



Half Year 2024 Results

5 September 2024

15 Grams Coffee House

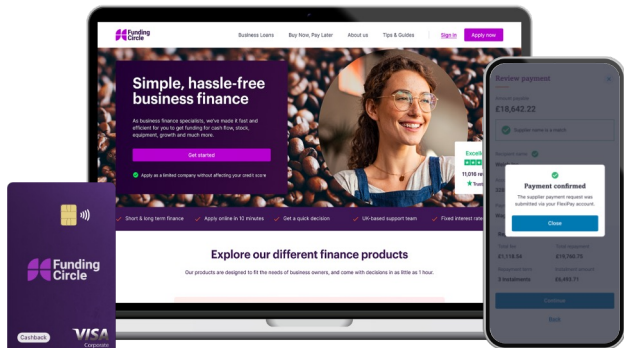


Where small businesses get the funding they need to win

We're the UK's leading SME lending platform enabling small businesses to borrow, pay later and spend

Borrow
Longer term

Spend
Daily



Pay later
Monthly

£13.6bn

Credit extended¹

c.103,500

Small businesses supported

c.95,000

Jobs supported in 2023

Funding Circle UK figures to date

¹ Credit extended includes Term Loan originations and FlexiPay transactions

We provide an unrivalled experience, powered by data and technology

Large and underserved market

£84bn

Addressable SME
loans market

£1.3trn

SME B2B
payment

Superior customer experience



6min

Application time



75

Customer NPS

Data and tech driven advantage



x3

Better risk discrimination
than bureau scores



76%

Instant decisions

Robust and attractive returns

~£2bn

Future funding
in place

~5-6%

Annualised term loan
returns (above base rate)

A simpler, leaner and profitable business



US Sale

- Sold to iBusiness Funding for a gain on sale of **£10m**
- Completed on 1 July



Restructuring

- Restructuring announced to reduce headcount by c.120 and deliver an annualised benefit of **~£15m in 2025**
- Focus included management layers, prioritisation and improved productivity, incl. gen AI tools

Strong growth and profitable in H1

- **Strong delivery in H1; on track for H2**

- **Revenue growth**¹ of 12% vs. H2 23 (32% vs H1 23)
- **Credit extended**² of £918m vs. £733m in H2 23 (£561m in H1 23)
- **PBT**¹ of £0.5m

- **Continued growth and innovation to support strategic ambitions**

- **Evolved customer value proposition** to drive increased growth and engagement
- **Term loans:** 17% growth in total originations vs. H2 23
- **FlexiPay:** £523m FlexiPay transactions to date, 57% growth vs. H2 23

- **Go forward business is attractive with healthy revenue and profit growth**

- **Full year guidance:** Revenue on track, upgrade to profit – full year Group PBT positive and term loan PBT margin >12%
- **Medium-term guidance unchanged:** Group revenue growth of ~15-20% CAGR and PBT margins >15%

- **Further share buyback**

- **Initial share buyback of up to £25m** expected to conclude in Q4
- **Further share buyback of up to £25m** following conclusion of current programme

£918m

Credit extended²

£79.1m

Revenue (Net income)¹

£0.5m

PBT, excl. exceptionals¹

£164m

Unrestricted cash

¹ Excludes US discontinued operations and exceptional items. Revenue defined as Net Income

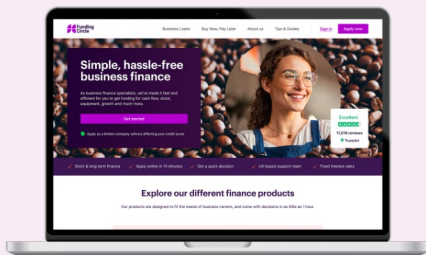
² Credit extended includes Term Loan originations and FlexiPay transactions

Business update

Our multi-product offering enables more businesses to **borrow, pay later and spend**

Borrow

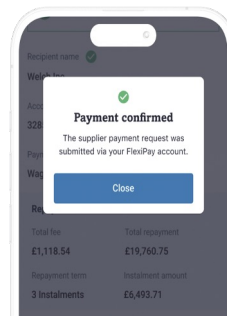
Term Loan



Loan for **long term investment purposes** to support business growth or long term cashflow management

Pay later

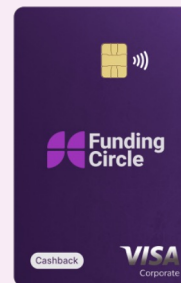
FlexiPay Line of Credit



Flexible line of credit for paying bills, supplier invoices and managing short term cashflow using bank transfer or card

Spend

Cashback Credit Card
[NEW]



Cashback credit card for **everyday business spending**

Borrow

Strong growth as we improve and expand our product offering



Launched the Growth Guarantee Scheme (GGS), successor to the Recovery Loan Scheme, in July to continue supporting a broader range of businesses as they look to invest and grow



Marketplace continued to show strong growth accounting for 11% of originations in H1 2024 with expanded product segments and third-party integrations



Continued **sponsorship with Premiership Rugby** for the upcoming rugby season, driving increased brand metrics



Pay later

Growing quickly as we add new features and flexibility



£523m in FlexiPay transactions since launch, with £226m in H1 24



FlexiPay Card showing strong momentum with over 13,600 cards issued so far (~7,000 in H1 24)



Increased flexibility of terms and billing allowing small businesses to repay in 1, 3, 6, 9 or 12 months with monthly billing



8 Rocks Wine Bar

FlexiPay spotlight

Attractive growth and unit economics

151% growth in transactions YoY

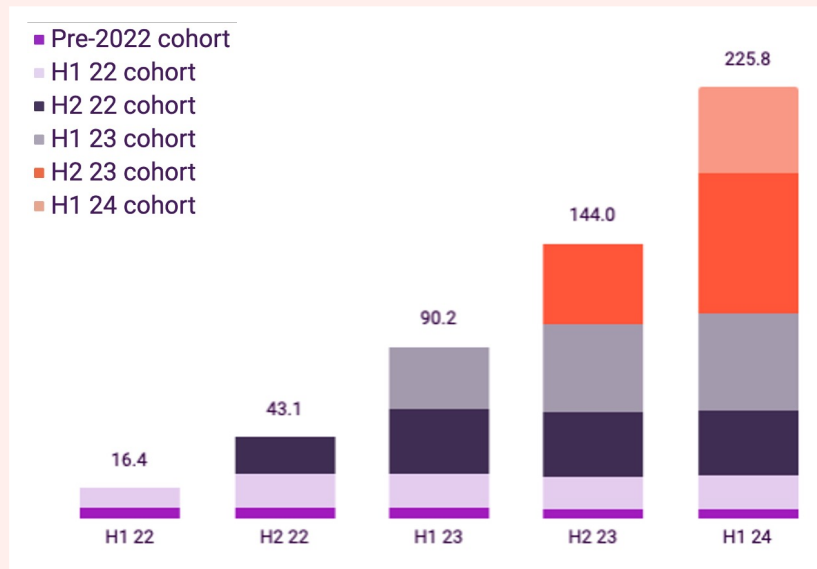
- Businesses have FlexiPaid more than 140,000 times
- Active customers² FlexiPaying more than once a month

Attractive unit economics with 12-18m payback

- Upfront costs of marketing and ECL in line with expectations
- Strong recurring revenue

Strong recurring revenue dynamics

Transactions by half year cohort, £m¹



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

Financial performance

Go-forward UK business PBT positive in H1

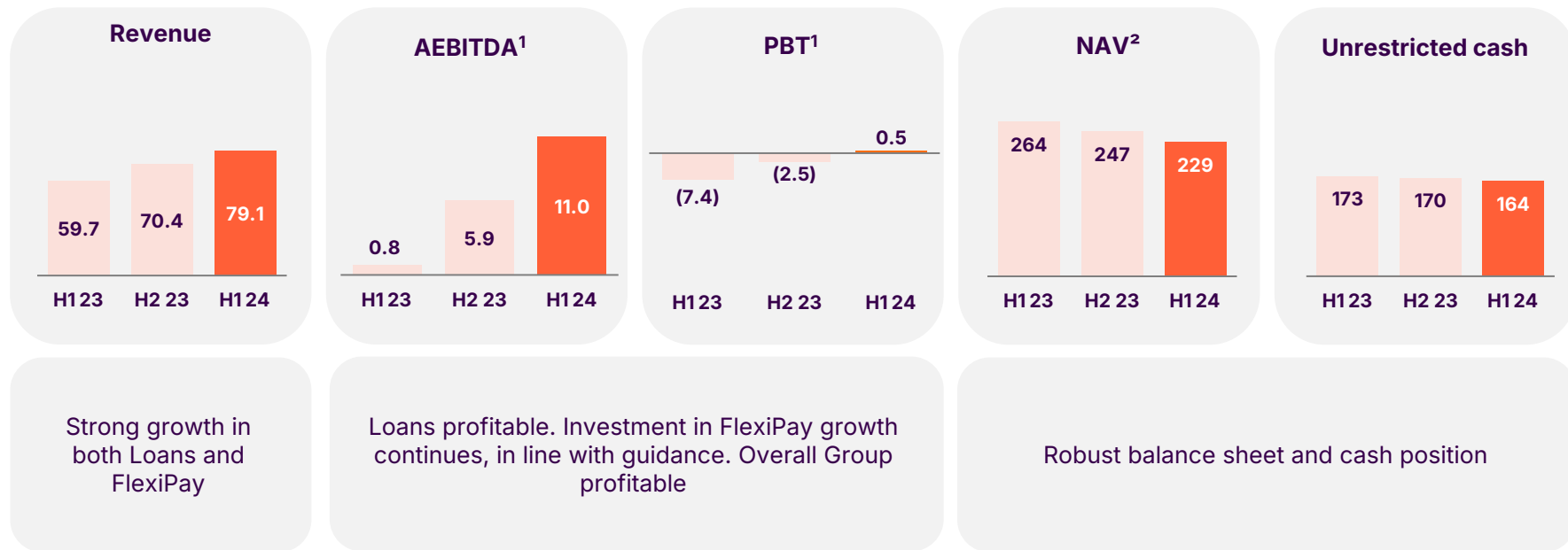
Group financial performance, before exceptional costs¹

£m	H1 23	H2 23	H1 24
Total income	59.7	70.0	78.9
Fair value gains	0.4	2.7	2.8
Cost of funds	(0.4)	(2.3)	(2.6)
Net Income ("Revenue")	59.7	70.4	79.1
Operating expenses	(67.1)	(72.9)	(78.6)
Profit / (loss) before tax continued operations	(7.4)	(2.5)	0.5
Discontinued operations (US) loss before tax	(9.2)	(14.1)	(10.1)
Profit / (loss) before tax	(16.6)	(16.6)	(9.6)
£m	H1 23	H2 23	H1 24
Unrestricted Cash	173	170	164
Net Asset Value	264	247	229

¹ Continuing operations includes the UK Loans business and FlexiPay but excludes exceptional items of £2.6m

Group financial performance

Continuing operations¹; £m

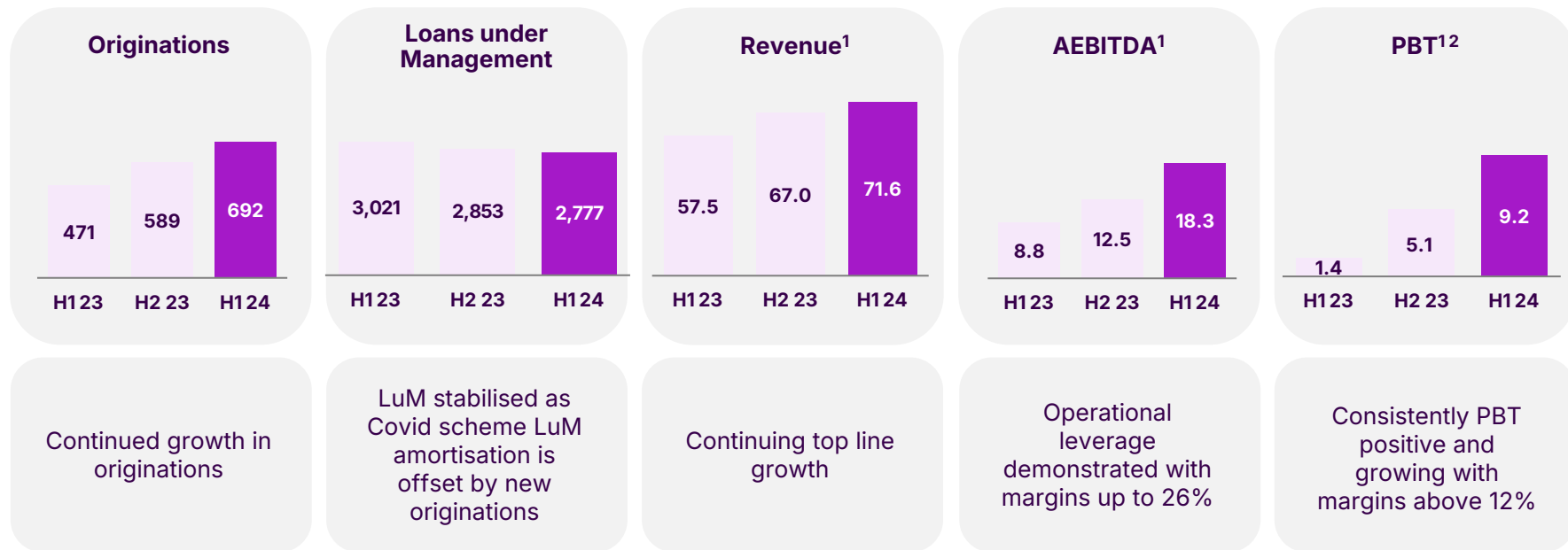


¹ Continuing operations includes the UK Loans business and FlexiPay but excludes exceptional items of £2.6m

² NAV includes the US business which was subsequently sold on 1 July 2024

Term Loans profit momentum continues

AEBITDA and PBT profitable; £m

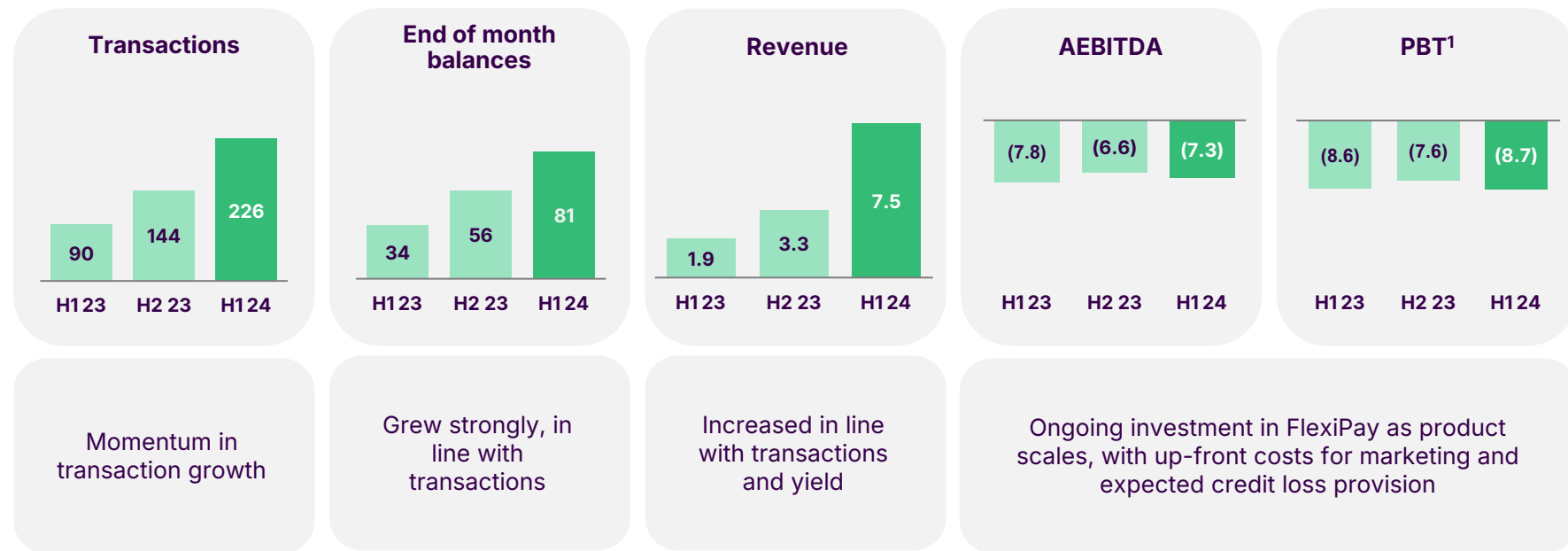


¹ The legacy "other" business segment (Central Europe) is immaterial and has been included in the Term Loans segment in H1 24. Prior period comparatives have not been restated

² Presented before exceptional costs. PBT was £6.9m after exceptional items

FlexiPay top line growth

£m

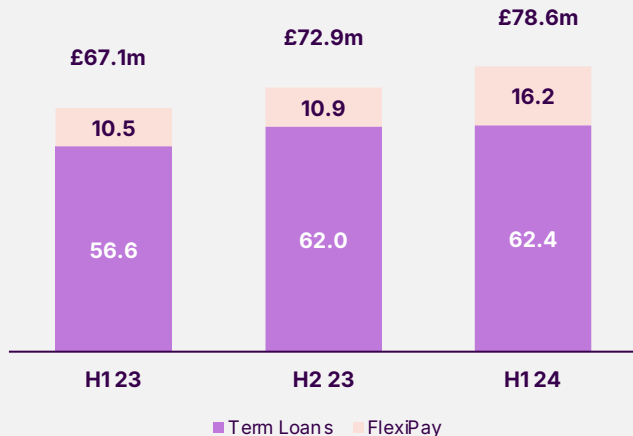


¹ Presented before exceptional costs. PBT was a loss of £9.0m after exceptional items

Focused cost management

Continuing group, £m

Group¹ costs



Term Loans

- Clear operational leverage demonstrated
- H1 24 vs H2 23: revenue up 7%, costs up 1%

FlexiPay

- Product scaling
- H1 24 vs H2 23: revenue up 127%, costs up 49%

Total Costs

- Staff costs flat, and Other costs up £1.6m, primarily share based payments
- Growth in Marketing investment (up £2.8m) and FlexiPay Expected Credit Loss (up £1.3m)

¹ The legacy "other" business segment (Central Europe) is immaterial and has been included in the Term Loans segment in H1 24. Prior period comparatives have not been restated

Resilient loan returns and funding

Projected annualised returns by cohort¹



Forward funding arrangements

£1.8bn

Forward flow arrangements in place with institutional investors for Term Loans⁴

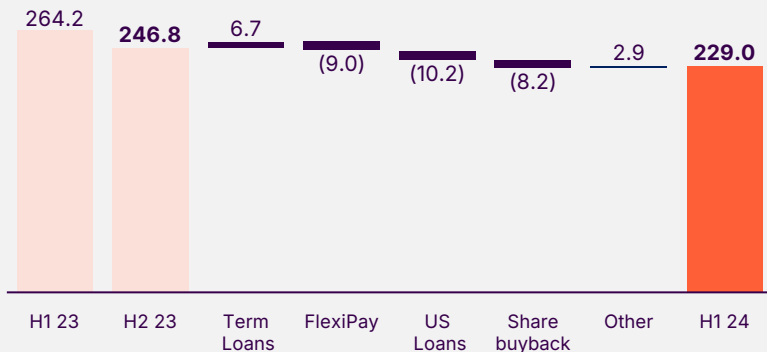
£150m

Senior facility with Citi successfully renewed for FlexiPay

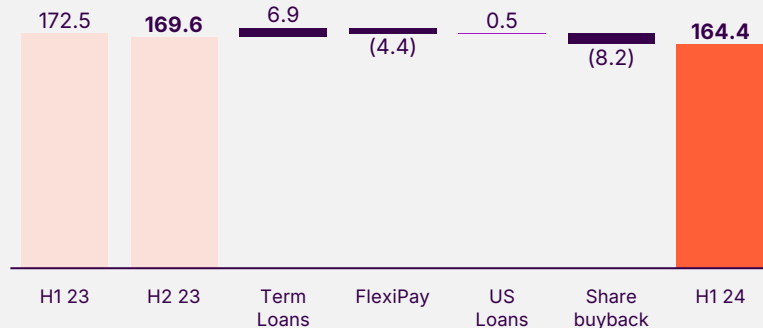
¹ The projected annualised return shows the return, after fees and bad debt, that loans are currently estimated to achieve. ² 2024 expected returns are as at point of origination. ³ Base rate weighted by funded originations. ⁴ This includes the Growth Guarantee Scheme (GGS), the successor to the Recovery Loan Scheme (RLS) which Funding Circle was accredited to in July 2024

Robust levels of net assets and cash

Net assets £m



Unrestricted cash £m



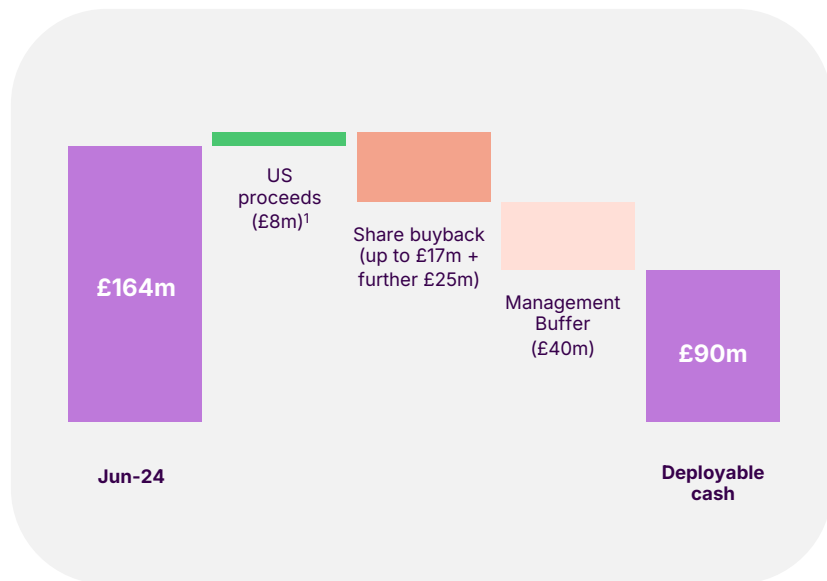
Movement driven by:

- Trading profits/losses, including the drag of the US in H1
- Shares bought back (and subsequently cancelled)

- Term Loans cash generative and covers investment in FlexiPay
- US legacy loan monetisation offsets operating outflows
- Shares bought back of £8.2m of the initial £25m programme

Capital Allocation

Available cash



Capital allocation framework

Deliver growth strategy

Future growth initiatives

Invest to make platform stronger

Distributions to shareholders

¹ Gain on sale of £10m includes non-cash share-based payment credit of £2m

2024 Outlook: Revenue in line, upgrade to profit

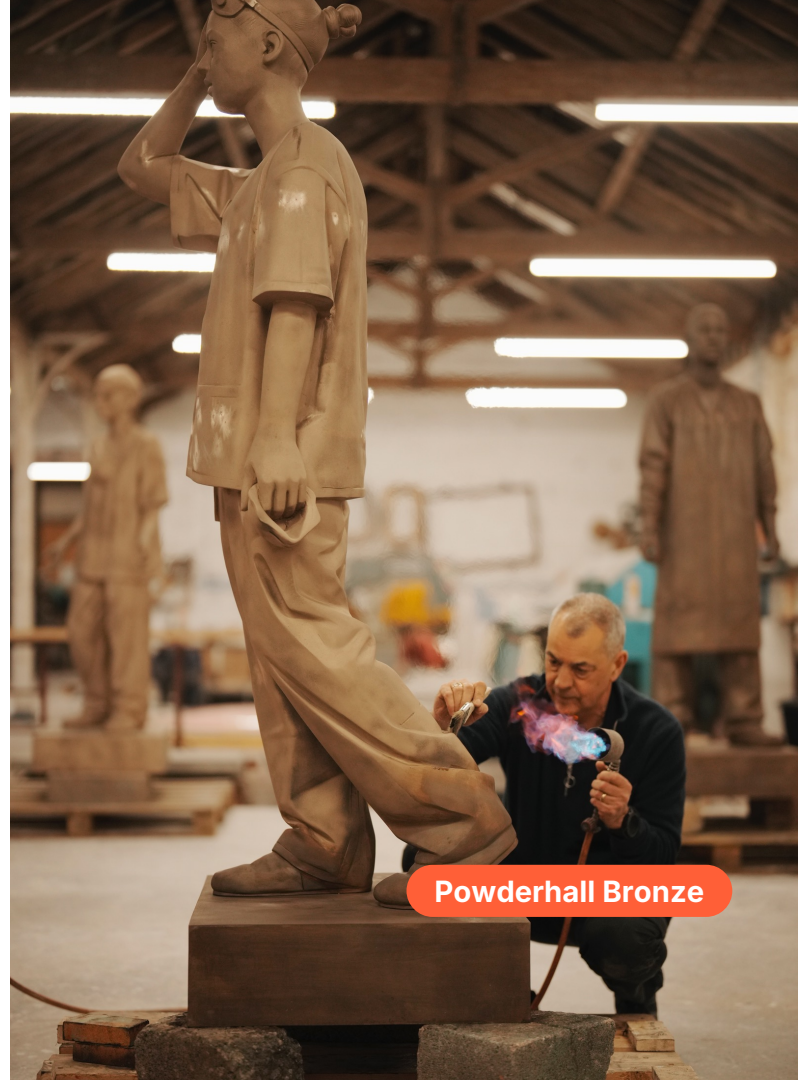
	Term Loans		FlexiPay		Group	
	Previous	Revised	Previous	Revised	Previous	Revised
Revenue growth	>10%	>10%	3x vs 2023	3x vs 2023	-	-
Profit before Tax ¹	8-12%	> 12%	Loss similar to 2023	Loss similar to 2023	H2 Positive ¹	Full Year Positive ¹

¹ Presented before exceptional costs.

Looking ahead

Strong execution in H1

- Simpler, leaner, streamlined business
- Strong delivery in H1 with >30% revenue growth (12% vs H2 23) and £0.5m PBT
- Continued innovation and product expansion
- On track for revenue guidance, upgrade to profit guidance



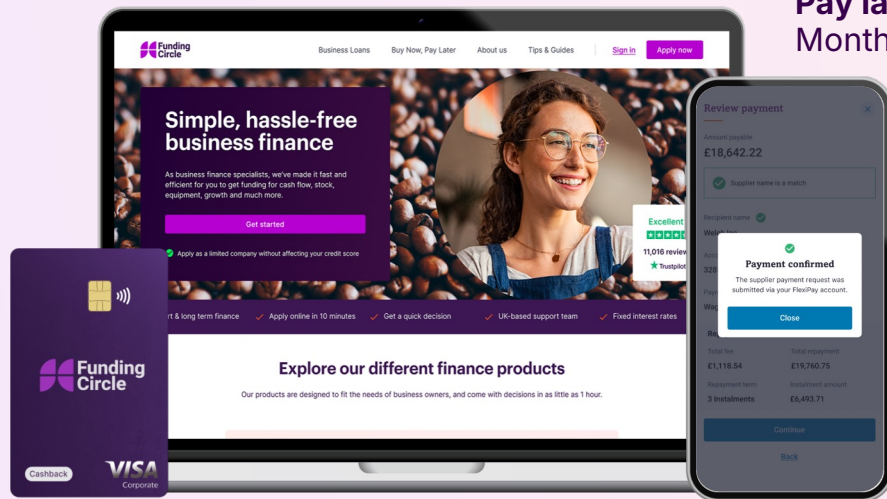
Powderhall Bronze

Leading UK online SME lender with attractive growth and profitability

Borrow
Longer term

Pay later
Monthly

Spend
Daily



Medium term outlook:
growth and profitability

~15-20%
Revenue growth CAGR

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

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.

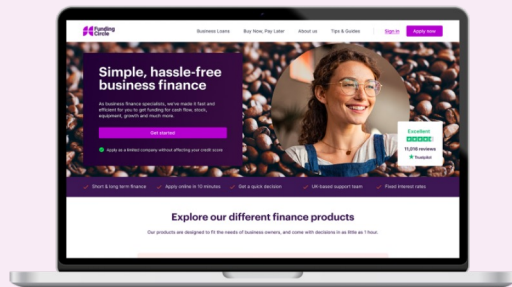
These forward-looking statements and other statements contained in this Presentation regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements.

Such forward-looking statements contained in this Presentation speak only as of its date. The Group expressly disclaims any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in its expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Listing Rules, the Disclosure Guidance and Transparency Rules of the FCA or the Market Abuse Regulation.

Appendices

Borrow

Term Loan

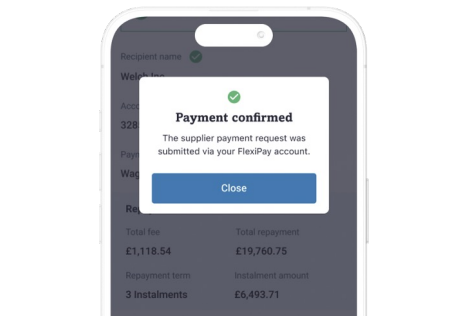


Loan for **long term investment purposes** to support business growth or long term cashflow management.

- Funding Circle loans; Government guaranteed loans and marketplace (third party loans)
- Six months to six years
- **£10,000 to £500,000**

Pay later

FlexiPay Line of Credit

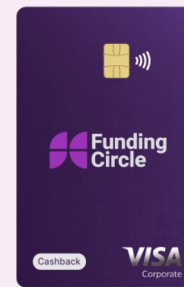


Flexible line of credit for paying bills, supplier invoices and managing short term cashflow using bank transfer or card.

- Repay over 1, 3, 6, 9 or 12 months
- Flat fee on each transaction
- Credit limit of **£1,000 to £250,000**

Spend

Cashback Credit Card **[NEW]**



Cashback credit card for **everyday business spending**.

- Credit Card with cashback
- Credit limit of **£1,000 to £250,000**

Multi-product view	Borrow Term Loan	Pay later Line of credit ("FlexiPay")	Spend Cashback Credit Card [New]
Product type	Funding Circle loans Government guaranteed loans Marketplace (3 rd party loans)	Rolling line of credit	Credit card with cash back
Average size & draw	£75k loan c.5 year term	£15k credit limit c.£3k draw per transaction Paid back over 3-12 months	TBC
Funding	Forward flow from institutional investors	Funding Circle with senior banking facility	Funding Circle with senior banking facility
How our products make money	Transaction fee (c.6% on originations) Servicing fee (c.1% p.a on LuM)	Drawdown fee (varying on transactions)	Interchange fee (1.75% on transaction) Interest income (on credit levels)

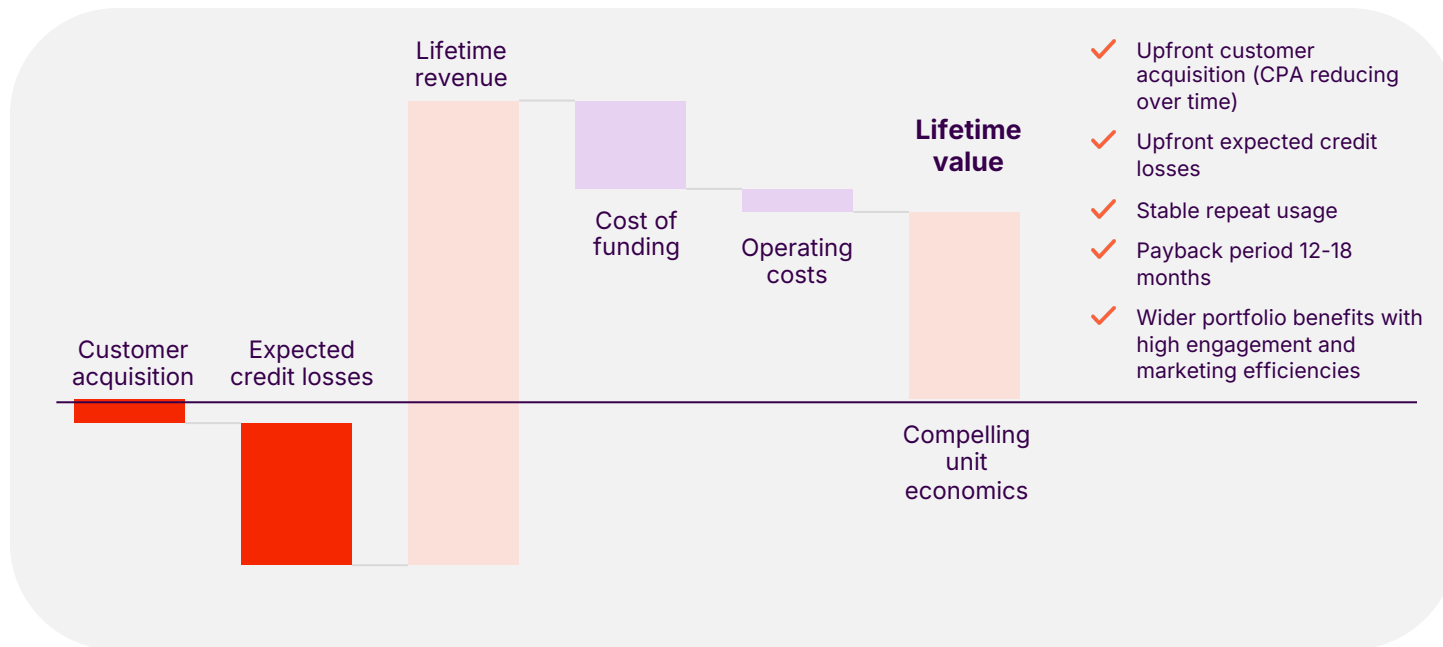
How we make money

92% of income from fees

	Revenue stream	Term Loans	FlexiPay	Typical yield	Drivers	% of H1 24 total income
Fees	Transaction fees	✓		c.6%	Originations H1 24: £692m	53%
	Servicing fees ¹	✓		c.1%	LuM H1 24: £2,777m	27%
	Drawdown fees		✓	c.4.9%	Transactions H1 24: £226m	12%
Other	Bank interest	✓	✓	Variable	Cash balances & base rates	6%
	Investment income	✓		Variable	Invested capital H1 24: £52m	2%

1. Servicing fees includes other fees

Illustrative - FlexiPay unit economics



Segmental view of Income and Profit

£m	H1 2024			H1 2023				
	Continuing Operations			Continuing Operations				
	United Kingdom		Total	United Kingdom		Total	Other	Total
	Term Loans	FlexiPay		Term Loans	FlexiPay		Term Loans	
Transaction fees	41.8	0.3	42.1	29.6	-	29.6	-	29.6
Servicing fees	18.6	-	18.6	20.2	-	20.2	0.2	20.4
Interest Income	4.3	9.8	14.1	2.8	2.3	5.1	-	5.1
Other fees	2.5	-	2.5	2.8	-	2.8	0.1	2.9
Net investment income	1.6	-	1.6	1.7	-	1.7	-	1.7
Total income	68.8	10.1	78.9	57.1	2.3	59.4	0.3	59.7
Fair value gains / (losses)	2.8	-	2.8	0.4	-	0.4	-	0.4
Cost of funds	-	(2.6)	(2.6)	-	(0.4)	(0.4)	-	(0.4)
Net income	71.6	7.5	79.1	57.5	1.9	59.4	0.3	59.7
Adjusted EBITDA	18.3	(7.3)	11.0	8.8	(7.8)	1.0	(0.2)	0.8
Discount unwind on lease liabilities	(0.3)	-	(0.3)	(0.1)	-	(0.1)	-	(0.1)
Depreciation, amortisation, impairment and modification gains/(losses)	(5.8)	(0.7)	(6.5)	(5.5)	(0.5)	(6.0)	-	(6.0)
Share-based payments and social security costs	(3.5)	(0.7)	(4.2)	(1.8)	(0.3)	(2.1)	-	(2.1)
Exceptional items	(2.3)	(0.3)	(2.6)	-	-	-	-	-
Foreign exchange gains/(losses)	0.5	-	0.5	-	-	-	-	-
Profit / (loss) before tax	6.9	(9.0)	(2.1)	1.4	(8.6)	(7.2)	(0.2)	(7.4)

1. Period to 30 June 2024 has presented 'Other' term loans within the UK business segment on the basis that the central European operations included within Other are. The comparative period has not been re-presented on this basis
2. Transaction fees include Marketplace

Cash, net assets and invested capital

£m

Cash utilisation		
Dec '23		221
Free cashflow ¹	(37)	
Investment / funding cashflows	23	
FlexiPay net funding	(7)	
Share buyback	(8)	
Other	0	
Mov't		(29)
Jun'24		192

Net Assets	Dec 23	Mov't	Jun 24
Unrestricted	170	(6)	164
Restricted ²	52	(23)	28
Cash	221	(29)	192
Equity invested	64	(12)	52
Other	(38)	23	(15)
Total	247	(18)	229

Invested capital movement	Dec 23	Mov't	Jun 24
Legacy securitisation, warehouse and other loans at fair value	19	(11)	8
CBILS / RLS / Commercial co-investments	25	(6)	19
Private funds	2	(1)	1
Subtotal	46	(18)	28
Flexipay lines of credit	18	6	24
Total	64	(12)	52

- Free cashflow of £(37)m includes (£25m) relating to cash paid to the British Business Bank (BBB) for guarantee fees collected from institutional investors under the CBILs and RLS schemes.
- Restricted cash of £28m primarily relates to £21m cash held in the funding vehicle for FlexiPay.