

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 financial services, provides the following trading update for the 52-week period to 27 February 2021 (“FY21”).

The Group performed resiliently and profitably during a challenging year, where our primary focus was on supporting our customers and protecting the wellbeing of our teams and agents. Morses Club responded to the profound impact that the pandemic and ensuing market conditions have had on the Group by accelerating our existing digital strategy and taking advantage of the opportunity to expedite the tech-enabled transformation of the business.

We quickly moved to a remote Home Collect Credit (“HCC”) lending model, which was made possible by the Group’s previous investment in its digital capability, and our well-advanced digital platform enabled us to re-commence lending to existing customers just three weeks after lockdown was announced in March 2020. 64% of lending in our HCC division is now cashless and transacted through our portal, with customers signed up to the portal rising by c.70% during the period. Customer satisfaction remains very high, unchanged at 97%, reflecting, in part, our customers’ positive experience of our new remote lending model. We expect this to be a permanent shift in customer behaviour and our research clearly indicates that both customers and agents see digital lending as the future of the HCC market.

The Group has focused on the quality of lending since the start of the pandemic, with strong collection rates and levels of impairment reflecting this. The collection to terms performance within HCC has continued to improve, with Q3 FY21 at 95% of historical expectations and Q4 FY21 rising to 100% of historical expectations. Total credit issued within HCC reduced by 37.0% to £109.7m (FY20: £174.2m) reflecting reduced demand due to various national and regional lockdowns during the year, along with the Group’s stricter lending criteria to protect the quality of the loan book. The HCC gross loan book reduced by 28.6% to £102.1m (FY20: £142.9m) and total customer numbers within HCC were 152,000 (FY20: 221,000). The confidence and support of our funding partners provides further validation of our strategy, as we secured an extension of our revolving credit facility in April 2020.

The Digital division implemented two new platforms over the period, creating a robust banking proposition and strengthening the existing loans management system. As with HCC, total credit issued and customer numbers within the Digital division were impacted by reduced demand due to lockdown measures along with the Group’s tightening of lending criteria to maintain high quality lending. Total credit issued increased by 21.4% to £19.3m (FY20: £15.9m) and customer numbers were 29,000 (FY20: 33,000). The division is now primed for growth with new robust platforms and a significant target market. The division’s strong collection figures demonstrate the platform’s capabilities and we are now focused on scaling the business and achieving run-rate breakeven by the end of FY22.

We also took the opportunity to implement a number of other structural changes to the business, supporting employees and agents working from home, and restructuring the Group’s property portfolio, which is now largely complete with all 89 branches operationally closed on a permanent

basis. Morses Club has not furloughed any staff nor sought any government assistance throughout the period.

Subject to audit review, we anticipate that Group profit before tax for FY21 will be ahead of current market expectations^[1]. Morses Club intends to pay a dividend for FY21, demonstrating its confidence in the Group's prospects.

Paul Smith, Chief Executive Officer of Morses Club, said:

"First and foremost, I would like to extend my heartfelt thanks to all of our teams and agents, who have worked tirelessly to ensure that our customers have continued to receive excellent customer service. Without their teamwork and support, we would not have ended the year in as strong a position as we have.

"Last year was a challenging yet transformational year for Morses Club, during which we demonstrated the robustness of our business model. The pandemic has resulted in the acceleration of our digital strategy, vindicating our previous investment, and as a result, we have made a number of permanent changes to our offering to meet changing customer behaviour.

"Our strong new operating platforms, increasing suite of services and first-class customer service ensure the Group is well-placed to capitalise on opportunities going forward. We are encouraged by evidence of pent-up demand for our growing number of products as lockdown eases and we look forward to making further progress in facilitating financial inclusion across the UK as the economy gradually rebounds during 2021."

Notice of Full Year Results

Morses Club will be announcing its full year results for the period ended 27 February 2021 on 13 May 2021. There will be an analyst presentation to discuss the results at 9.30am. Those analysts wishing to attend are asked to contact Jake Thomas at Camarco on +44 (0)20 3781 8337 or jake.thomas@camarco.co.uk.

[1] Market expectations are based on the following Adjusted Profit Before Tax (Adjusted PBT) forecasts for FY21: £2.8m (Peel Hunt - Dec 20), £2.7m (Shore Capital - Dec 20) and £4.3m (Goodbody - Dec 20).

Ends

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Notes to Editors

About Morses Club

Morses Club is an established provider of non-standard financial services in the UK. The Group consists of Morses Club, the UK's second largest home collected credit ("HCC") provider, and Shelby Finance Limited, Morses Club's Digital division, which operates under two online brands, Dot Dot Loans, an online lending provider, and U Account, which offers online e-money current accounts. The Group's growing Digital capabilities and scalable, highly invested IT platform has enabled Morses Club to deliver an increasingly broad range of financial products and services 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 cash loans delivered directly to customers' homes. Repayments are collected in person during weekly follow-up visits to customers' homes. UK HCC is considered to be stable and well-established, with approximately 1.6 million¹ people using the services of UK HCC lenders.

Morses Club's HCC division is the second largest UK Home Collected Credit (HCC) lender with 152,000 customers throughout the UK. The majority of the Company's customers are repeat borrowers and the HCC division enjoys consistently high customer satisfaction scores of 97%². In 2016, the Morses Club Card, a cashless lending product, was introduced and in 2019 the Company introduced an online customer portal for its HCC customers, which now has over 124,000 registered customers.

The Group's growing Digital division, Shelby Finance, operates under two online brands. Dot Dot Loans provides online instalment loans of up to 48 months to c. 23,000 active customers. U Account is a leading digital current account provider offering an alternative to traditional banking by providing a fully functional agency banking service. U Account currently has c. 6,000 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 £10.7bn⁴.

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 £206 billion in October 2020⁵.

¹ High Cost Credit Review ANNEX 1 - July 2017

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 - September 2019

⁵ Table A5.2, Bank of England Money and Credit Bank stats October 2020