



# HomeServe

Agreement with National Grid USA

Acquisition of service contract business from National Grid  
Energy Services LLC

Signing of 10 Year Marketing Agreement with National  
Grid USA

14 April 2010

# Transaction highlights

- HomeServe plc today announces the further expansion of its international operations and the development of its US business with the:

1. Agreement to acquire National Grid Energy Services' service contract business ("the Contract Business") by Home Service USA:

- 238 employees including network of highly skilled directly employed service technicians
- 186,000 customers who hold 365,000 heating, cooling and water heater repair contracts



2. A 10 year marketing agreement with National Grid USA subject to completion of the acquisition:

- Access to National Grid's territory covering 5m residential energy customers
- Significantly increases our footprint of affinity partner households in the US
- Provides both a customer acquisition and cross-sell opportunity



- Net consideration payable on completion of approximately \$14m (£9m) funded from existing facilities
- The acquisition is expected to deliver an additional \$30m (£19m) in revenue and \$5m (£3m) in operating profit to HomeServe plc for year ending 31 March 2011 as we invest in marketing to new customers with National Grid
- Completion expected to take place within 120 days

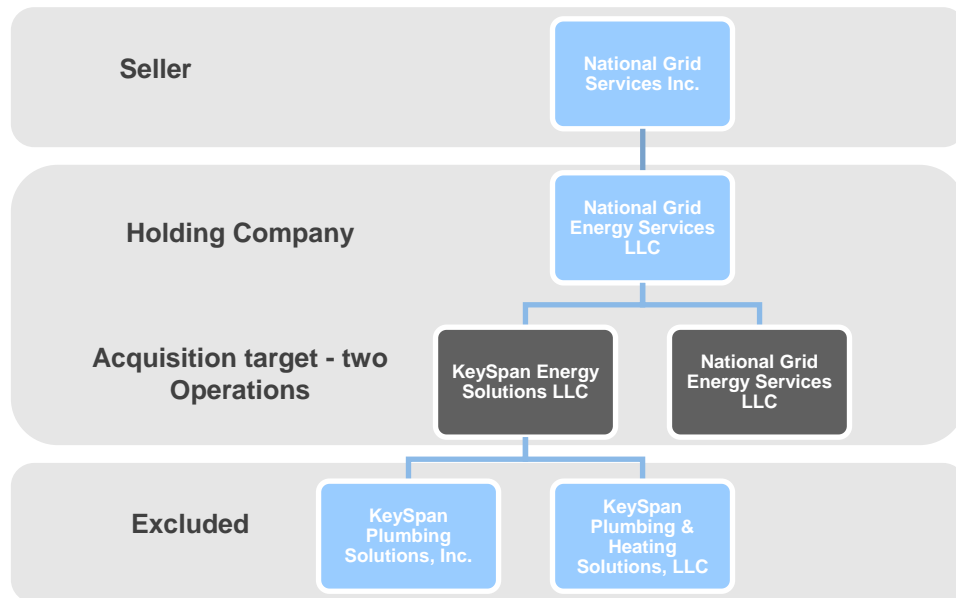
**The acquisition provides our US operations with a robust and profitable platform to support further business development in the region as well as a significant increase in the scale of our operations in terms of both customer and policy numbers and claims handling capability**

# Acquisition delivers scale and additional capability

## What are we acquiring?

- Home Service USA (“HSUSA”) will acquire the two subsidiaries of National Grid Energy Services LLC – KeySpan Energy Solutions LLC and National Grid Energy Services LLC
- At present, these entities contain both the Contract Business and an installation business
- HSUSA will only acquire the Contract Business with the installation business being carved out prior to completion
- HSUSA also acquires 365,000 contracts across 186,000 additional customers
- The Contract Business includes operations located across Massachusetts, New York and Rhode Island and 238 employees including a network of highly skilled service technicians
- The Contract Business will be integrated into HSUSA with efficiencies gained from integrating IT, claims handling and marketing activities

## Acquisition - Group Structure



# What does the product portfolio look like?

## Impact on HSUSA KPIs

Policies - USA ('000)	Total	Acquired	Mar-10	Mar-09
Plumbing & Drains, Water Supply Pipe	509	0	509	411
Electrics	82	0	82	60
HVAC	493	365	128	71
Other	20	0	20	6
<b>Total</b>	<b>1,105</b>	<b>365</b>	<b>740</b>	<b>549</b>
<b>Customers (m)</b>	<b>766</b>	<b>186</b>	<b>580</b>	<b>442</b>
<b>Marketable Households (m)</b>	<b>15.2</b>	<b>5.0</b>	<b>10.2</b>	<b>9.4</b>

## Acquired portfolio

- Acquired portfolio of 365,000 annual service contracts – “service plans”
- Service contracts provide cover for the repair of domestic heating and cooling appliances – gas furnaces, gas boilers, water heaters, air cooling
- Annual “tune up” or service also available to customers

	Acquired	HSUSA	Total
Heating	168	17	185
Cooling	37	5	42
Water Heater	160	106	266
<b>Total HVAC</b>	<b>365</b>	<b>128</b>	<b>493</b>

**Worry-free, year-round protection**  
FOR YOUR NATURAL GAS HEATING SYSTEM

**Heating Service Plans** brought to you by National Grid Energy Services.

Dear Neighbor:

Even if you've had a problem with your heating system, it can still break down without warning. Without a service plan, finding prompt reliable help can be difficult – if not impossible – during the busy heating season. What can you do?

**Simplify your life. Sign up for a heating service plan.**  
National Grid Energy Services wants you to have the best possible service. That's why they have partnered with Home Service USA, a leading provider of emergency home repair and protection solutions to offer this program. Together we make it easy to safeguard your family and your home before a heating emergency catches you by surprise. We offer heating service plans with a tune up. And with every service plan you get priority service, expert technicians and comprehensive parts and labor coverage when you need it most. You can reach our call center 24/7, and your calls are always answered by a person, not a machine. Plus, you pay nothing for commonly repaired or replaced parts.


**Get peace of mind, cost protection and savings of up to \$50.**  
Right now, your heating service plans are \$30 off. That means you can get our Premier Heat Plan for only \$209, or choose our Premier Heat Plus Plan for only \$279 - only \$70 more. Remember, since this plan includes a tune-up (valued at \$120), you'll save a total of \$50 compared to buying the Premier Heat Plan and a tune-up separately.

	Premier Heat Plan	Premier Heat PLUS Plan
Regular Price	\$239	\$309
Limited-time discount		-\$30
<b>You Pay</b>	<b>\$209</b>	<b>\$279</b>
or pay monthly (before taxes)	\$17.42	\$23.25
Priority Service	✓	✓
Parts and Labor Coverage	✓	✓
24/7 Call Center	✓	✓
One Annual Tune-up	\$120 (optional)	✓


**These special savings are for a limited-time only.**  
Sign up in the next three weeks to take advantage of these special prices. Simply complete the enclosed enrollment form and return it in the postage-paid envelope with your check or credit card information.

Questions? Remember, you can call us 24/7 at 1.877.600.GRID.

Sincerely,



Michael Backus  
Vice President, Customer Service  
Home Service USA



P.S. To guarantee your enrollment, remember to send in the enclosed enrollment form in the next three weeks. And if you have central A/C, call for special pricing on a combination heating and cooling plan which includes a tune-up.

Home Service USA is not affiliated with National Grid or its affiliates; participation in the Program is optional and has no effect on the price, availability, or terms of service from any National Grid gas or electric distribution company. This service plan is issued by AmTrust, license number \*\*\*\*, and administered by Home Service USA Repair Management Corp. (Home Service USA), license number \*\*\*\*\*.

**nationalgrid**  
Energy Services  
The power of action.™

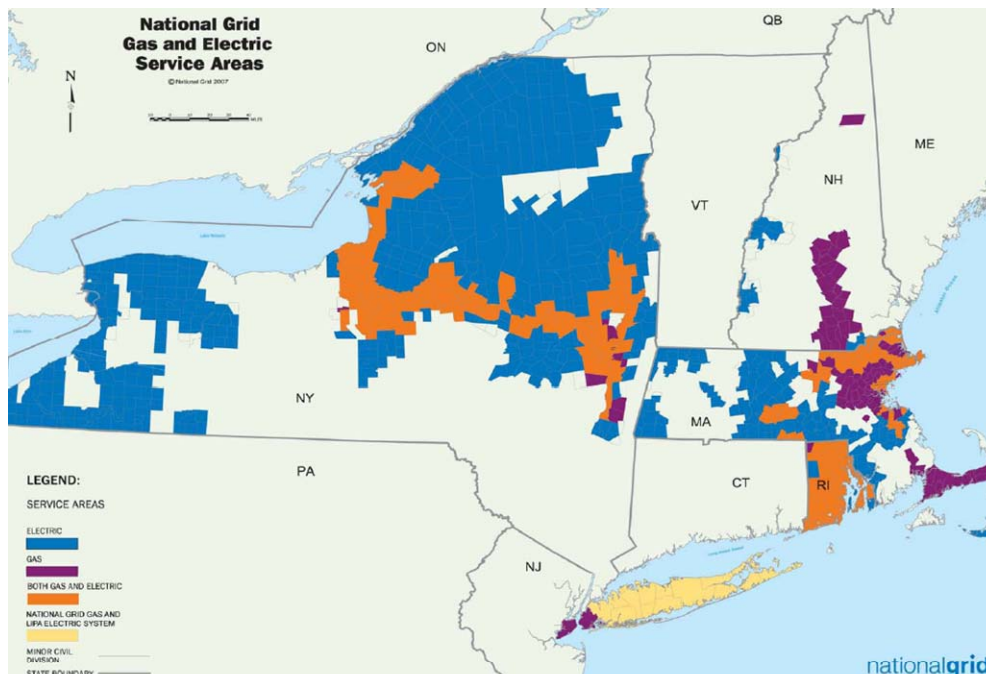
# Marketing agreement increases footprint significantly

## 10 Year marketing agreement

- Home Service USA has also entered into a 10 year marketing agreement with National Grid USA
- Agreement will allow us to market utility-branded home assistance policies to National Grid's customer base of over 5m residential households
- Household footprint is split 3.1m gas and 1.9m electric
- Provides us with another strong utility partner to help develop our policy business and will result in a significant increase in our footprint of affinity partner households

## Marketing plans

- Marketing plans will be tailored towards existing territories and new territories comprising 1.7m households as yet unmarketed to by National Grid Energy Services
- For the acquired customer base our aim will be to grow customer numbers and cross sell existing HSUSA products
- Significant opportunity to then acquire new customers in new territories and cross sell over time



EXISTING TERRITORY

GROW EXISTING  
CUSTOMER BASE

- Heating, Cooling and Water Heater

CROSS-SELL HS  
USA PRODUCTS

- Interior Gas, Electrics, Water Products

NEW TERRITORY

NEW CUSTOMER  
ACQUISITION

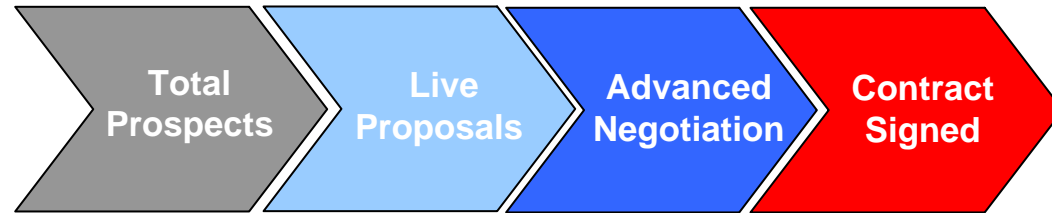
- Heating, Cooling, Interior Gas and Exterior Electrics

CROSS-SELL

- Interior Gas, Electrics, Water Products

# How does the agreement impact our US pipeline?

## Pipeline Snapshot



## November 2009

<b>Water</b>	<b>Utilities / Households:</b>	2,140 (77.0m)	37 (2.8m)	2 (0.3m)	8 (2.1m)
<b>Energy</b>	<b>Utilities / Households:</b>	185 (152.4m*)	10 (15.8m)	4 (12.1m)	7 (8.1m)

- National Grid was one of 4 energy companies in “Advanced Negotiation” in November 2009
- Agreement increases HSUSA’s energy affinity partners from 7 to 8 and total partners to 16
- Marketing footprint in the USA increases by over 5m to 15.2m with total energy households of 13.1m
- We continue to make very good progress in our discussions with potential affinity partners

\* Many US households have both Gas & Electric Service so total number of households in the energy category is greater than the total number of households in the US

# Financial highlights & next steps

## Acquisition consideration and funding

- Net cash investment of approximately \$14m (£9m) payable on completion funded out of existing facilities
- \$30m consideration is adjusted for estimated net liabilities of \$16m reflecting the unearned premium and the future cost of servicing claims on acquired contracts
- An additional \$5m (£3m) of working capital will be required for the first six months post completion reflecting seasonality of the business

	<b>\$m</b>	<b>£m</b>
Consideration	30	19
Net liabilities	(16)	(10)
<b>Net consideration</b>	<b>14</b>	<b>9</b>
Other		
Working capital	5	3
Deal fees	1	1
Impact on net debt (half year)	20	12
<b>Increase in net debt (full year)</b>	<b>15</b>	<b>9</b>

## Impact on HomeServe plc financials

- The deal is expected to increase HomeServe revenue by \$30m (£19m) and operating profit by \$5m (£3m) for the period ending 31 March 2011 (part year of ownership) as we invest in marketing to National Grid USA customers
- Net debt increases by £9m for year ending March 2011
- In line with our existing business, the profile of profits weighted towards second half

## Completion and next steps

- Installation business carved out ahead of completion
- Deal is expected to complete within 120 days

# Investment highlights

## International Expansion

- Acquisition supports our strategy of developing our membership business through a combination of organic growth and selective acquisitions
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## Increased Scale

- Contract business provides robust and profitable platform to support further business development in the region
  - Significant increase in Home Service USA business with an additional 186,000 customers and 365,000 contracts
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## Increased Footprint

- 10 year marketing agreement with National Grid USA provides 50% increase in affinity partner households
  - Significant marketing and organic growth opportunity through new customer acquisition and cross sell
  - Substantial proportion of gas customers enabling us to build on the success of SEMCO and Piedmont
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## Increased Capability

- Gives us additional expertise and credibility in the management of gas heating, cooling and water heating appliance contracts
  - Will also be able to apply wider knowledge in terms of product development
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## Value Creation

- Acquisition will result in additional revenue of \$30m (£19m) and \$5m (£3m) of operating profit in FY11
- Marketing agreement will create additional value through new customer acquisition and cross-sell