

HALF YEAR 2023 RESULTS

7 September 2023

“
Getting a loan from Funding Circle was simple and speedy. The funding is helping me develop our new product line which I'm really excited to launch.”

Bruna Piaui Graf, Founder, Bruna's Brazilian Cheese Bread

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.

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Who we are

We're the UK's leading SME lending platform, with a material and growing presence in the US

c.£16bn

Credit extended

c.140,000

Small businesses supported

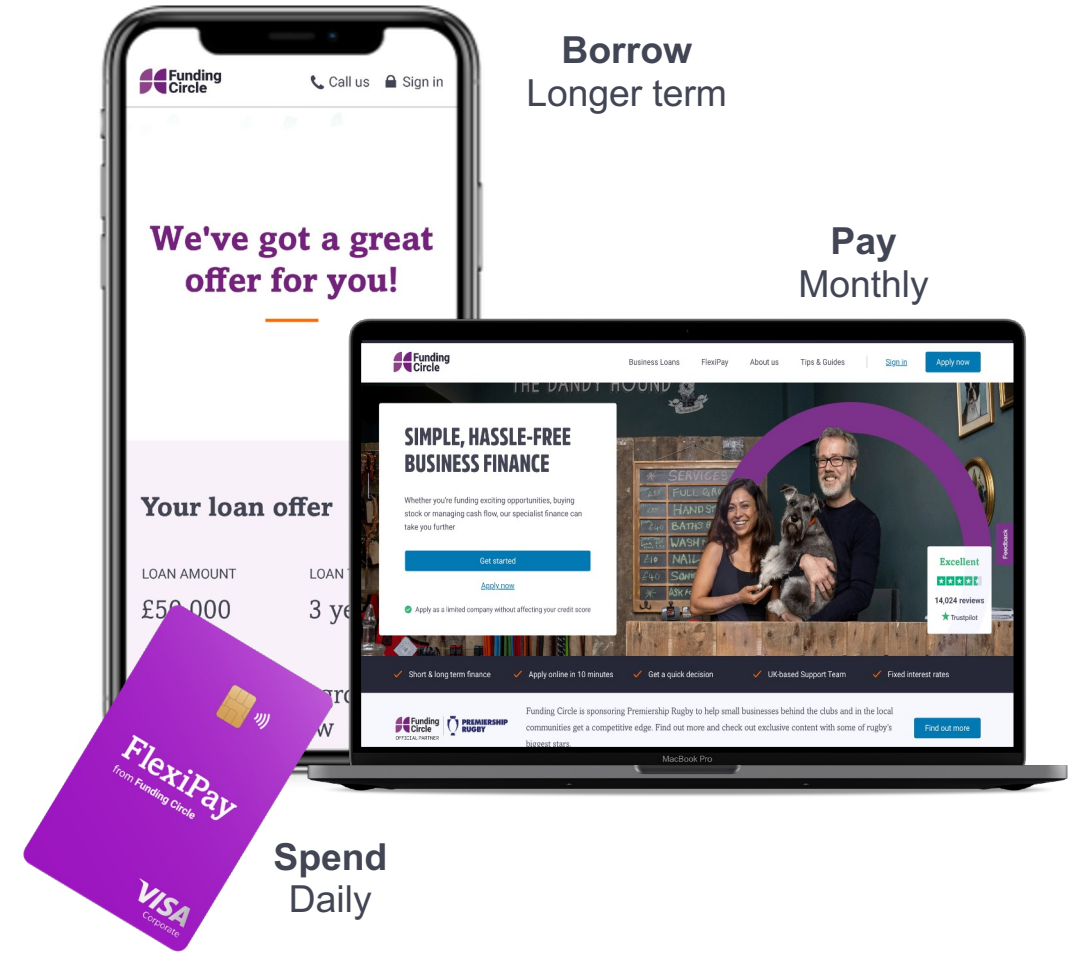
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Institutional investors

We enable small businesses to borrow, pay and spend – offering an unrivalled customer experience powered by data and technology

We give institutional investors access to an alternative asset class in an underserved market, with robust and attractive returns

Data points since 2010



How we do it

**We deliver an
unrivalled experience
for small businesses,
powered by data and
technology**



>2 bn

Data points in
data lake (Group)



3x

Better risk discrimination
than bureau scores



6 min

Application time
(UK Loans)



75%

Instant decision
(UK Loans)



76

Customer NPS
(Group)



4.6

Trustpilot
score (UK)

Delivering on our strategy in H1 23



ORIGINATIONS MOMENTUM

£771m
up 14% on H2 22



ROBUST & ATTRACTIVE LOAN RETURNS

5-6%
average annualised
returns since 2018



ONGOING INVESTOR DEMAND

**3 new
forward flow
agreements**



UK LOANS PROFITABLE

£1.4m
UK Loans
PBT



US LOANS GROWTH

21%
originations
growth on H2 22



STRONG FLEXIPAY MOMENTUM

**>£90m
transactions**
2x on H2 2022

Financial performance

How we make money: 90% of income from fees

		H1 23 Driver	Typical yield %	% of H1 23 Total income
Operating	Transaction fees	Originations £0.8bn	c.6%	54%
	Servicing fees ¹	LuM £3.5bn	c.1% per annum	33%
	FlexiPay fees	Transactions £90m	c.4.9% over 3 months³	3%
Investment	Investment income	Invested capital £58m²	Variable%	5%

1. Servicing fees includes other fees

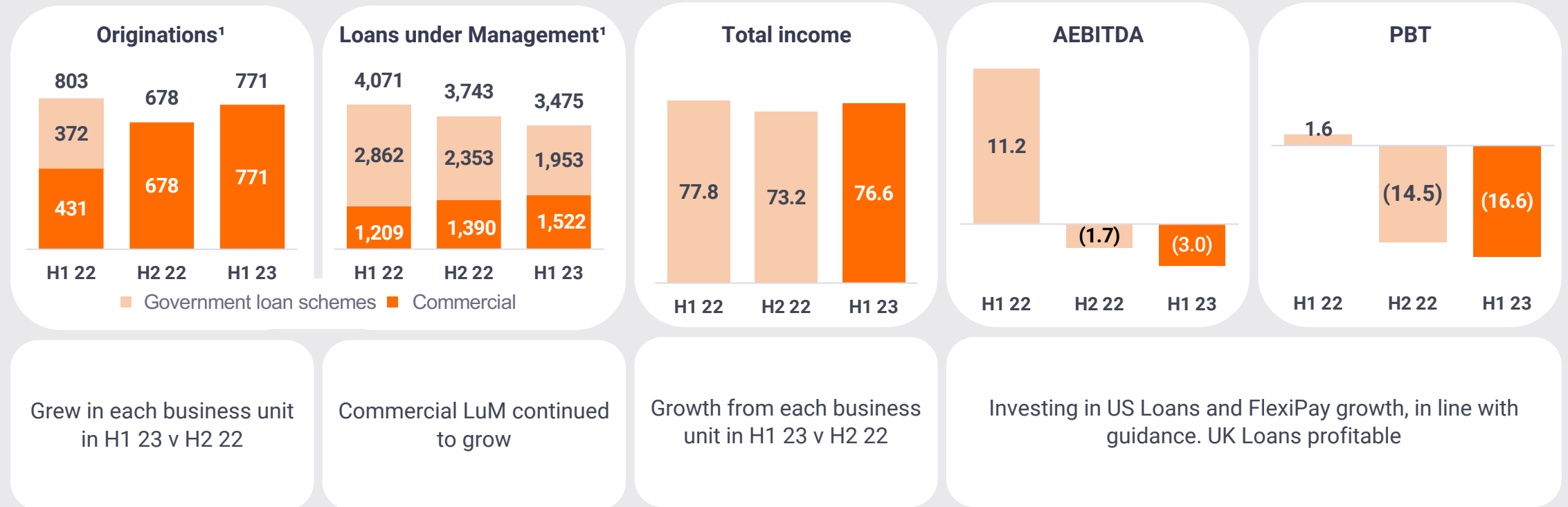
2. Invested capital excludes £10.5m of FlexiPay lines of credit

3. FlexiPay pricing ranging from 3.0%-5.9%

4. In addition to the income types above, interest on bank balances and client money is included in Total Income

Resilient Group financial performance in H1

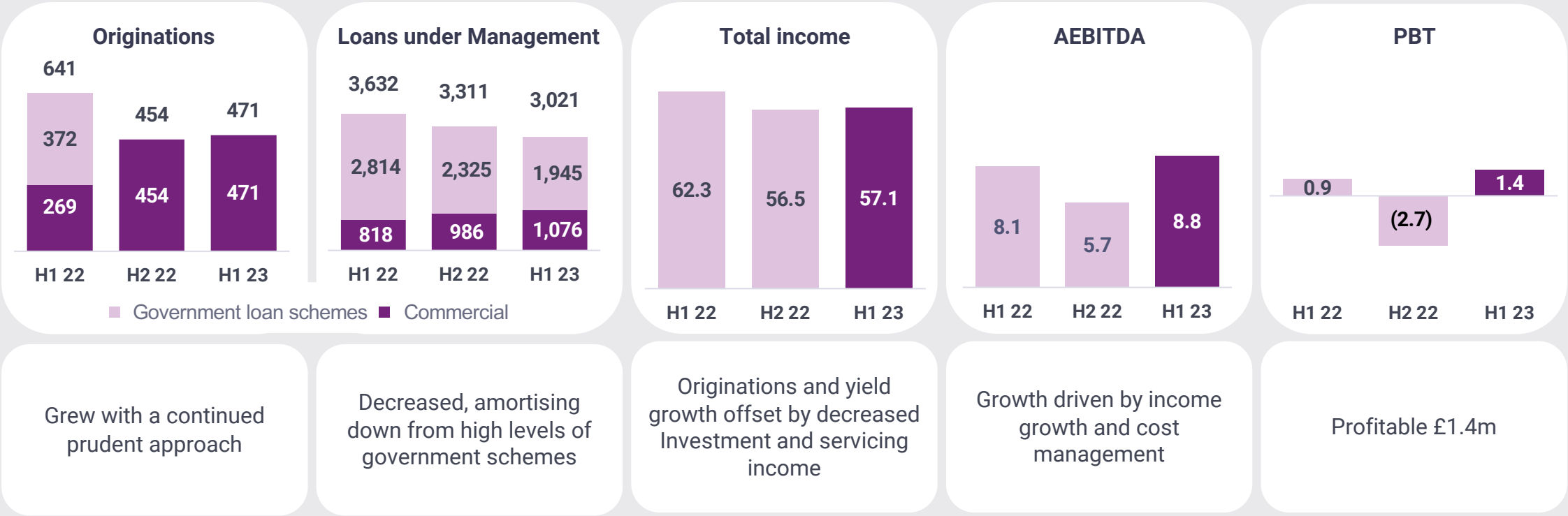
£m



1. Originations and Loans under Management include FlexiPay Transactions and End of month balances respectively
 2. H1 23 re-presentation: Finance income (being interest on bank balances and client money) within operating income, finance costs (being the discount unwind of lease liabilities) within profit/(loss) before taxation and share of profit of associates within AEBITDA. H1 22 and H2 22 have been restated for comparison. See appendices for more information

UK Loans profitable and well positioned for growth

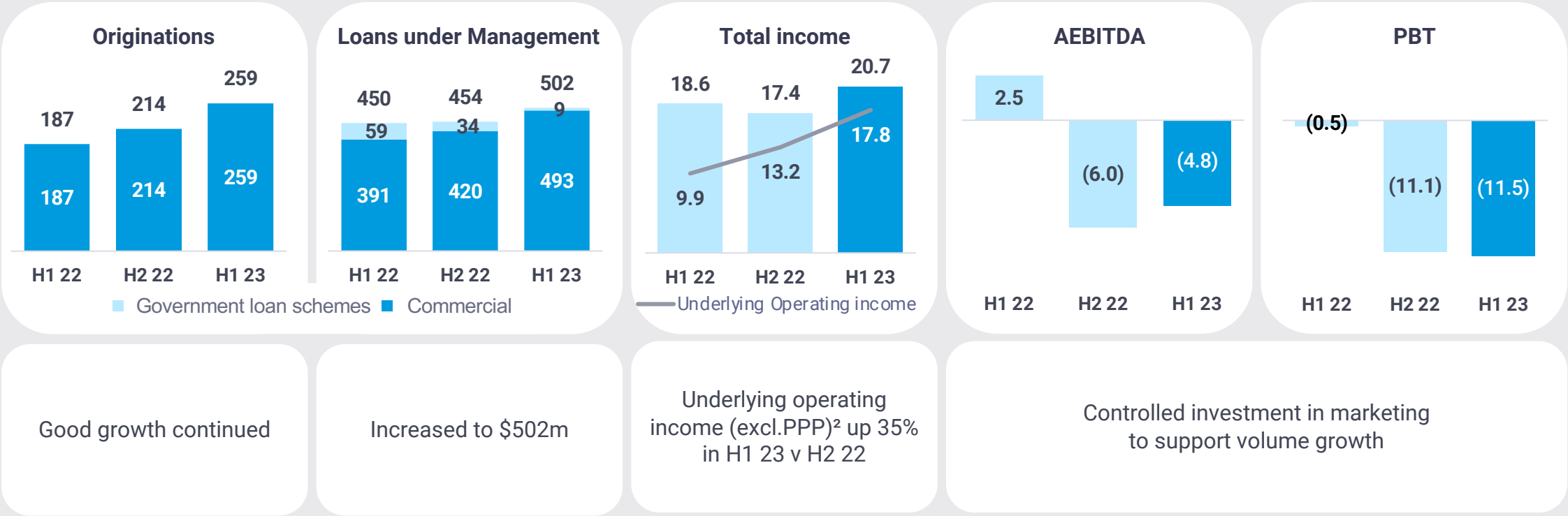
£m



1. UK Loans excludes FlexiPay

US Loans showing good growth

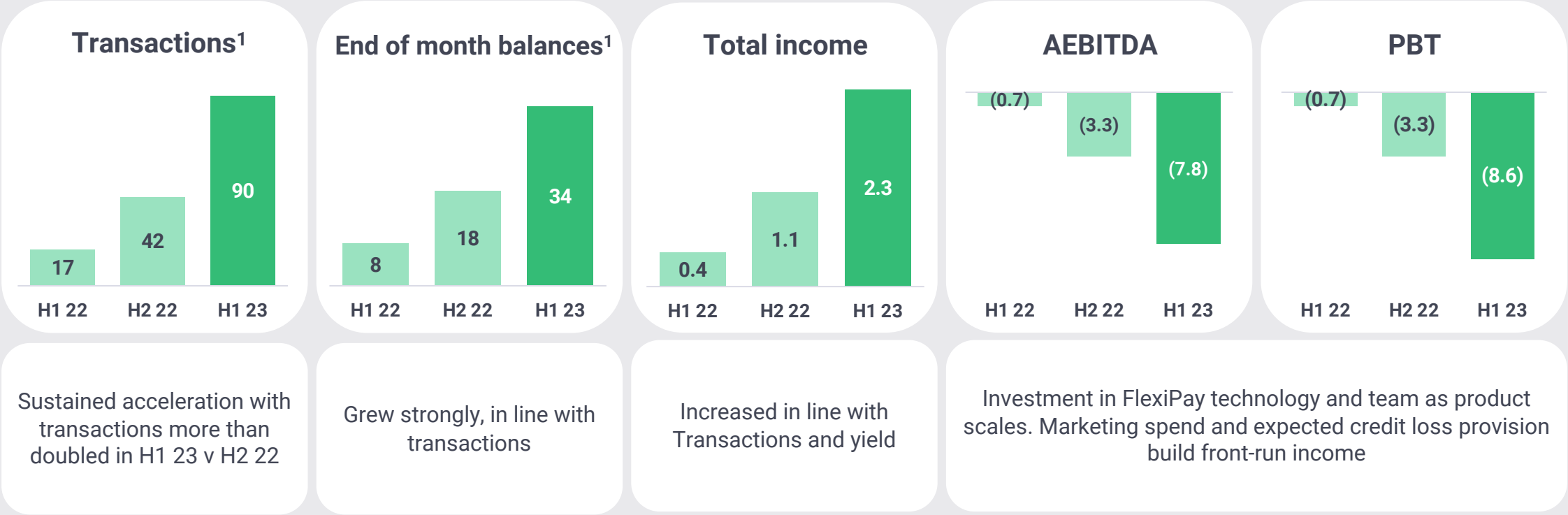
\$m



1. Underlying operating income is adjusted to remove the impact of PPP deferred income (\$3.3m in H1 22, \$0.2m in H2 22)
2. Numbers above as translated into GBP for Group consolidation: Originations H1 22 £145m, H2 22 £182m, H1 23 £210m; LuM Jun-22 £371m, Dec-22 £375m, Jun-23 £398m; Total income H1 22 £14.3m, H2 22 £14.8m, H1 23 £16.9m; AEBITDA H1 22 £2.0m, H2 22 £(5.1)m, H1 23 £(3.8)m; Profit/ (loss) before taxation H1 22 £(0.4)m, H2 22 £(9.4)m, H1 23 £(9.2)m

Continued momentum in FlexiPay

£m



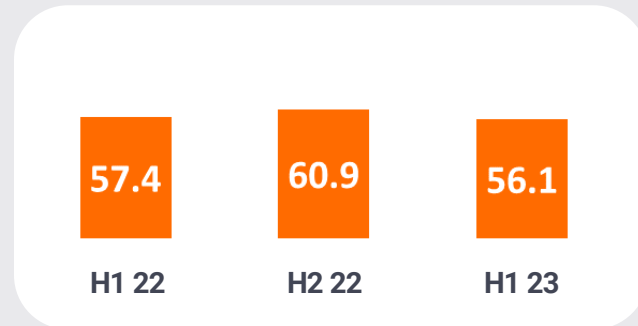
1. Transactions metric comparable to Loans business Originations. End of month balance comparable to Loans business LuM

Aligning costs to strategic needs

£m

UK Loans

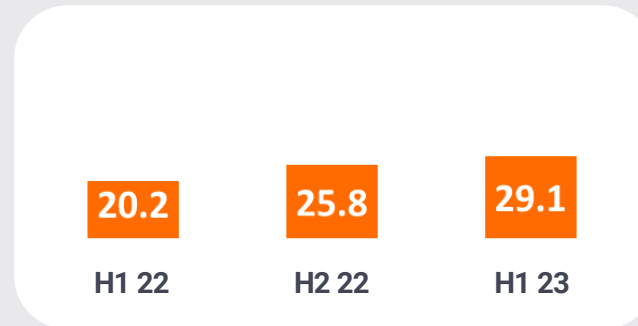
Managing cost efficiencies



- UK Loans is an established business, demonstrating cost efficiency with costs decreasing 8% in H1 23 v H2 22 whilst Total Income increases by 1%

US Loans

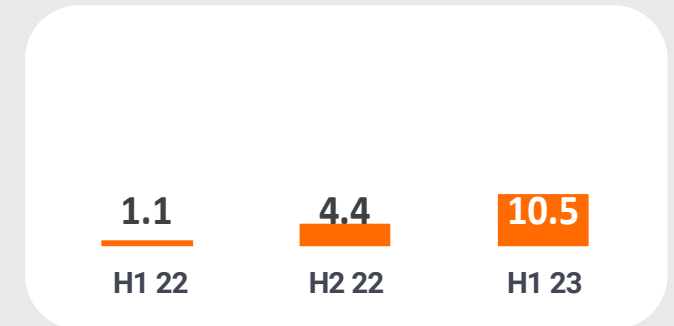
Controlled investment



- Controlled investment in the US, with marketing investment to support volume growth
- Costs include the non-recurring impairment of San Francisco office space (£1.8m in H2 22, £2.0m in H1 23)

FlexiPay

New product investment

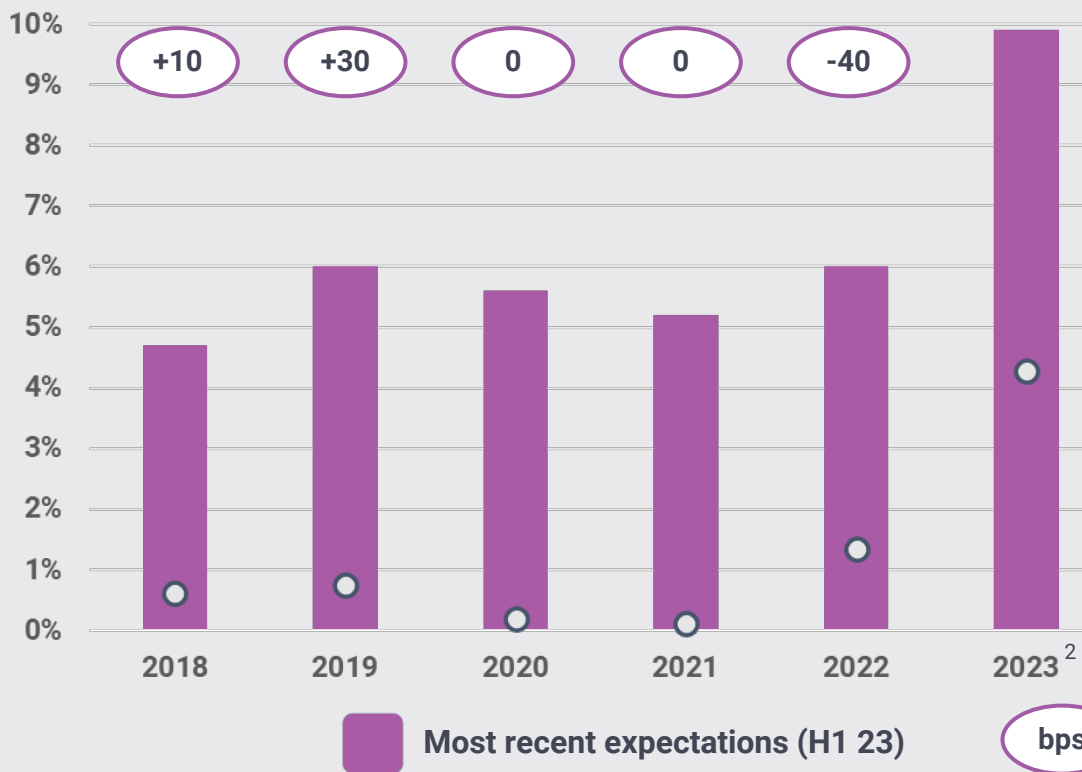


- Investment in FlexiPay technology and team as product scales; marketing and expected credit loss provision build front run income

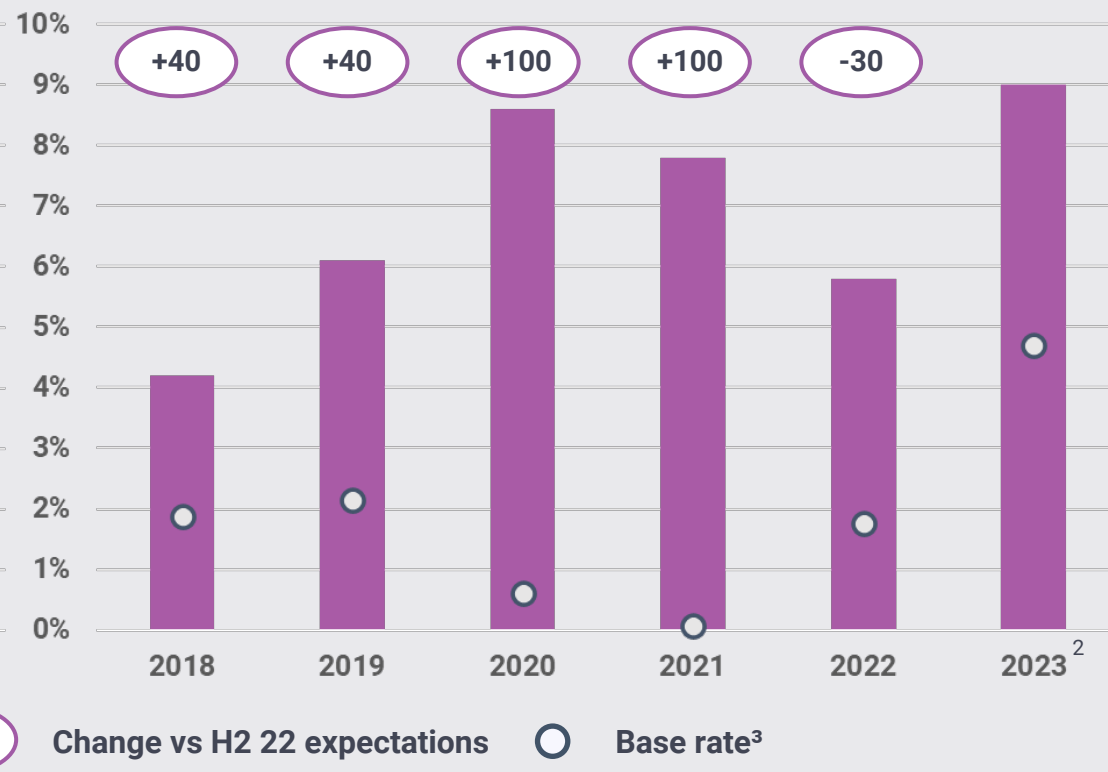
Track record in delivering robust and attractive loan returns



Projected annualised returns by cohort¹



Projected annualised returns by cohort¹

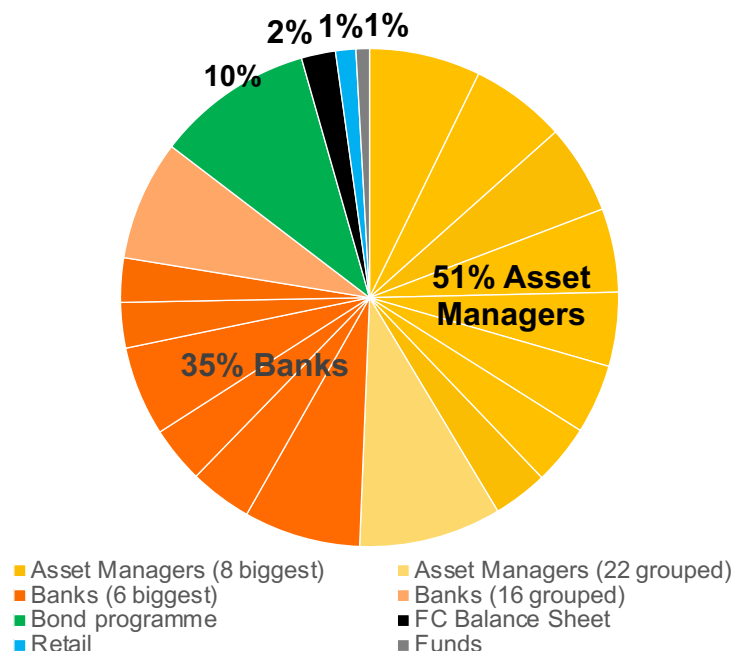


1. The projected annualised return shows the return, after fees and bad debt, that loans are currently estimated to achieve. It can take up to five years for loans to fully repay so estimates may change, particularly for more recent cohorts where the majority of loans are still to repay
2. 2023 expected returns are as at point of origination
3. Base rate weighted by funded originations

Diverse, agile and sustainable funding model continues to attract new and existing institutional investors

The breadth and depth of our investor relationships ensure diversity of funding

Loans under Management¹

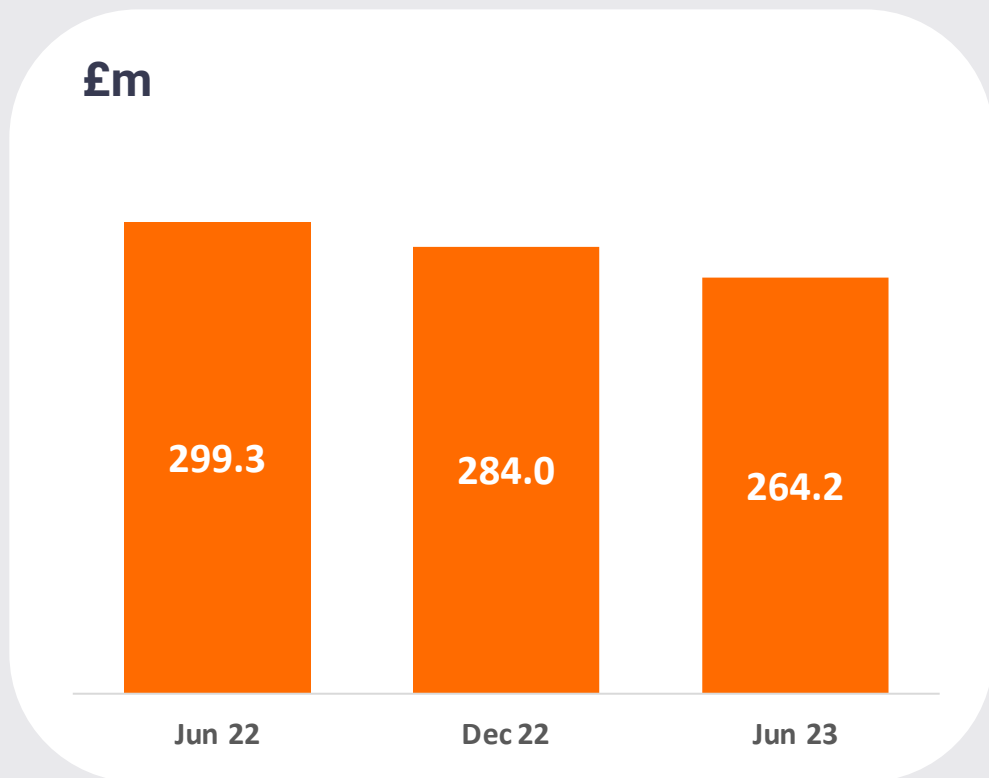


1. Categorisation based on initial originator of loan

Continuing to secure institutional funding in a higher rate environment

- UK: £1.6bn of agreed funding, including material forward flow signed in January
- US: £0.4bn of agreed funding, including material forward flow agreement with asset manager and a second credit union partner signed in the half
- FlexiPay: secured senior debt funding from Citibank
- In August, we launched the third iteration of the Recovery Loan Scheme (RLS) and added Allica Bank as a new bank partner

Strong balance sheet and cash position



- Net assets of £264m includes cash of £204m and invested capital of £69m
- The decrease in net assets of £20m is driven principally by investment into US Loans and FlexiPay
- Cash has increased by a net £26m to £204m as a result of:
 - Working capital due to timing of guarantee fee payments to the BBB (£11m inflow)
 - Investment cashflow, including proceeds from the sale of US loans temporarily funded in Q4 '22 (£18m inflow)
 - Growing FlexiPay lines of credit offset by new senior facility (net £15m inflow)
 - Trading results (£16m outflow)
- Invested capital has decreased by £28m

Our balance sheet is a source of strategic advantage

Supporting operations

- Cash retained for prudential stress
- Supporting our US Loans and FlexiPay operations

Investing where it makes the platform stronger

- Limited co-investment for risk alignment
- Research & development

FlexiPay funding

- FlexiPay funded on balance sheet, leveraged in June

Future growth

- Further investment in growth
- Sufficient cash for the full execution of our strategy

Managing share dilution

- Employee benefit trust purchasing to reduce share plan dilution

Outlook

Funding Circle continues to be well positioned for long term success
No change to guidance provided in March 2023

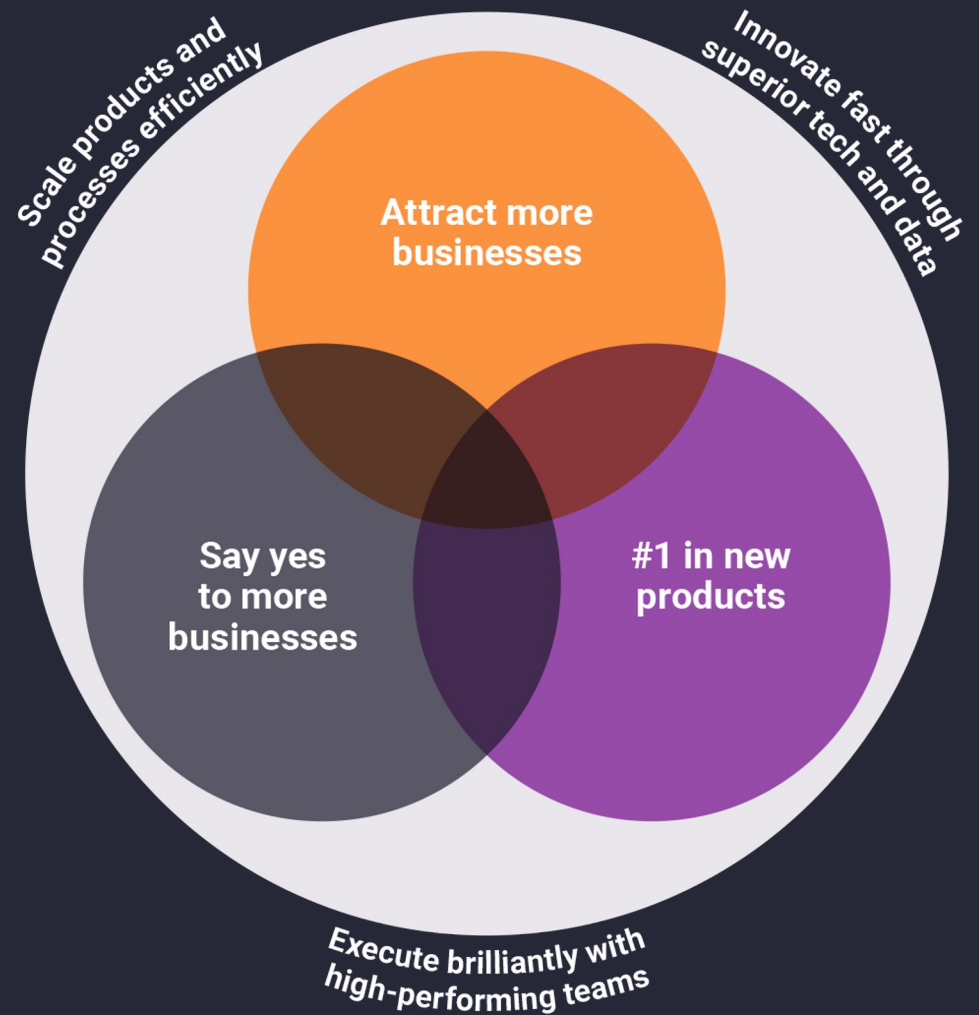
	FY 23	
	UK and US Loans	FlexiPay
Total income	£150m-160m	Over £10m
AEBITDA	£0-10m	£(10-20)m

Medium Term (FY 25)		
UK Loans	US Loans	FlexiPay
At least £175m	At least £70m	At least £50m
Margins of 25-30%	AEBITDA positive	AEBITDA positive



Looking ahead

**Our growth
strategy focuses
on helping more
small businesses
win**



We're attracting more businesses

Attract more
businesses

Say yes to more
businesses

#1 in new
products

Strengthening existing distribution channels and expanding into new embedded and intermediated channels to enable more businesses to reach us



FlexiPay extends our product range so customers can now **borrow, pay and spend with Funding Circle**



Completed **first year of sports sponsorship** with Premiership Rugby driving increased brand metrics



Expanding distribution channels with **new partnerships** in the UK and US

We're saying yes to more businesses

Attract more businesses

Serving more businesses through an expanded set of Funding Circle products and further integration with third party lenders

Say yes to more businesses



Strong start to participation in third iteration of the UK government Recovery Loan Scheme helping an incremental set of businesses



New customer segments launched in 2022 continued to deliver growth, with H1 US super prime contributing 32% of US Loans value and UK near prime making up 12% of UK Loans volume



Marketplace showing strong momentum in UK and US, accounting for 13% of originations

#1 in new products

We're continuing to develop new products

Attract more businesses

Say yes to more businesses

#1 in new products

Using our capabilities to enter new markets where we can develop market-leading products



£150m+ FlexiPay transactions since launch;
with £90m in H1 2023



Following a successful beta phase, we are now **moving into launch phase** which will see FlexiPay card available to new and existing customers



Secured **senior debt funding from Citibank**, with FlexiPay having reached sufficient maturity and scale

FlexiPay transactions more than doubled in H1 23 to ~£90m

FlexiPay continues to show strong traction and growth:

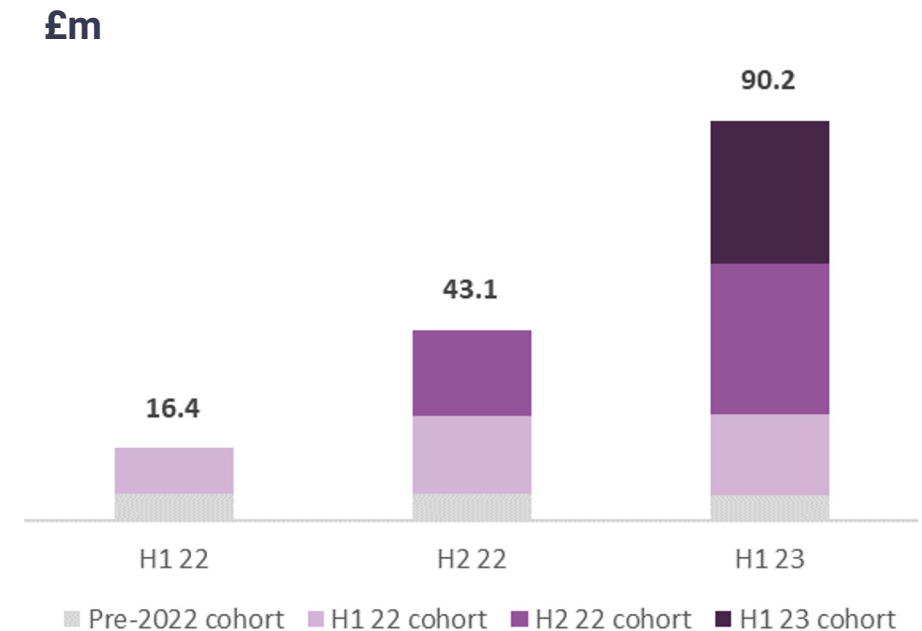
- > 2x growth in transaction value H2 22 to H1 23
- > 3,800 active¹ accounts at end H1 23 (~2,000 FY 22)

High customer engagement:

- 1.3 transactions/month per active customer
- > 40,000 transactions since launch

Attractive economics and risk profile

Transactions by half year cohort²



1. FlexiPay account is active when there is an outstanding balance on the account or a transaction has been made in the last 3 months.

2. Transactions by half year cohort show transactions grouped by the half year of first transaction.

Conclusion

- Performance in line with expectations despite macroeconomic environment
- Delivering on our medium-term plan – capturing growth in a large, underserved market
- Technology and data driven competitive advantage continues to deliver superior borrower experience
- Attractive and proven business model with robust loan returns
- Executing on attractive growth opportunities to help more small businesses win

Financial appendices

Income statement re-representation for FY22

£m

	Before re-representation			Adjustments			After re-representation		
	H1 22	H2 22	FY22	H1 22	H2 22	FY22	H1 22	H2 22	FY22
UK Loans	61.9	55.1	117.0	0.4	1.4	1.8	62.3	56.5	118.8
US Loans	14.2	14.4	28.6	0.1	0.4	0.5	14.3	14.8	29.1
FlexiPay	0.4	1.1	1.5	-	-	-	0.4	1.1	1.5
Other	0.8	0.8	1.6	-	-	-	0.8	0.8	1.6
Total income	77.3	71.4	148.7	0.5	1.8	2.3	77.8	73.2	151.0
UK Loans	7.6	4.1	11.7	0.5	1.6	2.1	8.1	5.7	13.8
US Loans	1.9	(5.6)	(3.7)	0.1	0.5	0.6	2.0	(5.1)	(3.1)
FlexiPay	(0.7)	(3.3)	(4.0)	-	-	-	(0.7)	(3.3)	(4.0)
Other	1.8	1.0	2.8	-	-	-	1.8	1.0	2.8
AEBITDA	10.6	(3.8)	6.8	0.6	2.1	2.7	11.2	(1.7)	9.5
UK Loans	0.5	(4.2)	(3.7)	-	-	-	0.5	(4.2)	(3.7)
US Loans	(0.1)	(9.6)	(9.7)	-	-	-	(0.1)	(9.6)	(9.7)
FlexiPay	(0.7)	(3.3)	(4.0)	-	-	-	(0.7)	(3.3)	(4.0)
Other	1.8	0.9	2.7	-	-	-	1.8	0.9	2.7
Operating profit	1.5	(16.2)	(14.7)	-	-	-	1.5	(16.2)	(14.7)
UK Loans	0.9	(2.7)	(1.8)	-	-	-	0.9	(2.7)	(1.8)
US Loans	(0.4)	(9.4)	(9.8)	-	-	-	(0.4)	(9.4)	(9.8)
FlexiPay	(0.7)	(3.3)	(4.0)	-	-	-	(0.7)	(3.3)	(4.0)
Other	1.8	0.9	2.7	-	-	-	1.8	0.9	2.7
Profit/(loss) before tax	1.6	(14.5)	(12.9)	-	-	-	1.6	(14.5)	(12.9)

The comparative financial information has been re-presented with Operating profit now removed and instead AEBITDA is reconciled to profit before tax.

The three items below Operating profit were finance income (FY22: £2.3m), finance costs (FY22: £(0.9)m) and share of profit of associates (FY22: £0.4m).

The finance income which represents interest income on cash and cash equivalents is now included within 'Operating Income'.

The share of profits of associates is included within other operating costs and is included within AEBITDA.

Finance costs which represent the discount unwind on lease liabilities is included within other operating costs and is included below AEBITDA alongside the depreciation associated with our leased premises.

Group income statement

£m

	H1 22	H2 22	H1 23
	Total £m	Total £m	Total £m
Transaction fees	40.7	36.8	41.7
Servicing fees	24.2	23.7	22.0
Interest income	1.1	3.1	5.8
Other fees	0.9	3.2	3.0
Operating income	66.9	66.8	72.5
Investment income	14.1	7.9	4.7
Investment expense	(3.2)	(1.5)	(0.6)
Total income	77.8	73.2	76.6
Fair value gains/(losses)	1.5	3.3	3.4
Cost of funds	-	-	(0.4)
Net income	79.3	76.5	79.6
People costs	(41.4)	(44.5)	(44.8)
Marketing costs	(17.3)	(21.1)	(23.9)
Depreciation, amortisation and impairment	(6.9)	(10.1)	(10.3)
Credit/(provision) for expected credit losses	1.0	0.5	(1.9)
Other costs	(13.1)	(15.8)	(15.3)
Operating expenses	(77.7)	(91.0)	(96.2)
Profit / (loss) before taxation	1.6	(14.5)	(16.6)

1. Total income is defined as operating income and investment income less investment expense and before non-cash fair value gains/losses.
2. Adjusted EBITDA represents profit for the period before finance costs (being the discount unwind on lease liabilities), taxation, depreciation, amortisation and impairment ("AEBITDA") and additionally excludes share-based payment charges and associated security costs, foreign exchange and exceptional items. Investment AEBITDA represents investment income, investment expense and fair value adjustments and operating AEBITDA represents AEBITDA excluding investment AEBITDA.
3. H1 23 re-presentation: finance income (being interest on bank balances and client money) within operating income, finance costs (being the discount unwind of lease liabilities) within profit/(loss) before taxation and share of associated profit within AEBITDA. H1 22 and H2 22 have been restated for comparison.

Segmental view of income

£m

	H1 22					H2 22					H1 23				
	Loans			FlexiPay	Total	Loans			FlexiPay	Total	Loans			FlexiPay	Total
	United Kingdom	United States	Other	United Kingdom		United Kingdom	United States	Other	United Kingdom		United Kingdom	United States	Other	United Kingdom	
Transaction fees	31.9	8.8	-	-	40.7	27.9	8.9	-	-	36.8	29.6	12.1	-	-	41.7
Servicing fees	22.8	1.0	0.4	-	24.2	22.0	1.4	0.3	-	23.7	20.2	1.6	0.2	-	22.0
Interest Income	0.4	0.1	0.2	0.4	1.1	1.6	0.4	-	1.1	3.1	2.8	0.7	-	2.3	5.8
Other fees	0.5	0.2	0.2	-	0.9	1.9	0.8	0.5	-	3.2	2.8	0.1	0.1	-	3.0
Operating income	55.6	10.1	0.8	0.4	66.9	53.4	11.5	0.8	1.1	66.8	55.4	14.5	0.3	2.3	72.5
Investment income	6.7	4.2	-	-	10.9	3.1	3.3	-	-	6.4	1.7	2.4	-	-	4.1
Total income	62.3	14.3	0.8	0.4	77.8	56.5	14.8	0.8	1.1	73.2	57.1	16.9	0.3	2.3	76.6

1. Total income is defined as operating income and investment income less investment expense and before non-cash fair value gains/losses
2. Transaction fees include Marketplace

Segmental view of profit

£m

	H1 22					H2 22					H1 23				
	Loans			FlexiPay	Total	Loans			FlexiPay	Total	Loans			FlexiPay	Total
	United Kingdom	United States	Other	United Kingdom		United Kingdom	United States	Other	United Kingdom		United Kingdom	United States	Other	United Kingdom	
Operating AEBITDA	5.4	(7.7)	1.8	(0.7)	(1.2)	1.0	(10.1)	1.0	(3.3)	(11.4)	6.7	(9.2)	(0.2)	(7.8)	(10.5)
Investment AEBITDA	2.7	9.7	-	-	12.4	4.7	5.0	-	-	9.7	2.1	5.4	-	-	7.5
Adjusted EBITDA	8.1	2.0	1.8	(0.7)	11.2	5.7	(5.1)	1.0	(3.3)	(1.7)	8.8	(3.8)	(0.2)	(7.8)	(3.0)
Discount unwind on lease liabilities	(0.1)	(0.4)	-	-	(0.5)	(0.1)	(0.3)	-	-	(0.4)	(0.1)	(0.3)	-	-	(0.4)
Depreciation, amortisation and impairment	(5.3)	(1.6)	-	-	(6.9)	(6.4)	(3.6)	(0.1)	-	(10.1)	(5.5)	(4.3)	-	(0.5)	(10.3)
Share-based payments and social security costs	(1.9)	(0.4)	-	-	(2.3)	(2.0)	(0.4)	-	-	(2.4)	(1.8)	(0.7)	-	(0.3)	(2.8)
Foreign exchange gains/(losses)	0.1	-	-	-	0.1	0.1	-	-	-	0.1	-	(0.1)	-	-	(0.1)
Profit / (loss) before taxation	0.9	(0.4)	1.8	(0.7)	1.6	(2.7)	(9.4)	0.9	(3.3)	(14.5)	1.4	(9.2)	(0.2)	(8.6)	(16.6)

1. Adjusted EBITDA represents profit for the period before finance costs (being the discount unwind on lease liabilities), taxation, depreciation and amortisation ("AEBITDA") and additionally excludes share-based payment charges and associated security costs, foreign exchange and exceptional items. Investment AEBITDA represents investment income, investment expense and fair value adjustments and operating AEBITDA represents AEBITDA excluding investment AEBITDA.

Net assets, cash and invested capital

£m

Cash utilisation			Net Assets	Dec 22	Mov't	Jun 23	Invested capital movement	Dec 22	Mov't	Jun 23
Dec '22		178	Unrestricted	166	7	173	Legacy securitisation, warehouse and other loans at fair value			
Free cashflow	(5)		Restricted	12	19	31				
Investment / funding cashflows	14		Cash	178	26	204		26	5	31
Repayment of temporarily funded US loans	20		Equity invested	97	(28)	69	US funding loans	20	(20)	-
Securitisation loan buyout ¹	(16)		Other	9	(18)	(9)	CBILS / RLS / Commercial co-investments	32	(7)	25
FlexiPay net funding ²	15						Private funds	3	(1)	2
Other	(2)						Subtotal	81	(23)	58
Mov't		26					Flexipay lines of credit	16	(5)	11
Jun '23		204	Total	284	(20)	264	Total	97	(28)	69

1. The US SBIZ 20-A securitisation vehicle was unwound in H1 23 and the external bonds associated with it were bought out

2. FlexiPay net funding includes FlexiPay funding outflow offset by senior facility inflow

FlexiPay financial metrics

<i>Transactions</i>	➔ Comparable to Loans business Originations
<i>End of month balances</i>	➔ Comparable to Loans business LuM
Operating Interest Income	➔ Fee % charged on Transactions
Other revenue	➔ Card interchange fees and forex fees, late fees
Total income	
Cost of funds	➔ Cost of senior funding
Net income	
Marketing	
Salaries	
Expected Credit Losses (ECL)	➔ Provisioning for future losses on the current loan book
Other	
Costs above AEBITDA	
AEBITDA	
Costs below AEBITDA	
Profit / (loss) before taxation	
<i>Invested capital</i>	➔ Funding Circle investment (senior debt funding from Citibank from Jun-23)