

Market overview

FY22 update

As the response to Covid-19 transitions from pandemic to endemic, the secular shifts that will remain permanent features for many societies are becoming clearer. One that is of significant relevance for HomeServe is the greater proportion of time that many homeowners are now spending working from home. This benefits both the Membership & HVAC divisions and Home Experts.

In Membership, product usage (as seen in claims frequencies) has settled at a higher level than the pre-pandemic baseline, with more time spent working from home resulting in higher levels of wear and tear on key home systems (e.g. toilet flushes).

In Home Experts, more home working is likely to see homeowners continue to seek improvements to their homes to make the home environment flexible, pleasant and productive. Recent research from Checkatrade detects a shift in focus from cosmetic improvements to projects which deliver environmental or cost of living benefits, such as insulation.

“What we are seeing is that customers are more astute about the build process - specifically where planning stipulates an older or heritage property. Here we are asked to source sustainable materials and request fitting, such as heat pumps and triple glazing. But outside of this, we are seeing more customers wanting to spend their money on fancy bespoke kitchens, media walls, cinema rooms and lighting too.”

Emma Kemp, Director at I-furb Bespoke Construction

Our target market

Homeowners

Based on our experience worldwide over our three decades of trading, we have insight into the typical levels of consumer adoption of home assistance policies which enables us to segment homeowners into three groups.

30% Insurance minded

Overview

- Drawn to the convenience of a trusted solution for dealing with a problem in their home
- Like to budget carefully and avoid unexpected repair bills
- Have historically tended to be an older demographic often on fixed incomes, however millennials are now attaining home ownership at greater scale.

HomeServe offer:
Membership & HVAC



What's changing?

This segment is evolving, reflecting wider demographic shifts in home ownership, notably as millennials come to the fore. The growth in share of home ownership by millennials has also been correlated with a slightly more affluent, digitally conversant consumer than seen historically.

20% DIYers

Overview

- Have the knowledge, skills and motivation to carry out repair work themselves
- These homeowners may call on a third party for jobs requiring specialist skills, equipment or qualifications

HomeServe offer:
HVAC & Home Experts



What's changing?

In most countries, there are fewer confident DIYers and younger homeowners are less likely to live closer to the support network provided by their family.

50% Home Improvers

Overview

- Find a trade when needed – by word of mouth, paper directories and increasingly online
- Finding a high-quality trade, without hassle, is often just as important as financial considerations
- Typically appeals to a younger demographic whose instincts are to search online

HomeServe offer:
Home Experts



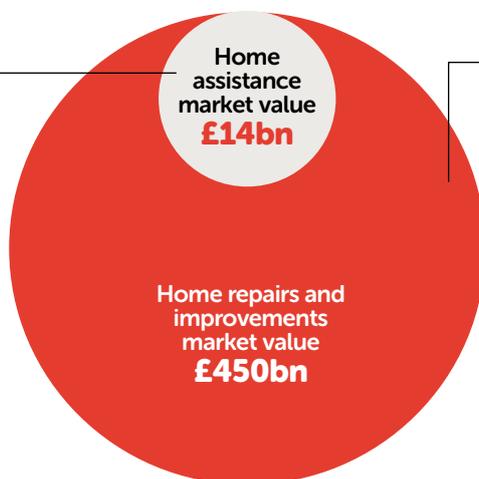
What's changing?

There is a significant opportunity to accelerate the shift in consumer demand online in searching for reputable tradespeople, as has already been seen for property, cars and travel.

Market size

Membership & HVAC

This is our traditional market in the geographies where we are currently established, and essentially covers specialist home emergency cover for plumbing, heating and electricals. Membership was HomeServe's first business, which we have been operating since 1993. More recently, we have been adding to our HVAC installation capabilities in the UK, North America, France and Spain, to be able to replace equipment for customers as well as repair and service it.



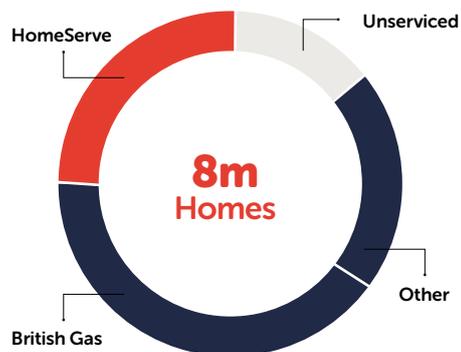
Home Experts

This is a much broader market, covering trades from plumbing to kitchen fitting, carpet cleaning to garden design. It is an expanding market, as more and more trades are developed to serve the needs of modern-day homeowners – for example, professional flat pack furniture assemblers and home WiFi gurus did not exist fifteen years ago. We expect it eventually to follow property, car purchases and travel, all of which are now over 60% online in terms of consumer demand.

Home Assistance penetration

There is a marked difference in penetration between our most mature market, the UK, and our highest growth market in North America. Our experience shows that with most affinity partners, maximum uptake amongst their customer base is around 30%. This holds across each of our established territories and therefore drives our view of the addressable market.

UK addressable market

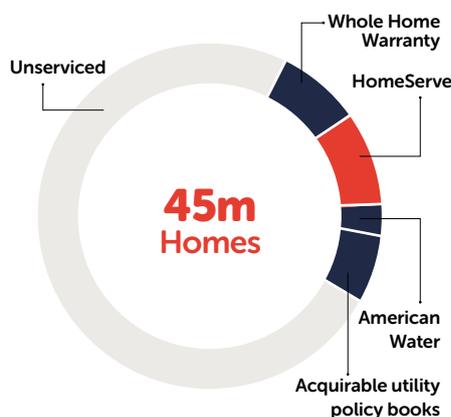


Total households: 28m

The UK market, where our historical focus has been on water, is nearing maturity. The UK is the only market where HomeServe has a bigger competitor, but the competitive dynamic is stable. As conditions stabilise in the retail energy supply market, HomeServe has opportunities to win more customers through this channel. Additionally, the adjacent segment of Claims Assistance has been growing in recent years, and HomeServe has a strong position in this market through its CET business.

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North America addressable market



Total households: 151m

North America remains a significantly under-penetrated market. The key to growth is to sign more affinity partners to reach the over 50% of households who have yet to see a HomeServe offer from their utility. There are various whole home warranty providers including Frontdoor, and a handful of utilities still operating their own in-house programs.

HomeServe has exciting product development opportunities through offerings like HVAC as a Service and water loss cover (i.e. ServLine).

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Competitive positioning

In Membership, HomeServe has clear market leadership in North America, and is also the largest independent provider in France and Spain.

HomeServe's utility-partnership model remains largely unique across each of its territories, reflecting the large barriers to entry for new players to build relationships with typically risk averse utilities.

In Home Experts, Checkatrade and Habitissimo are leaders in their respective markets, whilst eLocal will be able to build further scale in the vast US market.

