

Tried and Tested



THE CREDIT YOU DESERVE

Full Year Results to January 2020





TODAY'S SPEAKERS



Anthony Coombs
Chairman



Graham Coombs
Deputy Chairman



Chris Redford
Group Finance Director



Graham Wheeler
CEO Advantage Finance

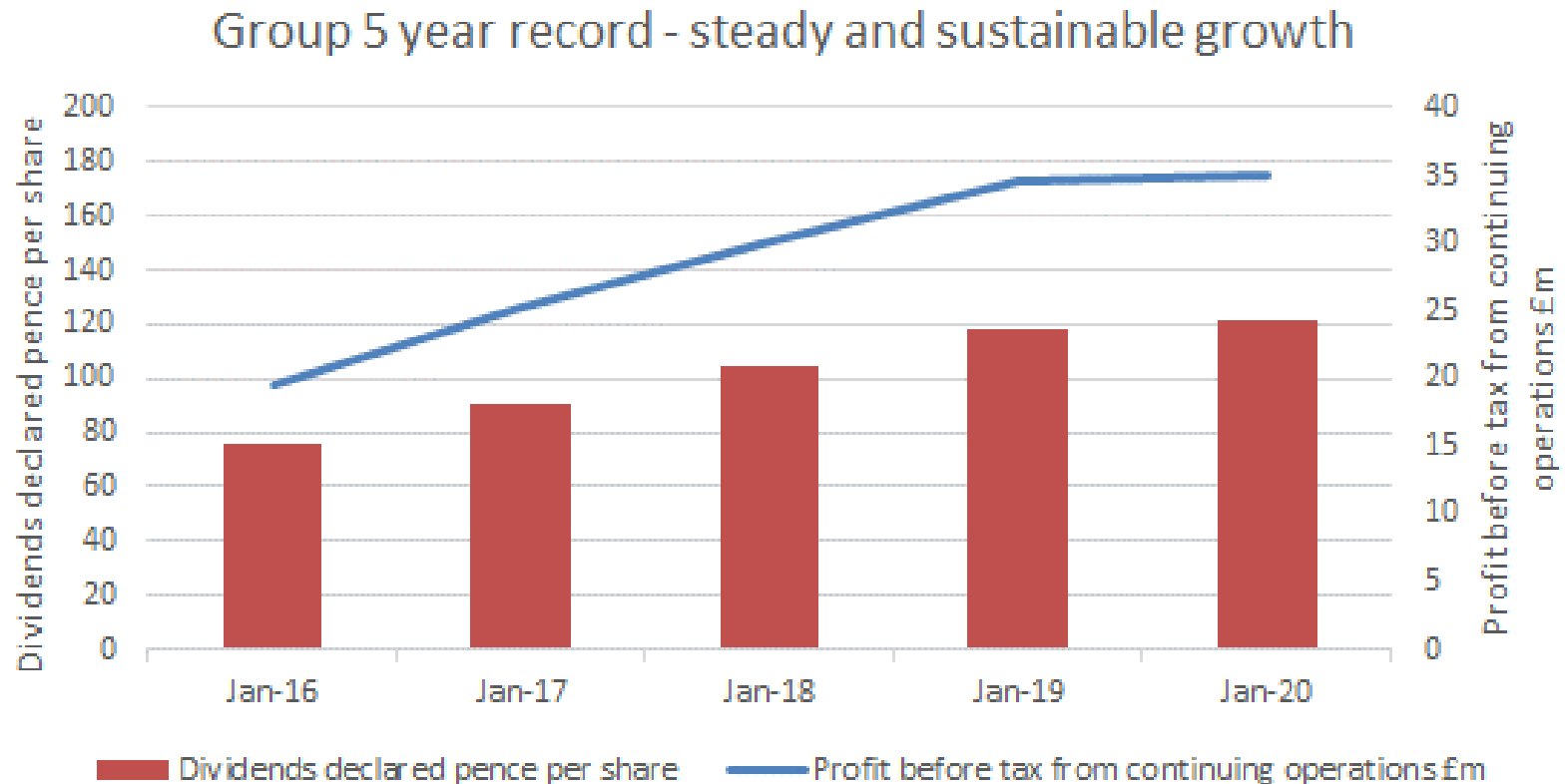


HIGHLIGHTS FOR THE YEAR TO 31 JANUARY 2020

- Group Profit before tax £35.1m up 2% on last year (2019 : £34.6m)
- 20th consecutive year of increasing profits from Advantage Motor Finance
- Aspen Property Bridging Finance growing cautiously and profit before tax now up to £1.2m in only its 3rd year (2019: £0.8m)
- Basic earnings per share 239.6p (2019: 233.2p) up 3%
- Final dividend for the year declared 50p (2019: 51p) – Total dividend for the year declared up 2% to 120p (2019: 118p)
- Strong balance sheet with 65.7% gearing and £160m committed facilities



PROFITS RECORD OVER LAST 5 YEARS FOR GROUP





OUR PROFIT AND LOSS – year to January 2020

Group Income Statement £m	Jan 20	Jan 19	Change %
Revenue	89.9	83.0	+8%
Impairment	-17.2	-17.0	+2%
	-----	-----	-----
Risk adjusted gross yield RAY	72.7	66.0	+10%
Cost of Sales	-19.9	-15.7	+27%
Admin Expenses	-12.8	-11.2	+15%
Finance Costs	-4.9	-4.5	+7%
Profit before tax group	35.1	34.6	+2%
Profit before tax £m	Jan 20	Jan 19	Change %
Motor Finance	34.0	33.6	+1%
Property Bridging Finance	1.2	0.9	+44%
Central finance income/costs	-0.1	0.1	
Profit before tax group	35.1	34.6	+2%

- Revenue up 8% benefiting from motor and bridging growth
- Gradual relative improvement in impairment reflects previous underwriting improvements
- Planned increase in motor cost of sales to £824 from £727 per deal reflects more internet broker sourced deals and increased competition – now
- Group profits for year continuing to grow - up 2% and earnings per share and dividend both up 2%



GROUP BALANCE SHEET – 31 January 2020

£m	Jan 20	Jan 19	Change %	Comment
Fixed Assets and Right of Use Assets	2.1	2.3		Incl. £0.2m right of use assets 2020
Amounts Receivable Motor Finance	280.8	258.8	+8%	Increase in yearend receivables
Amounts Receivable Property Bridging	21.0	18.3	+15%	Slower increase than anticipated
Other Assets	1.6	1.4		
Total Assets	305.5	280.8	+9%	
Bank Cash and Overdrafts	+0.6	-		£7m current overdraft facilities
Trade and Other Payables	-3.1	-2.1		
Tax Liabilities	-3.7	-4.0		
Accruals and deferred income	-0.6	-0.6		
Borrowings	-118.5	-108.0	+4%	Committed facilities increased to £160m in March 2019
Financial and Lease Liabilities	-0.7	-0.7		Incl. £0.2m lease liabilities 2020
Total Liabilities	-126.0	-115.4	+9%	
Net Assets and Total Equity	179.5	165.4	+9%	



TREASURY AND FUNDING

- Committed funding facilities maturities extended post year end and now total £155m comprising £50m term loans and £105m revolving credit facilities
- Group gearing at 31 January 20 is 65.7% (2019: 65.3%)
- £10m Group cash flow invested in year to 31 January 2020 reflects renewed growth in motor and slower growth in bridging than anticipated



CASH FLOW: year to 31 January 2020

Group Cash Flow

- Continued motor book growth in advances and collections
- Steady growth in Aspen in slower property bridging market

£m	Jan 20	Jan 19
Balance b/f	-108.0	-105.0
Motor Finance outflow	-6.1	+5.9
Property Bridging outflow	-1.8	-6.5
Other outflow	-1.9	-2.4
Balance c/f	-117.8	-108.0
Gearing %	65.7%	65.3%
Analysis of balance c/f		
Central	+73.8	+75.7
Property Bridging	-19.5	-17.7
Motor Finance	-172.1	-166.0
Balance c/f	-117.8	-108.0

Motor Finance Cash Flow

- Advances 15% higher than last year benefitting from extra targeted acquisition cost and good Q4 growth v weaker Q4 last year
- Monthly Collections up 7% on average monthly receivables up 5%

£m	Jan 20	Jan 19
Balance b/f	-166.0	-171.9
Advances	-149.0	-129.2
Monthly Collections	148.1	138.1
Settlements/reloans	30.2	27.9
Debt recovery	18.3	15.5
Overheads/interest etc	-34.8	-30.4
Corporation Tax	-6.3	-5.5
Dividend	-12.6	-10.5
Balance c/f	-172.1	-166.0

Property Bridging Cash Flow

- Gross advances up 36% to £31.3m (154 loans advanced up to 31/1/20)
- Good Q4 collections with some slower exits in remaining book

£m	Jan 20	Jan 19
Balance b/f	-17.7	-11.2
Gross Advances	-31.3	-23.1
Retention Collections	3.3	2.5
Collections	16.6	14.0
Debt recovery	12.4	1.8
Overheads/interest etc	-2.6	-1.7
Corporation Tax	-0.2	
Balance c/f	-19.5	-17.7



ADVANTAGE FINANCE CURRENT SITUATION

- Strong and Stable Financial Performance culminating in another record performance
- Outstanding Leadership team with over 20 years successful experience on Specialist Car Finance
- Minor Organisational Changes in line with recent Senior Appointments and SMCR responsibilities, and an increased focus on Enterprise Risk Management
- Competition have increased their activities, however we have maintained our growth curve by:
 - Strengthening our relationship management with the volume Partners,
 - Growing volumes with smaller but developing Partners
 - Increasing volume of Broker Relationships through our API reach.
 - Controlling acquisition costs and focussing on Quality
- FCA have completed review of Motor Finance with little impact on Advantage Finance, and with their plans to review the Broker Market, we will enhance our compliance oversight role.
- Our latest Scorecard is well embedded in the Business with a focus now on continuous improvement of our Affordability assessment



COVID-19

- Ensuring stability of Business for any Covid-19 impact
- Almost 90% of staff working from home with none being furloughed and no significant impact on customer service
- Unprecedented lock-down has uncertain duration and consequences
- Strong financial position gives headroom for stability and a prudent return to growth
- Stress testing of possible collections and sales outcomes is a continuous process
- Daily reporting on sales and collections activity
- Under-writing procedures and criteria tightened in both businesses to cater for labour market vulnerability and falling property values
- Customer first philosophy underpins forbearance and long term relationships with customers
- Due to the uncertainty regarding Covid-19's future impacts, the Group is withdrawing future guidance but will update the market on June 9 2020



DEVELOPMENT PLANS 2020/21

- Preparing for a strong return to normal conditions
- Development of Customer Contact Centre to improve customer engagement, prevent arrears, and increase refinance opportunities
- Refreshing the Advantage Brand Identity in preparation for Direct Sales and Digital Customer Communications
- Web-site Development to provide Customer Self-service and Self-cure functions
- Improved and expanded Infrastructure with investment in property and systems
- Diversification of our Distribution channels
- Adopting new technology for Customer Underwriting and Onboarding
- Developing a live portfolio-based risk scorecard to enhance Collections approach
 - “Right Collector – Right Customer – Right time”
- Restructuring Collections Teams to enhance intensive care of higher risk accounts
 - Collect more cash, and keep customers in their cars.



FUTURE OPPORTUNITIES

Sales

- Growth of Affinity Partnerships with Prime and Near-Prime Lenders
- Lower Cost Acquisition via Developing Motor Finance Digital Ecosystems
- Increased Customer Renewals
- Development of Customer Direct Channel

Operations & Collections

- Increased Customer Engagement with dedicated Customer Support team
- Adopting Fintech developments to increase level of on-line interactions
- Enhanced Business Intelligence via Data Mining
- Risk reduction with Enterprise Risk Management framework



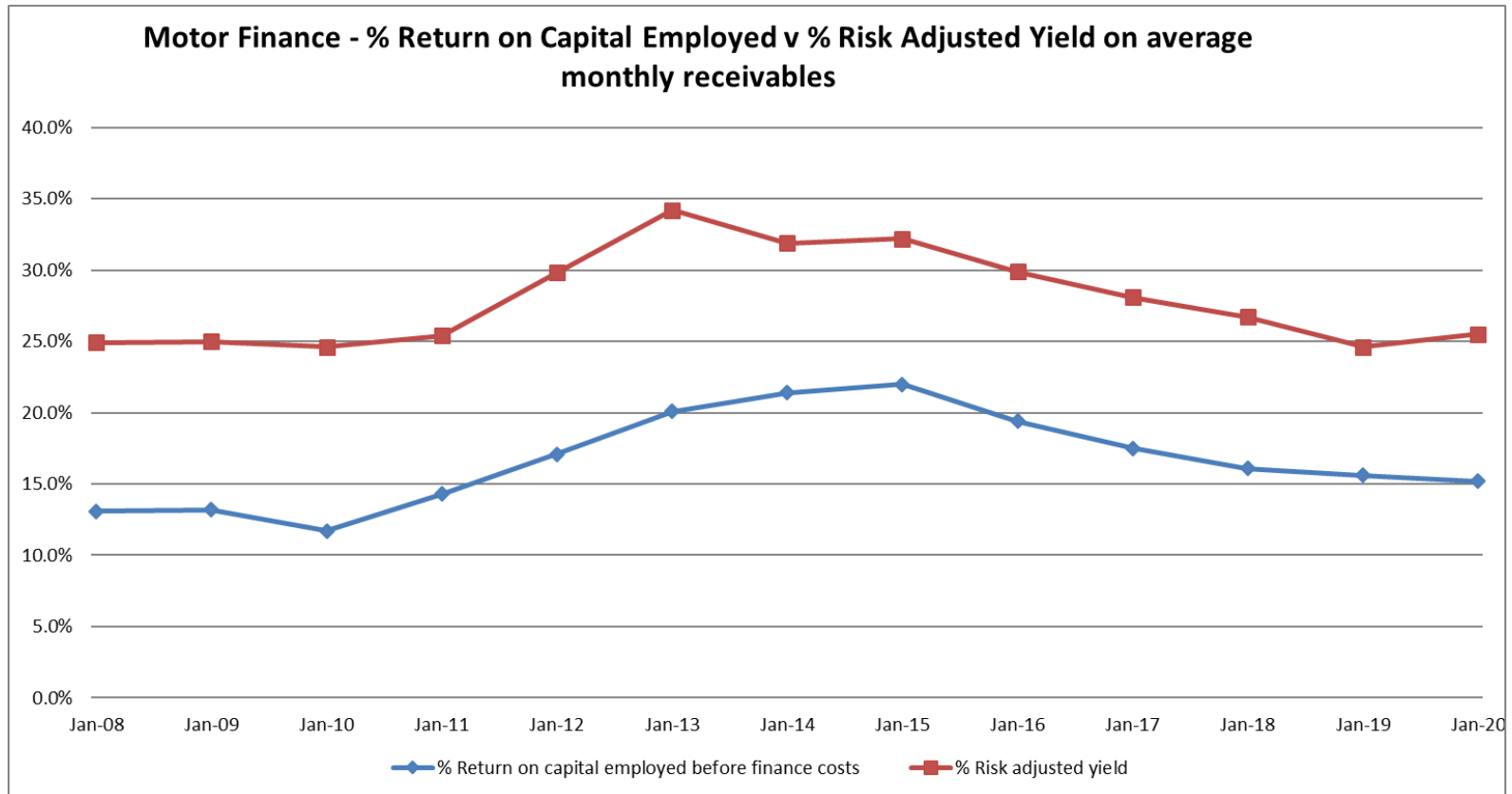
MOTOR FINANCE LOAN PROFILE BY YEAR OF ORIGINATION

Average Loan profile	Year to Jan 15	Year to Jan 16	Year to Jan 17	Year to Jan 18	Year to Jan 19	Year to Jan 20
Number of loans	11,941	15,131	20,042	24,518	21,053	23,334
Advance	£6,079	£6,121	£6,068	£6,207	£6,136	£6,385
Cost of Sales	£558	£593	£642	£692	£727	£824
Interest rate flat per annum	16.8%	17.5%	17.9%	17.8%	17.9%	17.7%
Average customer score*	871	867	862	869	865*	867*
Original term in months	47	49	50	51	50	51

*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 and Jan 20 versus year to Jan 18 includes negative for newer hcstc products



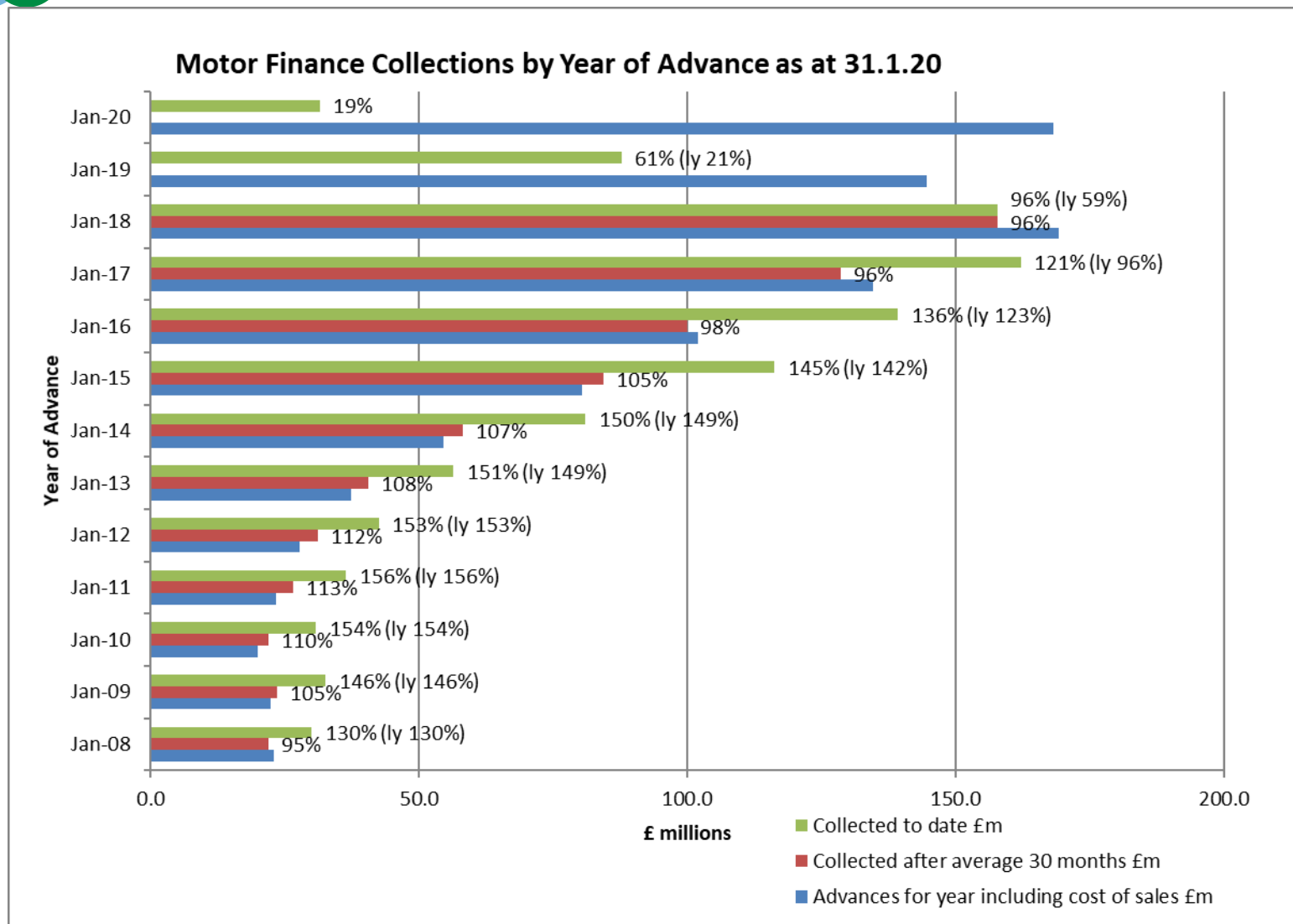
MOTOR FINANCE – Return on capital versus risk adjusted yield



- product mix effect as higher quality business in 5 origin years to Jan 14 runs off which has increased impairment to revenue % in recent years – some increased impairment impact of customer real terms income reductions in last 24 months
- recent reductions in return on capital employed and risk adjusted yield have also reflected loss of insurance income since July 15 and higher deal acquisition cost has also affected return on capital employed

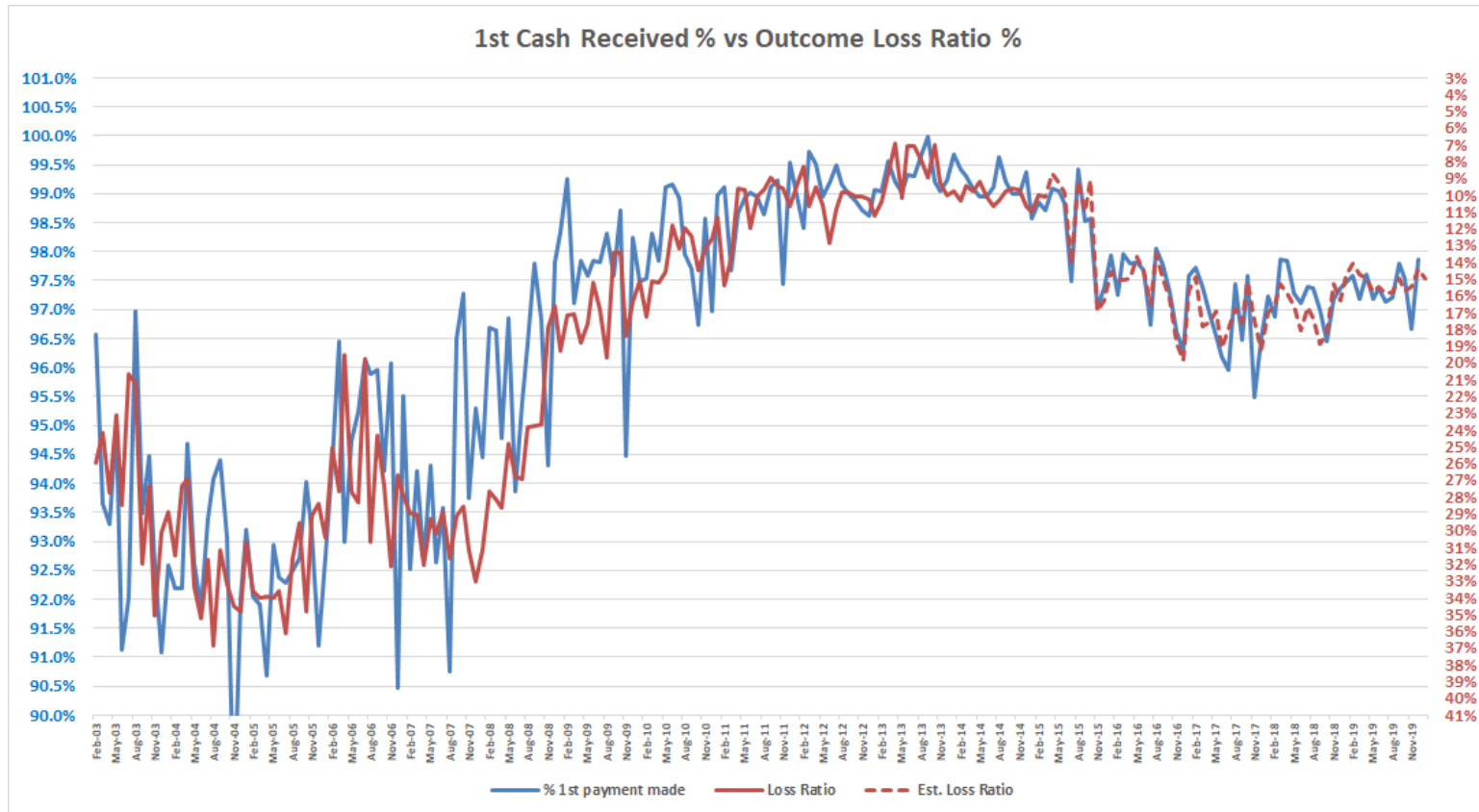


MOTOR FINANCE – collections graph





MOTOR FINANCE – collections graph



- Strong historic correlation between early repayments and end outcomes
- Underwriting improvements last year to tighten affordability and credit assessment criteria for new business (in particular in respect of newer high cost short term products) is now giving rise to larger improvement in early repayments



MOTOR FINANCE RECEIVABLES

Account Arrears Status	Position at end January 2020		Position at end January 2019	
	Volume of Accounts	Percentage of Live Receivable	Volume of Accounts	Percentage of Live Receivable
Up to Date	50825	79.32%	47307	79.17%
0.01 – 1 mthly payments	5664	9.13%	5037	9.10%
1.01 – 2	2514	3.93%	2334	4.16%
2.01 – 3	1621	2.43%	1440	2.53%
3.01 – 4	1008	1.54%	903	1.53%
4.01 – 5	653	0.93%	594	0.99%
5.01 – 6	451	0.64%	422	0.73%
6.01 +	1489	2.08%	1072	1.80%
Total Live Accounts	64225	£275.8m net receivables	59109	£254.7m net receivables
Legal and debt recovery	19890	£5.0 net receivables	16852	£4.1 net receivables
Total Accounts	84115	£280.8m net receivables	75961	£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 H1 which reduced Aspen's new loan facility advances and repayments being slightly slower than anticipated in H1. Stronger lending in H2 followed by far stronger redemptions end of H2 saw the book grow and then reduce in size.
- 154 property bridging loan facilities deals up to end of Jan 20 – totalling over £67m
- Promising overall levels of repayment to date - 112 loans repaid up to end of Jan 20 totalling over £43m.
- Net receivables at £20.99m (PY £18.3m) with average loan size now increased to c.£535k (was £375k). Monthly average interest rate just over 1% and original terms between 6 and 16 months
- Aspen achieved profit for the Y/E Jan 20 of £1.2m a 44% increase on PY at £0.8m



OUTLOOK

- Although the COVID 19 crisis presents unprecedented challenges – S&U's strong financial foundations, expertise and 80 years experience makes it particularly well placed to meet them
- Advantage – new refreshed but experienced leadership under the iconic motor finance figure, Graham Wheeler, bodes well both navigating the current COVID 19 situation and for continued future sustainable growth
- Aspen – solid profits growth despite an uninspiring property market reflects a conservative approach, a growing reputation and the ability to grasp opportunities when a healthy market returns
- S&U's conservative and long term business philosophy, dedicated team and family shareholding and management give it the robust foundations to weather the current economic storms



APPENDICES



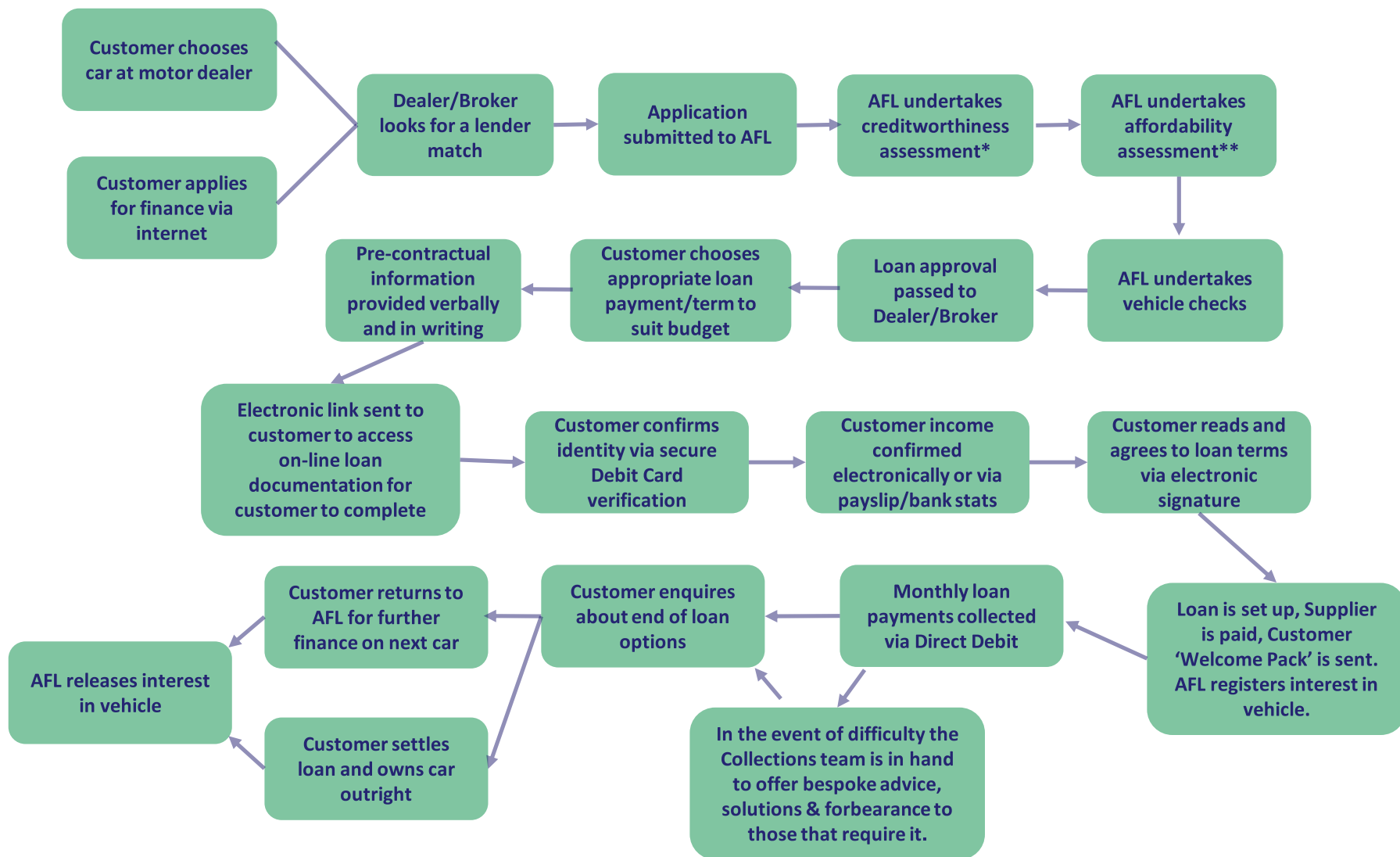
MOTOR FINANCE – our business



- Used car finance on hire purchase – 90% sourced through brokers – 5% refinances for previous customers – 5% direct from dealers
- 175,000th new deal transaction milestone reached
- 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 £6,400 advance with £11,600 repayable including interest over an average term of about 51 months



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 21% of applications, of which about 8% is converted – over 1,350,000 applications in year resulting in 23,334 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

- Section Leader working at a major supermarket, he first took out finance in May 2010 and again in September 2015
- Both previous loans were paid off at the end of their respective term
- Credit profile was assessed together with his overall income and outgoings to ensure appropriate and affordable loan was agreed.
- Agreed credit of £8,573 to be repaid over 54 months at monthly repayments well suited to budget and less than those payments made on his previous agreement.
- Advantage was able to progress transaction very quickly using new electronic signature system, which enable client to purchase new vehicle without any delay.

This customer left a five star review along with the following comment:

“Outstanding customer service and great communication from the Advantage Finance team. This is my third visit to Advantage Finance and yet again the team delivered flawless professionalism in every area thanks again”



MOTOR FINANCE – our loyal customers

From 2019

- Electrician living in Tyne and Wear, takes home approx. £2,000 per month.
- The application was placed by a leading internet broker at Advantage, whose systems were able to electronically assess and approve the application within seconds
- The assessment included full appraisal of existing credit reference data and an electronic income verification check.
- As part of the substantial checks Advantage was able to confirm he met the lending and affordability criteria
- Application approved, with affordable monthly repayments of £314

This customer left a five star review along with the following comment:

“Absolutely perfect experience! Can’t thank Advantage Finance enough, from telling them details of the car it took about 2 hours until the money was cleared into the car garages account! I doubt you’d get that kind of service elsewhere, Thank you for all your help!”



MOTOR FINANCE – customer testimonials

“I would recommend Advantage Finance to friends and family over the last three years I have been with them they’ve been very supportive and professional always thank you for all your support much appreciated”

“This is the second time I have used this company they’ve been fantastic a very charming lady helped me get a bike of my dreams would well know will be using again sometime in the future would recommend have had no issues all been plain sailing first time round and this second time very pleased thank you”



“Outstanding service and follow up work from the lady that dealt with my work. I cannot recommend her enough thanks to her assistance, responsiveness and efforts in securing finance and a new car. Use this company if you can!”

“Just had brought a new car with the help of a lovely lady.....What a legend.....Couldn't of been more helpful even though I couldn't of been more annoying if I tried! So simple and straight forward no drama. So helpful!”



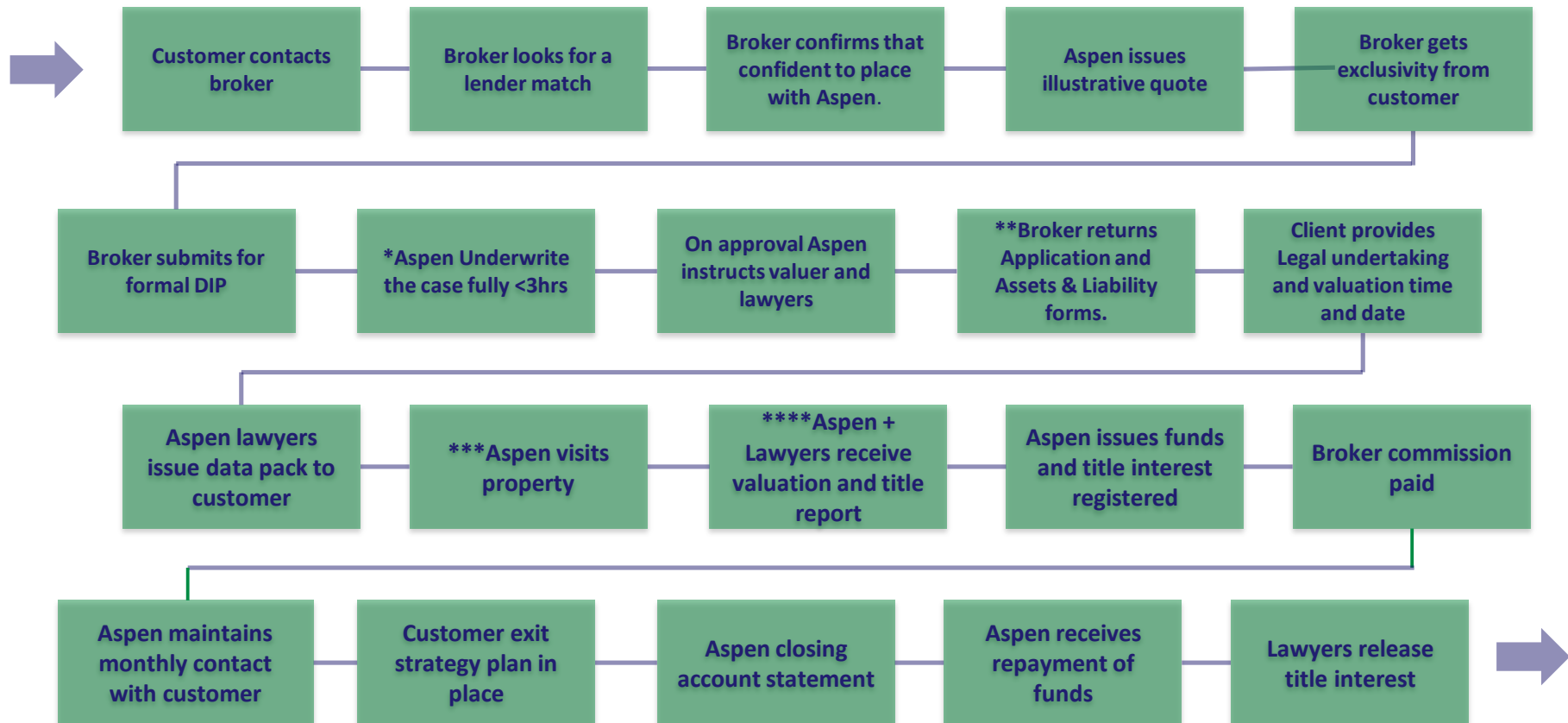
PROPERTY BRIDGING FINANCE – our business



- Aspen started trading in February 2017 and provide a “fast, flexible, friendly and fair” service to customers with property bridging loan requirements
- 154 secured property bridging loan facilities have been provided to customers during the 36 months with an average gross loan facility of c.£450,000 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 can be 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 – 112 fully repaid up to 31 Jan 20



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 – case study

Borrower Quote – August 2019

“There are hundreds of firms to choose from for finance, however Aspen is head and shoulders above them all. Their efficiency and resolve to deal with each case with care and professionalism ensures success where other companies would not even try. You couldn’t find a better group.”

- This repeat customer who had redeemed their previous loan was undertaking a complex purchase of a BTL property executing a legal option to purchase 2 leaseholds and simultaneously buying the freehold from the council. A rapid and sophisticated funder was needed to complete the purchase. The value has now been enhanced with the acquisition of the freehold ownership in preparation for exit via sale.



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!”



GROUP INCOME STATEMENT – our five year record

Continuing Business £m	Year to Jan 16	Year to Jan 17	Year to Jan 18	Year to Jan 19	Year to Jan 20
Revenue	45.2	60.9	79.7	83.0	89.9
Cost of Sales	-9.0	-12.9	-17.3	-15.7	-19.9
Impairment	-7.6	-12.1	-19.5	-17.0	-17.2
Admin Expenses	-7.3	-8.8	-9.9	-11.2	-12.8
Finance Costs	-1.8	-1.7	-2.8	-4.5	-4.9
Profit before tax	19.5	25.4	30.2	34.6	35.1



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