THE VERY GROUP

Q1 FY25 RESULTS

Helping families get more out of life

Results for the 13 weeks
ended 28 September 2024

21 November 2024

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THE VERY GROUP

Q1 FY25 RESULTS

Performance Overview

Overview

Delivering positive earnings in a challenging market, with continued diligent cost control

- As expected, the retail market in Q1 FY25 proved challenging and Very UK revenue declined 3.8% to £392.1m (Q1 FY24: £407.6m), largely reflecting the underlying retail performance. Group revenue declined 4.9% to £450.2m (Q1 FY24: £473.4m), including a decrease in Littlewoods revenue of 14.4%, reflecting the ongoing managed decline of this business.
- The Very UK debtor book grew 0.9% to £1,442.2m (Q1 FY24: £1,428.9m) as our flexible payment options continue to prove relevant to our customers. The Group debtor book declined 0.7% to £1,671.0m (Q1 FY24: £1,682.1m), reflecting the underlying performance of the Littlewoods business.
- Bad debt remains firmly under control, decreasing 0.1%pts as a percentage of the Group average debtor book to 1.0% (Q1 FY24: 1.1%), demonstrating its continued quality.
- Gross margin for Q1 FY25 was 36.3%, a decrease of 0.8%pts versus last year (Q1 FY24 37.1%). This reflects the top line performance across the Group and is partially attributable to the shift in sales between brands and changes in the retail sales mix. Absent a one-off impact due to changes in bad debt sales phasing, margin increased 0.3%pts year-on-year.
- As a result of ongoing cost control, operating costs as a percentage of revenue declined 0.1% to 24.3%, despite inflationary pressures. Excluding the impact of fair value adjustments, costs declined by 13.5% or 2.2%pts as a percentage of revenue.
- Diligent cost management means we have seen adjusted EBITDA[2] increase 7.8% to £56.7m (Q1 FY24: £52.6m), offsetting the impact of movements at the revenue and margin level.
- We report an adjusted free cash inflow of £6.4m (Q1 FY24: £39.1m outflow), with significant undrawn capacity on our funding arrangement with existing stakeholders.

Economic Value Model

(3.8)%
decline in Very UK revenue

+0.9%
growth in average Very UK debtor book

(0.1)%pts
improvement in bad debt as % of the average group debtor book

(0.8)%pts
decline in Group gross margin

(0.1)%
improvement in operating costs as a % of revenue

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

2 – The definition of adjusted EBITDA no longer includes adjustments for changes in the 'software as a service' accounting policy first adopted in FY22, given that this now forms part of BAU reporting and is included in comparative results as standard.

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Q1 FY25 RESULTS

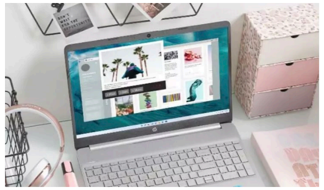
Financial review

Retail revenue

First quarter growth in strategically-relevant Home within a challenging broader UK retail market

- As a result of a tough retail climate across the UK, Group retail sales declined by 5.7% year-on-year to £338.4m (Q1 FY24: 358.8m).
- Within this, Very UK retail sales declined by 4.6% to £286.4m (Q1 FY24: £300.4m).
- Electrical sales saw a decline of 4.4% at the Very UK level, annualising against a quarter which included significant gaming product releases.
- Toys, Gifts and Beauty also annualised against a year in which we heavily invested in the category, and as such has declined 4.1%. Within this however, we saw growth of 7.7% in boys' toys and 4.2% in beauty.
- The higher margin Home category saw growth of 2.8% compared to the prior year, particularly reflecting an increase in sales of home accessories, textiles and upholstery.
- Fashion and Sports declined 8.6% in a heavily discounted and contracting market. However, excluding the impact of Nike, we saw growth of 0.3% with 10.9% growth in Sport.

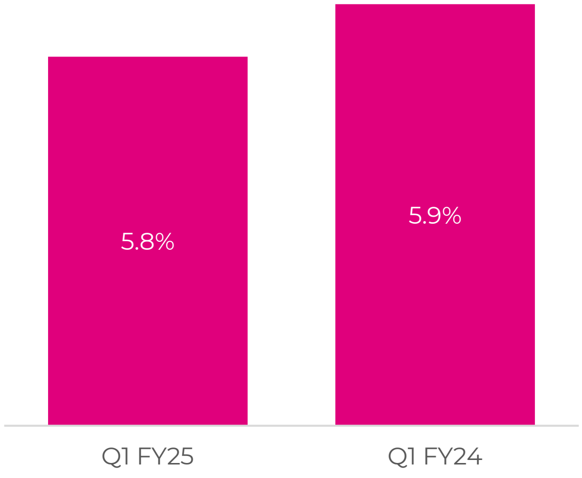
Very UK Retail sales

	Fashion and Sports	Electrical	Home	Toys, Gifts and Beauty
				
Very UK YoY	(8.6)%	(4.4)%	+2.8%	(4.1)%
TVG YoY	(9.9)%	(5.3)%	+1.6%	(5.0)%
TVG Q1 FY25 mix	29.2%	45.2%	15.5%	10.1%
TVG Q1 FY24 mix	30.6%	45.0%	14.4%	10.0%

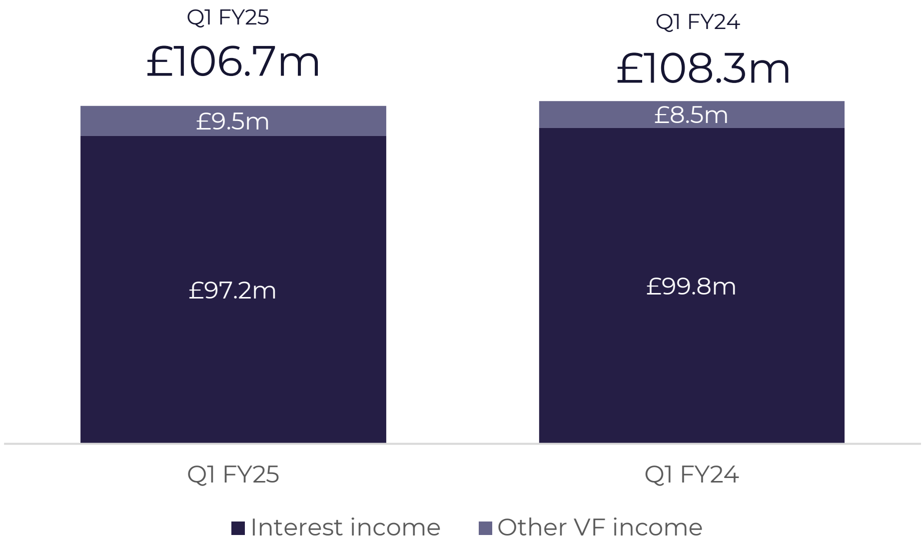
Very Finance revenue

A robust result despite the impact of declining retail sales, with growth of the Very UK debtor book

Interest income as % of average debtor book



Very Finance revenue



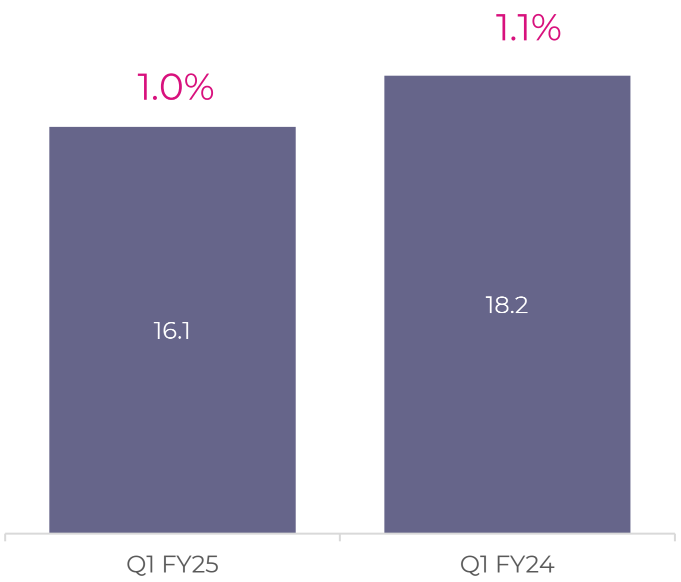
- Underpinning Very Finance income is the movement in the average debtor book. At a Group level, the book declined 0.7% to £1,671.0m (Q1 FY24: £1,682.1m), reflecting the underlying performance of the Littlewoods business.
- At a Very UK level, the average debtor book grew 0.9% to £1,442.2m (Q1 FY24: £1,428.9m) year-on-year as our flexible payment options continue to prove relevant to our customers.
- As a result of the Group debtor book performance, Very Finance revenue declined by 1.5% to £106.7m (Q1 FY24: £108.3m).
- Interest income as a percentage of the debtor book remained broadly consistent, decreasing 0.1%pts to 5.8%.

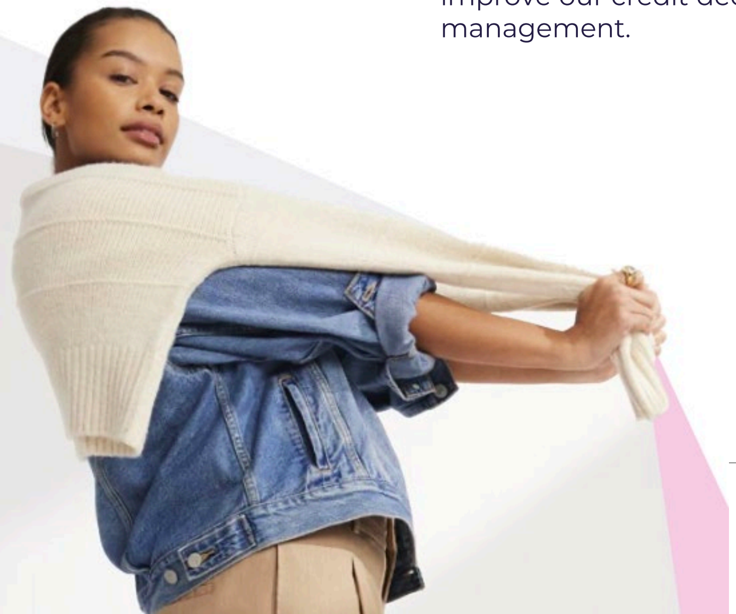
Bad debt

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

- We continue to robustly manage credit risk as our Very UK debtor book grows
- Bad debt in Q1 FY25 reduced £2.1m year-on-year to £16.1m. This represents 1.0% of the Group average debtor book, a reduction of 0.1%pts versus Q1 FY24.
- This demonstrates the further 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 Group debtor book (£m)

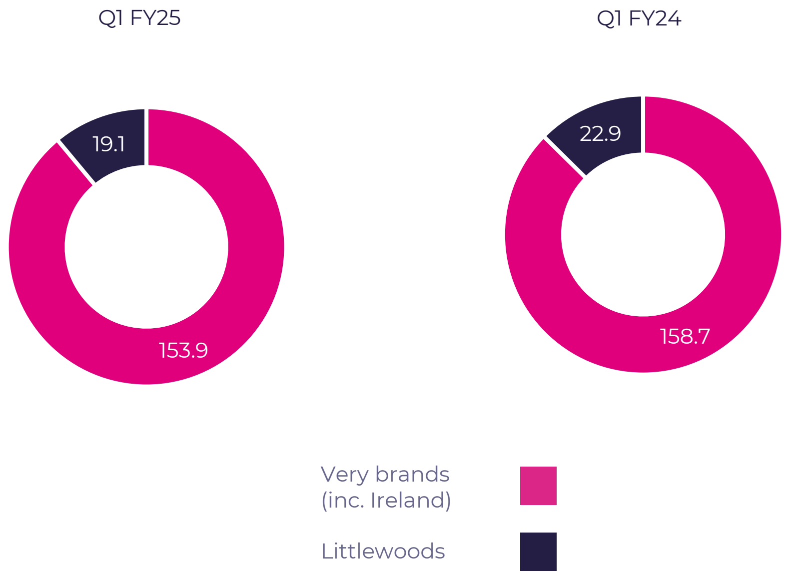




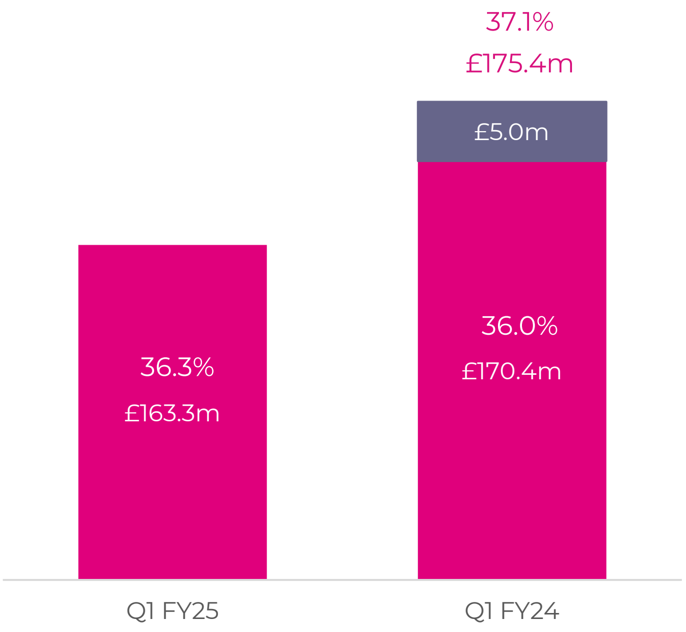
Gross margin

Robust gross margin at 36.3% despite softer top line performance, improving 0.3%pts on an underlying basis

Gross margin by brand[1] (£m)



Gross margin (£m) and gross margin rate



- Gross margin for Q1 FY25 was 36.3%, a decrease of 0.8%pts versus last year (Q1 FY24: 37.1%).
- This partially reflects the shift in sales from the typically higher margin Littlewoods, as well as the impact of the decline in Fashion and Sport.
- However, the year-on-year movement is exacerbated by the impact of changes in debt sales phasing, which is a £5m one-off impact.
- Underlying gross margin has increased 0.3% compared to the prior year, reflecting the relative Very Finance contribution and improving bad debt performance.
- Margin is a key focus, and we will look at our retail mix and how we prioritise higher margin sales to build resilience in gross margin through FY25.

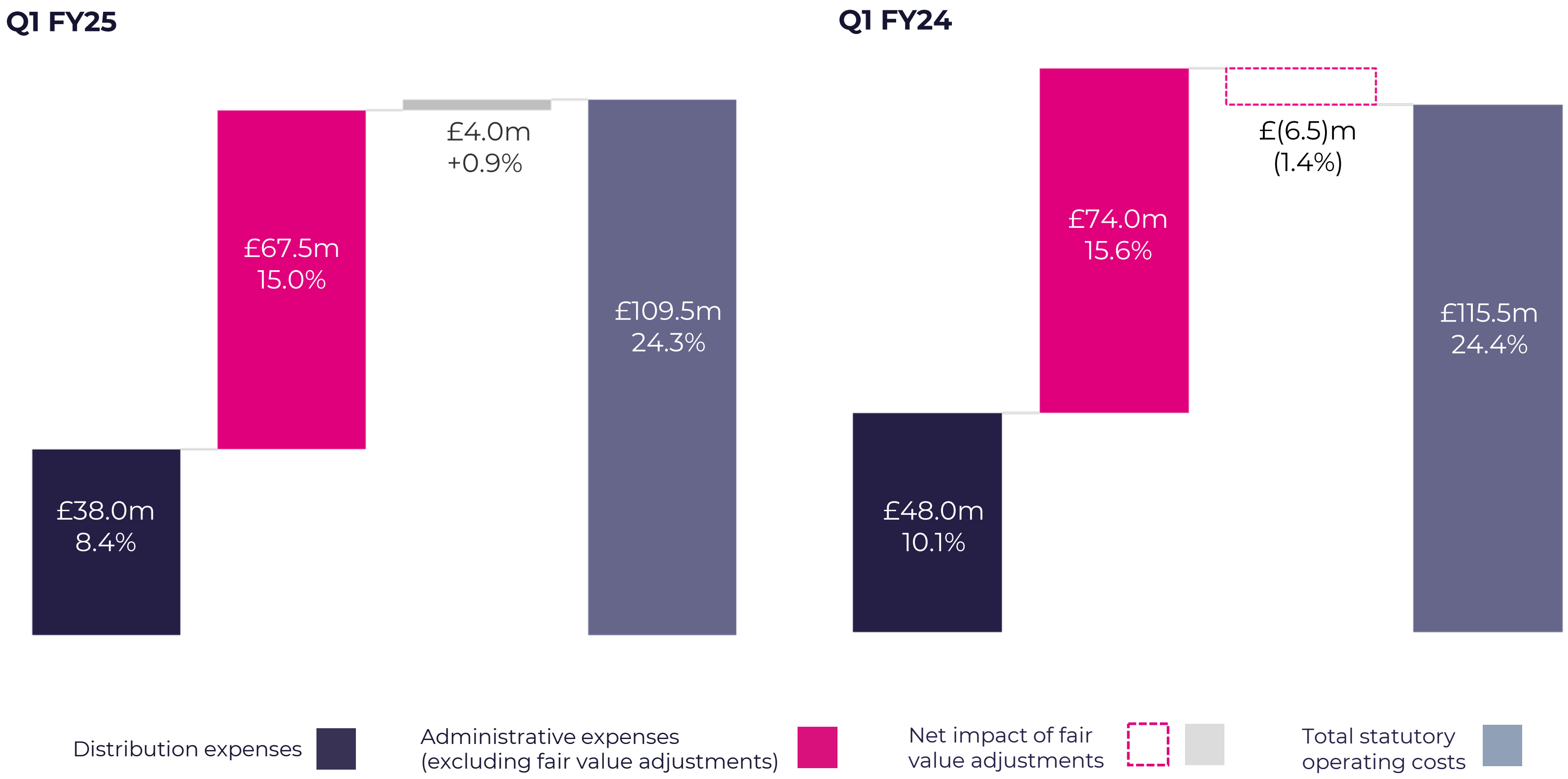
1 – Gross margin by brand does not include some central allocated costs, but these are included in the group gross margin figures

Cost control

Cost savings initiatives across the business are proving successful, with costs tightly managed

- Operating costs decreased 5.2% year-on-year to £109.5m (Q1 FY24: £115.5m). This represents a decrease of 0.1%pts to 24.3% as a percentage of revenue.
- This includes a £10.0m or 20.8% reduction in distribution costs, equating to a 1.7%pts reduction as a percentage of revenue, as we continue to optimise our logistics and fulfilment operation, driving cost efficiencies.
- Administrative expenses increased by £4.0m or 5.9% to £71.5m in total (Q1 FY24: £67.5m), due to adverse fair value movements of £10.5m as outlined in the waterfall graphs.
- Absent this, administrative expenses have declined by £6.5m or 0.6% as a percentage of revenue, as a result of ongoing cost saving initiatives across the business.
- Excluding the impact of fair value adjustments, total operating costs have decreased by 13.5% or 2.2%pts as a percentage of revenue compared to Q1 FY24.

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



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

Adjusted EBITDA

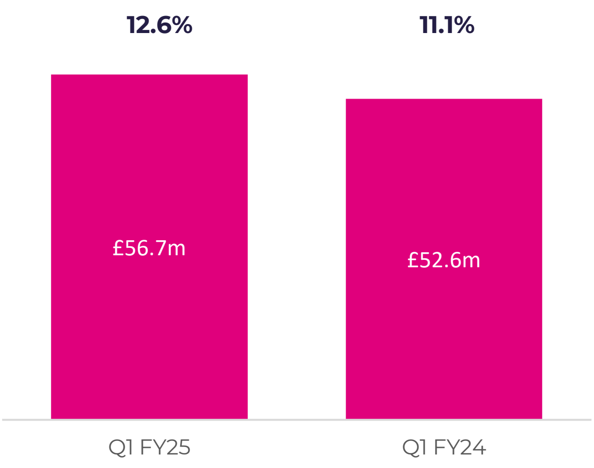
Earnings growth despite a challenging retail market

- The Group's margin performance and adverse fair value movements mean that in the year to date, we delivered reported EBITDA of £54.5m, a decrease of 10.1% year-on-year.
- In particular, fair value movements on financial instruments contributed a £10.5m swing from the comparative period.
- Absent these fair value revaluations and other adjustments, adjusted EBITDA increased by 7.8% to £56.7m, reflecting the impact of underlying cost initiatives.
- Adjusted EBITDA margin increased 1.5%pts year-on-year to 12.6%.

Year-on-year adjusted EBITDA reconciliation

(£m)	Q1 FY25	Q1 FY24	Var	%
Pre-exceptional EBITDA	**54.5**	**60.6**	**(6.1)**	**(10.1)%**
Adjusting for				
Fair value loss/(gain) on revaluation of financial instruments	4.0	(6.5)	10.5	(161.5%)
FX gain on foreign trade creditors	(1.8)	(1.5)	(0.3)	21.9%
Adjusted EBITDA[1]	**56.7**	**52.6**	**4.1**	**7.8%**
Pre-exceptional operating profit	*41.2*	*48.3*	*(7.1)*	*(14.7)%*

Adjusted EBITDA



1 – The definition of adjusted EBITDA no longer includes adjustments for changes in the 'software as a service' accounting policy first adopted in FY22, given that this now forms part of BAU reporting and is included in comparative results as standard.

Adjusted free cash flow

Improvement in free cashflow from increased earnings and ongoing working capital management

£6.4m

Q1 FY25 ADJUSTED FREE CASHFLOW

Cash flow

(£m)	Q1 FY25	Q1 FY24
Adjusted EBITDA[1] (post management fee)	**58.6**	**54.5**
Securitisation interest	(30.3)	(28.8)
Adjusted EBITDA (post securitisation interest and management fee)	**28.3**	**25.7**
Net working capital movement:		
Movement in inventories	(54.4)	(52.4)
Movement in trade receivables	45.2	11.3
Movement in prepayments and other receivables	(3.7)	(18.8)
Movement in trade and other payables	53.0	31.4
Movement in securitisation facility	(50.3)	(24.2)
Net working capital (post securitisation funding)	**(10.2)**	**(52.7)**
Other adjustments	-	(1.2)
Capital expenditure	(11.7)	(10.9)
Adjusted free cashflow (pre-financing)	**6.4**	**(39.1)**
Proceeds from partner funding	-	-
Adjusted free cashflow (post-financing)	**6.4**	**(39.1)**

- We report an adjusted free cash inflow of £6.4m compared to the prior year outflow of £39.1m. This reflects the increased adjusted EBITDA result, as well as annualising against prior year cash headwinds.
- The movement in inventories reflects the stock build for peak period this year, following the success of the similar strategy last year.
- The inventory build has in turn led to an increase in payables in the quarter, with changes to the phasing of our marketing spend also contributing to the movement year-on-year.
- Movements in trade receivables represents the movement shifts in the debtor book balance since year end and this is partly offset by the commensurate movement in securitisation facility drawings.
- The movement in prepayments and other receivables reflects the normalisation of our supplier rebate income as discussed in previous quarters.
- Capital expenditure reflects investments including re-platforming our customer proposition.

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Q1 FY25 RESULTS

Forward view

Outlook

We enter our peak season with confidence, continuing our focus on driving profitability and earnings

1. Our long-term focus remains on earnings, earnings quality, and liquidity. In FY25 we are improving the structural economics of our business, and our adjusted EBITDA growth reflects the benefits of our margin and cost discipline, and we expect to see a strengthening of the profitability of our business in FY25.

2. We are delivering our cost reduction programme and are on track to deliver our commitment of £20m-£30m of costs by the end of the financial year.

3. We continue to invest in the business including the re-platforming of our customer experience, our new brand platform, the scaling of Very Media Group, introduction of bespoke flexible payment products for different customer cohorts.

4. We have entered into the golden quarter with a strong range of product offers that we know our customers will love. We are well placed operationally for the period, with inventory levels built up in advance of Black Friday.

5. We remain committed to a refinancing in 2025 and have identified our preferred advisers. We will provide timely and transparent updates as the process progresses.

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Q1 FY25 RESULTS

Q&A

Q1 FY25 RESULTS

Appendices

INCOME STATEMENT

£m	Q1 FY25	Q1 FY24	Variance (%)
Very UK	392.1	407.6	(3.8)%
Very Ireland	13.1	13.2	(0.8)%
Littlewoods	45.0	52.6	(14.4)%
Group revenue	**450.2**	**473.4**	**(4.9)%**
Gross margin	163.3	175.4	(6.9)%
% margin	*36.3%*	*37.1%*	
Distribution expenses	(38.0)	(48.0)	(20.8)%
Administration expenses	(71.5)	(67.5)	5.9%
Other operating income	0.7	0.7	0%
Pre-exceptional EBITDA	**54.5**	**60.6**	**(10.1)%**
% pre-exceptional EBITDA margin	*12.1%*	*12.8%*	
Pre-exceptional operating profit	41.2	48.3	(14.7)%
Operating costs as % of revenue	*24.3%*	*24.4%*	
Adjusted EBITDA[1]	**56.7**	**52.6**	**7.8%**
% adjusted EBITDA	*12.6%*	*11.1%*	

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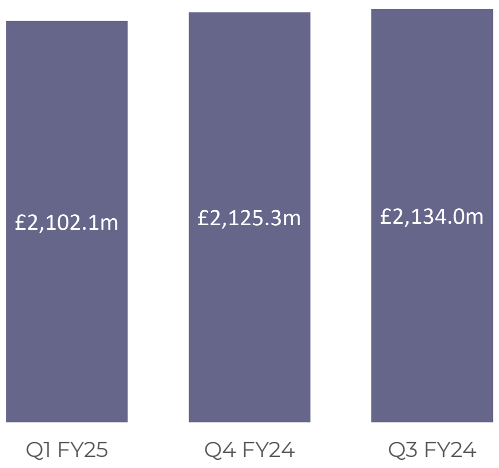
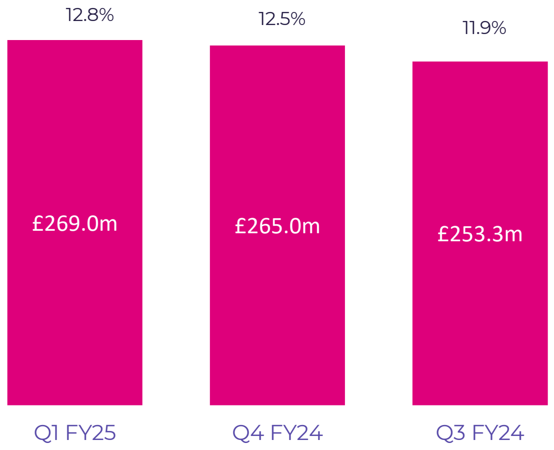
LTM KPIs

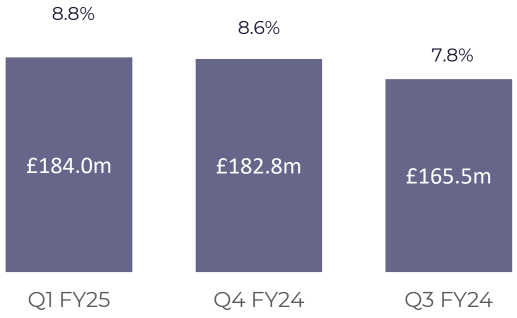
LTM revenue (£m)



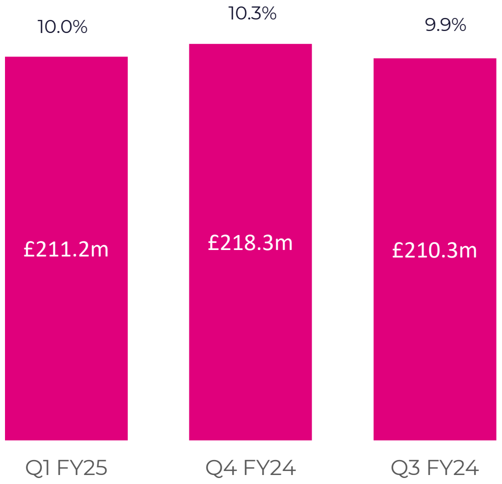
LTM adjusted EBITDA (£m)



LTM consolidated EBITDA (Leverage) (£m)



LTM pre-exceptional operating profit (£m)



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CASHFLOW STATEMENT

£m	Q1 FY25	Q1 FY24
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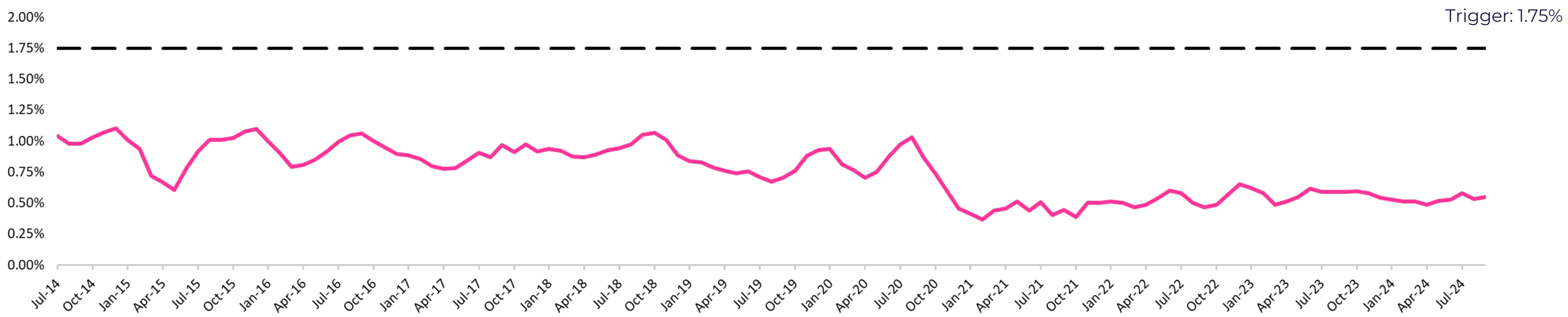
Other adjustments	-	(1.2)
Capital expenditure	(11.7)	(10.9)
Adjusted free cashflow	**6.4**	**(39.1)**
Proceeds from partner funding	-	-
Adjusted free cashflow (post-financing)	**6.4**	**(39.1)**
Interest paid (excluding securitisation interest)	(23.8)	(26.5)
Cash impact of exceptional items	(13.9)	(6.6)
Management fees	(1.9)	(1.9)
Cash paid to parent company	(1.3)	(1.3)
(Repayments of) / draw downs from finance leases	(3.4)	(2.9)
(Repayments of) / draw downs from bank loans	(3.8)	(3.5)
Movement in revolving credit facility	-	80.0
Net decrease in cash and cash equivalents	**(41.7)**	**(1.8)**

NET LEVERAGE

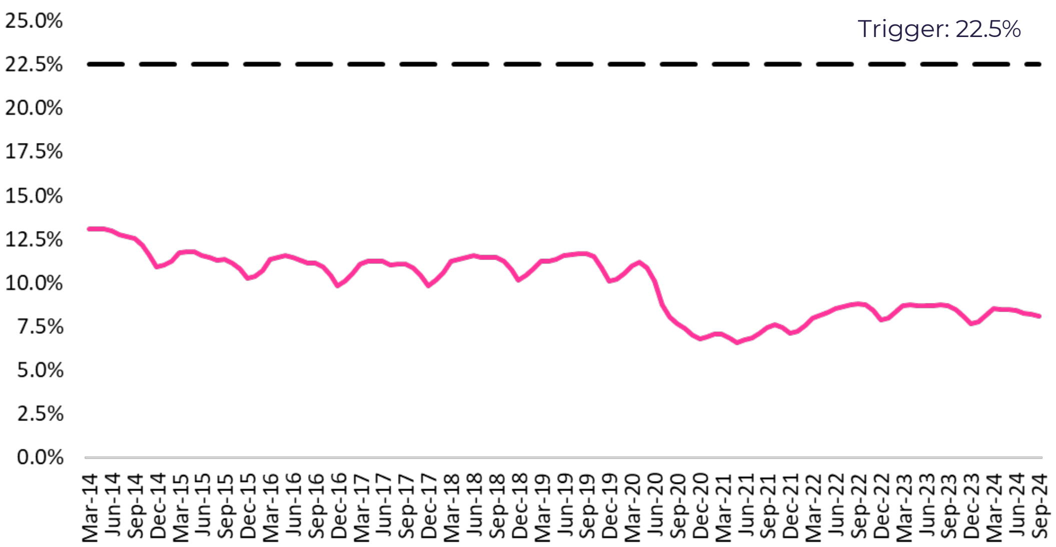
Net leverage (£ millions)	Q1 FY25	Q4 FY24	Q3 FY24	Q2 FY24	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22	Q3 FY22	Q2 FY22	Q1 FY22	Q4 FY21	Q3 FY21
Net cash and bank balances	**4.1**	**45.8**	**38.3**	**38.8**	**37.8**	**39.6**	**62.2**	**4.0**	**26.9**	**43.4**	**41.7**	**5.6**	**22.0**	**78.1**	**92.5**
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)	(575.0)	(575.0)	(550.0)	(550.0)
Revolving credit facility	(150.0)	(150.0)	(150.0)	(100.0)	(150.0)	(70.0)	(150.0)	-	(150.0)	(75.0)	(150.0)	-	(90.0)	(90.0)	(150.0)
Other debt	(79.1)	(82.9)	(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)
Total gross debt (excluding securitisation)	(804.1)	(807.9)	(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)
Total net debt (excluding securitisation)	**(800.0)**	**(762.1)**	**(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)**
Consolidated EBITDA	**184.0**	**182.8**	**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**
Net leverage	**4.35x**	**4.17x**	**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**

SECURITISATION PERFORMANCE COVENANTS

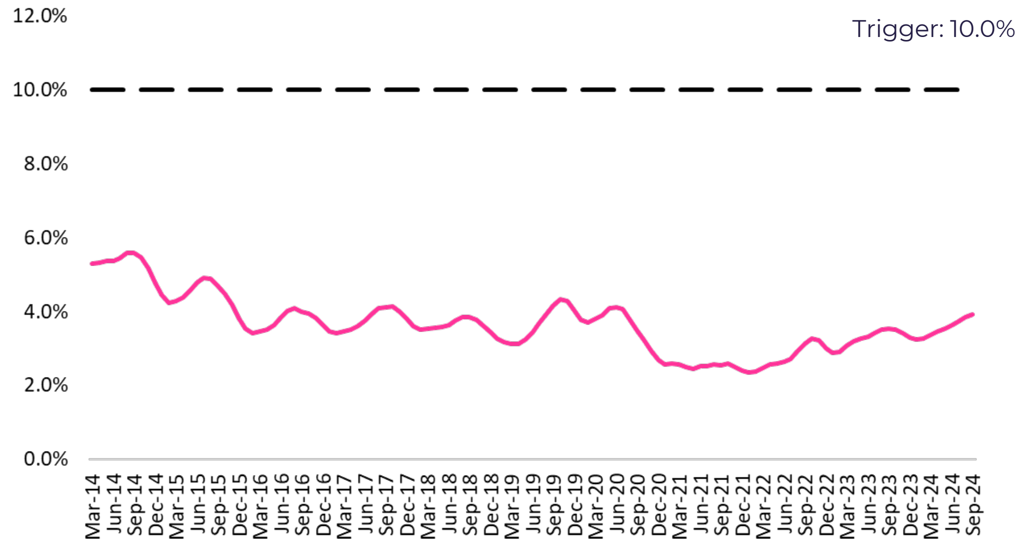
Default three month moving average



One to five month delinquency rates



Five-plus months delinquency rates



BALANCE SHEET

£m	Q1 FY25	Q1 FY24
Non-current assets	**1,247.1**	**1,234.1**
Current assets	**1,877.1**	**1,898.0**
Of which:		
Inventories	*159.4*	158.1
Trade and other receivables	*1,705.6*	1,695.8
Net cash and bank balances[1]	*11.6*	37.8
Current liabilities	**(744.4)**	**(770.2)**
Of which:		
Trade and other payables	*(538.7)*	(568.7)
Securitisation borrowings	-	-
Non-current liabilities	**(2,247.9)**	**(2,190.1)**
Of which:		
Retirement benefit obligations	*(1.2)*	(1.2)
Securitisation borrowings	*(1,454.4)*	(1,467.6)
Equity attributable to owners of the company	**(131.9)**	**(171.8)**
Total equity and liabilities	**(3,124.2)**	**(3,132.1)**

1 – Net cash presentation differs to that of the Q1 FY25 Financial Statements due to IFRS requirements under IAS32 reporting on disclosure of cash pooling arrangements. See Note 2 Accounting Policies of the FY24 Annual Report for more information.