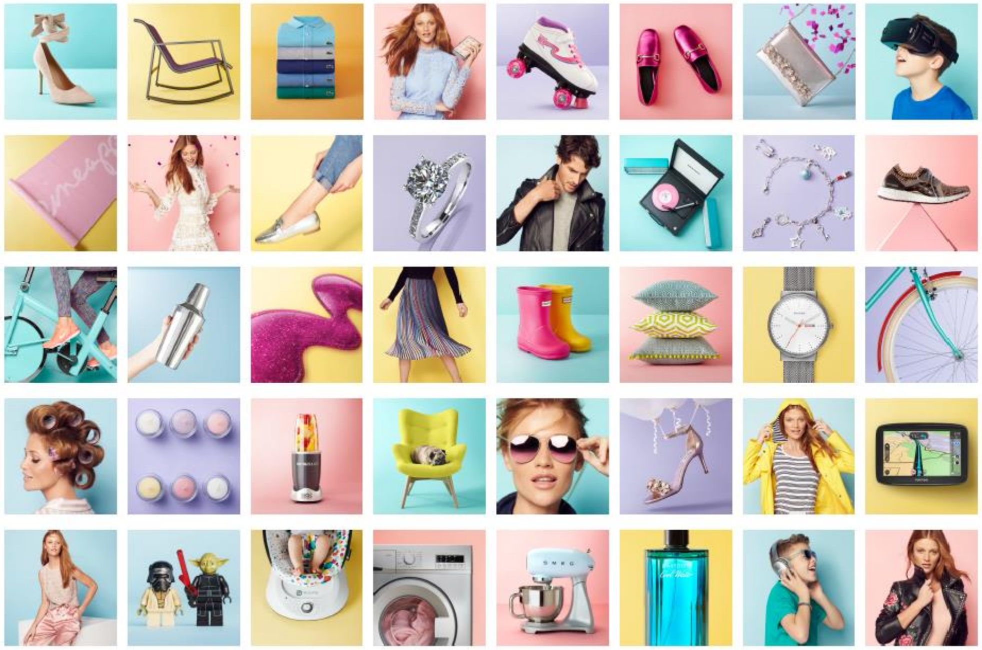

Shop Direct Limited

Q1 FY20 Results

Three months ended 30 September 2019

28 November 2019

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Very growth, good margin discipline and strong cost control drive continued EBITDA growth

Q1 FY20[1] Highlights versus prior year

- Very revenue increased 3.5% to £332.0m (Q1 FY19: £320.7m), continuing to perform ahead of online market growth
- Littlewoods revenue reduced 13.2% to £103.0m (Q1 FY19: £118.7m) including (1.5)%pts impact from closure of Littlewoods Clearance – broadly in line with FY19 decline excluding this impact
- Retail sales broadly flat (-0.1%) as continued growth in fashion & sports was offset by a weaker electrical market, impacted by a lack of major new product launches
- Group revenue reduced 1.0% to £435.0m (Q1 FY19: £439.4m), impacted by the closure of the Littlewoods Clearance business and changes to financial services administration fees policy
- Interest income as a percentage of the debtor book increased 0.1%pts to 5.9% (Q1 FY19: 5.8%) driven by Very
- Strong retail gross margin performance ahead of prior year, leading to Group gross margin ahead of prior year at 40.0% (Q1 FY19: 39.8%)
- Bad debt as a percentage of the debtor book flat to prior year at 2.0%. Default rates broadly in line year-on-year
- Reported EBITDA[2] increased by 10.6% to £48.9m (Q1 FY19: £44.2m), with the margin up 1.1%pts to 11.2% reflecting improved gross margin rate, continued strong cost control and transition to IFRS 16. Excluding IFRS 16, Reported EBITDA increased by 6.3%
- Underlying free cash flow[3] of £2.2m (Q1 FY19: £(45.1)m)
- Following the update which was made on the financing process on 13 November 2019, £75 million was invested on 19 November 2019 by way of an equity injection. The remaining £75 million, out of a total funding requirement of £150 million, is fully committed to SDHL and available to the Group for subsequent drawing in accordance with its liquidity requirements. The Group continues to evaluate alternatives for the remaining £75 million, including both equity and debt financing options, recognising that this capital is not immediately required

Notes

1. Q1 FY20 is the 3 months ended 30 September 2019. Q1 FY19 is the 3 months ended 30 September 2018
2. Q1 FY20 reported under IFRS 16. Q1 FY19 reported under IAS 17
3. Underlying free cash flow defined on page 11

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Continued EBITDA growth

Income statement

(£ millions)	Q1 FY20 £m	Q1 FY19 £m	Variance %
Very	332.0	320.7	3.5 %
Littlewoods	103.0	118.7	(13.2)%
Group Revenue	**435.0**	**439.4**	**(1.0)%**
Gross margin	174.0	174.7	(0.4)%
% Margin	*40.0%*	*39.8%*	*0.2 %pts*
Distribution expenses	(50.9)	(51.3)	
Administrative expenses	(74.9)	(79.7)	
Other operating income	0.7	0.5	
Reported EBITDA	**48.9**	**44.2**	**10.6 %**
% Reported EBITDA Margin	11.2 %	10.1 %	*1.1 %pts*
Operating costs as % of revenue	(28.8)%	(29.7)%	*0.9 %pts*

Memo: excluding impact of IFRS 16[2]

Reported EBITDA	**47.0**	**44.2**	**6.3 %**
Margin %	*10.8%*	*10.1%*	*0.7 %pts*
Operating costs as % of revenue	(29.2)%	(29.7)%	*0.5 %pts*

Notes
1. Q1 FY20 is the 3 months ended 30 September 2019. Q1 FY19 is the 3 months ended 30 September 2018
2. Q1 FY20 reported under IFRS 16. Q1 FY19 reported under IAS 17

Highlights

- **Very** grew 3.5% which was ahead of online market growth and continues to grow market share
- **Littlewoods** managed decline continued, albeit impacted by the closure of the Littlewoods Clearance business in Q3 FY19. Very and Littlewoods have each been impacted by changes made to our administration fees policy
- **Group revenue** declined 1.0% to £435.0m
- **Gross margin** improved to 40.0% (Q1 FY19: 39.8%) evidencing the strength of our integrated retail / financial services model with strong retail margin performance offsetting the continued switch to Very from Littlewoods and lower administration fees
- **Costs as a percentage of group revenue** reduced reflecting continued strong cost control and a £1.9m reduction through adoption of IFRS 16
- **EBITDA** increased by 10.6% to £48.9m, with margin up 1.1%pts to 11.2%. Excluding the impact of IFRS 16, EBITDA increased by 6.3% to £47.0m

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Flat retail revenue with multi-category model providing resilience

Retail revenue

	Fashion & Sports	Electrical	Home	Other Categories
Shop Direct YoY %	+3.5%	(3.2)%	(0.6)%	(1.3)%
Q1 FY20 Mix %	*38%*	*37%*	*17%*	*8%*
Q1 FY19 Mix %	*37%*	*38%*	*17%*	*8%*
Very YoY %	+5.9%	+2.0%	+2.2%	+3.1%

- Reporting on a revised set of product categories from FY20 onwards. Other Categories include Toys, Gifts, Beauty and Leisure

Highlights

- **Retail Revenue** broadly flat to prior year at (0.1)% in a challenging market
- **Fashion & Sports** revenue increased by 3.5%, driven by Men's and Women's Sportswear, as well as performance in Childrenswear and 'Back To School', which reflect strong availability
- **Electrical** revenue declined by 3.2% as the market continued to be challenging especially in Gaming and Computing, where there has been a lack of innovation and new product launches in the period. Strong performances seen in Audio and Small Domestic Appliances
- **Home** declined by 0.6%, and remains an area of continued focus for further trajectory improvement under the revised category structure
- **Other Categories,** which represents 8% of retail revenue, declined by 1.3%. Within this, Toys have continued in growth at c. 2%
- All product categories in year-on-year growth within **Very**

Notes

1. Q1 FY20 is the 3 months ended 30 September 2019. Q1 FY19 is the 3 months ended 30 September 2018

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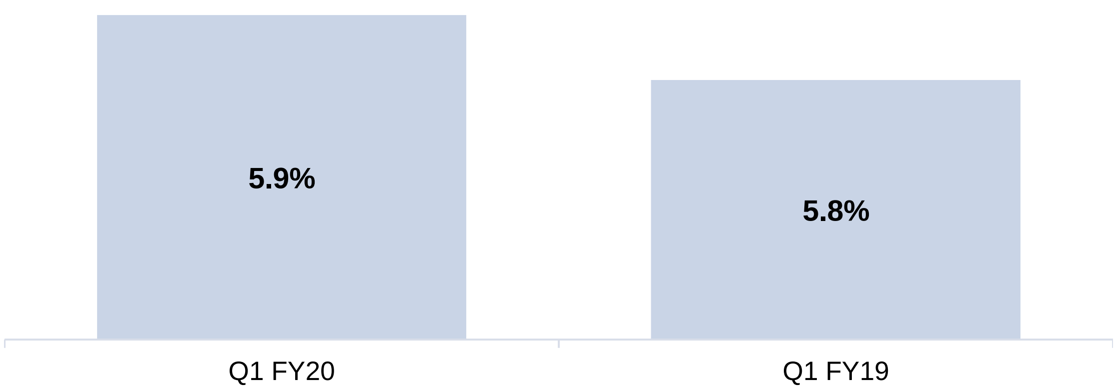
Growth in interest income driven by Very

Financial Services revenue

£m	Q1 FY20 £m	Q1 FY19 £m	Variance %
Interest Income	94.0	93.6	0.4%
Other	8.9	11.9	(25.2)%
FS revenue	**102.9**	**105.5**	**(2.5)%**

Interest Income as % of average debtor book



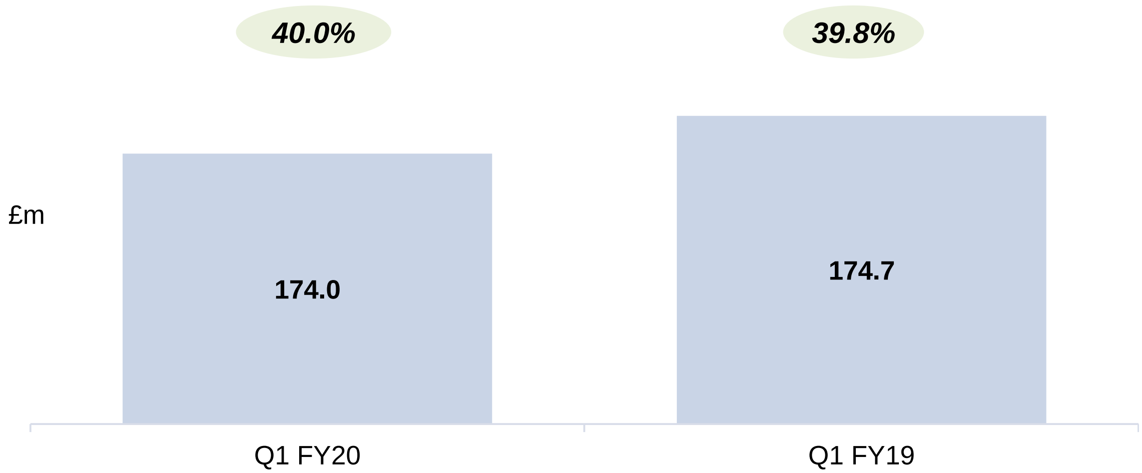
Highlights

- **Interest income** up 0.4% to £94.0m driven by Very and reflecting its higher interest bearing element
- As a percentage of the debtor book, interest income increased by 0.1%pts to 5.9%, driven by shift in brand mix towards Very (now 76% of group revenue compared to 73% in prior year)
- **Other** financial services revenue reduction reflects lower year-on-year warranty volumes and administration fee charges following changes to our fees policy which are designed to help customers who are not in financial difficulty but who fall periodically into arrears
- **Average debtor book** declined 2.1% to £1,580.1m driven by revenue performance and higher customer payment rates

Notes
1. Q1 FY20 is the 3 months ended 30 September 2019. Q1 FY19 is the 3 months ended 30 September 2018

Gross margin ahead of prior year

Gross Margin and Gross Margin Rate



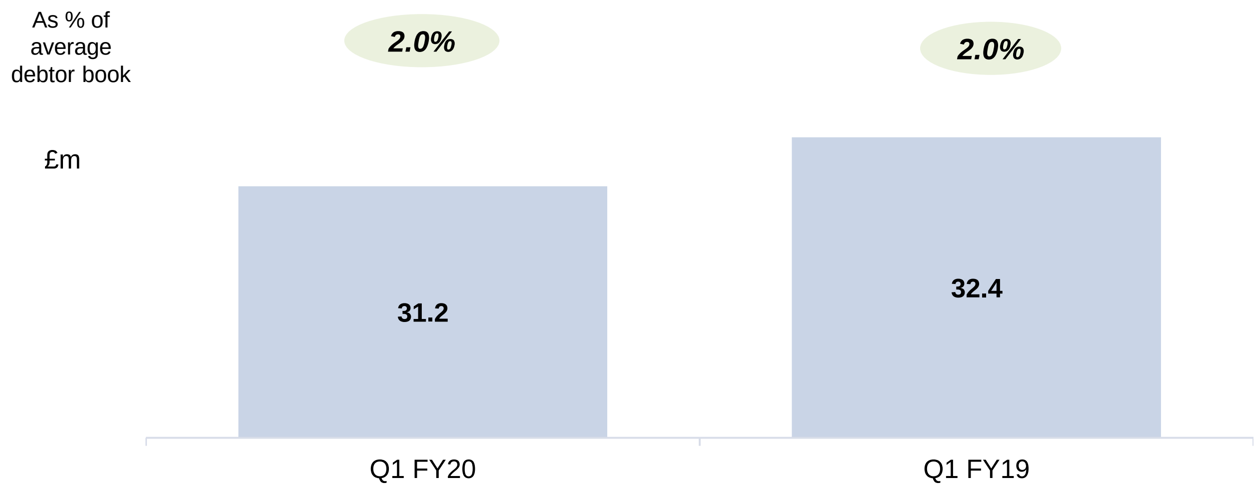
Highlights

- **Gross margin rate** of 40.0% (Q1 FY19: 39.8%) with growth enabled through our integrated retail and financial services model:
  - Retail margin improvement driven by favourable impact of product mix changes and improvement in underlying rate. This was partially offset by the switch to Very from Littlewoods;
  - Financial services margin elements impacted by a decline in warranty volumes and administration fees. This was partly mitigated by performance in interest income

Notes
1. Q1 FY20 is the 3 months ended 30 September 2019. Q1 FY19 is the 3 months ended 30 September 2018

Quality of debtor book maintained

Bad Debt and as % of average debtor book



Highlights

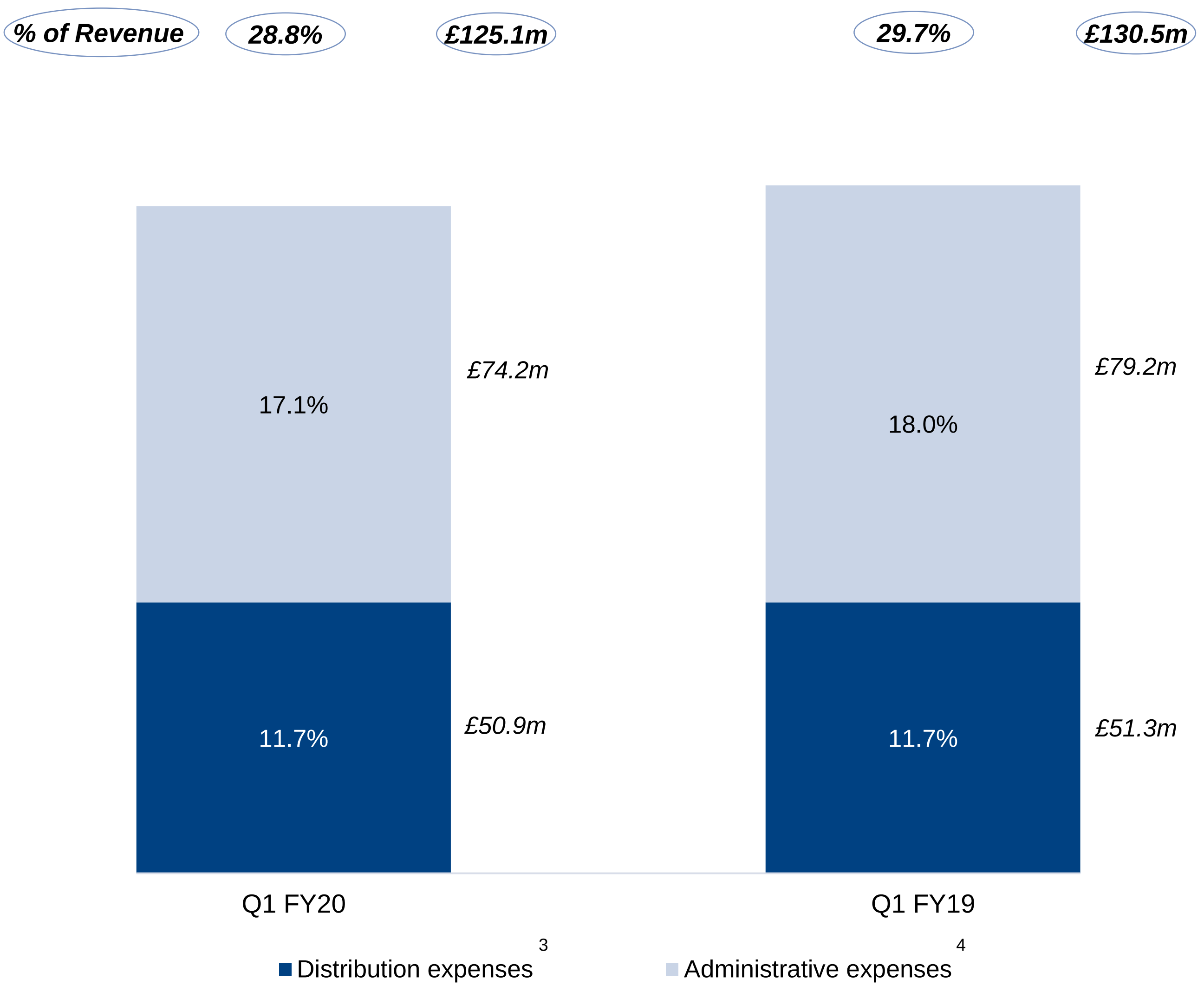
- **Bad debt** as a percentage of the debtor book in line with prior year at 2.0% (Q1 FY19: 2.0%)
- The underlying quality of the debtor book remains in line with prior year with a strong focus on responsible lending and assessment of customer sustainability at both acquisition and during the lifetime of lending, as well as increasing proportion of lower risk Very customers

Notes

1. Q1 FY20 is the 3 months ended 30 September 2019. Q1 FY19 is the 3 months ended 30 September 2018

Cost control continues

Operating costs



Highlights

- Total costs as a percentage of revenue reduced by 0.9%pts to 28.8% reflecting a strong culture of cost control in the business and is significantly lower than 2 years ago (Q1 FY18: 32.7%):
  - **Administrative costs** as a % of revenue decreased by 0.9%pts to 17.1% driven by our cost reduction programmes including head office efficiencies as well as a reduction through adoption of IFRS 16 and the corresponding reclassification of rent expense to interest and depreciation.
  - Excluding the impact of IFRS 16 administrative costs decreased by 0.6%pts to 17.4%;
  - **Distribution costs** as a % of revenue flat to prior year at 11.7% (Q1 FY19: 11.7%)

Notes

1. Q1 FY20 is the 3 months ended 30 September 2019. Q1 FY19 is the 3 months ended 30 September 2018
2. Q1 FY20 reported under IFRS 16. Q1 FY19 reported under IAS 17
3. Distribution expenses comprise distribution and fulfilment costs
4. Administrative expenses comprise marketing, contact centres, head office costs and other operating income, excluding depreciation and amortisation

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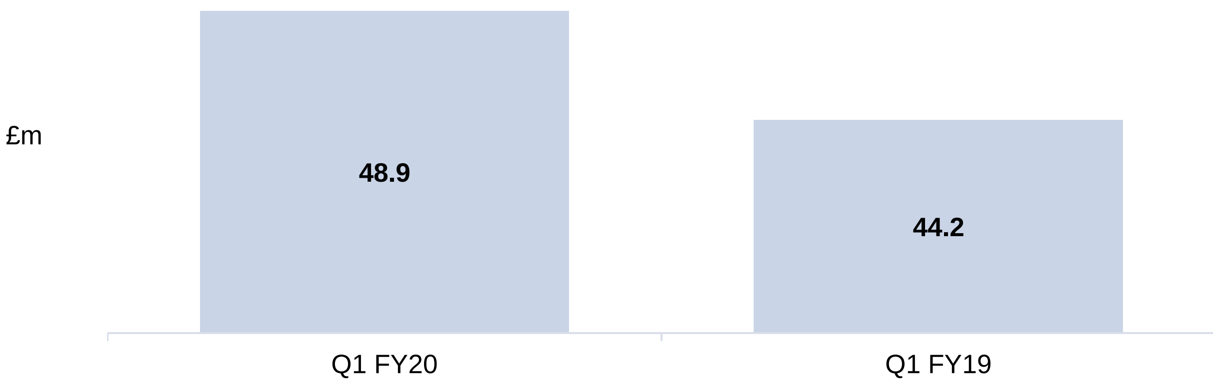
Strong EBITDA growth

Year-on-year Reported EBITDA reconciliation



Highlights

- **Reported EBITDA** increased by 10.6% to £48.9m (Q1 FY19: £44.2m) with Management EBITDA increasing by 14.0% to £51.2m (Q1 FY19: £44.9m)
- Driven by improved gross margin rate, cost control, and the transition to IFRS 16 (£1.9m benefit to EBITDA)

(£ millions)	Q1 FY20 £m	Q1 FY19 £m	Variance %
Reported EBITDA[3]	**48.9**	**44.2**	**10.6 %**
Adjusted for:			
Fair value adjustments to financial instruments	1.4	(1.0)	
Foreign exchange translation movements on trade creditors	0.9	1.7	
IAS19 and IFRIC 14 pension adjustments	-	-	
Management EBITDA[2]	**51.2**	**44.9**	**14.0 %**
Adjusted for:			
Management fee	1.3	1.3	
Securitisation interest	(12.4)	(11.5)	
Adjusted EBITDA post securitisation interest	**40.1**	**34.7**	**15.6 %**

Notes
1. Q1 FY20 is the 3 months ended 30 September 2019. Q1 FY19 is the 3 months ended 30 September 2018
2. Management EBITDA is also defined as "Underlying EBITDA" within Condensed Consolidated Interim Financial Statements.
3. Q1 FY20 reported under IFRS 16. Q1 FY19 reported under IAS 17

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Underlying operating free cash flow remains strong

Cash Flows

(£ millions)	Q1 FY20 £m	Q1 FY19 £m
Adjusted EBITDA (post securitisation interest)	**40.1**	**34.7**
Net working capital movement:		
Movement in inventories	(37.1)	(33.4)
Movement in trade receivables[2]	43.6	32.0
Movement in prepayments and other receivables[2]	(18.0)	(24.6)
Movement in trade and other payables[3]	37.3	(7.4)
Movement in securitisation facility	(45.4)	(27.4)
Net working capital movement (post securitisation funding)	**(19.6)**	**(60.8)**
Pension contributions	-	(5.0)
Underlying operating free cash flow	**20.5**	**(31.1)**
Capital expenditure	(18.3)	(14.0)
Underlying free cash flow	**2.2**	**(45.1)**

Highlights

- **Net working capital movement (post securitisation funding)** driven by:
  - Inventory build ahead of peak trading;
  - Seasonal reduction in debtor book ahead of peak trading with larger inflow this year reflecting increased payment rate;
  - Prepayments and other receivables reflects £5m lower payments in Q1 FY20 associated with the fit out of the new fulfilment centre;
  - Trade and other payables inflow reflects seasonal movements driven by inventory build. This is consistent with the movement typically seen in Q1 but annualises against an unusual movement in Q1 FY19, due to timing of payments last year;
  - Securitisation movement due to seasonal reduction in debtor book
- **Pension** benefit reflects the agreement reached between the Trustees of the Littlewoods Pension Scheme and the Company to suspend contributions totaling £20m from May 2019 until August 2020
- **Acquisition of property, plant, equipment and intangible assets** increase over prior year reflects timing of the business' capital spend, including further investment in our website's capability

Notes

1. Q1 FY20 is the 3 months ended 30 September 2019. Q1 FY19 is the 3 months ended 30 September 2018
2. Shown in aggregate as (Increase)/decrease in trade and other receivables in the Condensed Consolidated Interim Financial Statements.
3. Difference against Condensed Consolidated Interim Financial Statements of £(0.9)m in Q1 FY20 (Q1 FY19: (1.6)m) driven by the exclusion of certain non-cash charges primarily relating to the foreign exchange impact on translation of trade creditors

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Customer redress and funding update

- Balance sheet PPI provision of £174.6m at 30 June 2019
- In the 3 months to 30 September 2019 £32.1m has been paid out
- Balance sheet PPI provision of £142.5m at 30 September 2019
- As announced on 13 and 19 November 2019:
  - On 23 October 2019 Shop Direct announced its intention to raise up to £150 million of additional funding following an unexpected late surge in PPI claims volumes ahead of the 29 August 2019 deadline
  - £150 million committed funding has now been sourced by parent company, Shop Direct Holdings Limited (“SDHL”) and is available to be contributed to Shop Direct Limited (“Shop Direct” and together with its subsidiaries, the “Group”)
  - £75 million has been invested by way of equity injection
  - The Group continues to evaluate alternatives for the remaining £75 million, including both equity and debt financing options, recognising that this capital is not immediately required
  - The Group is able to further benefit from an offer of an underwritten commitment for up to £100 million new notes issued under our securitisation programme, providing an alternative funding option

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Very growth, good margin discipline and strong cost control drive continued EBITDA growth

Q1 FY20[1] Highlights versus prior year

- Very revenue increased 3.5% to £332.0m (Q1 FY19: £320.7m), continuing to perform ahead of online market growth
- Littlewoods revenue reduced 13.2% to £103.0m (Q1 FY19: £118.7m) including (1.5)%pts impact from closure of Littlewoods Clearance – broadly in line with FY19 decline excluding this impact
- Retail sales broadly flat (-0.1%) as continued growth in fashion & sports was offset by a weaker electrical market, impacted by a lack of major new product launches
- Group revenue reduced 1.0% to £435.0m (Q1 FY19: 439.4m), impacted by the closure of the Littlewoods Clearance business and changes to financial services administration fees policy
- Interest income as a percentage of the debtor book increased 0.1%pts to 5.9% (Q1 FY19: 5.8%) driven by Very
- Strong retail gross margin performance ahead of prior year, leading to Group gross margin ahead of prior year at 40.0% (Q1 FY19: 39.8%)
- Bad debt as a percentage of the debtor book flat to prior year at 2.0%. Default rates broadly in line year-on-year
- Reported EBITDA[2] increased by 10.6% to £48.9m (Q1 FY19: £44.2m), with the margin up 1.1%pts to 11.2% reflecting improved gross margin rate, continued strong cost control and transition to IFRS 16. Excluding IFRS 16, Reported EBITDA increased by 6.3%
- Underlying free cash flow[3] of £2.2m (Q1 FY19: £(45.1)m)
- Following the update which was made on the financing process on 13 November 2019, £75 million was invested on 19 November 2019 by way of an equity injection. The remaining £75 million, out of a total funding requirement of £150 million, is fully committed to SDHL and available to the Group for subsequent drawing in accordance with its liquidity requirements. The Group continues to evaluate alternatives for the remaining £75 million, including both equity and debt financing options, recognising that this capital is not immediately required

Notes

1. Q1 FY20 is the 3 months ended 30 September 2019. Q1 FY19 is the 3 months ended 30 September 2018
2. Q1 FY20 reported under IFRS 16. Q1 FY19 reported under IAS 17
3. Underlying free cash flow defined on page 11

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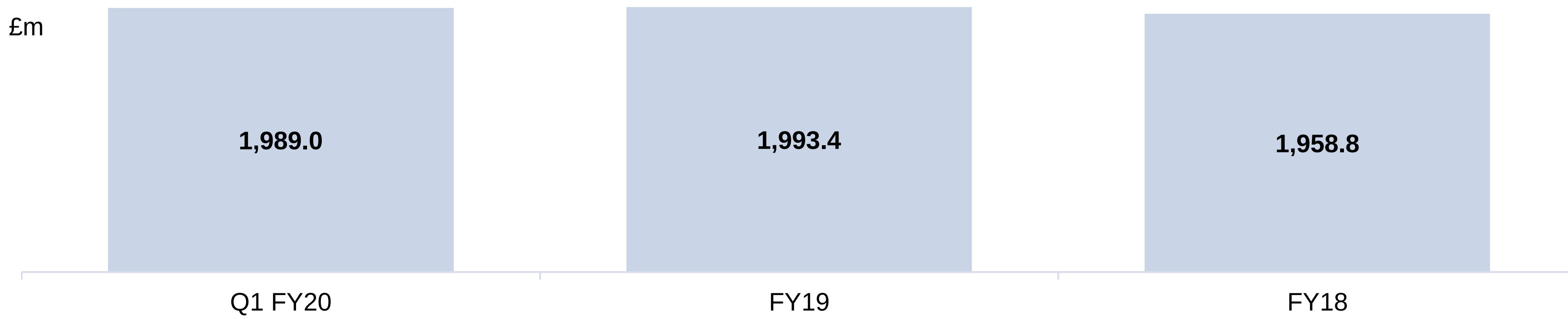
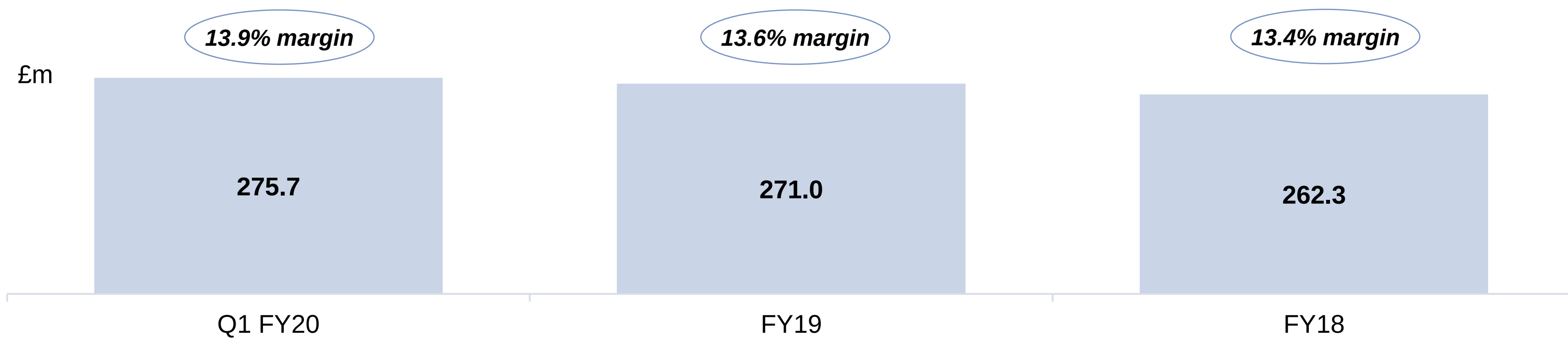
Appendix A: LTM KPIs

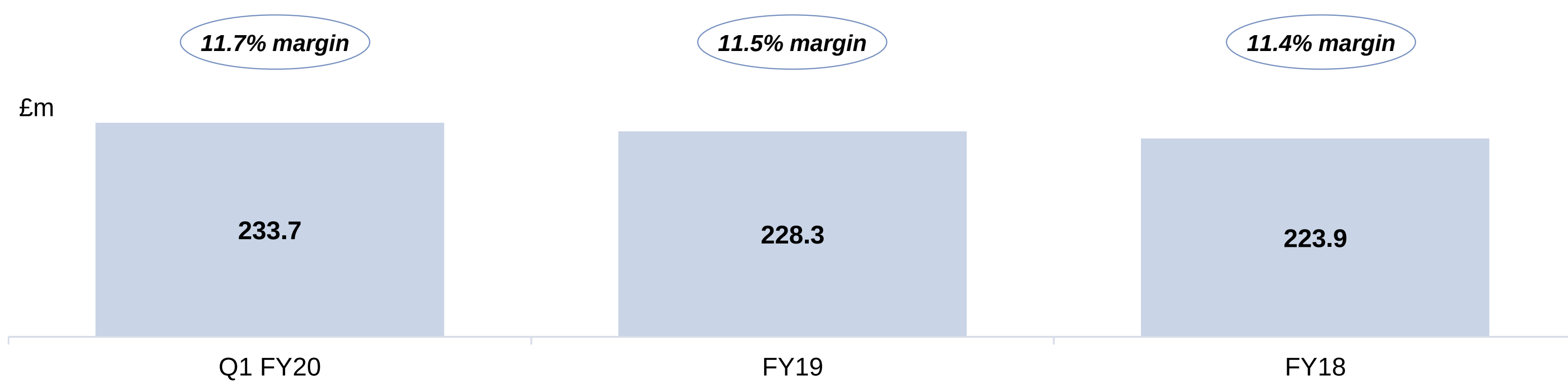
LTM Revenue



LTM Reported EBITDA



LTM Adjusted EBITDA post securitisation interest



Appendix B: Cash Flow Statement

Cash Flow Statement

(£ millions)	Q1 FY20 £m	Q1 FY19 £m
Adjusted EBITDA (post securitisation interest)	**40.1**	**34.7**
Net working capital movement:		
Movement in inventories	(37.1)	(33.4)
Movement in trade receivables[2]	43.6	32.0
Movement in prepayments and other receivables[2]	(18.0)	(24.6)
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Movement in securitisation facility	(45.4)	(27.4)
Net working capital movement (post securitisation funding)	**(19.6)**	**(60.8)**
Pension contributions	-	(5.0)
Underlying operating free cash flow	**20.5**	**(31.1)**
Capital expenditure	(18.3)	(14.0)
Underlying free cash flow	**2.2**	**(45.1)**
Interest paid (excluding securitisation interest)	(2.0)	(1.6)
Income taxes paid	(0.1)	(0.1)
Cash impact of exceptional items (excluding customer redress)	(5.0)	(2.3)
Management fees	(1.3)	(1.3)
Cash paid to the parent company	-	-
(Repayments of) / draw downs from finance leases	(1.3)	(0.4)
Net increase in cash and cash equivalents pre customer redress	**(7.5)**	**(50.8)**
Customer redress payments	(32.1)	(35.4)
Net decrease in cash and cash equivalents	**(39.6)**	**(86.2)**

- **Cash and cash equivalents** decreased by £39.6m in the quarter (Q1 FY19: £86.2m decrease)
- **Underlying free cash flow** £47.3m higher than prior year (Q1 FY19: £45.1m outflow)
- Captions included in underlying free cash flow are explained on page 11
- **Customer redress payments** of £32.1m broadly in line with Q1 of prior year

Notes

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2. Shown in aggregate as (Increase)/decrease in trade and other receivables in the Condensed Consolidated Interim Financial Statements.
3. Difference against Condensed Consolidated Interim Financial Statements of £(0.9)m in Q1 FY20 (Q1 FY19: (1.6)m) driven by the exclusion of certain non-cash charges primarily relating to the foreign exchange impact on translation of trade creditors

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Appendix C: Net Leverage

Net Leverage

(£ millions)	Q1 FY20	Q4 FY19	Q3 FY19	Q2 FY19	Q1 FY19
Cash & Cash Equivalents	**30.2**	**14.8**	**56.9**	**97.9**	**79.3**
Fixed Rate Notes	(550.0)	(550.0)	(550.0)	(550.0)	(550.0)
Revolving Credit Facility	(150.0)	(95.0)	(110.0)	-	(120.0)
Other debt	(10.3)	(10.7)	(10.7)	(6.1)	(12.0)
Total Gross Debt (excluding Securitisation)	**(710.3)**	**(655.7)**	**(670.7)**	**(556.1)**	**(682.0)**
Total Net Debt (excluding securitisation)	**(680.1)**	**(640.9)**	**(613.8)**	**(458.2)**	**(602.7)**
LTM Adjusted EBITDA (post securitisation interest)	**233.7**	**228.3**	**221.2**	**213.5**	**227.5**
Q1 FY20 to Q1 FY19 Net Leverage	**2.9x**	**2.8x**	**2.8x**	**2.1x**	**2.6x**

- £75 million has been invested by way of equity injection in November 2019. As the timing of the cash inflow occurred post quarter end, this is not included in the Q1 FY20 leverage position shown above

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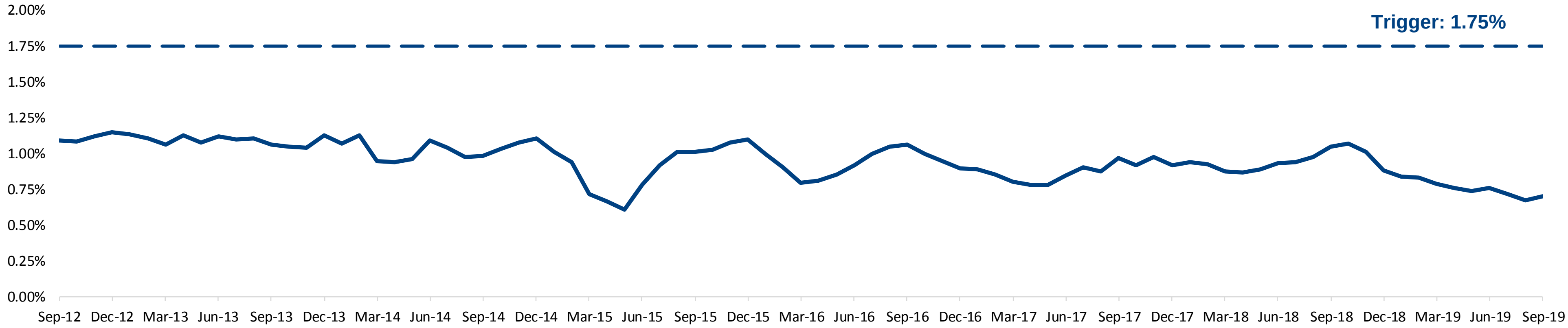
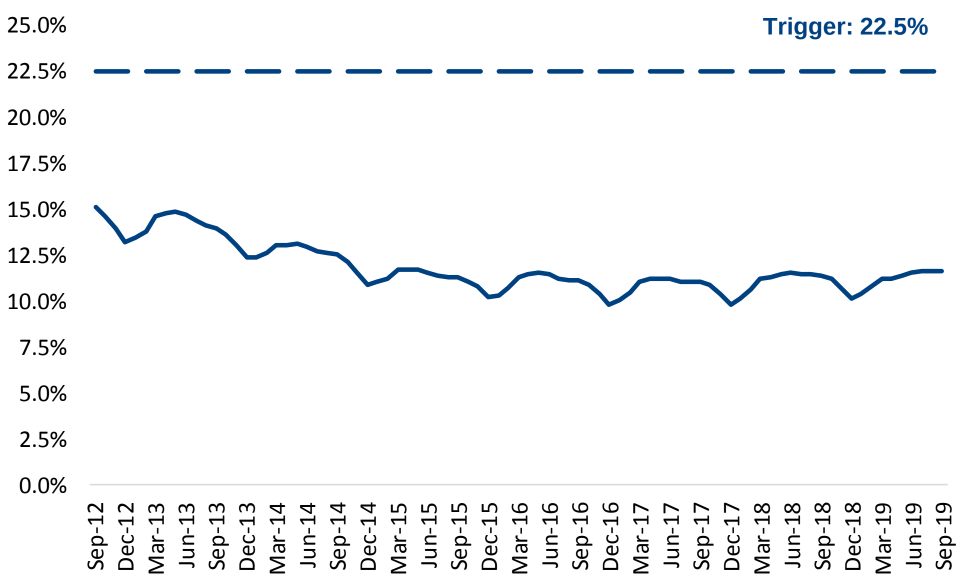
Appendix D: Securitisation Performance Covenants

Key triggers and historical performance – stable performance over economic cycles

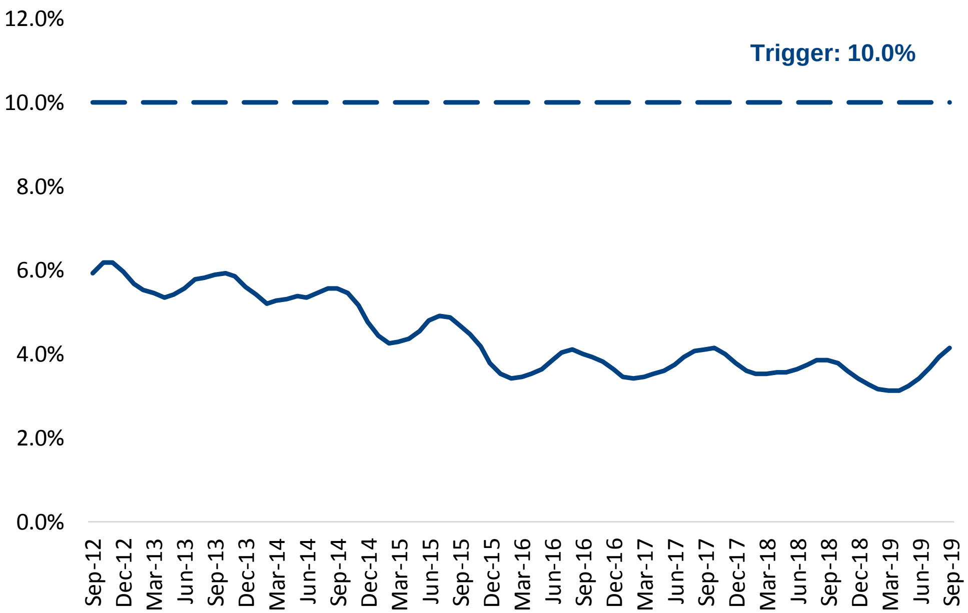
Defaults (3-month moving average)



1-5 months delinquency rates



5+ months delinquency rates



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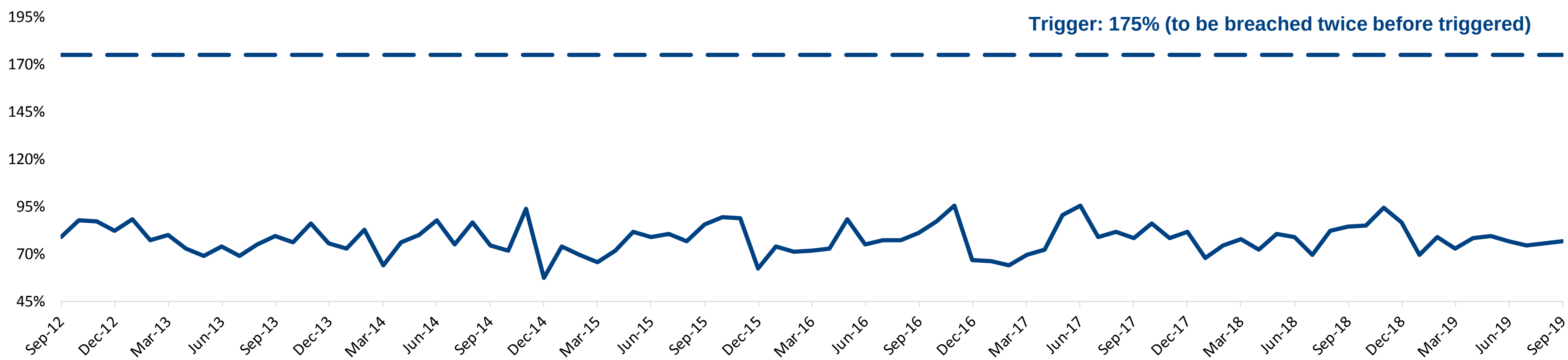
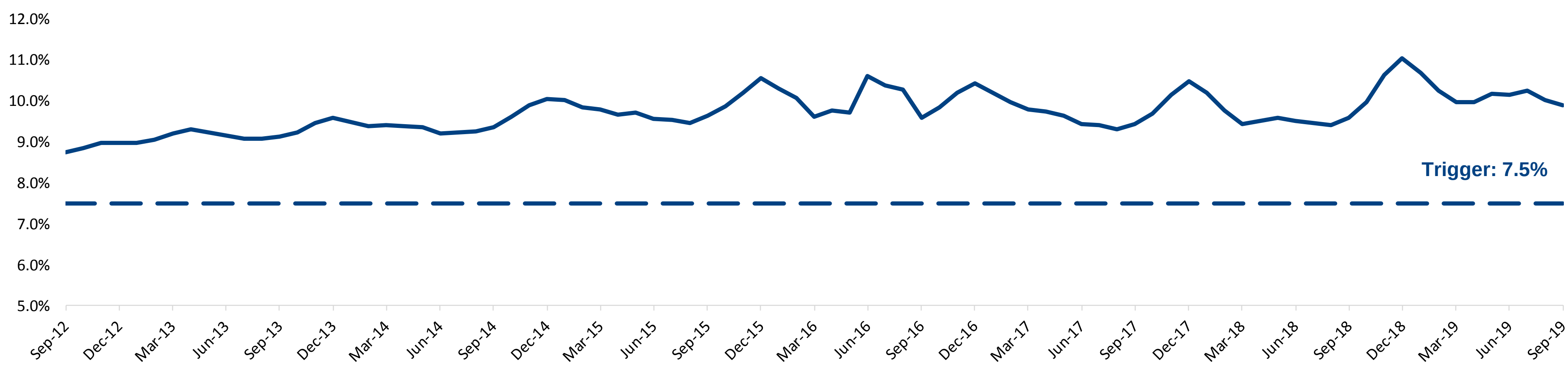
Appendix D: Securitisation Performance Covenants

Key triggers and historical performance – stable performance over economic cycles

Dilutions Ratio



Payment Rate (3-month moving average)



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Appendix E: Balance Sheet

Balance Sheet

	Q1 FY20	Q1 FY19
Non-current assets	**658.7**	**600.9**
Current assets	**2,242.7**	**2,276.5**
of which:		
Inventories	131.3	135.3
Trade receivables [1]	1,330.8	1,345.0
Amounts owed by Group undertakings [1]	518.3	503.8
Cash and bank balances	30.2	79.3
Current liabilities	**(927.8)**	**(869.6)**
of which:		
Trade and other payables	(553.8)	(565.4)
Customer redress provision	(142.5)	(106.0)
Non-current liabilities	**(2,058.8)**	**(1,969.6)**
of which:		
Securitisation borrowings	(1,327.2)	(1,290.0)
Retirement benefit obligations	(56.9)	(67.7)
Total deficit/(equity)	**85.2**	**(38.2)**

Notes

1. Included within Trade and other receivables in Balance Sheet
2. Q1 FY20 reported under IFRS 16. Q1 FY19 reported under IAS 17
3. Pre £75m equity injection in November 2019

Highlights

- **Non-current assets** increase driven by transition to IFRS 16 and recognition of right of use assets, alongside capital investment in strategic projects and increase in the deferred tax asset. This has been partially offset by lower goodwill, a result of the impairment of the Douglas Insurance business in Q4 FY19
- **Inventories** have decreased due to a targeted reduction in inventory cover days
- **Trade receivables** driven by revenue performance and higher customer payment rates
- **Amounts owed by Group undertakings** in line with FY19 year end position at £518.3m, and ahead of Q1 FY19, principally driven by cash payments made to Primevere Limited reflecting additional fit out requirements and technical elements to the development outside of the main contracts
- **Cash and bank balances** reduction driven by customer redress payments. £75 million has been invested by way of equity injection in November 2019. As the timing of the cash inflow occurred post quarter end, this is not included in the Q1 FY20 balance sheet
- **Securitisation borrowings:** The ‘AS’ and ‘AJ’ Notes commitment of £1,325m and the ‘B’ and ‘C’ Notes commitment of £210m expire December 2021, giving a total maximum value of £1,535m. The securitisation borrowings also include £23.9m in relation to the extension of the securitisation programme to include the receivables of Shop Direct Ireland Ltd
- **Retirement benefit obligations** lower than prior year with both defined benefit schemes in technical provisions surplus. The liability reflects voluntary contributions agreed to encourage trustees to move towards buy-out

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