

BrightHouse – FY 15/16 Results

29 June 2016

- 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 Annual Report for the year ended 31 March 2016.

Agenda

- FY 15/16 Highlights
- FY 15/16 Financial Results
- Regulatory Update
- Summary
- Q & A

FY 15/16 Highlights

- A year of challenging trading conditions and intense regulatory scrutiny
 - EBITDA of £56.0m (FY 14/15: £56.1m)
- Significant infrastructure investments and operational enhancements
- Progressing on path toward full FCA authorisation. Continued focus on affordability
 - Agreed plan to meet enhanced requirements
- 14 new store openings increasing estate size to 312 as at 31st March 2016

Financial Performance

FY 15/16 Financial Results

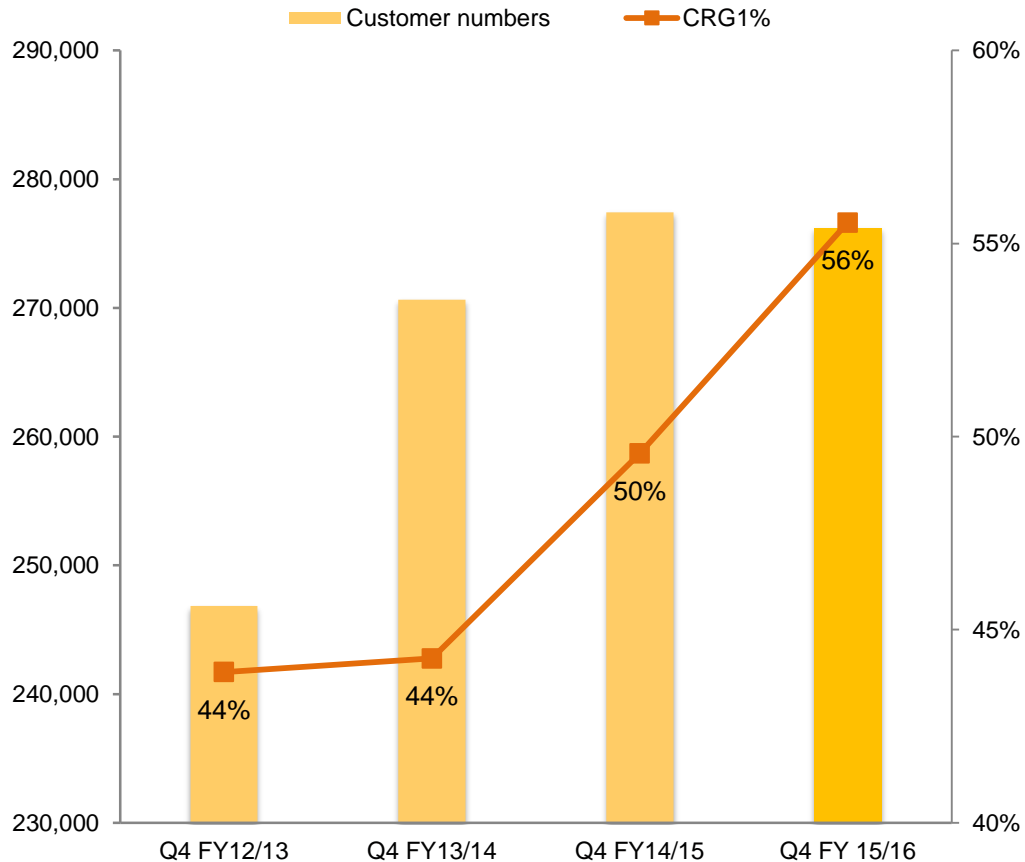
- Revenue up 5.4% to £370.7m (FY 14/15: £351.7m)
- EBITDA (pre-exceptionals) of £56.0m (FY 14/15: £56.1m)
- Net cash flow from operating activities of £55.5m (FY 14/15: £43.0m)
- Net debt to EBITDA ratio of 3.37x (FY 14/15: 3.63x)

Profit performance

£m	FY 15/16	FY 14/15	%
Revenue	370.7	351.7	5.4%
Gross Profit	199.2	196.2	1.5%
Operating expenses	(143.2)	(140.1)	(2.2%)
EBITDA	56.0	56.1	(0.1%)
<i>EBITDA Margin %</i>	15.1%	16.0%	
Depreciation and amortisation	(12.9)	(12.8)	(0.7%)
Net finance expenses	(22.1)	(22.0)	(0.5%)
Exceptional costs	(3.3)	(1.6)	
Profit before tax	17.7	19.6	(10.0%)
Tax charge	(3.9)	(4.7)	16.8%
Profit after tax	13.8	14.9	(7.9%)

- Revenue up 5.4% year-on-year
 - Like-for-like revenue growth of 4.7%
- Gross profit of £199.2m for FY 15/16 (FY 14/15: £196.2m)
 - Technology demand and term influencing margin and contract portfolio
 - Cost of debt 9.56% of revenue (FY 14/15: 9.51%)
- Operating expenses of £143.2m for FY 15/16 (FY 14/15: £140.1m)
 - Operating expenses as a percentage of revenue reduced to 38.6% (FY 14/15: 39.8%)

KPI Analysis: Customer Base

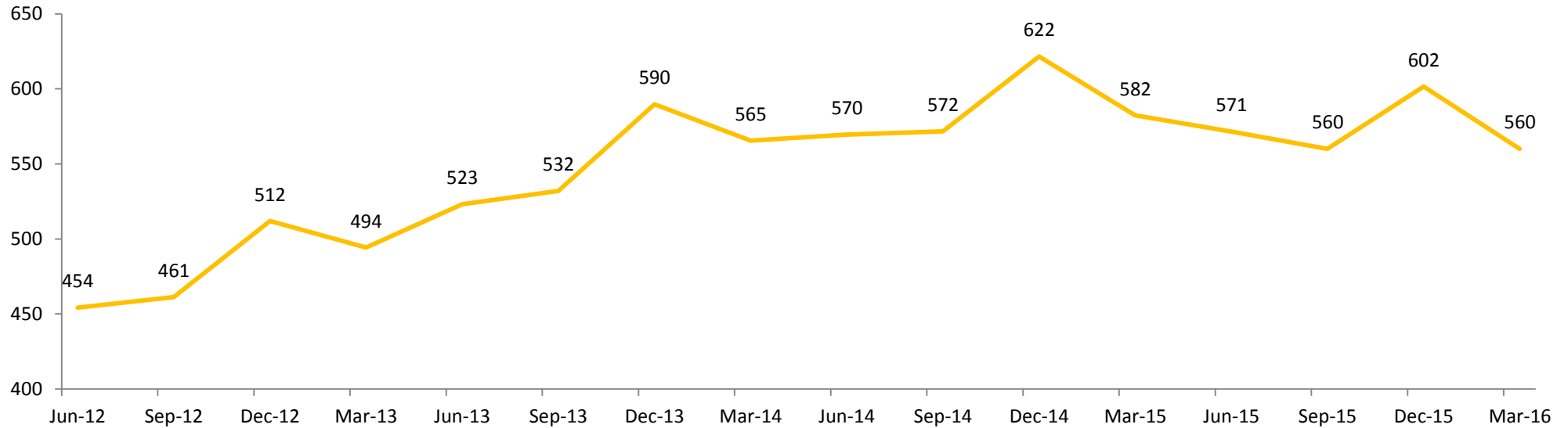


- 276,200 customers as at Mar-16 (Mar-15: 277,400)
- Customer numbers impacted by affordability requirements during sign up process
 - Credit policy changes
- CRG1* % of customer base increased from 49.6% at Mar-15 to 55.5% at Mar-16

*CRG: Customer Risk Grade based on assessment of customer creditworthiness - CRG1 being the most creditworthy

KPI Analysis: Contract Portfolio

Contract Portfolio Balance (£m)



Contract Portfolio

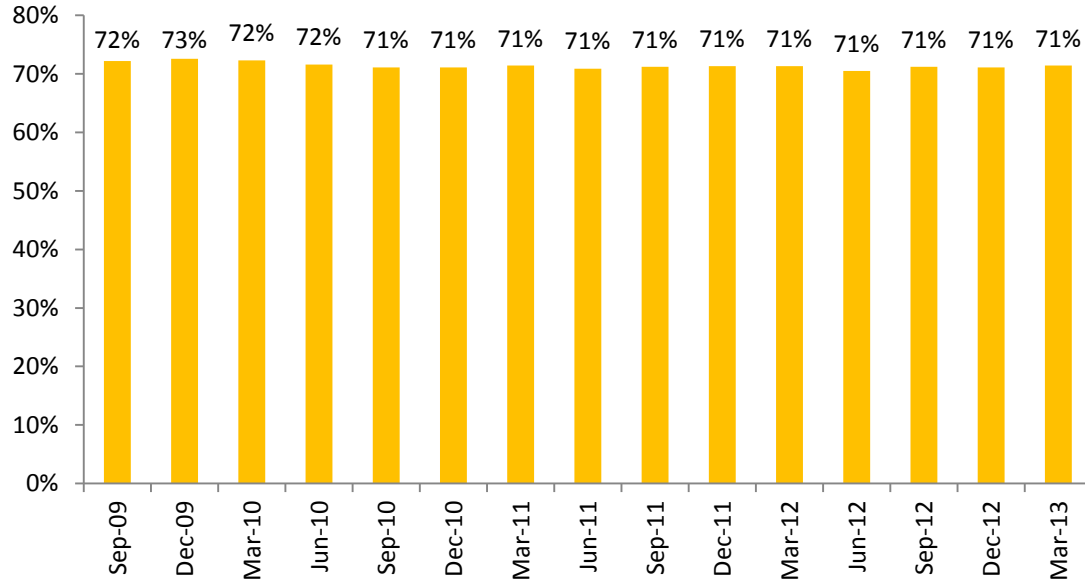
£m	FY 15/16	FY 14/15
Opening Contract Portfolio balance	582.4	565.5
Contract Portfolio Growth in the year	(22.3)	16.9
Closing Contract Portfolio balance	560.1	582.4
Contract Portfolio Growth % in the year	(3.8%)	3.0%

- Contract Portfolio: Aggregate of remaining payments under Hire Purchase agreements if they run to full term
- Contract Portfolio balance decreased 3.8% year-on-year to £560.1 million (Mar-15: £582.4 million)
 - Shift in consumer demand from three year TV agreements toward two year Technology agreements
 - Impact of tighter customer acceptance criteria

*CRG: Customer Risk Grade based on assessment of customer creditworthiness - CRG1 being the most creditworthy

KPI Analysis: Contract Portfolio Performance

Actual Contract Portfolio Collection %



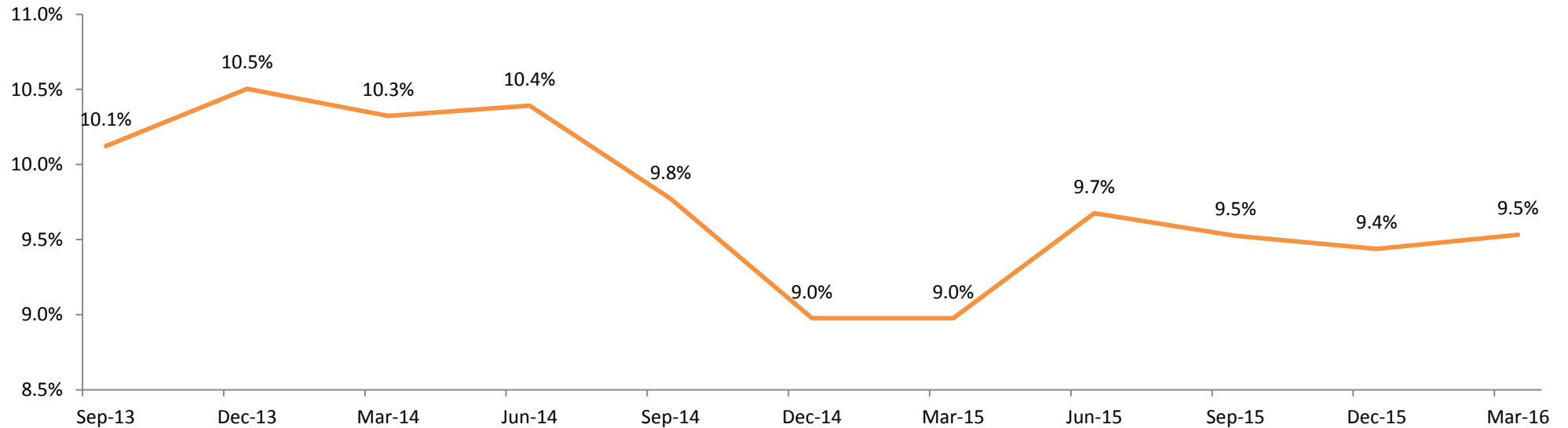
- 71.4% of the Mar-13 Contract Portfolio has been recovered in cash
- Excludes product recovery
- Independent forecasts indicate that current cash collection rates are consistent
- Contract Portfolio to rental assets ratio of 3.8x

Contract Portfolio to Assets Ratio

£m	FY 15/16	FY 14/15
Contract Portfolio balance	560.1	582.4
NBV of Rental Assets	145.6	152.7
Ratio	3.8	3.8

KPI Analysis: Cost of Debt

Cost of Debt/Revenue – Quarterly Trend



- Cost of debt as a percentage of revenue at 9.56% in FY 15/16 (FY 14/15: 9.51%)
- Change agenda and tactical initiatives:
 - Transitioning Customer Contact Centre from Serco to WebHelp
 - Handheld devices introduced for collections agents
 - Further automation of payment options
 - Enhancements to structured call programme & improved call answer rates

Balance Sheet

£000	FY 15/16	FY 14/15
Non-current assets		
Property, plant and equipment	161,068	167,903
Intangible assets	88,766	85,309
Trade and other receivables	19,565	23,282
Deferred tax assets	5,651	7,822
	275,050	284,316
Current assets		
Inventories	19,083	14,364
Trade and other receivables	48,117	51,216
Cash and cash equivalents	41,369	20,059
	108,569	85,639
Total assets	383,619	369,955
Current liabilities		
Trade and other payables	51,444	59,783
Provisions	3,100	-
Current tax payable	1,608	797
	56,152	60,580
Non-current liabilities		
Financial liabilities	251,012	246,745
Total liabilities	307,164	307,325
Net assets	76,455	62,630

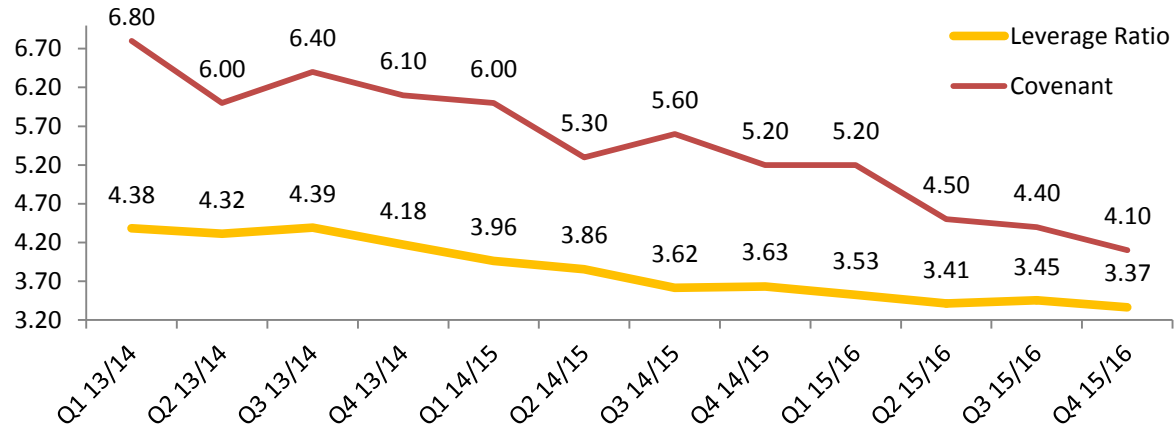
- PPE decreased from £167.9m to £161.1m
 - Assets under agreement decreased from £152.7m to £145.6m
- Cash balance of £41.4m
- Net asset position strengthened from £62.6m at Mar-15 to £76.5m at Mar-16
- Net debt to EBITDA of 3.37x (FY 14/15: 3.63x)

Cash Flow Performance

£m	FY 15/16	FY 14/15	
Operating cash flow	59.8	46.4	
Changes in working capital	(3.4)	(1.8)	
Cash generated from operations	56.4	44.7	• Decreased hire purchase asset investment to £128.5m in FY 15/16 (FY 14/15: £133.0m)
Tax paid	(0.9)	(1.7)	
Net cash flow from operating activities	55.5	43.0	• Increased working capital by £3.4m
Net cash flow from investing activities	(16.5)	(12.2)	• Net cash outflow from investing activities of £16.5m
Net cash flow from pre-financing activities	38.9	30.9	
Net cash flow from financing activities	(17.6)	(27.1)	
Net increase in cash	21.3	3.8	• Net cash flow pre-financing activities of £38.9m

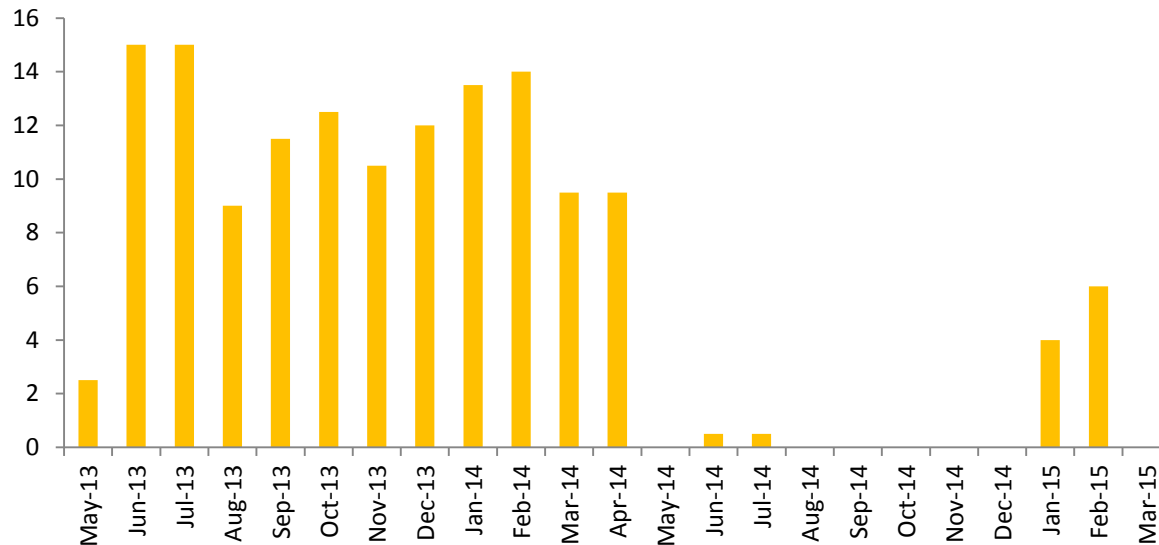
Gearing & RCF Usage

Leverage Ratio



- Leverage ratio improved during FY 15/16 and below RCF covenant

RCF Drawdown (£'m)



- Revolving Capital Facility of £25m
- Nil drawings since Feb-15

Regulatory Update

Regulatory Update

- Application for authorisation submitted May-15
- Continued dialogue with FCA
- Detailed operational plan agreed to meet threshold conditions
 - Requirements for extended affordability assessments
 - Temporary measures introduced during embedding process
 - Investment in additional quality assurance resource
- Experiencing a material impact on current trading
 - Contract portfolio as at 31st March 2016: £560m
 - Contract portfolio as at 12th June 2016: £514m

Summary

Summary

- Solid financial performance and quality of contract portfolio, despite challenging trading and regulatory conditions
- Demanding regulatory environment impacting growth agenda
 - Stricter customer acceptance criteria and more intrusive sign up process
 - Material impact on customer sign ups and Contract Portfolio
- Market size and demand remain unchanged
 - Estimated 13m people without access to mainstream credit
- Investments into IT platform and e-commerce to provide stronger base for longer term growth

Q & A