

Investor and Analyst Presentation



Delivering On Our Strategy

Mortgage Advice Bureau (Holdings) plc
Final Results – Year ended 31 December 2016



**Mortgage
Advice Bureau**

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For more detailed information, the entire text of the final results announcement for the year ended 31 December 2016, can be found on the Investor Relations section of the Company’s website www.investor.mortgageadvicebureau.com

Table of Contents

- Presentation Team
- Key Highlights
- Industry Trends
- Key Strategic Initiatives
- MAB Customer Acquisition
- Outlook
- Financial Highlights and KPIs
- Appendices



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 IPO of MAB in 2014)
- Chartered Accountant, qualified at KPMG in 1996

2016 Highlights

- Achieved +20% profits⁽¹⁾ growth
- Increased market share⁽²⁾ to 4.1% (+14%) with mortgage completions up 28% from 2015
- Adviser numbers up 20% to 950 at year end (31 Dec 2015: 790)
- Proposed final dividend of 10.5p representing c. 90% of H2 post tax profits
- CPF sale proceeds fully distributed, 5.35p per share
- Four Strategic Investments:
 - *Specialist telephone protection firm, **Vita***
 - *Regional Network Partner in Scotland, **Clear***
 - *Scalable telephony model, **Freedom 365***
 - *New Australian JV, **MAB Broker Services***

¹ Profit before exceptional gain and tax

² Market Share is MAB gross mortgage completions as a % of UK new mortgage lending (CML data)

2016 vs 2015

Whole Market

- Property transactions in 2016 by **volume** were **broadly flat** overall for the third successive year
- **UK** gross mortgage lending in **2016** of £246bn¹: **+12%** driven mainly by house price inflation (c.7.5%²)
- **MAB** gross mortgage completions in 2016 of £10.0bn³: **+28%**
- **MAB market share** of **4.1%**: **+14%**

Segmental movements in gross mortgage lending by value

- Home-owner purchase: **+7%**
- Home-owner remortgage: **+19%**
- BTL purchase: **-4%**
- BTL remortgage: **+15%**

Market Forecasts

UK Gross Mortgage Lending

CML projections for gross mortgage lending are broadly flat:

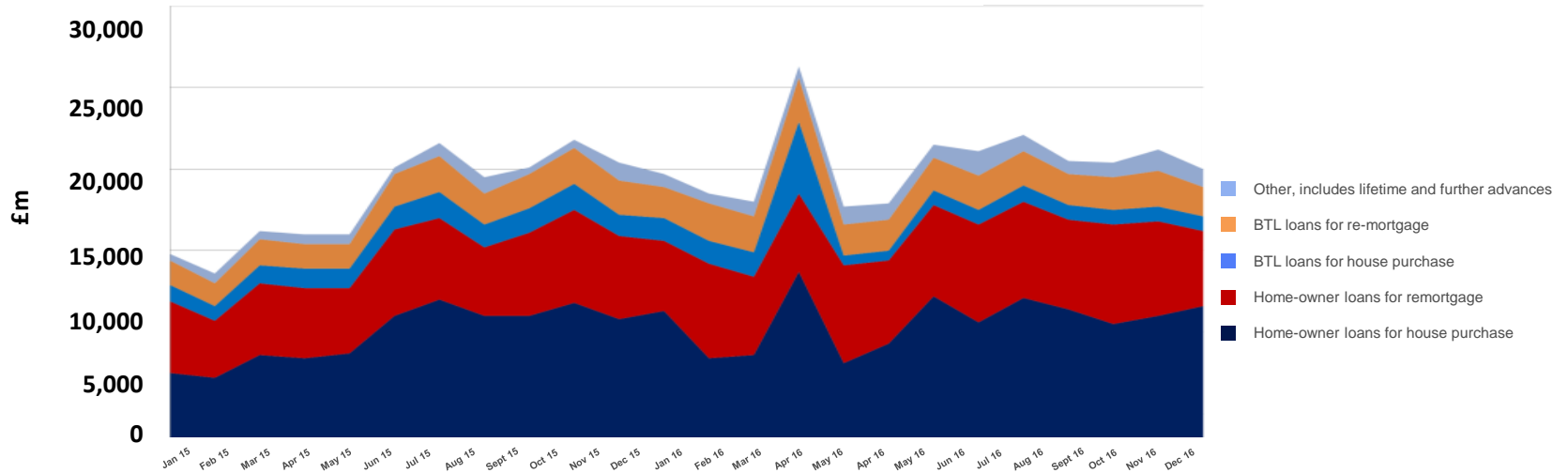
- **2017**: £248bn, **+1%**
- **2018**: £252bn, **+2%**

Property Prices:

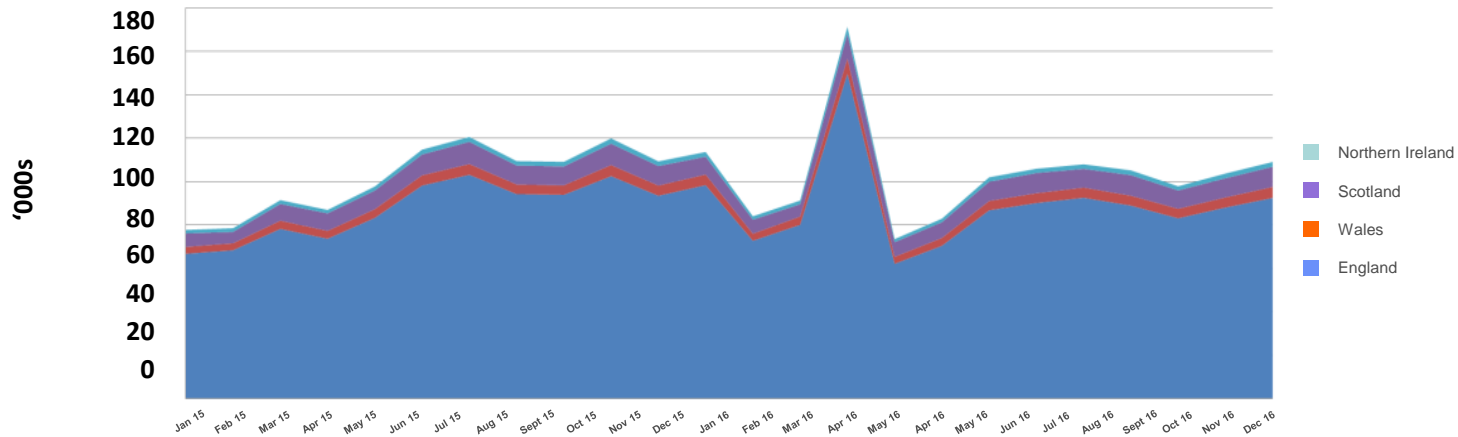
- House prices in the UK expected to see an average increase of **3%** over the course of 2017 as the number of transactions stabilises⁴

Industry Trends

New mortgage lending by purpose of loan, £m



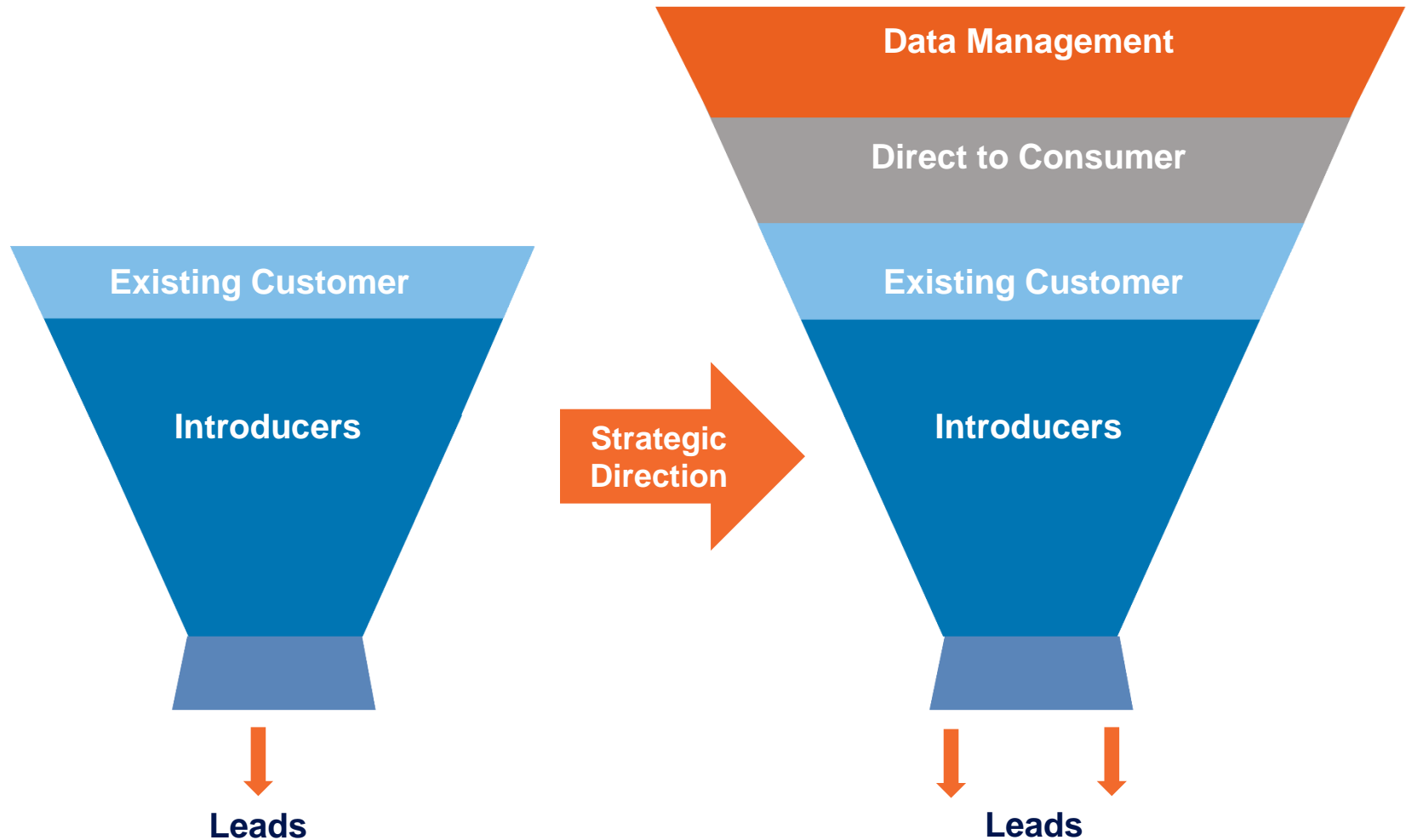
Property transactions in the UK by volume



Key Strategic Initiatives

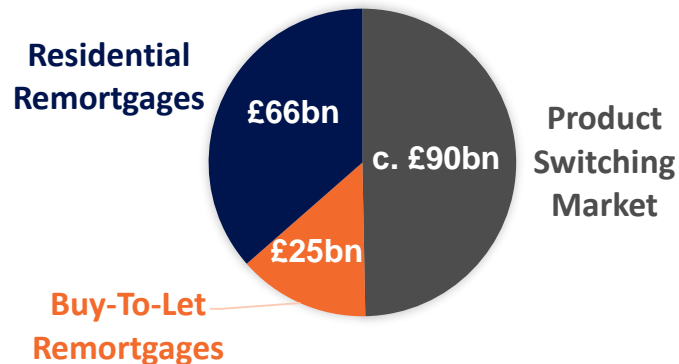


MAB Customer Acquisition



- Flat transactional environment in housing and mortgages expected over 2017 and 2018
- Intermediary market share at 72%¹; technology developments further enhancing intermediary proposition
- Technology advances and brand awareness are main strategic drivers for MAB
- +26 growth in adviser numbers to 976 YTD; market share increasing
- Retention Procurement Fees now being paid by lenders: c.£90bn² product switching market opening up to intermediaries

REMORTGAGE AND PRODUCT SWITCHING MARKETS²



¹ Based on CML figures which exclude Buy-To-Let, where intermediaries have a higher market share, and product switches with the same lender

² Based on CML figures for Residential and Buy-To-Let remortgages and MAB estimate for product switching market

Key Financial Highlights 2016

Revenue

£92.8m
+23%

Gross Profit

£22.1m
+21%

Profit Before Tax¹

£12.5m
+20%

EPS¹

20.3p
+18%

Total Dividends²

18.3p
+27%

Cash Conversion³

128%

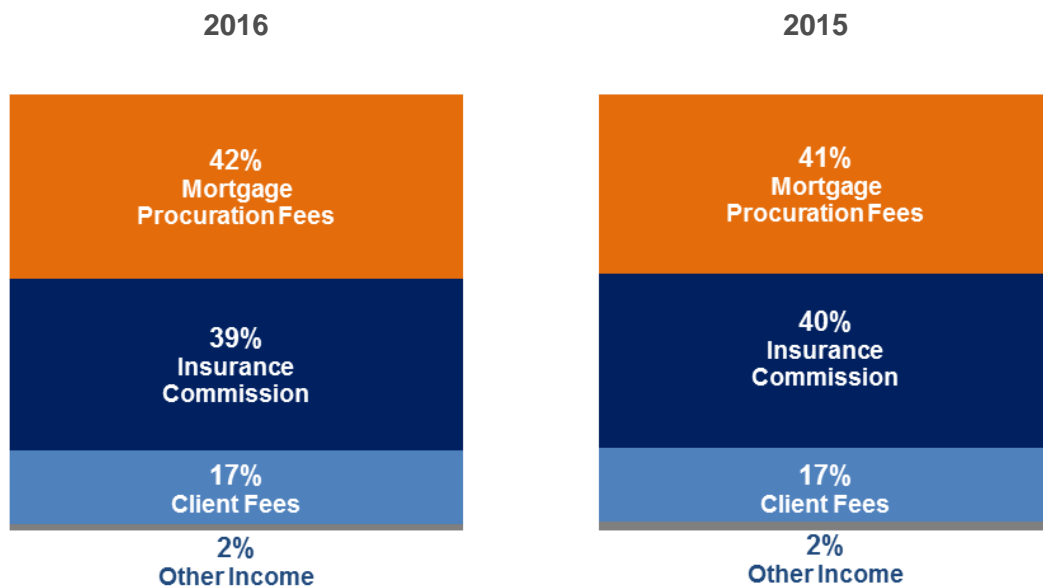
1. Before exceptional gain on disposal of 49% stake in CPF of £2.7m.
2. Excluding special dividends of £2.7m following 100% distribution of profit on sale of 49% stake in CPF of £2.7m.
3. Cash flow from operating activities adjusted for movements in non-trading items including loans to ARs, loans to associates and other non-trade receivables as a % of operating profit. This is now calculated using cash flow before income taxes paid as a fairer representation of cash conversion as % of operating profit. Excluding increases in restricted cash balances, cash conversion for the year ended 31 December 2016 would have been 111% (2015: 95%).

All Income Sources Continue To Grow Strongly

Income source	2016	2015	Increase
	£m	£m	
Mortgage procurement fees	39.4	31.0	27%
Protection and General Insurance Commission	36.4	30.4	20%
Client Fees	15.6	12.8	22%
Other Income	1.4	1.3	11%
Total	92.8	75.5	23%

Revenue increase of 23% generated from:

- +23% average Advisers
- Flat revenue per Adviser



Revenue Split:

Whilst the split of revenue has moved slightly, all income sources continued to grow strongly.

Increase in BTL and Remortgages affected growth in protection revenue in H1 2016; rebalanced for year as a whole.

Protection dependent on mortgage mix.

How We Performed – KPIs

Year end Adviser Numbers



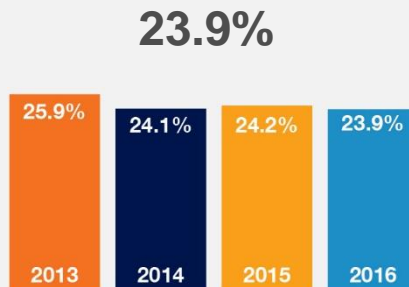
Average adviser numbers up 23% to **888** (2015: 720)
Further growth continues; 976 advisers at 24 March 2017

Overheads % of Revenue



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

Gross Profit Margin (%)



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

Profit Before Tax Margin¹




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 Excludes exceptional gain in 2016 and based on adjusted profit before tax in 2014



There is only one MAB...

	 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	✓	✗	✗

Appointed Representatives: extending platform,
building specialisation



vita.



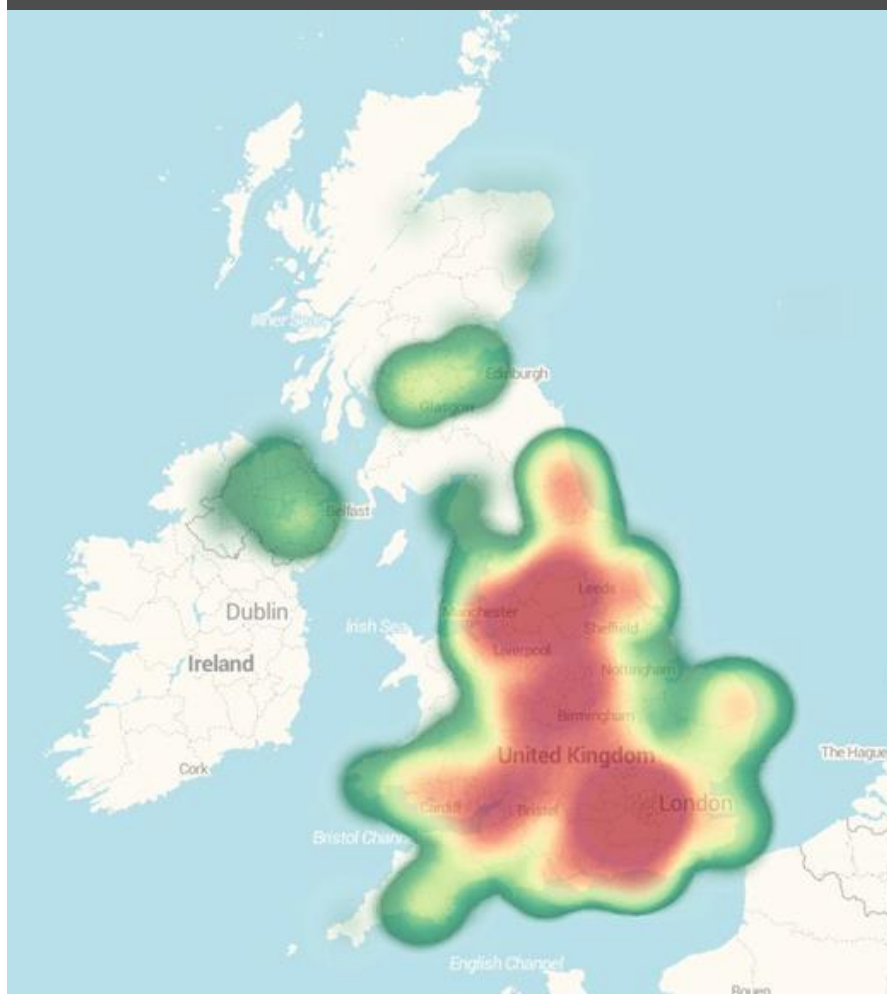
Products related to MAB Core Business offering:



Testing New Markets:

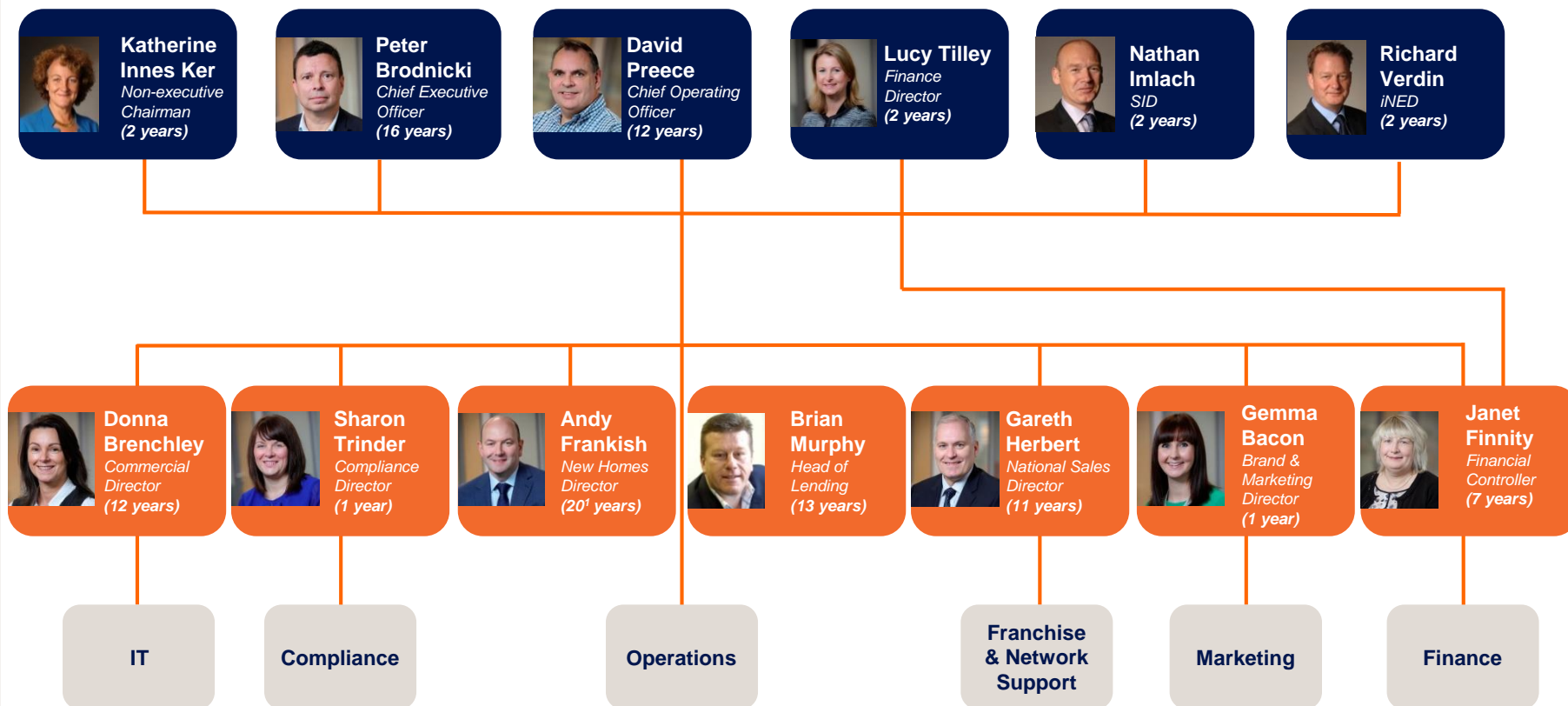


HEATMAP OF ADVISER LOCATIONS



- 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 950 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.

Company Overview



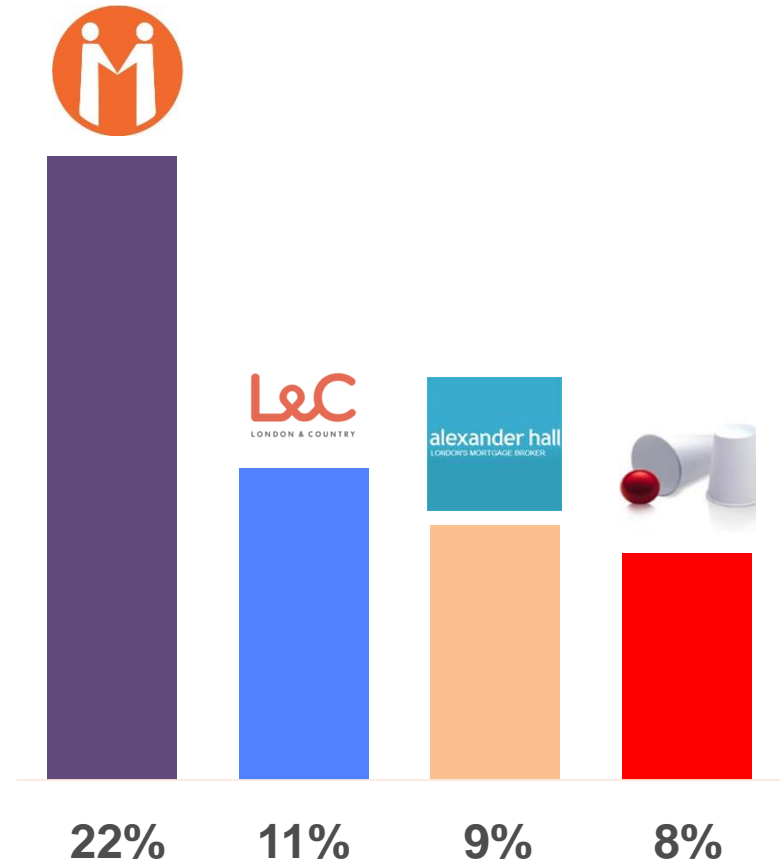
- Board of Directors
- Senior Management Team
- Divisions

There is only one MAB

Competitive Positioning

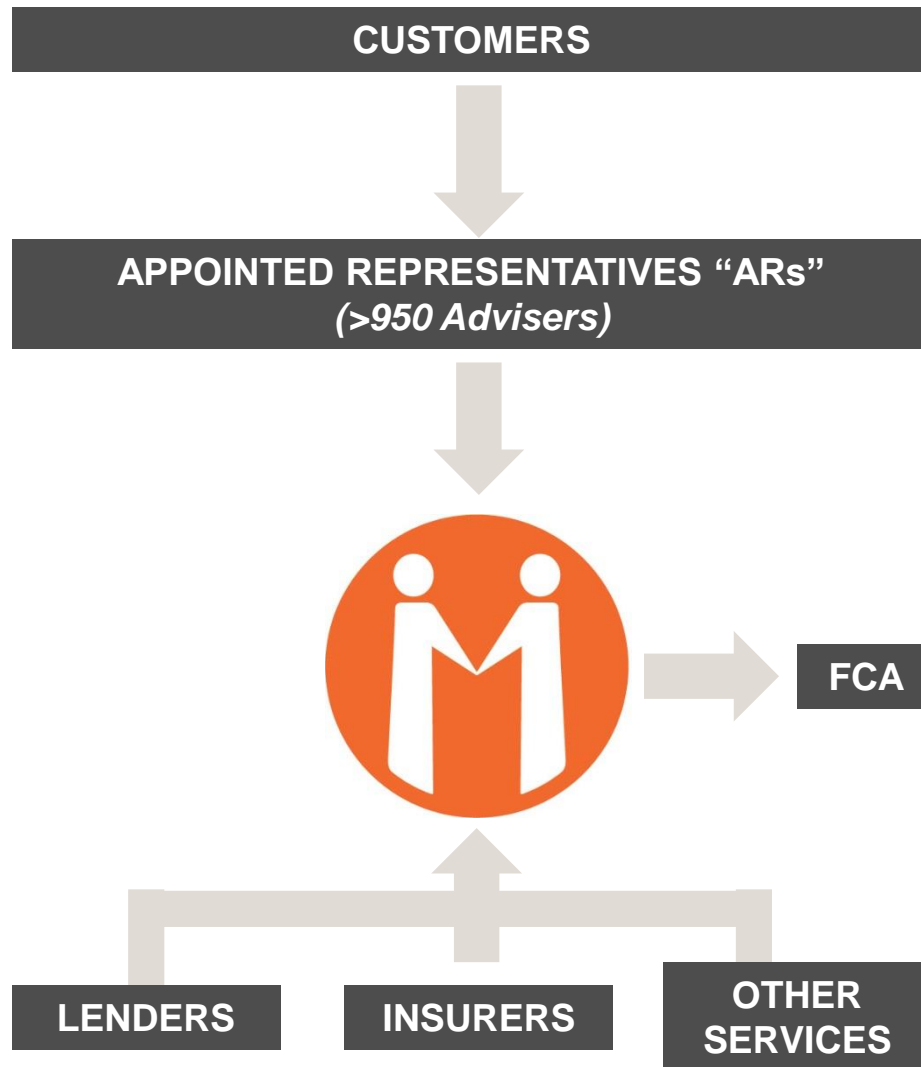


Top Broker for Brand Awareness¹



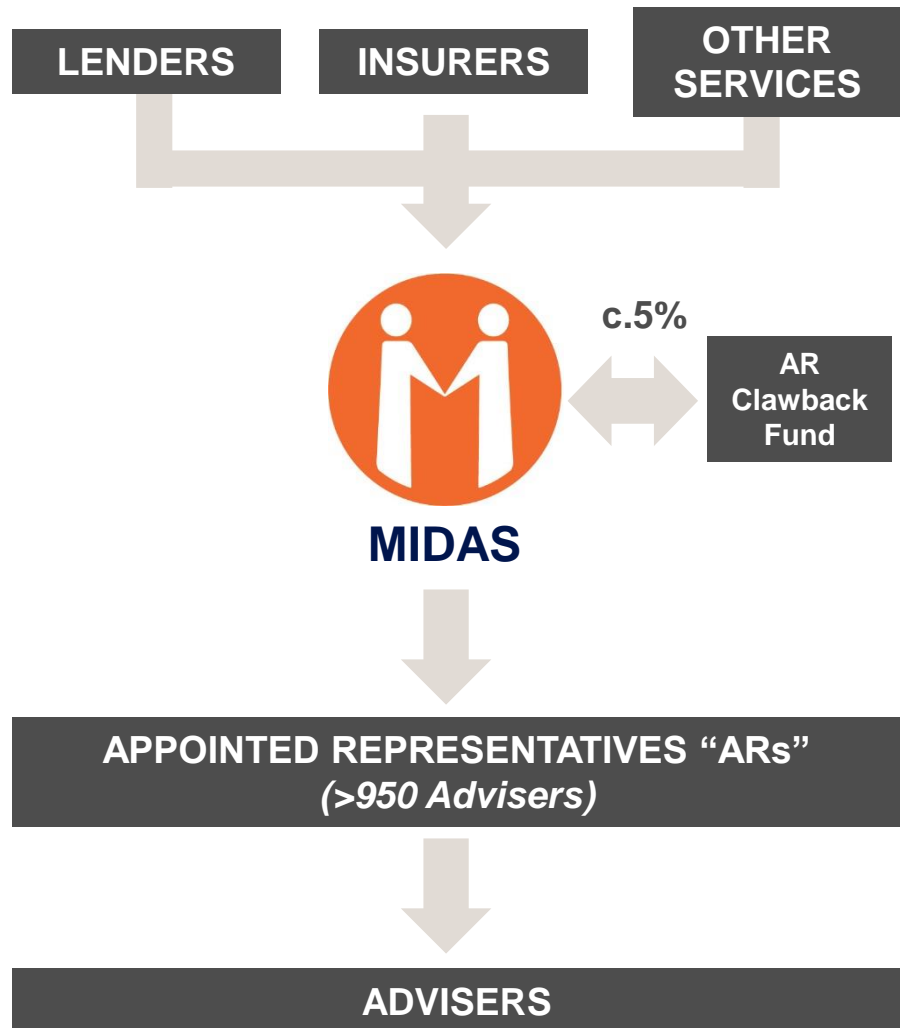
1. Sample: 2,006 UK adults interviewed online by independent market research agency, Opinium Research, 7th-9th June, 2016

Our Business Model



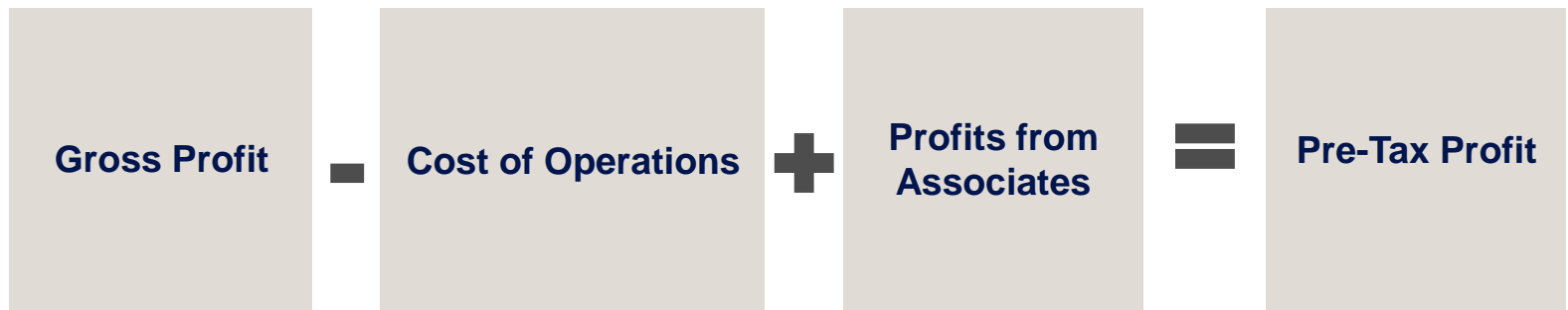
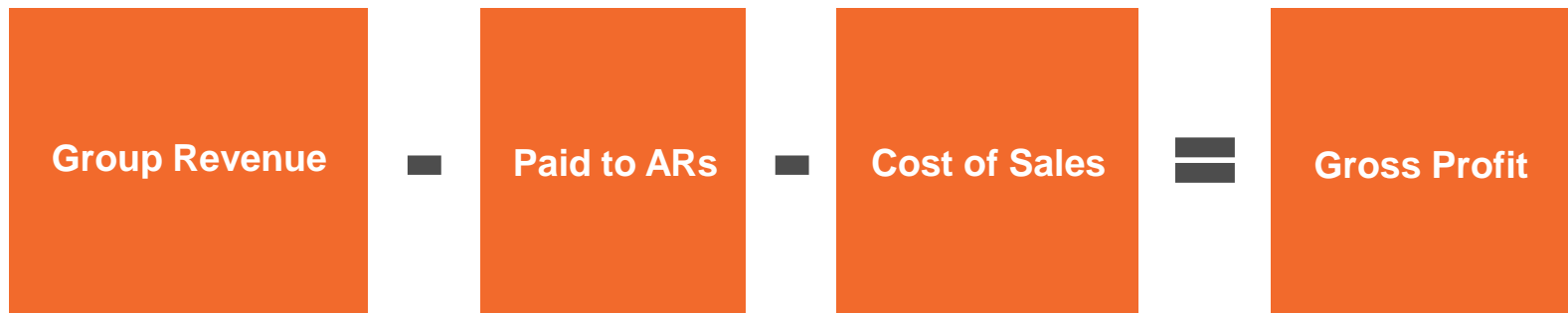
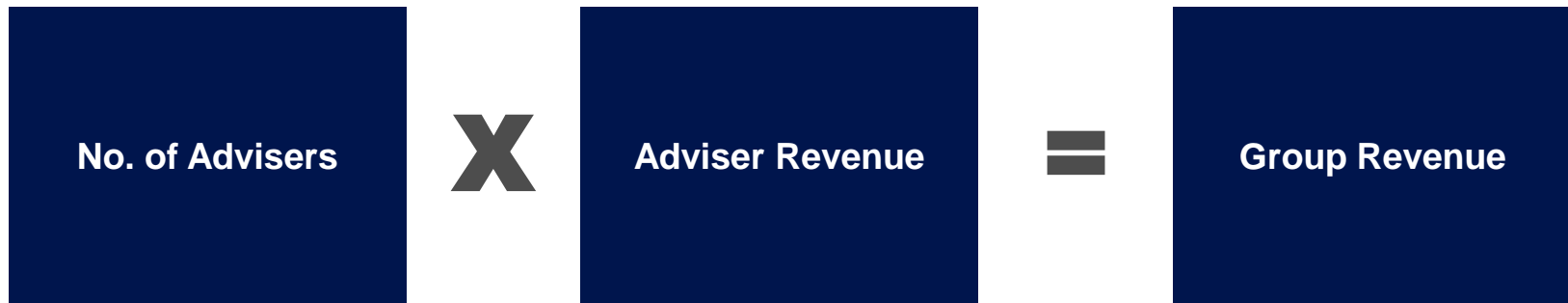
- One of UK's leading independent networks for mortgage intermediaries, with over 130 ARs and over 950 Advisers nationwide
- Operates two models: (i) MAB-branded mortgage franchise and (ii) non-branded mortgage network
- Strong reputation for business quality, innovation and support
- Very low attrition rates of ARs
- c.90% of ARs have contracts for duration of 5 years or more from commencement

Our Business Model

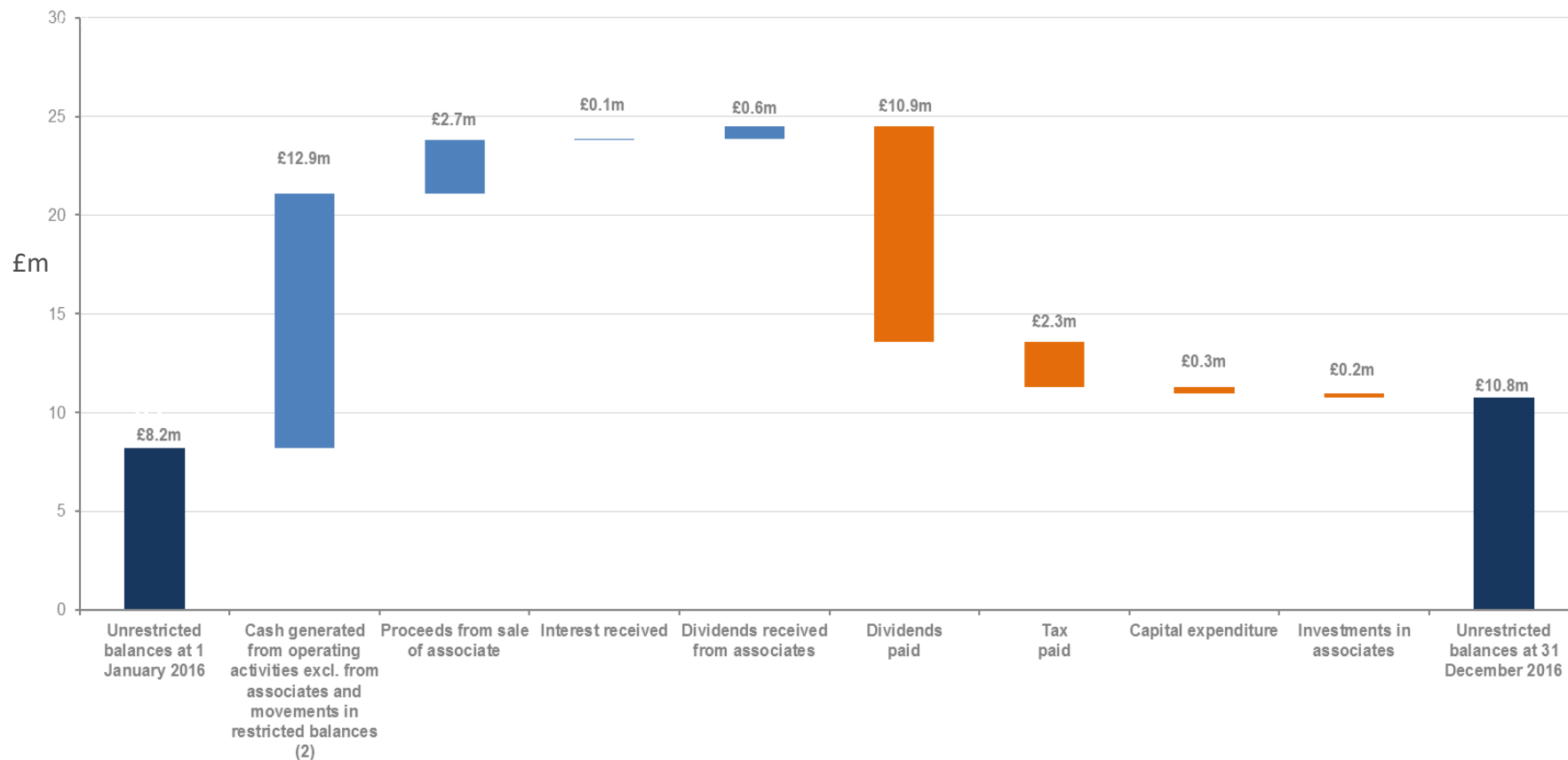


- Highly cash generative
- All income is paid directly to MAB, from which it deducts its share of income
- Before paying the AR, MAB also retains typically 5% of the total amount due to the AR to protect the AR and MAB against potential future clawbacks of protection commission
- This retention is held 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



Cash Balance Waterfall: Unrestricted Balances⁽¹⁾

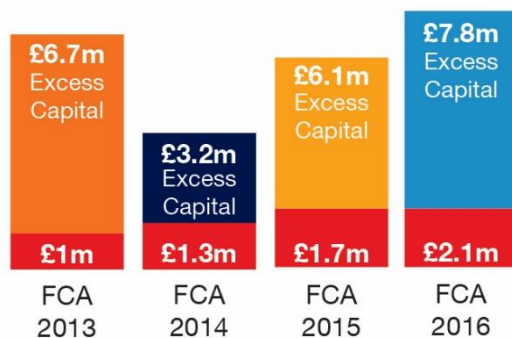


1. Unrestricted cash balances are for operational purposes; they exclude restricted balances (AR retained commission in case of clawback)

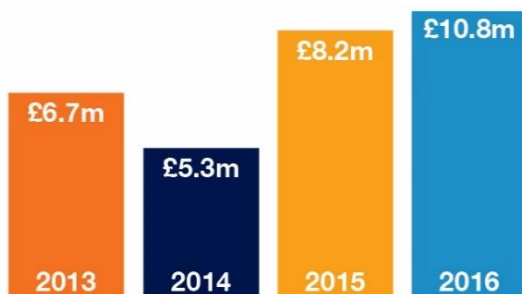
2. Cash generated from operating activities of £15.6m, less dividends received from associates of £0.6m and movements in restricted balances of £2.1m

Dividend Policy

Capital Adequacy (£m)
£9.9m



Unrestricted Cash Balances (£m)
£10.8m



- 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
- Since IPO, dividends 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 proposed final = 10.5p = c. 90% H2 16 PAT
- The 90% H2 16 proposed final 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

Income statement

	Year to 31 Dec 2016 £'000	Year to 31 Dec 2015 £'000
Revenue	92,848	75,466
Cost of sales	(70,700)	(57,173)
Gross Profit	22,148	18,293
Administrative expenses	(10,296)	(8,722)
Share of profit from associate	611	703
Operating profit	12,463	10,274
Finance income	73	143
Exceptional profit on disposal of asset held for sale	2,690	-
Profit before tax	15,226	10,417
Tax expense	(2,307)	(1,759)
Profit for the year attributable to equity holders of parent company	12,919	8,658
Total comprehensive income attributable to equity holders of parent company	12,919	8,658
Basic EPS	25.6p	17.2p
Diluted EPS	25.2p	16.7p

Income Statement - additional information Mortgage Advice Bureau

Revenue Breakdown	Year to 31 Dec 2016 £'000	Year to 31 Dec 2015 £'000
Mortgage related products	55,011	43,794
Insurance and other protection products	36,444	30,412
Other income	1,393	1,260
Total Revenue	92,848	75,466
Staff Costs	Year to 31 Dec 2016 £'000	Year to 31 Dec 2015 £'000
Wages and salaries	6,410	5,629
Share based payments	315	250
Social Security Costs	712	618
Defined contribution pension costs	150	113
Total staff costs	7,587	6,610
Average number of people employed during the year	141	123
Exceptional Gain	Year to 31 Dec 2016 £'000	Year to 31 Dec 2015 £'000
Profit on disposal of asset held for sale	2,690	-
Cash and Cash Equivalents	Year to 31 Dec 2016 £'000	Year to 31 Dec 2015 £'000
Unrestricted cash and bank balances	10,811	8,189
Bank balances held in relation to retained commissions	7,900	5,767
Cash and cash equivalents	18,711	13,956

Income Statement - EPS

Basic Earnings per Share	Year to 31 Dec 2016 £'000	Year to 31 Dec 2015 £'000
Profit for the year attributable to equity holders of the parent company	12,919	8,658
Weighted average number of shares in issue	50,461,600	50,478,038
Basic earnings per share (in pence per share)	25.6p	17.2p
Diluted Earnings per Share	Year to 31 Dec 2016 £'000	Year to 31 Dec 2015 £'000
Profit for the year attributable to equity holders of the parent company	12,919	8,658
Weighted average number of shares in issue	51,238,503	51,987,564
Basic earnings per share (in pence per share)	25.2p	16.7p
Adjusted earnings per share	Year to 31 Dec 2016 £'000	Year to 31 Dec 2015 £'000
Profit for the year attributable to equity holders of the parent company	12,919	8,658
Adjusted for the following items net of tax:		
Profit on disposal of asset held for sale	(2,690)	-
Adjusted earnings net of tax	10,229	8,658
Weighted average number of shares in issue	50,461,600	50,478,038
Adjusted basic earnings per share (in pence per share)	20.3p	17.2p

Balance Sheet

	31 Dec 2016 £'000	31 Dec 2015 £'000
Assets		
Non-current assets		
Property, plant and equipment	2,720	2,621
Goodwill	4,114	4,114
Other intangible assets	9	27
Investments	1,008	715
Deferred tax asset	72	-
Total non-current assets	7,923	7,477
Current assets		
Trade and other receivables	3,256	2,852
Cash and cash equivalents	18,711	13,956
Total current assets	21,967	16,808
Total assets	29,890	24,285
Equity and liabilities		
Equity attributable to owners of the parent		
Share capital	51	51
Share premium	3,042	3,042
Capital redemption reserve	20	20
Share option reserve	380	157
Retained earnings	11,680	9,635
Total equity	15,173	12,905
Liabilities		
Non-current liabilities		
Contingent consideration	50	-
Provisions	1,219	918
Deferred tax liability	40	28
Total non-current liabilities	1,309	946
Current liabilities		
Trade and other payables	12,405	9,519
Corporation tax liability	1,003	915
Total current liabilities	13,408	10,434
Total liabilities	14,717	11,380
Total equity and liabilities	29,890	24,285

Cash Flow Statement

	Year to 31 Dec 2016 £'000	Year to 31 Dec 2015 £'000
Cash flows from operating activities		
Profit for the year before tax	15,226	10,417
Adjustments for:		
Depreciation of property, plant and equipment	193	131
Amortisation of intangibles	18	18
Profit on disposal of asset held for sale	(2,690)	-
Share based payments	223	146
Share of profit of associates	(611)	(703)
Dividends received from associates	567	586
Finance income	(73)	(143)
	12,853	10,452
Changes in working capital		
(Increase)/decrease in trade and other receivables	(405)	69
Increase in trade and other payables	2,886	1,611
Increase in provisions	301	167
Cash generated from operating activities	15,635	12,299
Income taxes paid	(2,278)	(1,343)
Net cash inflow from operating activities	13,357	10,956
Cash flows from investing activities		
Purchase of property, plant and equipment	(292)	(2,548)
Proceeds from sale of associate	2,694	-
Acquisitions of associates and investments	(203)	(345)
Net cash inflow/(outflow) from investing activities	2,199	(2,893)
Cash flows from financing activities		
Interest received	73	143
Redemption of shares	-	(38)
Dividends paid	(10,874)	(3,482)
Net cash outflow from financing activities	(10,801)	(3,377)
Net increase in cash and cash equivalents	4,755	4,686
Cash and cash equivalents at the beginning of year	13,956	9,270
Cash and cash equivalents at the end of the period	18,711	13,956

Quarterly Gross Mortgage Lending Data



Mortgage lending has grown at a CAGR of 11% over the last 5 years

