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

AGM Statement and Trading Update

S & U PLC, the specialist motor finance and property bridging lender, issues a trading statement for the period 1st February 2022 to the 25th May 2022, prior to its AGM today. As the country recovers from Covid S&U is pleased, for the first time in two years, to invite its shareholders to its AGM in Solihull.

Following the Group's "resounding results" announced in S&U's annual report and our "quiet but determined confidence" in building on them even in uncertain times, we are pleased to report further steady progress. Group profit before tax for the period was above budget for both Advantage Finance ("Advantage"), our motor finance division, and Aspen Bridging ("Aspen"), our property bridging division. Current Group net receivables stand at £340m, (19 May 2021: £295m) and are also above budget. Furthermore, despite actual and anticipated pressure on household budgets due to cost of living and tax increases, credit quality remains very good. Strong cash generation has allowed S&U's loan book growth to be accommodated within current borrowings of £125m, well within medium term facilities of £180m.

As price inflation in the UK reaches 9% per annum, consumer confidence shrinks to a near 50 year low and geopolitical hostilities mount in Ukraine and elsewhere, S&U's "steady progress" is inevitably marked by prudence and caution. Although demand for both housing and motor vehicles, and their resulting values, remains strong and with unemployment rates the lowest levels since 1975, rising prices, particularly for energy and interest rates, may persist. Hence, although we currently expect to meet growth targets for this year, S&U remains focused above all on maintaining the excellent quality of its own books and service to its customers. This will ensure a firm base for faster expansion when the macroeconomic skies brighten. That balance between quality and growth has always served S&U well.

Advantage Finance

As the used-car market which it serves remains supply constrained but values remain strong, Advantage has seen sales volumes growing steadily, so that current net receivables are £268m (19 May 2021: £243m). Collection quality, which like sales is monitored on a daily, monthly and quarterly basis, remains excellent at 93.7% of due. Payment arrears are both below budget and falling. For the first time, Advantage's live collections have averaged over £13m per month in the quarter.

Nevertheless, prudence dictates that potential pressures on customer incomes are reflected in Advantage's historically conservative underwriting standards. Credit score cards are continually reviewed, and affordability buffers have been put in place to help ensure that new customers will continue to comfortably make the repayments. At the same time, the quarter has seen major strides in the development of Advantage's marketing strategy. This means that we will be able to more accurately identify customer profiles, and thereby make our partnerships with introducer brokers, aggregators and digital partners even more effective and efficient.

Advantage's performance during the period is reflected in its income, gross margin, cost control and profitability which have all beaten budget.

Aspen Bridging

Following record results for the year ended January 2022, Aspen continues its steady but prudent and sustainable progress. Current net receivables now stand at £72m against £64m at the previous year end 31 January 2022, reflecting 10% more loans on its book. Repayment quality continues to be good. Aspen's new bridge-to-let product is proving increasingly popular with small developers and investors, and this has made a small contribution to record fees and total income for the period.

Book quality has seen repayment and recovery collections at over £20m for the second successive quarter as 25 facilities have been repaid. Happily, reports of the demise of the residential property market in the UK are proving grossly exaggerated. Supply remains restricted, prices remain strong and, despite higher interest rates, re-financing remains readily available. In response to this and to service its record pipeline of new deals, Aspen has recruited additional staff who will prove themselves necessary in providing excellent customer service as the business grows.

Treasury

As usual, S&U's careful and prudent treasury policy has resulted in good funding headroom for our anticipated growth. Current borrowings stand at £125m against £180m of medium-term facilities. These facilities will be augmented as necessary. Group gearing currently stands at 59% against 60% on 19 May last year.

Commenting on S&U's trading Outlook, Anthony Coombs, S&U chairman, said:

"In the light of the war in Ukraine and its effect on the world economy, we are all learning the value, both militarily and economically, of the old Roman saying "If you would have peace, prepare for war". In febrile and volatile times at home and abroad, S&U's experienced, prudent but positive approach will continue, both literally and metaphorically, to pay dividends".

Enquiries Anthony Coombs	S&U plc	c/o SEC Newgate
Financial Public Relations Bob Huxford, Molly Gretton	SEC Newgate	020 7653 9848
Broker Adrian Trimmings, Andrew Buchanan, Sam Milford	Peel Hunt LLP	020 7418 8900

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