

# FULL YEAR 2023 RESULTS

7 March 2024

*“ Funding Circle’s loan has opened up new possibilities for our future growth. It was easy to apply and we received the money really quickly - it was a no-brainer for us! ”*

Anna Tyler, ANNA Cake Couture

# Disclaimer

## Information regarding forward-looking statements

This Presentation includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Group's current beliefs and expectations about future events.

Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Presentation and include statements regarding the intentions, beliefs or current expectations of the Group concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates.

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# Group performance in line with expectations; go forward focus on profitable UK business

## 2023 results: UK Loans business profitable

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- **Group performance in line with expectations:**
  - **Total income** of £162m, +7% YoY
  - **AEBITDA** loss of £3.9m in line with expectations
  - **Unrestricted cash** of £170m
- **Market leading position in UK** with UK Loans business delivering improved profitability with AEBITDA £21.3m and PBT of £6.5m
- **Executing against our strategy with strong FlexiPay growth:** £234m, ~4x 2022; business card launched in H2 23

## Looking ahead: simplifying business; cash and profit focus

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- **Focus on UK business:**
  - Indications of interest received for US business; further information in due course
- **UK business has attractive growth and profitability:**
  - **H2 24:** PBT positive
  - **Medium term:** Net income growth of ~15-20%; PBT margins increasing YoY to >15%
- **Up to £25m buyback** given share price fundamentally undervalues business



# Our go forward UK business

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# Where small businesses get the funding they need to win

We're the UK's leading SME lending platform

**£16.9bn**

Credit extended

**c.150,000**

Small businesses supported

**146**

Institutional investors

We enable small businesses to borrow, pay and spend - offering an unrivalled customer experience powered by data and technology.

We give institutional investors access to an alternative asset class in an underserved market, with robust and attractive returns.

Data points since 2010, Group business



**£6.9bn**

GDP contribution

**>95,000**

Jobs supported

**£1.6bn**

Tax receipts

**Funding Circle lending in the UK during 2023**

# Attractive growing and profitable go forward business

2023 results: good growth;  
investment in FlexiPay

**£1.29bn**

2023 total originations<sup>1</sup>  
(+12% YoY)

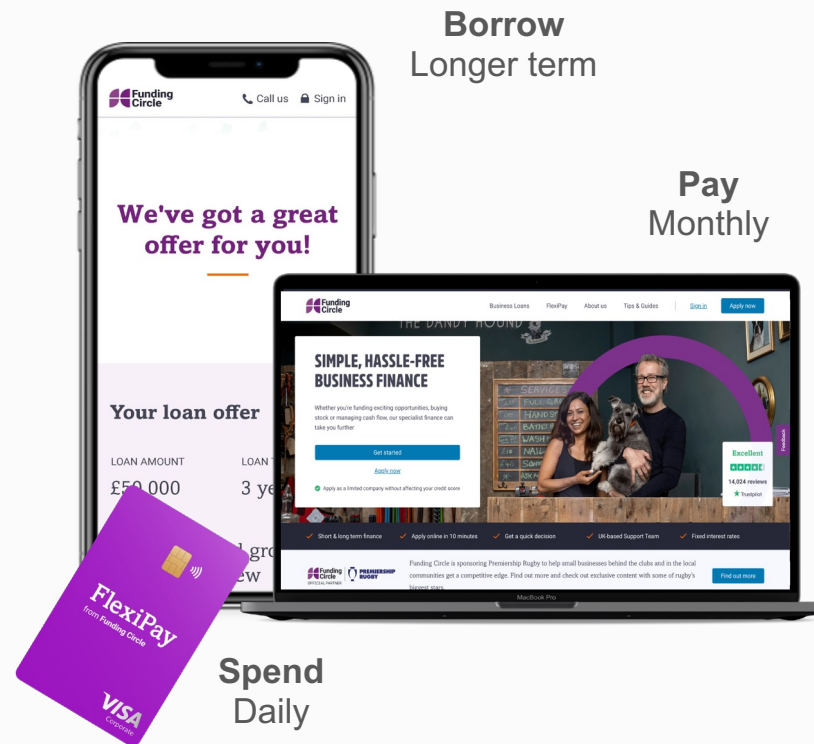
**£129m**

2023 total income  
(+7% YoY)

**£6.9m**

2023 AEBITDA

UK business meets broad set of  
customer needs



Medium term outlook:  
growth and profitability

**~15-20%**  
Net income growth  
CAGR

**>15%**  
PBT margins  
(>25% AEBITDA margin)

1. UK loans originations and FlexiPay transactions combined

# Well positioned to grow in a large, underserved market

## Large and underserved market

**£84bn**

Addressable SME  
loans market

**£1.3trn**

SME B2B  
payments

## Delivering superior customer experience



**6min**

Application time



**79**

Customer NPS

## Data and tech led advantage



**3x**

Better risk discrimination  
than bureau scores



**80%**

Instant decisions

## Robust and attractive loan returns

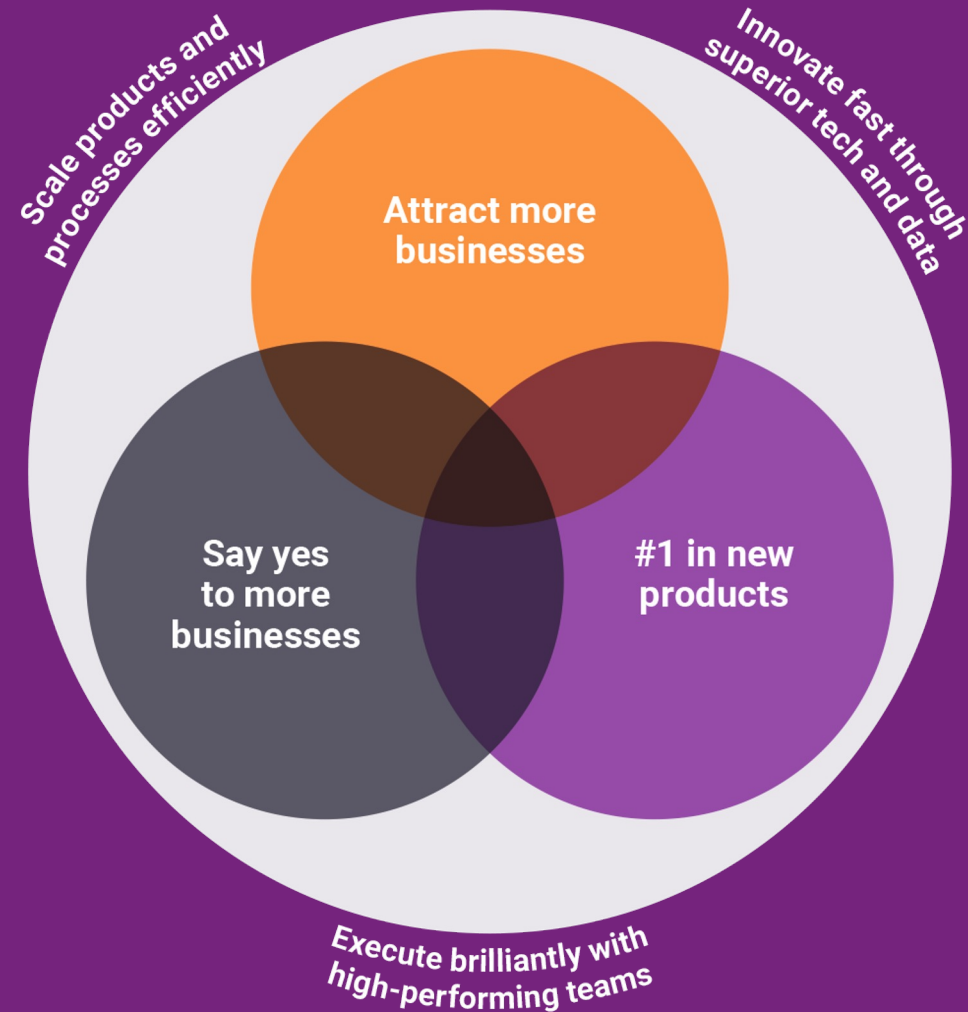
**~6%**

Annualised  
loan returns

**£1.1bn**

Forward flow  
agreements

**Our UK focus continues to be centred around our three strategic pillars**





# We are executing against these strategic pillars

Attract more businesses

## FlexiPay

FlexiPay extends our product range, driving increased relevance and attracting new customers



Second year of sports sponsorship with Premiership Rugby and secured **Jamie George** as our brand ambassador, driving increased brand metrics

Say yes to more businesses



Marketplace showing strong momentum, with continued expansion and >£100m UK lending through 2023



Continued innovation in core product with expanded product offering through government Recovery Loan Scheme (August 2023)

#1 in new products



£297m FlexiPay transactions since launch; with £234m in 2023

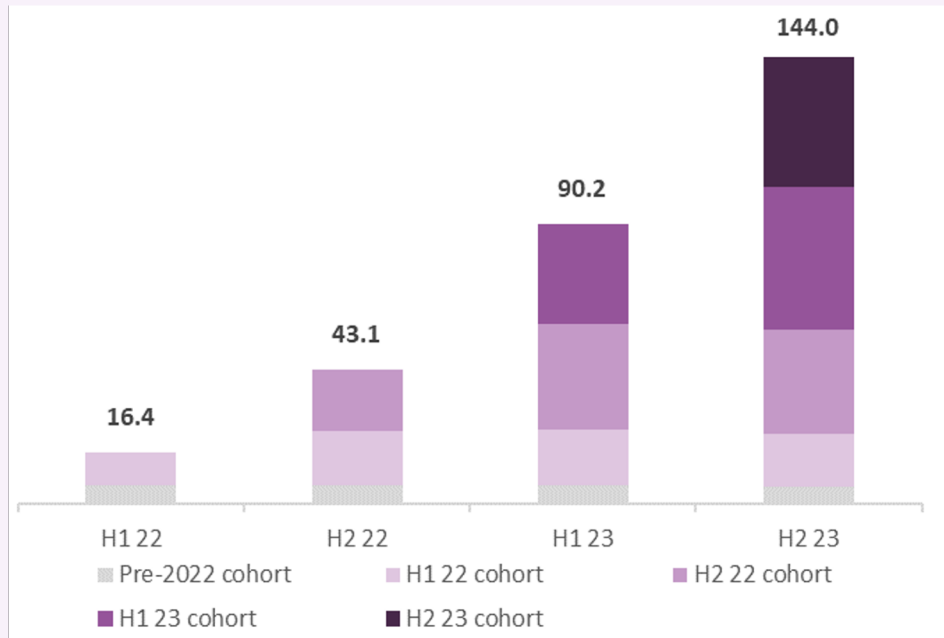


Completed FlexiPay card launch - now available to new and existing customers, with over 6,600 cards issued so far

# FlexiPay spotlight: continued momentum, predictable repeat revenue and attractive unit economics

## Strong recurring revenue dynamics

Transactions by half year cohort, £m<sup>1</sup>



**High customer engagement –  
1.3 transactions/month per active customer**

1. Transactions by half year cohort show transactions grouped by the half year of first transaction, excludes card transactions before they flip into FlexiPay line of credit
2. FlexiPay account is active when there is an outstanding balance on the account in the last month

## Attractive growth, unit economics and risk profile

**FlexiPay continues to show strong traction and growth:**

- ~4x growth in transaction value 2022 to 2023
- > 6,500 active<sup>2</sup> accounts at end 2023 (~2,000; 2022)
- > 84,000 transactions since launch

**Attractive unit economics:**

- Expanding revenue streams with card launch - both transaction fee and card interchange
- ~18-month payback following front loaded marketing costs and provisions

**Accurate and predictive risk models:**

- Performance in line with expectations
- Credit model built using behavioural and performance insights from extensive proprietary data

# Leading UK online SME lender with attractive growth and profitability profile

- UK's leading online SME lender with proven business model
- Executing against our strategic plan in the UK
- Go forward UK business is simpler and profitable with attractive growth opportunities

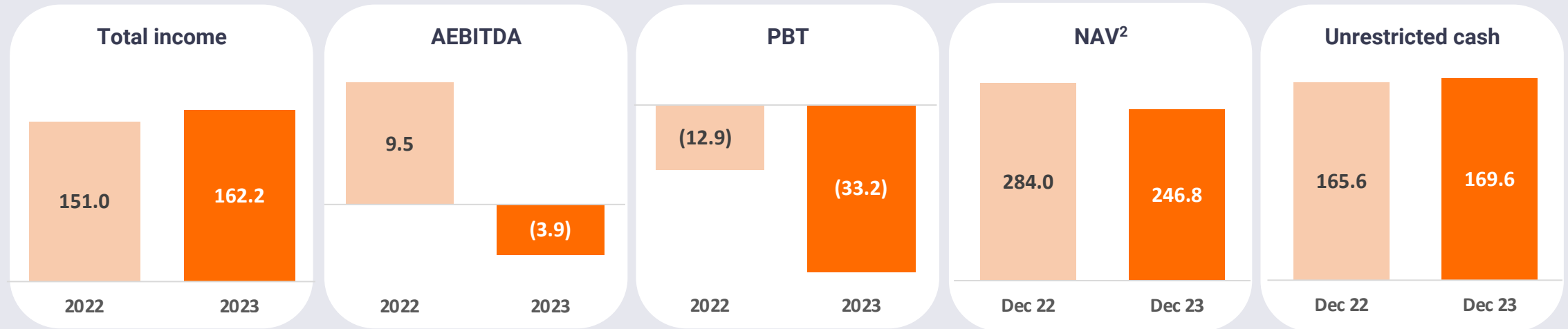


# Financial performance

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# Group financial performance

£m



Growth in each business unit, 2023 v 2022

UK Loans profitable. Investment in US Loans and FlexiPay growth, in line with guidance

Strong balance sheet and cash position enabling business segment investment

1. Re-presentation: Finance income (being interest on bank balances and client money) within operating income, finance costs (being the discount unwind of lease liabilities) within profit/(loss) before taxation and share of profit of associates within AEBITDA. 2022 has been restated for comparison. See appendices for more information  
 2. Net asset value decrease driven by impact of loss before tax together with a tax charge related to de-recognising the deferred tax asset for US tax losses



# Group results in line with guidance

## 2023 guidance

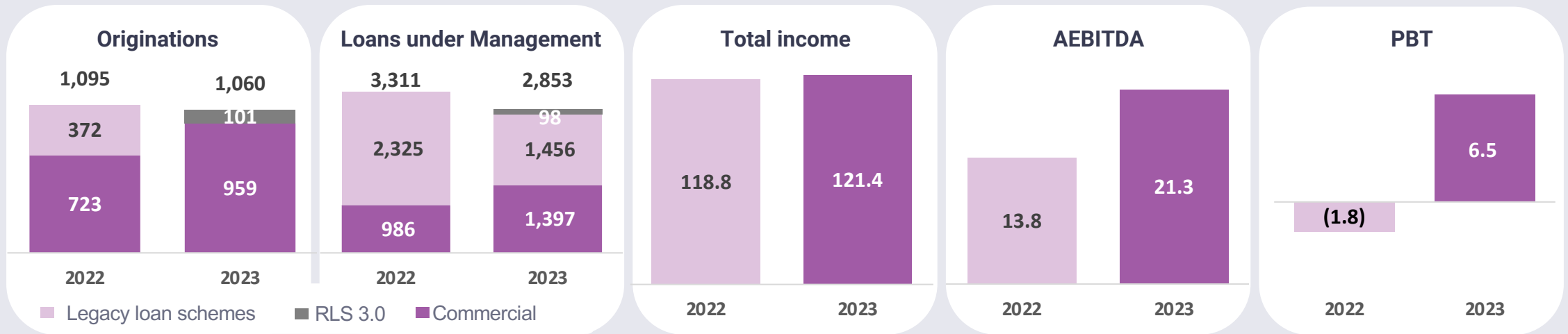
	UK and US Loans	FlexiPay
<b>Total income</b>	£150m-160m	Over £10m
<b>AEBITDA</b>	£0-10m	£(10-20)m

## Performance against guidance

	UK and US Loans	FlexiPay
	£153.9m	£7.9m
	£10.7m	£(14.4)m

# UK Loans AEBITDA and PBT profitable

£m



Commercial loan growth whilst prudent approach to lending

Decreased, amortising down from high levels of government schemes

Yield growth offset by decreased investment and servicing income

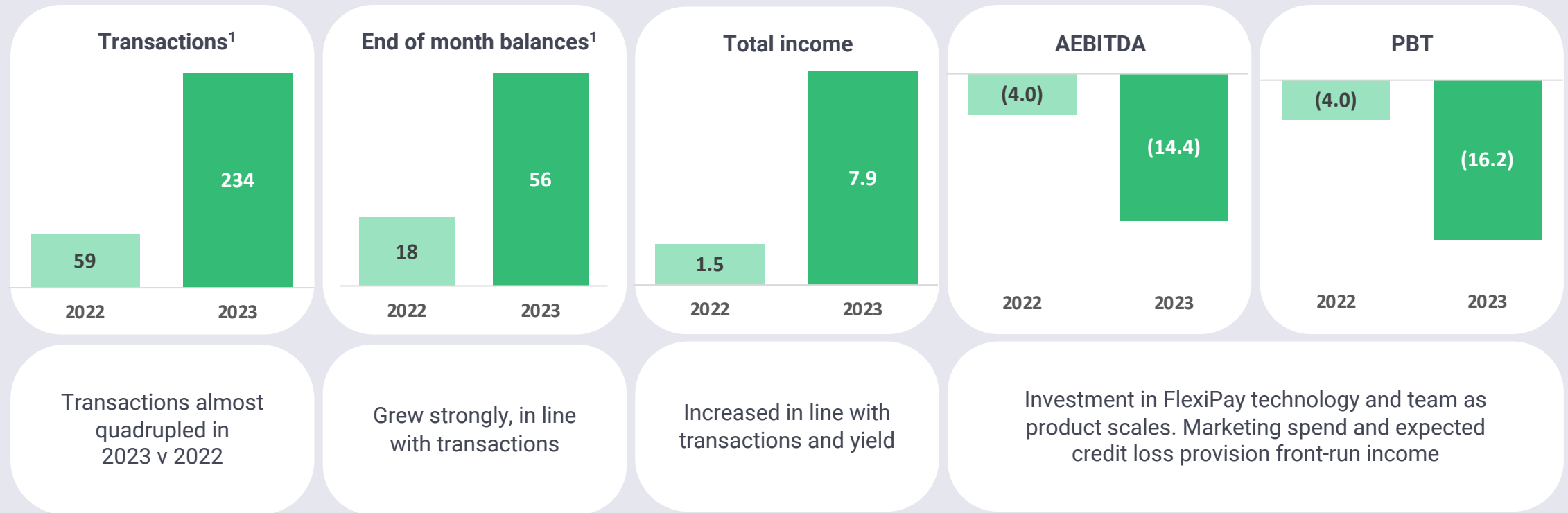
Total income growth, alongside fair value gains with operational leverage from costs holding flat

Profitable £6.5m

1. UK Loans excludes FlexiPay

# FlexiPay momentum continues, with card launch in H2 23

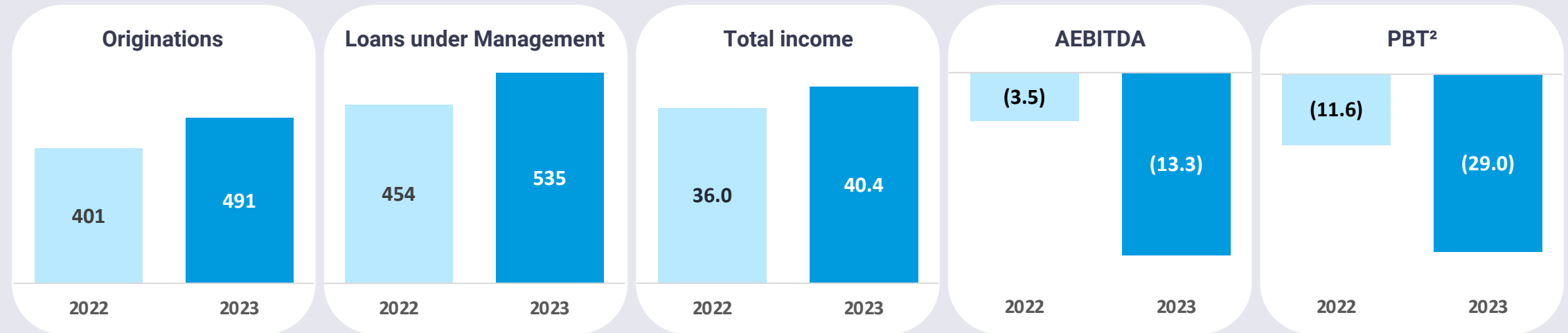
£m



1. Transactions metric comparable to Loans business Originations, does not include card transactions. End of month balance comparable to Loans business LuM

# 2023 US Performance

\$m



1. Numbers above as translated into GBP for Group consolidation: Originations 2022 £327m, 2023 £396m; LuM Dec-22 £375m, Dec-23 £420m; Total income 2022 £29.1m, 2023 £32.5m; AEBITDA 2022 £(3.1)m, 2023 £(10.6)m; Profit/(loss) before taxation 2022 £(9.8)m, 2023 £(23.3)m

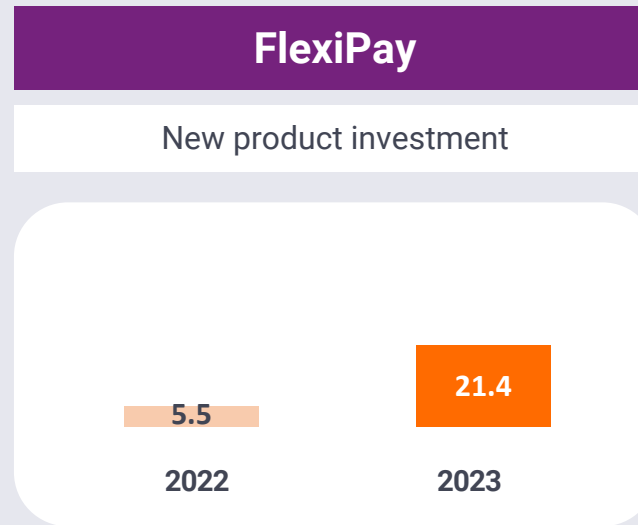
2. CDS impairment in 2023 of \$4.6m

# Aligning costs to strategic needs

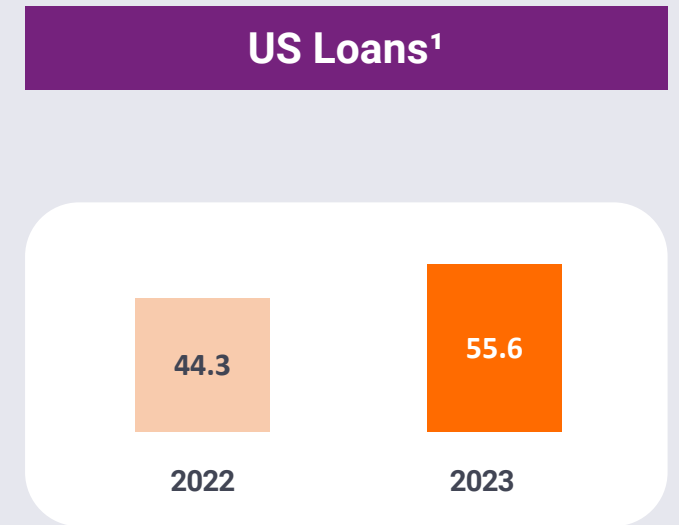
£m



- UK Loans is an established business, demonstrating cost efficiency with costs flat whilst total income increases by 2%



- Investment in FlexiPay technology and team as product scales; marketing and expected credit loss provision build front-run income



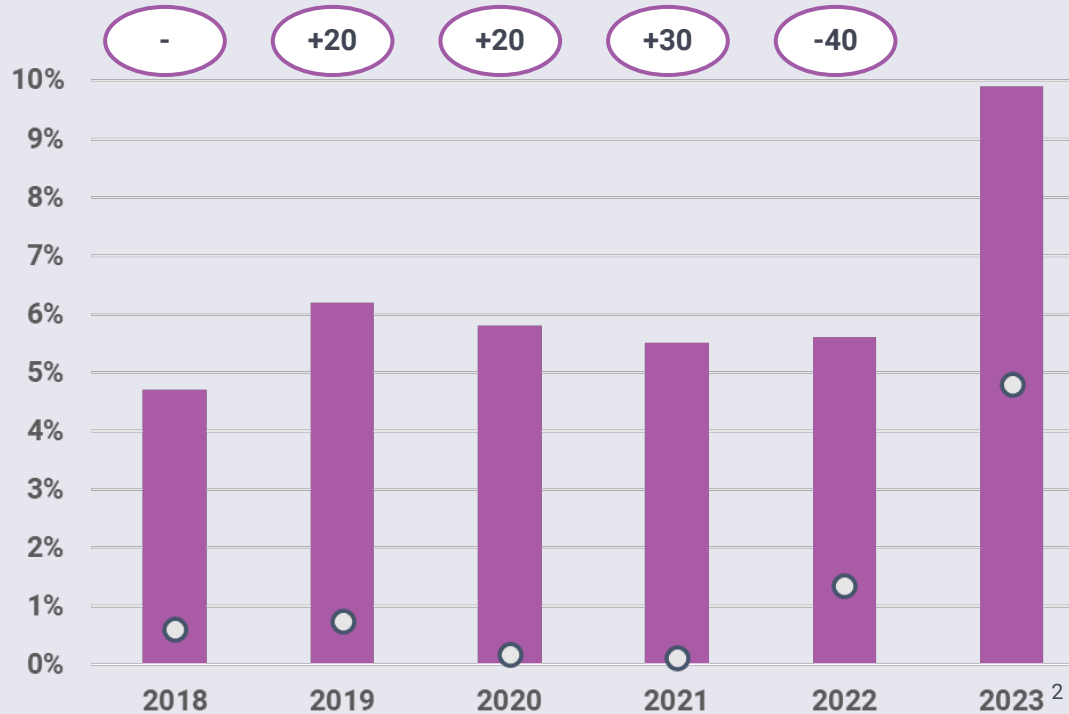
1. Costs included are those between Net income and Profit before tax (therefore, cost of funding not included) and exclude impairment



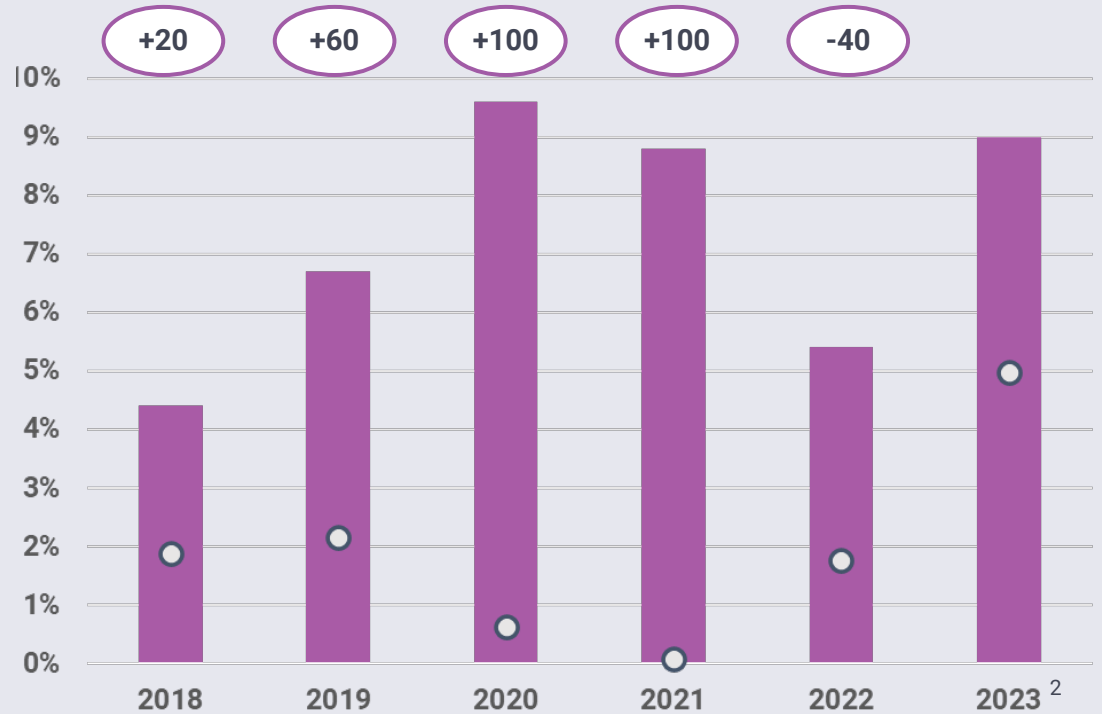
# Track record in delivering robust and attractive loan returns



Projected annualised returns by cohort<sup>1</sup>



Projected annualised returns by cohort<sup>1</sup>

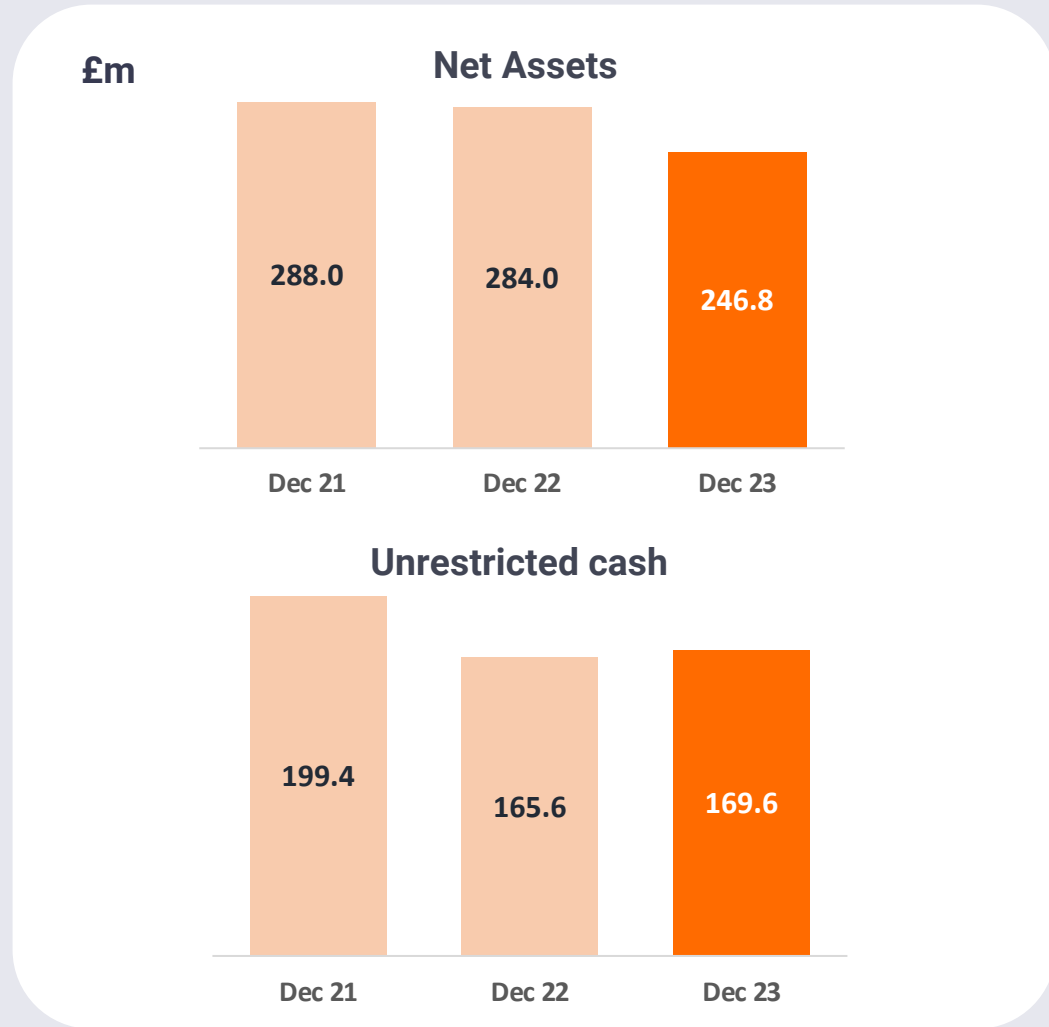


Most recent expectations (H2 23)
 
bps Change vs H1 23 expectations
 

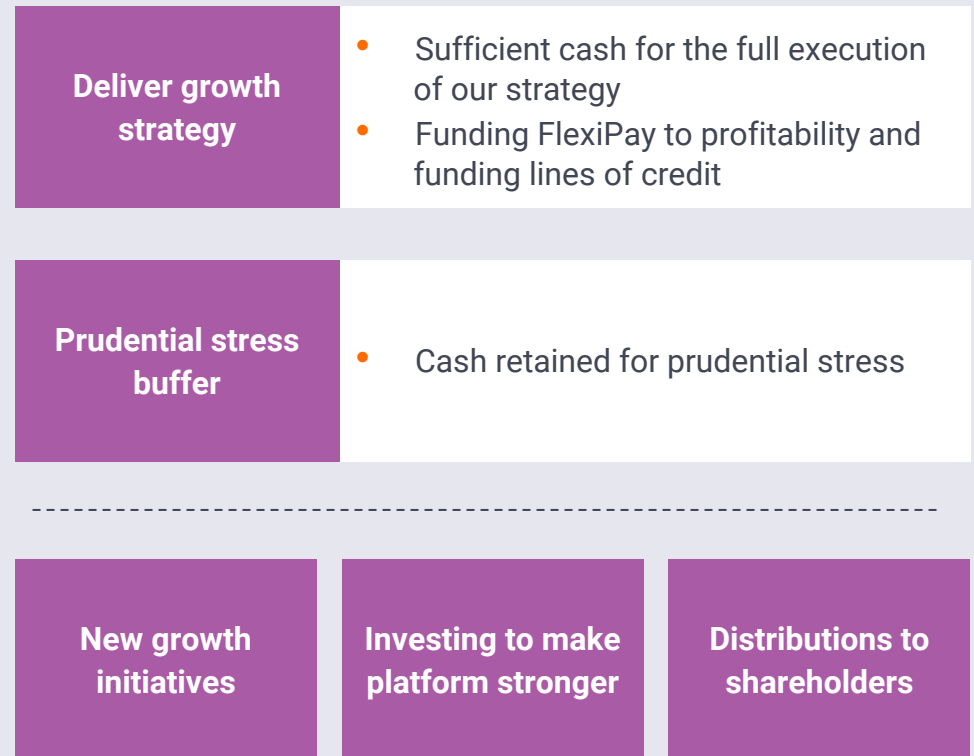
 Base rate<sup>3</sup>

1. The projected annualised return shows the return, after fees and bad debt, that loans are currently estimated to achieve. It can take up to five years for loans to fully repay so estimates may change, particularly for more recent cohorts where the majority of loans are still to repay  
 2. 2023 expected returns are as at point of origination  
 3. Base rate weighted by funded originations

# Robust balance sheet position creates capital allocation options



## Capital allocation framework



# 2024 Outlook

The UK businesses (UK Loans and FlexiPay) will be PBT positive from H2 24  
FlexiPay AEBITDA positive in 2025

2024 Outlook		
	UK Loans	FlexiPay
Net income	>10% growth	3x growth
PBT	Margins of 8-12% (equivalent to 20-25% AEBITDA margins)	Continued investment, with losses at a similar level to 2023

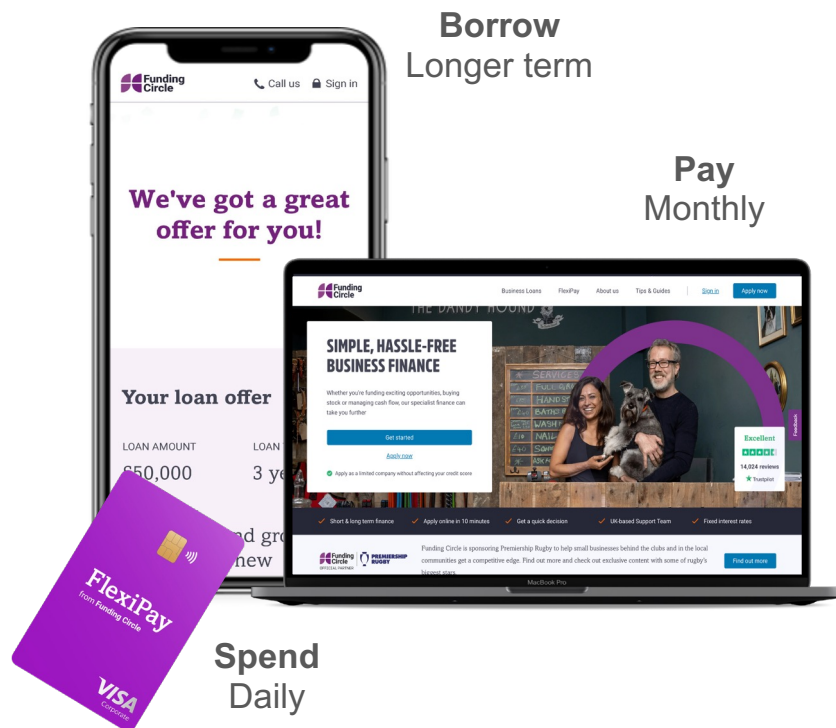


# Looking ahead

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# Attractive growing and profitable go forward UK business

Multi-product business well positioned to capitalise on market opportunity



Large and underserved market

Tech & data competitive advantage

Delivering superior customer experience

Robust and attractive loan returns

Medium term outlook:  
growth and profitability

~15-20%  
Net income growth  
CAGR

>15%  
PBT margins  
(>25% AEBITDA margin)



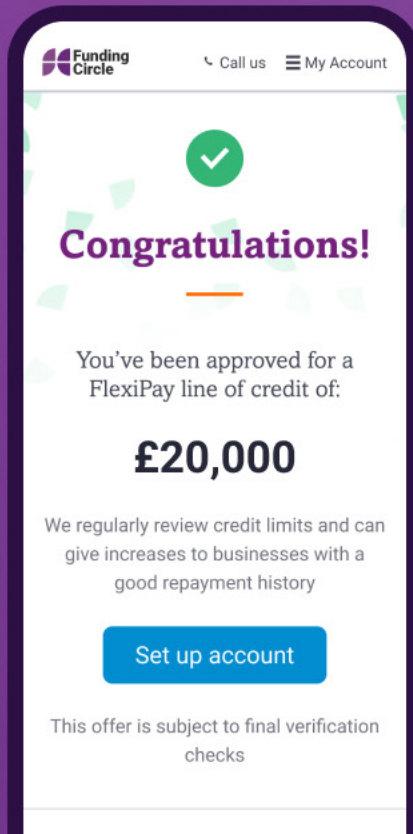
# Appendices

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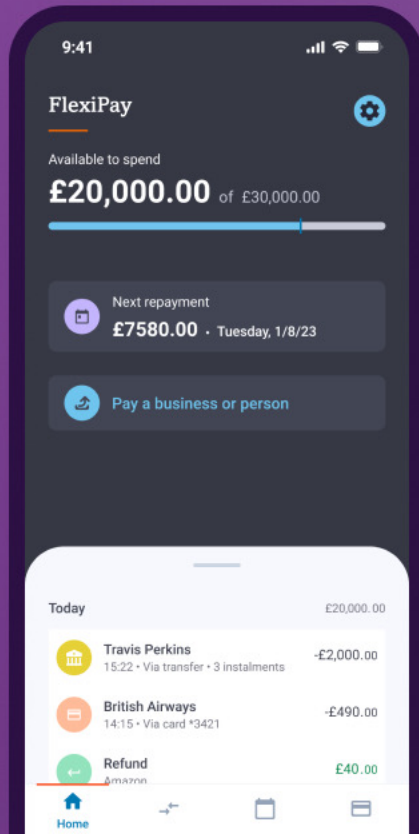
# FlexiPay: payments on your terms

## Pay bills or expenses by card or transfer directly

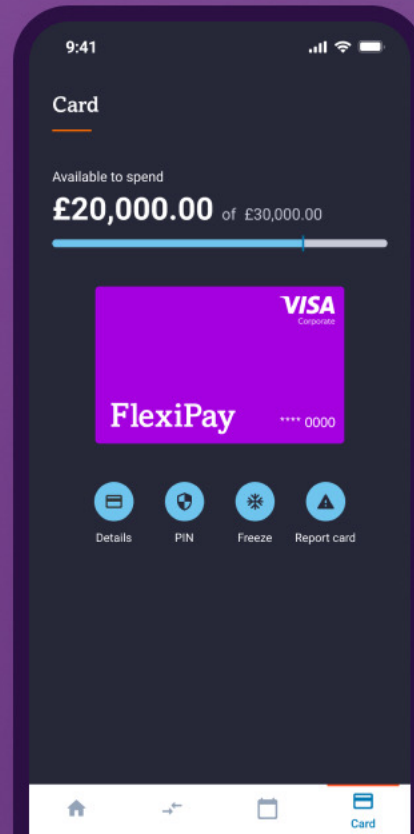
Apply in minutes on our website and get an instant credit limit decision



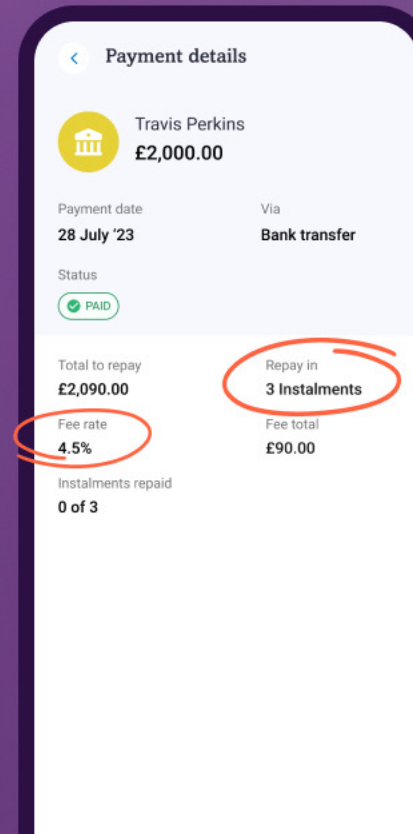
Use the FlexiPay app to pay a business cost



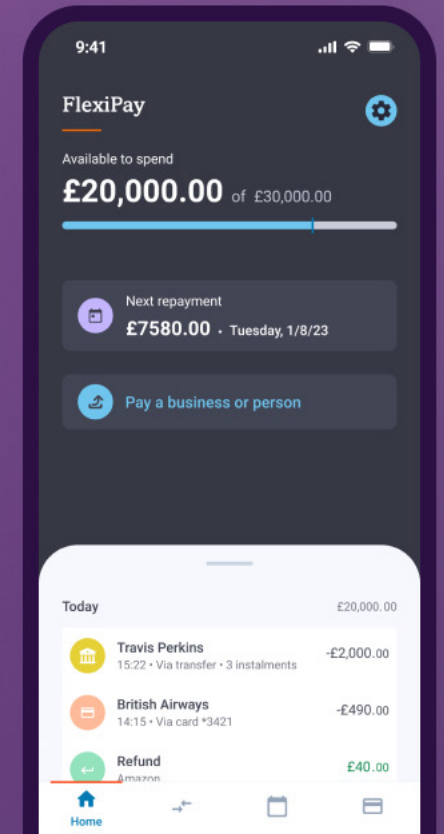
...or use your FlexiPay card to pay in store or online



Repay over three months for a flat fee



The credit is then available to use again



# Financial appendices

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# Group income statement

£m

	H1 23 Total £m	H2 23 Total £m	2022 Total £m	2023 Total £m
Transaction fees	41.7	47.0	77.5	88.7
Servicing fees	22.0	20.4	47.9	42.4
Interest income	5.8	10.9	4.2	16.7
Other fees	3.0	4.0	4.1	7.0
<b>Operating income</b>	<b>72.5</b>	<b>82.3</b>	<b>133.7</b>	<b>154.8</b>
Investment income	4.7	3.3	22.0	8.0
Investment expense	(0.6)	-	(4.7)	(0.6)
<b>Total income</b>	<b>76.6</b>	<b>85.6</b>	<b>151.0</b>	<b>162.2</b>
Fair value gains/(losses)	3.4	5.3	4.8	8.7
Cost of funds	(0.4)	(2.3)	-	(2.7)
<b>Net income</b>	<b>79.6</b>	<b>88.6</b>	<b>155.8</b>	<b>168.2</b>
People costs	(44.8)	(49.6)	(85.9)	(94.4)
Marketing costs	(23.9)	(24.5)	(38.4)	(48.4)
Depreciation, amortisation and impairment	(10.3)	(12.6)	(17.0)	(22.9)
Credit/(provision) for expected credit losses	(1.9)	(2.5)	1.5	(4.4)
Other costs	(15.3)	(16.0)	(28.9)	(31.3)
<b>Operating expenses</b>	<b>(96.2)</b>	<b>(105.2)</b>	<b>(168.7)</b>	<b>(201.4)</b>
<b>Profit / (loss) before taxation</b>	<b>(16.6)</b>	<b>(16.6)</b>	<b>(12.9)</b>	<b>(33.2)</b>

1. Total income is defined as operating income and investment income less investment expense and before non-cash fair value gains/losses.
2. Adjusted EBITDA represents profit for the period before finance costs (being the discount unwind on lease liabilities), taxation, depreciation, amortisation and impairment ("AEBITDA") and additionally excludes share-based payment charges and associated security costs, foreign exchange and exceptional items. Investment AEBITDA represents investment income, investment expense and fair value adjustments and operating AEBITDA represents AEBITDA excluding investment AEBITDA.
3. H1 23 re-presentation: finance income (being interest on bank balances and client money) within operating income, finance costs (being the discount unwind of lease liabilities) within profit/(loss) before taxation and share of associated profit within AEBITDA. 2022 has been restated for comparison.

# Segmental view of income

£m

	H1 22					H2 22					H1 23					H2 23				
	Loans			FlexiPay	Total	Loans			FlexiPay	Total	Loans			FlexiPay	Total	Loans			FlexiPay	Total
	United Kingdom	United States	Other	United Kingdom		United Kingdom	United States	Other	United Kingdom		United Kingdom	United States	Other	United Kingdom		United Kingdom	United States	Other	United Kingdom	
Transaction fees	31.9	8.8	-	-	40.7	27.9	8.9	-	-	36.8	29.6	12.1	-	-	41.7	35.6	11.3	-	0.1	47.0
Servicing fees	22.8	1.0	0.4	-	24.2	22.0	1.4	0.3	-	23.7	20.2	1.6	0.2	-	22.0	18.6	1.8	-	-	20.4
Interest Income	0.4	0.1	0.2	0.4	1.1	1.6	0.4	-	1.1	3.1	2.8	0.7	-	2.3	5.8	4.7	0.6	0.1	5.5	10.9
Other fees	0.5	0.2	0.2	-	0.9	1.9	0.8	0.5	-	3.2	2.8	0.1	0.1	-	3.0	3.5	0.5	-	-	4.0
Operating income	55.6	10.1	0.8	0.4	66.9	53.4	11.5	0.8	1.1	66.8	55.4	14.5	0.3	2.3	72.5	62.4	14.2	0.1	5.6	82.3
Investment income	6.7	4.2	-	-	10.9	3.1	3.3	-	-	6.4	1.7	2.4	-	-	4.1	1.9	1.4	-	-	3.3
<b>Total income</b>	<b>62.3</b>	<b>14.3</b>	<b>0.8</b>	<b>0.4</b>	<b>77.8</b>	<b>56.5</b>	<b>14.8</b>	<b>0.8</b>	<b>1.1</b>	<b>73.2</b>	<b>57.1</b>	<b>16.9</b>	<b>0.3</b>	<b>2.3</b>	<b>76.6</b>	<b>64.3</b>	<b>15.6</b>	<b>0.1</b>	<b>5.6</b>	<b>85.6</b>
Fair value gains / (losses)	(4.0)	5.5	-	-	1.5	1.6	1.7	-	-	3.3	0.4	3.0	-	-	3.4	2.7	2.6	-	-	5.3
Cost of funds	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.4)	(0.4)	-	-	-	(2.3)	(2.3)
<b>Net income</b>	<b>58.3</b>	<b>19.8</b>	<b>0.8</b>	<b>0.4</b>	<b>79.3</b>	<b>58.1</b>	<b>16.5</b>	<b>0.8</b>	<b>1.1</b>	<b>76.5</b>	<b>57.5</b>	<b>19.9</b>	<b>0.3</b>	<b>1.9</b>	<b>79.6</b>	<b>67.0</b>	<b>18.2</b>	<b>0.1</b>	<b>3.3</b>	<b>88.6</b>

1. Total income is defined as operating income and investment income less investment expense and before non-cash fair value gains/losses
2. Transaction fees include Marketplace

# Segmental view of profit

£m

	H1 22					H2 22					H1 23					H2 23				
	Loans			FlexiPay	Total	Loans			FlexiPay	Total	Loans			FlexiPay	Total	Loans			FlexiPay	Total
	United Kingdom	United States	Other	United Kingdom		United Kingdom	United States	Other	United Kingdom		United Kingdom	United States	Other	United Kingdom		United Kingdom	United States	Other	United Kingdom	
Operating AEBITDA	5.4	(7.7)	1.8	(0.7)	(1.2)	1.0	(10.1)	1.0	(3.3)	(11.4)	6.7	(9.2)	(0.2)	(7.8)	(10.5)	8.0	(10.9)	-	(6.6)	(9.5)
Investment AEBITDA	2.7	9.7	-	-	12.4	4.7	5.0	-	-	9.7	2.1	5.4	-	-	7.5	4.5	4.1	-	-	8.6
<b>Adjusted EBITDA</b>	<b>8.1</b>	<b>2.0</b>	<b>1.8</b>	<b>(0.7)</b>	<b>11.2</b>	<b>5.7</b>	<b>(5.1)</b>	<b>1.0</b>	<b>(3.3)</b>	<b>(1.7)</b>	<b>8.8</b>	<b>(3.8)</b>	<b>(0.2)</b>	<b>(7.8)</b>	<b>(3.0)</b>	<b>12.5</b>	<b>(6.8)</b>	<b>-</b>	<b>(6.6)</b>	<b>(0.9)</b>
Discount unwind on lease liabilities	(0.1)	(0.4)	-	-	(0.5)	(0.1)	(0.3)	-	-	(0.4)	(0.1)	(0.3)	-	-	(0.4)	(0.1)	(0.1)	-	-	(0.2)
Depreciation, amortisation and impairment	(5.3)	(1.6)	-	-	(6.9)	(6.4)	(3.6)	(0.1)	-	(10.1)	(5.5)	(4.3)	-	(0.5)	(10.3)	(5.8)	(6.0)	-	(0.8)	(12.6)
Share-based payments and social security costs	(1.9)	(0.4)	-	-	(2.3)	(2.0)	(0.4)	-	-	(2.4)	(1.8)	(0.7)	-	(0.3)	(2.8)	(1.5)	(1.1)	-	(0.2)	(2.8)
Foreign exchange gains/(losses)	0.1	-	-	-	0.1	0.1	-	-	-	0.1	-	(0.1)	-	(0.1)	-	-	(0.1)	-	-	(0.1)
<b>Profit / (loss) before taxation</b>	<b>0.9</b>	<b>(0.4)</b>	<b>1.8</b>	<b>(0.7)</b>	<b>1.6</b>	<b>(2.7)</b>	<b>(9.4)</b>	<b>0.9</b>	<b>(3.3)</b>	<b>(14.5)</b>	<b>1.4</b>	<b>(9.2)</b>	<b>(0.2)</b>	<b>(8.6)</b>	<b>(16.6)</b>	<b>5.1</b>	<b>(14.1)</b>	<b>-</b>	<b>(7.6)</b>	<b>(16.6)</b>

- Adjusted EBITDA represents profit for the period before finance costs (being the discount unwind on lease liabilities), taxation, depreciation and amortisation ("AEBITDA") and additionally excludes share-based payment charges and associated security costs, foreign exchange and exceptional items. Investment AEBITDA represents investment income, investment expense and fair value adjustments and operating AEBITDA represents AEBITDA excluding investment AEBITDA.

# Cash, net assets and invested capital

£m

Cash utilisation			Net Assets			Invested capital movement				
			Dec 22	Mov't	Dec 23	Dec 22	Mov't	Dec 23		
<b>Dec '22</b>		<b>178</b>								
Free cashflow	(5)		Unrestricted	166	4	170	Legacy securitisation, warehouse and other loans at fair value	26	(7)	19
Investment / funding cashflows	28		Restricted	12	39	51	US funding loans	20	(20)	0
Repayment of temporarily funded US loans	20		<b>Cash</b>	<b>178</b>	<b>43</b>	<b>221</b>	CBILS / RLS / Commercial co-investments	32	(7)	25
Securitisation loan buyout <sup>1</sup>	(16)		Equity invested	97	(33)	64	Private funds	3	(2)	1
FlexiPay net funding <sup>2</sup>	16		Other	9	(46)	(37)	<b>Subtotal</b>	<b>81</b>	<b>(36)</b>	<b>45</b>
Other	1		<b>Total</b>	<b>284</b>	<b>(37)</b>	<b>247</b>	Flexipay lines of credit	16	2	18
<b>Mov't</b>		<b>43</b>					<b>Total</b>	<b>97</b>	<b>(33)</b>	<b>64</b>
<b>Dec '23</b>		<b>221</b>								

1. The US SBIZ 20-A securitisation vehicle was unwound in H1 23 and the external bonds associated with it were bought out
2. FlexiPay net funding of £16m includes FlexiPay funding outflow (£39m increase in lines of credit net of ECL) offset by senior facility inflow (£55m). The line of credit increase (£39m) is driven by the movement in Dec-22 lines of credit (£16m as per invested capital table) less £50m Dec-23 lines of credit net of ECL (invested capital table amount of £18m is net of debt and restricted cash attached to vehicle)
3. Restricted cash of £52m primarily relates to £31m cash due to the British Business Bank (BBB) for guarantee fees collected from institutional investors under the CBILS and RLS schemes and £20m cash held in the funding vehicle of FlexiPay
4. Free cashflow of £(5)m includes £23m relating to BBB guarantee fees

# How we make money: 90% of income from fees

	Revenue stream	Loans: UK & US	FlexiPay: UK	Typical yield	Drivers	% of 2023 Total income <sup>2</sup>
Fees	Transaction fees	✓		c.6%	Loan Originations 2023: £1,456m	55%
	Servicing fees <sup>1</sup>	✓		c.1%	LuM 2023: £3,284m	30%
	Drawdown fees		✓	c.4.9%	FlexiPay Transactions 2023: £234m	5%
Other	Bank interest	✓	✓	Variable	Cash balances & base rates	6%
	Investment income	✓		Variable	Invested capital 2023: £64m	4%

1. Servicing fees includes other fees



# Income statement re-presentation for 2022

£m

	Before re-presentation FY22	Adjustments FY22	After re-presentation FY22
UK Loans	117.0	1.8	118.8
US Loans	28.6	0.5	29.1
FlexiPay	1.5	-	1.5
Other	1.6	-	1.6
<b>Total income</b>	<b>148.7</b>	<b>2.3</b>	<b>151.0</b>
UK Loans	11.7	2.1	13.8
US Loans	(3.7)	0.6	(3.1)
FlexiPay	(4.0)	-	(4.0)
Other	2.8	-	2.8
<b>AEBITDA</b>	<b>6.8</b>	<b>2.7</b>	<b>9.5</b>
UK Loans	(3.7)	-	(3.7)
US Loans	(9.7)	-	(9.7)
FlexiPay	(4.0)	-	(4.0)
Other	2.7	-	2.7
<b>Operating profit</b>	<b>(14.7)</b>		
UK Loans	(1.8)	-	(1.8)
US Loans	(9.8)	-	(9.8)
FlexiPay	(4.0)	-	(4.0)
Other	2.7	-	2.7
<b>Profit/(loss) before tax</b>	<b>(12.9)</b>		<b>(12.9)</b>

The comparative financial information has been re-presented with Operating profit now removed and instead AEBITDA is reconciled to profit before tax.

The three items below Operating profit were finance income (2022: £2.3m), finance costs (2022: £(0.9)m) and share of profit of associates (2022: £0.4m).

The finance income which represents interest income on cash and cash equivalents is now included within 'Operating Income'.

The share of profits of associates is included within other operating costs and is included within AEBITDA.

Finance costs which represent the discount unwind on lease liabilities is included within other operating costs and is included below AEBITDA alongside the depreciation associated with our leased premises.