

# PCF Group Plc

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## PCF Group strategy on track as new banking platform boosts profits

PCF Group Plc's (LON:PCF) new internet banking platform has been "a real game changer" for the specialist bank, according to chief executive Scott Maybury.

Maybury said the platform provides the bank access to cheaper funds, which allows it to expand in existing markets and increase profitability.

The first-half results, published in May, showed that PCF has taken on more than 2,400 new customers and retail deposits have increased to £108m since receiving the regulatory go-ahead to begin activities as a fully-operational bank in July 2017.

The lower cost of funding that the new banking platform has delivered for PCF has led to a 97% increase in business volumes and 40% growth in the portfolio.

### Profits jump in 'rewarding period'

Despite the costs of becoming a bank and developing the platform, PCF achieved a 20% increase in pre-tax profits to £2.1m in the six months to March and Maybury expects further growth in future.

"The top line numbers are very good, the cost base is fixed so as we scale the portfolio all that new income from the portfolio goes to the bottom line in a larger way to make us increasingly profitable," Maybury said.

The investment in setting up PCF Bank resulted in a reduction to return on equity to 8.7% from 10.5% a year earlier but the group is confident this will be a short-term impact.

PCF believes the benefits of the banking model have already started to accrue with lower funding costs, the ability to reach and retain a wider range of customers, greater flexibility to diversify the business, access to the Sterling Monetary Framework and lower risk from relying solely on wholesale funding.

The reporting period saw a return to growth for the Consumer Finance Division with originations up 81% to £28m (2017: £16m).

Earnings per share for the group was maintained at 0.8p but management held out the prospect of delivering increasing profitability as the lending portfolio grows against a largely fixed cost base.

"This has been a rewarding period. We set ourselves ambitious targets for our first year as a bank and have made excellent progress towards achieving those objectives," Maybury said.

**Price:** 41.75p

**Market Cap:** £88.61M

### 1 Year Share Price Graph



September 2017 March 2018 September 2018

### Share Information

**Code:** PCF

**Listing:** AIM

**52 week High Low**  
44.00p 22.56p

**Sector:** General Financials

**Website:** www.pcf.bank

### Company Synopsis:

*PCF Bank was established in 1994 to bring two qualities into vehicle and plant & equipment financing: simplicity and customer focus*

*"We are a specialist in this area and have helped over 70,000 consumers and businesses by providing them with hire purchase and finance lease facilities. Now, we are applying the same qualities with which we made our reputation to the wider world of banking."*

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"We came into this financial year with a significantly higher cost base but have still delivered good growth in profitability. We expect this to accelerate through operational gearing, as we scale our portfolio and continue to put the new capital and infrastructure to work."

### Positive outlook

PCF said the new business pipeline is strong and the group is pleased the quality of business it is writing.

While the company is cautious about the outlook for the UK economy, it believes it is well-placed to handle any challenges given its current impairment performance and wealth of experience in its chosen markets.

"By maintaining prudent and responsible lending, we are confident that we will continue to perform well in our existing markets," chairman Tim Frankland said.

Frankland said PCF's medium-term target for a £350m portfolio by 2020 is well within its sights, driven by organic growth in existing products.

The longer-term goal is to grow the portfolio to £750m through acquisitions, strategic partnerships or setting up new specialist teams.

"This wide range of opportunities needs to be carefully researched and we will be most attracted to those which use technology as the enabler for growth and to those that provide synergies with our current infrastructure and customer base," Frankland said.

"We remain on track to meet our own and market expectations and look forward to reporting continued success as the year progresses."

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