Personal Group

PERSONAL GROUP HOLDINGS PLC

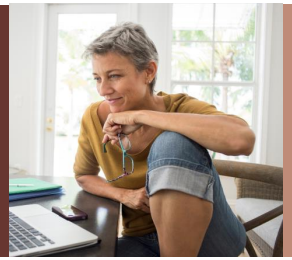
Interim Results & Strategy Update

Sept 2022

PERSONAL GROUP AT A GLANCE

OUR PURPOSE

To Protect the Unprotected & Connect the Unconnected.



OUR VISION

A winning team creating a brighter future for the UK workforce.

Our Client proposition

Provide benefits and services focused on improving employee health, wellbeing and engagement to over 1.25 million employees

Our Investment proposition

Our products resonate in a challenging market for clients/employees. We have a strong balance sheet, no debt and pay dividend

Our business has four core focuses:

PAY & REWARD

Expert consultancy & proprietary software solutions.

BENEFITS PLATFORM

Delivered directly & through partners.

AFFORDABLE INSURANCE

On weekly or monthly rolling contracts.

OTHER OWNED BENEFITS

Access to consumer technology.

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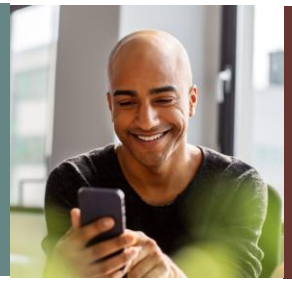
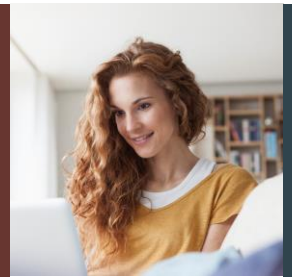
OPERATIONAL HIGHLIGHTS

On track to meet market expectations for full year and well positioned for future uplift in EBITDA, with strong underlying growth.

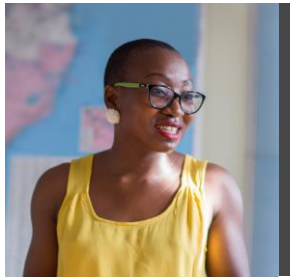
52 new clients added across the Group in H1 ↑**30%**



Insurance Annual Recurring Revenue rebuilding £24.4m to £26.2m ↑7%



Strong organic revenue growth for Pay & Reward ↑**73%**, plus acquisition to benefit H2



Benefits platform revenue growth ↑55%

Sage partnership continues to show strong growth

Hapi 2.0 in progress – first major refresh since launch 2016

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FINANCIAL REVIEW

Sarah Mace I Chief Financial Officer

FINANCIAL HIGHLIGHTS

Remains well positioned for future growth

	Jun 22 £m	Jun 21 £m	Change £m
Insurance	12.2	12.5	(0.3)
Employee Benefits & Services	8.5	8.1	0.4
Voucher resale & other	14.0	12.2	1.8
Total Revenue	**34.7**	**32.8**	**1.9**
Adj EBITDA*	**1.5**	**4.1**	**(2.6)**
Profit before tax	**0.5**	**3.2**	**(2.7)**
Tax	0.0	(0.6)	0.6
Profit for the year	0.5	2.6	(2.1)
Basic EPS	**1.4**	**8.4**	**(7.0)**

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

Overall trading in line with expectations

- Anticipated reduction in Insurance contribution
- Growth in contribution from Employee Benefits & Services
- Remain confident in full year outlook with continued expectation of heavily weighted H2

Interim dividend

- Interim dividend of 5.3p announced (2021: 5.3p)

Strong financial position

- Cash generative
- Cash and deposits of £21.8m and no debt (Dec 2021: £22.9m)

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SEGMENTAL ANALYSIS

Underlying growth continues

Revenue	Jun 22 £m	Jun 21 £m	Change £m	ARR/API Jun 22	ARR/API Dec 21
Pay & Reward	0.9	0.5	0.4	**£0.4m**	£0.4m
Benefits Platform	2.2	1.4	0.8	**£3.8m**	£3.2m
Insurance	12.2	12.5	(0.3)	**£26.2m**	£24.4m
Other Owned Benefits	5.4	6.2	(0.8)		
Other	0.1	0.1	-		
Revenue pre voucher resale	**20.8**	**20.7**	**0.1**		
Voucher resale	13.9	12.1	1.8		
Total Revenue	**34.7**	**32.8**	**1.9**		

Adj EBITDA Contribution	Jun 22 £m	Jun 21 £m	Change £m
Pay & Reward	0.3	0.1	0.2
Benefits Platform	1.3	1.0	0.3
Insurance	3.9	6.5	(2.6)
Other Owned Benefits	0.0	0.0	-
Group Admin & Central Costs	(3.8)	(3.7)	(0.1)
Other	(0.2)	0.2	(0.4)
Total Adj EBITDA	**1.5**	**4.1**	**(2.6)**

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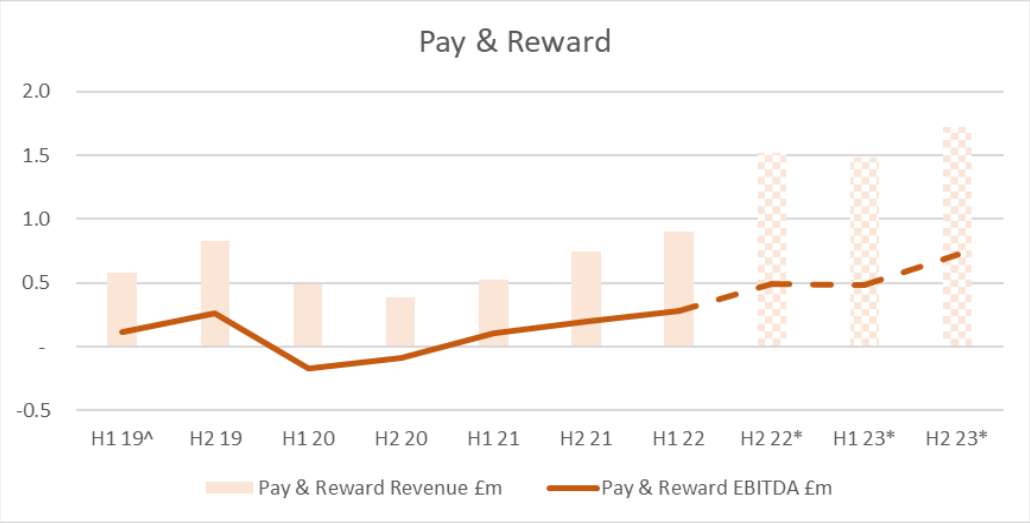
PAY & REWARD

Strong, organic growth in H1

	Jun 22 £m	Jun 21 £m	Change £m
Revenue	0.9	0.5	0.4
Adj EBITDA contribution	0.3	0.1	0.2



^ H1 2019 10 months only

** Projections*

Key Takeaways

- Strong performance for consultancy; fee income up 93% v H1 2021
- Annual subscription income from Innecto Digital products up 24% v H1 2021; strong retention rates with further ID sales anticipated in H2
- ARR of £0.4m @ June 22 (£0.4m Dec 21)

2022 Outlook

- Consultancy growth expected to continue in H2
- Several new digital subscription wins in early H2
- H2 performance will be supplemented by acquisition of QCG on 1 July

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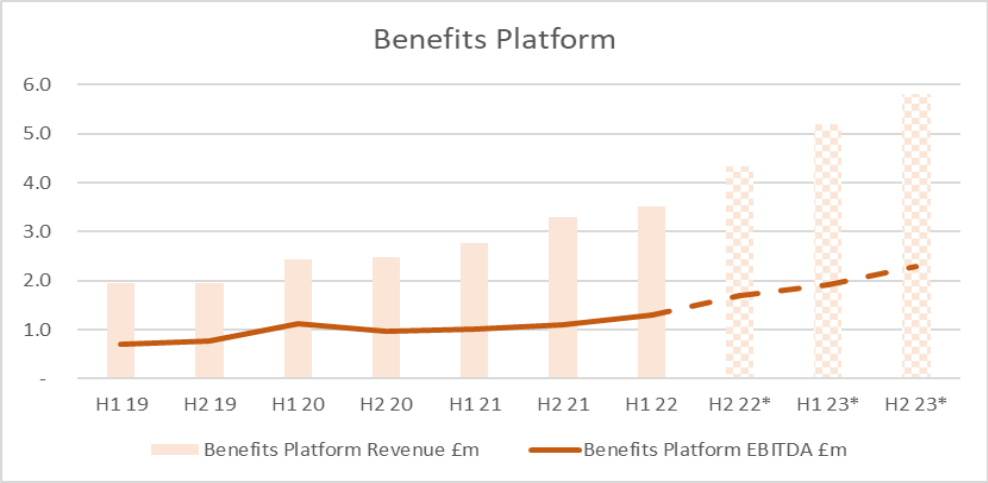
BENEFITS PLATFORM

Expansion into SME market continues

	Jun 22 £m	Jun 21 £m	Change £m
External Revenue	2.2	1.4	0.8
Group income^	1.4	1.4	-
Revenue	**3.6**	**2.8**	**0.8**
Adj EBITDA contribution	1.3	1.0	0.3



** Projections*

Key Takeaways

- Continued substantial increase in contribution from SME channel via Sage Employee Benefits;
  ARR of £2.1m @ Jun 22 (£1.6m Dec 21)
- Hapi platform subscriptions also showing growth;
  ARR of £1.7m @ Jun 22 (£1.5m Dec 21)
- Combined ARR of £3.8m @ Jun 22 (£3.2m Dec 21)

2022 Outlook

- Sage contribution and ARR expected to increase further in H2 2022 as momentum continues
- Growth of Hapi platform ARR expected with new contracts signed for HapiFlex

^ Internal recharge from Benefits Platform to Insurance where clients given Hapi at a discount or for free.

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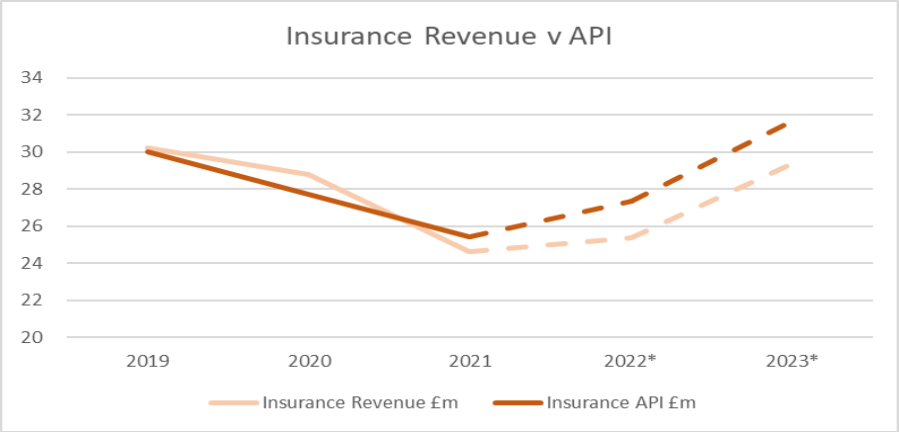
INSURANCE

Rebuilding of the insurance book continues

	Jun 22 £m	Jun 21 £m	Change £m
Revenue	12.2	12.5	(0.3)
U/W profit	8.5	9.7	(1.2)
Adj EBITDA contribution	3.9	6.5	(2.6)



** Projections*

Key Takeaways

- New insurance sales of £4.3m annualised premium (H1 2021: £0.6m, H1 2019: £4.6m), with majority from F2F activity
- Retention of existing policyholders strong with both first year retention and year-on-year retention remaining up on pre-pandemic levels
- Annualised Premium Income continuing to rebuild; **API of £26.2m @ Jun 22** (£24.4m Dec 21) on rolling weekly/monthly contracts
- Increase in claims ratio to 30.0% (H1 2021: 22.5%); increase commenced slightly earlier than anticipated
- EBITDA – reduced contribution in H1 2022 reflects ramp up of field-sales team v H1 2021 (when unable to carry out F2F sales) plus increased claims costs

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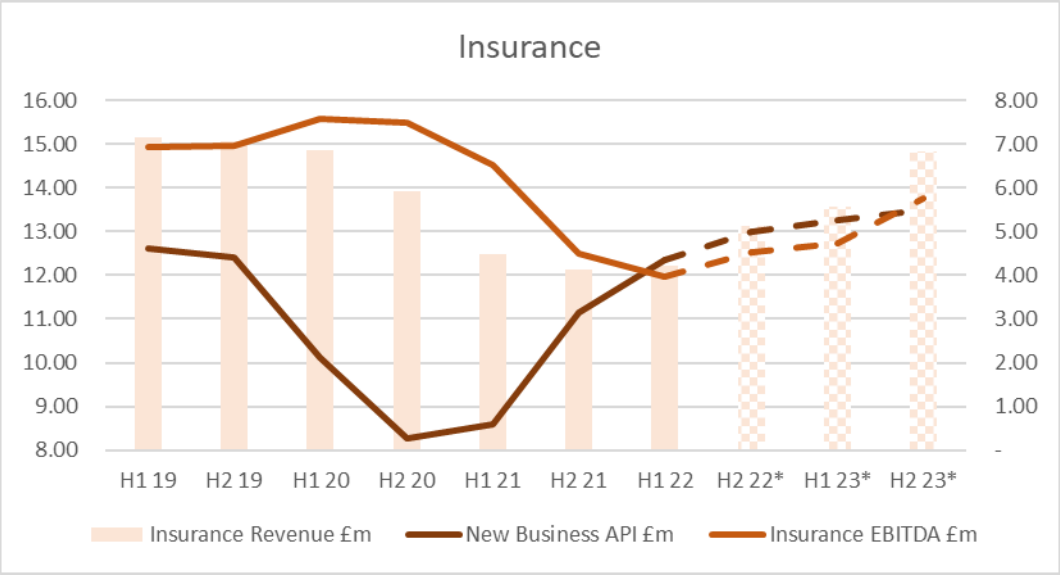
Insurance *(ctd)*



** Projections*

2022 Outlook

- Insurance book will continue to build back up towards pre-Covid levels
- 2022 EBITDA contribution expected to remain below 2021 due to a full year of acquisition costs plus increased claims costs in 2022

- Revenue/new business/EBITDA all fairly flat pre-Covid
- Increase in EBITDA during Covid, despite reduced revenue, as minimal new business reduced acquisition costs/claims costs reduced
- Post Covid EBITDA reduced by new business strain and increased claims costs

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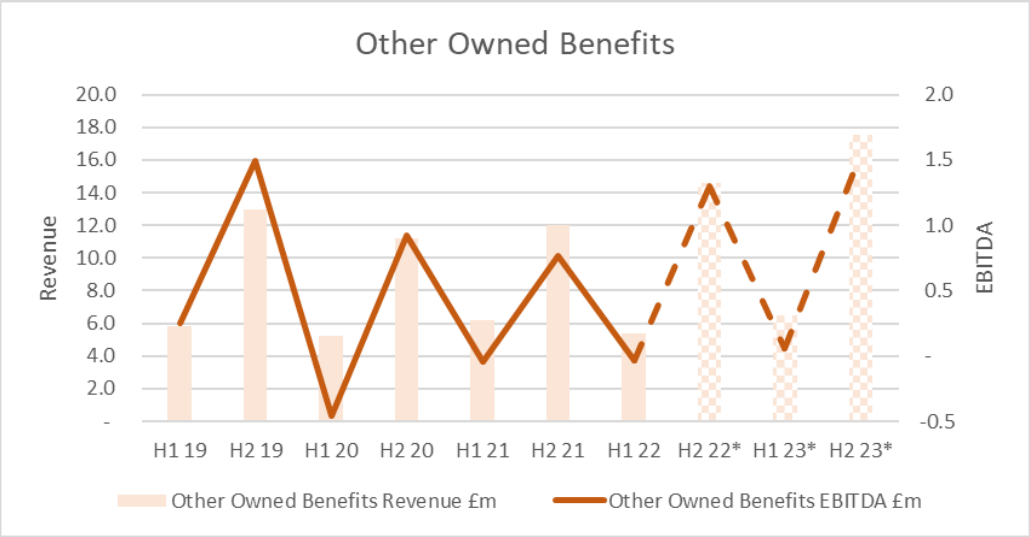
OTHER OWNED BENEFITS – Let's Connect

Demand continues but performance restricted by stock availability

	Jun 22 £m	Jun 21 £m	Change £m
Revenue	5.4	6.2	(0.8)
Adj EBITDA contribution	0.0	0.0	-



** Projections*

Key Takeaways

- Revenue down on previous year (H1 2021 benefitted from schemes deferred from 2020)
- Gross margin up at 13.7% (H1 21: 12.1%) – combination of product mix and pricing
- Order numbers up 10% on H1 2021, although average order value remains below historic levels due to continued restricted availability of high value products

2022 Outlook

- Supply challenges expected to continue in H2 2022; stock levels being increased for peak trading
- Remains popular benefit, relevant for cost-of-living issues if stock available
- Further improvement to gross margin through introduction of carriage charges for peak trading

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OPERATIONAL REVIEW

Deborah Frost I Group Chief Executive

OUR STRATEGY - RECAP

Our medium-term aspirations

Over 80% employee engagement
great place to work

Over 75% customer approval rating
great to work with

Serving >1.5m employees
making a difference

Drive in-year premium income over £35m
protecting the unprotected

Unlocking EBITDA growth

PERSONAL GROUP HOLDINGS PLC STRATEGY

Our vision

A winning team building a brighter future for the UK workforce, supporting over 1.5m employees by 2025

TIER 1 – SMEs (10-250 employees)	TIER 2- Integrated benefits	TIER 3 - Enterprise clients

How we win

We help people thrive in work and in life – ourselves and our clients' employees.

- We make it easy for our clients and prospects to choose us, by creating a market-leading offer, meeting all requirements
- Our proposition, onboarding, and lifetime service for B2B clients is industrial-strength and scalable
- Our satisfyingly simple insurance products are backed by outstanding claims and service experience
- We make it easy to do business with us through any channel

Our capabilities

High performing customer / sales / client service teams

Leading-edge technology

End to end processes that work every time

Supplying products and services people need to help them thrive in life

Purpose-driven Board and SLT with great support from teams

Effective governance

HOW WE WILL DELIVER

1. DRIVING INSURANCE

- **Improve retention** – improve policyholder journey and comms
- **Improve penetration levels -** currently c12% of available employees
- **Increase channels to market -** direct mail, virtual visits, digital, F2F
- **New products** – eg simple critical illness/cancer protection

2. TRANSFORM REWARD & BENEFITS

- **Increase client base** – reach new markets with clear 'best in class' offer
- **Increase each client's spend** on reward & benefits by offering product innovation and services, including Innecto and Let's Connect
- Looking at **acquisition opportunities** to enhance product and service offer

3. ACCELERATE SME OFFER

- **Maximise our relationship** with Sage
- **Increase lifetime value (LTV)** of subscribers
- **Add new channels** to address bigger share of market

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PAY & REWARD – Progress update

- Organic consultancy growth year-on-year plus high retention levels for the digital products build solid ARR
- Reward consultancy offer unique in mid-sized benefits marketplace
- Acquisition of QCG
  - brings new clients with potential cross-sell for Hapi, Insurance and Innecto Digital products.
  - pay benchmarking capability, public sector knowhow and new talent to division

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BENEFITS PLATFORM
Progress update

Revenue growth up 57% Y-on -Y

- Sage relationship goes from strength to strength serving 2,100 paying businesses with 35,000 employees at H1
- £1.5m+ ARR on free 3 month trials
- New team grows SME beyond start-up phase and new partners actively sought
- Account Management team starting to extending commercial relationships beyond insurance with Enterprise clients
- Hapi 2.0 development ongoing
  - delivery Feb 2023

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INSURANCE
Progress update

Still strong focus on Driving Insurance goals

- Insurance book rebuilding - £26.2m Annual Premium Income up 7% on year end
- June 22 saw highest new business month since November 18
- Improved retention maintained first 12-month to 63.2% (c50% in 2019), post-12 months of 81.0% (76.6% 2019) – expecting slight drop-off H2 as we return to normal levels of business
- Strong positioning of insurance products as ‘value’ to cover basics in emergency
- Looking to expand product range and channels whilst maximising F2F potential

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OTHER BENEFITS
Progress update

- Always sketchy at end H1 as business so peak-trading focused
- Key dependencies in supply chain delivery
- World Cup in November and tax savings make purchases more affordable in tough times
- Profit margin improved and carriage costs added for peak-trading

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3-YEAR ESG PROGRESS UPDATE – Yr 2

As a Group driven by Protecting the Unprotected and Connecting the Unconnected, ESG is at the core of our business.

ENVIRONMENTAL

- **Solar panels up and operational** – Cover building baseload
- **Fleet replaced** - more environmentally-friendly and hybrid/EV where appropriate
- Ongoing **work on environmental policy** – for suppliers and partners

SOCIAL

- **Social value of our work** – we exist to create meaningful positive social impact
- **PACT** – £100k yearly donation and volunteering time split between chosen charities
- **Memusi visits re-start** - first trip post Covid booked Nov 2022 with 5 volunteers

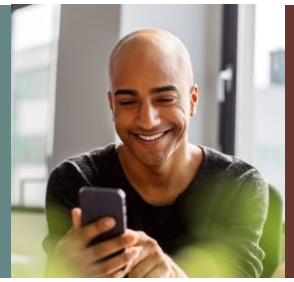
GOVERNANCE

- **Nomination Committee** – set representation targets for gender & ethnicity, including Board composition, which we are making good progress on
- **Female Chief Exec & CFO** – 0.4% across AIM companies
- **Executive compensation linked to ESG** - 15% of 2021/22 LTIPs awards subject to attaining ESG goals

INVESTMENT PROPOSITION

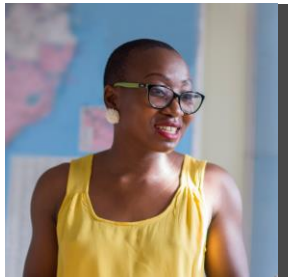
We are a progressive, profitable business addressing a rapidly growing market.

A DIVERSE & ROBUST BUSINESS



DIGITAL MODEL WITH PROPRIETARY PLATFORM

ADDRESSING A RAPIDLY GROWING MARKET



CASH GENERATIVE, DEBT-FREE & STRONG BALANCE SHEET

EXPERIENCED MANAGEMENT TEAM

AMBITIOUS PLANS WITH CLEAR ROAD MAP TO GROWTH

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3 KEY TAKEAWAYS

Setting pandemic behind us and showing strong ARR/API growth in all divisions year-on-year, with strategic progress on key goals

BUILDING BACK

Annualised premium income seeing real growth from ‘21 year end

SME OPPORTUNITY

SME sector growth is an exciting opportunity with our knowhow

DIVIDEND

Interim dividend of 5.3p announced

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QUESTIONS

We Protect the Unprotected and Connect the Unconnected
– helping employees thrive in work and in life.

APPENDICES

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SEGMENTAL ANALYSIS

We report our results under 4 core segments:

Segment	Description	Income streams
Pay & Reward	Provision of a full reward service to employers through the group's pay & reward subsidiary, Innecto	Consultancy, digital platform subscriptions
Benefits Platform	Provision of a benefits platform to employers both directly and through channel partners; currently Sage for our SME solution	Digital platform subscriptions, commissions from third-party benefits which sit on the platform
Insurance	A directly owned benefit; provision of simple insurance products underwritten by group subsidiaries	Premium income
Other Owned Benefits	Other directly owned benefits; sale of technology and other products to employers as part of their employee benefit provision through the group's subsidiary, Let's Connect	Retail sales directly to employers, commission introduction of third-party finance

EBITDA contribution for these segments reflects the direct costs of operation only; group overheads (sales & marketing costs, account management, finance, HR and other head office costs) are shown separately.

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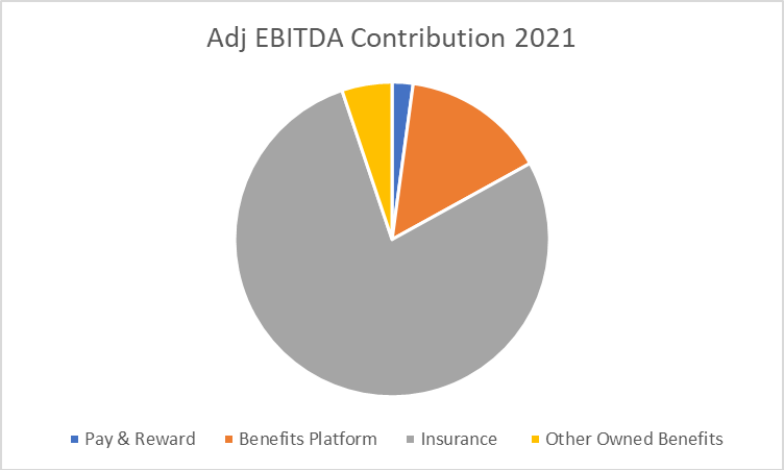
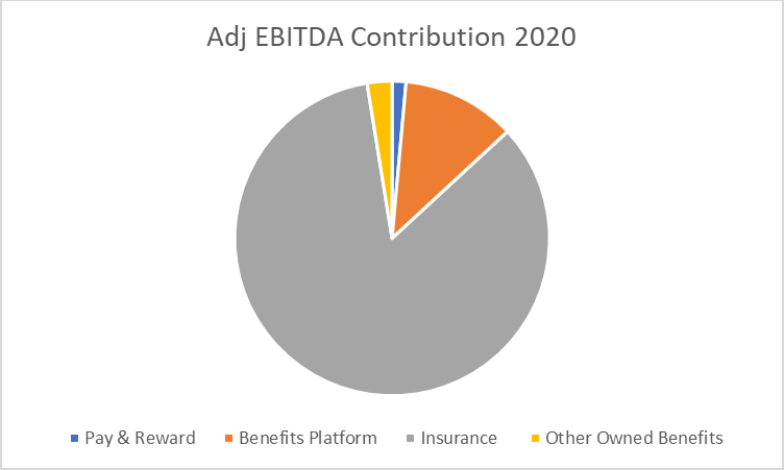
SEGMENTAL ANALYSIS





Provides transparency of the impact top line growth has on EBITDA contribution

Adj EBITDA Margin	2021	2020	2019
Pay & Reward	25%	(29%)	26%
Benefits Platform*	35%	43%	38%
Insurance*	45%	52%	48%
Other Owned Benefits	4%	3%	9%
Group Admin & Central Costs – % of revenue excl voucher sales	17%	14%	14%

* Margins reflective of internal recharge from Benefits Platform to insurance where clients given Hapi at a discount or for free

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SME IN THE FUTURE?

	SME today	SME in the future?		
Addressable employees	7m	7m	7.5m	8m
Penetration	0.4%	2-4%	3-5%	4-6%
Paying employees	25k	140-280k	225-375k	320-480k
Average income/employee	£65	£65	£70	£75
Total ARR	£1.6m	£9-18m	£16-26m	£24-36m
EBITDA margin	56%	55-60%	55-60%	55-60%
EBITDA contribution	£0.9m	£5-11m	£9-£16m	£13-22m

INSURANCE IN THE FUTURE?

	Insurance today	Insurance in 2019	Insurance in the future?		
Addressable employees	610k	450k	650k	700k	750k
Penetration	11%	15%	15%	17%	19%
Insurance payers	90k	114k	120k	142k	166k
Average premium/payer	£264	£256	£264-300	£264-300	£264-300
Annualised premium income	£24m	£29m	£31-£36m	£37-£43m	£44-£50m
EBITDA margin	40%	46%	38-45%	38-45%	38-45%
EBITDA contribution	£10m	£13m	£12-£16m	£14-£19m	£17-£23m

SAAS – LEVERAGING HAPI

CLIENT SIDE INCOME

Platform Fees
Basic access fee to benefits.
Charging Range £0 - £20 PEPA.

Benefit Fees
Paid-for extra benefits e.g. Online GP, gym discounts.
Range £0.50 - £2 PEPA per benefit type (net costs).

Service Fees
Comms & engagement services e.g. Reward & Recognition, Long Service Awards and Payslips.
Range £1 - £2 PEPA per benefit type.

Benefit Costs
Some benefits have a supplier charge.

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Client A
20,000 Employees
50% registered Users

SUPPLY SIDE INCOME

External Commissions
Paid for usage and uptake on benefits such as Home Technology.
Commission Range 2% - 10%.

Reward & Recognition Commissions
Paid for retail vouchers for Reward & Recognition. Range 0.1% - 10%.

NEW: Benefit Hosting
New benefits partners are chargeable per accessible or activated employee. Range £0.25 - £1 per annum.

ADDITIONAL FINANCIAL INFORMATION

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SUMMARY BALANCE SHEET

	Jun 22 (£m)	Dec 21 (£m)	Change (£m)
Goodwill	12.7	12.7	-
Intangible assets	1.7	1.7	-
Property, plant and equipment	5.0	5.0	-
Non-current assets	**19.4**	**19.4**	**-**
Financial assets	3.0	2.6	0.4
Cash and cash equivalents	20.1	20.3	(0.2)
Trade & other receivables	8.5	14.1	(5.6)
Inventories	1.1	0.9	0.2
Current tax asset	0.4	0.3	0.1
Total assets	**52.5**	**57.6**	**(5.1)**
Trade & other payables	11.7	15.8	(4.1)
Deferred tax	0.5	0.5	-
Total liabilities	**12.2**	**16.3**	**(4.1)**
Total Equity	**40.3**	**41.3**	**(1.0)**

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ADJ EBITDA* RECONCILIATION

	Jun 22 £m	Jun 21 £m
Profit before tax	**0.5**	**3.2**
Interest costs	0.0	0.0
Depreciation	0.5	0.5
Amortisation – acquisition	0.1	0.1
Amortisation – other	0.2	0.2
Share-based payments	0.2	0.1
Adj EBITDA*	**1.5**	**4.1**

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

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EARNED PREMIUM & CLAIMS

	JUN 22				JUN 21			
	HP £m	DB £m	Other* £m	Total £m	HP £m	DB £m	Other* £m	Total £m
Earned premium	9.0	2.8	0.4	12.2	9.5	2.7	0.2	12.5
Claims	(2.5)	(0.8)	(0.4)	(3.7)	(1.5)	(0.7)	(0.6)	(2.8)
Underwriting profit	**6.5**	**2.0**	**-**	**8.5**	**18.0**	**4.3**	**(0.3)**	**9.7**
Loss ratio	28.2%	28.2%		30.0%	16.0%	26.4%		22.5%

* Other includes Voluntary Group Income Protection, Employee GAP insurance and claims handling costs

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SIGNIFICANT SHAREHOLDERS

Christopher Johnston	36.4%
Premier Miton Investors	13.4%
Investec Wealth & Investment	8.6%
Close Asset Management	7.9%
Chelverton Asset Management	5.3%
Royal London Mutual Assurance Society	4.0%
Other directors, staff and SIP Trust	1.5%

Source: CENKOS as at 30 June 2022

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