



Investor and Analyst Presentation

Delivering, Growing, Innovating

Mortgage Advice Bureau (Holdings) plc
Final Results – year ended 31 December 2018



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 2018, can be found on the Investor Relations section of the Company’s website www.mortgageadvicebureau.com/investor-relations

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)



Ben Thompson

Managing Director

- >30 years in Mortgages & Financial Services
- Most recently CEO of ULS Technology
- British Mortgage Awards: Business Leader of The Year, Press Spokesperson & Technology Advocate.



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 Financial Highlights 2018

Revenue

£123.3m | **+13%**

Gross Profit

£28.4m | **+10%**

Profit Before Tax

£15.7m | **+8%**

EPS

25.9p | **+9%**

Total Proposed Dividends

23.3p | **+9%**

Cash Conversion¹

113%

Although housing transactions fell during 2018, MAB increased its share of new mortgage lending from 4.3% to 4.7% of the overall UK market.

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 £2.2m in 2018 (2017: £0.7m) and increases in restricted cash balances of £2.3m in 2018 (2017: £1.5m) as a percentage of operating profit.

Key Operational Achievements 2018

Market

- Mortgages arranged¹ +18%
- Market share increase² of 10% to 4.7% (against backdrop of UK property transactions being down 2.5%)
- Revenue per Adviser increase of 1% despite macro headwinds

People

- Ben Thompson joins as Managing Director
- Dan Maunder joins as Chief Technology Officer
- Average adviser numbers +12%
- Delivered 15% CAGR in advisers over last 3 years

Technology

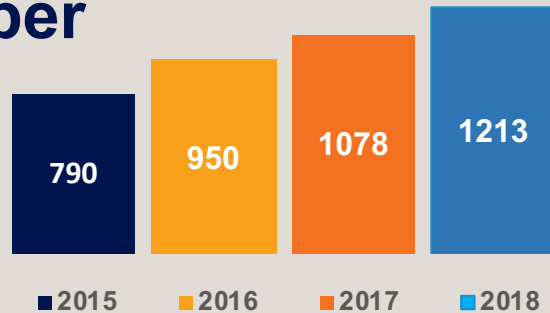
- First development phase now commencing testing with a number of our business partners
- Strengthening our unique business model
- Developments will directly benefit MAB, its ARs, their advisers and customers

1. Gross mortgage lending (inc. Product Transfers)
2. Of new mortgage lending

How we performed – KPIs

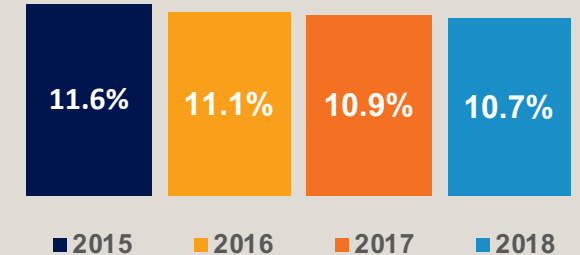
1,213 advisers at 31 December

Average adviser numbers up 12% to **1,130** (2017: 1,008)
Further growth continues: 1,234 advisers at 15 March 2019.



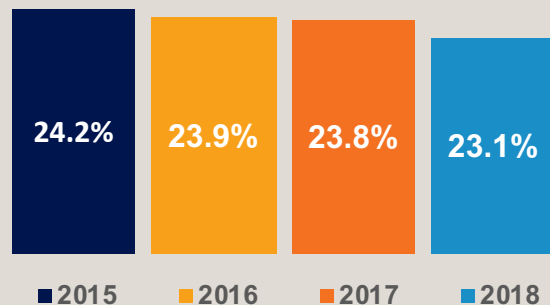
10.7% overheads of revenue

Some costs (eg. Compliance personnel) closely correlated to growth. Majority of remainder of costs typically rise at a slower rate than revenue. We expect a modest increase in our IT costs as part of our fintech development.



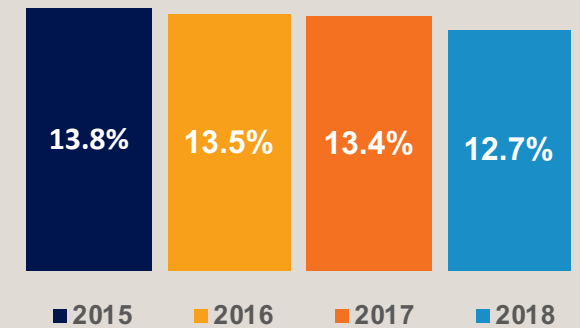
23.1% Gross profit margin

Mortgage mix affects gross profit margin. Existing ARs receive slightly better terms as their revenue grows. New larger ARs typically join on lower than average margins.



12.7% Profit before tax margin

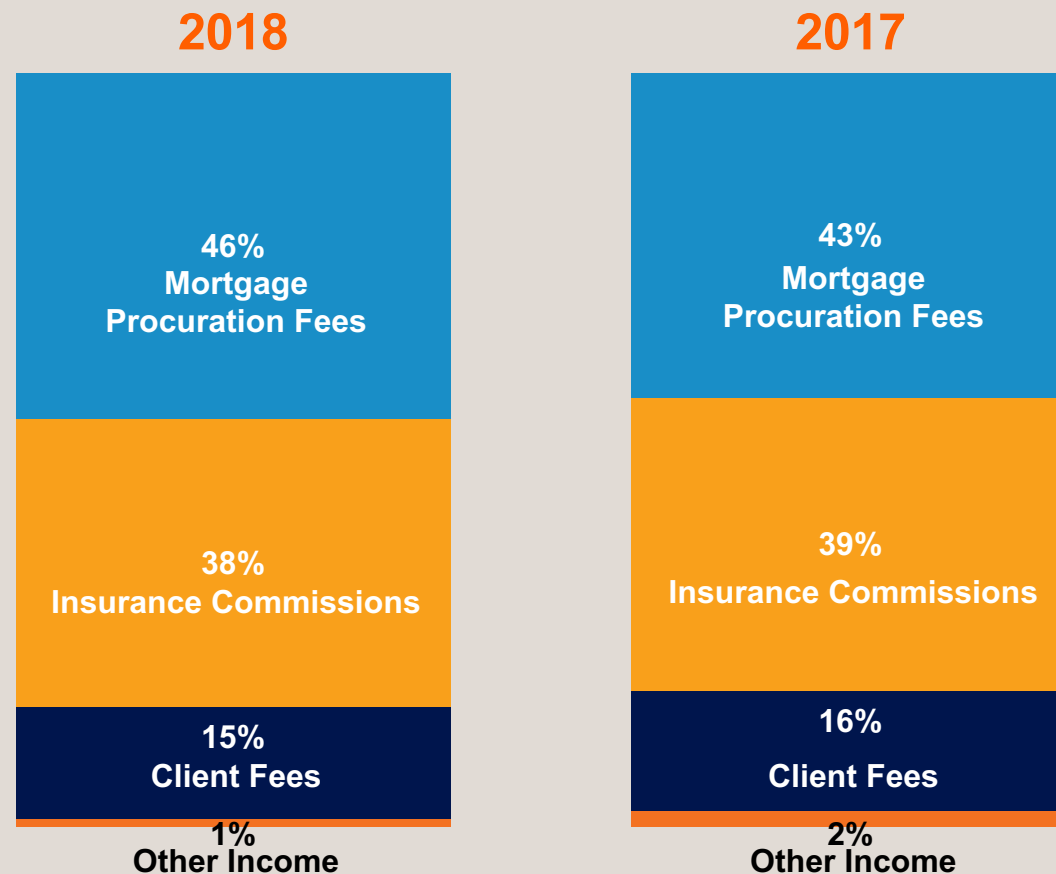
Subject to the growth in our IT costs, we would expect the scalable nature of our cost base to in part counter the expected erosion on gross margin as the business continues to grow.



Revenue

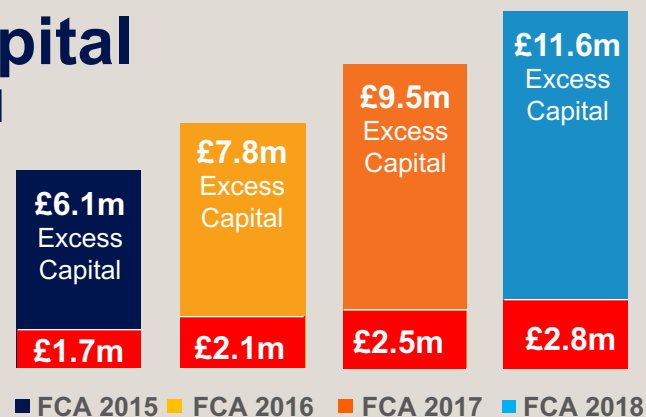
Income source	2018	2017	Increase
	£m	£m	
Mortgage procurement fees	56.2	46.8	20%
Protection and General Insurance Commission	47.0	42.9	10%
Client Fees	18.3	17.5	5%
Other Income	1.8	1.7	7%
Total	123.3	108.8	13%

- Revenue increase of 13% generated from:
 - +12% average Advisers
 - +1% increase in revenue per Adviser
- Gross mortgage completions up 18%
- Increased product transfer opportunities and a reduction in proportion of higher margin residential purchase business, due to slower purchase market, have led to a lower proportion of insurance commission and client fees
- Protection and GI dependent on mortgage mix
- Client fees reflect mortgage mix, average client fee when charged flat

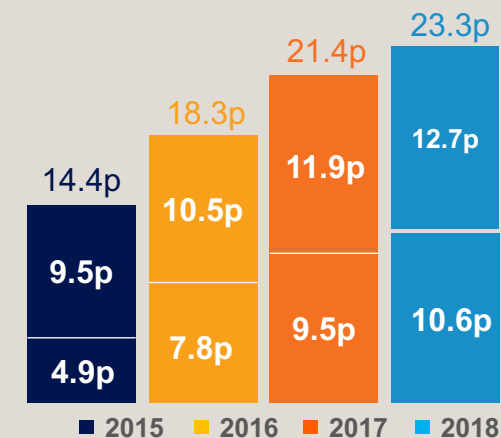


Strong cash conversion supports Dividend Policy

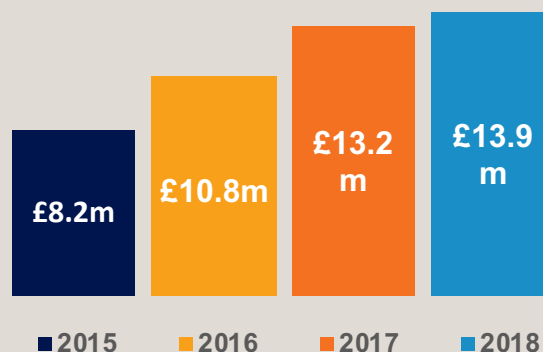
£14.4m Capital Adequacy¹



23.3p Proposed Ordinary Dividends



£13.9m Unrestricted Cash Balances



- 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
- The 90% H2 18 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, excess capital peaks at period end

Industry Trends

2018 v 2017

- Property transactions in 2018 by **volume** were **2.5% lower** than in 2017
- UK new mortgage lending in **2018** of **£268bn**¹: **+4%** driven primarily by remortgages
- UK Finance statistics indicate product transfer market of c. £160bn
- Rate of house price inflation has fallen (c.3%²)

Segmental movements in gross new mortgage lending¹ by value

- First time buyers: **+5%**
- Home-owner mover: **Flat**
- Home-owner remortgage: **+13%**; strong lender competition
- BTL purchase: **-15%**; taxation and other changes for landlords
- BTL remortgage: **+12%**

Market Outlook

UK Gross New Mortgage Lending

UK Finance projections for gross new mortgage lending (excludes Product Transfers) :

- **2019: £278bn, +4%**

UK Product Transfers

- Latest UK Finance statistics indicate that the product transfer market is likely to continue to increase from the c. £160bn for 2018

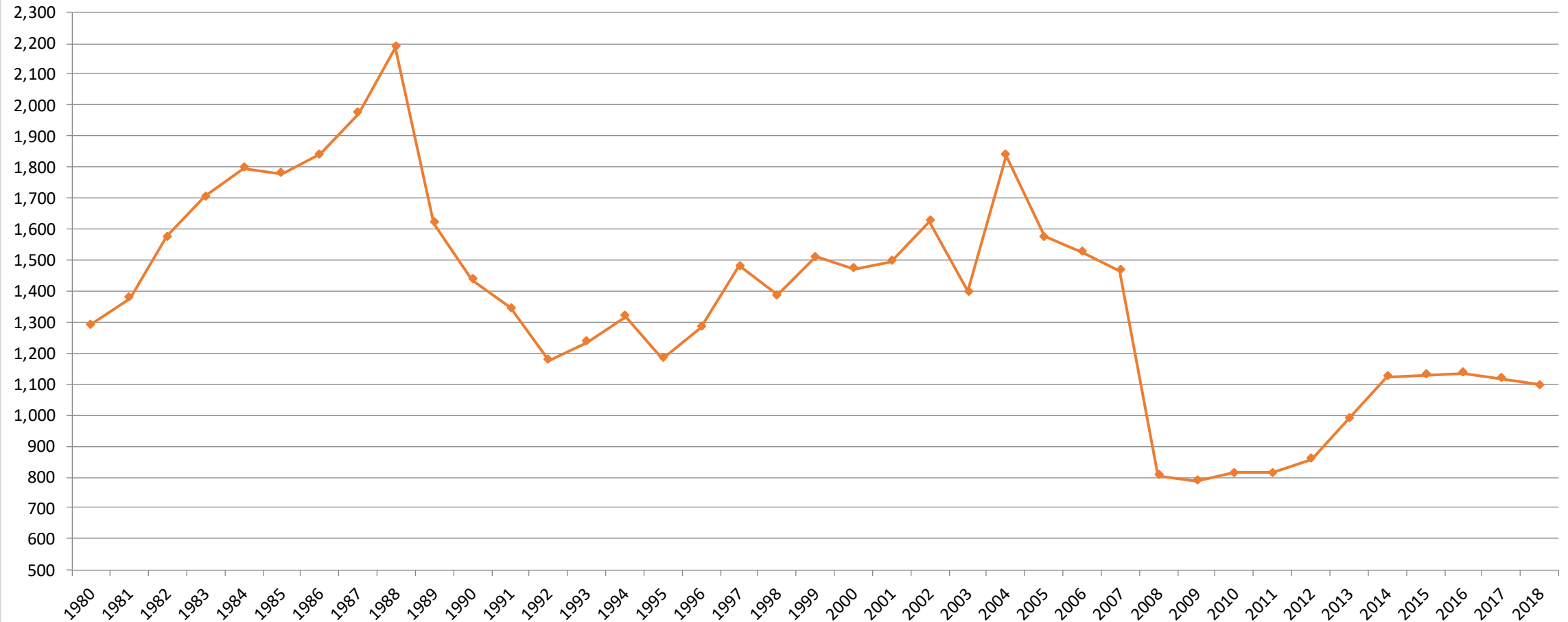
Property Prices and Transactions

- The twelve month outlook for house prices on a national level remains broadly flat. With the exception of London and the South East, prices are anticipated to at least hold steady across the other UK regions over this time horizon.
- In the near term transactions will remain suppressed across almost all parts of the UK, with some of the near term pessimism linked to the lack of clarity around the timing of the departure of the UK from the EU.

1. UK Finance data (does not include product transfers)
2. Land Registry House Price Index

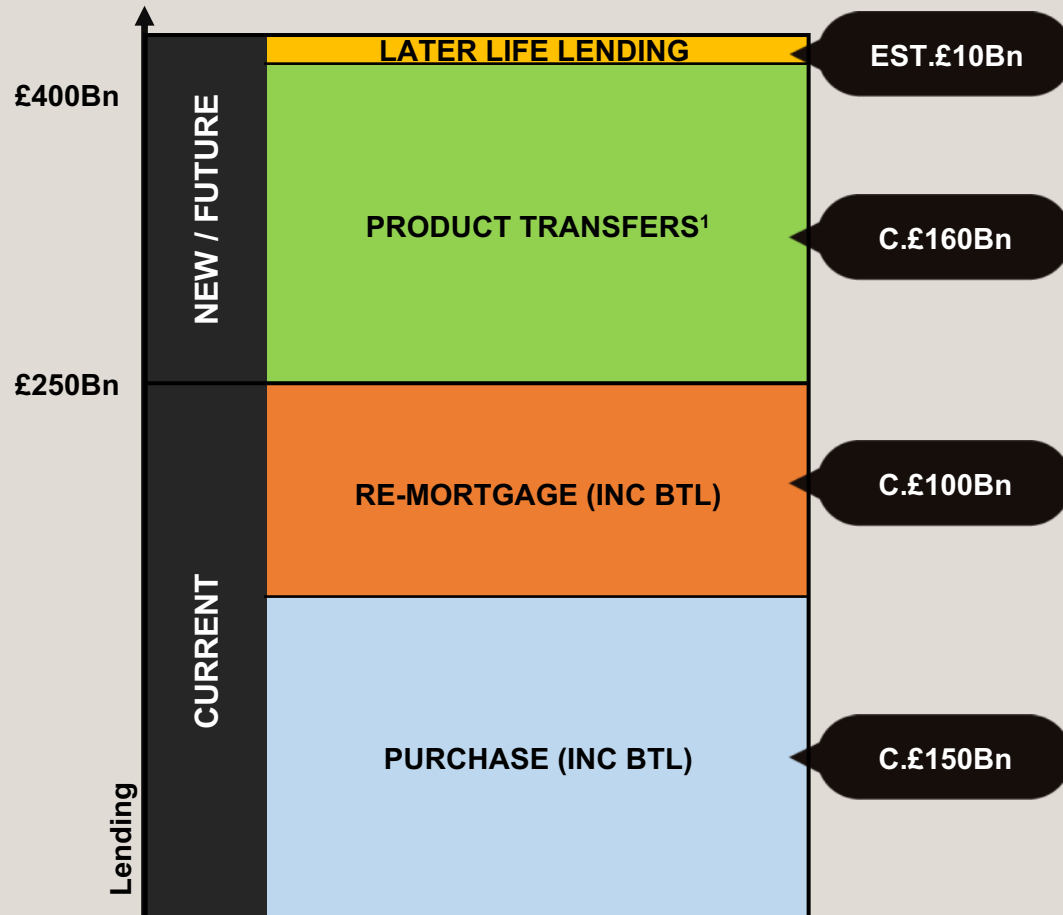
Industry Trends

Property Sale Transactions, UK Countries, 000's

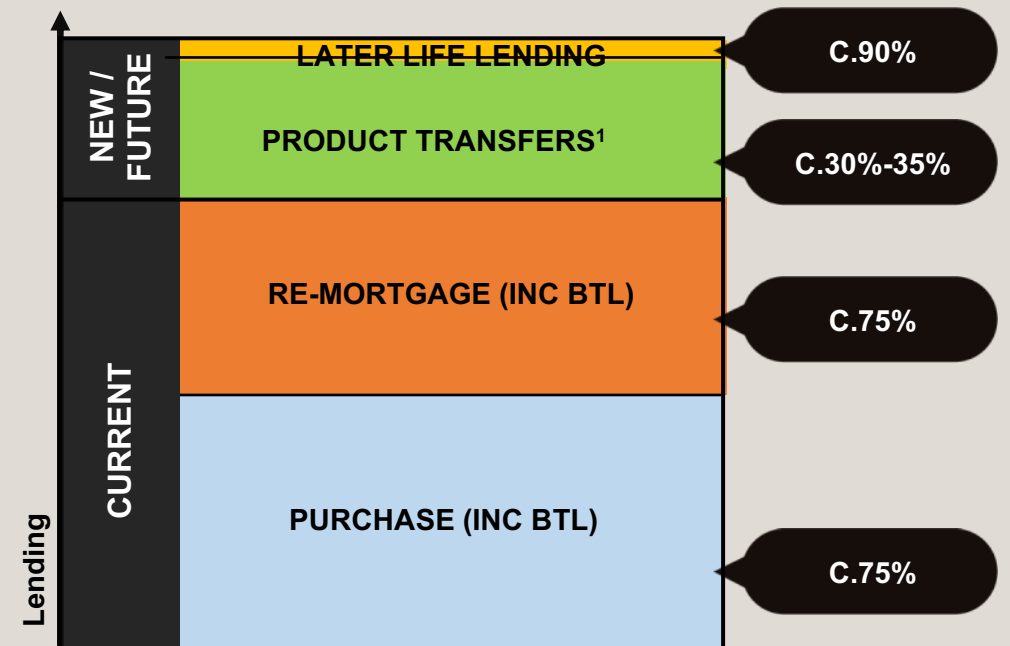


Market Share Opportunities

Whole Market



Intermediary Market

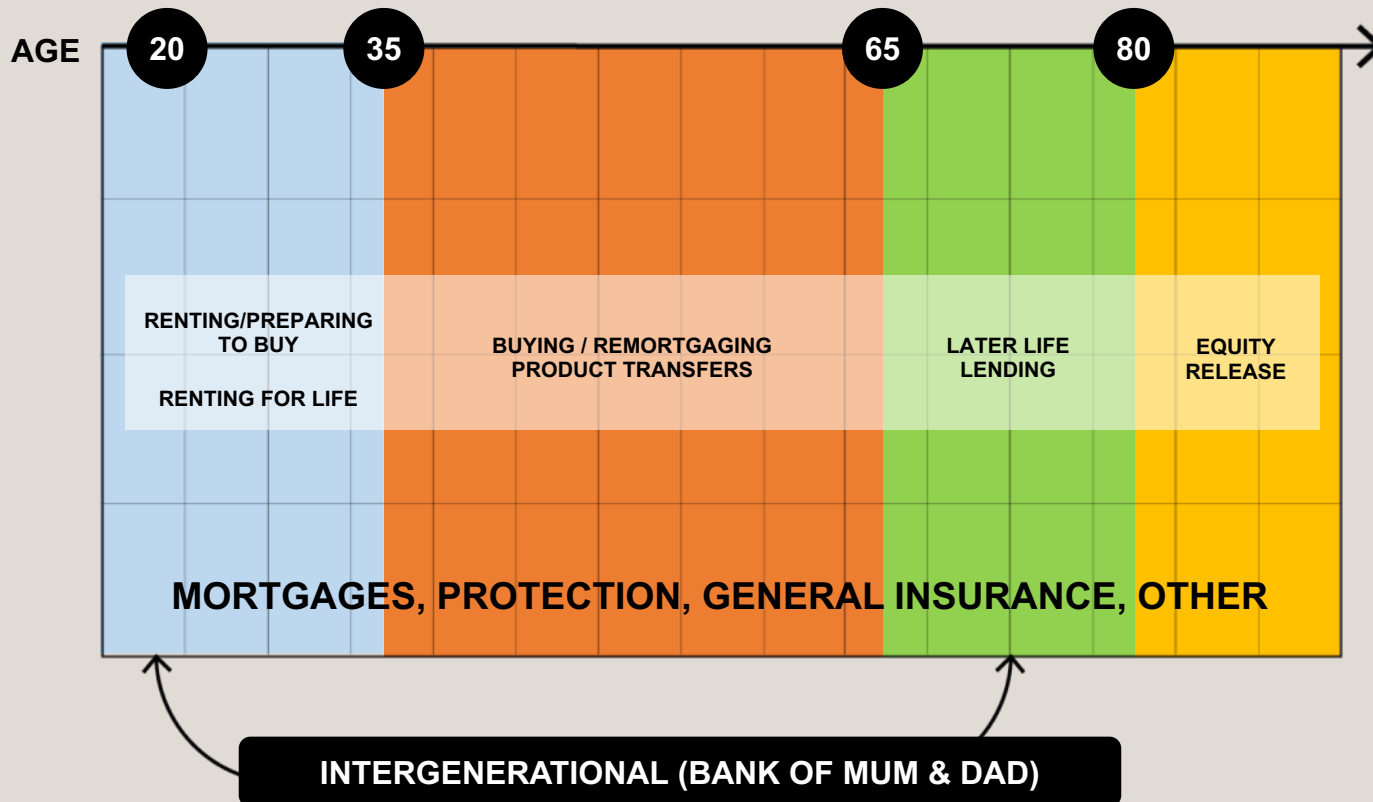


¹ Based on latest UK Finance statistics

Technology update

Midas Platform Development		
H1 2019	H2 2019	H1 2020
<ul style="list-style-type: none">• Phase 1 testing & live pilot with ARs• Customer Portal• Lender Integration	<ul style="list-style-type: none">• Full Phase 1 release• Wider home-moving service / functionality• Intelligent customer lead ingestion & distribution• Integrated credit reports & scores• Interactive digital comms & notification suite	<ul style="list-style-type: none">• Full Open Banking functions & pre-population• Early customer capture & nurture• AI/data profiling delivering greater efficiency & lead generation• Extended home services• Cross border ready

Growing our Addressable Market



Where MAB's upside exists

1. Tenants/Rental

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

2. Homebuying

- when consumer confidence returns, pent-up demand ought to be released

3. Product Transfers / Re-mortgages

- as a historically purchase focused model, using technology developments to ensure optimisation of this additional market opportunity
- increase share of the relatively new 'switching market'

4. 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

Outlook

- Strong pipeline of advisers from new ARs and our non estate agency based ARs
- Protection growth being driven by new process initiatives and extension into the private rental sector
- MAB has broadened its addressable market, and also plans to become more involved in home moving
- Technology advances and customer lead generation remain important strategic drivers for MAB
- We expect to continue our track record of dividend and profit growth

“We are excited about our developments in technology which will help us to attract more advisers and customers into MAB, assisting our future growth plans.”



Appendix



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 1,200 Advisers, almost all employed or engaged by ARs
- All compliance supervision undertaken by MAB employees
- Broad geographical spread across the UK, with just 8% 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

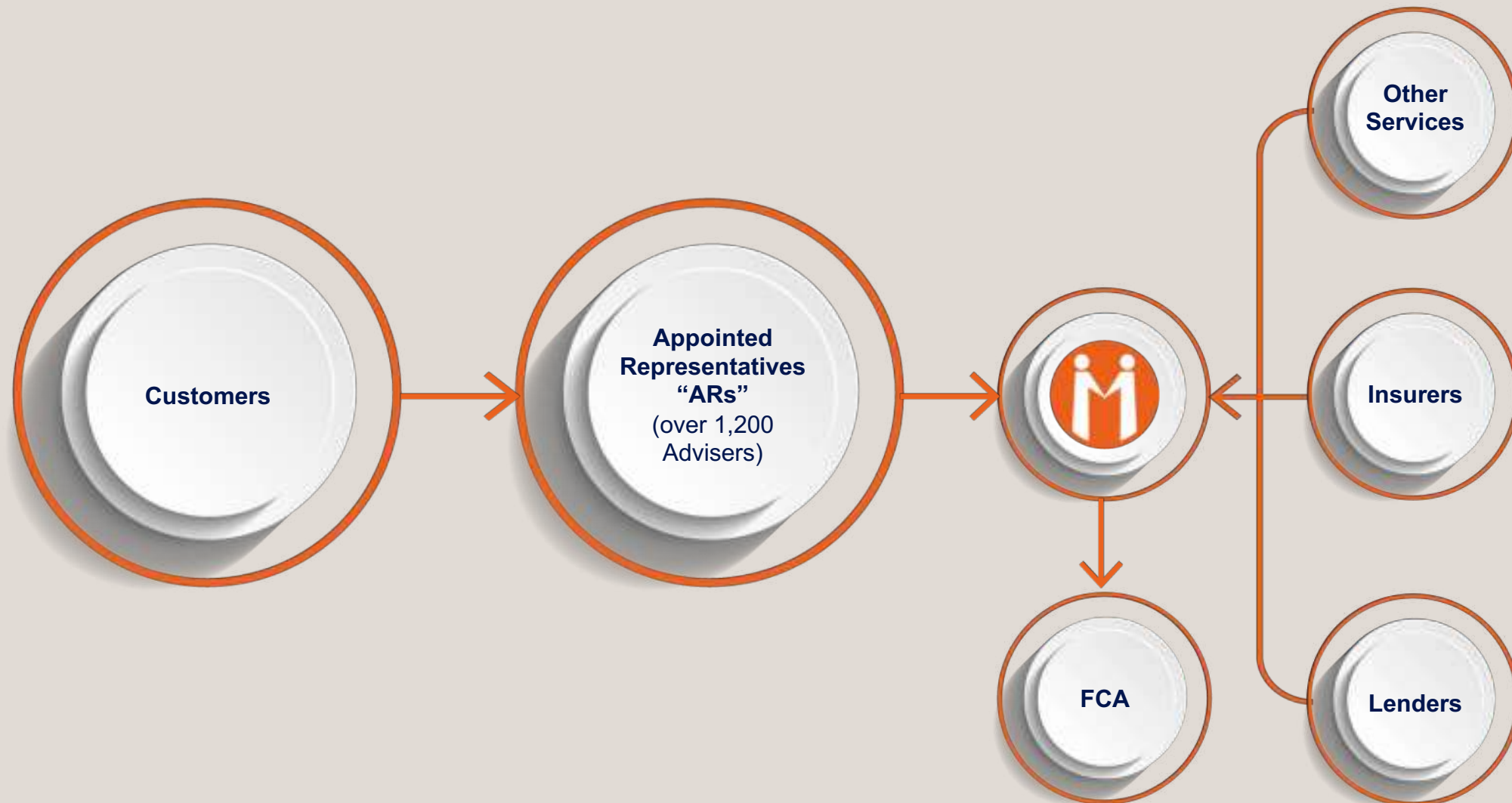


Board and Senior Management

Board of Directors Senior Management Team Divisions



Our Business Model



Our Business Model

- One of UK's leading independent networks for mortgage intermediaries, with over 160 ARs and over 1,200 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

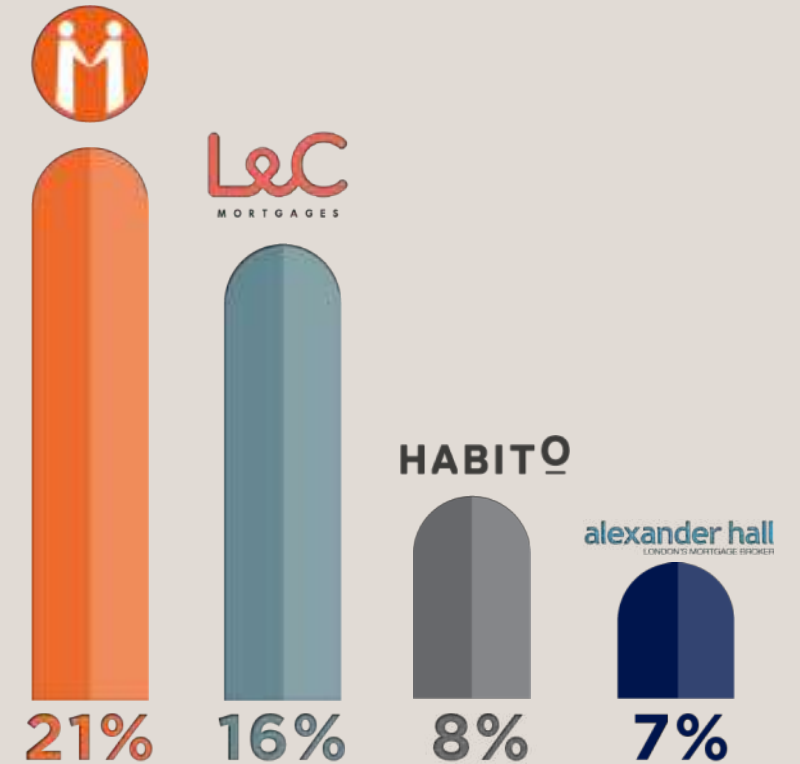


There is only one MAB

Competitive Positioning



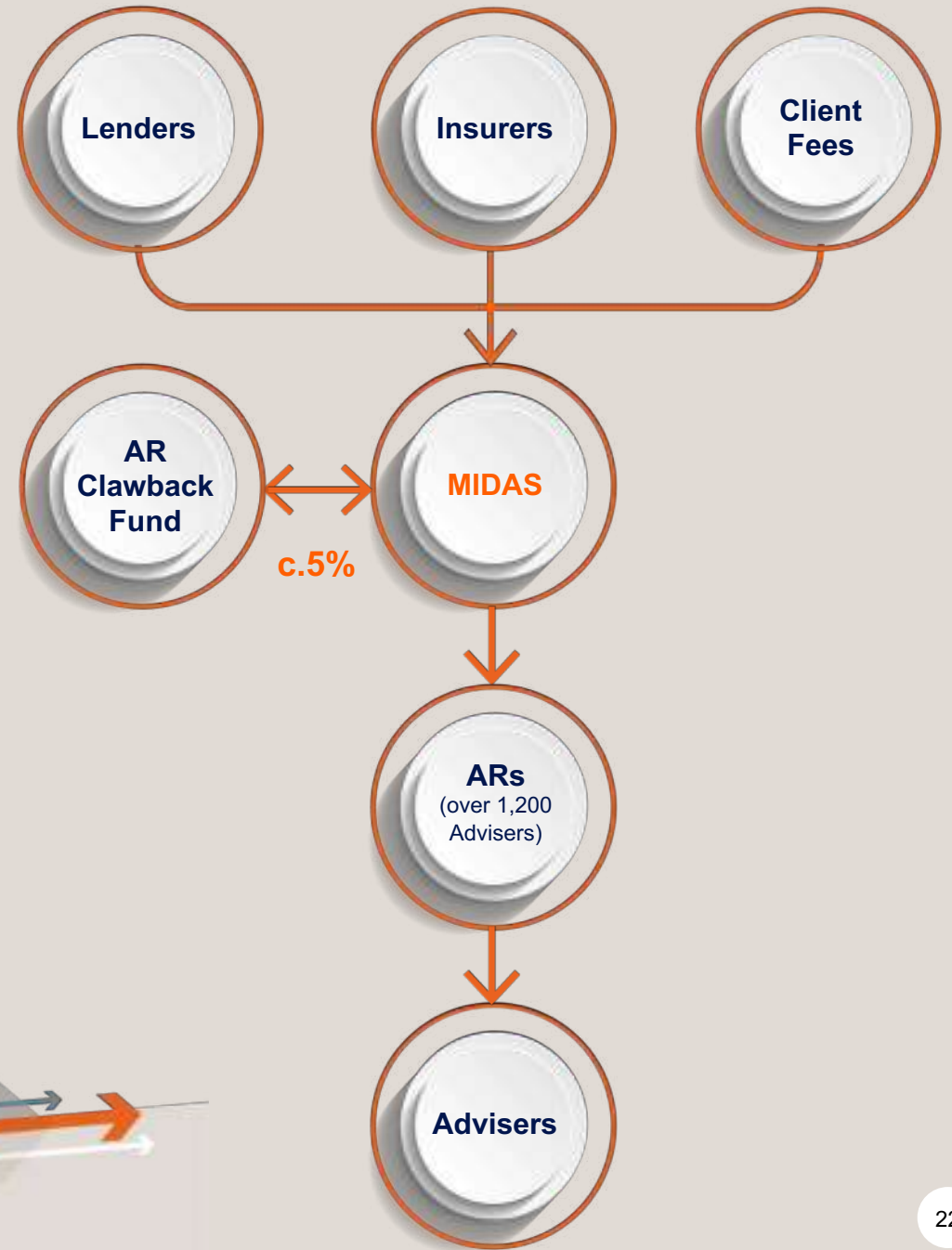
Top Broker for Brand Awareness¹



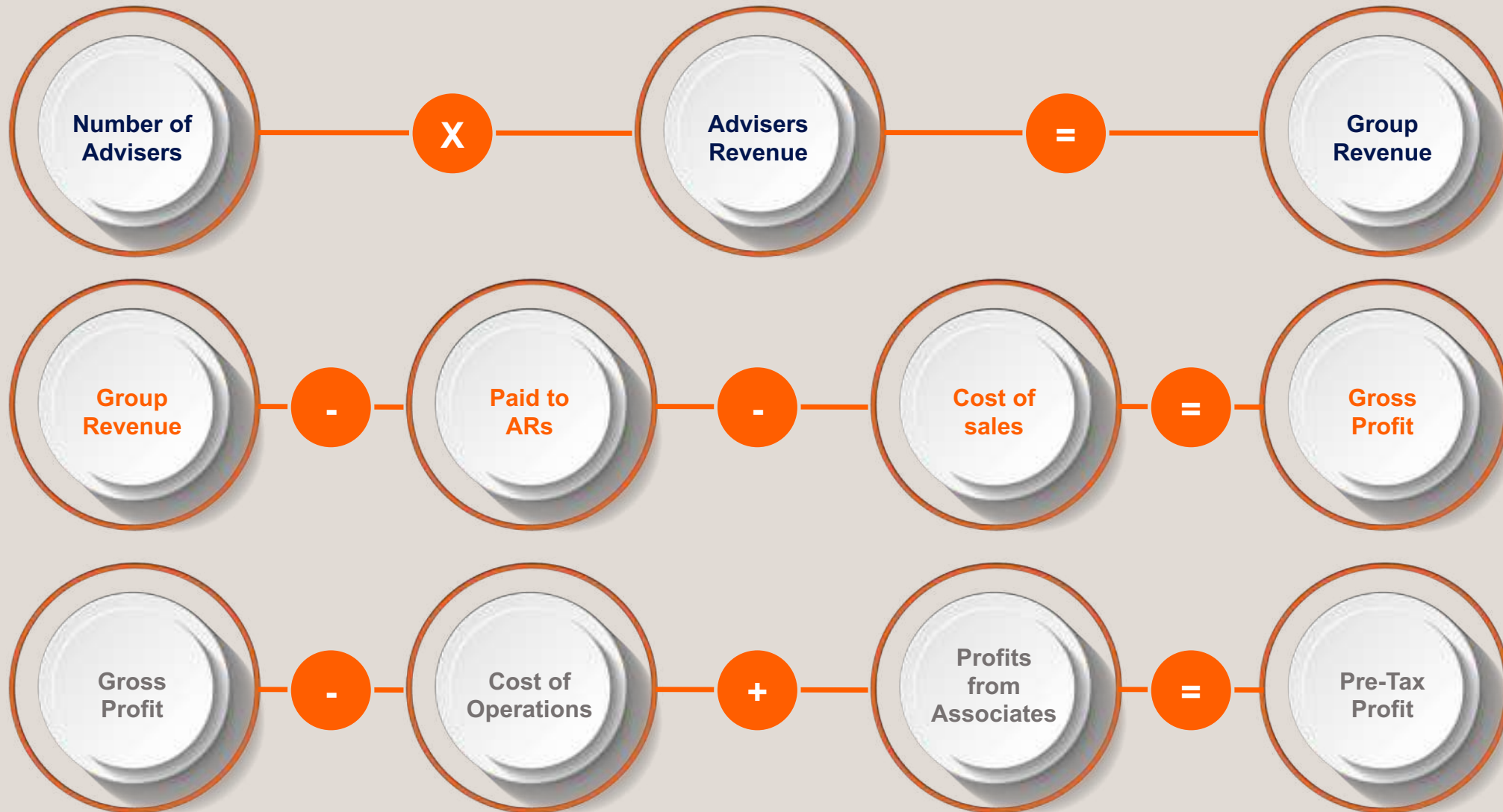
1. Sample: 2,010 UK adults interviewed online by independent market research agency, Opinium Research, 5th-7th May, 2018

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



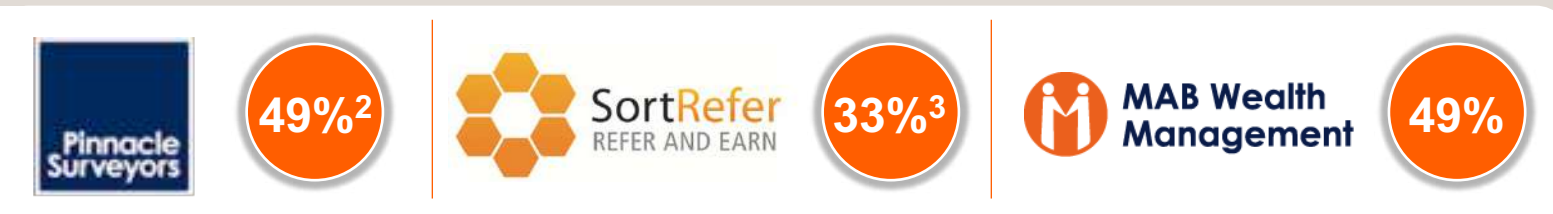
Investments



Appointed Representatives: extending platform, building specialisation:



Products related to MAB Core Business offering:



Testing New Markets:

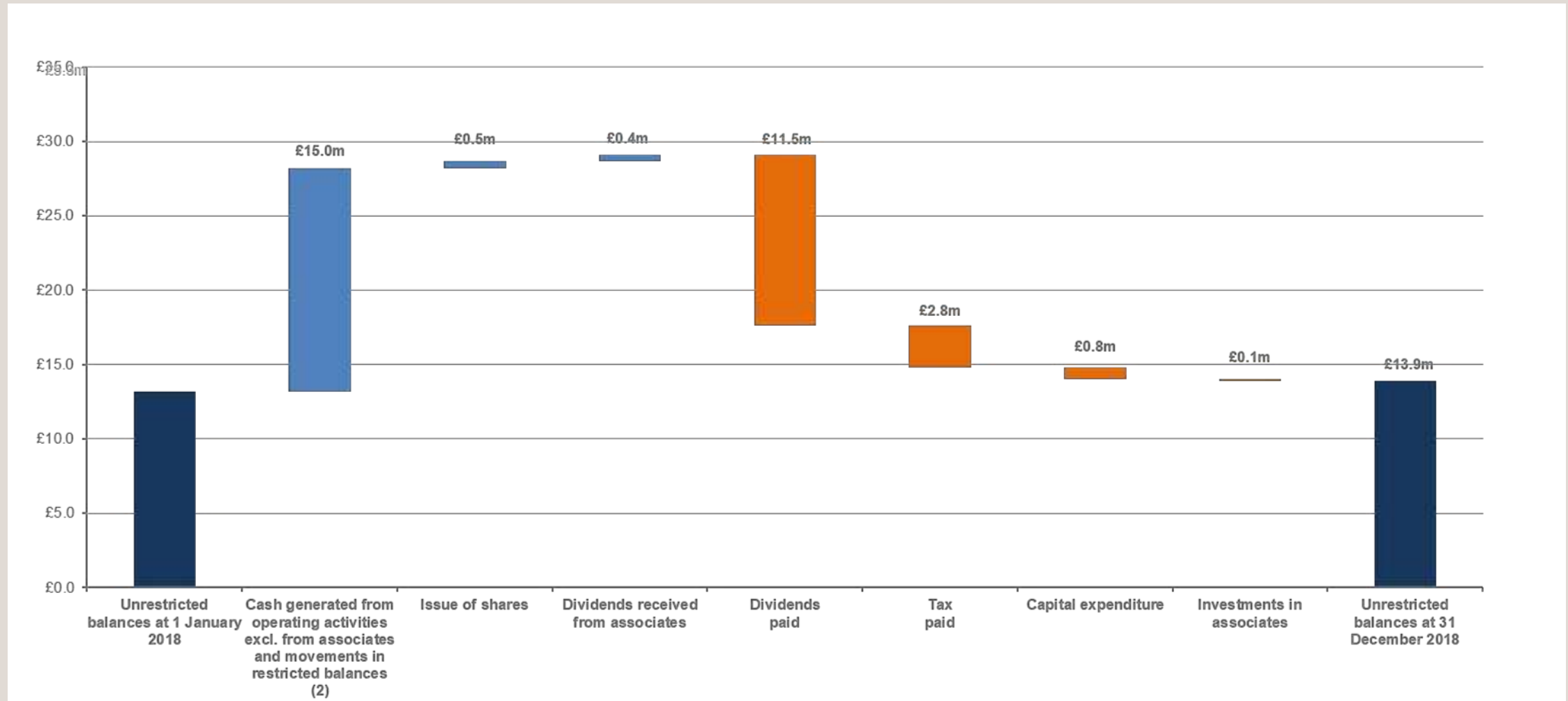


¹ Mortgage Focus is a trading name of Eagle and Lion Limited

² The Group has a 49% shareholding in CO2 Commercial Limited, whose 100% subsidiary is Pinnacle Surveyors (England & Wales) Limited

³ The Group has an effective holding of 32.5% in Sort Limited via its 43.25% shareholding in Sort Group Limited

Cash Balance Waterfall Unrestricted Balances¹



(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 £17.7m, less dividends received from associates of £0.4m and movements in restricted balances of £2.3m

Income Statement

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Revenue	123,291	108,847
Cost of sales	(94,851)	(82,945)
Gross Profit	28,440	25,902
Administrative expenses	(13,201)	(11,909)
Share of profit from associate	361	500
Profit from operations	15,600	14,493
Finance income	82	42
Profit before tax	15,682	14,535
Tax expense	(2,492)	(2,494)
Profit for the period attributable to equity holders of parent company	13,190	12,041
Other comprehensive income, net of tax	-	-
Total comprehensive income, net of tax	13,190	12,041
Basic EPS	25.9p	23.8p
Diluted EPS	25.3p	23.2p

Revenue and Cash – Additional Information

Revenue Breakdown	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Mortgage related products	74,453	64,289
Insurance and other protection products	47,021	42,854
Other income	1,817	1,704
Total Revenue	123,291	108,847

Cash and Cash Equivalents	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Unrestricted cash and bank balances	13,878	13,170
Bank balances held in relation to retained commissions	11,711	9,381
Cash and cash equivalents	25,589	22,551

Income Statement - EPS

Basic Earnings per Share	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit for the year attributable to equity holders of the parent company	13,190	12,041
Weighted average number of shares in issue	51,022,846	50,697,207
Basic earnings per share (in pence per share)	25.9p	23.8p

Diluted Earnings per Share	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit for the year attributable to equity holders of the parent company	13,190	12,041
Weighted average number of shares in issue	52,201,486	51,948,051
Basic earnings per share (in pence per share)	25.3p	23.2p

Balance Sheet

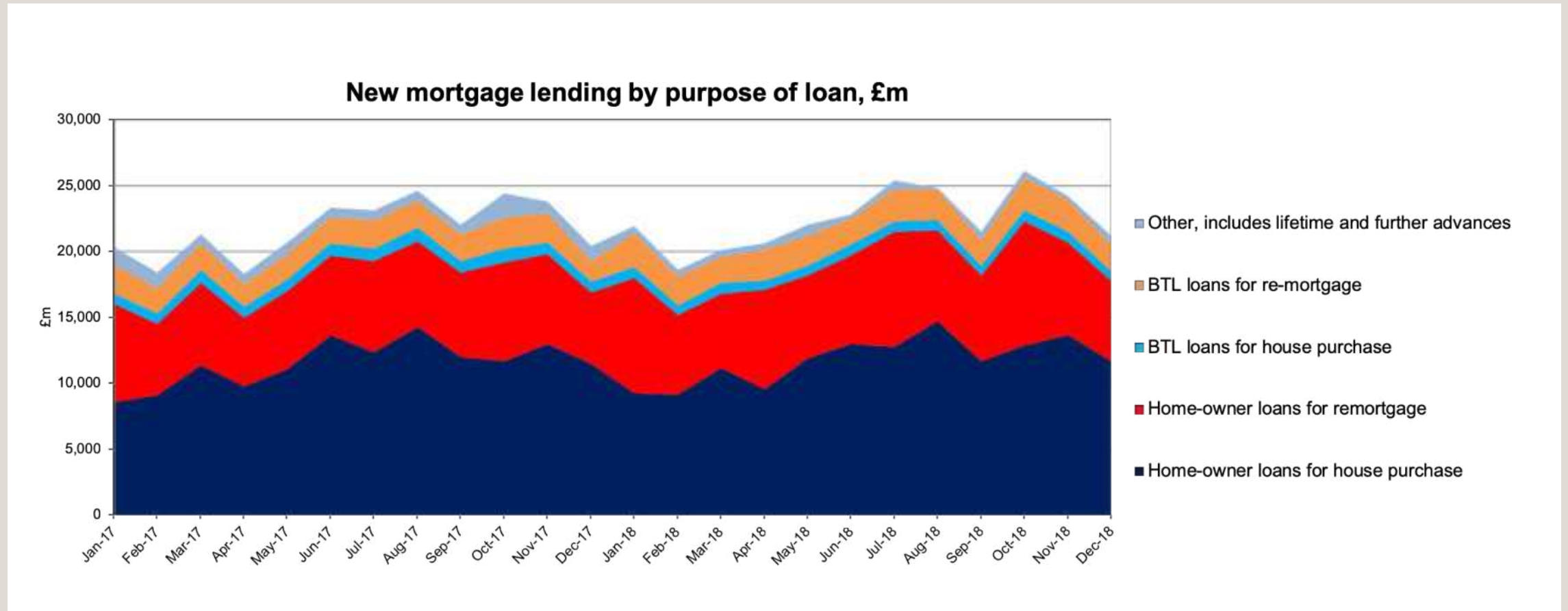
	31 December 2018 £'000	31 December 2017 £'000
Assets		
Non-current assets		
Property, plant and equipment	2,616	2,648
Goodwill	4,114	4,114
Other intangible assets	645	98
Investments	1,573	1,339
Other receivables	2,296	1,276
Deferred tax asset	878	925
Total non-current assets	12,122	10,400
Current assets		
Trade and other receivables	4,603	3,150
Cash and cash equivalents	25,589	22,551
Total current assets	30,192	25,701
Total assets	42,314	36,101
Equity and liabilities		
Equity attributable to owners of the parent		
Share capital	51	51
Share premium	4,094	3,574
Capital redemption reserve	20	20
Share option reserve	1,675	1,450
Retained earnings	14,829	13,071
Total equity	20,669	18,166
Liabilities		
Non-current liabilities		
Provisions	1,704	1,496
Deferred tax liability	54	51
Total non-current liabilities	1,758	1,547
Current liabilities		
Trade and other payables	18,690	14,999
Corporation tax liability	1,197	1,389
Total current liabilities	19,887	16,388
Total liabilities	21,645	17,935
Total equity and liabilities	42,314	36,101

Cash Flow Statement

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flows from operating activities		
Profit for the year before tax	15,682	14,535
Adjustments for:		
Depreciation of property, plant and equipment	207	201
Amortisation of intangibles	44	14
Share based payments	477	333
Share of profit of associates	(494)	(500)
Dividends received from associates	392	353
Finance income	(82)	(42)
	16,226	14,894
Changes in working capital		
Increase in trade and other receivables ¹	(2,437)	(1,159)
Increase in trade and other payables	3,691	2,594
Increase in provisions	208	277
Cash generated from operating activities	17,688	16,606
Income taxes paid	(2,818)	(2,151)
Net cash inflow from operating activities	14,870	14,455
Cash flows from investing activities		
Purchase of property, plant and equipment	(175)	(129)
Purchase of intangibles	(591)	(103)
Acquisitions of associates , including deferred consideration	(132)	(234)
Net cash outflow from investing activities	(898)	(466)
Cash flows from financing activities		
Interest received	45	31
Issue of shares	520	532
Dividends paid	(11,499)	(10,712)
Net cash outflow from financing activities	(10,934)	(10,149)
Increase in cash and cash equivalents	3,038	3,840
Cash and cash equivalents at the beginning of the period	22,551	18,711
Cash and cash equivalents at the end of the period	25,589	22,551

¹ Other than accrued interest income

Industry Trends



Industry Trends

