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What will you discover?

Interim results
26 weeks ended 27 October 2019

16 January 2020

Agenda

- Highlights — Gavin Peck (CEO)
- Financial Review — Rosie Fordham (Interim CFO)
- Business Review — Gavin Peck (CEO)
- Questions


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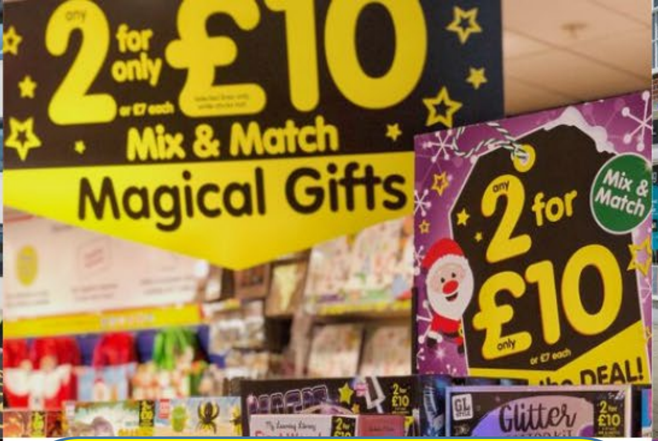
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Mix & Match
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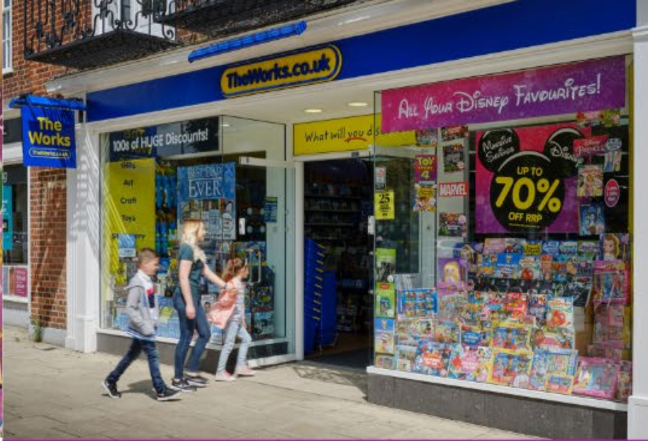
Mix & Match
the DEAL!
Glitter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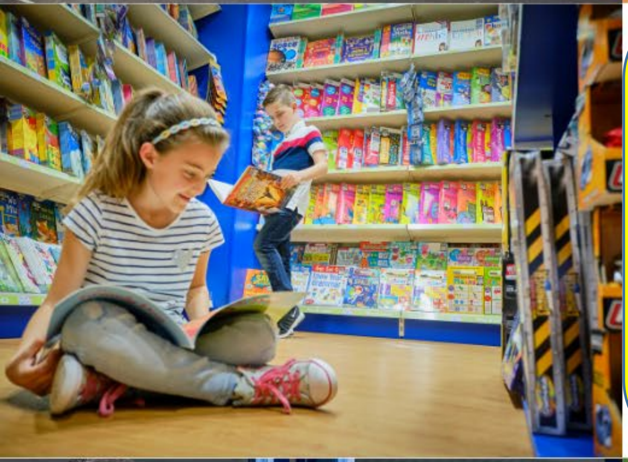

Highlights


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Together
GIFTS
TOYS & GAMES
Rewards Card
BOOKS
SWEETS


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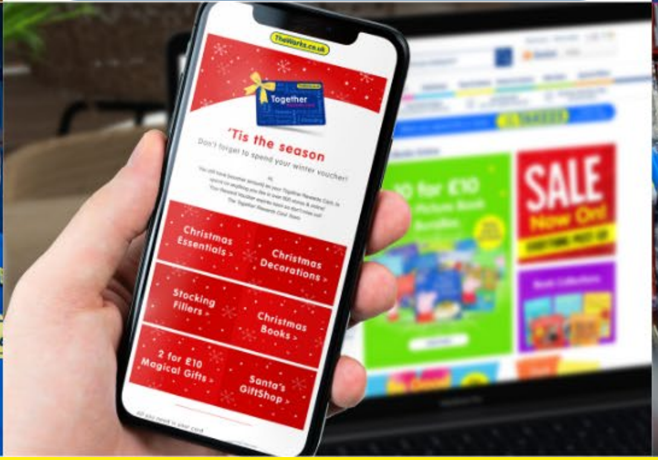
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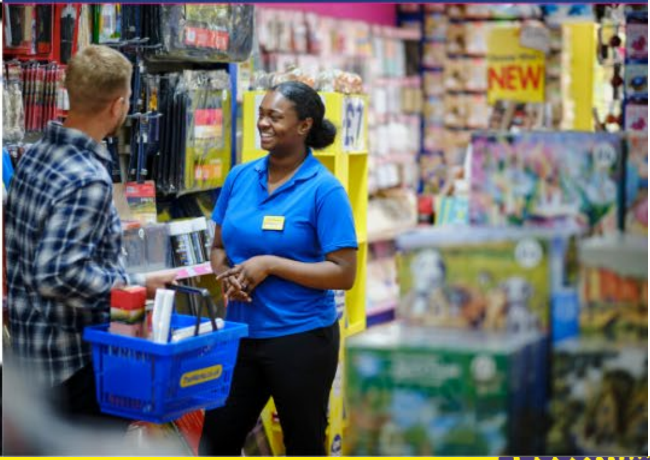
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H1 financial overview

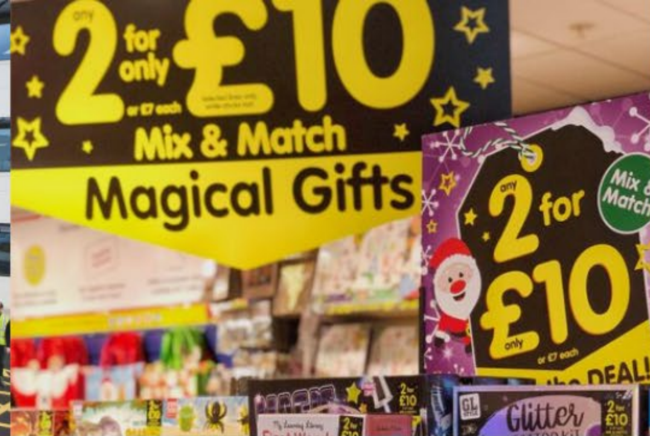
	H1 FY20	H1 FY19
Revenue	£96.4m	£91.5m
Total sales growth	5.4%	15.0%
LFL sales growth (exc Mega Trends)	(1.9%)	5.5%
Reported LFL sales growth	(3.6%)	3.8%
Adjusted EBITDA*	(£4.3m)	(£0.9m)
Interim Dividend (pence per share)	1.2p	1.2p
Net (debt**)/cash	(£14.9m)	(£4.4m)

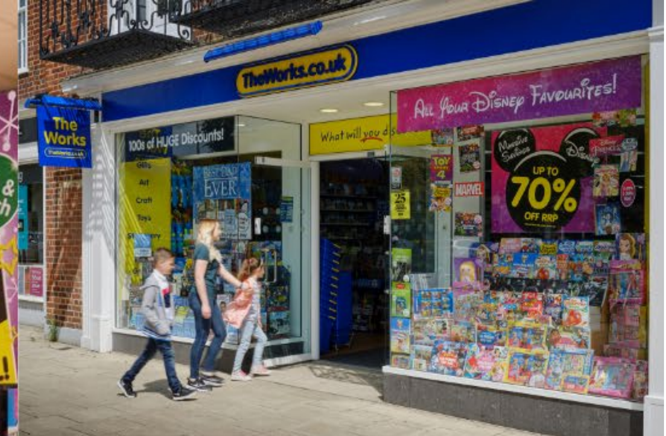
** Before adjusting items and IFRS16 Leases impact*

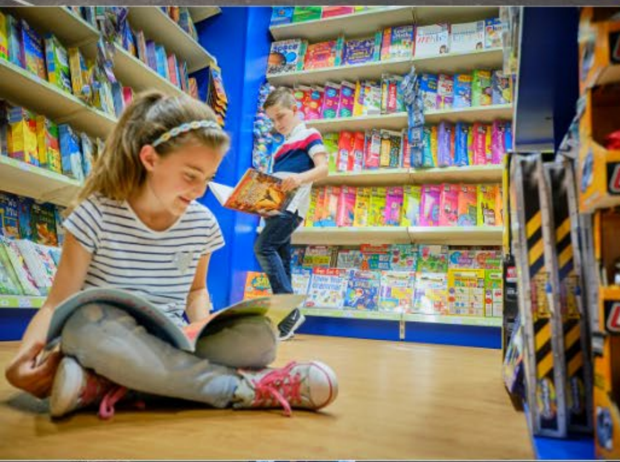
*** Before IFRS16 Leases liabilities*

Summary and outlook

- Management changes – focus on next phase of growth
- Negative LFLs in H1 reflected two key factors:
  - Challenging consumer backdrop
  - Exacerbated by trading against "Squishies" Mega Trend last year (and strong sales of Slime)
- New store openings remained a positive – payback running at around one year
- We took proactive action
  - Invested in margin to drive sales
  - Increased focus on cost control
- Pleasing to return to positive LFLs (+1.5%) over peak trading – growth in both stores and online
- Trading in line with Board expectations for the full year and expect to be broadly debt free by year-end
- Action taken to refocus strategy in near-term – driving profitable growth in the existing business
  - Fewer new store openings
  - Reviewing proposition to help drive LFL sales growth
  - Building blocks in place to support next phase of online growth
  - Accelerating product margin growth opportunity
  - Renewed focus on cost control
- Continue to believe in medium-term growth opportunity







Financial Review

Summary income statement

Adjusted results (pre-IFRS16 Leases)	H1 FY20 £'m	H1 FY19 £'m
Revenue	**96.4**	**91.5**
Gross Profit	**11.0**	**13.6**
Gross Profit Margin	*11.5%*	*14.8%*
Adjusted EBITDA loss	**(4.3)**	**(0.9)**
Depreciation	(3.5)	(2.8)
Operating profit before tax	**(7.8)**	**(3.7)**
Net financing expense	(0.2)	(0.7)
Profit before tax	**(8.0)**	**(4.4)**

Reconciliation to statutory results		
Adjusted profit before tax	**(8.0)**	**(4.4)**
Duty provision	(0.4)	-
Relocation of eCommerce fulfilment operations	-	(0.2)
Staff incentives on IPO	-	(1.2)
Costs relating to IPO and refinancing	-	(3.0)
Write-off of capitalised costs associated with repaid loan	-	(0.4)
Statutory profit before tax (pre IFRS16 Leases adjustments)	**(8.3)**	**(9.1)**
IFRS16 adjustment to profit before tax	(0.2)	-
Statutory profit before tax	**(8.5)**	**(9.1)**

Key highlights

- +5.4% revenue growth reflecting new store revenue offset by lower LFLs
- Lower gross profit margin reflecting FX and NLW/NMW headwinds plus increased promotional activity
- Increased adjusted EBITDA loss reflects lower LFL sales, lower profit margin and increased operating costs
- Increased depreciation reflecting new store opening programme
- Lower financing expense
  - Full period of post-IPO capital structure
  - Broadly in line with prior year when adjusting for post-IPO capital structure

Product margin and cost control

	H1 FY20 £'m	% of revenue	H1 FY19 £'m	% of revenue	YOY increase (%)
Revenue	**96.4**		**91.5**		**5.4%**
Cost of goods sold	36.3	37.7%	32.8	35.9%	10.7%
Store wages	20.6	21.4%	18.2	19.9%	13.6%
Store property costs	22.1	22.9%	20.8	22.7%	6.1%
Other direct costs	6.3	6.5%	6.1	6.7%	2.6%
Cost of sales	**85.4**	**88.5%**	**77.9**	**85.2%**	**9.5%**
Distribution costs	5.8	6.0%	5.2	5.7%	10.5%
Administrative costs	9.6	9.9%	9.2	10.1%	3.7%
Operating costs	**15.3**	**15.9%**	**14.5**	**15.8%**	**6.2%**
Adjusted EBITDA (pre IFRS16 Leases)	**(4.3)**	**(4.4)%**	**(0.9)**	**(1.0)%**	**373.0%**

Note:

– *The above figures are pre IFRS16 Leases and exclude depreciation, impairment and gains/losses on disposals of property, plant and equipment and amortisation of software – see appendix for detailed reconciliation to statutory costs*

Key highlights

- **Increased cost of goods sold**
  - Reflects FX headwind and investment in promotional activity

- **Store wages ratio increase**
  - NLW/NMW impact continues – ability to mitigate limited in absence of lone-working but increasing focus on driving efficiency savings and reviewing store labour structures
  - Hours managed given lower LFLs but unable to fully mitigate to maintain cost ratio

- **Ongoing rent and rates savings in existing portfolio**
  - Continuing to take advantage of favourable retail property market conditions and short lease length (average time to next exit point of less than three years)

- **Operating costs ratio broadly maintained**
  - NLW/NMW increases on distribution labour mitigated, in part, by efficiencies, including reduction in transport costs given change in pallet pick method
  - Full year impact of outsourcing online fulfilment, plc costs and investment in key functions linked to growing the estate (e.g. field sales structure) and buying team
  - Careful control of other central costs

- **Increased focus on cost control**
  - Store labour efficiencies and structure reviews
  - Supply chain efficiencies
  - Further rent reductions in the existing estate
  - Careful management of central costs and discretionary spend

Capital expenditure

	H1 FY20 £'m	H1 FY19 £'m	YOY Change £'m
New stores and relocations	2.9	2.9	(0.0)
IT hardware and software	0.5	0.3	(0.2)
Web development	0.5	0.3	(0.2)
Store refits and rebrands	0.3	0.3	0.0
Other	0.6	1.0	0.4
Total capital expenditure	**4.8**	**4.8**	**0.0**
Capital expenditure on finance lease	(0.2)	(0.2)	(0.0)
Net capital expenditure	**4.6**	**4.6**	**(0.0)**

Key highlights

- New stores continue to represent a significant proportion of spend
- Web Replatform c£1.2m spend in FY20
- Full year expectation of c£9m (given lower number of new store openings) – expect similar level in future years as lower capex on new stores offset by investment to drive cost efficiencies

Cashflow

	H1 FY20 £'m	H1 FY19 £'m
Adjusted EBITDA*	**(4.3)**	**(0.9)**
Share based payment charges	0.1	-
Derivative exchange loss/(gain)	0.0	(0.2)
Increase in provisions	(0.1)	-
Adjusted Operating Cashflow before working capital	**(4.3)**	**(1.1)**
Net capital expenditure	(4.6)	(4.6)
Net working capital movement	(6.6)	2.2
Net interest paid	(0.1)	(1.2)
Corporation tax	(0.3)	(0.4)
Free Cashflow	**(15.9)**	**(5.2)**
Debt	14.9	4.8
Cash	0.0	0.3
Net Debt**	**14.9**	**4.4**

** Before adjusting items and IFRS16 Leases impact*

*** Before IFRS16 Leases liabilities*

Key highlights

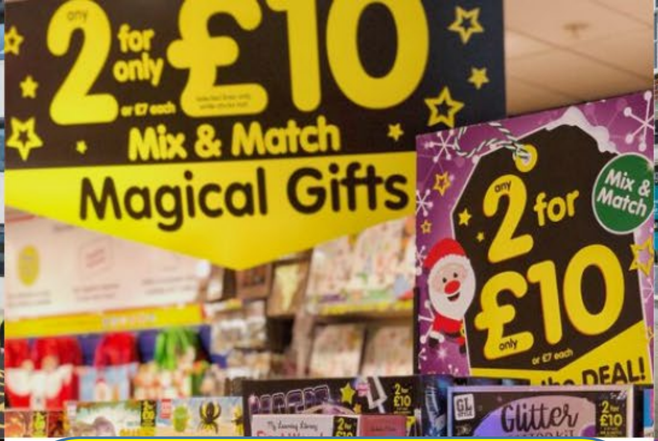
- Predictable and well-controlled capital expenditure
- Working capital absorption driven by:
  - Higher stock levels reflecting stock phasing ahead of peak and lower sales in H1
  - Phasing of October payment runs (adverse to last year)
- Lower interest paid reflecting post-IPO debt structure
- Strong cash generation in H2 – expect to be broadly debt-free by year-end

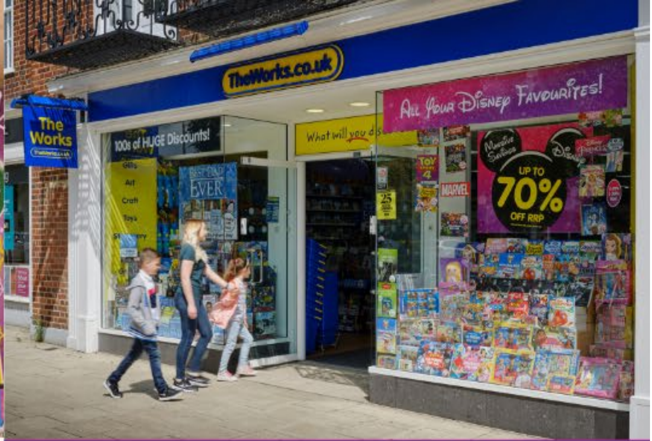
IFRS16

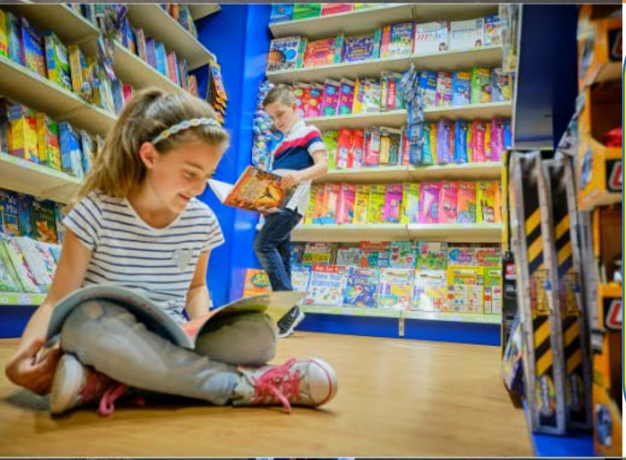
	£'m
FY20 OPENING BALANCE SHEET IMPACT	
Right of use assets	104.4
Lease liability	(116.1)
Net assets impact of IFRS16	**(11.7)**
De-recognise	
Prepayments	(2.7)
Rent free	6.5
Deferred tax	2.0
Equity impact	**(5.8)**
FY20 H1 P&L IMPACT	
EBITDA increase = removal of operating lease	**11.3**
Right of use asset depreciation	(9.6)
EBIT increase	**1.7**
Lease liability interest charge	(1.9)
Net PBT increase	**(0.2)**

Key highlights

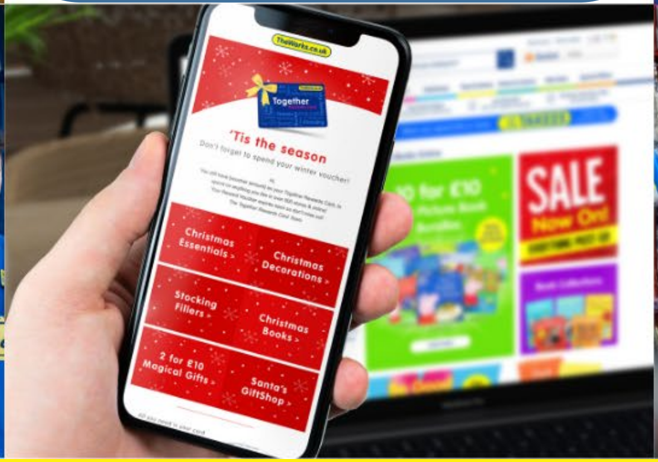
- Operating leases meeting IFRS16 criteria represented by a fixed ("right-of-use") asset with corresponding lease liability (notional debt)
- Operating lease expense replaced by asset depreciation and notional interest charge in relation to the lease liability
- Our flexible lease terms create complexity
  - Concession leases
  - Turnover rents
  - Short-term leases
- Elected the modified retrospective adoption method which requires no re-statement of comparatives
- Modest improvement expected to full year FY20 PBT (c£0.1m)
- No impact on business operations or cash flows



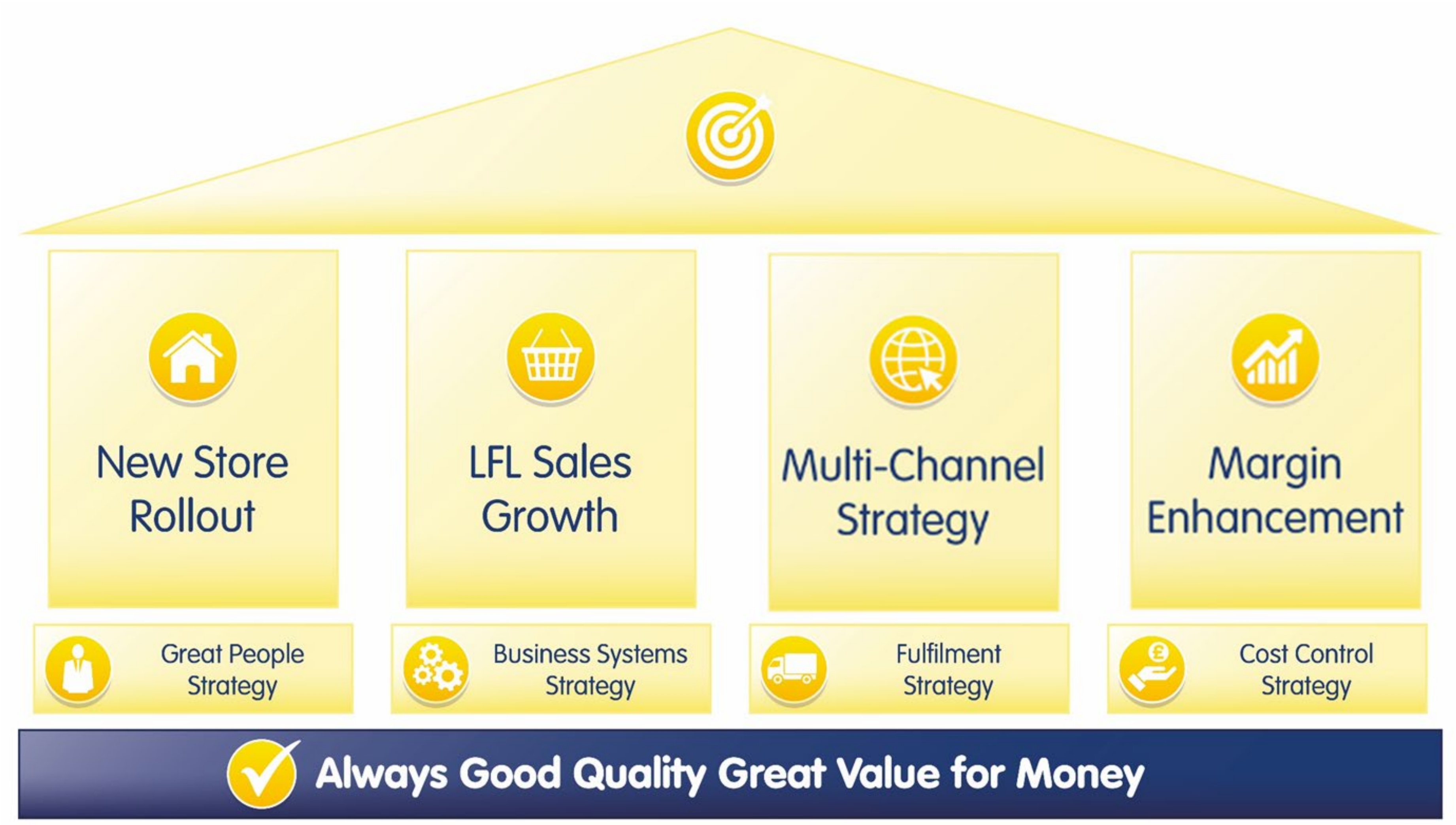




Business Review



We have a proven four pillar growth strategy



New store rollout

- Continued track record of delivery
  - Net 28 opened at end of October, further 13 net opened since
  - Payback continues to run at around one year – in line with internal expectations

- Scaling back opening plans in the near term
  - No further net openings in FY20
  - Net 20 openings in FY21

- Rationale
  - Focus on existing estate – over 100 lease events in FY21
  - Increased quality and returns expected on FY21 openings

- Retail property market conditions likely to remain favourable in the medium-term

LFL sales performance

- Disappointing H1 LFLs
  - Challenging consumer backdrop
  - Exacerbated by absence of a *Mega Trend*

- Improved performance over peak trading
  - Positive growth in stores and online
  - Comps eased as *Mega Trend* impact dropped away
  - Proven track record at Christmas
    - Christmas ranges performed well
    - Frozen 2 complementary sales
  - Initiatives landed in the first half starting to come through
    - Kids Jigsaws and Helium Balloons
    - New merchandising initiatives on core stationery and art ranges launched, with core craft range planned for new year

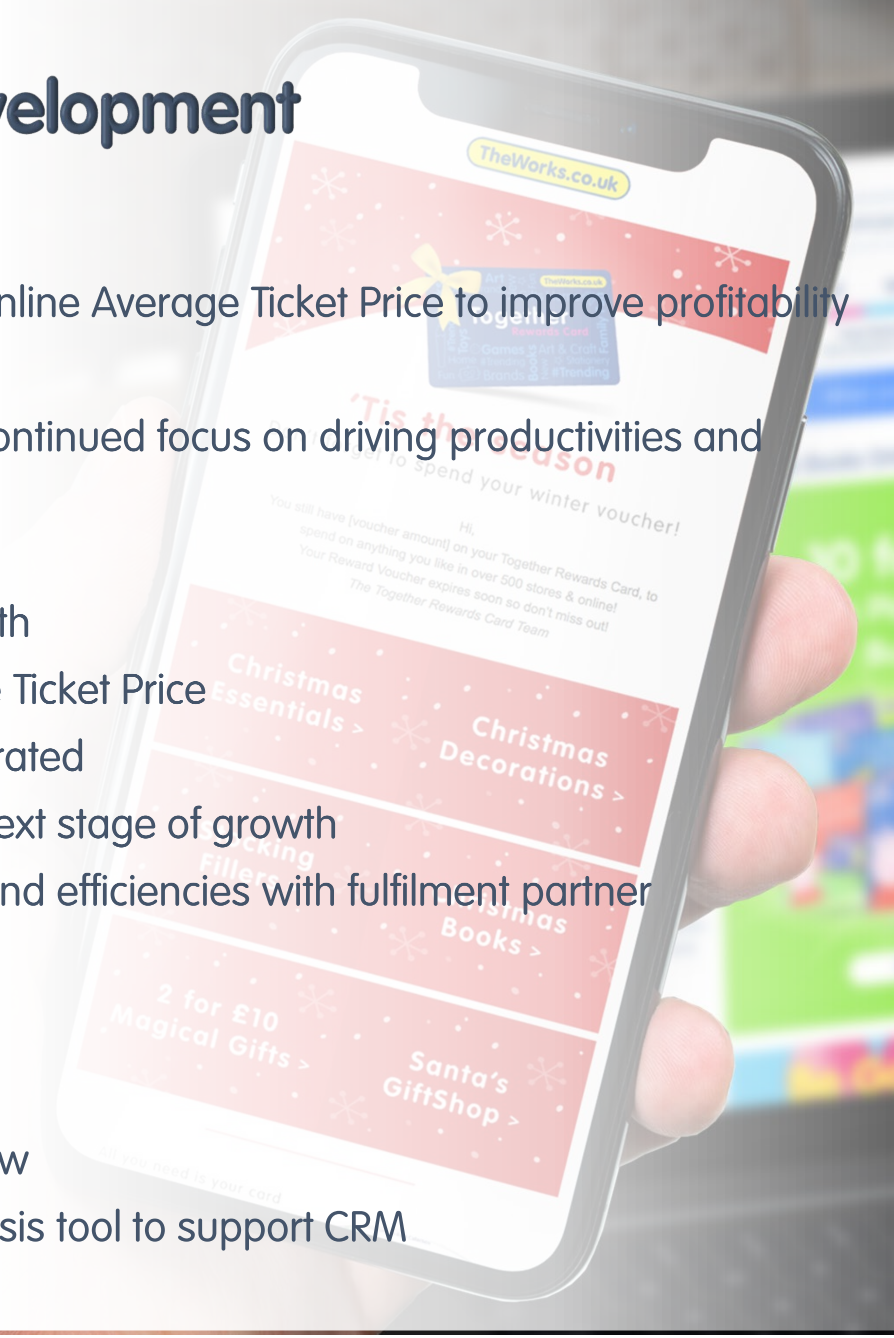
- Consumer backdrop remains a challenge – cautious optimism for remainder of FY20

Multi-channel proposition development

- Sales decline in first half disappointing, but
  - Reflects propositional changes to increase online Average Ticket Price to improve profitability
  - Improved sales performance over peak
  - Strong performance of fulfilment partner – continued focus on driving productivities and efficiencies

- Initiatives underway to drive profitable sales growth
  - Ongoing focus on increasing online Average Ticket Price
  - Range extension development being accelerated
  - New platform to launch by July – supports next stage of growth
  - Further opportunities to drive productivities and efficiencies with fulfilment partner

- Development in other digital areas
  - Continued growth in Click and Collect
  - "Together" loyalty database continues to grow
  - Investing in customer insight and data analysis tool to support CRM



Product margin and cost control

- H1 product margin behind last year reflecting
  - FX headwind
  - Investment to drive sales over Summer
- Product margin gap to prior year expected to narrow in H2 – ongoing FX headwind with more normalised promotional activity
- Medium-term product margin growth expected through multiple levers
- Increased focus on cost control given H1 LFL sales performance and market backdrop – helping to ensure profitable growth and improved quality of earnings
- Good savings made in a number of areas – savings weighted to H2
  - Retail DC (e.g. change in picking process)
  - Property costs (e.g. rent and rates)
  - Store labour costs (e.g. lower hours outside of peak where possible)
  - Discretionary costs management
- Further opportunities continue to be explored for FY21 and beyond, in particular supply chain efficiencies, NLW mitigation in stores and property cost savings in existing estate

Summary and outlook

- H1 performance a disappointment, but pleasing to return to positive LFLs over peak trading

- Trading in line with Board expectations for the full year and expect to be broadly debt free by year-end

- Proactive action taken to refocus strategy in near-term
  - Fewer new store openings
  - Reviewing proposition to help drive LFL sales growth
  - Building blocks in place to support next phase of online growth
  - Accelerating product margin growth opportunity
  - Renewed focus on cost control

- Continue to believe in medium-term growth opportunity

- Management team in place – focus on driving next phase of growth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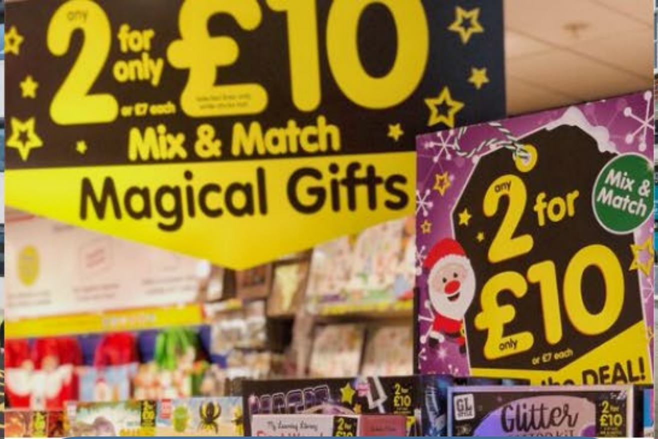
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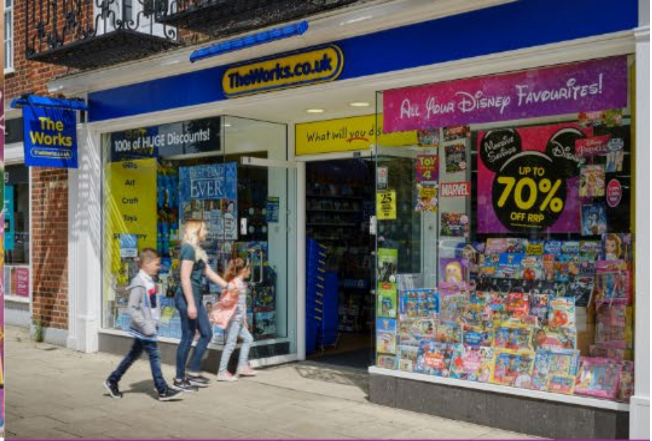
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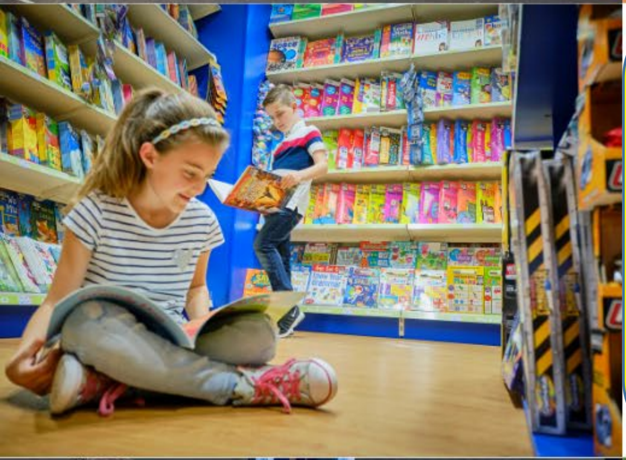
Questions



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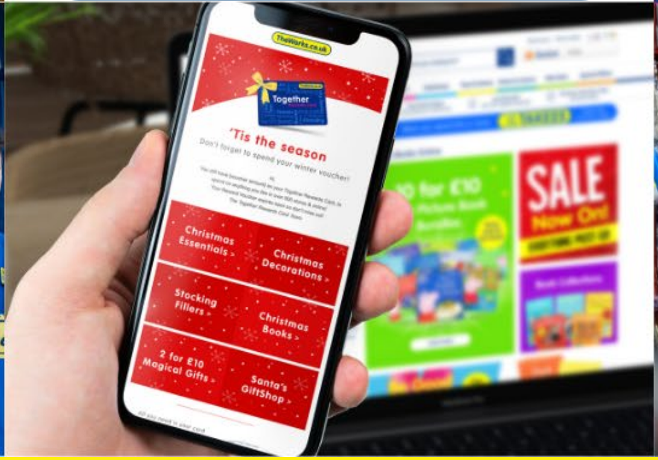
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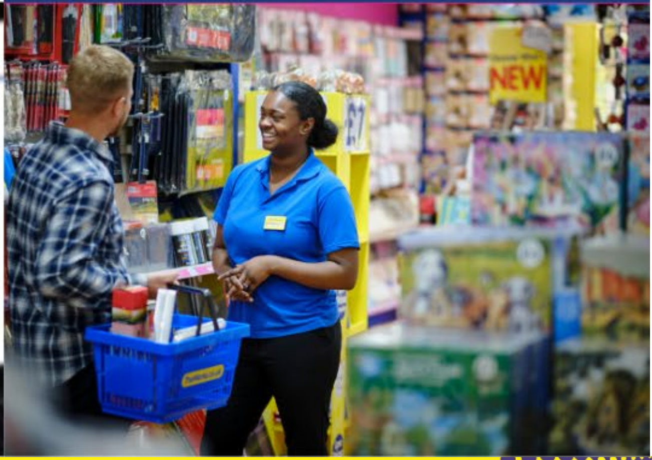
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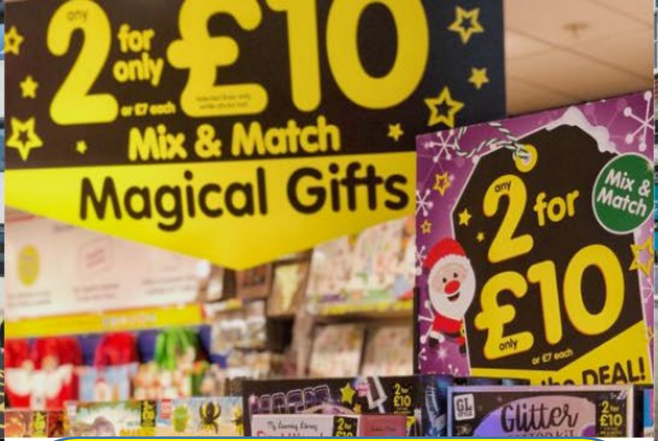

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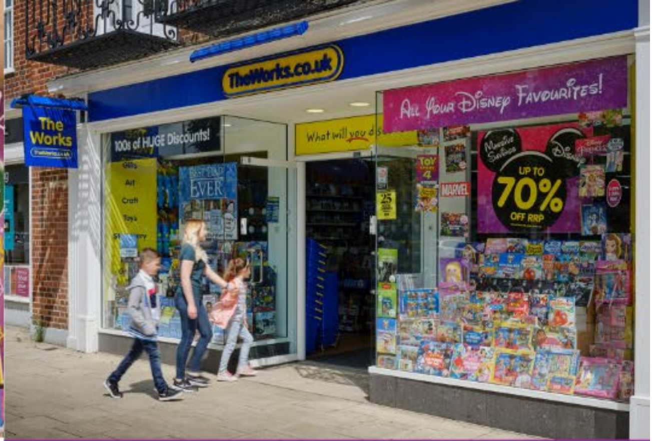

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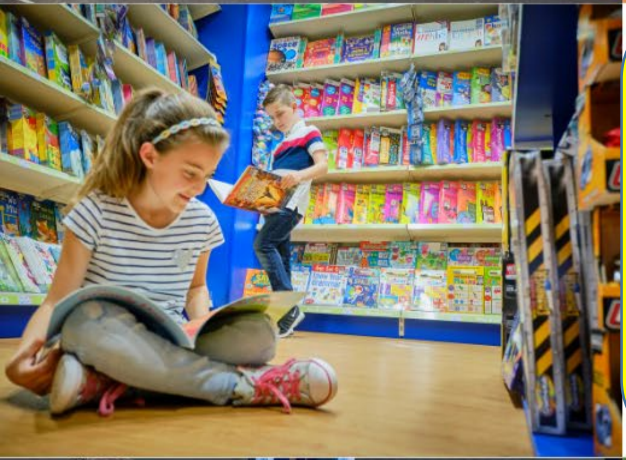

Appendices

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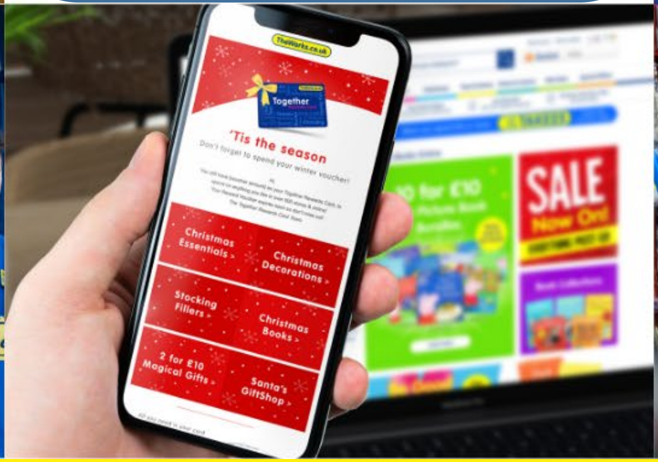

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NEW

Balance sheet

	HY20 £'000	HY19 £'000
Non-current assets		
Intangible assets	18,744	17,630
Property, plant and equipment	121,966	21,582
Deferred tax assets	2,494	307
	143,204	**39,519**
Current assets		
Inventories	42,511	36,288
Current tax asset	1,967	1,535
Derivative financial asset	156	301
Trade and other receivables	9,988	13,300
Cash and cash equivalents	-	322
	54,622	**51,746**
Total assets	**197,826**	**91,265**
Current liabilities		
Bank overdraft	7,123	
Interest-bearing loans and borrowings	7,000	4,000
Lease liabilities	18,283	244
Trade and other payables	45,566	56,373
Provisions	145	
Derivative financial liability	1,005	
Current tax liabilities	-	
	79,122	**60,617**
Non-current liabilities		
Lease liabilities	94,590	514
Provisions	-	-
	94,590	**514**
Total liabilities	**173,712**	**61,131**
Net assets	**24,114**	**30,134**
Equity attributable to equity holders of the parent		
Share capital	625	625
Share premium	28,322	28,322
Merger reserve	(54)	(54)
Share-based payment reserve	1,468	1,401
Hedging reserve	(519)	-
Retained earnings	(5,728)	(160)
Total equity	**24,114**	**30,134**

Cashflow

	HY20 £'000	HY19 £'000
Cash flows from operating activities		
(Loss) / profit for the period	(6,414)	(7,717)
Adjustments for:		
Depreciation, amortisation and impairment	13,439	2,780
Derivative exchange loss/(gain)	25	(212)
Net finance costs	2,099	1,104
Gain / Loss on sale of property, plant and equipment	(7)	(2)
Adjusting items - staff incentives on IPO	-	1,212
FX mvt on IFRS16	130	-
Share based payment charges	95	-
Increase in provisions	(136)	-
Taxation	(2,061)	(1,392)
Operating cash flows before changes in working capit	**7,170**	**(4,227)**
Increase in trade and other receivables	7,702	4,091
Increase in inventories	(17,324)	(14,793)
Increase in trade and other payables	(883)	12,947
IFRS 16 movement in accruals and prepayments	3,880	-
Cash inflows from operating activities	**545**	**(1,982)**
Tax paid	(272)	(438)
Net cash from operating activities	**273**	**(2,420)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,994)	(4,372)
Acquisition of intangible assets	(810)	(250)
Interest received	-	1
Net cash from investing activities	**(4,804)**	**(4,621)**
Cash flows from financing activities		
Interest paid	(143)	(1,247)
Payment of finance lease liabilities	(11,636)	(110)
Proceeds from share issue	-	28,500
Dividends paid	(1,500)	-
proceeds from bank borrowings	7,000	4,000
Repayment of bank borrowings	-	(31,200)
Net cash from financing activities	**(6,279)**	**(57)**
Net increase/(decrease) in cash and cash equivalents	(10,810)	(7,098)
Cash and cash equivalents at beginning of period	3,687	7,420
Cash and cash equivalents at end of period	**(7,123)**	**322**

Reconciliation to statutory cost of sales and operating costs

	H1 FY20 £'m	% of revenue	H1 FY19 £'m	% of revenue	YOY increase (%)
Cost analysis reconciliation to statutory costs (reflecting IFRS 16 adjustments and depreciation)					
Store property costs	(10.9)				
Other direct costs	(0.2)				
Cost of sales under IFRS 16	**74.3**	77.0%			
IFRS 16 ROUA depreciation	9.4	9.8%			
Non IFRS 16 depreciation	2.4	2.4%	2.0	2.1%	20.8%
Statutory Cost of sales	**86.1**	89.3%	**79.9**	**87.3%**	7.7%
Distribution costs	(0.1)				
Administrative costs	(0.5)				
Operating costs under IFRS 16	**14.7**	15.3%			
IFRS 16 ROUA depreciation	0.5	0.6%			
Non IFRS 16 depreciation	1.1	1.1%	0.8	0.9%	33.9%
Statutory operating costs	**16.4**	17.0%	**15.3**	**16.7%**	7.2%