



Delivering, Growing, Innovating

Investor and Analyst presentation

Mortgage Advice Bureau (Holdings) Plc
Interim results for the six months ended 30 June 2022



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Highlights

Financial Highlights

Strong performance against an exceptional H1 2021 when the Stamp Duty holiday accelerated purchase completions, and despite delays to pipeline completions

Revenue

£96.5m | +4%

Gross Profit

£25.4m | +3%

Adj. PBT¹

£11.5m | -

Adj. EPS¹

16.4p | -8%

Interim Dividend

13.4p | -

Cash Conversion²

124% | +4pp³

1. H1 2022 adjusted for £1.5m (H1 2021: £nil) of costs relating to the acquisition of The Fluent Money Group, £0.4m (H1 2021: £0.6m) of costs relating to the First Mortgage option, £0.2m (H1 2021: £0.2m) of amortisation of acquired intangibles, £0.7m of net fair value gains on deferred considerations (H1 2021: £nil), and £0.03m (H1 2021: £nil) of net fair value losses on derivative financial instruments. Adjusted EPS is also shown on the same basis, net of any associated tax effects
2. Adjusted cash conversion is cash generated from operating activities adjusted for movements in non-trading items, including loans to AR firms and associates totalling £(0.3)m in H1 2022 (H1 2021: £(0.9)m), and increases in restricted cash balances of £0.5m in H1 2022 (H1 2021: £1.2m), as a percentage of adjusted operating profit.
3. Percentage points.

Operational Highlights

Mortgage Completions¹

£12.2bn | +11%

(UK gross lending for H1 2022 was down 10%)

Market Share²

6.8% | +13%

Adviser Numbers³

2,034 | +20%

Revenue Per Mainstream adviser⁴

£51.0k | -13%

Strategic progress

The Fluent Money Group (“Fluent”)

- Completion of acquisition of 75.4% of Fluent on 12 July 2022
- Transformational for the Group’s lead generation strategy
- Faster than expected lead growth in mortgage division since Q2 2022
- Integration progressing very well

Vita Financial Ltd (“Vita”)

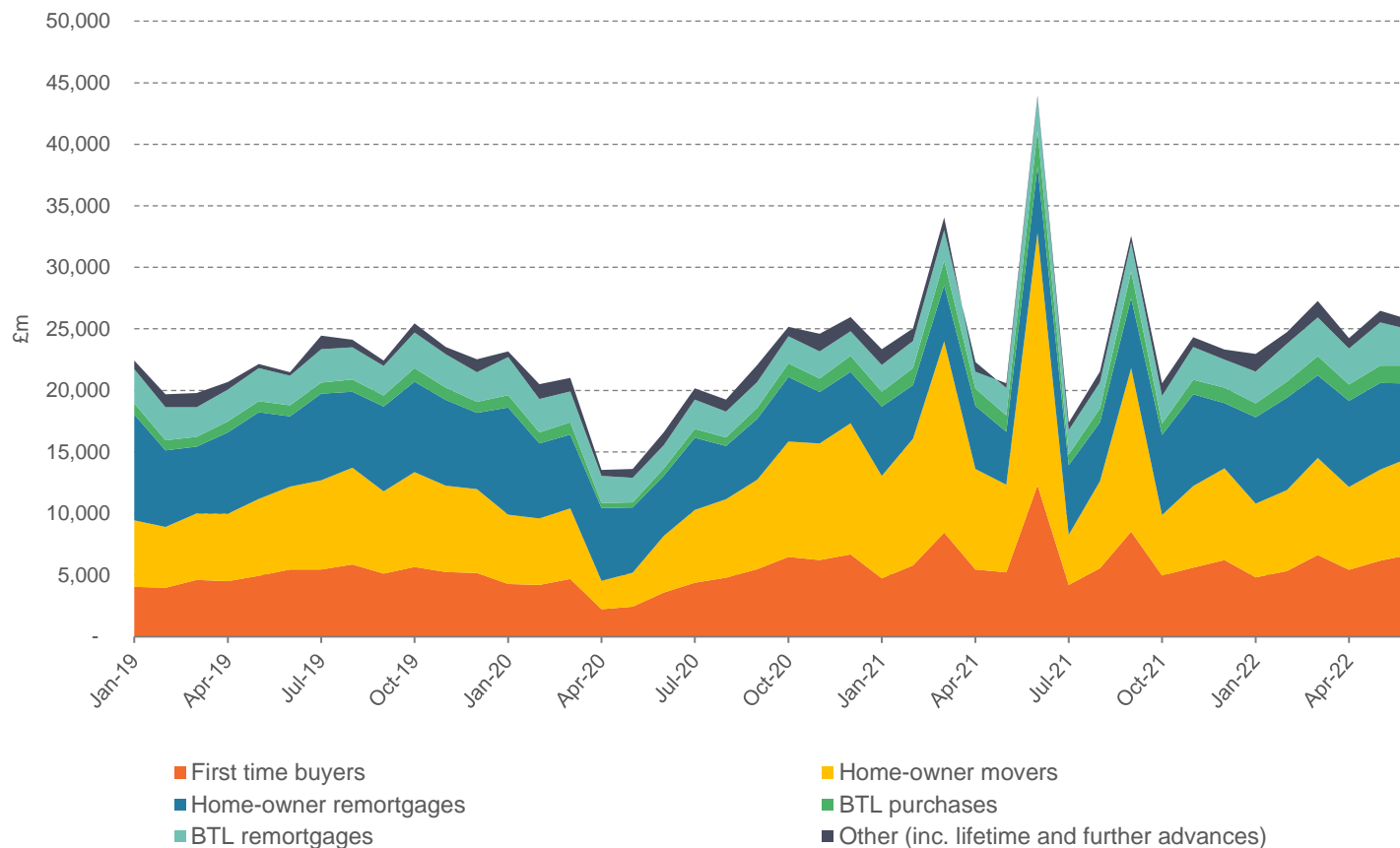
- Increased stake in Vita to 75%

1. MAB’s gross mortgage completions, including product transfers. Based on information received from the Legal & General Mortgage Club.
2. Market share of gross new mortgage lending (excluding product transfers). 2021 market share for the seven months ended 31 July 2021 due to the distortion effect around 30 June 2021 with the tapering of the stamp duty holiday thereafter.
3. Includes a total of 67 advisers at 30 June 2022 who are either directly authorised or later life advisers. Total also includes 14 advisers from associates, who are in the process of being onboarded under MAB’s AR arrangement
4. Based on average number of mainstream advisers for the period. Mainstream advisers exclude directly authorised advisers, later life advisers, and advisers from associates in the process of being onboarded.

Market Backdrop

Mortgage Lending Market

Gross new mortgage lending values¹



1. Source: UK Finance. Chart includes further advances and lifetime mortgages, excludes product transfers.
 2. Includes further advances and lifetime mortgages, excludes product transfers.

Commentary

- Gross new mortgage lending of £151.4bn², down 10% on H1 2021 but up 20% vs. the pre-Covid-19 comparable period in H1 2019
- Purchase market down 30% compared to H1 2021 due to the stamp duty holiday last year. However, purchase market up 28% compared to H1 2019

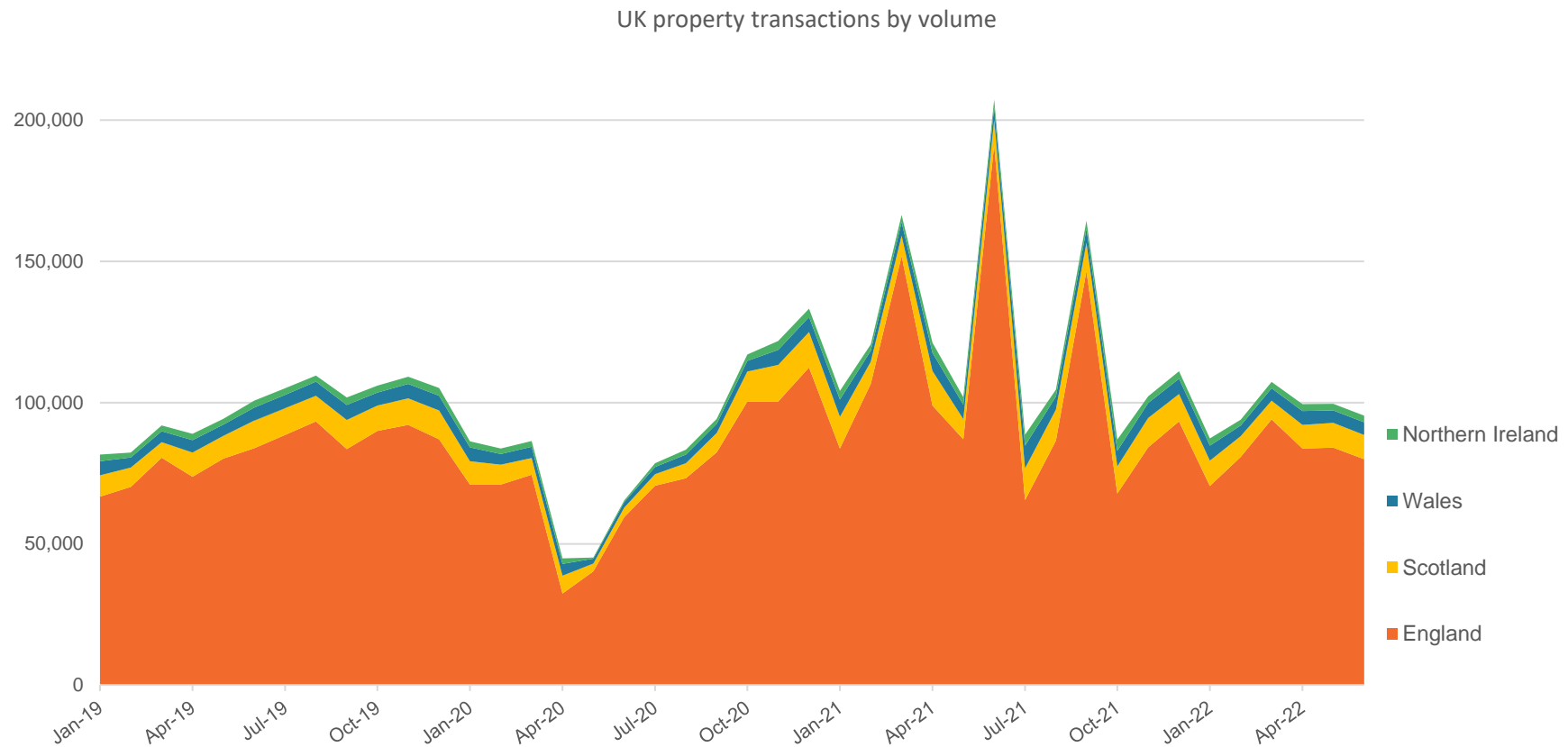
| Purchase market | vs. H1 2021 | vs. H1 2019 |
|-------------------|-------------|-------------|
| First time buyers | -17% | +27% |
| Home movers | -39% | +24% |

- Strong growth in re-financing activity

| Re-financing market | vs. H1 2021 | vs. H1 2019 |
|------------------------|-------------|-------------|
| External re-mortgaging | +37% | +7% |
| Product Transfers | -4% | +12% |

Property Market

UK property transactions by volume¹ decreased by 29% vs. H1 2021 and increased by 8% vs. H1 2019

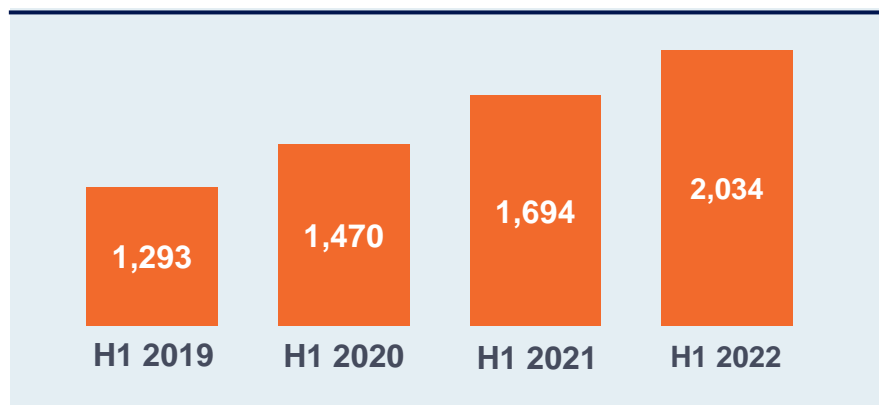


1. Source: UK Finance.

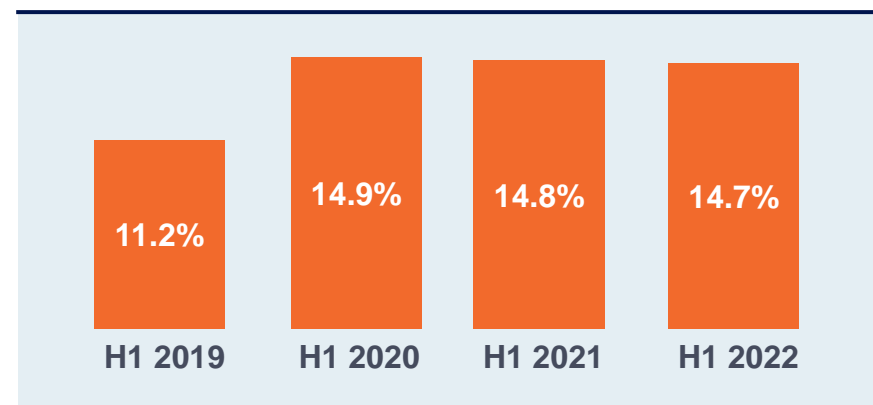
Financial Review

Financial KPIs

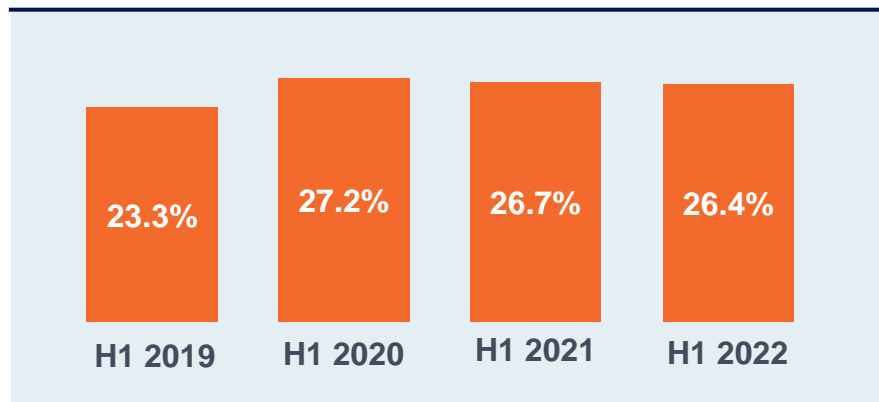
Number of advisers: **2,034**



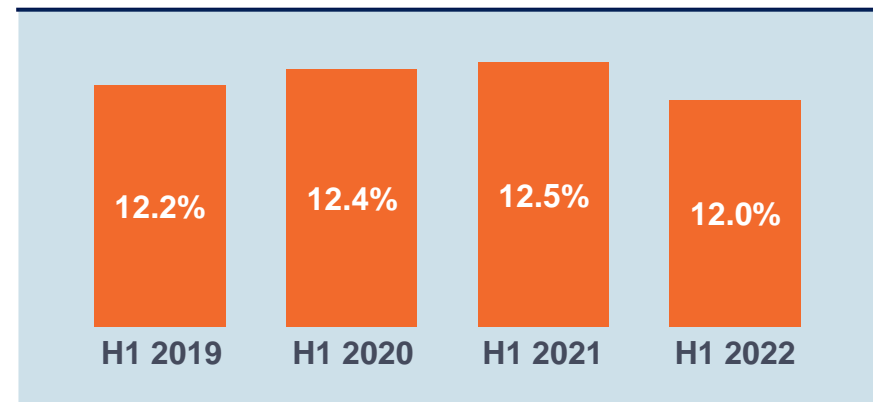
14.7% overheads¹ as % of revenue



26.4% gross profit margin



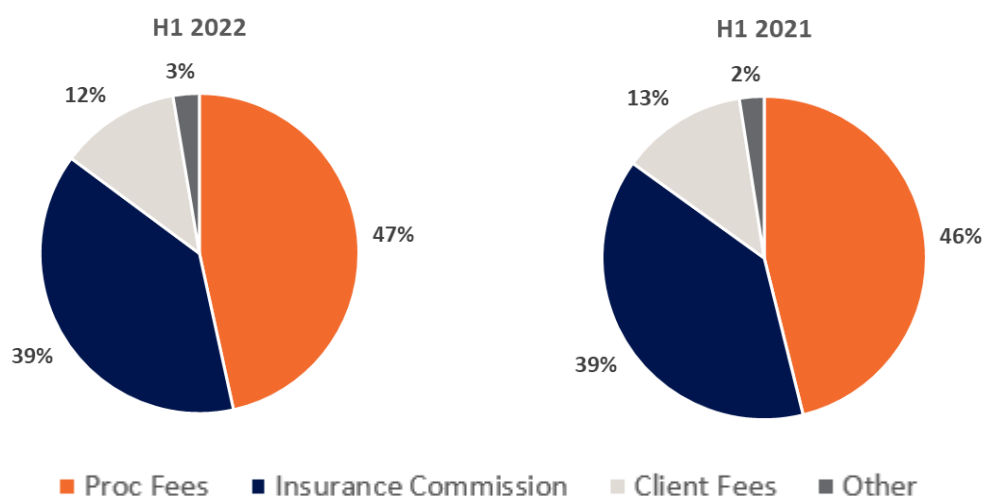
12.0% adj. PBT margin²



1. H1 2022 overheads stated before £1.5m (H1 2021: £nil) of costs relating to the acquisition of The Fluent Money Group, £0.4m (H1 2021: £0.6m) of costs relating to the First Mortgage option, and £0.2m (H1 2021: £0.2m) of amortisation of acquired intangibles.
 2. Adjusted profit before tax is stated before the items in (1) above, £0.7m of net fair value gains on deferred considerations (H1 2021: £nil), and £0.03m (H1 2021: £nil) of net fair value losses on derivative financial instruments.

Revenue: income source

| Income source | H1 2022 | H1 2021 | vs H1 2021 |
|---|---------------|---------------|------------|
| Mortgage Procurement Fees | £44.9m | £42.7m | +5% |
| Protection and General Insurance Commission | £37.2m | £35.8m | +4% |
| Client Fees | £11.8m | £11.6m | +2% |
| Other Income | £2.6m | £2.3m | +13% |
| Total | £96.5m | £92.4m | +4% |



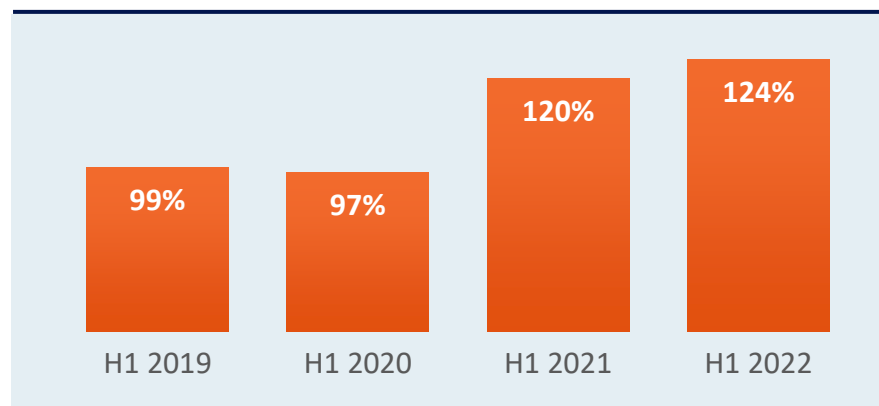
Commentary

- During H1 2022, the Group's product mix saw a lower proportion of house purchase business compared to H1 2021 as a result of stamp duty holiday changes that accelerated house purchase mortgage completions in that period.
- In addition, H1 revenue was negatively impacted by delays in the conversion of pipeline to completions. As at 30 June 2022, our written pipeline was in excess of 30% higher than at the start of the year
- As a consequence, we saw a 13% decrease in revenue per mainstream adviser¹
- Mortgage procurement fees up 5% with mortgage completions⁽²⁾ up 6%
- Continued growth across all income sources despite these adverse factors and considerably lower UK mortgage completions
- The proportion of revenue from re-financing was 30% (H1 2021: 24%), with Product Transfers representing 18% of all completions (H1 2021: 14%). Re-financing transactions see lower procurement fees and reduced protection, general insurance and client fees attachment rates
- 19% increase in average number of mainstream advisers¹ to 1,890 (H1 2021: 1,584)

1. Mainstream advisers exclude directly authorised advisers, later life advisers, and advisers from associates in the process of being onboarded under MAB's AR arrangements.
 2. Stated before completions from associates in the process of being onboarded under MAB's AR arrangements as MAB did not record the revenue in relation to those completions.

Strong cash conversion supports dividend policy

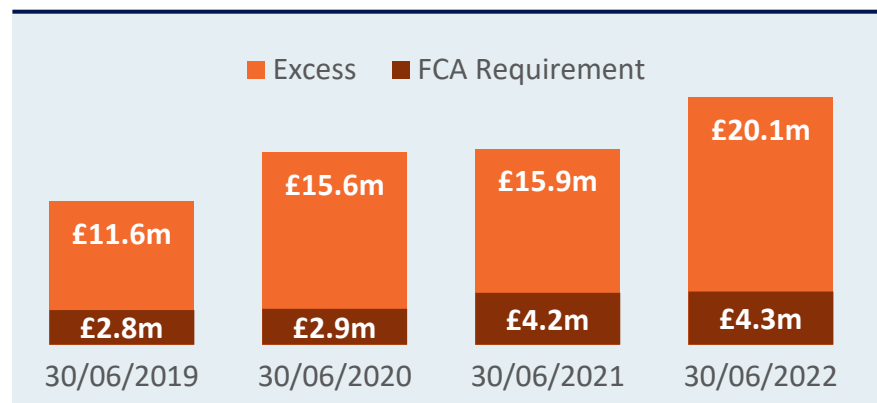
124% Cash Conversion¹



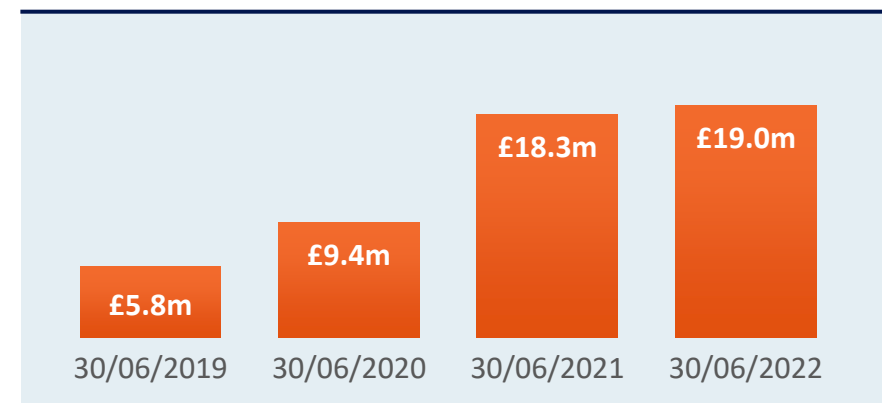
Commitment to dividends²



£20.1m Excess Capital



Adjusted Unrestricted Cash Balance³



- Adjusted cash conversion is cash generated from operating activities adjusted for movements in non-trading items, including loans to AR firms and associates totalling £(0.3)m in H1 2022 (H1 2021: £(0.9)m), and increases in restricted cash balances of £0.5m in H1 2022 (H1 2021: £1.2m), as a percentage of adjusted operating profit.
- Dividend policy based on a minimum payout ratio of 75% of annual adjusted profit after tax post minority interests.
- Adjusted unrestricted cash balance at 30 June 22 excludes net proceeds from the £40m equity placing (£38.4m net of expenses) to part fund the acquisition of The Fluent Money Group that completed 12 July 2022.

Income Statement

| | H1 2022 | H1 2021 | % change |
|--|--------------|--------------|-------------|
| Average number of mainstream advisers ¹ | 1,890 | 1,584 | 19% |
| Average revenue per mainstream adviser (£) | £51.0k | £58.5k | -13% |
| | £m | £m | |
| Revenue | 96.5 | 92.4 | 4% |
| Commissions paid | (66.6) | (63.9) | 4% |
| Other cost of sales | (4.5) | (3.9) | 16% |
| Gross Profit | 25.4 | 24.6 | 3% |
| <i>Gross Profit margin</i> | <i>26.4%</i> | <i>26.7%</i> | <i>-1%</i> |
| Administrative expenses | (14.2) | (13.7) | 4% |
| Costs related to First Mortgage option | (0.4) | (0.6) | -23% |
| Amortisation of acquired intangibles | (0.2) | (0.2) | 0% |
| Costs relating to acquisition of The Fluent Money Group | (1.5) | 0.0 | n/a |
| Fair value gains on deferred consideration | 0.7 | 0.0 | n/a |
| Share of profit of associates, net of tax and impairment | 0.3 | 0.3 | -3% |
| Profit on sale of assets | 0.1 | 0.3 | -81% |
| Net finance income / (expense) | (0.1) | (0.0) | 37% |
| Reported PBT | 10.1 | 10.8 | -7% |
| <i>Reported PBT margin</i> | <i>10.5%</i> | <i>11.7%</i> | <i>-11%</i> |
| Add back: Adjusting items ² | 1.4 | 0.7 | -59% |
| Adjusted PBT | 11.5 | 11.6 | 0% |
| <i>Adj. PBT margin</i> | <i>12.0%</i> | <i>12.5%</i> | <i>-5%</i> |
| Tax | (2.2) | (1.8) | 22% |
| Adjusted PAT (attributable to shareholders) | 9.3 | 9.8 | -4% |
| Reported PAT | 7.9 | 9.0 | -12% |
| Adjusted EPS | 16.4p | 17.9p | -8% |
| Basic EPS | 14.0p | 16.5p | -15% |

Commentary

- Revenue up 4% to £96.5m against a very strong H1 2021
- Gross profit margin of 26.4% (2020: 26.7%). Larger new ARs typically join the Group on lower-than-average margins due to their existing scale. Slight erosion in underlying margin to be countered by reduction in overheads ratio
- Admin expenses ratio of 14.7% (2020: 14.8%)
- Adjusted profit before tax³ of £11.5m (H1 2021: £11.6m)
- Adjusted profit before tax³ as a percentage of net revenue⁴ of 39% (H1 2021: 41%)
- Adjusted profit before tax³ margin of 12.0% (H1 2021: 12.5%)
- Adjusted EPS³ of 16.4p (H1 2021: 17.9p), reflecting the dilutive impact of the placing of new shares carried out on 28 March 2022 to part-fund the acquisition of the Fluent Money Group, while the acquisition did not complete until after the period end, and a higher effective tax rate

1. Mainstream advisers exclude directly authorised advisers, later life advisers, and advisers from associates in the process of being onboarded under MAB's AR arrangements.
2. H1 2022 adjusted for £1.5m (H1 2021: £nil) of costs relating to the acquisition of The Fluent Money Group, £0.4m (H1 2021: £0.6m) of costs relating to the First Mortgage option, £0.2m (H1 2021: £0.2m) of amortisation of acquired intangibles, £0.7m of net fair value gains on deferred considerations (H1 2021: £nil), and £0.03m (H1 2021: £nil) of net fair value losses on derivative financial instruments.
3. Adjusted profit before tax stated before items in (2). Adjusted earnings per share is stated on the same basis, net of any associated tax effects.
4. Net revenue is revenue less commissions paid.

Strategy

Driving revenue and profit growth in all market conditions

Lead generation

- MAB is a leader in estate agency and house builder lead generation
- Fluent is a leader in the national digital lead sector and is scaling at pace
- Combined we have a market leading proposition in the three largest lead source sectors
- New technology initiatives will drive more lead flow and greater conversion from all existing lead sources

Retention

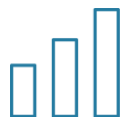
- Significant upside achievable through improved customer retention, an area of major strategic focus for MAB
- New initiatives and technology being delivered in Q4 2022 will help capitalise on this opportunity, at a time when re-financing has become of increasing importance
- Fluent's retention performance is set to increase significantly in line with its strong growth in mortgage sales over the last 5 years

Investments¹

- Strong adviser productivity from invested businesses
- Margin impact of productivity greatest in invested businesses
- New national lead model and technology enhancements support plans for accelerated profit growth

1. Investments include the Group's associate companies, First Mortgage, The Fluent Money Group and Vita Financial

Fluent: supporting MAB's strategy for accelerating growth



Margin Growth

- Revenue synergies
- Margin optimisation through retention, protection, and client fees
- Cost synergies 2023/2024



Adviser Productivity

- Quality and highly scalable lead flow drives growth in Fluent's adviser productivity
- Proprietary technology supports increased adviser capacity and performance
- High productivity of invested-in businesses further enhanced by Fluent's processes and lead flow



Lead Generation and adviser growth





- Fast scaling of advisers due to higher than anticipated mortgage lead flow
- Visibility of significant new lead flow will drive strong adviser growth in 2023
- MAB's other investments and key partners will benefit by delivering additional capacity



Addressable Market

- Fluent significantly widens MAB's market reach, and accelerates our plans to grow market share, productivity, and margins
- Fluent extends and strengthens MAB's later life proposition and growth potential
- Expertise in secured personal loans and bridging finance supports plans to authorise specialist advisers across MAB's distribution

Fluent: onboarding and integration process

| Progress | Status |
|--|---|
| FCA change in control approval |  |
| Completion |  |
| Integration plan |  |
| Product-related synergies |  |
| Transition of Fluent Mortgages to MAB AR | Q4 2022 |
| Cost synergies | Early discussions |

Prioritising quickest performance and margin gains

- Significant investment in adviser and administrative staff growth to fulfil higher than expected mortgage lead flow
- Retention opportunities building strongly reflecting rapid growth of mortgage division since launch 5 years ago. MAB's new retention technology and processes currently being introduced
- Specialist protection team being upskilled and adopting MAB's platform to bridge a significant gap in protection attachment rates

Summary and Outlook

Summary & outlook

- Strong results despite considerable drop in house purchase completions and mortgage pipelines taking longer to complete
- Large gain in market share
- Excellent progress on the Fluent integration, with the acquisition to be significantly earnings accretive from 2023
- Major initiatives in lead generation and re-financing across the Group, supported by technology
- Pipeline of written new business at start of the period more than 30% higher than expected
- Despite slowing purchase market, demand for housing remains steady. The Stamp Duty and other tax changes announced in the recent mini budget are expected to provide a helpful boost to demand
- Although adjusted PBT for 2022 is expected to be slightly below previous expectations, the Group's performance continues to be strong, and we expect to deliver further growth in 2023 and beyond, supported by our lead generation strategy and the performance of our invested-in businesses

Appendices

ESG

We strive to minimise our impact on the environment, to be an amazing place to work and provide an outstanding experience for our customers and ARs

Sustainable

- Major ongoing refurbishment of MAB offices will deliver considerable energy efficiency
- Charitable initiative to divert furniture waste out of landfill
- MAB and First Mortgage offices on green, 100% renewable electricity tariffs
- Green mortgages: MAB at the forefront of and leading change, with ARs now able to actively source all Green Mortgages via the MIDAS platform
- Net zero annual conference

Responsible

- Ongoing major strategy consultancy ESG project
- Won Best Small Organisation for Business Culture at the Business Culture Awards 2021
- Platinum trusted award from Feefo with score of 4.9 out of 5 from over c.16,000 reviews
- Equality Employer of the Year 2021 at the Financial Reporter Women's Recognition Awards

Community



- Grant-giving charity supporting community-based projects
- Projects chosen by our staff, customers and business partners
- Expecting first projects to be funded by the end of 2022



Award Winning

200
AWARDS
& COUNTING



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
- c.2,000 advisers, almost all employed or engaged by ARs
- All compliance supervision undertaken by MAB employees
- Broad geographical spread across the UK
- Developed leading in-house proprietary trading platform
- Won over 200 awards



Growth Focus – our investments

Investment

Specialism

Lead generation

New Build

Protection

Telephony / Network

Telephony

Specialist New Build

First Mortgage Acquisition

Conveyancing

Surveys

International

New Build / Shared Ownership

New Build

New Build

Shareholding¹

75% → 100%

80% → 100%

75%

49%

25% → 49%

25%

25% → 49%

43%

49%

48%

40% → 49%

49% → 80%

49% → 100%

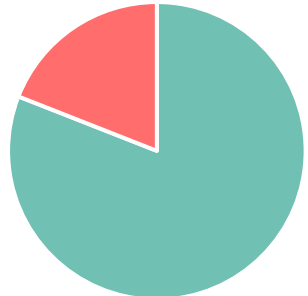
1. Initial → Maximum

Illustrative Profit Profile - Investments

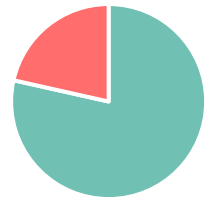
Investments ARs

HISTORIC

Revenue



Profit Before Tax

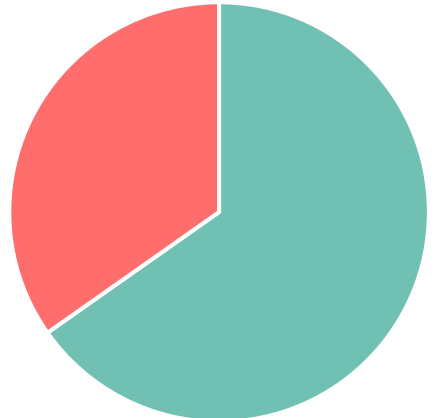


New national lead model & investments offer potential for accelerating profit growth

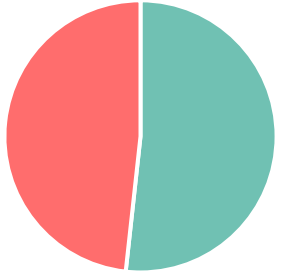
Productivity has greatest margin impact on Investments

FUTURE

Revenue



Profit Before Tax



Platform



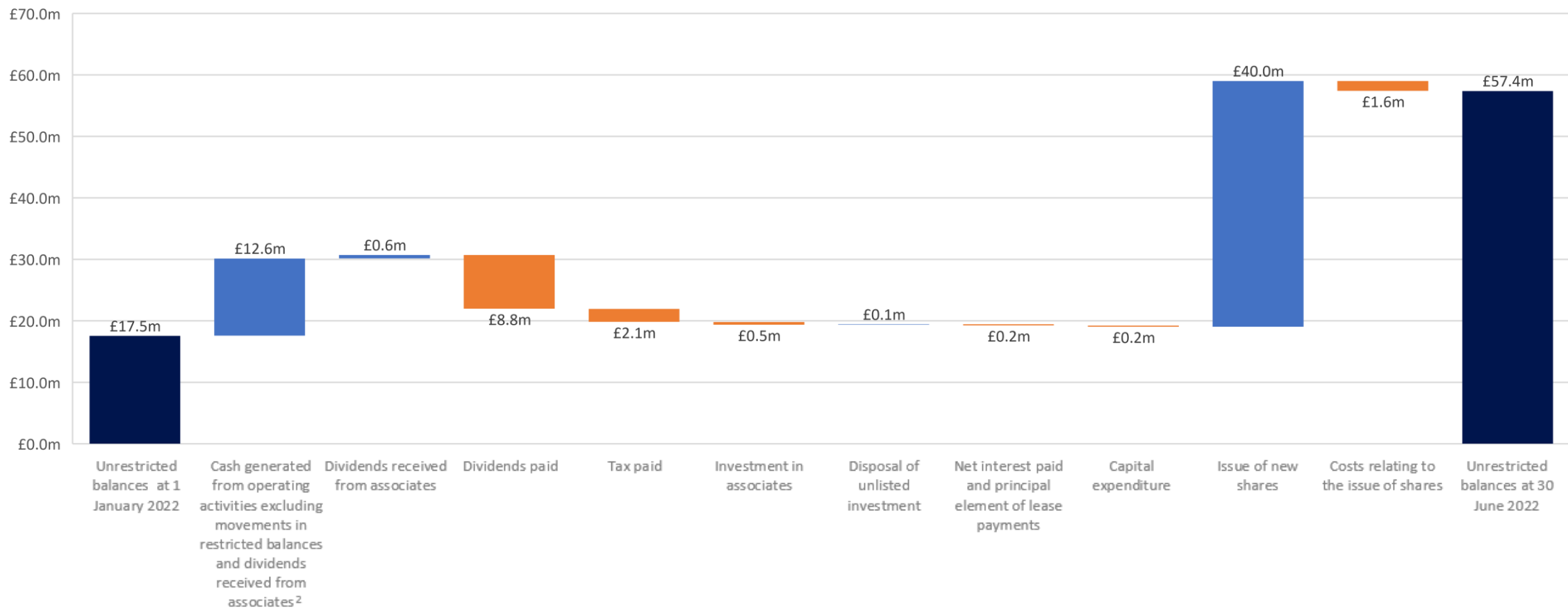
Speed | Ease | Efficiency

Lead Generation



Growth | Productivity | Margin

Cash Balance Waterfall Unrestricted net cash balances¹



1. Unrestricted net cash balances are for operational purposes; they exclude restricted balances (AR retained commission in case of clawback).
 2. Cash generated from operating activities of £13.7m, less £0.6m dividends received from associates and movements in restricted balances of £0.5m.

Balance Sheet – Strong financial position

| £'000s | Jun-22 | Dec-21 |
|---|----------------|---------------|
| | £'000 | £'000 |
| Non-current assets | | |
| Property, Plant and equipment | 2,569 | 2,667 |
| Right of Use Assets | 2,259 | 2,457 |
| Goodwill | 15,155 | 15,155 |
| Other intangible assets | 224 | 172 |
| Acquisition Intangibles | 2,349 | 2,533 |
| Investments in associates and joint ventures | 12,147 | 12,433 |
| Investments in non-listed equity shares | 2,783 | 2,783 |
| Derivative financial instruments | 170 | 220 |
| Other receivables | 1,197 | 1,098 |
| Deferred tax asset | 1,726 | 1,871 |
| Total non-current assets | 40,579 | 41,388 |
| Current assets | | |
| Trade and other receivables | 7,284 | 6,341 |
| Derivative financial instruments | 134 | 142 |
| Cash and cash equivalents | 74,743 | 34,411 |
| Total current assets | 82,161 | 40,894 |
| Total assets | 122,740 | 82,282 |
| Equity and liabilities | | |
| Share capital | 57 | 53 |
| Share premium | 48,155 | 9,778 |
| Capital redemption reserve | 20 | 20 |
| Share option reserve | 4,080 | 3,523 |
| Retained earnings | 24,724 | 25,408 |
| Equity attributable to owners of the parent company | 77,036 | 38,782 |
| Non-controlling interest | 1,985 | 2,205 |
| Total equity | 79,021 | 40,987 |
| Liabilities | | |
| Non-current liabilities | | |
| Provisions | 6,403 | 5,716 |
| Lease liabilities | 1,997 | 2,202 |
| Derivative financial liabilities | 01 | 34 |
| Deferred tax liability | 672 | 757 |
| Total non-current liabilities | 9,073 | 8,709 |
| Current liabilities | | |
| Trade and other payables | 33,986 | 31,925 |
| Lease Liability | 403 | 394 |
| Corporation tax | 257 | 267 |
| Total current liabilities | 34,646 | 32,586 |
| Total liabilities | 43,719 | 41,295 |
| Total equity and liabilities | 122,740 | 82,282 |