

# Funding Circle Holdings PLC

## Full Year Results 2025

### Webcast

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Transcript



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Lisa Jacobs:

Good morning and thank you for joining us today for our full year 2025 results. I'm going to start today's presentation with an overview of our performance in 2025. I'll then hand over to our CFO, Tony Nicol, who will walk you through the numbers before I outline the exciting opportunity ahead of us, our differentiators, and why I'm confident we'll continue to deliver strong growth and profitability over the medium term. Today, our business is in the strongest position it has ever been, but I still believe we're just getting started. I'm excited about the value we will continue to create for our customers and our shareholders in the years to come. We delivered a standout performance in 2025. We exceeded our expectations and hit our 2026 revenue guidance a year early. We continue to see strong demand for our products. We're operating in large addressable markets, and in 2025, we supported more SMEs than ever before.

Our focus strategy is reaping rewards as we deepen our engagement with SMEs, increase our share of wallets, and attract more customers into the funding circle ecosystem. 15 years of proprietary data and technology remains the foundation of our competitive advantage, allowing us to deliver a superior customer experience with a capital light platform model built for scale. We're confident in the strength and scalability of our platform, and this is reflected in the attractive new medium-term targets we're setting today as we become an even more meaningful part of our customers' lives. We're looking forward to fuelling even more SMEs throughout the UK as this is core to our mission. We're here to build a place where small businesses get the finance they need to win. With the UK's leading online SME finance platform, having extended over £17 billion to over 125,000 businesses. We support businesses across their financial needs to borrow for the longer term with our loans, to pay later, managing their cashflow with Flexipay, and to spend and be rewarded through our credit card.

Our impact is significant. In 2025 alone, our lending supported over 117,000 jobs and contributed £7.9 billion to GDP. To put that into context, every 1 million of lending through our platform contributes £2.7 million to GDP, 39 jobs, and £700,000 in tax revenue. When SMEs like Bath Base, Choc on Choc featured on our front-page win, the whole country benefits, and this is what drives our team of circlers every single day. 2025 was a standout year in terms of our financial performance. Revenue grew 28%, £204 million, delivering our 2026 revenue guidance a year early. This revenue growth was underpinned by strong volume growth. Credits extended across our products grew to £2.5 billion, up 29% year-on-year, and assets under management grew to £3 billion as our commercial loan growth outpaced the repayments of legacy COVID loans. This volume growth was driven by two main factors, continued product innovation, developing new products and enriching existing ones, and strong borrower demand.

PBT reached £20 million up from £3 million in 2024, showing the operating leverage of the business. Profit after tax hit £46 million, thanks in main part to historic tax losses, delivering strong earnings per share. Two years ago, in 2024, I

spoke about our plan to become a simpler, leaner, and more profitable business. The charts here show we've delivered against that transformation. In 2024, we simplified the business and focused on our multi-product strategy in the UK markets. In 2025, we continued our focus delivery against our plan. These charts show that journey of consistent, disciplined growth. In the last two years, active customers are up 25%. Credit extended is up to 90% and revenue is up 57%. PBT has swung from a loss of £10 million to £20 million in profit. These charts show the material change in the UK business. And if you were to look at this from a group perspective, the profit swing is even more significant.

Alongside, over the last two years, we've continued to distribute capital to shareholders by way of share buybacks. Since March 2024, we've brought back 17% of our issued share capital with the programme ongoing. I'm proud of how the team have executed against our plan, and in particular, how it has primed the business for further revenue and profit growth. A core part of this plan has been evolving our business into a multi-product platform, serving more of our customers' needs. We've been successful in diversifying our products. In H2 last year, 50% of our credit extended came from outside our core term loan products. This is driving increased frequency of interaction, deepening our share of wallets whilst also attracting new customers to the funding circle ecosystem. In 2021, our customer transacted with us roughly once every 30 minutes, and today we have a customer transaction every 38 seconds. Nearly 70% of our FlexiPay revenue comes from our existing term loan customers as we deepen engagement and capture a larger share of our customer's total financing needs.

At the same time, we're attracting new audiences to the Funding Circle ecosystem. 50% of our card customers are new to Funding Circle. This multi-product approach is creating a powerful flywheel effect. More products lead to more engagement, which gives us deeper insights, allowing us to build even better products for the future. The macroeconomic backdrop in 2025 has again been mixed, yet again, we've seen flat GDP, low consumer confidence, business insolvencies ahead of their historic trend, and rising unemployment. Despite this, our business continues to deliver. Our credit models have proved their effectiveness through the cycle, delivering consistent returns to funders of 5% above the cost of capital. We have a strong and trusted brand and provide the ability for investors to deploy funds at scale into an attractive asset class. Demand has remained strong with a 29% year-on-year increase in credit extended. When I speak to our customers, I'm always reminded of their resilience, agility, and optimism, whether that's a chocolate manufacturer, diversifying into broader confectionary or a beauty salon making the most of the boom in aesthetics to grow their business.

I'll now pass to Tony for the financials.

Tony Nicol:

Thanks, Lisa, and good morning, everyone. As Lisa said, we've had a great year, and this is reflected in our financial performance. Group revenue grew to £204 million, an increase of 28% on 2024, delivering our 26 revenue guidance a year ahead of expectations. We continued to keep costs tightly controlled. An

operating expense growth was due to variable costs, predominantly marketing, where we continue to spend about 30% of our revenue on direct marketing and broker commissions. Excluding marketing, costs were up only 1%. This means that much of the revenue growth flows straight through to profit. Unlike the term loans business, we book expected credit losses on FlexiPay and the credit card as we fund those from our own balance sheet. This ECL has increased with growth in assets under management, and as a percentage of average balances is in line with our expectations. Reflecting the revenue performance and operating leverage, we delivered profit before tax of £20.3 million, with margin expansion to almost 10%, significantly up on 2024 profit of £3.4 million.

Corporation tax isn't something we've talked about before, but important to mention now. With historic losses brought forward, we'll see a cash benefit from using these losses, and our effective cash tax rate will be around 10% over the next four to five years until those losses are used up. We have a capital-like funding model that is built for scaling our business. In total, we have three billion in assets under management, covering term loans, FlexiPay, and the credit card. 93% of these balances are term loans provided by a diverse range of funders, being asset managers, banks, and insurers. FlexiPay and the credit card are funded with a senior facility with Citi alongside our own equity and represents 7% of assets under management. The term loans business grew both top and bottom line with continued improvement in profitability. This performance exceeded our expectations, reflecting good early uptake of our new shorter term loan product.

And in the final quarter of the year, we saw heightened demand across our product range. Loan volumes are increasing as we serve more borrowers and credit extended grew 16% year on year to £1.6 billion. Assets under management grew for the first time since COVID and is now at £2.8 billion. This still includes a small amount of legacy COVID loans at around 8% of the loan book. The commercial loan book is now growing faster than the paydown of these legacy COVID loans. Revenues grew 17% to £167 million, mirroring the growth and credit extended. The cost base remains tightly controlled with growth driven by variable costs, mainly marketing. This is driving operating leverage with more than 50% of the revenue growth dropping to bottom line profit, resulting in profit before tax of £32 million and margins of over 19%. As mentioned, we fund term loans through institutions who own the loans.

They like our product as it gives them access to a hard to reach asset class and they can deploy funds at scale. With the data we built up over 15 years, we have credit models that are able to discriminate risk three times better than the credit bureau scores. This means we can better price that risk into the loan interest rates we offer. This is incredibly important as it allows us to deliver stable and attractive annualised net returns to our funders, which have consistently remained around 5% above their cost of capital. This in turn creates strong demand from institutions to fund future originations. We signed five new deals during the year and have over two billion of future funding in place, including the funders we onboarded for shorter term loans earlier this year. We

have a long pipeline of potential funders interested in funding. I continue to be really impressed with the strong momentum we're seeing in FlexiPay and the credit card.

For reporting purposes, we combine the two products and collectively refer to them as FlexiPay. The number of active users grew to nearly 20,000 customers who are spending on a daily, weekly, or monthly basis, and transactions grew by 66% to 815 million. This is a combination of ongoing improvements and functionality, such as the launch of multiple cards, driving more repeat usage from existing customers, as well as onboarding new customers. Assets under management at the end of 2025 was £206 million, which represented 73% growth on the prior year. This resulted in revenue growth of 111% to £36.9 million. The dynamics of FlexiPay are different to term loans as we incur upfront costs from marketing and expected credit losses when we onboard new customers. So, as the business scales, the profit profile is like a J-curve. This means that in a strong growth phase, profits come later, and that is why the loss for the year was £11.9 million.

If we chose to stop growing FlexiPay today, it would be profitable right now, but there's lots to go after in terms of growth, and we're choosing to invest now in the future opportunity. As I've said before, what's great about these products is their repeat nature, which gives more certainty to future revenues. Once a business starts using FlexiPay, it becomes an essential part of their cashflow management toolkit, and the ongoing balances are remarkably stable. The chart on this slide shows the outstanding balances at the end of each half-year period by the cohort in which the business joined Flexipay or the card. What excites me is that growth isn't just coming from new customers, it's being driven by continued engagement from our existing ones. Over 80% of revenue came from customers onboarded in 2024 or earlier. This predictable repeat behaviour is what gives us so much confidence in the long-term growth and profitability of this product.

FlexiPay and the credit card are funded by our own equity, and we see this as an efficient use of capital. On the left-hand chart, you can see the capital cycles quickly. On average, three to four times a year. We have a £240 million facility with Citi, which gives us capacity for ongoing growth and the ability to upsize this in the future. The credit performance on FlexiPay and the card continues to remain very much in line with our expectations. And on the chart on the left, you can see the historic net annualised loss rates around 7%.

IFRS nine requires us to book upfront the future expected credit losses. As you'd expect, as assets under management have grown, so has the charge. For performing loans, you look forward 12 months for expected loss rates, and for delinquent loans, you look at lifetime loss rates. This means that the blended rate we booked for ECL is around 10% to 12% of the average balance outstanding, which is higher than just the annualised historic loss rate of around 7%. We continued to deliver good operating leverage. In a year where revenues grew by 28%, our costs only increased by 12%. On the left-hand side, the bar

chart shows the breakdown. Cost growth came from variable-based marketing costs, which have remained around 30% of revenue in line with expectations. The variable marketing costs arise from direct marketing and brand spend, including our prem rugby sponsorship, now in its fourth year, and our new sponsorship of TNT Sports.

We also pay broker commissions to financial brokers for introducing borrowers. Importantly, we only pay this if a loan is originated. Non-marketing costs, which are more fixed-based in nature, only increased by 1%.

As you can see from the chart on the right, our cost to income ratio has improved steadily since the beginning of 2023, and we expect this to continue to do so, given the operating leveraging term loans and FlexiPay coming out of its J-curve. We approach capital in a disciplined way to drive long-term value to shareholders. To remind you how we think about capital usage, we focus on four areas. Firstly, delivering the medium-term plan and strategy. Secondly, investing where it makes our platform stronger. Thirdly, we consider future growth, whether that is organic or inorganic, and lastly, distributions to shareholders. We've announced £75 million worth of buybacks since March 2024 in three, 25 million tranches, with the third tranche ongoing. To date, we've bought back 17% of our share capital. We'll also consider other forms of distributions such as dividends once we're generating sufficient levels of cash backed profits.

We aren't there yet, but we're certainly getting closer to that point. To show you this framework and practise, we have a healthy cash position, and the left-hand chart shows how cash has been deployed during the year. Under delivering, you can see term loans converting its profits into cash and our funding of FlexiPay. Under investing, you can see the R&D investment in the shorter-term loans where we used our balance sheet to fund whilst we tested, iterated, and seasoned the loans. And under distributing, we've bought back shares through our buyback programmes and in employee benefit trust purchasing. On the right-hand side, you can see how we think about the future deployment of cash, including the remaining purchasing on the current buyback programme and selling and monetising the R&D. As we announced last month, I'm pleased to say we sold those loans post-year end, monetising the £26 million and onboarding a funding investor.

Finally, as we've talked about before, we hold a management buffer of around £40 million for operational risk events. This leaves £76 million of future deployable cash, up from £60 million at the half year. And now let's move on to guidance. Over the last two years, we've grown both top line and bottom line rapidly with revenue of £204 million, whilst we've seen a £30 million profit swing from 2023, where we recorded a £10 million loss for the UK entity to £20 million profit in 2025. We've therefore upgraded our FY26 guidance to circa £235 million in revenue and at least £35 million in PBT. In the medium term for FY29, as we deliver against our strategy, we are targeting continued top line and profit margin growth with a revenue range of 300 to 350 million and PBT

margins trending towards low to mid 20s as we see improved operating leverage and FlexiPay in the credit card reaching a more mature state.

Overall, I'm really pleased with the progress made this year and the momentum we've established as a profitable group. Now I'd like to hand back to Lisa.

Lisa Jacobs:

Thanks, Tony. Looking ahead, we remain resolutely focused on our mission to build a place where small businesses get the finance they need to win. We operate in a large underserved market with over £80 billion of loans outstanding, over £80 billion of SME card transactions every year, and over £1.3 trillion of SME B2B payments. We're solving an important problem for our customers. More than two-thirds of small businesses say cashflow management is their biggest pain point, and over 50% of SME's report being rejected by traditional lenders, creating a significant opportunity. Everything we do is powered by the combination of our proprietary technology and data, and how we combine that with human expertise. This is the moat around the business, and we'll continue to invest in retaining this advantage. We have 15 years of proprietary data, which has produced over 10 billion data points from business financials to loans taken, transactions made, and loans repaid.

These data points feed our AI powered models now in their ninth generation. Our SMEs are on average five to seven people businesses. They value speed and ease so they can get back to doing what they do best, running their businesses. Thanks to our data, our technology, and our dedicated account managers, we provide them with a fast and seamless journey. Our customers complete their applications in as little as six minutes. 73% of them get an instant decision, and they can have money in their accounts in 24 hours. Our models are three times better at discriminating risk than a standard bureau score, which means we can say yes to more businesses while still delivering stable and attractive returns to our funding investors. This drives strong customer satisfaction scores with MPS of 79 and Trustpilot score of 4.6.

We aren't standing still, we're continuing to build, develop, and release new features. Our technology and data stack enables us to be quick to market as we launch new products and new features, enriching our products and continually improving our customer experience. This slide shows a snapshot of some of those. In our term loans business, we launched a new shorter term loan product at the end of H1 to meet new use cases and serve new credit segments. We've rolled out enhanced self-service capabilities whilst expanding our credit product availability through marketplace, where we refer businesses to third party lenders where they have more suitable products available. Within Marketplace, we've focused on covering a set of core product verticals as we continue to increase our breadth of providers to better serve our customer's needs. This breadth of product range adds to our ability to deepen our customer relationships. In FlexiPay, following the beta launch of our credit card at the end of 2024, we've continued to iterate and improve our products.

These feature enhancements drive increased usage as we've expanded the use cases and usefulness of our products. In 2025, these included accounting integrations, multiple company cards, and Apple Pay and Google Pay were launched earlier this year. We will continue to develop at pace through 2026 and beyond building and iterating much loved products. Alongside this, we're actively embedding GenAI applications across our business. We see AI as a significant lever over the medium term to improve our customer and cyclist experience, increase productivity, and open up new opportunities. In 2025, we launched our mission to make funding circle AI native. What we mean by that is that AI is an integrated part of how we work and think, augmenting our human expertise to deliver better customer and business outcomes with our team becoming experts in when and where to deploy AI. We're making good progress against this goal. More than 90% of cyclers are using AI frequently, benefiting from our AI fluency programme.

We have a number of gen AI applications deployed across the business. For example, in our collections team, our agent coaching tool has more than doubled our core review capacity whilst also delivering improved core quality. We're now adapting and rolling this tool out across other parts of the business. In product engineering, we've seen increases in engineering velocity as we've enabled more sophisticated AI tools to aid in software development. Nearly a third of our code is now AI authored. These initiatives alongside broader business initiatives have led to business-wide productivity gains. In 2025, we saw a nearly 20% improvement in productivity. We've delivered well over the last few years, and as we've touched on throughout this presentation, we're well positioned to continue to win in this market. The starting point is our data. We deliver strong risk discrimination as our continued data accumulation drives further model sophistication and accuracy, enabling us to open new credit segments and launch new products.

And as I talked about before, our technology platform allows for fast product development and new feature launches. Thanks to our technology, data, and commitment to our customers, we deliver great outcomes for them with a loan customer NPS of 79, a Trustpilot score of 4.6, and our strong brand reputation drives a consideration amongst our target market of 75%.

On the other side of our Capital Light platform, we've delivered consistent and robust loan returns to our longstanding institutional funders, and we maintain a deep pipeline of potential new investors. We've diversified and expanded our product suite beyond our core term loan offering, with nearly half of our credit extended in 2025 coming from other products. Today, we offer over 10 different credit products to our customers when we also take into account our marketplace offering. This product range enables us to deepen our relationship with our customers as well as attracting new customers. Finally, we have a strong and engaged team. Our mission-led culture has always been a high point of the funding circle business, and in 2025, we were pleased to have reached a record engagement score of 74%. Our team has received individual and

collective recognition in the industry with 11 awards, including the NACFB unsecured lender of the year for the seventh year running.

In conclusion, 2025 has been a really strong year for funding circle. We've delivered against our plan with a strong set of financials, outperforming expectations, and hitting our revenue targets ahead of schedule. We have continued to innovate across the business with new products and new features, evolving our value proposition to borrowers to become a broad business finance provider. Our competitive advantages are deep and we're confident they enable us to keep winning in the future. Looking ahead, there is a significant opportunity for growth with our current product set. In other words, we have the team, the products, and the technology to deliver the attractive medium-term financial goals that Tony spoke about. We'll drive strong customer-led top line growth and increased profits as we scale our products. Our term loans business is now delivering a 19% margin. We'll continue to improve on that and see FlexPay come through the investment J-Curve's profitability.

We'll deliver the revenue and profit growth while building the foundations for our next phase for long-term growth, which includes leveraging AI across our business and continuing to invest in our product and technology capabilities. We are increasingly becoming our customer's trusted financial partner. We're building powerful insights into our customers with a perspective on their credit worthiness and standing as a business, and this provides a strong growth platform beyond our product set of today. As I said at the start, this business is in the strongest position it's ever been, but we're just getting started. I'm excited about the value we will continue to create for our customers and our shareholders in the years to come. Thank you. Tony and I would now be very happy to take your questions.

Operator: If you'd like to ask a question from your phone lines, please press \*1 on your telephone keypad. If you change your mind and want to withdraw your question, please press \*2 and please ensure your lines are unmuted locally as you'll be prompted when to ask your question. The first question today comes from the line of Robert Noble from Deutsche Bank. Please go ahead, Robert.

Robert Noble: Morning, both. Thanks for taking my question. I just wanted to ask on that comment you made, Tony, on the dividends, when we have sufficient levels of cash back profit and you're not there yet, what is the timing and expectation around dividend and buyback and deploying to shareholders in the next year to two years? I guess linked to that is kind of how do you expect the cash position to evolve? Because you'll have £75 million after the buyback in the loan sale. Obviously, you've got regardless £35 million in PBT, there's a DTA benefit. So presumably, you'll have quite a lot more cash by the end of the year. So why not guide to a dividend for this year?

Tony Nicol: Hi, Rob. Thanks for the question. So, in terms of sufficient levels of cash back profits, for 2025, the capital allocation slide shows where the cash generation

has been. And for Term Loans and FlexiPay, for operating cash flows, the net is about £6 million. So, as it currently stands, I would say that is not sufficient.

You're correct that as we go through this year and beyond, that cash generation is going to be growing. And that's why it's, right now we're not there, but we are certainly moving towards that. So, it will be part of our capital allocation conversations at board over the coming year, but at this point, we're not there for dividends. The cash position evolving overall, as I say, we expect to continue to generate cash. We've got £76 million of future deployable after we complete the ongoing buyback programme. So as that concludes, we will consider our capital allocation at that point.

Robert Noble: Great. Thank you.

Operator: We have no further questions coming from phone lines. So, handing over to Abi to take questions from webcast now.

Abi Whittaker: Thank you. We've got one question coming through on the webcast from Paul at TCM Wealth. He says, "Margins aren't guided to expand as much as I would expect. What's holding back the margin in the medium term?"

Tony Nicol: Hi, Paul. So, in the medium term, we've guided to low mid 20s. The medium term is a mix of the Term Loans business that is already at nearly 20% margins and FlexiPay working through the J-curve. I would say for the medium-term, there will always be a slight lag on FlexiPay because we expect it to continue to grow. So, margins will follow. I would see long-term; you've got Term Loans will be in excess of 30% margins. FlexiPay continues to follow. So, yeah, I think over the next three to four years, we're looking at the low to mid-20s, but that's not where it will finish. It will continue to grow beyond that.

Abi Whittaker: Another question from James. "Can you tell us any more about why your performance in Q4 was so strong? Was this related to the government budget?"

Lisa Jacobs: Thanks, James. And morning again. We did see in Q4, as Tony mentioned, an increase in borrow demand. I think there is a portion of it that is related to a post-budget, pent-up demand, but I think actually more broadly, when I speak to SMEs, there has been a period of time for several years now where people have held back from some of that spending and there is actually a sense of a bit of release there and a bit more consumer spending ticking up with some of the businesses that I speak to.

We're also continuing internally to make changes, continuing to make ourselves more efficient and serving a better proposition for our businesses as we've done through the course of last year with things like a sales team refocus and serving different sets of businesses in different ways, incorporating the broader marketplace offering that we've spoken about before.

Abi Whittaker: Thank you. Question coming through from Rahim on the webcast. "Can I ask what medium-term loan book growth you are assuming across the two products? What are the assumptions you make about yields and fees in coming to your medium-term guidance?"

Tony Nicol: So, in terms of the medium-term, the split between Term Loans and FlexiPay and the card, we still see the majority of the profit being in Term Loans. So, from a profit perspective, I would expect Term Loans to be probably three quarters-ish of the profit. And as I said earlier, it's because you've got the J-curve of FlexiPay continued to grow.

So, in terms of actual credit extended, it's more at parity. So, I'd expect there to be fairly similar levels, probably around just over £4 billion overall. I mean, overall, I would expect there to be continued growth between the two products, but the P&L dynamic will be slightly different to the credit extended dynamic. I'd expect continued growth in both of them from a balances outstanding. So, the assets under management, as we now refer to them, with FlexiPay getting to near-ish £1 billion mark, so continued growth there.

Abi Whittaker: Thank you. Question from Piers at Investec. "Could you talk about the full year '26 expense outlook, particularly whether we should anticipate marketing expenses to scale one for one in line with volumes? And are you able to disclose how much of the marketing expense is broker commissions versus direct marketing?"

Tony Nicol: Hi, Piers. So, in terms of the cost-based growth for next year, we've talked about this before that we expect to spend around 30% of revenue on marketing, and we'd continue to do that. The split of that marketing between direct channels and broker is probably more towards 60% broker now and 40% direct. And within direct, that includes a small amount of brand that we do with PREM Rugby and TNT. That has been a shift. I think since post-COVID, there's been a shift towards broker and we've seen that continue.

In terms of the overall cost base, we've got the variable marketing costs. I would then say about 20% of the remaining cost base is more variable in nature, and that's to do with areas like the sales teams, the collections teams that would flex with business growth. The rest of the cost base is more inflationary, and that's why we continue to see that strong operating leverage coming through.

Abi Whittaker: Thank you. And we had a follow-up question from Paul at TCM Wealth. "What are pre-provision FlexiPay margins running at today?"

Tony Nicol: So, pre-provision margins, I think the way I think of this is less about what the margins are today and more that if we stopped growing, it is profitable already. So, the way to think of it is, yes, we're booking upfront costs, but it's not just the provision that we're booking upfront, it's also the marketing cost booked upfront. And therefore, on a steady state, it's profitable already, but we

wouldn't just look at one cost that's upfront without thinking about the marketing as well.

So, I think it's on the right trajectory. Paybacks on individual cohorts continue to be around the 12% to 18%, but as I mentioned earlier, we are continuing to grow it. It is loss making as it stands, but that's intentional in that we're investing now for the future profitability and that if we didn't grow and didn't spend on the marketing right now, it would be profitable in its own right.

Abi Whittaker: Thanks. That's all the questions that we have got coming through on the webcast today, so I'll hand back to Lisa to close.

Lisa Jacobs: Thank you all for joining us this morning. As I said, at the start, 2025 was a standout year, but we're also confident and excited about our growth in revenue and profit to come in the years ahead. So very much looking forward to seeing many of you on the roadshow.