



13 August 2020

## Trading statement

### **The Very Group announces strong revenue growth, an expected return to profit for FY20 and a robust liquidity position**

The Very Group (the “Group”) is providing a trading update in advance of its year end results for the year ended 30<sup>th</sup> June 2020.

#### Summary

- A 65% increase in website visits driving exceptional retail sales growth of 36% at Very.co.uk in the final quarter of FY20 and leading to full year growth of over 10%
- Annual Group revenue exceeding £2bn for the first time
- Very.co.uk’s share of UK non-food market up by over 1%pt in the final quarter
- New customers grew by over 100% in the final quarter with very strong growth across both cash (+128%) and credit customers (+80%)
- Full year underlying<sup>1</sup> EBITDA expected to be in the range of £255m to £270m
- Strong Group liquidity and cash position with year-end cash headroom of over £200m
- Our online, multi-category business model has again proven resilient in the face of rapidly changing customer behaviour
- Financial services business has remained robust with improving payment rates and default rates in line with historic trends
- Opened Skygate, our new state of the art fulfilment centre on 23<sup>rd</sup> March, on time, on budget and which processed its one-millionth outbound customer order in July
- Despite experiencing peak trading levels, our business has proven resilient and flexible, maintaining full operational capacity throughout the COVID crisis, including a transition to working from home for all contact centre colleagues
- Given the strong performance and positive outlook we have not utilised the Government’s Coronavirus Jobs Retention Scheme (CRJS) and have not accessed Government loan schemes
- The Littlewoods Pensions Scheme, which is sponsored by The Very Group, has completed a buy in deal with Rothesay Life for just under £930m in July 2020. This is the second buy-in for the scheme with substantially all member liabilities for The Very Group now insured.

#### **Henry Birch, CEO at The Very Group, commented:**

“Thanks to the tireless efforts of our colleagues, we performed very strongly in Q4 despite the challenges of COVID-19. We prioritised the safety of our people and delivered an uninterrupted service for new and existing customers, who chose us as their preferred shopping destination during lockdown.



# THE VERY GROUP

“As in the financial crisis, our business model proved adaptable and resilient in the face of volatile conditions and changing consumer buying patterns. We experienced peak trading levels and recruited unprecedented levels of new customers as our online multi-category model supported by financial services came to the fore.

“Despite operational challenges caused by COVID, we adapted and pressed on with the migration to our Skygate fulfilment centre, which will create game changing new benefits for our customers and our business.

“Economic conditions will continue to be challenging, but we believe we are more relevant than ever for customers, who are increasingly buying online. We are well positioned to continue the strong trading into the new financial year and will continue to invest to ensure we are at the forefront of whatever the new normal may be.

“Our purpose to “Make good things easily accessible to more people” is more relevant than ever and we look forward to helping even more UK shoppers seamlessly access the products they need for themselves and their families.”

## **Quarter 4 FY20 trading**

Very.co.uk retail sales grew by 36% over prior year in Q4, driven by growth in electrical and home categories of 78% and 53% respectively. Very.co.uk’s share of the UK non-food market grew by over 1%pt to almost 3% and the top 5 performing departments were gaming, vision, computing, garden tools / DIY and small domestic appliances. Overall Group retail sales (including Littlewoods) grew by 28% in Q4 compared with the prior year.

Although electrical and home grew strongly, the significant decline in fashion, which has relatively higher margin rates, resulted in overall cash margin at a similar level to prior year.

## **FY20 full year guidance**

Subject to the completion of our year end audit we expect underlying<sup>1</sup> FY20 EBITDA to be in the range of £255m to £270m. Management expect that this EBITDA will deliver a positive profit before tax.

## **FY20 year end liquidity**

As referred to in our previous announcements, we made the decision to plan against a stress test scenario in Q4 of FY20 of a 25% retail sales decline. We took decisive action including cost reduction, tight management of capital spend, sensible inventory control and a temporary reduction in salaries for our senior managers.

Reflecting the strong trading during Q4, along with swift company action, we have finished FY20 with over £200m of cash headroom. As a result, we have not utilised the Government's Coronavirus Jobs Retention Scheme (CRJS) and have not accessed any of the Government loan schemes.





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Many of the actions taken will continue to benefit the business in FY21 and we are confident that we have an appropriate level of liquidity in the business.

## **Financial services**

Our financial services products are a critical part of our offer; approximately 95% of our sales are via a credit account. We believe our combination of products and credit provision can continue to alleviate the concerns our customers have about COVID-19 in a relevant way, allowing families to get what they need. We saw an 80% increase in new credit customers in Q4 as well as very strong growth in new cash customers of 128%.

In line with FCA guidance, we implemented a three-month payment freeze option for credit customers affected by COVID-19, which has subsequently been extended for a further three months.

Customer payment rates have increased in Q4 FY20 and default rates remain in line with historic trends. We anticipate some reduction in financial services profitability due to customers choosing to pay down their balances in a time of uncertainty.

## **Skygate**

Despite the onset of the pandemic, at the same time as the country moved into lockdown, we proceeded with the planned go-live of our new fulfilment centre, on time and on budget. With 850,000sq ft of automated warehousing space, Skygate allows us to serve our customers better with later cut-offs for next day delivery, faster processing and reimbursement for returns and the potential for same day deliveries. It also gives us the opportunity for a significant increase in scale, with best-in-class automated technology enabling product to go from order to dispatch in 30 minutes. In July 2020, Skygate processed its one-millionth outbound customer order.

Our business has remained fully operational since the onset of COVID-19 and has experienced periods where volumes have been equivalent to peak trading. Our warehouse teams have managed to continue to deliver an uninterrupted service whilst at the same time moving our stock to the new warehouse in the East Midlands.

## **Resilience and adaptability**

As lockdown started, the business responded very quickly to enable all 800 contact centre colleagues and over 1,000 head office colleagues to work from home. Both teams continue to work remotely and there has been strict implementation of social distancing and additional cleaning and safety measures across our sites.

None of this could have been achieved without the outstanding commitment and contribution from our loyal and committed colleagues. Their safety and well-being has been, and remains, our absolute priority.





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Restrictions resulting from COVID-19 have accelerated the transition to online, and as a pure online retailer, Very.co.uk continues to be well positioned to deliver for existing and new customers.

## Littlewoods Pension Scheme

The Trustees of the Littlewoods Pension Scheme have secured substantially all long-term benefits for the c.13,000 Pension Scheme members via a second buy in deal in July 2020. The Rothesay Life transaction covers just under £930m of liabilities and follows on from the first buy in undertaken with Scottish Widows for £880m in May 2018. The transaction was run during Covid 19 lockdown, with teams working remotely amid volatile asset markets.

## Results for the year ended 30<sup>th</sup> June 2020

The Group's audit is being conducted on a remote basis and The Very Group currently expects to release its results for the year ended 30<sup>th</sup> June 2020 in mid to end September 2020. A further announcement will be made in due course.

## Notes

1. Underlying EBITDA is stated before fair value adjustments to financial instruments and trade creditors and before pension adjustments.

## Contact information

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## Notes to editors

### About The Very Group

[The Very Group](#) is the UK's largest integrated pureplay digital retailer and financial services provider, with annual sales of £2bn.

Our largest and fastest growing retail brand is [Very.co.uk](#), supported by the [Littlewoods.com](#) and [LittlewoodsIreland.ie](#) brands.



Littlewoods



# THE VERY GROUP

We receive an average of 1.5m website visits every day with 79% of online sales completed on mobile devices.

We sell 1,900 famous brands, including big name labels and our own exclusive brands. We serve four million customers, delivering 49 million products every year.

We exist to make good things easily accessible to more people and our aim is to be the number one destination for shoppers who value flexible ways to pay.

By offering customers the brands they love and options to spread the cost, we help them say yes when it really matters.

We have over a hundred years of history behind us, but at our heart there is a passion for change – to constantly improve what we do, to innovate with data and technology at our core and to be the best possible place to work.

For more information, visit [our website](#) or follow us on [Twitter](#) and [Instagram](#).