

Financial Highlights

Results for the quarter and year ended 31 December 2017

Tom Woolgrove, CEO, commenting on the result said:

“The business has continued to deliver steady financial performance in 2017, with an Adjusted Post Securitisation full year EBITDA of £71.7 million, an improvement of 4.4% year on year.

Our net advances were down 3.7% due to broker consolidation in the market, and lower volumes from the retail portfolio. A normalised view, excluding the impact of consolidation activity in the market, shows annual growth of 3.8%, highlighting our stable underlying business performance. We are rolling out our new point of payment platforms to increase the take up of IPF with existing intermediaries, and we are developing a healthy new business pipeline for 2018/2019.

Overall transaction volumes in terms of non-cancelled agreements and direct debits have shown a decline (12.9% and 7.6% respectively) driven by specific environmental factors in the retail (Personal Lines and Schemes) portfolio.

We continue to focus on our long term strategic objectives and continue to invest in improving our integration with, and service offering to, both our intermediary clients and our customers. 2017 has been a year of continued change, both in the markets where we operate and in the regulatory and political landscape. In particular, we implemented our enhanced approach to individual affordability assessment for our regulated premium finance business. Our commitment towards sustained business growth, value creation and innovation for the future remains unchanged. We will continue to focus on growth by being the trusted finance provider in our chosen markets.

Following the successful settlement of our inaugural public ABS transaction in June, we completed our second transaction in November 2017, allowing us to continue our programme of funding diversification. We are delighted with the successful second issuance for our Master Trust securitisation structure.”

Financial Data

(£ in millions, except percentages and ratios)

	For the year ended 31 December 2017	For the year ended 31 December 2016	Increase/ (Decrease)
	(unaudited)	(unaudited)	(unaudited)
Net Advances ^(a)	3,418.3	3,551.1	(132.8)
Turnover	131.5	132.8	(1.3)
EBITDA	71.3	79.9	(8.6)
Adjusted EBITDA ^(b)	85.3	85.5	(0.2)
Adjusted EBITDA Margin ^(b)	64.9%	64.3%	0.6%
Adjusted Post-Securitisation EBITDA ^(c)	71.7	68.7	3.0
Adjusted Post-Securitisation EBITDA Margin ^(c)	54.5%	51.7%	2.8%
Cash Conversion ^(d)	91.1%	82.8%	8.3%
Profit before tax	33.5	47.1	(13.6)

Financial Data

(£ in millions, except percentages and ratios)

	For the quarter ended 31 December 2017	For the quarter ended 31 December 2016	Increase/ (Decrease)
	(unaudited)	(unaudited)	(unaudited)
Net Advances ^(a)	750.6	807.3	(56.7)
Turnover	32.6	34.5	(1.9)
EBITDA	16.4	19.0	(2.6)
Adjusted EBITDA ^(b)	20.9	20.8	0.1
Adjusted EBITDA Margin ^(b)	64.1%	60.3%	3.8%
Adjusted Post-Securitisation EBITDA ^(c)	17.6	17.0	0.6
Adjusted Post-Securitisation EBITDA Margin ^(c)	54.0%	49.3%	4.7%
Cash Conversion ^(d)	83.0%	74.1%	8.9%
Profit before tax	8.0	9.5	(1.5)

a. Net Advances represents gross advances net of loans for policies or services that have been cancelled by end customers or the insurance policy and service provider.

b. Adjusted EBITDA represents EBITDA as adjusted for certain transaction costs, one-time information technology and other expenses, Adjusted EBITDA margin represents Adjusted EBITDA margin as a % of Turnover.

c. Adjusted Post-Securitisation EBITDA is further adjusted for funding costs; Adjusted Post-Securitisation EBITDA margin represents Adjusted Post-Securitisation EBITDA as a % of Turnover.

d. Cash conversion represents Free Cash flow as a % of Adjusted Post-Securitisation EBITDA; Free Cash flow represents Adjusted Post-Securitisation EBITDA – Capex.

Financial Highlights (continued)

Results for the year ended 31 December 2017

- The overall size of our net advances is down by 3.7% to £3,418.3 million for the year ended 31 December 2017 (year ended 31 December 2016: £3,551.1 million) due to a loss of volume from brokers due to market consolidation and lower volumes from our retail brokers impacted by wider environmental factors. Excluding these losses, our net advances would be 3.8% up versus the year ended 31 December 2016.
- EBITDA decreased by £8.6 million or 10.8% to £71.3 million in the year ended 31 December 2017 (year ended 31 December 2016: £79.9 million) due to our continued investment in upgrading the technology.
- Adjusted post-securitisation EBITDA increased by £3.0 million or 4.4% to £71.7 million, driven by lower funding costs.

Results for the quarter ended 31 December 2017

The results for the quarter are driven by the same factors impacting our year to date performance.

- Our net advances fell by 7.0% to £750.6 million for the quarter ended 31 December 2017 (Q4 2016: £807.3 million).
- EBITDA decreased by £2.6 million or 13.7% to £16.4 million in the quarter ended 31 December 2017 (Q4 2016: £19.0 million).
- Adjusted Post-Securitisation EBITDA increased by £0.6 million or 3.4% to £17.6 million (Q4 2016: £17.0 million).