Resolute and Resilient

Our Full Year Results to 31 January 2024

April 2024

Today's speakers

Anthony Coombs

Chairman

Graham Coombs

Deputy Chairman

Chris Redford

Group Finance Director

Karl Werner

CEO Advantage Finance

Ed Ahrens

CEO Aspen Bridging

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Our wonderful customers and staff

Support is amazing - My car was illegally clamped whilst on finance and Jenny contacted them on my behalf and has supported me through the process. I feel supported and listened to. Advantage have helped me on a personal level twice now! My daughter's first car has just been purchased through advantage also! Highly recommend

Mr F, 06 February 2024

Advantage Finance have honestly been - amazing throughout my whole experience, buying my car on Finance. They've been understanding and completely professional during my term. I will certainly use them again when I buy my next vehicle. Katie was particularly helpful today. Thank you team.

Mr & Mrs P, 11 January 2024

Phoebe is fantastic - I have refinanced with Advantage Finance and had the wonderful Phoebe as my representative. She made the whole process seamless which took away any stress. Everything was so thorough, and the turnaround was quick. Thank you for such a smooth transition. I would thoroughly recommend both Advantage finance and Phoebe.

Mrs B, 10 January 2024

ASPEN BRIDGING

Borrower Review

"Thanks to Aspen's non-valuation product we managed to secure a short-term lend for our high-net-worth client on very short notice with underwriting completed within a week and full completion delivered on the day required."

Broker Review

"We needed a quick developer exit for a client who had run out of time with his development lender and needed more time to sell. Aspen worked with myself and the client to ensure we got the loan done in time. Their can-do attitude and desire to lend got the client what he wanted in both speed and leverage. Thanks again guys!"

Borrower Review

"Aspen understood the issues and swiftly restructured the loan, using their valuation service and organising rapid security visits to do so. They took a commercial approach throughout and both us at Tapton and our client could not be happier with the result."

Introduction

"Enthusiastic and supportive customers underpin S&U's long success and guarantee its future. Current trends, both at Advantage and Aspen, prove that S&U has an abundance of these and trading since our year-end is encouraging. Of course, challenges remain.

As Marcus Aurelius, a second century Roman Emperor and Stoic philosopher once said, "sometimes the art of living is more like wrestling than dancing". Confident in our people, business philosophy and the markets we serve so well, we wrestle on.

– Anthony Coombs, Chairman

Highlights for the year to 31 January 2024

S&U

- Revenue increased by 12% to £115.4m (2023: £102.7m)
- Group Profit before tax (“PBT”) £33.6m (2023: £41.4m) - higher impairment and increased variable funding costs
- Group impairment charge of £24.2m (2023: £13.9m) reflecting increased motor arrears during H2
- Admin expenses up 22% from £16.2m to £19.8m driven by inflation and higher regulatory costs
- Finance costs up 101% from £7.5m to £15.0m, the result of BoE rate increases affecting increased variable rate borrowings
- Earnings per share 209.2p (2023: 277.5p)
- S&U proposes a final dividend for 2023/24 of 50p (2023: 60p) – total for the year 120p (2023: 133p)
- Strong balance sheet with Group gearing at 96% (2022: 86%) and Group facilities of £280m

Advantage

- PBT for year was £28.8m (2023: £37.2m)
- Results driven by increased arrears in H2 and increased impairment, more than offsetting increased revenue on bigger book
- Overheads and finance costs continued to increase in 2023/24 due to inflation and interest rate increases taking effect – expecting more stability in 2024/25
- Impairment charge of £23.3m (2023: £12.9m) affected by collections environment in H2 and evolving regulatory guidance on Consumer Duty and forbearance

Aspen

- PBT for year was £4.8m (2023: £4.5m)
- Results driven by continued steady growth in receivables and good repayments
- Continued progress on improved blended interest rates, whilst remaining competitive in a growing market

Group financials

Our Income Statement – Full Year to January 2024

Group Income Statement £m	Jan 24	Jan 23	Change %
Revenue	115.4	102.7	+12%
Impairment	-24.2	-13.9	+74%
Risk adjusted gross yield RAY	91.2	88.8	+3%
Cost of Sales	-22.8	-23.7	-4%
Admin Expenses	-19.8	-16.2	+22%
Finance Costs	-15.0	-7.5	+101%
Profit before tax group	**33.6**	**41.4**	**-19%**

Profit before tax £m	Jan 24	Jan 23	Change %
Advantage	28.8	37.2	-22%
Aspen	4.8	4.4	+8%
Central finance income/costs	0.0	-0.2	
Profit before tax group	**33.6**	**41.4**	**-19%**

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

Impairment charge higher than normal this year driven by slowdown in motor customer repayments (was lower than normal last year)

Cost of sales decreased by 4% reflecting lower motor advances vs record last year

Increased admin expenses driven by inflation and higher regulatory costs and increased finance costs due to higher variable rate borrowings

Final proposed dividend of 50p (2023: 60p)

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Group financials

Group Balance Sheet – 31 January 2024

£m	Jan 24	Jan 23	Change %	Comment
Fixed Assets and Right of Use Assets	2.3	2.6		No major expenditure
Amounts Receivable Motor Finance	332.5	306.8	+8%	Good advances in buoyant market
Amounts Receivable Property Bridging	130.4	113.9	+15%	Continued good advance volume
Other Assets	1.6	4.9		Included £3.1m cash at bank in Jan 23
Total Assets	466.8	428.2	+9%	
Bank Overdrafts	-0.9	-		£7m current overdraft facilities
Trade and Other Payables	-4.9	-4.6	+6%	
Tax Liabilities	-0.5	-0.9		
Accruals and deferred income	-1.9	-1.3		
Borrowings	-223.5	-195.5	+14%	Committed facilities increased to £280m May 23
Financial and Lease Liabilities	-0.9	-1.0		
Total Liabilities	-232.6	-203.3	+14%	
Net Assets and Total Equity	234.2	224.9	+4%	

Group financials

Cash Flow – Full Year to 31 January 2024

Group Cash Flow

- £32.0m cash outflow reflecting book debt growth and including payment of £16.2m group dividends
- Steady Advantage and Aspen book debt growth

Advantage Cash Flow

- Advance values reduced by 6% from record last year including higher average advance now up to £8.2k
- Strong live monthly repayments in H1 but reduced in H2 leading to increased stage 3 provisions

Aspen Cash Flow

- Gross advances 8% up driven by good broker relationships and targeting better quality projects
- Strong repayments in Q2 lowered receivables and revenue – book grew more strongly in H2

£m	Jan 24	Jan 23
Balance b/f	-192.4	-113.6
Motor Finance outflow/inflow	-18.3	-32.1
Property Bridging outflow	-14.1	-47.2
Other inflow/outflow	+0.4	+0.5
Balance c/f	**-224.4**	**-192.4**
Gearing %	96%	86%
Analysis of balance c/f		
Central	+72.6	+72.2
Property Bridging	-120.2	-106.1
Motor Finance	-176.8	-158.5
Balance c/f	**-224.4**	**-192.4**

£m	Jan 24	Jan 23
Balance b/f	-158.5	-126.4
Advances	-175.9	-186.6
Basic Monthly Live Repayments	172.1	161.8
Settlements/reloans	35.4	35.8
Debt recovery	17.9	18.1
Overheads/interest etc	-45.3	-39.1
Corporation Tax	-7.5	-7.1
Dividend	-15.0	-15.0
Balance c/f	**-176.8**	**-158.5**

£m	Jan 24	Jan 23
Balance b/f	-106.1	-58.9
Gross Advances	-144.5	-133.9
Retention from advance	18.2	14.8
Settlement Repayments	92.7	62.5
Repayments beyond term	33.5	18.9
Overheads/interest etc	-11.5	-7.5
Corporation Tax	-1.0	-0.8
Dividend	-1.5	-1.2
Balance c/f	**-120.2**	**-106.1**

Group financials

Treasury and funding

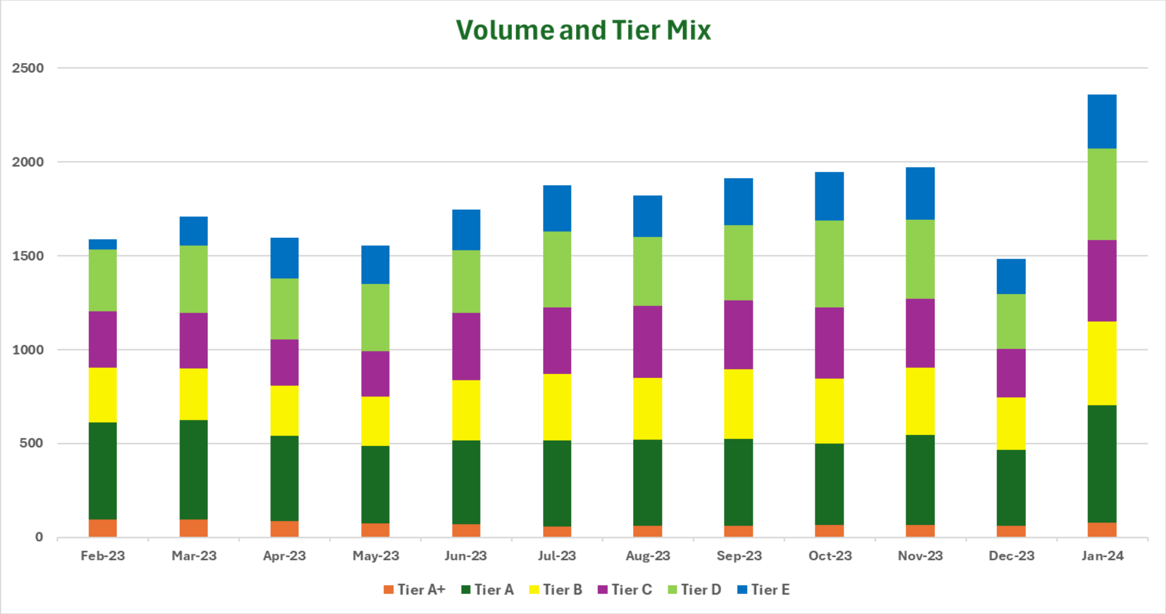
- Additional £70m revolving credit facilities added in May 2023 resulting in total committed funding facilities of £280m. These comprise 2 x £25m term loan facilities maturing in 2028 and 2029, and £230m revolving credit club loan facility with maturity in 2026

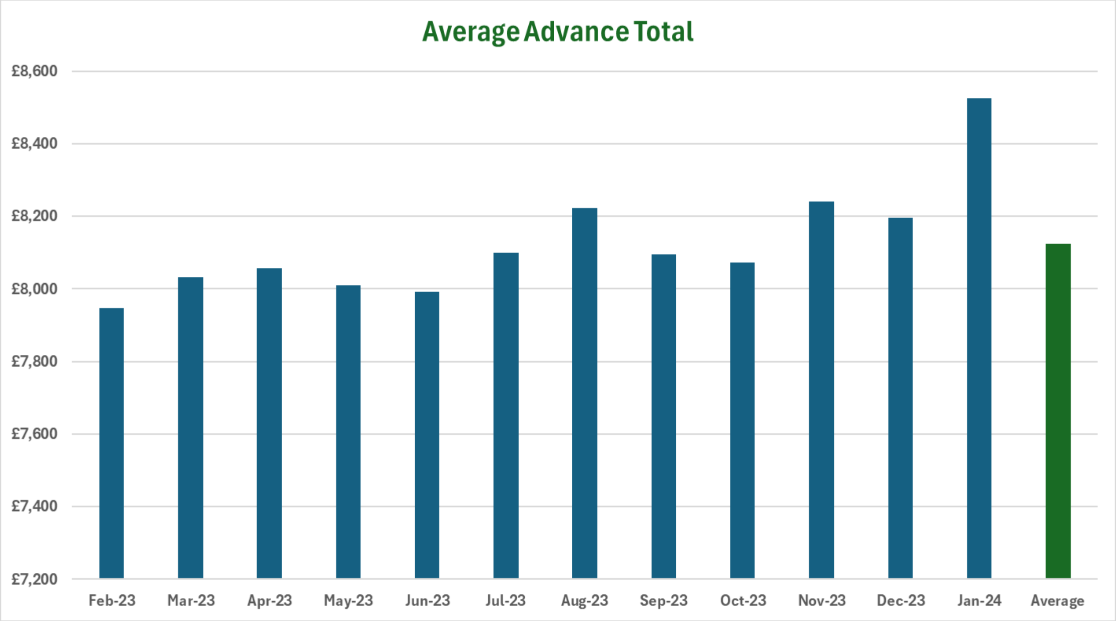
- Group gearing at 31 January 2024 increased to 96% (31 January 2023: 86%) driven by increase in receivables in both businesses

Advantage Finance Business Update

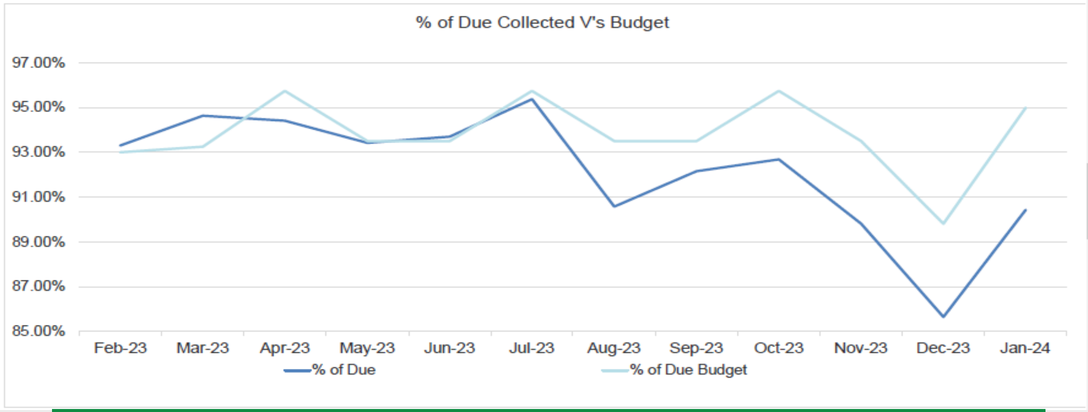
New business and the market

- Strong final quarter for volumes and average advances
- Moderate increase in credit risk appetite in 2023 whilst maintaining average customer score, a revised focus on higher quality customers in 2024
- Excellent customer service reflected in Trustpilot score of 4.7 out of 5
- Increasingly focused upon regulatory market engagement from H2

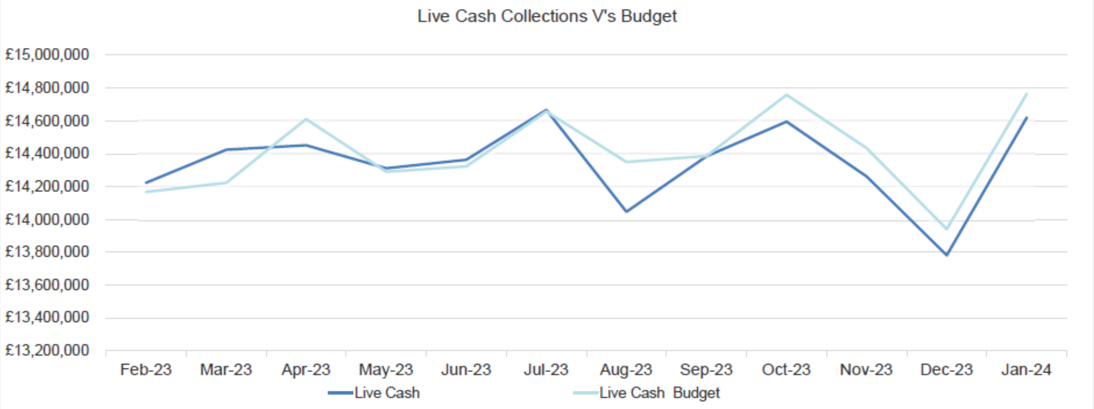




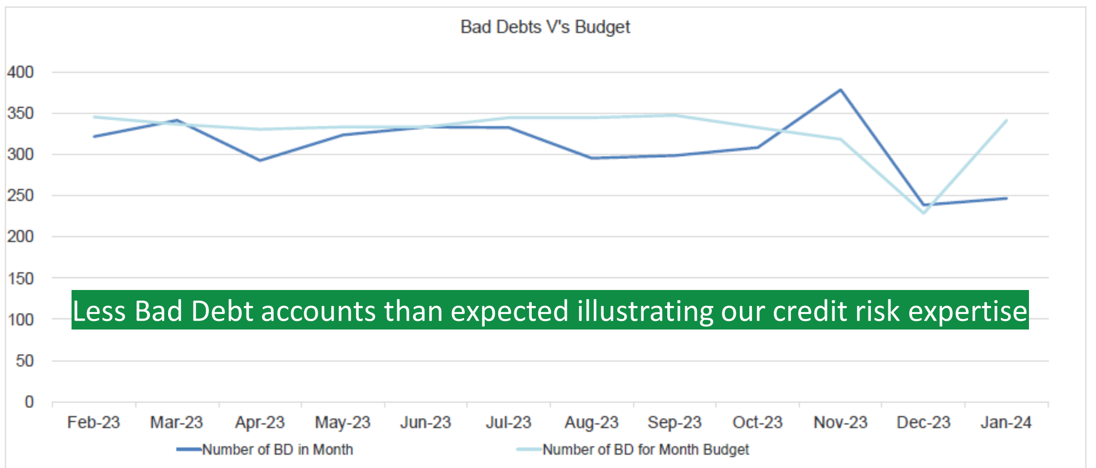
Collections quality



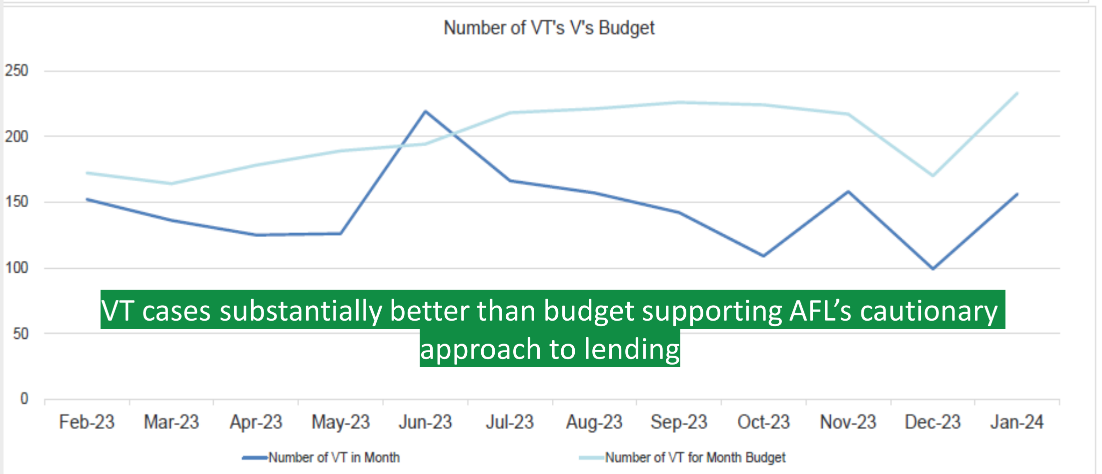
% of Due below expectations as AFL apply an abundance of caution during a challenging environment



Live cash collected below budget from H2



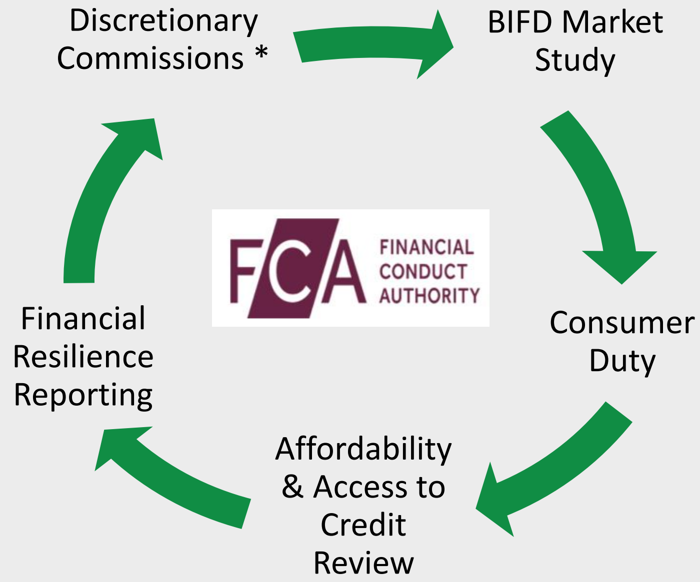
Less Bad Debt accounts than expected illustrating our credit risk expertise



VT cases substantially better than budget supporting AFL's cautionary approach to lending

Regulatory update

Continuing Regulatory Focus



Operating within a sector undergoing ever-increasing regulatory engagement and scrutiny, whilst aiming to embrace the opportunities to continually improve our capabilities within a framework that supports customer, commercial and social value

Maintaining class leading complaints performance (last 6 months)

Firm Name	New Cases	Uphold Rate
Advantage Finance Ltd	366	15%
First Response Finance Ltd	172	20%
Specialist Motor Finance Ltd	140	22%
Black Horse	583	26%
Startline Motor Finance Ltd	208	28%
RCI Financial Services	182	29%
Vauxhall Finance Ltd	136	32%
BMW Financial Services	798	36%
Marsh Finance Ltd	56	37%
Mercedes Benz FS UK Ltd	346	38%
Blue Motor Finance	274	39%
Moneybarn Ltd	1883	39%
Santander Consumer Finance	352	39%
MotorNovo Finance Ltd	445	40%
VWFS	1208	41%
Close Brothers Ltd	364	44%
Oodle Financial Services	309	45%
Hyundai Capital UK	86	46%

Financial Ombudsman Service

* Not offered by AFL at any time

Consumer Duty

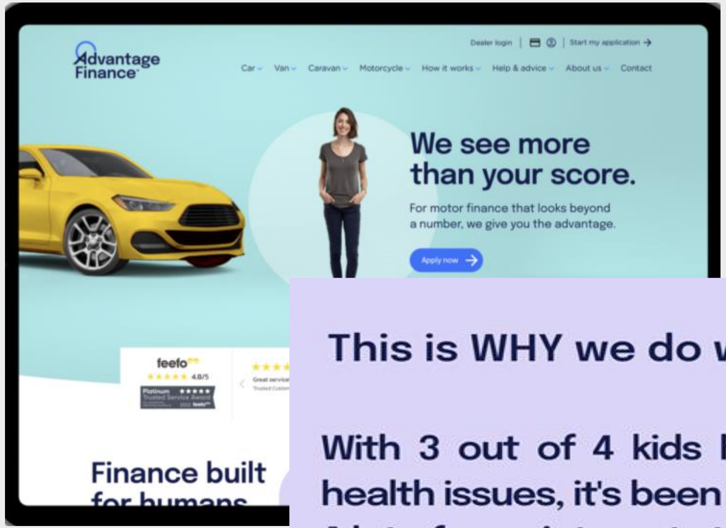
ACTIVITY TIMELINE	
31st October 2022	AFL's Implementation plan finalised, scrutinised and signed off by the Board
30th April 2023	AFL has shared with Introducers its target market, value assessment, product assessment and distribution strategy. AFL completes all work to evidence it meets the requirements of the four outcomes
31st July 2023	Consumer Duty is fully implemented for new and existing products
1st August 2023 Onwards	Examples of continuous improvement include investment in voice analytics and personalised customer video technology, Broker oversight process, covering 30+ datapoints, customer outcome dashboard capturing 53 factors reviewed monthly
31st July 2024	Consumer Duty is fully implemented for closed products. Further investment in Product Governance & management expertise in place

An opportunity to make our renowned service for customers even better

- Voice analytics records and documents every single call to customers
- Introduction of video messaging and signposting
- More self serve functionality with improved SLA's
- Ongoing review of fair value measures and outcomes
- Annual product reviews demonstrate value delivered to customers

2024 developments and opportunities

- A year of consolidation and investment to grow capabilities
- Leveraging Consumer Duty to enhance the customer experience and improve efficiencies
- Refinement in Credit Risk and a revised approach in simplified and dynamic pricing capabilities to enhance returns & profitability
- Utilising regulatory engagement to build ever stronger foundations for the future
- Investment in our people to build upon our long-established experience and competencies
- Improved MI, data and automation across the business

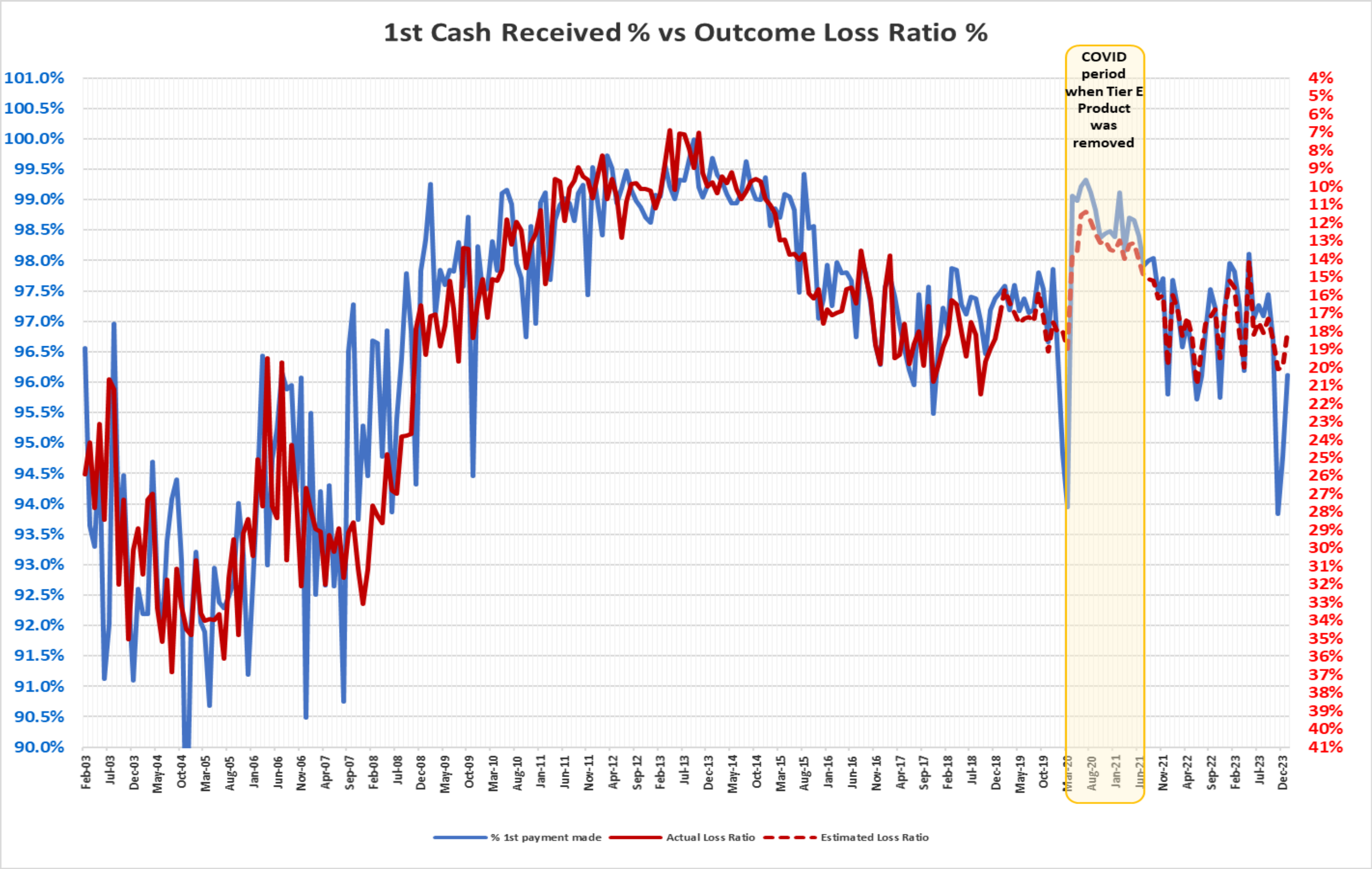


Our quality loan book

Average Loan profile	Year to Jan 20	Year to Jan 21	Year to Jan 22	Year to Jan 23	Year to Jan 24
Number of loans	23,334	15,589	19,747	23,922	21,565
Advance	£6,385	£6,581	£7,138	£7,799	£8,158
Cost of Sales	£824	£872	£874	£907	£961
Interest rate flat per annum	17.7%	17.0%	16.3%	16.3%	16.9%
Average customer score*	867	900*	892*	875*	875*
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.

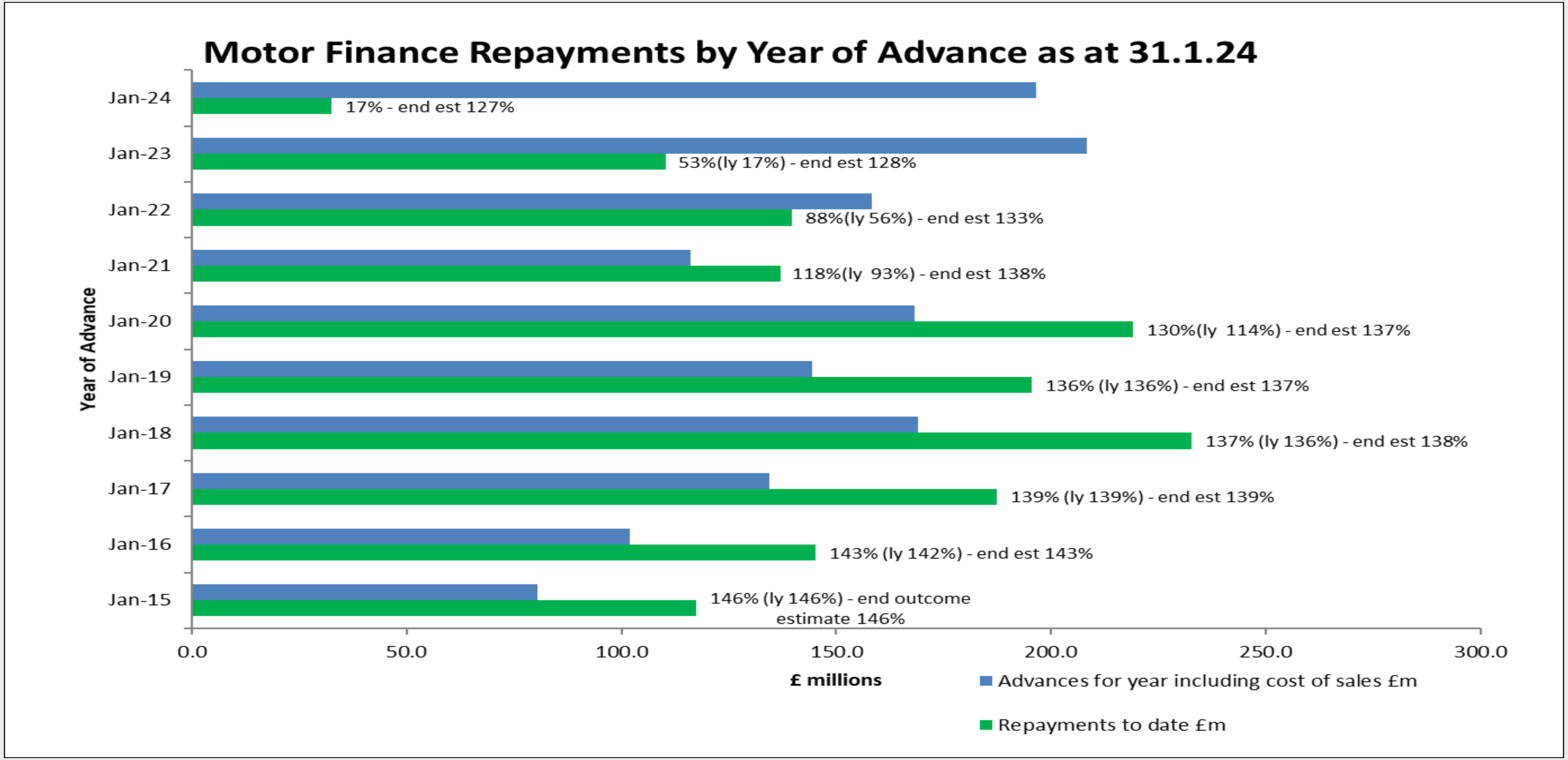
First repayment quality



- Strong historic correlation between early repayments and end outcomes
- Reduction in first payment success at start of pandemic and more recently for Christmas 2023 –now recovered

We see more than your score.

Repayments % of upfront investment



Receivables

Original Contract Arrears	Position at end January 2024		Position at end January 2023	
	Volume of Accounts	Percentage of Live Receivable	Volume of Accounts	Percentage of Live Receivable
Up to Date	47622	74.00%	46864	76.22%
0.01 – 1 mthly payments	6032	9.46%	5356	8.65%
1.01 – 2	3475	5.08%	2833	4.07%
2.01 – 3	2584	3.28%	2657	2.99%
3.01 – 4	1830	2.31%	1717	1.86%
4.01 – 5	1254	1.54%	1134	1.21%
5.01 – 6	978	1.18%	1018	1.06%
6.01 +	2927	3.15%	3644	3.93%
Total Live Accounts	66702	£327.5m net receivables	65223	£302.1m net receivables
Legal and debt recovery	26272	£5.0m net receivables	23067	£4.7m net receivables
Total Accounts	92974	£332.5m net receivables	82921	£259.0m net receivables

Aspen Bridging

Summary of the year

- **Record PBT for year:** £4.8m against £4.5m last year underpinned by continuing good quality on bigger book
- **Record year for new loan facilities** of 164 up from previous record of 148 last year
- **Record net receivables of £130.4m** an increase of £16.5m in the year after a cautious start to the year
- **Record number of repayments of £126.2m** underlining the quality of the book with borrowers able to sell property and refinance loans
- **H2 trends** showed positive progress with steady growth in new loans and an improving housing market
- **Book quality remains good** only 15 loans of 163 book loans are in default at 31 January 2024 with all being managed to a settlement
- **Aspen outlook is positive** – growth expected in the bridging market this year with the potential for some house price growth returning

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	Year to Jan 24
Number of new loans	35	62	57	80	111	148	164
Gross Advance	£386k	£377k	£539k	£543k	£618k	£905k	£881k
Cost of Sales (% of gross advance)	2.3%	1.9%	2.0%	1.6%	1.6%	1.5%	1.3%
Average Max gross LTV	67%	74%	71%	68%	72%	71%	69%
Average original blended yield %	1.17%	1.18%	1.12%	1.01%	0.95%	0.90%	1.05%
Original term in months	9	9	9	11	11	11	11
Settled beyond contractual term**	65%	62%	44%	32%	38%	c34%	Contractual terms still running

* In year to Jan 2022 Aspen also made 24 loan facilities under the CBILS government scheme – these had average gross advance of £1.8m each

**These loans did not achieve their original exit plan and either went into agreed extension or into default (Jan 23 - 9 loans still in term)

Focus for 2024/25

- **Quality:** Maintaining focus on both the credit quality of borrowers and the quality of the property projects we finance
- **Experienced property developers:** Increasing the number of repeat borrowers, with good assets and high net worth with successful project history
- **Adapting approach to risk:** Monitoring market risks and refining our approach to underwriting and pricing, on values, stress testing and refinancing
- **Deepening relationship ties:** Continuing to develop our broker relationships by investing in the business development channel and bringing on new brokers
- **Widening the Aspen appeal:** Attending all the key industry events and forums whilst testing new network distribution opportunities
- **IT systems:** Continuing to simplify processes and eliminating manual tasks through 30 key projects planned for the year
- **Website refresh:** Having developed a new fresh website, now focusing on value-add links for brokers, tailored marketing ads and post loan completion feedback
- **Speed of delivery and efficiency:** Constantly refining our quoting and customer management systems to lower our turnaround time to improve lead conversion
- **Legal processes:** Working in tandem with our legal partners to increase clarity and effectiveness of responses, with improved electronic signing
- **Training and development:** Investing in our staff and using our skilled professional partners to help provide educational accredited courses such as RICS for valuation training and CPSP for speciality property finance

Our future

Opportunities abound to consolidate upon our long-established experience – cautiously optimistic for future prospects

- Opportunities for profit growth increase as we invest in improved capabilities and competencies
- Expansive distribution capabilities can be leveraged with renewed credit risk and pricing toolset
- Industry-wide regulatory engagement provides a level playing field upon which we are well placed to succeed
- Market sector proves to be a resilient and increasingly attractive investment case

- Bridging book continues to grow steadily with a positive outlook for the market
- Customer focused approach, delivering solutions to acquire more quality repeat borrowers
- Increased margins, steady LTV's and sensible valuations approach with our USP of visiting all projects
- Rigorous underwriting to maintain all our good progress on quality and managing 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 250,000 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 £8,150 advance with c£14,500 repayable, including interest, over an average term of about 54 months

Our loyal customers

CASE STUDY

Mr H works as an HGV driver for a large logistics firm and is currently living with parents. This agreement was a replacement for the previous agreement Mr H had for a different vehicle.

Mr H raised a complaint when he found the previous vehicle to be of unsatisfactory quality. This was escalated to our Dispute Resolution team who were able to arrange an independent motor engineer to provide an expert opinion which led to the customer rejecting the vehicle under his Consumer Rights. We took the vehicle back, unwound the agreement and allowed the customer to reapply for a replacement vehicle.

A further credit search, affordability assessment and customer interview took place before we were able to grant a further facility to Mr H for a replacement vehicle. This was handled swiftly by the Internal Sales and Lending Departments. Mr H chose a 5-year-old Skoda Superb with monthly instalments over a 60 months term. Once all agreed, Advantage were able to progress the transaction very quickly using its new electronic signature system which meant that he could complete all the relevant documentation and purchase the vehicle without any delay.

Mr H expressed his satisfaction with our service by leaving comments on an online review platform. He awarded us 5 stars and was highly complimentary about the sales person who helped him in the process:

“Ellie makes dreams come true. Ellie was brilliant. She fully understood our situation and was able to offer a very good solution which was not only affordable but also enabled us to upgrade our vehicle. She was able to explain the minimum value we would accept for our old financed vehicle and this helped us secure a better deal in the dealership.”

Our loyal customers

CASE STUDY

Mrs G is a home owner of 5 years currently working as an Advisory Teacher. The agreement is joint with her partner who is currently working as a driver and they have a confirmed joint income of £3221. Mrs G was an existing customer of Advantage Finance.

Her previous agreement with Advantage Finance was well maintained. Mrs G made an application to us directly when she was looking to purchase a replacement car. The application was passed to our Internal Sales department to be processed through our systems and a credit limit agreed. We carried out a creditworthiness assessment and an affordability check, considering Mrs G's verified income, profiling credit and outgoings along with ONS data to confirm the affordability. All active credit was up to date, including the existing finance which would be settled in the process of this transaction.

Mrs G chose a two-year-old MG HS Exclusive with monthly instalments, payable over 72 months. Once the terms had been agreed, Advantage were able to progress the transaction very quickly using its new electronic signature system which meant that the couple could complete all the relevant documentation and purchase the vehicle without any delay.

Mrs G expressed her satisfaction with our service by leaving comments on an online review platform. She awarded us 5 stars and was highly complementary about the salesperson who helped them in through the process.

"Yet again Advantage knock it out of the park. What can I say about Advantage Finance apart from Utterly Fantastic. From start to finish everyone I spoke to were courteous, professional and more importantly very friendly. I've dealt with them before and had no hesitations to come back to them again. Phoebe was out of this world and went above and beyond no matter what the query was about. I will continue to come back again and again when needing car finance."

Our business

- Aspen started trading in February 2017 and provide a “fast, flexible, friendly and fair” service to customers with property bridging loan requirements
- 681 secured property bridging loan facilities have been provided to customers to date with an average gross loan facility of c.£750,000 over average 11 month contractual loan term at an average maximum gross loan to value of 71%
- 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 – 518 of the 681 loan facilities have repaid up to 31 January 2024, and only 15 of the 163 remaining live loans at that date are in default

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Case study

80% LTV, Dev-Exit, 72-hours, 20 days, Stepped, Returning Customer

Aspen Bridging again evidenced their commitment to speed and service by completing on a Development Exit bridge at nearly 80% LTV for a client only 72 hours after offer acceptance.

The developer, a returning Aspen customer, sought Aspen's Stepped Rate Product to enable a controlled sales process on a completed three-unit newbuild development comprising two bungalows and a four-bedroom house in Droitwich Spa, Worcestershire whist also raising additional capital to invest into their next project.

Case study

Finish and Exit, 12 days

Aspen Bridging beat a rival lender after the developer had become frustrated with the deluge of unreasonable questions and slow process experienced elsewhere.

Aspen took a pragmatic approach by taking no search indemnity allowing them to move in to finance the end-of build of four two-bedroom flats in a former terraced property in Cromer, Norfolk providing a £810k facility in just 12 days to keep the developer's project on-track.

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Our five year record

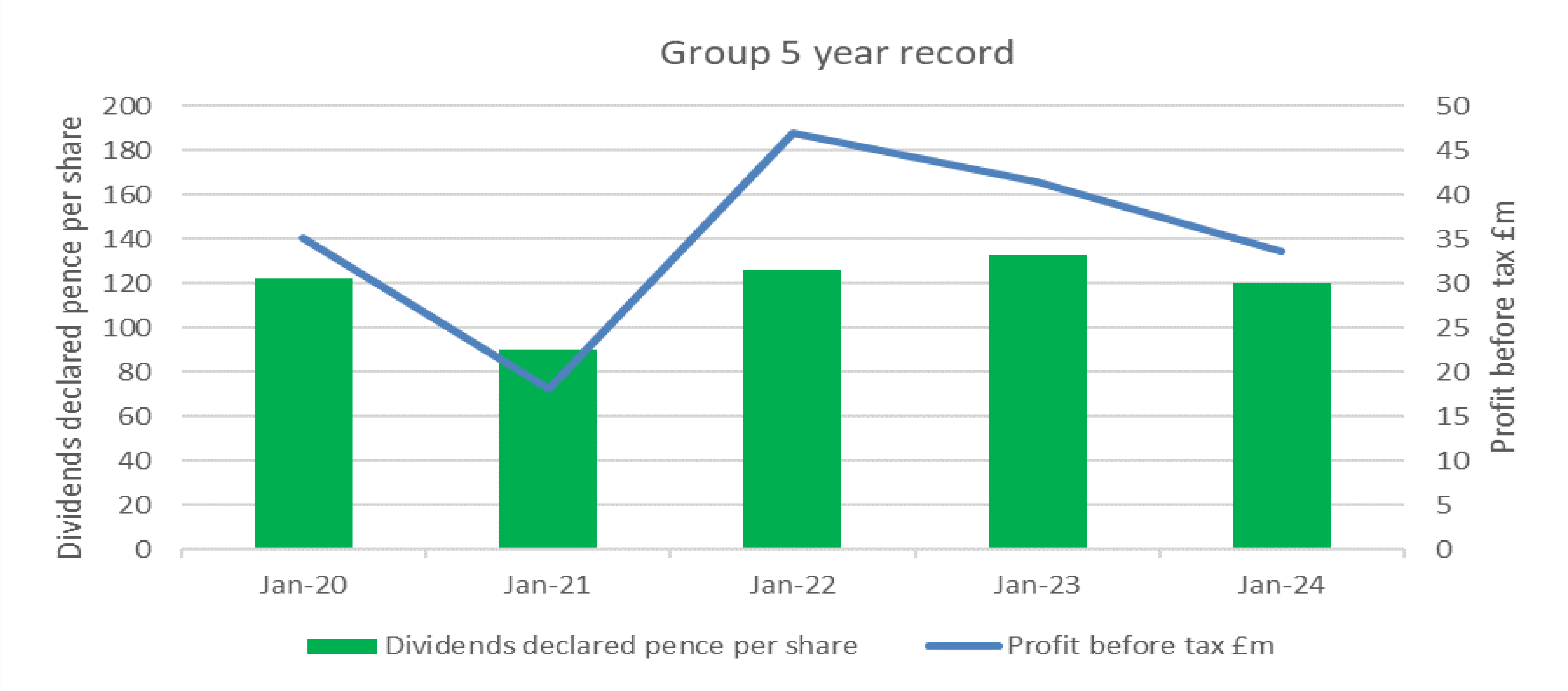
£m	Year to Jan 20	Year to Jan 21	Year to Jan 22	Year to Jan 23	Year to Jan 24
		Two Pandemic Years			
Revenue	89.9	83.8	87.9	102.7	115.4
Cost of Sales	-19.9	-14.3	-18.8	-23.7	-22.8
Impairment	-17.2	-36.7	-4.1	-13.9	-24.2
Admin Expenses	-12.8	-11.1	-14.2	-16.2	-19.8
Finance Costs	-4.9	-3.6	-3.8	-7.5	-15.0
Profit before tax	**35.1**	**18.1**	**47.0**	**41.4**	**33.6**

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.

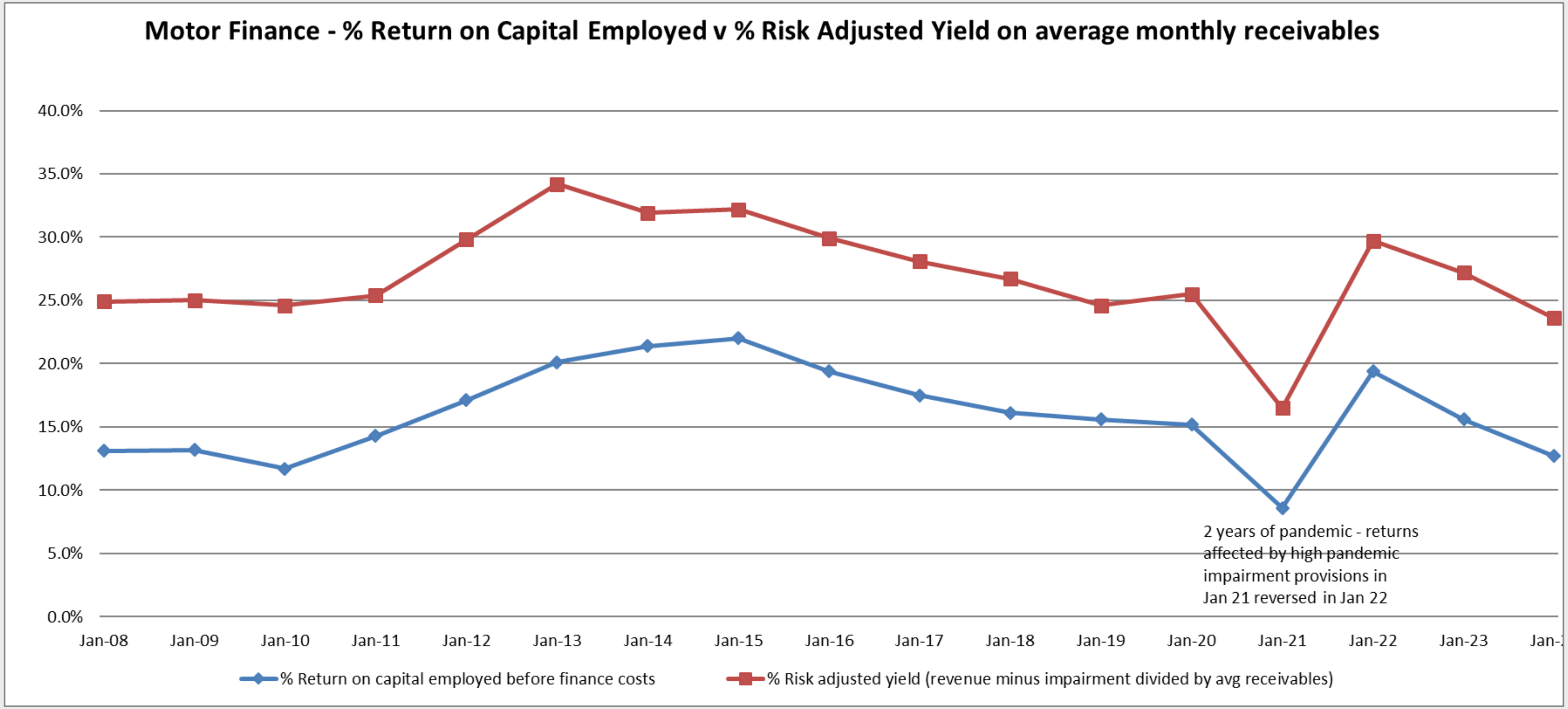
In year to Jan 2022 these pandemic provisions did not all turn out to be necessary resulting in lower impairment charge and higher profit.

Our five year record



We see more than your score.

Historic returns and risk adjusted yield



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