

7 September 2022

Vector Capital plc
(“Vector Capital”, “Company” or “Group”)

Half Year Results for the period ended 30 June 2022

Vector Capital plc (AIM: VCAP), a commercial lending group that offers secured loans primarily to businesses located in the United Kingdom, is pleased to announce its interim results for the six months ended 30 June 2022.

Highlights

- Loan book growth 27% to £51.6m (H1 2021: £40.6m)
- Revenue up 21% to £3.0m (H1 2021: £2.5m)
- PAT up 20% to £1.26m (H1 2021: £1.05m)
- EPS of 2.79p (H1 2021: 2.50p)
- Interim dividend of 1.00p per share (2021: 0.95p), reflecting a strong performance

Operational Highlights

- Increased wholesale banking facilities from £35m to £40m after the period end
- Continued investment into technology platform to ensure operational resilience and efficiency
- Invested in staff training to enhance expertise which has led to an ability to handle higher volumes and more complex transactions
- Established a new NOMAD and Broker relationship and experienced a pleasing increase in research coverage
- Best practice ESG policies in place to support responsible lending and encourage sustainability across the business

Agam Jain, CEO of Vector Capital, commented: “I am pleased to report a very healthy set of interim results despite the general economic environment in which we are operating. The Ukraine war, high inflation and rising base rates pose a challenge to all businesses in the UK. The interim results are therefore an affirmation of our efficient business model as we continue to enhance shareholder value.

“The loan book at the end of the period was £51.6m (30 June 2021: £40.6m, 31 December 2021: £46.3m). The average monthly loan book value for the six month period was £50.8m (H1 2021 average monthly loan book: £38.4m, 2021 average monthly loan book: £40.8m).

“Although the economic backdrop remains uncertain, we are still seeing a steady stream of good proposals coming through our broker network.

“No doubt there will be some regional corrections in the property market during the coming months, however we expect to continue to deliver excellent growth and profits.”

Enquiries

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Notes to Editors

Vector Capital Plc provides secured, business-to-business loans to SMEs based principally in England and Wales. Loans are typically secured by a first legal charge against real estate. The Group's customers typically borrow for general working capital purposes, bridging ahead of refinancing, land development and property acquisition. The loans provided by the Group are typically for renewable 12-month terms with fixed interest rates.

CHAIRMAN'S STATEMENT

It is my pleasure to present our 2022 interim results for the six months ended 30 June 2022, which report consolidated pre-tax profits of £1,556,000 (30 June 2021: £1,298,000), and to propose an interim dividend of 1.00 pence per share payable on 30 September 2022. The results for the first half of the year reflect the continued development of the business linked to building the Group's loan book to £51.6m (30 June 2021: £40.6m) and creating a leading market presence in the provision of secured loans to the small and medium-sized enterprises (SMEs) sector.

It is very pleasing to report that since the period-end, we have increased our wholesale banking facilities from £35m to £40m, providing scope for additional lending within the Group's prescribed terms as opportunities arise.

While the UK economy, like many others, is beset by concerns around rising interest rates, higher inflation, severe cost of living concerns linked to power and foodstuffs, supply chain dislocation and political uncertainty, for us the UK property lending market in which we operate has to date remained resilient.

The Group's half year results, recording revenue growth of 20.8%, and an increase in net profit before tax of 19.9% compared with the corresponding period last year, combined with an 27% rise in the value of the loan book during H1 2022, is based on the continued hard work of the executive team, the quality of the underlying operational systems and the robustness of the business model.

Despite the uncertainties in the immediate economic outlook in the UK, we remain keen to build on the Group's strong business foundations and to continue to grow the loan book utilising our own capital resources, the increased facilities provided by our wholesale lenders and, on a selective basis, co-funding arrangements. This will involve continued vigilance over the quality, value and liquidity of the underlying security taken.

We are very mindful of our wider environmental, social and governance responsibilities to shareholders and other stakeholders and we are following what we believe to be market best practice and developing procedures to address these important issues. Details of our ESG policies and procedures, aimed principally at responsible lending and encouraging sustainability and avoidance of waste in all we do, are set out on the Company's website www.vectorcapital.co.uk

The results for the period, were only possible thanks to the efforts of the Company's executive team and my fellow Board members and considerable thanks are due to them and our business partners.

We believe that our team has the skills and experience to continue to build the business and to capitalise on the opportunities that are expected to arise through the rest of 2022 and beyond. As a result, I am optimistic about the prospects of the business and view the future with confidence.

Robin Stevens
Chairman
6 September 2022

CHIEF EXECUTIVE'S STATEMENT

Introduction

I am pleased to report a very healthy set of interim results despite the general economic environment. The Ukraine war, high inflation and rising base rates pose a challenge to all businesses in the UK. The interim results are therefore an affirmation of our efficient business model.

The loan book at the end of the period was £51.6m (30 June 2021: £40.6m, 31 December 2021: £46.3m). The average monthly loan book value for the six month period was £50.8m (H1 2021 average monthly loan book: £38.4m, 2021 average monthly loan book: £40.8m).

The average interest rate achieved on loans for the period was 11.69% p.a. (H1 2021: 11.87%, 12 months to Dec 21 was 11.84%).

Pre-tax profit for the six month period was £1.56m (H1 2021: £1.30m).

Diverse portfolio

Our loan book security portfolio comprises:

- residential investment properties
- residential refurbishments
- mixed use (commercial ground floor with flats above)
- commercial (warehouse, retail, hospitality)
- development projects (construction of houses and flats)
- land with planning permission

Our intended direction of travel is to increase our weighting towards smaller residential refurbishments.

	Total	%
Residential (internal refurb, investment, buy to let)	29,079,987	56%
Commercial (retail, hotel, golf, etc.)	11,620,744	23%
Land & Development	4,991,599	10%
Mixed (Residential & Commercial)	4,844,644	9%
2 nd charge	767,023	1%
Other	300,000	1%
	51,603,997	100%

Funding

Our capital and liquidity remain healthy, and we continue to be in a position to fund selected new loan opportunities. After the period end our wholesale banking lines increased to £40m, available primarily for residential transactions.

We still have very low gearing so there is good scope to use suitable debt facilities to continue to increase the loan book.

The increased Bank of England base rates will filter through to our debt facilities which the Company will look to pass on to customers.

Infrastructure

We implemented a major software platform upgrade in Q2 this year which has further improved our operational efficiency.

Gordon Robinson was appointed as a Non-Executive Director in February 2022. Gordon has 30 years of senior banking experience and has added considerable sector expertise to the Group.

Apart from this appointment we have not needed to increase our head count and the current operational team is well able to handle the expected growth of activity.

Dividend

On the basis of the financial performance in the first half of the year, an increased dividend of 1.00 pence per share is being declared (2021: 0.95 pence). This will be paid on 30 September 2022 to shareholders on the register on 16 September 2022.

Outlook

As mentioned at the outset, the economic backdrop remains uncertain, but we are still seeing a steady stream of good proposals coming through our broker network.

This is true for our industry sector as a whole. Data compiled by our trade body ASTL (Association of Short-Term Lenders) shows 12 months growth in loan books of members from circa £5 billion to £6 billion to end June 2022.

No doubt there will be some regional corrections in the property market during the coming months, however, we expect to continue to deliver excellent growth and profits.

Agam Jain
Chief Executive Officer
6 September 2022

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2022

	<i>Notes</i>	Six months ended 30 June 2022 £'000 (Unaudited)	Six months ended 30 June 2021 £'000 (Unaudited)	Year ended 31 December 2021 £'000 (Audited)
Revenue	3	2,980	2,467	5,275
Cost of sales		(289)	(228)	(502)
Gross profit		2,691	2,239	4,773
Other income				-
Administrative expenses		(307)	(378)	(703)
Operating profit		2,384	1,861	4,070
Finance income		-	-	2
Finance costs		(828)	(563)	(1,245)
Profit on ordinary activities before taxation		1,556	1,298	2,827
Income tax expense	4	(296)	(247)	(538)
Profit after taxation		1,260	1,051	2,289
Other comprehensive income		-	-	-
Total comprehensive income attributable to the shareholders of the Company		1,260	1,051	2,289
Pro-forma basic and diluted earnings per share attributable to the owners of the Company (pence)	9	2.79	2.50	5.24

Condensed Consolidated Statements of Financial Position
For the six months ended 30 June 2022

	Notes	30 June 2022 £'000 (Unaudited)	30 June 2021 £'000 (Unaudited)	31 December 2021 £'000 (Audited)
Non-Current assets				
Property, plant and equipment	5	2	3	3
		2	3	3
Current assets				
Trade and other receivables	6	52,223	41,067	46,565
Cash and bank balances		737	971	1,527
		52,960	42,038	48,092
Total Assets		52,962	42,041	48,095
Current liabilities				
Trade and other payables	7	28,140	18,653	23,858
Income tax payable		296	247	288
		28,436	18,900	24,146
Total Liabilities		28,436	18,900	24,146
Equity				
Share capital	8	226	226	226
Share premium		20,876	20,876	20,876
Group reorganisation reserve		188	188	188
Retained earnings		3,236	1,851	2,659
		24,526	23,141	23,949
Total Equity and Liabilities		52,962	42,041	48,095

**Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2022**

	Share capital £'000	Share premium £'000	Group reorganisation reserve £'000	Retained profits £'000	Total equity £'000
Balance at 1 January 2021	210	19,502	188	1,401	21,301
Issue of share capital	16	1,374	-	-	1,390
Profit for the six months ended 30 June 2021	-	-	-	1,051	1,051
Dividends paid	-	-	-	(601)	(601)
Balance at 30 June 2021	226	20,876	188	1,851	23,141
Profit for the six months ended 31 December 2021	-	-	-	1,238	1,238
Dividends paid	-	-	-	(430)	(430)
Balance at 31 December 2021	226	20,876	188	2,659	23,949
Profit for the six months ended 30 June 2022	-	-	-	1,260	1,260
Dividends paid	-	-	-	(683)	(683)
Balance at 30 June 2022	226	20,876	188	3,236	24,526

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2022

	Six Months ended 30 June 2022 £'000 (Unaudited)	Six Months ended 30 June 2021 £'000 (Unaudited)	Year ended 31 December 2021 £'000 (Audited)
Cash flow from operating activities			
Profit for the period before taxation	1,556	1,298	2,827
Adjustment for:			
Interest expense	828	563	1,195
Depreciation	1	1	1
Tax paid	(289)	(205)	(455)
Operating cash flows before movements in working capital	2,096	1,657	3,568
(Increase) in trade and other receivables	(5,658)	(4,104)	(9,601)
Increase/(decrease) in trade and other payables	4,283	623	5,827
Cash generated from/ (absorbed in) operating activities	721	(1,824)	(206)
Interest paid	(828)	(563)	(1,195)
Net cash absorbed in operating activities	(107)	(2,387)	(1,401)
Cash flows (for)/from investing activities			
Acquisition of property, plant and equipment	-	-	-
Net cash generated from investing activities	-	-	-
Cash flows (for)/from financing activities			
Issue of new shares	-	1,390	1,390
Equity dividends paid	(683)	(601)	(1,031)
Net cash (absorbed in)/generated from financing activities	(683)	789	359
Net (decrease) in cash & cash equivalents	(790)	(1,598)	(1,042)
Cash and equivalent at beginning of period	1,527	2,569	2,569
Cash and equivalent at end of period	737	971	1,527

Notes to the Interim Financial Statements For the six months ended 30 June 2022

1. Basis of Preparation

The interim financial statements of Vector Capital Plc are unaudited condensed financial statements for the six months ended 30 June 2022. These include unaudited comparatives for the six months ended 30 June 2022 together with audited comparatives for the year ended 31 December 2021. The financial information for the six months ended 30 June 2022 does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. A copy of the audited financial statements for the year ended 31 December 2021 is available on the Company's website. The auditor's opinion on those financial statements was unqualified and did not draw attention to any matters by way of an emphasis of matter paragraph. These interim condensed financial statements have been prepared on the basis of the accounting policies expected to apply for the financial year to 31 December 2022 based on the recognition and measurement principles of United Kingdom adopted International Financial Reporting Standards (IFRS), in accordance with the provisions of the Companies Act 2006, applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention. The Group's presentation and functional currency is Sterling (£). The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting', and should be read in conjunction with the Group's annual financial statements to 31 December 2021. Accordingly, whilst the interim statements have been prepared in accordance with IFRS, they cannot be construed as being in full compliance with IFRS. The preparation of financial statements in conformity with United Kingdom adopted International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

2. General information

The condensed consolidated financial information comprises the financial information of Vector Capital Plc, Vector Asset Finance Ltd and Vector Business Finance Ltd (the Group).

The principal activities of the entities in the Group are as follows: -

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Principal activities</u>
Vector Capital Plc	England and Wales	Holding company
Vector Business Finance Ltd	England and Wales	Commercial lending
Vector Asset Finance Ltd	England and Wales	Commercial lending

There have been no significant changes in these activities during the relevant financial periods.

3. Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Operating Group that are regularly reviewed by the chief operating decision maker (which takes the form of the Board of Directors) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

Based on management information there is one operating segment. Revenues are reviewed based on the services provided.

No customer has accounted for more than 10% of total revenue during the periods presented.

4. Income Tax expense

The tax charge on profits assessable has been calculated at the rates of tax prevailing, based on existing legislation, interpretation and practices in respect thereof.

5. Property, plant and equipment

	Fixture, fittings and equipment		
	30 Jun 22 (Unaudited) £'000	30 Jun 21 (Unaudited) £'000	31 Dec 21 (Audited) £'000
Cost			
Brought forward	5	5	5
Additions	-	-	-
Disposals	-	-	-
Carried forward	5	5	5
Accumulated depreciation			
Brought forward	2	1	1
Depreciation	1	1	1
Carried forward	3	2	2
NBV c/fwd	2	3	3
NBV b/fwd	3	4	4

6. Trade and other receivables

	30 Jun 22 (Unaudited) £'000	30 Jun 21 (Unaudited) £'000	31 Dec 21 (Audited) £'000
Current			
Trade receivables	51,604	40,604	46,263
Prepayments and accrued income	619	463	302
Total	52,223	41,067	46,565

At 30 June 2022 54% of trade receivables were held by third party secure funding via the block discounting facility (30 Jun 21: 61%, 31 Dec 21: 68%).

7. Trade and other payables

	30 Jun 22 (Unaudited) £'000	30 Jun 21 (Unaudited) £'000	31 Dec 21 (Audited) £'000
Current			
Trade payable	31	26	18
Amounts owed to parent company	3,000	3,000	3,000
Other payables	25,070	15,481	20,346
Accruals and deferred income	39	146	509

Total	28,140	18,653	23,858
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Other payables includes loan finance of £24,882k (30 Jun 21: £15,417k, 31 Dec 21: £20,335k) which is secured against associated loans assigned by way of block discounting.

8. Called up share capital

Authorised	Nominal value	30 Jun 22 (Unaudited) £'000	30 Jun 21 (Unaudited) £'000	31 Dec 21 (Audited) £'000
45,244,385 Ordinary Shares	£0.005	226	226	226

9. Basic and diluted earnings per share

The calculation of earnings per share is based on the following earnings and number of shares.

	30 Jun 22 (Unaudited) £'000	30 Jun 21 (Unaudited) £'000	31 Dec 21 (Audited) £'000
Total comprehensive income for the period, used in the calculation of total basic and diluted profit per share	1,261	1,051	2,289
Weighted average number of ordinary shares for the purpose of basic and diluted profit per share	45,244,385	42,079,055	43,687,987
<u>Earnings per share</u>			
Basic and diluted earnings per share	2.79	2.50	5.24

10. Significant related party transactions

The Group owed £3 million to its parent company, Vector Holdings Ltd (30 Jun 21 £3 million, 31 Dec 21: £3 million). During the period the Company paid interest totalling £75k to Vector Holdings Ltd in relation to the balance owed as per the loan agreement (30 Jun 21: £75k, 31 Dec 21: £150k).

During the period the Company paid £513k in dividends to Vector Holdings Ltd (30 Jun 21: £486k, 31 Dec 21: £809k).

11. Subsequent events

There were no significant subsequent events which warranted disclosure.

12. Half Year Report

A copy of this half year interim report, as well as the annual statutory accounts to 31 December 2021 are available on the Company's website at www.vectorcapital.co.uk/investors/corporate-documents