



Time Finance plc
("Time Finance", the "Group" or the "Company")

**Year-end Trading Update
and
Strategic Update and Dividend Policy**

Time Finance plc, the AIM listed independent specialist finance provider, is pleased to issue the following unaudited trading update ahead of the publication of its final results for the financial year ended 31 May 2021.

The Company also announces a strategic update. This sets out the Group's renewed focus on its core products, its ambition for significant organic growth, and to become a leading alternative multi-product independent SME funder helping UK businesses recover and grow post-Covid. This follows the appointment of Ed Rimmer as the Company's permanent CEO, announced on 10 June 2021.

Trading update

The financial year to 31 May 2021 was profitable for the Group with it continuing to demonstrate the resilience and diversification of its lending book, further strengthening its balance sheet and improving liquidity. This was achieved despite trading being severely impacted by the ongoing effect of the COVID-19 pandemic which included a further period of interruption to normal trading conditions as a result of Lockdown 3.

Highlights:

- Board restructured and strengthened with the appointments of Ed Rimmer and Tanya Raynes as CEO and Non-Executive Director respectively.
- Rebranding to Time Finance, consolidating the Group's activities under a single national brand.
- System enhancements, including online introductions, automated links to credit referencing agencies and to a new fraud detection service, embedded within the Group's IT infrastructure.
- Accreditations from The British Business Bank to provide Coronavirus Business Interruption Loan Scheme ("CBILS") and, latterly, Recovery Loan Scheme ("RLS") providing Government-backed financing to UK SMEs.
- Continued focus on diversification and spread of risk in lending, with largest sector exposure now accounting for less than 5% and top ten sectors less than 25% of the total lending book.
- New business origination for the financial year of approximately £103m (FY20: £147m). Approximately £47m (46%) was written on 'own-book' and £56m (54%) was brokered on for commission income (FY20; £54m (37%) and £93m (63%) respectively).
- Revenue for the year expected to be approximately £24.1m (FY20: £29.2m) of which approximately 85% is from lending activities and 15% from broking activities (FY20: 80% and 20% respectively).
- Profit Before Tax, Exceptional Items and Share-Based Payments ("PBTE") for the year expected to be approximately £3.0m (FY20: £3.0m).
- Blended cost of borrowing maintained at approximately 4% (FY20: 4%).

- Net portfolio write-offs representing circa 1.5% of the gross lending portfolio (FY20: 1.0%).
- Net Tangible Assets at 31 May 21 of approximately £28.3m (31 May 20: £26.5m).
- Net lending book at 31 May 21 of approximately £98.8m (31 May 20: £107.7m).
- Cash and cash equivalents of approximately £8.3m at 31 May 21 (31 May 20: £1.3m).
- Forbearance granted reduced by over 95 per cent during course of year to under £1m.
- Deal arrears at 31 May 21 now standing at below pre-pandemic levels seen at February 2020 having reduced by approximately 40 per cent from 31 May 2020.
- Credit Risk Provisions marginally increased to approximately £5.3m or 5.3% of the net lending book (31 May 20: £5.1m or 4.6%).
- Good visibility of future revenue with “unearned income” at 31 May 21 of approximately £14.5m (31 May 20: £15.2m).

Strategic Update

The Group is also pleased to issue the following Strategic Update. This involves the adding of significant scale with the clear goal for Time Finance of becoming a leading alternative multi-product independent SME funder, helping UK businesses to recover and grow post-Covid.

In doing so, the Group’s principal strategic objectives are to:

- More than double the Group’s gross lending book organically from its current level to approximately £250 million by 31 May 2025.
- Over the same timeframe achieve organic-led growth to be in excess of the Group’s 2019 pre-Covid levels of over £30m Revenue and £8m of PBTE.
- Apply a clear focus on the core business-to-business offerings of asset, loan and invoice finance.
- Refocus the Group’s proposition to primarily offer more secured own-book lending.
- To focus on funding on the Group’s own balance sheet wherever possible, while maintaining the flexibility to act as a broker to other lenders when prudent to do so.

The Group will therefore very much remain a non-bank alternative finance provider to UK SMEs. There will, however, be a far greater focus on lending its three core products to UK businesses on its own book wherever possible, increasing overall margins and providing greater visibility of earnings. This will be underpinned by taking greater security and increasing the average deal size, enabling the business to position itself as a lender to a wider range of established clients.

Ed Rimmer, Chief Executive Officer, commented:

“I firmly believe a number of fantastic opportunities lie ahead for Time Finance. The foundations of the Group are extremely strong and my first three months back in the business have convinced me that evolution not revolution is the right next step on the Group’s journey. We now have a clear vision focusing on the three key products that are very much in our DNA – asset finance, invoice finance and loan finance - with an exciting growth plan to return to and in time exceed pre-Covid performance. I strongly believe this is the direction that will add real value to all our stakeholders and I am looking forward to the challenges ahead.”

John Newman, Chairman, added:

“The impact of the global pandemic made the financial year to 31 May 2021 a challenging one for the Group, especially with the impact of a further lockdown after our half year results were published. The period has, however, also demonstrated the resilience and robust nature of the Group, highlighting its ability to withstand the significant headwinds it has faced and bringing to the fore the benefits of being a multi-product provider of finance to UK SMEs, spread across multiple business sectors, with the ability to

act as both a funder and a broker. The Group starts the new financial year on more solid foundations having navigated the impact of COVID-19 well, emerging with a stronger balance sheet and better liquidity. Whilst the economic environment remains uncertain, we are cautiously optimistic by the positive signs we are seeing across the markets in which we operate and the Group is well-positioned to deliver future shareholder value.”

Updated Dividend Policy

As highlighted above, the Group’s strategy is to generate organic growth that will more than double the Group’s lending book over the next few years through a renewed focus on its core offering of business-to-business financing. A key factor in the successful delivery of this strategy and the growth of shareholder value will be maximising the deployment of its cash resources to the growth of, and investment in, the business rather than to dividends at the current time. The Board therefore confirms that, due to the impact of the COVID-19 pandemic, the deferred interim dividend of 0.36 pence per share previously declared for the half year period ended 30 November 2019, and originally due to be paid on 12 May 2020 to shareholders on the register at 17 April 2020, will not be paid. The dividend policy will be regularly reviewed during the course of the new financial year as the Group continues its recovery from the effects of the pandemic.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (as amended), which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018. Upon publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

For further information, please contact:

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About Time Finance:

Time Finance’s strategy is to focus on providing or arranging the finance UK SMEs require to fund their businesses and arranging vehicle and property-backed finance for consumers. The multi-product range for SMEs includes asset, vehicle, loan and invoice finance facilities. The Group operates a “hybrid” lending and broking model enabling it to optimize business levels through market and economic cycles.

More information is available on the Company website www.timefinance.com