



HALF YEAR ENDED 30 JUNE 2022

Investor Presentation

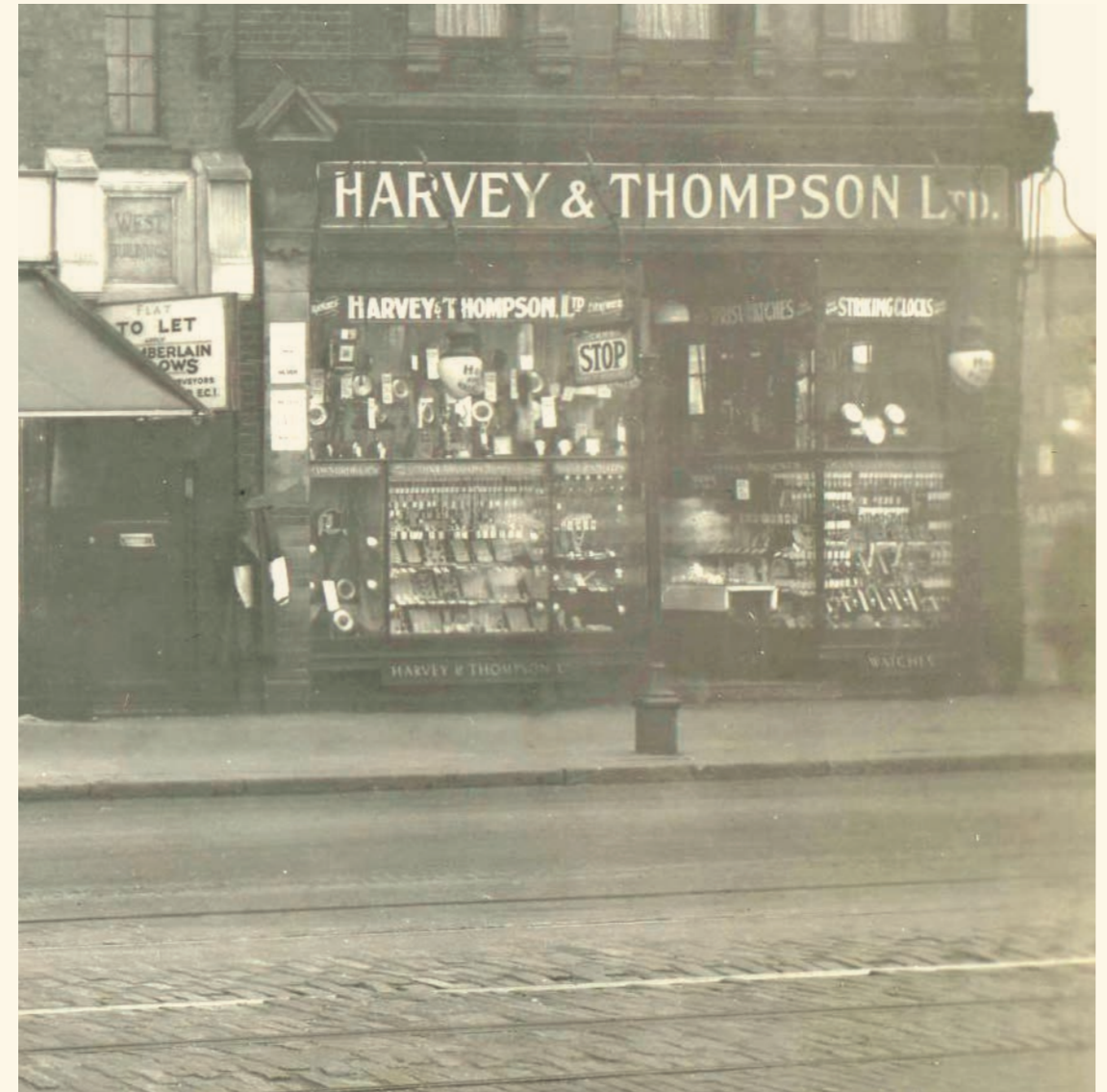
Agenda

Highlights and overview – Chris Gillespie

Financial review – Di Giddy

Strategy and outlook – Chris Gillespie

Q&A and Appendix



View of Newington Butts Store, Elephant & Castle, 1936
London Picture Archive ref: 114730
©London Metropolitan Archive (City of London)

Who we are... how we got here

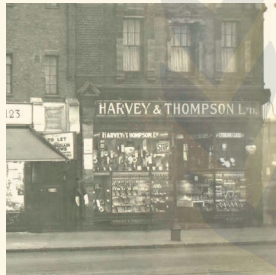
1897

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.



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.



1915

Sadly, in this year, both founders of the business; Charles James Thompson and Walter Harvey passed away within 3 weeks of each other.

1921

26th 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.

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)



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 1950's wrist watches were becoming popular, with an average pledge of £10 for a watch (approx. £256 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.

2006

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



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.

2019

H&T acquires over 70 stores nationwide from 2 competitors in the Pawnbroking market who ceased trading.



2022

H&T expands its presence in Wales with 3 new stores. The total number of stores across the UK passed 261 in July with over 1,400 employees in total across stores and support centres.

The retail side of the business expansion over the past 5 years has seen H&T become the 6th largest jewellery retailer in the UK in 2022.*





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Overview and Strategic Update



H&T at a Glance

Who we are

A community based business trusted by our customers for 125 years.

What we do

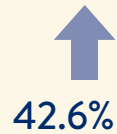
H&T is the UK's largest pawnbroker and provides a range of financial services tailored to meet customer's needs. We are a leading retailer of high quality pre-owned and new jewellery and watches.

Market drivers

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

Profit before Tax

£6.7m



H1'2021 £4.7m

Net Pledge book

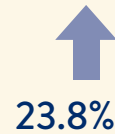
£85.1m



Dec 2021: £66.9m

Net Pawnbroking Revenue

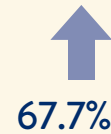
£22.9m



H1'2021 £18.5m

Retail Sales

£20.8m



H1'2021 £12.4m

NAV

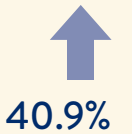
£139.1m



FY'2021 £136.6m

Diluted EPS

13.1p



H1'2021 9.3p

125

Years of Serving
Communities

261

Stores on UK
High Streets

1,423

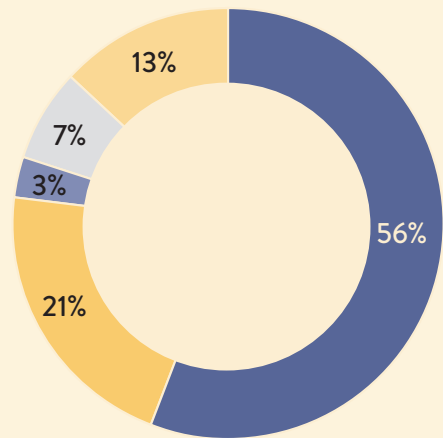
People

The Ambition

Our mission is to make pawnbroking a more widely accepted and valued financial service. We will continue our investment in our retail and digital footprint to deliver a service that exceeds our customer's expectations and deliver attractive returns for shareholders whilst broadening business.

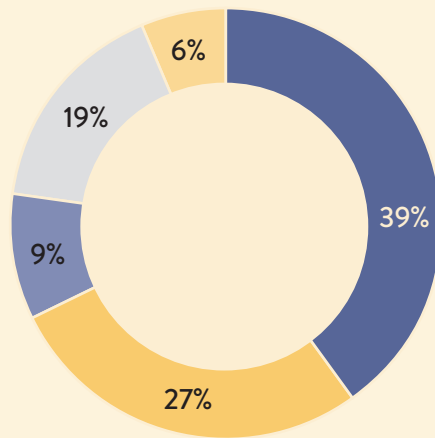
Product Offering

Profit contribution after IFRS 9 impairment H1'2022

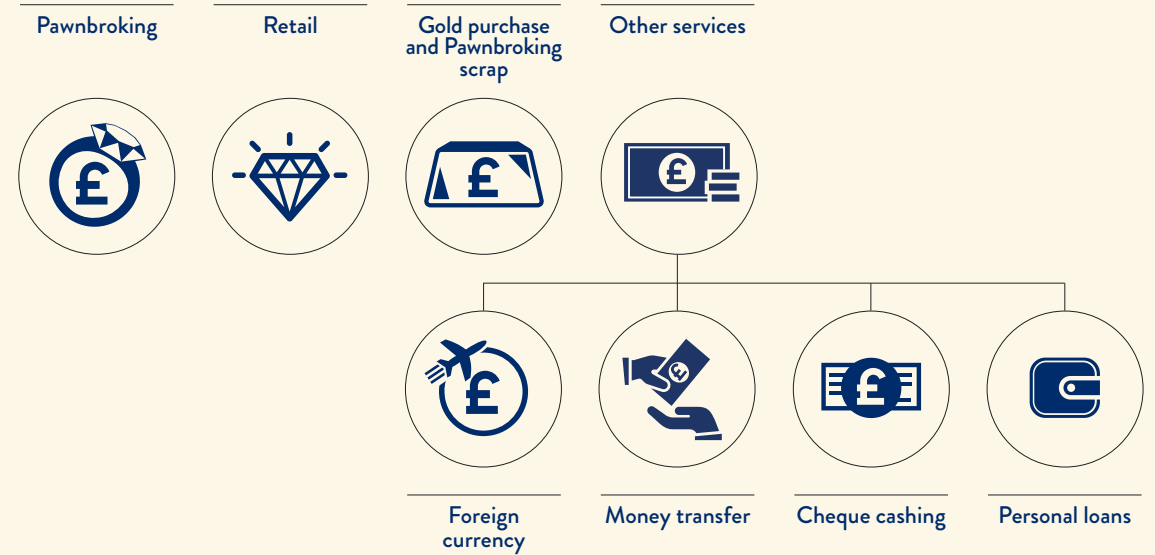


- Pawnbroking
- Retail
- Pawnbroking Scrap
- Gold Purchasing
- Other Services

Revenue H1'2022



- Pawnbroking
- Retail
- Pawnbroking Scrap
- Gold Purchasing
- Other Services

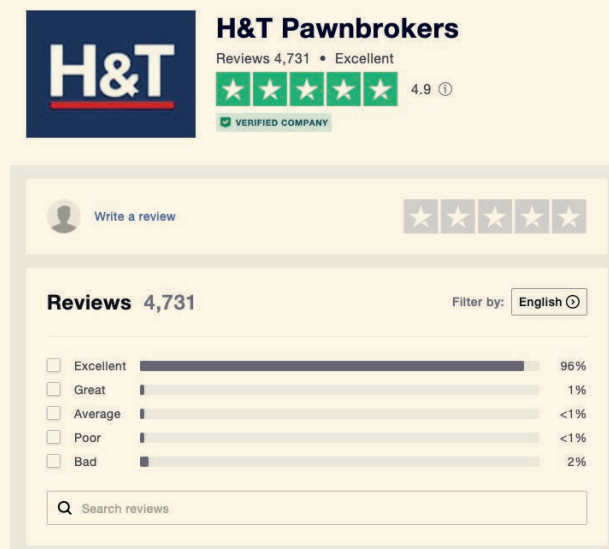


- Profit contribution after IFRS 9 impairment of £41.0m (H1'2021: £33.6m)
- Pawnbroking and retail combined are the major profit contributors making up 77% (H1'2021: 79%)
- Growing contribution from gold purchasing £2.8m(H1'2021: £1.3m) and foreign currency £2.6m (H1'2021: 1.0m)
- Growing size of pledge book has increased the volumes of items scrapped and contributed to higher inventory balances
- All unsecured personal lending ceased in H1'2022

Profit contribution is gross profit after IFRS 9 impairment charge

UK's Largest Pawnbroker, a leading retailer of pre-owned jewellery and watches and new jewellery items

A Trusted Consumer Brand



★★★★★ a month ago

Excellent service received today as always from the staff in Bletchley (Alina). H&T have been fantastic during uncertain times, with lots of locations no longer offering Western Union services, this location however has continued to offer this service. Would definitely recommend this branch to others, staff are extremely helpful and friendly.

Committed to Growing Responsibly

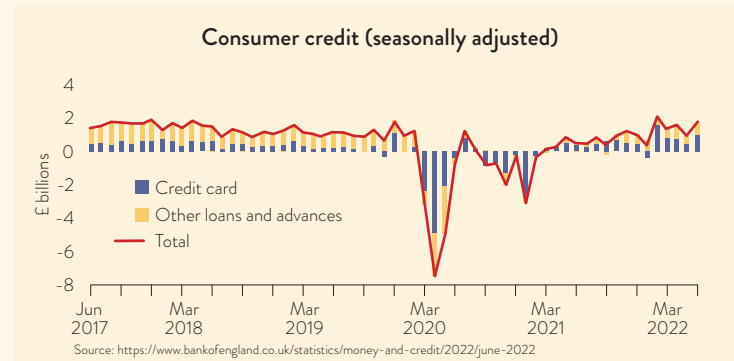
- Pillars of the communities we operate in, managing our property estate and developing our team
- We pride ourselves on high standards of customer service and exceeding our customers expectations remains our highest priority
- Trusted pawnbroker for 125 Years
- Our mission is to make pawnbroking a widely accepted and valued financial service supported through our stores and online



Medium-Term Growth Drivers

Increasing need for small-sum credit serviced by Pawnbroking loans

- Demand for small-sum short-term credit has returned
- Supply of small-sum credit more constrained than has been the case for many years
- A pawnbroking loan is not the same as credit lending, as the pawnbroker has no recourse to the customer, only to the underlying item pledged against the loan



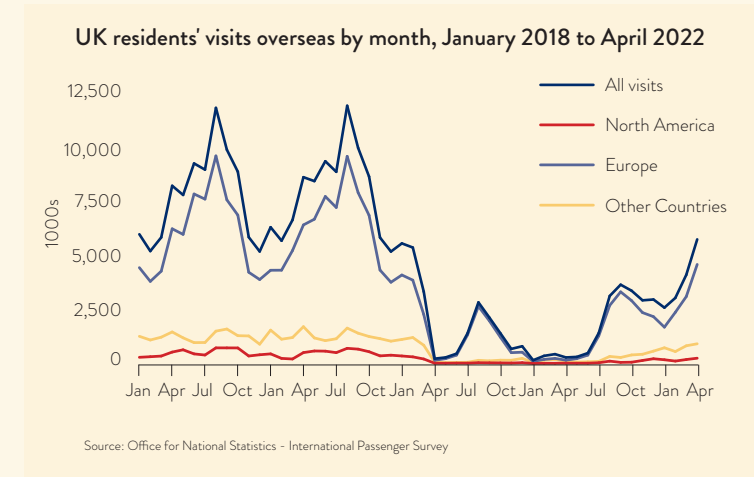
Jewellery segment expected to grow, providing excellent value for money products

- Jewellery subject to market trend of accelerating demand for pre-owned items, driven by demographics, price sensitive consumers and increasing awareness of environmental and sustainability matters
- By 2025, an estimated 20 to 30 percent of global jewellery sales will be influenced by sustainably minded consumers
- Customers view our jewellery items as good value for money and a store of value that can be used as collateral for future pledge loan if their financial circumstances should change
- Pre-owned watch market is set to become the jewellery industry's fastest-growing segment, reaching \$30 billion of sales by 2025
- Consumers expect same level of service online and in stores and with about 80% of fine jewellery purchases still expected to be made in stores in 2025, seamless connectivity between channels will be paramount

Source: McKinsey State-of-fashion-watches-and-jewellery report

Increasing demand for foreign exchange services

- Overseas travel continues to rebound
- UK residents made 5.6m visits overseas in April 2022, 20 times more than the same time last year
- UK residents spent £4.1billion while overseas in April 2022
- Overseas travel has not yet returned to the level seen in April 2019



Source: Office for National Statistics - Overseas travel and tourism: April 2022 provisional results



HALF YEAR ENDED 30 JUNE 2022


Financial Overview



Financial Headline Summary

Group

Profit before Tax

£6.7m 
42.6%

H1'2021 £4.7m

Expenses excl IFRS 9 impairment charge compared to H2'2021

£33.6m 
9.1%

H2'2021 £30.8m

Diluted EPS

13.1p 
40.9%

H1'2021 9.3p

Net asset Value

£139.1m 
1.8%


Dec'2021 £136.6m

Tangible Net Asset Value

£116.1m 
0.6%

Dec'2021 £115.4m


Dividend per share

5p 
25%

H1'2021 4p


Segments

Net Pawnbroking Revenue

£22.9m 
23.8%

H1'2021 £18.5m

Retail Sales

£20.8m 
67.7%

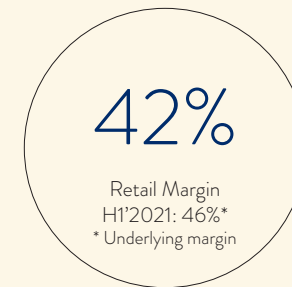
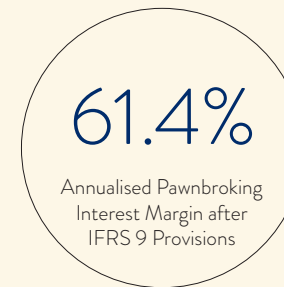
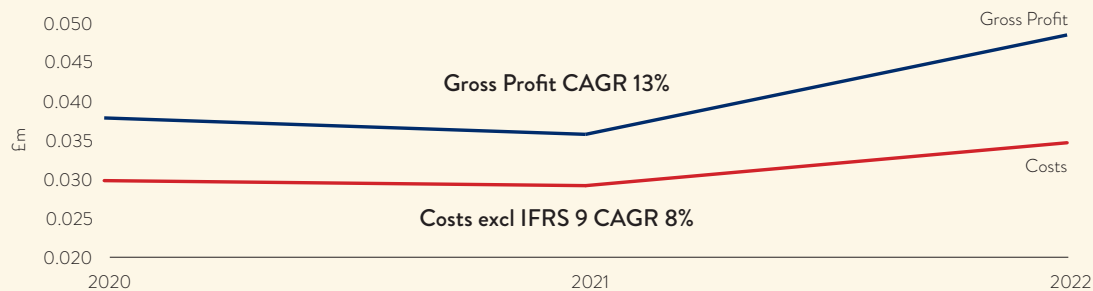
H1'2021 £12.4m

Pledge book

£85.1m 
69.5%

H1'2021 £50.2m

Operational leverage (excl IFRS 9)



H1'2022 Income Statement – increasing momentum

Unaudited Group Statement of Comprehensive Income For the 6 months ended 30 June 2022

	6 months ended 30 June 2022	6 months ended 30 June 2021	12 months ended 31 December 2021
Continuing operations:			
Revenue	77,756	51,929	121,995
Cost of sales	(30,070)	(16,619)	(45,640)
Gross profit	47,686	35,310	76,355
Other direct expenses			
- Impairment (included in the figure above)	(29,470)	(21,190)	(46,251)
Administrative expenses	(6,703)	(1,733)	(6,012)
Recurring operating profit	7,350	5,203	11,200
Non-recurring expenses			
	-	-	(2,099)
Operating profit	7,350	5,203	9,101
Investment revenues			
	-	-	8
Finance costs	(631)	(549)	(1,247)
Profit before taxation	6,719	4,654	7,862
Tax charge on profit	(1,571)	(1,015)	(1,818)
Profit for the financial period and total comprehensive income	5,148	3,639	6,044
Earnings per share from continuing operations			
	Pence	Pence	Pence
Basic	13	9	15
Diluted	13	9	15

All profit for the period is attributable to equity shareholders.

- In the prior year to June 2021, revenue included £1.3m of Covid-19 Government relief. This was not repeated in 2022
- Other direct and admin costs increased to £40.3m (H1'2021: £30.1m, H2'2021: £35.0m). Other direct costs include IFRS 9 provisions of £6.7m (H1'2021: £1.7m). The IFRS 9 cost is higher than the prior year due to the significant increase in pledge balances
- IFRS 9 requires an impairment provision to be raised when a loan is granted, with income being earned at an effective interest rate over the contractual term of 6 months. This creates a timing mismatch between the recognition of revenue and the cost of raising the IFRS 9 impairment
- Close cost control remains a priority at a time of rising inflation. We continue to negotiate improved leasehold occupancy terms upon lease renewal, and in December 2021, we fixed the Group's energy costs until the end of December 2023
- Employee related costs have increased by 7% this year
- Group delivered profit before tax of £ 6.7m (H1'2021: £4.7m)

Balance Sheet – very strong asset backing

Unaudited Group Balance Sheet

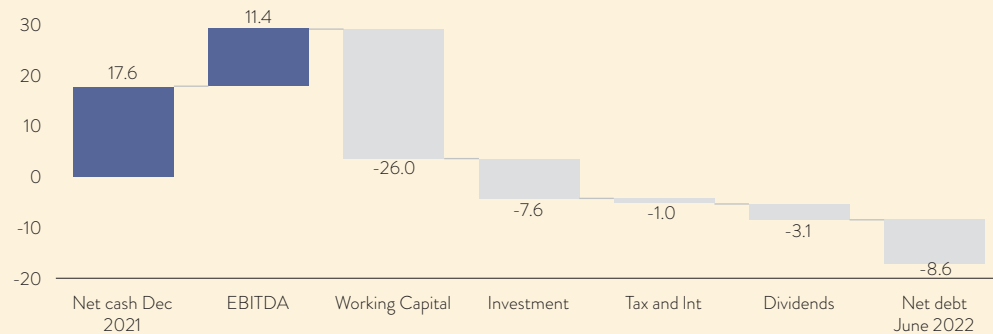
As at 30 June 2022

	At 30 June 2022 Unaudited £'000	At 30 June 2021 Unaudited £'000	At 31 December 2021 £'000
Non-current assets			
Goodwill	19,341	19,330	19,330
Other intangible assets	3,630	2,229	1,892
Property, plant, and equipment	11,955	9,721	11,101
Right-of-use assets	16,973	18,311	17,400
Deferred tax assets	1,481	2,749	1,726
	53,380	52,340	51,449
Current assets			
Inventories	36,090	28,159	28,421
Trade and other receivables	90,522	55,951	72,449
Cash and bank balances	12,711	32,493	17,638
	139,323	116,603	118,508
Total assets	192,703	168,943	169,957
Current liabilities			
Borrowings	(6,343)	-	-
Trade and other payables	(9,491)	(10,266)	(10,154)
Lease liabilities	(5,768)	(3,260)	(3,191)
Current tax liability	(1,094)	(919)	(375)
	(22,696)	(14,445)	(13,720)
Net current assets	116,627	102,158	104,788
Non-current liabilities			
Borrowings	(15,000)	-	-
Lease liabilities	(12,530)	(16,909)	(15,792)
Long term provisions	(3,363)	(1,673)	(3,827)
	(30,893)	(18,582)	(19,619)
Total liabilities	(53,589)	(33,027)	(33,339)
Net assets	139,114	135,916	136,618

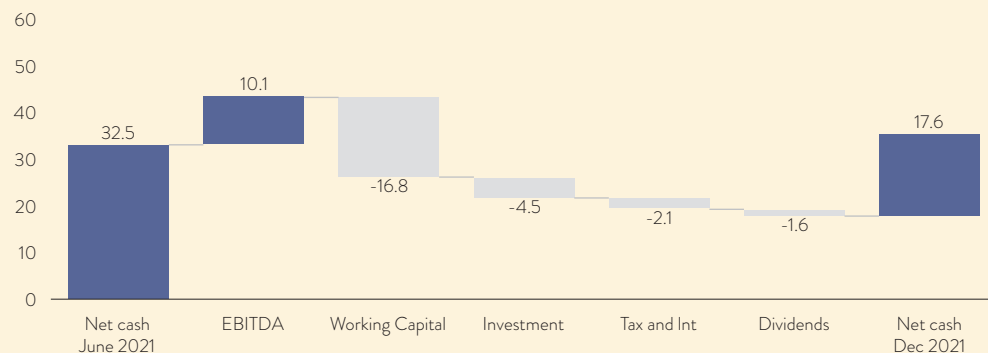
- The Group's balance sheet remains strong with net assets of £139.1m (Dec 2021: £136.6m)
- The balance sheet is primarily underpinned by inherent value expressed at cost, of precious metals (mainly gold and watches), both in the form of collateral for the pledge book and in inventory
- Inventory increased to £36.1m (Dec 2021: £28.4m)
- Significant increase in gold purchasing demand since April is the main contributor to short term increase in stock holding, along with higher quantities of pledge items released from the pawnbroking pledge book. We expect inventory levels to reduce in H2, with a subsequent realisation of revenue and profits
- Pawnbroking pledge book grew to £85.1m (Dec 2021: £66.9m) using cash resources to fund the growth
- Period end net debt position of £8.6m (Dec 2021: net cash £17.6m), reflects the growing pledge book and increased inventory

Cash Flow Statement – funding growing pledge book and inventory

Net Cash Bridge H1'2022



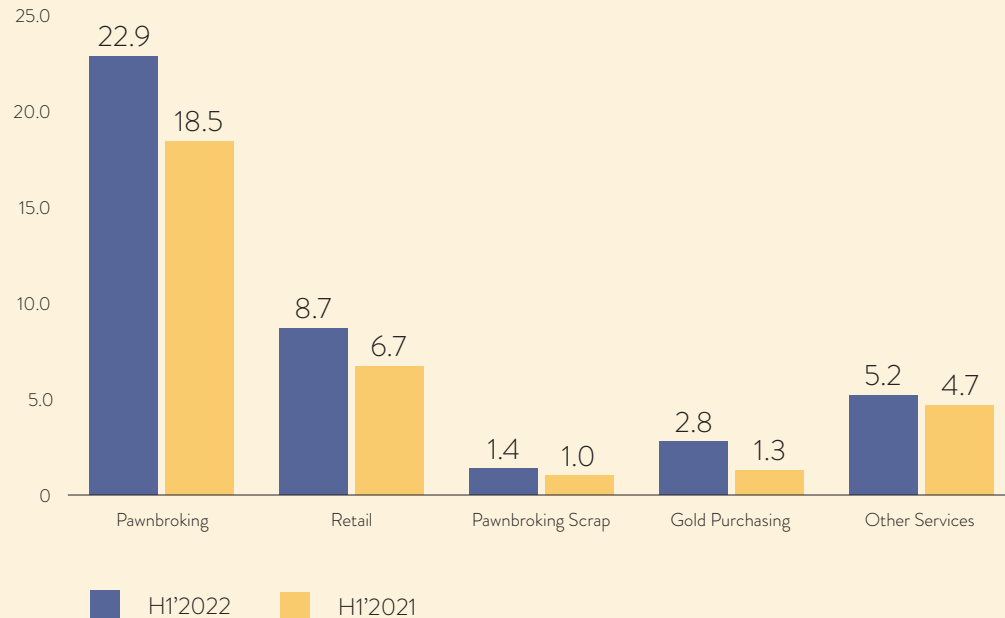
Net Cash Bridge H2'2021



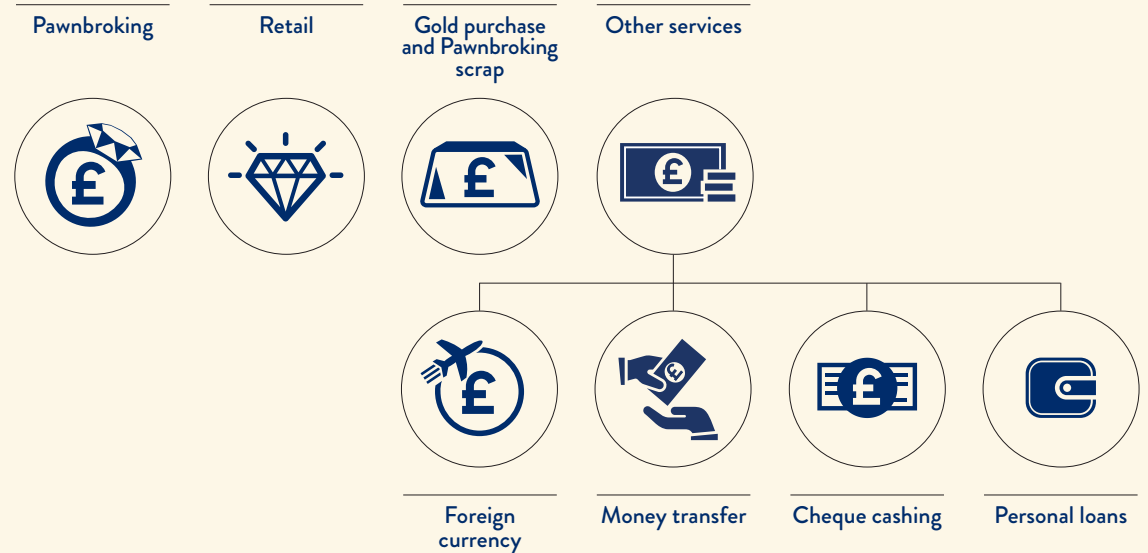
- £26.3m cash outflow (H2'2021: £14.9m)
- Operating cash outflow of £15.6m (H2'2021: £8.8m)
 - EBITA £11.4m, increase in inventory £7.7m, net increase in receivables (growth in pledge book offset by reduction in personal loans book) £18.3m and interest and taxes of £1m
- Investment of £7.6m (H2'2021: £4.5m)
 - Capital expenditure of £4.6m, right of use of assets £2.0m and intangible assets £1.0m
- At 30 June 2021 RCF of £15m fully drawn, £6.3m of overdraft facility utilised with cash balances of £12.7m resulting in net debt position of £8.6m
- Financing facilities amounting in total to £35m in place

Segmental Results

Profit Contribution



Profit contribution is gross profit after IFRS 9 impairment charge



Product Margin

	H1'2022	H1'2021	H2'2021	FY 2021
Pawnbroking				
Annualised interest margin ¹	79%	87%		83%
Annualised risk adjusted margin ²	61%	74%		70%
Retail	42%	54% ³	42%	46% ³
Gold Purchasing	19%	16%	17%	17%
Pawnbroking scrap	19%	19%	17%	18%

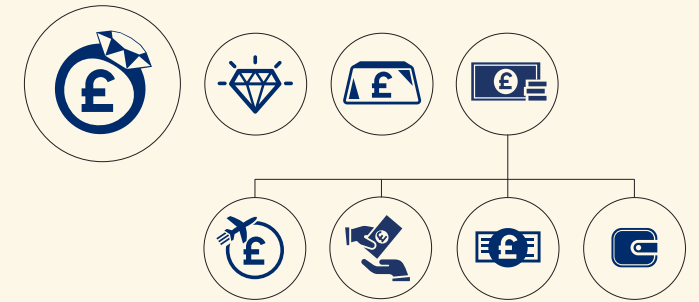
1: Revenue expressed on an annualised basis as a percentage of the net pledge book over the previous 12 months

2: Net revenue expressed on an annualised basis as a percentage of the net pledge book over the previous 12 months

3: underlying margin excluding provisions movement 46%

Segmental Results: Pawnbroking

Growing momentum



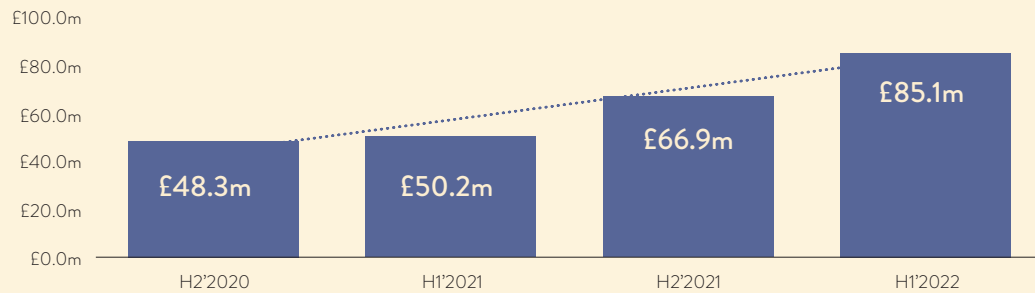
- Pledge lending is the Group's core business, contributing 39% (H1'2021: 40%) to total revenue. Net revenue contribution of £22.9m (H1'2021: £18.5m)
- Pledge book grew by 27% to £85.1m (December 2021: £66.9m)
- Demand continued to gather momentum during the first half of the year with levels of lending more than 40% above pre-pandemic levels
- Composition of the book has reverted to pre-pandemic norms across customer segments and loan values
- Demand for larger value loans has now recovered to pre-pandemic levels, trailing smaller value loan demand by several months
- Annualised risk adjusted margin of 61.4% (H1'2021: 73.6%)
- As the book distribution normalises and average duration shortens, the annualised interest margin, before the impact of IFRS 9 impairment charge, is moderating as expected
- Loan to Value ('LTV') ratios remain below 65%
- Redemption rates remain above historic norms
- Average loan size remains below £400 and median loan values below £200
- Shortening of average loan duration to 98 days (December 2021: 107 days)



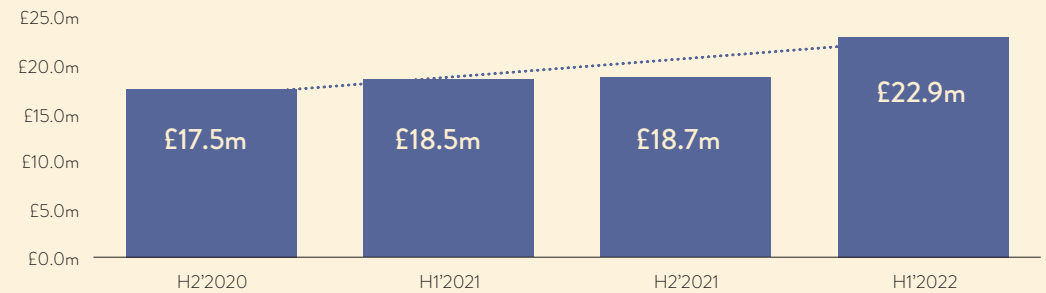
Segmental Results: Pawnbroking

Growing momentum

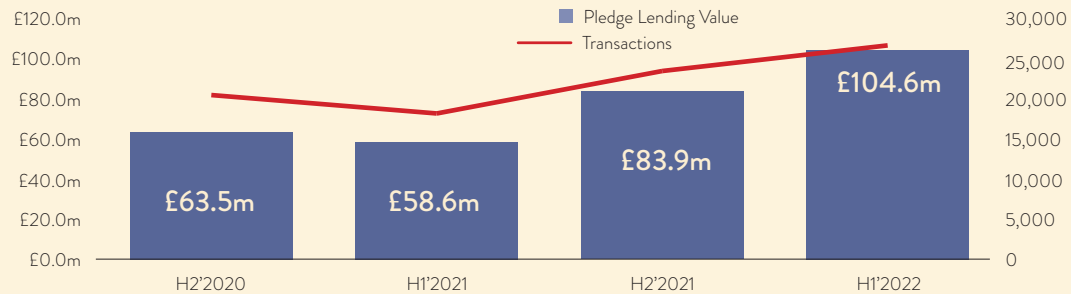
Net Pledge Book (inc Accrued Income & Impairment)



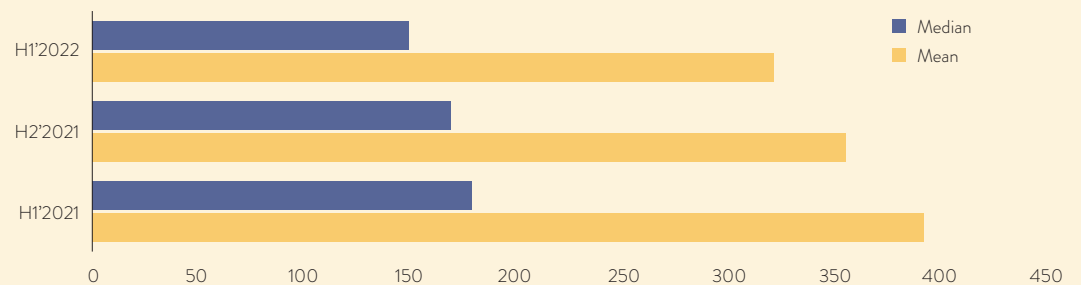
Pawnbroking – Revenue Less Impairment



Pawnbroking Loans: Value and Volume



Transaction size

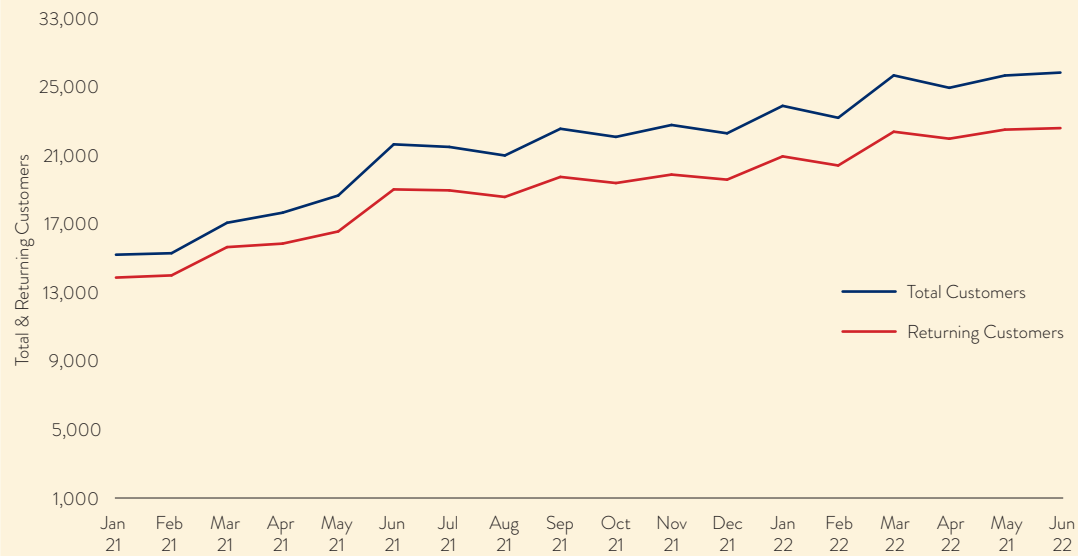


Segmental Results: Pawnbroking

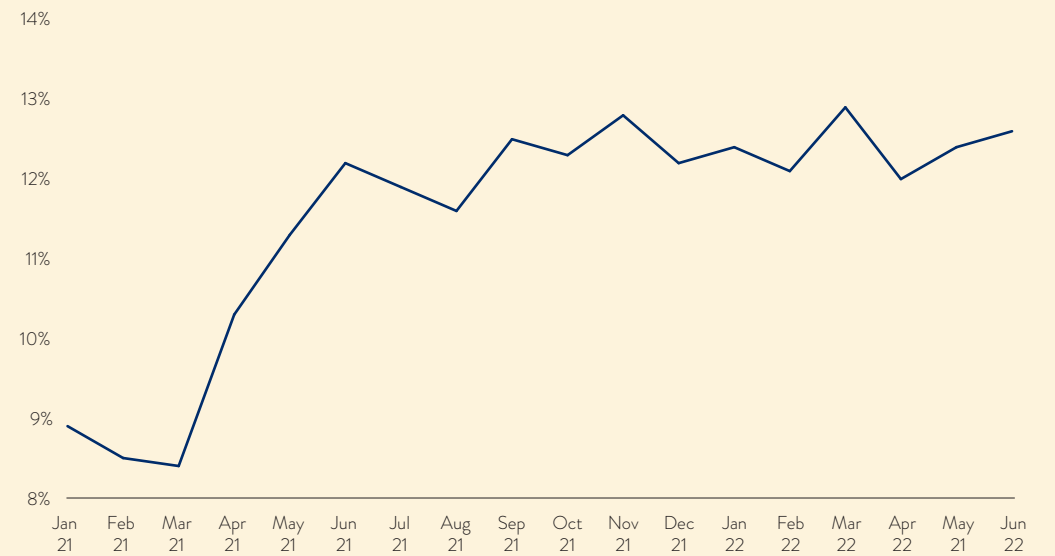
Growing momentum



Monthly Pledge Customers



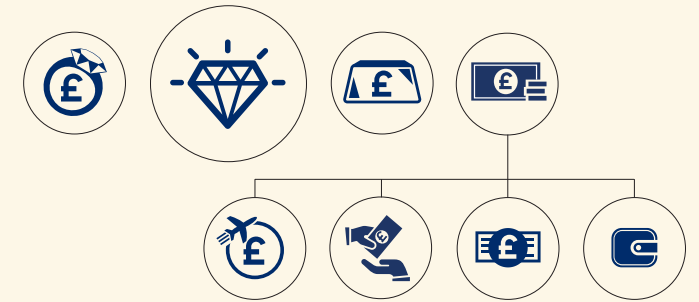
Pledge loans to new customers as a % of total loans granted



Segmental Results: Retail

Performance consistently strong

- H&T is a leading retailer of high quality pre-owned jewellery and watches with an expanding range of new jewellery
- Retail sales revenue grew by 67.7% to £20.8m (H1'2021: £12.4m)
- Profit contribution of £8.7m (H1'2021: £6.7m)
- Gross margin remains above historic levels at 42% (H1'2021: underlying margin 46%)
- Proportion of pre-owned item sales fell slightly to 82% (H1'2021: 87%) as supply of some pre-owned items has been constrained during the pandemic, requiring the sourcing of higher volumes of new items
- Online sales contributed 14% (H1'2021: 16%)
- Stores were unable to retail jewellery between Jan and May of 2021 due to Covid related trading restrictions.

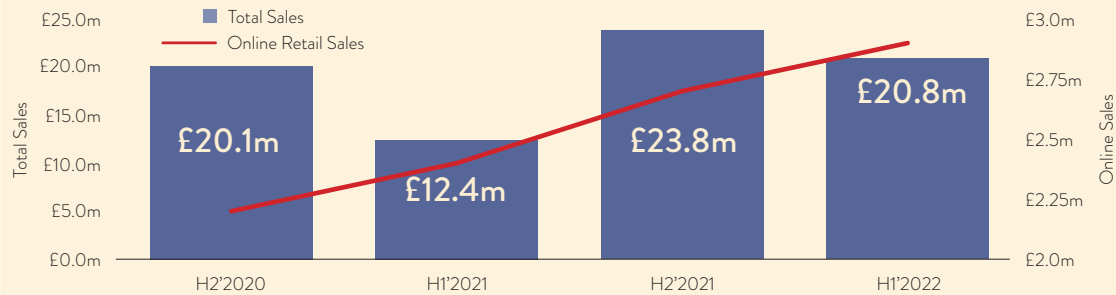




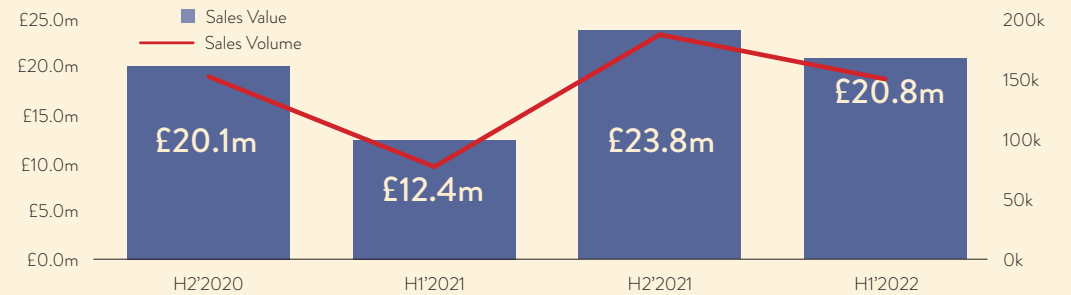
Segmental Results: Retail

Performance consistently strong

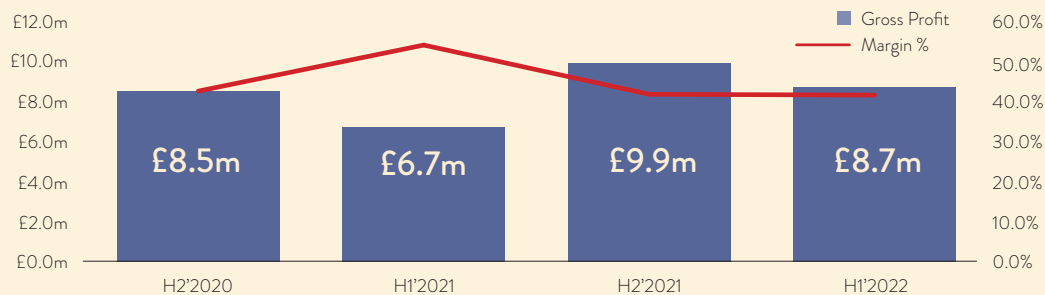
Retail Sales



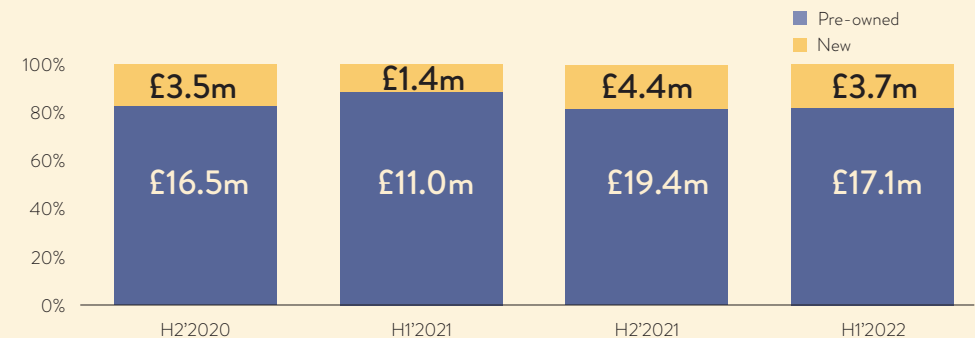
Retail Sales: Value and Volume



Retail Gross Profit

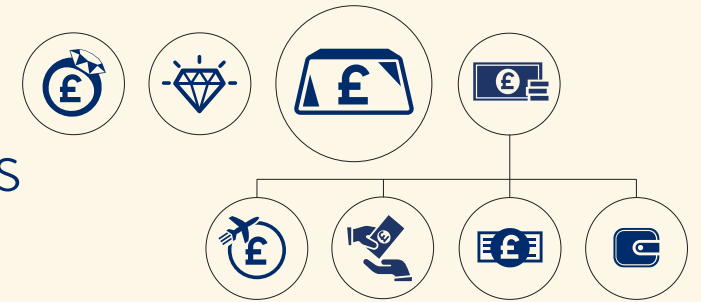


Retail Sales Mix



Segmental Results: Gold Purchasing and Scrap

Higher gold price driving increased volumes and margins



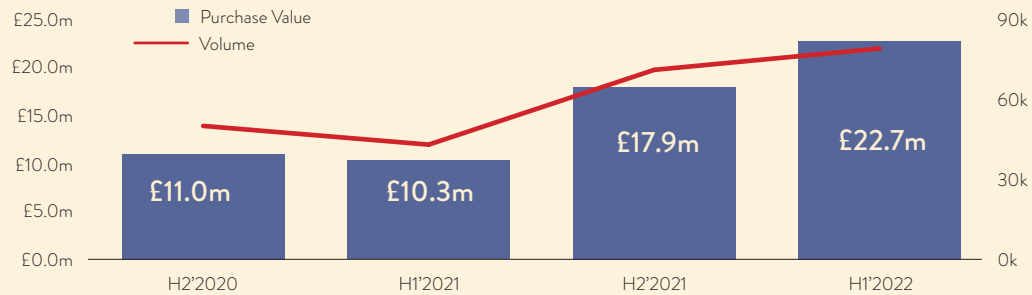
- Scrap profits are earned from 2 product streams:
 - Gold purchasing scrap: direct gold purchasing from customers
 - Pawnbroking scrap: items released from the pledge lending cycle
 - Scrap profits are earned when:
 - I. Gold Purchasing scrap: not meeting required retail quality, item is scrapped
 - II. Pawnbroking Scrap: if not sold at auction, and not meeting required retail quality, item is scrapped
- Scrap profits are highly correlated to the prevailing gold price, after allowing for the impact of timing
- Gold purchasing scrap: profit contribution of £ 2.8m (H1'2021: £1.3m) on sales of £15.1m (H1'2021:£8.0m). Gross margin rising to 19% (H1'2021: 16%) benefitting from higher gold price
- Pawnbroking scrap: growing size of pledge book increased volume of items. Gross value of sales of £7.1m (H1'2021: £5.2m), with gross margins of £1.4m (H1'2021: £1.0m). Margins remain constant at 19%.
- Significant increase in gold purchasing volumes since April as the gold price rose significantly in February
- Some of this volume from both gold purchase and pawnbroking scrap was yet to be processed and was held as inventory as at 30th June.



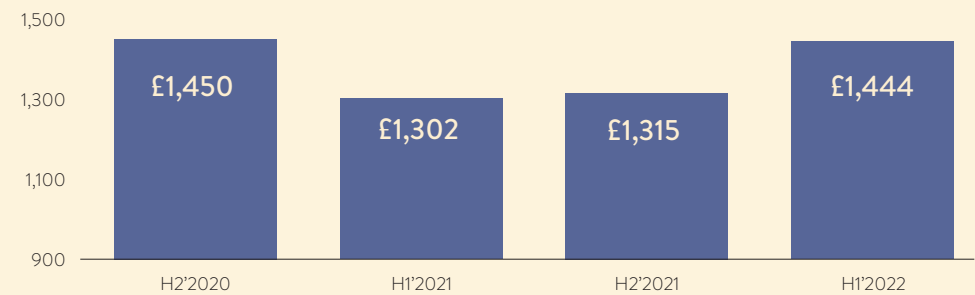
Segmental Results: Gold Purchasing and Scrap

Higher gold price driving increased volumes and margins

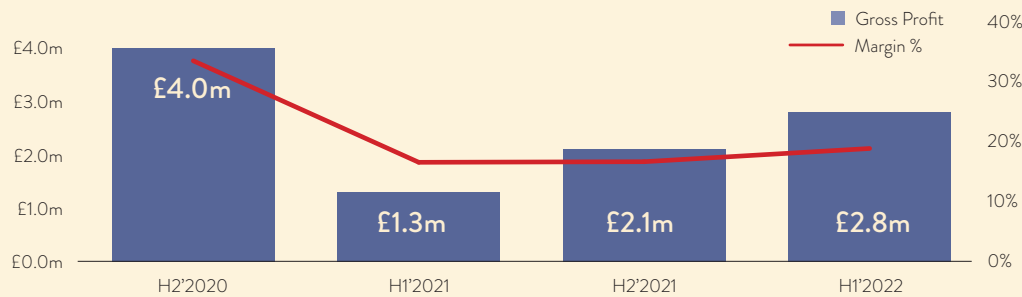
Gold Purchasing: Values and Volume



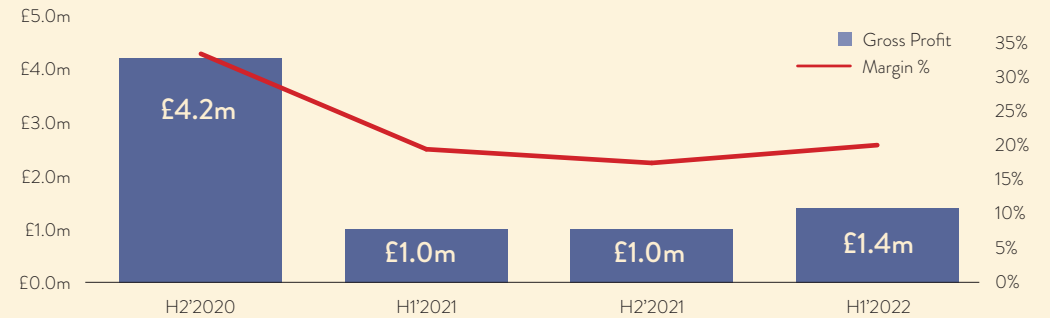
Average Gold Price (£/troy oz)



Gold Purchasing Scrap

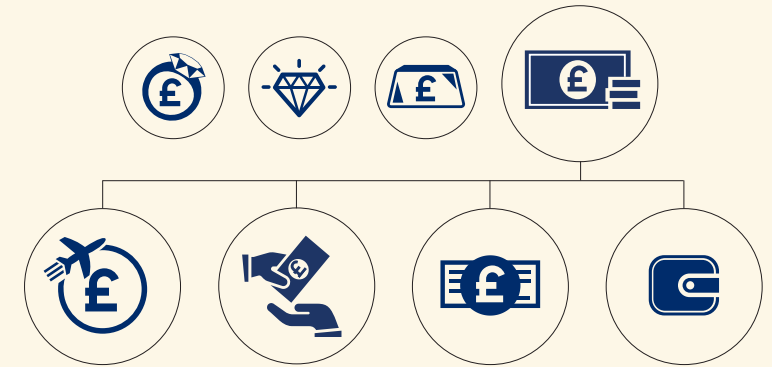


Pawnbroking Scrap

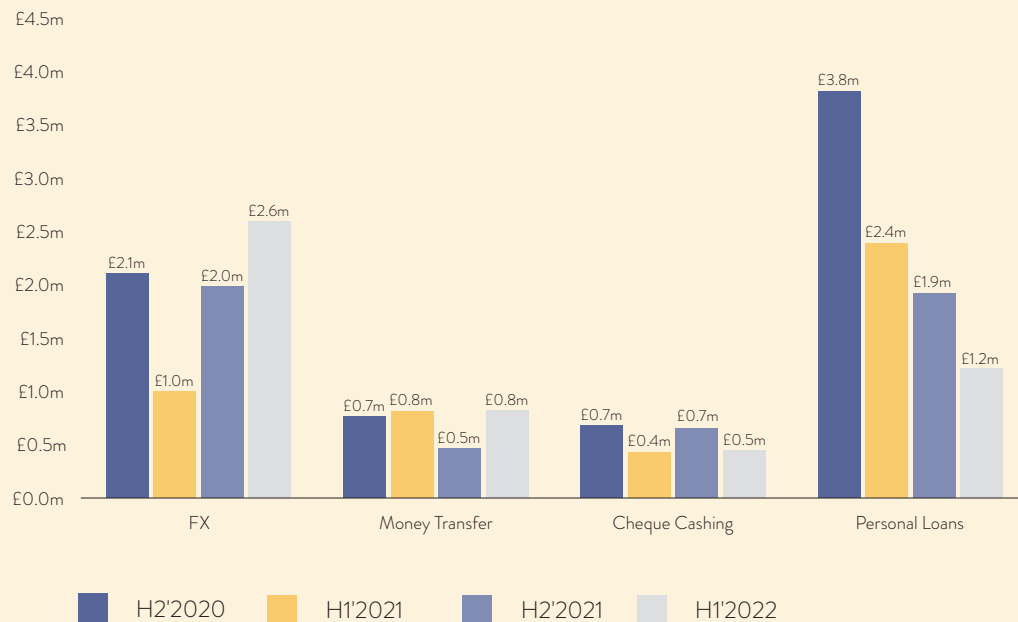


Segmental Results: Other Services

Doubling of FX contribution, money transfer stable, personal loan product withdrawn from April



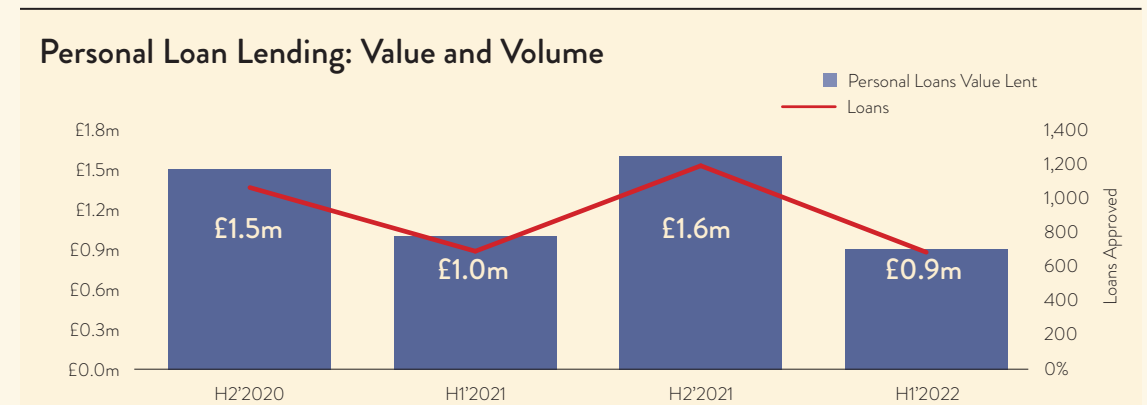
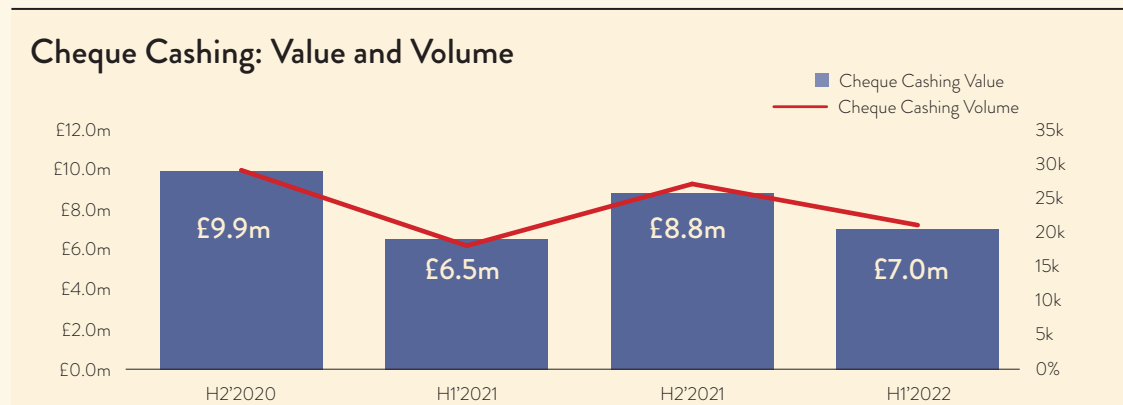
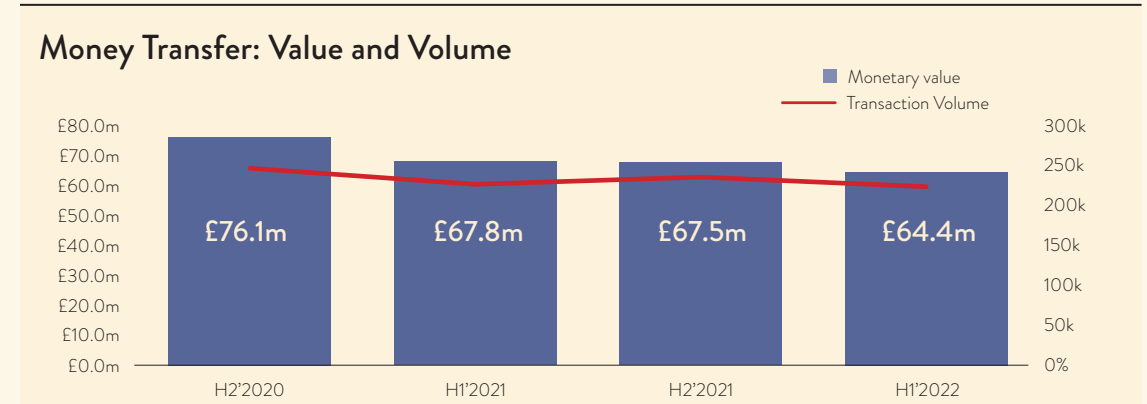
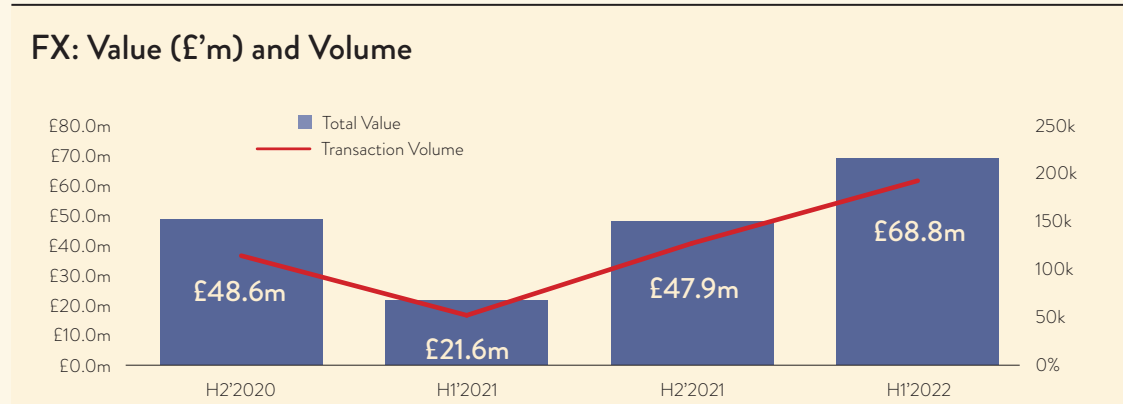
Other Services: Profit contribution by product



- We offer ancillary financial services to broaden our product offering and bring footfall into our stores
- Combined contribution from other services was up 10.6% to £5.2m (H1'2021: £4.7m). Excluding personal loan contribution the net revenue generated increased by 73.9% to £4.0m (H1'2021: £2.3m)
- FX gross profit more than doubled to £2.6m (H1'2021: £1m) as international travel continues to recover
- Money transfer income remained flat at £0.8m with stable and high volumes
- Cheque Cashing saw an increase in volumes, despite the long term decline of cheque usage in the UK economy. Revenue increased to £0.5m (H1'2021: £0.4m)
- Unsecured personal lending product ceased in the first half of 2022. Revenue after release of impairments of £1.2m (H1'2021: £2.4m)

Segmental Results: Other Services

Doubling of FX contribution, money transfer stable, personal loan product withdrawn from April



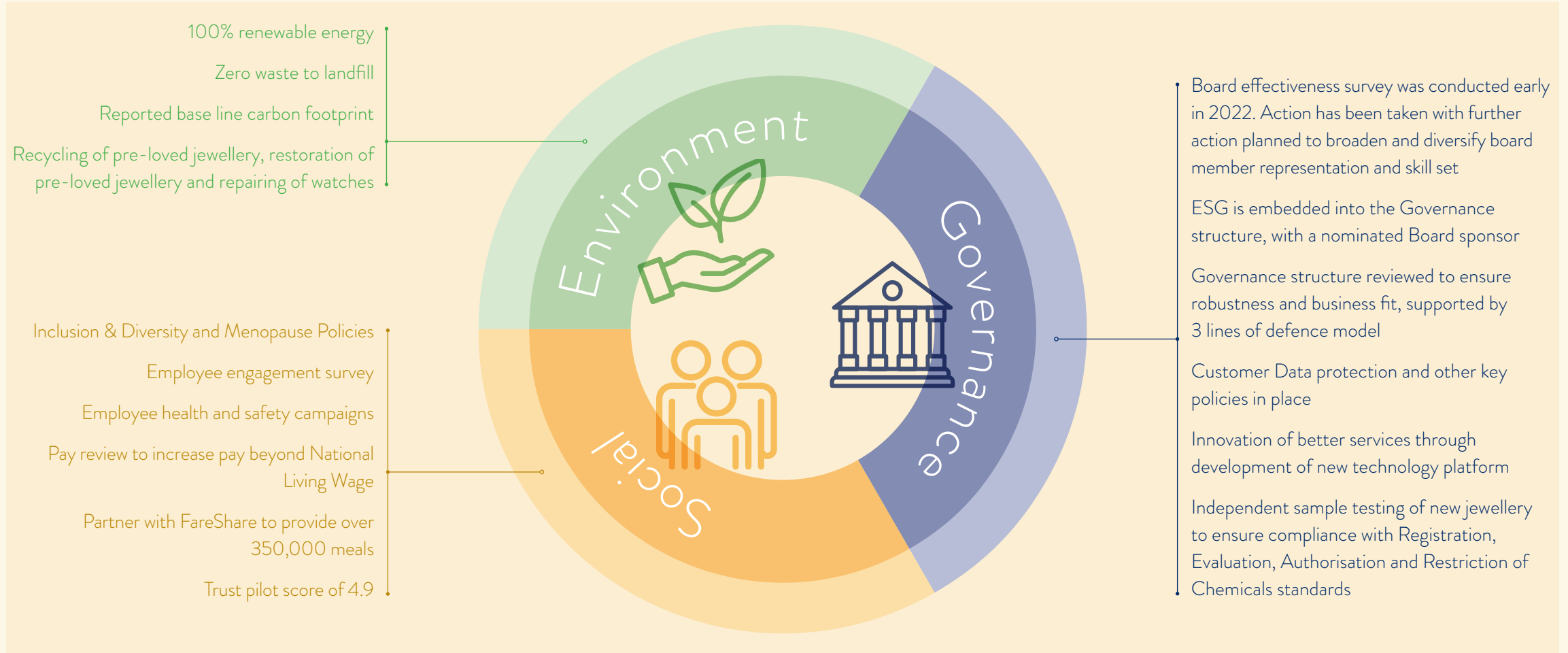


HALF YEAR ENDED 30 JUNE 2022

Strategic Direction



Environmental, Social & Governance



Environmental, Social & Governance: Highlights

Social

We won the Community Contribution award at the 2021 National Pawnbrokers Awards. This was for our partnership with FareShare and in particular for the high level of participation from our colleagues



Total raised so far circa £100,000

370,000

meals provided

Governance

Health & safety Audit

After an extensive evaluation by a British Safety Council auditor, has been awarded a rating of Four Stars



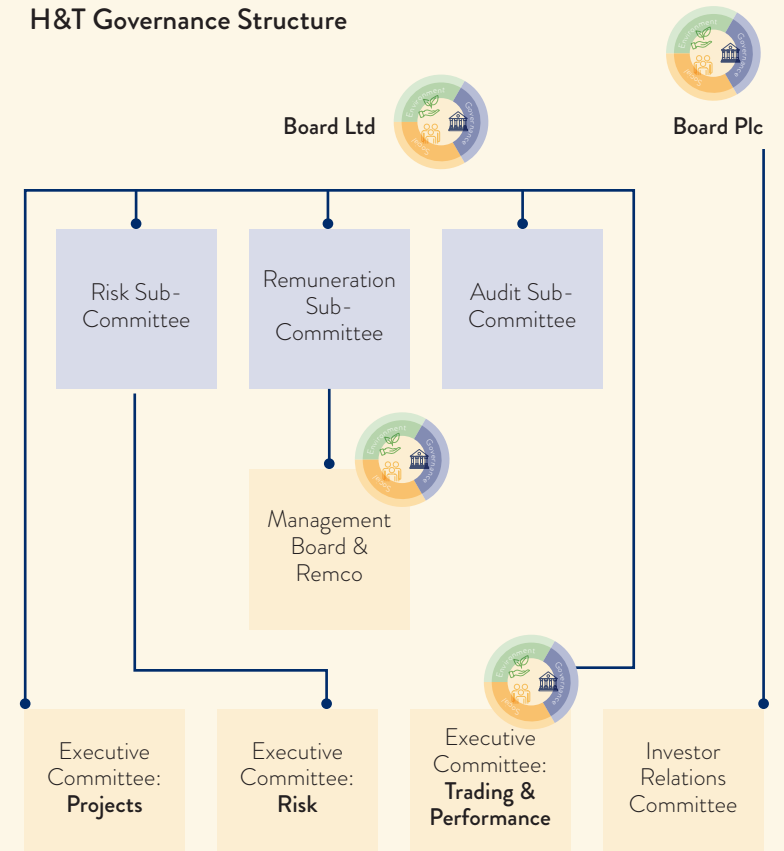
Certificate of assurance

Complies with the requirements of the cyber essentials plus scheme



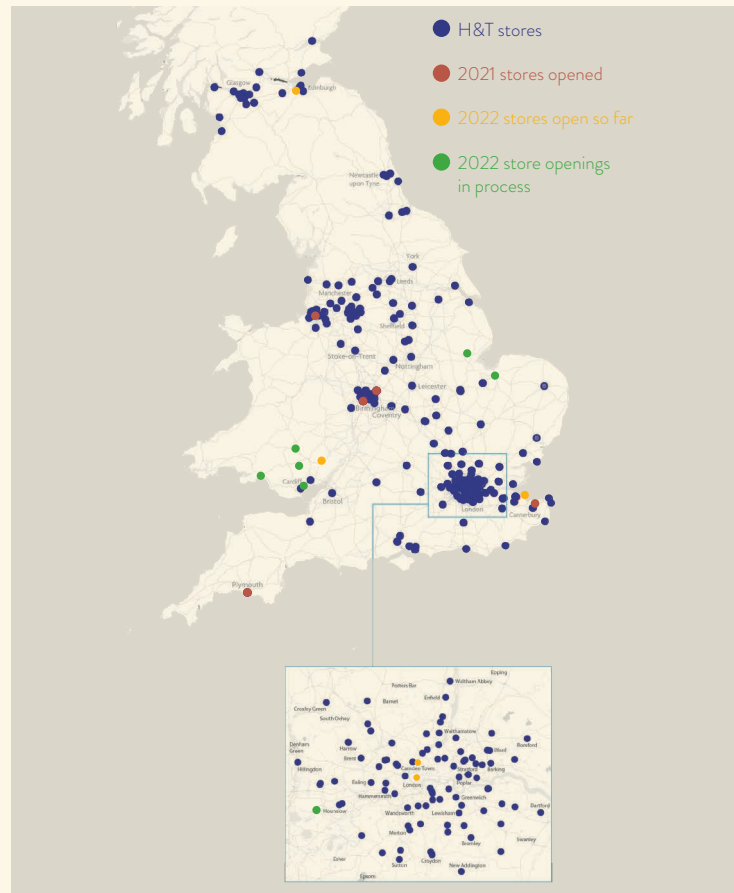
Governance

H&T Governance Structure



Business Focus and Outlook: Investment in scale and capabilities

Our store network today



Store Estate

H1'2022 delivery...

- Continue investment in store footprint
- Opened 4 new stores in first half 2022, growing our store estate to 261
- Expanding geographical coverage
- Continue to refresh existing stores

Future programme

- A further store opened in July, three additional stores to open in August, bringing the store estate to 265
- Further new stores planned for remainder of 2022 and beyond to expand geographic coverage
- Each new store opening decision is supported by independent demographic and consumer data and a stand alone business case considering i) meeting required internal IRR hurdle, and ii) profitability requirements
- Capital cost of new stores varies based on required fitout, ranging between £50k and £175k
- Currently favourable rental terms for new leases and on renewals

Digital Capability and Customer Journey

H1'2022 delivery...

- New point of sale (PoS) system, called Evo, is being deployed across the store network.
- Our online service offering sits alongside our instore service options, allowing our customers multiple access points throughout their customer journey with H&T
- Recent refresh of the investor relations portal

Future programme

- New PoS system will revolutionise our customers experience in stores and in time will give us greater digital capability and support more effective marketing
- Significantly improve and enhance our online presence
- Aim to modernise the functionality and the look and feel on our digital platforms
- Upgrading the customer facing websites and social media presence
- We are making it easier for our customers to transact with us through the channel they choose

Business Focus and Outlook: Broadening our business and macro economic factors

Broadening our Business

H1'2022 delivery...

- Watches are a growing part of our business, representing 14% of pledge lending and 15% of retail sales by value
- Over 70 stores acquired in 2019 have been successfully integrated and are growing at a rate above that of the “mature” wider estate

Future programme

- On 1st July 2022 acquired Swiss Time Services Limited. This acquisition brings watch expertise in house and broadens our range of services and offers opportunities and synergies in support of the Groups watch strategy
- Further consolidation opportunities are likely to present themselves in future

Macro Economic Environment

H1'2022 delivery...

- Pledge Book: the supply of credit for short-term small sum loans is constrained while impact of rising inflation continues to fuel demand
- Retail: a leading retailer of pre-owned jewellery and watches providing customers with items that are good value for money and a store of value
- FX: With the return of international travel volumes have improved back close to pre-pandemic levels. Profits grew by 160% to £2.6m

Future programme

- Pledge Book: Anticipate continued strong demand for core pawnbroking product
- Retail: our retail products represents a store of value for our customers, which can be sold or used as collateral for a future pledge loan if a customer's circumstances change
- FX: Expect increase in demand as overseas travel continues to rebound. This is considered a growth opportunity for the group

The Group has an opportunity for significant growth in the medium term

Our focus is to ensure we are well positioned to take advantage of these growth opportunities

H&T Investment Case

Clear Market Leader

- H&T offers a diversified financial product portfolio across our 261 stores. We are the UK's largest pawnbroker and a leading retailer of pre-owned jewellery and watches. 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 the customers experience and range of channel options

Growing Responsibly

- We are committed to growing responsibly
- Investing in customer service and care, our teams around the UK and our properties to ensure they are welcoming as well as supporting local communities

Structural Growth Opportunity

- Target audience is growing as supply of small sum, short term credit is reduced 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 modest investment costs per store

Strong Returns

- Growth in pledge book underpins future earnings, alongside other product offerings
- Predominantly fixed cost base provides scalability and operational leverage
- Progressive dividend policy with 2 X cover target ratio

Sustainable Business Model

- Pledge lending collateral of precious metals, watches and jewellery.
- No recourse to the borrower at any time – very different to HCST unsecured lending
- Strong customer advocacy and positive outcomes
- 4.9 Trust Pilot score from over 4,700 reviews
- Strong control culture and operational environment
- Prudent underwriting policies. Loan to value ratios below 65%



HALF YEAR ENDED 30 JUNE 2022

Appendix



Sustainability

Our sustainability purpose:

We act with integrity and responsibility to do the right thing in protecting our planet, 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

Evolving our ESG journey and committing to be a more responsible organisation

Internal task force established with representatives from the business to embed ESG across the organisation

Greater awareness of ESG impacts on our business decisions

Working to increase transparency on climate-related risks and opportunities for stakeholders

Working toward the Taskforce on Climate-related Financial Disclosure implementation

Ensure we meet future reporting requirements of the FCA

Pawnbroking Circular Economy

