Investor Presentation

May 2020

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Presenters

Ian Smith, CEO

- Over 3 years in the full-time CEO role; previously 2 years as 1pm Non-executive Chairman
- Instigated and implemented the recent buy-and-build phase of expansion
- 26 years in listed and privately-owned, PE/VC - backed entities, leading strategic transformations
- Initially qualified and worked 11 years in a leading global Chartered Accountancy practice

James Roberts, CFO

- 3 years at 1pm and worked in financial services since 2000 in senior management and Director level roles
- Previously Finance and Operations Director of AIM listed Jelf Financial Planning.
- Extensive experience of M&A.
- Initially qualified as a Chartered Accountant with PwC in the City

Presentation contents

Overview of the 1pm plc Group

Business impact of COVID-19

CBILS accreditation

Q&A

Overview of the Group

- A non-bank, specialist finance provider to SMEs
- Trading subsidiaries are FCA authorised
- Operating a hybrid model; flexibility to either fund on own balance sheet, or broke-on to other lenders
- All own balance sheet lending is to UK SMEs who meet our credit criteria
- We broke-on proposals outside our credit criteria and all consumer finance deals to manage our credit risk
- We are multi-product providing a range of finance products that smaller UK SMEs require
- Four product divisions

Business-critical 'hard' & 'soft' Asset Finance

Invoice Finance – discounting and factoring

Own book business loans & Broked-on property loans

Broked-on Business & Personal, new & used Vehicle Finance

Operating principles

1pm is a cautious finance provider focused on **Spread, Security and Margin**

Spread is key to SME lending and is a risk-mitigating hedge:

- Largest sector by value and number of deals is < 5% of portfolio
- Multiple SIC codes – top 10 sectors account for only 1/3rd of the portfolio
- Largest lease c. £450k. Average deal size £15k. Largest IF facility c. £1.2m. Average £150k.
- LTV advance on hard assets, typically 70%; on IF facilities, typically 55% of sales ledger

Security is paramount and timely follow-up essential:

- Personal guarantees from the directors/proprietors of each SME for all soft asset leases and loans
- Assiduous follow-up on arrears and impairments, turning impaired deals into Charging Orders
- Strong track-record in collections; circa 70% of impaired value recovered over the past 10 years

Margin is risk-priced to facilitate robust growth:

- Policy decision not to relax price or credit criteria to chase aggressive top-line growth
- Net interest margin of c.10-12%

Recent deal examples

Asset Finance

- Food Manufacturer
- £77,000 Asset Finance Facility (£50k own book funded & £27k brokered)
- The business had recently secured a large contract with a leading supermarket
- To keep up with the momentum of growing orders, the firm needed to invest in new machinery for a faster and more efficient service

Invoice Finance

- Fashion and Textile Manufacturer
- £400,000 Invoice Finance Facility
- In response to COVID-19, the firm had secured a large NHS contract to manufacture non-surgical gowns and protective headwear for frontline staff
- To keep up with ongoing cash flow requirements to produce these garments, they required a flexible funding solution to ensure delivery of this project

Invoice Finance

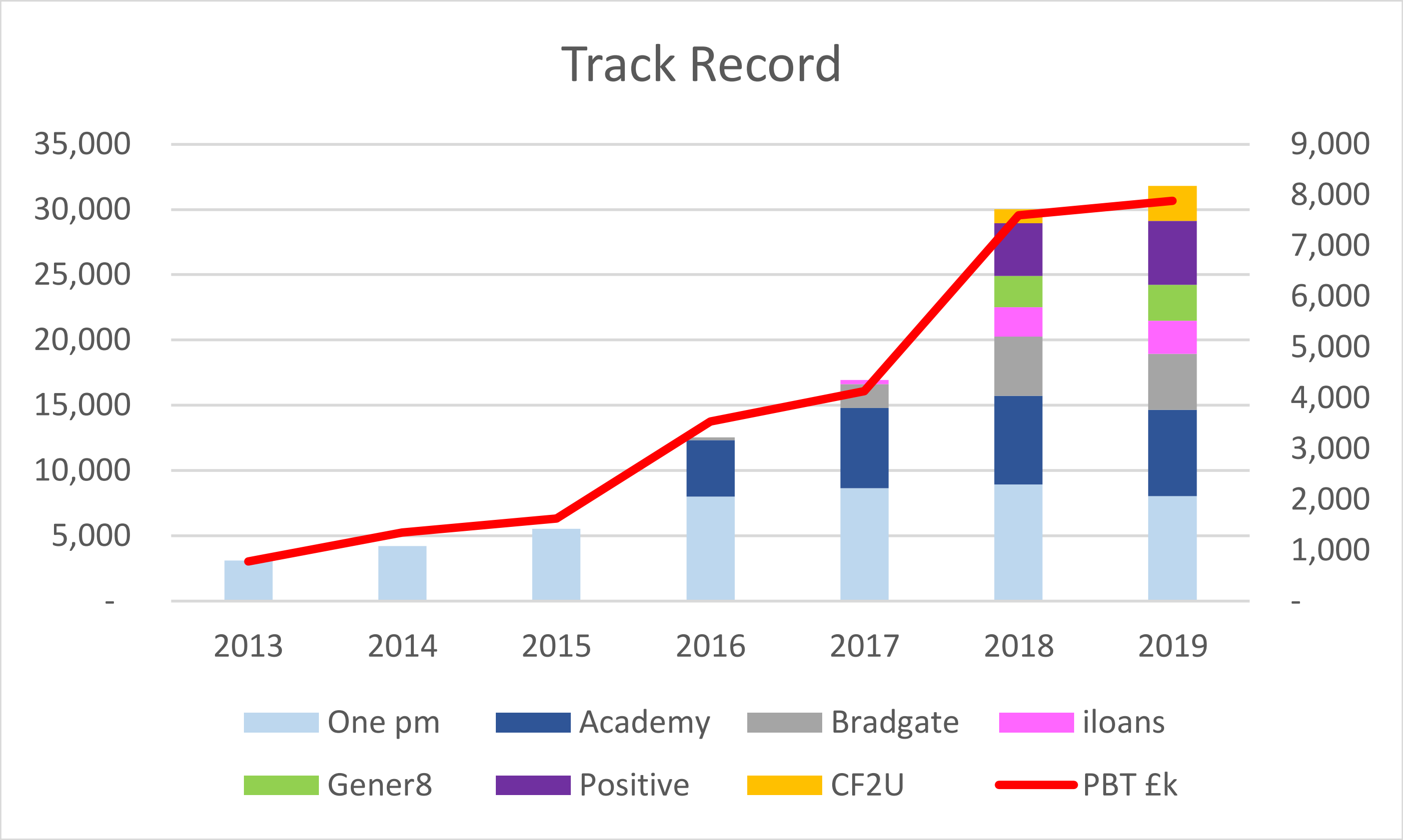
- Precision Engineering Firm
- £1million Invoice Finance Facility (+£100k Loan)
- The business began facing difficulties when their funder became unsupportive
- We were able to replace the previous funder and structure a new facility, in addition to providing an extra £100k in headroom to support the business' ambitious growth plans

Loan

- Building Construction
- £331,000 Secured Bridging Loan (brokered)
- The business required a cash injection to support the completion of a new building development
- They required funding solution which would support them in purchasing the remaining materials and paying for required labour

Pre COVID-19 financial performance

REVENUE AND PROFIT £000



BALANCE SHEET £m

	30/11/19	31/5/19
Assets		
Non-Current Assets	74	82
Current Asset	90	76
Total Assets	**164**	158
Equity		
Retained Earnings	22	20
Share capital	34	34
Total Equity	**56**	54
Liabilities		
Non-Current Liabilities	31	31
Current Liabilities	77	73
Total Liabilities	**108**	104
Total Equity & Liabilities	**164**	158

Operating division data (Pre COVID-19)

Over 21,000 SMEs and consumers

Asset Finance

Annual origination	£54.3m
Book	£86.9m
Interest rate	10-18%
Typical term	3 years
Impairments Provision	

Loans

Annual origination	£35.3m
Book	£12.1m
Interest rate	14-22%
Typical term	3 years
Impairments Provision	

Invoice Finance

Annual origination	£17.3m
Book	£42.7m
Interest rate	4%+fees
Typical term	2 years
Impairments Provision	

Vehicle Finance

Annual origination £54.1m

All new and used vehicle finance deals brokered to other lenders – no balance sheet risk

Funding partners

Ample headroom for organic growth

Key Funding Lines - £m	Facility	Usage at 30 Nov. 19	Headroom
Bank Overdraft (Nat West)	1.0	0.0	**1.0**
Block Funding lines (no non-utilisation fees)	116.8	51.5	**65.3**
Secured Loan Note & other HNW loans	26.9	8.2	**18.7**
Back-to-back facility (RBS IF)	37.0	31.9	**5.1**
Total Funding Facilities	**181.7**	**91.6**	**90.1**

- Gearing contained at circa 3.4x Net Tangible Assets (as at 30 November 2019)
- 3.9% average borrowing rate reduced through reduction in 'Block' rates due to treasury 'bulk buying' and economies of scale
- Potential opportunities for longer term and/or cheaper funding being explored

Block funding providers:
British Business Bank, Aldermore, Siemens, Hitachi, Hampshire Trust, BLME, Conister, Investec, Shawbrook

Robust business factors

- **Risk-mitigating spread and diversity** – of introducer channel, asset category, lending product, sector, geography, deal size and deal quality
- **Operating model flexibility** – lending and broking
- **Borrower resilience** – lending to independent businesses for 'staple-diet' consumer products, not multiple-outlet, retail chain businesses reliant on discretionary spend
- **Small individual exposures** – meaning that impaired receivables can typically be recovered through charging orders and payment plans
- **Human underwriting** – eyes on every deal, not reliant on algorithms
- **Impairment provisions in line with IFRS9** – carrying bad debt provisions roughly twice the amount of annual net write-offs
- **Fixed interest rate** deals – no exposure to interest rate rises for business already written
- **Strong balance sheet** - £[30m] of Net Tangible Assets and comfortable gearing covenant headroom
- **Ample operational debt facilities** – and a range of supportive funding partners

COVID-19 response

Incident Management Team

IMT formed of plc and Operating Board members to take a ‘crisis-management’ approach – weekly meetings

Four guiding principles established

1. a dedicated focus on the health and safety of the Group’s employees and their families
2. an uninterrupted seamless service for customer and client transactions
3. unwavering support to viable businesses for which finance solutions have been provided
4. remaining open for new business to support credit-worthy, robust SMEs

COVID-19 impact and response falls into 3 categories

A.	Effect on trading – origination, revenue generation and cash inflow	=> seeking a Term Loan
B.	Effect on the portfolio – forbearance requests from existing borrowers	=> will seek matching forbearance from funders
C.	Effect on capacity to lend to generate new business	=> sought CBILS accreditation

COVID-19 business impact – category A

Effect on trading

- Vehicles division activity reduced significantly in late March and April; signs of increasing activity in May
- Property broking activity reduced significantly in late March and currently inactive
- ‘Soft’ asset origination activity reduced in April; recovery largely dependant on lifting of lock-down
- ‘Hard’ asset origination reduced, but by less; still actively lending to ‘key’ sectors – e.g. food supply chain, medical and healthcare

Management action

- Advantage taken of Government support schemes, such as CJRS; furloughing now at circa 30% of staff
- A CBILS Term Loan is being sought utilising the strength of the balance sheet and gearing covenant headroom
- The Term Loan funding will offset anticipated trading and hence cash shortfalls
- The Term Loan is not for lending activity

COVID-19 business impact – category B

Effect on portfolio

- Currently circa 14,200 borrowers.
- Forbearance requests from circa 25% of borrowers, equating to circa 15% of the Group's lending portfolio by value
- Forbearance granted to date represents circa £0.8m of cash inflow
- Rate of new requests slowing following a peak in early April
- No notable increase as yet in impairments

Management action

- Forbearance is being given based on a set policy including specific options
- Arrears added to the end of term by way of a rescheduled lease or loan agreement
- Funders will be approached for matching amounts of forbearance when and if needed
- Funders currently fully supportive
- Prudent additional impairment provisions to be made in the current financial year ending 31 May 2020

COVID-19 business impact – category C

Effect on capacity to lend

- Some sectors are trading strongly; staying ‘open for business’ is therefore key to meeting their needs
- Requesting matching forbearance from funders risks closing-off the ability to lend for new deals
- British Business Bank, through their ENABLE facility, is proactively allowing flexibility on forbearance and new lending (the Group has a £35m facility with ample headroom)
- Greatest opportunity to lend is through the Government Coronavirus support schemes

Management action

- Delaying formal requests for funder forbearance in order to keep facilities open for new lending
- Actively using the ENABLE facility from British Business Bank
- Applied to become accredited as a lending partner under the Coronavirus Business Interruption Loan Scheme (“CBILS”) – approved in early May; intend to start lending during May
- Currently determining the allocation and availability of funding to deploy under this accreditation

CBILS accreditation

- CBILS provides financial support to SMEs across the UK that are losing revenue, and seeing their cash flow disrupted, as a result of the COVID-19 outbreak.
- A lender can provide finance in the form of term loans, invoice finance or asset finance
- 1pm's accreditation is, at present, for loans and asset finance

Key Features:

Finance of up to £5 million	Guarantee to the lender to encourage them to lend	Government pays interest and fees for 12 months
The maximum value of a facility provided under the scheme is £5 million, available on repayment terms of up to six years.	The scheme provides the lender with a government-backed, 80% guarantee against the outstanding balance of the finance. The borrower remains 100% liable for the debt.	The Government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied charges.

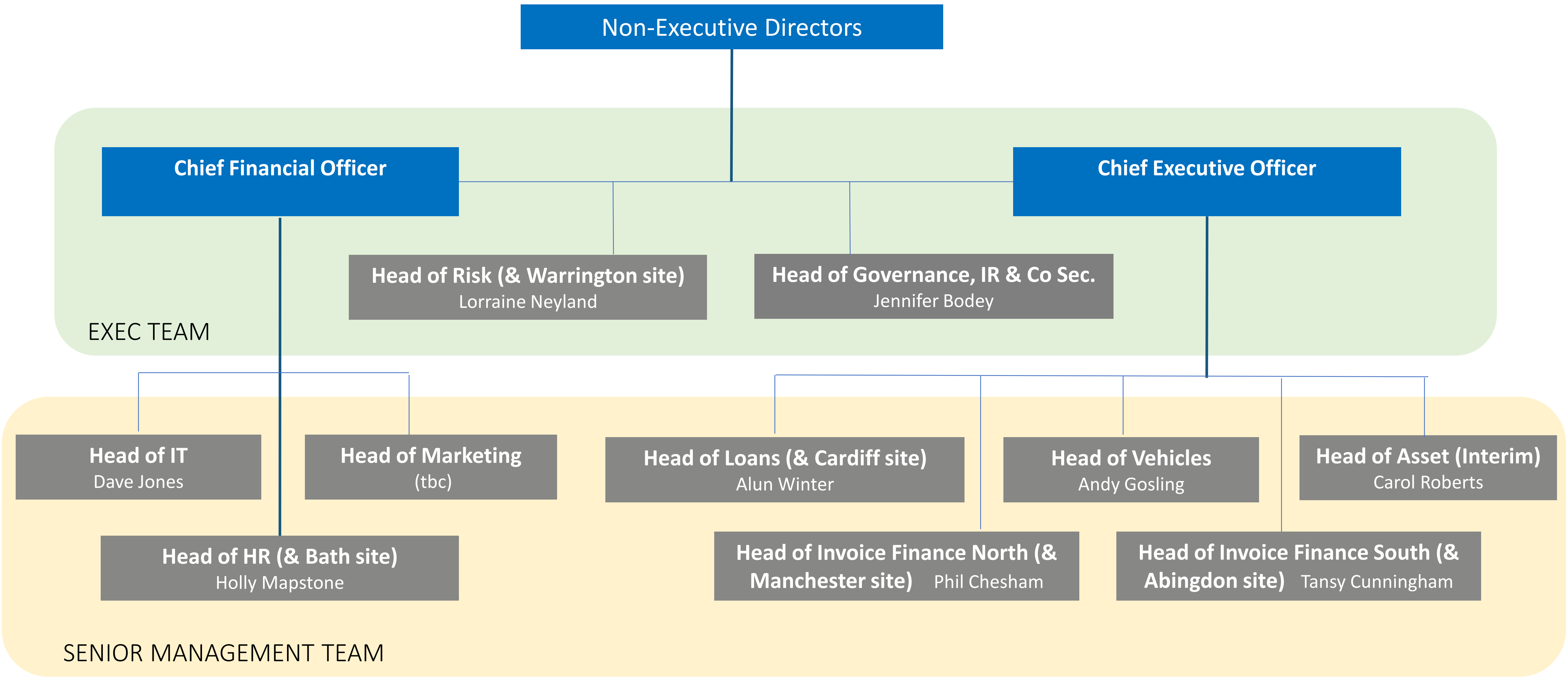
BRITISH BUSINESS BANK

Outlook

- 1pm has:
  - a strong balance sheet
  - policies and characteristics that lead to a robust trading model
  - a strategically sound market position
  - a track record of delivering expected financial results
- The Group is responding effectively to the business impact of COVID-19 and taking appropriate management action
- Through the CBILS accreditation, there is a clear and present opportunity to originate incremental business and continue to lend to SMEs
- Although prudent impairment provisions will be made, the Group will continue to generate cash and profits (formal guidance temporarily withdrawn)
- Illustrative cash flow scenarios suggest the ability to successfully trade through the COVID-19 crisis and return to organic and strategic growth.

Appendices

1pm group management structure



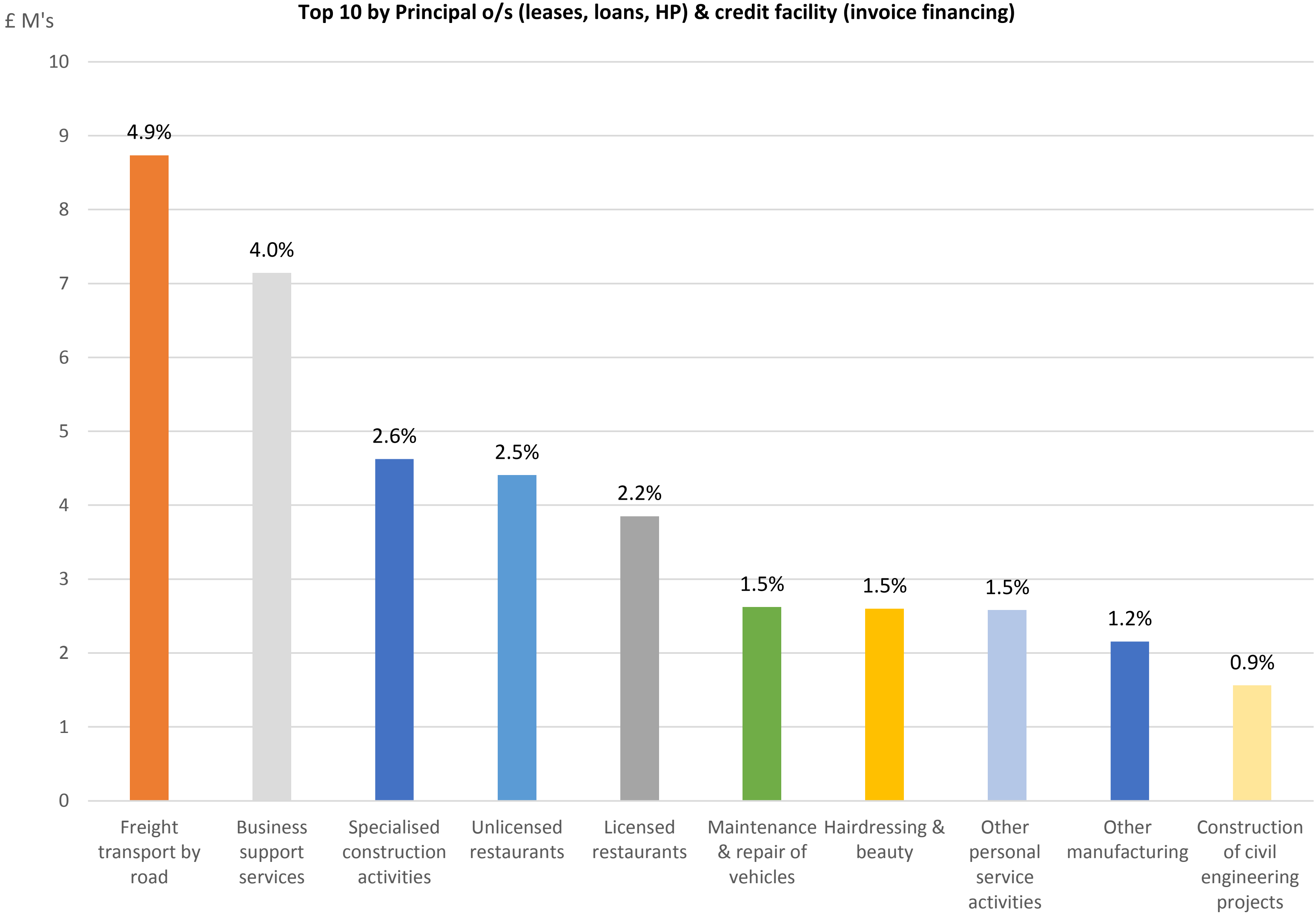
1pm plc current ownership

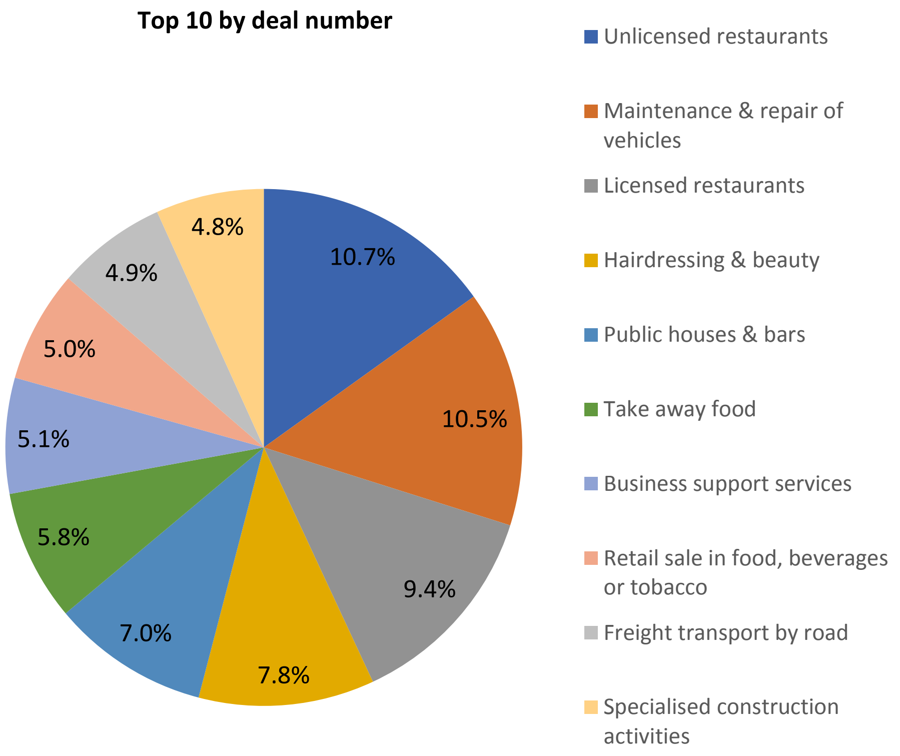
10 Largest holdings

Fund Manager	% Holdings	30 Nov 2019 88,985,316 £30,477,471
Lombard Odier Asset	23.01%	20,478,352
GPIM Limited	17.59%	15,650,187
Russell R Esq	12.34%	10,977,967
Hargreaves Lansdown	8.46%	7,529,682
Interactive Investor Trading	5.62%	5,000,586
Individuals & Private Clients	3.81%	3,389,922
Halifax Share Dealing	2.70%	2,402,687
Barclays Stockbrokers Limited	2.18%	1,939,863
Equiniti Shareview	1.73%	1,536,054
Societe Generale	1.57%	1,395,000
Total	**79.00%**	**70,300,300**

Diversified lending

Credit risk management – no major concentrations





Competition

Fragmented sector - few companies at scale in small-ticket lending

Banks
HSBs lend to SMEs, but no longer structured to support smaller SME businesses

Challenger Banks
Also lessors, but do not operate in the smaller end of the market. Lend to us wholesale.

Alternative finance platforms
Growing sector, but rate of growth slowing

Quoted companies
Tend to be single product focused, banks, or lending to consumers

Private companies
Quantum Finance and regional players such as Armada, Kingsway, Tower, Propel

	1pm PLC	Banks	Challenger Banks	Alternative finance platforms	Quoted companies	Private companies
Flexibility	✓	x	x	✓	✓	✓
Speed of service	✓	x	✓	✓	✓	✓
Personal approach	✓	x	x	x	✓	✓
Range of products	✓	✓	✓	x	x	x