THE VERY GROUP

Q1 FY24 RESULTS

Helping families get more out of life

Results for the 13 weeks
ended 30 September 2023

23 November 2023

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Presenter

Ben Fletcher
Group CFO and CTO

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Performance overview

Overview

Resilient performance with year-on-year Very UK revenue and market share growth[1], and a continued high customer satisfaction score

1. Very UK revenue grew 2.6% to £407.6m (Q1 FY23: £397.3m), increasing total online market share by 0.3%pts[1] year-on-year. This contributed to a Group revenue increase of 0.9% to £473.4m (Q1 FY23: £469.4m).
2. Underpinning the results is a market-beating[2] retail performance by Very UK, with particularly strong results in the Toys, Gifts and Beauty category following strategic investment in price, as well as improved Electrical sales due to new product releases increasing volume.
3. Very Finance revenue increased 8.4% to £108.3m, supported by average Group debtor book growth of 3.2% to £1,682.1m (Q1 FY23: £1,629.6m) and Very UK debtor book growth of 5.7% to £1,428.9m (Q1 FY23: £1,351.7m).
4. Pre-exceptional EBITDA has increased 4.3% on prior year to £60.6m (Q1 FY23: £58.1m), despite annualising against a £10.7m benefit through recovered VAT, with an improved current year gross margin due to a strong Very Finance contribution as well as ongoing bad debt management. Delivery income has also increased on the back of strategic changes in our delivery proposition.
5. Our cashflow position improved year-on-year, with adjusted free cash flow of (£39.1m) (Q1 FY23: (£49.0m)) despite the higher securitisation interest seen compared to the prior year.
6. We continue to make investments in our customer proposition, with our FY24 Q1 Net Promoter Score of 39.9[3] significantly up on the same time last year (Q1 FY23: 31.0). Active customers for Very UK grew 1.1% as our proposition continues to prove important to the families we serve.

1 – Per company analysis of third-party market data

2 – References the total online non-food retail market

3 – Net Promoter Score (NPS) is a customer loyalty and satisfaction measurement

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Q1 FY24 RESULTS

Financial review

Economic value model

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

Revenue

+2.6%

growth in Very UK revenue

Debtor book

+5.7%

growth in average Very UK debtor book with focus on quality

Return on assets

+0.5% pts

improvement in bad debt as % of average Group debtor book

Gross margin

+0.7% pts

improvement in gross margin

Costs

+0.2% pts

increase in operating costs as % of revenue

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Revenue

Year-on-year increase in Very UK and Group revenue despite challenging market conditions, including continued growth in the Very Finance business

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Q1 FY24 vs Q1 FY23[1] performance

Revenue

+2.6% to £407.6m

- Growth in Very UK revenue of 2.6%, due to improvements in both retail revenue and Very Finance income.
- Very UK retail sales increased 1.1% year-on-year, with significant growth in Toys, Gifts and Beauty reflecting our investment in this strategic category, as well as improved performance in Electrical, offsetting declines in Fashion and Sports.
- Growth of 5.7% in Very UK's debtor book supports strong Very Finance revenue.
- Very UK's share of the online market has grown +0.3%pts[2] year-on-year.

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Q1 FY24 vs Q1 FY23 performance

Revenue

+0.9% to £473.4m

- The strong Very UK result underpins a positive Group performance, with revenue increasing 0.9%.
- Group Very Finance revenue increased 8.4% as we continue to attract new customers and grow the group debtor book.
- We estimate that our performance means Group online market share has increased year-on-year.
- The decrease in Littlewoods revenue of 9.5% is in line with expectations as we continue to move our focus to Very.

1 – The comparative split of revenue between Very and Littlewoods has been restated for a reallocation of balances relating to Ireland

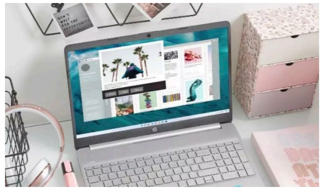
2 – Per company analysis of third-party market data

Retail

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

- Very UK retail sales grew 1.1% year-on-year to £300.4m (Q1 FY23 £297.2m), outperforming the online market which contracted in the same period.
- This was supported by our largest category Electrical, which saw growth of 3.5% due to increased promotional events and product releases. We also saw improved sales of large domestic appliances and portable and wearable tech.
- Toys, Gifts and Beauty also had strong growth of 11.0%, following strategic investments in this category during FY23. Key areas of growth include personal care products and boys' toys.
- Home sales grew 1.3% despite unpredictable weather adversely impacting the sale of garden products, with indoor furniture sales performing significantly ahead of the market. Sales of pet care and nursery products also increased year-on-year.
- Fashion and Sports declined 5.6% in a heavily discounted market, representing a slowing of the decline seen in previous quarters.

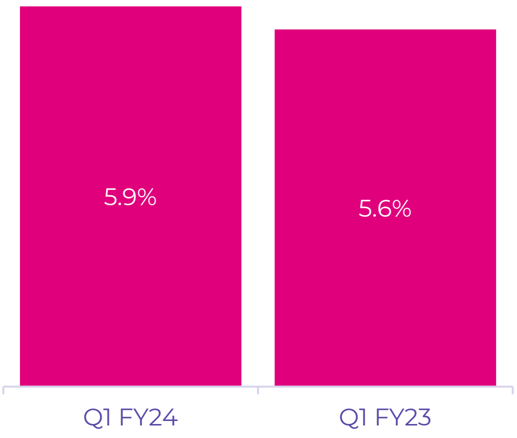
Retail sales

	Fashion and Sports	Electrical	Home	Toys, Gifts and Beauty
				
Very UK YoY	(5.6)%	+3.5%	+1.3%	+11.0%
TVG YoY	(6.7)%	+1.6%	(0.9)%	+7.8%
TVG Q1 FY24 mix	30.6%	45.1%	14.4%	10.0%
TVG Q1 FY23 mix	32.5%	44.0%	14.4%	9.2%

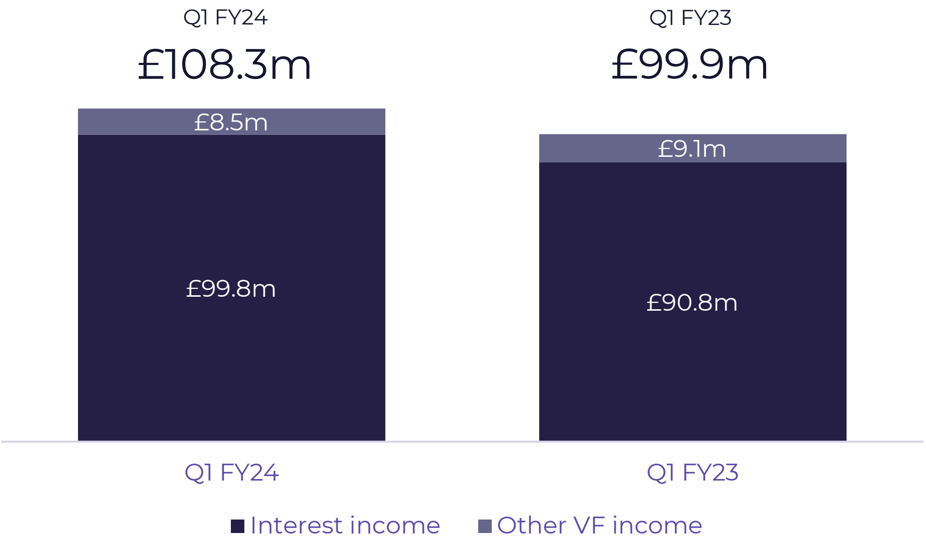
Very Finance

A growing debtor book contributed to growth in Very Finance revenue of 8.4%

Interest Income as % of average debtor book



Very Finance revenue



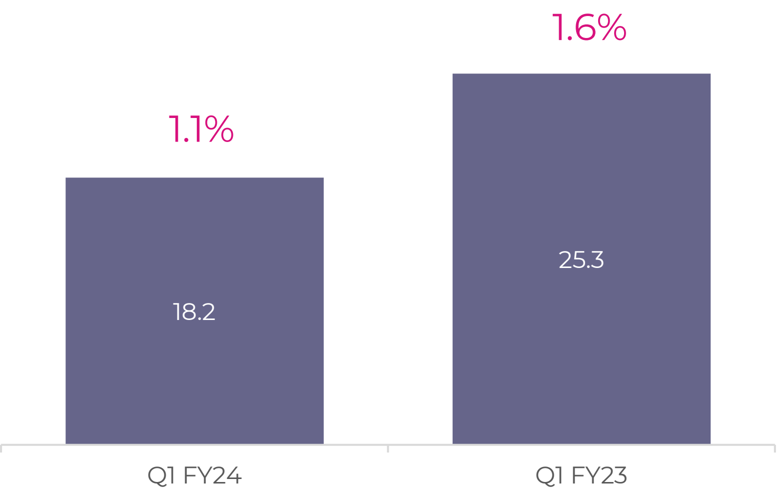
- Very Finance revenue has increased 8.4% year-on-year to £108.3m (Q1 FY23: £99.9m), with interest income growing 9.9% to £99.8m (FY22: £90.8m).
- Interest income as a percentage of the debtor book increased by 0.3%pts to 5.9%.
- Underpinning the growth in Very Finance income is the growth of the average debtor book. This grew 3.2% to £1,682.1m (Q1 FY23: £1,629.6m) on a Group basis, and 5.7% to £1,428.9m (Q1 FY23: £1,351.7m) at the Very UK level. This is without a deterioration in debtor book quality (see overleaf).

Bad debt

Despite the macroeconomic environment, our bad debt position continues to improve

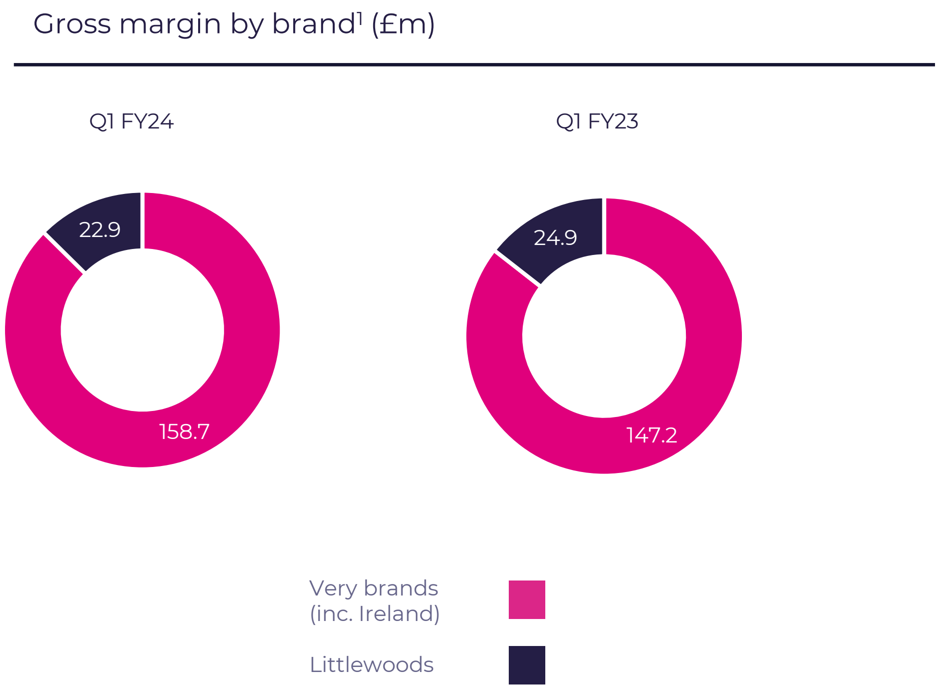
- Bad debt in Q1 FY24 has reduced £7.1m year-on-year to £18.2m. As a percentage of the group average debtor book, this represents 1.1%, a reduction of 0.5%pts versus Q1 FY23.
- This demonstrates the continuing improvement in the quality of the debtor book as well as the continued improvements in our credit decisioning and ongoing risk management.
- Despite the improving bad debt, we continue to monitor this alongside other metrics to identify any risks, particularly noting the current economic climate.
- We continue to see no signs of distress in the debtor book.

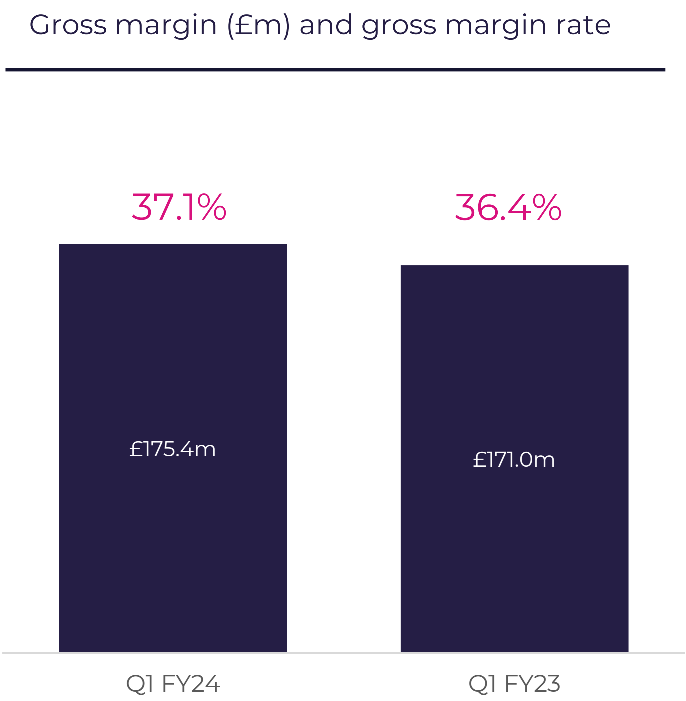
Bad debt as a % of average debtor book (£m)



Gross margin

A strong Very Finance performance underpins improving gross margin





- Gross margin for Q1 FY24 was 37.1%, an increase of 0.7%pts versus last year (Q1 FY23: 36.4%).
- This increase is despite annualising against a £10.7m benefit through recovered VAT in Q1 FY23.
- The improvement in Q1 FY24 reflects the growing contribution of Very Finance and improving bad debt.
- Gross margin is further supported by higher delivery income on the back of strategic changes in our delivery proposition.

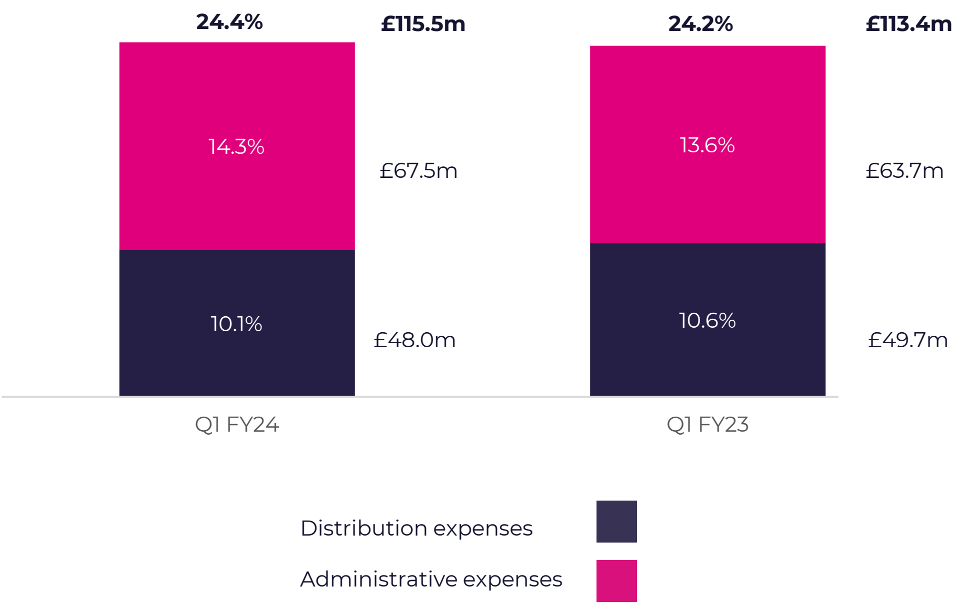
1 – Gross margin by brand does not include some central allocated costs, but these are included in the group gross margin figures

Cost control

Costs remain tightly managed as we navigate the high inflation environment

- Operating costs increased 1.9% year-on-year to £115.5m. This represents an increase of 0.2%pts to 24.4% as a percentage of revenue.
- This comprises distribution costs which fell £1.7m year-on-year to £48.0m and now represent 10.1% of revenue.
- The reduction in distribution costs is driven by improved efficiency following the introduction of our strategic order carrier management initiative, that allows us to better optimise the flow of inventory through the warehouse.
- Administrative expenses increased to £67.5m reflecting the phasing of marketing as we increased activity in the first part of Q1, as well as the increased tech spend year-on-year.

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



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

Adjusted EBITDA

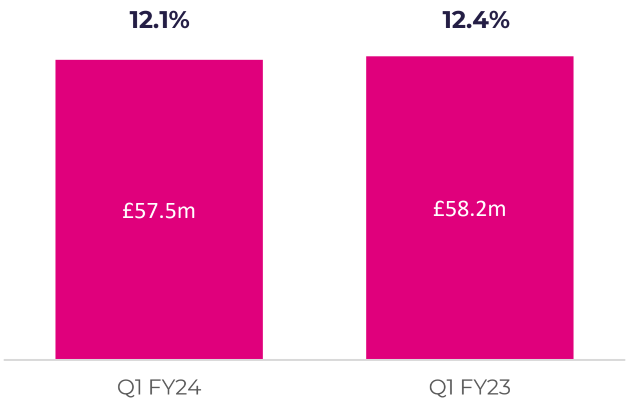
Resilient, positive earnings after investing in our proposition

- Our top line performance is mirrored in the delivery of strong earnings for Q1 FY24, reflecting our focus on earnings and earnings quality.
- In the first quarter of this year, we delivered reported EBITDA of £60.6m, an increase of £2.5m year-on-year. This is despite the small increase in costs this year, which were more than offset by the improved gross margin.
- Adjusted EBITDA is broadly stable, declining £0.7m to £57.5m. This is due to foreign exchange and fair value movements in the period.
- Last year saw a £10.7m VAT benefit in Q1 FY23. Removing this from the comparative would give a significant increase in EBITDA year-on-year.

Year-on-year adjusted EBITDA reconciliation

(£m)	Q1 FY24	Q1 FY23	%
Pre-exceptional EBITDA	**60.6**	**58.1**	4.3%
Adjusted for			
Fair value adjustments to financial instruments	(6.5)	(3.7)	
FX translation movements on trade creditors	(1.5)	1.4	
SaaS related adjustments	4.9	2.4	
Adjusted EBITDA	**57.5**	**58.2**	(1.2)%

Adjusted EBITDA



Adjusted free cash flow

An improved year-on-year cash flow position as we continue to diligently monitor and manage spend

£(39.1)m

Q1 FY24 ADJUSTED FREE CASHFLOW

Cash flow

(£m)	Q1 FY24	Q1 FY23
Adjusted EBITDA (post securitisation interest and SaaS)	**25.7**	**40.0**
Net working capital movement:		
Movement in inventories	(52.4)	(37.0)
Movement in trade receivables	11.3	15.8
Movement in prepayments and other receivables (exc. refinancing costs)	(18.8)	15.0
Movement in trade and other payables (exc. refinancing costs)	31.4	(47.6)
Movement in securitisation facility	(24.2)	(23.1)
Net working capital (post securitisation funding)	**(52.7)**	**(76.9)**
Other adjustments	(1.2)	-
Capital expenditure	(10.9)	(12.1)
Adjusted free cashflow	**(39.1)**	**(49.0)**

- We delivered an improved cash flow position in Q1 FY24, with the adjusted free cash outflow reducing to £39.1m versus £49.0m in the prior year. This is despite higher securitisation interest seen year-on-year.
- The increased movement in inventories reflects the bigger inventory build for peak period this year, following the success of the similar strategy last year.
- The larger inventory build has led to a larger build in payables in the quarter, which contributes to the movement year-on-year. This movement also reflects the use of certain working capital facilities in this quarter, and the timing of tax payments.
- The trade receivable movement reflects the paying down of debtor book balances since the year end and is offset by the commensurate movement in securitisation facility drawings.
- The movement in prepayments and other receivables includes the impact of greater marketing spend and the associated prepayments balance, and supplier rebates.

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Forward view

Outlook

Following a resilient Q1 performance with year-on-year Very UK revenue and market share growth[1], we approach the Black Friday and Christmas period with confidence

1. Despite the headwinds still present, FY24 has started well with market beating revenue growth and an improving gross margin, which combined with our diligent cost management, improving bad debt position and cash focus has seen robust earnings and an improved cash flow year-on-year

2. The Black Friday and Christmas period has started strongly, with robust performances in Toys, Gifts and Beauty as we continue to invest in our availability and assortment in this and other strategically important categories for peak period.

3. Our debtor book is continuing to grow as customers increasingly value our proposition. Meanwhile, bad debt is well managed, underpinned by our advanced credit decisioning and strong risk management. Very Finance provides us with a quality source of earnings for future periods.

4. Our focus on bad debt is combined with controlled cost reduction and strong cash management to allow us to deliver investment-led growth. Our investments in technology and the digital customer experience are already demonstrating their value, including significant year-on-year improvement in customer satisfaction.

1 – Per company analysis of third-party market data

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Q1 FY24 RESULTS

Q&A

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Q1 FY24 RESULTS

Appendices

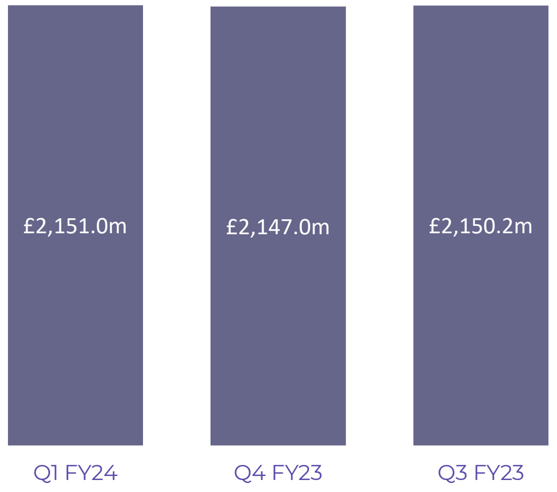
INCOME STATEMENT

£m	Q1 FY24	Q1 FY23[1]	Variance (%)
Very UK	407.6	397.3	2.6%
Very Ireland	13.2	14.0	(5.1)%
Littlewoods	52.6	58.1	(9.5)%
Group revenue	**473.4**	**469.4**	**0.9 %**
Gross margin	175.4	171.0	2.6%
% margin	*37.1%*	*36.4%*	
Distribution expenses	(48.0)	(49.7)	(3.4)%
Administration expenses	(67.5)	(63.7)	6.0%
Other operating income	0.7	0.5	40.0%
Pre-exceptional EBITDA	**60.6**	**58.1**	**4.3 %**
% pre-exceptional EBITDA margin	*12.8%*	*12.4%*	
Operating costs as % of revenue	*24.4%*	*24.2%*	
Pre-exceptional adjusted EBITDA	**57.5**	**58.2**	**(1.1)%**
% adjusted EBITDA	*12.1%*	*12.4%*	

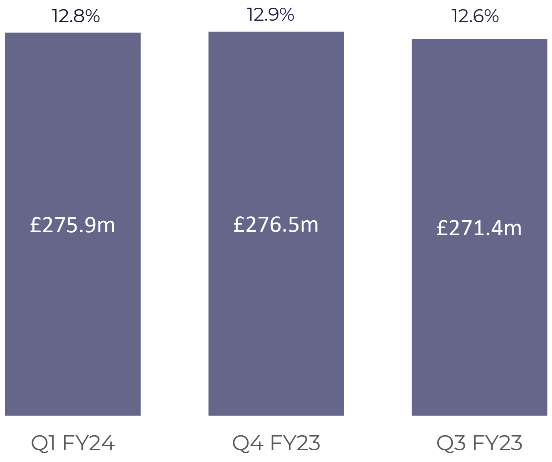
1 – The comparative split of revenue between Very and Littlewoods has been restated for a reallocation of balances relating to Ireland

LTM KPIs

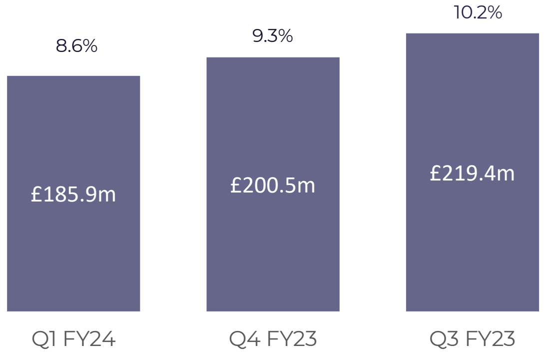
LTM revenue (£m)



LTM adjusted EBITDA (£m)



LTM consolidated EBITDA (Leverage) (£m)



CASHFLOW STATEMENT

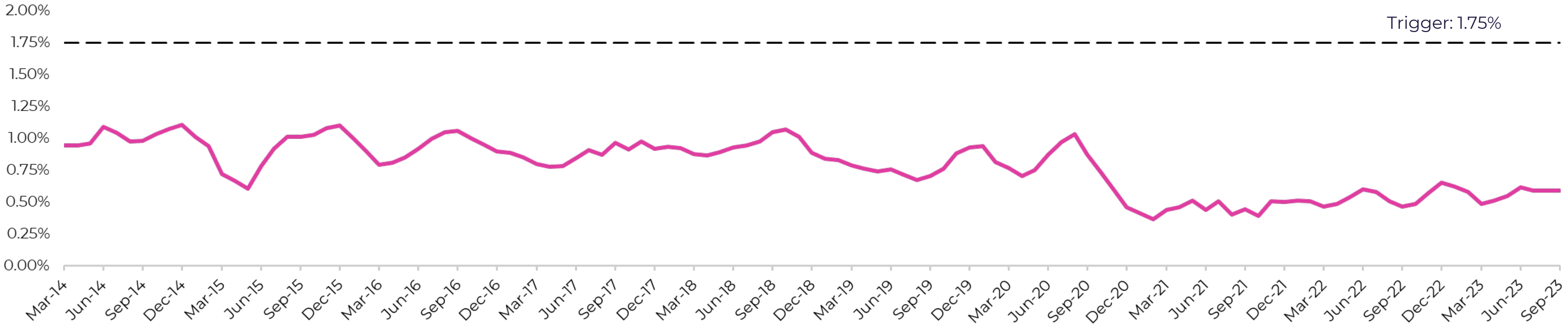
£m	Q1 FY24	Q1 FY23
Adjusted EBITDA (post securitisation interest, management fees and SaaS)	**25.7**	**40.0**
Net working capital movement:		
Movement in inventories	(52.4)	(37.0)
Movement in trade receivables	11.3	15.8
Movement in payments and other receivables	(18.7)	15.0
Movement in trade and other payables	31.4	(47.6)
Movement in securitisation facility	(24.2)	(23.1)
Net working capital (post securitisation funding)	**(52.6)**	**(76.9)**
Other adjustments	(1.3)	-
Capital expenditure	(10.9)	(12.1)
Adjusted free cashflow	**(39.1)**	**(49.0)**
Interest paid (excluding securitisation interest)	(26.5)	(22.8)
Income taxes (paid) / received	-	-
Cash impact of exceptional items (excluding customer redress)	(6.6)	(10.2)
Management fees	(1.9)	(1.9)
Cash paid to parent company	(1.3)	(1.3)
(Repayments of) / draw downs from finance leases	(2.9)	(2.6)
(Repayments of) / draw downs from bank loans	(3.5)	(3.7)
Movement in revolving credit facility	80.0	75.0
Net increase in cash and cash equivalents	**(1.8)**	**(16.5)**

NET LEVERAGE

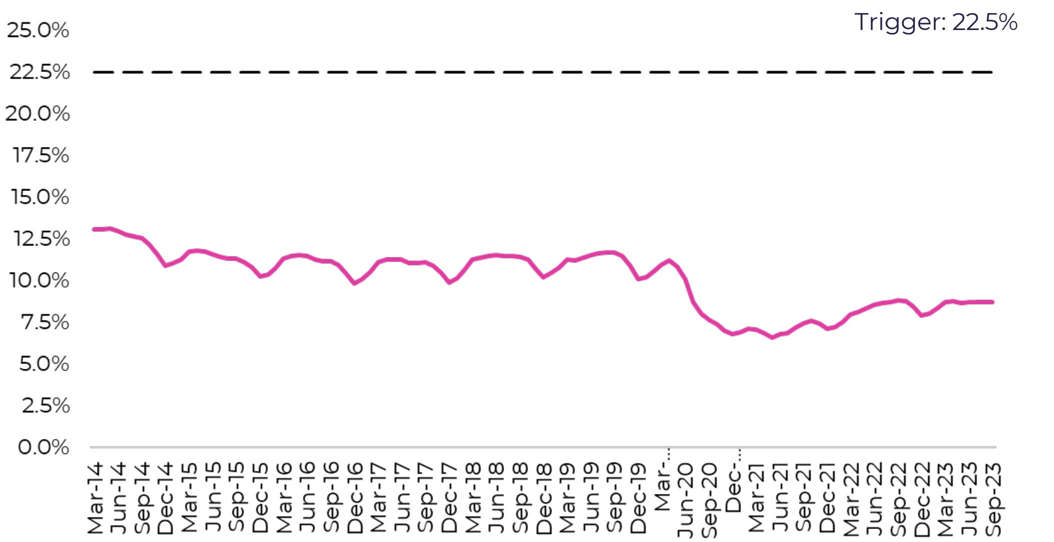
Net leverage (£ millions)	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22	Q3 FY22	Q2 FY22	Q1 FY22	Q4 FY21	Q3 FY21	Q2 FY21	Q1 FY21
Cash and bank balances	**37.8**	**39.6**	**62.2**	**4.0**	**26.9**	**43.4**	**41.7**	**5.6**	**22.0**	**78.1**	**92.5**	**55.7**	**120.5**
Fixed rate notes	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(550.0)	(550.0)	(550.0)	(550.0)
Revolving credit facility	(150.0)	(70.0)	(150.0)	-	(150.0)	(75.0)	(150.0)	-	(90.0)	(90.0)	(150.0)	-	(150.0)
Other debt	(30.6)	(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)	(755.6)	(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)	**(717.8)**	**(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)	**185.9**	**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	**3.86x**	**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

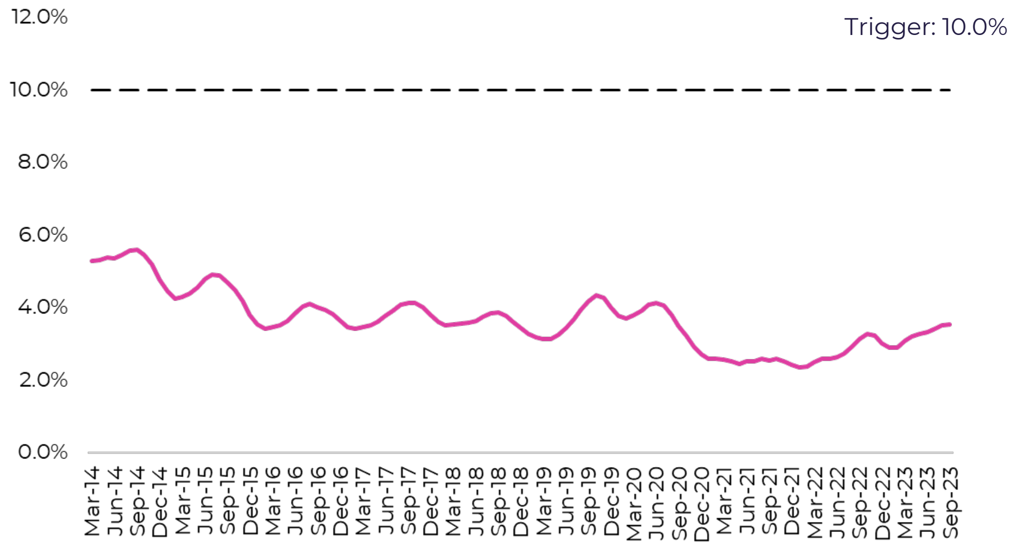
Default three month moving average



One to five month delinquency rates



Five-plus months delinquency rates



BALANCE SHEET

£m	Q1 FY24	Q1 FY23
Non-current assets	**1,234.1**	**1,228.1**
Current assets	**1,898.0**	**1,797.7**
Of which:		
Inventories	*158.1*	*149.1*
Trade and other receivables	*1,695.8*	*1,610.0*
Cash and bank balances	*37.8*	*26.9*
Current liabilities	**(770.2)**	**(681.3)**
Of which:		
Trade and other payables	*(568.7)*	*(416.2)*
Securitisation borrowings	-	*(155.7)*
Non-current liabilities	**(2,190.1)**	**(2,147.2)**
Of which:		
Retirement benefit obligations	*(1.2)*	*(1.3)*
Securitisation borrowings	*(1,467.6)*	*(1,418.6)*
Equity attributable to owners of the company	**(171.8)**	**(197.2)**
Total equity and liabilities	**(3,132.1)**	**(3,025.8)**