



Investor and Analyst Presentation

Delivering, Growing, Innovating

Mortgage Advice Bureau (Holdings) plc
Interim Results – six months ended 30 June 2018



**Mortgage
Advice Bureau**

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For more detailed information, the entire text of the interim results announcement for the six months ended 30 June 2018, can be found on the Investor Relations section of the Company’s website www.investor.mortgageadvicebureau.com

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Presentation Team



Peter Brodnicki

Chief Executive Officer

- Co-founded the business in 2000
- >30 years' Mortgage and Financial Services experience
- British Mortgage Awards: Business Leader of the Year (3 consecutive years)



Ben Thompson

Managing Director

- >30 years in Mortgages & Financial Services
- Most recently CEO of ULS Technology
- British Mortgage Awards: Business Leader of The Year, Press Spokesperson & Technology Advocate.



Lucy Tilley

Finance Director

- Joined MAB Board in May 2015 as Finance Director
 - Former corporate financier; extensive experience working with listed companies (particularly in Financial Services, inc. lead roles in IPOs of MAB, Secure Trust Bank and River and Mercantile)
 - Chartered Accountant, qualified at KPMG in 1996
-

Key Financial Highlights H1 2018

Revenue

£57.9m
+17%

Gross Profit

£13.0m
+9%

Profit Before Tax

£7.0m
+11%

EPS ¹

11.7p
+11%

Interim Dividend

10.6p
+12%

Cash Conversion ¹

108%

Although housing transactions fell by 5%, MAB increased its share of new mortgage lending from 4.2% to 4.7% of the overall UK market

1. Adjusted cash conversion is cash generated from operating activities adjusted for movements in non-trading items including loans to Appointed Representative firms ("ARs") and loans to associates totalling £0.8m in H1 2018 (H1 2017: £0.3m) and increases in restricted cash balances of £1.0m in H1 2018 (H1 2017: £0.2m) as a percentage of operating profit.

Key Achievements H1 2018

Market

- Mortgages arranged¹ +25%
- Market share increase² of 12% to 4.7% with property transactions down 5%
- Revenue per Adviser increase of 3% despite macro headwinds

People

- Appointed Ben Thompson in new role of Managing Director
- Average adviser numbers +13%

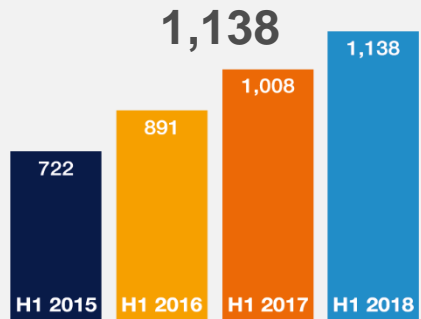
Platform

- Build progressing well, halfway through our plans
- Strengthening our unique business model
- Developments will directly benefit MAB advisers and customers

¹ Gross mortgage lending (inc. Product Transfers) ² Of new mortgage lending

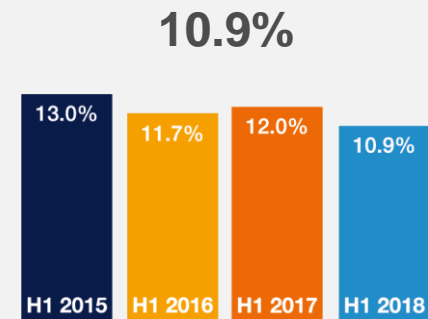
How We Performed – KPIs

Adviser Numbers at 30 June



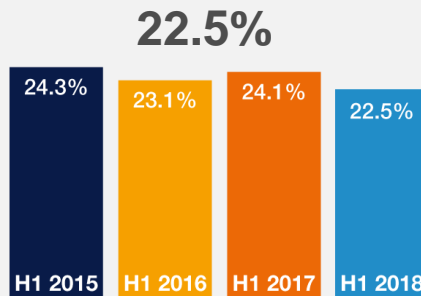
Average adviser numbers up 13% to **1,103** (H1 2017: 974)
Further growth continues: 1,157 advisers at 21 September 2018

Overheads % of Revenue



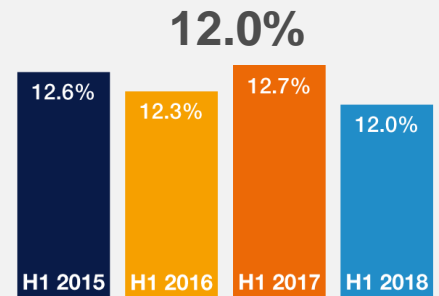
Some costs (eg. Compliance personnel) closely correlated to growth
Remainder of costs typically rise at a slower rate than revenue
We expect a modest increase in our IT costs as part of our fintech development

Gross Profit Margin



Mortgage mix affects gross profit margin
Existing ARs receive slightly better terms as their revenue grows
New larger ARs typically join on lower than average margins

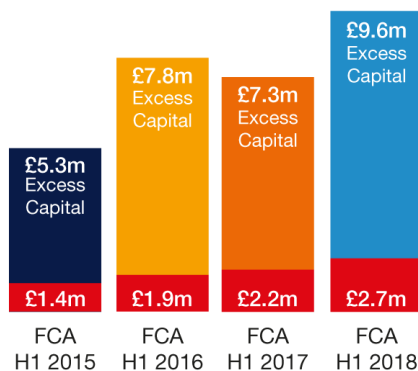
Profit Before Tax Margin



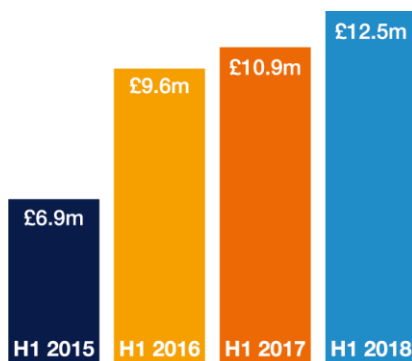
Subject to the growth in our IT costs, we would expect the scalable nature of our cost base to in part counter the expected erosion on gross margin as the business continues to grow

Dividend Policy

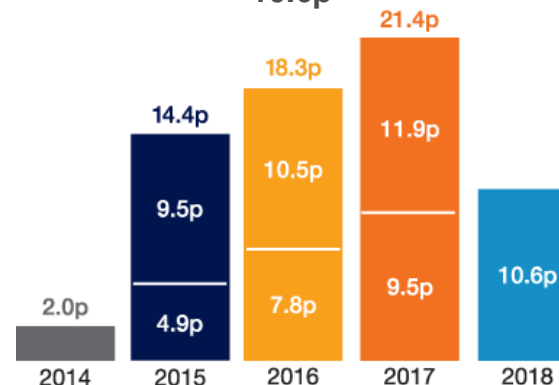
Capital Adequacy¹ (£m)
£12.3m



Unrestricted Cash Balances (£m)
£12.5m



Ordinary Dividends since IPO
10.6p



- MAB is highly cash generative and capital light
- Materially, operating profits = cash
- MAB requires c. 10% of PAT for increased regulatory capital¹ and other CapEx
- The 90% H1 18 interim dividend reflects our ongoing intentions to:
 - Distribute reserves not required to support growth in the business; and
 - Maintain a strong regulatory capital buffer

1. Regulatory capital requirement: 2.5% of regulated revenue, excess capital peaks at period end

H1 2018 vs H1 2017

Whole Market

- Property transactions in H1 2018 by **volume** were **5% lower** than in H1 2017
- UK new mortgage lending in **H1 2018** of **£126bn¹**: **+5%** driven primarily by remortgages
- Rate of house price inflation has fallen (c.4%²)
- **MAB** new mortgage completions in H1 2018 of £5.9bn: **+18%**
- **MAB** market share of new mortgage lending of 4.7%: **+12%**
- **UK Finance** has published a figure of **£53.7bn** for **Q1 2018** Product Transfers
- **MAB** product transfers in H1 2018 of £0.6bn: **+196%**

Segmental movements in gross mortgage lending by value

- First time buyers: **+4%**
- Home-owner mover: **-1%**
- Home-owner remortgage: **+14%**; strong lender competition
- BTL purchase: **-13%**; taxation changes for landlords
- BTL remortgage: **+15%**

Market Forecasts

UK Gross New Mortgage Lending

UK Finance projections for gross new mortgage lending (excludes Product Transfers) have not been revised recently; current run rates however support these estimates:

- **2018**: £260bn, **+1%**
- **2019**: £271bn, **+4%**

UK Product Transfers

- UK Finance has published a figure of **£53.7bn** for Q1 2018 Product Transfers
- Q2 data due end September 2018

Property Prices and Transactions³

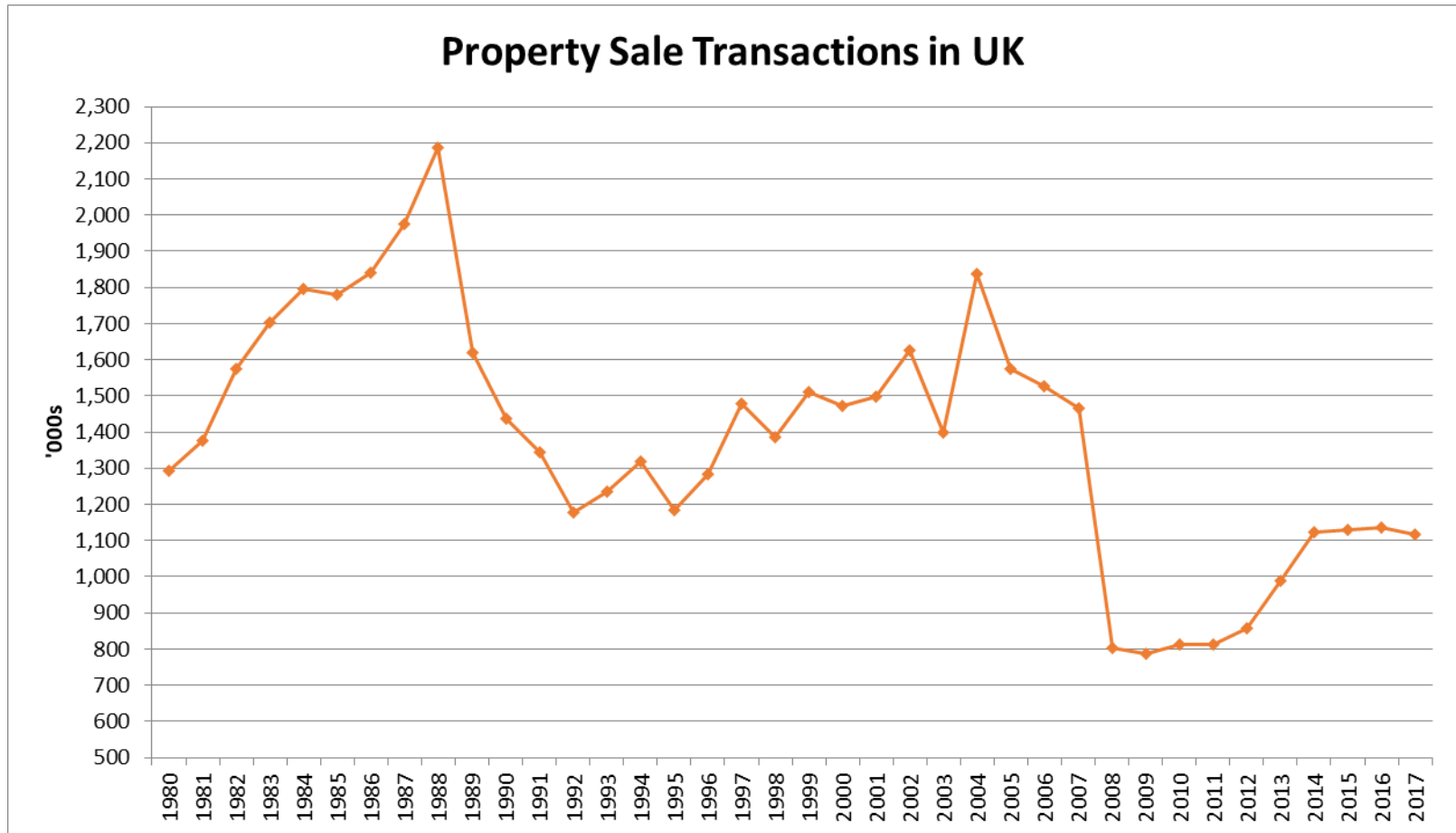
- Picture is regional, or even local. London and parts of the wider South East and East Anglia have seen a slowdown, other parts performing comparatively better (prices and activity)
- Muted environment overall ahead of Brexit

¹UK Finance data (does not include product transfers)

² Land Registry House Price Index

³ Recent RICS commentary

UK historical property transactions

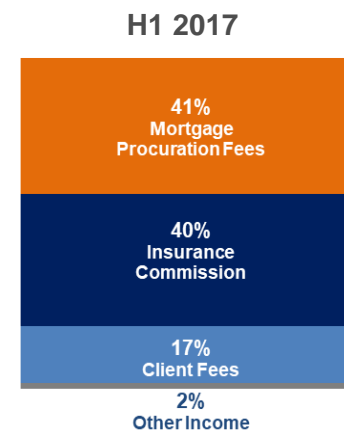
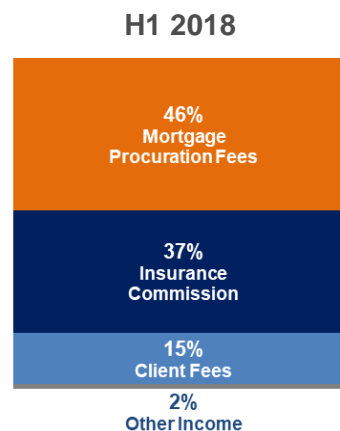


Source: HM Revenue and Customs

Note: Data up to 2005 is for England and Wales only, post 2005 includes Scotland and Wales

All Income Sources Continue To Grow

Income source	H1 2018	H1 2017	Increase
	£m	£m	
Mortgage procurement fees	26.8	20.5	31%
Protection and General Insurance Commission	21.3	19.8	8%
Client Fees	8.9	8.5	5%
Other Income	0.9	0.8	10%
Total	57.9	49.6	17%



- Revenue increase of 17% generated from:
 - +13% average Advisers
 - +3% increase in revenue per Adviser
- Gross mortgage completions up 25%
- Increased product transfer opportunities and a reduction in proportion of higher margin residential purchase business due to slower purchase market have led to a lower proportion of insurance commission and client fees
- Protection and GI dependent on mortgage mix
- Client fees reflect mortgage mix, average client fee when charged flat

Our Growth Opportunities



Growth In Re-mortgaging & Product Transfers (PTs)

Intermediaries can now help their customers to switch their existing mortgage product with their current lender. This creates incremental opportunities for customer interaction, as well as a new revenue stream for MAB.

£2.5 Trillion Protection Gap

Consumers are under-protected to the tune of £2.5 trillion.*

New Later Life Lending Market

This market segment is increasing (£65bn of outstanding lending in 2017 to £142bn by 2027) , thereby boosting overall mortgage related transactions and opportunities.

Fintech Advances Placing Pressure On Smaller Firms

Very few mortgage firms are able to invest in market-leading technology. This should create recruitment opportunities for those firms like MAB that can.

Home Moving Linked Services

Consumers are increasingly time poor. Advances in technology will make it possible for MAB to build an E2E solution for customers who are home-moving (e.g. extending into utilities and other broader home-moving services).

Overseas Market Opportunities

Technological innovation and regulatory changes are combining to create cross-border expansion opportunities for MAB.

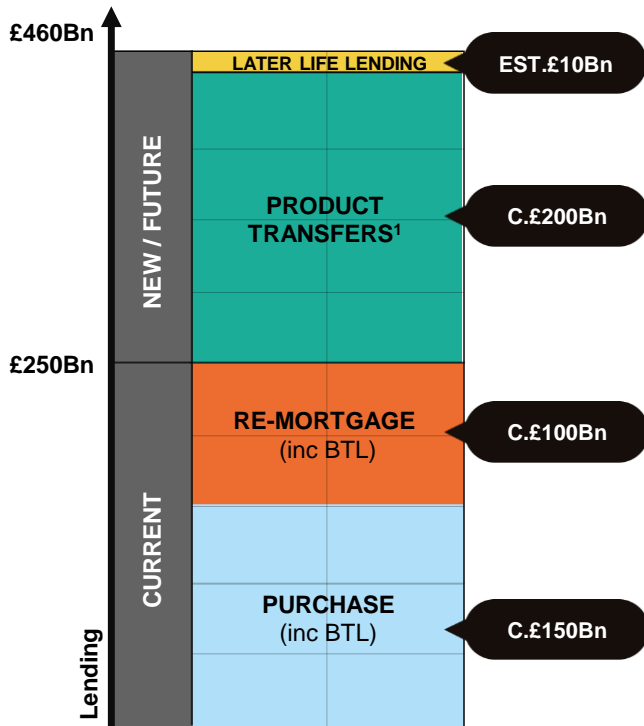
Undersupply Of Housing

Housebuilding remains significantly below the levels recommended in the 2004 Housing Supply Review (Kate Barker), as well as subsequent reports on the same topic.

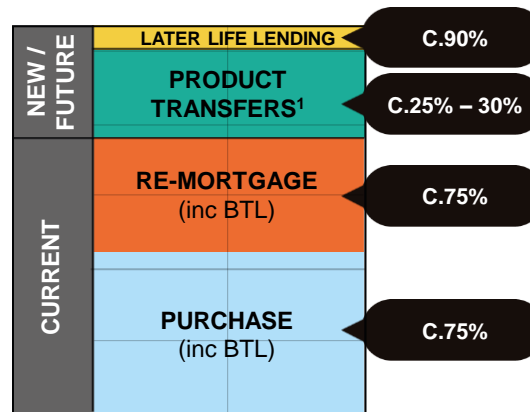
*Swiss Re, May 2017.

Our Market Opportunities

WHOLE MARKET



INTERMEDIARY MARKET



INTERMEDIARY OPPORTUNITIES

WHERE MAB's UPSIDE SHOULD EXIST?

1. Later Life Lending

Likely to be a market where full advice is required by customers and future growth is driven by mortgage intermediaries.

2. Product Transfers

It has only been over the last year or so that the large lenders have engaged intermediaries to help them to retain their existing mortgage borrowers (through enabling borrowers to 'Product Transfer'). This is why currently the intermediary share of this segment is comparatively small, but ought to grow as intermediaries increase their focus in this area.

3. Re-mortgage

Many home-owners are re-mortgaging to enable them to carry out home improvements. This creates opportunities for intermediaries to move their mortgages from one lender to another to secure additional borrowing.

4. Purchase

Although FTB activity has increased in recent years, overall house purchase levels are down versus historical averages. At some point pent up demand will be released and purchase activity will increase.


¹ Estimate based on Q1 2018 UK Finance Figure of £53.7 Bn

- Adviser numbers increased to 1,157 at 21 September 2018, strong pipeline
- Housing transactions expected to remain muted for remainder of 2018 and 2019 due to Brexit
- New mortgage lending (exc. Product Transfers) expected to remain relatively flat for remainder of 2018 with a 4% increase in 2019 with growth in remortgage market a key factor
- UK Finance to confirm size of Q2 2018 switching market end of September
- Technology advances and lead generation are main strategic drivers for MAB
- Technology plans progressing well
- Expect to continue track record of dividend and profit growth

“We are excited about how delivering our developments in technology will help us to attract more advisers and customers into MAB, assisting our future growth plans.”



There is only one MAB...

	 Mortgage Advice Bureau	Typical AR network	Typical DA Broker
National consumer brand	✓	✗	✗
Advisers not directly employed	✓	✓	✗
No commercial risk of advice	✓	✓	✗
Limited clawback liability	✓	✓	✗
Clawback fund	✓	✗	✗
Advisers supervised directly	✓	✗	✓
Long term contracts	✓	✗	✗

Appointed Representatives: extending platform,
building specialisation



35%

vita.

20%



25%



25%

Products related to MAB Core Business offering:



49%¹



30%²



49%

Testing New Markets:



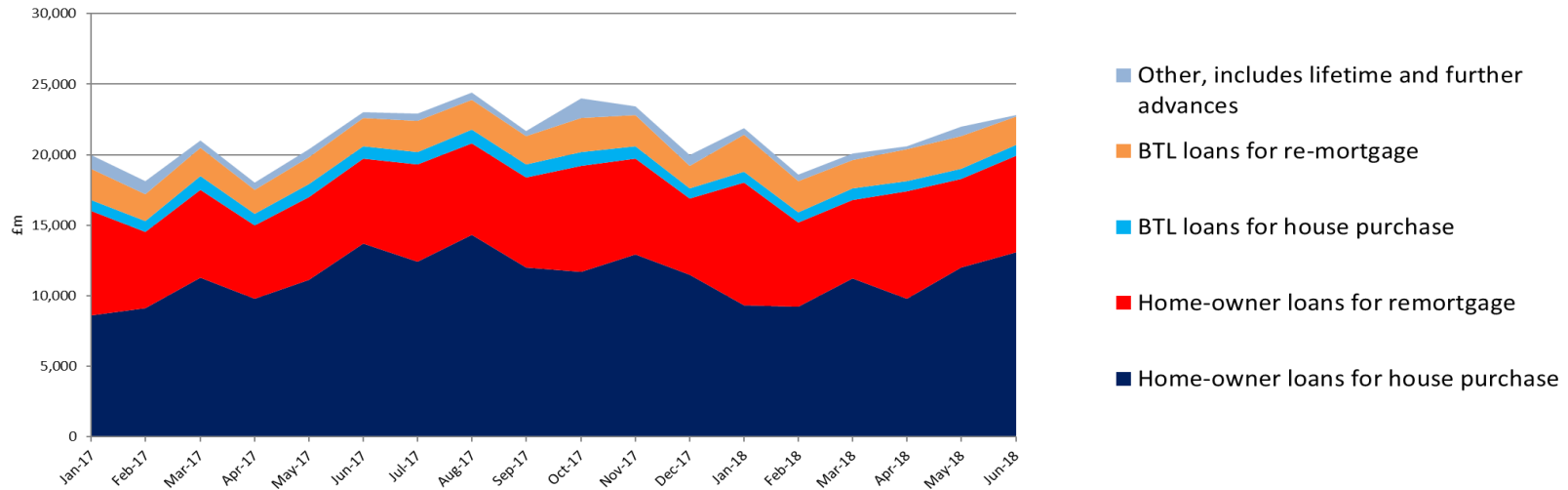
45%

¹ The Group has a 49% shareholding in CO2 Commercial Limited, whose 100% subsidiary is Pinnacle Surveyors (England & Wales) Limited

² The Group has an effective holding of 30% in Sort Limited and Sort Technology Limited via it's 43.25% shareholding in Sort Group Limited

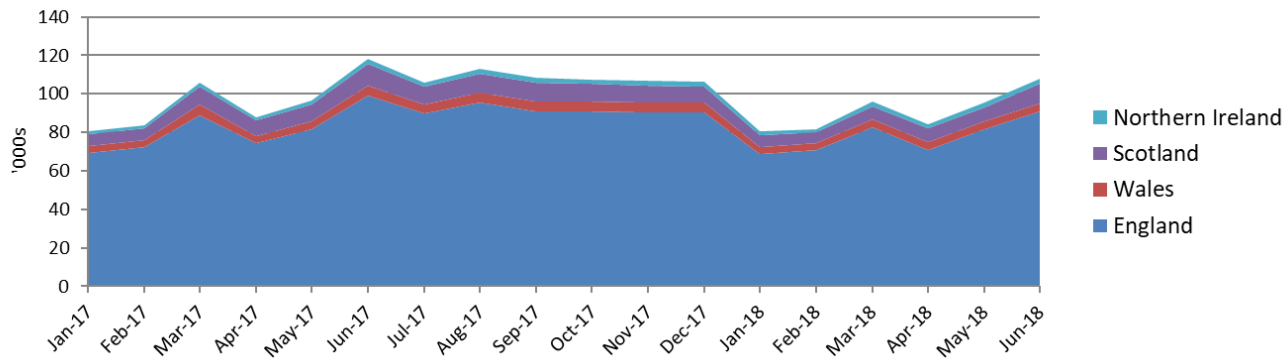
Industry Trends

New mortgage lending by purpose of loan, £m



Source: UK Finance Regulated Mortgage Survey (excludes Product Transfers, Bank of England, UK Finance BTL data¹)

Property transactions in the UK by volume

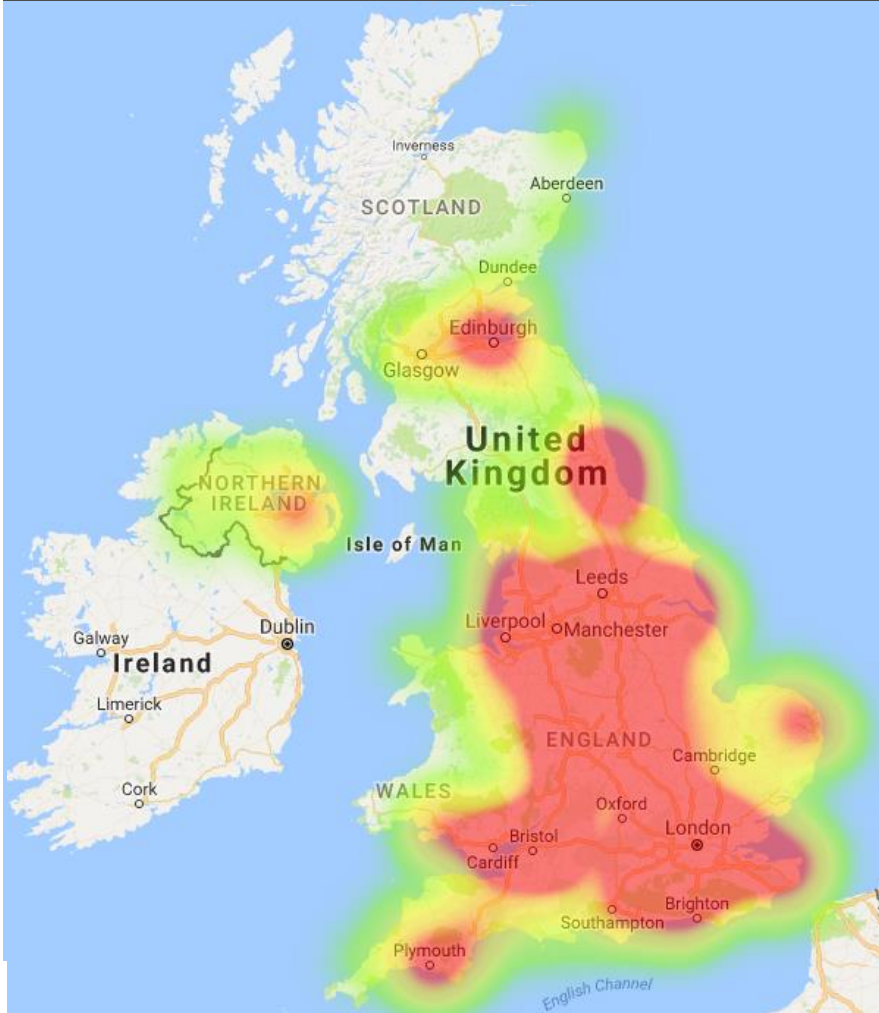


Source: HM Revenue and Customs

¹ UK Finance BTL data has been used to further analyse UK Finance Regulated Mortgage Survey data

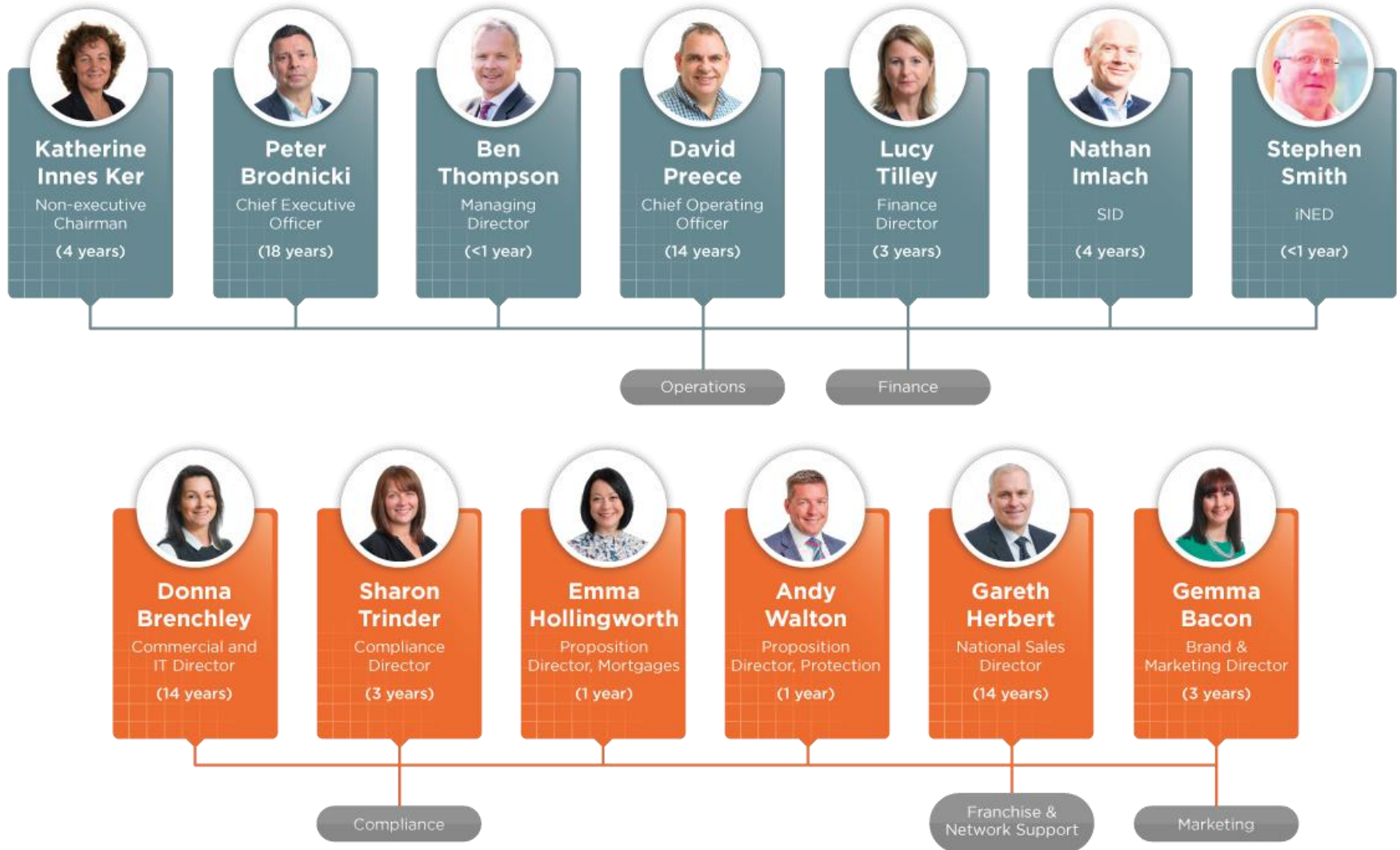
Company Overview

HEATMAP OF ADVISER LOCATIONS



- Mortgage Advice Bureau (“MAB”) is a leading UK mortgage intermediary network
- Directly authorised by FCA, MAB operates an Appointed Representative (AR) network which specialises in providing mortgage advice to customers as well as advice on protection and general insurance
- Over 1,100 Advisers, almost all employed or engaged by ARs
- All compliance supervision undertaken by MAB employees
- Broad geographical spread across the UK, with just 8% of the Group’s revenue derived from the London market
- Developed leading in-house proprietary trading platform called MIDAS Pro
- Won over 70 awards in last 5 years

Board and Senior Management

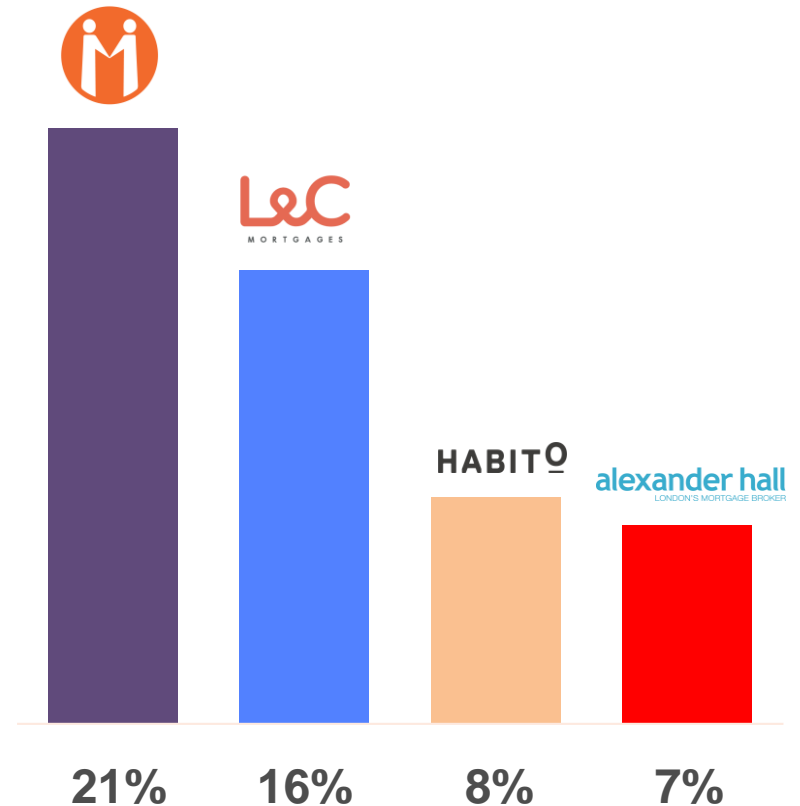


There is only one MAB

Competitive Positioning

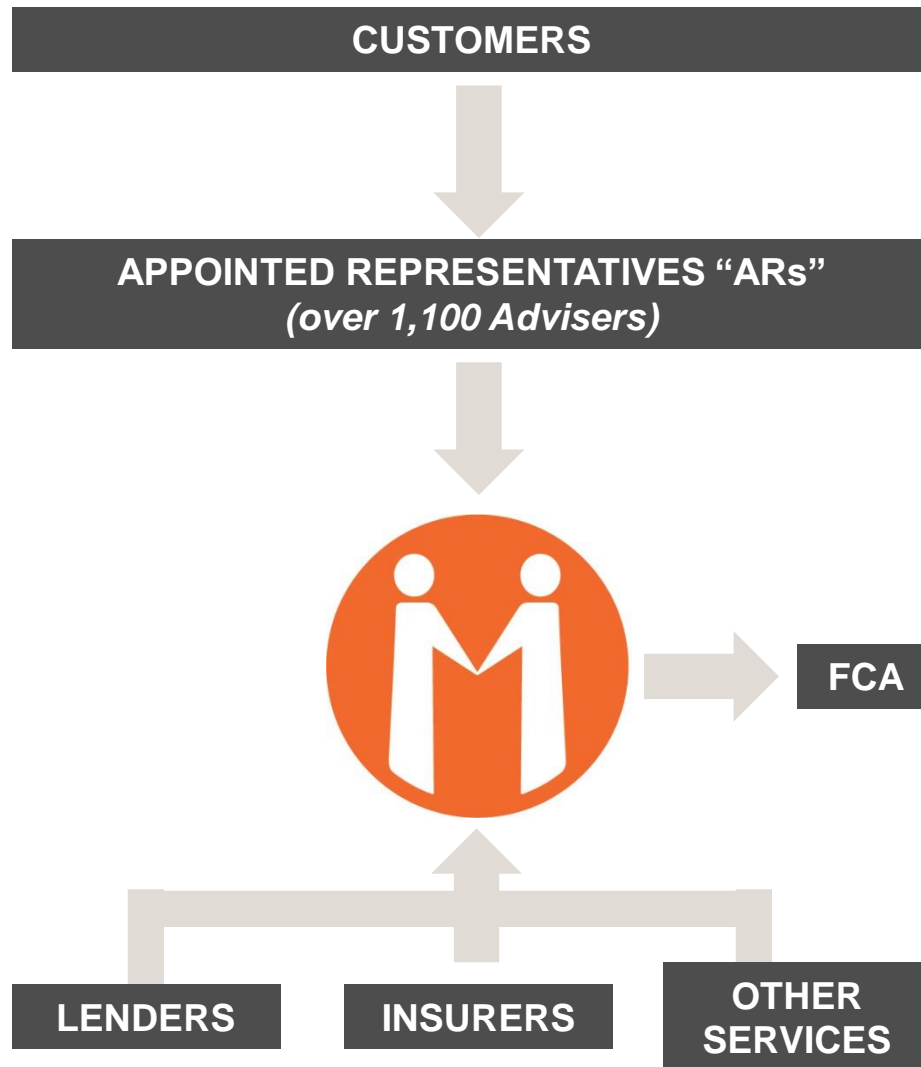


Top Broker for Brand Awareness¹



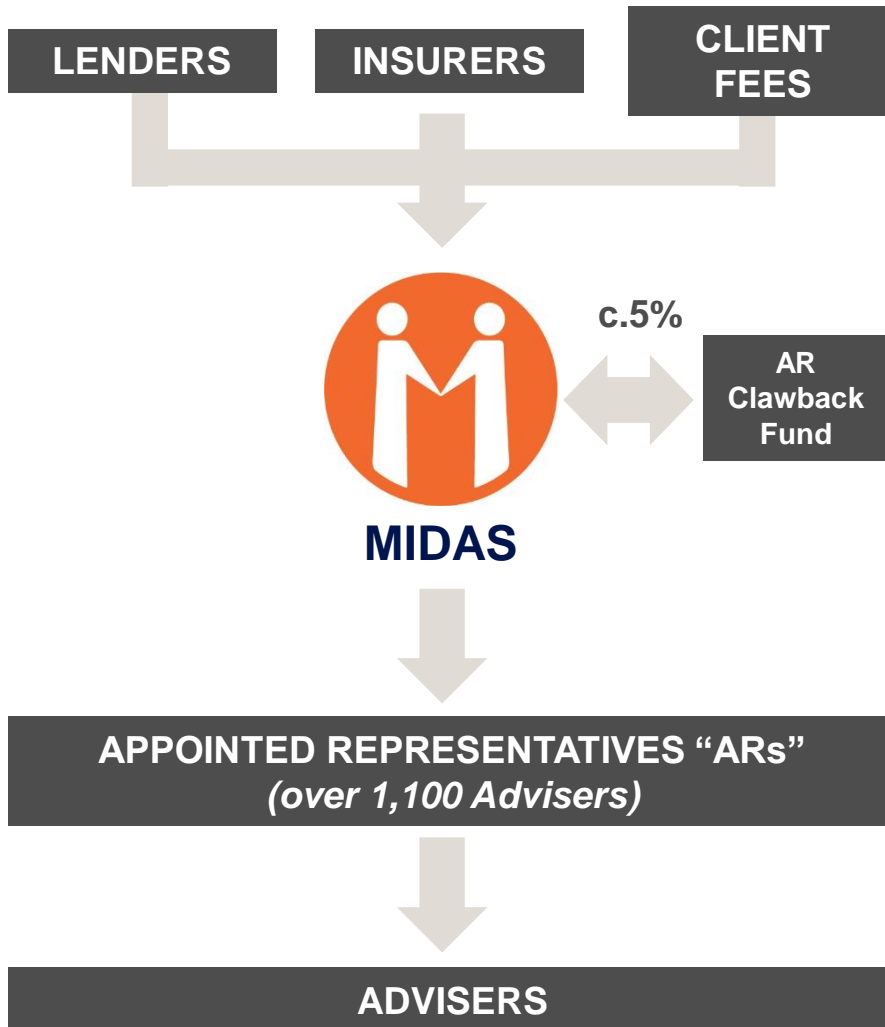
1. Sample: 2,010 UK adults interviewed online by independent market research agency, Opinium Research, 5th-7th May, 2018

Our Business Model



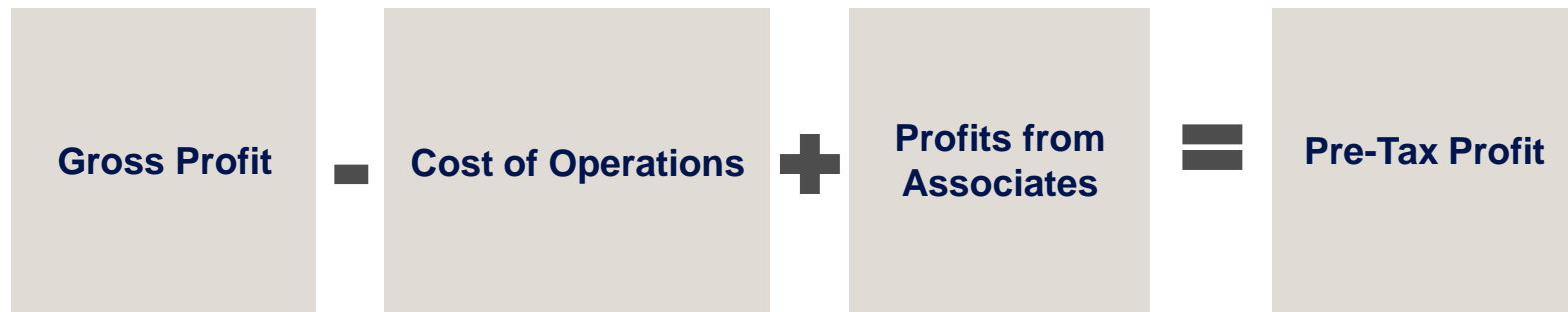
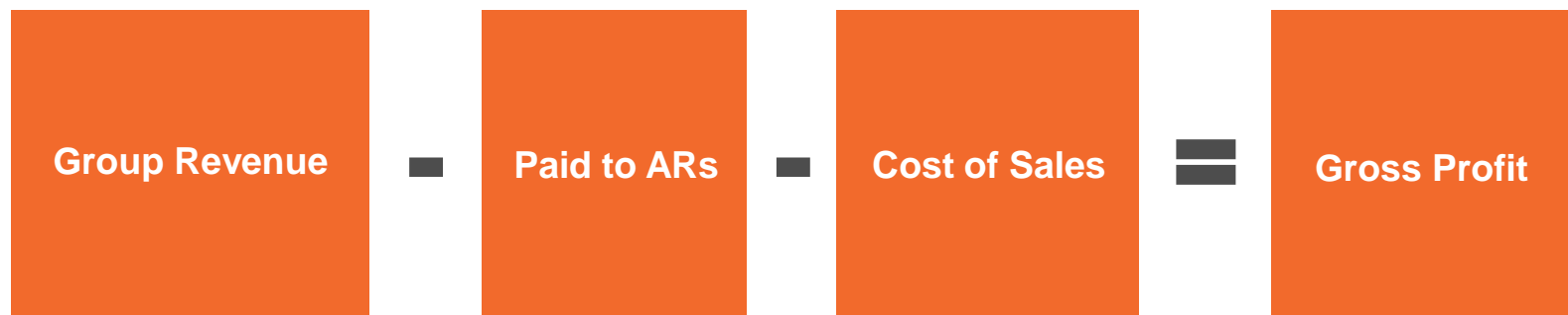
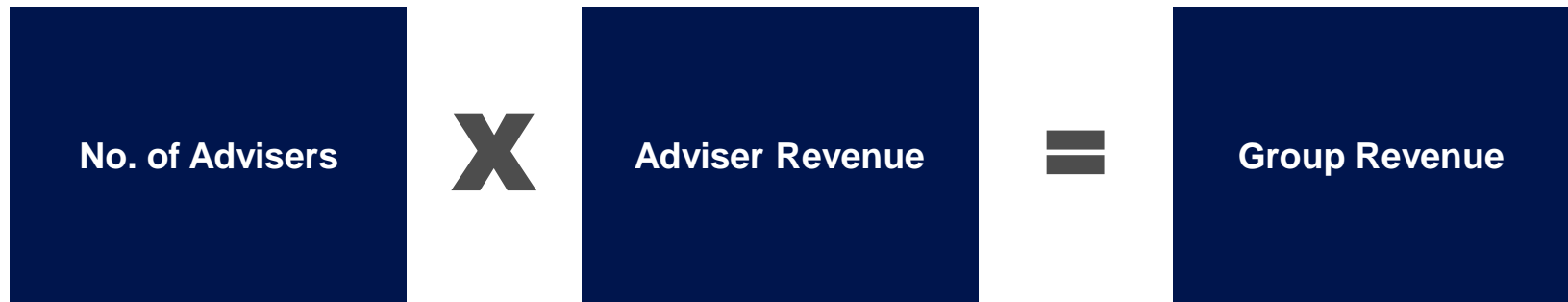
- One of UK's leading independent networks for mortgage intermediaries, with over 150 ARs and over 1,100 Advisers nationwide
- Operates two models: (i) MAB-branded mortgage franchise and (ii) non-branded mortgage network
- Strong reputation for business quality, innovation and support
- Very low attrition rates of ARs
- Over 85% of ARs have contracts for duration of 5 years or more from commencement

Revenue and cash flow

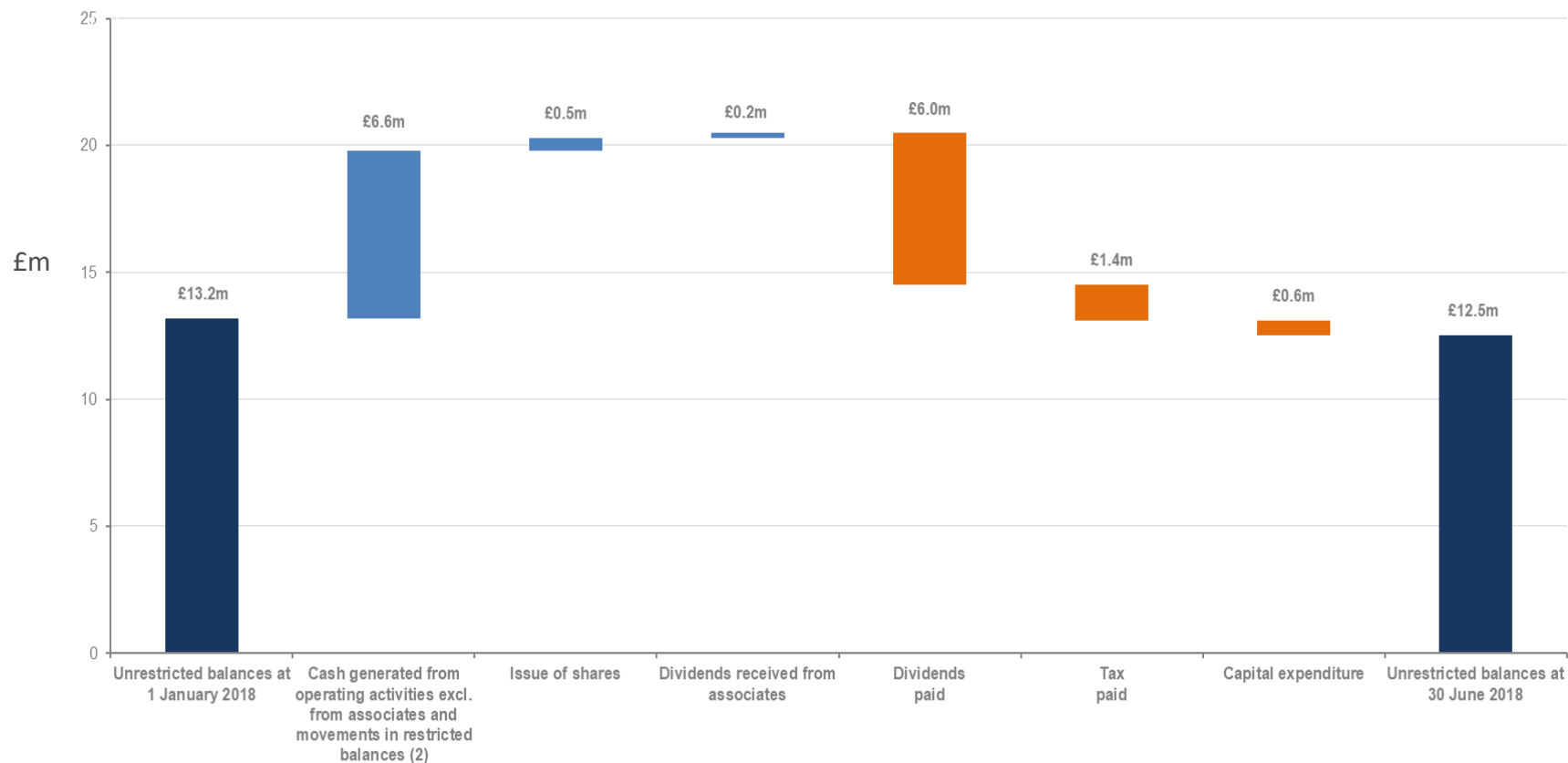


- Highly cash generative
- All income is paid directly to MAB, from which it deducts its share of income
- Before paying the AR, MAB also retains typically 5% of the total amount due to the AR to protect the AR and MAB against potential future clawbacks of protection commission
- This retention is held in MAB's name and is segregated through the use of a separate bank account for each AR
- MAB pays the AR weekly
- AR pays its Advisers
- Materially MAB's profits = cash

Core Financial Model



Cash Balance Waterfall: Unrestricted Balances⁽¹⁾



(1) Unrestricted cash balances are for operational purposes; they exclude restricted balances (AR retained commission in case of clawback)

(2) Cash generated from operating activities of £7.8m, less dividends received from associates of £0.2m and movements in restricted balances of £1.0m

Income statement

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Revenue	57,854	49,593
Cost of sales	(44,822)	(37,623)
Gross Profit	13,032	11,970
Administrative expenses	(6,307)	(5,936)
Share of profit from associate	206	230
Profit from operations	6,931	6,264
Finance income	31	11
Profit before tax	6,962	6,275
Tax expense	(980)	(915)
Profit for the period attributable to equity holders of parent company	5,982	5,360
Other comprehensive income, net of tax	-	-
Total comprehensive income, net of tax	5,982	5,360
Basic EPS	11.7p	10.6p
Diluted EPS	11.3p	10.4p

Revenue and cash - additional information Mortgage Advice Bureau

Revenue Breakdown	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Mortgage related products	35,671	28,972
Insurance and other protection products	21,308	19,818
Other income	875	803
Total Revenue	57,854	49,593

Cash and Cash Equivalents	As at 30 June 2018 £'000	As at 31 December 2017 £'000
Unrestricted cash and bank balances	12,454	13,170
Bank balances held in relation to retained commissions	10,387	9,381
Cash and cash equivalents	22,841	22,551

Income Statement - EPS

Basic Earnings per Share	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Profit for the year attributable to equity holders of the parent company	5,982	5,360
Weighted average number of shares in issue	50,938,611	50,605,575
Basic earnings per share (in pence per share)	11.7p	10.6p
Diluted Earnings per Share	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Profit for the year attributable to equity holders of the parent company	5,982	5,360
Weighted average number of shares in issue	52,787,245	51,373,807
Basic earnings per share (in pence per share)	11.3p	10.4p

Balance Sheet

	30 June 2018 £'000	31 December 2017 £'000
Assets		
Non-current assets		
Property, plant and equipment	2,602	2,648
Goodwill	4,114	4,114
Other intangible assets	615	98
Investments	1,426	1,339
Deferred tax asset	1,259	925
Total non-current assets	10,016	9,124
Current assets		
Trade and other receivables	5,315	4,426
Cash and cash equivalents	22,841	22,551
Total current assets	28,156	26,977
Total assets	38,172	36,101
Equity and liabilities		
Equity attributable to owners of the parent		
Share capital	51	51
Share premium	4,094	3,574
Capital redemption reserve	20	20
Share option reserve	1,899	1,450
Retained earnings	13,038	13,071
Asset held for sale reserve	-	-
Total equity	19,102	18,166
Liabilities		
Non-current liabilities		
Contingent consideration	-	-
Provisions	1,580	1,496
Deferred tax liability	53	51
Total non-current liabilities	1,633	1,547
Current liabilities		
Trade and other payables	16,425	14,999
Corporation tax liability	1,012	1,389
Total current liabilities	17,437	16,388
Total liabilities	19,070	17,935
Total equity and liabilities	38,172	36,101

Cash Flow Statement

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Cash flows from operating activities		
Profit for the year before tax	6,962	6,275
Adjustments for:		
Depreciation of property, plant and equipment	97	95
Amortisation of intangibles	20	9
Share based payments	225	184
Share of profit of associates	(263)	(230)
Dividends received from associates	176	211
Finance income	(31)	(11)
	7,186	6,533
Changes in working capital		
Increase in trade and other receivables	(884)	(287)
Increase in trade and other payables	1,426	882
Increase in provisions	84	45
Cash generated from operating activities	7,812	7,173
Income taxes paid	(1,398)	(1,354)
Net cash inflow from operating activities	6,414	5,819
Cash flows from investing activities		
Purchase of property, plant and equipment	(51)	(61)
Purchase of intangibles	(537)	(79)
Acquisitions of associates , including deferred consideration	-	(50)
Net cash outflow from investing activities	(588)	(190)
Cash flows from financing activities		
Interest received	26	11
Issue of shares	520	532
Dividends paid	(6,082)	(5,888)
Net cash outflow from financing activities	(5,536)	(5,345)
Increase in cash and cash equivalents	290	284
Cash and cash equivalents at the beginning of the period	22,551	18,711
Cash and cash equivalents at the end of the period	22,841	18,995