LendInvest plc

Solid H1 amidst weakening macro environment

1 December 2022

LendInvest continued to grow and gain market share in H1 of FY23 (to 30 Sep 22), with AUM closing on £2.43bn, 33% up y-o-y (30 Sep 21: £1.83bn) and 13% up over the half-year (31 Mar 22: £2.15bn). In the four years since the end of H1-19, when AUM stood at £546m, AUM has grown by a compounded annual growth rate of 45%.

And despite a worsening macro-economic environment, half-year financial results were also solid. H1 revenue fell 8% y-o-y from £46.3m to £42.5m; adjusted EBITDA* grew 7% from £13.4m to £14.3m; PBT grew 45% from £10.2m to £14.8m (boosted by a one-off finance income gain), while basic EPS increased 64% from 6.6p to 10.8p.

Deteriorating market conditions, and specifically the financial market turmoil caused by the Sep 22 'mini-budget' have however been responsible for a significant revaluation of the fair value of loans held by LendInvest. So, despite good profits being recorded, net assets decreased from £97.5m on 31 Mar 22 to £60.2m on 30 Sep 22. Rates have however started to reduce in the post-results period so we would expect fair values to increase in H2 should this situation continue.

But the business has a **solid cash position** and an interim dividend of 1.3 pence per share has been recommended. We remind readers that LendInvest declared a maiden dividend at the end of FY22 of 4.4p, a yield of 5.4% on the 29 Nov 22 closing share price.

Short term headwinds but well positioned to thrive

The weak macro-economic environment, and recent dislocations in the mortgage market has resulted in LendInvest experiencing depressed demand, and short-term growth forecasts are relatively weak. But LendInvest, and indeed many housing market experts, suggest that the market is heading for a slowdown, not a crash (see page 3), and fundamental long-term market drivers remain intact.

On top of this, LendInvest has developed a technology-led market-leading proposition, is about to launch its 'specialist' mortgage product (aimed at the self-employed, those with multiple incomes which traditional lenders don't always take into account, etc) which should fuel further growth, and **it has ample lending capital headroom of c. £1bn**.

Fundamental valuation 180p, more than double current share price

We have made small adjustments to our forecasts – slightly lower growth for the remainder of FY23 with slightly higher growth in FY24 – following the company's H1 results release, update and outlook. **These largely negate each other and our fundamental valuation remains at 180p per share.**

Key Financials

Year-end 31 Mar	FY21A	*H1-22A*	FY 22A	*H1-23A*	FY 23E	FY 24E
AUM, £bn	1.57	*1.83*	2.18	*2.43*	2.56	3.34
Rev, £m	79.1	*46.3*	97.6	*42.5*	101.3	120.2
Adj admin expenses (opex)	20.5	*11.4*	25.0	*14.9*	28.0	30.3
Adj EBITDA*	10.7	*13.4*	20.3	*14.3*	19.1	22.0
PBT, £m	4.9	*10.2*	14.2	*14.8*	14.3	16.7
EPS basic, p	3.5	*6.6*	8.3	*10.8*	8.1	8.3
Dividend, p			4.4	*1.3*	4.4	4.8
Dividend yield			5.4%	*1.6%*	5.4%	5.8%
PER	23.8	*6.2*	9.8	*3.8*	10.2	9.9
Price/book	22.7	*10.6*	11.6	*18.8*	15.2	13.9
Net assets, £m	49.9	*106.6*	97.5	*60.2*	74.7	81.9

Source: Company Historic Data, ED estimates. PER and Price/book based on share price of: ***82p***
** Profit or loss before finance income, finance expense, income tax, depr, amortisation, & exceptional items*

Company Data

EPIC	LINV
Price	82p
Hi/Lo 1 year	217p/58p
Market cap	£113m
ED Fair Value/share	180p
Net assets	£60m
Avg. daily volume	50k

Share Price, 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:

- Buy-to-let mortgages,
- Bridging loans,
- Development loans,
- 'Specialist' mortgages (launch imminent).

AUM on 30 Sep 22: £2.43bn.

Next event: Trading update Apr 23

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Good lending progress through most of H1

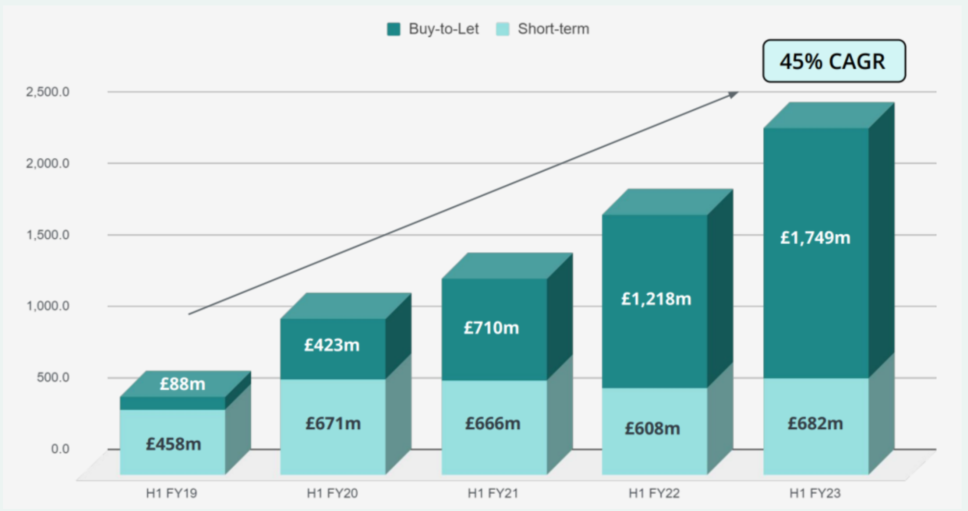
Professional buy-to-let mortgages (BTL) continues to be the predominant growth engine of the business, **with BTL AUM increasing 44% from £1.22bn on 30 Sep 21 to £1,75bn on 30 Sep 22**.

Short Term Lending (Bridging and Development loans) AUM increased by 12% from £608m to £682m, with the increase largely driven by the new broker portal that was released in December 2021. This makes it easier for brokers to apply for new loans, and better track the loan through to completion.

Activity levels in both divisions are reflected in LendInvest's continuing success in attracting new brokers to its platform and in levels of repeat business from brokers. Indeed, broker market penetration continued to improve with active brokers completing applications up 7% since the start of the financial year to more than 2,100 and up from 1,800 one year prior. Repeat business rates from brokers stood at 69%.

The above performance has led to continued growth of LendInvest's AUM:

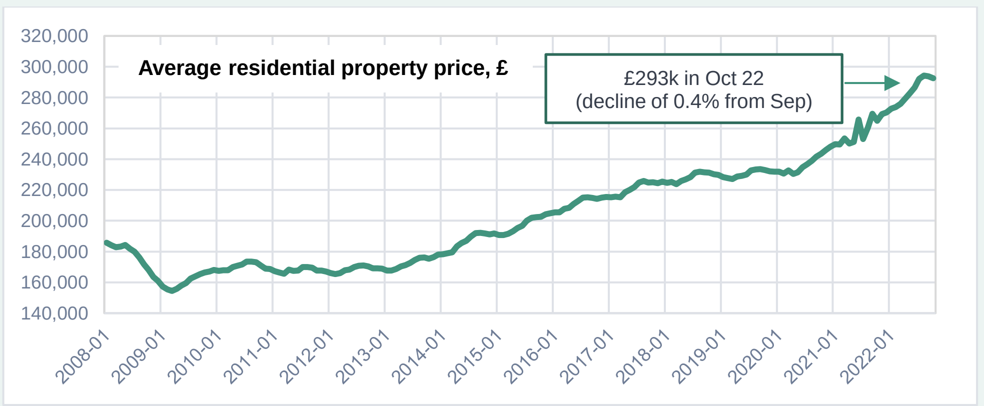
AUM last 5 years, £m



Source: Company

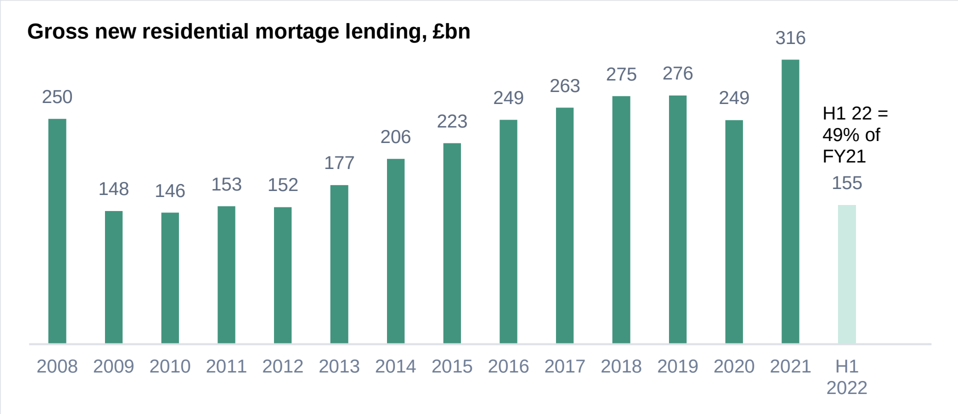
This performance was in the context of a fairly solid housing market over most of the H1 period (even in a rising interest rate environment: the BoE base rate rose from 0.1% in Dec 21 to 2.25% in Sep 22 and now stands at 3.0%). House prices continued to rise (falling marginally in Sep 22 by 0.1%, and then by 0.4% in Oct 22); gross new residential mortgage lending was strong up until 30 Jun 22 (Q3 data not yet available); and housing transactions held up through Oct 22.

House prices have continued to rise during 2022



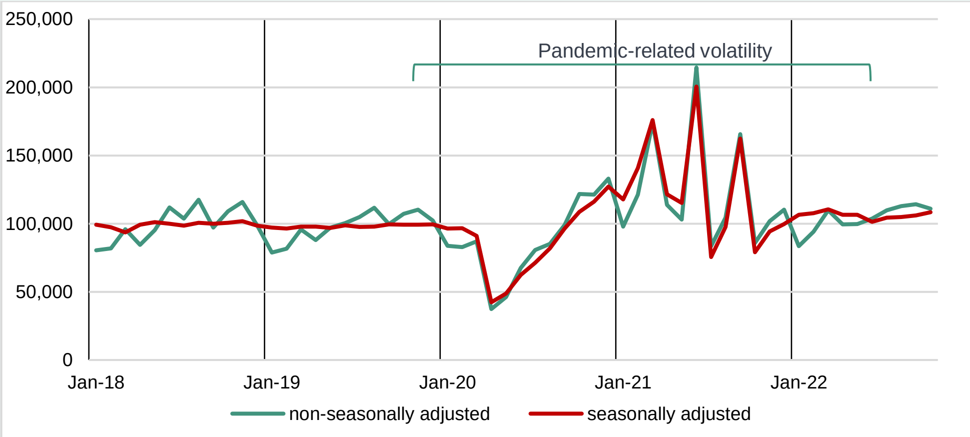
Source: HM Land Registry (up to Sep 22), Halifax (Oct 22) - HM Land Registry data lags Halifax data

Mortgage lending was still strong in H1-22



Source: Bank of England.

Housing transactions returned to pre-pandemic levels through Oct-22



Source: HMRC, Nov 2022
**Aug, Sep, Oct 22 provisional numbers*

Outlook deteriorates, but no crash predicted

However, the housing market slowed markedly towards the end of H1, and this is filtering through to LendInvest. The company flagged this in its Oct 22 trading update, in which it stated that it was experiencing weaker demand, particularly in BTL products, and that it had tightened credit appetite to protect investor returns.

Rising interest rates and generally weak economic conditions in the UK had already tempered the housing market to a degree, which was then rocked by the late-September 'mini-budget' with mortgage rates spiking and market activity falling sharply.

LendInvest has provided some detail on how this affected its BTL product in particular:

"*The sharp increase in the interest rate swap curve in H1 led to a corresponding increase in our lending rate. The fixed term lending rate on 5-yr fixed rate BTL loans in September 2021 was, on average, 3.5%, whilst the average rate for the same loans at 30 September 2022, following the UK's mini budget was 7.5%.*

We expect that this sharp increase in interest rates will lead to a reduction in our pipeline for new lending which will reduce Platform AuM growth in the second half of the year."

But it also responded to changing market conditions following the turmoil after the mini budget by launching a new two-year tracker product range – with good initial uptake - to support landlords.

This aims to provide borrowers with flexibility while offering competitive interest coverage ratio stress tests to maximise borrowing. With no early repayment charges, borrowers can secure a preferential rate with the knowledge they have the flexibility to remortgage if market conditions change.

And in a more general context, Zoopla Research[1] reported that in the four weeks to 20 Nov 22, residential demand fell 44% compared to the same period one-year prior with the number of sales agreed falling 28% (these figures would not have filtered through to the charts on the previous page which capture completed transaction data).

But while those appear to be rather dramatic falls, context is all important, and a range of housing market experts seem to agree that the market is heading for a slowdown, not a crash, with a number stressing the importance of the labour market in the months and years to come (which the OBR currently forecasts to deteriorate somewhat, but not dramatically):

- Zoopla: "*Sales volumes are down 28% from a year ago and* ***on par with the pre-pandemic period****. We are transitioning from an unsustainably strong market to a more balanced one, albeit with demand-side headwinds for households most sensitive to higher mortgage rates. We still expect house price falls of up to 5% in 2023 … but* ***the number of sales going through will remain buoyant for a range of structural, demographic and economic factors****. All the leading supply and demand indicators we measure continue to point to a rapid slowdown from very strong market conditions. We do not see any evidence of forced sales or the need for a large, double digit reset in UK house prices in 2023*."

- Halifax[2]: "*Though the recent period of rapid house price inflation may now be at an end, it's important to keep this is context, with average property prices rising more than £22,000 in the past 12 months, and by almost £60,000 (+25.7%) over the last three years, which is significant … economic headwinds point to a much slower period for house prices. While* ***certain longer-term, structural market factors which support higher house prices – like the shortage of available properties for sale – are likely to remain****, how significantly prices might ultimately adjust will also be determined by the performance of the labour market.*"

- RICS Chief Economist, Simon Rubinsohn[3]**:** "*The latest feedback to the RICS survey provides further evidence of buyer caution in the face of the sharp rise in mortgage costs. As a result, the volume of activity is likely to slip back over the coming months and realistic pricing is now much more important to complete a sale. The settling down in financial markets could provide some relief although it may be premature to assume this will be reflected in a reduction in lending rates anytime soon. However,* ***the employment picture remains critical to the medium-term outlook and for the time being, that remains solid.****"*

- OBR[4]: "*We expect the unemployment rate to rise to a peak of 4.9 per cent in the third quarter of 2024 …the latest data continue to indicate a tight labour market, with the unemployment rate dropping to 3.5 per cent in the three months to August (the lowest since January 1974), high vacancies, and surveys showing continued recruitment difficulties …Overall, we expect unemployment to rise by 505,000 from 1.2 million at present to 1.7 million at its peak. By late 2027, unemployment returns to its estimated structural rate of 4.1 per cent*."

[1] *Zoopla Research, UK House Price Index, November 2022*
[2] *Halifax House Price Index October 2022*
[3] *RICS: Housing sales continue to stall while rental market picks up steam, 10 November 2022*
[4] *OBR: Economic and Fiscal Outlook, November 2022*

H1 22 results

Revenue

Revenue fell 8% y-o-y from £46.3m in H1 22 to £42.5m. H1-23 revenue was split: £31.2m interest on loans and advances (H1-22: £29.8m), £7.5m fees and other income (H1-22: £11.8m), and £3.8m gain on derecognition of financial assets (H1-21: £4.7m).

The derecognition values above primarily arose from the group selling its holdings in loan portfolios, which is an ongoing strategy to selectively move assets off-balance-sheet to remain as capital-light as possible, and as such these are fairly regular events.

The y-o-y change in overall revenue was driven primarily by:

- lower average balances on loans and advances (c£6.4m reduction in revenue), mostly related to short-term lending products, when in the previous financial year, borrowers were able to quickly sell properties on completed projects due to the strength of the UK property market;
- lower performance fees on LendInvest funds (c£1.3m reduction in revenue), where LendInvest's Luxembourg-based Real Estate Opportunity fund generated no performance fees as a result of increased impairment provisioning increased;
- higher revenue generation as a result of growth in the BTL portfolio.

(See 'segment performance' below for more detail.)

Expenses and profitability

Gross profit – revenue less cost of sales - increased 17% from £26.5m to £31.1m. This was driven mostly by a reduction in cost of sales from £19.8m to £11.4m, which was in turn mostly driven by a £9.2m gain from the exercise of the call option on LendInvest's first securitisation (incepted in 2019). This transaction saw an increase in fee revenue without a corresponding cost-of-sales (whereas in the pre-transaction RMBS structure, LendInvest would have recognised both interest income with a corresponding cost of sales). Gross margin therefore was abnormally high in the period at 73%.

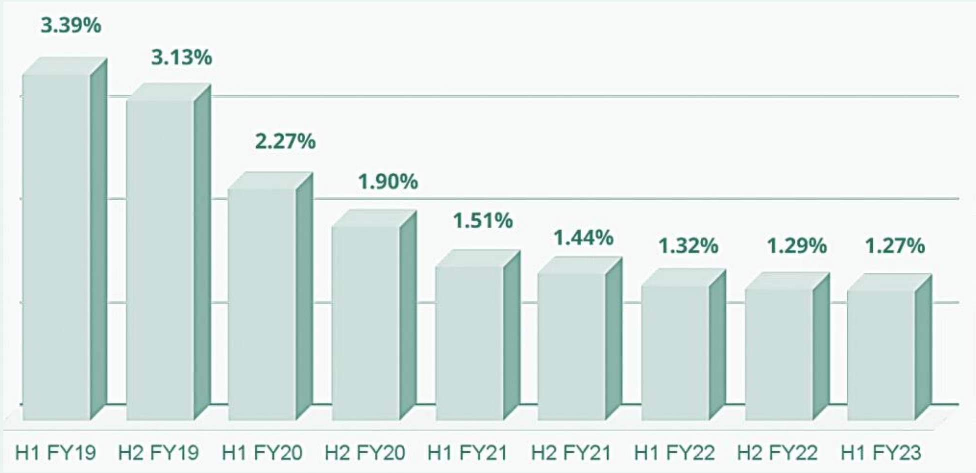
Ordinarily, cost of sales for LendInvest primarily comprises interest expense paid to capital providers, share of origination fees paid to brokers, funding line costs being legal and other fees incurred in setting up new funding lines, and asset management and fund fees paid to others. Reduced funding costs also contributed to an increase in gross profit. These reduced costs arose from:

- a third RMBS launch, which achieved the tightest spread on a BTL securitisation in 13 years;
- renegotiation of terms with Citi and National Australia Bank on a BTL portfolio; and
- the terms achieved in the new partnership with Barclays and HSBC to fund short term loans.

Adjusted administrative expenses – excluding depreciation & amortisation, finance expenses, share-based payments, and exceptional items, a good measure of operating expenditure (opex) – increased 30% from £11.4m to £14.9m. This was driven primarily by investment in staff with total headcount increasing by 80 to 277. A significant number of these hires have been into the technology team to facilitate the development of the specialist homeowner product. LendInvest has indicated that it expects to grow headcount more slowly in the second half of the year, reflecting the slowdown in the wider economy.

Nonetheless, even with the above increase in expenses, as a percentage of average platform AUM Opex has continued to decrease as LendInvest realises the scale benefits of its technology platform (see below).

Opex* as % of average AuM



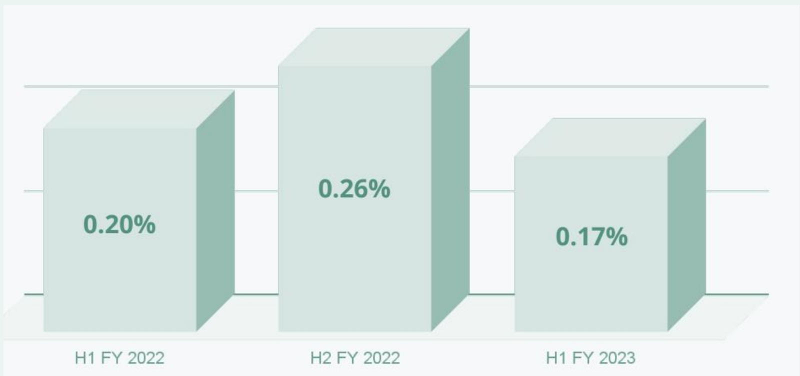
Source: Company.
**Excluding depreciation & amortisation, finance expenses, share-based payments and exceptional items*

Impairment provisions increased by 12% y-o-y from £1.7m to £1.9m, reflecting the weaker macroeconomic outlook. Included in the £1.9m provision is a £0.6m provision over and above its modelled impairment provisions . This is: "*to adjust for the sharp increase in interest rates over the 6 month period, which were further exacerbated prior to 30 September following the UK's mini-budget. The overlay accounts for any BTL Loans where the rental income is not expected to cover the interest payments at any point in the next five years*."

Impairment provisions have however reduced as a percentage of AUM for reasons including:

- an increasing proportion of assets being held off balance sheet;
- a growing proportion of BTL assets compared to total assets (BTL typically carries a lower impairment risk compared to short-term loans); and
- LendInvest's proprietary technology enables more detailed underwriting and understanding of risk.

Impairment charge as % of average AuM



Source: Company.

Adjusted EBITDA consequently increased 7% from £13.4m to £14.3m, primarily as a result of the jump in gross profit, offset by the increase in adjusted expenses and impairments (all described above).

IFRS administrative expense increased by 12% y-o-y from £15.3m to £17.1m. The primary differences between these and adjusted operating expenses are a depreciation charge of £1.0m and a share based payment charge of £0.7m.

Profit before tax increased 45% from £10.2m in H1 22 to £14.8m in H1 23, boosted by £2.7m of net finance income (H1 22: £0.7m). This gain is largely due to interest rate hedges put in place on the pipeline of BTL assets. These mitigate the risk from rising swap rates while the loans are in the pipeline before completing. The mark-to-market gain on these hedges occurred as the interest rate swap curve increased sharply prior to 30 Sep 22. These gains could reverse in the second half of the year if swap rates reduce.

Basic earnings per share increased 63% from 6.60p to 10.75p, while diluted earnings per share increased 63% from 6.35p to 10.38p.

Balance sheet and cash position

Net assets decreased from £97.5m on 31 Mar 22 to £60.2m on 30 Sep 22, driven mostly by a significant revaluation of the fair value of loans held by LendInvest, which was in turn driven by the need to discount the expected future cash flows of loans by higher securitisation rates. Deteriorating market conditions, and specifically the financial market turmoil caused by the Sep 22 'mini-budget' have been responsible for these changes.

Rates have however started to reduce in the post-results period so we would expect fair values to increase in H2 should this situation continue.

On 30 Sep 2022, the group held cash and equivalents of £113.3m, 4% down over H1-23. Of this total, £82.1m is held for loan funding purposes. The remaining cash balance of £31.3m has reduced by £38.5m since the prior year partially due to £11m used for the 5% equity funding in loans on the Group's balance sheet, and £7m used to originate loans, just prior to 30 Sep 22, before sale to other group entities. The remaining £20m movement is due to a part repayment of a financial partnership given the high level of cash held by the Group.

The table below shows the free cash flow of the business (£9.2m over H1-23), defined as the net cash outflow from operating activities, less purchases of property, plant and equipment and capitalisation of internally developed software. Additionally, an adjustment has been made to reverse movements in loans and advances. This reflects the operating model of the business to finance increases in loan and advances through increases in interest bearing liabilities, which are excluded from this calculation.

Free cash flow

£m	H1 FY23	H1 FY22	Change %
Net cash outflow from operating activities	**10.1**	**(11.2)**	
Less Capital Expenditures:			
PPE additions	(0.2)	(0.1)	
Intangibles	(2.8)	(1.7)	
Lease payments	(0.5)	(0.4)	
Reverse movements in Loans and advances	4.8	47.6	
Free cash flow	**11.4**	**34.2**	

Source: Company.

An interim dividend payment of 1.3 pence per share has been recommended. We remind readers that LendInvest declared a maiden dividend at the end of FY22 of 4.4p, a yield of 5.4% on the 30 Nov 22 closing share price.

Segment performance

A summary profit and loss statement of LendInvest's two business segments is shown below. We remind readers:

- **BTL lending** provides finance for professional portfolio landlords looking to purchase or remortgage buy-to-let investment properties in England, Wales and Scotland. The mortgages are available to both individual and corporate borrowers, and funds are lent against standard properties as well as houses in multiple occupation and multi-unit freehold blocks. The term of these loans is up to 30 years.
- **Short term lending** (bridging and development loans) provides finance for borrowers who need to quickly secure property, generate cash flow or fund works through the Group's bridging products, and provides property developers with funding to start or exit a project through development products. The term of these loans is up to 24 months.

Segmental financial summary, £m

	BTL		Short-term	
	H1-23	**H1-22**	**H1-23**	**H1-22**
Interest revenue	20.7	15.8	10.5	14.0
Fee and other income	2.8	4.7	4.7	7.1
Gain on derecognition of fin asset	3.3	3.7	0.5	1.0
Segment Revenue	**26.8**	**24.2**	**15.7**	**22.1**
Interest expense	(2.1)	(7.9)	(6.4)	(7.5)
Cost of sales (other)	(1.8)	(2.8)	(1.1)	(1.6)
Gross Profit	**23.1**	**13.5**	**8.2**	**13.0**
Impairment provision	(0.5)	0.3	(1.4)	(2.0)
Finance Income	2.7	1.1	-	-
Finance Expense	-	-	-	(0.4)
Segment Profit	**25.1**	**14.9**	**6.8**	**10.6**

Source: Company (totals may not add due to rounding)

Significant points to highlight from the above segment performance include:

- BTL lending interest revenue increased by 31% in line with the growth in the average gross loans and advances balance. The gross loans and advances balance was significantly higher during the period compared to the previous period as £270 million of loans in the *Mortimer BTL 2022-1 plc securitisation* were consolidated into the results up until the residual economic interest in this was sold in Aug 22.
- The BTL gain on derecognition of financial assets in H1-23 (£3.3m) was in relation to the gain recognised from the sale of the residual economic interest in abovementioned securitisation,
- The gain on derecognition of financial assets in H1-22 (£3.7m) was recognised from the sale of a £100 million BTL portfolio to J.P. Morgan.
- Both of the above transactions are consistent with the LendInvest strategy of moving more assets off-balance-sheet and to reduce the capital-intensity of the business.

- BTL fees and other income reduced by 40% largely driven by fewer loans sold to J.P. Morgan as they didn't hit minimum income levels (loans sold to JPM generate fee income while loans in financial partner structures or securitisation structures generate mostly interest income). Selling loans to the JPM separate account (off-balance-sheet) has been part of the financial strategy of the business for the last few years and again reduces the capital intensity of the business.

- BTL gross profit increased by 76% largely due to a reduction in cost of sales, driven by a £9.2m gain on the call of the Mortimer BTL 2019-1 assets. The gross margin of 85% (H1-22: 56%), is however elevated due to this event and is not expected to be maintained.

- Short term lending gross profit decreased by 37% caused primarily by the reduction in average balances on the statement of financial position over the two periods. The average loan book in H1-23 was £214m, a £42m less than H1-22 (£256m).

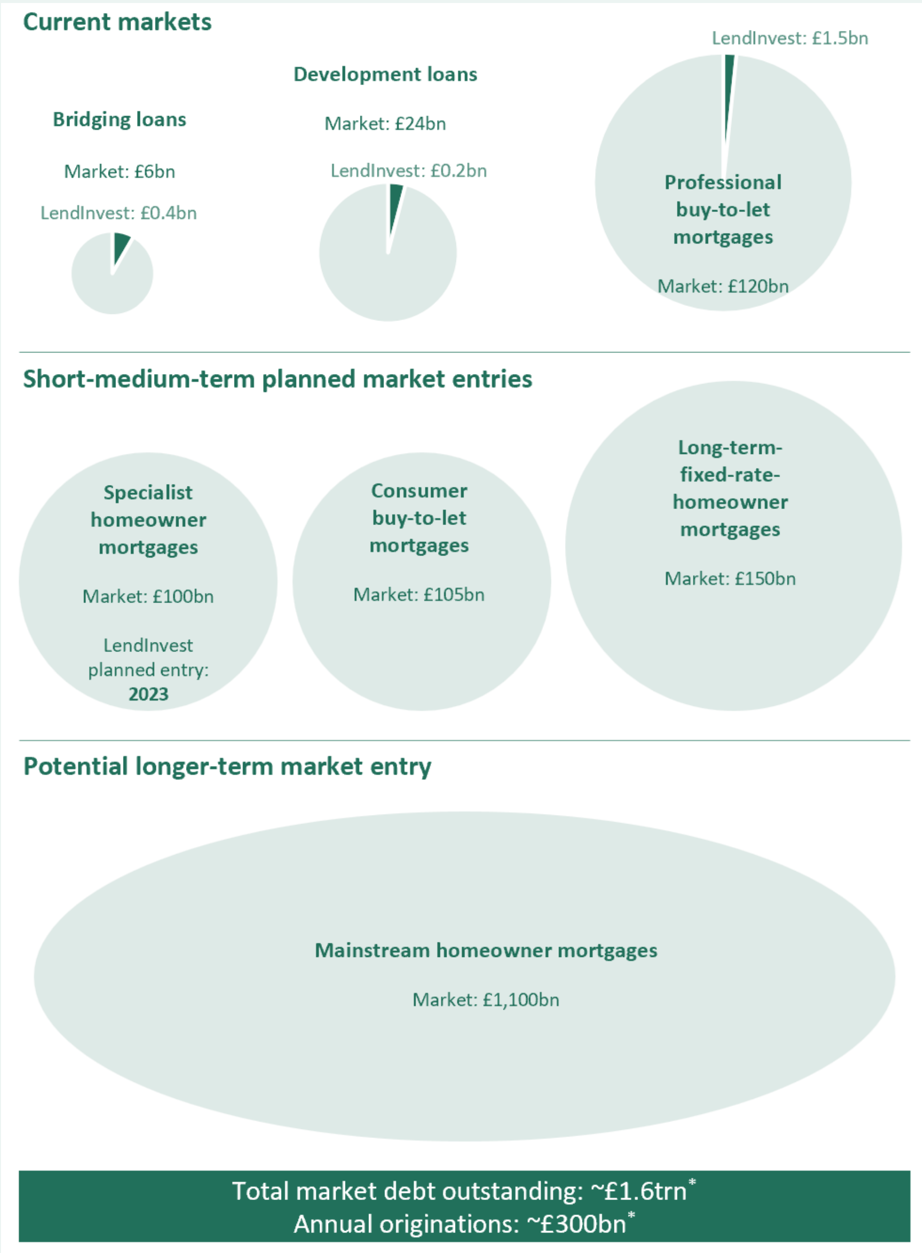
- Short term lending gross profit was also impacted by fewer loans being sold to third parties, resulting in a lower gain on derecognition of financial assets, and by lower performance fees from the Luxembourg domiciled Real Estate Opportunity Fund due to higher levels of impairment provisioning.

Opportunity and capital headroom

Considering that within professional BTL (a **£120bn** market), LendInvest still only has around a 1.5% market share, and that within short-term lending (a £30bn market) it only has a 2-2.5% market share, the scope for further growth from these existing market segments alone is clearly enormous.

In addition, LendInvest plans to access new market segments, with an entry into the **£100bn** specialist homeowner market now imminent. 'Specialist' mortgages involve homeowners with increased underwriting complexity, such as the self-employed and those with multiple incomes that traditional lenders don't always take all into account, such as doctors who may have NHS, private practice and other incomes).

LendInvest has only scratched the surface of its opportunity



Source: LendInvest
*Sub-sector market sizing based on LendInvest privately commissioned market report; *Bank of England, 2020*
LendInvest figures represent approximate AuM as of 31 Mar 22

LendInvest is also now in the position where it has set itself up operationally and financially to scale and capture larger market shares of these segments.

In terms of capital headroom, in H1-23, LendInvest has also increased its access to lending capital to be able to support growth. Funds under management have grown 20% over H1 to £3.4bn, providing around **£1bn of lending 'headroom'** i.e. available capital than can still be deployed.

Notable developments include:

- an upsizing of an existing JP Morgan facility from £725m to £1bn;
- a new £180 million financial agreement with Lloyds Bank;
- completion of a fourth securitisation, which comprised £270 million of prime Buy-to-Let mortgages in an oversubscribed Residential Mortgage-Backed Security (RMBS) transaction;
- the issue of a third listed bond (Euro Medium Term Note programme), the LendInvest Secured Income II plc 6.50% bonds due 2027, raising £38 million in the process with a further £22 million retained in treasury for future sale.

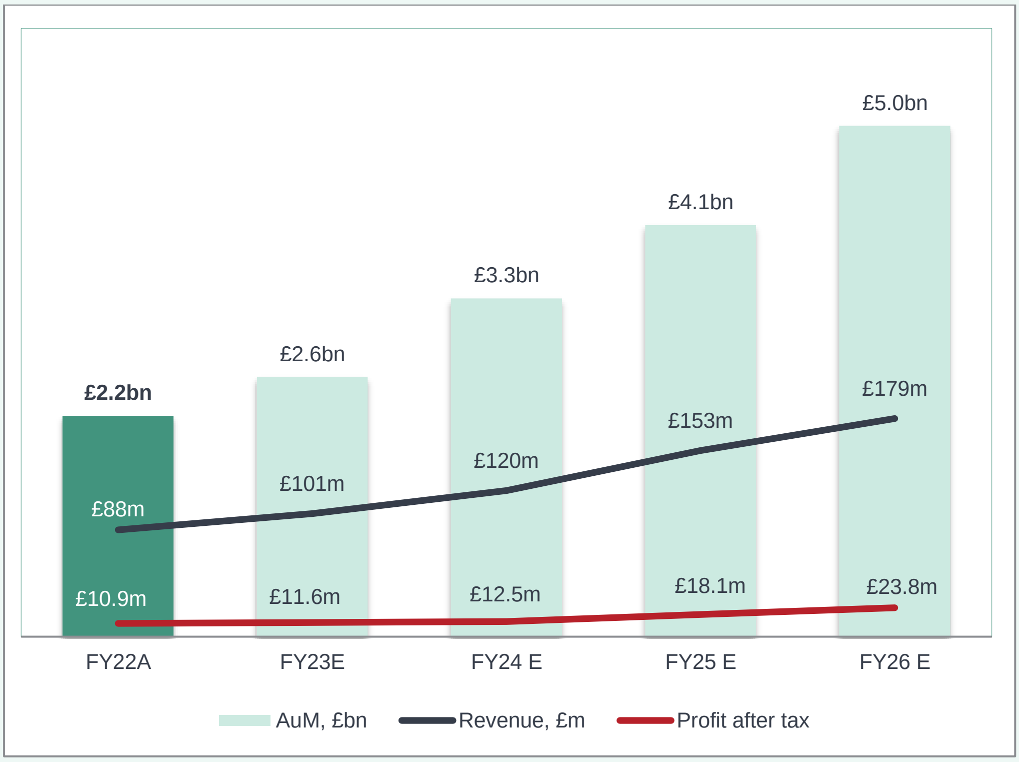
Financial projections & core value

Based on the market in which it operates, its strategic positioning within it, and its ability to execute, we believe LendInvest is well positioned to grow its AUM to £4bn-£5bn by FY25-FY26.

Given its operational capabilities, we believe net profits after tax can increase from £11m in FY22 to around £20m-£25m over this same period.

Our summary projections are shown below, which form the basis of our fundamental valuation.

Forecast key metrics



Source: Company Historic Data, ED Estimates

Our per share fundamental value is 180p, more than double the current share price of 82p. If LendInvest delivers on the above growth and profitability profile, we see potential for a significant re-rating.

Appendix: Historic and forecast financials

Consolidated Income Statement + Forecasts

12 months to end Mar, £m	FY21A*	*H1 21A*	FY 22A	*H1 22 A*	FY 23E	FY 24E
IFRS Income Statement						
Interest Revenue	50.0	*29.8*	58.6	*31.2*	68.5	98.7
Fee and other income	22.4	*16.5*	29.2	*11.3*	32.8	21.5
Total revenue	**72.4**	***46.3***	**87.8**	***42.5***	**101.3**	**120.2**
Cost of sales	(34.8)	*(19.8)*	(38.1)	*(11.4)*	(49.2)	(61.7)
Gross Profit	**37.6**	***26.5***	**49.7**	***31.1***	**52.1**	**58.4**
Administrative expense	(25.9)	*(15.3)*	(31.9)	*(17.1)*	(33.1)	(36.1)
Impairment provisions	(4.6)	*(1.7)*	(4.4)	*(1.9)*	(5.0)	(6.1)
Profit from operations	**7.1**	***9.5***	**13.4**	***12.1***	**13.9**	**16.3**
Interest income	-	*1.1*	1.2	*2.7*	0.4	0.4
Finance expense	(2.2)	*(0.4)*	(0.4)	*-*	-	-
Profit/(loss) before tax	**4.9**	***10.2***	**14.2**	***14.8***	**14.3**	**16.7**
Income tax (charge)/credit	(1.1)	*(1.9)*	(3.3)	*(2.4)*	(2.7)	(4.2)
Profit /(loss) after tax	**3.8**	***8.3***	**10.9**	***12.4***	**11.6**	**12.5**
Earnings per share, p	3.5	*6.6*	8.3	*10.8*	8.1	8.3

The Directors also view Adjusted EBITDA as a useful measure because it is used to analyse the Group's operating profitability, and shows the results of normal, core operations exclusive of non-cash charges and items that the Group considers to be non-recurring and not part of the Group's core day-to-day business.

Bridge to adjusted EBITDA						
Profit/(loss) after tax	**3.8**	***8.3***	**10.9**	***12.4***	**11.6**	**12.5**
Finance expense	2.2	*0.3*	0.4	*-*	-	-
Interest Income	-	*(1.1)*	(1.2)	*(2.7)*	(0.4)	(0.5)
Depreciation & amortisation	2.4	*1.2*	2.8	*1.0*	2.1	2.8
Depreciation of right-of-use asset	0.9	*0.5*	0.8	*0.3*	0.6	0.6
Interest expense - lease liabilities	0.6	*0.3*	0.5	*0.2*	0.6	0.6
Share based payment charge	0.7	*0.4*	1.2	*0.7*	1.4	1.5
Exceptional items	0.8	*1.6*	1.6	*-*	0.4	0.3
Tax	1.1	*1.9*	3.3	*2.4*	2.7	4.2
Less Hedging break cost	(1.8)	*-*	-	*-*	-	-
Adjusted EBITDA	**10.7**	***13.4***	**20.3**	***14.3***	**19.1**	**21.9**

Source: Company Historic Data, ED estimates.

**Re-stated, see Unaudited Preliminary Results For The Year To 31 March 2022 (dated 29 Jun 22), note 1.6*

Consolidated Balance Sheet + Forecasts						
As at end Mar, £m	**FY21A***	***H1 22A***	**FY 22A**	***H1 23A***	**FY 23E**	**FY 24E**
Assets						
Cash and equivalents	62.2	*169.9*	118.2	*113.3*	109.9	88.8
Trade and other receivables	6.4	*11.7*	6.3	*6.7*	7.3	8.4
Loans and advances	1,056.6	*1,109.6*	1,209.1	*1,123.2*	1,159.1	2,005.4
Property plant and equipment	4.6	*4.1*	2.8	*2.5*	2.7	2.6
Intangible fixed assets	5.5	*6.0*	6.1	*8.0*	8.4	9.2
Derivative financial asset	1.9	*4.0*	32.5	*97.1*	97.1	97.1
Investment in 3rd parties	-	*0.0*	-	*-*	-	-
Investment securities	-	*-*	-	*13.5*	13.5	13.5
Fair value adjustment for portfolio hedged risk asset	2.5	*2.1*	1.7	*(35.1)*	(33.4)	(33.4)
Deferred tax	1.1	*0.8*	-	*6.7*	6.7	6.7
Total assets	**1,140.8**	***1,308.2***	**1,377.9**	***1,337.1***	**1,372.4**	**2,199.4**
Liabilities						
Trade and other payables	(27.1)	*(55.3)*	(48.6)	*(49.9)*	(56.1)	(66.5)
Corporation tax payable	(0.6)	*(3.0)*	(0.4)	*(0.1)*	(0.4)	(0.4)
Interest bearing liabilities	(1,040.2)	*(1,125.6)*	(1,211.3)	*(1,223.1)*	(1,237.6)	(2,047.4)
Lease liabilities	(5.0)	*(4.6)*	(4.1)	*(3.8)*	(3.7)	(3.2)
Derivative financial liabilities	(8.7)	*(3.5)*	-	*-*	-	-
Fair value adjustment for portfolio hedged risk liability	(2.4)	*(1.2)*	(9.4)	*-*	-	-
Deferred tax	(6.9)	*(8.5)*	(6.6)	*-*	-	-
Total liabilities	**(1,090.9)**	***(1,201.5)***	**(1,280.4)**	***(1,276.9)***	**(1,297.8)**	**(2,117.5)**
Net Assets	**49.9**	***106.6***	**97.5**	***60.2***	**74.7**	**81.9**
Equity						
Own share reserve	-	*-*	0.1	*(1.2)*	(1.2)	(1.2)
Employee share reserve	1.6	*2.0*	2.6	*2.2*	4.0	5.5
Share capital	-	*0.1*	0.1	*0.1*	0.1	0.1
Share premium	17.5	*55.9*	55.2	*55.2*	55.2	55.2
Fair value reserve	28.8	*32.8*	3.8	*(57.4)*	(57.4)	(57.4)
Cash flow hedge reserve	(2.4)	*3.2*	19.8	*39.8*	39.8	39.8
Retained Earnings	4.4	*12.7*	15.9	*21.5*	34.2	39.9
Total equity	**49.9**	***106.6***	**97.5**	***60.2***	**74.7**	**81.9**

Source: Company Historic Data, ED estimates.

**Re-stated, see Unaudited Preliminary Results For The Year To 31 March 2022 (dated 29 Jun 22), note 1.6*

Consolidated Cash Flow Statement + Forecasts						
12 months to end Mar, £m	**FY21A***	***H1 22A***	**FY 22A**	***H1 23A***	**FY 23E**	**FY 24E**
Operating activities						
Profit after tax	**3.8**	***8.3***	**10.9**	***14.8***	**11.6**	**12.5**
Adjusted for:						
Depreciation of property, plant & equipment	0.2	-	0.1	*0.2*	0.4	0.4
Amortisation of intangible assets	2.2	*1.2*	2.6	*0.8*	1.7	2.4
Company share & share option schemes	0.7	*0.4*	1.1	*0.7*	1.4	1.5
Interest income	-	-	-	*(0.2)*	(0.4)	(0.4)
Income tax expense/(credit)	1.1	*1.9*	3.3	-	2.7	4.2
Derivative, hedge accounting and committed facility FV losses	2.0	*(1.1)*	(1.0)	*(2.5)*	(2.5)	-
Derivative fair value gains reclassified to P&L	-	-	-	*(21.2)*	(21.2)	-
Derivative settlements	-	*0.5*	-	*19.3*	19.3	-
Fundng line costs	0.2	-	0.2	-	-	-
Impairment provision	4.9	*1.8*	4.6	*2.0*	5.0	6.1
Depreciation of right of use asset	0.9	*0.5*	0.9	*0.3*	0.6	0.6
Interest expense of right of use asset	0.6	*0.2*	0.5	*0.2*	0.6	0.6
Non capitalised financing cost	-	*0.2*	-	-	-	-
Cost of share listing expensed in income statement	-	*1.6*	1.6	-	-	-
Costs relating to abortive market listing	0.1	-	-	-	-	-
Change in working capital						
Increase in gross loans and advances	(233.1)	*(47.6)*	(187.6)	*(4.8)*	(14.4)	(852.4)
Increase in trade and other receivables	(0.7)	*2.3*	0.1	*(6.4)*	(1.0)	(1.1)
Increase in trade and other payables	1.1	*18.7*	21.3	*7.1*	7.5	10.4
Income tax paid/received	-	*0.1*	(3.7)	*(2.1)*	(2.7)	(4.2)
Net cash flows from / (used in) operating activities	**(215.9)**	***(10.7)***	**(145.1)**	***10.1***	**10.5**	**(819.4)**
Investing activities						
Purchase of property, plant and equipment	-	-	(0.2)	*(0.2)*	(0.3)	(0.3)
Capitalised development costs	(2.4)	*(1.7)*	(3.2)	*(2.8)*	(4.0)	(3.2)
Interest income	-	-	-	*0.2*	0.4	0.4
Swap initial exchange costs	-	-	-	*(18.2)*	(18.2)	-
Net cash flows from / (used in) investing activities	**(2.4)**	***(1.7)***	**(3.4)**	***(21.0)***	**(22.1)**	**(3.1)**
Financing activities						
Increase in interest bearing liabilities	194.0	*85.4*	171.1	*38.7*	38.7	809.8
Principle elements of finance lease payment	(0.9)	*(0.4)*	(0.9)	*(0.5)*	(1.0)	(1.1)
Interest expense lease liabilities	(0.7)	*(0.2)*	(0.5)	*(0.2)*	(0.6)	(0.6)
Proceeds from an equity share issue or IPO	-	*40.0*	40.0	-	-	-
Equity raise costs	-	*(3.6)*	(3.9)	-	-	-
Cash settled derivative losses	(3.1)	-	(1.2)	-	-	-
Funding line costs	(0.3)	-	(0.1)	-	-	-
Non capitalised financing cost	-	*(0.2)*	-	-	-	-
Dividends paid	-	*1.0*	-	*1.0*	(7.9)	(6.7)
Net cash flows from / (used in) financing activities	**188.9**	***120.1***	**204.5**	***6.0***	**3.3**	**801.3**
Net increase / (decrease) in cash and cash equivalents	**(29.4)**	***107.7***	**56.0**	***(4.9)***	**(8.3)**	**(21.1)**
Cash and equivalents at beginning of period	91.6	*62.2*	62.2	*118.2*	118.2	109.9
Cash and cash equivalents carried forward	**62.2**	***169.9***	**118.2**	***113.3***	**109.9**	**88.8**

Source: Company Historic Data, ED estimates.

**Re-stated, see Unaudited Preliminary Results For The Year To 31 March 2022 (dated 29 Jun 22), note 1.6*

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