



Preliminary Statement

For the year ended 31st December 2018

March 2019

Market landscape

General market for our products is buoyant:

- Full employment resulting in significant war for talent
- Increase in National Living Wage limiting companies to afford meaningful pay rises
- PG offers a benefit and communications package via mobile - an attractive alternative to pay rises
- GDPR and cyber security issues offer another market opportunity via Hapi
- Increased focus on 'financial wellness' plays to the strengths of our fair deal insurance products
- PG well placed to exploit the opportunities in the mid-market with accessible technology

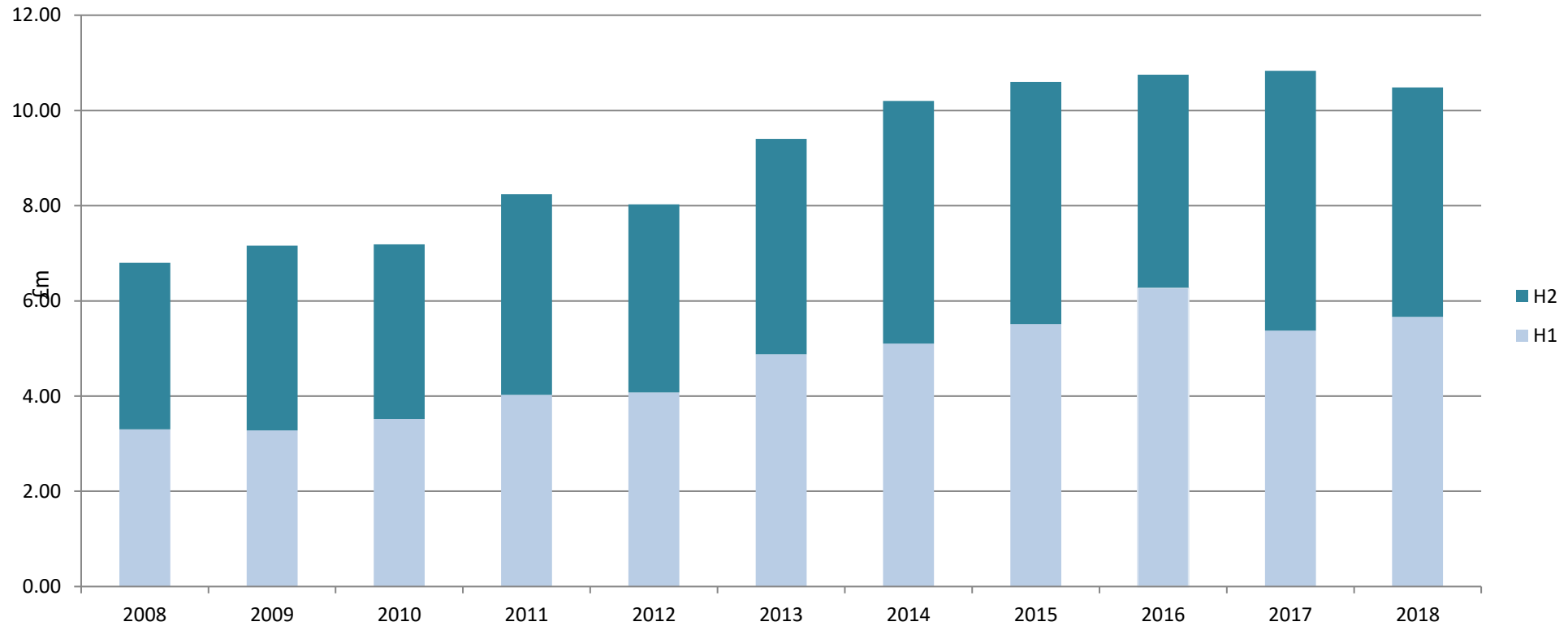
Financial highlights

- Group revenue of £55.3m (2017: £45.2m) **↑ 22.4%**
- EBITDA from continuing operations of £11.4m (2017: £10.8m) **↑ 5.8%**
- Profit before tax from continuing operations of £10.2m (2017: £9.5m) **↑ 7.4%**
- Basic EPS from continuing operations of 27.2p (2017: 26.9p) **↑ 1.1%**
- Balance sheet remains strong with cash and deposits of £17.7m and no debt
- Dividend per share paid in the period up 1.3% to 23.0p (2017: 22.7p), maintaining progressive dividend policy

Operational highlights

- Continuing to deliver on strategy
- All three business segments traded ahead of previous year despite strong headwinds in the 2nd half of 2018
- New Insurance sales 97% of all time record at £10.5m annualised premium
- Let's Connect started to bounce back post HMRC issues of 2016 and 2017
- SaaS revenue up significantly (229%) and launched Sage Employee Benefits (SEB) as a stand alone product to a wider (SME) customer base
- GDPR and data breaches in one of our main 3rd party suppliers had significant impact, particularly on the speed of signing up new clients and customer accessibility in our insurance business
- Responded by accelerating the rationalisation of our supply chain and bringing more in-house
- Significant investment in sales and marketing

New Insurance Sales *

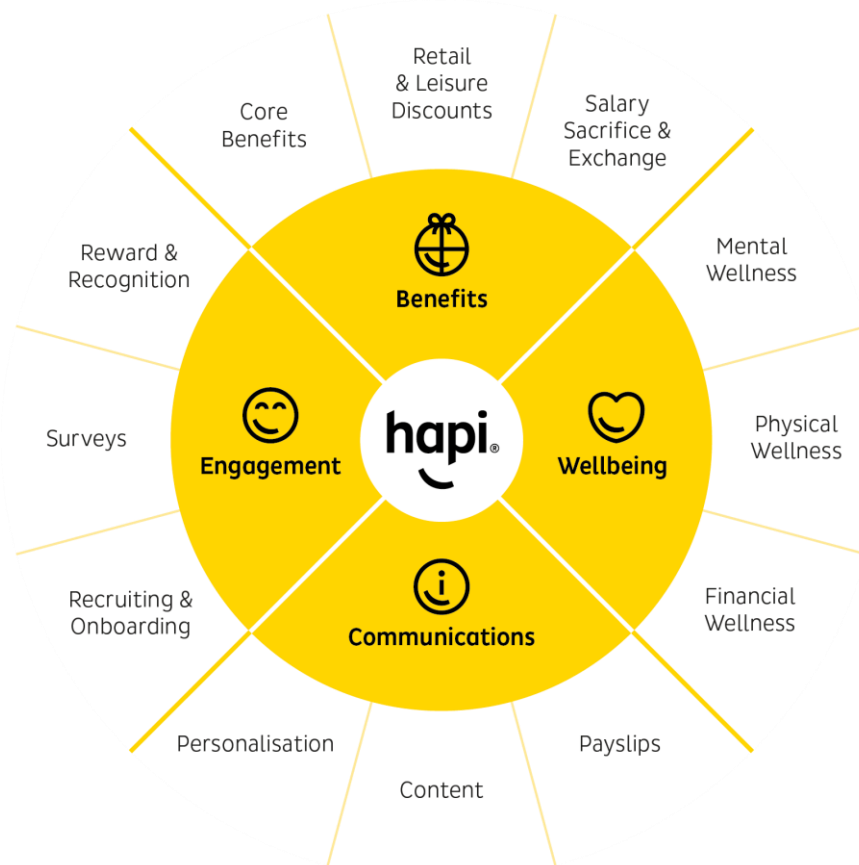


* Annualised revenue from Hospital Cash and Convalescence Plans, Death Benefit and Voluntary Group Income Protection Plans

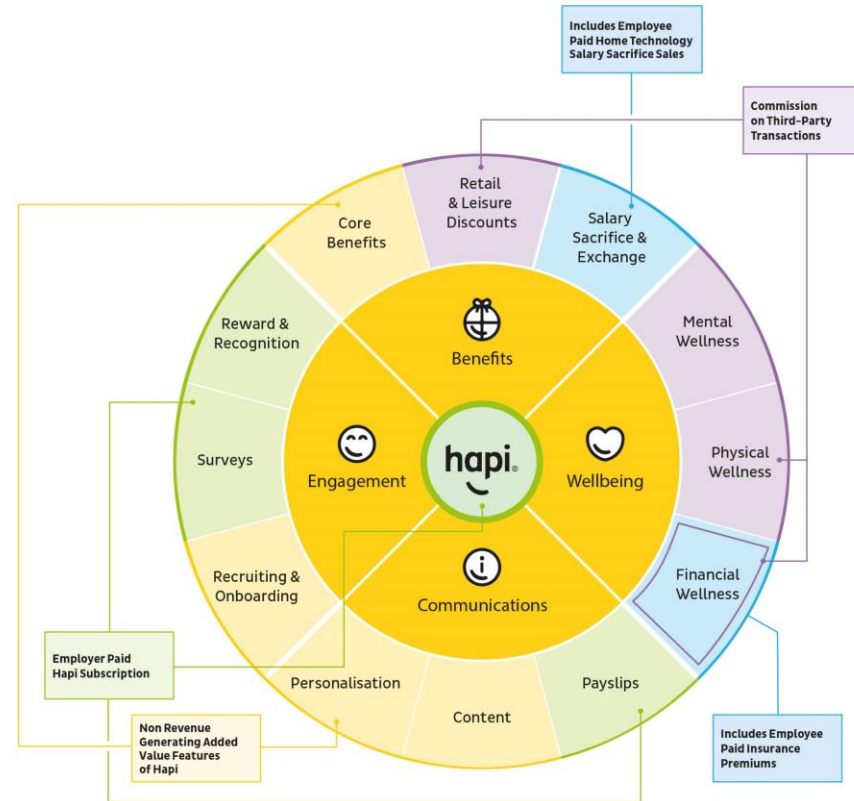
Insurance

- Earned premium £31.2m marginally up on PY (2017: £30.7m)
- Strong new insurance sales of £10.5m annualised insurance premiums – 97% of best ever
 - 22% of new business was from new customers at new companies (2017: 15%)
- Second half impacted by 3rd party data breach and GDPR resulting in delayed new client wins and the servicing of existing clients
- Exited the year with less than optimal number of front line sales people
- Claims ratio 23.0% remains good (2017: 22.1%)
- Policies in force 306,000 (2017: 319,000) declined slightly, however new business average premium is 21% higher than the policies that lapsed
- 'Enrolled to presented' remains strong at 52% (2017: 52%) of 159,853 face-to-face presentations

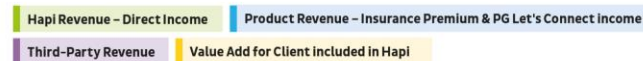
Hapi – proposition



Hapi – business model



Key



Saas

- Strong revenue growth of 277% to £8.7m (2017: £2.7m) – driven by spend on Hapi
- Significant increase in customer spend through Hapi platform helping drive engagement, up 13%
- Over £1.1m saved by users of Hapi with the top 25 retailers representing 95% of spend.
321,000 activated users on Hapi (2017:198,000)
- Reduced risk by bringing the supply chain in-house following data breach from a major 3rd party provider
- Ease of use of e-Vouchers via Hapi (with a lower discount rate than cards) up 31% to £4.2m
- New SaaS only clients including St John Ambulance and Randstad
- Standalone version of Sage Employee Benefits (SEB) offered to wider client base of Sage in Q4 – early indications are strong

PG Let's Connect

- Revenue £15.0m up 33% (2017: £11.3m) but recovery taking longer than expected
 - Private sector 20%, Public sector 42%, RMG 38%
 - Top categories iPad £1.9m, iPhone £1.7m, TV £1.6m, Consoles £1.4m, MacBook £1.3m, HP £1.3m, Apple watch £1.1m, Sonos £0.6m
- Adjusted EBITDA £1.2m (2017: £0.3m)
- In addition to GDPR delays, Crown Commercial Service purchasing framework departments deferred running schemes as the 3rd party payroll provider not able to implement pay slots in time – now in place
- Strong start to 2019 particularly from Royal Mail
- Pipeline looks good and client numbers increased to 83 (2017: 61)
- Increased ability to cross-sell following the acquisition of Innecto

Innecto

- In February PGH acquired Innecto People Consulting Limited ("Innecto"), a leading UK independent pay and reward consultancy, for a cash consideration of £3m
- Expect earnings accretive immediately
- Well established complementary business
- Operates at a more senior level in large corporates than PGH has traditionally which will be beneficial
- Allows expansion of customer base including blue-chip clients allowing cross-selling opportunities
- Strong sales and marketing expertise is a key strength – particularly SaaS sales expertise will benefit PGH
- Expect to leverage expertise and expand PGH's product offering to new clients as well as securing higher retention rates with existing customers

Technology and cyber security

- Hapi functionality extended to include Reward & Recognition features
- New native app well into roll-out
- Underpinning technology platform (Out-systems) major upgrade
 - First major upgrade since original implementation 4 years ago
 - SOC II and ISO27001 compliant
 - AWS data centre migration; Dublin to London
- Cyber Essentials Plus accreditation (previously just Cyber Essentials)
- Working towards ISO270001 for the rest of Personal Group

Financial Performance

For the year ended 31st December 2018

Group results

	Dec-18	Dec-17	Growth
	£000	£000	%
Continuing Operations			
Revenue	55,347	45,233	22.4
EBITDA*	11,437	10,812	5.8
Operating profit	9,548	9,512	0.3
Profit before tax	10,210	9,510	7.4
Tax	1,819	1,486	22.4
Profit for the period	8,391	8,024	4.5
Discontinued Operations			
Profit for the period	0	238	

* EBITDA is defined as earnings before interest, tax, depreciation, amortisation of intangible assets, goodwill impairment, share based expense payments, corporate acquisition costs, restructuring costs, write back of contingent consideration and release of tax provision

Profit & Loss

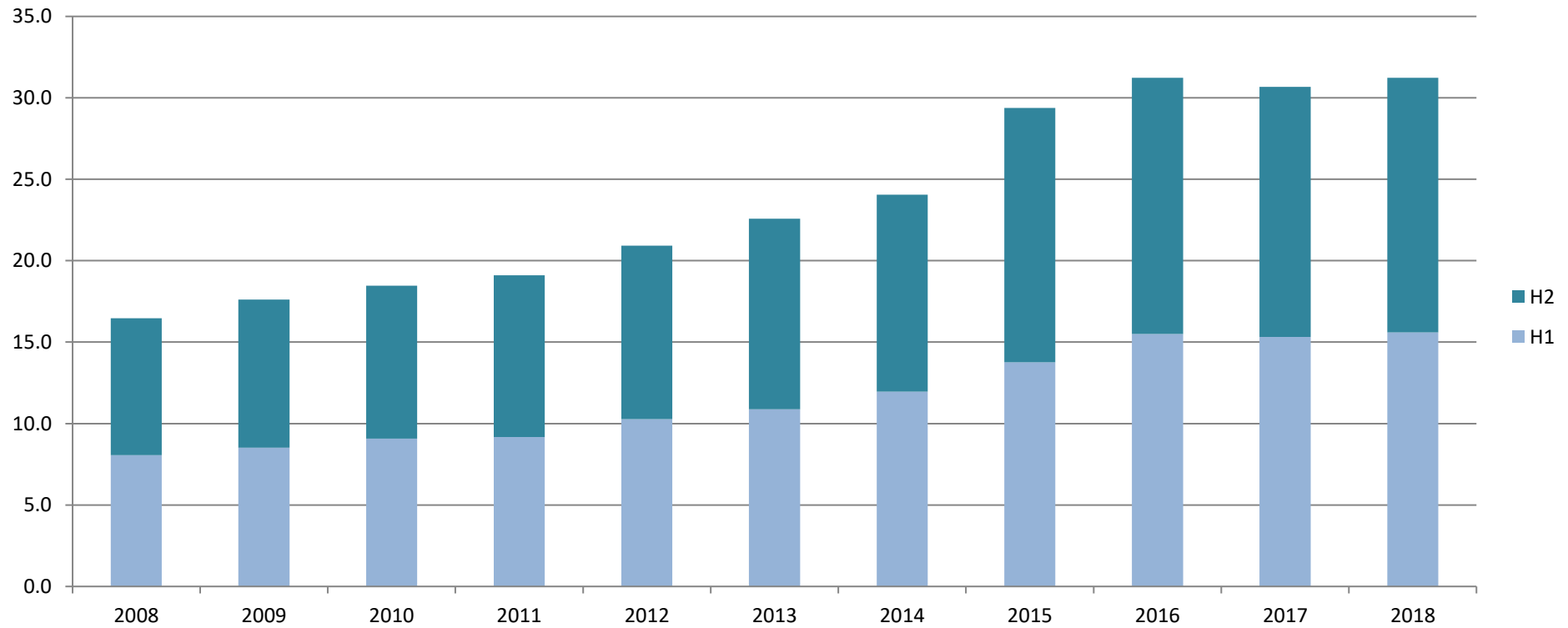
- Revenue from continuing operations of £55.3m (2017: £45.2m) **↑ 22.4%**
 - Core insurance (PHP & DB) earned premium £31.0m (2017: £30.3m)
 - New insurance sales £10.5m (2017: £10.8m)
 - SaaS income £8.7m (2017: £2.7m)
- EBITDA of £11.4m from continuing operations (2017: £10.8m) **↑ 5.8%**
- Cash and deposits now £17.7m **↑ 9%**
- Dividend increased by 1.3%
 - Reflects continued strong cash generation and confidence in the future potential of the business
 - Based on progressive dividend policy

New business insurance sales ratios

	2018 FY	2017 FY	2016 FY	2015 FY
Enrolled to presented %	52%	52%	51%	54%
Acquisition cost of £100 API*	£77	£69	£72	£72
Av API per employee enrolled	£257	£237	£232	£210
Sales executive daily API	£1,145	£1,207	£1,145	£1,100

* Annualised Premium Income

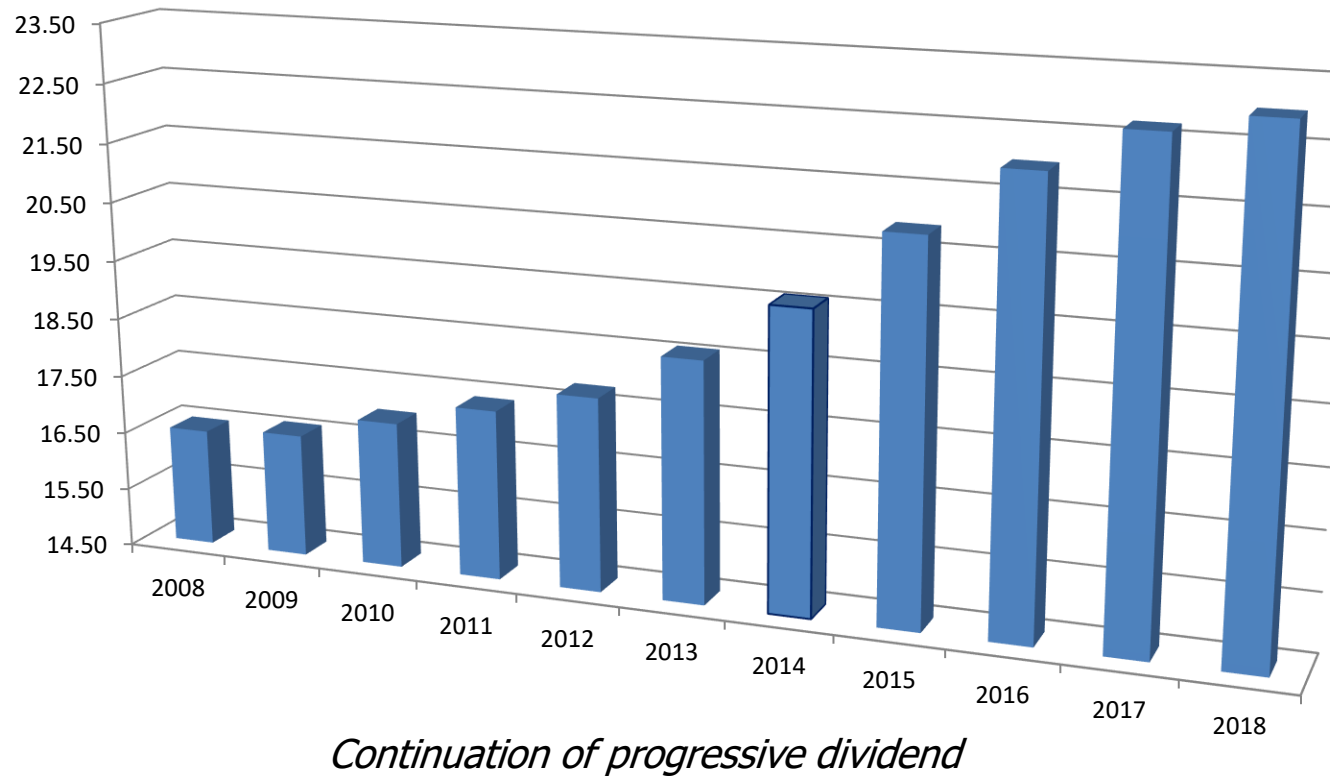
Earned premium



Segmental analysis

	Dec-18 £000	Dec-17 £000	Growth %
Continuing Operations			
Total Revenue			
Insurance	31,210	30,727	1.6
Let's Connect	14,970	11,292	32.6
SaaS	8,742	2,657	229.0
Other	425	557	(23.7)
Total	<u>55,347</u>	<u>45,233</u>	<u>22.4</u>
EBITDA			
Insurance	9,777	9,960	(1.8)
Let's Connect	1,226	288	326.0
SaaS	196	344	(43.1)
Other	238	220	8.2
Total	<u>11,437</u>	<u>10,812</u>	<u>5.8</u>
Discontinued Operations			
Revenue	0	63	
EBITDA	0	294	

Dividend record 2008 – 2018



* First quarterly dividend of 5.825p will be paid on 29th March 2019

Significant shareholders

	%
Christopher Johnston	37.8
Miton Asset Management Limited	12.4
Investec Wealth & Investment Limited	6.5
Royal London Asset Management Ltd	5.6
NN Group N.V.	5.1
Chelverton Asset Management Ltd	5.0
Other directors, staff and AESOP Trust	0.1

Source: NASDAQ (as at 31 December 2018)

Summary

- Strong underlying performance despite strong headwinds in the second half
- Enter 2019 in robust shape, however, challenges in latter part of 2018 will have some effect and we also face a more uncertain business environment
- Brexit – as a UK centric business we believe that the increased pressure to retain and hire labour and associated costs will reinforce the value of our proposition
- Following the acquisition of Innecto we will have a broader, more integrated offering and stronger sales and marketing capability
- The business is in great shape for the next stage of its development and has made a positive start to 2019

Appendices

Summary income statement

	Dec-18 £000	Dec-17 £000	Better / (worse) £000
Net premiums earned	31,232	30,679	553
Less: claims incurred	<u>(7,175)</u>	<u>(6,780)</u>	<u>(395)</u>
Insurance underwriting profit	24,057	23,899	158
Other income	333	496	(163)
Salary Sacrifice profit	1,119	256	863
SAAS profit	168	189	(21)
Other expenses	<u>(15,334)</u>	<u>(14,481)</u>	<u>(853)</u>
Operating profit before tax	10,343	10,359	(16)
Investment income, charitable donations and finance costs	(165)	18	(183)
Share based payment expenses	(117)	(192)	75
Amortisation	<u>(661)</u>	<u>(673)</u>	<u>12</u>
Group profit before tax	9,400	9,512	(112)
Share of profit from equity accounted investee	164	(2)	166
Release of provisions	<u>646</u>	<u>0</u>	<u>646</u>
Statutory profit before tax from continuing operations	<u>10,210</u>	<u>9,510</u>	<u>700</u>
Profit from discontinued operations	0	238	(238)

Earned premium and claims

	Dec-18				Dec-17			
	PHP	DB	Other	Total	PHP	DB	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earned premium	24,480	6,554	198	31,232	24,034	6,294	351	30,679
Claims	(5,465)	(1,004)	(706)	(7,175)	(4,932)	(1,181)	(667)	(6,780)
	19,015	5,550	(508)	24,057	19,101	5,113	(316)	23,899
Loss ratio %	22.3	15.3		23.0	20.5	18.8		22.1

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

EBITDA reconciliation

	Dec-18 £000	Dec-17 £000
Continuing Operations		
Profit before tax	10,210	9,510
Interest costs	148	-
LC - amortisation	330	330
Share-based payments	117	192
Depreciation	797	437
Amortisation (other)	331	343
Corporate acquisition costs	150	-
PG Let's Connect - release of tax provision	(646)	-
EBITDA	11,437	10,812

Summary balance sheet

	Dec-18 £'000	Dec-17 £'000	Increase / Reduction £'000
Tangible fixed assets (buildings, cars, computer, FF&F)	6,040	4,747	1,294
Intangible fixed assets (computer software)	500	986	(486)
Investment properties	130	130	0
Equity - accounted investee	50	638	(588)
Equities	0	900	(900)
Financial assets	2,530	3,592	(1,062)
Cash and cash equivalents	15,148	12,641	2,507
Trade & other receivables	16,719	14,799	1,920
Inventories	<u>643</u>	<u>560</u>	<u>84</u>
Total without goodwill	41,761	38,993	2,768
Add goodwill & intangible assets	<u>10,575</u>	<u>10,575</u>	<u>0</u>
Total assets	<u><u>52,336</u></u>	<u><u>49,568</u></u>	<u><u>2,768</u></u>
Current tax	714	681	33
Deferred tax	102	21	81
Trade & other payables	<u>16,224</u>	<u>15,109</u>	<u>1,115</u>
Total liabilities	<u><u>17,041</u></u>	<u><u>15,812</u></u>	<u><u>1,229</u></u>
Total Equity	<u><u>35,295</u></u>	<u><u>33,757</u></u>	<u><u>1,538</u></u>

Hapi – client landscape

The image displays a central smartphone showing the Hapi Custom app interface. The app screen is divided into several colored tiles: a green 'Welcome' tile with a handshake icon, a dark blue 'Core Benefits' tile with a gear icon, a red 'Everyday Discounts' tile with a percentage icon, a red 'Wellbeing' tile with a heart icon, a yellow 'Salary Sacrifice' tile with a money bag icon, and a teal 'Hapi Cinema' tile with a film strip icon. The phone is surrounded by a grid of client logos, many of which are enclosed in white rounded rectangles. A legend at the bottom right indicates that these white boxes represent 'New Hapi Client Launches'.

Client Logos (New Hapi Client Launches):

- STELL
- DHL
- sage
- Larchwood care
- DANISH CROWN
- Wincanton
- axis group
- The Edinburgh Academy
- culina GROUP
- abellio
- ScotRail
- LIVERPOOL FOOTBALL CLUB
- the car people
- unō
- arrowxl
- DENNIS EAGLE
- GUNNEBO
- THE Cinnamon CARE COLLECTION
- Royal Mail
- EUROVIA
- RINGWAY
- NHS
- Four Seasons HEALTH CARE
- Samworth Brothers
- NetworkRail
- Merseyrail
- Care South
- MATTHEWS
- go southcoast
- Kleanline
- North East
- medivet THE Vets
- Poundland
- Metsä
- Medicines & Healthcare products Regulatory Agency
- Papworth Hospital NHS
- PARSEQ
- RV CARE
- Bidvest Logistics
- St John Ambulance
- randstad
- Kinchbus
- Go-Ahead

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.

SMT Bio



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.

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.



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.



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.

*** Board Members from SMT also include Deborah Frost, Mike Dugdale, Andy Lothian & Sarah Mace**

Our History

