Moneysupermarket Group

Preliminary results

18 February 2021

Moneysupermarket Group

Peter Duffy
Chief Executive Officer

Moneysupermarket Group

Scilla Grimble

Chief Financial Officer

Financial highlights

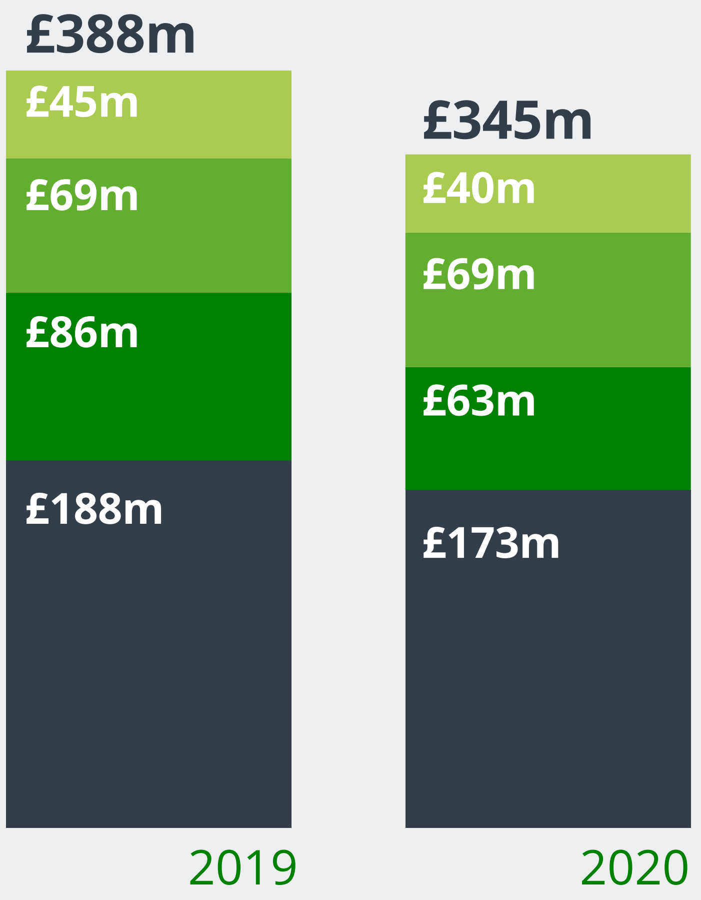
Helping households save money

-11%	Revenue	£345m
-24%	Adjusted EBITDA	£108m
-27%	Reported EPS	12.9p
+1ppt	Reinvestment rate	10%
-26%	Operating cashflow	£84m
flat	Dividend per share	11.71p

Topline performance varied by vertical…

- Group revenue down 11%; down 4% excluding travel channels
- Insurance broadly flat yoy ex travel insurance – strong market growth in car offsetting weaker home and life
- Home Services flat on exceptional 2019; grew share in energy, home comms double-digit growth
- Money weak due to tight lending criteria and low banking product availability
- Continued double digit growth in Decision Tech from both B2B and B2C; TSM materially lower yoy

Revenue



Other	-11%
Home Services	0%
Money	-27%
Insurance	-8%
Total	**-11%**

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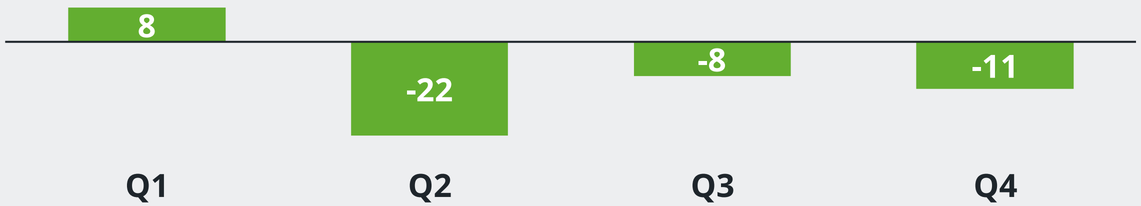
… and by quarter, with COVID-19 impact lessening after first lockdown

Insurance

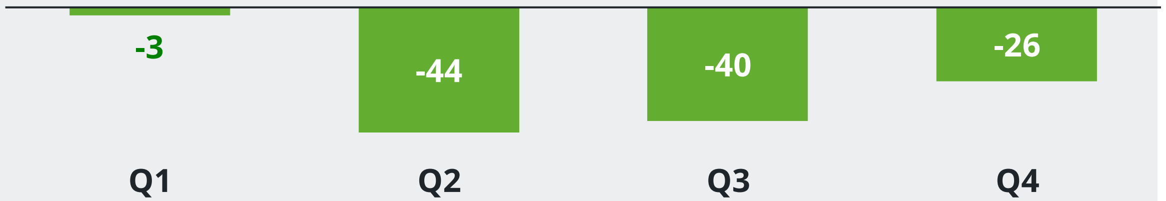
YoY revenue growth



- Strong Q1 performance from COVID-19 linked travel and life tailwind
- Lockdown causes material disruption in Q2 for all major channels, especially travel
- Very strong car market in Q3, weaker in Q4
- Home returned to growth in Q4 but life still in decline

Money

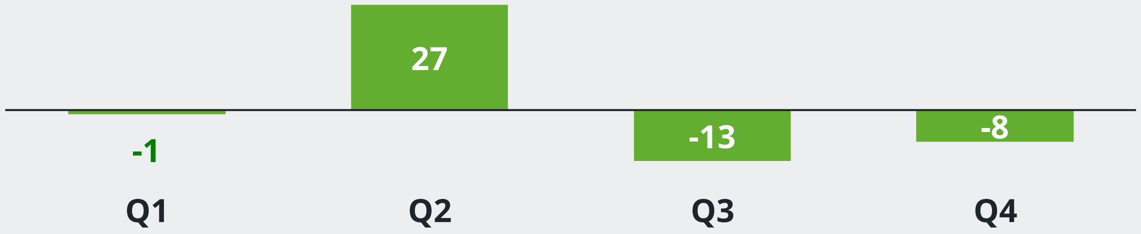
YoY revenue growth



- Providers tightened lending criteria from March; impacting conversion
- Slight improvement in conversion in cards and loans in Q4
- Borrowing visitor performance better than market in 2020
- Banking product availability declined in Q2 and remains low

Home Services

YoY revenue growth



- Strong H1 due in part to high savings levels in energy
- H2 decline - price cap fall and rising wholesale prices; lower customer savings
- Home Comms strong throughout the year

Recent trading - FY21

- Lockdown impact worse than Q4
- Insurance yoy % decline for Q1 expected to be close to Q2 2020 - main channels impacted less than April 2020 but about to lap strong 2020 comparator for travel and life
- Money yoy % decline for Q1 expected to be close to Q2 2020, driven by tight lending conditions and recent market-wide fall in traffic for cards and loans
- Home Services traded significantly down versus a strong January 2020, performance may improve given price cap increase

Lower Money conversion main drag on gross margin

Gross margin 2019: 68.6%
Gross margin 2020: 66.5%

Money conversion impact

- Lower conversion in cards and loans due to tightened lending criteria

Device mix neutral

- Ongoing shift to mobile
- Offset by significant decline in tablet which mixed into desktop

H1 SEO volatility

- SEO position headwinds in Insurance driving mix into PPC

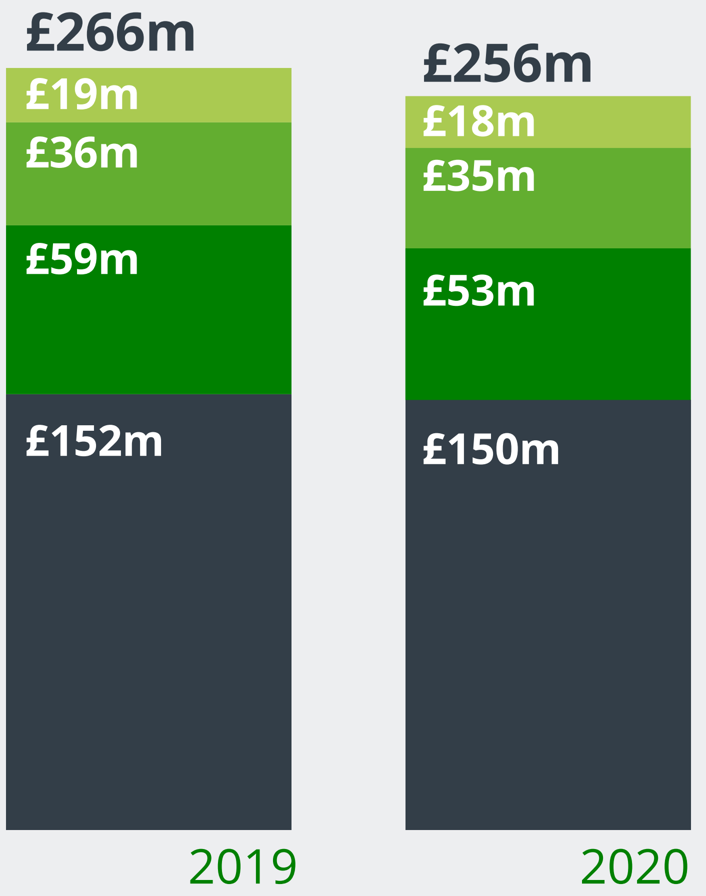
Channel mix neutral

- Tailwind from decline in lower margin travel insurance
- Offset by growth of significantly lower margin Decision Tech B2B business

Costs controlled; continued to invest for future growth

- Costs down 4% in the year, mainly due to staff costs
- Staff costs lower principally due to lower incentive costs
- Marketing spend broadly flat – change in mix of spend
- Expect 2021 operating expenses (excl. D&A) to be slightly ahead of 2019

Adjusted cost base



D&A	-1%
VAT & other admin	-2%
Staff costs	-11%
Marketing	-1%
Total	**-4%**

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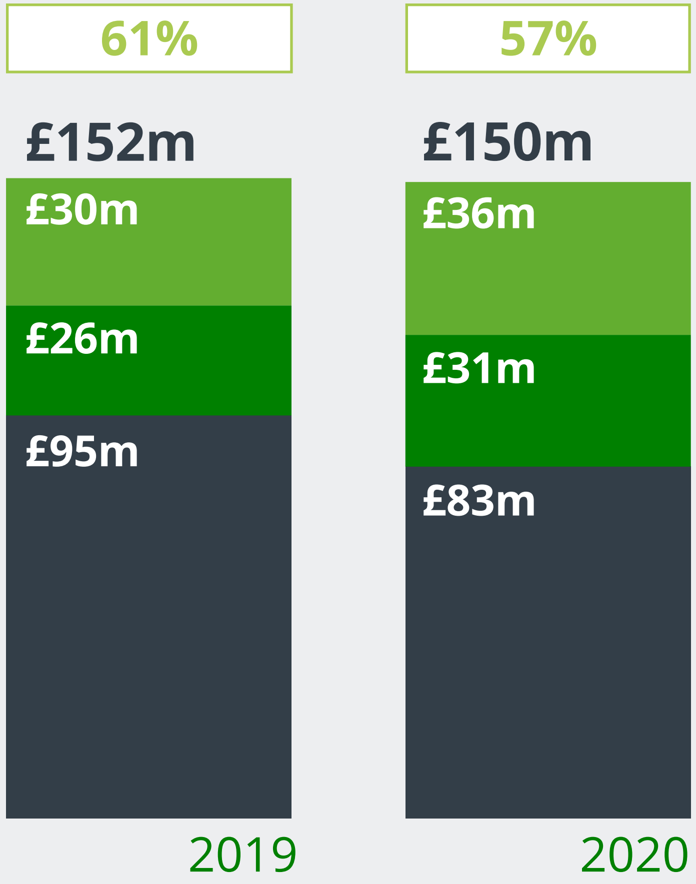
Changing mix in marketing spend

- PPC bidding adapted for lower conversion in several channels
- Increase in TV and radio in line with flagged £5m investment
- Other spend up 19% driven by growth of Decision Tech and associated affiliate costs

Marketing spend and marketing margin



Other	19%
TV and radio	16%
Online spend	-13%
Total	**-1%**

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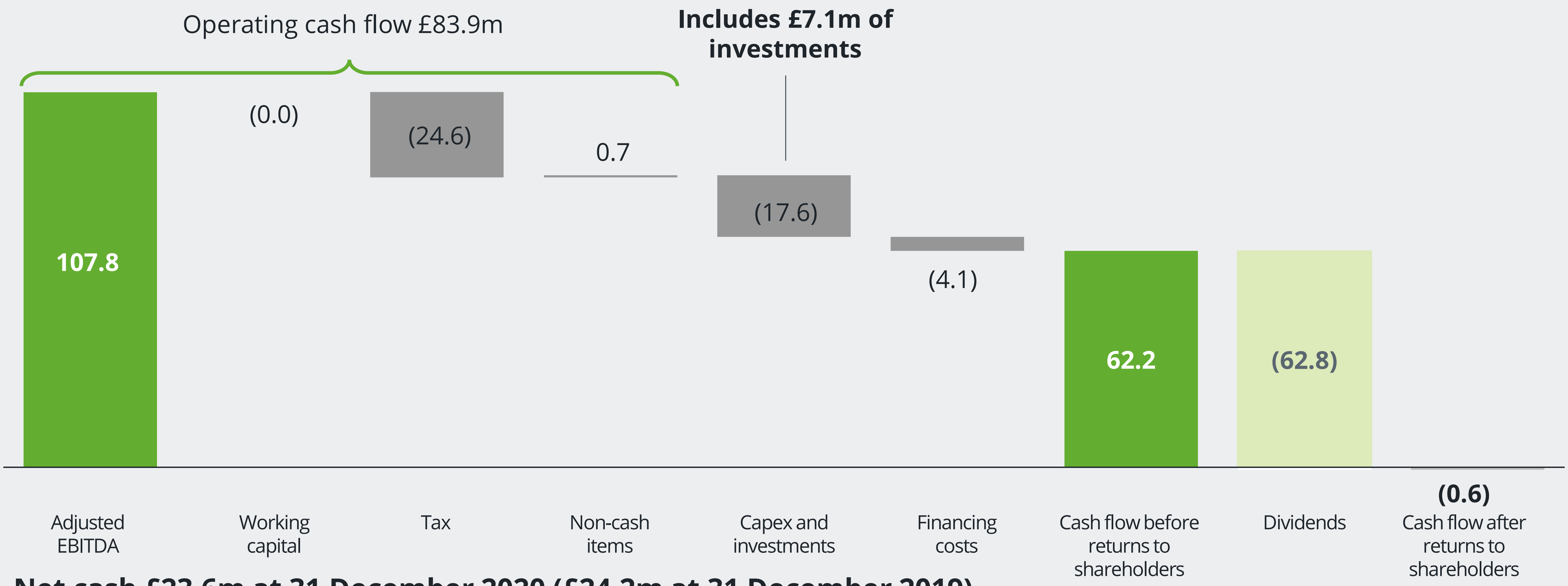
Cash generation remains robust



Net cash £23.6m at 31 December 2020 (£24.2m at 31 December 2019)

Note: Net cash is defined as cash and cash equivalents net of borrowings. It does not include deferred consideration in relation to the acquisition of Decision Tech or lease liabilities.

Capital allocation framework remains unchanged

Organic growth

Ordinary Dividends

Acquisitions

Enhanced Distributions

Outlook

Current COVID-19 impact; pace of lockdown measures easing will determine 2021 performance

- Recovery dependent on length and severity of lockdowns which impact our end markets
- Performance YTD significantly COVID-19 impacted (and good Q1 2020 comparable)

Broad consensus range reflects current levels of uncertainty

- Upper end of range implies strong and rapid recovery in Money and travel channels
- Low end of range implies dynamics in Money similar to Q4 2020 and continuing travel restrictions

Costs expected to be slightly above 2019 levels

Performance likely to be H2 skewed

- 2020 Q1 performance and recovery trajectories mean performance firmly H2 weighted

Remain confident in Group's long-term prospects

Market expectations of Adjusted EBITDA for the 12 months to 31 December 2021 from the analysts consensus on our investor website are in a range of £96.4m to £128.8m, with an average of £116.8m

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Group

Peter Duffy
Chief Executive Officer

Helping households save money

Efficient acquisition

- Best-in-class digital efficiency
- Effective marketing
- Seamless, shorter journeys

Retain and grow

- Engaged relationships - helpful prompts and reminders
- Targeted, relevant cross-sell

Expanding our offer

- Further channels
- Wider audiences
- More products on more brands

Advanced data capabilities • Common technology • Scalable platforms

Increasing efficiency in all acquisition routes

More sophisticated PPC bidding

Migrating platform this half – enhanced targeting, real-time decision-making

Transitioned to Data Science teams

Sharpening MSM brand proposition

Live campaigns reinforcing breadth of MSM offer

New marketing agency to help build differentiation

SEO updates to drive rankings

Updating content management platform – all channels live this half

Increasing page speed and efficiency, accelerating internal processes

Product and user experience

Simple, easy journeys

External data and shorter question-sets

Retention, cross-sell and engagement will be centre stage

Retain and grow

Retention
Higher repeat rates

Cross-sell
Greater share of wallet

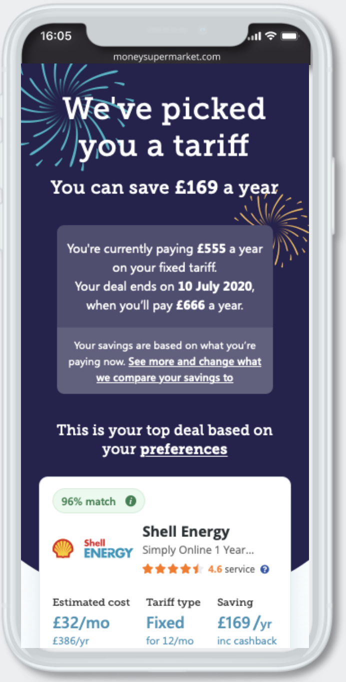
Engagement
Regular, relevant interaction

Stronger CRM – prompts and reminders

'Productised' renewal – preferences and details stored

"They know me and my preferences"

MSM energy reminder emails



MSE energy autoswitch

Retention, cross-sell and engagement will be centre stage

Retain and grow

Retention
Higher repeat rates

Cross-sell
Greater share of wallet

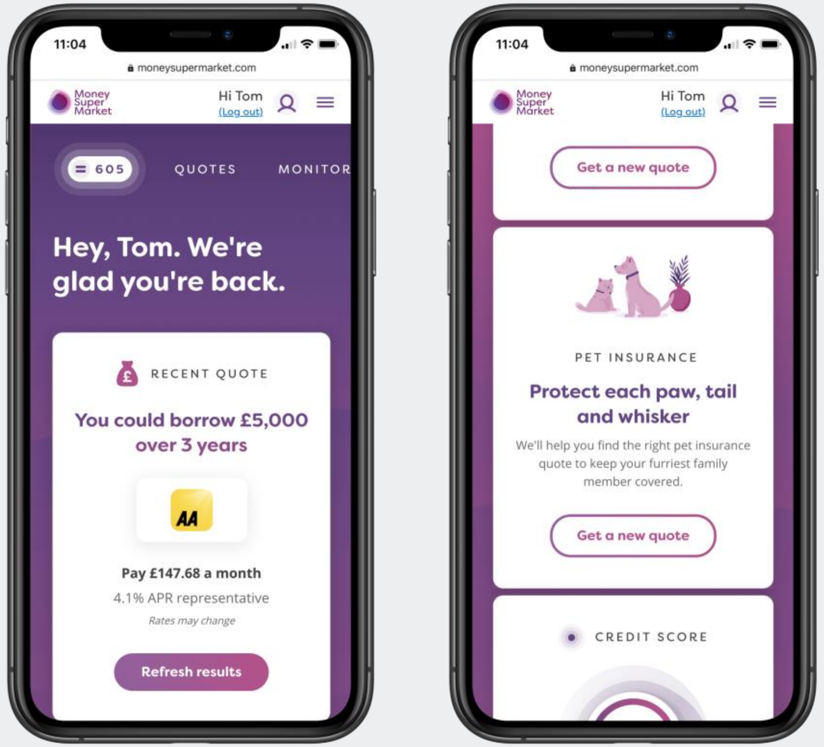
Engagement
Regular, relevant interaction

Next best actions fed by recommendation engine

Consistent messaging on dashboard, app & CRM

Prepopulated data in other channels

"They help me make more savings"



New MSM logged-in dashboard

Retention, cross-sell and engagement will be centre stage

Retain and grow

Retention
Higher repeat rates

Cross-sell
Greater share of wallet

Engagement
Regular, relevant interaction

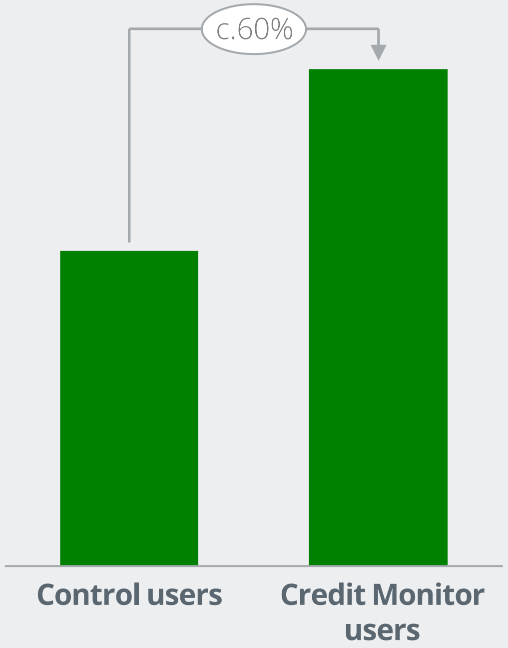
Regular engagement – monitors and reminders

Credit Monitor at c.1m users – more enquiries in more channels, with more direct traffic

"They keep me informed and on top of things"

MSM Credit Monitor

Year 1 value per customer (£)



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Evolving to a leading data platform

Enabling our business

Outdated data infrastructure hindered progress

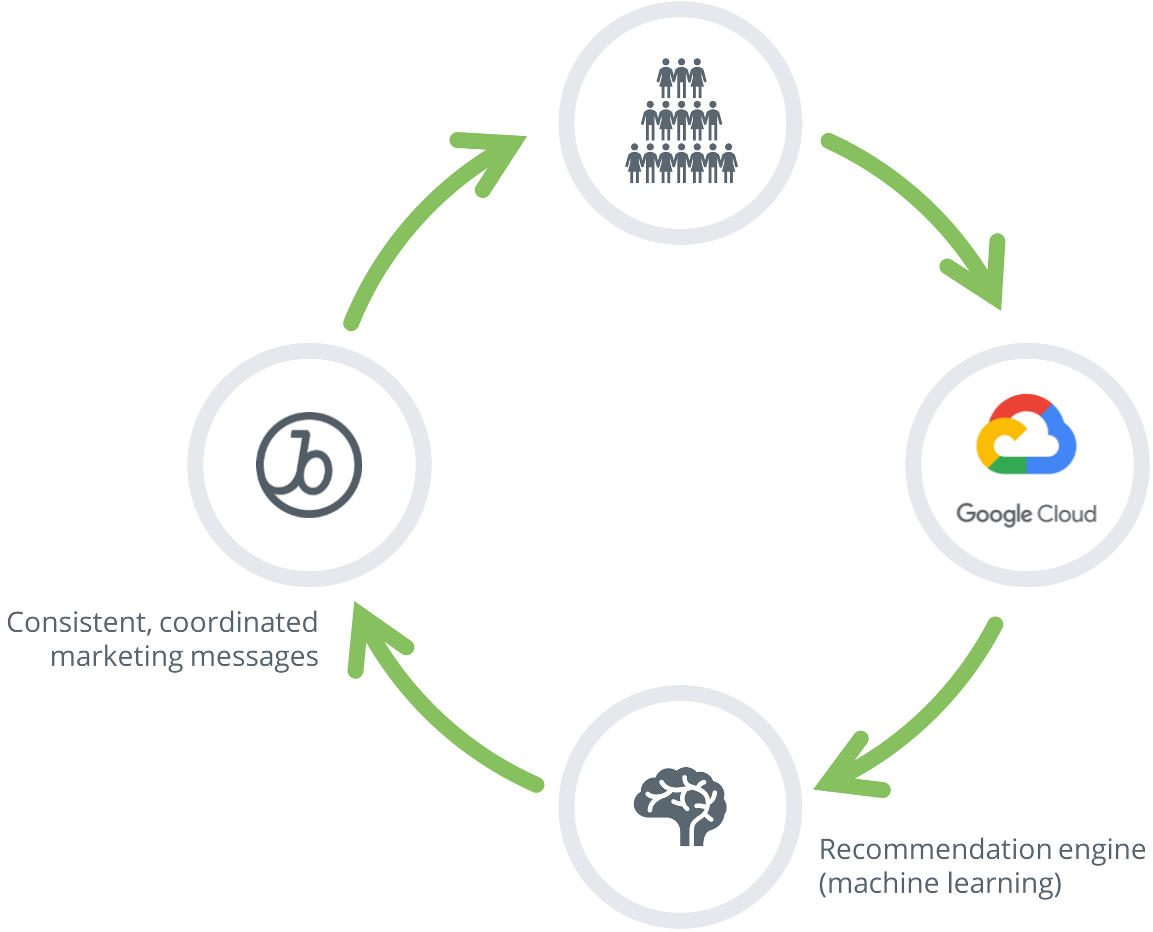
- Fragmented, incomplete datasets
- Internal inefficiencies diverting resource
- Sub-optimal marketing to consumers

Data transformation underway

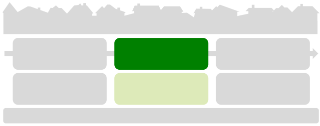
- Transitioning to modern GCP-based data architecture
- Braze platform to coordinate leading-edge consumer marketing
- Updated 'recommendation engine' for next best actions

Good upside at low cost

- Unblocks key elements of 'retain and grow' strategy
- Consolidates data for real-time operational and marketing analytics



MSE energy propositions working well for consumers and providers



Retain and grow

Three services addressing all consumer needs

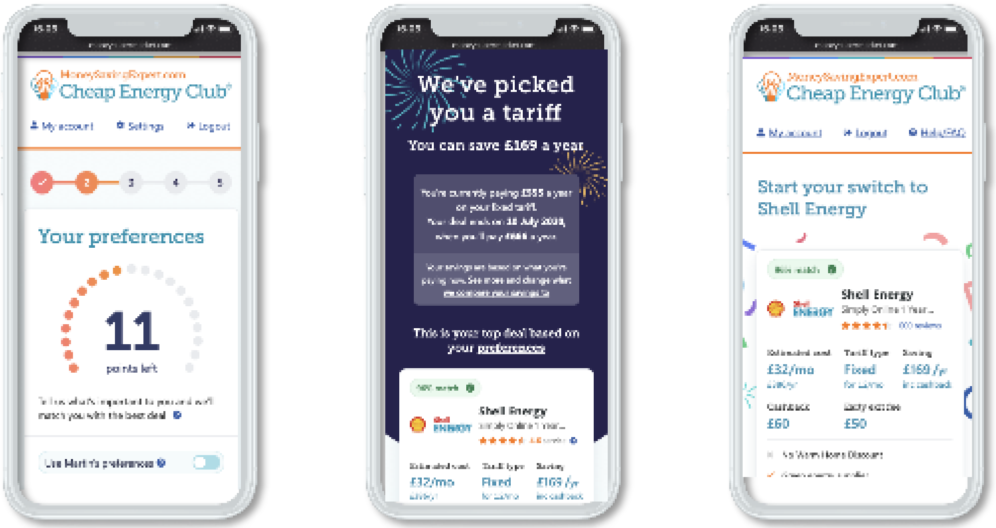
- DIY: regular switching service
- Pick Me A Tariff (PMAT): preference-based selection
- Autoswitch: PMAT + approved switch at anniversary

PMAT popular with consumers and providers

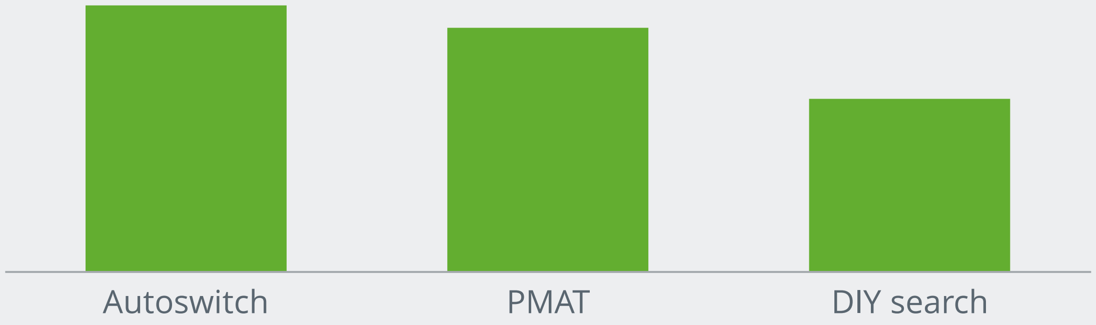
- Solves consumer pain-point
- Competition on non-price factors – full provider panel
- Autoswitch to become "PMAT every year"

Good conversion and engagement uplifts

- 60k autoswitch sign-ups and 70k PMAT applications
- Higher conversion for autoswitch, PMAT and MSE Energy
- Strong uplift in PMAT CRM engagement



Conversion, Q4 2020



Helping households save money

Efficient acquisition

- Best-in-class digital efficiency
- Effective marketing
- Seamless, shorter journeys

Retain and grow

- Engaged relationships - helpful prompts and reminders
- Targeted, relevant cross-sell

Expanding our offer

- Further channels
- Wider audiences
- More products on more brands

Advanced data capabilities • Common technology • Scalable platforms

Decision Tech continues to perform well

Expanding our offer

Successful DT acquisition and B2B expansion

- Opportunity to target further consumers on other sites
- Leverages existing infrastructure and commercial relationships
- However, structurally lower margins than B2C

Strong, double-digit growth during 2020

- Good growth in Home Comms
- Energy from 6 to 23 live partners during the year

Further benefit from engineering capabilities

- Strong product development skills
- Opportunity to utilise more widely within Group

Selected energy B2B partners

Revolut
Quidco
credit karma
TotallyMoney
Emma
snoop

Rolling out mortgage solutions

Expanding our offer

Digitising a large, attractive market

- Large intermediary market; commission c.£500 per sale[1]
- Slow and highly clerical process
- High MSMG share of traffic (25-30%)

Cover all use-cases – but with re-mortgage focus

- Simplest product; ~60% of 2020 journey revenue[2]
- Added five Product Transfers in year (totalling seven)
- Santander DIP launched November; follows industry-first launch with Nationwide in February
- Podium very credible, and lender appetite good – but progress is inevitably slow

Consumer use-case

First-time buyer | Home mover | Re-mortgage | Buy to let

MSM solutions

Click-out to brokers	Click-out to lenders	Product transfer to lenders	DIP to lenders
All types of lead passed to broker	All types of lead passed to lender	Simple remo with current lender	Remo integration with new lender

1. Estimated for average remortgage deal
2. "Journey" revenue excludes MSE click-outs and some ancillary revenue

FCA General Insurance changes present both risk and opportunity

FCA initial proposals

- Equalise car and home pricing for same customers in same distribution channel, whether new or existing
- FCA report flagged more impact on home than car insurance
- Easier to opt out of automatic renewal across all general insurance products
- Responses submitted in January. Final policy statement expected in Q2, with a four-month implementation period originally proposed

Many triggers for switching
(example for car insurance)

Price changes – Insurer

- Price walking
- Change in risk models or appetite
- Premium cycle

Price changes – customer risk factors

- Car purchase
- Accident / conviction
- Additional driver
- Change in mileage

Price changes - customer extrinsic

- Property move
- Change in age bracket
- Local risk factors (e.g. vehicle crime)

No price change – but still switching

- Experienced poor service
- Need to save money
- Habit

Changes to org to drive accountability and execution

Enabling our business

General Managers in each vertical

Acquired insurance partner CYTI

Home Services under common leadership

Senior Data roles onto Exec

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Appendix

Strategic KPIs

Helping households save money

£2.0bn

(2019: £2.0bn)

Savings made by customer

72

(2019: 74)

Net promoter score

57%

(2019: 61%)

Marketing margin

11.5m

(2019: 13.1m)

Active users

£16.19

(2019: £16.40)

Revenue per active user

Definitions: **Estimated Savings** made by customers in 2020 **Net Promoter Score:** Twelve monthly rolling average (1 January 2020 - 31 December 2020 inclusive) measured by YouGov Brand Index service Recommend Score weighted by revenue to create a Group wide NPS **Active Users:** The number of unique accounts running enquiries in our largest seven channels (Car insurance, Home insurance, Life insurance, Travel insurance, Credit Cards, Loans, Energy) on the MoneySuperMarket website in the 12 month period to 31 December 2020 **Revenue per active user:** The revenue for the equivalent main seven MoneySuperMarket channels divided by the number of active users

Fulfilling our purpose and ESG responsibilities

Helping households save money

Purpose
- Purpose to help households save money even more relevant in uncertain times
- £2bn household savings delivered in 2020
- 11.5m active users in 2020

MoneySavingExpert
- Consumer finance champion, successfully campaigning on mis-sold PPI, payday loan regulation, financial education in schools and more
- Full editorial independence and integrity
- Widely read, authoritative guides on COVID-19 finance
- Free online MSE 'Academoney' educating adults on personal finances launched with Open University
- 7m subscribers to weekly tip email

Beyond Carbon Neutral

Prince's Trust

Community & Environment
- Group partnership with the Prince's Trust charity, £100k raised in 2020
- MSE charity provides grants to not-for-profit groups delivering financial education
- Working with local Flintshire charity to deliver meals to vulnerable people through COVID-19 crisis
- Achieved 'Beyond Carbon Neutral' status in 2020, offsetting 150% of carbon footprint
- In 2021 will work towards compliance with the Task Force on Climate-Related Financial Disclosures

Diversity & Inclusivity
- Exceed Hampton-Alexander target of 33% of women in executive management (40%) and amongst their direct reports (41%)
- #17 on the Inclusive Top 50 UK Employer List, an improvement of 19 places since last year
- As part of our Race Equity Action Plan, the Goup signed up to the Race At Work Charter; our commitment to be anti-racist and improve multi-ethnic representation at all levels of the company

MSCI ESG RATINGS A

FTSE4Good

SUSTAINALYTICS 22.0 Medium Risk

ESG Ratings
- Constituent of FTSE4Good Index
- In 2019 received a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment
- In 2020 received a rating of 22.0 Medium Risk in the Sustainalytics ESG Ratings assessment - 7/191 in the internet companies subsector

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Income Statement

£million	2020	2019	Growth
Revenue	344.9	388.4	**-11%**
Gross margin	67%	69%	
Adjusted EBITDA *	107.8	141.5	**-24%**
EBITDA margin	31%	36%	
Depreciation & software amortisation	(18.4)	(18.5)	
Adjusting items **	(2.4)	(4.7)	
Operating profit	**87.0**	**118.3**	**-26%**
Change in fair value of financial instrument	3.5	-	
Net finance costs	(2.0)	(2.0)	
Share of loss of joint venture	(0.7)	(0.3)	
Taxation	(18.5)	(21.1)	
Net profit	**69.3**	**94.9**	**-27%**
Adjusted EPS	13.1	18.2	**-28%**
DPS	11.7	11.7	**flat**

* Adjusted EBITDA is operating profit adjusted for depreciation, amortisation and adjusting items.
** Adjusting items are amortisation of acquisition-related intangibles and, in 2019, strategy related costs.

Income Statement

£million	2020	2019	Growth
Operating profit	87.0	118.3	**-26%**
Strategy related costs	-	2.3	
Amortisation of acquired intangible assets	2.4	2.4	
Amortisation of technology related intangible assets	13.9	14.0	
Depreciation	4.5	4.5	
Adjusted EBITDA	**107.8**	**141.5**	**-24%**

Segmental measure of adjusted EBITDA contribution: notes

- FY20 results include a measure of segmental profit by vertical in line with IFRS 8
- Adjusted EBITDA contribution = Revenue – directly attributable cost of sales – directly attributable operating expenses. Excludes adjusting items.

Directly attributable cost of sales include:

- Paid search costs
- Cash back MSE Cheap Energy Club - relates to Home Services
- B2B revenue share – relates to Decision Tech

Directly attributable operating expenses include:

- Directly attributable costs, for example costs of teams working exclusively within one vertical
- Directly attributable marketing costs for example specific vertical brand marketing campaigns
- Irrecoverable VAT – predominantly relates to Insurance

Shared costs:

- The Group has several teams , capabilities and infrastructure used to support all/multiple verticals e.g. data platforms, brand marketing, technology costs such as website hosting and licences, office costs
- No direct or accurate way for allocating these to segments so they are disclosed separately

Segmental measure of adjusted EBITDA contribution

£million	2020						2019					
Segment	**Insurance**	**Money**	**Home Services**	**Other**	**Shared costs**	**Total**	**Insurance**	**Money**	**Home Services**	**Other**	**Shared costs**	**Total**
Revenue	172.9	62.8	68.8	40.4	-	**344.9**	188.4	86.0	68.6	45.4	-	388.4
Directly attributable expenses	(74.6)	(26.0)	(26.5)	(28.5)	(81.5)	**(237.1)**	(79.7)	(29.7)	(25.7)	(30.9)	(80.9)	(246.9)
Adjusted EBITDA contribution	98.3	36.8	42.3	11.9	(81.5)	**107.8**	108.7	56.3	42.9	14.5	(80.9)	141.5
Adjusted EBITDA contribution margin	*57%*	*59%*	*62%*	*30%*	-	***31%***	*58%*	*65%*	*63%*	*32%*	-	*36%*
Depreciation and amortisation						**(20.8)**						(20.9)
Change in fair value of financial instruments						**3.5**						(2.3)
Net finance costs						**(2.0)**						(2.0)
Share of loss of equity accounted investments						**(0.7)**						(0.3)
Profit before tax						**87.8**						116.0
Taxation						**(18.5)**						(21.1)
Profit for the year						**69.3**						**94.9**

Adjusted EBITDA contribution margin is calculated by dividing adjusted EBITDA contribution by revenue.

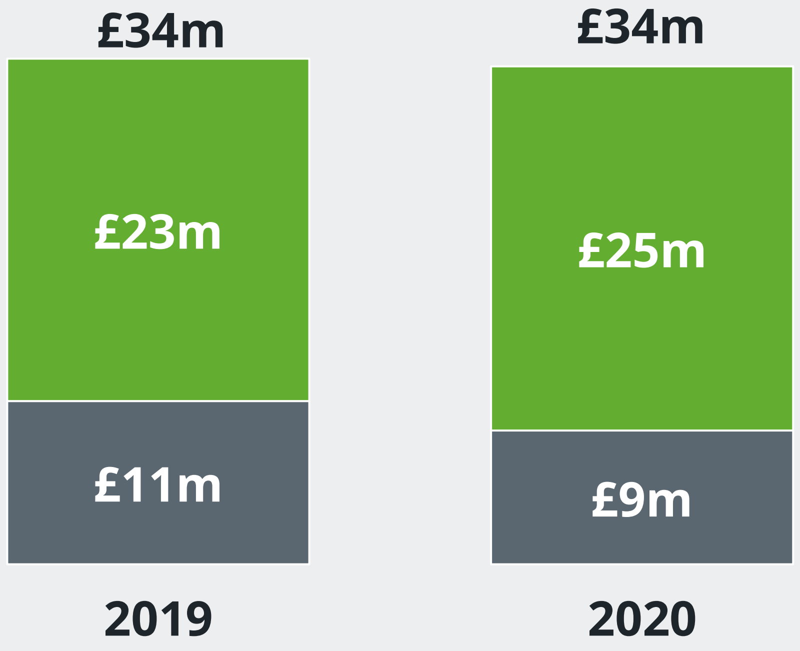
Insurance adjusted EBITDA contribution margin fell slightly from 58% to 57% in the year. Insurance is a largely VAT exempt vertical and in 2020 the Group's VAT recovery rate fell. This resulted in higher irrecoverable VAT costs in the Insurance vertical. Insurance margins benefitted from the reduction in travel insurance, which is a relatively low margin channel, but suffered from the year-on-year loss of SEO positions during H1 - the two impacts broadly netting out.

Money was impacted by lower conversion rates due to tightened lending criteria, which led to a margin decline of 6 percentage points for the vertical. Home Services margin declined slightly due to profitable growth in broadband paid acquisition.

Within Other, DT's strong performance and the decline in TSM revenues led to mix shift towards B2B and away from B2C channels. This led to a decrease in margins to 30% from 32% due to the structurally lower margins for B2B .

Technology investment stable year-on-year

Total tech investment



Technology capital investment

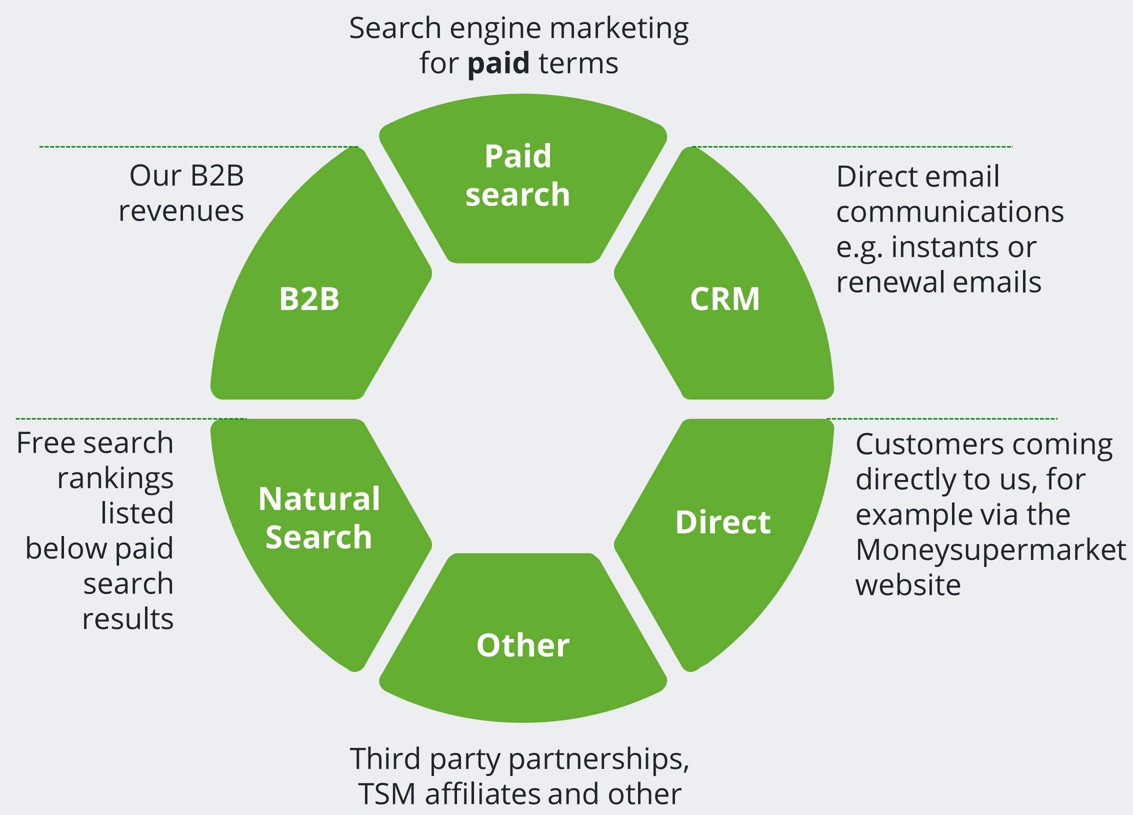
Technology operating costs

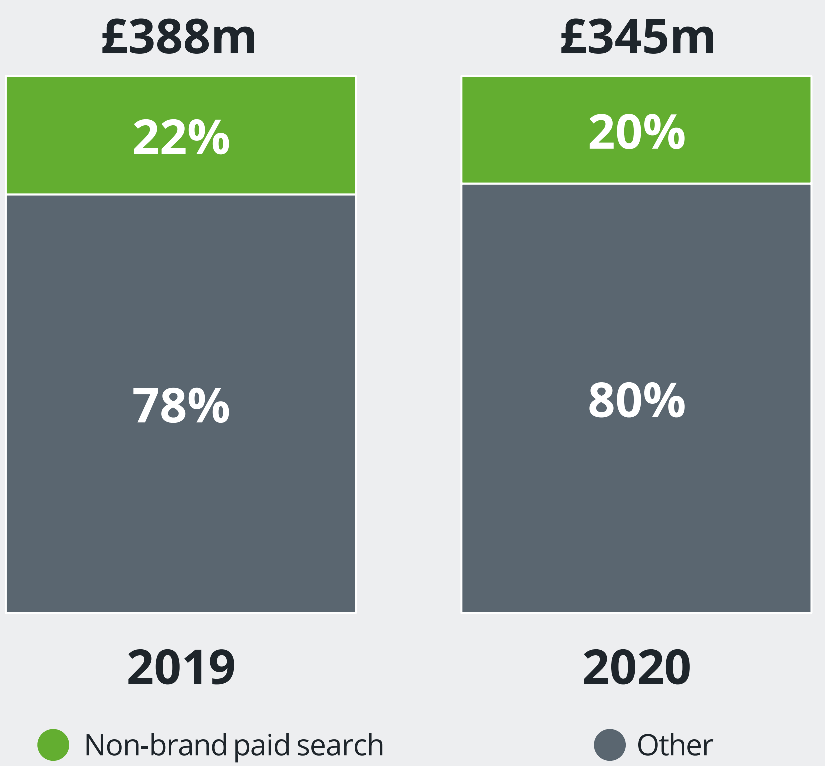
Reinvestment rate

- Continued shift to opex given nature of investment
- £1.3m of property capex relating to refurbishment of Ewloe office
- Expect tech capex of around £10m in 2021

Note: Reinvestment rate is defined as the total technology investment as a percentage of revenue

Our customer channels and revenue by source





Revenue by source is based on a last click attribution

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