

Market overview

FY21

As a result of the COVID pandemic, homeowners spent more time and money at home. Whether it be on DIY or tradespeople, spend on home repairs and improvements increased, both to combat wear and tear and to adapt our homes to home working. By way of illustration, consumer visits to the Checkatrade website increased 23% in the course of the financial year, to 29m.

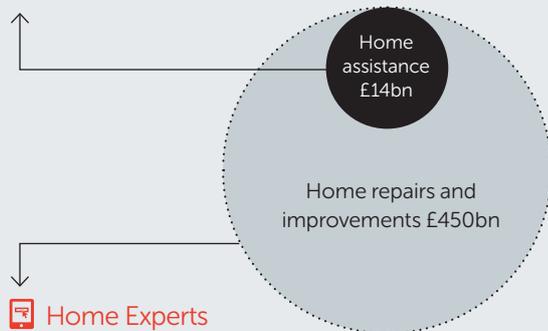
Looking forward, the HomeServe Foundation's UK Domestic Skills Index predicts a home improvements boom in the next decade, driven in part by the green revolution. This will be accompanied by a skills shortage if action is not taken to recruit younger workers into the construction industry, an issue championed by the HomeServe Foundation's drive to encourage the recruitment of apprentices. Demand for high quality trades is set to increase.

See page 28 for more on the HomeServe Foundation.

MARKET SIZE ¹

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. We are now 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 invented to serve the needs of modern-day homeowners. Professional flat pack furniture assemblers and home WiFi gurus did not exist ten years ago! We expect it eventually to follow property, car purchases and travel, all of which are now over 60% online.

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.



- Want to avoid the disruption of dealing with a problem in their home
- Like to budget carefully and avoid unexpected repair bills
- Tend to be an older demographic; often on fixed incomes

HOMESERVE OFFER

Membership HVAC

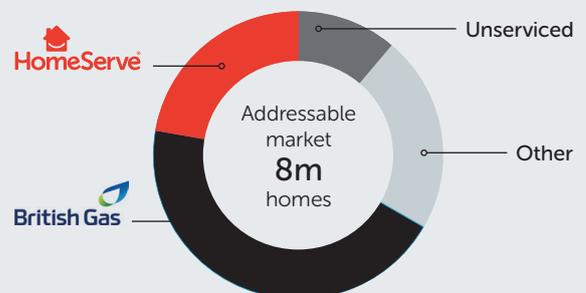
What's changing?

This segment constantly renews as homeowners' circumstances change. Many buy a policy when they retire, and only give it up when they move into sheltered accommodation. There may be a demographic shift in this segment as younger homeowners accustomed to subscriptions in other areas of their lives – Spotify, Netflix – consider buying a policy, having been targeted through direct marketing and social media.

HOME ASSISTANCE MARKET PENETRATION

There is a marked difference in penetration between our most mature market, the UK, and our highest growth market in North America.

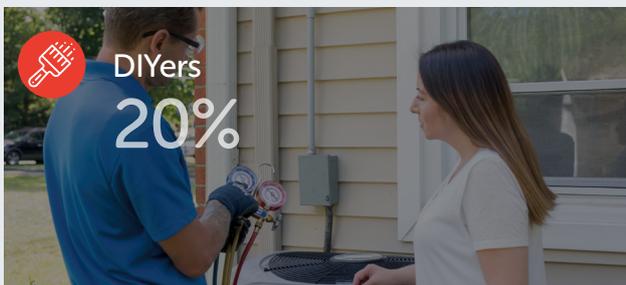
UK: 27m households



The UK market, where our traditional focus is on water, is nearing maturity. The UK is the only market where HomeServe has a bigger competitor, but the competitive dynamic is stable. There may be opportunities over time to buy small policy books or work with challenger energy companies as they disrupt the status quo.

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¹ Market size estimates incorporate the UK, US, France and Spain and are based on national statistics where available, supplemented by HomeServe estimates.



DIYers
20%

- 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

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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.



Home Improvers
50%

- 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

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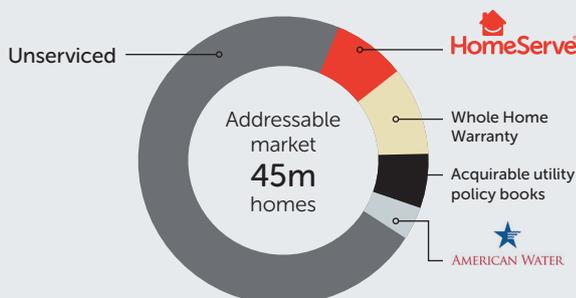
Home Experts

What's changing?

There is big growth potential when we look to where consumers in other industries spend their time and money today compared to what we see in home services. This segment is increasingly moving online, initially to "online word of mouth" like community Facebook groups, but eventually to platforms which match consumers and trades.

Our experience shows that with most affinity partners, maximum uptake amongst their customer base is around 30% worldwide. This defines our addressable market.

North America: 151m households



North America remains a significantly under-penetrated market. A 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. HomeServe is building a total home warranty offer, differentiated by our strong customer service.

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Competitive positioning

Competitive dynamics remain relatively stable. In Home Assistance, HomeServe remains the foremost company to partner with utility companies, which gives us a unique opportunity to grow market share. In HVAC, our buy-and-build strategy occasionally encounters competition from trade competitors and private equity, but acquisition pricing is largely stable. In Home Experts, we continue to develop our market-leading Directory Extra model, and are not aware of any traditional competitors changing their investment patterns. As at February 2021, Checktrade, was used by 16% of the UK consumers who had work done on their home in the preceding 12 months – the same share as the next three largest platforms combined - with Checktrade having grown its share by 4ppts. We continue to monitor activity from potential new competitors, including big tech companies.

HomeServe remains in a unique competitive position. We are best placed to serve all three homeowner segments, and there is significant potential to create synergies and economies of scale.