



Q3 FY19 Results

Tom Hinton, CFO

15 February 2019



Financial highlights – 9 months to 31 December 2018

+8.1% y-o-y

£643m

Group sales
(YTD)

+4.5% y-o-y

£607m

Group revenue
(YTD)

+7.7% y-o-y

£81.1m

Underlying
EBITDA
(YTD)

+2.3 ppt

80%

UK revenue
renewal rate¹
(YTD)

-0.2x

3.7x

Net leverage²

Another quarter of continuing strong growth

¹ % of current year revenue from renewals / total prior year revenue

² Net leverage movement vs Q3 FY18. Reflects inclusion for both periods of certain cash deposits in the Group's Australian service company which have been reclassified as unrestricted.

Results summary

	YTD Q3 FY19	YTD Q3 FY18	yoy
	£m	£m	(%)
1 Sales	642.8	594.4	8.1%
UK	527.5	472.8	11.6%
International	115.3	121.6	-5.1% ^a
2 Underlying Revenue^b	606.9	580.6	4.5%
UK	495.4	465.7	6.4%
International	111.5	114.9	-2.9%
Underlying Operating Profit	71.3	66.9	6.6%
% Revenue	11.7%	11.5%	
3 Underlying EBITDA	81.1	75.3	7.7%
% Revenue	13.4%	13.0%	
4 Underlying Cash flow Available for Debt Service^c	35.6	38.9	
% Conversion from Underlying EBITDA	44%	52%	

1 Robust sales performance

- Strong new business performance in UK
- International impacted by termination of non-core retail contract (mobile) in Spain. Underlying growth +3.0%

2 Strong y-o-y revenue growth

- UK: continuing strong renewal rates and new business performance, benefitting from new client win at the end of the 2018 financial year
- International: Strong progress in building subscription base offset by impact of German cash business run-off (underlying continuing revenue +6.2%)

3 Underlying EBITDA up 7.7% y-o-y to £81.1m:

- Strong underlying revenue growth
- Stable claims and acquisition costs ratios
- Continuing stable margin performance

4 CFADS

- Temporary impact of working capital investment in transition to flexible monthly products with shorter periods of cover, and unwind of extended cover book
- LTM conversion >50% and on an improving trajectory

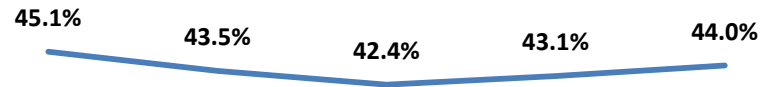
^a Constant currency basis

^b Revenue before fair value adjustments associated with the acquisition method of accounting for business combinations

^c Based upon latest estimate of Capital Resources and Solvency Capital Requirement (SCR)

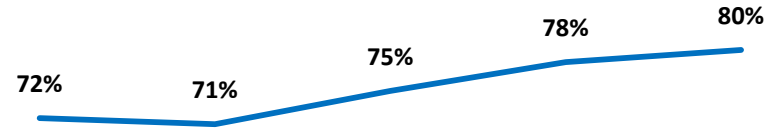
Strong and consistent financial performance

Gross Loss Ratio



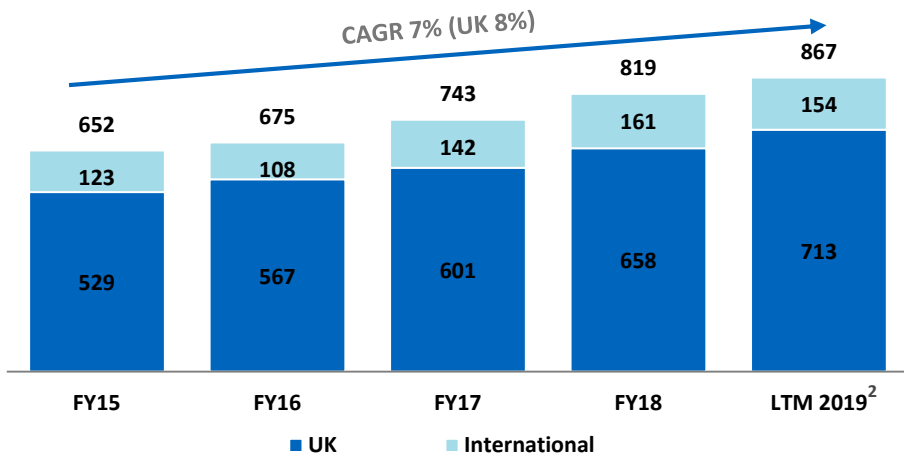
FY15 FY16 FY17 FY18 LTM 2019²

UK Revenue Renewal Rate¹



FY15 FY16 FY17 FY18 LTM 2019²

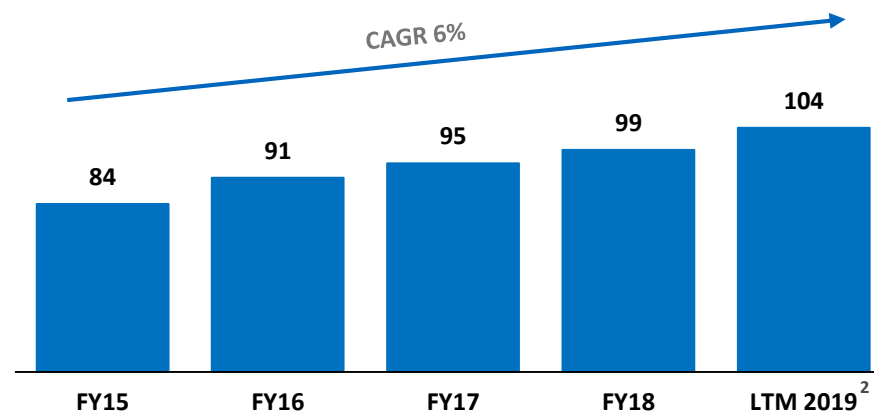
Total Sales (£m)



FY15 FY16 FY17 FY18 LTM 2019²

■ UK ■ International

Underlying EBITDA (£m)



FY15 FY16 FY17 FY18 LTM 2019²

¹ % of current year revenue from renewals / total prior year revenue

² LTM: Last twelve months ended Q3 FY19

Cash flow available for debt service (CFADS)

	YTD Q3 FY19	YTD Q3 FY18
	£m	£m
1 Non-Regulated Business EBITDA	48.8	36.2
2 Changes in net working capital	(27.9)	(15.8)
Capex	(13.3)	(14.0)
Free cash flow from the Non-Regulated Business	7.6	6.4
Profit After Tax of Regulated Business ¹	25.3	32.1
Movement in capital requirement and Solvency II adjustments	0.1	(6.2)
3 Distributable earnings from Regulated Business	25.4	25.9
Other	2.6	6.6
4 Underlying cash flow available for debt service	35.6	38.9

- 1 Non-Regulated EBITDA growth driven by strong trading performance
- 2 Working capital movement reflects net investment from:
 - unwind of extended cover term policies book;
 - continuing strong growth in flexible monthly products (new business strain); and
 - reversal of timing differences in period
 - Future years will see moderating working capital outflows as rate of unwind of legacy term policy book slows
- 3 Regulated business distributable earnings reflect:
 - investment in improved levels of cover,
 - new business strain from growth in subscription book; and
 - irrecoverable VAT;
 - Higher regulatory capital requirement offset by the positive impact on the Solvency II balance sheet from growth in profitable flexible monthly product volumes
- 4 LTM conversion >50% and on track for further improvement this year and beyond

¹ Regulated Business EBITDA YTD Q3 FY19: £32.3m (YTD Q3 FY18: £39.1m)

Unrestricted cash and Net Debt

	YTD Q3 FY19	YTD Q3 FY18
CFADS	35.6	38.9
① Debt Interest	(29.0)	(31.3)
② Corp Tax and Other	5.3	(4.1)
Free cashflow before exceptional items	11.9	3.5
③ Exceptional items	(14.5)	(4.6)
Unrestricted Cash Flow	(2.6)	(1.1)

- ① Lower interest expense following refinancing of Senior Secured FRN in March 2018
- ② Movement in intercompany balances between the regulated and non-regulated businesses
- ③ Include residual flow through of FY18 provision for product enhancements and transition to maintenance and insurance products; and costs in connection with Brexit preparation

	31st December 2018	30th September 2018
Unrestricted Cash c/f¹	89.8	96.2
Gross Debt	475.1	475.1
Net Debt¹	385.3	378.9
Leverage (Net Debt / LTM EBITDA)¹	3.7x	3.7x

¹ Based upon latest estimate of Capital Resources and Solvency Capital Requirement (SCR)

Capitalisation table

	LTM Q3 FY19				LTM H1 FY19			
	£m	Multiple of EBITDA	Maturity	Price	£m	Multiple of EBITDA	Maturity	Price
Sr. Secured FRN	150.1	1.4x	Nov-20	LIBOR + 4.500%	150.1	1.5x	Nov-20	LIBOR + 4.500%
Sr. Secured Notes	200.0	1.9x	Nov-20	6.375%	200.0	2.0x	Nov-20	6.375%
Total Senior Secured Debt	350.1	3.4x			350.1	3.4x		
Senior Notes	125.0	1.2x	Nov-21	7.875%	125.0	1.2x	Nov-21	7.875%
Total Gross Debt	475.1	4.6x			475.1	4.7x		
1 Unrestricted cash reserves	(89.8)				(96.2)			
Total Net Debt	385.3	3.7x			378.9	3.7x		
2 Super Senior RCF	100.0		Nov-20		100.0		Nov-20	

1 Unrestricted cash reserves reflect reclassification of certain cash deposits held in the Group's Australian service company following a review of that entity's cash requirements.

2 Revolving credit facility remains undrawn. There is an on-demand £23.0m letter of credit under the Facility in favour of the PoS Trust

Summary and Outlook

- Continuing strong growth in revenue and EBITDA; and robust cashflow generation
- Business has continued to trade in line with our expectations
- Almost all elements of Customer First transition now complete
- Discussions with key OEM partners to launch subscription model in US in progress
- Confident in full year outlook and medium term prospects

Disclaimer

This presentation and any materials distributed in connection herewith (together, the “Presentation”) do not constitute or form a part of, and should not be construed as, an offer for sale or subscription of or solicitation of any offer to purchase or subscribe for any securities in any jurisdiction, and neither this Presentation nor anything contained herein shall form the basis of, or be relied upon in connection with, or act as an inducement to enter into, any contract or commitment whatsoever.

These materials are being provided to you on a confidential basis, may not be distributed to the press or to any other persons, may not be redistributed or passed on, directly or indirectly, to any person, or published, in whole or in part, by any medium or for any purpose.

The information contained in this Presentation has not been independently verified and no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness, reasonableness or correctness of the information or opinions contained herein. None of Galaxy Finco Limited, its subsidiaries or any of their respective employees, advisers, representatives or affiliates shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this Presentation. The information contained in this Presentation is provided as at the date of this Presentation and is subject to change without notice.

The information in this Presentation does not constitute investment, legal, accounting, regulatory, taxation or other advice, and the Presentation does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or other needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of the Presentation.

Statements made in this Presentation include forward-looking statements, including in the slide captioned “Summary and Outlook”. These statements may be identified by the fact that they use words such as “anticipate”, “estimate”, “should”, “expect”, “guidance”, “project”, “intend”, “plan”, “believe”, and/or other words and terms of similar meaning in connection with, among other things, any discussion of results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. Such statements are based on management’s current intentions, expectations or beliefs and involve inherent risks, assumptions and uncertainties, including factors that could delay, divert or change any of them. Forward-looking statements contained in this Presentation regarding trends or current activities should not be taken as a representation that such trends or activities will continue in the future. Actual outcomes, results and other future events may differ materially from those expressed or implied by the statements contained herein. Such differences may adversely affect the outcome and financial effects of the plans and events described herein and may result from, among other things, changes in economic, business, competitive, technological, strategic or regulatory factors and other factors affecting the business and operations of the company. Neither Galaxy Finco Limited nor any of its affiliates is under any obligation, and each such entity expressly disclaims any such obligation, to update, revise or amend any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this Presentation. It should be noted that past performance is not a guide to future performance. Particular uncertainties that could cause our actual results to be materially different than those expressed in these forward-looking statements include risk factors described in the offering memorandum of Galaxy Bidco Limited and Galaxy Finco Limited dated October 24, 2013, as updated from time to time by our annual and quarterly financial statements and financial reports, including the section captioned “Principal Risks and Uncertainties” of our Annual Report and Accounts 2018. Nothing in this Presentation should be construed as a profit forecast.

This Presentation may also contain non-GAAP financial information. Management uses this information in its internal analysis of results and liquidity and believes that this information may be informative to investors in gauging the quality of our financial performance, assessing our liquidity, identifying trends in our results and providing meaningful period-to-period comparisons. For a reconciliation of non-GAAP measures presented in this Presentation, see “Alternative Non-GAAP Performance Measures Reconciliation” in our Annual Report and Accounts 2018.