



PRELIMINARY STATEMENT

For the year ended 31 December 2019

DEBORAH FROST | CHIEF EXECUTIVE
MIKE DUGDALE | CHIEF FINANCIAL OFFICER

APRIL 2020

FINANCIAL HIGHLIGHTS 2019

- ✦ Group revenue of £70.9m (2018: £55.3m) ↑ **28%**
 - Includes £18.4m transactional spend and commission on Hapi (2018: £6.9m)
- ✦ EBITDA of £11.0m (2018 : £11.4m) ↓ **4%**
- ✦ Profit before tax of £10.5m (2018 : £10.2m) ↑ **3%**
- ✦ Basic EPS of 28.4p (2018 : 27.2p) ↑ **4%**
- ✦ Balance sheet remains strong with cash and deposits of £17.0m and no debt
- ✦ Dividend per share paid in the period up 1.3% to 23.3p (2018 : 23.0p)

COVID-19 IMPACT

- ✿ Our purpose in protecting workforces in essential roles is more important today than ever
- ✿ We have responded to the crisis by;
 - ✿ Making claims easier and on-line GP available for all
 - ✿ Developing emergency plans for employers
 - ✿ Furloughed 22% of staff (c50 employees)
- ✿ We have assessed our claims liability to be well within our solvency levels
- ✿ We are focussed on building premium income and retaining policy-holders
- ✿ Our smaller group businesses have cut costs and are operating throughout the crisis

“Protect the unprotected” is even more important today



COVID-19 FINANCIAL TESTING

We have performed a number of different modelling scenarios and stress tests to understand the potential impact from COVID-19 on the business

Balance sheet and cash flow

- The company has a strong balance sheet with no debt and cash and deposits of £17m
- The company has no exposure to equities
- The surplus capital resources in excess of regulatory requirements of £4.9m is £13.8m
- The majority of our insurance premiums come from payroll deductions made by employers with no evidence to date of premiums not being remitted

PERSONAL GROUP - LEAD INDICATOR FOCUS

**Increase number of
'live' Insurance clients**

**Retain key client
relationships**

**PG Let's Connect NHS
client growth**

**Innecto Digital client
acquisition**

**Increase policyholder
numbers**

**New/new employees seen
annually by field sales**

**Drive towards 1m Hapi
users**

**Expand Hapi SaaS
take-up**

**Build talent to drive
operational delivery**

OPERATIONAL HIGHLIGHTS 2019

- ✦ PG Let's Connect revenue up 26% to £18.8m with adjusted EBITDA up 43% to £1.7m without any headcount increase
- ✦ SaaS revenue of £21.5m is up 146% fuelled by an increase in transactional spend from £6.9m to £18.4m
 - Hapi users up 28% to 410,000 active employees with over 175 organisations using the platform
 - Successful acquisition of Innecto enables Personal Group to engage with a greater variety of employers
 - Sage Employee Benefits launched in September 2019 and Sage undertaken to cover our platform costs during 2020
- ✦ Group's refined strategy proving effective
- ✦ Accessed new insurance markets, enabling people on contingent worker basis to benefit from our insurance products
- ✦ Marketing team overhauled and new website launched
- ✦ ISO 27001 accreditation for the Group
- ✦ COVID-19 – detailed operational plans in place across the business and potential impact for 2020 and 2021 modelled

FINANCIAL PERFORMANCE

For the year ended 31 December 2019

GROUP RESULTS

	Dec-19	Dec-18	Growth
	£000	£000	%
Revenue *	70,889	55,347	28
EBITDA**	10,982	11,437	(4)
Operating profit	9,350	9,548	(2)
Profit before tax	10,487	10,210	3
Tax	1,649	1,819	-
Profit for the period	8,838	8,391	5

* Includes £18.4m transactional spend and commission on Hapi (2018: £6.9m)

** 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

	Dec-19 £000	Dec-18 £000	Growth %
Total Revenue			
Insurance	30,208	31,210	(3)
Let's Connect	18,794	14,970	26
SaaS	21,468	8,742	146
Other	419	425	(1)
Total	<u>70,889</u>	<u>55,347</u>	<u>28</u>
EBITDA			
Insurance	8,283	9,777	(15)
Let's Connect	1,748	1,226	43
SaaS	596	196	204
Other	355	238	49
Total	<u>10,982</u>	<u>11,437</u>	<u>(4)</u>

INSURANCE

- ✦ Earned premium of £30.2m 3% down on prior year (2018: £31.2m) as expected
- ✦ New insurance sales of £9.0m (2018: £10.5m) reduced due to the slowing down of new business wins over last 12 months (highlighted at the half year). This will impact earned premium into 2020 and 2021; however potential new client pipeline is positive
- ✦ Strong underwriting; claims ratio 22.1% (2018: 23.0%)
- ✦ HP and DB policies in force 287k (Dec 2018: 306k) continued to soften as discussed at half year
- ✦ 'Enrolled to present' remains strong at 52% (2018: 52%)
- ✦ New market opening up for those people that are in a business on a contingent basis rather than those simply employed
- ✦ Central purpose of the Insurance business to 'protect the unprotected and connect the unconnected' and to offer insurance products to people who don't find it easy to access financial services is really resonating well across the business and into our markets

SaaS

Strong revenue growth of 146% to £21.5m (2018: £8.7m) driven by £18.4m transactional spend and commission on Hapi (2018: £6.9m)

EBITDA increase to £596k (2018: £196k)

Innecto

Successful acquisition (completed 28th February) and integration into Personal Group

Total sales growth of 6% and consultancy growth of 7% (10 months 2019 v 12 months 2018)

Third product successfully built into Innecto Digital to expand our HR tech offering

Innecto Digital renewal licence growth of 36%

Innecto Digital – pay management suite, has been completely recoded and relaunched on the Outsystems platform bringing scalability, security and analytics

Hapi

Taking more control of the supply chain in house has proven successful, improving the security and customer proposition. Regular updates to functionality throughout the year

Customer spend through Hapi up 22% to £21.2m (2018: £17.4m) achieving savings for employees of £1.7m

E-vouchers spend of £14.1m is now 66% of the total

Cinema vouchers now doubled to £1m

Top 10 retailers over 75% of total spend

Sage Employee Benefits

SEB launch delayed due to Sage focus on Making Tax Digital - went live on 2nd September 2019

New TV and marketing campaign launched Feb 2020 – ‘Perform at your best’

Sage now underwrite the costs relating to Sage Employee Benefits platform

PG LET'S CONNECT

- Strong performance with revenue up 26% to £18.8m (2018: £15.0m)
- EBITDA increased 43% to £1.7m (2018: £1.2m) without any increase in headcount
- Early new business wins confirmed in 2020 are promising
- New Hapi NHS product due to go live with two Trusts in April
- Digital and telemarketing campaigns updated to increase focus on the public sector

SIGNIFICANT SHAREHOLDERS

	%
Christopher Johnston	37.4
Miton Asset Management Limited	13.4
Investec Wealth & Investment Limited	6.4
Royal London Asset Management Ltd	5.6
Chelverton Asset Management Ltd	5.3
Other directors, staff and SIP Trust	1.5

Source: NASDAQ (as at 31st March 2020)

SUMMARY

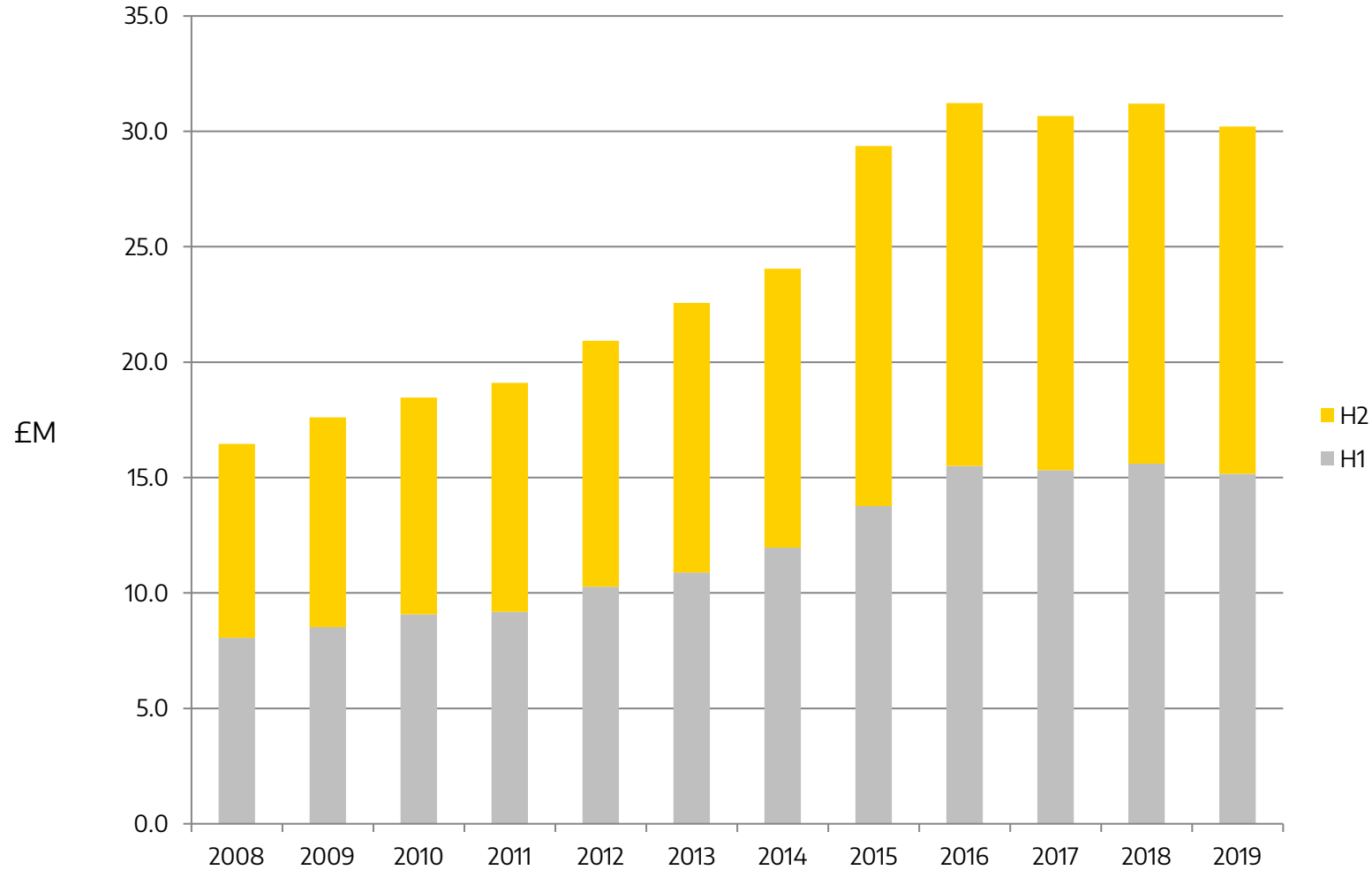
- Solid year, with trading slightly ahead of City guidance
- Strong performance across the business with the exception of insurance where there are plans in place to reverse the decline in premium and policyholder numbers
- Successful acquisition of Innecto in Q1 producing benefits from a more integrated 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 COVID-19 and Brexit will reinforce the value of our proposition
- Entered 2020 in good shape pre COVID-19 with a revised growth strategy in place as we drive towards our 2025 aspirations
- The recent COVID-19 is likely to slow growth in the short term and will reduce profit in 2020, however we have detailed plans in place and with a strong balance sheet and no debt, we have significant headroom and are taking actions to protect the business and consider opportunities in due course
- Very strong balance sheet and continue to pay dividends

APPENDICES

SUMMARY INCOME STATEMENT

	Dec-19	Dec-18	Variance
	£000	£000	£000
Net premiums earned	30,214	31,232	(1,018)
Less: claims incurred	<u>(6,670)</u>	<u>(7,175)</u>	505
Insurance underwriting profit	23,544	24,057	(513)
Other income	290	332	(42)
Salary Sacrifice profit	1,637	1,119	518
SAAS profit	529	168	361
Other expenses	<u>(16,252)</u>	<u>(15,182)</u>	<u>(1,070)</u>
Operating profit before tax	9,748	10,494	(746)
Investment income, charitable donations and finance costs	123	(166)	289
Share based payment expenses	(19)	(117)	98
Amortisation	<u>(489)</u>	<u>(661)</u>	172
Group profit before tax	9,363	9,550	(187)
Share of profit from equity accounted investee	9	164	(155)
Exceptionals	<u>1,115</u>	<u>496</u>	<u>619</u>
Statutory profit before tax from continuing operations	<u>10,487</u>	<u>10,210</u>	<u>277</u>

EARNED PREMIUM £m



NEW BUSINESS INSURANCE SALES RATIOS

	2019	2018	2017	2016	2015
Enrolled to presented %	52%	52%	52%	51%	54%
Acquisition cost of £100 API	£93	£76	£69	£72	£72
Av API per employee enrolled	£267	£256	£237	£232	£210
Group account exec average daily API	£1,131	£1,169	£1,207	£1,145	£1,100

* Annualised Premium Income

EARNED PREMIUM AND CLAIMS

	Dec-19				Dec-18			
	PHP	DB	Other	Total	PHP	DB	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earned premium	23,555	6,498	161	30,214	24,480	6,554	198	31,232
Claims	(4,917)	(1,044)	(709)	(6,670)	(5,465)	(1,004)	(706)	(7,175)
	18,638	5,454	(548)	23,544	19,015	5,550	(508)	24,057
Loss ratio %	20.9	16.1	440.4	22.1	22.3	15.3	356.6	23.0

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

EBITDA RECONCILIATION

	Dec-19 £000	Dec-18 £000
Continuing Operations		
Profit before tax	10,487	10,210
Interest costs	131	148
Amortisation - Intangibles	224	330
Share-based payments	19	117
Depreciation	970	797
Amortisation (other)	265	331
Corporate acquisition costs	145	150
PG Let's Connect - release of tax provision	(1,259)	(646)
EBITDA	10,982	11,437

SUMMARY BALANCE SHEET

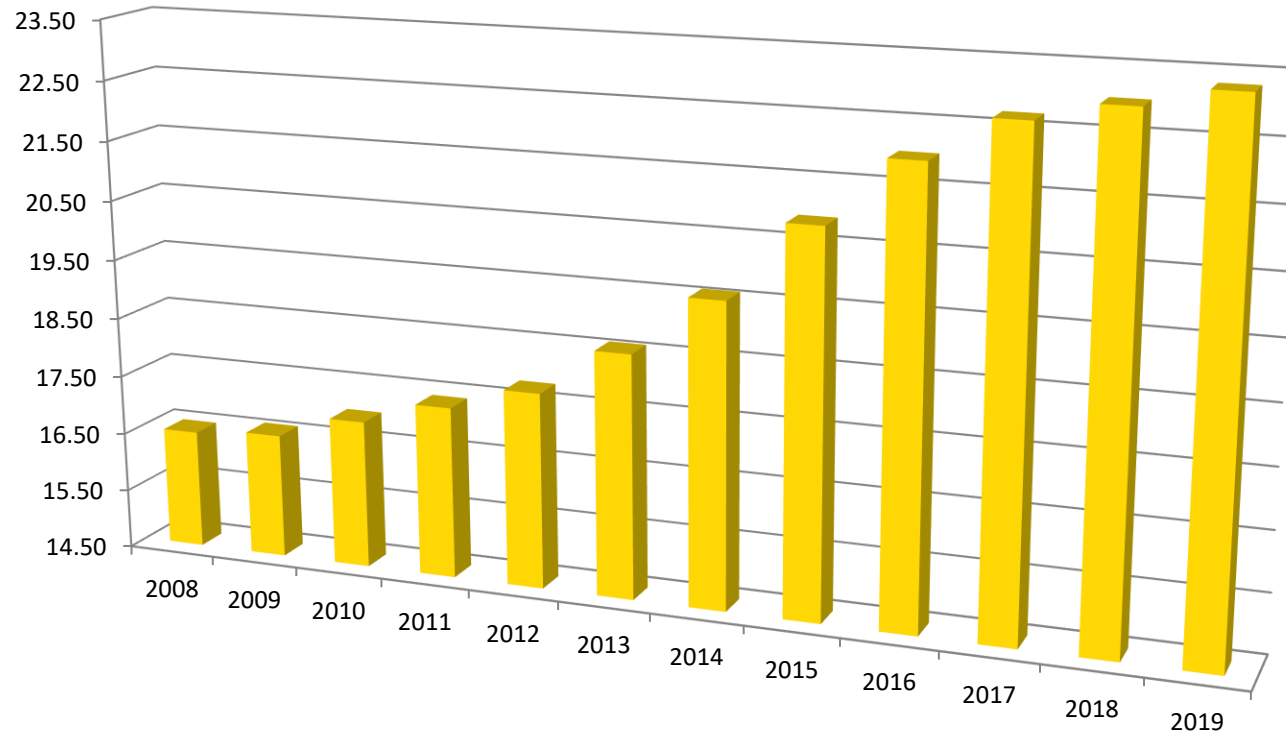
	Dec-19	Dec-18	Increase / (Reduction)
	£000	£000	£000
Tangible fixed assets (buildings, cars, computer, FF&F)	5,984	6,040	(56)
Intangible fixed assets (computer software)	1,301	500	801
Investment properties	0	129	(129)
Equity - accounted investee	0	50	(50)
Financial assets	2,564	2,530	34
Cash and cash equivalents	14,476	15,148	(672)
Trade & other receivables	18,670	16,719	1,951
Inventories	746	643	103
Total without goodwill	43,440	41,658	1,782
Add goodwill & intangible assets	<u>12,696</u>	<u>10,575</u>	<u>2,121</u>
Total assets	<u><u>56,438</u></u>	<u><u>52,335</u></u>	<u><u>4,103</u></u>
Current tax	685	714	(29)
Deferred tax	302	102	200
Trade & other payables	<u>17,437</u>	<u>16,224</u>	<u>1,213</u>
Total liabilities	<u><u>18,424</u></u>	<u><u>17,040</u></u>	<u><u>1,384</u></u>
Total Equity	<u><u>38,014</u></u>	<u><u>35,295</u></u>	<u><u>2,719</u></u>

CAPITAL MANAGEMENT

- The Group maintains sufficient capital to safeguard the Group's ability to continue as a going concern
- The Group regularly reviews its solvency requirements as part of its Own Risk Solvency Assessment (ORSA) in line with the current strategy and risk appetite
- The Group has no debt and holds the majority of its assets in the regulated entities in cash and short-term fixed interest rate deposits
- Surplus capital resources in excess of regulatory requirement of £4.9m is £13.8m – see below

	Regulatory body	Capital resources requirement	Capital resources	Surplus
Personal Assurance Plc	FCA	4,156	10,755	6,599
Personal Assurance Services Limited	FCA	57	4,720	4,663
Personal Group Benefits Limited	FCA	34	633	599
Berkley Morgan Limited	FCA	87	203	116
Personal Assurance (Guernsey) Limited	GFSC	604	2,432	1,828
		<u>4,938</u>	<u>18,743</u>	<u>13,805</u>

DIVIDEND RECORD 2008 - 2019



* First quarterly dividend of 5.9p paid on 27 March 2020

Continuation of progressive dividend

PERSONAL GROUP AT A GLANCE - OUR MARKETS

Personal Group – markets

Large Industrial

Our core market is made up of the industrial heartlands of the UK, typically organisations where many employees don't sit behind a desk, are often low paid, and may not get the benefits package which other sectors expect.

Public Sector

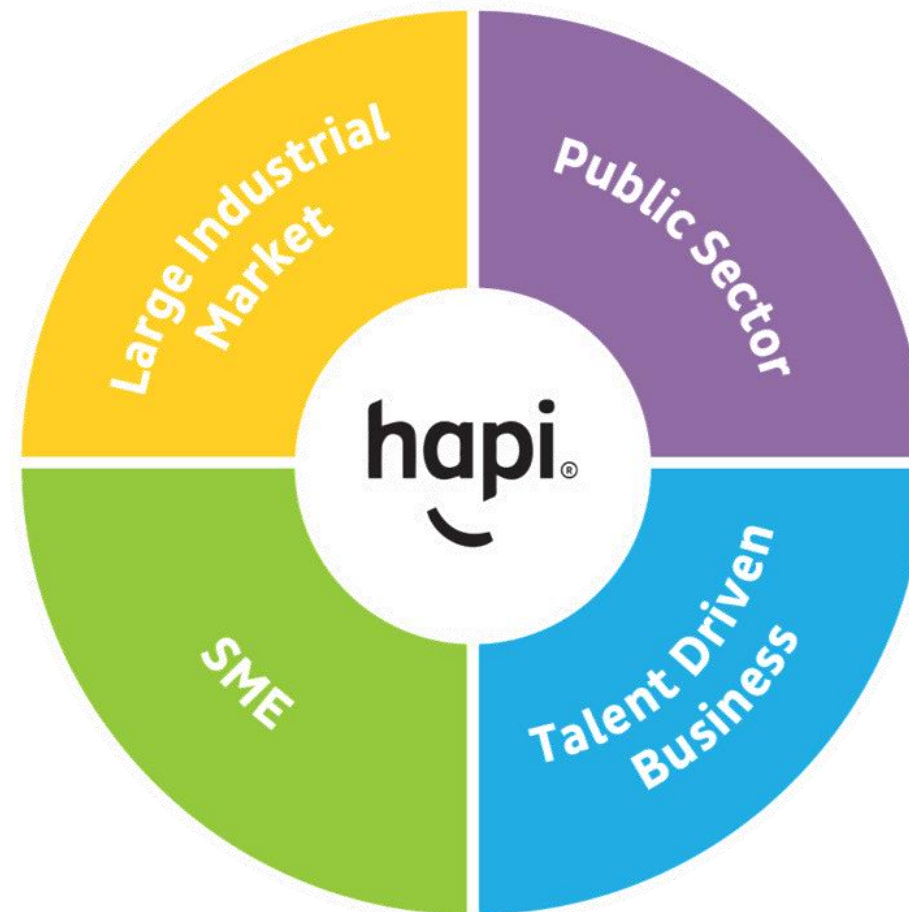
Our NHS Trust offer is a customised platform, providing easy access to core NHS benefits like pension and employee helplines, all in one place, together with access to salary sacrifice products.

SME

We are currently accessing the SME market to provide a small business benefits package through our channel partner, Sage.

Talent Driven

Typically fast-growth organisations, where attracting and retaining talent is key to future success, accessed via Innecto.

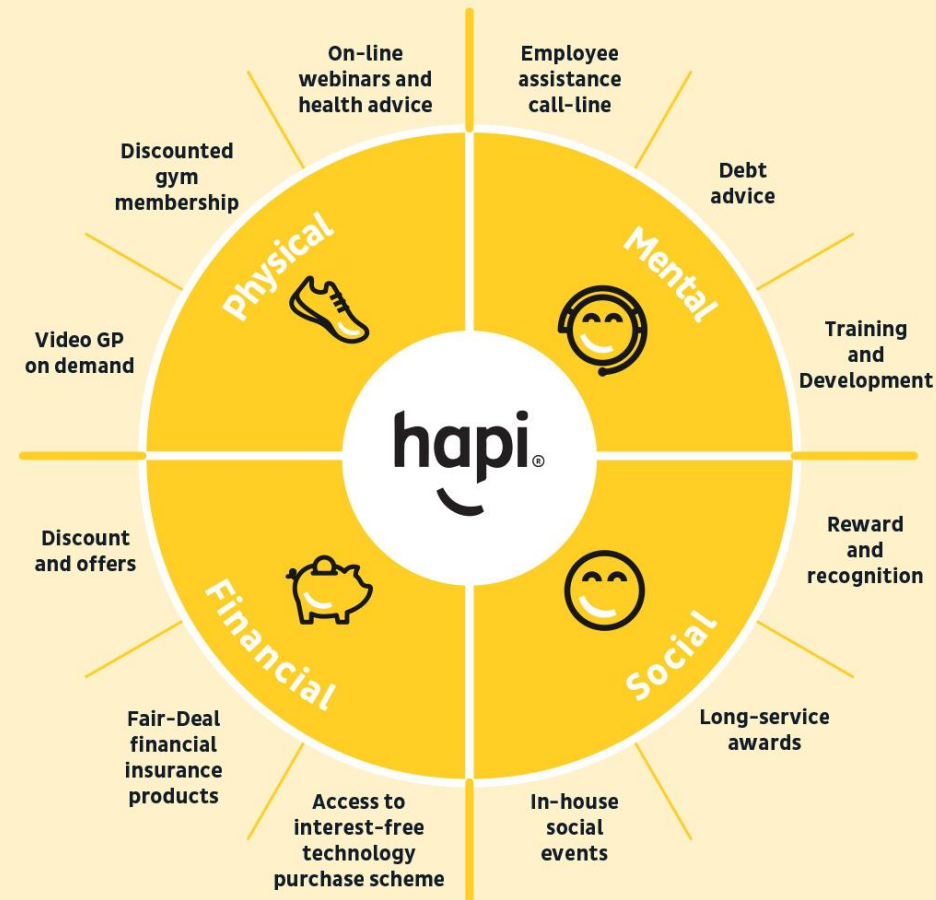


WELLBEING AT WORK

Hapi, our employee experience platform

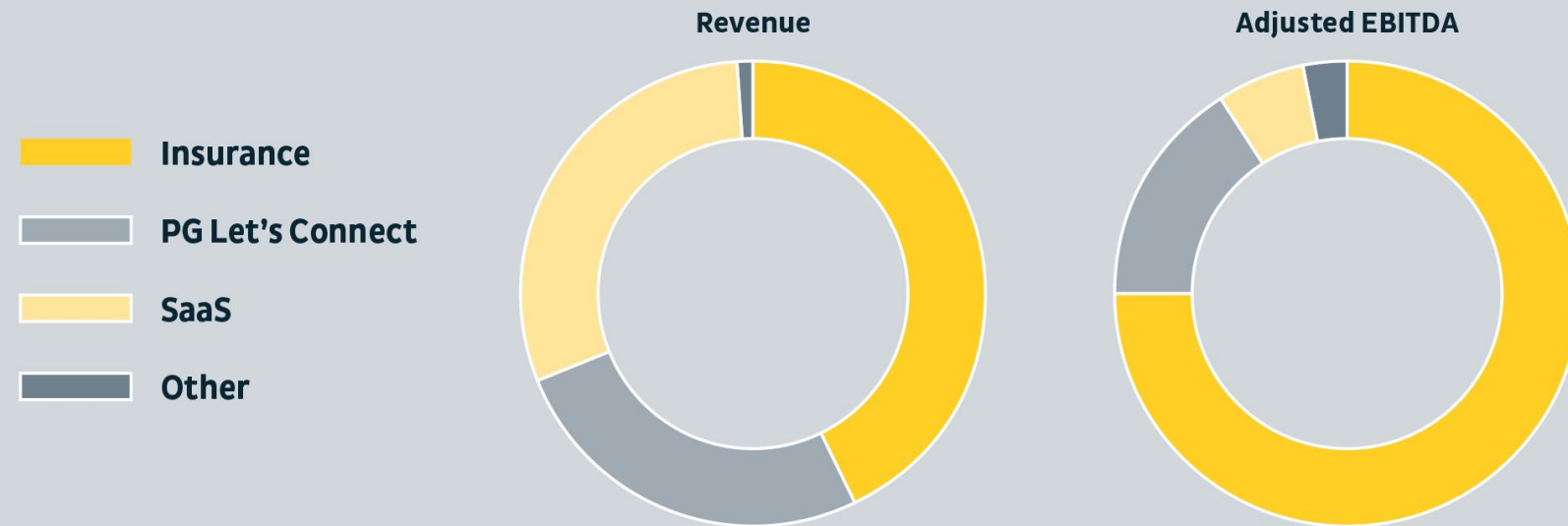
Hapi is our fully customisable employee experience platform which enables HR departments to streamline processes, connect with their employees and effectively communicate their employee benefits. Flexible and easy to use, Hapi allows businesses to connect all aspects of mental, physical, social and financial wellbeing with the benefits, communication and engagement tools they need to create an environment for their employees to succeed.

Hapi's flexibility also enables us to adapt our approach for different markets to make our offering as relevant as possible for their employees.



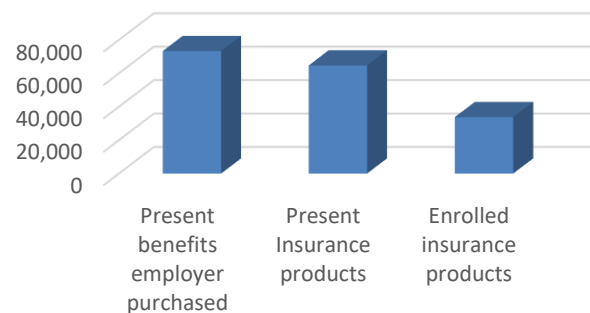
OUR BUSINESS MODEL

How we make our money

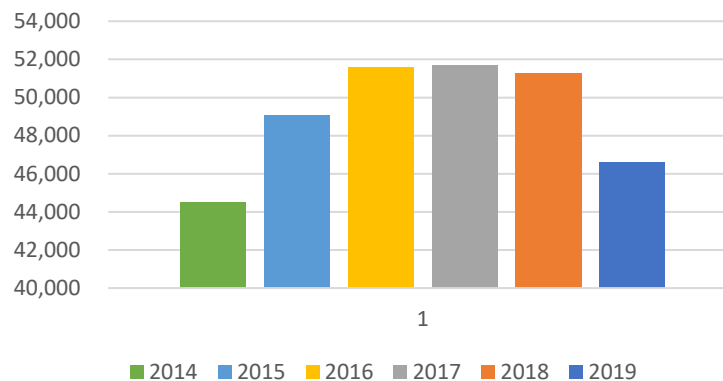


INSURANCE

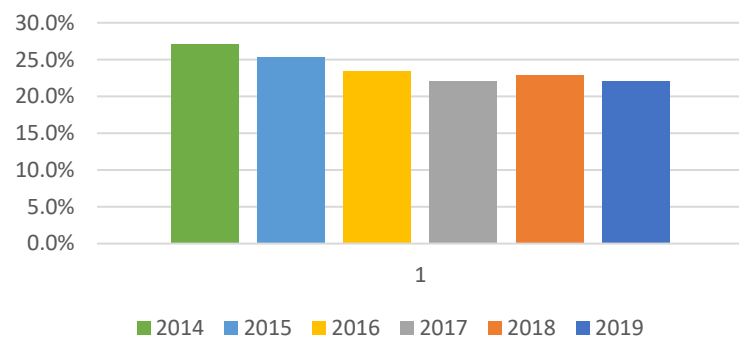
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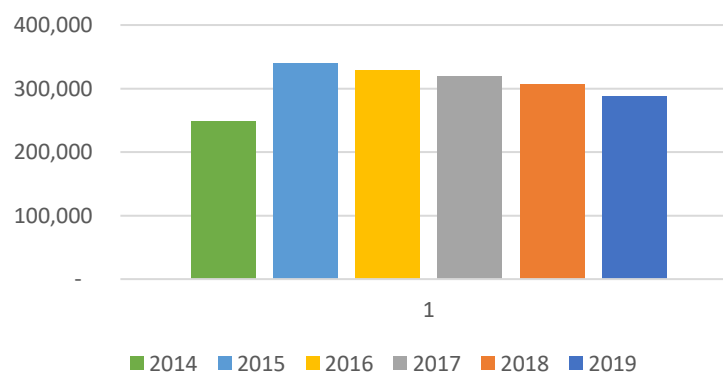
Claims handled



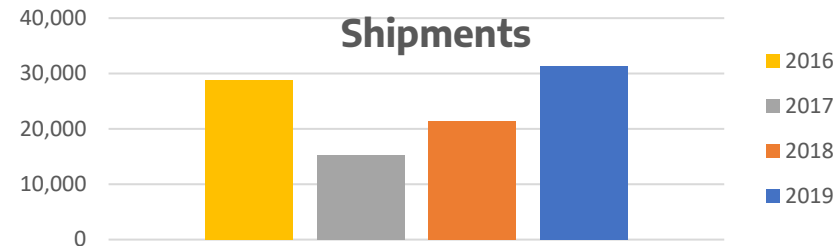
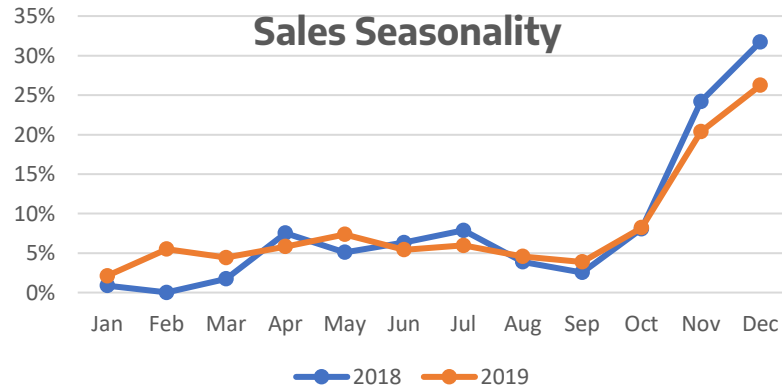
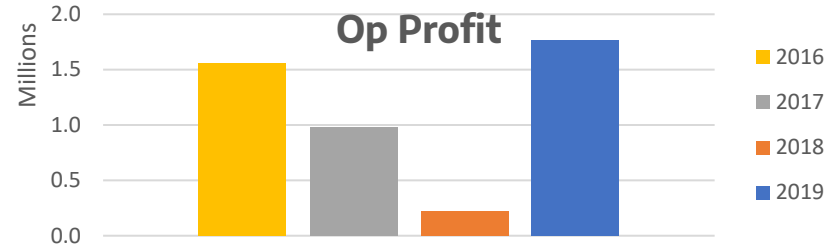
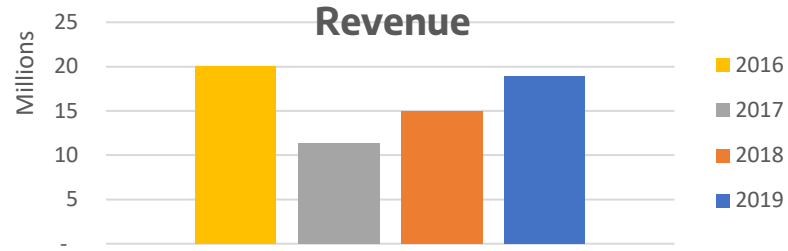
Claims ratio



Policies in force



LET'S CONNECT



SENIOR MANAGEMENT TEAM



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.

SENIOR MANAGEMENT TEAM



Sarah Mace *

Group Financial Controller and Company Secretary

Appointed

January 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

Ashley Doody joined Personal Group in 2013 as Chief Information Officer. He and his team are responsible for everything technology related, including the development of our employee engagement platform and app, Hapi. An innovative technologist by education and trade, Ashley's background is in electronic engineering and big systems development.



Rebekah Tapping

Group HR Director

Appointed Date

January 2015

Experience

Rebekah Tapping, Group HR Director has been a core part of the Personal Group team for more than five years. She is responsible for the full HR strategy, incorporating HR, ER, learning & development, recruitment, reward & benefits, health & safety as well as fleet and facilities. Rebekah is a Chartered Fellow of CIPD and is also qualified to Psychological Society Level A & B.



Dr Lee Williams

Chief Commercial Officer

Appointed Date

May 2019

Experience

Lee Williams joined Personal Group in 2018 as Director of Client Operations before becoming Chief Commercial Officer in May 2019. His role involves heading up and developing innovative strategies for the future for the account management, location management and client solutions teams. Lee has doctorate and master's degrees in Business Administration and has lectured at Normandy and Manchester Business Schools.

BOARD BIOGRAPHIES



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.



Maria Darby-Walker
Non Executive Director

Appointed Date
June 2019

Experience
Starting in the financial services sector, became a Partner and Board Director of Lansons – a consumer financial PR agency. Responsible for the launch of the Churchill Insurance brand before joining Barclays as Group PR Director. Other posts include time at Rolls-Royce before forming her own consultancy.

Technical and industry qualifications, networker, influencer, leadership coach and mentor. Merger, acquisition and brand communications specialist.



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.

OUR HISTORY

