



Half Year Results to 31 July 2019

Tried and Tested



THE CREDIT YOU DESERVE



TODAY'S SPEAKERS



Anthony Coombs
Chairman



Graham Coombs
Deputy Chairman



Chris Redford
Group Finance Director



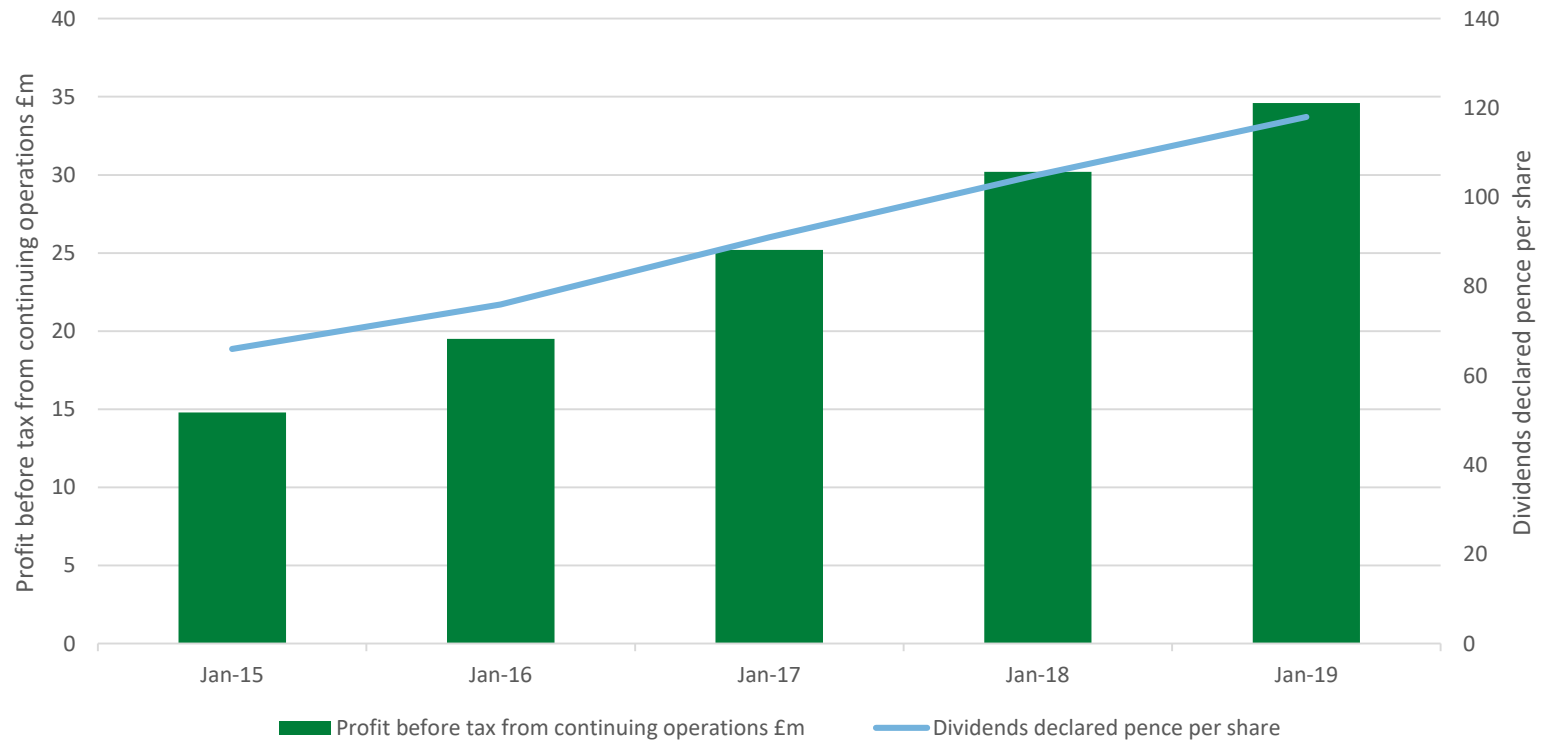
“The resilience and dynamism of our business, especially in times of great political and economic uncertainty, continue to provide the foundation for sustainable and consistent growth. This gives us every confidence for the future.”

Anthony Coombs, Chairman



PROFITS RECORD OVER LAST 5 YEARS FOR GROUP

Group 5 year record - steady and sustainable growth





OUR PROFIT AND LOSS – 6 months to July 2019

Group Income Statement £m	Jul 19	Jul 18	Change %
Revenue	47.6	44.5	+7%
Impairment	-11.4	-11.4	-0%
	-----	-----	
Risk adjusted gross yield- RAY	36.2	33.1	+10%
Cost of Sales	-10.2	-8.6	+16%
Admin Expenses	-6.6	-5.7	+15%
Finance Costs	-2.3	-2.1	+6%
Profit before tax group	17.1	16.7	+3%
Profit before tax £m	Jul 19	Jul 18	Change %
Motor Finance	16.6	16.3	+3%
Property Bridging Finance	0.5	0.3	+80%
Central finance income/costs	0.0	0.1	-
Profit before tax group	17.1	16.7	+3%

- Group PBT up 3%, 16th consecutive increase
- Group Revenue up 7% and slight reduction in Group Impairment v H1 18
- Basic EPS up 3% to 116.5p (H1 18: 112.5p)
- First Interim dividend up to 34p per ordinary share against 32p per share in 2018 – 6% increase
- Improvement in motor impairment and RAY reflects better early collections from underwriting improvements over past 18 months
- Average motor cost of sales per deal at £823 (Year to January 2019: £727). Strategic increase to encourage more internet deals and a slightly higher quality advance
- Increase in admin expenses reflect planned investment in Advantage collection capability



GROUP BALANCE SHEET – 31 July 2019

£m	Jul 19	Jul 18	Change %	Comment
Fixed Assets and Right of Use Assets	2.3	2.3		
Amounts Receivable Motor Finance (net)	273.8	263.5	+4%	
Amounts Receivable Property Bridging (net)	24.7	16.3	+51%	Increased investment following successful pilot
Other Assets	1.5	1.4		
Total Assets	302.3	283.5	+7%	
Bank Overdrafts	-0.2	-0.4		Current overdraft facilities £7m
Trade and Other Payables	-3.1	-2.7		
Tax Liabilities	-3.9	-3.4		
Accruals and deferred income	-0.4	-0.6		
Borrowings	-125.0	-121.0	+3%	Committed facilities £160m
Financial and Lease Liabilities	-0.7	-0.7		
Total Liabilities	-133.3	-128.8	+4%	
Net Assets and Total Equity	169.0	154.7	+9%	



TREASURY AND FUNDING

- Committed funding facilities of £160m - now includes a NatWest £25m five year revolving credit facility to 2024
- Group gearing at 31 July 19 is 74% (2018: 78%)
- £17m Group cash flow invested in six months to 31 July 2019
 - Steady growth in motor and bridging receivables in H1
 - Second interim dividend and main final dividend paid in H1 £10.4m (H1 18 £9.2m)
 - Current borrowing of £125m and committed facilities give significant investment headroom for growth



CASH FLOW: year to 31 July 2019

Group Cash Flow

- Continued motor book growth with good H1 advances and collections
- Steady growth in Aspen in H1 in slower property bridging market
- Conservative and lower gearing

£m	Jul 19	Jul 18
Balance b/f	-108.0	-105.0
Motor Finance outflow	-9.6	-9.5
Property Bridging outflow	-6.0	-5.1
Other outflow	-1.6	-1.8
Balance c/f	-125.2	-121.4
Gearing %	74%	78%
Analysis of balance c/f		
Central	+74.1	+76.3
Property Bridging	-23.7	-16.3
Motor Finance	-175.6	-181.4
Balance c/f	-125.2	-121.4

Motor Finance Cash Flow

- Advances 5% higher than last year benefitting from extra targeted acquisition cost in buoyant market
- Monthly Collections up 7% on H1 18

£m	Jul 19	Jul 18
Balance b/f	-166.0	-171.9
Advances	-76.6	-72.8
Monthly Collections	72.1	67.7
Settlements/reloans	15.6	14.4
Debt recovery	8.6	7.3
Overheads/interest etc	-17.2	-15.8
Corporation Tax	-3.1	-2.8
Dividend	-9.0	-7.5
Balance c/f	-175.6	-181.4

Property Bridging Cash Flow

New Gross Advances: 40 (H1 18: 26) - 137 to date

Repayments: 30 (H1 18: 9) -73 fully repaid to date

£m	Jul 19	Jul 18
Balance b/f	-17.7	-11.2
Gross Advances	-16.6	-10.1
Retention Collections	1.8	1.1
Collections	5.7	4.5
Debt recovery	4.4	0.1
Overheads/interest etc	-1.3	-0.5
Balance c/f	-23.7	-16.3



ADVANTAGE MOTOR FINANCE OVERVIEW

- H1 profits at £16.6m – 15% ROCE for 8th consecutive year
- FCA motor finance review announced on 4th March 2019, seen as benign for Advantage
- Strong application demand reflects good labour market and recent real income improvement, despite Brexit uncertainty.
- Used car market still stable - number of used cars financed by FLA members up 3% in 12 months to June 2019
- Substantial market opportunity - Advantage still only penetrated c. 1% of the UK's used car finance market
- Repositioning for growth – H1 saw successful refocus on increased volumes at slightly higher quality tiers, driven by scorecard refinements and improved commissions



MOTOR FINANCE LOAN PROFILE BY YEAR OF ORIGINATION

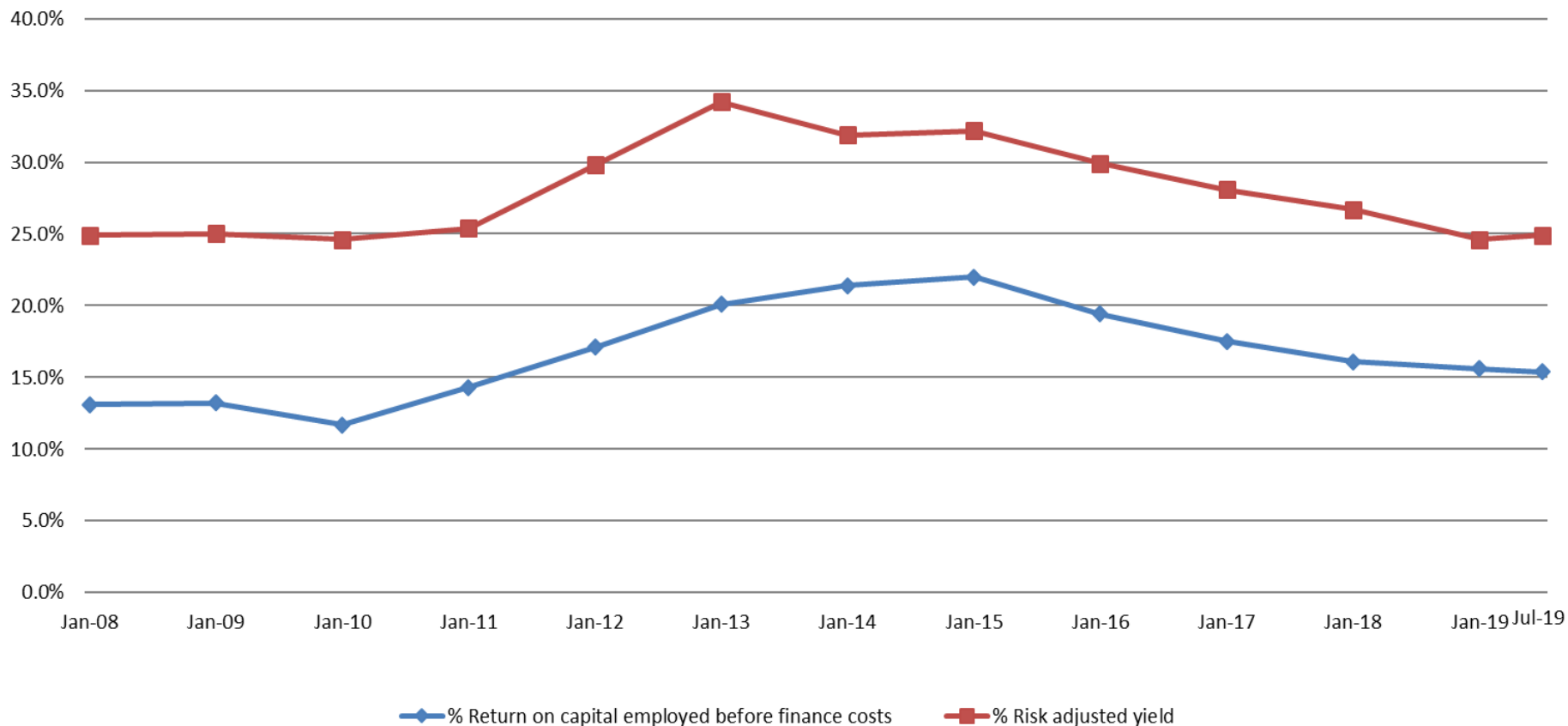
Average Loan profile	Year to Jan 15	Year to Jan 16	Year to Jan 17	Year to Jan 18	Year to Jan 19	Six months to Jul 19
Number of loans	11,941	15,131	20,042	24,518	21,053	12,065
Advance	£6,079	£6,121	£6,068	£6,207	£6,136	£6,353
Cost of Sales	£558	£593	£642	£692	£727	£823
Interest rate flat per annum	16.8%	17.5%	17.9%	17.8%	17.9%	17.7%
Average customer score*	871	867	862	869	864*	867*
Original term in months	47	49	50	51	50	51

*Based on internal credit quality score – scores for year to Jan 19 and 6 months to July 19 versus year to Jan 18 include adjustments for newer HCSTC products



MOTOR FINANCE – Return on capital versus risk adjusted yield

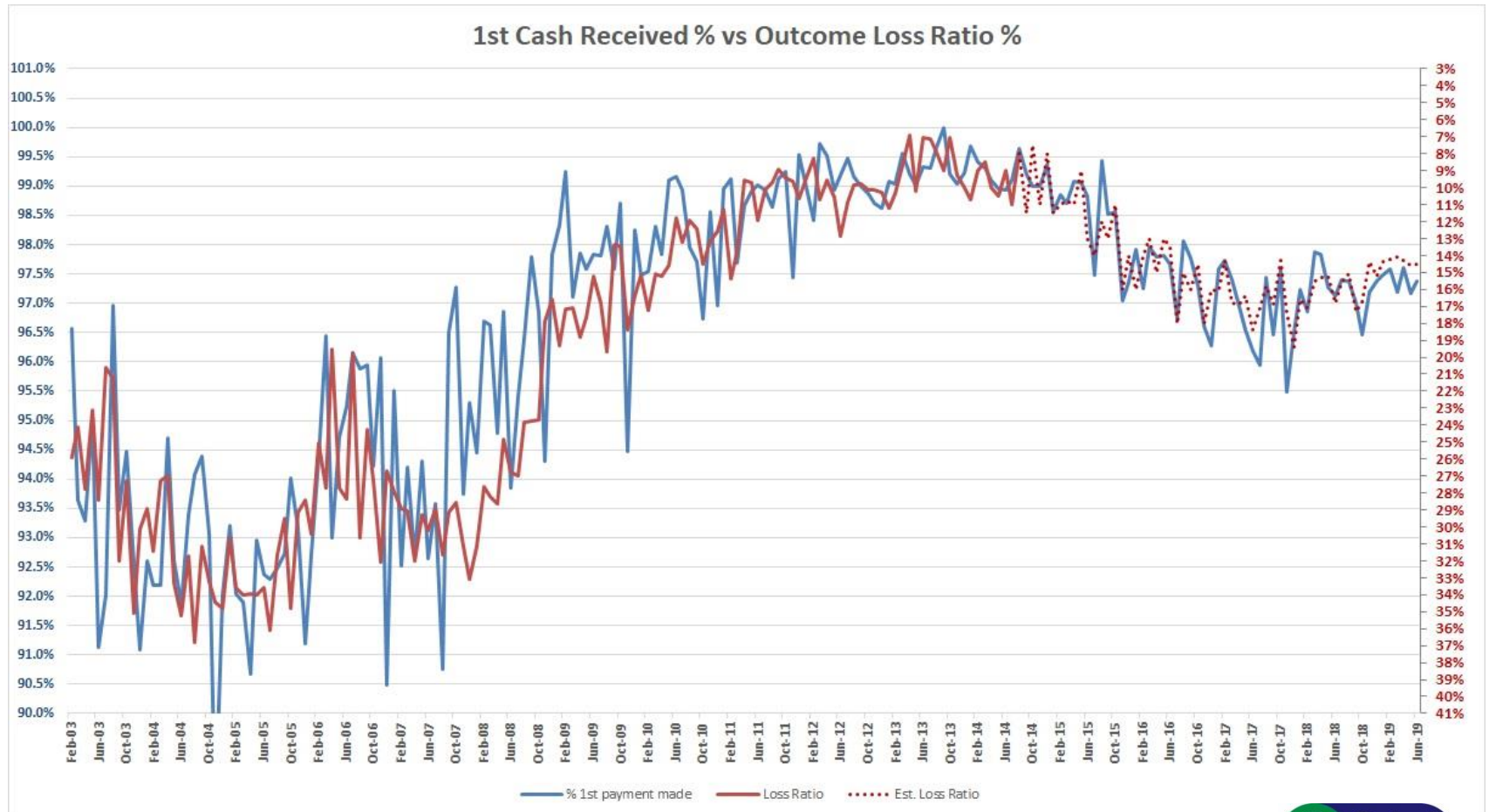
Motor Finance - % Return on Capital Employed v % Risk Adjusted Yield on average monthly receivables





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 are now giving rise to improvement in early repayments





MOTOR FINANCE RECEIVABLES

Account Arrears Status	Position at end July 2019		Position at January 2019	
	Volume of Accounts	Percentage of Live Receivable	Volume of Accounts	Percentage of Live Receivable
Up to Date	50255	81.13%	47307	79.17%
0.01 – 1 mthly payments	4890	8.16%	5037	9.10%
1.01 – 2	2314	3.68%	2334	4.16%
2.01 – 3	1399	2.14%	1440	2.53%
3.01 – 4	853	1.33%	903	1.53%
4.01 – 5	642	0.99%	594	0.99%
5.01 – 6	422	0.61%	422	0.73%
6.01 +	1257	1.96%	1072	1.80%
Total Live Accounts	62032	£269.4m net receivables	59109	£254.7m net receivables
Legal and debt recovery		£4.4m net receivables		£4.1m net receivables
Total net receivables		£278.8m net receivables		£258.8m net receivables



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)
- Property market completions have slowed in recent months as published by HMRC – 12.4% for July 2019 when compared to July 2018. Reflected in Aspen's new loan facility advances and repayments being slightly slower than anticipated in H1
- 137 property bridging loan facilities deals done in 30 months up to end of July
- Promising overall levels of repayment to date - 73 loans repaid up to end of July 19
- Net receivables at £24.7m (H1 18 £16.3m) with average loan size now slightly increased to c.£400k (was £375k). Monthly average interest rate just over 1% and original terms between 6 and 14 months
- Aspen achieved profit for H1 of £0.5m (H1 2018: £0.3m)



OUTLOOK

- Tried and tested S&U business model, experienced management and conservative approach gives confidence for growth in uncertain times
- Advantage – unparalleled record of consistent growth underpinned by:
 - Continuous improvement of motor finance product and service by established team
 - 20 successive years of record profits
 - Excellent introducer relationships and operational procedures
 - Tighter underwriting based on continuous refinements
 - Strong market demand
- Aspen - increased investment continuing after successful pilot
- Strong and conservative Treasury position gives stability and ample headroom for growth
- S&U strategy reflects the alignment of interest between management and principal shareholders emphasising stability and consistency as well as an ambition for growth



APPENDICES



MOTOR FINANCE – our business



- Used car finance on hire purchase – 90% sourced through brokers – 5% refinances for previous customers – 5% direct from dealers
- 160,000th 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 £6,350 advance with £11,500 repayable including interest over an average term of about 51 months
- Average £6,350 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

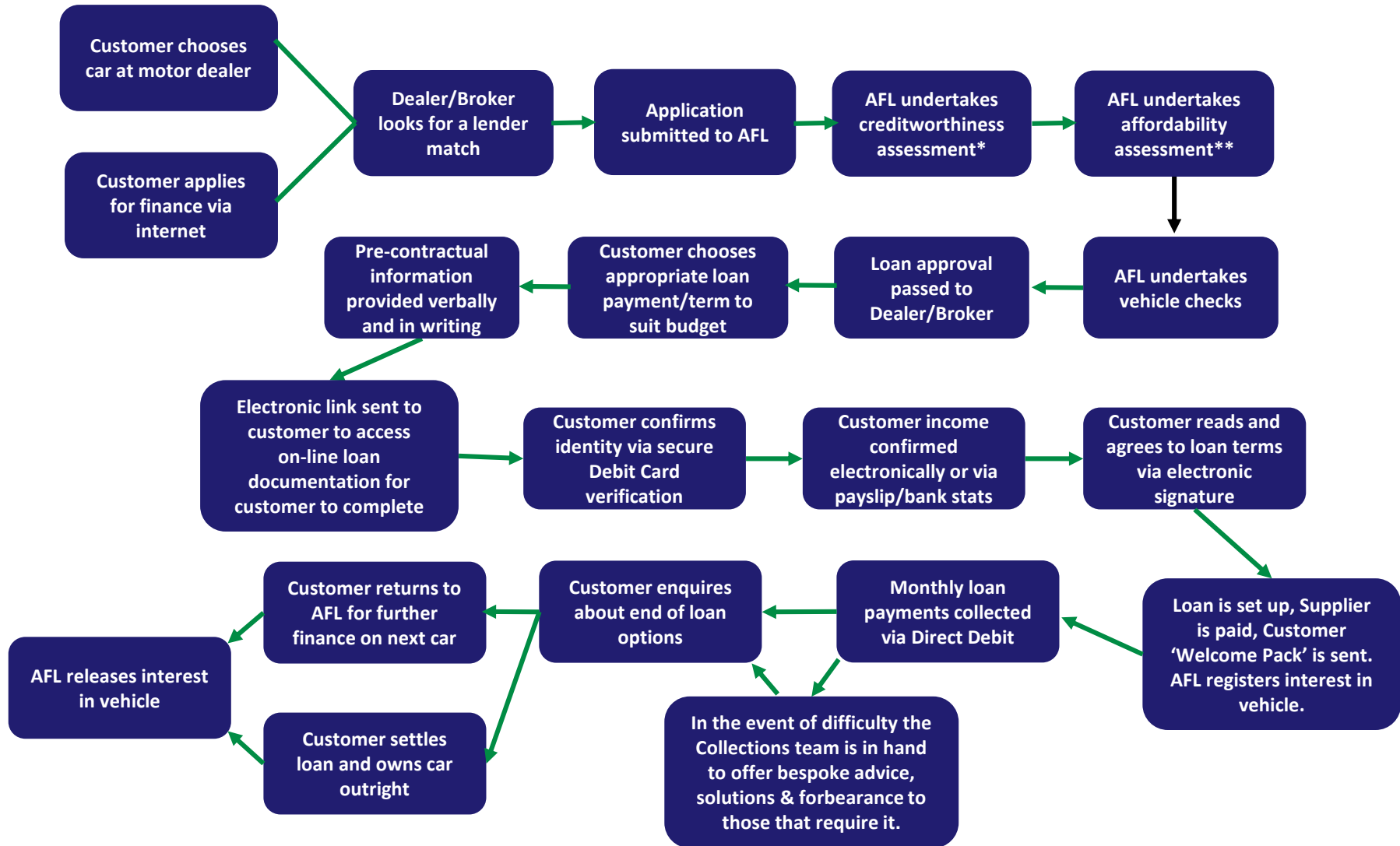


MOTOR FINANCE – FCA review work on motor finance market regulation

- 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.



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 22% of applications, of which about 8% is converted – over 680,000 applications in six months resulting in 12,065 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 2019

- Biomedical Science worker with previous loan from Advantage taken in 2017.
- Looking to refinance for new car
- Credit profile was assessed and although there were 2 historic defaults from 2016, all bills were paid on time including credit cards and existing Advantage loan.
- Agreed credit of £3,750 to be repaid over 54 months at monthly repayments well suited to budget and only slightly higher than those payments made on previous agreement.

This customer commented “I’m not usually one to leave feedback to be honest, however feel like I have to about advantage finance. I have currently been with this company for 2 and a half years and was looking to refinance another vehicle. Advantage was fantastic from the start! Giving me price guidelines of what to look for etc. I ended up in a huge pickle with an awful car dealer...don’t really want to mention who, and half way through went back to Advantage who couldn’t be more helpful. They were absolutely fantastic and I felt like they really looked after me throughout the whole process. After getting Advantage involved all was sorted and my car would be collected less than 2 days later :). Advantage finance are an amazing company and have excellent customer service! Would give more than 5 stars if I could. Thank you so much”



MOTOR FINANCE – our loyal customers

From 2019

- Cable Engineering worker had existing loan with Advantage taken out in November 2017.
- He was looking for financial support to purchase 2nd car for his wife
- Credit profile was reassessed with his wife as joint applicant.
- Despite historic CCJs from several years ago, these were almost fully settled and his previous Advantage loan had excellent payment history.
- Application approved and Advantage provided a £4,000 loan to be repaid over 36 months at monthly repayments well suited to their budget.

This customer commented “Absolutely fantastic from 1st phone call to driving my car away Advantage Finance was easy to deal with hassle free with excellent phone communication highly recommended”



MOTOR FINANCE – customer testimonials

“Spoke with Advantage today and they were very helpful! So polite friendly and very good at customer service. All staff are brilliant and helpful! Had a great 3 year journey having finance with them, very good prices on finance.”

“I’ve been with Advantage Finance for nearly 2 years now and had to contact them regarding a problem with paying my monthly payment this month. I spoke with a lovely lady who was friendly and listened to the reason. She was quickly able to offer a solution which worked for me and put it into place without delay. I can’t thank Advantage enough.”



“They were fantastic from start to finish. I cannot thank them enough. They made the whole process so easy. Everyone was polite and helpful. Advantage were an absolute dream.”

“I’ve been having financial problems due to being off work and struggling to make my payments. I spoke to a lovely lady who was very reassuring and understanding. She helped me to put a payment plan in place to help me get back on track.”



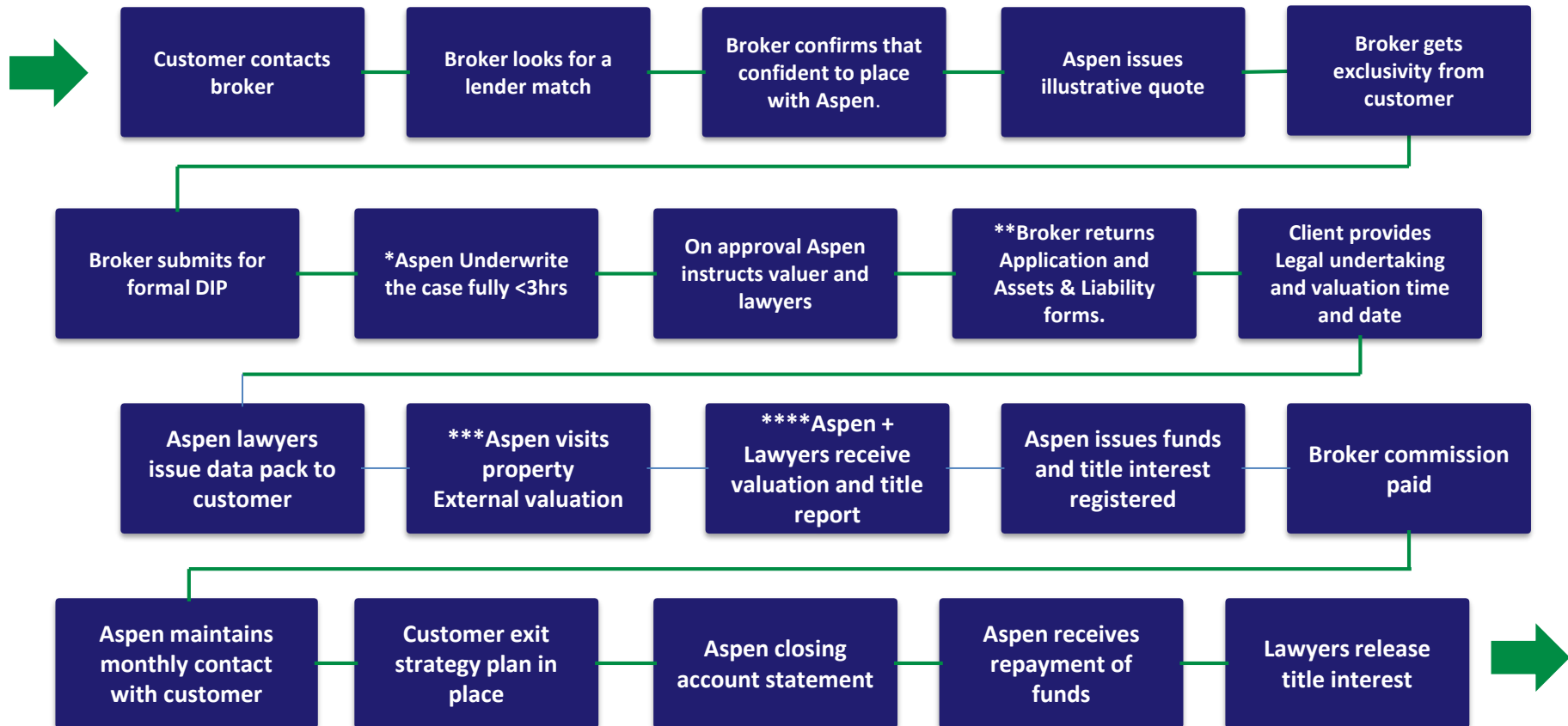
PROPERTY BRIDGING FINANCE – our business



- Aspen started trading in February 2017 and provide a “fast, flexible, friendly and fair” service to customers with property bridging loan requirements
- 137 secured property bridging loan facilities have been provided to customers during the 30 months with an average gross loan facility of c.£400,000 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 – 73 loan facilities fully repaid to date



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

Broker Feedback – September 2019

“Common sense and practical lending are concepts that are synonymous with Aspen Bridging. I have come to know the underwriters at Aspen quite well over the course of my dealings with Aspen and they have never let me down. Cases that require a sensible and practical underwriting process I put straight onto their online portal. Their ‘always available’ approach via their mobiles mean that if ever I have any questions that I can get the answer within minutes rather than days. I would thoroughly recommend them to other brokerages large or small”.

Broker Feedback May 2019

“I have worked with Aspen from their launch to market back in 2017. Their products consistently stay at the forefront of the market and what is possible to achieve using bridging finance. If a client needs speed, service and high LTV then in my eyes there is only one lender, Aspen. Time and again they have proven themselves on a variety of cases and situations; Needless to say I am an ‘Aspenite’.”

Borrower Feedback June 2019

“Aspen’s speed is second to none, I had a very tight deadline to complete on a property after my previous finance fell through at the last hurdle. Aspen were able to look efficiently and practically at the deal as a whole and secured the site for me ahead of my already tight deadline. Thank you to all involved in the transaction especially Arthur who performed from start to finish.”

Borrower Feedback July 2019

“I have never seen underwriters get so hands on and be a force for progress in a deal, Aspen were thorough and forward thinking from inception. I will be returning to Aspen for any future funding requirements I have and will recommend them to others in the industry. Keep up the good work and no doubt we will speak again soon about a new deal!”



PROPERTY BRIDGING FINANCE – case study

Borrower Quote – August 2018

“The completion of my loan went smoothly and to plan within the 3 week period required. However, Given my loan has recently redeemed in full I thought I would highlight Aspen’s customer care/management process throughout my term and to redemption. Sonny, has been exemplary; from keeping me updated on figures through to assisting with a land registry title split during the term he was always on the other end of the phone. I never felt in the dark or not in control of the loan because of this. Aspen’s level of service throughout the life of a loan is a level above what I have experienced with other lenders providing similar products.”

- The customer was originally purchasing a commercial unit to expand his business. Due to a new contract he needed extra space to store products and increase capacity quickly (3 week timeline). The borrower subsequently exited us with a commercial mortgage once the new titles had been registered, and income on the property stabilised.



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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