

Mizzen Mezzco Limited

Results for the quarter and six months ended 30 June 2016

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

“The Group has continued to deliver another strong financial performance in the first half of 2016, with Adjusted Pro Forma Post Securitisation EBITDA of £34.2 million, an increase of 16.3% year on year. The business also increased the securitisation facility by £200 million to £1.25 billion in the second quarter to support continued growth, with RBS entering the facility. Operationally, we launched our new loan administration system to replace our legacy system with a more modern and flexible solution. The new system initially provides the same functionality as the old system but on a modern platform that will enable us to build enhancements that will improve our customer experience.”

Key Financial Results

Financial Highlights

Financial Data	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Increase / (Decrease)
(£ in millions, except percentages and ratios)	(unaudited)	(unaudited)	(unaudited)
Net Advances ^(a)	1,717.1	1,634.0	83.1
Turnover	64.8	61.4	3.4
EBITDA	40.8	29.4	11.4
Adjusted EBITDA ^(b)	42.6	38.8	3.8
Adjusted EBITDA Margin ^(b)	65.7%	63.2%	+2.5%
Adjusted Post-Securitisation EBITDA ^(c)	34.2	29.4	4.8
Adjusted Post-Securitisation EBITDA Margin ^(c)	52.8%	47.9%	+4.9%
Cash Conversion ^(d)	84.2%	95.9%	(11.7%)

Financial Data	For the quarter ended 30 June 2016	For the quarter ended 30 June 2015	Increase / (Decrease)
(£ in millions, except percentages and ratios)	(unaudited)	(unaudited)	(unaudited)
Net Advances ^(a)	883.1	847.6	35.5
Turnover	33.1	31.0	2.1
EBITDA	20.9	16.3	4.6
Adjusted EBITDA ^(b)	21.8	19.7	2.1
Adjusted EBITDA Margin ^(b)	65.9%	63.5%	+2.4%
Adjusted Post-Securitisation EBITDA ^(c)	17.6	15.0	2.6
Adjusted Post-Securitisation EBITDA Margin ^(c)	53.2%	48.4%	+4.8%
Cash Conversion ^(d)	86.4%	98.0%	(11.6%)

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 six months ended 30 June 2016

- We have increased the overall size of our net advances by 5.1% to £1,717.1 million for the six months ended 30 June 2016 (H1 2015: £1,634.0 million), due to the combination of relationships established with new intermediaries, greater penetration with our existing intermediaries and the increase in Insurance Premium Tax.

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- EBITDA increased by £11.4 million or 38.8% to £40.8 million in the six months ended 30 June 2016 (H1 2015: £29.4 million). Adjusted post-securitisation EBITDA increased £4.8 million or 16.3%. Turnover growth of 5.5% combined with the positive operating leverage and 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 £3.4 million, or 5.5%, to £64.8 million for the six months ended 30 June 2016 (H1 2015: £61.4 million). This increase is driven by the growth in net advances and the impact of the IPT increase.
 - Operating expenses decreased by £30.6 million to £22.0 million for the six months ended 30 June 2016 (H1 2015: £52.6 million). This decrease is primarily driven by the write off of £13.2 million of goodwill in the six months ended 30 June 2015, lower transaction costs (£4.1m), securitisation fees (£3.6m) and one-time information technology and change costs (£3.5m), together with a favourable movement from gains/(losses) on foreign exchange of £6.6m .
 - Securitisation interest expense decreased by £1.0 million, or 10.6%, to £8.4 million for the six months ended 30 June 2016 (H1 2015: £9.4 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 June 2016

- We have increased the overall size of our net advances by 4.2% to £883.1 million for the quarter ended 30 June 2016 (Q2 2015: £847.6 million), due to the combination of relationships established with new intermediaries, greater penetration with our existing intermediaries and the increase in Insurance Premium Tax.
- EBITDA increased by £4.6 million or 28.2% to £20.9 million in the quarter ended 30 June 2016 (Q2 2015: £16.3 million). Adjusted post-securitisation EBITDA increased £2.6 million or 17.3%. Turnover growth of 6.8% combined with the positive operating leverage of the Group and improved funding costs is driving this increase.
- Looking at the components of Adjusted post securitisation EBITDA in more detail:
 - Group turnover increased by £2.1 million, or 6.8%, to £33.1 million for the quarter ended 30 June 2016 (Q2 2015: £31.0 million). This increase is driven by the growth in net advances and the impact of the IPT increase.
 - Operating expenses decreased by £5.5 million to £10.9 million for the quarter ended 30 June 2016 (Q2 2015: £16.4 million). This decrease is primarily driven by lower one-time information technology and change costs (£2.4m), together with a favourable movement from gains/(losses) on foreign exchange of £3.4m.
 - Securitisation interest expense decreased by £0.5 million, or 10.6%, to £4.2 million for the quarter ended 30 June 2016 (Q2 2015: £4.7 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.