

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 26 February 2022 (“FY22”).

Trading

The Group traded strongly during the period and adapted its customer offering in response to positive market demand for lending, along with changing consumer needs, due to the easing of the pandemic. The strategic focus on delivering excellent customer experience supported by technology is embedded throughout the business.

Digital

In the Digital lending division, customer numbers stood at over 36,500 at the end of the period, an increase of 59% since the end of FY21. Total credit issued for the period was £41.2m (FY21: £19.3m), a 113% increase. The gross loan book was £23.9m, an increase of 98% (FY21: £12.1m). The quality of the lending in the digital division remains high, with collections performance in line with management’s budgeted plan.

Customer demand has been strong, with a focus on short-term lending during the period. Customer satisfaction for the division is at 91%. Due to the IFRS9 requirement to take forward-looking provisions at the outset of the loan period, impairment was outside the guidance range in H1. However, impairment significantly improved in H2. We therefore expect the overall impact of this to result in impairment above the guidance range of 45% - 55%.

The division is now primed for continued growth with a stable platform and a significant target market. Month-to-month profitability was achieved in the last two months of FY22. Our growth plans in early FY23 are expected to increase impairment in the short term but we expect to return to run rate profitability during FY23.

Home Collected Credit

The Home Collected Credit (“HCC”) division traded well, despite the recently reported impact of an increase in complaints submitted by claims management companies. We constantly monitor our credit policy to keep it aligned to market conditions and some tightening of criteria has ensured the quality of our lending is maintained. Customer numbers of 143,000 (FY21: 151,000) at the end of the period are a strong indicator of consistent demand. Total credit issued during FY22 was £108.0m, 9% above management’s budgeted plan and just marginally lower than the previous year (FY21: £109.7m). The gross loan book was £96.7m (FY21: £102.1m). Cash collection performance for the HCC division has remained strong and is ahead of management’s budgeted plan.

The Group continues to adapt to a structurally changing HCC sector influenced by changing customer and regulatory needs; 66% of all lending is now cashless, while 87% of payments are cashless. This is consistent with FY21, despite the easing of Covid-19 restrictions. 81% of customers are signed up for the customer portal, which has increased by 8% compared to FY21. Impairment for the financial year is expected to be lower than the Company's guidance range.

Customer satisfaction remains high at 97% for the HCC division, reflecting continued customer support for the evolving digital HCC model.

The Group's funding structure remains unchanged, with a revolving credit facility of £35m in place until 31 March 2023.

On 21 February 2022, the Group announced that it expected adjusted profit before tax for FY22 to be between 20% and 30% below the prevailing analyst consensus of £7.5m due to the impact of the recent increase in claims, subject to year-end audit review. Complaints continue at the same levels as we reported, and our guidance remains unchanged.

Morses Club will review its dividend at the time of finalising its full year audited accounts.

U Account

Following a strategic review of the e-money current account product, U Account, the business has decided to withdraw this product from the market due to significant changes in market conditions.

Director Change

Following the completion of her second three-year term of office as a Non-Executive Director on the Board, Joanne Lake will be stepping down from the Board on 31 March 2022. The Group thanks Joanne for her dedication and hard-work for Morses Club over her six-year tenure on the Board.

Notice of Interim Results

Morses Club will announce its results for the 52-week period ending 26 February 2022 during May 2022. An update on the expected date of results will be provided in due course.

Gary Marshall, Chief Executive Officer, commented: *"I am very pleased to have been appointed CEO of Morses Club at such an important and transformational time in the business' history. I am very encouraged by the performance of the Group over the period. We have traded profitably, with a renewed focus on delivery and enhancing our customer experience. Our digital expertise gives us the ability to adapt to the continued change in customer and regulatory demands in both the Digital and HCC divisions.*

"The HCC business has traded strongly, with proven levels of adaptability which we will continue to mould to our customers' needs over the coming years. I look forward to providing the group with a renewed focus on transforming the business to deliver sustained growth for both divisions."

Sir Nigel Knowles, Chairman, added: *"Having served on the Board of Morses Club for a number of years, I am delighted to take up the role of Chairman. The underlying trading performance of the business is positive and the reshaped leadership team will give added impetus to the growth plans of*

the business that will ensure continued focus on delivering for our customers, shareholders, employees and agents.”

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 largest home collected credit ("HCC") provider¹, 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.

Morses Club's HCC division is the largest UK Home Collected Credit (HCC) lender¹ with 144,000 customers throughout the UK. The HCC division enjoys consistently high customer satisfaction scores of 98%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 108,000 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. 47,000 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. 5,000 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 £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