



Full Year Results to January 2019

Tried and Tested



THE CREDIT YOU DESERVE



TODAY'S SPEAKERS



Anthony Coombs
Chairman



Graham Coombs
Deputy Chairman



Chris Redford
Group Finance Director

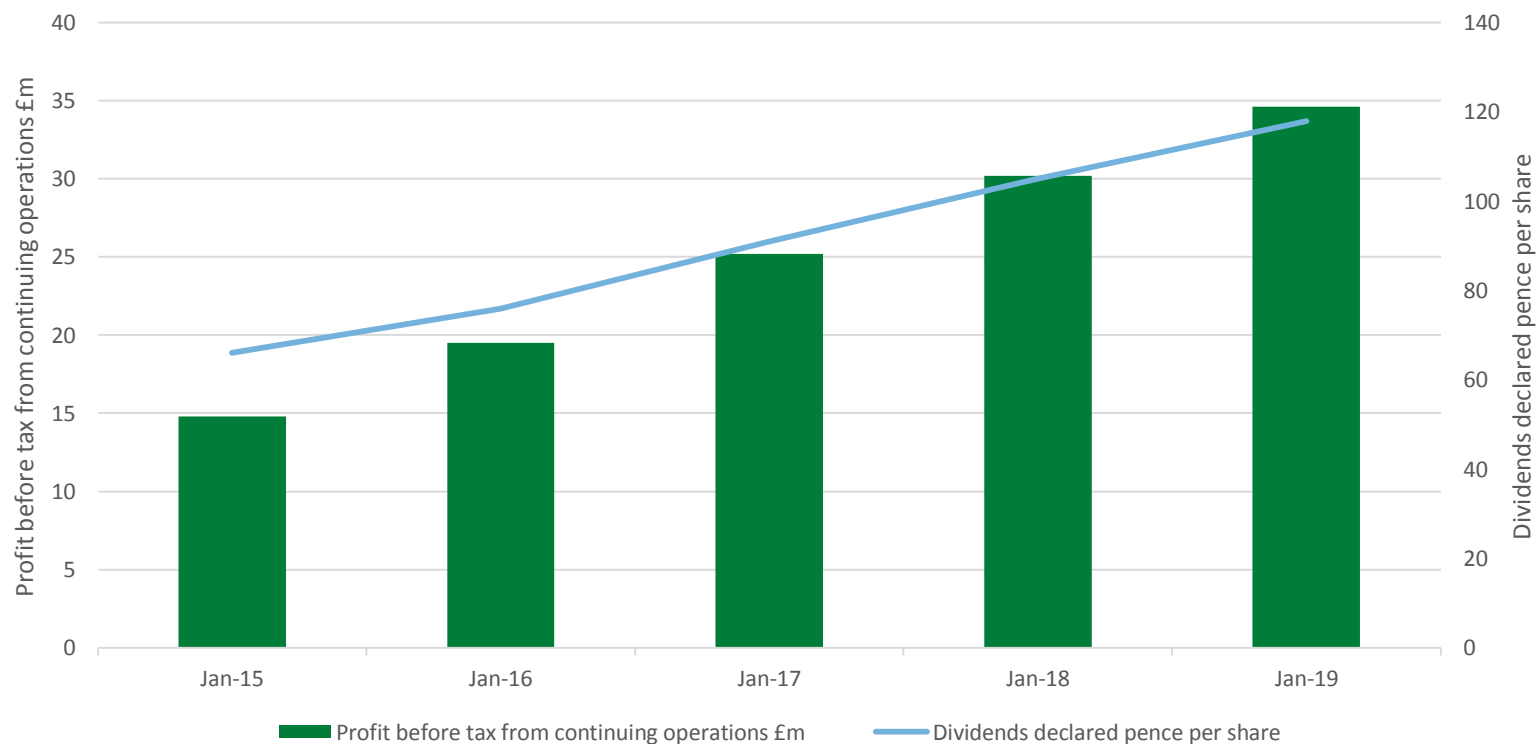


**“Our tried and tested business has been built to deliver sustainable growth to produce profit and dividends. We are confident for the future”
– Anthony Coombs, Chairman**



PROFITS RECORD OVER LAST 5 YEARS FOR GROUP

Group 5 year record - steady and sustainable growth





OUR PROFIT AND LOSS – year to January 2019

Group Income Statement £m	Jan 19 IFRS9	Jan 18 IAS39	Change %
Revenue	89.2	79.8	+12%
Impairment	-23.2	-19.6	+18%
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Risk adjusted gross yield RAY	66.0	60.2	+10%
Cost of Sales	-15.7	-17.3	-9%
Admin Expenses	-11.2	-9.9	+13%
Finance Costs	-4.5	-2.8	+61%
Profit before tax group	34.6	30.2	+15%
Profit before tax £m	Jan 19	Jan 18	Change %
Motor Finance	33.6	30.2	+11%
Property Bridging Finance	0.9	-0.3	
Central finance income/costs	0.1	0.3	
Profit before tax group	34.6	30.2	+15%

- Group PBT for year continuing to grow by 15%
- Revenue up 12% and Impairment up 18%*
- Basic EPS up 14% to 233.2p (2018: 203.8p)
- Final dividend up 13% to 51p (2018: 45p)
- Increase in motor impairment reflects increased pressure on incomes for some customers
- Cost of sales 9% lower due to 14% lower advances volumes
- Average cost of sales per deal at £727 (2018: £692) reflect more internet broker sourced deals and increased competition
- Finance costs up 61% on average borrowings up 48% during year

**includes accounting effects of move to IFRS9/IFRS16*



GROUP BALANCE SHEET – 31 January 2019

£m	Jan 19 IFRS9	Jan 18 IAS39	Change %	Comment
Fixed Assets and Right of Use Assets	2.3	1.9		Inc. £0.3m right of use assets 2018
Amounts Receivable Motor Finance	258.8	251.2	+3%	+4% like for like low annual growth
Amounts Receivable Property Bridging	18.3	10.8	+68%	Increasing following successful pilot
Other Assets	1.4	1.2		
Total Assets	280.8	265.1	+6%	
Bank Overdrafts	-	-1.0		£7m current overdraft facilities
Trade and Other Payables	-2.1	-2.5		
Tax Liabilities	-4.0	-3.6		
Accruals and deferred income	-0.6	-0.8		
Borrowings	-108.0	-104.0	+4%	Committed facilities increased to £160m in March 2019
Financial and Lease Liabilities	-0.7	-0.4		Inc. £0.3m lease liabilities 2019
Total Liabilities	-115.4	-112.3	+3%	
Net Assets and Total Equity	165.4	152.8	+8%	



TREASURY AND FUNDING

- Committed funding facilities increased to £160m
 - New £25m revolving credit facility with NatWest agreed to 2024
 - HSBC existing £60m credit facility extended to 2022
- Group gearing at 31 January 19 is 65% (2018: 69%)
- £3m Group cash flow invested in year to 31 January 2019
 - Aspen increased investment
 - Offset by motor finance cash generation due to lower growth and 4 year book starting to mature



CASH FLOW: year to 31 January 2019

Group Cash Flow

- Motor Finance growing over 51 month cycle
- Reduction in new loans this year
- Net investment in Property Bridging now at £17.7m

£m	Jan 19	Jan 18
Balance b/f	-105.0	-49.2
Motor Finance outflow	+5.9	-41.9
Property Bridging outflow	-6.5	-11.2
Other outflow	-2.4	-2.7
Balance c/f	-108.0	-105.0
Gearing %	65%	69%
Analysis of balance c/f		
Central	+75.7	+78.1
Property Bridging	-17.7	-11.2
Motor Finance	-166.0	-171.9
Balance c/f	-108.0	-105.0

Motor Finance Cash Flow

- Advances 14% lower than record last year due to tighter underwriting / increased competition
- Monthly Collections up 16% on 2018

£m	Jan 19	Jan 18
Balance b/f	-171.9	-130.0
Advances	-129.2	-152.2
Monthly Collections	138.1	118.8
Settlements/reloans	27.9	24.6
Debt recovery	15.5	9.9
Overheads/interest etc	-30.4	-29.4
Corporation Tax	-5.5	-5.4
Dividend	-10.5	-8.2
Balance c/f	-166.0	-171.9

Property Bridging Cash Flow

- 62 new gross advances
- 38 repayments

£m	Jan 19	Jan 18
Balance b/f	-11.2	0.0
Gross Advances	-23.1	-13.3
Retention Collections	2.5	1.5
Collections	14.0	1.7
Debt recovery	1.8	-
Overheads/interest etc	-1.7	-1.1
Balance c/f	-17.7	-11.2



ADVANTAGE MOTOR FINANCE OVERVIEW

- 19th successive year of profit growth at Advantage at £33.6m – 15% ROCE for 8th consecutive year
- FCA motor finance review announced on 4th March seen as benign for Advantage
- Strong labour market offsets some evidence within increased impairment charge of continued pressure on real terms customer incomes
- Market growth - 7% increase in number of used cars financed by FLA members in 2018
- Substantial market opportunity - Advantage still only penetrated c. 1% of the used car finance market
- New opportunities for growth using enhanced technology – API, scorecard
- Repositioning for growth - in higher quality tiers of non-prime market



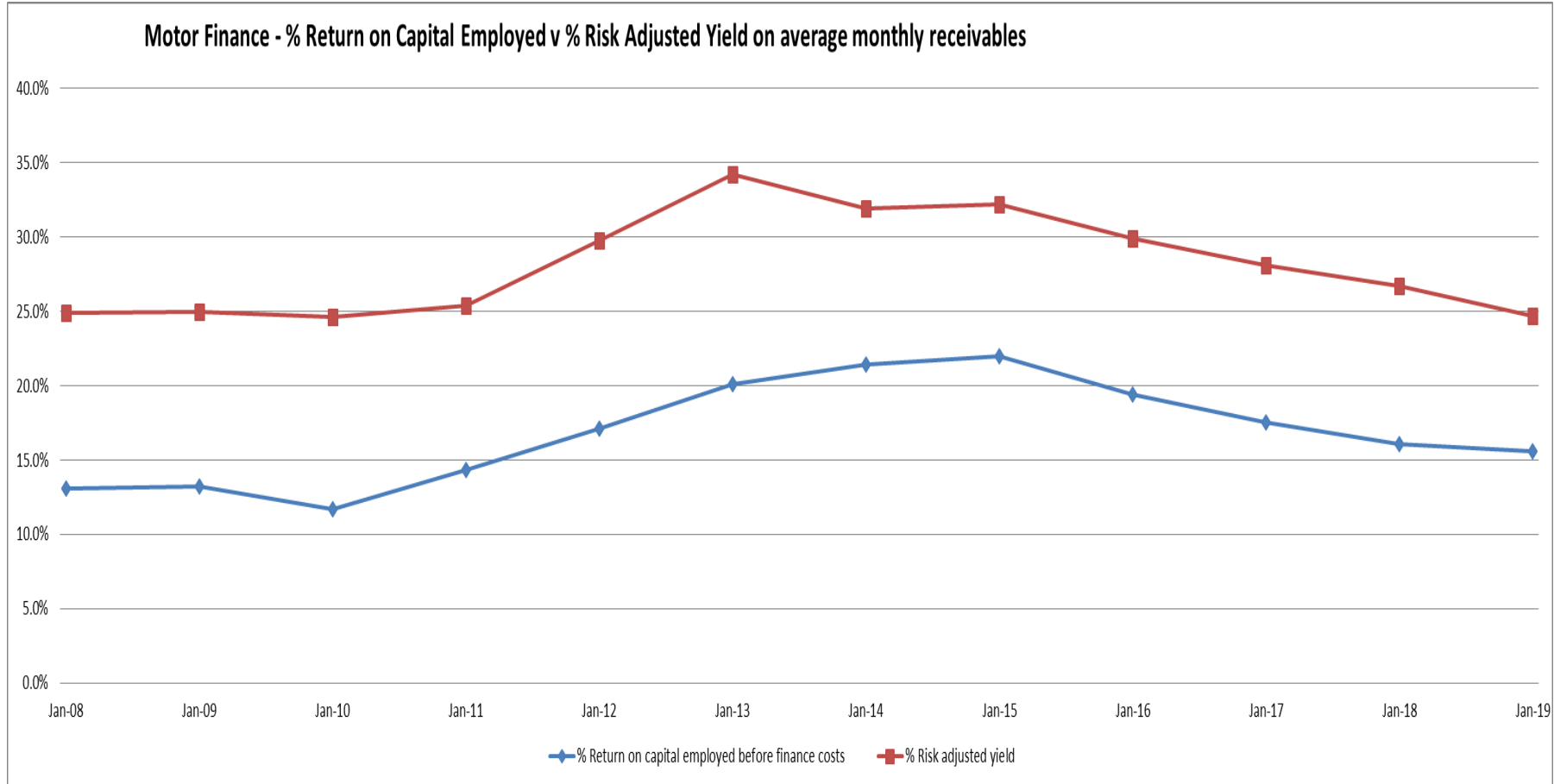
MOTOR FINANCE LOAN PROFILE BY YEAR OF ORIGINATION

Average Loan profile	Year to Jan 14	Year to Jan 15	Year to Jan 16	Year to Jan 17	Year to Jan 18	Year to Jan 19
Number of loans	8,460	11,941	15,131	20,042	24,518	21,053
Advance	£5,715	£6,079	£6,121	£6,068	£6,207	£6,136
Cost of Sales	£566	£558	£593	£642	£692	£727
Interest rate flat per annum	16.5%	16.8%	17.5%	17.9%	17.8%	17.9%
Average customer score*	905	871	867	862	869	864*
Original term in months	46	47	49	50	51	50

*Based on internal credit quality score – current live book debt portfolio is slightly higher average yield and slightly lower average quality as the pre Jan 15 originations have now mostly settled – score for year to Jan 19 versus year to Jan 18 includes negative for newer hcstc products



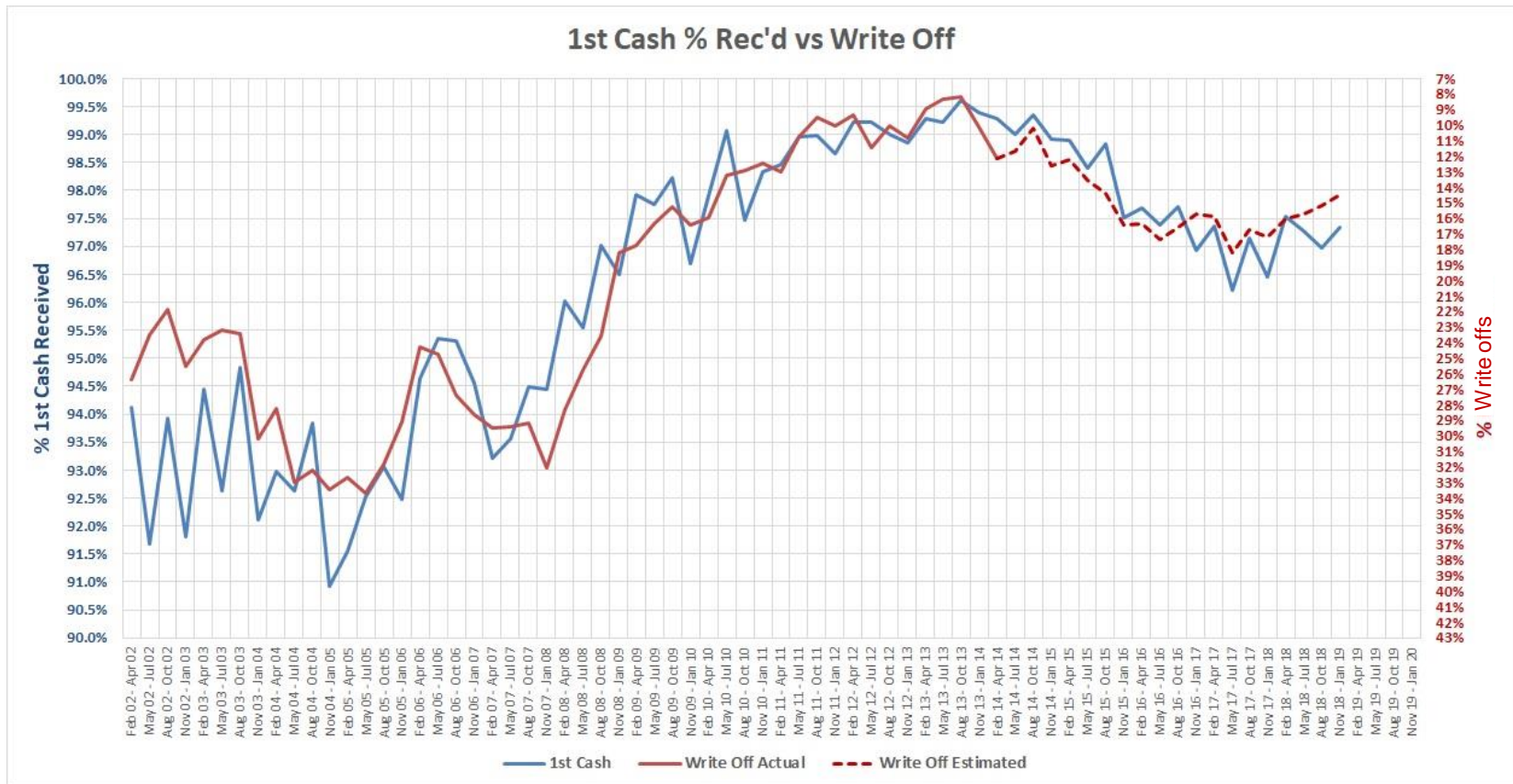
MOTOR FINANCE – Return on capital versus risk adjusted yield





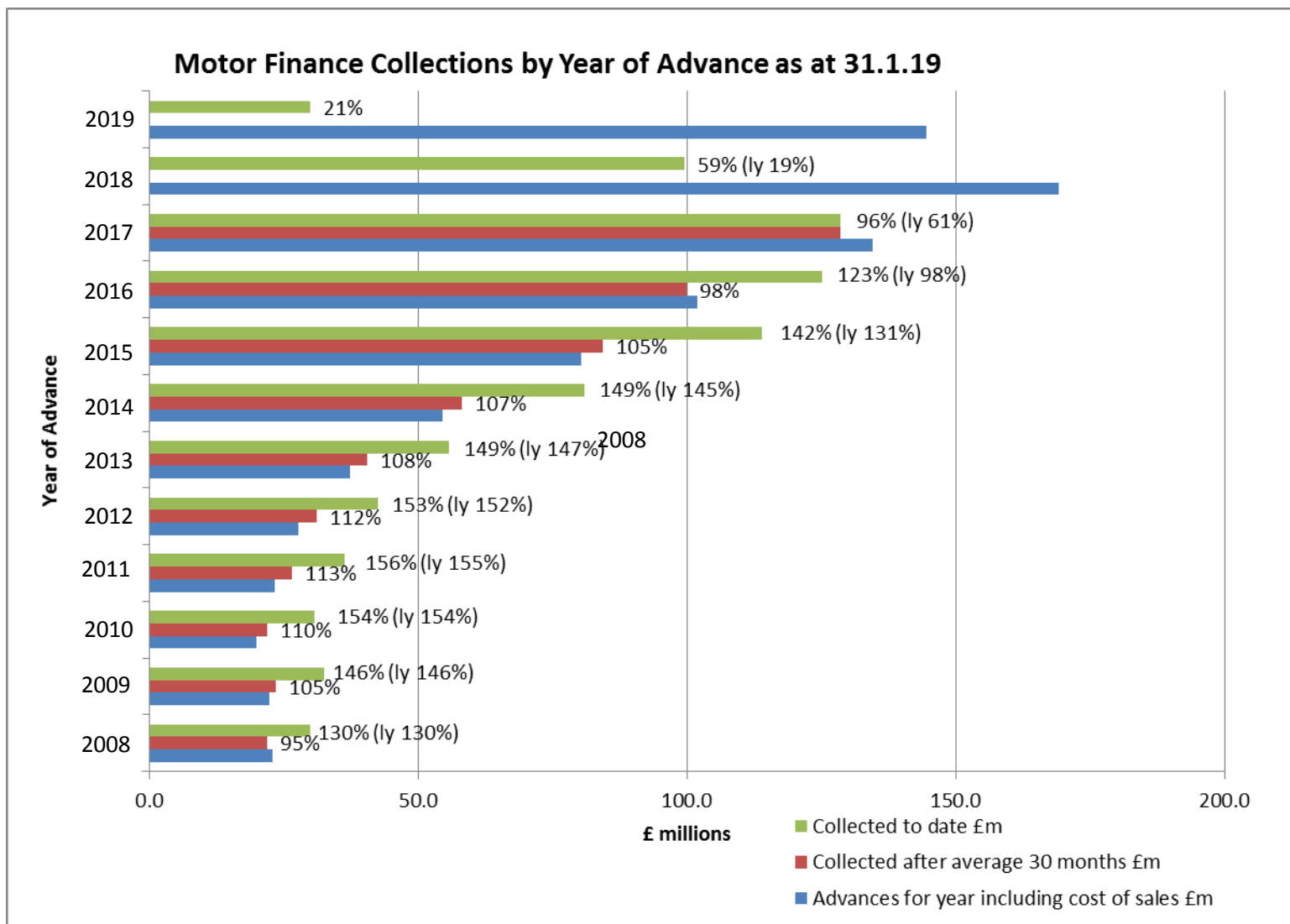
MOTOR FINANCE – first repayment quality

- Strong historic correlation between early repayments and end outcomes
- Underwriting improvements last year to tighten affordability and credit assessment criteria is now giving rise to improvement in early repayments





MOTOR FINANCE – collections graph





MOTOR FINANCE RECEIVABLES

Account Arrears Status	Position at end January 2019		Position at end January 2018	
	Volume of Accounts	Percentage of Live Receivable	Volume of Accounts	Percentage of Live Receivable
Up to Date	47307	79.17%	45668	83.31%
0.01 – 1 mthly payments	5037	9.10%	4020	7.87%
1.01 – 2	2334	4.16%	1843	3.54%
2.01 – 3	1440	2.53%	972	1.80%
3.01 – 4	903	1.53%	591	1.05%
4.01 – 5	594	0.99%	378	0.67%
5.01 – 6	422	0.73%	259	0.46%
6.01 +	1072	1.80%	748	1.30%
Total Live Accounts	59109	£254.7m net receivables	54479	£248.0m net receivables
Legal and debt recovery		£4.1m net receivables		£3.2m net receivables
Total net receivables	IFRS9	£258.8m net receivables	IAS39	£251.2m net receivables



MOTOR FINANCE REGULATION – FCA work on motor finance market

- FCA issued a report in March 2019 on their motor finance review. Advantage welcomed the report's balanced conclusions.
- The FCA work was focussed on 4 areas:
 - i) Responsible lending - FCA investigated the assessment of customer creditworthiness, including affordability. Advantage's credit risk assessment separates credit scoring and credit affordability in line with the FCA guidelines.
 - ii) Remuneration Arrangements – FCA expressed concern at difference in charges on commission arrangements. Advantage have never offered such commissions to their brokers whose commission cannot reflect either loan size or interest rate.
 - iii) Transparency of information – FCA's requirement that customers receive clear and transparent information. Advantage's clear and transparent information is reflected in the "Crystal Mark" from the Plain English Campaign.
 - iv) Risk exposure to falling residual values – FCA has indicated that the typically larger lenders involved in this are adequately managing the risks. This risk primarily applies to PCP's which Advantage do not offer.



ASPEN BRIDGING



- Secured property bridging market is worth c. £7.5bn per annum in England and Wales. Estimated to grow to over £10bn by 2021 (Mintel)
- 97 property bridging loan facilities deals done in 24 months up to end of January
- Aspen now achieving monthly profits as planned and profit for year was £0.83m (FY 2018: £0.3m loss)
- Year end net receivables at £18.3m with average loan size c. £375k with monthly interest rate just over 1% and original terms between 6 and 14 months
- Promising levels of repayment – 43 loans repaid up to end of January 19
- Increased investment announced for 2019



OUTLOOK

- Advantage – confident of further steady sustainable earnings growth
 - Continuous improvement of motor finance product and service by strong team
 - 19 successive years of record profits
 - Excellent introducer relationships and operational procedures
 - Tighter underwriting
 - Strong market demand
- Aspen - increased investment announced after successful pilot
- Family management are major shareholders - provide cautious approach to treasury and current economic and political uncertainty
- Our tried and tested business has been built to deliver sustainable growth to produce profit and dividends. We are confident for the future



APPENDICES



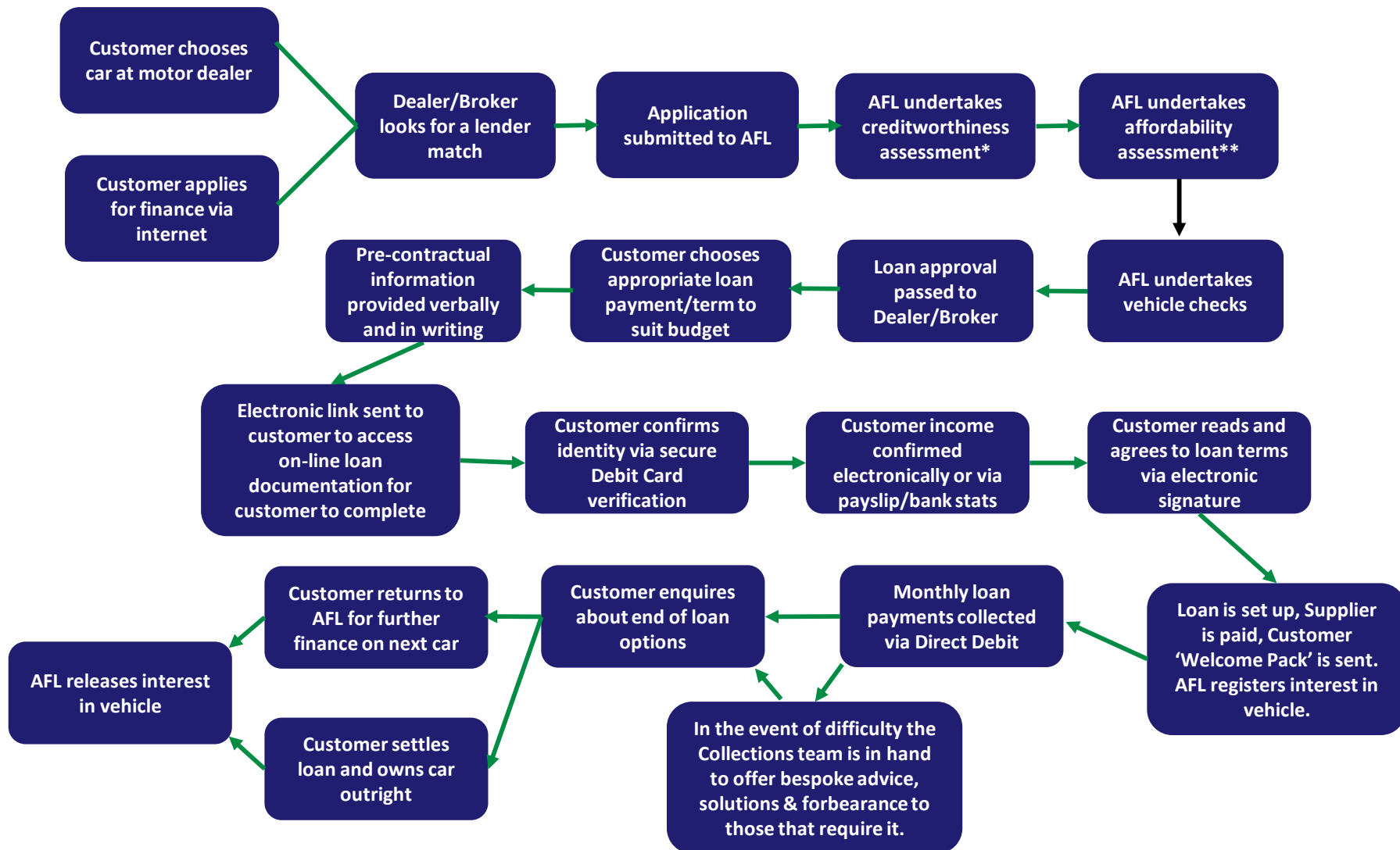
MOTOR FINANCE – our business



- Used car finance on hire purchase – 90% sourced through brokers – 5% refinances for previous customers – 5% direct from dealers
- 150,000th new deal transaction milestone reached this year
- c.2,000 deals per month underwritten and collected centrally – direct debit is the start repayment method for all customers
- Customers typically borrow only once – loan of about £6,200 advance with £11,100 repayable including interest over an average term of about 51 months
- Average £6,200 advance may typically be used to purchase good quality five year old used vehicle which at inception has already seen heaviest years depreciation
- Advantage offers HP products only. No Personal Contract Plans



MOTOR FINANCE – customer loan journey



* Creditworthiness check includes multiple credit reference enquiries, bespoke credit score and various internal & external anti-fraud checks

** Affordability check includes income verification, assessment of monthly credit commitments and statistical analysis of cost of living at individual postcode level.



MOTOR FINANCE – credit and risk management

- Approval rate approximately 23% of applications, of which about 9% is converted – over 1,000,000 applications in year resulting in 21,053 deals
- Automated decision from bespoke scorecard system returned within 10 seconds on 95% of all applications received
- Well established compliance procedures supported by outside internal audit function and external specialist legal advisers
- Monthly distribution of compliance and risk reports, quarterly TCF reports signed off by all directors, strong complaint handling procedures and successful track record of compliance inspections



MOTOR FINANCE – our loyal customers

From 2018/19

- HGV driver had previous loan with Advantage from 2015 to 2018
- In 2019 was looking for financial support to purchase a caravan.
- Credit profile was assessed and although 2 small credit defaults from several years ago, these were almost fully settled.
- Agreed credit of £4,250 to be repaid over 48 months at monthly repayments well suited to budget and less than those payments made on his previous agreement.

This customer commented “ This was our second time using Advantage and they couldn't have been anymore helpful. We had finished paying our car off and decided to finance a caravan, Advantage staff were very friendly, we were approved before we went looking for a caravan making it easier as we knew the budget we had to work with and once we found our dream van Advantage had the finance sorted in less than an hour. Would highly recommend.”



MOTOR FINANCE – our loyal customers

From 2018/19

- Construction worker had existing loan with Advantage taken out in 2017.
- With a balance still on the loan he wanted assistance with his motor requirements.
- Credit profile was reassessed to ensure the proposed loan was again appropriate and affordable to circumstances
- Despite two historic CCJs, all bills were paid on time and didn't have any other credit commitments, along with his excellent payment history of his previous Advantage loan.
- Application approved, after settling the original agreement this left a purchase price of £11,967 which we arranged over 59 months at monthly repayments well suited to budget and similar level of previous agreement.

This customer commented” Great company, very easy to deal with and very professional. Paperwork is very easy and is explained really well, they also make sure you are getting a good deal on your new car Helen, who I dealt with was fantastic, very good at what she was doing and very easy to get on with, she explained everything throughout the process...brilliant”



MOTOR FINANCE – customer testimonials

“Thank you Advantage Finance – Your colleague has been brilliant great member of staff helpful and extremely supportive couldn’t praise them enough. Would recommend Advantage Finance to anyone. Thank you”

“Amazing customer service! Always go the extra mile to help whatever your situation. Would never use another finance company and would definitely recommend to anyone! Keep up the great work! Staff were helpful and very understanding.”



“Excellent 100% - I can say every time I have called Advantage Finance they have been absolutely brilliant. 100% best financial business. They gave me a chance and helped me achieve my dream. Well done to you all...”

“Couldn’t of been more helpful as a company and the people that work for Advantage seem to go that extra mile to help and sort out any problems. Thank you”



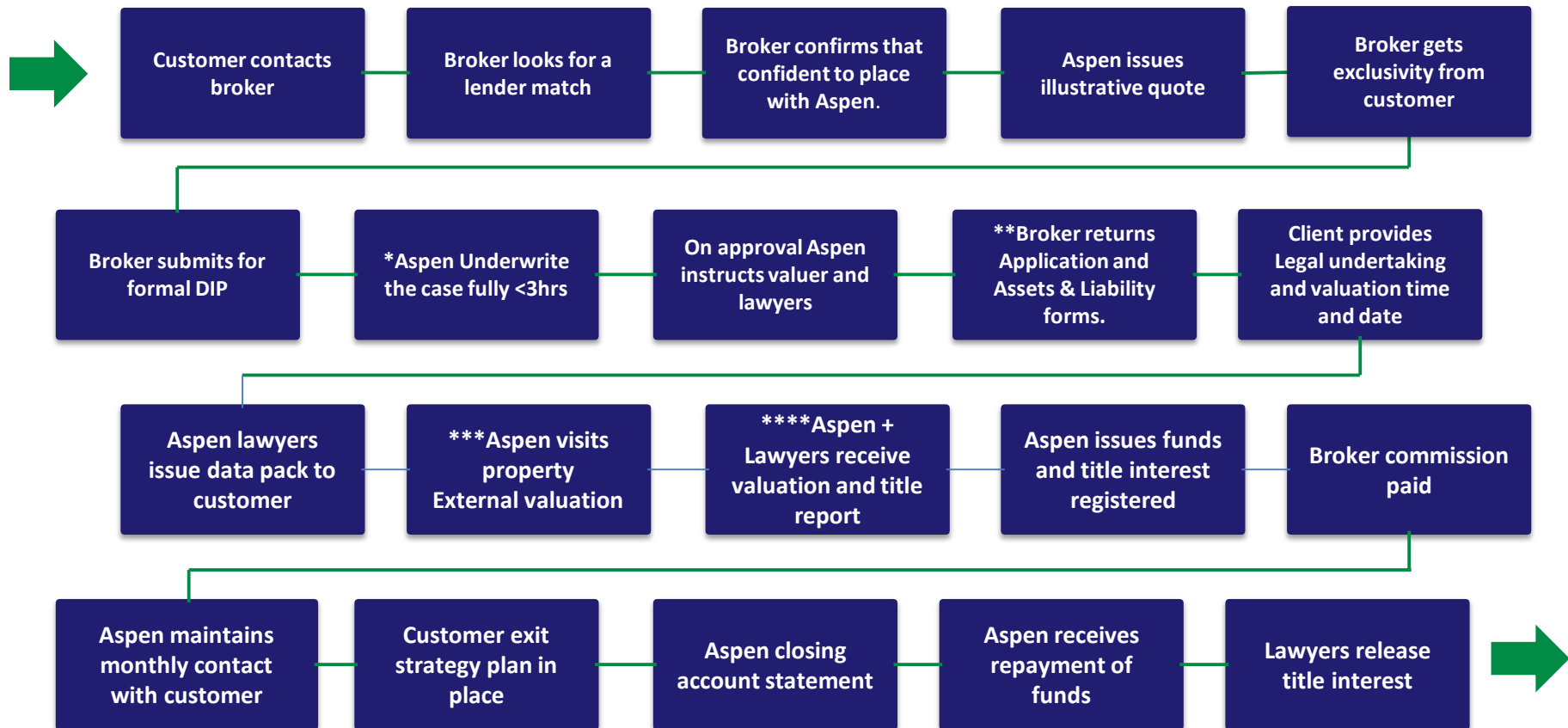
PROPERTY BRIDGING FINANCE – our business



- Aspen started trading in February 2017 and provide a “fast, flexible, friendly and fair” service to customers with property bridging loan requirements
- 97 secured property bridging loan facilities have been provided to customers during the 24 months with an average loan facility of c.£375,000 at average maximum loan to value of 71%
- Bridging loans are all secured on a wide range of properties from residential to commercial and average original term is 9 months
- Repayment is made either before or at the end of the loan term and all facilities have a built in option for the lender to extend the facility for a further 2 months where required and appropriate



PROPERTY BRIDGING FINANCE – Aspen process



- *Includes credit checks and Rightmove+ assessment, any manual edits to DIP (Decision in Principle) made at this point.
- **Fraud and electronic ID checks performed at this point.
- ***Customer interview & security review take place.
- ****Audited by experienced valuer retained by Aspen, as well as any final edits made to the DIP based on accurate valuation.



PROPERTY BRIDGING FINANCE – customer and broker testimonials

Borrower Feedback 9th March 2019

‘Needless to say, with my background in banking, I'm a hard person to impress, but overall have been blown away by how engaged and forward thinking Aspen (namely crediting Arthur and Wayne) were with this transaction - I've never seen underwriters get so hands on, and it's given me faith back in an industry where what happens to the application post-submission can be cloudy. Overall, I hope all my financing experiences are like this, and would recommend thoroughly to other investors. Keep up the good work’

Broker Feedback 2nd Jan 2019

“I placed this case with Aspen knowing that they could complete this loan within the tight time scales and high LTV criteria required. From start to finish the process was easy and efficient and when issues arose they used a common sense commercial approach to deal with them.

We completed on time and according to plan. The customer was delighted with the outcome, as so were we. I look forward to working with Aspen again in the future.”

Borrower Feedback 10th December 2018

“I would like to say how pleased I was with the prompt service relating to our recent purchase , and that everything kept within the advised timeframe and that Aspen went that extra personal mile to ensure all the boxes were ticked and kept a direct link with both our lawyers and yours. I hope we can enlarge our relationship and look forward to our next coffee over looking Viking Bay.”



PROPERTY BRIDGING FINANCE – case study

Broker Feedback 10th March 2019

“I have used Aspen in the past and they have never let me down. Their common sense lending approach combined with competitive rates and simple application process makes using them a no brainer when you are dealing with multiple clients on a daily basis, a lender like Aspen is exactly what you need.”

- Customer urgently required >£400k bridging loan facility which Aspen Bridging provided just 4 days after the enquiry, including an on-site inspection of property and full legal and underwriting diligence – our customer was delighted as per the above feedback!



GROUP INCOME STATEMENT – our five year record

Continuing Business £m	Year to Jan 15 IAS39	Year to Jan 16 IAS39	Year to Jan 17 IAS39	Year to Jan 18 IAS39	Year to Jan 19 IFRS9
Revenue	36.1	45.2	60.9	79.7	89.2
Cost of Sales	-6.7	-9.0	-12.9	-17.3	-15.7
Impairment	-5.9	-7.6	-12.1	-19.5	-23.5
Admin Expenses	-7.0	-7.3	-8.8	-9.9	-11.2
Finance Costs	-1.7	-1.8	-1.7	-2.8	-4.5
Profit before tax	14.8	19.5	25.4	30.2	34.6



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