

Tried and Tested



THE CREDIT YOU DESERVE

Half Year Results to July 2020





TODAY'S SPEAKERS



Anthony Coombs
Chairman



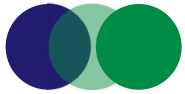
Graham Coombs
Deputy Chairman



Chris Redford
Group Finance Director

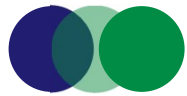


Graham Wheeler
CEO Advantage Finance



“In these uncertain times our financial strength, sound strategy and dedicated people continue to sustain the Group in the current political, health and economic climate. At the same time we see great opportunities, using our digital expertise, to attract new customers through new partner channels and to increase market share. We relish the challenge.”

– Anthony Coombs, Chairman



HIGHLIGHTS FOR THE HALF YEAR TO 31 JULY 2020

- Group Profit before tax £6.3m a reduction of £10.8m on last half year (2019 : £17.1m) with half year basic earnings per share 41.9p (2019: 116.5p)
- These results include an additional £13.8m of Covid-19 related forward looking impairment provisions
- Advantage Finance new loan volumes and receivables reduced during initial lockdown and collections have been affected by FCA mandated payment holidays – Covid-19 affected profit for the half year was £6.1m (2019: £16.6m). Recent advance and collection trends are promising and further improvement anticipated as payment holidays continue to unfold
- Aspen Property Bridging Finance receivables were also lower than anticipated in H1 and profit before tax was £118k (2019: £502k) - recent advance and collection trends have now improved and cautious receivables growth has resumed in H2
- During H1 S&U paid second interim and final dividends for 2019/20 and have now declared first interim dividend for 2020/21 of 22p (2019: 34p)
- Strong balance sheet with £130m committed facilities and 62% gearing (2019: 74%)



OUR PROFIT AND LOSS – 6 months to July 2020

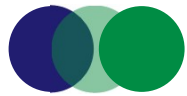
Group Income Statement £m	July 20	July 19	Change %
Revenue	42.8	44.1	-3%
Impairment	-21.7	-7.9	+175%
Risk adjusted gross yield RAY	21.1	36.2	-42%
Cost of Sales	-7.1	-10.2	-30%
Admin Expenses	-5.7	-6.6	-14%
Finance Costs	-2.0	-2.3	-12%
Profit before tax group	6.3	17.1	-63%
Profit before tax £m	July 20	July 19	Change %
Motor Finance	6.1	16.6	-63%
Property Bridging Finance	0.1	0.5	
Central finance income/costs	0.1	0.0	
Profit before tax group	6.3	17.1	-63%

- Revenue in H1 20 reduced by 3% v H1 19 reflecting lower average receivables
- Significant £21.7m impairment charge in H1 20 due to Covid-19 related forward looking motor impairment provisions (2019: £7.9m)
- Cost of sales reduced by 30% reflecting lower volumes – CRA supplier review in motor should mean better information for lower cost going forward
- Both businesses still profitable in half year despite Covid-19 impact, outlook for H2 positive and first interim dividend declared of 22p (2019: 34p)



GROUP BALANCE SHEET – 31 July 2020

£m	July 20	July 19	Change %	Comment
Fixed Assets and Right of Use Assets	2.8	2.3		IT investment + additional building
Amounts Receivable Motor Finance	263.5	273.8	-4%	Lower lending during lockdown
Amounts Receivable Property Bridging	18.5	24.7	-25%	Lower lending in H1
Other Assets	2.2	1.5		
Total Assets	287.0	302.3	-5%	
Bank Cash and Overdrafts	-	-0.2		£7m current overdraft facilities
Trade and Other Payables	-2.9	-3.1		
Tax Liabilities	-0.5	-3.9		Earlier hmrc installments this year
Accruals and deferred income	-0.5	-0.4		
Borrowings	-108.0	-125.0	-14%	Committed facilities now £130m
Financial and Lease Liabilities	-1.0	-0.7		Incl. £0.6m lease liabilities 2020
Total Liabilities	-112.9	-133.3	-15%	
Net Assets and Total Equity	174.1	169.0	+3%	



ADVANTAGE FINANCE CURRENT SITUATION

Operational Update

- All staff now technically capable of home working
- Planning technical improvements to Telephony to enable call recording of outbound as well as inbound calls
- Completed refurbishment of 3rd unit in business park
- Designed a 5 stage return to flexible working environment
 1. Skeleton staff maintaining business continuity (23rd March to 5th July)
 2. Flexible working approach for up to 40 staff (5th July to 5th September)
 3. Flexible working approach for up to 60 staff (5th September to current)
 4. Flexible Operating model with up to 100 office based staff
 5. Flexible Operating model for all 160 staff
- Our Customer Contact Centre and Enterprise Risk Management structure now fully in place
- Replaced all of our Servers to support further growth and flexible working





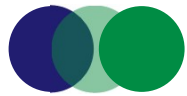
ADVANTAGE FINANCE CURRENT SITUATION

Sales

- We have successfully returned to around 80% of our sales volume

Improve Overall Quality	Reduce Risk	Reduce Commissions	Increase Margin
<ul style="list-style-type: none">• Withdrew from Low Tier Business• Withdrew from Self Employed Lending• Average Score increased from 858 in March to 912 in July✓ Improvements to first Payment Success rate	<ul style="list-style-type: none">• Withdrew from Low tier Lending• Withdrew from Self Employed Lending• Manual Wage Slip checks on value and status• Improved our thresholds on Affordability	<ul style="list-style-type: none">• Reduced Commission Cap on Largest Broker• Reduced Commissions tactically across Brokers✓ Average Commission reduced by 9% against Budget	<ul style="list-style-type: none">• Increased standard interest rates across all Tiers• Bigger increases for higher risk business to maintain Rate for Risk methodology✓ Added average 0.7% flat rate per annum

- Our Competitors have had varied approaches to lockdown, and Advantage have cemented our existing broker relationships through our steady approach, and have developed additional sources of Business



ADVANTAGE FINANCE CURRENT SITUATION

Customer Care and Collections

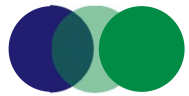
Regulator Update

- Financial Conduct Authority introduced 2 Phases of Guidance for Covid-affected Customers, including a 3 month Payment Deferral for all customer regardless of status
- Applications for payment deferrals open until end October
- Banned reposessions for Covid-affected Customers
- Stipulated that Payment deferrals were NOT arrears
- Firms directed to register payments as not due with CRAs
- UTD customers shown as UTD
- Defaulting customers shown at the arrears status prior to Covid impact
- Non- Covid-affected customer follow standard forbearance rules
- No changes to CCA rules, including VTs
- FCA published draft Guidance for Phase 3 in mid-September

Advantage response

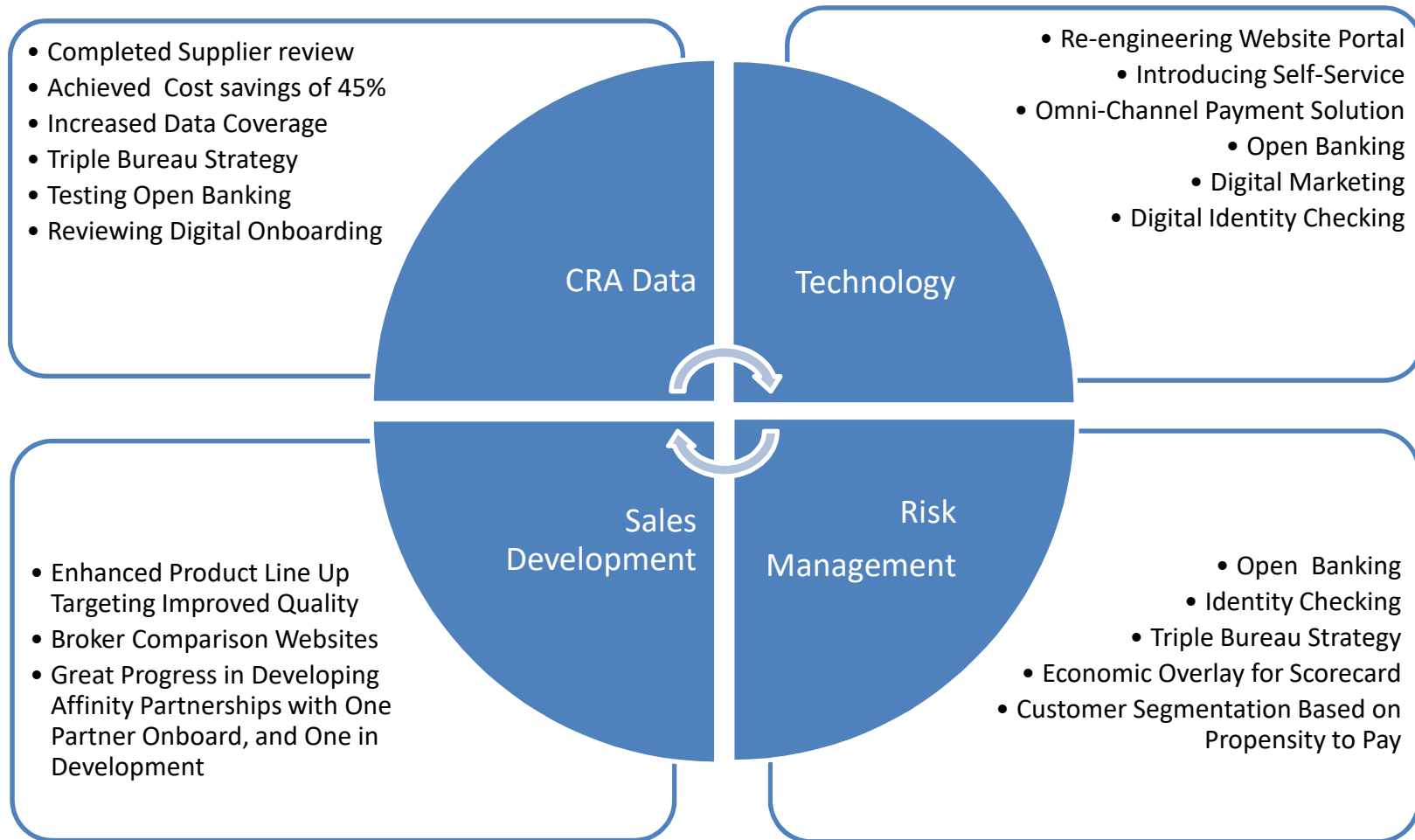
- Our collections approach has been to route all customers into newly developed Website.
- Automated the 1st phase FCA Guidance for payment holidays due to the volume, and for phase 2 to channel customers into their most appropriate solution using our redeveloped website.
- Re-structured Collections to enhance intensive care of higher risk accounts
- Developed Automated Customer Communication Countdown to Payment Reminders
- Our Data Science team have developed detailed and daily analytics on customer behavior during and after their Covid-related events.
- Working with CRAs, have developed an “income shock” categorization to segment portfolio to support collections
- As customers “offboard” from their payment deferrals, cash collection is improving to return to levels achieved in March 2020.
- We are working closely with the FCA and FLA in regard to Phase 3.

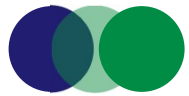
Advantage Finance have increased our Interaction with FLA, representing the Industry in Government and Treasury Discussions



ADVANTAGE FINANCE CURRENT SITUATION

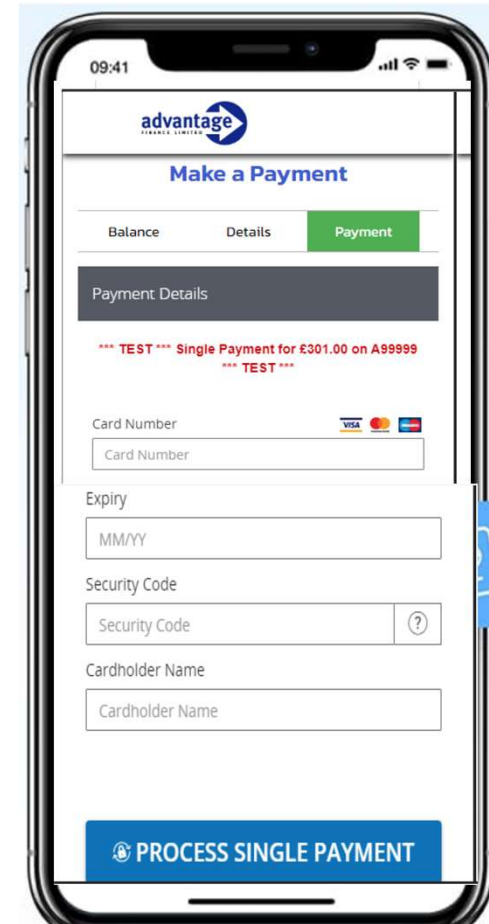
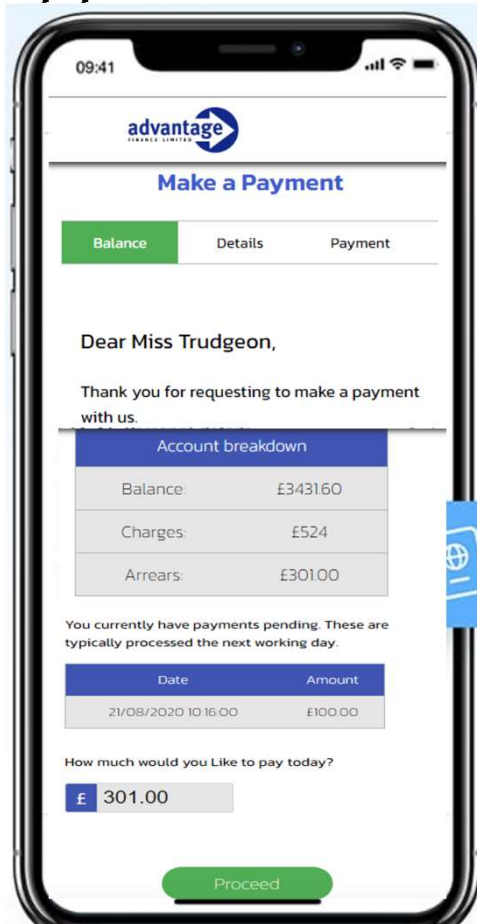
Further Developments





ADVANTAGE FINANCE CURRENT SITUATION

Introducing Digital Approach.....

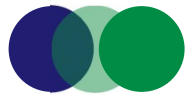




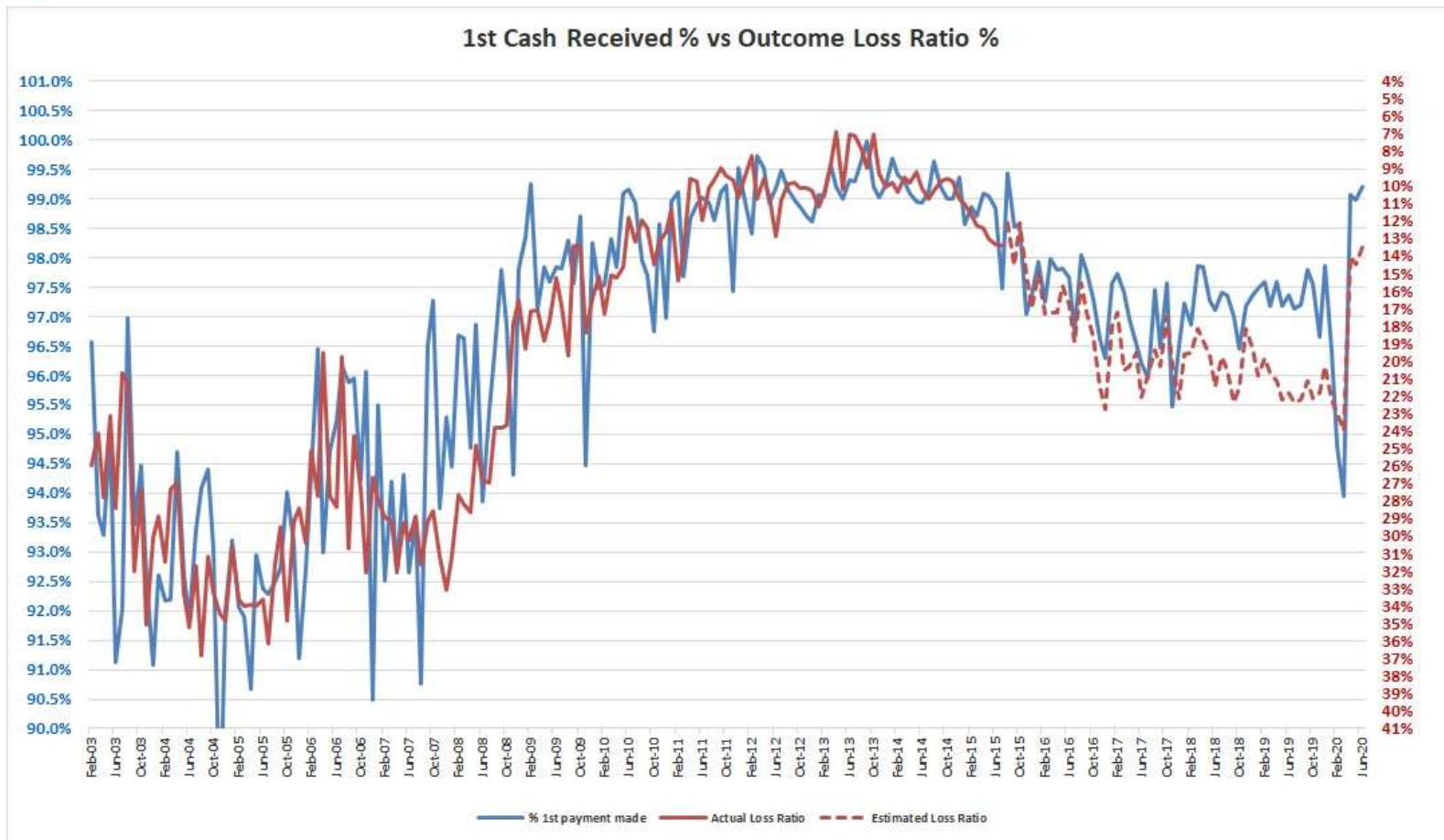
MOTOR FINANCE LOAN PROFILE BY YEAR OF ORIGINATION

Average Loan profile	Year to Jan 16	Year to Jan 17	Year to Jan 18	Year to Jan 19	Year to Jan 20	6 mths to July 20
Number of loans	15,131	20,042	24,518	21,053	23,334	7,811
Advance	£6,121	£6,068	£6,207	£6,136	£6,385	£6,506
Cost of Sales	£593	£642	£692	£727	£824	£884
Interest rate flat per annum	17.5%	17.9%	17.8%	17.9%	17.7%	17.2%
Average customer score*	867	862	869	865	867	888*
Original term in months	49	50	51	50	51	52

*Based on internal credit quality score – lower volumes and higher scores and lower avg interest rate in July 20 all reflect tighter underwriting – the score in July 20 is less certain due to CRA reporting of payment holidays but early repayments so far are good.



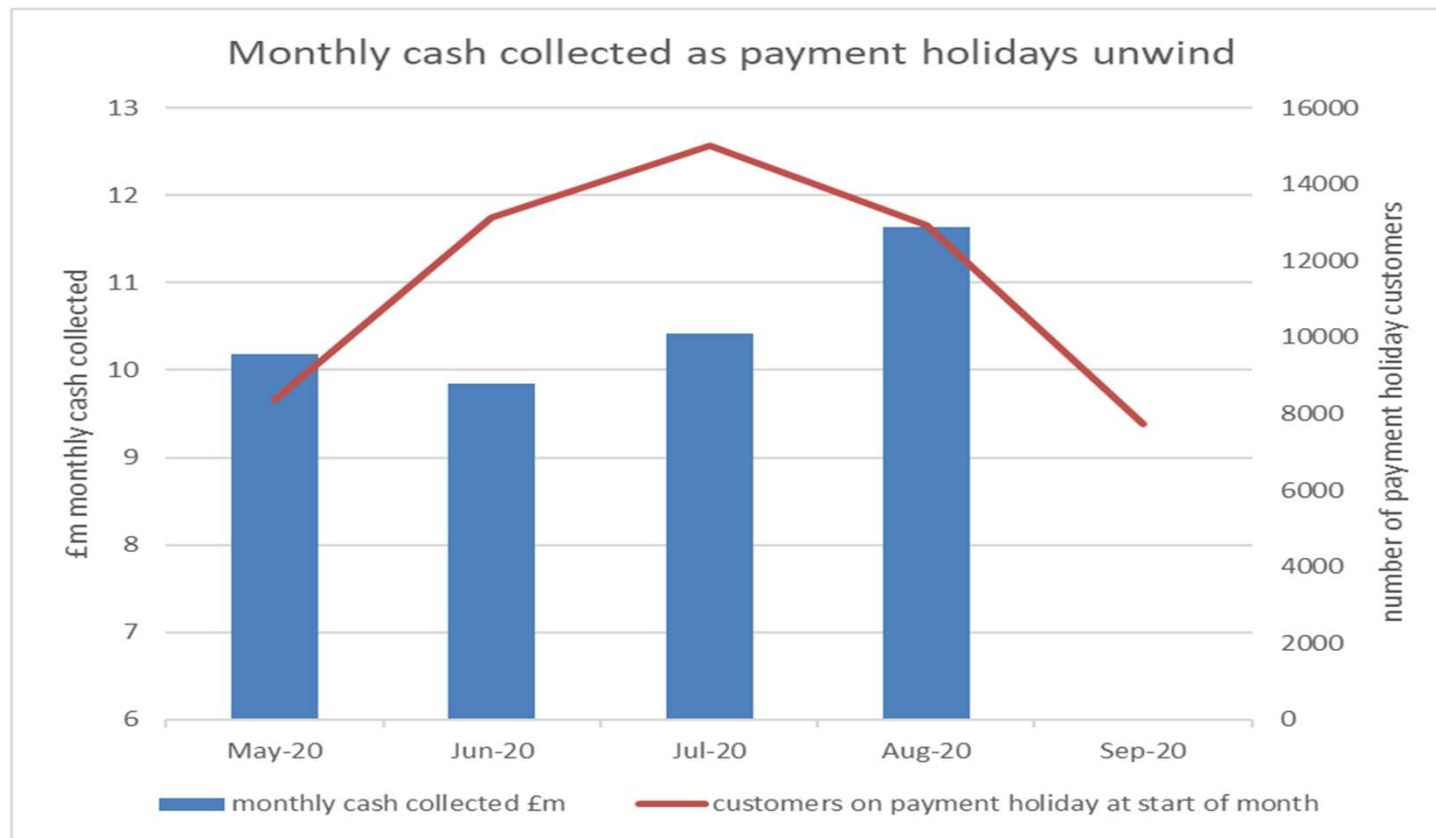
MOTOR FINANCE – first repayment quality



- Strong historic correlation between early repayments and end outcomes with adverse impact of Covid-19 also estimated
- Underwriting improvements last year and post lockdown this 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 – Monthly cash collected v customers on payment holiday



- Chart shows number of customers still on payment holiday at the start of each month – late September currently less than 6500
- Covid-19 related payment holidays impacted monthly collections by around £9m in H1 (average £1.5m per month) – chart shows monthly cash collections now improving as payment holidays gradually unfold and monthly collections on track for £12m+ in September



MOTOR FINANCE RECEIVABLES

Original Contract Arrears	Position at end July 2020					Position at end January 2020	
	Volume of Accounts	Percentage of Live Receivable	Payment holiday accts % of live receivable	Post payment holiday accts % of live receivable	Non payment holiday accts % of live receivable	Volume of Accounts	Percentage of Live Receivable
Up to Date	40015	60.51%	1.57%	1.28%	84.12%	50825	79.32%
0.01 – 1 mthly payments	3637	5.40%	5.73%	6.92%	5.65%	5664	9.13%
1.01 – 2	3380	5.15%	11.45%	14.46%	3.02%	2514	3.93%
2.01 – 3	5699	10.05%	28.87%	34.28%	1.79%	1621	2.43%
3.01 – 4	4395	8.23%	24.14%	23.21%	1.09%	1008	1.54%
4.01 – 5	2419	4.45%	13.27%	9.45%	0.84%	653	0.93%
5.01 – 6	1168	2.00%	5.49%	3.63%	0.72%	451	0.64%
6.01 +	2759	4.21%	9.48%	6.77%	2.78%	1489	2.08%
Total Live Accounts	63472	£258.7m net receivables	12918 accts	3279 accts	47275 accts	64225	£275.8m net receivables
Legal and debt recovery	20214	£4.8m net receivables				19890	£5.0m net receivables
Total Accounts	83686	£263.5m net receivables				84115	£280.8m net receivables

- For this receivables chart only, payment holidays show as arrears to illustrate the impact versus original contract
- Chart shows the original contract arrears for total book and also for July 20 the split of the total book between non payment holiday accounts (where contract arrears can be measured as normal), payment holiday accounts and post payment holiday accounts



CASH FLOW: 6 months to 31 July 2020

Group Cash Flow

- Cash generated in H1 due to lower lending and including payment of £10.5m dividends
- Both businesses proceeding cautiously in H2 – Aspen have resumed book debt growth in H2 from a smaller July base

£m	July 20	July 19
Balance b/f	-117.8	-108.0
Motor Finance inflow	+7.5	-9.6
Property Bridging inflow	+2.4	-6.0
Other outflow	-0.1	-1.6
Balance c/f	-108.0	-125.2
Gearing %	65.7%	74%
Analysis of balance c/f		
Central	+73.7	+74.1
Property Bridging	-17.1	-23.7
Motor Finance	-164.6	-175.6
Balance c/f	-108.0	-125.2

Motor Finance Cash Flow

- Advances 34% lower than last year slower during lockdown and tighter underwriting due to Covid-19
- Monthly Collections reduced due to payment holidays and debt recovery affected by additional forbearance and repossession restrictions

£m	July 20	July 19
Balance b/f	-172.1	-166.0
Advances	-50.7	-76.6
Monthly Collections	66.7	72.1
Settlements/reloans	13.9	15.6
Debt recovery	7.2	8.6
Overheads/interest etc	-15.0	-17.2
Corporation Tax	-4.1	-3.1
Dividend	-10.5	-9.0
Balance c/f	-164.6	-175.6

Property Bridging Cash Flow

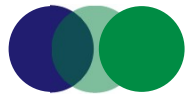
- Gross advances lower in first 4 months but recovered since June as property market reopened
- Good Q2 collections continuing in Q3 with only 5 slower exits in current remaining book

£m	July 20	July 19
Balance b/f	-19.5	-17.7
Gross Advances	-11.3	-16.6
Retention Collections	1.4	1.8
Collections	8.6	5.7
Debt recovery	5.4	4.4
Overheads/interest etc	-1.5	-1.3
Corporation Tax	-0.2	-0.0
Balance c/f	-17.1	-23.7



TREASURY AND FUNDING

- Cash generated as lending volumes reduced during lockdown and unused £25m term loan facility repaid early – maturities extended on other facilities during the half year
- Committed funding facilities now total £130m comprising £25m term loan maturing in April 22 and £105m revolving credit facilities with maturities in 2023, 2024 and 2025.
- Group gearing at 31 July 20 is 62.0% (2019: 74.0%)
- £10m Group cash flow generated in 6 months to 31 July 2020 reflects slower lending during lockdown and after payment of £10.5m interim and final dividends for 2019/20



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 slowed in H1 especially during lockdown which reduced Aspen's new loan facility advances to 25 new advances which had slightly higher advances, slightly longer average terms and slightly lower loan to values
- Aspen net receivables therefore reduced by £2.5m in H1 to £18.5m (made up of 41 live cases being 179 facilities since inception of which 138 have repaid) – due to improved advances in August and September, Aspen net receivables have grown to over £20m at end of September
- Repayments were also slower in the first 4 months but have improved since June and at end of September there are only 5 cases now beyond term due to improved recoveries with good recoveries expected on these in the next few months
- Aspen H1 PBT of £118k was affected by lower H1 lending and receivables (H1 2019: £502k)



OUTLOOK

- S&U's strong financial foundations, expertise and 80 years experience makes it particularly well placed to meet the current political and economic headwinds
- **Advantage**
 - Navigated the H1 situation very well with significant achievements since March 2020
 - Future macro economic situation is less certain but advances and collections trends are continuing to improve in early H2.
 - Great opportunities to use our digital expertise to attract new customers through new partner channels, increase market share and continue sustainable growth
- **Aspen**
 - Anticipated lending volumes and cautious receivables growth resumed in early H2 amidst a stronger, if still less certain, property market. In tandem with ongoing quality improvements this bodes well for development in H2 and beyond.



APPENDICES



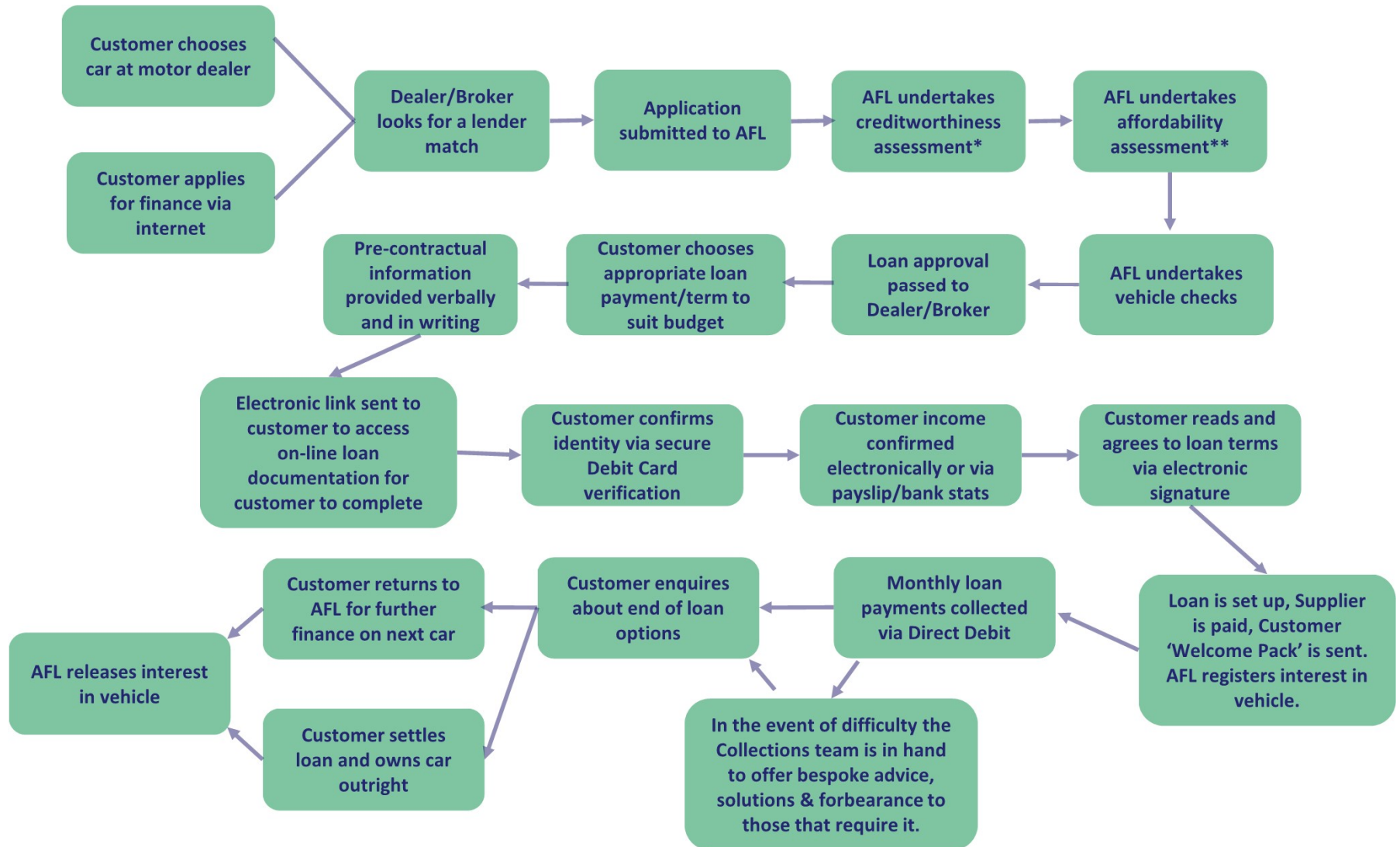
MOTOR FINANCE – our business



- Used car finance on hire purchase – 90% sourced through brokers – 5% refinances for previous customers – 5% direct from dealers
- Advantage new granted over 180,000 loans since business started in 1999.
- Deals underwritten and collected centrally – direct debit is the start repayment method for all customers
- Customers typically borrow only once – loan of about £6,500 advance with £11,700 repayable including interest over an average term of about 52 months

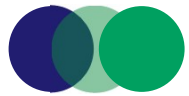


MOTOR FINANCE – customer loan journey



* 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

- Automated approve/decline decision from bespoke scorecard system returned within 10 seconds on 95% of all applications received – over 100,000 applications received each month
- 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



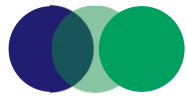
MOTOR FINANCE – our loyal customers

From 2020

- Panel Beater living in Derbyshire, he had previously taken out finance in June 2015, 2016 and again in 2018.
- All three loans were paid off at the end of their respective terms.
- In June 2020, he was looking for financial support to purchase a motorcycle, and worked with the Advantage new business team.
- His credit profile was assessed together with his overall income and outgoings to ensure that the proposed loan was appropriate and affordable for his circumstances. His previous loan was also present which had excellent payment history.
- Application was approved with an agreed credit of £9,000 to be repaid over 59 months at monthly repayments well suited to his budget, around the same as on his previous agreement.
- Advantage were able to progress transaction very quickly using new electronic signature system, which meant that he was able to complete all the relevant documentation and purchase the vehicle without any delay.

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

“This is the 4th time using Advantage finance, for the purchase of a motorbike. There was no pressure sales, even when I couldn't make my mind up about buying a new vehicle. would recommend Advantage to anyone wishing to buy a vehicle”



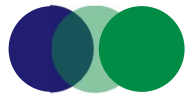
MOTOR FINANCE – our loyal customers

From 2020

- Duty Manager in a Care Homes based in County Durham
- She first took out motor finance with Advantage in 2017, with a balance still on the loan she wanted assistance with her motor finance requirements and approached us for advice.
- Her credit profile was assessed as part of the application, together with her overall income and outgoings.
- Despite the historic CCJ (2019 she paid all of her bills on time and didn't have any other credit commitments, apart from her previous Advantage loan which was also present with excellent payment history.
- Her application was approved, she part-exchange her previous vehicle which settled her previous Advantage agreement. This left a agreed credit of £7,513, to be repaid over 35 months at monthly repayments well suited to her budget and only slightly higher to those payments in her previous agreement.

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

"I refinanced my car recently. Advantage dealt with everything for me. They kept in touch with me all through the process which was dealt with very quickly. Advantage were absolutely amazing even on my mini melt downs. I cannot thank or praise them enough. Definitely top marks from me. Thank you again."



MOTOR FINANCE – customer testimonials

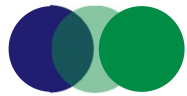
“Considering how complicated the world is at the moment I have received an excellent service all the way through the process. One member of staff even stayed on well past the end of their shift to ensure the garage received payment to release my new car to me. Thank you”

“A very happy customer. The service was exceptional especially during such challenging times. A dedicated representative processed my application. This meant I didn’t have to repeat myself. A very quick, friendly and professional service overall”



“Fantastic company. Spoke to a totally understanding employee who listened to my situation and just helped me out 100% wish other companies would have the same attitude thanks.

“The employee was kind, professional and empathetic to my situation. They put me at ease and helped with my situation moving forward. They eased the pressure that I am under 100%. Thank you so much”



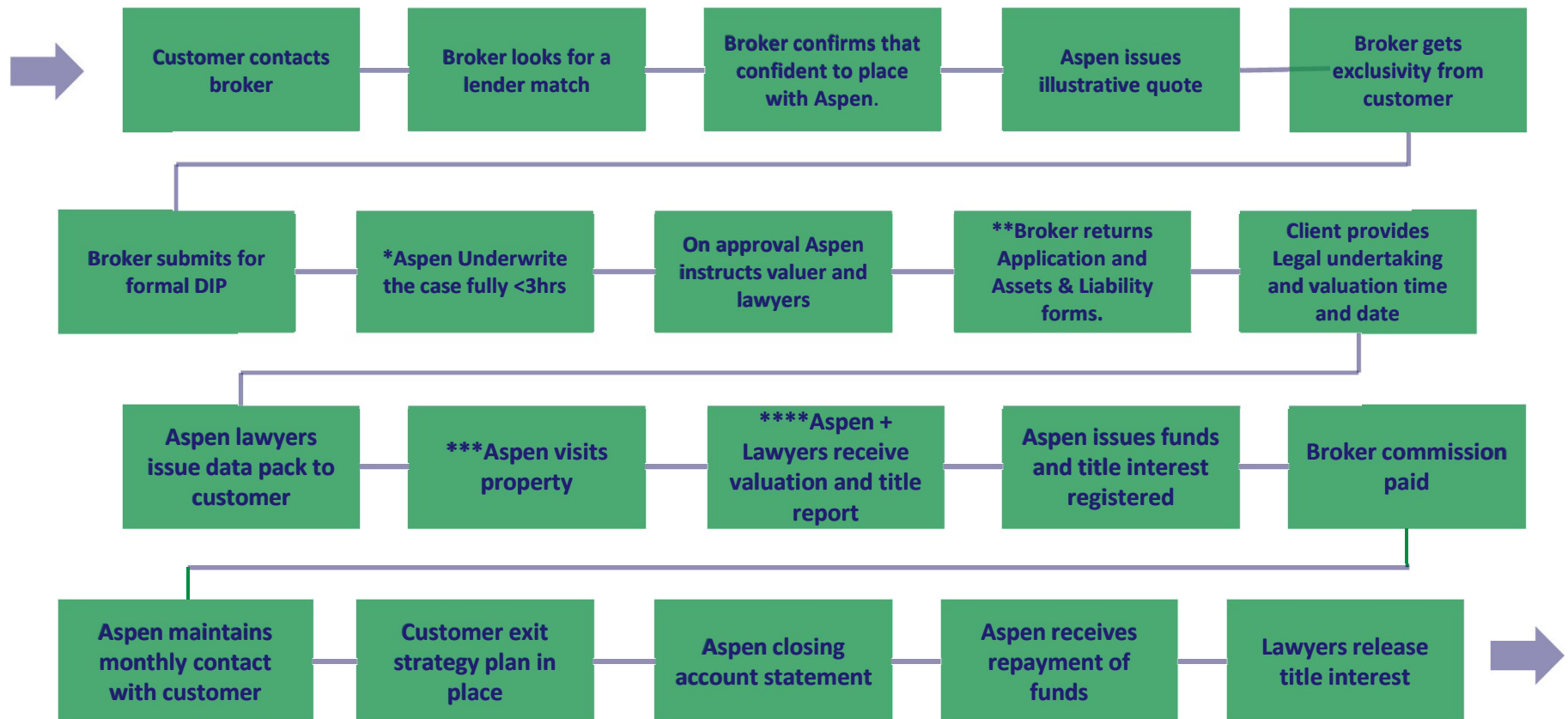
PROPERTY BRIDGING FINANCE – our business



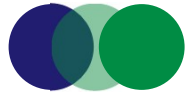
- Aspen started trading in February 2017 and provide a “fast, flexible, friendly and fair” service to customers with property bridging loan requirements
- 179 secured property bridging loan facilities have been provided to customers during the 42 months with an average gross loan facility of c.£450,000 at average maximum gross to value of 71%
- Bridging loans are all secured on a wide range of properties from residential to commercial and average original term has increased this year to 11 months from 9 months previously
- 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 – 138 repaid up to 31 July 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 – 2020

“The Aspen team were excellent, they were fast, efficient and delivered within time. Would highly recommend.”

- We took just five days to move a £193,450, 73% loan-to-value auction purchase application from illustration to completion, ensuring first-time commercial investors saved their £26,500 deposit.
- With time running out to complete the acquisition, speed was everything and we managed to deliver all elements well within our Time-Based Service Excellence Targets.
- The brothers are now undertaking light refurbishment work on the three-bedroom detached house in a suburb of Birmingham



PROPERTY BRIDGING FINANCE – customer and broker testimonials

Broker Feedback June 2019

“Aspen pulled it out of the bag once again. The underwriters and case managers worked with me, my client and the solicitors to complete on five flats and save my client in excess of £1m”

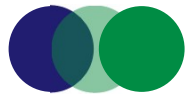
Borrower Feedback August 2019

“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.”

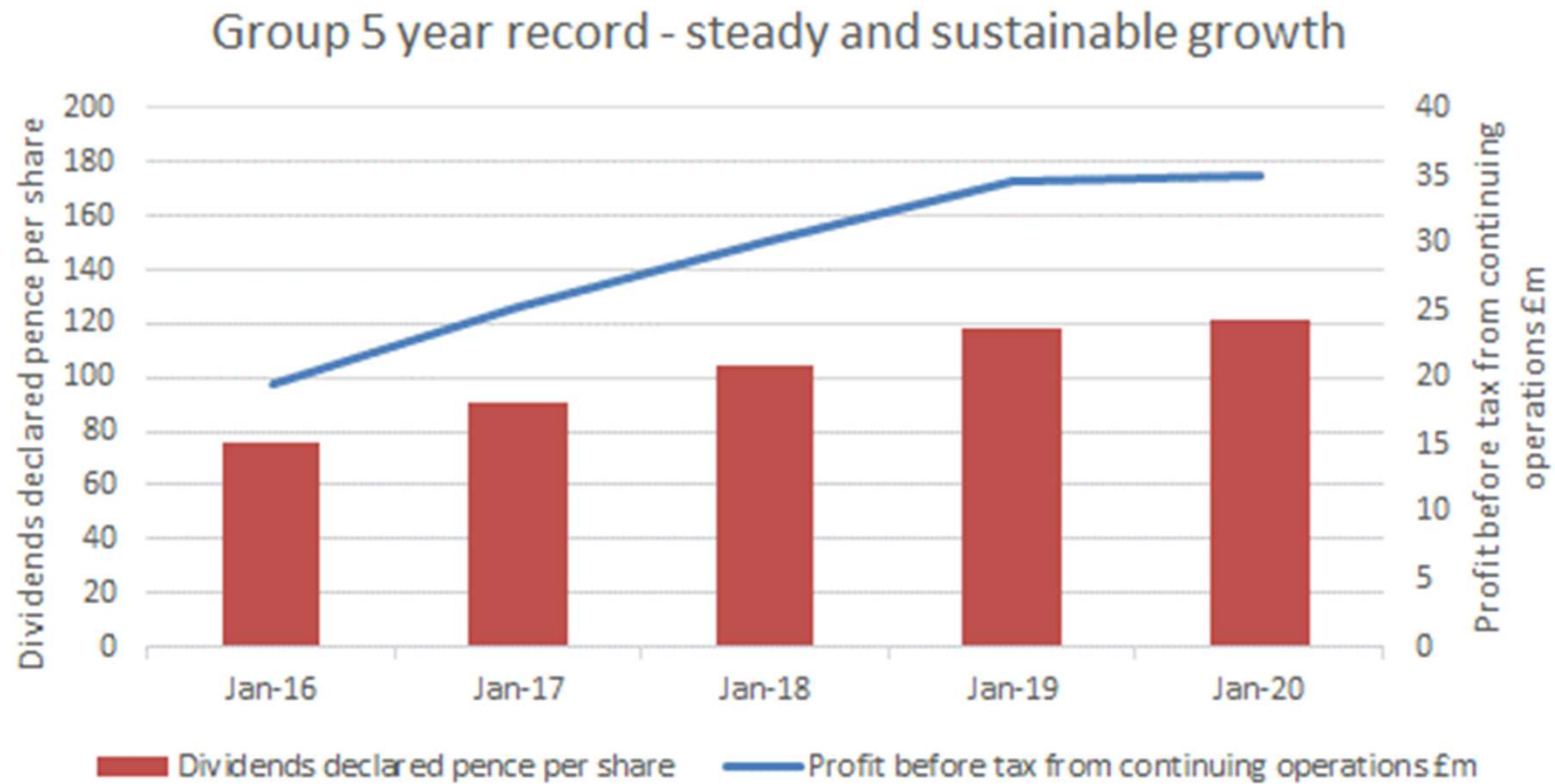


GROUP INCOME STATEMENT – our five year record

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



PROFITS RECORD OVER LAST 5 YEARS FOR GROUP





DISCLAIMER



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