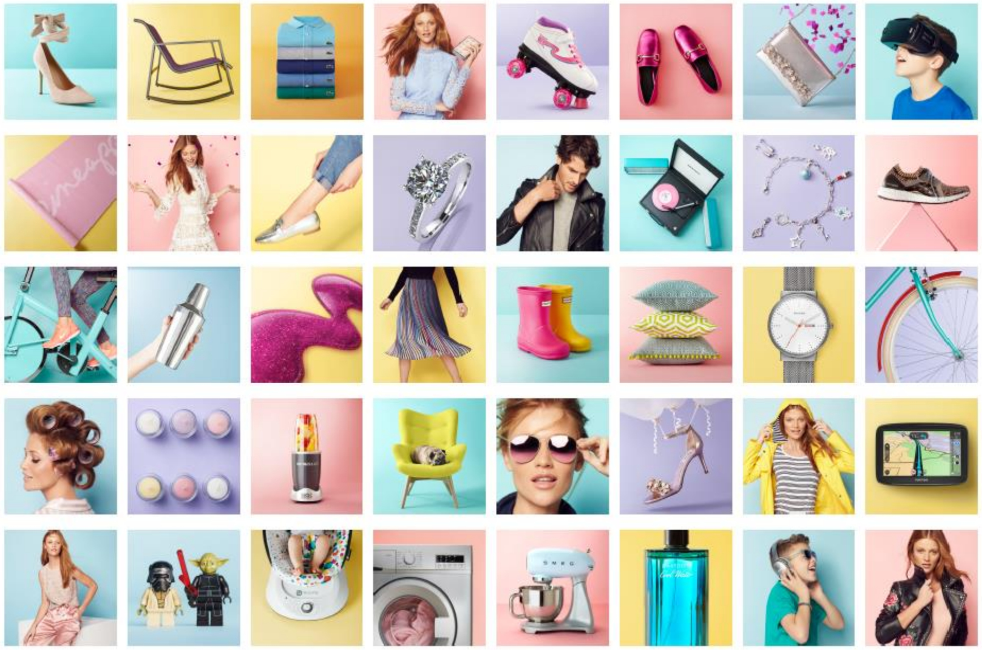

Shop Direct Limited

Q1 FY19 Results

Three months ended 30 September 2018

22 November 2018

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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.

Good performance in a challenging market

Q1 FY19[1] Highlights versus prior year

- Group revenue grew 3.3% to £439.4m (Q1 FY18[2]: £425.4m)
  - Very revenue up 9.0% to £320.7m (Q1 FY18: £294.1m)
  - Littlewoods revenue down 9.6% to £118.7m (Q1 FY18[2]: £131.3m)
- Interest income as a percentage of the debtor book increased 0.2%pts to 5.8% (Q1 FY18: 5.6%)
- Bad debt as a percentage of the debtor book reduced by 0.1%pts to 2.0% (Q1 FY18: 2.1%)
- Gross margin down 1.7%pts to 39.8% (Q1 FY18[2]: 41.5%). Strong full price performance offset by continued switch to Very from Littlewoods and increased contribution from the lower retail margin Electrical division
- Reported EBITDA grew 17.6% to £44.2m (Q1 FY18: £37.6m)
- Underlying free cash flow[3] of £(45.1)m (Q1 FY18: £(1.1)m)

Notes

1. Q1 FY19 is the 3 months ended 30 September 2018. Q1 FY18 is the 3 months ended 30 September 2017
2. Restated – see Note 3 of Condensed Consolidated Interim Financial Statements for the 3 months ended 30 September 2018
3. Underlying free cash flow defined on page 11

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Continued revenue growth and cost discipline

Income statement

(£ millions)	Q1 FY19	Q1 FY18[2]	Variance %
Very	320.7	294.1	9.0 %
Littlewoods	118.7	131.3	(9.6)%
Group Revenue	**439.4**	**425.4**	**3.3 %**
Gross margin	174.7	176.6	(1.1)%
% Margin	*39.8%*	*41.5%*	*(1.7)%pts*
Distribution expenses	(51.3)	(52.4)	
Administrative expenses	(79.7)	(86.8)	
Other operating income	0.5	0.2	
Reported EBITDA	**44.2**	**37.6**	**17.6 %**
% Margin	*10.1%*	*8.8%*	*1.3 %pts*

Notes

1. Q1 FY19 is the 3 months ended 30 September 2018. Q1 FY18 is the 3 months ended 30 September 2017
2. Restated – see Note 3 of Condensed Consolidated Interim Financial Statements for the 3 months ended 30 September 2018

Highlights

- **Group revenue** grew 3.3% to £439.4m driven by Very (+9.0%) partially offset by Littlewoods managed decline (-9.6%)
- **Gross margin** down 1.7%pts to 39.8%, strong full price performance offset by continued switch to Very from Littlewoods, increased contribution from the lower retail margin Electrical division and adverse foreign exchange movement on revaluation of trade creditors
- **Costs as a percentage of group revenue** reduced 3.0%pts to 29.7% (Q1 FY19: £130.5m; Q1 FY18: £139.0m) reflecting lower marketing spend and operational efficiencies
- **EBITDA** increased by 17.6% to £44.2m

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Retail revenue progression

Retail revenue




	Clothing & Footwear	Electrical	Seasonal	Furniture & Homeware
YoY %	+1.8%	+6.9%	+2.4%	(6.3)%
Q1 FY19[2] Mix %	*36%*	*38%*	*14%*	*13%*
Q1 FY18 Mix %	*36%*	*36%*	*14%*	*14%*

Highlights

- **Clothing & Footwear** growth underpinned by a strong full price performance (75% at full price compared to 71% in the prior year), supported by new product launches and marketing campaigns across Very and Littlewoods
- **Electrical** growth generated from strong demand for mobiles, as well as good performances in small domestic appliances, audio visual equipment and gaming
- **Seasonal** growth driven by garden and outdoor benefitting from the hot weather in July, as well as continued demand for gifting and a solid nursery performance
- **Furniture & Homeware** market continues to be slow and competitors continue to have a stronger credit offer in furniture. Revenue trajectory has shown some improvement through changes in our marketing approach, albeit still in decline at (6.3)%

Notes
1. Q1 FY19 is the 3 months ended 30 September 2018. Q1 FY18 is the 3 months ended 30 September 2017
2. Q1 FY19 category mix percentages are presented to two significant figures and due to rounding sum to 101%

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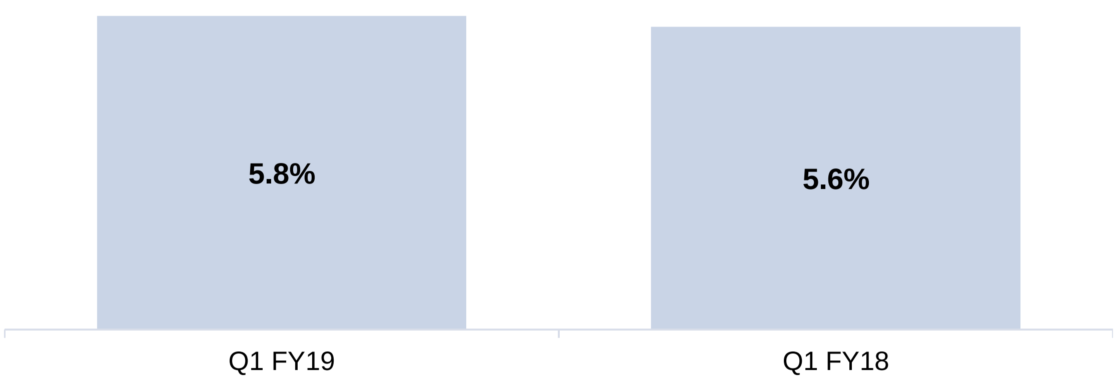
Growth in FS Revenue driven by Very

Financial Services revenue

£m	Q1 FY19	Q1 FY18	Variance %
Interest Income	93.6	88.1	6.2%
Other	11.9	12.8	(7.0)%
FS revenue (rendering of services)	**105.5**	**100.9**	**4.6%**

Interest Income as % of Debtor Book



Highlights

- **Interest income** up 6.2% to £93.6m driven by Very. Very, with its higher interest bearing element, comprises 84% of total interest income at Q1 FY19, compared to 71% of debtor book (80% of total interest and 66% of debtor book in prior year)
- As a percentage of the debtor book, interest income increased by 0.2%pts to 5.8%, driven by shift in brand mix towards Very (now 73% of revenue)
- **Other** financial services revenue reduction reflects lower administration fees, reflecting improved customer arrears performance
- **Average debtor book** grew 2.1% to £1,613.9m driven by revenue growth across Very and Littlewoods Ireland

Notes

1. Q1 FY19 is the 3 months ended 30 September 2018. Q1 FY18 is the 3 months ended 30 September 2017

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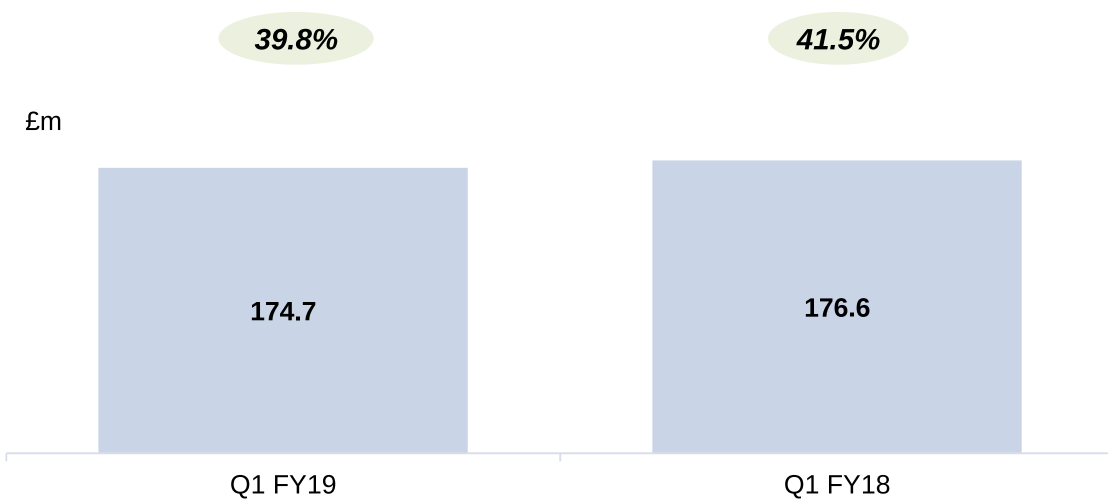
Gross margin reflecting brand and product mix

Gross Profit and Gross Margin Rate[2]



Highlights

- Q1 FY19 **Gross margin rate** decreased 1.7%pts to 39.8% (Q1 FY18: 41.5%)
  - Retail margins saw an improvement in underlying rate as a result of a strong full price performance across all product divisions. This was offset by the switch to Very from Littlewoods, increased contribution from the lower retail margin Electrical division and adverse foreign exchange movement on revaluation of trade creditors
  - The Financial Services business improved margins as a result of continued growth in interest income and a reduction in bad debt, underpinned by proactive risk management, a strong focus on responsible lending and increasing proportion of lower risk Very customers

Notes
1. Q1 FY19 is the 3 months ended 30 September 2018. Q1 FY18 is the 3 months ended 30 September 2017
2. Restated – see Note 3 of Condensed Consolidated Interim Financial Statements for the 3 months ended 30 September 2018

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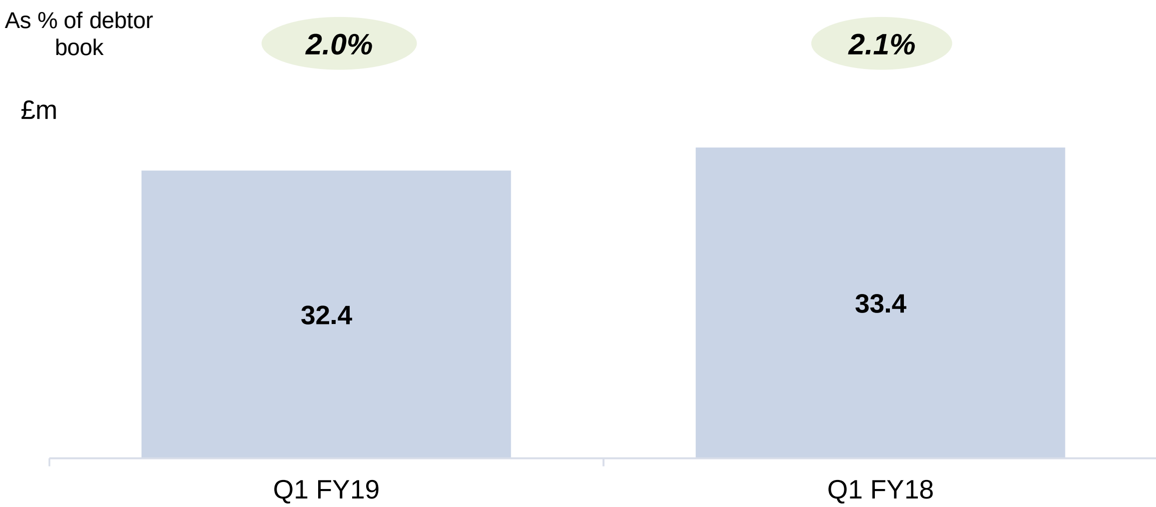
Bad debt levels reflect continued focus on customer risk

Bad Debt and as % of Debtor Book



Highlights

- Q1 FY19 **Bad debt as a percentage of the debtor book** favourable to prior year at 2.0% (Q1 FY18: 2.1%)
- 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
- On 1 July 2018 we adopted IFRS 9 Financial Instruments. As an expected loss model this changes the profile of the bad debt expense line during the course of the year. Excluding the credit which resulted in the quarter relative to accounting under IAS 39, bad debt as a percentage of the debtor book was broadly in line with prior year
- The impact of IFRS 9 at 1 July 2018 was to decrease retained earnings by £116.2m (net of deferred tax impact). This is a non-cash accounting change

Notes

1. Q1 FY19 is the 3 months ended 30 September 2018. Q1 FY18 is the 3 months ended 30 September 2017
2. Q1 FY19 reported under IFRS 9. Q1 FY18 reported under IAS 39

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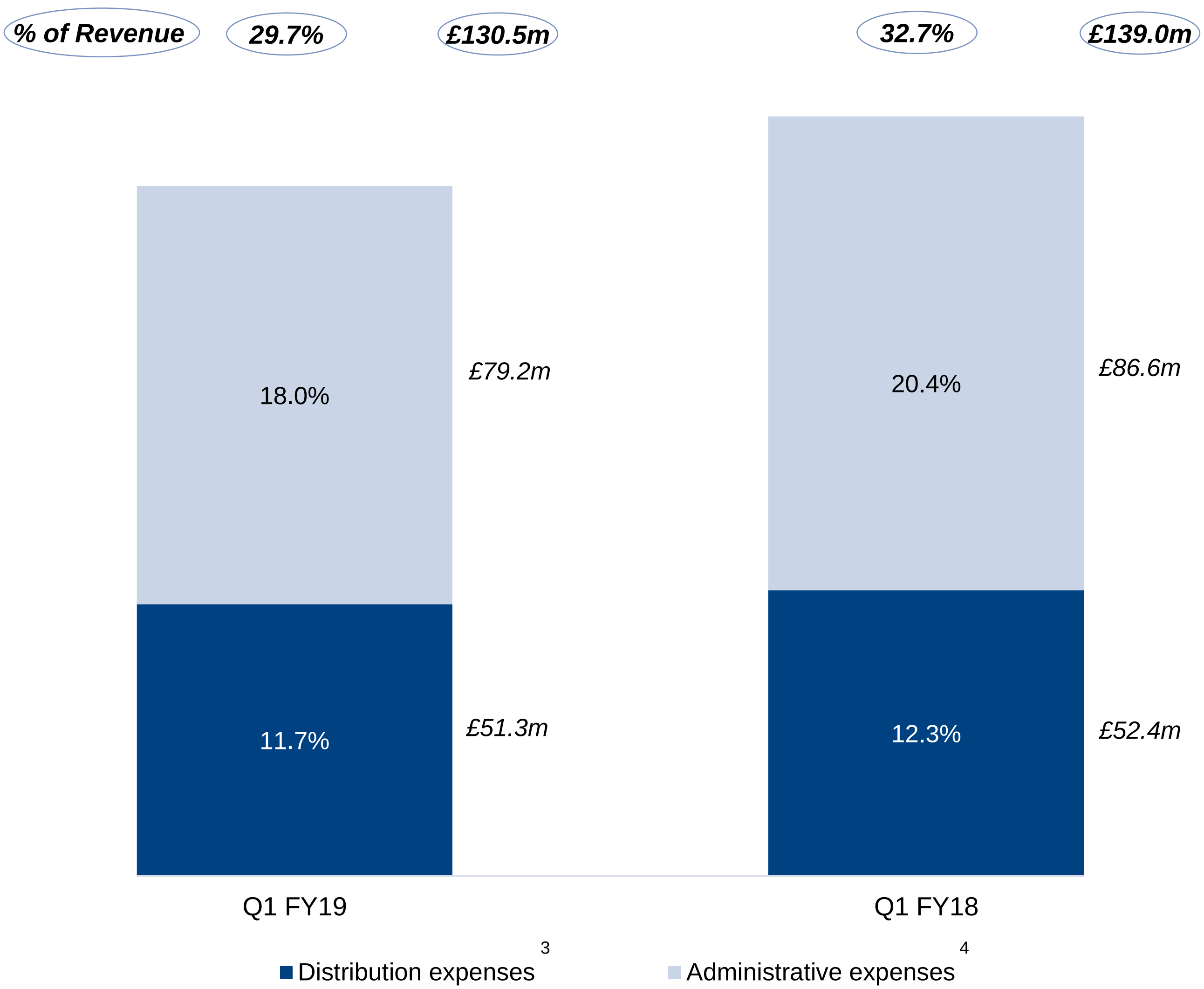
Cost control continues

Operating costs[2]



Highlights

- Total costs as a percentage of revenue reduced by 3.0%pts to 29.7% reflecting:
  - **Administrative costs** as a % of revenue decreased by 2.4%pts to 18.0% driven by a lower marketing spend as we find more efficient ways to communicate with our customers
  - **Distribution costs** as a % of revenue decreased by 0.6%pts to 11.7% reflecting delivery of targeted efficiency savings

Notes

1. Q1 FY19 is the 3 months ended 30 September 2018. Q1 FY18 is the 3 months ended 30 September 2017
2. Restated – see Note 3 of Condensed Consolidated Interim Financial Statements for the 3 months ended 30 September 2018
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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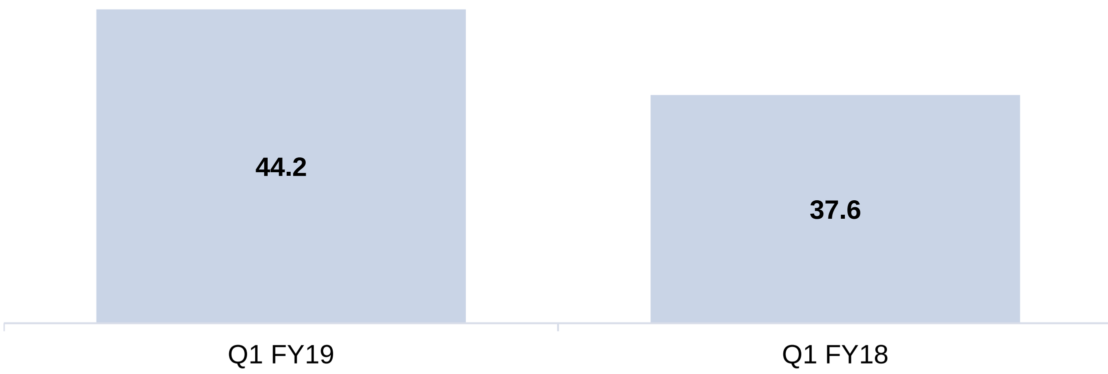
Strong growth in reported EBITDA

Year-on-year Reported EBITDA reconciliation



(£ millions)	Q1 FY19	Q1 FY18	Variance %
Reported EBITDA	**44.2**	**37.6**	**17.6 %**
Adjusted for:			
Fair value adjustments to financial instruments	(1.0)	3.8	
Foreign exchange translation movements on trade creditors	1.7	(2.2)	
Management EBITDA[2]	**44.9**	**39.2**	**14.5 %**
Adjusted for:			
Management fee	1.3	1.3	
Securitisation interest	(11.5)	(9.4)	
Adjusted EBITDA post securitisation interest	**34.7**	**31.1**	**11.6 %**

Notes
1. Q1 FY19 is the 3 months ended 30 September 2018. Q1 FY18 is the 3 months ended 30 September 2017.
2. Management EBITDA is also defined as "Underlying EBITDA" within Condensed Consolidated Interim Financial Statements.

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Highlights

- **Reported EBITDA** grew 17.6 % to £44.2m (FY18 Q1: £37.6m) driven by:
  - **Retail gross margin** saw an improvement in underlying rate as a result of strong full price performance. This was offset by the switch to Very from Littlewoods, increased contribution from the lower retail margin Electrical division and adverse foreign exchange movement on revaluation of trade creditors
  - **FS income** growth underpinned by interest income, in turn driven by volume growth and shift in brand mix towards Very
  - **Cost base** benefit from improved efficiency of marketing spend and targeted efficiency savings being delivered, offsetting cost pressures from inflation and volume

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Working capital outflows leading to negative underlying free cash flow in quarter

Cash Flows

(£ millions)	Q1 FY19	Q1 FY18
Adjusted EBITDA (post securitisation interest)	**34.7**	**31.1**
Net working capital movement:		
Movement in inventories	(33.4)	(30.2)
Movement in trade receivables[2]	32.0	23.3
Movement in prepayments and other receivables[2]	(24.6)	(5.2)
Movement in trade and other payables[3]	(7.4)	34.7
Movement in securitisation facility	(27.4)	(25.6)
Net working capital movement (post securitisation funding)	**(60.8)**	**(3.0)**
Pension contributions	(5.0)	(5.0)
Underlying operating free cash flow	**(31.1)**	**23.1**
Acquisition of property, plant, equipment and intangible assets	(14.0)	(24.2)
Underlying free cash flow	**(45.1)**	**(1.1)**

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
  - Prepayments / other receivables reflecting timing of payments
  - Trade and other payables reflecting timing of trade payables
  - Securitisation movement due to seasonal reduction in debtor book
- **Acquisition of property, plant, equipment and intangible assets** decrease over prior year reflects timing of the business' investment in strategic projects

Notes

1. Q1 FY19 is the 3 months ended 30 September 2018. Q1 FY18 is the 3 months ended 30 September 2017
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 (Q1 FY19 nil)*
3. *Difference against Condensed Consolidated Interim Financial Statements of £(1.6)m in Q1 FY19 and £2.7m in Q1 FY18 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 update

- Balance sheet provision of £100.4m at 30 June 2018. Based upon our assumptions at that time, this was considered sufficient to cover all PPI claims up to the final deadline of 29 August 2019
- In the 3 months to 30 September 2018, £35.4m had been paid out against the provision, which was £6m higher than anticipated at year end
- Furthermore, contrary to our year end assumptions, the volume of PPI claims has not fallen in October as expected
- Further PPI exceptional charge recognised of £41.0m in the first quarter resulting in a provision of £106.0m as at 30 September 2018

Summary

Q1 FY19[1] Summary

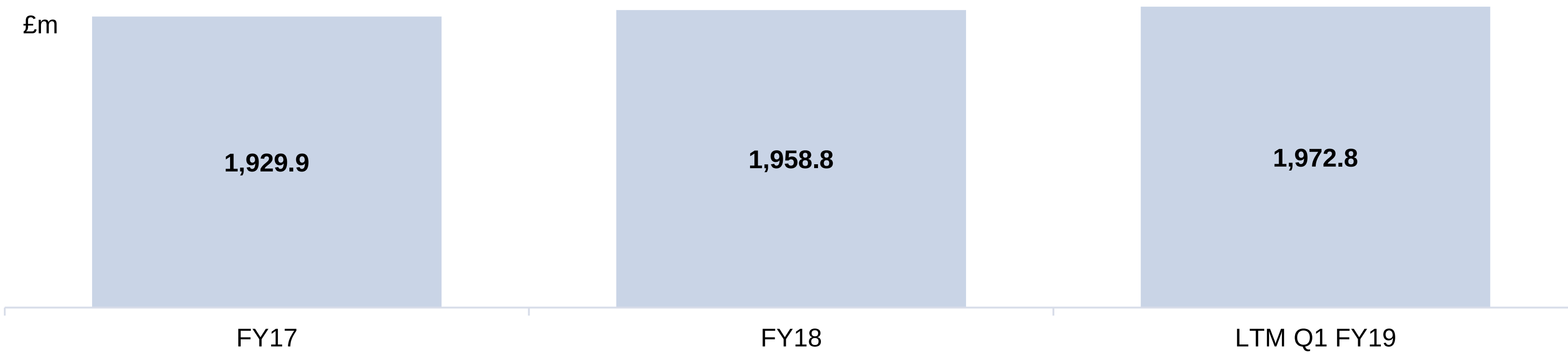
- Group revenue grew 3.3% to £439.4m (Q1 FY18[2]: £425.4m)
  - Very revenue up 9.0% to £320.7m (Q1 FY18: £294.1m)
  - Littlewoods revenue down 9.6% to £118.7m (Q1 FY18[2]: £131.3m)
- Interest income as a percentage of the debtor book increased 0.2%pts to 5.8% (Q1 FY18: 5.6%)
- Bad debt as a percentage of the debtor book reduced by 0.1%pts to 2.0% (Q1 FY18: 2.1%)
- Gross margin down 1.7%pts to 39.8% (Q1 FY18[2]: 41.5%). Strong full price performance offset by continued switch to Very from Littlewoods and increased contribution from the lower retail margin Electrical division
- Reported EBITDA grew 17.6% to £44.2m (Q1 FY18: £37.6m)
- Underlying free cash flow[3] of £(45.1)m (Q1 FY18: £(1.1)m)

Notes

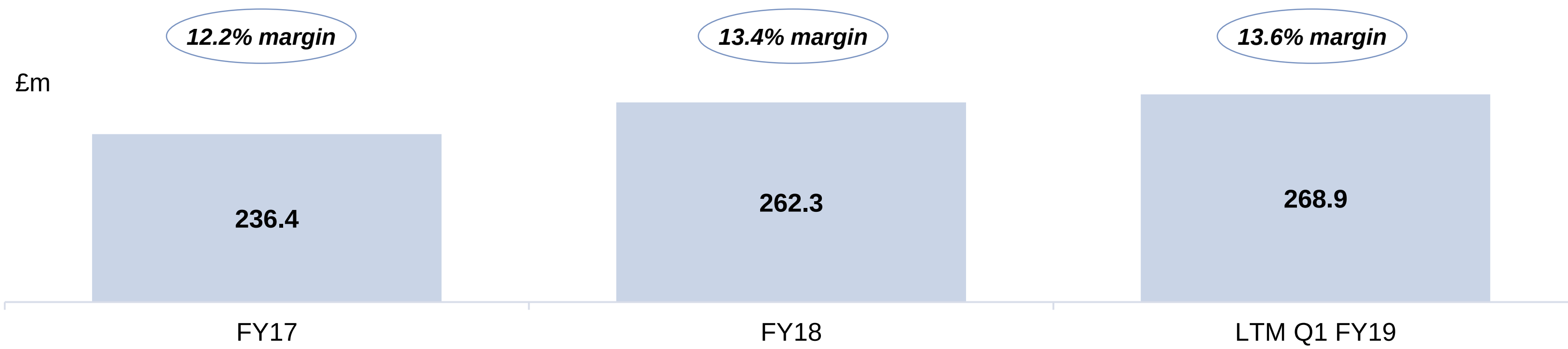
1. Q1 FY19 is the 3 months ended 30 September 2018. Q1 FY18 is the 3 months ended 30 September 2017
2. Restated – see Note 3 of Condensed Consolidated Interim Financial Statements for the 3 months ended 30 September 2018
3. Underlying free cash flow defined on page 11

Appendix A: LTM KPIs

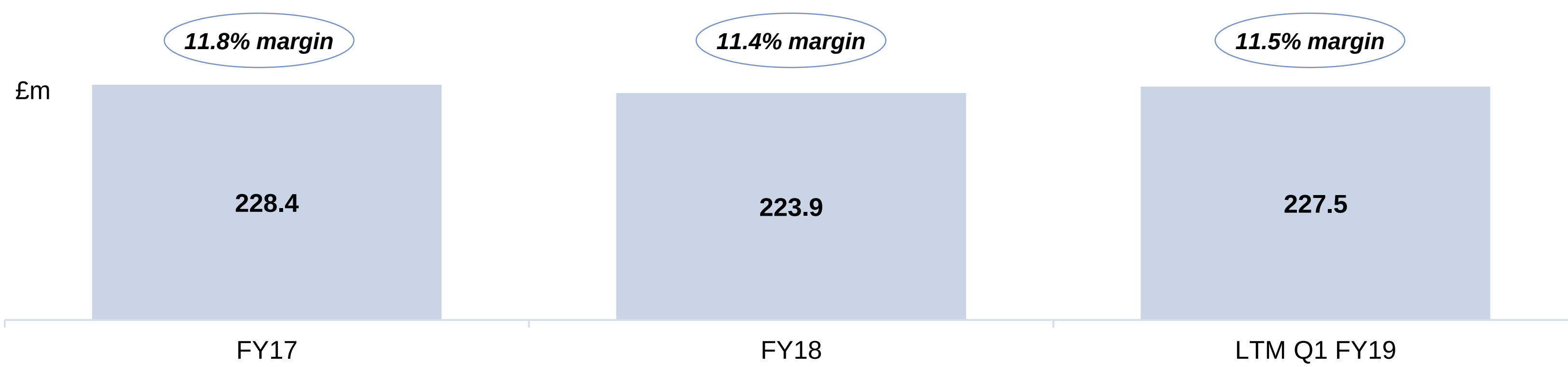
LTM Revenue



LTM Reported EBITDA



LTM Adjusted EBITDA post securitisation interest



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Appendix B: Cash Flow Statement

Cash Flow Statement

(£ millions)	Q1 FY19	Q1 FY18
Adjusted EBITDA (post securitisation interest)	**34.7**	**31.1**
Net working capital movement:		
Movement in inventories	(33.4)	(30.2)
Movement in trade receivables[2]	32.0	23.3
Movement in prepayments and other receivables[2]	(24.6)	(5.2)
Movement in trade and other payables[3]	(7.4)	34.7
Movement in securitisation facility	(27.4)	(25.6)
Net working capital movement (post securitisation funding)	**(60.8)**	**(3.0)**
Pension contributions	(5.0)	(5.0)
Underlying operating free cash flow	**(31.1)**	**23.1**
Capital expenditure	(14.0)	(24.2)
Underlying free cash flow	**(45.1)**	**(1.1)**
Interest paid (excluding securitisation interest)	(1.6)	(6.1)
Income taxes (paid) / received	(0.1)	1.2
Cash impact of exceptional items	(2.3)	(2.2)
Management fees	(1.3)	(1.3)
Cash paid to the parent company	-	(38.4)
(Repayments of) / draw downs from finance leases	(0.4)	0.6
Net decrease in cash and cash equivalents pre customer redress	**(50.8)**	**(47.3)**
Customer redress payments	(35.4)	(19.5)
Net decrease in cash and cash equivalents	**(86.2)**	**(66.8)**

Notes

1. Q1 FY19 is the 3 months ended 30 September 2018. Q1 FY18 is the 3 months ended 30 September 2017
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 (Q1 FY19 nil)*
3. *Difference against Condensed Consolidated Interim Financial Statements of £(1.6)m in Q1 FY19 and £2.7m in Q1 FY18 driven by the exclusion of certain non-cash charges primarily relating to the foreign exchange impact on translation of trade creditors*

Appendix C: Net Leverage

Net Leverage

(£ millions)	Q1 FY19	Q4 FY18	Q3 FY18	Q2 FY18	Q1 FY18
Cash & Cash Equivalents	**79.3**	**140.5**	**12.3**	**103.2**	**51.5**
Fixed Rate Notes	(550.0)	(550.0)	(550.0)	(550.0)	-
Term Facilities	-	-	-	-	(500.0)
Revolving Credit Facility	(120.0)	(95.0)	(100.0)	(35.0)	(60.0)
Other debt	(12.0)	(12.4)	(13.5)	(8.4)	(12.8)
Total Gross Debt (excluding Securitisation)	**(682.0)**	**(657.4)**	**(663.5)**	**(593.4)**	**(572.8)**
Total Net Debt (excluding Securitisation)	**(602.7)**	**(516.9)**	**(651.2)**	**(490.2)**	**(521.3)**
Pro Forma adjustment to Net Debt (excluding Securitisation)[1]	-	-	-	-	(8.1)
Pro Forma Total Net Debt (excluding Securitisation)	**(602.7)**	**(516.9)**	**(651.2)**	**(490.2)**	**(529.4)**
LTM Adjusted EBITDA (post securitisation interest)	**227.5**	**223.9**	**217.8**	**225.8**	**227.4**
Q1 FY19 and Q4 to Q2 FY18 Actual / Q1 FY18 Pro Forma Net Leverage	**2.6x**	**2.3x**	**3.0x**	**2.2x**	**2.3x**

Notes

1. *Reflects pro forma adjustment to Q1 FY18 net debt for estimated fees and expenses per Offering Memorandum page 58*

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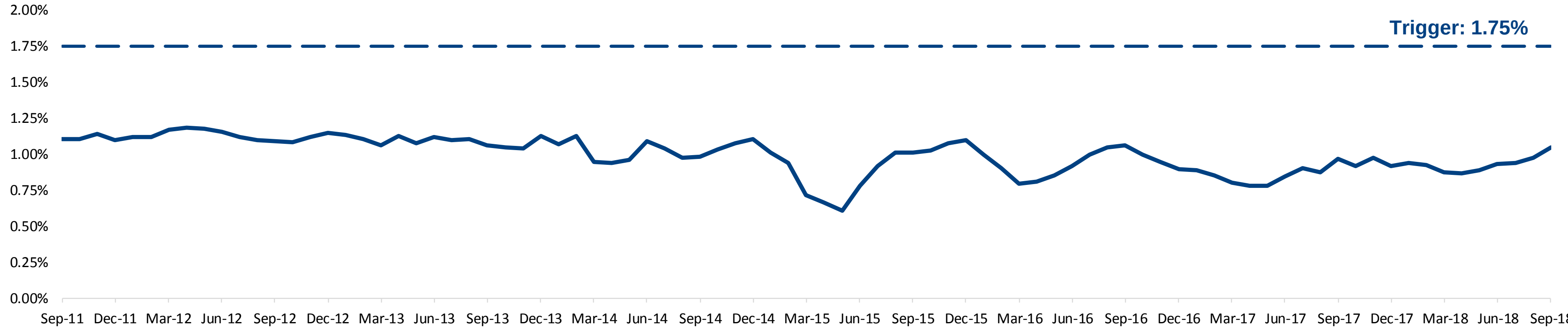
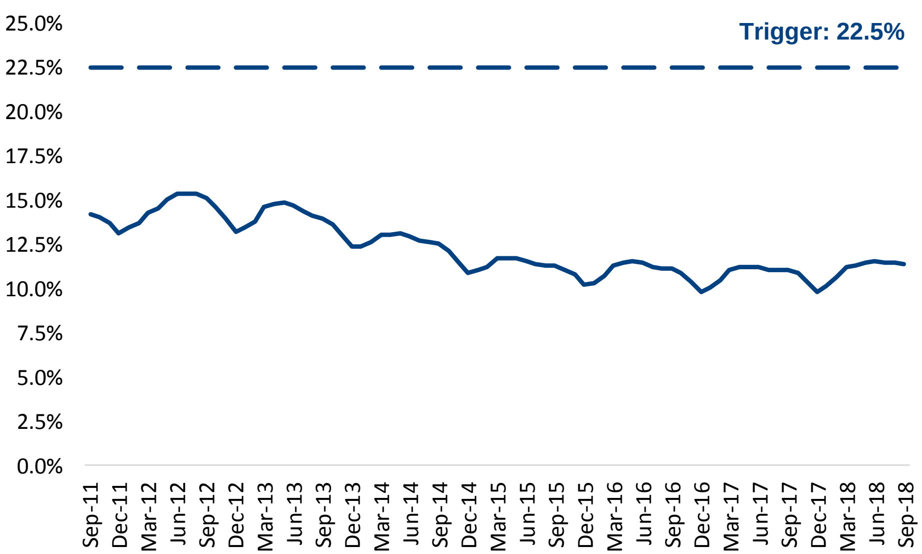
Appendix D: Securitisation Performance Covenants

Key triggers and historical performance – stable performance over economic cycles

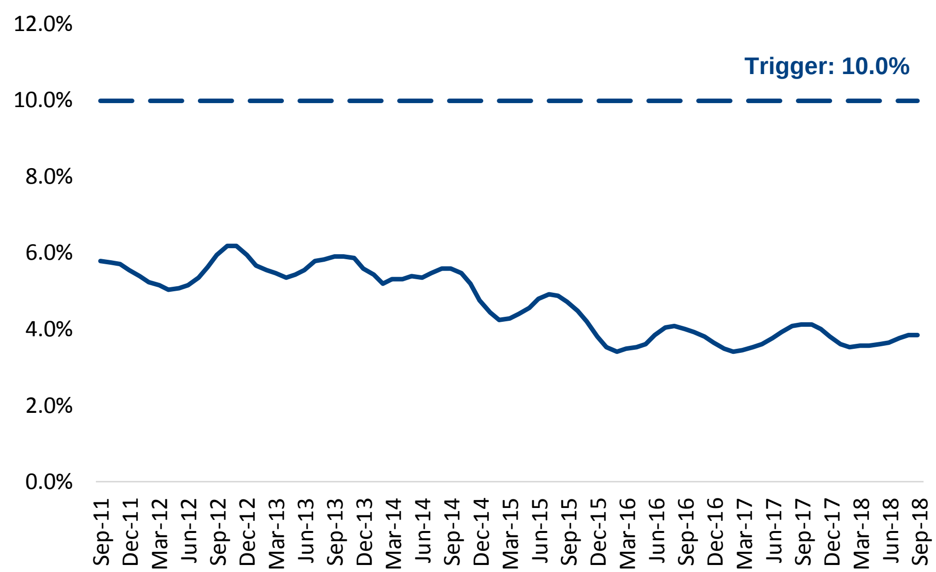
Defaults (3-month moving average)



1-5 months delinquency rates



5+ months delinquency rates



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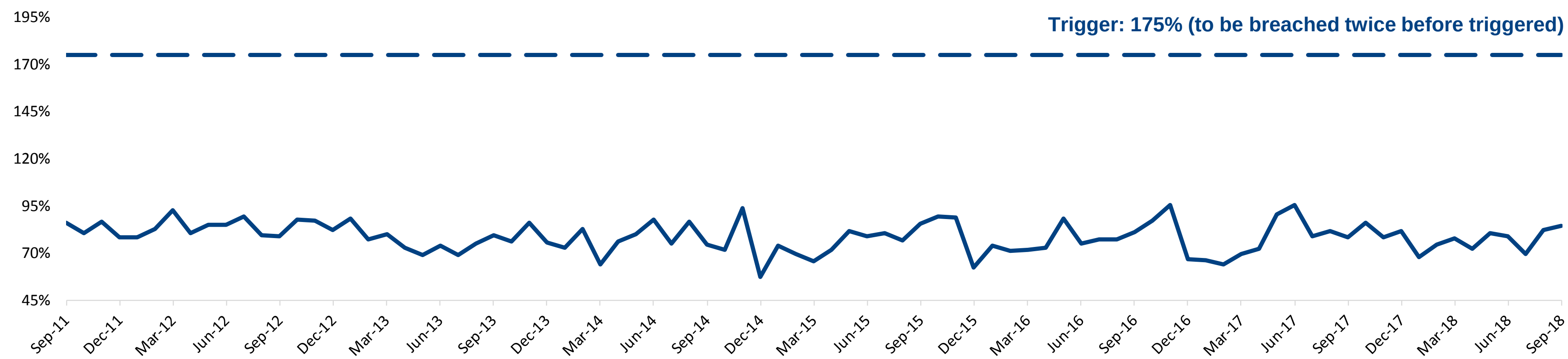
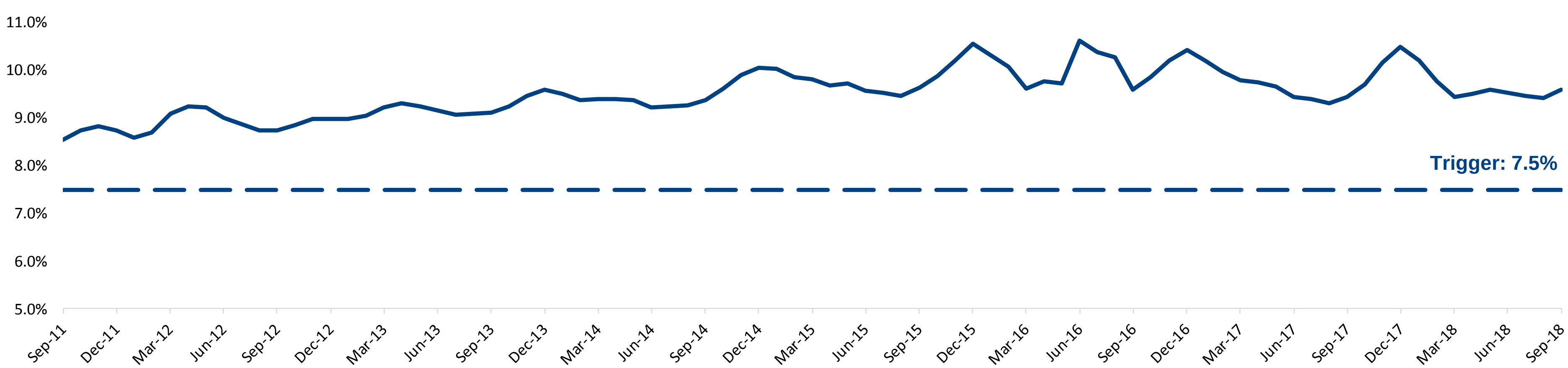
Appendix D: Securitisation Performance Covenants

Key triggers and historical performance – stable performance over economic cycles

Dilutions Ratio



Payment Rate (3-month moving average)



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Appendix E: Balance Sheet

Balance Sheet

	Q1 FY19	Q1 FY18
Non-current assets	**600.9**	**522.7**
Current assets	**2,276.5**	**2,289.4**
of which:		
Inventories	135.3	144.5
Trade receivables [1]	1,345.0	1,439.8
Amounts owed by Group undertakings [1]	503.8	497.3
Cash and bank balances	79.3	51.5
Current liabilities	**(869.6)**	**(756.0)**
of which:		
Trade and other payables	(565.4)	(553.8)
Non-current liabilities	**(1,969.6)**	**(1,844.5)**
of which:		
Securitisation borrowings	(1,290.0)	(1,203.3)
Retirement benefit obligations	(67.7)	(80.1)
Net Assets	**38.2**	**211.6**

Highlights

- **Non-current assets** increase driven by capital investment in strategic initiatives
- **Inventories** have decreased due to a targeted reduction in inventory cover days
- **Trade receivables** reflecting debtor book growth less increase in provision on adoption of IFRS 9
- **Trade and other payables** driven by sales growth
- **Securitisation borrowings:** The 'A' Notes commitment of £1,325m expires December 2020 and the 'B' and 'C' Notes commitment of £165m expires December 2021, giving a total maximum value of £1,490m
- **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

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

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