



TRADING UPDATE AND NOTICE OF RESULTS

Released : 11/08/2020

RNS Number : 7104V

S & U PLC

11 August 2020

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S&U plc
("S&U" or "the Group")

TRADING UPDATE AND NOTICE OF RESULTS

S&U PLC, the motor finance and property bridging specialist, today issues a trading update for the period from its AGM statement of the 9th June to the 31st July 2020. It will announce half year results on the 30th September 2020.

Trading

It is barely two months since our AGM Trading Update in June and our business continues its steady recovery from the economic shocks initially caused by Covid-19, and the Government's measures to combat it. As we adjust to a gradual but uneven easing of the Lockdown, and trading volumes return nearer normal, we still feel it wise at present not to issue forward guidance. In changing times, it is wise to recall Mark Twain's admonition- "It ain't what you don't know that gets you into trouble, but what you know for certain that just ain't so". The mood of the British consumer is still skittish and cautious. Although recent manufacturing and financial services sectoral surveys are encouraging, uncertainty still persists about both the state of the labour market as Government support measures are dismantled, and about the deeper structural effects on the economy caused by the pandemic. We anticipate greater clarity over the next three months.

Although these trends will inevitably have a significant impact on S&U's results this year, the Company is still profitable, paying dividends and our financial strength, experience, excellent broker partnerships and flexible and committed staff should ensure a return to a more "normal" trading environment by the end of the year.

Advantage Finance

As more car sales outlets recently returned to business, so sales at Advantage Finance ('Advantage') have recovered from around 40% of normal to nearly 80%. Loan applications are at a record high but our policy of early tightened under-writing, and a focus on customer quality has seen current transaction levels 25% less than last year. This has produced improved early repayments, indicative of the high quality of the new customers taken on since Covid began. In the medium term this may offer the kind of significant market opportunities in the near prime field from which Advantage benefitted following the banking crisis of a decade ago.

Although collection levels this year have fallen from their usual 94% of due to just over 75%, this has entirely been brought about by the FCA mandated customer repayment "holidays". These have involved around 16,500 or 26% of our 63,500 customers. Although these customers are now gradually resuming repayment, the extent to which they do so - particularly in light of the further "holidays" of up to three months recently proposed by the FCA - will become clearer in the next couple of months. Current early indications make us cautiously optimistic.

In the meantime, Advantage has continued to minutely analyse customers by income, expenditure type, headroom and previous credit history, so that we can anticipate, focus on and assist those who may struggle to return to contractual terms.

Aspen

Although activity in the housing market over the past two months has been similarly restrained by the febrile UK economy, Aspen has seen an uptake in both new transactions - with July being above budget - and in recent loan redemptions. As the current deals pipeline slowly improves, current net receivables are just below £19m compared to £15.5m in early June.

Treasury

Group borrowings are £108m against £98m in June and reflect both the payment of our final dividend and slightly stronger

sales growth at Advantage. We conduct regular scenario planning reviews to anticipate funding requirements over the next 4 years. With existing committed facilities of £130m, significant headroom will be maintained and further medium-term funding obtained as required.

Commenting on the Group's trading and outlook, Anthony Coombs, S&U chairman, said:

"First and foremost, I take this opportunity to record our thanks to, and admiration for, the spirit, flexibility and sheer determination of our staff to maintain our standards of customer service during unprecedented and trying times. Although recent trading trends have been encouraging, the level of uncertainty surrounding the economy, the direction of Covid-19 and the effect that it has on customers' confidence make prudence paramount.

"What we can say for certain, is that S&U continues to make profits and has the experience, the financial resources, skilled people and tried and tested business philosophy needed to weather any further economic storms - and the ambition to grow strongly again when it is sensible to do so."

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