Mizzen Mezzco Limited

Financial Highlights

Results for the nine months and quarter ended 30 September 2018

Tom Woolgrove, CEO, commenting on the results said:

"While the quarter ended 30 September 2018 has been a challenging period for our business, I am pleased to report that our normalised net advances in the first nine months have seen continued strong underlying growth of 4.6% over prior year. Net advances are a key driver of our future performance and the increase serves to highlight the benefits that we receive from the investments that we have made in developing compliant digital customer journeys.

Notwithstanding this, the business has faced challenges during the period under review driven by a weakening credit environment and the impact of the cyber incident discussed below. Additionally, the year over year comparison of our performance is impacted by the reduction in net advances following the significant changes in the market we operate, and certain non-recurring items included in the 2017 results. These factors have led to a reduction in our Adjusted Post-Securitisation EBITDA of £11.1million for the nine months ended 30 September 2018.

In September 2018, we were subject to a targeted third-party cyber-attack that impacted our computer and telephony systems. In line with our cyber security protocols, our systems were promptly taken offline and shutdown to protect their integrity. Following an investigation of the incident, the entry route was identified and closed and we can confirm that, to the best of our knowledge, there is no evidence of any data loss. However, despite our prompt recovery, the incident and associated remediation activities are expected to have a one-off incremental impact on our Adjusted Post- Securitisation EBITDA for the three months ended 30 September 2018 of £0.8 million and EBITDA of £2.5 million. We expect to incur additional cyber incident related costs of £1.8 million in the coming periods.

Although disappointed with our performance, after accounting for the weaker credit environment and the cyber incident, we believe our performance is in line with our expectations for the period. Moreover, our commitment towards sustained business growth, value creation and innovation for the future remains unchanged. Despite our short-term performance, it is clear we are in a strong financial position and remain a market leader, but there is absolutely no room for complacency."

Financial Data **(£ in millions, except percentages and ratios)**	**For the nine months ended 30 September 2018** **(unaudited)**	**For the nine months ended 30 September 2017** **(unaudited)**	**Increase/ (Decrease)** **(unaudited)**
Net Advances[(a)]	2,555.3	2,667.7	(112.4)
Turnover	90.9	98.9	(8.0)
EBITDA	41.4	54.9	(13.5)
Adjusted EBITDA[(b)]	53.4	64.4	(11.0)
Adjusted EBITDA Margin[(b)]	58.7%	65.1%	(6.4%)
Adjusted Post-Securitisation EBITDA[(c)]	43.0	54.1	(11.1)
Adjusted Post-Securitisation EBITDA Margin[(c)]	47.3%	54.7%	(7.4%)
Cash Conversion[(d)]	88.4%	93.9%	(5.5%)
Profit before tax	10.0	25.5	(15.5)

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Financial Data **(£ in millions, except percentages and ratios)**	**For the quarter ended 30 September 2018** **(unaudited)**	**For the quarter ended 30 September 2017** **(unaudited)**	**Increase/ (Decrease)** **(unaudited)**
Net Advances[(a)]	921.0	980.4	(59.4)
Turnover	30.7	33.3	(2.6)
EBITDA	13.4	18.3	(4.9)
Adjusted EBITDA[(b)]	18.6	21.9	(3.3)
Adjusted EBITDA Margin[(b)]	60.6%	65.8%	(5.2%)
Adjusted Post-Securitisation EBITDA[(c)]	14.8	18.5	(3.7)
Adjusted Post-Securitisation EBITDA Margin[(c)]	48.2%	55.6%	(7.4%)
Cash Conversion[(d)]	88.5%	94.6%	(6.1%)
Profit before tax	3.3	7.3	(4.0)

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

b. Adjusted EBITDA represents EBITDA as adjusted for certain transaction costs, one-time information technology, cyber related costs 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 nine months ended 30 September 2018

- Net advances for the nine months of 2018 were £2,555.3 million, 4.2% lower than the same period last year (nine months ended 30 September 2017: £2,667.7 million). This was driven by the cyber related system outage in September and broker losses as a result of market consolidation that was seen in 2017. Normalising for these, net advances increased by 4.6%.

- Overall EBITDA decreased by £13.5 million or 24.5% to £41.4 million in the nine months ended 30 September 2018, (nine months ended 30 September 2017: £54.9 million). This reduction in EBITDA was impacted by the reduction in net advances and certain non-recurring earnings in 2017. The key elements of this were:

    - A decrease in Group turnover of £8.0 million, or 8.1%, to £90.9 million for the nine months ended 30 September 2018 (nine months ended 30 September 2017: £98.9 million), due to lower net advances, impact of certain non-recurring earnings relating to commission provisions released (£2.8 million) in 2017 and the waiving of certain cost recovery fees during the cyber incident to ensure no customer suffered detriment as a result of the system outage (£0.8 million).
    - An increase in net credit losses of £3.9 million to £7.6 million for the nine months ended 30 September 2018, (nine months ended 30 September 2017: £3.7 million), due to a non-recurring recovery of £1.4 million relating to Independent Insurance Company Limited and provision release of £0.4 million in prior period, and provision increase in current period due to higher termination rates and lower collections vs 2017.
    - An increase in other non-operating expenditure of £2.5 million to £12.0 million for the nine months ended 30 September 2018, (nine months ended 30 September 2017: £9.5 million), primarily due to cyber related and restructuring costs.

- Adjusted EBITDA of £53.4 million decreased by £11.0 million for the nine months ended 30 September 2018, (nine months ended 30 September 2017: £64.4 million). Adjusted EBITDA shows the performance of the business with the impact of certain transaction costs, one-time IT expenditure, cyber incident related costs and other expenses removed.

- Adjusted Post-Securitisation EBITDA decreased by £11.1 million for the nine months ended 30 September 2018 or 20.5% to £43.0 million, (nine months ended 30 September 2017: £54.1 million). This is in line with the respective decrease in EBITDA and Adjusted EBITDA as securitisation interest costs were £0.1 million higher versus prior period.

Results for the quarter ended 30 September 2018

The quarter's results to September 2018 are impacted by the same factors as the YTD results for 2018.

- Net advances for the quarter ended 30 September 2018 were £921.0 million, 6.1% lower than the same period last year, (quarter ended 30 September 2017: £980.4 million).
- EBITDA decreased by £4.9 million or 26.8% to £13.4 million in the quarter ended 30 September 2018, (quarter ended 30 September 2017: £18.3 million).
- Adjusted EBITDA of £18.6 million decreased by £3.3 million for the quarter ended 30 September 2018 (quarter ended 30 September 2017: £21.9 million). Adjusted EBITDA shows the performance of the business with the impact of certain transaction costs, one-time IT expenditure, cyber incident related costs and other expenses removed.
- Adjusted Post-Securitisation EBITDA decreased by £3.7 million for the quarter ended 30 September 2018 or 20.0% to £14.8 million (quarter ended 30 September 2017: £18.5 million) in line with the respective decrease in EBITDA and Adjusted EBITDA.