



# INVESTOR PRESENTATION

HALF YEAR ENDED 30 JUNE 2023  
CONFIDENTIAL



# OVERVIEW AND STRATEGIC UPDATE

HALF YEAR ENDED  
30 JUNE 2023



# H&T AT A GLANCE

## WHO WE ARE

Serving the community and trusted by customers for over 125 years, with a network of 273 stores across the UK.

## WHAT WE DO

We are the UK's largest pawnbroker and a leading retailer of high quality new and pre-owned jewellery and watches.

We provide a range of transparent and accessible financial products tailored for a customer base which has limited access to, or is excluded from, the traditional banking sector.



## MARKET DRIVERS

Increasing need for small-sum, short-term loans at a time when supply of such credit is constrained. Our retail products represent good value for money, a store of value and have strong sustainability credentials.

## THE AMBITION

We are working hard to make pawnbroking a more widely accepted and valued financial service. We will continue to invest in our store estate and digital footprint to deliver a service that exceeds customers' expectations, whilst delivering attractive returns for shareholders.



# STRUCTURAL GROWTH OPPORTUNITY AND STRONG MOMENTUM



**Target audience** is growing as supply of small-sum, short-term credit is constrained at a time of increased demand

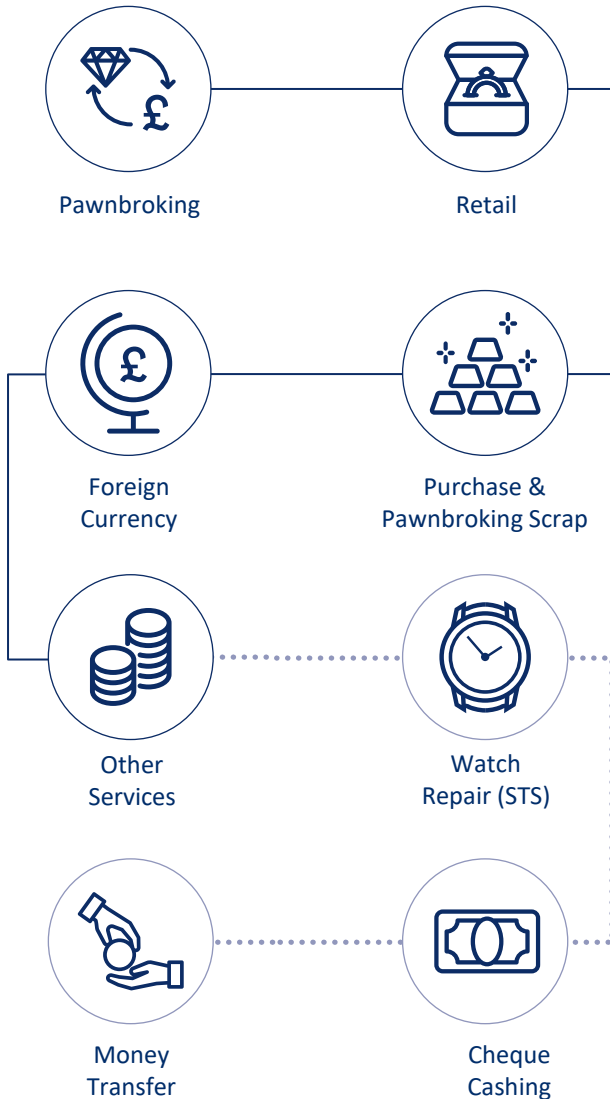


Growing demand for **pre-owned jewellery and watches** which represents >80% of retail sales

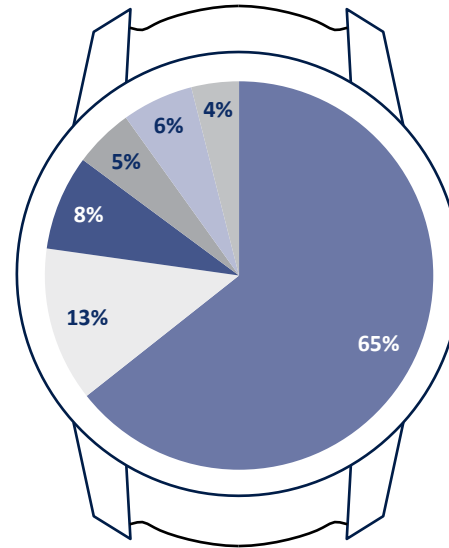


**Store footprint** can be extended to cover broader geography at relatively modest investment per store

# OUR PRODUCT OFFERING

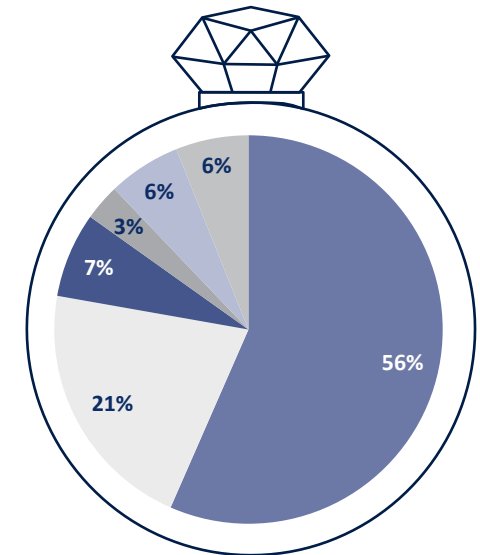


GROSS PROFIT BY PRODUCT:  
HY 2023



- Pawn Service Charge
- Retail
- Purchasing
- Pawnbroking Scrap
- Foreign Exchange
- Other Services

GROSS PROFIT BY PRODUCT:  
HY 2022



- Pawn Service Charge
- Retail
- Purchasing
- Pawnbroking Scrap
- Foreign Exchange
- Other Services

# HEADLINE ACHIEVEMENTS

## STRATEGIC PROGRESS

### PROGRESS in 2023:

**22%**  
growth in  
pledge lending

**14%**  
growth in  
pledge book

**11%**  
growth in  
retail sales

**79%**  
growth in online  
originated retail sales

**19%**  
growth in total FX  
transactions

**37%**  
growth in non-EUR/USD  
FX transactions

**8**  
new stores opened  
and 2 closed

**35**  
stores  
refurbished

**Jewellery  
processing  
capacity increased**  
with additional facility  
opened

**Phase II**  
of new core IT platform  
in development

**Board  
strengthened**  
New Chair and 4 Non-  
Executive Directors  
appointed

**Integrated  
website**  
launched July 2023

**£15m**  
additional funding  
July 2023

Ready for  
**Consumer Duty**  
implementation  
August 2023

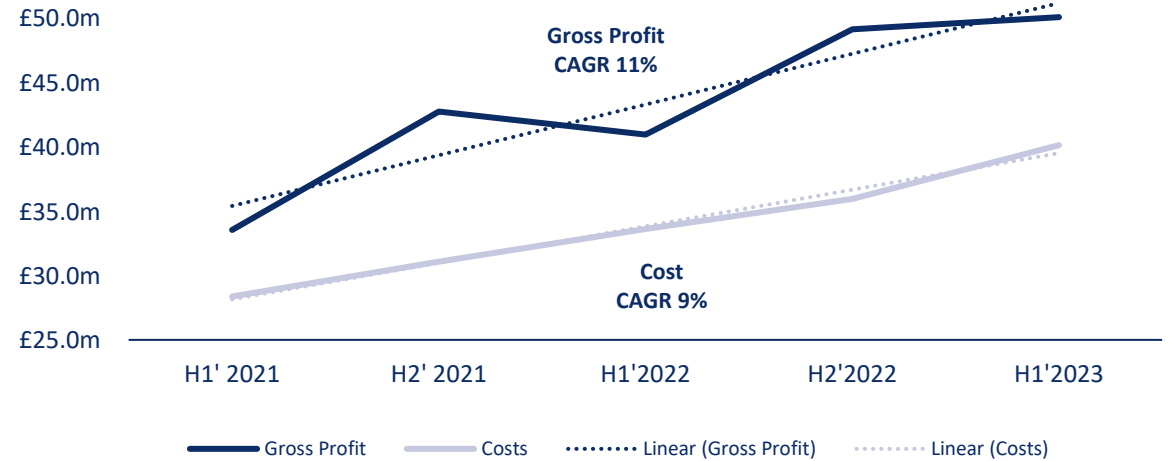
# FINANCIAL HEADLINE SUMMARY

## H1' 2023 vs H1' 2022

|   |  |
|---|--|
| <p>Gross Profit *</p> <p><b>£50.1m</b></p> <p>H1' 2022: £41.0m</p> <p>▲ 22%</p>           | <p>Net Asset Value</p> <p><b>£166.8m</b></p> <p>H1' 2022: £139.1m</p> <p>▲ 20%</p> |
| <p>Operating Expenses</p> <p><b>£40.2m</b></p> <p>H1' 2022: £33.6m</p> <p>▲ 19%</p>       | <p>Pledge Book</p> <p><b>£114.6m</b></p> <p>H1' 2022: £85.1m</p> <p>▲ 35%</p>      |
| <p>Profit Before Tax</p> <p><b>£8.8m</b></p> <p>H1' 2022: £6.7m</p> <p>▲ 31%</p>          | <p>NAV per share</p> <p><b>385.5p</b></p> <p>H1' 2022: 355.1p</p> <p>▲ 9%</p>      |
| <p>Diluted earnings per share</p> <p><b>16.3p</b></p> <p>H1' 2022: 13.1p</p> <p>▲ 24%</p> | <p>Dividend per share</p> <p><b>6.5p</b></p> <p>H1' 2022: 5.0p</p> <p>▲ 30%</p>    |

\*after IFRS 9 impairment charge

### OPERATIONAL LEVERAGE

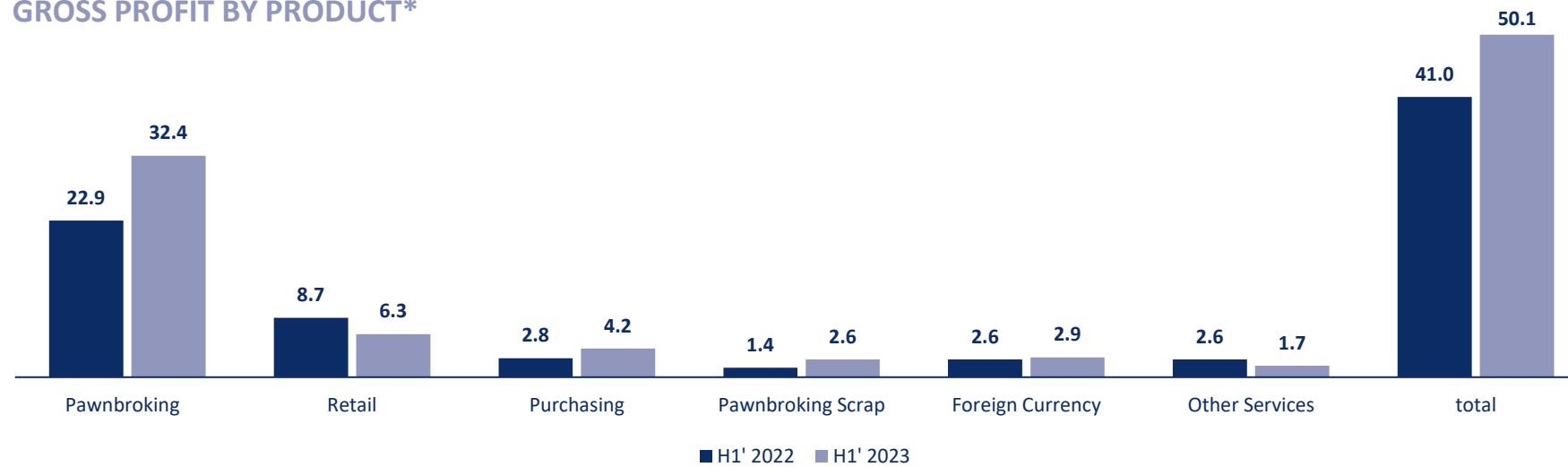


# FINANCIAL OVERVIEW

HALF YEAR ENDED  
30 JUNE 2023

# SEGMENTAL PROFITS HALF YEAR ENDED 30 JUNE 2023

## GROSS PROFIT BY PRODUCT\*



## PRODUCT MARGIN BY PRODUCT

|   | H1 2023 | H2 2022 | H1 2022 | FY 2022 |
|---|---------|---------|---------|---------|
| <b>Pawnbroking:</b><br>Annualised risk adjusted margin <sup>1</sup> | 60%     | 61%     | 61%     | 61%     |
| <b>Retail</b>   | 28%     | 37%     | 42%     | 39%     |
| <b>Purchasing</b>   | 19%     | 19%     | 19%     | 19%     |
| <b>Pawnbroking scrap</b>  | 18%     | 18%     | 19%     | 19%     |

- Retail margin reduction reflects a change in sales mix within and between new and pre-owned items and action taken to reduce inventory levels, in particular of certain watch brands
- Retail margin compression substantially offset by increased scrap volumes and profits at consistent margins



\*after IFRS 9 impairment charge | Note 1: Net revenue (after IFRS 9 impairment charge) expressed on an annualised basis as a percentage of the net pledge book over the previous 6 or 12 months as applicable



# FINANCIAL RESULTS

## INCOME STATEMENT FOR HALF YEAR ENDED 30 JUNE 2023

### GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2023

|   | H1 2023<br>£'000 | H1 2022<br>£'000 | Full Year 2022<br>£'000 |
|---|------------------|------------------|-------------------------|
| <b>Continuing operations:</b>   |                  |                  |                         |
| Revenue   | 101,687          | 77,756           | 173,941                 |
| Cost of sales   | (46,670)         | (30,070)         | (72,025)                |
| <b>Gross profit</b>   | <b>55,017</b>    | 47,686           | 101,916                 |
| Other direct expenses   | (32,558)         | (29,470)         | (59,535)                |
| <i>Impairment charge (included in direct expenses)</i>                | <i>(4,877)</i>   | <i>(6,703)</i>   | <i>(11,756)</i>         |
| Administrative expenses   | (12,489)         | (10,866)         | (21,828)                |
| <b>Operating profit</b>   | <b>9,970</b>     | 7,350            | 20,553                  |
| Investment revenue  | 19               | –                | –                       |
| Finance costs   | (1,239)          | (631)            | (1,548)                 |
| <b>Profit before taxation</b>   | <b>8,750</b>     | 6,719            | 19,005                  |
| Tax charge on profit  | (1,714)          | (1,571)          | (4,093)                 |
| <b>Profit for the financial period and total comprehensive income</b> | <b>7,036</b>     | 5,148            | 14,912                  |
| <b>Earnings per share from continuing operations</b>                  |                  |                  |                         |
|   | <b>Pence</b>     | Pence            | Pence                   |
| Basic   | 16.26            | 13.15            | 37.16                   |
| Diluted   | 16.26            | 13.14            | 37.15                   |

- Gross profit **increased by 15%** to **£55.0m\*** (H1' 2022: £ 47.7m)
- Other direct and admin costs increased to **£45m** (H1' 2022: £40.3m).
  - Other direct expenses include IFRS 9 provision charges of **£4.9m** (H1' 2022: £6.7m) reflecting growth in the pledge book
- **Close cost control** remains a priority at a time of persistent inflationary pressures and rising interest rates
- Group profit before tax **increased by 31%** to **£8.8m** (H1' 2022: £6.7m)
- **EPS increased by 24%** to **16.26p** (H1' 2022: 13.14p)

\*excludes IFRS 9 impairment charge

# FINANCIAL RESULTS

## OPERATING COSTS

- Operating costs **increased by 19%** to £40m (H1' 2022: £34m)
- Costs are primarily **fixed and volumetric**
- **Employee related costs** represent **59%** of operating costs, and **increased 21%** year on year:

**11% of the increase** is due to the addition of 214 employees since June 2022, being 184 Full Time Equivalent (FTE). 80% of the increase occurred in 2022. Appointments in 2022/23 were planned:

- 43 FTE - Swiss Time Services
  - 102 FTE - Stores, addressing unusually high levels of vacancies experienced in early 2022, and staffing new stores
  - 21 FTE - Jewellery centre and property services
  - 18 FTE - IT and other support functions
- 10% of the increase** is due to a combination of:
- average impact of annual pay reviews which reflects a desire to maintain our pay differential against National Living Wage, which rose by 9.7% in April
  - timing of the annual pay review was brought forward from April to January, in consideration of the impact of inflation on our employees
- **Non-pay-related costs** increased due to transaction volumes, timing of expenditure e.g. marketing, and suppliers passing on price rises, often above the rate of inflation and which was unforeseen
  - We continue to be able to negotiate **beneficial lease renewal** terms and utility unit prices are fixed until the end of 2025
  - Cost inflation is expected to **moderate in H2** as the bulk of cost increases are included in the cost run rate



# BALANCE SHEET

## REMAINS STRONG, UNDERPINNED BY INHERENT VALUE OF PRECIOUS METAL AND CASH BALANCES

|  | June 2023 £'000 | June 2022 £'000 | December 2022 £'000 |
|--|-----------------|-----------------|---------------------|
| <b>Non-current assets</b>                          |                 |                 |                     |
| Goodwill   | 21,233          | 19,341          | 20,969              |
| Other intangible assets                            | 6,759           | 3,630           | 6,368               |
| Property, plant and equipment                      | 14,707          | 11,955          | 13,045              |
| Right-of-use assets                                | 18,164          | 16,973          | 18,991              |
| Deferred tax assets                                | 35              | 1,481           | 251                 |
|  | <b>60,898</b>   | <b>53,380</b>   | <b>59,624</b>       |
| <b>Current assets</b>                              |                 |                 |                     |
| Inventories  | 37,538          | 36,090          | 35,469              |
| Trade and other receivables                        | 119,214         | 90,522          | 104,046             |
| Cash and bank balances                             | 12,859          | 12,711          | 12,229              |
|  | <b>169,611</b>  | <b>139,323</b>  | <b>151,744</b>      |
| <b>Total assets</b>                                | <b>230,509</b>  | <b>192,703</b>  | <b>211,368</b>      |
| <b>Current liabilities</b>                         |                 |                 |                     |
| Borrowings   | -               | (6,343)         | -                   |
| Trade and other payables                           | (12,399)        | (9,491)         | (9,097)             |
| Lease liabilities                                  | (6,217)         | (5,768)         | (3,743)             |
| Current tax liability                              | (343)           | (1,094)         | (937)               |
|  | <b>(18,959)</b> | <b>(22,696)</b> | <b>(13,777)</b>     |
| <b>Net current assets</b>                          | <b>150,652</b>  | <b>116,627</b>  | <b>137,967</b>      |
| <b>Non-current liabilities</b>                     |                 |                 |                     |
| Borrowings   | (30,000)        | (15,000)        | (15,000)            |
| Lease liabilities                                  | (12,828)        | (12,530)        | (16,326)            |
| Long-term provisions                               | (1,949)         | (3,363)         | (2,146)             |
|  | <b>(44,777)</b> | <b>(30,893)</b> | <b>(33,472)</b>     |
| <b>Total liabilities</b>                           | <b>(63,736)</b> | <b>(55,589)</b> | <b>(47,249)</b>     |
| <b>Net assets</b>                                  | <b>166,773</b>  | <b>139,114</b>  | <b>164,119</b>      |
| <b>Equity</b>                                      |                 |                 |                     |
| Share capital                                      | 2,200           | 1,993           | 2,193               |
| Share premium account                              | 49,423          | 33,486          | 49,423              |
| Employee Benefit Trust shares reserve              | (31)            | (23)            | (34)                |
| Retained earnings                                  | 115,181         | 103,658         | 112,537             |
| <b>Total equity attributable to equity holders</b> | <b>166,773</b>  | <b>139,114</b>  | <b>164,119</b>      |

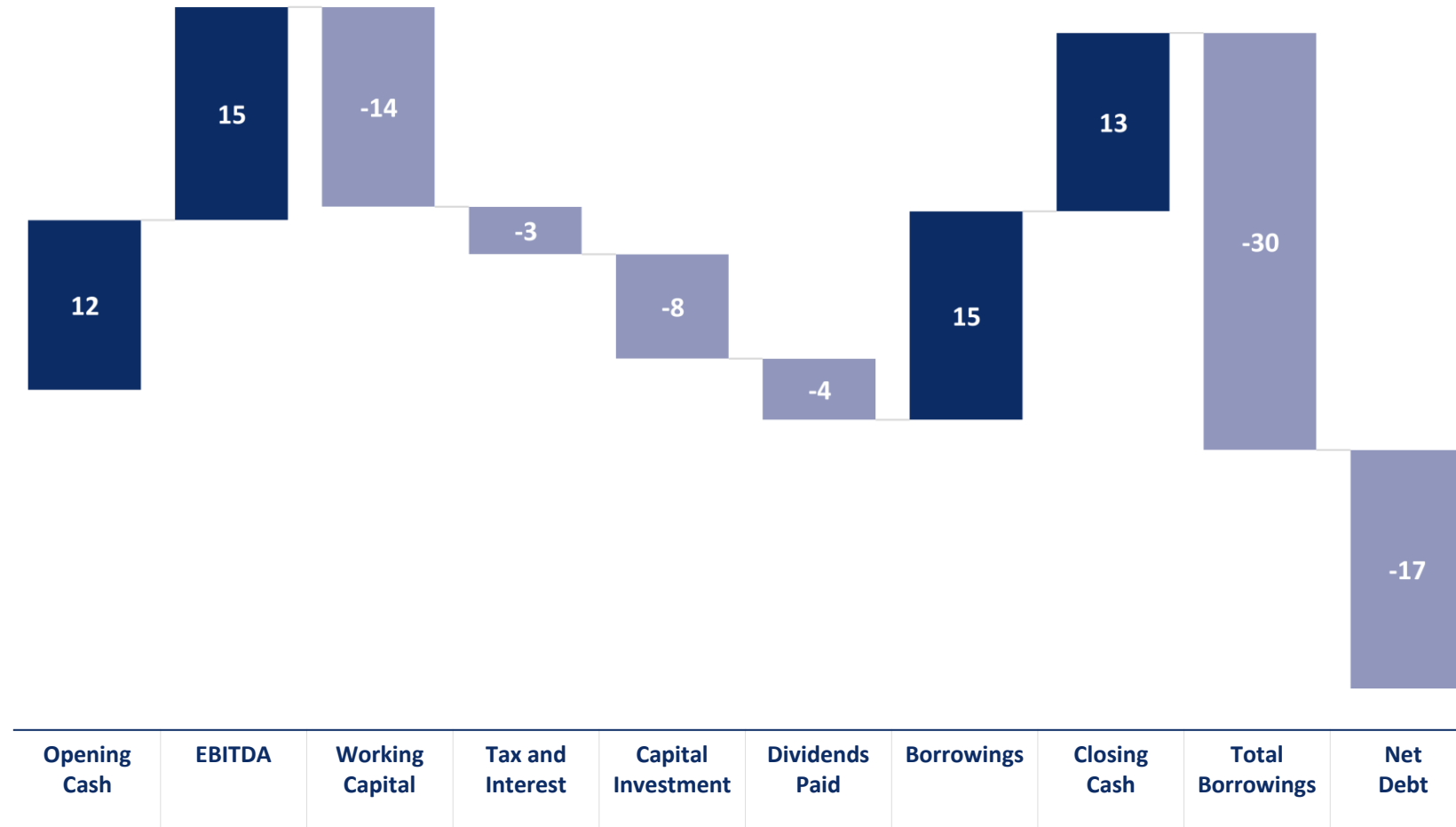
### GROUP BALANCE SHEET AS AT 30 JUNE 2023

- The Group's balance sheet strengthened further with net assets of **£166.8m** (December 2022: £164.1m; June 2022: £139.1m)
- Pawnbroking pledge book **grew to £114.5m** (December 2022: £100.7m; June 2022: £85.1m)
- **Non-current assets grew** with the ongoing capital investment in IT development and the store estate
- Inventory **increased to £37.5m** (December 2022: £35.5m; June 2022: £36.1m). Watches in course of repair, included in inventory, remained consistent at c.£4m
- Retail stock available for sale was **£23m** (December 2022: £25m; June 2022: £23m)
- Net debt position of **£17.1m** (December 2022: £2.8m; June 2022: £8.9m)

# CASH FLOW STATEMENT HALF YEAR ENDED 30 JUNE 2023

## FUNDING A GROWING BUSINESS

### NET CASH BRIDGE H1 2023 - £m



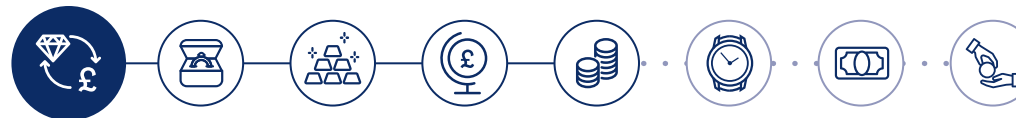
- Cash and bank balances **increased to £13m** (December 2022: £12m)
- Cash utilised to:
  - increase **receivables by £14m** (H1' 2022: £18m)
  - increase **inventory by £2m** (H1' 2022: £8m)
  - Expand and refurbish **store estate £8m** (H1' 2022: £8m)
  - Paying interest, taxes and dividend of **£8m** (H1' 2022: £4m)
- Utilised **additional £15m** (H1' 2022: £21m) of banking finance facilities
- Net debt position of **£17m** (H1' 2022: £9m)
- Total banking facility **increased to £50m** (previously £35m) in July 2023



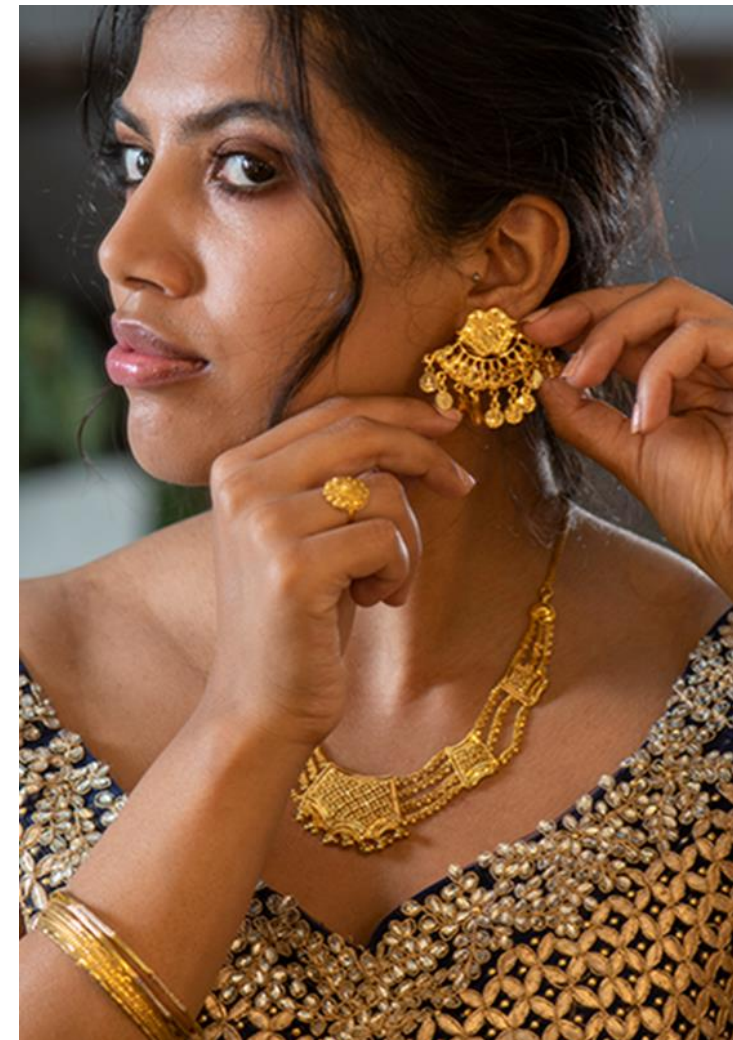
# SEGMENTAL RESULTS

HALF YEAR ENDED  
30 JUNE 2023

# SEGMENTAL RESULTS: PAWNBROKING



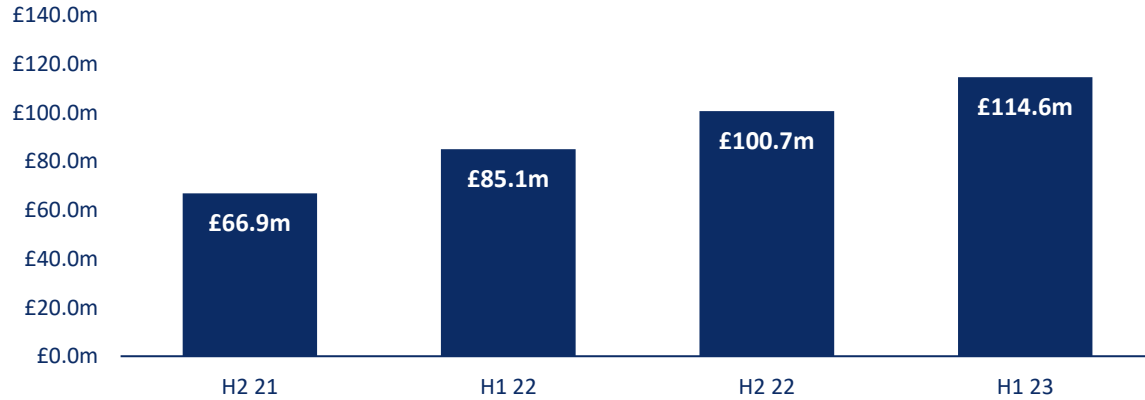
- Pledge lending is the Group's core business, contributing **£32.4m or 65%** (H1' 2022: 56%) of gross profit after IFRS 9 impairment
- Pledge book grew by **14% to £114.6m** (December 2022: £100.7m; June 2022: £85.1m)
- Borrowing demand by individuals and business owners continued to gather momentum at a time of reduced supply of small-sum short-term credit
- Demand for pledge lending remains at **record levels**. Gross lending for the half year grew by **22% to £128m** (H1' 2022: £105m)
- Annualised risk adjusted margin of **60%** (H1' 2022: 61%). Risk adjusted margin is influenced by the business mix of loans (as larger loans carry a lower yield), loan duration and the impact of IFRS 9.
- Modest increase in mean loan values during H1 to **£423** (December 2022: £405). Median loan value was **£200** (December 2022: £185)
- Average loan duration remains shorter than historic norms at **97 days** (December 2022: 97 days; long run average 108 days) as customers choose to repay their loans early when they are able to do so
- Average Loan to Value ('LTV') ratio remained consistent at **c.65%**
- Redemption rates remained consistent and above historic norms at **c.85%**



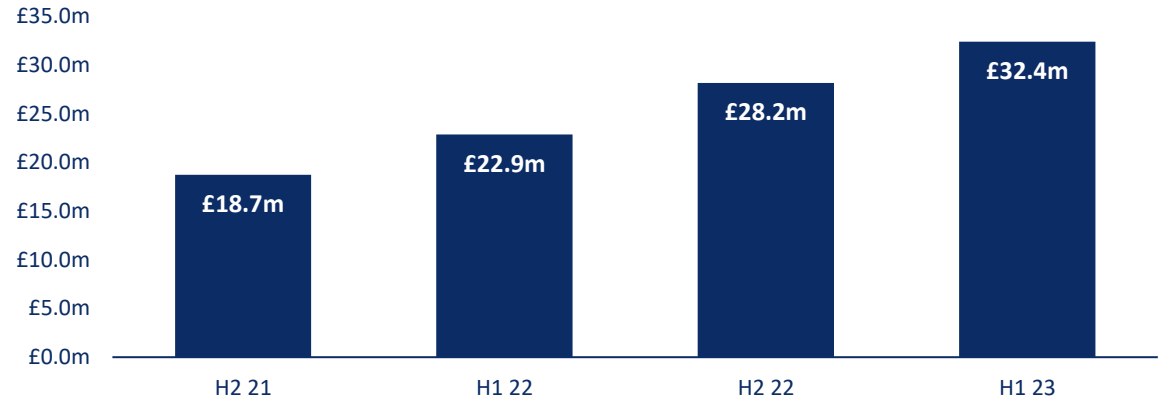
# SEGMENTAL RESULTS: PAWNBROKING



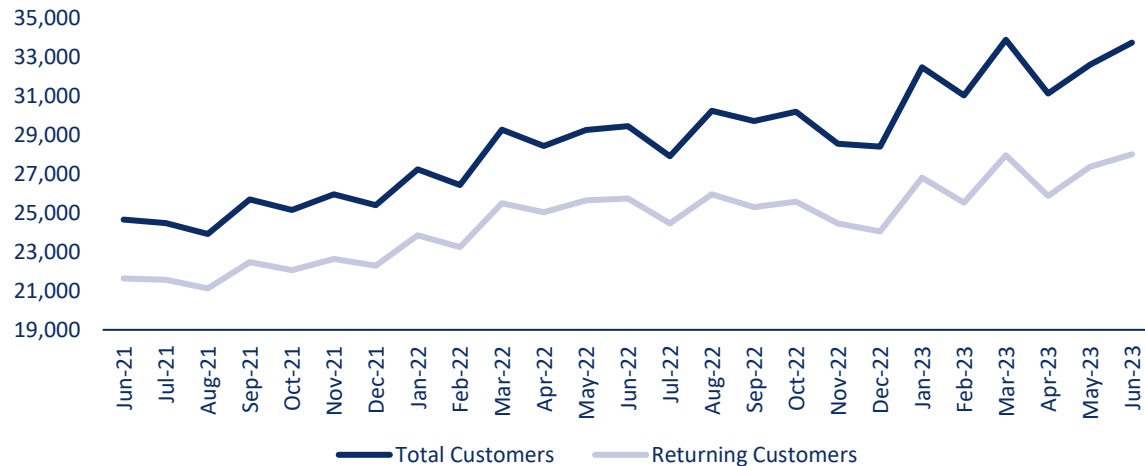
## NET PLEDGE BOOK (INCL. ACCRUED INTEREST & IMPAIRMENT)



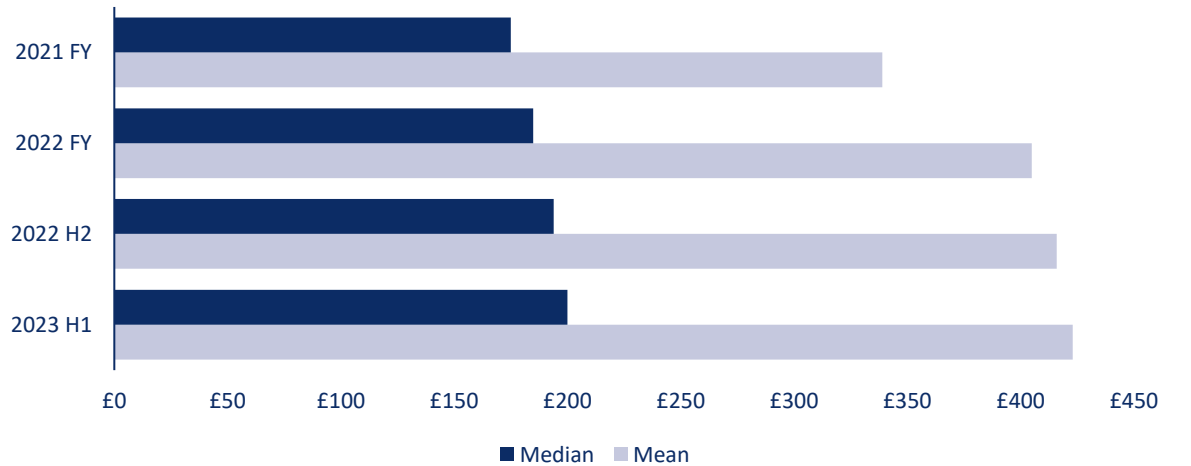
## PAWNBROKING – GROSS PROFIT LESS IMPAIRMENT



## MONTHLY PLEDGE CUSTOMERS



## AVERAGE LOAN VALUE



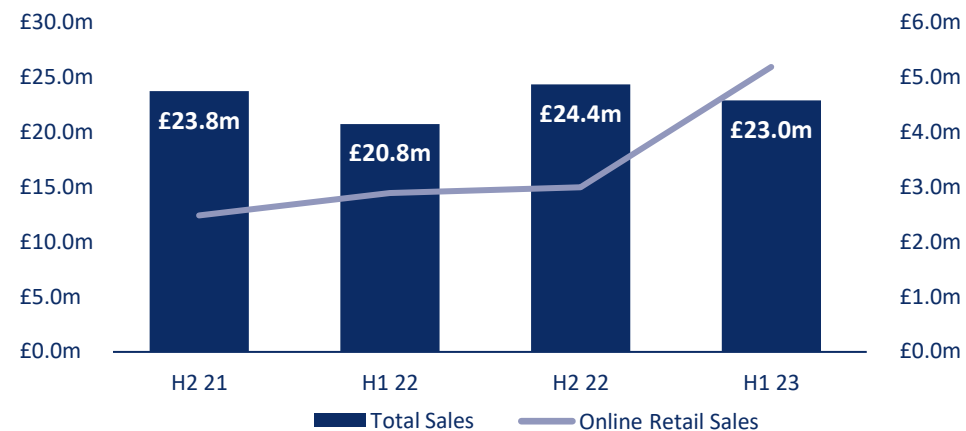
# SEGMENTAL RESULTS: RETAIL



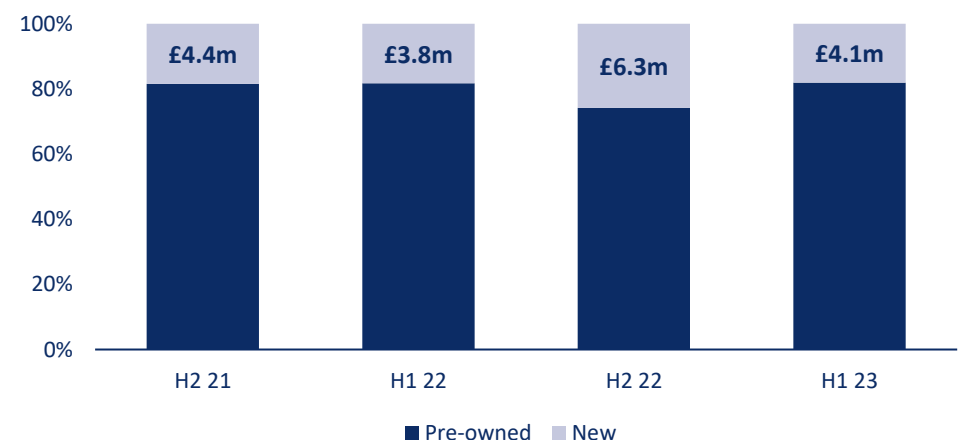
## H&T IS A TOP 6 RETAILER OF HIGH QUALITY NEW AND PRE-OWNED JEWELLERY AND WATCHES\*

- Retail sales revenue grew by **11%** to **£23.0m** (H1' 2022: £20.8m) generating profits of **£6.3m** (H1' 2022: £8.7m)
- Margins reduced as expected to **28%** (H2' 2022: 37%; H1' 2022: 42%) reflecting the change in sales mix within and between new and pre-owned items, dynamic pricing and action taken to reduce inventory levels, in particular of certain watch brands
- Sales of pre-owned items remain at **82%** of total sales. Supply of some popular pre-owned jewellery categories remains constrained
- Online originated sales are at record levels, having increased by **79%** to **£5.2m** (H1' 2022: £2.9m), and represented **23%** (H1' 2022: 14%) of total sales by value. Over half of online sales are viewed in stores, prior to the customer completing their purchase
- Retail stock available for sale at the end of June was **£23m** (December 2022: £25m; June 2022: £23m)

### RETAIL SALES



### RETAIL SALES MIX



\* <https://www.professionaljeweller.com/the-uks-top-10-jewellers-ranked/>



# SEGMENTAL RESULTS: PURCHASING AND PAWNBROKING SCRAP



Scrap profits are earned from **two product streams**:

## 1 PURCHASING

items purchased from customers, which do not meet the required quality for retail sale

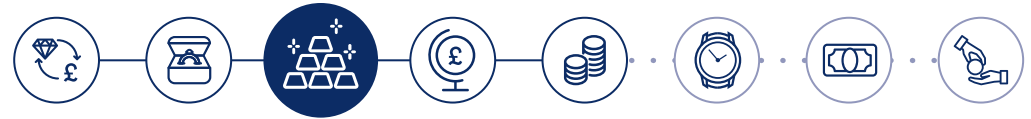
## 2 PAWNBROKING SCRAP

items released from the pledge lending cycle, which do not meet the required quality for retail sale

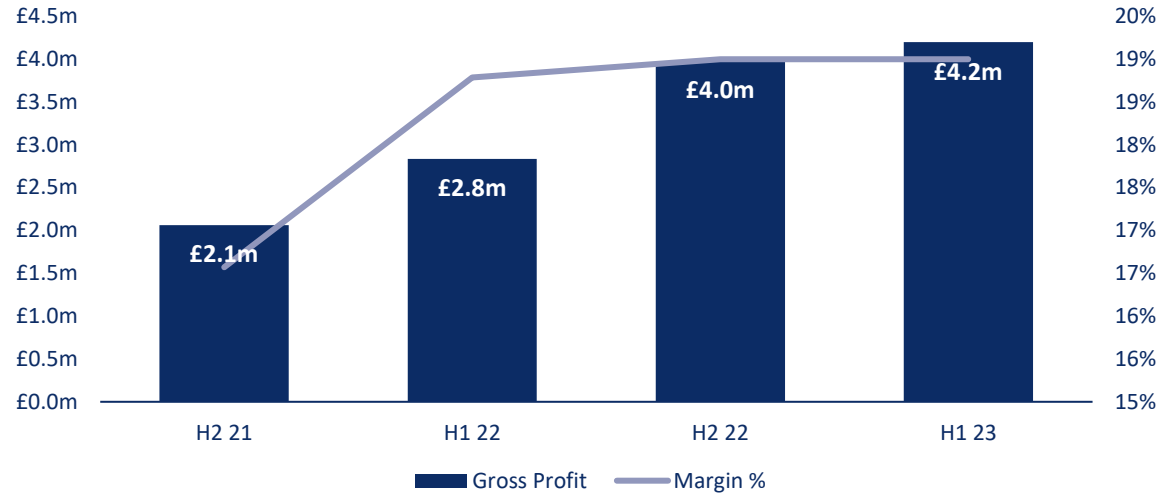


**Scrap profits** are correlated to the prevailing gold price, after allowing for the impact of timing to process the item

# SEGMENTAL RESULTS: PURCHASING AND PAWNBROKING SCRAP

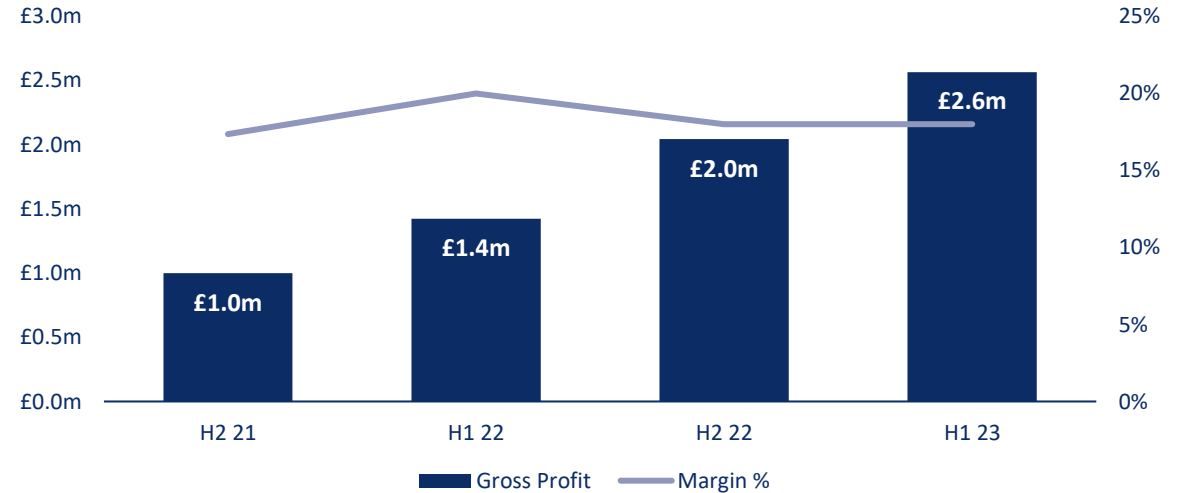


## GOLD PURCHASING: GROSS PROFIT AND MARGIN %



- Gross profit increased by **50% to £4.2m** (H1 2022: £2.8m)
- Gross margin was consistent with full year 2022 margin of **19%**
- The prevailing **gold price** has a direct impact on purchasing volumes, as it affects customer demand
- The gold price has **remained elevated** since March 2022. The average price per troy ounce for H1' 2023 was £1,566 (H1' 2022: £1,445)

## PAWNBROKING SCRAP: GROSS PROFIT AND MARGIN %

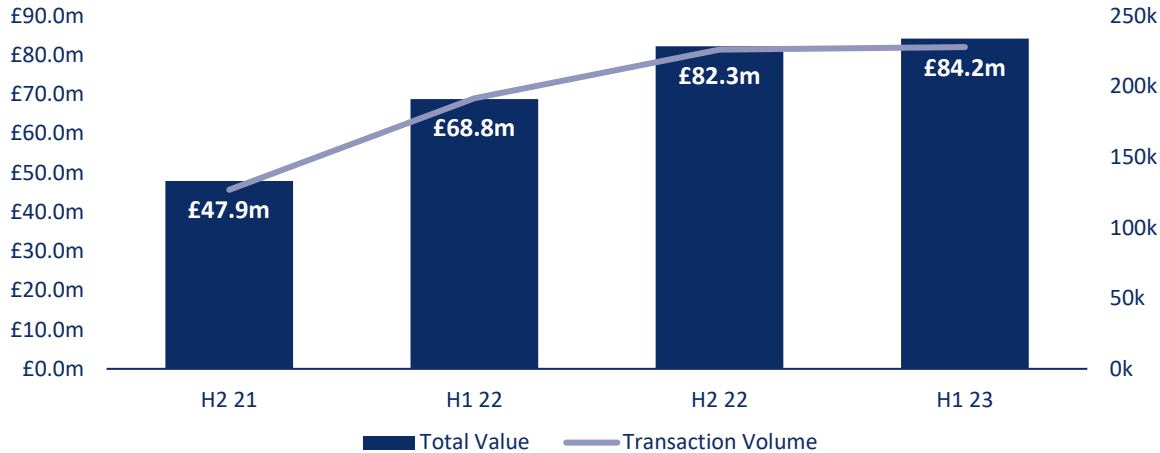


- Gross profit increased by **86% to £2.6m** (H1' 2022: £1.4m)
- Gross margin remained broadly consistent at **18%** (H2' 2022: 18% and H1' 2022: 20%). This includes the impact of the disposition, by auction, of a number of higher value jewellery and watch items held in inventory and deemed uneconomical to repair
- Growing size and maturity of the pledge book increases the volume of items released for retail or scrap. Typically **c.60%** of such items are scrapped.

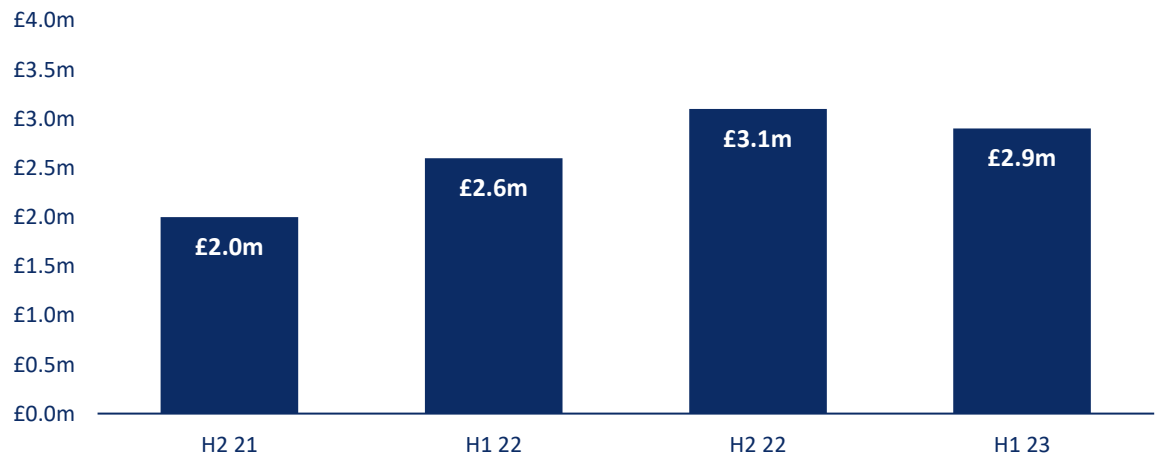
# SEGMENTAL RESULTS: FOREIGN CURRENCY



## FX: VALUE (£'m) AND VOLUME



## FX: GROSS PROFIT (£'m)

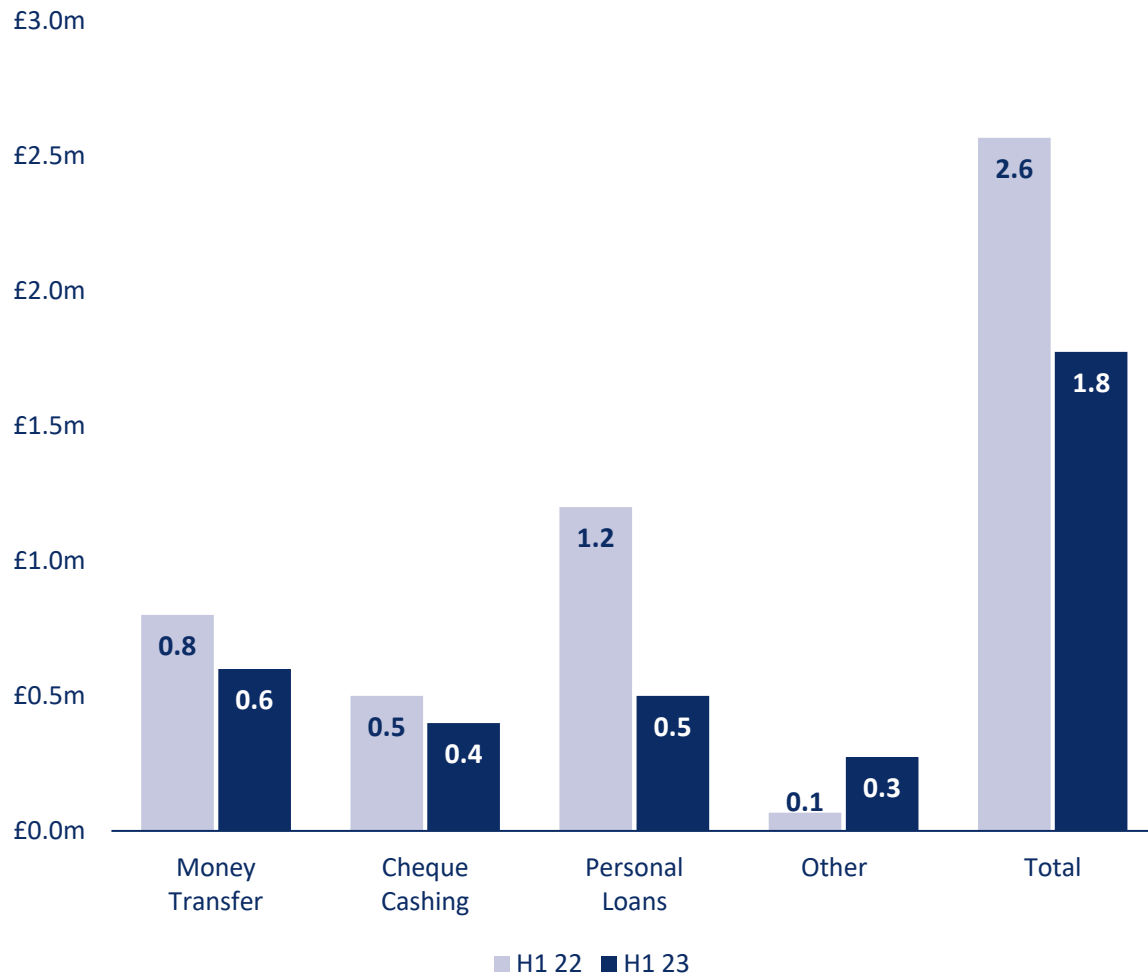


- Gross profit increased **12% to £2.9m** (H1' 2022: £2.6m)
- Transaction volumes are at **record levels** and increased **19%** year on year
- **Momentum is building** into the peak summer months
- Average transaction value in H1 remained below historic levels at **£398** (H1' 2022: £406) evidencing, we believe, careful holiday budgeting by customers
- Identified as a **future growth opportunity**, with the range of currencies available in stores broadened and launch of "click and collect" service



# SEGMENTAL RESULTS: OTHER SERVICES

## GROSS PROFIT\* BY PRODUCT



\*after IFRS 9 impairment charge



**We offer ancillary financial services to broaden our product offering and bring footfall into stores**

### Money Transfer



**Contribution reduced to £0.6m** (H1' 2022: £0.8m) reflecting lower transaction volumes, particularly to and from Romania. Customer numbers are consistent, however they are transferring funds less often

### Cheque Cashing



**Contribution reduced to £0.4m** (H1' 2022: £0.5m). Volumes have normalised after some local authorities and government departments issued cost of living support payments by cheque in 2022

### Personal Lending



**Contribution reduced to £0.5m** (H1'2022: £1.2m)

The Group no longer offers an unsecured lending product

The book continues to receive customer repayments and has a corresponding release of impairment provisions

### Other Income



Includes income from watch repair services provided by Swiss Time Services





# DELIVERING ON STRATEGIC OBJECTIVES

# HEADLINE ACHIEVEMENTS

## STORE METRICS - PROGRESS IN 2023

### STORE STATISTICS

|   |  |
|---|--|
| <p>Number of stores</p> <p><b>273</b></p> <p>December 2022: 267</p> <p>↑ 6</p>                    | <p>Average annualised revenue per store</p> <p><b>£725k</b></p> <p>December 2022: £651k</p> <p>↑ 11%</p>     |
| <p>Average pledge book per store</p> <p><b>£419k</b></p> <p>December 2022: £377k</p> <p>↑ 11%</p> | <p>Average annualised gross profit per store</p> <p><b>£400k</b></p> <p>December 2022: £382k</p> <p>↑ 5%</p> |

### STORE ESTATE

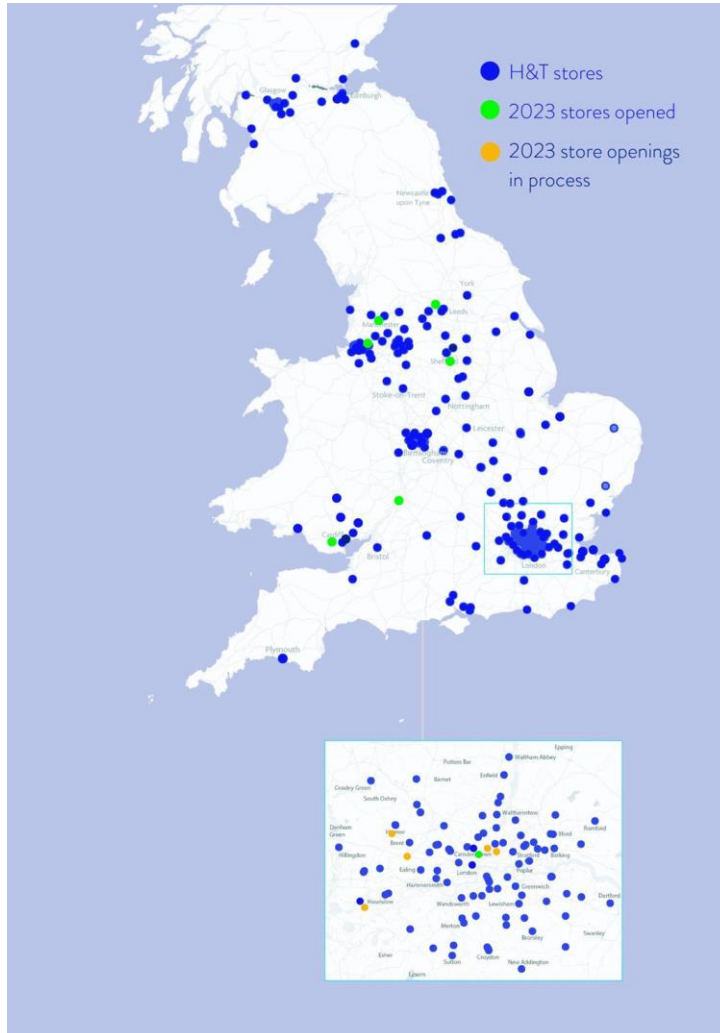
|   |  |
|---|--|
| <p>Average inventory per store</p> <p><b>£84k</b></p> <p>December 2022: £94k</p> <p>↓ 11%</p> | <p>Employees with &gt;3 years service</p> <p><b>56%</b></p> <p>December 2022: 59%</p> <p>↓ 5%</p>                  |
| <p>Average lease cost</p> <p><b>£27k</b></p> <p>December 2022: £28k</p> <p>↓ 4%</p>           | <p>% of stores with contractual break term &lt;5 years</p> <p><b>98%</b></p> <p>December 2022: 96%</p> <p>↑ 2%</p> |

### NEW STORES

|   |   |
|---|---|
| <p>Average cost to fit out a new store</p> <p><b>£50k - £200k</b></p> | <p>Average cash investment per new store</p> <p><b>£150k - £300k</b></p>      |
| <p>Number of stores opened since Jan 2021</p> <p><b>28</b></p>        | <p>Expected time to profitability of new stores</p> <p><b>&lt;2 years</b></p> |

# BUSINESS FOCUS AND OUTLOOK

## INVESTMENT IN SCALE AND CAPABILITIES



### OUR STORE NETWORK TODAY

#### 2023 DELIVERY TO DATE...

- **Added 8 new stores**, with 2 closed. Total stores 273 (December 2022: 267)
- Over 70 stores acquired in 2019 have been **successfully integrated** and are growing at a rate above that of the overall store portfolio
- Swiss Time Services, a leading watch servicing and repair business, acquired in July 2022 **adding significant watch expertise**
- **Increased the pace** of the rolling refurbishment programme, with **35 stores refreshed** year to date
- In May, a **second facility at the jewellery centre** was opened, significantly increasing capacity

#### FUTURE PROGRAMME

- Continue with the accelerated pace of the refresh programme, **c.50 stores in 2023**
- Opportunities exist to **expand** the store estate in a controlled and measured way, with further store openings planned in H2 and beyond
- All new stores are on track to be **profitable** on a run rate basis, no later than their second trading year
- Each new store opening decision is supported by **independent demographic and consumer data** and a stand-alone business case considering investment and profitability hurdles

### DIGITAL CAPABILITY AND CUSTOMER JOURNEY

#### 2023 DELIVERY TO DATE...

- **Phase 1** implementation of new core IT platform to stores completed in Q4 2022
- Further functionality enhancements deployed, with **“click and collect”** service for foreign currency now available
- Our online service offering sits alongside the instore options, allowing customers **multiple access points** throughout their customer journey with H&T

#### FUTURE PROGRAMME

- New core IT platform to be **implemented across wider business** in 2023 and 2024 with ongoing **functionality enhancements** following deployment
- Launch of **integrated website** in July 2023
- **Major redevelopment** of the Group’s online offering planned for 2023 and 2024
- Continuing to make it easier for customers to **transact** with us through the channel they choose

# BUSINESS FOCUS AND OUTLOOK

## SUSTAINABLE BUSINESS

### ENVIRONMENT, SOCIAL AND GOVERNANCE

#### 2023 DELIVERY TO DATE...

Peter McNamara **stepped down** from the Board (17 years) and Chair (14 years). Simon Walker was appointed as **new Chair** in April

Broadening range of skills, experience and diversity of the Board with appointment of **four new Non-Executive Directors** in July

**Community Support** working with FareShare; H&T donating over £30,000 and providing 76,000 meals in the first five months of 2023 (total of 626,000 meals since the start of our partnership)

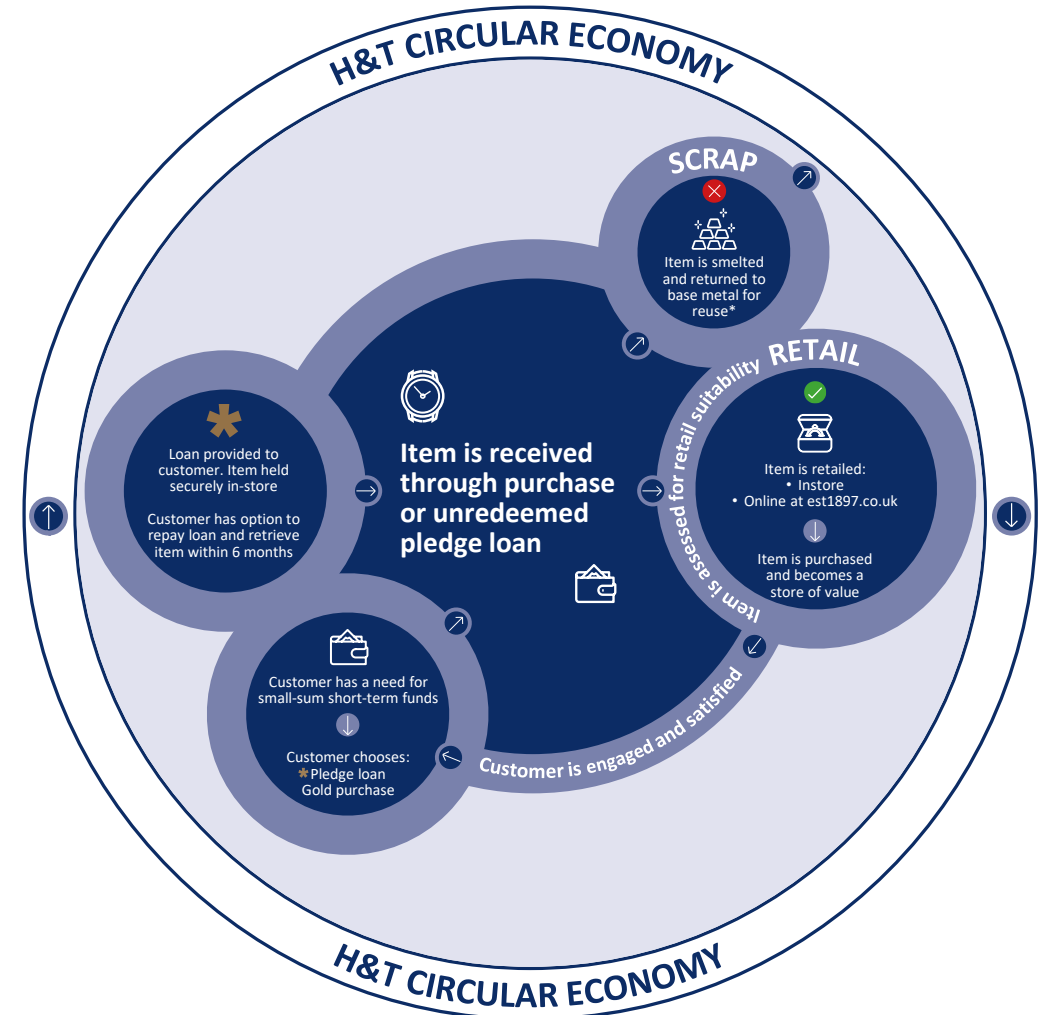
#### FUTURE PROGRAMME

Continue to evolve the Group's **governance structure**

**Scope 3** carbon emissions reporting planned for 2023

Strategic priorities to **lower our carbon footprint** remain key with three focus areas being: our property portfolio, partnering with responsible suppliers and sustainability of pre-owned watches and jewellery

Ensuring our employees are **appropriately rewarded** will remain a priority



# BUSINESS FOCUS AND OUTLOOK

## MACRO ECONOMIC FACTORS SUPPORT GROWTH POTENTIAL

### SIGNIFICANT SHORT AND MEDIUM-TERM GROWTH OPPORTUNITIES ACROSS THE PRODUCT RANGE

#### PLEDGE BOOK:

- Anticipate continued strong demand for **core pawnbroking** product
- The impact of inflation on consumers' increases the **need for small-sum, short-term loans**
- Increasing demand for small-sum, short-term loans when **supply of credit is more constrained**

#### RETAIL:

- Leading retailer of **high quality** pre-owned and new jewellery and watches
- Expect demand to **remain robust**, supported by attractiveness of pre-owned products
- Our retail products represent good value for money and a **store of value** for our customers

#### FOREIGN CURRENCY:

- As demand for overseas travel continues to grow, the need for FX services is **expected to increase**
- Identified as a future **growth opportunity** for the Group, receiving increased focus and investment
- Introduction of "click and collect" services in June and **expanded range** of currencies offered in store

#### COST BASE:

- Experiencing continued supply chain pressure, impact of persistent inflation and higher interest rates
- Cost base is primarily **fixed and volumetric**
- Higher than expected **cost inflation**, due to the timing of expenditure eg marketing, and suppliers passing on price rises, often above the rate of inflation
- **Close cost control** and operating efficiencies are a key focus
- Majority of 2023 cost increases are now in the cost run rate. Cost inflation for full year expected to be **lower than the first half** of 2023



**THE GROUP HAS AN OPPORTUNITY FOR SIGNIFICANT GROWTH IN THE NEAR TERM**



**OUR FOCUS IS TO ENSURE WE ARE WELL POSITIONED TO TAKE ADVANTAGE OF THESE GROWTH OPPORTUNITIES**



# H&T INVESTMENT CASE

## 1 CLEAR MARKET LEADER



Trusted Pawnbroker for **126 years**

H&T offers a **diversified financial product portfolio** across 273 stores. We are the UK's largest pawnbroker and a top 6 jewellery and watch retailer, with strong positions in other product offerings, e.g. one of the UK's largest small-sum money transfer agents



Investing in **digital capabilities** to enhance customers' experience and range of channel options

## 2 STRONG RETURNS



Growth in the pledge book underpins **future earnings**, alongside other product offerings



Predominantly **fixed cost base** provides scalability and operational leverage



Progressive **dividend policy** with minimum 2 x cover target ratio



Target to achieve **sustainable post-tax ROE** \* of mid-teens

## 3 STRUCTURAL GROWTH OPPORTUNITY



**Target audience** is growing as supply of small-sum, short-term credit is constrained at a time of increased demand



Growing demand for **pre-owned jewellery and watches** which represents >80% of retail sales



**Store footprint** can be extended to cover broader geography at a relatively modest investment per store



Demand for overseas travel continues supporting increasing need for **foreign travel money**

\* Based on H&T's effective corporate tax rate

# H&T INVESTMENT CASE

## 4 GROWING RESPONSIBLY



We are committed to **growing responsibly**



Investing in **customer service**, our teams around the UK and our properties to ensure they are welcoming as well as supporting local communities



Accelerating **demand for pre-owned** jewellery and watches, driven by demographics, price-sensitive consumers and increasing awareness of **environmental and sustainability** matters

## 5 SUSTAINABLE BUSINESS MODEL



**Pledge lending** collateral of precious metals, watches and jewellery, always in our control



**No recourse** to the borrower at any time – very different to other forms of lending



Strong **customer advocacy** and positive outcomes

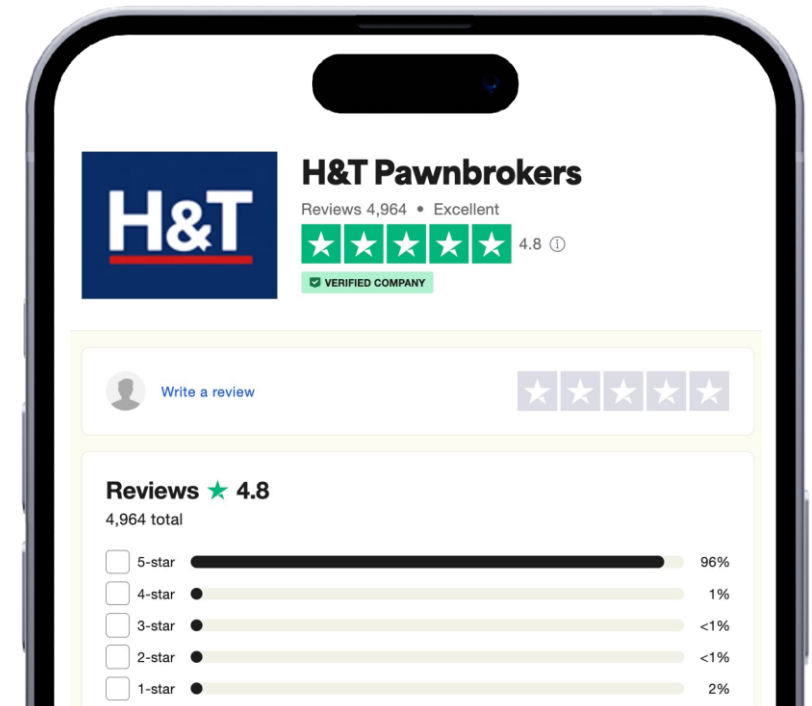


Strong **control culture** and operational environment



Prudent **underwriting policies**. Loan to value ratios c.65%

## A TRUSTED CONSUMER BRAND





# QUESTIONS & APPENDIX

# HOW WE GOT HERE

## 1897

H&T Pawnbrokers Ltd was officially registered by Charles James Thompson and Walter Harvey. 12 H&T stores were opened, mostly in South East London, including Lambeth Walk, Old Kent Rd, Albert Embankment and Vauxhall over the next few years.



## 1915

Sadly, in this year, both founders of the business - Charles James Thompson and Walter Harvey - passed away within three weeks of each other.

## 1935

H&T's pledge book was worth £92k, listed as the greatest pawnbroker business in England. An example of some of the pledged items at the time were Butchers Cloaks which were pledged for 3 shillings and 6d. (approx. £10.80 today).



## 1974

In this year, old pawnbroking legislation was updated by the Consumer Credit Act, allowing registered pawnbrokers to offer new services such as cheque cashing.

## 2014

The FCA (Financial Conduct Authority) takes over industry regulation from the OFT (Office of Fair Trading). H&T pawnbrokers are authorised and regulated by the Financial Conduct Authority for Consumer Credit.

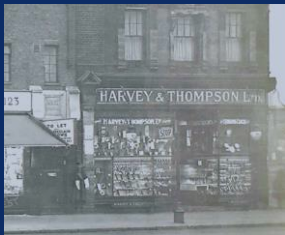
## 2023

H&T expands its presence in Wales with three new stores. The total number of stores across the UK passed 273 in June 2023 with over 1,600 employees in total across stores and support centres. The retail side of the business expansion over the past five years has seen H&T become the sixth largest jewellery retailer in the UK.\*



## 1907

Percy George Gibbens was employed at the Vauxhall store earning 7 shillings per day. Percy would work his way all the way up to become Managing Director in 1945.



## 1921

26 May. A cricket match between Harvey & Thompson vs Croydon & District Pawnbrokers. H&T unfortunately lost, being bowled out for 39 chasing CDP score of 104 for 6 wickets.

## 1941

The War Years  
Sadly, H&T sustained substantial bombing damage to many of its London stores, one of which was completely destroyed. 78 male H&T employees had been called up for service, many of whom returned to the business after the war. By the late 1950s wrist watches were becoming popular, with an average pledge of £10 for a watch (approx. £256 today).



## 2006

H&T floated on the Alternative Investment Market (AIM).



## 2019

H&T acquires over 70 stores nationwide from two competitors in the pawnbroking market who ceased trading.



\*Source: [www.professionaljeweller.com/the-uks-top-10-jewellers-ranked/](http://www.professionaljeweller.com/the-uks-top-10-jewellers-ranked/)

# SUSTAINABILITY

## ENVIRONMENTAL, SOCIAL & GOVERNANCE



- 100% renewable energy
- Zero waste to landfill
- LED implementation complete
- Planning to report Scope 3 carbon emissions
- Internal education and campaigns, along with online meetings to limit travel
- Employee commuting survey

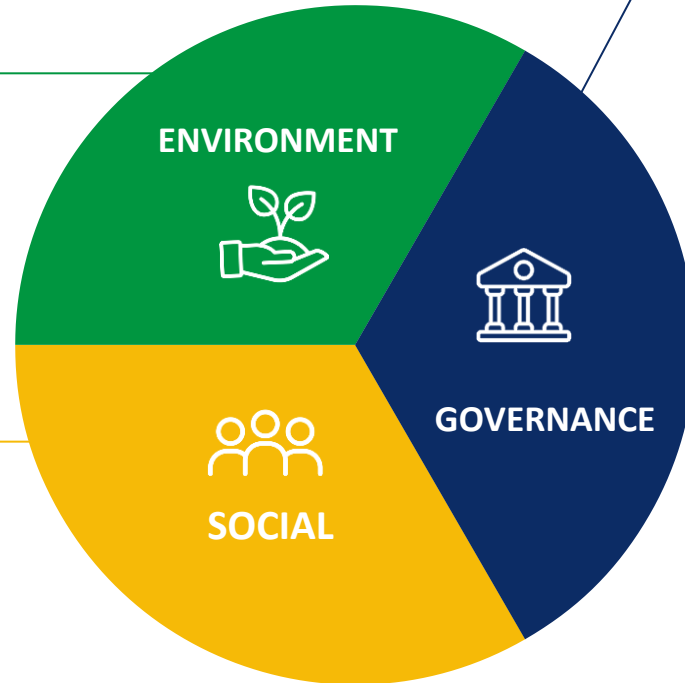
### Inclusion and Diversity

- Mandatory training for all and additional educational modules
- Senior management workshops
- Inclusive language guide
- Ongoing quarterly awareness campaigns (Race, LGBT+)

Continuing community support with FareShare

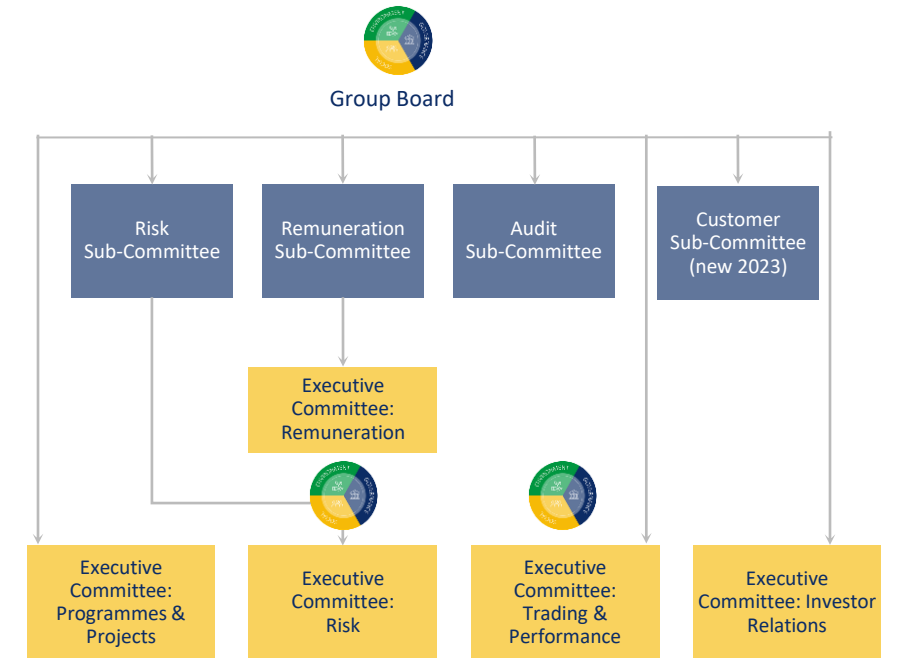
Pay increases ahead of National Living Wage

90% of our employees agree that they receive adequate training and development with over 60,000 hours of learning completed



Community Support working with FareShare; H&T donating over £30,000 and providing 76,000 meals in the first five months of 2023 (total of 626,000 meals since the start of our partnership)

### H&T Governance Structure



- ESG is embedded into the Governance structure, with a nominated Board sponsor
- Cyber Essentials re-certification
- Completion of Board Effectiveness review and actions ongoing
- Three lines of defence model in place



# SUSTAINABILITY ESG STRATEGY



## OUR SUSTAINABILITY PURPOSE:



We strive to act with integrity and responsibility, and to do the right thing in protecting our environment, nurturing our people and governing our company for the benefit of all stakeholders



We manage our business responsibly and focus on supporting our key stakeholders such as customers, colleagues and wider society



Our immediate focus is on the prioritisation of material ESG issues and engagement with stakeholders

## OUR WAY FORWARD:

- Continuing to evolve our ESG journey and committing to be an ever more responsible organisation
- Internal task force established with representatives from across the business, to embed ESG throughout the organisation
- Working to increase transparency on climate-related risks and opportunities for stakeholders
- Ensure we meet future reporting requirements
- Ongoing training for colleagues, Senior Management and the Board

## WORKING TOWARDS THE TASKFORCE OF CLIMATE-RELATED FINANCIAL DISCLOSURES IMPLEMENTATION

**Materiality assessment** completed, identifying key stakeholders and most critical ESG topics, resulting in five key areas of focus:

- 01** Climate
- 02** Safe and engaging workplace
- 03** Circular economy
- 04** Secure data
- 05** Financial wellbeing

**Dedicated training** provided to our internal TCFD taskforce

**Governance structures** implemented, evolving and embedded into internal executive meetings and in executive and Board meetings.

**Risk identification** of physical and transitional risks, and added to existing risk framework

**Strategic priorities** identified as:

- Property
- Circular economy
- Suppliers

**Scope 1 and 2** carbon emissions reporting completed, with **Scope 3** reporting planned for 2023



# FUNDING FACILITY

- Additional bank funding of **£15m** in place from July 2023, taking total available facilities to **£50m**
- The facility is a combination of £45m revolving credit facility expiring in December 2025, with the option to extend for a period of up to two further years, and a £5m overdraft facility
- RCF subject to revised margins between 2.4% and 3.3% (previously 1.7% and 2.45%) above SONIA, with a non-use fee of 50% of the margin on the undrawn portion of the facility
- Overdraft margin is 1.7% above the Bank of England base rate and has an annual renewal date in December
- Covenants remain unchanged at 2.5x leverage, 4x interest cover and 1.5x fixed charges