

Operating review

Financial performance

€million	Revenue		Statutory operating profit/(loss)		Adjusted operating profit/(loss)		
	2022	% Chg v. 2021	2022	% Chg v. 2021	2022	% Chg v. 2021	% Chg v. 2021 CCY
North American Membership & HVAC	583.0	+15%	101.7	+24%	117.7	+12%	+15%
UK	337.5	-0%	68.9	n/a	72.9	+1%	+1%
France	152.7	+15%	29.4	+3%	36.4	+2%	+8%
Spain	207.5	+6%	17.6	+20%	20.8	+18%	+24%
New Markets	0.8	n/a	(5.6)	-44%	(5.6)	-11%	-11%
EMEA Membership & HVAC	698.5	+5%	110.3	+656%	124.5	+4%	+7%
Home Experts	155.2	+11%	(9.4)	-62%	4.3	n/a	n/a
Inter-segment ¹	(7.4)	n/a	—	—	—	—	—
Group	1,429.3	+10%	202.6	+182%	246.5	+15%	+18%

¹Inter-segment revenue includes transactions with other Group companies removed on consolidation and principally comprise royalty and other similar charges.

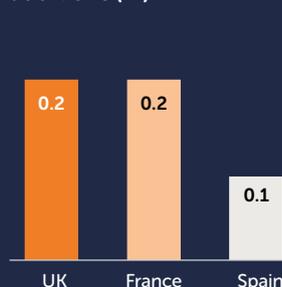
The net impact of changes in the Euro and USD exchange rates between FY21 and FY22 resulted in a £47.6m decrease in the reported revenue and a £6.2m decrease in adjusted operating profit.

North American Membership & HVAC KPIs

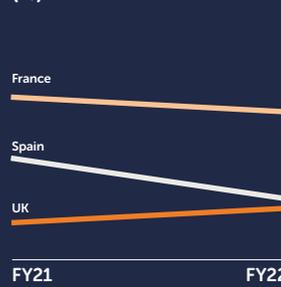
	2022	2021
New Membership customer additions (m)	1.2	1.0
Membership customers (m)	4.8	4.7
Net income per Membership customer (\$)	113	108
Policy retention rate	85%	85%
HVAC adjusted operating profit (\$m)	17.8	9.8

EMEA Membership & HVAC KPIs

Organic new customer additions (m)



Policy retention rate (%)



Non-membership sales (%²)



	2022	2021
UK	0.2	0.2
France	0.2	0.2
Spain	0.1	0.1

	2022	2021
UK	79%	78%
France	87%	88%
Spain	80%	83%

	2022	2021
UK	10%	4%
France	20%	12%
Spain	74%	71%

Home Experts KPIs

Paying trades (k)

	2022	2021
Checktrade	47	44
eLocal	n/a	n/a
Habitissimo	11	20
Group	58	64

ARPT³

	2022	2021
Checktrade	£1,229	£939
eLocal	n/a	n/a
Habitissimo	€831	€511
Group	n/a	n/a

Contacts (m)

	2022	2021
Checktrade	10.3	8.1
eLocal	3.4	3.6
Habitissimo	1.1	2.0
Group	14.8	13.7

² Proportion of total revenue derived from non-Membership activities (UK: HVAC installations and £15.7m in respect of CET, France: HVAC installations, Spain: Repair income and HVAC installations)

³ Average revenue per trade.

HomeServe uses a number of alternative performance measures (APMs) to assess the performance of the Group and its individual segments. These are used in headline financial results and throughout the Strategic report. APMs are non-GAAP measures which address profitability, leverage and liquidity and together with operational Key performance indicators give an indication of the current health and future prospects of the Group. Definitions of APMs and the rationale for their usage are included in the Glossary at the end of this report with reconciliations, where applicable, back to the equivalent statutory measure. The key APMs used in the strategic report are adjusted operating profit and adjusted profit before tax.

NORTH AMERICAN MEMBERSHIP & HVAC

Affinity partner households

FY22	73m
FY21	66m

73m +10%

Membership customers

FY22	4.8m
FY21	4.7m

4.8m +3%

Income per Membership customer

FY22	\$113
FY21	\$108

\$113 +5%

Membership policies

FY22	8.7m
FY21	8.2m

8.7m +6%

Retention rate



North American Membership & HVAC delivered a strong financial performance. The strong growth we are seeing is sustainable, thanks to disciplined management and innovation focused on the green homes revolution.

\$million	2022	2021	Change
Revenue			
Net policy income	556.4	510.7	9%
Repair income	110.6	74.9	48%
Membership	667.0	585.6	14%
HVAC installations	121.6	76.0	60%
Other	6.3	4.2	50%
Total revenue	794.9	665.8	19%
Adjusted operating costs	(635.8)	(527.9)	20%
Adjusted operating profit	159.1	137.9	15%
Adjusted operating margin	20%	21%	-1ppt

£million	2022	2021	Change
Revenue			
Net policy income	408.7	388.1	5%
Repair income	80.4	57.1	41%
Membership	489.1	445.2	10%
HVAC installations	89.3	57.9	54%
Other	4.6	3.3	40%
Total revenue	583.0	506.4	15%
Adjusted operating costs	(465.3)	(401.4)	16%
Adjusted operating profit	117.7	105.0	12%
Adjusted operating margin	20%	21%	-1ppt

Total customers	2022	2021	Change
Membership customers (m)	4.8	4.7	3%
Water loss customers (m)	0.8	0.6	27%
Total customers (m)	5.6	5.3	5%
Income per customer inc. water loss (\$)	99	96	3%

Financial performance

Net policy income grew by 9%. Though customer growth of 3% was more muted due to the Piedmont policy book sale and the Q4 Omicron impact, average policy holdings per customer rose to 1.8 (FY21: 1.7), with a resultant higher rate of policy growth at 6%.

Repair income, which partly comprises non-installation jobs completed by HomeServe's directly owned HVAC operations, again rose strongly – up 48% – largely reflecting the impact of a full 12 months' activity from FY21 acquisitions.

HVAC installation income similarly benefited from the annualisation of FY21 acquisitions, but also saw good organic growth of 19% in those businesses owned throughout FY21. Together, this drove 60% growth in HVAC installation revenue on the prior year, with HVAC as a whole (being both installations and fee for service work captured in the repair income line) contributing \$17.8m (FY21: \$9.8m) in adjusted operating profit for the year.

Operating review continued – North American Membership & HVAC

Adjusted operating costs rose by 20%, slightly ahead of revenue growth, largely reflecting an increase in marketing activity during the year. The adjusted operating margin of 20% was in line with that delivered in FY20, and 15% growth in adjusted operating profit was at a level which further underpins confidence in the business's trajectory towards the Milestone 2 target of \$230m.

Operational performance

Notwithstanding an impact from Covid-19, and specifically the Omicron variant, that came later than seen in other territories, the North American Membership & HVAC business continued to execute against its clear strategy and remains ahead of its original plan to achieve its Milestone 2 adjusted operating profit target of \$230m.

There was strong conversion of the high quality pipeline of prospective utility partnerships brought forward from the prior year. This resulted in new affinity relationships which, together with increased household coverage of existing partners, enable access to an additional net 7m (FY21: 2m) households. Business development was aided by a return to in-person networking with utilities, and the incremental 7m was after the removal of c.1m households of Piedmont Natural Gas Company ("Piedmont"), with whom an affinity partnership ended during the year, as previously announced.



North American Membership & HVAC benefits from strong relationships with utilities, based on deploying HomeServe's customer-centric service offering in a way that aligns with many of a utility's core objectives, whether they are providers of water or energy. Key initiatives to strengthen this proposition gained further traction during the year. In water,

the business continued to highlight the benefits of its water loss cover product (acquired as Servline in December 2019), which offers utilities a fully insured solution in the event of abnormally high costs due to water leakage from a homeowner's system. Water loss customers grew strongly by 27% to 0.8m (FY21: 0.6m). The offering is a particularly effective way to engage municipal water providers, and the business already has rights on over 30% of the 0.8m water loss customers to market its fuller suite of products. In energy, the electric vehicle ("EV") charging point solution which the business has developed enabled three large energy utilities to offer their customers EV charge point installation and protection, providing a gateway to a new relationship with a 4.6m household utility (incremental to the net 7m affinity partner households signed during the year), as well as an expanded relationship with an existing partner.



The core proposition of a hassle-free, swift and cost-effective solution for home emergencies continued to resonate strongly with homeowners as well as utilities. Organic gross customer additions of 1.2m (FY21: 1.0m) all came from existing utility partnerships launched prior to FY22, as launch marketing with utilities signed in-year were delayed – largely due to Omicron. The rate of customer additions in the second half was impacted somewhat by higher employee absence in partner call centres due to Omicron, whilst the completion of the disposal of the first tranche of policies back to Piedmont also drove more muted customer growth. Existing customers continued to upgrade their policy holding through the suite of products however, and higher levels of marketing were re-directed into this cross-sell channel than the prior year, resulting in continued strong policy growth of 6%

– the key driver of revenue and profit progression.

The business continued to differentiate its value proposition to customers through high levels of service, with the customer satisfaction rating (scored out of five) advancing to 4.80 for the year (FY21: 4.71). The business also further deployed technology to aid the customer experience, with natural language call automation assisting over 2m customers during the year.

With a portfolio of 19 locally branded companies ("LBCs") acquired over the last four years, the HVAC buy and build strategy is furthest advanced in North America. LBCs completed 19k jobs for Membership policyholders during the year (FY21: 14k), with a further five acquisitions during the year meaning there are now 0.4m policies across the portfolio. A further two LBCs were migrated to Service Titan, a cloud-based system to handle operations and marketing, during the second half, with 91% of the LBC portfolio by revenue live on the system at the end of FY22.

The HVAC offering means the North American business has the assets and capabilities to support homeowners with more efficient and green equipment as the residential decarbonisation transition accelerates. During the year the business successfully developed and trialled "HVAC as a Service" with a large utility in New York state, with homeowners getting access to new more efficient equipment, a repair plan and the facility to track energy savings for a fixed monthly fee, which aids affordability compared to a large initial outlay. With many energy utilities having carbon reduction objectives, this new service offering further demonstrates the high alignment between the Membership offering and the goals of utilities.