



Time Finance plc

Trading Update

Year-ended 31 May 2022

7 July 2022

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The Presenters



Ed Rimmer, CEO

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

Ed became Group CEO in June 2021.



James Roberts, CFO

James qualified as an accountant with PwC and has worked in financial services for over 20 years. He 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.

Time Finance: A brief summary

Strategic plan taking shape



Increasing own-book commercial lending with a gross lending book to UK businesses of nearly £140m



Own-book deal origination increased in the year from c£47m to c£64m



Simplified, clearer structure as non-core consumer brokerage disposed

A strengthening balance sheet



Net Tangible Assets now standing at over £30m



Arrears fallen by over a third in the past 12 months to c£7.8m from c£12.5m



Strong visibility of future earnings (c£17m)

SECTION ONE

BUSINESS OVERVIEW AND STRATEGIC PLAN UPDATE

- **What we do and our key products**
- **Why we stand out in the marketplace**
- **Key steps made on our medium-term plan**



Time Finance: Who we are and what we do

Time Finance plc is a business committed to ensuring that UK businesses can access a multi-product range of funding solutions to support their growth plans. In summary:

**Alternative
finance
provider**

A non-Bank, alternative
finance provider

**Supporting
UK
businesses**

Helping c10,000 UK
SMEs to access the
finance they need for
growth

**Lending on
our
own-book**

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

**Flexibility
to broke
on deals**

We have the flexibility to
broke-on deals that don't
fit with our criteria

**Multi
Product
portfolio**

Offering Asset Finance,
Invoice Finance and
Loan Finance

Time Finance: Our core products

Asset Finance



- Soft and Hard Assets (including a small broked-on element)
- Introduction channels: finance brokers, equipment suppliers/manufacturers & existing clients
- Deal size: £1k to £250k
- “Sweet Spot”: c£10k Soft asset; c£50k Hard asset
- Typical yield: 8-18%
- 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: 10-20%
- Funding: Corporate banker back-to-back facility

Commercial Loans



- Commercial loans
- Introduction channels: brokers, professional firms
- Deal sizes: £5k-500k
- “Sweet Spot”: unsecured c£25k; secured c£100k
- Typical yield: c11-18%
- Funding: Wholesale block funders and HNW Loan Note

Time Finance: Why we stand out from the crowd

Banks Lend to SMEs, but no longer their primary focus	Challenger Banks Generally do not operate at the smaller end of the market. Lend to us wholesale.	Alternative finance platforms Algorithm driven with higher credit risk and moving more to traditional models	Quoted companies Tend to be more single product focussed	Private companies multiple regional players, normally smaller
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		Traditional Banks	Challenger Banks	Alternative finance platforms	Quoted companies	Private companies
Flexibility	✓	X	X	✓	✓	✓
Speed of service	✓	X	✓	✓	✓	✓
Personal approach	✓	X	X	X	X	✓
Range of products	✓	✓	✓	X	X	X

Time Finance: Award winning



Time Finance: The medium-term Strategy

Launched in June 2021, our new four-year strategy has progressed significantly in the past 12 months.

The Aims



To become a nationally recognised SME funder



To more than double the Gross Lending Book



To organically achieve profits in excess of 2019 pre-covid levels



To significantly strengthen the Balance Sheet

The Progress

- Focussed on 3 core divisions and being primarily a secured lender
- Maximising the multi-product offering
- Increased marketing and PR resulting in far greater brand recognition
- Invested in new talent with key hires made in Asset, Loans and IF
- Gross lending book increased to c£138m from c£116m, +19%
- Q4 accounted for a third of the total annual own-book deal origination
- New products being rolled out: soft asset fast-track, VAT loans and ABL
- Exited loss-making, second-hand vehicle market that was depressing profits
- Own-book growing and continuing to do so, driving profits in the future
- Good opportunities ahead despite challenging wider market conditions
- Net Tangible Assets now stand at over £30m
- Arrears lower than pre-Covid levels
- Supportive funding partners including new £50m IF facility agreed

The dampening impact of the non-core brokerages

During 2017 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, some parts have not recovered and continue to depress the Group's revenue and profits.

£'m	Full year performance since pre pandemic			
	12m to 31/05/22	12m to 31/05/21	12m to 31/05/20	12m to 31/05/19
Revenue	2.7	3.1	5.4	5.8
Profit Before Tax	(0.3)	(0.3)	0.4	1.1

- 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
- 3 years on the revenues are still less than 50% of the pre-pandemic levels and were loss making despite significant cost-cutting
- Given the demands on management time, the non-core nature of the business and the continued loss to the group, the vehicle brokerage has been closed. This has resulted in a one-off accounting adjustment of c1.0m in writing-off the goodwill associated with the acquisition back in 2017

SECTION TWO

TRADING UPDATE

- **Quality of lending book improved**
- **Resilient and robust Balance Sheet**
- **Own-book lending results as expected**



Unaudited financial results to 31 May 2021

Fundamentals underpinning medium-term strategy in place

	31/05/22	31/05/21	Movement		
	£'m	£'m	£'m	%	
• Own-book origination	£64.4m	£47.3m	£17.1m	36%	✓
• Gross own-book Lending book	£137.8m	£115.7m	£22.1m	19%	✓
• Deals in forbearance	£0.0m	£0.8m	£(0.8)m	(100)%	✓
• Net Deals in arrears*	£7.8m	£12.4	£(4.6)m	(37)%	✓
• Consolidated Net Tangible Assets	£30.5m	£28.4m	£2.1m	7%	✓
• Revenue for the period	£23.6m	£24.2m	£(0.6)m	(2)%	X
• Profit Before Tax and Exceptionals**	£3.0m	£3.1m	£(0.1)m	(3)%	X
• Profit Before Tax	£1.1m	£2.0m	£(0.9)m	(45)%	X

* Includes all deals in arrears over 30 days

** Excludes Exceptional items, goodwill impairment and share-based payments

A robust balance sheet

Net tangible assets continue to grow; the improving quality of ‘the book’ is key

Net Tangible Assets: continue to grow

	£'m
May 19	£25.4
May 20	£26.6
May 21	£28.4
May 22	£30.5

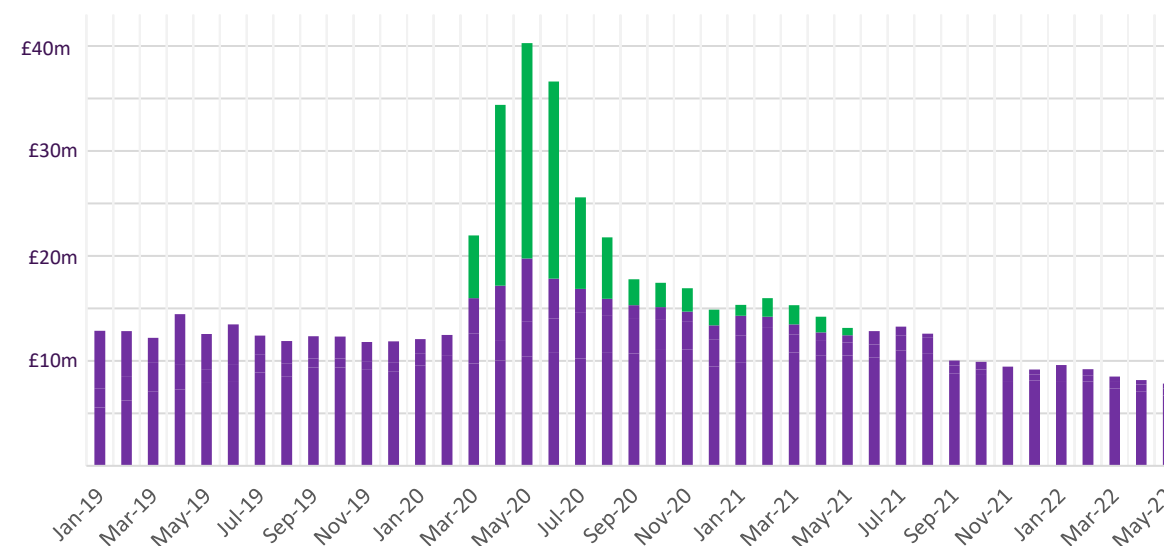
The Group's Tangible and Net Tangible Assets have both continued to increase from year-end as the Group remains profitable throughout. Tangible Assets stand at £58.1m as at 31 May 2022 and Net Tangible Assets at £30.5m.

Gross Lending Book: Almost back to pre-pandemic levels

	£'m
May 19	£141.7
May 20	£122.9
May 21	£115.7
May 22	£137.8

The lending book underpins the strategy and the future revenues. At the financial year-end the gross value of the book has bounced back to very near the pre-Covid levels standing at c£138m compared to c£142m in May 19 after a low point of c£116m in May 21.

Net Arrears and Forbearance: Consistently below pre-pandemic levels



The Group's own-book lending portfolio is in a much stronger position that during the pandemic and has been below pre-pandemic levels since September 2021. The purple bars represent net arrears* by value and the green the value of deals in forbearance as a result of the pandemic. In May of 2019 arrears as a percentage of the gross lending book stood at c8.8% where as now, as at 31 May 2022, they stand at c5.6% of the gross lending book.

* Includes all deals in arrears over 30 days

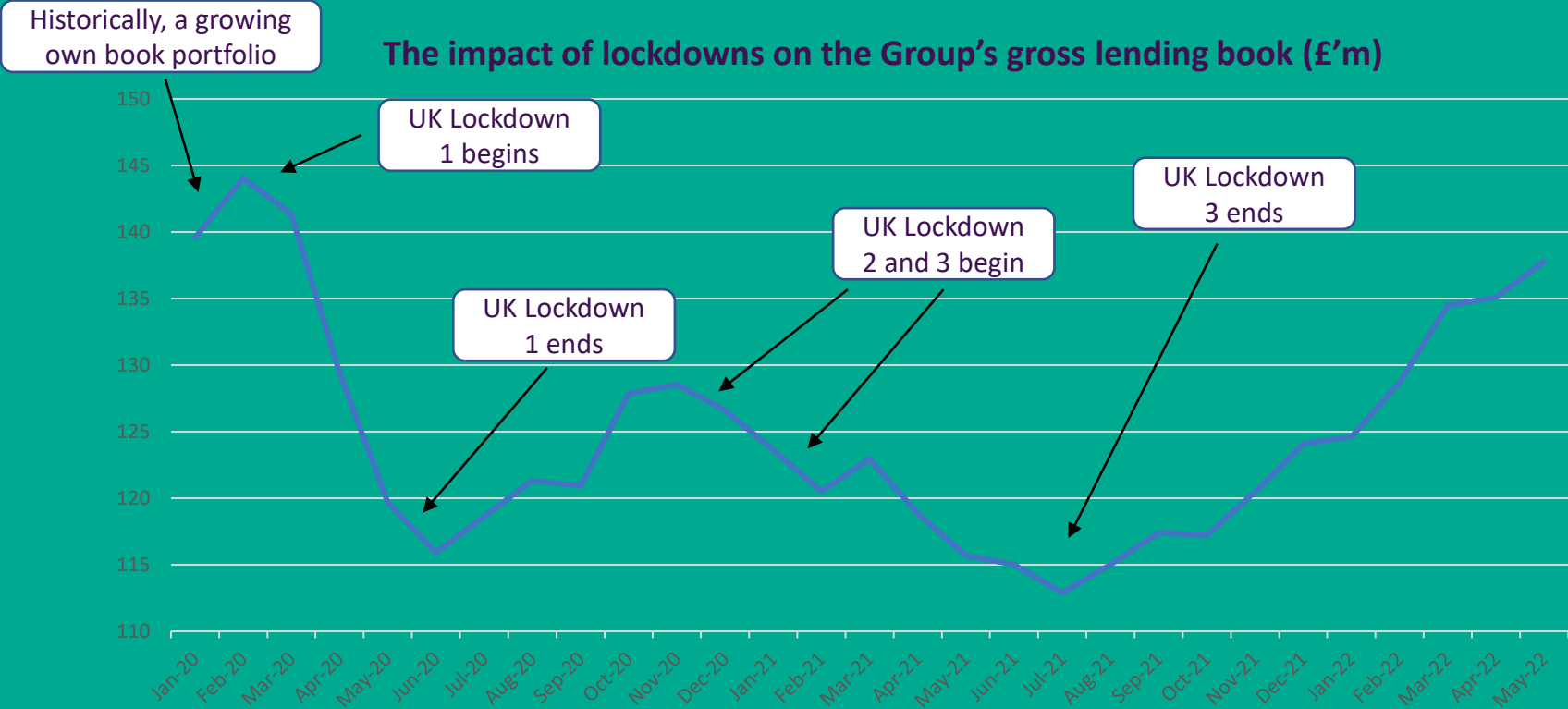
The impact of the size of the loan book

The lending own-book is the key driver of revenue for the group driving profit growth over the medium term. While brokerages can deliver short term profits greater, more sustained profit can be derived through growing own book lending.

Own book lending: a rudimentary example

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

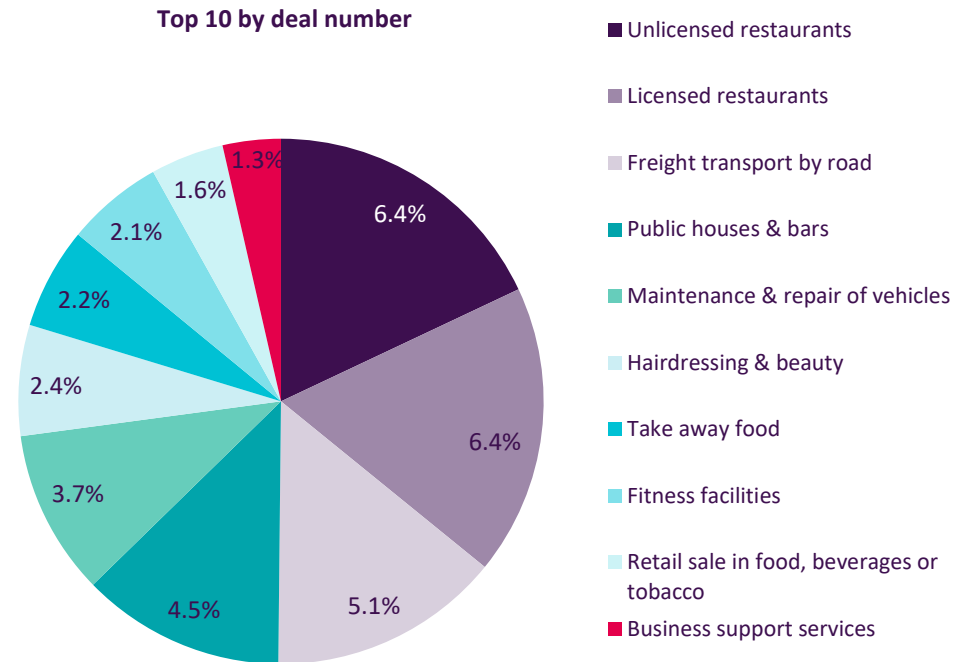
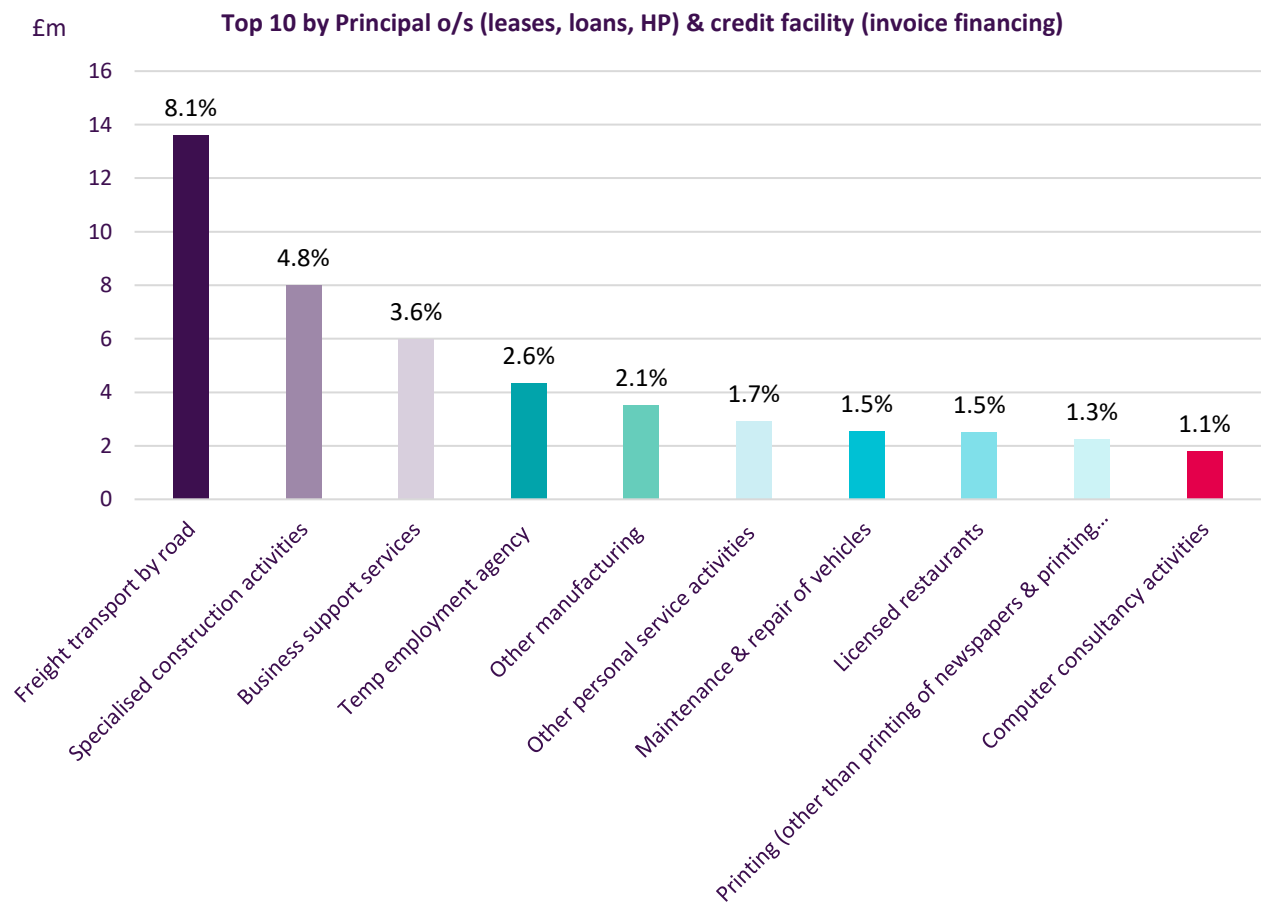
Own book lending builds up over time. If, in the example above, £100k is lent each year and the average life of the deal is 3 years, by the third year you are earning income on all 3 deals. This is a very simplistic example, but it shows the potential extra earning power of own book lending over the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



Significant contraction with every lockdown and subsequent, albeit slower, bounce-back with reopening. Crucially, since the last lockdown ended in the summer of 2021 the book has grown steadily and consistently through to the end of May 21 and is close to pre-pandemic high levels. This seems to bear out the assumption that, without further lockdowns, the lending book should recover to beyond historic levels. As per the example to the left this should, in turn, lead to larger revenue streams as the book builds.

Diversified Lending

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



Diversification and spread remain key. The largest sector makes up less than 9% of the book and the top ten sectors account less than 30% of the total book by value

SECTION 3

SUMMARY AND OUTLOOK





Summary

- Own-book lending in core products of Asset, Loans and Invoice Finance gathering pace
- Exited a key, non-core drag on the business in the vehicles brokerage
- Key hires made in all core parts of the business
- Strengthened balance sheet with higher quality, cleaner lending book
- A solid year despite strong macroeconomic headwinds – COVID, cost of living, geopolitical challenges

Outlook

- Strategy now embedded and being progressed, medium-term aims remain the same
- Lending book expected to continue to grow significantly through the new financial year and beyond
- New products and new staff expected to deliver additional revenue streams
- While a challenging wider economic environment there remain major opportunities for businesses like Time Finance. The multi-product offering, with government pandemic-led funding being scaled back, should see an increasing number of UK SMEs seek funding from lenders like Time