

22 August 2017

BrightHouse Group plc Announces Q1 Results

BrightHouse Group plc (the “Company”) and its subsidiaries (together, the “Group”) announces today its unaudited results for the 13 weeks ending 1 July 2017. This announcement and the Company’s quarterly report are available on the Company’s website at www.brighthousegroup.co.uk.

Financial summary

- Quarterly revenues down by 21.3% to £72.2m (Q1 2016/17: £91.7m), driven by a lower opening dues base of £26.6m (Q1 2016/17: £33.2m) and net dues in the quarter
- Improved trading with gross dues up by 38.7% to £4.91m (Q1 2016/17: £3.54m)
- Pre-exceptionals EBITDA for quarter of £0.7m (Q1 2016/17: £7.4m)
- Cash balance of £66.8m (Q1 2016/17: £55.2m)

Operational initiatives

- Additional automation of affordability processes introduced from 8 May 2017
- Fully transactional website for new customers launched on 1 August 2017
- Late fees reintroduced from 19 August 2017

The increase in total gross dues has been driven in part by the further automation of affordability processes and shorter agreement terms available for customers with BrightChoice. While collectable dues were ahead of expectations during the quarter, these were offset by a higher cost of bad debt associated with the prolonged absence of late fees, impacting gross profit margins. Pre-exceptionals EBITDA was £0.7m for the quarter and anticipated EBITDA for FY 2017/18 remains in line with our expectations at the time we set out the business outlook on 14 June 2017.

The Group has launched a fully transactional website for new customers and the website will be expanded to existing customers later this year. As at 1 July 2017, there were a total of 283 stores (Q1 2016/17: 312) with no new store openings in the quarter.

The Group retains a cash balance at £66.8m as of 1 July 2017, up from £55.2m in Q1 2016. This cash will be required to acquire rental assets as sign-ups increase, and to cover one-off costs such as cost associated with the refinancing of the £220m senior secured notes due May 2018. Continued trading ahead of plan would require increased purchases of rental assets and result in a larger VAT Debtor.

Capex forecast for the year was reduced as the Company has deferred some projects to focus on essential spend to deliver strategic projects, and meet regulatory and legal compliance requirements.

FINANCIAL SUMMARY		
£m	Q1 2017/18	Q1 2016/17
Revenue	72.2	91.7
Cost of sales	(35.6)	(44.7)
Gross Profit	36.6	47.0
<i>Gross Profit Margin %</i>	<i>50.7%</i>	<i>51.2%</i>
Operating expenses	(35.9)	(39.6)
EBITDA (pre-exceptionals)	0.7	7.4
<i>EBITDA Margin %</i>	<i>0.9%</i>	<i>8.0%</i>
Depreciation and amortisation	(3.2)	(3.3)
Net finance expenses	(5.5)	(5.5)
Exceptional costs	(0.1)	(0.6)
Loss before tax	(8.1)	(2.0)
Tax credit	0.8	0.1
Loss after tax	(7.3)	(1.9)

FCA authorisation and outlook

The Group continues to have a constructive relationship with the FCA and receiving full authorisation remains a priority for management.

Following engagement with the FCA and a period of extensive customer communication and colleague training, late fees were reintroduced from 19 August 2017. It is anticipated that there will be a ramp up period of some weeks, prior to seeing the full run-rate of late fee income. It is too soon to predict the full impact of the late fees on customer behaviour.

Hamish Paton, Chief Executive Officer, said:

“Our business has begun on the road to recovery. We have momentum in sign-ups and anticipated full year EBITDA is in line with our expectations when we set out our business outlook in June.

“The reintroduction of late fees in August, in conjunction with the launch of a fully transactional website and the careful management of our costs, is important to enable us to deliver on our business plan and lay the foundations for a return to earnings growth in FY 2019/20.

“BrightHouse is the clear market leader in a sector where consumer demand remains strong.”

ENDS

For further information, please contact:

BrightHouse Group plc
investor.relations@brighthouse.co.uk

NOTE: A bondholder call will be held at 14.00 (BST) on Wednesday 23 August 2017, with this announcement and the quarterly report, as well as the presentation & dial-in details being available on the Company’s website (www.brighthousegroup.co.uk) from 16.00 (BST) on Tuesday 22 August 2017.

For financial media enquiries please contact Brunswick Group

Azadeh Varzi/ Fiona Micallef-Eynaud on 0207 404 5959 or brighthouse@brunswickgroup.com

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.

Since 2010, BrightHouse has supported the NSPCC, the UK’s leading children’s charity that specialises in child protection and the prevention of cruelty to children.

More information about the business can be found on the BrightHouse Group website:
www.brighthousegroup.co.uk

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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. Some of such risks and uncertainties are identified in the "Forward-Looking Statements" and "Risk Factors" sections of the Listing Particulars in relation to the Notes dated 16 May 2013 and the sections describing material risk factors and material recent developments contained in the reports prepared by the Company in compliance with the reporting undertakings under the Notes. 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, BrightHouse, or any director, officer, employee, agent, partner, affiliate, manager or adviser of the Company or BrightHouse or any other person in respect of the achievement of such forward-looking statements and assumptions. In particular, the Company and BrightHouse 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 and BrightHouse have been advised of the possibility of such damages.