



Trading Statement

Released : 07.04.20 07:00

RNS Number : 97071
Homeserve Plc
07 April 2020

HOMESERVE PLC TRADING UPDATE AND COVID-19 RESPONSE

LONDON - 7 April 2020 - HomeServe plc ("HomeServe", "the Group"), the international home repairs and improvements business, today publishes the following update in respect of its financial year ended 31 March 2020 and its response to the COVID-19 pandemic.

FY20 performance

HomeServe continued to deliver strong growth in FY20, with adjusted profit before tax (PBTA) expected to be ahead of consensus expectations¹ at c. £181m (FY19: £161.7m), up 12%.

The Membership business continued to deliver good top line growth, innovative customer service initiatives and efficiency gains. Customer numbers are expected to end the year at 8.3m (FY19: 8.2m²) including 4.4m in North America (FY19: 4.0m), with customer growth in North America and France offsetting expected reductions in approximately equal measure in the UK and Spain. Policy retention held firm at 82% thanks to continued high levels of customer satisfaction; and improved product range, cover levels and value drove a substantial rise in net income per customer in the UK and North America.

As expected, strong profit growth in Membership funded increased investment in Home Experts and New Markets. The most important areas of investment were marketing, technology and people at Checkatrade; strengthening the management team at Habitissimo; and HomeServe's Japanese joint venture with Mitsubishi Corporation. In Japan, marketing got off to a good start with the joint venture's first utility partner, Chugoku Electric, signed in January 2020 with 2.9m households. Marketing initiatives at Checkatrade increased revenue by c.30%; the number of trades on the platform grew 9% to c.39k and consumer web visits were up 32% to c.24m. The acquisition of eLocal gave HomeServe a profitable entry to the Home Experts market in North America.

Financial strength and liquidity

HomeServe remains highly cash generative and well funded. Total facilities now amount to c.£780m including the addition of a new £50m revolving credit facility on 30 March 2020, with only £37m of loans maturing in the next 12 months. The Group has gross debt of c.£585m and cash on hand of c.£125m giving headroom of c.£320m. With IFRS 16 leases of c.£55m, net debt was c.£515m. As previously guided, net debt at 31 March 2020 was c.1.9x EBITDA, within the Group's target leverage range of 1.0 to 2.0x. The Group's covenants stipulate a leverage ratio of 3.0x.

COVID-19 response

Looking after HomeServe's people

The Board's current decision is not to furlough or make redundant any staff in the course of the COVID-19 lockdowns, in order to do the right thing for HomeServe's teams and maintain maximum flexibility in the way the business is run.

HomeServe's c.6,000 office-based staff, including contact centre agents, are all working successfully from home thanks to a monumental effort by operations staff and recent technology investments.

Delivering for customers

HomeServe is continuing to respond to emergency repair requests from customers in all the countries where it operates, and is completing an average 150 jobs every hour.

In the field, additional social distancing procedures have been put in place to safeguard engineers and homeowners.

Supporting Trades

At Checkatrade, Trades are pro-actively being offered a 50% membership discount for April and May if they want to continue to feature in consumer searches. If they wish to maintain their presence on the platform but, for now, not appear in searches, they are being offered free-of-charge affiliate membership, which is also being offered to new Trades that wish to join and build their online presence.

Management action

HomeServe acknowledges that the situation with COVID-19 is unprecedented and continually evolving, and is taking action to preserve profitability and reduce discretionary spend and capital expenditure.

In Membership, HomeServe's business model remains resilient. Policy retention - the key top line driver - remains strong. Response rates to marketing campaigns held up well through March and on-line new customer sign-ups continue. The Membership cost base is approximately one third variable, with marketing spend discretionary and affinity partner commissions linked directly to new sales and renewals. Going into the quieter period for marketing, the decision has been taken to pause most campaigns. Both new customer additions and costs will reduce as a result.

Checkatrade, Habitissimo and eLocal experienced falling demand from consumers from mid March in light of government directives to minimise unnecessary contact. The performance of these businesses is currently much less material to the Group's overall financial performance, accounting for c.10% of revenue. Marketing has been substantially reduced at Checkatrade, while in Habitissimo and eLocal, there is a natural offset between reduced traffic on the platforms and the expense involved in generating leads.

HomeServe will continue to make selective investments for the future in anticipation of substantial demand for home repairs and improvements when the period of lockdown ends. While mergers and acquisitions activity is largely on hold, HomeServe is ready to act quickly if opportunities arise.

HomeServe expects to be in a position to report its full year results as planned on Tuesday 19 May 2020 and, consistent with prior years, the Board will consider its full year dividend options in advance of the publication of full year results.

¹ Consensus PBTA, the mean average of 13 analyst estimates, stands at £179.4m. Adjusted PBT excludes the impact of the amortisation of acquisition intangible assets.

² Excludes the 0.2m customers sold with the Italian joint venture in August 2019.

<p>Media enquiries: Tulchan Group</p> <p>Martin Robinson Lisa Jarrett-Kerr homeserve@tulchangroup.com +44 207 353 4200</p>	<p>HomeServe Investor Relations</p> <p>Miriam McKay - Group Communications and IR Director miriam.mckay@homeserve.com +44 7795 062564</p> <p>Simon Lewis - Director of Corporate Development simon.lewis@homeserve.com +44 7970 840694</p>
--	--

About HomeServe

HomeServe is an international home repairs and improvements business which provides people with access to tradespeople and technology to run their homes more easily. HomeServe is listed on the London Stock Exchange, with a market capitalisation of c.£3.5 billion.

ENDS

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

TSTIFMFTMTIMBPM

