



FY19 Results

Tom Hinton, CFO

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Operational highlights

Customer First

Transformation completed on schedule and within budget

Three simple products: Product Care, Replacement Care and Repair & Care

Delivered higher customer retention and satisfaction

+1ppt
Renewal uplift

Partners

All major partner contracts renewed over last two years

Partner agent teams fully trained now actively selling our Insurance product

New sales channels and co-branding marketing initiatives launched

Sky Engineers

Digital

Foundations of modernising the customer journey and utilising our digital platform now established

Successfully launched D&G@Home, enabling on-line booking of repairs and replacements

Reduced low-value call volumes
+9%
NPS uplift

International

Agreed contractual pan-European relationships with our top 5 OEMs

Building blocks in place to drive growth

Secured German regulatory licence; preparing for Brexit

Contract negotiations for US launch in progress

Subscription registrations up
Conversion rates growing

On track to deliver our strategic growth objectives with customers at the heart of everything we do

Financial highlights

+6.5% y-o-y

£872m

Group sales

+4.3% y-o-y

£811m

Group revenue

+2.3% y-o-y

£101m

Underlying
EBITDA

+2 ppt y-o-y

80%

UK revenue
renewal rate¹

-0.3x y-o-y

3.6x

Net leverage²

16th consecutive year of organic revenue and EBITDA growth underpinned by strong renewals book

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

² Net leverage movement vs FY18.

Results summary

	FY19 £m	FY18 £m	yoy (%)
Sales	871.7	818.7	6.5%
UK	720.1	658.0	9.4%
International	151.6	160.7	-5.6%
1 Underlying Revenue^a	811.3	777.5	4.3%
UK	664.3	624.6	6.4%
International	147.0	152.9	-3.9%
2 Underlying EBITDA	100.8	98.5	2.3%
% Revenue	12.4%	12.7%	
3 Underlying Cash flow Available for Debt Service^b	70.0	54.7	
% Conversion from Underlying EBITDA	69.4%	55.5%	

1 Strong y-o-y revenue growth

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

2 Underlying EBITDA

- Margin compression reflects additional investment in contact centres and removal of direct debit recovery and delivery costs to improve customer experience
- Operating expense growth flat year on year reflecting cost discipline
- As expected the overall compression from Customer First lower than expected given beneficial impact of mitigating actions

3 CFADS

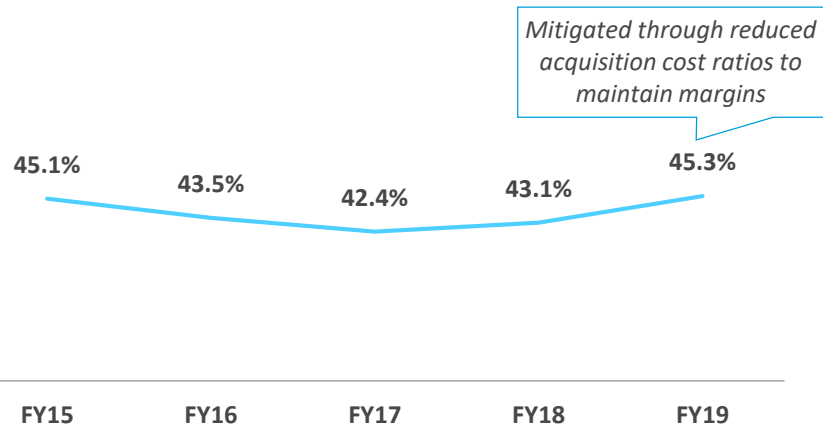
- Temporary impact of working capital investment in transition to flexible monthly products offset by favourable Solvency 2 movements

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

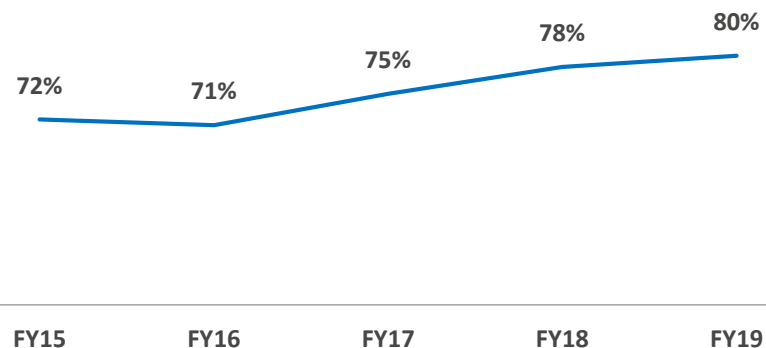
^b Based upon latest estimate of Capital Resources and Solvency Capital Requirement (SCR)

Strong and consistent financial performance

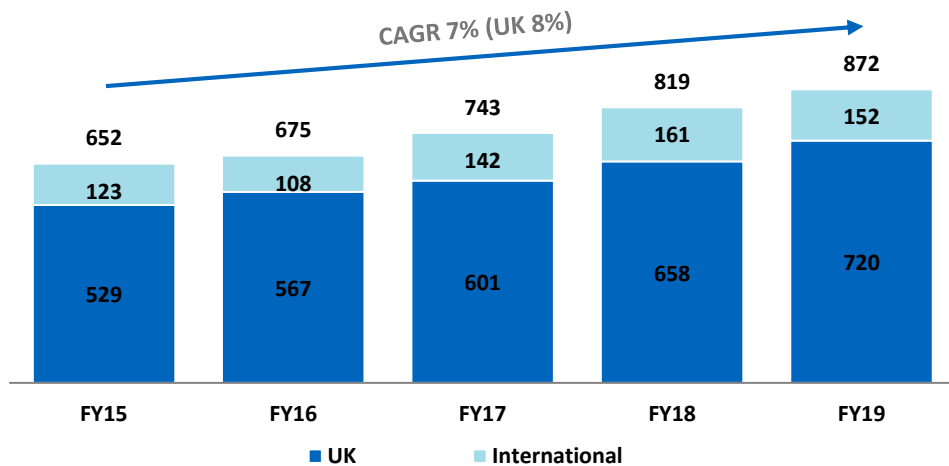
Gross Loss Ratio



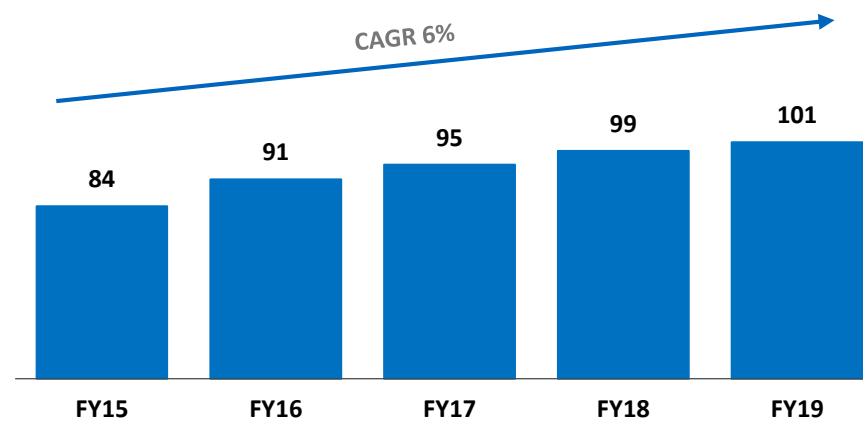
UK Revenue Renewal Rate¹



Total Sales (£m)



Underlying EBITDA (£m)



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

Cash flow available for debt service (CFADS)

	FY19	FY18
	£m	£m
1 Non-Regulated Business EBITDA	62.5	45.8
2 Changes in net working capital	(19.3)	(9.7)
Capex	(19.9)	(19.3)
Free cash flow from the Non-Regulated Business	23.3	16.8
Profit After Tax of Regulated Business ¹	31.7	45.8
Change in solvency capital requirement	(3.3)	(4.5)
Movement in valuation differences between SII and GAAP	15.5	(9.5)
3 Distributable earnings from Regulated Business	43.9	31.8
Other	2.8	6.1
Underlying cash flow available for debt service	70.0	54.7
<i>Conversion</i>	<i>69.4%</i>	<i>55.5%</i>

- 1 Non-Regulated EBITDA growth driven by strong trading performance
- 2 Working capital movement reflects net investment in:
 - Accelerated unwind of extended cover term policies book; and net investment from growth in flexible monthly products resulting in higher subscription plans and customer benefits
 - 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;
 - irrecoverable VAT; and
 - Increase in regulatory capital requirement offset by positive impact of profitable business volumes on Solvency II Own Funds

¹ Regulated Business EBITDA FY19: £39.7m (FY18: £52.7m)

Unrestricted cash and Net Debt

	FY19	FY18
CFADS	70	55
1 Debt Interest	(32)	(35)
Debt repayment	-	(25)
Corp Tax and Other	5	(6)
Free cashflow before exceptional items	43	(11)
2 Exceptional items	(19)	(25)
Unrestricted Cash Flow	24	(36)

	2019	2018
3 Unrestricted Cash c/f ¹	117	93
Gross Debt	475	475
Net Debt¹	358	382
Leverage (Net Debt / LTM EBITDA)¹	3.6x	3.9x

- 1** Lower interest expense following refinancing of Senior Secured FRN in March 2018
- 2** Include residual flow through of FY18 provision for product enhancements and transition to maintenance and insurance products; and costs in connection with Brexit preparation
- 3** Including reclassification of certain cash deposits held in the Group's Australian service company following a review of that entity's cash requirements

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

Capitalisation table

	FY19				FY18			
	£m	Multiple of EBITDA	Maturity	Price	£m	Multiple of EBITDA	Maturity	Price
Sr. Secured FRN	150	1.5x	Nov-20	LIBOR + 4.500%	150	1.5x	Nov-20	LIBOR + 4.500%
Sr. Secured Notes	200	2.0x	Nov-20	6.375%	200	2.0x	Nov-20	6.375%
Total Senior Secured Debt	350	3.5x			350	3.6x		
Senior Notes	125	1.2x	Nov-21	7.875%	125	1.3x	Nov-21	7.875%
Total Gross Debt	475	4.7x			475	4.8x		
Unrestricted cash reserves	(117)				(93)			
Total Net Debt	358	3.6x			382	3.9x		
1 Super Senior RCF	100		Nov-20		100		Nov-20	

1 Revolving credit facility remains undrawn. There is an on-demand £10.0m letter of credit under the Facility in favour of the PoS Trust

Summary

- ✓ Completed Customer First product transition
- ✓ Digital strategy operationalised and driving next phase of business development
- ✓ International strategy delivering strong subscription growth
- ✓ Substantial progress made on US launch preparations
- ✓ Brexit contingency plans in place
- ✓ FY19 financial results delivered in line with plan

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