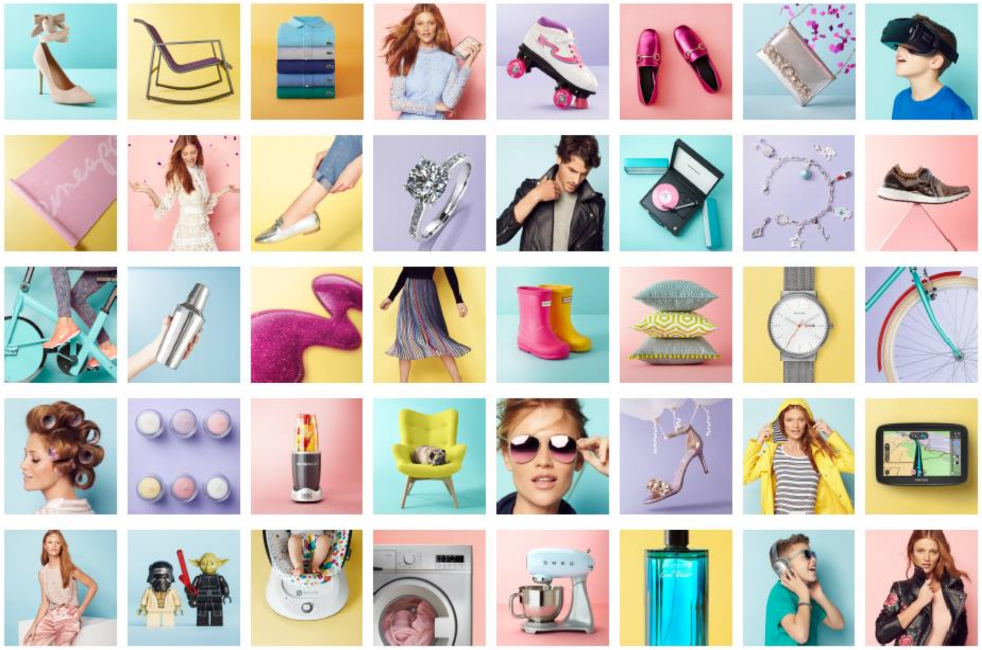

Shop Direct Limited

Q1 FY18 Results

Three months ended 30 September 2017

7 December 2017

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Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

A good start to the year in Quarter 1 FY18

Quarter 1 FY18 Highlights versus prior year

- Group revenue grew 1.9% to £430.0m (Q1 FY17: £422.0m)
  - Very revenue up 10.2% to £294.1m (Q1 FY17: £266.8m)
  - Littlewoods managed decline maintained - revenue down 12.4% to £135.9m (Q1 FY17: £155.2m)
- Interest income as a percentage of the debtor book increased 0.1%pts to 5.6% (Q1 FY17: 5.5%)
- Bad debt as a percentage of the debtor book reduced 0.1%pts to 2.1% (Q1 FY17: 2.2%)
- Gross margin up 0.6%pts to 42.1% (Q1 FY17: 41.5%) driven mainly by foreign exchange impact on translation of trade creditors and lower bad debt
- Reported EBITDA up 19.7% to £37.6m (Q1 FY17: £31.4m)
- Adjusted EBITDA post securitisation interest of £31.1m (Q1 FY17: £32.1m)
- Underlying free cash outflow[1] of £1.1m (Q1 FY17: £16.5m inflow) reflecting higher capital expenditure

Notes

1. 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.

Continued revenue growth and cost discipline

Income statement

(£ millions)	Q1 FY18	Q1 FY17	Variance %
Very	294.1	266.8	10.2 %
Littlew oods	135.9	155.2	(12.4)%
Group Revenue	**430.0**	**422.0**	**1.9 %**
Gross margin	181.2	175.1	3.5%
% Margin	*42.1%*	*41.5%*	*0.6 %pts*
Distribution expenses	(52.4)	(53.1)	
Administrative expenses	(91.4)	(90.9)	
Other operating income	0.2	0.3	
Reported EBITDA	**37.6**	**31.4**	**19.7%**
% Margin	*8.7%*	*7.4%*	*1.3 %pts*

Highlights

- **Group revenue** grew 1.9% to £430.0m driven by Very (+10.2%) partially offset by Littlewoods managed decline (-12.4%)
- **Gross margin rate** up 0.6%pts to 42.1% driven by foreign exchange. Excluding this benefit gross margin rate was broadly in line with prior year
- **Costs as a percentage of group revenue** reduced 0.7%pts to 33.4% reflecting lower marketing spend and operational efficiencies

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Adjusted EBITDA post securitisation interest reconciliation

Reconciliation of EBITDA to adjusted EBITDA post securitisation interest

(£ millions)	Q1 FY18	Q1 FY17	Variance %
Reported EBITDA	**37.6**	**31.4**	**19.7%**
Adjusted for:			
Fair value adjustments to financial instruments	3.8	2.4	
Foreign exchange impact of trade creditors translation	(2.2)	1.3	
IAS19 and IFRIC 14 pension adjustments	-	-	
Management EBITDA	**39.2**	**35.1**	**11.7 %**
Adjusted for:			
Management fee	1.3	1.3	
Costs associated with new brand launches	-	5.0	
Consultancy costs	-	0.7	
Securitisation interest	(9.4)	(10.0)	
Adjusted EBITDA post securitisation interest	**31.1**	**32.1**	**(3.1)%**

Highlights

- **Reported EBITDA** up 19.7% to £37.6m (Q1 FY17: £31.4m)
- **Management EBITDA** up 11.7% to £39.2m (Q1 FY17 £35.1m)
- **Adjusted EBITDA post securitisation interest** decreased to £31.1 (Q1 FY17: £32.1m)

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Group revenue progression

Retail revenue

£m	Q1 FY18	Q1 FY17	Variance %
Retail revenue (sale of goods)	329.1	323.5	1.7%




	C&F	Electrical	Seasonal	Furniture & Homeware
YoY %	+2.7%	+3.9%	+2.3%	(11.6)%
Mix %	*36%*	*36%*	*14%*	*14%*

Financial Services revenue

£m	Q1 FY18	Q1 FY17	Variance %
Interest Income	88.1	84.0	4.9%
Other	12.8	14.5	(11.7)%
FS revenue (rendering of services)	**100.9**	**98.5**	**2.4%**

Highlights

- **Clothing & Footwear** revenue growth of 2.7% driven by double digit growth in Childrenswear and Sportswear
- **Electrical** revenue grew 3.9% driven by Technology including consoles, mobiles and smart technology products
- **Seasonal** revenue grew 2.3% driven by Gifting, Toys and Beauty including cosmetics and fragrances
- **Furniture & Homeware** revenue declined by 11.6% 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 4.9% to £88.1m driven by Very. As a percentage of the debtor book, interest income increased by 0.1%pts to 5.6%
- **Other** financial services revenue reduction reflects lower admin fees
- **Average debtor book** grew 4.0% to £1,580.5m driven by revenue growth

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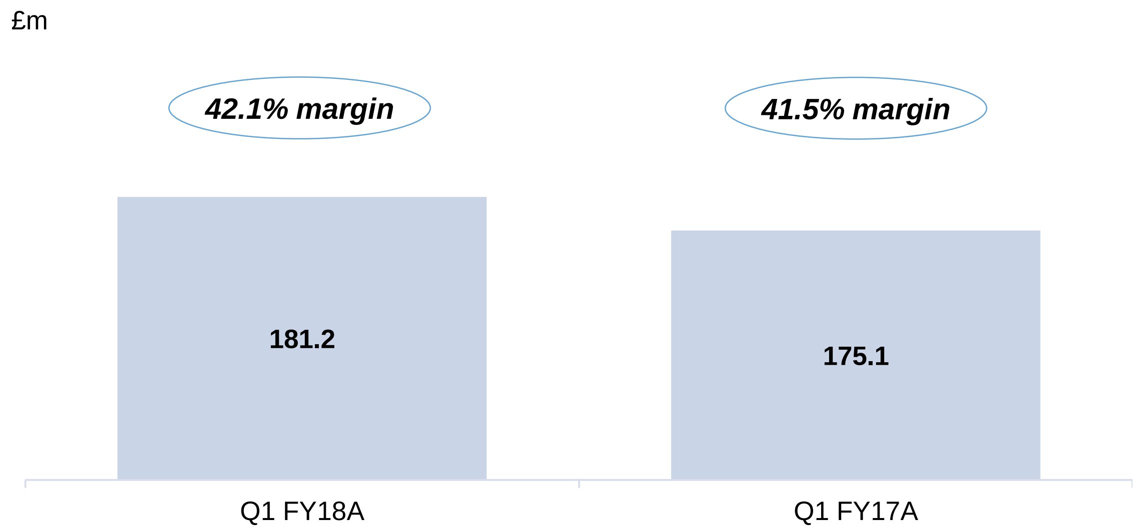
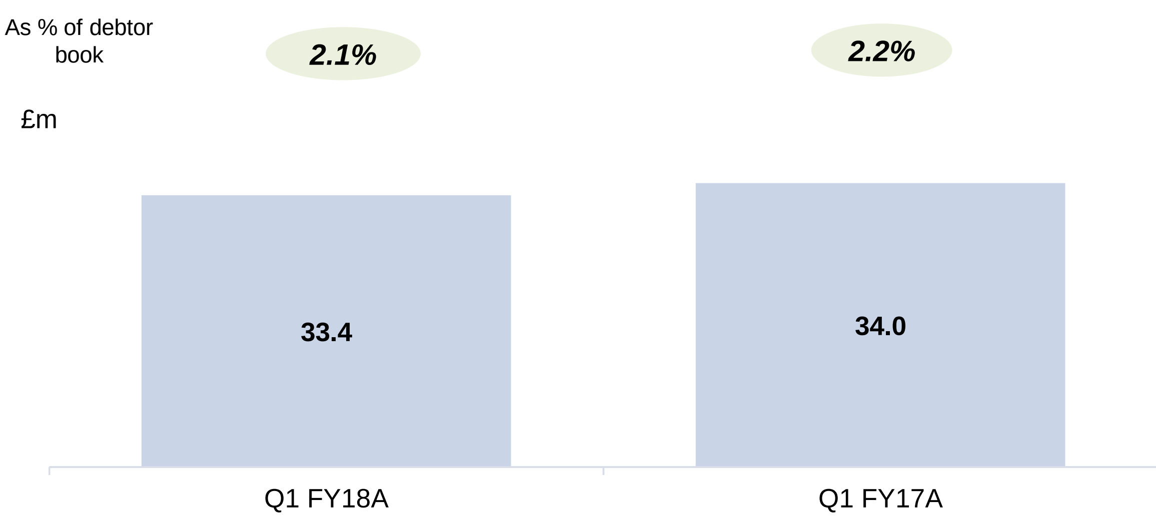
Stable gross margin

Gross Profit and Gross Margin Rate



Bad Debt and as % of Debtor Book

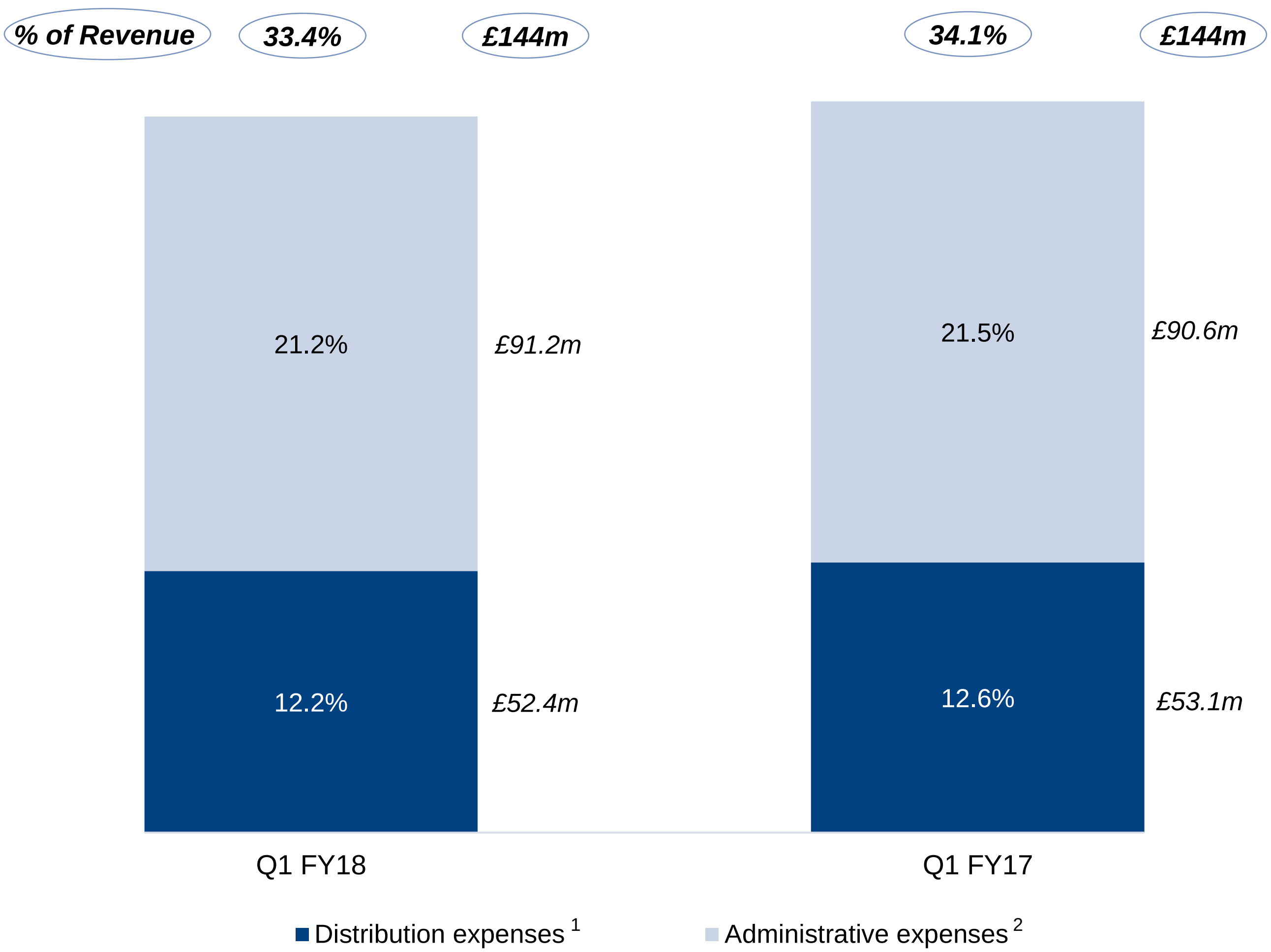


Highlights

- Q1 FY18 **Gross margin rate** increased 0.6%pts to 42.1% (Q1 FY17: 41.5%) driven by foreign exchange. Excluding this benefit gross margin rate was broadly in line with prior year
- Q1 FY18 **Bad debt** of £33.4m marginally lower than FY17 (Q1 FY17: £34.0m). Q1 FY18 Bad debt as a percentage of the debtor book decreased 0.1%pt to 2.1%

Cost control continues

Operating costs



Highlights

- Total costs as a percentage of group revenue reduced by 0.7%pts to 33.4% reflecting:
  - **Administrative costs** as a % of group revenue decreased by 0.3%pt to 21.2% driven by timing of marketing costs
  - **Distribution costs** as a % of group revenue decreased by 0.4%pts to 12.2% reflecting improved items per parcel ratio generating lower parcel volumes

Notes
1. Distribution expenses comprise distribution and fulfilment costs.
2. Administrative expenses comprise marketing, contact centres and head office costs, and other operating income.

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Underlying cash outflow reflects capital expenditure timing

Cash Flows

(£ millions)	Q1 FY18	Q1 FY17
Adjusted EBITDA (post securitisation interest)[1]	**31.1**	**32.1**
Net working capital movement:		
Movement in inventories	(30.2)	(34.6)
Movement in trade receivables[2]	23.3	20.2
Movement in prepayments and other receivables[2]	(5.2)	9.6
Movement in trade and other payables[3]	34.7	33.1
Repayments of securitisation facility	(25.6)	(26.6)
Net working capital movement (post securitisation funding)	**(3.0)**	**1.7**
Pension contributions	(5.0)	(5.4)
Underlying operating free cash flow	**23.1**	**28.4**
Capital expenditure	(24.2)	(11.9)
Underlying free cash flow	**(1.1)**	**16.5**

Highlights

- **Net working capital movement (post securitisation funding)** reflects seasonal quarter 1 movements, broadly consistent with prior year
- **Capital expenditure** increase over prior year was 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

Notes

1. *See page 5 for reported EBITDA to adjusted EBITDA post securitisation interest reconciliation.*
2. *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 £38.4m in Q1 FY18 and £9.0m in Q1 FY17.*
3. *Difference against Condensed Consolidated Interim Financial Statements of +£2.7m in Q1 FY18 and -£1.3m in Q1 FY17 reflects the exclusion of certain non-cash charges primarily relating to the foreign exchange impact on translation of trade creditors.*

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Summary

Quarter 1 FY18 Summary

- Group revenue grew 1.9% to £430.0m (Q1 FY17: £422.0m)
  - Very revenue up 10.2% to £294.1m (Q1 FY17: £266.8m)
  - Littlewoods managed decline maintained - revenue down 12.4% to £135.9m (Q1 FY17: £155.2m)
- Interest income as a percentage of the debtor book increased 0.1%pts to 5.6% (Q1 FY17: 5.5%)
- Bad debt as a percentage of the debtor book reduced 0.1%pts to 2.1% (Q1 FY17: 2.2%)
- Gross margin up 0.6%pts to 42.1% (Q1 FY17: 41.5%) driven mainly by foreign exchange impact on translation of trade creditors and lower bad debt
- Reported EBITDA up 19.7% to £37.6m (Q1 FY17: £31.4m)
- Adjusted EBITDA post securitisation interest of £31.1m (Q1 FY17: £32.1m)
- Underlying free cash outflow of £1.1m (Q1 FY17: £16.5m inflow) reflecting higher capital expenditure

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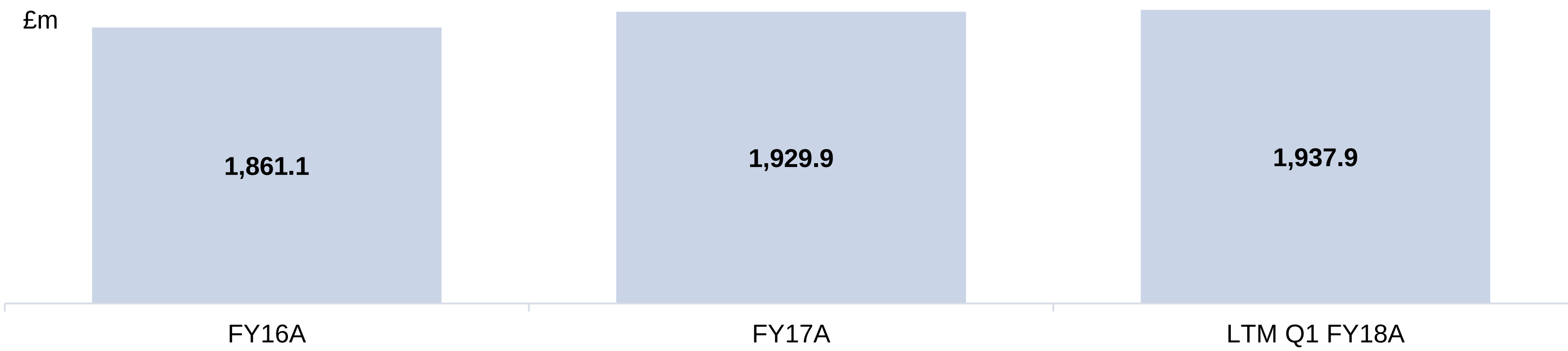
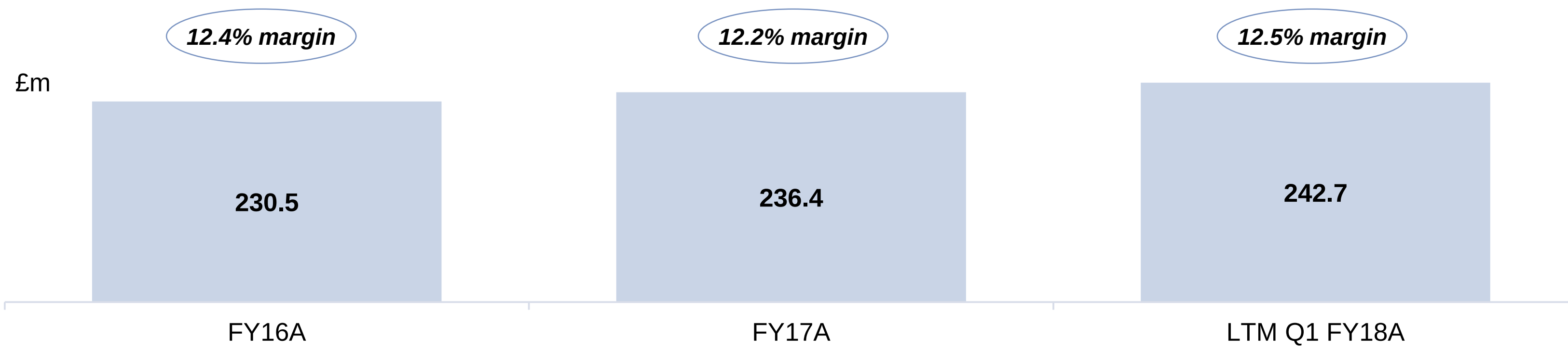
Appendix A: LTM KPIs

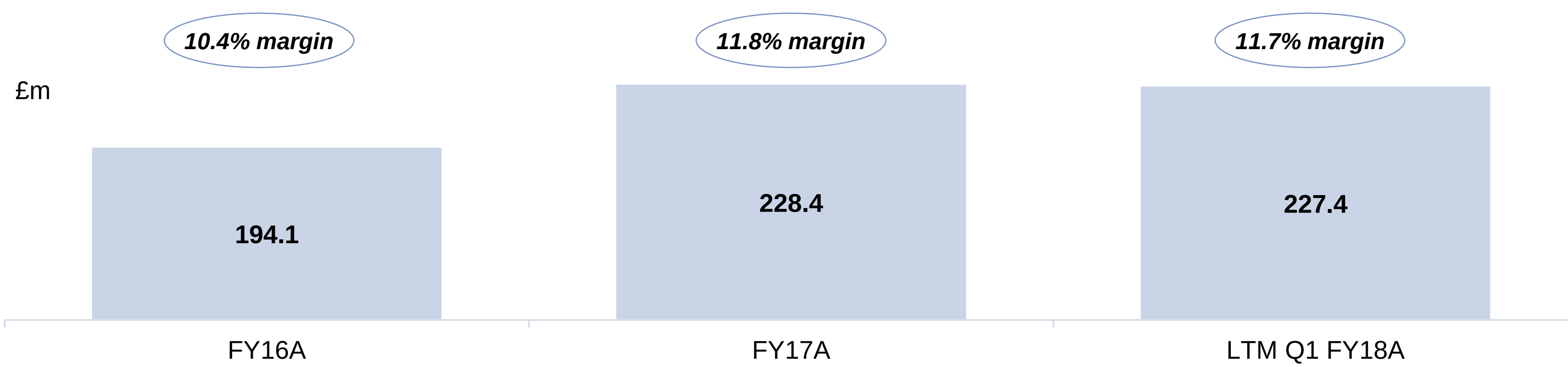
LTM Revenue



LTM Reported EBITDA



LTM Adjusted EBITDA post securitisation interest



Appendix B: Cash Flow Statement

Cash Flow Statement

(£ millions)	**Q1 FY18**	**Q1 FY17**
Adjusted EBITDA (post securitisation interest)[1]	**31.1**	**32.1**
Net working capital movement:		
Movement in inventories	(30.2)	(34.6)
Movement in trade receivables[2]	23.3	20.2
Movement in prepayments and other receiables[2]	(5.2)	9.6
Movement in trade and other payables[3]	34.7	33.1
Repayments of securitisation facility	(25.6)	(26.6)
Net working capital movement (post securitisation funding)	**(3.0)**	**1.7**
Pension contributions	(5.0)	(5.4)
Underlying operating free cash flow	**23.1**	**28.4**
Capital expenditure	(24.2)	(11.9)
Underlying free cash flow	**(1.1)**	**16.5**
Interest paid (excluding securitisation interest)	(6.1)	(4.1)
Income taxes paid	1.2	(0.7)
Cash impact of exceptional items[4]	(21.7)	(9.5)
Management fees	(1.3)	(1.3)
Consultancy costs	-	(0.7)
Costs associated with new brand launches	-	(5.0)
Cash paid to the parent company	(38.4)	(9.0)
Proceeds from finance lease draw downs	0.6	-
Net decrease in cash and cash equivalents	**(66.8)**	**(13.8)**

Notes

1. *See page 5 for reported EBITDA to adjusted EBITDA post securitisation interest reconciliation.*
2. *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 £38.4m in Q1 FY18 and £9.0m in Q1 FY17.*
3. *Difference against Condensed Consolidated Interim Financial Statements of +£2.7m in Q1 FY18 and -£1.3m in Q1 FY17 reflects the exclusion of certain non-cash charges primarily relating to the foreign exchange impact on translation of trade creditors.*
4. *Includes customer redress cash impact of £19.5m in Q1 FY18 and £8.1m in Q1 FY17.*

Appendix C: Pro Forma Net Leverage

Pro Forma Net Leverage

(£ millions)	Q1 FY18	FY17
Cash & Cash Equivalents	**51.5**	**116.9**
Existing Term Facilities	(500.0)	(500.0)
Existing Revolving Credit Facility	(60.0)	(60.0)
Other debt	(12.8)	(10.8)
Total Gross Debt (excluding Securitisation)	**(572.8)**	**(570.8)**
Total Net Debt (excluding Securitisation)	**(521.3)**	**(453.9)**
Pro Forma adjustment to Net Debt (excluding Securitisation)[1]	(8.1)	(8.1)
Pro Forma Total Net Debt (excluding Securitisation)	**(529.4)**	**(462.0)**
LTM Adjusted EBITDA (post securitisation interest)	**227.4**	**228.4**
Pro Forma Net Leverage	**2.3x**	**2.0x**

Notes

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

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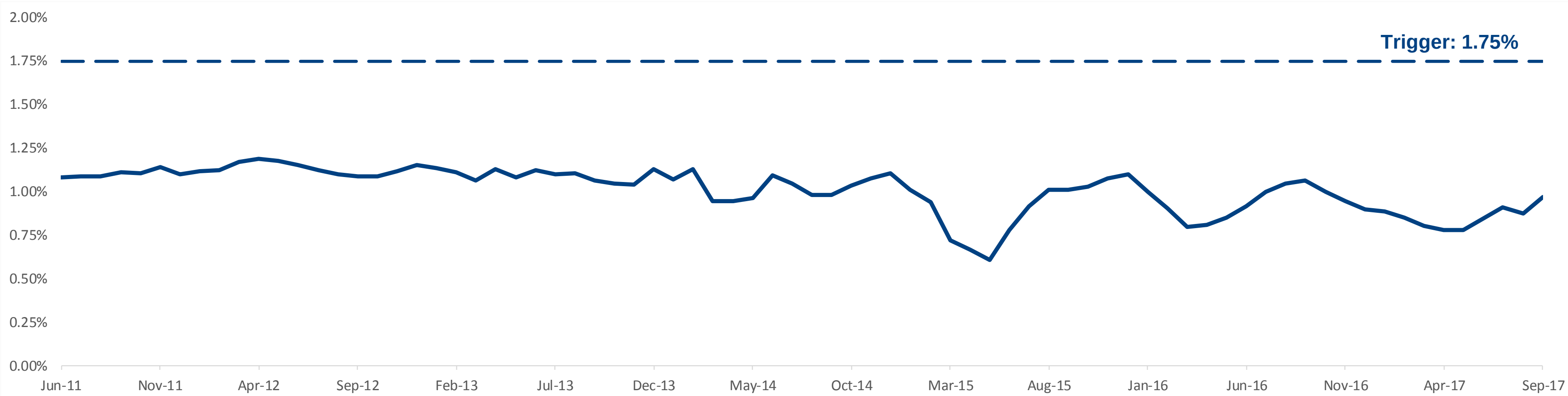
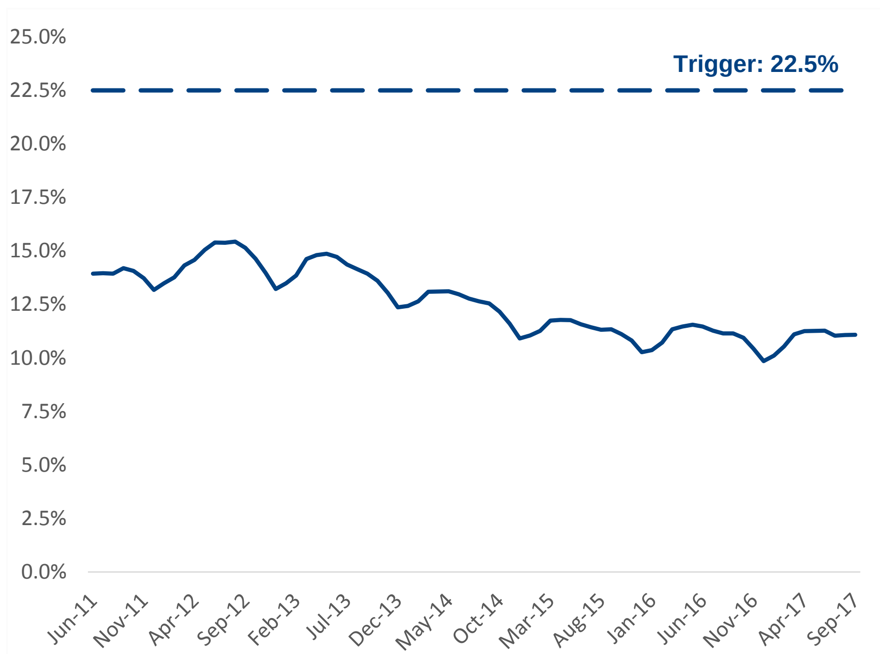
Appendix D: Securitisation Performance Covenants

Key triggers and historical performance – stable performance over economic cycles

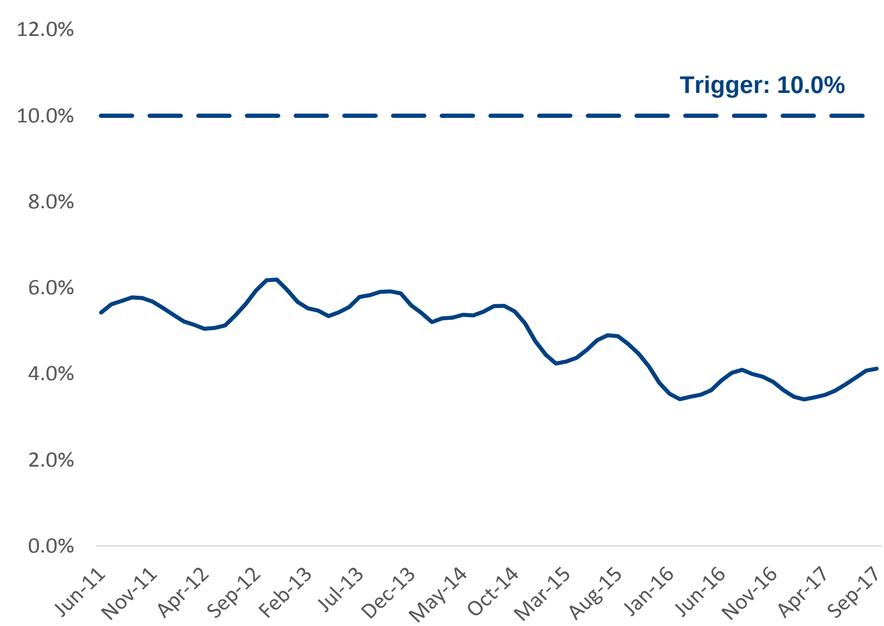
Defaults (3-month moving average)



1-5 months delinquency rates



5+ months delinquency rates



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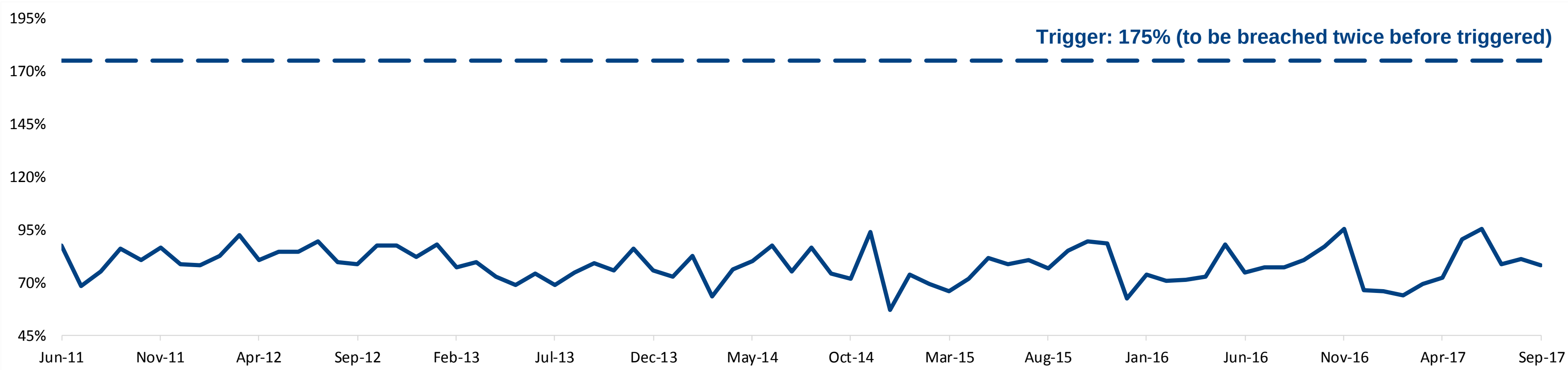
Appendix D: Securitisation Performance Covenants

Key triggers and historical performance – stable performance over economic cycles

Dilutions Ratio



Payment Rate (3-month moving average)