

HALF YEAR RESULTS

2019/20



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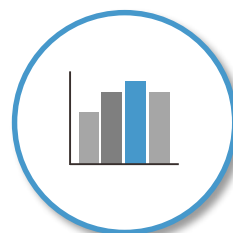
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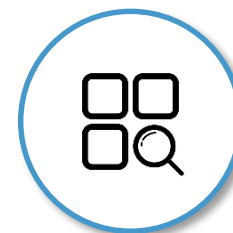
Introduction
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Our Business
Strategy



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HY 19/2020



Summary



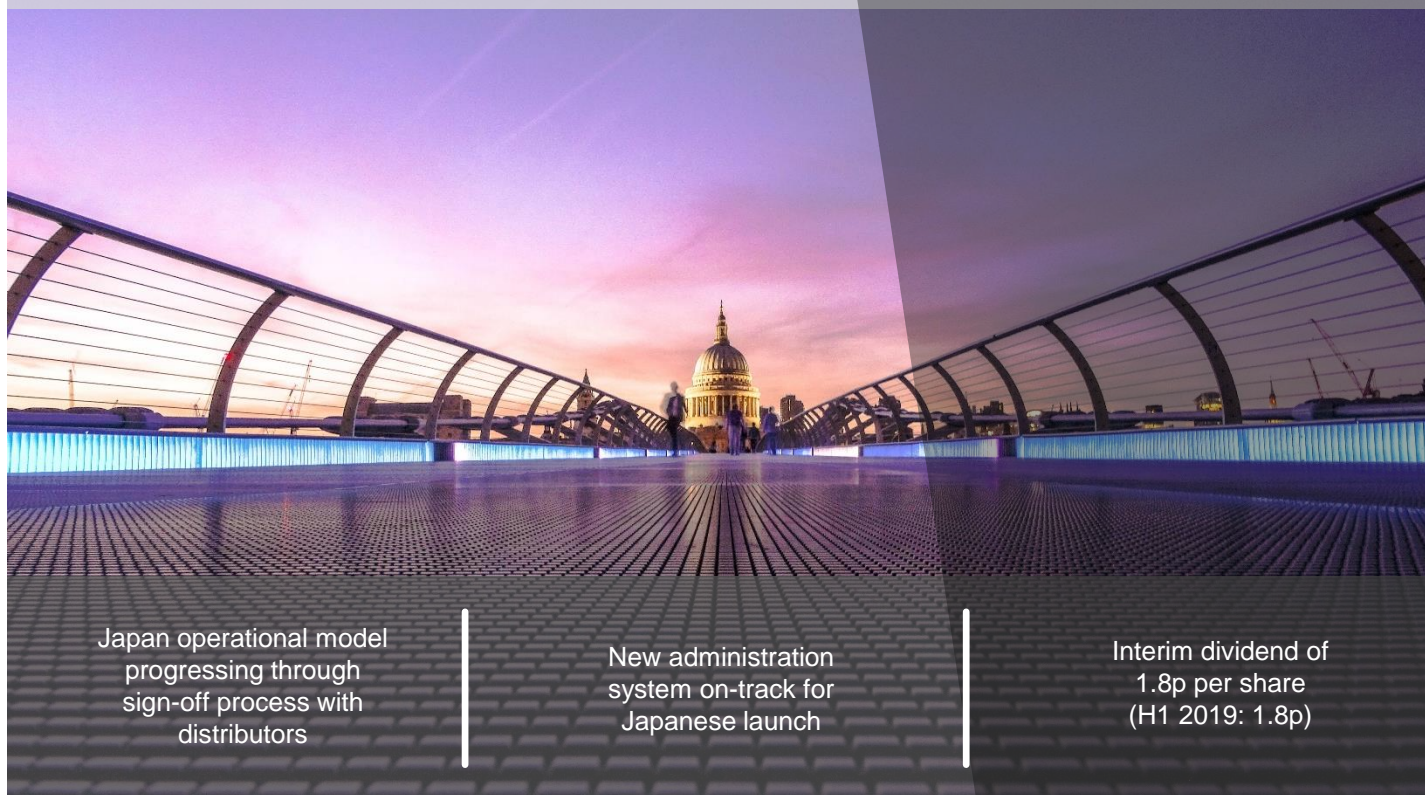
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OVERVIEW

New Business of
£80.1m PVNBP
(H1 2019: £74.1m)

IFRS profit
of £2.6m
(H1 2019: £3.0m)

Assets under
Administration
of £1.08bn
(30/06/19: £1.08bn)



Japan operational model
progressing through
sign-off process with
distributors

New administration
system on-track for
Japanese launch

Interim dividend of
1.8p per share
(H1 2019: 1.8p)



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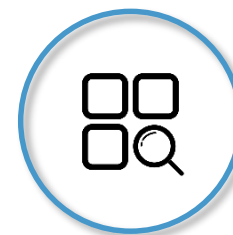
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Summary

IMPLEMENTING OUR GROWTH STRATEGY

SHORT TERM (WITHIN 12 MONTHS)

- Japanese proposition to be launched with first distribution partner
- Rationalise IT architecture and move to the Cloud
- Replace IT admin systems (policy admin, channel admin, investment admin & online portals)
 - Agility to develop & administer future products, at speed.
 - Scalable for future growth.
 - Reducing future risk of legacy system issues.
 - Continuity of award-winning service & online proposition.

MEDIUM TERM (12-24 MONTHS)

- Expansion of Japanese proposition to additional Japanese distributors
- Build and enhance initial systems implementation
- Cost efficiency target of £2.5m p.a. from new systems architecture
- Conclusion of non-Italian litigation and pursue insurance recoveries.

LONG TERM (24+ MONTHS)

- Extension of Japan-style proposition, globally
- 'Next-generation' propositions
- Conclusion of final litigation in Italy
- Release of Hansard Europe capital.

BUILDING BLOCKS IN PLACE

- Investment management licence acquired in June 2019
- Registration statement filed to place back-book within the structure desired by the Japanese regulator
- New product for future regional bank distribution lodged with regulator pending finalisation of operational model
- Management and staff in Tokyo branch recruited. Current headcount of 9
- Working actively with four regional banks to develop proposition and operational models (under NDA arrangements)
- Business will sit on new back-office IT systems – optimised for efficiency of processing
- No upfront commission within the product = no cash strain.

ROUTE TO LAUNCH

- First distribution agreement with regional bank targeted for signing by Q3 (calendar) 2020
- New IT infrastructure being developed in conjunction with operational model
- Launch Q4 (calendar) 2020.

POST LAUNCH BUILD

- Additional distribution agreements with further three regional banks
- Expansion of branch headcount to support local language administration and sales
- Optimisation of operational procedures and IT.



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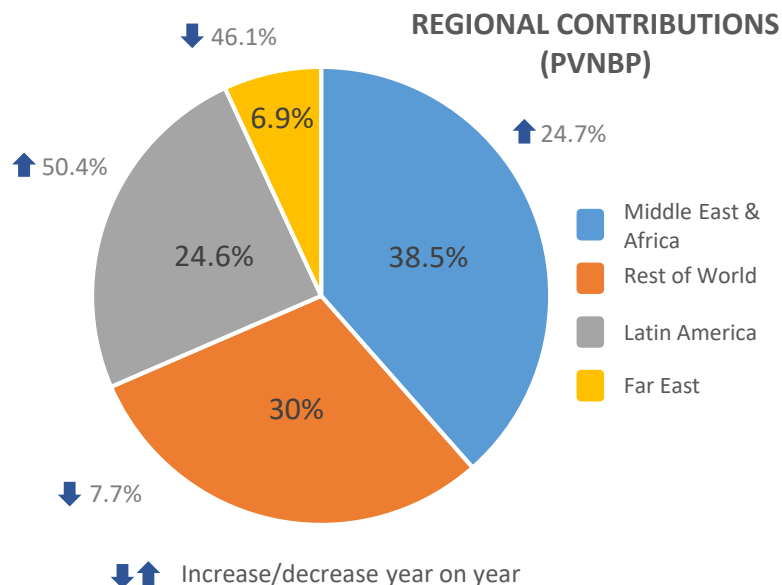
HI 20 v HI 19
PVNBP

↑
8%

Q2 20 v Q1 20
PVNBP

↑
24%

- New Business in the Middle East & Africa continued to grow
 - Impact of changes to regulation in UAE being managed
- Due to repositioning towards locally licensed business in the Far East, new business continued to fall in 2020
- Latin American new business regained momentum after consolidation phase in 2019.



MARKETING & PROMOTION

- Retained Five Star Service Rating from AKG
- Tactical special offers for existing products to support new business in H1 2020
- Continued focus on regular savings and offshore pensions
- Extremely active with digital campaigns to support sales
- Secured 3 awards at industry flagship events.





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LATIN AMERICA BUILDING NEW BUSINESS

- New Business H1 2020 grew by over 50%
- HWL enthusiastically received by supporting advisors
- International Investment Award
- Reputation continues to grow in the region
- More sales resource added to further support growth
- Online New Business service is highly valued by distributors in a region with time difference challenges
- Spanish and Portuguese language support valued highly by distributors





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Exposures from
outstanding writs
of £20.8m
(30/06/19: £19.4m)

Additional
policyholders have
joined our largest case
in Italy where our
outlook for recoverable
investment assets has
worsened. Our
confidence over
insurance coverage
has increased
however.

Exposures are
disclosed within
contingent liabilities.

HANSARD EUROPE LITIGATION

Group action in Italy related to illiquid assets continues to grow, however expected to be substantially covered by insurance. First payment on account of legal costs received in H1 2020.

Large case in Belgium on-hold pending separate third-party Supreme Court case regarding statute of limitations. Have initiated insurance claim for partial coverage.



Large case in Ireland – expected insurance coverage.



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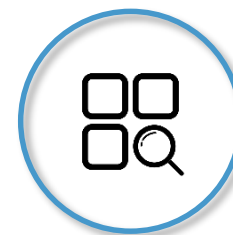
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Summary Results

	<u>H1 2020</u>	<u>H1 2019</u>
New business sales – PVNBP	£80.1m	£74.1m
IFRS profit after tax	£2.6m	£3.0m
Operating cash surplus	£11.1m	£9.5m
Assets Under Administration	£1,080m	£976m
Value of In-Force ¹	135.7m	134.5m
Interim dividend per share	1.8p	1.8p

¹ Regulatory (solvency II or equivalent) basis



Strong sales in LatAm and UAE.

Focus on regular premiums.

Plan to address the improvement of new business margins via:

- i) Japanese business delivering additional scale.
- ii) New systems delivering recurring cost savings

New Business

	<u>H1 2020</u>	<u>H1 2019</u>
Present Value of New Business Premiums	£m	£m
Regular premiums	51.6	37.4
Single premium	28.5	36.7
PVNBP	80.1	74.1
Annual Premium Equivalent ("APE")	12.8	11.8
New Business Margin (PVNBP basis)	(0.4%)	(0.4%)

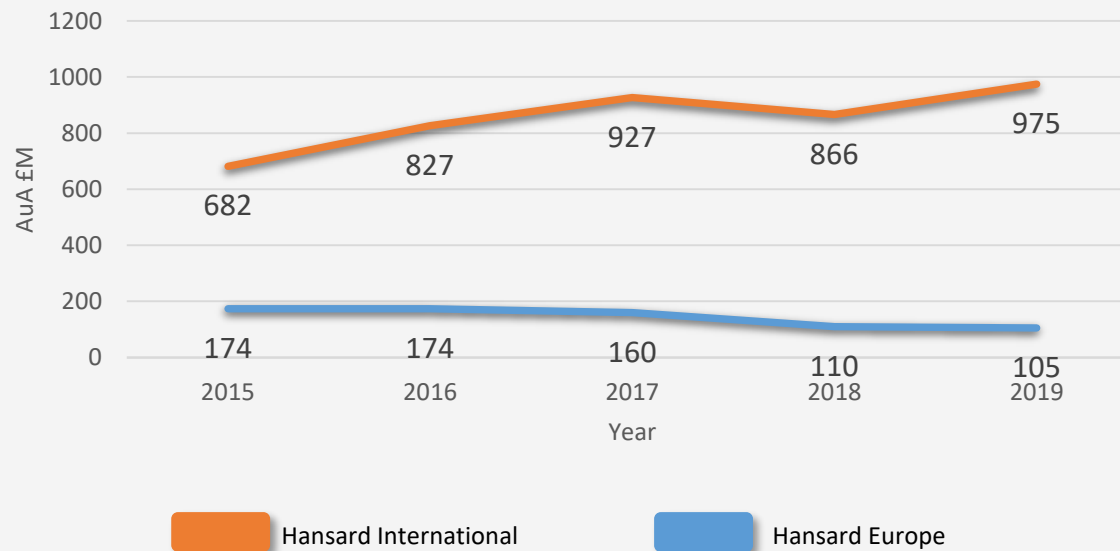


Hansard International
continues upward
trend

Hansard Europe closed
to new business in
2013.

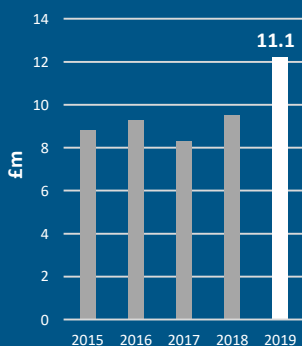
Assets under Administration

5 year trend





Operating cash surplus HY
ended 31 December



Cash Flows

	<u>H1 2020</u>	<u>H1 2019</u>
	£m	£m
Operating cash surplus	11.1	9.5
Interest and other income	0.5	0.6
Cash inflow from operations	11.6	10.1
Investment in new business	(10.2)	(8.7)
Capital expenditure	(1.5)	(0.8)
Net Cash (outflow)/inflow before dividends	(0.1)	0.6
Dividends paid	(3.6)	(3.6)
Net Cash outflow for the year	(3.7)	(3.0)

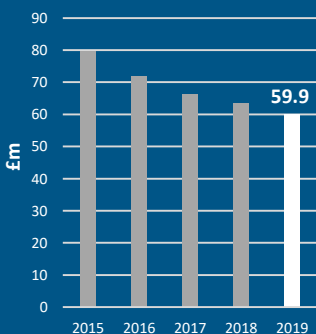
Operating cash flows up with higher new business and unusually low surrender fee income levels in prior year period.

Capital expenditure reflects our investment in replacement administration systems.



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Shareholder cash surplus HY
ended 31 December



Headline cash balance is allocated to a number of constituents before available cash can be identified.

Available Cash

Total Group cash and deposit balances

Less net shareholder payables

Less policyholder claims payable

Less net cash restricted within Hansard Europe

Available Group cash and deposit balances

H1 2020

£m

59.9

(3.6)

(23.4)

(18.4)

14.5

H1 2019

£m

63.5

(1.9)

(21.7)

(19.0)

21.0

Note: Hansard Europe cash considered restricted until resolution of litigation claims.



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Increased HI business levels leading to higher fee income and higher origination costs.

HE continues to run-off its business having closed in 2013.

Foreign exchange losses of £0.5m compared to gains of £0.1m in H1 2019.

Investment in Japanese branch offset by cost savings elsewhere.

Litigation costs benefitted from £0.4m of insurance recoveries in the period.

IFRS - Abridged income statement

Fees and commissions

- Hansard International
- Hansard Europe

Investment and other income

Origination costs

Administrative and other expenses

Strategic spend

Litigation costs and other non-recurring items

Profit for the period before taxation

Tax

Profit for the period

H1 2020
£m

H1 2019
£m

21.2

20.7

1.8

2.0

23.0

22.7

0.5

1.4

23.5

24.1

(9.1)

(8.4)

(10.4)

(10.4)

(0.7)

(0.8)

(0.7)

(1.5)

2.6

3.0

-

-

2.6

3.0



IFRS - Abridged balance sheet

	<u>H1 2020</u>	<u>H1 2019</u>
	£m	£m
Deferred origination costs	120.8	115.4
Other assets	13.5	11.3
Shareholder cash and bank deposits	59.9	63.5
Total assets	194.2	190.2
Deferred income	135.1	131.9
Other payables	32.8	30.4
	167.9	162.3
Net assets	26.3	27.9
Shareholders' Equity	26.3	27.9



Value of in-force has been relatively stable, with new business and investment gains offset by foreign exchange movements.

Net Worth incorporates probabilistic outcomes for litigation and other regulatory reserves. It also reflects the payment out of £6m dividends during the year & excludes capitalised software.

Own Funds

	<u>Own Funds</u> <u>H1 2020</u> £m	<u>Own Funds</u> <u>H1 2019</u> £m
Value of In-Force	135.7	134.5
Risk Margin	(22.2)	(21.0)
Net Worth	28.0	36.1
Total Own Funds	141.5	149.6

Own Funds per share: 106p (31/12/18: 109p).



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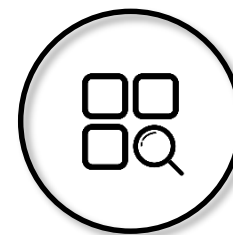
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SUMMARY



IFRS

IFRS profit of £2.6m
(2019: £3.0m)



New business growth driven
by successful initiatives in
LatAm and UAE



Japan development
progressing steadily



Upgrading systems to
achieve significant cost
savings and future agility



Expanding Hansard Europe
litigation in Italy mitigated
by insurance position



1.8p

Level dividend of
1.8p per share
(2019: 1.8p)