



Update ahead of strategy seminar

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

London - 11 March 2024 - Vanquis Banking Group ('the Group') makes the following market update ahead of its 2023 results announcement and strategy seminar on Wednesday 27 March 2024.

2023 outturn

The Group's expectations for its 2023 results have not changed since its trading update on 1 February 2024, with adjusted profit before tax¹ (PBT) for FY 2023 expected to be £25m.

Strategy seminar

On 27 March 2024, the Group will set out its strategy to deliver an adjusted return on tangible equity² (ROTE) in the mid-teens from 2026. This significant improvement will be driven by a return to sustainable income growth, together with the benefits of greater efficiency. At its strategy seminar, the Group will describe in detail the initiatives already under way to serve a broader, carefully targeted addressable market with a more extensive customer proposition. It will also present a detailed route map to achieve significant payback across the business in 2026 from its technology infrastructure investment.

2024

The Group is continuing to take significant steps in the first quarter of 2024 to redevelop its customer proposition and reset pricing. With the implementation of these changes, the Group expects to return to modest lending growth from the start of the second quarter. However, income is expected to be materially lower than market consensus expectations³ for 2024.

The Group is not a subject of the FCA's review of historical motor finance commission arrangements and sales.

Nevertheless, the Group has been experiencing significant levels of third party complaint submissions. Reviewing them is causing an increase in administration costs. While the vast majority of these complaints are not upheld, the associated costs are likely to materially impact the Group's profitability in 2024. The Group is exploring proactive legal steps to address this situation.

The Group remains on track to deliver the benefits of its previously announced cost saving commitments.

Allowing for the factors described above, the Group expects to deliver adjusted PBT for 2024 which will be substantially lower than market consensus, resulting in a low single digit adjusted ROTe.

2025

In 2025, the Group intends to deliver accelerated but disciplined growth across its full range of products. However, the near-term adverse impact of IFRS9 accounting requirements linked to receivables growth means that the Group's adjusted ROTe is expected to remain in the low single digits, as it continues its repositioning and transformation.

Dividends

The Group intends to propose a final dividend of 1.0p per share for 2023, subject to final Board and regulatory approvals. The Group also signals its intention to pay a dividend of up to 1.0p per share for 2024, subject to Board and regulatory approvals, with measured progression in 2025. From 2026, following full implementation of the new strategy, the Board will revisit the capital allocation policy and reset the level of dividend from which to maintain a progressive policy thereafter.

Ian McLaughlin, Chief Executive Officer said: “We have short term challenges to address but remain confident that the Group’s new strategy will deliver good outcomes for our customers and attractive and sustainable returns for our shareholders over the medium and longer term. I look forward to setting out our detailed plans at our strategy seminar.”

¹ Adjusted profit before tax is stated before amortisation of acquisition intangibles, discontinued operations and exceptional items.

² Adjusted return on tangible equity is defined as adjusted profit after tax net of fair value gains for the 12 months ended 31 December as a percentage of average adjusted tangible equity for the 13 months ended 31 December. Adjusted tangible equity is stated as equity after deducting the Group’s pension asset, net of deferred tax, and the fair value of derivative financial instruments, net of deferred tax less intangible assets and goodwill.

³ Company-compiled consensus for 2024 based on a simple average of six sets of analyst estimates is as follows:

Total income	£538.3m
Impairment	£(181.1)m
Costs	£(282.1)m
Adj. PBT	£75.1m

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