THE VERY GROUP

FY23 RESULTS

Helping families get more out of life

Results for the 52 weeks ended 1 July 2023

26 October 2023

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Agenda

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CEO review of the year

2

Financial review

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Forward view

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Q&A

Presenters

Lionel Desclée
Group CEO

Ben Fletcher
Group CFO
and CTO

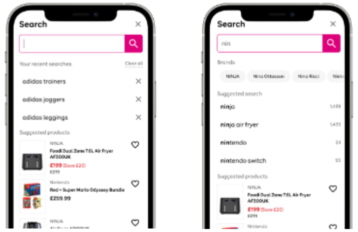
FY23 RESULTS

Review of the year

Review of the year

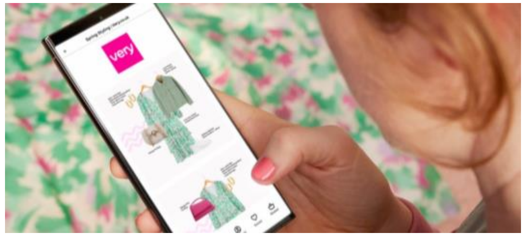
This year we put the customers we serve at the heart of even more of what we do, living our purpose of helping families get more out of life

Ease



- Migrating to our **new ecommerce platform** – as part of our tech transformation – to make customer improvements faster and more frequently.
- Partnership to deliver **AI-powered search**, to improve customer browsing and increase conversion.
- **Virtual try-on features** in beauty to improve the customer experience and reduce returns.

Choice



- Investing in **price and assortment** for market-beating performance and more customer choice.
- Expanding our own brand **Everyday range**, providing affordable, quality fashion and home essentials.
- Adding new capabilities and brands to our **flexible fulfilment model**, which allows us to connect to brand partners' tech, improving processes, and widening assortment.

Understanding

- Refreshing our **brand strategy**, delivering improvements in spontaneous Very brand awareness among customers.
- Further migrating to **cloud-based CRM** technology. In FY24, we will develop more personalised experiences which respond to customer action.
- Programme of work to **enhance support for customers** with characteristics of vulnerability.

Very UK market-share growth[1]

+37.6 record-breaking Very UK NPS

+2.5% active Very UK customers

1 – Per company analysis of third party sources

Longer–term trends

Our business has demonstrated its resilience and adaptability through changing economic conditions

FY20 vs FY23 performance measures

		FY20	FY23
Very UK revenue	**+14.7%**	£ 1,589.8m	£ 1,824.1m
Bad debt (% of Group debtor book	**(2.3)%pts**	8.2%	5.9%
Costs (% Group revenue)[1]	**(0.6)%pts**	23.9%	23.3%
Group Adjusted EBITDA margin	**0.0%pts**	12.9%	12.9%
Very UK active customers	**+8.2%**	3.40m	3.68m
Very UK net promoter score	**+48.6%**	25.3	37.6

- Very UK revenue has grown 14.7% compared to its level in FY20, with a 15.2% growth in retail sales. This reflects the broader trend beyond the market-led challenges currently seen.
- This is supported by a growth in Very UK customers as we continue to bring our proposition to new people. Our customer focussed strategy and investments have also driven growth in our customer satisfaction scores.
- Our bad debt and operating cost control competences also mean we have lower expenditure in these areas. This is particularly notable given the current inflationary pressures faced by businesses.
- As a result of tightly managing these costs, our adjusted EBITDA margin remains on par with the FY20 level despite the current inflationary environment, showing the structural resilience of our business.

1 – Operating costs excluding depreciation and amortisation, and for comparability in this instance, the impact of Software-as-a-Service costs following the change in accounting treatment in FY22.

FY23 RESULTS

Financial review

Overview

Strong performance, reflecting Very revenue growth, increasing market share, and our best-ever customer satisfaction score

1. Very UK[1] revenue grew 1.9% to £1,824.1m (FY22: £1,790.5m), growing market share and supporting a resilient Group performance which saw revenue stable at £2,147.0m (FY22: £2,148.3), despite the tough economic environment.

2. Underpinning the results are a resilient, market-beating retail performance by Very UK, which grew its market share[2]. Within this, the Toys, Gifts and Beauty category was particularly strong following strategic investment in price.

3. Very Finance revenue increased 6.1%, supported by Group debtor book growth of 3.6% to £1,713.3m (FY22: £1,654.1m). The Very UK debtor book grew 6.6% to £1,436.2m (FY22: £1,346.7m).

4. In an inflationary environment, we focused on managing costs, which increased 0.8%pts as a percentage of revenue (FY23: 24.0%, FY22: 23.2%). This yielded robust, positive adjusted EBITDA of £276.5m (FY22: £291.4m).

5. Our cashflow position improved year on year, with adjusted free cash flow of £128.4m (FY22: £117.2m), supporting our ability to continue to invest in our business and the customer experience.

6. In FY23 we recorded our best-ever net promoter score, the leading industry measure of customer satisfaction. Active customers for Very increased 2.5%, with 3.9% more credit customers as our proposition continues to prove important to the people we serve.

1 – In July 2022, Littlewoods Ireland was rebranded as Very.ie. For clarity, where excluding the Very.ie business, references will be made to Very UK. Where included, prior year brand comparators have been restated

2 – Per company analysis of third-party market data

Economic value model

We have a consistent focus on the drivers of earnings, earnings quality and liquidity

Revenue

+1.9%

growth in Very UK revenue

Debtor book

+6.6%

growth in average Very UK debtor book with focus on quality

Return on assets

0.4% pts

improvement in bad debt as % of average Group debtor book

Gross margin

(0.8)% pts

reduction in gross margin owing to retail investments

Costs

0.8% pts

increase in operating costs as % of revenue

Revenue

Continued growth in the Very Finance business alongside a resilient retail performance in a challenging market

FY23 vs FY22 performance[1]

Revenue

+1.9% to £1,824.1m

- Growth in Very UK revenue of 1.9%, with stable retail revenue and continued growth in Very Finance
- Strong growth in Toys, Gifts and Beauty reflecting our investment in this strategic category, as well as robust performance in Electrical, offsetting declines in Fashion and Sports
- Growth in Very UK's debtor book supports strong Very Finance revenue, with interest income up 7.1% to £340.4m for the UK brand

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FY23 vs FY22 performance[1]

Revenue

(0.1)% to £2,147.0m

- The strong Very UK result underpins a resilient Group performance, with revenue decreasing 0.1%
- Group Very Finance revenue increased 6.1% as we continue to attract new customers and grow the group debtor book
- The decrease in Littlewoods revenue of 8.4% is in line with expectations as we continue to move our focus to Very

Retail

Market beating retail performance reflecting our investment to ensure our retail proposition remains compelling for our customers

- Very UK retail sales remained flat year on year at £1,416.7m (FY22: £1,417.3m) despite the non-food online market contracting in this time
- This performance was driven by strong growth in Toys, Gifts and Beauty following strategic investments in this category
- Electrical saw growth of 3.3%, supported by sales of small domestic appliances
- Home declined at 1.4%, with growth in textiles and pet care offset by declines in garden and home improvement categories
- Fashion and Sports declined 8.2% in a promotional market while annualising against an Omicron-driven step up in FY22. Within the category, casual womenswear and casual menswear performed strongly, growing 4.8% and 1.0% respectively.
- At the Group level, retail sales were down 2.4%, remaining slightly ahead of the wider market performance

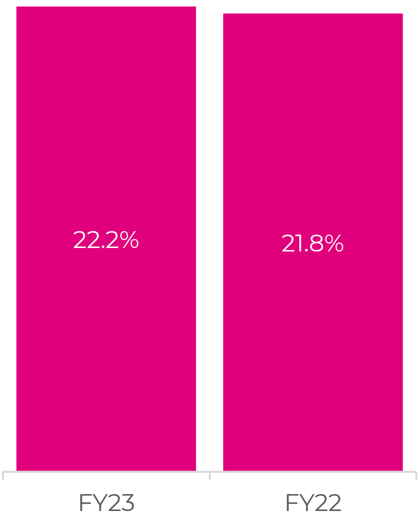
Retail sales

	Fashion and Sports	Electrical	Home	Toys, Gifts and Beauty
				
Very UK YoY	(8.2)%	+3.3%	(1.4)%	+13.0%
TVG YoY	(9.1)%	+0.5%	(3.4)%	+8.8%
TVG FY23 mix	31.2%	43.8%	13.4%	11.5%
TVG FY22 mix	33.5%	42.6%	13.6%	10.3%

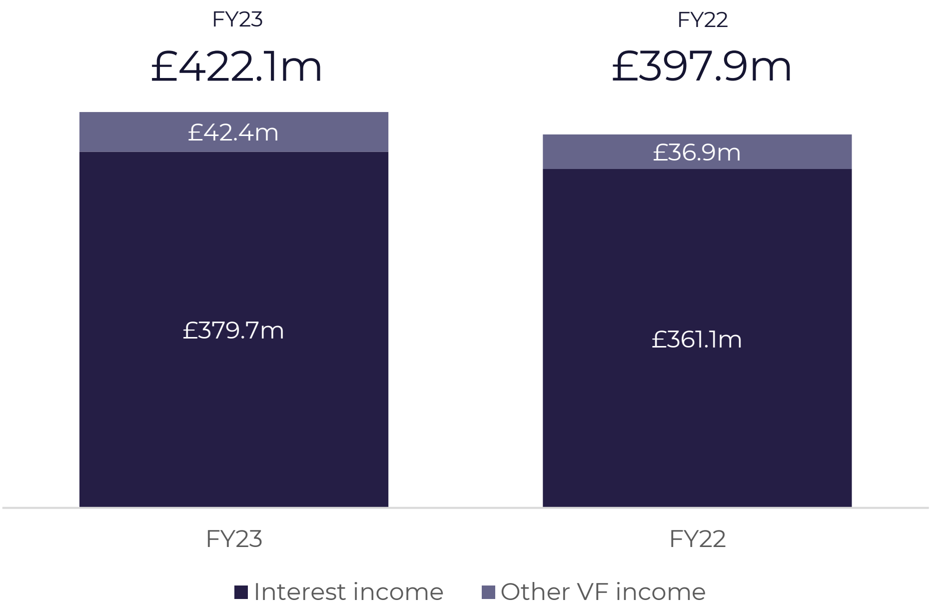
Very Finance

Strong Very Finance revenue growth of 6.1% as the underlying debtor book continues to grow without compromising quality

Interest Income as % of average debtor book



Very Finance revenue



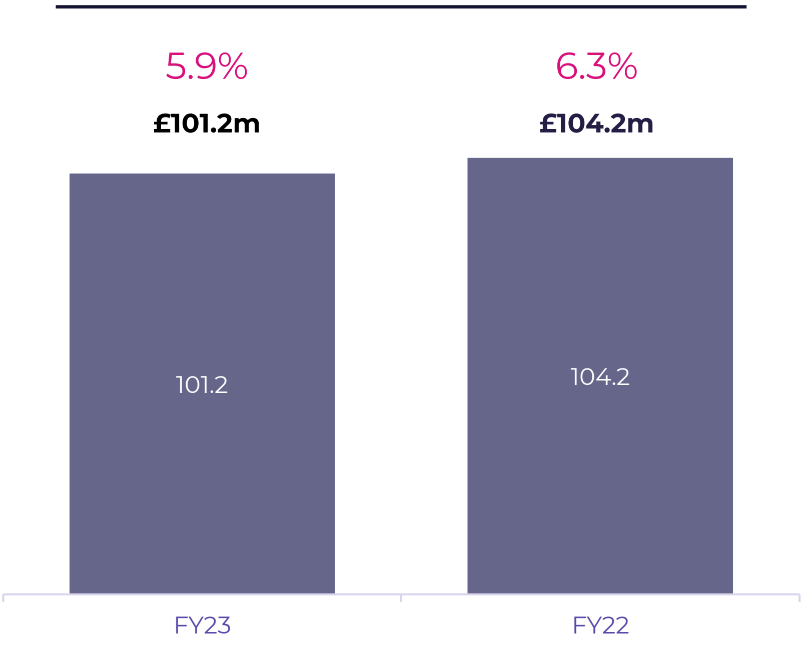
- Very Finance revenue has increased 6.1% year on year to £422.1m (FY22: 397.9m), with interest income growing 5.1% to £379.7m (FY22: £361.1m)
- Interest income as a percentage of the debtor book increased slightly by 0.4%pts to 22.2%
- Underpinning the growth in Very Finance income is the growth of the average debtor book. This grew 3.6% to £1,713.3m (FY22: £1,654.1m) on a Group basis, and 6.6% to £1,436.2m (FY22: 1,346.7m) at the Very UK level. This is without a deterioration in debtor book quality (see overleaf)

Bad debt

Bad debt is below even pandemic levels and we have seen no signs of distress in the debtor book

- Bad debt in FY23 is £3m lower year on year.
- As a percentage of the debtor book, bad debt has decreased 0.4%pts to 5.9%, therefore being lower than even pandemic levels, where high levels of disposable income reduced bad debt.
- This is testament to our diligent management of credit risk, which supports our strong track record of lending responsibly and managing bad debt.
- Nonetheless, we continue to monitor a number of debtor book metrics to identify any risks, particularly noting the current economic climate.
- We have not identified any signs of distress in the debtor book. However, for prudence we continue to hold the £5m additional overlay (introduced last year) on our bad debt provision.

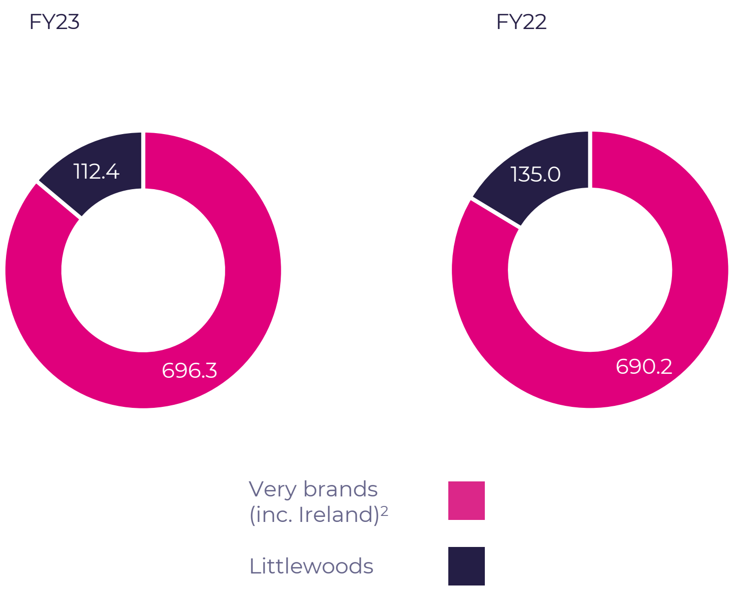
Bad debt as a % of average debtor book (£m)



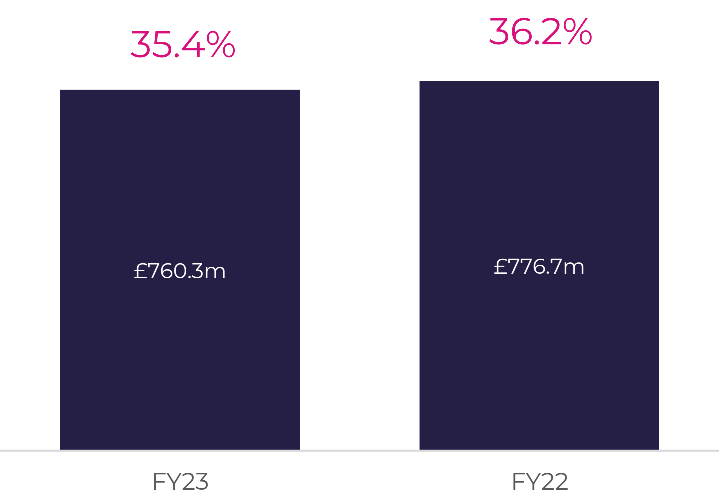
Gross margin

Gross margin remains strong even after impacts of retail investments

Gross margin by brand[1,2] (£m)



Gross margin (£m) and gross margin rate



- Gross margin reduced to 35.4% in FY23 (FY22: 36.2%)
- As discussed previously, this reflects the movement of our retail margin, owing to strategic investments in our retail proposition, changes in category mix and responses to the challenging market dynamics
- Retail margin movements were partially mitigated by the higher Very Finance contribution

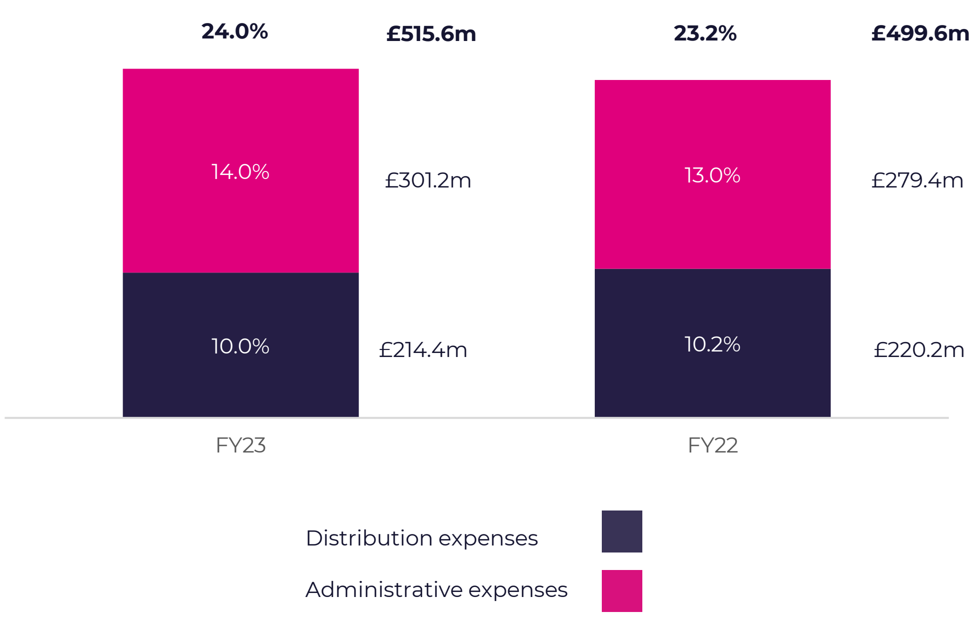
1 – Gross margin by brand does not include some central allocated costs, but these are included in the group gross margin figures
2 – In July 2022, Littlewoods Ireland was rebranded as Very.ie.

Cost control

Costs as a percentage of revenue increased 0.8%pts despite the inflationary environment

- Operating costs for FY23 increased £16.0m. Despite the highly inflationary environment, as a percentage of revenue this is an increase of 0.8%pts.
- Within this distribution costs as a percentage of revenue fell 0.2%pts, whilst administrative costs increased year on year primarily due to employment costs and greater tech spend.
- Despite the in-year increase, our cost base remains lean following our long term focus on diligent cost management. With the exception of last year, our costs[2] as a percentage of revenue are at the lowest level since our bond was first issued in 2017.

Operating costs[1] as % of revenue (£m)



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1 – Operating costs are stated exclusive of depreciation and amortisation.

2 – Operating costs excluding depreciation and amortisation, and for comparability in this instance, the impact of Software-as-a-Service costs following the change in accounting treatment in FY22.

Adjusted EBITDA

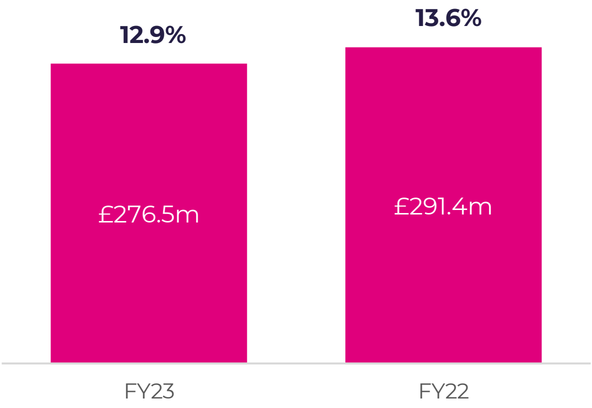
Resilient, positive earnings after investing in our proposition

- For FY23, we delivered adjusted EBITDA of £276.5m.
- The year on year decline is primarily a result of the movement at the gross margin level.
- As noted, this reflects investments in our retail business that have benefitted the customer and yielded market share growth.
- However, on a longer term basis (see page 6), adjusted EBITDA margin is in line with the FY20 figure despite the current inflationary environment.
- In pound terms adjusted EBITDA is also 4.6% higher than FY20, showing the continued structural growth of our business

Year-on-year adjusted EBITDA reconciliation

(£m)	FY23	FY22	%
Reported EBITDA	**246.9**	**279.7**	(11.7)%
Adjusted for			
Fair value adjustments to financial instruments	8.6	(5.7)	
FX translation movements on trade creditors	3.4	(0.7)	
IAS19 pension adjustments	1.8	1.5	
SaaS accounting change	15.8	16.6	
Adjusted EBITDA	**276.5**	**291.4**	(5.1)%

Adjusted EBITDA



Adjusted free cash flow

Positive adjusted cash flow of £128.4m, improving £11.2m versus FY22

£128.4m

FY23 ADJUSTED FREE CASHFLOW

A statutory net cash flow is presented on page 24 with detailed explanations of key movements

Cash flow

(£m)	FY23	FY22
Adjusted EBITDA (post securitisation interest and SaaS)	**181.0**	**228.1**
Net working capital movement:		
Movement in inventories	6.4	(9.9)
Movement in trade receivables	(56.5)	(46.8)
Movement in prepayments and other receivables (exc. refinancing costs)	7.5	(2.6)
Movement in trade and other payables (exc. refinancing costs)	-	(65.1)
Movement in securitisation facility	50.1	52.5
Net working capital (post securitisation funding)	**7.5**	**(71.9)**
Capital expenditure	(60.1)	(39.0)
Adjusted free cashflow	**128.4**	**117.2**
Increase in bond amounts	-	25.0
Bond refinancing costs	-	(21.0)
Free cashflow (post refinancing)	**128.4**	**121.2**
Dividends paid	(15.0)	(25.0)
Free cashflow (post dividends)	**113.4**	**96.2**

- In FY23, we delivered an adjusted free cash inflow of £128.4m, an improvement of £11.2m against our FY22 position, despite increased securitisation interest.
- Careful inventory management in a softening retail environment has seen inventory levels reduced year on year, driving a cash inflow in FY23.
- The trade receivables outflow reflects the build in our debtor book, which is offset by the movement in the securitisation facility.
- The difference in movements in our trade payables reflect a normalisation versus a large outflow in the prior year, which was the result of settling balances incurred to build inventory in FY21. Additionally, the inflow reflects a benefit of seasonal working capital facilities.
- Our cash management has enabled us to continue to invest in our customer proposition, the value of which has been demonstrated.
- The level of capital expenditure this year is in line with expectations as we continue with this investment. The comparatively lower prior year capital expenditure figure reflects the higher amount of expenditure qualifying as SaaS costs in FY22, which per updated accounting guidance is now charged as an operating expense.

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FY23 RESULTS

Forward view

OUTLOOK

Our focus on putting customers at the heart everything we do will make Very more relevant than ever for the people we serve

1. We have shown resilience in FY23, just as we have during other challenging economic periods. Our ambition to invest for our customers, rather than retrench, has delivered a market-beating performance, record-breaking NPS, and improved cash flow.

2. We have entered our peak trading quarter. Like last year, we began building our inventory early in Q1 and our stock availability is now at an all-time high for this time of year. This means we are strongly placed as demand builds through November and December.

3. Once again, we expect Toys, Gifts and Beauty to be a stand-out category across the period and our campaign has started well, with market beating double digit growth in this area.

4. Whilst there are positive signs on the horizon, businesses and customers will continue to face challenges in the year ahead. But our strategy of investment-led growth combined with diligent cost and cash flow management to promote resilient earnings, earnings quality and liquidity, is working.

5. We will continue to invest in our core proposition, giving our customers a curated retail offer with flexible ways to pay. Our results this year show the benefit of our approach and we are confident we have a strategy that will bring value in the future.

FY23 RESULTS

Q&A

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FY23 RESULTS

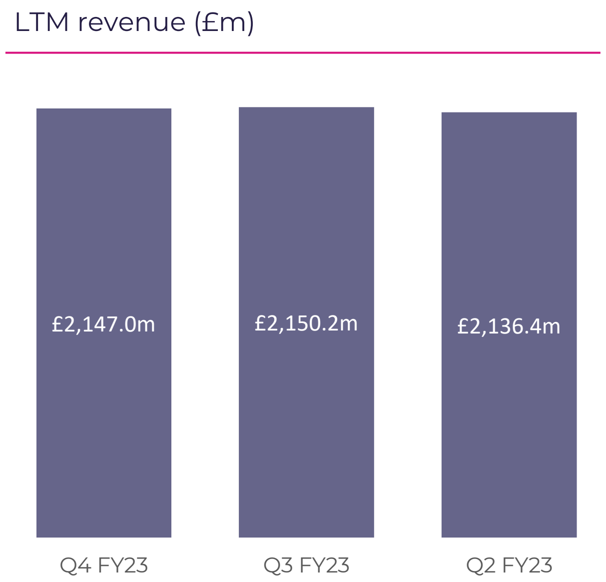
Appendices

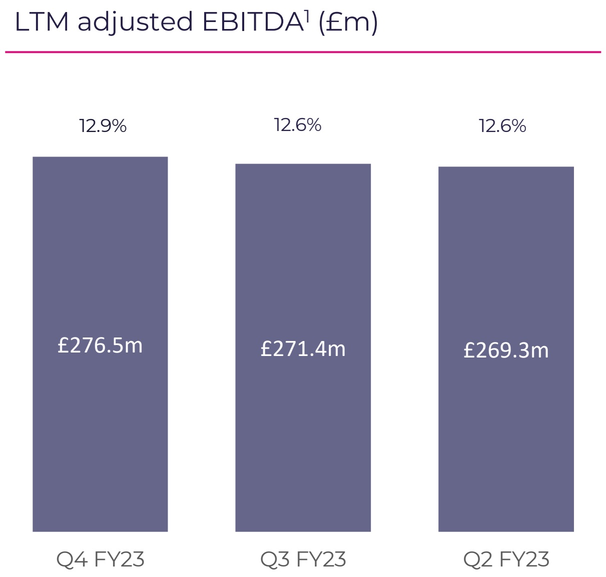
INCOME STATEMENT

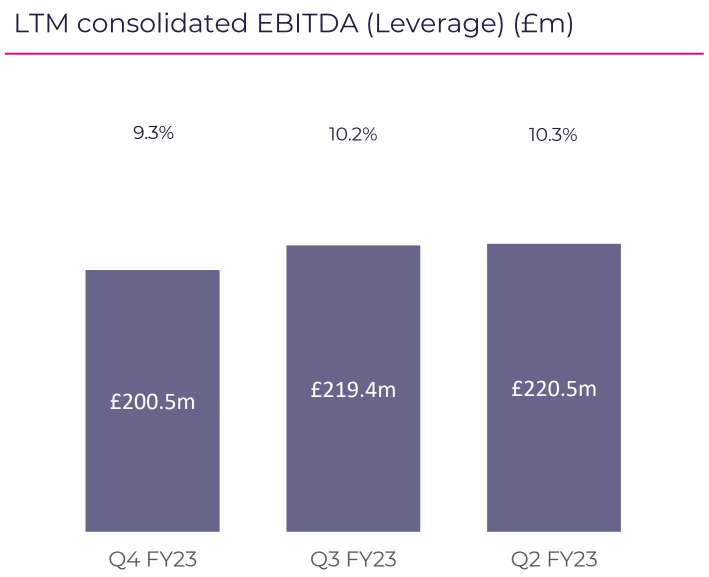
Income statement

(£m)	FY23	FY22	Variance (%)
Very UK	1,824.1	1,790.5	1.9%
Very Ireland	69.1	80.6	(14.2)%
Littlewoods	253.8	277.2	(8.4)%
Group revenue	**2,147.0**	**2,148.3**	**(0.1)%**
Gross margin	760.3	776.7	(2.1)%
% margin	*35.4%*	*36.2%*	
Distribution expenses	(214.4)	(220.2)	(2.6)%
Administrative expenses	(301.2)	(279.4)	7.8%
Other operating income	2.2	2.6	(15.4)%
Pre-exceptional reported EBITDA	**246.9**	**279.7**	**(11.7)%**
% reported EBITDA margin	*11.5%*	*13.0%*	
Operating costs as % of revenue	*24.0%*	*23.3%*	
Adjusted EBITDA	**276.5**	**291.4**	**(5.1)%**
% adjusted EBITDA	*12.9%*	*13.6%*	

LTM KPIs


LTM revenue (£m)
£2,147.0m
£2,150.2m
£2,136.4m
Q4 FY23
Q3 FY23
Q2 FY23


LTM adjusted EBITDA[1] (£m)
12.9%
12.6%
12.6%
£276.5m
£271.4m
£269.3m
Q4 FY23
Q3 FY23
Q2 FY23


LTM consolidated EBITDA (Leverage) (£m)
9.3%
10.2%
10.3%
£200.5m
£219.4m
£220.5m
Q4 FY23
Q3 FY23
Q2 FY23

CASHFLOW STATEMENT

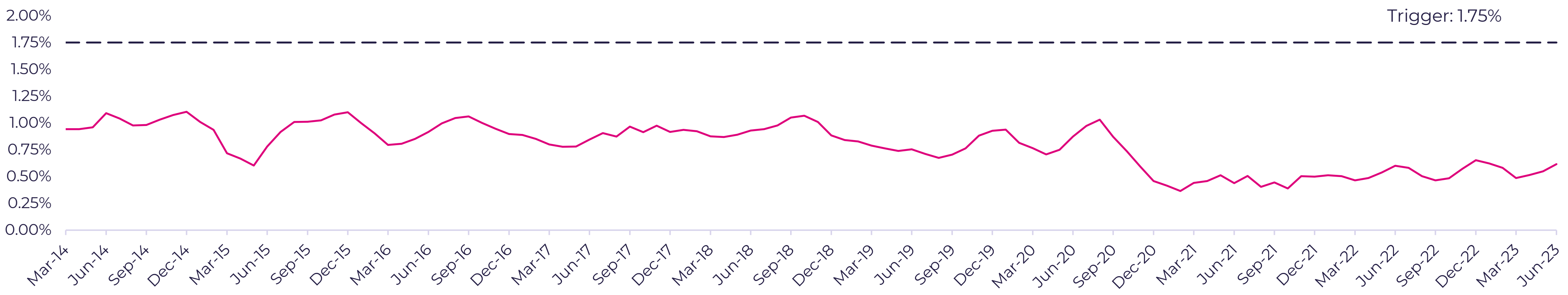
(£m)	FY23	FY22
Adjusted EBITDA (post securitisation interest, management fees and SaaS)	**181.0**	**228.1**
Net working capital movement:		
Movement in inventories	6.4	(9.9)
Movement in trade receivables	(56.5)	(46.8)
Movement in payments and other receivables	7.5	(2.6)
Movement in trade and other payables	-	(65.1)
Movement in securitisation facility	50.1	52.5
Net working capital (post securitisation funding)	**7.5**	**(71.9)**
Other adjustments	-	-
Capital expenditure	(60.1)	(39.0)
Underlying free cashflow	**128.4**	**117.2**
Increase in bond amounts	-	25.0
Bond refinancing costs	-	(21.0)
Dividend paid	(15.0)	(25.0)
Free cashflow (post refinancing and dividend)	**113.4**	**96.2**
Interest paid (excluding securitisation interest)	(51.7)	(46.3)
Income taxes (paid) / received	(0.8)	(1.4)
Cash impact of exceptional items (excluding customer redress)	(28.6)	(38.6)
Management fees	(7.5)	(7.2)
Cash paid to parent company	(5.0)	(5.0)
(Repayments of) / draw downs from finance leases	(11.5)	(11.6)
(Repayments of) / draw downs from bank loans	(7.1)	(5.9)
Movement in revolving credit facility	(5.0)	(14.9)
Net increase in cash and cash equivalents	**(3.8)**	**(34.7)**

NET LEVERAGE

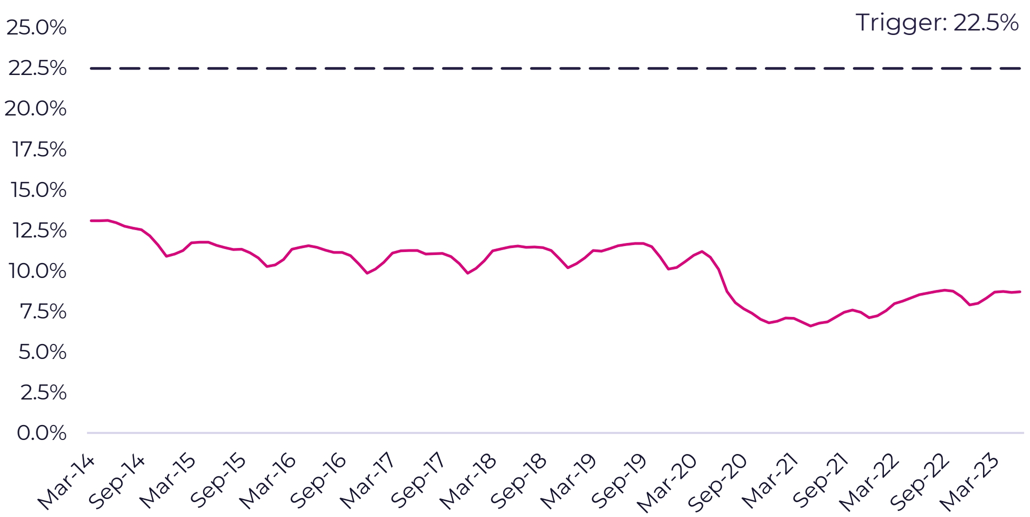
Net leverage (£ millions)	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22	Q3 FY22	Q2 FY22	Q1 FY22	Q4 FY21	Q3 FY21	Q2 FY21	Q1 FY21
Cash and bank balances	**39.6**	**62.2**	**4.0**	**26.9**	**43.4**	**41.7**	**5.6**	**22.0**	**78.1**	**92.5**	**55.7**	**120.5**
Fixed rate notes	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(550.0)	(550.0)	(550.0)	(550.0)
Revolving credit facility	(70.0)	(150.0)	-	(150.0)	(75.0)	(150.0)	-	(90.0)	(90.0)	(150.0)	-	(150.0)
Other debt	(34.4)	(35.3)	(39.2)	(38.8)	(42.2)	(0.2)	(8.2)	(2.7)	(0.7)	(0.8)	(1.1)	(1.6)
Total gross debt (excluding securitisation)	(679.4)	(760.3)	(614.2)	(763.8)	(692.2)	(725.2)	(583.2)	(667.7)	(640.7)	(700.8)	(551.1)	(701.6)
Total net debt (excluding securitisation)	**(639.8)**	**(698.1)**	**(610.2)**	**(736.9)**	**(648.8)**	**(683.5)**	**(577.6)**	**(645.7)**	**(562.6)**	**(608.3)**	**(495.4)**	**(581.1)**
LTM Consolidated EBITDA (Leverage)	**200.5**	**219.4**	**220.5**	**246.1**	**244.7**	**272.9**	**274.4**	**262.2**	**256.5**	**262.5**	**247.3**	**239.4**
Net leverage	**3.19x**	**3.18x**	**2.77x**	**2.99x**	**2.65x**	**2.50x**	**2.10x**	**2.46x**	**2.19x**	**2.32x**	**2.00x**	**2.43x**

SECURITISATION PERFORMANCE COVENANTS

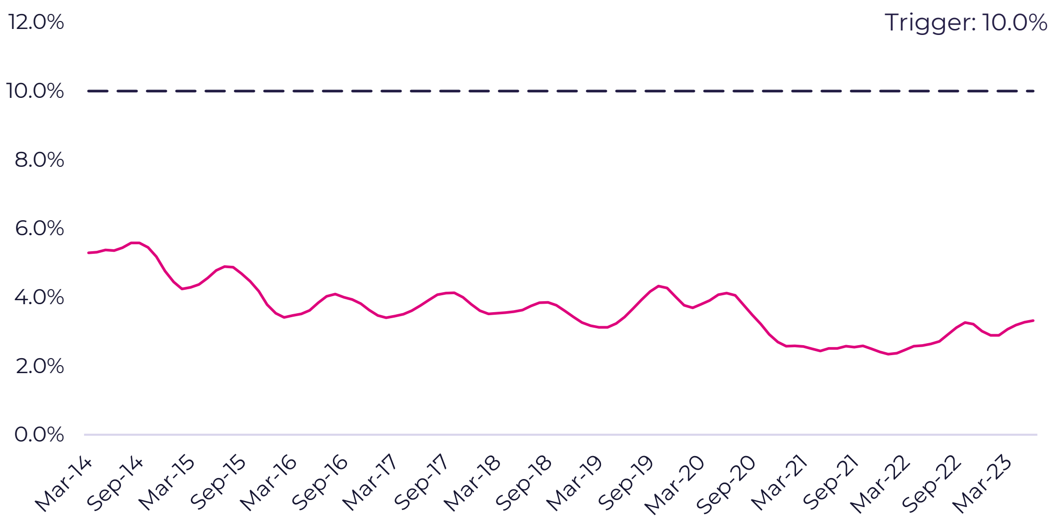
Default three month moving average



One to five month delinquency rates



Five-plus months delinquency rates



BALANCE SHEET

(£m)	FY23	FY22
Non-current assets	**1,235.1**	**1,232.1**
Current assets	**1,834.7**	**1,801.9**
Of which:		
Inventories	105.7	112.1
Trade and other receivables	1,688.2	1,640.2
Cash and bank balances	39.6	43.4
Current liabilities	**(923.1)**	**(647.8)**
Of which:		
Trade and other payables	(537.9)	(517.6)
Securitisation borrowings	(260.0)	-
Non-current liabilities	**(1,969.3)**	**(2,191.6)**
Of which:		
Retirement benefit obligations	(1.2)	(1.3)
Securitisation borrowings	(1,231.8)	(1,441.7)
Equity attributable to owners of the company	**(177.4)**	**(194.6)**
Total equity and liabilities	**(3,069.8)**	**(3,034.0)**