EDISON

S&U

Q3 update: Advantage growth with Aspen constrained

Q3 trading statement and estimate changes

Financial services

27 November 2026

S&U reported Q327 results on 18 November that showed growth in Advantage, the motor finance business, with capital receivables reaching a new record level. This is all the more impressive in the context of a decline in the overall UK car finance market over the same period. The property finance business, Aspen, was constrained by headwinds in the residential property market, but the quality of receivables has remained strong, and the company is intensifying its sales efforts. Despite the challenging economic environment and expectations of interest rate increases, we continue to view S&U as well positioned for growth, for which its recently announced £600m securitised funding facility provides solid underpinning. Overall, Q3 trading was slightly below our expectations, and thus we have reduced our FY27 and FY28 estimates by c 6%.

Year end	Revenue (£m)	PBT (£m)	EPS (£)	DPS (£)	P/E (x)	Yield (%)
1/25	115.6	24.0	1.47	1.00	12.7	5.4
1/26	107.4	31.8	1.95	1.15	9.6	6.2
1/27e	119.7	33.3	2.08	1.20	9.0	6.4
1/28e	137.4	36.3	2.27	1.25	8.2	6.7

Note: All figures are on a reported basis. FY25 PBT excludes £2.7m exceptional charge in the year.

Advantage performing well despite environment

S&U's Q3 update highlighted robust demand for Advantage's motor financing with c 300,000 applications a month. This led to the company posting a record £429m of capital receivables (+12.4% y-o-y). Additionally, loan advances were up c 20% y-o-y. These are especially strong growth figures within the context of the declining UK used car finance market, which experienced a volume contraction of c 6% during the period according to the Finance & Leasing Association. Advantage saw a modest increase of arrears driven by its updated scorecard coupled with the negative macroeconomic environment. Although we continue to forecast an earnings recovery at Advantage through the end of FY27 and into FY28, we are somewhat more conservative in our outlook given the current situation.

Aspen constrained

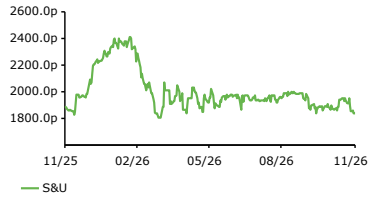
Aspen, S&U's property finance business, has been affected by a fragile UK property market. The Bank of England raised interest rates to 4.0% on 4 November, and, given the inflation outlook, will likely raise them again over the next six months. House prices, especially in London, continue to fall, with the ONS noting that London prices fell by 3.5% in the 12 months to September 2026. All of this has led to more constrained trading at Aspen, and we now believe the company's FY27 performance will be in line with FY26, rather than the growth previously envisioned.

Valuation remains compelling

We see significant value in S&U shares at the current price, despite the modest cuts in near-term earnings. On a FY27e P/E of 9.0x the shares are trading at a discount to historical valuation levels and imply a discount-to-book value, with potential for a re-rating as macroeconomic pressures subside. The dividend yield of c 6% offers attractive income support, while awaiting a recovery in earnings.

Price	**1,865.00p**
Market cap	**£227m**
Net cash/(debt) at 31 January 2026	£(241.8)m
Shares in issue	12.2m
Free float	25.0%
Code	SUS
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(2.1)	(1.5)	4.7
52-week high/low		2,295.3p	1,677.4p

Business description

S&U's Advantage motor finance business lends on a simple hire-purchase basis to lower- and middle-income groups that may have impaired credit records restricting access to mainstream products. It has more than 50,000 customers. The Aspen property bridging business has been developing since its launch in 2017.

Next events

Q4 trading statement	February 2027

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Trimming estimates for FY27 and FY28

Advantage

S&U pointed to an uptick in arrears at Advantage, which it expects to be temporary. This was likely caused by the company's credit scorecard update in late 2025 and exacerbated by negative macroeconomic shocks driving up the cost of living. Because S&U conservatively provisions, this uptick will have a small impact on near-term profits. The company also saw some margin contraction in its higher quality customer segment. That said most credit metrics were positive with average interest rates increased to 14.6% versus 13.1% in the prior year. Advantage's origination remains robust, and monthly repayments and receipts were up 9.0% and 10.2% y-o-y, respectively. Year-to-date collection rates on live accounts were 91.6% versus 90.4% in the prior year. Importantly, for future credit quality, the average customer credit score increased in Q3, which should lead to sustainable, long-term profitability. We are confident in S&U's ability to deliver long-term sustainable growth. This confidence is reinforced by a more stable regulatory environment.

Aspen

Aspen, S&U's property finance business, continues to trade satisfactorily despite the current chronic state of the residential property market. The company pointed to the troubled UK property market as being a headwind for Aspen, with mortgage approvals for house purchases down c 19%. However, recent signs of improvement coincide with the S&U's launch of a new sales team.

Furthermore, the remortgage market is active with many homeowners coming off of older fixed rate deals from the post-pandemic low interest rate environment. This should lead to an increase in overall residential transactions across the market (+8.7% to September), which is Aspen's core market for lending. Overall Aspen's number of deals in FY27 is similar to the prior year. As we had previously baked in meaningful growth, we now model FY27 to be flat versus last year.

Overall we have reduced our FY27 and FY28 estimates by c 6%. We set out our new estimates in the financial summary below.

Exhibit 1: Financial summary

Year end 31 January (£m)	2024	2025	2026	2027e	2028e
PROFIT & LOSS					
Revenue	**115.4**	**115.6**	**107.4**	**119.7**	**137.4**
Impairments	(24.2)	(35.6)	(13.0)	(17.3)	(23.8)
Other cost of sales	(22.8)	(16.4)	(23.6)	(27.0)	(28.6)
Gross profit	**68.4**	**63.7**	**70.8**	**75.5**	**85.0**
Administration expenses	(19.8)	(18.8)	(24.7)	(24.1)	(25.9)
Operating profit	**48.6**	**44.8**	**46.2**	**51.3**	**59.1**
Net finance costs	(15.1)	(18.1)	(14.3)	(18.0)	(22.8)
Profit before tax and exceptional	**33.6**	**26.7**	**31.8**	**33.3**	**36.3**
Exceptional items	0.0	(2.7)	0.0	0.0	0.0
Profit before tax	**33.6**	**24.0**	**31.8**	**33.3**	**36.3**
Tax	(8.1)	(6.1)	(8.1)	(8.1)	(8.7)
Profit after tax	**25.4**	**17.9**	**23.7**	**25.2**	**27.6**
Average Number of Shares Outstanding (m)	12.2	12.2	12.2	12.2	12.2
Diluted EPS (p)	209.2	147.4	195.2	207.5	227.0
EPS - basic (p)	**209.2**	**147.4**	**195.2**	**207.5**	**227.0**
Dividend per share (p)	**120.0**	**100.0**	**115.0**	**120.0**	**125.0**
Pay-out ratio (DPS/EPS)	**57%**	**68%**	**59%**	**58%**	**55%**
Gross margin	59%	55%	66%	63%	62%
Operating margin	42%	39%	43%	43%	43%
Return on equity	11.1%	7.6%	9.7%	9.9%	10.5%
BALANCE SHEET					
Customer receivables	242.0	203.5	271.6	299.8	329.1
Other non-current assets	2.5	2.6	2.9	1.6	1.3
Total non-current assets	**244.5**	**206.1**	**274.5**	**301.4**	**330.4**
Customer receivables	221.0	232.3	225.2	294.0	323.6
Other current assets	1.4	6.6	1.5	10.9	35.0
Total current assets	**222.4**	**239.0**	**226.7**	**304.8**	**358.5**
Total assets	**466.8**	**445.1**	**501.2**	**606.2**	**689.0**
Borrowings	(0.9)	0.0	(0.3)	0.0	0.0
Other current liabilities	(7.6)	(8.8)	(9.9)	(9.2)	(9.5)
Total current liabilities	**(8.5)**	**(8.8)**	**(10.2)**	**(9.2)**	**(9.5)**
Borrowings	(223.5)	(197.5)	(241.5)	(335.0)	(415.0)
Preference shares	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Other non-current liabilities	16.7	17.5	20.3	18.3	18.8
Total non-current liabilities	**(224.2)**	**(198.1)**	**(242.0)**	**(335.6)**	**(415.6)**
Net assets	**234.2**	**238.1**	**249.0**	**261.4**	**263.9**
NAV per share (p)	1,927.9	1,960.2	2,050.1	2,143.6	2,170.1
CASH FLOW					
Operating Cash Flow	**(0.4)**	**65.0**	**(21.5)**	**(46.6)**	**(25.9)**
Net cash from investing activities	(0.2)	(0.7)	(0.8)	0.0	0.0
Dividends paid	(16.2)	(14.0)	(12.7)	(14.6)	(14.9)
Other financing	0.0	0.0	29.9	104.4	78.5
Net cash flow	**(16.8)**	**50.3**	**(5.2)**	**43.3**	**37.7**
Opening net cash / (debt)	**(193.0)**	**(223.5)**	**(197.5)**	**(241.5)**	**(335.0)**
Closing net cash / (debt)	**(223.5)**	**(197.5)**	**(241.5)**	**(335.0)**	**(415.0)**

Source: Company accounts, Edison Investment Research

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