

S&U

Q127 strong trading, driven by Advantage

S&U has issued a strong Q127 trading update highlighting the growth trajectory of the business and providing support for FY27 profits. According to the statement, group profitability for the period (6 February 2026 to 30 April 2026) is ahead of Q126 and management's budget. That said, transaction growth at both Advantage and Aspen has slowed over the period, given lower consumer confidence and economic growth forecasts. Advantage, the car financing unit, posted improved net interest margins and repayment rates. Aspen, the property lender, posted higher receivables versus the same period in the prior year. We view S&U's Q127 exit trajectory positively, but given the economic uncertainty in the UK from the continuing Iran war we believe it prudent to keep our forecasts for FY27 unchanged. The market reacted strongly, sending the shares up c 8% immediately following the release of the results.

Year end	Revenue (£m)	PBT (£m)	EPS (£)	DPS (£)	P/E (x)	Yield (%)
1/25	115.6	24.0	1.47	1.00	13.3	5.1
1/26	107.4	31.8	1.95	1.15	10.0	5.9
1/27e	122.2	35.2	2.19	1.20	8.9	6.1
1/28e	147.8	39.3	2.46	1.30	7.9	6.6

Note: All figures are on a reported basis.

Advantage's Q127 performance showed a continued strong recovery with transactions this quarter up 63% y-o-y, despite recent downgrades to UK projected GDP. This should allow Advantage to slightly increase its current 10% share of the UK used-car finance market. Average lending rates rose to 15.3%, significantly higher than in Q126. Receivables were £392m in the period, a 12.6% increase versus £348m in Q126. Improving credit quality was also a feature with bad debt write-offs falling by c 41% and customer repayments up c 8% y-o-y, driven by better collections. Management believes that Advantage is on track to reach its targeted 20% net receivables growth rate for FY27.

Aspen, the property bridging company, continues to weather the storm of the softer UK residential market. PBT is on budget and flat versus FY26. The company has observed in recent weeks a distinct upturn in both applications and deal numbers. Receivables for the period were £191m, an increase of c 18% y-o-y. Credit quality remains strong with only 15 of its 246 live accounts being beyond term. Management anticipates another record year from Aspen, but thinks it would be unwise to make strong year-end predictions after just one quarter.

On funding, borrowings at the end of Q127 were c £252m against current funding facilities of £330m, providing sufficient headroom for growth. The company says that its securitisation project is being concluded, which will deliver medium-term funding at lower rates and equal flexibility. The terms have been agreed, and the pertinent details will be announced in due course.

On c 9x FY27e P/E, 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 FY27 growth continues to materialise. The dividend yield of c 6% offers attractive income support, while awaiting a recovery in earnings. The company will host its AGM on 24 June 2026 and announce Q2 trading on 26 August 2026.

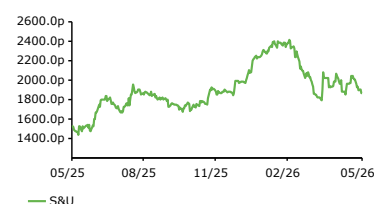
Q127 trading statement

Financial services

20 May 2026

Price	1,955.00p
Market cap	£238m
Net cash/(debt) at 31 January 2026	£(241.8)m
Shares in issue	12.2m
Free float	25.0%
Code	SUS
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(7.5)	(19.8)	29.5
52-week high/low		2,394.6p	1,346.5p

Business description

S&U's Advantage motor finance business lends on a simple hire-purchase 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.

Next events

AGM statement	24 June 2026
Q2 trading statement	26 August 2026

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