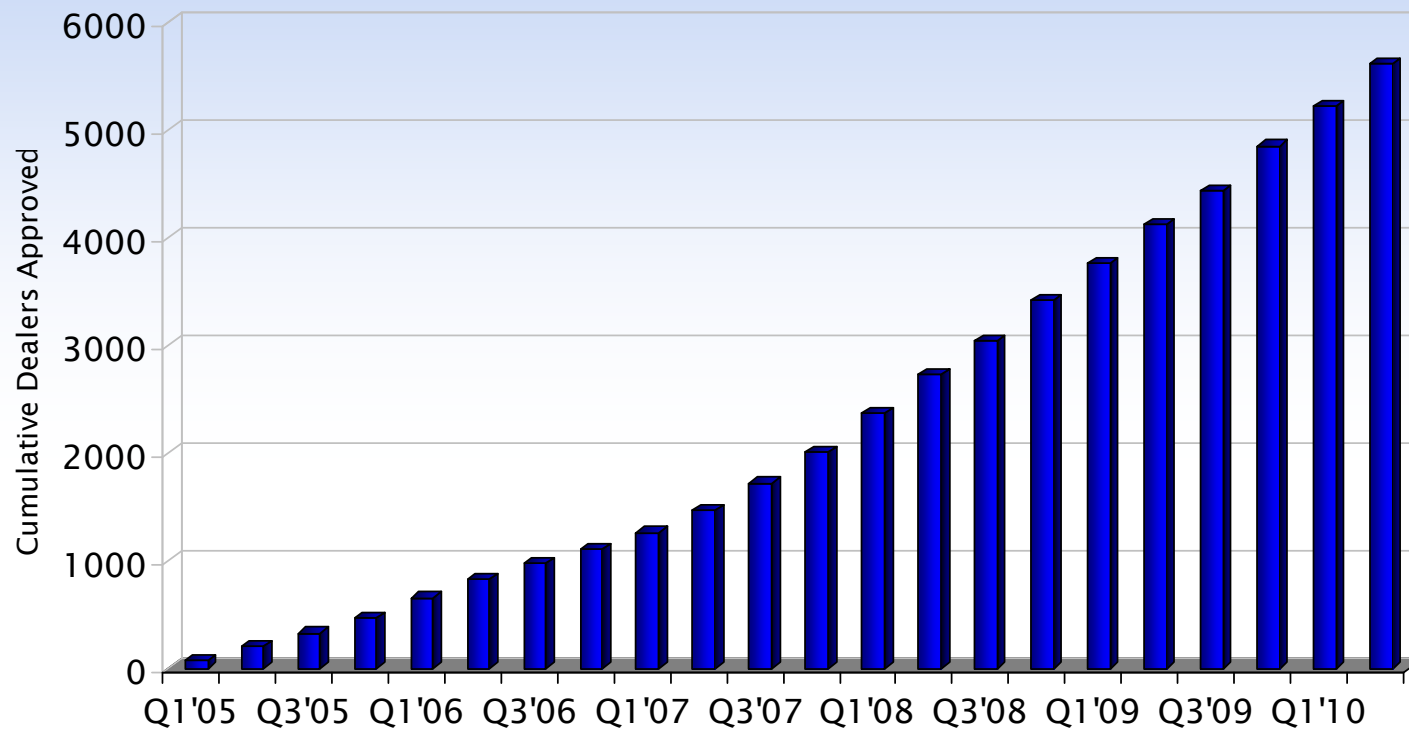
- ▶ 80% of US companies lease some or all of their equipment
- ▶ According to the ELFA the overall equipment leasing market is estimated to be \$650B with \$13B in equipment costing less than \$25K.
- ▶ MFI has identified 15 vertical market segment of focus in which all of the company's analysis suggests that there is an estimated \$28B of equipment sales of which currently \$6B is either leased or financed.

MFI Operating Results

Originating Better Quality Receivables



Cumulative Vendor Approval



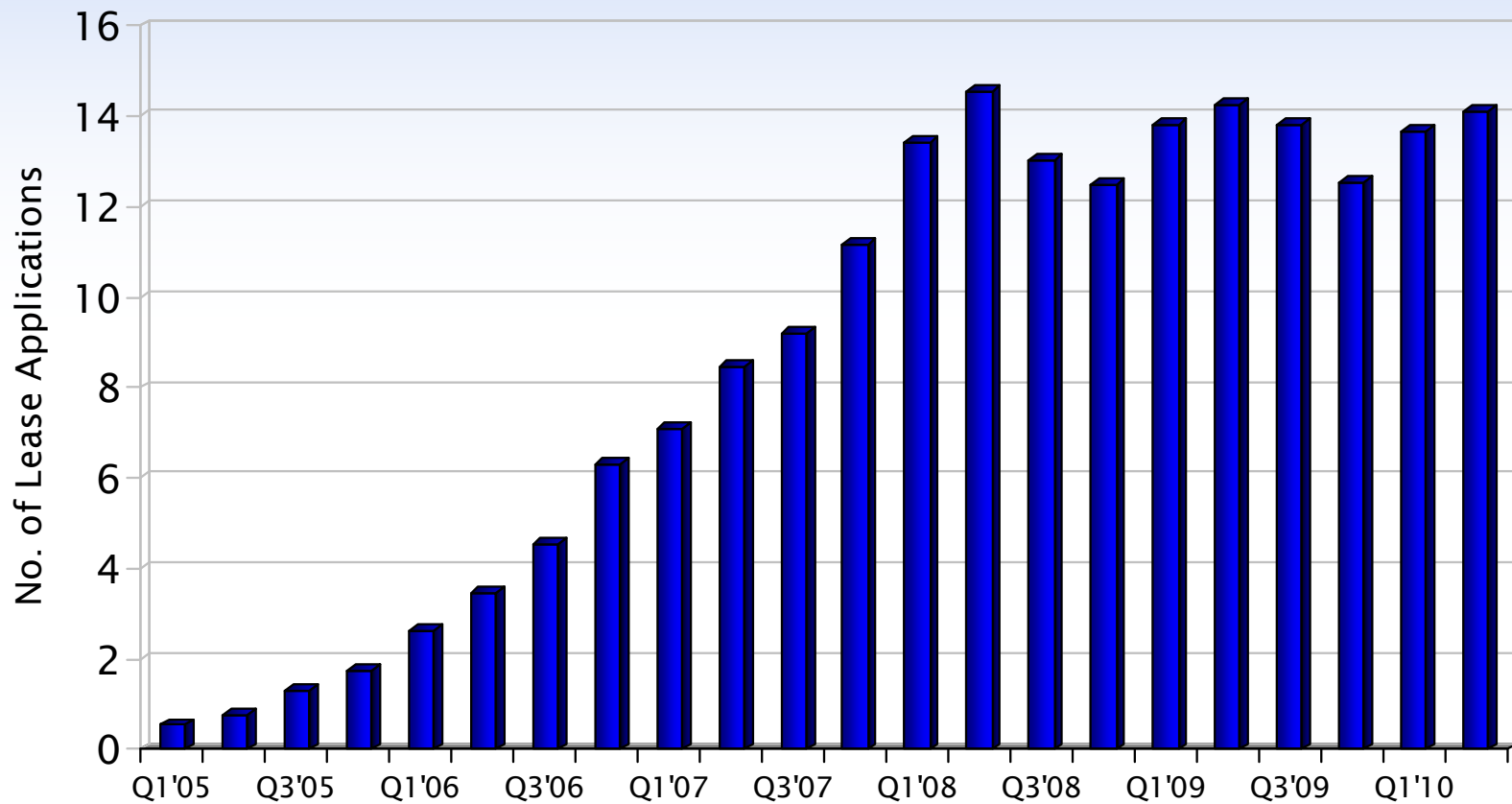
- ▶ Held approximately 4,500 total dealers of which 1,200 were actively providing leases In 2002
- ▶ By the end of Q2, 2010, our dealer base was approx. 4,600 with 2,125 active dealers (dealers that have given us at least one lease)



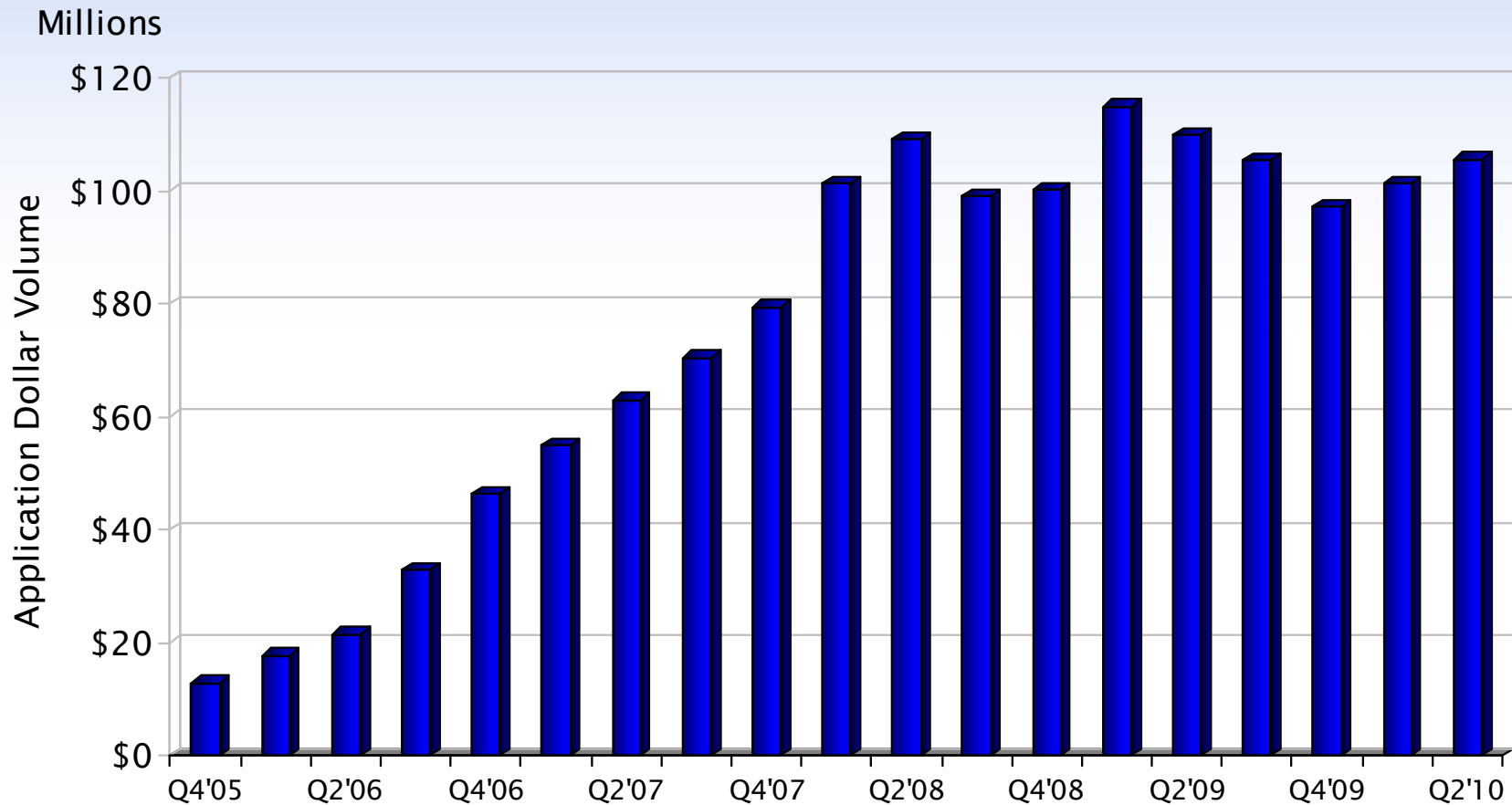
▶ Resumed leasing in July 2004 on a very limited basis

Application Volume

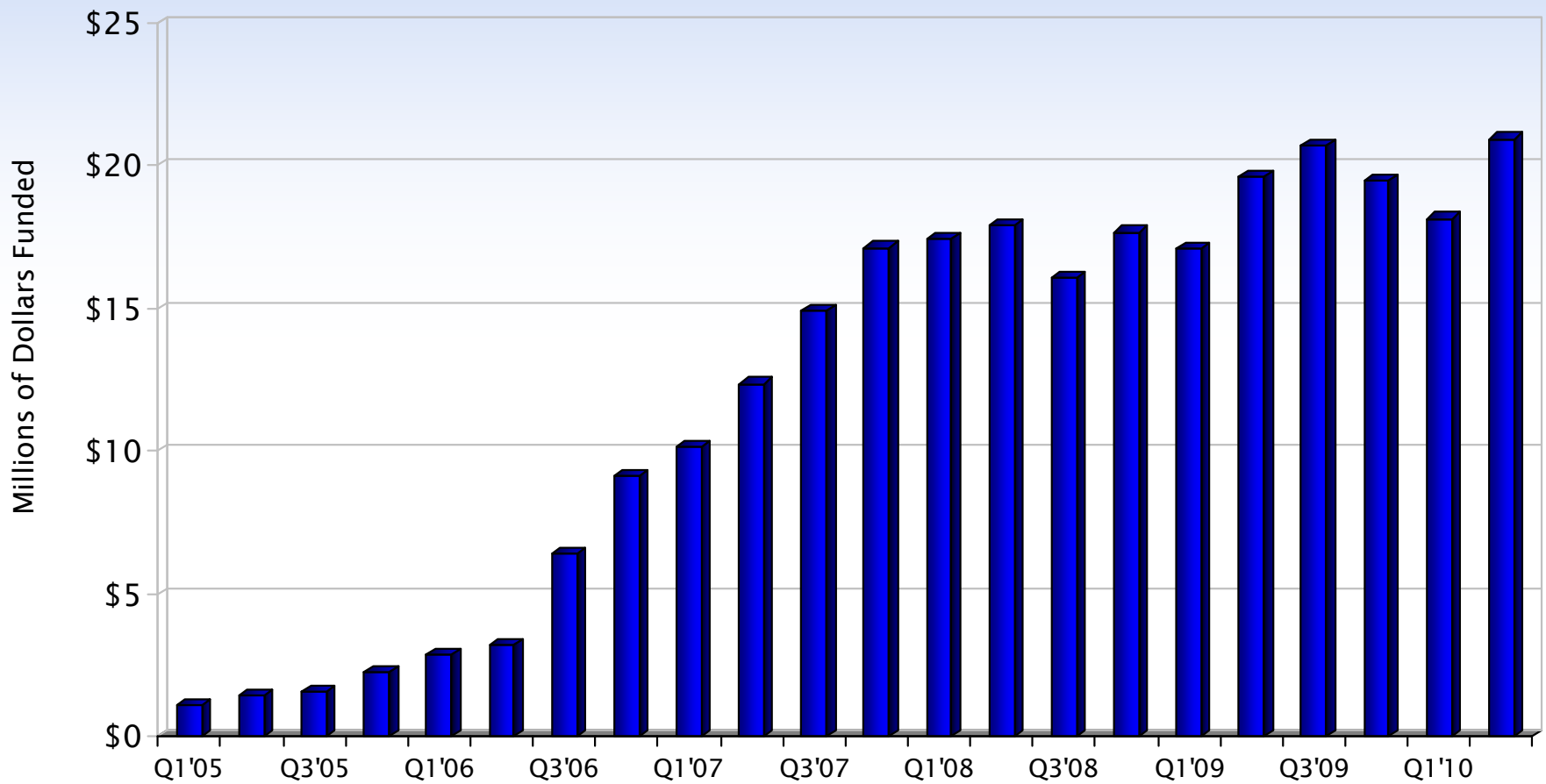
Thousands



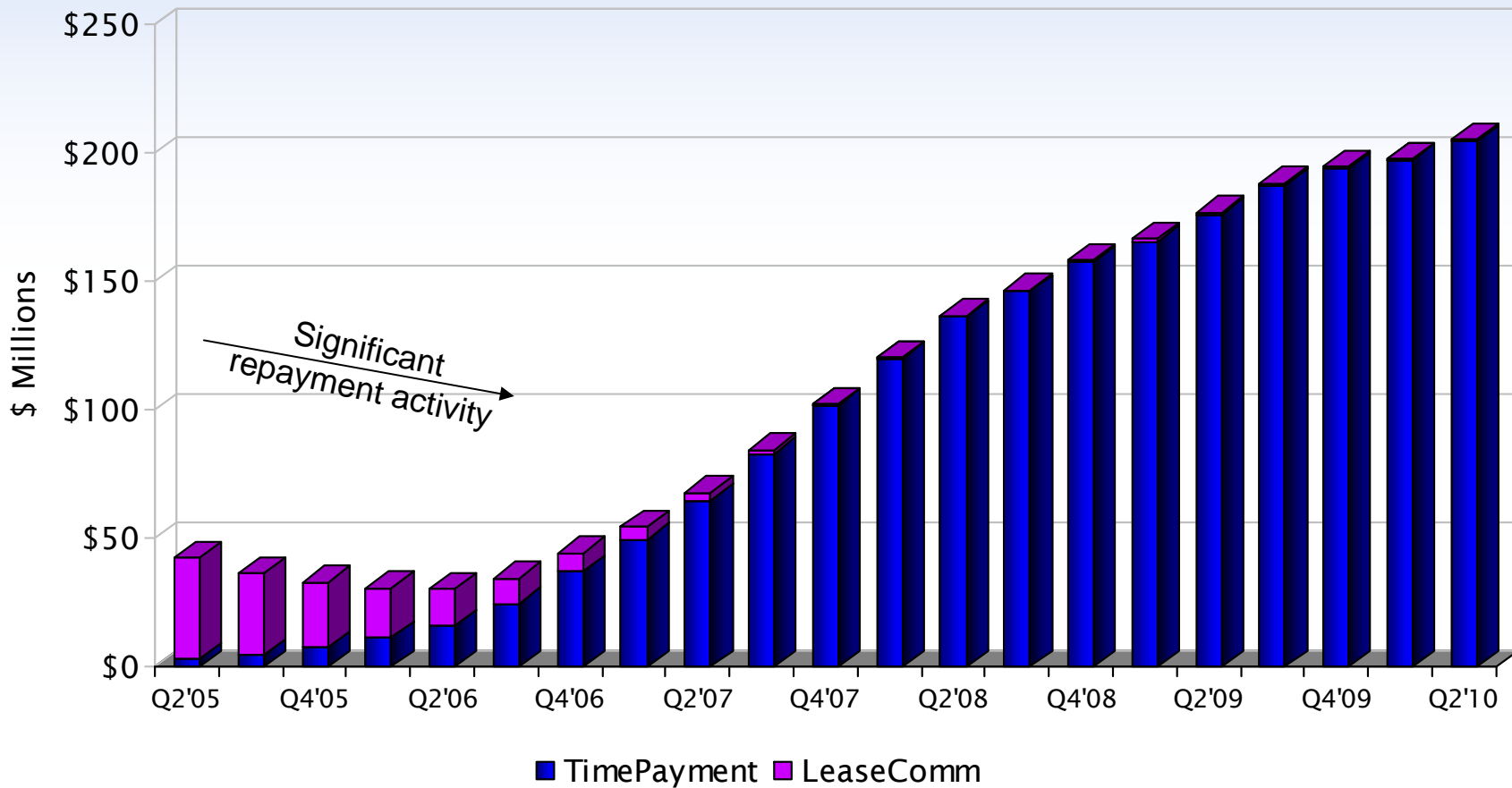
Application Dollar Volume



Leases Funded

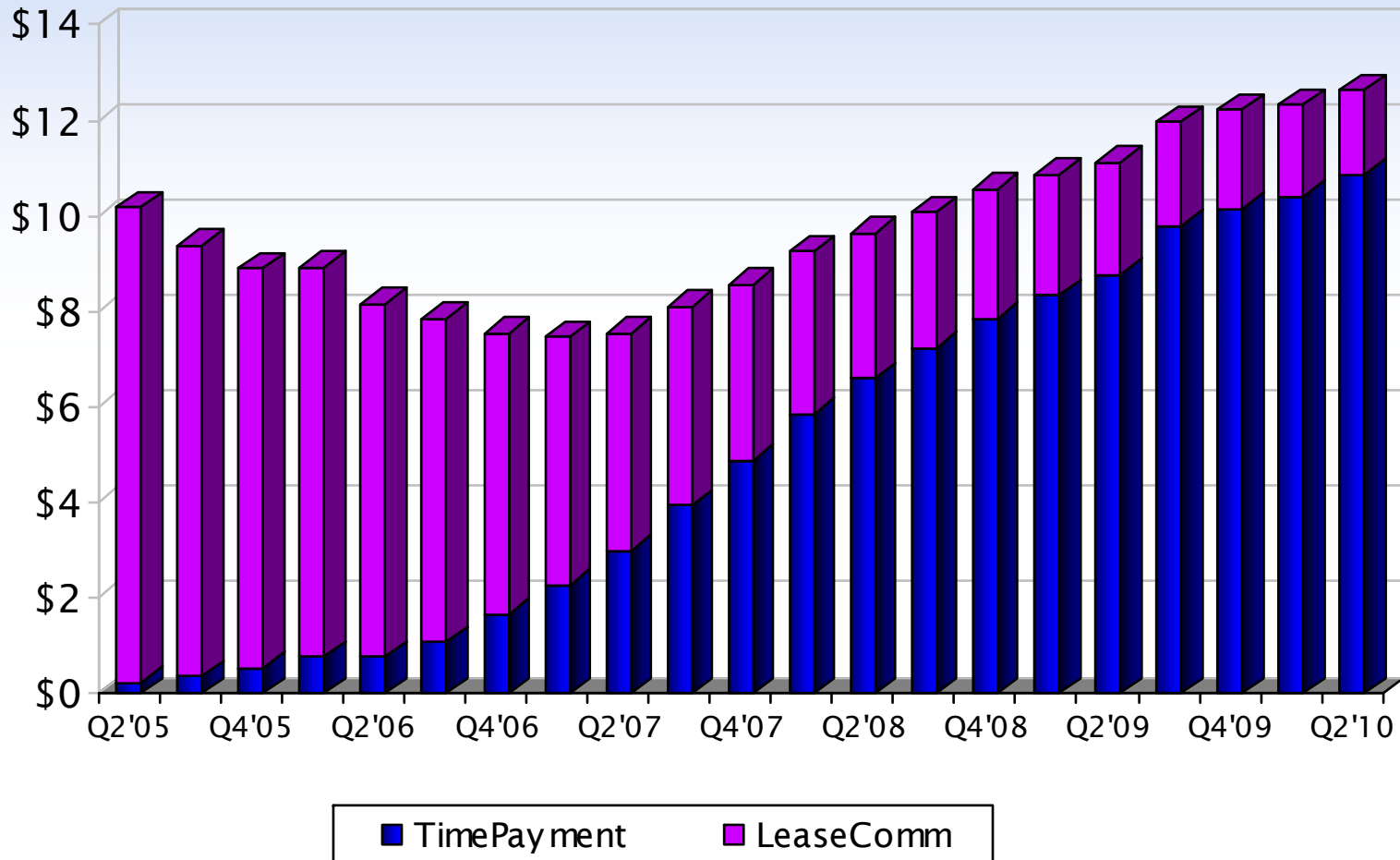


Gross Investment Trends (Lease Receivable + Residual)

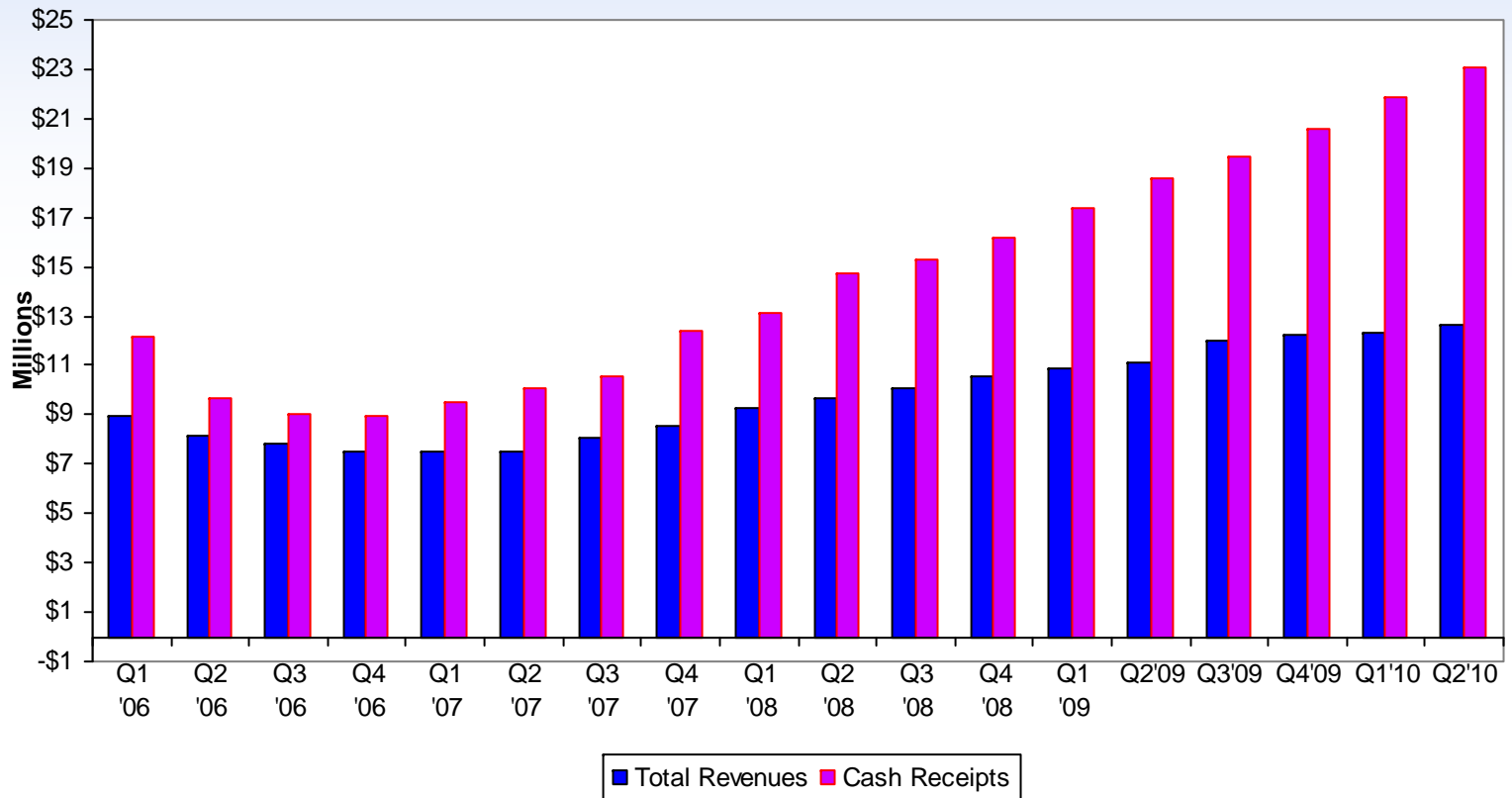


Total GAAP Revenue

Millions



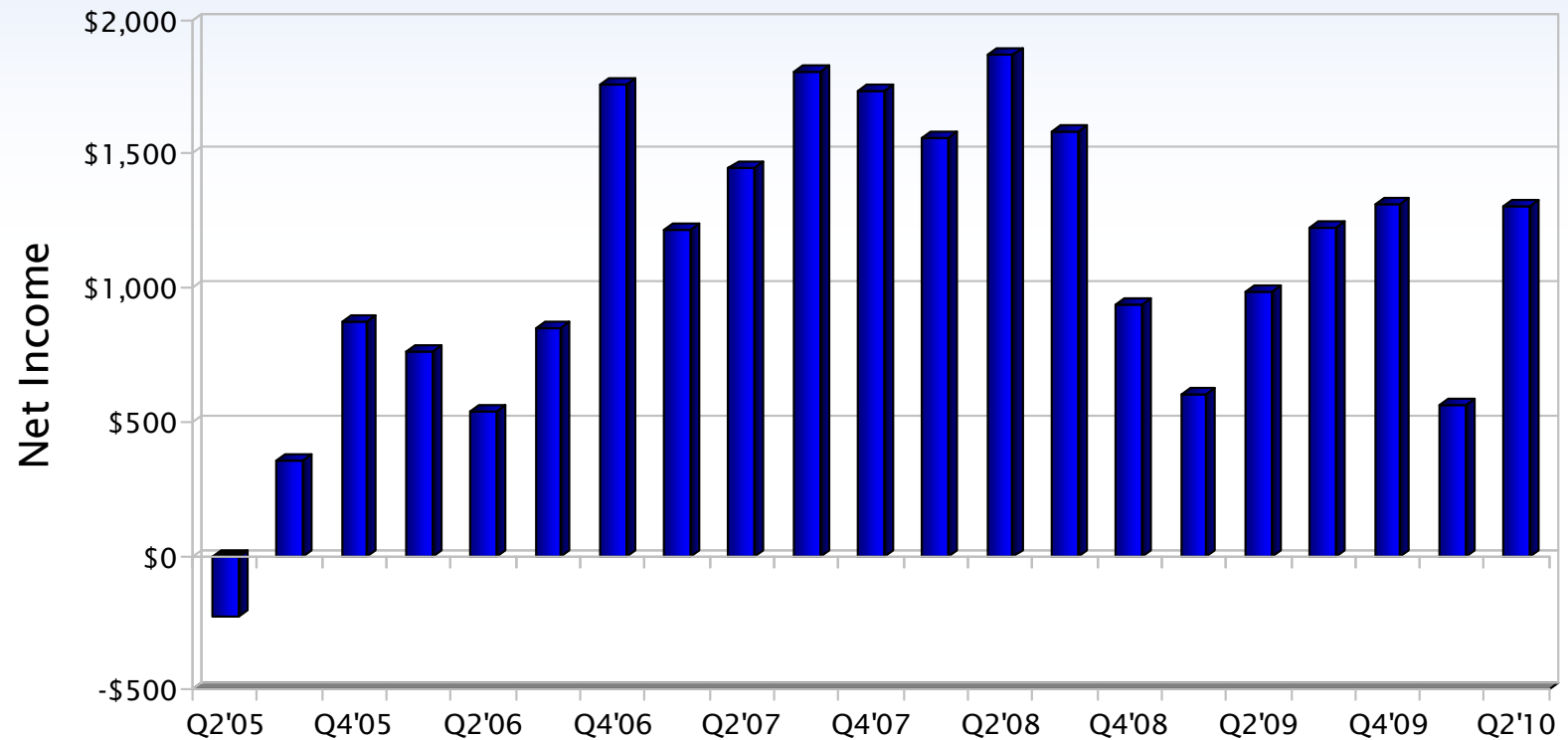
Cash Receipts versus Total GAAP Revenues



Net Income Trends

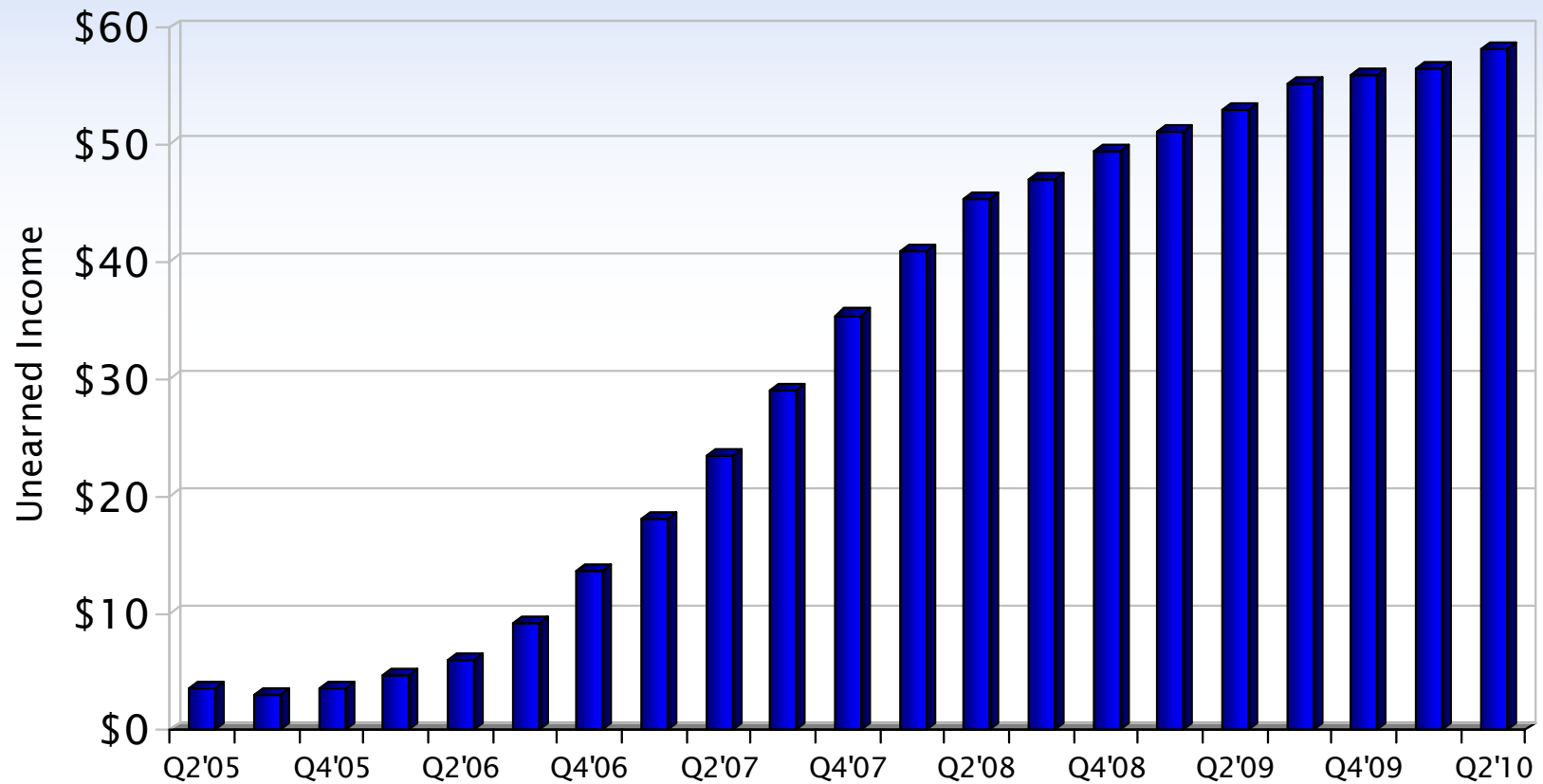
Reported 4 full years of profitability since losing financing in 2002

Thousands



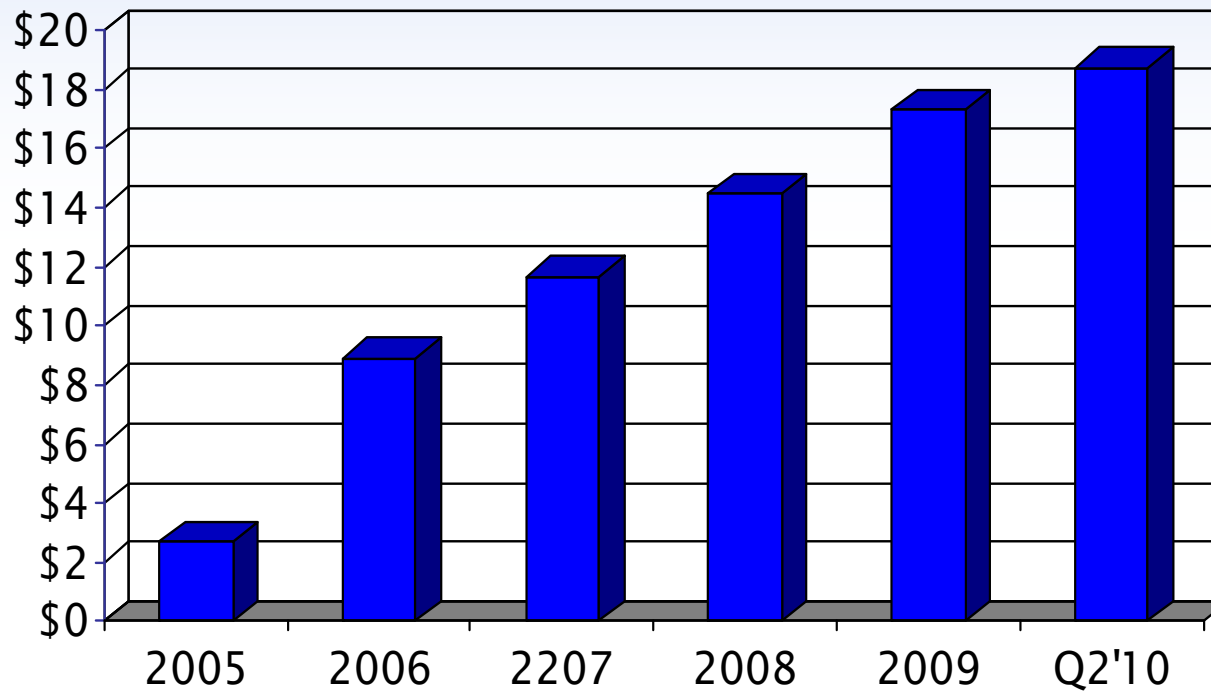
Unearned Income Trends

Millions



Cumulative Dividends Paid

Millions



Strong Balance Sheet

(\$ in Thousands)	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/09</u>	<u>06/30/10</u>
Cash and cash equivalents	7,641	5,575	1,225	2,368
Net investment in leases	61,547	97,261	124,049	132,055
Other assets	1,794	2,014	1,822	1,575
Total Assets	70,982	104,850	127,096	135,998
Total debt	6,531	33,325	51,906	59,016
Other liabilities	3,623	7,187	8,425	9,541
Total Liabilities	10,154	40,512	60,331	68,557
Total Stockholders Equity *	60,828	64,338	66,765	67,441
Total Liabilities and Stockholders Equity	\$70,982	\$104,850	\$127,096	\$ 135,998
* Dividends Paid to Shareholders	\$ 2,780	\$ 2,800	\$ 2,826	\$1,420

Operating Strategy

Origination Strategy: Dealer Network

- ▶ Since July '04, MicroFinancial has approved over 5,600 new dealers, approximately 500 of which are brokers.
- ▶ Moving forward we will continue to increase our dealer relationships.
 - ▶ Continue to develop Marketing programs to:
 - Penetrate existing markets.
 - Identify new markets.
 - Identify new vendor leads in the specific markets.
 - Execute on our communication strategy that has been developed for our vendors and investor base.
 - Develop new technology to assist our vendors in how they complete and submit lease applications.
 - Continue to develop a more effective way to train and retain new and existing vendors.
 - ▶ Continue to develop a strong in-house sales force focused on vendor relationships
 - ▶ Continue to established relationships with leasing companies, brokers and banks to supplement our in-house sales force

Proprietary Software System

MicroFinancial's software provides industry-leading service and a clear market advantage

- ▶ TimePayment Direct, an Internet-based application processing, credit approval and dealer information tool, manages critical operational functions.
 - ▶ Proprietary Multi-Tiered underwriting & pricing model.
 - ▶ Collections platform.
- ▶ Enables the company to process and manage hundreds of thousands of contracts and evaluate portfolios rapidly
- ▶ Key to the success given the operational amount and size of the transactions processed and managed by the company.

Underwriting & Pricing Model

- ▶ TimePayment Direct enables highly automated underwriting and portfolio management capabilities in house:
 - ▶ On-line applications (24/7).
 - ▶ Automated credit review and scoring.
 - ▶ Automated approval process (credit decision in 2 minutes or less).
 - ▶ Funding (same day after receipt of completed lease file).
 - ▶ All tax administration (Income, sales, use and property).
- ▶ The online, instant credit scoring system has differentiated the company from other competitors:
 - ▶ Multi-dimensional model.
 - ▶ Determines pricing commensurate with risk assumed in contract.
- ▶ System enhances dealer relationships by providing rapid responses and allowing dealers to provide better service to lessees.

Collections Process

- ▶ Collections capability is critical to operational success given micro-ticket market and customer base profile.
- ▶ MicroFinancial has developed a very effective collection operation for lease and service contracts:
 - ▶ Automated software system invoices, tracks, and processes payments, and monitors delinquent accounts.
 - ▶ In-house staff manages the contact process based on data generated.
 - ▶ Efforts include sending collection letters, making collection calls, reporting delinquent accounts to credit reporting agencies, negotiating termination of leases, arranging for the repossession of leased equipment, litigating delinquent accounts when necessary, and obtaining and enforcing judgments.
- ▶ Collections will continue to be a major component of the platform.

Origination Strategy: Credit Focus

- ▶ Goal: to create a quality portfolio
 - ▶ Focus on micro-ticket product (i.e., products with a cost between \$500 and \$25K).
 - ▶ Continue to use our credit scoring model to approve differential grades of credit.
 - ▶ Continue to use our multi-tiered pricing model in our credit decisions to deliver more value to our vendor base.
 - ▶ Approve only credit that would exceed a FICO score of 550 or an acceptable D&B, PayNet or Credit.net rating.

Why Invest in MFI?

- ▶ Significant market opportunity.
- ▶ Strong Quarterly Cash Flows in Excess of \$1.20 Per Share.
- ▶ Have consistently grown the quarterly cash flow since Q1-07.
- ▶ Have Consistently Paid a Dividend since 2005.
- ▶ Stock is Currently Trading Below Book Value.
- ▶ Strong Balance Sheet with a Debt / Equity ratio of 1.02 to 1
- ▶ Proven business model over 24 years.
- ▶ Insiders hold large stake in the company.