

S&U

AGM update

Encouraging update

S&U's AGM trading update provides reassurance on the motor finance business, Advantage, where receivables growth is modest but in line with our expectation, while impairments and risk-adjusted yield are showing improvement. There is also confirmation of continued development of Aspen property bridging. The shares have shown strength recently, but are still modestly rated in terms of P/E and offer an attractive yield.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
01/18	79.8	30.2	202.4	105.0	11.3	4.6
01/19	89.2	34.6	232.0	118.0	9.9	5.1
01/20e	94.7	36.9	247.8	122.5	9.3	5.3
01/21e	103.8	40.3	270.8	124.6	8.5	5.4

Note: PBT and EPS (fully diluted) are reported.

At Advantage Finance, receivables growth in the period to 22 May was 3% y-o-y to £263m or approaching 2% compared with the year end. While muted, this is encouraging in the context of the slowdown in transactions in H219, and the resulting sequential decline in receivables prompted by a tightening of credit criteria and competitive pressure. Advantage has not relaxed its credit criteria or discipline over the level of commission payments it is prepared to pay. The number of loan applications is at a record level of 108,000 per month and early indicators of credit quality are encouraging. The latter follows the adjustment of criteria mentioned, while the recent capital markets presentation confirmed that Advantage has integrated data from two credit agencies into its approval system, holding out the prospect of further improvements in performance over time.

Aspen property bridging has continued to grow its loan book (from £18m at year end to £22m) and has doubled its active loan pipeline over the period.

The level of group borrowing has increased from £108m to £114m with receivables growth while headroom remains good given recently increased funding facilities of £160m. Our estimates are unchanged following the update.

See our [April](#) note for further detail on S&U's two businesses and our forecasts.

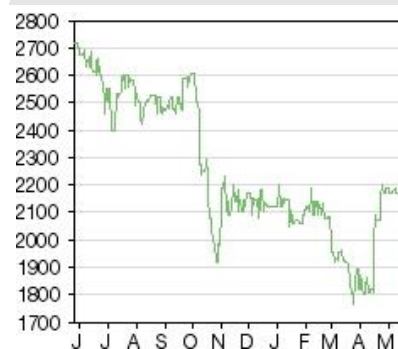
Financial services

24 May 2019

Price 2,294p
Market cap £274m

Net debt (£m) at 22 May	114
Shares in issue	12m
Free float	26%
Code	SUS
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



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 over 60,000 customers. The Aspen property bridging business has moved beyond the pilot stage and is expanding its loan book (just over £22m at the time of AGM update).

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