# S&U

FY17 results

## Strong growth, cautious approach

Financial services

**S&U's FY17 results showed continued strong growth in motor finance receivables with an increase of 33%. Competition has had some effect on cost of sales and mix change has been reflected in an expected increase in impairments but pre-tax profit growth was still above 20% and the outlook remains encouraging. The Aspen Bridging finance pilot may provide another avenue for growth while it is reassuring that management is taking a prudent approach in this new area.**

| Year end | Revenue (£m) | PBT* (£m) | EPS* (p) | DPS (p) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 01/16 | 45.2 | 19.5 | 132.4 | 76.0 | 15.6 | 3.7 |
| 01/17 | 60.5 | 25.2 | 169.1 | 91.0 | 12.2 | 4.4 |
| 01/18e | 75.2 | 30.1 | 199.1 | 104.4 | 10.4 | 5.0 |
| 01/19e | 89.8 | 35.4 | 234.2 | 116.7 | 8.8 | 5.6 |

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. FY16 DPS ex-exceptional payment of 125p.

## FY17 results

The one-third increase in customer receivables for the year took the five-year compound annual growth rate to 36% and revenue growth in FY17 was 34%. Competition has put some upward pressure on commissions paid to brokers who originate business, while modest adjustments to underwriting criteria to address customers with lower credit scores has helped support the revenue yield on receivables but resulted in an increase in impairments, as expected. Earnings per share increased by 27% and the full year dividend was 91p, up 20%.

## Further growth in prospect

The UK economic background has proved more stable than feared and GDP forecasts have been increased over the last six months. Unemployment and redundancies remain at relatively low levels creating a favourable environment for S&U's Advantage non-prime motor finance business. While the growth in this area has attracted increased competition and macro factors could deteriorate, there still appears to be attractive growth to go for and Advantage's long track record and well-developed underwriting system stand it in good stead to continue to address the opportunity and generate attractive returns. The Aspen Bridging Finance pilot is still at an early stage (no loans made when the FY17 results were announced) but provides an alternative option for growth and the cautious approach being taken will probably be viewed positively by investors.

## Valuation remains conservative

We have updated our peer comparison and valuation based on a ROE/COE model and, taking both into account, ascribe a value of 2,700p per share (2,650p per share previously). Reversing the ROE/COE calculation suggests the current price is factoring in a cost of equity of nearly 12%, which appears conservative.

**7 April 2017**

| | |
|---|---|
| **Price** | **2,070p** |
| **Market cap** | **£248m** |

| | |
|---|---|
| Net debt (£m) at end January 2017 | 49.2 |
| Shares in issue | 12.0m |
| Free float | 26% |
| Code | SUS |
| Primary exchange | LSE |
| Secondary exchange | N/A |

### Share price performance


| % | 1m | 3m | 12m |
|---|---|---|---|
| Abs | (0.5) | (7.5) | (4.3) |
| Rel (local) | (0.2) | (9.2) | (18.7) |
| 52-week high/low | | 2,610p | 1,997p |

### Business description

S&U's Advantage motor finance business lends on a simple hire purchase basis to lower and middle income groups that may have impaired credit records which restrict their access to mainstream products. It has 43,000 customers currently. The pilot Aspen Bridging finance business is now open.

### Next events

| | |
|---|---|
| AGM/Q118 update | 18 May 2017 |

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## Specialist lender with a fast-growing core activity

### Home credit sale provided new platform for growth

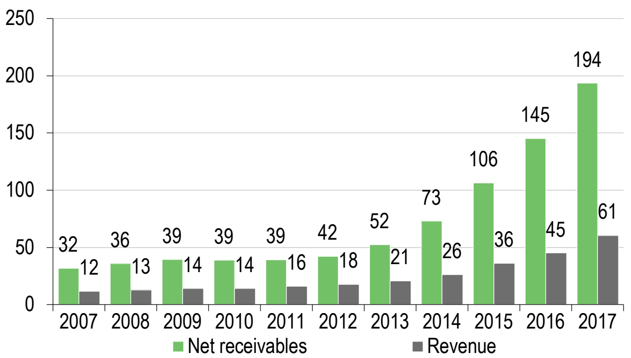
Until 2015 S&U comprised two businesses: a home credit company, Loansathome4u, and Advantage Finance, the non-prime motor finance company. The home credit business had its roots in a business originally founded in 1938 by the chairman's grandfather, Clifford Coombs but the decision was taken in 2015 to sell it to Non Standard Finance for a consideration of £82.5m, generating an exceptional profit of £50.5m. The sale was transformational and the funds released were partly allocated to the payment of a £15m special dividend with the balance available to support growth at Advantage and the launch of a new specialist lending activity. As a result S&U now comprises the fast-growing Advantage motor finance business and a nascent bridging loan activity that is currently at a pilot stage.

### Motor finance: A well-established business with a strong growth record

Advantage was formed in 1999 and is based in Grimsby with approximately 100 employees. The majority of the management team have been with the company since launch. Growth has been rapid with 36% compound growth in net customer receivables over the last five years to £193.5m at the end of January 2017. It has c 43,000 live customers and recorded just over 20,000 new transactions in FY17, an increase of 32%. Advantage focuses on the non-prime area of the market and its lending is primarily through about 40 brokers (85%), with the balance through dealerships or, to a limited extent, to existing customers. The brokers in turn source their business through dealer relationships and the internet. Almost all the loan applications are submitted to the Advantage web-based system which provides immediate in-principle lending decisions.
Most loans are in the £5,000 to £7,000 range, with a maximum loan amount set at £12,000: the average advance in FY17 was just over £6,000. The average original term in FY17 was 50 months with a flat interest rate of 17.9% (both have risen in recent years – Exhibits 4 and 5). The provisional approval rate for loan applications has been broadly stable in recent years and in the last financial year was 32%, with c 240,000 approved out of 750,000 applications. As noted, 20,000 actually signed up which is equivalent to less than 3% of original applications; the small ratio of deals signed to some extent reflects the increased use of the internet by buyers to source finance before shopping for a car and is not onerous for Advantage given the automation of responses to applications.

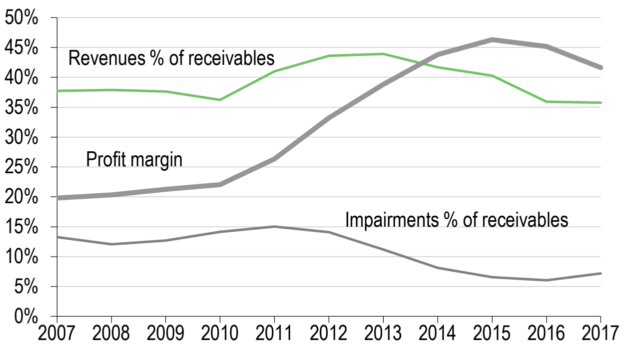
Advantage has achieved 17 years of consecutive profit growth, reflecting growth in the loan book together with successful credit control underpinned by the continuous refinement of a bespoke underwriting and scoring system developed in conjunction with Experian. Exhibits 1 and 2 set out key metrics relating to that growth.

**Exhibit 1: Advantage receivables and revenue (£m)**




Source: S&U, Edison Investment Research

**Exhibit 2: Revenues & impairments vs receivables**




Source: S&U, Edison Investment Research

## Effective management at Advantage took the opportunity in the market

In exhibit 1 the strong growth in receivables can be seen, reflecting continuous work at Advantage to enhance its systems and hence speed of service to brokers and dealers (97% of applications receive an automated decision within 10 seconds), in addition to maintaining and broadening its network of relationships. On the demand side the withdrawal of large banks from the non-prime market in the course of the financial crisis and the increase in incidence of customers with some lapse in their credit record created a larger opportunity for Advantage and other specialist lenders. In its FY16 presentation Provident Financial highlighted that, in addition to the departure of banks from this area, Cattles had c £1bn of subprime motor loans outstanding when it collapsed in 2008-10. More recently, new lenders have been drawn to the area and participants have acknowledged an increase in competition with Provident Financial citing 10 companies operating in competition with its Moneybarn subsidiary. Moneybarn itself has expanded substantially since its acquisition by Provident Financial gave it access to greater and lower cost funding. Nevertheless, Advantage, Provident Financial and others still see a significant opportunity to provide finance to underserved customers.

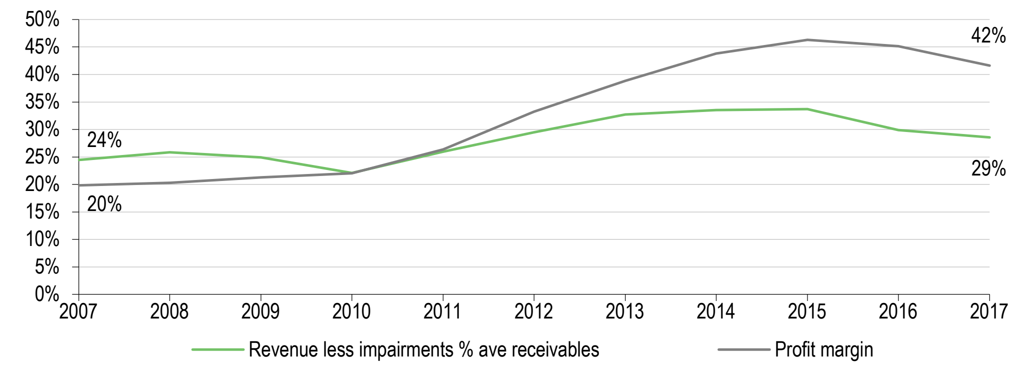
## Evidence of a successful underwriting model

Advantage's revenue has broadly increased in line with receivables and this can be seen more directly in Exhibit 2 where we have shown revenues as a percentage of average receivables. Over the period shown, revenues have averaged 39% of receivables although there have been some moderate fluctuations over the period. A number of factors can contribute to the variations in the revenue yield on receivables including the customer mix, where Advantage looks to fine tune its underwriting criteria to achieve a favourable risk/ reward balance. This is done against the background of changing market dynamics. The arrival of more competition in the market has meant some jockeying for position across the non-prime credit spectrum with some providers moving nearer to prime and others focusing on customers with a more patchy credit history. In the last year or two Advantage has tended to focus more on its traditional strength on serving true non-prime customers as others gravitated towards near prime. The reduction in yield evident between FY15 and FY16 reflected a combination of mix, the ending of insurance sales in July 2015 and, to some extent, competitive pressure.

Impairments as a percentage of receivables have fallen noticeably over the period (see Exhibit 2). Between 2007 and 2013 they averaged nearly 10% while in the last four years the average has been below 6%. S&U attributes the reduction mainly to the withdrawal of mainstream banks from the non-prime market, helping Advantage to attract nearer prime customers, together with refinement of its scoring system enabling improvements in the balance of risk and reward within the underwriting process. There was an increase in the impairment ratio in FY17 reflecting a change in mix and a small experimental move into the more sub-prime area of the market (see commentary on FY17 results for more discussion).

Profitability has risen substantially since 2007 increasing from c 20% to 42% in FY17 (for Advantage profit margin in Exhibits 2 and 3 we have shown profits after impairments, interest and other costs as a percentage of revenues). Contributory factors include the reduction in impairments, operational gearing as the business has grown and a reduction in funding cost. The interplay of pricing of loans and impairments is evident when we track revenue less impairments as a percentage of receivables (Exhibit 3). Over the period this risk adjusted yield on receivables has increased from 24% to 29% and in the last two years, after a reduction following the removal of insurance income in FY15, has been broadly stable at 30% and 29% reflecting successful management of risk versus pricing.

**Exhibit 3: Risk-adjusted revenue yield on receivables and profitability**




Source: S&U, Edison Investment Research

### Aspen Bridging Finance

Aspen Bridging Finance is now open for business; up to £20m may be invested in bridging loans over 15 months, subject to market conditions. The loans, with a typical term of nine months and a maximum loan to value of 75%, will be made to individuals and businesses secured on residential and commercial property. The loans might be used to provide mortgage bridging, to facilitate completion of auction purchases, for business rental or to fund refurbishments prior to the arrangement of long-term finance. Loans will be in the unregulated sector (excludes those to owner occupiers or consumer landlords), which accounts for c 65% of the market. Mintel estimates a market size of £5bn per annum, expecting this to grow to £8.8bn by 2020 (compound growth of 21%). It is a sector where there is an ebb and flow of lenders and S&U note that margins have contracted over the last two years. Aspen is taking a circumspect approach to making its first loans as it aspires to achieve a nil bad debt record. As a new participant it is aware of the risk of exposure to less attractive opportunities that others have rejected and is happy to take a patient approach.

## FY17 results commentary

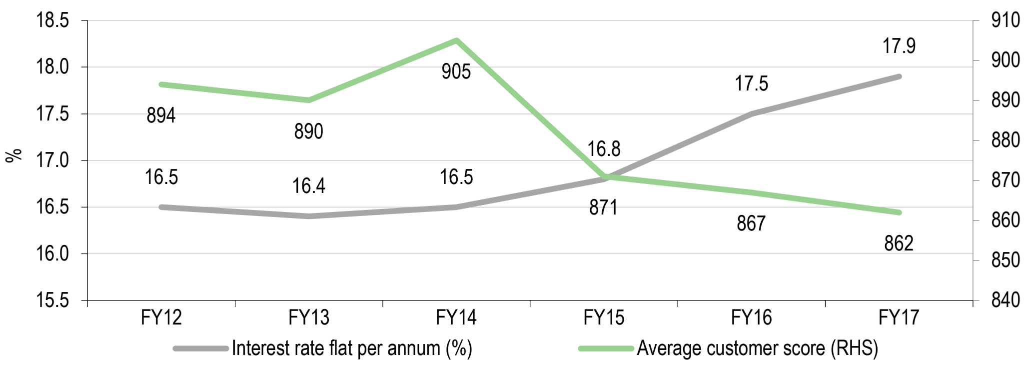
S&U's full year results were close to our expectations with strong growth in receivables, revenues and profits. The main features were as follows with comparisons against FY16 results for continuing operations (excludes the home credit business operating result and the profit on sale).

- The number of transactions increased by 32% from 15,131 to 20,042 with new advances increasing by 32% to £121.6m.
- Customer numbers stood at 43,000 versus 32,600; the number of repeat customers remains low at sub-5% although Advantage plans to increase marketing to this potential client base.
- Gross and net receivables increased by a similar percentage with net receivables up 33% to £193.5m.
- This flowed through to revenues which were 34% ahead at £60.5m.
- The cost of sales increased faster than revenues, by 43% to £12.9m, affected by competition which pushed the cost of sales per loan up 8% (see Exhibit 5 below).
- The P&L impairment charge increased by 60% to £12.2m equivalent to 6.7% of average receivables compared with 5.1%. As a percentage of revenue this was 20.1% up from 16.8% for the prior year. S&U indicates this was mainly a reflection of product mix and, as shown above in Exhibit 3, revenue less impairment as a percentage of average receivables was only slightly lower.
- Pre-tax profits recorded a 17th year of growth increasing by 23% to £25.2m.

On the regulatory front, Advantage Finance received its full consumer credit permission from the FCA in December. S&U notes that in addition to its statutory auditors it employs RSM as an internal auditor to provide assurance of operations and systems. Also, while Aspen Bridging Finance will initially operate in an unregulated area of lending, it will draw on support from RSM together with advice from law firms and valuers to ensure similar standards are followed, supporting sustainable development of the business.

Looking more closely at the change in product mix at Advantage, S&U provides figures for the average customer credit score (on Advantage's own scoring system) by year of origination and in Exhibit 4 we have shown this together with the flat interest rate per annum. This underlines the point that there has been a balance between risk and pricing with the proviso that the ultimate outcome will depend on collection over the life of these loans. As noted earlier, the reduction in credit scores in part reflected the experiment in providing higher risk loans initiated during FY15 and ended in September 2016. S&U indicates that more recent customer scoring is above the FY17 average at c 868. The latest iteration of the credit scoring system has been introduced (Delphi 10) which improves affordability checks with specific geographical criteria and the benefits of this should start to become more evident this year. As would be expected, the arrears profile (not shown) reflects a similar story with a moderate decrease in the percentage of receivables where payments are up to date: for FY17 this was 86.75% compared with 91-92% for the previous three years.

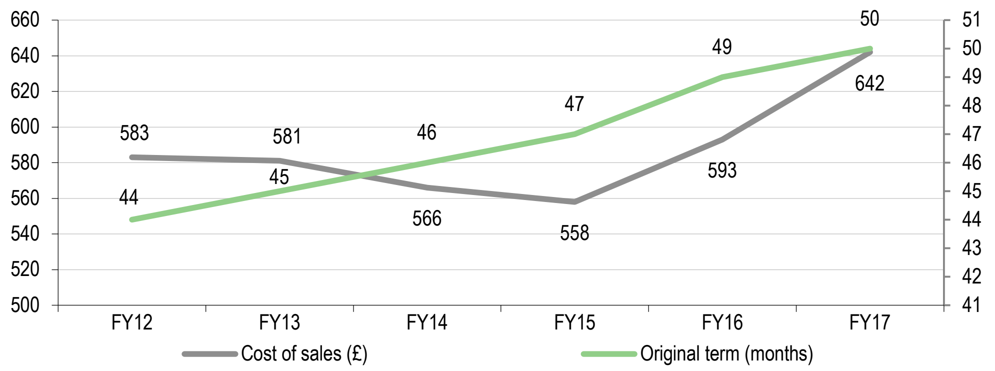
**Exhibit 4: Average customer credit score and flat interest rate by year of origination**




Source: S&U

Exhibit 5 shows how the original term of loans by year has followed an upward trend in recent years, in part reflecting competitive pressure and entailing some increase in risk (again potentially compensated by the rise in rates). The chart also shows another symptom of competitive pressure: the cost of sales per loan. After initially falling this has increased quite markedly over the last three years largely reflecting the increase in payments to the brokers which originate most of the loans. Here the increasing role of the larger internet brokers plays a role as well as competitor behaviour.

**Exhibit 5: Cost of sales and original loan term**



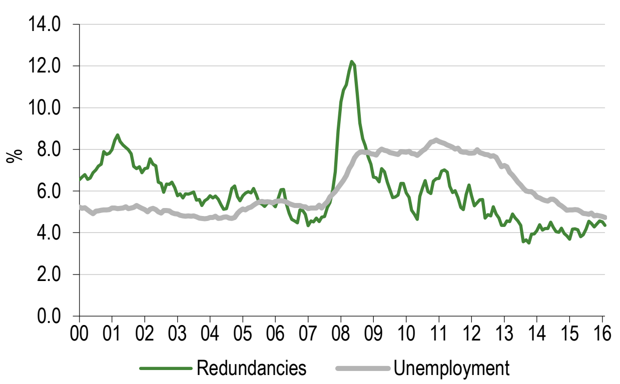

Source: S&U

Reflecting loan growth during FY17, a net £33m was invested in Advantage leaving group net debt (excluding preference shares) at c £49.2m and gearing of 35% compared with £11.9m and 9% in FY16. On funding, the group increased its borrowing facilities by £15m to £85m in H217 and since the year end has added a further £10m bringing the total to £95m, including £30m of term loans and £65m revolving credit facilities.

## Market background and outlook

The UK economy has shown greater resilience than expected following the Brexit vote and GDP estimates have been revised upwards since September last year. The Treasury survey of independent forecasts now shows a consensus expectation of 2017 growth of 1.6% followed by 1.4% for next year. Looking at two indicators that are likely to be significant for Advantage's customer base, unemployment and consumer confidence, there is a slightly mixed message. Positively, the level of unemployment (Exhibit 6) has been following a downward trend since the financial crisis and the more volatile level of redundancies has fallen sharply from its peak although it is above its recent low point in 2013. It has subsequently been in a range between 4% and 5% with no clear upward trend. Consumer confidence, as measured by the EC indicator (Exhibit 7), has recovered substantially from its low point in 2009 but, unsurprisingly, has displayed some volatility recently, weakening from a high in 2014, flagging the potential for some softening of lending appetite if Brexit-related uncertainties or other economic or political concerns intensify sufficiently to impact sentiment.

**Exhibit 6: UK redundancies and unemployment**



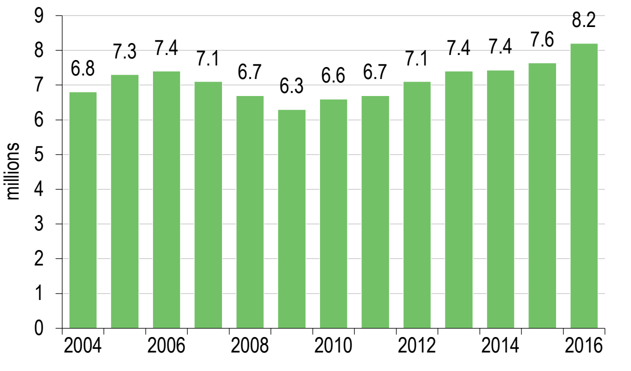

Source: ONS

**Exhibit 7: UK consumer confidence indicator**


Source: European Commission

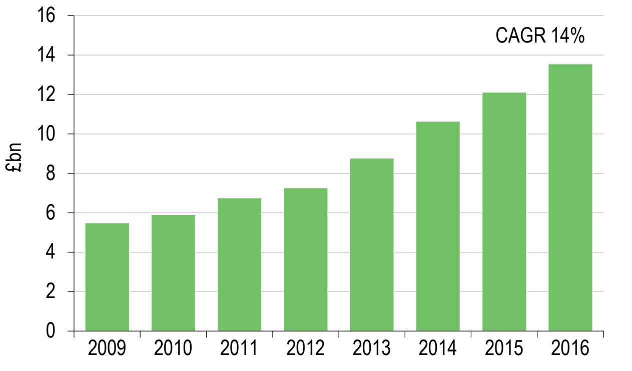
For the moment however, the used car market in the UK has continued to show healthy volume growth since 2009 and this in turn has fed into robust demand for used car finance (Exhibit 9), with compound growth of 14% recorded in the Finance and Leasing Association data.

**Exhibit 8: UK used car market volume**




Source: BCA , SMMT

**Exhibit 9: Used car finance through dealerships**




Source: Finance and Leasing Association

Looking ahead, delivery of current expectations of moderate GDP growth and stable unemployment would be favourable for S&U both in terms of the incidence of impairments and potential for further loan growth. The trading environment for Advantage appears set to remain competitive and while Secure Trust Bank (Moneyway) has reported an easing of pricing pressures following the withdrawal of a new entrant to the motor finance market, S&U notes that this has not had a noticeable effect on the Advantage business. Nevertheless, in common with Provident Financial (Moneybarn) and Secure Trust Bank, S&U sees good potential for continued strong growth in this area.

For Aspen Bridging Finance the outlook is less about the macro outlook given its pilot status and much more about establishing a profitable business within a specialist lending area. Here the conservative approach taken by the majority family-owned group provides comfort that capital protection is likely to remain the key consideration, reducing any pressure to build the loan book over a particular timescale.

## Financials

We start by showing a summary of the key assumptions that drive our revenue estimates (and impairments) for the motor finance and bridging finance activities. Points to note here are that we assume a still strong but lower growth rate in motor finance receivables, a similar rate of revenue yield and a slightly higher percentage level of impairments either in relation to revenue or average receivables. The impairment estimate reflects the modest mix change already baked into the loan book and looking beyond the forecast period the cost of risk could ease back following more recent adjustment to the underwriting criteria. Our assumptions for bridging are tentative given the early stage of the business, but we allow for a loan book of £3m by end of FY18 and £15m by end FY19. Its estimated contribution to revenue for the years shown is less than 2% so our estimates are unlikely to be particularly sensitive to changes in assumptions here.

### Exhibit 10: Key estimate assumptions

| £000 (year to end January) | 2016 | 2017 | 2018e | 2019e |
|---|---|---|---|---|
| **Motor** | | | | |
| Net accounts receivable | 145,141 | 193,529 | 229,932 | 268,192 |
| Revenue | 45,182 | 60,521 | 75,025 | 88,286 |
| Impairments | (7,611) | (12,194) | (15,755) | (18,540) |
| **Ratios** | | | | |
| Net receivables growth | 36% | 33% | 19% | 17% |
| Revenue as % average receivables | 35.9% | 35.7% | 35.4% | 35.4% |
| P&L impairment as % revenue | (16.8%) | (20.1%) | (21.0%) | (21.0%) |
| P&L impairment as % average receivables | (6.1%) | (7.2%) | (7.4%) | (7.4%) |
| **Bridging finance** | | | | |
| Loan book - end period | | | 3,000 | 15,000 |
| Interest/fee revenue | | | 158 | 1,470 |
| Interest rate | | | 14.0% | 14.0% |
| **Group** | | | | |
| Accounts receivable | 145,141 | 193,529 | 232,932 | 283,192 |
| Revenue | 45,182 | 60,521 | 75,183 | 89,756 |

Source: Edison Investment Research

Further detail on the group P&L is provided in the financial summary (Exhibit 16 on page 11). Below the revenue and impairment lines we would only highlight that we have assumed a stable cost of sales ratio but a modest reduction in the percentage of administrative costs reflecting operational gearing. Below, in Exhibit 11, we summarise changes in our revenue, pre-tax profit, earnings per share and dividend estimates together with new estimates introduced for FY19. There are modest reductions in our FY18 estimates reflecting slightly more conservative assumptions.

### Exhibit 11: Changes to estimates

| Year end | Revenue (£m) | | | PBT (£m) | | | EPS (p) | | | DPS (p) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| January | Old | New | Change (%) | Old | New | Change (%) | Old | New | Change (%) | Old | New | Change (%) |
| 2017 | 61.2 | 60.5 | -1.2% | 25.8 | 25.2 | -2.2% | 171.0 | 169.1 | -1.1% | 90.0 | 91.0 | 1.1% |
| 2018e | 77.9 | 75.2 | -3.5% | 31.0 | 30.1 | -2.9% | 206.0 | 199.1 | -3.4% | 109.8 | 104.4 | -4.9% |
| 2019e | | 89.8 | N/A | | 35.4 | N/A | | 234.2 | N/A | | 116.7 | N/A |

Source: Edison Investment Research. Note FY17 new figures are actual reported.

As noted earlier, net debt (excluding preference shares) increased by £37.3m to £49.2m and, in Exhibit 12, S&U's analysis of cash flow includes details for Motor Finance showing how the overall FY17 cash outflow of £33.2m (+20%) resulted from an increase in advances (+30%) balanced in part by collections that grew at a somewhat faster pace.

### Exhibit 12: Cash flow analysis

| £m | FY16 | FY17 |
|---|---|---|
| **Motor Finance** | | |
| Advances | (93.2) | (121.6) |
| Monthly collections | 71.7 | 95.0 |
| Settlement collections | 15.0 | 19.9 |
| Debt recovery | 4.7 | 6.9 |
| Overheads/interest | (16.6) | (22.7) |
| Corporation tax | (3.8) | (4.6) |
| Dividend | (4.7) | (6.1) |
| **Motor Finance outflow** | **(26.9)** | **(33.2)** |
| Home credit disposal | 82.4 | 0.0 |
| Central dividend | (3.5) | (3.4) |
| Exceptional dividend | (15.0) | 0.0 |
| Other inflow/outflow | 4.7 | (0.7) |
| **Group inflow/outflow** | **41.7** | **(37.3)** |
| Opening net debt | 53.6 | 11.9 |
| **Closing net debt** | **11.9** | **49.2** |

Source: S&U

Looking ahead, our estimates suggest net debt rising to c £75m and £109m for FY18 and FY19, respectively as a result of further growth in receivables including Aspen Bridging loans. This would take net debt/equity to 65%, which is similar to the level in FY15.

## Valuation

We start by updating our peer group table of companies that have exposure to motor finance or are specialist lenders. The companies each have different product and growth profiles and include a wide range of market capitalisations so the comparison should be viewed with this in mind. S&U trades on a below average P/E and price to book (P/B) multiple and an above average yield.

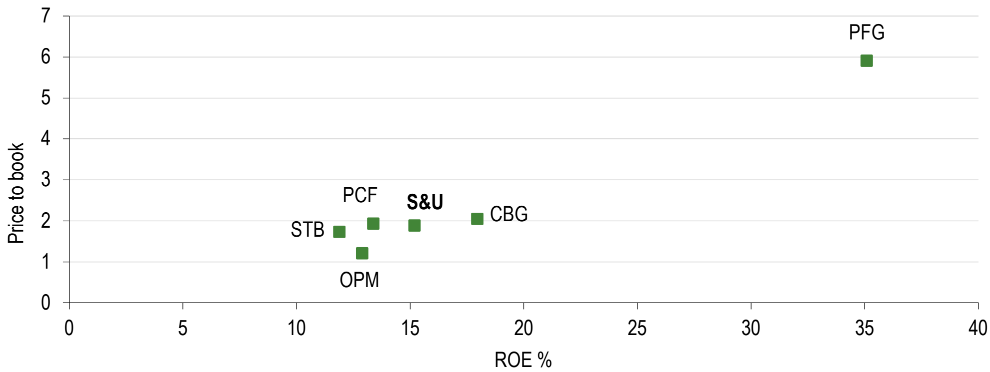
**Exhibit 13: Peer comparison**

| | Price (p) | Market cap (£m) | 2017 P/E (x) | Yield (%) | ROE (%) | Price to book (x) |
|---|---|---|---|---|---|---|
| **S&U** | **2,070.0** | **247.6** | **10.5** | **3.7** | **15.2** | **1.9** |
| 1PM | 59.0 | 32.4 | 8.8 | 0.8 | 12.9 | 1.2 |
| Close Brothers | 1,553.0 | 2,332.1 | 12.1 | 3.7 | 18.0 | 2.0 |
| Private and Commercial Finance | 27.0 | 46.0 | 13.7 | 0.0 | 13.4 | 1.9 |
| Provident Financial | 3,156.0 | 4,677.6 | 17.2 | 4.3 | 35.1 | 5.9 |
| Secure Trust Bank | 216.5 | 400.9 | 14.4 | 3.3 | 11.9 | 1.7 |
| **Average** | | | **12.8** | **2.6** | **17.7** | **2.4** |

Source: Bloomberg, Edison Investment Research. Note: P/Es adjusted to CY17. Priced at 6 April 2017.

There is quite a wide range of multiples and we put the book multiples in context in Exhibit 14, plotting price to book against returns on equity. The small sample means we would not draw strong conclusions from this but S&U appears centrally placed while Provident Financial's high rating attracts a correspondingly high book multiple. Maintenance of strong growth and the potential for increases in return on equity at S&U hold out the prospect of a corresponding rerating of the shares.

**Exhibit 14: Return on equity and price to book for S&U and selected peers**




Source: Bloomberg. Note: OPM (1PM), PCF (Private and Commercial Finance), CBG (Close Brothers), PFG (Provident Financial). Based on historical numbers for ROE and NAV. As at 6 April 2017.

Updating our ROE/COE valuation using the same assumptions as in our update published 13 February 2017 (a return on equity of 17% - between our FY18 and FY19 estimates, a cost of equity of 10% and growth of 5%) gives a valuation of 2,825p compared with 2,650p previously. This would imply a calendar 2017 multiple of over 14x which appears quite high in the context of our peer group table. This time therefore we ascribe a value of 2,700p, allowing a moderate premium to the peer average P/E to reflect the returns being earned and the potential for further strong growth from Advantage and scope to develop a valuable diversifying income stream from the bridging pilot.

If we reverse the ROE/COE calculation this suggests the current price is factoring in a cost of equity of c 12%, which appears conservative.

For reference we include a table comparing the recent price performance of the peer group. Here S&U appears to have had a relatively weak share price compared with the average although it is not alone in terms of its reduction from the 12-month high.

**Exhibit 15: Share price performance comparison**

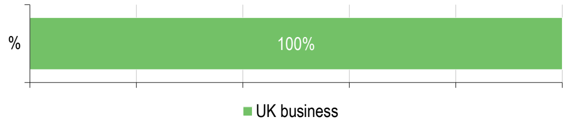
| | One month | Three months | One year | Ytd | From 12-month high |
|---|---|---|---|---|---|
| **S&U** | **(2.1)** | **(9.0)** | **(5.9)** | **(6.0)** | **(20.8)** |
| 1PM | (3.3) | (7.8) | (9.2) | (8.5) | (19.2) |
| Close Brothers | 2.6 | 6.2 | 26.0 | 7.5 | (2.5) |
| Private and Commercial Finance | 2.0 | 0.1 | 21.5 | (1.7) | (22.7) |
| Provident Financial | 7.2 | 9.8 | 5.7 | 10.8 | (7.2) |
| Secure Trust Bank | 0.9 | (1.8) | (17.0) | 0.9 | (19.2) |
| **Average (unweighted)** | **1.2** | **(0.4)** | **3.5** | **0.5** | **(15.3)** |

Source: Bloomberg. Note: As at 6 April 2017.

**Exhibit 16: Financial summary**

| £000s | 2015 | 2016 | 2017 | 2018e | 2019e |
|---|---|---|---|---|---|
| Year end 31 January | IFRS | IFRS | IFRS | IFRS | IFRS |
| **PROFIT & LOSS** | | | | | |
| **Revenue** | **36,102** | **45,182** | **60,521** | **75,183** | **89,756** |
| Impairments | (5,863) | (7,611) | (12,194) | (15,755) | (18,540) |
| Other cost of sales | (6,674) | (8,980) | (12,871) | (15,939) | (19,028) |
| Administration expenses | (6,957) | (7,131) | (8,332) | (10,300) | (12,207) |
| **EBITDA** | **16,608** | **21,460** | **27,124** | **33,189** | **39,981** |
| Depreciation | (163) | (209) | (253) | (268) | (298) |
| Op. profit (incl. share-based payouts pre-except.) | 16,445 | 21,251 | 26,871 | 32,921 | 39,683 |
| Investment revenues / finance expense | (1,680) | (1,782) | (1,668) | (2,822) | (4,278) |
| Profit before tax (FRS 3) | 14,765 | 19,469 | 25,203 | 30,099 | 35,404 |
| **Profit before tax (norm)** | **14,765** | **19,469** | **25,203** | **30,099** | **35,404** |
| Tax | (2,920) | (3,583) | (4,861) | (6,020) | (7,081) |
| Discontinued business after tax | 6,615 | 53,299 | 0 | 0 | 0 |
| Profit after tax (FRS 3) | 18,460 | 69,185 | 20,342 | 24,079 | 28,324 |
| Profit after tax (norm) | 11,845 | 15,886 | 20,342 | 24,079 | 28,324 |
| Average Number of Shares Outstanding (m) | 12.0 | 12.0 | 12.0 | 12.1 | 12.1 |
| Diluted EPS (p) | 154.3 | 576.5 | 169.1 | 199.1 | 234.2 |
| **EPS - normalised (p)** | **99.0** | **132.4** | **169.1** | **199.1** | **234.2** |
| **Dividend per share (p)** | **66.0** | **201.0** | **91.0** | **104.4** | **116.7** |
| EBITDA margin (%) | 46.0% | 47.5% | 44.8% | 44.1% | 44.5% |
| Operating margin (before GW and except.) (%) | 45.6% | 47.0% | 44.4% | 43.8% | 44.2% |
| **Return on equity** | **15.7%** | **15.2%** | **15.2%** | **16.5%** | **17.7%** |
| **BALANCE SHEET** | | | | | |
| Non-current assets | 76,781 | 103,653 | 138,004 | 166,139 | 201,743 |
| Current assets | 68,578 | 61,903 | 57,763 | 72,132 | 86,897 |
| Total assets | 145,359 | 165,556 | 195,767 | 238,271 | 288,640 |
| Current liabilities | (8,945) | (6,850) | (17,850) | (7,116) | (22,586) |
| Non current liabilities inc pref | (54,950) | (30,450) | (38,450) | (78,450) | (97,450) |
| **Net assets** | **81,464** | **128,256** | **139,467** | **152,705** | **168,602** |
| NAV per share (p) | 689 | 1,084 | 1,177 | 1,275 | 1,408 |
| **CASH FLOW** | | | | | |
| Operating cash flow | (13,404) | (16,017) | (27,431) | (14,045) | (20,595) |
| Net cash from investing activities | (1,096) | 80,716 | (308) | (399) | (399) |
| Dividends paid | (6,734) | (23,090) | (9,548) | (11,251) | (12,836) |
| Other financing (excluding change in borrowing) | 8 | 55 | 21 | 0 | 0 |
| Net cash flow | (21,226) | 41,664 | (37,266) | (25,695) | (33,830) |
| Opening net (debt)/cash | (32,339) | (53,565) | (11,901) | (49,167) | (74,862) |
| **Closing net (debt)/cash** | **(53,565)** | **(11,901)** | **(49,167)** | **(74,862)** | **(108,692)** |

Source: S&U accounts, Edison Investment Research. FY16 DPS includes an exceptional payment of 125p. FY14 P&L figures include the discontinued home credit business and are therefore not comparable with subsequent years.

| Contact details | Revenue by geography |
|---|---|
| S&U, 6 The Quadrangle<br>Cranmore Avenue Solihull<br>B90 4LE<br>0121 705 77 77<br>www.suplc.co.uk |  |



**Management team**

| Chairman: Anthony Coombs | Deputy chairman: Graham Coombs |
|---|---|
| Anthony Coombs joined S&U in 1975 and was appointed managing director in 1999 and chairman in 2008. Between 1987 and 1997 he served as an MP. He is on the executive of the Consumer Credit Association and is a director of a number of companies and charities including chairing the trustees of the National Institute for Conductive Education and of Premier Christian Media. | Graham Coombs joined S&U after graduating from the London Business School in 1976. He is responsible for strategic matters. |
| **Group finance director: Chris Redford** | **MD, Advantage Finance: Guy Thompson** |
| Chris Redford is a chartered accountant with over 10 years' business experience in the fast-moving consumer goods, food and travel sectors. He was appointed as finance director of Advantage Finance in 1999 and as group finance director from 1 March 2004. | Guy Thompson joined the group in 1999 as managing director of Advantage Finance and has overseen the business growth and profit increases in the business. He has previous experience in banking, finance companies and car dealerships. |

| Principal shareholders | (%) |
|---|---|
| JS Coombs | 15.51 |
| GDC Coombs | 13.19 |
| AMV Coombs | 11.21 |
| M Cole-Fontayne | 3.34 |
| Grevayne (controlled by A Coombs and G Coombs) | 2.49 |
| F Coombs | 2.37 |
| S Coombs | 2.37 |
| J Coombs | 2.37 |
| Wiseheights | 20.23 |

**Companies named in this report**

1PM (OPM), Close Brothers (CBG), Non Standard Finance (NSF), Private and Commercial Finance (PCF), Provident Financial (PFG), Secure Trust (STB)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