EDISON

S&U

FY18 results

Set for further growth with tighter credit criteria

Financial services

S&U's core non-prime motor finance business, Advantage, has delivered 18 consecutive years of profit growth, including a 20% increase in FY18. A mix change towards higher-risk customers meant a higher rate of impairment but the risk-adjusted return on receivables only declined slightly and, looking ahead, should be at least stable following a tightening of criteria. Meanwhile, the scope for profitable receivables growth seems good given a market share of c 1% and, separately, the property bridging pilot could provide an interesting diversifying source of growth.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
01/17	60.5	25.2	169.1	91.0	14.5	3.7
01/18	79.8	30.2	202.4	105.0	12.1	4.3
01/19e	98.1	36.2	243.3	120.4	10.1	4.9
01/20e	113.6	42.9	288.2	143.2	8.5	5.8

Note: *PBT and EPS are reported.

FY18 results

S&U's full-year figures (to end January 2018) confirmed the strong growth seen during the year. Revenue increased 32%, impairments 61%, pre-tax profit 20% and diluted EPS 20% to 202.4p. Advantage increased customer numbers by 26%, new agreements by 22% and ended the year with net receivables of £251.2m (+30%). This was despite tighter credit criteria to underpin the quality of receivables. Confidence in the Aspen property bridging business is growing and year-end receivables stood at nearly £11m, although it remains at a trial stage with a decision on continuation due this year. The full-year dividend of 105p represents an increase of 15% on the prior year.

Outlook

Macroeconomic uncertainties remain a feature, but looking at trends in economic forecasts for the UK there has been little change recently, and expectations for unemployment and figures for redundancies do not appear to flag particular risks. The FCA's interim report from its review of motor finance did note a larger increase in defaults among consumers with lower credit scores in recent years but Advantage has a well-established credit assessment process and, as noted, has been tightening criteria over the last year, which should progressively feed into a lower rate of impairment. This should at least balance a reduction in revenue yield as the loan portfolio mix moves towards lower-risk assets, allowing receivables growth to feed through to earnings.

Valuation: increased to 3,060p

We have updated our ROE/COE valuation allowing for the increased NAV, an FY19 forecast that is little changed and a new FY20 explicit forecast. This gives an output of 3,060p, which appears reasonable both by reference to a dividend discount model, and the multiples implied (c 2.4x book and 12x prospective P/E) do not seem out of place in the context of peers (see page 9); our previous valuation was 2,700p.

12 April 2018

Price	**2,450.00p**
Market cap	**£294m**
Net debt (£m) end January 2018	105
Shares in issue	12.0m
Free float	26%
Code	SUS
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	5.4	3.6	15.5
Rel (local)	5.4	10.5	16.3
52-week high/low		2,450.0p	1,883.5p

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 that restrict their access to mainstream products. It has over 54,000 customers. The pilot Aspen property bridging business is expanding its loan book (c £11m end FY18).

Next event

AGM 18 May 2018

Analysts

Andrew Mitchell +44 (0)20 3681 2500

Martyn King +44 (0)20 3077 5745

financials@edisongroup.com

Edison profile page

S&U is a research client of Edison Investment Research Limited

Specialist lender with core motor finance business

Until 2015 S&U comprised two businesses: a home credit company and Advantage Finance, the non-prime motor finance company. Home credit has 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 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 Aspen Bridging, a property bridging finance business at a pilot stage.

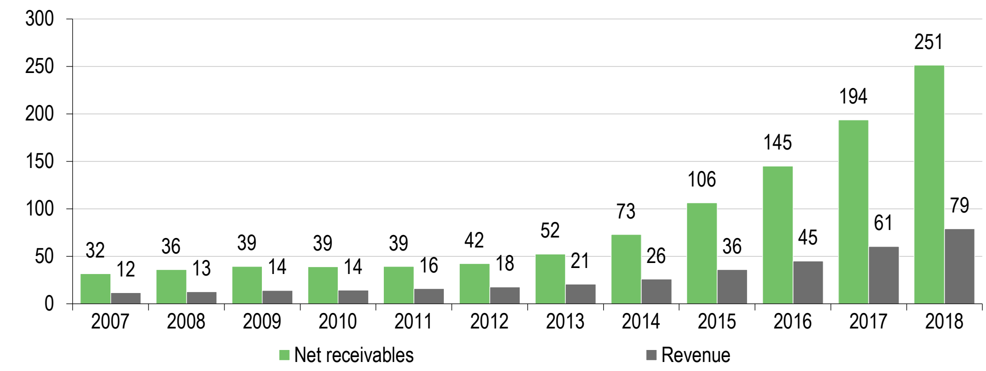
Long track record of profitable growth in non-prime motor finance

Formed in 1999, Advantage is based in Grimsby and has over 140 employees. The majority of the management team has been with the company since launch. Expansion has been rapid, with 36% compound growth in net customer receivables over the last five years to £251m at the end of January 2018. It has over 54,000 live customers and recorded 24,500 new transactions in FY18. Advantage focuses on the non-prime area of the market and 90% of its lending is through about 40 brokers, with 5% each from dealerships and existing customers. The brokers in turn source their business through dealer relationships and, increasingly, the internet. Almost all the loan applications are submitted to the Advantage web-based system, which provides immediate in-principle lending decisions.

Most loans range from £5,000 to £7,000, with a maximum loan amount of £12,000; the average advance in FY18 was c £6,200. The average original term was 51 months with a flat interest rate of 17.8% (£11,100 repayable including interest). The provisional approval rate for loan applications in the last financial year was 29%, with c 250,000 applications approved out of 860,000. The 24,500 that actually signed up were therefore equivalent to about 10% of approvals or 3% of original applications; to some extent the small ratio of deals signed reflects buyers' increased use of the internet to source finance before shopping for a car and is not onerous for Advantage given the automation of responses to applications. Advantage's recently introduced Dealflo e-signature system has helped to increase the sign-up rate following approval, by guiding customers through terms and conditions and verifying their digital signatures.

Advantage has achieved 18 years of consecutive profit growth, reflecting growth in the loan book paired with successful credit control underpinned by the continuous refinement of a bespoke underwriting and scoring system developed in conjunction with Experian. Exhibit 1 shows the growth in receivables and revenue at Advantage since 2007.

Exhibit 1: Motor receivables and revenue (£m)



Source: S&U, Edison Investment Research

Property bridging finance pilot

Aspen Bridging opened for business in February 2017 as a pilot project to test the viability of developing property bridging finance as a diversifying activity and alternative source of growth for the group. The plan is to invest up to £20m in loans in the pilot phase (£10.8m outstanding at the financial year end) and a review of the business and decision on whether to go ahead is expected in the second half of 2018. In the first year, 35 secured facilities were provided with an average value of c £380,000, an average maximum loan to value of 67% and an original term of nine months. Aspen follows a cautious underwriting approach with a process that includes third-party legal and valuation input, together with a visit to each property by a member of the five-strong Aspen team. The company also needed time to establish its position with brokers in the sector, which meant the initial pace of growth was slow. However, the business has found a niche financing small-ticket refurbishment projects that larger institutions would find difficult to service. The group describes the venture as promising, suggesting it has a good chance of being given the go-ahead to move beyond the pilot stage following this year's review.

FY18 results commentary

S&U's overall results were similar to our expectations. Impairments were moderately above our forecast but this was largely offset by lower than expected other costs including interest expense. Receivables and revenue growth at Advantage of c 30% led to group pre-tax profit growth of nearly 20% despite a 61% increase in the impairment charge. Key points from the results are highlighted below with comparisons against FY16.

- Advantage motor finance gross and net receivables increased by 31% and 30% respectively (the stock of provisions as a percentage of gross loans was slightly higher at 15.0% versus 13.7%).
- The number of new motor loans increased by 22% to more than 24,500 with a slightly lower rate of approvals versus applications (tighter criteria) but higher rate of sign up from approvals, attributable to the implementation of the Dealflo e-signature system mentioned above.
- The number of customers increased from 43,000 to over 54,000 (+26%).
- Revenue was 32% ahead, reflecting growth in the motor loan book and a small (£0.9m) contribution from Aspen in its first year.
- The P&L impairment charge increased by 61% to £19.6m. For Advantage impairments were equivalent to 8.7% of average receivables compared with 7.2%. As a percentage of revenue this was 24.6%, up from 21.0%. The increase mainly reflected mix change as higher-risk business taken for an experimental period formed a higher percentage of the loan book. For further discussion of the portfolio mix and credit trends see below. No default was experienced at Aspen but there was a small provision.
- Other costs of sales increased by 34%, reflecting growth in the number of new loans and higher broker commission costs, bolstered by the growing importance of internet brokers, which tend to have higher costs and charge higher commissions.
- Administration expenses rose by 16%, leaving a pre-tax profit increase of nearly 20% to £30.2m.
- Segmentally, Advantage pre-tax profit was £30.2m (£25.2m), Aspen recorded a loss of £0.3m (nil) during its start-up period and there was a net central interest credit of £0.3m (marginal credit).
- Earnings per share increased by nearly 20% to 202.4p (fully diluted basis) and a final dividend of 45p was proposed, giving a total for the year of 105p (+15%).

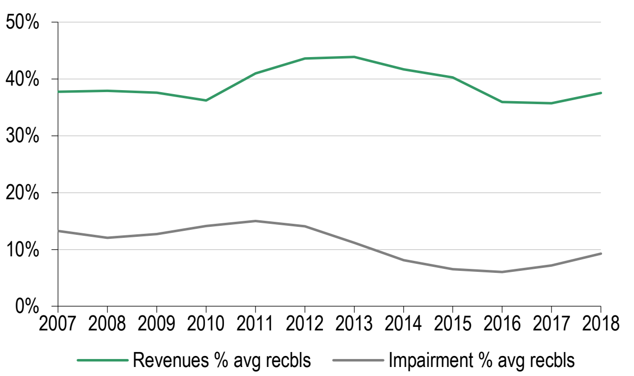
Exhibit 2: P&L summary FY18 results

£000 unless stated, year to end January	2017	2018	% change
Motor finance receivables	193,529	251,215	29.8
Number of new motor loans	20,042	24,518	22.3
Bridging loans at year end		10,841	N/A
Revenue			
Motor finance	60,521	78,882	30.3
Property bridging	0	899	N/A
Total	**60,521**	**79,781**	**31.8**
Impairments			
Motor finance	(12,194)	(19,434)	59.4
Property bridging	0	(162)	N/A
Total	**(12,194)**	**(19,596)**	**60.7**
Other cost of sales	(12,871)	(17,284)	34.3
Administration expenses	(8,332)	(9,629)	15.6
EBITDA	**27,124**	**33,272**	**22.7**
Depreciation	(253)	(294)	16.2
Operating profit / loss	26,871	32,978	22.7
Finance expense	(1,668)	(2,818)	68.9
Pre-tax profit	**25,203**	**30,160**	**19.7**
Tax	(4,861)	(5,746)	18.2
Net profit	20,342	24,414	20.0
EPS normalised fully diluted (p)	**169.1**	**202.4**	**19.7**
Dividend per share (p)	91.0	105.0	15.4

Source: S&U, Edison Investment Research

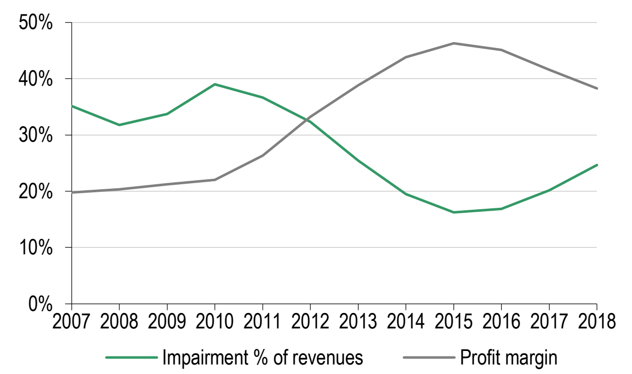
Looking more closely at the Advantage result, Exhibit 3 shows the evolution of revenues and impairments as a percentage of receivables since 2007. There was a period of higher yields following the financial crisis, reflecting more favourable competitive conditions with a contraction in the availability of credit. More recently there has been some erosion partly reflecting the removal of insurance revenue in FY15 as well as competitive pressures. The revenue yield increased by 1.8 percentage points in FY18 versus FY17. This reflected the mix change mentioned above with the shift towards higher risk loans evident in returns and impairments (+2.0 percentage points), which are shown in the same chart. In Exhibit 4 the effect of these trends on pre-tax profit margin is evident, with profitability somewhat lower than in previous periods mirroring the increased rate of impairment relative to sales and, prior to that, the absence of insurance income from FY15.

Exhibit 3: Revenue and impairment % of receivables



Source: S&U, Edison Investment Research

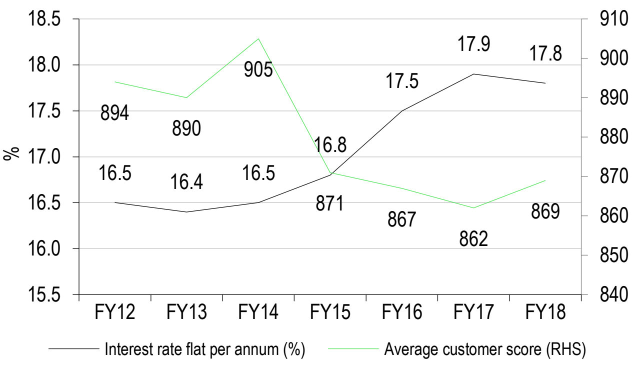
Exhibit 4: Impairment and profit % of revenues



Source: S&U, Edison Investment Research

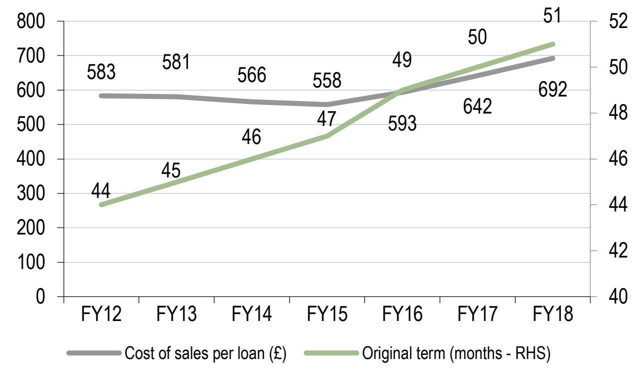
Exhibit 5 tracks the trends in Advantage's average customer credit score and the flat interest rate by period of origination. This again shows an offset between pricing and risk with rates rising as the mix was adjusted towards lower credit scores. The movements in FY18 showed the impact of a tightening of Advantage's backward-looking credit scoring and forward-looking affordability criteria. S&U indicates that the live portfolio at the time of the announcement had a slightly higher average yield and lower credit score than shown here because the high-scoring FY12–14 originations had mostly settled. The arrears profile (not shown) saw a decline in the percentage of receivables where payments are up to date (down 3.4 percentage points to 83.3%, a smaller reduction than the 4.3-point reduction seen in FY17). While the impairment and arrears trends are somewhat less favourable than we expected, they are likely to prove lagging indicators with the implementation of tighter criteria set to flow through to impairment and arrears in future periods, all things being equal.

Exhibit 5: Customer credit score and flat interest rates



Source: S&U. Note: Internal credit quality score and interest rate by year of origination.

Exhibit 6: Cost of sales and original loan term



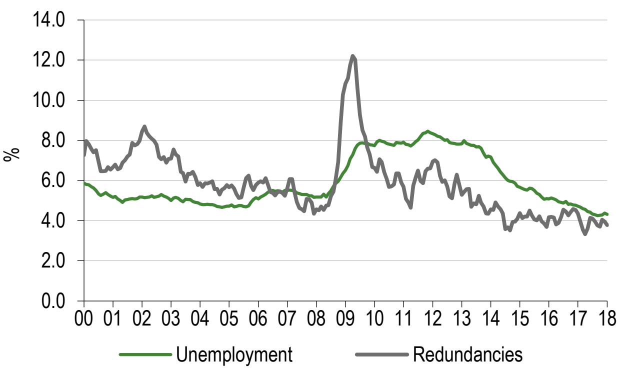
Source: S&U. Note: Cost of sales represents acquisition costs mainly arising from commission paid to brokers.

A post-financial crisis normalisation of competitive pressure and the increasing importance of internet broking are evident in Exhibit 6. The original duration of loans has increased over the period shown from 44 months to 51 months, which helps attract customers as it reduces the monthly payments but does imply some increase in risk for the lender (potentially compensated for by the interest rate). The chart also shows a rise in the cost of sales per loan. After falling between FY12 and FY15 this has now increased, largely reflecting the increase in payments to the brokers that originate most of the loans. The increasing role of the larger internet brokers and competitor behaviour contribute to this trend. Internet brokers account for 65% of business.

Market background and outlook

While uncertainty over the potential impact of Brexit remains a feature, forecasters' views of the economic outlook in the UK have remained broadly stable in recent months. Estimates for GDP growth for 2018–20 range between 1.1% and 1.9% per year according to the IMF, OECD, Bank of England and the Office of Budget Responsibility. Unemployment is an important indicator for the health of consumer lending and tends to lag GDP changes. Forecasts here are not flagging noticeably higher risks. Similarly, the level of redundancies has not shown a marked trend over the last year, remaining at a relatively low level following a post-crisis decline (see Exhibit 7). Consumer confidence, as measured by the EC indicator (Exhibit 8), is below the levels seen in 2014–16 but has recently been fluctuating around a modestly negative reading.

Exhibit 7: UK redundancies and unemployment



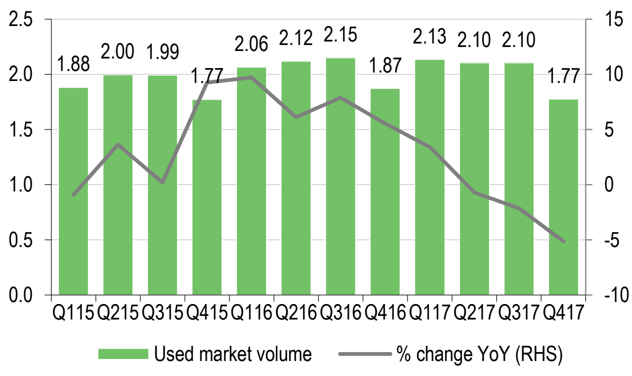
Source: ONS

Exhibit 8: UK consumer confidence indicator

Source: European Commission

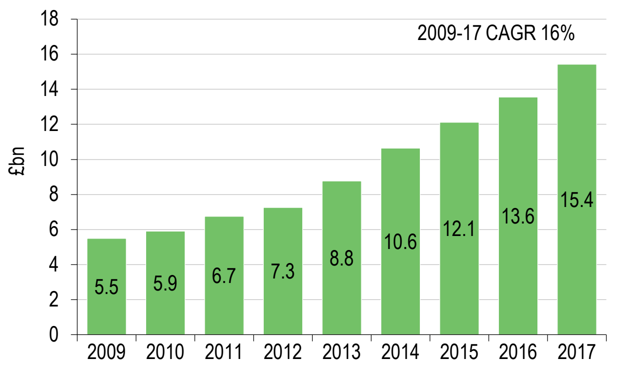
Sales volume in the new car market has seen a significant decline (−5.7% for 2017: SMMT data) and the latest reading for March (−15.7%) was exacerbated by the rush to buy ahead of changes in Vehicle Excise Duty last April. In comparison, used-car market volumes and used-car finance (Exhibits 9 and 10) have been resilient and remain at high levels, although the unit volume figures for the used-car market from the SMMT have shown declines on the prior-year period since the second quarter of 2017. Used-car finance has continued to show year-on-year growth with 12% growth in value and 6% by volume for 2017. In January and February this year the figures were +18% and +11% for value and volume, respectively, compared with the same period in 2017.

Exhibit 9: UK used-car market volume



Source: SMMT

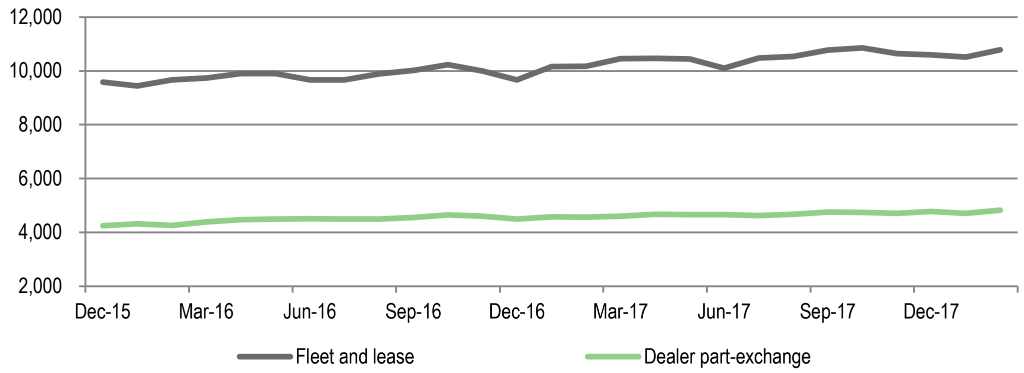
Exhibit 10: Used-car finance through dealerships



Source: Finance and Leasing Association

In Exhibit 11 we have collated BCA data on auction prices, selecting fleet and lease sales and dealer part exchange as the nearly new category has a substantially higher value and is therefore less comparable with S&U's customer purchases. While the BCA data will depend on the mix of business it is dealing with, as a broad indicator the figures do suggest stability in prices over the period shown. The level of depreciation that has already been incurred on the cars for which Advantage is providing finance reduces the sensitivity to a weakening in prices, although clearly this could still be a factor in a sharp slowdown (possibly prompting early repayments and reducing residual values) but in this case a more relevant risk would be rising redundancies that could trigger defaults.

Exhibit 11: BCA auction prices (£)



Source: BCA

The FCA is continuing its work on the motor finance market, issuing an interim report in March with the full review expected to be completed in September this year. One of the questions the FCA is addressing is whether firms are appropriately managing the risk that asset prices fall. The relatively low value of the vehicles Advantage finances and the simple structure of the hire-purchase contract it offers (rather than personal contract purchase) both mitigate the risk in a downturn. Another strand of work is on responsible lending, which has so far identified that lower-credit-score borrowers have seen a greater increase in defaults in recent years. The next stage of work will examine the assessment of affordability, where S&U believes its close attention to regulatory developments and well-developed credit assessment process including affordability means it should already be in a good position to address findings from the review in this area. The FCA has also examined commission arrangements that could harm consumers. Here Advantage only pays brokers remuneration that is fixed and does not depend on the loan size or interest rate. Finally, the FCA is examining the quality and transparency of information provided to consumers. Its initial review of websites has been generally favourable and is being followed by mystery shopper exercises. Advantage prides itself on providing clear, compliant and timely information. In general, Advantage regards itself as well placed in relation to the areas the FCA is examining and is addressing a relatively small part of the market with a straightforward product using well-tested processes. While the final review could lead to recommendations that require work by all lenders, as things stand this does not appear likely to be a major task for Advantage.

Summarising the outlook, maintenance of GDP growth as currently expected and low unemployment and redundancy levels should be supportive for S&U, both in terms of impairment levels and appetite for loans. A significant worsening of consumer sentiment from current levels could have a more noticeable impact on demand for loans but, unlike the private new-car market where spending tends to be more discretionary, car purchases of the value that Advantage finances tend to be more utilitarian and are therefore less likely to be deferred substantially. Competitive pressures are likely to remain a factor and it is unclear whether developments such as the move by Moneyway (Secure Trust Bank subsidiary) towards near-prime and prime segments and Moneybarn's (Provident Financial) tightening of criteria from Q217 will prove to be part of a trend that has helpful impact. Overall used car sales volume may be softening but demand for finance has been more robust and within this Advantage has good scope to increase its c 1% market share, partly helped by a higher conversion rate of loan approvals through its Dealflo system. In terms of Advantage profitability, the tightening of its own criteria and continuous refinement of its scoring should have a positive impact on impairment levels.

The Aspen Bridging business is at a very early stage and addressing a completely different market area than Advantage. Even so, the reasonably benign economic outlook described would also be helpful for Aspen although specific factors are likely to be the dominant influence for the medium term and it is not yet certain that S&U will decide to continue to develop the business beyond the pilot stage.

Financials

We set out our key P&L estimate assumptions in Exhibit 12. For the motor finance business we have factored in receivables growth that is still strong but at a moderating level in FY19/20. The revenue yield is expected to fall modestly as the lower-risk element of the book increases, which we also assume drives a reduction in the impairment charge relative to receivables or revenue that would leave the risk-adjusted revenue yield broadly flat.

For Aspen we assume receivables rising to £18m and then £20m but the actual result is likely to be more binary with the activity winding down quite rapidly if the decision is not to continue or expanding more sharply if given the go ahead.

Exhibit 12: Key estimate assumptions

£000s, year to end January	2016	2017	2018	2019e	2020e
Motor					
Net accounts receivable	145,141	193,529	251,215	301,213	344,859
Revenue	45,182	60,521	78,882	96,477	111,320
Impairments	(7,611)	(12,194)	(19,434)	(23,154)	(25,047)
Ratios					
Net receivables growth	36%	33%	30%	20%	14%
Revenue as % avg receivables	35.9%	35.7%	35.5%	34.9%	34.5%
P&L loan loss provision as % revenue	(16.8%)	(20.1%)	(24.6%)	(24.0%)	(22.5%)
P&L loan loss provision as % avg receivables	(6.1%)	(7.2%)	(8.7%)	(8.4%)	(7.8%)
Bridging Finance					
Loan book - end period			10,841	18,000	20,000
Interest/fee revenue			899	1,649	2,328
Interest/fee revenue % of average receivables			24.9%	12.3%	12.3%
Group					
Accounts receivable	145,141	193,529	262,056	319,213	364,859
Revenue	45,182	60,521	79,781	98,125	113,648

Source: Edison Investment Research

As shown in Exhibit 13 we have made only small changes to our FY19 estimates following the result for FY18 that was in line with expectations.

Exhibit 13: 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 (%)
2018	80.0	79.8	-0.3%	30.3	30.2	-0.6%	201.9	202.4	0.3%	105.0	105.0	0.0%
2019e	95.6	98.1	2.6%	35.5	36.2	1.9%	235.8	243.3	3.2%	117.4	120.4	2.6%
2020e		113.6	N/A		42.9	N/A		288.2	N/A		143.2	N/A

Source: Edison Investment Research. Note: For 2018 'old' = estimate and 'new' = actual.

The cash-flow analysis below highlights the increased investment made in the expansion at Advantage with a cash outflow of £42m. Aspen property bridging absorbed a further £11m and after dividends there was a total outflow of £56m, taking net debt to £105m. Following the year end, committed funding facilities have increased to £135m, providing additional headroom and, on our estimates, net debt could rise to £145m in the current financial year and potentially £170m in FY20; debt to equity would increase to 86% and 90% respectively.

Exhibit 14: Cash flow analysis			
£m	**FY16**	**FY17**	**FY18**
Motor finance			
Advances	(93.2)	(121.6)	(152.2)
Monthly collections	71.7	95.0	118.8
Settlement collections	15.0	19.9	24.6
Debt recovery	4.7	6.9	9.9
Overheads/interest	(16.6)	(22.7)	(29.4)
Corporation tax	(3.8)	(4.6)	(5.4)
Dividend	(4.7)	(6.1)	(8.2)
Motor finance outflow	**(26.9)**	**(33.2)**	**(41.9)**
Property bridging outflow			**(11.2)**
Home credit disposal	82.4	0.0	0.0
Central dividend	(3.5)	(3.4)	(3.2)
Exceptional dividend	(15.0)	0.0	0.0
Other inflow/outflow	4.7	(0.7)	(0.5)
Group inflow/outflow	**41.7**	**(37.3)**	**(55.8)**
Opening net debt	53.6	11.9	49.2
Closing net debt	**11.9**	**49.2**	**105.0**

Source: S&U, Edison Investment Research

S&U indicates that it expects a transitional charge to equity of 1–2% of receivables on adoption of IFRS 9. This would be equivalent to c £2.5m net of deferred tax. For the moment we have not made any adjustment to our estimates for the P&L impairment charge resulting from the new standard. The expected loss provisioning adopted with IFRS 9, while designed to result in earlier recognition of losses, could give rise to significant swings in charges particularly at turning points in the credit cycle. Importantly, the new standard changes reporting but does not have an impact on the cash flows of a business, the key focus of management at S&U.

Valuation

We have updated our valuation comparison table, which includes peers involved in non-standard lending or that have motor finance as one of their activities. S&U trades below the average P/E and has an above-average yield (Provident Financial's historical yield is excluded given its cautionary August trading statement). S&U's return on equity is above average (also ex-Provident Financial) and the price to book is similar to the group average. The small sample size and differences between the businesses qualify this comparison, but S&U appears moderately valued in this context.

Exhibit 15: Peer comparison						
	Price (p)	**Market cap (£m)**	**2018 P/E (x)**	**Yield (%)**	**ROE (%)**	**Price to book (x)**
S&U	**2,400.0**	**287.8**	**10.0**	**3.8**	**16.7**	**1.9**
1PM	45.5	39.2	6.2	0.0	12.2	0.9
Close Brothers	1,460.0	2,210.8	10.6	4.1	16.4	1.7
Private and Commercial Finance	33.0	70.0	15.9	0.0	11.4	2.1
Provident Financial	661.2	1,674.4	13.1	0.0	N/A	2.5
Secure Trust Bank	1,882.5	347.8	11.1	4.0	8.9	1.4
Average			**11.1**	**2.0**	**13.1**	**1.7**

Source: Bloomberg, Edison Investment Research. Note: P/Es adjusted to CY18. Priced at 10 April 2018.

Using unchanged assumptions (return on equity of 17%, cost of equity of 10% and growth of 5%), our ROE/COE model gives a value of 3,060p reflecting an increased NAV and modest changes in estimate with a new explicit forecast for FY20. The return on equity assumption is only slightly above the 16.7% earned in FY18 and below the c 18% and 19% returns indicated by our estimates for FY18 and FY19, respectively, so does not seem overly ambitious. The multiples implied by the valuation (c 2.4x book and 12x prospective P/E) seem reasonable in the context of peer valuations and the output of a DDM model so we adopt 3,060p as our valuation compared with 2,700p previously.

Exhibit 16 shows recent share price performance for the peer group. The impact of Provident Financial's difficulties on its share price is still a key feature of the table, but all the stocks are below their 12-month highs. S&U is only marginally down on this measure and over 12 months is the second-best performer and is close to the average for the other shorter periods shown.

Exhibit 16: Share price performance comparison

	One month	Three months	One year	Ytd	From 12-month high
S&U	**3.2**	**2.1**	**14.7**	**5.0**	**(1.8)**
1PM	(4.2)	(12.5)	(20.6)	0.0	(24.4)
Close Brothers	(7.5)	(0.1)	(8.8)	0.8	(14.9)
Private and Commercial Finance	6.5	26.9	23.4	15.8	(2.9)
Provident Financial	(3.3)	(0.9)	(71.4)	0.6	(72.5)
Secure Trust Bank	16.7	4.6	(15.6)	4.8	(24.7)
Average (unweighted)	**1.9**	**3.4**	**(13.0)**	**4.5**	**(23.5)**

Source: Bloomberg. Note: Priced at 10 April 2018.

Exhibit 17: Financial summary

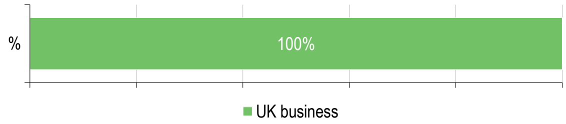
£'000s	2016	2017	2018	2019e	2020e
Year end 31 January	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	45,182	60,521	79,781	98,125	113,648
Impairments	(7,611)	(12,194)	(19,596)	(23,435)	(25,443)
Other cost of sales	(8,980)	(12,871)	(17,284)	(21,195)	(24,548)
Administration expenses	(7,131)	(8,332)	(9,629)	(11,873)	(13,638)
EBITDA	21,460	27,124	33,272	41,622	50,019
Depreciation	(209)	(253)	(294)	(354)	(372)
Op. profit (incl. share-based payouts pre-except.)	21,251	26,871	32,978	41,269	49,647
Exceptionals	0	0	0	0	1
Non-recurring items	0	0	0	0	1
Investment revenues / finance expense	(1,782)	(1,668)	(2,818)	(5,055)	(6,745)
Profit before tax (FRS 3)	19,469	25,203	30,160	36,214	42,904
Profit before tax (norm)	19,469	25,203	30,160	36,214	42,902
Tax	(3,583)	(4,861)	(5,746)	(6,881)	(8,151)
Discontinued business after tax	53,299				
Profit after tax (FRS 3)	69,185	20,342	24,414	29,334	34,751
Profit after tax (norm)	15,886	20,342	24,414	29,334	34,751
Average Number of Shares Outstanding (m)	12.0	12.0	12.1	12.1	12.1
Diluted EPS (p)	576.5	169.1	202.4	243.3	288.2
EPS - normalised (p)	132.4	169.1	202.4	243.3	288.2
Dividend per share (p)	201.0	91.0	105.0	120.4	143.2
EBITDA margin	47.5%	44.8%	41.7%	42.4%	44.0%
Operating margin (before GW and except.)	47.0%	44.4%	41.3%	42.1%	43.7%
Return on equity	15.2%	15.2%	16.7%	18.2%	19.4%
BALANCE SHEET					
Non-current assets	103,653	138,004	181,015	227,736	260,029
Current assets	61,903	57,763	84,178	96,707	110,058
Total assets	165,556	195,767	265,193	324,443	370,087
Current liabilities	(6,850)	(17,850)	(7,927)	(22,487)	(22,933)
Non-current liabilities inc pref	(30,450)	(38,450)	(104,450)	(132,450)	(157,450)
Net assets	128,256	139,467	152,816	169,506	189,704
NAV per share (p)	1,084	1,177	1,276	1,415	1,584
CASH FLOW					
Operating cash flow	(16,017)	(27,431)	(43,418)	(26,610)	(9,770)
Net cash from investing activities	80,716	(308)	(1,040)	(462)	(462)
Dividends paid	(23,090)	(9,548)	(11,377)	(12,977)	(14,868)
Other financing (excluding change in borrowing)	55	21	12	0	0
Net cash flow	41,664	(37,266)	(55,823)	(40,049)	(25,100)
Opening net (debt)/cash	(53,565)	(11,901)	(49,167)	(104,990)	(145,039)
Closing net (debt)/cash	(11,901)	(49,167)	(104,990)	(145,039)	(170,139)

Source: S&U, Edison Investment Research. Note: FY16 dividend per share includes exceptional payment of 125p.

Contact details

S&U, 6 The Quadrangle
Cranmore Avenue, Solihull.
B90 4LE
0121 705 77 77
www.suplc.co.uk

Revenue by geography



Management team

Chairman: Anthony 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.

Deputy chairman: Graham Coombs

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

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.

MD, Advantage Finance: Guy Thompson

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	(%)
Wiseheights	20.18
GDC Coombs	13.19
JE Coombs	11.95
AMV Coombs	11.20
JS Coombs	5.89
M Cole-Fontayne	3.34
Grevayne (controlled by A Coombs and G Coombs)	2.49
F Coombs	2.36
S Coombs	2.36

Companies named in this report

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