Investor and Analyst Presentation

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Delivering On Our Strategy

Mortgage Advice Bureau (Holdings) plc
Interim Results – Six months ended 30 June 2017

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 2017, can be found on the Investor Relations section of the Company's website www.investor.mortgageadvicebureau.com

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)

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 Highlights

H1 2017 Highlights

- Achieved +19% profits[(1)] growth
- Increased market share[(2)] to 4.4% (+10%)
- Gross mortgage completions up 9% from H1 2016 [(3)]
- Increased margins
- Interim dividend of 9.5p (+22%) representing c. 90% of H1 post tax profits

Post Period End Highlights

- Adviser numbers up 38 from period end to 1,046 at 22 September 2017
- New senior roles: Proposition Director, Mortgages and Proposition Director, Protection

[1] Profit before tax [2] Market Share is MAB gross mortgage completions as a % of UK new mortgage lending (UK Finance data) [3] CAGR over last 2 years of 27%

Industry Trends

H1 2017 vs H1 2016

Whole Market

- Property transactions in H1 2017 by **volume** were **6% lower** mainly due to H1 2016 BTL spike
- UK gross mortgage lending in **H1 2017** of £119bn[1]: **flat** vs H1 2016 despite BTL spike
- Rate of house price inflation has fallen (c.4% [2])
- **MAB** gross mortgage completions in H1 2017 of £5.2bn[3]: **+9%**
- **MAB market share** of **4.4%: +10%**

Segmental movements in gross mortgage lending by value

- Home-owner purchase: **+5%;** driven by first time buyers
- Home-owner remortgage: **+12%;** strong lender competition
- BTL purchase: **-45%;** stamp duty change affected H1 2016
- BTL remortgage: **-10%;** tax changes for landlords April 2017

Market Forecasts

UK Gross Mortgage Lending

UK Finance projections for gross mortgage lending have not been revised since December 2016; current run rates support broadly flat estimates:

- **2017**: £248bn, **+1%**
- **2018**: £252bn, **+2%**

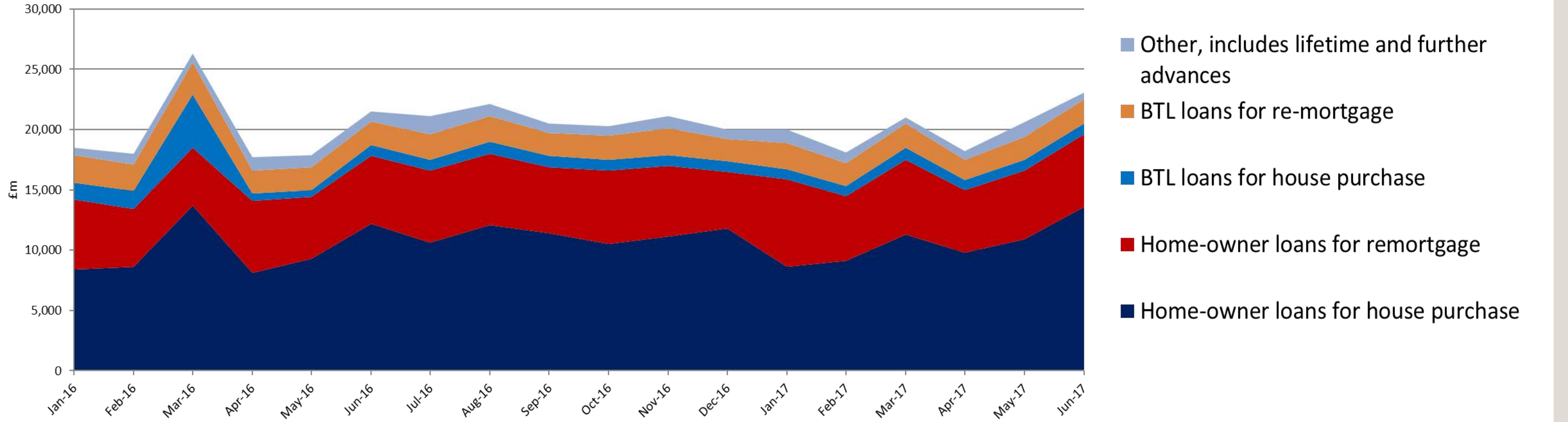
Property Prices[4]

- House prices overall could well remain flat for the remainder of 2017
- National figure conceals diverging trends across parts of the UK

[1] UK Finance data [2] Land Registry House Price Index [3] MAB gross mortgage completions in H1 2016 were £4.8bn [4] Recent RICS commentary

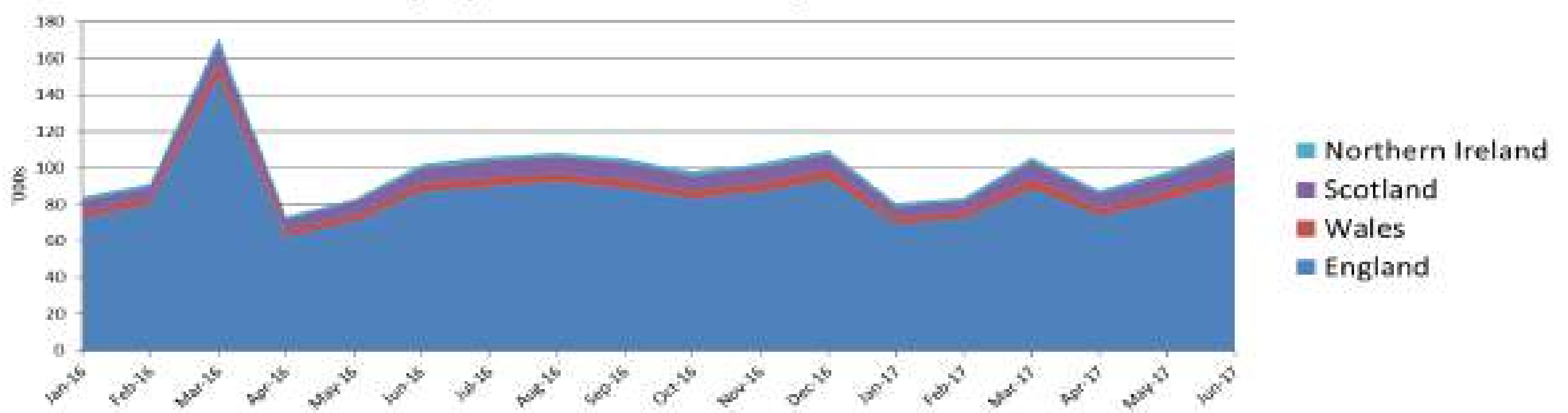
Industry Trends

New mortgage lending by purpose of loan, £m



Source: UK Finance Regulated Mortgage Survey, Bank of England, UK Finance BTL data[1]

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

Key Financial Highlights H1 2017

Revenue	Gross Profit	Profit Before Tax
£49.6m +15%	£12.0m +20%	£6.3m +19%

EPS	Interim Dividend	Cash Conversion [1]
10.6p +23%	9.5p +22%	116%

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 £0.3m in H1 2017 (H1 2016: £0.1m), increases in restricted cash balances of £0.2m in H1 2017 (H1 2016: £0.9m) and additional cash balances (H1 2017: £nil; H1 2016: £1.2m) held due to the timing of the weekly AR commission payment in relation to the period end, as a percentage of operating profit.

All Income Sources Continue To Grow Strongly

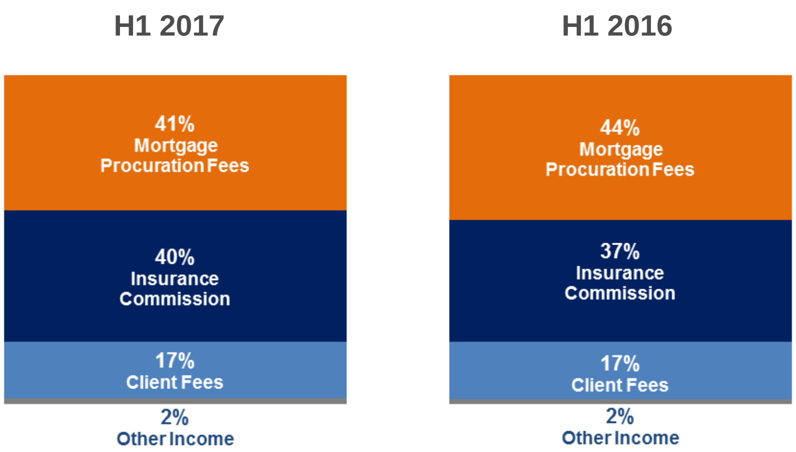
Income source	H1 2017	H1 2016	Increase
	£m	£m	
Mortgage procuration fees	20.5	19.0	8%
Protection and General Insurance Commission	19.8	16.0	24%
Client Fees	8.5	7.4	14%
Other Income	0.8	0.7	24%
Total	**49.6**	**43.1**	**15%**

Revenue increase of 15% generated from:

- +14% average Advisers
- Marginal increase in revenue per Adviser
- Gross lending up 9%
- Mortgage mix rebalances after BTL spike in lending in H1 2016; lower protection penetration for BTL mortgages

CAGR[1] of 20% for average Advisers driving:

- 29% CAGR[1] in mortgage procuration fees
- 25% CAGR[1] in protection and general insurance commission



Revenue Split:

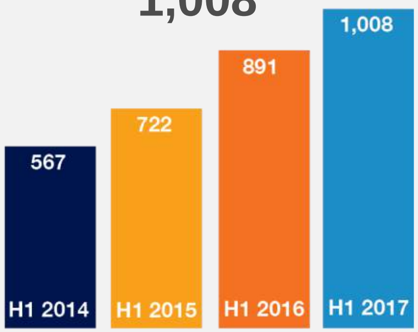
- Rebalanced to more typical levels in H1 2017, affected by BTL spike in lending in H1 2016
- Protection dependent on mortgage mix

1. 2 year compound annual growth rate from H1 2015 to H1 2017

How We Performed – KPIs

Adviser Numbers at 30 June

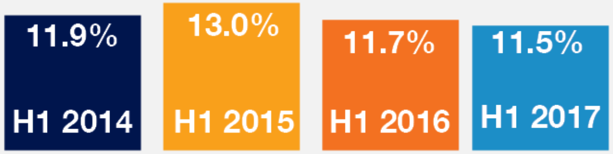
1,008



Average adviser numbers up 14% to **974** *(H1 2016: 851)*
Further growth continues: 1,046 advisers at 22 September 2017

Overheads % of Revenue[1]

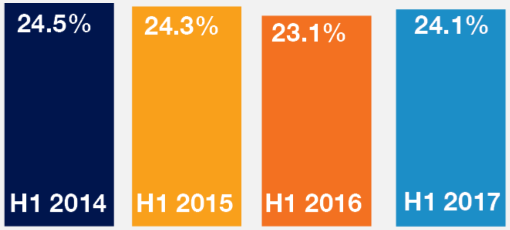
11.5%



Some costs (eg. Compliance) closely correlated to growth
Remainder of costs typically rise at a slower rate than revenue

Gross Profit Margin

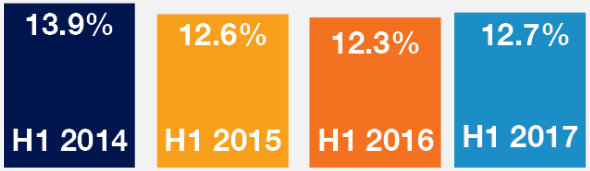
24.1%



Existing ARs receive slightly better terms as their revenue grows
New larger ARs typically join on lower than average margins

Profit Before Tax Margin[2]

12.7%



Going forward 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

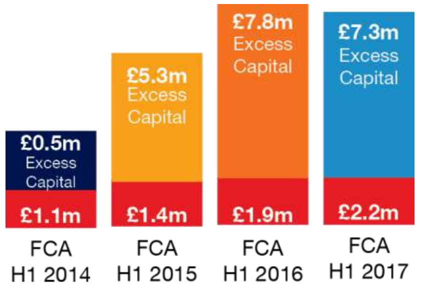
[1] Underlying overheads in H1 2017, excludes additional FSCS costs of £0.2m.

[2] Based on adjusted profit before tax in 2014

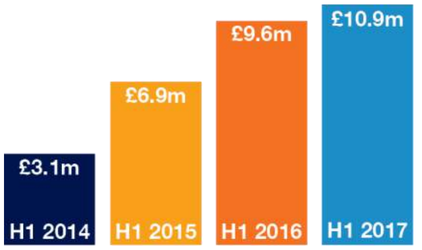
Strong Cash Conversion Supports Dividend Policy

Dividend Policy

Capital Adequacy[1] (£m)
£9.5m



Unrestricted Cash Balances (£m)
£10.9m



- MAB is highly cash generative and capital light
- Materially, operating profits = cash
- MAB requires c. 10% of PAT for increased regulatory capital[1] and other CapEx
- Since IPO, dividends[2] have been:
  - 2014 stub period = 2.0p = c. 100% stub period PAT
  - 2015 interim = 4.9p = c. 75% H1 15 PAT
  - 2015 final = 9.5p = c. 90% H2 15 PAT
  - 2016 interim = 7.8p = c. 90% H1 16 PAT
  - 2016 final = 10.5p = c. 90% H2 16 PAT
  - 2017 interim = 9.5p = c. 90% H1 17 PAT
- Special dividends on disposal of stake in CPF totalling £2.7m = 100% payout
- The 90% H1 17 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

2. Excluding special dividends

Key Strategic Initiatives

Key Strategic Initiatives

Fintech Developments	Data Management	Brand Profile
• Fully flexible end to end digitised customer journey • Open API integration with lenders • Increasing customer engagement options • Optimise customer choice/experience and adviser efficiency	• Use of AI to analyse existing/new data and apply profiling capabilities • Apply decision tree algorithms for new customer journeys • Drive more insight and business intelligence • Increase/access new lead sources and optimise existing ones • Keep relevant and widen engagement with existing customers	• First direct to consumer campaign commences Q1 2018 • New website/ customer portal manages all leads • Fully leveraging 'largest local broker' yet offering all digital solutions • Increased local promotion/ investment by AR firms

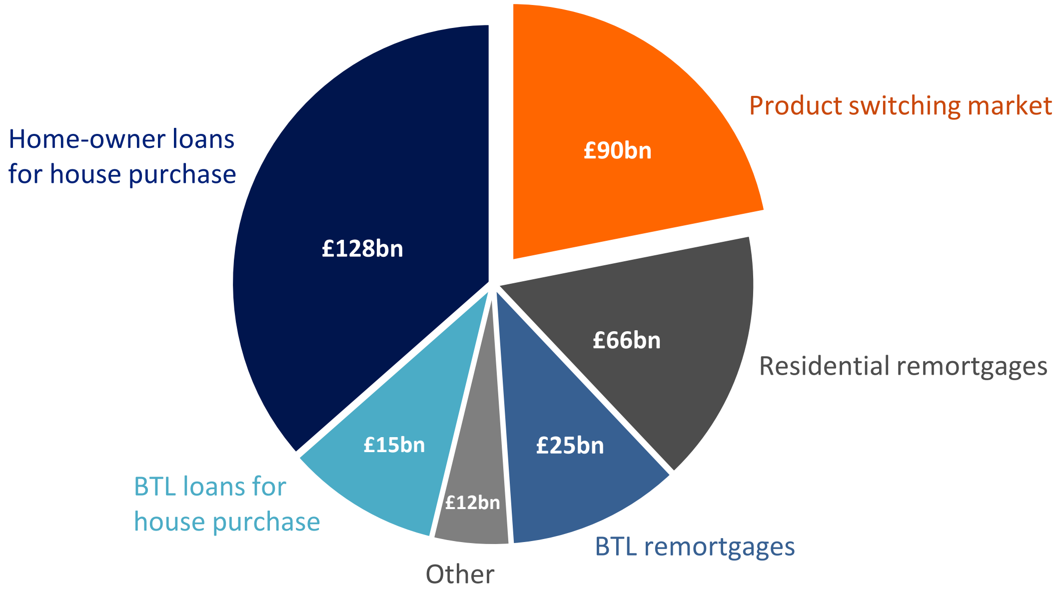
Marketing strategy

Key Strategic Initiatives

Protection Growth	Regional Network Partners	Australia
• New role of Proposition Director, Protection • Automated referral solution to protection specialists, Vita • Protection specialists within AR firms • Reviewing product range and apply solutions	• Regional consolidation under MAB brand • Broadening distribution options • Pilot now extending into further regional partners	• Protection solution in place and tested by year end • Extending lead generation through bespoke servicing solutions • Planning implementation of regional network partner structure in 2018

Outlook

- Flat transactional environment in housing and mortgages expected over remainder of 2017 and 2018
- Intermediary market share broadly stable
- Technology advances and brand awareness are main strategic drivers for MAB
- Adviser number growth to continue as planned
- Combined remortgage and product switch markets[1] likely to see continued growth



[1] Pie chart based on UK Finance figures for 2016 and MAB estimate for product switching market 2016

Appendix

There is only one MAB…

Mortgage Advice Bureau

	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	✓	✗	✗

Investments

Mortgage Advice Bureau

Appointed Representatives: extending platform, building specialisation

freedom 365 Mortgage Solutions	vita.	BUILDSTORE	Clear Mortgage Solutions
35%	20%	25%	25%

Products related to MAB Core Business offering:

Pinnacle Surveyors	SortRefer REFER AND EARN	MAB Wealth Management
49%[1]	23%[2]	49%

Testing New Markets:

MAB Australia

45%

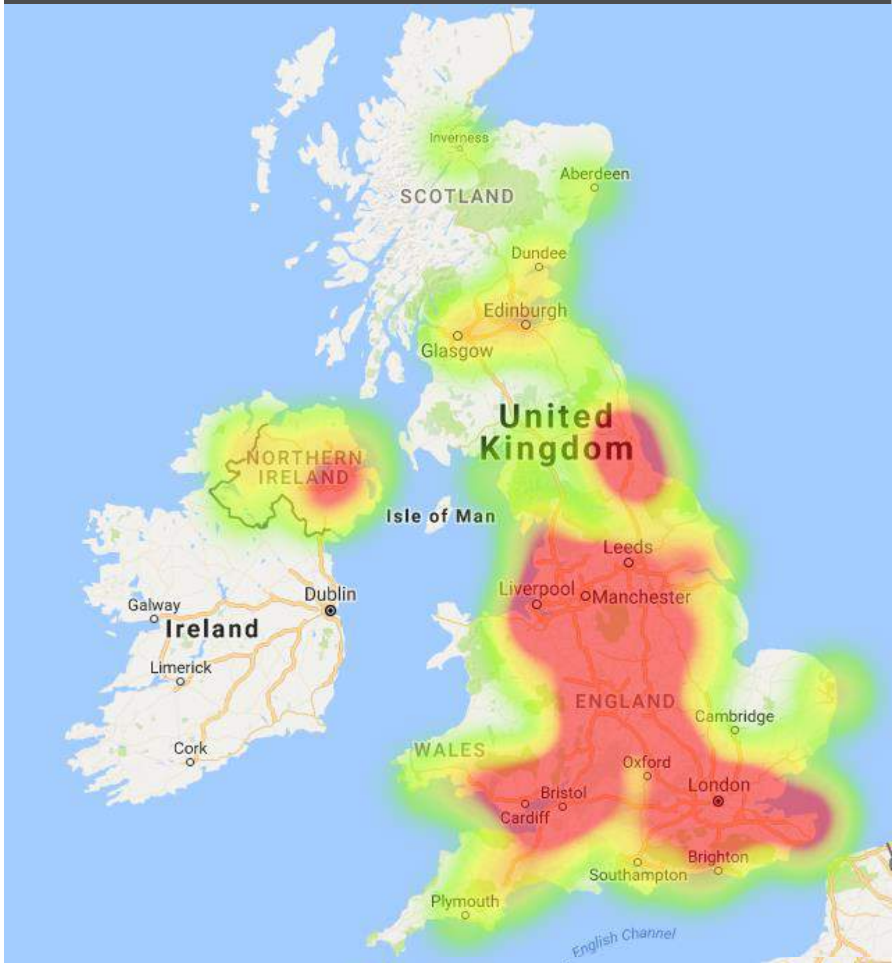
[1] The Group has a 49% shareholding in CO2 Commercial Limited, whose 100% subsidiary is Pinnacle Surveyors (England & Wales) Limited

[2] The Group has an effective holding of 23% in Sort Limited and Sort Technology Limited via it's 33.25% shareholding in Sort Group Limited

Company Overview

Mortgage Advice Bureau

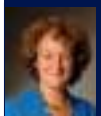
HEATMAP OF ADVISER LOCATIONS



- 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 independent mortgage advice to customers as well as advice on protection and general insurance
- Over 1,000 Advisers, almost all employed or engaged by ARs
- All compliance supervision undertaken by MAB employees
- Broad geographical spread across the UK, with just 6% 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

Mortgage Advice Bureau


Katherine Innes Ker
Non-executive Chairman
(3 years)

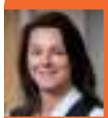

Peter Brodnicki
Chief Executive Officer
(16 years)


David Preece
Chief Operating Officer
(13 years)


Lucy Tilley
Finance Director
(2.5 years)


Nathan Imlach
SID
(3 years)


Richard Verdin
iNED
(3 years)

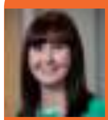

Donna Brenchley
Commercial Director
(13 years)


Sharon Trinder
Compliance Director
(1.5 years)


Emma Hollingworth
Proposition Director, Mortgages
(< 1 year)


Andy Walton
Proposition Director, Protection
(< 1 year)


Gareth Herbert
National Sales Director
(12 years)


Gemma Bacon
Brand & Marketing Director
(1 .5 years)


Richard Symonds
Head of IT
(< 1 year)

Compliance

Operations

Finance

Franchise & Network Support

Marketing

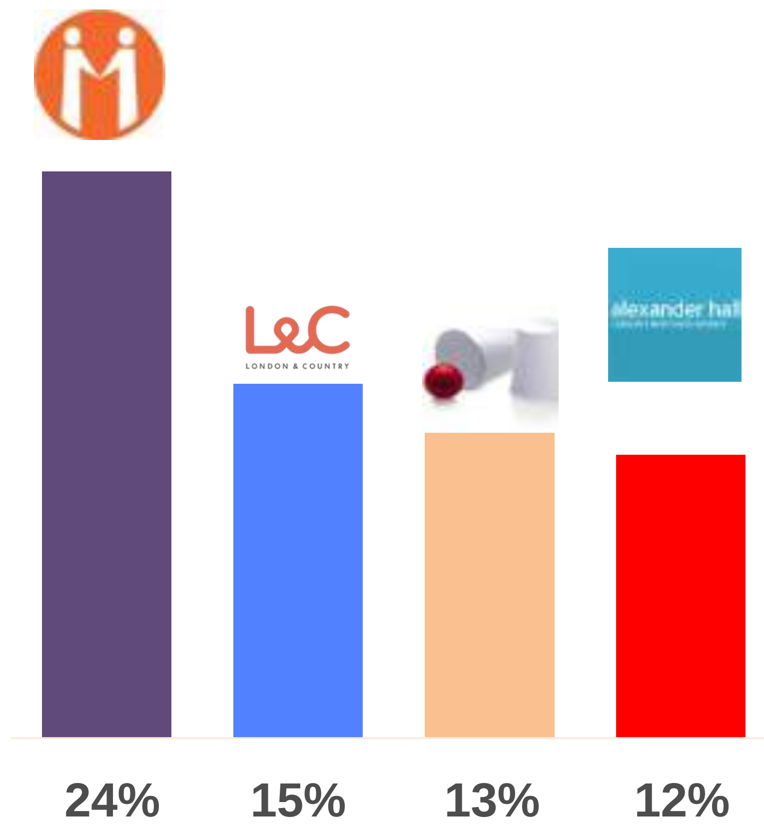
IT

- Board of Directors
- Senior Management Team
- Divisions

There is only one MAB

Competitive Positioning

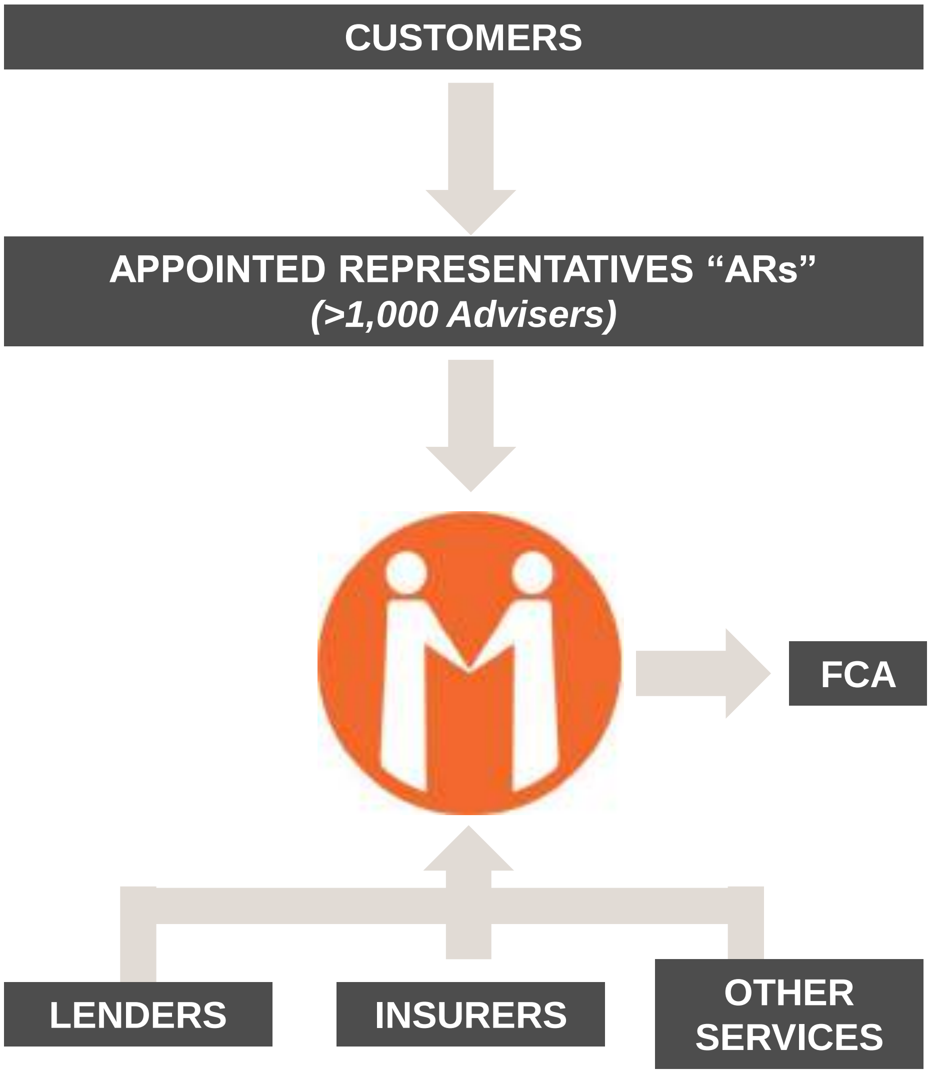
Top Broker for Brand Awareness[1]



1. Sample: 2,006 UK adults interviewed online by independent market research agency, Opinium Research, 6th-8th June, 2017

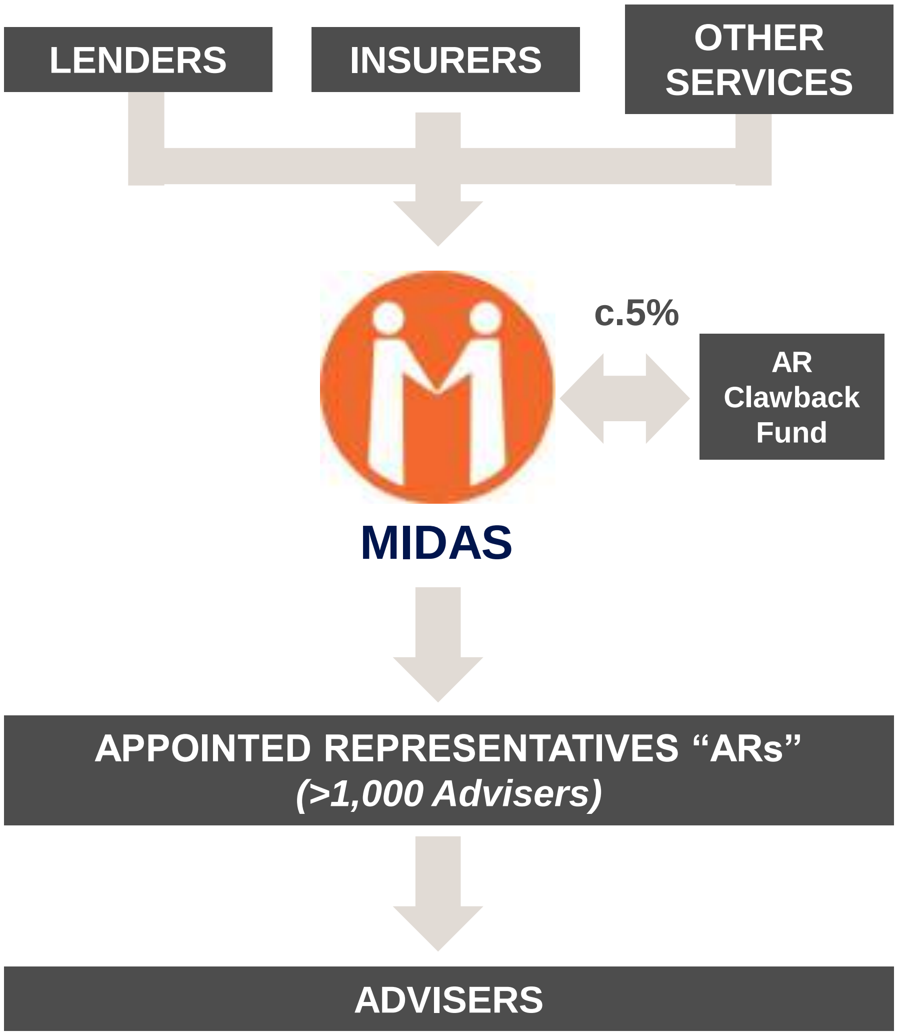
Our Business Model

Mortgage Advice Bureau



- One of UK’s leading independent networks for mortgage intermediaries, with over 130 ARs and over 1,000 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
- c.90% 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

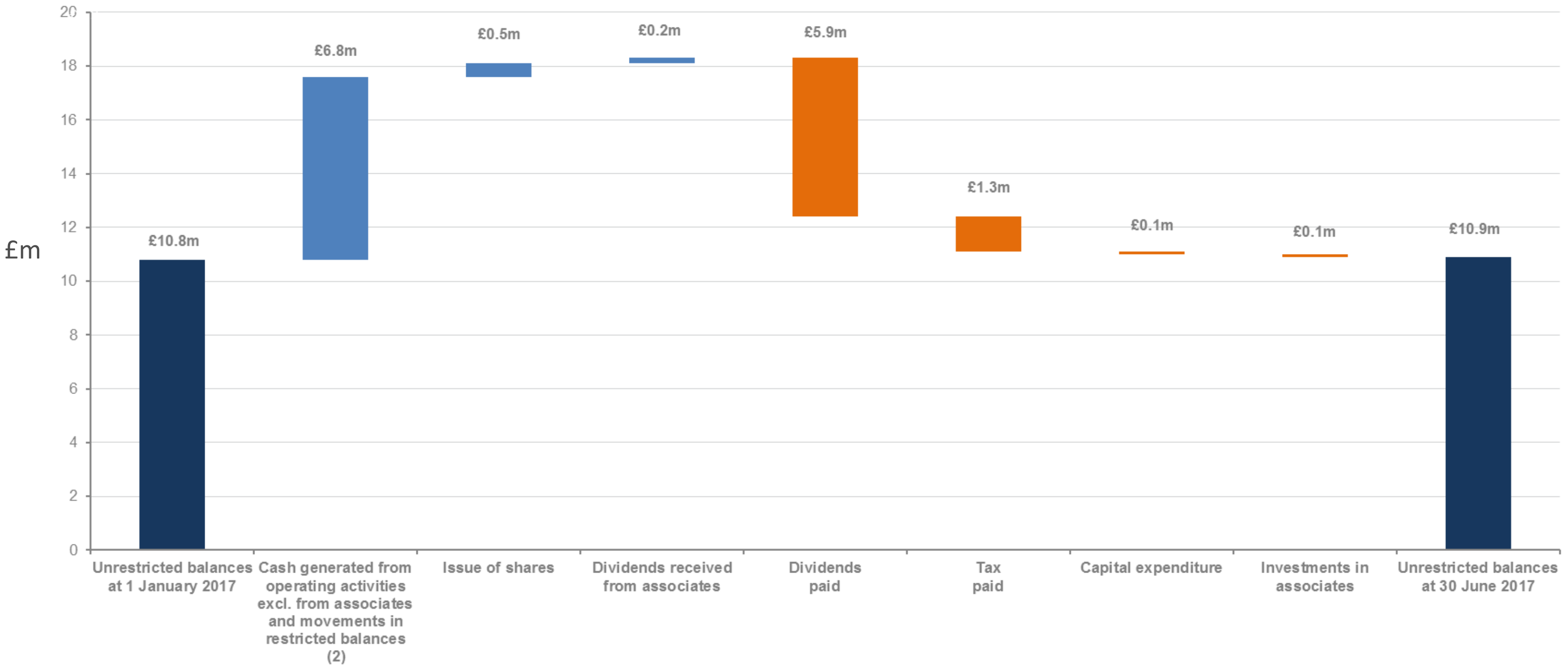
Mortgage Advice Bureau

No. of Advisers x Adviser Revenue = Group Revenue

Group Revenue - Paid to ARs - Cost of Sales = Gross Profit

Gross Profit - Cost of Operations + Profits from Associates = Pre-Tax Profit

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 £7.2m, less dividends received from associates of £0.2m and movements in restricted balances of £0.2m

Income statement

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Revenue	49,593	43,074
Cost of sales	(37,623)	(33,138)
Gross Profit	**11,970**	**9,936**
Administrative expenses	(5,936)	(5,057)
Share of profit from associate	230	375
Profit from operations	**6,264**	**5,254**
Finance income	11	37
Profit before tax	**6,275**	**5,291**
Tax expense	(915)	(942)
Profit for the period attributable to equity holders of parent company	**5,360**	**4,349**
Other comprehensive income, net of tax	-	2,152
Total comprehensive income, net of tax	**5,360**	**6,501**
Basic EPS	10.6p	8.6p
Diluted EPS	10.4p	8.5p

Income Statement - additional information

Revenue Breakdown	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Mortgage related products	28,972	26,393
Insurance and other protection products	19,818	16,033
Other income	803	648
Total Revenue	**49,593**	**43,074**

Other comprehensive income	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Net gain on asset held for sale	-	2,152
Other Comprehensive income, net of tax	**-**	**2,152**

Cash and Cash Equivalents	As at 30 June 2017 £'000	As at 31 December 2016 £'000
Unrestricted cash and bank balances	10,869	10,811
Bank balances held in relation to retained commissions	8,126	7,900
Cash and cash equivalents	**18,995**	**18,711**

Income Statement - EPS

Basic Earnings per Share	Six months ended June 2017 £'000	Six months ended June 2016 £'000
Profit for the year attributable to equity holders of the parent company	5,360	4,349
Weighted average number of shares in issue	50,605,575	50,461,600
Basic earnings per share (in pence per share)	**10.6p**	**8.6p**

Diluted Earnings per Share	Six months ended June 2017 £'000	Six months ended June 2016 £'000
Profit for the year attributable to equity holders of the parent company	5,360	4,349
Weighted average number of shares in issue	51,373,807	51,133,077
Basic earnings per share (in pence per share)	**10.4p**	**8.3p**

Balance Sheet

	30 June 2017 £'000	31 December 2016 £'000
Assets		
Non-current assets		
Property, plant and equipment	2,686	2,720
Goodwill	4,114	4,114
Other intangible assets	79	9
Investments	1,027	1,008
Deferred tax asset	480	72
Total non-current assets	**8,386**	**7,923**
Current assets		
Trade and other receivables	3,543	3,256
Cash and cash equivalents	18,995	18,711
Total current assets	**22,538**	**21,967**
Total assets	**30,924**	**29,890**
Equity and liabilities		
Equity attributable to owners of the parent		
Share capital	51	51
Share premium	3,574	3,042
Capital redemption reserve	20	20
Share option reserve	834	380
Retained earnings	11,214	11,680
Asset held for sale reserve	-	**15,173**
Total equity	**15,693**	51
Liabilities		
Non-current liabilities		
Contingent consideration	-	50
Provisions	1,264	1,219
Deferred tax liability	48	40
Total non-current liabilities	**1,312**	**1,309**
Current liabilities		
Trade and other payables	13,287	12,405
Corporation tax liability	632	1,003
Total current liabilities	**13,919**	**13,408**
Total liabilities	**15,231**	**14,717**
Total equity and liabilities	**30,924**	**29,890**

Cash Flow Statement

Mortgage Advice Bureau

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000
Cash flows from operating activities		
Profit for the year before tax	6,275	5,291
Adjustments for:		
Depreciation of property, plant and equipment	95	87
Amortisation of intangibles	9	9
Share based payments	184	81
Share of profit of associates	(230)	(375)
Dividends received from associates	211	315
Finance income	(11)	(37)
	6,533	**5,371**
Changes in working capital		
Increase in trade and other receivables	(287)	(240)
Increase in trade and other payables	882	3,040
Increase in provisions	45	98
Cash generated from operating activities	**7,173**	**8,269**
Income taxes paid	(1,354)	(915)
Net cash inflow from operating activities	**5,819**	**7,354**
Cash flows from investing activities		
Purchase of property, plant and equipment	(61)	(50)
Purchase of intangibles	(79)	-
Acquisitions of associates , including deferred consideration	(50)	(200)
Net cash outflow from investing activities	**(190)**	**(250)**
Cash flows from financing activities		
Interest received	11	37
Issue of shares	532	-
Dividends paid	(5,888)	(4,794)
Net cash outflow from financing activities	**(5,345)**	**(4,757)**
Increase in cash and cash equivalents	284	2,347
Cash and cash equivalents at the beginning of the period	18,711	13,956
Cash and cash equivalents at the end of the period	**18,995**	**16,303**