



Investor and Analyst Presentation

Delivering, Growing, Innovating.



Mortgage Advice Bureau (Holdings) plc
Interim Results – six months ended 30 June 2019



Agenda

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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

Deputy Chief Executive Officer

- >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

Chief Financial Officer

- Joined MAB Board in May 2015 as Finance Director.
- Former corporate financier; extensive experience working with listed companies, particularly in Financial Services.
- Chartered Accountant, qualified at KPMG in 1996.

Key Financial Highlights H1 2019

Underlying Revenue

£60.9m | **+9%**¹

Gross Profit

£14.2m | **+9%**

Adjusted Profit Before Tax²

£7.4m | **+6%**

Adjusted EPS²

12.3p | **+5%**

Interim Dividend

11.1p | **+5%**

Cash Conversion³

99%

MAB increased its share of new mortgage lending from 4.7% to 5.1% of the overall UK market, despite fall in housing transactions in H1 2019.

1. Underlying basis excludes a one-off adjustment in H1 2018 for procurement fees awaiting processing.

2. Adjusted profit before tax and adjusted EPS excludes £0.2m of one-off acquisition costs relating to First Mortgage.

3. 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 £1.6m in H1 2019 (H1 2018: £0.8m) and increases in restricted cash balances of £1.0m in H1 2019 (H1 2018: £1.0m) as a percentage of adjusted operating profit.

Key Operational Achievements H1 2019



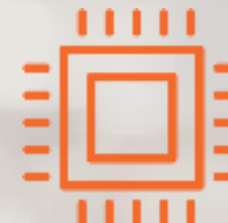
Performance

- Mortgages arranged¹ + 6%.
- Market share increase² of 7% to 5.1% (against backdrop of UK property transactions being down 2%).
- Underlying revenue per Adviser -4%³.



People

- Average adviser numbers +13%.
- Acquisition of First Mortgage.
- Ben Thompson to Deputy CEO.
- Lucy Tilley to CFO.
- David Preece to NED.



Technology

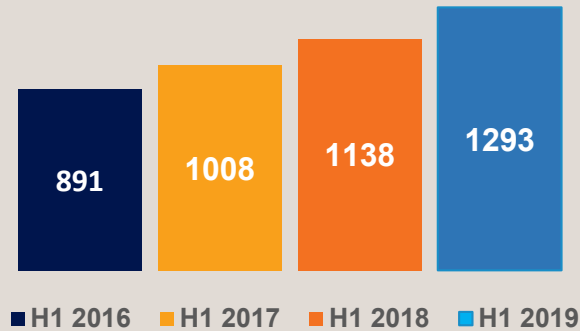
- First development phase in testing with key business partners.
- Strengthening our unique business model.
- Developments will directly benefit MAB, its ARs, their advisers and customers.

1. MAB's gross mortgage lending (inc. Product Transfers).
2. Of gross new mortgage lending.
3. Following a slow Q1 for productivity, in line with expectations for Q2.

How We Performed – KPIs

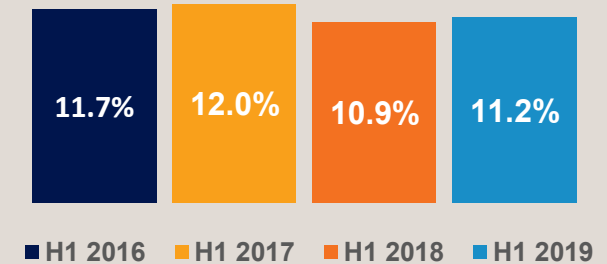
1,293 Advisers at 30 June

Average adviser numbers up 13% to **1,242** (H1 2018: 1,103) Further growth continues: 1,433 advisers at 20 September 2019 including First Mortgage advisers.



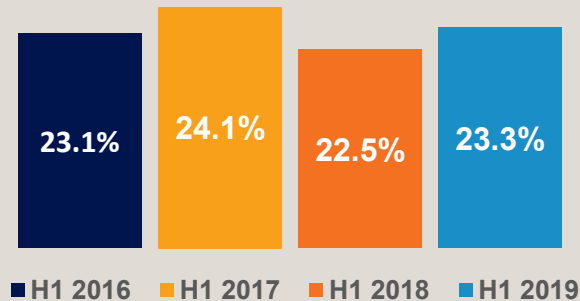
11.2% Underlying overheads % of revenue¹

Some costs (eg. Compliance personnel) closely correlated to growth. Majority of remainder of costs typically rise at a slower rate than revenue. We expect an increase in our IT costs overall in 2019.



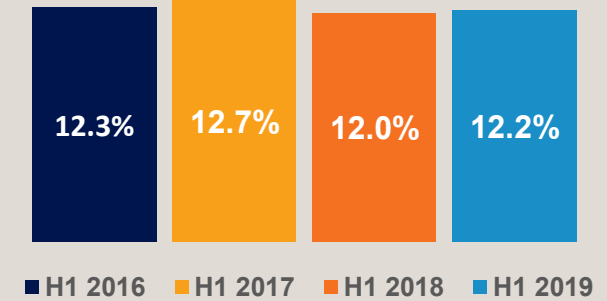
23.3% Gross profit margin

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.



12.2% Adjusted PBT margin¹

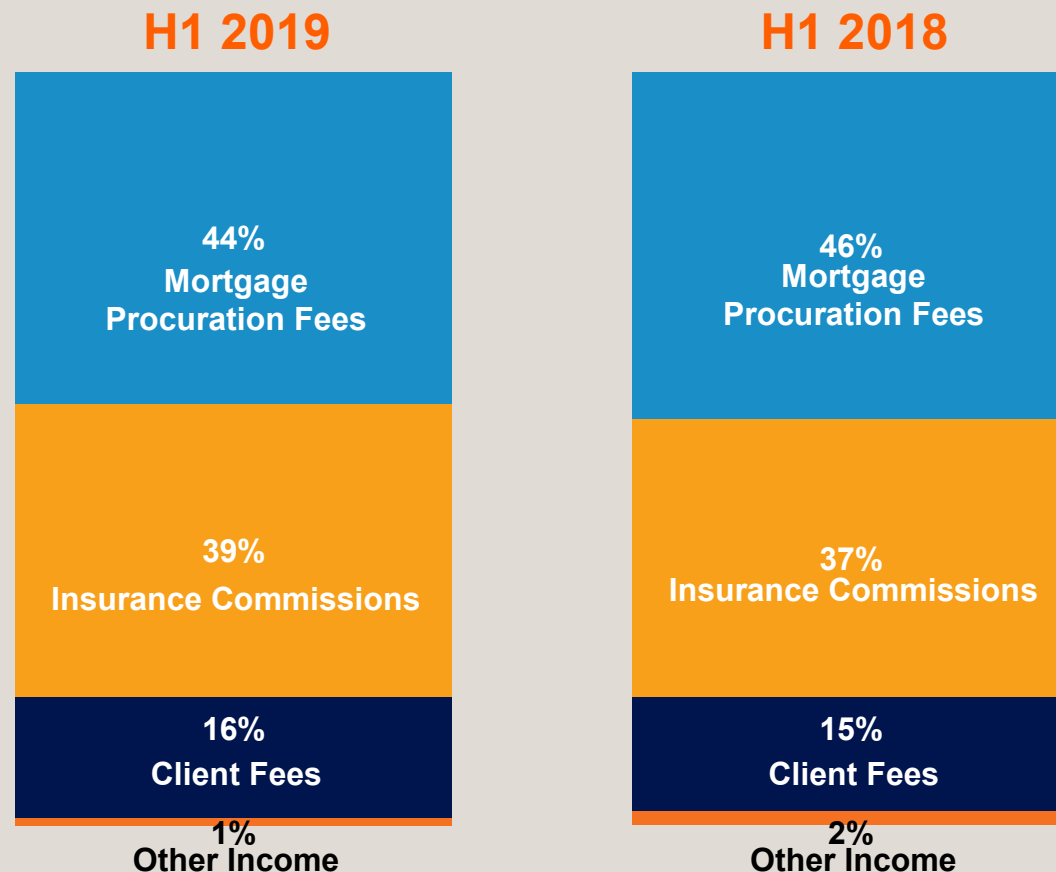
Subject to the growth in our IT costs, we would expect the scalable nature of our cost base to in part counter the expected erosion on gross margin as the business continues to grow.



1. Adjusted for one-off acquisition costs relating to First Mortgage Direct of £0.2m.

Revenue

| Income source | H1 2019 | H1 2018 | Increase |
|--|-------------|-------------|--------------|
| | £m | £m | |
| Mortgage procuracy fees | 26.7 | 26.8 | See note (1) |
| Protection and General Insurance Commission | 23.6 | 21.3 | 11% |
| Client Fees | 9.7 | 8.9 | 9% |
| Other Income | 0.9 | 0.9 | - |
| Total | 60.9 | 57.9 | 5% |



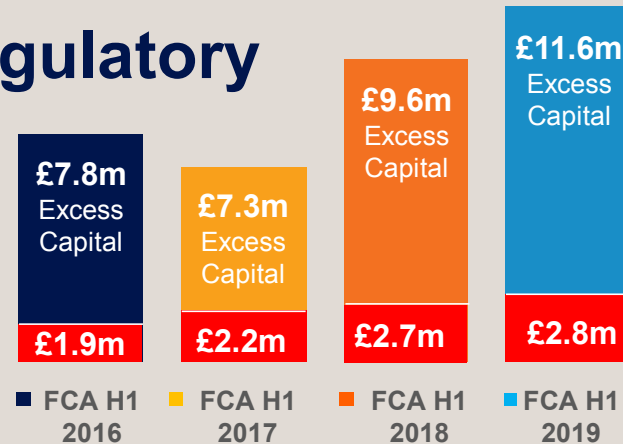
- Underlying Revenue increase of 9% generated from:
 - +13% average Advisers
 - -4% decrease in revenue per Adviser²
- Gross mortgage completions up 6%, underlying procuracy fees up 6%.
- Slight increase in attachment rates for protection and general insurance.
- Increased attachment rates on client fees.

1. Increase in mortgage procuracy fees were 6% on an underlying basis.

2. Following a slow Q1 for productivity, Q2 in line with expectations.

Strong cash conversion supports Dividend Policy

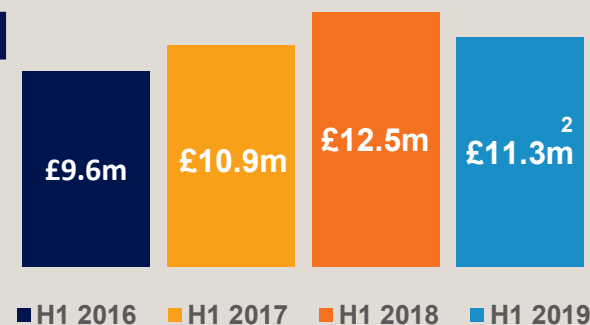
£14.4m Regulatory Capital¹



11.1p Interim Dividend



£11.3m Unrestricted Cash Balances



- 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 19 interim dividend reflects our intention of:
 - Distributing reserves not required to support growth in the business; and
 - Maintaining a strong regulatory capital buffer.

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

2. Includes cash held in escrow with MAB's solicitors of £5.5m in advance of completion of the acquisition of First Mortgage on 2nd July 2019.

Market Environment

H1 2019 v H1 2018

- Property transactions by volume were **2% lower** than 2018.
- UK new mortgage lending was broadly flat for the period, showing a small decrease of 1%¹.
- £80.6 bn of Product Transfers for H1, 8% up vs. H1 2018 (£74.8 bn).
- House prices flat².
- Intermediary market share of residential purchases and residential re-mortgages increased to 77% (H1 2018: 74%).

Segmental movements in gross new mortgage lending¹ by value

- First time buyers: **up 4%**
- Home-owner mover: **up 3%**
- Home-owner remortgage: **up 4%**
- BTL purchase: **down 9%**
- BTL remortgage: **up 2%**
- Overall: **down 1%**³

Market Outlook

UK Gross New Mortgage Lending

- UK Finance has not updated estimates, MAB anticipates that total gross new mortgage lending for 2019 could be below £268bn for 2018.

UK Product Transfers

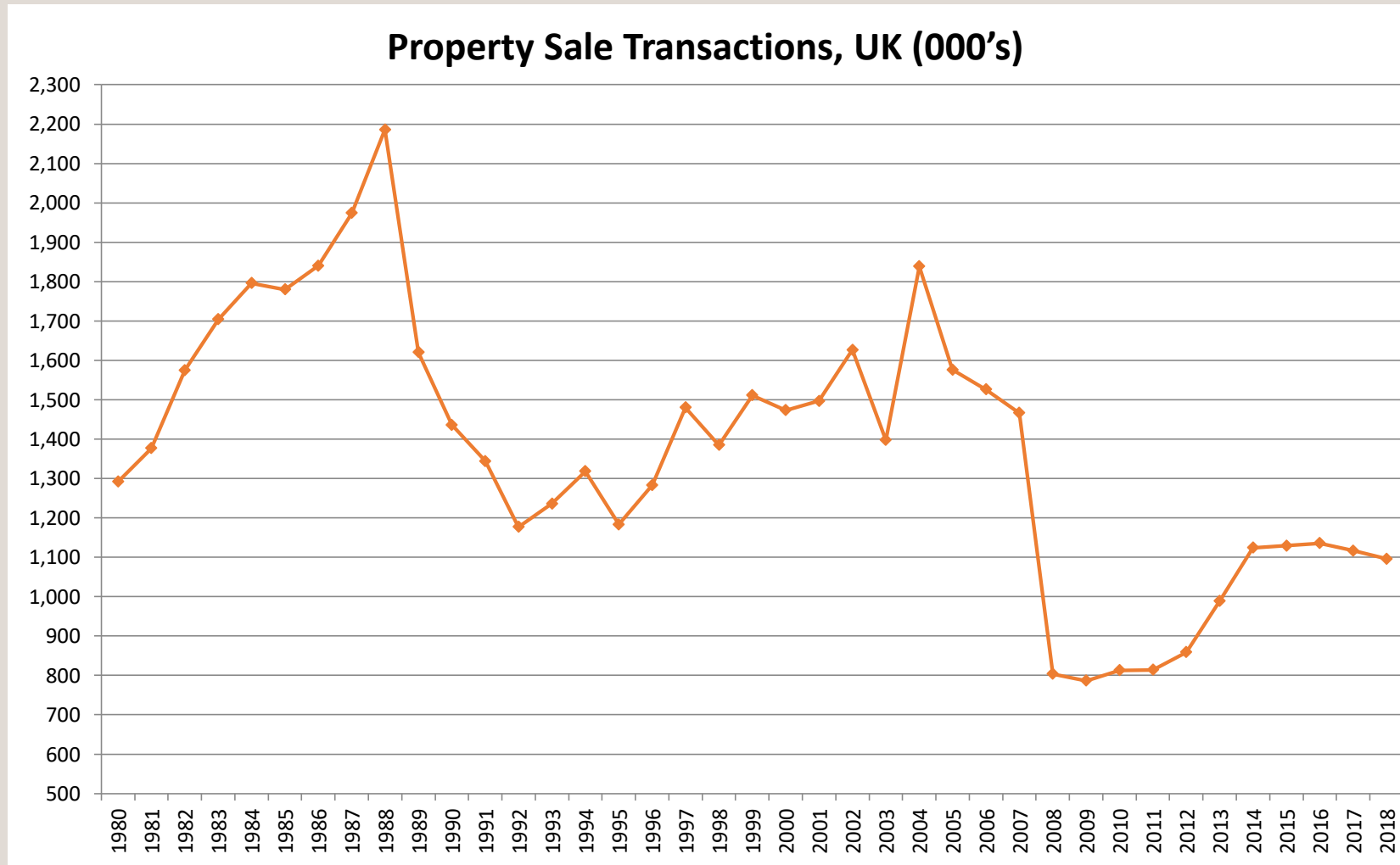
- Latest UK Finance statistics indicate that the Product Transfer market is likely to continue to increase from the c. £160bn for 2018; with product transfers increasing by 8% in H1 2019 vs comparative period.

Property Transactions

- An uplift in consumer confidence would likely trigger an increase in housing transactions, further assisted by any potential reductions in stamp duty and mortgage rates remaining highly competitive and at all-time lows.
- Until then, the housing market feels like it is operating at a lower level in terms of transactions, albeit at a fairly predictable level.

1. UK Finance data (does not include product transfers)
2. Land Registry House Price Index
3. 'Other' including further advances and lifetime has reduced

Market Environment



- **Current run rate is low** and lags the longer term historical average.
- **The market is operating in a flat trough**, and is largely de-risked in terms of potential downside.
- **Pent up demand** – likely to exist due to a variety of factors, most notably the current uncertain political environment.

First Mortgage Acquisition

- First Mortgage Direct Limited (FMDL).
- Leading UK mortgage broker.
- Omni channel.
- Strongest brand in Scotland.
- Circa 90 Employed Advisers.
- Trust Pilot Number 1 for mortgages.
- 50%+ of new productivity comprises repeat business and customer referrals.

- Complementary to MAB strategy.
- Further boosts MAB adviser growth and market share.
- Becomes an AR of MAB H2 19.
- Strong UK-wide expansion plans.
- High growth business (20% + p.a.).
- High adviser productivity.



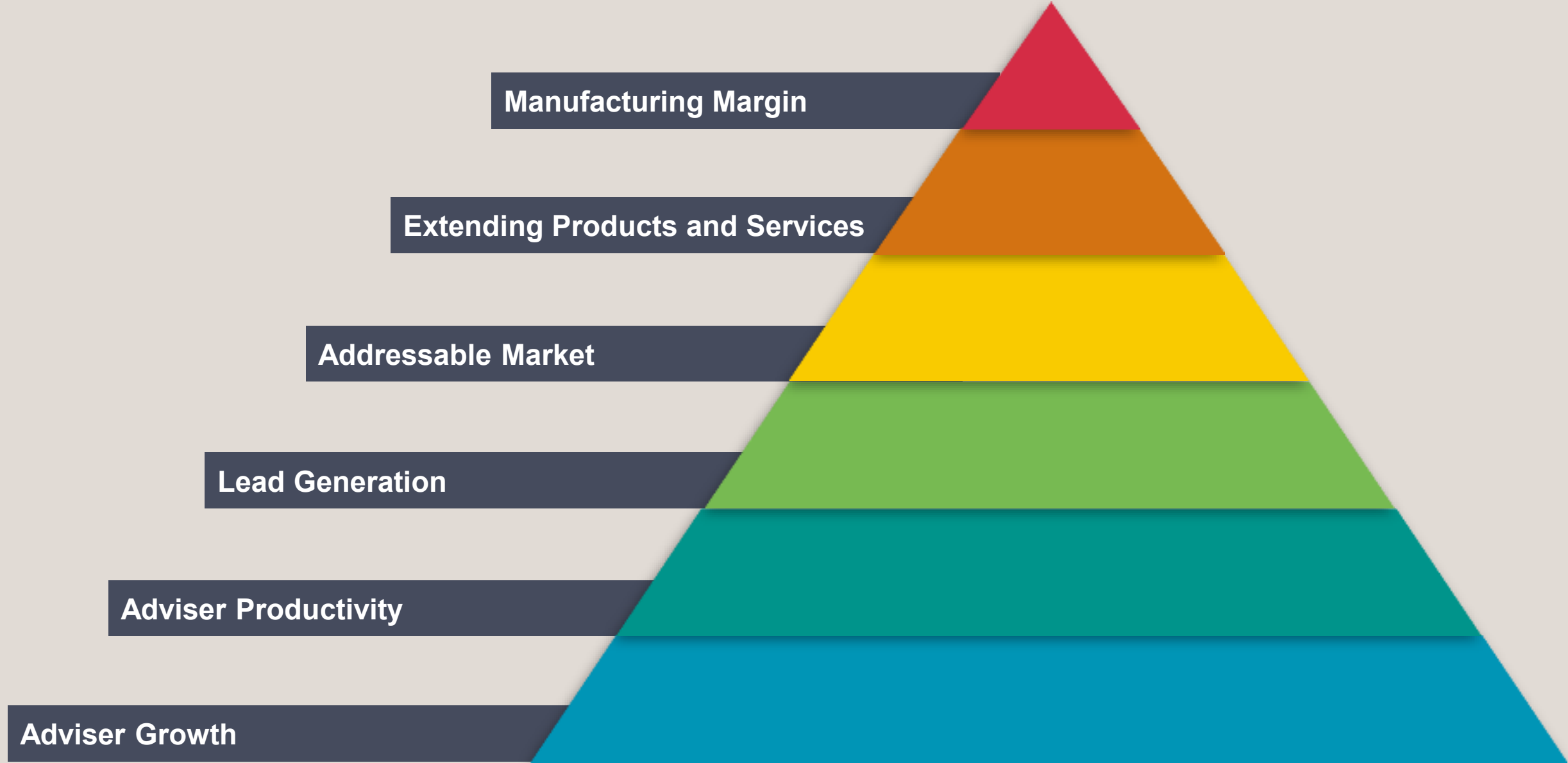
- £16.5m for 80% of issued share capital¹.
- 5 year put/call option for remaining 20% (capped at £10m).
- The father, who held a passive role in FMDL, fully divested his 50% shareholding.
- MD divested 30%², meaning he remains committed to the role, incentivised for growth to 2024 and beyond.
- Cash consideration funded from existing cash resources and partial drawdown on new RCF

- **9 months** to Dec 2018: Revenue of £10.2m.
- **9 months** to Dec 2018: PBT of £1.5m.
- Cash - £4m at completion.
- Mortgage completions for CY 2018 c.£2bn.
- Due to employed model, gross margin and overheads ratio are higher than that of MAB.
- Overall effect on enlarged Group is gross profit margin to slightly increase, partially offset by increased overheads ratio.
- Significant earnings accretion first full year of ownership
- Dividend policy: growth in core dividend to continue.

1. 100% of FMDL valued at £20.6m

2. MD divested 60% of his personal holding, being 30% of the issued share capital of FMDL.

Growth Focus



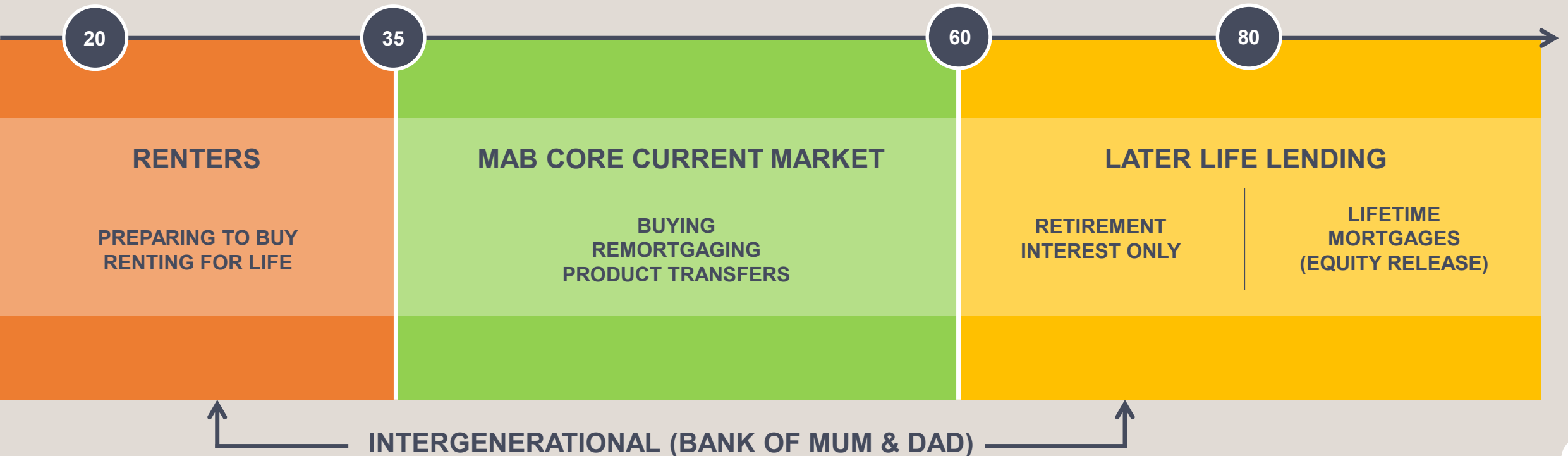
Growth Focus – broadening our addressable market

TENANTS/RENTAL

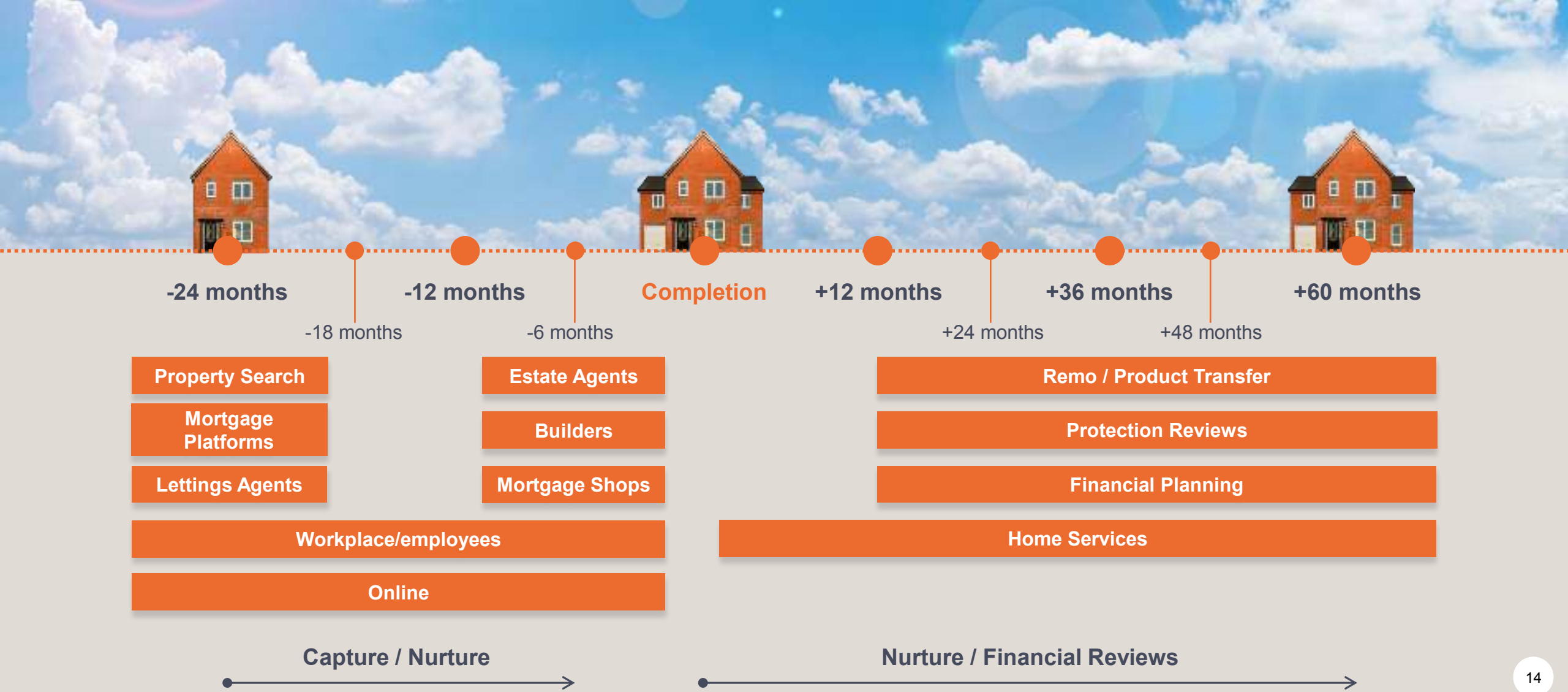
- using technology to fully leverage our significant estate agency and letting distribution.
- help tenants to become FTBs.
- protect tenants against inability to pay rent.

LATER LIFE LENDING (£65BN OF OUTSTANDING LENDING IN 2017 TO £142BN BY 2027)

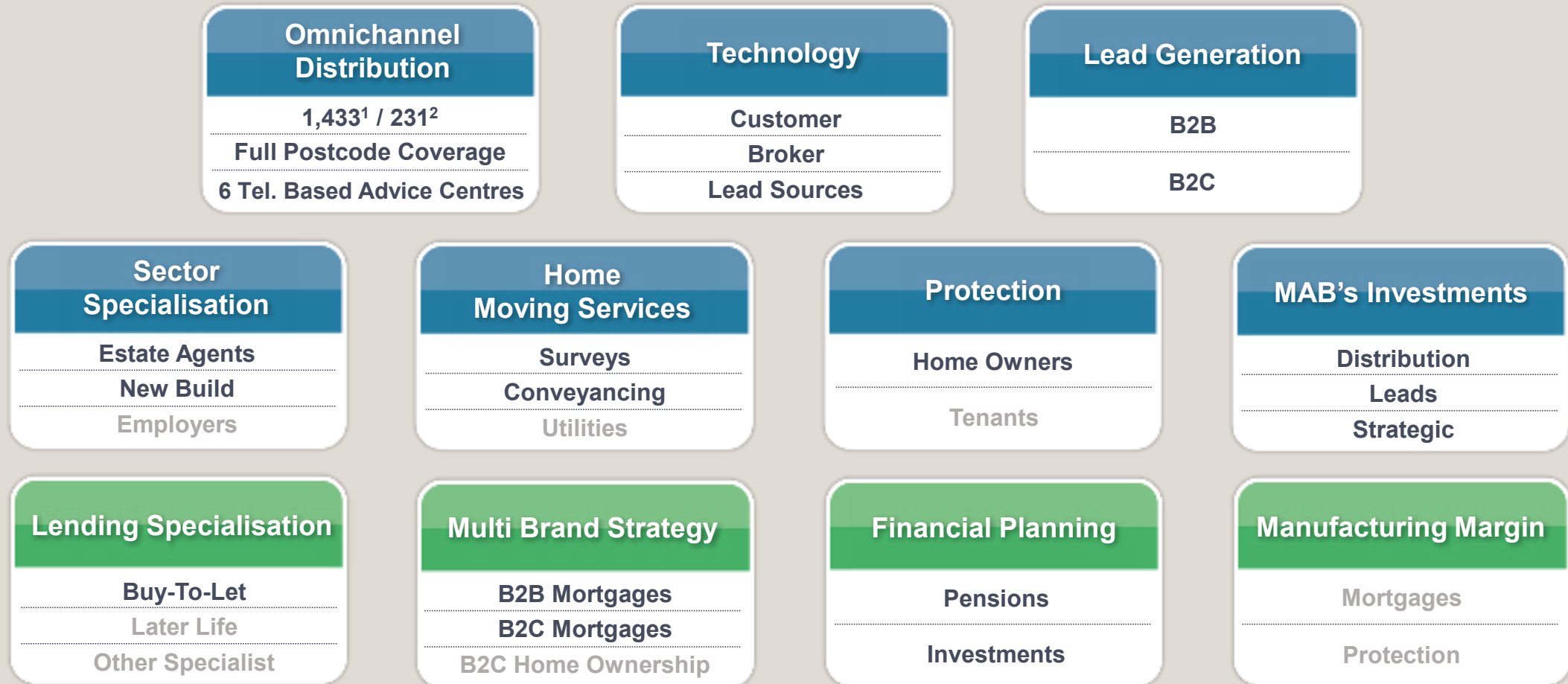
- growth in this market will be driven by intermediaries, not providers.
- intergenerational linkage with aspiring FTBs ('Bank of Mum & Dad').
- interest only mortgages/roll-off.
- shortfall in pensions/longer living & working.
- older FTBs = later mortgage maturity.



Growth Focus – early customer capture / nurture



Growth Focus – strengthening our proposition



Key:

- What we have today.
- What we are piloting and/or considering for the future.

1. Adviser numbers as at 20 September 2019 including First Mortgage advisers. 2. Advisers in AR firm where MAB has a shareholding.

Growth Focus – our investments

| Distribution | Strategic | Specialism | Shareholding ¹ |
|--|---|----------------------|---------------------------|
| firstmortgage.co.uk | firstmortgage.co.uk | New Build | 80% → 100% |
|  Clear |  Clear | Telephony / Network | 25% → 49% |
|  |  | Telephony | 25% → 49% |
|  Freedom 365 |  Freedom 365 | Telephony | 35% |
|  Mortgage Focus |  Mortgage Focus | Online Leads | 49% |
|  |  | Specialist New Build | 25% |
|  Vita |  Vita | Protection | 20% → 49% |
| - |  | Conveyancing | 39% |
| - |  | Surveys | 49% |
| - |  MAB Australia | International Pilot | 45% → 60% |

1. Initial → Maximum

Outlook

- Strongest pipeline of AR firms since IPO.
- Technology developments will:
 - Increase business efficiency and adviser productivity
 - Enhance adviser / firm recruitment and retention
 - Support lead generation
 - Increase income opportunities from a wider range of products and services.
- Expanding reach into homeownership sector.
- Investment strategy is clear and will contribute strongly to group profits in 2020 and beyond.
- Plans to widen MAB's addressable market are progressing well by increasing specialisation.
- Brexit outcome combined with potential stamp duty easing may result in long awaited market uplift.

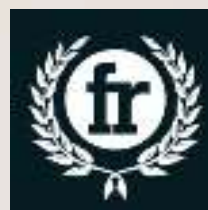
“ Due to continued investment and innovation, MAB's market reach and customer proposition continues to strengthen to deliver year on year sustainable market share and profit growth, despite subdued mortgage and property markets. ”

Give our customers more by asking less

Deliver an outstanding homeowner journey

Reduce mortgage process time by 40%

Appendix



Company Overview

- 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 1,400 Advisers, almost all employed or engaged by ARs
- All compliance supervision undertaken by MAB employees
- Broad geographical spread across the UK, with just 7% 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



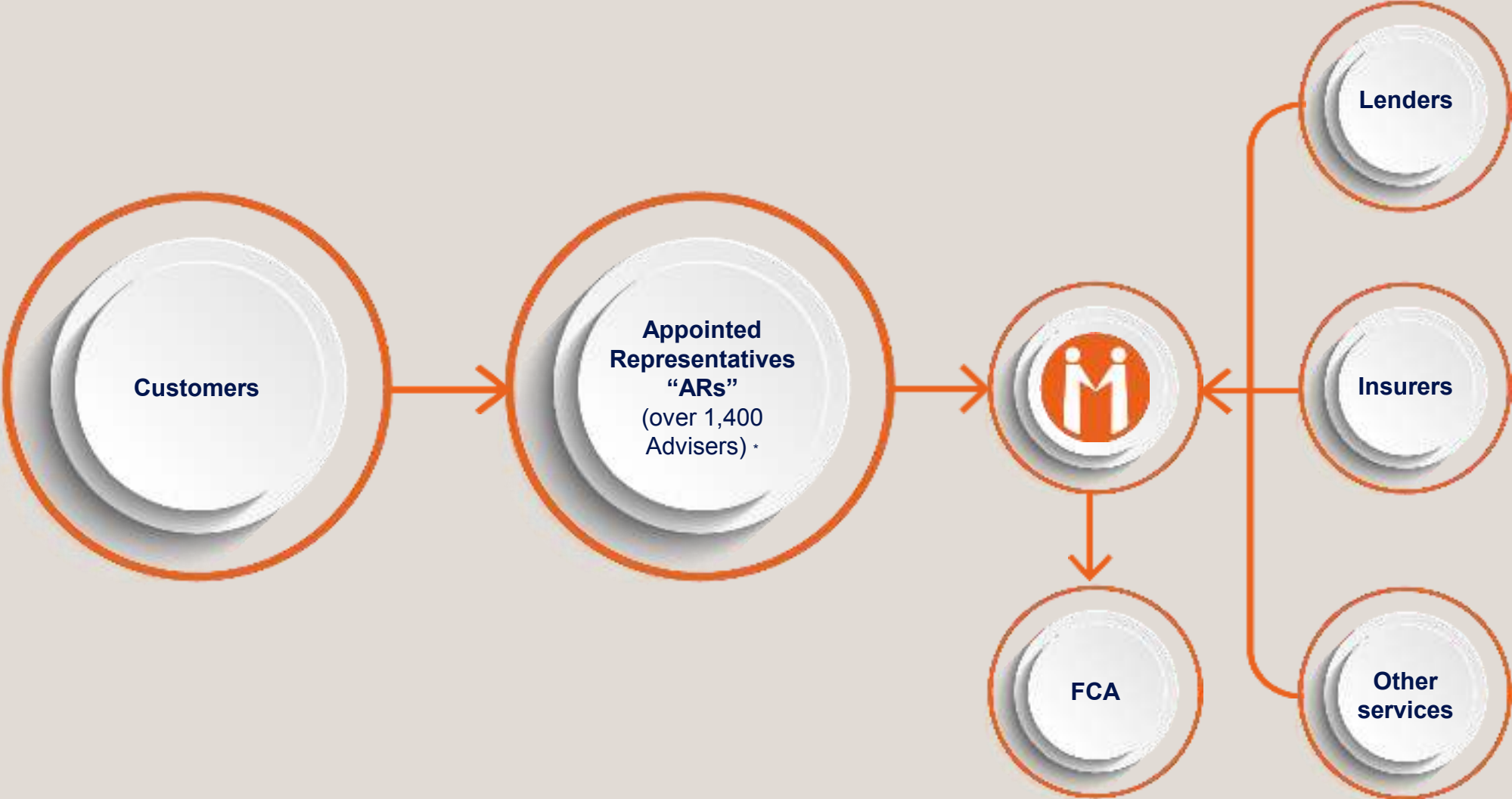
Board and Senior Management

Board of Directors Senior Management Team Divisions



* David Preece retired as Chief Operating Officer on 30 June 2019 and became a Non-Executive Director.

Our Business Model



* Including First Mortgage advisers.

Our Business Model

- One of UK's leading independent networks for mortgage intermediaries, with over 170 ARs and over 1,400 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
- 90% of ARs have contracts for duration of 5 years or more from commencement

* Including First Mortgage advisers.

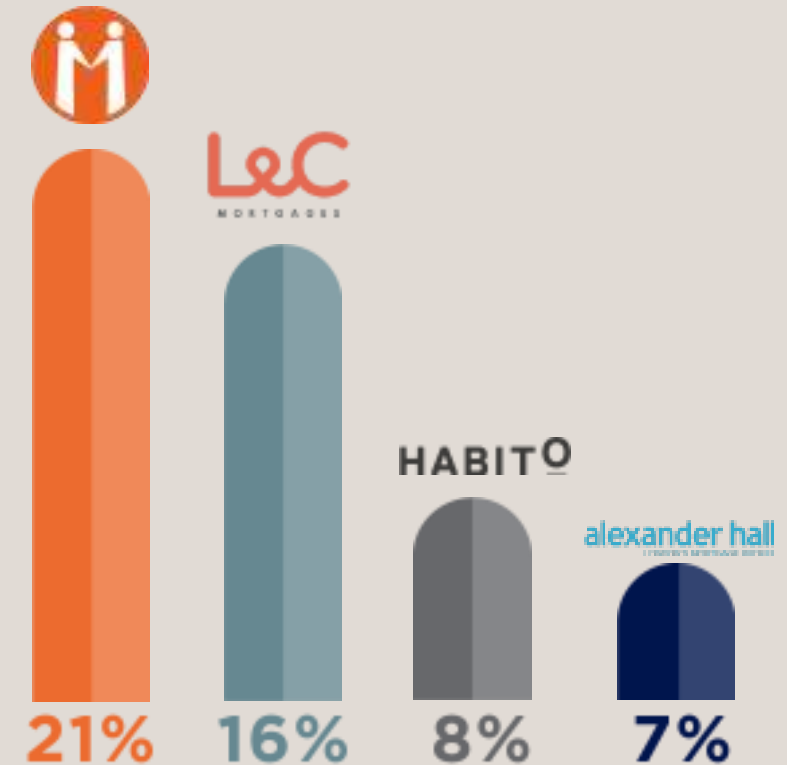


There is only one MAB

Competitive Positioning



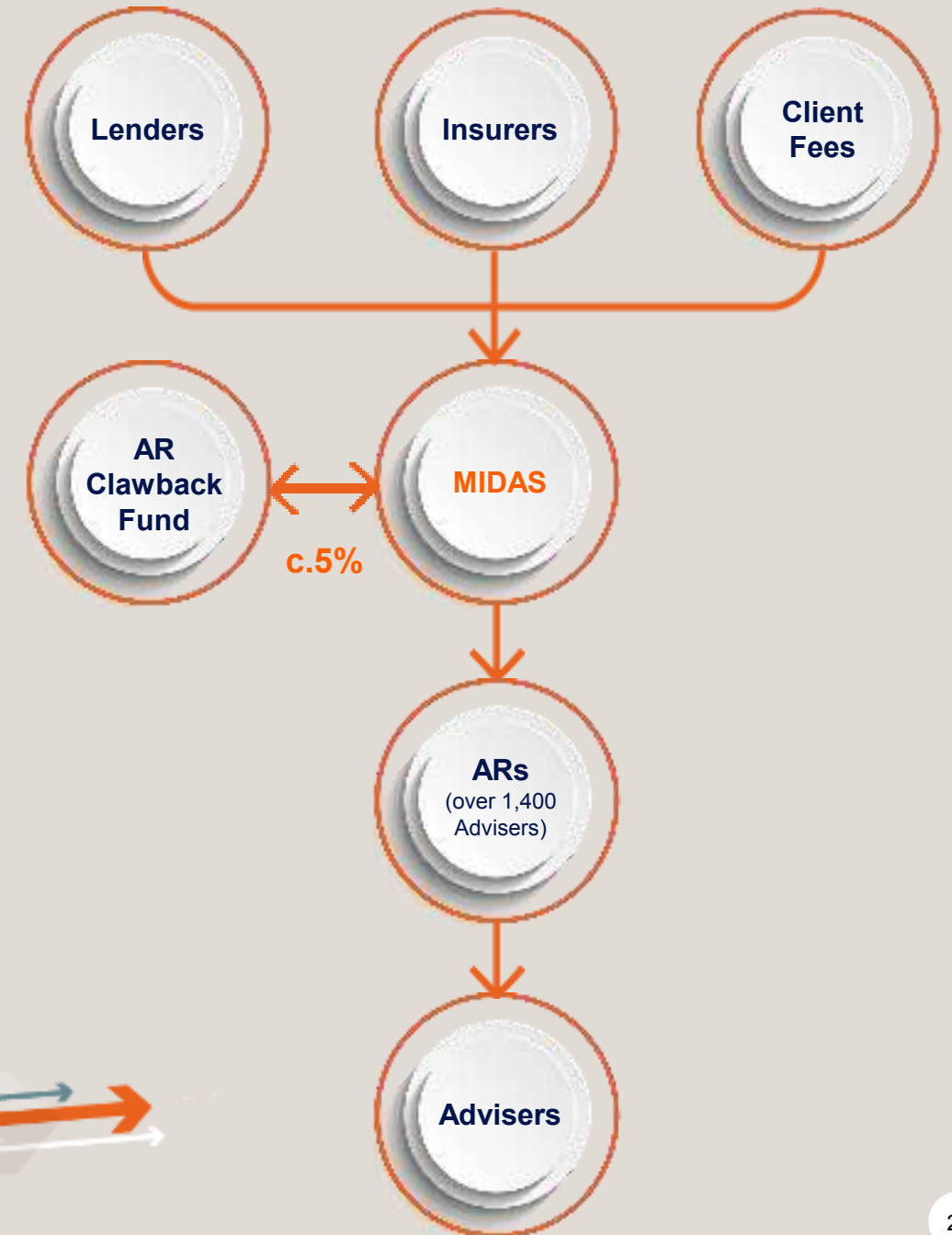
Top Broker for Brand Awareness¹



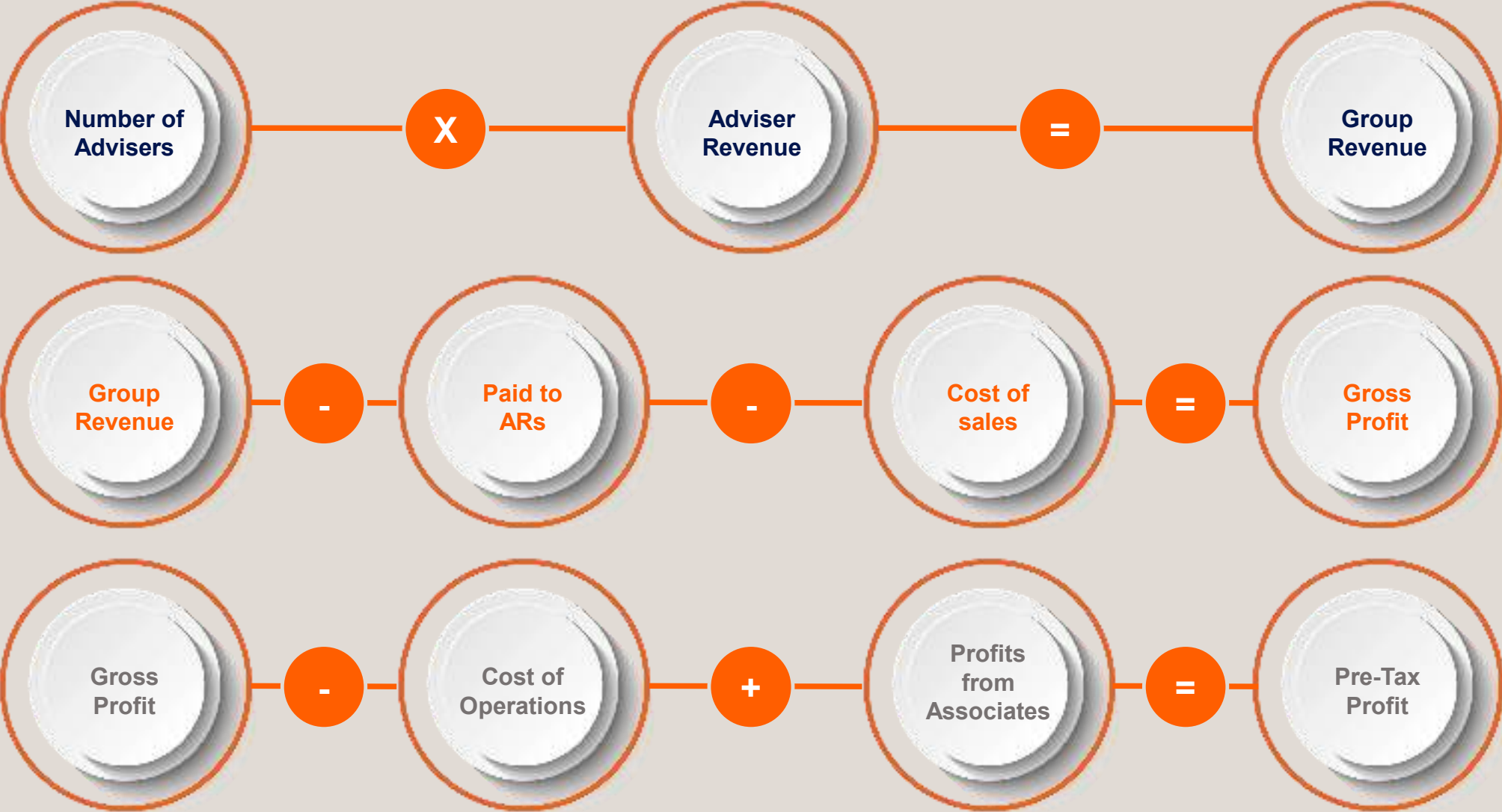
1. Sample: 2,010 UK adults interviewed online by independent market research agency, Opinium Research, 5th-7th May, 2018

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



Investment Strategy

Appointed Representatives: extending platform, building specialisation:



Freedom 365

35%

firstmortgage.co.uk

80%



Vita

20%



25%



Mortgage Focus

49%¹



25%



Clear Mortgage Solution

25%

Products related to MAB Core Business offering:



49%²



SortRefer

39%³

Testing New Markets:



MAB Australia

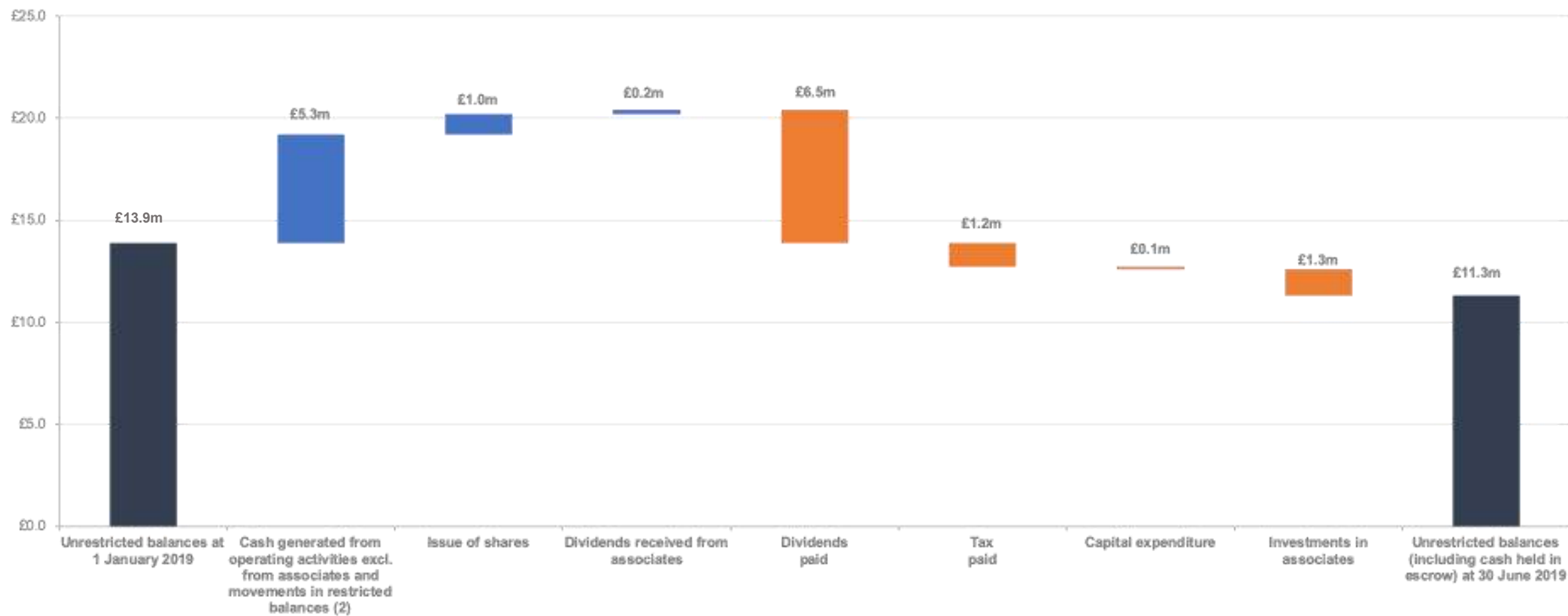
45%

¹ Mortgage Focus is a trading name of Eagle and Lion Limited

² The Group has a 49% shareholding in CO2 Commercial Limited, whose 100% subsidiary is Pinnacle Surveyors (England & Wales) Limited

³ The Group has an effective holding of 32.5% in Sort Limited via it's 43.25% shareholding in Sort Group Limited

Cash Balance Waterfall Unrestricted Balances¹



(1) Unrestricted cash balances are for operational purposes; they exclude restricted balances (AR retained commission in case of clawback). At 30 June 2019, unrestricted balances include cash held in escrow with MAB's solicitors of £5.5m in advance of completion of the acquisition of First Mortgage on 2 July 2019.

(2) Cash generated from operating activities of £6.6m, less dividends received from associates of £0.3m and movements in restricted balances of £1.0m

Income Statement

| | Six months ended 30 June 2019 £'000 | Six months ended 30 June 2018 £'000 |
|--|--|--|
| Revenue | 60,893 | 57,854 |
| Cost of sales | (46,730) | (44,822) |
| Gross Profit | 14,163 | 13,032 |
| Administrative expenses | (6,993) | (6,307) |
| Share of profit from associate | 112 | 263 |
| Amounts written off associates | (155) | (57) |
| Profit from operations | 7,127 | 6,931 |
| <i>Analysed as:</i> | | |
| <i>Operating profit before charging</i> | 7,330 | 6,931 |
| <i>Acquisition costs</i> | (203) | - |
| <i>Profit from operations</i> | 7,127 | 6,931 |
| Finance income | 77 | 31 |
| Profit before tax | 7,204 | 6,962 |
| Tax expense | (1,100) | (980) |
| Profit for the period attributable to equity holders of parent company | 6,104 | 5,982 |
| Basic EPS | 11.9p | 11.7p |
| Adjusted EPS ¹ | 12.3p | 11.7p |
| Diluted EPS | 11.7p | 11.3p |

1. Adjusted EPS excludes £0.2m of one off acquisition costs relating to First Mortgage Direct

Revenue and Cash – Additional Information

| Revenue Breakdown | Six months ended 30 June 2019 £'000 | Six months ended 30 June 2018 £'000 |
|---|--|--|
| Mortgage related products | 36,385 | 35,671 |
| Insurance and other protection products | 23,612 | 21,308 |
| Other income | 896 | 875 |
| Total Revenue | 60,893 | 57,854 |

| Cash and Cash Equivalents | Six months ended 30 June 2019 £'000 | Six months ended 30 June 2018 £'000 |
|--|--|--|
| Unrestricted cash and bank balances | 5,819 | 12,454 |
| Bank balances held in relation to retained commissions | 12,749 | 10,387 |
| Restricted cash (cash held in escrow) | 5,500 | - |
| Cash and cash equivalents | 24,068 | 22,841 |

Income Statement – EPS

| Basic Earnings per Share | Six months ended 30 June 2019 £'000 | Six months ended 30 June 2018 £'000 |
|--|--|--|
| Profit for the year attributable to equity holders of the parent company | 6,104 | 5,982 |
| Weighted average number of shares in issue | 51,223,905 | 50,938,611 |
| Basic earnings per share (in pence per share) | 11.9p | 11.7p |
| Adjusted basic earnings per share (in pence per share) ¹ | 12.3p | 11.7p |

| Diluted Earnings per Share | Six months ended 30 June 2019 £'000 | Six months ended 30 June 2018 £'000 |
|--|--|--|
| Profit for the year attributable to equity holders of the parent company | 6,104 | 5,982 |
| Weighted average number of shares in issue | 52,216,514 | 52,787,245 |
| Diluted earnings per share (in pence per share) | 11.7p | 11.3p |
| Adjusted diluted earnings per share (in pence per share) ¹ | 12.1p | 11.3p |

1. Adjusted EPS excludes £0.2m of one off acquisition costs relating to First Mortgage Direct

Balance Sheet

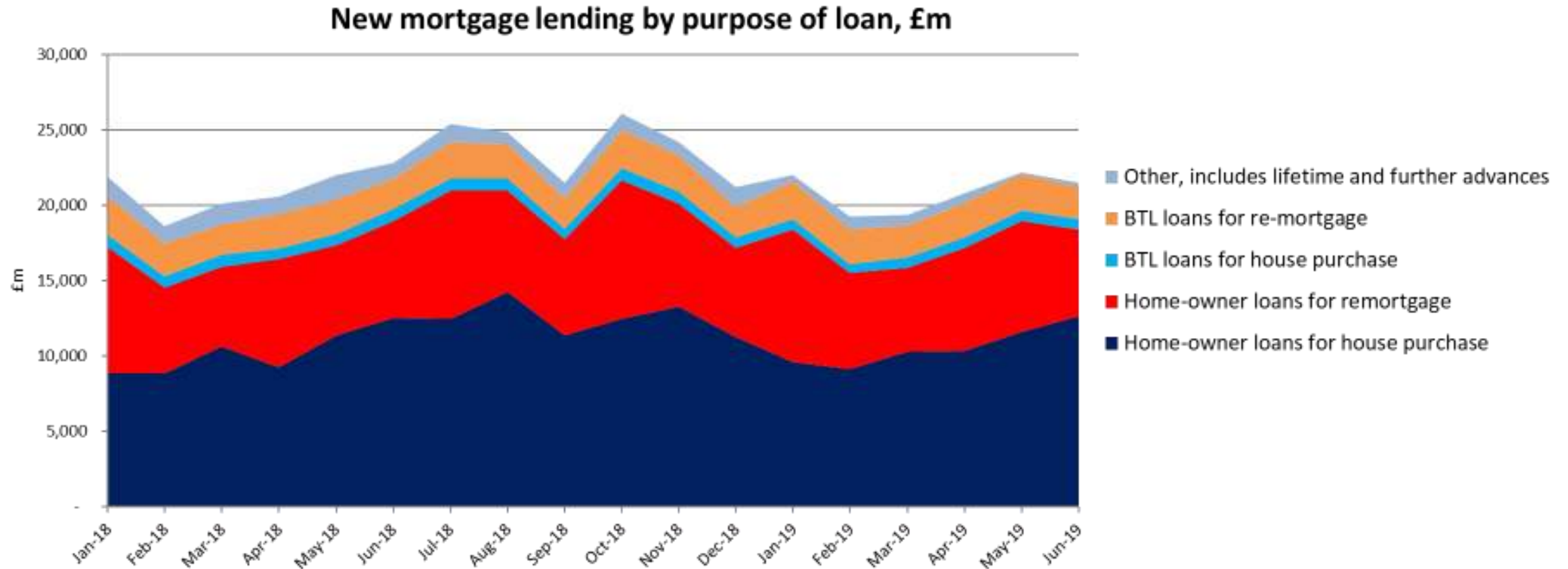
| | 30 June 2019 £'000 | 30 June 2018 £'000 |
|--|--------------------|--------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 2,592 | 2,602 |
| Goodwill | 4,114 | 4,114 |
| Other intangible assets | 621 | 615 |
| Investments in associates in joint venture | 2,698 | 1,426 |
| Investment in non-listed equity shares | 75 | - |
| Other receivables | 2,987 | - |
| Deferred tax asset | 971 | 1,259 |
| Total non-current assets | 14,058 | 10,016 |
| Current assets | | |
| Trade and other receivables | 4,937 | 5,315 |
| Cash and cash equivalents | 24,068 | 22,841 |
| Total current assets | 29,005 | 28,156 |
| Total assets | 43,063 | 38,172 |
| Equity and liabilities | | |
| Equity attributable to owners of the parent | | |
| Share capital | 51 | 51 |
| Share premium | 5,088 | 4,094 |
| Capital redemption reserve | 20 | 20 |
| Share option reserve | 1,872 | 1,899 |
| Retained earnings | 14,559 | 13,038 |
| Total equity | 21,590 | 19,102 |
| Liabilities | | |
| Non-current liabilities | | |
| Provisions | 1,810 | 1,580 |
| Deferred tax liability | 52 | 53 |
| Total non-current liabilities | 1,862 | 1,633 |
| Current liabilities | | |
| Trade and other payables | 18,543 | 16,425 |
| Corporation tax liability | 1,068 | 1,012 |
| Total current liabilities | 19,611 | 17,437 |
| Total liabilities | 21,473 | 19,070 |
| Total equity and liabilities | 43,063 | 38,172 |

Cash Flow Statement

| | Six months ended 30 June 2019 £'000 | Six months ended 30 June 2018 £'000 |
|---|--|--|
| <u>Cash flows from operating activities</u> | | |
| Profit for the year before tax | 7,204 | 6,962 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 104 | 97 |
| Amortisation of intangibles | 24 | 20 |
| Share based payments | 253 | 225 |
| Share of profit of associates | (112) | (263) |
| Dividends received from associates | 243 | 176 |
| Finance income | (77) | (31) |
| | 7,639 | 7,186 |
| <u>Changes in working capital</u> | | |
| Increase in trade and other receivables ¹ | (979) | (884) |
| Increase in trade and other payables | (147) | 1,426 |
| Increase in provisions | 106 | 84 |
| Cash generated from operating activities | 6,619 | 7,812 |
| Income taxes paid | (1,248) | (1,398) |
| Net cash inflow from operating activities | 5,371 | 6,414 |
| <u>Cash flows from investing activities</u> | | |
| Purchase of property, plant and equipment | (80) | (51) |
| Purchase of intangibles | - | (537) |
| Acquisitions of associates , including deferred consideration | (1,256) | - |
| Acquisition of other investments | (75) | - |
| Net cash outflow from investing activities | (1,411) | (588) |
| <u>Cash flows from financing activities</u> | | |
| Interest received | 31 | 26 |
| Issue of shares | 994 | 520 |
| Dividends paid | (6,506) | (6,082) |
| Net cash outflow from financing activities | (5,481) | (5,536) |
| Increase in cash and cash equivalents | (1,521) | 290 |
| Cash and cash equivalents at the beginning of the period | 25,589 | 22,551 |
| Cash and cash equivalents at the end of the period | 24,068 | 22,841 |

¹ Other than accrued interest income

Industry Trends



Industry Trends

