



BUILDING A BETTER FINANCIAL WORLD

H1 2019 Results Presentation

Results for the six months to 30 June 2019

8 August 2019

H1 2019 Results Summary

Platform	
37%	Growth in loans under management to £3.54bn (H1 2018: £2.58bn)
14%	Growth in originations to £1.19bn (H1 2018: £1.04bn)
72,000	Total SME borrowers at end of H1 2019
92,000	Total investors at end of H1 2019
~£210m	New funding commitments secured
4	New funding products launched

Financials	
29%	Growth in revenue to £81.4m (H1 2018: £63.0m)
46%	Revenue from existing customers (H1 2018: 41%)
1%	Segment Adjusted EBITDA margin (H1 2018: 5%)
26%	UK Segment Adjusted EBITDA margin (H1 2018: 26%)
24%	Negative Adjusted EBITDA margin (H1 2018: negative 22%)
43%	Marketing as a % of revenue (H1 2018: 39%)



Helping SMEs Underserved by Banks

SME lending is a tiny part of banks' balance sheets but contributes significantly to GDP growth and employment

	SME lending as a share of banks' balance sheets ¹	% of GDP	% of Employment
	2.1% ¹	52% ²	60% ²
	0.7% ¹	44% ³	48% ⁴
	0.6% ⁵	45-60% ⁵	60-70% ⁵

1. Based on data from the "The Big Business of Small Business" report from Oxford Economics – April 2019

2. Federation of Small Businesses: <https://www.fsb.org.uk/media-centre/small-business-statistics>

3. Small Business Administration: <https://advocacy.sba.gov/2019/01/30/small-businesses-generate-44-percent-of-u-s-economic-activity/>

4. Small Business Administration: <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>

5. Company compiled and using NL data from the "The Big Business of Small Business" report from Oxford Economics – April 2019



We are Building a Better Financial World



GDP contribution

£6.5 billion¹

Up 56% from 2017



Employment

115,000

jobs¹

Up 54% from 2017



£4.1 billion



72,000 jobs



\$2.8 billion



38,000 jobs



€216 million



3,200 jobs



€140 million



1,900 jobs

Helping small businesses

drives opportunity, creativity,
and community

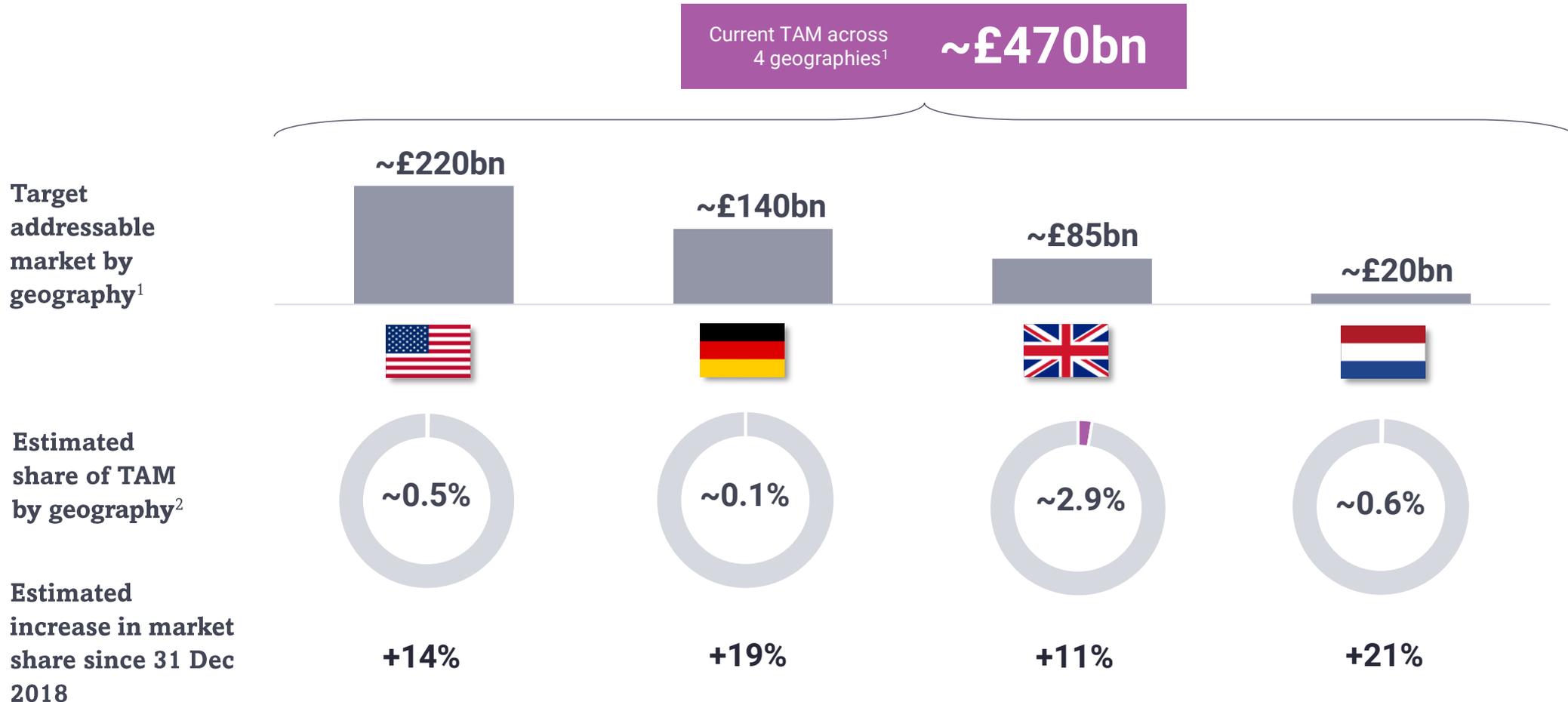


Source: "The Big Business of Small Business" report from Oxford Economics – April 2019

1. Funding Circle's loans under management at the end of 2018 used as measure of contribution to GDP and job creation

Operating in a Significant Addressable Market

There is a large opportunity for growth within all of our existing geographies



1. OC&C analysis, aggregated and triangulated from >30 publically available sources (e.g. BoE, FDIC, Bundesbank, DNB, industry associations, government/bank survey data). Target addressable market excludes commercial mortgages, loans / debt products <5k and >500k in local currency and loans with APR >25%. Market sizes converted at USDGBP 0.72 and EURGBP 0.89. 2. In US, higher minimum threshold of \$25k

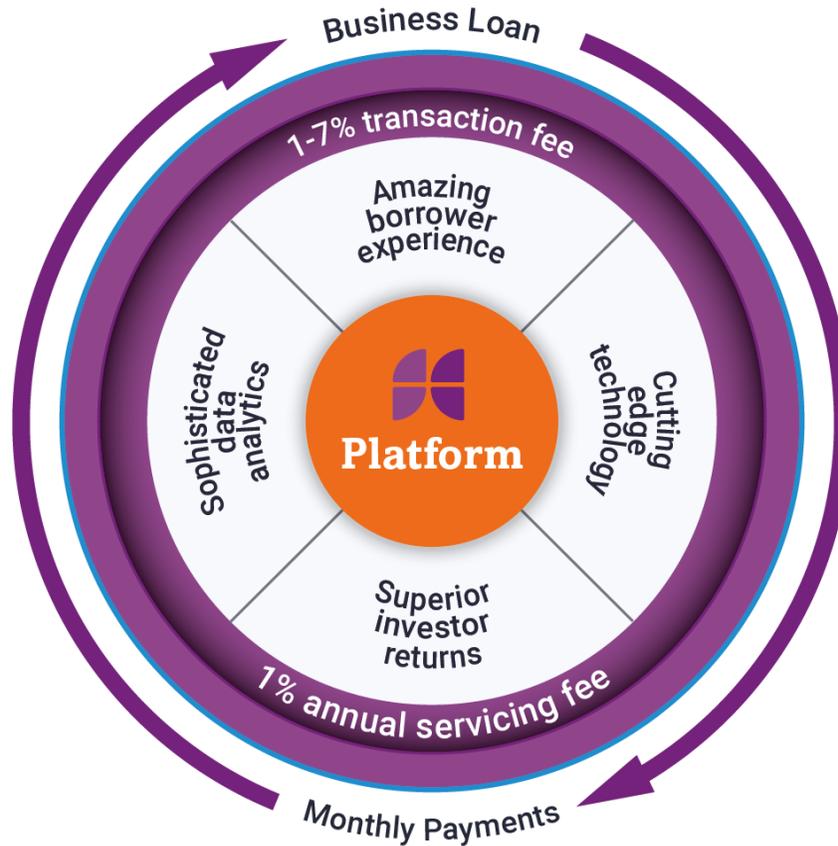
2. Funding Circle. Based on Loans under Management as of 30 Jun 2019, calculated in local currency

Platform Model

Our cutting edge technology and data platform enables SME borrowers to access finance directly from investors

Small businesses access fast, affordable finance

- 10 years' trading history
- 7 employees
- ~£1m revenue
- ~£80k loan size
- 48 months average term
- 10 minute application; 24 hour turnaround



Investors earn attractive returns

- 92,000 investors globally
- ~5,000 investors started lending in H1 2019
- 5.0-8.5% projected returns across all geos¹
- 56% of funding from inst. investors in H1 2019 - 25% retail, 8% Funds, 6% national and supranational entities, 5% FC ABS Bonds



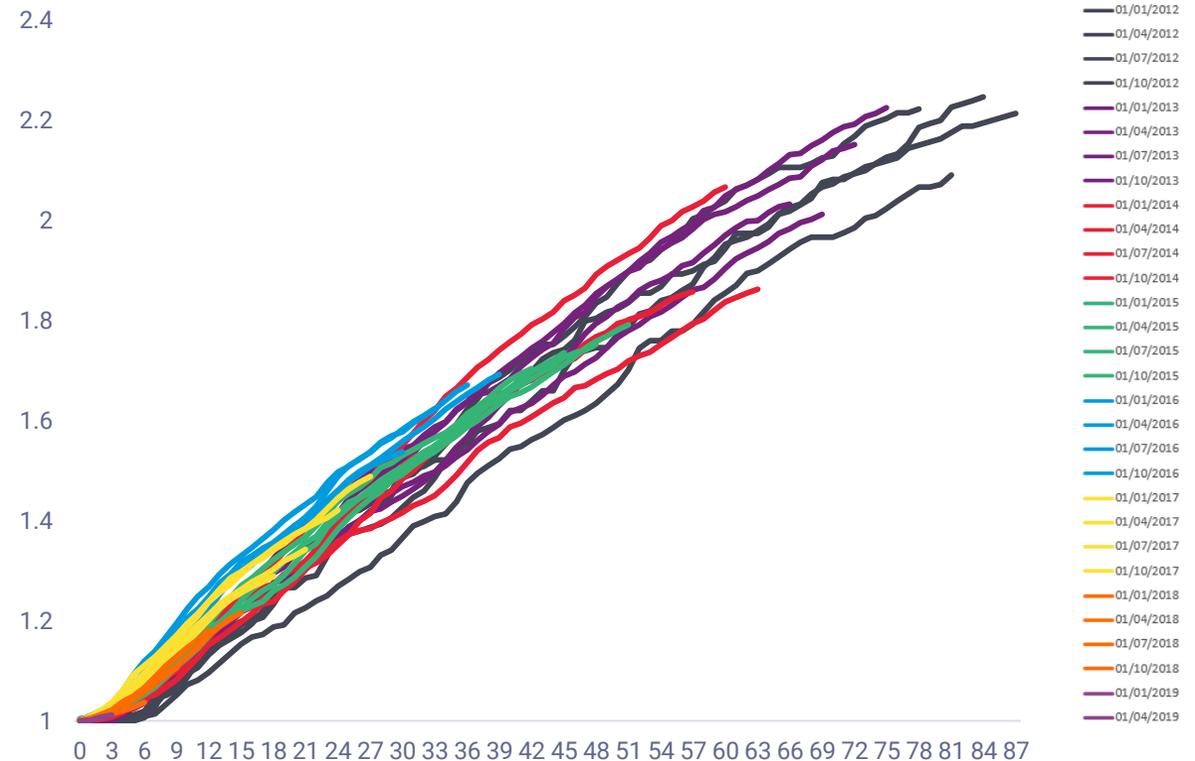
Better For Borrowers

A better borrower experience leads to repeat behaviour

Market leading customer satisfaction scores lead to strong repeat behaviour

- ✓ Net Promoter Score between 80-90 in UK and US
- ✓ 82% of borrowers would choose Funding Circle again in the future rather than their bank¹
- ✓ 70% would choose Funding Circle first because the process is too long or too inconvenient at a bank¹

UK: On average borrowers take out 2 loans every 5 years²



1. Based on data from the "The Big Business of Small Business" report from Oxford Economics – April 2019

2. Funding Circle data; UK figures excluding Property loans. Cohort refers to the quarter in which the borrower first entered into a loan agreement. Only includes data points with a full cohort

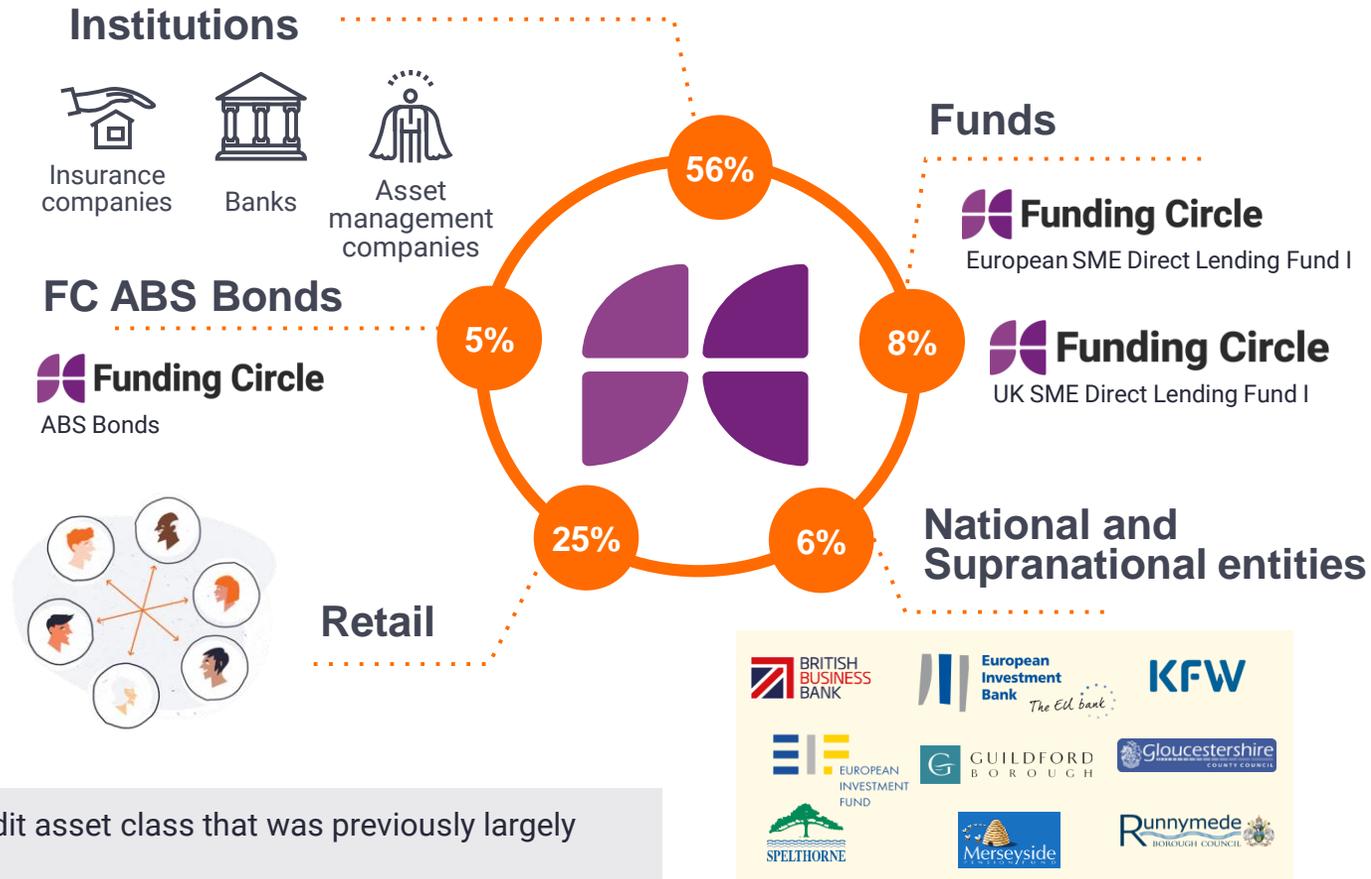
Better For Investors

Deep and diversified funding sources¹

Attractive returns to investors across all markets

- ✓ Projected annual returns of 5.0-8.5% across all geographies²
- ✓ Exposure to asset class that was previously inaccessible
- ✓ Deep and diversified portfolio of loans across sectors, regions and risk bands

Funding Circle enables investors to gain exposure to the SME credit asset class that was previously largely inaccessible



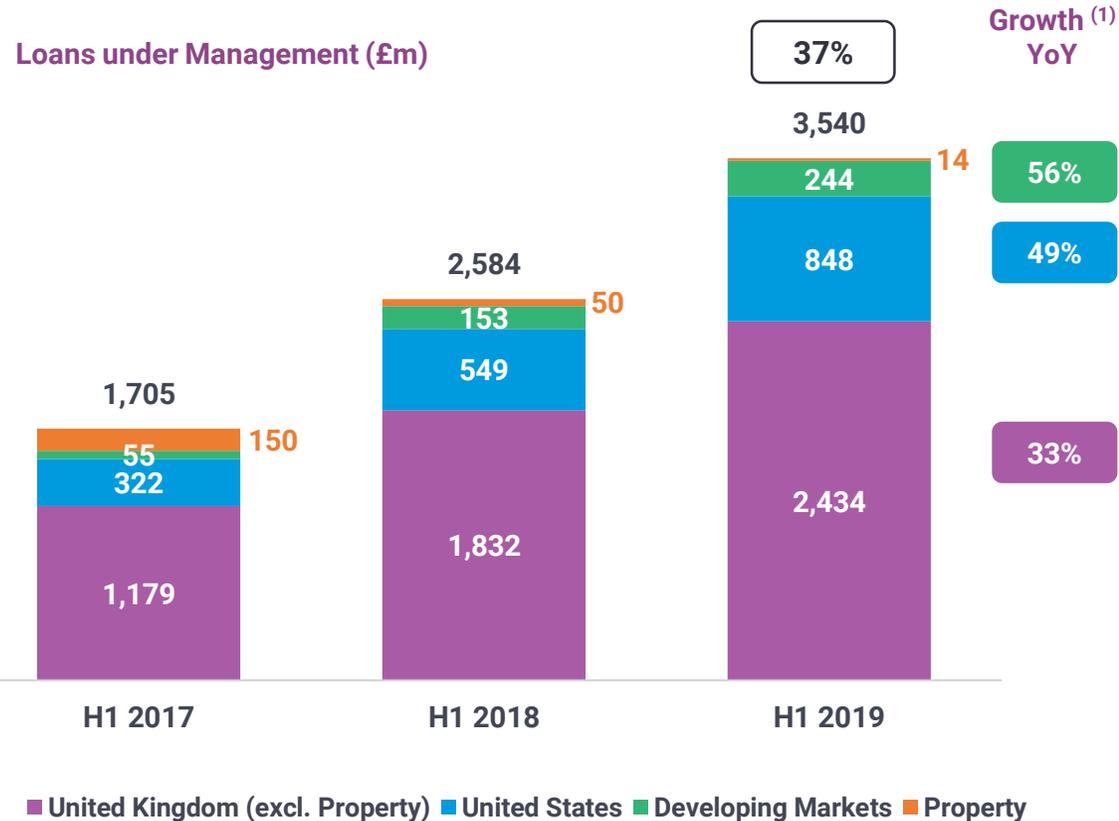
1. Funding Circle investor breakdown calculated as a proportion of loans under management
 2. Projected annual returns and bad debt rate for loans originated in 2019, by geography

Group Financial Performance

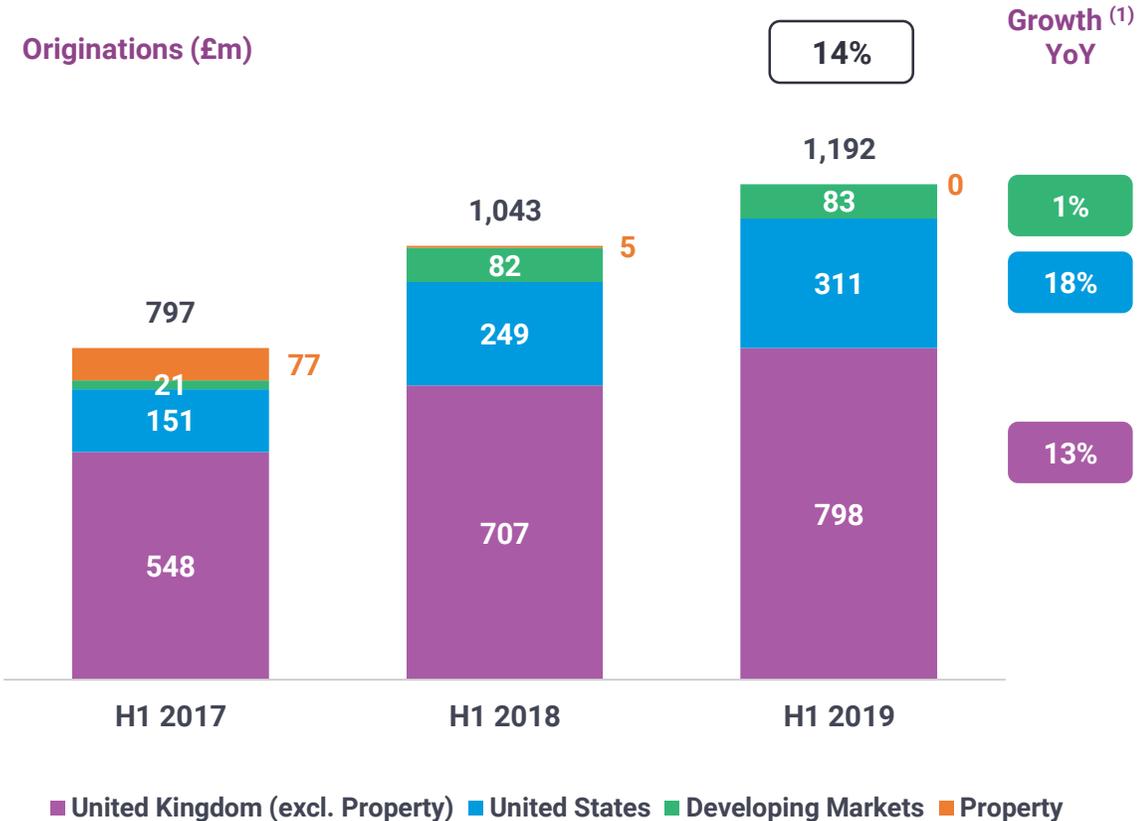


Loans under Management (LuM) and Originations

LuM exceeded £3.5 billion



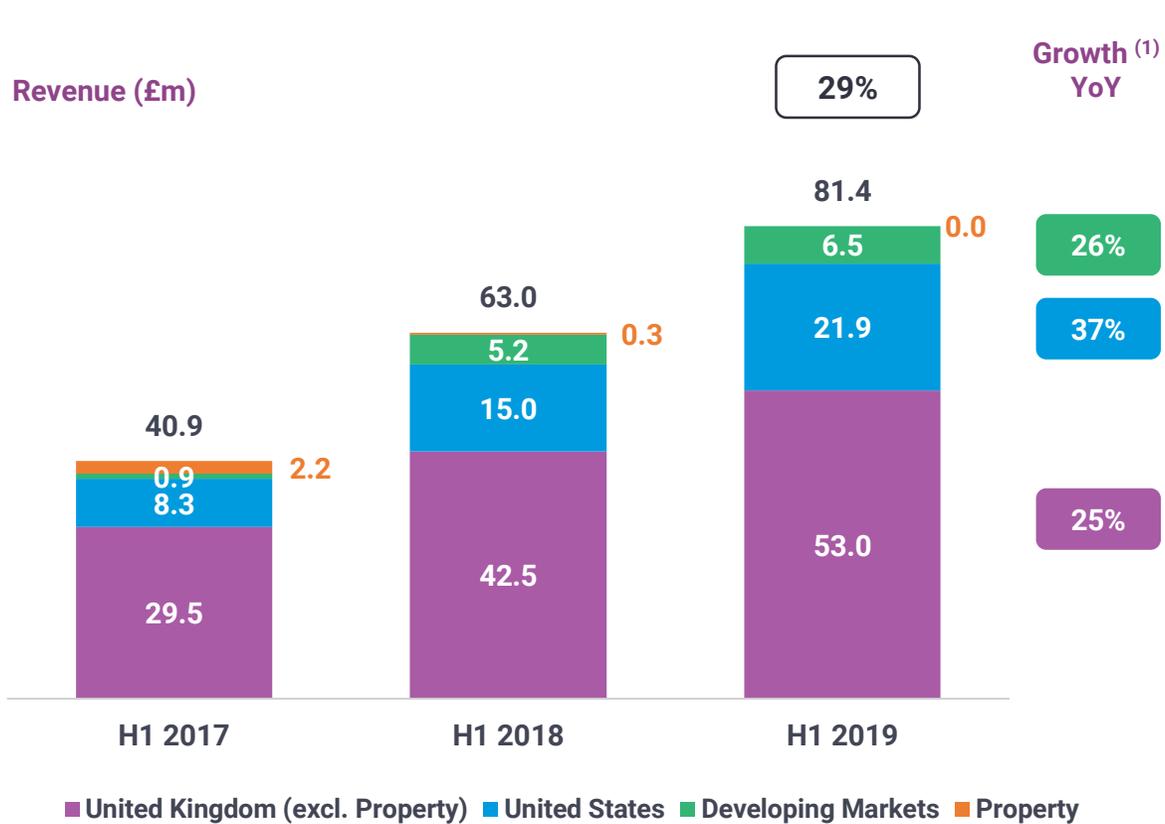
Originations at £1.2 billion



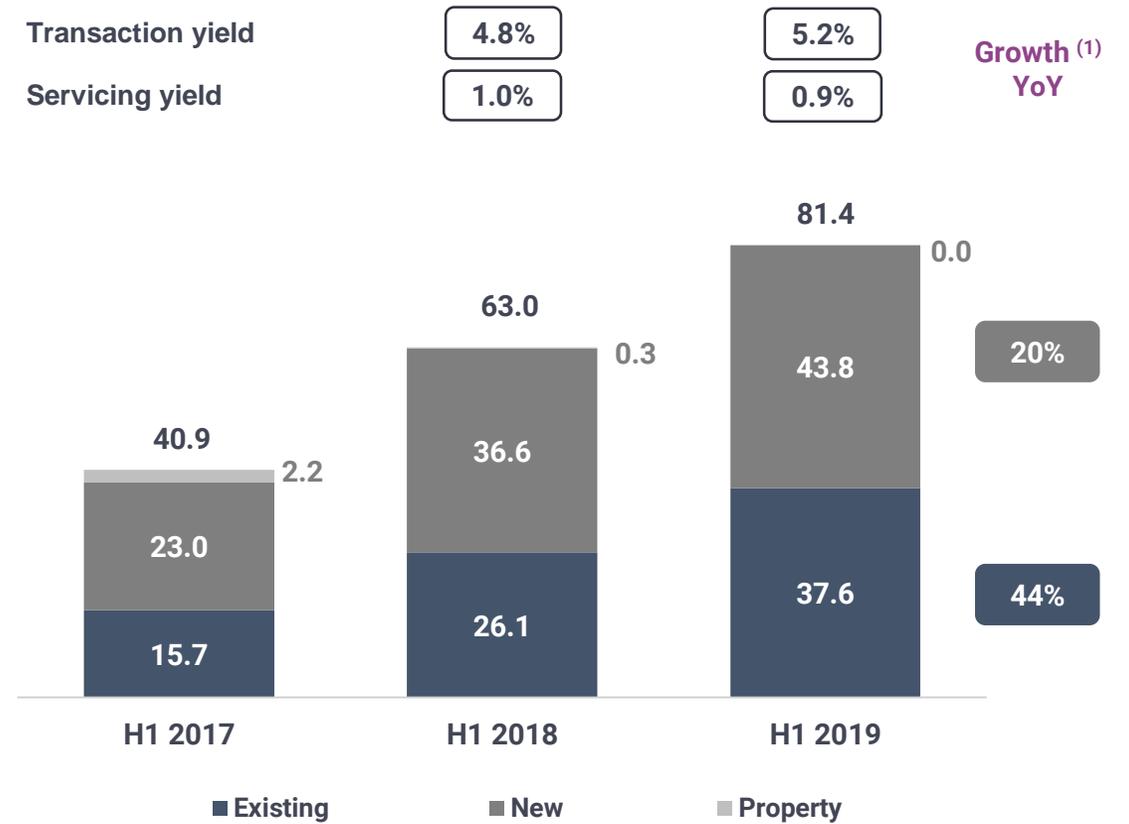
1. Geo segment growth stated in local currency to eliminate FX variations and to exclude Property

Revenue

Revenue growth of 29%¹



Revenue by type



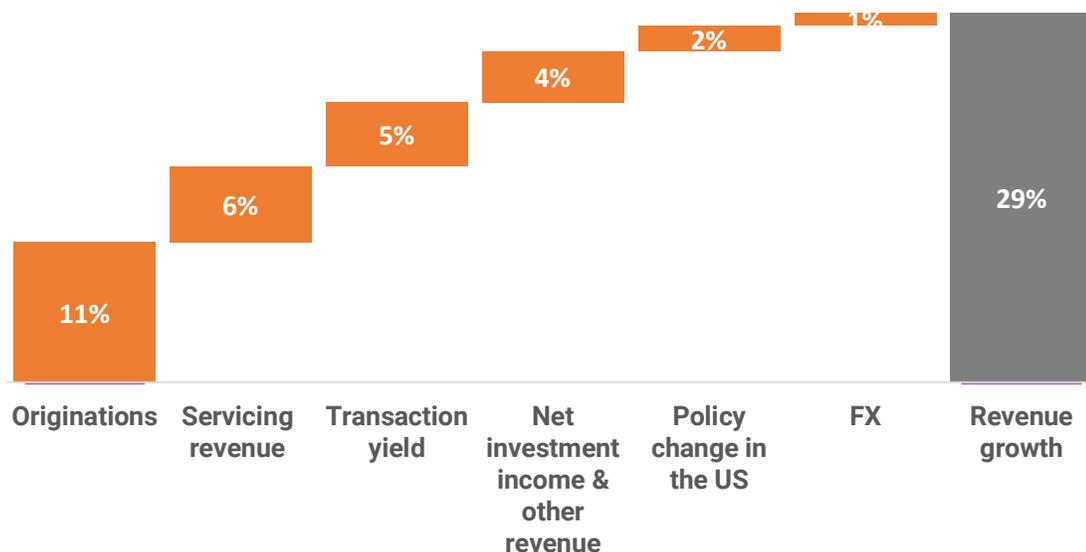
1. Geo revenue growth stated in local currency to eliminate FX variations and to exclude Property

Revenue growth breakdown and Segment Adjusted EBITDA

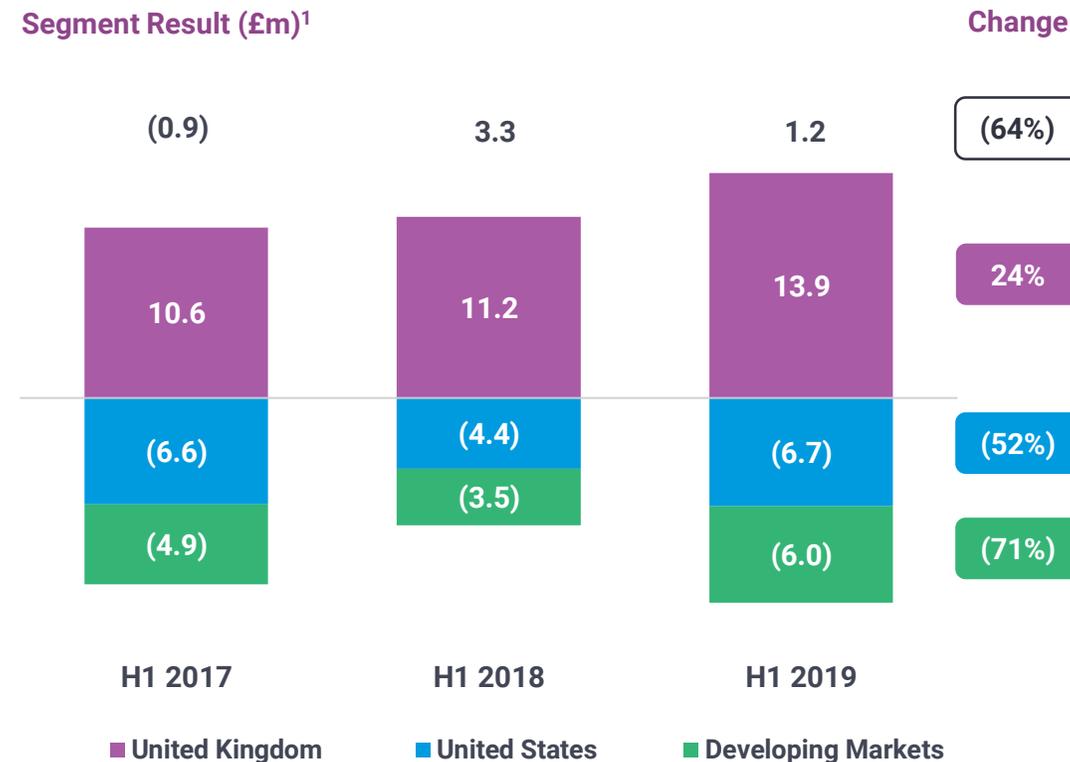
Revenue growth benefited from improving transaction yield, faster growing service revenue and investment in new investor products

UK Segment Adjusted EBITDA continuing to grow as it scales, with US and developing markets continuing to invest in growth

Revenue growth breakdown (%)



Segment Result (£m)¹



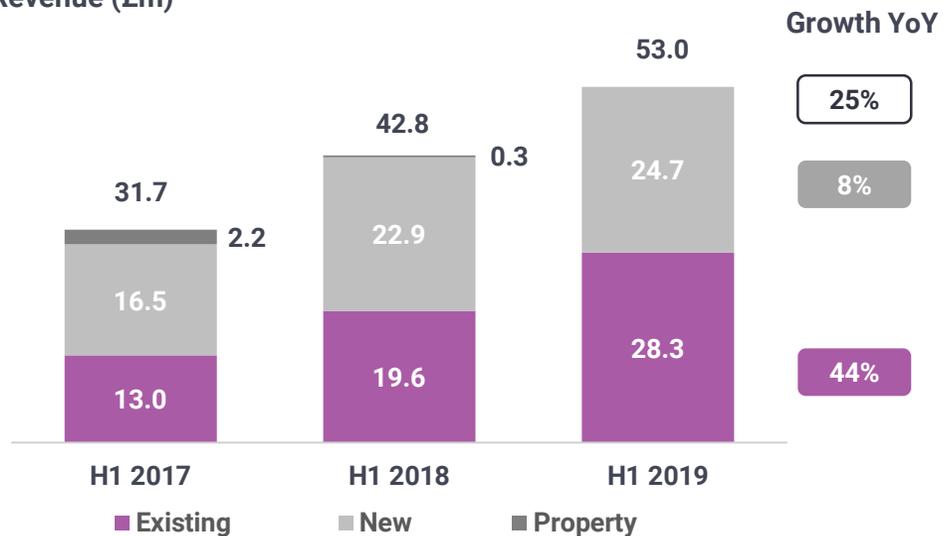
1. Segment results have been restated for IFRS16 "Leases" – a reconciliation is provided within the Appendices



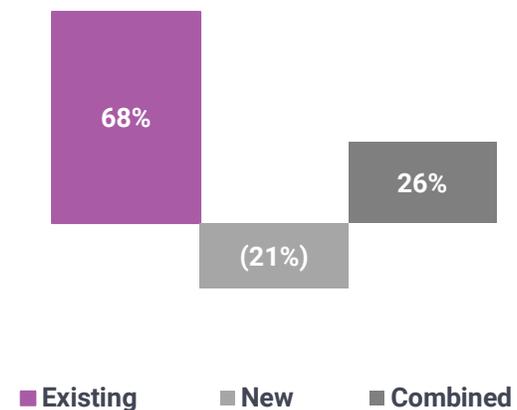
United Kingdom

Existing customers now represent over half of UK revenue

Revenue (£m)



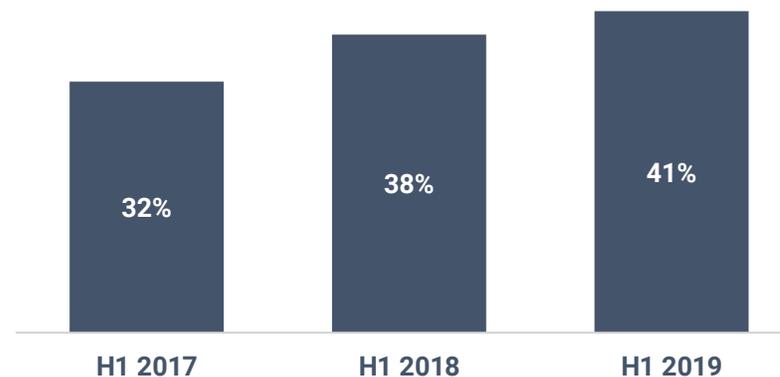
Segment Margin – H1 2019 (%)¹



Existing as a % of revenue



Marketing spend as a % of revenue



1. Segment results have been restated for IFRS16 "Leases" – a reconciliation is provided within the Appendices

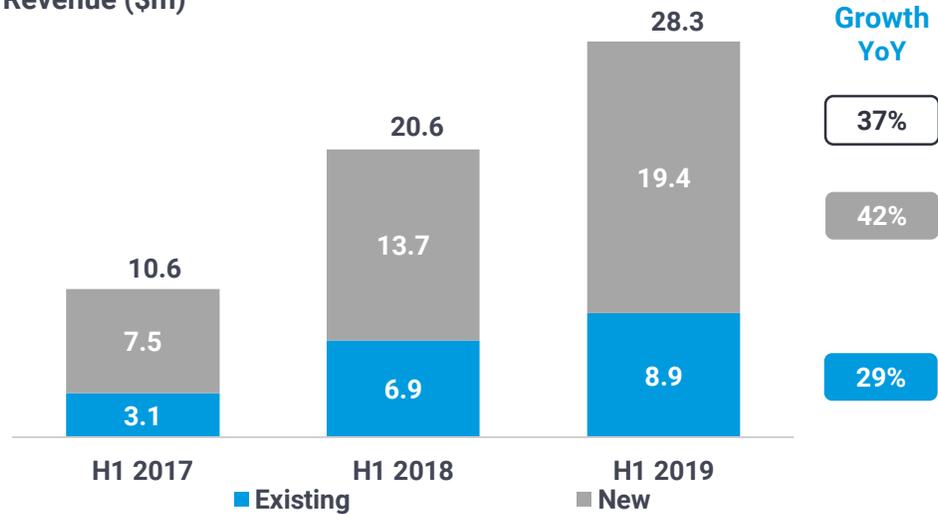




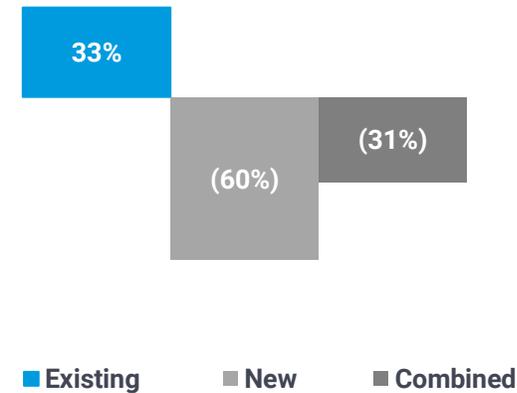
United States

Good revenue growth led by new borrowers

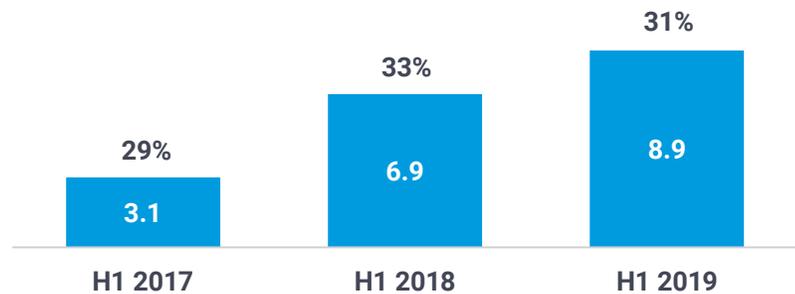
Revenue (\$m)



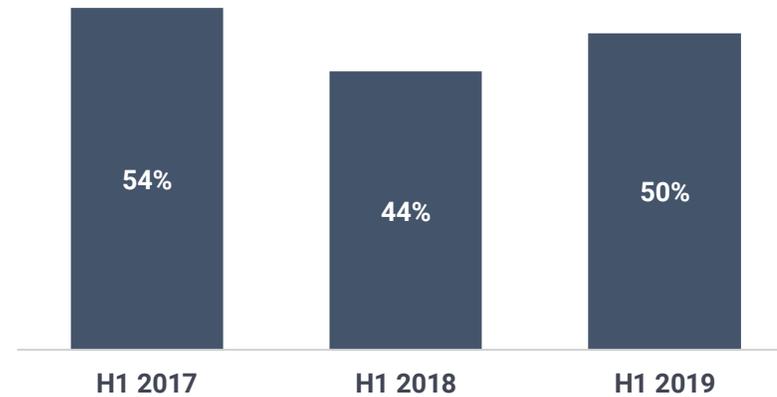
Segment Margin – 2019 (%)¹



Existing as a % of revenue



Marketing spend as a % of revenue

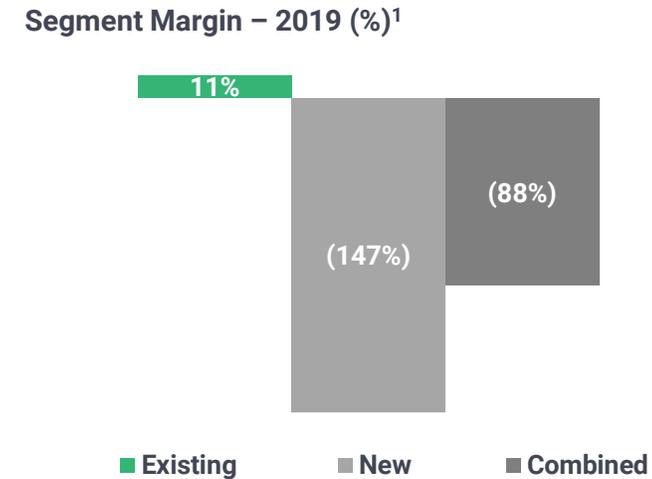
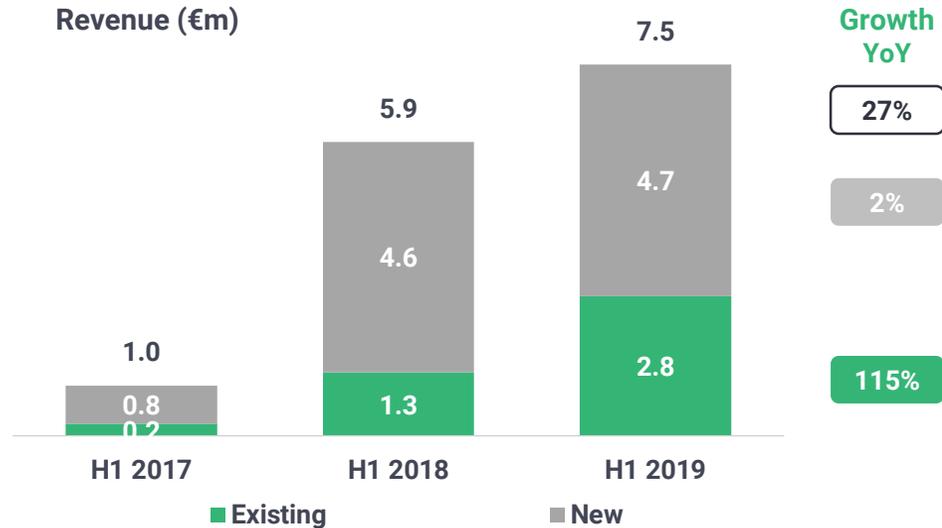


1. Segment results have been restated for IFRS16 "Leases" – a reconciliation is provided within the Appendices



Developing Markets

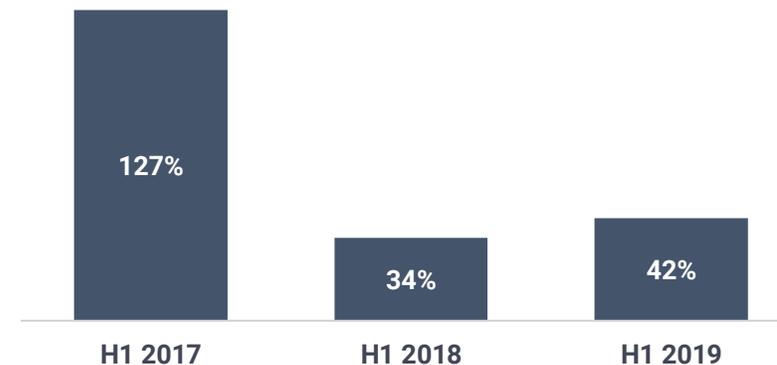
Strong growth in the existing business



Existing as a % of revenue



Marketing spend as a % of revenue

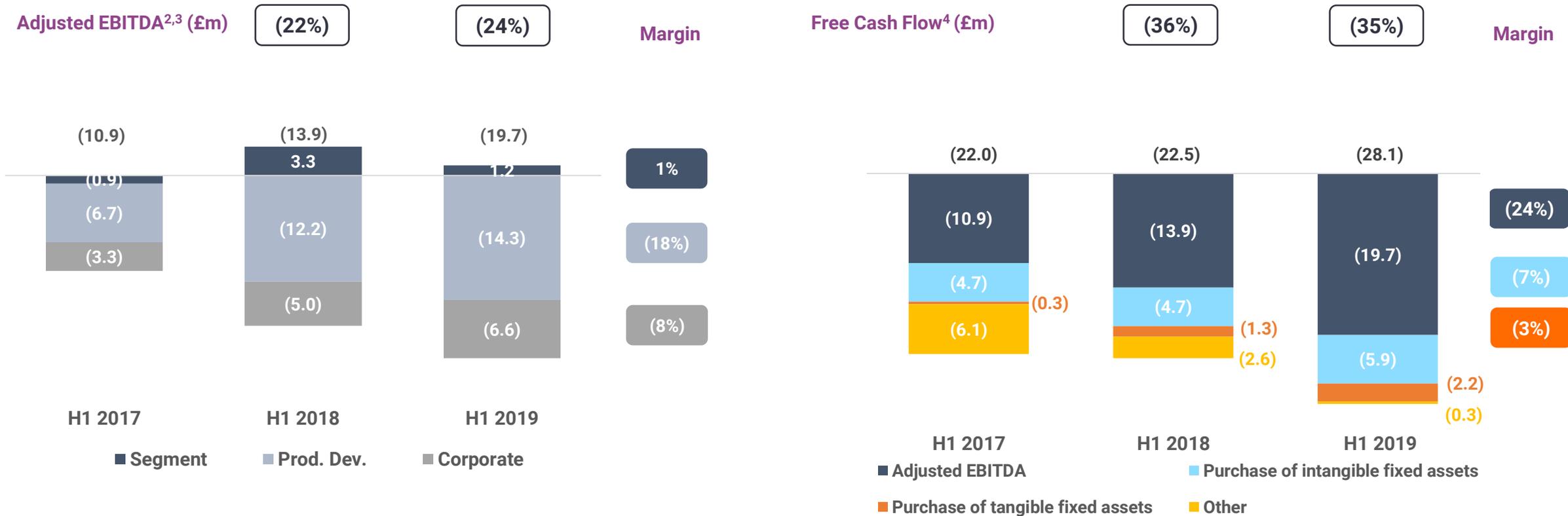


1. Segment results have been restated for IFRS16 “Leases” – a reconciliation is provided within the Appendices

Adjusted EBITDA and Free Cash Flow

Central costs¹ remain at 26% of revenue following continued investment in data and technology

Free Cash Outflow broadly in line with Adjusted EBITDA outflow and fixed asset investments



1. Central costs represent the sum of Product Development and Corporate costs

2. Adjusted EBITDA represents EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) excluding share-based payments, exceptional items and foreign exchange gains or losses

3. Adjusted EBITDA been restated for IFRS16 "Leases" – a reconciliation is provided within the Appendices

4. Free Cash Flow represents net cash flows from operating and investing activities, including the payment of lease liabilities, but excludes the purchase of loans and is stated before financing activities



Profit and Loss

Operating loss margin of 38%

Segmental View	H1 2017 Restated £m	H1 2018 Restated £m	H1 2019 £m
United Kingdom	29.5	42.5	53.0
United States	8.3	15.0	21.9
Developing Markets	0.9	5.2	6.5
Property (UK only)	2.2	0.3	-
Revenue	40.9	63.0	81.4
United Kingdom	10.6	11.2	13.9
United States	(6.6)	(4.4)	(6.7)
Developing Markets	(4.9)	(3.5)	(6.0)
Segment result	(0.9)	3.3	1.2
Product development	(6.7)	(12.2)	(14.3)
Corporate costs	(3.3)	(5.0)	(6.6)
Adjusted EBITDA	(10.9)	(13.9)	(19.7)
Share-based payments	(2.1)	(4.7)	(4.5)
Depreciation and amortisation	(5.7)	(6.1)	(7.1)
Foreign exchange loss	(0.4)	(0.3)	-
Exceptional items	-	(1.9)	-
Operating loss	(19.1)	(26.9)	(31.3)
<i>Operating loss margin</i>	<i>(47%)</i>	<i>(43%)</i>	<i>(38%)</i>
Finance income	0.3	0.3	1.0
Finance costs	(0.5)	(0.5)	(0.5)
Loss before taxation	(19.3)	(27.1)	(30.8)
Income tax	-	-	(0.2)
Loss for the period	(19.3)	(27.1)	(31.0)
Basic and diluted loss per share	(7.8p)	(10.6p)	(8.9p)

Marketing expenditure of £35m including above the line spend of ~£9m

Income Statement View	H1 2017 Restated £m	H1 2018 Restated £m	H1 2019 £m
Transaction revenue	33.0	50.3	62.5
Servicing revenue	7.6	11.3	15.2
Net investment income	-	-	1.0
Other revenue	0.3	1.4	2.7
Revenue	40.9	63.0	81.4
People costs	(22.7)	(33.6)	(41.0)
Marketing	(15.7)	(24.7)	(35.2)
Other	(13.4)	(18.6)	(24.9)
Operating costs	(51.8)	(76.9)	(101.1)
Adjusted EBITDA	(10.9)	(13.9)	(19.7)

Commentary

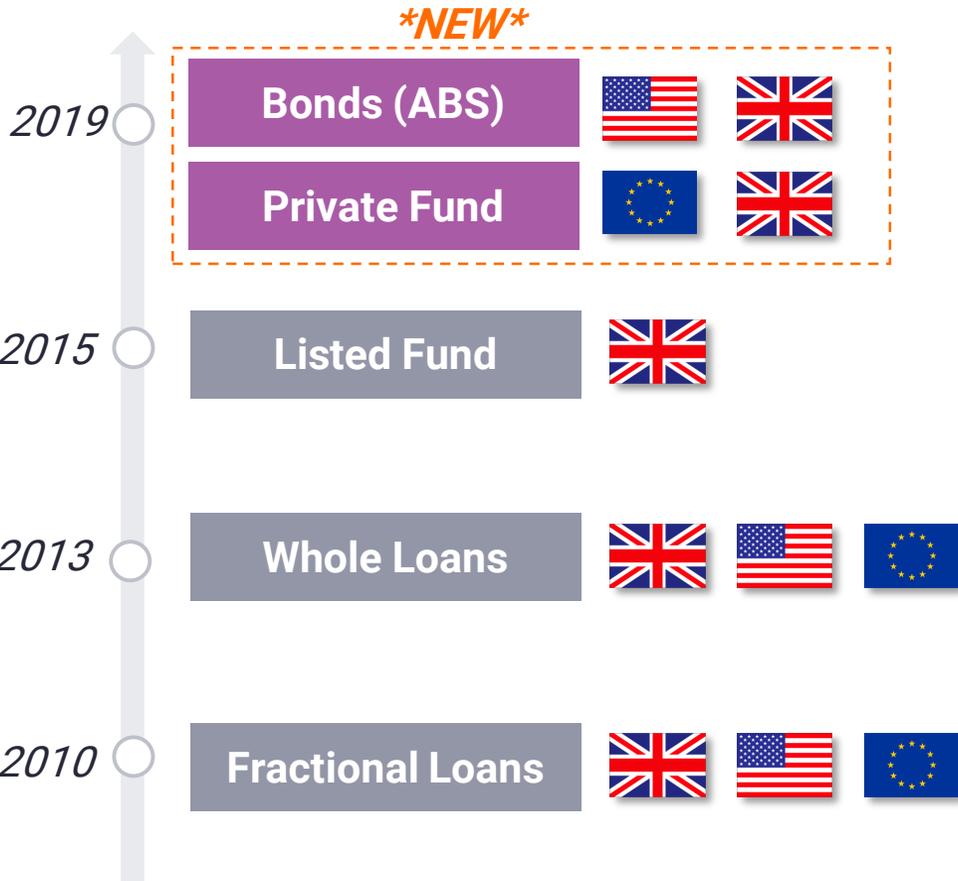
- Revenue now includes net investment income from the recently launched bond and private fund products
- The income statement has been restated for IFRS 16 "Leases". Further details are provided within the Appendices



Increasing Funding Diversification

In H1 2019 we launched four new products to widen the universe of potential investors

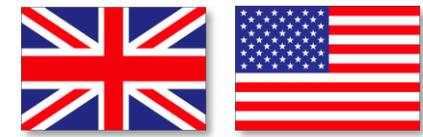
Our Investor Products



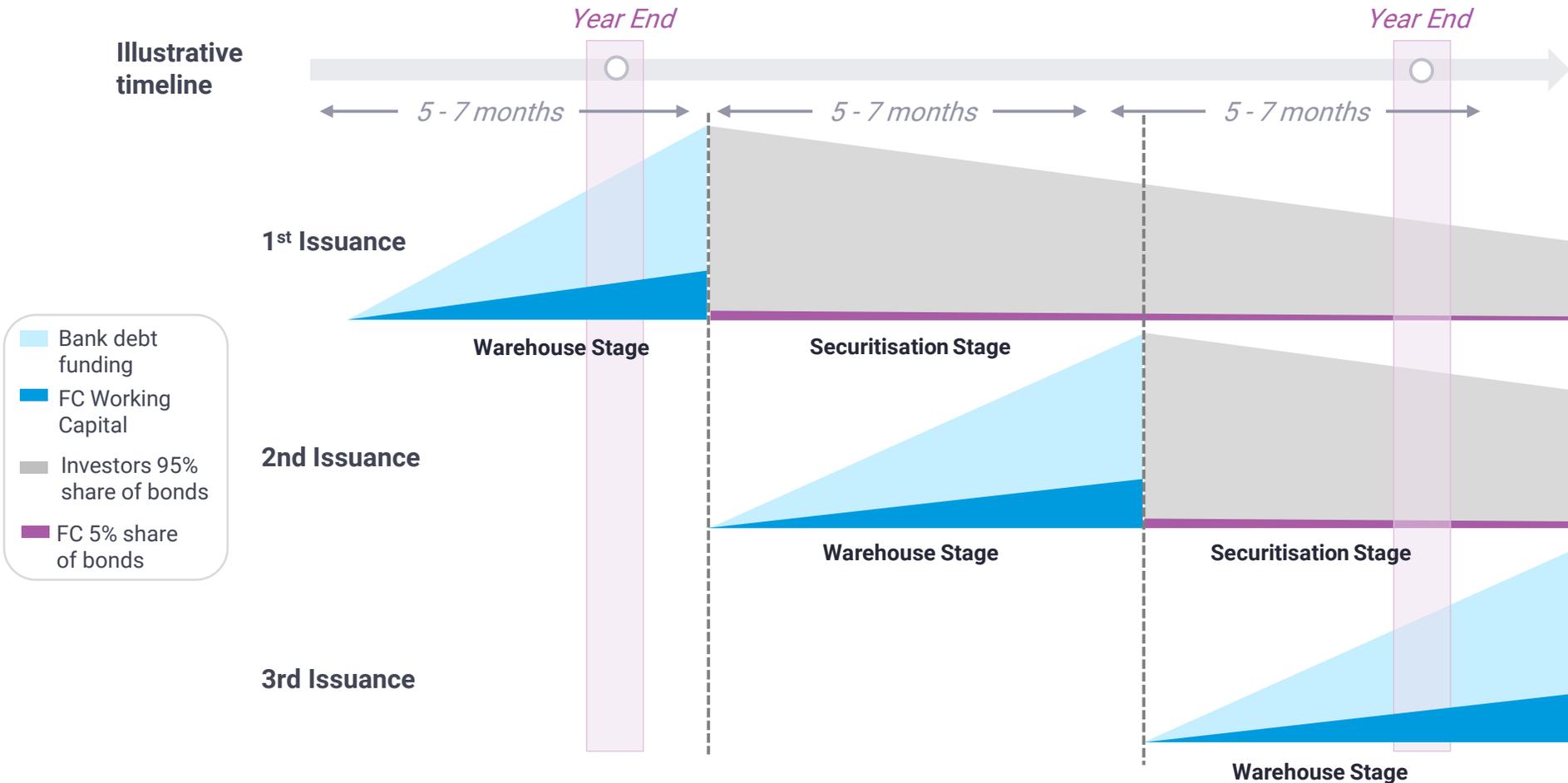
Estimated Increase in Investor TAM¹



1. Bank of England / Funding Circle prospectus; 2. Preqin / Funding Circle prospectus; 3. UK investment association; 4. Sifma, US ABS outstanding at Q4 2018; 5. Preqin as at June 2017



Recap: FC Bond Product Mechanics



- SME loans are originated into a warehouse in a given period, funded through FC working capital (approx. 25%) and a banking partner
- Once accumulated, loans are packaged into bonds, rated and sold to investors
- FC retains 5% of the bonds sold (risk retention investment) for up to 2 years as per risk retention regulations
- Each subsequent securitisation adds a further risk retention investment but each investment also decreases over time as SME repayments are received

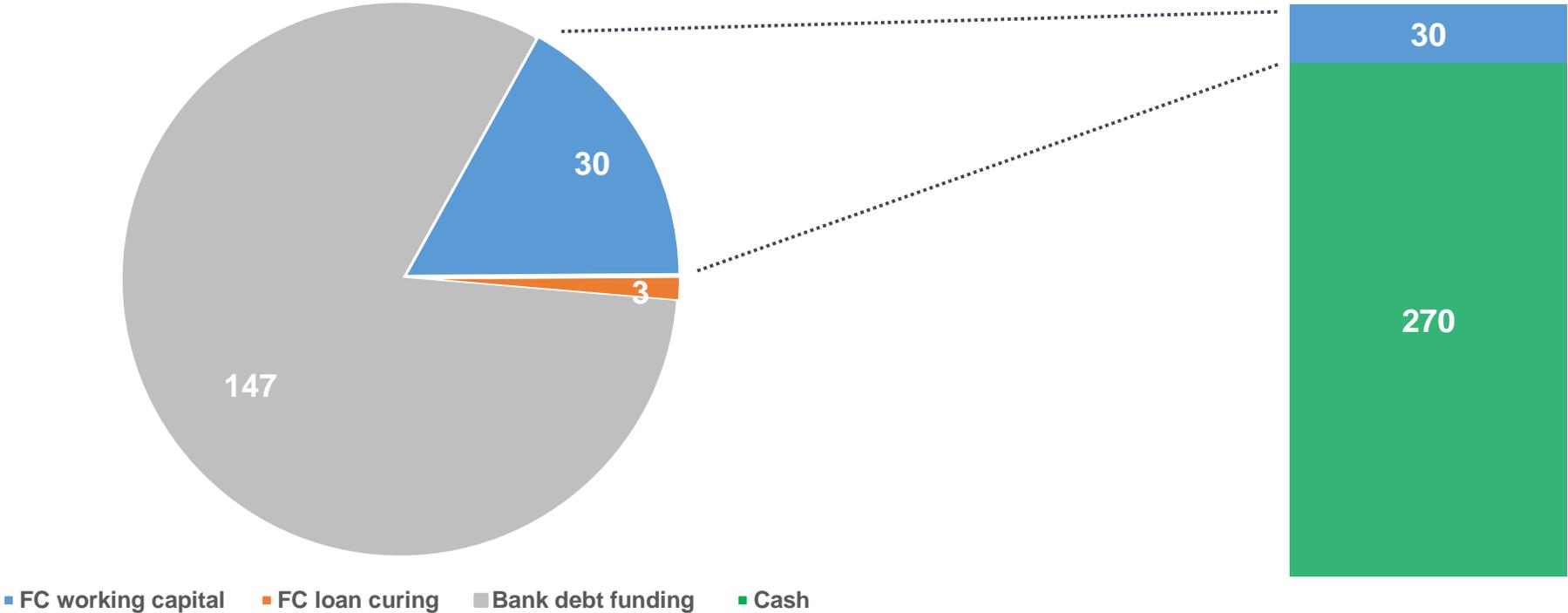
Based on a c.£200m (~\$250m) warehouse with 3:1 working capital leverage, the balance sheet would see peak investment in SME loans of £200m and debt of £150m per warehouse. At securitisation, investments would decline to the 5% risk retention element only (c.£10m).



Short Term Investments & Cash

Short term investments¹ of £180 million with £33 million financed by Funding Circle

Cash and investment working capital² total £300 million



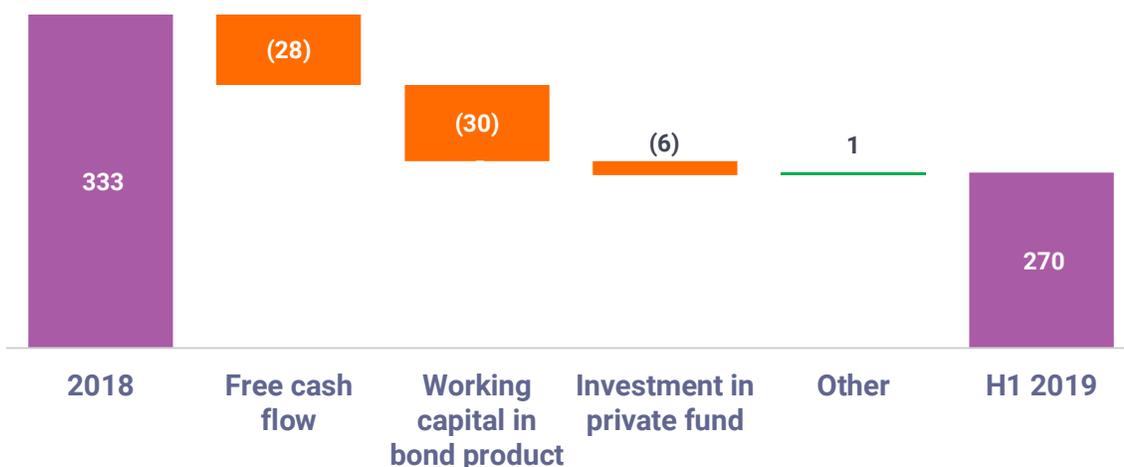
1. Short term investment of £180 million include i) Investments under loan curing (£3m) – typically held for 2-3 days; and ii) Investments in Bond products (£177m) – loans held in the warehouse phase of the ABS programme expected to be securitised in H2
 2. FC working capital represents funding of investments in FC Bond products



Cash and Balance Sheet

Decrease in net cash of £63 million of which £36 million is through investment in new products

Cash and cash equivalents (£m)



Balance Sheet ¹	30 June 2018 Restated £m	31 December 2018 Restated £m	30 June 2019 £m
Goodwill	41.5	42.3	42.3
Intangible assets	17.9	21.5	23.7
Property, plant and equipment	26.9	25.2	25.3
Investment in associates	-	-	5.6
Investment in loans (other)	0.2	0.3	2.0
Non-current assets	86.5	89.3	98.9
Investment in loans (curing)	5.1	4.7	2.6
Investment in loans (bond products)	-	-	177.3
Trade and other receivables	19.5	23.0	27.8
Cash and cash equivalents	65.2	333.0	270.0
Current assets	89.8	360.7	477.7
Total assets	176.3	450.0	576.6
Trade and other payables	17.9	19.3	24.3
Provisions	4.1	3.8	3.5
Borrowings	-	-	146.8
Lease liabilities	3.9	5.0	5.6
Current liabilities	25.9	28.1	180.2
Provisions	0.7	0.8	0.9
Lease liabilities	22.8	20.1	18.4
Non-current liabilities	23.5	20.9	19.3
Share capital	0.2	0.3	0.4
Share premium account	278.2	291.8	292.2
Foreign exchange reserve	14.1	15.7	16.7
Share options reserve	15.8	6.0	11.6
Accumulated (losses) / Retained earnings	(181.4)	87.2	56.2
Total equity	126.9	401.0	377.1
Total liabilities & equity	176.3	450.0	576.6



1. The Balance Sheet has been restated for IFRS16 "Leases" – a reconciliation is provided within the Appendices

Market Outlook



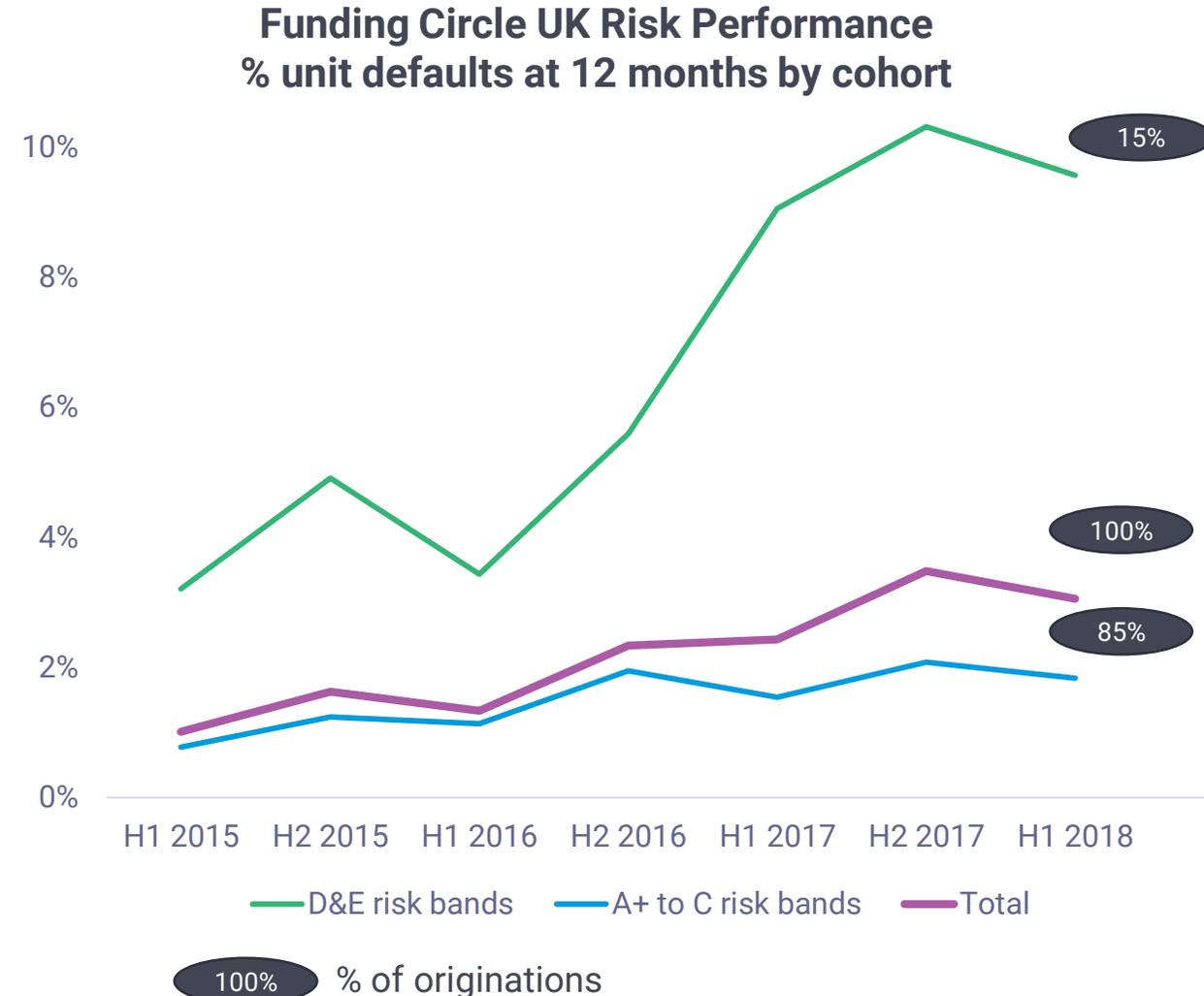
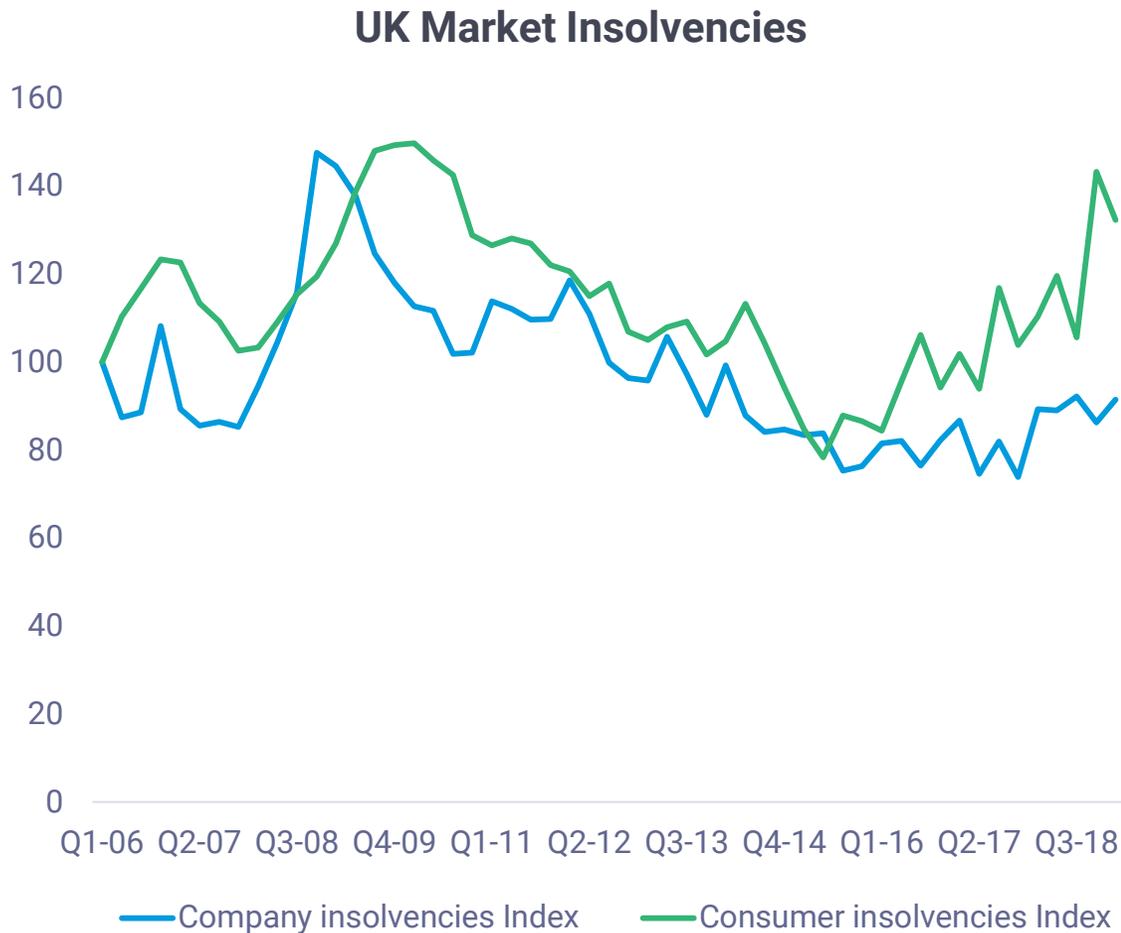
Most recent outlook on investors returns is stable

Projected annualised lifetime returns ranges - Q2 2019 update vs Q1 2019 update

Cohort	2012	2013	2014	2015	2016	2017	2018	2019
UK	7.1 - 7.2%	6.0 - 6.2%	7.0 - 7.3%	6.4 - 7.0%	5.0 - 5.6%	4.0 - 5.0%	4.4 - 5.4%	5.0 - 7.0%
Q2-Q1 change	unchanged	unchanged	unchanged	(10bps) – 0bps	(10bps) – (10bps)	(10bps) – (10bps)	(10bps) – (10bps)	unchanged
US			2.6 - 2.8%		4.1 - 4.9%	5.4 - 6.3%	5.0 - 6.3%	5.7 - 7.8%
Q2-Q1 change			unchanged		unchanged	unchanged	unchanged	unchanged
Germany			0.1 - 1.0%		2.3 - 4.1%	5.0 - 6.9%	5.3 - 7.3%	5.5 - 7.5%
Q2-Q1 change			unchanged		unchanged	unchanged	unchanged	unchanged
Netherlands				3.5 - 4.4%		5.6 - 7.5%	6.4 - 8.4%	6.5 - 8.5%
Q2-Q1 change				unchanged		unchanged	unchanged	unchanged



85% of the UK portfolio (A+ to C band) continues to be stable; consumer environment has affected D and E band performance



We continually adjust our credit strategy to deliver attractive and resilient returns to investors across all markets

Expected Lifetime Annualised Net Yield Range by Market
2019 H1 originations



	UK	US	Germany	Netherlands
Loss Coverage	2.2x to 4.5x	1.8x to 2.6x	2.4x to 5.1x	2.5x to 4.9x



Summary

Outlook for 2019

- Guidance for 2019 unchanged from Q2 Trading Update
- 2019 revenue growth to be c.20%
- Adjusted EBITDA loss margin for 2019 to be better than 2018¹
- Funding Circle remains confident of delivering its stated strategy and generating long-term value for shareholders

Our strategic plan



1. The 2018 financial results have been restated for the impact of IFRS 16 "Leases". The impact for full year 2018 was to improve Adjusted EBITDA loss by £5.1 million to £23.4 million loss. Accordingly, full year 2018 adjusted EBITDA margin has been restated to 16.5%

Q&A



Appendices



Disclaimer

Information regarding forward-looking statements

This Presentation includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Group's current beliefs and expectations about future events.

Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Presentation and include statements regarding the intentions, beliefs or current expectations of the Group concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates.

These forward-looking statements and other statements contained in this Presentation regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements.

Such forward-looking statements contained in this Presentation speak only as of its date. The Group expressly disclaims any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in its expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Listing Rules, the Disclosure Guidance and Transparency Rules of the FCA or the Market Abuse Regulation.



Adoption of IFRS16 Leasing

Adoption of **new leasing standard (IFRS16)** from 1st January 2019. For the 2019 Financial Statements, the six month ended 30 June 2018 comparative has been restated

Statement of Financial Position	Prior to implementation of IFRS 16	Impact of IFRS 16	Post implementation of IFRS 16
£m	H1 2018	H1 2018	H1 2018
Total assets	154.4	21.9	176.3
Total liabilities	(26.3)	(23.1)	(49.4)
Total equity	128.1	(1.2)	126.9

The balance sheet effect can be summarised as:

- (i) A right use asset and corresponding liability being the obligation we have to pay future rent to landlords

Statement of comprehensive income	Prior to implementation of IFRS 16	Impact of IFRS 16	Post implementation of IFRS 16
£m	H1 2018	H1 2018	H1 2018
United Kingdom	9.8	1.4	11.2
United States	(5.1)	0.7	(4.4)
Developing Markets	(3.8)	0.3	(3.5)
Segment Adjusted EBITDA	0.9	2.4	3.3
Product development	(12.2)	-	(12.2)
Corporate costs	(5.0)	-	(5.0)
Adjusted EBITDA	(16.3)	2.4	(13.9)
<i>Margin %</i>	(26%)	4%	(22%)
Depreciation and amortisation	(4.1)	(2.0)	(6.1)
Share-based payments, exceptional items, foreign exchange	(6.9)	-	(6.9)
Operating Loss	(27.3)	0.4	(26.9)
Finance income/(expense)	0.3	(0.5)	(0.2)
Profit Before Tax	(27.0)	(0.1)	(27.1)

The income statement effect can be summarised as:

- (i) removal of operating lease rental charges from Adjusted EBITDA;
- (ii) recognition of a depreciation charge on the newly recognised asset (right to use);
- (iii) recognition of an interest charge on the newly recognised liability.



Cash Flow Statement

Cash Flow Statement	H1 2018 £m	FY 2018 £m	H1 2019 £m
Loss before taxation	(27.1)	(50.9)	(30.8)
Depreciation	3.1	6.4	3.5
Amortisation	3.0	6.1	3.6
Interest receivable	(0.3)	(0.9)	(1.0)
Interest payable	0.5	1.0	0.5
Share-based payments (non-cash)	4.7	8.1	4.4
IPO costs re-allocated to financing activities	-	5.9	-
Tax credit received	-	1.4	(0.2)
Fair value adjustments on investment in SME loans	-	-	0.3
Movement in provision	1.0	0.2	(0.2)
Changes in working capital	(0.3)	(2.0)	1.8
Net cash flow from operating activities	(15.4)	(24.7)	(18.1)
Purchase of intangible fixed assets	(4.7)	(11.0)	(5.9)
Purchase of tangible fixed assets	(1.3)	(2.3)	(2.2)
Investment in loan securities	(1.7)	(1.1)	(175.5)
Investment in associate	-	-	(5.6)
Interest received	0.3	0.9	0.9
Net cash flow from investing activities	(7.4)	(13.5)	(188.3)
Bank borrowings	-	-	145.5
Preferred dividend payment	-	(0.5)	-
Proceeds from issue of Ordinary shares on IPO	-	300.0	-
Payment of IPO costs	-	(15.0)	-
Proceeds from the exercise of share options	0.2	1.1	0.5
Payment of lease liabilities	(1.4)	(3.8)	(2.8)
Net cash flow from financing activities	(1.2)	281.8	143.2
Net (decrease)/increase in cash and cash equivalents	(24.0)	243.6	(63.2)
Memo: Free cash flow¹	(22.5)	(40.9)	(28.1)

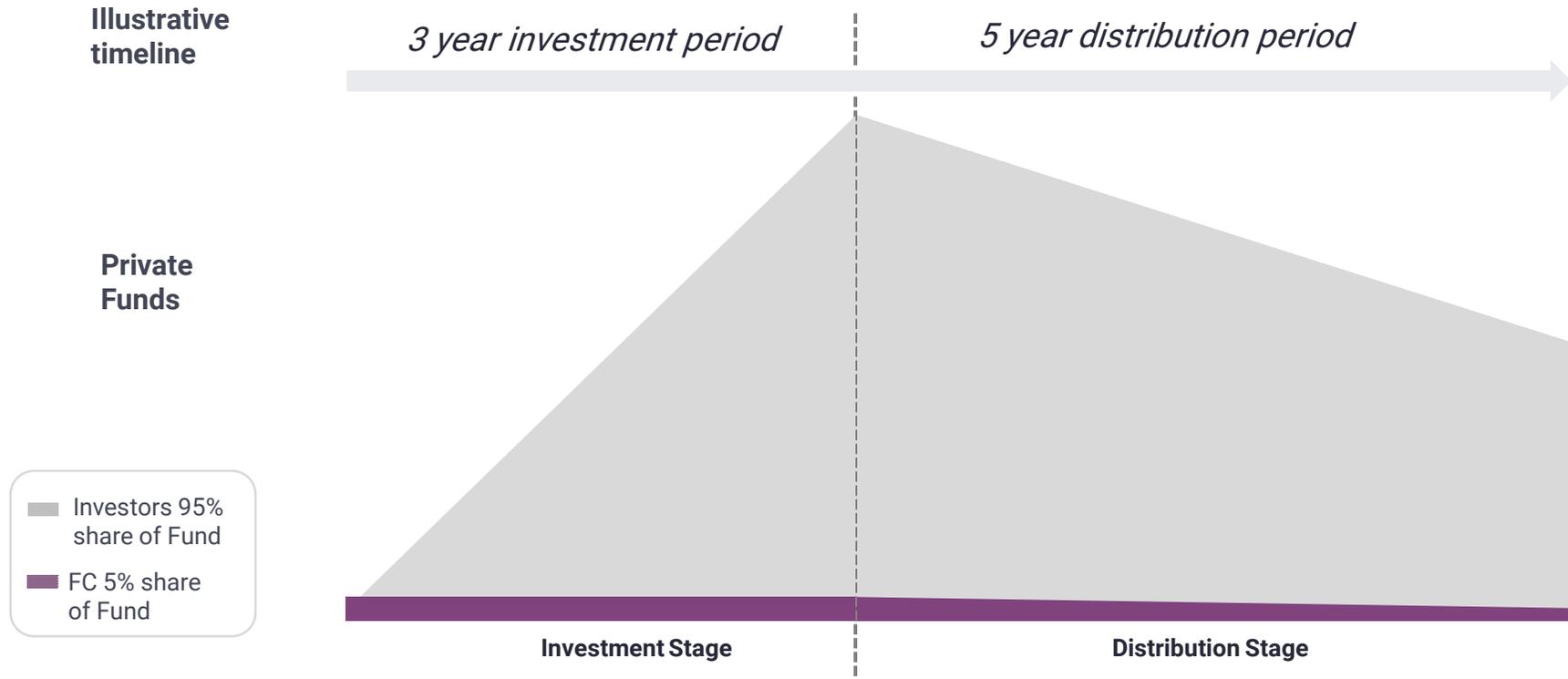
Reconciliation of cash	31 December 2018 £m	30 June 2019 £m
Cash and cash equivalents at the beginning of the year	88.9	333.0
Net increase/(decrease) in cash and cash equivalents	243.6	(63.2)
Effect of foreign exchange	0.5	0.2
Cash and cash equivalents at the end of the year	333.0	270.0

1. Free Cash Flow represents net cash flows from operating and investing activities, including the payment of lease liabilities, but excludes the investment in loan securities and is stated before financing activities





Recap: Private Fund Mechanics



- Funding Circle will invest own capital upfront
- This will attract additional investors over 12-18 months
- The fund will continue to grow for a 3 year period through new funds and re-investment of repayments
- After 3 years, the fund will start amortising each month in line with the underlying loans

Based on c.£200m (€200m) funds, FC investment would be c.£5m (c.€10m). The annual return being in line with Developing Markets and UK net yield projections less a small level of running costs.



Notes



Notes



Notes





Funding
Circle