THE VERY GROUP

FY20 Results | Twelve months ended 30 June 2020 | 8 October 2020

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Full year highlights

Online, multi-category model has proven flexible and resilient in face of rapidly changing customer behaviour

- Annual Group revenue exceeding £2bn for the first time with Very.co.uk retail sales growth of +10.5%
- Underlying EBITDA of £264.4m (FY19: £272.4m) including additional £12m bad debt provision relating to Covid-19 – without this the underlying EBITDA would have been approximately £277m
- A return to profit with profit before tax of £48.4m (FY19: £(185.5)m)
- Financial services business remained robust with improving payment rates and default rates in line with historic trends
- Year-end cash headroom of over £200m; Government Coronavirus Job Retention Scheme (CJRS) has not been utilised and Government loan schemes not accessed
- Opened Skygate, a new state of the art fulfilment centre on time and on budget
- Despite experiencing peak trading levels in quarter 4, the business has proven resilient and flexible, maintaining full operational capacity throughout the Covid-19 crisis with home working introduced for 2,000+ employees
- Net debt excluding securitisation reduced by £144.2m to £496.7m (FY19 net debt excluding securitisation: £640.9m)

Strategic progress

Continued progression against our strategic objectives with the launch of Skygate

- Opened our new state-of-the-art automated fulfilment centre, Skygate, on time and on budget, the culmination of a four-year project
- One-millionth outbound customer order processed in July 2020
- Preparing for its first peak trading
- Significant efficiencies, customer service and environmental benefits
- Will help increase next-day delivery order cut-off time to midnight, and give future option to offer our customers same day delivery

Accelerating our digital agenda

- Decision in early April to close existing contact centre and set up our 800 contact centre colleagues to work from home for first time
- New working models for contact centre and head office will harness benefits of remote and on-premise work including productivity and well-being

Pensions

- The Littlewoods Pensions Scheme, which is sponsored by The Very Group, completed a buy-in deal with Rothesay Life for just under £930m in July 2020
- This is the second buy-in for the scheme with substantially all member liabilities for The Very Group now insured

THE VERY GROUP

Q4 and FY20 financial highlights

Quarter 4

+36%	+1%pt	+103%
Q4 Very.co.uk retail sales	Q4 Very.co.uk UK non-food market share	Q4 new customers

FY20

£2bn	+2.9%	+10.5%
Annual revenue passed for first time	Group revenue	Very.co.uk retail sales

FY20

£48.4m	£264.4m[1]	£241.5m
PBT (FY19: £(185.5)m)	Underlying EBITDA (FY19: £272.4m)	Underlying free cash flow (FY19: £135.2m)

Note: 1. Underlying EBITDA adversely impacted by £12.4m due to Covid-19 – excluding these impacts, underlying EBITDA would have been approximately £277m

Economic model - consistent focus on profit and free cash drivers

FY20 v FY19 performance

Revenue	Gross margin	Return on assets	Costs	Debtor book
+10.5% growth in Very.co.uk retail sales	**Stable** underlying retail gross margin	**Lower** underlying bad debt	**(2.2)%pts** reduction in costs as % of revenue	**+1.1%** growth in average Very debtor

Covid-19 update

Despite decisive action in response to Covid-19, EBITDA and PBT have been impacted

Trading

- Significant step-up in growth in quarter 4 with Very.co.uk retail sales +36%
- Change in mix out of higher margin fashion product has adversely impacted retail margins

Adverse impacts to bad debt and cost base

- As a result of Covid-19, we have seen a number of significant impacts on our income statement and which are summarised across
- These impacts have reduced pre-exceptional EBITDA by £12.4m and profit before tax by £23.3m, resulting in a reduction in underlying EBITDA against prior year
- Excluding these impacts, underlying EBITDA would have been approximately £277m (FY19: £272.4m) and profit before tax approximately £72m
- Major item reflects additional £8m bad debt provision following an increase in the number of customers choosing to pause account payments for two months following onset of Covid-19. Underlying bad debt is lower than prior year

FY20 Covid-19 Impact

	£m
Bad debt provision	(8.4)
Bad debt macroeconomic overlay	(4.0)
Pre-exceptional EBITDA impact	**(12.4)**
Restructuring costs	(4.6)
Impairment of tangible fixed assets	(3.4)
Covid-19 costs	(2.9)
Exceptional items impact	**(10.9)**
Profit before tax impact	**(23.3)**

Strong revenue growth and cost control

FY20 v FY19 Performance

- **Very.co.uk** revenue grew 6.8% with growth in retail sales of 10.5%. FS revenue has been impacted by changes to our administration fees policy and improvement to credit decisioning which reduce bad debt
- **Littlewoods** revenue remained in managed decline, in line with our expectations and an improvement of 2.5%pts in the rate of decline relative to the prior year
- **Group revenue** increased 2.9% to £2,050.7m
- **Gross margin** rate decreased to 36.5% (FY19: 39.6%) driven by lower financial services revenue, additional Covid-19 bad debt provisioning and impact on retail margin from lower mix of fashion & sports sales as well as the continued brand switch to Very from Littlewoods. Underlying retail margin rate broadly flat
- **Costs as a percentage of group revenue** reduced by 2.2%pts, reflecting ongoing cost reduction programme and an £7.3m reduction through adoption of IFRS 16
- **Underlying EBITDA** decreased by 2.9% to £264.4m (FY19: £272.4m), with underlying EBITDA in line with the guidance issued in August. Underlying EBITDA before Covid-19 impacts would have been approximately £277m (EBITDA margin: 13.5%) and £4m higher than prior year

Income Statement

(£ millions)	FY20 £m	FY19 £m	Variance %
Very	1,589.8	1,488.1	6.8 %
Littlewoods	460.9	505.3	(8.8)%
Group Revenue	**2,050.7**	**1,993.4**	**2.9 %**
Gross margin	747.9	788.8	(5.2)%
% Margin	*36.5%*	*39.6%*	*(3.1)%pts*
Distribution expenses	(227.3)	(224.9)	
Administrative expenses	(263.7)	(295.6)	
Other operating income	2.2	2.7	
Reported EBITDA	259.1	271.0	(4.4)%
% Reported EBITDA Margin	12.6 %	13.6 %	*(1.0)%pts*
Operating costs as % of revenue	(23.8)%	(26.0)%	*2.2 %pts*
Memo: Underlying EBITDA			
Underlying EBITDA	264.4	272.4	(2.9)%
% Underlying EBITDA Margin	*12.9%*	*13.7%*	*(0.8)%pts*

Notes

1. FY20 is the 12 months ended 30 June 2020. FY19 is the 12 months ended 30 June 2019
2. FY20 reported under IFRS 16. FY19 reported under IAS 17

Retail: Flexible and resilient multi-category model with shifting category mix in final quarter

Highlights

- **Very.co.uk retail revenue** increased by 10.5% compared to prior year, driven by double digit growth across electrical, home and other categories with Group retail revenue growing by 6.5%
- **Fashion & sports** revenue increased by 0.9% in the year. Quarter 4 growth impacted by Covid-19 as customer behavior changed significantly across the fashion market. Within this, sportswear has remained in growth, with total sportswear for the full year up by approximately 14% as we continue to see this as a key growth area
- **Electrical** revenue grew by 18.0% in the year and by 77.7% in quarter 4 alone, with all categories posting double digit growth in the quarter. Audio was the standout department in the year, growing by 76%. Small domestic appliances, vision and computing also grew strongly
- **Home** grew by 13.0% in the year, including a step up in performance in quarter 4 which saw growth of over 50%, driven by customers purchasing from our home accessories, home furnishings and garden tools ranges
- **Other categories**, which represents 11% of retail revenue, grew by 10.5% compared to prior year. Strong performance driven by toys which have continued in growth, at 16%

Retail revenue

	Fashion & sports	Electrical	Home	Other categories
Very.co.uk YoY %	+0.9%	+18.0%	+13.0%	+10.5%
FY20 Mix %	32%	42%	15%	11%
FY19 Mix %	35%	40%	14%	11%
The Very Group YoY %	(1.6)%	11.7%	7.5%	6.9%

- Other categories include toys, gifts, beauty and leisure

Notes

1. FY20 is the 12 months ended 30 June 2020. FY19 is the 12 months ended 30 June 2019

Lower financial services revenue driven by higher customer payments and changes to administration fees

Highlights

- **Interest income** down 7.0% to £360.1m driven by lower average debtor book through impact of higher customer payments, with payment rate 0.7%pts higher than prior year
- **Other** financial services revenue reduction reflects lower year-on-year warranty volumes and administration fee charges following changes to our fees policy which are designed to help customers who are not in financial difficulty but who fall periodically into arrears
- **Average debtor book** declined 2.6% to £1,622.5m driven by lower financial services revenues and higher customer payment rates
- **Very.co.uk average debtor book** grew by 1.1%
- As a percentage of the debtor book, interest income decreased by 1.0%pts to 22.2%

Financial Services revenue

	FY20 £m	FY19 £m	Variance %
Interest Income	360.1	387.2	(7.0)%
Other	33.2	44.0	(24.5)%
FS revenue	**393.3**	**431.2**	**(8.8)%**

Interest Income as % of average debtor book

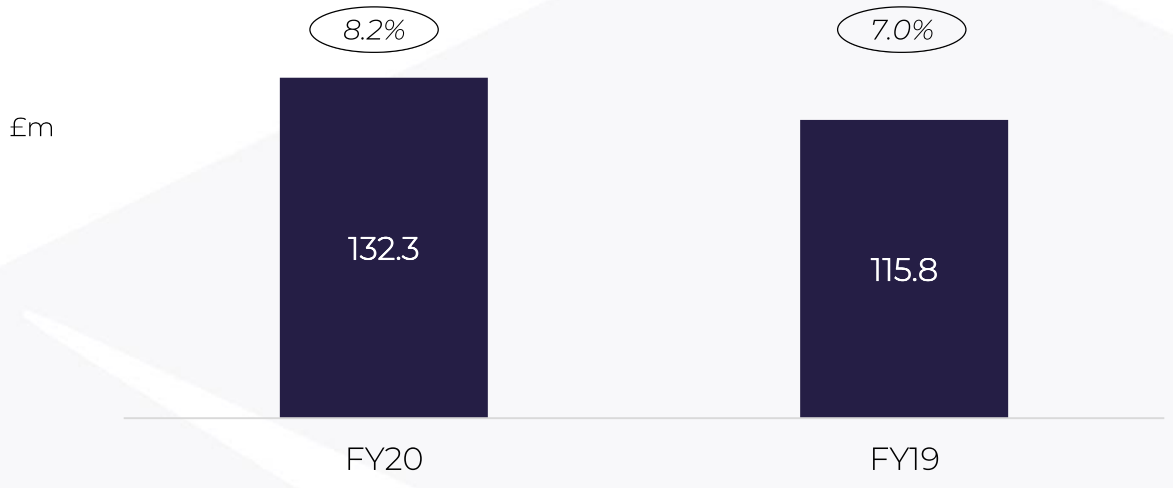
Notes
1. FY20 is the 12 months ended 30 June 2020. FY19 is the 12 months ended 30 June 2019

Lower underlying bad debt before impact of Covid-19 and provisioning

Highlights

- **Bad debt** as a percentage of the debtor book increased 1.2%pts to 8.2% (FY19: 7.0%) driven by a c. 1.5%pts adverse year-on-year impact from:
  - £8m additional provisioning for customers pausing accounts for two months at the onset of Covid-19 using existing facilities and a £4m increase in macroeconomic provision;
  - Annualisation against prior year provision movements reflecting benefit from adoption of advanced credit decisioning
- In line with FCA guidance, a three-month payment freeze for credit customers temporarily affected by Covid-19 was implemented. This has been accounted for within the bad debt provision as if these customers were not on a freeze and followed a normal bad debt profile. As at the end of September, less than 1% of all credit accounts remained on a Covid-19 related payment freeze
- Underlying bad debt lower than prior year, with a continued strong focus on responsible lending and assessment of customer sustainability at both acquisition and during the lifetime of lending
- The combination of the actions which we have taken around financial services income and the underlying reduction which we have seen in bad debt are resulting in a higher quality of earnings

Bad debt and as % of average debtor book



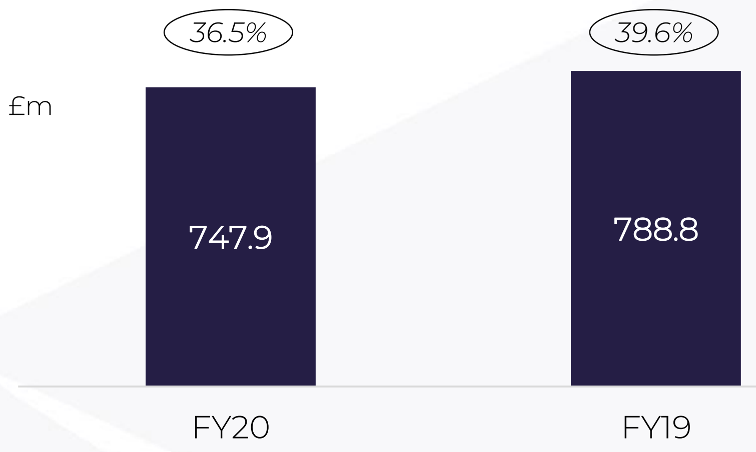
Notes
1. FY20 is the 12 months ended 30 June 2020. FY19 is the 12 months ended 30 June 2019

Gross margin impacted by Covid-19 related mix shift and financial services contribution with underlying retail margin stable

Highlights

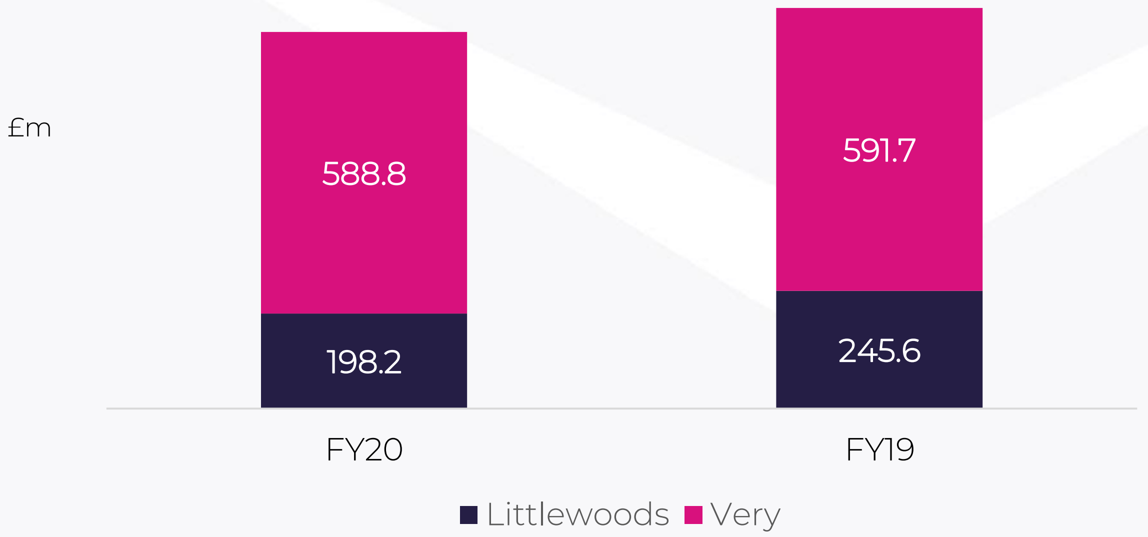
- **Gross margin rate** of 36.5% behind prior year by 3.1%pts (FY19: 39.6%)
- **Retail margin rate** lower than prior year driven by the lower fashion & sports mix and the continued impact of brand switch between Very and Littlewoods. Underlying retail margin rate broadly flat
- **Financial services margin rate** reflecting lower financial services revenue, as discussed on page 10, and higher bad debt expense as discussed on page 11

Gross margin and gross margin rate



FY19 GM %	39.6%
Retail gross margin	(0.3)%
Interest income	(1.6)%
Admin fees	(0.6)%
PY bad debt prov'n movement	(1.0)%
Covid-19 bad debt impact	(0.6)%
Underlying bad debt	1.0%
Total	(3.1)%
FY20 GM%	36.5%

Gross margin by brand[2]



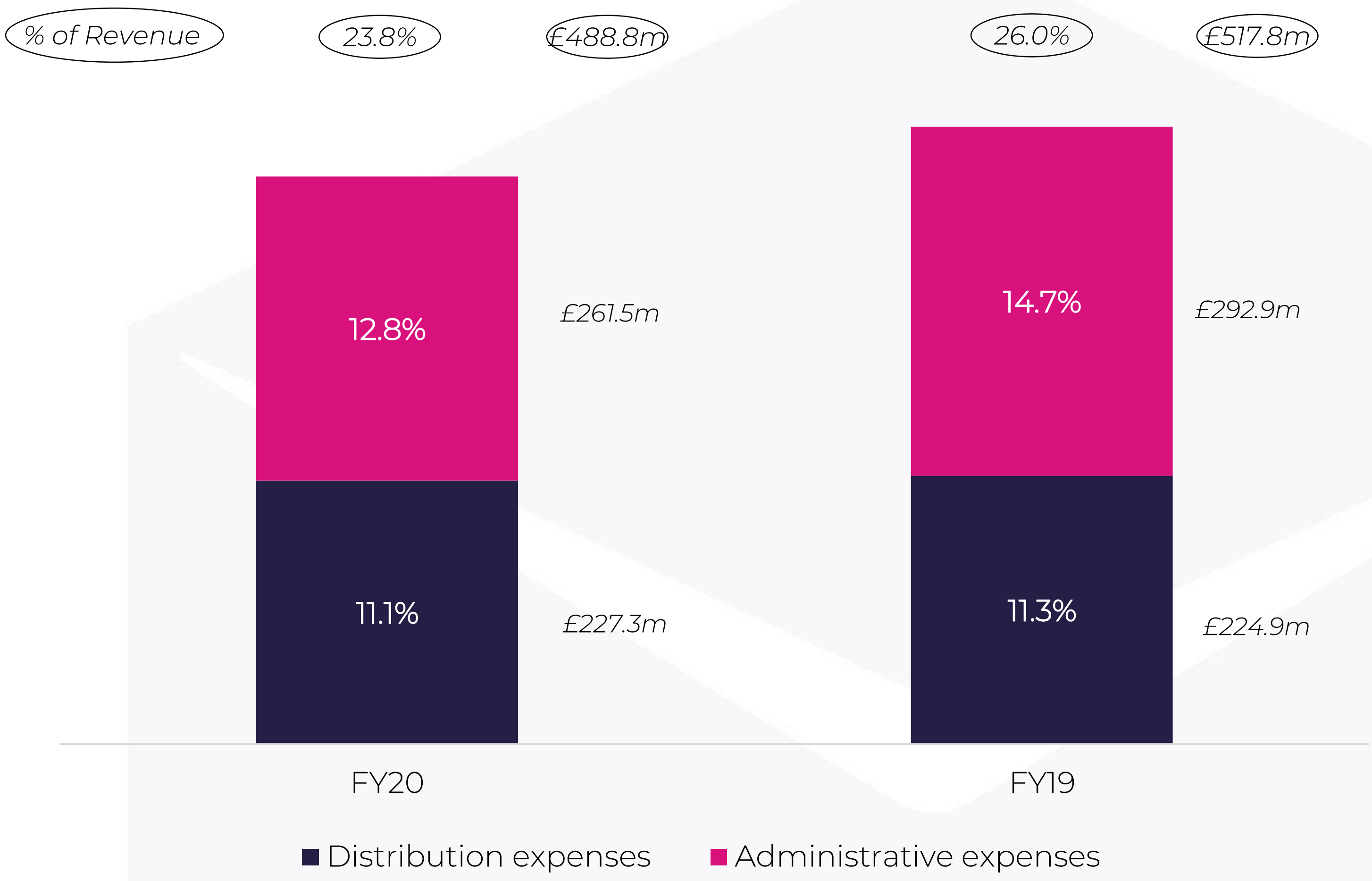
Notes
1. FY20 is the 12 months ended 30 June 2020. FY19 is the 12 months ended 30 June 2019
2. Excludes unbranded elements of cost of sales and therefore total does not match first chart on page 8

Cost control continues

Highlights

- Total costs as a percentage of revenue reduced by 2.2%pts to 23.8% reflecting a strong culture of cost control in the business and is significantly lower than 2 years ago (FY18: 26.5%). Excluding the impact of IFRS 16, total costs decreased by 1.8%pts to 24.2%
- Administrative costs as a % of revenue decreased by 1.9%pts to 12.8% driven by our cost reduction programmes including head office efficiencies as well as a reduction through adoption of IFRS 16 and the corresponding reclassification of rent expense to interest and depreciation. Excluding the impact of IFRS 16, administrative costs decreased by 1.6%pts to 13.1%
- Distribution costs as a % of revenue lower than prior year at 11.1% as a result of changes in product mix, including lower sales of high returning items such as occasionwear (FY19: 11.3%)

Operating costs



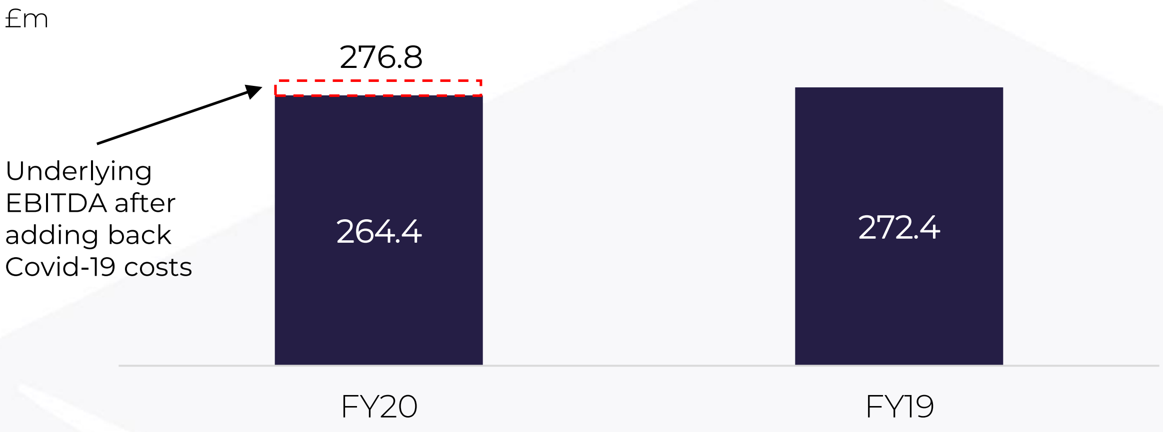
Notes
1. FY20 is the 12 months ended 30 June 2020. FY19 is the 12 months ended 30 June 2019
2. FY20 reported under IFRS 16. FY19 reported under IAS 17
3. Distribution expenses comprise distribution and fulfilment costs
4. Administrative expenses comprise marketing, contact centres, head office costs and other operating income, excluding depreciation and amortisation

Adjusted EBITDA in growth over prior year

Highlights

- Underlying EBITDA decreased by 2.9% to £264.4m (FY19: £272.4m) reflecting revenue growth, cost control, and the transition to IFRS 16 (£7.3m benefit to EBITDA), more than offset by lower gross margin
- Underlying EBITDA before Covid-19 impacts would have been approximately £277m
- Adjusted EBITDA post securitisation interest increased by 1.0% to £230.5m

Year-on-year Underlying EBITDA reconciliation



(£ millions)	FY20 £m	FY19 £m	Variance %
Reported EBITDA[1]	259.1	271.0	(4.4)%
Adjusted for:			
Fair value adjustments to financial instruments	2.3	(2.3)	
Foreign exchange translation movements on trade creditors	(0.2)	2.6	
IAS19 and IFRIC 14 pension adjustments	3.2	1.1	
Management / Underlying EBITDA[3]	264.4	272.4	(2.9)%
Adjusted for:			
Management fee	5.0	5.0	
Covid-19 costs	12.4	-	
Securitisation interest	(51.3)	(49.1)	
Adjusted EBITDA post securitisation interest	230.5	228.3	1.0 %

Notes

1. FY20 reported under IFRS 16. FY19 reported under IAS 17
2. FY20 is the 12 months ended 30 June 2020. FY19 is the 12 months ended 30 June 2019
3. Management EBITDA is also defined as "Underlying EBITDA" within Annual Report and Financial Statements

Underlying free cash flow significantly higher than prior year

Highlights

- **Net working capital movement (post securitisation funding)** driven by:
  - Inventory reflecting a targeted reduction in inventory cover days and the strong quarter 4 retail sales performance
  - Inflow through trade receivables reflecting lower growth in the debtor book due to increased payment rate and lower financial services revenues
  - Prepayments and other receivables reflecting lower payments in FY20 associated with fulfilment centre fit out and timing of other prepayments
  - Trade and other payables reflecting sales growth, particularly in quarter 4, along with the deferral of tax payments under HMRC's Time to Pay scheme
  - Movement in securitisation facility including £50m of new 'C2' notes issued but which annualises against FY19 benefit from the new issue of 'B' and 'C' notes (£45m) as well as the benefit from the securitisation of the Ireland debtor book (£25m)
- **Pension** benefit reflects the agreement reached between the Trustees of the Littlewoods Pension Scheme and the Company to suspend contributions totaling £20m from May 2019 until August 2020 and annualises against a c£14m cash benefit in the prior year period which resulted from the completion of the buy-out of the Shop Direct Group Littlewoods Pension Plan
- **Capital expenditure** ahead of prior year driven by timing of investment in strategic projects and includes further investment in our website's capability

Cash flow

(£ millions)	FY20 £m	FY19 £m
Adjusted EBITDA (post securitisation interest)	230.5	228.3
Net working capital movement:		
Movement in inventories	28.8	7.7
Movement in trade receivables[2]	31.4	1.4
Movement in prepayments and other receivables[2]	(12.3)	(37.3)
Movement in trade and other payables	24.0	(75.2)
Movement in securitisation facility	12.8	55.2
Net working capital movement (post securitisation funding)	84.7	(48.2)
Pension contributions	0.4	6.8
Underlying operating free cash flow	**315.6**	**186.9**
Capital expenditure	(74.1)	(51.7)
Underlying free cash flow	**241.5**	**135.2**

Notes
1. FY20 is the 12 months ended 30 June 2020. FY19 is the 12 months ended 30 June 2019
2. Shown in aggregate as (Increase)/decrease in trade and other receivables in the Annual Report and Financial Statements

Customer redress and funding update

- Balance sheet provision of £174.6m at 30 June 2019
- In the 12 months to 30 June 2020 the provision has been increased by £15.0m to recognise the remaining cost of settling all outstanding claims as Covid-19 has caused a slowdown in processing payments. The PPI provision is now expected to take until late FY21 to unwind
- £88.5m has been paid out against the provision during the year
- Balance sheet provision of £101.1m at 30 June 2020

Current trading

Quarter 1 FY21 retail sales significantly ahead of prior year

- Trading has continued strongly, consistent with the wider online market
- In the 13 weeks ended 25th September, group retail sales in double-digit year-on-year growth
- Continued shift in consumer behaviour with electrical and home showing particularly strong growth. Some improvement seen in trajectory of fashion & sports
- Top performing categories include vision, smart tech, gaming, computing and home accessories
- Double-digit growth in new customers and achieved at a lower cost per acquisition
- Impact on retail performance of lower retail margin rate continues to be more than offset through higher volume
- Default rates remain in line with historic trends and strong payment rates have continued
- Number of customers using payment freeze option for those temporarily impacted by Covid-19 remains in line with our expectations

Summary

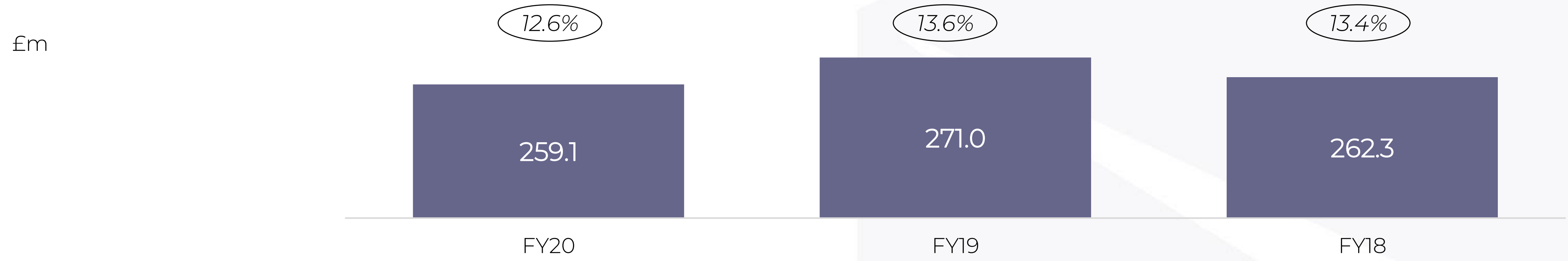
Flexible, resilient business model and investment in future capability

- Very.co.uk retail sales growth of +10.5% and group revenue ahead of prior year, passing £2bn for the first time
- Quality of financial services earnings is improving
- Continued strong cost control
- Opening of new fulfilment centre at East Midlands Gateway as part of continued investment for future growth and cost efficiency
- Business model remains flexible and resilient with a return to profit despite Covid-19 impacts
- Strong trading performance since onset of Covid-19 and proactive actions taken provide confidence in future flexibility and resilience
- Underlying EBITDA of £277m after adding back Covid-19 costs
- Over £200m of year end cash headroom with net debt reduced by £144m to £497m

Appendix A: LTM KPIs

LTM Revenue

LTM Reported EBITDA



LTM Adjusted EBITDA post securitisation interest

Appendix B: Cash Flow Statement

(£ millions)	FY20 £m	FY19 £m
Adjusted EBITDA (post securitisation interest)	**230.5**	**228.3**
Net working capital movement:		
Movement in inventories	28.8	7.7
Movement in trade receivables[2]	31.4	1.4
Movement in prepayments and other receivables[2]	(12.3)	(37.3)
Movement in trade and other payables	24.0	(75.2)
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Net working capital movement (post securitisation funding)	**84.7**	**(48.2)**
Pension contributions	0.4	6.8
Underlying operating free cash flow	**315.6**	**186.9**
Capital expenditure	(74.1)	(51.7)
Underlying free cash flow	**241.5**	**135.2**
Interest paid (excluding securitisation interest)	(56.0)	(48.6)
Income taxes (paid) / received	(0.4)	(17.1)
Cash impact of exceptional items (excluding customer redress)	(32.8)	(17.7)
Management fees	(5.0)	(5.0)
Cash paid to the parent company	(5.0)	(4.0)
(Repayments of) / draw downs from finance leases	(9.6)	(1.5)
Share capital issued	100.0	-
Net increase in cash and cash equivalents pre customer redress	**232.7**	**41.3**
Customer redress payments	(88.5)	(166.8)
Net increase in cash and cash equivalents	**144.2**	**(125.5)**

Notes

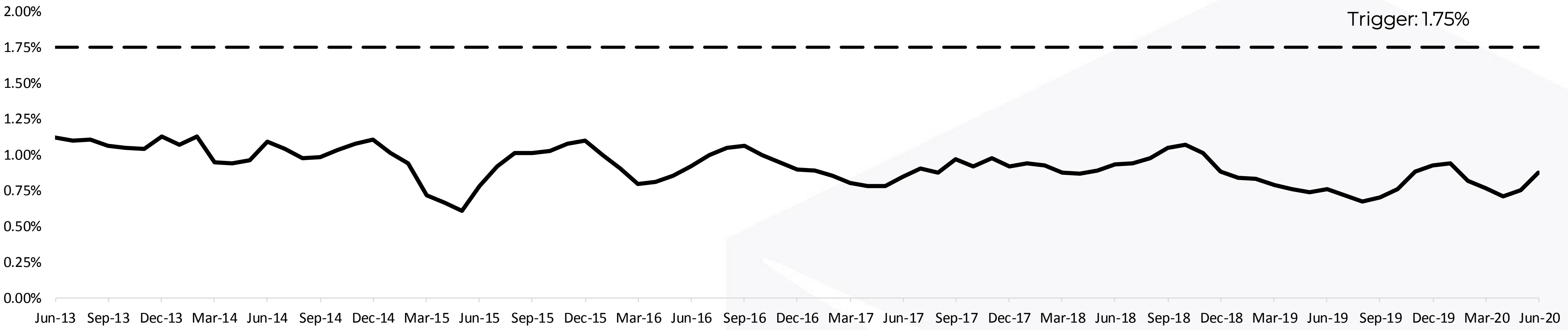
1. FY20 is the 12 months ended 30 June 2020. FY19 is the 12 months ended 30 June 2019
2. Shown in aggregate as (Increase)/decrease in trade and other receivables in the Annual Report and Financial Statements
3. Cash flow and liability from RCF drawings are shown net within the above

Appendix C: Net Leverage

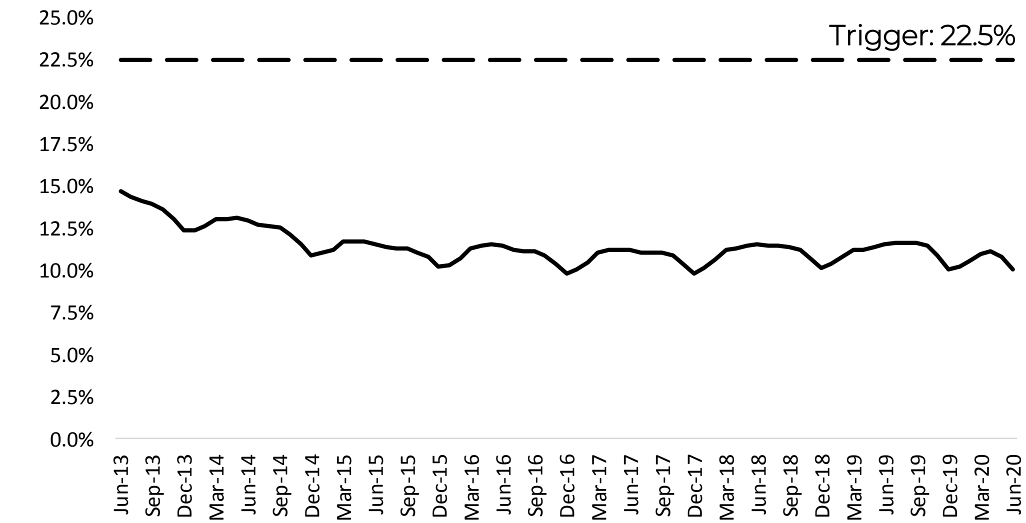
(£ millions)	Q4 FY20	Q3 FY20	Q2 FY20	Q1 FY20	Q4 FY19
Cash and Bank balances	206.4	78.3	25.0	30.2	14.8
Fixed Rate Notes	(550.0)	(550.0)	(550.0)	(550.0)	(550.0)
Revolving Credit Facility	(150.0)	(150.0)	(35.0)	(150.0)	(95.0)
Other debt	(3.1)	(6.9)	(2.4)	(10.3)	(10.7)
Total Gross Debt (excluding Securitisation)	(703.1)	(706.9)	(587.4)	(710.3)	(655.7)
Total Net Debt (excluding securitisation)	(496.7)	(628.6)	(562.4)	(680.1)	(640.9)
LTM Adjusted EBITDA (post securitisation interest)	230.5	227.1	232.6	233.7	228.3
Net Leverage	2.2x	2.8x	2.4x	2.9x	2.8x

Appendix D: Securitisation Performance Covenants

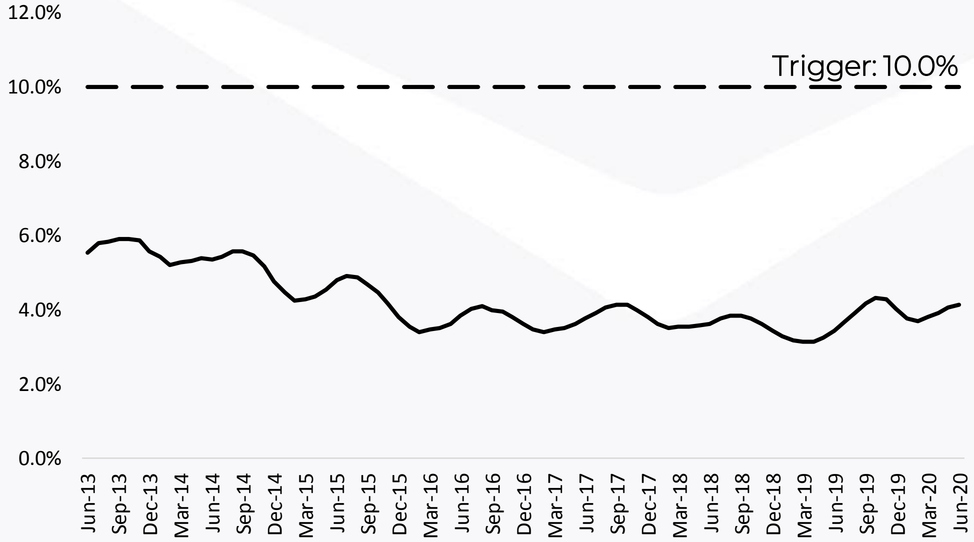
Defaults (3-month moving average)



1-5 months delinquency rates

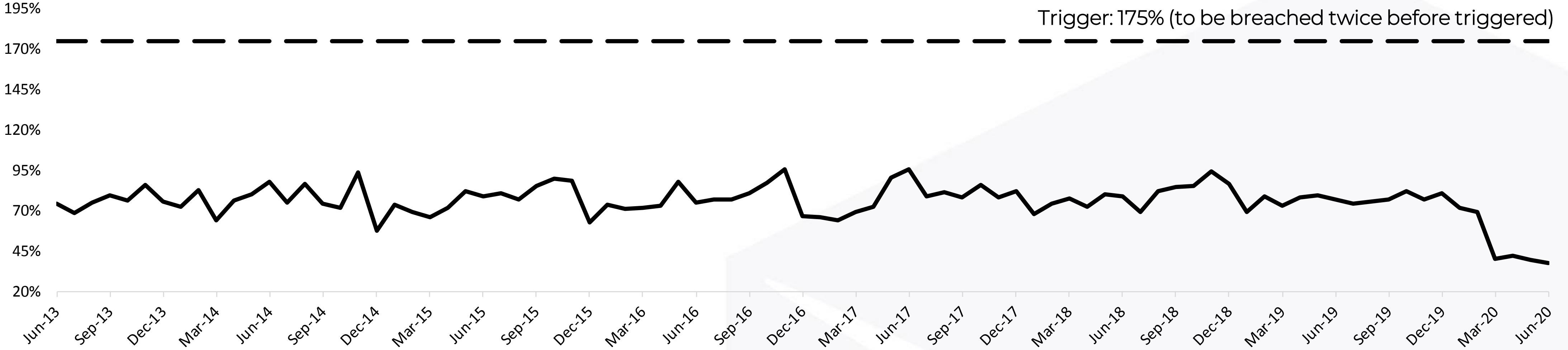


5+ months delinquency rates

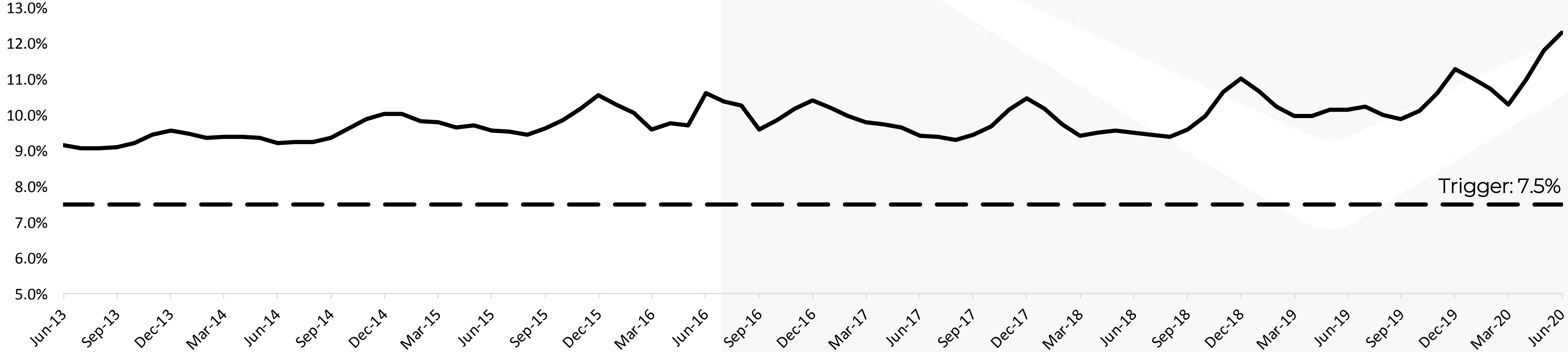


Appendix D: Securitisation Performance Covenants

Dilutions ratio



Payment rate (3-month moving average)



Note

1. Reduction in dilutions ratio at March 2020 due to customers currently being restricted in how they return items during lockdown

Appendix E: Balance Sheet

- Non-current assets increase driven by transition to IFRS 16 and recognition of right of use assets, alongside strategic capital investment and an increase in the deferred tax asset
- Inventories have decreased reflecting a targeted reduction in inventory cover days and the strong quarter 4 retail sales performance
- Trade receivables driven by revenue performance offset by higher customer payment rates
- Amounts owed by Group undertakings in line with FY19 year end position
- Cash and bank balances increase by over £190m since the prior year end and include the benefit of proactive action taken post the onset of Covid-19 as well as strong trading
- Trade and other payables higher than prior year driven by quarter 4 revenue performance as well as tax payments which were deferred out of FY20 using HMRC's Time To Pay Scheme
- Securitisation borrowings: The 'AS' and 'AJ' Notes commitment of £1,325m expires in December 2022 and the 'B', 'C1' and 'C2' Notes commitment of £260m expires in December 2023, giving a total maximum value of £1,585m. The Group also has access to a €35m commitment in relation to the receivables of Shop Direct Ireland Ltd
- Retirement benefit obligations broadly in line with prior year with both defined benefit schemes in technical provisions surplus. The liability reflected voluntary contributions agreed. A second buy-in of the Littlewoods Pension Scheme was completed in July 2020 and a formal agreement reached in August 2020 which allows for a single future contribution of £18.7m payable on or before 31 August 2021. If this change had been agreed prior to 30 June 2020, the retirement benefit obligations of £59.5m would have reduced by £40.2m

	FY20	FY19
Non-current assets	769.0	576.9
Current assets	2,347.3	2,219.2
of which:		
Inventories	65.4	94.2
Trade receivables[1]	1,330.6	1,374.4
Amounts owed by Group undertakings[1]	522.3	514.5
Cash and bank balances	206.4	14.8
Current liabilities	(878.2)	(849.4)
of which:		
Trade and other payables	(533.1)	(502.6)
Customer redress provision	(101.1)	(174.6)
Non-current liabilities	(2,177.5)	(2,035.2)
of which:		
Securitisation borrowings	(1,385.4)	(1,372.6)
Retirement benefit obligations	(59.5)	(58.0)
Total equity	(60.6)	88.5

Notes
1. Included within Trade and other receivables in Balance Sheet
2. FY20 reported under IFRS 16. FY19 reported under IAS 17

THE VERY GROUP