What will you discover?

Interim results

26 weeks ended 28 October 2018

16 January 2019

Agenda

• Introduction	Kevin Keaney (CEO)
• Financial review	Gavin Peck (CFO)
• Business review	Kevin Keaney (CEO)
• Questions	

Strong first half performance, with sales momentum continuing into Christmas trading period

Strategic

- Net 32 new stores opened – on track for net 50 for full year
- LFL sales growth of +3.8%
- Further multi-channel developments
- Continued growth in product gross margin

Financial

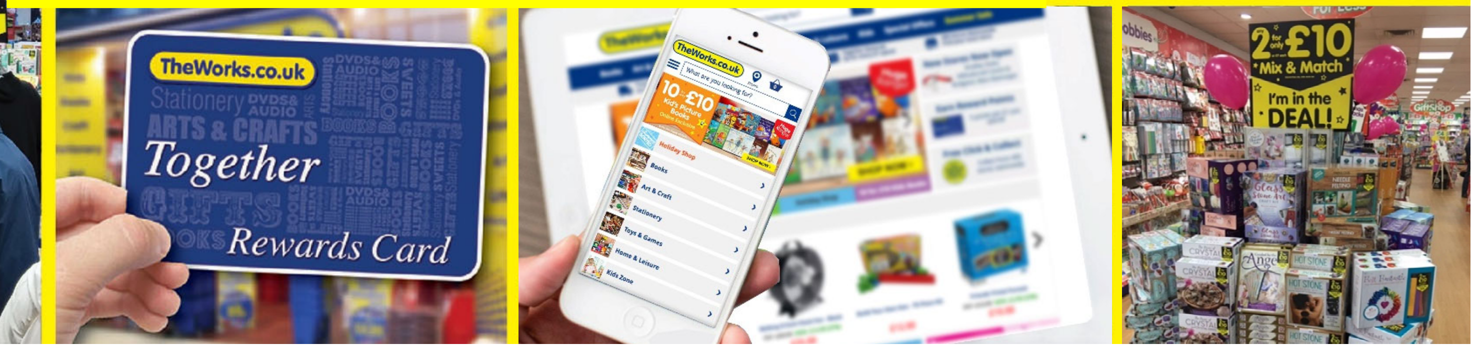
	H1 FY19	H1 FY18	YOY Change
Revenue	£91.5m	£79.5m	15.0%
Gross Profit margin*	14.8%	14.5%	0.3ppts
Adjusted EBITDA loss	(£0.9m)	(£0.2m)	(£0.7m)
Interim dividend	1.2p	n/a	n/a

** before depreciation*

Trading Update

- LFL sales of +4.5% in 11 weeks to 13 January 2019
- Another record Christmas
- Continue to trade in line with Board's expectations for full year

Financial Review



Summary income statement

Adjusted results	H1 FY19 £'m	H1 FY18 £'m	YOY Change
Revenue	**91.5**	**79.5**	**15.0%**
Gross Profit	***13.6***	***11.5***	**18.1%**
Gross Profit Margin	*14.8%*	*14.5%*	*0.3ppts*
Adjusted EBITDA loss	**(0.9)**	**(0.2)**	**273.8%**
Depreciation	(2.8)	(2.4)	**16.5%**
Operating loss before tax	**(3.7)**	**(2.6)**	**39.6%**
Net financing expense	(0.7)	(1.8)	**(60.5)%**
Loss before tax	**(4.4)**	**(4.4)**	**(1.4)%**

Reconciliation to statutory results

	H1 FY19 £'m	H1 FY18 £'m
Adjusted loss before tax	(4.4)	(4.4)
Relocation of eCommerce fulfilment operations	(0.2)	-
Relocation of support centre	-	(0.0)
Costs relating to IPO and refinancing	(3.0)	-
Write-off of capitalised costs associated with repaid loan	(0.4)	-
Statutory loss before tax	**(7.9)**	**(4.5)**

KEY HIGHLIGHTS

- Strong revenue growth
  - LFLs
  - New stores
- Further gross profit margin growth
- Increased adjusted EBITDA loss reflects Mega Trends impact and increased cost base
- Increased depreciation
  - 3 years of increased pace of rollout
- Net financing expense
  - 3 months of H1FY19 and all of H1 FY18 under old capital structure
  - Under new capital structure = normalised cost of £0.2m in H1 FY19

Ongoing improvement in product margin offset by increased operating costs

	H1 FY19 £'m	% of revenue	H1 FY18 £'m	% of revenue	YOY increase (%)
Cost of goods sold	32.8	35.9%	30.6	38.4%	7.4%
Store wages	18.2	19.9%	14.8	18.6%	23.1%
Store property costs	20.8	22.7%	18.0	22.7%	15.3%
Other direct costs	6.1	6.7%	4.7	5.9%	31.1%
Cost of sales	**77.9**	**85.2%**	**68.0**	**85.5%**	**14.5%**
Distribution costs	5.2	5.7%	4.2	5.3%	24.2%
Administrative costs	9.2	10.1%	7.5	9.4%	22.7%
Operating costs	**14.5**	**15.8%**	**11.7**	**14.7%**	**23.2%**

Note:
- *The above figures exclude depreciation and gains/losses on disposals of property, plant and equipment*
- *Payment transaction fees, online marketing costs and point of sale costs, historically included within Cost of goods sold, have been allocated to Other direct costs above (both for H1 FY19 and H1 FY18)*

KEY HIGHLIGHTS

- Further improvement in product margins
  - Multiple levers driving
  - FX accounts for c50% of H1 FY19 benefit due to timing of hedges
- NLW/NMW continues to impact store wages ratio
- Growth in other direct costs driven, in part, by outsourcing of e-commerce fulfilment to third party provider
- Operating costs growth:
  - Distribution costs include impact of growth in NLW/NMW
  - plc-related costs, in part, driving admin costs
- Cost headwinds faced:
  - FX: Q4 FY19 and into FY20
  - NLW/NMW: further increases in Apr-19
  - Full year of plc-related costs

Disciplined approach to predictable capital expenditure

	H1 FY19 £'m	H1 FY18 £'m
New stores and relocations	2.9	1.9
IT hardware and software	0.3	0.3
Web development	0.3	0.1
Store refits and rebrands	0.3	0.2
Other	1.0	0.4
Total capital expenditure	**4.8**	**2.9**
Capital expenditure on finance lease	(0.2)	(0.2)
Net capital expenditure	**4.6**	**2.7**

KEY HIGHLIGHTS

- New store phasing front-loaded in H1FY19 (in time for peak trading) – mix of openings (by format) has also increased new store capex
- H1 FY19 "Other" includes:
  - £0.2m of new in-store signage and zoning
  - £0.4m of additional minor works and capital repairs, partly timing related
- Full year capex expected to be c£8.5-9m
- Key near-term strategic projects include:
  - Web re-platform (FY20/21)
  - New store till hardware (FY21/22)

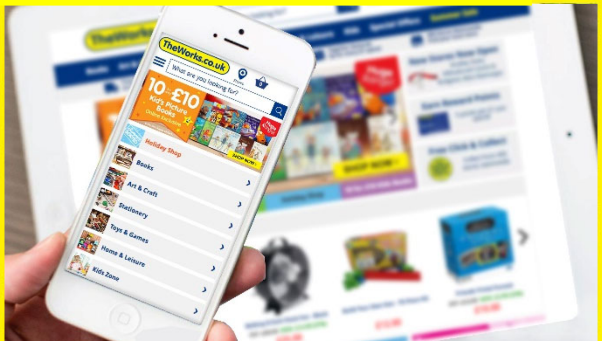
Strong financial position post-IPO

Net Debt as at 28 October 2018	£'m
Current liabilities	4.2
Non-current liabilities	0.3
Total borrowings	**4.6**
Add back: Unamortised debt costs capitalised	0.2
Gross debt	**4.8**
Less: Cash	(0.3)
Net debt	**4.4**

KEY HIGHLIGHTS

- Timing of payment runs around October month-end impact position positively
- Post-IPO capital structure has provided financial flexibility (e.g. investment in stock ahead of peak trading)
- Significant covenant headroom
- Further cash generation expected in H2
- Cash generation supports progressive dividend policy
  - 1/3rd interim; 2/3rd final
  - 1.2p interim dividend declared

Business Review



Clear strategy for future growth

Rollout of profitable new stores

- Continuing track record of delivery
  - 32 net new stores opened in first half, across a variety of formats
  - A further 5 net new stores opened pre-peak
  - On target to open a net 50 new stores for the full year
  - Strong pipeline of opportunities building for FY20
- Performance of new stores opened in line with internal expectations
- Flexible lease terms ensuring we continue to benefit from favourable property market conditions
- New sales forecasting tool developed with CACI
- Remain confident of potential to expand portfolio up to 1,000 stores in the UK and RoI
  - c50 net new store openings per annum targeted => 10+ years of further rollout

Continued growth in LFL sales

- LFLs +3.8% in H1 (H1 FY18: +8.2%)

- A range of factors contributing:
  - Positive LFLs both in-store and online
  - Ongoing refresh of product offering – driving “product discovery”
  - Continuing to offer customer exceptional value for money
  - Stationery strong: new “Pen Bar” and strong “Back to School”
  - Summer “Out to Play” ranges performed well – nimble trading helped grow sales through prolonged hot weather

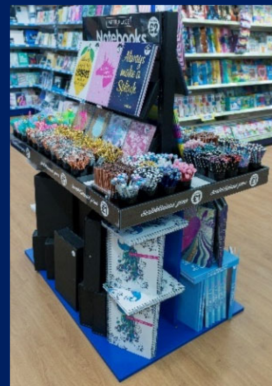
- Store look and feel refreshed through new in-store POS and zoning in June 2018

- Further 17 stores rebranded to “TheWorks.co.uk” fascia (75% of portfolio under new fascia) – helping to drive multi-channel proposition

- Squishies Mega Trend generated £0.6m EBITDA (H1 FY18: Spinners £1.2m)

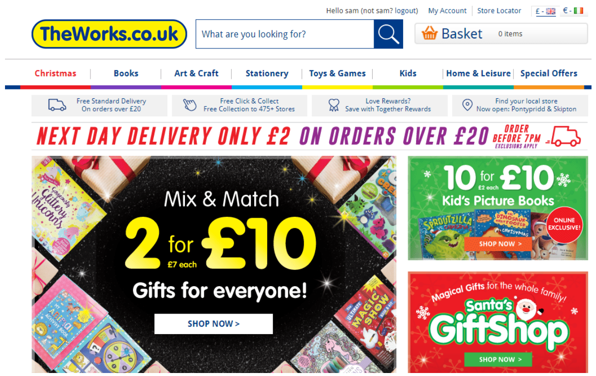
- To date momentum has continued into H2
  - LFLs of +4.5% in 11 weeks to 13 January (FY18: +5.3%)
  - Another record Christmas for The Works
  - Great value and exciting product range – made us a go-to choice for Christmas

- Continue to target 3-5% LFLs in the medium term



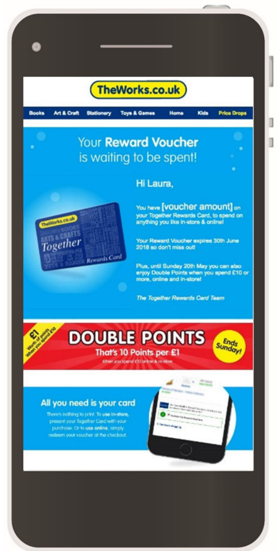
Further development of the Group's multi-channel proposition

- Further enhancements to web functionality – driving strong growth in visits and conversion
  - Click and Collect – continues to be fastest growing channel with strong in-store add-ons
    - Refreshed the online customer journey
    - Improved in store processes
  - Overall site look and feel and mobile customer journey improved
  - "Holiday Shop" launched in Summer 2018 - success led to the launch of the new "Christmas Shop" for 2018
  - Re-platform planned to drive further step-change in web functionality



- Soft-launch of e-commerce trading site in Republic of Ireland – initial results encouraging

- Strong growth in loyalty membership following introduction of member sign-up at the till-point in January 2018 – opportunity to drive further, targeted, engagement with these customers



- Outsourced online warehousing and fulfilment operations to a third party
  - Key enabler to future range expansion in the medium term
  - Enables efficient servicing of store estate
  - Operational challenges in first peak together – sales and cost implication
  - Working with partner to address challenges faced
  - Focus on driving cost efficiencies in FY20

Continuing to deliver margin enhancement

- Further growth in product gross margin

- Multiple levers driving
  - Mix management – overall and within categories
  - Lower mark-downs, supported by:
    - "Aged stock" remaining at historic lows
    - Strong sell-through of summer "Out to Play" ranges
    - Careful management of Squishies stocks
  - Further own-brand development (e.g "Corner Piece" jigsaws)
  - Product-engineering, focused on maintaining value for money
  - Better buying (e.g. leveraging scale)
  - Further strengthening of the buying team
  - Favourable FX rate

- Ongoing focus on cost control – remains central to the Group's philosophy and culture

- Renewed focus on cost control into 2019
  - Looking to partially mitigate impact of cost headwinds from FX and NLW/NMW
  - Opportunity for distribution efficiencies following outsourcing of e-commerce fulfilment and warehousing to 3rd party
  - Continue to focus on negotiating improved rental terms
  - Leveraging scale and recent investments in people

Summary

- Pleasing to report a strong set of maiden interim results
- We are delivering against the strategy set out at the time of our IPO
  - LFL growth over Christmas trading period is particularly pleasing
  - Profitable new store growth continues, with a strong pipeline moving into FY20
  - Our multi-channel credentials have been further enhanced
  - Margin growth and cost control remain an area of focus
- We remain well-placed to tap into the three growing trends of modern retailing:

Value	Convenience	Online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Art
Craft
Toys
Stationery
Books
Games
#NEW #TRENDING Gifts for everyone!
SLIME TIME

Art
Art

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Santa's GiftShop
HALF PRICE

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Questions?



SANTA'S GIFTSHOP
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DEAL

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Stationery
ARTS & CRAFTS
Together
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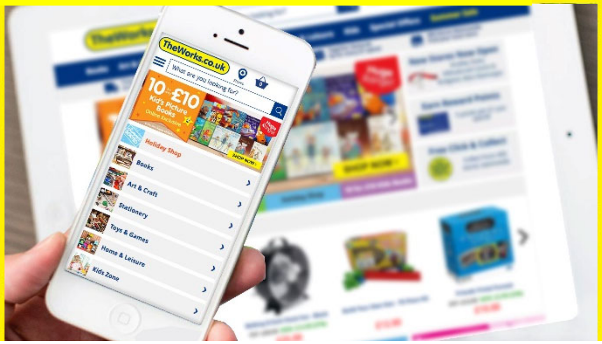

2 for £10
Mix & Match
I'm in the DEAL!


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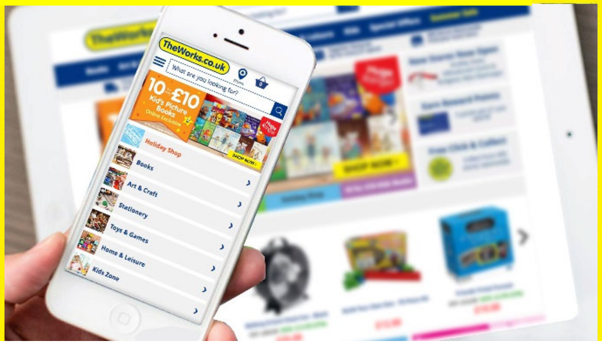
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Balance sheet

	H1 FY19 £'000	H1 FY18 £'000
Non-current assets		
Property, plant and equipment	23,032	19,175
Goodwill	16,180	16,180
Deferred tax assets	307	320
	39,519	**35,675**
Current assets		
Inventories	36,288	30,976
Current tax asset	1,305	1,345
Derivative asset	301	0
Trade and other receivables	13,133	12,164
Cash and cash equivalents	322	0
	51,349	**44,485**
Total assets	**90,868**	**80,160**
Current liabilities		
Current tax liabilities	0	0
Other interest-bearing loans and borrowings	4,244	1,017
Derivative liability	0	66
Trade and other payables	56,373	44,951
	60,617	**46,034**
Non-current liabilities		
Other interest-bearing loans and borrowings	347	31,066
	347	**31,066**
Total liabilities	**60,964**	**77,100**
Net assets	**29,904**	**3,060**
Equity attributable to equity holders of the parent		
Share Capital	625	0
Share Premium	28,322	0
Merger Reserve	(447)	0
Share Based Payment Reserve	189	0
Retained Earnings	1,215	3,060
Total equity	**29,904**	**3,060**

Cash flow

	H1 FY19 £'000	H1 FY18 £'000
Cash flows from operating activities		
(Loss) / profit for the period	(6,735)	(3,105)
Adjustments for:		
Depreciation	2,780	2,378
Impairment of property, plant and equipment	-	-
Derivative exchange (gain)/loss	(212)	(296)
Net finance costs	1,104	1,819
Gain / Loss on sale of property, plant and equipment	(2)	6
Taxation	(1,162)	(1,369)
	(4,227)	**(567)**
Increase in trade and other receivables	4,091	2,611
Increase in inventories	(14,793)	(12,738)
Increase in trade and other payables	12,947	10,329
	(1,982)	**(365)**
Tax paid	(438)	(202)
Net cash from operating activities	**(2,420)**	**(567)**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	-
Interest received	1	-
Acquisition of property, plant and equipment	(4,622)	(2,701)
Net cash from investing activities	**(4,621)**	**(2,701)**
Cash flows from financing activities		
Interest paid	(1,247)	(1,543)
Payment of finance lease liabilities	(110)	(121)
Proceeds from share issue	28,500	-
Proceeds from bank borrowings	4,000	-
Repayment of bank borrowings	(31,200)	-
Net cash from financing activities	**(57)**	**(1,664)**
Net increase/(decrease) in cash and cash equivalents	(7,098)	(4,932)
Cash and cash equivalents at beginning of period	7,420	4,093
Cash and cash equivalents at end of period	**322**	**(839)**

Our investment highlights

Differentiated proposition within attractive growth market segments

Proven multi-channel model

Well invested infrastructure to support growth

Highly experienced management team

Clear four pillar strategy for growth

Strong and consistent track record of delivering profitable growth