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S & U PLC
06 June 2024

6 June 2024

S&U plc

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

AGM Statement and Trading Update

S&U PLC (LSE: SUS), the specialist motor and property finance lender, issues a trading statement for the period 8 April 2024 to 6 June 2024, prior to its AGM today.

As reported at S&U's full year results on 9 April 2024, S&U continues to trade solidly in challenging economic, regulatory, and political conditions. For Advantage Finance, our motor business, this will mean 2024 will be a year of consolidation. By contrast, Aspen our property finance business, continues to make substantial progress in an improving residential market.

At Advantage, our cautious approach to repayments in the light of continuing discussions with the FCA and Skilled Person on interpreting and adapting to the new Consumer Duty regime and the sector wide review of Borrowers in Financial Difficulty, have had a significant impact on repayments and profitability. We anticipate that these discussions will be concluded during the second half of the year, when we will welcome the new regulatory clarity which will provide a strong platform for the continuing growth of the business.

Advantage has nearly 25 years of invaluable experience in helping customers adapt to the changing circumstances of their lives. More recently, the restrictions I mentioned in my year end Chairman's Statement on Advantage's repayment procedures, particularly on repossessions, have inevitably affected performance; total repayments including settlements in the first quarter were 4% less than last year. However, this should prove temporary.

The overall result for the Group is that whilst customer numbers and net receivables continue to grow, albeit more slowly at £478m, Group profit before tax for the first quarter fell to £6.9m (2023: £10.5m) on net assets of £235m (2023: £228m). Increased impairment provisioning arising from the lower repayments at Advantage accounted for £3.6m of this reduction.

Advantage Finance

Advantage's discussions with the regulators mainly revolve around affordability and forbearance, arising from the FCA's industry-wide focus on borrowers in financial difficulty. These come as industrywide used car advances are 7% down on 2023, accompanied by a 6% fall in transaction numbers. However, demand for Advantage's products remains strong. Application numbers in the first quarter were a record; both income and transaction numbers were above last year, despite tightening loan to value and affordability criteria. In tandem with these measures, Advantage has increased lending prices towards the end of Q1. We therefore anticipate some moderation in our summer motor finance lending volumes.

This cautious approach and temporary restrictions on repayments have seen live monthly collections reduce from 92.1% of due in the year ended 31st January 2024 to 87.7% of due in the first quarter this financial year with repossession receipts similarly affected. Belated recognition by regulators that for some customers repossession may be the best outcome, is gradually seeing a return to normality. Hence Advantage's empathetic and flexible customer relations are also expected to resume in the second half of the year.

Aspen Bridging

Operating in the unregulated part of the property finance market, Aspen continues its sustainable and profitable growth. Advances in the first quarter were £44.4m, more than double the £21.3m last year.

Robust credit quality is reflected in overall repayments of £38.5m in the first quarter, more than 55% up on last year. The yield on new deals has increased slightly and is ahead of budget, with net receivables reaching £141.3m (2023: £113.6m). Profit before tax rose to a record £1.45m in the first quarter, 36% better than 2023, and ROCE reached 11% for the first time.

More promising still are signs in the UK residential market of an increase in sales instructions and prices. Nationwide recently reported the latter up 1.3% on last year, despite a delay by the Bank of England in reducing interest rates. Aspen expects both favourable trends to continue and possibly accelerate.

Treasury

Current Group borrowings stand at £237m leaving ample headroom against S&U's current £280m facilities. As planned for within our club loan facility, our banking partners have recently extended this facility for a further year to mature in May 2027, thus continuing to align S&U's funding with its lending profiles.

Commenting on S&U's trading outlook, Anthony Coombs, S&U Chairman, said: "Although fully cognisant of the challenges currently being negotiated at Advantage, an improving economic outlook both for consumers and businesses, a strong labour market and greater political stability will all benefit S&U over the coming year. We wrestle on with confidence."

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

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