

9th February 2023

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

TRADING STATEMENT AND NOTICE OF RESULTS

S&U plc, the specialist motor and property finance lender, today issues its trading update for the period from its trading statement of 8 December 2022 to the Group's year end on 31 January 2023. S&U's full year results will be announced on 28 March 2023.

Our last trading update of 8 December recorded our expectation that the "very good" trading and receivable quality we reported then would be carried over for the rest of the financial year. So it has happily proved. Current trading in both businesses, Advantage, our motor finance lender, and Aspen, our property bridging lender, remains excellent. This will be reflected in the full year's results which are expected to both meet expectations and exceed budget.

These results are the more meritorious for being achieved against a background of "political and economic uncertainty" as we reported in December. Despite a slight uptick recently in UK consumer confidence, UK business confidence is reported by the ICAEW to be a thirteen year low whilst a potential recession and rising interest rates continue to pose challenges.

Nevertheless, S&U continues to grow and perform well. Despite the period seeing prudent adjustments to underwriting and the scorecard, and some rate increases to protect net interest margins as both operational and financial costs grow, group net receivables have now reached c£420m against £370m at the half year. That ultimate measure of quality - collections - remains good in both businesses.

Motor Finance

The used car market, in which Advantage operates, remains active with pricing remaining strong. As new car sales recover to January 2020 levels, used car prices have increased on average over 20% in the past eighteen months. Used car sales volumes consistently stood at 250,000 vehicles per month over the same eighteen month period.

Advantage's experience reflects these trends. Transaction levels are likely to reach nearly 24,000 this year, an increase of 21% on 2021/2022. Transaction numbers in the period were near record levels. This year the usual sales lull of December did not occur. Tightened credit criteria has led to a shift towards a nearer prime customer so that average loan size rose by just over 9% to £7,800 per deal.

High receivables quality was demonstrated by collections against due finishing above budget for the year at an impressive 94%. Both bad debts and voluntary terminations continue to remain below budget and monthly live collections exceeded £14m for the first time in January 2023.

Net receivables at Advantage were c£306m, 18% up on last year. This growth was driven by transaction numbers, an increase in deal size and marginally longer terms for higher scoring customers. Whilst interest rates, on average, were marginally lower in the period to attract a higher quality customer profile, this higher initial quality will help further underpin our collections and profit during the potentially more uncertain economic times ahead. Customer numbers have reached 65,000 for the first time.

Aspen Bridging

Aspen, our property finance business, continues to make progress, albeit at a slower pace commensurate with recent trends in the UK housing market. House prices have now been reported to have fallen for five consecutive months, whilst mortgage approvals and transaction activity have been restricted by rising interest rates and cost of living pressures.

These trends are expected to continue during 2023. Prudence has therefore dictated further rises in Aspen's own interest rate and tightening of its already conservative loan-to-value requirements. Nevertheless, such is Aspen's credibility with its introducer partners and its reputation for bespoke and flexible lending, that its net receivables have risen slightly from £108m to £114m in the period.

Repayment quality remains good. Of 141 loans on the books, Aspen currently has only one case in repossession and just four customers are more than 60 days overdue. Although the re-mortgage market has slowed, both in size and transactions, the overall quality of Aspen's loan book means that profits exceed budget.

Funding

Recent growth at Advantage has seen Group net borrowings for the period rise from £180m to £192m. Whilst the pace of this expansion is likely to abate, in order to support growth and following the increase in our facilities in September, it is likely we will add further to our current £210m committed facilities during H1 23. Although Group gearing is therefore expected to increase from its traditionally modest level, currently c86%, this will remain moderate and, as always, carefully monitored.

Dividend

Irrespective of the fluctuations and recent volatility of the stock market, S&U's policy is to ensure that its commercial success is reflected in its shareholders' income. We have therefore sought to maintain, on average, a twice covered dividend policy even in the roller coaster years of COVID. This year we therefore propose a second interim dividend of 38p per ordinary share (2022: 36p), payable on 10 March to shareholders on the register on 17 February.

Commenting on the Group's performance and outlook, Anthony Coombs, S&U Chairman, said "Whilst the uncertainties of forecasting and fly casting have much in common, 2023 is likely to see constrained levels of consumer confidence and spending in the UK. Nevertheless, historically this has and, I believe, will continue to present good, responsible, lending opportunities for S&U. We will take advantage of these with the same agility, prudence and imagination which has served S&U so well for so long."

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