

FY22 growth ambitions met: AUM +36%

AUM reached £2.15bn at the end of FY22 (31 Mar '22), 36% up y-o-y (end FY21 AUM: £1.57bn), 18% up in H2 (AUM on 30 Sep '21: £1.83bn), and almost exactly in line with our forecast of £2.17bn. Continuing the trend of H1, buy-to-let lending was the main driver of growth.

FUM ('funds under management' i.e. capital committed by investors and available to lend out to borrowers) was largely unchanged from the end of H1 at £2.9bn (+2%), which was as expected, as LendInvest did secure a number of new or expanded funding lines during H1 to give itself ample capital headroom (currently just under £800m).

Accordingly, our forecasts remain largely unchanged (see table below), although we await further detail of the impact of interest rate rises from LendInvest which is expected at the time of the full year results in late June/early July.

At a more macro level, despite significant general economic headwinds, **LendInvest's market environment - UK housing - has remained relatively robust.**

Gross new residential mortgage lending jumped 27% in 2021 from £246bn to £316bn, which was clearly more than a simple 'pandemic bounce' as it was also 14% higher than 2019's £276bn. The average UK residential property price (Halifax House Price Index) continued to rise, reaching a record £283k in Mar '22, 11% up y-o-y and 1.4% up in March. And the volume of residential property transactions – while very volatile through the course of the pandemic due to the impact of lockdowns etc – is still buoyant at around 100k per month or 300k per quarter.

Longer term prospects also remain strong - buoyed fundamentally by a need to dramatically ramp up housing supply to meet demand. While current net new housing supply in England is running at just over 200,000 per year, the UK government's 2019 election manifesto is targeting a supply of 300,000 by the mid 2020's, while other studies estimate that 340,000 new houses per year are needed for a 15 year period (see pages 2 & 3 for all housing market data).

Fundamental valuation remains significantly above share price

There are no material changes to our forecasts. **Our fundamental valuation remains 310p per share, 58% above the current share price.** LendInvest appears on track to achieve its medium-term ambitions: trebling AUM and increasing adj. EBITDA by 3-5x over the FY21 to FY24 period.

| Key Financials | | | | | | |
|---------------------------|-------|--------|-------|--------|----------|--------|
| Year-end 31 Mar | FY20A | H1 21A | FY21A | H1 22A | FY 22E** | FY 23E |
| AUM, £bn | 1.26 | 1.39 | 1.57 | 1.83 | 2.15 | 3.21 |
| Rev, £m | 65.5 | 39.1 | 79.1 | 50.8 | 97.0 | 125.8 |
| Adj admin expenses (opex) | 21.9 | 9.7 | 20.5 | 11.4 | 25.1 | 33.0 |
| Adj EBITDA* | 4.1 | 4.8 | 12.1 | 13.4 | 20.2 | 26.9 |
| Operating margin* | 6.3% | 12.3% | 15.2% | 26.4% | 20.8% | 21.4% |
| PBT, £m | -3.2 | -0.2 | 6.2 | 10.2 | 14.4 | 20.7 |
| EPS basic, p | -2.0 | -0.4 | 4.3 | 6.6 | 9.4 | 12.1 |
| PER | | | 45.9 | 14.9 | 20.7 | 16.1 |
| Price/book | 266.6 | 78.0 | 56.0 | 25.3 | 27.3 | 23.1 |
| Net assets, £m | 10.1 | 34.6 | 48.2 | 106.6 | 98.9 | 117.1 |

Source: Company Historic Data, ED estimates. PER and Price/book based on share price of: **196p**
 * Profit or loss before finance income, finance expense, income tax, depr, amortisation, & exceptional items
 ** FY 22 estimates include IPO which raised ~£40m gross less ~£3.6m IPO costs

Company Data

| | |
|------------------------|-----------|
| EPIC | LINV |
| Price (last close) | 196p |
| Hi/Lo (since July IPO) | 227p/190p |
| Market cap | £270m |
| ED Fair Value/share | 310p |
| Net assets | £107m |
| Avg. daily volume | 31k |

Share Price since IPO, p



Source: ADVFN

Description

LendInvest was established in 2012 to capitalise on the opportunity to modernise UK property finance. It mostly sources capital from large institutional investors (and some HNW private investors) and deploys this to provide loans for landlords and developers, including:

- Bridging loans,
- Development loans, and
- Buy-to-let mortgages.

AUM on 31 Mar 22: £2.15bn

Next event: FY22 preliminary results, expected late-June/early-July.

Paul Bryant (Analyst)

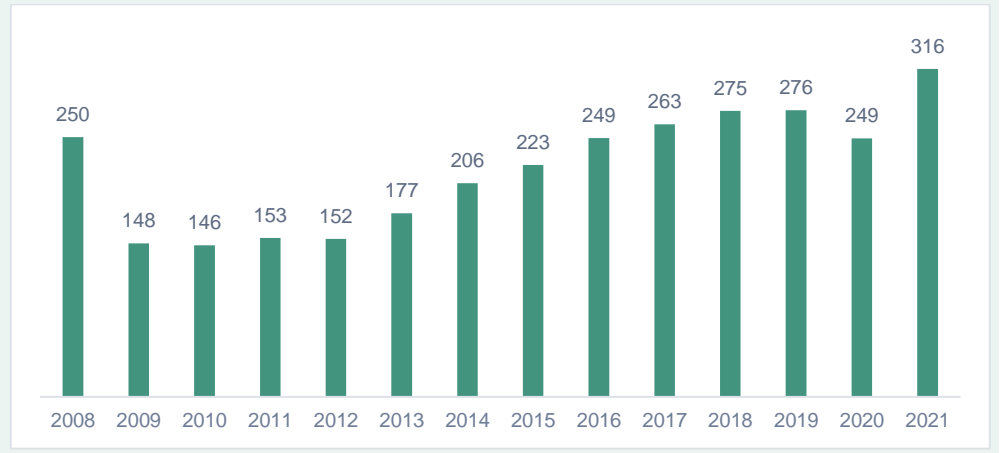
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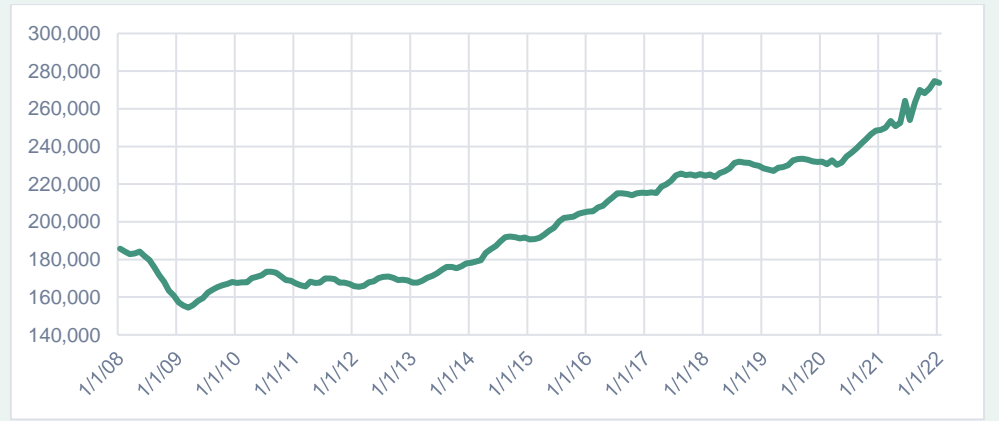
Highly attractive market fundamentals

Gross new residential mortgage lending continues to rise (£bn) ...



Source: Bank of England.

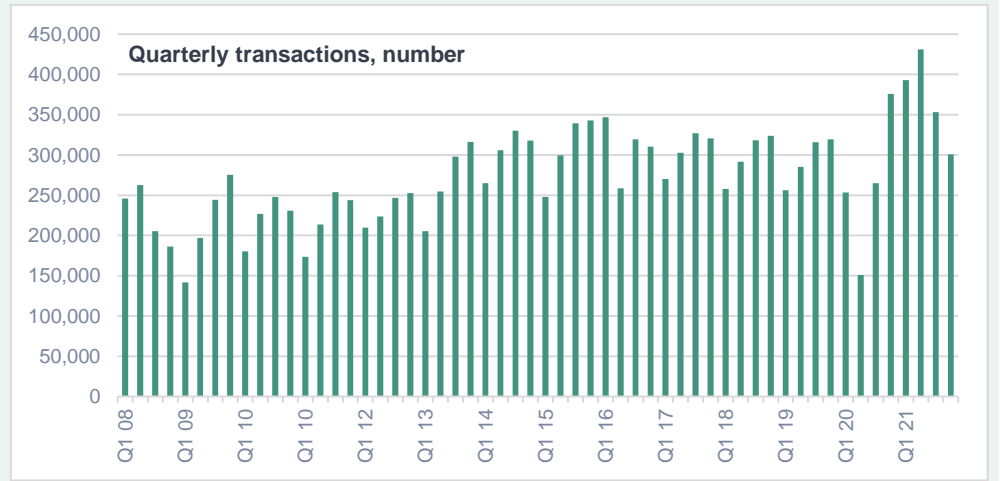
... driven by the rise in the average residential property price (£) ...



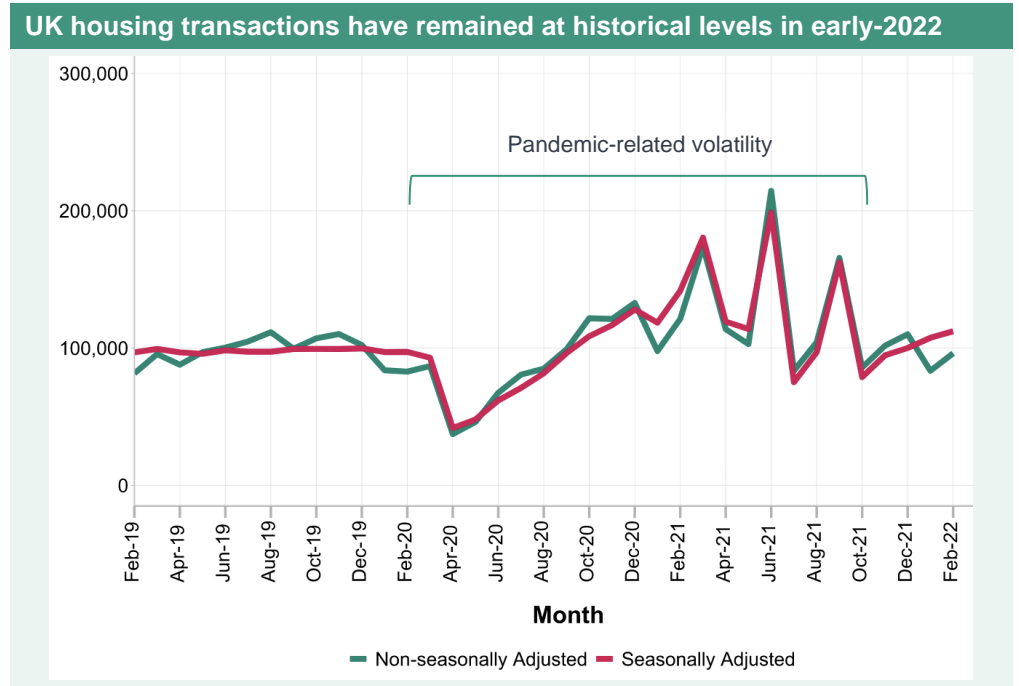
Source: HM Land Registry (latest data Jan 2022)

Note: HM Land Registry data lags Halifax data, which recorded further increases of 0.5% in Feb 22 and 1.4% in Mar 22, clearly indicating that the above price trend has continued through to the end of Mar 22.

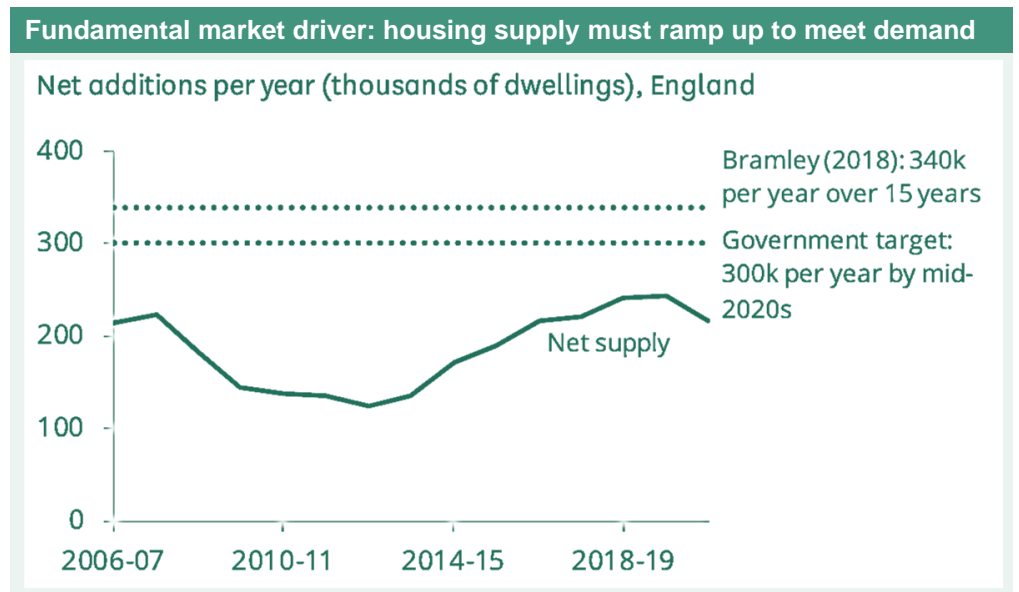
... and robust levels of residential property transactions



Source: HM Land Registry (latest data 21/01/2022). Transaction statistics are reported based upon when transactions were completed and only include those with a value of above £40,000.



Source: HMRC, March 2022



Source: House of Commons Library; Tackling the under-supply of Housing; February 2022; Bramley, Housing supply requirements across Great Britain, November 2018



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