Funding Circle
Full Year Results 2024

Audio webcast

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Transcript

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Lisa Jacobs: Good morning everyone. Welcome to the Funding Circle Full Year 2024 results presentation. I wanted to start by welcoming Tony Nicol, our new CFO. It's great to have him in role and you'll be hearing from him later today after I've run through the results, business and strategic highlights.

2024 has been a successful year of change and progress for Funding Circle. A year ago, I laid out our plan to be a simpler, leaner, profitable business, and in 2024 we have delivered that. We sold the US business for a gain on sale of £10 million. We are now fully focused on the UK markets where we enjoy strong brand recognition, powerful credit data, and technology advantages, and deliver a great customer experience. We restructured the UK business delivering an annualised benefit of £15 million in cost savings, about half of which we saw coming through in 2024 and the remainder we'll see in 2025.

Alongside this, we've continued to pay sustained growth and improved profitability. We grew our revenue 23% to £160 million. Credit extended grew 47% to £1.9 billion in the year. With growth from both our core loans business, where we saw a 33% increase as well as our new products. Our Group profit of £3.4 million was above market expectations. And in our more mature Term Loans business, we delivered a PBT margin of 13.3%, up from 5.2% the year prior, as the impact of operating leverage on our cost actions flow through to the bottom line.

Through the course of the year, we also launched two share buyback programmes. We completed the first £25 million buyback programme in October 24 and are part way through the second. To the end of February, we'd bought back over 11% of our share capital. I'm proud of how the team have delivered in 2024, but what is exciting is there's much more to come.

We're on track to deliver our medium-term guidance, which we are confirming will be achieved in 2026. Medium term revenue growth of 15 to 20% CAGR from 23 and 15% PBT margins. This equates to at least £200 million in revenue and £30 million in PBT in 2026. Over the coming years, we'll continue to build a sustainable high-growth business, expanding our margins. We have great products, strong data and technology, and great customer satisfaction, and we'll leverage these to capitalise on the significant markets opportunity.

Before moving on to talk about our performance in more detail, I felt it was important to take a step back and reflect on how Funding Circle has transformed over the last few years. When I stepped into the CEO role three years ago, we set an ambition to capitalise on our opportunity by expanding from a business which focused on SME term loans to one that served more of our customers' needs.

Over the last three years, we've made that ambition a reality. Today, our business enables SMEs to borrow for longer-term investment or working capital, pay later, managing their cash flow through FlexiPay and, as of last year, spend and be rewarded through our cashback credit card. In developing our product to what it is today, we've been guided by regular conversations and feedback from our SME borrowers. That has given us greater confidence in launching new products. Knowing that we are addressing the pain points most felt by SMEs.

I'm pleased to say that we've seen the positive impact of this transformation in several areas. First, these new cash flow products have opened up new and diversified growth. In 2024, more than a quarter of our credit extended was thanks to these cash flow products and FlexiPay revenue grew more than threefold in the year. Second, they've enabled us to expand our share of our customers financing with over 70% of FlexiPay revenue coming from existing term loan customers. Finally, they've increased our frequency and depth of interaction with our customers, from every few years to weekly and even daily. To put this into context, three years ago, a customer transacted with us about once every half hour when they were taking a loan. Now, a customer transacts with us every 92 seconds. When they take a loan, FlexiPay their suppliers or spend on their cashback credit card.

We've been able to launch these new cash flow products by leveraging our credit data and technology strengths to deliver the same superior customer experience. As a reminder, our risk models are built on our data sets of both public data from our applications, but also the proprietary data that we've been collating over several years. It's these data sets that enable us to produce predictive credit and marketing models using AI. Our technology is scalable and responsive, and the modular design enables faster speed to market, as we build new product features and release new products.

This delivers better outcomes for our customers. What's important to our customers is speed, ease, and access to finance. Our customers love the fact that they can apply in six minutes, get an instant decision, and have funds in their accounts within 24 hours. 77% of applications receive an instant decision enabling our customers to go back to doing what they do best, running their business. Our models are three times better at discriminating risks than the Bureau score alone, which means we can accept more businesses at competitive rates for the same level of risk. As a result, our customer satisfaction continues to be high at a 79 NPS for our term loan customers.

These strengths have always been the foundation of our business and a key competitive advantage. We'll continue to invest in these to ensure that they stay that way. Importantly, our platform is not static. In line with the launch of our new products, in 2024, the platform has scaled seamlessly to handle a significantly higher level of transactions. We've seen a three times growth in the monthly active mobile users and a more than doubling in the number of transactions. We are well set up for further growth. As we've continued to invest in our platform in 2024, we've seen a 20% increase in our engineers' productivity. Thanks to GenAI, platform and process improvements. This enables us to deliver value to our customers quicker.

As we have expanded our product sets and scaled our business, we have proven our resilience through the cycle. We've delivered robust and attractive loan returns to our institutional investors whilst continuing to attract and serve strong demand from SMEs.

It's important to remember the backdrop within which we have been operating. Over the last few years, we've been through a challenging macroeconomic period. We faced Brexit, COVID, low growth and low consumer and business confidence. As a result, business insolvencies and delinquencies have remained high. As you can see on the charts, GDP has barely moved over the last six years, whilst consumer confidence has remained low. Insolvencies have been on the rise since COVID and still remains some 25% above the historic trend. Despite this environment, our business has performed well through the cycle.

As I shared on the prior slide, the risk discrimination of our models outperforms the bureau scores. And we pride ourselves in our effective and efficient risk management. This has meant that even in a stress market, we've delivered average loan returns in excess of 5% above our investors cost of capital. As a result of this strong track record, we continue to see high demand to invest in our SME loans. We have a healthy pipeline of over £2 billion in future forward flow funding agreements. Our strength in risk modelling has not only delivered robust loan returns, but it's enabled us to continue to serve SMEs through the cycle. We have seen strong demand from SMEs for both our term loans and our shorter term cash flow products. As a result, we have grown our credit extended year on year by 47% in a period where other market participants have pulled back.

One of the things that I'm most proud about is the impact that we have at Funding Circle, something that's even more important in times of macroeconomic volatility. When we get financed to SMEs, like Laurence's business, Bass Place who took a loan to manage working capital, it's not only their business that wins, but also their communities and the economy. We play a small part in the lives of our SMEs, but it's an important part, and one that gives them the fuel to run and grow their businesses and employ more people. To date, we've extended over £14.5 billion of lending to more than 110,000 SMEs in the UK. Last year alone, lending through Funding Circle supported over 87,000 jobs, £7.2 billion in GDP contribution, and £2 billion in tax receipts.

I'll now move on to talk through our highlights by business units, starting with our most mature business unit, Term Loans. 2024 was a year we saw significant progress. Our Term Loans business now has real scale, and we saw that, together with our actions on cost flow through to the bottom line with a step-changing margin. We've delivered an improved proposition for our customers with an expanded product set. We've attracted new businesses as we've continued our rugby sponsorship for the third year. Our season two content amassed over 33 million views across online media platforms and 12 million in print and radio, delivering improvements in brand awareness and consideration metrics.

Finally, we've executed targeted cost actions, focusing on management layers and productivity improvements. These have delivered strong top and bottom line growth. In 2024, we saw 33% origination growth, a margin expansion to over 13%, in line with our upgraded guidance. The strength in our core business has allowed us to invest responsibly in the big growth opportunity that we see in our newer cash flow products.

As a reminder, we entered the shorter-term credit space because we saw a big opportunity to serve our existing SMEs and attract new SMEs. The market is large, there are over £1 trillion in SME B2B payments each year and about £80 billion in SME card transactions. Whilst we might aspire to, we won't finance all the payments, but we see our market opportunity as somewhere between these two. In short, there is a vast opportunity to serve one of our SME's largest pain points.

Our products serve this need. FlexiPay enables businesses to pay later with a flexible line of credit and repayments over 1, 3, 6, 9, and 12 months. Our businesses use this to spread quarterly tax bills into monthly instalments, buy stock in bulk, spread supplier payments, or simply boost their working capital. The cashback credit card further supports business' working capital needs and rewards them for their spending. Both products have a similar credit limit of around £17,000.

Whilst it remains early for FlexiPay, we're continuing to see strong growth momentum, with transactions doubling in the year. I'm excited about the strong recurring revenue dynamics that we see, which are shown in the chart on the right-hand side. This chart shows the end-of-period outstanding balances for our FlexiPay and credit card portfolio. The bars represent the balances at the end of each period, and the colours represent the cohorts in which each business became a FlexiPay or credit card customer. You can see that growth is driven both by the new customers in each cohort. In other words, the additional colour block. But excitingly that we also see really consistent behaviour from the prior cohorts. Once an SME becomes a FlexiPay customer, they continue to use it as it becomes a part of their ongoing cash flow management tool. This leaves us very confident about the future growth of the product.

I'm proud of what we've achieved in 2024. We've executed against our plan. The business is simpler, leaner, and profitable. We've shown strong growth and expanded margins in our core term lanes business. Alongside this, we've transformed our business into one that is multi- product. Our newer cash flow products are showing strong growth and recurring revenue dynamics, setting us up well for long-term success. Now, I'll pass to Tony for the financial results.

Tony Nicol: Thank you, Lisa, and good morning everyone. As Lisa has spoken about, this is a strong set of results. We have achieved a lot in the last 12 months to simplify and streamline the business and reach profitability for the Full Year, both before and after exceptional items. In March last year, we set out financial targets for the Term Loan and FlexiPay businesses for 2024. And in September, when we presented our Half Year results, we upgraded our guidance for the Term Loan profit margins as well as Group PBT. I'm really pleased to say, that we have hit these raised targets and are slightly ahead of market expectations.

For Term Loans, we achieved 14.5% revenue growth compared to 10% guidance, and 13.3% PBT margins having guided to over 12%. For FlexiPay, we grew revenue by 3.4 times, compared to our guidance of 3 times with a similar loss to 2023. For the Group, we achieved profit before tax and exceptionals of £3.4 million versus our original guidance of only being PBT positive in the second half of the year.

Now looking at the overall P&L and to ground you on the numbers, the table on the left is for the continuing group. The US is presented as discontinued operations and not shown in the continuing business. As a reminder, we sold the US business in July for a gain on sale of £10 million, which covered its trading losses in the first half of the year. The results that follow are presented for the continuing group and before exceptional items. Revenue for the continuing group was up 23% at £160 million, which is more than double the operating cost growth of 9%. Expected credit losses, which are required to be booked upfront increased as the FlexiPay balances grew, with the loss rates consistent with expectations. Profit before tax was up by over £13 million on the prior year at £3.4 million, demonstrating our strong growth and the operating leverage of our more mature Term Loans business. We continue to have a healthy net assets and cash position with unrestricted cash at £151 million. The reduction on prior year is principally due to the share buyback programmes. And during 2024, we'd bought back 34 million of shares for £34 million. After the £50 million programmes, this represented 9% of the share capital.

Looking at the trading businesses, the Term Loans business has high operational leverage with attractive profit margins and cash generation. Originations grew 33% year-on-year. As a reminder, alongside commercial loans, we participated in the Recovery Loan scheme in the second half of 2023, and then seamlessly transitioned to its successor, the Growth Guarantee Scheme in 2024. These guarantee schemes allow us to lend to incremental segments of the market. We've also continued to expand our marketplace referral offering, enabling us to help more SMEs get access to funding solutions. Marketplace referrals account for about 10% of originations. Loans under management (or LuM), levelled out following the previously heightened levels of COVID guarantees scheme loans, and now only account for 27% of LuM. We expect LuM to grow during 2025.

Revenue reached £142.6 million, up 15% on 2023. A combination of transaction fee income growth, and service fee income tracking LuM. As I mentioned earlier, Term Loans has good operating leverage with cost growth of only 5%, leading to a significant increase in profit before tax, up £12.5 million to £19 million with margins over 13%.

Now to FlexiPay. FlexiPay continues to scale with transactions nearing £500 million, and end of month balances reaching £119 million. Since the introduction of flexible payment terms, the average drawdown period has increased to four months, and the average fee is now 5.8%. The cashback credit card is still at a very early stage and its results are therefore immaterial. For segmental purposes, we're including it within FlexiPay. The number of active customers using FlexiPay have grown from 6,000 at the end of 2023, to over 11,000 at the end of 2024. And we see continued repeat usage from previous cohorts of customers. In fact, more than 70% of our 2024 revenue came from customers onboarded in the previous years. This momentum has resulted in significant revenue growth at 3.4 times the level of 2023 to £17.5 million.

As a reminder, the dynamics of FlexiPay's P&L is different to Term Loans, and more like a J-curve. We incur certain upfront costs once for each customer, followed by repeat drawdowns. Fees are earned on the drawdowns and therefore this drives repeat revenues, demonstrating the product's attractive recurring revenue characteristics. Costs grew in line with our expectations as we continue to scale FlexiPay and launch the cashback credit card. This growth is mainly from the upfront marketing costs and expected credit loss provisions and from staff costs. The loss before tax of £15.6 million was slightly better than in 2023, and in line with guidance.

Now on to costs. Group operating costs remain actively and tightly managed with costs excluding expected credit losses, growing 9% relative to revenue growth of 23%.

The main cost growth came from the variable based marketing costs, which remain at around 30% of group revenue. Non-marketing costs, which are more fixed base in nature, grew a modest 4%, demonstrating strong cost control. The main driver was employers' national insurance costs on our share-based payments, driven by the share price growth in the year. Salary costs however, were down 2% following the restructuring.

Running through the restructuring costs in more detail. As previously mentioned, in May last year, we announced the restructuring of the UK business to achieve annualised cash savings of £15 million. We're well on track to achieve this with savings achieved in the second half of 2024 of £7.5 million. The chart bridges the salary and other overhead movements year-on-year. As you can see, the restructuring savings in the second half of the year have fully offset salary and overhead inflationary increases, some new heads at the start of 2024, and absorb the group costs previously allocated to the US.

Let me talk through our funding model in more detail. Our business model is capital light, which makes it scalable. We focus on delivering the right funding for the right products. We have a total of £2.8 billion in balances outstanding, covering Term Loans, FlexiPay, and the credit card. 96% of these balances are Term Loan balances, where the average term is five years and the weighted average life is 2.5 years. In our Term Loans business, we operate a platform model. We earn revenue from the upfront transaction fee and the ongoing servicing fee. The loans are funded by a range of diverse institutional investors, being asset managers, banks, and insurers who own the loans and earn the interest on them.

We use our balance sheet minimally where it makes the platform stronger. For example, we have a small co-investment alongside our investors in the government guarantee schemes. The remaining 4% of the overall balances outstanding are FlexiPay and credit card balances. These are short term balances in aggregate with the weighted average term four months, so the capital cycles quickly. In 2024 we did £492 million worth of FlexiPay transactions, and the year-end balance was £119 million. We earn revenue from the drawdown fee on each draw akin to interest, and an interchange fee on the credit card. These balances are funded from our own equity and with a senior facility from the Citi. It is an efficient use of our capital as the balances cycle quickly and has the added benefit of enabling us to iterate and evolve the product.

Lisa spoke upfront about the strength of our risk models, and as a result, our loan returns to investors have been stable, robust, and attractive. You can see this in more detail on the slide. The chart shows the net loan returns to our institution investors after fees and bad debt. We have overlaid the two-year swap rates to give an illustrative view of our investors' cost of funding. The line shows how swap rates have increased in recent years in line with the Bank of England base rate. And accordingly, how we've been able to price these rises into the loans. There have been no changes in our expectations of the returns for each cohort since we reported in September last year. The loans provide them with attractive, stable net returns each year of around 5% above their cost of funding. It is this track record that means we continue to attract strong demand.

We continue to deliver these returns throughout the economic cycle because of the strength in our capabilities to originate, credit assess, and underwrite and manage these loans and the quality of the borrowers. This has resulted in continuing demand for this asset class from institutions, and as of now, we have forward flow agreements in place providing future funding of over£ 2 billion compared to around £1 billion a year ago.

Our balance sheet remains robust, with net assets of £217 million and cash of £151 million. The main driver of the decrease in both was the share buyback. The US business had trading losses of £10 million in the first half of the year, which were offset by a £10 million gain on sale. Term loans is cash flow positive and this helps support the FlexiPay and cashback credit card cash needs as they grow.

Much has happened in 2024 from a cash and capital perspective. We have simplified and restructured the business, exiting the US and removing the cash and capital drag that came from it. As a reference point, the US had losses of £23 million in 2023 and we exited for a gain on sale of £10 million. As at the end of December, we had £151 million at the unrestricted cash. From this, £16 million will be for the ongoing share buyback. In addition, we retain an operational buffer for stress, currently 45 million. We do not require to do so from a regulatory perspective, but we believe it is prudent to do.

Outside of that, we consider four areas in our capital allocation framework. Firstly, the Group's cash needs in terms of delivering against medium term plan and strategy. Through the course of 2025, we expect the Term Loans business to continue to be cash generative, which supports the funding needs of FlexiPay and the cashback credit card. Secondly, future growth and product opportunities. Whether this is organic or inorganic. There are no specific opportunities on the eminent horizon, but we operate in a large market and we retain the opportunity to take advantage of these growth opportunities if and when they arise. Thirdly, investing where it makes the platform stronger. As a reminder, we co-invest alongside institutional investors in loans which are guaranteed under the Growth Guarantee Scheme. We also, from time to time, provide capital for new credit products. This enables us to do R&D in-house, adjusting the products as required. And finally, distributions to shareholders. In the last year, we've committed to £50 million in share buybacks. As at the end of December, we'd bought back close to 10% of our share capital and had £16 million pounds remaining of the second buyback programme. We consider capital in a disciplined way to drive long-term value to shareholders and will continue to do so.

Now turning to the outlook. Overall, I'm really pleased with the performance in 2024 and all that we've achieved. We're early in the new year, but we've made a good start to 2025. A year ago we set out our exciting medium-term guidance that over the next three to four years, i.e. 2026 to 2027, we expected compound revenue growth of 15% to 20% per year and to reach profit margins of at least 15%. We're focused on delivering on this guidance and anticipate achieving this in 2026. In pound terms, this means reaching revenue of at least £200 million and profit of at least £30 million in 2026. Now back to Lisa to wrap up.

Lisa Jacobs: Thanks, Tony. As we move ahead into 2025 and beyond, I'm excited about what the future holds as we continue to build on the progress of the last few years and our strengths as the UK's leading SME finance platform. We have four strategic priorities that are focused on profitable customer focused growth. First, get to yes. Second, expand our audience. Third, scale our products. And finally, deliver a great lifetime customer experience.

Starting with get to yes. Our continued credit innovation and product enhancements will enable us to get to yes for more businesses as we bring the right product to the right customer. Second, we'll expand our audience through our newer products, targeting new segments whilst also deepening and expanding our distribution channels. Third, our product suite today addresses a large and underserved market opportunity. Our products continue to show good traction and customer satisfaction in the market. So our focus will be on scaling. Term loans at scale is delivering continued growth momentum alongside strong and improving margins. We'll scale FlexiPay and credit card to the significant market opportunity and expand our margins as we work through the J-curve of these products. Finally, as our product suite has expanded, we'll deliver not just a great customer experience, but an exceptional lifetime experience as their trusted financial partner, enabling us to capture a larger share of our customers' overall financing and be a more important part of our customers' lives.

In conclusion, we've executed well in 2024 to put us in a strong position as we enter 2025. Today, we're a simpler, leaner business. We're profitable, we're delivering sustained growth, and we've proven our resilience through the cycle. We have an experienced team, great products, strong credit data and analytics, and a significant market opportunity. We've made a good start this year and are on track for our medium-term guidance with an attractive growth and profitability trajectory. Delivering significant value for our customers, partners and shareholders.

Thank you. We'll now take questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question on today's call, please signal by pressing *1 on your telephone keypad. Again, that is *1 for your questions today. We'll pause for a brief moment. Now take our first question from Ed Firth from KBW. Please go ahead, your line is open.

Ed Firth: Yeah, morning everybody. I had, I guess, two or three questions. The first one was on the litigation issue. I wonder if you could just update us on that and give us any thoughts about, I guess, how that might pan out, particularly not so much if the case is won, but if the case is lost, what the potential implications could be. I know you don't expect that, but just to get a sense as to the pluses and minuses would be very helpful.

The second question was on share buybacks. I know because you've still got a lot still to go, so I'm not necessarily expecting an update, but has your thinking changed on those or should we expect that once this one is completed you would continue with that programme? Or does the current share price make a difference in terms of your appetite for putting capital to work that way?

And then my final question is you talk a lot about new products and stuff that you might be rolling out, could you give us some sort of flavour as to where you might be focusing that thinking in terms of is it more products for small businesses, is it expanding the customers into maybe larger business areas? Are you personal sector? Anything on that area would be interesting. Thanks so much.

Lisa Jacobs: Morning, Ed. I'll take the first, pass to Tony for the second and then back to me again. So in terms of the litigation, the press article which you're referring to referred to one summary judgment in relation to two loans, which was to the same borrower and they defaulted in March 2020. So I think it's important to note three things.

The first is there's been no question raised as to the general enforceability of the loans and the personal guarantees. So the thrust of the case does not relate to that at all, it relates to who has the right to the claim. Secondly, it's a summary judgment. So there's been no final decision made on this. Rather it's just a decision that it warrants further discussion and it'll now go to court.

And then thirdly, it's also important to note that the debt sale is related to the sale of loans from an institutional investor on the platform to Azzurro where Funding Circle is facilitating the loans rather than selling any of our loans.

So in terms of where we are, Azzurro are progressing to trial. We don't know the exact date of that trial yet, but we don't expect it to be before September, and we remain confident that Azzurro will be successful at trial. Given ongoing proceedings, there's not more that we can say at this stage.

Ed Firth: Sorry, just to come back on that, just conceptually, and I'm not asking you to predict what happens, but just conceptually, if Azzurro were to lose, then what happens? Do those loans go back to the institution, they can then enforce the personal guarantees or do they come back to you? How would the logic to that work?

Lisa Jacobs: Yeah, I think I just refer, Ed, to what I said before, which is that there's been no question around the general enforceability of the loans or the personal guarantees, and it's not appropriate to say more at this stage given that proceedings are ongoing.

Ed Firth: Okay, great. Thanks.

Tony Nicol: Ed, to pick up on the buybacks then, as you said, the buyback programme is ongoing. As of now, there is still about £8 million of that programme to be bought back so there's still a little way to go. The way we think about the buybacks is in line with our overall capital allocation framework and consider the capital in a disciplined way driving the best long-term value for shareholders. So as that programme concludes, we will consider that along with that framework. Your reference to the share price and considering it to be undervalued, absolutely, we still consider the share price to be materially undervalued.

Lisa Jacobs: And I'll pick up on the final question around new products. So I think where we are today, we've launched over the last few years FlexiPay and the business credit card. We see a huge opportunity in this space. As I said in the presentation, there's about £1 trillion in small business B2B transactions, there's about £80 billion in SME card payments each year. And so our focus at the moment is very much on continuing to grow into those markets. And you can see in the presentation that I shared the success that we're having in building that product, both in terms of increasing the frequency that we have interacting with our customers, but building that base of recurring revenue over time. So that continues to be our focus.

Alongside that, we are not standing still in timelines, we're not standing still in terms of the product features that we're building. And you've seen over the last few years as we've used our credit innovation to continue to unlock new segments, whether that's younger businesses, businesses through the growth guarantee scheme and working with our partners through Marketplace as well. So we continue to innovate in that.

I guess beyond the next horizon of those two to three years, what I'm particularly excited about is over the longer term, setting out this vision of being our customer's trusted finance partner and continuing to evolve our product mix beyond that. And we've got the right capabilities there in terms of the risk models, in terms of the technology that we're building, but also importantly in terms of that customer base that we're building and the level of frequent interaction we have with them, which has moved from every few years to weekly to daily. And as I said in the presentation, we're now having a customer transact with us every 92 seconds, which is a really good spring point for further product growth beyond the next few years.

Ed Firth: So if I read that correctly, so it's really about deepening and broadening relationship with the SME customer franchise, that's the sort of core?

Lisa Jacobs: That's correct, that's correct.

Ed Firth: Perfect.

Lisa Jacobs: Thanks, Ed.

Ed Firth: Great. Thanks so much.

Operator: Thank you. And as a reminder, that is *1 to ask a question over the conference call. We'll pause for a further moment. There appears to be currently no further questions on the conference call so I'd like to hand over to Jack to take some questions over the webcast.

Jack Gault: Thank you. We've had several questions from Rahim at Investec. I'll read them out one at a time. His first one is, can you talk about how the current economic uncertainty is impacting borrower demand and the outlook for returns?

Lisa Jacobs: Thanks, Rahim. So obviously what we shared in the presentation was over the last few years we've faced quite a challenging macroeconomic environment. And if you look at that by Brexit, by COVID, actually things that have really impacted our small business user base. And you see that in the insolvency data that I shared. So there was a depression in COVID amongst insolvencies, there was an increase following COVID, and now it's still trending about 25% over historic trends. And similarly, if you look ahead, some of the challenges that our businesses have now around taxes, around what's coming up in terms of national insurance changes, as well as overall economic environment. So we're in quite a similar stage where the backdrop continues to be mixed.

What I would say though is that we have throughout that period showing the strength and resilience of the model through the cycle, both in terms of the returns that we've delivered to our investors, which have been on average about 5% above their cost of capital, which has enabled us to continue to attract strong institutional investor demand for loans, about £2 billion in forward flow agreements.

Secondly, we have through this period continue to see good demand from SMEs and we've been able to serve that demand. And one of the important changes we've made to enable that over the last few years has been focusing not just on term loans for investment purposes, but also on more working capital products and expanding our product sets to address that. So despite what we see going forward, we think the business model is proven through the cycle we'll continue to deliver well, and we see that in the resilience of our business and the resilience of SMEs as well.

Jack Gault: He then has a couple of questions on FlexiPay. The first one is, can you indicate how much additional capital you require to support future growth in FlexiPay over the next few years in the context of the £90 million of deployable cash? His second question on FlexiPay is, can you help us to understand the underlying margins being generated by FlexiPay revenues from clients who have been using the product for two years, ie being past the J-curve?

Tony Nicol: Okay, so taking the capital piece first, as I mentioned earlier, term loans is cash generative and it supports the funding needs of FlexiPay. Yeah, as FlexiPay grows, more money is required to go into those lines of credit, and therefore the capital needs are in part driven by the speed of growth of FlexiPay and the cashback card. It requires modest capital, but to the extent that the product is performing better than expected, those capital needs may grow to create longer-term sustainable revenues and profitability.

In terms of the underlying margins generated by FlexiPay, as we talked about before, FlexiPay has J-curves and each cohort incurs costs upfront of the expected credit losses and the marketing costs to onboard them. And then over a period of 12 to 18 months, they then are cash generative. And those early-year cohorts are beyond that and are now cash generative. And if you think through the costs the cost base of it, once it's passed that it has a relatively limited cost base. So the top line flows through to bottom line very quickly.

Jack Gault: And Rahim's final question is, do you see any further cost savings beyond the £15 million delivered to date?

Tony Nicol: So when we made the decisions to do the restructuring earlier last year, that was with the intention to be future-proofed for the growth and delivering on our strategy. As I set out in the presentation, the way I think about costs are there are more variable costs than the non-variable costs. So marketing is very much a variable cost and grows in line with revenue, and we typically spend around 30% of revenue on marketing. The non-marketing costs are far less variable. There's a small element that I would consider variable in that on areas like sales and collections teams and data, but on the whole that's largely fixed in nature and therefore would have more of an inflationary growth. So long story short, I'd expect some cost growth, but more inflationary on the non-marketing costs.

Jack Gault: We then had a couple of questions on Azzurro, which I think Lisa addressed in her first answer. But one question that remains is how does the company plan to address potential implications for its loan documentation processes?

Lisa Jacobs: Thank you. I'd refer back again to the fact that there's no question's been raised in the court case regarding the validity of the loans and the enforceability of the loans and the personal guarantees. And we're confident that through that process, Azzurro will win.

Jack Gault: The next question is on Marketplace. In H1, you disclosed 11% of term loan origination through Marketplace where you act as a broker and earn a fee. What was the percentage for the full year and do you expect this to remain at this level?

Tony Nicol: So Marketplace originations for the full year, were around the 10-11%, so similar to the first half of the year, and we'd expect that kind of level for go forward basis.

Jack Gault: And the final question is, we can see that COVID-19 loans amortised by £714 million in the year. Does COVID-19 loans include RLS and growth guarantee scheme loans? If not, what was the total balance of all government loans schemes as at the end of 2023 and 2024?

Tony Nicol: So we look at the loans in a slightly different way to that in that we see the COVID loans were very, very different in nature to the loans that have been originated since. They were the only loans that were being originated at the time. And as we've talked about before, that the COVID loans continue to amortise down at a quick pace as at the year-end they were about 27% of our loans under management were the COVID loans, and we'd expect those to continue to amortise down very quickly. We don't split the go-forward government guarantee scheme loans from other loans, they're a relatively modest portion of our loans under management.

Jack Gault: And there are no further questions on the webcast so I'll hand back to Lisa for any final remarks.

Lisa Jacobs: Thank you all for joining today. I appreciate it is a busy reporting day. But just in summary, we executed well in 2024. I'm really proud of the performance, and we're in a strong position as we enter 2025. But most importantly, I'm excited about the future as we deliver against strong growth and profitability trajectory at delivering significant value for our customers, partners and shareholders.