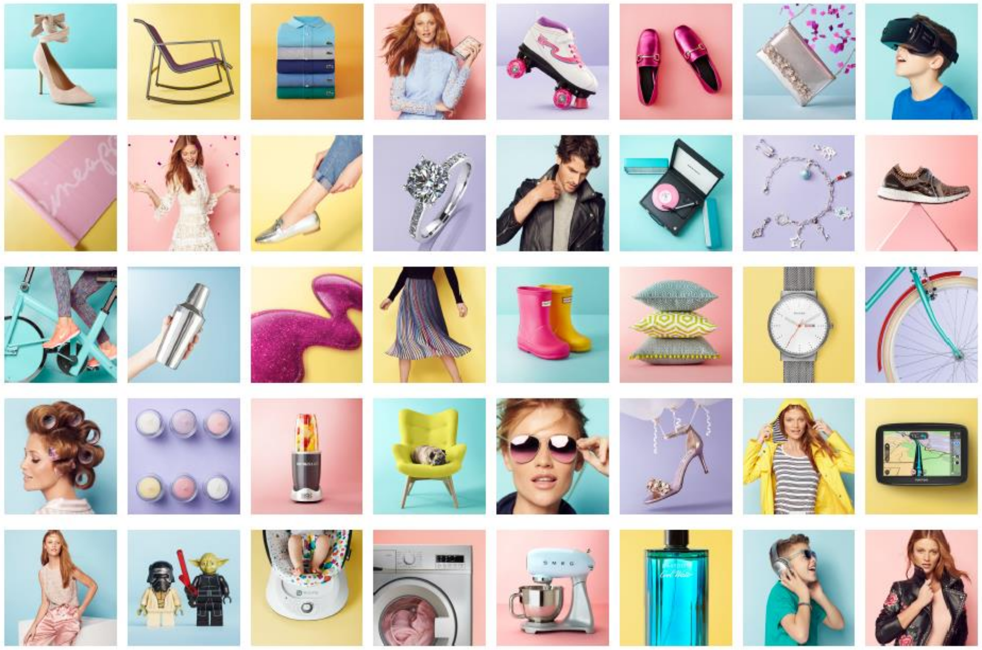

Shop Direct Limited

FY18 Results

Twelve months ended 30 June 2018

19 September 2018

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Good performance in a challenging market

FY18[1] Highlights versus prior year

- Group revenue grew 1.5% to £1,958.8m (FY17: £1,929.9m)
  - Very revenue up 9.9% to £1,389.1m (FY17: £1,263.5m)
  - Littlewoods revenue down 14.5% to £569.7m (FY17: £666.4m)
- Interest income as a percentage of the debtor book increased 0.6%pts to 22.8% (FY17: 22.2%)
- Bad debt as a percentage of the debtor book reduced by 0.4%pts to 7.2% (FY17: 7.6%)
- Gross margin down 0.9%pts to 39.9% (FY17: 40.8%) driven by switch to Very from Littlewoods and increased contribution from the lower retail margin Electrical division
- Reported EBITDA grew 11.0% to £262.3m (FY17: £236.4m)
- Underlying free cash flow[2] improved to £143.1m (FY17: £93.7m)
- Very customers increased 8.5% to 2.82m, boosting total Group customers by 2.2% to 4.02m

Notes

1. FY18 is the 12 months ended 30 June 2018. FY17 is the 12 months ended 30 June 2017.
2. Underlying free cash flow defined on page 11.

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Continued revenue growth and cost discipline

Income statement

(£ millions)	FY18	FY17	Variance %
Very	1,389.1	1,263.5	9.9 %
Littlewoods	569.7	666.4	(14.5)%
Group Revenue	**1,958.8**	**1,929.9**	**1.5 %**
Gross margin	780.7	786.5	(0.7)%
% Margin	*39.9%*	*40.8%*	*(0.9)%pts*
Distribution expenses	(215.8)	(218.6)	
Administrative expenses	(304.3)	(332.8)	
Other operating income	1.7	1.3	
Reported EBITDA	**262.3**	**236.4**	**11.0 %**
% Margin	*13.4%*	*12.2%*	*1.2 %pts*

Highlights

- **Group revenue** grew 1.5% to £1,958.8m driven by Very (+9.9%) partially offset by Littlewoods managed decline (-14.5%)
- **Gross margin** down 0.9%pts to 39.9% driven by switch to Very from Littlewoods and increased contribution from the lower retail margin Electrical division
- **Costs as a percentage of group revenue** reduced 2.0%pts to 26.5% reflecting lower marketing spend and operational efficiencies
- **EBITDA** increased by 11.0% to £262.3m

Notes

1. FY18 is the 12 months ended 30 June 2018. FY17 is the 12 months ended 30 June 2017.

Retail revenue progression

Retail revenue

	C&F	Electrical	Seasonal	Furniture & Homeware
YoY %	+0.2%	+7.2%	+1.7%	(9.5)%
FY18 Mix %	*34%*	*39%*	*15%*	*12%*
FY17 Mix %	*34%*	*37%*	*15%*	*14%*

Highlights

- **Clothing & Footwear** modest revenue growth of 0.2% driven by Childrenswear and Sportswear, offset by a decline in Womenswear
- **Electrical** revenue grew 7.2% driven by Technology including consoles, mobiles and smart technology products
- **Seasonal** revenue grew 1.7% driven by Gifting and Beauty including cosmetics and fragrances, which received greater homepage presence
- **Furniture & Homeware** revenue declined by 9.5%. The F&H market slowed significantly in the year and the market continues to have a stronger credit offer in furniture. We have a clear plan to address the trajectory with good progress being made in FY19 to date on product, availability and stock health

Notes
1. FY18 is the 12 months ended 30 June 2018. FY17 is the 12 months ended 30 June 2017.

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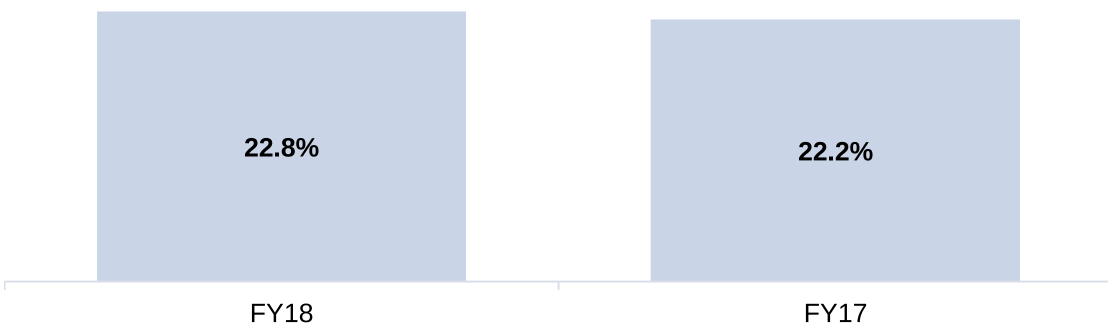
Growth in FS Revenue driven by Very

Financial Services revenue

£m	FY18	FY17	Variance %
Interest Income	376.2	354.9	6.0%
Other	50.9	59.3	(14.2)%
FS revenue (rendering of services)	**427.1**	**414.2**	**3.1%**

Interest Income as % of Debtor Book



Highlights

- **Interest income** up 6.0% to £376.2m driven by Very. Very, with its higher interest bearing element, now comprises 81% of total interest income, compared to 68% of debtor book
- As a percentage of the debtor book, interest income increased by 0.6%pts to 22.8%, driven by shift in brand mix towards Very and the continuous review of risk based pricing
- **Other** financial services revenue reduction reflects lower administration fees, impacted by improved customer arrears performance
- **Average debtor book** grew 3.4% to £1,651.5m driven by revenue growth across Very and Littlewoods Ireland

Notes

1. FY18 is the 12 months ended 30 June 2018. FY17 is the 12 months ended 30 June 2017.

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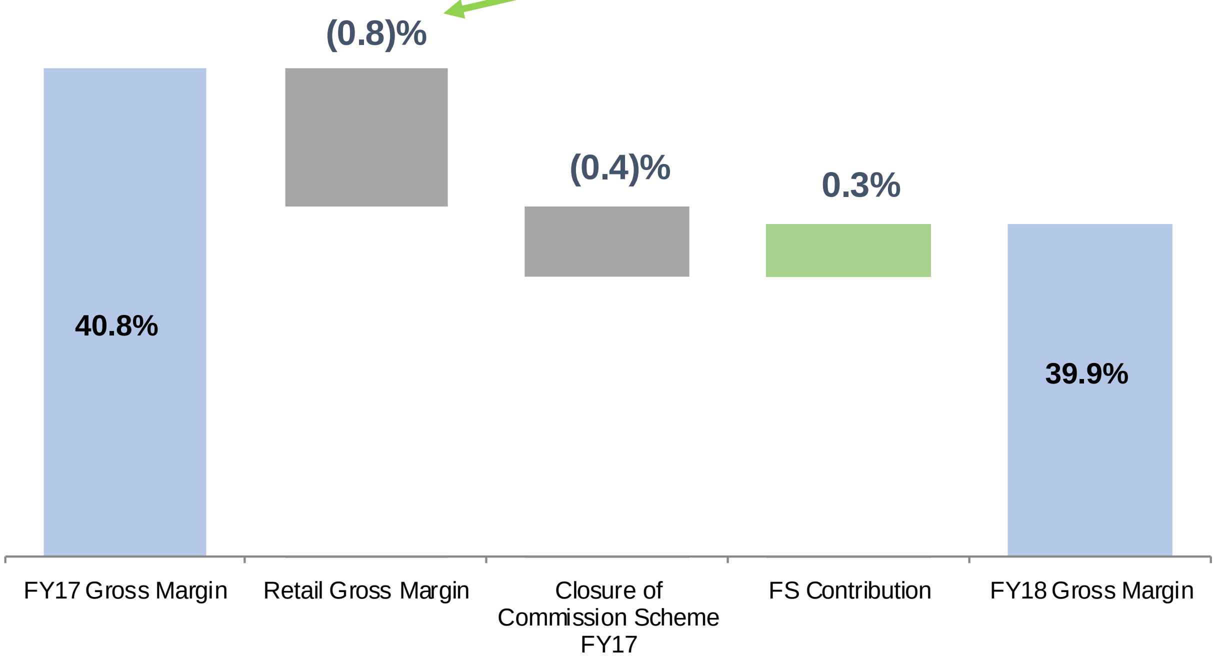
Gross margin reflecting brand and product mix

Gross Margin Rate

Very / Littlewoods Mix	(0.3)%
Product & Category Mix	(0.3)%
Underlying Rate	(0.2)%
Total	**(0.8)%**



Highlights

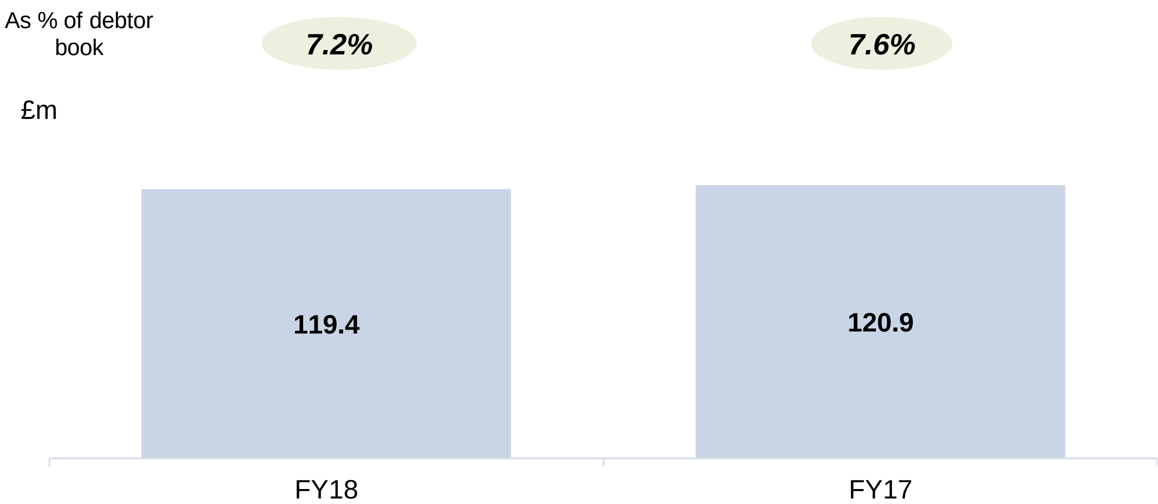
- FY18 **Gross margin rate** decreased 0.9%pts to 39.9% (FY17: 40.8%) driven by:
  - Lower retail GM as a result of the switch to Very from Littlewoods, increased contribution from the lower retail margin Electrical division and category specific retail offers to drive revenue growth
  - Closure of Agency Commission scheme in prior year, which benefitted from customers redeeming outstanding credits ahead of the scheme closure in December 2016
  - FS contribution driven by higher interest income and a reduction in bad debt, underpinned by proactive risk management, a strong focus on responsible lending and increasing proportion of lower risk Very customers

Notes

1. FY18 is the 12 months ended 30 June 2018. FY17 is the 12 months ended 30 June 2017.

Reduction in bad debt levels reflect continued focus on customer risk

Bad Debt and as % of Debtor Book



Highlights

- FY18 **Bad debt as a percentage of the debtor book** lower than prior year at 7.2% (FY17: 7.6%), driven by:
  - Proactive risk management moved the mix of the debtor book towards higher credit sets with continued strong focus on responsible lending and assessment of customer sustainability at both acquisition and during the lifetime of lending
  - Increasing proportion of lower risk Very customers
  - Investment in technology, which enables customers to easily tailor their repayments

Notes

1. FY18 is the 12 months ended 30 June 2018. FY17 is the 12 months ended 30 June 2017.

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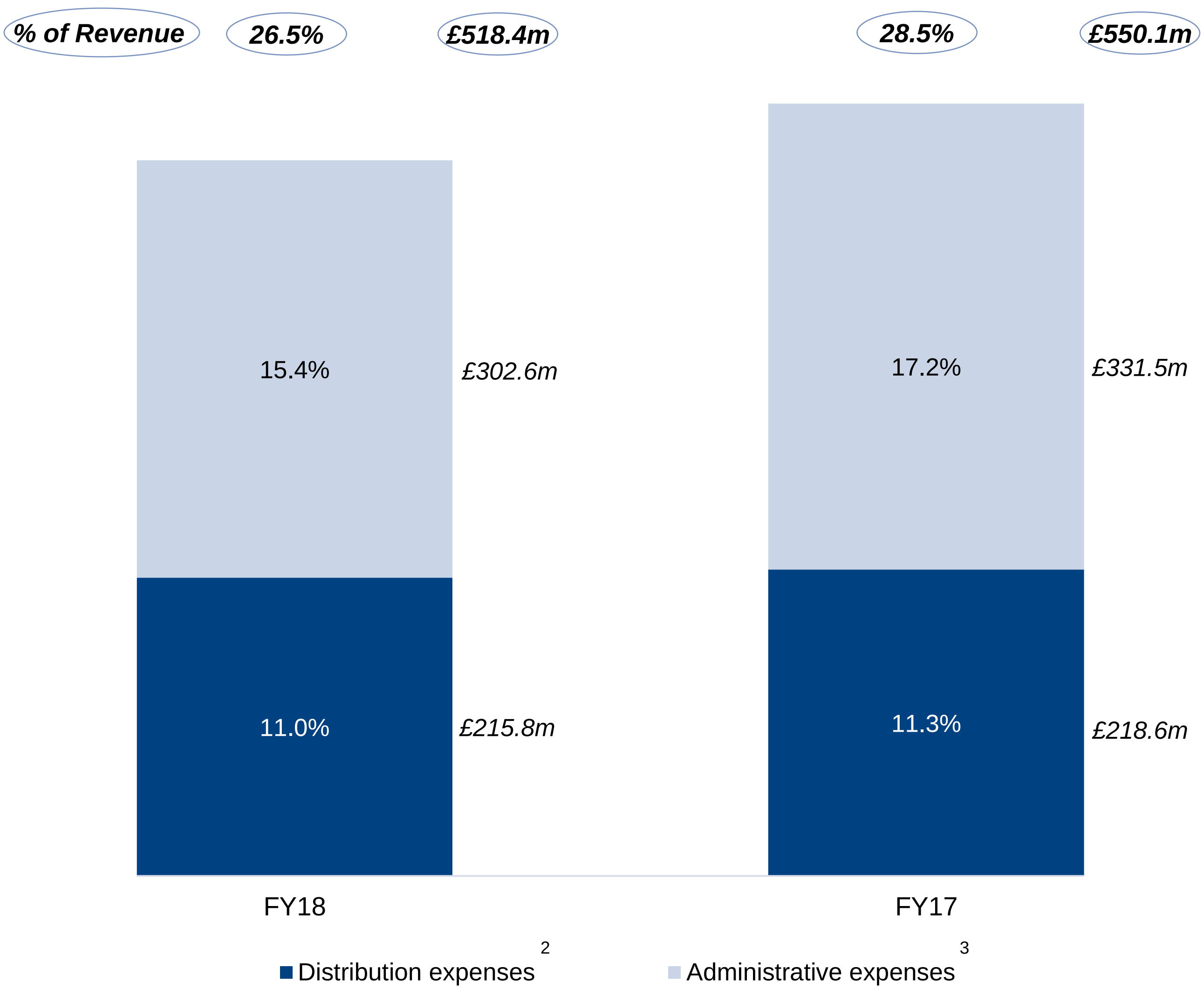
Cost control continues

Operating costs



Highlights

- Total costs as a percentage of revenue reduced by 2.0%pts to 26.5% reflecting:
  - **Administrative costs** as a % of revenue decreased by 1.8%pts to 15.4% driven by a lower marketing spend as we find more efficient ways to communicate with our customers
  - **Distribution costs** as a % of revenue decreased by 0.3%pts to 11.0% reflecting delivery of targeted efficiency savings

Notes

1. FY18 is the 12 months ended 30 June 2018. FY17 is the 12 months ended 30 June 2017.
2. Distribution expenses comprise distribution and fulfilment costs.
3. Administrative expenses comprise marketing, contact centres and head office costs, and other operating income.

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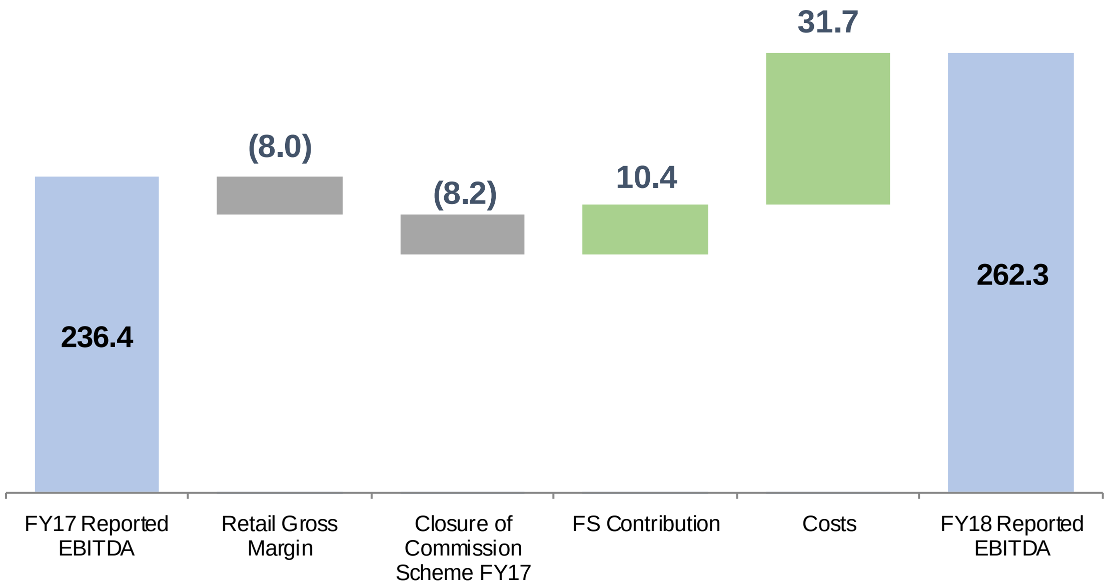
Strong growth in reported EBITDA

Year-on-year Reported EBITDA reconciliation



(£ millions)	FY18	FY17	Variance %
Reported EBITDA	**262.3**	**236.4**	**11.0 %**
Adjusted for:			
Fair value adjustments to financial instruments	(4.5)	10.3	
Foreign exchange translation movements on trade creditors	0.4	1.2	
IAS19 and IFRIC 14 pension adjustments	2.0	1.8	
Management EBITDA[2]	**260.2**	**249.7**	**4.2 %**
Adjusted for:			
Management fee	5.0	5.0	
Costs associated with new brand launches	-	5.0	
Consultancy costs	-	4.7	
Worcester insurance claim	-	1.8	
Securitisation interest	(41.3)	(37.8)	
Adjusted EBITDA post securitisation interest	**223.9**	**228.4**	**(2.0)%**

Notes
1. FY18 is the 12 months ended 30 June 2018. FY17 is the 12 months ended 30 June 2017.
2. Management EBITDA is also defined as "Underlying EBITDA" within Annual Report and Group Financial Statements.

Highlights

- **Reported EBITDA** grew 11.0 % to £262.3m (FY17: £236.4m)
- Retail gross margin declined as the switch from Littlewoods to Very continues and participation of electrical category increases, partially offset by volume growth
- FS income driven by interest income growth, underpinned by volume growth, shift in brand mix towards Very and review of risk based pricing
- Cost base benefitted year-on-year from improved efficiency of marketing spend, and targeted efficiency savings delivered during the year, offsetting cost pressures from inflation and volume
- Reported EBITDA also includes fair value adjustments to financial instruments relating to USD contracts

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FY18 underlying free cash flow of £143m

Cash Flows

(£ millions)	FY18	FY17
Adjusted EBITDA (post securitisation interest)	**223.9**	**228.4**
Net working capital movement:		
Movement in inventories	12.4	(13.3)
Movement in trade receivables[2]	(53.1)	(72.1)
Movement in prepayments and other receivables[2]	(54.3)	(10.1)
Movement in trade and other payables[3]	31.1	1.0
Draw downs of securitisation facility	88.6	44.9
Net working capital movement (post securitisation funding)	**24.7**	**(49.6)**
Pension contributions	(19.4)	(19.1)
Underlying operating free cash flow	**229.2**	**159.7**
Capital expenditure	(86.1)	(66.0)
Underlying free cash flow	**143.1**	**93.7**

Highlights

- **Net working capital movement (post securitisation funding)** driven by:
  - Lower inventory reflecting a targeted reduction in inventory days;
  - Prepayments / other receivables reflecting timing of payments plus prepayment of transaction fees on senior secured notes;
  - Trade and other payables through revenue growth and working capital management
- Draw down of securitisation facility includes current year benefit from the additional ‘C’ notes of £65m
- **Capital expenditure** increase over prior year driven by the completion of the build phase and continued system integration testing for our New Customer Experience programme, as well as improvements made to the customer journey on our mobile and website and our data analytic capabilities

Notes

1. FY18 is the 12 months ended 30 June 2018. FY17 is the 12 months ended 30 June 2017.
2. *Shown in aggregate as (Increase)/decrease in trade and other receivables in the Annual Report and Group Financial Statements. Difference against aggregate position reflects cash paid to parent company of £23.9m in FY18 and £129.7m in FY17.*
3. *Difference against Annual Report and Group Financial Statements of £(0.4)m in FY18 and £(0.8)m in FY17 reflects the exclusion of certain non-cash charges primarily relating to the foreign exchange impact on translation of trade creditors.*

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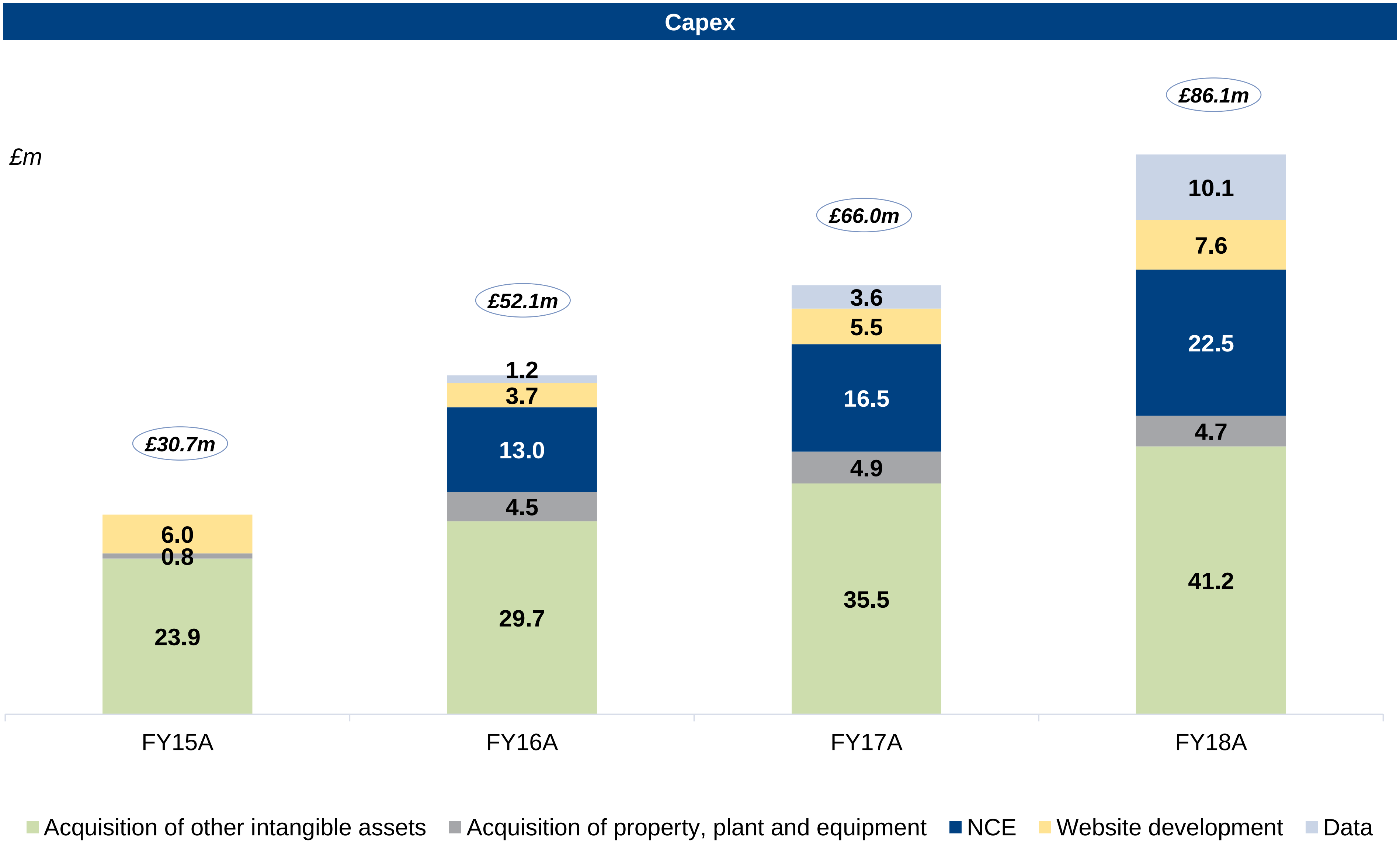
Customer redress update

- In March 2017 the Financial Conduct Authority announced a final claims deadline of 29 August 2019 with a two year awareness campaign leading up to the deadline
- Balance sheet provision of £88.0m at 30 June 2017
- In the 12 months to 30 June 2018, £115.6m had been paid out with an additional £100.0m provision recognised during Quarter 3 FY18 in order to cover customer redress claims in relation to historic shopping insurance sales up and until the deadline for the bringing of claims in August 2019
- Further provision of £28.0m taken in Q4 FY18 resulting in a balance sheet provision of £100.4m at 30 June 2018
- Cash injection by shareholders of £100m in June 2018

IFRS 9

- IFRS 9 replaces the current standard IAS 39 and is effective for accounting periods beginning on or after 1 January 2018. The Group will therefore apply IFRS 9 from 1 July 2018
- IFRS 9 principle requires provision move from bad debt incurred to bad debt expected including increased provision for expected book growth
- The Group anticipates that the classification and measurement basis for its financial assets and liabilities will be largely unchanged by adoption of IFRS 9, and expects to take the accounting policy choice to continue to account for all hedges under IAS 39
- The main impact of adopting IFRS 9 is likely to arise from the implementation of the expected loss model. The estimated impact at 1 July 2018 is to decrease retained earnings within a range between £100m and £130m
- This is a non-cash accounting charge

Capex


Capex
£m
£30.7m
£52.1m
£66.0m
£86.1m
23.9
0.8
6.0
29.7
4.5
13.0
3.7
1.2
35.5
4.9
16.5
5.5
3.6
41.2
4.7
22.5
7.6
10.1
FY15A
FY16A
FY17A
FY18A
Acquisition of other intangible assets
Acquisition of property, plant and equipment
NCE
Website development
Data

Summary

FY18 Summary

- Group revenue grew 1.5% to £1,958.8m (FY17: £1,929.9m)
  - Very revenue up 9.9% to £1,389.1m (FY17: £1,263.5m)
  - Littlewoods revenue down 14.5% to £569.7m (FY17: £666.4m)
- Interest income as a percentage of the debtor book increased 0.6%pts to 22.8% (FY17: 22.2%)
- Bad debt as a percentage of the debtor book reduced by 0.4%pts to 7.2% (FY17: 7.6%)
- Gross margin down 0.9%pts to 39.9% (FY17: 40.8%) driven by switch to Very from Littlewoods and increased contribution from the lower retail margin Electrical division
- Reported EBITDA grew 11.0% to £262.3m (FY17: £236.4m)
- Underlying free cash flow[2] improved to £143.1m (FY17: £93.7m)
- Very customers increased 8.5% to 2.82m, boosting total Group customers by 2.2% to 4.02m

Notes

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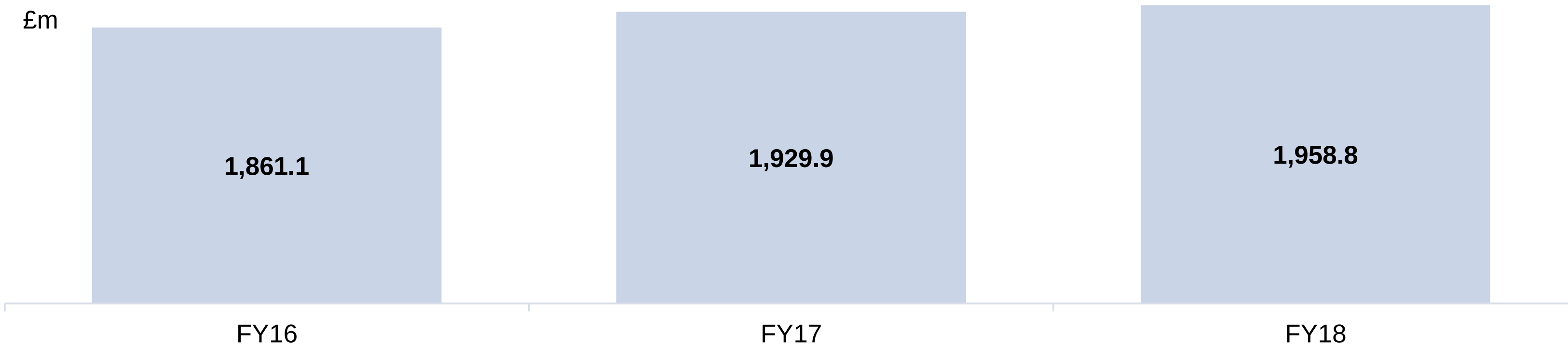
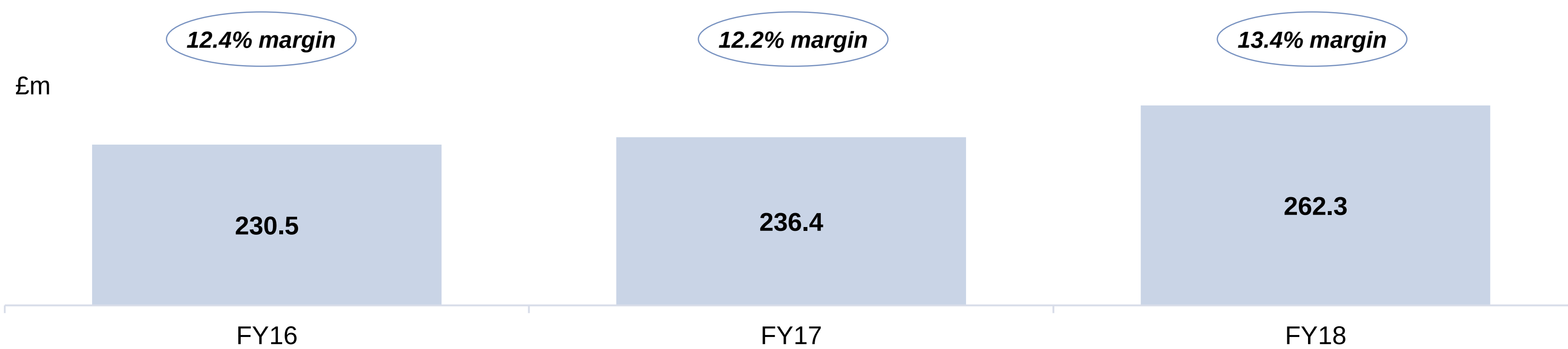
2. Underlying free cash flow defined on page 11.

Appendix A: LTM KPIs

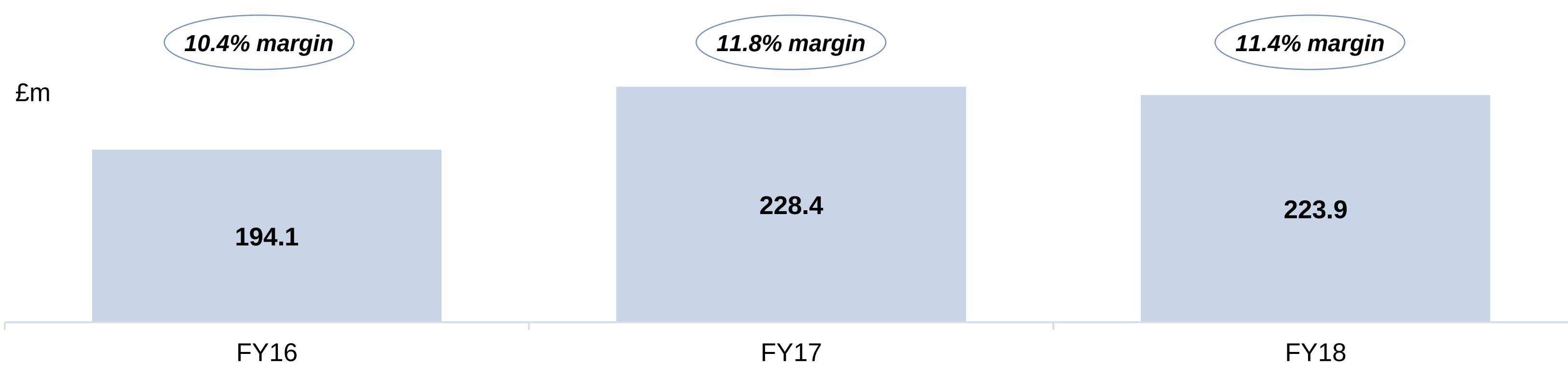
LTM Revenue



LTM Reported EBITDA



LTM Adjusted EBITDA post securitisation interest



Appendix B: Cash Flow Statement

Cash Flow Statement

(£ millions)	FY18	FY17
Adjusted EBITDA (post securitisation interest)	**223.9**	**228.4**
Net working capital movement:		
Movement in inventories	12.4	(13.3)
Movement in trade receivables[2]	(53.1)	(72.1)
Movement in prepayments and other receivables[2]	(54.3)	(10.1)
Movement in trade and other payables[3]	31.1	1.0
Draw downs of securitisation facility	88.6	44.9
Net working capital movement (post securitisation funding)	**24.7**	**(49.6)**
Pension contributions	(19.4)	(19.1)
Underlying operating free cash flow	**229.2**	**159.7**
Capital expenditure	(86.1)	(66.0)
Underlying free cash flow	**143.1**	**93.7**
Interest paid (excluding securitisation interest)	(47.0)	(19.6)
Income taxes paid	(0.5)	(6.9)
Cash impact of exceptional items	(14.0)	(14.6)
Management fees	(5.0)	(5.0)
Property loss event	-	(1.8)
Consultancy costs	-	(4.7)
Costs associated with new brand launches	-	(5.0)
Cash paid to the parent company	(23.9)	(129.7)
Proceeds from finance lease draw downs	0.1	1.0
(Repayments of) / draw downs from bank borrowings	(500.0)	200.0
Proceeds from issue of senior secured notes	550.0	-
Swan completion proceeds	-	3.8
Net increase in cash and cash equivalents pre customer redress	**102.8**	**111.2**
Customer redress payments	(115.6)	(35.0)
Net (decrease) / increase in cash and cash equivalents	**(12.8)**	**76.2**

Notes

1. FY18 is the 12 months ended 30 June 2018. FY17 is the 12 months ended 30 June 2017.
2. *Shown in aggregate as (Increase)/decrease in trade and other receivables in the Annual Report and Group Financial Statements. Difference against aggregate position reflects cash paid to parent company of £23.9m in FY18 and £129.7m in FY17.*
3. *Difference against Annual Report and Group Financial Statements of £(0.4)m in FY18 and £(0.8)m in FY17 reflects the exclusion of certain non-cash charges primarily relating to the foreign exchange impact on translation of trade creditors.*

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Appendix C: Net Leverage

Net Leverage

(£ millions)	Q4 FY18	Q3 FY18	Q2 FY18	Q1 FY18	FY17
Cash & Cash Equivalents	**140.5**	**12.3**	**103.2**	**51.5**	**116.9**
Fixed Rate Notes	(550.0)	(550.0)	(550.0)	-	-
Term Facilities	-	-	-	(500.0)	(500.0)
Revolving Credit Facility	(95.0)	(100.0)	(35.0)	(60.0)	(60.0)
Other debt	(12.4)	(13.5)	(8.4)	(12.8)	(10.8)
Total Gross Debt (excluding Securitisation)	**(657.4)**	**(663.5)**	**(593.4)**	**(572.8)**	**(570.8)**
Total Net Debt (excluding Securitisation)	**(516.9)**	**(651.2)**	**(490.2)**	**(521.3)**	**(453.9)**
Pro Forma adjustment to Net Debt (excluding Securitisation)[1]	-	-	-	(8.1)	(8.1)
Pro Forma Total Net Debt (excluding Securitisation)	**(516.9)**	**(651.2)**	**(490.2)**	**(529.4)**	**(462.0)**
LTM Adjusted EBITDA (post securitisation interest)	**223.9**	**217.8**	**225.8**	**227.4**	**228.4**
Q4, Q3 & Q2 FY18 Actual / Q1 FY18 & FY17 Pro Forma Net Leverage	**2.3x**	**3.0x**	**2.2x**	**2.3x**	**2.0x**

Notes

1. *Reflects pro forma adjustment to Q1 FY18 and FY17 net debt for estimated fees and expenses per Offering Memorandum page 58.*

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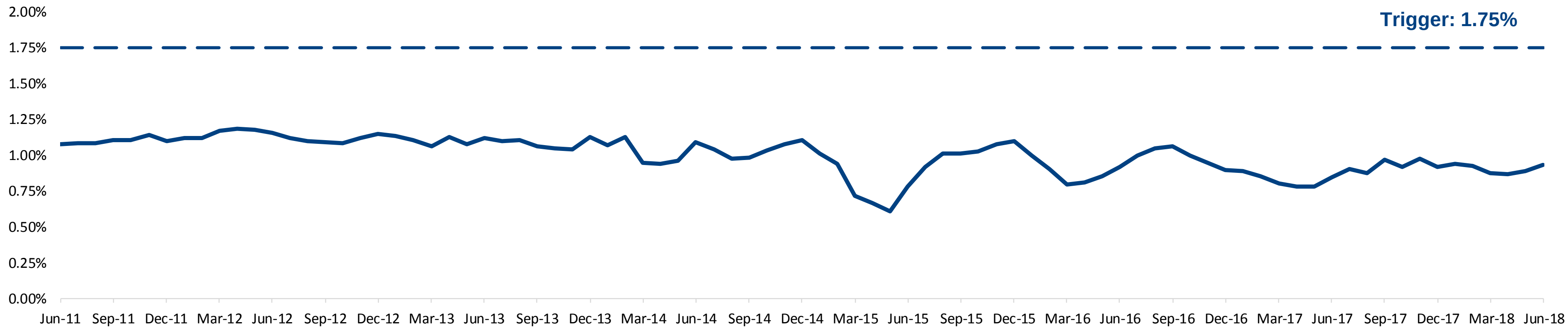
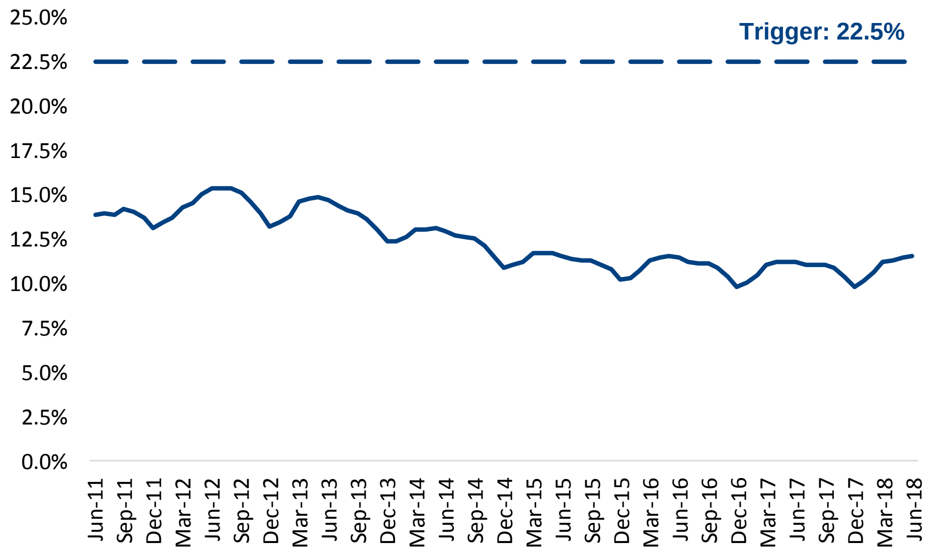
Appendix D: Securitisation Performance Covenants

Key triggers and historical performance – stable performance over economic cycles

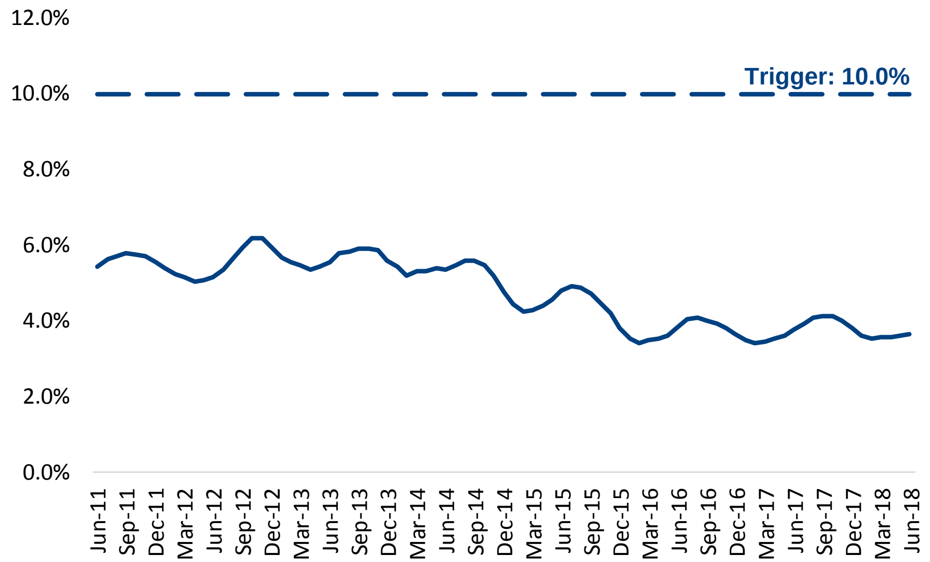
Defaults (3-month moving average)



1-5 months delinquency rates



5+ months delinquency rates



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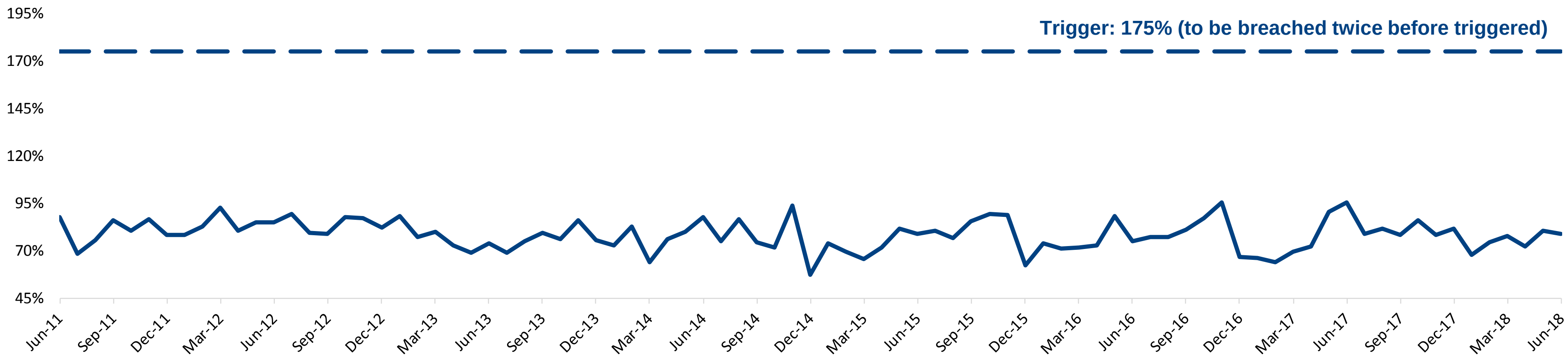
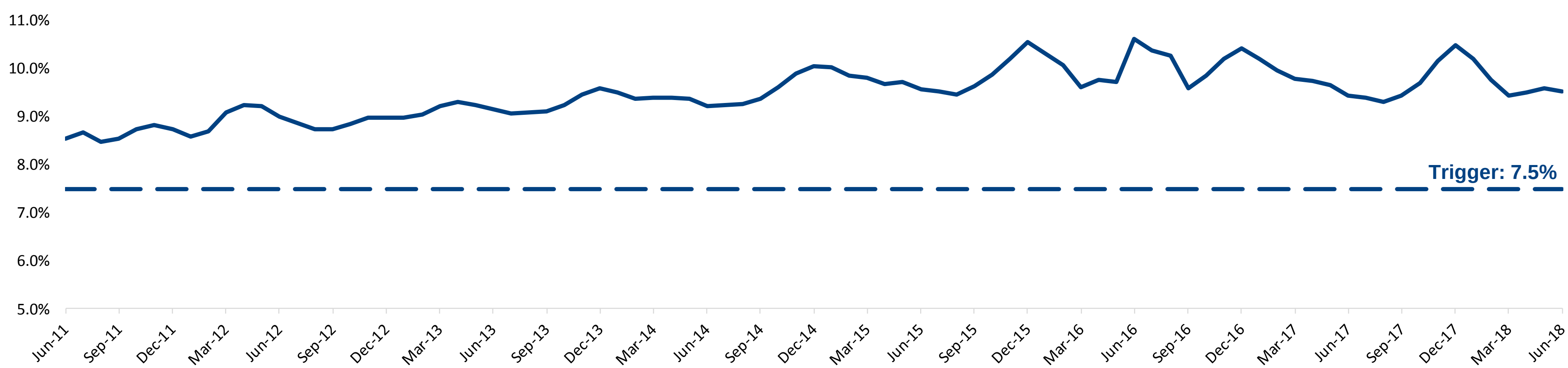
Appendix D: Securitisation Performance Covenants

Key triggers and historical performance – stable performance over economic cycles

Dilutions Ratio



Payment Rate (3-month moving average)



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Appendix E: Balance Sheet

Balance Sheet

	FY18	FY17
Non-current assets	**571.1**	**508.2**
Current assets	**2,451.7**	**2,306.1**
of which:		
Inventories	101.9	114.3
Trade receivables [1]	1,516.3	1,463.2
Amounts owed by Group undertakings [1]	500.4	455.6
Cash and bank balances	140.5	116.9
Current liabilities	**(819.6)**	**(732.8)**
of which:		
Trade and other payables	(557.8)	(516.4)
Non-current liabilities	**(2,017.9)**	**(1,881.6)**
of which:		
Securitisation borrowings	(1,317.4)	(1,228.8)
Retirement benefit obligations	(72.3)	(85.1)
Net Assets	**185.3**	**199.9**

Highlights

- **Non-current assets** increase driven by capital investment in strategic initiatives
- **Inventories** have decreased due to a targeted reduction in inventory cover days
- **Trade receivables** reflecting debtor book growth
- **Amounts owed by Group undertakings** reflecting increase in the intercompany receivable with Shop Direct Holdings Limited
- **Trade and other payables** increase reflects successful supplier payment term negotiations and sales growth
- **Securitisation borrowings:** ratings on both tranches of the portfolio were confirmed as 'A' and 'BBB'. The 'A' notes commitment was extended to December 2020 and increased from £1,215m to £1,325m. The 'BBB' notes were converted to fixed notes and a fixed term of 4 years. A further fixed note, fixed term, unrated tranche of £65m was also introduced as part of the renewal process
- **Retirement benefit obligations** lower than prior year with both defined benefit schemes in technical provisions surplus. The liability reflects voluntary contributions agreed to encourage trustees to move towards buy-out

Notes

1. *Included within Trade and other receivables in Balance Sheet.*

SHOP
DIRECT