



FY24 Results Presentation

53 weeks ended 5 May 2024

1 October 2024



Agenda

Overview

Gavin Peck, CEO

Financial Review

Rosie Fordham, CFO

Strategy Update

Gavin Peck, CEO

Current Trading & Summary

Gavin Peck, CEO



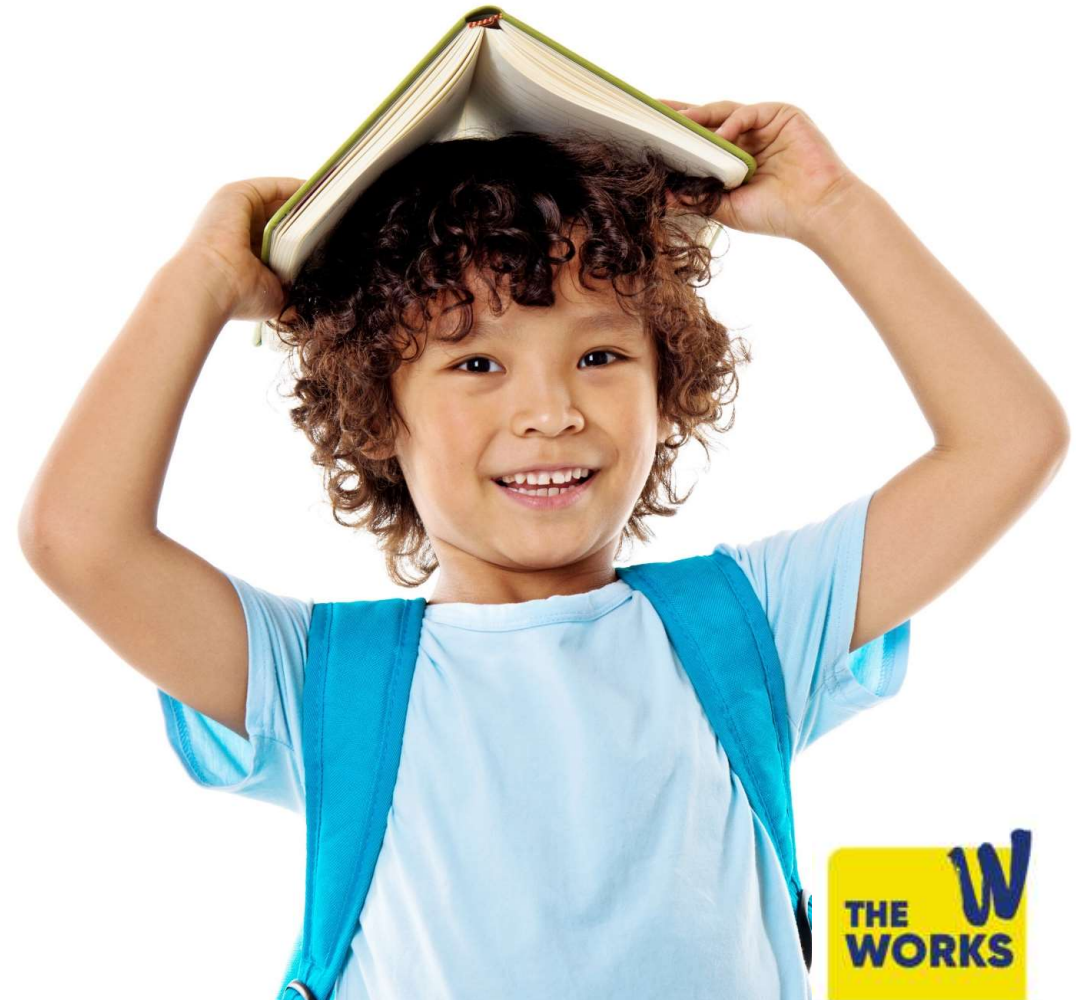


Overview

Gavin Peck, CEO

FY24 ended in-line, well-positioned for growth in FY25

- Ended FY24 in line with market expectations despite challenging trading conditions
- Decisive action taken to improve product margins, reduce costs and scale back non-essential investments
- Well positioned to offset cost headwinds and return to profit growth in FY25
 - Solid trading in first 21 weeks of FY25
 - Well-placed operationally ahead of peak Christmas trading
- Good strategic progress made, with work underway to evolve the strategy to transform business and position for growth in the years ahead





Financial Review

Rosie Fordham, CFO

FY24 Financial highlights

Revenue **£282.6m**

(FY23: £280.1m)

LFL Sales **-0.9%**

(FY23: +4.2%)

Pre-IFRS 16
Adjusted EBITDA **£6.0m**

(FY23: £9.0m)

Profit
before tax **£6.9m**

(FY23: £9.0m)

Cash
at bank **£1.6m**

(FY23: £10.2m)

Dividend **Nil**

(FY23: Nil)

Transferred listing
from Main Market
to AIM

Adjusting items -
IFRS16 impairment
reversal, profit on
disposals & one-off
costs

Accounts prepared on
a going concern basis
with no material
uncertainty

The backdrop to FY24 was challenging



Macro-Economic

High interest rates
and inflation



Low consumer
confidence



Cost Headwinds

Anticipated

- National Living and Minimum Wages
- Our investments to drive growth

Unforeseen

- Freight costs and supply chain disruption due to Red sea issues

Despite tough consumer environment delivered growth in revenue, driven by stores

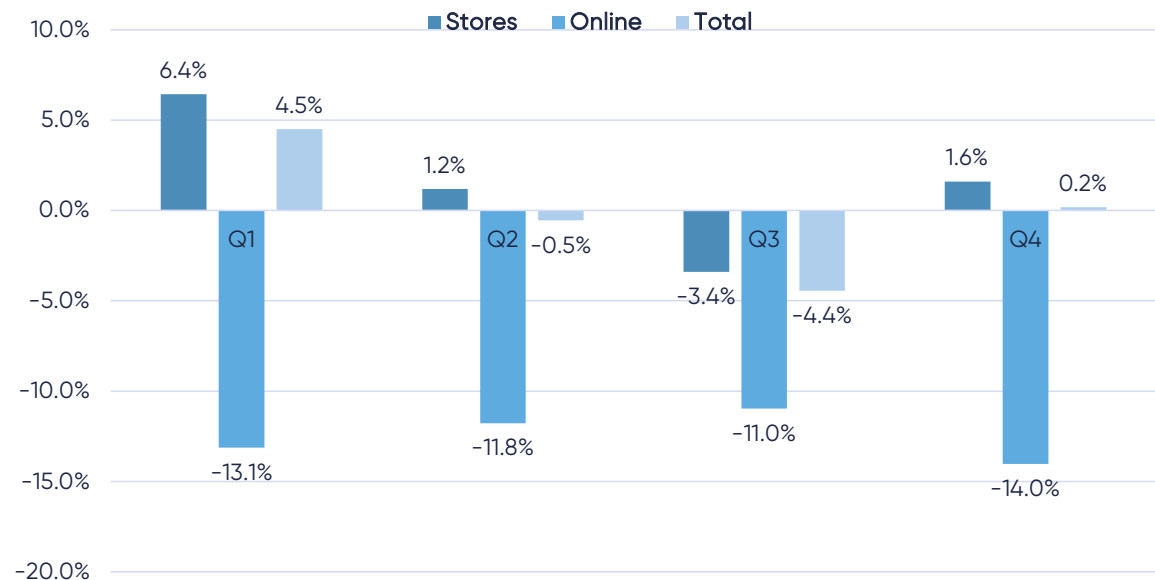
- FY24 Revenue: £282.6m (FY23: £280.1m)

- FY24 LFL Sales: -0.9% (FY23: +4.2%)

- FY24 Store LFL Sales: +0.6%
Represent c.90% of total sales

- FY24 Online LFL Sales: -12.4%
Represent c.10% of total sales

FY24 LFL Sales by Quarter



Decisive action taken to mitigate pressure on profitability

- Implemented changes to ways of working in Distribution Centre and store labour models.
- Moved online fulfilment centre to a more efficient facility.
- Negotiated rent savings with landlords.
- Negotiated with suppliers and introduced more targeted promotional activity.
- Ended Together Rewards loyalty scheme.
- Restructured our Operating Board.
- Transferred The Works to list on AIM.



Cost Base Reset

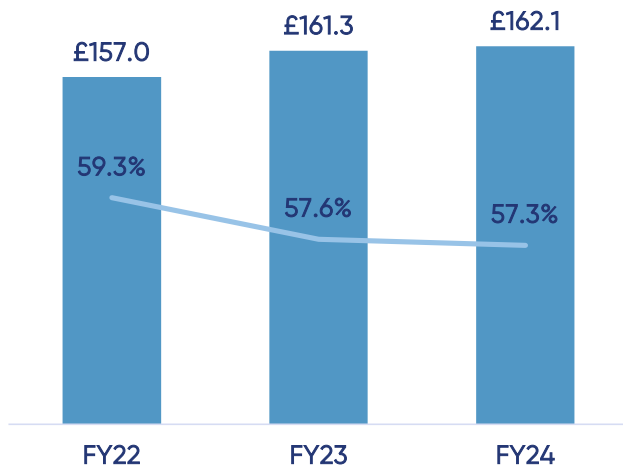
Improved margins and lower costs coming through towards the end of FY24.

Expect to realise most of the benefits and cost savings in FY25.

Following challenging Christmas, key focus on improving product margins

- FY24 Product gross margin rate: 57.3% (FY23: 57.6%)

Product Margin - £m & Rate



	FY24		FY23 (Restated)		Variance	
	£m	% of revenue	£m	% of revenue	£m	%
Revenue	282.6		280.1		2.5	0.9
Cost of goods sold	(120.5)		(118.8)		(1.8)	(1.5)
Product gross margin	162.1	57.3	161.3	57.6	0.7	0.5

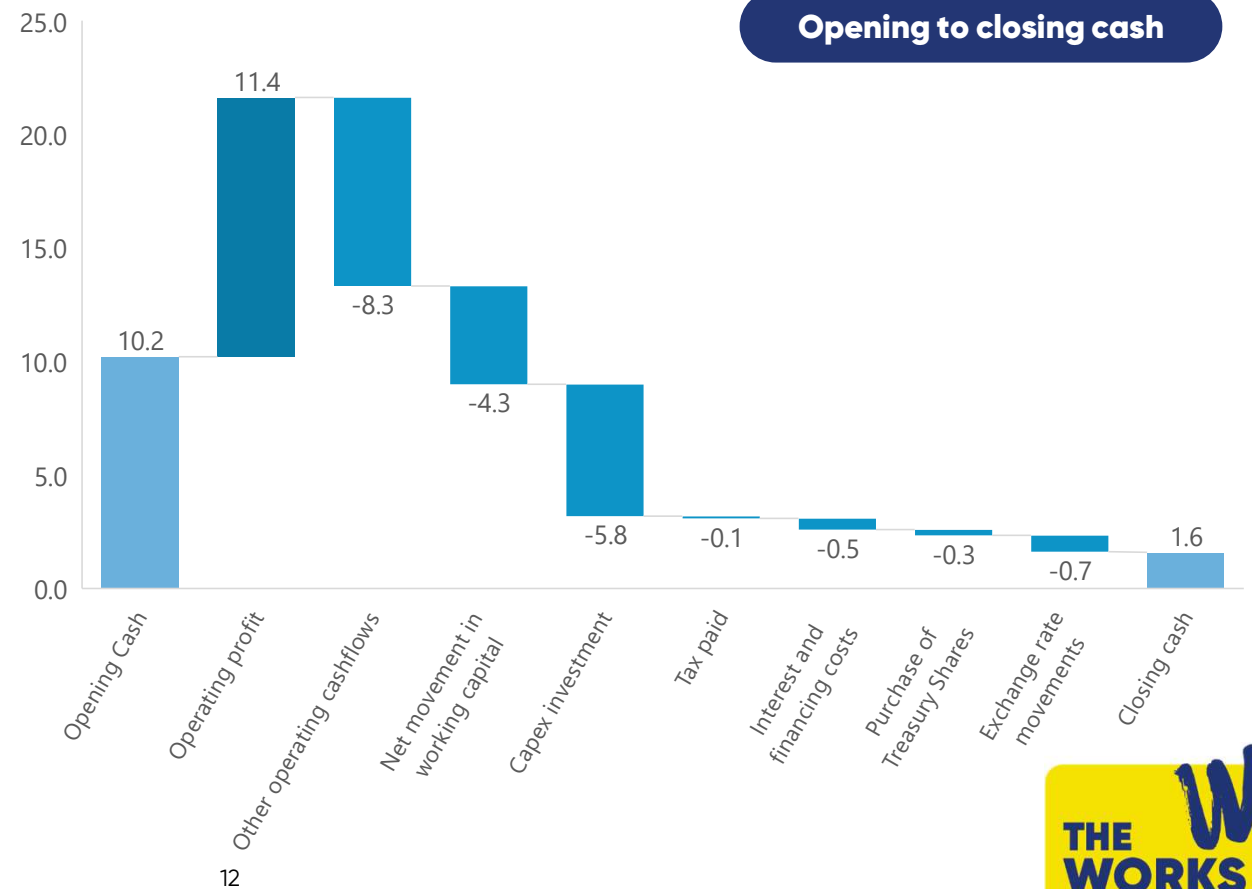
Tighter cost control helped to mitigate headwinds and stabilise profitability



	FY24		FY23 Restated		Variance £m	Variance %
	£m	% of revenue	£m	% of revenue		
Store payroll	(50.2)	17.8	(46.8)	16.7	(3.4)	(7.2)
Store property and establishment costs	(49.3)	17.4	(51.8)	18.5	2.5	4.8
Store PoS & transaction fees	(2.7)	0.9	(2.3)	0.8	(0.3)	(14.6)
Online variable costs	(15.8)	5.6	(18.4)	6.6	2.7	14.4
Total non-product related cost of sales	(118.0)	41.7	(119.4)	42.6	1.4	1.2
Distribution costs	(12.6)	4.5	(10.2)	3.7	(2.4)	(23.0)
Admin costs	(25.6)	9.0	(22.8)	8.1	(2.8)	(12.2)

Ended FY24 debt-free and with ample liquidity to support build of stock during peak

- Year-end net cash: £1.6m (FY23: £10.2m)
- Comparable 52-week period net cash: £6.5m
- FY24 stock £31.4m (FY23: £33.4m)
- Final dividend for FY24: Nil (FY23: nil)
- Future shareholder distributions will be kept under consideration as profitability improves





Well positioned for FY25

£8.5m

Forecast
EBITDA

£5m

YE Cash
Approximately

£5m

Capex
Approximately




Strategy Update


Our "Better, not just Bigger" Strategy




Our Strategic Pillars



Develop our brand and increase customer engagement



Enhance our online proposition



Optimise our store estate




Drive operational improvements

Our Strategic Enablers



Our Colleagues



Our Systems and Data



Our ESG Commitments

Clear brand and proposition to deliver our purpose

Our Brand Purpose

OUR PURPOSE

To inspire Reading, Learning, Creativity & Play

PROBLEM

In a world full of screens, people want to find other ways to connect and spend their time

MISSION

Supporting families with affordable, feel-good ways to spend their time

POSITIONING

Connecting people with screen-free things to do

OUR STRAPLINE

Time well spent

Our Brand Proposition

SPECIALIST CATEGORIES

Books; Toys & Games; Art & Craft; Stationery

CONVENIENT CHANNELS

511 stores (UK & Ireland)
theworks.co.uk

FAMOUS FOR

Great value

Fantastic Ranges

Screen-Free Activities

HERO DEALS

10 for £10 Kids Books
3 for £6 Adult Books
2 for £12/3 for £15 Gifting

OWN BRANDS

11 own-brand, unique products and value

CURATED RANGES

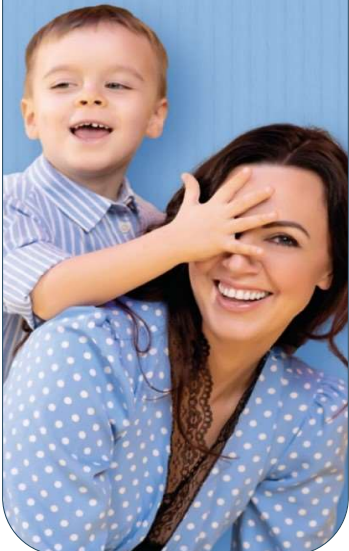
Core store ranges with selected online extensions; something for all the family

Distinct customer & market position

Our Core Customers

Do-it-alls

Busy parents who buy across all categories where quality, service and ease of navigation matters most. Our most valuable segment.



Kids First

Value conscious shoppers who buy several categories, mainly for children. Spend most on toys or games often looking for bargains or discounts.



Our Market Position



Value Specialist

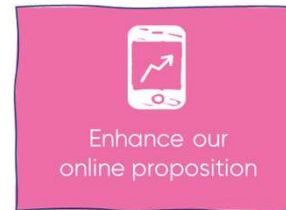
Competing on price with full price specialists and specialist knowledge and customer service with the discounters.



Good strategic progress made in FY24 & FY25TD



- New Commercial Director recruited
- Brand evolution work complete #TimeWellSpent being rolled out
- Proposition improvements & alignment to purpose – Kids Books, Adult Books & Kids Non-Books



- Customer experience improvements, informed by analytics
- Customer engagement and fulfilment trials
- Improved profitability – break-even in FY24, on track to be profitable in FY25



- Ongoing portfolio management – FY24: 9 openings, 24 closures, 5 relocations, 21 refits
- Ongoing rent reductions on lease renewals – targeting loss-making/low-profit stores
- Developing space planning capabilities to increase store sales densities



- Relocated online fulfilment to more automated centre – c£1m pa saving (Jan-24)
- New DC way of working embedded, with strengthened management – £1m pa cost saving in FY25
- New EPoS rollout completed to stores (Jul-24)

Strengthened leadership team



Plc Board of Directors



Steve Bellamy
Chair &
Non-Executive
Director



Gavin Peck
Chief
Executive
Officer



**Rosie
Fordham**
Chief Financial
Officer



Harry Morley
Snr Independent
Non-Executive
Director



**Catherine
Glickman**
Independent
Non-Executive
Director

Operating Board

Process to appoint Catherine's
successor underway



Gavin Peck
Chief
Executive
Officer



**Rosie
Fordham**
Chief Financial
Officer



Lynne Tooms
Chief
Commercial
Officer



Dean Hawkrige
Chief Supply
Chain & Digital
Officer



**Debbie
Jamieson**
Chief People &
Retail Officer



Strategic evolution underway



Significant external interferences

Not had a clear run at implementing strategy. Significant external interferences FY20 to FY23.

FY24 saw further challenges:

- Consumer environment increasingly tough through 2023 calendar year
- DC capacity issues in run up to peak Christmas trading



Shift in short-term focus

FY24 short-term focus shifted to improving profitability.

- Rebuilding gross margin, reducing costs and driving return on investment made
- Finished FY24 in line with revised market expectations
- On track to deliver significant EBITDA growth in FY25



Process underway to evolve strategy

Maintain that current strategy continues to be the right high level strategic direction for The Works. Process underway to evolve strategy & refine plans.

- 3-year financial targets to be set, with operational plan underpinning these
- Further details to follow alongside interim results in January 2025



Belief in long term opportunity

Belief in long-term opportunity from delivering transformation strategy

- Step-change in sales and profitability
- EBITDA margins of 5%
- Improved shareholder returns



Current Trading & Summary

Gavin Peck, CEO



Current trading in line with expectations

- 21 weeks ending 29 September 2024
- FY25 YTD sales in line with expectations
 - LFLs +0.2%
 - Outperforming wider non-food sector
- Operationally well-placed heading into peak Christmas trading period – DC capacity issues addressed
- Strong product margin growth and cost savings being delivered
 - More than offsetting ongoing cost headwinds
 - On track to deliver significant improvement in profitability in FY25 (pre-IFRS 16 EBITDA of £8.5m)





Summary

- “Better, not just Bigger” strategy – transformational opportunity (sales, operations and profitability)
- Not had a clear run at implementation, with further challenges in FY24
- Short-term focus shifted to improving profitability
 - Finished FY24 in line with revised market expectations
 - On track to deliver significant EBITDA growth in FY25
- Belief in long-term opportunity from delivering transformation remains
 - Step-change sales, through multiple growth levers
 - EBITDA margin of 5%
- Process to evolve strategy underway – further details to follow alongside interim results in January 2025
- Well placed operationally heading into Christmas

Questions

The background is a solid dark blue. It features several decorative elements: a light blue scribble in the upper right, a yellow scribble in the lower left, and a large, dark blue, brush-stroke-like shape on the right side.

Disclaimer

This presentation is being made only to and directed at: (a) persons who have professional experience in matters relating to investments falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FPO"); or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49 of the FPO (all such persons together being referred to as "relevant persons"); or (c) any other person to whom this promotion may lawfully be directed. Any person who is not a relevant person should not act or rely on this presentation or any of its contents.

This presentation may contain forward looking statements with respect to certain of the plans and current goals and expectations relating to the future financial conditions, business performance and results of TheWorks.co.uk plc ("TheWorks"). By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of TheWorks, including amongst other things, TheWorks' future profitability, competition in the markets in which TheWorks and its subsidiaries operate and its ability to retain existing customers and win new customers, changes in economic conditions generally, terrorist and geopolitical events, legislative and regulatory changes, changes in taxation regimes, exchange rate fluctuations and volatility in TheWorks' share price. As a result, TheWorks' actual future financial condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements. TheWorks undertakes no obligation to publicly update or revise forward-looking statements, except as may be required by applicable law and regulation (including the AIM Rules for Companies). No statement in this presentation is intended to be a profit forecast or be relied upon as a guide to future performance.

1 October 2024

Basis of financial information

- The FY24 accounting period relates to the 53 weeks ended 5 May 2024 and the comparative FY23 accounting period relates to the 52 weeks ended 30 April 2023.
- The prior period comparatives have been restated to reflect adjustments wholly related to IFRS 16 Lease accounting.
- Adjusted profit figures exclude adjusting items which comprise non-recurring costs and adjustments with respect to the IFRS 16 accounting standard.



Income statement

	FY24		FY23 Restated		Variance £m	Variance %
	£m	% of revenue	£m	% of revenue		
Revenue	282.6		280.1		2.5	0.9
Less: Cost of goods sold	(120.5)		(118.8)		(1.8)	(1.5)
Product gross margin	162.1	57.3	161.3	57.6	0.7	0.5
Operating costs incl. in statutory cost of sales						
Store payroll	(50.2)	17.8	(46.8)	16.7	(3.4)	(7.2)
Store property and establishment costs	(49.3)	17.4	(51.8)	18.5	2.5	4.8
Store PoS & transaction fees	(2.7)	0.9	(2.3)	0.8	(0.3)	(14.6)
Online variable costs	(15.8)	5.6	(18.4)	6.6	2.7	14.4
Total non-product related cost of sales	(117.9)	41.7	(119.4)	42.6	1.4	1.2
Distribution costs	(12.6)	4.4	(10.2)	3.6	(2.3)	(23.0)
Admin costs	(25.6)	9.0	(22.8)	8.1	(2.8)	(12.2)
Pre IFRS16 Adjusted EBITDA	6.0	2.1	9.0	3.2	(3.0)	(33.1)
Net Finance costs	(0.5)	0.2	(0.3)	0.1	(0.2)	(77.7)
Depreciation	(4.4)	1.6	(5.5)	2.0	1.1	20.3
IFRS16 impact	2.1	(0.7)	2.3	(0.8)		
Adjusted PBT	3.2	1.1	5.4	1.9	(2.2)	(41.3)
Adjusting items	3.7		3.6			
PBT	6.9	2.4	9.0	3.2	(2.1)	(23.4)

Capex & stock

	FY24	FY23	Variance
	£m	£m	£m
New stores and relocations	(1.6)	(1.1)	(0.5)
Store refits and maintenance	(2.3)	(3.0)	0.7
IT hardware, software, projects	(1.7)	(2.4)	0.7
Other	(0.2)	(0.2)	0.0
Total capital expenditure	(5.8)	(6.7)	0.9

	FY24	FY23	Variance
	£m	£m	£m
Gross Stock	28.4	31.3	(2.9)
Less: provisions	(1.9)	(1.0)	(0.9)
Stock net of provisions	26.5	30.2	(3.8)
Stock in transit	4.9	3.2	1.7
Stock per balance sheet	31.4	33.4	(2.1)

Other areas

Interest

- Majority of interest charge was non-cash IFRS 16 notional interest
- Bank interest payable (facility availability and utilisation charges) was £0.4m (FY23: £0.3m)

Tax

- Effective tax rate on adjusted profit before tax was 17% (FY23 - 6.9%), with the net impairment reversal resulting in a lower total effective tax rate at 7.8% (FY23 - 4.4%).

Adjusting Items

- £3.7m credit in FY24 (FY23 restated: £3.6m credit). £1.4m credit from impairment reversals relating to IFRS16 and £3.5m profit on disposal of right-of-use assets and lease liabilities, partly offset by £0.5m of AIM move costs and £0.7m of restructuring costs.

EPS

- Adjusted basic EPS 4.2 pence (restated FY23 9.2 pence).
- Basic EPS of 10.2 pence (restated FY23 15.0 pence) distorted by impairment reversals in adjusting items.