

Chairman's statement

Tommy Breen



"As part of my due diligence for the role of Chairman, I discovered an ambitious company with an exciting vision – to be the world's largest and most trusted provider of home repairs and improvements."

This is my first statement since I was appointed Chairman of HomeServe in May 2021. I first came across HomeServe and Richard Harpin while I was CEO of DCC plc. With Richard's presence as its Founder and CEO, I realised the importance of good chemistry, of a balanced, productive relationship between the Chairman and CEO, and of achieving clear recognition of the respective responsibilities of the Executives and Non-Executives on the Board. It is a privilege and a pleasure to have been entrusted with this role.

First impressions

As I have got to know HomeServe, I find that it is driven by a clear sense of purpose – to make home repairs and improvements easy. HomeServe cares passionately about its customers, its partnerships and above all, its people. Its culture is healthy and open – highly commercial, no nonsense, but caring. Doing business responsibly is part of its DNA, particularly in its customer relationships and the way it treats the people it works with. It is at the beginning of a journey to harness green energy, and is working hard to develop opportunities and manage risk in this vitally important area. Richard has surrounded himself with a strong executive team. While there is a way to go to achieve the diversity metrics expected of us as a public company, I am impressed by the constructive diversity of thought and the level of challenge the team displays. The growth prospects of the company are strong and sustainable.

See page 20 Responsible business.

Turbulent market backdrop

As for most companies, this has been a tumultuous period. All of our businesses are emerging from the Covid-19 pandemic on different timetables, and all have had to manage a return to office-based working and continued disruption to supplier interaction. On top of this came a catalogue of geo-political and economic events which present major issues for homeowners globally: significant inflationary pressure, cost of living rises and the fuel crisis; skills and materials shortages; and more urgent focus on climate change.

See page 10 Market overview.

Resilient business model and clear strategy

In the face of these pressures, HomeServe's business model proved resilient and our strategy enabled us to continue to make progress. As we had planned, we delivered improvements across our strategic and financial KPIs. Our key Group profit measure – adjusted profit before tax – was up 15% to £220.3m (FY21: £191.3m) and basic earnings per share increased to 39.5p (FY21: 9.3p). In our Membership businesses, customer numbers held steady at 8.4m worldwide (FY21: 8.4m) and policy retention was up slightly at 84% (FY21: 83%). In Home Experts, the number of paying trades on Checkatrade grew 7% to 47k (FY21: 44k) and average revenue per trade grew 31% to £1,229 (FY21: £939).

In the course of this year, we reinforced our view that the right way to run our business is in three business divisions, aligned by our common purpose. Each division has autonomy to respond to the needs of its individual markets, and has access to the shared resources, experience and expertise available across the Group.

Capital allocation decisions are taken at Group level, and our target is for all of our investments to deliver double our cost of capital. I am particularly impressed with the way capital is being deployed globally to build our HVAC business: the rates of return available to us in this growing, green space are exemplary. Group ROIC (return on invested capital) this year was 15%. This measure will be added as a component of Executive Director reward from July 2022, reflecting my belief that a real focus on how we deploy our capital is an excellent way to deliver shareholder value in the medium-term.

We aim to deliver strong, consistent earnings growth, and expect to achieve this by sustaining good growth in the under-penetrated North American Membership & HVAC market; maintaining and growing our Membership & HVAC businesses in EMEA; and developing a market-leading business model in Home Experts.

See page 12 Business model and strategy.

The financial year in review

North American Membership & HVAC delivered its seventh consecutive year of double digit adjusted operating profit growth, with adjusted operating profit up 15% to \$159.1m (FY21: \$137.9m). The business continues to expand its customer propositions to drive further growth, to help homeowners participate in the green homes revolution and to align with partners' decarbonisation ambitions.

Across EMEA Membership & HVAC, the division continued to deliver on its transformation and growth agendas and returned to profit growth, with adjusted operating profit up 4% to £124.5m (FY21: £119.5m). In the UK, there was good early progress on the business's transformation plan, with customer numbers ending the year at 1.5m (FY21: 1.6m), in line with our expectations, and policy retention up to 79% (FY21: 78%). France and Spain performed well, with further good growth in job volumes in the Spanish claims handling business. HomeServe's Japanese joint venture is making good progress, and now has access to 25% of households through four electric utility partnerships.

As expected, the Home Experts division was profitable for the first time on a full year basis, thanks to a profitable contribution from eLocal and progress at Checkatrade, which continued to strengthen its position as the UK's leading online platform for matching homeowners with quality trades.

See page 40 Operating review.

The Board and its agenda this year

HomeServe has an effective, experienced Board. All three business divisions, plus Group matters, are comprehensively represented by our four Executive Directors, with the addition of Ross Clemmow ensuring that EMEA Membership & HVAC is directly represented. One of the main areas identified for continuing development in the FY21 Board evaluation was improving the Non-Executive pipeline with a specific focus on increased diversity. Non-Executive recruitment was paused to give me the opportunity to assess the Board dynamic and consider skills gaps and succession. An offer made to a very suitable candidate in March 2022 coincided with Brookfield emerging as a

potential bidder for HomeServe, and was not finalised.

Major items on the Board's agenda beyond standing items this year included a review of the decision to halt investment in our UK CRM system and detailed consideration of lessons learnt. We also made good progress on evaluating climate risks and opportunities, and agreed our Scope 3 carbon footprint targets. Going forward, we are going to combine our People and Corporate Responsibility committees to form a new Board-level committee, to accelerate activity in all areas of our responsible business strategy.

The Board's time this year has been carefully balanced between strategy and governance. Our discussions positioned us well to respond to the announcement on 24 March 2022 that Brookfield was considering a bid for HomeServe. As this process plays out, the Board will act with a clear, independent focus on doing what is right for all of our stakeholders.

See page 56 Section 172 (1) statement.

Dividend

In light of the recommended cash offer for the Group announced on 19 May 2022, the Board is not recommending a final dividend. The total dividend for the year therefore consists of the interim dividend of 6.8p per share declared in November 2021.

Conclusion

HomeServe is a very high-quality business with a clear strategy and strong management team, which has been led entrepreneurially by its founder, Richard Harpin, for almost 30 years. The offer from Brookfield recognises the quality of our business, our people and our future growth potential, and allows shareholders to realise their investment at an attractive valuation. The Board is unanimous in its support of the acquisition recommendation.

Tommy Breen

Chairman
24 May 2022

Recommended cash offer for HomeServe

On 19 May 2022, it was announced that the boards of Hestia Bidco Limited ("Bidco"), an indirect subsidiary of Brookfield Infrastructure Funds, and HomeServe have reached agreement on a recommended cash offer made by Bidco to acquire the entire issued share capital of HomeServe. Under the terms of the acquisition, HomeServe shareholders will be entitled to receive 1,200 pence for each HomeServe share, valuing HomeServe at £4.1bn on a fully diluted basis. This represents a premium of 71% to the undisturbed closing price on 23 March 2022.

The HomeServe Board is unanimously recommending the acquisition and believes that it gives shareholders the opportunity to realise their investment for cash at a fair and reasonable value. The Board believes that Brookfield would be a good owner for HomeServe. Brookfield is a long-term investor with a strong track record of accelerating companies' growth through sector expertise and access to capital. Brookfield owns high quality businesses in utility and residential sectors, and can bring operational expertise and new relationships across HomeServe's three businesses. Brookfield's experience in the energy transition space will support HomeServe's ambitions in this area.

The acquisition is currently expected to complete during the fourth quarter of 2022 via a court-sanctioned scheme of arrangement, subject to HomeServe shareholder approval and various regulatory clearances. Irrevocable undertakings to vote in favour of the scheme of arrangement have been obtained from c.12.77% of HomeServe's shareholders, principally members of HomeServe's Board.