Bondholder update – Covid 19

17 April 2020

Domestic & General

Summary

D&G is a resilient business with a strong cash position

- D&G protects the domestic appliances customers depend upon
- Large diversified base of subscription customers with high renewal rates
- Customers use and value our service and historically resilient through cycle
- Responded effectively to Covid 19 crisis and continue to serve customers
- Renewals are resilient and underpinning total sales, new business sales somewhat impacted
- Pragmatic mitigating actions taken to manage costs and protect cash
- Strong cash position and headroom even in stressed scenarios

Operational

The business is stable and serving customers effectively

- Successfully transitioned all of our employees to homeworking
- Leveraged technology and digital investments
- Inbound call handling service levels are strong
- Repair and replacement services are operational across all product lines and territories
- Demand for repairs is reduced, customer reprioritising non-essential repairs
- Overall our key customer service metrics are stable

Renewals resilient and underpinning total sales

- Subscription sales represent c.85% of Group sales
- Subscription Renewals comprise c.80% of Group subscription sales and are resilient
- UK new business subscription sales have been impacted
- Closure of bricks and mortar retailers and lower call volumes offset by strong traffic across our digital driven lines and clients
- International new business subscription sales more impacted due to greater reliance on bricks and mortar
- The weight and resilience of renewals underpins total subscription sales

Pragmatic actions have been taken to protect customer service and cash

- Recruitment freeze and delayed capital expenditure projects
- Zero pay increases and deferred bonus payments approved
- Reviewed variable costs and reduced these where necessary e.g. acquisition related costs
- Furloughed employees and delayed tax payments such as VAT
- High proportion of our cost base is variable in nature
- Identified and prioritised further opportunities should the crisis have a more material impact on our business

Strong cash position and significant headroom to meet challenges

- Fully drawn our revolving credit facility to maintain flexibility
- Free cash available in the Group gives <6.0x net leverage
- Making progress with Brexit related capital impacts
- Mitigating actions protecting cash
- Modelled numerous stress scenarios based on worsened trading performance allied to an extended period of lockdown
- Confident we have sufficient headroom even in extreme scenarios

Summary

D&G is a resilient business and has adapted well to the challenges presented

- A huge effort has gone into our operational response and we are delivering strong service across our contact centres and repair and replacement estate
- Our trading performance is underpinned due to the strength of our subscription business model and coverage of the appliance market across all channels
- Robust mitigating actions have been taken and we are working on future options should they be needed
- We have a strong cash position with significant headroom and free cash available
- We have recently signed a major strategic contract in the US which will provide the platform for further growth