# GLI Finance
# 2019 Annual Results

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# Background

GLI is an AIM listed, innovative, alternative finance business, which owns a niche SME lender, Sancus BMS that operates in 6 jurisdictions - UK, Ireland, Jersey, Guernsey, Gibraltar and the Isle of Man*, and a portfolio of emerging FinTech SME-focussed lending platforms that are located on 3 continents.

We measure value creation as follows:

- For Sancus BMS, a forward view of earnings with a focus on:
    - ROTA (return on total assets), cost income ratio and loan deployment ; and
- For FinTech Ventures, changes in the fair value of the portfolio.

*Affiliate GLI owns 29% of the Isle of Man

# 2019 Results

# Group Highlights – 31 December 2019

| £'m | December 2019 | December 2018 | % Movement |
|---|---|---|---|
| Operating Loss | (0.6) | (2.3) | +74% |
| FinTech Ventures fair value movement | (7.5) | (19.6) | +62% |
| Other losses, goodwill impairment & tax | (1.8) | (1.3) | -43% |
| Loss after tax | (9.9) | (23.2) | +57% |
| Basic and diluted Loss Per Share | (3.26)p | (7.57)p | +57% |

- Group revenue for the year was £13.1m (2018: £13.2m);
- Group loss for the year is £9.9m (2018: loss £23.2m), impacted by material write down within the FinTech Ventures portfolio (leaving the carrying value of the portfolio at £6.3m (£13.8m at 31 December 2018));
- Focus on cost control has achieved a £1.5m reduction in Group operating costs over the last 12 months, largely linked to a reduction in headcount from 42 to 34 employees across the Group;
- The Zero Dividend Preference shares ("ZDPs") were extended for a further year on 5 December 2019, with the Group buying back 22% of the ZDPs in issue and a further loan swap for 621,586 ZDP shares in March 2020, reducing the amount due for repayment on 5 December 2020 to £13.3m;
- Nick Wakefield was appointed to the Board as Non-Executive Director in June 2019.

# Group Balance Sheet

| £'000 | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Sancus BMS on-Balance Sheet Loans and loan equivalents | 18,347 | 26,678 |
| Sancus Loans Limited loans | 45,885 | 25,639 |
| Goodwill | 22,894 | 22,894 |
| Loans through platforms | - | 883 |
| FinTech Ventures' investment portfolio | 6,299 | 13,804 |
| Sancus Properties Limited | 3,336 | 4,404 |
| Trade and other receivables | 5,909 | 5,656 |
| Other assets | 4,086 | 3,784 |
| Cash and cash equivalents | 7,244 | 5,863 |
| **Total assets** | **114,000** | **109,605** |
| ZDPs payable | (16,825) | (24,059) |
| Bond payable | (10,000) | (10,000) |
| HIT Debt | (44,191) | (22,684) |
| Other liabilities | (2,611) | (2,635) |
| **Total Liabilities** | **(73,627)** | **(65,313)** |
| **Group net assets** | **40,373** | **50,227** |

# Sancus BMS

# Sancus BMS - Highlights

- Over the last 18 months, we have scrutinised capital allocation and we have been divesting assets where return on capital, on a risk adjusted basis, is below other areas of the business.  This has led to a reduction in our SME lending activities where loans tend to attract a higher risk weighting and require significant use of our own balance sheet.  We have redirected resources to our core asset backed secured lending activities where third-party funding is more accessible and our balance sheet less utilised;
- Costs have been managed well during the year and we have seen a reduction in Sancus BMS operating expenses by £0.9m largely in savings on employment costs;
- The combination of better asset utilisation and better cost control have delivered an improvement in return on tangible assets (“ROTA”) to positive 0.9% in 2019, (2018: negative 0.4%);
- Strong growth has been delivered across the asset backed secured lending businesses.  Over the last year we have delivered a 18% increase in the asset backed loan book to £199m (2018: £168m);
- A key growth initiative for the Group has been the establishment of the UK business in April 2019 and Irish business in December 2018.  These have significantly larger markets than in our traditional offshore islands, and we expect the future growth of the Group to be driven by these jurisdictions which are gaining traction and building strong pipelines of new business;
- In line with our focus to improve asset efficiency and the quality of our earnings, during 2019 on-balance sheet loan exposure excluding loans consolidated in HIT, reduced by 31% compared to 2018, with revenue falling by far less, 17% to £9.6m (2018: £11.7m);

# Sancus BMS - Highlights

- Proforma operating profit for the year was £0.4m (2018: loss £0.2m). Results are impacted by a £1.5m IFRS 9 provision in the year (2018: £1.2m). £1.1m of this movement relates to an SME loan within the BMS UK Fund where the underlying SME business is facing financial difficulties. Sancus is focussed on asset backed lending and is exiting business/working capital lending with the BMS Finance loan book in run-off;
- We continue to diversify and grow our sources of capital and lending capacity. At the end of 2019, Sancus had loans outstanding of £199m with Co-Funders providing £187m, equating to a co-funding ratio of 94% (2018: 89%).

# Sancus BMS Proforma* Operating Results

| Sancus BMS SOCI Proforma* Results | 2019 £'000 | 2018 £'000 | Movement % | Movement £'000 |
|---|---|---|---|---|
| Sancus BMS interest on loans | 2,504 | 2,750 | (9%) | (246) |
| Sancus BMS Fees and Other Income | 6,408 | 8,606 | (26%) | (2,198) |
| Sancus Loans Limited Fees and Other Income | 722 | 308 | 134% | 414 |
| **Revenue** | **9,634** | **11,664** | **(17%)** | **(2,030)** |
| Interest costs | (1,680) | (1,834) | 8% | 154 |
| Other cost of sales | (419) | (552) | 24% | 133 |
| **Total Cost of Sales** | **(2,099)** | **(2,386)** | **12%** | **287** |
| **Gross profit** | **7,535** | **9,278** | **(19%)** | **(1,743)** |
| Operating expenses | (5,523) | (6,449) | 14% | 926 |
| Changes in expected credit losses ("ECLs") (IFRS 9) | (1,524) | (1,247) | (22%) | (277) |
| Incurred losses on financial assets | (116) | (1,763) | 93% | 1,647 |
| **Operating profit (loss)** | **372** | **(181)** | **306%** | **553** |
| Other net losses | (1,625) | (121) | (1,243%) | (1,504) |
| Goodwill impairment | - | (2,139) | 100% | 2,139 |
| Tax | **(232)** | **(243)** | **5%** | **11** |
| **Loss for the year after tax** | **(1,485)** | **(2,684)** | **45%** | **1,199** |

**Proforma* - *In the statutory results Sancus Loans Limited ("SLL") is consolidated, grossing up revenue and cost of sales. SLL revenue and debt costs have been shown net in the revenue line above to show underlying Sancus BMS results on a like for like basis.*

# On-Balance Sheet Loan Split

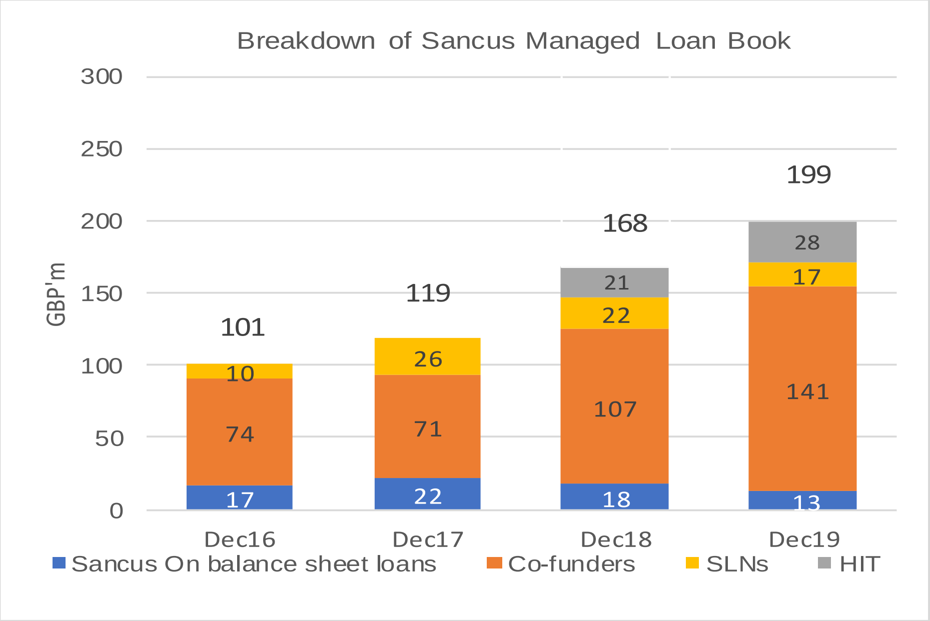
- Total on-balance sheet loans have reduced from £26.7m to £18.3m during the year;
- In line with our stated ZDP repayment strategy, as cash has been released from loans and investments, this has been used to acquire the ZDPs with £7.6m spent in 2019;
- As previously noted, the disinvestment from SME lending is allowing asset utilisation to improve, which will drive an improvement in ROTA and shareholder value over time. As we have also seen from our loan book funding, our access to capital has improved too, allowing funding of asset backed secured loans to be funded from other sources such as the HIT facility, SLNs and Co-Funders.

| £'m | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Jersey | 8.4 | 8.2 |
| Gibraltar | 3.3 | 6.3 |
| Guernsey | 1.1 | 0.3 |
| UK | - | 0.1 |
| Ireland | 0.1 | - |
| Sancus Loan Notes | - | 3.3 |
| **Total Sancus** | **12.9** | **18.2** |
| BMS | 8.3 | 10.1 |
| IOM Pref Shares | - | 1.0 |
| **Total Sancus BMS Group** | **21.2** | **29.3** |
| IFRS9 Provision | (2.9) | (2.6) |
| **Total On-Balance sheet loans** | **18.3** | **26.7** |

# Asset Backed Lending

# Sancus – Loan Book

- This graph includes the total managed loan book of Sancus Jersey, Guernsey, Gibraltar, Ireland and the UK;
- The results of Sancus IOM have not been included due to the Group only holding 29% and therefore they are not part of the consolidated results;
- On average the profile of the loan book is as follows:
  - Loan size £2.2m.
  - Duration is 21 months.
  - Interest rates charged are 10.4%.
  - Loan to Values (LTV) are 59%.
- The total loan book has increased by 18% over the last year from £168m at the end of 2018 to £199m at the end of 2019, with HIT contributing 36% to this increase;
- The HIT facility established in January 2018 with a £50m lending capacity, including £5m Sancus capital for asset backed lending by Sancus BMS Group;
- Co-Funder participation is up by 32% from last year;




- Sancus on-balance sheet loans have decreased by 28% year on year;
- The Sancus Loan Notes have decreased by 21% in the year;
- Total external funding (HIT, SLNs and Co-Funders) is up 24% year-on-year.

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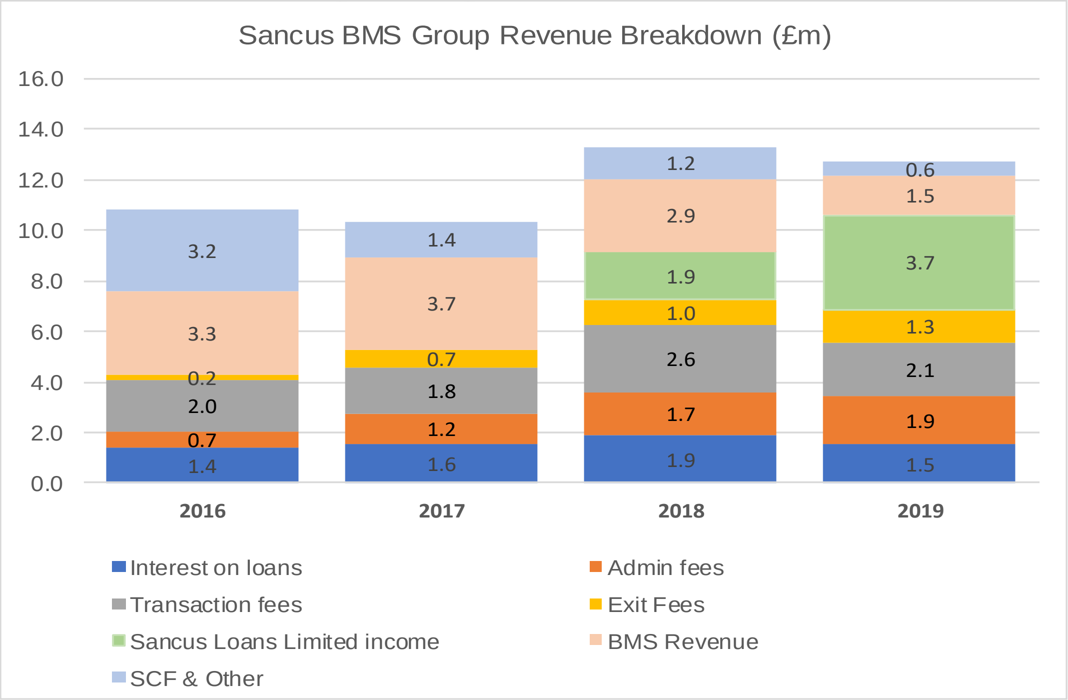
# Sancus

## Revenue analysis

- The graph includes results from Sancus Jersey, Guernsey, Gibraltar, Ireland and the UK;
- Compared to 2018, we have seen a decrease in interest on loans, which is in line with our reduction of on balance sheet loans;
- Exit fees for the year were £1.3m (2018: £1.0m). We are increasingly including exit fees in the loans we administer. By their nature exit fees will be more volatile than other revenue sources;
- Admin fees have increased from £1.7m to £1.9m at the end of 2019 in line with the growth in the loan book;
- The HIT facility revenue which is consolidated increased from £1.9m to £3.7m at the end of 2019.



# SME Finance

# Sancus BMS – SME Finance

**BMS Finance**

- BMS Finance (www.bms-finance.com) provides UK loans funded by long term committed capital from investors including circa 49% being subscribed by the government investment vehicle, namely British Business Investments (formerly British Business Bank). Following the departure of certain key individuals in 2018, the fund is in managed run-off and the loan book has amortised (total capital committed is now at £36m). GLI holds 25.25% of total capital commitments.

**Sancus Finance**

- Sancus Finance ceased to offer working capital finance in 2019, with the UK team now focussed on core Sancus asset-backed lending activities.

# ZDP repayment plan

# ZDPs Repayment plan

- The maturity of the ZDPs on 5th December 2020 is a key priority for the rest of the year;
- Following the Tender offer and loan swap on the 6th March 2020 the liability has been reduced to £13.3m due on 5th December 2020;
- Based on current cash reserves plus the loan maturity profiles of the Sancus and BMS Fund loan books as well as forecast sales of our real estate assets during 2020, the Going Concern model indicates there will be sufficient cash available to meet the repayment of the ZDPs at the end of 2020. However, as we have seen in the past, timings of the repayment of loans can vary and deviate from expectations as development loans may run over and in the case of the BMS Fund, the refinance of some of the loans may not occur as planned. In the past year especially, we have seen this occur with the impact of Brexit playing some part, but this risk is now heightened by COVID-19;
- Should there be a shortfall on 5 December 2020 for the repayment of the ZDPs in full, the Directors intention is to either obtain a commercial loan at a similar rate or, subject to Shareholder consultation may seek approval to extend the ZDPs on similar terms or may offer a swap into GLI Bonds.

# ZDPs and Cover Test

| | Cover Test A | Cover Test B |
|---|---|---|
| Cover Test minimum | 1.7 | 3.25 |
| Cover Test as at 31 December 2018 | 2.77 | 3.47 |
| Cover Test as at 31 December 2019 | 2.92 | 3.98 |
| Compliant | Yes | Yes |

- The Company has 20.8m ZDPs maturing on 5th December 2020;
- Following the Tender Offer on 6 March 2020, the Company now holds 11,371,460 ZDP Shares in treasury. The amount due on maturity has reduced to £13.3m;
- In accordance with article 7.5.5 of the Company's Memorandum and Articles of Incorporation, the Company may not incur more than £30m of long term debt without the prior approval from the ZDP shareholders. At the year end senior debt borrowing capacity amounts to £20m. The £45m HIT facility with Sancus BMS Group is non-recourse to GLI Company;
- The Memorandum and Articles also specify that two debt cover tests must be met in relation to the ZDPs. As shown in the table above, we remain compliant with these tests.

# FinTech Ventures

# FinTech Ventures

**Background**

- FinTech Ventures is the fair value of our investments in 9 platforms;
- We have Board seats on 6 of the platforms and support management but are largely passengers on the journey with less control on the outcome.

| £'000 | 31/12/19 | 30/6/19 | 31/12/18 | 31/12/17 |
|---|---|---|---|---|
| Fair Value of portfolio | 6,299 | 8,665 | 13,804 | 29,598 |
| Loans through platforms | 1 | 828 | 828 | 839 |
| Other (accrued interest) | 301 | 298 | 966 | 616 |
| Net asset value | 6,601 | 9,791 | 15,598 | 31,053 |
| NAV per share (pence) | 2.2p | 3.2p | 5.1p | 10.0p |

**Results:**

- Reduction in FinTech portfolio (and thus NAV per share) due to £7.5m write down in the year, repayment of GBP0.9m of loans through the platforms, and receipt of accrued interest;
- The write down is as a result of market challenges in securing additional growth capital. It is clearly disappointing to take a further large write down and we continue to review our options to achieve the greatest potential return from the portfolio;
- No further investments have been made in the portfolio in the year.

# Strategic Review

# Strategic Objectives

The Group's strategy is to maximise shareholder value through growing the profitability of Sancus BMS and realising value from its investments in FinTech Ventures.  We are focussed on the main key targets below, and our aim is to improve the performance of these KPIs gradually overtime:

- Become a capital efficient business;
- Focus on creating shareholder value;
- Profitably expand the funding base;
- Realise value from FinTech Ventures Investments.

*Please refer to the accounts for further information on the above*

# Key Performance Indicators (KPIs) – Sancus BMS

| KPI | 2019 | 2019 v 2018 | 2018 | 2017 |
|---|---|---|---|---|
| BMS managed loan book | £34m | (15%) | £40m | £82m |
| Sancus asset backed lending book | £199m | 18% | £168m | £119m |
| Total Sancus BMS Loan Book | £233m | 12% | £208m | £201m |
| Loan Deployments | £123m | 7% | £115m | £102m |
| Return on Tangible Assets | 0.9% | 325% | (0.4%) | 2.9% |
| Net operating profit | £0.4m | 300% | (£0.2m) | £1.6m |
| Cost Income Ratio | 96% | 6% | 102% | 85% |
| On balance sheet loans before IFRS9 | £21.2m | (18%) | £26.0m | £35.4m |
| Revenue (proforma) | £9.6m | (17%) | £11.7m | £10.0m |
| Operating expenses | £5.5m | 14% | £6.4m | £6.3m |
| Gross Profit | £7.5m | (19%) | £9.3m | £7.9m |
| Cost of borrowing | £1.7m | 8% | £1.8m | £2.2m |

# The Business Units

## Sancus BMS
## Profitable Growth Business

Includes:

**Sancus BMS**

**Offshore**
- Sancus Jersey (100%)
- Sancus Gibraltar (100%)
- Sancus Guernsey (100%)
- Sancus Isle of Man (29.3%)
- Sancus Properties (100%)

**Onshore**
- BMS Finance UK (100%)
- Sancus Finance (100%)
- Sancus Funding (100%)
- Sancus Ireland (100%)

**Other**
- Amberton Asset Management Limited (50%)

## Fintech Ventures
## Potential for uplift in valuation

Includes:

**FinTech Ventures Limited**
- Funding Options (22.78%) - UK
- Open Energy Group (22.71%) - USA
- Finexkap (10.76%%) - France
- LiftForward (18.81%) - USA
- Trade River UK (46.70%) - UK
- Trade River USA (24.20%) – USA
- MyTripleA (15.00%) - Spain
- Finpoint (13.81%) - UK
- Ovamba (20.18%) – Cameroon

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# Outlook

# Outlook

- Group KPIs have been agreed and performance is being monitored. Improvement from 2018 but management focussed on further improvement in 2020 and beyond;
- 2019 a year of reorganisation within Sancus BMS – all completed and business in good shape for future growth:
  - Exited / exiting SME working capital lending.
  - BMS Finance is now in run off.
  - Asset backed / property lending is the primary focus going forward.
- FinTech portfolio had another poor performing year. One key platform left with real value, the remainder have some potential for recovery, albeit COVID-19 coronavirus may prove too challenging for some to survive during 2020;
- The Company will seek to provide more outward communication in 2020 with all our stakeholders;
  - Ordinary shareholders.
  - ZDP shareholders.
  - Bond holders.
- Due to COVID-19 pandemic future forecast could be negatively impacted but too early to make any sensible predictions at this time.

# ExCo

**Andrew Whelan** Chief Executive Officer

Andrew has over 25 years financial experience and is a Chartered Fellow of the Chartered Institute for Securities & Investment. Prior to founding Sancus in 2013, Andrew was a founding partner of Ermitage Group following its MBO in 2006 from Liberty Life, backed by Caledonia Investments. He left Ermitage following its successful sale to Nexar Capital Group in July 2011 and after a period of gardening leave joined International Asset Monitor as Managing Director to create a new Jersey Branch.

Andrew joined Liberty Ermitage in 2001 (2001–2011) and was a Group Executive Director and Managing Director of Ermitage Global Wealth Management Jersey Limited. He was also CIO of Ermitage's Wealth Management business and products and during his 10 year tenure won multiple investment awards.

Prior to Liberty Ermitage Andrew worked for Kleinwort Benson, part of the Dresdner Private Banking Group (between 1994–2001) where he was a member of the Group's senior Investment Committee. He started his career with Morgan Grenfell in 1987 (1987–1994). Andrew has been recognised in the Citywealth Leaders List since 2007 and in 2019 was recognised in Jersey's Top 20 Professionals. He is also included in "The P2P Power 50 – The most influential people in the UK's peer-to-peer lending sector" (Peer2Peer Finance News, 2017).

**Emma Stubbs** Chief Financial Officer

Emma joined GLI in November 2013 as CFO and was appointed to the GLI Board on 16 September 2014. Prior to joining GLI, Emma was Head of Business Analysis and Projects at Sportingbet, an online gaming company from January 2007 to October 2013 where she was responsible for formulating strategy across Europe and Emerging Markets. She had a key role in providing business performance and analysis advice with regard to JVs, B2B, M&A and entering regulated markets.

From November 2004 to January 2007 Emma worked as an Account Manager at Marsh Management Services (Guernsey) Limited, a Captive Insurance Company. Emma is a Fellow member of the Association of Chartered Certified Accountants and qualified with Deloitte in 2004. She graduated from the University of the West of England with a BA Hons degree in Accounting and Finance.

# ExCo

**Dan Walker** Chief Operating Officer and UK Managing Director

Dan started his career as a solicitor at Linklaters LLP after reading law at Merton College, Oxford University. After six years working on the legal aspects of structured transactions in real estate, trade and acquisition finance, Dan joined the Strategic Transactions Group at Lloyds Banking Group, originating and executing structured funding and investment transactions for the bank and its clients.

He joined Varengold Bank AG, a small German private bank, in 2015 to head its London office and help develop its prime brokerage business and build a credit book focused on receivables and real estate finance.

Dan has completed all three levels of the Chartered Financial Analyst examinations and became Managing Director of Sancus' UK business in January 2018.

# Disclaimer for GLI Finance Limited ("GLIF")

GLI Finance Limited (AIM: GLIF) originates and invests in loans, providing finance to small and medium sized businesses in the US and UK. The Company aims to produce a stable and predictable dividend and a double digit ROE, whilst at least preserving its capital value.

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