

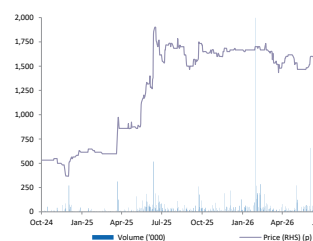
Corporate

Current price (p) **60.5p**

Sector Financials & InsuranceCode ORCH.L

Listing	AIM
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Share Performance



% Change	1m	3m	12m
— ORCH.L	0.0	-1.6	1.7

Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m)	12.9
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Shares in issue (m)	21.35
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52 weeks (p) High Low

68.5 50.0

Financial year end 31 January

Source: Company Data, Allenby Capital

Key Shareholders

Ravi Takhar (CEO)	57.2%
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Gresham House AM	4.7%
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Jack Boardman	4.3%
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Interactive Investor Services	4.2%
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AJ Bell Securities	4.2%
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Source: Company Data

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Orchard Funding Group plc (ORCH.L)

H1 reinforces deep value (50% NAV discount)

Orchard Funding, the specialist provider of insurance premium and service fee financing, reported strong H1 FY27 results (HYE 31 July), with net profit up 23% year on year to £1.9m, driving NAV per share 16% higher to a record 116.5p. The Company declared a 2p interim dividend, and we now forecast 3p for FY27 (5% yield). The Board remains optimistic about continued robust performance, despite a tougher macro outlook, including inflation and possible rate hikes. Our FY27E and FY28E PBT and EPS forecasts are broadly unchanged, with lower lending volumes and revenue offset by a higher gross margin. With H1 delivering c. 60% of our FY27E PBT, we view our forecasts as conservative. Notwithstanding strong operational and financial progress, the shares have been flat year to date and trade at 4.1x FY27E PER and a 50% discount to FY27E NAV, offering an attractive entry point in our view. Given its position as the only AIM-listed pure-play on the UK insurance premium and fee financing market, and its decade-long track record as a listed company, Orchard Funding's discount is hard to justify.

- **Lower funding costs:** Lending volumes fell 5% to £57.6m, due to a 9% decline in core lending to £49.7m, partly offset by 30% growth in Toyota lending to £7.9m. Average external funding fell 33% to £8.2m, equivalent to c. 17% of the average core loan book (H1 FY26: c. 25%), reflecting a deliberate shift towards funding lending from Orchard Funding's own balance sheet. This cut the cost of external funds 41% to c. £0.5m, lifting net interest income 3% to £3.7m.
- **Margins lift profits:** Revenue was 3% lower at £5m, reflecting lower lending volumes. Reduced funding and other direct costs drove gross margin up 13.5ppts to 90.2% (H1 FY26: 76.7%). Combined with a 2% fall in operating costs, this boosted operating profit and PBT 32% to £2.5m. Net profit to shareholders and diluted EPS both rose 23%, to £1.9m and 8.9p respectively, after a higher effective tax rate of 25% (H1 FY26: 22%).
- **Forecasts broadly unchanged:** Against our previous forecasts, 10% lower FY27E lending (£119m) and 5% lower revenue (£10.5m) are offset by a higher gross margin of 83.5% (previously 79.0%), leaving PBT and EPS 1% higher at £4.2m and 14.9p. We now forecast an FY27E dividend of 3p (previously nil), including a 1p final. Similarly, in FY28E, lending and revenue are 8% and 5% lower respectively at £125m and £11.5m, with PBT and EPS 1% higher at £4.9m and 17.3p. NAV is marginally lower at 120.6p in FY27E (previously 123.0p) and 136.9p in FY28E (previously 140.2p), reflecting the FY27E dividend.
- **Valuation:** Orchard Funding continues to trade at a deep discount, on 4.1x FY27E PER, declining to 3.5x in FY28E, and a 50% discount to FY27E NAV, widening to 56% in FY28E. We see continued operational and financial progress as the key catalyst to close the gap.

Year End: 31 January					
(£'000)	18M FY26	FY27E OLD	FY27E NEW	FY28E OLD	FY28E NEW
REVENUE	15,728	11,054	10,457	12,159	11,503
GROSS PROFIT	12,683	8,732	8,734	9,606	9,607
ADJ. PBT*	6,656	4,339	4,342	5,030	5,031
ADJ. DIL. EPS (p)*	23.3	15.4	15.4	17.8	17.8
DPS (p)	4.0	-	3.0	-	-
NAV PER SHARE (p)	108.7	123.0	120.6	140.2	136.9
PRICE TO NAV (DISCOUNT)	-44%	-51%	-50%	-57%	-56%

Source: Company; Allenby Capital forecast. Allenby Capital acts as Nomad & Broker to Orchard Funding Group plc (ORCH.L). *Adjusted numbers exclude net impairment loss/ gain

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

Financial Statements

Exhibit 1: Summary income statement

Year End 31 January (£'000)	FY23\$	FY24\$	18M FY26	FY27E	FY28E
Revenue (Gross total income)	7,864	9,639	15,728	10,457	11,503
Cost of Sales	2,260	2,754	3,045	1,724	1,896
Gross profit (net total income)	5,604	6,885	12,683	8,734	9,607
Gross margin	71.3%	71.4%	80.6%	83.5%	83.5%
Other operating costs	3,302	3,601	6,032	4,397	4,580
Net impairment loss/(gain) on fin. assets	64	1,235	62	95	100
Impairment loss on investment at fair value	75	-64	2	-	-
Operating profit	2,163	2,113	6,587	4,241	4,927
Operating margin	27.5%	21.9%	41.9%	40.6%	42.8%
Adjusted operating profit*	2,302	3,284	6,651	4,336	5,027
Adjusted operating margin	29.3%	34.1%	42.3%	41.5%	43.7%
Interest receivable	9	6	5	6	4
Profit before tax (PBT)	2,171	2,119	6,592	4,247	4,931
Adjusted PBT*	2,310	3,290	6,656	4,342	5,031
Taxes	458	552	1,678	1,062	1,233
Tax rate	21.1%	26.1%	25.5%	25.0%	25.0%
Net profit	1,713	1,579	4,935	3,185	3,698
Net Margin	21.8%	16.4%	31.4%	30.5%	32.1%
Adjusted net profit*	1,852	2,738	4,978	3,280	3,798
Basic and diluted shares outstanding ('000)	21,354	21,354	21,354	21,354	21,354
Basic and diluted EPS (p)	8.0	7.4	23.1	14.9	17.3
Adjusted basic and diluted EPS (p)*	8.7	12.8	23.3	15.4	17.8
Dividend per share (p)	3.0	2.0	4.0	3.0	-
Dividend payout	37.4%	27.0%	17.3%	20.1%	-

Source: Company data and Allenby Capital forecast; Note: \$ Year ended 31 July; *Adjusted numbers exclude net impairment loss/ gain

Exhibit 2: KPIs

Year End 31 January (£m)	FY23\$	FY24\$	18M FY26	FY27E*	FY28E
Lending	99.9	114.7	182.8	119.0	125.0
% Change YoY	24.9%	12.5%	NA	-3.4%	5.0%
Loan book	59.0	67.0	66.1	64.5	65.3
% Change YoY	34.9%	13.5%	NA	-4.2%	1.2%
Borrowing	34.7	40.2	33.6	32.6	33.6
% Change YoY	36.0%	15.8%	NA	-3.0%	3.1%

Source: Company data and Allenby Capital forecast; Note: \$ Year ended 31 July; *FY27E % change YoY is calculated against the comparable 12 months to 31 January 2026

Exhibit 3: Balance Sheet

Year End 31 January (£'000)	FY23\$	FY24\$	18M FY26	FY27E	FY28E
ASSETS					
Cash & cash equivalents	2,550	1,482	1,072	2,968	5,364
Accounts receivable	279	122	124	482	530
Loans to customers	51,021	57,944	48,773	47,411	48,070
Current Assets	53,850	59,548	49,969	50,861	53,963
Loans to customers	7,967	9,038	17,367	17,095	17,226
Intangibles	41	145	33	83	198
Net fixed assets	7	448	443	339	223
Other long-term assets	12	6	6	6	6
Long-term assets	8,027	9,637	17,849	17,523	17,653
Total Assets	61,877	69,185	67,818	68,383	71,617
LIABILITIES					
Accounts payable	8,955	9,488	9,244	8,265	7,013
Short-term debt	26,079	29,693	21,703	20,703	21,703
Taxes and others	449	542	1,723	1,723	1,723
Current Liabilities	35,483	39,723	32,670	30,691	30,439
Long-term debt	8,643	10,529	11,940	11,940	11,940
Reserves and other	2	1	3	3	3
Long-term liabilities	8,645	10,530	11,943	11,943	11,943
Issued share capital	214	214	214	214	214
Share premium	8,692	8,692	8,692	8,692	8,692
Other reserves	891	891	891	891	891
Retained earnings	7,952	9,104	13,398	15,943	19,428
Equity attributable to shareholders	17,749	18,901	23,195	25,740	29,225
Minority interest	-	31	10	10	10
Total liabilities & equity	61,877	69,185	67,818	68,383	71,617

Source: Company data and Allenby Capital forecast; Note: \$ Year ended 31 July

Exhibit 4: Cash Flow Statement

Year End 31 January (£'000)	FY23\$	FY24\$	18M FY26	FY27E	FY28E
Operating profit	2,163	2,113	6,587	4,241	4,927
Depreciation and amortisation	45	95	132	120	132
Impairment loss on investment fair value	75	-75	-	-	-
Taxes	-307	-460	-495	-1,062	-1,233
Change in working capital (use)	-12,638	-7,262	659	298	-2,090
Others	-	118	-	-	-
Cash flow from operations (CFO)	-10,662	-5,471	6,883	3,597	1,736
Capex	-8	-453	-15	-16	-16
Acquisitions & divestitures	-	-	-	-	-
Capitalisation and purchase of intangibles	-57	-214	-	-50	-115
Others	-32	33	-	-	-
Net investments	-97	-634	-15	-66	-131
Free cash flow (FCF)	-10,759	-6,105	6,868	3,531	1,605
Free cash flow per share (p)	-50.4	-28.6	32.2	16.5	7.5
Net interest received (paid)	-	-	5	6	4
Dividends paid	-641	-427	-641	-641	-213
Capital increase (decrease)	-	-	-	-	-
Debt issued (redeemed)	9,184	5,473	-6,642	-1,000	1,000
Lease payments	-30	-15	-	-	-
Others	-	6	-	-	-
Cash flow from financing	8,513	5,037	-7,278	-1,635	791
Net Increase/(decr) in cash and equivalents	-2,246	-1,068	-410	1,896	2,396

Source: Company data and Allenby Capital forecast; Note: \$ Year ended 31 July

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