

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 Q1 FY22 (1 March 2021 – 31 May 2021).

Despite the continued impact of the pandemic, the Group has seen a steady increase in customer demand across all lending products in both its Home Collected Credit (“HCC”) and digital divisions. Strategic investment into the Company’s technology infrastructure has continued to develop our service offering in line with evolving customer needs. Further platform development is underway for the current account product, which we expect will positively impact planned volume growth in the second half of the year.

Customer numbers in the digital division for short-term and long-term lending products have increased by 40%, with total loan book balances increasing by 99% relative to the FY21 year-end position. New credit issued is 33% above management’s budgeted plan, with collections performance also ahead of budget, indicating the increase in lending volume is not directly reducing the quality of the loan book.

The significant increase in both demand and volume for longer and shorter-term digital lending products has led to the lengthening of the maturity profile of the loan book. This will increase the impairment range for the digital division in the first half of the year due to the IFRS9 requirement to take forward-looking provisions at the outset of the loan period. We anticipate volumes will stabilise and return to more normal levels during the course of the year, in line with our budgeted plan, and subsequently this will then lead to impairments reducing.

As a result of the changes to our HCC service model to cater for customer demands due to Covid-19, 66% of all HCC lending is now cashless and over 70% of customers are registered for the online customer portal. Customer numbers as at 31 May 2021 were 144,000, with strong collections performance being 104% of target and 118% ahead of the same period last year. Total new credit issued within HCC is 16% ahead of our budgeted plan, despite the continued impact of lockdown activity across the UK. HCC impairment charges are expected to remain within the guidance range. Customer satisfaction for the HCC division is at 98%.

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

“Despite the continued impact of the pandemic, trading performance across all of our lending products has been very strong in the first quarter of FY22. This encouraging start to the year has been achieved through standout delivery from all our teams and agents and continues the Group’s strong momentum from the second half of last year.”

“Our focus on becoming a leading provider of financial products and services for our target customers is unrelenting. The success of the remodelling of our services to meet the needs of customers in the context of the Covid-19 pandemic has made us all the more determined to become sector-leading in

terms of meeting customer demand, and to continue to listen to our customers and key stakeholders to help shape our business for long term success.

“The importance of a technology-led offering has never been clearer. Our investment and focus on ensuring our service model adapts to changing customer needs, whilst maintaining our core ethos of putting the customer at the heart of what we do, is central to our success as a Group.”

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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.

Morses Club's HCC division is the second largest UK Home Collected Credit (HCC) lender with 151,000 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 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 107,000 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