Finance and credit services

Source: LSEG, 2025

Market data

EPIC/TKR	**HAT**
Price (p)	**390**
12m high (p)	440.0
12m low (p)	325.0
Shares (m)	44.0
Mkt cap (£m)	171.5
EV 2023 (£m)	225.9
Free float*	87.7%
Country of listing	UK
Currency of listing	GBP
Market	AIM

**As defined by AIM Rule 26*

Description

H&T's products include pawnbroking, jewellery retail, cheque cashing, Western Union money transfer and Foreign Exchange, offered through 285 stores and online. 64% of 2024 gross profits were generated from pawnbroking (inc. scrap), and 16% from retail.

Company information

CEO	Chris Gillespie
CFO	Diane Giddy
Chair	Simon Walker
NEDs	Robert van Breda, Lawrence Guthrie, Catherine Nunn, Sally Veitch, Toni Wood (SID)

+44 (0)800 838 973
www.handt.co.uk

Key shareholders (1 Mar'25)

Fidelity	9.99%
Octopus Invests (18/3)	8.93%
Close Bros	8.16%
Artemis	5.19%
Stichting Value	5.09%
Premier Miton	3.52%
HL/II Execution only	9.74%

Diary

May'25	AGM Trading update

Analyst

Mark Thomas mt@hardmanandco.com

H&T

2024 results: reasons to be cheerful 1, 2, 3, 4 and 5

H&T's 2024 results were reassuringly in line with expectations, delivering 10% PBT growth, with the pledge book capital value up 26%, retail sales up 27% and forex profits up 11%. The outlook remains positive, with i) strong demand in the core pawnbroking business where H&T is taking share and may have increasing acquisition opportunities, ii) consumer trends favouring its multi-channel, value-for-money, new and used product retail offering, iii) an expanding range of currencies helping forex growth, iv) a continued high gold price, and v) growth in store numbers helping all product lines. Economies of increasing scale will help mitigate cost growth that is outside management control.

- **Consistent non-pawnbroking growth throughout the year:** The sustainability of profit growth is supported by how consistently H&T has grown its key non-pawnbroking businesses through 2024. FY'24 retail sales were up 27% (1H'24 27%), forex profits were up 11% (1H'24 10%) on transactions up 10% (1H'24 9%).

- **Move to September year-end:** Our forecasts are now all based on annual September year-ends. There is a seasonality to H&T's three main businesses (hence the change in year-end); however, looking through this, there has been a modest upgrade to underlying estimates post these results.

- **Valuation:** We use a range of valuation approaches, including a Gordon Growth Model (GGM), a Discounted Dividend Model (DDM) and a Discounted Cashflow Model (DCF). On the assumptions we detail below, the average indicative valuation is 486p. As H&T is a growing business, there is upside from moving forward the base year.

- **Risks:** H&T's customers are cash-constrained. Its money laundering, stolen goods risk and other regulatory controls are appropriate to pawnbroking. We believe sentiment to the industry is a specific risk, which needs careful communication to overcome. Inflation risk to the cost base is also a specific short-term consideration.

- **Investment summary:** H&T is focused on delivering the opportunity in its core pawnbroking and related retail businesses. Having gained pawnbroking market share, and with the collapse of most other competitors, a strong balance sheet means it is structurally well-positioned to finance demand for small-sum, short-term credit. This generates a strategic, long-term competitive advantage from which to grow earnings. For 2025, there is further growth in demand from cash-constrained customers, with few alternative regulated competitors.

Financial summary and valuation (moved to September year-end)

Year-end Sep (£m)	2024 *pro forma*	2025E	2026E	2027E
Revenue	243.8	275.6	290.1	303.9
Gross profit	143.5	164.7	172.8	181.9
Total expenses	(84.1)	(92.7)	(98.6)	(104.4)
Pre-tax profit	27.7	31.1	33.6	35.9
Fully diluted EPS (p)	47.8	53.7	58.0	61.9
DPS (p)	17.8	19.0	20.0	21.0
Receivables (mainly pledge book)	146.0	170.0	180.0	190.0
Inventories	51.9	50.0	50.0	50.0
Cash	21.1	14.8	16.9	20.4
Shareholders' funds	184.2	198.6	214.4	231.5
P/E ratio (x)	8.2	7.3	6.7	6.3
Dividend yield	4.6%	4.9%	5.1%	5.4%

Source: H&T, Hardman & Co Research

December 2024 results summary

The key highlights of the results are:

PBT +10% as expected

- Profit before tax £29.1m (2023: £26.4m), up 10% YoY, as the core pawnbroking business continued its sustained growth. Profit after tax of £22.2m (2023: £21.1m), up 5% YoY.

Pledge book +26%

- Growth in the pledge book of 26%, ending the year at a capital value of £127m (2023: £101m) and carrying value (inclusive of accrued interest and net of IFRS 9 provision) of £158m (2023: £129m), following a particularly strong trading performance in 4Q'24. This included record levels of new customers borrowing for the first time. Net revenue generated by the pledge book, inclusive of pawnbroking scrap revenue, was up 5% to £77.8m (2023: £74.2m). Revenue lags the growth in capital value of the pledge book, and the balance sheet growth at the end of 2024 will generate 2025 revenue and profit.

Retail sales +27%

- Retail jewellery and watch sales were £61.8m (2023: £48.6m), up 27% YoY, with gross profit of £19.3m (2023: £14.4m), up 34%.

Forex profits +11%

- Foreign currency gross profits were £7.0m (2023: £6.3m), up 11% YoY, with transaction volumes up 10%.
- The balance sheet remains strong, with a net asset value of £192m (2023: £177m), up 8% YoY. Net asset value per share was 441.9p (2023: 409.0p). The group ended the year with a net debt position of £54m (2023: £32m) with the increase largely due to the growth of the pledge book.

ROE 12.2%

- Post-tax return on average equity (RoE) was 12.2% (2023: 12.6%), and post-tax return on average tangible equity (RoTE) was 15.1% (2023: 15.1%).
- Diluted earnings per share was 50.9p (2023: 48.5p), up 5% YoY.
- Proposed final dividend of 11p, giving a full-year dividend of 18p (2023: 17.0p), up 6% YoY and in line with H&T's stated progressive dividend policy, subject to maintaining cover of at least two times.

Positive outlook with:

- **pledge book growth**
- **growing store network**
- **mid-teens ROE target**

The company gave a positive outlook statement:

- Current trading is in line with management expectations across all products. As expected, the pledge book has grown slightly since year-end to ca£128m, which underpins future growth. Demand for the core pawnbroking service is expected to remain strong as the need for small-sum, short-term lending continues to grow given macroeconomic conditions, continued lack of supply of small-sum credit and H&T's focus on raising its profile in the communities it serves.
- There are opportunities to expand the geographical coverage of the store network, through opening new stores and acquiring existing independent stores that meet its investment criteria. As we outline below, the cost pressures outside management's control could see more opportunities for inorganic growth, as smaller players do not have the economies of scale that H&T, as market leader, benefits from.
- The group remains committed to delivering a target post-tax RoE of mid-teens through-the-cycle.

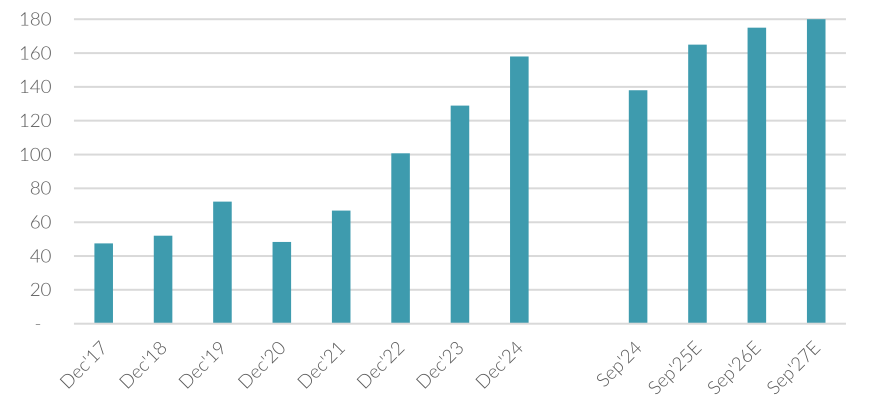
Reasons to be cheerful

1. Core pawnbroking business

Strong demand for core pawnbroking business

In our previous notes, we have described why there is strong demand for pawnbroking loans at a time of limited supply of short-term, small-sum credit. This has been borne out in the results, with a 26% increase in the pledge book in 2024. We concur with management comments about the drivers in 2024 (customers being cashflow-constrained, limited supply) continuing into 2025, and, as the chart below illustrates, we are forecasting strong growth in the year to September 2025. The broad spread of 2024 growth by store, location, and customer is encouraging for its sustainability. By way of example, many of the larger stores (defined by H&T as ones with £1m+ pledge book) saw the faster growth.

Net pledge book (£m)



Source: H&T Report and Accounts, Hardman & Co Research

2024 pawnbroking revenue lagged balance sheet growth, partially due to pledge book growth coming at end of the year. Embedded revenue growth in FY'25 as these assets accrue income for whole of the year.

Pawnbroking revenue (excluding scrap) grew 13% in 2024 vs. the 26% growth in spot pledge book capital value (and 18% growth in average carrying value). The key drivers were:

- the timing of the pledge book growth was weighted to end of the year (FY'24 growth 26% vs. 11% at 1H'24). These lately added assets are on balance sheet but generated little revenue in 2024.
- As noted in previous reports, there now appears to be a seasonality to spring accelerated redemptions (2024 ca.15% above normal) with a more traditional redemption pattern in 2H. This had an impact on yield during the year.

The company reported a risk-adjusted margin of 71% (vs. 78% in 2023). The margin was also affected by higher IFRS provisions, driven by lending growth (provisions taken upfront) and changed assumptions following rate increases. Looking forward, revenue growth will reflect the asset-generating income for the whole period.

Record year for new customers

We also note that 2024 was a record year for new customers, especially in 2H'24, which again bodes well for the future.

Incremental value added by H&T in its core market

Taking share in traditional pawnbroking

For several years, H&T has been taking pawnbroking share through organic growth, the acquisition of smaller players and weaker competitors leaving the market. Increased regulatory burdens and financial and cross-product-selling economies of scale have all favoured H&T as the market leader.

Broadening product range, especially into SME business finance

In addition to favourable market dynamics, and an existing market-leading position in traditional pawnbroking for personal use, H&T is also continuing its strategy of raising awareness of pawnbroking to potential customers who are business owners and who have personal assets, which can be pledged in support of business purposes. This was a core Maxcroft (acquired February 2024) service, and loans tend to be larger loans with higher rates of redemption. Larger loans now make up 18% of the pledge book (2023: 13%) while accounting for just 2% of customer numbers.

Cross-product synergies, growing store network, and high gold price will assist outlook

H&T has grown cross-product synergies. As we have reviewed in previous notes, the growth in the pledge book, for example, also feeds into scrap profits in the following year. The secure pawnbroking network can be used at no marginal cost to sell jewellery. Footfall from forex, cash cheque and money transmission services generate leads for the pawnbroking business. H&T also continued to grow its store network, further improving its relative position. In 2024, this was also assisted by the high gold price (see section 4), with H&T seeing a large increase in scrap margins.

Potential for more acquisition opportunities

Looking forward, like many in the retail/consumer space, as increasing costs such as the National Insurance changes, National Minimum Wage increases and business rate increases all bite, there is likely to be increased pressure on profitability for smaller players, with few mitigation options. We discuss this in more detail in section 5 below.

New technology platform should improve efficiency, customer experience and risk management

We also note that H&T is rolling out a new technology platform (EVO), with phase 1 of the project now complete. Management comment: "*The implementation of EVO across our store network has already seen improvements to the way we work. Perhaps the most valuable contributions it has brought to the business have been the improved and more efficient in-store customer journey, along with the enhanced gathering of data which will help us focus our lending and collections activities to further improve the quality of the pledge book*."

2. Strong retail sales

Retail sales volume up 27%, consistent with 1H'24 growth

2023 was a challenging year for jewellery retailers, with severe disruption in the watch market (leading to H&T reducing its inventory to manage risk) and customer behaviour shifting towards an increased appetite for lower-margin products. Trading in 2024 has continued to show customers' preference for lower-priced items, which plays well to H&T's overall market position as a value-for-money retailer. H&T's retail sales increased by 27% to £61.8m (2023: £48.6m). The growth rate has remained consistent throughout the year (1H'24 growth rate 27%), which is encouraging for its sustainability.

2024 margins improved; expected to rise further into FY'25

Profits grew 34% vs. 2023, with a small improvement in margins to 31% (2023: 30%), reflecting changes in the mix of sales, the benefit of retail price increases and the easing of challenging trading conditions for some watch brands. Management expects to see a further improvement in FY'25 (our forecast: 33% in FY'25 ending September). In our note, *Core franchise build, short-term retail noise*, we discussed both the disruption, and H&T's long-term competitive advantages in this area.

Rising online sales

Online sales increased by 36% to £13.3m (up 35% at 1H'24), with ca. half of these sales viewed in store by the customer prior to completing their purchase. These now account for 22% of sales by value, more than double the share of five years ago.

Incremental value added by H&T

H&T's flexible, low-price model, with synergies from pawnbroking store network generating competitive advantages over most jewellery retailers

H&T's approach has been to give customers the maximum range of options by product (watches, jewellery, etc.), product type (e.g. new vs. pre-owned) and channel (store and online). H&T's flexibility means it can outperform pure jewellery retailers, which may be more restricted in their offering by servicing all customer choices.

- An example of the flexibility H&T has, that mainstream jewellery retailers do not, is balancing new vs. used items. With customers showing a preference for lower-cost items, H&T has run a trial in some stores of primarily selling new jewellery, which is easier to merchandise, sell online and has less processing time. Should customers prefer to focus on, say, the green-credentials of pre-owned goods, H&T can switch easily to that product line.

- Its low inventory acquisition cost (either sourced from unredeemed pledge items or using H&T's size as the UK sixth-biggest retailer to buy cheaply in wholesale markets) means it can be an Aldi/Lidl in the jewellery space, offering good value for money.

- We have, in previous notes, also highlighted the synergies in having high-value, small-item retail products in the already-secure pawnbroking store network.

The business is not immune to macro drivers (e.g. particular brands of watches in 2023), but it has clear competitive advantages over many jewellery retailers. In terms of 2025 actions, management has indicated it will widen the range of new jewellery available in stores.

3. Good foreign currency growth

Profits up 11%, reflecting management initiatives

In previous notes, we have outlined the initiatives management has introduced to generate further growth from the FX service, including *inter alia*, broadening the range of currencies held in stores and launching a "click and collect" service. Gross profit grew 11% to £7m (2023: £6.3m), on transaction volumes up 10% on the prior year. Again, this growth has been consistent through the year (1H'24 profits up 10% on volumes up 9%), which is encouraging. Transaction sizes remain broadly unchanged at £405 (2023: £386) overall, with click and collect at £757 (£685).

Incremental value added by H&T

Management actions to increase forex revenue and profits have included:

- Having a broader range of currencies in store and so immediately available to potential customers. There is a carry cost involved in holding more cash in stores.

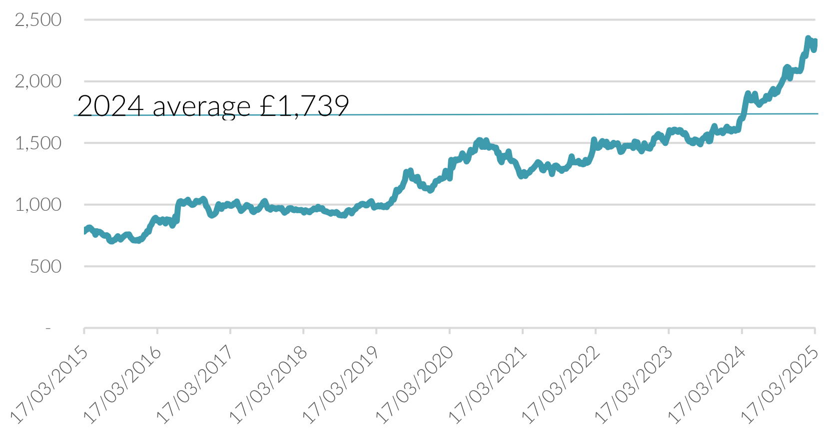
- H&T has rolled out its click and collect service, thus accessing more customers via the internet who then pick up the currency from the store network.

- Management has previously commented that, "*We have begun to apply our learnings from the Maxcroft foreign currency business, following the acquisition in February, to selected H&T stores. We have seen an increase in footfall and sales in those stores*".[1]

[1] See interim results announcement 2024

4. Rising gold price

Gold price (£ per troy ounce)



Source: LSEG, accessed 19/03/2025 Hardman & Co Research

Current gold price approximately a third higher than 2024 average, which bodes well for FY'25 profits

As we have outlined, in previous notes, H&T does have a modest correlated exposure to the gold price. As the chart above shows, gold has been on a rising trend and recently hit $3,000 (£2,300) per troy ounce against the 2024 average £1,739 and 2023 average £1,550.[2] The 2024 rise helped both the gold purchasing service (gross profits £14.8m vs. £8.6m) and pawnbroking scrap (gross profit £9.5m vs. £4.7m). Consensus is for further rises in the gold price (e.g. Goldman Sachs forecast $3,100 end-2025)[3] *inter alia*, as there is a flight to "safe" assets in periods of financial market uncertainty. In our view, there are many factors that could drive the price up or down, but the current price is around a third higher than the average for 2024, which bodes well for the near-term profitability for these operations.

Incremental value added by H&T

H&T widened margins with gold price. Sees some flexibility in managing this should prices start to fall again.

Gold price-related profits are not, in our view, the highest-quality stream because H&T, while managing how it reacts to the gold price, has no direct control over it. In 2024, H&T chose to widen margins (27% vs. 20% in 2023) rather than chase volumes by keeping its purchase prices stable despite the rising gold price. It has indicated that, should the gold price fall, there is some flexibility to lower its purchase cost, and protect profitability, in a way that would not have been available had it been dependent on volume growth. Our forecasts assume a rise in gold purchasing revenue and stable margins in 2025 before a drop off in 2026.

Scrap profits also driven by pledge book not just gold price

Pawnbroking scrap revenue and profit are also influenced by the volume of pledged asset scrapped and the rise in the pledge books generates an increase in volumes scrapped, which are less sensitive to the gold price.

[2] Source: H&T 2024 results RNS
[3] https://www.goldmansachs.com/insights/articles/gold-prices-are-forecast-to-rise-another-8-percent-this-year

5 Improving store estate

The store estate is core to all H&T's product offerings. H&T provided more detail in slides 23-26 of its results presentation. Currently, it has 285 stores, up 57% on 2018 and a net increase of seven, or 2.5% on 2023. In addition to investing in new store openings (eight in 2024), the store estate has been improved with 48 stores refreshed (£18k average cost, ca.£2m p.a. capex spend). Average revenue per store rose 17% to £926k while store running costs increased by 8% (and a 4% reduction in average lease costs). Average inventories were down (£101k vs. £104k) and full-time equivalent staff stable at 3.7.

Incremental value added by H&T

With rising costs, acquisition option becoming more attractive over organic growth

In addition to having economies of scale (285 stores vs. 169 for Ramsdens), H&T actively manages its portfolio. New store openings are expected to be run-rate profitable by the end of the second year, at the latest. With increasing organic costs, and, in our view, the risk of further rises in costs outside management control, there is a shift in the relative attractiveness away from opening a new store organically in favour of buying an established business. Given the cost pressures on smaller players, we believe more are likely to be offered for sale. While sellers' price expectations remain high at the moment, over time, we expect this to moderate. We note, also, that H&T is conservative in the assumptions it uses for new/acquired stores. Of the 34 opened or bought since 2021, all but two are performing at or above planned levels.

Uneconomic stores will be closed

H&T has also chosen to close stores where they become uneconomic (one closed in 2024). Looking forward, the combination of rising business rates and other government-driven costs, might prompt the closure of more stores than seen in the past as their leases come up for renewal.

Looking out to the medium term, management has indicated that its target of 350 stores remains in place, but that each new store opening/acquisition must meet strict criteria. H&T will not forego the location it wants nor financial targets to reach the 350 stores footprint at an accelerated rate. As we noted above, some of the larger stores saw some of the fastest growth across the network; meanwhile, H&T also would consider a second store in a town if that were to optimise the likely customer flow.

Other issues

1. Costs

Major pressures on cost base outside management control…

We outlined in previous notes the pressures on H&T's cost base, most notably:

- The 9.8% increase in National Living Wage (effective from April 2024 with a further 6.7% rise in April 2025) is well above inflation. Additionally, the need to ensure appropriate differentials for all staff means that the increase for lower-paid staff has an effect across most pay scales.
- There have been unexpected changes in National Insurance, with both a hike in the employers' rate (up 1.2% to 15%) and also a lowering of the threshold at which employers pay it (from £9,100 to £5,000).
  - The latter is especially important for a business like H&T, which employs a lot of part-time workers. Previously, these staff did not generate any National Insurance cost, but many will now do so. H&T employed 1,678 people (2023: 1,625) at 31 December 2024, but this equated to only 1,453 full-time equivalent numbers (2023: 1,410). Of the ca.£2m p.a. incremental cost management expects from the NI changes, around two thirds are due to the lowering of the threshold and one third the higher employers' rate. We highlight the sensitivity as, in our view, any government revenue-raising activity will focus on higher rates rather than further cuts to the threshold.
- Business rates are also increasing.
- Similar cost pressures are also being seen in many suppliers (e.g. secure cash transmission) who will try to pass the increase on to H&T.
- These factors compounded previous inflation-linked pressure and volume growth-related costs. In the event, total operating expenses increased by 12%, with employee-related expenses increasing by 9% YoY.

Incremental value added by H&T

…but H&T has mitigating options, including:

- Economies of scale from further growth
- Efficiency gains from new technology
- Acquisition over organic store growth strategy
- Limiting non-customer-facing recruitment
- Fixed energy costs and cheaper leases on renewal

Looking forward, we see a number of options available to management to mitigate absolute and relative cost pressures:

- H&T is already the market leader, and as a growing business, is generating incremental economies of scale, which are unavailable to smaller players.
- The role out of its new "EVO" IT platform should generate further operating efficiencies.
- In terms of store development, it is shifting its focus from organic growth to acquisitions of established businesses. The latter do not have the investment period before profitability, and, as smaller players get squeezed more by cost pressure, sellers' pricing expectations should moderate.
- Average staff numbers per store are unlikely to change significantly, but we expect central support numbers to be carefully controlled with less recruitment.
- H&T energy costs were fixed and have now been extended to 2026 (at a slightly lower rate) and attractive terms on lease renewals (typically every 3-5 years) continue to be seen.

H&T is a growing business, and there are cost pressures. Therefore, we do expect a rapid growth in costs (administration and other expenses rising from £84m to £93m +10% in 2025E), but it is expected to be below revenue growth (13%: 2025E). This continues a multi-year trend with CACG operating income growth of 16% between 2H'21 and 2H'24 against cost growth of 11%.

2. Change in year-end

Change in year-end to mitigate some seasonality. Good disclosure will allow like-for-like comparisons.

With the potential changed spring redemption pattern that we discussed in detail in our note, *1H'24 results: Four-one at half time, but the one wins*, H&T would have all three major business lines being weighted to the second half of the calendar year. Weakness in any would not give management any time to take corrective action (e.g. on costs), creating unwelcome certainty. Accordingly, and after shareholder consultation, management is moving to a September year-end from 2025.

The change in year-end has a number of effects.

- In the statutory numbers, there will thus be a distortion in the transition years for different period-ends and number of months included. Accordingly, we have moved to a *pro forma* annual basis for forecasts.
- *Ceteris paribus*, for a growing business, in any given year, 12-month profits to September will be marginally lower than 12-month profits to December. Additionally, the September year-end has a different mix of profits from a December one. The bottom line, of course, is unchanged over time, but there can be distortions in the short term.
- 2024 results to December were marginally above our forecasts. As our *pro forma* September 2025 12-month forecast is unchanged on the one we previously had for the year to December 2025, there is a modest underlying uplift to estimates and the year-end change is not disguising a profit warning.
- The dividend is included in this *pro forma* approach. Accordingly, our numbers show *pro forma* 12 months for both September 2024 and September 2025 and not the actual timing of dividends declared paid. There will now be an interim dividend for the three months to March 2025 (paid August 2025) and a final dividend for the six months to end-September 2025 (paid April 2026). The statutory dividend for the period to September 2025 will thus be for nine months, so investors will need to look through this number.

3. Other product lines

Small decline in contributions from non-core businesses, as expected

Money transfer profits were £1.0m vs. £1.1m, with stable customer numbers but lower and less frequent transactions. Cheque cashing faces the industry-wide decline in cheque usage, and profits fell from £1.1m to £0.8m. The outstanding personal loan book is now £0.1m, with profits generated primarily from releasing provisions of £0.4m (2023: £0.9m) and the underlying loans repaying.

Financials

Our forecasts have been adjusted for the change in year-end. There has been a modest uplift to underlying numbers but not material.

Profit & loss forecasts (£m)				
Year-end September	**2024 *pro forma***	**2025E**	**2026E**	**2027E**
Total revenue	243.8	275.6	290.1	303.9
Costs of sales	(100.2)	(110.9)	(117.4)	(121.9)
Gross profit	**143.5**	**164.7**	**172.8**	**181.9**
Other direct expenses - impairments	(25.7)	(33.9)	(34.1)	(35.2)
Other direct expenses	(57.9)	(64.0)	(67.8)	(71.9)
Total other direct expenses	**(83.6)**	**(97.9)**	**(101.9)**	**(107.2)**
Admin. expenses	(26.2)	(28.7)	(30.8)	(32.5)
Recurring operating profit	33.7	38.1	40.0	42.3
Non-recurring expenses				
Operating profit	**33.7**	**38.1**	**40.0**	**42.3**
Investment revenues	-	-	-	-
Finance costs	(6.0)	(7.0)	(6.4)	(6.4)
Profit before tax	**27.7**	**31.1**	**33.6**	**35.9**
Tax	(6.9)	(7.8)	(8.4)	(9.0)
Attributable underlying profit	**20.8**	**23.3**	**25.2**	**26.9**
Fully diluted EPS (p)	47.8	53.7	58.0	61.9
DPS (p)	17.8	19.0	20.0	21.0
Dividend cover (x)	2.7	2.8	2.9	2.9

Source: H&T Report and Accounts, Hardman & Co Research

Balance sheet forecasts (£m)				
@ 30 September	**2024 *pro forma***	**2025E**	**2026E**	**2027E**
-Goodwill	27.2	29.2	31.2	33.2
Other intangibles	8.9	11.0	13.1	15.2
Property, plant and equipment	15.8	15.8	15.8	15.8
Right of use assets	17.7	17.7	17.7	17.7
Deferred tax assets	-	-	-	-
Total non-current assets	69.6	73.7	77.8	81.9
Inventories	51.9	50.0	50.0	50.0
Receivables (Pledge book)	146.0	170.0	180.0	190.0
Cash and cash equivalents	21.1	14.8	16.9	20.4
Total current assets	219.0	234.8	246.9	260.4
Total assets	**288.6**	**308.5**	**324.7**	**342.3**
Trade and other payables	(9.4)	(9.4)	(9.4)	(9.4)
Lease liabilities	(5.4)	(5.9)	(6.4)	(6.9)
Tax payable	-	-	-	-
Total current liabilities	(14.8)	(15.3)	(15.8)	(16.3)
Borrowings	(74.5)	(80.0)	(80.0)	(80.0)
Lease liability	(14.3)	(14.3)	(14.3)	(14.3)
Deferred tax liability	(0.4)			
Long-term provisions, incl. retirement	(0.4)	(0.4)	(0.4)	(0.4)
Total non-current liabilities	**(89.6)**	**(94.7)**	**(94.7)**	**(94.7)**
Share capital	2.2	12.2	22.2	32.2
Share premium	50.2	39.5	28.8	18.1
Retained earnings	131.8	146.9	163.4	181.2
Total equity	184.2	198.6	214.4	231.5
		-	-	-
No. of shares at year-end	44.0	44.0	44.0	44.0
NAV per share (p)	4.19	4.51	4.87	5.26

Source: H&T Report and Accounts, Hardman & Co Research

Profit & loss (£000) – Historical actuals							
Year-end Dec	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Total revenue	143,025	160,213	129,115	121,995	173,941	220,775	265,373
Costs of sales	(54,781)	(58,852)	(46,316)	(45,640)	(72,025)	(93,539)	(109,983)
Gross profit	**88,244**	**101,361**	**82,799**	**76,355**	**101,916**	**127,236**	**155,390**
Other direct expenses - impairments	(25,881)	(20,798)	(6,438)	(6,012)	(11,756)	(20,298)	(33,332)
Other direct expenses	(32,855)	(40,044)	(43,750)	(40,239)	(47,779)	(53,223)	(59,171)
Total other direct expenses	**(58,736)**	**(60,842)**	**(50,188)**	**(46,251)**	**(59,535)**	**(73,521)**	**(92,503)**
Admin. expenses	(13,272)	(18,031)	(15,727)	(18,904)	(21,828)	(24,204)	(27,384)
Recurring operating profit	**16,236**	**22,488**	**16,884**	**11,200**	**20,553**	**29,511**	**35,503**
Non-recurring expenses				(2,099)	-		
Operating profit	**16,236**	**22,488**	**16,884**	**9,101**	**20,553**	**29,511**	**35,503**
Investment revenues	3	0	5	8	0	82	82
Finance costs	(2,468)	(2,405)	(1,257)	(1,247)	(1,548)	(3,233)	(6,528)
Profit before tax	**13,771**	**20,083**	**15,632**	**7,862**	**19,005**	**26,360**	**29,057**
Tax	(2,818)	(3,393)	(3,070)	(1,818)	(4,093)	(5,277)	(6,829)
Attributable underlying profit	**10,953**	**16,690**	**12,562**	**6,044**	**14,912**	**21,083**	**22,228**
Fully diluted EPS (p)	29.59	43.80	32.11	15.43	37.15	48.49	50.94
DPS (p)	11.0	4.7	8.5	12.0	15.0	17.0	18.0
Dividend cover (x)	2.7	9.3	3.8	1.3	2.5	2.9	2.8

Source: H&T Report and Accounts, Hardman & Co Research

Balance sheet (£000) – Historical actuals							
@ 31 December	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Goodwill	17,643	19,580	19,330	19,330	20,969	21,851	27,310
Other intangibles	343	3,889	2,729	1,892	6,368	7,618	9,504
Property, plant and equipment	6,032	7,739	8,635	11,101	13,045	15,686	15,780
Right of use assets	20,159	21,147	18,337	17,400	18,991	19,581	17,901
Deferred tax assets	1,683	2,180	2,822	1,726	251	0	0
Total non-current assets	**45,860**	**54,535**	**51,853**	**51,449**	**59,624**	**64,736**	**70,495**
Inventories	29,262	29,157	27,564	28,421	35,469	40,711	40,582
Receivables (Pledge book)	73,379	90,891	55,751	72,449	104,046	135,271	164,792
Other current assets	877	714	1	0	0	0	137
Cash and cash equivalents	11,414	12,003	34,453	17,638	12,229	11,387	14,654
Total current assets	114,932	132,765	117,769	118,508	151,744	187,369	220,165
Total assets	**160,792**	**187,300**	**169,622**	**169,957**	**211,368**	**252,105**	**290,660**
Trade and other payables	(6,015)	(10,578)	(10,807)	(10,154)	(9,097)	(7,955)	(7,700)
Lease liabilities	(249)	(4,890)	(3,568)	(3,191)	(3,743)	(3,965)	(5,338)
Tax payable	(842)	(2,066)	(1,972)	(375)	(937)	(858)	0
Total current liabilities	**(7,106)**	**(17,534)**	**(16,347)**	**(13,720)**	**(13,777)**	**(12,778)**	**(13,038)**
Borrowings	(24,888)	(26,000)	-	-	(15,000)	(43,000)	(69,100)
Lease liability	(23,724)	(19,670)	(17,077)	(15,792)	(16,326)	(18,002)	(14,445)
Deferred tax liability						(508)	(1,520)
Long-term provisions, incl. retirement	(1,253)	(1,490)	(1,649)	(3,827)	(2,146)	(447)	(425)
Total non-current liabilities	**(49,865)**	**(47,160)**	**(18,726)**	**(19,619)**	**(33,472)**	**(61,957)**	**(85,490)**
Share capital	1,883	1,987	1,993	1,993	2,193	2,199	2,199
Share premium	27,152	33,179	33,486	33,486	49,423	49,723	49,729
Retained earnings	74,821	87,475	99,105	101,174	112,537	125,479	140,235
EBT share reserve	(35)	(35)	(35)	(35)	(34)	(31)	(25)
Total equity	**103,821**	**122,606**	**134,549**	**136,618**	**164,119**	**177,370**	**192,138**
No. of shares at year-end	37.7	39.7	39.9	39.9	43.9	44.0	44.0
NAV per share (p)	275.7	308.5	337.5	342.7	374.3	403.3	436.8

Source: H&T Report and Accounts, Hardman & Co Research

Valuation

Summary

Range of valuation approaches, including GGM, DCF and DDM

Average of all is 486p

We apply a range of different valuation approaches, as shown below, and give some of the key sensitivities to our assumptions. Our Gordon Growth Model (GGM) indicates a fair value of 646p, the dividend discount model (DDM) 436p and the discounted cashflow (DCF) model 374p. For a growing business, rolling forward the base year for valuation has seen these increase modestly from our previous numbers. We believe the differences in strategy and business model make comparisons with the closest listed peer, Ramsdens, of limited value.

GGM

GGM valuation, at 646p, captures value added and growth

Looking at H&T, the assumptions were outlined in our initiation report, which we show alongside sensitivity to assumptions in the table below. Rolling forward to Sep'26E book value, would see the valuation increase to 698p.

GGM and key sensitivities

	Base	+1% RoE	+1% CoE	+0.5% G
RoE	13%	14%	13%	13%
CoE, post-tax	10%	10%	11%	10%
G	5%	5%	5%	55%
P/BV (x)	1.3	1.4	1.2	1.3
Disc./prem. re near-term performance	10%	10%	10%	10%
P/BV (x)	1.4	1.5	1.3	1.4
BV Sep25E (p/sh)	451	451	451	451
Valuation (p/sh)	646	696	587	654
Variance (p/sh)		50	-59	8

Source: Hardman & Co Research

DDM

DDM valuation 436p

Using the assumptions detailed in our initiation, the implied valuation on the DDM is 436p. The terminal value accounts for 35% of the total value. In terms of sensitivity to assumptions, an 11% CoE, the value would be 413p.

DCF

DCF valuation 374p

A DCF analysis is complicated for H&T, as is the case for any lender needing to use cash as its working capital; again, the assumptions were outlined in our initiation. The terminal value accounts for 27% of the value (pre-balance sheet allocation). In terms of sensitivity to assumptions, an 11% CoE, the value would be 281p.

"Peer" companies

The only listed "peer" is Ramsdens (RFX). However, in making comparisons, there are some very important business model, size and strategy differences, which means that any comparison needs to be treated with caution. RFX is one multiple more expensive on a forward PE basis.

Appendix – Hardman & Co research on H&T

Our detailed research reports on H&T include:

- *Pawnbroking royalty, with strong, profitable growth* (initiation, 15 March 2023).
- *Pawnbroking's current appeal* (1 June 2023)
- *Delivering the pawnbroking growth opportunity* (25 August 2023)
- *Growing pawnbroking core will drive other services* (23 January 2024)
- *Core franchise build, short-term retail noise* (4 April 2024)
- *Pawnbroking: the global perspective for H&T* (23 July 2024)
- *1H'24 results: Four-one at half time, but the one wins* (20 August 2024)

Each link contains a click-through to our five-minute *Directors Talk* audio interviews, summarising each report.

Regular monthly updates are given in the Hardman & Co monthly available *here*

More information, including presentations, is available on HAT's *website*. Other regulatory news can be seen on the company's page on *the LSE website*.

Disclaimer

Hardman & Co provides professional independent research services and all information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. However, no guarantee, warranty or representation, express or implied, can be given by Hardman & Co as to the accuracy, adequacy or completeness of the information contained in this research and they are not responsible for any errors or omissions or results obtained from use of such information. Neither Hardman & Co, nor any affiliates, officers, directors or employees accept any liability or responsibility in respect of the information which is subject to change without notice and may only be correct at the stated date of their issue, except in the case of gross negligence, fraud or wilful misconduct. In no event will Hardman & Co, its affiliates or any such parties be liable to you for any direct, special, indirect, consequential, incidental damages or any other damages of any kind even if Hardman & Co has been advised of the possibility thereof.

This research has been prepared purely for information purposes, and nothing in this report should be construed as an offer, or the solicitation of an offer, to buy or sell any security, product, service or investment. The research reflects the objective views of the analyst(s) named on the front page and does not constitute investment advice. However, the companies or legal entities covered in this research may pay us a fixed fee in order for this research to be made available. A full list of companies or legal entities that have paid us for coverage within the past 12 months can be viewed at *http://www.hardmanandco.com/legals/research-disclosures*. Hardman may provide other investment banking services to the companies or legal entities mentioned in this report.

Hardman & Co has a personal dealing policy which restricts staff and consultants' dealing in shares, bonds *or other related instruments of companies or legal entities which pay Hardman & Co for any services, including research. No Hardman & Co staff, consultants or officers are employed or engaged by the companies or legal entities covered by this document in any capacity other than through Hardman & Co.*

Hardman & Co does not buy or sell shares, either for their own account or for other parties and neither do they undertake investment business. We may provide investment banking services to corporate clients. Hardman & Co does not make recommendations. Accordingly, they do not publish records of their past recommendations. Where a Fair Value price is given in a research note, such as a DCF or peer comparison, this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. Hardman & Co may publish further notes on these securities, companies and legal entities but has no scheduled commitment and may cease to follow these securities, companies and legal entities without notice.

The information provided in this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Hardman & Co or its affiliates to any registration requirement within such jurisdiction or country.

Some or all alternative investments may not be suitable for certain investors. Investments in small and mid-cap corporations and foreign entities are speculative and involve a high degree of risk. An investor could lose all or a substantial amount of his or her investment. Investments may be leveraged and performance may be volatile; they may have high fees and expenses that reduce returns. Securities or legal entities mentioned in this document may not be suitable or appropriate for all investors. Where this document refers to a particular tax treatment, the tax treatment will depend on each investor's particular circumstances and may be subject to future change. Each investor's particular needs, investment objectives and financial situation were not taken into account in the preparation of this document and the material contained herein. Each investor must make his or her own independent decisions and obtain their own independent advice regarding any information, projects, securities, tax treatment or financial instruments mentioned herein. The fact that Hardman & Co has made available through this document various information constitutes neither a recommendation to enter into a particular transaction nor a representation that any financial instrument is suitable or appropriate for you. Each investor should consider whether an investment strategy of the purchase or sale of any product or security is appropriate for them in the light of their investment needs, objectives and financial circumstances.

This document constitutes a 'financial promotion' for the purposes of section 21 Financial Services and Markets Act 2000 (United Kingdom) ('FSMA') and accordingly has been approved by Capital Markets Strategy Ltd which is authorised and regulated by the Financial Conduct Authority (FCA).

(Disclaimer Version 8 – Approved January 2025)

Status of Hardman & Co's research under MiFID II

Hardman & Co's research is paid for by the companies, legal entities and issuers about which we write and, as such, falls within the scope of 'acceptable minor non-monetary benefits', as defined in the Markets in Financial Instruments Directive.

The FCA Handbook (COBS 2.3A.19) states: 'An acceptable non-monetary benefit is one which:[…] (5) consists of: […] (b) written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any firms wishing to receive it, or to the general public.'

The fact that Hardman & Co is commissioned to write the research is disclosed in the disclaimer, and the research is widely available.

research@hardmanandco.com

9 Bonhill Street
London
EC2A 4DJ

www.hardmanandco.com