Funding Circle Holdings PLC
Half Year Results 2026
Webcast

8th September 2026

Transcript

Lisa Jacobs: Good morning everyone, and thank you for joining us for our half year 2026 results. I'll start today by touching on the highlights of our first half performance before handing over to Tony to cover the financials in detail. I'll wrap up by looking ahead at the exciting opportunity ahead of us and our confidence in our continued strong growth and profitability over the medium term. It's been another standout six months for Funding Circle. We've built on the momentum of last year with strong revenue and profit growth as we've backed a record number of small businesses. Demand remains strong. Our multi-product strategy is working. Today, we're a more important part of our customers' daily lives. We've continued to increase our share of wallet and attract more customers to Funding Circle. Our 16 years of proprietary data and technology create a competitive moat around the business, enabling a superior customer experience, and our capital light platform is built for further scale.

Our performance in the first half means that today we're upgrading our 2026 guidance to revenue of more than 255 million pounds and PBT of more than 40 million pounds, representing a doubling of profit versus last year. We're also announcing a further buyback of up to 25 million pounds to commence following the conclusion of our current buyback. Since March 2024, we've bought back around 72 million pounds or 18% of the issued share capital. We remain very excited about the long-term opportunity ahead of us as we power even more SMEs throughout the UK. To put a bit more colour behind the performance, here are the key numbers from H1. 52% credit extended growth, 50% revenue growth and PBT of £24 million, up four times on what we delivered in H12025 and assets under management of 3.3 billion pounds. This wouldn't be possible without our talented team of Circlers.

Our high performing and diverse and inclusive culture is one that we're really proud of, and it was fantastic to be recognised by the Sunday Times as one of the UK's Best Places to Work earlier this year. Thank you to the team who've worked hard to deliver such a great half for our customers and shareholders. We're proud of the performance that we delivered in the first half. At the start of 2024, I spoke about how our UK focused multi-product strategy would drive growth and engagement. The numbers this half show that it's continuing to work whilst also delivering the foundations for future growth. Our multi-product strategy means more frequent customer interactions, deeper relationships, and a greater share of wallet. To put that into context, today we have a customer transaction every 20 seconds, up from every 38 seconds at the end of last year and every half an hour, five years ago.

About a third of our customers hold more than one product with us, enabling us to serve more of their needs. Five years ago, this number would've been zero as a single product term lending business, which shows how far we've come. We're also attracting new businesses to the Funding Circle ecosystem through our card product where more than half of our customers are new to

Funding Circle, giving us the chance to build long-term relationships with these customers as we become their financial partner. More products leads to more engagement, which gives us deeper insights and allows us to build even better products for our customers. That's how we're becoming the financial partner that more and more small businesses turn to first. I'll come back to this, but first I'll hand over to Tony who will talk to the financials in more detail.

Tony Nicol: Thanks Lisa, and good morning everyone. As Lisa has just mentioned, we've had another strong six months. Since the first half of 2025, credit extended grew to 1.7 billion, up 52%. This drove revenue to 138 million, up 50%, and profit before tax grew fourfold to 24 million. Assets under management grew by 15% and are now at 3.3 billion. Looking at the group P&L in a little more detail, operating expenses were 99 million, up 27% while revenue grew to 138 million, up 50%. So our top line is growing roughly twice as fast as costs. Expected credit losses relating to FlexiPay and the credit card rose to 15 million driven by the near 80% growth of their balances outstanding with the credit quality in line with our expectations. I'll talk about this in more detail later. Putting that together, profit before tax reached 24 million. The chart on the right shows that our operating expenses as a percentage of revenue have fallen steadily each half over the past two years.

As a result, our profit before tax margin has increased from 1% to 17% in the first half of 2026, demonstrating the operating leverage of the platform. Turning to the business units and starting with term loans, it has been yet another strong performance. We grew both top and bottom line again with continued improvement in profitability. Credit extended increased 43% driven by continued product innovation, including the full six month effect of the new shorter term loan product we launched at the end of H1 last year and strong first quarter demand which has since normalised. Assets under management grew by 11%. That growth in credit extended fed straight through to revenue, which grew to 108 million up 43% driven by both transaction revenues and servicing fees. We continue to maintain a strong cost discipline with growth mainly driven by variable costs including marketing. As a result, the term loans business has delivered a profit of 29 million and the PBT margin increased from nearly 17% this time last year to over 26%.

Now to FlexiPay and the credit card. These newer products are continuing to show strong momentum. Transactions grew by 71% in the half, driven by repeat usage from existing customers, growth in new customers, the scaling of the credit card and targeted increases to credit lines based on clear insight into customer behaviour. I would consider these credit line increases as a bit of a catch up for the whole portfolio, so I wouldn't expect quite this scale of growth each half going forwards. Assets under management grew to 300 million up 78% year on year, which drives the growth in ECL. The transactions and assets under management growth drove revenue of 30 million, up 83% from 16 million a year ago. The P&L dynamics are different to term loans. We incur the upfront costs, marketing and expected credit losses when we onboard new customers. Revenue follows as those customers draw down repeatedly, so in a strong growth phase, profits come later.

That's the J-curve we talk about. The ECL is higher this half as we've scaled the business, but that sets us up well to achieve profitability in the near term. There is a significant opportunity ahead of us and so we continue to focus on investing now for future profitability. To give you an illustration of the scale it has reached, if we chose to stop growing FlexiPay and the card today, i.e. No new marketing, on an annualised basis it would be profitable right now to the tune of around 10 million. And as I'll talk about later, it is now free cashflow breakeven, meaning it is self-sufficient before funding new lines of credit. This chart will be familiar to you and it's a great way to see how the book is building. It shows the outstanding balances at the end of each half with each colour representing the cohort in which each business joined.

What you can see is that once a business starts using FlexiPay or the credit card, it becomes an essential part of their regular cashflow management and they keep using it. Every single cohort grew this half driven by continued engagement and the targeted credit line increases I mentioned. 90% of revenue came from pre-2026 cohorts. That repeat behaviour is predictable. It's what underpins the long-term growth and profitability of this product. Moving on to our cost base, the story here is scalability. Most of our cost growth came from variable costs, particularly marketing. We continue to spend around 30% of revenue on marketing in line with what we said before. That's a mix of direct marketing, brand spend and broker commissions, which we only pay when a loan is actually originated. Our other operating costs also carry a variable element, for example, volume related roles and credit check costs that scale with lending.

The remainder is more fixed in nature, approximately 80% fixed moving in line with inflation and 20% more variable. It's worth a note on share-based payments and in particular national insurance. As I've mentioned before, we pay national insurance when share awards are exercised, not when they're granted, and this is calculated on the share price at time of exercise. Our best estimate therefore is the current share price. As a rough guide, every 10 pence increase in share price adds around £300,000 in cost. With the share price where it is today compared with a couple of months ago, this means a higher charge in H2, which we'll be absorbing. This is also a cost that goes up for the right reason, because we're delivering share price growth and creating more value for our shareholders. From an overall perspective, costs are up by 27% against a revenue increase of 50%, demonstrating the operating leverage we have with continuing margin improvement.

As mentioned earlier, expected credit losses are one of the upfront costs we incur on FlexiPay and the credit card. IFRS 9 accounting requires us to book the future expected credit losses upfront. For performing loans, you look forward 12 months. For delinquent loans, you look at lifetime loss rates. So the blended rate we book for ECL runs higher than the historic annualised loss rate. This means that the blended rate we booked for the ECL is around 11% on a last 12 month basis, and I'd expect it to remain between 10 and 12% of the average balance outstanding. As balances have grown, the charge has grown with them. Importantly, our credit performance remains stable and the book is performing as we'd expect. The chart on the right shows our historic net annualised loss rates, which remain around 7%.

Funding Circle is a capital-light platform built for scale with a funding model that differentiates us and makes the business highly scalable. We have 3.3 billion in assets under management across term loans, FlexiPay and the credit card. Around 91% of that is term loans, all of which is funded by a diverse range of investors such as asset managers and banks. The remaining funding around 9% for FlexiPay and the credit card is funded through our renewed facility with Citi and our own balance sheet equity. Looking at the funding in more detail, on the term loan side, institutions fund and own the loans. We originate the loans and service them on their behalf while the credit risk sits with them. Investors like our product because it gives them access to a hard to reach asset class and they can deploy funds at scale. Our credit models discriminate risk around three times better than the bureau score.

That lets us price risk more accurately into each loan, which allows us to deliver stable, attractive returns to the funders in line with their expectations. Appetite is strong and we see healthy competition for the loans from new and existing investors. Behind all of this is a disciplined funding framework. We adhere to strict principles to ensure our funding remains robust and sustainable. We aim to be as diversified as possible and ensure deals are signed throughout the year. On top of our three billion of assets under management, we have around 2.4 billion of forward flow arrangements in place for future originations. For FlexiPay and the credit card, we fund this from our own equity together with a Citi facility. We see this as an efficient use of capital. The capital cycles quickly, on average around three times a year. With a payback period of 12 to 18 months, our mature cohorts are now cash generative.

We renewed our facility with Citi in April this year at 320 million plus our own equity. Alongside this extra capacity, the renewal was on better terms and better pricing.

Moving on to cash. Our term loans business is highly cash generative. What's new this half is that FlexiPay itself has reached free cash flow breakeven, i.e. Cashflow before funding investment growth. Free cash flow is what I look at to demonstrate whether the business units are self-sufficient at steady state. In the investing box, you can see the investment in FlexiPay lines of credit and monetisation of loans. As previously discussed, we funded the shorter term loan product we launched at the end of H1 2025 using our balance sheet while we tested and iterated it. As planned, we sold that portfolio in January this year, recouping our 26 million investment with the product now funded through forward flow like the rest of our term loans business. The 30 million on the chart also includes around four million cash inflows from co-investments. And finally on this slide, we've returned cash through the buyback programme and funded employee benefit trusts for employee share awards.

This brings me onto our capital allocation framework. The chart on the left-hand side shows our deployable cash. At the end of June, we had 136 million of unrestricted cash. We've deducted the remaining three million still to go on our existing share buyback programme. In total, with the earlier buyback programmes, we will have bought back £75 million, approximately 18% of our issued share capital. We also deduct our management buffer. We hold a buffer of around £45 million for operational risk events. We're not regulated like a bank with regulatory capital, but we do hold a stress buffer for operational purposes. That leaves us with £88 million of deployable cash, which has grown from the £76 million we reported at the end of last year. So the deployable cash position is growing and I'd expect it to continue to do so. We approach our deployable cash in a disciplined way and focus on four areas.

First, delivering the medium term plan. We're strongly cash generative, allowing us to self-fund growth. Second, investing where it makes the platform stronger. For example, co-investing alongside our funders in government guaranteed schemes or funding the research and development of new products on our balance sheet before we onboard third party funders. Third, future growth opportunities, whether organic or inorganic, and fourth, distributions to shareholders. On distributions more broadly, our approach is unchanged. We've been returning capital through buybacks and today I'm pleased to announce that we will commence a further buyback of up to 25 million once the current programme finishes. We continue to consider other forms of distribution, including dividends, and it's a conversation we'll continue to have at a board level. Finally, guidance. With a strong first half, a particularly strong first quarter and a steady start to the second half, I'm pleased to announce an upgrade to our FY26 guidance.

At this point, we now expect revenue will be greater than 255 million and profit before tax will be greater than 40 million. In terms of the medium term, we're just six months into our plan, but with the strong performance and on the basis of the current macroeconomic conditions, we are trending towards the upper end of our FY29 revenue guidance. We will provide a further update at the year end. I'll now hand back to Lisa.

Lisa Jacobs: Thanks, Tony. Since Funding Circle launched 16 years ago, our mission has been to back small businesses with the finance that they need to win, whether that be the cash flow they need to operate, a capital injection for growth or something else. We're proud that over that time we've extended over 18 billion pounds in credit to over 135,000 small businesses up and down the country. When SMEs win, so too do communities and the broader economy. Lending through Funding Circle in 2025 supported 7.9 billion pounds in GDP and 117,000 jobs. We're proud of the impact that we have, but we know there's a lot more to come and this is the part that excites us the most. We're operating in a very large and still very underserved market. Over £80 billion of SME lending is originated each year. There's another £80 billion in card transactions and more than £1.3 trillion in business to business payments.

Our market share remains small at less than 5% of the term loans market and less than 1% of the cards market, leaving a significant opportunity ahead to grow our market share and support more borrowers. We'll continue to do this through a multi-product approach, which creates a powerful flywheel effect. As we build and offer more products, we bring more customers to Funding Circle. We get more data and insights on credit experience, on usage, and on customer behaviour, and this enables us to strengthen our risk models and develop new product features and propositions such that we can attract more customers and serve them with better products and deliver a better customer experience for them as their trusted financial partner. And so round the flywheel goes. A great example of this is shorter term lending where we saw increasing demand from SMEs for flexible short-term working capital products.

And as you see in today's results, the product has gained traction since launch.

Powering all of this and our competitive advantage is the combination of our proprietary technology and data coupled with human expertise. We have 16 years of proprietary data, 10 billion data points, credit models now in their ninth generation. This is what powers our six-minute application for borrowers with more than 75% of decisions made instantly. Borrowers value the speed and ease of our tech platform so they can get back to doing what they do best, running their businesses. Our models are three times better at differentiating risk than a standard bureau score, and this is an advantage we work hard to maintain and continue to invest in as we evolve and improve our credit models. This means we can say yes to more businesses whilst delivering stable and attractive returns to our funding investors. It drives strong customer satisfaction scores from our borrowers and continued strong demand from institutional investors supporting our capital light model.

As I said at the start, we're continuing to invest in our data and technology to deliver new products and product features for our businesses. For example, in our term loans business, we've simplified the application journey and enhanced self-serve capability. We relaunched our mobile app for FlexiPay and Card customers and launched company cards. We've launched a new broker portal and upgraded our borrower portal to make it easier to interact with Funding Circle. This continued drumbeat of product innovation delivers more for our customers. Alongside this, as I've spoken about before, we're continuing to transform our business into an AI native business. We believe that AI will be a significant lever over the medium term to improve our customer and Circler experience, deliver productivity improvements, and open up new opportunities. We see this as a business-wide transformation and we're taking a two-pronged approach, broad business fluency and empowerment paired with a set of targeted strategic initiatives.

In building broad business-wide AI fluency, we continue to invest in learning and development and enablement for all our teams. More than 90% of Circlers are frequently using AI in their job, building gems, projects, and agents to aid them in their work, saving time or upweighting their capability across a set of tasks. One of the recent examples has been from our operations team where we now have a data subject access request or DSAR agent, a process that used to take up to two days of manual work and a lot of back and forth between teams has now been reduced to minutes for our AI agent with a couple of hours of expert human review. Running alongside the business-wide approach, we're focusing attention and investment on a small set of strategic areas where we believe there are significant opportunities in product engineering, distribution and marketing and operations.

In product engineering, we're building an AI native development process that's getting new products and features to market faster. Our AI native engineering teams saw a more than 30% improvement in speed to market in Q2, and we believe this will continue to improve. Faster paced delivery means better and improved products for our customers, leading to upside in customer experience and further growth opportunities. In marketing and distribution, we're adjusting our approach to direct marketing as we expect more SMEs to find us via AI tools in the future. Another example is a trial we're running with an agentic funding finder to support our marketplace team, helping them serve our customers faster. These developments alongside broader business initiatives are feeding into meaningful productivity gains with a 20% improvement in revenue per person compared with last year, and just as importantly, a better experience for the businesses we back. In conclusion, I'm really proud of what the team has achieved.

It's been another standout six months for Funding Circle. We're delivering what we said we would, strong growth, improving profitability, and real progress against our strategy. We're well positioned to continue to win in this market. With 16 years of proprietary data that cannot be replicated, three times better risk differentiation, a technology platform that allows for fast product development, an established brand, high customer satisfaction, and institutional investors that keep coming back. Our competitive advantages are deep and we're confident they enable us to keep winning in the future. Looking ahead, there's a significant opportunity for growth within our current product set as we meet more customer needs and increasingly become the trusted financial partner that UK's small businesses rely on. At the same time, we're building powerful insights into our customers with a perspective on their creditworthiness and standing as a business, which provides a strong platform for growth beyond our product set of today.

Thank you.

Just before we move to Q&A, I wanted to touch on this morning's announcement about my intention to step down as CEO by the end of September 2027. I joined Funding Circle 14 years ago when the business was a startup built on a simple conviction that technology could transform how small businesses access finance. Since then, we've transformed the small business lending market, extending more than £18 billion in credit to more than 135,000 small businesses. I'm incredibly proud of that. When I set out our multi-product transformation strategy back in 2024, I committed to a simpler, leaner, higher growth, more profitable business. Today, we've upgraded our full year 2026 guidance in a clear signal of our confidence. It means we'll come in significantly ahead of what we originally set out to do in March 2024 and indeed in March 2026. Given the strength of the business performance team foundations and our strong platform for future growth, now feels like the right time for me to start the process of handing over the reins.

I want to ensure the board has time to find the best person to take the business forward and I'm committed to supporting a smooth transition. We'll of course share more in due course, but for now it's business as usual. I'm committed to delivering our plan and I look forward to seeing many of you on the roadshow. I'll now hand over to Sergey to open up for Q&A.

Operator: Our first question is from Rob Noble from Deutsche Bank. Please go ahead.

Robert Noble: Morning both. Thanks for taking my questions. Lisa, sorry to see you go, just looking at the share price, obviously you've done a great job as CEO in your tenure. Looking forward, what sort of market share of SMEs do you think the business can get to in the long term? Your growth keeps beating expectations. Is there any supply side limit on the business or is the 2029 guidance quite an easy hurdle as we sit here very early in your plan. And one for Tony, the bottom end of your revenue guidance implies quite a step down in H2. Can you give us an idea of how Q3 is actually going so far in comparison to Q2 or H1. Is there any hesitance you're seeing from the SMEs ahead of the budget or any sign from the government indeed that they're interested in ramping guarantee schemes for SMEs that could help growth going forward? Thank you.

Lisa Jacobs: Thanks Rob, and thanks for the kind words. Market share and how we think about the market. As I said, the market is really large and it's still very underserved. There's about £80 billion of lending to small businesses in term loans. There's a further approximately £80 billion in card transactions every year and about £1.3 trillion in SME B2B payments each year. So addressing that size. And we also see in other pockets where lending actually is quite underserved. So in the overdraft market where we see FlexiPay as being a replacement, that market has fallen off significantly over the last two decades, and so we see that there's a huge underserved portion there. As we look ahead, we see a big opportunity for us to continue to grow our share in that market.

As you've seen over the last few years, we continue to innovate within our product set. So within term loans, we've expanded into shorter term loans. We continue to invest in our credit, such that we can serve new segments of customers and we'll continue to do that within our term loan space. In the card and in FlexiPay, we're obviously much earlier on our journey there and I don't see any reason why we shouldn't have a share that's at least term loans share today, if not further. I'll pass to Tony for the second part.

Tony Nicol: Rob, in terms of the medium term guidance, our current guidance out there is revenue of between £300 and £350 million and profit margins of low to mid 20%. We're still only six months in, but very confident that we are at the upper end of that revenue guidance at this point and we'll reassess that as we get to the year end, but very comfortable with where we are in terms of the medium term. For the shorter term and this year, as I've mentioned, we had a particularly strong first quarter, which normalised in the second quarter, but overall still very strong first half with revenue of £138 million. What I've done in the upgrade to the guidance right now is set a floor and I expect our revenue in the second half to be, or overall for the year to be more than £255 million. In terms of the third quarter, generally quieter summer months, very much tracking in line with our expectations and we'll wait to see how the final quarter pans out.

But as you mentioned, there is an element of uncertainty with the budget, UK budget and SMEs do like certainty, but we've not seen any slowdown from SMEs more generally.

Robert Noble: Great, thank you.

Operator: Thank you. As a reminder, to ask a question over the phone, please signal by pressing star one. My next question is from Edward Firth from KBW. Please go ahead.

Edward Firth: [Unaudible due to poor audio quality.]

Tony Nicol: Ed, I think your line was breaking up, but hopefully I've got the gist of your second question particularly. In terms of the revenue growth, first of all, the growth 50% from the first half of last year to the first half of this year, a large part of that is driven by particularly high demand in the first quarter and by the launch of the shorter term loan product that we launched around May time in 2025. So we've had the full six month effect of that. Part of the driver of that growth, I wouldn't expect that to be 50% growth year on year.

More broadly in terms of the medium term plan, as I said, we're six months in. At this stage, confident that we're at the upper end of that. As you'd appreciate as a board, we do annual strategies and we look to do that towards the back end of the year, so we'll be revisiting that and looking at our medium term plan, but as we currently stand, very comfortable with where we are at the upper end of that medium term range as of now and we'll provide an update when we get to year end.

In terms of the Citi facility, I think what you were asking was how much equity have we got in the vehicle and what's our exposure to FlexiPay more generally? I think that's what you said.

In terms of what we've got, we have £71 million of equity in FlexiPay and the credit card. The way it works is that we have a ring-fenced bankruptcy remote SPV and the lines of credit are held in that facility along with the Citi facility and together with our own equity. And therefore our exposure is limited to the £71 million in there, not to the full value of the lines of credit.

Edward Firth: Thanks so much indeed.

Operator: Thank you. As a reminder, to ask a question, please signal by pressing star one on your telephone keypad. And please make sure the mute function on your phone is switched off to allow your signal to reach our equipment. You may also submit your questions via the webcast. I will pause for just a moment to allow you to signal.

Abi Whittaker: Okay. I'll pick up with some questions from the webcast in the meantime. So we've got one coming in from Piers Brown at Investec on CEO succession. Piers says, "Congratulations to Lisa on your very successful tenure as CEO and very best wishes for your future plans. What skill sets do you think a future CEO needs to bring to the role and are there specific areas of expertise that would be valuable?"

Lisa Jacobs: Thank you. So overall, this is a matter for the board, so I probably can't comment exactly on the attributes, but I'm sure they will be looking for somebody who can build on the successful platform that the team and I have built over the last several years who can complement the strong leadership team that we have in place. The board are really excited about the strategy, about the medium term plan and continue to be very engaged and passionate about the growth of the business. I'm sure they'll bring somebody in who continue that journey.

Abi Whittaker: Thanks, Lisa. One for Tony, can you please provide any additional colour on the £2.4 billion forward flow announced and how much of this comes from new funders onboarded over the past 12 months? Have you seen any negative impact in this regard from the broader issues in private credit?

Tony Nicol: So in terms of the forward flow that we’ve got, very healthy forward flow. This was £2.2 billion at the year end. It's now £2.4 billion. We've had three new deals signed in the year, two of those with existing investors and one with a new investor that was for £500 million in August. So a very healthy pipeline of funding from new and existing and potential investors. In terms of the broader issues in private credit, what we've seen is, as you'd expect, more diligence being undertaken by each of these institutions, which we welcome. We also get a number of audits done by their internal audit functions and we probably have more than 20 audits done a year, including by the British Business Bank. So very comfortable in the position we're in. And if anything, we're seeing a flight to quality overall.

Abi Whittaker: Thanks, Tony. A question from Rahim Karim at Cavendish. "You've spoken to the benefits of having multi-product capabilities. Do you expect to expand your offering further? And if so, what type of products do you think your clients might benefit from?"

Lisa Jacobs: Yeah, the multi-product strategy has worked very well for us over the last several years as we've expanded from term loans into FlexiPay and card. And we see that in what we've shared today about a customer transaction every 20 seconds. As I look ahead, I think there's a huge amount of growth in the product sets that we have today, but we will of course continue to listen to what our customers want and what their needs are and continue to develop the right products for them going forward. And I do expect us over time to add further credit products to our suite. We will do that in the way that we've done previously whereby we take customer needs and customer use cases into account as well as what we see our customers actually using from other parts of the market. You'll remember that as part of our term loans business, we have marketplace where we refer our businesses to other parties and other lenders in the market where we don't have the right product.

That's great for enabling us to deliver great customer satisfaction, also gives us an indication of what other products our customers are looking at. And so we continue to use that as a feed as well for our new product development.

Abi Whittaker: Another question from Rahim on cash distributions, how do you think about the balance between buybacks and dividends and what is the level of unrestricted cash that you believe to be prudent to retain above which you would consider excess?

Tony Nicol: So in terms of our cash overall, very healthy cash balance at the end of June, 136 million. After the existing buyback and the management buffer we hold, that's around 88 million of deployable cash. I expect that cash to continue going forward because the group is cash generative. In terms of the way that we think about it, we think of different forms of distributions, be that buybacks or dividends, and it's a conversation we regularly have at the board and will continue to do so in terms of excess cash. In terms of the uses of cash that we retain, as I mentioned before, the MTP is now cash generative and therefore it's thrown off cash. But then we do look to hold cash for other purposes. As we demonstrated last year with the short-term loan product, we seeded that for a period of time whilst we tested and iterated that, and then we onboarded a new fund for that in January this year.

That tied up about 26 million of cash for a period of time and we'd look to continue to have that flexibility by retaining some levels of cash.

Abi Whittaker: Thanks Tony. A question from Chris, this is about FlexiPay. FlexiPay generated 30 million of revenue but incurred a 15 million ECL charge and remained 4.5 million loss making. Can you quantify the probability and credit loss performance of the mature customer cohorts and tell us more about when you expect FlexiPay to reach PBT breakeven? And potentially I'll just add one question as well from Graham Wells who asks when the credit card will become profit making. Might want to take those two together.

Tony Nicol: Yeah, so maybe I'll take the credit performance first of all. So we are seeing consistent levels of credit performance across the cohorts, the newer cohorts and the maturer cohorts. In terms of profitability, if I were to look at the six months and then allocate that against each of the various cohorts, all cohorts apart from the H126 new cohort are profitable. When do I expect FlexiPay to reach, FlexiPay and the credit card because I think of those two together because they share many resources and many costs. I expect them both to get to breakeven in the near future. And I mentioned on the call earlier that if I took FlexiPay and the card as of a point in time now and stopped marketing, so basically as is, it would be profitable to the tune of £10 million already. So very much there, but looking to continue to grow it for future profitability.

Abi Whittaker: Question from Piers at Investec. We talked about the strength of new business in Q1. Are there any other factors that make the first half of the year unusual in terms of the strength of lending demand? To what extent can we take the first half as being a representative base for originations in the second half and 2027?

Tony Nicol: So there is some seasonality in the business. We typically see a strong first quarter and a strong final quarter and slightly normalised through the summer months. And that follows holiday season very much and half terms and bank holidays. So we do see that. We saw particularly strong demand in the back end of last year as there was more certainty around the budget at the time and then in the first three months of this year that happened to coincide with the conflict in Iran. So it's difficult to pick that part, but we did see it normalise into Q2 and Q3. So as I say, we would expect Q4 to pick up, but there is still an element of uncertainty with the UK budget coming up.

Abi Whittaker: Another question from Piers. Are there any aspects of the upcoming budget that might have specific relevance for Funding Circle?

Lisa Jacobs: Our SME customers are very used to different governments and new budgets now having lived through them over the last several years. And actually the average age of one of our businesses is 8 to 10 years. And what we find is that firstly, SMEs are a group of the UK that all politicians can get behind. They provide growth in their economies and in their communities. And as such, we see it being a cross-party positive set of customers. Our SMEs, what they tell us mostly is that they want stability. I think the government understands that and has heard that, but really what we see is that they continue to be resilient. The book is performing very well. And actually we see SMEs really focused on their continued growth, continued working capital needs throughout all these periods of uncertainty. We have jewellery businesses and one who I met earlier this year who'd recently had a burglary, which was a bigger challenge for them or a chocolate manufacturer who is challenging with the cocoa price increases.

And therefore some of the differences in government have less of an impact than we might sometimes think.

Abi Whittaker: Related to that, a question from Gary Greenwood at Shore Capital. Have you seen any change in customer sentiment or behaviour post Andy Burnham becoming prime minister? And related to that, any current areas of concern within your customer demographic?

Lisa Jacobs: No. I mean, to a certain extent it's a little bit too early to tell, but demand has continued to be good into the second half of the year and we've not seen any noticeable change in sentiment. The top two things that our businesses talk about as their pain point continues to be supplier payments and the economy. And on the supplier payments front, this again comes back to the cash flow challenges that small businesses face and is part of the reason why we expanded our product set to include cashflow products and really making sure that we're serving those working capital needs through FlexiPay and through the credit card.

Abi Whittaker: And another question from Gary about marketing spend. How did the marketing spend split between the two business lines in the first half? How should we think about this going forward?

Tony Nicol: So we don't split the marketing between the two because some of the marketing works for both products. So we think of marketing as a whole. Overall marketing spend continues to be around 30% of revenue. That said, we do see a bit of a split within the channels that we market. So the direct marketing and the broker marketing through the broker commissions. So we are seeing a bit more marketing or a bit more flow coming through broker than direct. It's probably about 60 / 40 split as it currently is.

Abi Whittaker: Thanks Tony. A question from Angel Gavieiro at AG Strategy and Partners about AI. Could you elaborate more about the degree of AI adoption achieved so far, both in terms of what's going well and what could go better and what are the specific targets in this regard going forward?

Lisa Jacobs: Yeah. So as I said in the presentation, we're focused on a couple of different areas. One is our broad based fluency and enablement for the whole team. And then the second is targeted strategic investment. So in the broad based, we're finding really strong usage across our team. About 90% of circle is using AI frequently. We're supporting them with the skills to enable them to do so. And we're seeing them create really good use cases to support with their day-to-day productivity, but also to bring really good tools for their broader teams to work through. So I mentioned one of those in the presentation, our data subject access request agent. We've also got teams who are building these for agent call coaching. We've got teams who are building their own dashboards in order to get data out to be able to see it in real time. So a huge number of different use cases, which is adding to individuals' productivities.

In the specific areas where we're strategically investing, we're seeing really good wins in terms of, again, productivity and customer experience. We're in product engineering. As I said, we have seen our teams who are working in an AI native way deliver products to market 30% faster. We think there's a lot more room for that to grow. So I'm really encouraged by what we're seeing across the business. I think it continues to be something we see as being a valuable lever over the medium term to drive productivity, to drive customer experience benefits. And that all comes down to a 20% improvement in productivity from AI and other related initiatives over the last year.

Abi Whittaker: That's all the questions that we have coming through today on the webcast and on the phone. So I'll just hand to Lisa if you want to say anything to wrap.

Lisa Jacobs: Thank you for your time today for joining the call. The business is in a great position. We're really excited about the future and we'll look forward to seeing many of you on the road show.