Time Finance plc

Interim Results Presentation

Six months ended 30 November 2021

September 2021

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The Presenters

Ed Rimmer, CEO

Ed has worked within commercial finance for over 20 years. He has held many senior roles including UK CEO of Bibby Financial Services. Ed has been involved with Time since 2017 having been Managing Director of the Invoice Finance Division and, more latterly, Group COO. Ed became Group CEO in February 2021.

James Roberts, CFO

James qualified as an accountant with PwC and has worked in financial services for over 20 years. James has held leadership positions with several AIM listed companies and has significant experience in mergers and acquisitions within fast-paced, growing businesses. James joined Time Finance as its CFO in May 2017.

A period of strategic delivery

Loan book managed through ongoing pandemic disruption. Arrears below pre-pandemic levels. Zero deals in forbearance

Providing CBILS and Recovery Loan Scheme (“RLS”) to UK businesses

Gross lending book increasing (c£121m at 30.11.21)

Supportive funding partners: renewed £50m, three-year facility for the invoice finance division

Strong liquidity position to capitalize on future opportunities

Investment made in key sales and leadership roles to drive sales growth and reduction in central support overhead

Who we are

Alternative Finance Provider

A non-bank alternative Finance provider

Supporting UK SMEs

Helping UK SMEs access finance they need for growth

Own-book lender

Focused primarily on own-book lending from our own balance sheet

Flexibility to broke on deals

Where appropriate, able to broke-on deals that don't fit with our criteria

Multi Product portfolio

Offering Asset Finance, Invoice Finance, Loan Finance as core products

Business Overview: Current products

Core Own-Book Products

Asset Finance

- Soft and Hard Assets (includes small broked-on element)
- Introduction channels: finance brokers, equipment suppliers/manufacturers & existing clients
- Deal size: £5k to £250k
- “Sweet Spot”: c£10k Soft asset; c£50k Hard asset
- Typical yield: 9-18%
- Funding: Wholesale block funders

Invoice Finance

- Disclosed and Confidential
- Introduction channels: finance brokers, insolvency practitioners, professional firms
- Deal size: £10k to £2.5m
- “Sweet Spot”: c£200k-£400k
- Typical yield: 8-18%
- Funding: Corporate banker back-to-back facility

Commercial Loans

- Commercial loans, CBILS, RLS
- Introduction channels: brokers, professional firms
- Deal sizes: £5k-500k
- “Sweet Spot”: unsecured c£25k; secured c£100k
- Typical yield: c12-18%
- Funding: Wholesale block funders and HNW Loan Note

Non-Core Brokerage Products

Vehicle Finance

- Commercial Fleet
- Introduction channels: direct client relationships
- Deal size: £15k - £150k
- Typical commission: £600
- Funding – All broked-out

Mortgage Loans

- 2nd charge property , bridging loans, buy-to-let
- Introduction channels: mortgage advisors and IFAs
- Deal sizes: £10k plus
- Typical commission: £5k
- Funding: All broked-out

Interim Financial Results to 30 November 2021

Fundamentals improving in a challenging year

	H1 21/22	H2 20/21	H1 20/21	
• Origination in the period	£58.1m	£46.7m	£56.6m	✓ ✓
• Revenue* for the period	£11.8m	£12.1m	£11.7m	X ✓
• Gross Profit* for the period	£7.6m	£7.0m	£7.4m	✓ ✓
• Profit Before Tax* for the period	£1.2m	£0.4m	£1.2m	✓ =
• Consolidated Net Assets	£58.2m	£57.1m	£56.6m	✓ ✓
• Consolidated Net Tangible Assets	£29.6m	£28.4m	£27.8m	✓ ✓
• Cash and Convertible "paper"	£9.6m	£11.3m	£2.9m	X ✓
• Blended cost of borrowings	4%	4%	4%	= =
• Net write-offs	2%	2%	1%	= ✓
• Deals in forbearance	£0.0m	£0.8m	£2.2m	✓ ✓
• Deals in arrears (% of gross book)	9%	14%	15%	✓ ✓

* Excluding Furlough Other income of c£0.2m in both preceding six-month periods

The impact of the size of the loan book

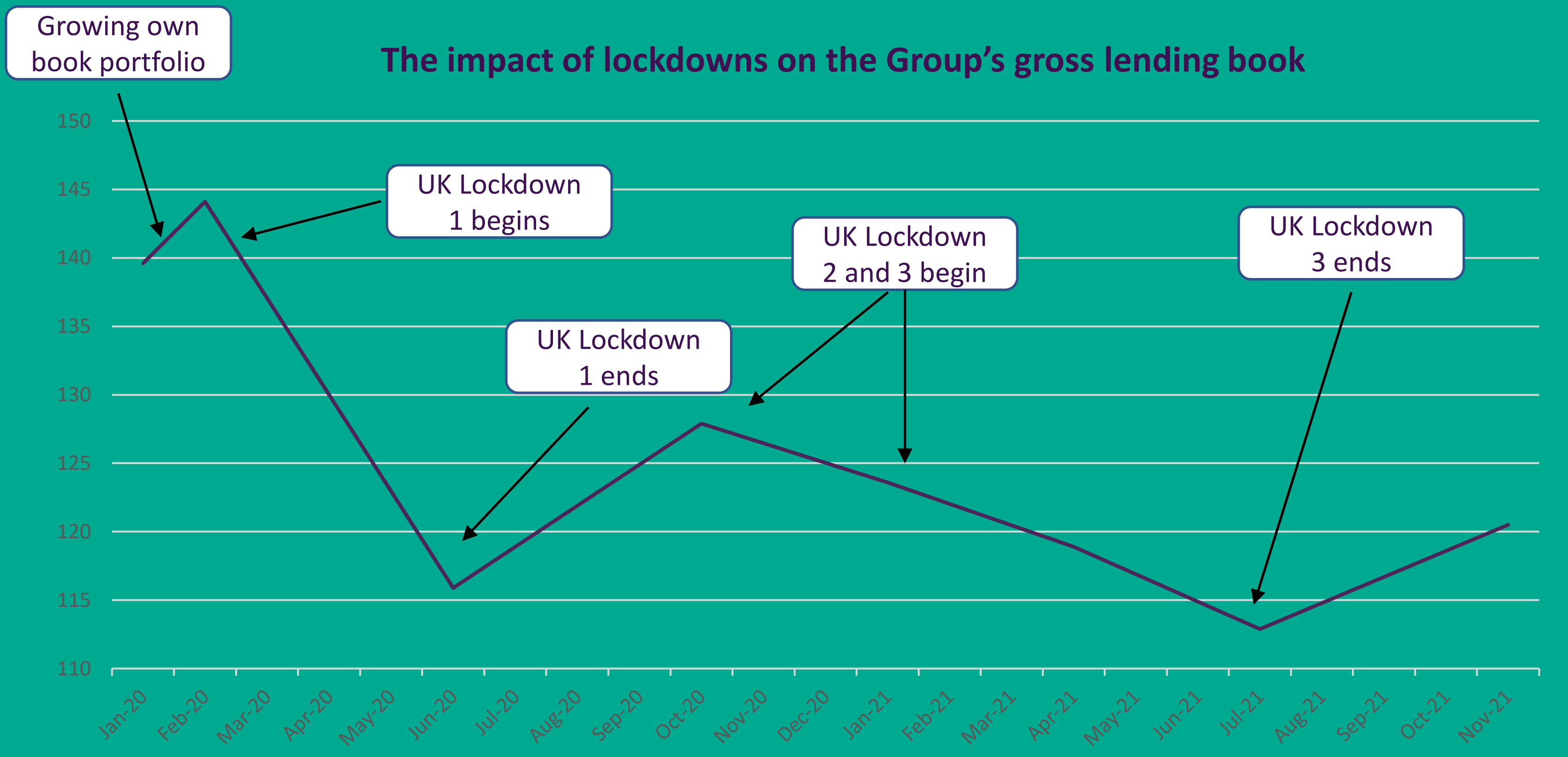
The lending book is a key driver of revenue, and in turn, profit growth over the medium term. While brokerages can deliver short term profits far more sustained profit can be derived through growing own book lending.

Own book lending: an example

Year	Annual Lend	Income
1	£100k	£15k
2	£100k	£30k
3	£100k	£45k

Own book lending builds up over time. If, in the example above, £100k is lent each year and the average life of the deal is 3 years, by the third year you are earning income on all 3 deals. This is a simplistic example, but it shows the potential extra earning power of own book lending over the medium term. It also shows it takes time to grow that potential.

The impact of lockdowns on the Group's gross lending book



Significant contraction with every lockdown and subsequent, albeit slower, bounce-back with reopening. December 2021 saw a continuation of the growth in the portfolio and without further lockdowns the lending book should recover to pre-pandemic levels and beyond. As per the example to the left this will, in turn, lead to larger revenue streams as the book builds.

The dampening impact of the Brokerages

During 2017 and 2018 the Group purchased a number of non-core brokerages. These businesses provided good revenue, profit and cash generation to the Group pre-pandemic. Since the pandemic, however, they have not recovered as quickly as the own-book lending arms of the group and depress the Group's revenue and profits still.

£'m	Last 3 six-month periods			Full year performance since pre pandemic		
	6m to 30/11/21	6m to 31/05/21	6m to 30/11/20	12m to 31/05/21	12m to 31/05/20	12m to 31/05/19
Revenue	**1.5**	1.5	1.6	3.1	5.4	5.8
Profit Before Tax	**(0.1)**	(0.2)	(0.1)	(0.3)	0.4	1.1

'Waves' of the pandemic mean the non-core brokerages have not yet begun recovering at expected levels. Due to credit appetite of lenders and, for vehicles, supply chain issues.

Pre-pandemic non-core brokerages contributed c£1m profit and c£6m revenue to the Group. Current run-rate was half that revenue and marginally loss making.

Due to the ongoing 'lag' in the recovery of the brokerages their cost base is now c£1m per annum lower than pre-pandemic levels

A Strengthening Balance Sheet

Net tangible assets continue to grow; liquidity for future lending remains in place and an improved lending book underpins the group

Net Tangible Assets: Growing

	£'m
Nov 20	£27.8
May 21	£28.4
Nov 21	**£29.6**

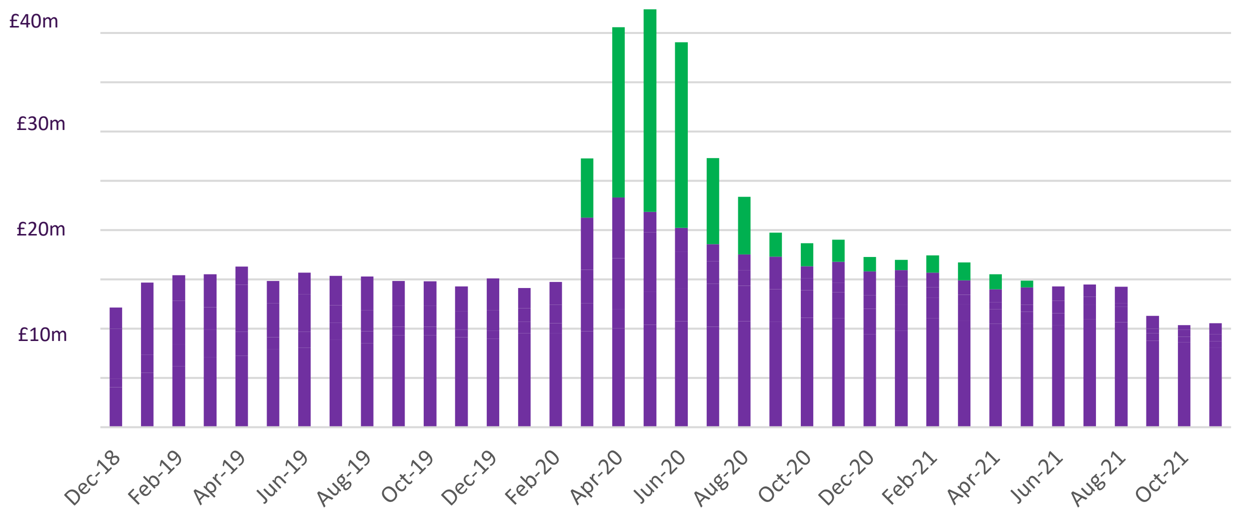
The Group's Tangible and Net Tangible Assets have both continued to increase from year-end as the Group remains profitable throughout. Tangible Assets stand at £58.2m as at 30 November 2021 and Net Tangible Assets at £29.6m

Liquidity: Cash and 'Paper'

	£'m
Nov 20	£2.9
May 21	£11.3
Nov 21	**£9.6**

The balances above include convertible 'paper' which, typically could be turned into cash within 72 hours by making use of the Group's funding facilities. The balance has reduced slightly, as would be expected, from year-end as the lending book begins to grow.

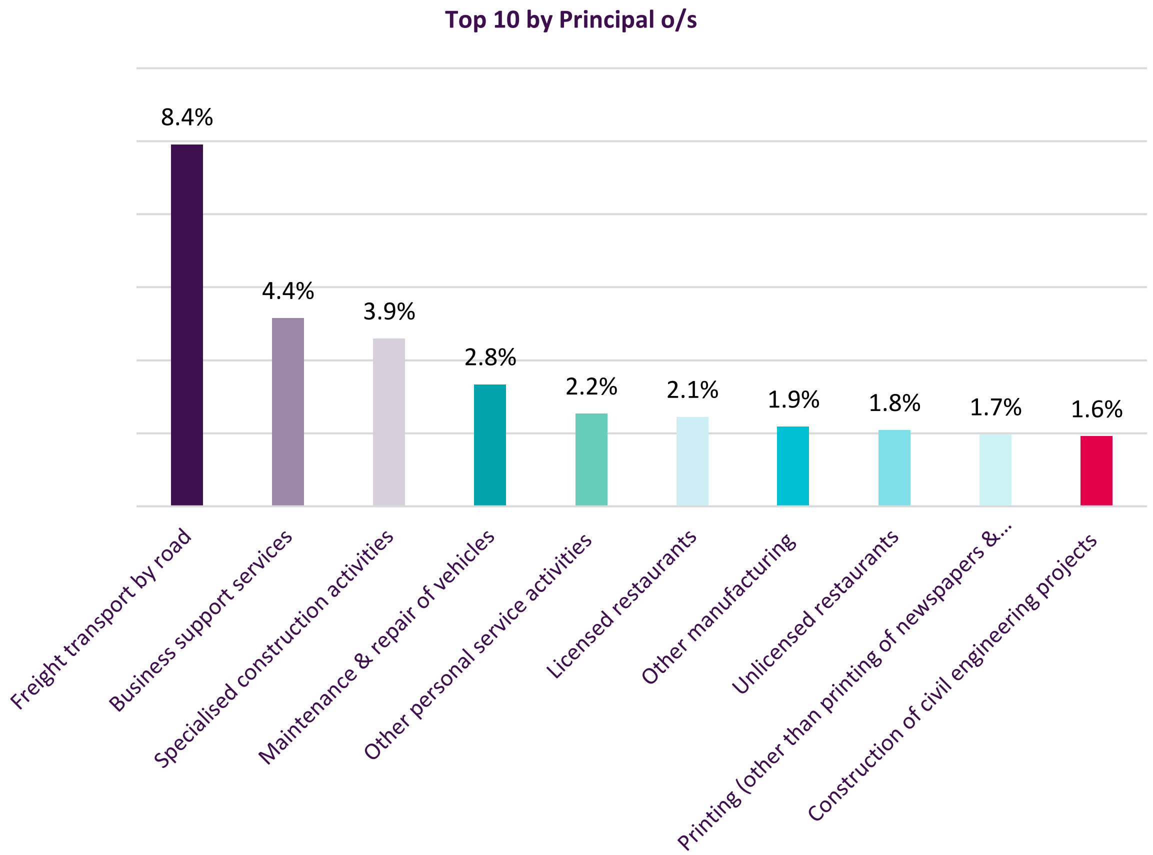
Net Arrears and Forbearance: back to pre-pandemic levels

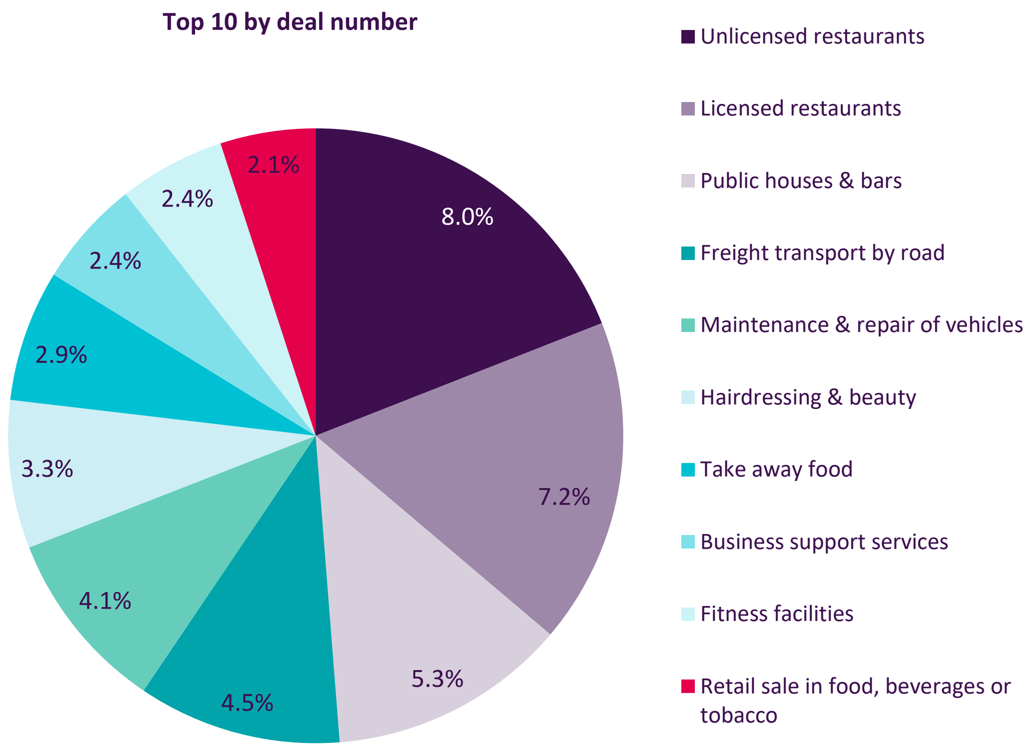


The Group's own-book lending portfolio is in a much stronger position that during the pandemic. The purple bars represent net arrears by value and the green the value of deals in forbearance as a result of the pandemic. Values since early 2021 have reduced to roughly pre-pandemic levels and now stand, towards the end of 2021, at around the same levels as late 2018.

Diversified Lending

Continued focus on diversification and credit management – no one major area of concentration





Diversification and spread is key. At period-end the largest sector makes up less than 10% of the book and the top ten sectors account for roughly 30% of the total book

New Medium-Term Strategy: Launched in June 2021

The Aims

- To become a nationally recognised SME funder
- To more than double the Gross Lending Book
- To achieve profits organically in excess of 2019 pre-covid levels
- To significantly strengthen the Balance Sheet

The How

- Focus on core products: asset, loan and invoice finance
- Multi-product solutions and ABL offering
- Repositioning of brand and investment in marketing
- Invest in further talent
- Bring further liquidity into the business
- Organic growth and targeted acquisitions

Our progress in the first half

Strategic Initiative	Steps Taken
Focus on our core products: asset, loan and invoice finance	Strong volumes under the government backed Recovery Loan Scheme Invoice Finance strong autumn months for new business and client wins Origination in last quarter of calendar year of 2021 growing
Multi-product solutions and ABL offering	Relaunched and embedded the internal cross-sell initiative Secured Loan proposition launched to market in January 2022 ABL offering expected to be launched to market in H2
Repositioning of brand and investment in marketing	Increased our PR effort to raise the profile of consolidated brand Repositioned soft asset offering Focused on core products and secured lending
Invest in further talent	Recruited a new Director of Asset Finance Recruited a new Director of Commercial Loans and ABL Hired multiple experienced sales staff in core product divisions
Bring further liquidity into the business	New £50m three-year back-to-back deal for Invoice Finance under improved terms All applicable wholesale funds for Asset and Loan renewed and extended under existing or improved terms

Summary

- Resilience and strength of the business has continued throughout the waves of the pandemic
- Strong portfolio stewardship demonstrated and well managed liquidity
- Cost reductions made to right size the business
- A solid platform to take advantages of the multiple opportunities that will arise post-COVID

Outlook

- New vision and clear strategy embedded and being progressed for the medium term
- Enthusiastic, motivated and experienced leadership team in place
- Dampening impact of brokerages and impact of latest wave of pandemic being assessed
- Lending book expected to grow through the remainder of the financial year and beyond
- Growth in core lending business reinforces the belief in the strategy