Mizzen Mezzco Limited

Financial Highlights

Results for the year ended and quarter ended 31 December 2018

Tom Woolgrove, CEO, commenting on the results said:

"The Group continues to have a clear strategy and a strong commitment towards sustained business growth, value creation and innovation for the future. The Group's financial performance in 2018 has been impacted by a number of external factors, which include the ongoing impact of market consolidation, the change in the regulatory landscape, a weakening credit environment and a cyber incident. Our Adjusted Post-Securitisation EBITDA in 2018 was £60.6 million, a reduction of £11.1 million when compared to 2017.

The reduction in net advances was driven by regulatory and macro-economic changes in the markets in which the Group operates, and the impact of intermediary consolidation and broker losses seen in 2017. Normalising for these items, net advances in 2018 have seen continued strong underlying growth of 5.2% over prior year, highlighting the benefits the Group receives from the investments it has made in developing compliant digital customer journeys.

Despite these challenges, we have maintained our position as the market leader for insurance premium finance in the UK and Ireland.

Throughout 2018, we have continued to make changes to our business to meet our partners' and customers' needs and continue to adapt to changes both in the markets where we operate, and in the regulatory and political landscape. We maintain a strong financial position, continue to generate strong cash flows and are investing in our core business. We will continue to focus on growth by being the trusted finance provider in all of our chosen markets."

Financial Data **(£ in millions, except percentages and ratios)**	**For the year ended 31 December 2018 (unaudited)**	**For the year ended 31 December 2017 (unaudited)**	**Increase/ (Decrease)**
Net Advances[a]	3,376.1	3,418.3	(42.2)
Turnover	123.8	131.5	(7.7)
EBITDA	60.4	71.3	(10.9)
Adjusted EBITDA[b]	74.9	85.3	(10.4)
Adjusted EBITDA Margin[b]	60.5%	64.9%	(4.4%)
Adjusted Post-Securitisation EBITDA[c]	60.6	71.7	(11.1)
Adjusted Post-Securitisation EBITDA Margin[c]	48.9%	54.5%	(5.6%)
Cash Conversion[d]	87.8%	91.1%	(3.3%)
Profit before tax	18.6	33.5	(14.9)

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Financial Data (£ in millions, except percentages and ratios)	For the quarter ended 31 December 2018 (unaudited)	For the quarter ended 31 December 2017 (unaudited)	Increase/ (Decrease)
Net Advances[(a)]	820.8	750.6	70.2
Turnover	32.9	32.6	0.3
EBITDA	19.0	16.4	2.6
Adjusted EBITDA[(b)]	21.5	20.9	0.6
Adjusted EBITDA Margin[(b)]	65.3%	64.1%	1.2%
Adjusted Post-Securitisation EBITDA[(c)]	17.6	17.6	0.0
Adjusted Post-Securitisation EBITDA Margin[(c)]	53.5%	54.0%	(0.5%)
Cash Conversion[(d)]	86.4%	83.0%	3.4%
Profit before tax	8.6	8.0	0.6

a. Net advances measures the total value of loans initiated, net of cancellations and mid- term adjustments.

b. Adjusted EBITDA represents EBITDA as adjusted for certain transaction costs, one-time information technology, cyber incident 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 -Securitisation 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.

Note: Full reconciliation of GAAP and non-GAAP measures is presented on page 10

Results for the year ended 31 December 2018

- Net advances for the year ended 31 December 2018 were £3,376.1 million, 1.2% lower than last year, (year ended 31 December 2017: £3,418.3 million). This was driven by broker losses as a result of the market consolidation that was seen in 2017. After normalising for these items, the net advances in 2018 have seen continued strong underlying growth of 5.2% over the prior year, highlighting the benefits the Group receives from the investments it has made in developing compliant digital customer journeys.
- Overall EBITDA decreased by £10.9 million or 15.3% to £60.4 million in the year, (2017: £71.3 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 £7.7 million, or 5.9%, to £123.8 million for the year ended 31 December 2018, (2017: £131.5 million), due to lower net advances, the impact of certain non-recurring earnings relating to commission provisions released in 2017 (£2.6 million), and the waiving of certain cost recovery fees during the cyber incident to ensure that customers did not suffer detriment as a result of the system outage (£0.5 million).
  - An increase in net credit losses of £3.7 million to £9.3 million for the year ended 31 December 2018, (2017: £5.6 million). This was attributable to the weakening credit environment, leading to higher terminations, whilst the charge in 2017 benefited from a one-off recovery of £1.4 million.
  - An increase in other non-operating expenditure of £0.4 million to £14.5 million for the year ended 31 December 2018, (2017: £14.1 million), due primarily to incremental costs incurred as a result of the cyber incident.
- Adjusted EBITDA of £74.9 million decreased by £10.4 million for the year ended 31 December 2018, (2017: £85.3 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 year ended 31 December 2018, or 15.5%, to £60.6 million, (2017: £71.7 million). This is as a result of securitisation interest costs being £0.6 million higher than prior period due to increases in LIBOR.

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Results for the quarter ended 31 December 2018

- Net advances for the quarter ended 31 December 2018 were £820.8 million, 9.4% or £70.2 million higher than the previous year, (quarter ended 31 December 2017: £750.6 million). This result benefited from business that the group would have expected to have written at the end of September during the cyber incident. Adjusting for the impact of the system outage due to the cyber incident at the end of September, advances in the 4th quarter grew by 3.8%, when compared to the prior year.
- EBITDA increased by £2.6 million, or 15.9%, to £19.0 million in the quarter ended 31 December 2018, (quarter ended 31 December 2017: £16.4 million). This is mainly driven by lower project costs partly offset by cyber incident costs.
- Adjusted EBITDA of £21.5 million increased by £0.6 million for the quarter ended 31 December 2018, (quarter ended 31 December 2017: £20.9 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 of £17.6 million is flat when compared to the same period in the prior year.