Funding Circle

BUILDING A BETTER FINANCIAL WORLD

Full Year Results Presentation

Year ended 31 December 2018

7 March 2019

Highlights

Delivering on IPO guidance and continuing our strategy of investing for growth

Platform

55% Growth in loans under management in 2018 to £3.15bn (2017: £2.11bn)[1]

40% Growth in originations in 2018 to £2.29bn (2017: £1.74bn)[2]

60,000+ Total SME borrowers at end of 2018

85,000+ Total investors at end of 2018

New funding deals including $1bn and £1bn funding commitments in the US and UK

Financials

55% Growth in revenue in 2018 to £141.9m (2017: £94.5m)[3]

5% Positive segment adjusted EBITDA margin (£7.0m) (2017: negative 4%)

20% Negative adjusted EBITDA margin (£28.5m loss) (2017: negative 27%)

£300m IPO proceeds before expenses of £15m

41% Marketing as a % of revenue, flat in 2018 (2017: 41%)

Source: Funding Circle.
1. Loans under Management of £3.12 billion (2017: £2.01 billion) when property loans under management of £25 million (2017: £95 million) are excluded
2. Originations of £2.28 billion (2017: £1.63 billion) when property originations of £6 million (2017: £107 million) are excluded
3. Revenue of £141.5 million (2017: £91.4 million) when property revenue of £0.4 million (2017: £3.1 million) is excluded

Funding Circle’s platform model

Platform Model

Our model enables SME borrowers to access finance directly from investors

Small businesses access fast, affordable finance

10 years' trading history

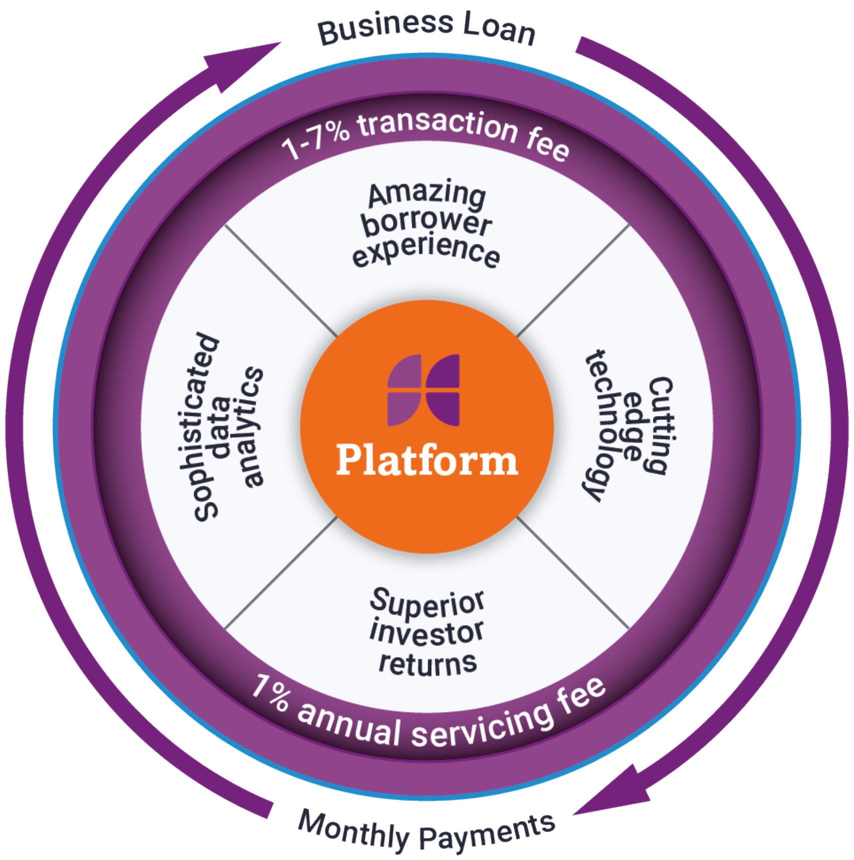
8 employees

£950k revenue

~£70k loan size

52 months average term

10 minute application; 24 hour turnaround



Investors earn attractive returns

85,000+ investors globally

5-8% projected returns across all geos[1]

58% of funding from inst. investors in 2018 - 28% retail, 9% FCIF, 5% national and supranational entities

45% of funding in 2018 from global investors

Source: Funding Circle.
1. Based on loans originated in 2018

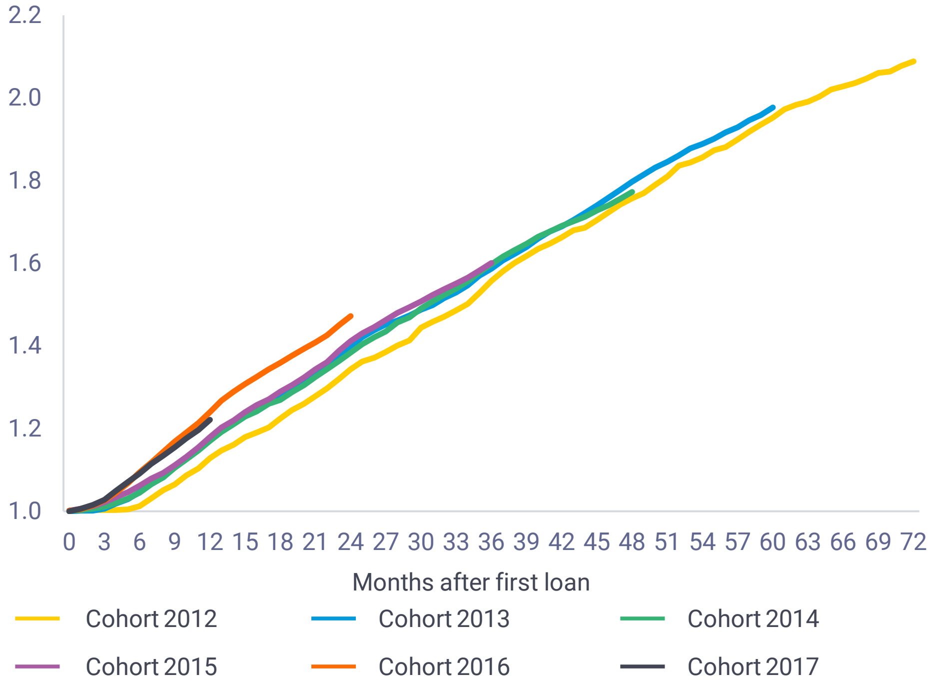
Better For Borrowers

A better borrower experience leads to repeat behaviour

Market leading customer satisfaction scores lead to repeat behaviour

- Net Promoter Score between 80-90 in UK and US
- On average borrowers take out two loans every 60 months
- 85% of borrowers would choose Funding Circle again in the future rather than their bank

UK: Average # of loans taken per SME vs months after first loan by cohort[1]



1. Funding Circle data; UK figures excluding Property loans. Cohort refers to the year in which the borrower first entered into a loan agreement. Only includes data points with a full cohort.

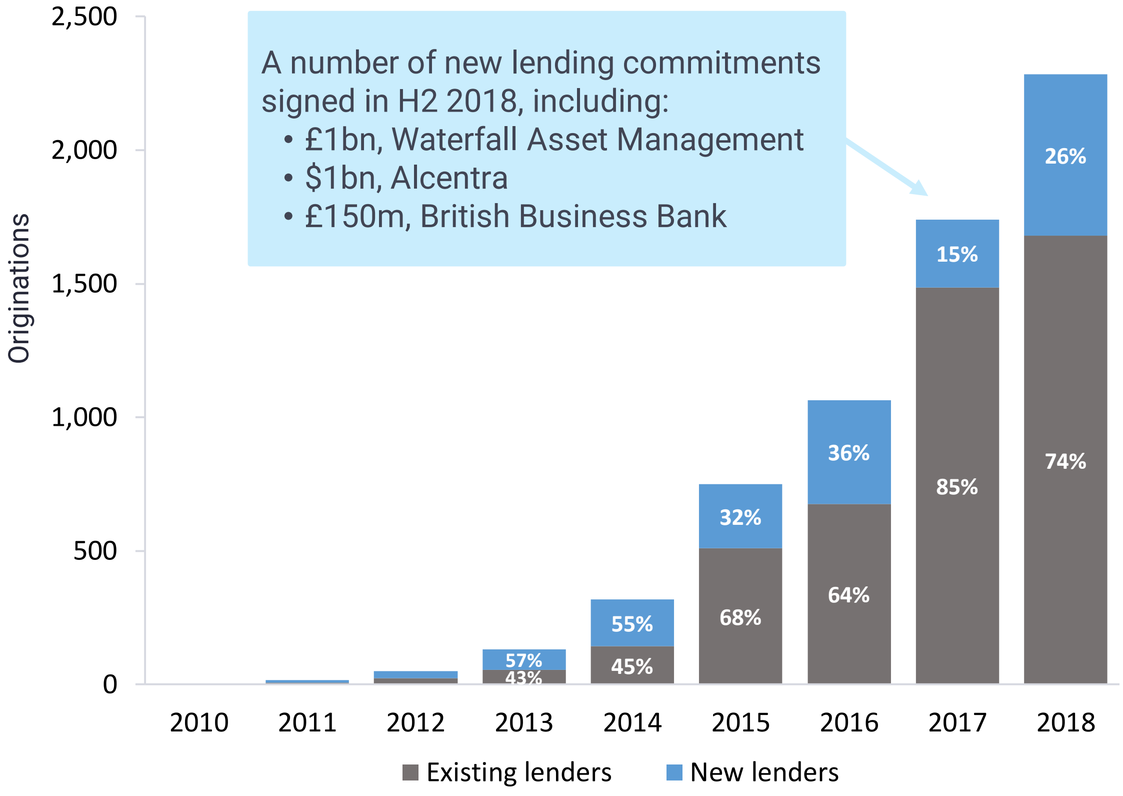
Better For Investors

A better investor experience leads to repeat behaviour

Attractive returns to investors across all markets

- Projected annual returns of 5-8% across all geographies[1]
- Exposure to asset class that was previously inaccessible
- Deep and diversified portfolio of loans across sectors, regions and risk bands

Existing investors continue to grow their investments over time

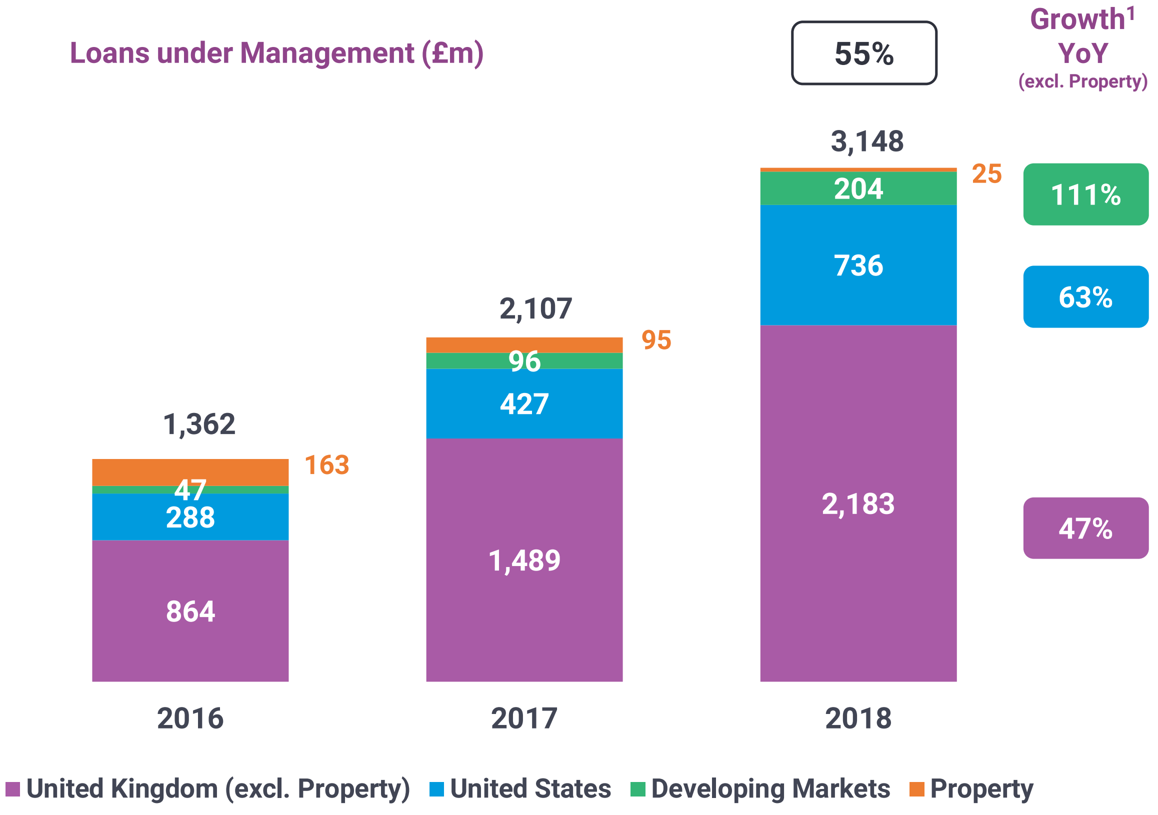


1. Projected annual returns and bad debt rate for loans originated in 2018, by geography

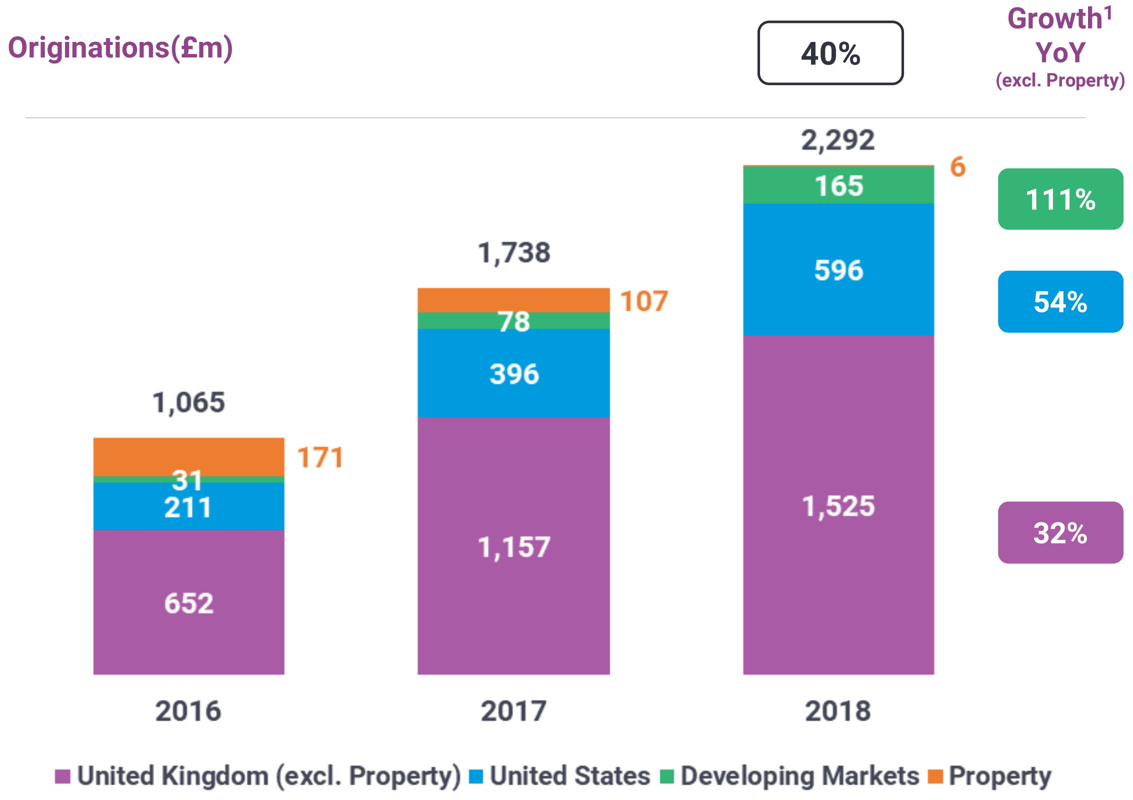
Group Financial Performance

Loans under Management (LuM) and Originations

LuM exceeded £3 billion



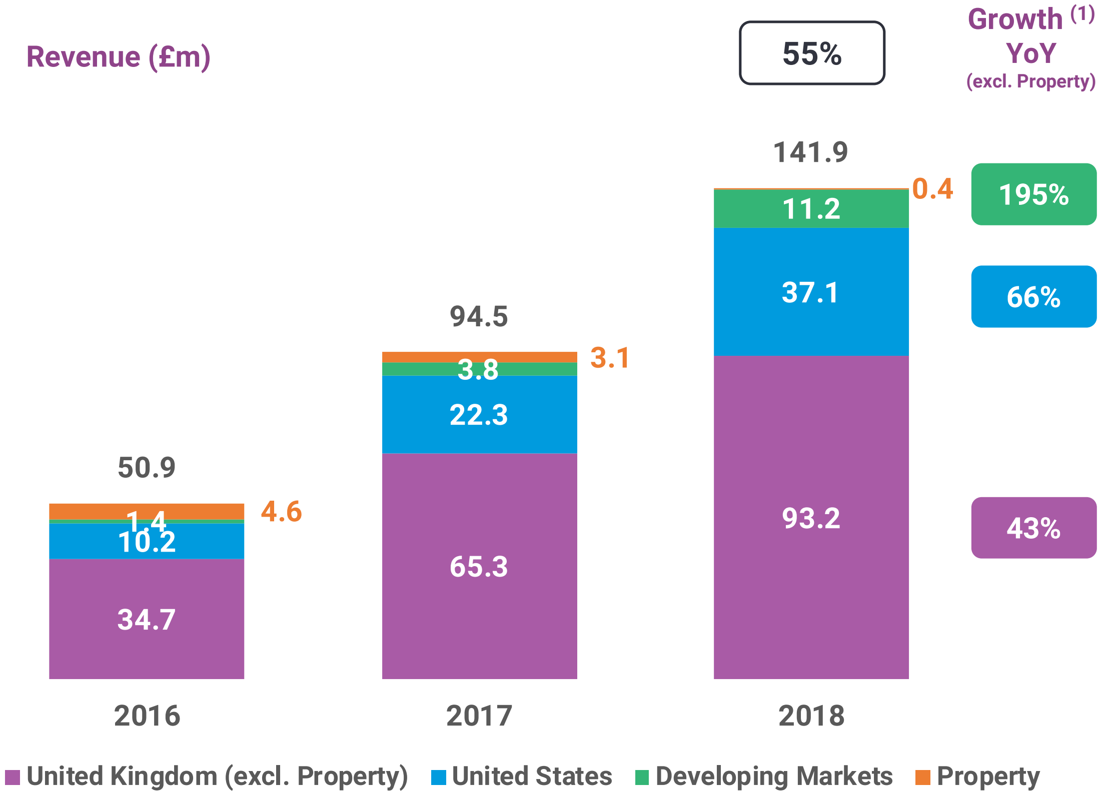
Originations exceeded £2 billion



1. Geo segment growth stated in local currency to eliminate FX variations and to exclude Property

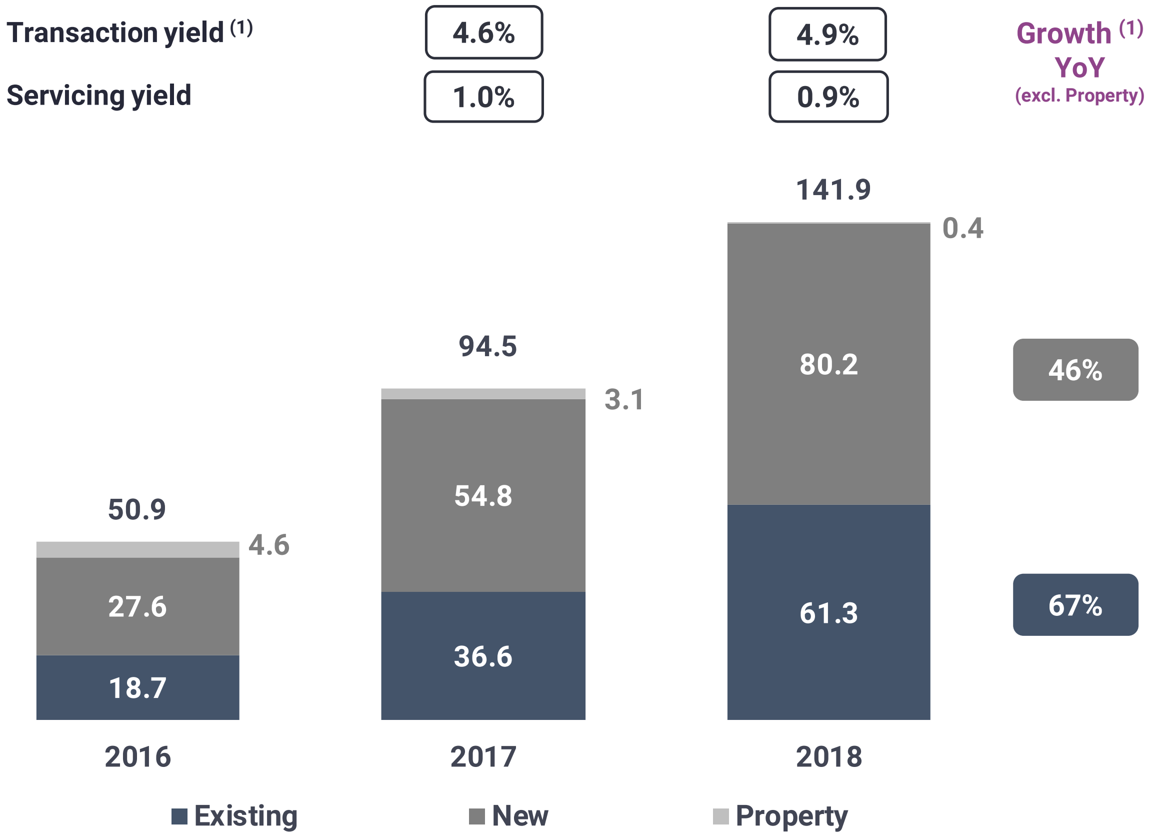
Revenue

Revenue growth of 55%[1] exceeded IPO guidance of c.50%



Revenue by type

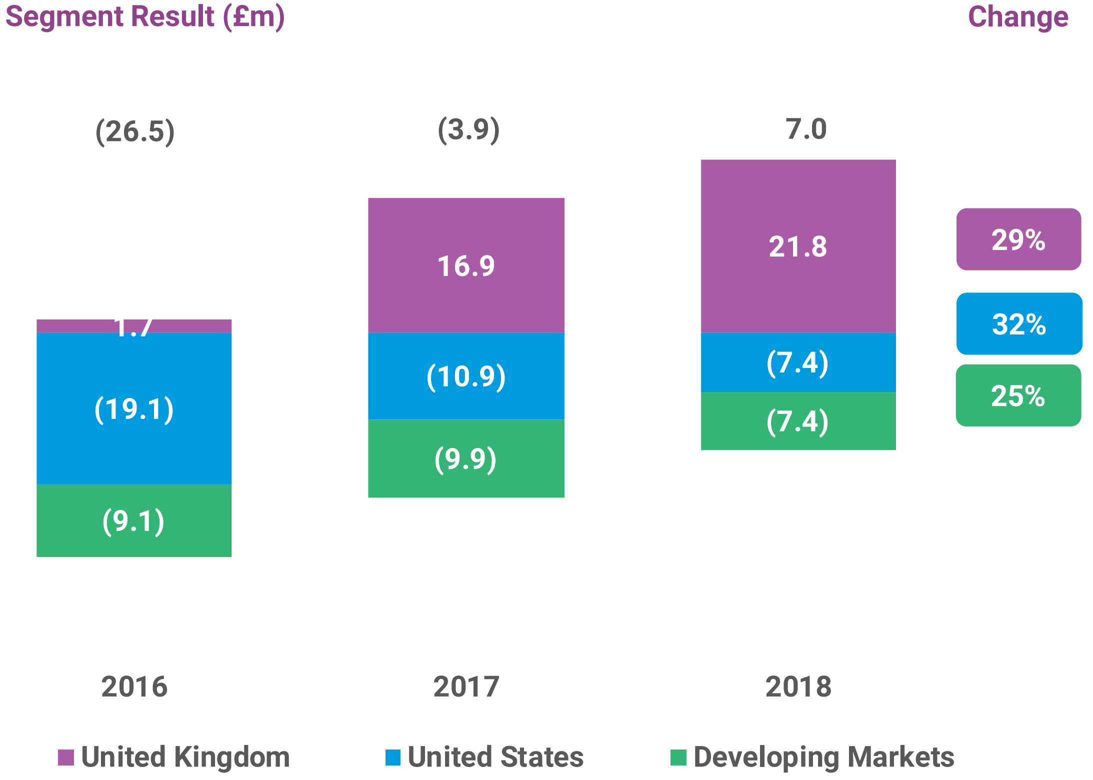
£m



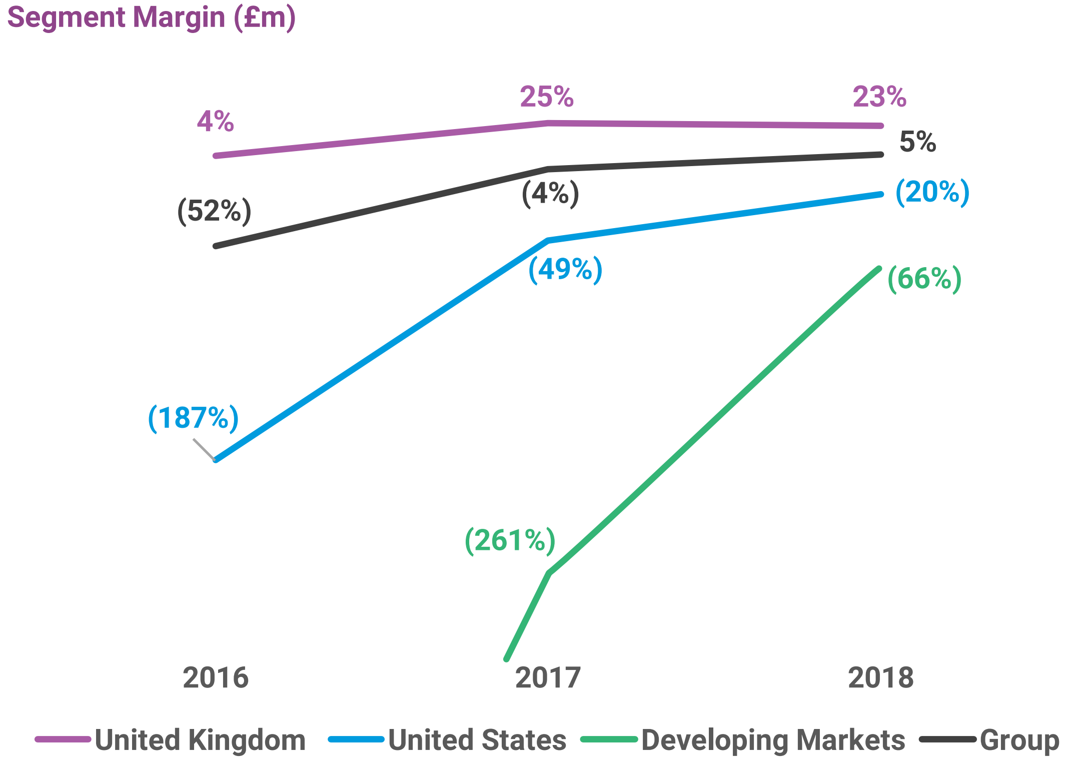
1. Excluding Property

Segment Adjusted EBITDA and Margin

Steady improvement in all geos as the business scales with the Group recording a Segment Adjusted EBITDA for the first time



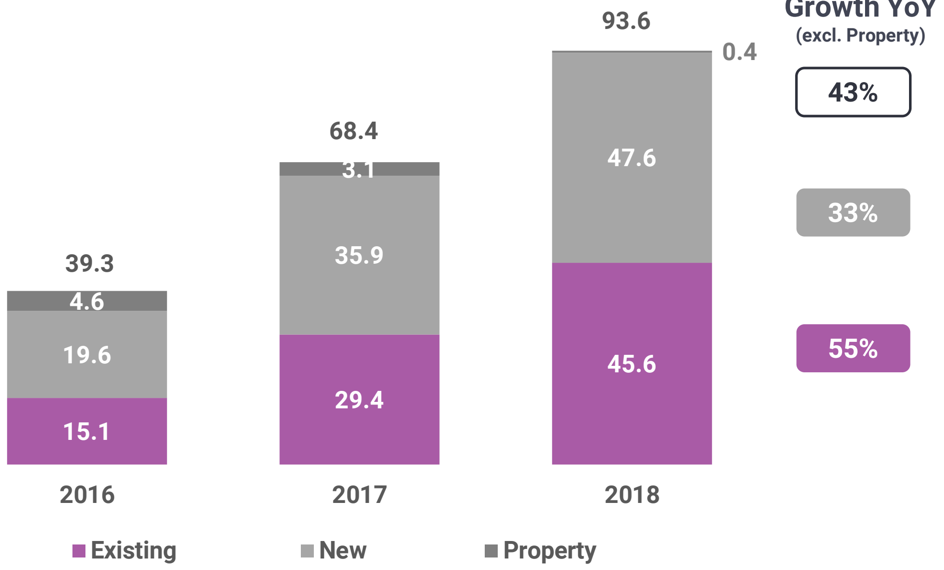
Overall Segment Margin of 5% after another year of 41% of revenue invested in marketing spend



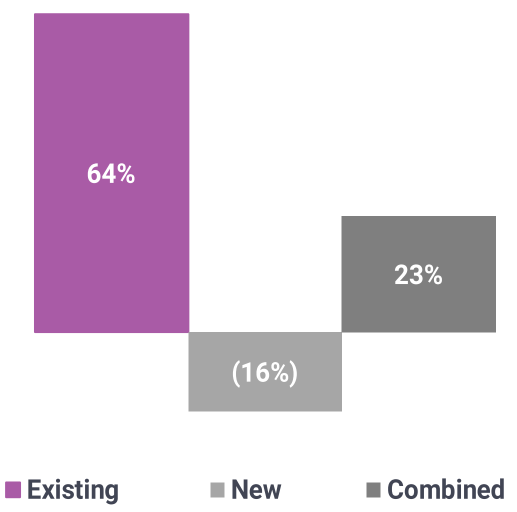
United Kingdom

Existing customers now represent almost half of UK revenue

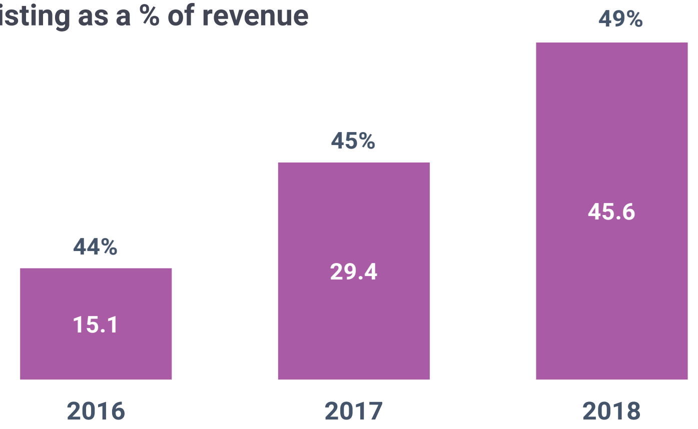
Revenue (£m)



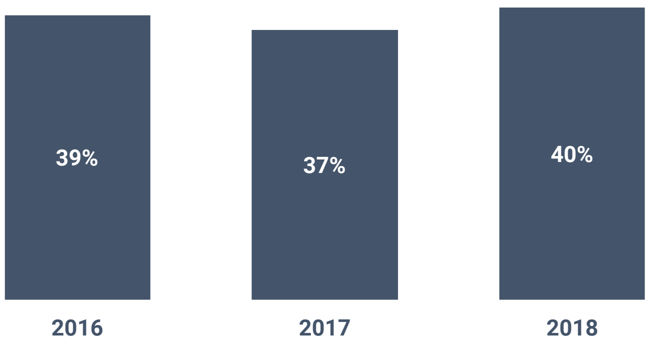
Segment Margin – 2018 (%)



Existing as a % of revenue



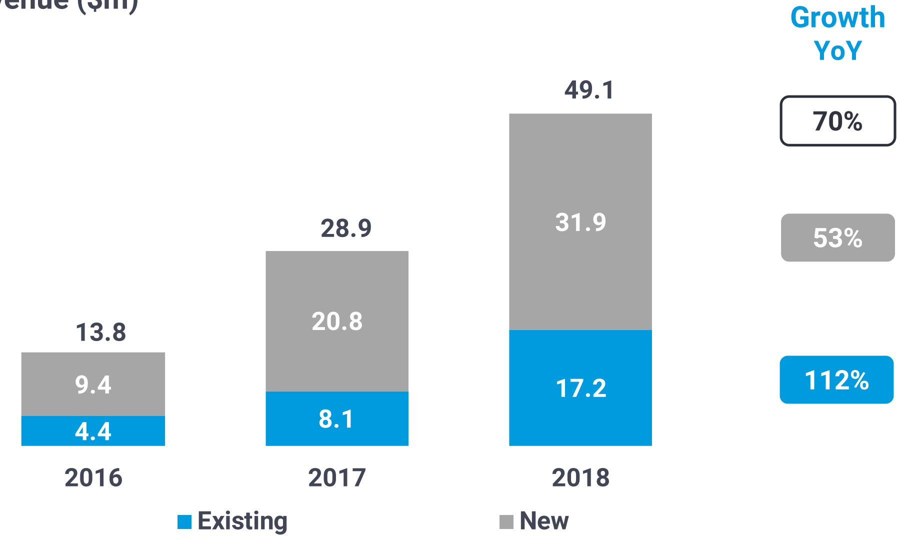
Marketing spend % of revenue



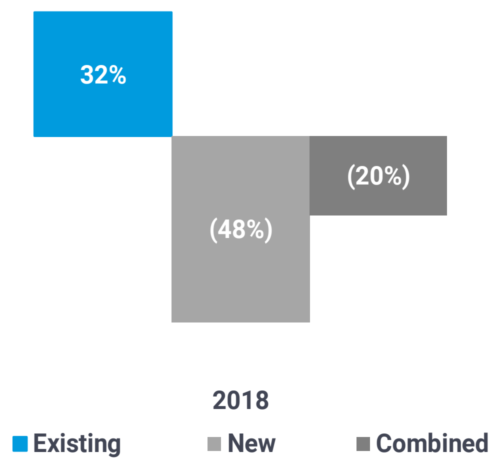
United States

Improvement in segment loss margin and strong revenue growth

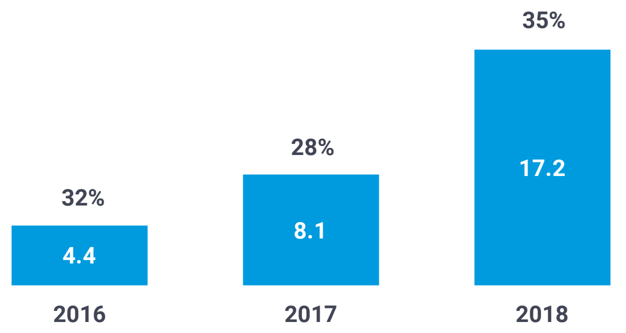
Revenue ($m)



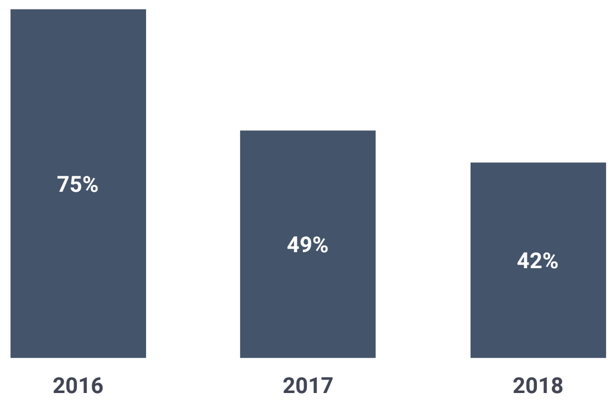
Segment Margin – 2018 (%)



Existing as a % of revenue



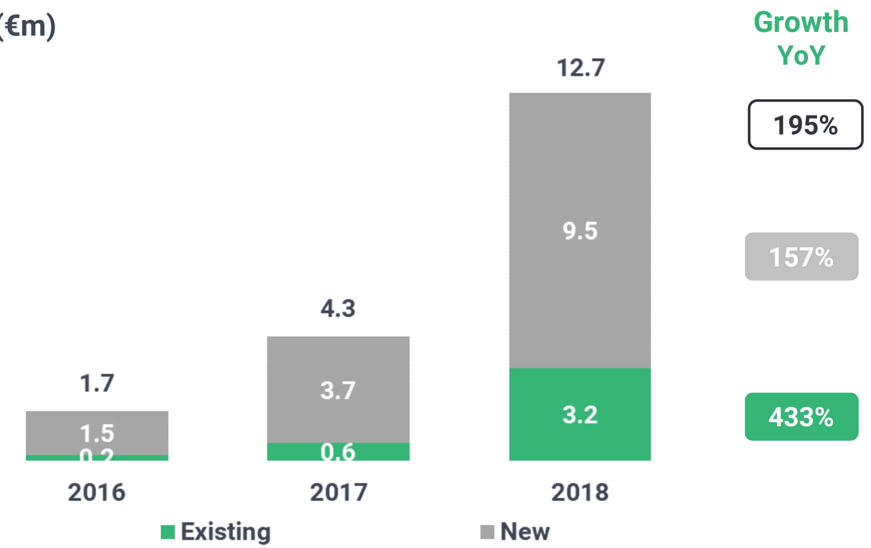
Marketing spend % of revenue



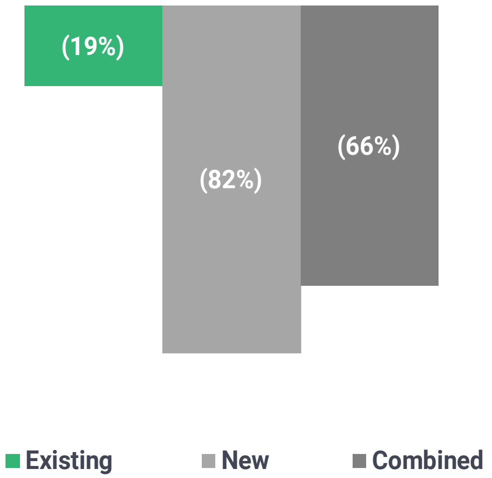
Developing Markets

Significant growth in scale with revenues trebling year-on-year

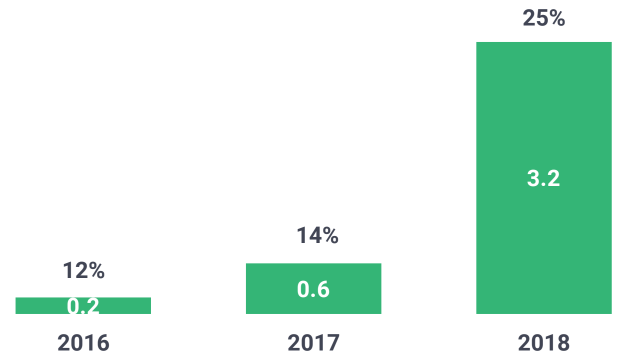
Revenue (€m)



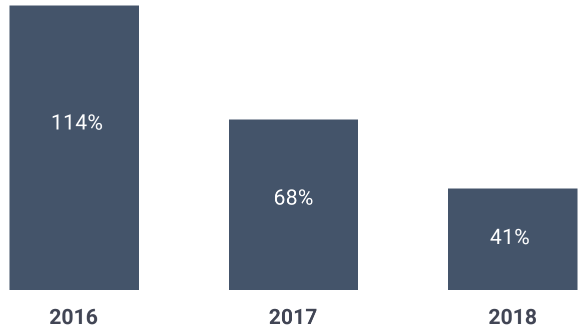
Segment Margin – 2018 (%)



Existing as a % of revenue

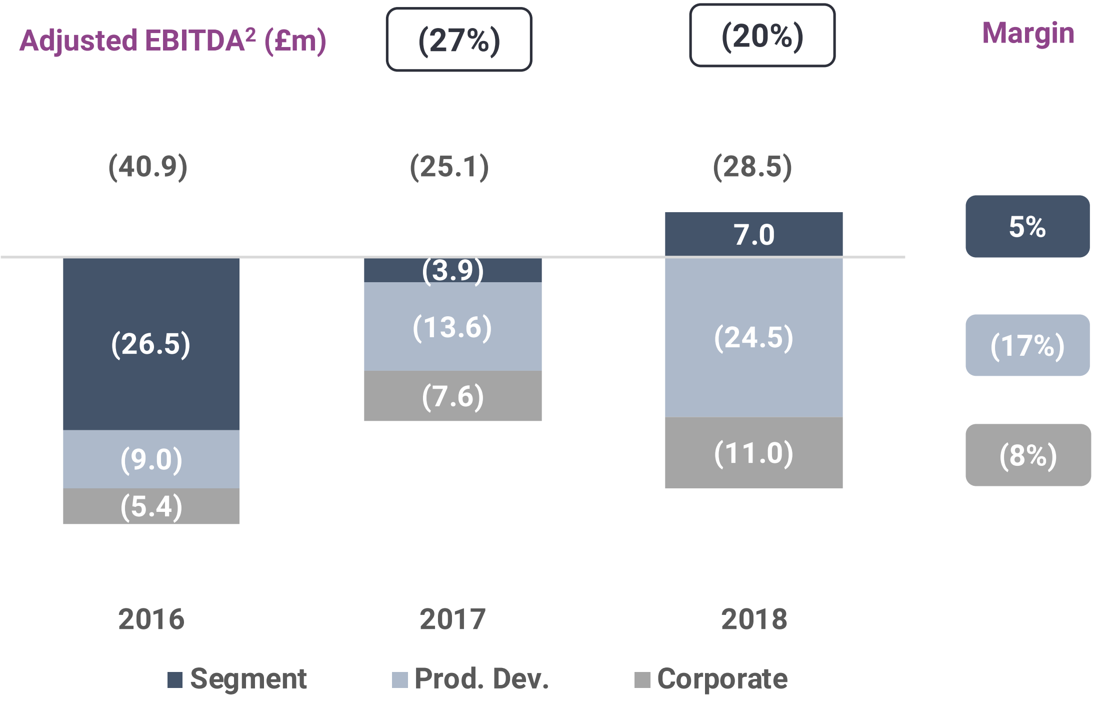


Marketing spend % of revenue

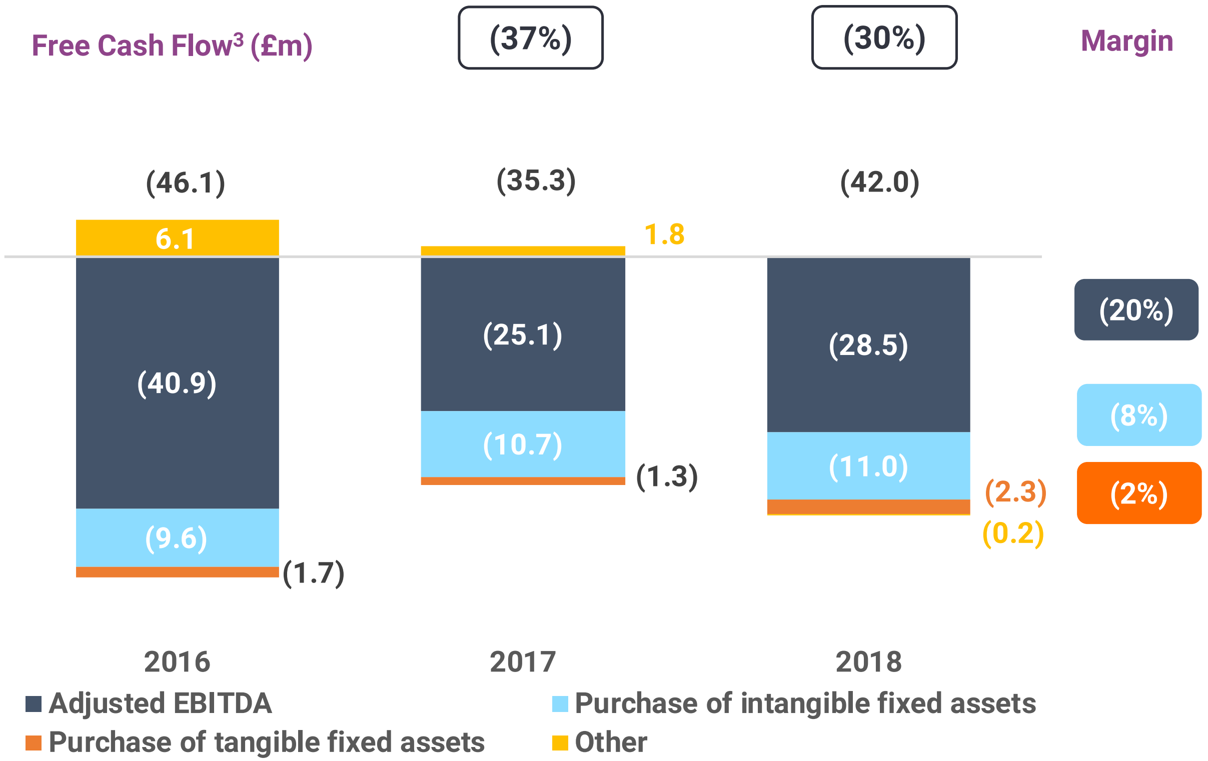


Adjusted EBITDA and Free Cash Flow

Central costs[1] broadly flat at 25% of revenue as increase in technology investment expensed. Adjusted EBITDA margin improvement from geo segment result



Decrease in Free Cash Outflow margin to 30% from improving adjusted EBITDA margin



1. Central costs represent the sum of Product Development and Corporate costs
2. Adjusted EBITDA represents EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) excluding share-based payments, exceptional items and foreign exchange gains or losses
3. Free Cash Flow represents the total of cash outflows from operating and investing activities and is stated before financing activities

Profit and Loss

Of the £15m cash IPO costs, £5.9m were booked as exceptional items, with the balance recorded against equity

Segmental View	2016 £m	2017 £m	2018 £m
United Kingdom	34.7	65.3	93.2
United States	10.2	22.3	37.1
Developing Markets	1.4	3.8	11.2
Property (UK only)	4.6	3.1	0.4
Revenue	**50.9**	**94.5**	**141.9**
United Kingdom	1.7	16.9	21.8
United States	(19.1)	(10.9)	(7.4)
Developing Markets	(9.1)	(9.9)	(7.4)
Segment Result	**(26.5)**	**(3.9)**	**7.0**
Product development	(9.0)	(13.6)	(24.5)
Corporate costs	(5.4)	(7.6)	(11.0)
Adjusted EBITDA	**(40.9)**	**(25.1)**	**(28.5)**
Depreciation and amortisation	(4.2)	(6.8)	(8.2)
Share-based payments	(6.7)	(4.4)	(8.6)
Exceptional items	-	-	(5.9)
Foreign exchange gain/(loss)	3.9	(0.6)	(0.4)
Operating loss	**(47.9)**	**(36.9)**	**(51.6)**
Finance income	0.7	0.6	0.9
Loss before taxation	**(47.2)**	**(36.3)**	**(50.7)**
Income tax	0.6	1.0	1.4
Loss for the year	**(46.6)**	**(35.3)**	**(49.3)**
Basic and diluted loss per share	(20.3p)	(14.0p)	(18.2p)

Marketing expenditure of ~£58m included above the line spend of ~£13m

Income Statement View	2016 £m	2017 £m	2018 £m
Transaction revenue	39.6	76.5	112.9
Servicing revenue	10.9	17.1	24.9
Other revenue	0.4	0.9	4.1
Revenue	**50.9**	**94.5**	**141.9**
People costs	(36.4)	(47.9)	(70.6)
Marketing	(24.8)	(38.7)	(57.8)
Other	(30.6)	(33.0)	(42.0)
Operating Costs	**(91.8)**	**(119.6)**	**(170.4)**
Adjusted EBITDA	**(40.9)**	**(25.1)**	**(28.5)**

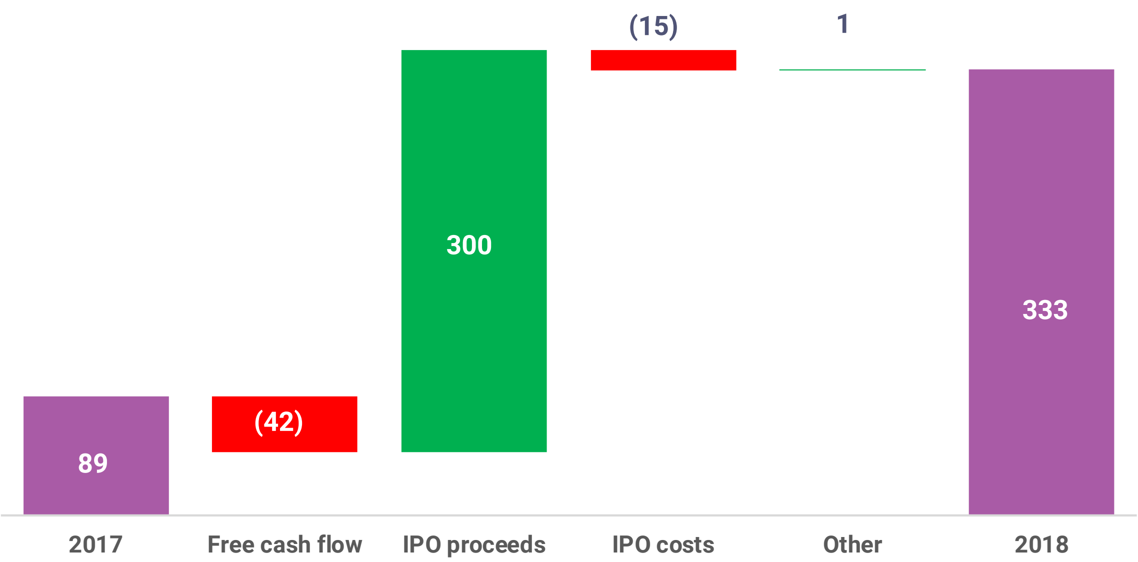
Commentary

- The share-based payments charge of £8.6m includes national insurance of £3.6m relating to employer's social security costs
- Of the £15.0m of cash IPO costs, £5.9m were booked as exceptional items, with the balance recorded against equity
- The income tax credit of £1.4m was in respect of R&D credits received in the UK

Cash and Balance Sheet

Increase in net cash of £244m including free cash outflow of £42m and net IPO proceeds of £285m

Cash and cash equivalents (£m)



Total equity in excess of £400m

Balance Sheet	2016 £m	2017 £m	2018 £m
Goodwill	41.4	41.3	42.3
Intangible assets	11.7	16.2	21.5
Property, plant and equipment	5.1	4.7	5.3
Investments	1.2	0.3	0.3
Non-current assets	**59.4**	**62.5**	**69.4**
Investments	1.3	3.1	4.7
Trade and other receivables	11.8	13.4	23.0
Cash and cash equivalents	43.3	88.9	333.0
Current assets	**56.4**	**105.4**	**360.7**
Total assets	**115.8**	**167.9**	**430.1**
Trade and other payables	10.5	12.0	23.1
Provisions	0.7	2.1	3.8
Current liabilities	**11.2**	**14.1**	**26.9**
Non-current liabilities: Provisions	**0.4**	**0.4**	**0.8**
Share capital	0.2	0.2	0.3
Share premium account	196.0	278.0	291.8
Foreign exchange reserve	15.2	13.3	15.7
Share options reserve	9.5	13.9	6.0
Accumulated (losses) / Retained earnings	(116.7)	(152.0)	88.6
Total equity	**104.2**	**153.4**	**402.4**
Total liabilities & equity	**115.8**	**167.9**	**430.1**

Market Analysis

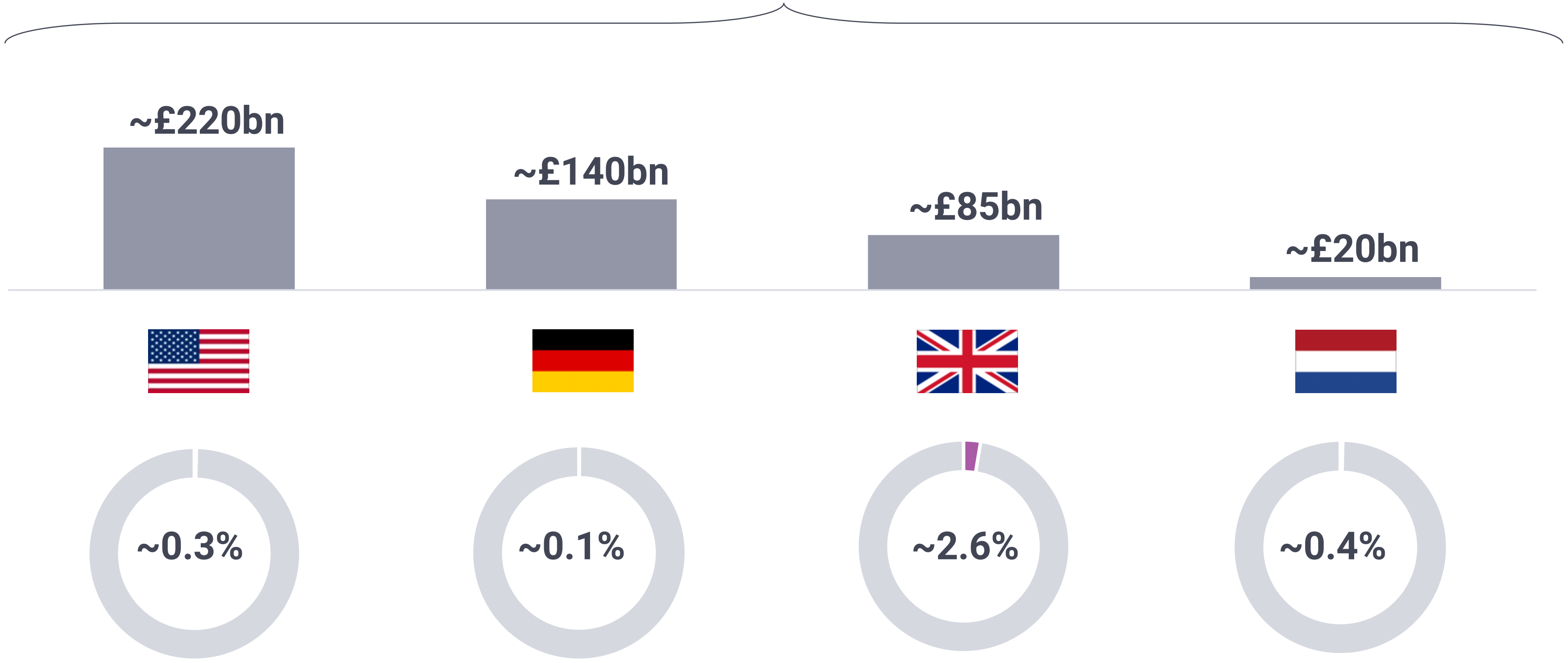
Large Target Market

There is a large opportunity for growth within all of our existing geographies

Current TAM across 4 geographies[2] **~£470bn**

Target Addressable Market by geography[1]

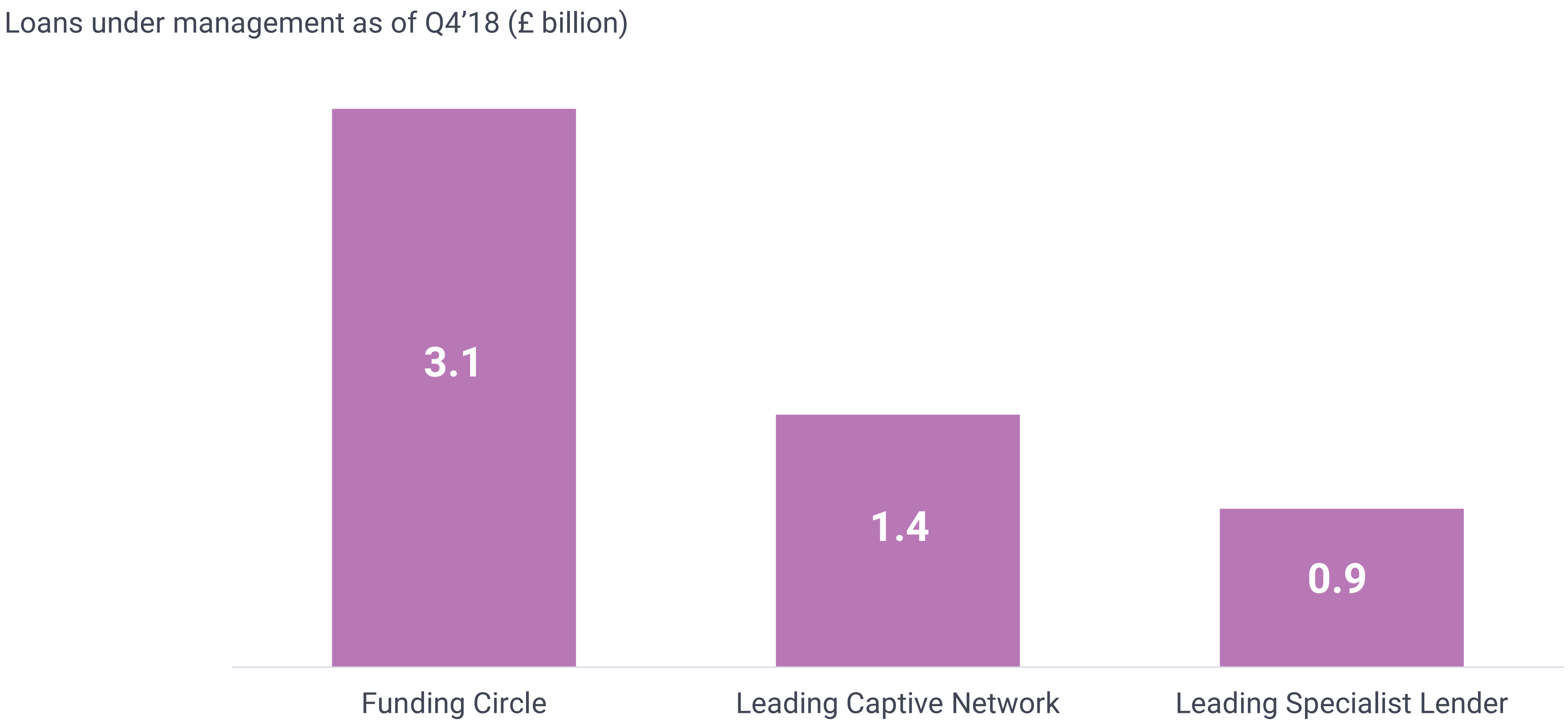
Estimated share of TAM by geography[2]



1. Source: OC&C analysis, aggregated and triangulated from >30 publically available sources (e.g. BoE, FDIC, Bundesbank, DNB, industry associations, government/bank survey data). Target addressable market excludes commercial mortgages, loans / debt products <5k and >500k in local currency and loans with APR >25%. Market sizes converted at USDGBP 0.72 and EURGBP 0.89. 2. In US, higher minimum threshold of $25k.
2. Source: Funding Circle. Based on Loans under Management as of 31 Dec 2018, calculated in local currency.

Global Online SME Lending

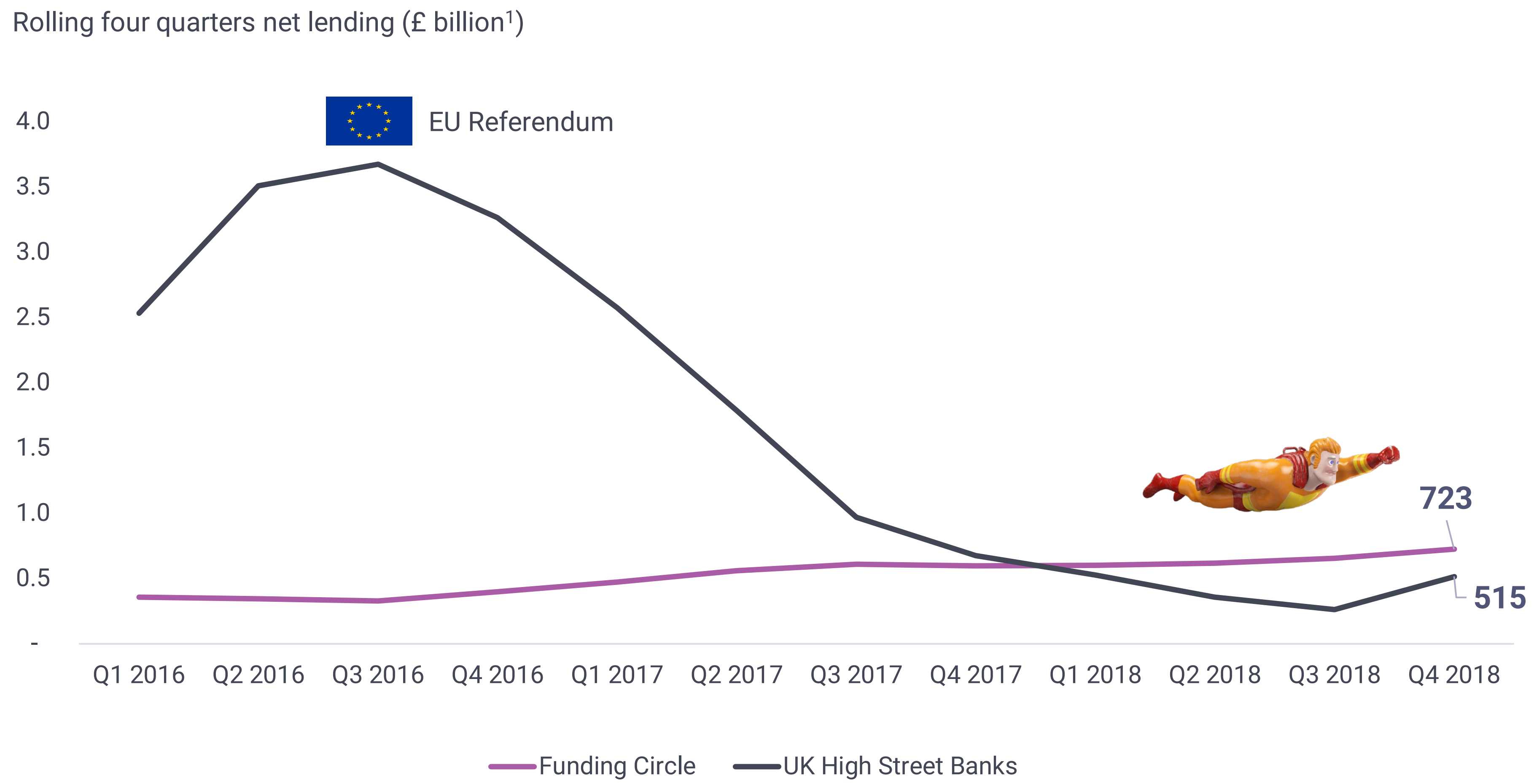
Loans under management significantly higher than online competition



Source: Funding Circle
Based on 1 USD - 0.77 GBP FX

UK SME Net Lending in 2018

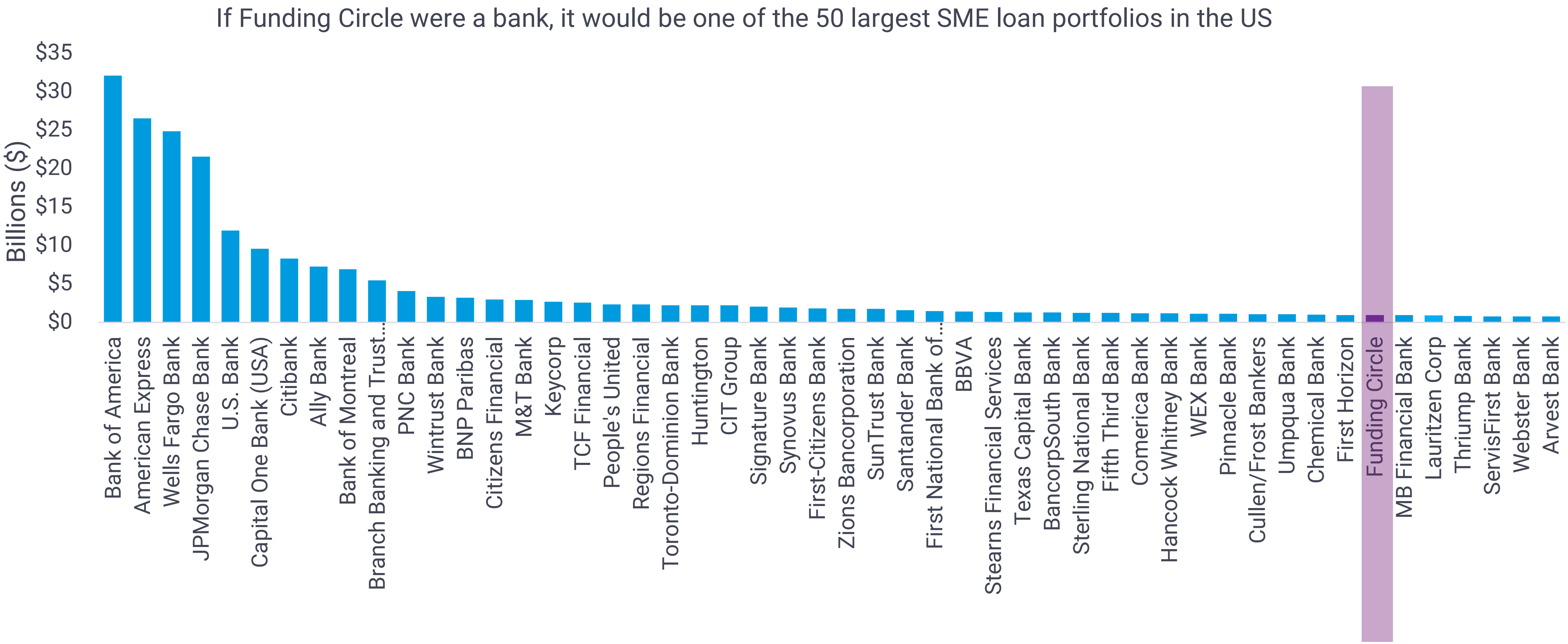
Funding Circle lent more to UK SMEs in 2018 than all UK high street banks



Source: Funding Circle, Bank of England
1. Represents the sum of net lending (total lending less repayments) over the current and past four quarters

US SME Loans under Management in 2018

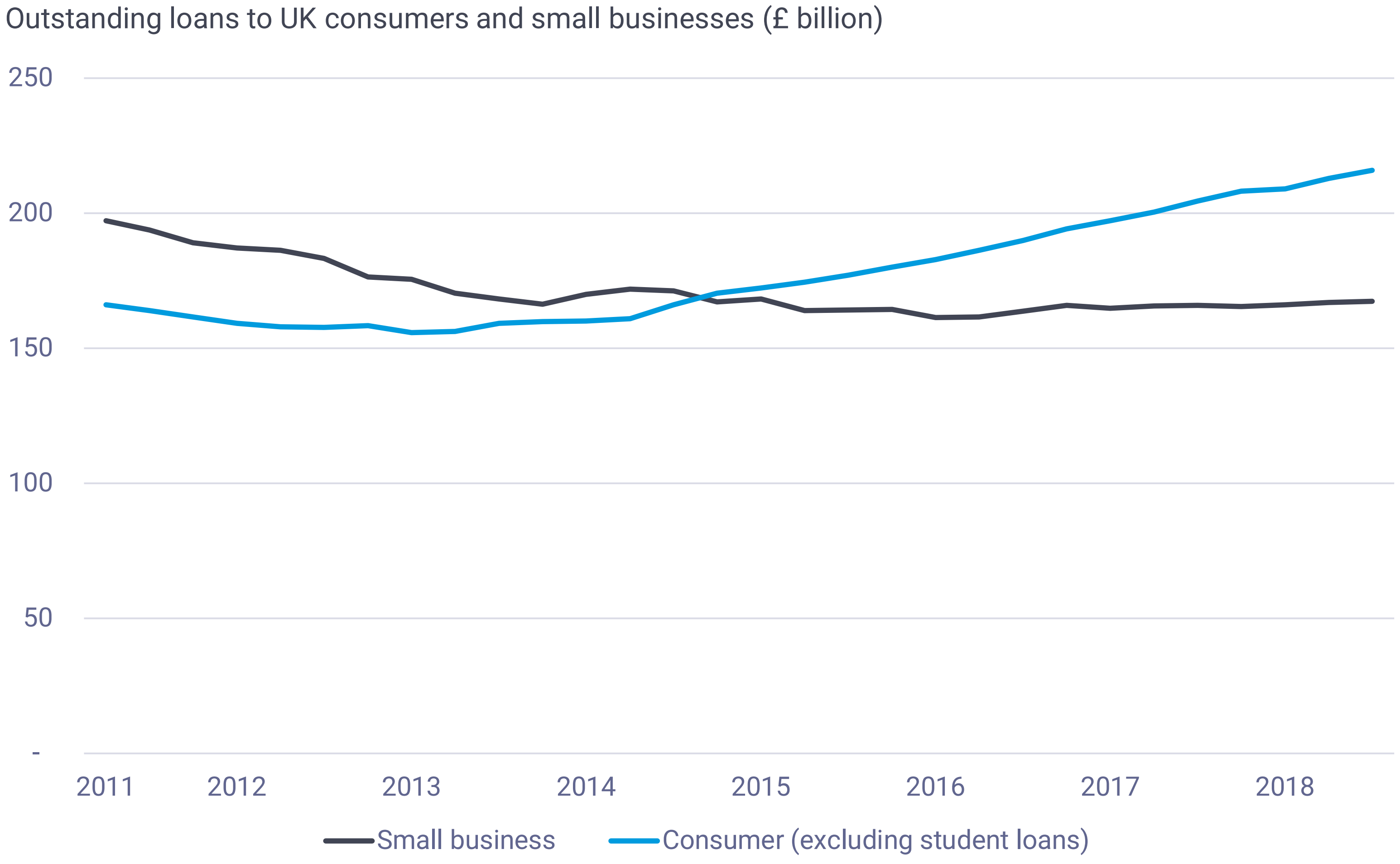
Funding Circle's US loans under management now larger than ~98% of FDIC-insured banks



Source: Funding Circle and Federal Deposit Insurance Corporation (FDIC) Statistics on Depository Institutions. December 2018. "Amount of currently outstanding commercial and industrial loans less than $1,000,000 held in domestic offices." Commercial & industrial loans only. Excludes savings associations and foreign institutions (SA and OI codes).

Lending Trends

Over-supply of UK consumer credit compared to SME lending



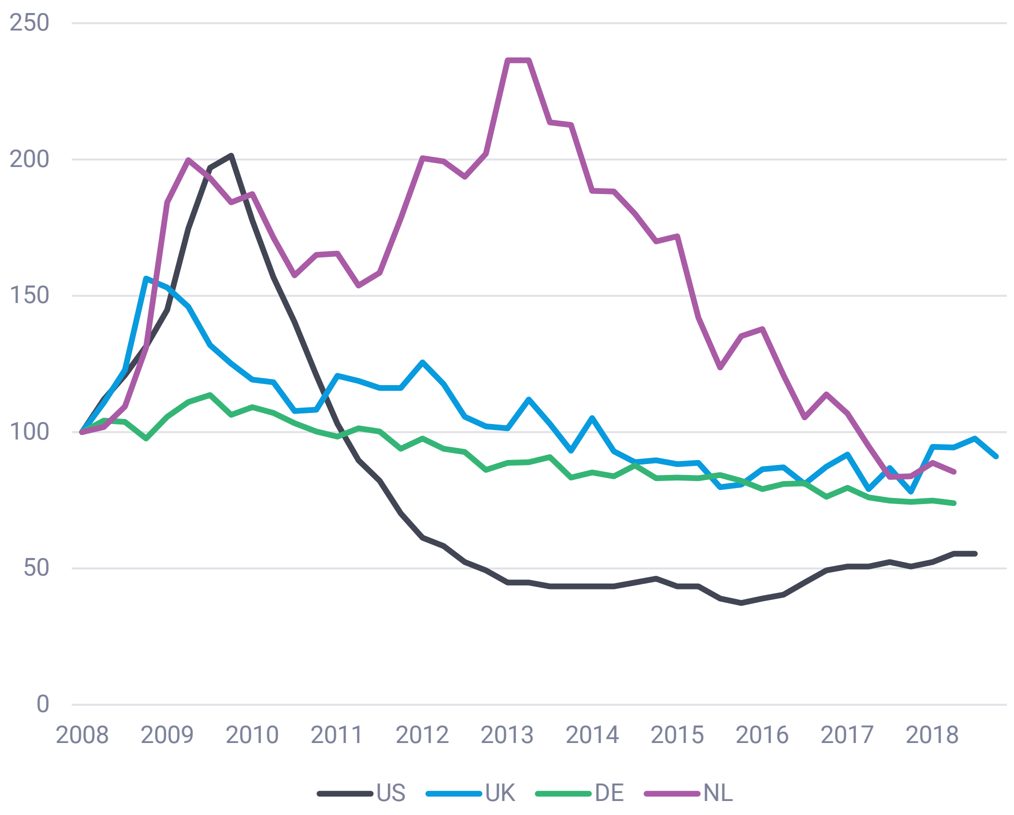
- Steady increase in consumer borrowing since 2013 as wages struggle to keep up with the cost of living
- We haven't seen this replicated in the UK small business space, as banks continue to not focus on small business lending

Source: BoE

Market Trends

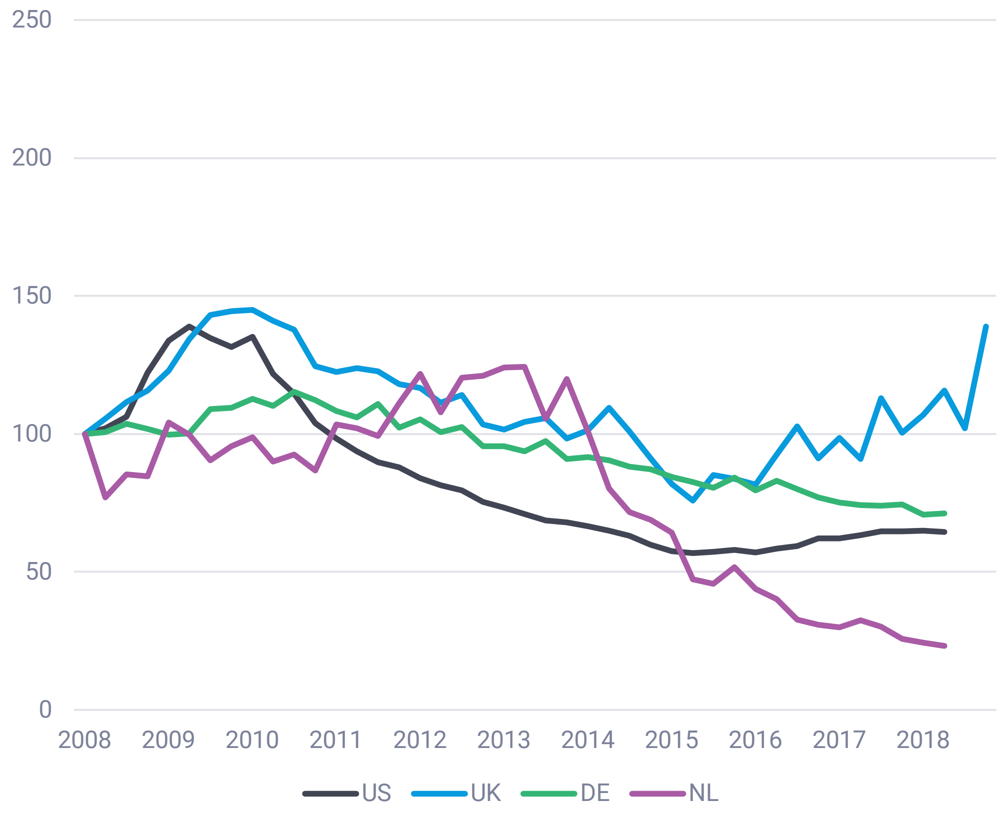
Business insolvencies are below pre-2008 recession levels across all geographies

Small business insolvencies (as at Q3 2018[1], indexed to Q1 2008)



UK consumer credit is experiencing stress

Consumer insolvencies (as at Q2 2018[1] indexed to Q1 2008)

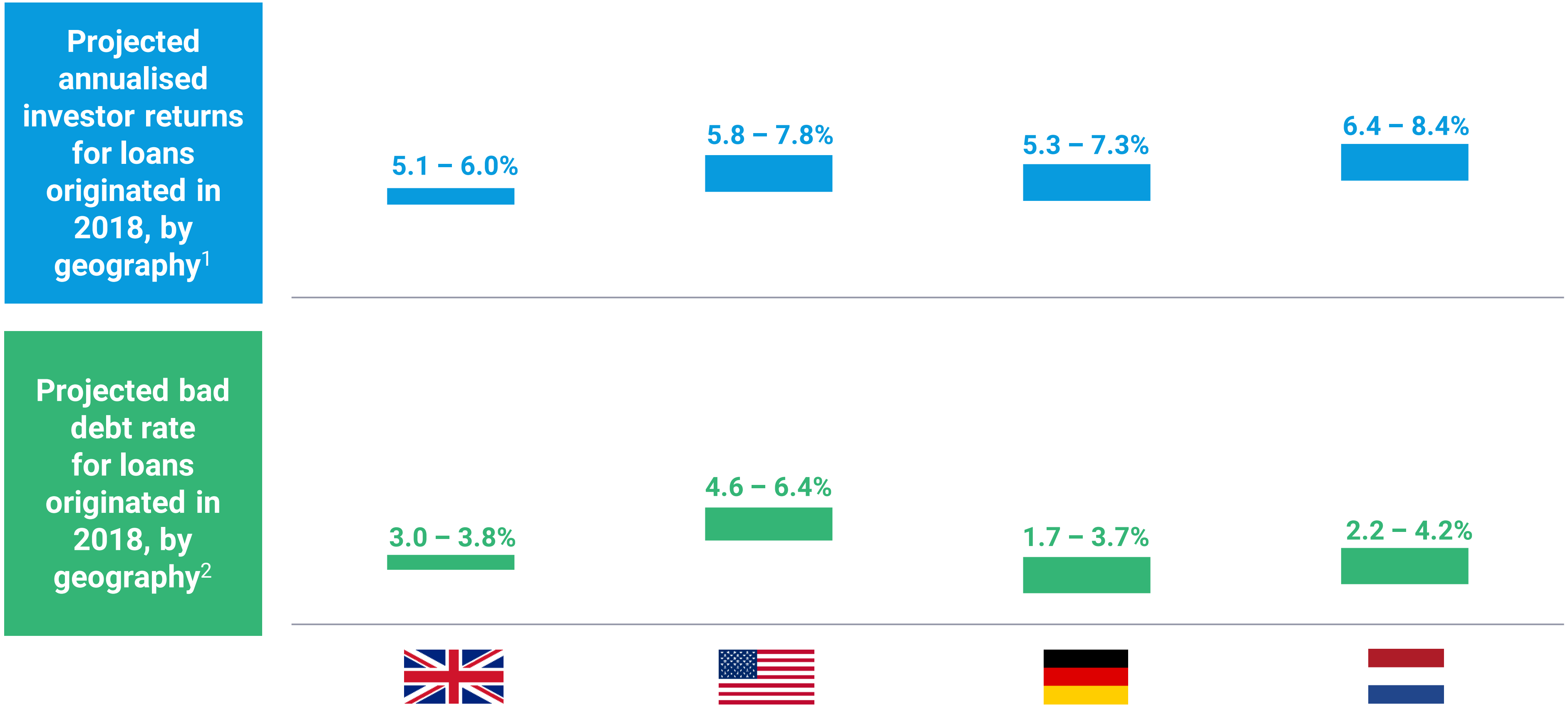


Source: Federal Reserve, BoE, ECB
1. UK data available up to end of Q4 2018

Attractive Returns Across all Geographies

Funding Circle continues to deliver attractive returns across all markets

Projected annual returns and bad debt rate for loans originated in 2018, by geography



Source: Funding Circle's models as at 31-Dec-2018. UK includes Property loans.

1. The graph shows how loans are estimated to perform. Loans are shown by the year they were taken out, and are after fees and bad debt. Returns equal gross yield minus net losses minus servicing fee and is estimated, using an internally-managed model, by cohort of origination incorporating actual returns received for each cohort and adding future expected returns which are determined using the same aforementioned model. Net yield is compounded to recognise re-investment. These expectations may be revised, for example if macroeconomic conditions change, and the projected return, projected gross yield and the projected bad debt rate may be adjusted to reflect this.

2. The graph shows the projected annualised percentage of loans, by loan amount, that will not be repaid. Loans are shown by the year they were taken out and include recoveries. It can take up to five years for loans to be fully repaid, so the projected return, projected gross yield and projected bad debt rate take into account how each year of loans are performing and how Funding Circle expects them to perform in future. These expectations may be revised, for example if macroeconomic conditions change, and the projected return, projected gross yield and the projected bad debt rate may be adjusted to reflect this.

Strategy

2020 Strategy

FC2020: Our three year strategic plan

Drive a better borrower experience

Invest in data, tech and analytics

Diversify funding sources

Build a highly scalable, global business

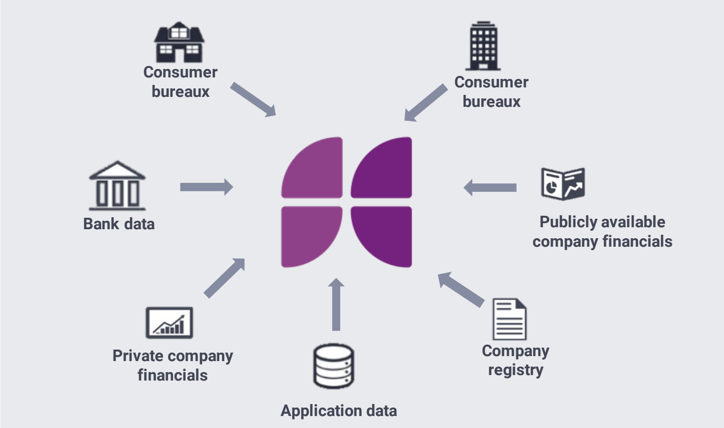
Technology, Data and Analytics

Our sophisticated technology, data and analytics is driving a superior customer experience

Global Marketplace

- Global marketplace platform live in US and collection system live globally
- 150+ engineers working on global platform and automation target of 50% by 2020

Unlocking bank account data



- Launched proprietary bank account transaction models in UK and US
- Well-positioned to make further use of Open Banking in 2019

Expansion of SME data lake

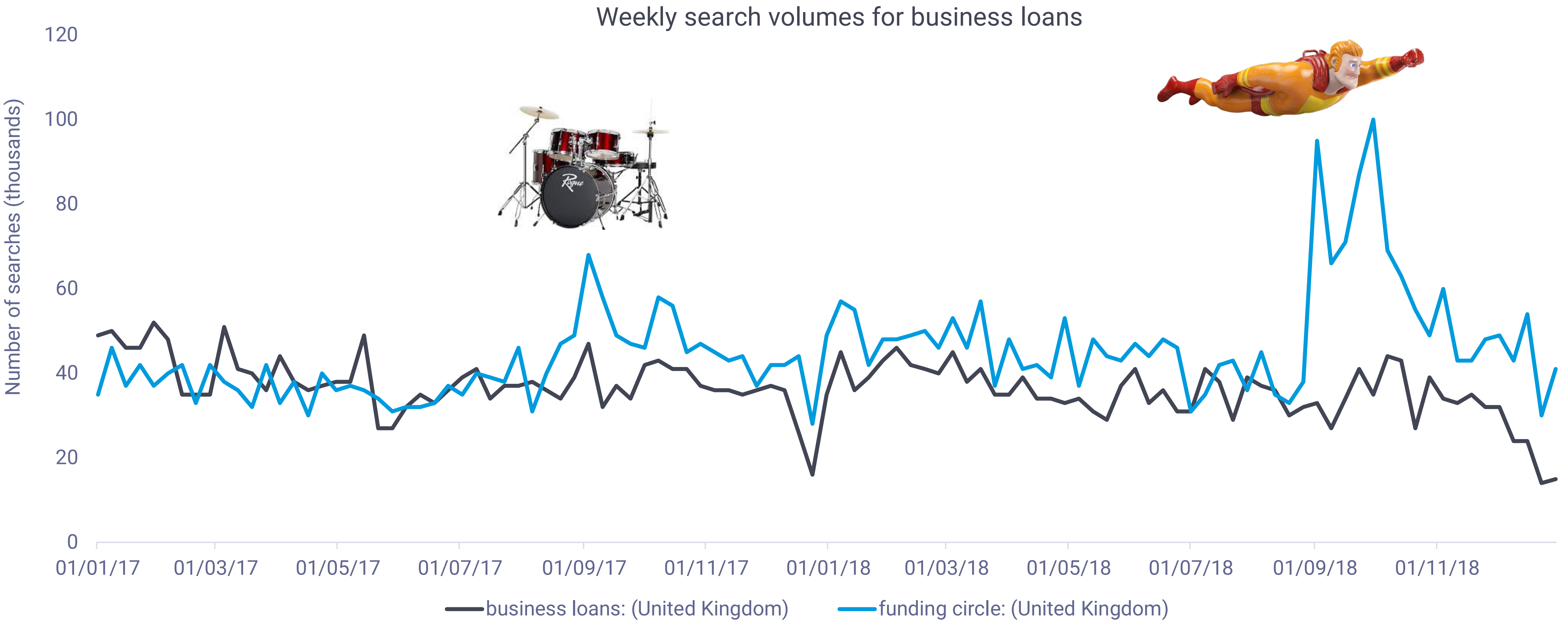
- Expanded proprietary marketing and analytics SME data lake by 1.2 billion data-points
- Continue to focus on building the largest proprietary SME data lake in each of our markets

UK Autumn Brand Campaign

Our strategy in the UK was to reach, engage and influence SMEs

Positive Early Results

In the UK we are now bigger than the business loan search category

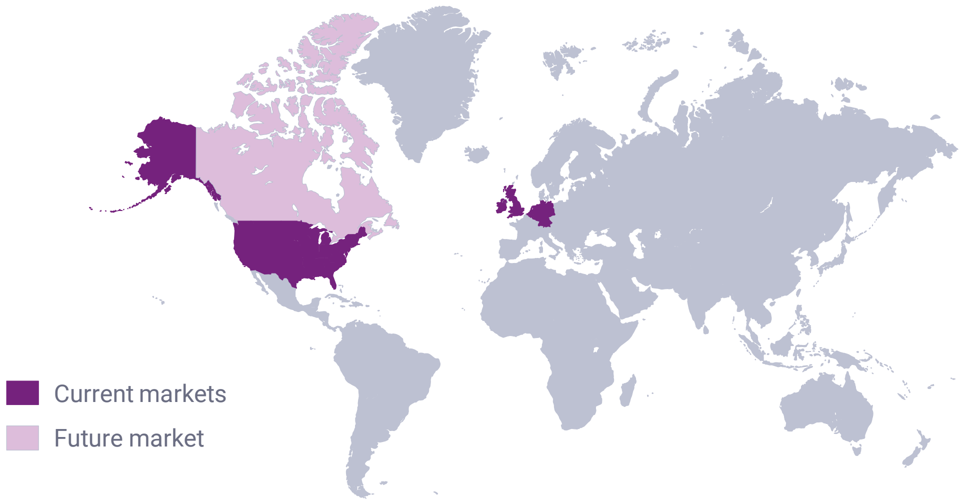


Source: Funding Circle

International Expansion

We plan to enter Canada in H2 2019, further expanding our addressable market

Launch	**2010**	**2013**	**2015**	***2019F***
TAM	~£85bn[1]	~£220bn[1]	~£140bn ~£20bn[1]	*~£45bn[2]*



Canada ranks highly on our key criteria for assessing new markets:

- Market attractiveness (SME borrowing)
- Investor sentiment
- Data availability
- Operational complexity (regulation)

1. OC&C
2. Funding Circle

Increasing Funding Diversification

In 2019 we are launching two new products to widen the universe of potential investors

Our Investor Products

NEW

- 2019 — Bonds (ABS); Private Fund
- 2015 — Listed Fund
- 2013 — Whole Loans
- 2010 — Fractional Loans

Estimated increase in investor TAM

1. Bank of England / Funding Circle prospectus; 2. Preqin / Funding Circle prospectus; 3. UK investment association; 4. Sifma, US ABS outstanding at at Q4 2018; 5. Preqin as at June 2017

New Investor Products

Key features of new investor products

Bonds (ABS)

Funding Circle will launch a sponsored securitisation product in the US in H1 2019.

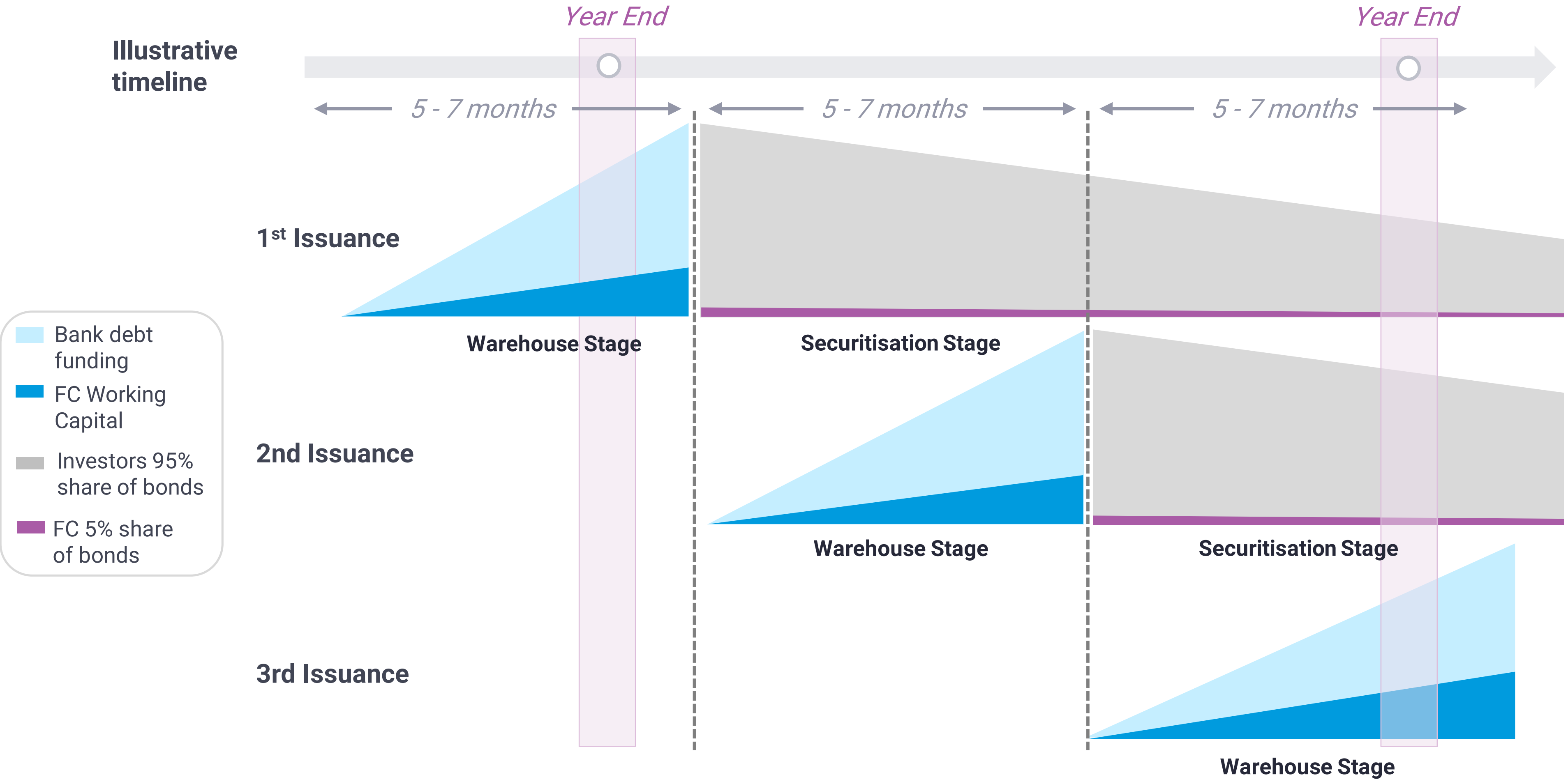
- Provides access to investors who can only purchase rated bonds
- Over the next 2 years we are targeting an additional >$500m of funding in the US
- Required to hold 5% for 2 years by US risk retention regulation
- Credit risk of loans while loans in warehouse for 4-6 months
- Small revenue and profit enhancement

Private Fund

Funding Circle will launch a private direct lending fund in Continental Europe in H1 2019.

- Provides access to investors who cannot hold individual loans, but can invest in private funds
- Over the next 3 years we are targeting an additional >€200m of funding in Germany and the Netherlands
- Market standard co-investment of up to 5% of capital raised
- Credit risk of FC share of loans in Fund for potentially up to 8 years
- Small revenue and profit enhancement

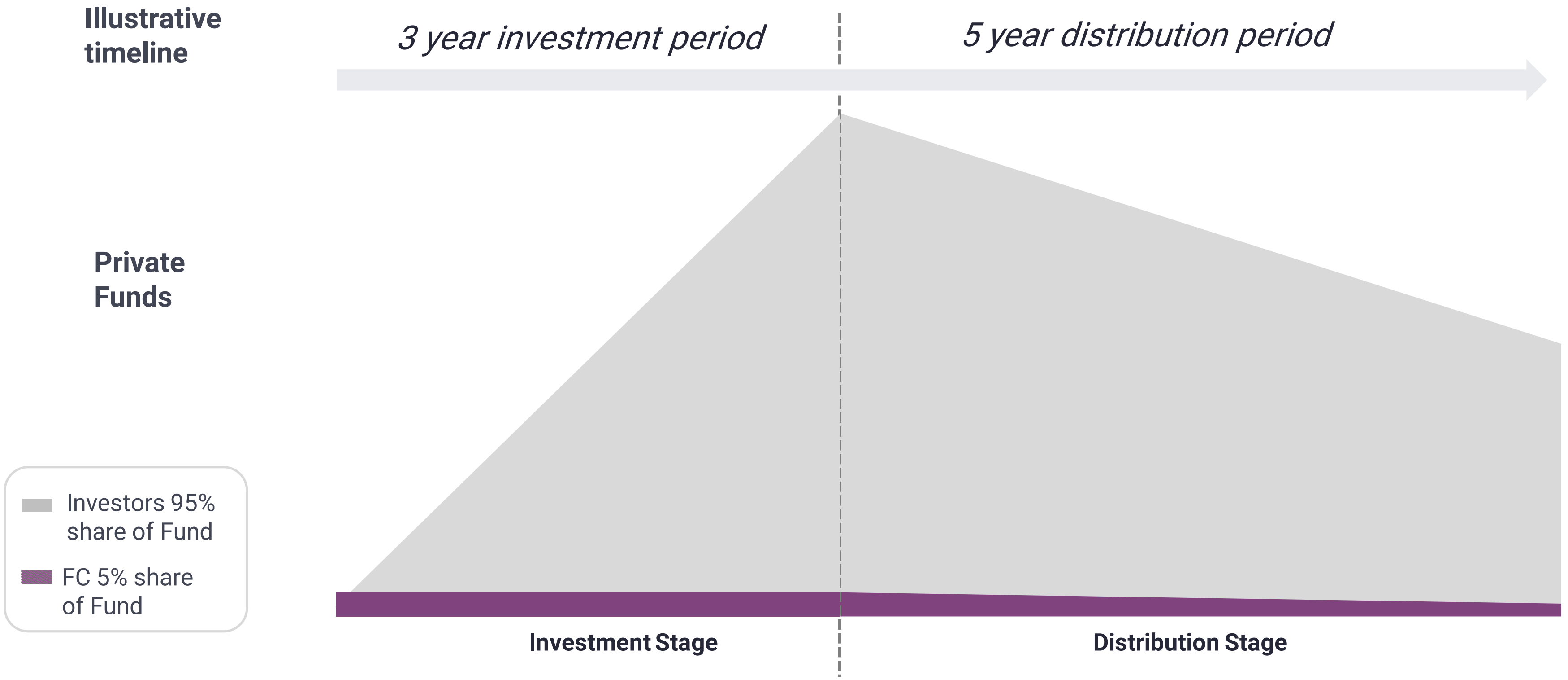
Bonds (ABS) – Mechanics



- SME loans are originated into a warehouse in a given period, funded through FC working capital (approx. 25%) and a banking partner
- Once accumulated, loans are packaged into bonds, rated and sold to investors
- FC retains 5% of the bonds sold (risk retention investment) for up to 2 years as per US risk retention regulations
- Each subsequent securitisation adds a further risk retention investment but each investment also decreases over time as SME repayments are received

Based on a c.£200m (~$250m) warehouse with 3:1 working capital leverage, the balance sheet would see peak investment in SME loans of £200m and debt of £150m. At securitisation investments would decline to the 5% risk retention element only (c.£10m). The profit and loss impact over the lifetime of each issuance being c.£3 million revenue, c.£2m adjusted EBITDA.

Private Funds – Mechanics



- Funding Circle will invest own capital upfront
- This will attract additional investors over 12-18 months
- The fund will continue to grow for a 3 year period through new funds and re-investment of repayments
- After 3 years, the fund will start amortising each month in line with the underlying loans

Based on a c.£200m (€200m) fund, FC investment would be c.€10m. The annual return being in line with Developing Markets net yield projections less a small level of running costs.

Outlook

Medium term outlook (to 2020) outlined at IPO remains unchanged: pursuing a strategy of growth over profitability

2019 – Outlook prior to New Investor Products & IFRS16

- Revenue above £200 million. Transaction yields remaining at 2018 exit levels will provide a year-on-year revenue benefit as lower average 2018 yields are lapped.
- Segment margin[1], including organic expansion into Canada, to approximately double with marketing spend as a percentage of revenue remaining broadly flat year-on-year.
- After Central Costs falling to 20%+ of revenue, including continuing investment in Product Development and a full year of plc related expenditure, adjusted EBITDA losses to reduce from 2018 levels. Capitalised development spend, recorded as intangible fixed assets to grow modestly.

2019 – Incremental Impact of New Investor Products & IFRS16

- New investor products to add c.£2-3m to both revenue and adjusted EBITDA.
- IFRS16 to add c.£5m to both segment adjusted EBITDA and adjusted EBITDA but have a minimal impact on Loss Before Tax, similar to the pro forma 2018 impact outlined in the Appendix.

Next Update

- Q1 2019 LuM and Originations to be reported on 18th April together with loan performance statistics.

1 Segment margin expressed as Segment Adjusted EBITDA divided by Group revenue

Q&A

Appendices

Disclaimer

Information regarding forward-looking statements

This Presentation includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group’s control and all of which are based on the Group’s current beliefs and expectations about future events.

Forward-looking statements are sometimes identified by the use of forward-looking terminology such as “believe”, “expects”, “may”, “will”, “could”, “should”, “shall”, “risk”, “intends”, “estimates”, “aims”, “plans”, “predicts”, “continues”, “assumes”, “positioned”, “anticipates” or “targets” or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Presentation and include statements regarding the intentions, beliefs or current expectations of the Group concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates.

These forward-looking statements and other statements contained in this Presentation regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements.

Such forward-looking statements contained in this Presentation speak only as of its date. The Group expressly disclaims any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in its expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Listing Rules, the Disclosure Guidance and Transparency Rules of the FCA or the Market Abuse Regulation.

Financial statement impact: Bonds & Private Fund

Stage / Treatment	Bonds (ABS)		Private Fund
	Warehouse Stage	Post Securitisation Residual Risk Stage	Seed Investment
Treatment in Funding Circle Holdings (FCH) Financial statements	**100% consolidation of warehouse assets, liabilities, income & expense**	**Recognition of 5% residual risk held by Funding Circle in bond notes**	**Recognition of Investment in Fund**
Segment Profit / (Loss)			
Return on SME Loans	Net Investment Revenue (Investment Income)	-	-
Servicing of bank debt	Net Investment Revenue (Investment Expense)	-	-
Bond note interest receivable	-	Net Investment Revenue (Investment Income)	-
Fund dividends	-	-	Net Investment Revenue (Investment Income)
Running Costs	Operating costs	Operating costs	Operating costs
Balance Sheet			
Investments	Investment in SME Loans	Investment in Bond Notes	Investment in Fund
Bank Debt	Liabilities	-	-

Adoption of IFRS16 Leasing

Adoption of the new leasing standard (IFRS16) from 1st January 2019. For the 2019 Financial Statements, the 2018 comparative will be restated using the full retrospective application

Statement of Financial Position	Prior to implementation of IFRS 16	Impact of IFRS 16	Post implementation of IFRS 16
£m	**2018**	**2018**	**2018**
Total assets	430.1	19.9	450.0
Total liabilities	(27.7)	(21.3)	(49.0)
Total equity	**402.4**	**(1.4)**	**401.0**

Statement of comprehensive income	Prior to implementation of IFRS 16	Impact of IFRS 16	Post implementation of IFRS 16
£m	**2018**	**2018**	**2018**
United Kingdom	21.8	2.8	24.6
United States	(7.4)	1.7	(5.7)
Developing Markets	(7.4)	0.6	(6.8)
Segment AEBITDA	**7.0**	**5.1**	**12.1**
Product and development	(24.5)	-	(24.5)
Corporate costs	(11.0)	-	(11.0)
Adjusted EBITDA	**(28.5)**	**5.1**	**(23.4)**
Margin %	(20%)	4%	(16%)
Depreciation and amortisation	(8.2)	(4.3)	(12.5)
Share-based payments, exceptional items, foreign exchange	(14.9)	-	(14.9)
Operating Loss	**(51.6)**	**0.8**	**(50.8)**
Finance income/(expense)	0.9	(1.0)	(0.1)
Loss Before Tax	**(50.7)**	**(0.2)**	**(50.9)**

The balance sheet effect can be summarised as:

(i) A right to use asset and corresponding liability being the obligation we have to the landlords to pay future rent.

The income statement effect can be summarised as:

(i) removal of operating lease rental charges from Adjusted EBITDA;
(ii) recognition of a depreciation charge on the newly recognised asset (right to use);
(iii) recognition of an interest charge on the newly recognised liability.

Cash Flow Statement

Cash Flow Statement	2016 £m	2017 £m	2018 £m
Loss before taxation	(47.2)	(36.3)	(50.7)
Depreciation	1.4	1.6	2.1
Amortisation	2.8	5.2	6.1
Impairment of intangibles	-	0.5	-
Movement in provision	(0.1)	-	0.2
Interest receivable	(0.6)	(0.6)	(0.9)
Share-based payments (non-cash)	6.7	4.4	8.1
IPO costs re-allocated to financing activities	-	-	5.9
Tax credit received	0.6	1.0	1.4
Changes in working capital	(3.6)	1.6	(0.7)
Net cashflow from operating activities	**(40.0)**	**(22.6)**	**(28.5)**
Purchase of intangible fixed assets	(9.6)	(10.7)	(11.0)
Purchase of tangible fixed assets	(1.7)	(1.3)	(2.3)
Investment in loan securities	4.6	(1.3)	(1.1)
Interest received	0.6	0.6	0.9
Net cashflow from investing activities	**(6.1)**	**(12.7)**	**(13.5)**
Memo: Free cash flow	*(46.1)*	*(35.3)*	*(42.0)*
Proceeds on issue of preferred shares (net of expenses)	-	81.9	-
Proceeds on the issue of Ordinary shares on IPO	-	-	300.0
Payment of IPO costs	-	-	(15.0)
Other	-	-	0.6
Net cashflow from financing activities	**-**	**81.9**	**285.6**
Net (decrease)/increase in cash and cash equivalents	**(46.1)**	**46.6**	**243.6**

Reconciliation of cash	2016 £m	2017 £m	2018 £m
Cash and cash equivalents at the beginning of the year	86.3	43.3	88.9
Net increase/(decrease) in cash and cash equivalents	(46.1)	46.6	243.6
Effect of foreign exchange	3.1	(1.0)	0.5
Cash and cash equivalents at the end of the year	**43.3**	**88.9**	**333.0**

Notes

Notes

Notes

Funding Circle