

23 March 2023

**Amigo Holdings PLC**

**Scheme of Arrangement Update**

Amigo Holdings PLC ("Amigo" or "the Company"), a provider of mid-cost credit in the UK, is issuing an update on its Scheme of Arrangement.

Amigo's Scheme of Arrangement (the "Scheme") was sanctioned by the High Court in May 2022. This contained a Preferred Solution, conditional on the completion of a 19:1 capital raise by 26 May 2023 followed by the contribution of a minimum £15m payment to the Scheme fund for creditor redress, and a Fallback Solution comprising an orderly wind-down of the business. Both scenarios include a £97m scheme contribution and a mechanism to return excess cash from the business to Scheme creditors.

The Board has always been clear that the Preferred Solution in which Amigo rebuilds a new, more responsible, mid-cost lending offer would be in the best interests of not only its shareholders, but also Scheme creditors, employees and wider stakeholders - including those in society that do not have access to mainstream credit options. As such, following the announcement issued on 10 March 2023 that the Company had not received sufficient aggregate indications of interest from potential equity investors to cover the total £45m equity capital required, the Board has explored whether a potential new scheme, which eliminates the £15m capital commitment to Scheme creditors, is likely to succeed. In seeking to amend the terms of the Scheme, Amigo would be required to pursue a new replacement scheme.

Having taken extensive advice from its professional advisers, the Board has concluded that successfully executing a new scheme followed by a lower capital raise is highly unlikely, and the significant associated costs would therefore cause avoidable detriment to its Scheme creditors in the event the new scheme and capital raise are unsuccessful. As a result, it is announcing today that it has taken the very difficult decision to switch the Scheme from the Preferred to the Fallback Solution.

In reaching this decision, the Board has considered a number of factors including the ability to implement a new scheme which secures creditor approval, is not objected to by the Financial Conduct Authority ("FCA") and receives High Court sanction, all within the required timetable. It has also considered the additional costs of implementing a new scheme and the confidence that the capital, albeit a lower quantum, can be raised against the challenging ongoing market backdrop and sentiment around the sector in which Amigo operates. As part of that, it has also taken into account that the indications of interest for £11m of equity and £10m of exchangeable notes received to date remain indications only and not firm commitments.

Since October 2022, Amigo's financial advisers and management team have spoken to approximately 200 potential investors in the process to raise capital. This has been undertaken against an increasingly challenging economic backdrop in the UK which has, in turn, negatively impacted capital markets and the outlook for consumer credit. The main concerns investors have cited include: current affordability challenges for UK households, particularly in our sector of the market; the history of regulatory intervention in the non-standard credit market and the proposed implementation of a consumer duty of care; the ability to write the loan volumes in the business plan given the market backdrop; and the impact of having to make a significant upfront payment to Scheme creditors as part of the capital raise.

Conversion rates under our RewardRate pilot lending scheme have improved as we have progressed through the pilot, and, as noted previously, changes made to our affordability assessment processes at the beginning of the year have in turn improved loan conversion. However, the business model is not yet proven and, although there is strong potential demand, current affordability challenges for UK households means most customer applications have to be rejected.

The Fallback Solution requires that the trading subsidiary, Amigo Loans Ltd ("ALL") stops lending with immediate effect and is placed into an orderly wind-down, with the result that all surplus assets after the wind-down are transferred to the Scheme creditors. In due course, ALL will be liquidated. No value will be attributed to the ordinary shares of the Company in the Fallback Solution.

The wind-down of the business, during which the existing loan book will continue to be collected, will last for approximately 12 months and, as such, will require a number of existing roles through the period. Colleagues will be consulted over the coming days and the Board would like to reassure its employees that they will continue to be paid and contractual notice periods will be honoured. The Board would also like to confirm to our suppliers that any services used will be paid for in accordance with contractual terms.

The Scheme claims process is unaffected. However, as noted previously, there will be an impact to the total compensation Scheme creditors will receive in terms of pence in the pound as they will not receive a share of the minimum £15m Scheme contribution that was to be raised from investors, and the turnover provision from the new business scheme will be replaced by the residual surplus under the Fallback Solution, which will result in a smaller pool of distributable funds.

**Danny Malone, Chief Executive Officer, said:** *"This is a very sad day for all our employees who have worked extremely hard to address historic lending issues and rebuild a new Amigo, and for our shareholders and wider stakeholders who have supported us. It's also a sad day for creditors due redress who will now receive a lower level of cash compensation than they would had the New Business Conditions been satisfied. I would like to thank colleagues, in particular, for the considerable commitment they have shown over a long period of time. We are very sorry to be delivering this news today.*

*The current Board came into Amigo to save the Company because we believe passionately that there is a need in the market for a regulated mid-cost lender that meets the demand of financially excluded people who deserve access to regulated credit. We have fought hard to deliver the best outcome for creditors, colleagues and shareholders and have left no stone unturned.*

*From the beginning, we have faced significant challenges in seeking a solution in the best interests of all our stakeholders and have had to make a series of difficult decisions. A successful scheme which provided a fair financial offer to Scheme creditors was always the only way shareholders could retain any value for their shares. Clearly the economic and market environment has moved against us considerably since our Scheme, formulated in late 2021 / early 2022, was sanctioned last May. This has severely impacted both our ability to raise capital and the affordability of loans for our potential customers, coupled with tighter lending controls. Whilst removing the £15m upfront payment to the Scheme would take away one barrier and reduce the capital required, there are multiple considerations and risks, as highlighted in today's announcement, which have led us to conclude that successfully executing a completely new scheme followed by a lower capital raise would remain highly unlikely.*

*We appreciate this is extremely difficult news for our employees and our shareholders but, after full and careful consideration of all further options available to us, we do not believe there is another viable route forward.*

*Our priority is to now undertake an orderly wind-down of both the Amigo Loans Ltd business and the wider group over the next 12 months or so in which we maximise returns for Scheme creditors and look after our people as we move through the process."*

## Board Changes

In light of the transition of Amigo into the Fallback Solution, the Board has concluded that it is appropriate for the Company to reduce the size of the Board. More details will be provided in due course.

### Shareholders

Amigo will be hosting a call for shareholders tomorrow at 12.00pm (UK time). Dial in details are as follows:

Join Zoom Meeting

<https://us02web.zoom.us/j/84471110525?pwd=UDRHM3ISVE5tRmpkOUVhWmMxaHBGUT09>

Meeting ID: 844 7111 0525

Passcode: 028390

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014. The person responsible for this announcement is Roger Bennett, Company Secretary.

ENDS

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