

SUBJECT TO THE DISCLAIMER

BrightHouse – Business Update

12 October 2017



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BrightHouse

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- Capitalised terms used but not defined herein have the meanings assigned to them in our Quarterly Report as of and for the thirty-nine weeks ended 31 December 2016.

Dues Base

- Since our June update, there have been a number of developments and trends emerging in the business, including:
 - Customers continuing to take advantage of the flexibility of shorter contract terms
 - The delayed reintroduction of late fees in August with a revised fee charging structure
 - Impact of increased forbearance options
 - The introduction of our fully transactional eCommerce platform
- In light of changes and current trading, stakeholders are being provided revised guidance on the financial metrics that underpin the expected outlook for the business

Expected Dues Base evolution

y/e £1-Mar, £m	Mar-18P	Mar-19P	Mar-20P	Mar-21P	Mar-22P
<i>Over a 12 month period</i>					
Gross dues	21.2	23.5	25.8	27.0	27.6
Terminations	(21.2)	(21.9)	(24.3)	(25.2)	(25.8)
Net dues (movement)	-	1.6	1.5	1.8	1.7
<i>As at year end</i>					
Opening dues base	26.6	26.6	28.1	29.6	31.5
Net dues (movement)	-	1.6	1.5	1.8	1.7
Closing dues base	26.6	28.1	29.6	31.5	33.2
Contract portfolio at year end	409.0	433.1	453.6	478.6	501.6
Implied agreement term (months)	15.4	15.4	15.3	15.2	15.1

Reminder of key definitions

Gross Dues: The projected monthly payments from new agreements signed in the year

Terminations: The decrease in collectable monthly payments arising from contracts that have been terminated early or have run to the contractual term

Net Dues: The increase / (decrease) in collectable monthly payments driven by the new agreements signed and terminations of existing agreements within the period

Dues Base: The projected monthly collectable income at a given point in time. Annual collectable revenue¹ is approximated by taking the average of opening and closing Dues Base multiplied by twelve

Contract portfolio: The aggregate amount of remaining payments due under our hire purchase agreements on a given date through the term of the relevant contracts in effect on such date, assuming that all contracts are paid in full and not terminated prior to maturity

Notes:

1. Collectable revenues are adjusted for the P&L item "VAT, discounts and other revenues" to calculate reported total revenues

Information Statement: Financial Metrics

Line Item	Financial Metrics				
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
P&L items					
VAT, discounts and other revenues % to reduce collectable revenues to approximate total revenue	9.8%	11.1%	9.9%	10.4%	11.2%
Gross profit margin	49.4%	49.5%	51.2%	52.0%	52.1%
Operating expenses % change YoY (pre-exceptional)	(5.5%)	2.6%	(4.0%)	(6.5%)	0.4%
Depreciation & amortisation ¹ as a % of COGS	9.3%	12.7%	9.2%	4.6%	3.0%
Items to calculate free cash flow					
Cash flow from change in working capital (£m)	3.0	(5.1)	5.3	(2.0)	(2.0)
Rental asset cost of sales depreciation as a % of COGS	61.7%	63.4%	63.6%	63.6%	64.0%
Rental asset disposals / write-offs as a % of COGS	17.2%	17.4%	17.1%	17.0%	17.0%
Rental asset purchases as a multiple of Gross Dues	5.40x	5.27x	5.07x	4.91x	4.77x
Capex as a % of total revenues	5.0%	3.6%	2.6%	1.8%	1.6%
Exceptional cash outflows ² (£m)	(10.7)	(3.2)	(3.0)	(2.3)	(0.4)

Notes:

1. D&A included in opex to be added back to calculate EBITDA
2. Forecast exceptional do not include any costs related to the refinancing of the Company's £220m notes