18 May 2023

TheWorks.co.uk plc

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

Trading update for the 52 weeks ended 30 April 2023

Robust sales growth in FY23; Adjusted EBITDA expected to be in line with market forecast; ended the year in a strong financial position.

TheWorks.co.uk plc, the family-friendly value retailer of arts, crafts, toys, books and stationery, announces a trading update for the 52 weeks ended 30 April 2023 (the "Period" or "FY23").

Trading performance

The Works delivered a resilient performance in FY23 against a challenging backdrop, with total sales[1] increasing by 6.1% to £316.6m (FY22: £298.4m). Stores, which represented 88.8% of total sales, delivered an LFL sales increase of 7.5%. Online sales declined by 15.0%, resulting in overall LFL sales growth of 4.2%.

Trading since the previous update[2] has been broadly as anticipated, with stores continuing to deliver positive LFL sales growth and online LFLs being negative. Store LFL sales increased by 12.1% over the 15 weeks, and online sales declined by 12.5%, giving an overall LFL increase of 9.3% during this period. The FY22 comparatives weakened in April 2023, due to the aftermath of the March 2022 cyber security incident, which is reflected in the slight increase in the recent rate of sales growth.

The Company expects to report an Adjusted EBITDA result for FY23 in line with its compiled estimate of the market's forecast, which is approximately £9.0m.

Financial position

The Group ended the Period in a strong financial position, with net cash[3] of £10.2m (FY22: £16.3m). As previously noted, the FY22 comparative included higher than normal creditor balances, which unwound as expected during FY23. At the Period end the Group had liquidity availability of £40m, including its undrawn £30.0m bank facility[4].

Dividend and publication of results

As noted in the interim results report issued in January 2023, the Board will consider the level of dividend for FY23 alongside completion of the audited final results, which will be announced on Friday 21 July 2023.

Outlook

Notwithstanding the ongoing challenging market conditions, the Board remains confident in the future prospects of the business due to the underlying appeal and relevance of The Works' proposition, the opportunity to grow sales profitably through the implementation of its strategy, and the Group's strong financial position. The Board notes that the compiled estimate of the market's forecast for FY24 is an Adjusted EBITDA of approximately £10.0m, which it is comfortable with at the present time.

Appointment of broker

The Group is pleased to announce that Singer Capital Markets has been appointed as the Company's sole corporate broker with immediate effect.

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

"Our performance in FY23 was delivered against a challenging backdrop. The business traded well through difficult external conditions, most notably the inflationary environment, and the recovery from the cyber security incident at the start of the year. The store performance was strong throughout the period, demonstrating the enduring value of our store network in communities across the UK and Ireland. Online sales continued to lag behind, partially reflecting the normalisation trend seen more widely. We delivered good strategic progress in the second half of FY23 and have now laid the foundations to continue on this trajectory in the year ahead. This progress is testament to the passion and commitment of our brilliant colleagues, who continue to go above and beyond to deliver for our customers."

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(1) "Total sales" include VAT and are stated prior to deducting the cost of loyalty points which are excluded from statutory revenue. A reconciliation between total sales and statutory revenue will be included in the Group's Annual Report.
(2) i.e. during the 15 week period from Monday 16 January 2023 to Sunday 30 April 2023.
(3) Net cash at bank excluding finance leases, and on a non-IFRS 16 basis.
(4) The Group's bank facility at the Period end comprised a committed RCF of £30.0m with an expiry date of 30 November 2025.

The Group is in discussions with its bank (HSBC) about reducing the size of the facility, which was undrawn throughout most of FY23, to £20.0m, and extending its term so that it would expire instead on 30 November 2026. This would save approximately £0.15m in annual cash interest costs, and would continue to provide liquidity availability significantly in excess of the actual anticipated requirement.