



Hastings Group Holdings plc

Trading update for the 9 months ended 30 September 2015

18 November 2015

Hastings Group Holdings plc (“the Group”, or “Hastings”) today provides an update on its trading performance for the first 9 months of 2015.

2015 is on track to be another very strong year for Hastings. As well as completing its listing on the London Stock Exchange in October, the Group has maintained its profitable growth trajectory, with continuing increases in customer policy numbers, rising premiums, disciplined underwriting and control over costs.

Business Highlights

- **Increase in live customer policies** to 1.97 million as at 30 September 2015, a 19% year on year increase (1.65 million as at 30 September 2014). Live customer policies have subsequently exceeded 2 million.
- **Increase in market share** of UK private car insurance policies to 5.7% as at 30 September 2015 (4.9% as at 30 September 2014).
- **Increase in gross written premiums** of 26% to £454.3 million for the 9 months to 30 September 2015 (9 months to 30 September 2014: £359.8 million⁽¹⁾).
- **Group net revenue** increase of 19% to £350.2 million for the 9 months to 30 September 2015 (9 months to 30 September 2014: £295.4 million⁽¹⁾).
- **Group Operating Profit**⁽²⁾ increase of 19% to £93.8 million for the 9 months to 30 September 2015 (9 months to 30 September 2014: £79.0 million).
- **Group calendar year loss ratio**⁽³⁾ for the 9 months to 30 September 2015 of 74.5% (9 months to 30 September 2014: 71.7%⁽⁴⁾).
- **Reduction in net leverage multiple**⁽⁵⁾ to 2.3 times Group Operating Profit (12 months trailing to 30 September 2015) on a pro-forma basis following the Group’s IPO in October 2015⁽⁶⁾.

Gary Hoffman, Chief Executive of Hastings Group Holdings plc, commented:

“Our strong results for the period demonstrate that Hastings’ refreshingly straightforward approach to insurance continues to resonate with our customers and puts us on target for another record year.

“Since our half year, we have achieved a number of key milestones that support the profitable, sustained growth of our business. I am delighted to announce that we now provide cover for over 2 million customers, nearly double the number we had when I joined the Group in November 2012. We listed on the London Stock Exchange on 12 October 2015 and the proceeds have enabled us to strengthen further our solvency position ahead of Solvency II and reduce our net debt. Our agile, digital model continues to provide an ideal platform to replicate the ongoing success of motor for our growing home proposition.

“It’s been a very successful 9 months and we look forward to continuing our journey of profitable growth with our investors and our 2,000 colleagues.”

Group Performance Update

	9 mths ended 30 Sept 2015	9 mths ended 30 Sept 2014	3 mths ended 30 Sept 2015	3 mths ended 30 June 2015	3 mths ended 30 Sept 2014
Group live customer policies (m)	1.97	1.65	1.97	1.88	1.65
UK private car market share (%)	5.7%	4.9%	5.7%	5.3%	4.9%
Group gross written premiums (£m)	454.3	359.8	171.7	150.4	132.6
Group net revenue (£m)	350.2	295.4	127.6	114.9	104.1
Group net leverage multiple (x) ⁽⁶⁾	2.3	3.7	2.3	3.1	3.7

Revenue and Profit Growth

The Group has experienced continued growth in gross written premiums during the period, driven by increasing new business sales and a growing renewal book, with continued targeted rate increases implemented during the period.

Hastings’ business model is built for the internet age and is focused on Price Comparison Websites (“PCWs”). During the quarter the Group has continued to grow its share of PCW policies sold and has continued to benefit as more people use PCWs to purchase their insurance.

The Group’s momentum in home insurance continued with policy numbers increasing by 58% to 113,000 during the 9 months to 30 September 2015.

Growth in written policies and associated income resulted in a 19% increase in Group net revenue, to £350.2 million for the period resulting in a 19% increase in Group Operating Profit, to £93.8 million for the period. Group Operating Profit margin continues to trend positively.

Disciplined Underwriting

Hastings’ disciplined approach to underwriting has seen the Group experience written premium inflation ahead of increases in incurred claims costs during the 9 month period. The increase in the Group calendar year loss ratio for the 9 months to 30 September 2015 is due to a slightly lower amount of positive prior period reserve releases than in 2014 and moderate increases in claims frequency as reported at the half year.

The Group increased its average gross written premium by over 6% during the 9 month period, with much of the recent rate increases yet to earn through to income. The calendar year loss ratio of 74.5% for the period continues to be below the Group’s long-term quoted target of between 75% and 79%.

Investing in Growth

During the quarter, the Group has continued to invest in its digital architecture and in Guidewire, Hastings’ next generation claims and broking platform. These digital capabilities are already being used to develop enhancements to the online portal for customer policy management and enriched mobile apps for phones and tablets. The Guidewire system will increase the effectiveness and efficiency of claims handling and policy administration and provide customers with more self-serve facilities.

Cash and Net Debt

The Group remains highly cash generative, enabling further reductions in net debt during the quarter whilst at the same time allowing significant investment in future capabilities. As at 30 September 2015, the Group's net debt had reduced to £354.5 million with a net leverage multiple of 2.9 times, compared to 3.7 times as at 30 September 2014.

Since the period end, certain cash proceeds from the Group's Initial Public Offering ("IPO") have been used to redeem £106.6 million of the Group's Senior Secured Notes. The process to redeem the remainder of the Group's Senior Secured Notes has commenced and is expected to have been completed by the end of November, at which time the Group expects to draw down on its new £300 million committed term loan facility. On a pro-forma basis, applying the combined effects of proceeds raised and subsequent refinancing (less fees and expenses incurred and early redemption charges on the Senior Secured Notes), the Group's net leverage multiple as at 30 September 2015 would have been 2.3 times. The Group's new financing arrangements will result in a significant - over £20 million - reduction in future annual interest costs.

Capital and Solvency

The Group's Underwriting business is subject to the solvency regulations set by the FSC in Gibraltar. The Underwriting business' capital position remained strong during the period and as at 30 September 2015 its Solvency I coverage ratio was 257% (as at 30 September 2014: 274%). On a pro-forma basis, considering the £50 million of proceeds from the IPO allocated to the Underwriting business, the coverage ratio as at 30 September 2015 would have been 355%. The Group remains well prepared for the implementation of Solvency II on 1 January 2016.

Outlook

The Board is pleased with the performance delivered by the Group in the first 9 months of 2015. The Group's differentiated business model continues to drive consistent, profitable growth, while its sophisticated risk selection capability has maintained a consistently strong underwriting performance. The Board is confident in the Group's ability to deliver continued strong performance, in line with, or ahead of the targets communicated during the Group's IPO.

The Group will host an update call for investors and analysts at 10:00am GMT on 18 November 2015. Details are available on the Group's website www.hastingsplc.com.

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About Hastings

Hastings is one of the fastest growing personal lines insurance providers to the UK market, with 2 million customers and employing over 2,000 colleagues at sites in Bexhill, Newmarket, Leicester and Gibraltar.

Voted Car Insurer Provider of the Year for the third year running by the public at the Consumer Moneyfacts Awards, Hastings has built its business by championing the customer through its refreshingly straightforward service and products. Hastings offers car, motorcycle, van and home insurance directly to the public.

Hastings Direct is a trading name of Hastings Insurance Services Limited, the Group's UK broker, which also trades via "People's Choice" and "insurePink".

The Group directly underwrites car, bike and van business through its Gibraltar based insurer Advantage Insurance Company Limited. Home insurance is provided through a number of panel partners and a co-insurance agreement with AXA.

We are a multi award winning business:

- 2015 Car Insurance Provider of the Year, Consumer Moneyfacts Awards (third year running)
- 2015 UK Broker Awards, Personal Lines Broker of the Year (second year running)
- 2015 Team of the Year, Financial Experience Awards

Forward-looking statements

This trading update contains certain forward-looking statements, such as statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. The statements outlined in "Information regarding forward-looking statements" in Hastings Group Holdings plc's Prospectus, dated 12 October 2015, continue to apply to any forward-looking statements contained in this quarterly trading update.

Notes

- (1) To facilitate year on year comparison, the financial information for the 9 months to 30 September 2014 is presented on an underlying basis, excluding the effects of accounting for business combinations.
- (2) Group Operating Profit is defined as profit before taxation expense, interest expense, amortisation and depreciation, revaluation of property, certain non-trading costs and the effects of accounting for business combinations.
- (3) Group calendar year loss ratio is defined as claims incurred in the period net of quota share and non-proportional excess of loss reinsurance, net of certain salvage and repairer income included within claims files, net of movements in margin over management's best estimate of reserves and movements in prior year development of claims reserves, divided by adjusted Group net earned premiums.
- (4) The 2014 Group calendar year loss ratio has been adjusted to reflect a change in the current year quota share reinsurance contracts whereby the Group now retains a higher proportion of premiums written, but subsequently receives reduced reinsurance commissions.
- (5) Group net debt expressed relative to 12 months trailing Group Operating Profit.

- (6) Group net leverage multiple as at 30 September 2015 is presented on a pro-forma basis including the impact of the IPO proceeds raised and subsequent refinancing (less fees and expenses incurred and early redemption charges on the Senior Secured Notes).