



PERSONAL GROUP

# INTERIM RESULTS

For the six months ended 30 June 2019

September 2019

DEBORAH FROST | CHIEF EXECUTIVE  
MIKE DUGDALE | CHIEF FINANCIAL OFFICER

## FINANCIAL HIGHLIGHTS

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- ✿ Group revenue of £30.0m (2018: £21.1m) ↑ **42%**
  - Includes £7.4m transactional spend and commission on Hapi (2018: £1.1m)
- ✿ EBITDA of £4.5m (2018 : £4.8m) ↓ **5%**
- ✿ Profit before tax of £4.1m (2018 : £3.9m) ↑ **6%**
- ✿ Basic EPS of 11.4p (2018 : 10.5p) ↑ **9%**
- ✿ Balance sheet remains strong with cash and deposits of £19.2m and no debt
- ✿ Dividend per share paid in the period up 1.3% to 11.65p (2018 : 11.5p), maintaining progressive dividend policy

An aerial photograph of a city crosswalk with white diagonal stripes on a dark asphalt surface. A large, semi-transparent circular graphic is overlaid on the right side of the image. The graphic consists of a large circle with a smaller circle inside it. The space between the two circles is divided into four colored segments: orange, green, red, and blue. The segments are arranged in a clockwise direction starting from the top. The percentages for each segment are: 26.30% (orange), 46.15% (green), 13.40% (red), and 14.15% (blue). The percentages are written in white text within their respective segments. Several people are walking across the crosswalk, and their shadows are cast on the pavement. The overall scene is brightly lit, suggesting a sunny day.

PERSONAL GROUP

OUR STRATEGIC DIRECTION

DEBORAH FROST | CHIEF EXECUTIVE

## LONG-TERM GROWTH POTENTIAL

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“Insurance is the beating heart of our business. We intend to keep it that way”

-  Clear opportunity to disrupt core market with ‘low/no-cost’ Hapi employee benefits, and linking insurance proposition to social purpose and employee need. Market is significant but acquisition cost high
-  Revenue growth in adjacent markets with lower acquisition costs through public sector, SME and talent-led business solutions
-  Increased client/customer penetration across all markets, linked by deeper relationships through cross-support relationships accelerates growth at lower cost
-  Balanced portfolio provides long-term dividend stability with less reliance on core markets – we recognise value across all areas of the economy and this offers stability to investors




TWENTY25

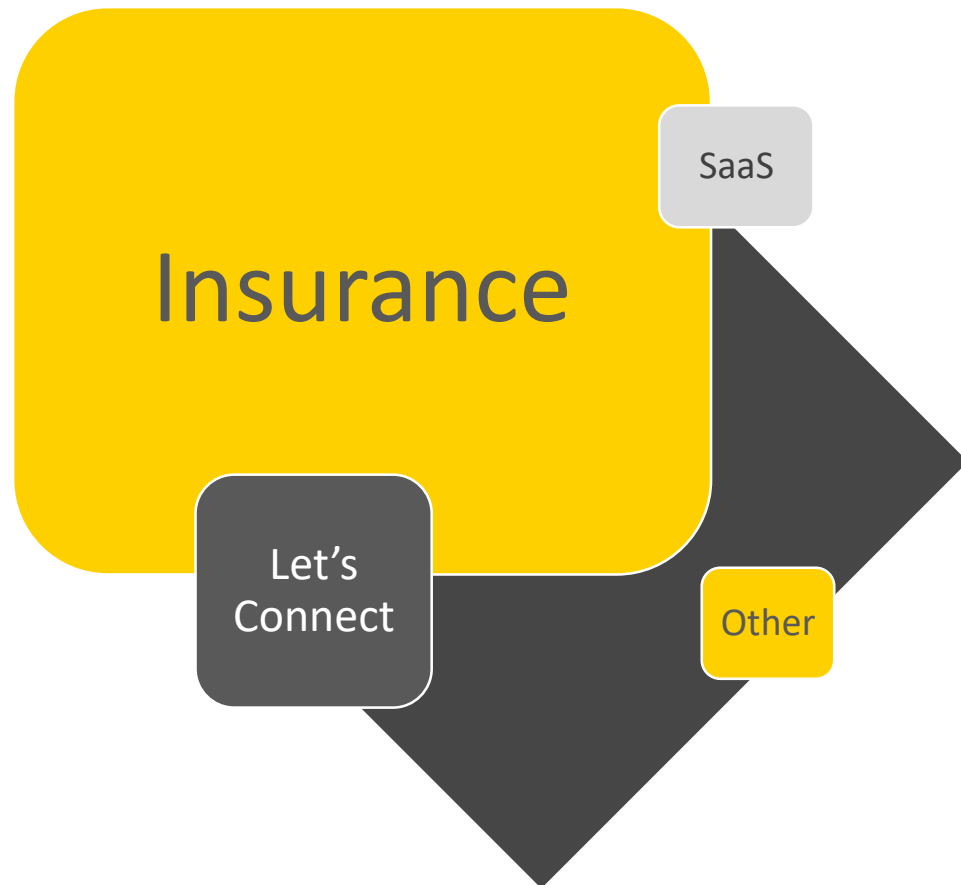
Our 2025 aspirations are:

**Double EBITDA**  
**1 million Hapi users**

# PERSONAL GROUP – HOW WE MAKE MONEY

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-  Insurance business - softening from peak policyholder population in 2015
-  SaaS – growing through new client acquisition for Hapi, Innecto consultancy and Sage channel into SME market launched
-  Let's Connect – significant future growth potential



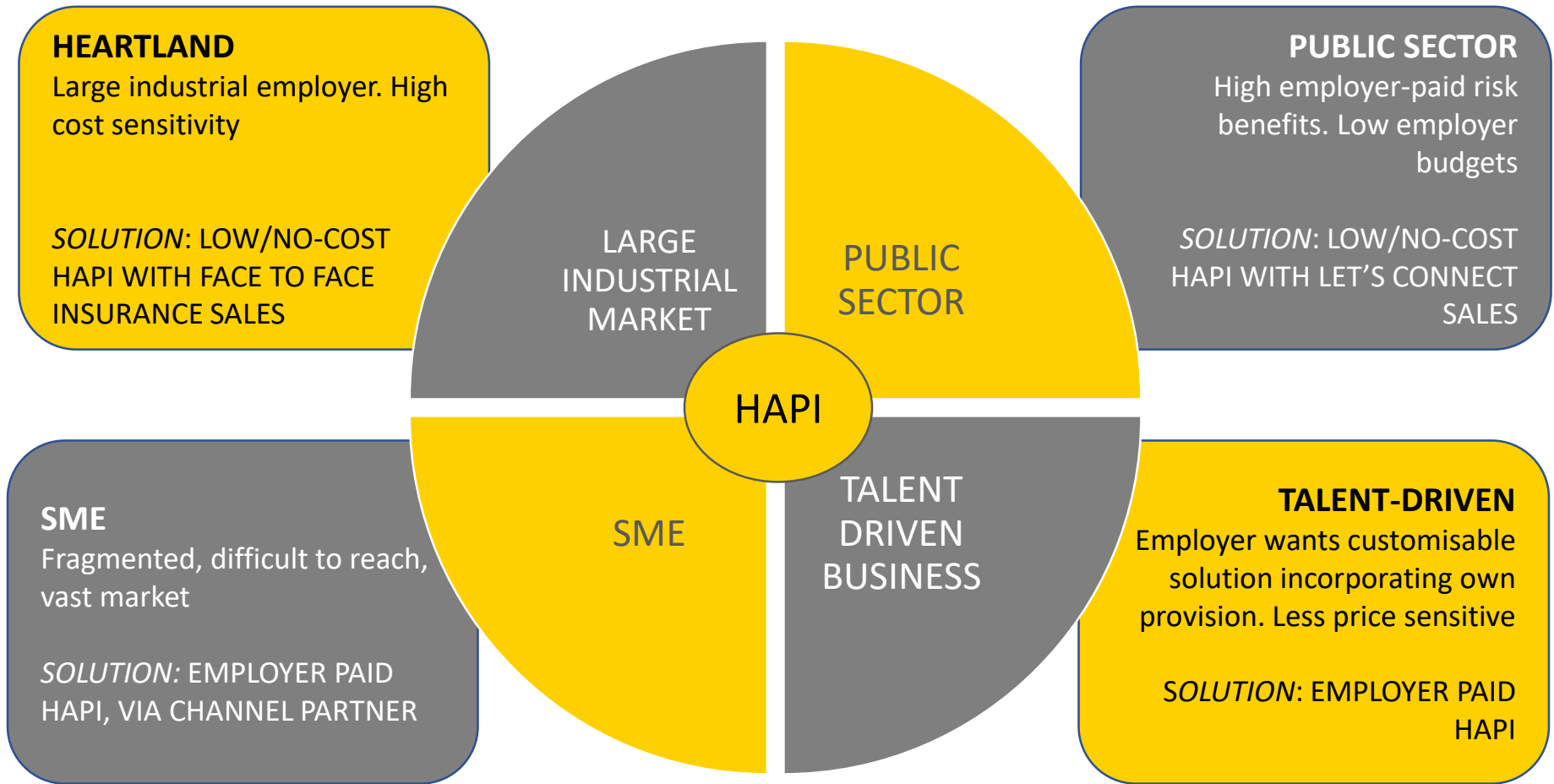
## PERSONAL GROUP – KEY AGENDA

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1. Grow the insurance business by widening our accessible market to include 'gig' economy for current and new clients, improving attractiveness of offer to employers and policyholders and retaining more policyholders for longer
2. Use 'low/no-cost' Hapi as a disrupter to lead client acquisition
3. Drive earnings growth through lower cost of acquisition segments: SME through Sage, Let's Connect, Simply Hapi and Innecto with joined-up execution and delivery
4. 'Be famous' - use new strength in Sales and Marketing to build a predictable sales engine across all segments

# PERSONAL GROUP – MARKETS

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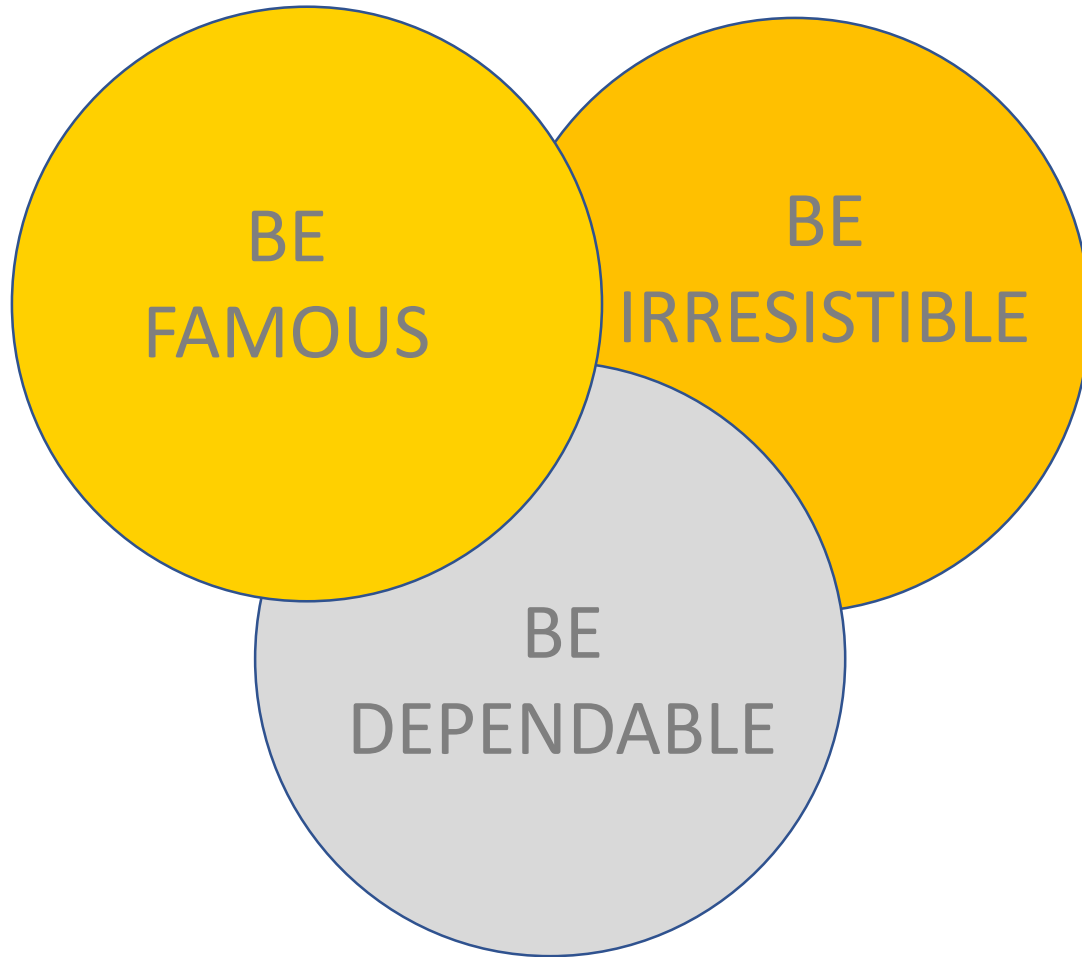
## PERSONAL GROUP – EXECUTION

SEGMENT	INSURANCE	LET'S CONNECT	SAAS
NEW AREAS FOR GROWTH	Develop new insurance product which engages employers. Distribute products through new channels	Clear market proposition and excellent web-based service delivery model – can scale with little incremental cost	SIMPLY HAPI: new opportunities with talent-driven, less price-sensitive clients via Innecto
	Effective policyholder retention strategy execution	Improve employee penetration in existing clients – currently low single figure percentages	SME: vast, relatively untapped SME market – significant growth potential beyond Sage
	Significantly widen core market by adding 'gig' economy through Direct Debit payments – 'protect the unprotected'	Significant early interest from NHS product – other public sector launches to follow	INNECTO: retained and expanded key niche as 'serious alternative' consultancy provider since PG acquisition



# OUR EXECUTION CHARACTERISTICS

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BE FAMOUS – “what’s our dent in the universe?” – Steve Jobs



BE IRRESISTIBLE – drawing clients and customers towards us through better meeting their needs and adapting to changing environment



BE DEPENDABLE – keeping our promises and getting it right first time – time after time

IMPROVING OUR CORE COMPETENCE ACROSS ALL THREE LENSES, AND INTO EACH MARKET SECTOR WHERE WE PLAY, KEEPS US FOCUSED & DRIVES VALUE CREATION

## LONG-TERM GROWTH POTENTIAL

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TWENTY25

Our 2025 aspirations are:

**Double EBITDA**  
**1 million Hapi users**



PERSONAL GROUP

# FINANCIAL PERFORMANCE

Six months ended 30 June 2019

MIKE DUGDALE | CHIEF FINANCIAL OFFICER

## GROUP RESULTS

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	<b>Jun-19</b>	<b>Jun-18</b>	<b>Growth</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>
Revenue *	30,030	21,089	42.4
EBITDA**	4,516	4,755	(5.0)
Operating profit	3,611	3,954	(8.7)
Profit before tax	4,092	3,874	5.6
Tax	547	646	(15.3)
Profit for the period	3,545	3,228	9.8

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\* Includes £7.4m transactional spend and commission on Hapi (2018: £1.1m)

\*\* EBITDA is defined as earnings before interest, tax, depreciation, amortisation of intangible assets, goodwill impairment, share-based expense payments, corporate acquisition costs, restructuring costs and the release of tax provisions

## SEGMENTAL ANALYSIS

	Jun-19 £000	Jun-18 £000	Growth %
<b>Total Revenue</b>			
Insurance	15,152	15,605	(2.9)
Let's Connect	5,830	3,264	78.6
SaaS	8,839	2,008	340.2
Other	209	212	(1.4)
Total	<u>30,030</u>	<u>21,089</u>	<u>42.4</u>
<b>EBITDA</b>			
Insurance	3,859	4,623	(16.5)
Let's Connect	252	(256)	N/A
SaaS	295	336	(12.2)
Other	110	52	111.5
Total	<u>4,516</u>	<u>4,755</u>	<u>(5.0)</u>

# INSURANCE

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- ✿ Earned premium of £15.2m marginally down on prior year (2018: £15.6m)
- ✿ New insurance sales of £4.6m (2018: £5.6m) lower than expected due to the slowing down of new business wins over last 12 months. This will impact earned premium in latter part of 2019 and into 2020; however potential new client pipeline is positive.
- ✿ Strong underwriting; claims ratio 22.4% (2018: 23.9%)
- ✿ HP and DB policies in force 294k (Dec 2018: 306k) continued to soften slightly
- ✿ 'Enrolled to present' remains strong at 52% (2018: Full year 52%)

## SaaS



- ✿ Strong revenue growth of 341% to £8.8m (2018: £2.0m) driven by £7.4m transactional spend and commission on Hapi (2018: £1.1m)
- ✿ EBITDA flat at £295k (2018: £336k) caused by delays in the launch of Sage to early September 2019

## Hapi

- ✿ Bringing the supply chain in house has proven successful, improving the security and customer proposition
- ✿ Customer spend through Hapi up 697% to £9.3m (2018: £1.2m)
  - E-vouchers usage up 438% to £5.4m
  - Cinema up 213% to £0.5m

## Sage

- ✿ Latest campaign to cross-sell into part of Sage's existing client base went live on 2 September: Further launches to potential Sage customers planned
  - Microsite for SEB set up on Sage website
  - Sage store set up allowing customers to purchase SEB digitally

## SaaS cont'd/

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### Innecto

- ✿ Successful acquisition completed 28 February 2019
- ✿ Total purchase consideration £3.2m, goodwill £2.0m, identifiable assets on acquisition £1.2m
- ✿ New business wins since acquisition in excess of £0.6m (comparable period in 2018: £0.4m)
- ✿ £1.2m pipeline at 30 June (30 June 2018: £0.8m)
- ✿ Moving Innecto Digital onto Outsystems (core PG platform for Hapi). This will restore the competitive advantage in the HR tech marketplace and increase cross and upsell opportunities



## LET'S CONNECT

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- ✿ Revenue up 79% to £5.8m (2018: £3.3m)
- ✿ EBITDA of £0.25m (2018: loss of £0.25m)
- ✿ Strong start to the year, particularly from Royal Mail and 9 new wins over the period (2018: 4)
- ✿ Pipeline for the second half looks strong
- ✿ Increased ability to cross-sell following Innecto acquisition
- ✿ Exploring exciting opportunities with a number of NHS trusts

## SIGNIFICANT SHAREHOLDERS

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	%
Christopher Johnston	37.4
Miton Asset Management Limited	13.1
Investec Wealth & Investment Limited	6.3
Royal London Asset Management Ltd	5.6
Chelverton Asset Management Ltd	5.0
Other directors, staff and SIP Trust	1.2

Source: NASDAQ (as at 30 June 2019)

## SUMMARY

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- Solid start to the year, with trading in line with management's expectations at the half year
- Successful acquisition of Innecto in Q1 already producing benefits from a more integrated offering and stronger sales and marketing capability
- Looking ahead as a UK-centric business we believe that the increased pressure to retain and hire labour and associated costs created by Brexit will reinforce the value of our proposition
- Revenue and reported profit before tax expected to be in line with market expectations despite reduction in EBITDA
- The evolution of the strategy means the business is in great shape as we drive towards our 2025 aspirations

An aerial photograph of a city crosswalk with a large circular graphic overlay. The crosswalk has white stripes on a dark asphalt surface. The circular graphic features a bar chart with four colored segments: orange, green, red, and blue. People are walking across the crosswalk, and their shadows are cast on the pavement. The text 'PERSONAL GROUP APPENDICES' is overlaid on the left side of the image.

PERSONAL GROUP  
APPENDICES

4-20%

26-30%

46-75%

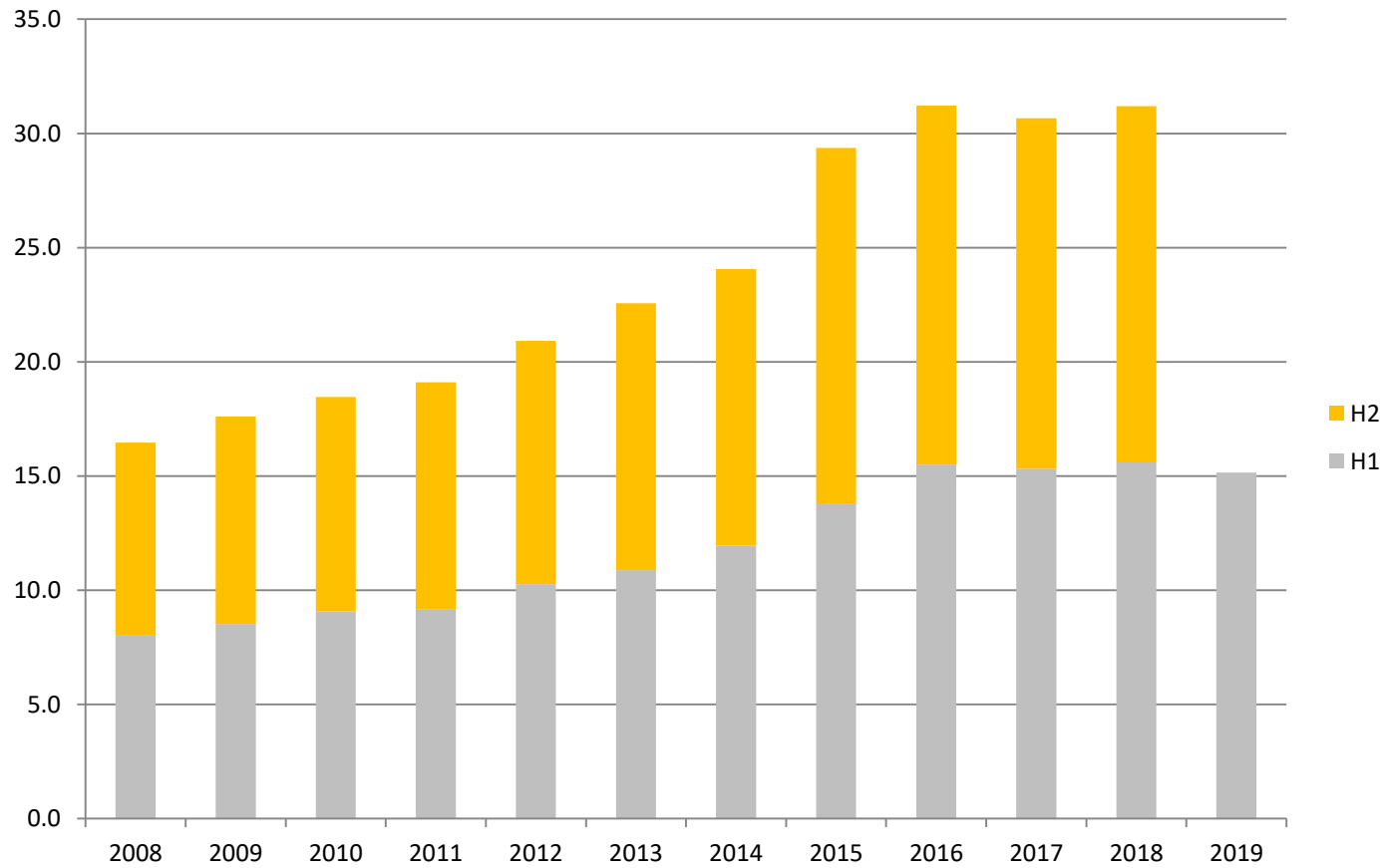
13-40%

2-95%

## SUMMARY INCOME STATEMENT

	Jun-19	Jun-18	Better / (worse)
	£'000	£'000	£'000
Net premiums earned	15,156	15,611	(455)
Less: claims incurred	<u>(3,397)</u>	<u>(3,730)</u>	<u>333</u>
<b>Insurance underwriting profit</b>	<b>11,759</b>	<b>11,881</b>	<b>(122)</b>
Other income	151	178	(27)
Salary Sacrifice profit	193	(306)	499
SAAS profit	287	402	(115)
Other expenses	<u>(8,350)</u>	<u>(7,771)</u>	<u>(579)</u>
<b>Operating profit before tax</b>	<b>4,040</b>	<b>4,384</b>	<b>(344)</b>
Investment income, charitable donations and finance costs	(59)	(90)	31
Share based payment expenses	(9)	(76)	67
Amortisation	<u>(252)</u>	<u>(336)</u>	<u>84</u>
<b>Group profit before tax</b>	<b>3,720</b>	<b>3,882</b>	<b>(162)</b>
Share of profit from equity accounted investee	7	(8)	15
Exceptionals	(177)	-	(177)
Release of provisions	<u>542</u>	<u>-</u>	<u>542</u>
<b>Statutory profit before tax from continuing operations</b>	<b><u>4,092</u></b>	<b><u>3,874</u></b>	<b><u>218</u></b>

# EARNED PREMIUM



## NEW BUSINESS INSURANCE SALES RATIOS

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	2019	2018	2017	2016	2015
Enrolled to presented %	52%	52%	52%	51%	54%
Acquisition cost of £100 API*	85	76	69	72	72
Av API* per employee enrolled	265	256	237	232	210
Group account exec average daily API*	1,167	1,169	1,207	1,145	1,100

\* Annualised Premium Income

# EARNED PREMIUM AND CLAIMS

	<b>Jun-19</b>				<b>Jun-18</b>			
	PHP	DB	Other	Total	PHP	DB	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earned premium	11,823	3,249	84	15,156	12,253	3,254	104	15,611
Claims	(2,549)	(471)	(377)	(3,397)	(2,815)	(599)	(316)	(3,730)
	9,274	2,778	(293)	11,759	9,438	2,655	(212)	11,881
Loss ratio %	21.6	14.5	448.9	22.4	23.0	18.4	303.8	23.9

- 'Other' includes VGIP and the claims handling costs of the business



## EBITDA RECONCILIATION

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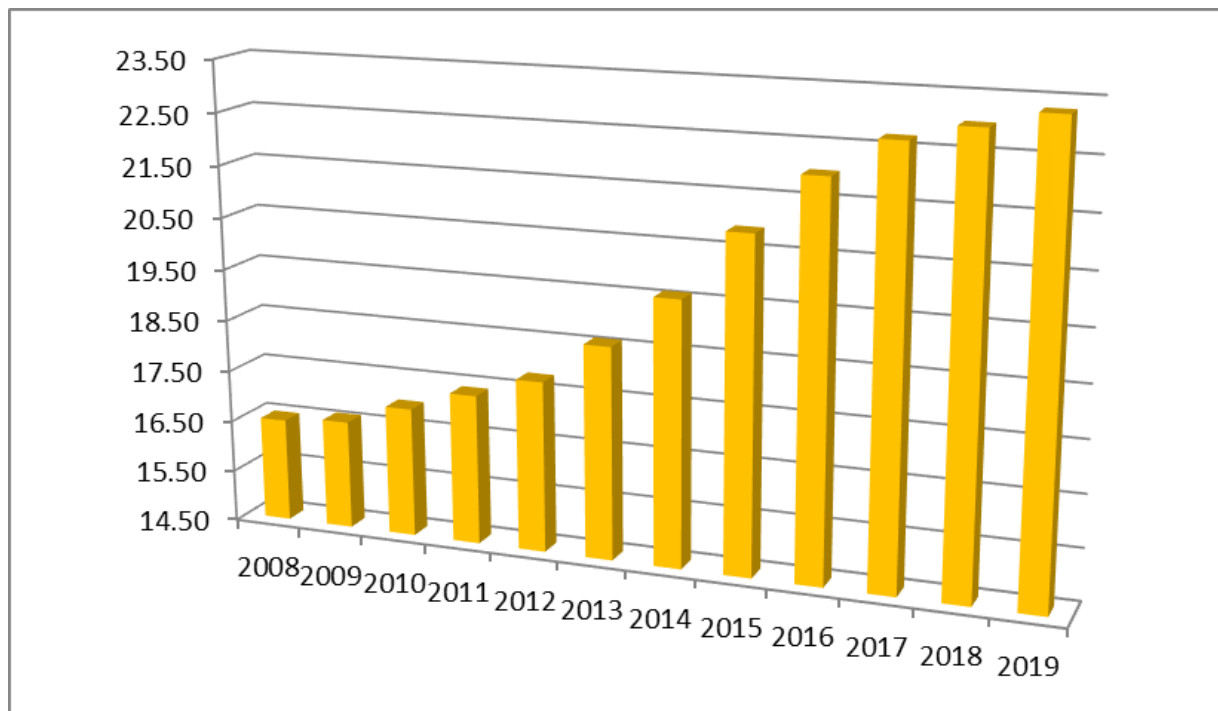
	<b>Jun-19</b>	<b>Jun-18</b>
	<b>£000</b>	<b>£000</b>
<b>Profit before tax</b>	<b>4,092</b>	<b>3,874</b>
Interest costs	68	72
Let's Connect - amortisation	53	165
Share-based payments	9	76
Depreciation	460	396
Amortisation (other)	199	172
Corporate acquisition costs	177	-
Let's Connect - release of tax provision	(542)	-
<b>EBITDA</b>	<b>4,516</b>	<b>4,755</b>

# SUMMARY BALANCE SHEET

	<b>Jun-19</b>	<b>Dec-18</b>	<b>Increase / (Reduction)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Tangible fixed assets (buildings, cars, computer, FF&F)	6,190	6,040	150
Intangible fixed assets (computer software)	1,233	500	733
Investment properties	130	130	-
Equity - accounted investee	58	50	8
Financial assets	2,792	2,530	262
Deferred tax	14	-	14
Cash and cash equivalents	16,399	15,148	1251
Trade & other receivables	10,134	16,719	(6,585)
Inventories	<u>902</u>	<u>643</u>	<u>259</u>
Total without goodwill	37,852	41,760	(3,908)
Add goodwill	<u>12,616</u>	<u>10,575</u>	<u>2,041</u>
Total assets	<u><u>50,468</u></u>	<u><u>52,335</u></u>	<u><u>(1,867)</u></u>
Current tax	638	714	(76)
Trade & other payables	<u>13,448</u>	<u>16,326</u>	<u>(2,878)</u>
Total liabilities	<u><u>14,086</u></u>	<u><u>17,040</u></u>	<u><u>(2,954)</u></u>
Total Equity	<u><u>36,382</u></u>	<u><u>35,295</u></u>	<u><u>1,087</u></u>

## DIVIDEND RECORD 2008 – 2019

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*Continuation of progressive dividend*

\* Third quarterly dividend of 5.825p will be paid on 20 September 2019

# PERSONAL GROUP – WELLBEING AT WORK

At a glance



Our heartland is working with large industrial clients employing individuals who don't drive a desk



We offer insurance products to protect individual employees – often for companies who don't provide death in service or sick pay  
We protect the unprotected

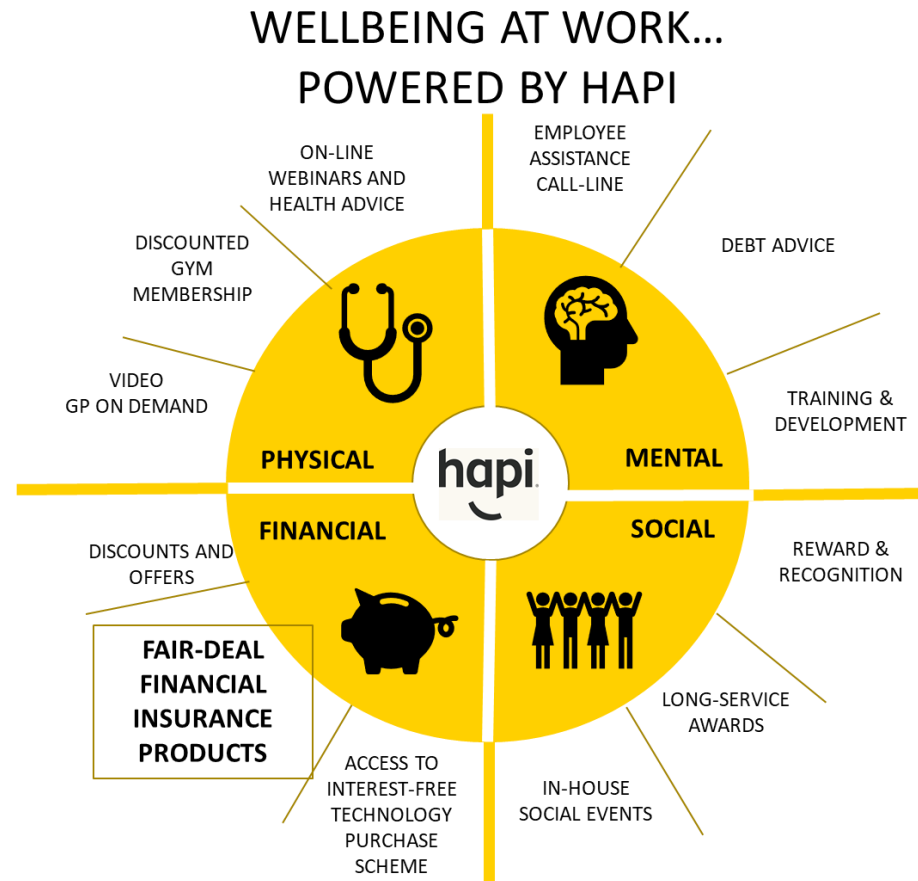


We help employers by showing their employees how to access their benefits, on a phone, or a laptop, one-to-one, face to face.  
We connect the unconnected



We've widened our reach to provide solutions for related markets. Our benefits solutions provides more than discounts and offers – we offer ideas and solutions under four main wellbeing categories

*OUR MISSION IS TO CONNECT THE UNCONNECTED & PROTECT THE UNPROTECTED*



## PERSONAL GROUP – “YOU CAN LEAN ON US”

Our values are based on a 35 year history of working with policyholders to provide income protection to help with the unexpected. If they go into hospital, or the worst happens, we pay out.



Our insurance products are simple, fixed premium, no medical underwriting and we pay out c£6.6 million a year across 130,000 policy-holders



We help people who don't find financial services straightforward by going into their workplace and sitting down one-to-one with them. We get them signed up to the benefits platform and insurances there and then.

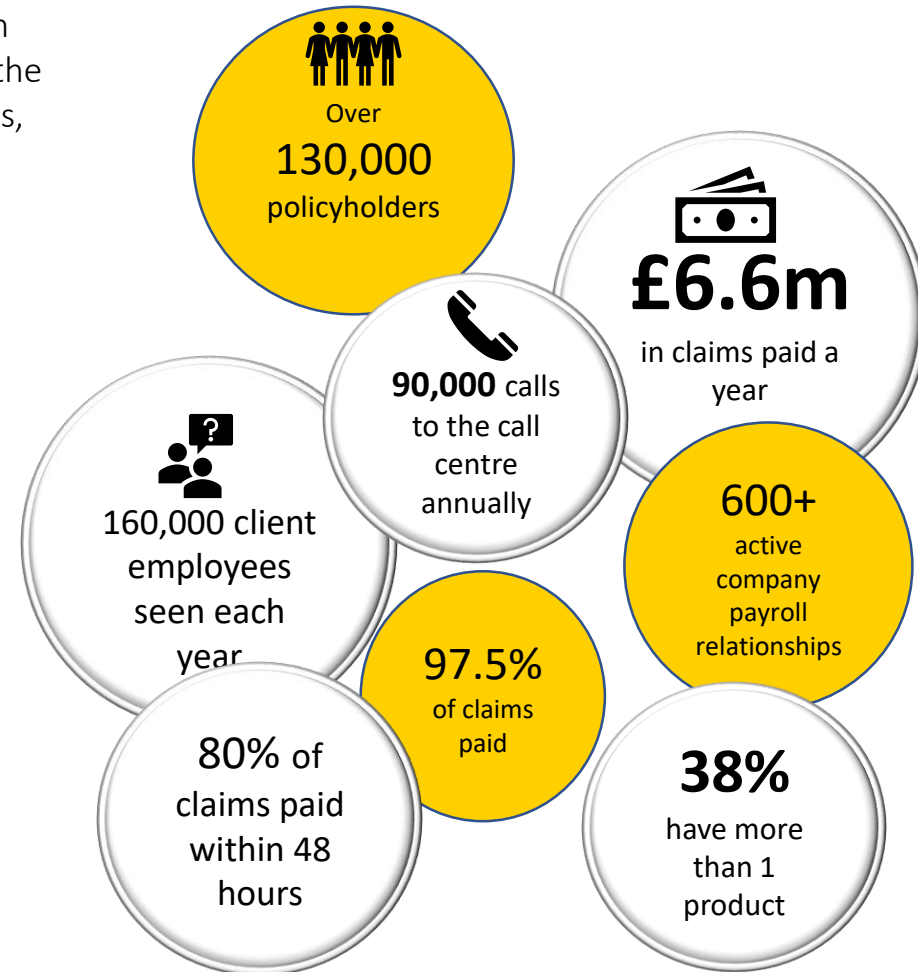


Insurance Premiums are usually taken straight from payroll – monthly or weekly



Our Milton Keynes-based call centre offers support from real people – with a named advisor to help with the most serious claim situations

## At a glance



# SMT BIO



**Deborah Frost \***  
Group Chief Executive

**Appointed Date**

September 2015 (Appointed CEO 28 February 2019)

**Experience**

Co-founder and CEO of Innecto People Consulting, a specialist pay and reward consultancy. Diverse background in industry and consultancy, working for both Marks & Spencer and Nationwide Building Society before joining Towers Perrin in 2000.

Reward and performance expert, specialism of working in high growth businesses, Chartered Fellow of CIPD.



**Mike Dugdale \***  
Chief Financial Officer

**Appointed Date**

January 2013

**Experience**

Previously Finance Director at Virgin Care. Prior experience includes Finance Director roles at Reebok, in both UK and Canada, and BUPA's UK insurance business as well as Group Financial Controller at Guardian Royal Exchange Plc

Chartered accountant with experience in the Healthcare, FMCG and Financial Services sectors.



**Andy Lothian \***  
Managing Director PGB Sales

**Appointed Date**

July 2017 (employee since 1998)

**Experience**

Career in sales with PGB, first as a Group Account Executive followed by Development Manager, Regional Manager and then National Sales Manager.

Sales management experience, currently manages the insurance growth strategy.

\* Deborah Frost, Mike Dugdale, Andy Lothian & Sarah Mace are also Board Members



**Sarah Mace \***  
Group Financial Controller and  
Company Secretary

**Appointed Date**  
April 2014

**Experience**  
Previously Head of Finance for  
private equity owned Chicago  
Leisure Ltd.  
Various roles in life assurance and  
pensions as well as Cable &  
Wireless Communications.

Certified accountant, also has  
responsibility for the customer  
relations team.



**Ashley Doody**  
Chief Information Officer

**Appointed Date**  
May 2013

**Experience**  
Spent two years at Motability  
Operations as Head of Development,  
where he was responsible for  
running  
the technology development teams  
and developing the Company's  
online  
presence. Started his career with  
Hoskyns Group in 1992, went on to  
spend 17 years at Thomson Reuters,  
most recently as Chief Technology  
Officer of the UK Legal Information  
business unit.



**Rebekah Tapping**  
Group HR Director

**Appointed Date**  
January 2015

**Experience**  
Previously at Huntingdon Life  
Sciences where she developed  
their HR function following an  
acquisition that had doubled their  
size and Daisy Group, a highly  
acquisitive, rapidly growing  
business. Started her career in  
operational management before  
progressing through various HR  
roles in the retail and public  
sectors.



**Dr Lee Williams**  
Chief Commercial Officer

**Appointed Date**  
May 2019

**Experience**  
Previously a management consultant  
specialising in customer engagement  
and change management. Clients  
included American Express, AXA, Garic  
UK, Lloyds TSB Insurance, Yodel and  
Bunzl, where he was Sales Director  
within Retail Supplies business.

DBA and MBA from Alliance  
Manchester Business School,  
specialising in business mental  
toughness.

\* Deborah Frost, Mike Dugdale, Andy Lothian & Sarah Mace are also Board Members

# BOARD BIO



**Mark Winlow**  
Non Executive Chairman

**Appointed Date**  
May 2016 (Non Executive October 2013)

**Experience**  
Over 35 years experience in financial services in the UK and internationally, including time at Zurich Financial Services as Managing Director of Zurich's UK consumer business. Previous partner in audit and advisory firms KPMG and EY.

Investor relations, regulatory knowledge, strong and effective leadership, entrepreneurship and innovation.



**Ken Rooney**  
Non Executive Director and Deputy Chairman

**Appointed Date**  
July 2000 (Non-Executive since July 2015)

**Experience**  
Over 40 years experience in financial services, including running his own company until 1998. Joined Personal Group in 1999 and served as Chief Executive from 2004 to 2009, and again as interim in 2011. Retired from his Executive position in July 2015.

Regulatory knowledge, historic knowledge of Personal Group.



**Bob Head**  
Non Executive Director

**Appointed Date**  
November 2016

**Experience**  
Over 30 years experience in the financial services industry in the UK and internationally including Co-founder of egg, first CEO of smile and director of Prudential's International Division. More recently, interim CFO of South African Airways.

Chartered accountant as well as FCIB and ACII.



**Maria Darby-Walker**  
Non Executive Director

**Appointed Date**  
June 2019

**Experience**  
30 years experience as a brand, marketing and communications Director advising Boards on strategy, issues and reputation management. Over half of this time was spent working with financial services brands including Churchill Insurance, Barclays, Unum, the Financial Conduct Authority and the Investment Association.

Investor relations, regulatory knowledge, leadership development and mentoring, M&A and corporate reputation



# OUR HISTORY

