

25 June 2019



1pm plc
(the “Group” or the “Company”)

Trading update

**Further year-on-year growth in revenue and profit.
Planned investment to support next phase of growth.**

Unaudited results:

1pm plc, the AIM listed specialist finance provider to the SME sector is pleased to announce the following trading update ahead of the publication of its final audited results for the financial year ended 31 May 2019, which are scheduled to be announced on 24th September 2019.

The unaudited trading results for the year demonstrate further growth with revenue up 6% and profit before tax, exceptional items and share based payments (“PBTE”) up 4% compared with the prior year.

Financial highlights*

- Deal origination of approximately £161 million, an organic increase of over 12%
- Revenue for the year expected to be £31.8 million, an organic increase of 6%
- PBTE for the year expected to be approximately £8.2 million, an organic increase of 4%
- Fully diluted earnings per share of approximately 6.6 pence following share issues to satisfy acquisition earn-out targets being achieved, compared with 6.5 pence in the prior year, an increase of 2%
- Net Assets in excess of £53 million, an increase of more than 10% over the prior year
- A similar level of net portfolio write-offs to the prior year at approximately 1% of the net lending portfolio, but provisions prudently increased to approximately 1.9%, up from 1.5% in the prior year
- Over 50% of revenue for the current year to 31 May 2020 already secured as “unearned income” providing a good degree of visibility on future earnings
- Aggregate borrowing facilities as at 31 May 2019 were £167 million, an increase of 2% over the prior year with the blended cost of borrowing maintained at approximately 4%
- Net interest margin maintained at approximately 12%
- Maiden interim dividend paid in accordance with stated progressive dividend policy

**unaudited*

Operational highlights

- 35% of deal origination was funded on balance sheet and 65% was brokered-on compared with 44% and 56% respectively in the prior year.

- The lending portfolio as at 31 May 2019, stated gross of unearned interest income, is expected to be approximately £134 million, compared with £142 million in the prior year, the decrease reflecting the increased proportion of origination brokered-on for commission income
- Substantial investment in senior management positions, including leadership of each of the Group's product divisions and core group functions
- Significant progress in marketing, branding and IT systems enhancements
- Synergies being delivered from the simplification of operations and policies in the Asset Finance division, which will deliver market-facing and processing improvements.

Our strategy of being a multi-product provider, allied to the flexibility of either own-book funding or broking on, has created a strong and diversified platform from which to grow. In the period reported this strategic and market positioning has enabled the Group to generate robust levels of demand whilst being able to maintain margin, control credit and spread risk.

Outlook

In January 2019, strategic and operating plans were announced for the next phase of the Group's growth through to the financial year ended 31 May 2024 including adding scale through both organic growth and carefully selected acquisitions in order to build a lending portfolio of approximately £350m. In line with these stated intentions, the Board has agreed to make further investments in sales and new business personnel, to simplify its Asset Finance operations and to rationalize the various businesses in the Group into a single, nationally recognized, brand. The Group will also continue the upgrading of its IT and communications systems to deliver online offerings, improve processing times and make its infrastructure more robust, enabling it to deliver future growth.

These actions will result in certain additional costs being incurred in the year ending 31 May 2020 some of which are non-recurring. The Group's sound funding position enables these actions to be taken and will support the investment required to deliver the growth plan. The Board is mindful of the continuing macro political and economic uncertainty and, therefore, taking these internal and external factors together, expects the financial year ending 31 May 2020 to be one of investment and consolidation with future benefits being derived from these actions in ensuing years.

Ian Smith, Chief Executive Officer, commented:

"In current uncertain business conditions, we are delighted to be reporting year-on-year growth in revenue and underlying profits. The unaudited results for the year ending 31 May 2019 demonstrate the strength of our market position, our multi-product offering and operating model. We are determined to deliver our planned further strategic growth in order to increase shareholder value over the next five years and now is the time to lay the foundations for that further growth."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

For further information, please contact:

1pm plc

Ian Smith, Chief Executive Officer
James Roberts, Chief Financial Officer

01225 474230
01225 474230

Cenkos (NOMAD)

Max Hartley, Julian Morse (Sales)

0207 397 8900

Walbrook PR

Paul Vann

0117 985 8989

07768 807631

paul.vann@walbrookpr.com