



Our Half Year Results to 31 July 2022



Today's speakers



Anthony Coombs
Chairman



Graham Coombs
Deputy Chairman



Chris Redford
Group Finance Director



Graham Wheeler
CEO Advantage Finance



Ed Ahrens
CEO Aspen Bridging

Introduction

“Current trading in both of S&U’s businesses is very encouraging, We are of course aware that we live in troubled times. Current economic and political conditions pose potential challenges to overcome, but also opportunities to grasp.

As Franklin D. Roosevelt declared at the outset of a much more profound recession 90 years ago, “all we have to fear is fear itself.” Whilst rightly more cautious in a less promising economic climate, S&U is equipped with the ambition, experience and determination to prosper.”

– Anthony Coombs, Chairman

Highlights for the six months to 31 July 2022

S&U

- Group Profit before tax £20.9m (H1 2021 : £19.9m)
- Earnings per share 140.7p (H1 2021: 133.1p)
- Net Group Receivables: £370.1m (31 July 2021: £306.4m)
- S&U proposes a first interim dividend for 2022/23 of 35p (H1 2021/22: 33p)
- Strong balance sheet with group gearing at 73% (H1 2021: 61%) and an increase in group facilities to £210m from £180m post half year

Advantage

- Advantage profit before tax for the first half year was £19.0m (H1 2021: £18.5m)
- Advantage results driven by improved volume of new deals up 22% on H1 2021 and continued excellent collections
- Advantage margins still healthy as overheads and funding costs start to increase alongside inflation and interest rates
- Advantage impairment charge of £6.1m (H1 2021: £4.9m) still lower than normal as increase in stage 1 and macroeconomic overlays is more than offset by excellent collections and lower than anticipated realised bad debts in H1

Aspen

- Aspen Property Bridging Finance - strong results driven by continued strong growth in receivables. Receivables quality very good.
- Aspen profit before tax for half year was £2.0m (H1 2021: £1.5m)

S&U Five Year Record

Our five year record

£m	Year to Jan 18	Year to Jan 19	Year to Jan 20	Year to Jan 21	Year to Jan 22	6 months to July 22
Revenue	79.7	83.0	89.9	83.8	87.9	49.4
Cost of Sales	-17.3	-15.7	-19.9	-14.3	-18.8	-11.4
Impairment	-19.5	-17.0	-17.2	-36.7	-4.1	-6.5
Admin Expenses	-9.9	-11.2	-12.8	-11.1	-14.2	-8.0
Finance Costs	-2.8	-4.5	-4.9	-3.6	-3.8	-2.6
Profit before tax	30.2	34.6	35.1	18.1	47.0	20.9

Last 2 years annual average profit
before tax during pandemic £32.6m pa

Group Financials

Our Income Statement – Half Year to July 2022

Group Income Statement £m	July 22	July 21	Change %
Revenue	49.4	42.8	+15%
Impairment	-6.5	-5.1	+28%
Risk adjusted gross yield RAY	42.9	37.7	+78%
Cost of Sales	-11.4	-9.1	+25%
Admin Expenses	-8.0	-6.9	+16%
Finance Costs	-2.6	-1.8	+46%
Profit before tax group	20.9	19.9	+5%

Profit before tax £m	July 22	July 21	Change %
Motor Finance	19.0	18.5	+3%
Property Bridging Finance	2.0	1.5	+32%
Central finance income/costs	-0.1	-0.1	
Profit before tax group	20.9	19.9	+5%

- Revenue continued to increase in H1 as motor and bridging receivables grew
- Lower than normal half year Advantage impairment charge reflecting higher forward looking macroeconomic overlay provisions more than offset by lower actual bad debt attrition and good collections
- Cost of sales increased by 25% reflecting increased motor and bridging advances
- Both businesses grew receivables and profit strongly in H1 – last year Advantage profit benefitted from much lower impairment charge in H2 21 unlikely to repeat this year in a less favourable economic climate
- Good results and more cautious outlook : first interim dividend of 35p (2021: 33p)

Group Financials

Group Balance Sheet – 31 July 2022

£m	July 22	July 21	Change %	Comment
Fixed Assets and Right of Use Assets	2.4	2.6		No major expenditure in H1
Amounts Receivable Motor Finance	279.9	248.8	+13%	Good advances in H1 2022
Amounts Receivable Property Bridging	90.2	57.7	+56%	Good advances in H1 2022
Other Assets	2.5	2.0		Including £1.1m cash at bank in July 22
Total Assets	375.0	311.1	+21%	
Bank Overdrafts	-	-1.6		£7m current overdraft facilities
Trade and Other Payables	-4.1	-3.7	+10%	Increased broker and remuneration creditors
Tax Liabilities	-0.9	-1.8		
Accruals and deferred income	-1.2	-0.7		
Borrowings	-155.5	-113.5	+37%	Committed facilities increased to £210m Sept 22
Financial and Lease Liabilities	-0.8	-0.9		
Total Liabilities	-162.5	-122.2	+33%	
Net Assets and Total Equity	212.5	188.9	+12%	

Group Financials

Cash Flow – Half Year to 31 July 2022

Group Cash Flow

- £40.8m cash outflow reflecting strong book debt growth and including payment of £11.3m group dividends

£m	July 22	July 21
Balance b/f	-113.6	-98.8
Motor Finance outflow/inflow	-15.5	+7.7
Property Bridging outflow	-25.1	-22.3
Other outflow	-0.2	-1.7
Balance c/f	-154.4	-115.1
Gearing %	73%	61%
Analysis of balance c/f		
Central	+71.5	+72.0
Property Bridging	-84.0	-54.3
Motor Finance	-141.9	-132.8
Balance c/f	-154.4	-115.1

Motor Finance Cash Flow

- Advances 33% up on Covid affected H1 2021 and driven by continued higher used car prices
- Good live collections and little growth in debt recovery due to lower than expected bad debt attrition

£m	July 22	July 21
Balance b/f	-126.5	-140.5
Advances	-90.9	-68.3
Basic Monthly Live Collections	79.5	75.1
Settlements/reloans	19.2	16.7
Debt recovery	9.0	8.4
Overheads/interest etc	-18.1	-14.7
Corporation Tax	-3.6	-2.5
Dividend	-10.5	-7.0
Balance c/f	-141.9	-132.8

Property Bridging Cash Flow

- Similar advances to H1 2021 which was helped by CBILS scheme
- Collections good in H1 2022 and book still quite clean – high collections in H1 2021 included high value early CBILS loan repayments

£m	July 22	July 21
Balance b/f	-58.9	-32.0
Gross Advances	-63.7	-64.4
Retention Collections	6.8	7.9
Collections	30.7	34.1
Debt recovery	5.6	2.8
Overheads/interest etc	-3.3	-2.6
Corporation Tax	-0.4	-0.1
Dividend	-0.8	-
Balance c/f	-84.0	-54.3

Group Financials

Treasury and funding

- Additional £30m revolving credit facilities added post H1 2022 resulting in total committed funding facilities of £210m. These comprise 2 x £25m term loan facilities maturing in 2028 and 2029, and £160m revolving credit facilities with maturities in 2024 ,2025, 2026 and 2027
- Group gearing at 31 July 2022: increased to 73% (31 July 2021: 61%) driven by increase in receivables in both businesses
- £40.8m Group cash outflow in H1 2022 mainly reflects the higher lending in Aspen and Advantage offset by higher repayments and is after payment of £11.3m dividends

Advantage Finance Business Update

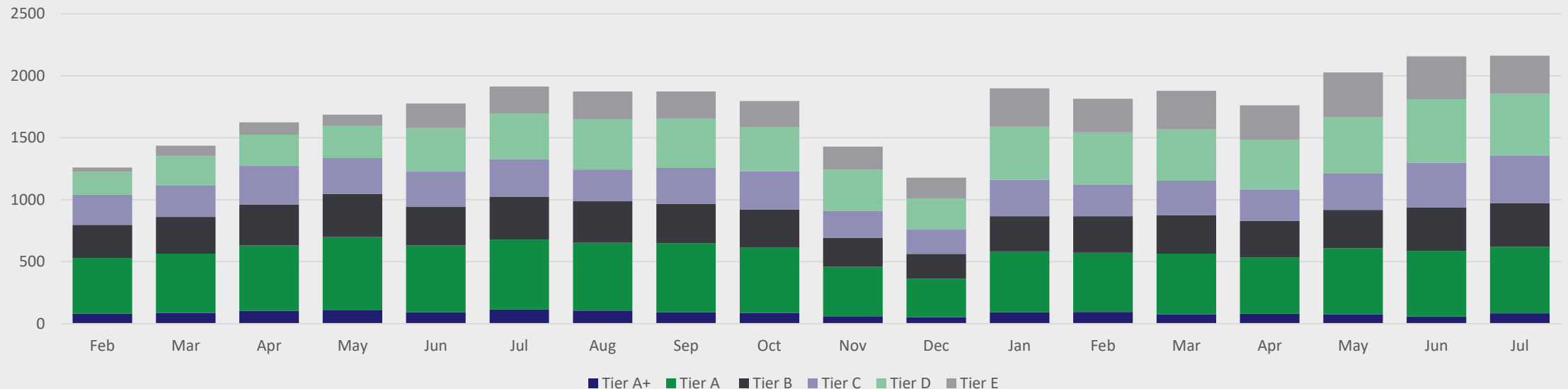


Advantage Current Situation

Sales

- Strong growing sales performance during H1 2022
- Sales performance at 105% of budget
- Tier mix consistently well balanced between risk and reward

Sales Volume and Mix



Advantage Sales and Marketing Update

Commercial Strategy Developments

Phase One

- Re-engineer our API to create multi-channel offer ✓ **Delivered**
- Implement New Scorecard ✓ **Delivered**
- Integrate with the Credicar black box ✓ **Delivered**
- Integrate Scorecard with key Brokers ✓ **Delivered**

Phase Two

- Integrate with HD Decisions black box ✓ **In Progress**
- Expand Aggregator website market ✓ **In Progress**
- Re-engineer our Customer Renewal Activities ✓ **In Progress**
- Re-design Advantage website ✓ **In Progress**

We have made excellent progress in delivering the initiatives that will support our growth plan
Completed amendments to our affordability calculation to compensate for Cost of Living changes

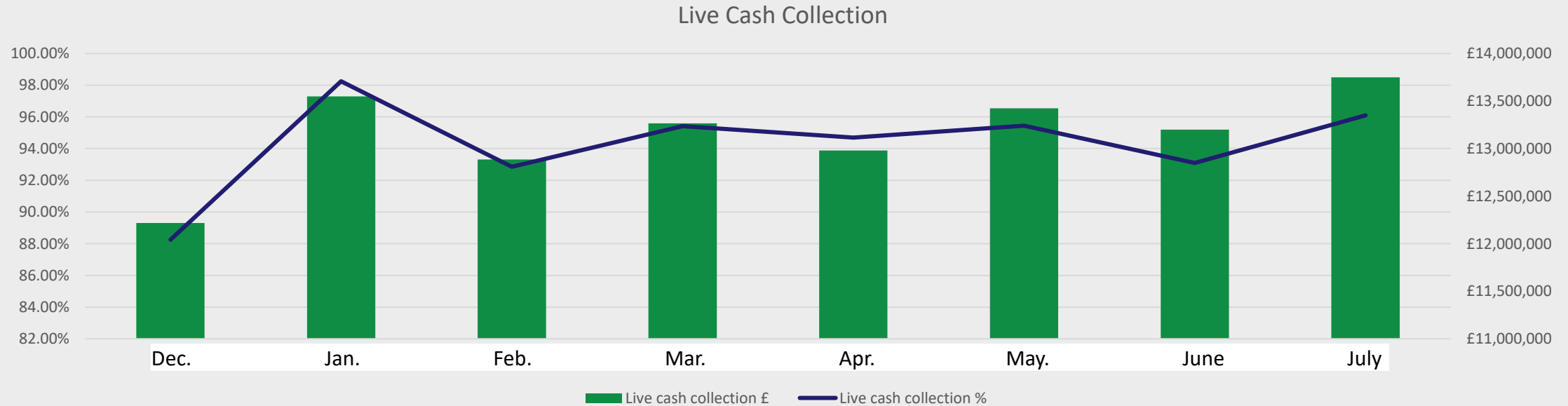
Advantage Live Cash Collections

Consistently strong live cash collections performance during H1 2022

Bad debts and VTs at 93.8% of H1 2021 performance

Average loss per bad debt (£) at 80.9% of H1 2021 performance

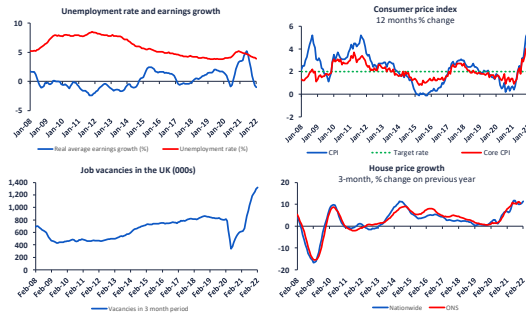
All delivering strong overall financial performance in H1 2022



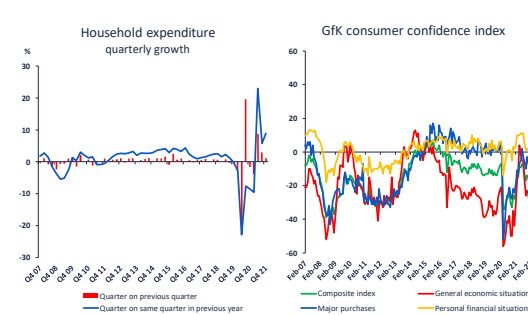
Advantage Cost of Living Impacts

How Advantage is adapting to Cost of Living crisis

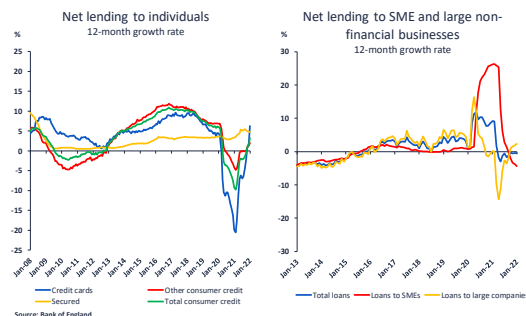
Real wages fall by 1.0% in 3 months to Jan 2022



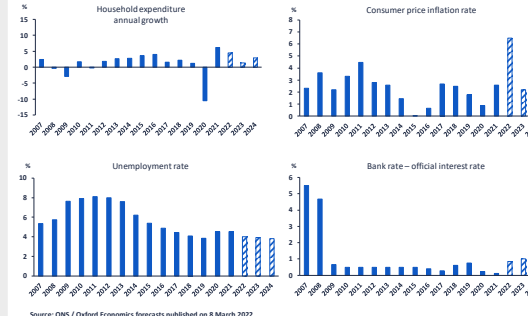
Household expenditure grew by 6.1% in 2021



Strong pick up in net credit card lending



CPI inflation expected to peak at 8% in Q2 2022



Advantage Actions:

New Business:

- Adjusted our Affordability Calculator in line with inflation
- Introduced new updated Scorecard
- Amended lending value controls

Existing Customers

- Signposting Customers to debt advice support
- Providing enhanced flexibility for Customers
- Special support team for Vulnerable customers
- Focus on maintaining cash collection, controlling bad debts and minimizing Voluntary Terminations by keeping customers in their cars
- Showing our human touch!

Advantage Regulatory Update



Three current FCA market concerns:

Cost of Living crisis

- Focus on responsible lending
- Support for existing customers
- Full range of forbearance options
- Special interest in Vulnerable Customers

Advantage response

- ✓ Amended our affordability calculation and deal criteria
- ✓ Providing wide range of flexible support to customers
- ✓ Specialist support team for Vulnerable Customers

Commission Disclosure

- FCA and FLA considering move towards full open commission disclosure
- Historical variable commission is at risk from claimants on the basis of “unfair contracts”
- FOS currently reviewing complaints register on commission complaints

Advantage response

- ✓ Advantage have operated Fixed commission arrangements for 23 years
- ✓ Successfully defended a number of pre-legal cases and one legal case
- ✓ Would be happy to move to full open commission disclosure with the market

New Consumer Duty

- FCA release of Consumer Duty guidance in July, with a 12-month implementation period
- Raises standards for lenders to ensure good customer outcomes, and for customers to be at the centre of businesses

Advantage response

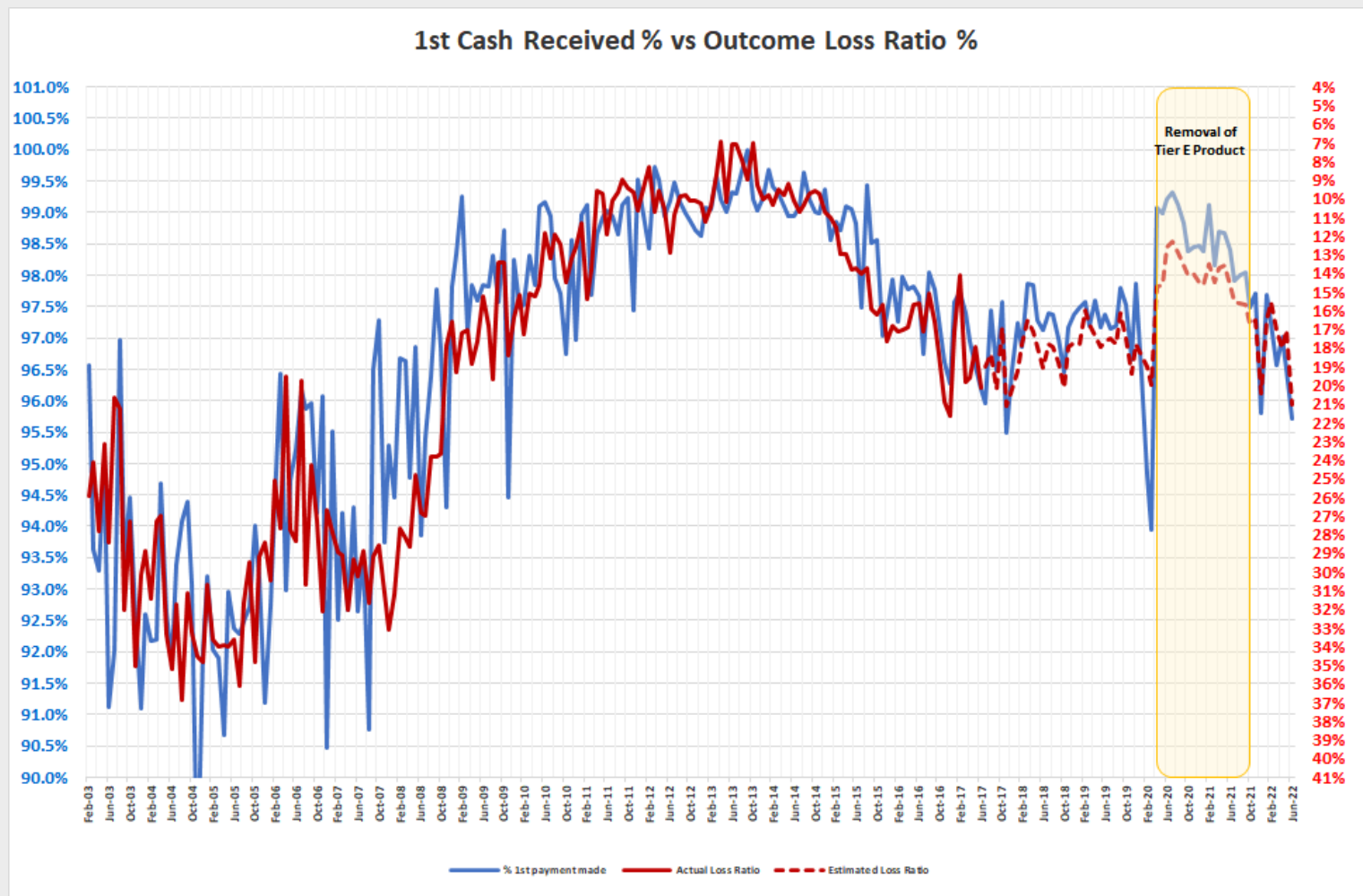
- ✓ Currently reviewing impact of Consumer Duty
- ✓ Starting in incredibly strong place as customers already central to our business
- ✓ Increased requirement for MI and evidence gathering, and customer communications

Advantage – Our Quality Loan Book

Average Loan profile	Year to Jan 19	Year to Jan 20	Year to Jan 21	Year to Jan 22	6 months to July 22
Number of loans	21,053	23,334	15,589	19,747	11,800
Advance	£6,136	£6,385	£6,581	£7,138	£7,702
Cost of Sales	£727	£824	£872	£874	£883
Interest rate flat per annum	17.9%	17.7%	17.0%	16.3%	16.7%
Average customer score*	865	867	900*	892*	866*
Original term in months	50	51	52	53	54

*Customer scores from May 2020 to July 2021 were less certain due to CRA reporting of payment holidays. During the two main years of the pandemic, ending January 2022, Advantage concentrated on lower risk tiers. As the pandemic recedes Advantage has returned to a more traditional customer mix.

Advantage – First Repayment Quality



- Strong historic correlation between early repayments and end outcomes with lower adverse impact of Covid-19 now forecast
- Advantage concentrated more on lower risk tiers during pandemic but is now underwriting all risk tiers again

Advantage Receivables

Original Contract Arrears	Position at end July 2022				Position at end January 2022	
	Volume of Accounts	Percentage 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	44958	76.51%	0.99%	85.29%	42608	72.70%
0.01 – 1 mthly payments	4296	7.18%	3.00%	7.66%	3663	5.97%
1.01 – 2	2344	3.20%	5.46%	2.94%	2144	2.91%
2.01 – 3	2984	3.25%	18.47%	1.48%	3524	4.45%
3.01 – 4	1777	1.92%	11.55%	0.80%	2016	2.58%
4.01 – 5	1197	1.34%	8.25%	0.54%	1385	1.77%
5.01 – 6	1188	1.32%	9.97%	0.31%	1464	1.95%
6.01 +4302	4302	5.28%	42.31%	0.98%	5227	7.67%
Total Live Accounts	63046	£275.4m net receivables	10345 accts	52701 accts	62031	£254.9m net receivables
Legal and debt recovery	21845	£4.5m net receivables	Collected 95% of due in Q2 22	Collected 95% of due in Q2 22	20890	£4.1m net receivables
Total Accounts	84891	£279.9m net receivables			82921	£259.0m 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 January 22 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

Aspen Bridging



Aspen Bridging



- **Record PBT for half year:** £2.0m against £1.5m last year underpinned by good quality on bigger book
- **Record year first half year for new loan facilities** with 73, up from previous record of 66 set in H1 21
- **Record net receivables of £90.2m**, an increase of £26.3m in the half year
- **New Bridge to let product wins product of the year** at the Bridging & Commercial awards in September
- **Recent trends** show bridging market loan prices increasing and early repayments starting to slow as BoE rate increases take effect
- **Book quality remains robust** only 6 loans of 128 book loans are in default at 31 July 2022 with all 6 on track to settle in Q3
- **Aspen outlook cautiously positive** – market movements create opportunity to maintain quality and enhance margins at slightly lower average loan to value

Aspen Bridging – Our Quality Loan Book

Average Loan profile	Year to Jan 18	Year to Jan 19	Year to Jan 20	Year to Jan 21	Year to Jan 22*	6 months to July 22
Number of new loans	35	62	57	80	111	73
Gross Advance	£386k	£377k	£539k	£543k	£618k	£873k
Cost of Sales (% of gross advance)	2.3%	1.9%	2.0%	1.6%	1.6%	1.6%
Average Max gross LTV	67%	74%	71%	68%	72%	72%
Average original blended yield %	1.17%	1.18%	1.12%	1.01%	0.95%	0.88%
Original term in months	9	9	9	11	11	11
Settled beyond contractual term**	65%	62%	44%	32%	Contractual terms still running	Contractual terms still running

- In year to Jan 22 Aspen also made 24 loan facilities under the CBILS government scheme – these had an average gross advance of £1.8m each and as at September 2022 all CBILS loans have now fully settled.

**These loans did not achieve their original exit plan and either went into agreed extension or into default

Our Future

Strong current trading and first half performance contrasts starkly with the pessimism surrounding the UK's economic prospects.



- Long-standing underwriting skills
- Excellent collections reflect post Covid book quality
- Opportunity for growth may increase as economy falters as it did previously post Global Financial Crisis



- Bridging book continues to grow from cautious base
- Current market movements create opportunity to maintain quality and margin at slightly lower loan to value
- Rigorous underwriting and good collections

S&U's long experience, historic resilience, financial strength, excellent debt quality and good customer relationships give us confidence for the future and will help us meet any potential economic challenges and grasp opportunities.

Appendices



Advantage Finance

Our business



- Used car finance on hire purchase – 90% sourced through brokers – 5% refinances for previous customers – 5% direct from dealers
- Advantage have now transacted over 200,000 loans since business started in 1999
- Deals underwritten and collected centrally – direct debit is the initial repayment method for all customers
- Customer's typical loan is a £7,700 advance with c£14,000 repayable, including interest, over an average term of about 54 months

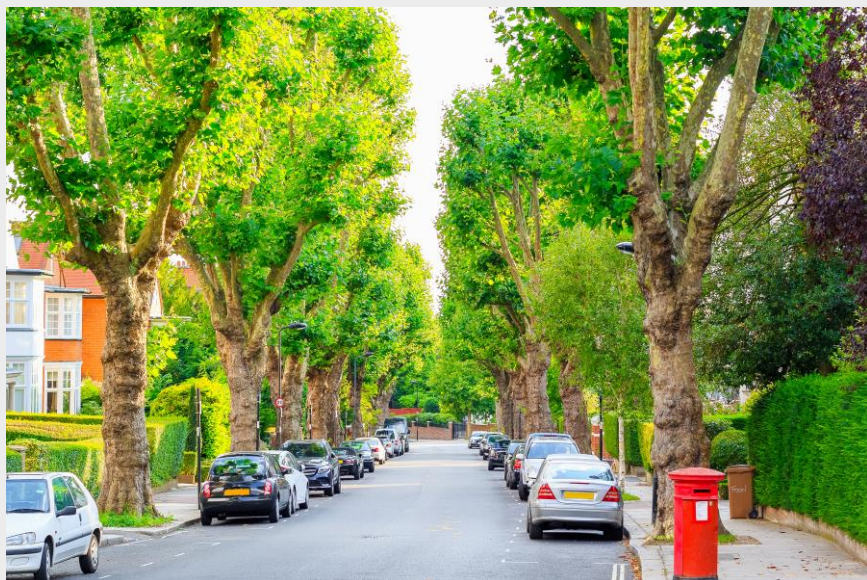
Advantage Finance

Credit and risk management

- Automated approve/decline decision from bespoke scorecard system returned within 10 seconds on 95% of all applications received – over 150,000 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
- Strong Customer Relations team and a Trustpilot score now at an excellent 4.7 out of 5 for customer service and reliability

Advantage Finance

Our loyal customers



CASE STUDY

Miss J lives in Basingstoke and works full time as a recruitment consultant with a well known firm for the last two years. Miss J currently takes home £1796 each month and in July 2022 she started to look for finance to purchase her next car.

Miss J was fortunate enough to have a friend refer her to Advantage and an application for motor finance was received by our Direct Sales Department. We were able to provide an offer of finance leaving Miss J free to look for a vehicle safe in the knowledge that her finance had been pre-approved. The assessment included a full appraisal of the customer's existing credit and a separate affordability assessment which confirmed the loan was affordable.

Miss J chose a black Audi A3 with monthly payments of £363 from a local vehicle consultant.

Miss J took the time to review her purchasing experience through an online review site and was clearly happy with the service she received from Advantage, leaving the following comments as part of a 5-star review:

"I was referred to Advantage through a friend who has used them before and I am so grateful to have found this company! I don't have the best of Credit, however Helen who dealt with my case, helped me through the application and made it hassle free, and an extremely quick process. I couldn't be happier with the service Helen gave me. I'm just about to pick up my new car, and I'm absolutely ecstatic! Thank you so, so much Helen!!"

Advantage Finance

Our loyal customers



CASE STUDY

Mr V a single 40 year old lives in Bradford in his parent's family home and has worked as a supervisor for a stair lift company for the last 7 years. He first took out finance with Advantage in September 2018 to purchase a Ford Fiesta priced at £3500. We were happy to provide finance and Mr V went on to pay this agreement faultlessly over the 30 month term.

In August 2021 Mr V was looking to replace his vehicle and made a direct approach to Advantage. He was referred to our Refinance team and the application process began.

Mr V's credit profile was assessed as part of the application, together with his overall income and outgoings to ensure the proposed loan was again appropriate and affordable for his circumstances. Mr V's application was approved the same day and after being given an indication of his credit limit, he settled on a silver Honda Civic GT from a dealer of his choice. Advantage provided an advance of £6640 to be repaid over 54 months at monthly repayments of £221 which suited Mr V's budget.

Mr V took the time to review his experience through an online review site and was clearly happy with the service she received from Advantage , leaving the following comments as part of a 5-star review:

“Excellent service. The whole experience was very straightforward and clear. If you have any questions the staff are only a phone call or an email away and are always willing to help. I am very happy and would highly recommend Advantage.”

Advantage Finance

Our happy customers



“Advantage Finance. I would recommend to everyone. They have been absolutely fantastic over the pandemic. All I can say is Thank you so much for all your help.”

Colin, 1 September 2022

“Great experience, Communication from Ellie was fantastic. Car dealership contacted Ellie Tuesday morning and by Tuesday afternoon they had received the money ready for me to collect my car. A very quick and easy process. Thank you.”

Emma, 30 August 2022

Aspen Bridging

Our business



- Aspen started trading in February 2017 and provide a “fast, flexible, friendly and fair” service to customers with property bridging loan requirements
- 442 secured property bridging loan facilities have been provided to customers to date with an average gross loan facility of c.£600,000 over average 11 month contractual loan term at an average maximum gross loan to value of 72%
- Bridging loans are all secured on a wide range of properties from residential to commercial, with c33% of bridging projects undergoing planned refurbishment works during the term of the loan
- Repayment can be made either before or at the end of the loan term. All facilities have a built in option for the lender to extend the facility where required and appropriate – 314 of the 442 loan facilities have repaid up to 31 July 2022, and only 6 of the 128 remaining live loans at that date are in default (all recent)

Aspen Bridging

Case study



Development Exit Loan, Berkshire - £1.5m

The developer used a property consisting of eight newbuild apartments in Windsor, Berkshire. The project was substantially delayed during the Covid pandemic and, despite best efforts, remained behind schedule. The Aspen bridging loan allowed the property developer extra time to complete their project after the original lender refused to extend terms.

The bridging loan took just 17 days from application to completion and was finalised on Aspen's Flat Rate product at 0.84% over a 12 month term. Exit is through sale of the apartments.

Aspen Bridging

Case study



Essex – Auction Purchase Bridging Loan

We recently completed a £480k bridging loan on a four bedroomed detached property. The client used the Flat Rate product at 0.84% per month over a 12 month term with a 70% gross loan to value.

Head of Aspen Sales Ian Miller-Hawes drove a 175 mile round trip from his home in Petersfield to the client's solicitors and back on the day of completion to ensure the deal could be finalised in time to save the applicant's £202k auction deposit.

The broker commented as follows:

“We found dealing with Aspen and the underwriting team to be a refreshingly straightforward process. The lender worked with us to meet our client's requirements, both in providing the level of funds needed and also comfort with the options to exit. We were delighted to meet our client's expectations; nothing was too much trouble for Aspen and we would happily consider working with them again.”

Aspen Bridging

Our happy customers



“When I first discussed this deal with Ian Miller-Hawes and Jack Coombs there was an enthusiasm to understand the client and the structure and how they could assist with the purchase. We arranged a teams call so the client could see who was lending the money and talk through the business plan. Having a lender who is willing to allocate facetime with a client and understand their business is very refreshing and I personally cannot wait to work with Aspen again.”

Broker, June 2022

“Aspen vastly exceeded expectations regarding speed, flexibility and responsiveness.

Very impressed all round, we'll certainly work with them again.

Borrower, May 2022

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