lendinvest

Half year results for the six months ended 30 September 2023

19 December 2023

Agenda

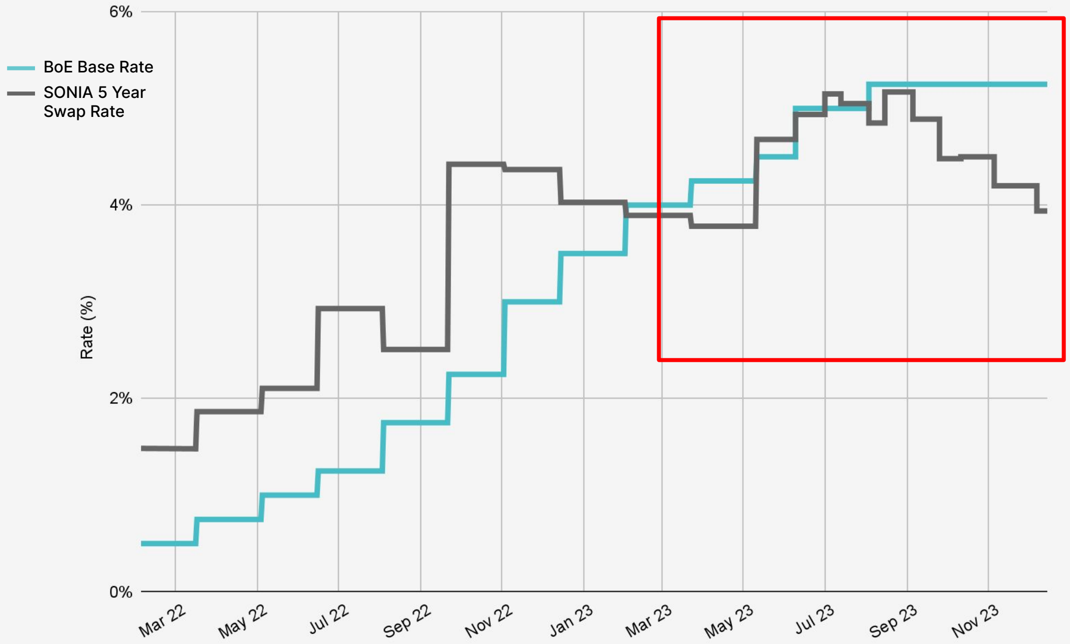
Summary

- **Market backdrop** has been challenging but has recently shown signs of alleviating
- Progress made on **key strategic** objectives
- Priority has been on **strengthening the balance sheet and financial position**
  - Realising poor performing assets and increasing cash reserves
  - Reducing debt and extending funding facilities
  - Restructuring cost base
- These actions have materially contributed to a first half loss before tax of £15.1m
- No interim dividend recommended, to be reviewed at the year end
- Strong foundations on **which to build**
- Focus on **returning to profitability**

Strategic review

Market backdrop has been challenging

Base rate rising to its highest point since 2008 [1]



Base rate - 9 increases in FY 2023 & H1 FY2024[1]

Interest rate swaps - continued volatility, but recently reduced to below 4%

CPIH[2] - 6.3% in September 2023 but reduced to 4.7% in October 2023 post period end

Property market transactions[3] - 19% lower in September 2023 compared to prior period

Challenging BTL market - UK finance forecasts 50% drop in new BTL purchase & re-mortgage lending

House prices - decreasing by 0.1%[5] in the year to September 2023, but less than expected

Looking ahead - rates expected to reduce but higher for longer

[1] Source: BoE, 'Official Bank Rate history'
[2] CPIH - incl. owner-occupier housing costs; Source - ONS
[3] Seasonally adjusted estimate of the number of UK residential transactions; Source - gov.uk
[4] Mortgage Lending to Fall in 2024; Source - UK Finance
[5] UK House Price Index September 2023; Source - ONS

Strengthening the balance sheet and de-risking the business

1

Accelerated recovery of non-performing assets

- Sold a £250m low margin BTL portfolio at a loss of £10.7m
- Removed dilution of future net interest margin and reduced debt
- Accelerated recovery of non-performing assets to prioritise free cash flow

2

Reduced and extended funding facilities

- Refinanced our second retail bond with a new issuance of £60m - company guarantee reduced to 20%
- Completed our fifth securitisation in respect of a £410m BTL loan portfolio
- Generated cash of £34m and enabled reduction in surplus warehouse capacity

3

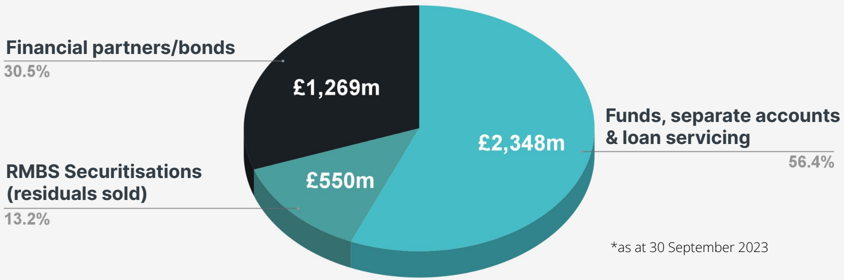
Restructured the cost base

- Headcount restructured to below 200
- Origination capacity retained, focus primarily on technology resource
- Payroll costs reduced by c25%

FuM +21% YoY to £4.2 billion

Key transactions in H1 2024

- **Wells Fargo** joined our **£200m** Buy-to-Let financing syndicate
- **BNP Paribas** added **£100m** to our short-term mortgages financing syndicate
- **Chetwood Financial** - **£500m** separate account mortgage partnership
- **£200m** separate account short-term mortgages partnership

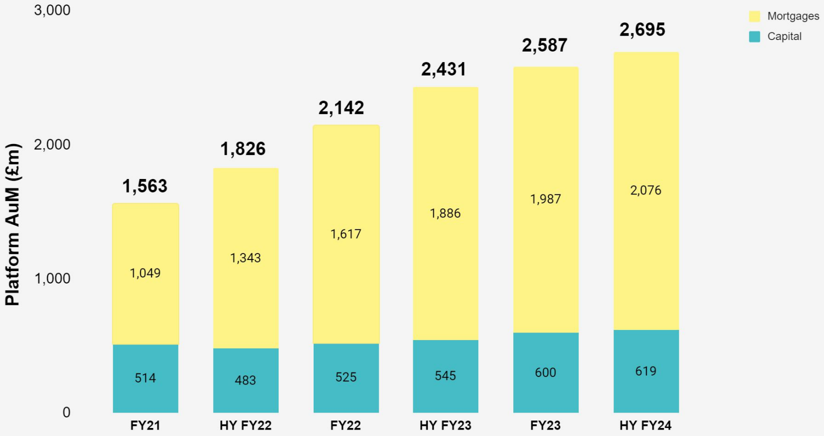


*as at 30 September 2023

Post-H1 transactions

- Issued our **fourth listed bond** and repaid our second listed bond
- Completed our **fifth Securitisation** of **£410m** UK Buy-to-Let mortgage loans
- Potential sale of the residual interest of this securisation in H2 FY24

AuM +11% YoY to £2.7 billion



- **10% increase** in Mortgages AuM year on year
- **14% growth** in AuM for Capital year on year
- After the launch of our residential mortgage product, at period end AuM was **£23m** increasing to **£41m** by end of November
- Strong performance for our short term mortgages product with **44% growth in AuM** year on year

Financials

Profit & loss

Group £m	Half Year to 30 September 2023 £'m	Half Year to 30 September 2022 £'m	Change %
Platform Assets under Management	**2,695**	**2,431**	***11%***
On balance sheet	822	1,213	*(32%)*
Off balance sheet	1,873	1,218	*54%*
New Lending	**415**	**575**	***(28%)***
Net interest income	6.3	24.0	*(74%)*
Net fee income	6.6	5.9	*12%*
Net gains on derecognition of financial assets	10.8	3.8	*184%*
Loss on sale of portfolio	(10.7)	0.0	-
Net other income	0.1	0.1	-
Net operating income	**13.1**	**33.8**	***(61%)***
Administrative expenses	(21.1)	(17.1)	*23%*
Impairment losses on financial assets	(7.1)	(1.9)	*274%*
Total operating expenses	**(28.2)**	**(19.0)**	***48%***
Profit (Loss) before tax	**(15.1)**	**14.8**	***(202%)***

AuM increased by 11% to £2,695m

On balance sheet AuM was 32% lower than prior year (period average 39% lower)

Net interest income £17.7m lower
Prior period includes £9.2m gain on cancellation of swaps

Profit on sale of residual interest of £10.8m (2022: £3.3m)

Includes £1.2m of non-recurring costs

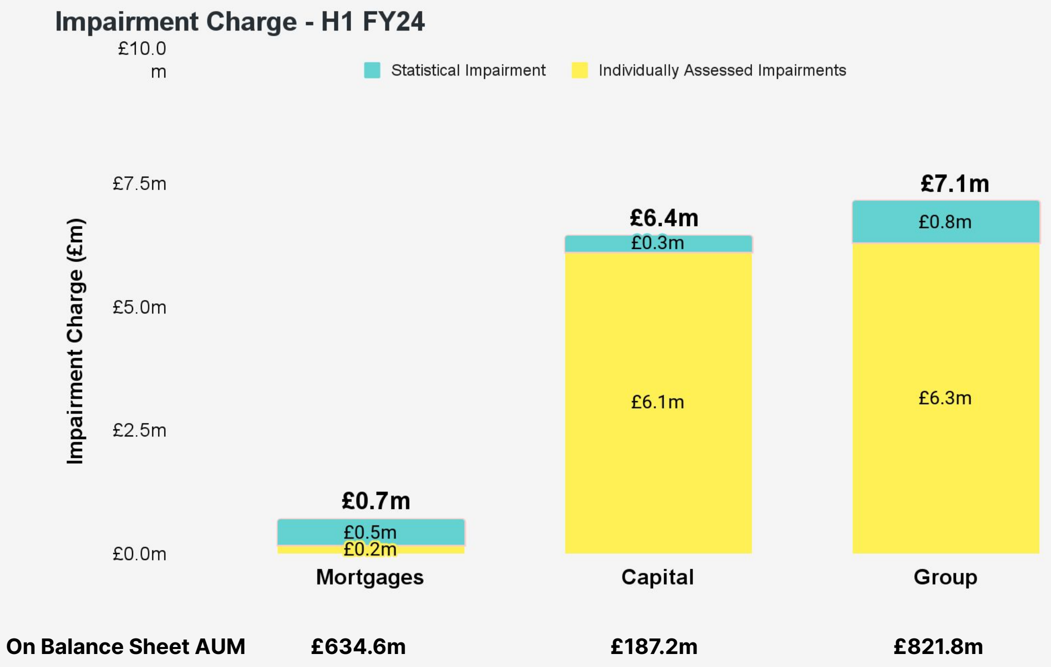
Impairment increased by £5.2m

Segmental analysis of profit & loss

	Mortgages £m	Capital £m	Central £m	Group £m
Platform Assets under Management	**2,076**	**619**	**-**	**2,695**
On balance sheet	635	187	-	822
Off balance sheet	1,441	432	-	1,873
New Lending	**283**	**132**	**-**	**415**
Net interest income	5.3	1.0	-	6.3
Net fee income	2.9	3.7	-	6.6
Net gains on derecognition of financial assets	10.8	-	-	10.8
Loss on sale of portfolio	(10.7)	-	-	(10.7)
Net other income	0.1	-	-	0.1
Net operating income	**8.4**	**4.7**	**-**	**13.1**
Administrative expenses	**(5.4)**	**(2.5)**	**(13.2)**	**(21.1)**
Impairment losses on financial assets	**(0.7)**	**(6.4)**	**-**	**(7.1)**
Total operating expenses	**(6.1)**	**(8.9)**	**(13.2)**	**(28.2)**
(Loss)/Profit before tax	**2.3**	**(4.2)**	**(13.2)**	**(15.1)**

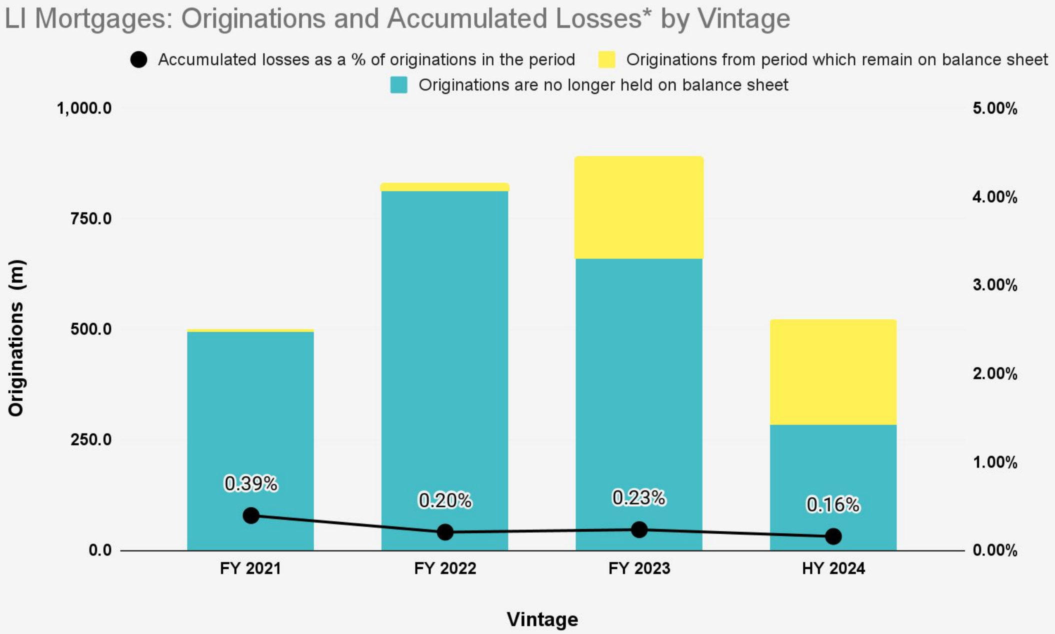
- New divisional structure implemented at beginning of the period
- Mortgages division focused on lower value, higher volume lending
- Capital division lending is higher value, lower volume and higher risk profile
- Proportionally more mortgage division assets held on balance sheet

Segmental analysis of Impairment Charge



- Conservative approach to provisioning
- Combination of statistical models and individual assessments
- Some increase in impairment expected given weaker macroeconomic outlook
- Mortgages division: very low level of impairment
- Capital division: much higher level of impairment

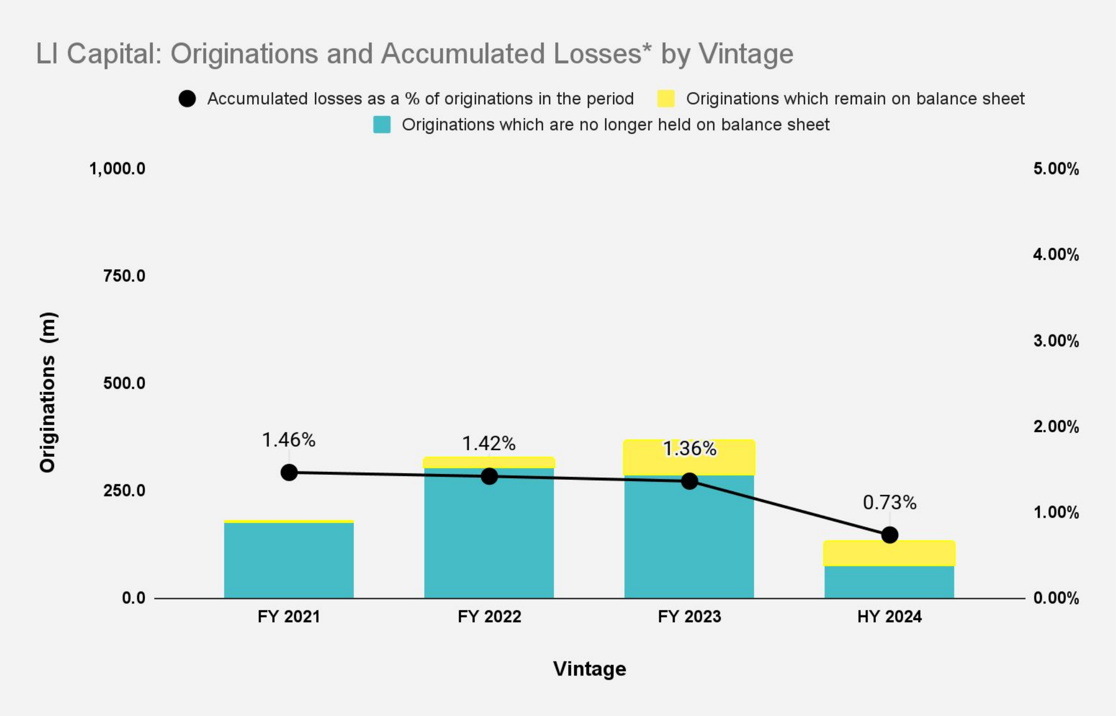
LendInvest Mortgages - Losses by Vintage



- Represents the majority of loans held on balance sheet (£633m : 77%)
- Lower value, higher volume, lower risk profile
- Proprietary technology underpins the underwriting process with thousands of data points automatically analysed
- Expected credit losses remain consistently low at c20-25bps

*Accumulated losses includes all current ECLs on loans and crystallised losses

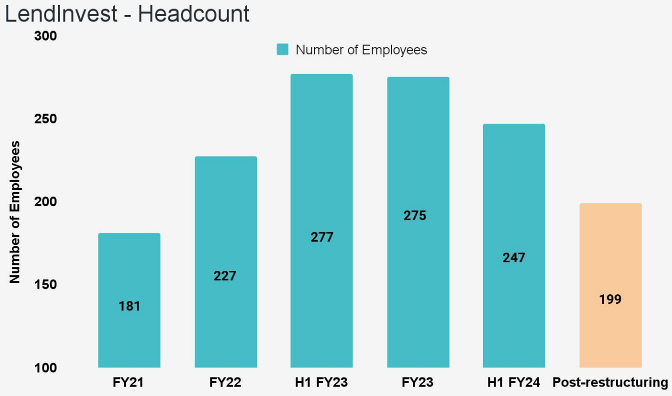
LendInvest Capital - Losses by Vintage

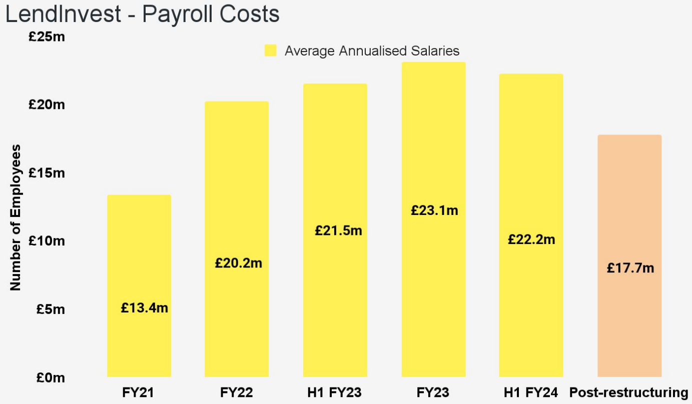


*Accumulated losses includes all current ECLs on loans and crystallised losses

- Represents the minority of assets held on the balance sheet (£185m: 23%)
- Expected credit losses of 100 - 150 bps
- Impairment charge in the period reflects the following:
  - 5 borrowers account for 70% of the charge in the period
  - £3.3m of the charge reflects accelerated debt recovery process
  - Mainly related to older cohorts (FY22 and prior) which are largely matured
- Timing rather than significant deterioration in underlying assets

Cost base restructured





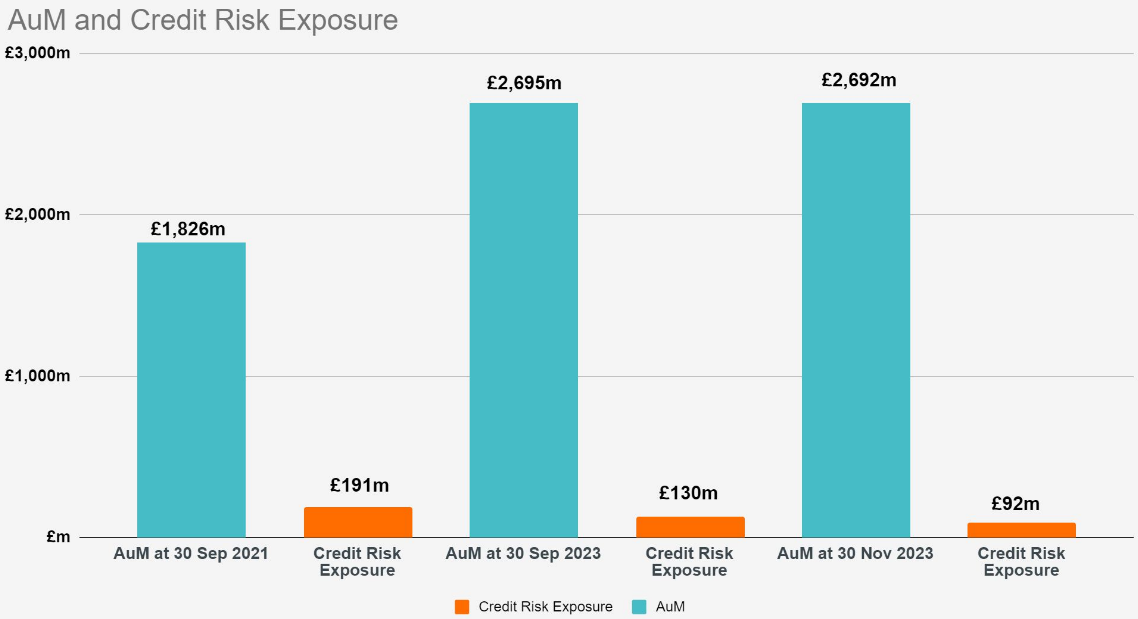
- Headcount peaked at 30 September 2023 at 275
- Average headcount in first half 4% higher than prior period
- Some redundancies in first half with associated costs of £0.3m
- In November a restructuring process reduced headcount to 199, a 27% reduction since the start of the period
  - The restructuring mainly related to central services and technology resource
  - Origination capacity has been maintained to ensure we are well position as the market recovers
- The restructuring cost is £1.2m, but has reduced payroll costs by c.£5m per annum. The P&L benefit will be lower
- Aiming to return total administrative expenses to levels similar to FY23

Strengthening the balance sheet and reducing risk profile

% of AuM on Balance Sheet	Net Assets	Cash & cash equivalents	Free cash flow
31% ⬇	£67.5m ⬇	£88.0m ⬆	£35.0m ⬆
-14pps vs March 2023	*-12% vs March 2023*	*+88% vs March 2023*	*47% vs Prior Period 2022*

- Material reduction in the proportion of the loan book held on balance sheet
- Net assets effectively represent c£30m of liquid cash resources and c£28m of net carry in warehouses and other funding structures, mainly in respect of the BTL loan book
- Strong focus on cash management including accelerated debt recovery
- Mortimer 23 securitisation generated c£34m of cash
- Potential sale of residual interest in H2 FY24 will generate more cash and further reduce proportion of AuM on balance sheet

Credit risk exposure substantially reduced



- Since the first reporting period post IPO AuM has increased by 47%
- However, in the same period credit risk exposure has decreased by 52% (£99m)
- As a proportion of AuM, credit risk exposure has fallen from 10% to 3% as at 30 November 2023
- The most recent 2023 securitisation is the only one with risk retention
- Parent company guarantee on the listed bonds reduced from 100% to 20%

Outlook and long-term opportunity

Our technology remains a key competitive advantage

Key enhancements

Buy-to-Let Broker Portal (Next Gen BTL)

Removes our dependency on third party technology

Reduces operating costs and risk

Business benefit

Increased origination volumes

Facilitates product switches between our Mortgage products

Technology platform complete

Competitive advantage

Faster than the competition

Digital application process, simpler and faster

Ability to complete quickly - only 9 days from portal submission to completion for a loan to buy and refurb a London house at auction

Clear market opportunity in Residential Mortgages

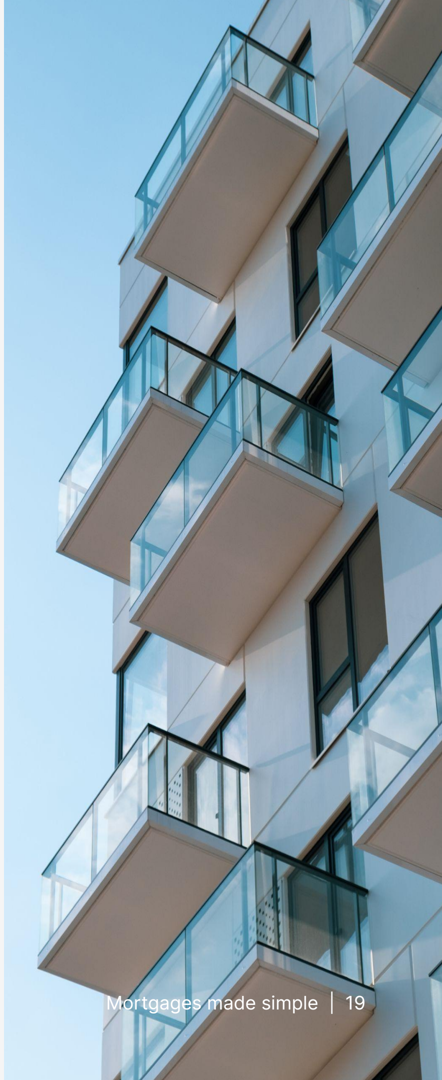
- Key focus on borrowers with complex income profile, including **key workers**
- **Initial launch** to select group of brokers in December 2022
- Whole market distribution achieved by **April 2023**
- Successfully onboarded **Legal & General** Mortgage Club
- Benefiting from strong brand and reputation, with **Trustpilot rating of 4.5**
- Developing **in line with expectations**

£100m funded by a £100m credit facility with **Lloyds Bank**

£41m size of **AuM** at end of November

£138m of **signed applications**

£249m of submitted **DiPs** since launch



Strong foundations

- **Substantial headroom** on diverse high quality funding lines
- Proven **track record** of scaling new products
- Clear market opportunity for **Specialist Residential** proposition
- Keen focus on product **profitability**
- Substantial broker network and **excellent market reputation** for service
- **Market-leading** technology

Outlook

- Early signs of improvement in market backdrop
- **Focused on return to profitability**
- **Increase** Buy-to-Let originations
    - In November we had the highest level of signed applications for BTL since March 2023
- **Fundraising** for Capital Division
- Realise additional **cost savings post restructuring**
- [Potential sale of residual interest in Mortimer 23 securitisation]
- Business expected to reduce losses in H2 FY24
- Aim to return to **return to profit** by H2 FY25

Q&A

Appendices

Making our divisional reporting simple

Realignment of the business into two divisions:

- **Mortgages**: online platform for streamlined customer experience
- **Capital**: complex lending with an expert, human-centric approach

Current split

Long-term lending

- Buy-to-Let mortgages

Short-term lending

- Bridging
- Development finance
- Residential investment portfolio loan

Future split

Mortgages

- Buy-to-Let mortgages
- Residential mortgages
- Short-term mortgages (<£3m)

Capital

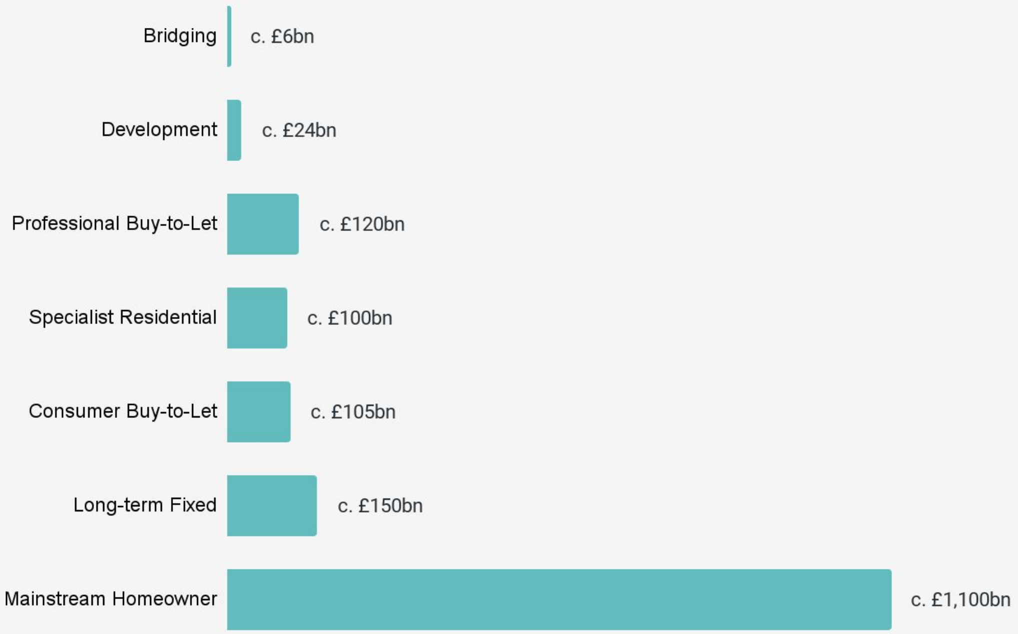
- Structured property finance (>£3m)
- Development finance
- Residential investment portfolio loan

lendinvest Mortgages

lendinvest Capital

Long-term growth drivers

Est. Total Addressable Market* £bn



Market Share

£0.6bn	**9%**
£0.2bn	**1%**
£1.9bn	**2%**
£0.0bn	**0%**
-	-
-	-
-	-

Given our market share, Bridging, Development and BTL provide **substantial growth opportunities**

Launch of Residential Mortgages increased our current addressable market by £100bn, currently at £41m AuM

Mainstream homeowner mortgages can be addressed via **SaaS / Mortgages as a Service**

* privately commissioned market report and company information from July 2021

New disclosure - components of net operating income

We have revised our disclosure to enhance transparency for the following reasons:

1. Facilitating peer group comparison
2. Distinguishing income sources:
   a. Income from assets held on our balance sheet - net interest income
   b. Income from assets managed on behalf of third parties - net fee income

Net interest income	Net fee income	Net gains on derecognition of financial assets & loss on sale of portfolio	Net other income
£6.3m	£6.6m	£0.1m	£0.1m
48%	50%	<1%	<1%
of net operating income	of net operating income	of net operating income	of net operating income

Enabling stakeholders to better comprehend the composition and drivers of our financial results

Balance sheet

£m	30 Sep 2023	30 Mar 2023
Cash & Cash Equivalents	88.0	46.7
Trade & Other Receivables	4.5	6.1
Loans & Other Advances	807.5	1,122.9
Derivative Financial Assets	12.0	46.0
Intangibles	11.3	10.5
Other Assets	31.2	30.6
Total Assets	**954.5**	**1,262.8**
Trade & Other Payables	(33.1)	(28.0)
Interest Bearing Liabilities	(853.3)	(1,155.0)
Other Liabilities	(0.6)	(3.3)
Total Liabilities	**(887.0)**	**(1,186.3)**
Equity	**67.5**	**76.5**

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Mortgages made simple