Mizzen Mezzco Limited

Financial Highlights

Results for the quarter ended 31 March 2018

Tom Woolgrove, CEO, commenting on the results said:

"As we noted previously, 2017 was a year of significant change, both in the markets where we operate and in the regulatory and political landscape.

The business continues to see the impact of the 2017 consolidation in the broker market and lower retail volumes, in its first quarter 2018 results. Q1 2018 has been challenging, with net advances lower by 5.4% and Adjusted post securitisation EBITDA dropping 16.1%, £2.7 million lower versus the same period last year.

While we are disappointed in the reduction in our net advances, the business remains focussed on improving business performance, with the roll out of our new point of payment platforms, which we expect to increase the take up of Insurance Premium Finance with existing intermediaries, and a healthy new business pipeline in the latter part of 2018 and beyond.

We expect to complete the enhancements to our approach to affordability assessments, to meet the FCA's required standards, by H1 2018.

We continue to invest in the future of our business in terms of our people, facilities, processes and our technology offering. We remain committed to our core strategic objectives and continue to improve our service offering for both our intermediary clients and our customers, and support improvements in our operating efficiency."

Financial Data **(£ in millions, except percentages and ratios)**	**For the quarter ended 31 March 2018** **(unaudited)**	**For the quarter ended 31 March 2017** **(unaudited)**	**Increase/ (Decrease)** **(unaudited)**
Net Advances[(a)]	796.9	842.7	(45.8)
Turnover	30.1	32.3	(2.2)
EBITDA	14.7	16.6	(1.9)
Adjusted EBITDA[(b)]	17.4	20.0	(2.6)
Adjusted EBITDA Margin[(b)]	57.8%	61.9%	(4.1)%
Adjusted Post-Securitisation EBITDA[(c)]	14.1	16.8	(2.7)
Adjusted Post-Securitisation EBITDA Margin[(c)]	46.8%	52.0%	(5.2)%
Cash Conversion[(d)]	87.9%	94.0%	(6.1)%
Profit before tax	4.4	7.7	(3.3)

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

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

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

d. Cash conversion represents Free Cash flow as a % of Adjusted Post-Securitisation EBITDA; Free Cash flow represents Adjusted Post-Securitisation EBITDA – Capex.

- Net advances for the three months of 2018 were £796.9 million, 5.4% lower than the same period last year (three months ended 31 March 2017: £842.7 million) primarily due to consolidation in the broker market and lower new business volumes from some of our retail brokers being impacted by wider macro-economic factors. Adjusting for the impact of market consolidation, our net advances for the three months to March 2018 have increased by 1.0%, when compared to the same period last year.

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- EBITDA decreased by £1.9 million or 11.4% to £14.7 million in the three months ended 31 March 2018 (three months ended 31 March 2017: £16.6 million). The key elements of this were:
  - A decrease in Group turnover of £2.2 million, or 6.8%, to £30.1 million for the three months ended 31 March 2018 (three months ended 31 March 2017: £32.3 million), due to lower net advances.
  - An increase in net credit losses of £0.7 million to £2.6 million for the three months ended 31 March 2018 (three months ended 31 March 2017: £1.9 million) primarily driven by a provision release in the prior year period of £0.4 million and increased provision amounts of £0.1 million in Q1 2018 relating to IFRS 9 impact.
  - A decrease in operating costs of £0.3 million to £10.1 million or 2.9% for the three months ended 31 March 2018 (three months ended 31 March 2017: £10.4 million), due to our continued initiatives in cost management.
  - A decrease in one-time IT and other non-operating expenditure of £0.7 million to £2.6 million for the three months ended 31 March 2018 (three months ended 31 March 2017: £3.3 million), primarily due to a higher IT expenditure been capitalised in Q1 2018 versus prior year period due to timing of completion of IT projects. (three months ended 31 March 2017 is £nil). This IT related expenditure represents a continued investment in the business's customer journeys and operating efficiency. Our objective is to deliver significant improvements in our operating leverage in the near term from these initiatives.

- Adjusted EBITDA of £17.4 million decreased by £2.6 million for the three months ended 31 March 2018 (three months ended 31 March 2017: £20.0 million). Adjusted EBITDA shows the performance of the business with the impact of one-time IT expenditure removed.
- Adjusted Post-Securitisation EBITDA decreased by £2.7 million for the three months ended 31 March 2018 or 16.1% to £14.1 million, (three months ended 31 March 2017: £16.8 million) in line with the respective decrease in EBITDA and Adjusted EBITDA as securitisation interest costs remained flat versus prior period.
- Cash conversion for the three months ended 31 March 2018 was 87.9%, which was down by 6.1% over the prior period, as our free cash flow decreased by £3.4 million due to decrease in Adjusted post securitisation EBITDA of £2.7 million and £0.7 million higher capital projects spending of £1.7 million (three months ended 31 March 2017: £1.0).
- Profit before taxation for the three months ended 31 March 2018 was £4.4 million, 42.9% lower than the same period last year (three months ended 31 March 2017: £7.7 million) primarily due to lower turnover and increased interest cost and administrative expenses.