

Mortgage Advice Bureau (Holdings) plc

Delivering, Growing and Innovating

H1 2024 Interim Results

Investor and Analyst Presentation



Mortgage
Advice Bureau

Agenda

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Additional Information

Unless otherwise stated, this report includes the unaudited consolidated financial information of Mortgage Advice Bureau (Holdings) PLC and its subsidiaries for the six-month period ended 30 June 2024 ("H1 2024"). All comparisons of financial and operating statistics are for the six-month period ended 30 June 2023 ("H1 2023"), unless otherwise stated

Certain numerical information and other amounts and percentages presented have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given

Highlights

Operational highlights

Mainstream adviser numbers¹

Post period end:

1,945

+2%

30 June 2024: **1,908**

30 June 2023: **1,921**

Revenue per mainstream adviser

£65.3k

+9%

H1 2023: **£59.8k**

Protection and GI revenue %

39.4%

+1.2pp

H1 2023: **38.2% of revenue**

Market share of new mortgage lending²

8.2%

+0.1pp

H1 2023: **8.1%**

New mortgage completions³

£9.1bn

+1%

H1 2023: **£9.0bn**

Total mortgage completions³

£12.1bn



H1 2023: **£12.1bn**

1. Excludes directly authorised advisers, later life advisers without a mortgage and protection license, and advisers in the process of being onboarded who are not yet able to trade. Post period end as at 20 September 2024 compared to 30 June 2024
2. Based on first charge mortgage completions, excluding secured personal loans (second charge mortgages), later life lending mortgages and bridging finance
3. First charge mortgage completions. New mortgage completions exclude Product Transfers. Total mortgage completions include Product Transfers

Financial highlights

Revenue

£123.9m

+5%

H1 2023: £117.5m

Gross profit margin

30.4%

+2.4pp

H1 2023: 28.0%

Adjusted EBITDA¹

£13.8m

+31%

H1 2023: £10.5m

Adjusted fully diluted EPS¹

14.8p

+26%

H1 2023: 11.8p

Proposed interim dividend

13.4p



H1 2023: 13.4p

Adjusted cash conversion¹

119%

-12pp

H1 2023: 131%

1. Adjusted EBITDA, Adjusted fully diluted EPS and Adjusted cash conversion are calculated as per the Additional Performance Measures 'APMs' detailed within the Appendices

MAB H1 2024 mortgage performance v H1 2023

	Q1 2024	Q2 2024	Q3 and Q4 2024 outlook
	Rush to secure lower mortgage rates. Demand brought forward	New business plateaued as mortgage rates pushed back up	New activity has increased post-election and BoE rate cut
New mortgage applications ¹	+20%	-1%	<ul style="list-style-type: none"> Easing mortgage rates and real wage growth is improving affordability MAB's written new case numbers are +11% YoY in July & August vs. the same time last year Pent-up purchase demand and large re-financing opportunity exists Pipeline larger than this time in 2023. Record level of mortgages available (23.5k v. 17k in 2023) UK political risk premium abating. Mid/long-term Government commitment to housebuilding and owner occupation = tailwind
New mortgage completions ²	-8%	+11%	
MAB market share ³	8.1%	8.2%	
Fixed mortgage rates are easing as SWAP rates fall	<p>The chart displays two interest rate series: 5Y SONIA (dark blue line) and 2Y SONIA (light blue line) from September 2022 to August 2024. The 5Y SONIA rate shows a sharp peak in October 2022, followed by a decline and a secondary peak in July 2023, before trending downwards. The 2Y SONIA rate also peaks in July 2023 but remains higher than the 5Y rate for much of the period, ending at a similar level to the 5Y rate in August 2024.</p>		

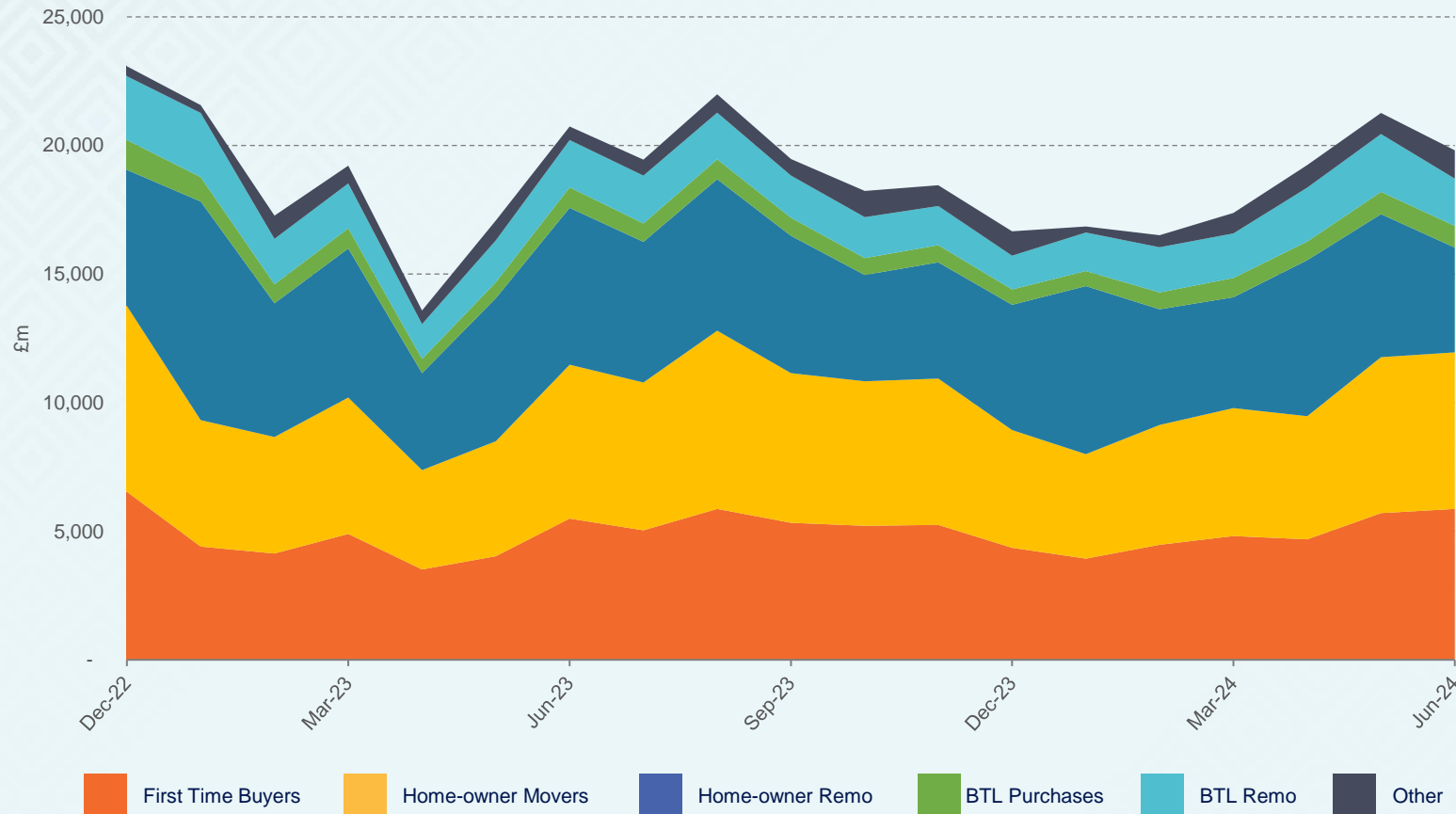
1. Written mortgage procurement fees, excluding Product Transfers

2. Lending by value, excluding Product Transfers

3. Share of new mortgage lending based on first charge mortgage completions, excluding secured personal loans (second charge mortgages), later life lending mortgages and bridging finance

Mortgage lending market completions

Gross new mortgage lending



Commentary

Gross new mortgage lending of £111bn (excluding Product Transfers) up 1% on H1 2023

vs. H1 2023

Purchase	+8%
Home-mover	+5%
First time buyers	+11%
Buy-to-let purchase	Flat
Re-mortgage	-8%
Residential re-mortgage	-11%
Buy-to-let re-mortgage	+3%
Buy-to-let	+2%
Product Transfers	-2%

FCA Regulation

FCA – Pure protection market study

Market study

Commissions

- Do current commercial structures work?
- Do current structures encourage 'commission bias'?
- Do intermediaries set pricing & commission?

Policy Premiums

- Do they provide value (e.g. relative to potential policy benefit)?
- Loaded premiums (can extra value be demonstrably evidenced, and fair value attributed?)

Claims

- What % of claims are paid out to customers by insurers?
- What % of total premiums goes towards paying claims?

MAB's position

- MAB's 48 month clawback period aligns adviser & customer interests
- MAB ensures zero commission bias for advisers through flat commission structure per insurer and per product line
- Insurers determine both pricing and commission
- The limited level of loading remaining continues to decline without compromising its current contribution to customer outcomes
- Whilst pricing is determined by the insurers, MAB has its own product governance processes in place to assess the target market and fair value of products
- Pricing can fluctuate according to appetite for MAB's panel
- MAB performs very well against its intermediary peers in terms of customer outcomes
- 95+% of MAB customer claims are paid promptly by panel insurers
- On average across MAB's panel 50-55% of policy premiums go towards the payment of claims (similar to top quartile for GI)

FCA – Pure protection market study

Market study

MAB's position

Over 50s Products (Guaranteed Acceptance)

- Is there a clear 'insurable interest'? Do policies offer fair value?
 - Customer vulnerability?
- MAB does NOT offer guaranteed acceptance over 50s plans

Non-advised sales/execution-only

- Does this result in good customer outcomes?
- MAB does NOT offer execution-only. ALL customers receive advice

Market competition

- Why do the top 5 insurers account for 70-80% of the Pure Protection market? Do distribution chains work effectively?
- MAB would welcome more competition and innovation to enhance customer outcomes further

Investment in training and support for advisers leaves MAB well positioned in this market, and well placed to bring new ARs into the network if regulatory intervention catalyses consolidation

Financial Review

Income statement

£m	Group		
	H1 2024	H1 2023	% change
Revenue	123.9	117.5	5.4%
Commissions paid and other cost of sales	(86.2)	(84.6)	1.9%
Gross Profit	37.7	32.9	14.5%
<i>Gross Profit margin</i>	30.4%	28.0%	
Administrative expenses	(25.5)	(23.7)	7.4%
<i>Administrative expenses ratio</i>	20.5%	20.2%	
Adjusted EBITDA¹	13.8	10.5	31.3%
<i>Adjusted EBITDA margin</i>	11.1%	8.9%	
Adjusted PBT¹	12.3	8.8	39.9%
<i>Adjusted PBT margin</i>	9.9%	7.5%	
Adjusted fully diluted EPS¹	14.8p	11.8p	25.8%
Adjusted basic EPS¹	14.9p	11.8p	26.1%

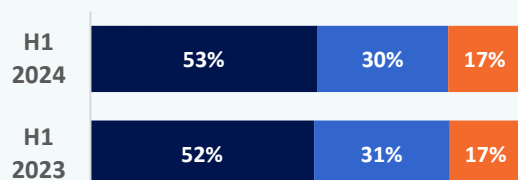
Commentary

- Achieved 5% revenue growth in H1 2024 despite a flat mortgage market
- Gross profit margins improved by 240bps, thanks to efficiencies mainly in Fluent operations post-downturn
- Administrative expenses increased by 7%, reflecting strategic investments in people and technology to support digital fluency, lead generation, enhanced regulatory framework and the implementation of consumer duty
- Adjusted pre-tax profit (PBT) grew by 40%, primarily due to the strong performance of our subsidiaries, in particular Fluent, which has returned to profitability
- Adjusted fully diluted EPS stands at 14.8p

Revenue

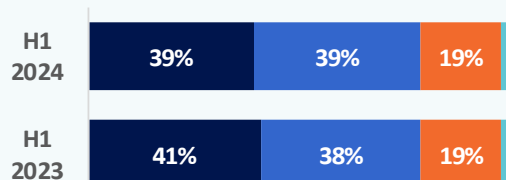
Revenue source	Group		
	H1 2024	H1 2023	%change
Avg. number of mainstream advisers	1,898	1,966	-3.5%
Avg. revenue per mainstream adviser	£65.3k	£59.8k	9.2%
Mortgage Procurement Fees	£48.8m	£48.4m	0.8%
Protection and General Insurance Commission	£48.8m	£44.9m	8.6%
Client Fees	£24.0m	£21.9m	9.5%
Other Income	£2.4m	£2.3m	4.6%
Total	£123.9m	£117.5m	5.4%

Business mix by lending value%



■ Purchase
■ Remortgage
■ Product Transfer

Group Revenue %



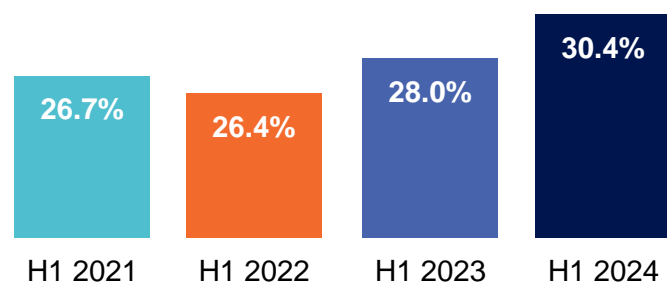
■ Mortgage Procurement Fees
■ Protection and General Insurance Commission
■ Client Fees
■ Other Income

Commentary

- MAB expanded its market share in new mortgage lending, increasing to 8.2% from 8.1% in H1 2023
- Strong revenue growth from FMD, up 20%, driven by a robust pipeline entering 2024 and a continued emphasis on operational efficiencies
- The average number of mainstream advisers declined by 3% in H1 2024, though adviser numbers have begun to rise again in Q3
- Positively, revenue per mainstream adviser grew by 9% due to higher purchase mix and improved protection attachment
- Client fees increased by 9% largely due to growth in the number of more complex specialist mortgages

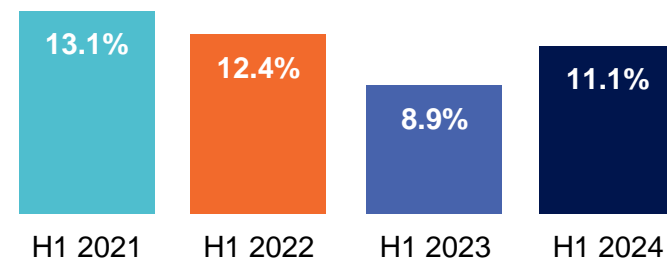
Financial KPIs – Income statement

Gross profit margin: 30.4%



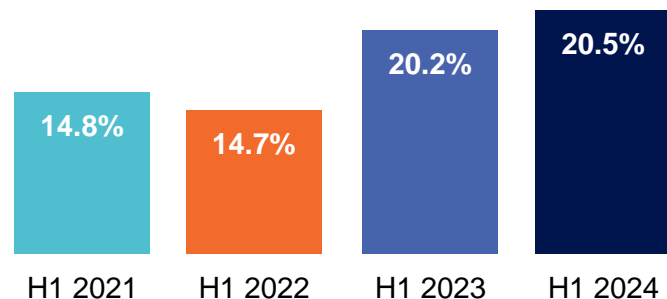
Gross profit margin growth driven by increase in Fluent profitability and protection attachment

Adjusted EBITDA margin: 11.1%



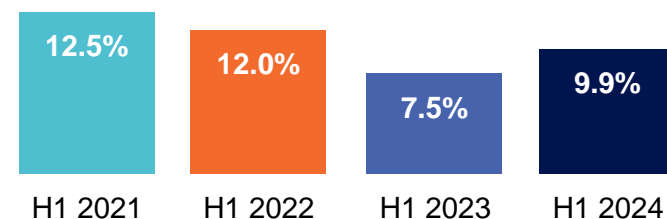
Adjusted EBITDA Margin grew significantly due to revenue growth and improved margins

Administration expenses ratio: 20.5%



Strategic investment in technology and people for future growth

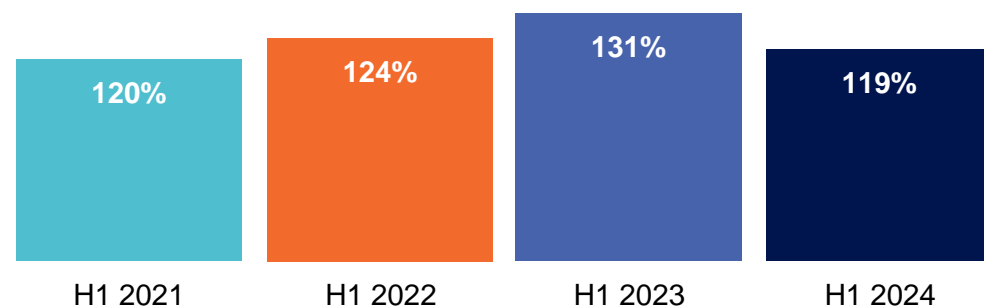
Adjusted PBT margin: 9.9%



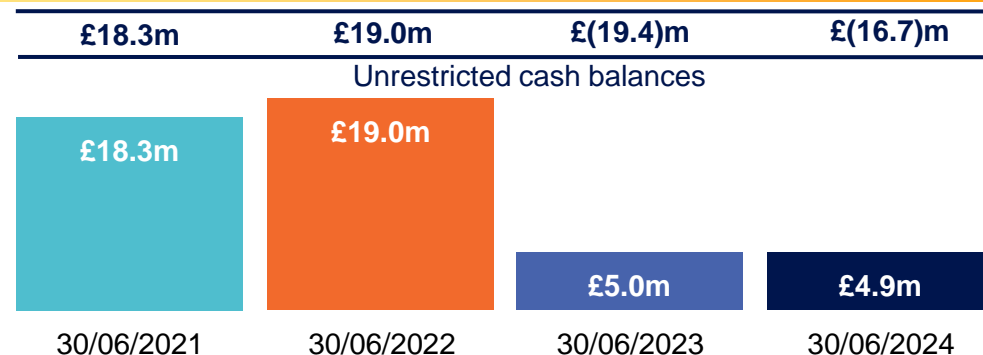
Adjusted PBT grew in line with EBITDA and improved income from associates

Strong cash conversion supports dividend

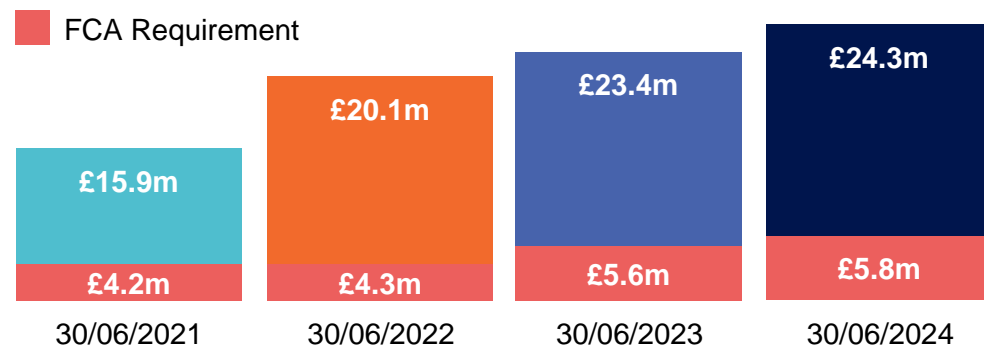
Adjusted cash conversion¹: 119%



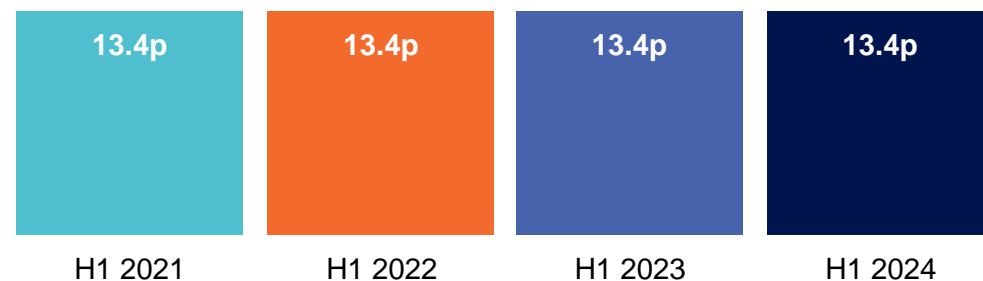
Unrestricted cash balance / (net debt)²



Surplus regulatory capital: £24.3m



Commitment to dividends: 13.4p³



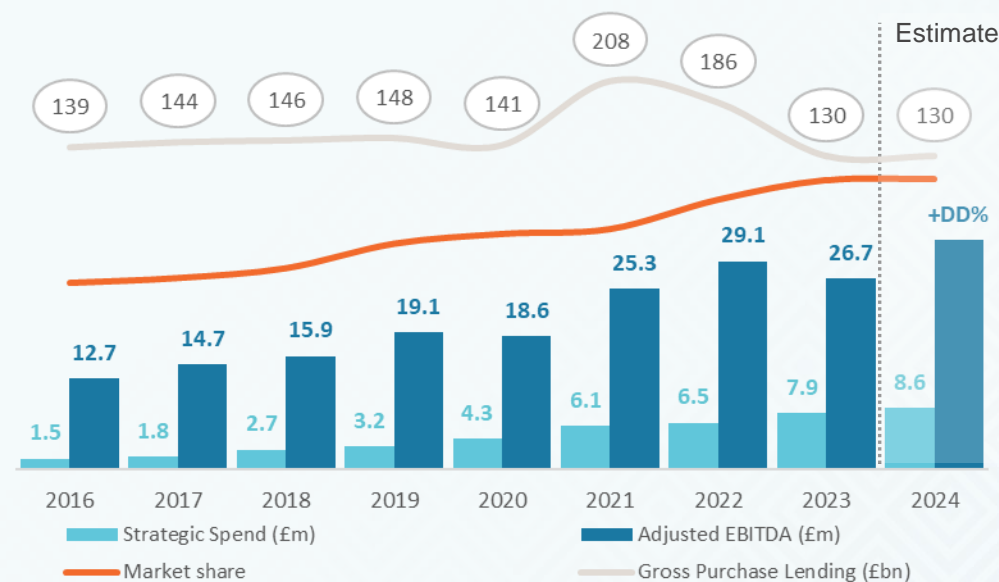
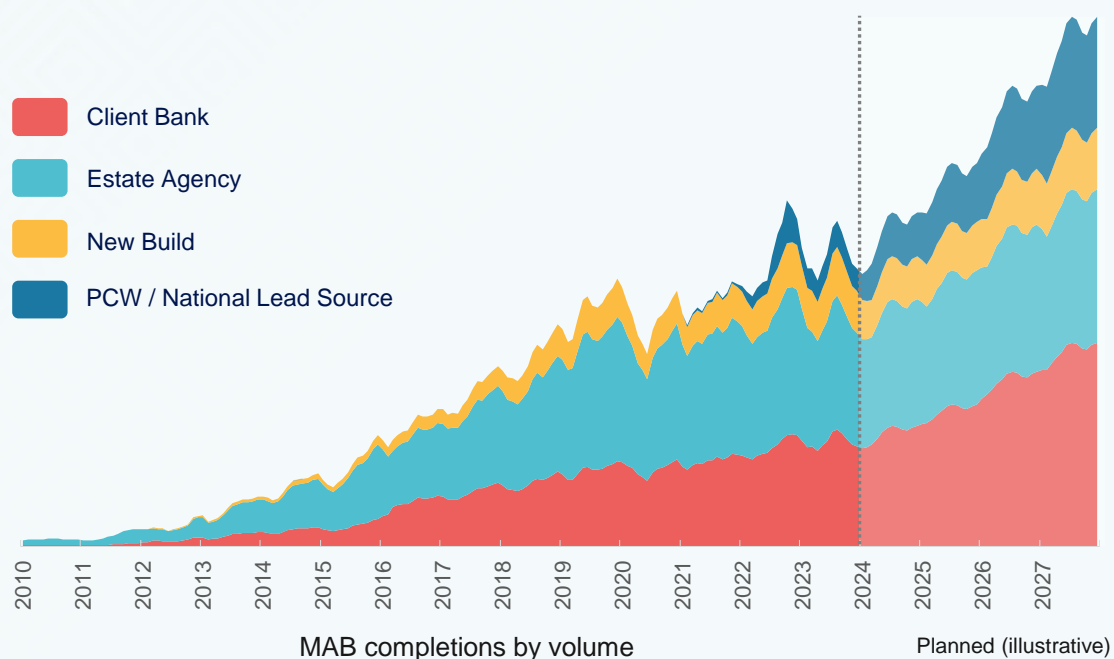
- Adjusted cash conversion is calculated as per the Additional Performance Measures ('APMs') detailed within the Appendices, stated as a percentage of adjusted operating profit
- Net Debt is long term loans, draw down on the RCF, less unrestricted cash balances
- Dividend policy based on a minimum payout ratio of 75% of annual adjusted profit after tax post minority interests.

Strategy

Establishing leadership in lead generation

Our lead generation strategy underpins the future growth of our ARs, subsidiaries and associates in all market conditions...

... and our commitment to increasing strategic spend YoY futureproofs our platform model and ensures we are at the forefront of innovation



Note: MAB market share of gross new first charge mortgage lending

A clear and deliberate strategy defines MAB

Digital customer capture and nurture

Identified as the most important differentiator and biggest opportunity for sustainable AR and productivity growth. Investment over the last 4 years has established MAB as a clear leader, with this strategy having significantly future-proofed the business by aligning far closer with our existing and future customers

Investment portfolio

Fully aligned to our lead generation objectives and target markets, underpinning resilience and the opportunity we now have to significantly scale our subsidiaries

Technology and AI

Our long term and significant commitment to investment in our proprietary software has ensured that MAB is in an exceptionally strong position compared to our peers. This will enable MAB to evolve and adapt at pace to fully leverage our strategy of delivering optimal customer outcomes, and lead in all our current and future market segments

Customer-first model

Embraces evolving consumer preferences to build a better understanding of our existing and future customers and how they want to research, receive advice and transact – delivering lifetime customer value

Leveraging our subsidiaries

firstmortgage

Acquisition: The remaining 20% was acquired in May 2024 for £9.4m (cash and share issuance). The business leader will remain, committing to future growth

Resilient: Profitability has grown by over 250% since the initial investment despite many challenges posed by COVID-19 and the 2022 mini-budget

H1: in the first half, FMD has continued to grow with a 10% increase in adjusted PBT vs H1 2023



Turned a corner: Fluent has been profitable since H2 2023 with acceleration in H1 2024

Operational efficiencies: a combination of right-sizing the cost base, and strengthening the management team have led to a significant gross margin increase to 33% (H1 2023: 22%)

New partnerships: new lead partners on board in H1 2024, with additional partnerships expected in H2 2024

Future growth: FMD and Fluent are now preparing for accelerated UK expansion

Summary and Outlook

Summary and outlook

- 2024 has seen stable mortgage volumes, with a more optimistic political, economic, and interest rate outlook positively influencing the housing market, as highlighted by the latest RICS UK Residential Survey showing a 15% increase in new buyer demand in August
- Despite typically slower summer activity, MAB has experienced a significant rise, with written new case numbers up 11% year-on-year for July and August
- As expected, our adviser numbers have picked up since half year and we anticipate further growth and some consolidation
- Our subsidiaries' growth remains a key pillar of our strategy and we are commencing plans to scale them significantly
- To ensure MAB remains at the cutting edge of the intermediary sector, our strategic spend has trebled over recent years focusing on leveraging data, AI, and technology to drive innovation
- Since 2020, we have been steadfast in our commitment to delivering exceptional customer outcomes, future-proofing lead generation, and enhancing adviser performance. Capital Markets Day planned for February 2025
- Overall MAB is trading in line with expectations, and we expect momentum to build through H2 and into 2025



Appendices

Alternative performance measures (“APMs”)

Adjusted EBITDA (£m)	H1 2024	H1 2023
Gross Profit	37.7	32.9
Administrative Expenses	(25.5)	(23.7)
Depreciation	0.9	1.1
Amortisation	0.2	0.1
Share of profit from associates	0.4	0.1
Adjusted EBITDA	13.8	10.5

Adjusted Operating Profit (£m)	H1 2024	H1 2023
Operating Profit	8.0	5.0
Non-cash expenses relating to put and call option agreements	2.0	1.1
Amortisation of acquired intangibles	2.6	2.6
Acquisition costs	0.1	0.1
Loss/(Gain) on fair value measurement of financial instruments	(0.0)	0.2
Restructuring costs	-	0.2
Adjusted Operating Profit	12.6	9.3

Adjusted Profit Before Tax (£m)	H1 2024	H1 2023
Profit before tax	6.2	7.6
Non-cash expenses relating to put and call option agreements	2.0	1.1
Amortisation of acquired intangibles	2.6	2.6
Acquisition costs	0.1	0.1
Loss/(Gain) on fair value measurement of financial instruments	(0.0)	0.2
Restructuring costs	-	0.2
Unwinding of redemption liability	1.4	(3.1)
Adjusted Profit Before Tax	12.3	8.8

Adjusted Cash Generated (£m)	H1 2024	H1 2023
Cash generated from operating activities	15.0	12.1
Acquisition costs	0.1	0.1
Restructuring costs	-	0.2
Increase in loans to AR firms and associates	0.6	0.1
Increase in restricted cash balances	(0.7)	(0.4)
Adjusted cash generated	15.0	12.2

Adjusted Fully Diluted EPS (p)	H1 2024	H1 2023
Profit attributable to equity owners of parent company	6.4	11.2
Amortisation of acquired intangibles	3.3	4.5
Costs relating to Acquisition options	3.2	1.6
Acquisition costs	0.2	0.3
Loss/(Gain) on fair value measurement of financial instruments	(0.1)	0.4
Gain and unwinding of redemption liability	2.4	(5.4)
Restructuring costs	-	0.3
Tax effect on adjustments	(0.6)	(1.1)
Adjusted Fully Diluted EPS	14.8	11.8

Adjusted Basic EPS

Adjusted fully diluted EPS adjusted to remove the effects of potentially dilutive share options

Consumer Duty & FCA developments

Consumer Duty (CD)

- The introduction of the CD in July 2023 set a higher standard of conduct for products and services for retail customers
- MAB's first Annual CD Report was approved by the Board in July 2024. It evidenced that CD is increasingly embedded in the business and good customer outcomes are being achieved
- CD continues to be owned by MAB's Senior Leadership Team, ensuring it achieves focus and engagement at all levels across MAB
- Throughout the CD activities, MAB has focussed on ensuring fair value across mortgage and protection products and this is kept under regular and formal review through MAB's product governance processes

Thematic Review – General Insurance (GI) & Pure Protection (PP)

- On 21 August 2024, the FCA announced the results of a Thematic Review considering whether firms are meeting their product governance obligations for GI and PP products. The review covers both manufacturers and distributors

Market Study into the distribution of PP

- On 28 August 2024, the FCA announced a new market study into the manufacture and distribution of PP products provided to retail customers, including term assurance, critical illness cover, income protection insurance, and whole of life insurance including guaranteed acceptance over 50s plans
- The FCA says it recognises that these products provide key financial support to consumers and the study purpose is to ensure the market is functioning well for consumers
- This study is intended to launch later in the financial year 2024/25 and expected to run through 2025/26 before any findings and recommendations are published

MAB: Advice-led protection

- ❖ Pure Protection products are designed to provide financial resilience to consumers, often when faced with vulnerable circumstances
- ❖ Intermediaries are the main distribution channel for PP products; consumers can benefit from their expertise and market access
- ❖ MAB's product governance processes ensure that distributed products meet consumer needs and provide value for money, consistent with our CD responsibilities. No exposure to guaranteed acceptance or execution-only distribution

Insurers

- Panel: Aviva, L&G, Royal London, LV, Vitality and Guardian
- Vita (75% interest) provides wider market access
- Some e.g. AEGON, AIG have left the market
- MAB distributed 6% of UK market policies in 2023¹
- See Pure Protection distribution flow chart in Appendix (p 31)

Manufacture & pricing

- Advisers do not have discretion over pricing or commissions
- Whilst pricing and loading is determined by the manufacturer, MAB has its own product governance processes in place to assess the target market and value for money of products
- Commission is equalised to all firms and across all protection products. Zero provider or product commission bias
- Premium, commission and total amount payable of the term are disclosed to customer

MAB protection distribution

- Life (£25m claims paid in 2023), Terminal Illness (£8m) Critical Illness (£22m), Income Protection (£2m)
- 46% of policies written in trust across all protection eligible to be put in trust. This is well above overall market rates
- 97% of Life and Terminal Illness claims paid out in 2023, 91% for both Critical Illness and Income Protection
- Zero exposure to guaranteed acceptance over 50s plans

Advice-led protection

- Protection is positioned at the start of the mortgage advice process (insurable interest). Products are increasingly complex, necessitating advice. No non-advised exposure
- Average customer sum insured is notably higher than the market, reflecting our advice-led customer focus
- Product quality determined through independent research. CFI, NTU and lapse rates are much lower than the market and customer complaints are <0.3% of cases

1. Swiss Re Term & Health Watch. Includes term assurance, whole life, critical illness and income protections

ESG progress to date

Governance

- Implementation of ESG related KPIs
- Mission and Vision revised
- Increased visibility of ESG at Board level
- Group Head of Sustainability appointed
- Formal Sustainability Committee appointed
- Exec compensation linked to sustainability metrics
- Introduced ESG objectives for all employees
- Formal TCFD aligned reporting mechanisms

People & Talent

- Increased focus on ESG in employee communications
- Chief People Officer appointed
- Enhancement of internal & external L&D
- Enhancement of wellbeing related policies
- Employee groups formed: MAB Engage, MAB U'nity (DE&I), "Social Gang"
- Improved Performance Management Framework
- New communications & reward platform launched

Community

- Mortgage Advice Bureau Foundation further embedded
- Employee volunteering allowance enhanced
- Inclusivity of recruitment practices enhanced

Operations & Facilities

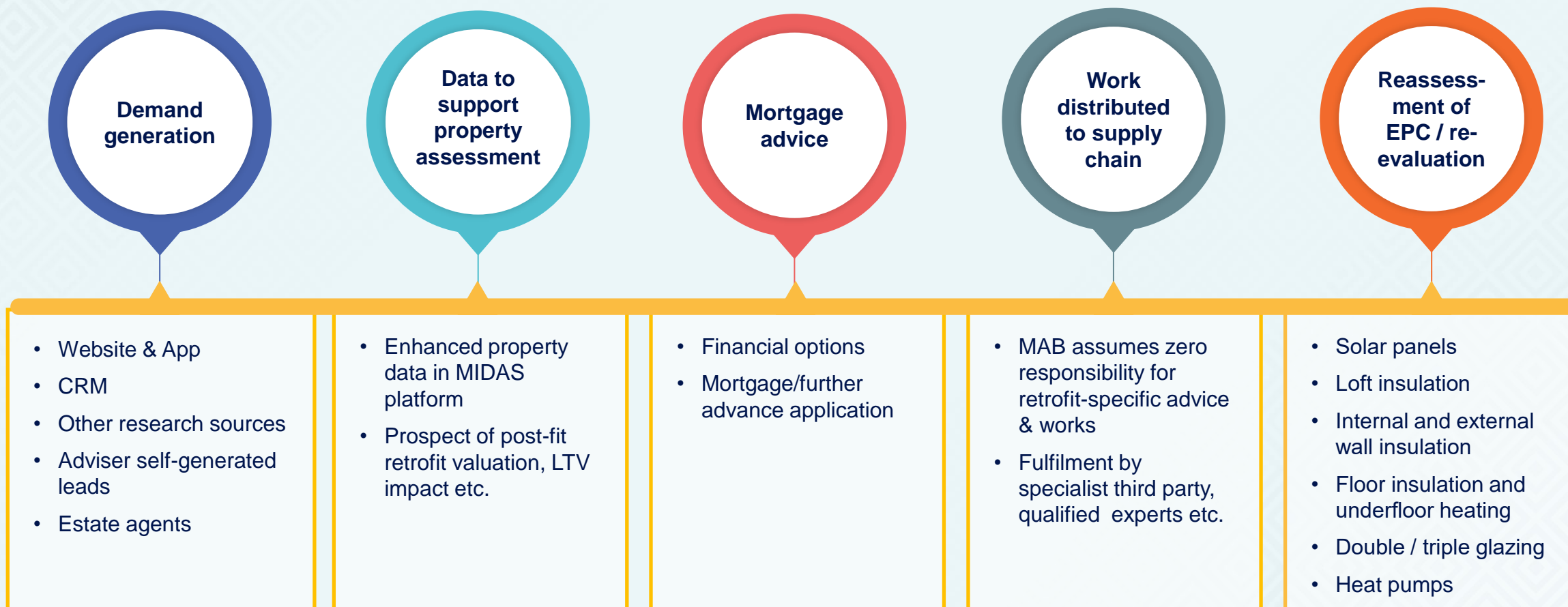
- New HQ
- Enhanced supply chain management
- Procurement policy & supplier code of conduct introduced
- Strengthened recycling practices
- 100% "green" energy supply at HQ
- Migrated from dual to single fuel
- Creation of an outside social area for HQ employees

Market & Customers

- "Resilient homes" launch
- Consumer Duty embedded
- Development of the MAB "Green HUB" (including EPC Calculator)
- Strengthened MI to monitor environmental footprint of back book
- Working with Lenders to innovate "retrofit" products
- System changes
- Active participation in Industry Groups, such as "GMAI"

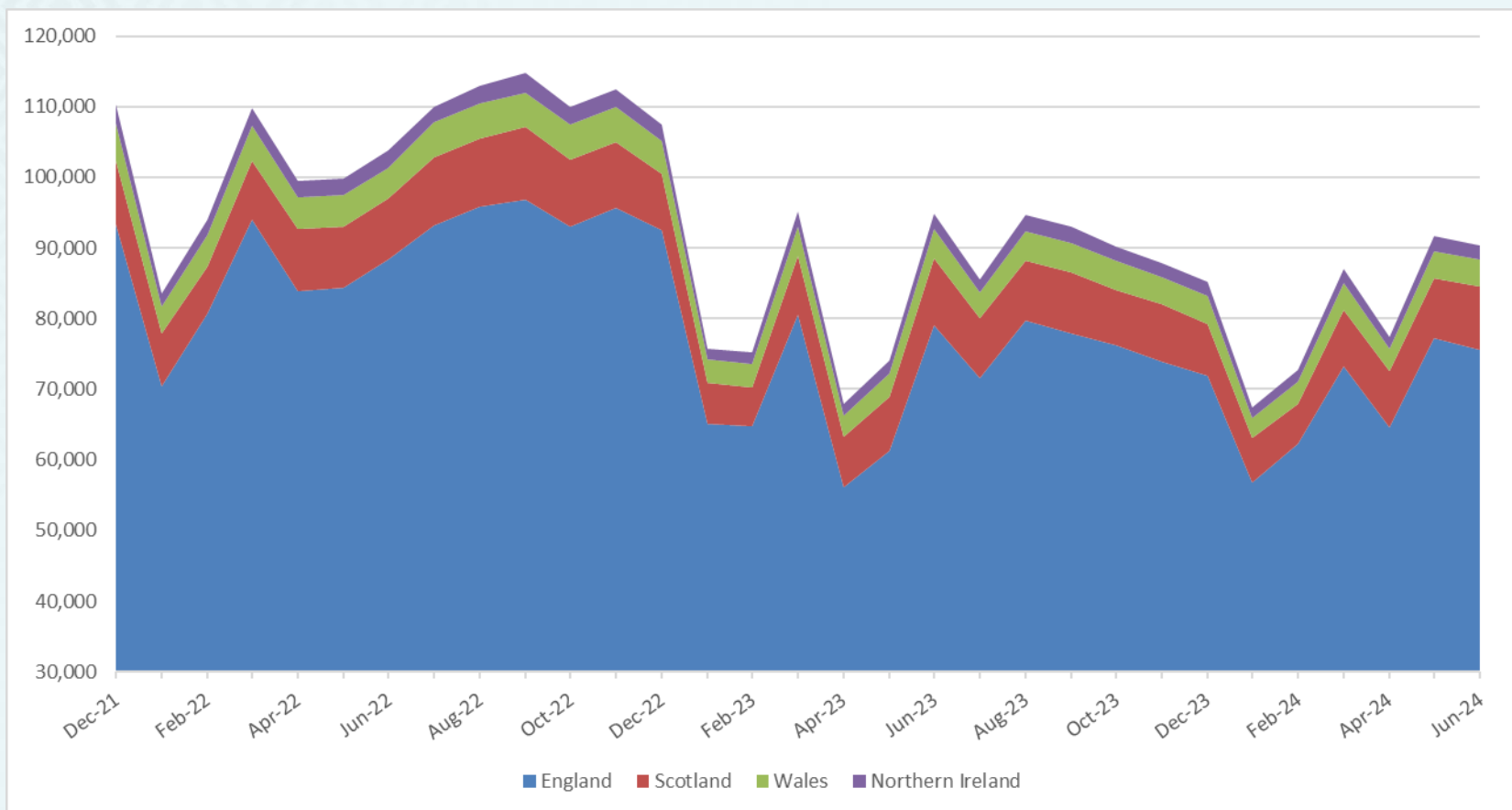
MAB 'Resilient Homes'

Launch an end-to-end process that connects customers to credible suppliers, with built-in financial advice via MAB



Property market

UK property transactions by volume














Commentary

- UK property transactions in H1 2024 broadly flat compared to H1 2023
- Consistent with new mortgage lending, suggesting cash buyers mix has stabilised
- Average house prices were 1% higher in H1 2024 than H1 2023. Rightmove has raised its 2024 forecast from -1% to +1%

Growth focus – our investments

Investment



firstmortgage.co.uk
 Vita
 Clear


firstmortgage North East


 MAB Australia


HERON FINANCIAL

Rationale

Digital / PCWs
Protection
New Build / Telephony
Protection
Telephony / Network
Telephony
Specialist New Build
First Mortgage Acquisition
Conveyancing
Surveys
International
New Build / Shared Ownership
New Build
New Build

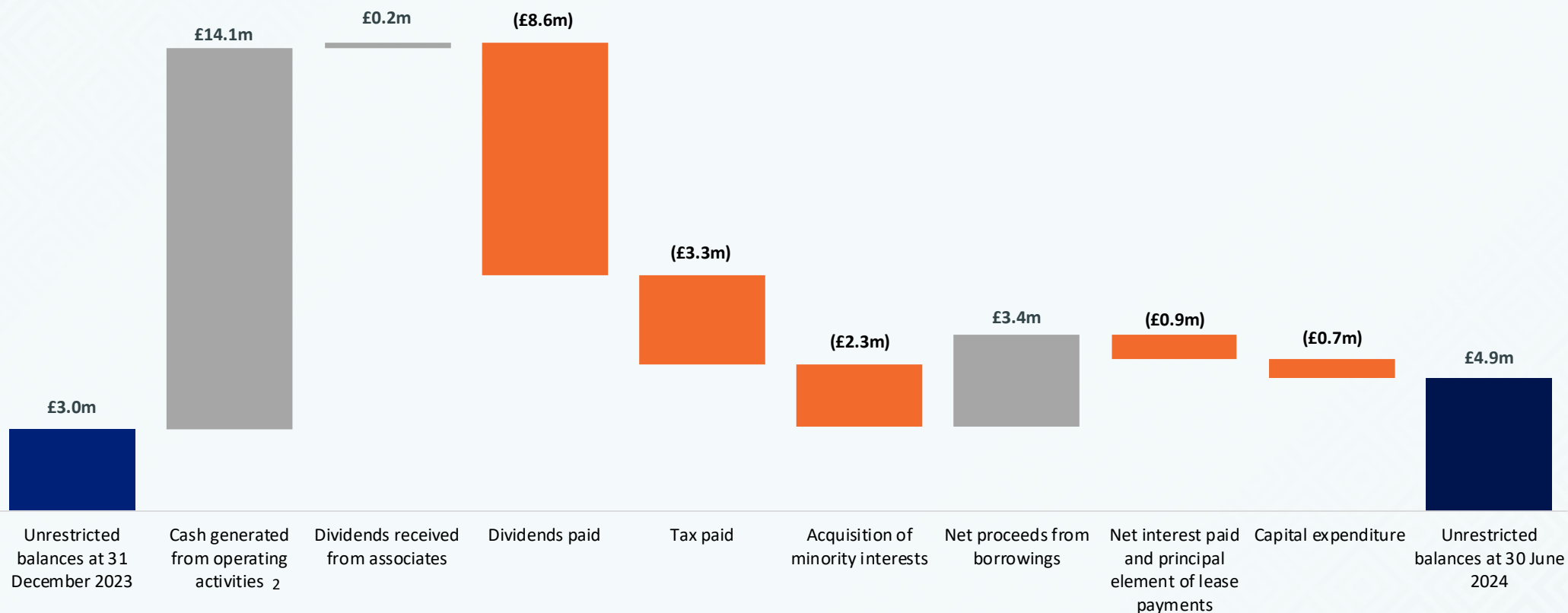
Shareholding

Current → Maximum

84.3% → 100%
75% → 100%
100%
75%
49%
25%
25%
37% → 49%
43%
49%
48%
40%
49% → 80%
49% → 100%

Cash balance waterfall

Unrestricted net cash balances¹



1. Unrestricted net cash balances are for operational purposes; they exclude restricted balances (AR retained commission in case of clawback)
2. Cash flow from operating activities of £15.0m, less movements in restricted balances of £0.7m and dividends received of £0.2m

Balance sheet

£000s	Jun-24	Dec-23
Assets		
Non-current assets		
Property, plant and equipment	5,455	5,799
Right of use assets	1,930	2,283
Goodwill	53,885	53,885
Other intangible assets	2,064	1,387
Acquisition intangibles	47,083	50,087
Investments in associates and joint ventures	12,462	12,301
Trade and other receivables	515	353
Derivative financial assets	338	302
Deferred tax asset	1,117	719
Total non-current assets	124,849	127,116
Current assets		
Trade and other receivables	12,530	9,321
Corporation tax	232	-
Cash and cash equivalents	24,525	21,940
Total current assets	37,287	31,261
Total assets	162,136	158,377

£000s	Jun-24	Dec-23
Equity and liabilities		
Share capital	58	57
Share premium	55,163	48,155
Capital redemption reserve	20	20
Share option reserve	5,018	6,045
Retained earnings	9,679	15,921
Equity attributable to owners of the Parent Company	69,938	70,198
Non-controlling interest	1,399	4,211
Total equity	71,337	74,409
Liabilities		
Non-current liabilities		
Trade and other payables	2,739	2,642
Redemption Liability	4,194	2,793
Lease liabilities	1,348	1,805
Derivative financial liabilities	188	183
Loans and borrowings	10,580	12,426
Deferred tax liability	11,128	11,417
Total non-current liabilities	30,177	31,266
Current liabilities		
Trade and other payables	37,031	35,225
Clawback liability	11,581	10,331
Lease liabilities	932	931
Loans and borrowings	11,078	5,824
Corporation tax liability	-	391
Total current liabilities	60,622	52,702
Total liabilities	90,799	83,968
Total equity and liabilities	162,136	158,377

Disclaimer

Certain statements included or incorporated by reference within this announcement may constitute "forward-looking statements" in respect of the Group's operations, performance, prospects and/or financial condition. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words and words of similar meaning as "aims", "anticipates", "believes", "continues", "could", "due", "estimates", "expects", "goal", "intends", "may", "objectives", "outlook", "plans", "potential", "probably", "project", "seeks", "should", "targets", or "will" or, in each case, their negative or other variations or comparable terminology.

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