

Funding Circle

A platform priced like a bank

Funding Circle has upgraded guidance and expressed growing confidence, having hit its previous FY26 revenue target a year early. Management now guides to revenue of c £235m and PBT of at least £35m in FY26, with medium-term ambitions of £300–350m of revenue and PBT margins in the low-to-mid 20s by FY29. The investment case, in our view, rests on a point the market too often overlooks: Funding Circle is not a tech-enabled bank but a genuine fintech, a capital-light platform that facilitates credit rather than carrying it.

A platform, not a bank

Funding Circle originates loans to UK SMEs but largely does not fund them. Around 96% of loans under management are funded by 150-plus institutional investors, many of them pension funds with long-term liabilities and no risk of a run. Term Loans, 82% of FY25 revenue, produce transaction fees of c 6.5% of credit extended plus servicing fees of c 1.3% per year on assets under management; FlexiPay and the Cashback Credit Card add 18%. The real engine is data and credit assessment: over 10bn data points and a ninth-generation AI risk model delivering three times better risk discrimination than bureau scores. In facilitating loans and assessing credit without taking risk, the model resembles a credit-data business like Experian more than the high-street banks the shares are too often screened against.

Structurally lower risk

Funding Circle pre-arranges committed institutional funding, £2.2bn at December 2025, matched to the loans it originates, and holds only c 4% of the book on its own balance sheet. For Term Loans it takes neither the credit nor the liquidity risk; that sits with the funder. The point extends beyond the income statement: as public guarantees are increasingly called on to fund health-, climate- and defence-tech, de-risking traditional banking's maturity mismatch should rise up the policy agenda, and Funding Circle's model speaks directly to it. In our view this is a genuinely lower-risk profile than a balance-sheet lender's and could justify a higher multiple.

Valuation: Priced like a lender, not a platform

Funding Circle is capital light, cash generative and growing profits quickly, with PBT up c 70% in FY25, yet it trades on roughly 10.9x consensus FY27 earnings, a discount to the fintech and data peers it resembles. The completed £75m buyback, c 17% of issued capital, underlines management's confidence. We see two re-rating catalysts: continued delivery against guidance and wider recognition that a platform bearing little of a bank's funding and liquidity risk should not be valued like one. We believe the risk/reward remains skewed to the upside.

Consensus estimates

Year end	PBT (£m)	Net income (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/25	20.3	204.3	14.60	0.00	10.1	N/A
12/26e	34.9	235.0	8.60	0.40	17.2	0.3
12/27e	51.1	263.6	13.60	2.10	10.9	1.4

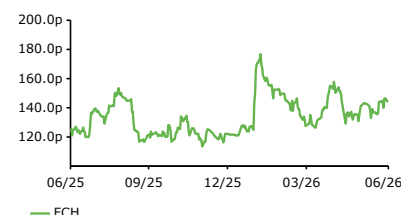
Source: Bloomberg

Financials

23 June 2026

Price 147.60p
Market cap £437m

Share price performance



Share details

Code	FCH
Listing	LSE
Shares in issue	297.0m
Net cash at 31 December 2025	£121.2m

Business description

Funding Circle is a UK-based lending platform that connects small and medium-sized businesses seeking loans with institutional and individual investors looking to fund them.

Bull points

- Capital-light platform: earns fees, no balance-sheet credit risk.
- Guidance upgraded; FY26 revenue target hit a year early.
- Trades on c 12x FY1 P/E, a discount to fintech peers.

Bear points

- SME lending demand is cyclical, exposed to UK downturn.
- Dependent on continued institutional funding appetite across the cycle.
- Re-rating hinges on market accepting the platform framing.

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