Distribution Finance Capital Holdings plc
Full Year Results 2024

April 2025

DF Capital

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1. Background

Carl D'Ammassa

Introductions

Carl D’Ammassa
Chief Executive Officer

Gavin Morris
Chief Financial Officer

An alternative approach to scaling a bank

- DF Capital is a specialist lender providing working capital solutions for UK based dealers, manufacturers and distributors
- Founded in 2016; Headquartered in Manchester
- Receiving full authorisation as a bank in September 2020
    - Accesses retail deposit market, featuring in best buy tables and through an online platform, to provide the liquidity that supports lending activities
- Reached profitability within two years of authorisation
- Now supports over £1.4bn of new lending each year to more than 1,300 dealers and 88 manufacturer partners
- Imminent launch of asset finance lending product to existing segments – presents significant new growth opportunity

Core product: Inventory finance

Product

How we help

Manufacturer

With DF Capital

We fund and take title of finished goods from manufacturer

Without DF Capital

Inefficient use of working capital

DF Capital

We enable product to be sold from dealer forecourt. We are repaid when the product is sold

Dealer

Sectors[1]

Who we support

- Lodges and holiday homes (15%)
- Motorhomes and caravans (35%)
- Transport (16%)
- Marine (12%)
- Industrial equipment (6%)
- Motorcycles (6%)
- Agricultural equipment (5%)
- Automotive (5%)

Product dynamics overview

- Strong security position, hold title against individual assets
- Typical Loan to Value of c.85% of wholesale value or c.70% of retail
- Repaid by dealer when asset is sold
- c.60% of the loan book part of manufacturer programmes benefitting from redistribution and repurchase arrangements
- Typical average loan of c.150 days
- Fee based structure with double digit gross yield
- Losses and impairments of c.1%
- Strong client advocacy measured annual through Net Promotor Score

Notes: (1) Sector penetration shown as percentage of total inventory finance loan book and excludes structured finance as at 31 December 2024

2. FY24 Review

Carl D’Ammassa

Strong, disciplined, profitable growth

	FY23		FY24
New lending	£1.20bn	+c.20%	£1.44bn
Closing loan book	£581m	+c.15%	£666m
Net interest margin	7.6%	+0.3pp	7.9%
Profit before tax	£4.6m	4.0x+	£19.1m

- Strong growth across core inventory finance with record new loan originations of c.£1.44bn, up almost £250m or c20% (2023: £1.20bn)
- Record loan book of £666m (Dec-23: £581m); now supporting 1,334 dealers and 88 manufacturers (FY23: 1,182 dealers and 89 manufacturers)
- Disciplined approach to lending resulting in strong net interest margin of 7.9% (FY23: 7.6%), well ahead of target
- Through continued credit risk vigilance the number of dealers in arrears[2] at year-end was 33 (FY23: 30), 2.5% of the customer base (FY23: 2.5%)
- Headline profit before tax of £19.1m, more than four times FY23 equivalent of £4.6m.
- FY24 adjusted profit before tax of £14.4m compared to FY23 equivalent of £9.3m[1], an increase of 55%, after adjusting for a one-off write-back

Notes: (1) £4.7m write-back on RoyaleLife taken away from FY24 and added back to FY23 results to reflect full net impact in 2023, (2) arrears meaning one day or more past due and includes legal recovery cases

Enhancing value for all stakeholders

- Proven track record of scaling lending delivers improvement in adjusted return on equity to 9.8% (2023: 6.7%)
- Adjusted basic earnings per share increasing to 5.9p (FY23: 3.7p) and Tangible Net Asset Value per share increasing by 8.2p to 63.8p (2023 : 55.6p)
- Customer deposits of £650m (2023: £575m), with over 15,600 accounts up 3% on the prior year
- Awarded the feefo Platinum Trusted Service for the second consecutive year and averaging 4.8 stars in our depositor reviews
- Delivered world class levels of employee engagement, and ranked #5 Top Companies to Work For in the Financial Services Sector by Best Companies

feefo ★★★★★ 4.8

2 YEARS RUNNING Platinum Trusted Service Award 2025 feefo

WORLD CLASS TO WORK FOR 2024 cert.b.co.uk

FINANCIAL SERVICES' TOP 5 BEST COMPANIES TO WORK FOR 2024 cert.b.co.uk

	FY23		FY24
Adjusted return on customer assets[1]	1.3%	+0.5pp	1.8%
Adjusted return on equity[1]	6.7%	+3.1pp	9.8%
Adjusted basic earnings per share[1]	3.7p	+59%	5.9p
TNAV per share	55.6p	+8.2p	63.8p

Notes: (1) Adjusted metrics reflect the write-back on RoyaleLife taken away from FY24 and added back to FY23 results to reflect full net impact in 2023

Exceptional progress building foundations for future growth

- ✓ Launched stock flow finance proposition (funding serialised assets in warehouses and distribution facilities), backed by digitised processes unlocking inventory finance in new sectors
- ✓ Rolled out our savings proposition to business customers, diversifying our funding base and accessing lower funding costs whilst providing SMEs with our award-winning service proposition
- ✓ Expanded the British Business Bank ENABLE Guarantee scheme to £350m, unlocking further capital-efficient growth
- ✓ Added multi-currency support to existing manufacturers and dealers
- ✓ Selectively supported European manufacturing relationships in Ireland and The Netherlands
- ✓ Built end-to-end asset finance capability from the ground up, free from any legacy challenges, leveraging the latest technology. Designed to be scalable and compliant from launch
- ✓ Submitted our FCA application to commence consumer lending; approval received in February 2025
- ✓ Introduced a dedicated customer relationship management platform to provide a single customer view across the bank, allowing us to decouple customer operations from our back-office core banking system
- ✓ Successfully re-platformed our data warehouse and reporting infrastructure to the latest technology

3. FY24 Financials

Gavin Morris

Disciplined, profitable growth

	FY24 £m	FY23 £m	Change £m	Change %
1 Gross revenues	76,805	60,350	16,455	27%
2 Interest expense	(31,208)	(22,336)	(8,872)	40%
3 **Net income**	**45,597**	**38,014**	**7,583**	**20%**
4 Operating expenses	(26,714)	(21,843)	(4,871)	22%
5 Impairment charges and provisions	191	(11,598)	11,789	-102%
Profit before taxation	**19,074**	**4,573**	**14,501**	**317%**
Taxation	(5,053)	(1,418)	(3,635)	256%
Profit after taxation	**14,021**	**3,155**	**10,866**	**344%**
Other comprehensive loss	75	183	(108)	-59%
Total comprehensive income	**14,096**	**3,338**	**10,758**	**322%**

Key Performance Indicators				
1 Gross yield %	12.2%	11.1%	+1.1pp	
3 Net interest margin %	7.9%	7.6%	+0.3pp	
Average cost of retail deposits %	5.2%	4.3%	+0.9pp	
4 Cost income ratio %	58.6%	57.5%	+1.1pp	
5 Adjusted cost of risk %(1)	0.75%	1.36%	-0.61pp	
Adjusted return on customer assets %(1)	1.8%	1.3%	+0.5pp	
Adjusted return on equity %(1)	9.8%	6.7%	+3.1pp	

1. Gross revenue increased 27% driven by 17% higher average loan balances than FY23 and an increase in gross yield to 12.2% (FY23: 11.1 %) following UK base rate increases

2. Interest expense increased by c.£8.9m reflecting higher deposit balances and average cost of retail deposits increasing to 5.2% (FY23: 4.3%)

3. Net interest margin (NIM) increased to 7.9% (FY23: 7.6%) with the inventory finance loan book repricing marginally more quickly than the deposit book given the shorter average tenor of the loan book vs. deposit book, together with deposit rates increasing to a lesser extent than base rate

4. Operating expenses increased by 22% year-on-year with ongoing IT investment and investment in new product development, however cost-to-income ratio increased only slightly to 58.6% from 57.5%

5. Overall impairment gain in the year of c.£0.2m (FY23: c.£11.6m charge), principally as a result of a one-off £4.7m write-back

Notes: (1) Adjusted returns reflect write-back on RoyaleLife taken away from FY24 and added back to FY23 results to reflect full net impact in 2023

Improving capital efficiency, fuelled by organic profit

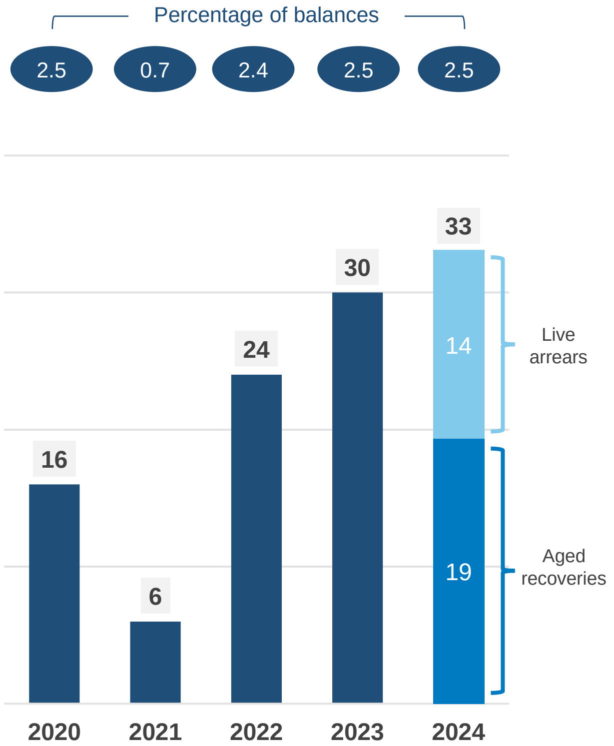
	Balance sheet and KPIs	31 Dec 2024	31 Dec 2023	Change	Change %
1	Loan book - £m	666	581	85	14.6%
	Customer deposits - £m	650	575	75	13.0%
	Net assets - £m	115.4	100.4	15.0	14.9%
2	CET1 %	21.6%	22.8%	(1.2%)	(5.3%)
	TCR %	23.8%	25.8%	(2.0%)	(7.8%)
3	Impairment coverage on loans to customers %	1.0%	2.5%	(1.5%)	(60.8%)
4	Loan to wholesale value of assets %	84%	85%	(1%)	(1.2%)
5	Stock days	140	148	(8)	(5.4%)
6	Tangible net asset value per share (pence)	63.8p	55.6p	8.2p	14.7%

1. Record loan originations supported by £56m of new lending products helped deliver a c.15% increase in the loan book to £666m (December 2023: £581m)
2. CET1% marginally reduced by c.5% despite loan book increase of c.15% as a result of recycling generated profits, and the increase in British Business Bank ENABLE Guarantee Scheme to £350m (December 2023: £250m)
3. Impairment coverage reduced to 1.0% (31 December 2023: 2.5%), reflecting the £9.7m reduction in a single obligor provision
4. Asset security position remains strong with loan-to-wholesale value of 84% (December 2023: 85%)
5. A modest reduction in stock days to 140 days (December 2023: 148 days) as manufacturers adjusted production volumes to anticipate changes to end-customer demand, limiting excess, obsolete or ageing stock
6. Tangible net asset value per share increased by 8.2p to 63.8p (December 2023: 55.6p)

Diligently managed arrears and recoveries cases

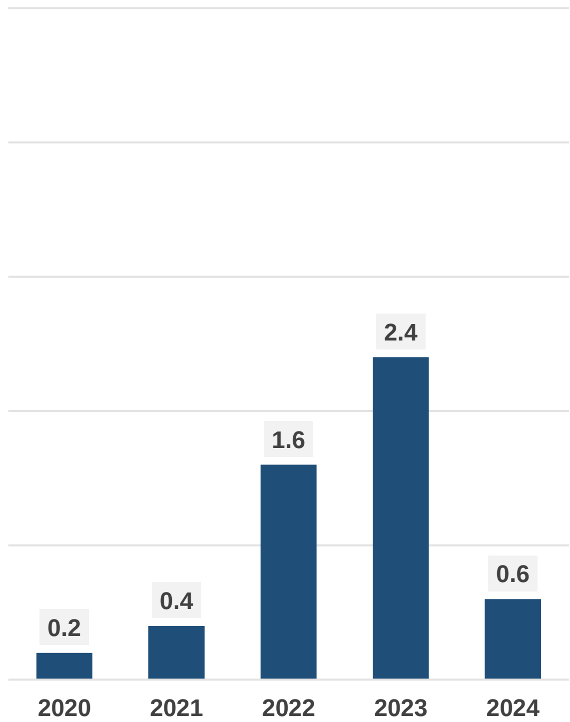
Continued low numbers of dealer arrears cases…

Number of dealers in arrears



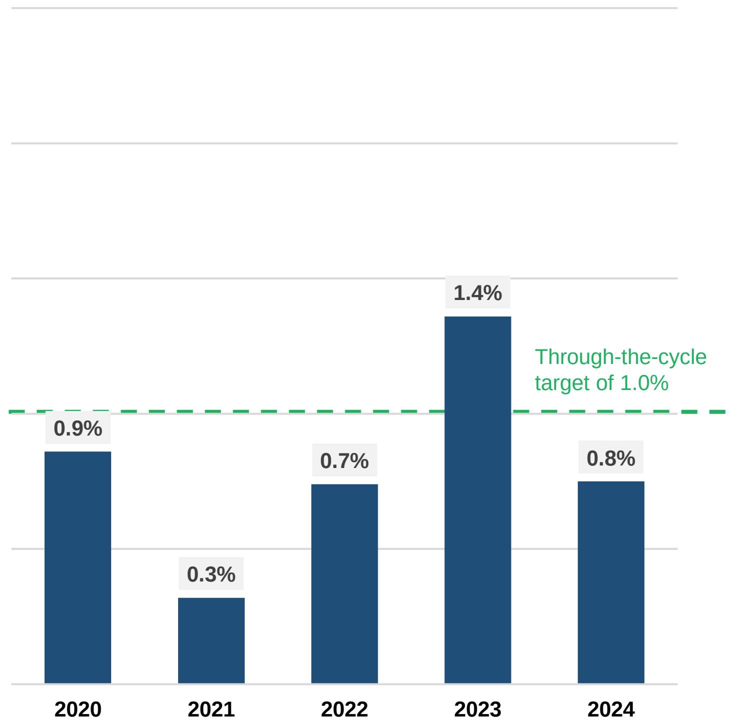
…with well-controlled core arrears balances…

Percentage of loan book in arrears



… resulting in impairment losses well within appetite

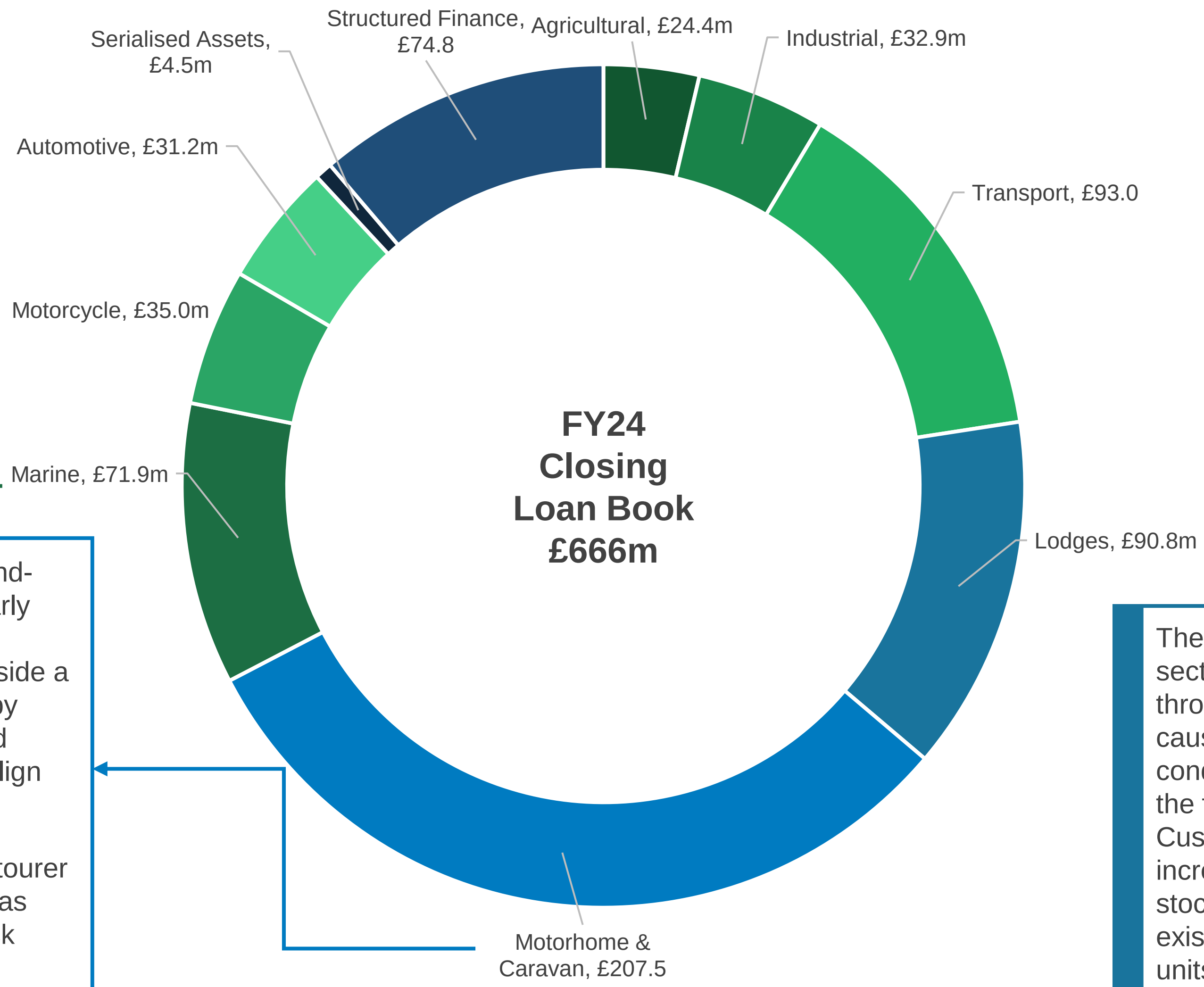
Adjusted cost of risk (1)



1 - Adjusted cost of risk reflects write-back on RoyaleLife taken away from FY24 and added back to FY23 results to reflect full net impact in 2023

Inventory finance loan book remains well-diversified with dealer stock turn managed to risk appetite

Marine manufacturers have recalibrated their production levels to focus on the larger boat market where customers are mostly insulated from the ongoing macroeconomic challenges



Motorhome and caravan end-user demand was particularly high during H2 2024. This increase in demand, alongside a rebalancing of production by manufacturers, has allowed dealers to adjust stock to align with forward demand.

In contrast, in the caravan tourer market, much of the year has been characterised by stock overhang from prior years,

The holiday home and lodge sector has continued to work through more challenging times, caused by severe weather conditions and the aftermath of the failure of RoyaleLife. Customer sales are now increasing as park operators fill stock gaps and rebalance their existing stock towards larger units.

4. Strategy & Outlook

Routes to growth : how we will drive further scale

Where We're Heading in FY28

Loan book of **c.£1.3bn**	+	Net interest margin well in excess of **6.0%**	+	Impairment losses of up to **1.0%**	+	Cost-to-income ratio below **50%**	+	Equity capital raise **not required**	=	**Mid-teens** post-tax return on equity

How We Will Get There

Inventory Finance

c.50% of loan book

Products

- Floorplan
- Unit Stocking
- Rental

Customers

- Leisure
- Powersports
- Commercial
- Other serialised assets

Distribution

- Direct

Asset Finance

c.40% of loan book

	Consumer (80% - 90%)	**Business (10% - 20%)**
Products	• Regulated hire purchase	• (Unregulated) hire purchase and leasing
Customers	• UK individuals purchasing leisure assets	• UK SMEs and corporates purchasing commercial assets

Distribution

- Via existing dealer customers as distribution partners

Structured Finance

up to 15% of loan book

Products

- Larger, bespoke lending solutions, secured on underlying assets
- Invoice discounting through Satago technology partnership, including introductions via Sage
- Wholesale lending (lending to non-bank lenders)

Customers

- Existing dealers and new customers

Distribution

- Direct
- Professional advisors (unpaid)

Immediate areas of focus

Launch of asset finance product	Launch of our asset finance product in Q2 2025, initially offering the product to the poorly-served, but large, motorhome and caravan markets
Stock-flow finance proposition	Grow the technology-backed stock-flow finance proposition supporting new customers in sectors where access to inventory finance was previously not available
Inventory finance market share	Continue to grow inventory finance market share across existing sectors, adding new relationships and/or scaling with existing customers
Bespoke structured finance solutions	Provide bespoke structured finance solutions to existing customers or industry participants to support their growth ambitions
Diversify funding	Diversify funding by sourcing additional volumes through deposit aggregator relationships, whilst continuing to serve all depositors in-house
Vigilant customer arrears management	Maintain a vigilant and cautious approach to customer arrears management, trading performance and acting on early-warning indicators, recognising global macro-economic uncertainty
Maximise capital efficiency	Work hard to maximise capital efficiency across all lending products to optimise overall returns

Asset Finance: unlocking future growth and delivering on multi-product lending ambitions

- Expected to launch Q2 2025 – kick-off with motorhomes and caravans
- Welcomed by dealers as an additional product – currently poorly served
- Investment in modern technology – fully tech enabled solution just like our core product
- Fully compliant and proposition developed to address findings from motor finance market issues (legal & regulatory)
- Legacy free, no remediation activity for motor finance commissions
- FCA approval received February after six-month review process
- Risk-adjusted return on capital expected to be in line with core product
- Distributed through existing dealer relationship – extensive market opportunity from existing relationships, estimated at over £10bn
- Assumption we build to c£400m of annualised lending – so very low market share assumed – can be selective (credit and returns)
- Financial drag of c£2m in 2025, expected to be profitable in 2026

FY 2025 – Outlook

Net Interest Margin	Expected to continue well above 6% target
Unlock further operational leverage	Will unlock further operational leverage through scale and on-going technology investments; reducing cost to income ratio further, offset in part by additional c.£2m drag for the new asset finance product
Normalising of arrears	Arrears levels expected to normalise, however cost of risk to continue to be managed well within the through-the-cycle target of 1.0%
Robust loan book performance	Loan book expected to close the year in the range £750 to £800m
Capital resources supports loan book growth	Sufficient capital resources to support a loan book in excess of £1.3bn book, over the medium term, without the need for a dilutive equity raise

Making good progress in delivering mid-to-high teens returns as a multi-product lending franchise over the medium term

5. Appendices

Summarised statement of profit and loss and other comprehensive income

	2024 £'000	2023 £'000
Gross revenues	76,805	60,350
Interest expense	(31,208)	(22,336)
Net income	**45,597**	**38,014**
Operating expenses	(26,714)	(21,843)
Impairment charges	241	(11,598)
Provisions for commitments and other liabilities	(50)	-
Profit before taxation	**19,074**	**4,573**
Taxation	(5,053)	(1,418)
Profit after taxation	**14,021**	**3,155**
Other comprehensive income	75	183
Total comprehensive profit	**14,096**	**3,338**

Condensed consolidated statement of financial position

	2024 £'000	2023 £'000
Assets		
Cash and balances at central banks	110,030	89,552
Loans and advances to banks	3,771	3,475
Investment securities	769	14,839
Derivatives held for risk management (asset)	295	537
Loans and advances to customers	660,772	568,044
Trade and other receivables	4,678	5,335
Current taxation asset	-	55
Deferred taxation asset	3,980	7,111
Property, plant and equipment	1,093	1,145
Right-of-use assets	202	1,227
Intangible assets	950	618
Total assets	**786,540**	**691,938**
Liabilities		
Customer deposits	649,665	574,622
Amounts due to banks	180	-
Derivatives held for risk management (liability)	6	565
Fair value adjustments on hedged liabilities	136	424
Financial liabilities	90	1,255
Trade and other payables	9,335	4,297
Provisions	285	67
Current taxation liability	1,259	73
Subordinated liabilities	10,230	10,221
Total liabilities	**671,186**	**591,524**
Equity		
Issued share capital	1,793	1,793
Share premium	-	-
Merger relief	94,911	94,911
Merger reserve	(20,609)	(20,609)
Own shares	(440)	(401)
Retained earnings	39,699	24,720
Total equity	**115,354**	**100,414**
Total equity and liabilities	**786,540**	**691,938**

Condensed cash flow statement

	2024 £'000	2023 £'000
Cash flows from operating activities:		
Profit before taxation	19,074	4,573
Adjustments for non-cash items and other adjustments Included in the income statement	3,823	13,000
Increase in operating assets	(92,390)	(149,456)
Increase in operating liabilities	79,375	94,171
Taxation paid	(681)	-
Net cash used in operating activities	**9,201**	**(37,712)**
Cash flows from investing activities:		
Purchase of investment securities	(9,918)	(14,554)
Proceeds from sale and maturity of investment securities	25,000	23,000
Dividend income on money market funds	25	-
Interest income on investment securities	75	383
Purchase of property, plant and equipment	(397)	(418)
Purchase of intangible assets	(623)	(117)
Net cash generated from investing activities	**14,162**	**8,294**
Cash flows from financing activities:		
Repayment of lease liabilities	(252)	(227)
Issuance of subordinated liabilities	-	10,000
Acquisition of subordinated liabilities	-	(51)
Coupon paid on subordinated liabilities	(1,273)	-
Purchase of own shares	(142)	(67)
Net cash used in financing activities	**(1,667)**	**9,655**
Net increase/(decrease) in cash and cash equivalents	**21,696**	**(19,763)**
Cash and cash equivalents at start of the period	90,867	110,630
Cash and cash equivalents at end of the period	**112,563**	**90,867**

Stock turn

Stock turn (average age of loan outstanding - days)						
	Recent trend vs expected norms		Historical Annual Average	Tolerance Level	31-Dec-24	31-Dec-23
	New Loans	Repayments				
Agriculture	In Line	In Line	119	240	153	141
Automotive	In Line	In Line	73	200	84	83
Industrial	In Line	In Line	120	250	179	167
Lodges	Lower	Slower	154	300	278	239
Marine	Higher	Faster	132	250	119	147
Motorcycle	Higher	Faster	107	200	107	113
Motorhome & Caravan	Higher	In Line	105	200	125	98
Transport	Lower	Faster	86	200	93	122
Loan book average			**128**	**240**	**140**	**148**

Pay as sold inventory only - excludes rental ending and recovery cases, equivalent to 6% at 31 December 2024.

Top 10 shareholders

Shareholder	Shareholding (#)	Shareholding (%) - Excluding Treasury Shares
Watrium AS	28,827,593	16.2%
Davidson Kempner	21,285,009	12.0%
Janus Henderson	17,358,407	9.8%
River Global	16,725,000	9.4%
Lombard Odier	16,195,000	9.1%
Premier Miton	11,090,000	6.2%
Crucible	8,433,633	4.7%
UBS	6,541,804	3.7%
BlackRock	6,328,910	3.6%
Allianz	5,916,736	3.3%
Total	**138,702,092**	**78.1%**

Notes:

- Information from shareholder register as at 28 February 2025

DF Capital