



Investor and Analyst Presentation

# Delivering, Growing, Innovating.



Mortgage Advice Bureau (Holdings) plc  
Preliminary results for the year ended 31 December 2019



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# Highlights

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# Financial Highlights

## Revenue

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**£143.7m | +17%**

(+10% excl. First Mortgage)

## Gross Profit

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**£36.4m | +28%**

(+10% excl. First Mortgage)

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

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**£18.7m | +19%**

(+7% excl. First Mortgage)

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

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**30.1p | +17%**

(+6% excl. First Mortgage)

## Final dividend

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**6.4p | -50%**

(-25% for full year dividend of 17.5p)

## Cash conversion<sup>2</sup>

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**119%**

- Board intended to pay 12.8p final dividend (2018: 12.7p), in line with dividend policy of paying out a min of 75% of adj. earnings
- Intention to pay remaining 6.4p when the Board considers it prudent to do so

1. Adjustments of £1.0m consist of one-off acquisitions costs and additional non-cash costs relating to MAB's option to acquire the remaining 20% of FMD

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 loans to associates, totalling £0.9m in 2019 (2018: £2.2m) and increases in restricted cash balances of £2.2m in 2019 (2018: £1.0m) as a percentage of adjusted operating profit.

# Operational Highlights

## Mortgage completions<sup>1</sup>

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**£16.7bn | +20%**

(+11% excl. First Mortgage)

## Market share<sup>2</sup>

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**5.7% | +20%**

(+11% excl. First Mortgage)

## First Mortgage Direct (FMD)

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- 80% stake acquired for £16.5m on 2 July 2019
- Adds strong Scottish presence and complementary expertise
- Successful integration

## Adviser numbers<sup>3</sup>

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**1,457 | +20%**

(+13% excl. First Mortgage)

## Revenue per adviser<sup>4</sup>

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**£107.2k | 0%**

(-2% excl. First Mortgage)

## Technology platform

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- First development phase completed
- Multiple pilots with key business partners
- Direct to Lender route trialled with 7 lenders

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

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

3. At year end. Adviser numbers from our Investments exclude Australia

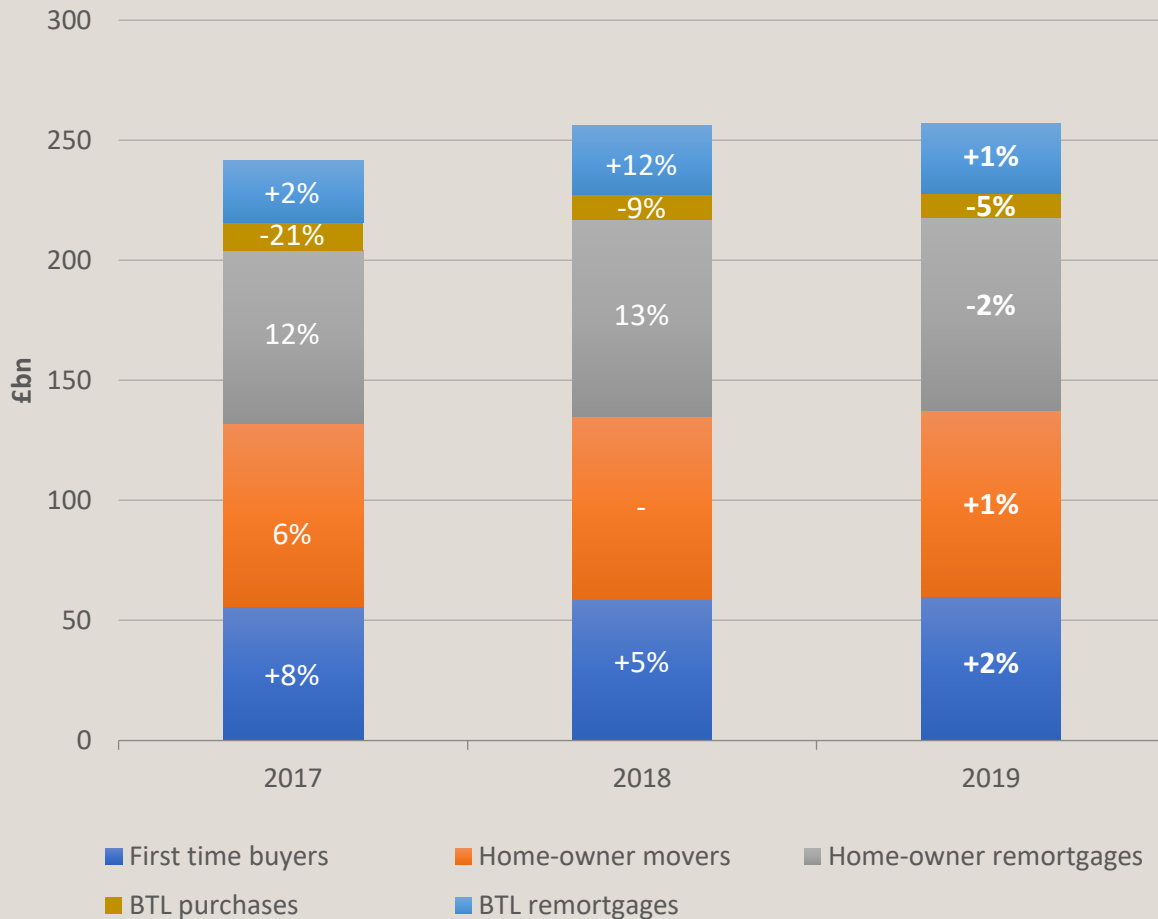
4. Underlying revenue per adviser based on average number of advisers for a given year. Underlying basis excludes a one-off adjustment in 2018 of £1.7m for procurement fees awaiting processing

# Market backdrop

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# Mortgage lending market broadly flat

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



Source: UK Finance

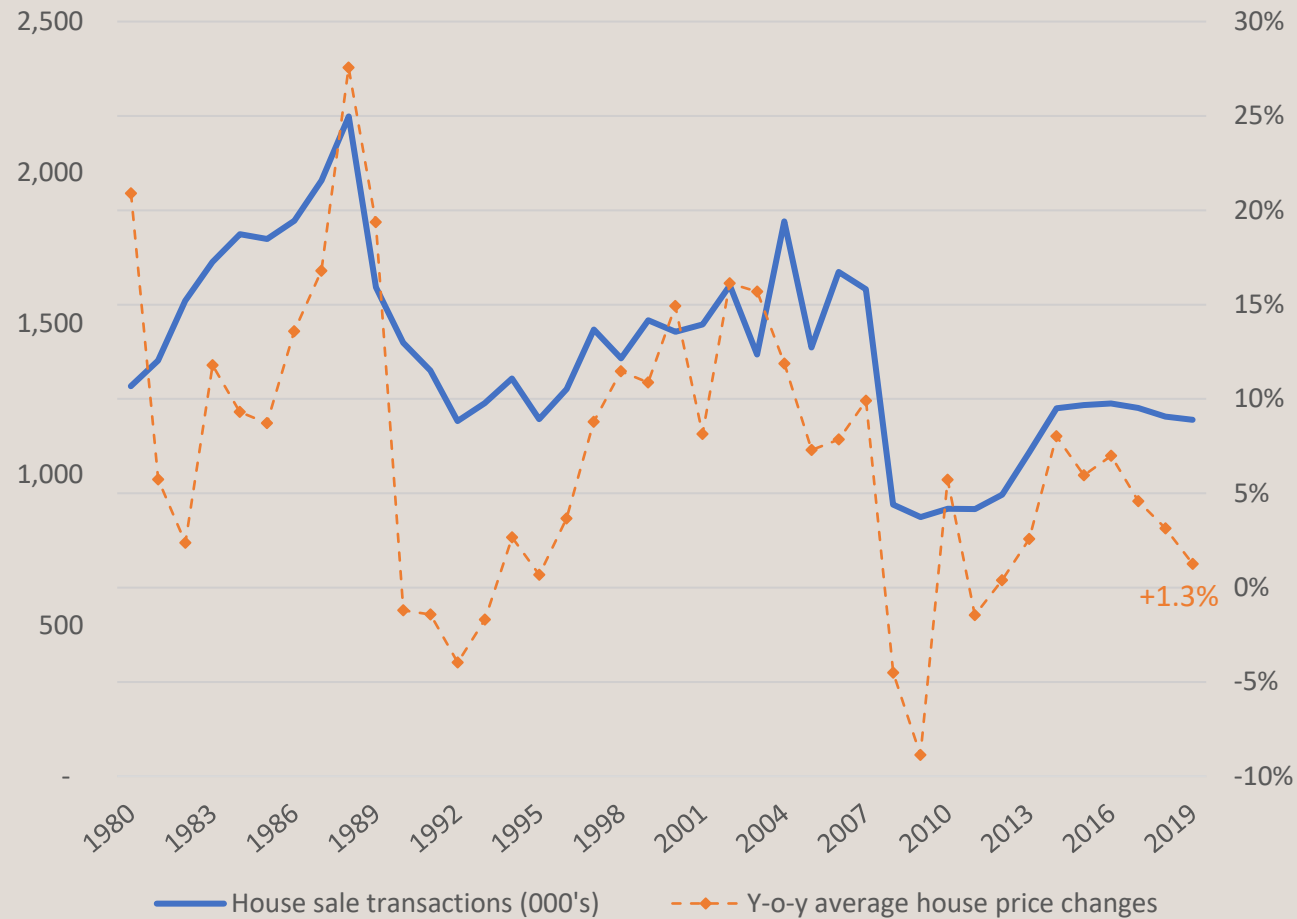
1. Chart excludes product transfers, lifetime mortgages and further advances
2. Includes further advances and lifetime mortgages, excludes product transfers
3. Intermediary Mortgage Lenders Association

## Commentary

- Gross new mortgage lending £267.6bn<sup>2</sup> in 2019, down 0.4%
- Home purchase market: continued increase, albeit at a slower pace
- Re-mortgaging market remains steady, despite slight decline in owner occupier activity
- Product transfers: up 5% to £167bn
- December 2019 IMLA<sup>3</sup> forecasts (post UK General Election, pre coronavirus outbreak): £268bn in 2020 and £275bn in 2021
- UK Finance has not updated its Q3 2019 forecasts

# Property market: broadly flat, low inflation

## Property transactions and house prices



## Commentary

- Property transaction by volume down 0.9%
- Average house prices up 1.3%
- Current run rate lags the longer-term historical average
- Jan and Feb 2020 saw an increase in new buyer enquiries, sales and new enquiries

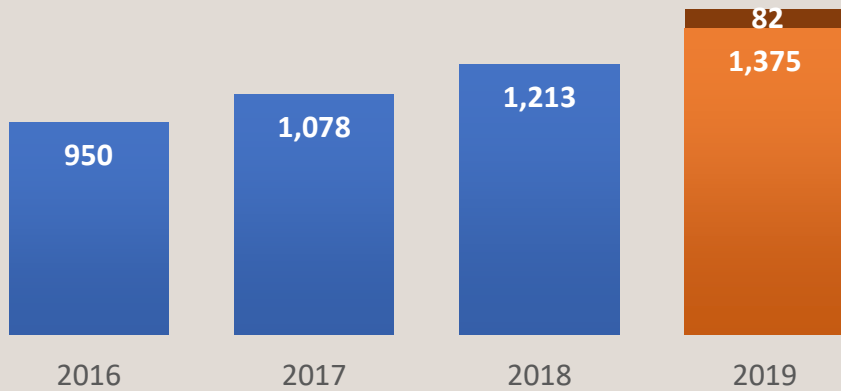


# Financial review

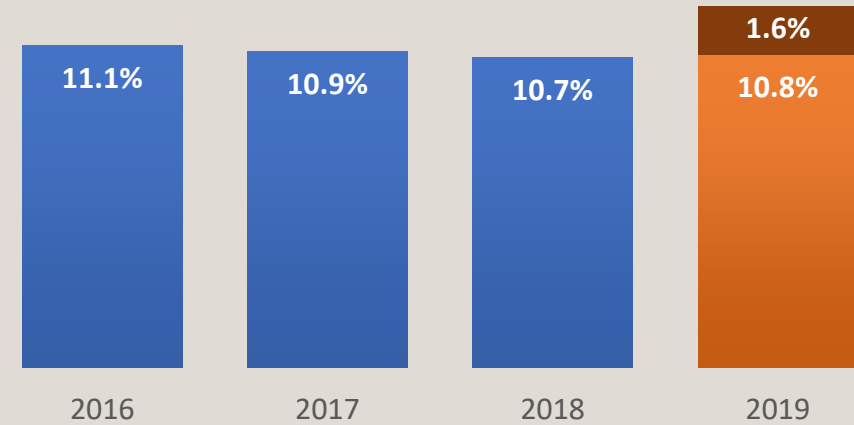
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# Financial KPIs

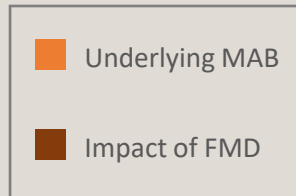
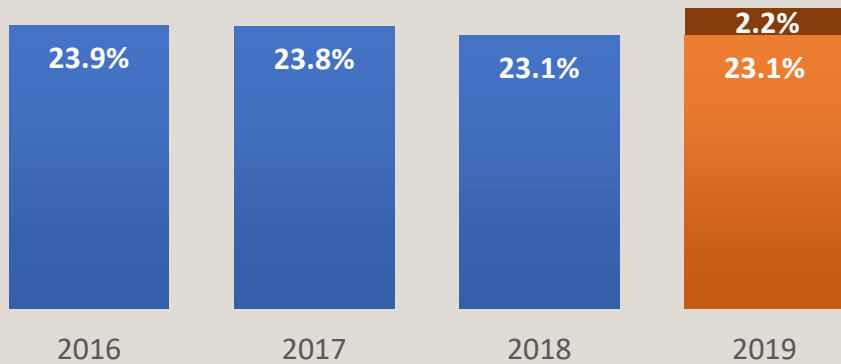
20% growth in advisers to 1,457



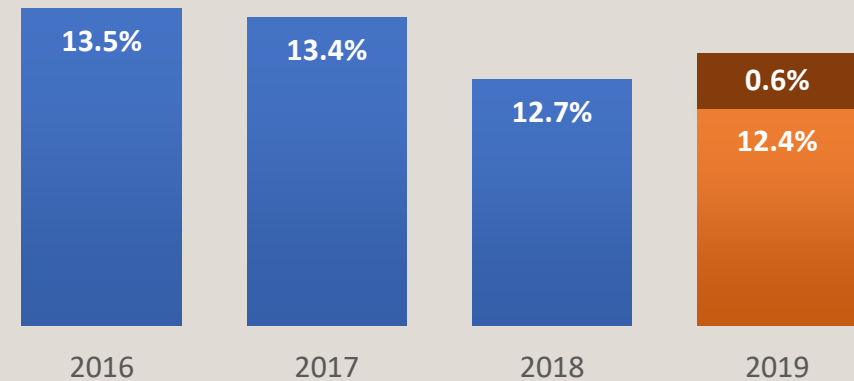
12.4% overheads<sup>1</sup> as % of revenue



25.3% gross profit margin



13.0% adj. PBT margin<sup>1</sup>



1. Excl. acquisition-related costs of £1.0m

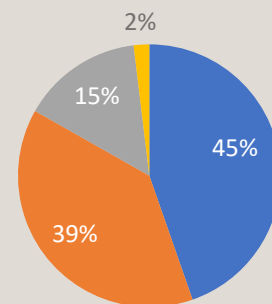
# Revenue

Income source	2019	2018	% change
Mortgage procurement fees	£64.3m	£56.2m	+15%
Protection and General Insurance Commission	£56.2m	£47.0m	+20%
Client Fees	£20.2m	£18.3m	+10%
Other Income	£3.0m	£1.8m	+66%
<b>Total</b>	<b>£143.7m</b>	<b>£123.3m</b>	<b>+17%</b>

- Revenue up 17%, driven by:
  - 19% increase in average advisers to 1,341 (14% excl. FMD)
  - Average underlying revenue per adviser<sup>1</sup> flat (-2% excl. FMD)
- Revenue up 10% excluding FMD

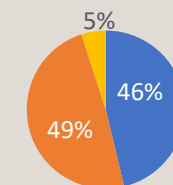
2019

Excl. FMD: £135.6m

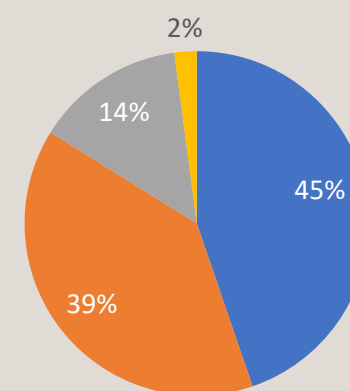


FMD: £8.1m

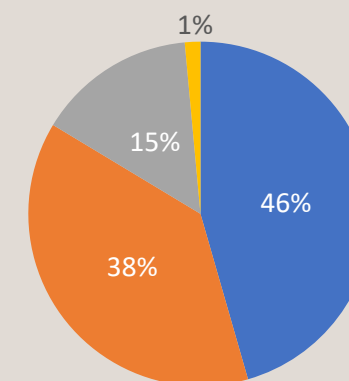
(Includes £0.5m of synergies)



Total: £143.7m



2018



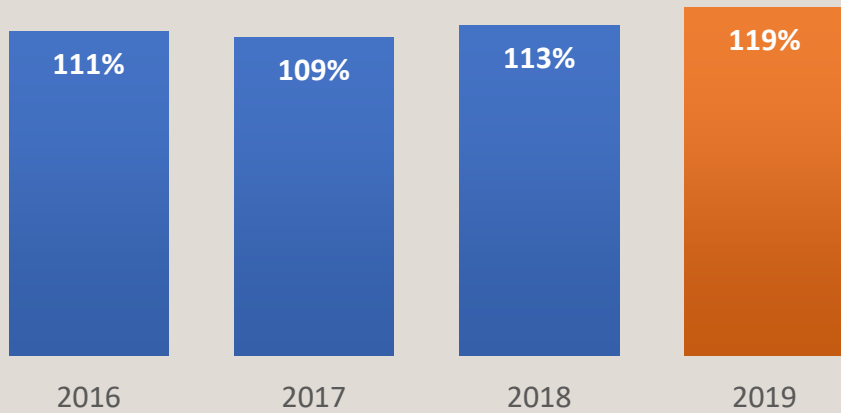
Total: £123.3m

■ Proc. Fees ■ Insurance Commission ■ Client Fees ■ Other 10

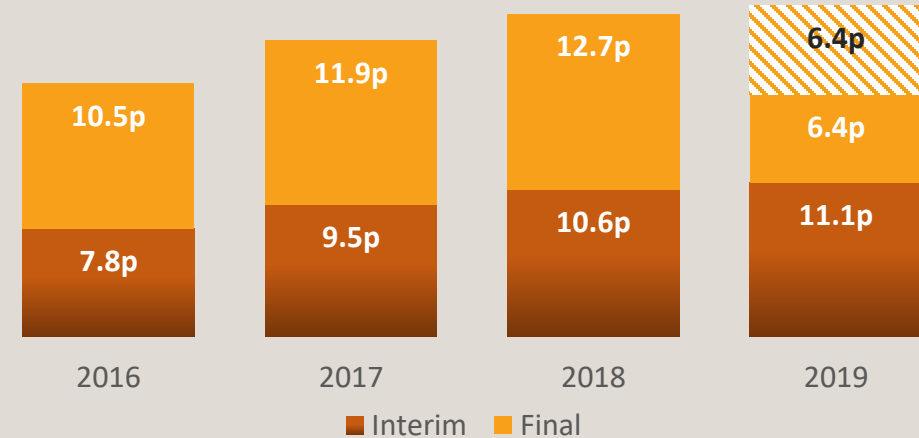
1. Underlying revenue per adviser based on average number of advisers for a given year. Underlying basis excludes a one-off adjustment in 2018 of £1.7m for procurement fees awaiting processing.

# Strong cash conversion supports dividend policy

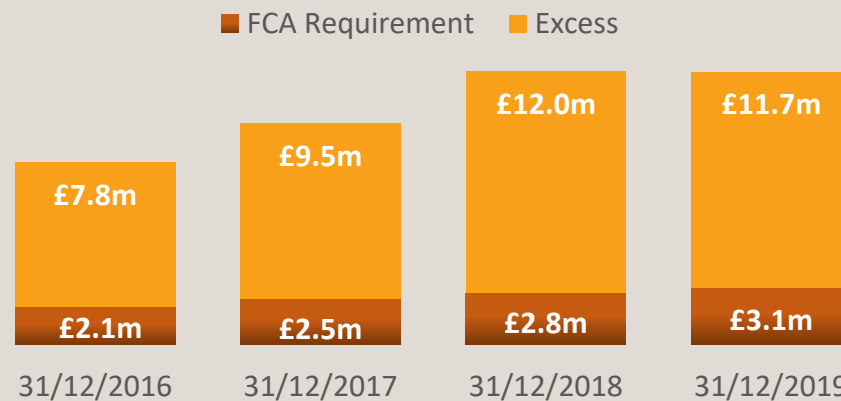
## 119% cash conversion<sup>1</sup>



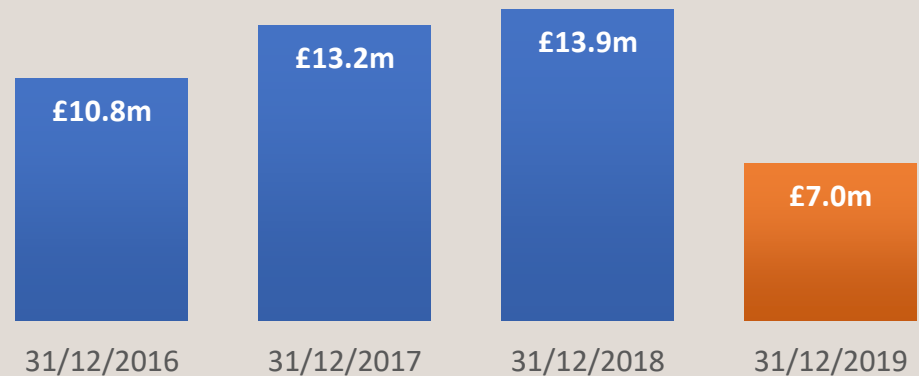
## Commitment to dividends



## £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 ("ARs") and loans to associates, totalling £0.9m in 2019 (2018: £2.2m) and increases in restricted cash balances of £2.2m in 2019 (2018: £1.0m) as a percentage of adjusted operating profit.

# Income statement

£m	2019	2018
Average number of advisers	1,341	1,130
Average revenue per adviser (£)	107,189	109,115
<b>Revenue</b>	<b>143.7</b>	<b>123.3</b>
Cost of Sales	(107.3)	(94.9)
<b>Gross Profit</b>	<b>36.4</b>	<b>28.4</b>
<i>Gross Profit margin</i>	25.3%	23.1%
Administrative expenses	(18.9)	(13.2)
Share of profit of associates, net of tax	0.1	0.4
Net finance income / (expense)	0.1	0.1
<b>Reported PBT</b>	<b>17.7</b>	<b>15.7</b>
<i>Reported PBT margin</i>	12.3%	12.7%
Add back: acquisition costs	1.0	-
<b>Adjusted PBT</b>	<b>18.7</b>	<b>15.7</b>
<i>Adj. PBT margin</i>	13.0%	12.7%
Tax	(3.0)	(2.5)
<b>Adjusted PAT (attributable to shareholders)</b>	<b>15.5</b>	<b>13.2</b>
<b>Reported PAT (attributable to shareholders)</b>	<b>14.5</b>	<b>13.2</b>
<b>Adjusted EPS</b>	<b>30.1p</b>	<b>25.9p</b>
<b>Basic EPS</b>	<b>28.2p</b>	<b>25.9p</b>

## Commentary

- Revenue up 17%, driven by increase in advisers
- Gross Profit Margin and ratio of Overheads as % of revenue increases reflect shift between Cost of Sales and Admin expense as a result of the FMD acquisition
- Adjusted Profit Before Tax<sup>1</sup> up 19%
- Adjusted Profit Before Tax<sup>1</sup> Margin 13.0% (2018: 12.7%)
- Adjusted EPS<sup>1</sup> up 17% to 30.1p
- Excluding FMD, basic EPS up 6% to 27.4p

1. Adjustments of £1.0m consist of one-off acquisitions costs, additional non-cash costs relating to MAB's option to acquire the remaining 20% of FMD, and amortisation of acquired intangibles

# Cash Balance Waterfall Unrestricted Balances<sup>1</sup>



(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 £22.8m, less dividends received from associates of £0.3m, less principal element of lease payments of £0.2m and movements in restricted balances of £2.2m

(3) Interest received of £0.1m, less interest paid of £0.1m

# Strategy

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# Good progress delivering on all our initiatives

Adviser Growth



Adviser Productivity



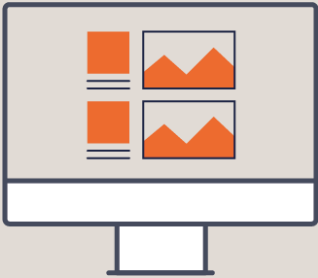
Lead Generation



Addressable Market



New Products & Services



Customer Experience



Underpinned by a **Strong Management Team, Technology** and **Culture**





# The transformation programme has commenced

<b>Customers</b>	Ease and convenience of research, advice delivery and transaction.
<b>Lead Generation</b>	Early customer capture and nurture, with optimal lead ingestion management.
<b>Advisers</b>	Enhancing Adviser experience, efficiency and performance.
<b>MAB / AR Firms</b>	Optimising business efficiency and profitability.
<b>Lenders</b>	Seamless two-way integration to ensure simplified application and faster approval.

## Programme supported by:

- Telephony and Lex Bot Tools
- Infrastructure and Support Tools
- Business Intelligence
- Reporting Suite and Data Science Tools

# Outlook

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# Responding to the Coronavirus crisis

- Successfully implemented all aspects of our business continuity plan (BCP) pre lockdown
- Delivered new guidance and tools to support a seamless transition to telephone advice across our distribution
- All resources prioritised to optimise opportunities in the re-mortgage and product transfer markets, with early results very encouraging
- In addition, opportunity to have meaningful impact on lower protection attachment rates on non-purchase mortgages
- Continuing implementation of new technology-led processes and efficiencies to optimise new working practices, customer engagement, and income generation
- Reviewed cost base to appropriate level, with re-allocation of certain budgets to ensure optimal support of ARs and Advisers
- New campaigns and initiatives include:
  - Launched free mortgage support helpline dedicated to the financial wellbeing of homeowners worried about paying their mortgage
  - Tailored of all online, social media and existing client communications to reflect heightened awareness of the importance of protection and refinancing

# Outlook

- Strong start to 2020. Business has sustained strong performance up to the end of March despite initial disruption associated with Coronavirus
- Significant reduction in purchase related activity since start of April. This has already impacted adviser numbers and productivity
- Deliberate move in the last 24 months to grow telephony distribution / technology, and focus on lead generation
- Exceptional management team able to adapt quickly
- Current environment allows us to bring forward planned changed working practices and efficiencies that will have short, medium, and long term benefits
- Financial resilience: strong balance sheet, regulatory capital position and cash conversion
- £12m drawdown on RCF to increase flexibility and capitalise on potential opportunities
- Proven ability to grow market share irrespective of market environment
- MAB's strategic partner model has proven very attractive to firms in changing and challenging markets

# Appendices

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# Over 150 awards in the last 5 years

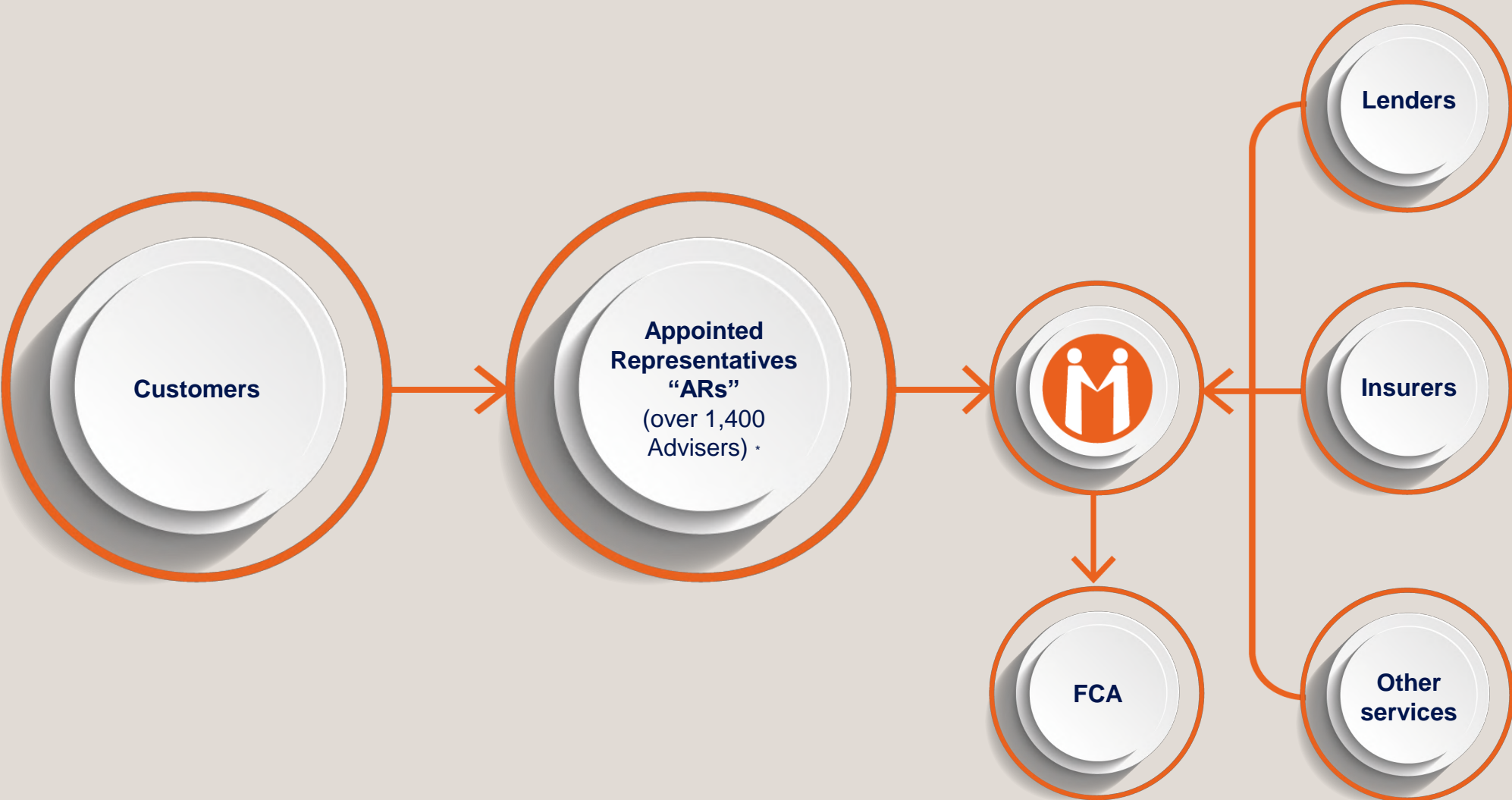


# Company Overview

- 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 150 awards in last 5 years



# Our Business Model



\* Including First Mortgage advisers.



# Our Business Model

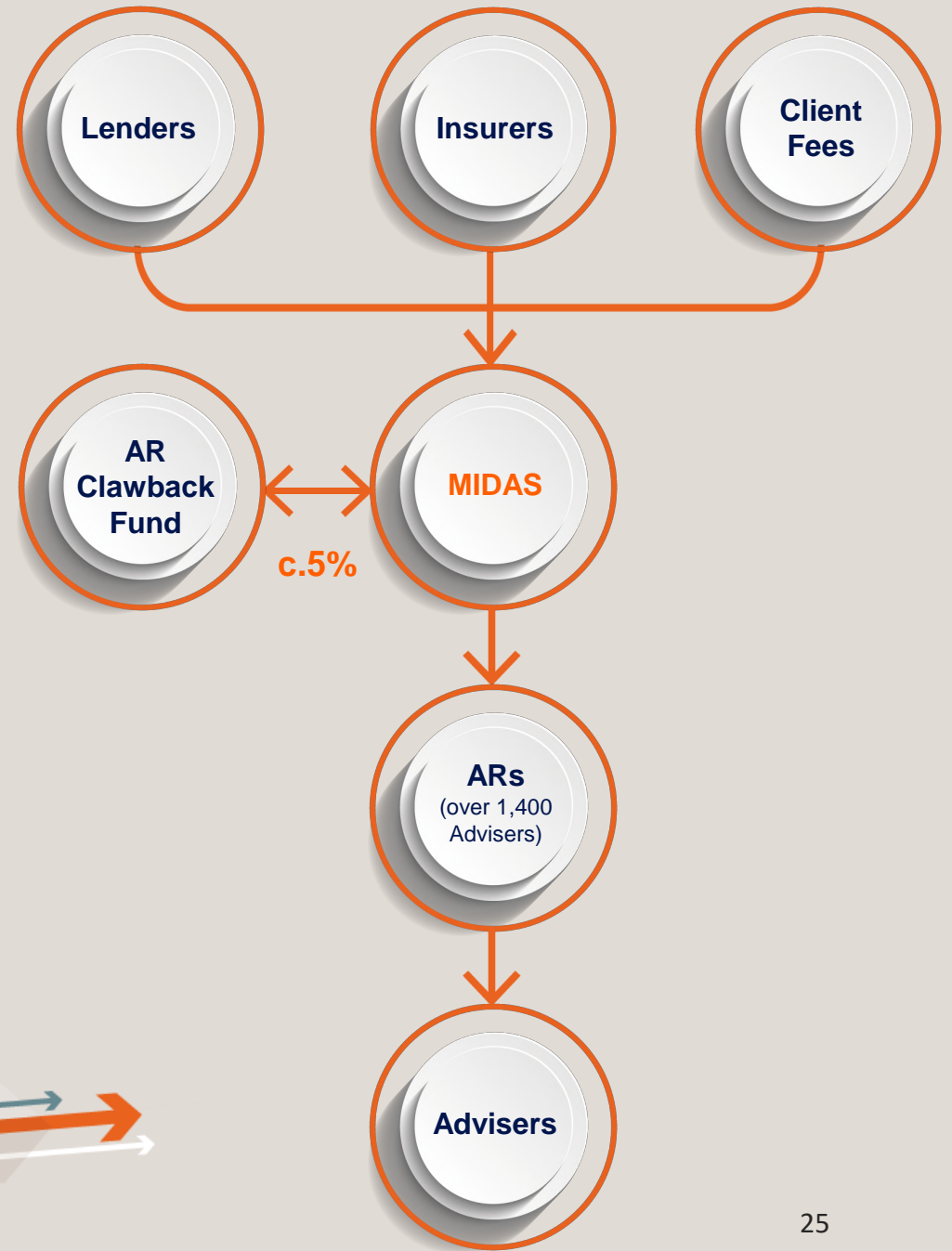
- One of UK's leading independent networks for mortgage intermediaries, with over 170 ARs and over 1,400 Advisers\* nationwide
- Operates two models: (i) MAB-branded mortgage franchise and (ii) non-branded mortgage network
- Strong reputation for business quality, innovation and support
- Very low attrition rates of ARs
- 90% of ARs have contracts for duration of 5 years or more from commencement

\* Including First Mortgage advisers.



# 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



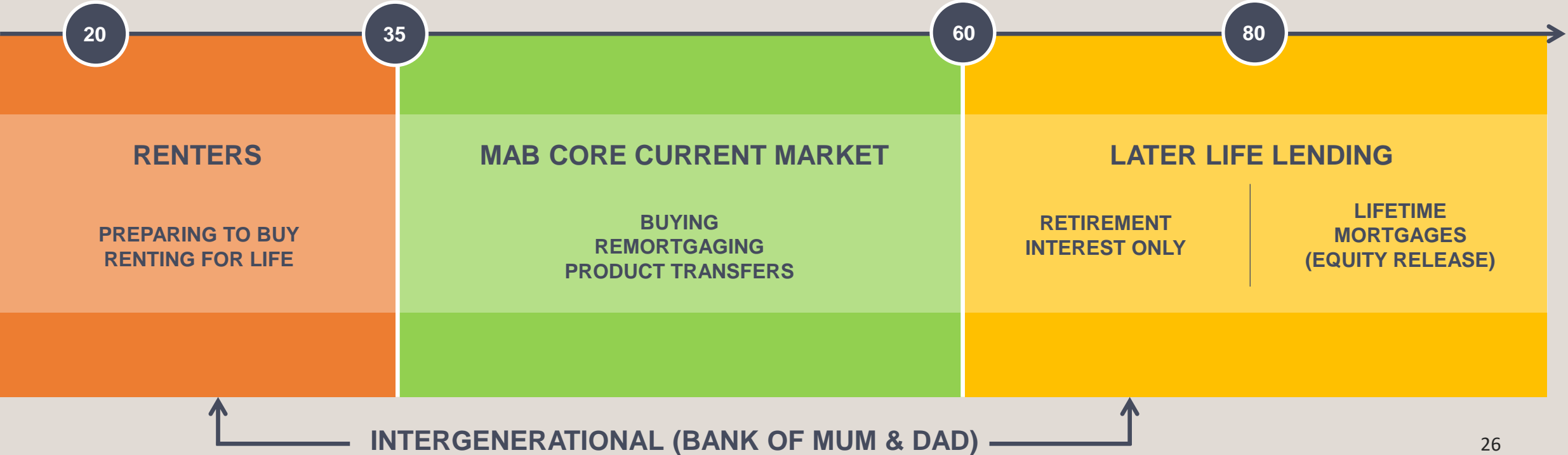
# Growth Focus – broadening our addressable market

## TENANTS/RENTAL

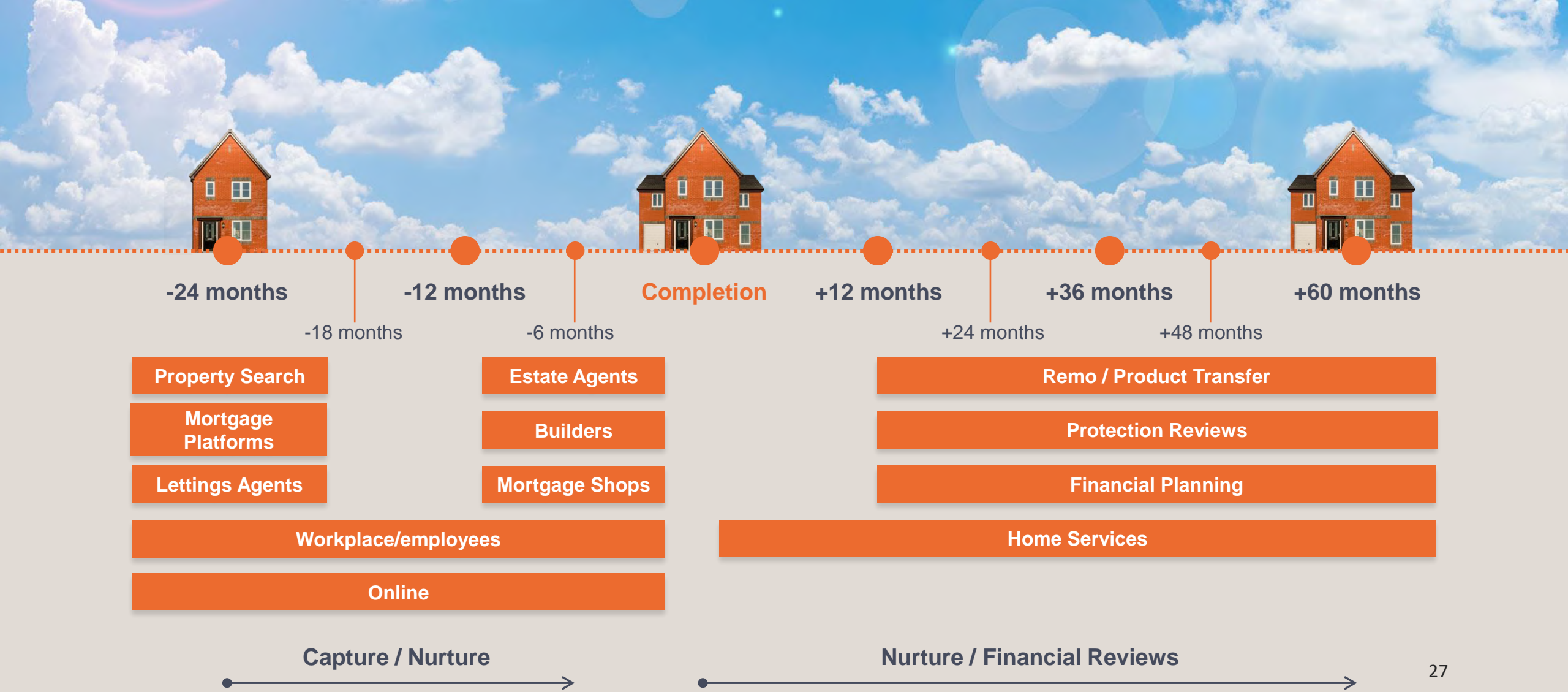
- using technology to fully leverage our significant estate agency and letting distribution.
- help tenants to become FTBs.
- protect tenants against inability to pay rent.

## 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

**Omnichannel Distribution**

1,473<sup>1</sup> / 181<sup>2</sup>

Full Postcode Coverage

6 Tel. Based Advice Centres

**Technology**

Customer Broker

Lead Sources

**Lead Generation**

B2B

B2C

**Sector Specialisation**

Estate Agents

New Build

Employers

**Home Moving Services**

Surveys

Conveyancing

Utilities

**Protection**

Home Owners

Tenants

**MAB's Investments**

Distribution

Leads

Strategic

**Lending Specialisation**

Buy-To-Let

Later Life

Other Specialist

**Multi Brand Strategy**

B2B Mortgages

B2C Mortgages

B2C Home Ownership

**Financial Planning**

Pensions

Investments

**Manufacturing Margin**

Mortgages

Protection

**Key:**

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

1. Adviser numbers as at 17 April 2020. 2. Advisers in AR firm where MAB has a shareholding as at 17 April 2020.

# Growth Focus – our investments

Distribution	Strategic	Specialism	Shareholding <sup>1</sup>
<b>firstmortgage.co.uk</b>	<b>firstmortgage.co.uk</b>	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

# Balance Sheet

£'000s	2019	2018
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,924	2,616
Right of use assets	2,907	-
Goodwill	15,155	4,114
Other intangible assets	3,862	645
Investments in associates and joint venture	3,133	1,573
Investment in non-listed equity shares	75	-
Other receivables	3,330	2,296
Deferred tax asset	1,517	878
<b>Total non-current assets</b>	<b>32,903</b>	<b>12,122</b>
<b>Current assets</b>		
Trade and other receivables	4,959	4,603
Cash and cash equivalents	20,867	25,589
<b>Total current assets</b>	<b>25,826</b>	<b>30,192</b>
<b>Total assets</b>	<b>58,729</b>	<b>42,314</b>
<b>Equity and liabilities</b>		
Share capital	52	51
Share premium	5,451	4,094
Capital redemption reserve	20	20
Share option reserve	2,799	1,675
Retained earnings	17,272	14,829
Equity attributable to owners of the parent company	25,594	20,669
Non-controlling interest	1,595	-
<b>Total equity</b>	<b>27,189</b>	<b>20,669</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Provisions	3,735	1,704
Lease liabilities	2,645	-
Deferred tax liability	651	54
<b>Total non-current liabilities</b>	<b>7,031</b>	<b>1,758</b>
<b>Current liabilities</b>		
Trade and other payables	22,371	18,690
Lease liabilities	334	-
Corporation tax liability	1,804	1,197
<b>Total current liabilities</b>	<b>24,509</b>	<b>19,887</b>
<b>Total liabilities</b>	<b>31,540</b>	<b>21,645</b>
<b>Total equity and liabilities</b>	<b>58,729</b>	<b>42,314</b>