THE CREDIT YOU DESERVE

Our Half Year Results to 31 July 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

“S&U continues to trade well, and with a strong and experienced team is well placed to weather current economic uncertainty.

With sensible economic management, the potential for the motor and property markets in which we operate remains significant.

As always, we continue to lay the foundations – financial, consumer, operational and marketing – to sustainably take advantage of them.”

– Anthony Coombs, Chairman

Highlights for the six months to 31 July 2023

S&U

- Group Profit before tax ("PBT") £21.4m (H1 2022: £20.9m)
- Earnings per share 133.2p (H1 2022: 140.7p) – affected by an increase in corporation tax rate this year
- Group net receivables £417.3m (31 July 2022: £370.1m) – more cautious growth in H1 this year in price competitive markets
- S&U proposes a first interim dividend of 35p (H1 2022: 35p)
- Strong balance sheet with Group gearing at 80% (31 July 2022: 73%) and Group facilities increased during period from £210m to £280m

Advantage

- PBT of £19.1m (H1 2022: £19.0m)
- Results driven by good collections from a higher level of resilience by customers through cost of living crisis
- Further increases in overheads and funding costs partly offsetting increased revenue from bigger receivables book
- Impairment charge of £6.8m (H1 2022: £6.1m) still lower than normal as an increase in receivables mitigated by good collections and lower than anticipated realised bad debts and voluntary terminations

Aspen

- PBT of £2.4m (H1 2022: £2.0m)
- Results driven by increased receivables book versus H1 2022 and overall good repayment track record
- Low impairment with only £21k actual realised losses in H1 2023 (uncollected interest) – 15 default loans o/s at 31 July 2023 but these have settled or are likely to settle
- Conservative valuations and 65 new deals in H1 2023 averaged 65% gross maximum loan to value (71% in year to Jan 2023) – bigger buffer in a slower market

Group financials

Our Income Statement – 6 months to July 2023

Group Income Statement £m	July 23	July 22	Change %
Revenue	55.3	49.4	+12%
Impairment	-7.2	-6.5	+11%
Risk adjusted gross yield RAY	48.1	42.9	+12%
Cost of Sales	-10.6	-11.4	-7%
Admin Expenses	-9.4	-8.0	+18%
Finance Costs	-6.8	-2.6	+161%
Profit before tax group	**21.4**	**20.9**	**+2%**

Profit before tax £m	July 23	July 22	Change %
Advantage	19.1	19.0	+1%
Aspen	2.4	2.0	+20%
Central finance income/costs	-0.1	-0.1	
Profit before tax group	**21.4**	**20.9**	**+2%**

Revenue increased in H1 mainly reflecting strong receivables growth in H2 last year

Despite cost of living increases, impairment charge continues to be lower than usual, as a result of strong collections at Advantage and Aspen and lower than anticipated realised losses

Cost of sales decreased by 7% reflecting lower motor and bridging advances

Increased admin expenses due to inflation and increased finance costs due to base rate increases on our variable rate funding

First interim dividend of 35p (2022: 35p)

Group financials

Group Balance Sheet – 31 July 2023

£m	July 23	July 22	Change %	Comment
Fixed Assets and Right of Use Assets	2.5	2.4		No major expenditure in H1 23
Amounts Receivable Motor Finance	313.0	279.9	+12%	Steady book growth in H1 23
Amounts Receivable Property Bridging	104.3	90.2	+16%	Cautious lending and good repayments in H1 23
Other Assets	1.9	2.5		
Total Assets	421.7	375.0	+12%	
Bank Overdrafts	-1.2	-		£7m current overdraft facilities
Trade and Other Payables	-4.9	-4.1	+20%	
Tax Liabilities	-1.3	-0.9		
Accruals and deferred income	-1.1	-1.2		
Borrowings	-183.0	-155.5	+18%	Committed facilities increased to £280m May 23
Financial and Lease Liabilities	-1.0	-0.8		
Total Liabilities	-192.5	-162.5	+18%	
Net Assets and Total Equity	229.2	212.5	+8%	

Group financials

Cash Flow – 6 months to 31 July 2023

Group Cash Flow

- £8.2m cash inflow reflecting lower receivables growth and including payment of £11.9m group dividends
- Cautious lending and good repayments in both businesses

Advantage Cash Flow

- Advances 11% lower, driven by cautious underwriting in response to the cost of living crisis
- Good live and settlement collections

Aspen Cash Flow

- Gross advances slightly lower in H1 23 driven by targeting improved margin and higher quality projects
- Good quality reflected in robust collections in H1 23

£m	July 23	July 22
Balance b/f	-192.4	-113.6
Motor Finance outflow	-1.8	-15.5
Property Bridging inflow/outflow	+10.8	-25.1
Other outflow	-0.8	-0.2
Balance c/f	**-184.2**	**-154.4**
Gearing %	80%	73%
Analysis of balance c/f		
Central	+71.4	+71.5
Property Bridging	-95.3	-84.0
Motor Finance	-160.3	-141.9
Balance c/f	**-184.2**	**-154.4**

£m	July 23	July 22
Balance b/f	-158.5	-126.5
Advances	-81.0	-90.9
Basic Monthly Live Collections	86.4	79.5
Settlements/reloans	19.2	19.2
Debt recovery	10.0	9.0
Overheads/interest etc	-21.5	-18.1
Corporation Tax	-4.4	-3.6
Dividend	-10.5	-10.5
Balance c/f	**-160.3**	**-141.9**

£m	July 23	July 22
Balance b/f	-106.1	-58.9
Gross Advances	-56.9	-63.7
Retention Collections	7.1	6.8
Settlement Collections	46.3	30.7
Collections beyond term	20.5	5.6
Overheads/interest etc	-4.8	-3.3
Corporation Tax	-0.4	-0.4
Dividend	-1.0	-0.8
Balance c/f	**-95.3**	**-84.0**

Group financials

Treasury and funding

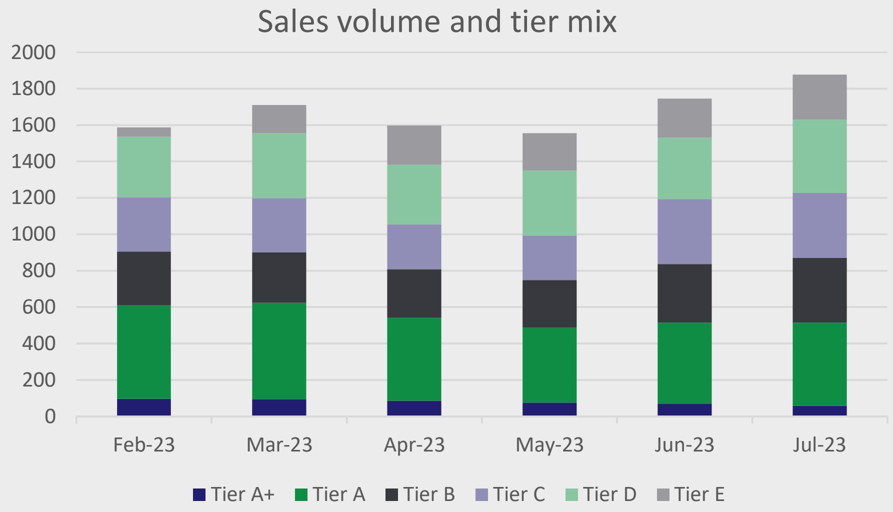
- New 3-year club £230m revolving credit facility added in May 2023 repaying existing £160m bilateral revolving credit facilities
- Committed facilities now total £280m. These comprise 2 x £25m term loan facilities maturing in 2028 and 2029, and £230m revolving credit facilities with initial maturity in 2026 followed by 2 one-year extension options if all parties consent
- £8.2m Group cash inflow and reduction in group gearing from 86% to 80% in H1 2023 driven by lower receivables growth in Advantage and good repayments in Aspen

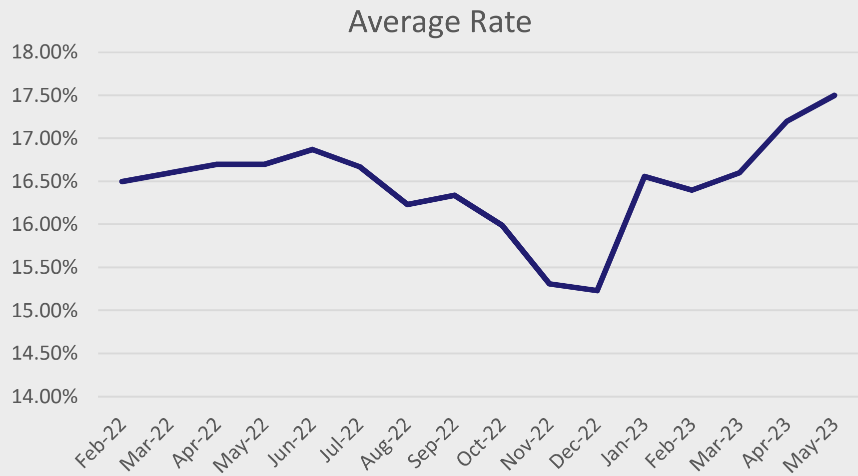
Advantage Finance Business Update

We see more than your score.

New business and the market

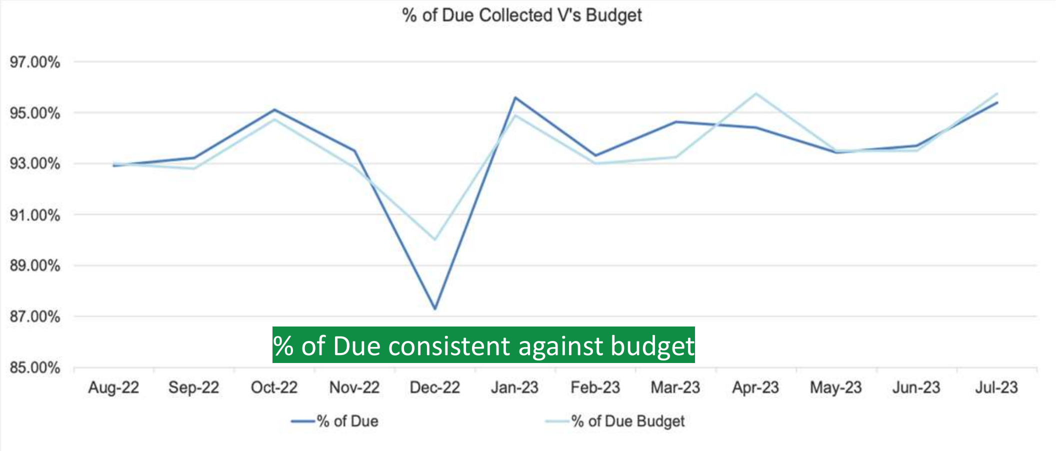
- Consistent volumes and Tier Mix in HY1, growing during Q2
- Culminating in 10,072 actual new deals v 10,394 budget, and advances £80.978m actual v £79.949m budget
- Maintained stable tier mix and average customer score, with a focus on growth of mid-quality customers to protect margin
- Excellent customer service reflected in Trustpilot score of 4.7 out of 5

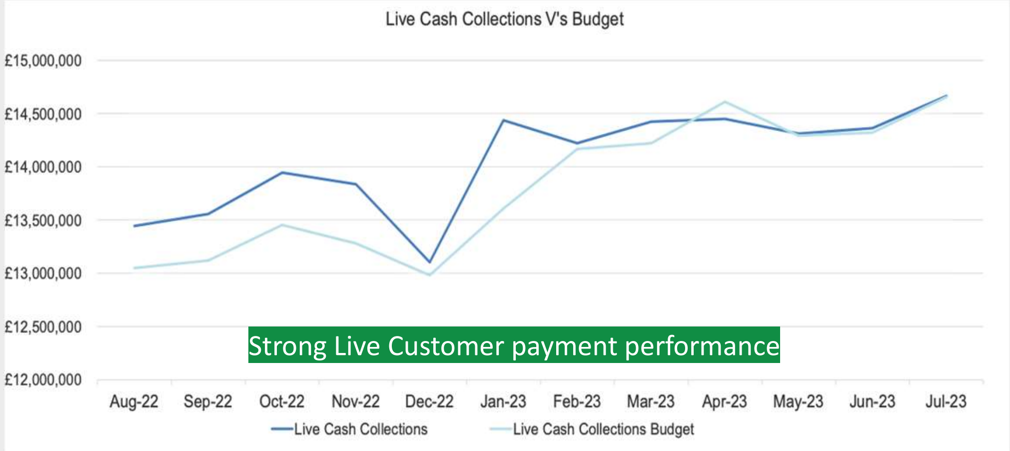


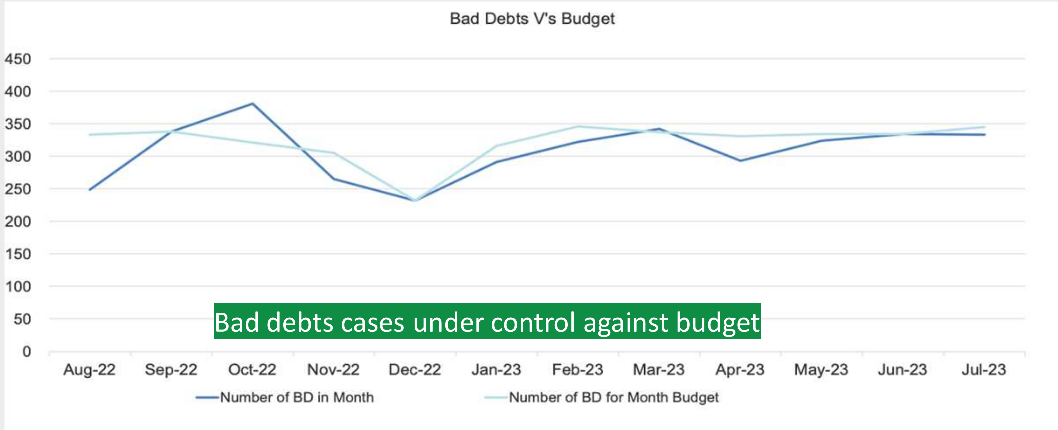


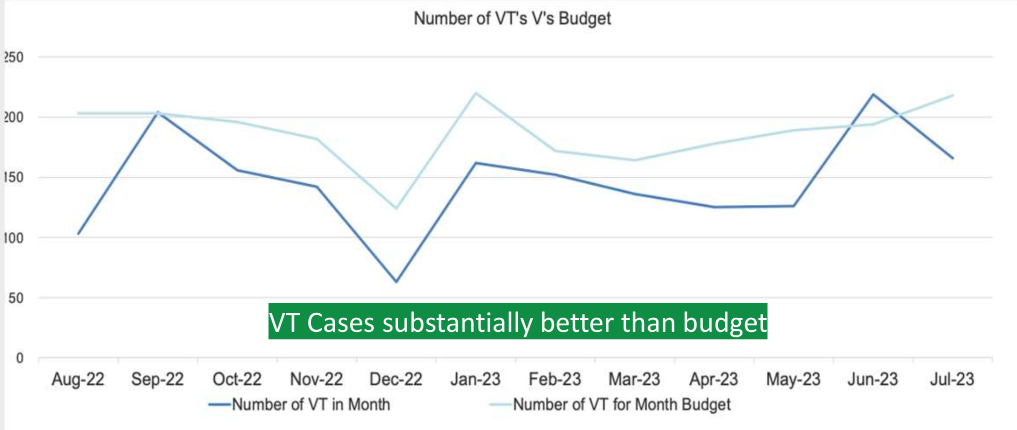
We see more than your score.

Customer payment update









Regulatory update

Significant Increase In Regulator Activity

Successfully completed

- Consumer Duty Changes Readiness
- Affordability Enquiry
- Financial Resilience Reporting

Work in progress

- Collection process review
- Forbearance Market Study

Commission Disclosure Update

- Advantage has successfully closed 3 legal cases of 3
- FOS decision 100% in our favour so far
- Advantage has fixed value commission arrangements with no broker capability to upsell rate

Projects delivered 2022/23

Mar 2022

Digital I&Es

Integrated Equifax's Account Score system with Open Banking to enable customers to complete I&Es seamlessly.

Jul 2022

Scorecard 2022

Developed and implemented the improved Advantage Scorecard which drives our application decision-making.

Aug 2022

Affordability Checker

Developed further improvements and enhancements to the Affordability Checker system.

Oct 2022

Settlement Portal

Added new functionality to the Customer Portal, allowing settlement quotes to be generated and paid online.

Oct 2022

Charges Holidays

Built new OA functionality for Collections to provide customers with freeze periods to not incur arrears charges.

Nov 2022

Glasses Guide

Migrated to a new and improved Glasses API for vehicle valuations.

Feb 2023

Booking Wizard

Fully automated the booking process, which resulted in a huge efficiency improvement.

Mar 2023

Voyc Analytics

Implemented new voice analytics technology with our partner Voyc, to further improve our customer QA process and understanding.

May 2023

Website Rebrand

Designed, developed and launched the new Advantage website and brand – in partnership with Stanley & Co.

Jul 2023

Vulnerable Groups

Developed a new RAG system to allow staff to more easily guide and assist potentially vulnerable customers.

Aug 2023

Welcome Video

Completely refreshed our Customer Welcome journey from letter, to a personalized email and video.

Aug 2023

DVLA Automation

Fully automated the KADOE process, automatically adding DVLA responses to OA upon receipt.

We see more than your score.

Projects roadmap 2023/24

Sep 2023

E-Sign

Developed and migrate our customer e-sign journey from Dealflo to Bonafidee.

Sep 2023

Server Migration

Migrate our database server (which hosts OA, Customer and Partner web databases) to a new operating system.

Q4 2023

Lending Optimisation

Automating the invoice checklist and payout process that meet the correct criteria, delivering huge efficiency improvements.

Q4 2023

BiFD Enhancements

Build new RAG functionality into the Diary system, to assist when offering customer forbearance and creating payment plans.

Q4 2023

Affordability

Improve loan affordability calculations, whilst adding a dynamic method to more easily update living expenses in future.

Q4 2023

Pre-Contract

Adding two new affordability related questions and capacity logic to the application process.

Q1 2024

Customer Portal

Rebrand and build an array of new features for the Customer Portal, in partnership with Stanley & Co.

Q1 2024

Communications

Build a centralised email platform – along with refreshing our email comms to align with the new brand and image.

Q1 2024

Scorecard 2024

Develop and implement the new Advantage Scorecard which drives our application decision-making.

Q2 2024

Live Web Chat

Procure, develop and integrate a live chat service for the website.

Q2 2024

Partner Portal

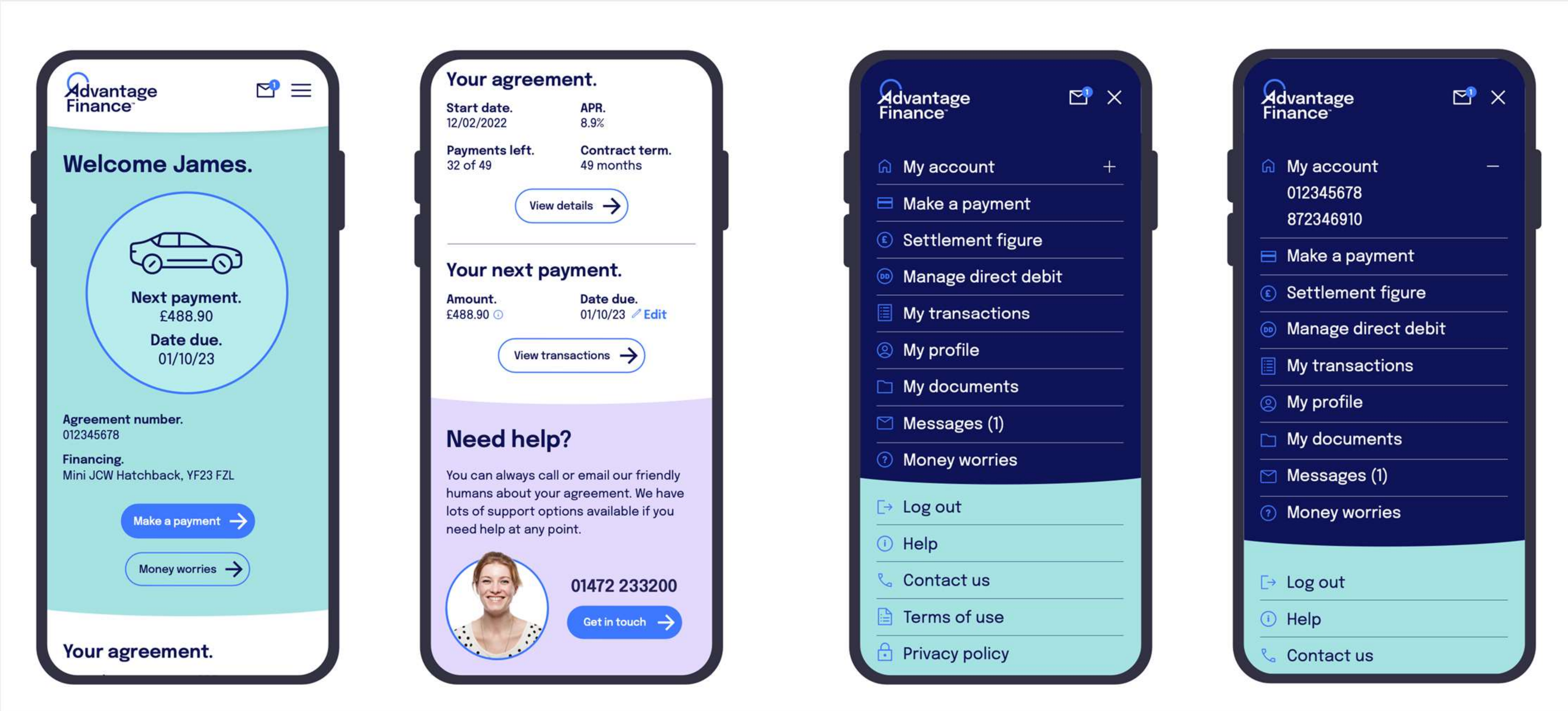
Fully rewrite and rebrand the Partner Portal from the ground up, working with Stanley & Co for the design.

Q2 2024

Blink API

Develop and update the existing Blink API, to allow our partners to fully integrate with us.

New customer portal in development



Advantage Finance

We see more than your score.

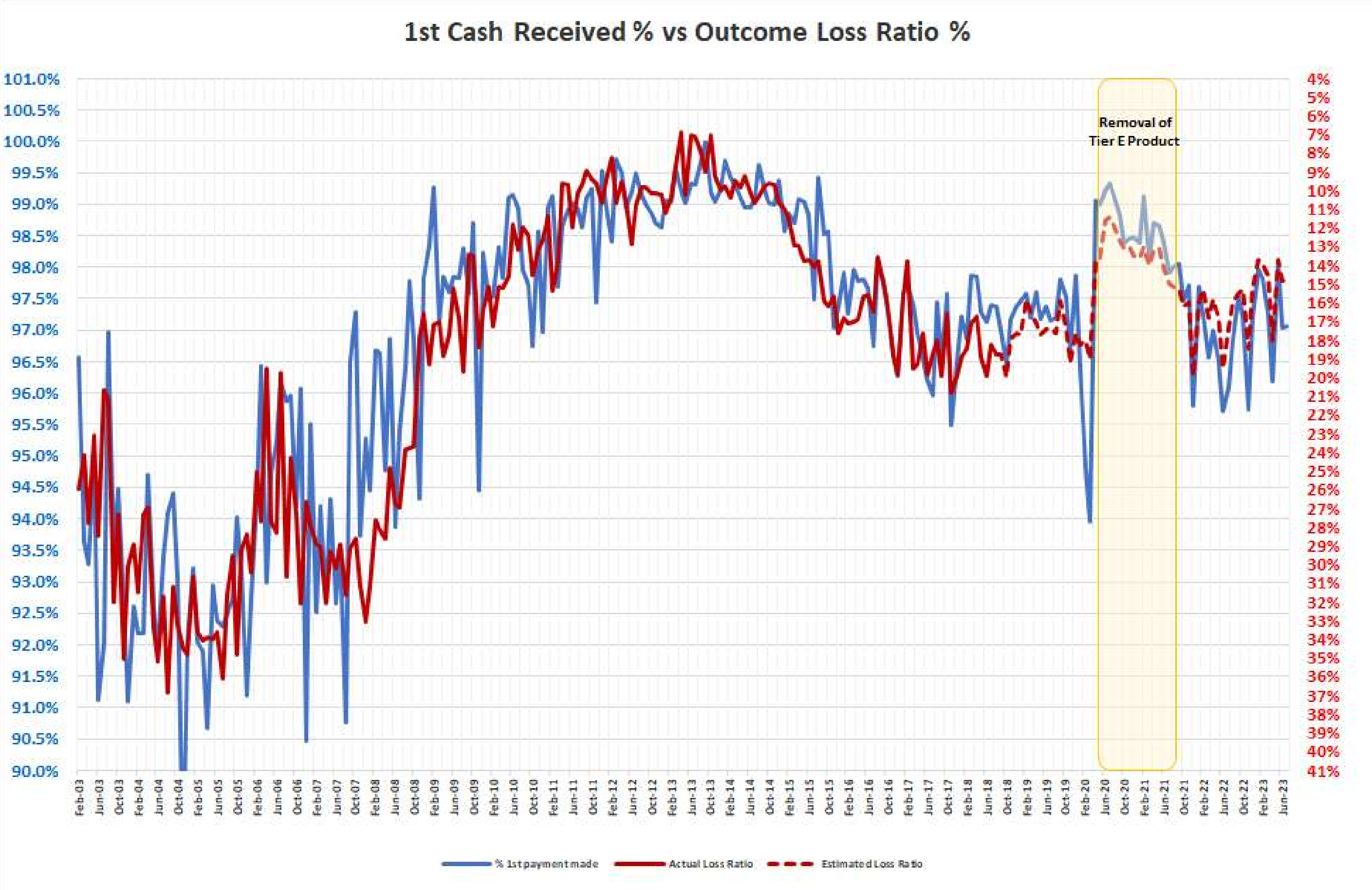
S&U EST.1938 THE CREDIT YOU DESERVE

Our quality loan book

Average Loan profile	Year to Jan 20	Year to Jan 21	Year to Jan 22	Year to Jan 23	6 months to July 23
Number of loans	23,334	15,589	19,747	23,922	10,072
Advance	£6,385	£6,581	£7,138	£7,799	£8,040
Cost of Sales	£824	£872	£874	£907	£967
Interest rate flat per annum	17.7%	17.0%	16.3%	16.3%	16.9%
Average customer score*	867	900*	892*	875*	881*
Original term in months	51	52	53	54	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 outcome
- Advantage concentrated more on lower risk tiers during pandemic

Receivables

Original Contract Arrears	Position at end July 2023		Position at end January 2023	
	Volume of Accounts	Percentage of Live Receivable	Volume of Accounts	Percentage of Live Receivable
Up to Date	48184	78.60%	46864	76.22%
0.01 – 1 monthly payments	5093	8.10%	5356	8.65%
1.01 – 2	2785	4.01%	2833	4.07%
2.01 – 3	2357	2.66%	2657	2.99%
3.01 – 4	1506	1.68%	1717	1.86%
4.01 – 5	1032	1.11%	1134	1.21%
5.01 – 6	848	0.85%	1018	1.06%
6.01 +	2815	2.99%	3644	3.93%
Total Live Accounts	64620	£308.1m net receivables	65223	£302.1m net receivables
Legal and debt recovery	24311	£4.9m net receivables	23067	£4.7m net receivables
Total Accounts	88931	£313.0m net receivables	82921	£306.8m 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 31.7.23 there are 5,558 live accounts which had a payment holiday – as these accounts are more historic with lower balances they only make up 3% of net live receivables.

Aspen Bridging

Summary of the half year

- **Record PBT for half year:** £2.4m against £2.0m in H1 22 underpinned by good quality on bigger book
- **Market challenges:** record PBT achieved against a background where residential property values have fallen c5% in the last year and interest rate increases have made refinance exits more difficult
- **Challenging market has driven a more cautious approach to lending:** Aspen did 65 new deals in H1 23 at 65% average gross max loan to value (H1 22: 73 new deals at 72% LTV)
- **Net receivables of £104.3m:** is a £9.6m reduction since January 2023 reflecting tightened lending criteria and higher repayments from good quality book – lending pipeline and book increasing again in early H2
- **Book quality still good:** only 15 loans of 130 book loans are beyond term at 31 July 2023 with all 15 anticipated to settle profitably in Q3
- **Aspen outlook cautiously positive:** Aspen looking to grow steadily and sustainably in competitive market

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	6 Months to Jul 23
Number of new loans	35	62	57	80	111	148	65
Gross Advance	£386k	£377k	£539k	£543k	£618k	£905k	£875k
Cost of Sales (% of gross advance)	2.3%	1.9%	2.0%	1.6%	1.6%	1.5%	1.25%
Average Max gross Loan to Value	67%	74%	71%	68%	72%	71%	65%
Average original blended yield % pm	1.17%	1.18%	1.12%	1.01%	0.95%	0.90%	1.03%
Original bridge term in months	9	9	9	11	11	11	11
Settled beyond contractual term**	65%	62%	44%	32%	38%	Contractual terms still running	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 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 with H1 c.15% of new deals to repeat borrowers
- **Adapting approach to risk:** Monitoring horizon market risks and matching our approach to market conditions such as stress testing for loan exits which we have further tightened along with LTV's in H1
- **Deepening relationship ties:** Developing our broker relationships with key initiatives such as co-hosting events for foreign investors and four broker events in H1
- **Widening the Aspen appeal:** Increasing the Aspen profile at industry events and key forums now back fully since the pandemic with four roadshows and one expo in H1
- **IT systems:** Continuing our development programme of efficiency - simplifying processes and eliminating manual tasks with nine projects completed in H1
- **Website refresh:** Refreshing our branding and rolling out a new improved website to increase the interaction with our brokers, and ad links which are planned to go live in Q3 this year
- **Speed of delivery:** Refining our quoting and customer management systems to lower our turnaround time, automating letters in H1
- **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 such as the CPSP course provided via the Association of Short-Term Lenders

Our future

Both of S&U's businesses continue to trade well in a fluctuating economic environment. Caution and sensible growth are our watchwords

- Migration of near prime customers into our sector provides a sensible opportunity
- New marketing and brand image to underpin growth
- Consumer duty preparation and long standing customer relation skills to meet regulatory challenges
- Collections and book quality healthy despite cost of living pressures

- Healthy profit growth at an improving ROCE
- Encouraging transaction trend and deal pipeline after cautious first half
- Conservative underwriting and Loan to Value in slower property market
- Very good redemptions and collections confirm experienced underwriting approach

Whilst the consumer environment and current economic uncertainties undoubtably pose challenges, S&U's experience, commitment to our customers and strong financial base give us confidence in overcoming them and in a bright 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 240,000 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 an £8,000 advance with c£14,500 repayable, including interest, over an average term of about 54 months

Our loyal customers

CASE STUDY

Miss H, has been working in the Care industry for the last 8 years and is an existing customer of Advantage, and she approached us when she wanted to upgrade her car.

Miss H had been with Advantage since June 2020 and paid her agreement without fault. Her credit profile was assessed as part of the application, together with her overall income and outgoings to ensure that the new agreement would be affordable and meet her needs.

Miss H part exchanged her previous Vauxhall, to a Vauxhall Zafiro. The vehicle was priced at £7504.57 with nil deposit. We agreed to finance the whole amount over a 60-month term at payments of £229.00 which suited her budget.

Miss H took the time to review her experience on 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:

"Positive Experience. Phoebe made the experience extremely easy, she was very quick and efficient in sorting things out and she explained things well"

Our loyal customers

CASE STUDY

Mr Y, is a 50-year-old HGV Driver and has worked for the same firm for 7 years.

Mr Y was an existing customer of Advantage, he was paying his instalments on time but had decided to part exchange his motorcycle for an upgrade. He was settling off the remainder of his existing finance through this new agreement, which he applied for directly through our Refinance Team.

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 appropriate and affordable for his circumstances. There was an historic credit card default of £2421, his other credit was being maintained.

Mr Y's application was approved on his choice of a Triumph Tiger with a payment amount of £311.67 per month over 5 years. There were no delays in progressing the transaction and the dealership was paid out within 4 days of choosing the vehicle.

Mr Y was impressed by the service provided by the Refinance Team and chose to upload a review of his experience on an online review platform, leaving the following comments as part of a 5 star review:

"This is my third bike I've bought with the help from Advantage Finance and it went as smoothly as ever Ellie was helpful and explained everything clearly and I would recommend them to anyone"

THE CREDIT YOU DESERVE

Our business

- Aspen started trading in February 2017 and provides a "fast, flexible, friendly and fair" service to customers with a bespoke property bridging loan
- 582 secured property bridging loan facilities have been provided to customers to date with an average gross loan facility of c.£700,000 over an average 11 month contractual loan term at an average maximum gross loan to value of 72% (65% average in H1 23)
- Bridging loans are all secured on a wide range of properties from residential to commercial, with c35% 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 – 452 of the 582 loan facilities have repaid up to 31 July 2023, and only 15 of the 130 remaining live loans at that date are in default (all expected to settle profitably)

Case study

Development Exit – South London

The client had recently finished their development and the properties had just been put on the market. They required an exit on their current development finance loan so came to Aspen for a quick decision and we assisted in providing them a £2.3m loan over 12 months to enable the client to sell the flats within the development.

Our five year annual record

Two Pandemic Years

£m	Year to Jan 19	Year to Jan 20	Year to Jan 21	Year to Jan 22	Year to Jan 23
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**
Dividend declared per ordinary share	118p	120p	90p	122p	133p

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.

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