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3 September 2018

Funding Circle Holdings Limited

Announcement of Intention to Publish a Registration Document and Potential Intention to Float on the London Stock Exchange

Funding Circle Holdings Limited (the "Company") announces that it intends to publish today a Registration Document and is considering proceeding with an initial public offering (the "IPO" or the "Offer"). The Company is considering applying for admission of its ordinary shares ("Shares") to the premium listing segment of the Official List of the Financial Conduct Authority (the "Official List") and to trading on the London Stock Exchange's main market for listed securities (together, "Admission").

Funding Circle highlights

- Funding Circle is the leading small and medium enterprise ("SME") loans platform in the UK, US, Germany and the Netherlands[1]. Funding Circle launched in 2010 to provide borrowers with fast, competitively priced access to finance, and investors with attractive returns.
- By connecting SMEs looking for finance directly with investors, Funding Circle has facilitated more than £5 billion in loans to over 50,000 SMEs from 80,000 investors - including over £1 billion in the first half of 2018.
- Funding Circle has opened up small business lending as an investment asset class to a wide range of investors including retail, banks, asset management companies, insurance companies, government-backed entities and funds. Projected investor returns for loans originated in 2017 are expected to range between c.4.6%-7.6% across Funding Circle's geographies.
- Using cutting-edge technology, proprietary credit models and sophisticated data analytics, borrowers can complete a quick and simple initial application in minutes and typically receive a decision within 24 hours in the United Kingdom and the United States.

[1] By Q1 2018 originations for the United Kingdom and the Netherlands, and cumulative originations for the United States and Germany, according to OC&C analysis and estimates.

- Funding Circle delivers high customer satisfaction scores with Net Promoter Scores in the 80s for borrowers in both the UK and US. 85% of existing borrowers say they would approach Funding Circle first in the future should their business require external funding.
- High satisfaction scores drive strong repeat rates - 32% of lending (excluding property loans) in 2017 was to repeat borrowers and approximately 85% of funding came from existing investors. In H1 2018, more than 40% of revenue came from existing customers.
- By helping SMEs to access finance, Funding Circle is contributing to the growth of the SME lending market, supporting job creation and economic growth. In 2017, loans outstanding contributed £3.9 billion of gross value added to GDP and enabled more than 75,000 jobs.
- Funding Circle has an experienced founder-led leadership team and fosters a strong entrepreneurial culture exhibited by all permanent employees being shareholders in the Company. Funding Circle was named 16th Best Company to Work for in the UK in *The Sunday Times'* 2018 annual survey.
- Funding Circle is a high growth business, with revenue in the year ended 31 December 2017 of £94.5 million, compared to £50.9 million in the year ended 31 December 2016. Excluding property loans, revenue increased by a CAGR of c.78% between 2015 and 2017. Loan originations over the same period grew from £721 million in the year ended 31 December 2015, to £1.7 billion in the year ended 31 December 2017.
- Subsequently, revenue grew to £63.0 million in H1 2018, compared to £40.9 million in H1 2017. Excluding property loans, revenue growth over that period was 62%. Loans under management as at the end of H1 2018 totalled in excess of £2.5 billion.

Samir Desai, CEO and co-founder of Funding Circle said:

"At Funding Circle our mission is to build a better financial world. Today's announcement is the start of the next stage in our exciting and transformational journey. Over the last eight years, we have worked hard to build a platform that is number one in every market we operate in. By combining cutting-edge technology with our own proprietary credit models and sophisticated data analytics, we deliver a better deal for small businesses and investors around the world. I am very proud of the team and culture we have created at Funding Circle, both of which have been integral to our success to date".

Potential Offer Highlights

Should the Company proceed with an IPO, it is expected to have the following features:

- The Offer would be comprised of new Shares to be issued by the Company (to raise gross proceeds of approximately £300 million) and an offer of existing Shares to be sold by certain existing shareholders, directors and employees (the "Selling Shareholders").
- On 2 July 2018, Heartland A/S ("Heartland") agreed as part of the Offer to purchase (through its wholly owned indirect subsidiary, Aktieselskabet as 2.7.2018) 10% of the issued ordinary share capital of the Company following the issue of the new Shares pursuant to the Offer, at a range of valuations. The purchase is conditional upon Admission and certain other conditions being satisfied and the commitment falls away if the equity valuation of the Company prior to the issue of new Shares pursuant to the Offer exceeds £1.65 billion.
- The Company would intend to use the primary proceeds of the Offer to enhance its balance sheet position. The Directors believe this is important for the following reasons:
  - to further engender trust in the Group's business with investors, borrowers and regulators;
  - to support the Group in pursuing growth over profitability in the medium term; and
  - to provide strategic flexibility and create the ability to take advantage of opportunities either in current markets or new geographies.
- The Directors believe that this is an appropriate time to bring the Group to the public market, reflecting the robust foundations established for future growth. The Directors believe that the Offer would:
  - increase the Group's profile and brand awareness;
  - demonstrate the maturity, transparency and governance of the business to borrowers, investors and employees;

- assist in recruiting, retaining and incentivising key management and employees;
- provide a stable base of long term shareholders and give the Group access to a wider range of capital-raising options; and
- provide future liquidity to shareholders.

- Immediately following Admission, the Company intends to have a free float of at least 25% of the Company's issued share capital. An overallotment option of 10% of the total offer size would be made available by some of the existing shareholders.
- Should the IPO proceed, it is anticipated that the Offer will also comprise an offer of Shares to certain retail stockbrokers and share dealing providers in the UK, who would facilitate the participation of their retail clients in the UK, the Channel Islands and the Isle of Man (the "Intermediaries Offer"). Retail stockbrokers and share dealing providers interested in participating in the Intermediaries Offer should contact Solid Solutions Associates (intermediaries@solid-solutions.co.uk).
- The Company has engaged Merrill Lynch International ("BofA Merrill Lynch"), Goldman Sachs International ("Goldman Sachs") and Morgan Stanley & Co. International plc ("Morgan Stanley") to act as Joint Global Co-ordinators and Joint Bookrunners and Numis Securities Limited ("Numis") to act as Joint Bookrunner in the event the Offer proceeds.

A copy of the Registration Document will be submitted to the National Storage Mechanism and will be available for inspection at www.morningstar.co.uk/NSM once approved by the FCA. A copy of the Registration Document will also be available from the Company's registered office, at EC4V 4AY and online at http://corporate.fundingcircle.com/investors/registration-document, subject to certain access restrictions.

Investment highlights

Leading global platform in a large, underserved SME lending market

- Funding Circle is a leading global SME loans platform, having facilitated more than £5 billion in loans to SMEs since its founding and with more than £2.5 billion in Loans under Management as at 30 June 2018
- The target addressable SME lending opportunity in Funding Circle's existing geographic markets is estimated to comprise £470 billion of loans outstanding as at 31 December 2017
- Significant opportunities exist to further penetrate the current addressable market and also for further growth by expanding Funding Circle's addressable market through product or geographic expansion, as the total SME debt lending market in these geographic markets is estimated to be £1.2 trillion[2], with a much larger global addressable SME lending opportunity as Funding Circle currently operates in geographies that account for approximately 34% of global GDP (as of 2016)
- Although Funding Circle has grown rapidly, it still accounts for only a fraction of the share of its current markets with a 1.9% share of the addressable market in the United Kingdom and less than 0.5% share across all four of its geographies taken together as at 31 December 2017

Virtuous network effects driven by scale and an attractive underlying business model

- The Directors believe that Funding Circle's scale and self-reinforcing business model create a virtuous circle that will continue to enhance its competitive position and market share across geographies, attracting more borrowers and investors to the platform
- Over the past eight years, Funding Circle has accumulated proprietary data sets across its various geographies, which it has continuously used to enhance its credit scoring models and improve the borrower experience
- As Funding Circle accumulates more data through applications and loan performance, it is able to improve the precision of its risk models, which leads to higher acceptance rates and lower pricing for borrowers

[2] Based on the amount of loans outstanding as at 31 December 2017.

- This, in turn, results in higher conversion rates of borrower applications to loans and enables Funding Circle to serve a broader population of SMEs and reduce marketing and processing costs per loan, further reducing costs to borrowers and therefore attracting more SMEs to the platform, reinforcing the positive data accumulation cycle

A differentiated and resilient model focused exclusively on SMEs

- SME lending is difficult and complex, but can be highly attractive. Funding Circle's singular SME focus over the past eight years has allowed it to develop a deep understanding of SME lending and customer needs that, combined with its cutting-edge technology and proprietary credit models and data sets, provides it with distinctive advantages:
    - Data quality and availability: SME credit-related data is not as widely and readily available as information relating to consumers. Funding Circle has built proprietary SME data sets over eight years, which combine publicly available data with performance data, and continuously uses these sets for improving its credit scoring models and credit assessment efficiency and effectiveness
    - Competitive environment: Given the challenges which relate to credit data quality and availability, there are typically fewer SME lenders than consumer lenders
    - Repeat dynamic: Relative to consumers, SMEs generally have a more natural propensity to seek repeat financing throughout their lifetimes, to maintain their balance sheet debt gearing ratio and optimise returns. This is evidenced by Funding Circle's high volume of repeat borrowers. 32% of all originations in 2017 (excluding property loans) were made to repeat borrowers
- The Directors believe that Funding Circle's business model benefits from inherent resilience. Funding Circle does not hold loans on its balance sheet[3] and therefore does not assume credit or funding risks. Furthermore, its highly diversified investor and borrower base across geographies and industries will help mitigate the adverse effects of an economic downturn

Superior value proposition for both borrowers and investors, driving high satisfaction and repeat rates

Value proposition to borrowers:

- Simple, online application enabling SMEs to access the capital they need in days rather than months. Across all of Funding Circle's markets, borrowers complete a simple online application, typically in about ten minutes. Credit decisions are generally made within 24 hours in the United Kingdom and the United States and within one to three days in the Netherlands and Germany
- Better customer experience with Funding Circle's borrowers being able to access the platform 24 hours a day, seven days a week
- Competitive market-driven pricing with interest rates on loans originated through the platform averaging approximately 11% per annum in H1 2018 and currently ranging from 1.9% to 27% per annum (all excluding property loans)
- Market-leading customer satisfaction with a Net Promoter Score of 89 in both the United Kingdom and the United States in the second quarter of 2018, a "world class" rating
- 85% of existing borrowers say they would approach Funding Circle first in the future should their business require external funding
- As a result, Funding Circle's repeat rates have continuously increased, while existing borrower balances have become stable and a consistent part of borrowers' capital structure. In 2017, 32% of all originations (excluding property loans) were made to repeat borrowers and approximately 85% of funding came from existing investors

Value proposition to investors:

- Funding Circle has opened up a new asset class to a range of investors and enabled them to receive attractive risk-adjusted returns. Projected investor returns for loans originated in 2017 are expected to range between c.4.6%-7.6% across Funding Circle's geographies
- Through Funding Circle's platform, a wide range of investors are now able to invest in SME loans, which, traditionally, have only been held on bank balance sheets

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[3] Except for (1) an initial holding period (typically of two days) in the United States, and (2) any loans that may be purchased by Funding Circle.

- Its investor base now includes a deep and broad variety of investors, providing it with diverse and stable funding, as well as long-term funding commitments across the various geographies in which it operates

Proprietary risk and analytics platform, driving better customer experience, efficiency and platform quality

- Funding Circle utilises sophisticated data analytics tools to create an attractive and convenient proposition for both borrowers and investors. It utilises an integrated approach to value optimisation and credit risk assessment throughout the borrower lifecycle, from marketing to credit assessment and ongoing collections and recoveries
- Funding Circle's systematic approach and use of data enables predictive credit assessment[4] for SME borrowers and increases its ability to attract borrowers
- Through continued tracking of both accepted and rejected loans, Funding Circle has over the past eight years built rich proprietary data sets on borrowers and borrower performance, based on a combination of both internally generated and publicly available sources
- These datasets are expected to be further enhanced by the onset of Open Banking and PSD2, which are expected to enable the sharing of banking data, allowing for more enriched data sets and potentially enabling easier access into new markets
- Funding Circle utilises these analytical tools and extensive borrower data beyond risk metrics, for uses across its business. For example, with respect to marketing activities, Funding Circle uses machine learning models that are aimed at optimising marketing and messaging intensity and reducing acquisition cost

Modern, customer-centric technology approach

- Funding Circle has developed and continues to develop and harness modern, customer-centric technology that enables it to deliver scalable, innovative and automated solutions to borrowers and investors
- Unlike many traditional banks, Funding Circle is not burdened by the challenges and maintenance costs related to legacy systems, and can therefore devote resources to developing and innovating its technology, rather than maintaining existing legacy systems
- Funding Circle's sophisticated web and mobile interfaces and data analytics platforms are designed to drive a frictionless user experience
- Funding Circle benefits from an exceptional team of software and data engineers possessing a deep understanding of the lending business and customer needs

Strong growth opportunities combined with an improving financial profile

- Funding Circle has delivered strong growth in revenue, with a 78% CAGR from 2015 to 2017 (excluding property loans), primarily driven by an increase in originations from £607 million in 2015 to £1,631 million in 2017 (both excluding property loans)
- Growing repeat business with approximately 40% of Funding Circle's revenues generated from existing customers in 2017 (excluding property loans)
- Attractive unit economics driving expanded margins, with the margin per loan in 2017 rising from approximately 20% for the first loan, to approximately 57% for repeat loans in the United Kingdom
- Path to superior margins driven by operational leverage
- Funding Circle is targeting in excess of 40% revenue growth in the medium term and longer term Adjusted EBITDA margins of 35% or above

Experienced management team and entrepreneurial values-driven culture

- Funding Circle is a founder-led company with an experienced management team and an entrepreneurial culture. Its management team has a blend of deep functional experience across technology, product development, finance, risk and marketing, as well as entrepreneurial experience
- Strong corporate culture driving employee satisfaction and engagement

[4] In geographies and cohorts with sufficient ageing and maturity, where sufficient data is available. Based on historical performance.

- 85% of Funding Circle employees would recommend Funding Circle as a great place to work

Supplemental information for bona-fide, unconnected sellside research analysts

A presentation in person by Funding Circle for unconnected sellside research analysts will be held on 6 September 2018 and the presentation and related information will be made available via a link to unconnected research analysts today. Please contact Peter Glover (ir@fundingcircle.com) at Funding Circle if you would like to attend the presentation and/or access information on Funding Circle.

Enquiries David de Koning – Director of Group Communications (press@fundingcircle.com / +44 203 667 2245)

Notes to Editors

About Funding Circle

Funding Circle (corporate.fundingcircle.com) is a global SME loans platform, connecting SMEs who want to borrow with investors who want to lend in the UK, US, Germany and the Netherlands. Since launching in 2010, investors across Funding Circle's geographies – including more than 80,000 retail investors, banks, asset management companies, insurance companies, government-backed entities and funds – have lent more than £5 billion to over 50,000 businesses globally.

Please refer to the Registration Document, which will be available in electronic form from Funding Circle's website corporate.fundingcircle.com for further details on Funding Circle.

About Heartland

Heartland is the private holding company of Anders Holch Povlsen, containing all the group's activities and investment holdings outside of its fashion activities. The company has a dedicated team focused on actively nurturing investments in selected companies in their portfolio, examples of which include Klarna, Zalando and ASOS.

Current Trading and Prospects

Funding Circle is a high growth company and has continued its growth trajectory in line with management expectations since 30 June 2018. Management sees significant opportunity in both Funding Circle's existing markets (given its market share is less than 0.5% across all four geographies taken together, as at 31 December 2017) and also the opportunity to prudently expand into new geographies. This opportunity means that Funding Circle will focus on driving growth over profitability through the medium term, and incur elevated marketing spend through 2020.

At the same time, the Directors believe that Funding Circle's business model has very attractive margin potential as it reaches scale as a result of its experience of the repeat nature of SME borrowers and observed characteristics of repeat loan performance, as evidenced by Funding Circle's experience in the United Kingdom, where margins for repeat borrowers are demonstrably higher than those for new ones.

Funding Circle Key Performance Indicators and Financial Information

The following key operating and financial metrics are monitored by Funding Circle both at operating segment and Group levels.

	Year ended 31 December			**Six months ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
	(unaudited, unless otherwise indicated)				
	(£ million, unless otherwise indicated)				
Loans under Management	860	1,362	2,107	1,705	2,584
Originations	721	1,065	1,738	797	1,043
Number of loans originated	9,568	13,724	23,350	10,734	14,783
Transaction yield	3.6%	3.7%	4.4%	4.1%	4.8%
Servicing yield	1.0%	1.0%	1.0%	1.0%	1.0%
Marketing spend as a percentage of revenue	64%	49%	41%	38%	39%
Revenue(1)	32.0	50.9	94.5	40.9	63.0
Segment Adjusted EBITDA(1)	(22.1)	(26.5)	(3.9)	(3.0)	0.9
Segment Adjusted EBITDA Margin	(69%)	(52%)	(4%)	(7%)	1%

Adjusted EBITDA[1]	(35.5)	(40.9)	(25.1)	(13.2)	(16.3)
Adjusted EBITDA Margin	(111%)	(80%)	(27%)	(32%)	(26%)
Free Cash Flow	(45.5)	(46.1)	(35.3)	(21.1)	(24.2)

(1) Audited for the three years ended 31 December 2015, 2016 and 2017 and H1 2018.

Set out below is a description of the key performance indicators used by the Group:

- *Loans under Management.* Represents the total value of outstanding principal and interest to borrowers and includes amounts that are overdue but not loans that have defaulted. The Directors view Loans under Management as a useful measure because it is a key driver of servicing fee revenue, and denotes the level of investment on the platform at a point in time.
- *Originations*. Represents the monetary value of loans originated through the Group's platform in any particular period. The Directors view originations as a useful measure because it is a key driver of transaction fee revenue and Loans under Management.
- *Number of loans originated.* Represents the number of loans originated from both existing and new borrowers in any particular period. The Directors view the number of loans originated as a useful measure because it indicates the level of activity taking place on the platform in terms of borrower and investor interaction and is a useful measure of the level of operational activity that is being conducted by the Group.
- *Transaction yield*. Represents the total revenue the Group derives from borrowers for originating loans on the platform, divided by the value of the loans originated. The Directors view transaction yield as a useful measure because it demonstrates the economic return the Group earns from one of its core activities, namely connecting investors and borrowers.
- *Servicing yield*. Represents the total revenue the Group derives from servicing loans outstanding on its platform, divided by the average value of Loans under Management in that particular period. The Directors view servicing yield as a useful measure because it demonstrates the economic return the Group earns for the activity it undertakes in collecting, distributing and processing receipts and payments on its platform.
- *Marketing spend as a percentage of revenue*. Represents the total cost of third-party marketing expenditure in any particular period divided by the revenue earned in that period. The Directors consider marketing spend as a percentage of revenue to be a useful measure because it demonstrates the proportion of revenue that is required to be spent attracting borrowers and investors to the Group's platform.

Consolidated income statement data

	Year ended 31 December			**Six months ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
			(£ million)		
Revenue	32.0	50.9	94.5	40.9	63.0
Operating expenses	(71.7)	(98.8)	(131.4)	(60.3)	(90.3)
Operating loss	**(39.7)**	**(47.9)**	**(36.9)**	**(19.4)**	**(27.3)**
Finance income	0.2	0.7	0.6	0.2	0.3
Loss before taxation	**(39.5)**	**(47.2)**	**(36.3)**	**(19.2)**	**(27.0)**
Income tax	(0.1)	0.6	1.0	-	-
Loss for the year / period	**(39.6)**	**(46.6)**	**(35.3)**	**(19.2)**	**(27.0)**

Consolidated balance sheet data

	As at 31 December			**As at 30 June**
	2015	**2016**	**2017**	**2018**
		(£ million)		
Non-current assets				
Goodwill	35.1	41.4	41.3	41.5
Intangible assets	4.2	11.7	16.2	17.9

Property, plant and equipment	4.6	5.1	4.7	5.0
Investments	1.8	1.2	0.3	0.2
	45.7	**59.4**	**62.5**	**64.6**
Current assets				
Investments	4.6	1.3	3.1	5.1
Trade and other receivables	8.6	11.8	13.4	19.5
Cash and cash equivalents	86.3	43.3	88.9	65.2
	99.5	56.4	105.4	89.8
Total assets	**145.2**	**115.8**	**167.9**	**154.4**
Current liabilities				
Trade and other payables	10.6	10.5	12.0	21.5
Provisions	1.1	0.7	2.1	4.1
	11.7	**11.2**	**14.1**	25.6
Non-current liabilities				
Provisions	0.3	0.4	0.4	0.7
Total liabilities	**12.0**	**11.6**	**14.5**	**26.3**
Equity				
Share capital	0.2	0.2	0.2	0.2
Share premium account	195.9	196.0	278.0	278.2
Foreign exchange reserve	4.3	15.2	13.3	14.1
Share options reserve	2.8	9.5	13.9	15.8
Accumulated losses	(70.0)	(116.7)	(152.0)	(180.2)
Total equity	**133.2**	**104.2**	**153.4**	**128.1**
Total equity and liabilities	**145.2**	**115.8**	**167.9**	**154.4**

Condensed consolidated cash flow statement data

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
			(£ million)		
Net cash outflow from operating activities	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)
Net cash outflow from investing activities	(10.1)	(6.1)	(12.7)	(3.9)	(7.4)
Net cash inflow from financing activities	95.1	-	81.9	81.9	0.2
Net increase/(decrease) in cash and cash equivalents	49.6	(46.1)	46.6	60.8	(24.0)
Cash and cash equivalents at the beginning of the year / period	35.0	86.3	43.3	43.3	88.9
Effect of foreign exchange rate changes	1.7	3.1	(1.0)	(0.6)	0.3
Cash and cash equivalents at the end of the year / period	**86.3**	**43.3**	**88.9**	**103.5**	**65.2**

Other Financial Data

The Directors consider the following metrics to be the non-IFRS financial measures used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. The Directors believe that these non-IFRS performance measures, in addition to IFRS measures, provide an enhanced understanding of the Group's results and related trends, therefore increasing transparency and clarity into the core results of the business. The Directors believe the following metrics are useful in evaluating the Group's operating performance:

- Adjusted EBITDA
- Adjusted EBITDA Margin
- Segment Adjusted EBITDA
- Segment Adjusted EBITDA Margin
- Free Cash Flow

- Free Cash Flow Margin

Each metric is described more fully below.

Adjusted EBITDA and Adjusted EBITDA Margin

The Group defines Adjusted EBITDA as profit or loss before depreciation and amortisation, finance income, income tax, share-based payments and associated social security costs, foreign exchange and exceptional items. The Group defines Adjusted EBITDA Margin as the ratio of Adjusted EBITDA to revenue, expressed as a percentage. The Directors view Adjusted EBITDA as a useful measure because it is used to analyse the Group's operating profitability, and shows the results of normal, core operations exclusive of non-cash charges, share-base payment charges and items that the Group considers to be non-recurring and not part of the Group's core day-to-day business. The Directors view Adjusted EBITDA Margin as a useful measure because it assists in evaluating the Group's operating performance. The Directors believe that Adjusted EBITDA and Adjusted EBITDA Margin should, therefore, be made available to assist securities analysts, investors and other stakeholders in their assessment of the performance of the business of the Group. The following table provides a reconciliation from loss for the year / period to Adjusted EBITDA and Adjusted EBITDA Margin for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
			(£ million)		
Loss for the year / period	**(39.6)**	**(46.6)**	**(35.3)**	**(19.2)**	**(27.0)**
Depreciation and amortisation	1.4	4.2	6.8	3.7	4.1
Finance income	(0.2)	(0.7)	(0.6)	(0.2)	(0.3)
Income tax	0.1	(0.6)	(1.0)	-	-
Share-based payments	2.8	6.7	4.4	2.1	1.9
Social security costs on share-based payments	-	-	-	-	2.8
Foreign exchange	-	(3.9)	0.6	0.4	0.3
Exceptional items	-	-	-	-	1.9
Adjusted EBITDA	**(35.5)**	**(40.9)**	**(25.1)**	**(13.2)**	**(16.3)**
Adjusted EBITDA Margin	**(111%)**	**(80%)**	**(27%)**	**(32%)**	**(26%)**

Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin

The Group defines Segment Adjusted EBITDA as Adjusted EBITDA excluding product development and corporate costs that are incurred for the benefit of all geographic operating segments. The Directors view Segment Adjusted EBITDA as a useful measure because it allows better interpretation of the underlying performance of the business by geography. The Group defines Segment Adjusted EBITDA Margin as the ratio of Segment Adjusted EBITDA to revenue, expressed as a percentage. The following table provides a reconciliation from Adjusted EBITDA to Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
			(£ million)		
Adjusted EBITDA	**(35.5)**	**(40.9)**	**(25.1)**	**(13.2)**	**(16.3)**
Product development	10.1	9.0	13.6	6.7	12.2
Corporate costs	3.3	5.4	7.6	3.5	5.0
Segment Adjusted EBITDA	**(22.1)**	**(26.5)**	**(3.9)**	**(3.0)**	**0.9**
United Kingdom	*(6.8)*	*1.7*	*16.9*	*9.2*	*9.8*
United States	*(14.3)*	*(19.1)*	*(10.9)*	*(7.0)*	*(5.1)*
Developing Markets	*(1.0)*	*(9.1)*	*(9.9)*	*(5.2)*	*(3.8)*
Segment Adjusted EBITDA Margin	**(69%)**	**(52%)**	**(4%)**	**(7%)**	**1%**
United Kingdom	*(29%)*	*4%*	*25%*	*29%*	*23%*

United States	*(186%)*	*(187%)*	*(49%)*	*(84%)*	*(34%)*
Developing Markets	*(200%)*	*(650%)*	*(261%)*	*(578%)*	*(73%)*

Free Cash Flow and Free Cash Flow Margin

The Group defines Free Cash Flow as the sum of net cash flow from operating activities and net cash flow from investing activities. The Directors view Free Cash Flow as a key liquidity measure, as this measure represents the amount of cash required to operate and develop the Group's platform during a particular period. The Group defines Free Cash Flow Margin as the ratio of Free Cash Flow to revenue, expressed as a percentage. The Directors view Free Cash Flow Margin as a key measure of cash conversion efficiency. The following table provides the information used to calculate Free Cash Flow for the periods indicated.

	Year ended 31 December			**Six months ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
			(£ million)		
Net cash from operating activities	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)
Net cash from investing activities	(10.1)	(6.1)	(12.7)	(3.9)	(7.4)
Free Cash Flow	**(45.5)**	**(46.1)**	**(35.3)**	**(21.1)**	**(24.2)**
Free Cash Flow Margin	**(142%)**	**(91%)**	**(37%)**	**(52%)**	**(38%)**

Board of Directors

The following table lists the names, positions and ages of the Directors.

Name	**Age**	**Position**
Andrew Digby Learoyd	57	Chairman of the Board
Samir Desai CBE	35	Co-founder, Chief Executive Officer
Sean Robert Glithero	45	Chief Financial Officer
Catherine Jane Keers	53	Non-Executive Director
Edward James Wray	50	Non-Executive Director
Hendrik Willem Nelis	54	Non-Executive Director
John Eric Daniels	67	Non-Executive Director
Neil Alexander Rimer	54	Non-Executive Director
Robert King Steel	67	Non-Executive Director

Andrew Digby Learoyd *(Chairman)*
Mr Learoyd was appointed as a Non-Executive Director in February 2010 and as Chairman in May 2016. Mr Learoyd previously spent 23 years working in investment banking as a research analyst, in corporate finance, equity capital markets and finally as chief operations officer of the Equities Division in Europe of Goldman Sachs. He retired as a managing director of Goldman Sachs in 2006, since then he has been involved as an angel investor, non-executive director and consultant to several start-up businesses. Mr Learoyd serves as a director at Threshold Sports Limited, Educate Schools Services Ltd, Small World Financial Services Group Limited (SWFSG) and Schwanhaeusser Industrie Holding GmbH.

Samir Desai CBE *(Co-founder, Chief Executive Officer)*
Mr Desai CBE co-founded the Company in 2010 and is the Chief Executive Officer, with responsibility for driving the Group's strategy, and overseeing operations globally. Before that, Mr Desai CBE was an executive at Olivant, a private equity firm that invests in financial services businesses in Europe, the Middle East and Asia. He was also previously a management consultant at the Boston Consulting Group. In 2015, he was awarded a CBE for services to financial services. Mr Desai CBE currently serves as a director and trustee of Neil Desai Foundation, a charitable organisation that aims to promote education and sports amongst the young, help the poor and needy in developing countries and invest in the prevention of cardiac fatalities in the young. He also previously served as a director at Funding Circle SME Income Fund.

Sean Robert Glithero *(Chief Financial Officer)*
Mr Glithero is the Chief Financial Officer and was appointed as an Executive Director in November 2017. As Chief Financial Officer, Mr Glithero is responsible for all aspects of finance including internal audit, tax, treasury, procurement and investor relations. Prior to joining Funding Circle in 2017, Mr Glithero served as a director and chief financial officer of Auto Trader

Group and helped it undertake an initial public offering and join the FTSE 250. Mr Glithero qualified as a chartered accountant with Ernst & Young, working within both the audit and corporate finance departments.

Catherine Jane Keers ***(Non-Executive Director)***
Ms Keers was appointed as a Non-Executive Director in May 2018. Ms Keers currently serves as chair of Ustwo Fampany Limited, an independent digital product, games and venture business, and as non-executive director at The Sage Group plc and TalkTalk Telecom Group plc. She is also an adviser to a number of small businesses, predominately in technology. Previously, Ms Keers held a number of commercial roles, including marketing and business development at Sky TV, Avon and Next, marketing director and customer director at O2, the mobile network, and chairman of Tesco Mobile; O2's joint venture with Tesco. She also held non-executive directorships at The Royal Mail Group, Home Retail Group, LV= and Telefonica O2 Europe.

Edward James Wray ***(Non-Executive Director)***
Mr Wray was appointed as a Non-Executive Director in August 2011. Previously, he co-founded Betfair in 1999 and was CEO until 2003, when he moved to Australia to set up the company's joint venture. Mr Wray became chairman of Betfair in 2006 and in 2010 Betfair floated on the London Stock Exchange, valued at £1.4 billion. Prior to setting up Betfair, Mr Wray spent eight years at J.P. Morgan & Co. as a vice president in the debt capital markets and derivatives area. Mr Wray also serves as a director at LMAX Limited, LMAX Broker Limited, Nesta, The London House Exchange Limited, Prodigy Finance Limited, Prodigy Investments Limited, Chamonix Investments Limited, Amelto Capital Limited, YouthNet (now The Mix) and Mental Health Innovation.

Hendrik Willem Nelis ***(Non-Executive Director)***
Mr Nelis was appointed as a Non-Executive Director in September 2013. Mr Nelis joined Accel in 2004, where he serves in various senior roles, and invests in both early and late-stage internet and software companies. Before joining Accel, Mr Nelis was at Perry Capital, a large US hedge fund, where he invested in public communications, media and technology companies. Prior to this, he was at Goldman Sachs, where he advised businesses on corporate finance and M&A transactions. Mr Nelis spent the first decade of his career in Silicon Valley, where he founded E-motion, a venture-backed software company. He started his career at Hewlett-Packard, where he held various engineering positions. Mr Nelis was an active member of the World Economic Forum and served on the selection committee of the WEF Technology Pioneers Programme. Mr Nelis also serves as manager, partner and/or director at a number of Accel entities, as a director at CallSign Inc., CartoDB Inc., Celonis SE, Instana Inc., Lola Travel Company Inc., RCW Inc. (t/a M.Gemi) and WorldRemit Ltd, and as a supervisory board member of Gameforge AG. He was also previously a director at Kayak Software Corporation, KDS SA, OnForce Inc. and SRP Groupe, and an advisory board member at Sprd.net AG.

John Eric Daniels ***(Non-Executive Director)***
Mr Daniels was appointed as a Non-Executive Director in September 2016. Mr Daniels currently holds a range of business appointments which include senior adviser to CVC Capital Partners, principal and senior adviser to StormHarbour, and non-executive director of Russell Reynolds Associates. He is also a member of the advisory board of the Smithsonian Tropical Research Institute and trustee of the Smithsonian UK Charitable Trust. He also advises a number of innovative finance and technology companies. Mr Daniels was previously group CEO of the Lloyds Banking Group, the FTSE 100 listed banking group, retiring in 2011. Prior to joining Lloyds in 2001, he spent 25 years with Citigroup in a range of management positions in Panama, Argentina, Chile, the United Kingdom, Europe and the United States. He was also a non-executive director at BT Group plc.

Neil Alexander Rimer ***(Non-Executive Director)***
Mr Rimer was appointed as a Non-Executive Director in March 2011. Mr Rimer is a co-founder and partner of Index Ventures SA. Before starting Index Ventures, Mr Rimer spent four years with Montgomery Securities in San Francisco. Mr Rimer is currently a director or observer on various boards of companies based in the United Kingdom, Europe and the United States, including Stack Exchange, Inc., Metromile, Inc., Prodigy Investments Limited, Raisin GmbH, Typeform S.L., and Roblox Corporation, amongst others. He is also a director of Human Rights Watch. He was previously a director of Photobox Holdco Limited, Supercell Oy and The Climate Corporation. Mr Rimer was educated at Stanford (BA) and Harvard (MBA).

Robert King Steel ***(Non-Executive Director)***
Mr Steel was appointed as a Non-Executive Director in July 2014. He is currently a partner at and CEO of Perella Weinberg Partners. Prior to joining Perella, Mr Steel was New York City's Deputy Mayor for Economic Development where he was responsible for the Bloomberg Administration's economic development strategy and job-creation efforts. As CEO of Wachovia Corporation in 2008, Mr Steel oversaw the sale of the bank to Wells Fargo & Co. and served on the Wells Fargo board of directors until 2010. Mr Steel also served as the Under Secretary for Domestic Finance of the United States Treasury, vice chairman of Goldman Sachs and a board member of Barclays. He is chairman of the Aspen Institute's Board

of Trustees and has served as chairman of Duke's Board of Trustees, Senior Fellow at the Harvard Kennedy School of Government, member of the FDIC Advisory Committee on Economic Inclusion, chairman of The After-School Corporation, and co-founder of SeaChange Capital Partners. Mr Steel also serves as a director at Cadence Bancorp, LLC.

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