



Released : 11/02/2025

RNS Number : 5864W
S & U PLC
11 February 2025

11th February 2025

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

TRADING STATEMENT AND NOTICE OF RESULTS

S&U PLC, the specialist motor and property financier, today issues its trading update for the period from its statement of 11 December 2024 to the Group year-end on 31 January 2025. S&U's full year results will be announced on 15 April 2025.

While trading at Advantage in the period since S&U's last trading statement in December continues to reflect the challenges experienced in 2024, as expected, the broader outlook for the Group remains positive, supported by encouraging performance in other areas of the business.

At Advantage, these partly reflect an easing of regulatory restrictions as the section 166 investigation (the "s166") of last year draws to a close. Adversity can sometimes provide opportunity and a spur to greater efficiency and customer service. Advantage has embraced such a programme, which has already seen recent signs of improvement in both collections rates and new advance volumes.

Equally important for our future prospects is the indication of a more balanced and pragmatic approach to government regulation and policy. Recent shifts suggest a reassessment of previous consumer-focused measures, addressing concerns about potential constraints on economic growth. Recent calls by the Prime Minister and the Chancellor for a deregulatory and growth-focused agenda, and their demands from every regulator for specific proposals for these, offer the prospect of a stable and pragmatic framework for financial services. The new zeitgeist is in fact exemplified in the current edition of The *Economist* magazine where the front cover splashes 'the revolt against regulation'. As a result, the past two months have seen a number of representations from UK Finance, the Finance and Leasing Association ("FLA") and from S&U to both Government and Parliament designed to ensure a robust and predictable regulatory framework. The FLA, Advantage's trade body, is preparing further suggestions for reform to which we will contribute.

The question does remain as to whether this new encouragement of responsible risk-taking will extend to the Supreme Court, when it reviews last October's Court of Appeal decision on commission disclosure which has so disrupted the entire motor finance market. Again, the signs are cautiously encouraging. The speed with which the Supreme Court is considering the matter and their sanctioning direct representations from the Treasury, the FLA, and the Financial Conduct Authority, speak to a common-sense approach. My view is that even should the Supreme Court uphold the lower courts' decision in principle, any 'harm' found to have been suffered by consumers will be so marginal as to make demands for redress minimal.

The continuing headwinds at Advantage will be reflected in its profits for the second half year (July 24-Jan 25), but as a result of the improving trends mentioned above in advances and collection rates, we anticipate a recovery in profitability during the next financial year.

An even more positive picture for the future can be painted for Aspen, S&U's property finance lender. Aspen has enjoyed a record year on net receivables up c.17% on last year at c.£152m (2024: £130m). Collections are up 25% at £157m. Moreover, profits are likely to rise by a remarkable 50% on last year, testament to improving yield and transaction volumes alongside sensible cost control. With demand for residential properties up 13% on a year ago according to Zoopla and with interest rates falling slowly, the stage is set for another very good year.

Advantage Finance

The past two months have inevitably seen consolidation at Advantage. Net receivables now stand at c.£283m (2024: £332m), as transaction volumes remain subdued. However, following the lifting of the restrictions under the s166, transactions have recovered to over 900 monthly deals in January.

Collections also remain in recovery, as staff and customers continue to adapt to a more flexible and robust post s166 regime. Thus, against a cumulative collection rate of 85% so far this year, recent results have seen an improvement to 87%. Much remains still to be done, particularly in dealing with a regulatory-driven backlog of non-paying customers and vehicle recoveries. To this end, a comprehensive programme of improvements includes a review of customer contact methods, digital improvements including a new telephone system and tighter productivity measures and reporting. Most encouraging of all is the recent introduction of the new MyAdvantage web application which will greatly enhance customer communications and engagement.

Aspen Bridging

A steady, if not yet a buoyant housing market, with mortgage approvals at a year's high of 66,000 in December, provide a stable backdrop for Aspen's growth in its niche refurbishment and minor development sector. Transactions rose this year by 16% on 2023/24 on deal sizes averaging over £900k. This rate of growth is being accompanied by a sustained improvement in loan yields as well as by strong debt quality. Thus, repayment and recovery collections are up 25% on last year whilst defaults are stable on a larger book. All reasons to be very cheerful about Aspen's prospects for 2025 and beyond.

Funding

Seasonally quieter lending at Aspen and consolidation at Advantage have seen net group borrowings fall over the period to £192m from £206m in December. These are of course well within the current facilities of £280m, which accommodate anticipated growth in the Group for next year. As usual, we keep the Group's funding facilities under continuous review.

Dividend

S&U's dividend policy has always had three aims. First, the close alignment of interest between management and shareholders, reflecting sustainable growth and a conservative approach to gearing. Second, we satisfy shareholders' appetite for yield in a narrow trading market. Third, we take a sensible but ambitious view of S&U's prospects. Thus, despite this year's hiatus in profit growth, we propose that the second interim dividend should be 30p per share (2024: 35p), payable on 7 March 2025 to shareholders on the register on 17 February 2025.

Governance

After over 25 years of service to the Group including the founding of Advantage Finance, Chris Redford, S&U's finance director, has confirmed his long-standing intention to retire in June. Chris has made an enormously valuable contribution to both the growth and stability of S&U and recognition of this will be made at the appropriate time. However, we are very pleased to announce that, following a thorough recruitment process, Chris Freckelton is to join the group as CFO. Chris is a senior auditor at Deloitte and has great experience of the motor and specialist finance industries. We look forward to welcoming Chris at the beginning of April. It is intended that following a settling in period, Chris will be invited to join the S&U Board.

Commenting on the Group's performance and outlook, S&U Chairman, Anthony Coombs, said:

"Over the past year, macroeconomic and regulatory pressures on the business have severely tested S&U's historic experience, expertise and resilience. Despite these, we maintain our faith and confidence in the service we are proud to give to our loyal customers. I pay tribute to all who work at S&U to make this possible. As a more pro-growth national agenda develops and the regulatory frenzy eases, then this provides a solid base for a return to more normal levels of profitability, growth and returns for our shareholders."

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