



Time Finance plc

Results and Q1 Trading Update

Year-ended 31 May 2022 and quarter ended 30 August 2022

22 September 2022

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The Presenters



Ed Rimmer, CEO

Ed has worked within commercial finance for well over 25 years holding many senior roles, including UK CEO of Bibby Financial Services. Ed has been involved with Time since 2017 having previously 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.

SECTION ONE

STRATEGIC PLAN UPDATE



The medium-term strategy



Become a
nationally
recognised SME
funder



More than
double our
Gross Lending
Book to c£250m



Achieve profits
organically well
in excess of 2019
pre-covid levels



Significantly
strengthen our
Balance Sheet as
we focus on own
book lending

Positive Progress to 30 August 2022

£143m

Gross Lending Book



Up 4% from £137m at 31 May 2022



Up 24% from £116m at the strategy launch

£44m

Hard Asset growth



Hard Asset growth of 38% from £32m since the strategy launch

£45m

Invoice Finance growth



Invoice Finance growth of 80% from £25m since the strategy launch

Unearned Income

£17m



Up 21% from £14m
from the strategy launch

GPM

64%



Increased from 62%
from the strategy launch

Net Arrears

£9m



Reduced from £14m
from the strategy launch

► Simplified the structure

- ✓ Focused on 3 core own-book lending divisions: Asset, Loan and Invoice Finance
- ✓ Exited loss-making, second-hand vehicle broking business
- ✓ Divestment of consumer mortgage brokerage expected in Q2

► Invested in proven industry leaders

- ✓ Director of Loans, Sharon Bryden, joined in August 2021
- ✓ Director of Asset, Steve Nichols, joined in January 2022
- ✓ Head of Business Improvement, Louise Ikonomides, joined in September 2022

► Developing the multi-product offering

- ✓ *Asset Based Lending (“ABL”)* product to be launched in Q4 2022
- ✓ Loans: *Secured Lending* rolled-out
- ✓ ‘Soft’ Asset: *Fast-track* product rolled-out

► Continued to build our brand

- ✓ Investment in Marketing
- ✓ Ranked Number 1 in Business Money Intermediary Index

SECTION TWO

The Financial Results



Audited financial results to 31 May 2022

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	£136.8m	£115.7m	£22.1m	18%	✓
• Net Deals in forbearance	£0.0m	£0.8m	£(0.8)m	(100)%	✓
• Net Deals in arrears	£9.3m	£14.2m	£(4.9)m	(35)%	✓
• Consolidated Net Tangible Assets	£30.5m	£28.4m	£2.1m	7%	✓
• Total Revenue for the period	£23.6m	£24.2m	£(0.6)m	(2)%	X
• Continuing Operations Revenue	£22.5m	£22.5m	£0.0m	0%	=
• Profit Before Tax and Exceptionals*	£3.0m	£3.1m	£(0.1)m	(3)%	X
• Continuing Operations PBTE	£3.1m	£3.1m	£0.0m	0%	=
• Profit Before Tax	£0.9m	£1.8m	£(0.9)m	(100)%	X

* Excludes Exceptional Items, Goodwill impairment and Share-Based Payments

Unaudited financial results for quarter to 30 August 2022

Medium-term strategy gathering pace

	30/08/22	30/08/21	Movement		
	£'m	£'m	£'m	%	
• Own-book origination for quarter	£15.7m	£12.5m	£3.2m	26%	✓
• Gross own-book Lending book	£142.8m	£115.0m	£27.8m	24%	✓
• Net Deals in forbearance	£0.0m	£0.8m	£(0.8)m	(100)%	✓
• Net Deals in arrears	£9.2m	£14.3m	£(5.1)m	(36)%	✓
• Consolidated Net Tangible Assets	£31.3m	£28.8m	£2.5m	9%	✓
• Total Revenue for quarter	£6.3m	£5.6m	£0.7m	12%	✓
• Continuing Operations Revenue for quarter	£6.3m	£5.2m	£1.1m	21%	✓
• Profit Before Tax and Exceptionals*	£1.0m	£0.4m	£0.6m	150%	✓
• Continuing Operations PBTE	£1.0m	£0.6m	£0.4m	67%	✓
• Profit Before Tax	£0.9m	£0.4m	£0.5m	125%	✓

* Excludes Exceptional Items, Goodwill impairment and Share-Based Payments

An ever-strengthening balance sheet

Net tangible assets and lending book continue to grow; arrears holding static

Net Tangible Assets: At record levels

	£'m
May 19	£25.4
May 20	£26.6
May 21	£28.4
May 22	£30.5
Aug 22 (unaudited)	£31.3

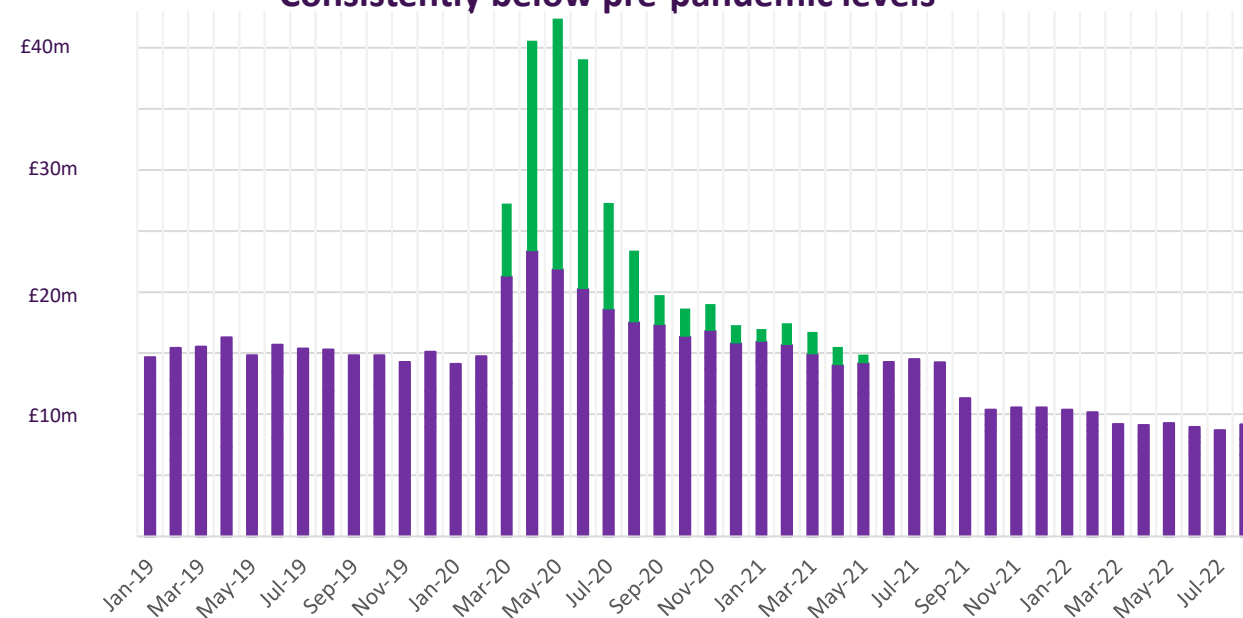
The Group's Tangible and Net Tangible Assets have both continued to increase year-on-year as, despite the macro-economic issues, the Group has remained continuously profitable. Unaudited Tangible Assets stand at £58.8m as at 30 August 2022 and, after removing goodwill and intangible assets, Net Tangible Assets are £31.3m.

Gross Lending Book: Back to pre-pandemic levels

	£'m
May 19	£141.7
May 20	£122.9
May 21	£115.7
May 22	£136.8
Aug 22 (unaudited)	£142.8

At the financial year-end the gross value of the book had rebounded to £136.8m and Q1 to 30 August 2022 saw the return to pre-COVID levels of lending with a further increase leaving the book standing at £142.2. This compares to a pandemic induced low of £116m in May 21.

Net Arrears: Consistently below pre-pandemic levels



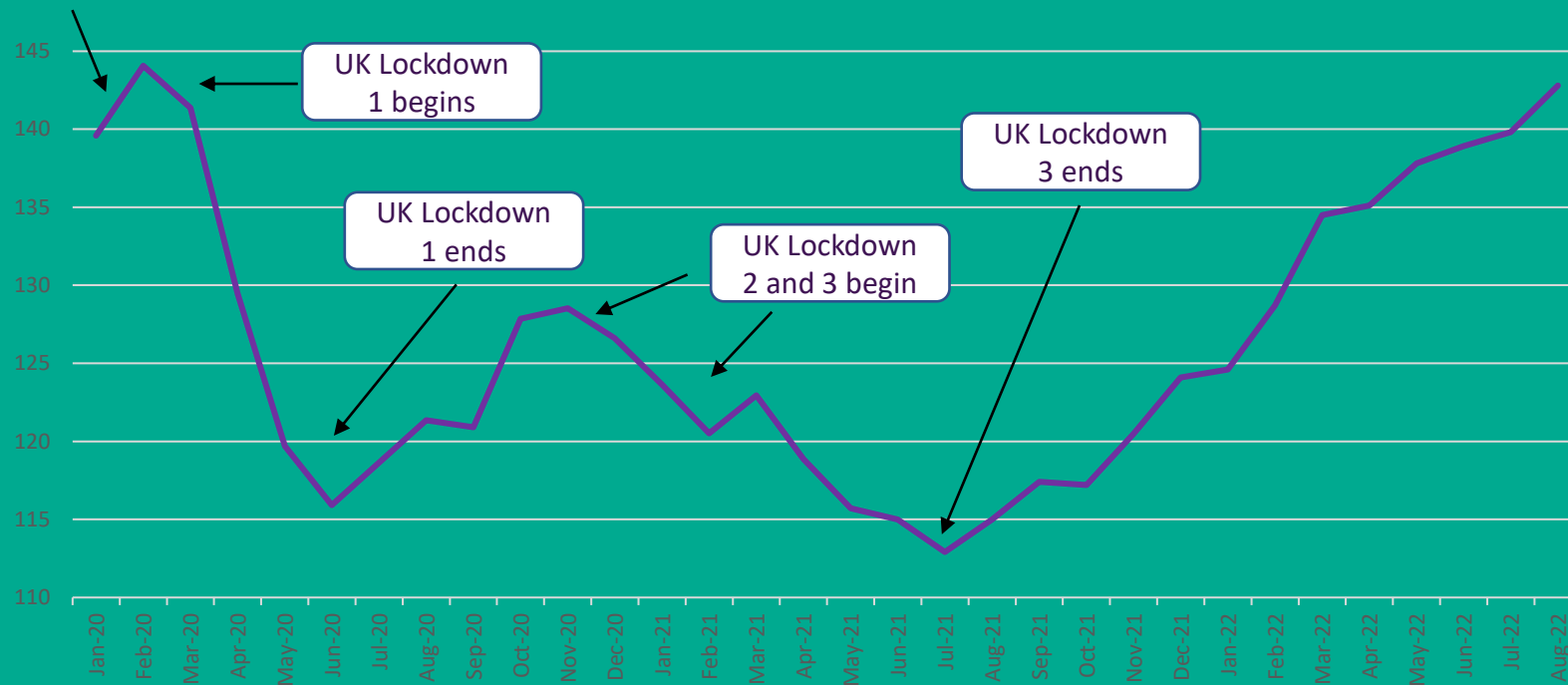
The Group's own-book lending portfolio is in a much stronger position than during the pandemic and has also now been below the pre-pandemic levels since September 2021. The purple bars represent total net arrears by value and the green the value of deals granted forbearance as a direct result of the pandemic. In May of 2019, before the onset of the pandemic, arrears as a percentage of the gross lending book stood relatively consistently at c10%; they rose to c18% (much higher still if balances in forbearance were to be included) at May 2020, before falling to c12% at May 2021 and 7% at year-end 31 May 2022. During Q1 FY22/23 they have fallen further to c6% of the gross lending book.

The size of the loan book and other metrics

Own-book lending is the key driver of revenue for the group; driving profit growth over the medium term.

Historically, a growing own book portfolio

The impact of lockdowns on the Group's gross lending book (£'m)



The lending book contracted with every lockdown followed by a subsequent, albeit slower, bounce-back when the country reopened. Crucially, since the last lockdown ended in the summer of 2021 the book has grown steadily and consistently through to the end of Aug 22. It is now close to pre-pandemic record high levels. Without further lockdowns, under the new strategy, the lending book should recover and move well beyond the historic lending levels. In turn this should lead to larger revenue streams as the book continues to build.

Other strategic plan metrics

i. Increasing average deal size:

The average own-book deal size for the group has gradually increased. At 30 August 2022 it stood at £23k compared to £14k as at 31 May 2021 when the strategy was launched. An increase of over 60%.

ii. Continued focus on spread

The top ten sectors by value continue to account for less than 30% of the overall lending book. The largest individual sector by value continues to account for less than 10% of the overall lending book

iii. Sensible approach to provisioning

The bad debt provision represents approximately 3% of the total net book exposure of the Group. This compares to high during the pandemic of c5% but above the historic pre-pandemic levels of c2%.

SECTION 3

SUMMARY AND OUTLOOK





Summary

- Exited non-core vehicles brokerage which was a consistent drag on profits
- Key leadership and sales hires made in core parts of the business
- Multi-product offering expanding with launch of ABL
- Continued growth in own-book lending, focusing on Hard Asset and Invoice Finance

Outlook

- Strategy now embedded and understood
- Lending book expected to continue to grow
- Challenging economic environment but good opportunities
- The medium-term aims remain the same and momentum building

SECTION 4

Appendices



Appendix 1: 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

Appendix 2: 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

Appendix 3: 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