Q2 FY21 Results

James Davies, Chief Financial Officer

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COVID Trading Update

Resilience to COVID

Revenues continue to be resilient due to the nature of the business model

Group		Q1 [1]	Q2	H1
		YoY Growth		
	No of subscription plans new business (000's)	-3%	22%	**10%**
	No of subscription plans renewals (000's)	16%	12%	**14%**
	Total Subscription Plans (000's)	**10%**	**14%**	**13%**

- When assessing performance within a period, the best indicators are subscription new business and renewal plans sold in the period
- Volumes sold will translate to revenue in future accounting periods as revenues are earned
- In Q1, we did lose out on some new business compared to the prior year although our mix of partners e.g. AO versus John Lewis, minimised our exposure
- Q2 has performed well across the board; our digital status also contributed significantly during the period and we continue to see increased demand for our self-service features such as online repair booking

(1) The basis for calculating our annualised monthly plans changed after June 2020, which impacted our Q1 reported numbers. Whilst this affected absolute plans reported in Q1 the growth rates reported of -4% and 13% changed only marginally to -3% and 16% respectively.

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Q2 FY21 Performance

Q2 FY21

Key Messages

Financial Performance

- Accelerating year-on-year growth in revenues and adjusted EBITDA
- Growth in subscription revenues in both our UK and International businesses

Operational Progress

- DGX transformation program is well on track
- Contact centre efficiency KPIs remain strong despite extended remote working
- US launch is on track

Cashflow and Capital

- Overall cash position and liquidity remains strong despite continuing to invest in growing the business

Brexit

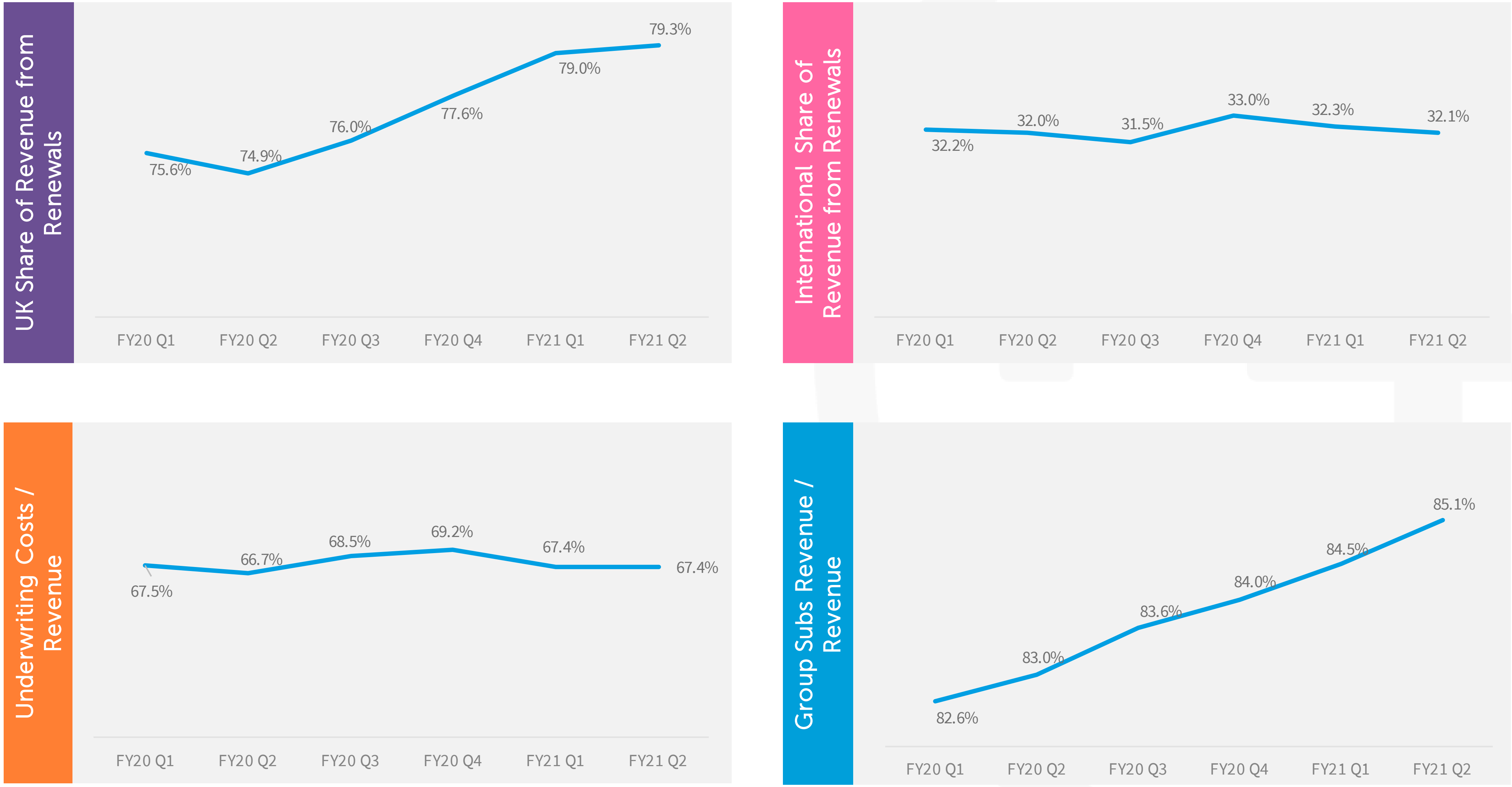
- Brexit planning is significantly advanced and on track for 31 December 2020

Revenue

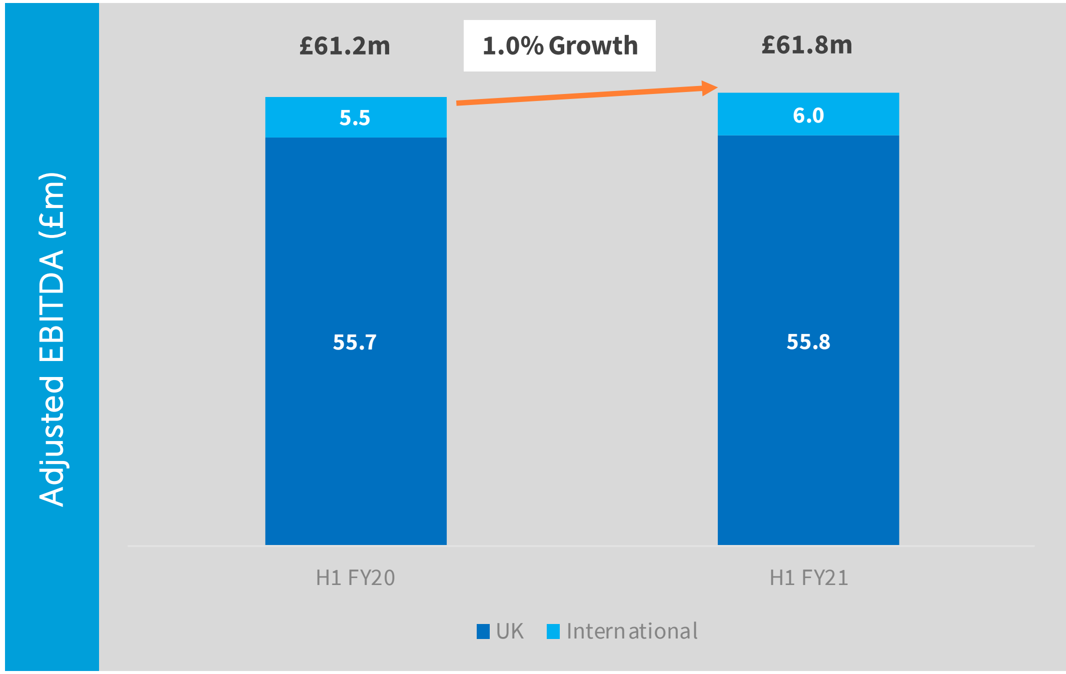
	6m to 30th September	FY 21	FY 20	Change	
Subscription Revenue	UK	322.0	307.9	*4.6%*	
	International	41.8	33.9	*23.1%*	
	Group Subscription Revenue	363.8	341.8	*6.4%*	1
Non-Subscription Revenue	UK	25.6	31.2	*-17.8%*	
	International	37.7	38.8	*-2.9%*	
	Group Non-Subscription Revenue	63.3	70.0	*-9.6%*	2
Revenue	UK	347.6	339.2	*2.5%*	
	International	79.5	72.8	*9.2%*	3
	Total Group Revenue	427.1	411.9	*3.7%*	4

1. Continued growth in subscription revenue +6.4%
2. Non-subscription revenue decreases in-line with strategic focus on subscription business
3. International revenue increased due to renewals as the International business continues to adopt the well-established UK subscription model
4. Stable, high renewal rates from subscription base driving growth in revenue +3.7%

Consistent financial performance



Adjusted EBITDA



Note: UK segment includes holding company costs

- Group adjusted EBITDA up 1% driven by International and UK growth in new business, renewals, stable cost ratios, and predictable overall margins
- H2 includes negative investment income following significant de-risking of the investment portfolio due to the economic climate. Excluding investment income, group adjusted EBITDA increased by 2.6%
- UK EBITDA grew despite new business strain, increased investments in digitalisation and contact centre programmes
- International EBITDA growth due to increased renewals and strong margins

Summary Cash Flow

6m to 30th September	FY 21	FY 20*	*Change*
Adjusted EBITDA	61.8	61.2	*1.0%*
Less: Regulated Business adjusted EBITDA	(21.1)	(21.7)	*-2.4%*
Unregulated Business adjusted EBITDA	40.7	39.5	
Capital expenditure	(11.3)	(8.4)	*34.5%*
Change in working capital	13.7	(23.5)	
Unregulated Business Free Cash Flow	43.1	7.7	
Increase in distributable reserves in Regulated Business	3.9	26.9	
Group Free Cash Flow	47.0	34.5	*36.3%*
Conversion	*76.1%*	*56.4%*	
Tax received/(paid)	1.6	(8.6)	
Post-Tax Free Cash Flow	48.6	25.9	*88.0%*

* FY20 has been restated to reflect the reclassification of initial launch costs for the US to significant items

Adjusted EBITDA

- Increase driven by embedded revenue growth, stable cost ratios and predictable margins

Unregulated Business

- Increased capital investment in our digital capability
- The large working capital movement is due to
  - (1) cash outflow in FY20 as a result of the wind down of the back book due to Customer First
  - (2) cash inflow in FY21 due to actions to preserve short-term liquidity including time-to-pay arrangements with HMRC under COVID-19 support measures (expected to unwind in next 6 months)

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
- Lower increase in reserves as a result of a reduction in Solvency II Own Funds

Tax

- FY 21 includes refund of overpaid tax in respect of FY 19

Capitalisation

		Q2 FY21			Q1 FY21		
	£m	Multiple of EBITDA	*Price*	£m	Multiple of EBITDA	*Maturity*	*Price*
1 Drawn Super Senior RCF	0.0	-	3m LIBOR + 3.00%	77.2	0.7x	Apr-26	3m LIBOR + 3.00%
2 Senior Secured FRN (€200m)	180.6	1.7x	Euribor + 5.00%	180.6	1.7x	Jul-26	Euribor + 5.00%
3 Senior Secured Notes	405.0	3.8x	6.50%	305.0	2.8x	Jul-26	6.50%
Total Super and Senior Secured Debt	585.6	5.4x		562.7	5.2x		
Senior Notes	150.0	1.4x	9.25%	150.0	1.4x	Jul-27	9.25%
Total Bonds	735.6	6.8x		712.7	6.6x		
Lease liabilities	8.5			9.9			
Total Gross Debt	**744.1**	**6.9x**		**722.6**	**6.7x**		
Unrestricted cash reserves	(129.2)			(121.4)			
4 **Total Net Debt**	**614.9**	**5.7x**		**601.2**	**5.6x**		
3 Undrawn Super Senior RCF	100.0			0.0		Apr-26	

1. Fully drawn RCF of £85.0m (excluding £3.0m available for same day drawdown and on-demand letter of credit under the Facility in favour of the PoS Trust for £5.0m) was repaid in Q2 with proceeds from £100m private placement made (see note 3 below)
2. EUR balance translated at transaction spot rate as currency exposure is fully hedged
3. On 31 July 2020, Galaxy Bidco Limited (a subsidiary in the Group) closed a fungible private placement add-on of £100m of 6 1/2 % Senior Secured Notes due 2026 and upsized the Revolving Credit facility by £15m. Proceeds from the private placement were used to pay down the drawn RCF balance on 6 August 2020 and to increase cash reserves.
4. Leverage calculated on basis of underlying adjusted LTM EBITDA of £107.9m (Q1 FY21 £107.9m)

Operational

The business is stable, and we continue to serve our customers effectively

- Remote working continues to be effective
  - efficiency KPIs remain strong and robust
- We are seeing high volumes within our contact centre and conversion levels are on an upward trajectory
- The repair network is extremely busy following lumpy demand around lockdowns although OEM partners are responding well to the new normal
- Key customer service metrics continue to be stable
- New business remains on track despite the closure of many retail outlets in Q1 in particular
  - our diverse base of partners smooths out any specific variances
- Our tech roadmap has developed well following the appointment of a new CIO
  - velocity and volume of output are increasing nicely

Appendix

Available Cash and Net Debt

£m	Q2 FY21 30 Sep 2020	Q1 FY21 30 Jun 2020
1 **Group Free Cash flow**	**9.4**	37.6
2 Debt Raise, Repayment (incl leases) & RCF Drawdown	**21.3**	(1.3)
3 Debt Interest	**(21.3)**	(3.8)
4 Corp Tax and Other	**0.6**	(7.1)
Free Cash flow before exceptional items	**10.1**	25.5
5 Non-trading items	**(2.3)**	(3.1)
Unrestricted cash flow	**7.8**	22.3
Unrestricted Cash b/f	**121.4**	99.1
Unrestricted Cash c/f (Note 1)	**129.2**	121.4
Gross Debt	**744.1**	722.6
Net Debt (Note 1)	**614.9**	601.2
6 Leverage (Net Debt / LTM EBITDA)	**5.7x**	5.6x
LTM EBITDA	**107.9**	107.9

1 In Q1 FY21, increased cash flows due to cost savings (furlough scheme, recruitment freeze, travel savings) and working capital inflow in the unregulated business driven by actions to preserve short-term liquidity including time-to-pay arrangements with HMRC under COVID-19 support measures. Benefit expected to unwind in next 6 months

- 2 Proceeds of £100m fungible private placement after RCF drawdown of c.£77m was paid off
- 3 Debt interest relates to interest payments on external bonds
- 4 Corporation tax and other includes payments / receipts of corporation tax and timing differences on intercompany loans between the regulated and unregulated businesses
- 5 Non-trading items relate to costs in connection with Brexit preparations, and payments made under the Customer First Programme
- 6 Underlying adjusted LTM EBITDA was robust due to disciplined approach to underwriting and cost control

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

LTM Underlying Adjusted EBITDA Calculation

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

£m	Q2 FY21 LTM			Q1 FY21 LTM		
	Adjusted EBITDA	Add: HoldCo Costs	U/L Adjusted EBITDA	Adjusted EBITDA[3]	Add: HoldCo Costs	U/L Adjusted EBITDA[3]
FY20 Q2[3]				30.3	0.1	30.4
FY20 Q3	24.9	0.1	25.0	24.9	0.1	25.0
FY20 Q4	20.9	(0.0)	20.9	20.9	(0.0)	20.9
FY21 Q1	31.5	0.1	31.6	31.5	0.1	31.6
FY21 Q2	30.3	0.1	30.4			
LTM U/L Adjusted EBITDA			**107.9**			**107.9**

Note:
[1] Adjusted EBITDA refers to EBITDA, adjusted to include investment income and exclude non-trading items
[2] Underlying adjusted EBITDA is adjusted EBITDA, as further adjusted to exclude holding company costs
[3] Q2 FY20 underlying EBITDA and underlying adjusted EBITDA have been restated to reflect the reclassification of initial launch costs for the US to non-trading items

IFRS and Unrestricted Cash Reconciliation

	FY21 Q2	FY21 Q1	Movement
Money market funds	69.3	79.1	(9.8)
Deposits with credit instiutions	0.1	0.5	(0.4)
Cash and cash equivalents	75.7	47.4	28.3
IFRS Cash and other investments	**145.1**	**127.0**	**18.1**
Regulated Business Solvency II Capital Adj	(15.9)	(5.6)	(10.4)
Unrestricted cash	**129.2**	**121.4**	**7.7**

The regulated business solvency II capital adjustment represents the amount of cash (in addition to non-cash net assets) needed to cover the SCR x 1.3

Q + A

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