Domestic & General

BNP Paribas High Yield & Leveraged Finance Conference, London, January 15 2015

Presenters

Andy Crossley – Chief Financial Officer

- Joined D&G in September 2014
- Previously CFO and Deputy CEO for Prudential UK & Europe and Group Chief Risk Officer for Prudential Plc
- Previously held senior finance roles at Prudential, Legal & General and Lloyds Bank

Nick McNulty – Group Financial Controller

- Joined D&G in August 2014
- Previously Group Controller Veolia Water UK Plc and Senior Manager Deloitte

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Domestic & General Group Overview

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Domestic & General in the UK

- UK’s leading warranty provider
  - 8.8m customers
  - 13.6m products protected
  - 5.1m direct debit plans
- Distribute plans at the point of sale, post the point of sale and the point of need
- Insurance and service contracts
- Brand custodians for OEM partners

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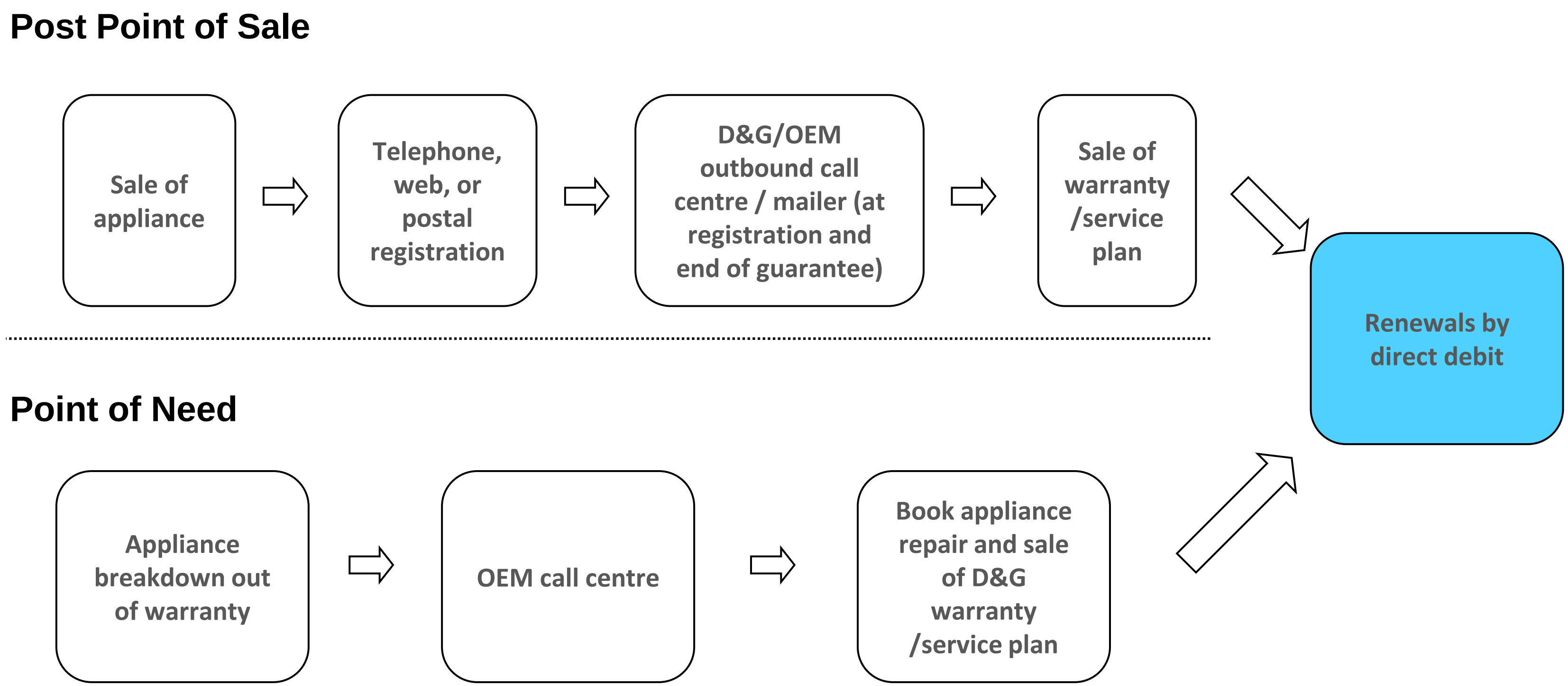
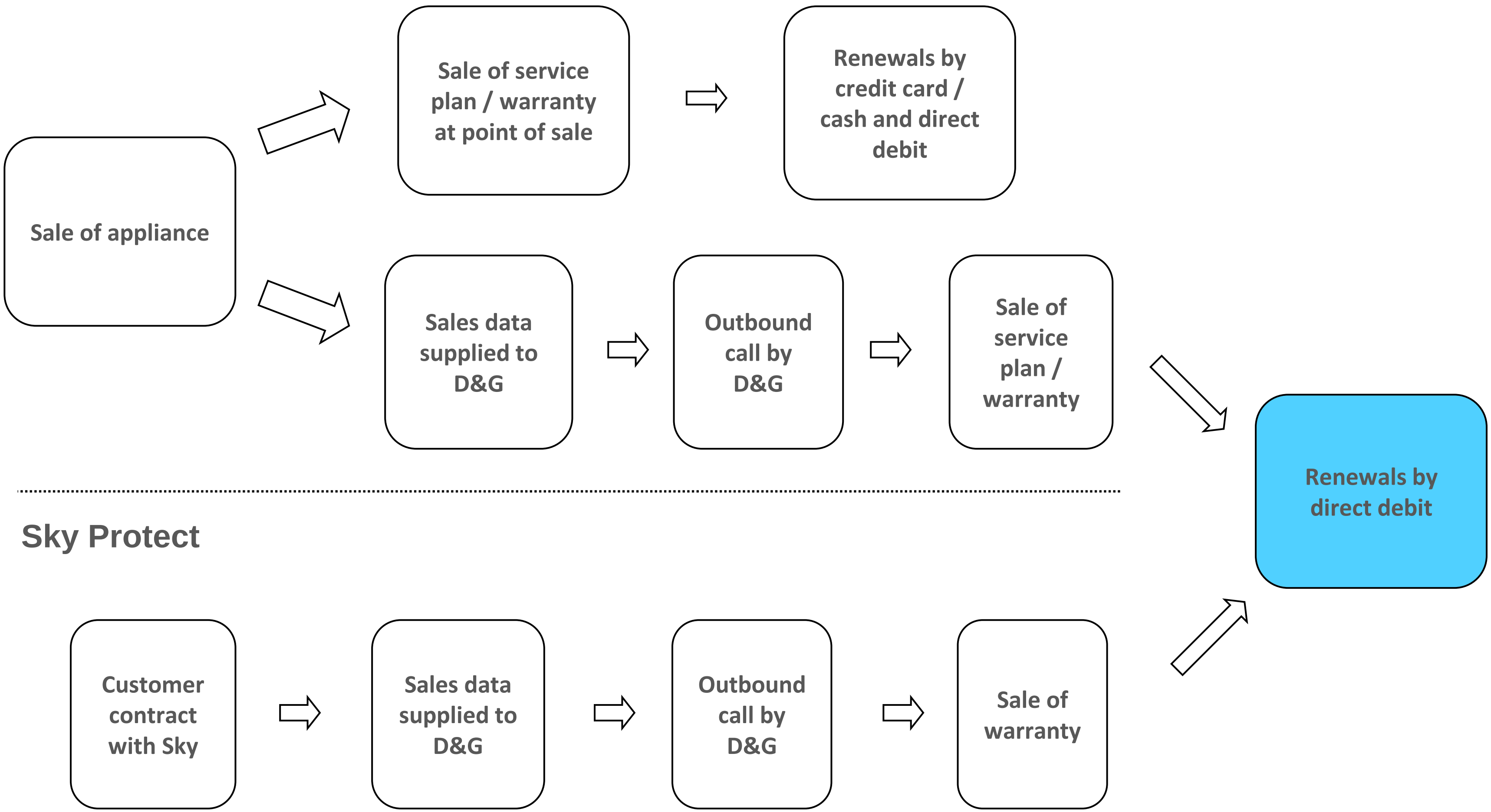
Typical routes to market

OEM Contracts



Typical routes to market (cont)

Retailer Contracts



We're trusted by blue chip brands to look after their customers

Strong Partnerships with Leading Global OEMs

Blue Chip Retail and Other Partnerships

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Customer satisfaction is key

Our Values

"We care about you, your products and your problem."

- ✓ Dependable
- ✓ Caring
- ✓ Driven
- ✓ Creative
- ✓ Expert
- ✓ Fair

Our Products

- ✓ 99%+ claim approval
- ✓ Out-of-hours emergency assistance
- ✓ Over 7,000 engineers
- ✓ 24-hour UK contact centres
- ✓ Nationwide approved repairer network

Customer Satisfaction

57	Post-repair net promoter score
90%	Would recommend us following repair
92%	Post-repair satisfaction
91%	Satisfied with purchasing experience

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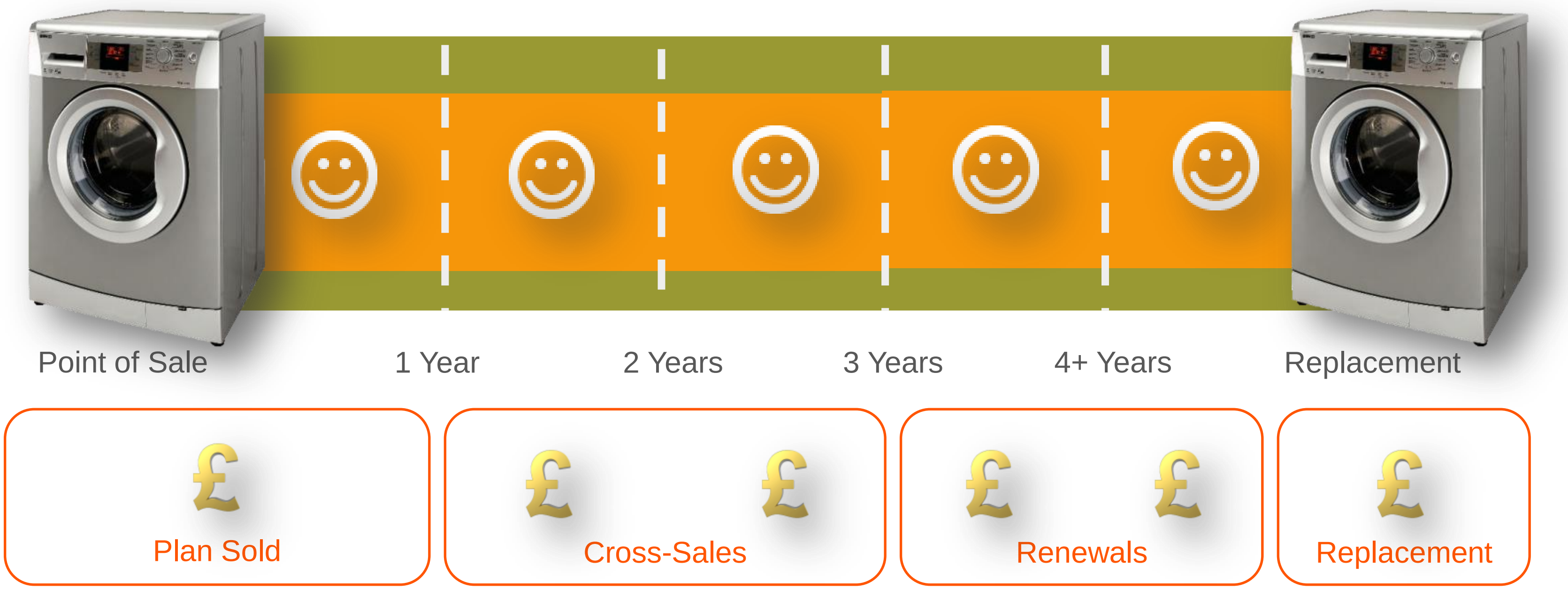
The benefits of warranty to manufacturers & retailers

Increased Revenue through continuous commissions

Enhanced Customer Experience & Loyalty

Continuous Brand Engagement



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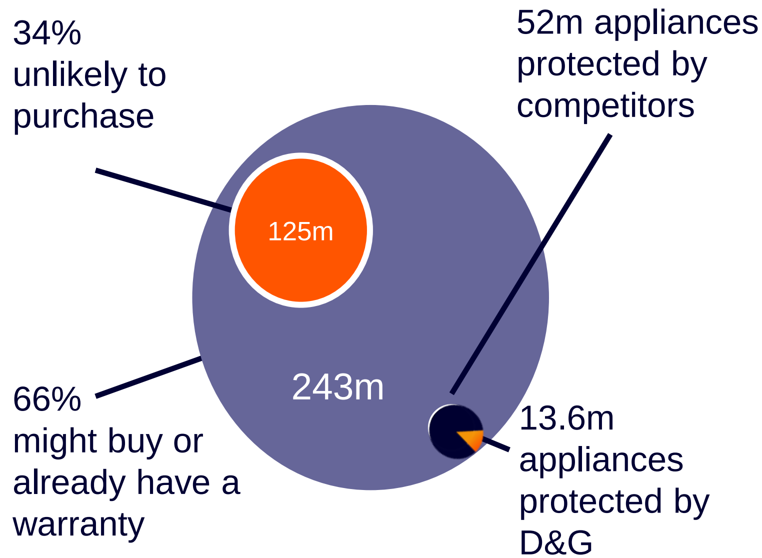
What is the opportunity for warranty products in the UK?



14 warrantable appliances per household

368m warrantable appliances in the UK

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D&G International

- 7.7m customers
- 9.4m products protected
- Currently operating in Germany, Spain, Australia, Portugal, Italy, Ireland, France, Belgium, Netherlands, New Zealand, Sweden, Denmark and Poland

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Strategy

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Current focus

- Managing UK book productivity
- Driving International growth
- Enhancing key client relationships
- IT platform upgrade
- Contact centre reorganisation
- Developing the digital journey
- Senior management hires and performance culture

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Finance Review

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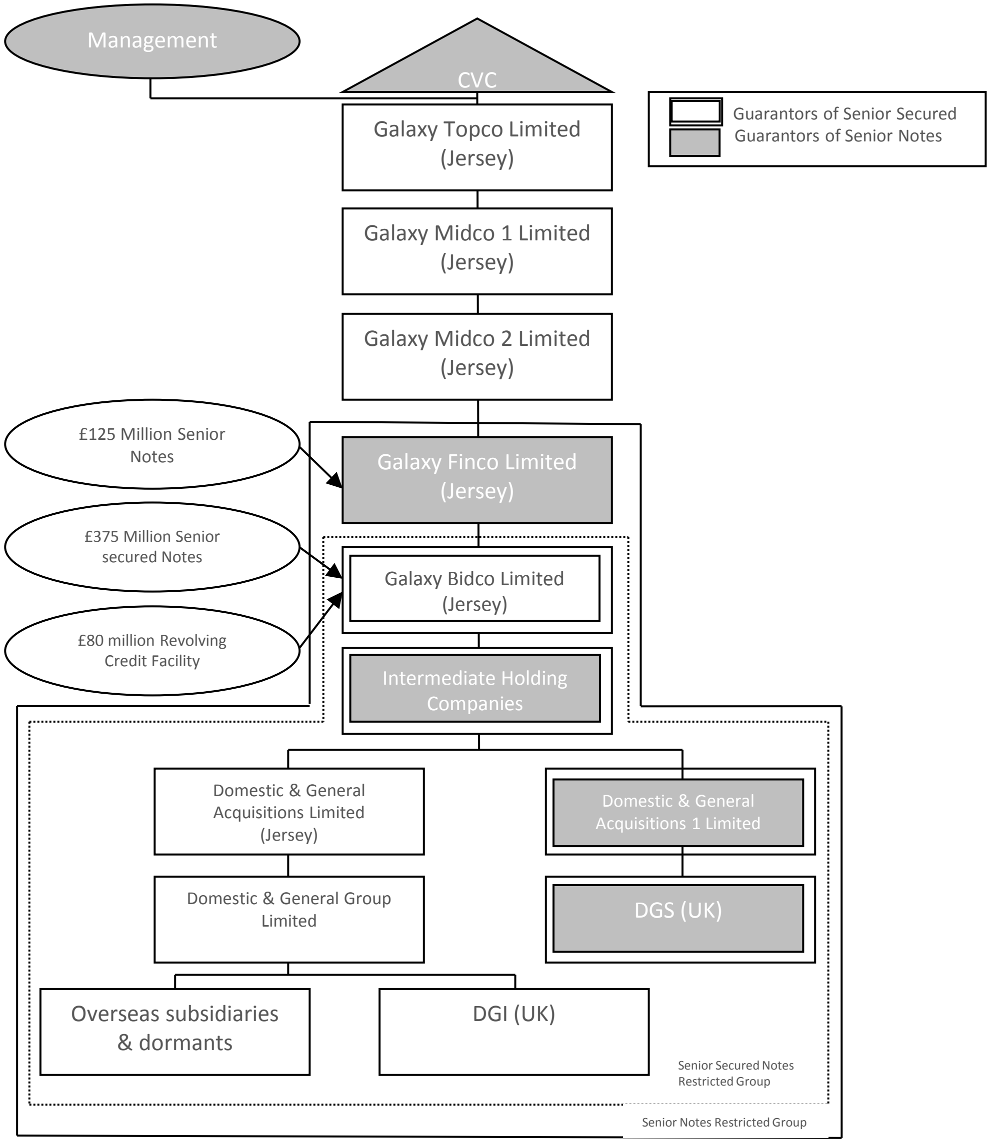
Simplified Corporate Structure



- CVC acquired D&G on 19 December 2013
- Acquisition supported by:
  - £175m Floating rate Senior Secured Notes – due 2019
  - £200m Senior Secured Notes – due 2020
  - £125m Senior Notes – due 2021
  - £80m RCF
- Net leverage of 5.8x based on LTM result to September 2014

Attractive business model

- Business model provides for stable and recurring cash flows
  - Highly valued product: warranty protection against breakdown on white and brown goods outside of manufacturer’s guarantee period
  - Broad range of distribution channels and product types: protection available at point of sale, post-point of sale or point of need, for either single or multiple appliances
  - High level of profitable renewals: c. 70% of sales in the UK are renewing policies and renewals book generally owned by D&G.
  - Longstanding relationships with OEMs: embedded and mutually beneficial relationships with 11 of the leading 12 OEMs in the UK
  - Predictable customer payments: majority received on a monthly basis, largely by direct debit and with very low bad debts
- Strong upside potential via increased penetration and cross selling in the UK and International growth

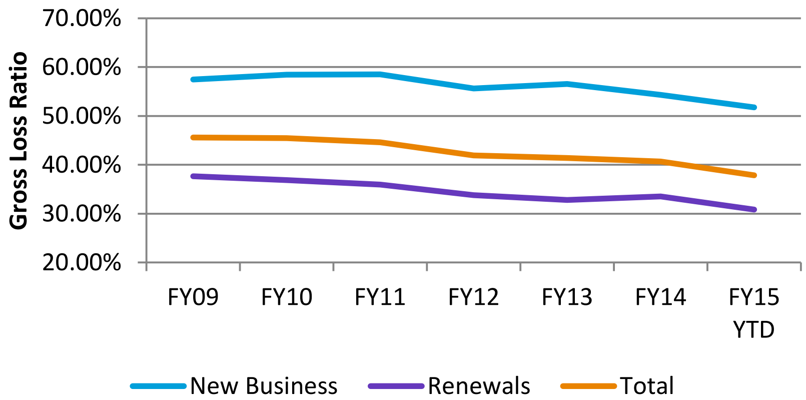
Attractive financial profile

- Exceptional track record underpinned by organic growth, with highly predictable revenues from large back book
- Stable repair and acquisition costs have delivered consistent EBITDA margins
- Revenue visibility provided by deferred income and high and stable renewal rates
- High cash conversion and favourable working capital profile
  - Cash conversion[1] rate of 88% (FY2014) of adjusted EBITDA
  - Structurally favourable working capital position, as cash generally received in advance of claims being paid
- Annualised cash interest cost of c. £35m comfortably covered in LTM result

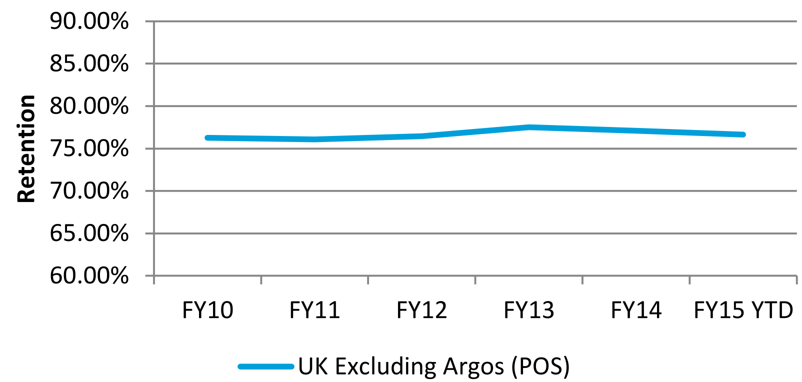
(1) Cash conversion rate calculated as free cash flow / EBITDA

Strong & consistent financial performance

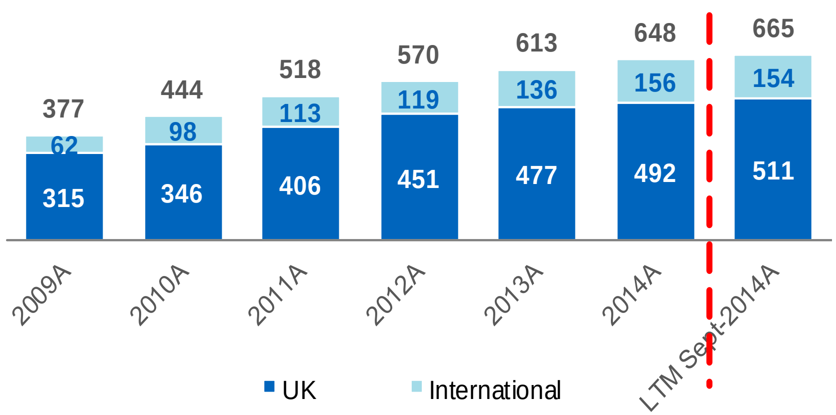
Gross Loss Ratio Consistently Improving



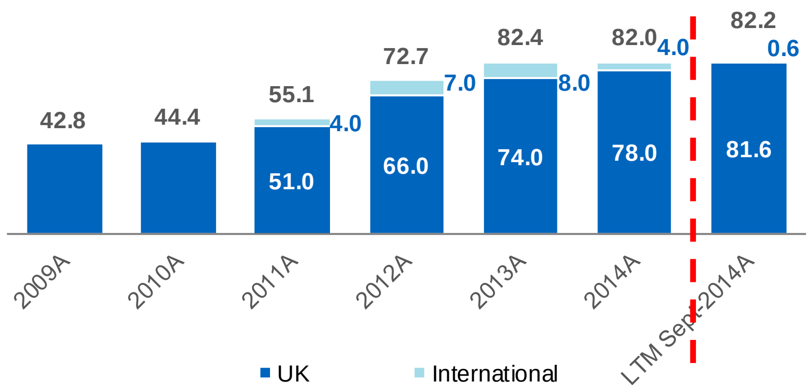
Retention Rates High & Stable



Sales (£m) – CAGR 2009-14: 11.5%



Adj. EBITDA (£m) – CAGR 2009-14: 13.9%



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FY 2015 – H1 Results

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FY15 – Year to date results summary

(£m, FYE 31-Mar)	6M FY15	6M FY14	Growth (%)	LTM Sep FY15	FY14
Sales	**309.5**	**292.6**	**5.8%**	**664.8**	**647.9**
UK	*240.2*	*222.0*	*8.2%*	*510.6*	*492.4*
International	*69.4*	*70.6*	*-1.8%*	*154.3*	*155.5*
Revenue[1]	**331.5**	**313.2**	**5.8%**	**651.2**	**632.9**
UK	*258.8*	*243.5*	*6.3%*	*507.1*	*491.8*
International	*72.7*	*69.7*	*4.2%*	*144.1*	*141.1*
Operating Profit[2]	**40.3**	**40.4**	**(0.2)%**	**73.6**	**73.6**
% Revenue	*12.2%*	*12.9%*		*11.3%*	*11.6%*
Adj. EBITDA[3]	**44.7**	**44.5**	**0.4%**	**82.2**	**82.0**
% Revenue	*13.5%*	*14.2%*		*12.6%*	*13.0%*
Inflow / (Outflow) in Net Working Capital	*(4.5)*	*(7.3)*	*37.9%*	*0.2*	*(2.6)*
Capex	*(6.9)*	*(4.1)*	*(69.3)%*	*(10.2)*	*(7.4)*
FCF (Pre-tax)	**33.2**	**33.1**	**0.4%**	**72.1**	**72.0**
% Conversion from Adj. EBITDA	*74.3%*	*74.4%*		*87.7%*	*87.8%*
Adj. Cash flow Available for Debt Service	**32.9**	**31.5**	**4.3%**	**61.5**	**60.1**
% Conversion from Adj. EBITDA	*73.5%*	*70.8%*		*74.8%*	*73.3%*

- H1 sales ahead of PY. Strength of UK business continuing to drive overall performance with strong sales growth of 8.2%
- International sales impacted by the loss of MSH Germany contract which ended August 2014 – impact highlighted on following slide
- Operating profit in line with H1 FY14, EBITDA marginally ahead
- IT & Call Centre investment programme underway with capex spending up £2.8m over PY
- Offset by positive net working capital movements, free cash flow is in line with prior year comparative
- CFADS in line with prior year and discussed in detail on the following slides

(1) Revenue excluding fair value adjustments

(2) Operating profit shown before amortization of intangibles and exceptional items

(3) Adjusted EBITDA is a financial measure that is not defined under IFRS and represents our profit/(loss) for the period before (i) finance costs and interest expenses, (ii) income tax charge, (iii) depreciation and (iv) amortization and after investment income, as further adjusted to exclude the impact on our profit/(loss) of certain items that our management considers exceptional or non-trade related.

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Underlying Performance – Excluding MSH Germany

(£m, FYE 31-Mar)	6M FY15	6M FY14	Variance (%)
MSH Germany			
Sales	*21.8*	*26.0*	*-16.1%*
Revenue [1]	*26.9*	*24.0*	*11.8%*
Operating Profit [2] */Adj. EBITDA* [3]	*(0.3)*	*0.5*	*-160.4%*

Group Result excluding MSH Germany

Sales	**287.7**	**266.6**	**7.9%**
UK	*240.2*	*222.0*	*8.2%*
International	*47.5*	*44.6*	*6.6%*
Revenue [1]	**304.6**	**289.2**	**5.3%**
UK	*258.8*	*243.5*	*6.3%*
International	*45.8*	*45.7*	*0.2%*
Operating Profit [2]	**40.6**	**39.9**	**1.7%**
Adj. EBITDA [3]	**45.0**	**44.0**	**2.2%**

- MSH Germany contract ceased in August 2014
- International sales up 6.6% if MSH impact excluded
- Revenue will become increasingly affected as deferred income works through, following the trend of sales
- Group EBITDA increased by 2.2%

(1) Revenue excluding fair value adjustments

(2) Operating profit shown before amortization of intangibles and exceptional items

(3) Adjusted EBITDA is a financial measure that is not defined under IFRS and represents our profit/(loss) for the period before (i) finance costs and interest expenses, (ii) income tax charge, (iii) depreciation and (iv) amortization and after investment income, as further adjusted to exclude the impact on our profit/(loss) of certain items that our management considers exceptional or non-trade related.

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Cash flow available for debt service

Adj. Cash Flow Available for Debt Service	6M FY15	6M FY14	Growth (%)	LTM Sep FY15	FY14
Free cash flow from Non-Regulated Business	*7.0*	*3.7*	*88.5%*	*12.8*	*9.5*
Distributable earnings from Regulated Business	*18.9*	*19.2*	*-1.7%*	*53.9*	*54.2*
Service Charge Paid from Regulated Business to Non-Regulated Business	*1.3*	*1.6*	*-18.8%*	*3.3*	*3.6*
Tax charge paid from DGI to DGS (current only)	*5.7*	*7.0*	*-18.6%*	*10.8*	*12.1*
Cash flow available for debt service	**32.9**	**31.5**	**4.3%**	**80.8**	**79.4**
Proforma adjustment for change in Prudential buffer [1]	*-*	*-*	*-n/m*	*(19.3)*	*(19.3)*
Adj. cash flow available for debt service	**32.9**	**31.5**	**4.3%**	**61.5**	**60.1**
% Conversion from Adj. EBITDA	*73.5%*	*70.8%*		*74.8%*	*73.3%*

Annualised CFADS at £61.5m comfortably covers annualised cash interest cost of c. £35m

(1) On December 16, 2013, the prudential buffer of DGI was reduced to approximately 30% of minimum capital requirements resulting in a £19m reduction in the capital to be held.

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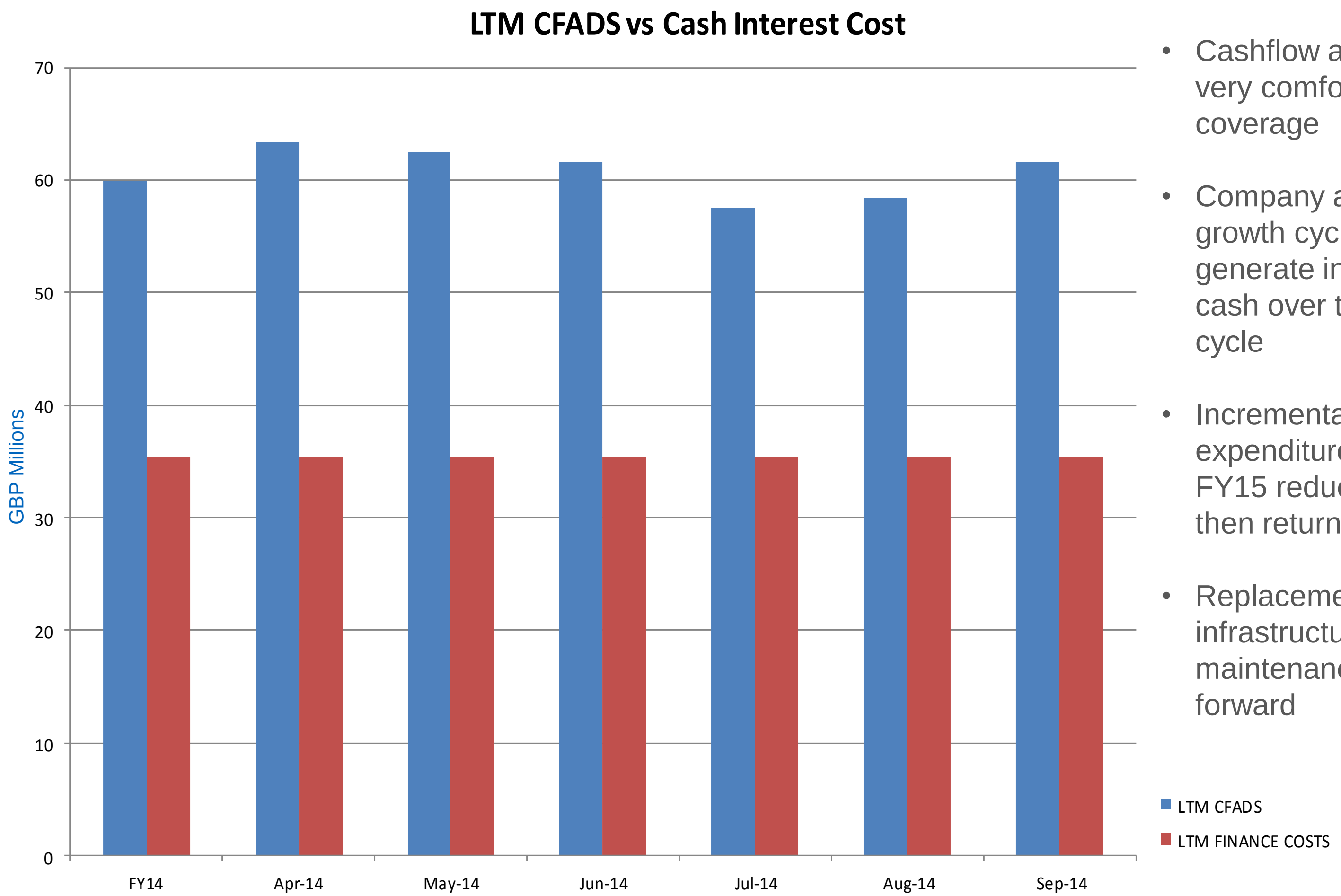
Historical LTM cashflow available for debt service



- Cashflow available provides very comfortable interest coverage
- Company at the start of a growth cycle and expects to generate increasing levels of cash over the period of this cycle
- Incremental capital expenditure announced for FY15 reducing in FY16 and then returning to normal levels
- Replacement of aging IT infrastructure should reduce maintenance costs moving forward

(1) Annualised for comparison purposes

(2) Pro-forma'd to adjust for acquisition and new capitalisation structure

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Capitalisation – 30 September 2014

	£m	x EBITDA	Maturity	Price
Sr. Secured FRN	175	2.1x	2019	LIBOR +5.000%
Sr. Secured Notes	200	2.4x	2020	6.375%
Senior Secured Debt	**375**	**4.6x**		
Senior Notes	125	1.5x	2021	7.875%
Gross Debt	**500**	**6.1x**		
Unrestricted cash reserves[1]	(26)	(0.3)x		
Total Net Debt	**474**	**5.8x**		
Super Senior RCF (undrawn)[2]	80		2019	
LTM SEP FY15 Adj. EBITDA (£m)		82		

- Modest reduction in leverage due to slightly higher EBITDA and unrestricted cash balance

(1) Unrestricted cash reserves calculated as cash on the unregulated balance sheet plus surplus capital in the regulated business
(2) The Revolving Credit Facility is undrawn. There is an on-demand £35.0 million letter of credit under the Facility in favour of the PoS Trust

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Recent Developments

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Recent Developments

Events since Q2 results presentation of 24 November 2014:

Contract renewals:

- MSH Spain
- Argos
- Hoover Candy

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Q & A

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