BrightHouse

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# BrightHouse Group plc ("BrightHouse" or the "Company"): Refinancing Agreement, Half Year Results and update on October Trading

**Update to Noteholders about a transaction to refinance the £220m 7⅞% Senior Secured Notes due 2018 (the "Existing Notes" and the holders, the "Existing Noteholders")**

**Confirmation of financial results for the 26 weeks ending 30 September 2017**

**Update on trading in October 2017**

## Refinancing Agreement

BrightHouse, the UK's leading rent-to-own retailer, confirms that it has entered into an agreement (the "Agreement") with over 90% by value of the Existing Noteholders and its current majority owner, certain Vision Capital Funds ("Vision Capital"), to refinance the Existing Notes (see further below). Once implemented, BrightHouse's external debt will be approximately halved and its debt maturity extended by five years. The transaction is expected to be completed by the end of January 2018.

Hamish Paton, BrightHouse CEO, commented: *"I'm pleased that we have reached this agreement which is an important milestone for the company. It follows the FCA's confirmation that they were minded to authorise our business subject to specific conditions, including a restructuring of our debt, being met. With a new capital structure, we can focus on delivering our agreed business plan and returning the company to growth."*

The Agreement provides for the Existing Notes to be released and fully discharged in exchange for:

(i) £107.2m[1] of new 9% senior secured guaranteed notes due May 2023 (the "New Notes"), to be issued to the Existing Noteholders on a pro rata basis. The 9% coupon is fully payment-in-kind ("PIK") for the first year, and 5% PIK and 4% cash pay thereafter (with a PIK toggle for the cash pay portion in prescribed circumstances where the average cash balance (excluding restricted cash[2]) of BrightHouse and its affiliates (the "Group") is £15m or below);

[1] Principal will be increased by accrued and unpaid interest on the Existing Notes at closing.
[2] As defined in the Agreement.

(ii) For those Existing Noteholders who accede to the Agreement on or prior to 15 December 2017, a pro-rata share of c.£4.5m (payable in New Notes) as an 'early bird consent fee', which is equal to c.2% of the Existing Notes; and

(iii) Existing Noteholders receiving either a cash payment or a pro rata share of 97% of the Group's new ordinary shares, with the remaining 3% to Vision Capital. The new ordinary shares are subject to a dilution of up to 10% for a management incentive programme.

With over 90% by value of the Existing Noteholders having signed the Agreement (the "Supporting Noteholders"), the Group plans to implement the transaction by way of an exchange offer.

The target is to close the transaction around the end of January 2018. The Group has been in discussions with the UK Financial Conduct Authority and the Malta Financial Services Authority and the transaction is, amongst other conditions, subject to receipt of approvals from both of these regulators.

The sale process announced on 28 September 2017 will no longer be pursued by the Company.

**Half Year Results and update on trading in October 2017**

The Company's financial results for the 26 weeks ended 30 September 2017 will be available on the Company's website today. These results are in line with the financial summary provided by the Company in its announcement on 12 October 2017.

In October 2017, the Company generated revenues of c.£21.7m and EBITDA of c.(£0.8m). Cash generated from operations was c.(£3.8m) and capex was c.£1.0m. The cash balance at the end of October was £52.6m, of which restricted cash was c.£3.8m, predominantly related to cash held at the Maltese Insurance subsidiaries.

Gross dues during the month were £1.8m, a 59% increase from the prior year. Net dues were approximately zero, demonstrating the continued stabilisation of the Dues Base which stood at £25.9m at the end of October 2017. There were 214k customers at the end of the month with an average revenue per customer per month of £121. The contract portfolio at the end of October 2017 stood at £404.5m, a £2.8m increase over the previous month's closing balance.

**ENDS**

**Notes:**

**For financial media enquiries please contact Brunswick Group:**
Azadeh Varzi / Fiona Micallef-Eynaud on +44 20 7404 5959 or brighthouse@brunswickgroup.com.

**Existing Noteholders:**
To obtain a copy of the Agreement and for any questions please contact one of the following:

| Advisers to BrightHouse Group plc | Advisers to the Ad Hoc Group of Bondholders |
|---|---|
| **Andrew Merrett**<br>andrew.merrett@rothschild.com<br><br>**Mahir Quraishi**<br>mahir.quraishi@rothschild.com | **Sam Whittaker**<br>whittaker@pjtpartners.com<br><br>**Sam Gross**<br>gross@pjtpartners.com |

**Detailed information about the Agreement:**
The New Notes will be 'no-call' for the first year and thereafter can be redeemed at principal plus accrued interest. The terms of the New Notes are otherwise substantially similar to the Existing Notes, including that the New Notes also allow the Group to enter into new super senior ranking debt of up to £35m, should it choose to do so in the future.

The Agreement provides that Existing Noteholders who do not elect to receive new ordinary shares in the Group will instead receive a cash payment at a pre-determined price of £245 per £1,000 of Existing Notes. Holders that accede to the Agreement within a 5 business day period following this announcement and that wish to pay cash to subscribe for additional ordinary shares in the Group may do so by signing a subscription agreement with BrightHouse within 10 business days of this announcement. The cash subscriptions will be used by the Group to fund the payments to the Existing Noteholders who do not elect to receive shares. Please contact the advisers above for more information.

Shareholders holding 10% or more[3] of the new ordinary shares will potentially have director appointment rights and the right to receive B shares on specified vesting dates. The B shares provide certain additional economic rights, which broadly provide for 25% of equity value over £110m to accrue to the B shares at the time of an exit event (subject to dilution from the management incentive programme). Various other customary shareholder or corporate provisions, rights and minority protections are, along with further details of the transaction, set out in the Agreement.

The Company's Chairman and Non-Executive Directors, along with the Executive Directors, have been requested by the Supporting Noteholders to continue in their current roles during a transition period following completion of the transaction. The Company is pleased to report that the Chairman and Non-Executive Directors have agreed to this request and is grateful for their continued valuable contribution. The Executive Directors will also be continuing following completion.

**For further information, please contact BrightHouse Group plc:**
investor.relations@brighthouse.co.uk.

**About BrightHouse:**
BrightHouse is the UK's leading rent-to-own retail chain, providing quality branded domestic appliances, technology products and household furniture to customers on affordable weekly payments. A major employer in local communities, BrightHouse has some 280 stores nationwide and 2,800 colleagues.

[3] The 10% threshold as relates to director appointments and B shares may reduce to 9.5% in certain circumstances as described in the Agreement.

More information about the business can be found on the Company's website: www.brighthousegroup.co.uk.

**Disclaimers:**

This announcement has been prepared by the Company exclusively for information purposes. It does not constitute or include any advice or recommendation by the Company (or any other person) regarding the securities of the Company or as to the merits of any transaction or the making of any investment decision. It does not constitute or include any confirmation or commitment by the Company (or any other person) regarding the present or future value of the business of the Company, its securities, its affiliates or any of the Company's or their assets.

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This announcement includes statements, estimates, opinions and projections with respect to anticipated future performance of BrightHouse ("forward-looking statements") which reflect various assumptions concerning anticipated results taken from BrightHouse's current business plan or from public sources, which may or may not prove to be correct. Such forward-looking statements reflect the Company's expectations as of the date of this announcement, based on BrightHouse's then current business plan and various other assumptions and involve significant risks and uncertainties and should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved.

Although the Company believes that the expectations reflected in the forward-looking statements were reasonable at the time they were made, the Company can give no assurances that they will materialise or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements. It is up to the recipient of this announcement to make its own assessment of the validity of such forward-looking statements and assumptions and no liability is accepted by the Company, or any director, officer, employee, agent, partner, affiliate, manager or adviser of the Company or any other person in respect of the achievement of such forward-looking statements and assumptions. In particular, the Company and any director, officer, employee, agent, partner, affiliate, manager or adviser of the Company do not accept any liability whatsoever to any person, regardless of the form of action, including for any lost profits or lost opportunity, or for any indirect, special, consequential, incidental or punitive damages arising from any use of announcement, its contents or preparation or otherwise in connection with it, even if the Company or any director, officer, employee, agent, partner, affiliate, manager or adviser of the Company has been advised of the possibility of such damages.