23 June 2020

1pm plc

("1pm", the "Group" or the "Company")

Trading update for the year ended 31 May 2020; New term loan funding of £3.1 million for operations; and Further new and reallocated funding of £6.3 million for CBILS lending

1pm plc (AIM: OPM), the AIM listed independent specialist provider of finance facilities to UK SMEs, provides the following trading update for the financial year ended 31 May 2020. The Company is also pleased to announce that it has obtained additional funding of £3.1 million for its own business operations and has arranged new and reallocated funding facilities of £6.3 million to deploy as a lending partner under the Government's Coronavirus Business Interruption Loan Scheme ("CBILS").

Trading update

The Group provides the following trading update ahead of the publication of its final results for the financial year ended 31 May 2020, which are scheduled to be announced on 22 September 2020.

During the year, the Group experienced three quarters of 'normal' trading activity and one quarter, 1 March to 31 May 2020, impacted by the effects of the COVID-19 pandemic.

The Group reports a satisfactory trading performance for the financial year as a whole in spite of the significant interruption to normal trading activities in the fourth quarter caused by the COVID-19 crisis and its financial implications.

Business Highlights:

- The inherent strengths of the Group's strategic market position as a multi-product finance provider to UK SMEs, comprising Asset, Vehicle, Loan and Invoice finance, to a very broad range of business sectors, combined with the risk-mitigating model of being both a lender and a broker, have come to the fore in the current economic conditions and have proven the Group's commercial resilience.

- Effective business continuity plans have also attested to the Group's operational resilience and have underpinned the continuation of a seamless service for the Group's customers.

- The Group's ability to develop new lending opportunities despite the business impact of COVID-19 has demonstrated the Group's commercial responsiveness and agility as a non-bank, specialist finance provider, focused on personal customer service and tailored lending solutions.

- New business origination for the financial year was approximately £147.0 million of which approximately £54.5 million (37 per cent.) was written on 'own-book' and £92.5 million (63 per cent.) was placed for broker commission income.

- As at 31 May 2020, the Group had granted forbearance totalling £0.9 million to customers in respect of leases and loan deals with a portfolio value of £24.9 million, representing 20 per cent of the Group's receivables. The strength of the Group's balance sheet, which has now been further bolstered by additional funding in the form of a term loan, as set out below, has enabled this forbearance to be granted without the Group needing to request similar forbearance from its own funding partners. This has enabled the Group to stay open for new business throughout the period.

- Ongoing support from funding partners, plus the spread and size of funding facilities available to it has resulted in the Group being well-equipped to maximise the opportunities that will be presented as the economy recovers.

- No material increase in bad debt write-offs had occurred as a result of COVID-19 as at 31 May 2020 due to large numbers of UK SMEs being able to access funding through the availability of the Government's temporary COVID-19 financial support schemes. A decision has been taken, however, to increase the bad debt provision as at 31 May 2020, as set out below, as a prudent governance measure.

- As a further consequence of UK SMEs accessing funding through the availability of the Government's support schemes, over the past eight weeks the Group has received approximately £1.0 million from the early settlement of outstanding lease and loan agreements, which has added to the Group's cash resources available to redeploy for further lending, in particular under the Group's accreditation as a CBILS funding partner.

<u>Financial highlights*</u>

- Revenue for the year expected to be £29.1 million (FY 2019: £31.8 million) of which approximately 80% is from lending activities and 20 per cent from broking activities.

- PBTE for the year expected to be approximately £3.0 million (FY 2019: £8.1 million), stated after a 'one-off' increase in the bad debt provision of £2.1 million recorded in the fourth quarter of the financial year to mitigate any potential bad debts that may arise in the future from the impact of COVID-19.

- A similar level of net portfolio write-offs to the prior year was incurred, representing under 2.0% of the net lending portfolio, but provisions have been prudently increased to approximately 5.2% or £5.1 million (31 May 2019 1.9% or £2.4m).

- Net assets at 31 May 2020 were in excess of £55.0 million (31 May 2019: £53.8 million).

- Borrowing facilities as at 31 May 2020 were in excess of £180 million (31 May 2019: £167 million) with the blended cost of borrowing maintained at approximately 4%.

- Good visibility of future revenue already secured with "unearned income" as at 31 May 2020 of over £15 million.

- Cash balances, including the proceeds of new term loan funding, of £4.2 million as at 22 June 2020. In addition the Group has a currently unutilised overdraft facility of £1.0 million.

**unaudited*

The start of the current financial year has been overshadowed by the continuing impact of COVID-19 on the Group's business activities and, as the path out of the current economic recession and the time it will take continue to be highly uncertain, the Board is currently not in a position to provide guidance on performance for the current financial year.

The payment of the interim dividend previously due be paid on 12 May 2020 to shareholders on the register at 17 April 2020 and a decision on the amount and timing of any final dividend for the financial year ended

31 May 2020 will continue to be deferred until the business impacts of the COVID-19 pandemic become clearer.

Ian Smith, Chief Executive Officer, commented:

"The strength of our market positioning, multi-product offering, sector spread and the flexibility to either fund on our own balance sheet or broke on, have all stood us in good stead throughout the financial year and have certainly come to the fore with the recent challenges posed by COVID-19.

"As a result of the available and welcomed Government-backed business support schemes, the Group has not seen a significant increase in borrower insolvencies and resulting portfolio write-offs. In accordance with the Group's cautious policies the Board has, however, decided to account for an additional bad debt provision as at 31 May 2020 as a prudent measure. This additional charge has reduced profit before tax for the financial year, but is considered an appropriate step to take in the current uncertain economic circumstances.

"The Group is well-funded and supported, well-resourced with an experienced management team and strategically well-placed to not only withstand the business impact of the pandemic, but also to return to strong and stable growth. I would like to thank all our stakeholders for their support and in particular all 1pm personnel for adapting so well in these challenging times."

Additional funding for operations

The Group is pleased to announce that it has agreed a £3.1 million five year term loan with its principal bank, NatWest (the "Term Loan"). The proceeds of the Term Loan will supplement the Group's existing cash resources and will provide significant additional liquidity for the Group in offsetting the impact of COVID-19 on its business operations. New business origination, particularly that generated from the Group's consumer finance broking activities and which has historically accounted for approximately 20 per cent of the Group's revenues, significantly reduced in late March and throughout April, before starting to recover during May 2020. The Term Loan ensures that the Group has the funding it needs to maintain its operational capability and capacity in its broking activities and will enable a return to strong organic growth as the recovery in new business origination levels continues.

CBILS lending and funding facilities

On 5 May 2020, the Company announced that British Business Bank had approved 1pm Finance (UK) Ltd, a wholly-owned subsidiary of the Company, as an accredited participating lender under CBILS. With this accreditation, the Group is able to expand its lending in the form of CBILS leases and loans advanced by the Group to small business customers across the UK impacted by the COVID-19 pandemic. In making loans under CBILS, the Group benefits from a government-backed guarantee for the loan repayments due from borrowers. Following a period of mobilisation during May, CBILS lending commenced in June and the Group is now processing a substantial pipeline of business loan and lease proposals from a range of UK small business borrowers.

To ensure that the Group is able to capitalise on the existing substantial pipeline and to maximise the potential to originate new CBILS business, the Group is pleased to announce that it has secured new and/or reallocated existing facilities in respect of an additional £6.3 million to lend to UK SMEs in the form of CBILS loans and leases (the "Additional CBILS Funding"). Of the Additional CBILS Funding, £2.8 million relates to new funding facilities for lending in the form of a new block finance facility of £2.5 million specifically for CBILS lending and a further issue under the Group's existing Secured Medium Term Note Programme of £0.3 million. The remaining £3.5 million relates to new arrangements with certain of the Group's existing block finance facility providers enabling a partial allocation of those existing facilities specifically for CBILS lending.

James Roberts, Chief Financial Officer, commented:

"I am delighted that the strength of our group and funding partner relationships has enabled us to raise both a term loan to provide the Group with significant additional liquidity to offset the cash flow effects of COVID-19 on our own business operations while at the same time arranging new or redeployed facilities for lending to UK SMEs, in turn enabling them to withstand the business impact of the pandemic. One of the Group's guiding principles from the start of COVID-19 was to stay open for new business to support UK SMEs and we are pleased to be able to confirm 1pm's ongoing commitment and ability to deliver on that promise."

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

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About 1pm:

1pm'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.