

## PCF GROUP PLC (LON:PCF)

### TRADING AHEAD OF EXPECTATIONS

PCF Group Plc (LON:PCF), the UK specialist finance bank, released yesterday morning a trading update ahead of the full year results for the financial year ending 30th September 2017 in which the bank reported strong trading during 11 months of the year and now expects full year results to be ahead of market expectations. The full year results will be released on the 5<sup>th</sup> December 2017.

The very pleasing out-turn now expected for the year has been due to a number of specific factors which includes the decision to move into direct retail deposits taking operations, the result of several years' progress with UK regulatory authorities.

The bank's persistence in working towards receiving UK regulatory approval to raise retail deposits was finalised on the 27<sup>th</sup> July with the commencement of retail deposit taking activities and the bank has raised in the two months since approximately £51m, exceeding management expectations. The PCF Group Plc (LON:PCF) retail deposit strategy is to access the UK retail savings market on a measured basis, matching the internal need for funding to customer financing requirements and thus not to attract an excess of deposits that cannot be utilised. When appropriate, PCF Group Plc (LON:PCF) will also use retail deposits to pay down wholesale debt.

However, the rate at which the bank has gathered deposits since commencement of deposit activities bodes extremely well for management expectations for the future loan book, which is expected to grow to £350m by financial year end 2020 and then to £750m by financial year end 2022. By our estimates the loan book should therefore grow above £200m by the end of financial year end 2018 which this trading statement, in our view, supports. The loan book has grown by 17.5% in the 11 month period to £141.6m, in-line with our expectations for the whole of financial year 2017.

The growth in new business origination has accelerated in the year so far to £74.1m up from the £62.1m reported in 2016. The growth across the bank was +19.3%, supported, we suspect, by better pricing in the latter stages of the year afforded by the less expensive retail deposits gathered. Portfolio quality remains high with a loan loss impairment charge of just 0.5%. Once again, PCF has reminded investors that the bank does not offer Personal Contract Purchase (PCP) products in which the customer can receive credit on an interest payment only credit arrangement instead of a fully amortising hire purchase contract arrangement in which both interest *and* principal must be paid at each payment date.

PCF has also reiterated to the market their expectation of the 'excellent potential' for growth in existing markets in the short and medium term. As the bank migrates to less expensive funding the opportunities for portfolio growth should accelerate as better pricing attracts more business. This is a market leading brand which has historically been somewhat constrained by its previous wholesale funding model and the reliance on third party lenders, therefore our expectation remains that unwinding this more expensive funding in favour of retail deposits will reveal considerable greater value in PCF.

## FINANCIAL SERVICES

28/09/2017

SHARE PRICE

▲ **28.5p**

52 WEEK LOW

▲ **21.55p**

MARKET CAP

▲ **£60.5m**

52 WEEK HIGH

▲ **32.50p**

Net Assets

▲ **£27.4m**

NET DEBT

▲ **£106m**

## MAJOR SHAREHOLDERS

- 1) **Bermuda Commercial Bank – 54.47%**
- 2) **Somers Limited – 10.93%**
- 3) **Miton Asset Management – 4.20%**

Shares in Issue 212.2m

Avg Trading Volume 111.44k

Primary index AIM

EPIC PCF.L

Next Key

Announcement -

Sector Financial Services

## SHARE PRICE CHART



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