Investor and analyst presentation

Mortgage Advice Bureau

Mortgage Advice Bureau (Holdings) plc

Interim results – six months ended 30 June 2015

September/October 2015

THE BRITISH MORTGAGE AWARDS 2010, 11, 12, 13 & 14 WINNER

MoneyMarketing Financial Services 2012, 2013 & 2014 Adviser Awards WINNER BEST MORTGAGE ADVISER

ESTAS AWARDS RATED BY OUR CUSTOMERS 2011 & 2012 AWARD WINNERS SUPPLIER OF THE YEAR

mortgagestrategy WINNER 2010, 11, 12, 14 & 2015

Legal & General Mortgage Club 2011, 2012, 2013 & 2014 WINNER
Top Overall Mortgage Business
Top Protection Producer
Top GI Producer

WHAT MORTGAGE AWARDS Winner 2010 2011 2013

The Negotiator AWARDS 2011, 12 & 13 WINNER

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- For more detailed information, the entire text of the interim results announcement for the six months ended 30 June 2015, can be found on the Investor Relations section of the Mortgage Advice Bureau website (www.investor.mortgageadvicebureau.com).

Agenda

Table of contents

Presentation team

Peter Brodnicki
Chief Executive Officer

- Co-founded the business in 2000
- >29 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
- >37 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 (focusing on Financial Services), worked on IPO of MAB
- Chartered Accountant, qualified at KPMG in 1996

There is only one MAB…

Providing our customers with **expert advice** is at the heart of everything we do

Specialisation and **brand** strength a key differentiator in sector

Strong financial track record and cost efficient

>90 Years

Long-standing and highly **experienced management** team

Well positioned for **growth** and **diversification**

£

Highly **cash generative** and **scalable** model drives attractive returns

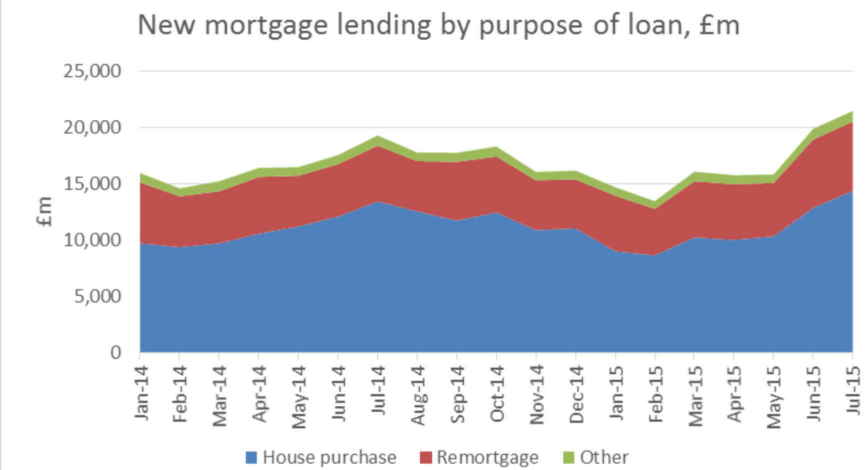
Key highlights

- Revenue up 28% with strong gross margin maintained at 24.3% (H1 2014: 24.5%)
- Adjusted PBT up 16% and underlying PBT margin[1] maintained at 13.9%
- Cash conversion remains strong at 89%
- Maiden interim dividend of 4.9p representing circa 75% of post-tax profits
- Strong financial position with significant surplus on regulatory capital
- Cash balances of £11.5m (31 Dec 2014: £9.3m), with unrestricted cash balances of £6.9m (31 Dec 2014: £5.3m)
- Adviser numbers up 14% to 722 at 30 June 2015 (31 December 2014: 634)
- Average number of Advisers in the 12 months to 30 June 2015 up 20% to 638 (12 months to 30 June 2014: 529)
- Purchase of freehold of Head Office Building for £2.4m from cash resources

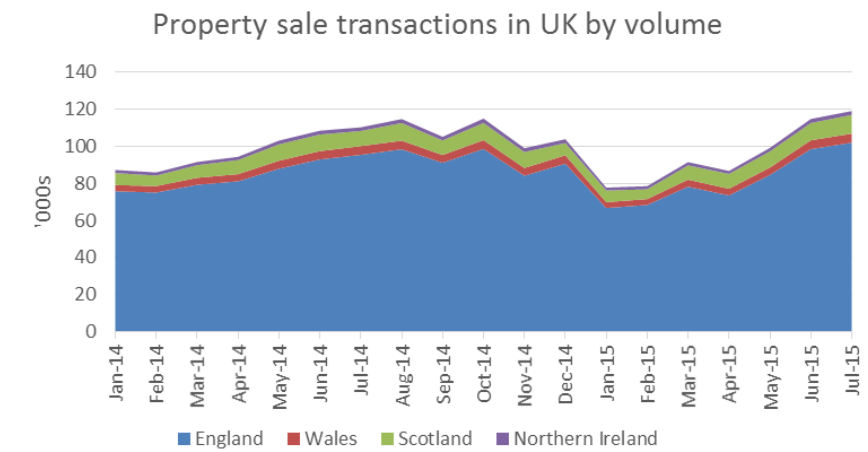
[1] During H1 2015 total additional costs of £0.42m, comprising costs associated with being listed of £0.26m and additional FSCS costs, over and above H1 2014, of £0.16m have been incurred (these are not treated as exceptional as the Directors consider them to be ongoing costs of the business, but did not feature in H1 2014). Excluding these costs, the underlying PBT margin in H1 2015 would have been 13.9%, the same as the PBT margin in H1 2014.

Industry trends

- Encouraging signs of increased mortgage lending activity early this year, despite election
- First signs of increased activity in the remortgage market as borrowers look to secure mortgage deals at the record low rates of interest currently available
- Activity in the property and mortgage market has increased post election
- Housing has been clearly stated as a central policy by the government
- In July 2015, the CML revised its forecasts for lending to £209bn in 2015 and £230bn in 2016



Source: HM Revenue and Customs

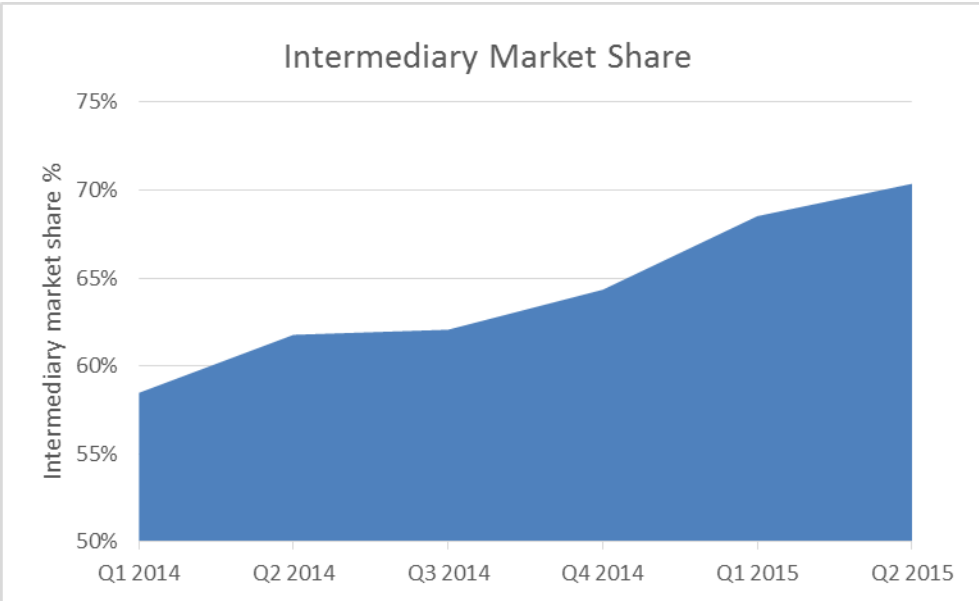


Source: Bank of England

Market trends favour intermediaries

Market trends favour intermediaries

- Intermediary market share rose from 60% in H1 2014 to 69% in H1 2015 (excludes buy-to-let)
- Some industry commentators expect further growth



Source: Council of Mortgage Lenders' Regulated Mortgage Survey

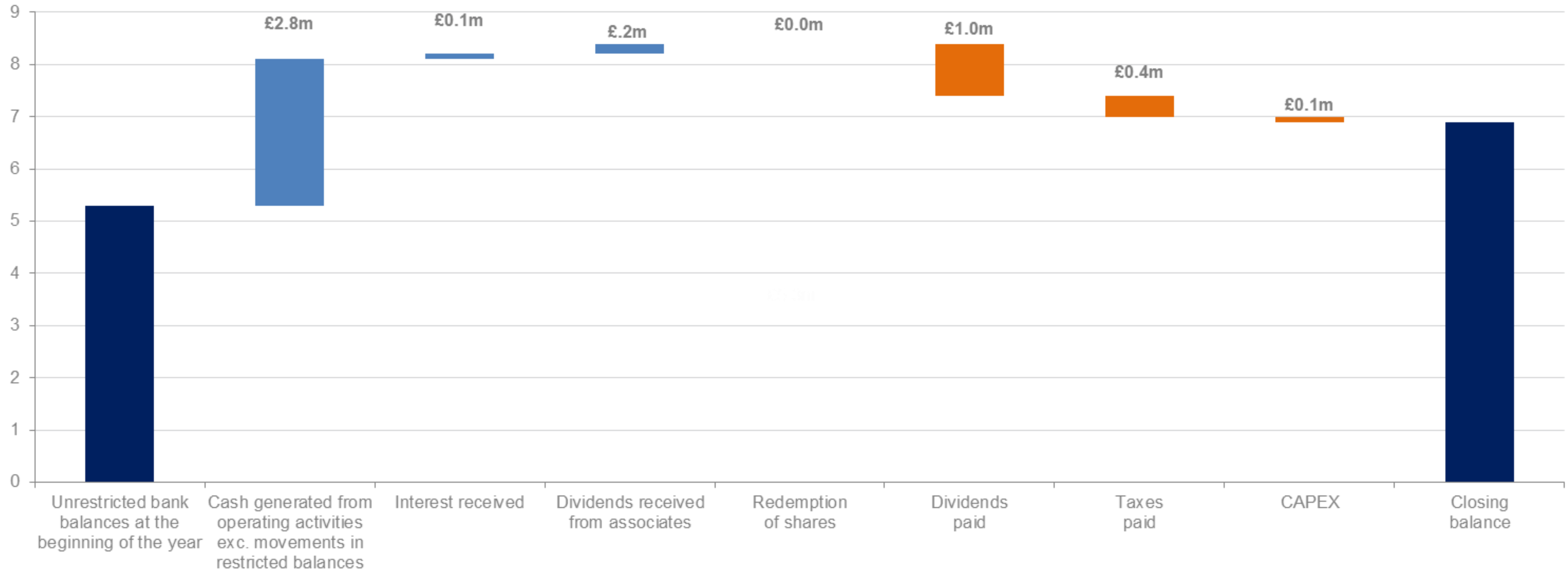
Key financial highlights

	H1 2015	H1 2014	*% Change*
Revenue	£31.2m	£24.5m	*28%*
Gross profit	£7.6m	£6.0m	*27%*
Adjusted profit before tax[1]	£3.9m	£3.4m	*16%*
Adjusted EPS[1.3]	6.5 pence	5.3 pence	*24%*
Interim dividend	4.9 pence per share	-	-
Adjusted operating profit to cash conversion[4]	89%	92%	-

- Average adviser numbers +20% to 638 *(2014: 529)*
- Gross profit margin broadly unchanged
- Adjusted profit before tax margin of 12.6% *(H1 2014[1]: 13.9%)*
- Underlying PBT margin maintained[2]
- R&D tax credit has reduced tax charge for H1 2015
- Interim dividend circa 75% of post tax profits for the period
- Net cash inflow from operating activities £3.1m *(H1 2014: £3.4m)*
- Unrestricted cash balances of £6.9m *(31 Dec 2014: £5.3m)* providing significant surplus on regulatory capital

1. Adjusted profit before tax and Adjusted EPS excludes provision for bad debt of £326,437 in 2014
2. During H1 2015 total additional costs of £0.42m, comprising costs associated with being listed of £0.26m and additional FSCS costs, over and above H1 2014, of £0.16m have been incurred (these are not treated as exceptional as the Directors consider them to be ongoing costs of the business, but did not feature in H1 2014). Excluding these costs, the underlying PBT margin in H1 2015 would have been 13.9%, the same as the PBT margin in H1 2014.
3. Based on 50.5 million 0.1p shares
4. Net cash flow from operating and investing activities adjusted for movements in non-trading items including loans to ARs, loans to associates and other non-trade receivables.

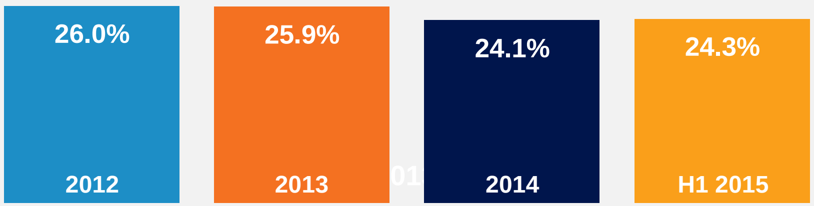
Cash balance waterfall



How we performed – KPIs

Gross Profit Margin (%)

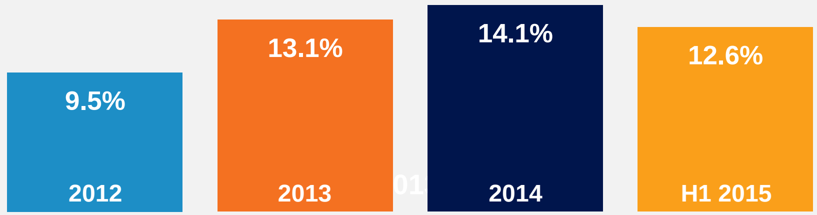
24.3%



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

Adjusted Profit Before Tax Margin

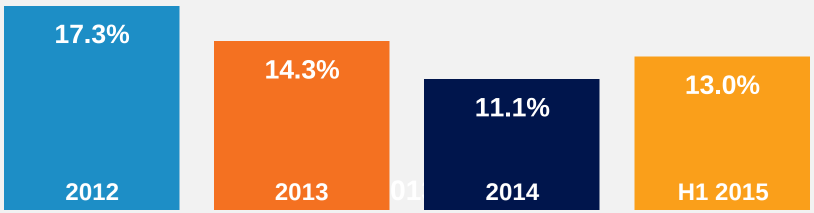
12.6%



- Underlying PBT margin[1] of 13.9% remains the same as H1 2014
- Going forward we would expect any erosion of gross profit margin and the scalable nature of our cost base to broadly balance out

Overheads % of Revenue

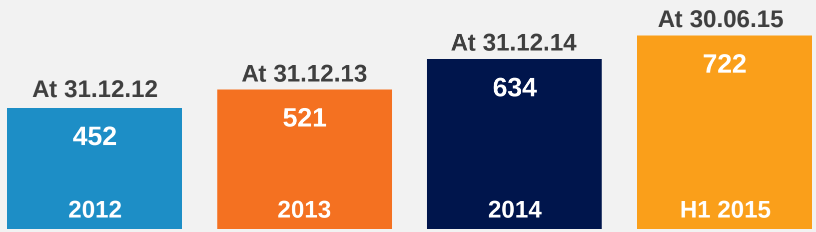
13.0%



- Underlying overheads[1] as % of revenue were 11.7% (H1 2014: 11.9%)
- Some costs (e.g. compliance) closely correlated to growth
- Remainder of costs typically rise at a slower rate than revenue

Adviser Numbers

722



- Average adviser numbers (LTM[2]) up 20% to 638 *(30 June 2014: 529)*
- Strong growth continues; 779 advisers at 18 September 2015

1 During H1 2015 total additional costs of £0.42m, comprising costs associated with being listed of £0.26m and additional FSCS costs, over and above H1 2014, of £0.16m have been incurred (these are not treated as exceptional as the Directors consider them to be ongoing costs of the business, but did not feature in H1 2014). Excluding these costs, the underlying PBT margin in H1 2015 would have been 13.9%, the same as the PBT margin in H1 2014.
2 LTM = Last Twelve Months

Outlook

- **Positive backdrop post election**
- **Intermediary market share has continued to rise and new lenders entering market**
- **First signs of increased activity in the remortgage market**
- **Our market is expanding**
- **Well placed to bring in new ARs and attract Advisers to existing ARs**
- **Opportunities for targeted investments to enhance distribution**

Appendix

THE BRITISH MORTGAGE AWARDS
2010, 11, 12, 13 & 14
WINNER

MoneyMarketing
Financial Services
2012, 2013 & 2014
Adviser Awards
WINNER
BEST MORTGAGE ADVISER

ESTAS AWARDS
RATED BY OUR CUSTOMERS
2011 & 2012 AWARD WINNERS
SUPPLIER OF THE YEAR

mortgagestrategy
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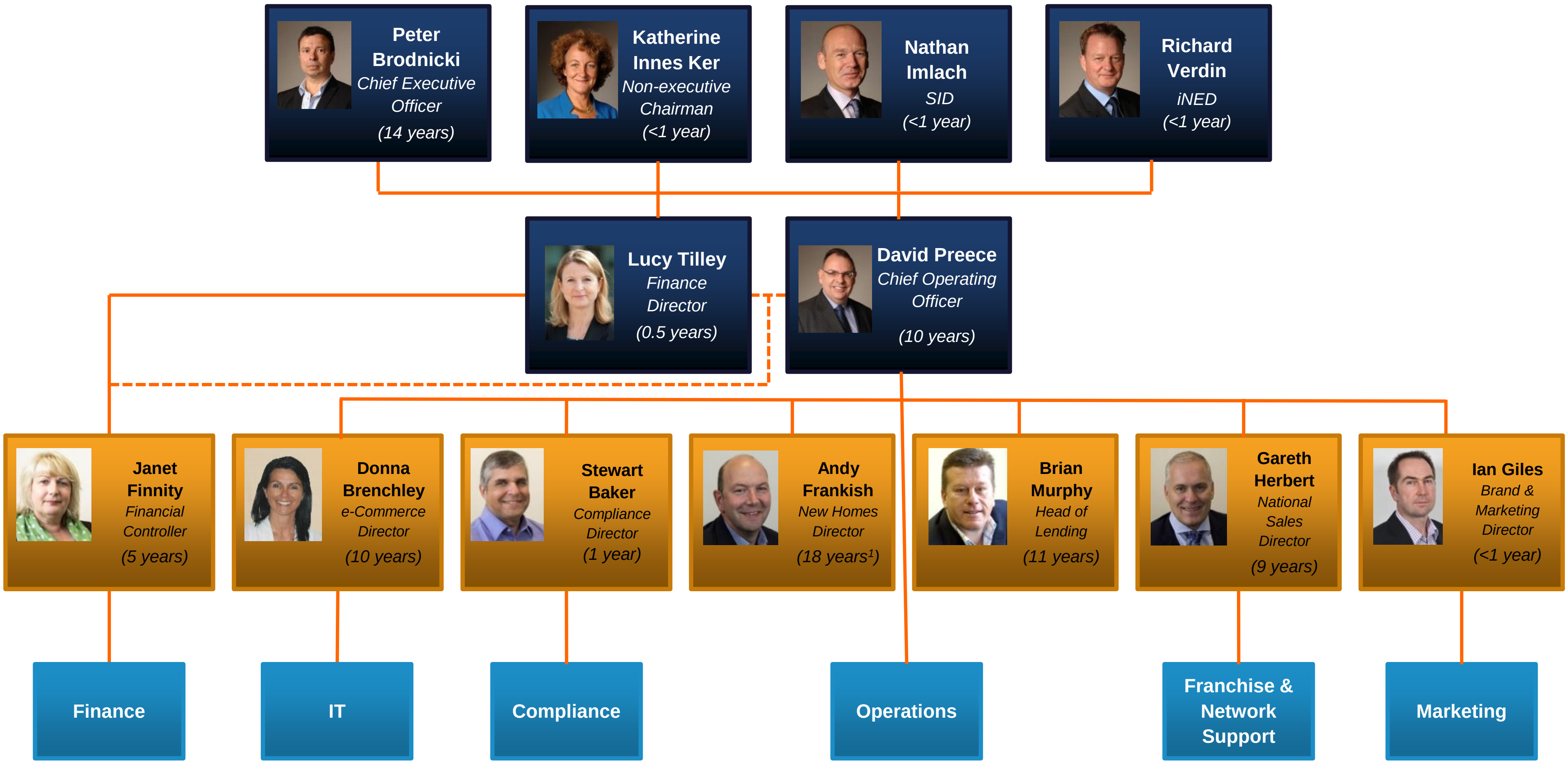
WHAT MORTGAGE AWARDS
Winner
2010
2011
2013

TheNegotiator AWARDS
2011, 12 & 13
WINNER

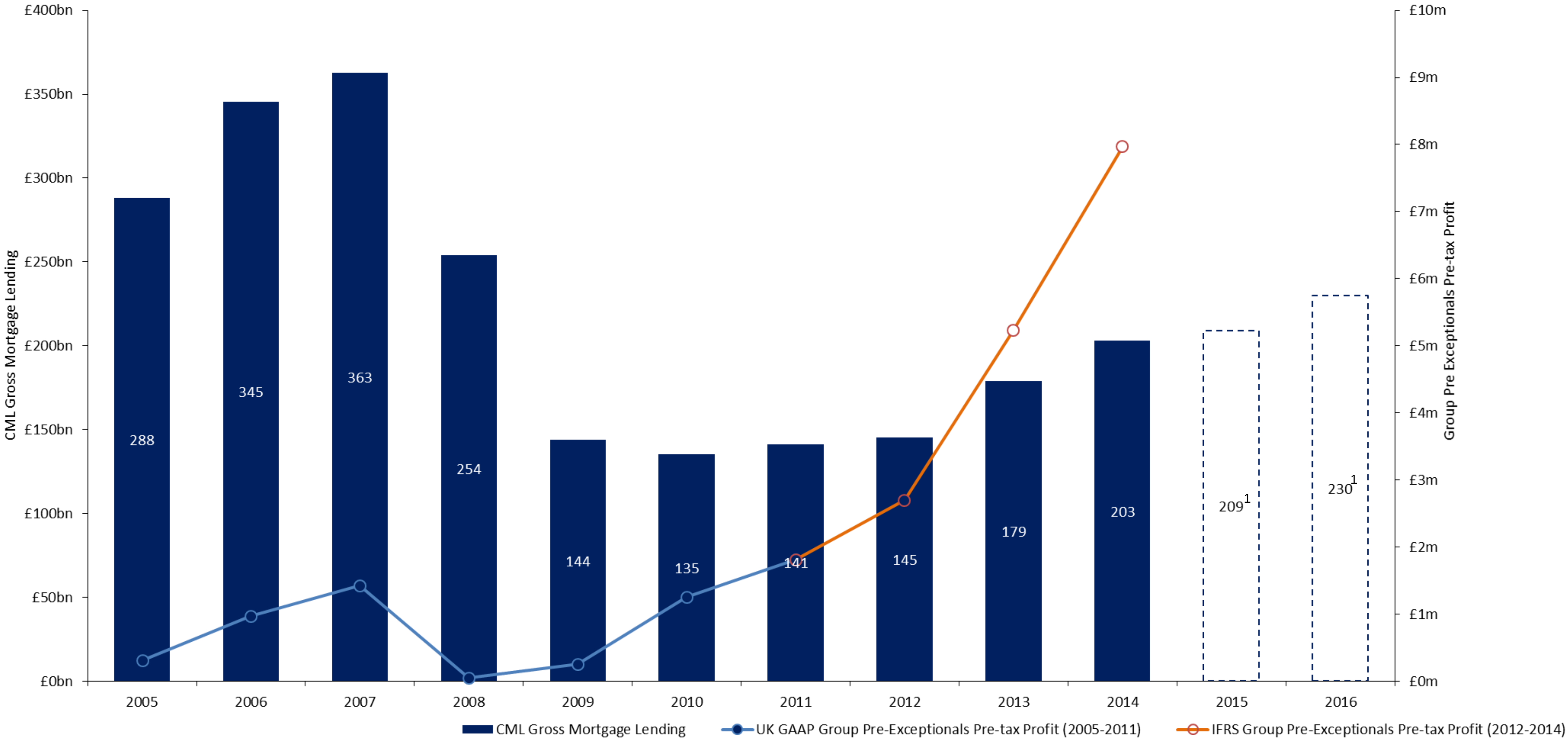
Corporate structure



Board of Directors
Senior Management Team
Divisions

1. Includes period at Mortgage Talk

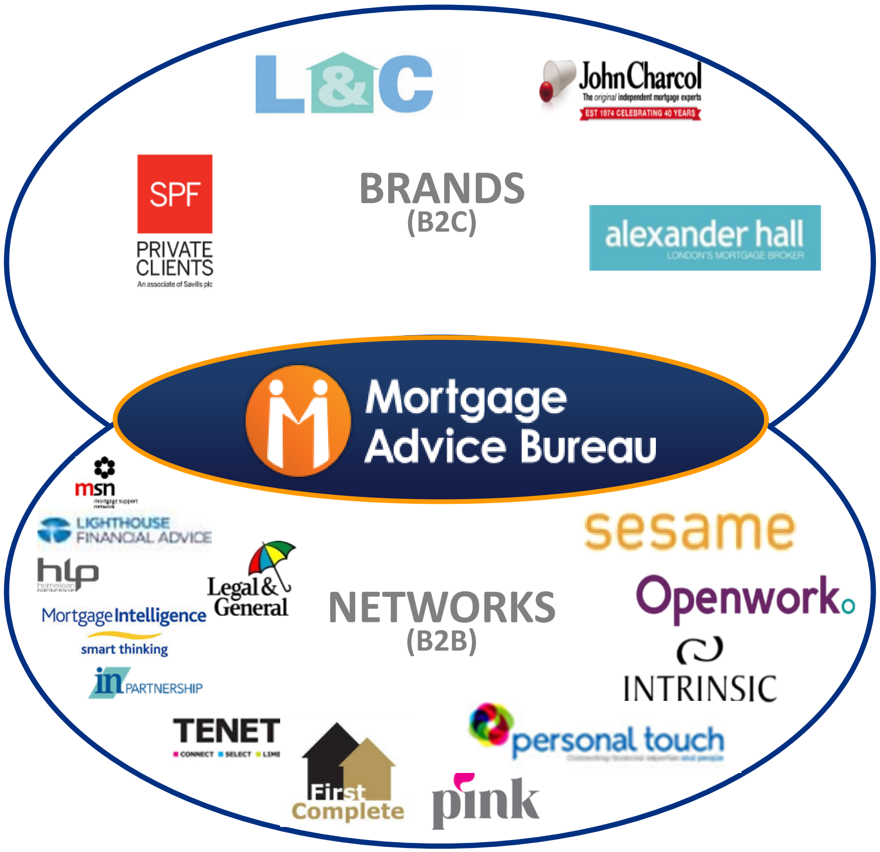
Long term track record



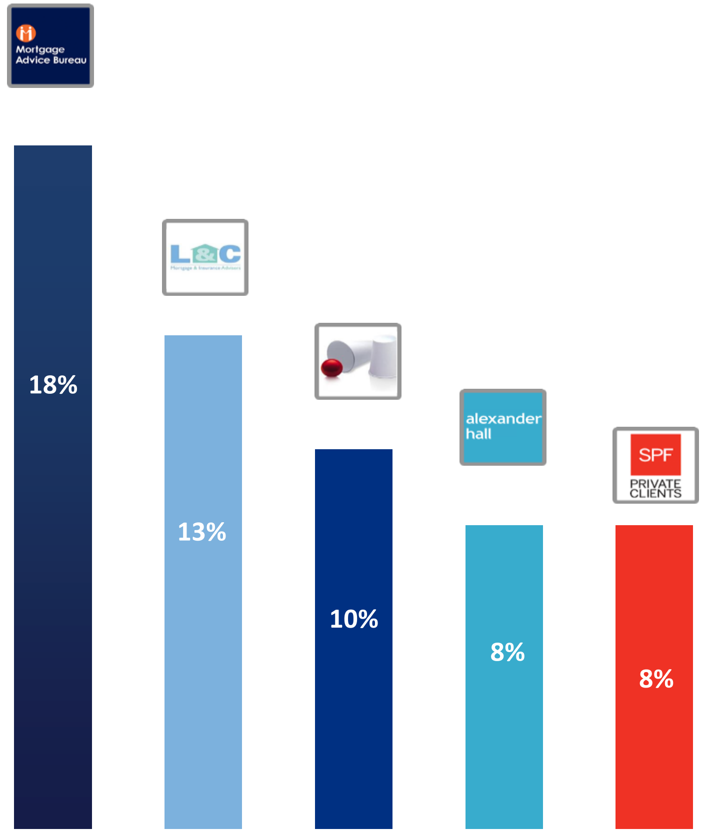
1. CML forecast July 2015

There is only one MAB

Competitive positioning



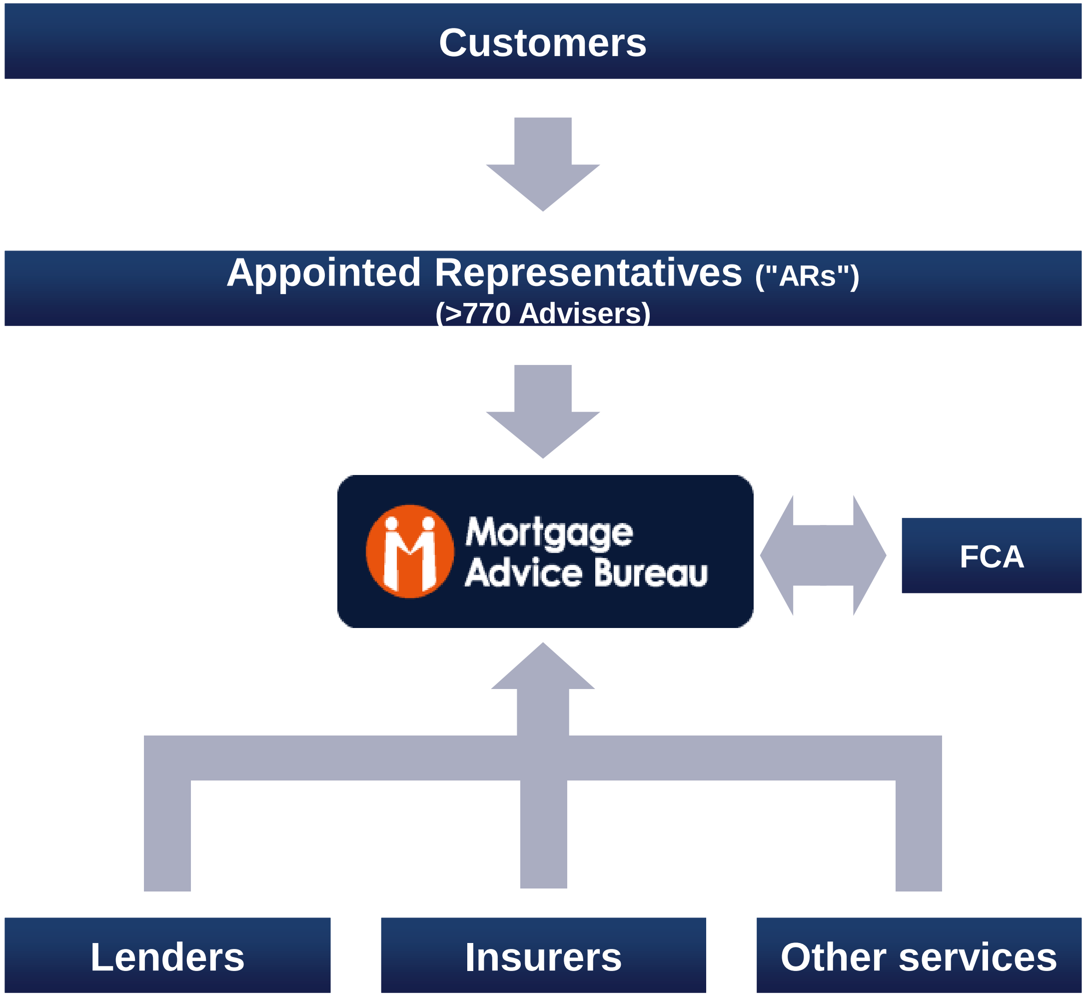
Top broker for brand awareness[1]



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 120 ARs and over 770 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

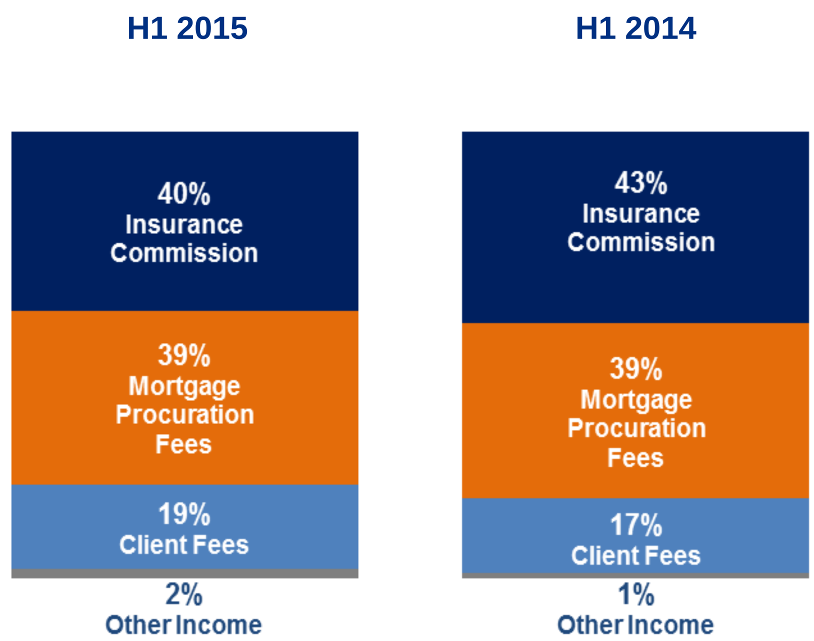


Company overview

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 770 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 50 awards in last 5 years

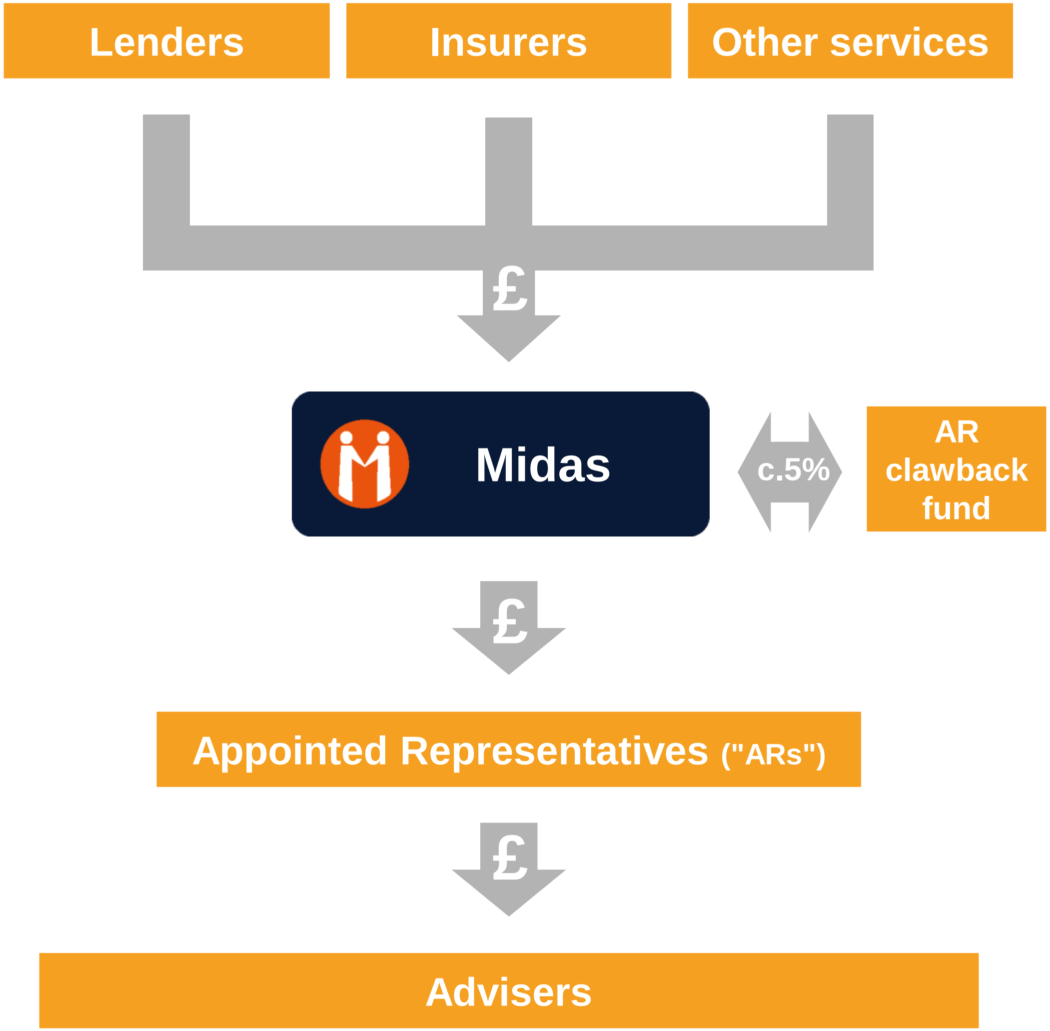
Proportion of revenue



Mortgage procuration fees and client fees have increased since the implementation of the MMR in April 2014, and this has had the effect of reducing the proportion of total income attributable to insurance commission.

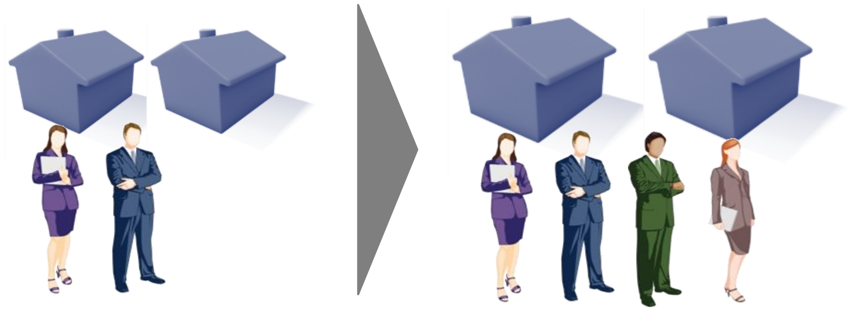
Revenue and cash flow

- 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

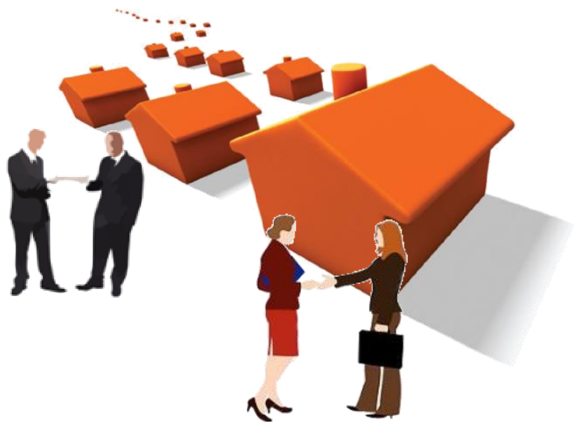


Growing adviser numbers

Existing ARs growing their businesses and adding Advisers



Recruitment of new ARs



Further opportunities through growth in specialist sectors

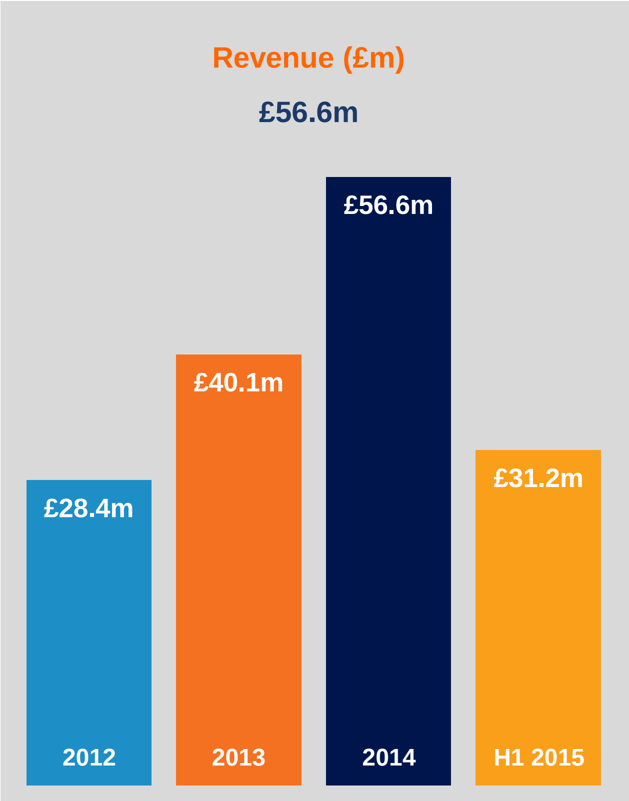
Core financial model

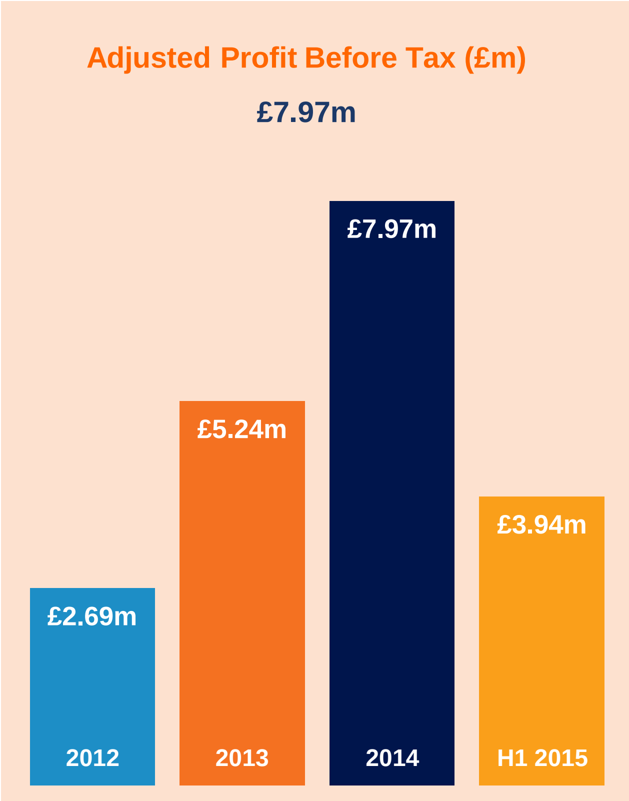
No. of advisers x Adviser revenue = Group revenue

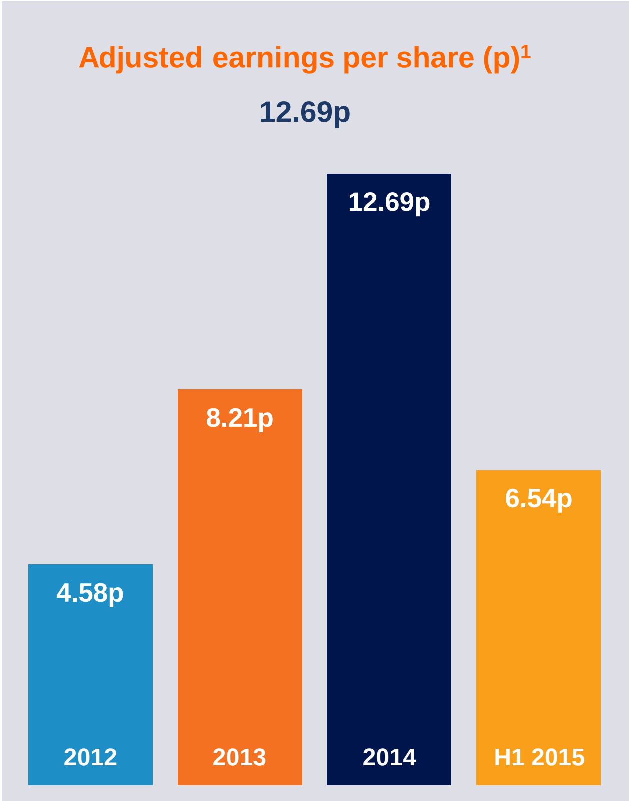
Group revenue - Paid to ARs - Cost of sales = Gross profit

Gross profit - Cost of operations = Pre tax profit

How we performed - KPIs







1. Based on 50.5m shares to allow comparison

Income statement

	Six months ended 30 June 2015 £	Six months ended 30 June 2014 £
Revenue	31,206,705	24,468,382
Cost of sales	(23,611,468)	(18,742,110)
Gross Profit	**7,595,237**	**5,996,272**
Administrative expenses[1]	(4,053,152)	(2,884,621)
Share of profit from associate	315,422	236,435
Operating profit before non-recurring costs	**3,857,507**	**3,348,086**
Non-recurring costs	-	(347,891)
Operating profit	**3,857,507**	**3,000,195**
Finance income	77,919	44,458
Profit before tax	**3,935.426**	**3,044,653**
Tax expense	(632,342)	(645,890)
Profit for the period attributable to equity holders of parent	**3,303,084**	**2,398,763**
Total comprehensive income attributable to equity holders of parent company	**3,303,084**	**2,398,763**
Adjusted basic EPS[1,2]	6.541p	5.293p
Adjusted diluted EPS[1,2]	6.366p	5.293p

1. Before provision against loan in H1 2014 of £347,891, there are no adjustments in H1 2015
2. EPS is based on 50.5m shares being in issue throughout H1 2014 in order to allow comparability

Balance sheet

	As at 30 June 2015 £	As at 31 Dec 2014 £
Assets		
Non-current assets		
Property, plant and equipment	214,153	204,228
Goodwill	4,114,107	4,114,107
Other intangible assets	36,096	45,118
Investments	322,762	252,766
Total non-current assets	**4,687,118**	**4,616,219**
Current assets		
Trade and other receivables	3,666,751	3,265,224
Cash and cash equivalents	11,531,342	9,270,006
Total current assets	**15,198,093**	**12,535,230**
Total assets	**19,885,211**	**17,151,449**
Equity and liabilities		
Equity attributable to owners of the parent		
Share capital	50,462	50,510
Share premium	3,042,255	3,042,255
Capital redemption reserve	19,580	19,352
Share option reserve	61,258	10,553
Retained earnings	6,753,269	4,497,264
Total equity	**9,926,824**	**7,620,114**
Liabilities		
Non-current liabilities		
Provisions	851,852	750,679
Deferred tax liability	28,926	25,121
Total non-current liabilities	**880,778**	**775,800**
Current liabilities		
Trade and other payables	8,392,076	8,252,905
Corporation tax liability	685,553	502,630
Total current liabilities	**9,077,609**	**8,755,535**
Total liabilities	**9,958,387**	**9,531,335**
Total equity and liabilities	**19,885,211**	**17,151,449**

Cash flow statement

	Six months ended 30-Jun-15 £	Six months ended 30-Jun-14 £
Cash flows from operating activities		
Profit for the period before tax	3,935,426	3,044,653
Adjustments for:		
Depreciation of property, plant and equipment	55,813	51,612
Amortisation of intangibles	9,024	9,021
Share based payments	50,705	-
Share of profit of associates	(315,422)	(236,435)
Finance income	(77,919)	(44,458)
Changes in working capital		
Decrease/(increase) in trade and other receivables	(401,527)	634,049
Increase- in trade and other payables	139,171	469,640
Increase/(decrease) in provisions	101,173	55,891
Cash generated from operating activities	**3,496,444**	**3,983,973**
Income taxes paid	(445,634)	(557,841)
Net cash inflow from operating activities	**3,050,810**	**3,426,132**
Cash flows from investing activities		
Purchase of property, plant and equipment	(65,740)	(41,135)
Acquisitions of associates and investments	-	(150)
Dividends received from associates	245,426	159,250
Net cash inflow from investing activities	**179,686**	**117,965**
Cash flows from financing activities		
Interest received	77,919	44,458
Redemption of shares	(37,847)	(4,548,951)
Dividends paid	(1,009,232)	(2,116,754)
Net cash (outflow) from financing activities	**(969,160)**	**(6,621,247)**
Net (decrease)/increase in cash and cash equivalents	2,261,336	(3,077,150)
Cash and cash equivalents at the beginning of period	9,270,006	9,388,153
Cash and cash equivalents at the end of the period	**11,531,342**	**6,311,003**

Strong cash conversion supports dividend policy

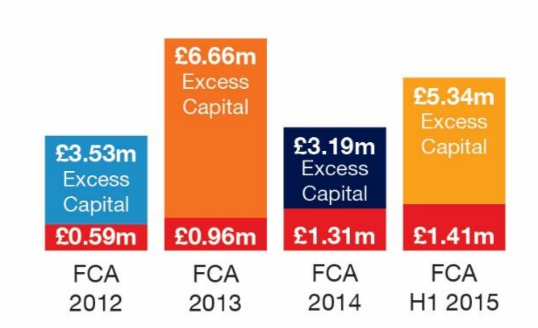
Dividend policy

- The Group's operations are highly cash generative, whilst being capital light to run
- Reflected in a net cash inflow from operating activities of £3.1m in H1 2015 (H1 2014: £3.4m)
- The Group has a regulatory capital requirement amounting to 2.5% of regulated revenue, equal to £1.4m at 30 June 2015
- The Board dividend policy is to pay out in excess of 60% of post-tax distributable profits for both interims and final dividends
- Interim dividend of 4.9 pence per share, totalling £2.5m, payable on 30 October 2015
- Post payment the Group will still maintain significant surplus regulatory reserves. This interim dividend represents circa 75% of the Group's post-tax profits for the period and reflects our intentions with regards to distributing excess capital going forward.

Capital adequacy and unrestricted cash balances

Capital Adequacy (£m)

£6.75m

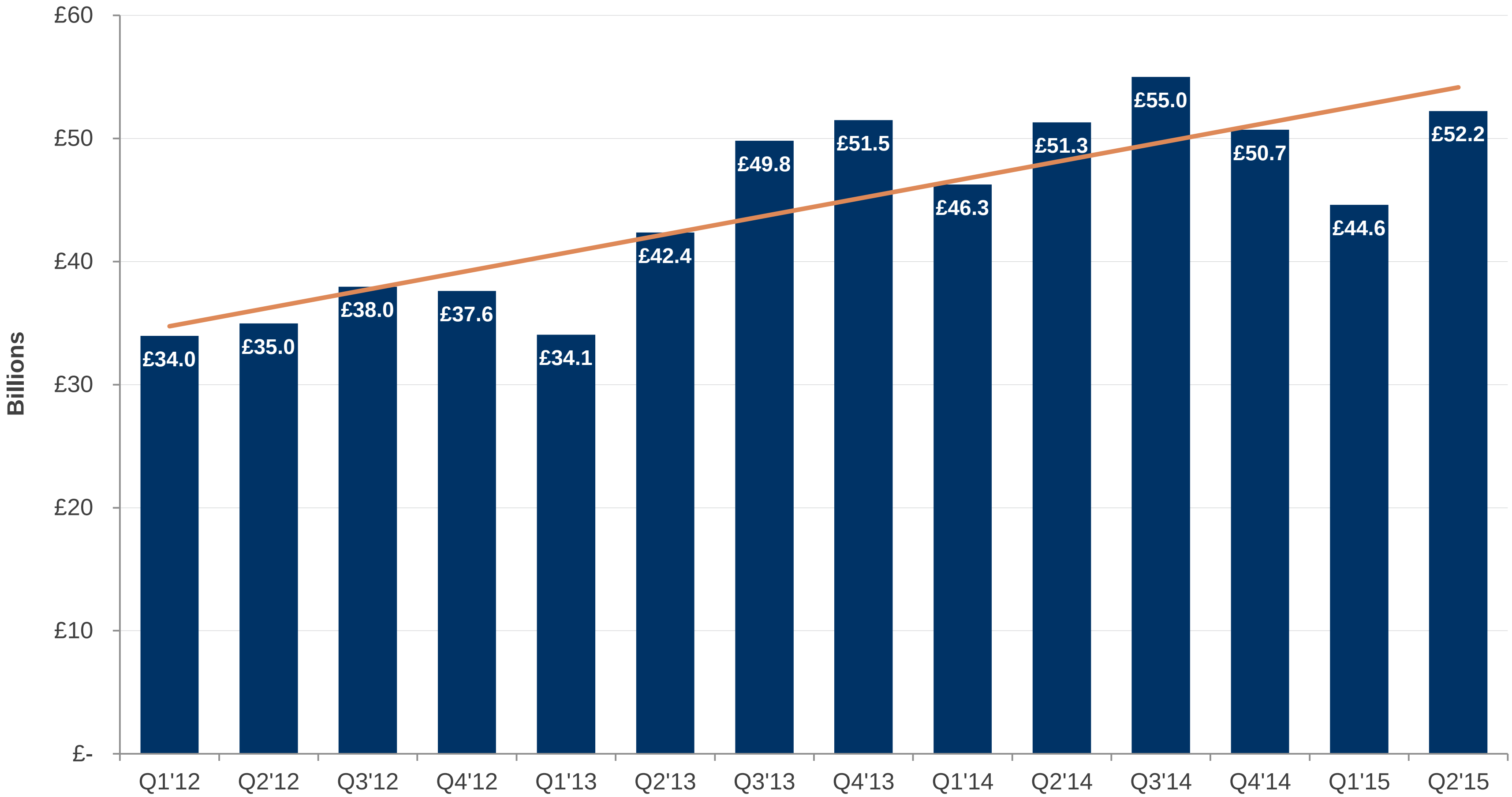


Unrestricted Cash Balances (£m)

£6.86m

Quarterly gross mortgage lending data

Mortgage lending has grown at a CAGR of 12% over the last 3 years



Source: CML September 2015