

BrightHouse – Half Year 2013 Results Presentation

Friday 22nd November 2013

- Leo McKee – Chief Executive Officer
- David Harwood – Company Secretary



- ✓ Quality, Branded Product
- ✓ Weekly Payments
- ✓ Delivery & Installation
- ✓ Complete Protection
- ✓ Repair or Replace

Disclaimer

This presentation may contain forward-looking statements. These statements are based on management's current expectations or beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Although we believe that such forward-looking statements are reasonable, we cannot assure you that any forward-looking statements will prove to be correct. Such forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this presentation may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on the forward-looking statements.

We disclaim any obligation to publicly update or revise any forward-looking statements or other information contained in this presentation. It is pointed out that the existing presentation may be incomplete or condensed, and it may not contain all material information concerning the BrightHouse Group plc or its subsidiaries.

This presentation may contain references to certain non-IFRS financial measures, such as EBITDA, and operating measures, such as average number of contracts per customer, the value of our Contract Portfolio and our Cash Collection Rate. These supplemental financial and operating measures are unaudited and have not been prepared in accordance with IFRS or any other accounting standards. They should not be viewed in isolation as alternatives to measures of our financial condition, results of operations or cash flows as presented in accordance with IFRS in our consolidated financial statements. The non-IFRS financial and operating measures that we use may differ from, and not be comparable to, similarly titled measures used by other companies. For further information please see in particular the financial statements.

All figures in this presentation are calculated based on exact numbers and results are rounded to appropriate accuracy.

Capitalized terms used but not defined herein have the meanings assigned to them in our half year report for the twenty six weeks ended September 28, 2013.

Agenda

- **The BrightHouse Business Model – Summary Results**
- Half Year 2013 Performance
 - KPI analysis
 - Profit Performance
 - Cashflow Performance
- Summary
- Q & A

BrightHouse's Business Model

Targeted demographics

- Low income/reliant on benefits
- Limited access to credit
- Close proximity to stores

Essential products

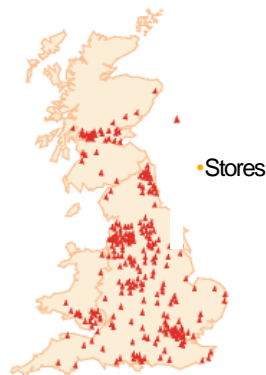


New and refurbished

The leading UK rent-to-own company providing essential and aspirational household goods to low income and credit impaired customers on affordable weekly or monthly payments through 286 retail stores

Network

- National coverage
- Local relationships
- Retail, credit and Engineering



Proposition

- Integrated retail-credit offer
- Affordability
- Convenience
- E-Commerce

Single Price Agreement

THE EASY WAY TO OWN WHAT YOU WANT

Shopping with BrightHouse means you're covered for most of life's ups and downs.

Our relationship with you starts when you shop with us. We want to make sure you've got everything you need to enjoy your product.

That's why, you'll get the following included as standard:

- **Delivery within seven days**
- **Installation and set-up in your home**
- **Unlimited repairs***
- **Replaced if we can't fix it***
- **Cover for accidental damage, fire and theft***



And, if you take out a credit agreement with us, you'll also be able to:

- **Return your product if you change your mind**
- **Restart with the latest model**

Terms and conditions apply. Ask us for more details

REPRESENTATIVE
64.7%APR

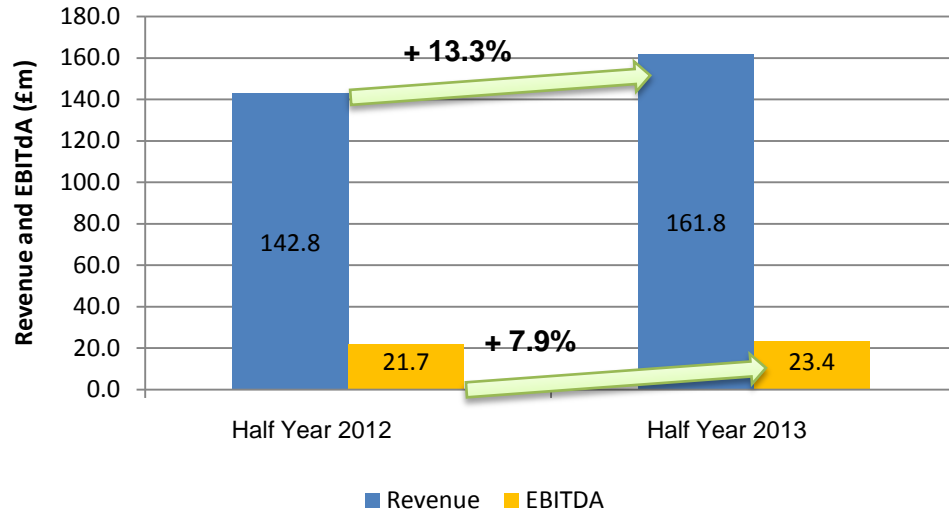
*Cover is provided, subject to acceptance, at no additional cost by way of insurance from Caversham Insurance (Malta) Limited which is incorporated in Malta and regulated in respect of its insurance business by the Malta Financial Services Authority. The insurer falls within the jurisdiction of the UK Financial Services Compensation Scheme. The insurance is arranged through Caversham Finance Limited, trading as BrightHouse, 5 Hercules Way, Leavesden Park, Watford WD25 7GS.

Relax. It's included.
BrightHouse

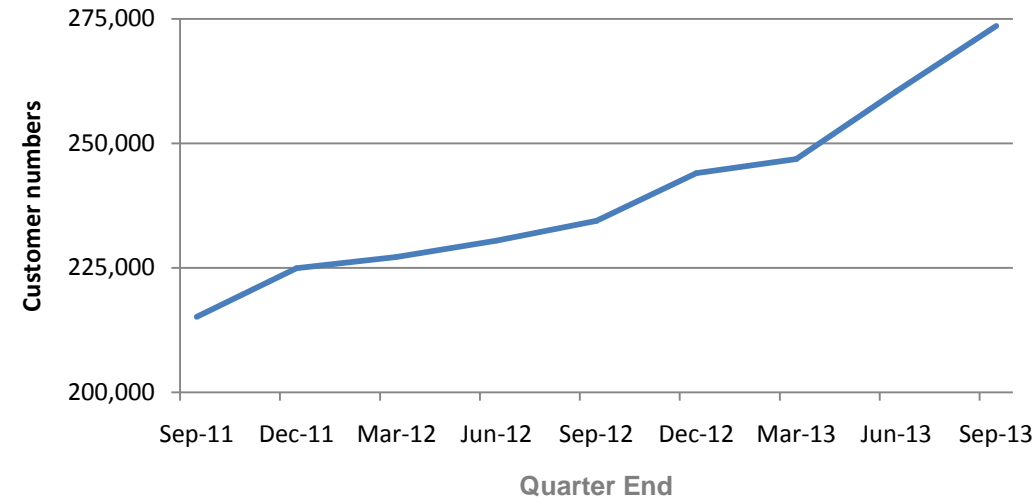
- Based on customer research
- Simplified, shortened in-store process
- Retail price includes cover for repairs, accidental damage, fire and theft
- Customers taking credit can return goods at any time with nothing further to pay
- Hire Purchase offered with representative APR of 64.7%
- Early customer feedback positive
- Pre 2 September agreements unaffected

Half Year 2013 Performance

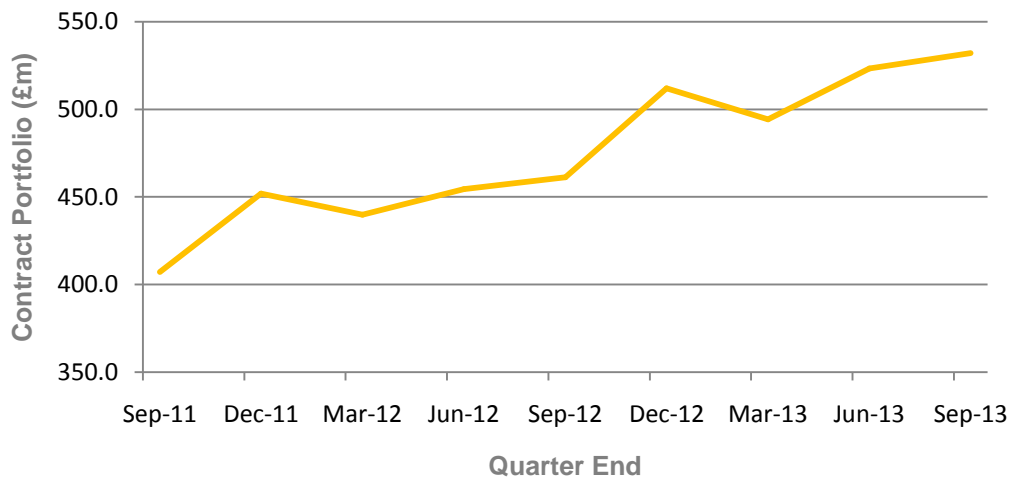
Revenue and EBITDA



Customer numbers



Contract Portfolio Balance



Comments

- LTM EBITDA for the 12 months ended 28 September 2013 totalled £51.1 million.
- Value of Contract Portfolio balance at 28 September 2013 was £531.9 million (29 September 2012: £461.2 million).
- £37.7 million Contract Portfolio growth in Half Year 2013.
- Customer numbers at 28 September 2013 - 273,500
- 26,700 customers added in Half Year 2013 (Half Year 2012: 7,300)
- Increased Cost of Debt driven by accelerated Customer Growth

Execution of business strategy

Grow like-for-like revenues across existing store portfolio

- 2 year old stores have grown at 8.0%
- Increased investment in digital marketing

Further optimise operational efficiency and customer proposition

- Single Price Agreement
- Automated outbound dialer and peak time incoming call management rolled out to North and South East Divisions
- Simplification of in-store processes

Selectively expand store portfolio

- Six new stores opened in the half year
- Measured store opening programme

Develop additional customer capabilities

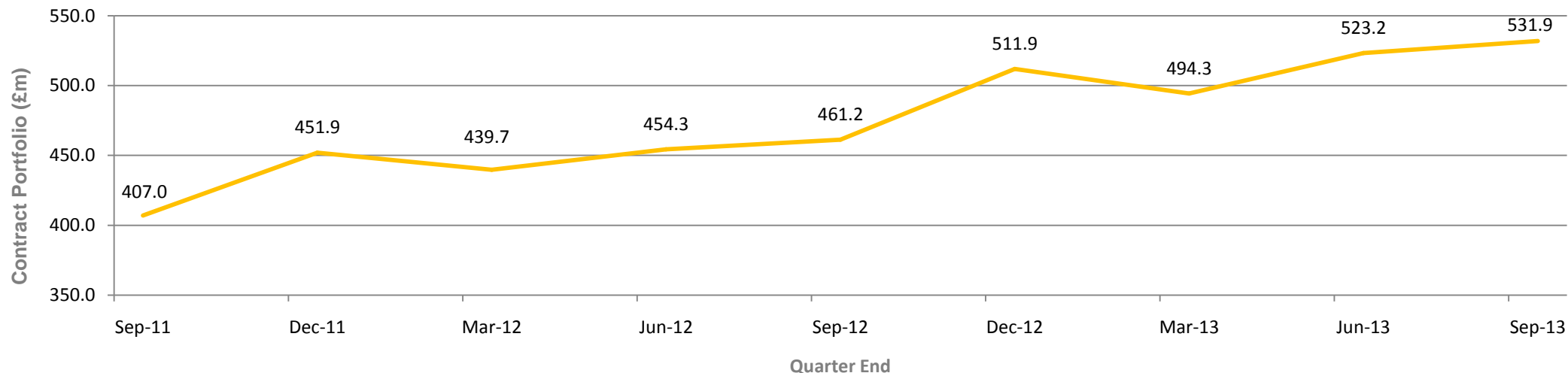
- On-line credit assessment fully operational
- Web-chat to support on-line application process in pilot
- Centralisation of internet application appointments

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KPI Analysis: Contract Portfolio Growth

Contract Portfolio Balance



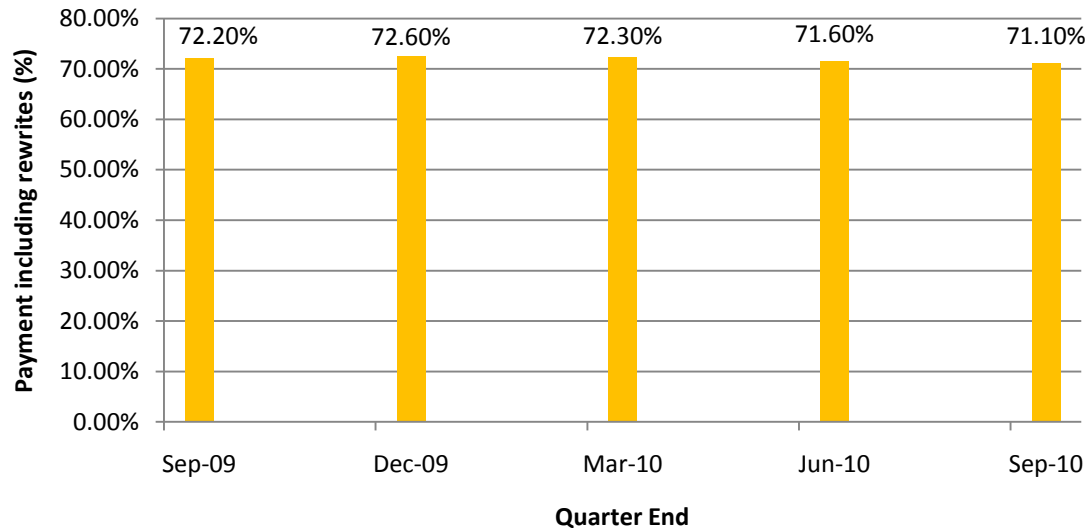
Contract Portfolio Growth

£m	Half Year 2012	Half Year 2013
Opening Contract Portfolio balance	439.7	494.3
Half Year Contract Portfolio Growth	21.5	37.7
Closing Contract Portfolio balance	461.2	531.9
Half Year Contract Portfolio Growth %	4.9%	7.6%

- Contract Portfolio – Aggregate of remaining payments under Hire Purchase agreements if they run to full term.
- Value of Contract Portfolio balance at 28 September 2013 was £531.9 million (29 September 2012: £461.2 million +15.3%).
- Higher levels of demand conversion drove increased lending.
- Increased demand for new Samsung laptop ranges, S4 and Blackberry mobiles and Sharp 50" and LG 47" 3D TV's.
- Increased Contract Portfolio has necessitated an additional cash investment in product purchases.

KPI Analysis: Contract Portfolio Performance

Actual Contract Portfolio Collection %



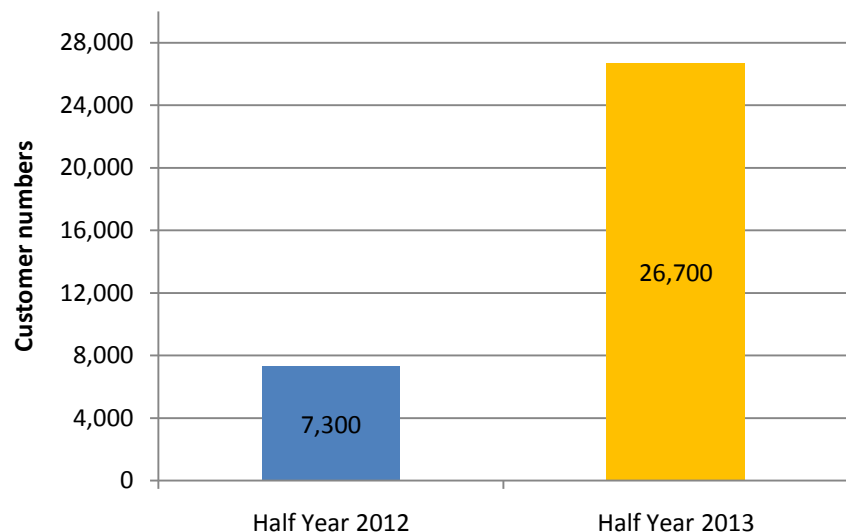
- Collect out complete for Contract Portfolio as of September 2010 (3 years)
- Cash collection rates in Half Year 2013 consistent
- 71.1% of Contract Portfolio as of September 2010 recovered in cash
- Excludes product recovery
- Collections metric for the quarter remains stable
- Contract Portfolio to rental assets ratio has remained consistent.

Contract Portfolio to Rental Assets Ratio

£m	Half Year 2012	Half Year 2013
Contract Portfolio balance	461.2	531.9
NBV of Rental Assets	124.5	147.4
Ratio	3.7	3.6

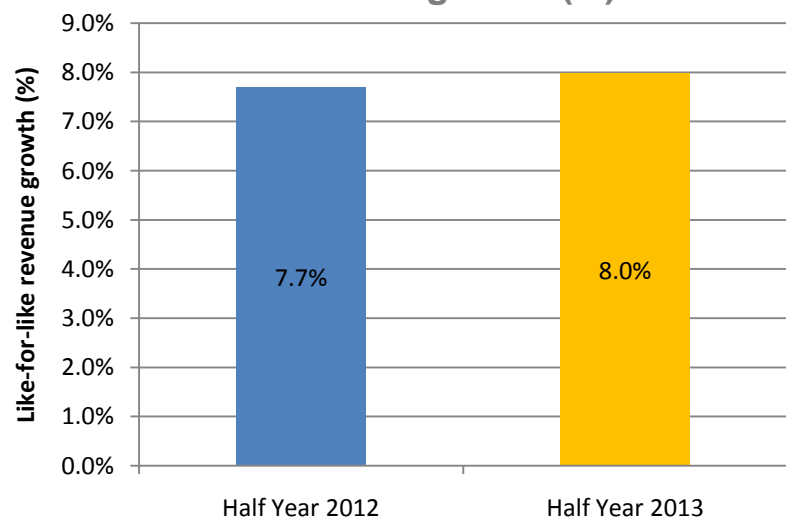
KPI Analysis: Customer and Revenue Growth

Customer growth



- Customer numbers up 26,700 in Half Year 2013 compared to 7,300 in Half Year 2012.
- 273,500 customers at the end of Half Year 2013, compared to 234,400 at the end of Half Year 2012 +16.6%. (31 March 2013: 246,800 customers).
- Lending criteria amended for peak season to prioritise new asset spend towards our most profitable customers groups.
- LTM like for like revenue growth for the period to 28 September 2013 was 8.0%, compared to 7.7% for the LTM period to 29 September 2012 (31 March 2013 : 8.3%).
- Increased customer growth in the period has reduced the number of agreements per customer to 2.71 at September 2013 vs. 2.74 at September 2012. (March 2013: 2.82 agreements per customer).
- Store numbers at September 2013 totalled 286 compared to 269 at September 2012. 6 new stores opened in Half Year 2013 vs. 16 in Half Year 2012.

LTM like-for-like revenue growth (%)



Profit Performance

Consolidated results of operations

£m			Change	
	Half Year 2012	Half Year 2013	Amount	%
Revenue	142.8	161.8	19.0	13.3%
Cost of Sales	(62.9)	(75.5)	(12.6)	(20.0%)
Gross Profit	79.9	86.4	6.4	8.0%
<i>Gross Profit Margin %</i>	<i>56.0%</i>	<i>53.4%</i>		
Operating expenses	(64.3)	(69.6)	(5.3)	(8.3%)
<i>Operating expenses as a % of revenue</i>	<i>45.0%</i>	<i>43.0%</i>		
Operating profit	<u>15.6</u>	<u>16.7</u>	1.1	7.0%
<i>Add back: Depreciation and amortisation</i>	6.1	6.7	(0.6)	(10.2%)
EBITDA	<u>21.7</u>	<u>23.4</u>	1.7	7.9%

- Revenue increased by £19.0 million (13.3%) driven by the year-on-year increase in customer numbers.
- Gross profit margin decreased from 56.0% in Half Year 2012 to 53.4% in Half Year 2013, due to:
 - an increase in the cost of debt
 - Shift in sales mix towards technology products
 - Increased spend on maintaining the asset fleet
- The cost of debt charge as a percentage of revenue increased to 9.2% (Half year 2012: 8.2%), This primarily reflects the increased proportion of new customers within the base
- Overheads expressed as a percentage of revenue down from 45.0% to 43.0%.

Profit Performance: EBITDA

Reconciliation of EBITDA to profit for the period

£m	Half Year	Half Year	Change	
	2012	2013	Amount	%
EBITDA	21.7	23.4	1.7	7.9%
Tax (charge)/credit	(3.6)	0.3	3.9	109.3%
Financial income and expenses	(10.3)	(11.2)	(0.9)	(8.3%)
Depreciation and amortisation	(6.1)	(6.7)	(0.6)	(10.2%)
Profit for the period	<u>1.7</u>	<u>5.9</u>	4.1	236.6%

- PAT up 4.1m in Half Year 2013 compared with Half Year 2012

Cash Flow Performance

Consolidated cash flow performance

£m	Half Year 2012	Half Year 2013
Operating cash inflow	11.7	13.4
Changes in working capital	1.9	(9.5)
Cash generated from operations	13.6	3.8
Tax paid	(3.0)	(1.2)
Net cash flow from operating activities	10.6	2.7

Key variants in operational cash flow

- Profit increased by £4.1 million to £5.9 million for Half Year 2013 (Half Year 2012: £1.7 million).
- Within profits, rental asset depreciation – a non-cash movement – increased £7.7 million.
- Hire purchase asset investment from £65.6 million in Half Year 2012 to £75.1 million in Half year 2013 to support the increase in new customers and a larger contract portfolio .

Key variants in working capital

- Primary factor is increased investment in stock in the period (£10.4m Half Year 2013 v. £1.6m Half Year 2012).

Key variants in tax

- Timing difference of tax payments in Malta

Cash Flow Performance

Consolidated cash flow performance

£m	Half Year 2012	Half Year 2013
Net cash flow from operating activities	10.6	2.7
Net cash from investing activities	(6.6)	(6.0)
Net cash from financing activities	(6.4)	10.5
Net increase in cash	(2.5)	7.2
Cash balance brought forward	8.6	10.9
Cash balance carried forward	6.1	18.1

- Net cash used in investing activities reduced from a £6.6 million outflow to a £6.0 million outflow
- Reduced new store expenditure partially offset by increased project and software expenditure
- Net cash from financing activities increased by £16.9 million, from Half Year 2012 to Half Year 2013. This is predominantly attributable to the net impact of the May 2013 refinancing.

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Appointment of CFO

- Alex Maby is taking up the Board position of Chief Financial Officer.
- Effective 2nd December 2013
- For the past five years, Alex has been the Finance Director of H&T Group plc
- Previously Alex acted in a Board capacity for a number of portfolio companies within the Macquarie's Private Equity Division
- In his earlier career, Alex held positions as Head of Financial Engineering at Mapley plc and Equity Analyst and ING Barings.

Summary

- Consistent Strategic Agenda
- Revenue up 13.3% compared to Half Year 2012
EBITDA up 7.9% compared to Half Year 2012
Contract Portfolio 15.3% compared to Half Year 2012
Customers up 16.7% compared to Half Year 2012
- Sound Platform for the balance of 2013/14