

## Corporate

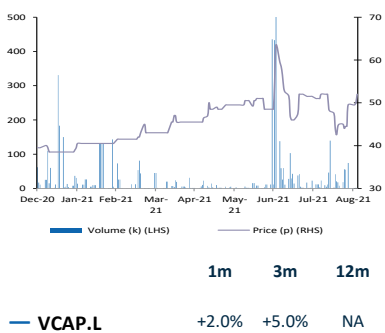
Current price **50p**

Sector **Financial / Fin. Services**

Code **VCAP.L**

Market **AIM**

### Share Performance



Source: Thomson Reuters, Allenby Capital

### Share Data

Market Cap (£m) **22.6**

Shares in issue (m) **45.24**

52 weeks (p) **High** **Low**

**63.5p** **38.5p**

Financial year end **31 December**

Source: Company Data, Allenby Capital

### Key Shareholders

Vector Holdings **75.15%**

Killik & Co LLP **4.51%**

Helium Special Situations Fund **4.34%**

Hargreaves Lansdown **4.18%**

Redmayne Bentley **3.49%**

Source: Company Data, Allenby Capital

### Allenby Research

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## Vector Capital (VCAP.L)

### On track to achieve lending targets

The interims confirm that Vector Capital (VCAP.L) is on track to meet full year forecasts. It reported 15.8% y-o-y growth in revenue and 3.2% in PBT to £1.3m. An interim dividend of 0.95p per share underpins a projected 4.8% FY21e yield. We have maintained our forecasts, but the components are in place to grow operations materially over the next 18-24 months and we regard the current 10.6x FY21e EPS as very attractive relative to the potential and inherent scalability.

Underlying growth is reflected in 11.6% loan book growth to £40.6m over the first six months (H1 FY20: £32.7m, FY20: £36.4m) and £38.4m average monthly loan book value during the first half (H1 FY20: £34.7m, FY20: 34.8m). The average interest rate for the period increased to 11.70% p.a. (H1 FY20: 11.69%, FY20: 11.53%), which reflects a modest change in loan book profile without any compromise on risk.

- The £40m projected end FY21 loan book allows for expected turnover within a loan portfolio with a rolling and relatively short-term redemption schedule, considers the period necessary to convert proposals into new lending, and for any net loan book growth to materially affect revenues.
- **Funds in place to support loan book growth** An equity placing in June (3.19m shares at 47p) put another c. £1.4m at the group's disposal, which it is already using to finance new lending. VCAP has cash and undrawn facilities in place to build its loan book to £46m by end FY22, including £10.1m of undrawn banking lines at end June primarily available for residential transactions.
- Both wholesale lenders have indicated their readiness to increase the scale of these facilities if required. VCAP is also considering alternative debt sources for other market segments and would be comfortable with modest gearing to generate growth. It may co-fund larger proposals under a structure it designed and is currently test marketing. This could generate both loan book growth and an additional fee income stream.
- **Demand supports the overall loan book growth target.** The breadth of the group's lending across a number of residential and commercial markets gives it the flexibility to offset any impact on margins from competition in any distinct segment. It is still seeing strong demand for finance diversified across residential investment, development, and refurbishment, mixed use, commercial and land acquisition. It has also agreed a limited number of loans secured by 2nd charges where there is substantial equity.

### Year End: 31 December

(£m)	2018	2019	2020	2021E*	2022E*
REVENUE	1.84	3.59	4.33	5.00	5.69
OPERATING PROFIT	1.42	2.76	3.37	3.73	4.37
OPERATING MARGIN	77%	77%	83%	82%	82%
PBT	1.24	1.97	2.35	2.56	2.91
YEAR END LOAN BOOK	21.1	33.6	36.4	40.0	46.0
EPS (p)			5.58	4.76	5.21
DIVIDEND (p)			2.4	2.4	2.8

Source: Allenby Capital. Allenby Capital acts as Nomad & Broker to Vector Capital plc (VCAP.L).

Please refer to the last page of this communication for all required disclosures and risk warnings.

<b>Exhibit 1: Consolidated income statement</b>					
<b>Year to 31 December</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>
<b>Continuing Operations</b>					
Revenues	1,835	3,593	4,325	5,000	5,694
Cost of sales	(296)	(484)	(321)	(369)	(424)
Gross Profit	1,539	3,109	4,004	4,631	5,270
Other income			29	0	0
Administrative expenses	(123)	(350)	(668)	(900)	(900)
<b>Operating Profit</b>	<b>1,416</b>	<b>2,759</b>	<b>3,365</b>	<b>3,731</b>	<b>4,370</b>
Finance costs	(175)	(792)	(1,018)	(1,170)	(1,463)
<b>Pre-tax Profit</b>	<b>1,241</b>	<b>1,967</b>	<b>2,347</b>	<b>2,561</b>	<b>2,907</b>
Income tax	(236)	(374)	(445)	(487)	(552)
Profit After Tax	1,005	1,593	1,902	2,075	2,356
<b>Earnings Per Share (p)</b>					
Basic	5.91	4.69	5.58	4.76	5.21
Diluted	5.91	4.69	5.58	4.76	5.21

Source: Company; Allenby Capital

<b>Exhibit 2: Consolidated balance sheet</b>					
<b>Year to 31 December</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, plant, and equipment			4	3	3
Trade and other receivables	2,968	1,400	0	0	0
<b>Total Non-Current Assets</b>	<b>2,968</b>	<b>1,400</b>	<b>4</b>	<b>3</b>	<b>3</b>
<b>Current Assets</b>					
Trade and other receivables	19,980	32,850	36,963	40,000	43,500
Cash and cash equivalents	97	337	2,569	5,855	6,844
<b>Total Current Assets</b>	<b>20,077</b>	<b>33,187</b>	<b>39,532</b>	<b>45,855</b>	<b>50,344</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade creditors			18	50	50
Amount owed to parent company	0	526	3,000	3,000	3,000
Social security and other taxes	0	9	9	10	10
Other creditors [use of bank facilities]	5,694	16,507	14,814	18,500	23,500
Accruals and deferred income	41	81	189	150	150
Directors' current accounts	1	3	0	0	0
Trade and other payables	5,736	17,126	18,030	21,710	26,710
Tax payable	236	374	205	487	1,000
<b>Total Current Liabilities</b>	<b>5,972</b>	<b>17,500</b>	<b>18,235</b>	<b>22,197</b>	<b>27,710</b>
<b>Net Current Assets</b>	<b>14,105</b>	<b>15,687</b>	<b>21,297</b>	<b>23,658</b>	<b>23,634</b>
<b>Non-Current Liabilities</b>					
Other	880	0	0	0	0
<b>Net Assets</b>	<b>16,193</b>	<b>17,087</b>	<b>21,301</b>	<b>23,661</b>	<b>23,637</b>
<b>Shareholders' Equity</b>					
Called up share capital	170	170	210	210	210
Share premium		16,830	19,502	20,876	20,876
Group reorganisation reserve	14,830	188	188	188	188
Retained earnings	1,193	(101)	1,401	2,372	3,340
<b>Total Equity</b>	<b>16,193</b>	<b>17,087</b>	<b>21,301</b>	<b>23,646</b>	<b>24,614</b>

Source: Company; Allenby Capital

<b>Exhibit 3: Consolidated cash flow</b>					
<b>Year to 31 December</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2021e</b>
<b>Cashflow from operating activities</b>					
Cash generated from operations	3,775	(236)	(913)	4,816	4,351
Interest paid	(158)	(792)	(1,018)	(1,170)	(1,463)
Tax paid	(45)	(236)	(614)	(650)	(700)
<b>Net cash from operating activities</b>	<b>3,572</b>	<b>(1,264)</b>	<b>(2,545)</b>	<b>2,996</b>	<b>2,189</b>
<b>Cashflow from investing activities</b>					
Purchase of tangible fixed assets			(5)		
<b>Net cash from investing activities</b>			<b>(5)</b>	<b>0</b>	<b>0</b>
<b>Cashflow from financial activities</b>					
Advances from/(payments to) parent company	(3,297)	2,200	2,473	0	0
Advances from/(payments to) directors	(246)	3	(3)	0	0
Issue of new shares			2,712	1,390	0
Equity dividends paid	0	(699)	(400)	(1,100)	(1,200)
<b>Net cash from financing activities</b>	<b>(3,543)</b>	<b>1,503</b>	<b>4,782</b>	<b>290</b>	<b>(1,200)</b>
<b>Increase in cash and cash equivalents</b>	<b>29</b>	<b>239</b>	<b>2,232</b>	<b>3,286</b>	<b>989</b>
<b>Cash/cash equivalents at beginning of year</b>	<b>68</b>	<b>97</b>	<b>337</b>	<b>2,569</b>	<b>5,855</b>
<b>Cash/cash equivalents at year end</b>	<b>97</b>	<b>337</b>	<b>2,569</b>	<b>5,855</b>	<b>6,844</b>

Source: Company; Allenby Capital

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