Measured Momentum

Our Full Year Results to 31 January 2023

March 2023

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

"In today's rapidly changing world clarity of purpose and vision is more crucial than ever.

A former Chairman of Jaguar Motors put it succinctly: "the absolute fundamental aim is to make money out of satisfying customers."

Current trading is strong and I am confident that our focus, our expertise and our experienced team will enable us to take advantage of the emerging opportunities that this year will bring."

– Anthony Coombs, Chairman

Highlights for the year to 31 January 2023

S&U

- Group returned to normal trading post pandemic
- Group Profit before tax ("PBT") £41.4m (2022: £47.0m; 2021: £18.1m), (average pandemic years 2021/2022: £32.6m)
- Earnings per share 277.5p (2022: 312.8p; 2021: 120.7p)
- S&U proposes a final dividend for 2022/23 of 60p (2022: 57p) – total for the year 133p (2022: 126p)
- Strong balance sheet with Group gearing at 86% (2022: 55%) and Group facilities of £210m

Advantage

- PBT for year was £37.2m (2022: £43.7m; 2021: £17.2m), (average pandemic years 2021/2022: £30.5m)
- Results driven by new deals up 22% on 2021/22 and continuing excellent collections
- Overheads and funding costs increasing as inflation and interest rate increases take effect – margins still healthy
- Impairment charge of £12.9m (2022: £3.8m; 2021: £36.0m) still lower than normal as increase in stage 1 and macroeconomic overlays for forecast future inflation and car prices, more than offset by excellent collections and lower than anticipated realised bad debts

Aspen

- PBT for year was £4.5m (2022: £3.4m)
- Strong results driven by continued growth in receivables and good track record on repayment
- Tightened already conservative valuations and reduced loan to values in anticipation of forecast 5% fall in house prices during 2023

Group financials

Our Income Statement – Full Year to January 2023

Group Income Statement £m	Jan 23	Jan 22	Change %
Revenue	102.7	87.9	+17%
Impairment	-13.9	-4.1	+237%
Risk adjusted gross yield RAY	88.8	83.8	+6%
Cost of Sales	-23.7	-18.8	+26%
Admin Expenses	-16.2	-14.2	+14%
Finance Costs	-7.5	-3.8	+99%
Profit before tax group	**41.4**	**47.0**	**-12%**

Profit before tax £m	Jan 23	Jan 22	Change %
Advantage	37.2	43.7	-15%
Aspen	4.4	3.4	+31%
Central finance income/costs	-0.2	-0.1	
Profit before tax group	**41.4**	**47.0**	**-12%**

Revenue continued to increase in H2 as motor and bridging receivables grew

Despite cost of living increases, impairment charge is still lower than usual, due to excellent Advantage collections

Cost of sales increased by 26% reflecting increased motor and bridging advances

Both businesses grew receivables strongly in H2 – last year Advantage profit benefitted from much lower impairment charge in FY22 due to large FY21 pandemic provisions not utilised

Confident outlook and final proposed dividend of 60p (2022: 57p)

Group financials

Group Balance Sheet – 31 January 2023

£m	Jan 23	Jan 22	Change %	Comment
Fixed Assets and Right of Use Assets	2.6	2.5		No major expenditure
Amounts Receivable Motor Finance	306.8	259.0	+18%	Strong advances
Amounts Receivable Property Bridging	113.9	63.9	+78%	Strong advances
Other Assets	4.9	1.8		Including £3.1m cash at bank in Jan 23
Total Assets	428.2	327.2	+31%	
Bank Overdrafts	-	-2.6		£7m current overdraft facilities
Trade and Other Payables	-4.6	-4.3	+6%	
Tax Liabilities	-0.9	-0.9		
Accruals and deferred income	-1.3	-0.8		
Borrowings	-195.5	-111.0	+76%	Committed facilities increased to £210m Sept 22
Financial and Lease Liabilities	-1.0	-0.9		
Total Liabilities	-203.3	-120.5	+69%	
Net Assets and Total Equity	224.9	206.7	+9%	

Group financials

Cash Flow – Full Year to 31 January 2023

Group Cash Flow

- £78.8m cash outflow reflecting book debt growth and including payment of £15.7m group dividends
- Good Advantage and Aspen book debt growth

£m	Jan 23	Jan 22
Balance b/f	-113.6	-98.8
Motor Finance outflow/inflow	-32.1	+14.1
Property Bridging outflow	-47.2	-26.9
Other inflow/outflow	+0.5	-2.0
Balance c/f	**-192.4**	**-113.6**
Gearing %	86%	55%
Analysis of balance c/f		
Central	+72.2	+71.7
Property Bridging	-106.1	-58.9
Motor Finance	-158.5	-126.4
Balance c/f	**-192.4**	**-113.6**

Advantage Cash Flow

- Advances 33% up driven by good volumes, higher used car prices and targeting better quality customers
- Good live collections and little growth in debt recovery due to lower than expected bad debt attrition

£m	Jan 23	Jan 22
Balance b/f	-126.4	-140.5
Advances	-186.6	-140.9
Basic Monthly Live Collections	161.8	152.7
Settlements/reloans	35.8	34.1
Debt recovery	18.1	17.1
Overheads/interest etc	-39.1	-30.6
Corporation Tax	-7.1	-8.3
Dividend	-15.0	-10.0
Balance c/f	**-158.5**	**-126.4**

Aspen Cash Flow

- Gross advances 20% up driven by good broker relationships and targeting better quality projects
- Collections good in FY2023 but higher collections in FY2022 included high value early CBILS loan repayments

£m	Jan 23	Jan 22
Balance b/f	-58.9	-32.0
Gross Advances	-133.9	-111.6
Retention Collections	14.8	13.3
Settlement Collections	62.5	65.7
Collections beyond term	18.9	11.4
Overheads/interest etc	-7.5	-5.3
Corporation Tax	-0.8	-0.4
Dividend	-1.2	-
Balance c/f	**-106.1**	**-58.9**

Group financials

Treasury and funding

- Additional £30m revolving credit facilities added in September 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 2025, 2026 and 2027

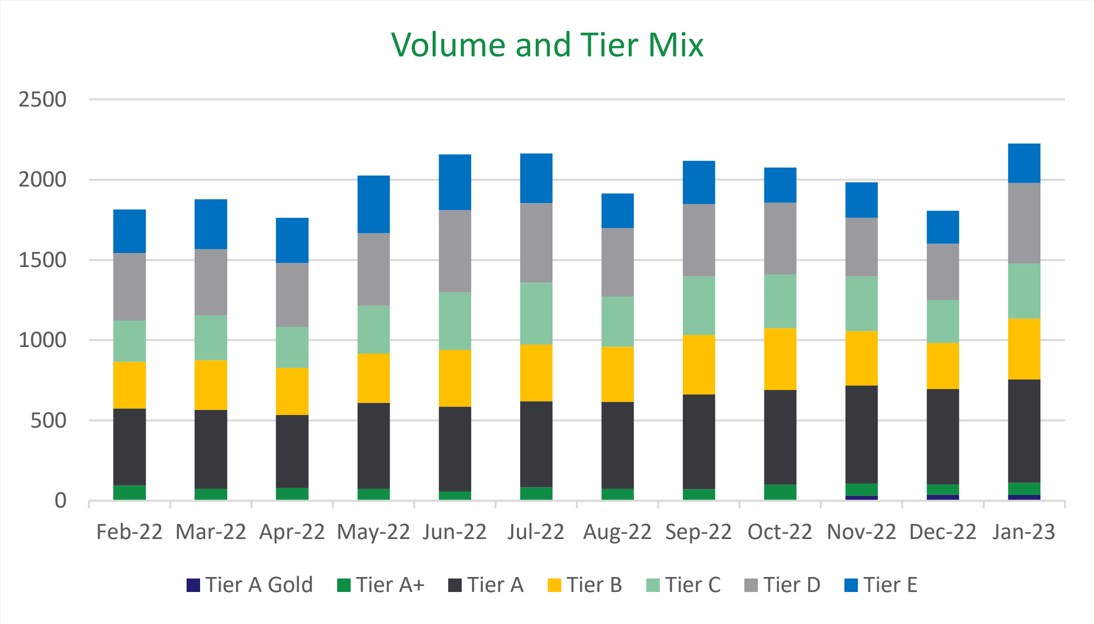
- Group gearing at 31 January 2023: increased to 86% (31 January 2022: 55%) driven by increase in receivables in both businesses

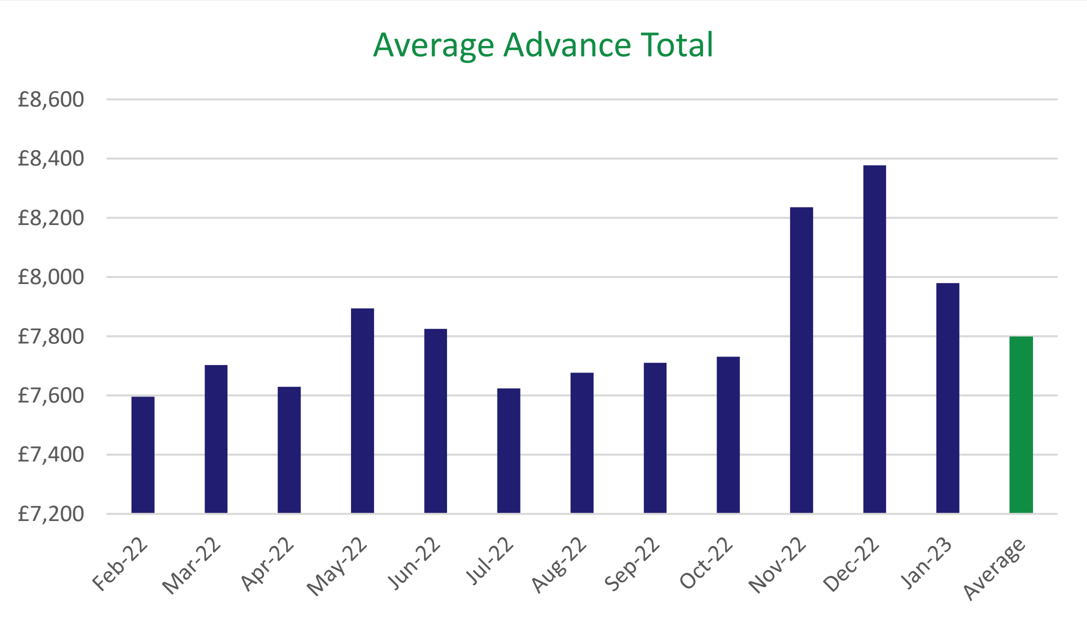
- £78.8m Group cash outflow in 2022/2023 mainly reflects the higher lending in Aspen and Advantage partly offset by higher repayments and is after payment of £15.5m dividends

Advantage Finance Business Update

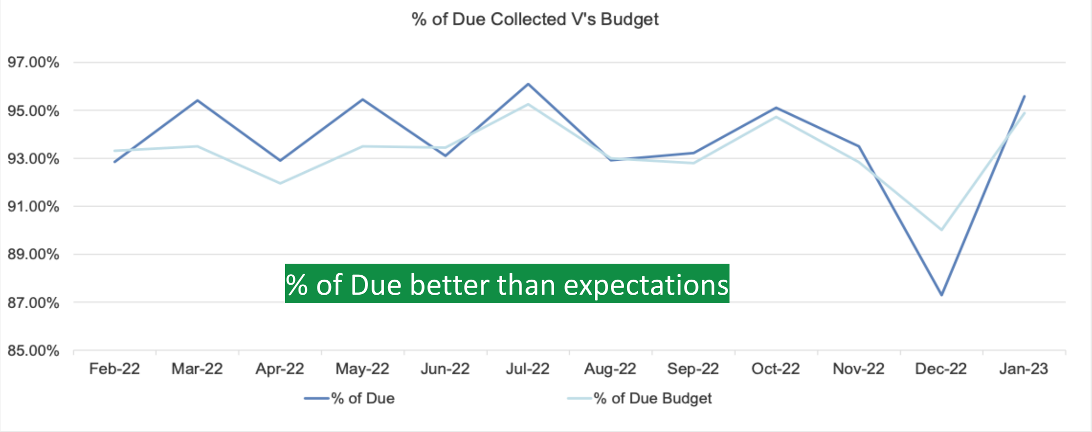
New business and the market

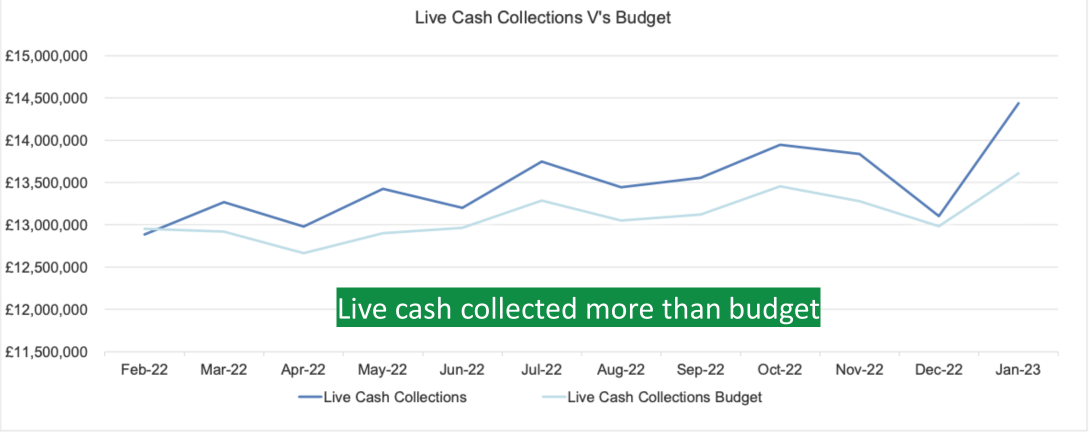
- Strong final quarter for volumes and average advances
- Culminating in 23,922 actual v 23,000 budget and v 19,747 prior year
- Maintained stable tier mix and average customer score, with continued focus on higher quality customers
- Excellent customer service reflected in Trustpilot score of 4.8 out of 5

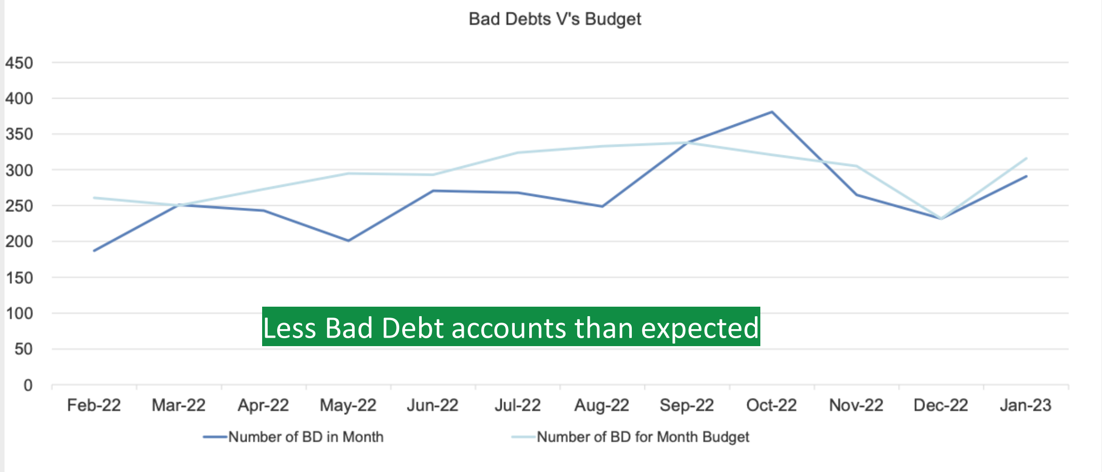


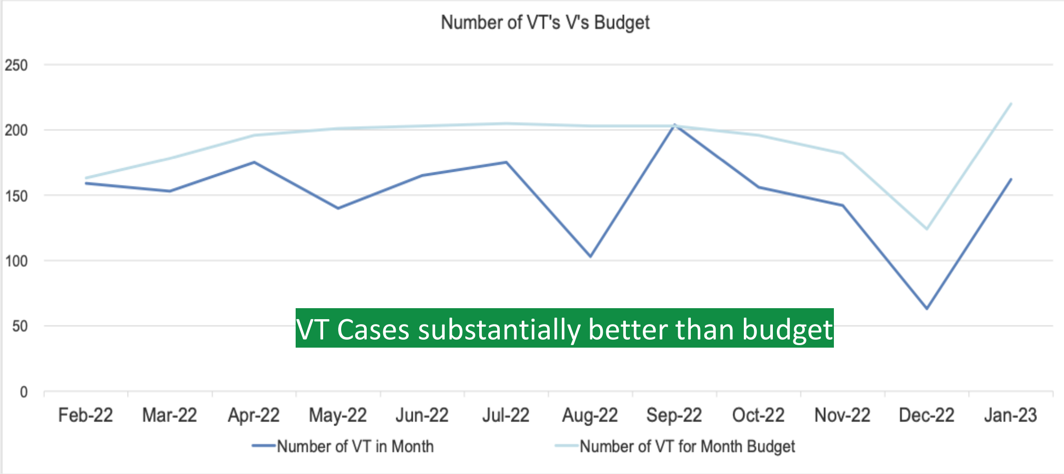


Collections quality









Regulatory update

Significant Increase In Regulatory Activity

Strong Advantage complaints performance (last 6 months)

Firm Name	New Cases	Uphold Rate
First Response Finance Ltd	68	15%
Advantage Finance Ltd	73	34%
Black Horse	580	34%
Moneybarn Ltd	662	35%
MotoNovo Finance Ltd	422	35%
RCI Financial Services Ltd	168	35%
Mercedes Benz FS UK Ltd	326	37%
PSA Finance Ltd	112	38%
BMW Financial Services	823	40%
Hyundai Capital UK	54	41%
VWFS	857	41%
Close Brothers Ltd	236	41%
Startline Motor Finance Ltd	148	47%
Vauxhall Finance plc	75	49%
Santander Consumer Finance	195	50%
Blue Motor Finance	174	51%
Oodle Financial Services Ltd	322	51%

Consumer duty

FCA'S TIMELINE	
31st October 2022	AFL's Implementation plan has been finalised, scrutinised and signed off by the Board
30th April 2023	AFL has shared with Introducers their target market, value assessment, product assessment and distribution strategy
30th April 2023	AFL must aim to complete all work to evidence they meet the requirements of the four outcomes (Product design, Price and value, Customer understanding and Customer support)
31st July 2023	Consumer Duty is fully implemented for new and existing products
31st July 2024	Consumer Duty is fully implemented for closed products

The FCA's new Consumer Duty represents what the regulator terms a "paradigm shift" in its expectations of firms. The regulator has published final rules and guidance introducing a new Consumer Principle, which require firms to "act to deliver good outcomes for retail customers".

Advantage completed its GAP analysis in September 2022, and identified areas for improvement

- Customer communications
- Further evidencing good customer outcomes
- Oversight of our Broker partners and their customer service protocols

41 action areas from GAP analysis and we are well developed in our action plan

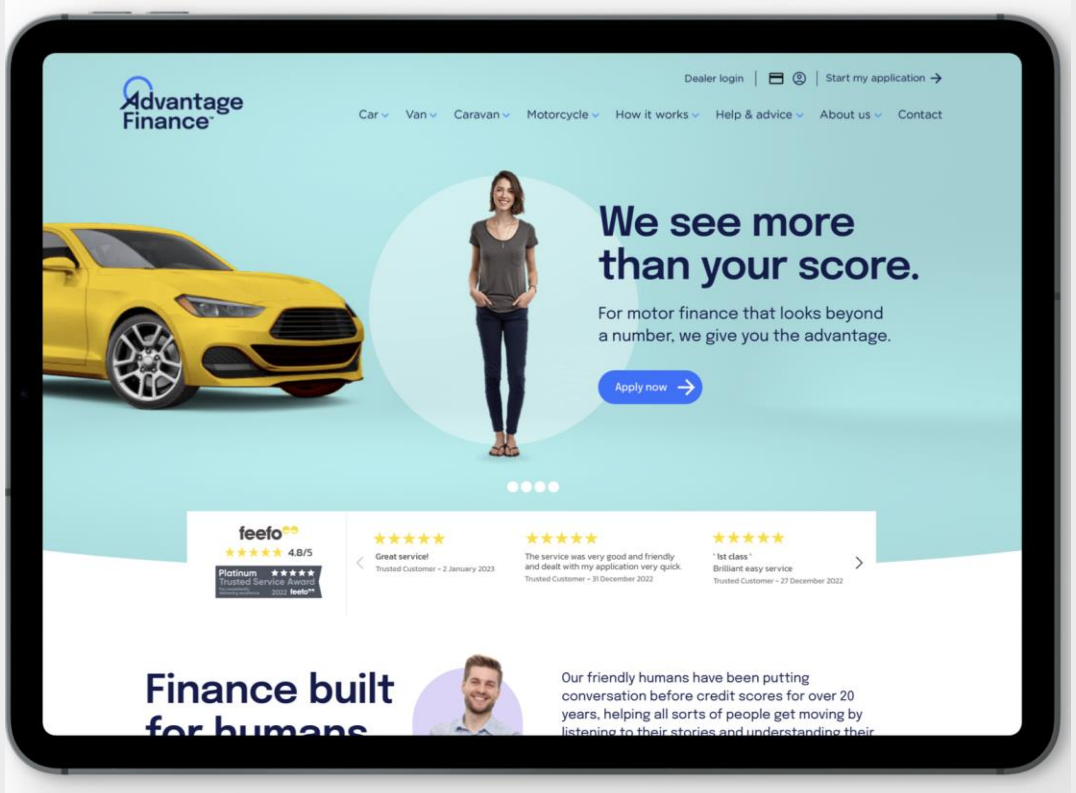
- 32 actions completed
- 9 actions due for completion by April 15th

An opportunity to make our renowned service for customers even better

- Voice analytics to record and document every single call to customers
- Introduction of video messaging and signposting
- More self serve functionality

2023 developments and opportunities

- A year of consolidation and regulation
- Consumer Duty introductions
- Launch of new Advantage branding focusing on our philosophy of finance with a human face - setting Advantage apart from the sea of sameness
- Improved communications with customers
- Ever closer links with brokers and dealers
- Improved MI and evidence gathering

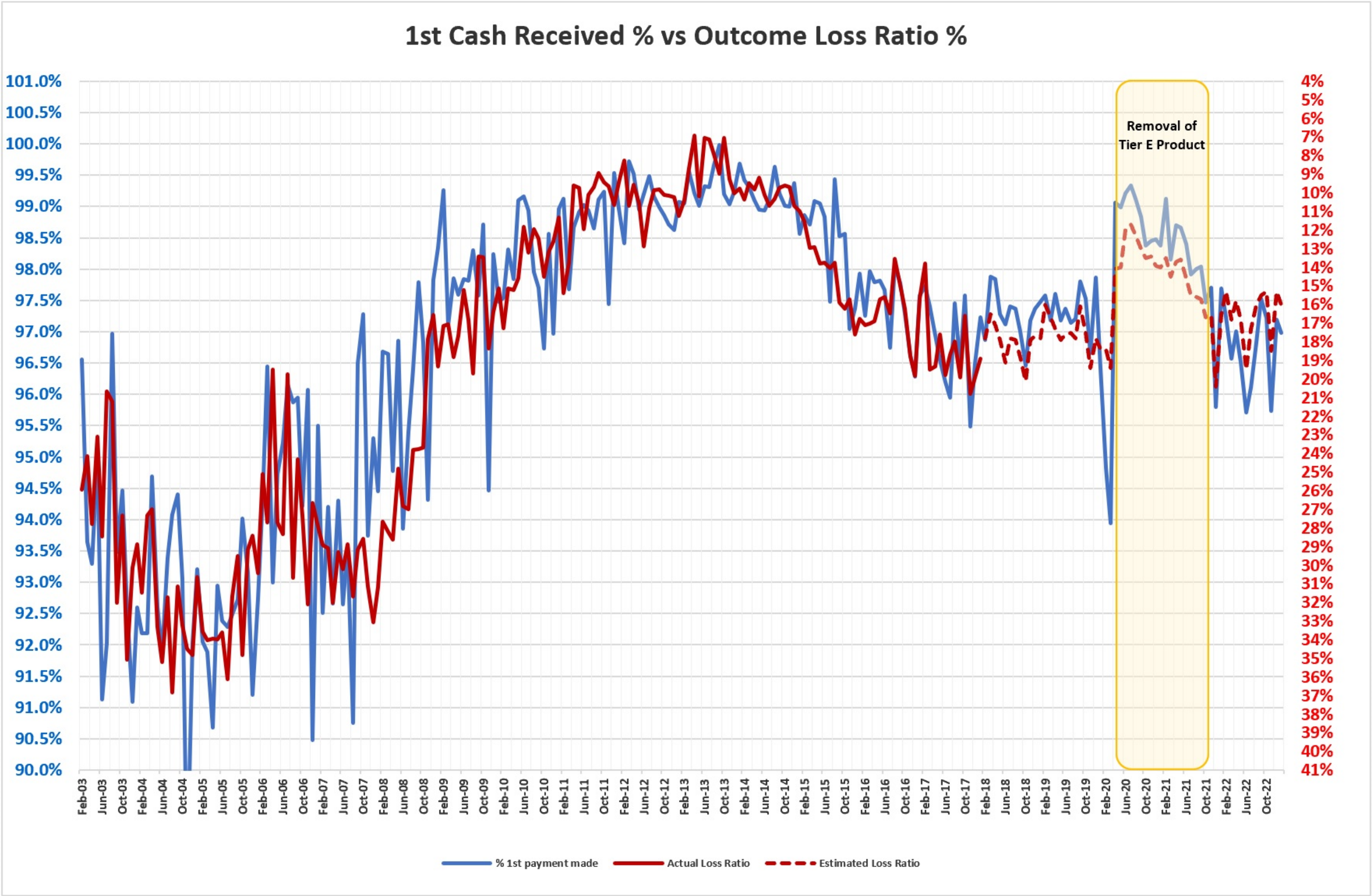


Our quality loan book

Average Loan profile	Year to Jan 19	Year to Jan 20	Year to Jan 21	Year to Jan 22	Year to Jan 23
Number of loans	21,053	23,334	15,589	19,747	23,922
Advance	£6,136	£6,385	£6,581	£7,138	£7,799
Cost of Sales	£727	£824	£872	£874	£907
Interest rate flat per annum	17.9%	17.7%	17.0%	16.3%	16.3%
Average customer score*	865	867	900*	892*	875*
Original term in months	50	51	52	53	54

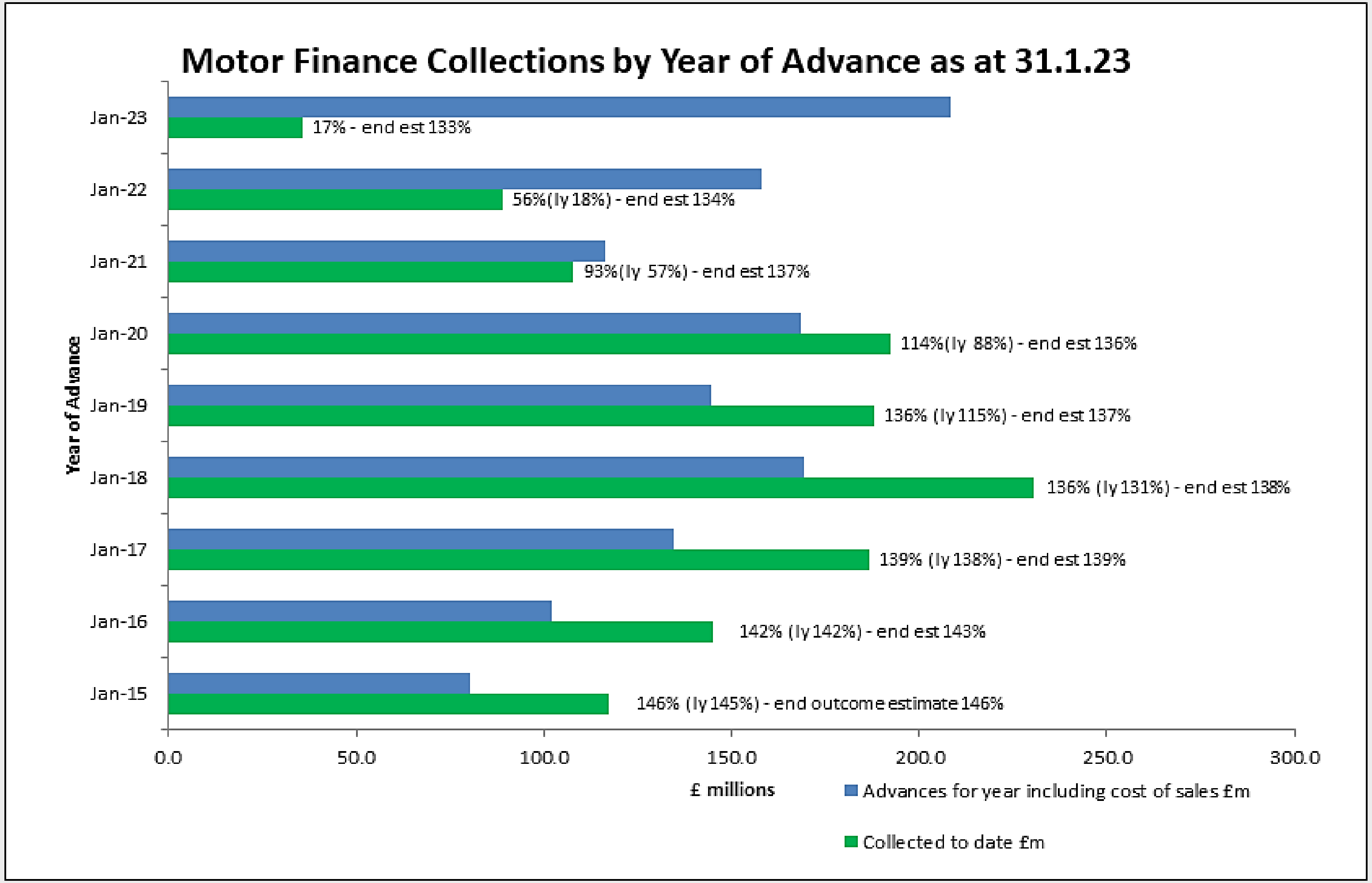
*Customer scores since May 2020 were less certain due to CRA reporting of payment holidays, and during two main years of pandemic Advantage concentrated on lower risk tiers, but such payment holidays are now more historic so these scores are getting more certain again.

First repayment quality



- Strong historic correlation between early repayments and end outcomes with lower adverse impacts of Covid-19 now forecast
- Advantage concentrated more on lower risk tiers during pandemic and has continued this focus during H2 2022 and early 2023

Collections % of upfront investment



Receivables

Original Contract Arrears	Position at end January 2023		Position at end January 2022	
	Volume of Accounts	Percentage of Live Receivable	Volume of Accounts	Percentage of Live Receivable
Up to Date	46864	76.22%	42608	72.70%
0.01 – 1 mthly payments	5356	8.65%	3663	5.97%
1.01 – 2	2833	4.07%	2144	2.91%
2.01 – 3	2657	2.99%	3524	4.45%
3.01 – 4	1717	1.86%	2016	2.58%
4.01 – 5	1134	1.21%	1385	1.77%
5.01 – 6	1018	1.06%	1464	1.95%
6.01 +	3644	3.93%	5227	7.67%
Total Live Accounts	65223	£302.1m net receivables	62031	£254.9m net receivables
Legal and debt recovery	23067	£4.7m net receivables	20890	£4.1m net receivables
Total Accounts	88290	£306.8m net receivables	82921	£259.0m net receivables

- For this receivables chart only, payment holidays given during the pandemic show as arrears to illustrate the impact versus original contract – as at 31.1.23 there are 7,843 live accounts which had a payment holiday – as these accounts are more historic with lower balances they only make up 6.2% of gross live receivables.

Aspen Bridging

Summary of the year

- **Record PBT for year:** £4.5m against £3.4m last year underpinned by good quality on bigger book
- **Record year for new loan facilities** of 148 up from previous record of 134 last year, which included 24 CBILS loans
- **Record net receivables of £113.9m** an increase of £50.0m in the year from a cautious base
- **New Bridge to Let product wins Product of the Year** at the Bridging & Commercial awards
- **H2 trends** showed bridging market prices increasing and early repayments starting to slow as BoE increases take effect
- **Book quality still good** only 12 loans of 141 book loans are in default at 31 January 2023 with all 12 on track to settle in Q1
- **Aspen outlook cautiously positive** – market movements create opportunity to maintain quality and margin at slightly lower average loan to value

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*	Year to Jan 23
Number of new loans	35	62	57	80	111	148
Gross Advance	£386k	£377k	£539k	£543k	£618k	£905k
Cost of Sales (% of gross advance)	2.3%	1.9%	2.0%	1.6%	1.6%	1.5%
Average Max gross LTV	67%	74%	71%	68%	72%	71%
Average original blended yield %	1.17%	1.18%	1.12%	1.01%	0.95%	0.90%
Original term in months	9	9	9	11	11	11
Settled beyond contractual term**	65%	62%	44%	32%	38%	Contractual terms still running

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

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

Focus for 2023/24

- **Quality:** Maintaining focus on both the credit quality of borrowers and the success of the property project types with our improved analytics developed over the last two years
- **Experienced property developers:** Repeat borrowers, with good assets and high net worth
- **Adapting approach to risk:** Monitoring horizon market risks and matching our approach to market conditions such as stress testing for loan exits
- **Deepening relationship ties:** Developing our broker relationships with key initiatives such as co-hosting events
- **Widening the Aspen appeal:** Increasing the Aspen profile at industry events and key forums now back fully since the pandemic
- **IT systems:** Continuing our development programme of efficiency - simplifying processes and eliminating manual tasks
- **Website refresh:** Refreshing our branding and rolling out a new improved website to increase the interaction with our brokers and ad links
- **Speed of delivery:** Refining our quoting and customer management systems to lower our turnaround time
- **Legal processes:** Working in tandem with our legal partners to increase clarity and effectiveness of responses
- **Training and development:** Investing in our staff and using our skilled professional partners to help provide educational accredited courses

Our future

Opportunities abound to consolidate strong growth of 2022/23 – cautiously optimistic for future prospects

- Opportunity for growth may increase as good quality non-prime demand rises
- New branding will provide basis for future growth
- Long-standing underwriting and forbearance skills and rigorous approach to consumer duty requirements
- Excellent collections reflect book quality

- Bridging book continues to grow from conservative base
- Strength and flexibility of approach attract good quality business
- Increased margins and tightened LTV in Q4 in response to BoE rate rises and forecast housing market
- Rigorous underwriting and good collections

S&U's long experience, financial strength, and long standing customer relationships give us great confidence for the future

Appendices

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 230,000 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 £7,800 advance with c£14,000 repayable, including interest, over an average term of about 54 months

Credit and risk management

- Automated approve/decline decision from bespoke scorecard system returned within 10 seconds on 95% of all applications received – over 200,000 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 4.8 out of 5 for customer service and reliability

Our loyal customers

CASE STUDY

Mr X is a 55 year-old homeowner, who has worked with the MOD for 32 years.

We received an application from Mr X as an existing customer requesting finance for the purchase of an new car. We were able to provide an offer of finance within 48 hours of receiving the application. The assessment included a full appraisal of the customer's existing credit and a separate affordability assessment which confirmed the loan was affordable.

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

"I can't believe I got this level of professionalism from the person who helped me within this organisation. Thank you for your friendly approach and understanding from the team member who helped me thank you very much you're a real professional"

Our loyal customers

CASE STUDY

Mr Y, a 51 year-old, is working as a HGV driver since 2021. Mr Y applied for the finance through our website.

Mr Y's credit profile was assessed as part of the application, together with his overall income and outgoings to ensure that the proposed loan was again appropriate and affordable for his circumstances. We requested a satisfactory review of his payslips to confirm his income and approved his finance request on the same day.

Mr Y chose a Range Rover priced at £10,500 with a £500 deposit paid. We agreed to finance the remaining £10,000 over a 51 month term at payments o £367.04 which suited Mr Y's budget.

Once the terms had been agreed, Advantage were able to progress the transaction very quickly using its electronic signature system which meant that Mr Y was able to complete all the relevant documentation and purchase the vehicle without any delay. It took just three days from application to finalise the purchase.

Mr Y left a online review and was clearly happy with the service he received from Advantage, leaving the following comments as part of a 5 star review:

"Ellie was absolutely brilliant in everything she did for me, took her time to explain the terms and conditions well trusted and well happy with the company."

Our happy customers

"Super helpful! Called today as was concerned about a temporary shortfall in my finances. Spoke to Chloe and she was amazing. Kind and empathetic to my situation, she helped rearrange my payments to help me make it through this tough period. With the current cost of living crisis it really means a lot. Thank you so much"

Mrs S, 22 February 2023

"Advantage have been brilliant all the way through our dealings with them. They were great at the beginning of our agreement and when we had issues with the dealer we bought our car from, their SQ team (particularly Sarah B) was professional, speedy, and we always felt like she was on our side while remaining completely independent. Communications were regular and clear throughout, and we were never left 'wondering what was going on'. I only hope that we can continue our relationship on another vehicle!"

Mr & Mrs T, 09 February 2023

Our business

- Aspen started trading in February 2017 and provide a "fast, flexible, friendly and fair" service to customers with property bridging loan requirements
- 517 secured property bridging loan facilities have been provided to customers to date with an average gross loan facility of c.£700,000 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 – 376 of the 517 loan facilities have repaid up to 31 January 2023, and only 12 of the 141 remaining live loans at that date are in default (all recent)

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Case study

Development Exit Loan, Windsor - £1.5m

Aspen Bridging has completed a £1.5m Development Exit loan which will allow a property developer extra time to complete their latest project.

The newbuild, which comprises of eight apartments in Windsor, Berkshire, was substantially delayed during the Covid pandemic and, despite best efforts, remained behind schedule.

The bridge took just 17 days from application to completion and was over a 12-month term.

Case study

Foreign National Bridge, London Dock - £1.4m

Aspen Bridging has completed its latest foreign national purchase bridge in just 20 days, having seen interest from overseas investment enquiries since the Government's mini-budget on September 23.

The foreign national applicant required a £1,486,250 loan to purchase a two-bed luxury apartment at the prestigious St George: London Dock development in E1W.

The case, which was handled from start-to-finish by an underwriter, was completed on the Aspen's popular Stepped Rate over eight months.

Our happy customers

"Thank you and your colleagues very much indeed for waving your wands to make this happen within such tight timescale. The recent joint collaborations helped significantly to get this deal over the line. Look forward to working with you again.'

Mr O

"I just wanted to say thank you for introducing us to them. Dealing with them has been the complete opposite to dealing with other lenders and I'm only sorry we weren't aware of them before. Aspen has gone entirely out of its way to ensure this crossed over the line and I'm genuinely grateful. I will 100% be using them again and recommending in the future.'

Mr M

'Thank you everyone and very much appreciated. Great team effort!'

Mr R

' Thank you so much for your help and support. Remarkable!'

Mr S

S&U EST.1938 THE CREDIT YOU DESERVE

Our five year record

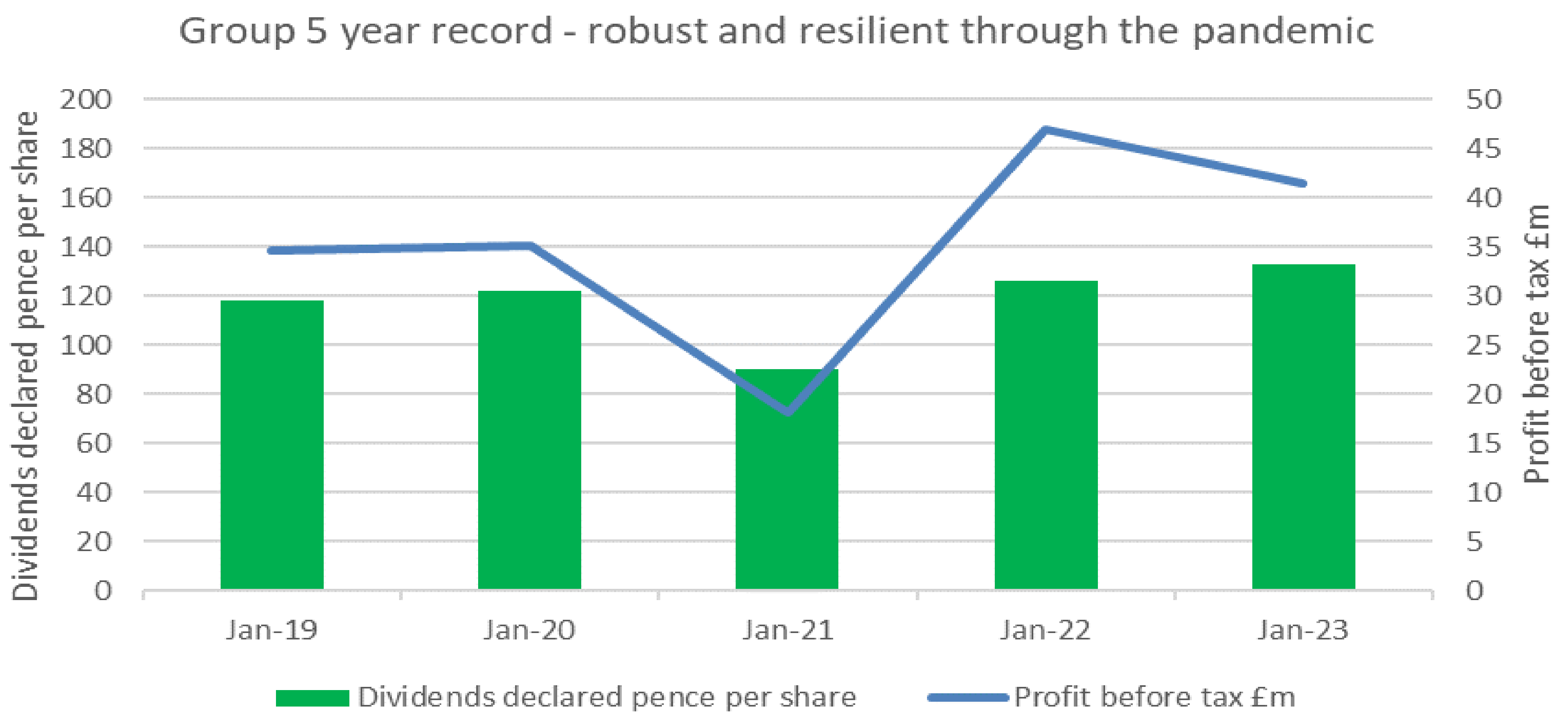
£m	Year to Jan 19	Year to Jan 20	Year to Jan 21	Year to Jan 22	Year to Jan 23
			Two Pandemic Years		
Revenue	83.0	89.9	83.8	87.9	102.7
Cost of Sales	-15.7	-19.9	-14.3	-18.8	-23.7
Impairment	-17.0	-17.2	-36.7	-4.1	-13.9
Admin Expenses	-11.2	-12.8	-11.1	-14.2	-16.2
Finance Costs	-4.5	-4.9	-3.6	-3.8	-7.5
Profit before tax	**34.6**	**35.1**	**18.1**	**47.0**	**41.4**

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

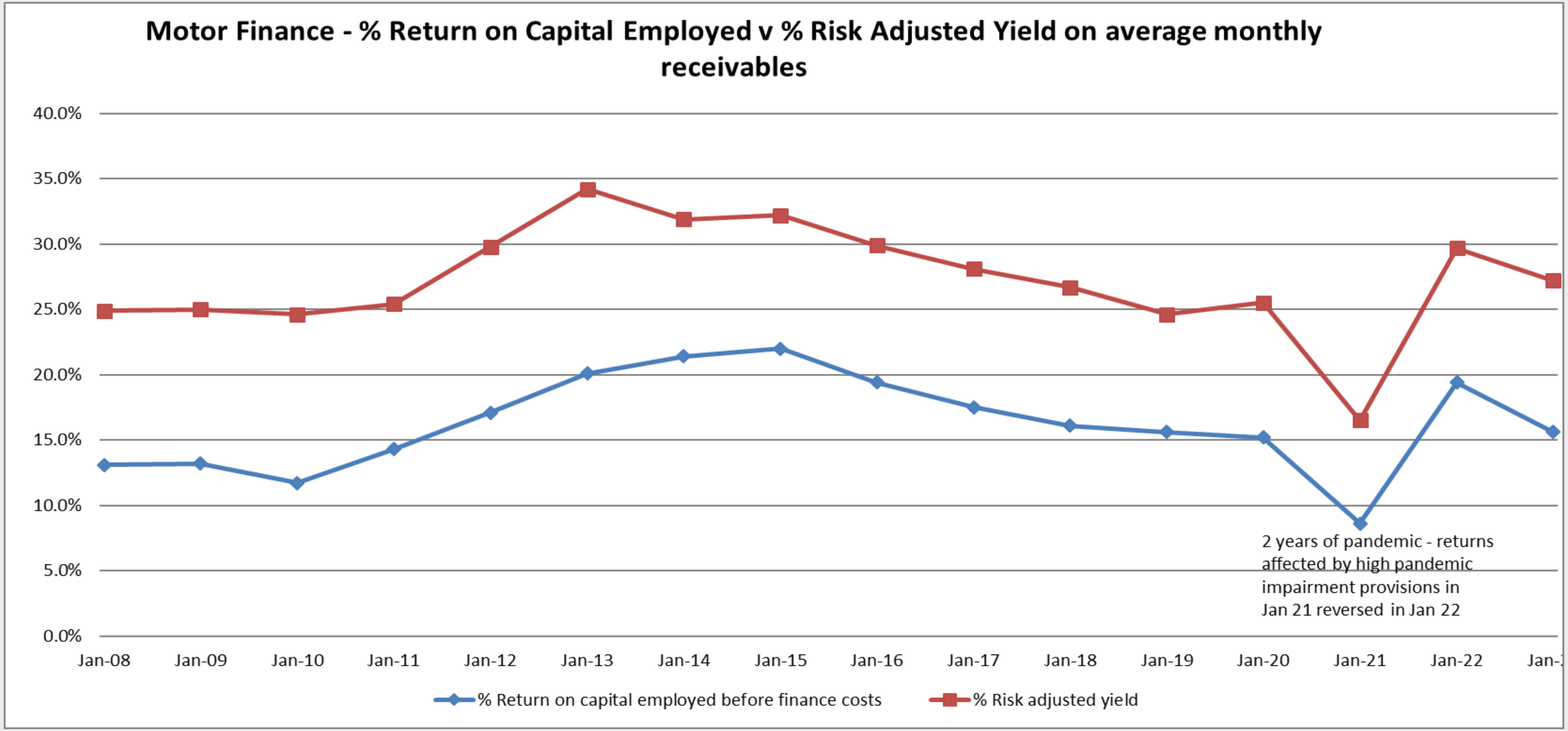
In year to Jan 2021 lower profit was driven by conservative high pandemic impairment provisions.

In year to Jan 2022 these pandemic provisions did not all turn out to be necessary resulting in lower impairment charge and higher profit.

Our five year record



Historic returns and risk adjusted yield



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