22 May 2025

TheWorks.co.uk plc

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

Trading update for the 52 weeks ended 4 May 2025

FY25 and FY26 profit guidance upgraded; driven by strategic progress, strong Q4 performance, sustained margin growth and ongoing operational efficiencies.

TheWorks.co.uk plc, the retailer of affordable, screen-free activities for the whole family, announces a trading update for the 52 weeks ended 4 May 2025 (the "Period" or "FY25").

FY25 overview

The Works made significant financial and strategic progress in FY25 against a challenging consumer backdrop.

- FY25 underlying performance was ahead of the wider non-food retail market (1), with total LFL sales growth of 0.8%.
    - Stores, which comprise over 90% of sales, continued to drive this growth, with LFL sales up 2.3%. More customer-focussed events, new products across all key categories, improved store standards and product availability have been the key drivers of in-store growth.
    - Online sales declined by 12.1% due to the online fulfilment issues experienced during the festive period, as already announced, and our focus on driving profitable growth through this channel.
    - Delivered a strong performance post-Christmas, with Q4 total LFL sales growth of 6.4%, store LFL sales up 6.9% and online improving to flat sales.
- Total revenue was lower by 2.0% to £277m (FY24: £283m) due to:
    - The prior year benefitting from an additional trading week (53 weeks in FY24 vs 52 weeks in FY25), which accounted for approximately half of the FY25 reduction.
    - Optimisation of the store estate, with 7 new openings, 15 closures and 4 relocations. We ended the year with a smaller, higher quality and more profitable portfolio of 503 stores (FY24: 511 stores).
- Sustained product margin growth (+200bps vs FY24), and decisive cost-saving action delivered throughout the year, more than offset cost headwinds in FY25, resulting in a significant improvement in profit.
- Pre-IFRS 16 Adjusted EBITDA (2) is now expected to be approximately £9.5m for FY25 (FY24: £6m), which is ahead of market expectations (3).

Following the online fulfilment issues experienced during Christmas 2024 we have appointed a new third-party provider. The transition is due to complete by the autumn and is expected to deliver cost savings in FY26 and beyond as well as providing a higher standard of service to customers.

Since the announcement of our new strategy, ‘Elevating The Works’, in January 2025, excellent initial progress has been made on our three strategic growth drivers: growing our brand fame, improving customer convenience and being a lean and efficient operator. A comprehensive update on our strategic progress will be provided in the Preliminary results announcement.

Financial position

Strong cash generation through the year meant that we ended the Period with an improved cash position of £4m at year end (FY24: £1.6m). The Works has an RCF of £20.0m, which provides ample liquidity and is utilised to support the build of stock prior to peak trading.

Board changes

Harry Morley has informed the Board of his intention to step down as Senior Independent Non-Executive Director and will not seek re-election at the forthcoming Annual General Meeting on 9 September 2025. After seven years of valuable contribution to The Works, Harry’s transition forms part of the Board’s succession plans and a recruitment process to identify his successor is underway.

Outlook

The Board expects that the positive momentum seen since Christmas will continue. This, combined with ongoing focus on product margin growth, cost management and execution of our new strategy, means we expect to offset significant cost headwinds and deliver profit growth in the year ahead [(4)]. As a result, we are targeting profit growth in excess of current market expectations in FY26 [(3)].

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

“We are pleased to have made such significant progress in FY25, both strategically and financially, particularly given the challenging retail backdrop. Our sustained efforts to reduce costs and grow product margins, together with the strong sales growth post-Christmas, means we delivered profits ahead of expectations in FY25.

“Execution of our new strategy, ‘Elevating The Works’, is already delivering tangible results. As ever, we’ve got more work to do, but everyone at The Works is focused on fulfilling our ambition to become the favourite destination for affordable, screen-free activities for the whole family. We are confident that this, coupled with the strong momentum in our trading performance, will see us deliver further profit growth in FY26.”

Publication of FY25 results

The Works’ FY25 Preliminary results are expected to be announced on Tuesday 22 July 2025.

This announcement contains inside information for the purposes of the retained UK version of the EU Market Abuse Regulation (EU) 596/2014 ("UK MAR").

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Footnotes:

1. Data from the British Retail Consortium (BRC) showed non-food retail LFL decline of 0.1% for the 52-week period.
2. Pre-IFRS 16 Adjusted EBITDA excludes Adjusting items in relation to exceptional fulfilment costs (£1.2m) and exceptional restructuring costs (£0.6m).
3. Group compiled market forecasts for FY25 and FY26 are currently pre-IFRS16 Adjusted EBITDA of £8.5m and £10m respectively.
4. Cost headwinds in FY26 include a circa £6m impact due to the rise in National Living and Minimum Wages and changes to employers' National Insurance contributions.