THE VERY GROUP

Q3 FY20 YTD Results | Nine months ended 31 March 2020 | 13 May 2020

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Highlights

Resilient business model and investment in future capability

- Remained operational since onset of COVID-19, with safety and well-being of colleagues and customers remaining priority
- Strong trading post quarter end illustrating benefits of multi-category model
- Proactive actions taken provide confidence in future resilience of business and level of liquidity
- Limited impact to date from implementation of 3 month payment deferral for customers impacted by COVID-19
- Q3 FY20 YTD reported EBITDA growth of +1.6% and underlying EBITDA growth of +2.4%
  - Very.co.uk retail sales growth of +3.5%
  - 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

COVID-19 – update

Operations

- Safety and well-being of colleagues and customers remains priority
- Remained operational with fulfilment centres dealing with volumes equivalent to peak trading
- Early benefits from opening new fulfilment centre
- Head office and contact centre colleagues working from home
- Limited disruption to customers

Supply chain

- Working closely with product partners to optimise range and availability of products in demand from c. 30 countries
- Cancellation of selected stock orders, benefitting cash position and increasing flexibility
- Emerging opportunities with brands

Financial services

- 3 month payment deferral for customers impacted by COVID-19. Take up of this is below that included in stress test
- No material deterioration in financial service metrics

COVID-19 – update

Trading post March quarter end

- Given the exceptional circumstances of COVID-19, we are providing additional detail regarding post March quarter end trading
- In the 4 weeks ended 25th April:
  - Group retail sales up over 30% v prior year
  - Very.co.uk retail sales up over 40% v prior year. Significant shift in consumer behavior with Electrical and Other (includes Toys, Gifts, Beauty, Leisure) each up over 80%. Home up c. 40%, partially offset by reduction in Fashion & Sports of c. 5% driven by reduction in Fashion of c. 30%
  - Very.co.uk growth in site visits of over 75% - a market leading level in the UK non-food market
  - Strong engagement from both existing and new customers. New customers up over 180% v prior year for the Group and Very.co.uk and achieved at a lower cost per acquisition
- Impact on retail performance of lower retail margin rate is being offset through higher volume
- Against stress test, confidence in having sufficient liquidity for next 18 months and in satisfying covenant requirements and are performing ahead of this
- Cash and bank balances of £78m at March 2020 and increased to over £100m end of April 2020, reflecting strong trading and our actions
- Confidence in resilience of business model including through multi-category range

Very growth and strong cost control drive continued EBITDA growth

Q3 FY20 YTD Highlights

- Very.co.uk retail sales up 3.5% with growth across Fashion and Sports up 4.1%, Electrical 4.4% and Other Categories 4.0%. Very.co.uk total revenue up 2.4%
- Continued solid retail sales performance at end of quarter, post onset of COVID-19
- Group revenue reduced 1.7% to £1,532.5m (Q3 FY19 YTD: £1,558.8m) including impacts from changes to financial services administration fees policy, improvements to credit decisioning and closure of Littlewoods Clearance – excluding these factors group revenue was broadly in line with prior year
- Interest income as a percentage of the debtor book decreased 0.4%pts to 17.5% (Q3 FY19 YTD: 17.9%) driven by higher customer payments
- Group gross margin lower than prior year at 36.9% (Q3 FY19 YTD: 37.7%) driven by lower financial services income and impact on retail margin from continued brand switch to Very from Littlewoods. Underlying retail margin rate broadly in line with prior year
- Bad debt as a percentage of the debtor book lower than prior year at 6.1% (Q3 FY19 YTD: 6.7%) reflecting continued focus on quality of debtor book including benefits from credit decisioning
- Reported EBITDA[2] increased by 1.6% to £179.2m (Q3 FY19 YTD: £176.4m), with the margin up 0.4%pts to 11.7% reflecting continued strong cost control and impact of IFRS 16 adoption
- Underlying free cash flow[3] of £54.9m (Q3 FY19 YTD: £57.3m)
- Investing for future growth and cost efficiency including new fulfilment centre at East Midlands Gateway, which has commenced a phased opening and has processed around 300,000 parcels to date

Notes

1. Q3 FY20 YTD is the 9 months ended 31 March 2020. Q3 FY19 YTD is the 9 months ended 31 March 2019
2. Q3 FY20 YTD reported under IFRS 16. Q3 FY19 YTD reported under IAS 17
3. Underlying free cash flow defined on page 14

Continued EBITDA growth

Highlights

- Very.co.uk revenue grew 2.4% with growth in retail sales of 3.5%. Very has been impacted by changes to our administration fees policy and improvement to credit decisioning
- Group revenue declined 1.7% to £1,532.5m. Excluding the impact from changes to our administration fees policy, improvement to credit decisioning and the closure of the Littlewoods Clearance business, group revenue was broadly in line with prior year
- Gross margin decreased to 36.9% (Q3 FY19 YTD: 37.7%) driven by lower financial services income and impact on retail margin from continued brand switch to Very from Littlewoods, with underlying retail margin rate broadly flat
- Costs as a percentage of group revenue reduced by 0.7%pts, excluding a £6.6m reduction through adoption of IFRS 16, and reflects ongoing cost reduction programme
- Reported EBITDA increased by 1.6% to £179.2m, with margin up 0.4%pts to 11.7%. Excluding the impact of IFRS 16, EBITDA decreased by 2.2% to £172.6m with EBITDA margin in line with prior year

Income Statement

(£ millions)	Q3 FY20 YTD £m	Q3 FY19 YTD £m	Variance %
Very	1,182.6	1,154.9	2.4 %
Littlewoods	349.9	403.9	(13.4)%
Group Revenue	1,532.5	1,558.8	(1.7)%
Gross margin	566.2	587.2	(3.6)%
% Margin	*36.9%*	*37.7%*	*(0.8)%pts*
Distribution expenses	(175.0)	(172.9)	(1.2)%
Administrative expenses	(214.0)	(240.0)	10.9 %
Other operating income	2.0	2.1	
Reported EBITDA	179.2	176.4	1.6 %
EBITDA Margin %	*11.7 %*	*11.3 %*	*0.4 %pts*
Operating costs as % of revenue	*(25.3)%*	*(26.4)%*	*1.1 %pts*
Memo: excluding impact of IFRS 16[2]			
Reported EBITDA (excl. IFRS 16)	172.6	176.4	(2.2)%
EBITDA Margin %	*11.3%*	*11.3%*	-
Operating costs as % of revenue	*(25.7)%*	*(26.4)%*	*0.7 %pts*

Notes

1. Q3 FY20 YTD is the 9 months ended 31 March 2020. Q3 FY19 YTD is the 9 months ended 31 March 2019
2. Q3 FY20 YTD reported under IFRS 16. Q3 FY19 YTD reported under IAS 17

Retail: Resilient multi-category model with shifting category mix at end of period

Highlights

- **Very.co.uk retail revenue** increased by 3.5% compared to prior year. Robust performance in a challenging market, continuing to perform resiliently at end of period post onset of COVID-19
- **Fashion & Sports** revenue increased by 4.1% in the year-to-date. Quarter 3 performance impacted by a softer market followed by impact from COVID-19 towards the end of the quarter. Despite this, Men's, Women's and Children's sportswear clothing have remained in growth
- **Electrical** revenue grew by 4.4% in the year-to-date and by 6.0% in quarter 3 alone. The quarter's growth was driven by strong performances in computing, gaming and vision, as customers responded to the new lockdown measures. Audio continued to perform strongly and has grown by 69% in the year-to-date
- **Home** declined by 1.2% in the year-to-date driven by lower furniture sales. Strong growth seen in Garden Tools, particularly in quarter 3 and growth of 5.0% in home furnishing in the year-to-date
- **Other Categories**, which represents 12% of retail revenue, grew by +4.0% compared to prior year period. Solid performance driven by Toys which have continued in growth at c. 9%

Retail revenue

	Fashion & Sports	Electrical	Home	Other Categories
Very.co.uk YoY %	+4.1%	+4.4%	(1.2)%	+4.0%
Q3 FY20 YTD Mix %	*33%*	*42%*	*13%*	*12%*
Q3 FY19 YTD Mix %	*33%*	*41%*	*14%*	*12%*
The Very Group YoY %	+1.4%	(0.3)%	(4.0)%	0.5%

- Other Categories include Toys, Gifts, Beauty and Leisure

Notes

1. Q3 FY20 YTD is the 9 months ended 31 March 2020. Q3 FY19 YTD is the 9 months ended 31 March 2019

Lower financial services revenue including lower administration fees

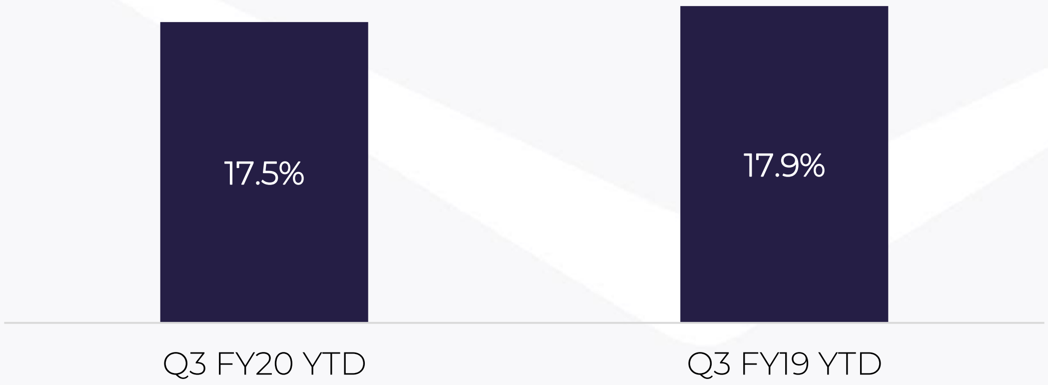
Highlights

- **Interest income** down 4.7% to £284.9m driven by lower average debtor book including impact of higher customer payments
- **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 2.5% to £1,632.0m 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 0.4%pts to 17.5%
- The rate of year-on-year decline in financial services revenue has improved from -7% at Q2 FY20 YTD

Financial Services revenue

	Q3 FY20 YTD £m	Q3 FY19 YTD £m	Variance %
Interest Income	284.9	299.1	(4.7)%
Other	27.7	32.1	(13.7)%
FS revenue	312.6	331.2	(5.6)%

Interest Income as % of average debtor book

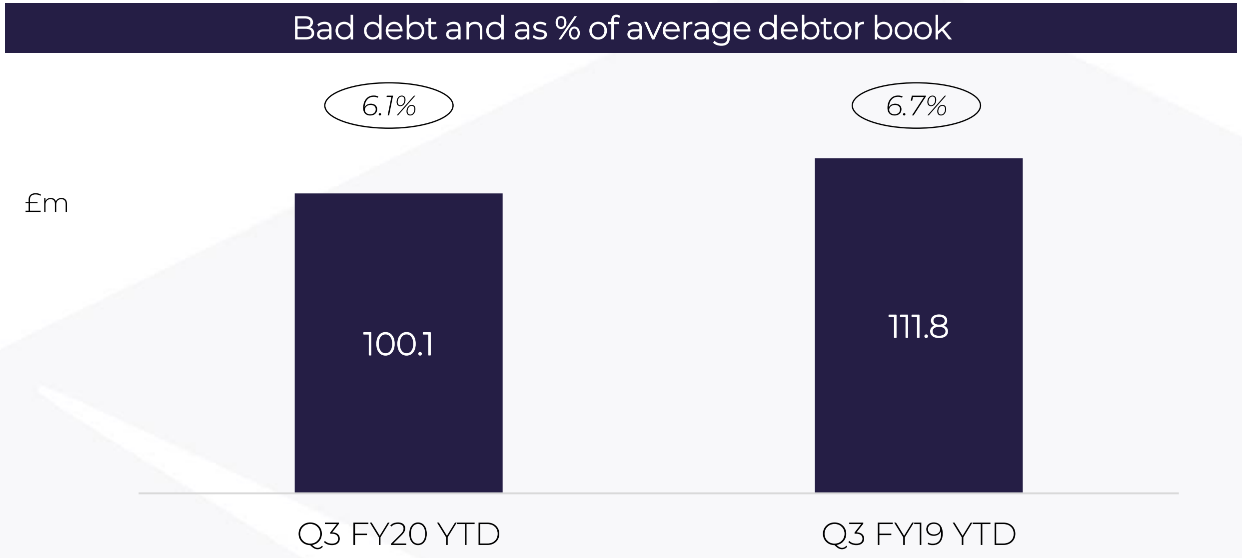


Notes
1. Q3 FY20 YTD is the 9 months ended 31 March 2020. Q3 FY19 YTD is the 9 months ended 31 March 2019

Quality of the debtor book maintained

Highlights

- **Bad debt** as a percentage of the debtor book decreased 0.6%pts to 6.1% (Q3 FY19 YTD: 6.7%) including benefits from credit decisioning
- The underlying quality of the debtor book remains in line with 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 reduction which we have seen in bad debt are resulting in a higher quality of earnings



Notes

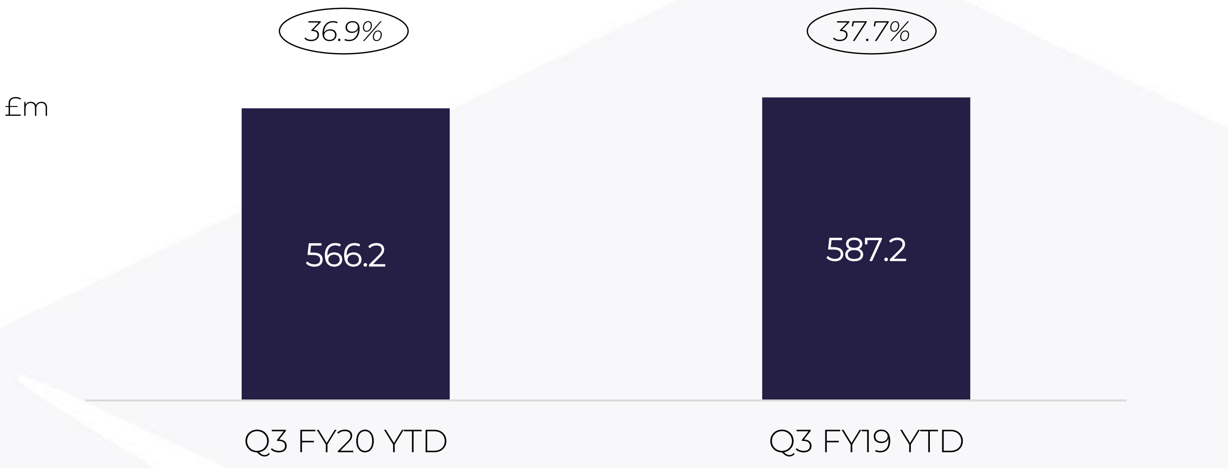
1. Q3 FY20 YTD is the 9 months ended 31 March 2020. Q3 FY19 YTD is the 9 months ended 31 March 2019

Underlying retail margin stable

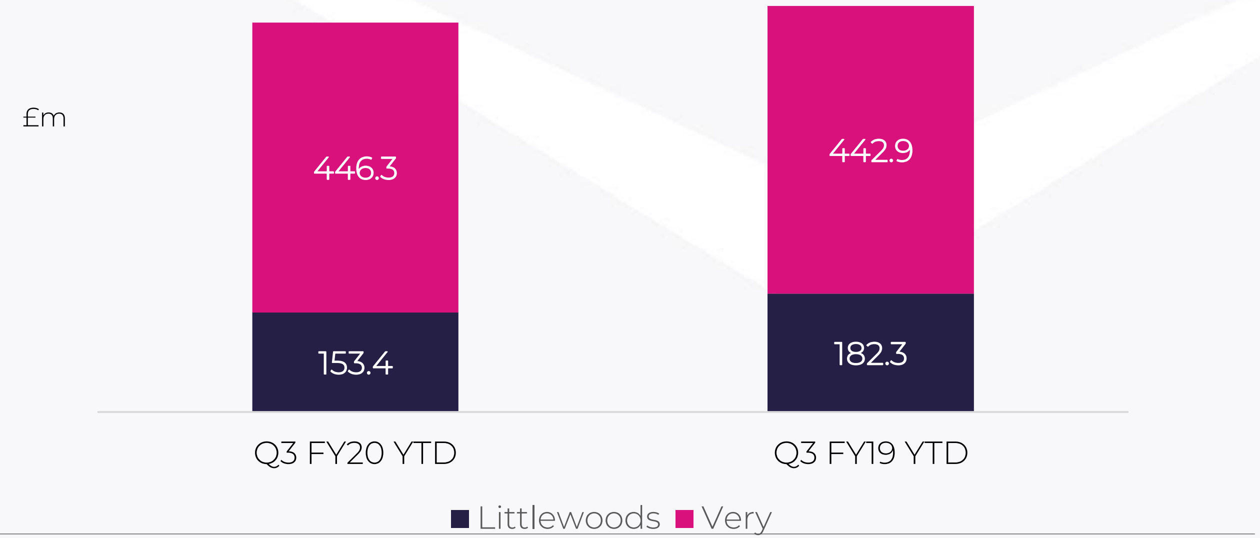
Highlights

- **Gross margin rate** of 36.9% behind prior year by 0.8%pts (Q3 FY19 YTD: 37.7%)
- **Retail margin rate** slightly lower than prior year driven by continued impact of brand switch between Very and Littlewoods, with underlying retail margin rate broadly flat
- **Financial services margin rate** reflecting lower financial services revenue as discussed on page 9, partially offset by lower bad debt

Gross margin and gross margin rate



Gross margin by brand[2]

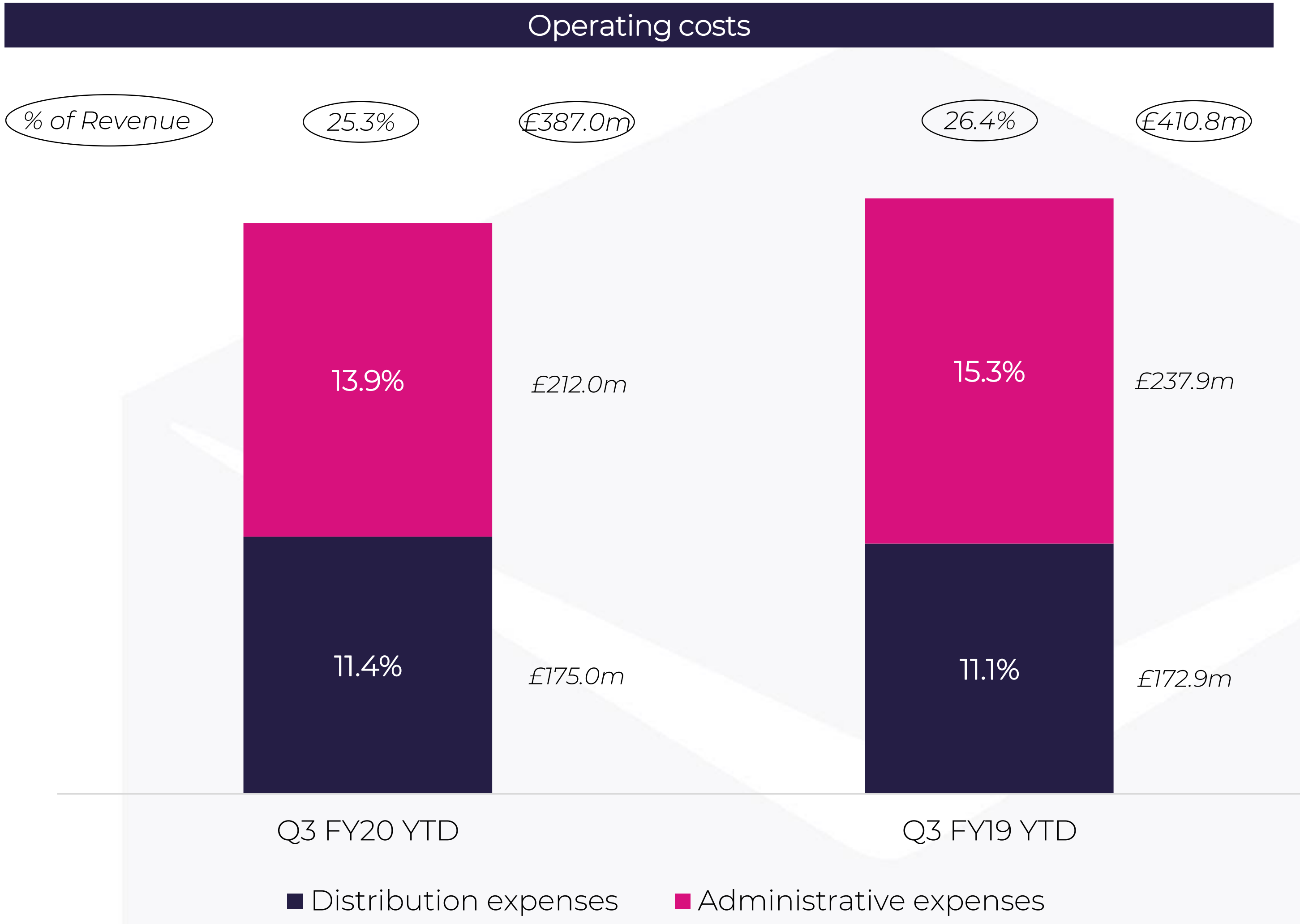


Notes
1. Q3 FY20 YTD is the 9 months ended 31 March 2020. Q3 FY19 YTD is the 9 months ended 31 March 2019
2. Excludes unbranded elements of cost of sales and therefore total does not match first chart on page

Cost control continues

Highlights

- Total costs as a percentage of revenue reduced by 1.1%pts to 25.3% reflecting a strong culture of cost control in the business and is significantly lower than 2 years ago (Q3 FY18 YTD: 27.7%). Excluding the impact of IFRS 16, total costs decreased by 0.7%pts to 25.7%
- Administrative costs as a % of revenue decreased by 1.4%pts to 13.9% 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 1.0%pts to 14.3%
- Distribution costs as a % of revenue marginally ahead of prior year at 11.4% as a result of changes in product mix and higher collate costs including some impact at end of quarter from social distancing measures in fulfilment centres (Q3 FY19 YTD: 11.1%)



Notes

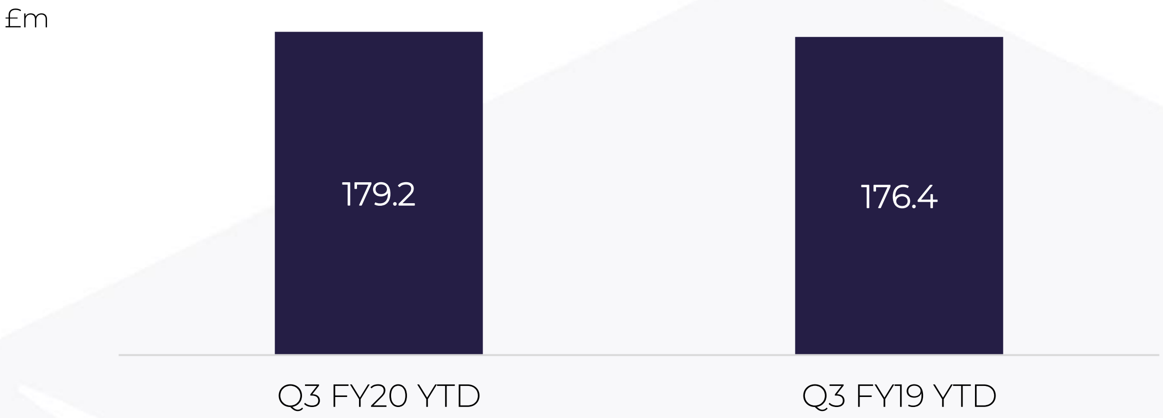
1. Q3 FY20 YTD is the 9 months ended 31 March 2020. Q3 FY19 YTD is the 9 months ended 31 March 2019
2. Q3 FY20 YTD reported under IFRS 16. Q3 FY19 YTD reported under IAS 17
3. Distribution expenses comprise distribution and fulfilment costs
4. Administrative expenses comprise marketing, contact centres, head office costs and other operating income, excluding depreciation and amortisation

Continued EBITDA growth

Highlights

- **Reported** EBITDA increased by 1.6% to £179.2m (Q3 FY19 YTD: £176.4m) with **Underlying EBITDA** increasing by 2.4% to £183.8m (Q3 FY19 YTD: £179.5m) driven by cost control, and the transition to IFRS 16 (£6.6m benefit to EBITDA) partially offset by lower gross margin

Year-on-year Reported EBITDA reconciliation



(£ millions)	Q3 FY20 YTD	Q3 FY19 YTD	Variance %
Reported EBITDA[1]	179.2	176.4	1.6 %
Adjusted for:			
Fair value adjustments to financial instruments	2.3	-	
Foreign exchange translation movements on trade creditors	0.8	2.0	
IAS19 and IFRIC 14 pension adjustments	1.5	1.0	
Management / Underlying EBITDA[3]	183.8	179.5	2.4 %
Adjusted for:			
Management fee	3.8	3.8	
Securitisation interest	(38.0)	(32.5)	
Adjusted EBITDA post securitisation interest	149.6	150.8	(0.8)%

Notes

1. Q3 FY20 YTD reported under IFRS 16. Q3 FY19 YTD reported under IAS 17
2. Q3 FY20 YTD is the 9 months ended 31 March 2020. Q3 FY19 YTD is the 9 months ended 31 March 2019
3. Management EBITDA is also defined as "Underlying EBITDA" within Condensed Consolidated Interim Financial Statements.

Underlying operating free cash flow remains strong

Highlights

- Net working capital movement (post securitisation funding) driven by:
- Inventory reflecting timing of intake relative to prior year and lower sales of fashion product in Quarter 3. Post the onset of COVID-19, actions have been taken to further manage inventory levels including through reducing the level of intake
- Lower outflow 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 Q3 FY20 YTD associated with the fit out of the new fulfilment centre and timing of other prepayments
- Movement in securitisation facility including £50m of new 'C2' notes issued but which annualises against Q3 FY19 YTD 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)	Q3 FY20 YTD	Q3 FY19 YTD
Adjusted EBITDA (post securitisation interest)	149.6	150.8
Net working capital movement:		
Movement in inventories	(29.9)	(12.1)
Movement in trade receivables[2]	(7.2)	(44.4)
Movement in prepayments and other receivables[2]	(55.6)	(89.5)
Movement in trade and other payables[3]	(8.1)	(24.8)
Movement in securitisation facility	70.7	129.6
Net working capital movement (post securitisation funding)	(30.1)	(41.2)
Pension contributions	0.7	2.9
Underlying operating free cash flow	120.2	112.4
Capital expenditure	(65.3)	(55.2)
Underlying free cash flow	54.9	57.3

Notes

1. Q3 FY20 YTD is the 9 months ended 31 March 2020. Q3 FY19 YTD is the 9 months ended 31 March 2019
2. Shown in aggregate as (Increase)/decrease in trade and other receivables in the Condensed Consolidated Interim Financial Statements
3. Difference against Condensed Consolidated Interim Financial Statements of £(0.8)m in Q3 FY20 YTD (Q3 FY19 YTD: £(0.8)m) driven by the exclusion of certain non-cash charges primarily relating to the foreign exchange impact on translation of trade creditors

Customer redress and funding update

- Balance sheet PPI provision of £174.6m at 30 June 2019
- In the 9 months to 31 March 2020 £86.8m has been paid out
- Balance sheet PPI provision of £87.8m at 31 March 2020
- Due to COVID-19 related slowdown in processing payments, PPI provision now expected to unwind over the next 12 months
- The final balance of the total funding requirement of £150m was received in February 2020 by way of a £25m equity injection and £50m 'C2' notes issued under the securitisation programme

Summary

Resilient business model and investment in future capability

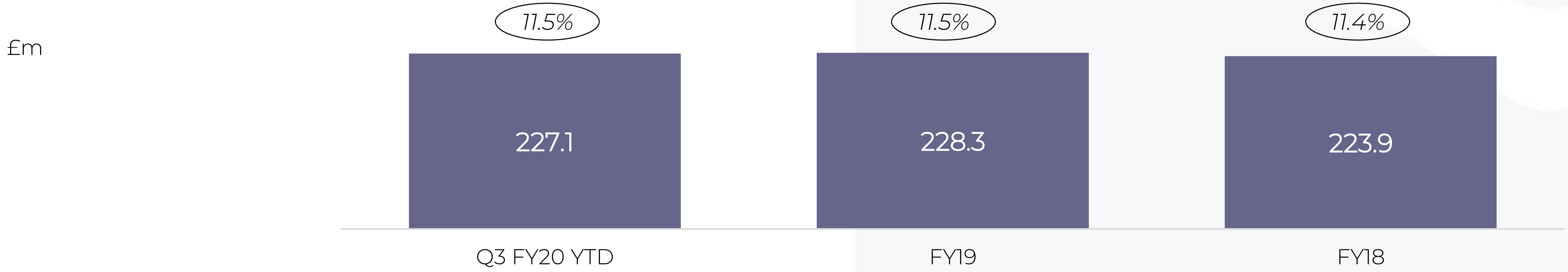
- Very.co.uk retail sales growth of +3.5% and group underlying revenue growth broadly in line with prior year
- Quality of financial services earnings is improving
- Continued strong cost control
- Business model remains resilient with growth in reported EBITDA of +1.6% and growth in underlying EBITDA of +2.4%
- Opening of new fulfilment centre at East Midlands Gateway as part of continued investment for future growth and cost efficiency
- Strong performance since onset of COVID-19 and proactive actions taken provide confidence in future resilience of business and level of liquidity

Appendix A: LTM KPIs

LTM Revenue

LTM Reported EBITDA

LTM Adjusted EBITDA post securitisation interest



Appendix B: Cash Flow Statement

(£ millions)	Q3 FY20 YTD	Q3 FY19 YTD
Adjusted EBITDA (post securitisation interest)	**149.6**	**150.8**
Net working capital movement:		
Movement in inventories	(29.9)	(12.1)
Movement in trade receivables[2]	(7.2)	(44.4)
Movement in prepayments and other receivables[2]	(55.6)	(89.5)
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Net working capital movement (post securitisation funding)	**(30.1)**	**(41.2)**
Pension contributions	0.7	2.9
Underlying operating free cash flow	**120.2**	**112.4**
Capital expenditure	(65.3)	(55.2)
Underlying free cash flow	**54.9**	**57.3**
Interest paid (excluding securitisation interest)	(28.9)	(29.5)
Income taxes (paid) / received	(0.4)	(0.3)
Cash impact of exceptional items (excluding customer redress)	(16.1)	(9.9)
Management fees	(3.8)	(3.8)
Cash paid to the parent company	-	1.0
(Repayments of) / draw downs from finance leases	(7.3)	(1.2)
Share capital issued	100.0	-
Net increase in cash and cash equivalents pre customer redress	**98.4**	**13.6**
Customer redress payments	(86.8)	(111.7)
Net increase in cash and cash equivalents	**11.6**	**(98.1)**

Notes

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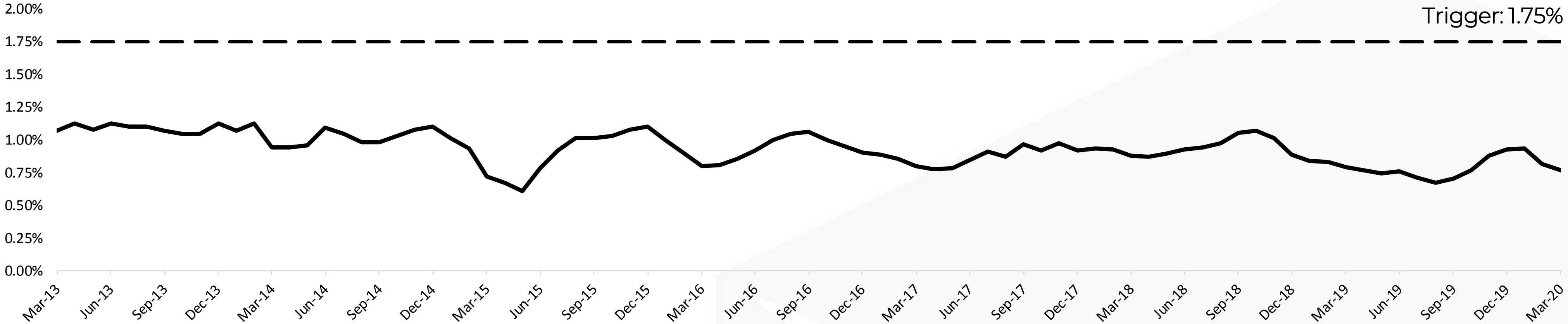
2. Shown in aggregate as (Increase)/decrease in trade and other receivables in the Condensed Consolidated Interim Financial Statements
3. Difference against Condensed Consolidated Interim Financial Statements of £(0.8)m in Q3 FY20 YTD (Q3 FY19 YTD: £(0.8)m) driven by the exclusion of certain non-cash charges primarily relating to the foreign exchange impact on translation of trade creditors

Appendix C: Net Leverage

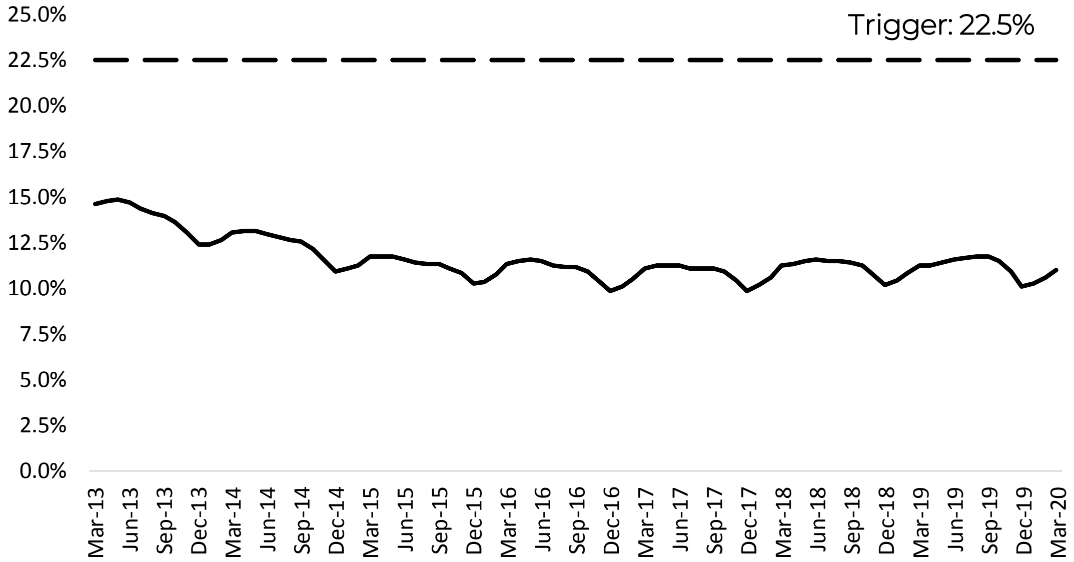
(£ millions)	Q3 FY20	Q2 FY20	Q1 FY20	Q4 FY19	Q3 FY19
Cash and Bank balances	78.3	25.0	30.2	14.8	56.9
Fixed Rate Notes	(550.0)	(550.0)	(550.0)	(550.0)	(550.0)
Revolving Credit Facility	(150.0)	(35.0)	(150.0)	(95.0)	(110.0)
Other debt	(6.9)	(2.4)	(10.3)	(10.7)	(10.7)
Total Gross Debt (excluding Securitisation)	(706.9)	(587.4)	(710.3)	(655.7)	(670.7)
Total Net Debt (excluding securitisation)	(628.6)	(562.4)	(680.1)	(640.9)	(613.8)
LTM Adjusted EBITDA (post securitisation interest)	227.1	232.6	233.7	228.3	221.2
Net Leverage	2.8x	2.4x	2.9x	2.8x	2.8x

Appendix D: Securitisation Performance Covenants

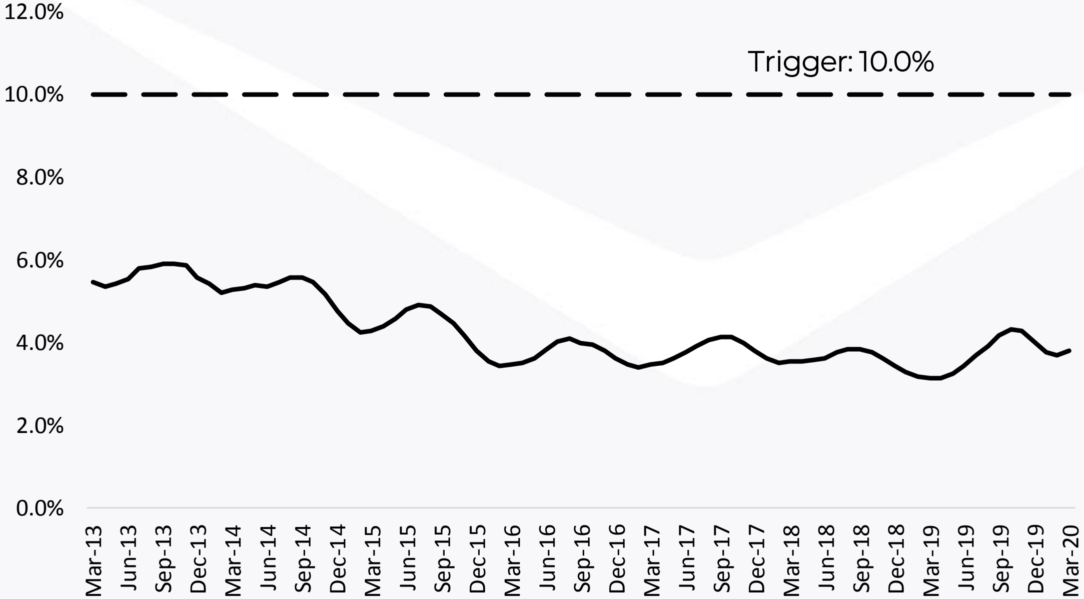
Defaults (3-month moving average)



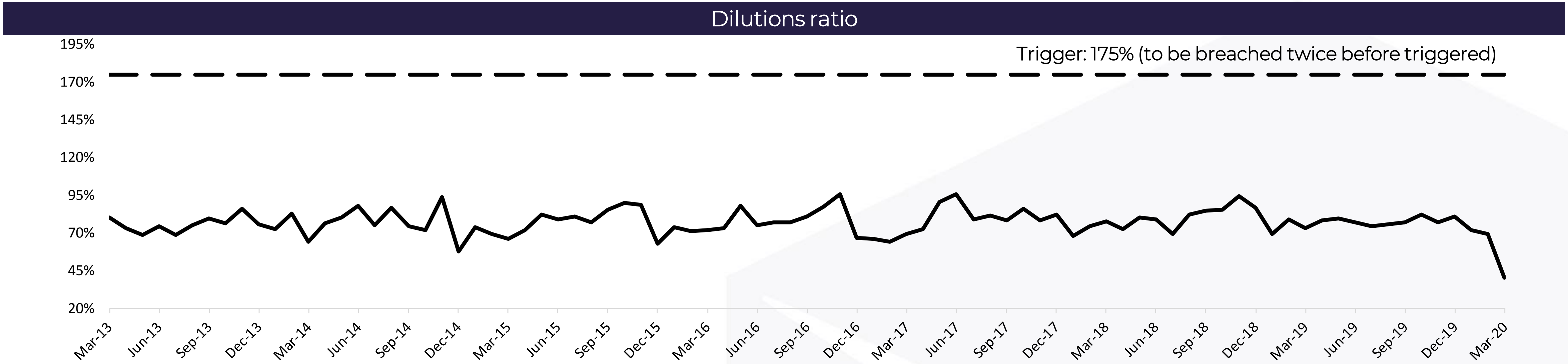
1-5 months delinquency rates

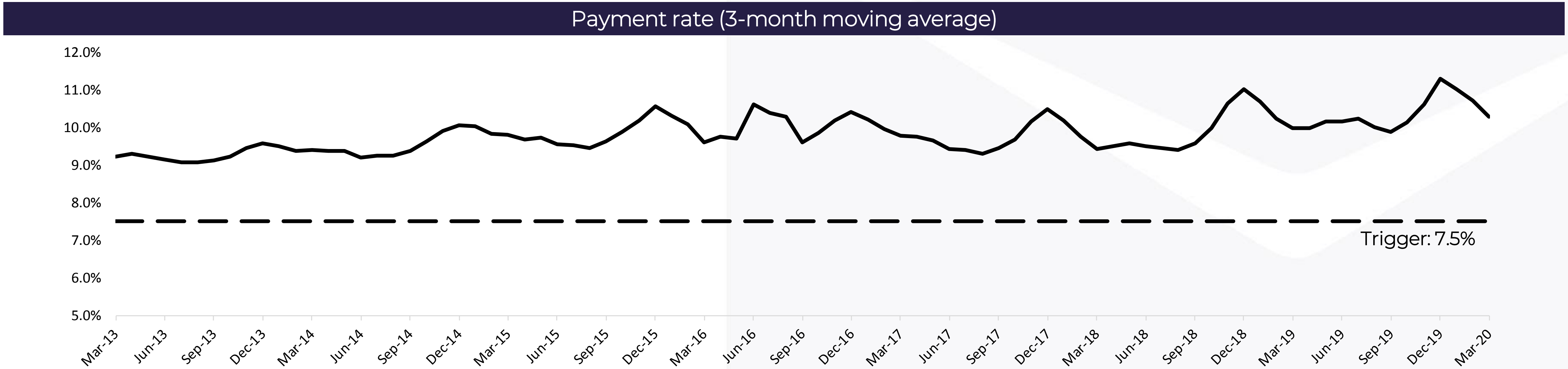


5+ months delinquency rates



Appendix D: Securitisation Performance Covenants





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 capital investment in strategic projects and increase in the deferred tax asset. This has been partially offset by lower goodwill, a result of the impairment of the Douglas Insurance business in Q4 FY19
- Inventories have increased due to timing of intake and lower fashion sales in quarter 3. Post the onset of COVID-19, actions have been taken to further manage inventory levels including through reducing the level of intake
- Trade receivables driven by revenue performance and higher customer payment rates
- Amounts owed by Group undertakings in line with FY19 year end position of £514.5m, and ahead of Q3 FY19, principally driven by cash payments made to Primevere Limited reflecting additional fit out requirements and technical elements to the development outside of the main contracts
- Cash and bank balances increase driven by equity injections of £100 million and operating cash flow, partially offset by customer redress payments
- Trade and other payables lower than prior year due to timing of trade payables to merchandise and non-merchandise suppliers as well as the unwind of a VAT accrual in FY19
- Securitisation borrowings: The ‘AS’ and ‘AJ’ Notes commitment of £1,325m and the ‘B’, ‘C1’ and ‘C2’ Notes commitment of £260m expire December 2022, giving a total maximum value of £1,585m. The Group also has access to a €38m commitment in relation to the receivables of Shop Direct Ireland Ltd
- 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

	Q3 FY20	Q3 FY19
Non-current assets	712.3	629.1
Current assets	2,371.6	2,364.7
of which:		
Inventories	124.1	114.0
Trade receivables[1]	1,381.6	1,420.2
Amounts owed by Group undertakings[1]	517.3	512.9
Cash and bank balances	78.3	56.9
Current liabilities	(832.5)	(814.7)
of which:		
Trade and other payables	(503.2)	(544.8)
Customer redress provision	(87.8)	(79.7)
Non-current liabilities	(2,206.9)	(2,121.8)
of which:		
Securitisation borrowings	(1,443.5)	(1,447.0)
Retirement benefit obligations	(58.4)	(61.7)
Total equity	(44.5)	(57.3)

Notes

1. Included within Trade and other receivables in Balance Sheet
2. Q3 FY20 reported under IFRS 16. Q3 FY19 reported under IAS 17

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