

Mizzen Mezzco Limited

Results for the quarter and nine months ended 30 September 2016

Tom Woolgrove, Chief Executive, commenting on the results said:

“The Group has continued to deliver another strong financial performance in the first nine months of 2016, with Adjusted Pro Forma Post Securitisation EBITDA of £51.7 million, an increase of 11.9% year on year.

The third quarter of 2016 has seen us implement our planned change in our core operating platform, and also saw a change in the leadership team. At the time of the Cinven acquisition, Gopi Chelliah indicated his wish to transition out of Premium Credit into the next phase of his career. I have worked closely with Gopi to identify an appropriate successor. He has been replaced as CIO by Mark Dearnley, who joined Premium Credit on 19 September. Mark joins us from HMRC, where he was Chief Digital and Information Officer, and was responsible for the significant enhancement and digitalisation of HMRC's services.

In October, we started our office move to a new head office in Leatherhead.”

Key Financial Results

Financial Highlights

Financial Data	For the nine months ended 30 September 2016	For the nine months ended 30 September 2015	Increase / (Decrease)
(£ in millions, except percentages and ratios)	(unaudited)	(unaudited)	(unaudited)
Net Advances ^(a)	2,743.4	2,623.8	119.6
Turnover	98.3	92.8	5.5
EBITDA	60.8	47.5	13.3
Adjusted EBITDA ^(b)	64.6	59.7	4.9
Adjusted EBITDA Margin ^(b)	65.7%	64.3%	+1.4%
Adjusted Post-Securitisation EBITDA ^(c)	51.7	46.2	5.5
Adjusted Post-Securitisation EBITDA Margin ^(c)	52.6%	49.8%	+2.8%
Cash Conversion ^(d)	85.7%	96.8%	-11.1%

Financial Data	For the quarter ended 30 September 2016	For the quarter ended 30 September 2015	Increase / (Decrease)
(£ in millions, except percentages and ratios)	(unaudited)	(unaudited)	(unaudited)
Net Advances ^(a)	1,026.3	989.8	36.5
Turnover	33.5	31.4	2.1
EBITDA	20.0	18.1	1.9
Adjusted EBITDA ^(b)	22.0	20.9	1.1
Adjusted EBITDA Margin ^(b)	65.7%	66.6%	-0.9%
Adjusted Post-Securitisation EBITDA ^(c)	17.5	16.8	0.7
Adjusted Post-Securitisation EBITDA Margin ^(c)	52.2%	53.5%	-1.3%
Cash Conversion ^(d)	88.6%	98.2%	-9.6%

a. Net Advances represents gross advances net of loans for policies or services that have been cancelled by end customers, or service provider

b. Adjusted EBITDA represents EBITDA as adjusted for certain transaction costs, one-time information technology and other expenses, Adjusted EBITDA margin as a % of Turnover.

c. Adjusted Post-Securitisation EBITDA adjusted for funding costs; Adjusted Post-Securitisation EBITDA margin as a % of Turnover.

d. Cash conversion as % of Adjusted Post-Securitisation EBITDA; Free Cash Flow represents Adjusted Post-Securitisation EBITDA – CapEx

Highlights for the nine months ended 30 September 2016

- We have increased the overall size of our net advances by 4.6% to £2,743.4 million for the nine months ended 30 September 2016 (nine months ended 30 September 2015: £2,623.8 million), due to the combination of relationships established with new intermediaries, greater penetration with our existing intermediaries and the increase in Insurance Premium Tax.
- Adjusted post-securitisation EBITDA increased £5.5 million or 11.9% to £51.7 million in the nine months ended 30 September 2016 (30 September 2015: £46.2 million). Turnover growth of 5.9% combined with improved funding costs of the Group is driving this increase.
- Looking at the components of Adjusted post-securitisation EBITDA in more detail:
 - Group turnover increased by £5.5 million, or 5.9%, to £98.3 million for the nine months ended 30 September 2016 (nine months ended 30 September 2015: £92.8 million). This increase is driven by the growth in net advances and the impact of the IPT increase.
 - Operating expenses increased by £0.6 million to £33.7 million for the nine months ended 30 September 2016 (nine months ended 30 September 2015: £33.1 million). This increase is primarily due to an increase in credit losses due to an additional provision relating to the insolvency of Enterprise Insurance.
 - Securitisation interest expense decreased by £0.6 million, or 4.4%, to £12.9 million for the nine months ended 30 September 2016 (nine months ended 30 September 2015: £13.5 million) as we extended and amended the terms of our securitisation facility in July 2015. With effect from 16 June 2016, the facility has been increased from £1.05 billion to £1.25 billion, with £100 million of this increase provided by RBS entering the facility.

Highlights for the quarter ended 30 September 2016

- We have increased the overall size of our net advances by 3.7% to £1,026.3 million for the quarter ended 30 September 2016 (Q3 2015: £989.8 million), due to the combination of relationships established with new intermediaries, greater penetration with our existing intermediaries and the increase in Insurance Premium Tax.
- Adjusted post-securitisation EBITDA increased £0.7 million or 4.2% to £17.5 million in the quarter ended 30 September 2016 (Q3 2015: £16.8 million), driven by turnover growth of 6.7%.
- Looking at the components of Adjusted post-securitisation EBITDA in more detail:
 - Group turnover increased by £2.1 million, or 6.7%, to £33.5 million for the quarter ended 30 September 2016 (Q3 2015: £31.4 million). This increase is driven by the growth in net advances and the impact of the IPT increase.
 - Operating expenses increased by £1.0 million to £11.6 million for the quarter ended 30 September 2016 (Q3 2015: £10.6 million). This increase is primarily driven by increase in credit losses due to an additional provision for Enterprise Insurance in Q3 2016.
 - Securitisation interest expense increased by £0.4 million, or 9.8%, to £4.5 million for the quarter ended 30 September 2016 (Q3 2015: £4.1 million) due to increased amount drawn down on the facility to support underlying growth.

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Post Balance Sheet Event

The interest rate swap contract expired on 3 November 2016 and has not been renewed. The Group's exposure to interest rate risk is naturally hedged by the short term nature of its loans and the ability to re-price the loan book.