



FY 2020 Results

Agenda

- ❖ Financial highlights
- ❖ Covid-19
- ❖ Financial review
- ❖ Outlook



Introduction

- ❖ Diversified financial services provider and retailer
- ❖ Strong customer service ethos blending High Street presence with an expanding digital capability
- ❖ Talented colleagues who have delivered exceptional customer service and support during COVID-19 pandemic



Chris Gillespie
Chief Executive



Richard Withers
Chief Financial Officer

Financial highlights

❖ Profitable during Covid-19

- Profit before tax of £15.6m (2019 : £20.1m)
- EPS of 32.1p (2019: 43.8p)
- 253 stores (31 December 2019: 252)

❖ Strong balance sheet and liquidity

- Net Assets of £134.5m (31 December 2019: £122.6m)
- Net cash of £34.5m (31 December 2019: net debt of £14.0m)
- RCF undrawn of £35.0m (31 December 2019: undrawn £9.0m)
- Net assets underpinned by intrinsic value of precious metal and stones

❖ Solid lending books

- Pledge book of £48.3m (31 December 2019: £72.2m); stable since August 2020
- Personal lending book of £5.9m (31 December 2019: £16.6m)

❖ Proposed interim dividend of 6.0p (Final 2019: 7.0p cancelled)

Covid-19: Timeline

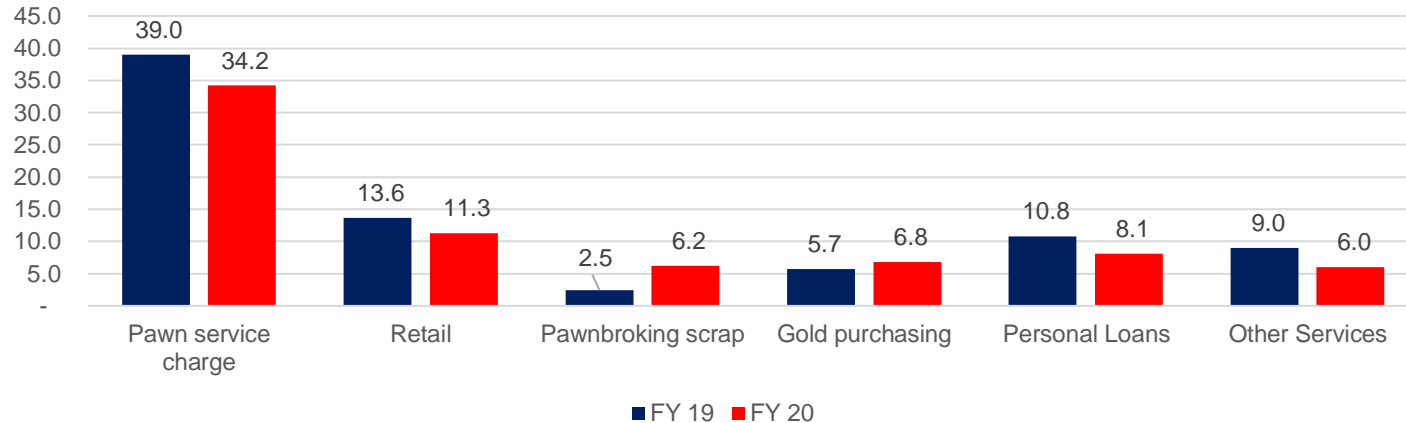
- ❖ All stores temporarily closed on 24 March 2020 for around 2 months with 1,200 colleagues furloughed
- ❖ Pawnbroking customers were not charged interest while stores were closed
- ❖ All lending customers offered payment holidays or contract extensions
- ❖ Strong customer communication (texts, letters, chat lines, web pages)
- ❖ IT investment (remote working, payment portal, eCommerce)
- ❖ Customers with reduced need for borrowing collected pledged items, mainly during June and July
 - £25m reduction in pledge book by August compared to pre lockdown levels – stable since
 - Redemption rates unchanged throughout
- ❖ Stores have remained open during subsequent lockdowns albeit jewellery retailing significantly restricted
- ❖ Q1 2021 Covid-19 restrictions currently impacting customer volumes

Consolidated income statement

£'m	FY 20	FY 19	% Change
Revenue	129.1	160.2	(19%)
Cost of sales	(46.3)	(58.8)	(21%)
Gross profit	82.8	101.4	(18%)
Direct and Administrative Expenses	(56.7)	(71.4)	(21%)
EBITDA	26.1	30.0	(13%)
Depreciation and Amortisation	(9.2)	(7.5)	23%
Operating profit	16.9	22.5	(25%)
Finance costs	(1.3)	(2.4)	(46%)
Profit before taxation	15.6	20.1	(22%)
Tax charge on profit	(3.0)	(3.4)	(12%)
Profit for the period and total comprehensive income	12.6	16.7	(25%)
Earnings per share - basic (pence)	32.1	43.8	(27%)
Dividend per share (pence)	8.5	4.7	81%

Segmental analysis

'Gross Profits' - Revenue less Impairment (£m)

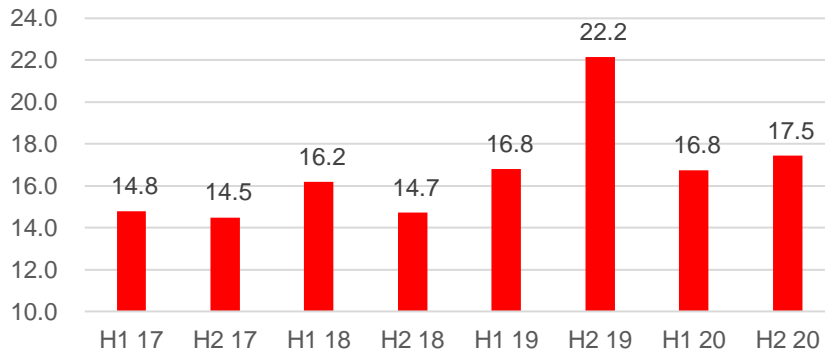


- ❖ Group Net revenue less impairment down 8.0% to £72.6m (FY19: £80.6m)
- ❖ 2 months pawnbroking interest holiday given to customers during March – May
- ❖ Gold price increase of 26% helped to deliver £4.8m more margin from gold purchasing and pawnbroking scrap
- ❖ Lending book reductions and reduced IFRS9 impairment provisioning on fewer new loans means:
 - ❖ PB impairment reduction of £5.3m and
 - ❖ PL impairment reduction of £9.0m
 - ❖ IFRS9 Impact c. £4.5m

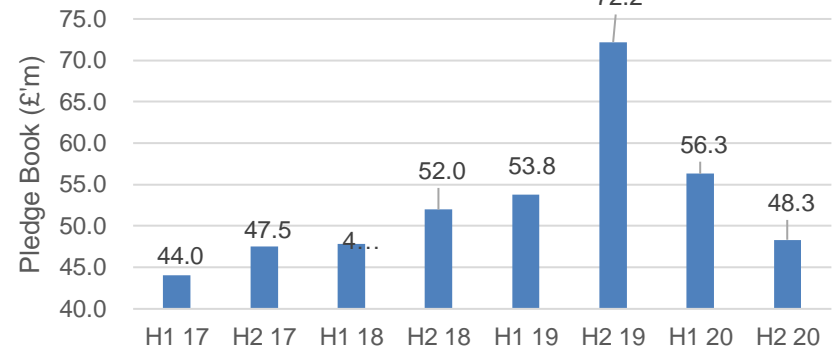
Note: Personal Loan and PSC gross profit is: revenue less impairment

Pawnbroking: Pledge book and Revenue

Pawnbroking - Revenue less impairment (£'m)

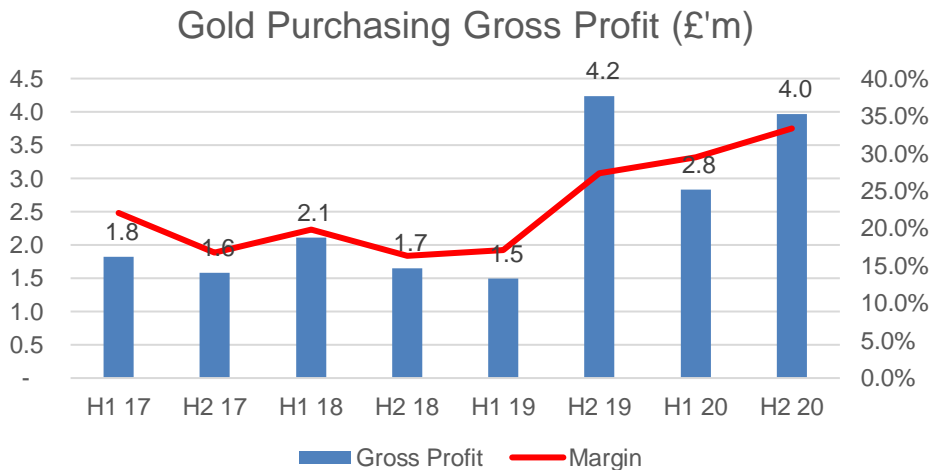
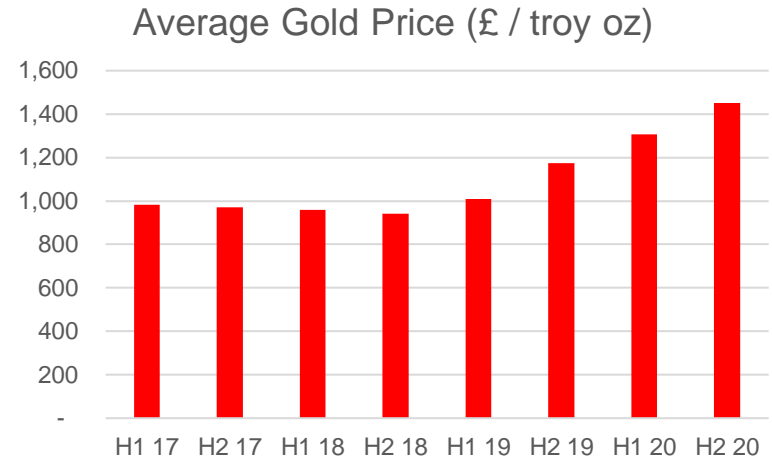
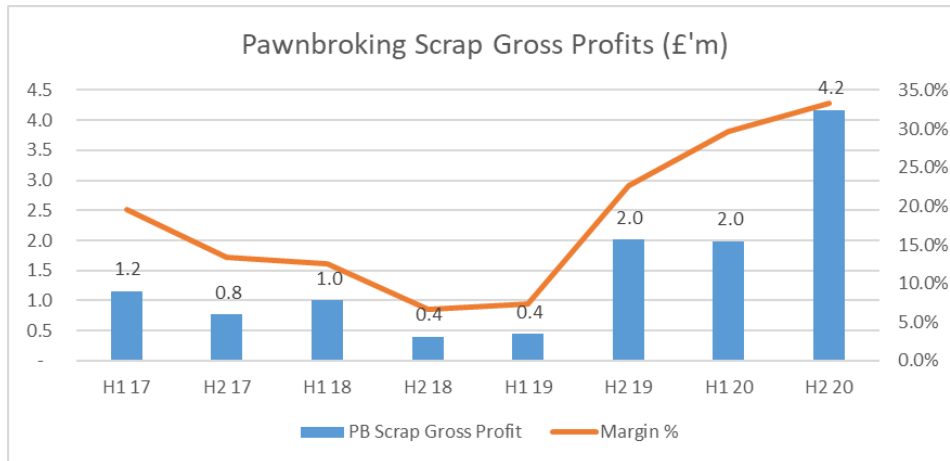


Net Pledge Book (incl accrued income & impairment)



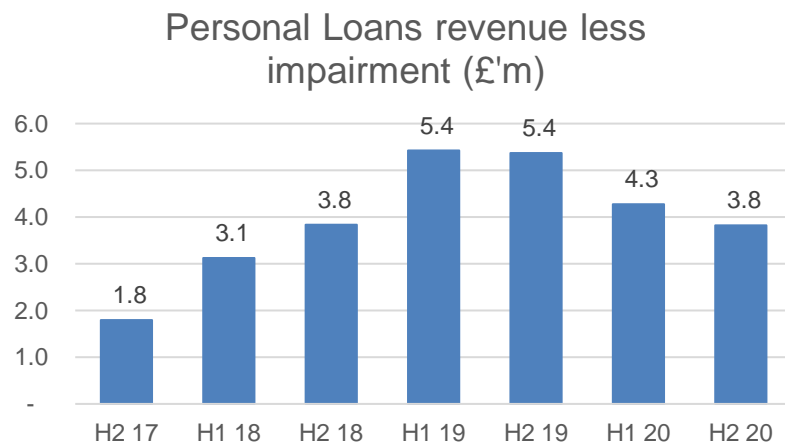
- ❖ Pledge book decreased by 33.1% to £48.3m (31 December 2019: £72.2m)
- ❖ Book has stabilised at c. £48m since August 2020
- ❖ No interest charged to customers for two months while stores were closed
- ❖ Book reduction as a result of:
 - High levels of customers redeeming pledges as we reopened in May 2020 due to reduced borrowing needs
 - Reduced consumer discretionary spending during lockdowns subduing demand for new loans
- ❖ Revenue less impairment down 12.3%
 - The risk-adjusted margin (RAM) reduced to 58.1% (2019: 64.6%) due to interest free period partially offset by £5.4m reduction in impairment charges, as consequence of a smaller book and IFRS9 impact

PB Scrap and gold Purchasing



- ✿ The average gold price increased 26.1% to £1,337 / troy oz (2019: £1,094).
- ✿ Gross profit increased by 58.5% to £13.0m (2019: £8.2m)
- ✿ Margin increases to 31.9% (2019: 20.7%) driven by higher gold price.

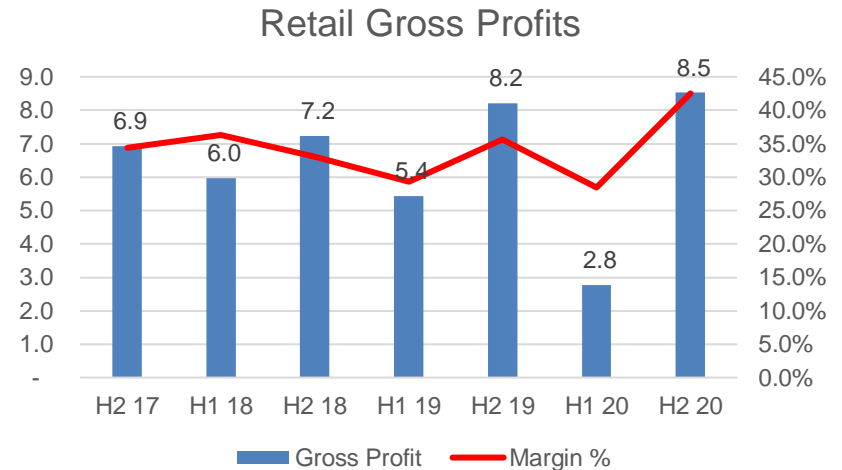
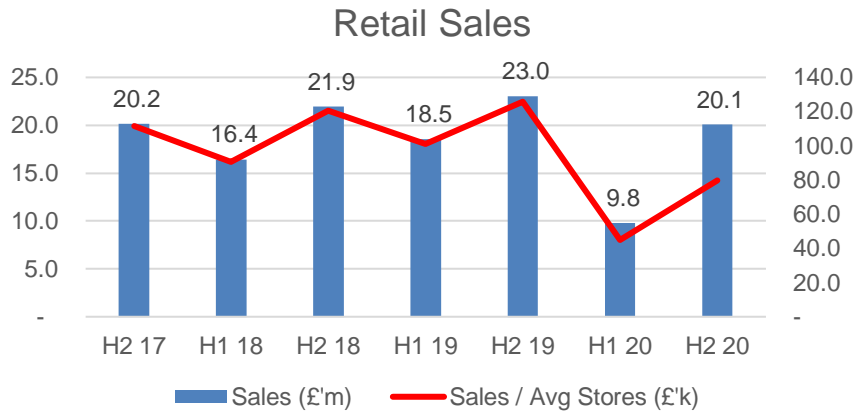
Personal Loans



	2020 £'m	2019 £'m	Change %
Year-end net loan book	5.9	16.6	(64.5%)
Average monthly net loan book	10.2	19.2	(46.9%)
Revenue	9.8	21.5	(54.4%)
Impairment	(1.7)	(10.7)	(84.1%)
Revenue less impairment	8.1	10.8	(25.0%)
<i>Interest yield¹</i>	96.1%	112.0%	
<i>Impairment % of revenue</i>	17.3%	49.8%	
<i>Impairment % of average monthly net loan book</i>	16.7%	55.7%	
<i>Risk-adjusted margin²</i>	79.4%	56.3%	
<i>1 – Revenue as a percentage of average loan book</i>			
<i>2 – Revenue less impairment as a percentage of average loan book</i>			

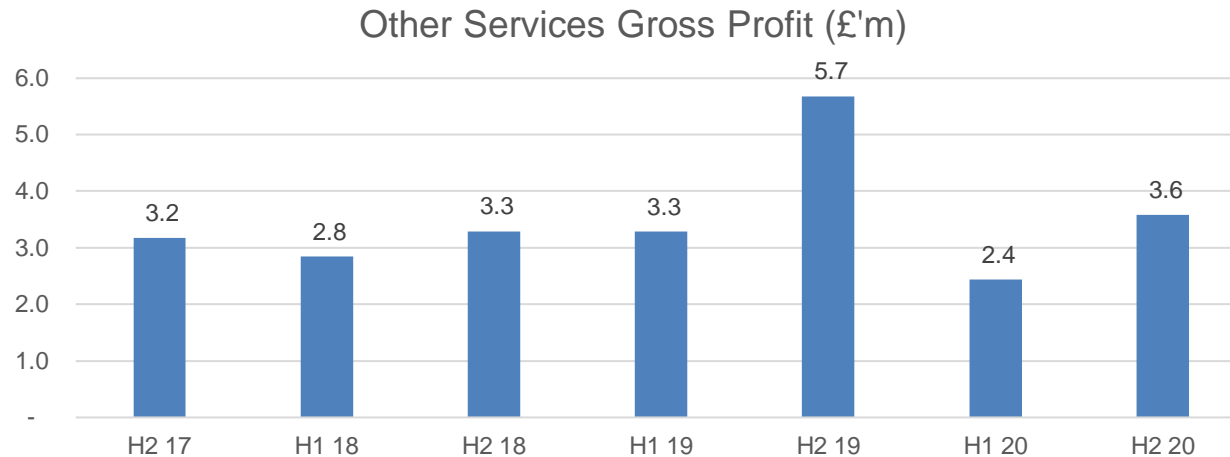
- ✦ Revenue less impairment reduced by 25.0% to £8.1m (2019: £10.8m)
- ✦ Loan book reduced 64.5% to £5.9m (31 December 2019: £16.6m)
 - HCSTC lending ceased October 2019
 - No lending between March and July 2020
 - Minimal non HCSTC lending from August 2020
 - Total lending in 2020 of £4.8m (2019: £30.0m)
- ✦ Impairment reduced by £9.0m due to the lower book and IFRS9 impact of the book unwind, of which IFRS9 represents c. £2m
- ✦ Risk-adjusted margin stable at 79.4% (2019: 56.6%)
- ✦ The future:
 - Uncertainty surrounds the future of unsecured lending for the Group
 - Reduced lending during 2020 and a smaller y/e book will have a financial impact in future years

Retail



- ❖ **Retail sales reduced 28.2% to £29.8m (2019: £41.5m)**
 - In periods when stores were open sales were ahead of prior year
- ❖ **Gross profits reduced 16.9% to £11.3m (2019: £13.6m)**
- ❖ **Margin increase to 37.9% (2019: 32.8%)**
 - Less promotional activity and fewer discount periods
- ❖ **Development of online channels:**
 - Development of the www.est1897.co.uk website (refreshed November 2020)
 - Increased use of eBay and Amazon
 - Third party catalogue on H&T site
- ❖ **Inventory levels reduced by 6.2% to £25.7m (31 December 2019: £27.4m)**

Other Services



- ❖ Development of other services widens our appeal, increases footfall and drives revenue growth:
 - Gross Profit reduced by 33.3% to £6.0m (2019: £9.0m)
 - H2 2019 uplift driven by new stores
 - FX gross profit reduced 34.6% to £3.4m (2019 £5.2m)
 - Third Party cheque cashing reduced 20.0% to £1.2m (2019 £1.5m)
 - Western Union income increased to 266.7% to £1.1m (2019 £0.3m)
 - Buyback income reduced to £0.3m as product withdrawn Q1 2020 (2019: £1.1m).

Consolidated balance sheet

£'m	31 December	31 December	% Change
	2020	2019	
Goodwill	19.3	19.6	(1.5%)
Other intangible assets	2.7	3.7	(27.0%)
Property, plant and equipment	8.6	8.0	7.5%
Deferred tax assets	2.8	2.2	27.3%
Right-of-use assets	18.3	21.1	(13.3%)
Inventories	27.6	29.2	(5.5%)
Pledge book	48.3	72.2	(33.1%)
Net Personal Loans book	5.9	16.6	(64.5%)
Trade and other (excl PL and PB)	1.6	1.8	(11.1%)
Other current assets	-	0.7	(100.0%)
Cash and cash equivalents	34.5	12.0	187.5%
Total Assets	169.6	187.1	
Lease Liability	(20.6)	(24.6)	
Trade and other payables	(10.8)	(10.6)	
Current tax liabilities	(2.0)	(2.1)	
Borrowings	-	(25.7)	
Provisions	(1.6)	(1.5)	
Total liabilities	(35.0)	(64.5)	
Net Assets	134.6	122.6	17.9%
(Net Debt)/net cash	34.5	(13.8)	
Net Debt / Net Assets	0.0%	11.3%	
Net Debt / L12M EBITDA	0.00	0.46	

- ❖ Retail inventories down £1.6m to £27.6m
- ❖ Pawnbroking book down £23.9m to £48.3m
- ❖ Personal loan book down £10.7m to £5.9m
- ❖ Net cash of £34.5m, no debt
- ❖ Net assets up £12.0m to £134.6

Cash flow statement

£'m	FY 2020	FY 2019	Change
Profit after Tax	12.6	16.7	(4.1)
Non Cash Expenses (depn/write-of-use asset)	13.0	12.3	0.7
Movement in inventories (retail and scrap)	1.7	0.1	1.6
Movement in debtors	35.2	(5.5)	40.7
Movement in payables and provisions	(3.8)	5.3	(9.1)
Other working capital	0.7	0.2	0.5
Interest and Tax paid	(4.1)	(3.3)	(0.8)
Net cash generated from operating activities	55.3	25.8	29.5
Capex	(3.2)	(3.3)	0.1
Acquisitions - business assets	0.0	(18.7)	18.7
Acquisitions - right of use asset	(2.9)	(5.6)	2.7
Dividends paid	(1.0)	(4.4)	3.4
Shares issued	0.3	6.1	(5.8)
Debt restructuring costs	0.0	(0.4)	0.4
Period reduction/(increase) in net debt	48.5	(0.5)	49.0

- ✿ Operating cash flow from operations was £55.3 (2019: £25.8m)
- ✿ Key 2020 working capital movements:
 - £24m Pawnbroking book reduction
 - £11m Personal Loan book reduction

Outlook – FY21 Focus and beyond

- ❖ Impact of Covid-19 continues into 2021. Rate of economic recovery and hence demand for retail jewellery, lending and other services uncertain

Our Priorities:

- ❖ Rebuild the pledge book
- ❖ Rebuild retail sales once stores able to trade fully
- ❖ Grow revenue in New H&T sites acquired in 2019 through expansion of offering to include all products
- ❖ Further development of e-commerce and digital capability:
 - Investment in core systems to improve customer journey in stores
 - Grow online retail presence and fulfilment capability
 - Refreshed websites with improved functionality
- ❖ Outcome from FCA S166 HCSTC affordability review expected during 2021
- ❖ Strong balance sheet and net cash £34m will enable us to take advantage of external growth opportunities as they arise

 **Q&A**

 **Appendices**

The Board



Chris Gillespie

Chief Executive

- Joined H&T as CEO in January 2021
- Previous roles: Barclays, Bradford and Bingley, Albemarle and Bond, Amigo Loans, 118118Money. Most recently Chris was managing director of consumer credit division at Provident Financial PLC.



Richard Withers

Chief Financial Officer

- Joined H&T Board January 2020 having acted as interim since February 2018
- Previous roles: KPMG trained chartered accountant, PwC Corporate restructuring, Finance Director of The Money Shop and various other directorships within related companies.



Peter McNamara

Non-Executive, Chairman

- Member of H&T Board on flotation
- Previous roles: Group Managing Director Alliance & Leicester plc, Managing Director Lloyds Personal Banking
- Currently Chief Executive of Notemachine



Mark Smith

Non-Executive

- Joined H&T Board in 2018
- Previous roles: Retail Operations Director Royal Bank of Scotland plc



James Thornton

Non-Executive

- Joined H&T Board in 2012
- Previous roles: UK Finance Director at Old Mutual plc, Head of Foreign Exchange at IFX plc



Elaine Draper

Non-Executive

- Joined H&T Board in 2018
- Previous roles: Member of Bank of England's Strategic Cash Group, Senior leader within Barclays

Financing Key Terms

Total Facility Size	£35m, revolving credit
Termination Date	June 2022 (extendable to June 2024)
Utilisation	Currently undrawn, drawings subject to leverage (3x) and interest cover (4x) and Fixed charge (1.5x) covenants
Margin	LIBOR plus a margin of between 1.75% and 2.75%
Fixed Repayments	No capital repayments prior to termination date.

H&T Product Offering



Pawnbroking

Borrow money based on the value of your assets.



Personal Loans

Borrow up to £5,000 and repay over 3-36 months.



Gold Purchase

We buy gold, diamonds, jewellery and watches.



Western Union

Overseas money-wire transfer.



Cheque cashing

Cash third party cheques instantly in any of our stores for a small fee.



Foreign exchange

Click & collect in your local store. The best rates on the high street!



Retail

Brand new and pre-owned jewellery & watches in-store and online