THE VERY GROUP

Q2 FY21 YTD Results | Six months ended 31 December 2020 | 23 February 2021

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Q2 FY21 YTD highlights

Flexible, resilient business model with momentum continuing through peak trading period

- Very.co.uk retail sales growth of 22.6% driving very.co.uk revenue past £1bn in the first half of the year for the first time
- Group revenue growth of 12.1%
- Underlying EBITDA increased by 13.3% to £135.8m (Q2 FY20 YTD: £119.9m). Reported EBITDA increased by 15.5% to £130.5m (Q2 FY20 YTD: £113.0m)
- Profit before tax of £24.0m (Q2 FY20 YTD: £22.3m) after an increase to the regulatory provision of £12.9m
- Net debt decreased by £67m against prior year to £495.4m (Q2 FY20: £562.4m) with net leverage reducing to 2.0x (Q2 FY20: 2.4x)
- Financial services business remained robust with continued higher payment rates, with default rates in line with historic trends, reflecting a continuation of trends seen since the onset of Covid-19
- Bad debt as a % of average debtor book lower than prior year at 3.7% (Q2 FY20 YTD: 4.5%). We continue to hold Covid-19 related bad debt provisioning consistent with the treatment at FY20 year end
- Cash headroom of c. £206m (Q2 FY20: £140m). £150m RCF paid down, whilst also making c. £60m of PPI payments in the period, reflecting the strong liquidity position of the business
- Operations continuing efficiently despite Covid-19, with benefits from Skygate, our new state of the art fulfilment centre

THE VERY GROUP

Q2 FY21 YTD financial highlights

+22.6% Very.co.uk retail sales	+12.1% Group Revenue
1.15m; +22.8% New Customers	£495.4m Net debt (Q2 FY20 YTD: £562.4m)
£135.8m Underlying EBITDA (Q2 FY20 YTD: £119.9m)	£24.0m PBT (Q2 FY20 YTD: £22.3m)

Economic model - consistent focus on profit and free cash drivers

Q2 FY21 YTD v Q2 FY20 YTD performance

Revenue	Gross margin	Return on assets	Costs	Debtor book
+22.6% growth in Very.co.uk retail sales	**Higher** retail gross margin generating 0.2%pts benefit to group margin	**0.8%pts** lower year-on-year bad debt as % of average debtor	**(2.1)%pts** reduction in costs as % of revenue	**+1.7%** growth in average Very debtor

£1bn H1 Very.co.uk revenue driving significant EBITDA improvement

Q2 FY21 YTD v Q2 FY20 YTD Performance

- **Very.co.uk** revenue growth of 18.2%, driven by strong retail sales growth of 22.6%. Growth seen across all categories, led by Electrical (+42.3%) and Home at (+37.3%). FS revenue has been impacted by higher payment rates, a lower volume of administration fees and improvement to credit decisioning, which reduces bad debt
- **Littlewoods** revenue remained in managed decline, ahead of our guardrails and an improvement of 3.9%pts in the rate of decline relative to the prior year. This strong performance was driven by electrical and home categories
- **Group revenue** increased 12.1% to £1,255.2m
- **Gross margin** increased by c. £26m year-on-year despite a decrease in rate to 34.2% (Q2 FY20 YTD: 36.0%). Higher underlying retail margin rates driven by an increase in full price mix across all categories and lower bad debt have been more than offset by lower financial services revenue and the impact on retail margin from a 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 our ongoing cost reduction programme. Despite strong revenue growth, distribution costs of £128.4m are broadly in line with prior year period (Q2 FY20 YTD: £126.7m) and have reduced by c. 1.1%pts as a % of revenue reflecting Skygate coming online
- **Underlying EBITDA** increased by 13.3% to £135.8m (Q2 FY20 YTD: £119.9m)

Income Statement

(£ millions)	Q2 FY21 YTD £m	Q2 FY20 YTD £m	Variance %
Very	1,013.3	857.3	18.2 %
Littlewoods	241.9	262.2	(7.7)%
Group Revenue	**1,255.2**	**1,119.5**	**12.1 %**
Gross margin	428.8	402.5	6.5 %
% Margin	*34.2%*	*36.0%*	*(1.8)%pts*
Distribution expenses	(128.4)	(126.7)	
Administrative expenses	(170.6)	(164.2)	
Other operating income	0.7	1.4	
Reported EBITDA	**130.5**	**113.0**	**15.5 %**
% Reported EBITDA Margin	*10.4 %*	*10.1 %*	*0.3 %pts*
Operating costs as % of revenue	*(23.8)%*	*(25.9)%*	*2.1 %pts*
Memo: underlying EBITDA			
Underlying EBITDA	**135.8**	**119.9**	**13.3 %**
% underlying EBITDA margin	10.8%	10.7%	0.1 %pts

Notes

1. Q2 FY21 YTD is the 6 months ended 31 December 2020. Q2 FY20 YTD is the 6 months ended 31 December 2019

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

Highlights

- **Very.co.uk retail revenue** increased by 22.6% compared to Q2 FY20 YTD, driven by double digit growth across electrical and home categories with The Very Group retail revenue growing by 16.0%
- **Fashion & sports** revenue increased by 0.6% in the half and by 3.6% in quarter 2, which was an improvement on the 4.3% decline reported in Q1 FY21. Improvement in quarter 2 driven by higher sportswear growth (Q2 FY21: 17% vs. Q1 FY21: 13%), alongside strong performances in premium and nightwear departments
- **Electrical** revenue grew by 42.3% in Q2 FY21 YTD, with all categories posting double digit growth. Vision continued to be the standout department, growing by 70%. Gaming, computing, small domestic appliances and smart tech also grew strongly
- **Home** grew by 37.3% in Q2 FY21 YTD driven by customers continuing the trend of purchasing from our home improvement, home accessories and garden tools & DIY ranges
- **Other categories** grew by 6.2% compared to Q2 FY20 YTD. Strong performance driven by sports equipment and fitness products, as well as beauty and fragrances

Retail revenue

	Fashion & sports	Electrical	Home	Other categories
Very.co.uk YoY %	+0.6%	+42.3%	+37.3%	+6.2%
Q2 FY21 YTD Mix %	*28%*	*47%*	*13%*	*12%*
Q2 FY20 YTD Mix %	*34%*	*41%*	*12%*	*13%*
The Very Group YoY %	(2.5)%	+32.7%	+28.5%	+3.7%

- Other categories include toys, gifts, beauty and leisure

Notes
1. Q2 FY21 YTD is the 6 months ended 31 December 2020. Q2 FY20 YTD is the 6 months ended 31 December 2019

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

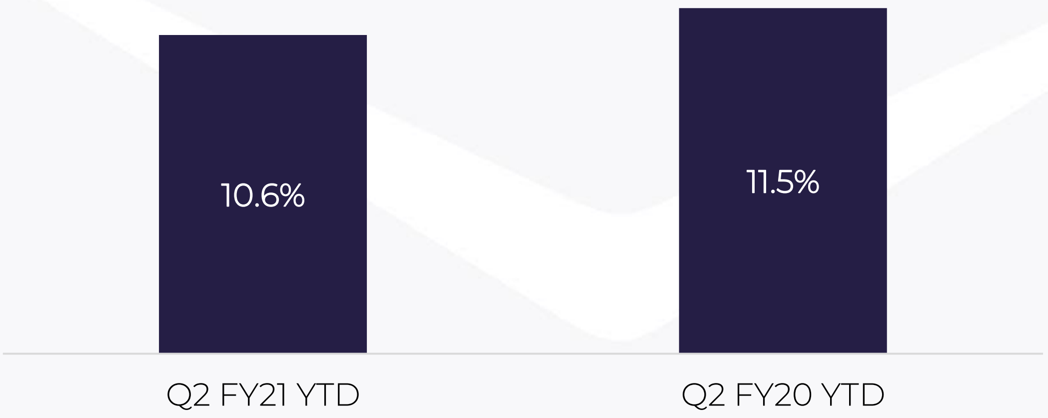
Highlights

- **Interest income** down 9.6% to £166.8m. The Q2 FY21 rate of decline improved to 7.8% from a decline of 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 1.5%pts compared to Q2 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. 0.4% of credit accounts at the end of December), ii) an underlying reduction in arrears, and iii) the lower year-on-year average debtor book
- **Average debtor book** declined 2.3% to £1,569.4m driven by lower financial services revenues and higher customer payment rates. We expect to annualise on these impacts during FY21
- **Very.co.uk average debtor book** grew by 1.7%
- As a percentage of the debtor book, interest income decreased by 0.9%pts to 10.6%

Financial Services revenue

	Q2 FY21 YTD £m	Q2 FY20 YTD £m	Variance %
Interest Income	166.8	184.5	(9.6)%
Other	13.3	17.7	(24.9)%
FS revenue	**180.1**	**202.2**	**(10.9)%**

Interest Income as % of average debtor book



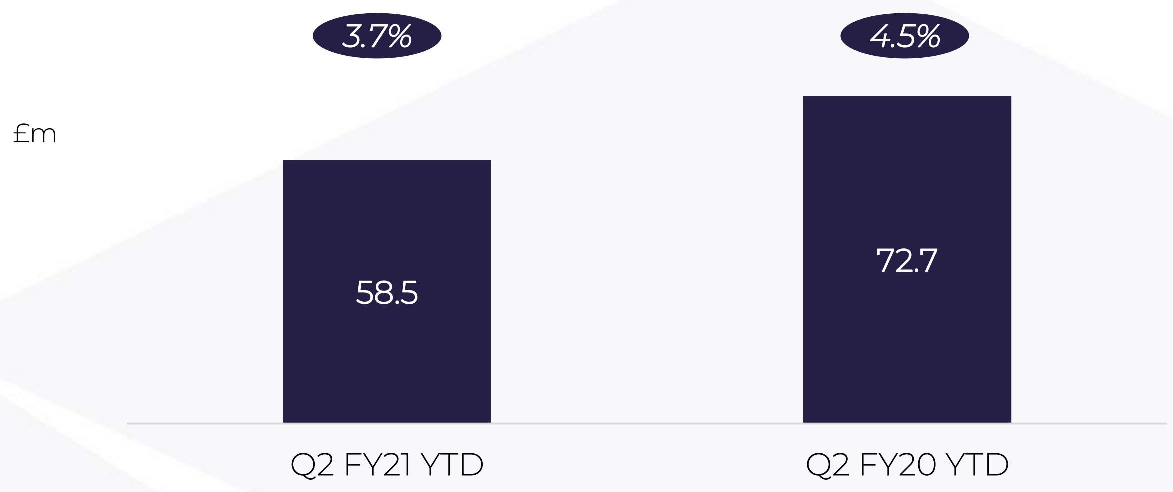
Notes
1. Q2 FY21 YTD is the 6 months ended 31 December 2020. Q2 FY20 YTD is the 6 months ended 31 December 2019

Underlying bad debt continues to improve

Highlights

- **Bad debt** as a percentage of the debtor book decreased 0.8%pts to 3.7% (Q2 FY20 YTD: 4.5%) reflecting i) a continued strong focus on responsible lending and assessment of customer sustainability at both acquisition and during the 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 Covid-19 pandemic as household spending returns to normal and savings rates revert to their 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
- As at the end of December c. 0.4% of all credit accounts remained on a Covid-19 related payment freeze and we continue to hold Covid-19 related bad debt provisioning consistent with the treatment at FY20 year end
- 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 £14.2m reduction in bad debt partly offsetting the £22.1m reduction in financial services income reported

Bad debt and as % of average debtor book



Notes

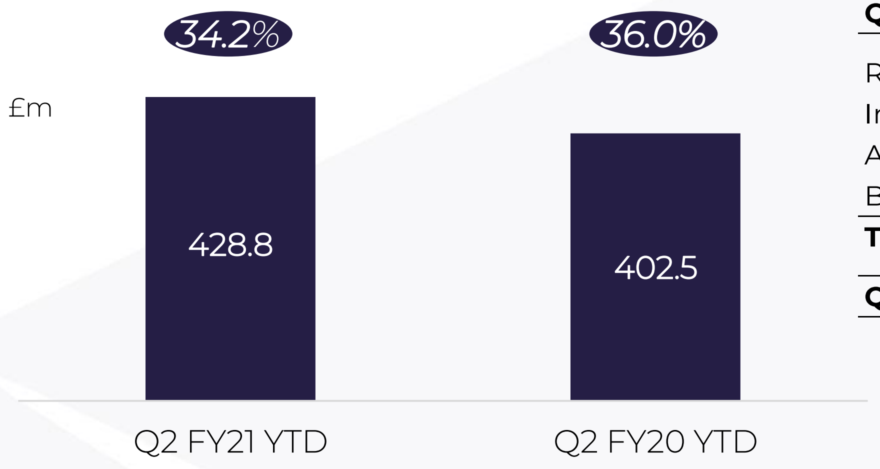
1. Q2 FY21 YTD is the 6 months ended 31 December 2020. Q2 FY20 YTD is the 6 months ended 31 December 2019

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

Highlights

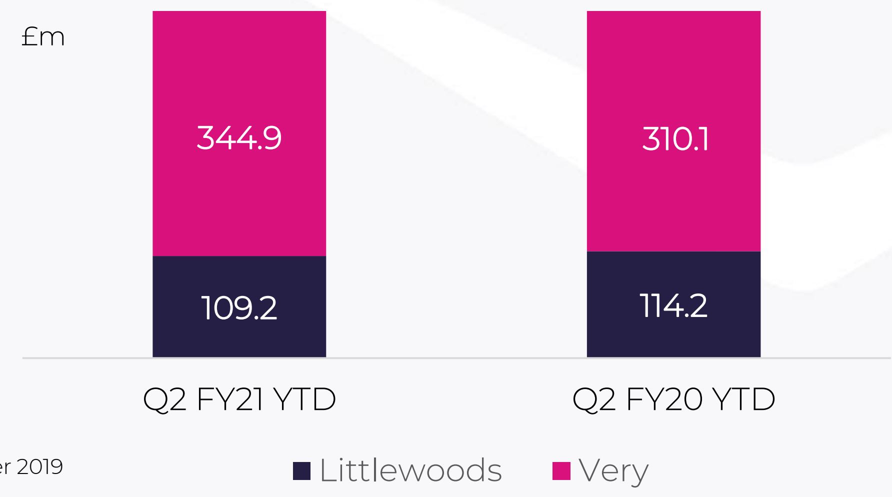
- **Gross margin rate** of 34.2% behind prior year by 1.8%pts (Q2 FY20 YTD: 36.0%)
- **Retail margin rate** ahead of prior year driven by an increase in full price mix across all categories and a lower mix of promotional sales, partly offset by the lower fashion & sports mix and the continued impact 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



Q2 FY20 YTD GM %	**36.0%**
Retail gross margin	0.2%
Interest income	(3.0)%
Admin fees	(0.8)%
Bad Debt	1.8%
Total	**(1.8)%**
Q2 FY21 YTD GM %	**34.2%**

Gross margin by brand[2]

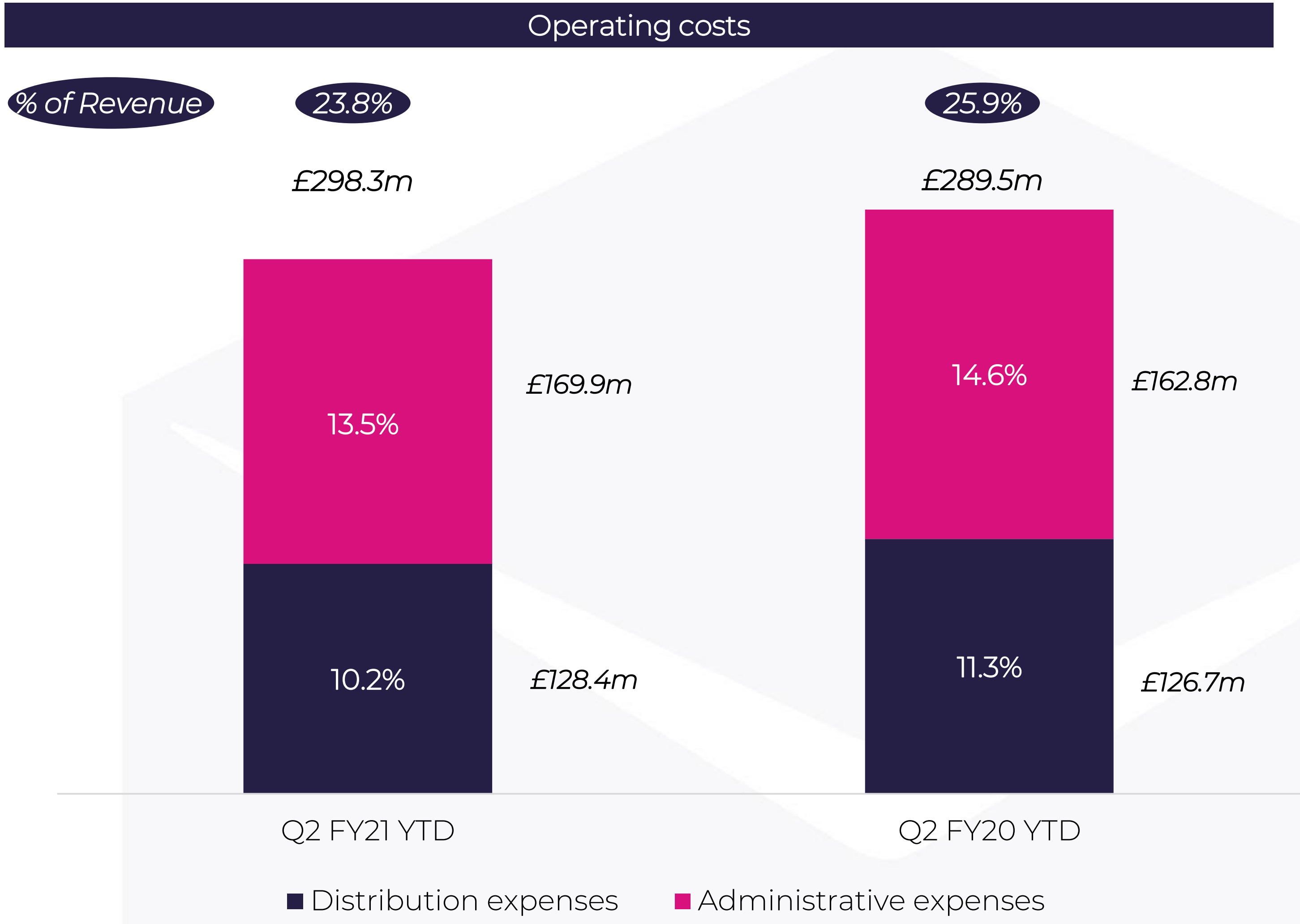


Notes
1. Q2 FY21 YTD is the 6 months ended 31 December 2020. Q2 FY20 YTD is the 6 months ended 31 December 2019
2. Excludes unbranded elements of cost of sales and therefore total does not match first chart on page 6

Cost control continues

Highlights

- Total costs as a percentage of revenue reduced by 2.1%pts to 23.8% reflecting a strong culture of cost control in the business
- Administrative costs as a % of revenue decreased by 1.1%pts to 13.5% driven by our cost reduction programmes including head office and marketing efficiencies
- Distribution costs as a % of revenue lower than prior year at 10.2% (Q2 FY20 YTD: 11.3%) 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 was the primary one-person distribution centre during the peak period, with the majority of volume processed through this site



Notes

1. Q2 FY21 YTD is the 6 months ended 31 December 2020. Q2 FY20 YTD is the 6 months ended 31 December 2019
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 13.3% to £135.8m (Q2 FY20 YTD: £119.9m) reflecting revenue growth and cost control, partly offset by lower gross margin rate
- **Adjusted EBITDA post securitisation interest** increased by 17.2% to £114.5m (Q2 FY20 YTD: £97.7m)

Year-on-year Underlying EBITDA reconciliation

(£ millions)	Q2 FY21 YTD £m	Q2 FY20 YTD £m	Variance %
Reported EBITDA	130.5	113.0	15.5 %
Adjusted for:			
Fair value adjustments to financial instruments	5.9	6.8	
Foreign exchange translation movements on trade creditors	(1.8)	(1.4)	
IAS19 and IFRIC 14 pension adjustments	1.2	1.5	
Management / Underlying EBITDA	135.8	119.9	13.3 %
Adjusted for:			
Management fee	2.5	2.5	
Securitisation interest	(23.8)	(24.7)	
Adjusted EBITDA post securitisation interest	114.5	97.7	17.2 %

Notes
1. Q2 FY21 YTD is the 6 months ended 31 December 2020. Q2 FY20 YTD is the 6 months ended 31 December 2019

Continued strong underlying free cash flow

Highlights

- Strong quarter end liquidity position of £206m headroom
- Underlying free cash flow of £120.9m (Q2 FY20 YTD: £113.7m). Excluding tax payments deferred from FY20, underlying cash flow of c. £140m, c. £26m ahead of prior year period, driven by strong EBITDA performance and continued focus on working capital, allowing £150m revolving credit facility to be paid down in Q2 FY21
- Net working capital movement (post securitisation funding) driven by:
  - Movement in inventories shows a larger outflow in Q2 FY21 YTD driven by a lower inventory opening position in FY21 than prior year as a result of strong trading in Q4 FY20. Inventory held at Q2 FY21 of £101.2m is c. £20m lower than prior year (Q2 FY20: £121.3m)
  - Movement in trade receivables reflects seasonal build in group debtor book during peak trading. Larger outflow in Q2 FY21 YTD driven by strong retail revenue growth
  - Movement in prepayments and other receivables driven by timing of other operating payments relative to prior year
  - Trade and other payables movements broadly in line with prior year before impact of making c. £19m of tax payments in Q1 FY21 which were deferred from FY20 under the HMRC time to pay scheme. We have further tax payments to unwind of c. £5m in FY21 and £5m to be made in FY22
  - Securitisation movement due to growth in debtor book following strong peak trading
- Capital expenditure lower than prior year driven by timing of investment in strategic projects and includes further investment in our website's capability
- Cash and bank balances of £55.7m at Q2 FY21 are £30.7m higher than prior year (Q2 FY20: £25.0m) with net debt down against prior year at £495.4m (Q2 FY20: £562.4m)

Cash flow

(£ millions)	Q2 FY21 YTD £m	Q2 FY20 YTD £m
Adjusted EBITDA (post securitisation interest)	114.5	97.7
Net working capital movement:		
Movement in inventories	(35.8)	(27.1)
Movement in trade receivables[2]	(164.3)	(140.4)
Movement in prepayments and other receivables[2]	(29.7)	(48.1)
Movement in trade and other payables	181.7	200.1
Movement in securitisation facility	85.2	63.0
Net working capital movement (post securitisation funding)	37.1	47.5
Pension contributions	(1.3)	-
Underlying operating free cash flow	150.3	145.2
Capital expenditure	(29.4)	(31.5)
Underlying free cash flow	120.9	113.7

Notes

1. Q2 FY21 YTD is the 6 months ended 31 December 2020. Q2 FY20 YTD is the 6 months ended 31 December 2019
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
- We have now processed 98% of all PPI claims
- As we have cleared the claims it has become clear that the provision needed to increase by £12.9m
- No further increases in the provision are expected
- In the 6 months to 31 December 2020, £58.8m was paid out against the provision and which leaves a balance sheet provision of £55.2m at 31 December 2020
- The provision is expected to unwind through FY21 with the majority of payments expected to be made in Q3

Forward view

Navigating uncertainty with focus on earnings and liquidity

- In 2021 our focus is on earnings, earnings quality, and liquidity as we continue to progress our strategic plan
- These results evidence the proven relevance, resilience, and adaptability of The Very Group during the Covid crisis
- 2021 is likely to be a volatile year with little certainty regarding: future lockdowns, the impact of furlough ending in spring, the continued roll-out of the different vaccines and future category and market landscapes
- 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
- The Very Group is well placed to navigate this with our economic model providing clarity on how we deliver sustainable value creation
- We are continuing to invest in our platform and into the customer experience

Summary

Flexible, resilient business model with momentum continuing through Q2 FY21 YTD

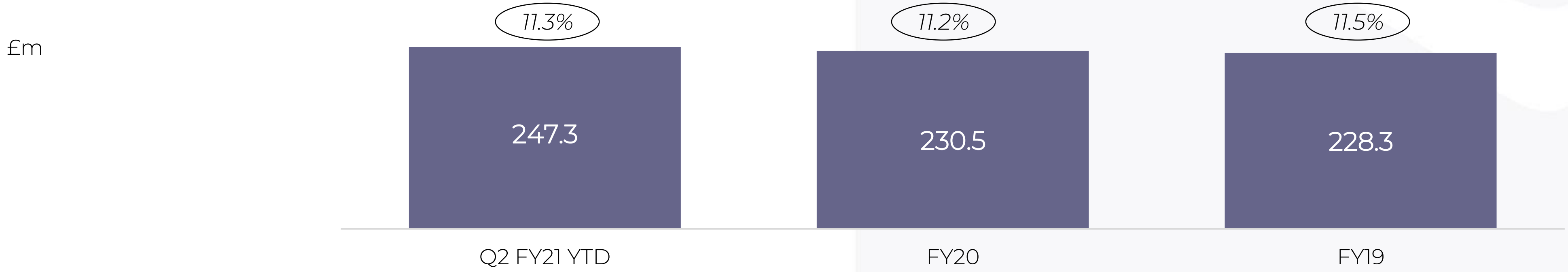
- Very.co.uk retail sales growth of 22.6% driving group revenue growth of 12.1%
- Record breaking performance during peak trading including operational benefits from Skygate, our new state of the art fulfilment centre
- Quality of financial services earnings is improving
- Continued strong cost control
- Business model remains flexible and resilient with strong EBITDA and profit growth despite Covid-19
- Underlying EBITDA of £135.8m, +13.3% vs Q2 FY20 YTD
- Net debt decreased by £67m against prior year to £495.4m (Q2 FY20: £562.4m)
- Expecting some moderation in online retail market growth during H2 FY21

Appendix A: LTM KPIs

LTM Revenue

LTM Reported EBITDA

LTM Adjusted EBITDA post securitisation interest



Appendix B: Cash Flow Statement

(£ millions)	Q2 FY21 YTD £m	Q2 FY20 YTD £m
Adjusted EBITDA (post securitisation interest)	**114.5**	**97.7**
Net working capital movement:		
Movement in inventories	(35.8)	(27.1)
Movement in trade receivables[2]	(164.3)	(140.4)
Movement in prepayments and other receivables[2]	(29.7)	(48.1)
Movement in trade and other payables	181.7	200.1
Movement in securitisation facility	85.2	63.0
Net working capital movement (post securitisation funding)	**37.1**	**47.5**
Pension contributions	(1.3)	-
Underlying operating free cash flow	**150.3**	**145.2**
Capital expenditure	(29.4)	(31.5)
Underlying free cash flow	**120.9**	**113.7**
Interest paid (excluding securitisation interest)	(27.7)	(25.3)
Income taxes (paid) / received	(0.8)	(0.2)
Cash impact of exceptional items (excluding customer redress)	(20.4)	(9.3)
Management fees	(2.5)	(2.5)
Shop Direct Holdings intercompany	(2.5)	-
(Repayments of) / draw downs from finance leases	(8.9)	(5.9)
Share Capital Issued	-	75.0
Net increase in cash and cash equivalents pre customer redress	**58.1**	**145.5**
Customer redress payments	(58.8)	(67.7)
Net (decrease) / increase in cash and cash equivalents	**(0.7)**	**77.8**

Notes

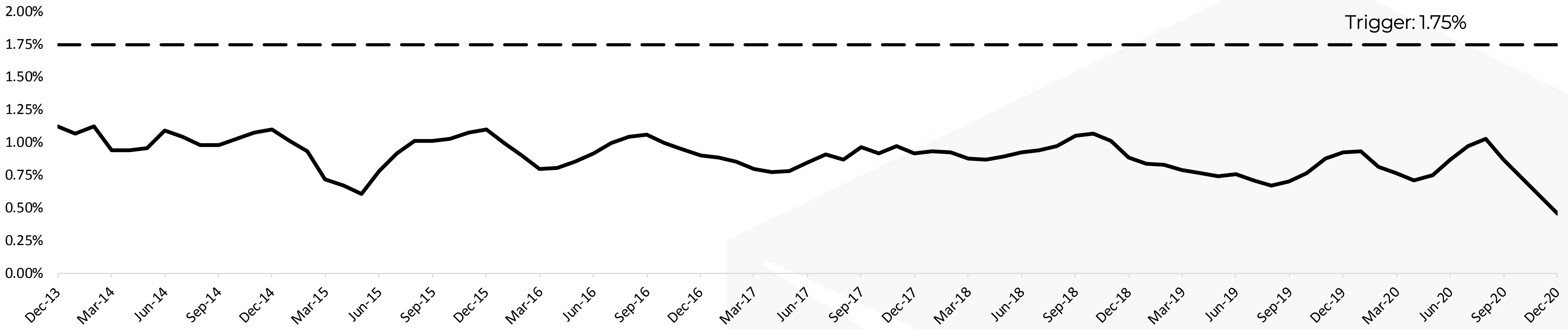
1. Q2 FY21 YTD is the 6 months ended 31 December 2020. Q2 FY20 YTD is the 6 months ended 31 December 2019
2. Shown in aggregate as (Increase)/decrease in trade and other receivables in the Condensed Consolidated Interim Financial Statements
3. Cash flow and liability from RCF drawings are shown net within the above

Appendix C: Net Leverage

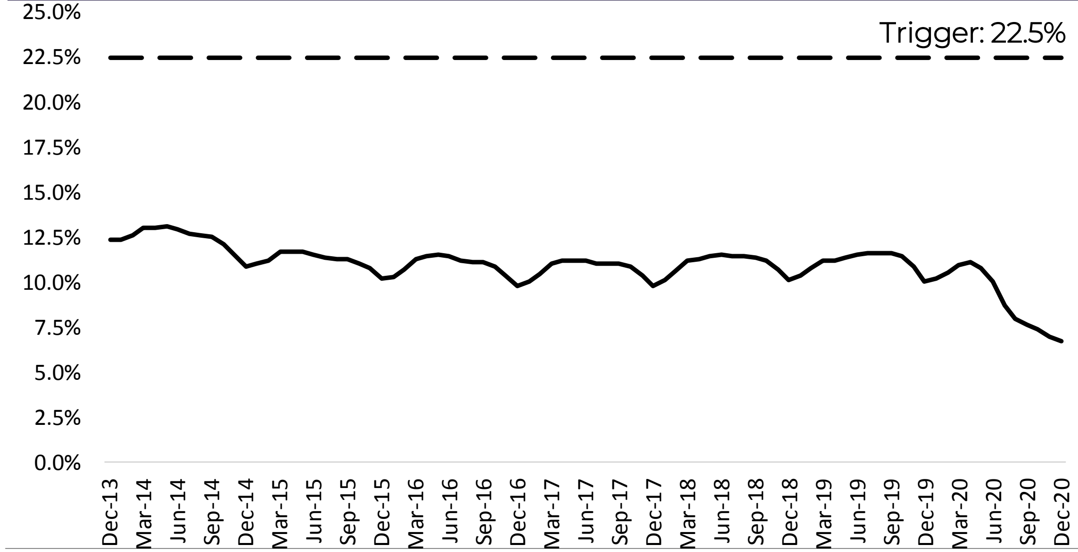
(£ millions)	Q2 FY21	Q1 FY21	Q4 FY20	Q3 FY20	Q2 FY20
Cash and Bank balances	55.7	120.5	206.4	78.3	25.0
Fixed Rate Notes	(550.0)	(550.0)	(550.0)	(550.0)	(550.0)
Revolving Credit Facility	-	(150.0)	(150.0)	(150.0)	(35.0)
Other debt	(1.1)	(1.6)	(3.1)	(6.9)	(2.4)
Total Gross Debt (excluding Securitisation)	(551.1)	(701.6)	(703.1)	(706.9)	(587.4)
Total Net Debt (excluding securitisation)	(495.4)	(581.1)	(496.7)	(628.6)	(562.4)
LTM Adjusted EBITDA (post securitisation interest)	247.3	239.4	230.5	227.1	232.6
Net Leverage	2.0x	2.4x	2.2x	2.8x	2.4x

Appendix D: Securitisation Performance Covenants

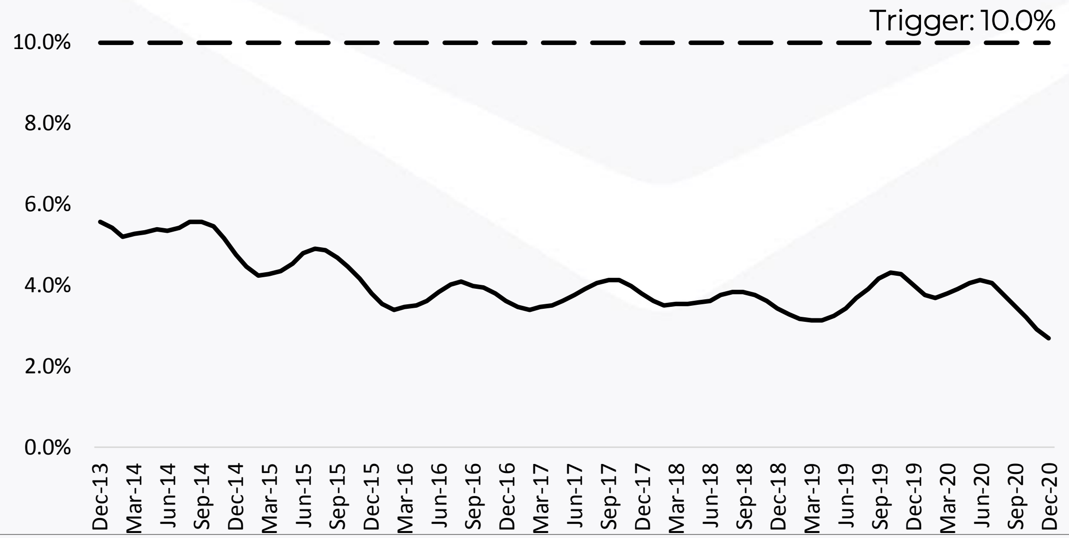
Defaults (3-month moving average)



1-5 months delinquency rates

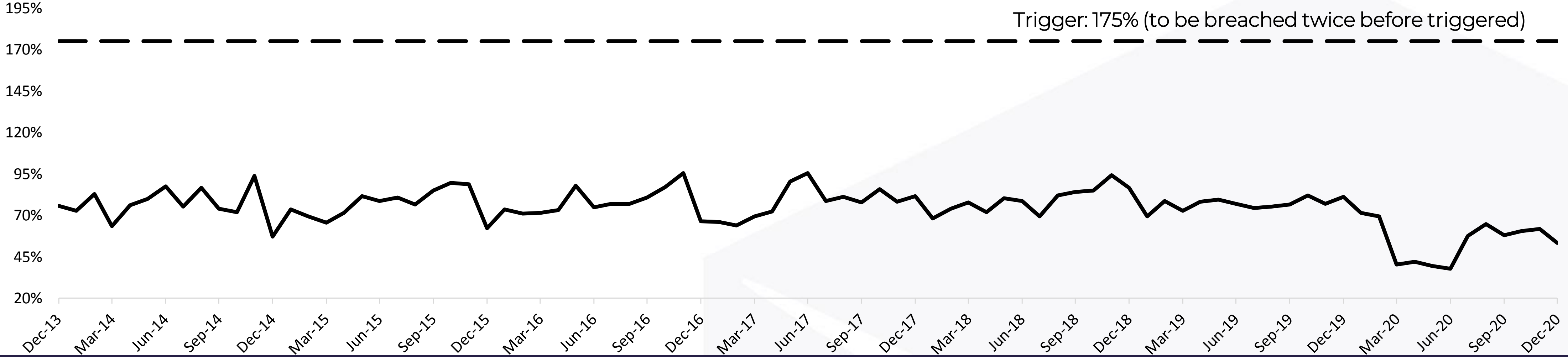


5+ months delinquency rates

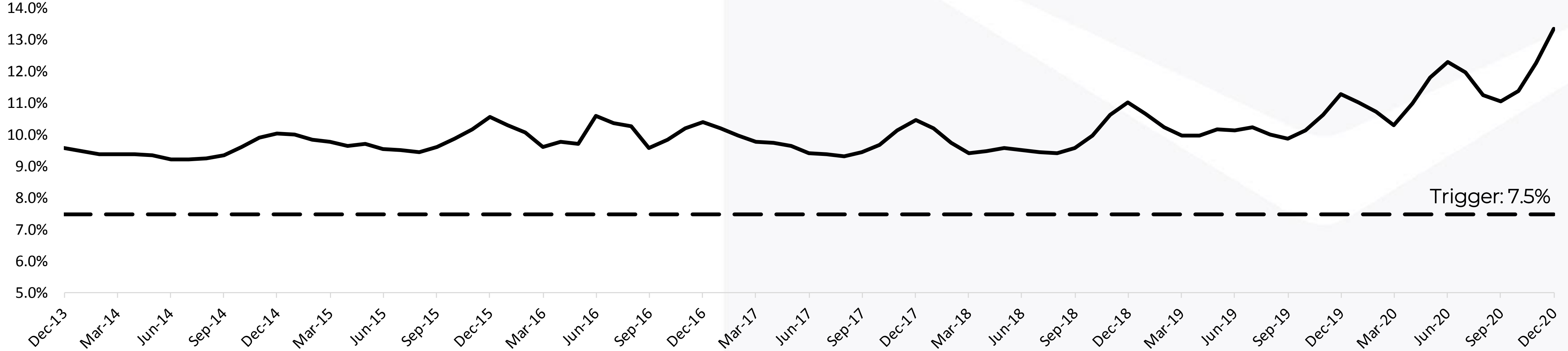


Appendix D: Securitisation Performance Covenants

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 cover days and the strong retail sales performance during Q2 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 £55.7m, ahead of prior year (Q2 FY20: £25.0m)
- Trade and other payables higher than prior year driven by strong retail sales performance in quarter 2
- Secured revolving credit facility fully paid down at Q2 FY21, reflecting a reduction in drawings of £150m in Q2 (Q2 FY20: £35.0m drawn)
- 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 £40.3m through a revised Schedule of Contributions, which allows for a single future contribution of c. £19m payable on or before 31 August 2021
- Lease liabilities increased to £141.7m (Q2 FY20: £73.4m) driven by capitalization of East Midlands plant and equipment leases

	Q2 FY21	Q2 FY20
Non-current assets	758.6	660.9
Current assets	2,427.0	2,438.1
of which:		
Inventories	101.2	121.3
Trade receivables [1]	1,494.9	1,514.8
Amounts owed by Group undertakings [1]	525.6	515.1
Cash and bank balances	55.7	25.0
Current liabilities	(871.3)	(932.7)
of which:		
Trade and other payables	(717.1)	(708.7)
Secured revolving credit facility	-	(35.0)
Retirement benefit obligations	(18.7)	-
Customer redress provision	(55.2)	(106.9)
Non-current liabilities	(2,195.3)	(2,161.5)
of which:		
Securitisation borrowings	(1,470.5)	(1,435.6)
Retirement benefit obligations	(1.1)	(58.6)
Lease liabilities	(141.7)	(73.4)
Total equity	(119.0)	(4.8)

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

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