

18 April 2019

Funding Circle Holdings plc

Q1 2019 Update

Funding Circle Holdings plc (“Funding Circle” or the “Company”), the leading small and medium enterprise (“SME”) loans platform in the UK, US, Germany and the Netherlands, today announces updates to its statistics pages for the three months ending 31 March 2019 (the “Quarter”) and selected highlights from the Quarter.

The data by country included in this announcement is also available on the Company’s website at corporate.fundingcircle.com/investors/loan-performance-statistics.

Highlights

- Loans under management of £3.4 billion, up 44% compared to the same period last year. Total originations of £644 million vs £525 million in Q1 2018, up 23%
- Revenue growth of approximately 40% year-on-year through a combination of greater loans under management and originations, higher transaction yield, due in part to policy changes last year in the US, plus growth in other revenue lines
- In Q1, Funding Circle announced two new institutional investor products to launch in 2019: private direct lending funds to be launched in continental Europe and the UK, and ABS bond products to be launched in the US and UK
- On 17 April, the European Investment Bank agreed to lend €100 million over the next two years to small businesses in Germany and the Netherlands
- On 10 April, Pollen Street Capital completed a securitisation of UK loans originated on the Funding Circle platform. The £187 million portfolio was rated by three rating agencies, with its senior bond rated Aa3 / A (high) / AA- by Moody’s, DBRS and Kroll respectively

Outlook

Funding Circle confirms that the Group is trading in line with the Board’s expectations for the full year.

Group performance

		Q1 2019	Q1 2018	%
Loans under management	£m	3,378	2,342	44%
Originations	£m	644	525	23%

Investor Returns

- Across all geographies, investor returns on a net basis are expected to deliver 4.5-8.4% for 2018 and 5.0-8.5% in 2019
- UK: 2012-2016 performance remains in line with previous projections. Loans originated in 2017 and 2018 are now projected to deliver net returns of 4.1-5.1% and 4.5-5.5%. The Company tightened higher risk band lending in the UK during Q1 2019 and is targeting 2019 projected net returns of 5.0-7.0%
- US: 2014-2016 performance remains in line with previous projections. Loans originated in 2017 and 2018 are now projected to deliver net returns of 5.4-6.3% and 5.0-6.3%. The Company tightened higher risk band lending in the US during Q1 2019 and is targeting 2019 projected net returns of 5.7-7.8%
- Germany and Netherlands: 2014-2016 performance remains in line with previous projections. Loan performance in 2017 and 2018 continues to improve, and the Company is targeting 2019 projected net returns of 5.5-8.5%

Samir Desai CBE, CEO and co-founder, said: “Q1 was a period where Funding Circle reinforced its leadership position across each of its markets, reaching a new high of loans under management of £3.4 billion. We continue to implement our strategy of diversifying funding sources with a new commitment from the European Investment Bank, as well as launching two new institutional investor products.”

Our statistics – Q1 2019

The following information is reproduced from each country’s statistics pages, which can be found at corporate.fundingcircle.com/investors/loan-performance-statistics.

Loans under management (million)

	2012	2013	2014	2015	2016	2017	2018	2019 YTD
Group (£)	52	145	366	860	1,362	2,107	3,148	3,378
UK (£)	52	144	332	653	1,027	1,584	2,208	2,351
US (\$)	N/A		54	261	354	577	939	1,055
DE (€)	N/A			27	30	65	131	144
NL (€)	N/A				16	40	95	106

Originations (million)

	2012	2013	2014	2015	2016	2017	2018	2019 YTD
Group (£)	49	130	311	721	1,065	1,738	2,292	644
UK (£)	49	129	279	531	823	1,264	1,531	419
US (\$)	N/A		334		281	514	792	238
DE (€)	N/A		33		19	55	105	27
NL (€)	N/A			21		34	81	21

Gross Yield

	2012	2013	2014	2015	2016	2017	2018	2019 YTD
UK	9.2%	8.4%	9.9%	9.6%	9.6%	9.6%	9.7%	9.9%
US	N/A		14.5%		13.2%	12.3%	12.8%	12.9%
DE	N/A		6.7%		9.5%	9.5%	10.2%	10.6%
NL	N/A			8.6%		10.7%	11.6%	11.9%

Projected annualised return range (after fees and bad debt)¹

	2012	2013	2014	2015	2016	2017	2018	2019 YTD
UK	7.1-7.2%	6.0-6.2%	7.0-7.3%	6.5-7.0%	5.1-5.7%	4.1-5.1%	4.5-5.5%	5.0-7.0%
US	N/A		2.6-2.8%		4.1-4.9%	5.4-6.3%	5.0-6.3%	5.7-7.8%
DE	N/A		0.1-1.0%		2.3-4.1%	5.0-6.9%	5.3-7.3%	5.5-7.5%
NL	N/A			3.5-4.4%		5.6-7.5%	6.4-8.4%	6.5-8.5%

Projected bad debt rate range²

	2012	2013	2014	2015	2016	2017	2018	2019 YTD
UK	1.3-1.3%	1.5-1.6%	1.8-2.1%	1.8-2.3%	3.0-3.6%	3.7-4.6%	3.3-4.3%	2.1-4.0%
US	N/A		10.7-10.9%		7.5-8.3%	5.4-6.3%	6.1-7.3%	4.8-6.8%
DE	N/A		4.7-5.6%		4.4-6.2%	1.5-3.4%	1.7-3.7%	1.8-3.8%
NL	N/A			3.2-4.1%		2.2-4.2%	2.2-4.2%	2.3-4.3%

ENDS

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About Funding Circle:

Funding Circle (LSE: FCH) is a global SME loans platform, connecting SMEs who want to borrow with investors who want to lend in the UK, US, Germany and the Netherlands. Since launching in 2010, investors across Funding Circle's geographies - including more than 90,000 retail investors, banks, asset management companies, insurance companies, government-backed entities and funds - have lent more than £7 billion to over 65,000 businesses globally. Funding Circle is a member of the FTSE 250 Index.

Forward looking statements and other important information

This document contains forward looking statements, which are statements that are not historical facts and that reflect Funding Circle's beliefs and expectations with respect to future events and financial and operational performance. These forward looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond the control of Funding Circle and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. Nothing contained within this document is or should be relied upon as a warranty, promise or representation, express or implied, as to the future performance of Funding Circle or its business. Any historical information contained in this statistical information is not indicative of future performance.

The information contained in this document is provided as of the dates shown. Nothing in this document should be construed as legal, tax, investment, financial, or accounting advice, or solicitation for or an offer to invest in Funding Circle.

Definitions and notes to the editor:

1. The projected annual return shows how loans are estimated to perform. Loans are shown by the year they were taken out, and are after fees and bad debt. Returns equal gross yield minus net losses minus servicing fee and is estimated, using an internally managed model, by cohort of origination incorporating actual returns received for each cohort and adding future expected returns which are determined using the same aforementioned model. Net yield is compounded to recognise re-investment. These expectations may be revised, for example if macroeconomic conditions change, and the projected return, projected gross yield and the projected bad debt rate may be adjusted to reflect this.
2. The projected bad debt rate shows the projected annualised percentage of loans, by loan amount, that will not be repaid. Loans are shown by the year they were taken out and include recoveries. It can take up to five years for loans to be fully repaid, so the projected return, projected gross yield and projected bad debt rate take into account how each year of loans are performing and how Funding Circle expects them to perform in future. These expectations may be revised, for example if macroeconomic conditions change, and the projected return, projected gross yield and the projected bad debt rate may be adjusted to reflect this.