

BrightHouse – Q3 FY13/14 Results

14 February 2014

- Leo McKee – Chief Executive Officer
- Alex Maby – Chief Financial Officer



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

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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.

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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 third quarter report for the thirty nine weeks ended December 28, 2013.

Agenda

- **BrightHouse's Business Model**
- Q3 2013/14 Highlights
- Q3 Financial Results
 - Profit performance
 - Cashflow performance
 - Balance Sheet
- Strategy and Outlook
- Summary
- Q & A

BrightHouse's Business Model

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 287 retail stores and a growing online presence

Targeted demographics

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



Essential and aspirational products



New and refurbished

Multi-channel



- National store network
- Application and credit check online
 - Call centre support
 - E-Commerce

Proposition

- Product and five star service
- Weekly payments
- No hidden extras
- Flexible contracts



Q3 2013/14 Highlights

- Revenue increased by 9.8% to £83.2m (Q3 FY12/13: £75.8m)
- Credible financial performance delivered despite a tough Christmas trading period on the UK High Street
 - Successful transition to Single Pricing Agreement
 - Significant progress in E-Commerce
- Customer base up 13.3% to 276,400 (Dec-12: 244,000)
- Contract Portfolio up 15.2% to £589.8m (Dec-12: £511.9m)
- Alex Maby appointed Chief Financial Officer on 2 December 2013

Financial Performance

Q3 Financial Results

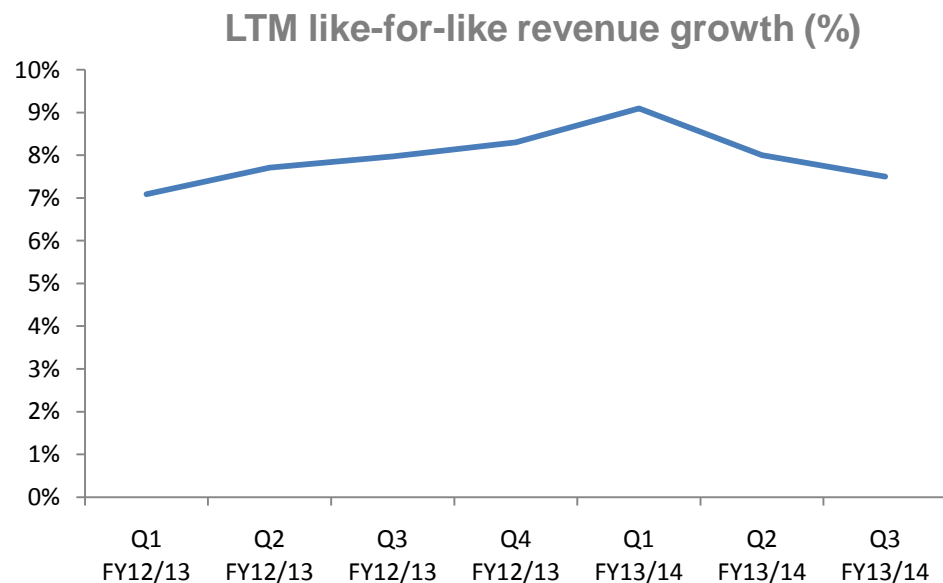
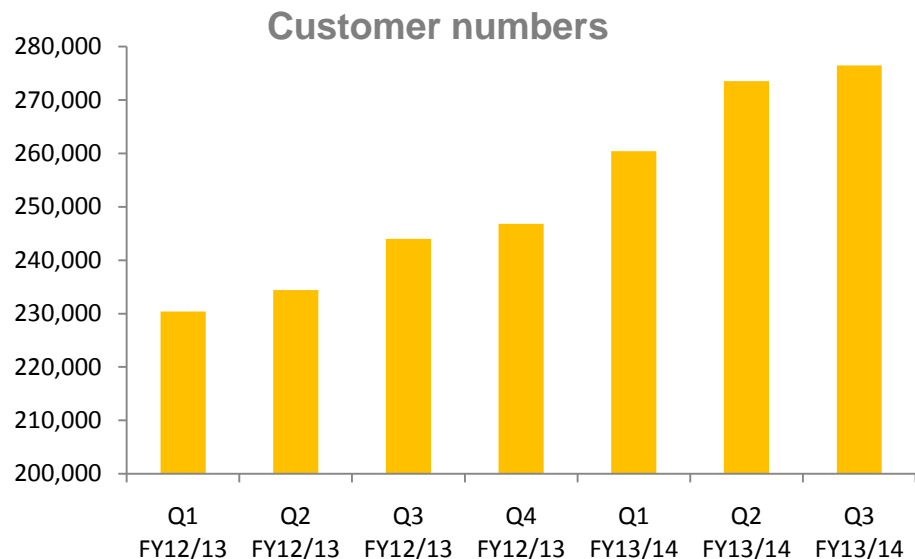
- Revenue up 9.8% to £83.2m (Q3 FY12/13: £75.8m)
- EBITDA increase to £13.4m (Q3 FY12/13: £13.2m)
- Growth in operating expenses (pre-depreciation) limited to 1.3% despite increased store base
- Net cashflow pre-financing activities of £4.0m (Q3 FY 12/13: -£3.6m)
 - Post £50.5m of investment into rental assets

Income Statement Q3 13/14

£m	Q3		%
	FY12/13	FY13/14	
Revenue	75.8	83.2	9.8%
Gross Profit	42.5	43.2	1.6%
<i>Gross Profit Margin %</i>	<i>56.1%</i>	<i>51.9%</i>	
Operating expenses	(29.4)	(29.7)	(1.3%)
EBITDA	13.2	13.4	2.2%
Depreciation and amortisation	(3.7)	(3.3)	11.6%
Exceptional EBT bonus award	(0.7)	-	100.0%
Net finance expenses	(5.5)	(5.8)	(6.1%)
Profit before tax	3.2	4.3	34.2%
Tax charge	(1.4)	(1.2)	16.9%
Profit after tax	1.8	3.1	75.4%

- Revenue increased by 9.8% predominantly driven by 13.3% year-on-year increase in customer numbers
- Gross profit margin decreased due to an increase in the cost of debt from £6.0 million to £8.8 million as a result of an increased mix of new customers within the customer base
- Operating expenses expressed as a percentage of revenue down from 38.8% to 35.7%
- Decrease in tax charge due to the release of a deferred tax asset

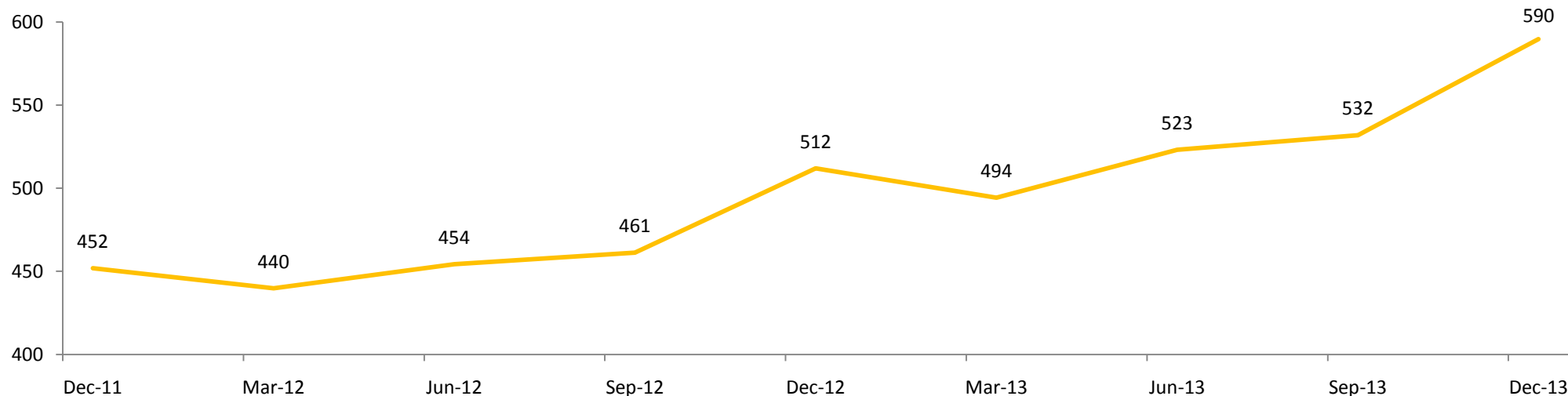
KPI Analysis: Customer and Revenue Growth



- Delivering consistent customer growth
 - 276,400 customers as at Dec-13 (Dec-12: 244,000)
- Internet applications becoming of increasing significance
- Expanded store estate to 287 as at Dec-13 (Dec-12: 277)
- Increased customer growth YTD has reduced average number of agreements per customer
 - 2.77 at December 2013 vs. 2.82 at December 2012

KPI Analysis: Contract Portfolio Growth

Contract Portfolio Balance (£m)



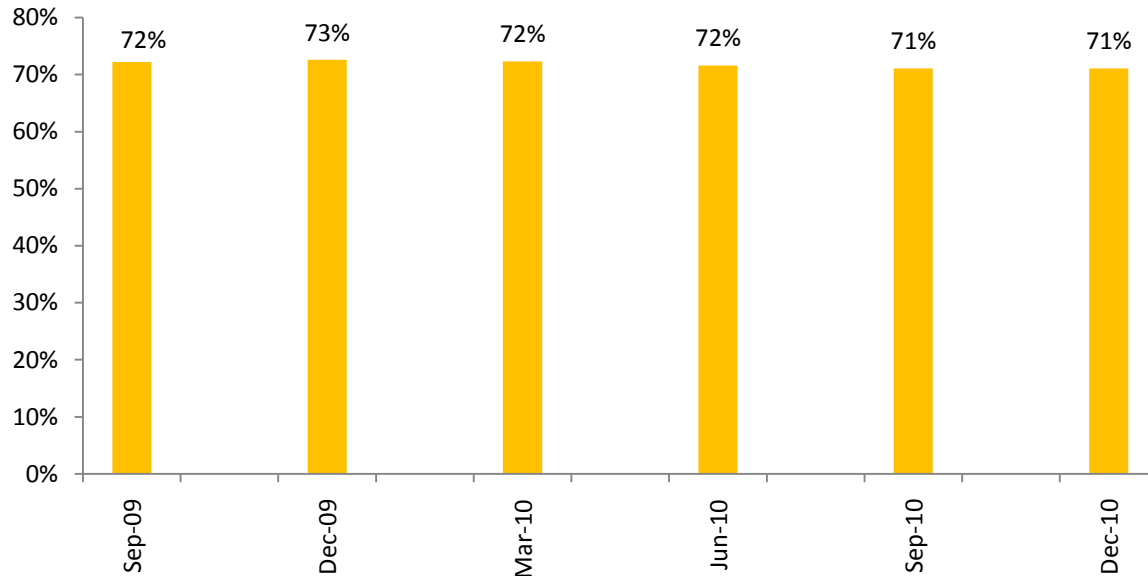
Contract Portfolio Growth

£m	Q3 FY12/13	Q3 FY13/14
Opening Contract Portfolio balance	461.2	531.9
Contract Portfolio Growth in Q3	50.7	57.9
Closing Contract Portfolio balance	511.9	589.8
Contract Portfolio Growth % in Q3	11.0%	10.9%

- Contract Portfolio: Aggregate of remaining payments under Hire Purchase agreements if they run to full term
- Contract Portfolio balance up 15.2% to £589.8 million (Dec-12: £511.9 million)
 - Extended average agreement term
 - All new customers now benefitting from our all inclusive cover

KPI Analysis: Contract Portfolio Performance

Actual Contract Portfolio Collection %



- 71% of the Dec-10 Contract Portfolio has been recovered in cash
- Excludes product recovery
- Independent forecasts demonstrate that current cash collection rates are broadly consistent
- Contract Portfolio to rental assets ratio has remained consistent

Contract Portfolio to Rental Assets Ratio

£m	Q3 FY12/13	Q3 FY13/14
Contract Portfolio balance	511.9	589.8
NBV of Rental Assets	141.9	162.7
Ratio	3.6	3.6

Q3 Balance Sheet

£'000	Q3	
	FY12/13	FY13/14
Non-current assets		
Property, plant and equipment	163,524	181,776
Intangible assets	83,648	83,691
Trade and other receivables	16,328	21,689
Deferred tax assets	8,545	9,992
	272,045	297,148
Current assets		
Inventories	15,040	12,365
Trade and other receivables	39,062	44,517
Cash and cash equivalents	10,990	13,157
	65,092	70,039
Total assets	337,137	367,187
Current liabilities		
Trade and other payables	56,361	66,394
Financial liabilities	3,163	124
Current tax payable	931	572
	60,455	67,090
Non-current liabilities		
Financial liabilities	238,712	254,420
Total liabilities	299,167	321,510
Net assets	37,970	45,677

- Increase in PPE due to increased customer numbers and assets under agreement
- £10.8m rise in trade and other receivables principally due to VAT debtor
 - Impact of increased loan book and Single Pricing Agreement
- Reduced stock holding
- Improved supplier terms benefit trade payables
- Net asset position strengthened from £38.0m at Dec-12 to £45.7m as at Dec-13

Q3 Cash Flow Performance

£m	Q3	
	FY12/13	FY13/14
Operating cash flow	(5.0)	(1.9)
Changes in working capital	2.3	7.4
Cash generated from operations	(2.7)	5.6
Tax received	2.5	0.2
Net cash flow from operating activities	(0.2)	5.8
Net cash flow from investing activities	(3.4)	(1.8)
Net cash flow from pre-financing activities	(3.6)	4.0
Net cash flow from financing activities	8.5	(8.9)
Net increase in cash	4.9	(4.9)

- Hire purchase asset investment of £50.5m in Q3 supporting increased customer base
- Tighter stock control and increase in availability of QR stock
- Net cash used in investing activities fell to £1.8m with fewer store openings
- Paid £8.7m bond interest in Nov-13

Strategy and Outlook

E-Commerce & Supply Chain

Build a seamless multi-channel customer experience

E-Commerce

- Develop fully transactional capability online
- Online affordability & identification procedures
- Widen geographic reach
- Increase investment in digital marketing
- Payment solution
- Embrace social media

Supply Chain

- Investment into upgrade of supply chain system
- Real time logistics - E-Commerce enabling
- Drive operational efficiency (back to base working, dynamic route scheduling, flexible T&C's)
- Significantly improved customer service
- Enhanced stock distribution and allocation

Execution of business strategy

Grow like-for-like revenues across existing store portfolio

- 2 year old stores have grown at 7.5%
- Improve customer proposition and in-store experience
- Increased investment in digital marketing

Further optimise operational efficiency and customer capabilities

- Centralised collections and dialler introduction
- Digitalisation of sales experience
- Simplification of in-store processes
- Centralisation of internet application appointments
- Strengthen I.T. platform

Selectively expand store portfolio

- Seven new stores opened in the first three quarters of FY2013/14
- Measured store opening programme

Summary

- Solid Q3 performance delivering continued revenue, EBITDA, customer and loanbook growth
- Embedding and preparing for regulatory change
- Q4 focus on credit and collection strategic programmes
- Investments into IT platform, supply chain technologies and e-commerce to provide stronger platform for longer term growth

Q & A