Funding Circle Holdings plc - Full Year Results 2021

10th March 2022

Lisa Jacobs: Good morning, everyone. It's really nice to be able to connect with you all again. I'm pleased today to share our 2021 highlights and numbers, alongside my direction for the future of the business. I'm going to kick off with the highlights of the last year, notwithstanding the fact that 2021 was an exceptional year. We did deliver a great set of results, and I believe we're in the strongest position that we've been as a business. Over the last decade, we've proven our business model. When we launched, we were lending to businesses that had been through crises and recessions. Now we have lived that with them. We have seen the strength of our risk models through this period, delivering positive investor returns in every cohort to our investors. Thanks to our track record, we have strong demand for loans and have attracted a diverse group of investors.

Lisa Jacobs: In the UK we continue to be the leading platform for small business lending, with strong brand awareness and customer advocacy as evidenced by our MPS at 82. This gives us a strong base from which to continue our growth over the medium term. We've built a world class technology platform. At the start of the year, we finished our migration onto our new decisioning and originations platform. This enables us to deliver a superior customer experience with instant decision lending and personalised customer journey.

Lisa Jacobs: Today, 70% of our loan applications receive a fully automated and instant decision. Our 2021 numbers are strong. Over 2.3 billion was originated through the platform to over 27,000 businesses, and loans under management stood at 4.5 billion at the end of the year. That translated into 207 million in total income. We are focused on delivering profitable growth and this year I'm especially proud of the fact that we have exceeded the guidance we set at the half year results and delivered 92 million of adjusted EBITDA and an operating profit of 64 million. In this last year, we have shown the levels of profitability our business can deliver at scale.

Lisa Jacobs: As at the end of 2021, we had net assets of 288 million, which includes cash of 224 million. As I look ahead for Funding Circle, there is an exciting future driven by our technology, growth opportunities and aided by market tailwinds. The COVID pandemic has accelerated digitisation and online adoption by years in many industries, SME finances are no exception. 68% of SMEs are looking to manage more of their business online. Just as we benefited from our technology in COVID, we'll continue to benefit from this going forward. Our technology platform will continue to drive growth, not just in our core term loan product category, but also in our new products. Our automated lending target is that 80% of applications will receive an automated and instant decision. And this is an important because not only does it deliver a great customer experience, but it also drives higher conversion and operating leverage.

Lisa Jacobs: We have attractive growth opportunities and we're taking the opportunity to reintroduce our medium term guidance for the UK and the US. Today, align to our new medium term plan. This reflects the maturity that we've reached as a business. At the start of the year, I launched a new medium term plan, which I'll talk about in more detail later on. At the crux of this is a transition to enable us to help our customers with new solutions. We'll use the decade of learnings we've built to pivot into new areas, FlexiPay, FlexiCard, and to integrate into other's environments as we serve SMEs where they are. The strong results that we have achieved in 2021 and the innovations and improvements we have delivered for our customers are thanks to the passion and dedication of our team, our circlers. I want to take the opportunity to thank them for all their hard work this year.

Lisa Jacobs: Many of those circlers are part of Funding Circle because we are a mission led business using technology and machine learning to help small businesses win. You can see on the slide Mark and and his women's sportswear business “just strong”. My parents were also SME owners and in fact, Mark’s business, one of the tens of thousands we supported last year, is located just around the corner from where my parents ran their business. So I'm acutely aware of the passion, energy, and resilience of small business owners, but also the challenges that being a small business owner can bring. This was one of the major reasons I joined Funding Circle nearly a decade ago. We have a huge impact.

Lisa Jacobs: To date, 14 billion has been originated to over 120,000 businesses globally. This is positive, not just for these small businesses, but also for the economy and society at large. Last year, lending through Funding Circle's supported over a hundred thousand jobs and contributed over seven billion in GDP to the UK alone. I'm really proud of this fact, our circlers are really proud of this fact, but we still feel that we are scratching the surface in terms of how we can support small businesses.

Lisa Jacobs: That's why I'm pleased to share where we are heading and the journey we are on. We are in inflection point~~s~~. Over the last decade, we are focused on delivering a great term lending product to small businesses. We have been very successful at this. Our customers really value our product. We are in a strong financial position and our decade of investment and learning in data and technology has built a world class product. We are in the strongest position that we've ever been and will build on these successes in 2022 and beyond. We are transitioning into a multi-product platform that provides more for our small businesses, increasing engagement and consequently their lifetime value. We'll also distribute more through partners, in the UK, through our API and in the US. through more integrated partnerships, providing lending as a service. This is an important shift for us as it enables us to leverage the advantages we have built. It won't happen overnight, but we are committed to solving more problems for our customers.

Lisa Jacobs: The traditional financial sector has not served SMEs well. Despite them being a huge societal impact, they are a very small part of what banks do. That is true in term lending, but also in developing more innovative solutions, such as our FlexiPay set of solutions. The reason is because small business lending is hard. It's hard because they're a very diverse group, a sportswear brand like Mark's that we've just seen has very different cash flows and balance sheets to an accounting practice, a dentist, a manufacturer, or a restaurant. It's hard because the risks are complex. In small business lending, there are the standard risks that you might associate with an individual, but there are also the sectoral changes and macro-economic factors that impact that business. Traditional finance providers, banks, or specialist lenders have therefore tended to focus either on secured lending because it's easier to underwrite a van or a property than the business itself, or they've concentrated their lending on the larger businesses, which offer greater security.

Lisa Jacobs: We have done things differently. We have taken a data driven approach to solve this problem, and this is how we're doing it. Over the last decade, we've invested heavily in our technology and data science platform. Our unique capability is shaped by the data we've accumulated and how we use it. We have two billion data points in our data lake, and this is growing every day. We've accumulated public data on over 26 million businesses, businesses that have thrived as well as those that have failed. In addition, we have proprietary data from over 900,000 applications, which includes more granular financial information on the business. We add to these sources our behavioural data from those applications and the 14 billion pounds of lending through our platform. This data has insights on a variety of borrower behaviours, such as payments events. The combination of this is it enables us to build accurate AI and machine learning models.

Lisa Jacobs: In the UK, we are now on our eighth generation risk model, and I'll go on to talk about what that means in a second. But what matters most is not the vast amount of data we've accumulated, but what that delivers for our customers. As we've spoken about previously, we've been rolling out instant decision lending in the UK, and we've now reached the point where 70% of our UK applications receive an instant and automated decision. Last year that number was 50%, so you can see the great progress that we're making. On average, businesses spend just six minutes filling out an application, and that could be a business that's borrowed from Funding Circle before or a business that's brand new to Funding Circle. For those businesses that receive an instant decision, they'll get that on average in nine seconds. That's important because getting a decision, whether a yes or a no, allows a business owner to focus on running the rest of their business.

Lisa Jacobs: This is all powered by our tech and data platform. We bring world class capabilities to deliver for our customers as well as for our business, and together these capabilities build a strong moat around Funding Circle. As we continue to innovate and attract more businesses, we accumulate additional data into our growing data lake, which makes our risk models stronger and more predictive. Our risk models are significantly better than the bureau scores. This enables us to say yes to more businesses whilst delivering strong returns. Our customer experience is slick and quick. We use our decade of experience to deliver instant decisions. Our decision engine provides personalised journeys and propositions which means that our customers only have to provide what's absolutely necessary to get a decision and this increases conversion.

Lisa Jacobs: Our platform also reduces cost, delivering operating leverage. As we scale and focus on marketing dollars and pounds on those businesses which we know, thanks to our machine learning models are most likely to respond, are most likely to be successful in receiving a loan and are then most likely to accept that loan. It is also the strength of this platform that opens up our new growth opportunities in distribution, as well as in new products for our customers.

Lisa Jacobs: Customer advocacy is important to us as it drives our flywheel. Delighted customers translate into repeat customers and enable us to continue to expand our product range. Earlier I spoke about the fact that customers really value what we do, and you can see this in our MPS and the gap between what we do and what banks do. Our UK borrower MPS was 82, this is a remarkable figure when compared to other industry standards. It translates into stable repeat usage with an average Funding Circle customer taking out two lanes over a five year period. However, given our strong customer advocacy, we can do better than this and we'll increase the level of engagement with our customers as we deliver our new products. It also delivers sustainable income as the proportion of income that we receive from existing investors and borrowers continues to increase. It stands at 54% in 2021, up from 51% the year prior. Oliver is now going to take you through our 2021 numbers and I'll then come back to talk you through our medium term plan.

Oliver White: Thank you, Lisa. Good morning, everyone. It's my pleasure to be able to share Funding Circle’s 2021 financial performance. However, before I do that, let me begin by recapping how Funding Circle makes money. We have a fee based income model we call operating income with some limited investment income. Within our operating income, we receive transaction fees and servicing fees. Transaction fees are charged to borrowers, are driven by origination volumes and account for nearly 60% of total income. Typical yield is around 5%. Servicing fees are more of an annuity stream charge to investors, charged at circa 1% per annum and driven by the loans under management. The proportion of income from servicing fees has increased over time as LuM has grown. Together the transaction and servicing fee income make up around 80% of Funding Circles total. Investment income is driven by our equity invested where it makes the platform stronger.

Oliver White: The yield will depend on the nature of the investment and its risk reward characteristics. Investment income represents one fifth of total income in 2021. Overtime we expect operating income will make up a greater proportion of total income. Investment income will reduce and become less volatile.

Oliver White: Let's now look at the group results in an overview. By way of context, in half one, we supported borrowers through participation in the government guarantee programs, PPP in the US. and CBILS in the UK. PPP ended in May, in June we relaunched our commercial loans in the US. In the UK, CBILS were succeeded by the Recovery Loan Scheme or RLS. From June we relaunched our commercial lending alongside the Recovery Loan Scheme. High levels of invested demand exists in both the UK and the US. to fund the forward flow of originations.

Oliver White: The table shows a performance in 2021 full year and by half, alongside the comparators of half one, half two, and full year 2020. Loans under management was 4.5 billion up from 4.2 billion in 2020. Half two was down on the record half one LuM of 4.9 billion due to the anticipated loan amortisation and prepayments and expected PPP forgiveness. Origination volumes were 2.3 billion of a record level in half one, half two saw reduced borrower demand as the government schemes ended and as expected half one saw some pull ahead of borrower demand from half two. Operating income at 165.5 million was up 6% year on year driven by higher service fees, both volume and yield. Investment income continued to reduce as the loans on our balance sheet amortise down. And in 2021, we sold the loans in both the US and UK on balance sheet warehouses, realising 70 million of cash.

Oliver White: These loans were initially held on the balance sheet with the intent to sell, and exiting these warehouses is in line with our stated strategy. 2021 saw fair value gains on our balance sheet investments, reflecting an improved view of both actual forecast credit performance and economic conditions. This performance is also a reflection on returns to investors, which are positive for all annual cohorts despite the impact of the pandemic. We have, again, revised return expectations upwards.

Oliver White: Expenses above adjusted EBITDA reduced to 143.7 million, down 9% from 167.5 million. This is due to the benefits of the restructuring in continental

Europe announced in March 2020 and in the US announced in July 2020, along with continued tight cost control. Expenses below adjusted EBITDA were broadly flat. The 2021 exceptional reflects the subletting of the San Francisco office.

Oliver White: I am delighted to report Funding Circle's first full year of both adjusted EBITDA and operating profit with profitability in both half one and half two. Full year adjusted EBITDA was 91.8 million, and the operating profit was 64.2 million. Not withstanding the nature of the government support scheme and the non-recurring nature of the fair value credits, the overall profit performance demonstrates the power of Funding Circle's platform model. This is also shown in the year-end cash position of 224 million. Net assets also grew to 288 million. As I'm sure you will agree, these were a strong set of results, demonstrating continued progress and a firm position for the future. I will now explain these results in more detail.

Oliver White: This and the following slide show full year 2019, 2020 and 2021. 2019 is included to help anchor our results at the time of pre-COVID. Additionally, to give greater insight, the half one and half two figures are given in the table below the charts.

Oliver White: In the UK, loans under management grows to over 3.9 billion, as the stronger origination levels in half wall and prior periods flow through. LuM up over 20% year-on-year. Compared to the record LuM in half one, we've seen an expected fall through ongoing loan amortisation and prepayments.

Oliver White: Originations are at 1.972 billion. This is slightly down from 2020. We saw very strong originations in half two 2020 and half one '21 with a below trend level of originations in half two 2021. We are seeing continual momentum in the recovery of borrower demand during the second half of '21 and into the early part of this year.

Oliver White: This volume performance feeds into record income of almost 160 million, up 4% year-on-year. Within this, operating income of 137.7 million is up

11%, and investment income continues to reduce, down a quarter year-on-year. Within operating income, servicing fees continue to grow, now 32% of the total, up from 20%.

Oliver White: The UK has continued the strong profitability seen since half two 2020 with a full year adjusted EBITDA of 61.9 million, a margin of 39% and operating profit of 44.3 million. Of the 61.9 million of adjusted EBITDA, operating EBITDA accounts for 29.7 million, up nearly 40% on 2020's 21.4 million. This is driven by operating income up 13.8 million year-on-year. Investment EBITDA is 32.2 million, with investment income down 7.2 million year-on-year, and fair value credit of 10.5 million compared to 2020's charge of 43.9 million.

Oliver White: Turning to the US. It's fair to say that the impact of COVID on our business in the US was greater than in the UK. US loans under management was 425 million, down 45% year-on-year. This reflected the expected roll-off of our pre-COVID loans and the expected forgiveness of PPP loans. These are designed to be forgiven by the government if certain criteria are met. For example, around the use of funds to pay salaries. PPP accounted for 207 million of a LuM full-year 2020. During the year, 208 million of loans were forgiven, including some originated in year, leaving 125 million of PPP in the LuM at year-end. It should be noted, we make no servicing fee on these loans, so PPP in the LuM is not a driver of income.

Oliver White: Originations were 316 million, primarily through the restarted PPP in half one. The 2021 scheme with some different characteristics to the 2020 programs. Average loan size was lower, but the yield per loan was higher. With PPP ending, we restarted our commercial lending in June. We have seen suppressed borrower demand in our segments and given the economic uncertainty, we've adopted a cautious approach to underwriting. We have seen positive month from month momentum in originations through the second half and into 2022. Total income was 44.8 million, 25.1 million operating income and 19.7 million investment income.

Oliver White: As discussed at half year, we defer the recognition of income earned from PPP originations. As these loans are funded by the Federal Reserve's PPP Liquidity Facility, they are on Funding Circle's balance sheet, although of no Funding Circle equity invested. As these loans are not hold for sale, but will be forgiven by the US government, we are required to spread the transaction fee earned over the expected life of the loans. This expected life is until the projective forgiveness of these loans. 14 million of income in half two was income deferred out of half one.

Oliver White: In 2021, the US is adjusted EBITDA positive at 28.4 million and operating profit profitable at 18.5 million for the first time. This elevated level of profitability is as a result of, firstly, the origination's performance of business achieved for PPP. PPP illustrated the strengths of Funding Circle. As a business, we were leading online presence, clear scalability, and the ability to adapt rapidly.

Oliver White: Secondly, investment EBITDA of 37.8 million, including 18.1 million fair value gain in '21 versus a 73.4 million charge in 2020. Year-on-year investment income reduces by 17.6 million.

Oliver White: Thirdly, the benefits of the restructuring announced in July 2020 flow through. Operating expenses above EBITDA reduced 16.4 million year-on-year.

Oliver White: Putting this together for Funding Circle as a whole. 2021 saw record loans under management of close to 4.5 billion, up 6% year-on-year and originations of 2.3 billion. Total income was 206.9 million. We saw continued growth in operating income, up 6% to 165.5 million. In line of our strategy, investment income has reduced over time due to the natural role-off of the loans within the investment vehicles and our strategy of monetising those vehicles as opportunities allow. Investment income is down 38% at 41.4 million.

Oliver White: 2021 sees the first full year of both positive adjusted EBITDA and operating profit for Funding Circle after initially achieving this milestone in half two of 2020. Group adjusted EBITDA is 91.8 million, up from a loss of 63.8 million in 2020. Operating EBITDA is up to 21.8 million from a loss of 11.8, and investment EBITDA reflecting fair value gains is up at 70 million versus a loss of 52 million in the previous year. Operating profit grows to 64.2 million, up from a loss of 106.3 million in 2020. Within this exceptional charges of 3.9 million in '21, down from 18.7 million in '20.

Oliver White: Turning to costs. Operating expenses have continued to be actively and tightly managed. The half and half reduction in costs continue as the full benefits of restructuring actions flow through. Costs are down 12% year-on-year. We continue to invest in technology. We retain a conservative position on capitalising this spend. Marketing costs remain relatively stable during '21 at 28% of operating income. We expect to see broadly this level of marketing spend continuing.

Oliver White: Our balance sheet remains very robust. Net assets are 288 million, up 70 million since 2020, as the profit flows through to net asset growth. The net asset position includes cash of 224 million, up 121 million from the December '20 cash balance of 103 million. We have simplified the balance sheet with securitisation vehicles paying down and sold the loans in the UK and US warehouses, generating 70 million in cash. Within the net assets, there were equity investments of 70 million. This is within the guard were we communicated the 2020 full year results.

Oliver White: Over and above funding, the US and FlexiPay growth. This strong balance sheet in cash position puts Funding Circle in a very comfortable position in this time of economic uncertainty.

Oliver White: The prior slide talked to our balance sheet. Let's now turn to loan performance and the returns provided to our platform investors. We continue to see an improving outlook for Funding Circle loans. Our credit risk management continues to be proven. Our borrowers continue to be resilient, and loan quality continues to be good. Our projected returns shown here include a forward-looking element. We continue to be a prudent forecasting ongoing stress, recognising the uncertain economic environment.

Oliver White: In both the UK and the US, the latest forecast shows a continued improvement in expected returns for our investors. The UK is shown on the left and the US on the right. For each annual cohort of originations, we show how the expected returns have evolved over time. As you can see, despite the unprecedented impact of the pandemic, even those cohorts most impacted are returning a 3% plus return to investors.

Oliver White: It's worth briefly explaining the US pattern. The 2020 to 2021 loan types reflect the types of loans offered through the period. In other words, we began 2020 with our commercial loans, moved to PPP, and then relaunched our commercial loan offering. PPP investor returns reflect the unique characteristics of PPP, including 100% guarantee on the loans and the results of low levels of interest charged. The investor returns shown demonstrate robustness through the cycle of the asset class that Funding Circle has developed.

Oliver White: The pie chart on the left of this slide shows our sources of funding for our 4.5 billion of loans. This diversified set of funding sources is broadly stable, with asset managers and banks continuing to be our largest investors. Year-on-year, the proportion of funding for asset managers is increasing, and those retail bonds and private funds is decreasing. Within each of these segments, we further maintain a diversified investor base.

Oliver White: Retail continues to diminish as a proportion, now down to 5%. Retail has been closed to new lending since the inception of CIBILS in May 2020. High levels of institutional investor demand exists in both the UK and the US to fund the forward flow of originations. Today, we have confirmed that we will not reopen the retail book to new lending and will manage the wind down of the book as loans pay down.

Oliver White: Since launched in 2020, retail investors have earned average net returns after fees and bad debts of circa 5% annually. The right-hand pie chart shows a proportion of LuM provided by Funding Circle's balance sheet. As a reminder, Funding Circle deploys as equity, where it makes a platform stronger. This may include limited co-investment and investment in new products. We see the ability to do this as a source of competitive advantage. We do not deploy capital with a sole purpose of deepening profit for investor returns. We have 70 million invested, which is less than 2% of the total book.

Oliver White: As I'm sure you will agree, whilst acknowledging the exceptional nature of government loan schemes and the non recurring nature of the fair value gains, these are an impressive set of results, demonstrating continued progress and a strong position for the future.

Oliver White: I would now like to hand back to Lisa to take us through our plans from the medium term in both the UK and the US, and also our new products.

Lisa Jacobs: Thanks, Oliver. So we've spoken so far about where we stand today as a business. We're in a strong position. We've proven our model. We are market leading in the UK. We've built some world-class technology and we are coming off the back of a strong financial position. Let me talk about what's next.

Lisa Jacobs: As I said at the beginning, I wanted to set out my direction for the business, our new medium-term plan. It builds on our strong foundations, delivers growth and transforms the business from a single product category into a multi-product direct and embedded platform. It has three customer focus pillars.

Lisa Jacobs: First, attract more businesses. Building on the tailwinds of increased online adoption, we will strengthen our multi-channel marketing and embed in partners native environments, so that any customer looking for a Funding

Circle loan can access it seamlessly, whether directly or through one of our partner's sites.

Lisa Jacobs: Second, we'll say yes to more businesses. We'll optimise our platform, expand our products, and leverage our integrations with other lenders through our marketplace to increase conversion of those businesses.

Lisa Jacobs: Third, we will enter into new product categories, categories which build on our capabilities, build more engagement with our customers and where we know we can build market leadership positions and become number one.

Lisa Jacobs: Let me take you through each of these pillars. In the UK, we'll attract more borrowers by strengthening our direct channels and embedding our financing solutions in our partners' journeys to reach businesses at the right time and in the right place. At the end of last year, we launched our new API with our first partners, Capitalise and Funding Options. Whilst we've worked with partners for many years, our instant decision lending technology in combination with our API is very powerful.

Lisa Jacobs: This enables our partners to deliver an instant loan offer from their native environments, giving them access to a superior customer experience and enabling us to reach customers at the right time. We expect to see significant growth in this distribution channel over the medium term. As we expand our capabilities beyond our direct platform to an embedded solution. We'll also increase conversion of those businesses that we attract. And we'll do this by firstly, utilising the data analytics and technology that I spoke about today to create personalised journeys and pricing, ensuring that we deliver the right product to the right business at the right time. Secondly, by deepening and broadening our marketplace offerings, where we match businesses that we can't support or where we don't have the right fFunding Circle product, to a marketplace of other lenders. And third, expanding our term loan product propositions to serve a broader range of businesses.

Lisa Jacobs: As Oliver showed, the US has been hit harder from COVID than the UK. As we build back, I've taken the opportunity to refine our strategy to fit the market better. Similarly to the UK, in our US business we've built some powerful capabilities over the last eight years. Over that period, we've originated $4 billion. Pre-COVID we've reached an annualised run rate of a billion dollars. We have nearly 40,000 borrowers in the US. And despite the challenging environment of the last two years, we've been nimble to respond, pivoting to offer PPP loans. And then as of mid last year back to our core and marketplace offering. Our analytics and underwriting has been proven resilient with positive returns through the cycle. And this gives us some strong foundations. However, the market in the US is very different from that in the UK. As you can see in the charts on the right hand side. The US is a very fragmented market.

Lisa Jacobs: There are literally thousands of banks across the US market, and the top 10 banks in the US make up just 25% of SME lending, compared to nearly 70% in the UK. That makes building brand awareness very hard. In fact, there are very few financial institutions that have done this nationwide in the US. As a result, we'll be refining our strategy to focus on more integrated partnerships. Given the fragmentation across the US market, the capabilities that we have built are very attractive to partners, such as regional banks who are looking to expand their offering into small business lending, but simply do not have the capabilities. These banks have seen the impact of COVID, moving lending online and are looking to partner in order that they may benefit from accelerated digitisation. In the US we'll therefore double down on building our partnership business, through deeper integrations with existing partners, but also with new partners such as regional banks and partners with large SME brands.

Lisa Jacobs: For these partners, we will offer more than just a regular partnership. We'll begin to offer lending as a service. This enables our partners to use our technology platform and our loan origination and underwriting expertise to provide loans to their customers. We're really excited about this opportunity, but it is nascent and it'll take us some time to scale. We expect to see with each of these partnerships, a year or so of partner engagement and development. Six months or so in pilot testing, before we see the partnerships scaling. We've developed a strong partner pipeline, and we hope to share some updates on new partners soon. In the US, we'll all also focus on increasing our conversion. As in the UK we'll build improved customer journeys, focusing on optimising and reducing friction in the process, such as reducing document requirements for lower risk segments. We'll also expand our funding circle product sets. We'll be launching a super prime product imminently.

Lisa Jacobs: Our third pillar relates to our growth in new products. This marks an important shift in our business and one which is enabled by the capabilities that we've built to date. Today, we have a product that our customers really value. However, we have a term loan product so businesses do not interact with us frequently, taking our average of two loans after five years. We also know that there are many other ways that we can leverage our technology to serve their needs. Our new products, FlexiPay and card enable us to play a more important and frequent part in our customer's lives. Moving from an annual to monthly and even daily cadence. It's also opens up a new and sizeable market for us. There are over £1 trillion in small business payment transactions each year. When we launch new products, we do it prudently. You should expect to see a year or so of discovery, research and development. Followed by six months to a year of live testing before entering into the ramp-up phase.

Lisa Jacobs: That means we'll start to see the ramp of FlexiPay at the end of this year. To recap on what FlexiPay is. FlexiPay enables businesses to spread any payments to a supplier over a period of three months, for a one off 3% fee. For small businesses cash fee management is one of their biggest pain points. So FlexiPay provides a really valuable proposition. When we spoke to you at our half year results six months ago, we had just launched our beta test to our existing customer base. And whilst we're still early in our developments, we've seen some very positive signs so far which I wanted to share with you. Our beta trial of 850 customers has delivered usage in excess of our expectations, with nearly 12 million of credit lines. Payment is 20% higher than expected. And the average number of transactions is double our expectations. And this shows the level of engagement that we are seeing with our customers. We've now also expanded our beta trial to a new segment of borrowers. These are borrowers that are new to Funding Circle and can apply today through our website.

Lisa Jacobs: We look forward to ramping up FlexiPay in the second half of the year and launching our FlexiPay card trial at the end of the year. Oliver will now share what this medium term plan means in terms of our financial guidance over this year and the medium term.

Oliver White: Thank you, Lisa. Funding Circle is in the strongest position it has been, and we have proven the resilience of our model over the last two years. The economic environment is uncertain, and has previously highlighted the market continues to be distorted as a result of COVID government loan schemes. However, as demand returns to pre-COVID levels through 2022, we are well placed to capture the opportunity going forward. In 2022, operating income will be in the range of 145 to 155 million. As we start to see demand normalising from the elevator levels of lending in 21. This level of income is slightly lower than 21, though higher than the half two 21 run rate. Investment income will continue to decline and the volatility continue to reduce. Investment income will be in the 10 to 15 million range. Group total income will therefore be in the range of 155 to 170 million.

Oliver White: The business will continue to be adjusted EBITDA positive, with a skew to half two. We see attractive medium term opportunities as Lisa has described in the previous pages. I've previously described the UK business as the engine of Funding Circle. By 2025, we expect UK total income of at least 220 million. And the overwhelming majority of that will be operating income. Adjusted EBITDA margins will be in the region of 30 to 35%. In the

US, we anticipate at least 70 million of total income by 2025. The business will reach adjusted EBITDA breakeven during 24, incurring maximum further cumulative losses of circa 25 million to get to breakeven. For FlexiPay we see significant growth trajectory between now and 2025. That remains early to be precise on income expectations. By 2025, all segments of the group will be profitable. Lisa.

Lisa Jacobs: Thanks, Oliver. In conclusion, I'm really proud of what we've achieved as a business over the last decade, and delighted to be leading this business going forward. We are an exciting inflection point as we move towards a multi-product platform. We have a proven business model that's been tested through the last two years, and speaks to the platform durability through a changing market. Our technology platform is world class and is a strong moat around our business. Our full year results have delivered ahead of expectations. And whilst the current environment is uncertain, we are strongly positioned to whether any short time headwinds. Over the medium term, we've created a great plan and we have a mission driven team who are motivated to deliver it. I believe that this business is in the strongest place that it's ever been. We have achieved a lot over the last decade. But as I look ahead, I think the best is yet to come. I'm looking forward to driving the business over the coming years, to become a very impactful and very valuable business. Thank you.