Q3 FY20 Results

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Domestic & General

About D&G

D&G protects domestic appliances

D&G is a large, high service, international business

23m Appliances

c.16m Customers

11 Countries

2.5m Repairs p.a.

0.5m Replacements p.a.

89% Customer Satisfaction

81% 1st time fix

98% 2nd time fix

67 NPS

With a strong and resilient position in the home

- ✓ **Specialist** B2B2C service provider with unique capabilities
- ✓ **Subscription** business with high renewal rates
- ✓ **Exclusive partnerships** covering 95% of UK white good OEMs

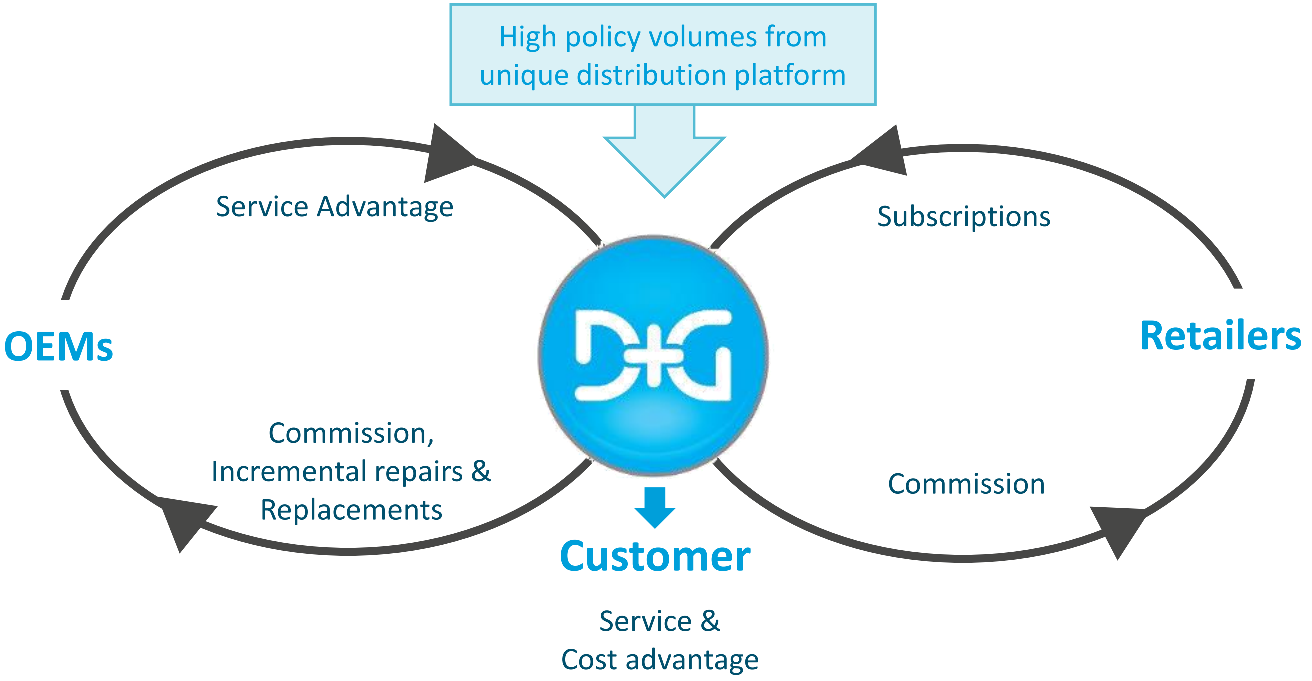
All data points FYE March 2019. Management information

Unique B2B2C partnerships

Differentiated Approach

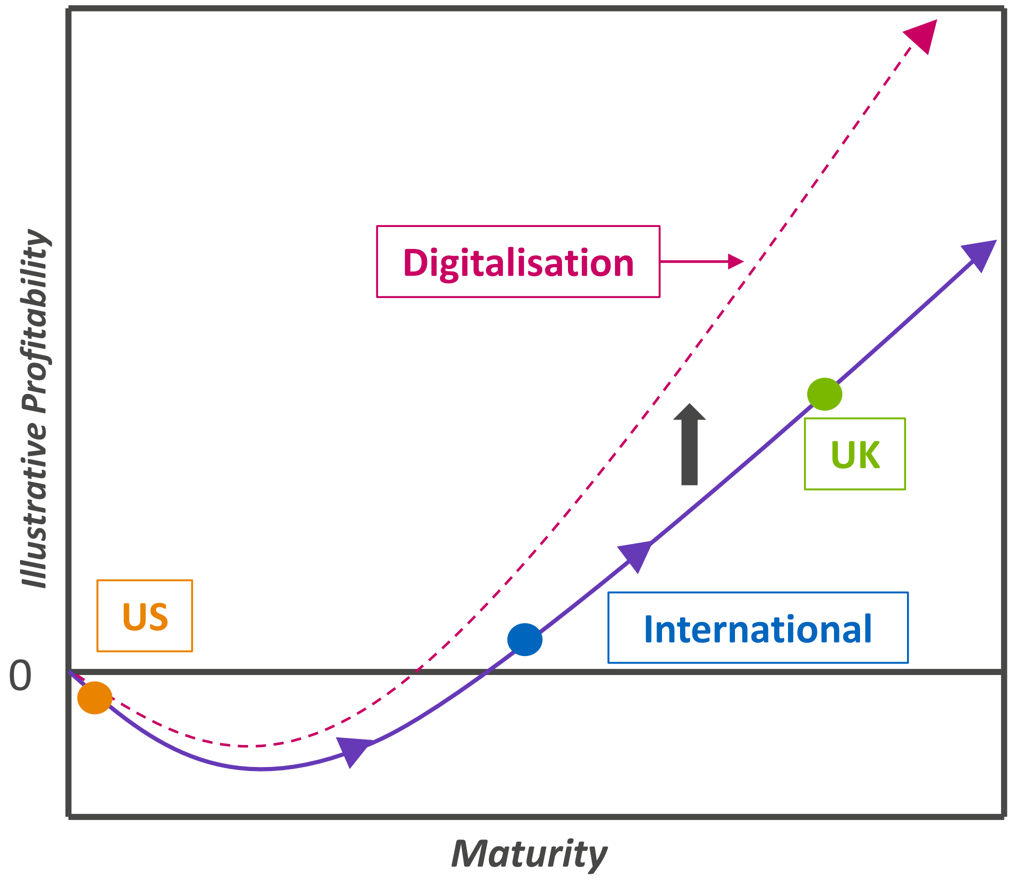
- ✓ Exclusive, long-term contracts
- ✓ Trusted brand and customer custodian
- ✓ Symbiotic: significant partner value created
- ✓ Positive network effects strengthen proposition
- ✓ Hard to replicate, with high exit costs

Symbiotic Ecosystem



Multiple opportunities to drive strong growth and higher profitability

D&G has a portfolio of growth businesses



Each business has a clear growth strategy

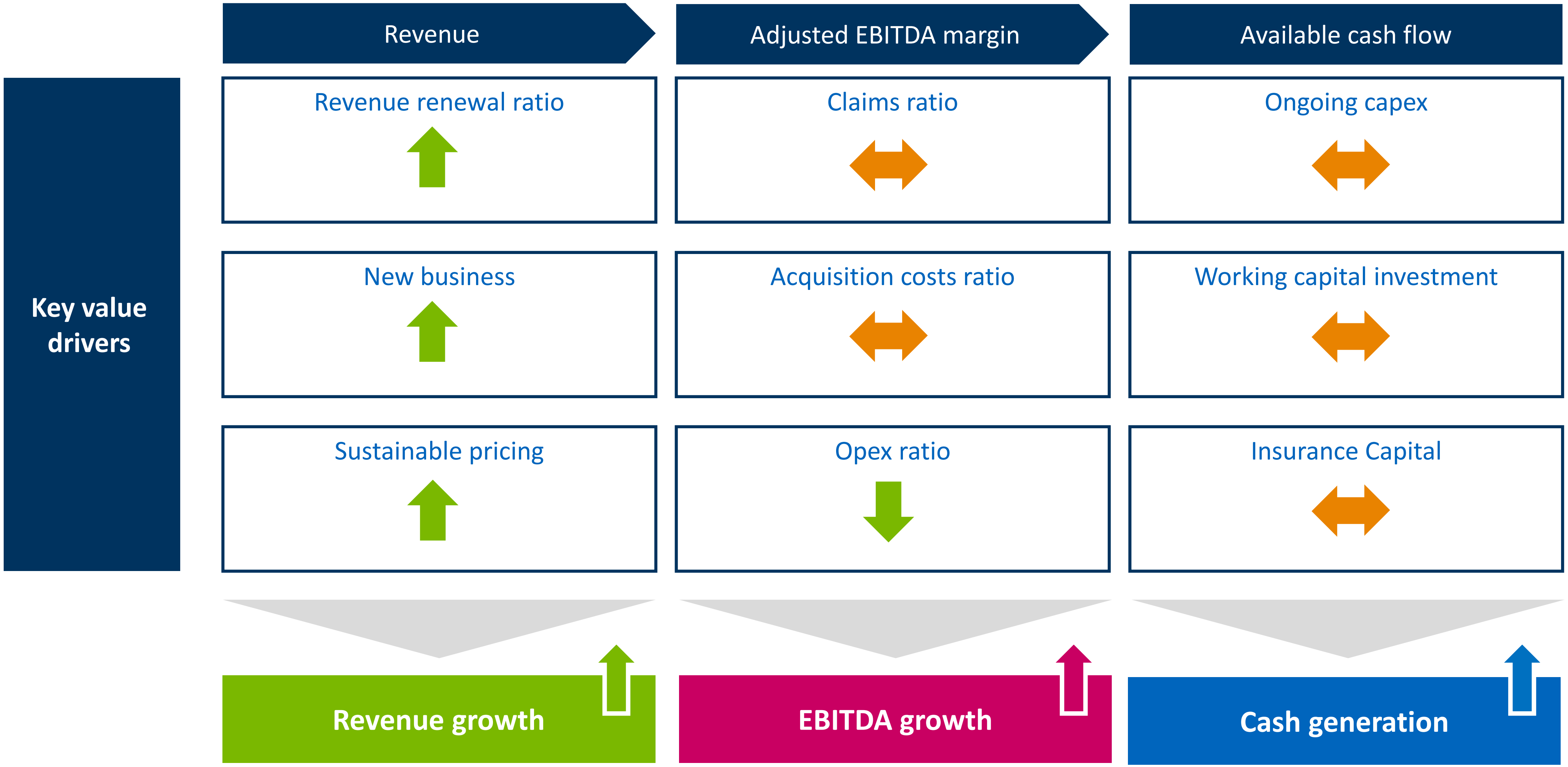
UK
Growth with margin expansion

International
Replication of UK business model

US
Market entry with key OEM client

Digital
Digitalise our business model

Strong and visible value drivers



Q3 FY20 Performance

Key messages

Financial Performance

- Year-on-year growth in underlying revenues and underlying EBITDA
- Strong growth in subscription revenues in both our UK and International businesses

Operational Progress

- Foundations of modernising customer journey through digitalisation now established
- Contract negotiations for US launch progressing well
- Value Creation Planning for new investment cycle identifying opportunities to accelerate growth

Capital Structure

- Refinancing and new investment from ADIA and CVC Fund VII completed
- Ancillary Own Funds[1] application approved by the PRA in February

[1] Ancillary Own Funds (AOF) is a form of Tier 2 capital for insurers under Solvency II. AOF can count as Tier 2 capital towards an insurer's Solvency Capital Requirement or any additional capital buffer, although it is not eligible to count towards an insurer's Minimum Capital Requirement. The key distinction between AOF and other Tier 1 or Tier 2 Basic Own Funds (BOF) items is that AOF, although committed, is not paid-up or called-up when issued. Instead, it absorbs losses when it is paid-up or called-up at a future point in time by creating Tier 1 BOF. The common feature of all of these types of AOF instruments is that they must: (i) create Tier 1 BOF capital when paid-up or called-up, and (ii) be callable 'on demand'. Our AOF is backed by letters of credit callable on demand.

Revenues

	9m to 31st December	FY 20	FY 19	Change	
Subscription Revenue	UK	467.0	429.7	*8.7%*	
	International	50.1	47.4	*5.8%*	
	Group Subscription Revenue	**517.1**	**477.1**	***8.4%***	1
Non-Subscription Revenue	UK	44.2	65.7	*-32.8%*	
	International	59.7	64.1	*-7.0%*	
	Group Non-Subscription Revenue	**103.9**	**129.8**	***-20.0%***	2
Underlying Revenue	UK	511.2	495.4	*3.2%*	
	International	109.8	111.5	*-1.5%*	4
	Underlying Revenue	**621.0**	**606.9**	***2.3%***	3

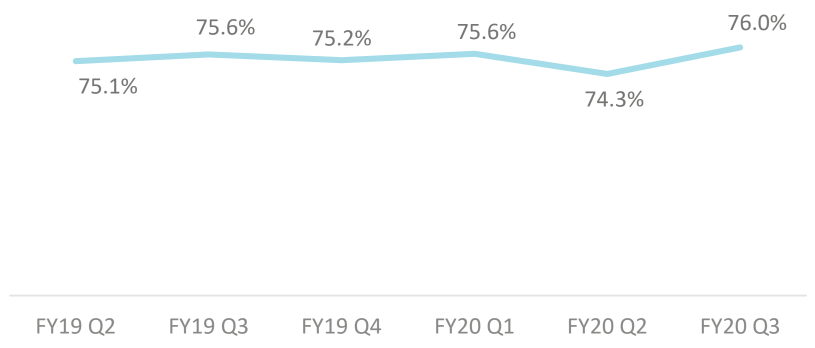
1. Strong growth in subscription revenue +8%
2. Non-subscription revenue decrease in-line with strategic focus on subscription business
3. Stable, high renewal rates from subscription base driving growth in underlying revenue +2%
4. International underlying revenue impacted by run-off of business in Germany and Spain; +8% on a continuing basis

[1] Underlying revenue represents revenue after the reversal of fair value adjustments associated with acquisition accounting

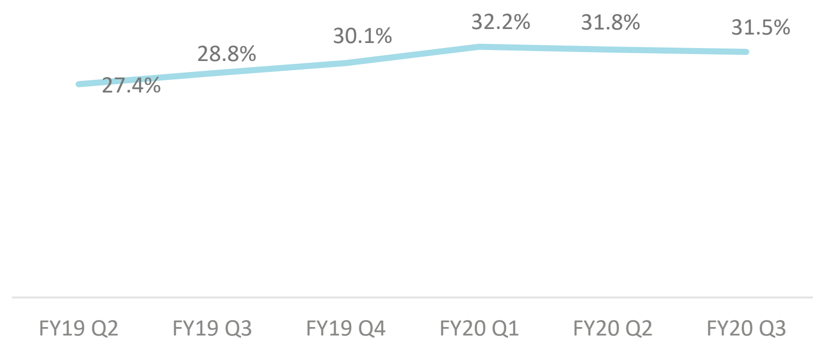
[2] Includes holding company costs

Strong and consistent financial performance

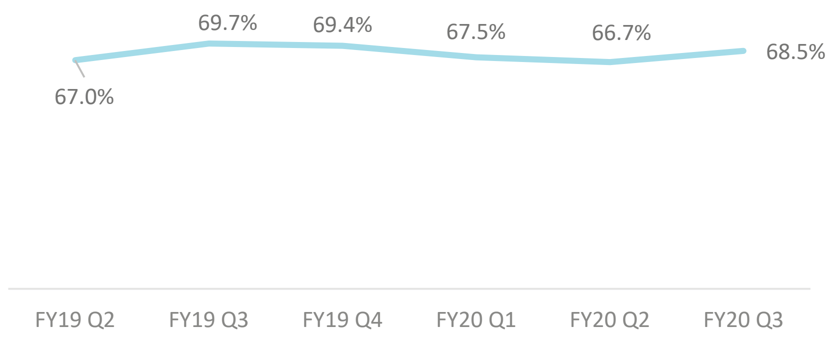
UK Share of Revenue from Renewals



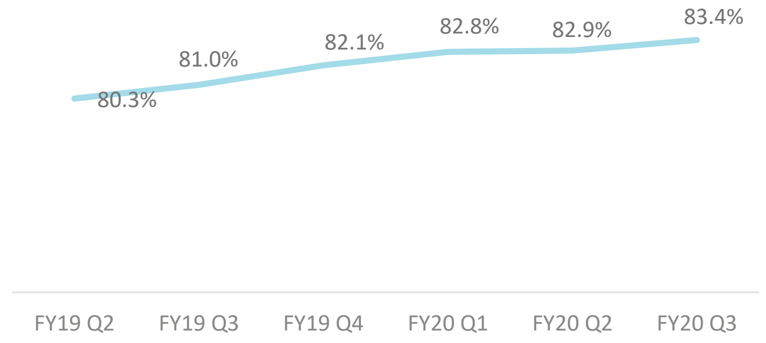
International Share of Revenue from Renewals



Underwriting Costs / Underlying Revenue



LTM[1] Group Subscription Revenue as % of Total Underlying Revenues



[1] LTM: Last twelve months

Underlying EBITDA

9m to 31st December	FY 20	FY 19	*Change*
UK[1]	77.8	74.9	*3.8%*
International	8.3	8.8	*-6.2%*
Group Underlying EBITDA	**86.1**	**83.8**	***2.8%***
Memo: Significant items	**(3.1)**	**(11.3)**	***-72.6%***

- Group underlying EBITDA +3%, driven by embedded revenue growth from high subscription renewal rates in our UK business, stable cost ratios, and predictable claims and acquisition costs
- International underlying EBITDA -6%, driven by a reduction in investment income due to the liquidation of investments in Q1 FY20 as part of the refinancing
- US initial launch costs reclassified to significant items during the quarter (no longer included in underlying EBITDA), to better reflect underlying trading (YTD costs £1.9m)

[1] Includes holding company costs

Summary Cash Flow

9m to 31st December	FY 20	FY 19	*Change*
Underlying EBITDA	**86.1**	**83.8**	***2.8%***
Less: Regulated Business Adjusted EBITDA	(32.6)	(32.6)	***-0.1%***
Non-Regulated Business Adjusted EBITDA	**53.5**	**51.2**	
Capital expenditure	(13.7)	(13.3)	***3.2%***
Change in working capital	(29.5)	(27.9)	***5.9%***
Non-Regulated Business Free Cash Flow	**10.3**	**10.0**	
Change in distributable reserves in Regulated Business	34.9	25.9	***34.7%***
Group Free Cash Flow	**45.2**	**35.9**	***25.8%***
Conversion	*52.4%*	*42.8%*	
Tax paid	(11.7)	(2.6)	
Post-Tax Free Cash Flow	**33.5**	**33.3**	***0.5%***

Underlying EBITDA

- Underlying EBITDA for the UK and International segments, after holding company costs and reflecting adoption of IFRS 16 (comparative restated)

Non-regulated business

- Maintaining capital expenditure at FY19 levels
- Working capital outflows reflect the unwind of the negative working capital position associated with plans transferred to the regulated business and timing difference in non-policyholder working capital balances

Regulated business

- Distributable reserves comprise net income of regulated business before significant items and as adjusted for changes in capital requirements and Solvency II valuation differences

Tax paid

- Tax paid in FY 20 impacted by change in instalment methodology in the UK for 'very large' companies (estimate of tax liability now payable in full within the year; previously, this was paid half in advance and half in arrears). **NB:** tax liability is unchanged, but payment has been bought forward)
- Lower tax paid in FY 19 reflects allowable deduction of one-off product transition costs of £37.3m recognised in FY18 income

Capitalisation

		Q3 FY20				Q2 FY20			
		£m	Multiple of EBITDA	*Maturity*	*Price*	£m	Multiple of EBITDA	*Maturity*	*Price*
	Sr. Secured FRN (€200m)	180.6	1.7x	Jul-26	E + 5.00%	180.6	1.7x	Jul-26	E + 5.00%
	Sr. Secured Notes	305.0	2.8x	Jul-26	6.50%	305.0	2.8x	Jul-26	6.500%
	Total Senior Secured Debt	485.6	4.5x			485.6	4.5x		
	Senior Notes	150.0	1.4x	Jul-27	9.250%	150.0	1.4x	Jul-27	9.250%
1	Total Bonds	635.6	5.9x			635.6	5.9x		
2	Drawn RCF	33.5				0.0			
3	Lease liabilities	7.8				8.7			
	Total Gross Debt	**676.9**	**6.3x**			**644.3**	**6.0x**		
	Unrestricted cash reserves	(25.8)				(23.6)			
4	**Total Net Debt**	**651.0**	**6.1x**			**620.7**	**5.8x**		
2	Undrawn Super Senior RCF	51.5		Apr-26		85.0		Apr-26	

1. Refinancing of external debt during Q2 FY20 has increased bond gross debt from £475.1m to £635.6m
2. During Q3 FY20, £33.5m was drawn under the £85.0m super senior revolving credit facility; the undrawn facility at 31/12/19 was £51.5m. At the end of Q3 FY20, there was an on-demand letter of credit under the Facility in favour of a trust for UK service plan customers in line with British Retail Consortium guidelines for £5.0m
3. Lease liabilities have been included to reflect the adoption of IFRS 16 *Leases;* FY19 gross debt and underlying adjusted LTM EBITDA have been restated accordingly
4. Leverage calculated on basis of underlying adjusted LTM EBITDA of £107.3m (Q2 FY20 £107.8m – restated to reflect the reclassification of initial launch costs for the US to significant items), as adjusted for adoption of IFRS 16

Note: Ancillary Own Funds application for the UK regulated business has been approved by the PRA in February 2020

Summary

- Solid financial performance with growth in revenue and underlying EBITDA
- Strategy being delivered:
    - Digital foundations now established
    - International subscription growth
    - Progress on US launch
- Capital structure in place for new investment cycle, opportunities to accelerate growth

Appendix

Available Cash and Net Debt

£m	Q3 FY20 31 Dec 2019	Q2 FY20 30 Sep 2019
1 **Group free cash flow**	**10.5**	26.1
Redemption of loan notes	**-**	(475.1)
2 Proceeds from debt issuances and facilities	**31.6**	617.6
Repayment of lease liability	**(0.7)**	(0.7)
3 Distribution of funds	**(25.0)**	(216.3)
4 Debt interest	**(3.0)**	(9.6)
5 Corporation tax and other	**(8.4)**	(5.5)
Unrestricted cash flow before exceptional items	**5.1**	(63.5)
6 Significant items	**(2.9)**	(4.9)
Unrestricted cash flow	**2.2**	(68.4)
Unrestricted cash B/F	**23.6**	91.9
Unrestricted cash C/F[1]	**25.8**	23.6
Gross debt[2]	**676.9**	644.3
Net debt[1]	**651.0**	620.7
Leverage (net debt / underlying adjusted LTM EBITDA)	**6.1x**	5.8x
7 Underlying adjusted LTM EBITDA[3]	**107.3**	107.8

1. Decrease in Group free cash flow quarter on quarter driven by one-off Solvency II adjustments in Q2. Free cash flow conversion in Q3 impacted by seasonality and working capital outflows
2. Q3 cash flow driven by drawdown of £33.5m under the RCF, net of payment of transaction costs relating to the July 2019 refinancing £(1.9)m
3. Distribution of funds in Q3 relates to a pre-completion dividend of excess cash associated with closing the transaction with CVC / ADIA
4. Debt interest relates to interest payments on external bonds
5. Corporation tax and other includes payments of corporation tax and timing differences on intercompany loans between the regulated and unregulated businesses
6. Significant items relate to initial launch costs for the US, payments to partners for Customer First product enhancements, and costs in connection with Brexit preparations
7. Underlying adjusted LTM EBITDA fall quarter on quarter attributable to a fall in investment income following the liquidation of investments in Q1 FY20 as part of the refinancing

[1] Based upon latest estimate of Capital Resources and Solvency Capital Requirement (SCR)
[2] Lease liabilities have been included in gross debt to reflect the adoption of IFRS 16 *Leases;* FY19 gross debt and EBITDA have been restated accordingly
[3] Q2 FY20 underlying adjusted LTM EBITDA restated to reflect the reclassification of initial launch costs for the US to significant items. Net leverage, net leverage ratio and Underlying Adjusted EBITDA measures presented in this presentation are not the same as Consolidated Net Leverage, Consolidated Net Leverage Ratio or Consolidated EBITDA as defined in our revolving credit facility agreement and bond indentures and should not be used for the purposes of the covenants thereunder.

LTM Underlying Adjusted EBITDA Calculation

Underlying[1] / Underlying Adjusted[2] EBITDA by Quarter

£m	Q3 FY20 LTM			Q2 FY20 LTM[4]		
	Underlying EBITDA[4]	Add: HoldCo Costs[3]	U/L Adjusted EBITDA[4]	Underlying EBITDA[4]	Add: HoldCo Costs[3]	U/L Adjusted EBITDA[4]
FY19 Q3				25.6	0.0	25.6
FY19 Q4	21.0	0.3	21.3	21.0	0.3	21.3
FY20 Q1[4]	30.9	(0.3)	30.6	30.9	(0.3)	30.6
FY20 Q2[4]	30.3	0.1	30.4	30.3	0.1	30.4
FY20 Q3	24.9	0.1	25.0			
LTM U/L Adjusted EBITDA			**107.3**			**107.8**

Note: All amounts above reflect the adoption of IFRS 16 *Leases*

[1] Underlying EBITDA refers to EBITDA, adjusted to include investment income and exclude significant items

[2] Underlying adjusted EBITDA is underlying EBITDA, as further adjusted to exclude holding company costs

[3] HoldCo costs relate mainly to CVC monitoring fee. CVC monitoring fee agreement was retrospectively terminated effective from 1 January 2019 (the accrual for Q4 FY19 that is no longer required was released in Q1 FY 20)

[4] Q1 and Q2 FY20 underlying EBITDA and underlying adjusted EBITDA have been restated to reflect the reclassification of initial launch costs for the US to significant items

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