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Provident Financial PLC
25 February 2019

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

FOR IMMEDIATE RELEASE

25 February 2019

Response to Offer by NSF plc for Provident Financial plc

In response to the offer for Provident Financial plc ("Provident Financial", the "Company" or the "Group") announced by Non-Standard Finance plc ("NSF") on Friday 22 February (the "Offer"), the Board of Provident Financial (the "Board") expresses its disappointment at the unsolicited and highly opportunistic approach taken by NSF, including its decision not to engage with the Board prior to the announcement.

The Board considers that this hostile Offer represents an irresponsible approach in the context of a financially regulated business which is recovering from a period of substantial instability. The Board believes that this Offer could have a negative and destabilising impact on its stakeholders, including its customers, for a considerable period of time.

The Board, having considered the Offer with its financial and legal advisers, believes that the terms of the Offer do not reflect the underlying value and upside potential of the Company's businesses, the value of which should accrue entirely to all Provident Financial shareholders. The Board also notes that NSF is seeking to obtain control of Provident Financial through a share exchange without offering any strategic premium for a business which is a market leader in its sector.

In addition:

- The Board does not believe that disposing of Moneybarn at this point in the economic cycle would maximise value for shareholders. The Board also believes that the proposed disposal fails to recognise the strong financial performance of Moneybarn and synergistic benefits with Vanquis, as well as the potentially significant consequences for the Group's capital structure and funding profile;
- The proposed sale or closure of Satsuma would be detrimental and does not recognise its strategic value in light of the significant investment made in the business, its strong current customer growth as well as the Board's continued confidence in its future growth prospects given its optimal positioning for the growing demand for the digital delivery of financial services;
- The Board believes that the proposed demerger of NSF's Loans at Home business would result in a subscale listed company highly unlikely to maximise value in a public markets context. Furthermore, NSF has not explained who would manage the demerged business given that its existing management team would remain with the enlarged NSF group;
- The Offer also fails to take into account the material cost reductions that Provident Financial has already made across its business, in particular, in the

Consumer Credit Division ("CCD") where it has implemented a programme to reduce costs over the course of 2019;
- The Board has concerns regarding the length of time that it would take to complete the Offer, taking into account the need for regulatory and competition approvals; and
- The Offer does not reflect the challenges that NSF may face in executing its stated strategy to reorganise the enlarged group given the highly regulated environment.

The Board also questions the track record of NSF and its ability to execute on their strategy and manage a business of the scale of Provident Financial, which they note is conditional on a post-closing review and subsequent regulatory approval:

- The financial regulatory regime has changed significantly in recent years and continues to evolve. As a sector leader, Provident Financial is operating at the forefront of regulatory requirements having achieved authorisation in CCD in November 2018 which sets out an operating conduct framework in the best interests of its customers and clients. These requirements and framework will remain in place, irrespective of the management team in place;
- NSF has limited regulatory and operational experience within its executive management team of managing a bank. This is critical given that Vanquis Bank represents the largest asset in the Provident Financial Group;
- In this context, the Board believes it is appropriate that NSF should articulate, for the benefit of all shareholders, what the potential regulatory capital impact of any integration and any subsequent disposal process would be on the enlarged group, as well as the implications for the group's ability to write new business and deliver sustainable returns for shareholders;
- NSF is a significantly smaller company than Provident Financial and will have limited senior management bandwidth to undertake such a transformational acquisition and successfully execute the integration; and
- NSF's management team has failed to deliver an attractive share price performance to date, either on an absolute basis or versus the equity markets, having traded down 42% since IPO, and having underperformed the FTSE All-Share Index by 48% over the same period[1], a highly relevant factor given the all-share nature of the Offer.

The Board acknowledges the indications provided in relation to the Offer by the Company's largest shareholders with holdings in both Provident Financial and NSF. The Board is committed, however, to maximising value for all Provident Financial shareholders and will explore all appropriate alternatives to achieve that objective. The Board continues to strongly advise Provident Financial shareholders to take no action in respect of the Offer.

Trading in the business for 2018 was as outlined in the trading update on 15 January 2019. Current trading continues in line with our expectations. However, in light of the current circumstances the Board believes it is appropriate to delay the announcement of its full-year 2018 results to 13 March 2019.

Malcolm Le May, Chief Executive Officer of Provident Financial said:

"The management team has made substantial strides in restoring stability, improving the company's regulatory position and enhancing its internal culture with a focus on customer outcomes. This further prolonged period of business and regulatory uncertainty could negatively impact stakeholders, including customers and employees, and is not in the best interests of the Company.

We have a clear vision for a financial services group serving the interests of some of the most vulnerable individuals in our society, with a broad product offering and distribution model aligned with changing consumer behaviours and their increasing use of digital technology. At the same time, we are implementing the most up-to-date regulatory standards, which we anticipate will be seen as a blueprint for the Home-Collected and High-Cost, Short-Term Credit sectors.

We are focused on executing the clearly defined strategy to restore profitability in CCD, improving growth and profitability in Vanquis, as a well capitalised regulated bank, maintaining the strong performance of Moneybarn and maximising the synergies across the whole group to deliver value for all shareholders."

Patrick Snowball, Chairman of Provident Financial said:

"It is extremely disappointing that NSF has chosen to announce an unsolicited and highly opportunistic offer for Provident Financial. Provident Financial's management team has stabilised the business in a very turbulent period over the past 18 months, which has largely consisted of addressing managerial mistakes of the past, and now has a clear strategy for delivering enhanced returns to shareholders.

The Board of Provident Financial believes that the Offer does not reflect the underlying value of the Company and its prospects. It also has a number of concerns with regard to the Offer, including its all-share nature and the executability of the strategy set out in the Offer. The Board therefore intends to do everything it can to maximise value for all shareholders over the coming weeks and will explore all appropriate alternatives to achieve that objective."

Enquires:

Provident Financial +44 12 7435 1135

Patrick Snowball, Chairman
Malcolm Le May, Chief Executive Officer
Gary Thompson / Vicki Turner, Investor Relations +44 12 7435 1900
Richard King, Media +44 20 3620 3073

Barclays (Financial Adviser and Corporate Broker to Provident Financial)

Richard Taylor +44 20 7623 2323
Kunal Gandhi
Francesco Ceccato
Derek Shakespeare

J.P. Morgan Cazenove (Financial Adviser and Corporate Broker to Provident Financial)

Ed Byers +44 20 7742 4000
Jeremy Capstick
Claire Brooksby
James Robinson

Brunswick (PR Adviser to Provident Financial)

Nick Cosgrove +44 20 7404 5959
Charles Pretzlik
Simone Selzer

Footnote

[1] Share price and index data is as per FactSet. The share price performance of NSF is calculated from the Placing Price of 100 pence per share as at 19 February 2015 to the closing NSF share price of 57.6 pence as at 21 February 2019. The FTSE All-Share Index performance is calculated from the Index price of £3,710.3 as at close on 19 February 2015 and the Index price of £3,931.7 as at close on 21 February 2019.

Further Information

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Important Notices

A copy of this announcement will be made available, subject to certain restrictions relating to persons resident in restricted jurisdictions, on Provident Financial's website at www.providentfinancial.com no later than 12 noon (London time) on the business day following this announcement. For the avoidance of doubt, the content of this website is not incorporated by reference into, and does not form part of, this announcement.

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