

# **GLI Finance**

## **June 2016 Interim Update**

# Agenda

- Operational Highlights
- Financial Highlights
- Outlook
- Pillars – Operational and Financial Update

# Operational Highlights

# Operational Highlights

- Full business strategic review undertaken incorporating review of cost base, capital structure, detailed assessment of equity and loan investments and valuations;
- The period was notable for the consolidation of the Sancus group and its amalgamation with BMS and Platform Black to establish our speciality lending business. We anticipate that the combined business will provide strong cash flows for the Group;
- Introduction of segmental reporting, reflecting the Pillar approach in the way we view our business and the introduction of the 'GLI Measurement Basis';
- We have been very prudent in reorganising the portfolio, making write downs and recognising losses in underperforming assets, cleaning up the balance sheet has been a priority;
- Creation of FinTech Ventures to hold 4 prioritised platforms - we fully expect to see value of this portfolio build materially in future periods;
- Senior key personnel brought on board with the appointment of Russell Harte as COO and Steve Simpson as CTO.

# The Pillars

## Sancus BMS Group

Profitable growth business

## FinTech Platforms

Potential for uplift in valuation

## Amberton Asset Management

Potential for growth with new AUM

## Group Head Office

Investment in Funds and Loans, proving working capital to pillar1 and debt costs

### Group Head Office

The group head office primary function is to allocate the group resources, financial reporting, risk management and corporate governance. The group head office presently provides working capital of GBP46m to Sancus BMS Group.

In addition, the group has a GBP22.7m investment in SMEF, GBP6.6m in the BMS managed funds and GBP2.2m in loans through SMEs.

### Pillar One Sancus BMS Group

Wholly owned Platforms with established operating models



#### Includes:

- Sancus BMS
  - > Sancus Jersey (100%)
  - > Sancus Gibraltar (100%)
  - > Sancus Guernsey (100%)
  - > BMS Finance (UK & Ireland) 100%
  - > Platform Black (84%)\*\*
  - > Sancus Isle of Man (7%)\*

### Pillar Two FinTech platforms

Investments in FinTech platforms which are generally not controlled by GLI



#### Includes:

- FinTech Ventures Finance Limited (will be 100%)
  - > Finexkap (29.8%)
  - > Funding Options (28.9%)
  - > Liftforward (18.4%)
  - > The Credit Junction (24.4%)
- Platform Interests\*\*\*
  - > Funding Knight (100%)
  - > Trade River UK (46.4%)
  - > UK Bond Network (15.8%)
  - > Open Energy Group (21.5%)
  - > Trade River US (30.3%)
  - > My Triple A (9.9%)
  - > Finpoint (65%)
  - > Ovamba (20.5%)

### Pillar Three Amberton Asset Management

Asset management Company



#### Includes:

- 50% of Amberton Asset Management Ltd

# The Goals

Goals	
Clarify and restate the Company's strategic objective	<ul style="list-style-type: none"> <li>&gt; We continue to own, operate and invest in a portfolio of lenders to small and medium-sized enterprises (SMEs).</li> <li>&gt; Establishing the 'Three Pillar' operating model clarifies the investment proposition for current and future investors.</li> </ul>
Remove the risks of conflicts of interest	<ul style="list-style-type: none"> <li>&gt; GLI no longer actively lends through platforms, removing the conflict with SMEF.</li> <li>&gt; Amberton Asset Management ('AAM') has its own Board, is regulated by the Guernsey Financial Services Commission and operates independently of GLI.</li> <li>&gt; The Sancus BMS Group consolidation has led to alignment of interests with all key persons being GLI shareholders.</li> </ul>
Initiate measures to strengthen the balance sheet	<ul style="list-style-type: none"> <li>&gt; The Company's weighted average cost of debt was reduced from 8.6% at 31 December 2015 to 6.8% at 30 June 2016.</li> <li>&gt; Inter-company loan structures between GLI and Sancus have been simplified, although there is still more to do.</li> </ul>

Goals continued	
Ensure that positive cash flows are accessible by GLI	<ul style="list-style-type: none"> <li>&gt; A much improved treasury function has been built with bi-weekly CEO-chaired treasury meetings.</li> <li>&gt; The Sancus BMS Group is wholly owned and its cash flows are controlled by the Group.</li> </ul>
Initiate measures to reduce the cost base	<ul style="list-style-type: none"> <li>&gt; The Group Head Office cost saving target of GBP1m is on track to be achieved on a normalised basis, although one off acquisition related professional costs of circa GBP0.7m have been incurred in the first half of the year.</li> <li>&gt; Significant savings have been made on marketing, travel and professional fees.</li> </ul>
Remove unnecessary complexity	<ul style="list-style-type: none"> <li>&gt; The Three pillar strategy has created clarity of future direction of travel for GLI.</li> <li>&gt; The creation of the Sancus BMS Group has simplified the operational management of the Group.</li> </ul>
Rationalise and invest in the Company's core business pillars and ensure Prioritised platforms are properly financially resourced	<ul style="list-style-type: none"> <li>&gt; Prioritised platforms receive first call on Group funding.</li> <li>&gt; The investment portfolio has been rationalised, underperforming investments have been exited and many have been written off.</li> </ul>
Improve communication to aid stakeholders' understanding of operations	<ul style="list-style-type: none"> <li>&gt; We have undertaken an intensive investor communication program since my appointment.</li> <li>&gt; To improve communication with Shareholders and investors segmental reporting by Pillar has been introduced, using a measurement basis which provides the most relevant presentation of the Group's results. This is the first time we have done this and believe the information that follows will provide the clarity that Shareholders and investors alike are seeking.</li> </ul>

# Progress timeline

## ■ 16 February 2016

Andrew Whelan confirmed as new CEO

Strategic Review launched

Four prioritised FinTech scalable platforms named: Finexkap, Funding Options, The Credit Junction, LiftForward

## ■ 6 June 2016

EGM passes resolution for acquisitions and simplification of GLI group structure to create Sancus BMS

## ■ 8 August 2016

FinTech Ventures Limited created to hold equity investment of the platform portfolio (Pillar 2 of the GLI Group strategy)

## ■ H2 2016

Focus on finalising Pillar 2, and execution on Pillar 1 (Sancus BMS Group) & Pillar 3 (Amberton)

## ■ 21 December 2015

Andrew Whelan announced as Interim CEO

Relationship with Somerston announced

Dividend halved

## ■ 21 March 2016

Rebranding of GLI Asset Management Limited to Amberton Asset Management

## ■ 16 May 2016

Proposed acquisitions and simplification of GLI group structure announced, to create Sancus BMS Group

## ■ 19 May 2016

AGM approves reclassification from investing company to trading company

## ■ 30 June 2016

Sancus BMS Group completed

## ■ 15 August 2016

£7.1m capital raise completed

## ■ September 2016

Broker & Nomad changed - Liberum appointed

Board membership changed

# Financial Highlights



# Financial Highlights

## GBP4m

Sancus BMS Revenue increase from GBP2.7m to GBP4m

## 37.07p

Company NAV per share

## GBP105.6m

Company Net Assets

## 30%

Debt to Gross Asset ratio

## 6.8%

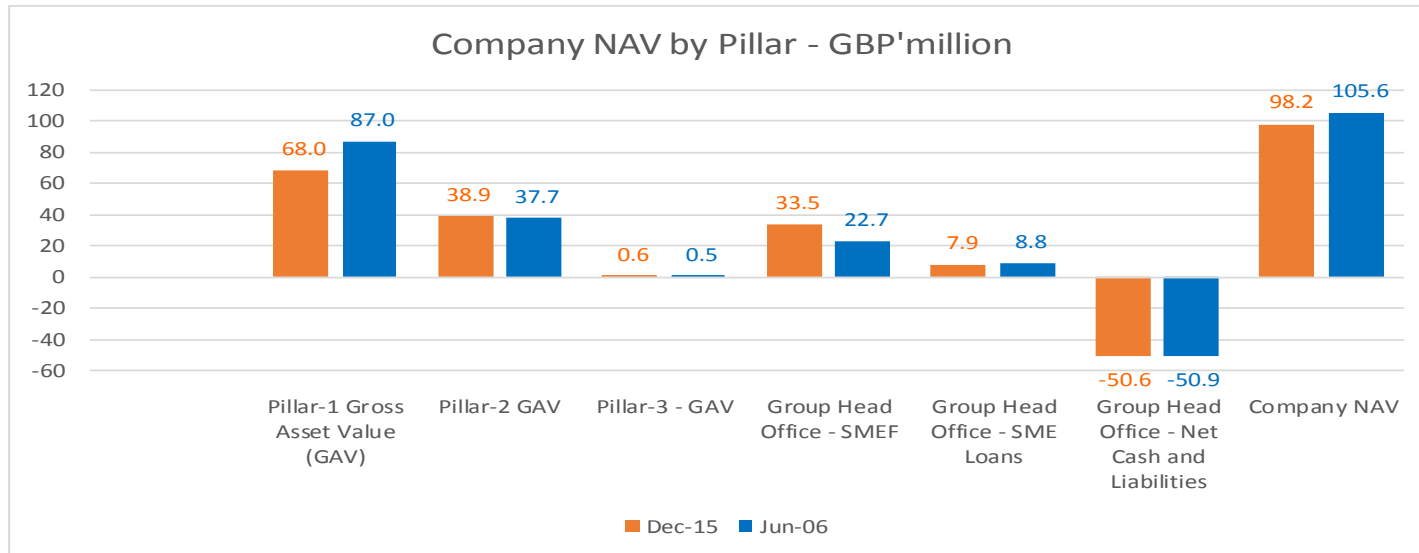
Cost of debt

## GBP5.5m

Prioritised FinTech uplift

- Company Net Assets up 7.5% from GBP98.2m to GBP105.6m
- NAV per share down 13.3% from 42.73p to 37.07p, reflecting £13m write downs in the period
- Pillar One –Revenues up from GBP2.7 million in 1H 2015 to GBP4.0 million in H1 2016 (Proforma basis) and on track for GBP2.5m profit this year
- Pillar Two - Valuations in Prioritised platforms increased by GBP5.5m
- Pillar Three - Amberton Asset Management – remains de minimus and we expect to make progress on this pillar in the next 12-18 months
- Group head office – cost saving initiative of £1m annualised is on track
- Company debt to gross asset ratio 30% (33% at December 15)
- The Company's weighted average cost of debt decreased from 8.6% (year to 31 December 2015) to 6.8% (period to 30 June 2016)

# Financial Highlights - NAV



- **Pillar One** GBP87.0 (30.52p per share) being a combination of equity and intercompany loans
- **Pillar Two** GBP37.66m (13.22p per share) being the fair value of the FinTech platforms
  - Prioritised platforms GBP23.7M (8.32p per share)
  - Other platforms GBP14.0M (4.9p per share)
- **Pillar Three** GBP0.45m (0.16p per share) being the net asset value of Amberton Asset Management Ltd
- **Group Head Office**
  - Total SMEF shares and loans GBP31.5M (11.4p per share)
    - Holding in SMEF shares of GBP22.74m (7.96p per share)
    - Loans through platforms of GBP8.8m (3.08p per share)
  - Net Liabilities of GBP50.99m (-17.86p per share) largely made up of the Zero Dividend Preference Shares (“ZDPS”), Bond and the syndicated loan.

## Financial Highlights – Net Profit (GLI Measurement Basis)

GBP '000 – June 2016	Pillar 1 Sancus BMS Group	Pillar 2 Prioritised FinTech	Pillar 2 Other FinTech	Pillar 2 Total FinTech	Pillar 3 Amberton	Group Head office	Total for the period	Reconciling items*	Consolidated statement of comprehensive income
Revenue	3,245	-	(133)	(133)	160	2,614	5,886	(53)	5,833
Fair Value gains/Losses	(39)	5,520	(13,002)	(7,483)	(9)	(1,588)	(9,118)	2,342	(6,776)
Operating Expenses	(1,856)	-	-	-	(300)	(2,808)	(4,964)	(478)	(5,442)
EBIT	1,350	5,520	(13,135)	(7,616)	(149)	(1,782)	(8,196)	1,812	(6,384)
Finance costs	-	-	-	-	-	(2,058)	(2,058)	-	(2,058)
Net Profit/(Losses )	1,350	5,520	(13,135)	(7,616)	(149)	(3,839)	(10,254)	1,812	(8,442)
Reconciling items	(225)	(6,341)	5,562	(778)	-	2,815	1,812		
Consolidated statement of comprehensive income	1,125	(821)	(7,573)	(8,394)	(149)	(1,024)	(8,442)		

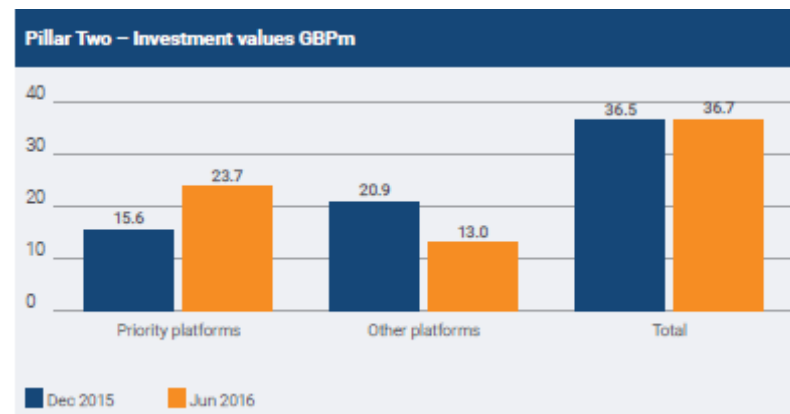
- **Group Net Losses were GBP10.3m – following GBP13m write downs in the period.**
- **Pillar 1 (Consolidated)** – Profits of GBP1.3m but Gibraltar and BMS not 100% included as Clarity closed 30 June 2016
- **Pillar 2 (Company)** – Total Loss of £7.6m, following £13m write down in underperforming platforms
- **Pillar 3 (Consolidated)** – Minimal losses, low impact on results currently
- **Group Head Office (Consolidated – except for SMEF which is on a fair value basis)**, representing the price as if we sold at 30 June 16, a £2.6m loss)
  - Group costs – on track to save GBP1m on an annualised basis
  - Finance costs – continue to seek maintaining or improving on or debt costs but to note no Bond costs commenced 30 June 2016

## Financial Highlights – Normalised earnings

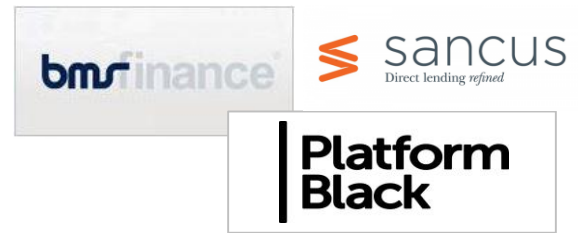
On a normalised basis profits were **GBP5.2m**

- **Pillar One** – GBP1.3m from Sancus BMS Group – Gibraltar and BMS profits not 100% included in here as acquired on 30 June
- **Pillar Two** – GBP5.5m on prioritised platforms - £13m write down in Other FinTech due to the strategic review
- **Pillar Three** – Amberton, currently minimal losses
- **Group Head Office** – **Costs GBP1.5m** - adjusted to exclude fair value gains and losses, leaving:
  - Revenue GBP2.6m (SMEF, BMS Fund and SME Loan income)
  - Operating Expenses GBP2.8m, less GBP0.7m one-off strategic costs GBP 2.1m
  - Finance costs – GBP2m.

GBP'000	6 Months to June 2016	6 Months to June 2016
	Pre adjustment	Normalised
Pillar One	1,350	1,350
Pillar Two	(7,616)	5,520
Pillar Three	(149)	(149)
Group Head Office	(3,839)	(1,552)
<b>Normalised Net (Loss) /Profit</b>	<b>(10,254)</b>	<b>5,169</b>

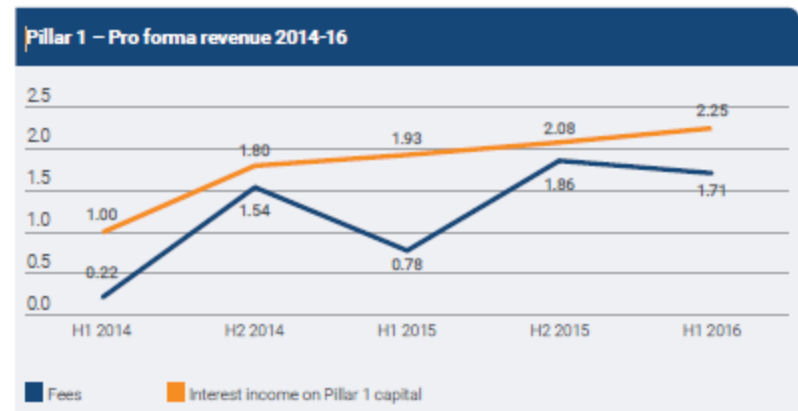


# Sancus BMS Group – Financials (pro forma basis\*)



Earnings			
GBP '000	Full year 2014	Full year 2015	Half year 2016
Revenue	4,170	6,800	3,972
Operating expenses	(3,560)	(4,200)	(1,984)
EBIT	609	2,601	1,988

- Pillar One continues to display strong revenue growth with Sancus and BMS being the main revenue generators in this Pillar at present.
- On an annualised basis, H1 2016 operating expenses are largely in line with FY15. Overall, costs have remained under control as the Pillar's revenue continues to grow, improving the EBIT margin.
- Sancus and BMS are both profitable, with Platform Black looking to benefit from its new GBP50m funding which was committed in July 2016 from external minority investors.

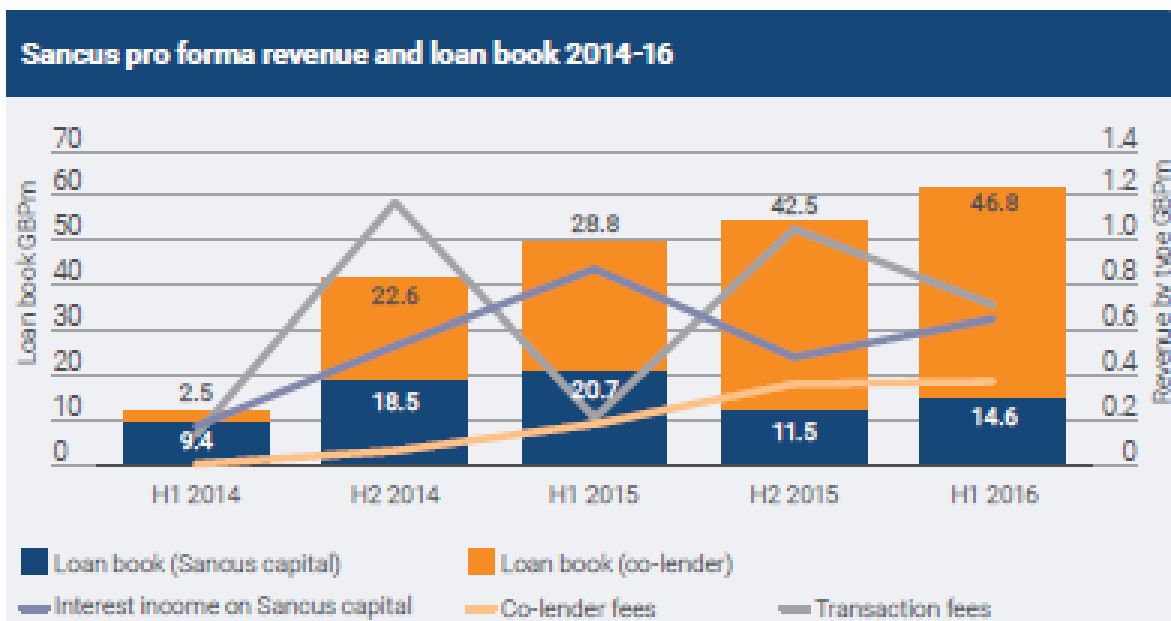


*\*pro forma comparatives have been disclosed as if the Group structure at 30 June 2016 had existed throughout prior periods*

# Pillar One : Sancus BMS Group - Sancus



- Sancus provides secured lending to asset rich, cash constrained borrowers while also providing co-lending opportunities to highvalue clients.
- The key margin generator within this business is from the underwriting and participation of syndicated loans.
- Sancus has loaned in total GBP250m since it became fully operational in January 2015.
- The average loan is GBP2m, duration is 16 months interest rate is 9% and Loan to Value (LTV) is 34% and activities are focused on offshore jurisdictions.

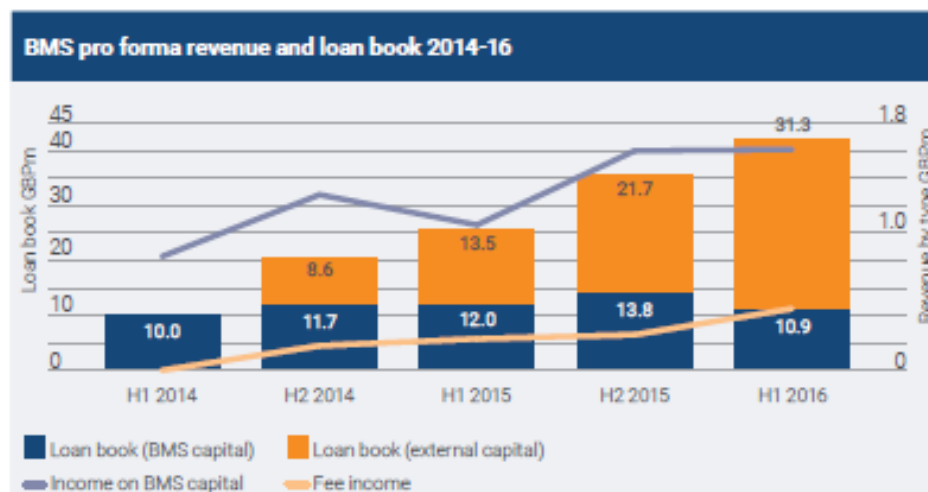


- The pro forma graph shows the performance achieved by Sancus Jersey, Sancus Gibraltar and Sancus Guernsey since 2014. All lending and fees related to transactions with GLI have been eliminated. The results of Sancus IOM have not been included due to the Group only holding 2.1% (now 7%).
- The total loan book has increased by 24% from GBP49.5m at the end of June 2015 to GBP61.4m at the end of June 2016.
- The composition of the loan book has shifted in the period with the decrease in Sancus capital reflecting increased co-lender participation, delivering a profitable higher co-lender participation ratio at the end of H2 2016.
- Interest income in absolute terms has seen a decrease from H1 2015 to H1 2016 due to lower on-balance sheet lending, although lending margins have been maintained.

# Pillar One : Sancus BMS Group - BMS



- BMS Finance arranges and manages senior secured lending of up to GBP5m for UK small and medium sized enterprises (SMEs) and up to EUR5m to Irish SMEs which are at, or approaching, profitability.
- Lending is structured through two distinct investment funds, one focused in the UK and one in Ireland and have committed capital of GBP60m and EUR30m respectively.
- Investment is locked in until 2024, enabling BMS to match its lending time horizon with capital availability.
- Funding provided from BMS Finance's own balance sheet, from GLI, through British Business Bank Investments (BBIL), the National Treasury Management Agency (as controller and manager of the Ireland Strategic Investment Fund (ISIF)) and from SMEF, under matched funding agreements. BMS acts as an advisor to both funds.

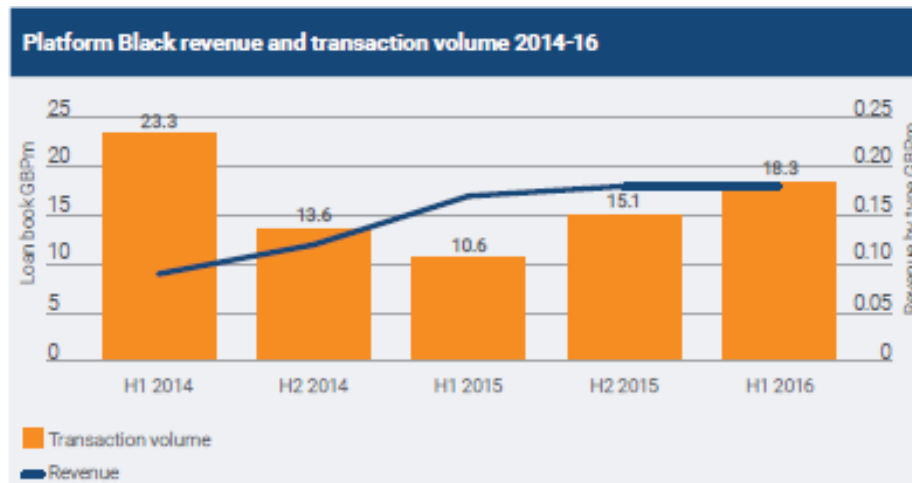


- The loan book funded by external capital has increased significantly from June 2014 to June 2016, the main drivers being the growth in the UK fund and the launch of the Irish fund.
- The decrease in BMS deployed capital from GBP13.8m in December 2015 to GBP10.9m at the end of June 2016 arose following the transfer of legacy loans from BMS's balance sheet into the new funds
- Total income largely shows an upwards trend largely in line with the growth of loans under management
- Further growth anticipated as the deployment of the UK and Irish funds progress
- Default rates continue to remain low at less than 0.5% since GLI's initial investment in 2012

# Pillar One : Sancus BMS Group – Platform Black

Platform  
Black

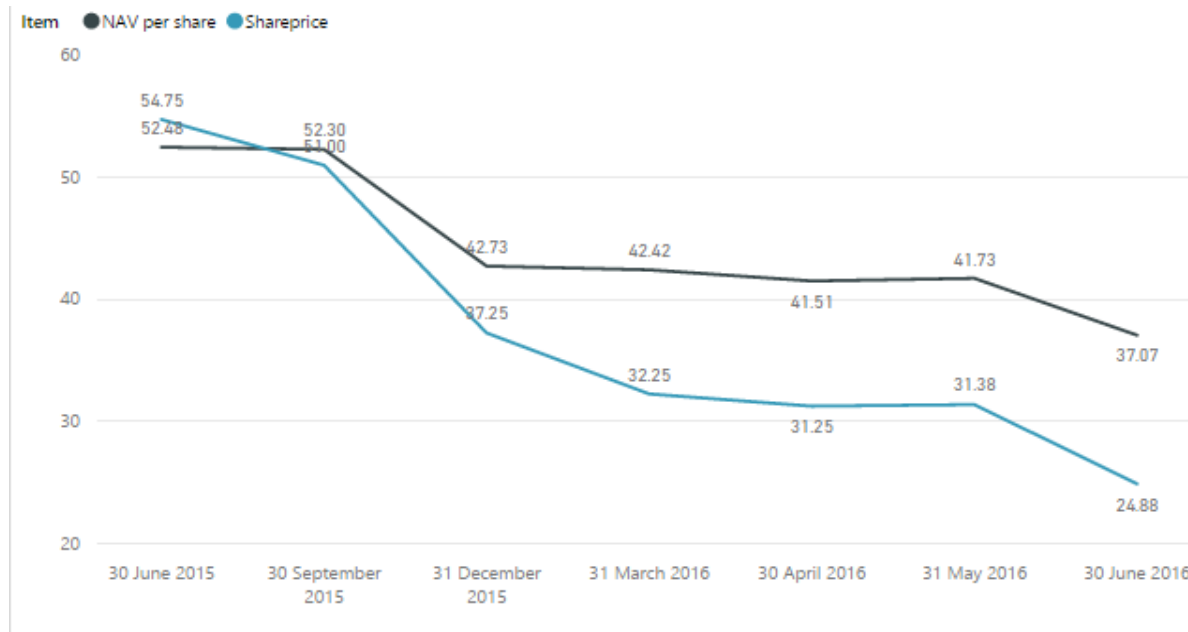
- Platform Black is an innovative online business finance marketplace that connects investors to businesses and institutions who are seeking flexible working capital finance solutions.
- Key developments over last 12 months:
  - In 2015 , the business repositioned its target market into mid corporate supplier and invoice finance solutions.
  - In April 2016 GLI subscribed to GBP6m of preference shares to position for further growth
  - In July 2016 a consortium of private investors took a 10% shareholding with options to buy a further 20% in the next five years
  - New shareholders committed to lend GBP50m through the company, giving opportunity to fund ambitious growth plans in the SME and education sectors
  - Platform Black will change its name to Sancus Finance on 31 December 2016
  - Default rates remain low despite the volume growth reflecting strong credit focus and senior management team



- As reflected in the performance graph, the business is seeing increasing volumes in its targeted SME finance solutions through its innovative education and supplier finance products
- The company's approach has been particularly well received in the university section where the business provides a working capital solution to fund short term funding needs



## Financial Highlights – GLI Share Price & NAV



- The Company NAV per share at the end of June 2016 was 37.07p represented a 13.25% decline since December 2015. The share price at 30 June 2016 was 24.88p representing a 32.9% discount to NAV on a fair value basis.
- The Net Asset Value of the Company has been negatively impacted by write-downs in its Pillar Two investments, primarily at 31 December 2015 and 30 June 2016. This is further explained later in this report.

# Outlook

# Outlook

## ■ Pillar 1

- Created Sancus BMS Group – profitable niche lender operating in 5 jurisdictions with support of British Business Bank and Ireland’s National Treasury Management Agency through investment from ISIF (Irish Strategic Investment Fund). Key focus for 2017 is delivering on revenue target of £4m;
- Sancus BMS Group will have its own electronic platform from December 2016, which will facilitate growth of the businesses online connectivity.

## ■ Pillar 2

- Created wholly owned subsidiary, FinTech Ventures Limited (“FVL”), to hold, initially, the four prioritised FinTech platforms. Key focus is ensuring these platforms are given financial support where required;
- Made prudent write downs to remaining platform portfolio. Key focus is to complete strategic review and maximise value of the remaining platforms.

## ■ Pillar 3

- Amberton have changed the SME Loan Fund Plc (“SMEF”) investment parameters to make the product more suited to its target market. Key focus is to grow AUM of SMEF and launch new complimentary products.

## Outlook (continued)

- **GLI Head Office**
  - Deliver upon annualised cost savings of £1m and continue to focus on cost reduction possible;
  - Continue to improve the Group's debt profile in terms of overall cost (6.8%), with initial focus on the syndicated loan of GBP14.86m, maturing on 15 March 2017.

# 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, one of GLI's core niche lending businesses, Andrew was a founding partner of Ermitage Group following its MBO in 2006 from Liberty Life. He was also CIO of Ermitage's Wealth Management business and during his 10 year tenure won multiple investment awards..



Emma Stubbs Chief Financial Officer

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.



Russell Harte Chief Operating Officer

Russell is a Chartered Accountant with extensive general management, operations and risk management experience. His recent roles have included being Finance Director of Liberty Holdings Limited, a JSE listed long term insurer, where he played a key role in the turnaround of that business. Most recently he was CFO of Standard Bank Jersey Limited.

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