

Investor and analyst presentation



Mortgage Advice Bureau (Holdings) plc

Final results – year ended 31 December 2015

March 2016

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- For more detailed information, the entire text of the final results announcement for the year ended 31 December 2015, 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 & financial services experience
- British Mortgage Awards: Business Leader of the Year (3 consecutive years)



David Preece

Chief Operating Officer

- Joined MAB Board in 2004
- >38 years' mortgage & financial services experience
- 23 years' at NatWest, including as Head of Mortgage Operations



Lucy Tilley

Finance Director

- Joined MAB Board in May 2015
- Previously a Director in Corporate Broking team at Canaccord Genuity (focusing on Financial Services), worked on IPO of MAB
- Chartered Accountant, qualified at KPMG in 1996

Key highlights

2015 Highlights

- Achieved +30% profits growth for the 7th consecutive year
- Increased market share by 18% with mortgage completions up 31%
- Adviser numbers up 25% to 790 at year end (2014: 634)
- Proposed final dividend of 9.5p representing c. 90% of H2 post tax profits

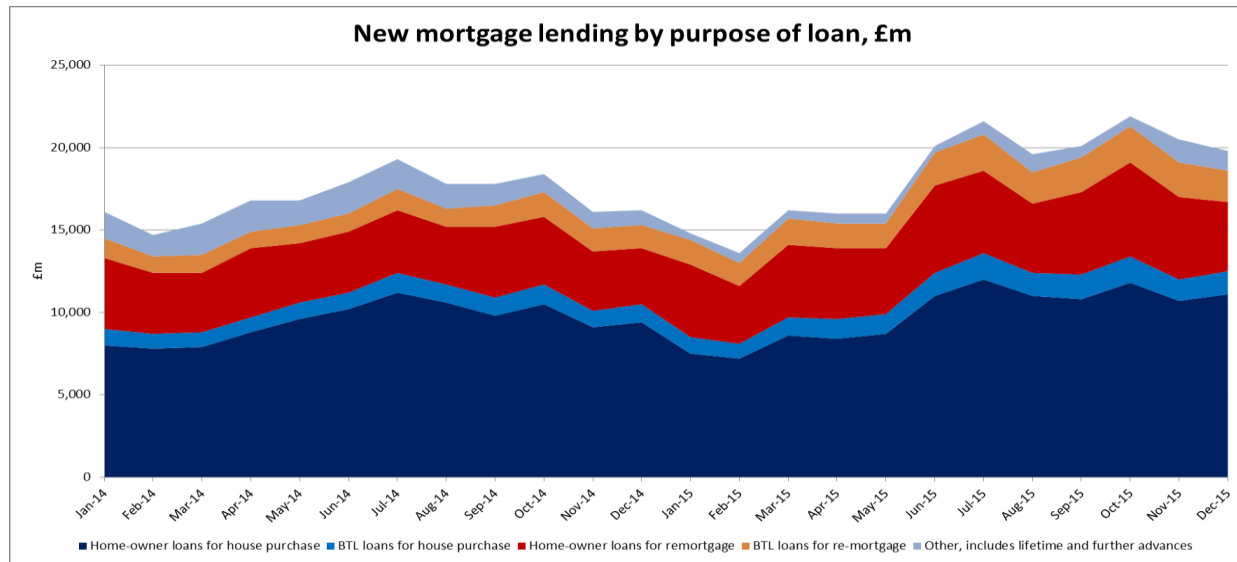
Post year end

- Adviser numbers up 54 to 844 at 18 March 2016; front ended new AR recruitment
- Sale of 49% stake in Capital Private Finance confirmed for £2.7m; 100% of post tax proceeds to be distributed by special dividend of c.4.25p in H2 2016

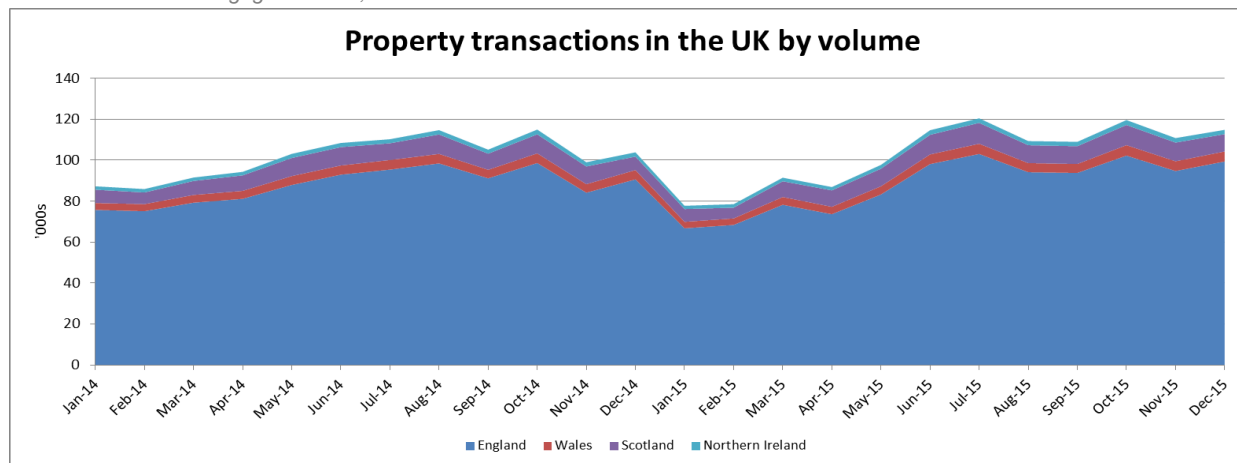
Outlook

- Intermediary market share stable at 70% and technology developments further enhancing proposition
- CML predicting UK new mortgage lending growth of 8% for 2016 and 10% for 2017
- Strength of MAB brand will become increasingly more important in driving up market share
- Minimum of 15% compound growth in MAB adviser numbers realistic and sustainable over the next few years

Industry trends



Source: Council of Mortgage Lenders, IMLA¹



Source: HM Revenue and Customs

¹ IMLA data has been used to further analyse CML data

Industry trends

2015 vs 2014

Whole market

- Property transactions by **volume** were **broadly flat** year on year; but 2015 ended year on higher run rate than 2014
- **UK** gross mortgage lending in **2015** of £220bn¹: **+8%**
- **MAB** gross mortgage completions in 2015 of £7.8bn²: **+31%**
- **MAB market share** increased by **18%** to **3.6%**
- Market increase driven mainly by house price inflation (c.6%³)

Segmental movements in gross mortgage lending by value

- Home-owner purchase: **+5%**
- BTL purchase: **+26%**
- Home-owner remortgage: **+20%**
- BTL remortgage: **+51%**

Mortgage lending forecasts

Whole market

- **CML** projections for gross mortgage lending:
 - **2016**: £237bn, **+8%**
 - **2017**: £261bn, **+10%**

Buy to Let

- **BTL** mortgage lending is forecast by IMLA⁴ to increase by:
 - **2016**: £42bn, **+11%**
 - **2017**: £47bn, **+12%**
- In 2015, BTL lending represented 17% of gross mortgage lending, this level is forecast to continue
- MAB's proportion of BTL lending is in line with market
- MAB has seen an increase in BTL transactions over the last few months ahead of SDLT increases effective in April 2016

¹ In January 2016, the CML revised its estimate for gross mortgage lending to £220bn for 2015, an increase of 8% on 2014 (£203bn)

² MAB gross mortgage completions in 2014 were £6.1bn

³ Land Registry House Price Index

⁴ Intermediary Mortgage Lenders Association

Key financial highlights

	2015	2014	% Change	
Revenue	£75.5m	£56.6m	33%	<ul style="list-style-type: none"> ▪ Average adviser numbers +24% to 720 (2014: 581)
Gross profit	£18.3m	£13.6m	34%	<ul style="list-style-type: none"> ▪ Gross profit margin maintained at 24.2% (2014: 24.1%)
Adjusted profit before tax¹	£10.4m	£8.0m	31%	<ul style="list-style-type: none"> ▪ Adjusted PBT margin of 13.8% (2014¹: 14.1%)
Adjusted EPS^{1,3}	17.2p	12.7p	35%	<ul style="list-style-type: none"> ▪ Underlying PBT margin² improved to 14.9% (2014: 14.1%)
Proposed final dividend	9.5p	2.0p	Note 5	<ul style="list-style-type: none"> ▪ R&D tax credits reduced effective tax rate to 16.9% (2014: 21.6%)
Adjusted operating profit to cash conversion⁴	100%	100%	-	<ul style="list-style-type: none"> ▪ Final dividend circa 90% of post tax profits for H2 2015 ▪ Net cash inflow from operating activities £11.0m (2014: £8.4m) ▪ Unrestricted cash balances of £8.2m (2014: £5.3m) ▪ Significant surplus on regulatory capital

1. Adjusted profit before tax and Adjusted EPS excludes provision against loan of £347,891 in 2014.

2. Before total additional costs of £0.8m in 2015, comprising £0.5m in costs associated with being listed and additional FSCS costs of £0.3m (not adjusted in 2015 as considered to be ongoing costs, but did not feature in 2014).

3. Based on 50.5 million 0.1p shares.

4. Net 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 adjusted operating profit.

5. Stub dividend of 2.0 pence paid for the period from Admission (14 November 2014) to 31 December 2014.

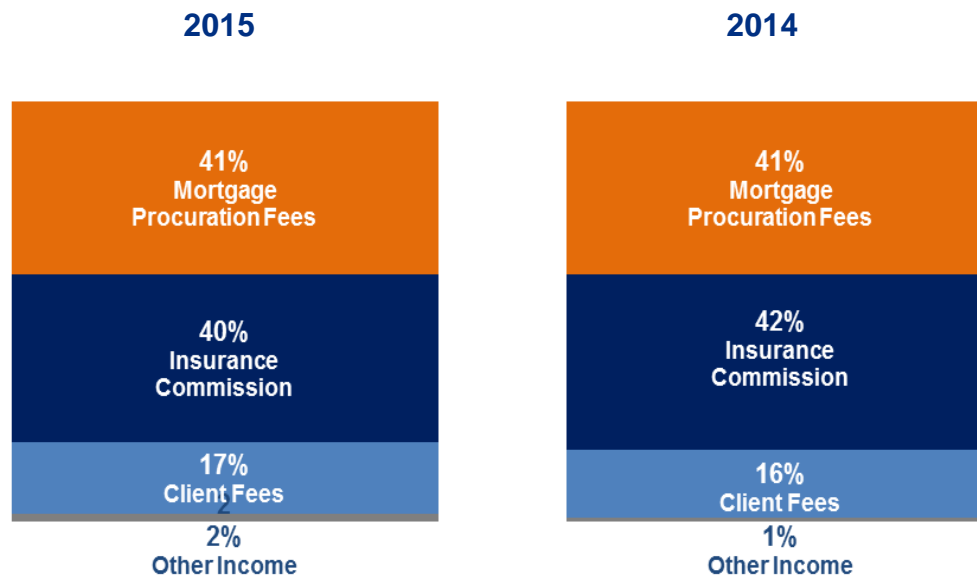
All income sources continue to grow strongly

Revenue breakdown

Income source	2015	2014	Increase
	£m	£m	
Mortgage procurement fees	31.0	22.9	35%
Protection and General Insurance Commission	30.4	23.7	28%
Client Fees	12.8	9.2	38%
Other Income	1.3	0.7	73%
Total	75.5	56.6	33%

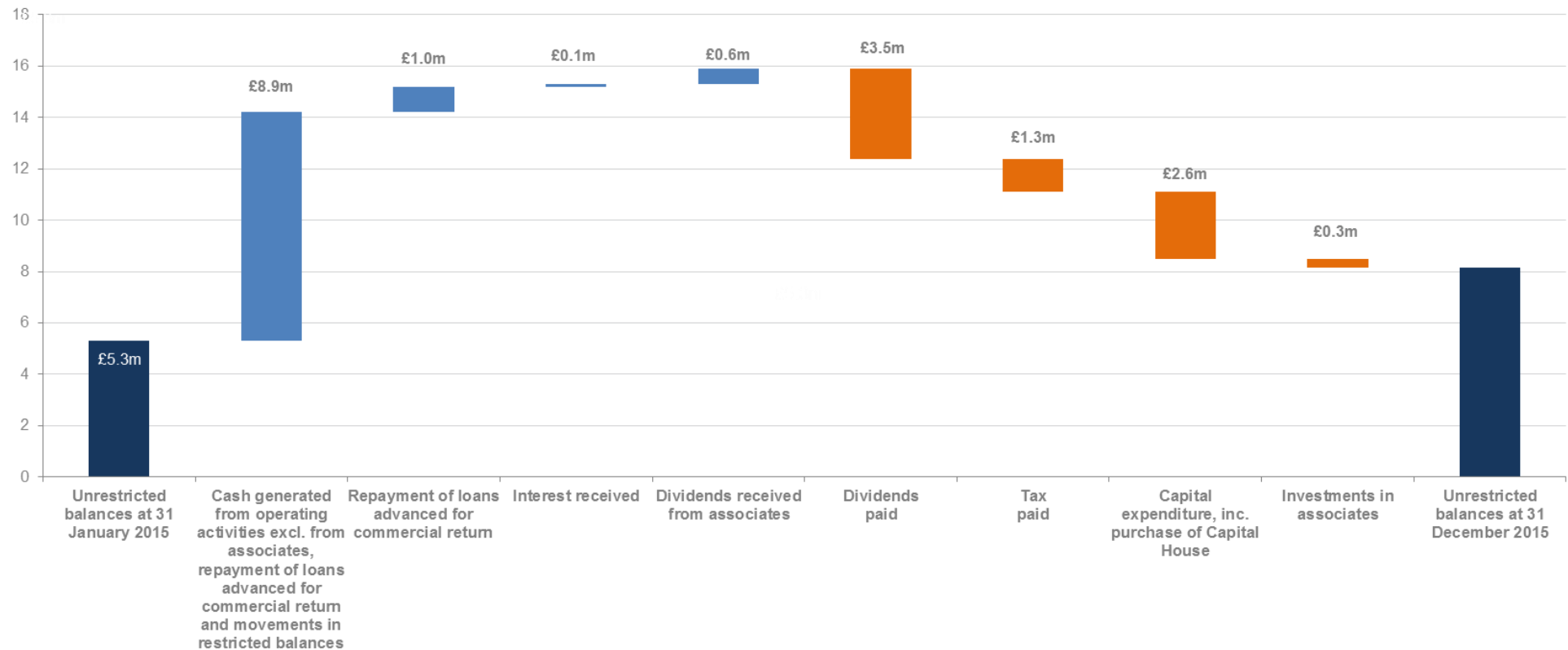
Revenue increase of 33% generated from:

- +24% average Advisers
- +8% revenue per Adviser



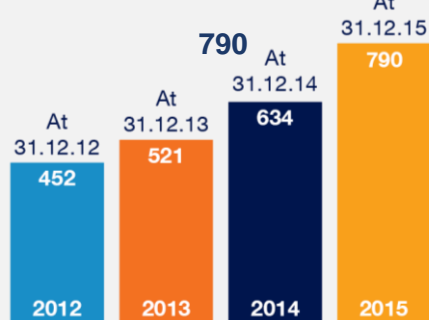
- Mortgage procurement fees and client fees have increased and this has had the effect of reducing the proportion of total income attributable to insurance commission.

Cash balance waterfall: unrestricted balances



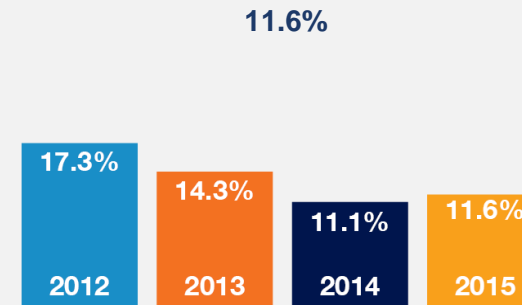
How we performed – KPIs

Adviser Numbers



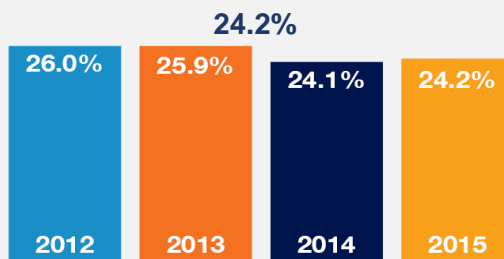
- Average adviser numbers up 24% to 720 (2014: 581)
- Strong growth continues; 844 advisers at 18 March 2016

Overheads % of Revenue



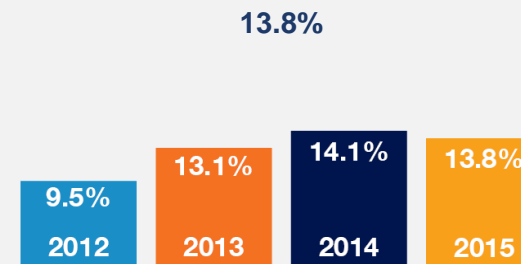
- Underlying overheads¹ as % of revenue were 10.5% (2014: 11.1%)
- Some costs (e.g. compliance) closely correlated to growth
- Remainder of costs typically rise at a slower rate than revenue

Gross Profit Margin (%)



- Existing ARs receive slightly better terms as their revenue grows
- New larger ARs typically join on lower than average margins
- Full gross margin impact of large businesses brought on in 2015 not seen yet

Adjusted Profit Before Tax Margin



- Underlying PBT margin¹ increased to 14.9% (2014: 14.1%)
- 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

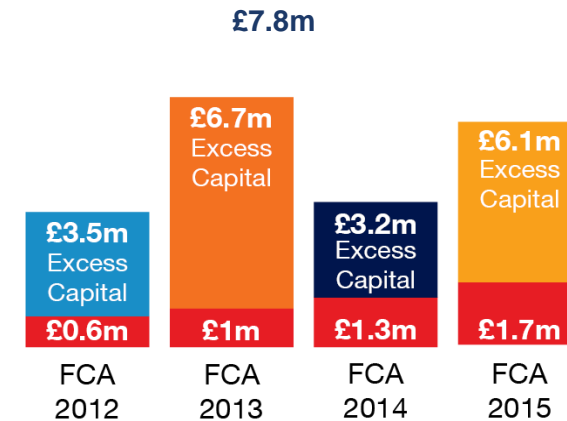
¹ Before total additional costs of £0.8m in 2015, comprising £0.5m in costs associated with being listed and additional FSCS costs of £0.3m (not adjusted in 2015 as considered to be ongoing costs, but did not feature in 2014).

Strong cash conversion supports dividend policy

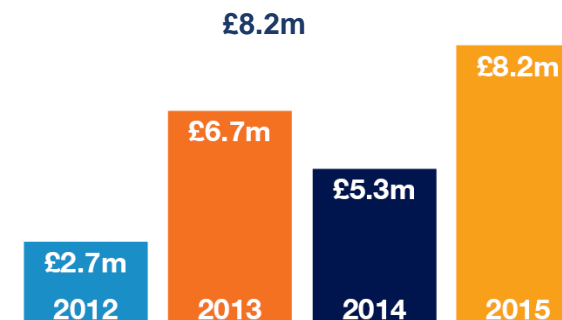
Dividend policy

- MAB is highly cash generative and capital light
- Materially, operating profits = cash
- MAB requires c. 10% of PAT for increased regulatory capital 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 proposed final = 9.5p = c. 90% H2 15 PAT
- The 90% H2 15 proposed final dividend reflects our intentions going forward to:
 - Distribute reserves not required to support growth in the business; and
 - Maintain a strong regulatory capital buffer

Capital Adequacy (£m)









Unrestricted Cash Balances (£m)




Strategy

To continue to deliver strong revenue growth and attractive returns to investors year on year through growing market share by:

-  Building on our specialist approach in targeted sectors of intermediary distribution to differentiate MAB, and attract many of the UK's leading AR firms, advisers and introducers
-  Extending areas of specialisation to on-line estate agency and BTL
-  Ensuring customer led transaction choice: face to face, digital, telephone, or combination of all
-  Broadening reach in intermediary sector by extending distribution model through selected JV partners
-  Early adoption of new and emerging technologies to drive lead generation to improve business and adviser efficiency, retention and repeat sales, whilst also further enhancing the customer and adviser experience
-  Fully leveraging USP of leading consumer brand

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	✓	✗	✗

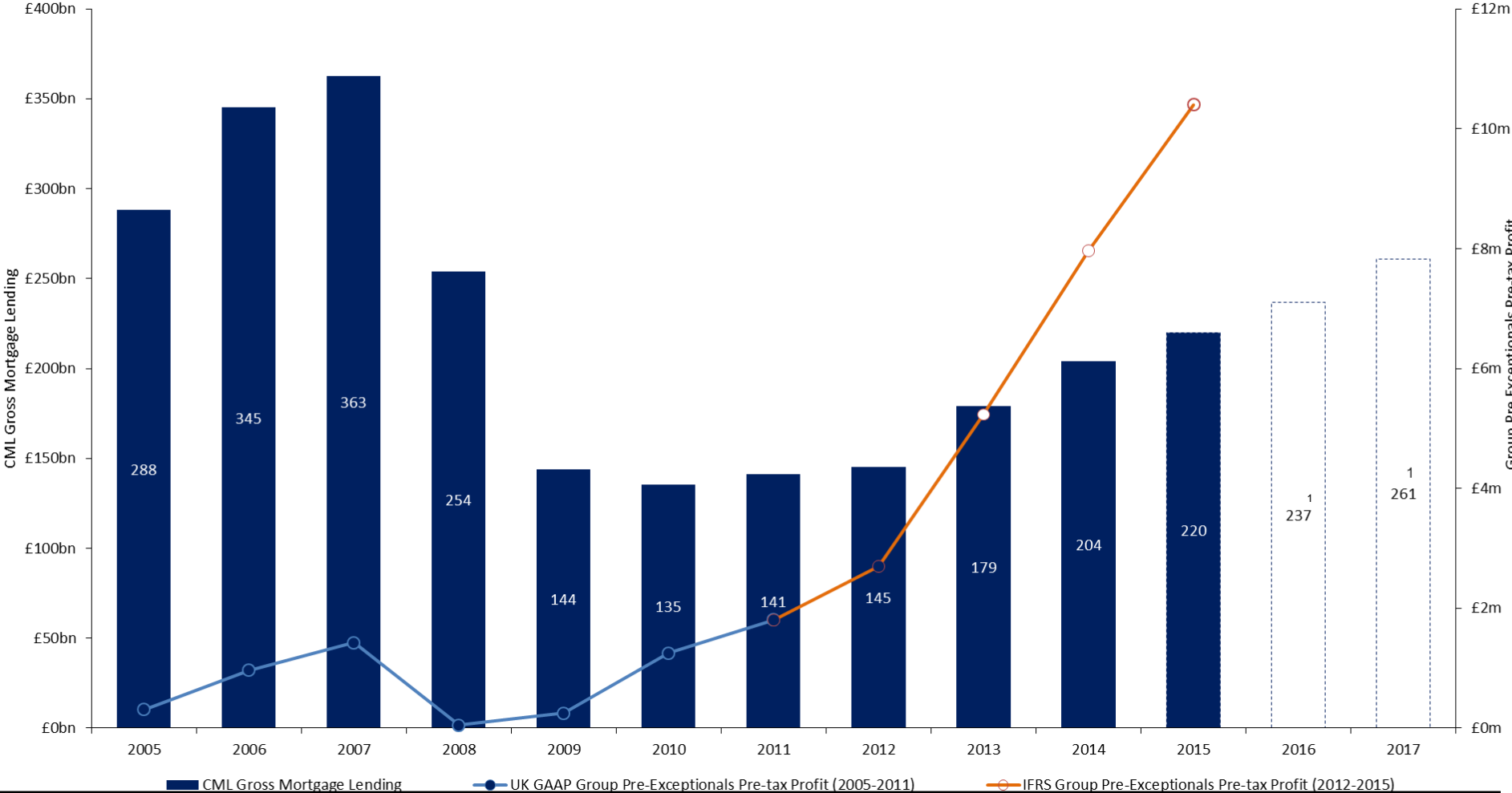
Outlook

-  Intermediary market share stable at 70%
-  New lenders continue to enter intermediary space
-  Steady growth in lending continues with re-mortgaging on the increase
-  Technology developments further enhancing intermediary service proposition
-  MAB position in intermediary sector strengthening year on year
-  Strength of MAB brand will become increasingly more important in driving up market share
-  A minimum of 15% compound annual growth in adviser numbers a very realistic and sustainable number over the next few years

Appendix



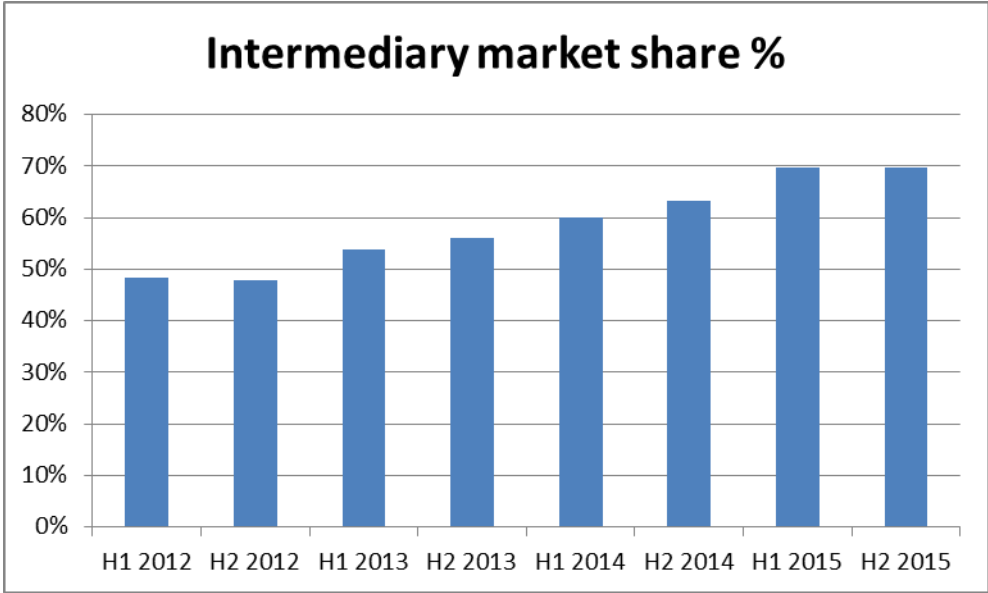
Long term track record



1. CML forecast January 2016

Market trends favour intermediaries

- Intermediary market share rose from less than 50% in 2012 to c. 70% in 2015 (excludes buy-to-let)
- MAB expects current intermediary market share to remain broadly stable going forwards

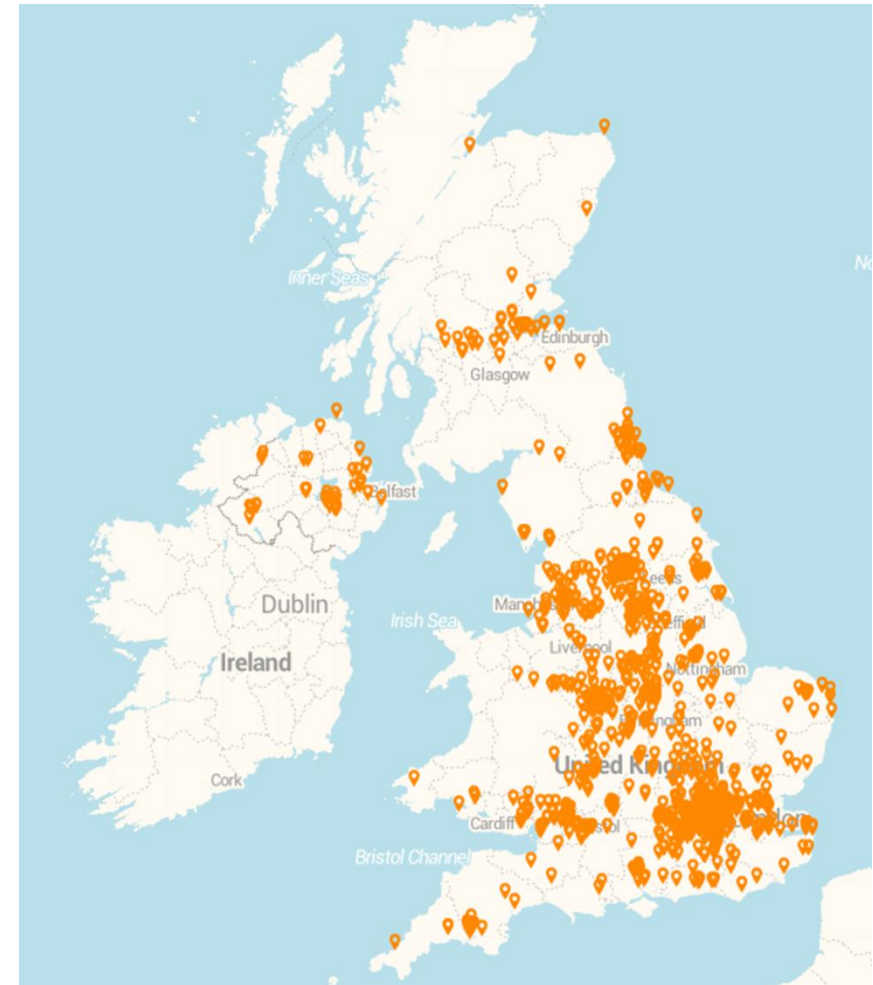


Source: Council of Mortgage Lenders' Regulated Mortgage Survey

Company overview

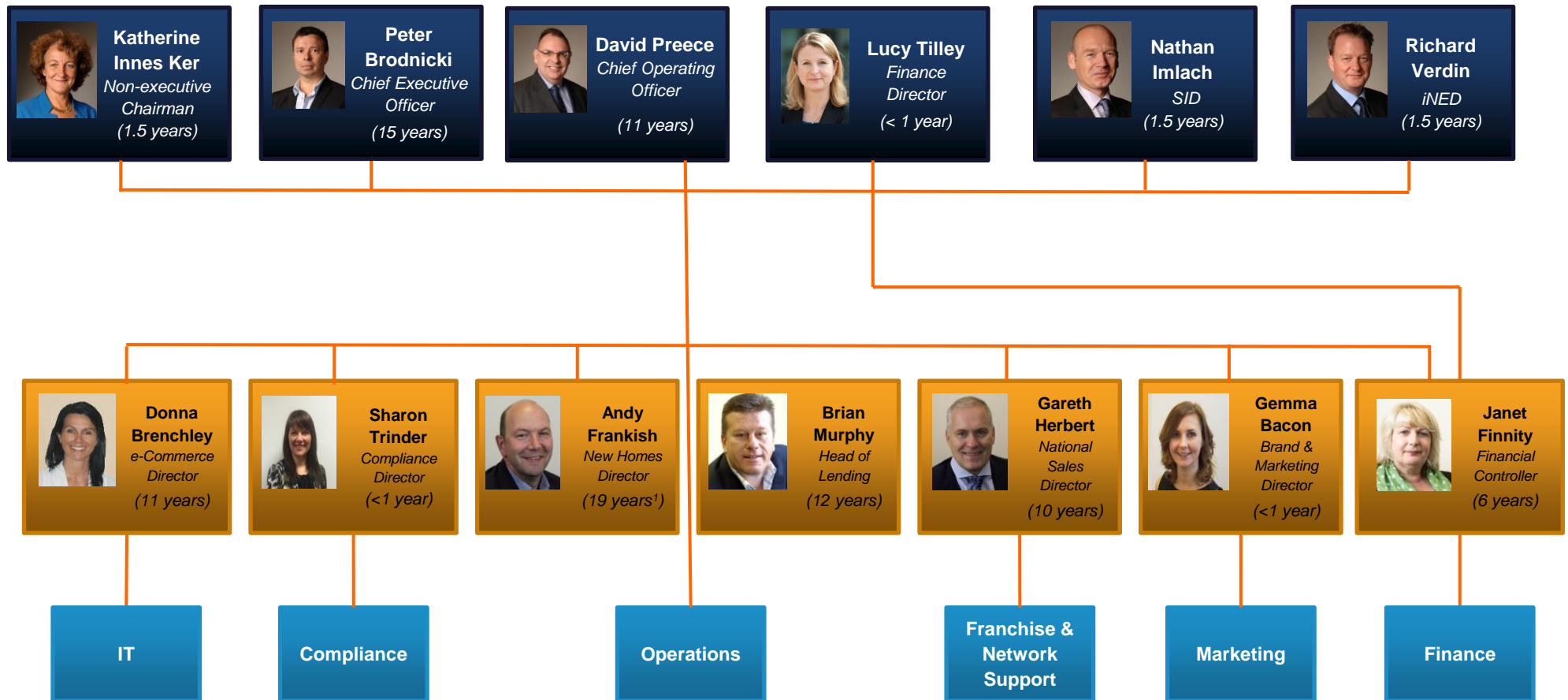
Overview

- 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 independent mortgage advice to customers as well as advice on protection and general insurance
- Over 840 Advisers, almost all employed or engaged by ARs
- All compliance supervision undertaken by MAB employees
- Broad geographical spread across the UK, with <10% of the Group’s revenue derived from the London market
- Developed leading in-house proprietary trading platform called MIDAS
- Won over 72 awards in last 5 years



MAP OF ADVISER LOCATIONS

Corporate structure

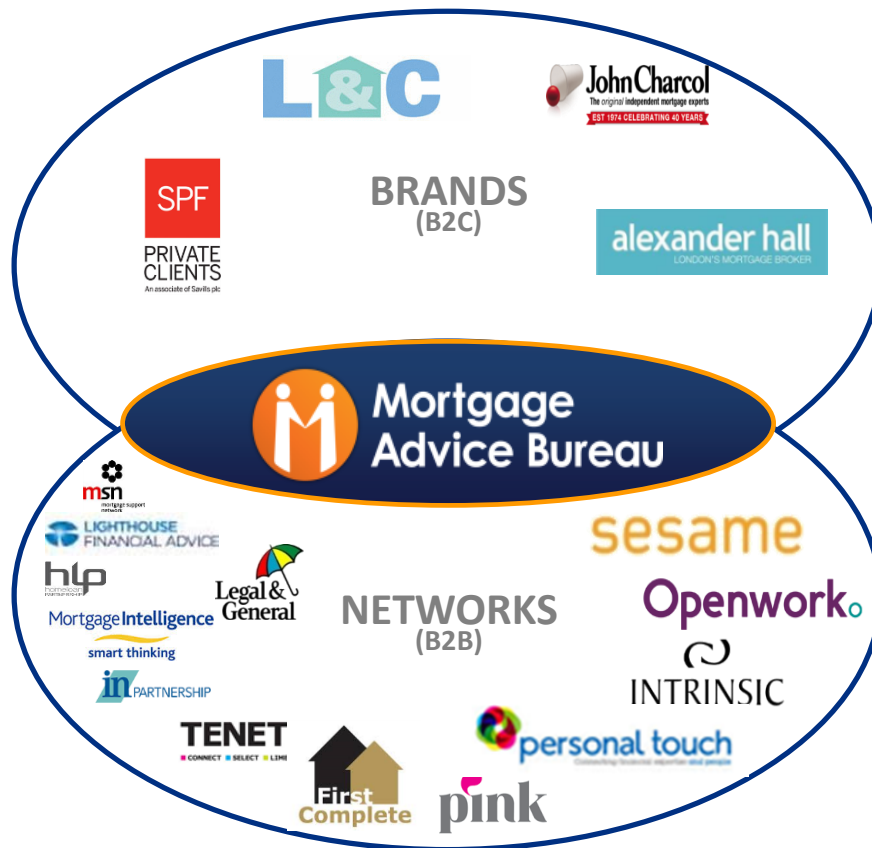


- Board of Directors
- Senior Management Team
- Divisions

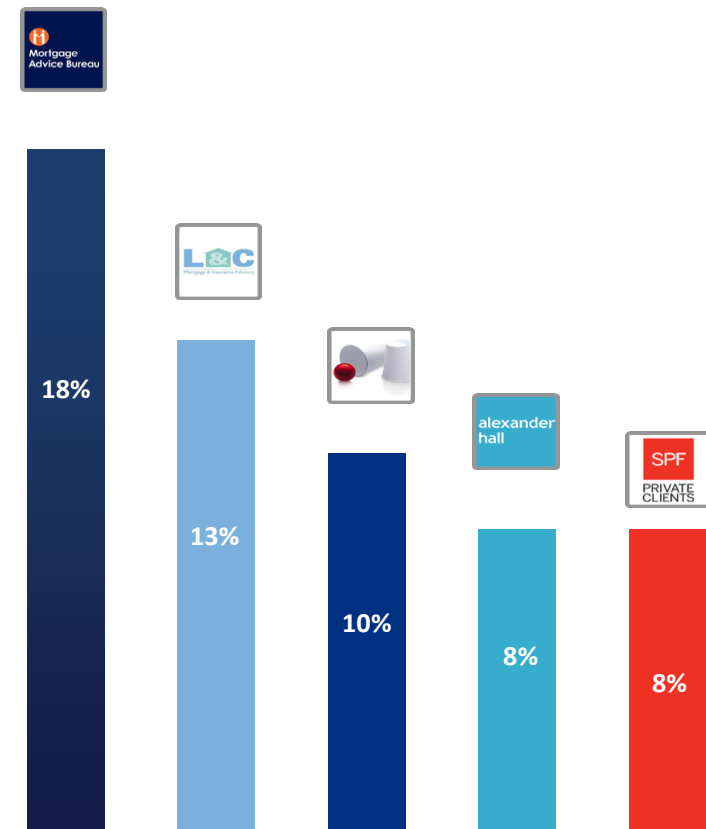
1. Includes period at Mortgage Talk

There is only one MAB

Competitive positioning



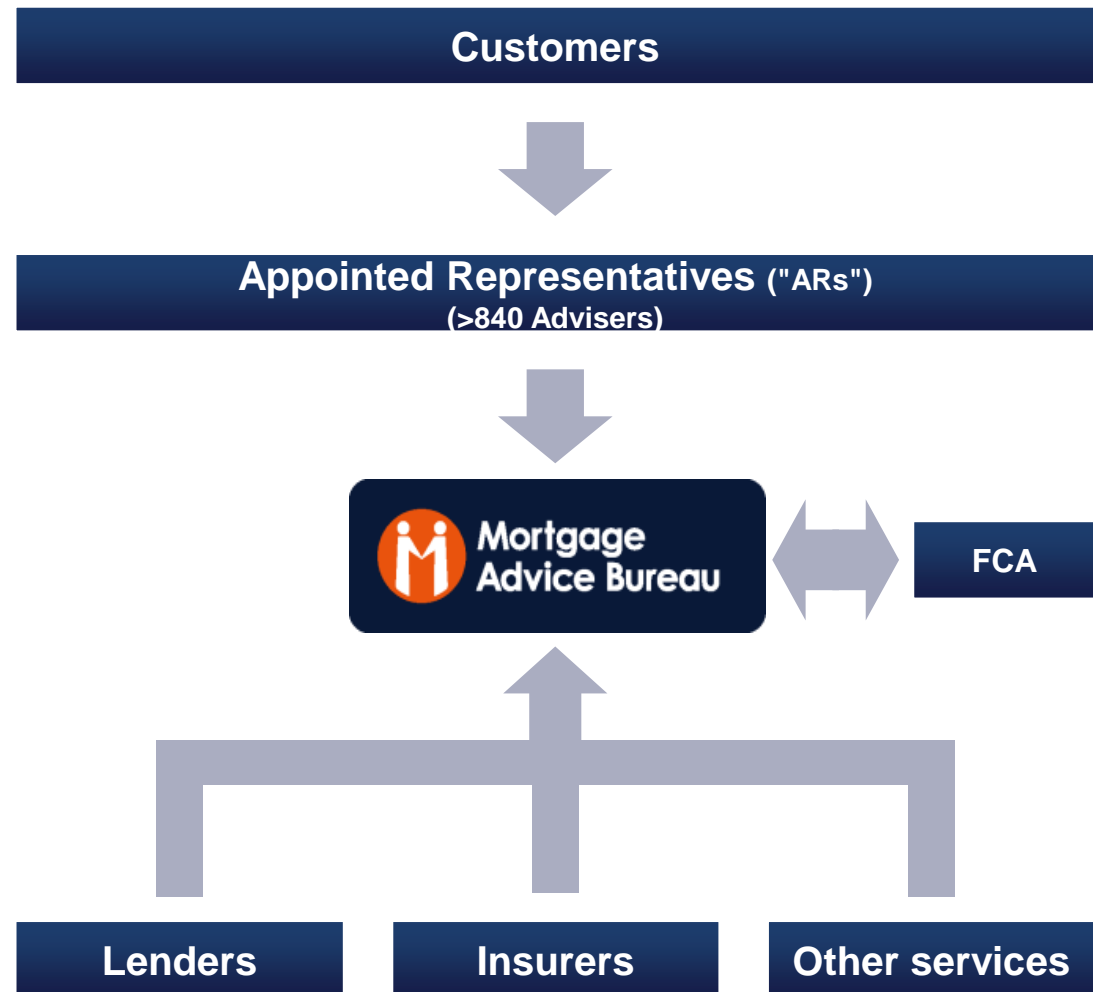
Top broker for brand awareness¹



1. Sample: 2,002 UK adults interviewed online by independent market research agency, Opinium Research, 2nd-6th May 2014

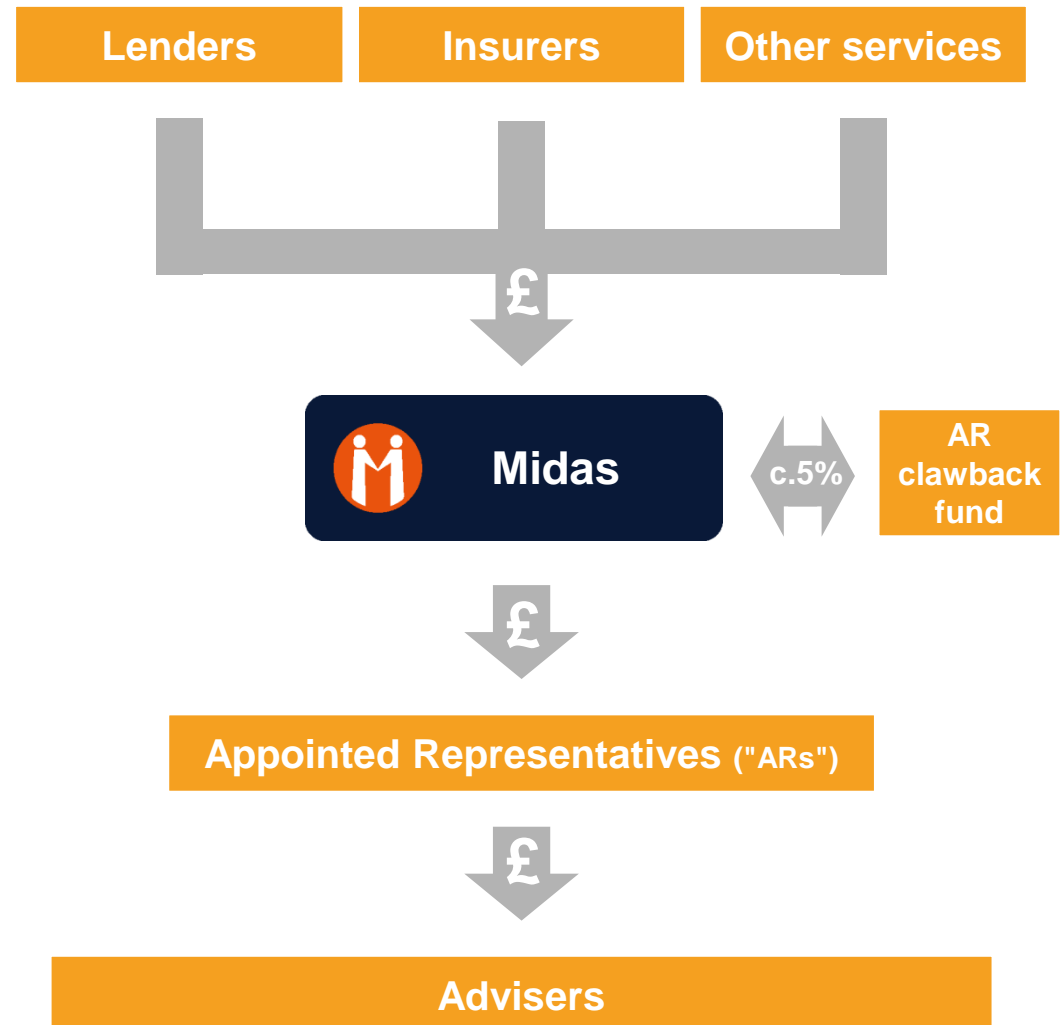
Our business model

- One of UK's leading independent networks for mortgage intermediaries, with over 130 ARs and over 840 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
- >75% 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
- 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



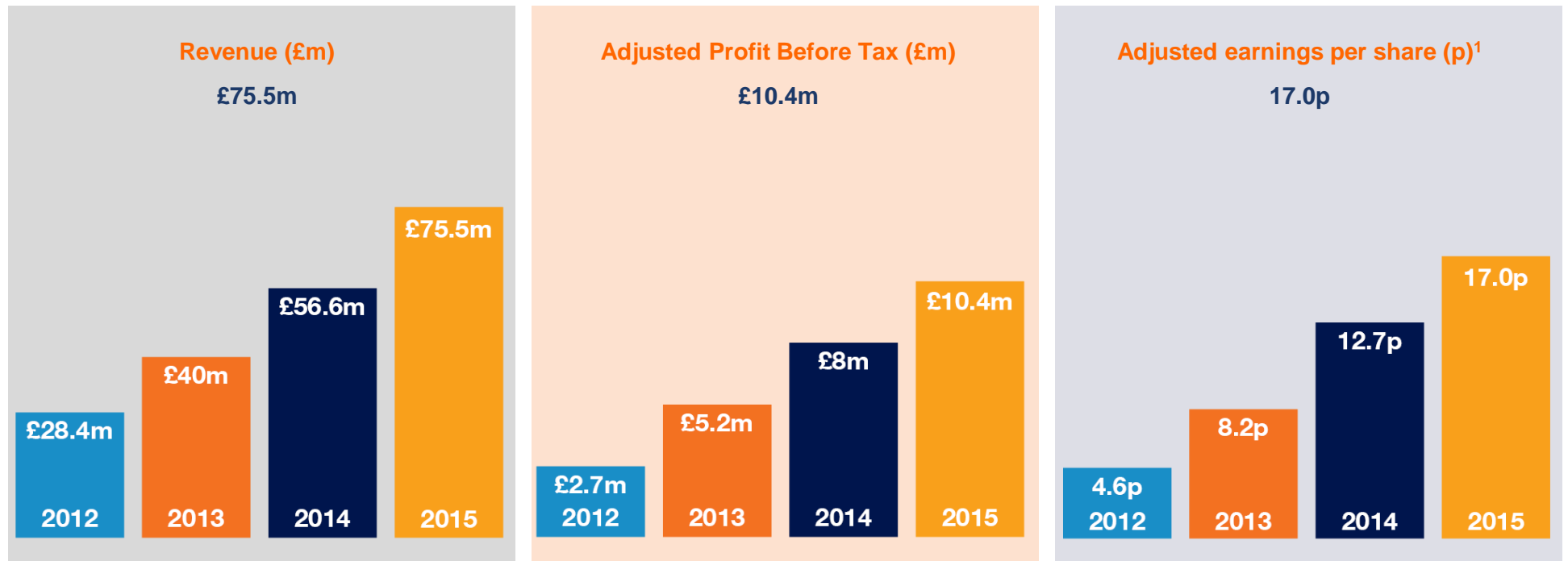
Core financial model

$$\text{No. of advisers} \times \text{Adviser revenue} = \text{Group revenue}$$

$$\text{Group revenue} - \text{Paid to ARs} - \text{Cost of sales} = \text{Gross profit}$$

$$\text{Gross profit} - \text{Cost of operations} + \text{Profits from associates} = \text{Pre tax profit}$$

How we performed - KPIs



1. Based on 50.5m shares to allow comparison

Income statement

	Year to 31 Dec 2015 £'000	Year to 31 Dec 2014 £'000
Revenue	75,466	56,578
Cost of sales	(57,173)	(42,933)
Gross Profit	18,293	13,645
Administrative expenses ¹	(8,722)	(6,257)
Share of profit from associate	703	458
Operating profit before exceptional costs	10,274	7,846
Exceptional costs	-	(1,094)
Operating profit	10,274	6,752
Finance income	143	124
Profit before tax	10,417	6,876
Tax expense	(1,759)	(1,485)
Profit for the year attributable to equity holders of parent	8,658	5,391
Total comprehensive income attributable to equity holders of parent company	8,658	5,391
Basic EPS	17.151p	9.626p
Diluted EPS	16.653p	9.588p

1. Before IPO costs and provision against loan

Income statement – additional information (1)

	Year to 31 Dec 2015 £'000	Year to 31 Dec 2014 £'000
Revenue breakdown		
Mortgage related products	43,794	32,149
Insurance and other protection products	30,412	23,702
Conveyancing and survey fees and other income	1,260	727
Total revenue	75,466	56,578
Staff costs		
Wages and salaries	5,629	4,769
Share based payments	250	64
Social security costs	618	522
Defined contribution pension costs	113	112
Total staff costs	6,610	5,467
Average number of people employed during the year	123	114
Exceptional costs		
Costs incurred in relation to the IPO	-	746
Provision against loan	-	348
Total	-	1,094
Cash and cash equivalents		
Unrestricted cash and bank balances	8,189	5,281
Bank balances held in relation to retained commissions	5,767	3,989
Cash and cash equivalents	13,956	9,270

Income statement – EPS

	Year to 31 Dec 2015 £'000	Year to 31 Dec 2014 £'000
Basic earnings per share		
Profit for the year attributable to the owners of the parent	8,658	5,391
Weighted average number of shares in issue (see note below)	50,748,038	56,009,100
Basic earnings per share (in pence per share)	17.151p	9.626p
Diluted earnings per share		
Profit for the year attributable to the owners of the parent	8,658	5,391
Weighted average number of shares in issue (see note below)	51,987,564	56,229,933
Basic earnings per share (in pence per share)	16.653p	9.588p
Adjusted earnings per share		
Profit for the year attributable to the owners of the parent	8,658	5,391
Adjusted for the following items net of tax:		
Exceptional costs	-	1,019
Adjusted earnings net of tax	8,658	6,410
Weighted average number of shares in issue ¹	50,478,038	56,009,100
Adjusted earnings per share (in pence per share)	17.151p	12.691p

1. Based on 50.5m shares to allow comparison

Balance sheet

	Year to 31 Dec 2015 £'000	Year to 31 Dec 2014 £'000
Assets		
Non-current assets		
Property, plant and equipment	2,621	204
Goodwill	4,114	4,114
Other intangible assets	27	45
Investments	715	253
Total non-current assets	7,477	4,616
Current assets		
Trade and other receivables	2,852	2,921
Cash and cash equivalents	13,956	9,270
Total current assets	16,808	12,191
Total assets	24,285	16,807
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	157	11
Retained earnings	9,635	4,497
Total equity	12,905	7,621
Liabilities		
Non-current liabilities		
Provisions	918	751
Deferred tax liability	28	25
Total non-current liabilities	946	776
Current liabilities		
Trade and other payables	9,519	7,908
Corporation tax liability	915	502
Total current liabilities	10,434	8,410
Total liabilities	11,380	9,186
Total equity and liabilities	24,285	16,807

Cash flow statement

	Year to 31 Dec 2015 £'000	Year to 31 Dec 2014 £'000
Cash flows from operating activities		
Profit for the year before tax	10,417	6,876
Adjustments for:		
Depreciation of property, plant and equipment	131	112
Profit on disposal of property, plant and equipment	-	-
Amortisation of intangibles	18	18
Share based payments	146	11
Share of profit of associates	(703)	(458)
Dividends received from associates	586	404
Finance income	(143)	(124)
	10,452	6,839
Changes in working capital		
Decrease/(increase) in trade and other receivables	69	384
Increase- in trade and other payables	1,611	2,496
Increase/(decrease) in provisions	167	162
Cash generated from operating activities	12,299	9,881
Income taxes paid	(1,343)	(1,521)
Net cash inflow from operating activities	10,956	8,360
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,548)	(139)
Proceeds from sale of property, plant and equipment	-	-
Acquisitions of associates and investments	(345)	-
Proceeds from disposal of associates	-	-
Net cash inflow/(outflow) from investing activities	(2,893)	(139)
Cash flows from financing activities		
Interest received	143	124
Redemption of shares	(38)	(4,558)
Issue of shares	-	53
Dividends paid	(3,482)	(3,958)
Net cash (outflow) from financing activities	(3,377)	(8,339)
Net (decrease)/increase in cash and cash equivalents	4,686	(118)
Cash and cash equivalents at the beginning of year	9,270	9,388
Cash and cash equivalents at the end of the year	13,956	9,270

Quarterly gross mortgage lending data

Mortgage lending has grown at a CAGR of 11% over the last 4 years

