

18 November 2022

TheWorks.co.uk plc

("The Works", the "Company" or the "Group")

Correction to Half-year trading update for the 26 weeks ended 30 October 2022

The trading update issued by the Group on 11 November 2022 stated that the Group's net cash balance at the end of H1 FY23 was £11.0m. The gross cash balance was £11.0m, however, taking into account a £4.0m drawing on the Group's RCF (revolving credit facility), the net cash balance at the Period end was £7.0m, which reflects the build of stock prior to the peak trading season.

The Group's undrawn RCF at the Period end was £26.0m, resulting in total liquidity headroom of £33.0m.

All other details remain unchanged. The full amended text of the trading update is shown below.

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Half-year trading update for the 26 weeks ended 30 October 2022

The Works, the multi-channel value retailer of arts, crafts, toys, books and stationery, announces an update on trading for the 26 weeks ended 30 October 2022 (the "Period" or "H1 FY23").

Trading update

The Works delivered a resilient trading performance against the backdrop of an increasingly challenging consumer environment. Total sales for the Period increased by 2.1%, with a total LFL⁽¹⁾ sales increase of 0.6%. Store trading was positive, increasing by 3.5% on a LFL basis, whilst online sales declined by 16.9% (but were still 50% above pre-COVID levels).

Sales in both channels were adversely affected during May by operational issues in the aftermath of the cyber security incident in March 2022. However, from June onwards, the store LFL performance was positive, with particularly strong growth in the summer, when the refreshed outdoor play range performed well, followed by a record "Back to School" season. The expansion of our front list book offer has been a great success, with recent new titles such as *Diary of a Wimpy Kid: Diper Överlöde* by Jeff Kinney, *The Bullet That Missed* by Richard Osman and *It Starts With Us* by Colleen Hoover being particularly strong sellers. Online sales have been weaker in comparison, primarily due to the normalisation of shopping trends post-COVID, but have gradually improved throughout the period.

During the six weeks since our previous trading update, store LFL sales growth remained positive, although the rate softened slightly. This was partly due to losing a full trading day for the additional bank holiday, as well as the comparatives in September and October 2021 being strong, when we believe Christmas shopping was brought forward⁽²⁾. Online sales growth continued to track behind stores, but we are encouraged that the rate of decline has slowed progressively as trading through this channel stabilises, and we continue to believe that there remains a significant opportunity for growth in this channel in the medium term.

Outlook

Whilst we are pleased with the overall trading performance in H1 and the resilience of our business and offering, we remain cautious with regard to how consumer spending might be affected by external factors such as higher inflation and interest rates during the key Christmas season and the remainder of this financial year. However, with our value proposition more relevant than ever and being well-placed operationally for Christmas, the Board's expectations for the FY23 result remain unchanged⁽³⁾.

Financial position

The Group's operating cash cycle has now returned to normal after the two previous years which exhibited an atypical pattern, due to the effects of the COVID-19 pandemic.

The Group's financial position remains strong with net cash of £7.0m⁽⁴⁾ at the Period end. This cash position benefitted from the timing of the Period end, as approximately £5.0m of October payments were not due until 31 October, the first day of H2 FY23, albeit the cash position also fully reflects the build of stock prior to the peak trading season.

Gavin Peck, Chief Executive Officer of The Works, commented:

"We have delivered a resilient performance in the first half with positive sales growth overall, demonstrating continued progress against our "better, not just bigger" strategy. Our more customer-focused product proposition has continued to resonate, supported by the hard work and fantastic customer service delivered by our colleagues, helping to offset the challenging trading conditions being seen across the market.

"Although it is very difficult to predict what Christmas will look like this year, we believe that the great products and fantastic value we offer will be more important than ever, with families still looking to celebrate Christmas but in a more affordable way. The Works has proven itself to be a resilient business and we remain confident in our ability to make progress on our strategy and deliver growth in the medium term, supported by a robust balance sheet."

Interim results notification

The results for H1 FY23 and an update on Christmas trading will be announced on Friday, 20 January 2023.

Enquiries:

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Footnotes

- (1) The like for like (LFL) sales increase has been calculated conventionally with reference to the FY22 comparative sales figures.
- (2) As noted in the H1 FY22 trading update (published in November 2021) and the FY22 interim results (published in January 2022) we believe that some Christmas shopping was brought forward into September and October 2021 due to customer fears of limited stock as a result of supply chain disruption.
- (3) For reference, the Company compiled estimate of the market's expectation for the FY23 Adjusted EBITDA result is approximately £9.0m.
- (4) Net cash at bank, excluding IAS 17 finance leases.