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16 January 2025

**Distribution Finance Capital Holdings plc**  
**("DF Capital" or the "Company" together with its subsidiaries the "Group")**

**Trading Update, Medium-Term Financial Guidance and Share Buyback**

*Sufficient organic capital generation and market opportunity to support medium term financial ambitions*

Distribution Finance Capital Holdings plc, a specialist bank providing working capital solutions to dealers and manufacturers across the UK, is pleased to provide a trading update for the 12 months ended 31 December 2024, announce the launch of a new lending partnership, new medium term financial guidance and the launch a share buyback programme.

**Highlights**

- As previously announced, FY24 underlying pre-tax profit expected to be not less than £14m, more than a threefold increase on FY23
- FY24 total pre-tax profit (including recoveries and write-backs relating to RoyaleLife) expected to be not less than £18.7m (FY23: £4.6m)
- FY25 pre-tax profit now expected to be ahead of current market expectations, driven by continued elevated NIM and strong core lending growth
- At 31 December 2024 tangible net asset value per share expected to be not less than 63p per share
- New partnership with Satago to expand the Group's lending products, making invoice discounting available to existing and prospective customers for their working capital needs
- Share buyback programme of up to £5m to further enhance shareholder returns

New medium term financial guidance announced in light of the Group's strong execution:

- Target loan book of c.£1.3bn by the end of FY28
- Strong NIM over the medium term, well in excess of its historical expectation of at least 6%
- Continued cost efficiency with scale, achieving <50% cost-to-income ratio by FY28
- Progression of return on equity with a mid-teens target for FY28
- No further Tier 1 equity capital required to deliver these medium-term financial targets

**Trading Update**

The Group's loan book at 31 December reached a record £666m (2023: £581m), up almost 15% over the course of the year, with new loan origination for the year reaching a record £1.44bn (2023: £1.20bn). Whilst the Group has seen continued growth and momentum during the year, some dealers were more cautious holding stock over the festive period whilst considering the impact of the measures announced in the recent budget. Notwithstanding that, the Group has grown market share in some sectors whilst also achieving growth in its wholesale and bespoke lending product adjacencies.

The Group continued to take a vigilant and cautious view on credit risk through the period being highly selective in its onboarding of new customers. Despite that the Group has grown its aggregate lending customers to in excess of 1,300 and 88 manufacturer partners.

Average stock days, which measures the average age of loans outstanding, was 145 days for the year being consistent with the prior year (2023: 145 days), with a small reduction in Q4 2024 to 140 days (Q4 2023: 148 days).

The Group's overdue accounts have continued to perform extraordinarily well, demonstrating the quality of the Group's customer base but also the strength of credit risk and portfolio management. The number of customers with arrears one day past due at 31 December was 33 representing less than 3% of the Group's entire customer base, which includes 19 cases in legal recovery. The Group's total arrears closed the year at £4.3m, equal to 0.64% of total lending.

The Group is pleased to re-confirm its previously announced expectation that for the 12 months ended 31 December 2024:

- Underlying pre-tax profit (excluding recoveries and write-backs relating to RoyaleLife) of not less than £14m, more than a threefold increase on its FY23 outturn of £4.6m; and
- Total pre-tax profit (including recoveries and write-backs relating to RoyaleLife) of not less than £18.7m.

**Announcement of partnership with Satago Financial Solutions Limited ("Satago")**

The Group is pleased to announce that it has entered into a contractual partnership with Satago, a leading provider of Lending as a Service software solutions and invoice financing to provide the Group's customers additional access to invoice discounting as an alternative and/or supplement to their existing inventory finance borrowing requirements.

Under the partnership agreement, the Group will be given the opportunity to provide working capital to Satago's own and its existing platform partners' customers, where the borrower meets DF Capital's credit appetite and risk-adjusted return requirements. Satago will provide the Group and its customers access to its proprietary lending technology and proven operational capability to administer this additional lending on behalf of the Group.

This partnership with Satago widens the Group's suite of lending products, making invoice discounting accessible to both its existing and prospective customer base as a supplementary product to support their working capital needs.

to ensuring the prospective customer base is a supplementary product to support their working capital needs.

#### **Announcement of medium-term financial guidance**

In light of the Group's strong execution since becoming a fully authorised bank in 2020, the momentum in recent years and through 2024 and the Group's launch of new products, services and partnerships, DF Capital is pleased to set out new medium term financial targets:

- Target loan book of c.£1.3bn by the end of FY28
- Strong NIM over the medium term, well in excess of its historical expectation of at least 6%
- Continued cost efficiency with scale, achieving <50% cost-to-income ratio by FY28
- Progression of return on equity with a mid-teens target for FY28
- No further Tier 1 equity capital required to deliver these medium-term financial targets

The Group remains on track to launch its asset finance/hire purchase capability during H1 2025, subject to regulatory approval, giving it access to adjacent markets several times larger than the Group's existing core lending product. In order to take advantage of this exciting opportunity and position the Group firmly as a multi-product lender, the Group expects a cost of investment and financial drag of this early-stage product of approximately £2m during 2025, with breakeven occurring in 2026. Notwithstanding this and given the expectation of continued elevated NIM over the medium term, FY25 pre-tax profit is expected to be ahead of current market expectations.

#### **Share Buyback**

Given the previously announced and significant upgrade to FY24 expected financial outturn, the Group's latest capital projection and the Board's belief that the current share price materially undervalues the Group's future prospects and its intrinsic earnings potential, the Group is separately announcing today that it is launching a share buyback programme to further enhance shareholder returns of up to the lower of £5 million or 17.5 million ordinary shares.

**Carl D'Amassa, Chief Executive, commented:** "2024 marked our third full year of profitability since authorisation as a bank just over four years ago. I'm extremely proud of the franchise we continue to build and the products and services we are bringing to life for our customers. Whilst the runway for further growth in our core markets is clear, the opportunities open to us in new sectors and recently launched products and services are immense.

DF Capital is not short of opportunity and as we are now generating sizeable retained earnings that allows us to organically bring our ambitions for the business to life, without the need for additional Tier 1 capital. The launch of the share buyback programme today, utilising excess capital, demonstrates our shared belief in the firm's future potential, which is not recognised in our current share price.

We are confident in our ability to deliver on the new medium-term financial targets announced today, which provide the potential to create further and significant shareholder value despite the macro-economic uncertainties."

*The person responsible for arranging the release of this announcement on behalf of the Company is Karen D'Souza (Company Secretary).*

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