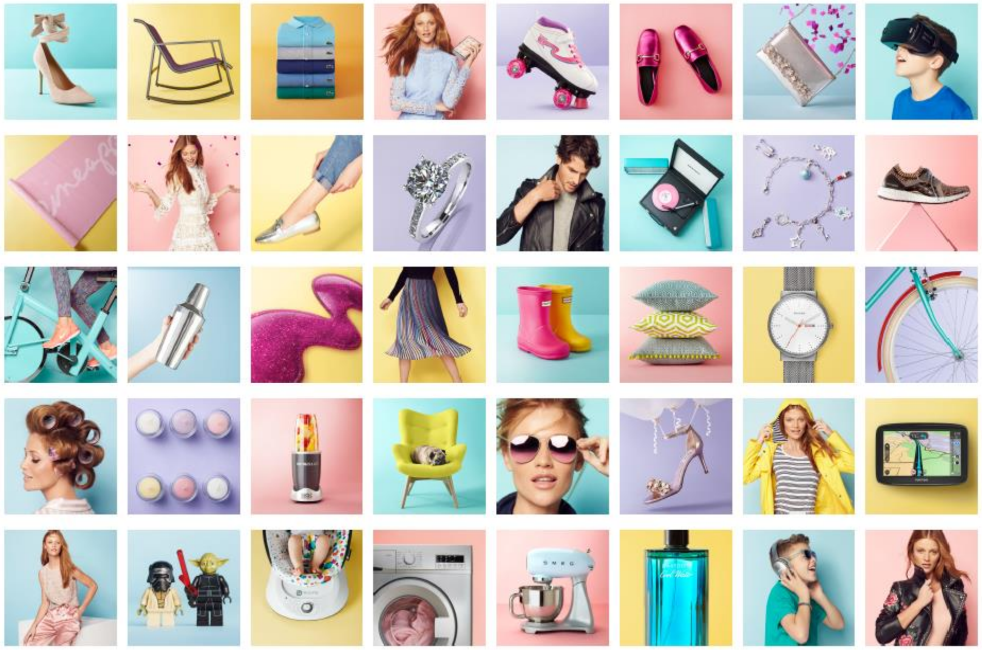

Shop Direct Limited

Q2 FY18 YTD Results

Six months ended 31 December 2017

1 March 2018

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Continued progress during Quarter 2 FY18

Quarter 2 FY18 YTD[1] Highlights versus prior year

- Group revenue grew 2.8% to £1,099.2m (Q2 FY17 YTD: £1,069.0m)
  - Very revenue up 12.8% to £769.3m (Q2 FY17 YTD: £682.0m)
  - Littlewoods managed decline maintained - revenue down 14.8% to £329.9m (Q2 FY17 YTD: £387.0m)
- Interest income as a percentage of the debtor book increased 0.3%pts to 11.5% (Q2 FY17 YTD: 11.2%)
- Bad debt as a percentage of the debtor book reduced 0.2%pts to 3.3% (Q2 FY17 YTD: 3.5%)
- Gross margin down 2.3%pts to 38.4% (Q2 FY17 YTD: 40.7%) driven by switch to Very from Littlewoods and increased contribution from the lower retail margin Electrical division
- Reported EBITDA up 4.0% to £115.6m (Q2 FY17 YTD: £111.2m)
- Adjusted EBITDA post securitisation interest of £103.8m (Q2 FY17 YTD: £106.4m)
- Underlying free cash flow[2] of £140.6m (Q2 FY17 YTD: £73.2m)

Notes

1. Q2 FY18 YTD is the 6 months ended 31 December 2017. Q2 FY17 YTD is the 6 months ended 31 December 2016.
2. Underlying free cash flow calculated as Adjusted EBITDA (post securitisation interest) as adjusted for movement in inventories, movement in trade and other receivables (excluding amounts owed by group undertakings), movement in trade and other payables, proceeds from drawdowns under the existing securitisation facility, adjustment for pensions (comprising contributions paid to pension scheme and pension administrative costs), and the acquisition of property, plant, and equipment and intangible assets.

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Continued revenue growth and cost discipline

Income statement

(£ millions)	Q2 FY18 YTD	Q2 FY17 YTD	Variance %
Very	769.3	682.0	12.8 %
Littlewoods	329.9	387.0	(14.8)%
Group Revenue	**1,099.2**	**1,069.0**	**2.8 %**
Gross margin	422.6	435.1	(2.9)%
% Margin	*38.4%*	*40.7%*	*(2.3)%pts*
Distribution expenses	(116.6)	(120.8)	
Administrative expenses	(190.8)	(203.7)	
Other operating income	0.4	0.6	
Reported EBITDA	**115.6**	**111.2**	**4.0%**
% Margin	*10.5%*	*10.4%*	*0.1 %pts*

Highlights

- **Group revenue** grew 2.8% to £1,099.2m driven by Very (+12.8%) partially offset by Littlewoods managed decline (-14.8%)
- **Gross margin** down 2.3%pts to 38.4% driven by switch to Very from Littlewoods and increased contribution from the lower retail margin Electrical division
- **Costs as a percentage of group revenue** reduced 2.4%pts to 27.9% reflecting lower marketing spend and operational efficiencies

Notes

1. Q2 FY18 YTD is the 6 months ended 31 December 2017. Q2 FY17 YTD is the 6 months ended 31 December 2016.

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Adjusted EBITDA post securitisation interest reconciliation

Reconciliation of EBITDA to adjusted EBITDA post securitisation interest

(£ millions)	Q2 FY18 YTD	Q2 FY17 YTD	Variance %
Reported EBITDA	**115.6**	**111.2**	**4.0%**
Adjusted for:			
Fair value adjustments to financial instruments	2.6	1.4	
Foreign exchange translation movements on trade creditors	0.3	2.4	
IAS19 and IFRIC 14 pension adjustments	(0.1)	-	
Management EBITDA	**118.4**	**115.0**	**3.0 %**
Adjusted for:			
Management fee	2.5	2.5	
Costs associated with new brand launches	-	5.0	
Consultancy costs	-	1.7	
Securitisation interest	(17.1)	(17.8)	
Adjusted EBITDA post securitisation interest	**103.8**	**106.4**	**(2.4)%**

Highlights

- **Reported EBITDA** up 4.0% to £115.6m (Q2 FY17 YTD: £111.2m)
- **Management EBITDA** up 3.0% to £118.4m (Q2 FY17 YTD: £115.0m)
- **Adjusted EBITDA post securitisation interest** marginally decreased to £103.8m (Q2 FY17 YTD: £106.4m)

Notes

1. Q2 FY18 YTD is the 6 months ended 31 December 2017. Q2 FY17 YTD is the 6 months ended 31 December 2016.

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Group revenue progression

Retail revenue

£m	Q2 FY18 YTD	Q2 FY17 YTD	Variance %
Retail revenue (sale of goods)	886.4	865.2	2.5%




	C&F	Electrical	Seasonal	Furniture & Homeware
YoY %	+1.5%	+9.1%	+3.4%	(10.0)%
Mix %	*32%*	*40%*	*17%*	*11%*

Financial Services revenue

£m	Q2 FY18 YTD	Q2 FY17 YTD	Variance %
Interest Income	186.6	174.5	6.9%
Other	26.2	29.3	(10.5)%
FS revenue (rendering of services)	**212.8**	**203.8**	**4.4%**

Highlights

- **Clothing & Footwear** revenue growth of 1.5% driven by Childrenswear and Sportswear
- **Electrical** revenue grew 9.1% driven by Technology including consoles, mobiles and smart technology products
- **Seasonal** revenue grew 3.4% driven by Gifting, Toys and Beauty including cosmetics and fragrances
- **Furniture & Homeware** revenue declined by 10.0% reflecting pressure on products with a higher price point as Very does not currently have a comparable interest free credit product to compete with leading furniture retailers

- **Interest income** up 6.9% to £186.6m driven by Very. As a percentage of the debtor book, interest income increased by 0.3%pts to 11.5%
- **Other** financial services revenue reduction reflects lower administration fees
- **Average debtor book** grew 4.0% to £1,620.2m driven by revenue growth

Notes

1. Q2 FY18 YTD is the 6 months ended 31 December 2017. Q2 FY17 YTD is the 6 months ended 31 December 2016.

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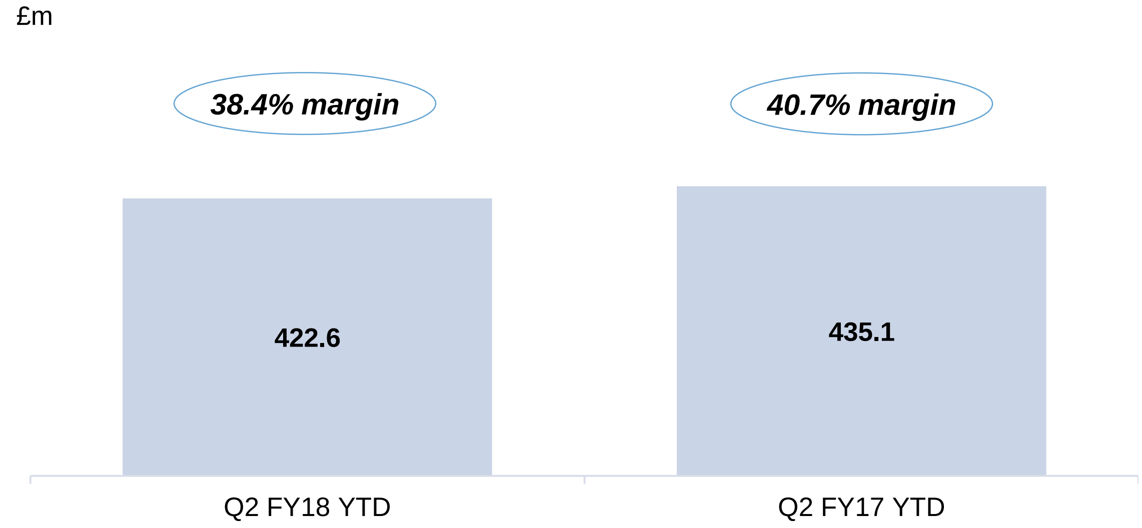
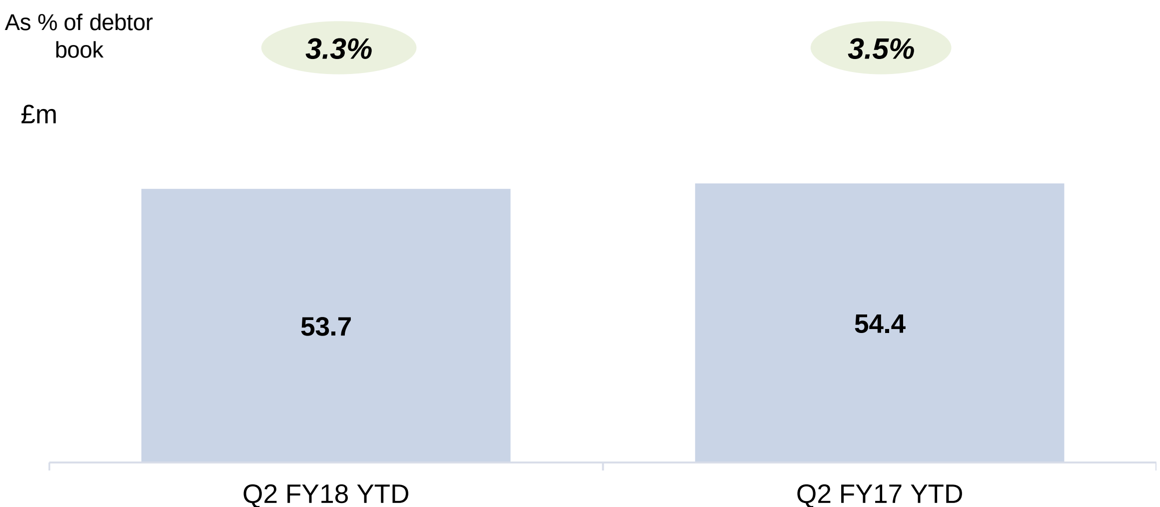
Gross margin reflecting product mix and market conditions

Gross Profit and Gross Margin Rate



Bad Debt and as % of Debtor Book



Notes

1. Q2 FY18 YTD is the 6 months ended 31 December 2017. Q2 FY17 YTD is the 6 months ended 31 December 2016.

Highlights

- Q2 FY18 YTD **Gross margin rate** decreased 2.3%pts to 38.4% (Q2 FY17 YTD: 40.7%) driven by switch to Very from Littlewoods and increased contribution from the lower retail margin Electrical division

- Q2 FY18 YTD **Bad debt** of £53.7m lower than Q2 FY17 YTD (£54.4m). Q2 FY18 YTD Bad debt as a percentage of the debtor book decreased 0.2%pts to 3.3%

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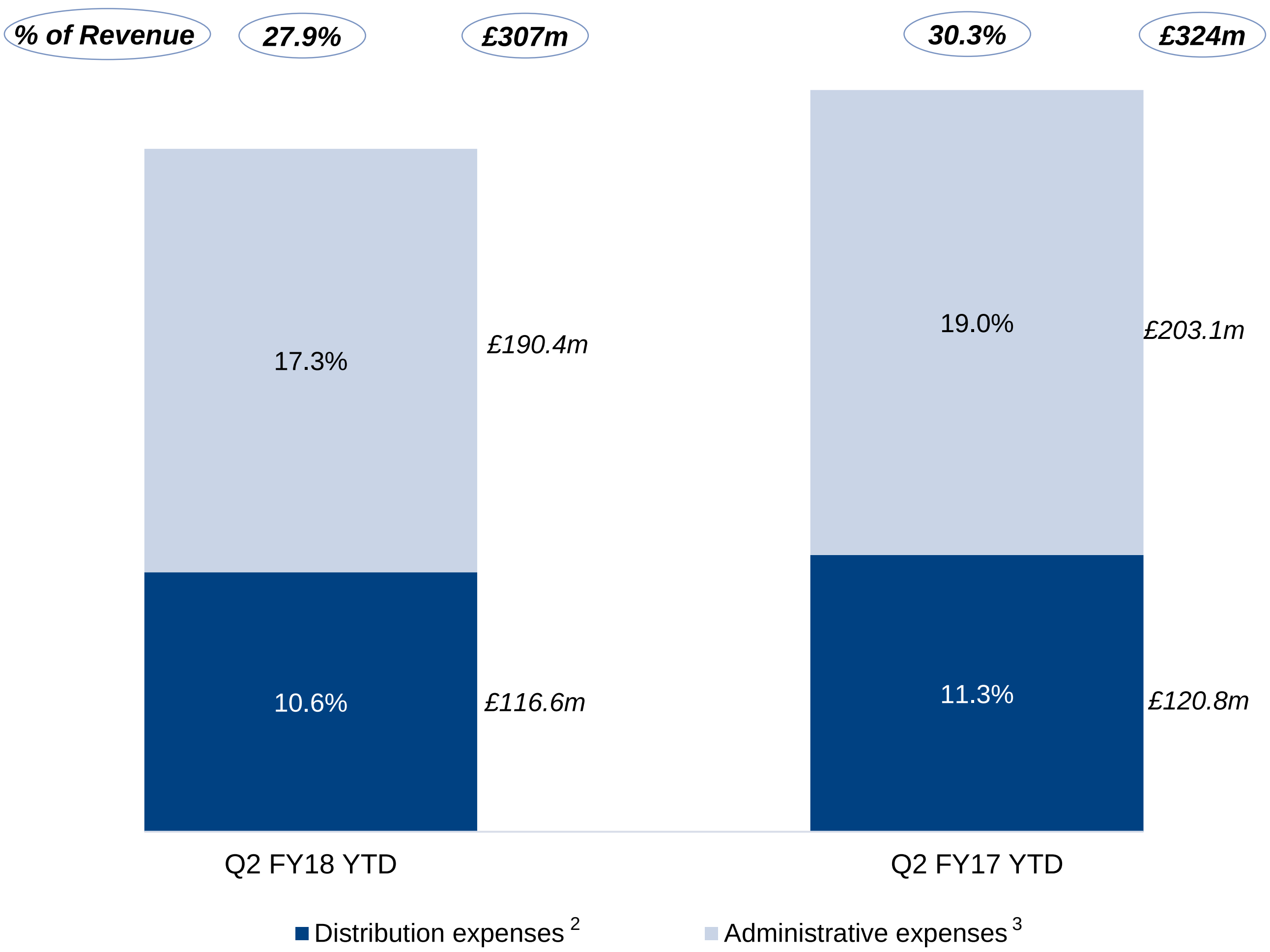
Cost control continues

Operating costs



Highlights

- Total costs as a percentage of revenue reduced by 2.4%pts to 27.9% reflecting:
  - **Administrative costs** as a % of revenue decreased by 1.7%pt to 17.3% driven by lower marketing costs
  - **Distribution costs** as a % of revenue decreased by 0.7%pts to 10.6% reflecting a combination of efficiencies and impact of product mix

Notes

1. Q2 FY18 YTD is the 6 months ended 31 December 2017. Q2 FY17 YTD is the 6 months ended 31 December 2016.
2. Distribution expenses comprise distribution and fulfilment costs.
3. Administrative expenses comprise marketing, contact centres and head office costs, and other operating income.

Successful renewal of securitisation facility

Securitisation facility

- The securitisation facility has been extended from December 2019 to December 2020 for the principle ‘A’ notes and to December 2021 for ‘B’ and newly issued ‘C’ notes. The size of the programme has increased from £1,315m to £1,490m which included the new issue of £65m ‘C’ notes. This allows for continued growth in funding for balance sheet receivables
- The programme continues to be fully supported by our core Bank Group, with new investors to our ‘C’ notes
- The principle ratings for the programme have been affirmed by Fitch and DBRS. (‘A’ notes – A rated; ‘B’ notes – BBB rated; ‘C’ notes – unrated)
- The costs of the programme remain constant, covered by the reduction in margins of ‘A’ and ‘B’ notes

Underlying cash flow reflects working capital post securitisation funding

Cash Flows

(£ millions)	Q2 FY18 YTD	Q2 FY17 YTD
Adjusted EBITDA (post securitisation interest)[2]	**103.8**	**106.4**
Net working capital movement:		
Movement in inventories	(10.5)	(22.8)
Movement in trade receivables[3]	(199.2)	(185.1)
Movement in prepayments and other receivables[3]	(35.4)	(5.8)
Movement in trade and other payables[4]	193.7	149.8
Draw downs of securitisation facility	142.5	65.3
Net working capital movement (post securitisation funding)	**91.1**	**1.4**
Pension contributions	(10.6)	(8.2)
Underlying operating free cash flow	**184.3**	**99.6**
Capital expenditure	(43.7)	(26.4)
Underlying free cash flow	**140.6**	**73.2**

Notes

1. Q2 FY18 YTD is the 6 months ended 31 December 2017. Q2 FY17 YTD is the 6 months ended 31 December 2016.
2. *See page 5 for reported EBITDA to adjusted EBITDA post securitisation interest reconciliation.*
3. *Shown in aggregate as (Increase)/decrease in trade and other receivables in the Condensed Consolidated Interim Financial Statements. Difference against aggregate position reflects cash paid to parent company of £98.4m in Q2 FY18 YTD and £136.0m in Q2 FY17 YTD.*
4. *Difference against Condensed Consolidated Interim Financial Statements of -£0.2m in Q2 FY18 YTD and -£2.4m in Q2 FY17 YTD reflects the exclusion of certain non-cash charges primarily relating to the foreign exchange impact on translation of trade creditors.*

Highlights

- **Net working capital movement (post securitisation funding)** driven by seasonal quarter 2 YTD movements plus impacts from:
  - Prepayments / other receivables reflecting timing of payments plus prepayment of transaction fees on senior secured notes;
  - Trade and other payables through revenue growth and extension of payment terms
- Draw down of securitisation facility includes current year benefit from the additional ‘C’ notes of £65m
- **Capital expenditure** increase over prior year driven by the continuation of build and system integration testing for our New Customer Experience programme which is on track to roll-out in 2018

Corporate update

- Alex Baldock left Shop Direct on 31 January 2018
- Derek Harding appointed Interim CEO & Group Finance Director
- Matt Dixon, Group Product Director will leave Shop Direct on 28 March 2018
- Sam Perkins, current Group Merchandising Director, will be promoted to the Executive Board and replace Matt Dixon
  - Shop Direct for the last 3 years
  - Commercial director at Tesco (7 years)
  - Commercial strategy lead at Nestle (3 years)
- Investor Day 13 March 2018 in Speke, Liverpool

Summary

Quarter 2 FY18 YTD Summary

- Group revenue grew 2.8% to £1,099.2m (Q2 FY17 YTD: £1,069.0m)
  - Very revenue up 12.8% to £769.3m (Q2 FY17 YTD: £682.0m)
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- Reported EBITDA up 4.0% to £115.6m (Q2 FY17 YTD: £111.2m)
- Adjusted EBITDA post securitisation interest of £103.8m (Q2 FY17 YTD: £106.4m)
- Underlying free cash flow of £140.6m (Q2 FY17 YTD: £73.2m)

Notes

1. Q2 FY18 YTD is the 6 months ended 31 December 2017. Q2 FY17 YTD is the 6 months ended 31 December 2016.

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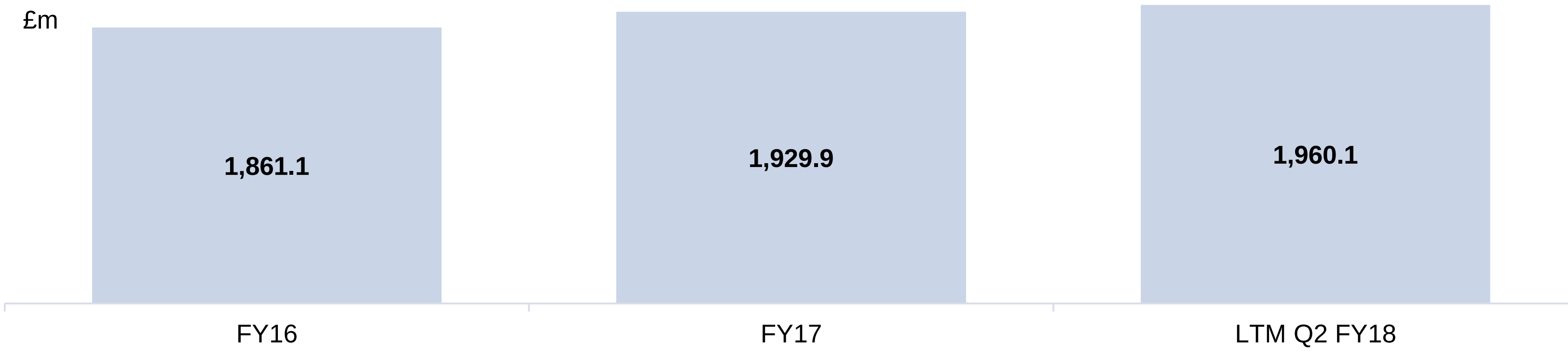
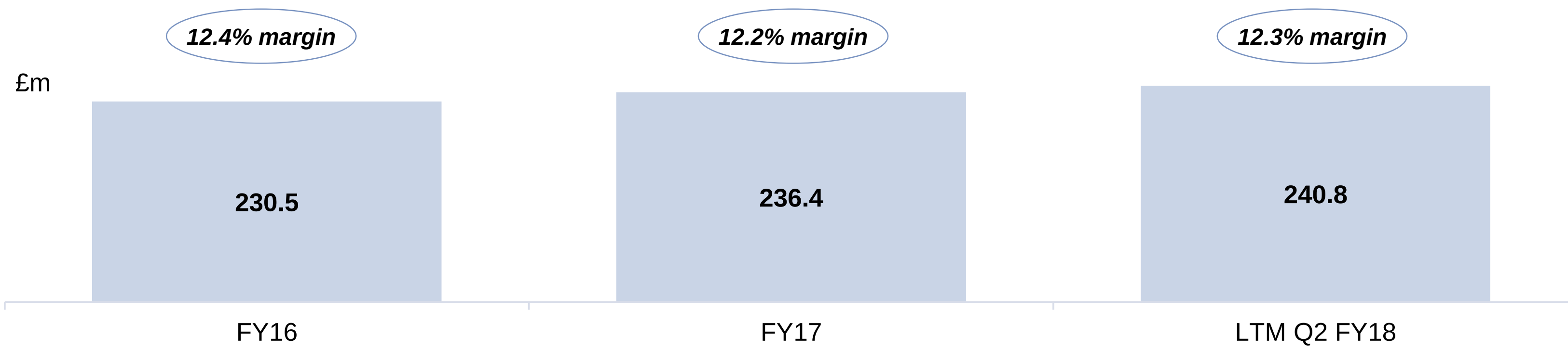
Appendix A: LTM KPIs

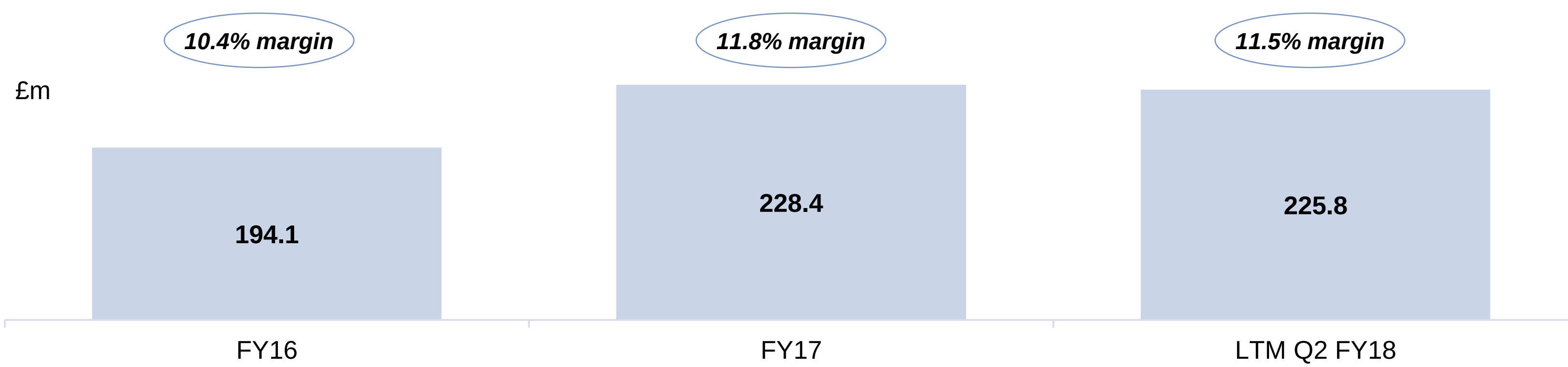
LTM Revenue



LTM Reported EBITDA



LTM Adjusted EBITDA post securitisation interest



Appendix B: Cash Flow Statement

Cash Flow Statement

(£ millions)	Q2 FY18 YTD	Q2 FY17 YTD
Adjusted EBITDA (post securitisation interest)[2]	**103.8**	**106.4**
Net working capital movement:		
Movement in inventories	(10.5)	(22.8)
Movement in trade receivables[3]	(199.2)	(185.1)
Movement in prepayments and other receivables[3]	(35.4)	(5.8)
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Draw downs of securitisation facility	142.5	65.3
Net working capital movement (post securitisation funding)	**91.1**	**1.4**
Pension contributions	(10.6)	(8.2)
Underlying operating free cash flow	**184.3**	**99.6**
Capital expenditure	(43.7)	(26.4)
Underlying free cash flow	**140.6**	**73.2**
Interest paid (excluding securitisation interest)	(24.7)	(10.7)
Income taxes paid	(3.7)	(1.2)
Cash impact of exceptional items	(47.6)	(17.0)
Management fees	(2.5)	(2.5)
Consultancy costs	-	(1.7)
Costs associated with new brand launches	-	(5.0)
Cash paid to the parent company	(98.4)	(136.0)
Proceeds from finance lease draw downs	0.6	0.7
(Repayments of)/draw downs from bank borrowings	(500.0)	121.0
Proceeds from issue of senior secured notes	550.0	-
Net increase in cash and cash equivalents	**14.3**	**20.8**

Notes

1. Q2 FY18 YTD is the 6 months ended 31 December 2017. Q2 FY17 YTD is the 6 months ended 31 December 2016.
2. *See page 5 for reported EBITDA to adjusted EBITDA post securitisation interest reconciliation.*
3. *Shown in aggregate as (Increase)/decrease in trade and other receivables in the Condensed Consolidated Interim Financial Statements. Difference against aggregate position reflects cash paid to parent company of £98.4m in Q2 FY18 YTD and £136.0m in Q2 FY17 YTD.*
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Appendix C: Net Leverage

Net Leverage

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

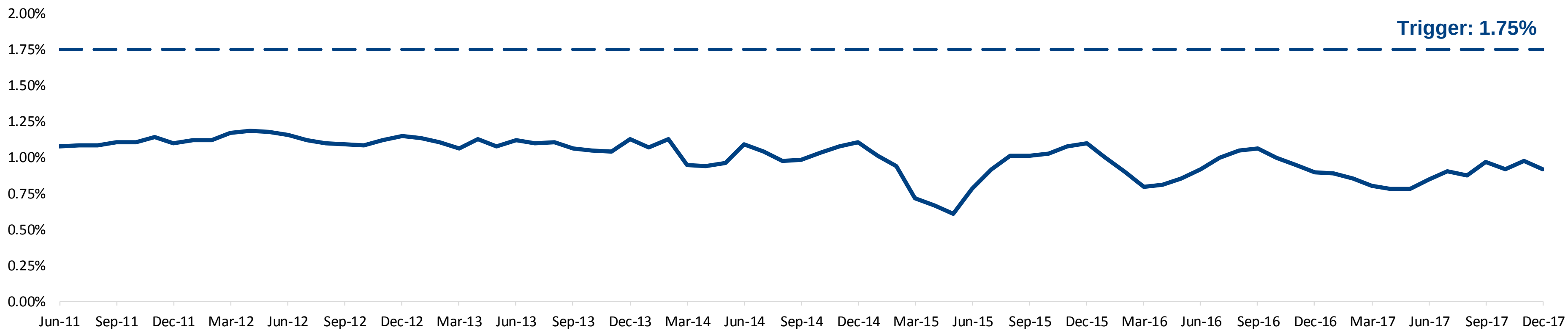
Notes

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

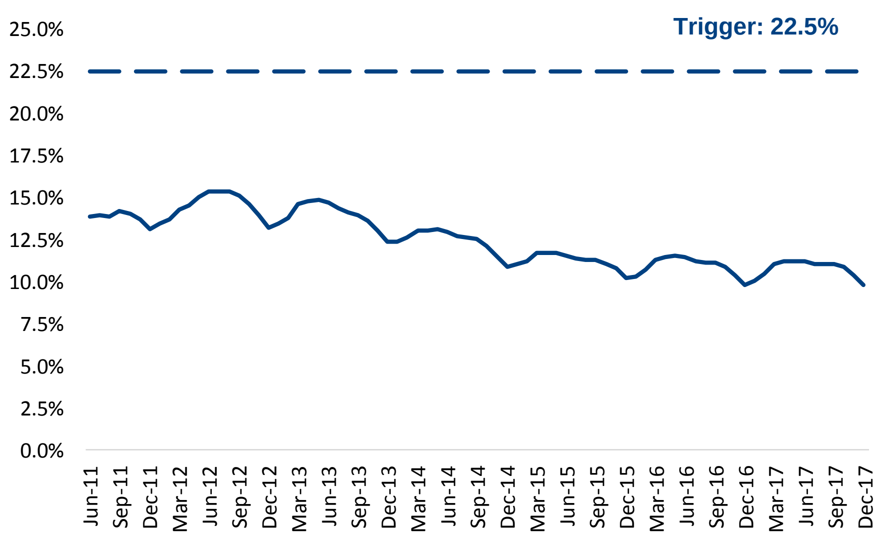
Appendix D: Securitisation Performance Covenants

Key triggers and historical performance – stable performance over economic cycles

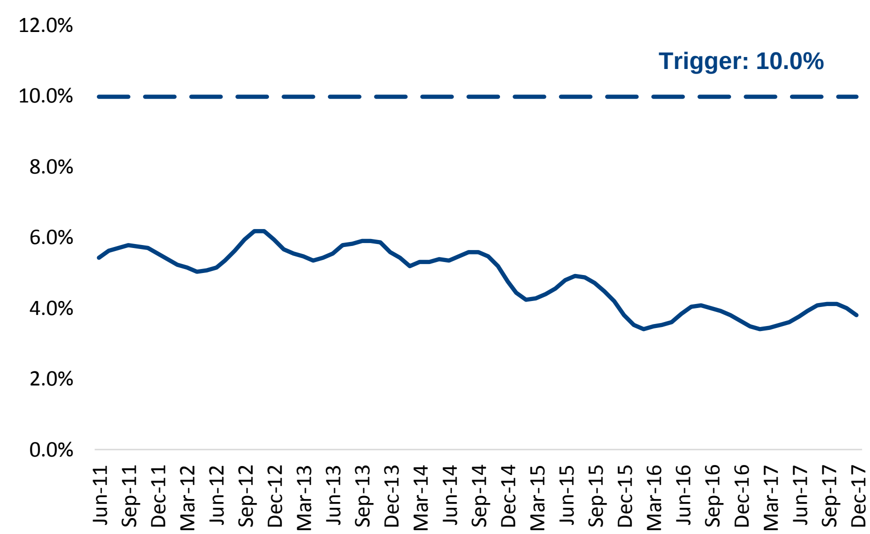
Defaults (3-month moving average)



1-5 months delinquency rates



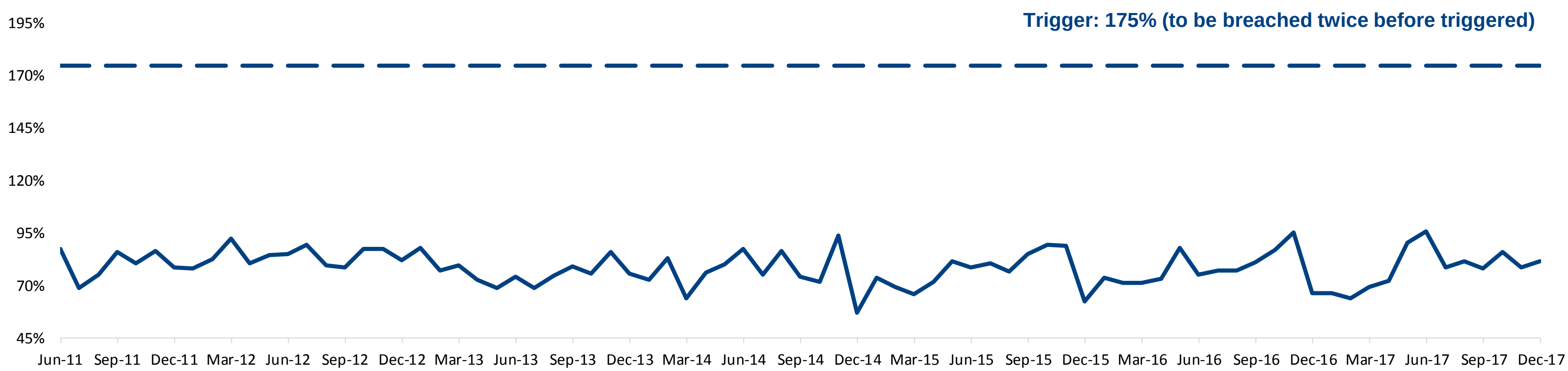
5+ months delinquency rates



Appendix D: Securitisation Performance Covenants

Key triggers and historical performance – stable performance over economic cycles

Dilutions Ratio



Payment Rate (3-month moving average)