



# Delivering, Growing, Innovating

Investor and Analyst Presentation



Mortgage Advice Bureau (Holdings) plc  
Final results for the year ended 31 December 2020

# Contents



Highlights	3
Market backdrop	6
Financial review	9
Strategy	16
Summary and outlook	20
Appendices	22

# Highlights

# Financial Highlights

## Revenue

**£148.3m | +3%**

(-1% excl. First Mortgage)

## Gross Profit

**£39.8m | +9%**

(-3% excl. First Mortgage)

## Adj. PBT<sup>1</sup>

**£17.8m | -5%**

(-17% excl. First Mortgage)

## Adj. EPS<sup>1</sup>

**28.6p | -5%**

(-16% excl. First Mortgage)

## Final Dividend

**19.2p | +200%**

- Total dividend for the year of 25.6p, including 6.4p *catch up* dividend (2019: 17.5p)

## Cash Conversion<sup>2</sup>

**112%**

1. Adjusted in 2020 for £0.4m (2019: £0.2m) amortisation of acquired intangibles and £0.9m (2019: £0.4m) of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage. In 2019, £0.4m of one-off costs associated with the acquisition of First Mortgage were also adjusted. PBT and EPS are also adjusted for impairment of loans to related parties of £1.7m in 2020 (2019: £nil), £1.4m net of tax.

2. Adjusted cash conversion is cash generated from operating activities adjusted for movements in non-trading items, including loans to Appointed Representative firms ("ARs") and associates totalling £(1.5)m and increases in restricted cash balances of £0.6m in 2020, as a percentage of adjusted operating profit.

# Operational Highlights

## Mortgage Completions<sup>1</sup>

**£17.6bn | +5%**

(+3% excl. First Mortgage)

## Adviser Numbers<sup>3</sup>

**1,580 | +8%**

(+8% excl. First Mortgage)

## Market Share<sup>2</sup>

**6.3% | +11%**

(+10% excl. First Mortgage)

## Revenue Per Active Adviser<sup>4</sup>

**£101.9k | -5%**

(-7% excl. First Mortgage)

## Strategic progress

### Digital business acceleration

- Platform roll out
- Remote advice/security
- Lead Generation
- Compliance transformation

### M&A / Joint Ventures

New Build



International



Addressable Market



1. MAB's gross mortgage completions, including product transfers.

2. Market share of gross new mortgage lending (excluding product transfers).

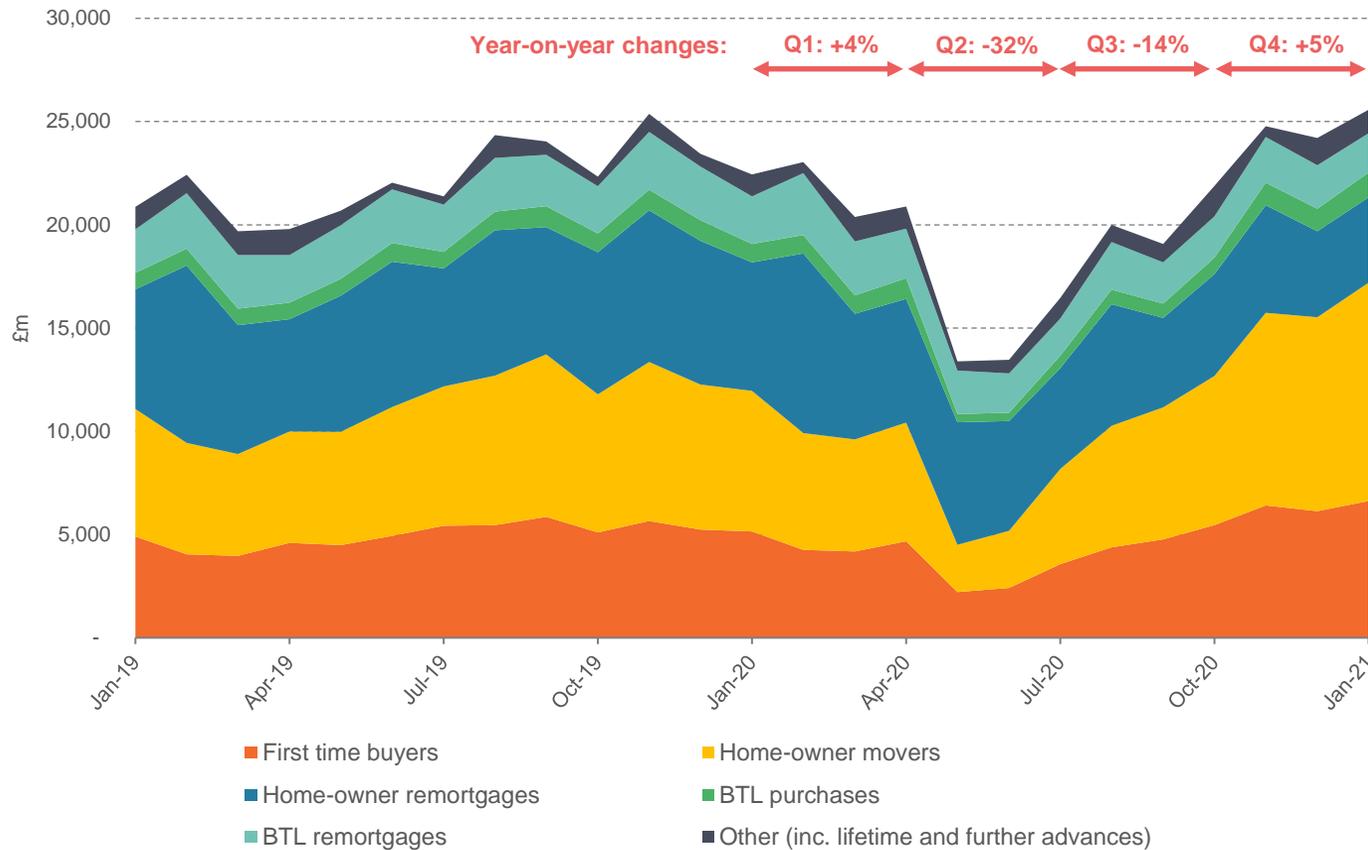
3. Includes the Advisers of a firm previously authorised under an Appointed Representative agreement with MAB until 7 December 2020. MAB continues to provide services to this firm, now directly authorised by the FCA.

4. Based on average number of active advisers for the period. An active adviser is an adviser who had not been furloughed, and was therefore able to write business

# Market Backdrop

# Mortgage Lending Market

## Gross new mortgage lending values<sup>1</sup>



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

## Commentary

- Gross new mortgage lending of £243.1bn<sup>2</sup>, down 9% as a result of the closure of the housing market in Q2

### Purchase market:

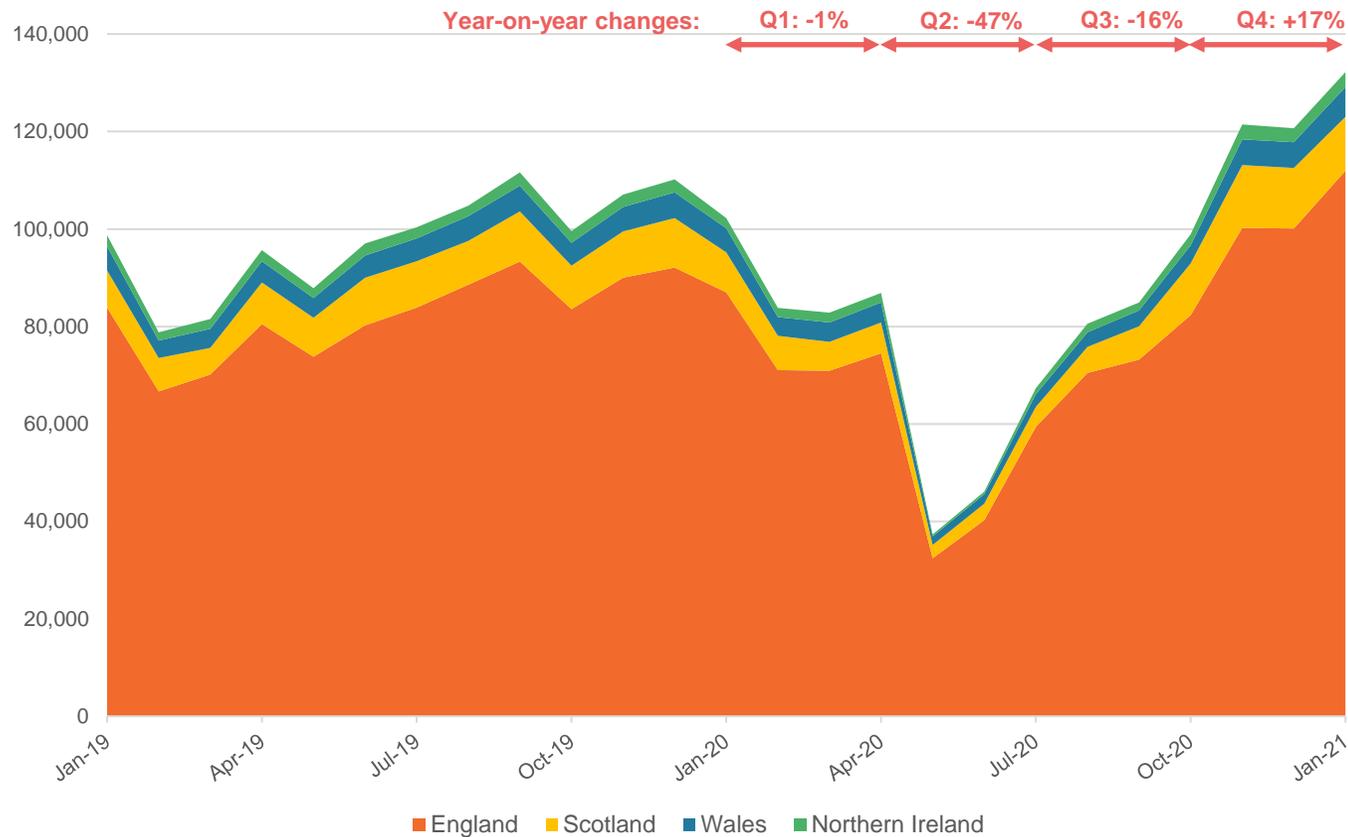
- Purchase mortgage activity most adversely impacted in Q2 (down 46%)
- Q3 activity continued to be impacted due to pipeline conversion timeframes (down 11%)
- Sharp return to growth in Q4 (up 28%)

### Re-financing market:

- External re-mortgage activity less impacted in Q2 (down 18%)
- Activity remained low in Q3 (down 22%) and Q4 (down 30%) due the volume of borrowers only being able to internally transfer their mortgages
- Product transfers: up 1% for the year to £168bn<sup>3</sup>

# Property Market

## UK property transactions by volume<sup>1</sup>



1. Sources: UK Finance. Q4 2020 figures are provisional.  
2. Source: Land Registry. House price inflation is the increase in house prices from December 2019 to December 2020. The increase in average house price is the year-on-year increase in average house prices for the year.

## Commentary

- Q1 broadly flat year-on-year (-1%)
- Q2 property transaction volumes down 44% in England, as housing market shut for nearly 2 months.
- In Scotland, where the housing market was shut for 3 months, Q2 volumes decreased by 63%
- Despite the market recovery, Q3 volumes (down 16%) were still impacted due to pipeline conversion timeframes
- Q4 data shows a 17% increase in transaction volumes
- House price inflation c.9%, with 3% increase in average house price for the year<sup>2</sup>

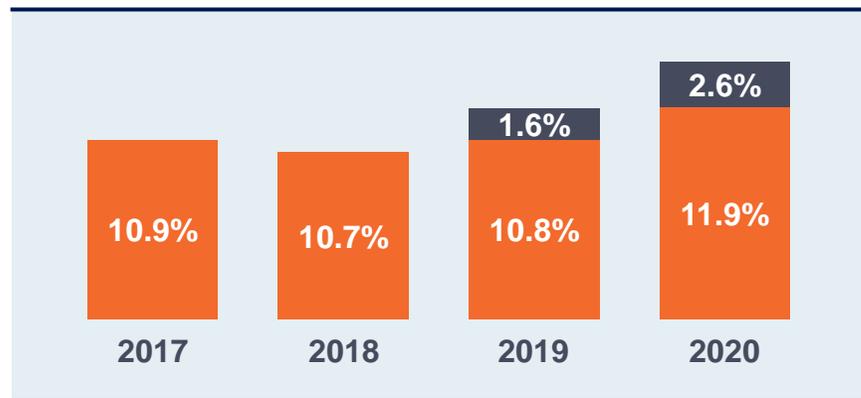
# Financial Review

# Financial KPIs

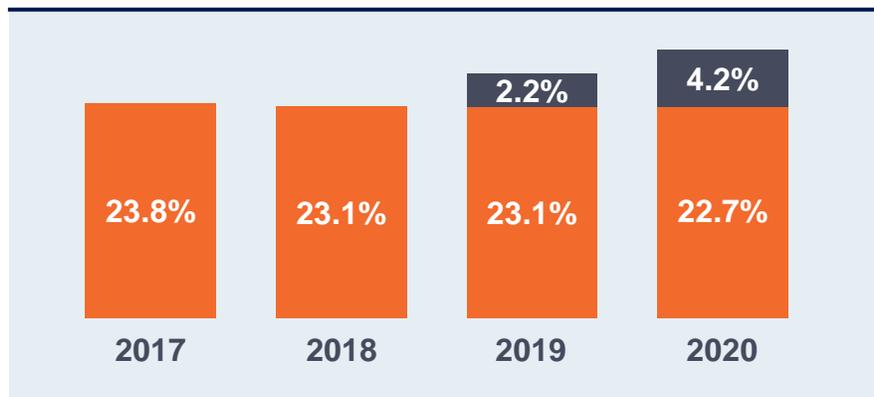
Number of advisers: **1,580**



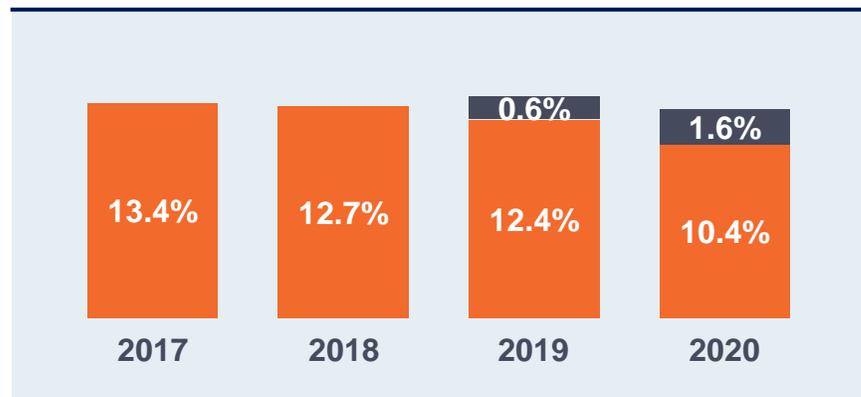
**14.5%** overheads<sup>1</sup> as % of revenue



**26.9%** gross profit margin



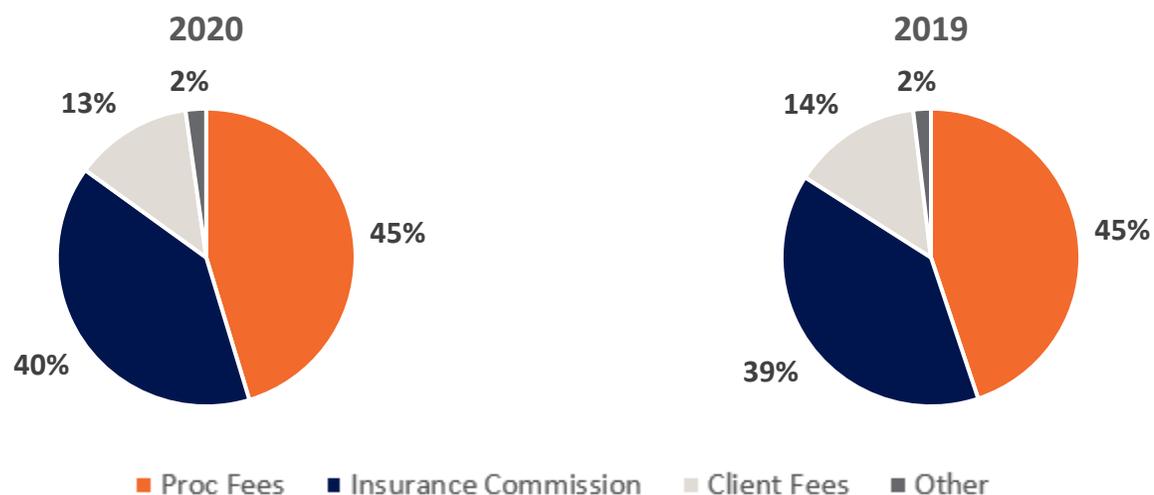
**12.0%** adj. PBT margin<sup>2</sup>



1. Adjusted in 2020 for £0.4m (2019 £0.2m) amortisation of acquired intangibles and £0.9m (2019 £0.4m) of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage. In 2019, £0.4m of one-off costs associated with the acquisition of First Mortgage were also adjusted.  
 2. Adjusted for items in note (1) above and impairment of loans to related parties of £1.7m in 2020.

# Revenue: income source

Income source	2020	2019	Change (£m)	Change (%)
Mortgage Procurement Fees	<b>£67.2m</b>	£64.3m	£2.9m	+4%
Protection and General Insurance Commission	<b>£58.8m</b>	£56.2m	£2.6m	+5%
Client Fees	<b>£19.0m</b>	£20.2m	£(1.2)m	-6%
Other Income	<b>£3.3m</b>	£3.0m	£0.3m	+10%
<b>Total</b>	<b>£148.3m</b>	<b>£143.7m</b>	<b>£4.6m</b>	<b>+3%</b>

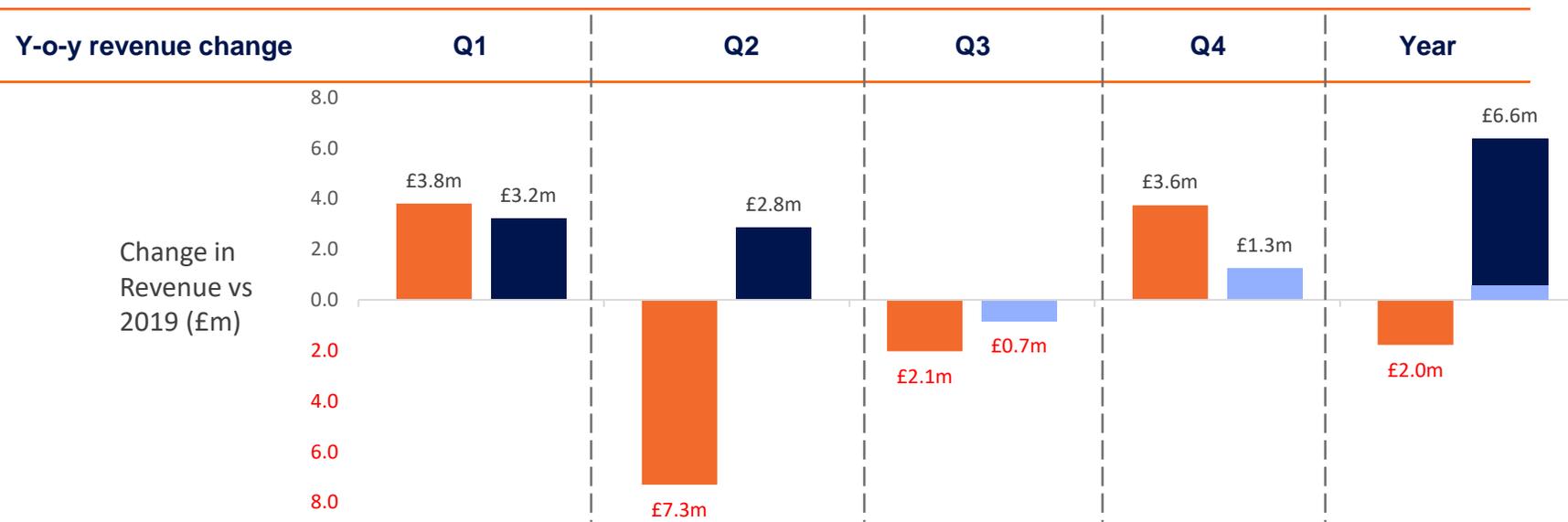


## Commentary

- Group revenue up 3% to £148.3m with completions up 5%, higher proportion of Product Transfers
- Revenue excluding First Mortgage down 1% with completions up 3%
- Continued growth across all income sources other than client fees as a result of H1 contribution from First Mortgage, despite pandemic impact
- Procurement fees up 4% with Group completions up 5%; increase driven by H1 First Mortgage contribution and associated revenue synergies, 1% increase in MAB (excl. First Mortgage) procurement fees, offset by increased product transfers
- Protection and general insurance commission up 5% driven by H1 First Mortgage contribution and associated revenue synergies, offset by slightly lower banked protection in MAB (excl. First Mortgage)
- Client fees (MAB excl. First Mortgage only) reduced by 6% due to fall in attachment rate of client fees as customers mainly transacted remotely and change in mortgage mix towards Product Transfers

# Revenue: quarterly

Quarterly revenue	Q1	Q2	Q3	Q4	Year
Revenue (y-o-y change)	<b>£35.0m</b> (+£7.0m)	<b>£28.5m</b> (-£4.5m)	<b>£37.1m</b> (-£2.8m)	<b>£47.7m</b> (+£4.9m)	<b>£148.3m</b> (+£4.6m)
Average active Advisers	1,457	1,348	1,455	1,552	1,455
Average revenue per active Adviser	£24.0k	£21.2k	£25.5k	£30.8k	£101.9k



## Commentary

- Q1 strong post December 2019 General Election
- Q2 heavily impacted both in terms of active Advisers and banked and written productivity
- Q3 banked productivity continued to be impacted despite considerable increase in written business activity from increase in house purchase volumes
- Strong Q4 banked and written productivity

# Strong cash conversion supports growing dividend

## 112% Cash Conversion<sup>1</sup>



## Commitment to dividends



## £11.7m Excess Capital



## Unrestricted Cash Balance



1. Adjusted cash conversion is cash generated from operating activities adjusted for movements in non-trading items, including loans to Appointed Representative firms and loans to associates, totalling £(1.5)m in 2020 (2019: £0.9m) and increases in restricted cash balances of £0.5m in 2020 (2019: £2.2m) as a percentage of adjusted operating profit.

# Income Statement

	2020	2019	% change
Average number of active advisers <sup>2</sup>	1,455	1,341	9%
Average revenue per active adviser (£)	£101.9k	£107.2k	-5%
	<b>£m</b>	<b>£m</b>	
<b>Revenue</b>	<b>148.3</b>	<b>143.7</b>	3%
Cost of Sales	(108.5)	(107.3)	1%
<b>Gross Profit</b>	<b>39.8</b>	<b>36.4</b>	9%
<i>Gross Profit margin</i>	26.9%	25.3%	6%
Administrative expenses	(22.7)	(18.9)	20%
Impairment losses	(1.7)	0.0	
Share of profit of associates, net of tax	0.0	0.3	-87%
Impairment and amount written off associates	(0.5)	(0.2)	146%
Net finance income / (expense)	(0.1)	0.1	-285%
<b>Reported PBT</b>	<b>14.9</b>	<b>17.7</b>	<b>-16%</b>
<i>Reported PBT margin</i>	10.0%	12.3%	-19%
Add back: Adjusting items <sup>1</sup>	2.9	1.0	194%
<b>Adjusted PBT</b>	<b>17.8</b>	<b>18.7</b>	<b>-5%</b>
<i>Adj. PBT margin</i>	12.0%	13.0%	-8%
Tax	(2.1)	(3.0)	-30%
<b>Reported PAT</b>	<b>12.8</b>	<b>14.7</b>	<b>-13%</b>
<b>Adjusted EPS</b>	<b>28.6p</b>	<b>30.1p</b>	<b>-5%</b>
<b>Basic EPS</b>	<b>23.7p</b>	<b>28.2p</b>	<b>-16%</b>

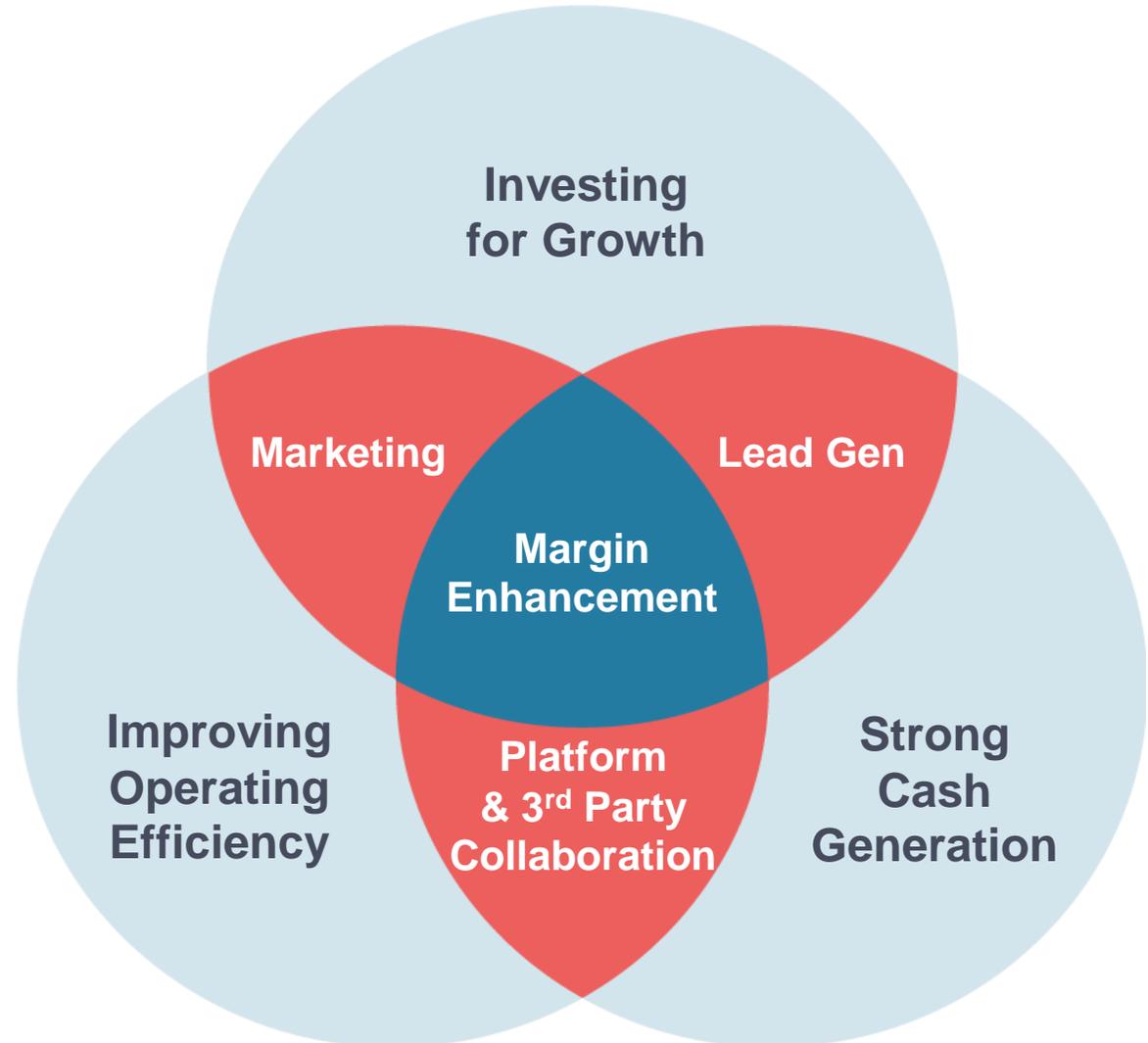
## Commentary

- Revenue up 3% to £148.3m, including £14.7m from First Mortgage
- Gross profit margin increase, growth in administrative expenses and overheads ratio mainly reflect the full year impact of the First Mortgage acquisition
- Overheads ratio also impacted by lower revenue growth despite overhead savings of c.£3m
- Adjusted Profit Before Tax<sup>1</sup> down 5% to £17.8m in a year heavily affected by Covid-19
- Adjusted Profit Before Tax<sup>1</sup> Margin of 12.0% (2019: 13.0%)
- Adjusted EPS<sup>1</sup> down 5% to 28.6p (2019: 30.1p)

1. Adjusted in 2020 for £0.4m (2019 £0.2m) amortisation of acquired intangibles and £0.9m (2019 £0.4m) of additional non-cash operating expenses relating to the put and call option agreement to acquire the remaining 20% of First Mortgage. In 2019, £0.4m of one-off costs associated with the acquisition of First Mortgage were also adjusted. Also adjusted for impairment of loans to related parties of £1.7m in 2020 (2019: £nil).
2. An active adviser is an adviser who had not been furloughed, and was therefore able to write business.

# Investing to deliver margin enhancement

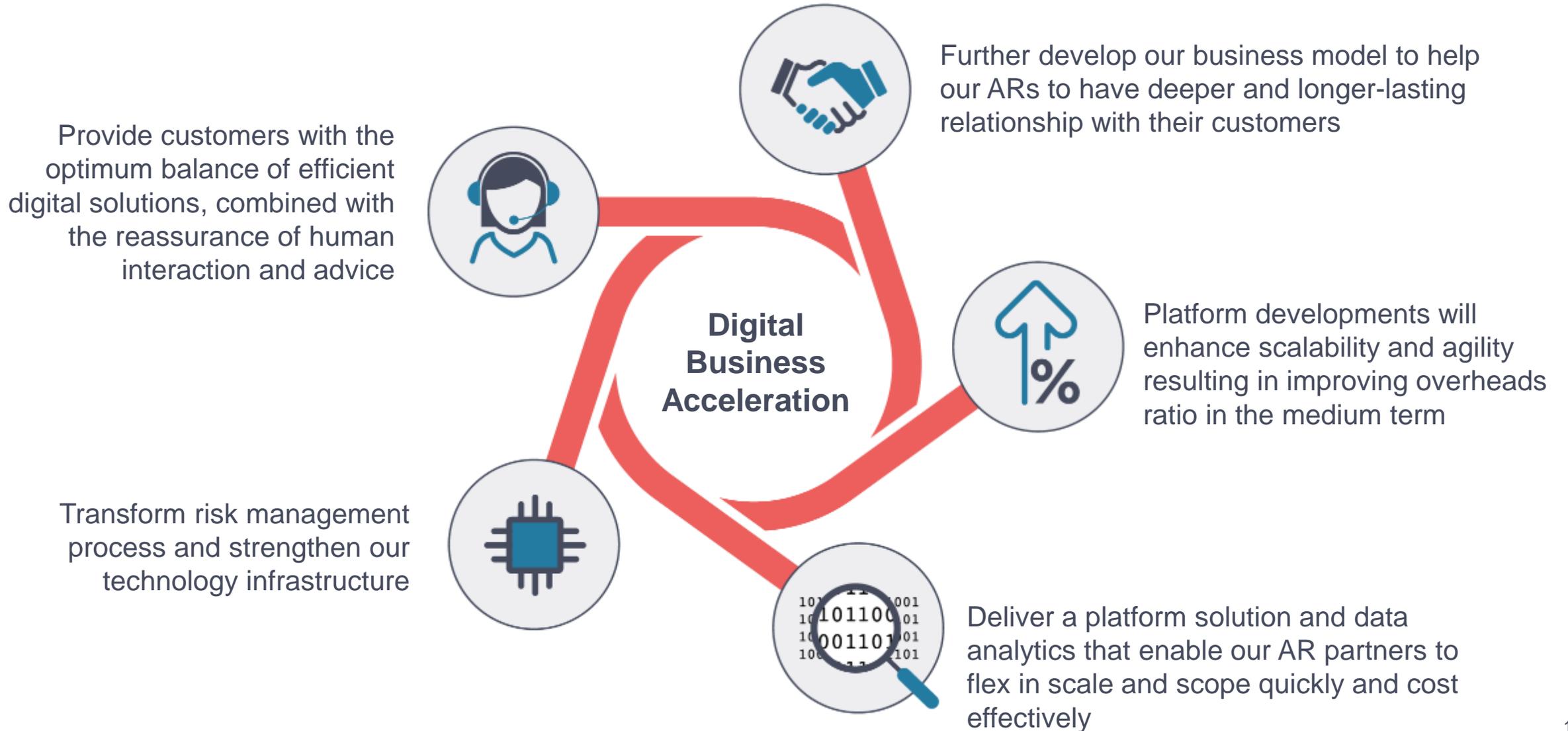
- Investment to generate revenue growth:
  - Adviser productivity
  - Scaling of existing ARs
  - New AR firms
- Operational benefits:
  - Growth in revenue will increasingly outstrip growth in costs over the medium term
  - Productivity and efficiency gains within our invested businesses will deliver increased profits from associates



... delivering margin enhancement

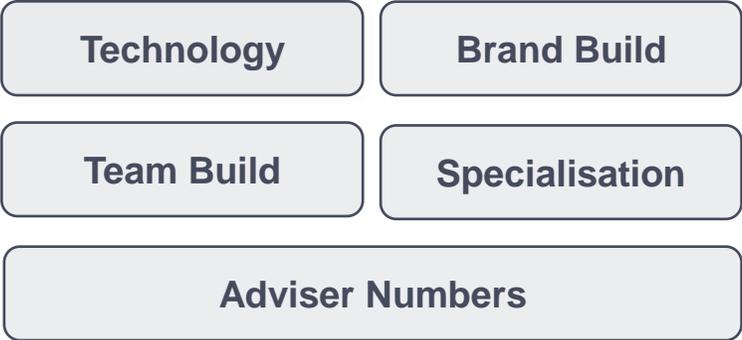
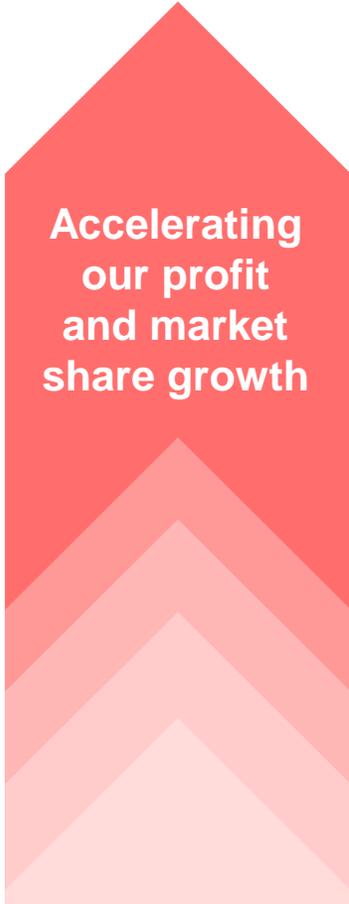
# Strategy

# Investing in future ready capabilities



# Set-up for Acceleration

Adjusted  
EPS CAGR  
since IPO:  
**14.5%**



Strong foundations for  
**next stage growth**

Maturing and new **growth drivers**

# Q1 2021 Progress on our initiatives

## Boomin

- Exclusive partnership with innovative new property portal
- Major focus on millions of homeowners and future buyers in early stages of research



- Strategic partnership to deliver MAB Home Buying Buddy app
- Digital coaching technology engages and nurtures consumers to achieve their life goals
- Customer insights will deliver a more personalised experience



- Savings and investing app launches mortgage service in partnership with MAB
- Helping hundreds of thousands of customers save for their first home through its popular Lifetime ISAs and other products



- New MAB brand for planned increase in non-mortgage related products and services
- Initial launch with MAB Wealth Management and home moving services



- Collaboration with technology firm MQube leveraging its expertise and investment in data
- Explore and deliver practical implications of machine learning and AI for mortgages

Adviser Growth



Adviser Productivity



Lead Generation



New Products & Services



Addressable Market



Customer Experience



# Summary and Outlook

# Summary & outlook

- Strong performance and market share growth demonstrates the resilience of our operating model.
- Significant progress made through securing major new lead sources that are fundamental to MAB's growth strategy.
- Healthy pipeline of both Adviser recruitment and written business, despite the various lockdown restrictions.
- Strong fundamentals of house purchase demand will be supported by recent Budget announcement.
- Current trading is in line with Board expectations.
- Maturing and new growth drivers will support future profits and market share growth.

# Appendices

# Award Winning



# 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 1,600 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 called MIDAS Pro
- Won over 150 awards



# Management

■ Board of Directors
 ■ Senior Management Team
 ■ Divisions

## Executive Team

## Non-Executive Team



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

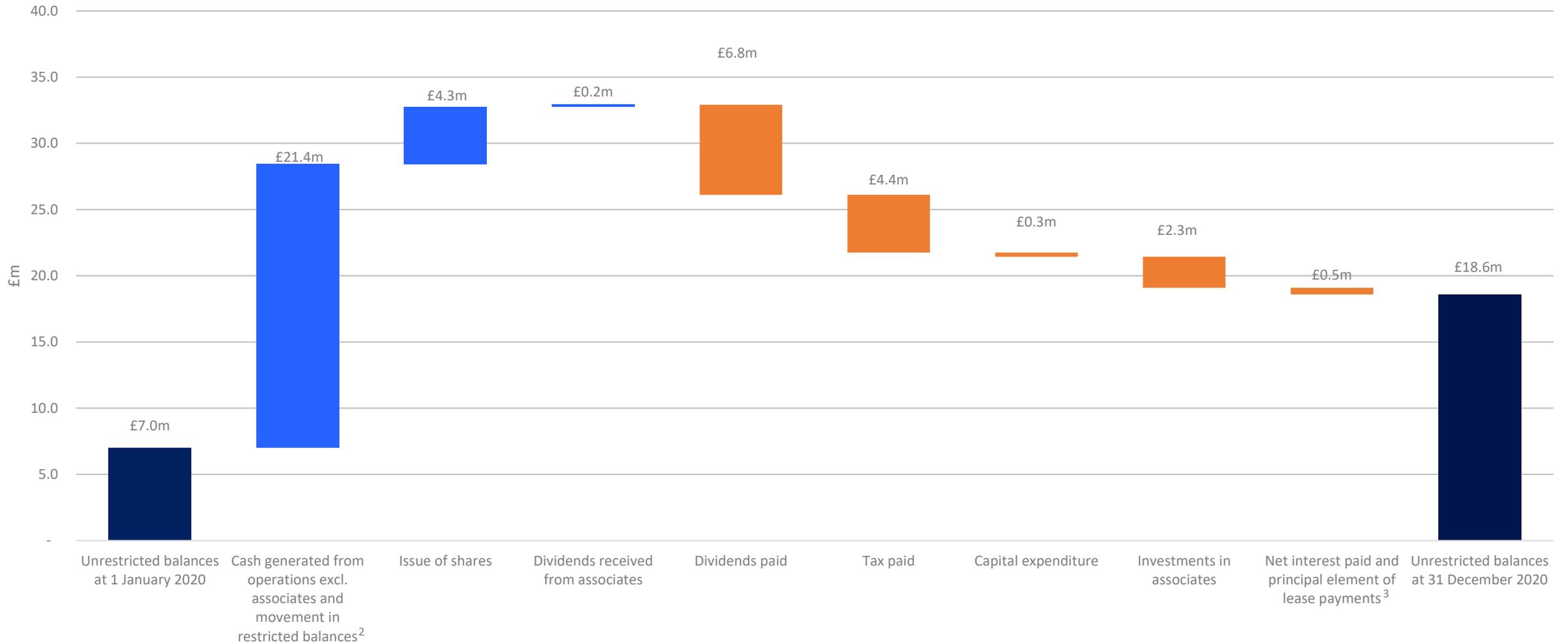
# Growth Focus – our investments

Distribution	Strategic	Specialism	Shareholding <sup>1</sup>
firstmortgage.co.uk	firstmortgage.co.uk	New Build	80% → 100%
firstmortgage North East	firstmortgage.co.uk	First Mortgage Acquisition	25% → 49%
 Clear	 Clear	Telephony / Network	49%
		Telephony	25% → 49%
-	 Mortgage Focus	Online Leads	49%
		Specialist New Build	25%
 Vita	 Vita	Protection	20% → 49%
-	 SortRefer	Conveyancing	43%
-		Surveys	49%
-	 MAB Australia	International	48%
		New Build / Shared Ownership	40% → 49%

1. Initial → Maximum

2. In March 2021, Meridian agreed to acquire Metro Finance Brokers Ltd. The acquisition is subject to FCA approval

# Cash Balance Waterfall Unrestricted net cash balances<sup>1</sup>

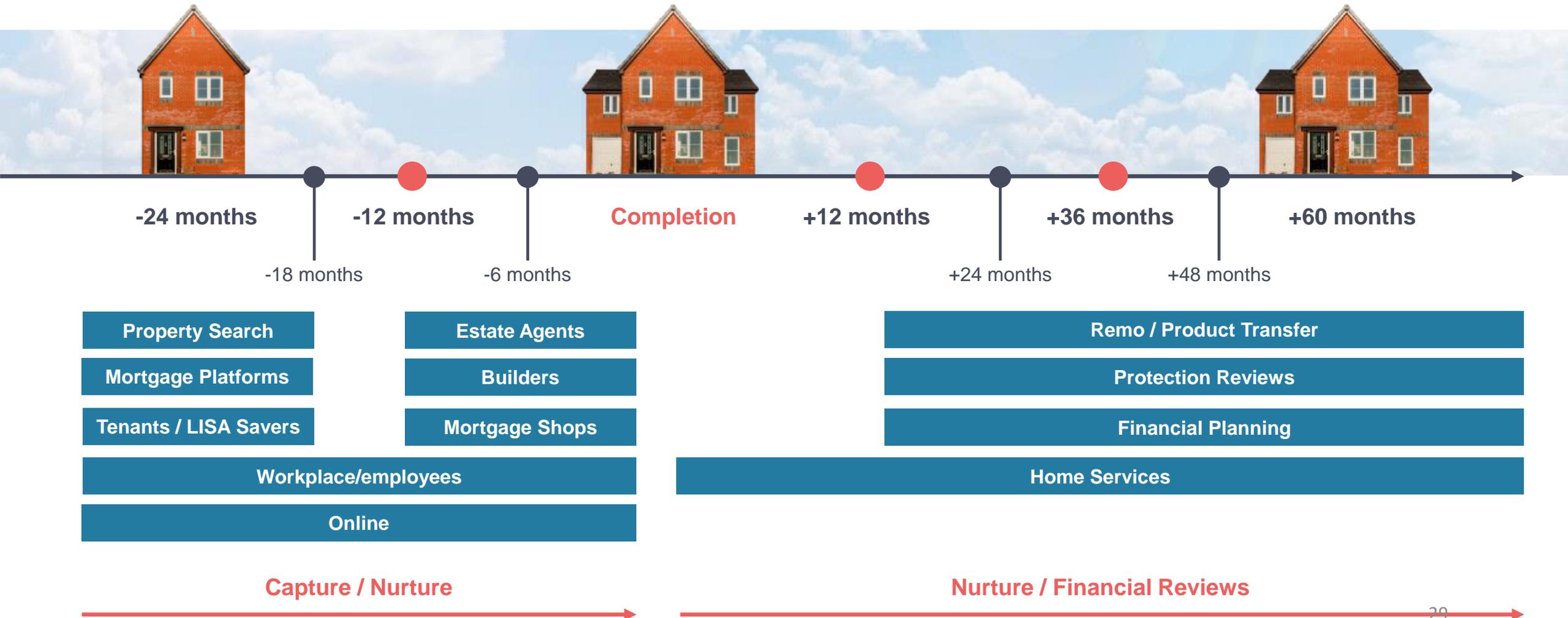


1. Unrestricted net cash balances are for operational purposes; they exclude restricted balances (AR retained commission in case of clawback) and £12m Natwest Revolving Credit Facility loan.
2. Cash generated from operating activities of £22.1m, less £0.2m dividends received from associates and movements in restricted balances of £0.5m.
3. Principal elements of lease payments of £0.35m. Interest received of £0.1m, less interest paid of £0.2m.

# Balance Sheet – Strong financial position

£'000s	Dec-20	Dec-19
	£'000	£'000
<b>Non-current assets</b>		
Property, Plant and equipment	2,847	2,924
Right of Use Assets	2,590	2,907
Goodwill	15,155	15,155
Other intangible assets	362	596
Acquisition Intangibles	2,900	3,267
Investments in associates and joint ventures	4,883	3,133
Investments in non-listed equity shares	75	75
Other receivables	806	3,330
Deferred tax asset	822	1,517
<b>Total non-current assets</b>	<b>30,440</b>	<b>32,903</b>
<b>Current assets</b>		
Trade and other receivables	5,603	4,959
Cash and cash equivalents	32,981	20,867
<b>Total current assets</b>	<b>38,584</b>	<b>25,826</b>
<b>Total assets</b>	<b>69,024</b>	<b>58,729</b>
<b>Equity and liabilities</b>		
Share capital	53	52
Share premium	9,778	5,451
Capital redemption reserve	20	20
Share option reserve	1,807	2,799
Retained earnings	23,882	17,272
Equity attributable to owners of the parent company	35,540	25,595
Non-controlling interest	1,908	1,595
<b>Total equity</b>	<b>37,448</b>	<b>27,189</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Provisions	4,576	3,735
Lease liabilities	2,352	2,645
Deferred tax liability	643	651
<b>Total non-current liabilities</b>	<b>7,571</b>	<b>7,031</b>
<b>Current liabilities</b>		
Trade and other payables	23,662	22,371
Lease Liability	343	334
Corporation tax	-	1,804
<b>Total current liabilities</b>	<b>24,005</b>	<b>24,509</b>
<b>Total liabilities</b>	<b>31,576</b>	<b>31,540</b>
<b>Total equity and liabilities</b>	<b>69,024</b>	<b>58,729</b>

# Growth Focus – early customer capture / nurture



# Our latest Partnerships



### NEWS

## MAB releases home buying app to support purchasers

by: **Shekina Tuahene**

18/03/2021 • 0



**Mortgage Advice Bureau (MAB) has launched a Home Buying Buddy app as part of its partnership with fintech service Life Moments.**

The app aims to give first and next time buyers a plan for the purchase of their home with informative content on the house buying process alongside mortgage and savings calculators.

It includes a checklist which tells users what they need to do before buying a home such as improve their credit rating and increase savings. It explains common purchase terms such as gifted deposits and lets users know when they have saved enough for a deposit with a savings calculator.

The partnership is also part of MAB's plan to accelerate the adoption of technology into its network.

Life Moments already has a consumer app, FirstHomeCoach, which guides first-time buyers with property purchases. It uses the collected information to determine trends and feeds the data to its business partners.

Similarly, with the Home Buying Buddy app, MAB will use the data obtained to help them understand consumer needs and develop their client offering.

Peter Brodnicki (*pictured*), CEO of Mortgage Advice Bureau, said: "This is another major step forward in terms of how we can further engage with our customers and offer a more personalised experience.

"It allows us to deliver tangible value to the customer from the early stages of their research process and home buying journey."

Ben Leonard, CEO and co-founder of Life Moments, said: "Life Moments digital coaching technology engages and nurtures consumers to achieve their life goals. Buying a home is one of the most stressful but exciting life goals and working with MAB, helps us to provide the best tools to consumers, to help them achieve their home ownership dreams.

"This strategic partnership is a great example of how through collaborating with mission-aligned firms, we can help more people play life better."

# Our latest Partnerships



### Moneybox partners with MAB to launch in-app mortgage advice

by: **Shekina Tuahene**

08/03/2021 • 0



#### Savings and investment app Moneybox has launched a free mortgage advice service in partnership with the Mortgage Advice Bureau (MAB).

Moneybox's team of mortgage advisers will work as appointed representatives of MAB under the brand Moneybox Mortgages, giving them access to the network's panel of 90

The advisers will be paid a salary, not commission, which Moneybox said would remove product-linked incentives.

The trial version of Moneybox Mortgage Advice will be available initially to certain groups of app users letting them generate a decision in principle using their phone.

Advice will be given to first-time buyers, home movers and those remortgaging – over the phone or through in-app chat.

Customers can use the app's existing financial products, such as Home-buying Calculator and Time Machine, to track savings and know when they have enough for a deposit.

Information about the home-buying process and how best to save for a deposit will be offered alongside the new service.

Moneybox Mortgages will be offered to all users of the app later this year.

Ben Stanway, co-founder of Moneybox, said: "We want to give people the tools and information they need to save for a deposit, and then the qualified advice to help them make an informed decision on what the right mortgage is for them.

"By offering customers everything they need in one user-friendly service, we want to bring the joy back to home buying," said.

Peter Brodnicki, CEO of Mortgage Advice Bureau, said: "We're delighted to be working with Moneybox, which is a very well-respected, customer-first personal finance brand.

"Moneybox customers will now gain access to experienced advisers who will help them to secure a mortgage which best meets their needs – from the many thousands of options available. Investing in future first-time buyers in this way is hugely important, because saving for a deposit is only one of many considerations when planning your first purchase."

# Our latest Partnerships



**Mortgage Advice Bureau (MAB) has partnered with technology firm M:Qube to investigate the practical application of machine learning and artificial intelligence firm (AI) in the intermediary and consumer mortgage market.**

Ex-Lloyds and HBOS executives Stuart Cheetham and Richard Fitch launched M:Qube 'to transform mortgage origination' in the UK and suggest they are in discussion with all the major mortgage distributors covered by non-disclosure agreements.

All products are at development stage and the 38-employee firm M:Qube, which launched four years ago, has been developing technology for 18 months.

Stuart Cheetham CEO at M:QUBE said: "It is clear M:Qube and MAB have a shared vision of the future of the mortgage market. The use of AI has revolutionised almost every other industry and I believe we're on the verge of a quantum leap in the mortgage market."

MAB deputy CEO Ben Thompson (*pictured*) added: "We want to work with M:Qube to look at doing more than just digitising the current process. This initiative offers the potential for real change in the mortgage market. M:Qube certainly seems to be leading the way in enabling a market that is powered by data and Artificial Intelligence (AI).

"We're excited to leverage their expertise in data processing to explore tangible solutions that would benefit customers and advisers, as well as mortgage lenders.

"This technology opens up so many opportunities in terms of lead generation and fulfilment that will help MAB advisers to deliver an even more compelling customer experience."

M:Qube's focus spans data management and connectivity which Cheetham said Twenty7Tec and Mortgage Brain are also working on, but the data management piece 'is the trick.'

Cheetham continued: "This is exploratory work to use AI and machine learning to perfect data, to get a more robust understanding of a customer and how we use those technologies to get better outcomes.

"We've agreed to use them with MAB on how to improve the journey and over the next months and quarters and yes, we'll be able to find commercial solutions to innovate."

In one example, he explained open banking architecture is still not in use but its real time nature means the issue of missing or inconsistent information can be picked up at the earliest point and be fixed by AI.