

23 January 2024

H&T Group PLC

(“H&T” or the “Group”)

Trading Update and Notice of Results

H&T Group Plc (“H&T” or “the Group”), the UK’s largest pawnbroker and a leading retailer of high quality new and pre-owned jewellery and watches, today provides an update following completion of the financial year ended 31 December 2023.

Performance in the fourth quarter of the year was robust. The Group expects to report record profits for 2023, up c.40% year on year.

As has been widely reported, retail trading conditions in the peak pre-Christmas period were challenging. This was particularly the case in December. As a consequence, reported pre-tax profits for the year are now expected to be approximately 10% below current market forecasts.

Pawnbroking

Demand for our core pawnbroking product remains at record levels, across all geographies. Aggregate lending in 2023 amounted to £260m (2022: £218m), an increase of 19%. As at 31 December 2023, the pledge book amounted to c.£131m, up 30% on the 31 December 2022 balance of c.£101m, and ahead of management’s expectations. Average loan sizes have remained broadly consistent with those for the first half of the year, with the median loan size being £201 (30 June 2023: £200). Redemption rates are consistent at c.85%. Loan to value ratios remain at c.65%.

Action taken in mid-2023 to mitigate valuation volatility in respect of certain watch brands resulted in the proportion of watch-based lending falling from 17% of total lending in June, to 14% in December. The value of the pledge book secured on watches at the year end reduced by c.£1.25m relative to 30 June. Loans secured on watches currently represent 15% of the pledge book (30 June 2023: 17%).

The Group has implemented changes to its pricing structure for pledge lending, in order to improve yield and generate incremental revenue. Loan demand to date in January has been particularly strong.

Retail

Trading conditions in the fourth quarter were challenging, given pressure on customers’ disposable income. Against this backdrop, sales by volume of items increased 3% relative to the fourth quarter of 2022. However, customers displayed caution in their spending, with a significant shift towards lower priced items.

New jewellery items and coins have an average price point of £73, whilst pre-owned jewellery items and coins have a higher average price point of £199, at higher margins. There was a significant trend by customers towards the purchase of new items, which we believe was price related. New items represented 62% of sales by volume in the quarter (Q4 2022: 53%) and 33% of sales by value (Q4 2022: 25%). In particular, sales of new earrings and coins (which attract a lower margin) were buoyant.

Sales of watches both by volume and value, grew in the fourth quarter by 15% year on year, at an average price point of £1,600. Margins are beginning to recover from mid-2023 levels.

As a result of the changed mix of sales, volume and blended margin, overall sales in the quarter fell 3% by value year on year, with a consequent reduction in gross profit earned. This was particularly apparent in December, which followed a more encouraging November.

Foreign Currency ("FX") and Holiday Money

Full year foreign exchange revenues grew 11% to c.£6.3m (2022: £5.7m) with transaction volumes up 18% year on year.

The Group launched its on-line 'click and collect' service in June 2023. We are pleased with early progress. Average transaction value for 'click and collect' has been significantly higher than for over the counter transactions at c.£700, compared to c.£400 for over the counter.

Good progress is being made in delivering the strategic growth potential of this product. However, it is taking longer than anticipated to achieve forecast volumes and revenues. Momentum continued to build throughout the second half of the year, including in the fourth quarter and into 2024.

Gold Purchase and Scrap

Gold purchase by value grew 18% for the full year.

Scrap margins have remained broadly consistent.

Other Services

As expected, demand for money transfer remains subdued, with transaction volumes down year on year as pressure on disposable income led customers to remit and receive funds less often. This dynamic applies across all geographies and currencies.

Cheque cashing volumes and commissions were broadly flat year on year.

Costs

As previously advised, firm action on costs was taken in H2 2023 and as a result, cost inflation moderated relative to H1 2023 as expected. The Group remains subject to cost inflation which is above headline inflation rates, in particular following the forthcoming 10% rise in minimum wage from April 2024, and as a result of price increases by key suppliers. Action will continue to be taken to control costs and deliver ongoing cost efficiencies.

Chris Gillespie, H&T chief executive said:

"The Group made significant progress in 2023, delivering record profits and strong growth. Demand for our core Pawnbroking product continues to grow and is attracting increasing numbers of customers who are new to pawnbroking.

We were delighted to welcome record numbers of retail customers in the pre-Christmas period. However, as has been widely reported, customers were cautious in their spending, and this has impacted our performance for 2023. We believe, despite this challenging backdrop, that we have the right product offering and have continued to invest in our store estate and our technology platforms.

I cannot thank our people enough for their unwavering commitment and enthusiasm. I look forward to updating the market further in March."

Notice of Results

The Group expects to publish its preliminary results for the financial year ended 31 December 2023, on Tuesday 12 March 2024.

Current market consensus for profit before tax for year ending 31 December 2023 is £29.9m

Enquiries

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