THE VERY GROUP

Q3 FY21 YTD Results | Nine months ended 31 March 2021 | 27 May 2021

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Q3 FY21 YTD highlights

Record quarterly retail sales growth for Very.co.uk in Q3

- Very.co.uk record quarterly retail sales growth in Q3 of 53.8% driven by electrical and home and improvement in fashion & sports, leading to YTD growth of 30.1%. Exceptional Q3 retail sales growth for Littlewoods Ireland of 81.4%, leading to YTD growth of 44.9%
- Group revenue growth of 16.7%
- Underlying EBITDA growth of 16.3% to £213.7m (Q3 FY20 YTD: £183.8m). Reported EBITDA growth of 17.7% to £211.0m (Q3 FY20 YTD: £179.2m)
- Profit before tax growth of 15.3% to £43.8m (Q3 FY20 YTD: £38.0m)
- Financial services business remained robust with continued higher payment rates and default rates below historic trends
- Net debt[1] decreased by £20m against prior year to £608.3m (Q3 FY20: £628.6m) with net leverage reducing to 2.3x (Q3 FY20: 2.8x), after having made £111m of PPI payments in the period. Cash headroom of £93m (Q3 FY20: £78.3m)
- Post quarter end our supply chain finance facility with Greensill has been fully repaid and which leaves remaining supply chain finance balances of under £20m at 26 May 2021
- Our focus remains on earnings, earnings quality and liquidity as we continue to progress our strategic plan

Notes

1. Defined on page 19

THE VERY GROUP

Q3 FY21 YTD financial highlights

+30.1% Very.co.uk retail sales	+16.7% Group revenue
1.59m; +27.4% New customers	£608.3m Net debt (Q3 FY20 YTD: £628.6m)
£213.7m Underlying EBITDA (Q3 FY20 YTD: £183.8m)	£43.8m PBT (Q3 FY20 YTD: £38.0m)

Economic model - consistent focus on drivers of earnings, earnings quality and liquidity

Q3 FY21 YTD v Q3 FY20 YTD performance

Revenue	Gross margin	Return on assets	Costs	Debtor book
+30.1% growth in Very.co.uk retail sales	**Higher** retail gross margin generating 0.5%pts benefit to group margin	**1.2%pts** lower year-on-year bad debt as % of average debtor	**(2.1)%pts** reduction in costs as % of revenue	**+2.7%** growth in average Very debtor

Very.co.uk growth driving significant increase in EBITDA

Q3 FY21 YTD v Q3 FY20 YTD Performance

- **Very.co.uk** revenue growth of 22.1%, driven by strong retail sales at +30.1%. Growth across all categories, led by electrical (+52.2%) and home (+43.4%). FS revenue impacted by higher payment rates, lower administration fees volumes and improvement to credit decisioning, which reduces bad debt
- **Littlewoods** revenue well ahead of guardrails and improvement of 11.8%pts in rate of decline relative to prior year. Driven by electrical and home and includes Littlewoods Ireland retail sales growth of 44.9%
- **Group revenue** increased by 16.7% to £1,778.0m
- **Gross margin** increased by £59m despite decrease in rate to 35.0% (Q3 FY20 YTD: 36.9%). Higher underlying retail margin rates, driven by increase in full price mix across all categories and lower bad debt, have been more than offset by lower financial services revenue and impact on retail margin from lower mix of fashion & sports sales and continued brand switch to Very from Littlewoods
- **Costs as a percentage of group revenue** reduced by 2.1%pts, reflecting ongoing cost programme. Distribution costs of £177.6m (Q3 FY20 YTD: £175.0m) reflect reduction of 1.5%pts as a % of revenue including via benefits from Skygate
- **Underlying EBITDA** increased by 16.3% to £213.7m (Q3 FY20 YTD: £183.8m)

Income Statement

(£ millions)	Q3 FY21 YTD £m	Q3 FY20 YTD £m	Variance %
Very	1,443.6	1,182.6	22.1 %
Littlewoods	344.4	349.9	(1.6)%
Group Revenue	**1,788.0**	**1,532.5**	**16.7 %**
Gross margin	625.4	566.2	10.5 %
% Margin	*35.0%*	*36.9%*	*(1.9)%pts*
Distribution expenses	(177.6)	(175.0)	
Administrative expenses	(238.0)	(214.0)	
Other operating income	1.2	2.0	
Reported EBITDA	**211.0**	**179.2**	**17.7 %**
% Reported EBITDA Margin	*11.8 %*	*11.7 %*	*0.1 %pts*
Operating costs as % of revenue	*(23.2)%*	*(25.3)%*	*2.1 %pts*
Memo: underlying EBITDA			
Underlying EBITDA	**213.7**	**183.8**	**16.3 %**
% underlying EBITDA margin	12.0%	12.0%	-

Notes

1. Q3 FY21 YTD is the 9 months ended 31 March 2021. Q3 FY20 YTD is the 9 months ended 31 March 2020

Retail: Flexible and resilient multi-category model with shifting category mix

Highlights

- Very.co.uk retail revenue increased by 30.1% driven by electrical and home, with The Very Group retail revenue growing by 22.6%. Very.co.uk's retail revenue grew at a record quarterly level of 53.8% in Q3 FY21
- Fashion & sports revenue increased by 4.9% in Q3 YTD and by 19.4% in Q3, which was a material improvement on the 0.6% increase reported in Q2 YTD. Significant step-up in Q3 driven by higher sportswear growth and performance of premium and nightwear departments
- Electrical revenue grew by 52.2%, with all categories posting double digit growth. Standout category was gaming, which grew by 94%, including sales of new Playstation / Xbox consoles. Vision, computing, small domestic appliances and smart tech also grew strongly
- Home grew by 43.4% driven by customers continuing the trend of purchasing from our home improvement, home accessories and garden tools & DIY ranges
- Other categories grew by 9.9% driven by sports equipment and fitness products, as well as cycles

Retail revenue

	Fashion & sports	Electrical	Home	Other categories
Very.co.uk YoY %	+4.9%	+52.2%	+43.4%	+9.9%
Q3 FY21 YTD Mix %	*27%*	*49%*	*14%*	*10%*
Q3 FY20 YTD Mix %	*33%*	*42%*	*13%*	*12%*
The Very Group YoY %	+1.7%	+41.3%	+33.8%	+7.1%

- Other categories include toys, gifts, beauty and leisure

Notes
1. Q3 FY21 YTD is the 9 months ended 31 March 2021. Q3 FY20 YTD is the 9 months ended 31 March 2020

Lower financial services revenue driven by higher customer payments and lower administration fees

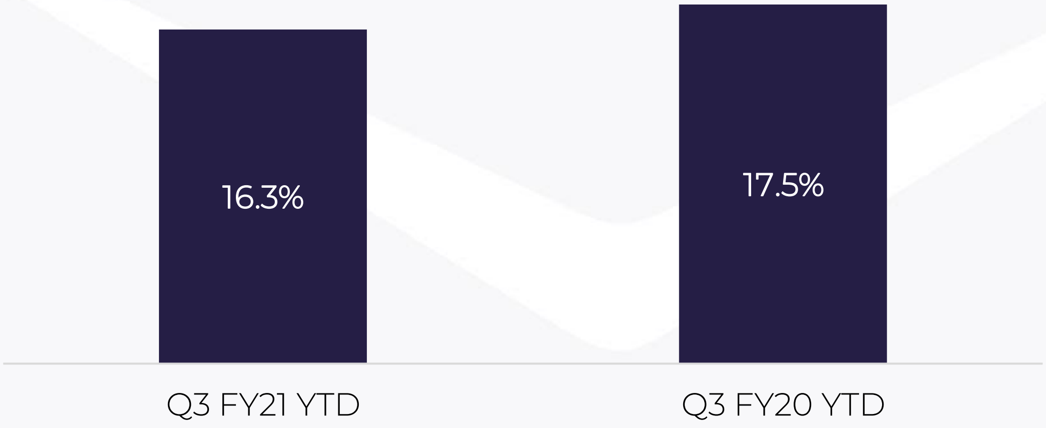
Highlights

- Interest income down 8.4% to £261.1m. The Q3 FY21 rate of decline slowed to 6.1% from a decline of 7.8% in Q2 FY21 and 11.3% in Q1 FY21
- We continue to see impacts from i) a lower average debtor book through higher customer payment rate which has increased by 1.8%pts compared to Q3 FY20 YTD, as a proportion of customers have chosen to pay down outstanding debt following an increase to their disposable income during lockdown periods, and ii) ongoing enhancements to credit decisioning and proactive measures to limit credit increases. Such changes reduce the Group's debtor book and interest income in the short term, whilst driving an improvement in the quality of the book and lower bad debt in the medium and long-term
- Other financial services revenue reduction driven by a lower volume of administration fees charged, reflecting i) the continued availability and use of FCA mandated three-month payment freezes (c. 0.3% of credit accounts at the end of March), ii) an underlying reduction in arrears, and iii) the lower year-on-year average debtor book
- Average debtor book declined 1.6% to £1,606.5m driven by lower financial services revenues and higher customer payment rates
- Very.co.uk average debtor book grew by 2.7%
- As a percentage of the debtor book, interest income decreased by 1.2%pts to 16.3%

Financial Services revenue

	Q3 FY21 YTD £m	Q3 FY20 YTD £m	Variance %
Interest Income	261.1	284.9	(8.4)%
Other	19.9	27.7	(28.2)%
FS revenue	281.0	312.6	(10.1)%

Interest Income as % of average debtor book



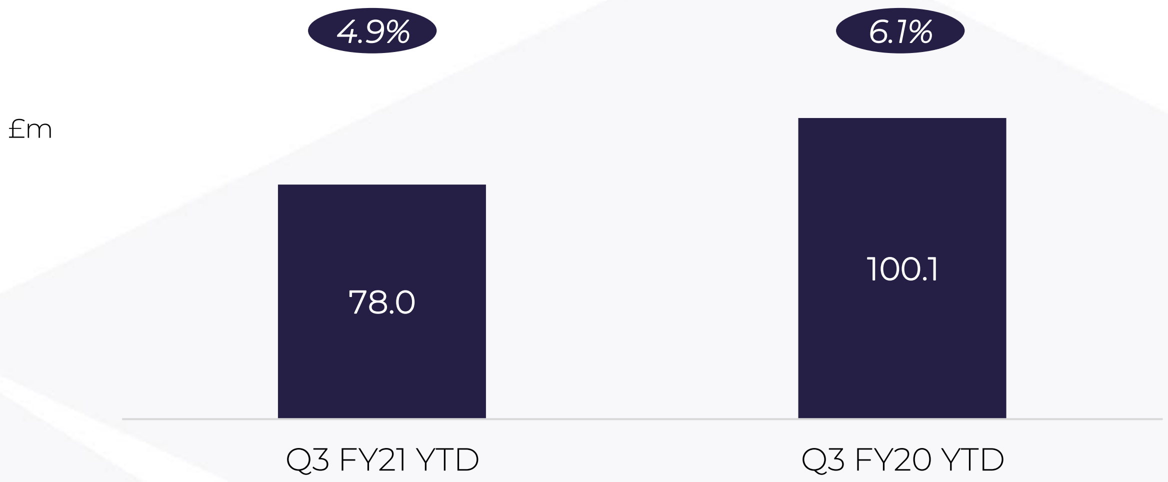
Notes
1. Q3 FY21 YTD is the 9 months ended 31 March 2021. Q3 FY20 YTD is the 9 months ended 31 March 2020

Underlying bad debt continues to improve

Highlights

- Bad debt as a percentage of the debtor book decreased 1.2%pts to 4.9% (Q3 FY20 YTD: 6.1%) reflecting i) continued strong focus on responsible lending and assessment of customer sustainability at both acquisition and during lifetime of lending, ii) a proportion of customers choosing to pay down outstanding debts as a result of higher disposable income during lockdown periods
- Underlying bad debt continues to improve; our best assessment is that the unusually high level of payments is unlikely to continue at the current rate post the release of Covid-19 restrictions as household spending returns to normal and savings rates revert to historic trend
- In line with FCA guidance, credit customers temporarily affected by Covid-19 are permitted two three-month payment freezes. This is accounted for within the bad debt provision as if these customers were not on a freeze and followed a normal bad debt profile
- At the end of Q3, 0.3% of all credit accounts remained on a Covid-19 related payment freeze (vs peak usage of 2.2% during June 2020) and we continue to hold Covid-19 related bad debt provisioning consistent with treatment at FY20 year end. Total bad debt provision in line with rate at the end of FY20
- The combination of the actions which we have taken around financial services income and the underlying reduction which we have seen in bad debt are resulting in a higher quality of earnings with the £22.1m reduction in bad debt partially offsetting the £31.6m reduction in financial services income reported

Bad debt and as % of average debtor book



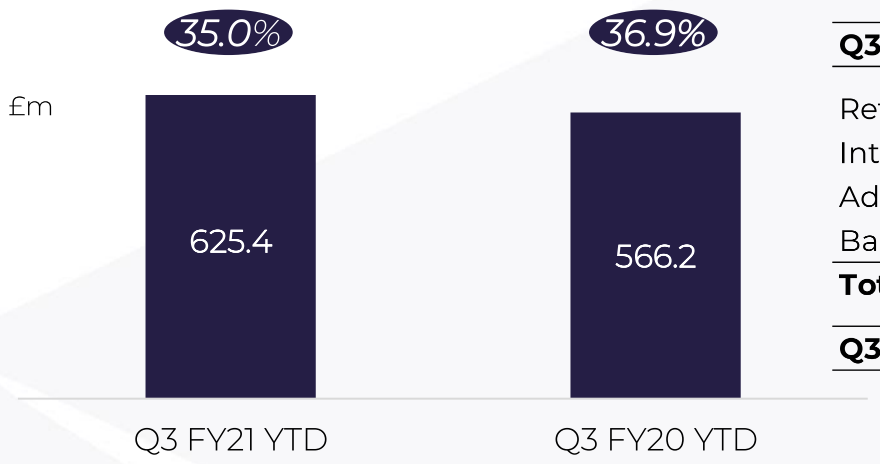
Notes
1. Q3 FY21 YTD is the 9 months ended 31 March 2021. Q3 FY20 YTD is the 9 months ended 31 March 2020

Gross margin impacted by financial services income with underlying retail margin improving

Highlights

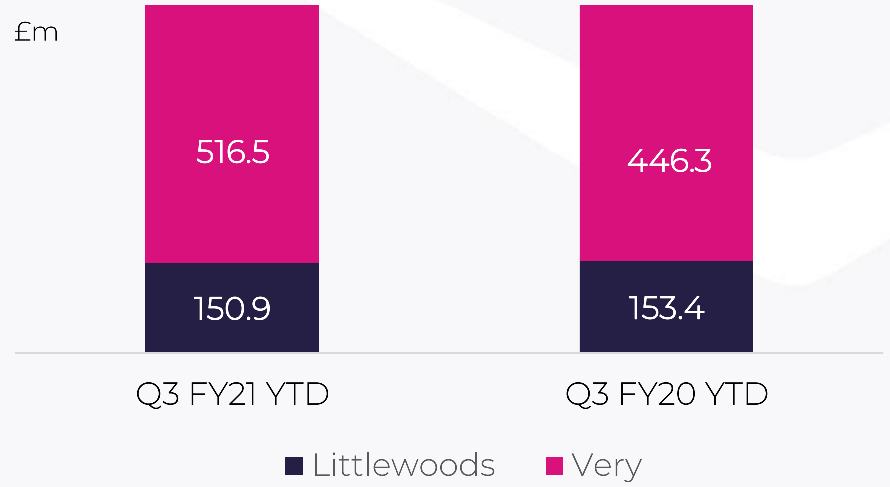
- Gross margin rate of 35.0% behind prior year by 1.9%pts (Q3 FY20 YTD: 36.9%)
- Retail margin rate ahead of prior year driven by an increase in full price mix across all categories. Rate improvement is despite impact from the lower fashion & sports mix and the continued impact of brand switch between Very and Littlewoods
- Financial services margin rate reflects lower interest income as a result of the impacts on the debtor book discussed on page 8, including higher customer payment rates, improvements to credit decisioning, and a reduced volume of administration fees due to a number of customers remaining on the FCA mandated 3 month payment freeze
- The lower bad debt expense that results from higher payment rates, our continued focus on responsible lending, and lower write-offs, helps to mitigate the lower financial services income

Gross margin and gross margin rate



Q3 FY20 YTD GM %	**36.9%**
Retail gross margin	0.5%
Interest income	(3.5)%
Admin fees	(1.0)%
Bad debt	2.1%
Total	**(1.9)%**
Q3 FY21 YTD GM %	**35.0%**

Gross margin by brand[2]

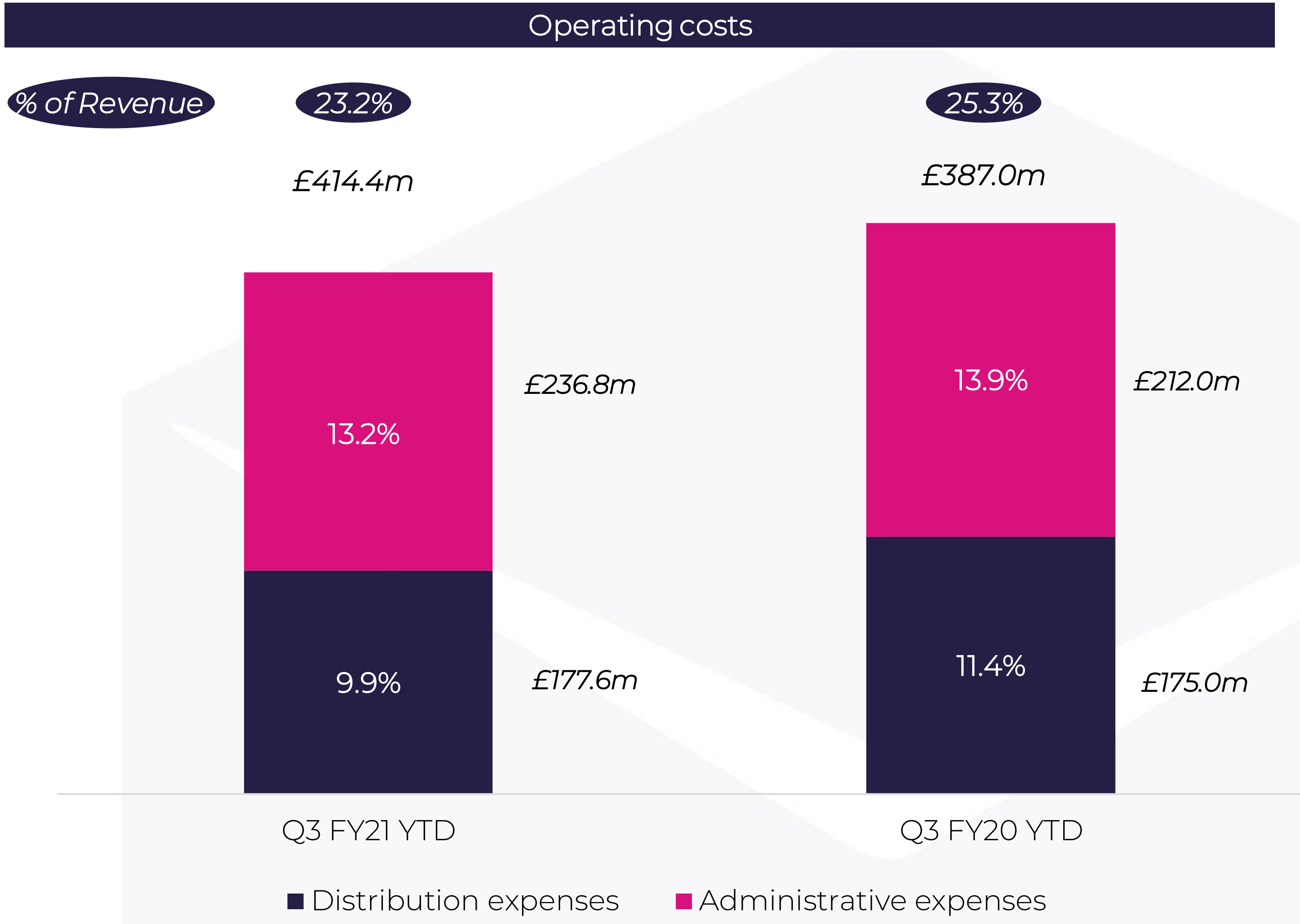


Notes
1. Q3 FY21 YTD is the 9 months ended 31 March 2021. Q3 FY20 YTD is the 9 months ended 31 March 2020
2. Excludes unbranded elements of cost of sales and therefore total does not match first chart on page 6

Cost control continues

Highlights

- Total costs as a percentage of revenue reduced by 2.1%pts to 23.2% reflecting strong culture of cost control
- Administrative costs as a % of revenue decreased by 0.7%pts to 13.2% driven by management of the cost base including marketing efficiencies
- Distribution costs as a % of revenue lower than prior year at 9.9% (Q3 FY20 YTD: 11.4%) as a result of changes in product mix, including lower sales of high returning items such as occasionwear. We are also seeing service and cost benefits from the opening of Skygate, which has been the primary one-person distribution centre since peak period, with the majority of volume processed through this site



Notes

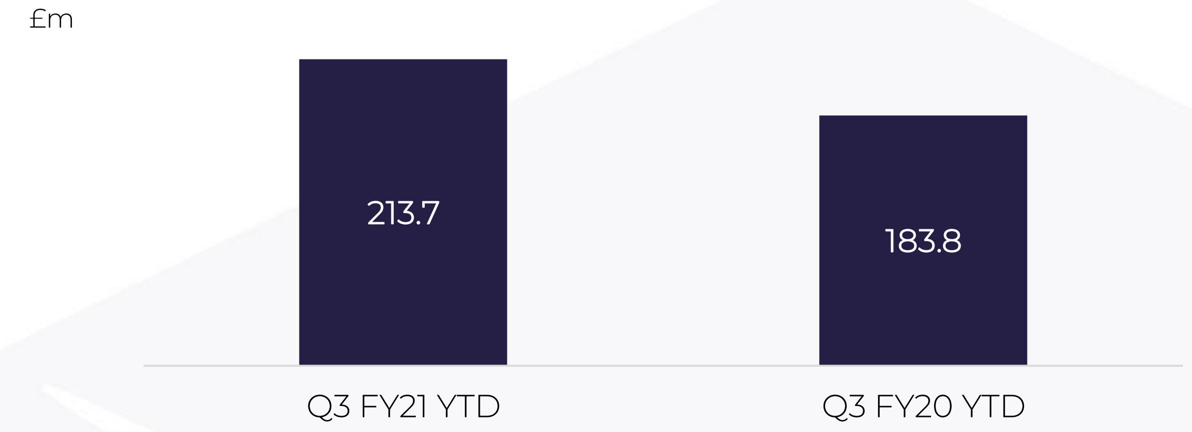
1. Q3 FY21 YTD is the 9 months ended 31 March 2021. Q3 FY20 YTD is the 9 months ended 31 March 2020
2. Distribution expenses comprise distribution and fulfilment costs
3. Administrative expenses comprise marketing, contact centres, head office costs and other operating income, excluding depreciation and amortisation

EBITDA in growth over prior year

Highlights

- **Underlying EBITDA** increased by 16.3% to £213.7m (Q3 FY20 YTD: £183.8m) reflecting revenue growth and cost control, partly offset by lower gross margin rate
- **Adjusted EBITDA post securitisation interest** increased by 21.4% to £181.6m (Q3 FY20 YTD: £149.6m)

Year-on-year Underlying EBITDA reconciliation



(£ millions)	Q3 FY21 YTD £m	Q3 FY20 YTD £m	Variance %
Reported EBITDA	211.0	179.2	17.7 %
Adjusted for:			
Fair value adjustments to financial instruments	4.8	2.3	
Foreign exchange translation movements on trade creditors	(2.7)	0.8	
IAS19 and IFRIC 14 pension adjustments	0.6	1.5	
Management / Underlying EBITDA	213.7	183.8	16.3 %
Adjusted for:			
Impact of IFRS9 adoption		-	
Management fee	3.8	3.8	
Securitisation interest	(35.9)	(38.0)	
Adjusted EBITDA post securitisation interest	181.6	149.6	21.4 %

Notes

1. Q3 FY21 YTD is the 9 months ended 31 March 2021. Q3 FY20 YTD is the 9 months ended 31 March 2020

Continued strong underlying free cash flow

Highlights

- **Strong quarter end liquidity position of £93m headroom**
- **Underlying free cash flow** of £77.4m (Q3 FY20 YTD: £54.9m). **Excluding tax payments deferred from FY20, underlying free cash flow of c. £96m**, c. £41m ahead of prior year, driven by strong EBITDA and working capital focus
- Cash flow achieved even after reducing amounts owed through supply chain finance arrangements from £149m at FY20 year end to £42m at end of March and which have reduced further post quarter end
- **Net working capital movement (post securitisation funding)** driven by:
  - Movement in inventories showing larger outflow in Q3 FY21 YTD driven by lower opening year position than prior year through strong trading in Q4 FY20. Closing Q3 FY21 inventory £11m lower than prior year
  - Movement in trade receivables reflects growth in group debtor book. Larger outflow in Q3 FY21 YTD driven by strong retail revenue growth
  - Trade and other payables movements reflects sales growth partially offset by impact of making c. £19m of tax payments in Q1 FY21, deferred from FY20 under the HMRC time to pay scheme. Further tax payments to unwind of c. £1m in FY21 and £10m in FY22
  - Securitisation movement due to growth in debtor book following strong peak trading
- **Capital expenditure** lower than prior year driven by annualising against specific investments in prior year including within Skygate
- **Cash and bank balances** of £92.5m at Q3 FY21 are £14.2m higher than prior year (Q3 FY20: £78.3m) with net debt down against prior year at £608.3m (Q3 FY20: £628.6m)

Cash flow

(£ millions)	Q3 FY21 YTD £m	Q3 FY20 YTD £m
Adjusted EBITDA (post securitisation interest)	181.6	149.6
Net working capital movement:		
Movement in inventories	(47.3)	(29.9)
Movement in trade receivables[2]	(50.3)	(7.2)
Movement in prepayments and other receivables[2]	(60.3)	(55.6)
Movement in trade and other payables	38.4	(8.1)
Movement in securitisation facility	63.4	70.7
Net working capital movement (post securitisation funding)	(56.1)	(30.1)
Pension contributions	1.3	0.7
Underlying operating free cash flow	126.8	120.2
Capital expenditure	(49.4)	(65.3)
Underlying free cash flow	77.4	54.9

Notes
1. Q3 FY21 YTD is the 9 months ended 31 March 2021. Q3 FY20 YTD is the 9 months ended 31 March 2020
2. Shown in aggregate as (Increase)/decrease in trade and other receivables in the Condensed Consolidated Interim Financial Statements

Customer redress update

- At the end of FY20 we made a provision for PPI based on our best estimate of the future liability and which resulted in a provision of £101.1m at 30 June 2020
- At Q2 we had processed 98% of all PPI claims and made an increase to the provision of £12.9m
- We have now processed all PPI claims and reached a view on the validity of all of them. As a result of higher attachment rates and average redress within this last few percent of claims we have needed to make a further increase to the provision of £14.0m
- In the 9 months to 31 March 2021, £110.8m was paid out against the provision and which leaves a balance sheet provision of £17.2m at 31 March 2021
- The provision is expected to largely unwind through the remainder of FY21

Forward view

Navigating uncertainty with focus on earnings and liquidity

- These results evidence the proven relevance, resilience, and adaptability of The Very Group during the Covid crisis
- However, uncertainties remain around the impact of furlough ending, the continued roll-out of the different vaccines and future category and market landscapes
- At the end of Quarter 3, we began annualising against the first lockdown in Spring 2020 and in the early part of Quarter 4 we have seen the re-opening of non-essential bricks and mortar retail. As a result, we are seeing some moderation in the rate of growth in the online non-food market
- The Group was well prepared for Brexit and has seen no significant operational impact as a result of the new UK-EU trading relationship but we continue to monitor this closely
- Our economic model provides clarity on how we deliver sustainable value creation and leaves the Group well placed to navigate uncertainty
- We are continuing to invest in our platform and into the customer experience
- In 2021 our focus continues to be on earnings, earnings quality and liquidity as we progress our strategic plan

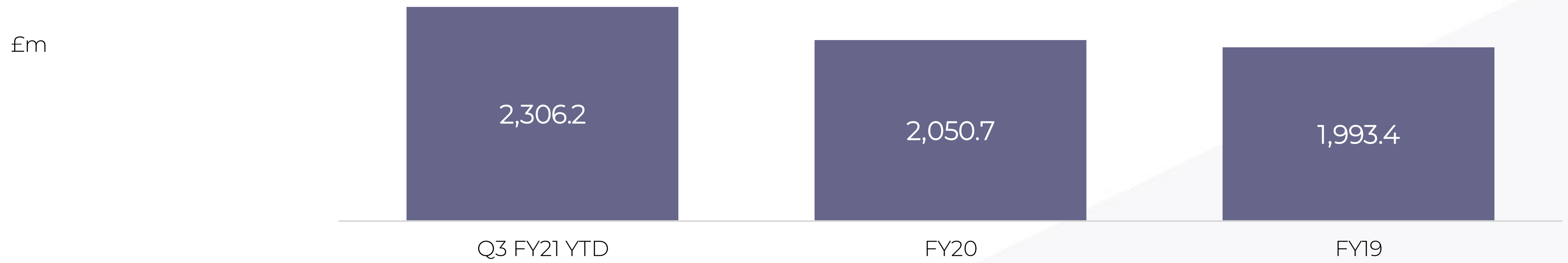
Summary

Flexible, resilient business model with momentum continuing through Q3 FY21 YTD

- Very.co.uk retail sales growth of 30.1% driving group revenue growth of 16.7%
- Record Very.co.uk retail sales growth of 53.8% during Q3
- Quality of financial services revenue continues to improve
- Continued strong cost control
- Business model remains flexible and resilient with strong EBITDA growth despite Covid-19
- Underlying EBITDA of £213.7m, +16.3% vs Q3 FY20 YTD
- Net debt decreased by £20m against prior year to £608.3m (Q3 FY20: £628.6m)
- Some moderation in online retail market growth during Q4 FY21

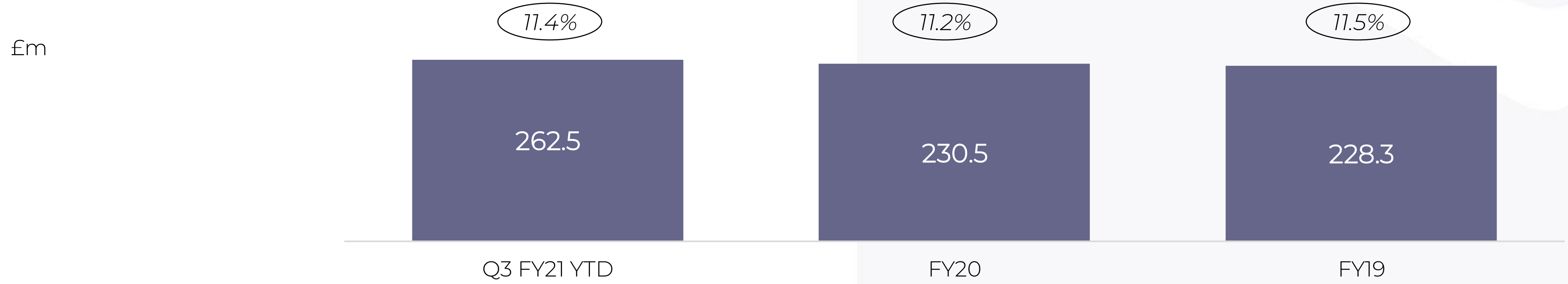
Appendix A: LTM KPIs

LTM Revenue



LTM Reported EBITDA

LTM Adjusted EBITDA post securitisation interest



Appendix B: Cash Flow Statement

(£ millions)	Q3 FY21 YTD £m	Q3 FY20 YTD £m
Adjusted EBITDA (post securitisation interest)	**181.6**	**149.6**
Net working capital movement:		
Movement in inventories	(47.3)	(29.9)
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Net working capital movement (post securitisation funding)	**(56.1)**	**(30.1)**
Pension contributions	1.3	0.7
Underlying operating free cash flow	**126.8**	**120.2**
Capital expenditure	(49.4)	(65.3)
Underlying free cash flow	**77.4**	**54.9**
Interest paid (excluding securitisation interest)	(28.8)	(28.9)
Income taxes (paid) / received	(1.0)	(0.4)
Cash impact of exceptional items (excluding customer redress)	(25.7)	(16.1)
Management fees	(3.8)	(3.8)
Shop Direct Holdings intercompany	(3.7)	-
(Repayments of) / draw downs from finance leases	(17.5)	(7.3)
Share Capital Issued	-	100.0
Net (decrease) / increase in cash and cash equivalents pre customer redress	**(3.1)**	**98.4**
Customer redress payments	(110.8)	(86.8)
Net (decrease) / increase in cash and cash equivalents	**(113.9)**	**11.6**

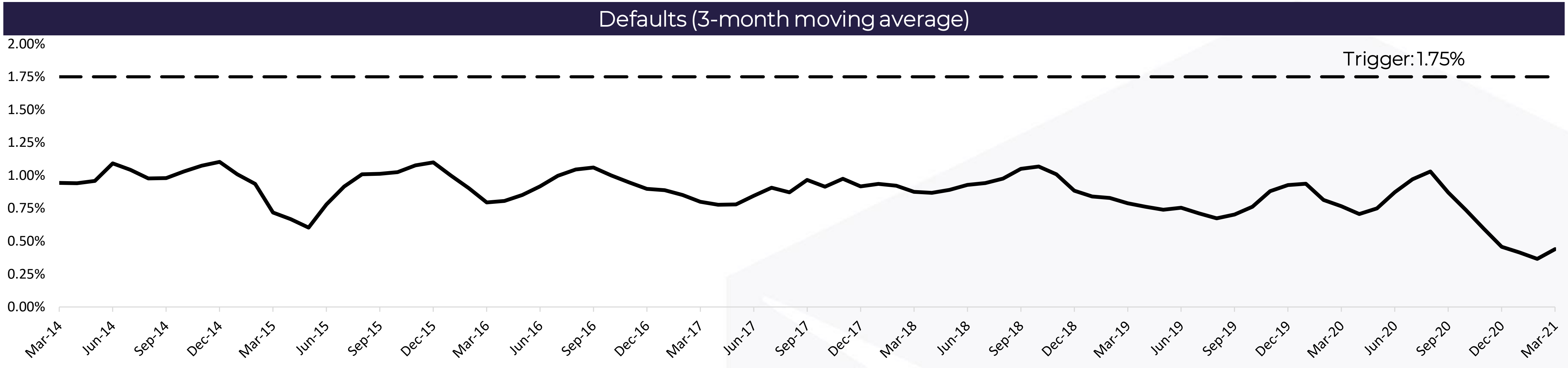
Notes

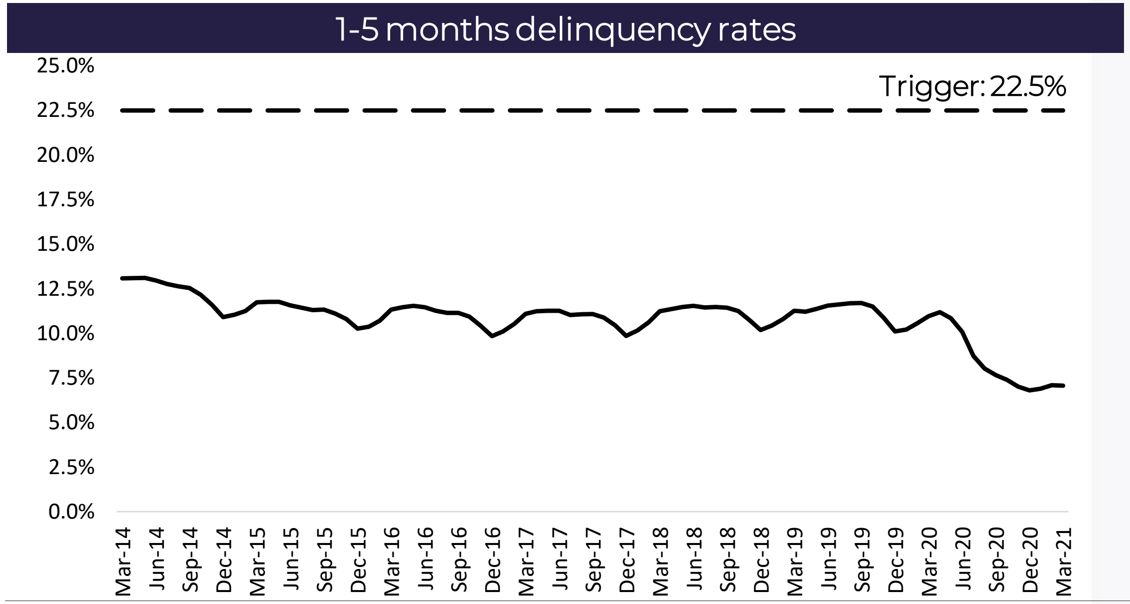
1. Q3 FY21 YTD is the 9 months ended 31 March 2021. Q3 FY20 YTD is the 9 months ended 31 March 2020
2. Shown in aggregate as (Increase)/decrease in trade and other receivables in the Condensed Consolidated Interim Financial Statements
3. Cash flow and liability from RCF drawings are shown net within the above

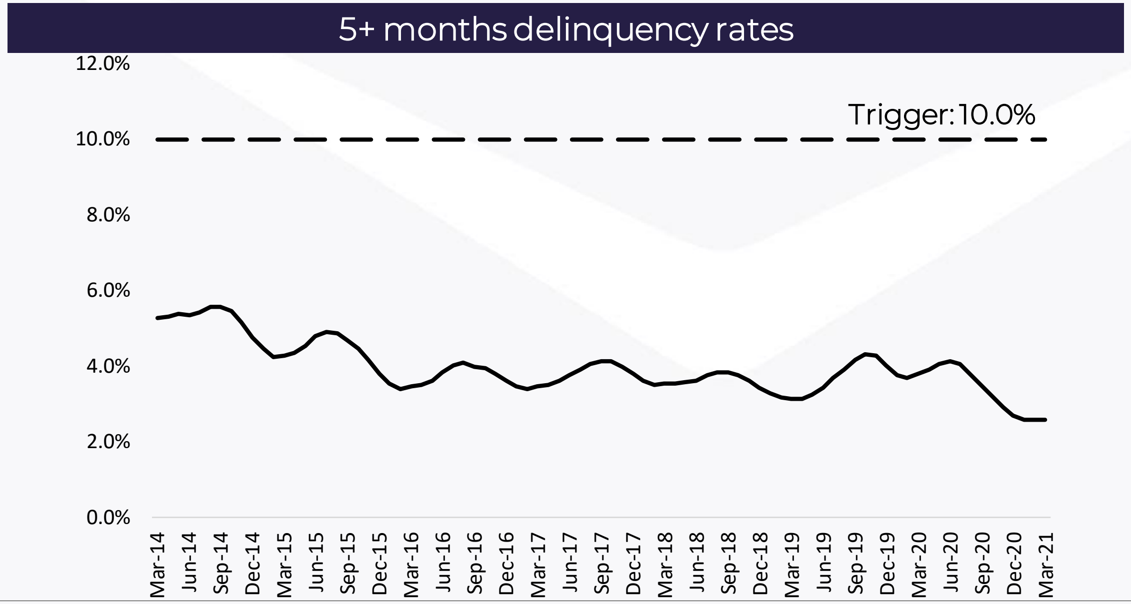
Appendix C: Net Leverage

(£ millions)	Q3 FY21	Q2 FY21	Q1 FY21	Q4 FY20	Q3 FY20
Cash and Bank balances	92.5	55.7	120.5	206.4	78.3
Fixed Rate Notes	(550.0)	(550.0)	(550.0)	(550.0)	(550.0)
Revolving Credit Facility	(150.0)	-	(150.0)	(150.0)	(150.0)
Other debt	(0.8)	(1.1)	(1.6)	(3.1)	(6.9)
Total Gross Debt (excluding Securitisation)	(700.8)	(551.1)	(701.6)	(703.1)	(706.9)
Total Net Debt (excluding securitisation)	(608.3)	(495.4)	(581.1)	(496.7)	(628.6)
LTM Adjusted EBITDA (post securitisation interest)	262.5	247.3	239.4	230.5	227.1
Net Leverage	2.3x	2.0x	2.4x	2.2x	2.8x

Appendix D: Securitisation Performance Covenants

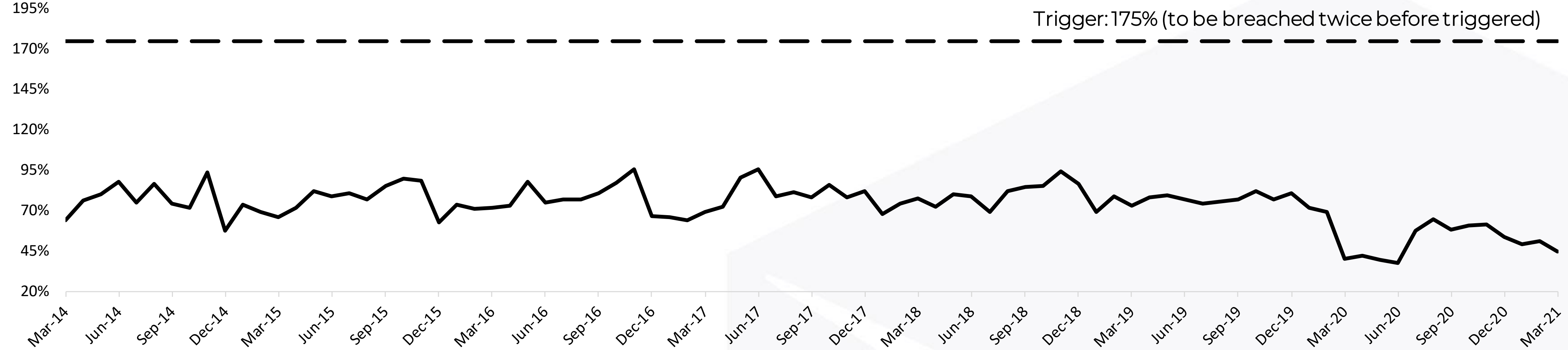




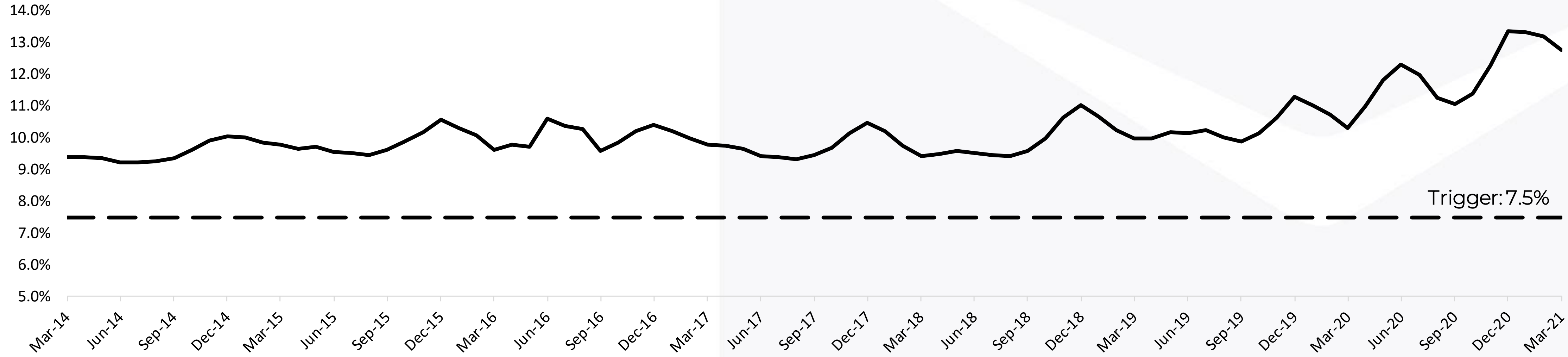


Appendix D: Securitisation Performance Covenants

Dilutions ratio



Payment rate (3-month moving average)



Note

1. Reduction in dilutions ratio at March 2020 due to customers currently being restricted in how they return items during lockdown

Appendix E: Balance Sheet

- Non-current assets increase driven by increase to right of use assets, alongside strategic capital investment and an increase in the deferred tax asset
- Inventories have decreased reflecting a targeted reduction in inventory days and the strong retail sales performance during Q3 FY21 YTD
- Trade receivables driven by revenue performance offset by higher customer payment rates
- Amounts owed by Group undertakings in line with FY20 year end position
- Cash and bank balances of £92.5m, ahead of prior year (Q3 FY20: £78.3m)
- Trade and other payables higher than prior year driven by strong retail sales performance in Q3
- Senior secured notes of £550.0m, at 7.75%, due November 2022
- The securitization facility expires in December 2023 for 'AS' Notes (£1,143.3m), 'AJ' notes (£181.7m), 'B' Notes (£105.0m), 'C1' Notes (£105.0m) and 'C2' Notes (£50.0m). The Group also has access to a €35m commitment in relation to the receivables of Shop Direct Ireland Ltd
- Retirement benefit obligations lower than prior year due to the formal agreement reached in August 2020 which resulted in a remeasurement on retirement benefit obligations before tax of £40.6m through a revised Schedule of Contributions, which allows for a single future contribution of c. £19m payable on or before 31 August 2021
- Non-current lease liabilities increased to £139.8m (Q3 FY20: £115.9m) driven by capitalisation of East Midlands plant and equipment leases

	Q3 FY21	Q3 FY20
Non-current assets	751.8	712.3
Current assets	2,392.1	2,371.6
of which:		
Inventories	112.7	124.1
Trade receivables[1]	1,380.9	1,381.6
Amounts owed by Group undertakings[1]	527.5	517.3
Cash and bank balances	92.5	78.3
Current liabilities	(841.7)	(832.5)
of which:		
Trade and other payables	(586.0)	(503.2)
Secured revolving credit facility	(150.0)	(150.0)
Retirement benefit obligations	(18.7)	-
Customer redress provision	(17.2)	(87.8)
Non-current liabilities	(2,167.3)	(2,206.9)
of which:		
Senior secured notes	(550.0)	(550.0)
Securitisation borrowings	(1,448.8)	(1,443.5)
Retirement benefit obligations	(1.0)	(58.4)
Lease liabilities	(139.8)	(115.9)
Total equity	(134.9)	(44.5)

Notes
1. Included within Trade and other receivables in Balance Sheet

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