Mizzen Mezzco Limited

Financial Highlights

Results for the six months and quarter ended 30 June 2018

Tom Woolgrove, CEO, commenting on the results said:

"The reduction in post securitisation EBITDA of £7.4m, whilst disappointing, is in line with our expectations given recent reductions in net advances following the significant changes in the markets where we operate. Additionally, the year over year comparison of our performance is impacted by certain non-recurring items included in the 2017 results.

I am pleased to see the continued underlying growth in our net advances which increased to 6.3% in the quarter once normalised for the 2017 intermediary losses. This is a key driver of our future performance and is benefiting from the investments the business has made in integration and developing compliant, digital customer journeys.

Our commitment towards sustained business growth, value creation and innovation for the future remains unchanged. It is clear we are in a strong financial position and are a market leader, but there is absolutely no room for complacency. We will continue to focus on growth by being the trusted finance provider in all our chosen markets."

Financial Data **(£ in millions, except percentages and ratios)**	**For the six months ended 30 June 2018** **(unaudited)**	**For the six months ended 30 June 2017** **(unaudited)**	**Increase/ (Decrease)** **(unaudited)**
Net Advances[(a)]	1,634.3	1,687.3	(53.0)
Turnover	60.2	65.6	(5.4)
EBITDA	28.0	36.6	(8.6)
Adjusted EBITDA[(b)]	34.8	42.5	(7.7)
Adjusted EBITDA Margin[(b)]	57.8%	64.8%	(7.0%)
Adjusted Post-Securitisation EBITDA[(c)]	28.2	35.6	(7.4)
Adjusted Post-Securitisation EBITDA Margin[(c)]	46.8%	54.3%	(7.5%)
Cash Conversion[(d)]	88.3%	93.5%	(5.2%)
Profit before tax	6.7	18.2	(11.5)

Financial Data **(£ in millions, except percentages and ratios)**	**For the quarter ended 30 June 2018** **(unaudited)**	**For the quarter ended 30 June 2017** **(unaudited)**	**Increase/ (Decrease)** **(unaudited)**
Net Advances[(a)]	837.4	844.6	(7.2)
Turnover	30.1	33.3	(3.2)
EBITDA	13.4	20.0	(6.6)
Adjusted EBITDA[(b)]	17.5	22.5	(5.0)
Adjusted EBITDA Margin[(b)]	58.1%	67.6%	(9.5%)
Adjusted Post-Securitisation EBITDA[(c)]	14.2	18.8	(4.6)
Adjusted Post-Securitisation EBITDA Margin[(c)]	47.2%	56.5%	(9.3%)
Cash Conversion[(d)]	88.7%	93.1%	(4.4%)
Profit before tax	2.3	10.5	(8.2)

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 -Securtisation 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.

Results for the six months ended 30 June 2018

- o Net advances for the six months of 2018 were £1,634.3 million, 3.1% lower than the same period last year (six months ended 30 June 2017: £1,687.3 million) because of broker losses due to market consolidation seen in 2017. Normalising for these, net advances increased by 4.5%.
- o Overall EBITDA decreased by £8.6 million or 23.5% to £28.0 million in the six months ended 30 June 2018 (six months ended 30 June 2017: £36.6 million). This reduction in EBITDA when compared to the first six months of 2017 is impacted by broker consolidation activity and certain non-recurring earnings in 2017. The key elements of this were:

  - A decrease in Group turnover of £5.4 million, or 8.2%, to £60.2 million for the six months ended 30 June 2018 (six months ended 30 June 2017: £65.6 million), due to lower net advances and non-recurring earnings relating to crystallisation of certain commission provisions (£1.7 million) in 2017.
  - An increase in net credit losses of £2.3 million to £5.2 million for the six months ended 30 June 2018 (six months ended 30 June 2017: £2.9 million) primarily driven by non-recurrence of a recovery of £1.4 million relating to Independent Insurance Company Limited and a provision release of £0.4 million in 2017.
  - An increase in other non-operating expenditure of £0.9 million to £6.6 million for the six months ended 30 June 2018 (six months ended 30 June 2017: £5.7 million) primarily due to restructuring costs in 2018.

- o Adjusted Post-Securitisation EBITDA decreased by £7.4 million for the six months ended 30 June 2018 or 20.8% to £28.2 million, (six months ended 30 June 2017: £35.6 million) in line with the respective decrease in EBITDA and Adjusted EBITDA as securitisation interest costs were £0.3 million lower versus prior period.

Results for the quarter ended 30 June 2018

The quarterly results for June 2018 are impacted by the same factors as the YTD results for 2018. We see a disproportionate impact on EBITDA when compared first quarter of 2018 as most of the non-recurring earnings impact of 2017 crystallised in the second quarter of 2017.

- o Net advances for the quarter ended 30 June 2018 were £837.4 million, 0.9% lower than the same period last year (quarter ended 30 June 2017: £844.6 million). Adjusting for the impact of market consolidation, our net advances for the three months to June 2018 have increased by 6.3%, when compared to the same period last year.
- o EBITDA decreased by £6.6 million or 33.0% to £13.4 million in the quarter ended 30 June 2018 (quarter ended 30 June 2017: £20.0 million) due to a drop in Group turnover of £3.2 million and the impact of non-recurring earnings seen in 2017.
- o Adjusted Post-Securitisation EBITDA decreased by £4.6 million for the quarter ended 30 June 2018 or 24.5% to £14.2 million (quarter ended 30 June 2017: £18.8 million) in line with the respective decrease in EBITDA and Adjusted EBITDA as securitisation interest costs decreased versus prior period by £0.4 million.