



Q1 FY22 Results

David Tyler, Executive Chairman &

Joe Fitzgerald, Acting Group Chief Financial Officer

26 August 2021



Executive Chairman Introduction

Q1 FY22 Headlines

- + Matthew Crummack appointed as CEO
- + US launch preparations remain on track
- + Good Q1 Performance

Key numbers for Q1 FY22

- + 8% Revenue Growth to £225m (Q1 FY21: £208m)
- + 10% Subscription Revenue Growth to £195m (Q1 FY21: £177m)
- + Group Adjusted EBITDA excluding US costs of £31m (Q1 FY21: £31m)
- + Net Debt £677m (Q4 FY21: £681m)




About D&G



D&G protects domestic appliances


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


 **9.0m**
Subscription
Plans


 **5.8m**
Subscription
Customers


 **11**
Countries


 **2.4m**
Repairs p.a.

 **0.5m**
Replacements p.a.

 **87%**
Subscription
retention rate

 **84%**
1st time fix

 **98%**
2nd time fix

 **4.2m**
Digital
users

1. All data points represent FY 2021 management information

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 goods OEMs

Whirlpool[®]

BAXI

 **INDESIT**

 **BOSCH**

beko

sky

 **LG**

 **SCOTTISHPOWER**

 **Electrolux**

 **Argos**

 **SAMSUNG**

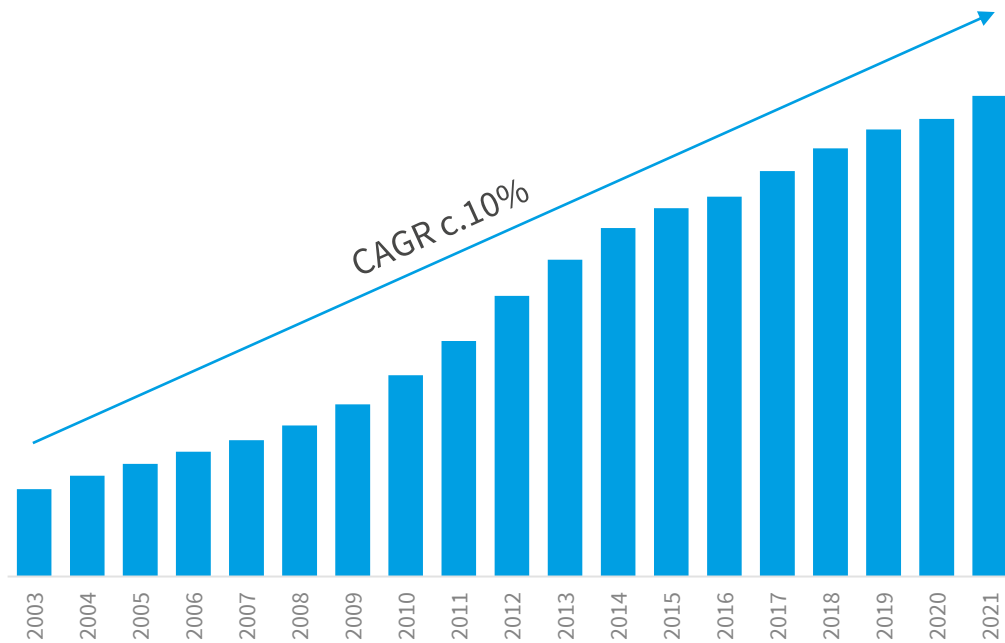
 **ao.com**

 **JOHN
LEWIS
& PARTNERS**

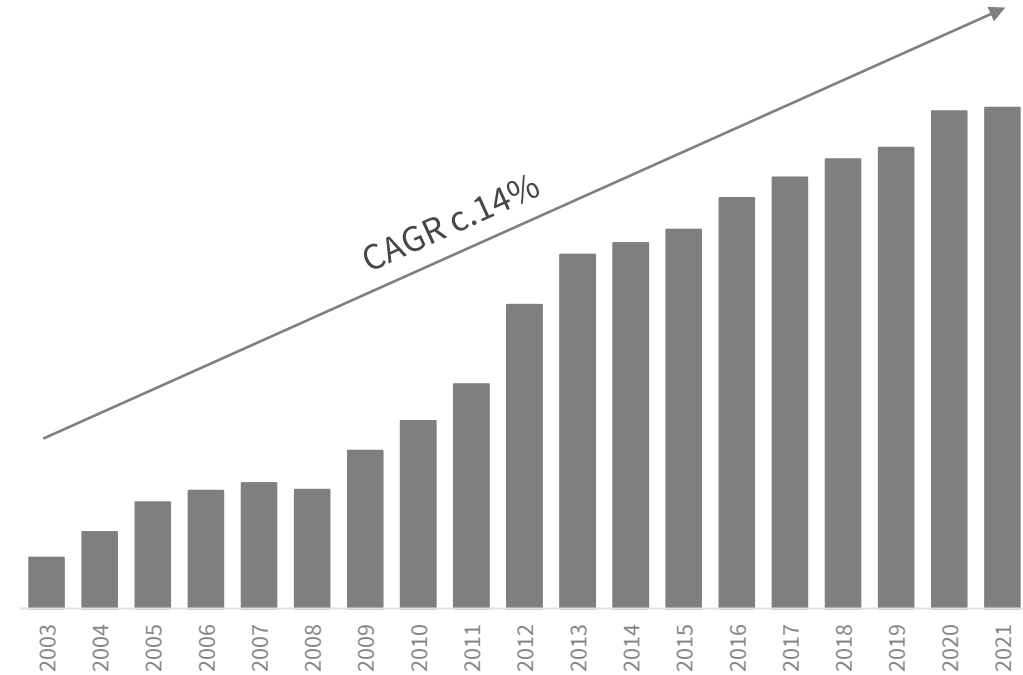
 **EDF**

Solid track record of organic revenue and profit growth

Group underlying revenue



Group adjusted EBITDA¹



1. Represents adjusted EBITDA excluding investment income. 2021 excludes costs of £0.6m relating to the US business. In 2020, US costs of £2.0m were recognised as a significant item and excluded from Group adjusted EBITDA.

Multiple opportunities to drive growth

Strategic agenda and investment priorities already delivering value with significant potential for additional EBITDA and revenue growth

Each business has a clear growth strategy

UK

Growth with margin expansion

International

Replication of UK business model

US

US contract signed with Whirlpool

Digital

Digitalisation programme accelerated



+126%
Digital Sales



1.2m
My Account users



1/3
of Repairs
booked online



+27%
EU subscription
revenue



c.75%
Replacements
arranged online



87%
Subscription retention
rate



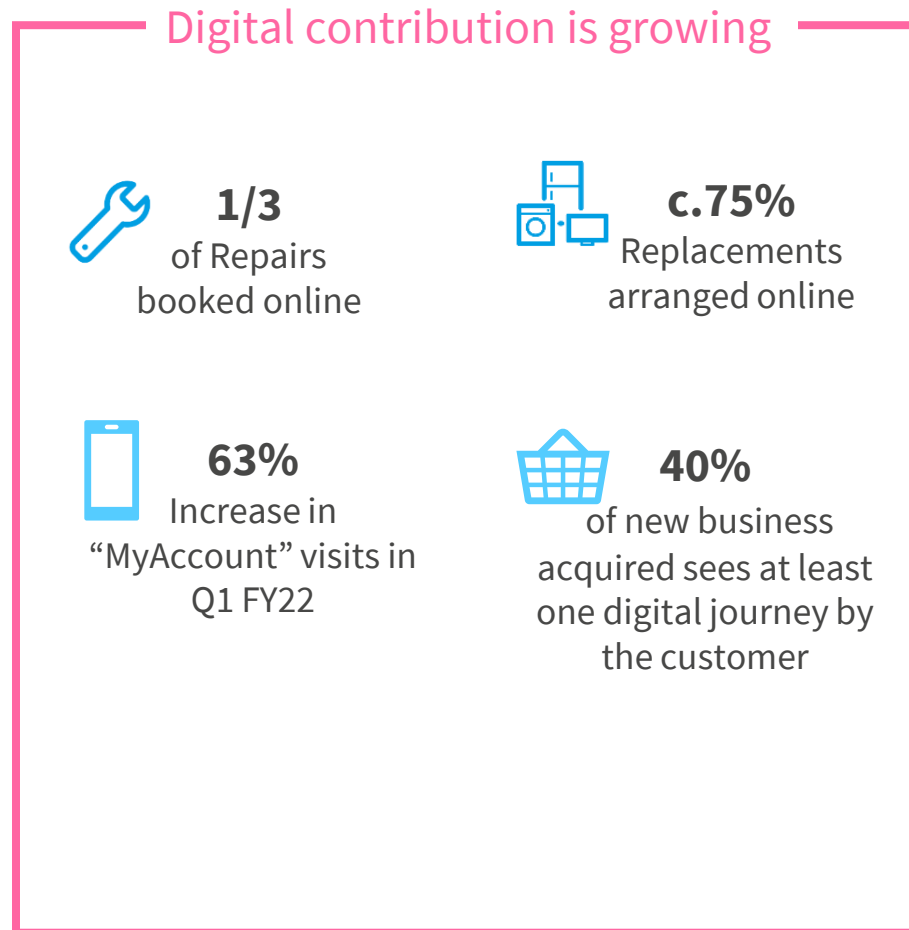
4.2m
Digital users



FY22
US launch

1. All data points represent FY 2021 management information

Progress made on digital transformation



Areas of focus

- We are enhancing our online journeys and our integration with repair partners
- We are developing a menu of digital plug-ins that will appeal to existing and new clients
- Our vision is to create a one stop shop for our customer appliance needs

1. All data points represent Q1 FY22 management information



Q1 FY22

Further growth and resilience

Q1 FY22

D&G continues to demonstrate growth and resilience

Financial performance

- + Strong double digit growth in new business subscription plan sales (+32%)
- + Stable retention rates driving growth in renewals and subscription revenue growth (+10%)
- + Group Adjusted EBITDA flat year-on-year at £31m despite the strong comparator

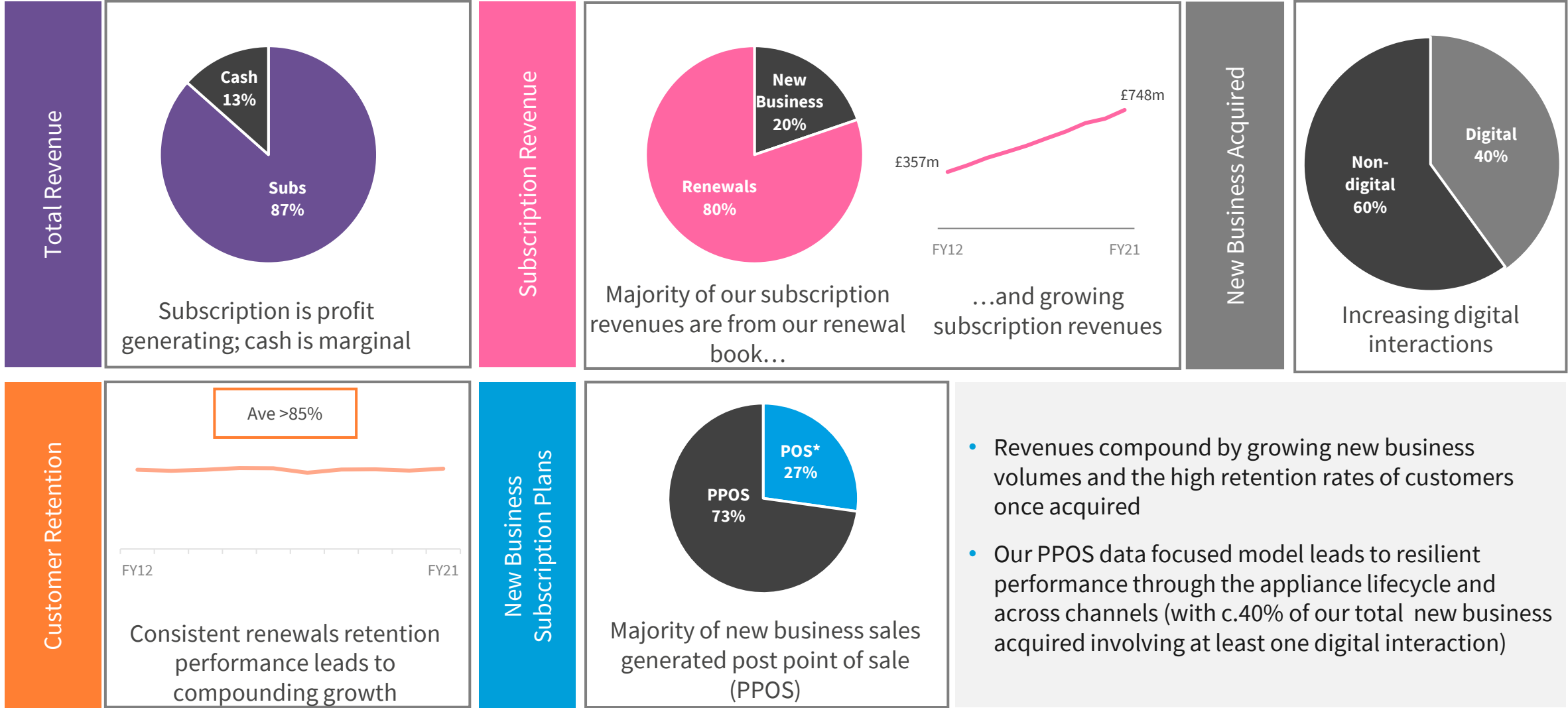
Operational progress

- + Digitisation continues at pace
- + Progressing with contact centre modernisation
- + US launch preparations remain on track – expected launch in early Autumn

Cashflow and capital

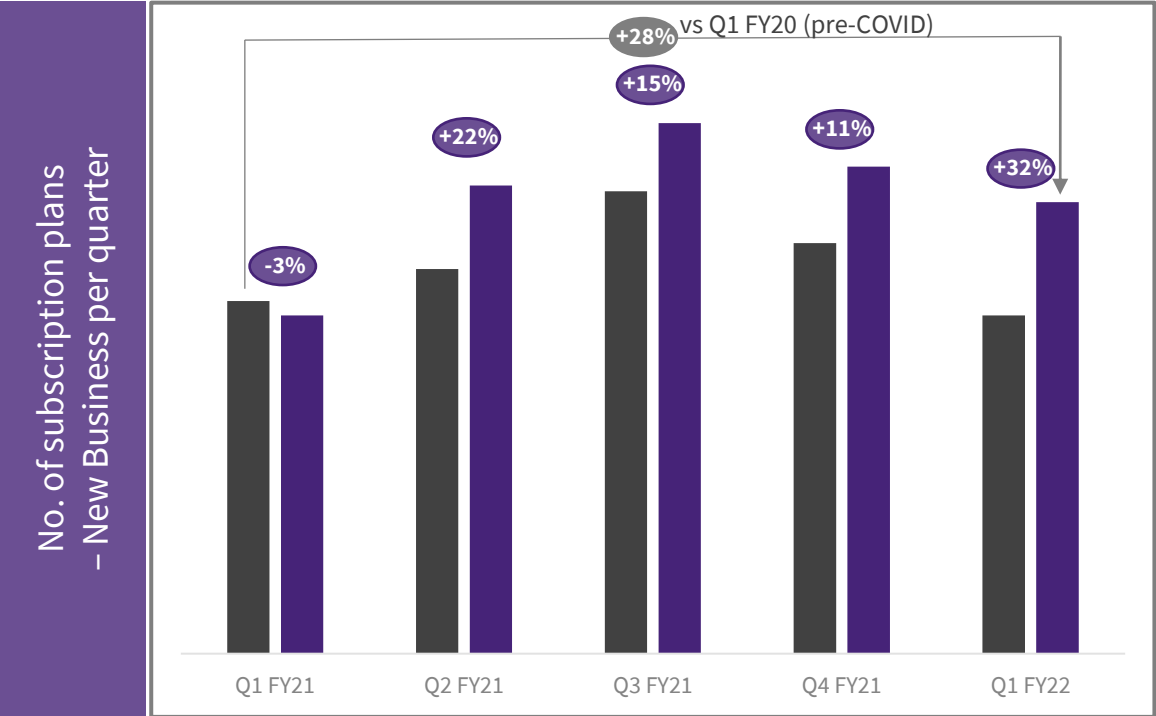
- + Continued cash generation and high levels of liquidity
- + Significant capital surplus in regulated insurance entities

Revenues compound due to the nature of the business model



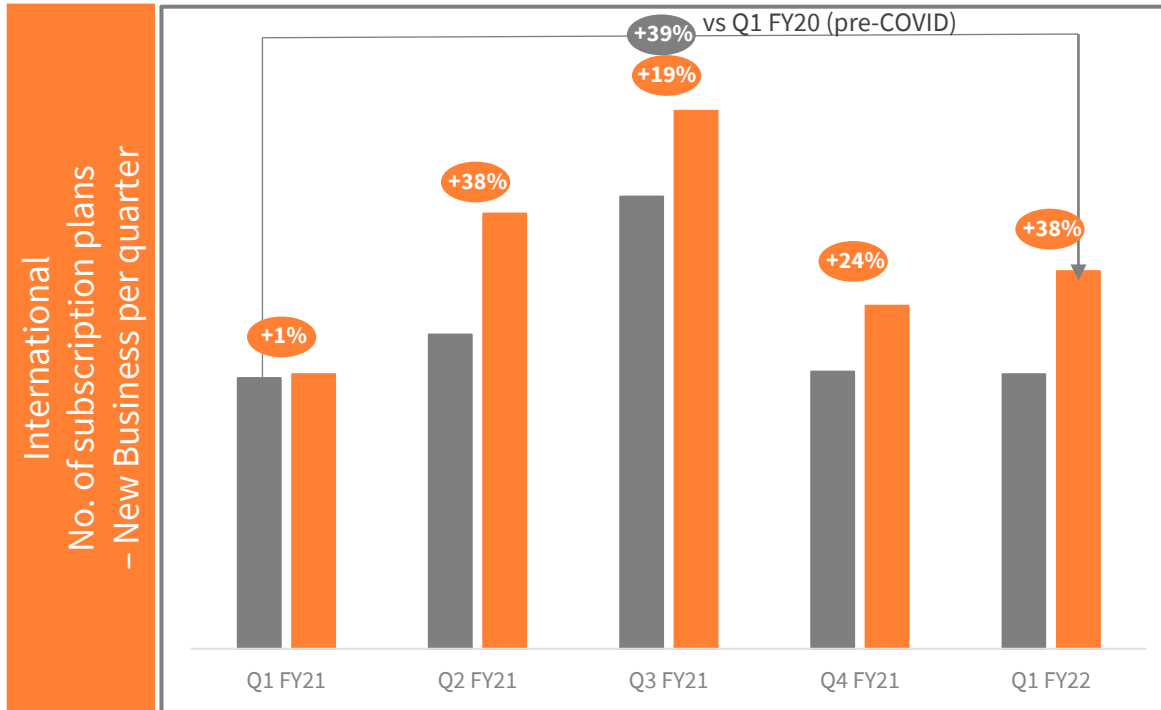
* POS is online and offline

Continued double digit growth in new business volumes



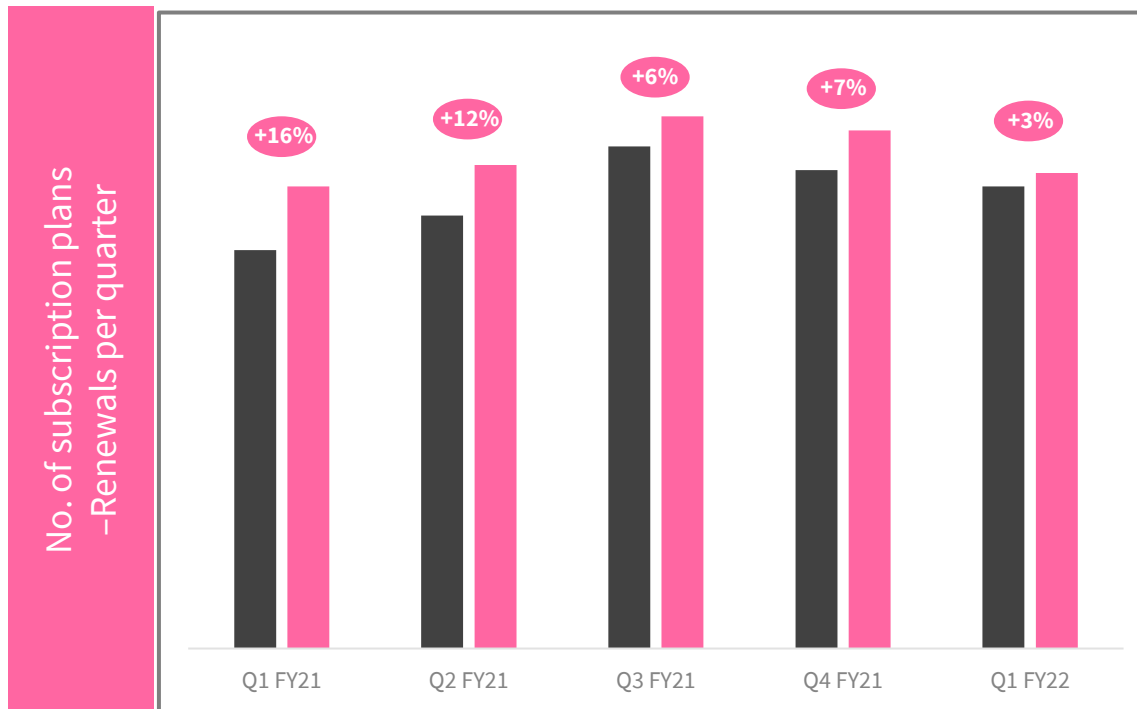
- Q1 FY22 new business up +32% vs Q1 FY21
- New business: growth in sales driven by digitisation and data science initiatives in the UK allied to International growth
- Q1 FY21 impacted by initial Covid-related restrictions, +28% vs Q1 FY20

Strong International subscription growth year on year



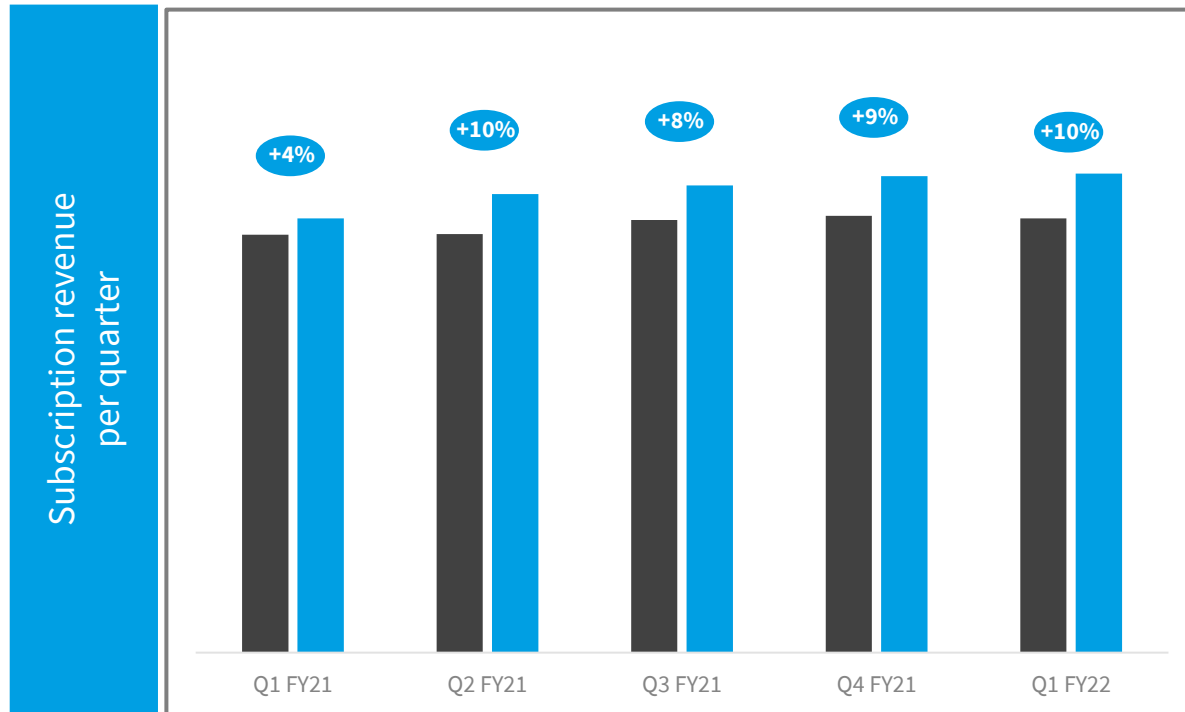
- International new business volumes up 38% vs Q1 and 39% vs Q1 FY20
- This growth is driven by the maturing of our OEM model across our territories allied to increasing levels of subscription penetration with our retail partners

Continued double digit growth in renewal volumes



- Q1 FY22 renewals up +3% vs Q1 FY21, impacted by the strong growth in Q1 FY21 we saw due to elevated retention rates during the start of the pandemic
- We would expect renewal growth course of the full year to grow in the high single digits driven by compounding effect of higher new business volumes
- Q1 FY22 total subscription plans (new business plus renewals) up +10% vs Q1 FY21

Strong subscription revenue growth year on year



- Q1 FY22 subscription revenue up +10% vs Q1 FY21
- Translation to revenue growth lags plan growth over the year as new contracts have lower average fees (younger appliances)
- Revenue is then deferred to be recognised when the services are performed
- We would expect subscription revenue growth in the high single digits

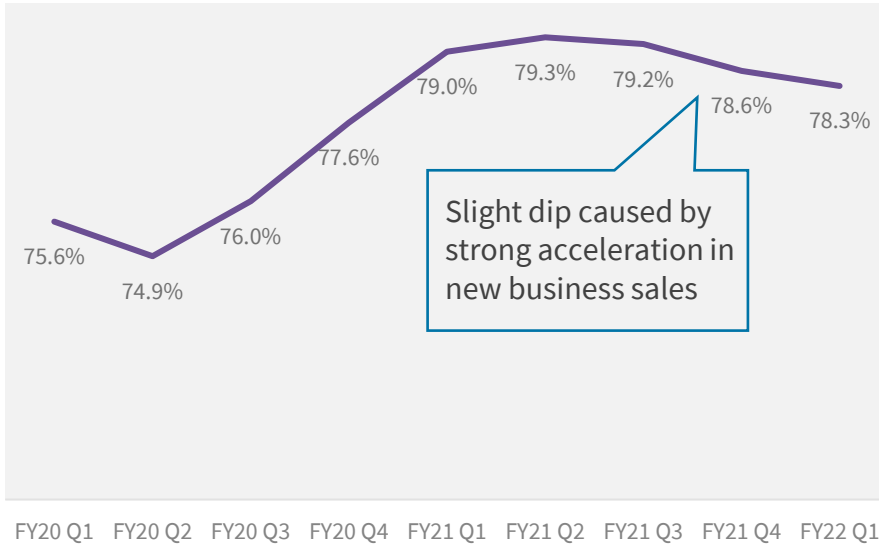
Improving revenue quality – UK & International

	3 months to 30 th June	Q1 FY22	Q1 FY21	Change
Subscription Revenue	UK	172.7	157.1	9.9%
	International	22.4	19.8	13.1%
	Group Subscription Revenue	195.1	176.9	10.3% ¹
Non-Subscription Revenue	UK	12.2	12.7	-3.9%
	International	18.1	18.6	-2.7%
	Group Non-Subscription Revenue	30.3	31.3	-3.2% ²
Revenue	UK	184.9	169.8	8.9%
	International	40.5	38.4	5.5% ³
	Total Group Revenue	225.4	208.2	8.3% ⁴

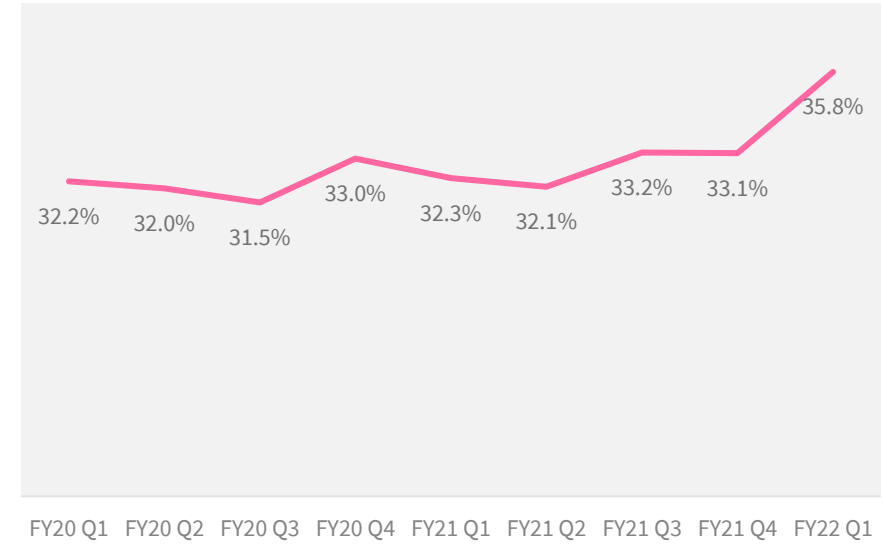
- ¹ Continued growth in subscription revenue, up +10.3% vs Q1 FY21, in line with recent quarterly progression, representing 87% of total revenue (93% in UK, 55% in International)
- ² Non-subscription revenue decreasing in-line with strategic focus on subscription business
- ³ Further success in the adoption of subscription model in Europe along with deepening relationships with key European clients has driven strong revenue growth
- ⁴ Q1 FY22 year on year revenue growth of +8.3%, maintaining momentum from FY21

Consistent financial performance

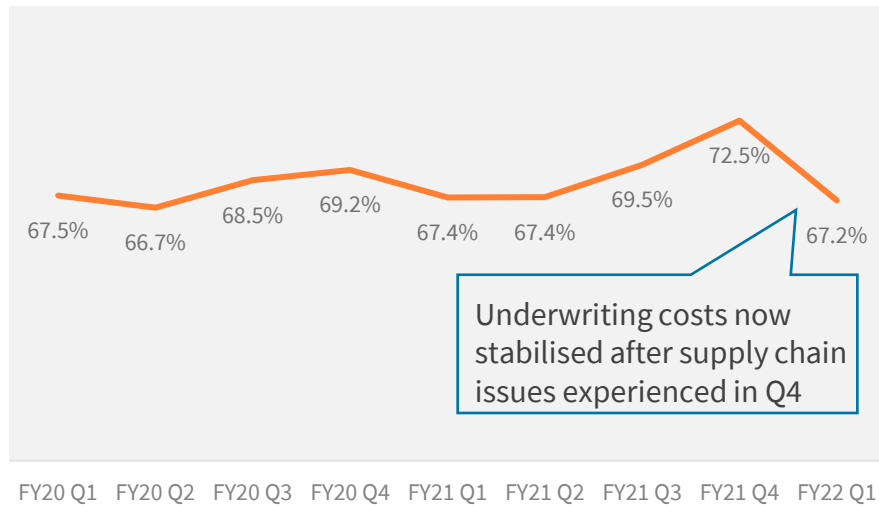
Share of UK Revenue from Renewals



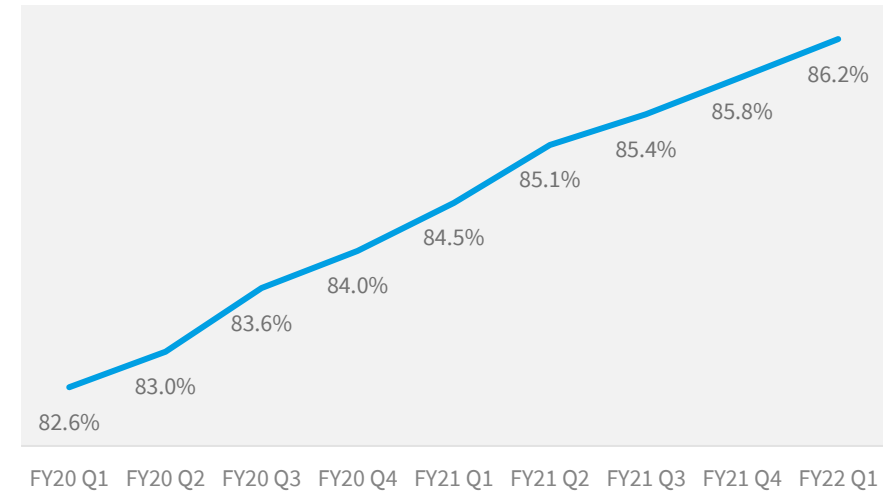
Share of International Revenue from Renewals



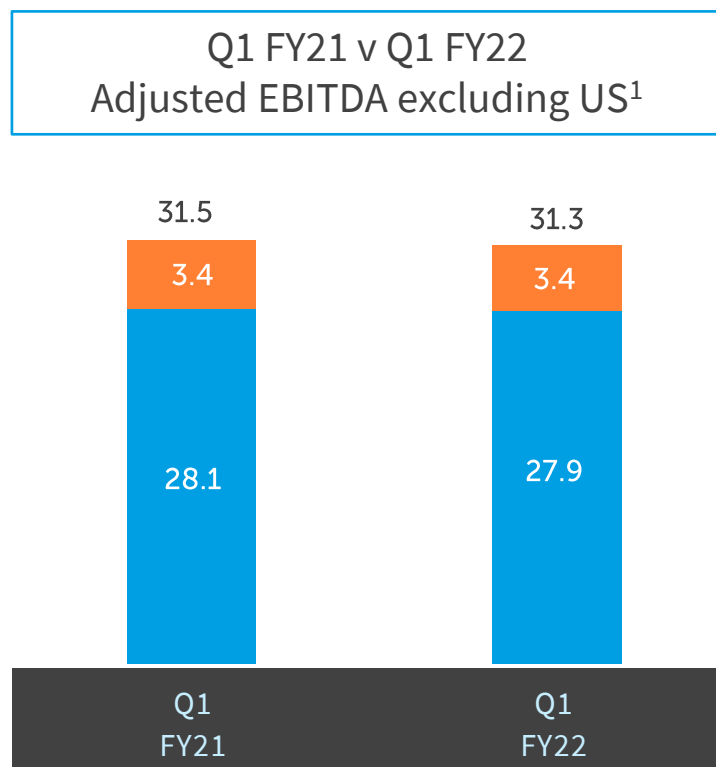
Underwriting Costs / Revenue



Group Subs Revenue / Revenue



EBITDA resilience – business diversity driving value



■ UK

■ International

1. Q1 FY22 Adjusted EBITDA including US start up costs of £1m is £30.3m (Q1 FY21: £31.5m)

- Group EBITDA is stable YoY despite the strong comparator
- Previous year EBITDA elevated due to reduced cost levels during early stages of pandemic as protective measures taken
- As previously indicated, we expect our EBITDA to rise more in line with revenue during FY22 as the benefits of revenue growth and digitisation flow to the bottom line



Cashflow & capitalisation

Summary Cash Flow

3 months to 30 th June	Q1 FY22	Q1 FY21	Change
Adjusted EBITDA excl. US	31.3	31.5	-0.6%
Less: US costs	(1.0)	0.0	
Adjusted EBITDA incl. US	30.3	31.5	-3.8%
Less: Regulated Business adjusted EBITDA	(9.6)	(6.0)	
Unregulated Business adjusted EBITDA	20.7	25.5	-18.8%
Capital expenditure	(8.5)	(5.9)	
Change in working capital	(7.2)	22.3	
US capex and working capital	(1.4)	0.0	
Unregulated Business Free Cash Flow	3.6	41.9	-91.4%
Increase/(Decrease) in distributable reserves in Regulated Business*	5.0	(4.3)	
Group Free Cash Flow	8.6	37.6	-77.1%
<i>Conversion</i>	28.4%	119.4%	
Tax (paid)/received	(0.2)	2.0	
Post-Tax Free Cash Flow	8.4	39.6	-78.8%

*Distributable reserves comprise net income of Regulated Business before significant items and as adjusted for changes in capital requirements and Solvency II valuation differences

Adjusted EBITDA

- Stable year-on-year, expecting future growth more aligned with revenue

Unregulated Business

- Increased capital investment in our digital capability and modernising our office location
- The working capital movement in Q1 FY21 was driven by management actions to preserve short-term liquidity including time-to-pay arrangements with HMRC under COVID-19 support measures and deferral of bonus payments

Regulated Business

- As reported previously, variances between the regulated EBITDA and distributable reserves in the regulated business are expected due to growth in the insurance business and Brexit driven capital requirements in FY22

Capitalisation

	Q1 FY22			Q4 FY21			Maturity	Price
	£m	Adj EBITDA Multiple	Adj EBITDA Multiple (Ex US)	£m	Adj EBITDA Multiple	Adj EBITDA Multiple (Ex US)		
① Unrestricted Cash Reserves	77.9			74.7				
Drawn Super Senior RCF	0.0			0.0			Apr-26	3m LIBOR + 3.00%
Senior Secured FRN (€200m)	(180.6)			(180.6)			Jul-26	Euribor + 5.00%
Senior Secured Notes	(405.0)			(405.0)			Jul-26	6.50%
Senior Secured Net Debt	(507.7)	4.8x	4.7x	(510.9)	4.8x	4.8x		
Senior Notes	(150.0)			(150.0)			Jul-27	9.25%
Bank and Bond Debt Net of Cash	(657.7)	6.2x	6.1x	(660.9)	6.2x	6.2x		
② Lease liabilities	(19.3)			(20.2)				
Total Net Debt	(677.0)	③ 6.4x	6.3x	(681.1)	6.4x	6.3x		
LTM EBITDA (£m)		105.7	107.3		106.8	107.4		

- ① Unrestricted cash has increased over the quarter but is expected to decrease in the short to medium-term as we accelerate investment into our digital capabilities and continue funding the launch of the US business
- ② Lease liabilities decreased quarter-on-quarter due to capital repayments on the remaining lease liabilities
- ③ The impact of US start-up losses of £1.6m included in LTM EBITDA is a 0.1x increase in leverage

The Group has £100m of undrawn RCF capacity, including £30m allocated to uncalled Letters of Credit in support of the Regulated Business

Q1 FY22 Summary

A positive start to the year highlighting the continued resilience and strength of our business model allowing us to grow our revenues and make significant progress on our strategic agenda

- + Continued strong new business and retention rates enabled sustained double digit subscription plan sales growth
- + Stable EBITDA despite strong comparator
- + Significant progress on our digital programme
- + Expected US launch in FY22
- + Well capitalised with significant headroom

Appendix

Available Cash Q1 FY22

	Q1 FY22 30 Jun 2021	Q4 FY21 31 March 2021
£m		
① Group Free Cash Flow	8.6	(7.3)
Debt Raise, Repayment (incl leases) & RCF Drawdown	(1.0)	(0.3)
② Debt Interest	(2.9)	(23.1)
③ Corporation Tax and other	(1.2)	29.9
Free Cash flow before significant items	3.5	(0.7)
④ Significant items	(0.2)	(9.3)
Unrestricted cash flow	3.2	(10.0)
Unrestricted Cash b/f	74.7	84.7
Unrestricted Cash c/f	77.9	74.7

- ① Free cash flow improved vs Q4 FY21 primarily driven by distributable reserves, and capitalisation in FY21 of the European regulated entity as part of the Part VII transfer
- ② Debt interest primarily relates to semi-annual interest payments on bonds
- ③ Other in Q4 FY21 includes timing differences (corresponding outflow in Q3 FY21) on intercompany loans between the regulated and unregulated businesses including temporary Part VII funding
- ④ Significant items mainly relate to Brexit costs, the Customer First Programme payments (accrued in prior years) and non-recurring Covid costs

LTM Underlying Adjusted EBITDA Calculation

Adjusted¹ / Underlying Adjusted² EBITDA by Quarter

£m	Q1 FY22 LTM			Q4 FY21 LTM		
	Adjusted EBITDA	Add: HoldCo Costs	U/L Adjusted EBITDA	Adjusted EBITDA	Add: HoldCo Costs	U/L Adjusted EBITDA
FY20 Q1				31.5	0.1	31.6
FY21 Q2	30.3	0.1	30.4	30.3	0.1	30.4
FY21 Q3	23.8	0.0	23.8	23.8	0.0	23.8
FY21 Q4	20.9	0.1	21.0	20.9	0.1	21.0
FY22 Q1	30.3	0.2	30.5			
LTM including US	105.3		105.7	106.5		106.8
LTM excluding US	106.9		107.3	107.1		107.4

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

Q + A

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