

S&U

Q226 trading provides H2 support

S&U has issued a Q226 trading update confirming the growth trajectory of the business and providing support for H2 profit growth. The recent Supreme Court (SC) decision has given legal clarity to the motor finance business, Advantage, which is now in a strong recovery phase. Aspen, the property lender, continues to grow robustly, generating advances over the quarter that were up 15%. We view S&U's Q2 exit trajectory positively and believe the company will meet our FY26 forecasts. The SC's judgement should put to rest any existential worries about Advantage, allowing trend growth to resume and further supporting numbers.

Year end	Revenue (£m)	PBT (£m)	EPS (£)	DPS (£)	P/E (x)	Yield (%)
1/24	115.4	33.6	2.09	1.20	9.0	6.4
1/25	115.6	26.7	1.47	1.00	12.7	5.3
1/26e	115.4	31.3	1.93	1.10	9.7	5.9
1/27e	121.9	34.4	2.12	1.20	8.8	6.4

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

The UK used car market is showing signs a gradual recovery with a c 6% y-o-y increase in volumes in June, but Advantage's Q226 performance has outpaced this market growth. With the lengthy FCA s166 process behind it, both customer advances and collections at Advantage show strong improvement. Advances were £70.6m at H1, ahead of management's expectations, and repayment rates are c 90% year-to-date, with customer service levels and productivity rising. Advantage's operating environment has also improved, according to management, with the positive SC ruling and the Chancellor of the Exchequer's emphasis on a regulatory regime that prioritises growth in her recent Mansion House speech.

The SC's decision to reject the idea that there is a fiduciary relationship (shared by the lender) between broker/dealer and customer, was good common sense, in our opinion. It is also positive to see the SC handing down much deserved criticism of the claims management sector. This puts Advantage in a position to avoid redress on discretionary commission arrangement related deals, which were never offered. It is also in a very strong position to disprove any unfair relationship claims under the Consumer Credit Act, given the size and proportion of commissions paid.

Aspen, the property bridging company, continues its excellent progress especially given the softer UK residential market. After a slow start in Q2, the company posted record advances at £28.6m in July, and at £106.4m for H1, up 15% y-o-y. Aspen's credit quality and collections were even stronger as evidenced by record collections of £108.6m, up 49% y-o-y, with a record £28.3m collected in July. Crucially, the number of late payers was below budget at H1, highlighting that credit quality remains within expectations.

The company says that, overall, profitability is trending ahead of FY25 at the half year and expects an acceleration in H226 consistent with our unchanged forecasts. Borrowings at the end of Q2 were c £185m against current funding facilities of £280m, providing sufficient headroom for growth in the periods.

On a P/E of c 10x FY26e earnings, the shares are trading at a significant discount to historical valuation levels and imply a discount-to-book value, with potential for a re-rating as regulatory risks subside. The dividend yield of c 6% offers attractive income support, while awaiting a recovery in earnings. The company will announce half-year results on 9 October 2025.

Q226 trading update

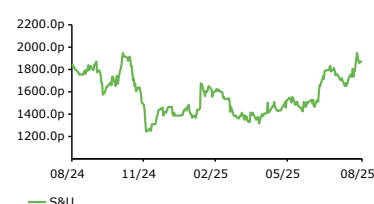
Financial services

12 August 2025

Price 1,875.00p
Market cap £226m

Net cash/(debt) as at 31 January 2025 £192.6m
Shares in issue 12.2m
Free float 25.0%
Code SUS
Primary exchange LSE
Secondary exchange N/A

Share price performance



Business description

S&U's Advantage motor finance business lends on a simple HP 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.

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