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What will you discover?

Preliminary Results
52 Weeks ended 26 April 2020

27 August 2020

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Agenda

• Highlights	Gavin Peck (CEO)
• Financial Review	Stephen Alldridge (Interim CFO)
• Business Review	Gavin Peck (CEO)


Disney
FROZEN II
UP TO
60%
OFF RRP


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THE SUNDAY TIMES
25
BEST BIG
COMPANIES
TO WORK FOR
2020


Art, Craft & Hobbies
Mix & Match!
2 for only £5
Art, Craft & Hobbies


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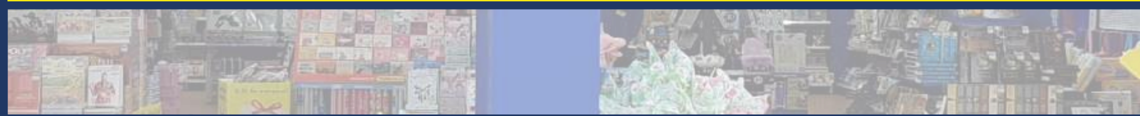
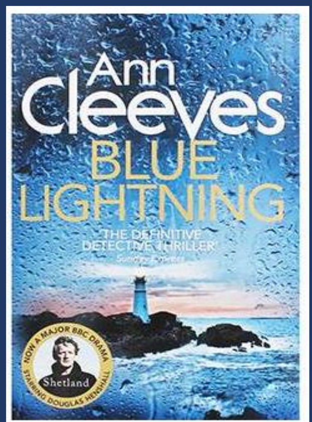
Highlights




2 for only £10
Mix & Match
I'm in the DEAL!
2 for £10
2 for £10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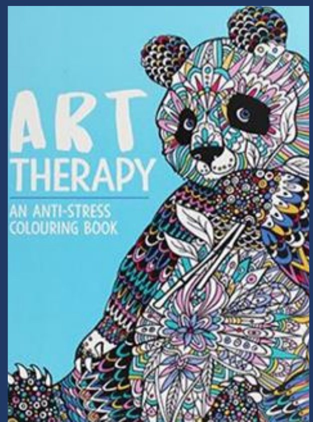
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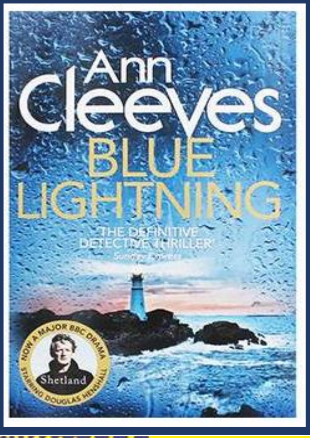
THE NEW YORK TIMES BESTSELLER
THE
WITCHER
THE LAST WISH
ANDRZEJ SAPKOWSKI

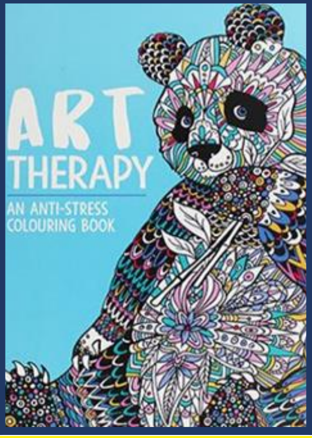
Summary and outlook

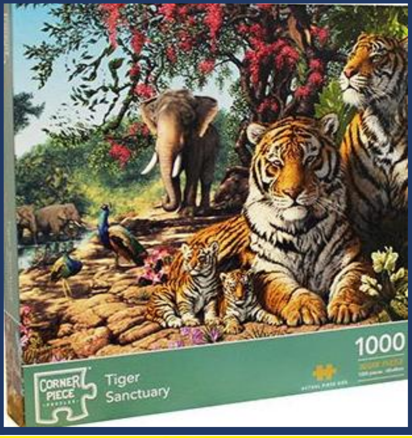
- Creditable full year performance
- Positive LFL sales momentum from Christmas continued through to COVID-19 lockdown
- Proactive action taken to refocus our strategy at the turn of the year
- COVID-19 has had a significant impact but building blocks in place to emerge as a stronger business
- New management team in place
- Remain excited about medium-term growth opportunities

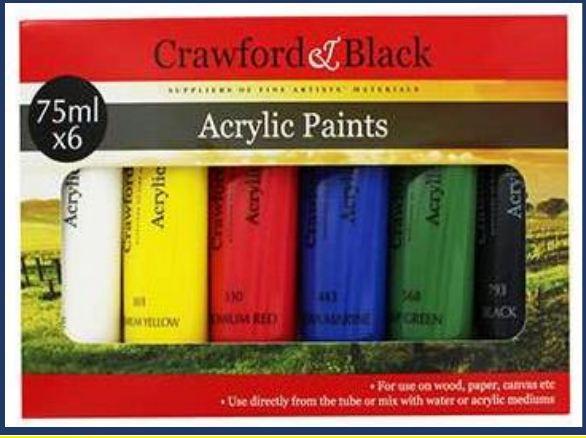
	FY20	FY19	Change
Revenue	£225.0m	£217.5m	3.5%
Total sales growth	3.5%	13.2%	n/a
LFL sales growth*	0.7%	3.0%	n/a
** To 22 March 2020*			
Pre IFRS 16 Adjusted EBITDA	£10.8m	£13.9m	(22.6)%
Adjusted PBT	£2.4m	£6.9m	(64.5)%
Dividends (pence per share)			
Interim paid	1.2p	1.2p	
Final	0.0p	2.4p	
Total	1.2p	3.6p	


Financial Review









Overview & COVID-19 impact

- Pre IFRS 16 Adjusted EBITDA £10.8m vs. FY19 £13.9m
- Factors impacting FY20 financial result
  - Trading - disappointing H1 followed by much stronger Christmas period and start to H2

LFL sales growth %	
Q1	**(2.5%)**
Q2	**(4.4%)**
H1	***(3.6%)***
Q3	**1.3%**
Q4*	**13.7%**
H2	***4.3%***
Full Year	***0.7%***

* Stores and online up until lockdown.

  - COVID-19
    - Estimated £3m impact on FY20 pre IFRS 16 Adjusted EBITDA
    - Impairment trigger – non cash impairments treated as adjusting, £19.5m
  - IFRS 16
    - (£3.7m) impact on FY20 PBT (RoUA impairment)
    - £23m impact on FY20 EBITDA – removal of rent charges
- Liquidity significantly better than expected due to recent trading; refinancing completed Aug ‘20

Summary income statement

Adjusted, pre IFRS 16 results	FY20 £'m	FY19 £'m	Change
Revenue	**225.0**	**217.5**	**3.5%**
Gross Profit	**37.0**	**42.6**	**(13.1%)**
Gross Profit Margin	*16.5%*	*19.6%*	**(3.1%)**
Pre IFRS 16 Adjusted EBITDA	**10.8**	**13.9**	**(22.6%)**
Pre IFRS 16 depreciation	(7.0)	(6.0)	**(17.6%)**
Pre IFRS 16 net financing expense	(0.4)	(1.1)	**61.2%**
Pre IFRS 16 Adjusted PBT	**3.3**	**6.9**	**(51.5%)**

Adjusted Pre IFRS 16 result vs. statutory PBT	FY20 £'m	FY19 £'m	Change
Pre IFRS 16 Adjusted PBT	**3.3**	**6.9**	**(51.5)%**
Adjusting items			
Impairment	19.5	0.0	
Duty provision	0.8	0.0	
IPO & refinance	0.0	3.9	
Other	0.1	0.6	
Total adjusting items	20.4	4.5	
Pre-IFRS16 PBT	**(17.1)**	**2.3**	**(830.3%)**
IFRS16 adjustment to PBT	(0.9)	-	**-**
Statutory PBT	**(18.0)**	**2.3**	**(874.6)%**

- Objective: distinguish financial performance of underlying business from the large changes caused by
  - COVID-19 (impairment)
  - IFRS 16
- EBITDA £3.1m < FY19; equates to our estimate of net trading impact of COVID-19
- Stronger H2 performance supported by refocus on cost control
- £19.5m COVID-19 impairment charge treated as adjusting and is non-cash

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Revenue growth

	FY20 £m	FY19 £m	Var £m	Var %
LFL sales pre lockdown	**218.6**	**217.0**	**1.5**	**0.7%**
LFL sales during lockdown	4.9	17.7	(12.8)	(72.4%)
Total LFL sales	223.5	234.7	(11.3)	(4.8%)
Sales from new/closed stores	31.2	11.7	19.5	167.5%
Total Gross Sales	**254.6**	**246.4**	**8.3**	**3.4%**
Turnover	**225.0**	**217.5**	**7.6**	**3.5%**

- Positive overall LFLs until lockdown
- Lockdown surge in online sales
- New space contributed to 3.5% total revenue growth

Product gross margin

Product gross margin	FY20 £m	FY19 £m	Var £m	Var %
Revenue	225.0	217.5	7.6	3.5%
Cost of goods sold	86.1	81.2	4.8	6.0%
Product gross margin	139.0	136.2	2.7	2.0%
Product gross margin %	61.8%	62.6%	(0.9%)	

- Increased proportion of overseas sourced stock and proportion of stock sourced directly ex factory
- FX headwind compared with FY19; broadly neutral for FY21
- Discounting in H1 weighed on overall margin but this was reduced in H2 and significantly lower since lockdown began, particularly online

Cost analysis

Pre IFRS 16 Adjusted EBITDA analysis	FY20 £'m	% of revenue	FY19 £'m	% of revenue	Increase £m	Increase (%)
Revenue	**225.0**		**217.5**		**7.6**	**3.5**
Cost of goods sold	86.1	38.2	81.2	37.4	4.8	6.0
Store payroll	42.1	18.7	37.2	17.1	4.9	13.2
Store property costs	45.3	20.1	42.2	19.4	3.1	7.4
Other direct costs	14.5	6.5	14.3	6.6	0.3	1.9
Cost of sales	**188.0**	**83.5**	**174.9**	**80.4**	**13.1**	**7.5**
Distribution costs	12.4	5.5	11.8	5.4	0.6	5.5
Administrative costs	18.5	8.2	17.0	7.8	1.4	8.5
Operating costs	**30.9**	**13.7**	**28.8**	**13.3**	**2.1**	**7.2**
Other operating income	**(4.7)**	**(2.1)**	**0.0**	**(0.0)**	**(4.7)**	**>100.0**
Pre IFRS 16 Adjusted EBITDA	**10.8**	**4.8**	**13.9**	**6.4**	**(3.1)**	**(22.6)**

- Store payroll driven by new space, NLW/NMW inflation and COVID-19 related holiday pay accrual. Store hours reduced during FY20; store payroll balanced between maintaining service/proposition & acceptable cost.
- Store property costs driven by new space but mitigated by rent reductions
- Smoother online fulfilment operation pegged back increase in other direct costs
- Delivered planned savings (c. £0.5m in year) in retail DC to partly mitigate store and online volume growth, and NLW/NMW inflation
- FY19 strengthening of central team impacted full year FY20 admin. costs, as did professional and IT costs.

Capital expenditure

	FY20 £'m	FY19 £'m	Increase £'m
New stores and relocations	4.8	5.0	0.2
IT hardware and software	0.4	0.7	0.3
Web development	0.8	1.0	0.2
Store refits and rebrands	1.4	0.4	(1.0)
Other	1.3	1.3	0.0
Total capital expenditure	**8.7**	**8.5**	**(0.2)**
Capital expenditure on finance lease	0.0	(0.3)	(0.3)
Net capital expenditure	**8.7**	**8.2**	**(0.5)**

- Spend profile broadly comparable to FY19 and dominated by new stores and store estate maintenance
- Strategic refocus on existing estate lowers capex requirement for FY21 – c. £3m

Cashflow, liquidity

Summary cashflow analysis	FY20 £m	FY19 £m	Variance £m
Cashflow pre-working capital	9.2	10.6	(1.4)
Working capital	(8.1)	(0.3)	(7.8)
Capex	(8.7)	(8.2)	(0.5)
Tax paid	(1.0)	(1.2)	0.2
Interest	(0.2)	(1.4)	1.1
IPO financing cashflows	0.0	(2.7)	2.7
Dividends	(2.3)	(0.8)	(1.5)
Cashflow before RCF drawdown	**(11.1)**	**(3.8)**	**(7.3)**
Drawdown of RCF	10.0	0.0	10.0
Net decrease in cash*	**(1.1)**	**(3.8)**	**2.7**

** excluding FX movements within cashflow statement*

- Working capital impacted by furlough debtor, higher year end stock and creditor timing difference
  - Year end stock balance satisfactory given potential for closure of stores to have caused overstock; stock levels continue to be well controlled
  - Creditor timing difference subsequently reversed and the Company continues to benefit from a degree of agreed extended terms/creditor stretch whilst treating suppliers respectfully
- Liquidity underpinned by
  - Better than expected trading during FY21
  - Recent enhancement to bank facilities - additional funding, extended term and additional covenant headroom

IFRS 16

FY20 P&L IMPACT	£'m
Removal of operating lease charges	23.3
Right of use asset depreciation	(20.2)
Lease liability interest charge	(4.0)
Impact on adjusted PBT	**(0.9)**
Treated as adjusting:	
Impairment of RoUA	(2.8)
PBT impact	**(3.7)**

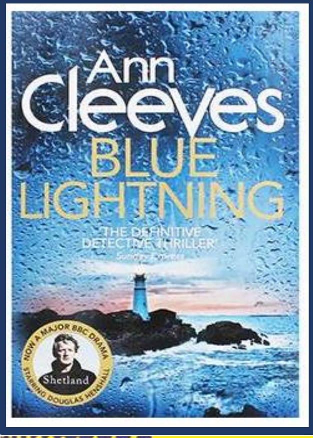
- Impact on adjusted profit of broadly similar magnitude to previous guidance; higher IBR results in increased interest calculation (non-cash)
- COVID-19 related impairment charge classified as adjusting, with other impairments

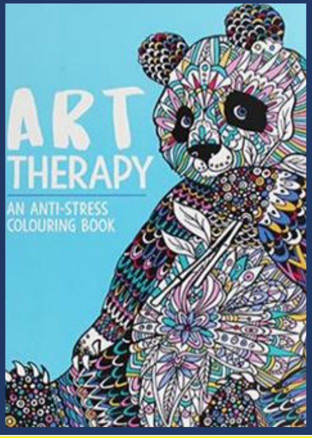
Adjusting items

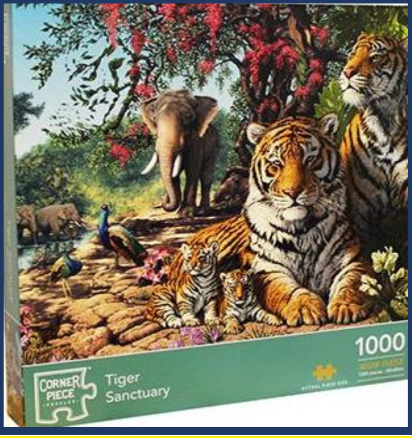
	FY20 £'m	FY19 £'m	Increase £'m
Impairment of goodwill	16.2	0.0	(16.2)
Impairment of IFRS 16 RoUA	3.3	0.0	(3.8)
Other impairment charges	0.0	0.1	(0.4)
Total impairment	**19.5**	**0.1**	**(20.4)**
Provision for duty payment	0.8	0.0	(0.8)
Termination salary costs	0.1	0.0	(0.1)
IPO related costs	0.0	3.9	3.9
Relocation of e-commerce fulfilment	0.0	0.5	0.5
Total other adjusting items	**0.9**	**4.4**	**3.5**
Total adjusting items	**20.4**	**4.5**	**(16.9)**

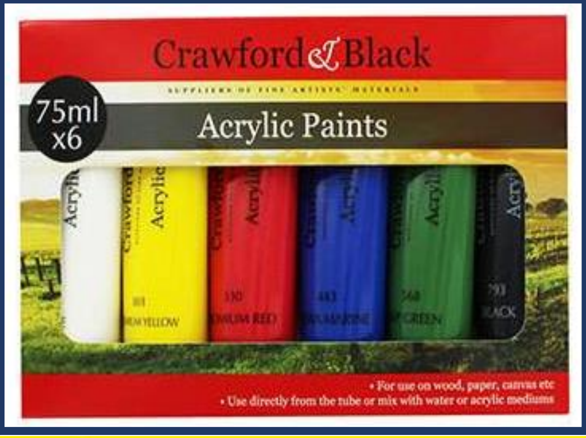
- COVID-19 treated as trigger for impairment review; £16.2m relates to goodwill and all impairment is non-cash
- Provision for duty flagged previously, and reflects historic underpayments; approaching conclusion of exercise in full cooperation with HMRC


Business Review







Four pillar growth strategy

New store rollout

- Continued track record of delivery
  - Net 37 opened for the full year
  - Payback running at around one year pre COVID-19

- Refocused new store opening strategy announced at the turn of the year
  - Focus on driving improvement and profitability of existing estate – over 100 lease events in FY21
  - Targeting increased quality and returns on new stores

- Rollout programme effectively on hold given COVID-19
  - Selected new store openings
    - Legally committed pre COVID-19
    - Landlord willing to fund upfront capex
  - Expect net nil openings in FY21

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

LFL sales performance

- +0.7% LFLs for the full year (to 22 March) a creditable performance
  - Challenging consumer backdrop
  - Absence of a Mega Trend (trading against Squishies in H1 FY19)

- Improved performance over second half – positive in stores and online
  - Comps eased (no Mega Trend in H2 FY19)
  - 9th record Christmas (+1.5% LFL) – strong Christmas ranges and Frozen 2
  - Full impact of initiatives launched in H1
    - Kids Jigsaws and Helium Balloons
    - New merchandising initiative on core art and stationery ranges
  - Further development of our 2 for £5 gift offer (post-January sale)

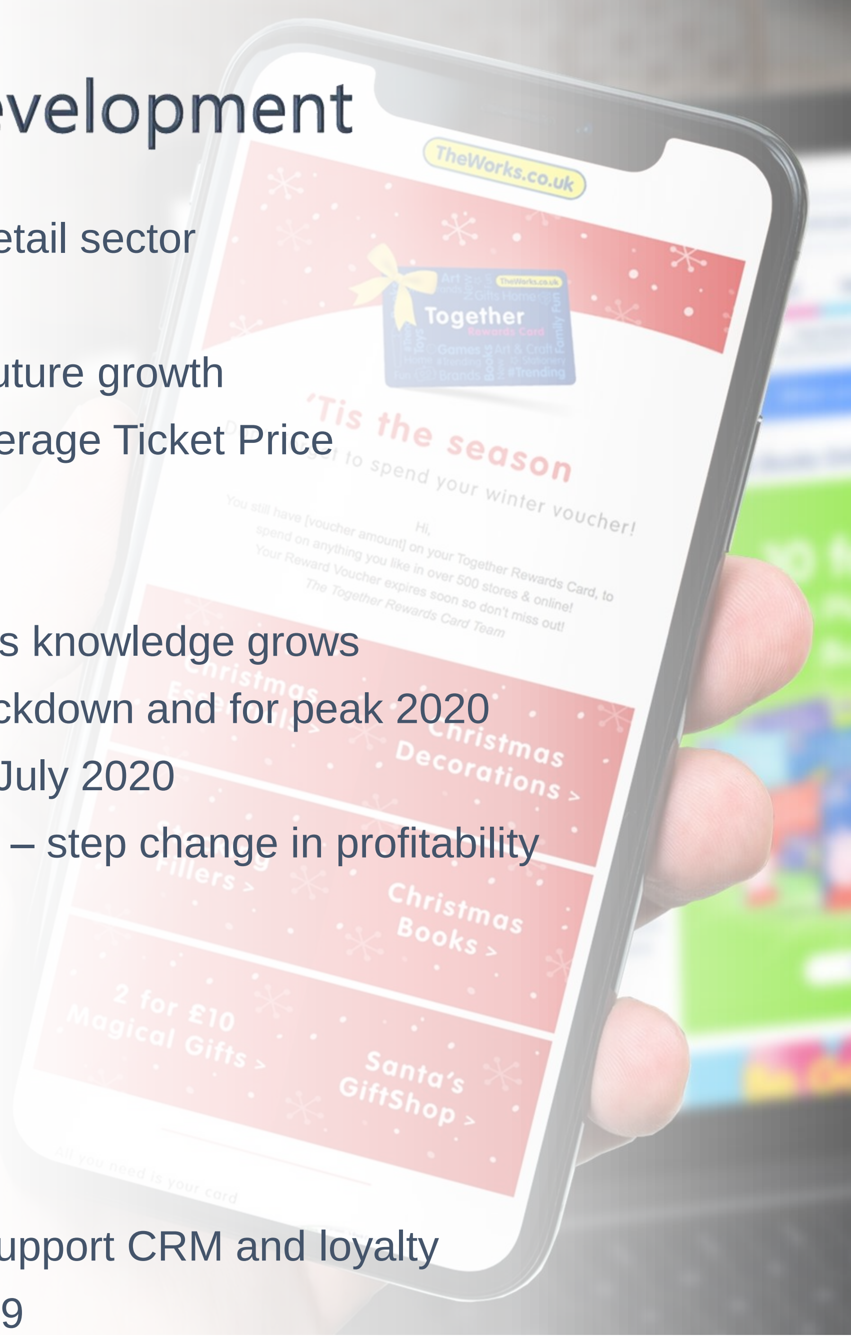
- Medium-term LFL growth to be driven by
  - Ongoing proposition development
  - Online sales growth
  - Supply chain initiatives

Multi-channel proposition development

- Continues to be a key differentiator in the value retail sector

- A year of putting in place the building blocks for future growth
  - Propositional changes to increase online Average Ticket Price
  - Embedded 3rd party fulfilment relationship
    - Successful delivery of peak 2019
    - Driving productivities and efficiencies as knowledge grows
    - Invested to increase capacity during lockdown and for peak 2020
  - New web platform successfully launched in July 2020
  - Reduced promotional and marketing activity – step change in profitability

- Multiple opportunities to drive further growth
  - Optimisation of new web platform
  - Increased focus on online range extensions
  - Further multi-channel developments
  - Customer insight and data analysis tool to support CRM and loyalty
  - Likely accelerated digital shift post COVID-19



Product margin and cost control

- Further improvement in underlying product margins held back by
  - FX headwind
  - Promotional activity in H1
- Increased focus on cost control given H1 performance (and then COVID-19)
- Good savings made in a number of areas
  - Retail distribution costs (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
  - Government support schemes in response to COVID-19 towards the end of the period
- Medium-term opportunity to drive further improvement
  - Product margin growth expected through multiple levers
  - Supply chain efficiencies
  - Retail labour efficiencies
  - Property cost savings in the existing estate (less than 3 years to next break point)

COVID-19

- All stores closed on Monday 23 March, reopening in a phased manner from 15 June

- Accelerated development of our online channel
  - Reduced promotional and marketing activity – step change in profitability
  - Worked collaboratively with fulfilment partner to increase capacity during lockdown
  - Further investment made to increase capacity for peak 2020

- Relevance of proposition reflected in ranges to support
  - Beat the Boredom
  - Children’s education
  - Mental health and wellbeing
  - Out2Play ranges ideal for staycations/fun in the garden at home

- Profit impact of lower sales partially mitigated through
  - Higher product margins, reflecting reduce promotional activity
  - Critical assessment of costs (driving further long-term savings)
  - Utilising Government support schemes (furlough scheme and business rates relief)

- Proud of the way we navigated through the pandemic

Current trading – 17 weeks to 23 August 2020

- Total sales down 26%, primarily reflecting closure of stores for the first seven weeks

- Sales well ahead of expectations since stores reopened with LFLs +0.7% in the 10 weeks to Sunday 23 August
  - Stores sales high single digit decline – strong growth in ATV offsetting subdued retail footfall
  - Online sales more than double last year – despite significantly reduced promotions and discounting

- Successful refinancing shows support for our business
  - Improved liquidity through additional £7.5m CLBILS
  - Net debt position significantly better than originally forecast

- Future outlook remains uncertain due to COVID-19 and key trading period ahead

- Our proposition will continue to resonate well during these times

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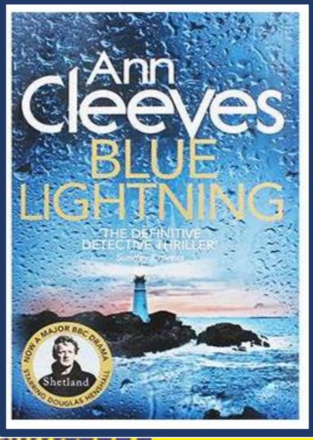
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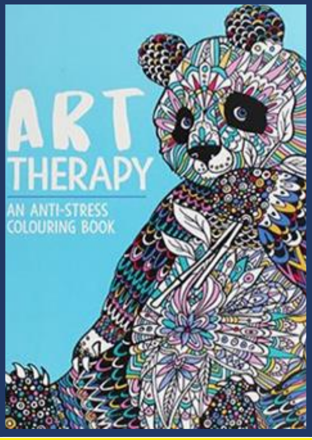
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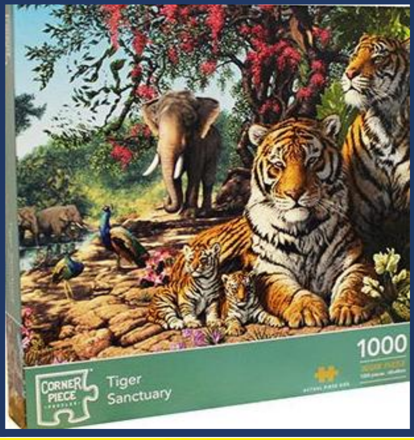
1000
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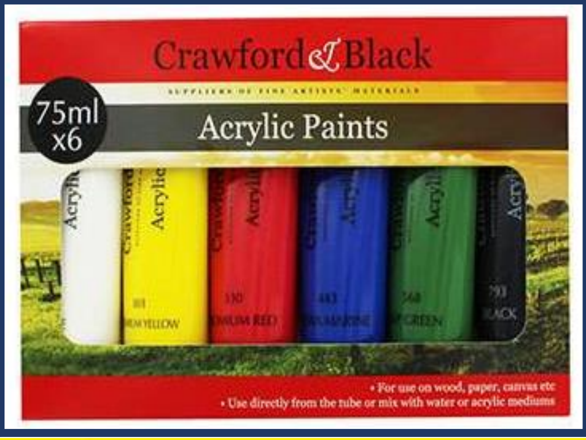
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