



Our Half Year Results to 31 July 2024



Resolute and Resilient



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

Our wonderful customers and staff



A helping hand

After a period of sickness i was unable to make my payment on the due date and found Advantage finance both understanding and helpful in sorting out the problem.
Great customer service.

Mr P, 30 September 2024

Always professional and polite anytime

Always professional and polite anytime I call. I had an issue that my wages would possibly be paid later than my direct debit. Was easily sorted with some good advice from the customer service team. Called today and spoke to Aaron who was very courteous and polite and helped me set back up my direct debit within minutes. Thanks again

Mrs S, 17 September 2024

5 star review

Thank you to Stacey today she put my mind at ease as I've been really struggling to make payments lately. I'm on a better payment plan to help me going forward.

Shows that this company isn't just about recouping payments to suit themselves but actually care about their customers

Mr J, 16 September 2024

Borrower Review

"Finlay, the thanks go to you and the Aspen team. Delighted to have that one over the line on Friday, we all had a better nights sleep!
Thanks very much"

Mrs H

Borrower Review

"The service that I received in completing my bridging loan was very good and I would certainly use your services again !"

Mr G

Borrower Review

"As you know I am extremely happy with the amazing service you provided, thank you again.."

Mr S



Introduction

“Half-year results for Advantage reflect a temporary adjustment to shifting market dynamics and evolving regulatory expectations. Nevertheless, the resulting internal reforms should provide greater certainty for renewed success.

In the more dynamic bridging sector, Aspen continues to perform strongly. We embrace the future with our usual cautious optimism.”

– Anthony Coombs, Chairman

Highlights for the six months to 31 July 2024

S&U

- Revenue increased by 9% to £60.4m (H1 2023: £55.3m)
- Group Profit before tax (“PBT”) £12.8m (H1 2023: £21.4m) - higher motor impairment and increased variable funding costs
- Group impairment charge of £18.9m (H1 2023: £7.2m) reflecting increased motor arrears during H1
- Finance costs up 42% to £9.6m , the result of higher borrowings and higher variable rate (H1 2023: £6.8m)
- Group net receivables £475.4m (31 July 2023: £417.3m)
- Earnings per share 78.6p (H1 2023: 133.2p)
- S&U proposes a first interim dividend of 30p (H1 2023: 35p)
- Strong balance sheet with Group facilities of £280m and good headroom

Advantage

- Revenue increased by 3% to £49.1m (H1 2023: £47.5m)
- PBT for half year was £9.4m (H1 2023: £19.1m)
- Impairment charge of £18.1m (H1 2023: £6.8m) affected by collections environment in H1 and evolving regulatory guidance on Consumer Duty and forbearance

Aspen

- Revenue increased by 42% to £11.2m (H1 2023: £7.9m)
- PBT for half year was £3.4m (H1 2023: £2.4m)
- 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 – 6 months to July 2024

Group Income Statement £m	July 24	July 23	Change %
Revenue	60.4	55.4	+9%
Impairment	-18.9	-7.2	+162%
Risk adjusted gross yield RAY	41.5	48.2	-14%
Cost of Sales	-10.0	-10.6	-6%
Admin Expenses	-9.1	-9.4	-4%
Finance Costs	-9.6	-6.8	+42%
Profit before tax group	12.8	21.4	-40%

Profit before tax £m	July 24	Jan 23	Change %
Advantage	9.4	19.1	-51%
Aspen	3.4	2.4	+42%
Central finance income/costs	0.0	-0.1	
Profit before tax group	12.8	21.4	-40%

Revenue increased in H1 mainly higher receivables offset by increase in lower yielding stage 3 loans at Advantage

Impairment charge much higher than normal this year reflecting lower level of repayments and increase in loss provisions

Cost of sales decreased by 4% reflecting lower motor advances

Reduced admin expenses due to lower variable remuneration and increased finance costs due to higher borrowings and Sonia rate vs H1 23

First interim dividend of 30p (2023: 35p)

Group financials

Group Balance Sheet – 31 July 2024

£m	July 24	July 23	Change %	Comment
Fixed Assets and Right of Use Assets	2.2	2.5		No major H1 exp – new building being bought in H2
Amounts Receivable Motor Finance	326.2	313.0	+4%	Book grew in H2 23 and reduced in H1 24
Amounts Receivable Property Bridging	149.2	104.3	+43%	Strong lending and good repayments in H1 24
Other Assets	1.8	1.9		
Total Assets	479.4	421.7	+14%	
Bank Overdrafts	-1.0	-1.2		£7m current overdraft facilities
Trade and Other Payables	-3.6	-4.9	-27%	
Tax Liabilities	-0.7	-1.3		
Accruals and deferred income	-1.3	-1.1		
Borrowings	-238.5	-183.0	+30%	Committed facilities £280m
Financial and Lease Liabilities	-0.8	-1.0		
Total Liabilities	-246.0	-192.5	+28%	
Net Assets and Total Equity	233.4	229.2	+2%	

Group financials

Cash Flow – 6 months to 31 July 2024

Group Cash Flow

- £15.1m cash outflow reflecting good Bridging receivables growth and including payment of £10.3m group dividends
- Cautious lending and lower repayments in Advantage with strong lending and good repayments in Aspen

£m	July 24	July 23
Balance b/f	-224.4	-192.4
Motor Finance outflow/inflow	+0.7	-1.8
Property Bridging outflow	-17.2	+10.8
Other inflow/outflow	+1.4	-0.8
Balance c/f	-239.5	-184.2
Gearing %	103%	80%
Analysis of balance c/f		
Central	+74.0	+71.4
Property Bridging	-137.4	-95.3
Motor Finance	-176.1	-160.3
Balance c/f	-239.5	-184.2

Advantage Cash Flow

- Advances 15% lower, driven by cautious underwriting
- Lower collections with reduction in debt recovery due mainly to regulatory restrictions, so debt recovery expected to increase in H2

£m	July 24	July 23
Balance b/f	-176.8	-158.5
Advances	-73.2	-81.0
Basic Monthly Live Repayments	86.8	86.4
Settlements/reloans	17.4	19.2
Debt recovery	6.4	10.0
Overheads/interest etc	-23.8	-21.5
Corporation Tax	-2.4	-4.4
Dividend	-10.5	-10.5
Balance c/f	-176.1	-160.3

Aspen Cash Flow

- Gross advances higher in H1 24 at good margin versus cautious H1 23
- Good quality reflected in good collections in H1 24 book currently turning over in just under a year

£m	July 24	July 23
Balance b/f	-120.2	-106.1
Gross Advances	-92.5	-56.9
Retention from advance	11.7	7.1
Settlement Repayments	53.1	46.3
Repayments beyond term	19.7	20.5
Overheads/interest etc	-7.4	-4.8
Corporation Tax	-0.5	-0.4
Dividend	-1.3	-1.0
Balance c/f	-137.4	-95.3

Group financials

Treasury and funding

- 3-year club £230m revolving credit facility maturity extended by one year to May 2027 during the period as planned – can be extended by a further one year next year if all parties consent
- Committed facilities now total £280m. These comprise 2 x £25m term loan facilities maturing in 2028 and 2029, and £230m revolving credit facilities with maturity currently in 2027 as above
- £15.1m Group cash outflow and increase in group gearing from 96% to 103% in H1 2024 driven mainly by growth in Aspen receivables
- Borrowings and gearing for Q3 and October have reduced to c.£218m and c.92% respectively due to Advantage lending caution, normal trading seasonality and normal profile of dividends being weighted to H1.

Advantage Finance Business Update



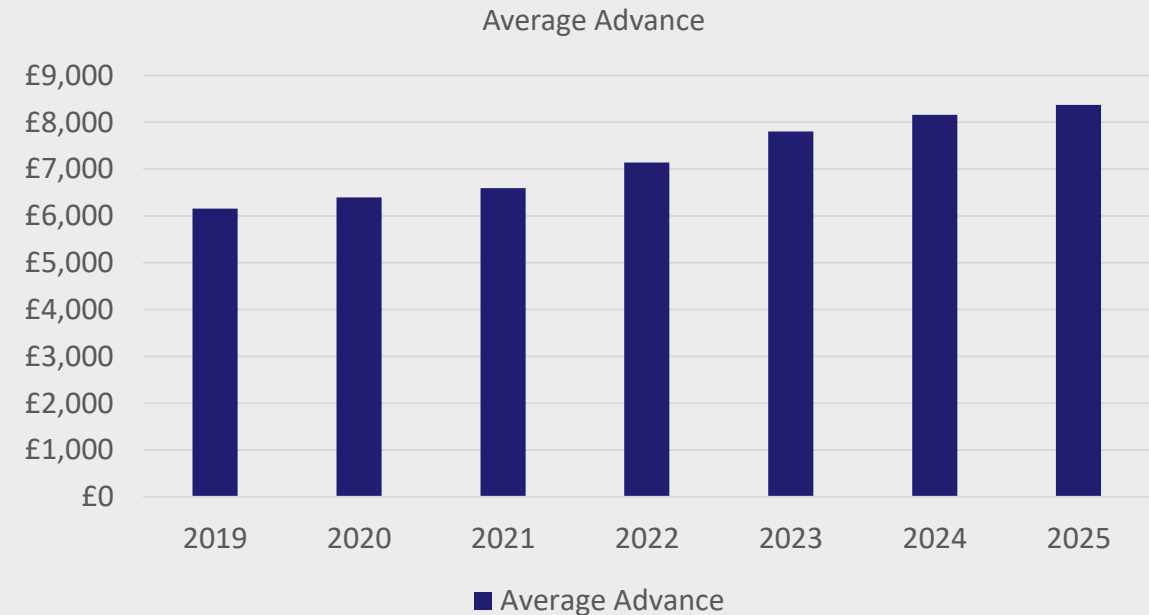
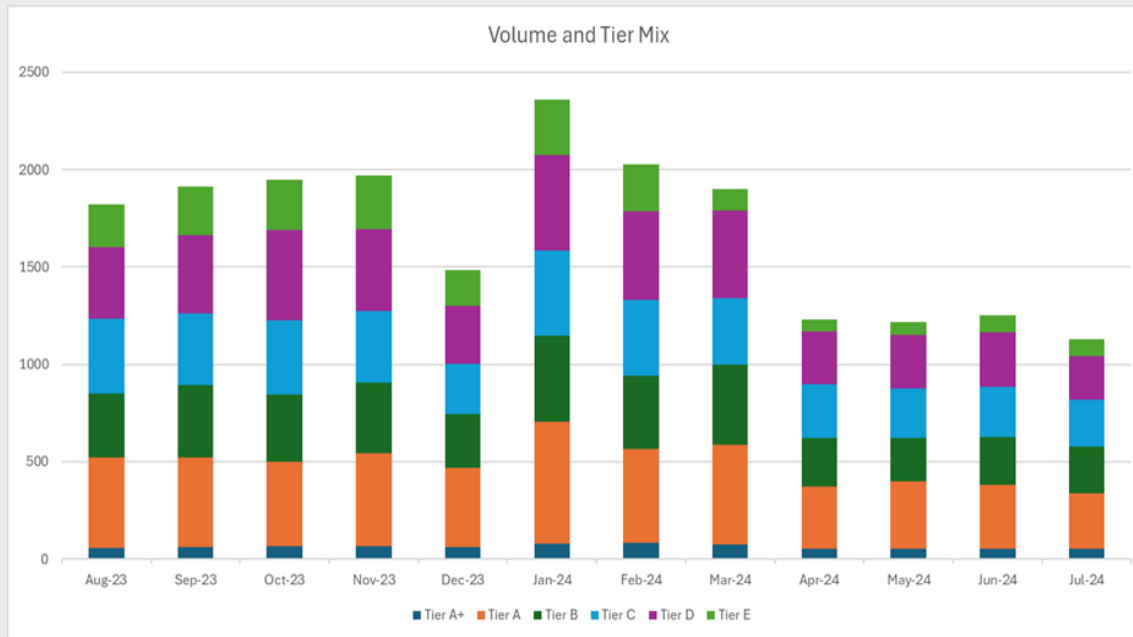
★ Trustpilot



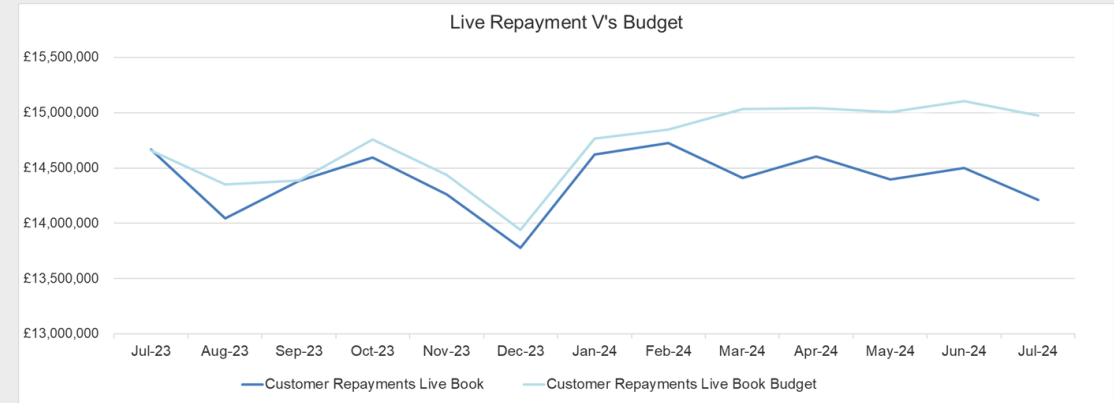
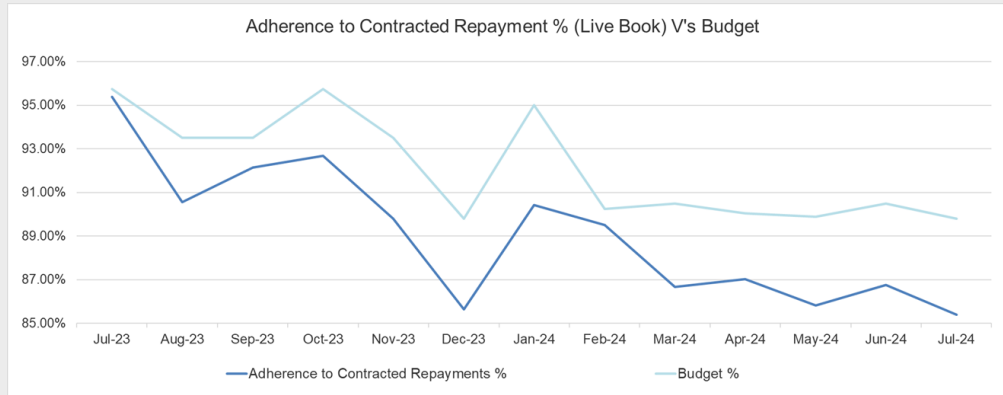
Excellent 4.8/5

New business and the market

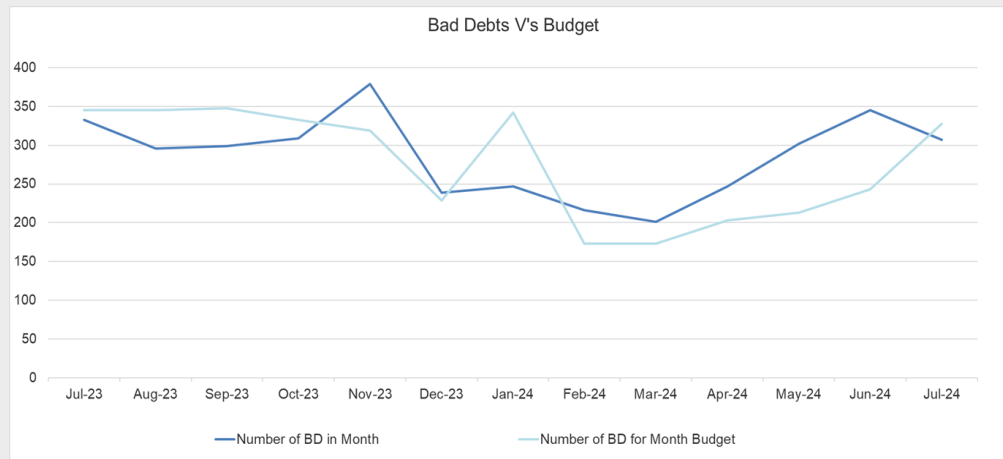
- Improvements to credit quality continue throughout H1
- Excellent customer service improves further with Trustpilot score now 4.8 out of 5
- Engagement with regulator continued throughout H1, expected to normalise in H2



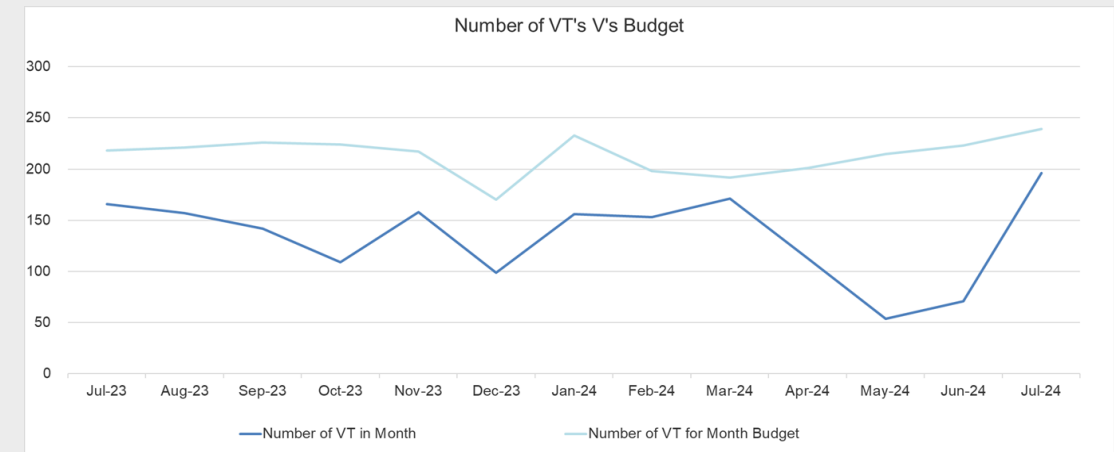
Collections quality



% of Due below expectation as AFL continue to apply an abundance of caution during a challenging environment



Live cash collected below budget during H1




Volatility is an outcome of regulatory restrictions in H1

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

Regulatory update

- Operating within a sector undergoing ever-increasing regulatory engagement and scrutiny, AFL have continued to navigate the environment successfully during H1 with the regulatory requirements embedded to the required standard
- In H1, delivered a significant amount of process change as part of the industry-wide BIFD market study which is expected to conclude in H2
- A further review of the firms approach to lending & affordability was successfully concluded in H1
- Milestones achieved include the curation and publication of significant regulatory procedures, including the first annual Consumer Duty Board Report, revised Business Contingency procedures and updated Wind Down Planning documentation
- Although the firm has never offered Discretionary Commissions, it managed the additional workflow stemming from the market wide issue efficiently and successfully
- Continues to be proactively and positively engaged with the regulator and relevant industry bodies to promote the industry, financial inclusivity and accessibility
- Maintained its support of customers, as evidenced by its top quartile performance relating to outcomes reviewed by the Financial Ombudsman service

Maintaining a top 5 position in complaints performance (last 6 months)

Firm Name	 Financial Ombudsman Service	New Cases	Closed Cases - % of cases upheld Average % of cases upheld = 35%
Moneybarn No. 1 Limited		4494	13%
First Response Finance Ltd		198	14%
Billing Finance Limited		65	15%
RCI Financial Services Limited		179	18%
Advantage Finance Ltd		316	19%
Black Horse Limited		981	19%
Vauxhall Finance plc		112	19%
Mitsubishi HC Capital UK PLC		413	21%
ALD Automotive Limited		80	22%
FCE Bank Plc		210	23%
Toyota Financial Services (UK) PLC		86	26%
Hyundai Capital UK Limited		79	26%
Specialist Motor Finance Limited		134	26%
Mercedes-Benz Financial Services UK Limited		287	27%
Volkswagen Financial Services (UK) Limited		963	27%
Blue Motor Finance Ltd		305	28%
BMW Financial Services(GB) Limited		450	28%
Lex Autolease Ltd		81	30%
Go Car Credit Limited		45	30%
Marsh Finance Ltd		38	33%
Santander Consumer (UK) Plc		416	37%
Oodle Financial Services Limited		383	37%
CA AUTO FINANCE UK LTD		172	40%
STARTLINE MOTOR FINANCE LIMITED		197	42%
MotoNovo Finance Limited		1093	43%

Customer service – continuous improvement

ACTIVITY TIMELINE	
31 st July 2023	Consumer Duty is fully implemented for new and existing products
1 st 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
31 st July 2024	Our first Consumer Duty Board report is curated and approved by the Board and subsequently reviewed by the FCA
1st August 2024 onwards	Improvements in CD metrics continue to be delivered including greater data granularity, re-engineered customer journeys and measurable improvements to customer outcomes

- Further investment in the latest telephony to deliver continued improvements to customer servicing
- Investment in modern cloud-based platforms to increase automation and efficiency
- Ongoing review of fair value measures and outcomes
- Annual product reviews demonstrate value delivered to customers

RE 5 reviews GB
★★★★★ 15 hours ago
Refinancing
The customer service team Emma and Jo have really been a very helpful to me. The service why I've beyond now here of deal with A

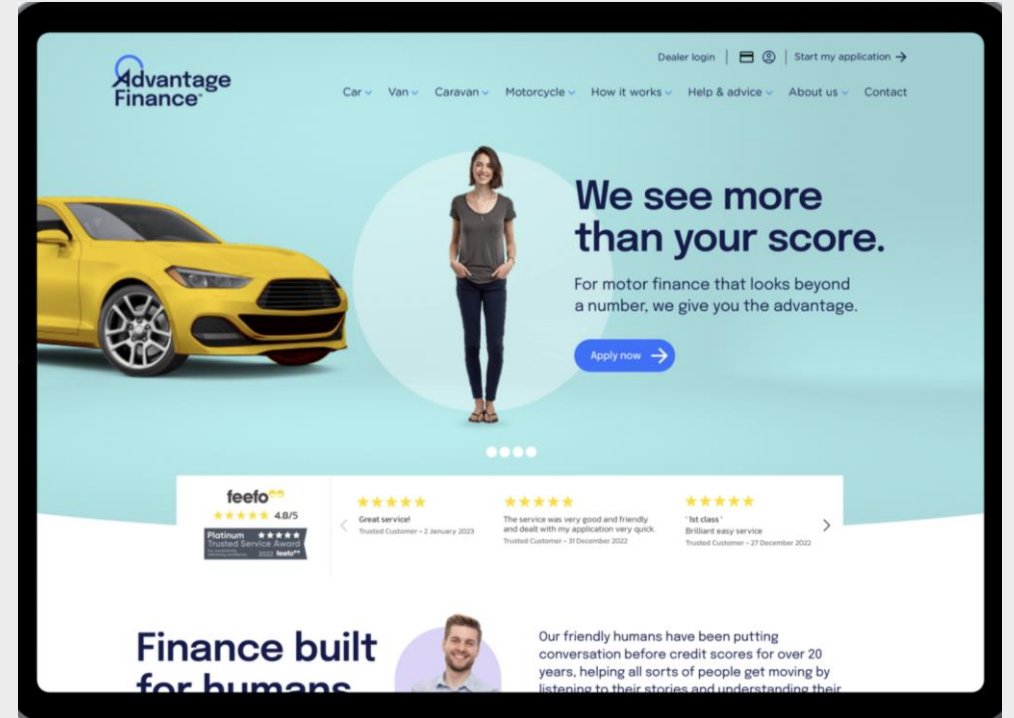
PA 16 reviews GB
★★★★★ 11 Sept 2024

DD 2 reviews GB
★★★★★ 19 Sept 2024
Rebecca was very helpful as well as...
Rebecca was very helpful as well as being kind and considerate.
Date of experience: 19 September 2024

Useful Share

2024 developments and opportunities

- A year of consolidation and investment to grow capabilities
- Successful progression of our regulatory engagement
- Further investment in our future – expanded premises, updated platforms and greater use of technology
- Investment in our people to build upon our long-established experience and competencies
- Improved MI, data and automation across the business

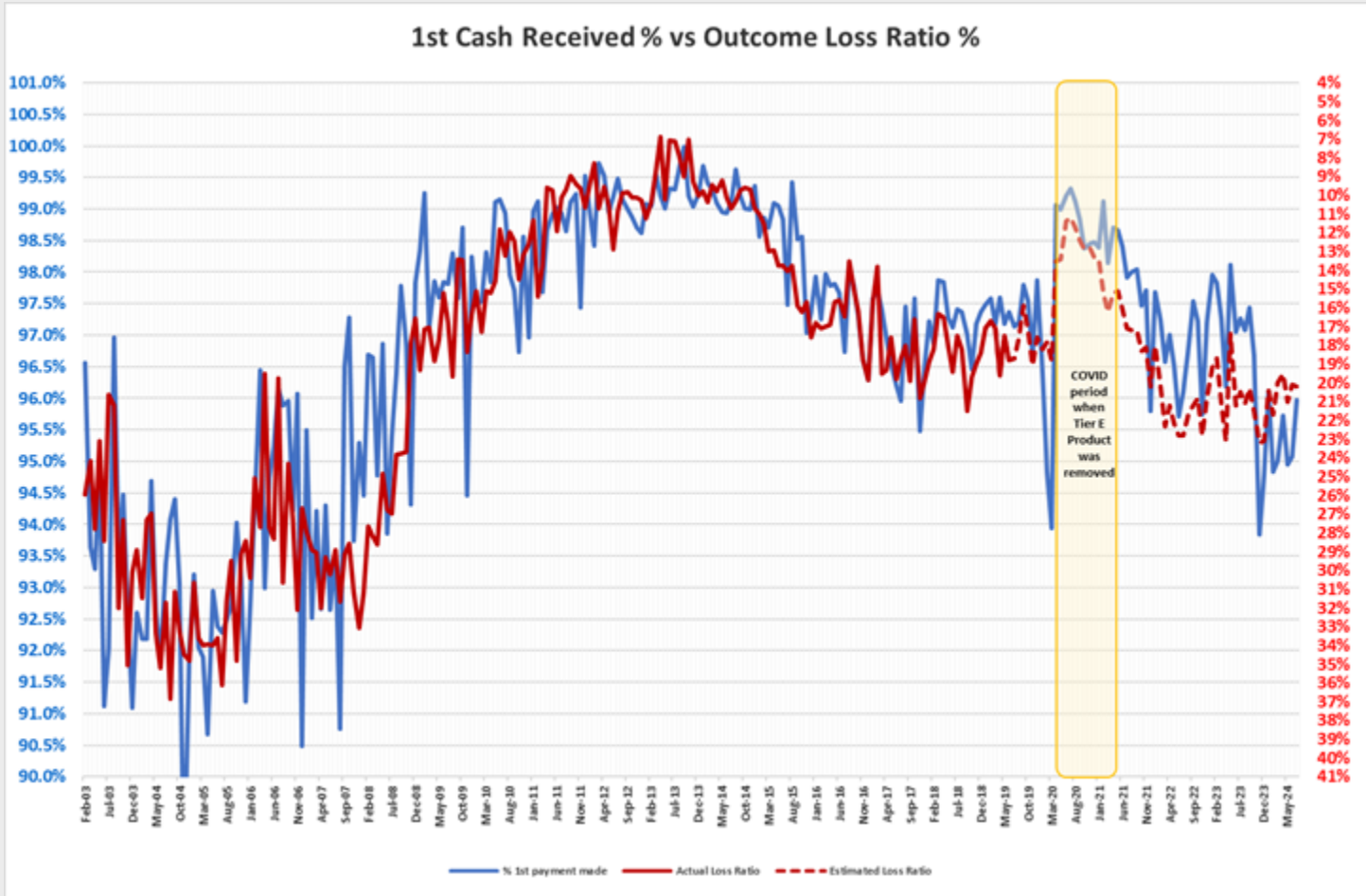


Our quality loan book

Average Loan profile	Year to Jan 21	Year to Jan 22	Year to Jan 23	Year to Jan 24	6 months to July 24
Number of loans	15,589	19,747	23,922	22,565	8,752
Advance	£6,581	£7,138	£7,799	£8,158	£8,367
Cost of Sales	£872	£874	£907	£961	£1,004
Interest rate flat per annum	17.0%	16.3%	16.3%	16.9%	16.9%
Average customer score*	900*	892*	875*	875*	882*
Original term in months	52	53	54	54	55

*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
- Temporary reduction in first payment success occurred both at the start of the pandemic and during the recent period of regulatory engagement – this is expected to recover in H2

Receivables

Original Contract Arrears	Position at end July 2024		Position at end January 2024	
	Volume of Accounts	Percentage of Live Receivable	Volume of Accounts	Percentage of Live Receivable
Up to Date	45051	69.32%	47622	74.00%
0.01 – 1 mthly payments	5750	9.08%	6032	9.46%
1.01 – 2	3200	4.83%	3475	5.08%
2.01 – 3	2519	3.55%	2584	3.28%
3.01 – 4	1866	2.65%	1830	2.31%
4.01 – 5	1517	2.14%	1254	1.54%
5.01 – 6	1215	1.74%	978	1.18%
6.01 +	4838	6.69%	2927	3.15%
Total Live Accounts	65956	£320.7m net receivables	66702	£327.5m net receivables
Legal and debt recovery	27253	£5.5m net receivables	26272	£5.0m net receivables
Total Accounts	93209	£326.2m net receivables	92974	£332.5m net receivables

Aspen Bridging



Summary of the half year

- **Record PBT of £3.4m** against £2.4m in H1 23 underpinned by continuing good quality on bigger book
- **Record lending of £92.5m** for half year for new loan facilities of 98 up from previous H1 record of 65 in 2023
- **Record net receivables of £149.3m** an increase of £18.9m in the year after several record early months
- **Record repayments of £72.8m** up from £66.8m in H1 2023, underlining the quality of the book with borrowers able to sell property and refinance loans
- **H1 trends** showed positive progress with steady growth in new loans, an improving housing market with a growing expectation of lower interest rates
- **Book quality remains good** only 13 loans of 177 book loans are in default at 31 July 2024 with all being progressed towards a settlement
- **Aspen outlook is positive** – growth expected in the bridging market this year with positive data emerging for house price growth this year

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	6 months to July 23	6 months to July 24
Number of new loans	57	80	111	148	164	65	98
Gross Advance	£539k	£543k	£618k	£905k	£881k	£875k	£944k
Cost of Sales (% of gross advance)	2.0%	1.6%	1.6%	1.5%	1.3%	1.25%	1.1%
Average Max gross LTV	71%	68%	72%	71%	69%	65%	70%
Average original blended yield %	1.12%	1.01%	0.95%	0.90%	1.05%	1.03%	1.08%
Original term in months	9	11	11	11	11	11	11
Settled beyond contractual term*	44%	32%	38%	33%	Contractual terms still running	Contractual terms still running	Contractual terms still running

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

Focus for 2024/25

- **Quality:** Maintaining focus on both the credit quality of borrowers and the quality of the property projects we finance using top credit tiers and high net worth individuals
- **Experienced property developers:** Increasing the number of repeat borrowers which now account for 26% (H1 23 15%), with good assets and with successful multiple project history
- **Adapting approach to risk:** We continue to monitor market risks, refining our pricing to maintain position and attract quality deals, on value forecasts and keeping a close eye on the refinance market
- **Expanding our channels:** Continuing to develop our broker relationships by investing in the business development channel and growing our direct channel now accounting for 15% of new loans
- **IT systems:** Continuing to simplify processes and eliminating manual tasks with 12 key projects completed so far during the year
- **Website:** Having launched a new website we are now focusing on value-add links for brokers and interactive post loan completion feedback
- **Speed of delivery and efficiency:** We have refined our quoting and customer management systems to lower our turnaround time to be able to complete loans in days. Recently completing a refinance deal in three days
- **Legal processes:** Working with our legal partners to increase clarity, speed and simplicity through regular feedback and with the implementation of electronic signing
- **Staff training and development:** Using our skilled professional partners, accredited courses such as RICS for valuation training on both residential and commercial property and CPSP in speciality property finance

Our future

Opportunities abound to build on S&U's long-established experience and expertise



- Opportunities for future growth as we invest in improved capabilities and competencies
- Distribution capabilities can be expanded with renewed credit risk and pricing toolset
- As the industry-wide regulatory engagement draws to a close, we anticipate a return to growth and increasing market share
- Market sector proves to be a resilient and increasingly attractive investment case



- Bridging loan book continues to grow steadily with a positive outlook for the bridging and property market
- Delivering lending solutions with increasing quality, repeat borrowers and a growing direct channel
- Increased margins, steady LTVs and a sensible valuation approach combined with our USP of visiting all projects underpin our credit quality
- Rigorous underwriting and collections approach maintain the excellent quality of our growing loan portfolio

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 £8,400 advance with c£15,300 repayable, including interest, over an average term of about 55 months

Our loyal customers



CASE STUDY

Mr X is currently employed as carer living in Norwich. He is currently living in a private rental property and has a confirmed income of £2,268 per month.

Mr X made an internet application to us directly when he was looking to purchase his first vehicle in the UK. 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 Mr X's verified income, profiling credit and outgoings along with ONS data to confirm the affordability.

Mr X chose a three year old Toyota Yaris at a purchase price of £17,696.00, with a cash deposit of £7,695.00 leaving the sum of £10,000 to be financed through the agreement.

Advantage Finance proposed monthly instalments of £322.09, payable over 60 months. Once the terms had been agreed, Advantage were able to progress the transaction using the electronic signature system. Additional evidence was required to go ahead with the loan and we confirmed his salary through a payslip which also confirmed his home address.

Mr X was very grateful that we went the extra mile to assist him in the purchase of his new car. He took the time to express 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 them through the process.

*“Advantage Finance is a finance with a difference. I had applied for car finance from different finance companies but none, I mean none, could deem it fit to give it a go. Advantage Finance company saw my application on the internet and decided to give it a go, today is a story of our sojourn. To cap their services to their customers, the company is surrounded by friendly and dedicated staff who know their work. A case of Jemma who ran round the clock to see that this union came to live. She was very supportive and within the ethics of her organization. Jemma is the reason that today I have my first car in the United Kingdom. If Advantage Finance company has staff like Jemma, then I think they should be the best finance company or one of the best in the United Kingdom. I do know that the company takes high risk, but you never know, there are also good people out there who, might be denied the opportunity to prove their honesty. ***** for ADVANTAGE FINANCE COMPANY LTD.”*

Our loyal customers -



CASE STUDY

Miss T, a previous “A” paid customer of Advantage, has been working as a Nursing Assistant for the NHS for the last 10 years and currently takes home £2,219.77 per month

Miss T had a previous hire purchase agreement with Advantage and had settled that agreement in 2022. Miss T had paid her previous agreement without fault. When Miss T made her application for this vehicle we carried out our usual creditworthiness checks and affordability assessment and were happy to approve her for a new loan to enable her to purchase the vehicle of choice.

Miss T chose a seven year old BMW 320D Sport, with a purchase price of £10,995 and a £995 deposit. Miss T was very happy with the service we provided in helping her finance her vehicles. She kindly wrote a review on Trust Pilot awarding us 5 stars.

“Great service. Very straightforward and easy. The staff at Advantage were excellent, they answered all my questions and was excellent all the way through keeping me informed on how things were going.”

Our business



- Aspen started trading in February 2017 and provide a “fast, flexible, friendly and fair” service to customers with property bridging loan requirements
- 779 secured property bridging loan facilities have been provided to customers to date with an average gross loan facility of c.£900,000 over average 11 month contractual loan term at an average maximum gross loan to value of 70%
- 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 – 602 of the 779 loan facilities have repaid up to 31 July 2024, and only 13 of the 177 remaining live loans at that date are in default

Case study



75% LTV, Stop Gap Bridge, Stepped Rate, Foreign National

A husband and wife, both originally from Hong Kong but now running their own Wealth Management company in the UK, were looking to use their savings to invest in the UK BTL market but required a bridge due to tight purchase deadlines by the developer. The loan of £678,000 was written on Aspen's popular stepped rate product over a 12 month term at 75% LTV

Case study



69% LTV, Capital Raising, Auction Purchase, Sale agreed, Flat Rate

Aspen were able to provide funds against an unencumbered property in Norwich that the borrower, an experienced property developer and investor, had previously completed works on to enable them to purchase their next project at auction. The exit strategy was for the borrower to sell the asset, a semi-detached family home, which was already on the market and subject to numerous offers. We provided the £206,000 loan at 69% LTV over a 10 month term.

Our five year record

£m	Year to Jan 20	Two Pandemic Years		Year to Jan 23	Year to Jan 24
		Year to Jan 21	Year to Jan 22		
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

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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