

12 August 2024

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

Trading Update and Notice of Results

S&U PLC, the specialist motor and property finance lender, today issues its trading update for the period from its AGM statement on 6 June 2024 to 31 July 2024. S&U will announce its half year results on 8 October 2024.

In the period since the June update trends in trading by the Group unsurprisingly continue but contrast in two ways. First, Aspen Bridging, our property lender, has maintained its strong and profitable growth. In the motor finance sector, however, Advantage Finance, which has just celebrated an excellent 25 years in business, continues its period of consolidation and retrenchment. This has resulted from a period of restrictions and caution arising from a Financial Conduct Authority ("FCA") section 166 notice and the constructive but vigorous negotiations taking place to remove the restrictions, which are now nearing their conclusion.

These negotiations will determine a second contrast between a significant impact on Advantage's profitability in the first half (primarily resulting from restrictions on its collections capabilities), and an anticipated recovery in results brought about by a plan already in place for the second half of the financial year. This plan will be implemented as soon as the sensible and proportionate conclusion we expect to the section 166 process is reached. Advantage should then resume its habitual customer-oriented and profitable path.

Affordable access to credit for working people and their families and help in managing it has been S&U's objective and mission for nearly one hundred years. The welcome (at least for now) election of a Labour government with a strong majority and a stated commitment to restoring Britain's feeble rate of growth, will, we hope, gradually lead to a more pragmatic and realistic approach to regulation. This should particularly benefit the specialist credit markets where recent estimates see between 16 and 17 million people in the UK, (up from 12 to 13 million in 2018) with non-standard credit requirements.

If these requirements, including customers who approach us for their necessary motor vehicle finance, are to continue to be met in a responsible and legal way, thereby bolstering the consumer demand essential for economic growth. If these credit requirements, which are an essential component in achieving economic growth, are to be met, the Labour ministers must change the restrictive and constantly changing regulatory regime in this country, and the paternalistic mindset behind it. Otherwise, the reluctance of both domestic and international funders to invest in a sector, widely recognised as more severely regulated than its international counterparts, will continue. Recent statements from the Chief Executive of the FCA and others provide some grounds for optimism.

Advantage Finance

Unsurprisingly given the above, trends at Advantage have been reflected in the wider UK used car finance market. The value of new used car finance fell 6% by value year on year for the 12 months to May according to the Finance and Leasing Association, whilst 12-month volumes dropped by 4% to around 1.46m vehicles in the same period. At Advantage, against this backdrop, the year to date

value of advances is 10% lower than the first half year last year, which has also been driven by the tightening

value of advances is 20% lower than the first half year last year, which has also been driven by the tightening of criteria and lending price increases mentioned in our AGM update. Consistent with this, net receivables have reduced slightly in the last 2 months to around £327m (2023: £313m). Customer numbers also fell slightly to 66,000, around 2% above 31st July 2023.

Although the value of monthly collections is marginally up on last year, the above restrictions on managing customer arrears and on repossessions have seen a year to date level of 87% repayments to due, from 94% last year. Up-to-date live receivables have fallen to 69% of the total, from 79% last year, although a release from current restrictions should see a bounce back in the second half of this year. Costs are in line with budget and Advantage will start to benefit from the Bank of England's August interest rate reduction in the second half of the year.

As stated above, providing sensible access to credit for working people and their families has always been S&U's mission. In turn, Advantage are proud of their motto for their customers - "We see more than your score." This allows Advantage to assist its customers in a process of credit rejuvenation which is very much in their long-term interest.

Aspen Bridging

Aspen Bridging, our property lender, continues from strength to strength. A firming residential property sector, a recent fall in interest rates and a youthful and dynamic team have seen record profits achieved in June (more than double last year) followed by good results in July too and second half interest payable and results should be further helped by the recent fall in base rates. The Aspen loan book now stands at around £149m (31st July 2023: £104m) an increase of £8m in the period and £19m in the year. The deal pipeline is good and we anticipate further steady growth in the second half of the year.

Credit quality remains excellent with the value and number of late payers at less than 8% of the total book, whilst repayments and recoveries in the year to date are around 20% up on budget at £72m.

In a competitive market, this professionalism, the tailored approach to customers and a rigorous but ambitious approach to underwriting, is building Aspen a deserved and respected market reputation. We expect great things for the future.

Treasury

Group borrowings stand at around £240m (2023: £183.7m) against £224m at year end, well within current committed facilities available of £280m.

Commenting on S&U's trading outlook, Anthony Coombs, S&U Chairman, said:

"Although current trends at our Advantage, our motor finance business are undoubtedly challenging, we thrive on challenges and work for a significant rebound in the second half. By contrast, Aspen continues to trade sensibly and at record levels. We remain confident and determined for the year ahead."

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