

9 November 2023

TheWorks.co.uk plc

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

Half-year trading update for the 26 weeks ended 29 October 2023

The Works, the multi-channel value retailer of arts, crafts, toys, books and stationery, announces an update on trading for the 26 weeks ended 29 October 2023 (the "Period" or "H1 FY24").

Trading update

In the first half of FY24 The Works delivered total sales growth of 3.4% and a total LFL sales increase of 1.6%. Store LFLs increased by 3.5%, whilst online sales declined by 12.2%.

The macro-economic environment was challenging throughout the period, characterised by high inflation and low consumer confidence. In the nine weeks since our previous update, consumer demand has softened further and, combined with unseasonable weather conditions, this has caused reduced footfall.⁽¹⁾ We have seen a slowdown in the rate of store LFL sales growth as a result, particularly in October although, conversely, the online LFL has improved.

Mindful of this trading environment, we have reviewed all areas of activity, including implementing additional promotions and taking mitigating action to reduce costs where we can, whilst also gearing up to deliver excellent value for customers this Christmas.

Outlook

As always, trading in the six weeks between now and Christmas will have a significant bearing on the overall result for the financial year. Last year, consumers left Christmas shopping until very late in the season, and we expect that sales may follow a similar pattern this year. As such, any forecast prepared at this stage includes a high degree of uncertainty.

We anticipate that trading conditions during H2 FY24 will remain challenging and consumer spend will be subdued, resulting in the continuation of the increased levels of discounting recently seen across the sector. To ensure that we offer the best value to our customers, we expect to maintain a higher level of promotional activity than envisaged at the outset of the year. We will also continue to take action to reduce costs.

Taking into account the level of uncertainty with regard to sales, and our expectation that it will be necessary to continue to maintain a higher than planned level of discounting to remain competitive, we have revised our estimate of the likely full year result for FY24, and now expect that the pre IFRS 16 Adjusted EBITDA will be approximately £6.0m.⁽²⁾

Financial position

The Group had net bank borrowings of £2.5m at the Period end, reflecting the build of stock prior to the peak trading season, and the corresponding low point in cash levels. There was £17.5m of headroom within our £20.0m bank facility.

CFO succession

It was announced at the Preliminary results on 30 August 2023 that Rosie Fordham, Head of Finance at The Works, would succeed Steve Alldridge as CFO by the end of December 2023 following an orderly handover process. We confirm that Rosie will assume the position of CFO and join the Board of Directors on 31 December 2023.

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

"The first half of the year has been challenging for the retail sector as cost-of-living pressures continued to weigh on households. We have focused on delivering excellent value for our customers, adapting as best we can to the tough trading conditions, and I am proud of the way our colleagues have rallied together and responded.

“Consumer sentiment softened towards the end of the period, which resulted in early discounting across the sector and increased uncertainty as we head into the Christmas period. Recognising the competitiveness of the market we have responded with more promotional activity, which we expect to continue as we approach Christmas. Families will want to celebrate Christmas affordably and our value proposition makes us an ideal choice for them.

“Market conditions remain challenging and given the level of uncertainty in trading and forecasting we believe it is now prudent to moderate our expectations for FY24. Despite this short-term volatility, we believe that our ‘better, not just bigger’ strategy has the potential to deliver profitable growth in the medium and long-term.”

Interim results notification

The results for H1 FY24 and an update on Christmas trading will be announced on Thursday, 18 January 2024.

Enquiries:

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Footnotes

- (1) For example, the BRC (British Retail Consortium) footfall data for October, which reported a 5.7% year on year decline in footfall, compared with a 2.9% year on year decline in September ([link](#)).
- (2) The Company compiled estimate of the market's expectation for the FY24 pre IFRS 16 Adjusted EBITDA result prior to this announcement was approximately £10.0m.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.