THE VERY GROUP

Q2 FY25 RESULTS

Helping families get more out of life

Results for the 26 weeks
ended 28 December 2024

19 February 2025

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THE VERY GROUP

Q2 FY25 RESULTS

Performance Overview

Overview

Structural earnings improvement and profitability growth, with continued diligent cost control contributing to a 17.4% increase in adjusted EBITDA

- Whilst Very UK revenue declined 3.2% to £1,023.8m (Q2 FY24: £1,058.1m), we saw a strong result within our Home category, with growth of 7.3%, and 18.4% growth in our Sports offering (excluding the impact of Nike).
- Group revenue fell 4.5% to £1,171.1m (Q2 F24: £1,226.6m), including a decrease in Littlewoods revenue of 15.3%, reflecting the ongoing managed decline of this business.
- The Group debtor book contracted 2.1% to £1,692.0m (Q2 FY24: £1,728.1m), with the Very UK debtor book decreasing 0.6% year-on-year to £1,463.0m (Q2 FY24: £1,471.8m), as a result of lower retail sales and increased levels of customer payments.
- Bad debt remains firmly under control, decreasing 0.1%pts as a percentage of the Group average debtor book to 2.4% (Q2 FY24: 2.5%), demonstrating its continued quality.
- Gross margin for Q2 FY25 was 33.7%, an increase of 0.3%pts versus last year (Q2 FY24: 33.4%). This reflects the shift in the split of total revenue between retail and Very Finance, as well as changes to the retail sales mix, notably the increase in Home sales which contribute a higher margin than other categories. Excluding one-off impacts in the prior year relating to bad debt, margin increased 1.1%pts year-on-year.
- As a result of ongoing cost control and cost saving initiatives across the business and despite inflationary pressures, operating costs as a percentage of revenue reduced 1.9% to 21.0%. This supports an increase in adjusted EBITDA[1] of 17.4% to £150.2m (Q2 FY24: £127.9m), representing a margin increase of 2.4%pts to 12.8%. This is the highest half year EBITDA margin the Group has ever achieved.
- We report an adjusted free cash inflow of £176.3m (Q2 FY24: £38.8m inflow), with significant undrawn capacity on our funding arrangement with existing stakeholders.

Economic Value Model

(3.2)%
decline in Very UK revenue

(0.6)%
decrease in average Very UK debtor book

+0.1%pts
improvement in bad debt as % of the average Group debtor book

+0.3%pts
increase in Group gross margin

+1.9%
improvement in operating costs as a % of revenue

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. The prior year result has therefore been adjusted accordingly.

THE VERY GROUP

Q2 FY25 RESULTS

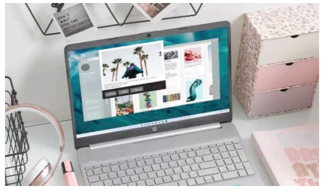
Financial review

Retail revenue

Continued growth in Home, Toys, Beauty and Sport within a challenging broader UK retail market

- As a result of a tough retail climate across the UK, Group retail sales declined by 4.4% year-on-year to £953.3m (Q2 FY24: £997.1m).
- Within this, Very UK retail sales declined by 3.1% to £819.2m (Q2 FY24: £845.3m). Excluding the impact of Nike, Very UK retail sales declined by 1.0%.
- Electrical sales saw a decline of 4.5% at the Very UK level, annualising against a year 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 slightly by 0.6%. Within this however, we saw growth of 3.1% in toys and 6.3% in beauty.
- The higher margin Home category saw growth of 7.3% compared to the prior year, particularly reflecting an increase in sales of home accessories, textiles and upholstery.
- Fashion and Sports declined 6.0% in a heavily discounted and contracting market. However, excluding the impact of Nike, we saw growth in the category of 1.7%, with 18.4% growth in Sport.
- As we move away from headwinds in the Fashion and Electrical markets, we hope to see a return to growth in these categories. As the rightsizing of our sales mix continues, this growth will be more profitable than that seen in previous years.

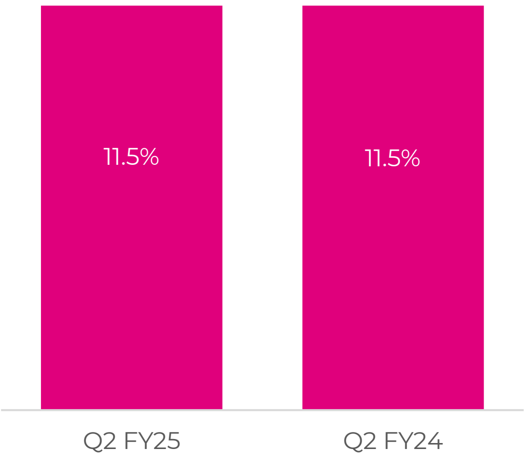
Very UK retail sales

	Fashion and Sports	Electrical	Home	Toys, Gifts and Beauty
				
Very UK YoY	(6.0)%	(4.5)%	+7.3%	(0.6)%
TVG YoY	(7.3)%	(5.8)%	+5.6%	(2.1)%
TVG Q2 FY25 mix	28.3%	44.4%	12.6%	14.7%
TVG Q2 FY24 mix	29.2%	45.0%	11.4%	14.4%

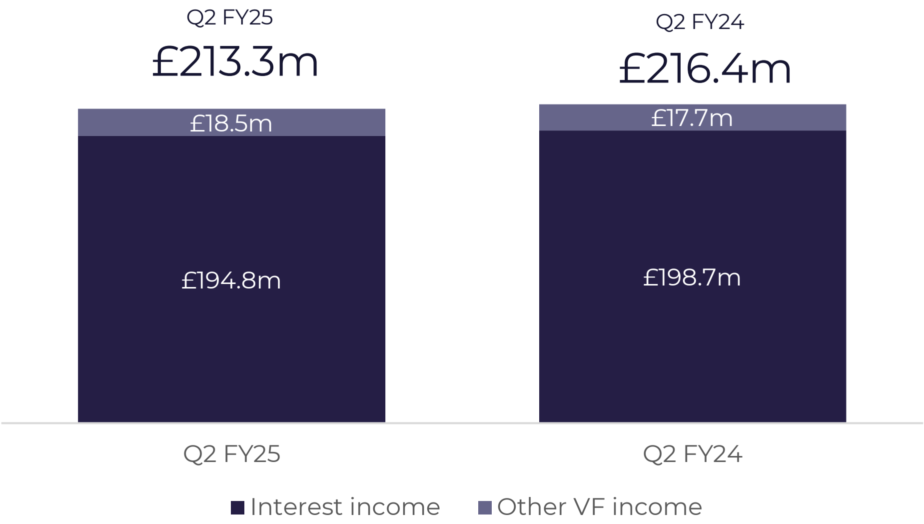
Very Finance revenue

A robust result despite the impact of reduced retail sales, with a consistent percentage of income earned on the Group debtor book

Interest income as % of average debtor book



Very Finance revenue



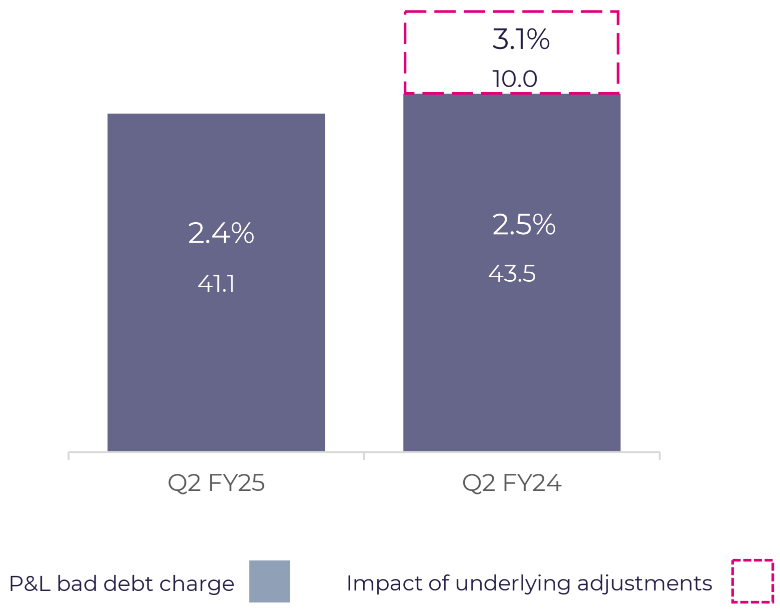
- Underpinning Very Finance income is the movement in the average debtor book. At a Group level, the book contracted 2.1% to £1,692.0m (Q2 FY24: £1,728.1m).
- At a Very UK level, the average debtor book decreased 0.6% year-on-year to £1,463.0m (Q2 FY24: £1,471.8m) as a result of lower retail sales and increased levels of customer payments.
- As a result of the Group debtor book performance, Very Finance revenue fell by 1.4% to £213.3m (Q2 FY24: £216.4m).
- Interest income as a percentage of the debtor book remained consistent at 11.5%.

Bad debt

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

- We continue to robustly manage credit risk on our debtor book. Bad debt in Q2 FY25 reduced £2.4m year-on-year to £41.1m. This represents 2.4% of the Group average debtor book, a reduction of 0.1%pts versus Q2 FY24.
- The prior year figure is impacted by both debt sales changes and the release of an economic overlay at Q2 FY24, first included in FY22, contributing a total £10m benefit to the prior year value.
- Excluding this, bad debt has reduced year-on-year by £12.4m, representing 0.7%pts of the Group average debtor book
- This demonstrates the further improvement in the quality of the debtor book and the strength of our credit decisioning and ongoing risk management.

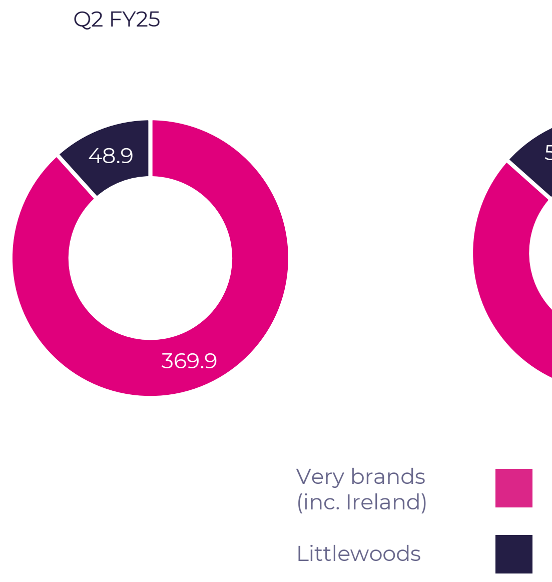
Bad debt as a % of average Group debtor book (£m)



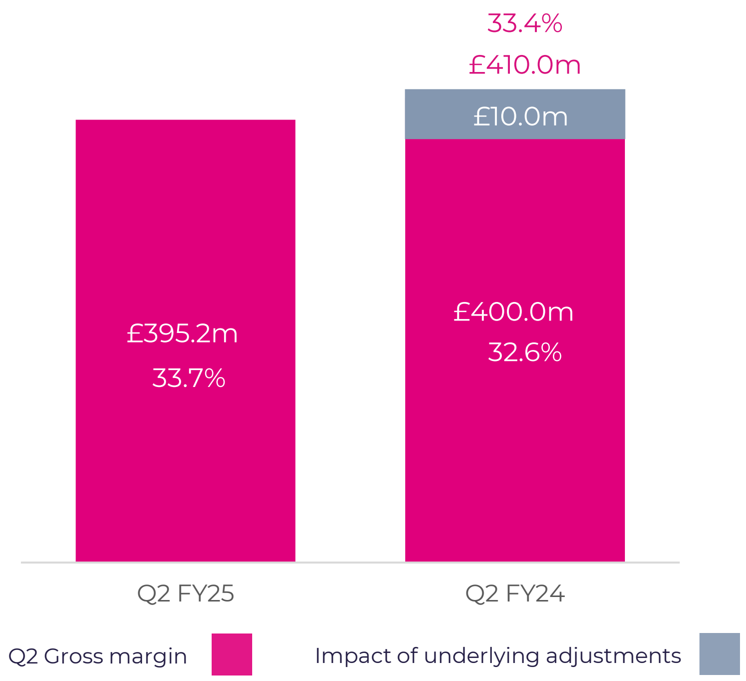
Gross margin

An improved gross margin at 33.7% from focus on driving profitable sales, improving 1.1%pts on an underlying basis

Gross margin by brand[1] (£m)



Gross margin (£m) and gross margin rate



- Gross margin for Q2 FY25 was 33.7%, an increase of 0.3%pts versus last year (Q2 FY24: 33.4%).
- This reflects the shift in the split of total revenue between retail and Very Finance, as well as changes to the retail sales mix, notably the increase in Home sales which contribute a higher margin than other categories.
- The year-on-year movement is skewed by one-off bad debt benefits in the prior year, which total £10m.
- Underlying gross margin has therefore increased 1.1% compared to the prior year, reflecting the relative Very Finance contribution and improving bad debt position.
- Margin is a key focus, and we will look at our retail mix and how we prioritise higher margin sales to further build resilience in gross margin through the remainder of FY25.

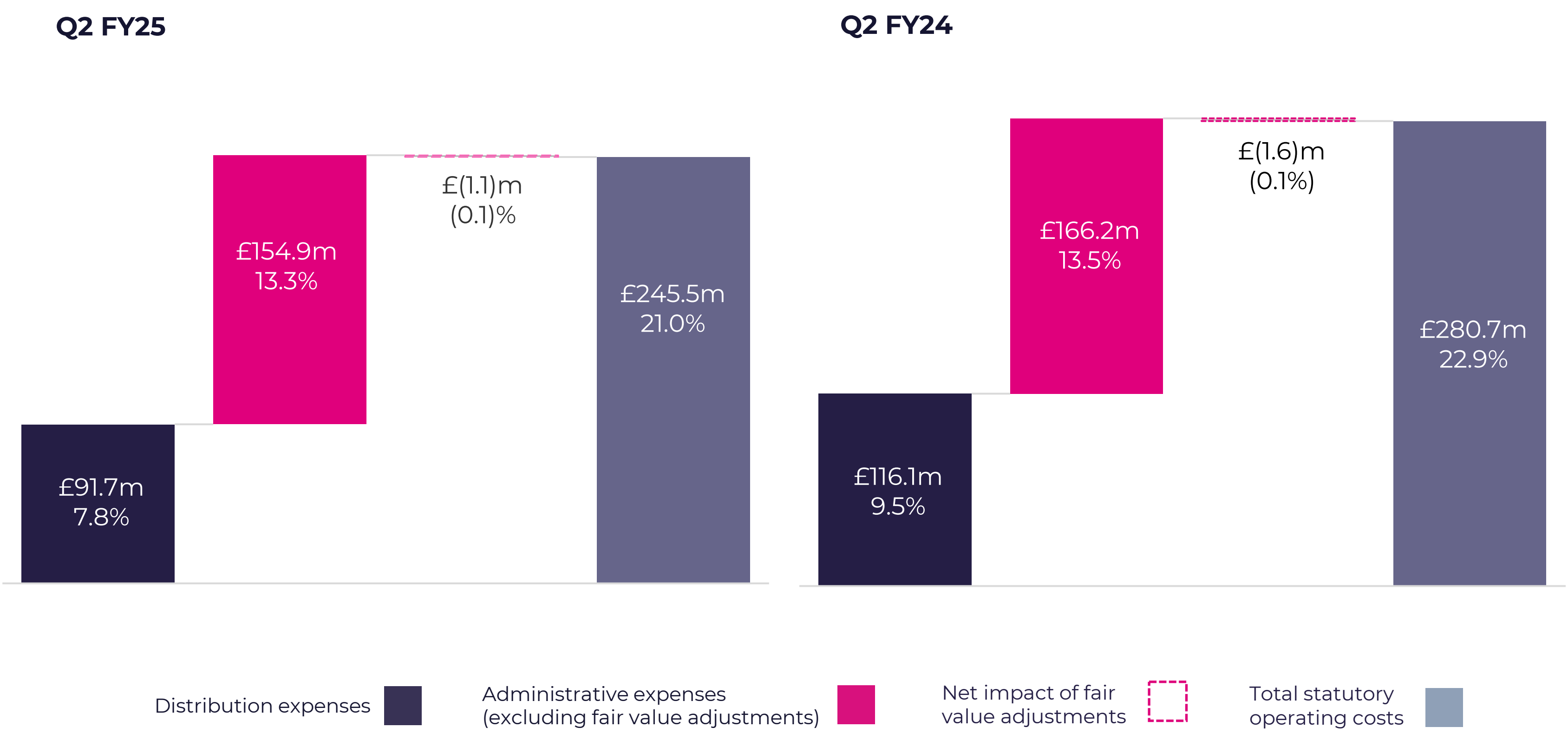
1 – Gross margin by brand does not include some central allocated costs, but these are included in the group gross margin figures

Cost control

Significant cost reductions delivered via cost savings initiatives across the business

- Operating costs decreased 12.5% year-on-year to £245.5m (Q2 FY24: £280.7m). This represents a decrease of 1.9%pts to 21.0% as a percentage of revenue.
- This includes a £24.4m or 21.0% 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 decreased by £10.8m or 6.6% to £153.8m in total (Q2 FY24: £164.6m), as a result of ongoing cost saving initiatives across the business.
- Excluding the impact of fair value adjustments, total operating costs have decreased by 1.9%pts as a percentage of revenue compared to Q2 FY24.
- We have exceeded our FY25 cost savings target of £20-30m and revise this guidance to £40m for the whole year.

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



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

Adjusted EBITDA

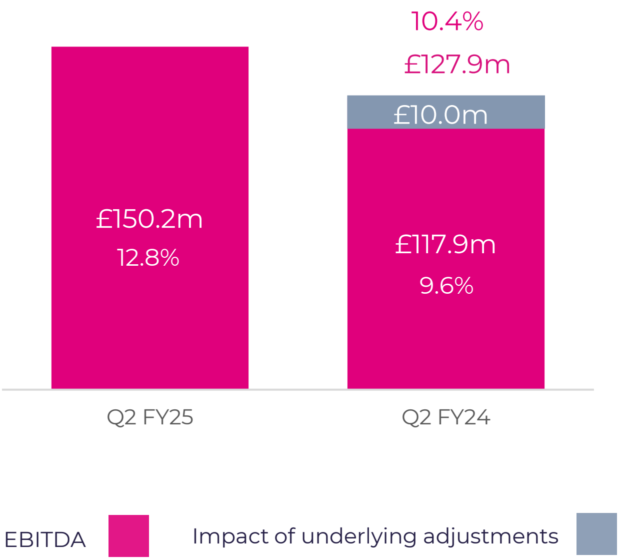
Significant earnings growth despite a challenging retail market, with improved EBITDA margins

- The Group's robust margin and cost performance mean that in the year to date, we delivered reported EBITDA of £151.1m, an increase of £20.4m or 15.6% year-on-year (Q2 FY24: £130.7m).
- We have also seen an increase of £22.3m or 17.4% in adjusted EBITDA, with a 2.4%pts increase in adjusted EBITDA margin year-on-year to 12.8%. This is the highest half year EBITDA margin the Group has ever achieved.
- Pre-exceptional PBIT for the year to date also increased 16.1% to £123.9m (Q2 FY24: £106.7m).
- The year-on-year movement is skewed by the one-off bad debt benefits in the prior year, which total £10m. Excluding these, EBITDA would be further increased on both a reported and adjusted level.

Year-on-year adjusted EBITDA reconciliation

(£m)	Q2 FY25	Q2 FY24	Var	%
Pre-exceptional EBITDA	**151.1**	**130.7**	**20.4**	**15.6%**
Adjusting for				
Fair value loss/(gain) on revaluation of financial instruments	(1.1)	(1.6)	0.5	(31.3)%
FX gain on foreign trade creditors	0.2	(1.2)	1.4	(116.7)%
Adjusted EBITDA[1]	**150.2**	**127.9**	**22.3**	**17.4%**
Pre-exceptional operating profit	*123.9*	*106.7*	*17.2*	*16.1%*

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. The prior year result has therefore been adjusted accordingly.

Adjusted free cash flow

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

£176.3m

Q2 FY25 ADJUSTED FREE CASHFLOW

Cash flow

(£m)	Q2 FY25	Q2 FY24
Adjusted EBITDA[1] (post management fee)	**154.0**	**131.7**
Securitisation interest	(59.0)	(58.6)
Adjusted EBITDA (post securitisation interest and management fee)	**95.0**	**73.1**
Net working capital movement:		
Movement in inventories	(33.9)	(18.7)
Movement in trade receivables	(129.3)	(203.7)
Movement in prepayments and other receivables	(7.5)	(49.7)
Movement in trade and other payables	223.2	156.6
Movement in securitisation facility	52.9	104.2
Net working capital (post securitisation funding)	**105.4**	**(11.3)**
Other adjustments	-	(0.8)
Capital expenditure	(24.1)	(22.2)
Adjusted free cashflow	**176.3**	**38.8**
Net leverage	**3.26x**	**3.59x**

- We report an adjusted free cash inflow of £176.3m (FY24 Q2: £38.8m). This reflects the increased adjusted EBITDA result, as well as normalisation against prior year cash headwinds.
- The movement in inventories is a result of purchasing some seasonal stock items earlier in FY25 compared to the prior year, including garden items and seasonal fashion.
- 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 is due to the timing of the UK securitisation facility renewal (FY25: January, FY24: December) meaning the comparator includes a higher level of prepaid fees. The movement also reflects the normalisation of our supplier rebate income as discussed in previous quarters.
- The movement in trade and other payables reflects the amounts owed to suppliers following the peak trading season, which will be paid down across the next quarter and also the phasing of marketing spend across the year.
- Capital expenditure reflects investments including re-platforming our customer proposition.

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. The prior year result has therefore been adjusted accordingly.

THE VERY GROUP

Q2 FY25 RESULTS

Forward view

Outlook

After a successful peak season, our focus remains on driving profitability and earnings across the remainder of the financial year

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 continued strengthening of the profitability of our business in FY25.

2. Following the quarter end, we announced the successful extension of all note classes within the UK securitisation facility, which now expire in January 2028, securing funding for the Group for the next three financial years. This was achieved whilst also improving note margins.

3. We have exceeded our FY25 cost savings target of £20-30m and have revised this guidance to £40m for the whole year.

4. 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.

5. We remain committed to a refinancing in 2025 and JPM have been appointed to lead this process. We will provide timely and transparent updated as the process progresses.

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Q2 FY25 RESULTS

Q&A

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Q2 FY25 RESULTS

Appendices

INCOME STATEMENT

£m	Q2 FY25	Q2 FY24	Variance (%)
Very UK	1,023.8	1,058.1	(3.2)%
Very Ireland	38.1	39.6	(3.8)%
Littlewoods	109.2	128.9	(15.3)%
Group revenue	**1,171.1**	**1,226.6**	**(4.5)%**
Gross margin	395.2	410.0	(3.6)%
% margin	*33.7%*	*33.4%*	
Distribution expenses	(91.7)	(116.1)	(21.0)%
Administration expenses	(153.8)	(164.6)	(6.6)%
Other operating income	1.4	1.4	-
Pre-exceptional EBITDA	**151.1**	**130.7**	**15.6%**
% pre-exceptional EBITDA margin	*12.9%*	*10.7%*	
Pre-exceptional operating profit	123.9	106.7	16.1%
Operating costs as % of revenue	*21.0%*	*22.9%*	
Adjusted EBITDA[1]	**150.2**	**127.9**	**17.4%**
% adjusted EBITDA	*12.8%*	*10.4%*	

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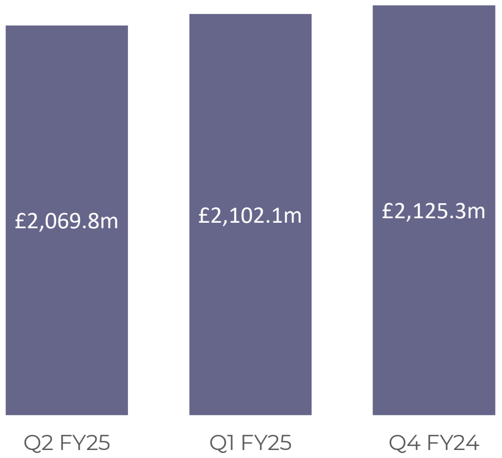
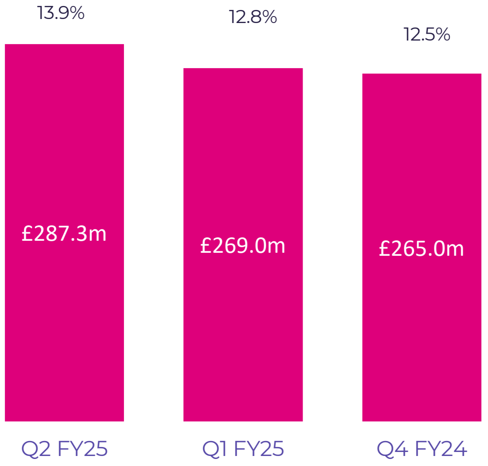
LTM KPIs

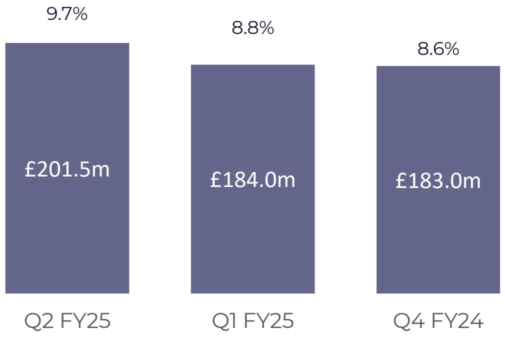
LTM revenue (£m)



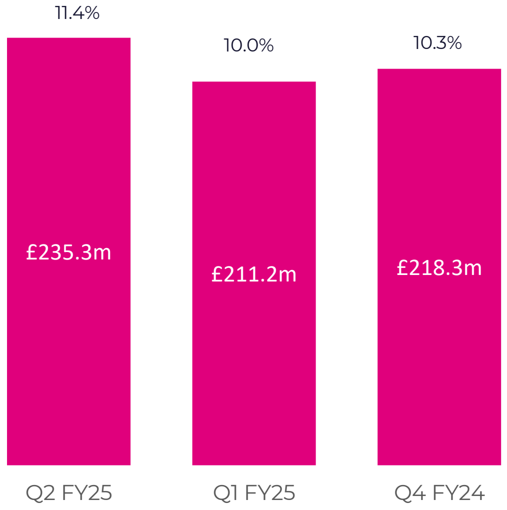
LTM adjusted EBITDA (£m)



LTM consolidated EBITDA (Leverage) (£m)



LTM pre-exceptional operating profit (£m)



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.

CASHFLOW STATEMENT

£m	Q2 FY25	Q2 FY24
Adjusted EBITDA (post management fee)	**154.0**	**131.7**
Securitisation interest	(59.0)	(58.6)
Adjusted EBITDA (post securitisation interest and management fee)	**95.0**	**73.1**
Net working capital movement:		
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Movement in trade and other payables	223.2	156.6
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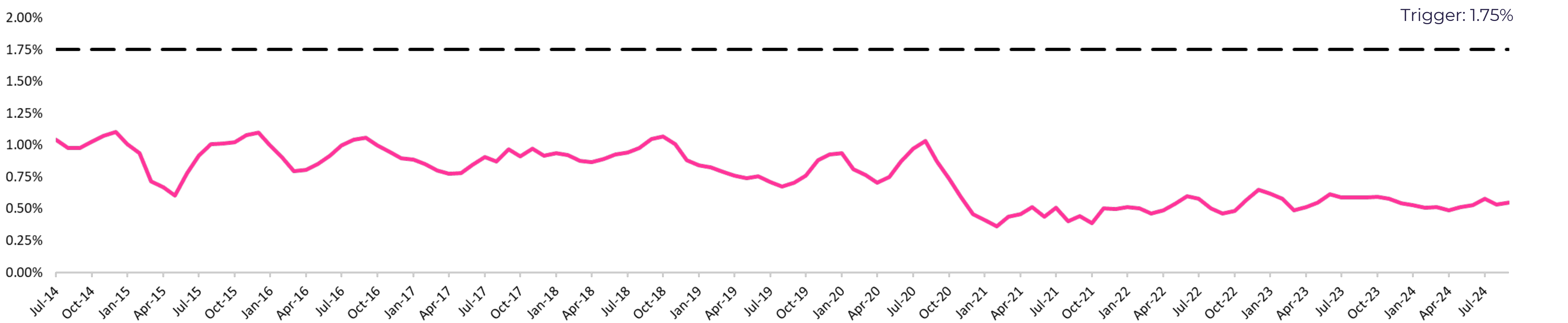
Net working capital (post securitisation funding)	**105.4**	**(11.3)**
Other adjustments	-	(0.8)
Capital expenditure	(24.1)	(22.2)
Adjusted free cashflow	**176.3**	**38.8**
Proceeds from partner funding	-	-
Adjusted free cashflow (post-financing)	**176.3**	**38.8**
Dividends paid	-	(3.8)
Interest paid (excluding securitisation interest)	(36.6)	(35.7)
Income taxes (paid) / received	(0.6)	(0.8)
Cash impact of exceptional items	(21.2)	(13.4)
Management fees	(3.8)	(3.8)
Cash paid to parent company	(2.5)	(2.5)
(Repayments of) / draw downs from finance leases	(6.8)	(6.1)
(Repayments of) / draw downs from bank loans	(3.4)	(3.5)
Movement in revolving credit facility	(125.0)	30.0
Net decrease in cash and cash equivalents	**(23.6)**	**(0.8)**

NET LEVERAGE

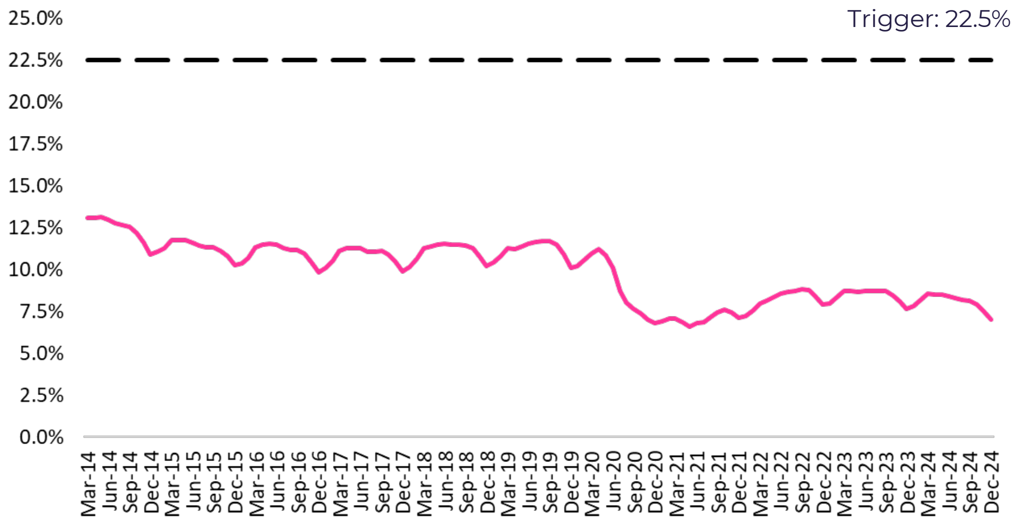
Net leverage (£ millions)	Q2 FY25	Q1 FY25	Q4 FY24	Q3 FY24	Q2 FY24	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23	Q4 FY22	Q3 FY22	Q2 FY22	Q1 FY22	Q4 FY21	Q3 FY21
Net cash and bank balances	**24.9**	**4.1**	**45.8**	**38.3**	**38.8**	**37.8**	**39.6**	**62.2**	**4.0**	**26.9**	**43.4**	**41.7**	**5.6**	**22.0**	**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)	(575.0)	(550.0)	(550.0)
Revolving credit facility	(25.0)	(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	(81.7)	(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)	(681.7)	(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)	**(656.8)**	**(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	**201.5**	**184.0**	**183.0**	**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	**3.26x**	**4.35x**	**4.16x**	**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

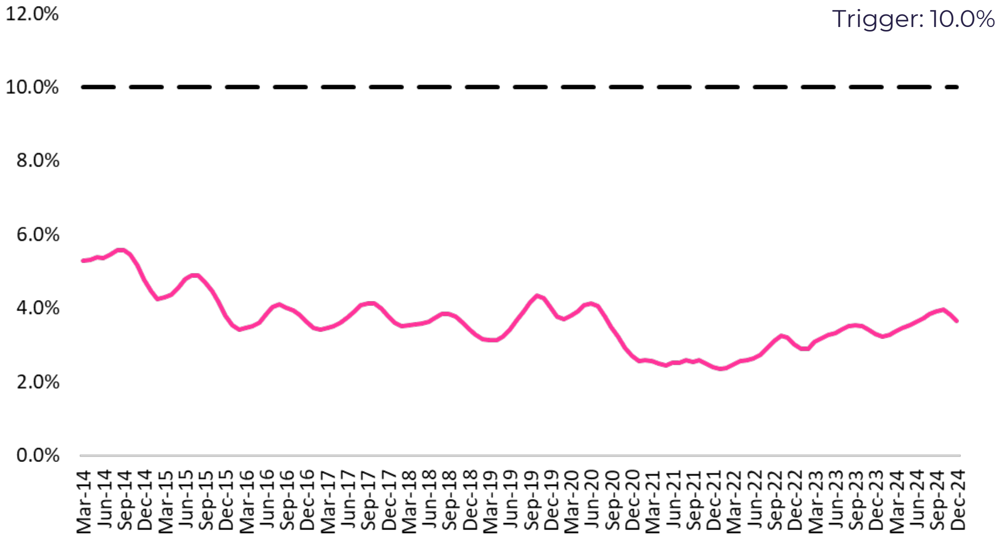
Default three month moving average



One to five month delinquency rates



Five-plus months delinquency rates



BALANCE SHEET

£m	Q2 FY25	Q2 FY24
Non-current assets	**1,239.0**	**1,229.8**
Current assets	**2,057.2**	**2,118.3**
Of which:		
Inventories	138.9	124.4
Trade and other receivables	1,883.6	1,949.9
Net cash and bank balances	32.4	38.8
Current liabilities	**(781.6)**	**(846.6)**
Of which:		
Trade and other payables	(704.6)	(695.7)
Non-current liabilities	**(2,362.0)**	**(2,330.8)**
Of which:		
Retirement benefit obligations	(1.2)	(1.2)
Securitisation borrowings	(1,557.6)	(1,596.0)
Equity attributable to owners of the company	**(152.6)**	**(170.7)**
Total equity and liabilities	**(3,296.2)**	**(3,348.1)**