

Morses Club PLC

Trading Update

Morses Club PLC (“Morses Club”, the “Company” or, together with its subsidiary undertakings, the “Group”), an established provider of non-standard credit services, provides the following update on trading for the 26-week period ending 27 August 2022.

Trading

Following the Company announcements on 20 July 2022 and 11 August 2022 regarding the Board’s decision to pursue the potential use of a Scheme of Arrangement (the “Scheme”) to deal with customer redress claims for unaffordable lending against the Company and the steps taken to pause the processing of all new redress claims for unaffordable lending from 11 August in the Home Collected Credit (“HCC”) division, the Company’s trading performance has continued to be impacted by the level of claims in the HCC division made prior to 11 August. This has meant that the Company continues to be materially loss-making, with the additional impact of constraining available cash to generate future revenue. This has led to a reduction in lending volumes and customer numbers in both the HCC and Digital divisions in order to ensure that the Company can continue to operate as a going concern whilst it pursues a potential Scheme of Arrangement with its stakeholders to ensure the most equitable outcome for its customers.

Digital

Customer numbers in the Digital division for short-term and long-term lending products have decreased by 37% since the beginning of the financial year and the customer base now stands at c. 24,500 (FY22: 39,000). The credit issued in the period was £10.2m, which is 64% below the same period in the prior year. As a consequence, the gross loan book has reduced to £14.3m (FY22 £23.8m) which is 40% lower than at FY22 year-end. However, lending volumes in H1 FY23 were at 32.1k (HY22: 30.6k), 5% ahead of prior year. Although the lending levels were reduced, collection performance was strong at 5% ahead of the same period in the prior year. Impairment as a percentage of revenue was 42%, which is below the guidance range of 45% - 55% of revenue (FY22 67.6%) due to the reduction in the size of the loan book. The customer experience score for the division has increased to 94% (FY22: 92%).

Home Collected Credit

The HCC division has continued to adapt to a digitalised and structurally changing HCC sector. Customer numbers have reduced to c. 116,000 (FY22: 143,000), a reduction of 19%. Despite the reduction in customer numbers, credit issued for the division was £34.9m (HY22: £53.1m) which is 34% below the same period in the prior year. Sales volumes for H1 were 72.8k, (HY22: 134.2k). The gross loan book now stands at £67.7m, which is a reduction of 30% from FY22 year-end, (FY22: £96.7m). This is due to a further tightening of credit policy in H1 and the continued focus on ensuring quality of lending, despite the continued challenge of previous claim levels for the division. Collection performance has remained strong at 73% (FY22: 76%), and impairment at 15% is below the guidance range of 21% - 26% due to the reduction in the size of the loan book. 69% of all lending in the division is now cashless (FY22: 66%) and 82% of the HCC division customers are registered for the online

customer portal (FY22: 81%), an increase from 70% against H1 in FY22. Customer satisfaction for the period is at 95% (FY22: 97%).

Gary Marshall, Chief Executive Officer of Morses Club, commented:

“The level of previous claims in our HCC division continues to impact the overall trading performance of the business, which means we are materially loss-making as a result and has the additional impact of constraining the cash available to generate future revenue. Although the business continues to be a going concern, the material uncertainty of the trading position of the Group means that it is increasingly imperative that we make substantive progress regarding a potential Scheme of Arrangement. We continue to pause the processing of customer claims received from 11 August pursuant to DISP 1.6.2R(2). We continue to work with all our key stakeholders to make formal progress on a potential Scheme of Arrangement, to avoid the Company having to seek protection from insolvency, which would lead to a materially worse outcome for customers.”

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014. The person responsible for this announcement is Graeme Campbell, Chief Financial Officer.

For further information please contact:

Morses Club PLC

Gary Marshall, Chief Executive Officer
Graeme Campbell, Chief Financial Officer

Tel: +44 (0) 330 045 0719

Peel Hunt (Nominated Adviser)

Paul Shackleton / Andrew Buchanan / Sam Milford (Investment
Banking Division)

Tel: +44 (0) 20 7418 8900

Camarco

Jennifer Renwick / Charlotte Hollinshead

Tel: +44 (0) 20 3757 4994

Notes to Editors

About Morses Club

Morses Club is an established provider of non-standard credit services in the UK. The Group consists of Morses Club, the UK's largest home collected credit ("HCC") provider¹, and Shelby Finance Limited, Morses Club's Digital division, which operates under the online brand of Dot Dot Loans, an online lending provider. The Group's growing Digital capabilities and scalable, highly invested IT platform has enabled Morses Club to deliver a range of lending products to the non-standard credit market.

UK HCC is considered to be a specialised segment of the broader UK non-standard credit market. UK HCC loans are typically small, unsecured loans delivered directly to customers either remotely or in their homes.

Morses Club's HCC division is the largest UK Home Collected Credit (HCC) lender¹ with 143,000 customers throughout the UK. The HCC division enjoys consistently high customer satisfaction scores of 97%². In 2019 the Company introduced an online customer portal for its HCC customers, used by 81% of customers.

The Group's growing Digital division, Shelby Finance, operates under the online brand Dot Dot Loans which provides online instalment loans of up to 48 months to c. 39,000 active customers.

Morses Club listed on AIM in May 2016.

About the UK non-standard credit market

The UK non-standard credit market, of which UK HCC is a subset, consists of both secured and unsecured lending and is estimated to comprise around 10 million consumers³ and total loan receivables of £9.6bn⁴.

Non-standard credit is the provision of secured and unsecured credit to consumers other than through mainstream lenders. Lenders providing non-standard credit principally lend on an unsecured basis and the market is characterised by high frequency borrowing. Approximately 2 million people move annually between standard and non-standard markets⁴.

Since February 2014, unsecured personal lending has grown from £161 billion to £225 billion in February 2020. It has since contracted to £197 billion in August 2021⁵.

¹ Based on Net Loan Book of £45.3m as at 28 August 2021

² Independent Customer Satisfaction Survey conducted by Mustard

³ FCA High Cost Credit Review Technical Annex 1: CRA data analysis of UK personal debt - July 2017

⁴ Apex Insight - Non-Prime Consumer Credit: UK Market Insight Report - December 2020

⁵ Table A5.2, Bank of England Money and Credit Bank stats August 2021