THE VERY GROUP

Q3 FY24 YTD RESULTS

Helping families get more out of life

Results for the 39 weeks
ended 30 March 2024

22 May 2024

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Business update

Business update

Updates on board appointments and our auditor

- As communicated at Q2, we have entered into a strategic partnership with Carlyle and IMI as we enter the next phase of growth and development of our business.
- We have also appointed the Rt Hon Nadhim Zahawi MP as Non-Executive Chair and Robbie Feather as Chief Executive Officer. Robbie will continue to deliver against the strategy started under Lionel Desclée.
- Further changes have been made to the executive team to support the Group to achieve its future goals.
- We have appointed MHA, the UK member of Baker Tilly International, as our external auditors.
- We are committed to a timely and transparent plan to refinance, expected to take place during 2025. The refinancing should deliver the optimal capital structure with the right blend of debt and equity for the market in which we will be operating.

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Q3 FY24 YTD RESULTS

Performance overview

Overview

Revenue and market share growth[1] with effective cost management drives resilient performance, despite tough market conditions

1. Very UK revenue grew 1.0% to £1,440.6m (Q3 FY23 YTD: £1,426.7m), reflecting a growing debtor book that drove a strong Very Finance performance and market-beating retail performance. Group revenue remains robust at £1.7bn for the year to date.

2. Very Finance revenue increased 3.2% to £329.9m at the Group level, supported by average Group debtor book growth of 2.8% to £1,761.1m (Q3 FY23 YTD: £1,713.2m). Within this, the Very UK debtor book grew 5.1% to £1,504.1m (Q3 FY23 YTD: £1,431.7m).

3. The debtor book growth is driven by continued recruitment of credit customers as we invest in our proposition. Despite this growth, bad debt remains firmly under control, decreasing 0.4%pts as a percentage of the Group average debtor book.

4. Pre-exceptional EBITDA increased 3.8% on prior year to £197.4m (Q3 FY23 YTD: £190.1m), whilst pre-exceptional PBIT grew 11.1% to £161.0m, reflecting our improved current year gross margin and continued control over costs. This result is despite annualising against a £10.7m benefit through recovered VAT.

5. We report an adjusted free cashflow (post-financing) of £29.6m, impacted by a number of drivers including increased interest costs, supplier rebates, increased marketing spend and the timing of payments to suppliers.

6. Our customer-focused proposition and investments continue to resonate, with our net promoter score remaining high at 40.8 for Very (Q3 FY23 YTD: 35.7)

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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Q3 FY24 YTD RESULTS

Financial review

Economic value model

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

Revenue

+1.0%

growth in Very UK revenue[1]

Debtor book

+5.1%

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

+0.1% pts

improvement in gross margin

Costs

(0.4)% pts

decrease in operating costs as % of revenue

1 – All figures presented within this slide represent the FY24 year-to-date position.

Revenue

Continued growth in the Very Finance business and a market-beating retail performance drive a year-on-year increase in Very UK revenue

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Q3 FY24 YTD vs Q3 FY23 YTD performance

Revenue

+1.0% to £1,440.6m

- Growth in Very UK revenue of 1.0%, driven by a strong Very Finance performance, with the Very UK debtor book growing 5.1%.
- Very UK retail sales declined by 0.4%, but remained ahead of the wider online non-food market[1] , reflecting strong performances in Electrical and Toys, Gifts and Beauty.
- Accordingly, Very UK's share of the online market has grown +0.1%pts[1] year-on-year.

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Q3 FY24 YTD vs Q3 FY23 YTD performance

Revenue

(0.8)% to £1,667.2m

- At the combined Group level, revenue declined 0.8% to £1.7bn, reflecting the underlying performances of Very Ireland and Littlewoods.
- The decrease in Littlewoods revenue of 11.9% is in line with expectations as we continue to move our focus to Very.
- Group Very Finance revenue increased 3.2% as we continue to attract new credit customers and grow the group debtor book.
- Group retail revenue also outperformed the online non-food market, reflecting the strong Very UK performance.

1 – Per company analysis of third-party market data

Retail

Very UK continued to outperform the wider declining online market and grow its share

- Very UK retail sales declined slightly by 0.4% year-on-year to £1,109.7m (Q3 FY23 £1,114.4m) but outperformed the online market which further contracted in the same period.
- Our largest category Electrical saw growth of 1.2%, with particularly strong performances in gaming and computing.
- Toys, Gifts and Beauty grew 4.9% following strategic investments in this category during FY23. Key areas of growth include personal care, fragrance and toys.
- Home sales declined 1.7%, with poor weather conditions contributing to a decline in garden furniture sales. However, this was somewhat mitigated by pleasing performances in beds, nursery and home improvement categories.
- Fashion and Sports declined 4.9%, reflecting a particularly challenging aspect of the total market, and showing the importance of our multi-category offer in withstanding market dynamics. Despite the overall decline, we saw growth in our premium fashion and sports footwear sub-categories.

Retail sales

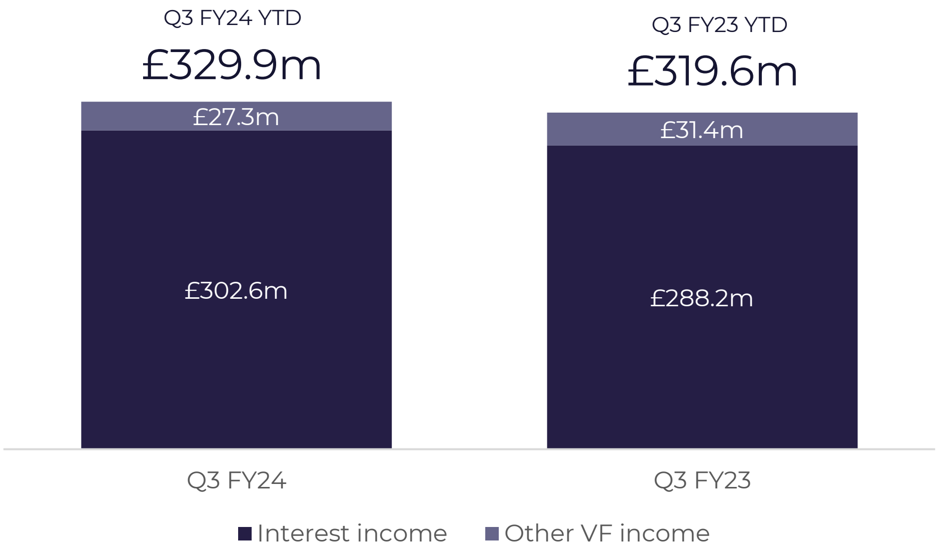
	Fashion and Sports	Electrical	Home	Toys, Gifts and Beauty
				
Very UK YoY	(4.9)%	+1.2%	(1.7)%	+4.9%
TVG YoY	(5.7)%	+0.1%	(3.5)%	+2.5%
TVG Q3 FY24 mix	28.9%	45.8%	12.5%	12.7%
TVG Q3 FY23 mix	30.1%	44.9%	12.7%	12.2%

Very Finance

Our focus on growing our debtor book contributed to 3.2% growth in Very Finance revenue

Interest income as % of average debtor book

Very Finance revenue



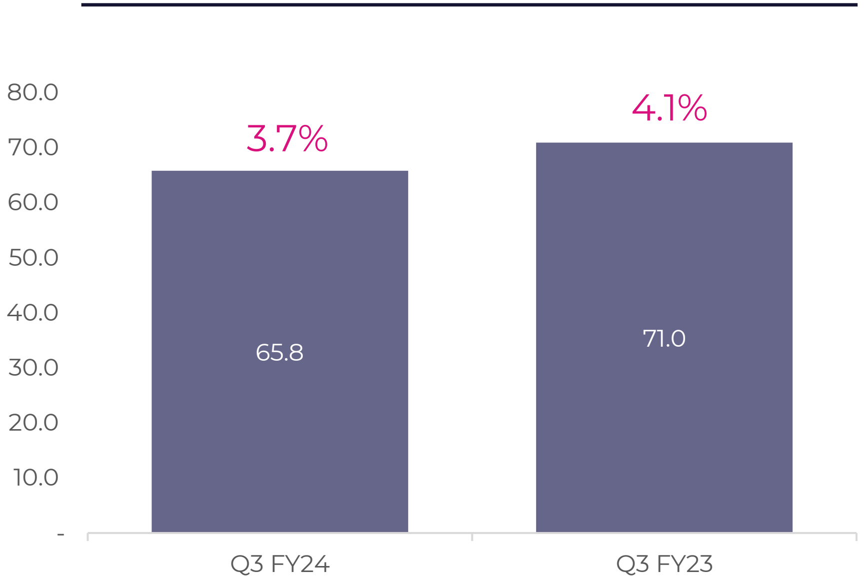
- Very Finance revenue has increased 3.2% year-on-year to £329.9m (Q3 FY23 YTD: £319.6m), with interest income growing 5.0% to £302.6m (Q3 FY23 YTD: £288.2m).
- Interest income as a percentage of the debtor book increased by 0.4%pts to 17.2%.
- Underpinning the growth in Very Finance income is the growth of the average debtor book.
- At a Group level, the debtor book grew 2.8% to £1,761.1m (Q3 FY23: £1,713.2m) and grew 5.1% to £1,504.1m (Q3 FY23: £1,431.7m) at the Very UK level, without deterioration in debtor book quality.

Bad debt

We continue to robustly manage credit risk as our debtor book grows

- Bad debt in Q3 FY24 YTD reduced £5.2m year-on-year to £65.8m. This represents 3.7% of the Group average debtor book, being a reduction of 0.4%pts versus Q3 FY23.
- As noted at Q2, we have released a £5m economic overlay that was first included in FY22. Excluding this, bad debt has decreased year on year £0.2m, or 0.1%pt as a percentage of the Group average debtor book.
- This demonstrates the continuing improvement in the quality of the debtor book as we continue to improve our credit decisioning and ongoing risk management.

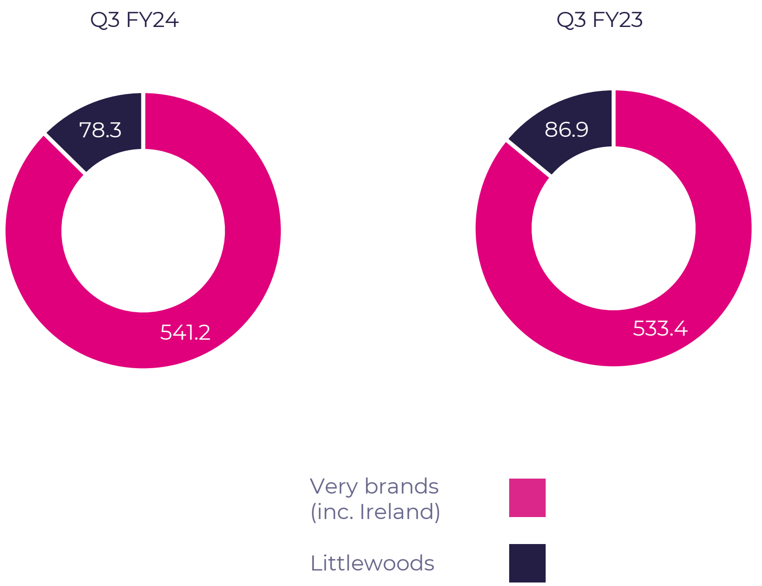
Bad debt as a % of average debtor book (£m)



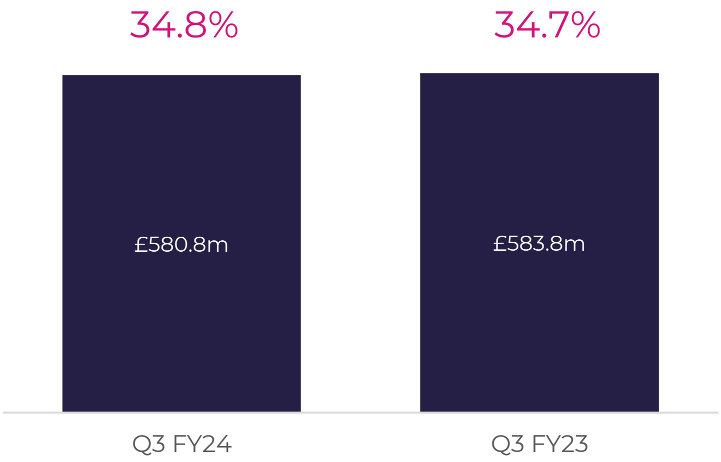
Gross margin

Robust gross margin at 34.8% following strong Very Finance margin

Gross margin by brand[1] (£m)



Gross margin (£m) and gross margin rate



- Gross margin for Q3 FY24 YTD was 34.8%, an increase of 0.1%pts versus last year (Q3 FY23 YTD: 34.7%).
- This increase is despite annualising against a £10.7m benefit through recovered VAT in FY23.
- The improvement in Q3 FY24 reflects the growing contribution of Very Finance and improving bad debt position.
- This also reflects the benefits of changes in our delivery proposition.

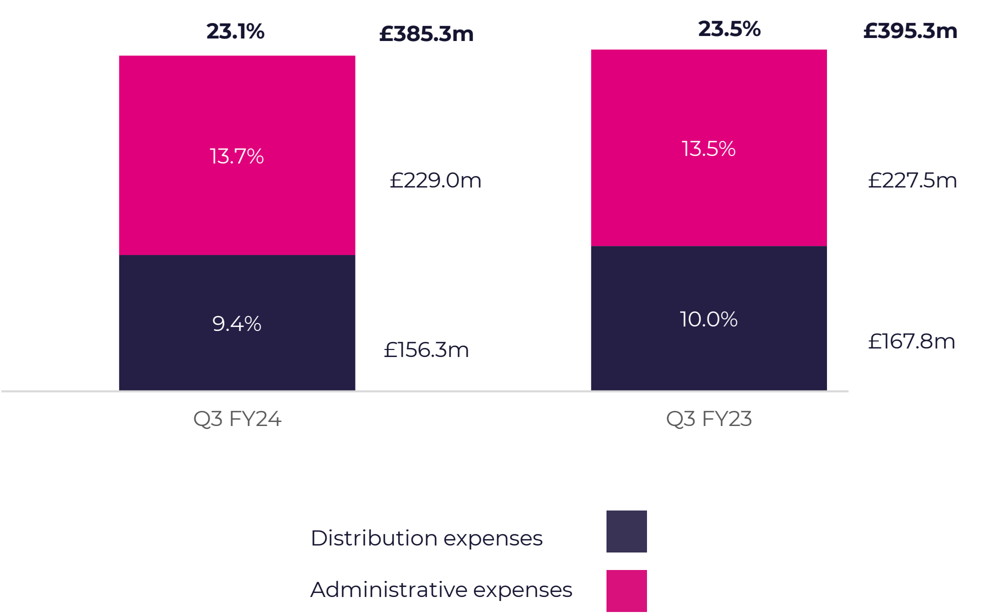
1 – Gross margin by brand does not include some central allocated costs, but these are included in the group gross margin figures

Cost control

Costs remain tightly managed as we navigate the high inflation environment

- Operating costs decreased 2.5% year-on-year to £385.3m. This represents a decrease of 0.4%pts to 23.1% as a percentage of revenue.
- This includes an £11.5m reduction in distribution costs, equating to a 0.6%pts reduction as a percentage of revenue as we continue to optimise our logistics and fulfilment operation, driving cost efficiencies.
- Administrative expenses increased slightly to £229.0m, being a 0.2%pts increase as a percentage of revenue. This reflects increased spend in marketing and IT which will help us recruit customers and provide a greater experience, offset by cost saving initiatives undertaken in the year.
- IT expenditure in the year includes investments in the re-platforming of our website as part of our investment in the growth of the business.

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



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

Adjusted EBITDA

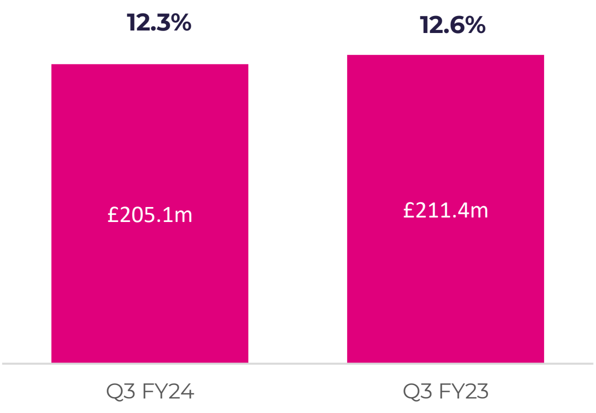
Earnings growth despite a challenging retail market

- Our top line performance and effective cost management has resulted in strong earnings for Q3 FY24.
- In the year to date, we delivered reported EBITDA of £197.4m, an increase of 3.8% year-on-year.
- Adjusted EBITDA declined by 3.0% to £205.1m owing to directional changes in fair value and foreign exchange movements.
- As with gross margin, the EBITDA performance is despite annualising against £10.7m VAT benefit in the prior year. Absent this, EBITDA is up at both a reported and adjusted level.
- Pre-exceptional PBIT for the year to date also increased 11.1% to £161.0m

Year-on-year adjusted EBITDA reconciliation

(£m)	Q3 FY24 YTD	Q3 FY23 YTD	%
Pre-exceptional EBITDA	**197.4**	**190.1**	3.8%
Adjusted for			
Fair value adjustments to financial instruments	(2.7)	6.7	(140.3)%
FX translation movements on trade creditors	(1.4)	4.0	(135.0)%
SaaS related adjustments	11.8	10.6	11.3%
Adjusted EBITDA	**205.1**	**211.4**	(3.0)%
Pre-exceptional PBIT	*161.0*	*144.9*	*11.1%*

Adjusted EBITDA



Adjusted free cash flow

Adjusted free cashflow impacted by higher interest costs and working capital movements

£29.6m

Q3 FY24 YTD ADJUSTED FREE CASHFLOW (POST-FINANCING)

Cash flow

(£m)	Q3 FY24 YTD	Q3 FY23 YTD
Adjusted EBITDA (post SaaS and management fee)	**198.9**	**206.4**
Securitisation interest	(90.7)	(60.1)
Adjusted EBITDA (post securitisation interest, SaaS and management fee)	**108.2**	**146.3**
Net working capital movement:		
Movement in inventories	(18.4)	(19.1)
Movement in trade receivables	(71.4)	(93.0)
Movement in prepayments and other receivables	(72.9)	(42.6)
Movement in trade and other payables	(38.2)	(5.4)
Movement in securitisation facility	83.8	106.1
Net working capital (post securitisation funding)	**(117.1)**	**(54.0)**
Other adjustments	(0.8)	-
Capital expenditure	(35.7)	(44.8)
Adjusted free cashflow (pre-financing)	**(45.4)**	**47.5**
Proceeds from new debt facility	75.0	-
Adjusted free cashflow (post-financing)	**29.6**	**47.5**

- We report an adjusted cashflow (post-financing) of £29.6m.
- Adjusted free cash outflow (pre-financing) of £45.4m can be attributed to five key drivers:
  - A £30.6m increase in securitisation interest costs;
  - A £10.5m movement within working capital due to increased prepaid securitisation fees paired with the timing of funds flowing through the securitisation facility;
  - The prior year comparator includes a £10.7m benefit through recovered VAT;
  - A £14.9m decrease due to changes to the type and phasing of supplier rebates received;
  - Changes in marketing activity have resulted in a £20.0m movement year on year due to both higher marketing prepayments and changes in marketing suppliers.
- Capital expenditure reflects a more disciplined focus on key investments including re-platforming our customer proposition.

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Forward view

Outlook

As we continue to deliver a robust performance in the face of economic headwinds, our decision to invest in the future is benefitting our business and our customers

1. Our focus on improving the customer experience has continued to produce results, allowing us to continue to beat the online retail market[1] and grow our debtor book, providing profitable future income.
2. Our debtor book growth continues without compromising quality, with well managed bad debt underpinned by our advanced credit decisioning and strong risk management. Very Finance provides us with a quality source of earnings for future periods.
3. Looking ahead, we will continue to focus on our customer-centric strategy, whilst managing earnings, earnings quality and liquidity. We will continue to achieve this using the range of levers at our disposal, including strategic pricing, cost reduction and working capital management, alongside the expert risk management of our debtor book.
4. We are underway with our cost reduction programme that we communicated at Q2, with the aim to remove £20m-£30m of costs over the next 12-18 months.
5. This strategy will be executed with the support of our partners Carlyle and IMI, alongside our owners, and a strong board and management team. This combined expertise will also help us in the approach of the refinancing of our bond and other debt facilities.

1 – Per company analysis of third-party market data

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Q3 FY24 YTD RESULTS

Q&A

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Q3 FY24 YTD RESULTS

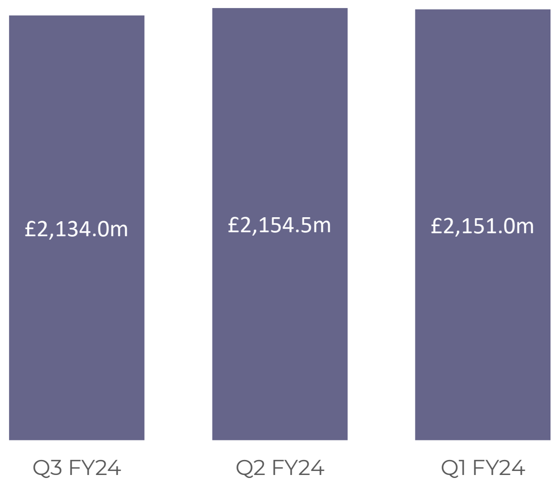
Appendices

INCOME STATEMENT

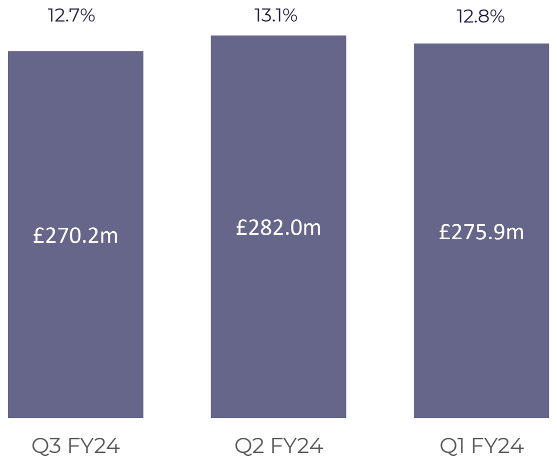
£m	Q3 FY24 YTD	Q3 FY23 YTD	Variance (%)
Very UK	1,440.6	1,426.7	1.0%
Very Ireland	52.1	55.4	(5.9)%
Littlewoods	174.5	198.1	(11.9)%
Group revenue	**1,667.2**	**1,680.2**	**(0.8)%**
Gross margin	580.8	583.8	(0.5)%
% margin	*34.8%*	*34.7%*	
Distribution expenses	(156.3)	(167.8)	(6.8%)
Administration expenses	(229.0)	(227.5)	0.7%
Other operating income	1.9	1.6	18.8%
Pre-exceptional EBITDA	**197.4**	**190.1**	**3.8%**
% pre-exceptional EBITDA margin	*11.8%*	*11.3%*	
Operating costs as % of revenue	*23.1%*	*23.5%*	
Pre-exceptional adjusted EBITDA	**205.1**	**211.4**	**(3.0)%**
% adjusted EBITDA	*12.3%*	*12.6%*	

LTM KPIs

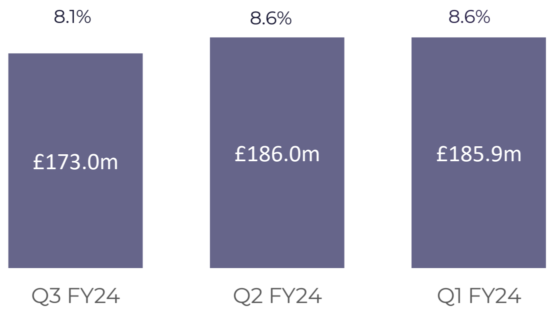
LTM revenue (£m)



LTM adjusted EBITDA (£m)



LTM consolidated EBITDA (Leverage) (£m)



CASHFLOW STATEMENT

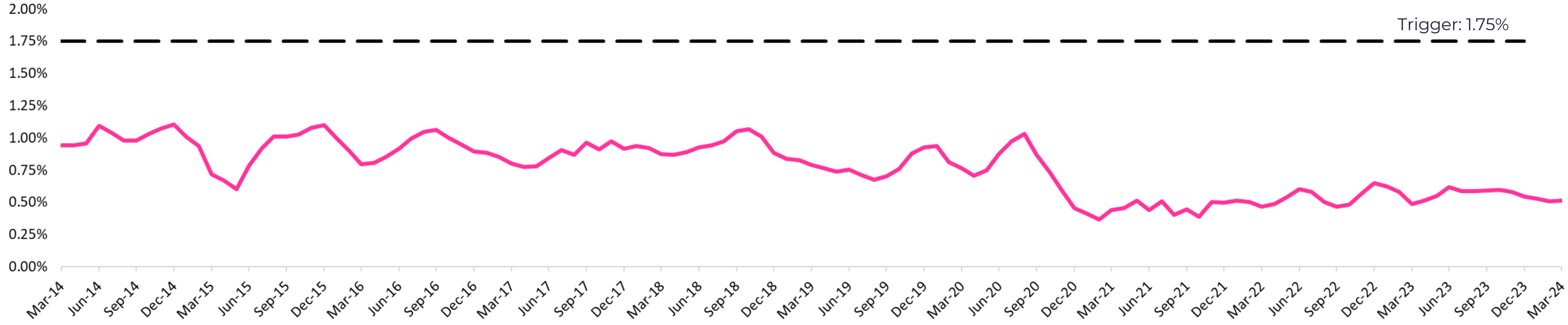
£m	Q3 FY24 YTD	Q3 FY23 YTD
Adjusted EBITDA (post securitisation interest, management fees and SaaS)	**108.2**	**146.3**
Net working capital movement:		
Movement in inventories	(18.4)	(19.1)
Movement in trade receivables	(71.4)	(93.0)
Movement in payments and other receivables	(72.9)	(42.6)
Movement in trade and other payables	(38.2)	(5.4)
Movement in securitisation facility	83.8	106.1
Net working capital (post securitisation funding)	**(117.1)**	**(54.0)**
Other adjustments	(0.8)	-
Capital expenditure	(35.7)	(44.8))
Adjusted free cashflow	**(45.4)**	**47.5**
Proceeds from new debt facility	75.0	-
Adjusted free cashflow (post-financing)	**29.6**	**47.5**
Interest paid (excluding securitisation interest)	(57.1)	(47.4)
Dividend paid	(3.8)	(7.5)
Income taxes (paid) / received	(0.8)	(0.6)
Cash impact of exceptional items	(16.1)	(23.1)
Management fees	(5.6)	(5.6)
Cash paid to parent company	(3.7)	(3.9)
(Repayments of) / draw downs from finance leases	(9.3)	(8.5)
(Repayments of) / draw downs from bank loans	(7.0)	(7.1)
Movement in revolving credit facility	80.0	75.0
Net increase in cash and cash equivalents	**6.2**	**18.8**

NET LEVERAGE

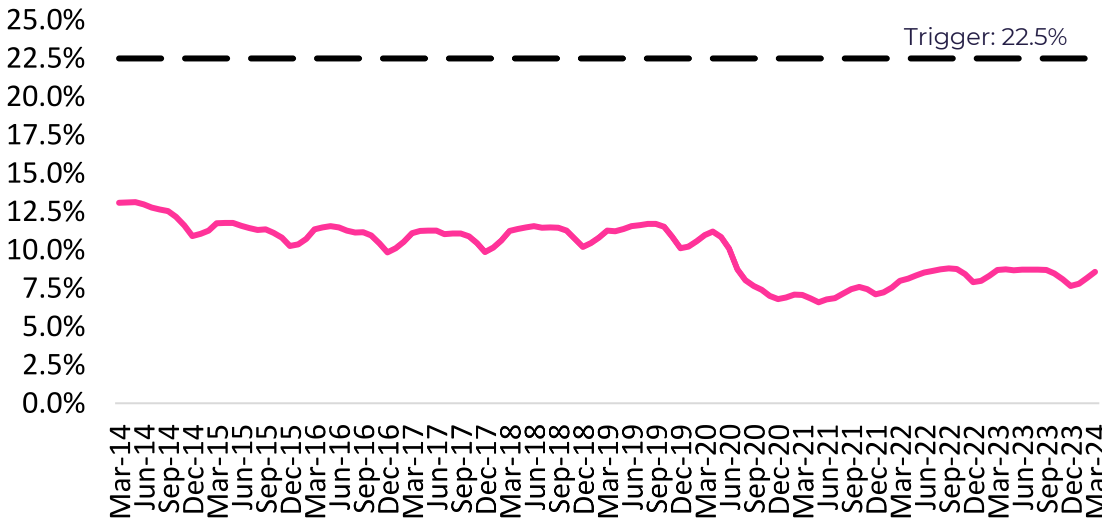
Net leverage (£ millions)	Q3 FY24	Q2 FY24	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22	Q3 FY22	Q2 FY22	Q1 FY22	Q4 FY21	Q3 FY21	Q2 FY21
Cash and bank balances	**38.3**	**38.8**	**37.8**	**39.6**	**62.2**	**4.0**	**26.9**	**43.4**	**41.7**	**5.6**	**22.0**	**78.1**	**92.5**	**55.7**
Fixed rate notes	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(575.0)	(550.0)	(550.0)	(550.0)
Revolving credit facility	(150.0)	(100.0)	(150.0)	(70.0)	(150.0)	-	(150.0)	(75.0)	(150.0)	-	(90.0)	(90.0)	(150.0)	-
Other debt	(83.2)	(31.3)	(30.6)	(34.4)	(35.3)	(39.2)	(38.8)	(42.2)	(0.2)	(8.2)	(2.7)	(0.7)	(0.8)	(1.1)
Total gross debt (excluding securitisation)	(808.2)	(706.3)	(755.6)	(679.4)	(760.3)	(614.2)	(763.8)	(692.2)	(725.2)	(583.2)	(667.7)	(640.7)	(700.8)	(551.1)
Total net debt (excluding securitisation)	**(769.9)**	**(667.5)**	**(717.8)**	**(639.8)**	**(698.1)**	**(610.2)**	**(736.9)**	**(648.8)**	**(683.5)**	**(577.6)**	**(645.7)**	**(562.6)**	**(608.3)**	**(495.4)**
LTM Consolidated EBITDA (Leverage)	**173.0**	**186.0**	**185.9**	**200.5**	**219.4**	**220.5**	**246.1**	**244.7**	**266.2**	**274.4**	**262.2**	**256.5**	**262.5**	**247.3**
Net leverage	**4.45x**	**3.59x**	**3.86x**	**3.19x**	**3.18x**	**2.77x**	**2.99x**	**2.65x**	**2.57x**	**2.10x**	**2.46x**	**2.19x**	**2.32x**	**2.00x**

SECURITISATION PERFORMANCE COVENANTS

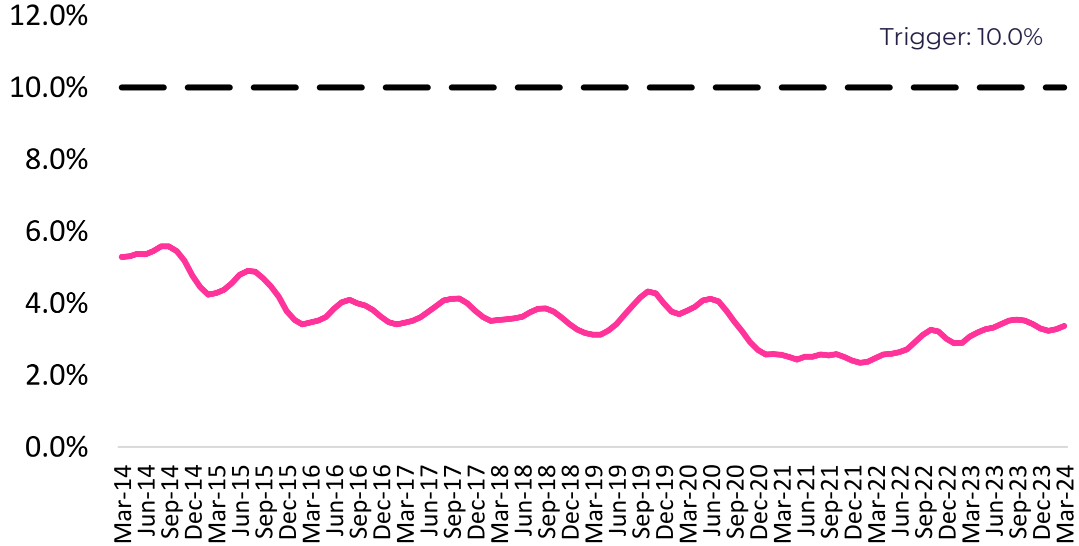
Default three month moving average



One to five month delinquency rates



Five-plus months delinquency rates



BALANCE SHEET

£m	Q3 FY24	Q3 FY23
Non-current assets	**1,236.8**	**1,232.1**
Current assets	**2,009.4**	**1,966.5**
Of which:		
Inventories	*124.1*	131.2
Trade and other receivables	*1,835.1*	1,773.1
Cash and bank balances	*45.8*	62.2
Current liabilities	**(703.6)**	**(780.1)**
Of which:		
Trade and other payables	*(505.3)*	(525.3)
Securitisation borrowings	-	(50.0)
Non-current liabilities	**(2,366.2)**	**(2,228.3)**
Of which:		
Retirement benefit obligations	*(1.2)*	(1.3)
Securitisation borrowings	*(1,575.6)*	(1,497.8)
Equity attributable to owners of the company	**(176.4)**	**(190.2)**
Total equity and liabilities	**(3,246.2)**	**(3,198.6)**