THE VERY GROUP

RECORD-BREAKING GROWTH

FY21 results
12 months ended 30 June 2021
19 October 2021

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AGENDA

1. Performance overview

2. Financial review

3. Forward view

4. Q&A

Presenters

Henry Birch
Group CEO

Ben Fletcher
Group CFO

OUR MISSION IS...

To make good things easily accessible to more people

Scale and Leadership
A retail-led consumer platform generating £2bn+ revenues

Compelling customer proposition
Multi-category curation of 2,000 brands integrated with Very Pay, the UK's most extensive flexible payments platform

Superior economics
Dual income streams with high barriers to entry and quality and resilience of earnings

PERFORMANCE OVERVIEW

OVERVIEW

Our online-only, multi-category model has proven flexible and resilient in the face of rapidly changing consumer behaviour, delivering record revenue and strong profit growth in FY21.

Annual sales £2.3 billion; FY21 profit before tax of £81.7m

Completed £575m debt refinancing, lowered cost of debt and secured financing until 2026

Expanded our offering and now sell over 2,000 brands to nearly 5 million customers

Skygate operational for the full year, leading to increased operational efficiency, reducing labour cost per unit by 60%

FY2021 FINANCIAL HIGHLIGHTS

Our business model is delivering strong growth across all key financial metrics.

+18.2%

Very.co.uk revenue[1]
(+16.4% after adjusting for week 53)

+13.0%

Group revenue
(+11.3% after adjusting for week 53)

+7.6%

New customers

£300.5m

Underlying EBITDA
(FY20: £264.4m)

£158.4m

Underlying free cash flow
(FY20: £241.5m)

£81.7m

PBT (FY20: £48.4m)

1. FY21 was a 53 week period whereas FY20 was a 52 week period. Unless otherwise state, all figures include the extra week in FY21.

FY21 PROGRESS

Despite the challenges of Covid-19, we successfully delivered a range of strategic initiatives, improved the experience for our customers and strengthened our competitive advantages.

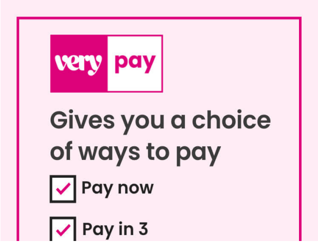
Make good things

- 70 new beauty brands, including Benefit
- Expanded Nike and Adidas relationships
- 40 new home brands; key pandemic category
- PS5 and X Box Series X became fastest selling products ever

easily accessible

- Chatbot became largest customer service channel
- Increased next day order cut off from 7pm to 10pm
- Used AI to give tailored product recommendations
- Built a new customer forensic data capability to provide more relevant, timely and personalised digital experiences

to more people



- Launched soft search for customers to check credit eligibility before applying
- Made tech changes to provide monthly statements
- Supported customers with payment freezes during the pandemic in line with FCA mandates

FINANCIAL REVIEW

STRONG REVENUE GROWTH & COST CONTROL

Financial results reflect relevance and resilience of our business model.

very

FY21 vs FY20 performance

Revenue

18.2% to £1,878.4m

(+16.4% after adjusting for week 53)

- Strong growth across all categories
- Exceptional sales growth in electricals

Littlewoods

Revenue

(4.8%) to £438.7m

(6.1)% after adjusting for week 53)

- Continued profitability whilst successfully managing decline
- Strong performance from Littlewoods Ireland, retail sales growing at 20.3%

THE VERY GROUP

FY21 vs FY20 performance

Revenue

13.0% to £2,317.1m

(+11.3% after adjusting for week 53)

- Top line growth delivers record revenue

Gross margin rate

36.5%

- Stable gross margin driven by increase in full price mix and lower bad debt, offset by lower contribution from Very Pay

Costs as % of revenue

26.7%

- Flat YoY - maintained focus on cost efficiency with Skygate delivering FY benefits

Underlying EBITDA

13.7% to £300.5m

- Improved retail margin helped to deliver growth in EBITDA margin

SHAREHOLDER VALUE MODEL

We have a consistent focus on the drivers of earnings, earnings quality and liquidity.

FY21 vs FY20 performance

Revenue

+18.2%

growth in Very revenue

(16.4% when adjusting for week 53)

Gross margin

36.5%

retail gross margin flat YoY

Return on assets

2.1%

lower year-on-year bad debt as % of average debtor book

Costs

26.7%

costs as % of revenue remained stable

Debtor book

3.3%

increase in Very.co.uk average debtor book with focus on improved quality

RETAIL

Flexible and resilient multi-category model with shifting category mix in final quarter.

- Very.co.uk retail revenue grew by 24.9% driven by electrical and home, The Very Group retail revenue grew by 18.3%
- Electrical performed exceptionally well with group sales up 29.8%; PS5 and Xbox Series X became our fastest selling products ever
- Home also performed strongly with sales up 20.4%; new brands included Char-broil, Einhell, Cox & Cox, Tutti Bambini and Cybex
- Fashion and sports were up 8.0% as we expanded our relationship with Adidas and Nike following the launch of our flexible fulfilment model
- Developing categories were up 3.5% with beauty performing well with launch of 70 new brands

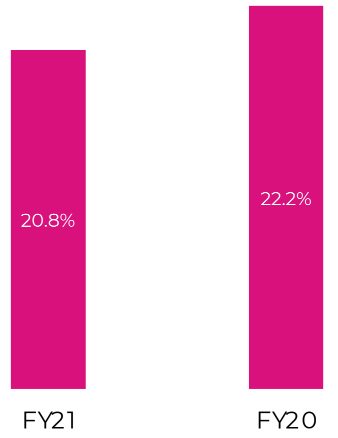
Retail revenue

	Fashion and sports	Electrical	Home	Developing categories (including toys and beauty)
Very.co.uk YoY	**+11.6%**	**+38.9%**	**+26.7%**	**+6.9%**
Group FY21 mix	30%	44%	16%	10%
Group FY20 mix	34%	40%	14%	12%
Group YoY	+8.0%	+29.8%	+20.4%	+3.5%

VERY PAY PLATFORM

Flexible ways to pay help our customers access the brands they love.

Interest Income as % of average debtor book



Very Pay Platform income

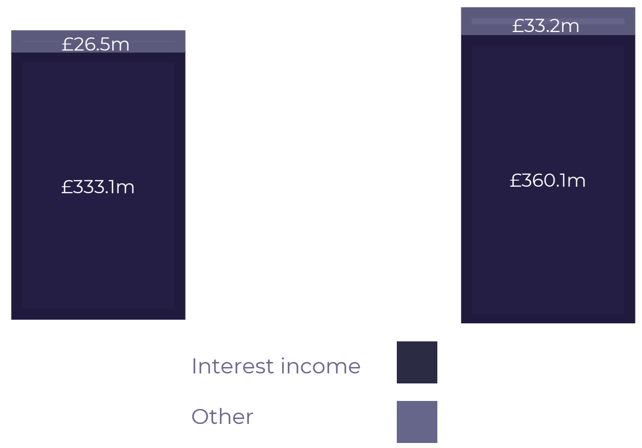
FY21 VPP revenue

£359.6m

(-8.5% after adjusting for week 53)

FY20 VPP revenue

£393.3m



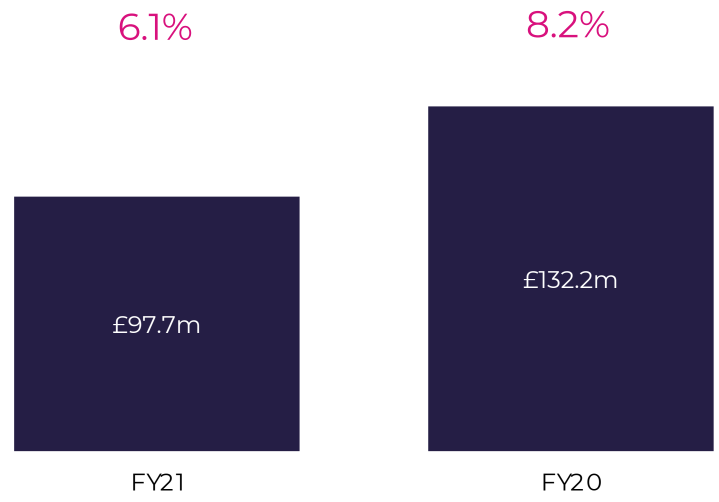
- Interest income decreased by £27.0m to £333.1m, offset by reduction in bad debt of £34.7m. This reflects an improvement in quality of earnings
- Higher customer payment rate, driven by customers having more disposable income as a result of Covid-19 lockdowns, resulted in:
    - Average Very Group debtor book decline of 1.1% to £1,604.3m
    - Interest income as a percentage of the average debtor book decreasing by 1.4% pts to 20.8%
- Payment rate expected to normalise over the next 12 months as household spending reverts to pre-pandemic trends
- Very.co.uk debtor book growth of 3.3%
- Other Very Pay Platform revenue lower due to reduction in volume of administration fees charged as a result of:
    - Changes in our policy to align with FCA responsible lending guidelines
    - FCA mandated three-month payment freezes

BAD DEBT

Focus on improving quality of earnings through significant reduction in bad debt.

- Bad debt as a percentage of the debtor book decreased 2.1% pts to £97.7m
- Continued focus on responsible lending and proactive measures to limit credit increases
- FY20 also included £8.4m exceptional bad debt relating to Covid-19
- We expect the unusually high payment rate, driven by households having greater levels of disposable income, is unlikely to continue as relaxation of Covid-19 restrictions leads to a reduction in savings rate
- As per FCA guidance, customers are permitted two Covid-19 related three-month payment freezes which are treated as those not on a freeze.
- At year end, there was £3.8m of balances on freeze, representing 0.24% of the debtor book
- £34.7m reduction in bad debt has offset £33.5m reduction in Very Pay Platform income

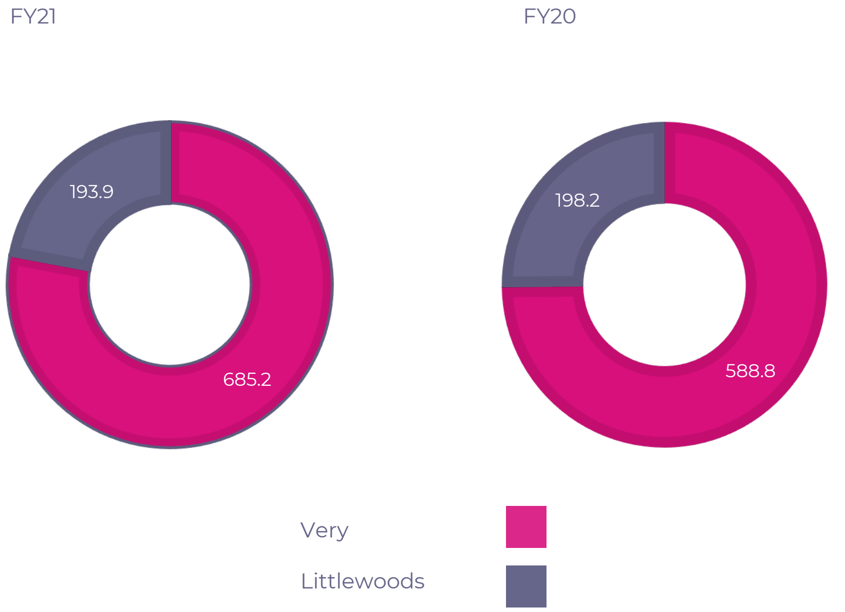
Bad debt as a % of average debtor book (£m)



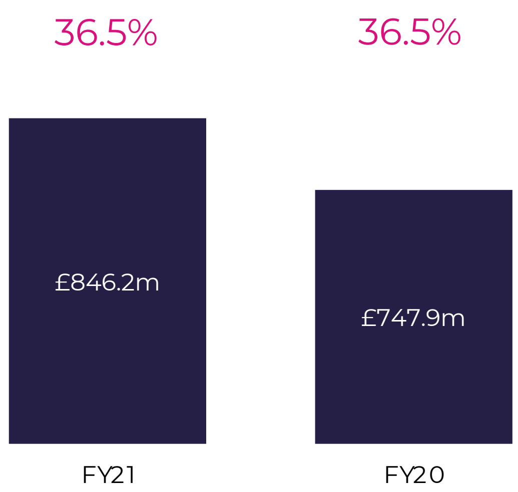
GROSS MARGIN

Very.co.uk gross margin up £100m year on year.

Gross margin by brand (£m)



Group gross margin (£m) and gross margin rate



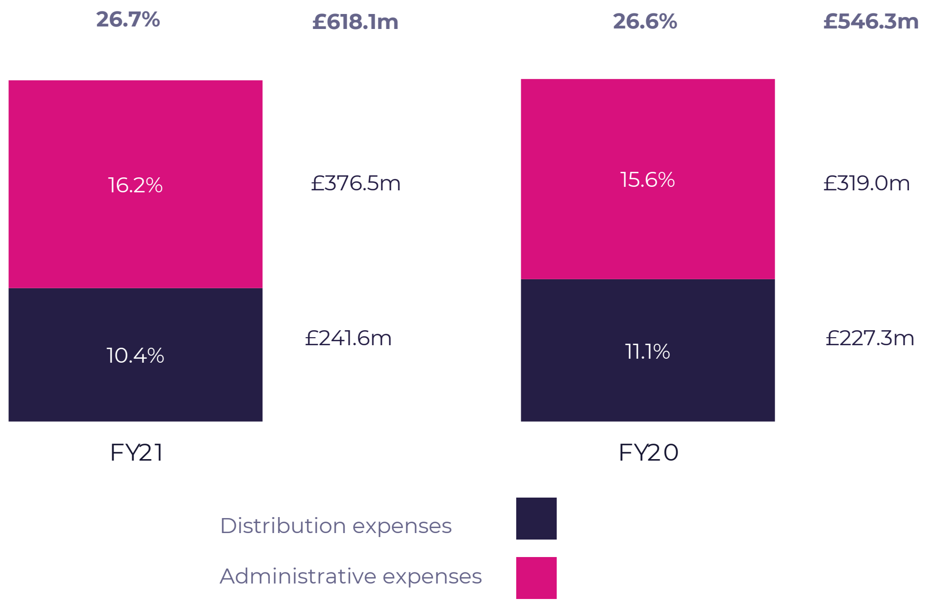
- Strong gross margin growth at our lead brand Very.co.uk
- Gross margin rate flat YoY at 36.5%
- Retail margin rate improved by 0.7%
- Very Pay Platform margin rate reduced due to lower interest income, warranty volume and administration fee charges
- Lower bad debt expense helps to mitigate the lower Very Pay income

COST CONTROL

Continued focus on cost control with benefit of Skygate distribution centre being seen through reduced distribution costs.

- Total costs as a percentage of revenue were flat YoY at 26.7% (FY20: 26.6%)
- Administrative costs as a percentage of revenue increased by 0.7% to 16.2%
- Relative increase in admin costs due to:
  - Lower costs base in 2020 stemming from covid-related controls
  - Provision for higher bonus payments following exceptional performance this year
  - Increase in volume-related costs including marketing expenses leading to strong revenue growth
- Compared to FY19, FY21 costs as a percentage of revenue were down
- Distribution costs as a % of retail sales decreased 0.7% reflecting the benefit of Skygate

Operating costs as % of revenue (£m)



UNDERLYING EBITDA

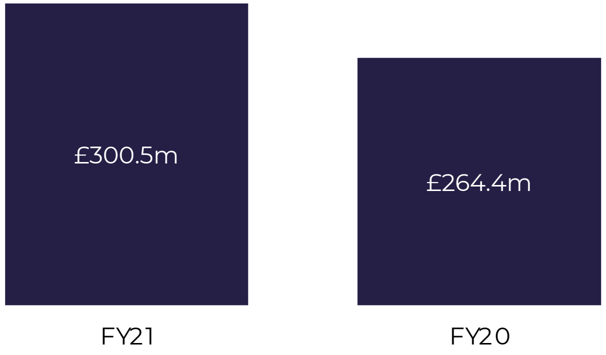
Volume growth and cost control driving EBITDA growth.

- Underlying EBITDA increased 13.7% to £300.5m reflecting volume growth combined with continued cost control
- Adjusted EBITDA post securitisation interest increased by 11.3% to £256.5m

Year-on-year underlying EBITDA reconciliation

(£ millions)	FY21 £m	FY20 £m	
Reported EBITDA	300.3	259.1	15.9%
Adjusted for			
Fair value adjustments to financial instruments	3.1	2.3	
Foreign exchange translation movements on trade creditors	(3.1)	(0.2)	
IAS19 and IFRIC14 pension adjustments	0.2	3.2	
Management / underlying EBITDA	300.5	264.4	13.7%
Adjusted for			
Management fees	5.0	5.0	
Covid-19 costs	-	12.4	
Securitisation interest	(49.0)	(51.3)	
Adjusted EBITDA post securitisation interest	256.5	230.5	11.3%

Underlying EBITDA



UNDERLYING FREE CASHFLOW

Maintained high levels of cash generation despite impact of one-off items.

£158.4m

FY21 underlying free cashflow

Cash flow

(£ millions)	FY21 £m	FY20 £m
Adjusted EBITDA (post securitisation interest)	**256.5**	**230.5**
Net working capital movement:		
Movement in inventories	(36.8)	28.8
Movement in trade receivables	16.7	31.4
Movement in payments and other receivables	(17.7)	(12.3)
Movement in trade and other payables	22.2	24.0
Movement in securitisation facility	3.8	12.8
Net working capital (post securitisation funding)	**(11.8)**	**84.7**
Pension contributions	0.3	0.4
Fair value adjustment to financial instruments	(0.1)	-
Underlying operating cashflow	**244.9**	**315.6**
Capital expenditure - cash	(72.5)	(74.1)
Capital expenditure - balance sheet adjustment[1]	(14.0)	-
Total Capital Expenditure	**(86.5)**	**(74.1)**
Underlying free cashflow	**158.4**	**241.5**

- The company generated strong underlying free cash flow of £158.4m
- Free cash flow was impacted by a number of one-off items including:
  - £53m outflow in respect of our decision to materially reduce the use of supply chain financing
  - £119.4m of PPI expenses
  - £36.8m increase in closing stock position, following unusually low opening stock levels during the height of the pandemic.
- Receivables lower as increased customer payment rates reduced the size of the debtor book
- After adjusting for these items, the business generated adjusted free cash flow of £367.6m

1. Capital expenditure – balance sheet adjustment relates to the transfer of Primevere assets)

LITTLEWOODS PENSION SCHEME

Expected pension contribution reduced from £18.7m to £9.4m

We have previously advised that we expected to make a contribution of £18.7m on or before 31 August 2021

On 8 July 2020 the Group completed a second buy-in of the Scheme which covered virtually all member liabilities.

On 19 August 2020 formal agreement was reached between the Group and the Trustees of The Littlewoods Pensions Scheme ("Scheme") with regards to future Company Scheme contribution obligations.

This has been documented in a further revised Schedule of Contributions on 15 June 2021 , which allows for a single future contribution of £9.4m payable on or before 31 January 2022.

FORWARD VIEW

FORWARD VIEW

Pandemic has increased pre-existing trends towards convenience, flexibility and choice; customers value our offer and we are focussed on five key priorities to drive continued growth.

Focus on growing earnings, controlling cost and improving quality of earnings

Build brand loyalty through enhancing our marketing capability and mix

Our flexible and diverse supply chain and our strong supplier contracts mean we are well positioned to manage ongoing challenges

Invest in continually improving the customer experience

We expect to see continued volatility in customer demand, but our multi-category model and structural shift to online make us resilient

Q&A


APPENDICES

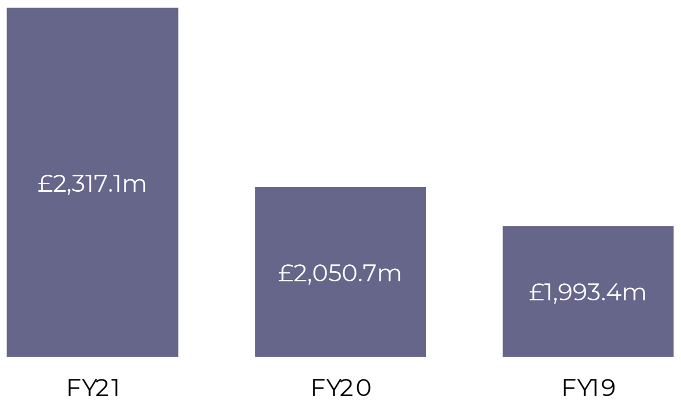
APPENDIX A: INCOME STATEMENT

Income statement

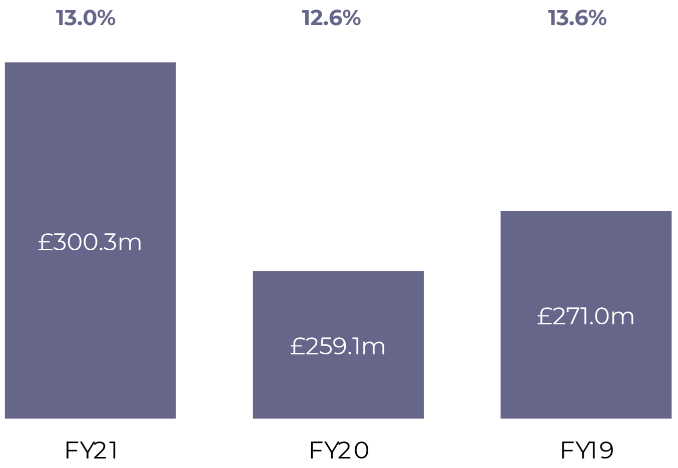
(£ millions)	FY21 £m	FY20 £m	Variance %
Very	1,878.4	1,589.8	18.2%
Littlewoods	438.7	460.9	(4.8)%
Group revenue	2,317.1	2,050.7	13.0%
Gross margin	846.2	747.9	13.1%
% margin	*36.5%*	*36.5%*	
Distribution expenses	(241.6)	(227.3)	(6.3)%
Administrative expenses	(376.5)	(319.0)	(18.0)%
Other operating income	1.8	2.2	(18.2)%
Pre-exceptional Reported EBITDA	300.3	259.1	15.9%
% reported EBITDA margin	*13.0%*	*12.6%*	
Operating costs as % of revenue	*26.7%*	*26.6%*	
Pre-exceptional Underlying EBITDA	300.5	264.4	13.7%
% underlying EBITDA	13.0%	12.9%	

APPENDIX B: LTM KPIs

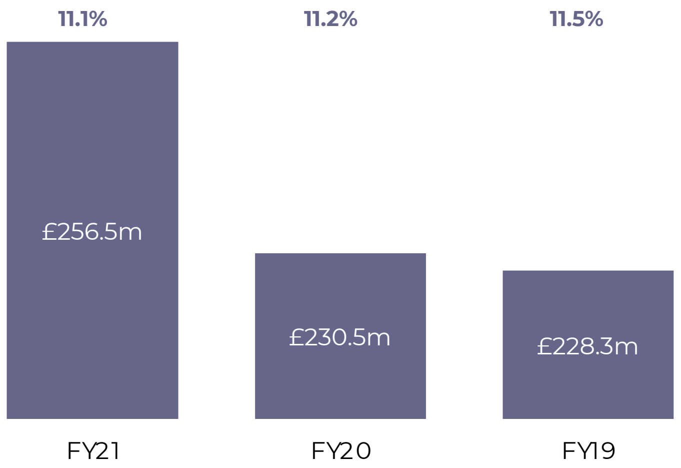
LTM revenue (£m)



LTM reported EBITDA (£m)



LTM Adjusted EBITDA post securitisation interest



APPENDIX C: CASH FLOW STATEMENT

Cash flow statement

(£ millions)	FY21 £m	FY20 £m
Adjusted EBITDA (post securitisation interest)	256.5	230.5
Net working capital movement:		
Movement in inventories	(36.8)	28.8
Movement in trade receivables	16.7	31.4
Movement in payments and other receivables	(17.7)	(12.3)
Movement in trade and other payables	22.2	24.0
Movement in securitisation facility	3.8	12.8
Net working capital (post securitisation funding)	**(11.8)**	**84.7**
Pensions contributions	0.3	0.4
Fair value adjustment to financial instruments	(0.1)	-
Underlying operating cashflow	**244.9**	**315.6**
Capital expenditure	(86.5)	(74.1)
Underlying free cashflow	**158.4**	**241.5**
Interest paid (excluding securitisation interest)	(54.2)	(56.0)
Income taxes (paid) / received	(3.0)	(0.4)
Cash impact of exceptional items (excluding customer redress)	(26.6)	(32.8)
Management fees	(5.0)	(5.0)
Cash paid to parent company	-	(5.0)
(Repayments of) / draw downs from finance leases	(18.6)	(9.6)
Share capital issued	-	100.0
Net increase in cash and cash equivalents pre customer redress	**51.1**	**232.7**
Customer redress payments	(119.4)	(88.5)
Net increase in cash and cash equivalents	**(68.3)**	**144.2**

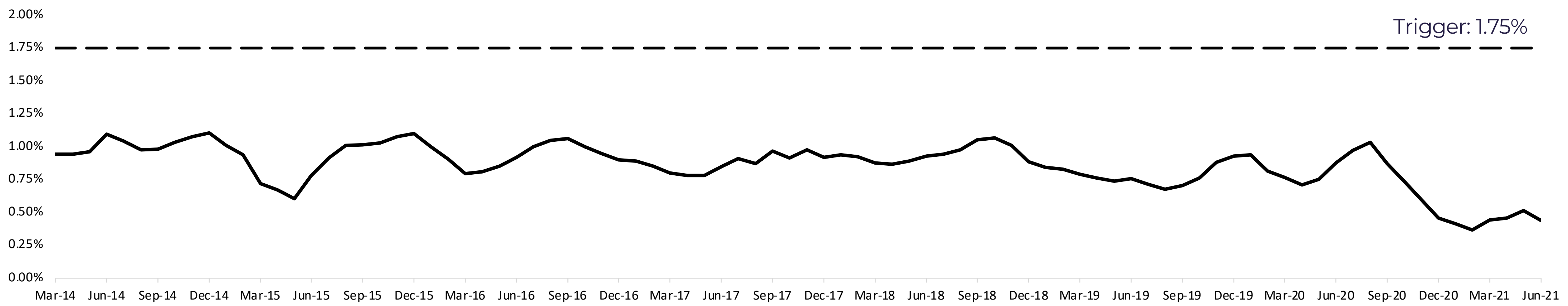
APPENDIX D: NET LEVERAGE

Net leverage

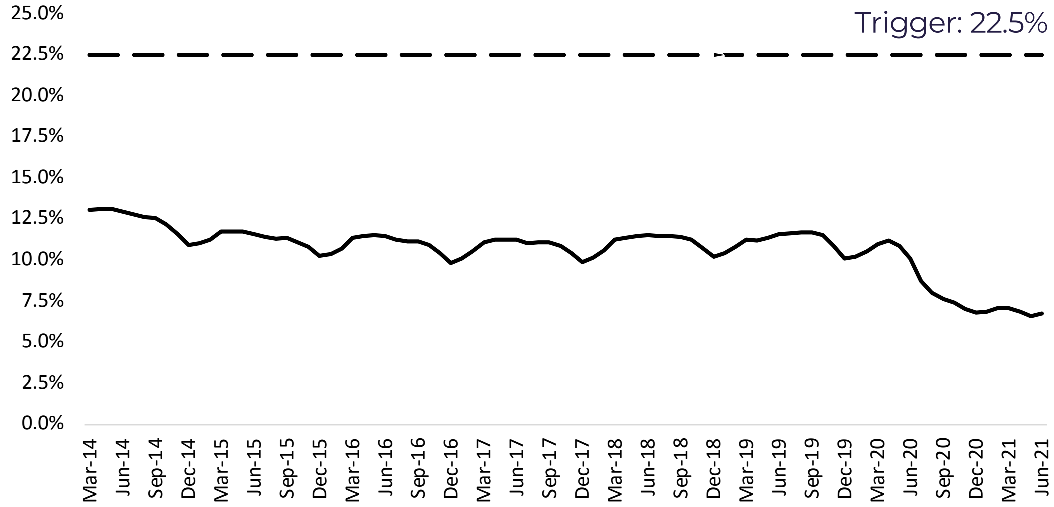
(£ millions)	Q4 FY21	Q3 FY21	Q2 FY21	Q1 FY21	Q4 FY20
Cash and bank balances	78.1	92.5	55.7	120.5	206.4
Fixed rate notes	(550.0)	(550.0)	(550.0)	(550.0)	(550.0)
Revolving credit facility	(90.0)	(150.0)	-	(150.0)	(150.0)
Other debt	(0.7)	(0.8)	(1.1)	(1.6)	(3.1)
Total gross debt (excluding securitisation)	(640.7)	(700.8)	(551.1)	(701.6)	(703.1)
Total net debt (excluding securitisation)	(562.6)	(608.3)	(495.4)	(581.1)	(496.7)
LTM adjusted EBITDA (post securitisation interest)	256.5	262.5	247.3	239.4	230.5
Net leverage	2.2x	2.3x	2.0x	2.4x	2.2x

APPENDIX E: SECURITISATION PERFORMANCE COVENANTS

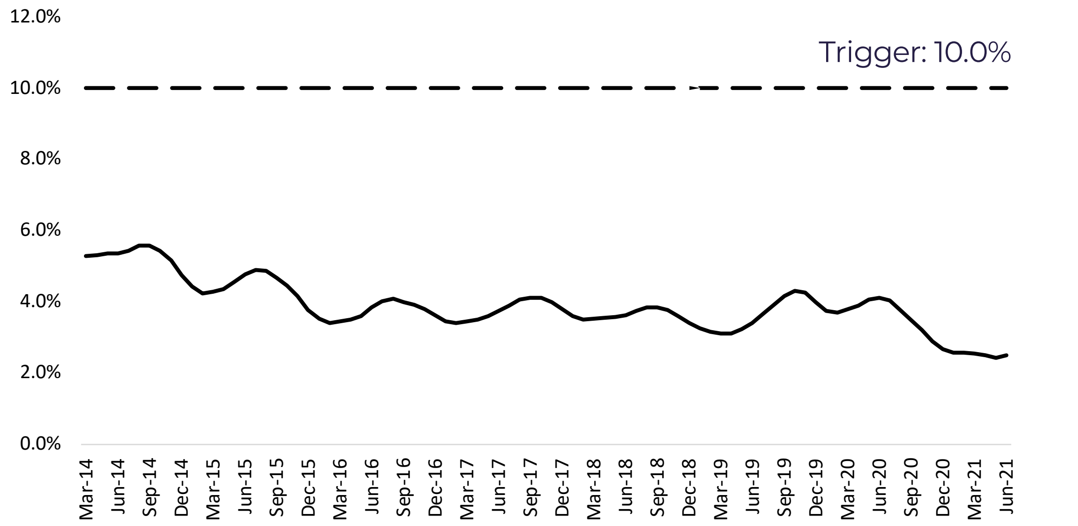
Default three month moving average



One to five month delinquency rates



Five-plus months delinquency rates



APPENDIX F: BALANCE SHEET

- Inventories increased 56% to £102.2m and inventory management is a key priority area.
- Trade and other payables increased 6.7% to £568.9 million reflecting year on year sales growth
- After the balance sheet date the Group refinanced its £550m 7.75% bonds with £575m of new listed bonds with a lower coupon rate of 6.5%
- The securitisation facility expires in December 2023 for 'AS' Notes (£993.6m), 'AJ' notes (£110.4m), '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
- On 15 June 2021 further formal agreement was reached with regards to the August 2021 contribution obligation. This has been documented in a revised Schedule of Contributions, which allows for a reduction to a single future contribution of £9.4m payable on or before 31 January 2022.

Balance sheet

	FY21	FY20
(£ millions)	£m	£m
Non-current assets	**833.3**	**769.0**
Current assets	**2,257.3**	**2,347.3**
Of which:		
Inventories	102.2	65.4
Trade and other receivables	1,347.3	1,330.6
Amounts owed by Group undertakings	511.3	522.3
Cash and bank balances	78.1	206.4
Current liabilities	**(746.7)**	**(878.2)**
Of which:		
Trade and other payables	(566.1)	(533.1)
Retirement benefit obligations	(8.7)	-
Customer redress provision	(11.1)	(101.1)
Non-current liabilities	**(2,133.9)**	**(2,177.5)**
Of which:		
Securitisation borrowings	(1,389.2)	(1,385.4)
Total equity and liabilities	**(3,090.6)**	**(3,116.3)**