MATALAN

Business Update

16 January 2023

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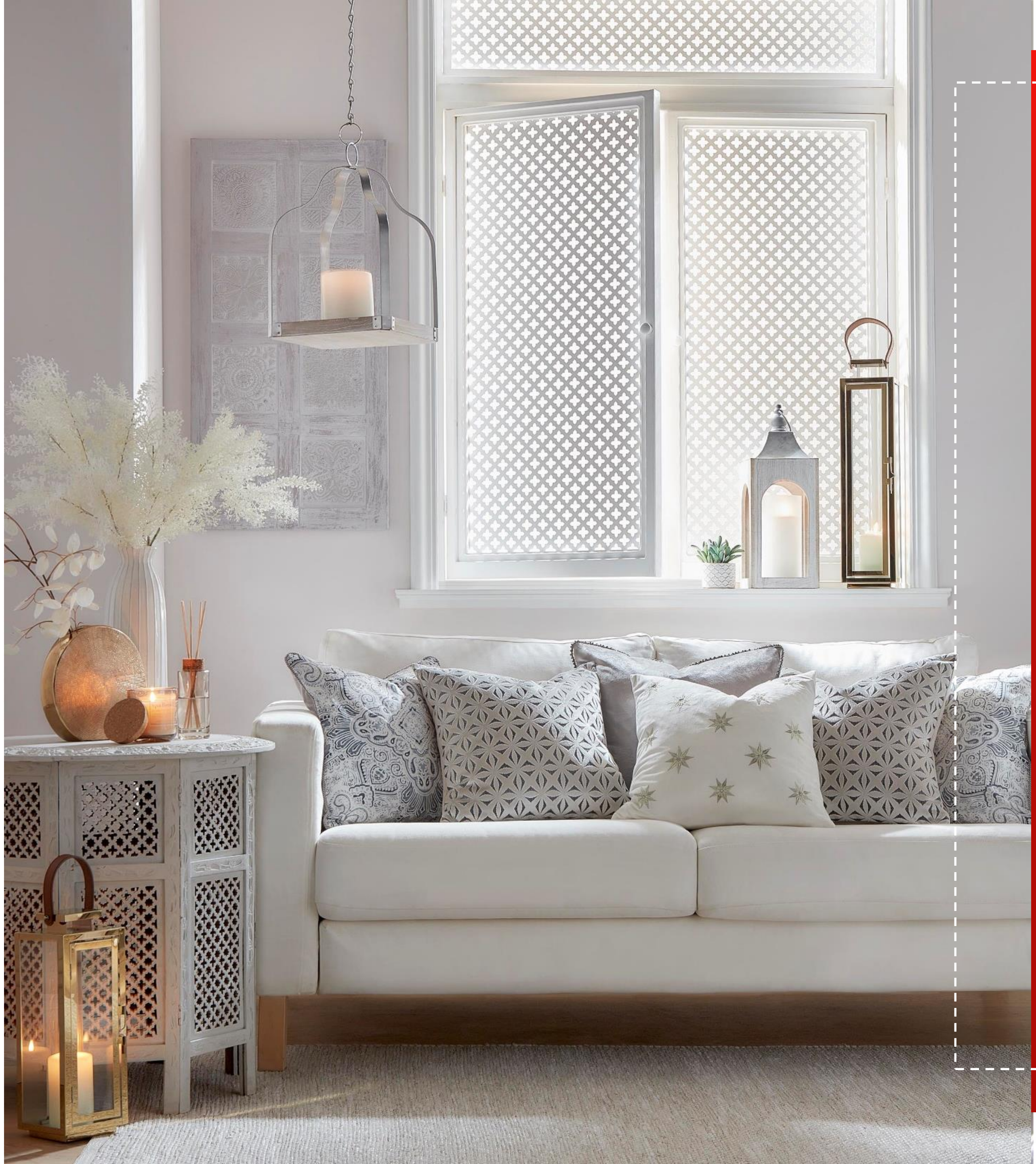

1. EXECUTIVE SUMMARY

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KEY MESSAGES: SUCCESSFUL RECAPITALISATION AGREED

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Substantial de-levering and enhanced liquidity providing a strong platform for long term stability and growth of the business

- Matalan has finalised the terms of a comprehensive recapitalisation backed by a group of holders of Matalan's First Lien Secured Notes representing over 70% of the outstanding amount and led by Invesco, Man GLG, Napier Park and Tresidor. This agreement marks the conclusion of the strategic sales process launched on 26 September 2022.

- In summary, the transaction delivers a de-levered and sustainable balance sheet, a meaningful maturity runway upon which to return to strong, profitable growth, and a substantial injection of fresh capital:
  - ✓ A significant reduction in gross debt from £593 million to £336 million, a day-1 reduction of £257 million
  - ✓ Up to £100 million of new capital to provide funding for operations and the delivery of our growth strategy
  - ✓ Financing runway for the next 4 years, with the earliest maturity in the new debt package now pushed out to January 2027
  - ✓ A flexible debt package which provides additional committed, undrawn funding, additional basket capacity and a range of downside protections

- In addition, the transaction will support the ongoing development and enhancement of our stores, logistics network and website, all of which are unaffected directly by the transaction, supporting our colleagues, suppliers and other partners in continuing to deliver the great customer value Matalan is famous for.

- The recapitalisation transaction is scheduled to complete on 26 January 2023.

- Ownership of the business will transfer to Noteholders.

KEY MESSAGES: OUTLOOK MATERIALLY BETTER FOR FY24 FOLLOWING AUTUMN / WINTER PERFORMANCE CHALLENGES

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Recent trading and outlook improving following a challenging environment in Autumn 2022

- The business continues to deliver year-on-year sales growth across both its store and online operations, achieving 7.3% growth in Q3 FY23 and 14.6% in the December FY23 peak trading period vs the prior comparative periods. Across FY23 as a whole we expect to achieve 10.9% revenue growth vs FY22.

- However, recent profitability has been adversely affected by a combination of market conditions and the approach taken to the buy plan for the Autumn / Winter season. Our stock levels going into Autumn proved to be too ambitious and front-loaded, entering the financial half in September with £45m more inventory than last year. This lacked sufficient flexibility to effectively manage through what subsequently proved to be a very slow start to the season as warm weather stifled demand and the cost of living crisis unsettled consumers. In order to manage inventory levels we invested heavily in discounts to stimulate customer demand to avoid a terminal stock overhang at the end of the season. As a result, the level of markdown in the third quarter and December were £17m and £18m higher than last year respectively. In addition, Autumn 2022 presented us with significant inflationary cost pressures in energy and labour, compounded by supply chain issues and an unfavourable FX environment.

- This resulted in a reduction in Q3 FY23 EBITDA compared to the prior period and has led to a substantial downgrade of our expected FY23 earnings compared to the guidance provided on 26 September 2022.

- Looking forward, we have successfully cleared seasonal stock and are entering the New Year with a much cleaner stock shape. Our buying approach to the Spring/Summer season has been adapted to better reflect the current consumer environment and impact of our pricing strategy on sales volumes.

- Some of the inflationary and FX pressures on this year's performance have significantly improved in recent weeks. These factors include a renegotiated freight contract which reduces costs by £24m in the coming year, and a reduction in the business's rateable values which reduces this expense by £4m.

- In addition we will begin to realise the benefits of structural changes we have been investing in for some time (notably the launch of our new website, a key plank of our omnichannel strategy which is on track to go live early Spring 2023, in addition to ongoing automation within our supply chain), putting us in a strong position to achieve the planned recovery in our earnings trajectory to £76m in FY24, growing to £114m by FY26.

2. TRANSACTION OVERVIEW

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KEY TERMS AND BENEFITS OF THE TRANSACTION

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TRANSFORMATIONAL DELEVERAGING DELIVERED THROUGH COMBINATION OF DEBT REDUCTION AND EARNINGS GROWTH, PUTTING MATALAN ON A VERY STRONG FOOTING TO ACHIEVE ITS GROWTH POTENTIAL AND AMBITIONS

New capital	Up to £100m of new capital made available to support investment in the growth of the business, comprising £75m of new Priority Notes plus a £25m committed tranche of Super Senior Notes (undrawn on day 1)
	Refinancing of the existing Super Senior loan facility with £61.2m of new Super Senior Notes
Material reduction in debt	Gross balance sheet debt reduced from £593m to £336m, an overnight reduction of £257m
	Existing £350m First Lien SSNs partially reinstated with £200m New SSNs, with the balance of principal + accrued interest being equitised
	Existing £80m Second Lien SSNs, £50m shareholder notes and accrued PIK interest totalling £41.6m being extinguished
Highly flexible debt structure	2x £20m debt incurrence baskets at the Super Senior and Priority levels provide flexibility to raise further finance in the future if required
	Ability to PIK first four coupons on £200m New SSNs provides further liquidity support of up to £40m if required
	Lack of onerous penalties for early prepayment incentivises faster repayment of debt
Maturity runway	Earliest debt maturity in January 2027 provides a runway to support business growth

SUMMARY OF THE TRANSACTION: HIGH LEVEL TERMS

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Instrument	Key terms
New Super Senior Notes (Tranche 1)	**Quantum** – £61.2m **Tenor** – 4 years (January 2027) **Pricing** – 1,000 bps cash (semi-annual) **Ranking** – 1st ranking **Call premium / change of control put / IPO redemption** – No premium **Cash sweep** – After full repayment of Priority Notes, excess cash sweep for amounts over £50m swept at par. Cash sweep will apply from March 2024 onwards (includes a 6 month forward looking test to ensure pro-forma liquidity does not drop below £50m as a result of the cash sweep) **Covenants** – similar to the original terms of the 1L Notes, plus additional baskets of £20m Super Senior debt and £20m of Priority debt
New Super Senior Notes (Tranche 2)	**Quantum** – £25m (committed on day 1 but undrawn) **Availability period** – committed for 6 months from the Transaction Effective Date **Issuance conditions –** company's 13 week STCFF shows liquidity dropping below £30m **Commitment fee** – 50% of interest that would have been payable for the commitment period had the notes been issued on the Transaction Effective Date. Fee payable regardless of whether Tranche 2 is utilised or not. Other terms in line with New Super Senior Notes Tranche 1

Equity allocations – 7% equity backstop fee to backstop parties on Tranche 1 and 5.5% backstop fee to backstop parties on Tranche 2

SUMMARY OF THE TRANSACTION: HIGH LEVEL TERMS

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Instrument	Key terms
New Priority Notes	**Quantum** – £75m **Tenor** – 4.5 years (July 2027) **Pricing** – SONIA + 550 bps cash (quarterly) **Ranking** – 2nd ranking **Equity allocation** – 20% equity to lenders **Call premium / change of control put / IPO redemption** – 102% **Cash sweep** – Excess cash sweep for amounts over £50m swept at 102%. Cash sweep will apply from March 2024 onwards (includes a 6 month forward looking test to ensure pro-forma liquidity does not drop below £50m as a result of the cash sweep) **Covenants** – similar to the original terms of the 1L Notes, plus additional baskets of £20m Super Senior debt and £20m of Priority debt
New Senior Secured Notes (reinstated notes)	**Quantum** – £200m **Tenor** – 5 years (January 2028) **Pricing** – 1,000 bps cash (semi-annual) **Ranking** – 3rd ranking **Equity allocation** – 52.5% of common equity (100% then diluted upon issuance of Super Senior Notes and Priority Notes) (pre-MIP dilution) **Call premium / change of control put / IPO redemption** – callable at 105% for the first 6 months, 102.5% for the next six months and then par thereafter **PIK toggle** – in the first two years, the company can elect to capitalise the first four interest payments should liquidity fall below £50m (ability to PIK interest payment based on forward looking test, ability to PIK arises should pro-forma liquidity drop below £50m in the next 6 months) **Covenants** – similar to the original terms of the 1L Notes, plus additional baskets of £20m Super Senior debt and £20m of Priority debt

Equity allocations – 15% equity backstop fee to backstop parties on New Priority Notes

PRO FORMA CAPITAL STRUCTURE

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THE RECAPITALISATION REDUCES GROSS BALANCE SHEET DEBT ON DAY 1 FROM £593.2M TO £336.2M, REPRESENTING A DELEVERAGING OF £257.0M

Capital structure £m	Pre-restructuring	Movement	Post-restructuring
Super Senior Loan Facility	60.0	(60.0)	-
New Super Senior Notes Tranche 1*	-	61.2	61.2
Total Super Senior Debt	**60.0**	**1.2**	**61.2**
New Priority Notes	-	75.0	75.0
1st Lien SSN	350.0	(350.0)	-
New Senior Secured Notes (reinstated notes)	-	200.0	200.0
Accrued cash interest - 1st Lien SSN**	11.6	(11.6)	-
Total debt through to 1L SSN	**421.6**	**(85.4)**	**336.2**
2nd Lien SSN	80.0	(80.0)	-
Accrued PIK interest - 2nd Lien SSN**	25.6	(25.6)	-
Total secured debt	**527.2**	**(191.0)**	**336.2**
Shareholder notes	50.0	(50.0)	-
Accrued PIK interest - Shareholder notes**	16.0	(16.0)	-
Total debt	**593.2**	**(257.0)**	**336.2**
Unrestricted cash at Transaction closing date			(92.9)
Net debt at Transaction closing date			**243.3**

**£100m of new capital provided by the Transaction consists of £75m Priority Notes drawn on day 1 (shown above) plus a £25m committed 2nd Tranche of New Super Senior Notes (undrawn on day 1 so not shown in table above)*

***Interest accrued up until anticipated transaction closing date of 26 January 2023*

FORECAST DELEVERAGING TRAJECTORY

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THE NEW FINANCING STRUCTURE ENSURES SUFFICIENT LIQUIDITY HEADROOM THROUGHOUT THE FORECAST PERIOD AND ALLOWS THE COMPANY TO DE-LEVER SIGNIFICANTLY AS EARNINGS RECOVER

(£m)	FY24	FY25	FY26
Opening liquidity	**65.5**	**77.8**	**99.6**
CFADS	47.0	67.0	90.3
Interest	(34.7)	(33.2)	(29.8)
Debt repayment - cash sweeps	-	(12.0)	(64.2)
FCF post-financing	**12.3**	**21.8**	**(3.7)**
Closing liquidity	**77.8**	**99.6**	**95.9**
Financial debt			
Super Senior Notes	61.2	61.2	61.2
Priority Notes	75.0	63.3	0.4
Senior Secured Notes	200.0	200.0	200.0
Total financial debt	**336.2**	**324.5**	**261.6**
Cash	77.8	99.6	95.9
Net debt	**258.4**	**224.9**	**165.6**
LTM EBITDA (pre-IFRS 16)	**75.7**	**97.4**	**113.6**
Total Debt/EBITDA (pre-IFRS 16)	*4.4x*	*3.3x*	*2.3x*
Total Net Debt/EBITDA (pre-IFRS 16)	*3.4x*	*2.3x*	*1.5x*

Leverage

- Leverage declines significantly as earnings recover, with forecast net leverage being 3.4x at the end of FY24 and 1.5x by FY26.

Liquidity

- As at the end of December 2022 the business had cash on balance sheet of £90.7m of which £4.4m was restricted.
- A peak funding requirement of £47.2m in April 2023 was forecast, which is adequately addressed by the provision of £75m new Priority Notes. Further headroom is being provided by the committed £25m second tranche of the Super Senior Notes which will remain undrawn at closing.
- Forecast unrestricted cash at bank as at the transaction effective date of 26 January 2023 is now forecast to be £92.9m after payment of transaction closing costs of £18.2m. Unrestricted cash at bank at the end of fiscal 2023 is forecast to be £65.5m.
- Liquidity will fluctuate seasonally as normal through fiscal 2024 with a forecast pro forma unrestricted cash at bank low point of £30m in April 2023 and a high point of £131m in December 2023.

Opening liquidity for FY24 in the above table represents forecast unrestricted cash at bank at the beginning of March 2023. The above table does not contemplate the additional £25m tranche available under the Super Senior Notes being drawn.

3. RECENT TRADING (INCLUDING Q3 FY23, CHRISTMAS TRADING, AND FY23OT)

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Q3 FY23 AND CHRISTMAS TRADING UPDATE

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- The business continued to deliver sales growth in the third quarter, both online and in stores, achieving growth of 7.3% over the prior year period and highlighting that we still very much resonate with our customers in what continue to be challenging times.
- Despite substantial revenue growth, profitability in the third quarter was materially impacted by a number of factors, a combination of market conditions and the approach taken to the buy plan for the Autumn / Winter season. Our stock levels going into Autumn proved to be too ambitious and front loaded, overcompensating for disruption seen during the Covid-19 pandemic. We entered the financial half in September with £45m more inventory than last year. This lacked sufficient flexibility to effectively manage through what subsequently proved to be an unusually warm and dry October which suppressed demand for Autumn / Winter product alongside growing consumer nervousness with regards the looming cost of living crisis. In addition, Autumn 2022 presented us with significant inflationary cost pressures in energy and labour, compounded by supply chain issues and an unfavourable FX environment
- In the face of the above headwinds the business took a series of actions to drive trading, convert a growing surplus of autumn/winter volume into sales and avoid a terminal stock overhang at the end of the season. In order to manage inventory levels we invested heavily in discounts to stimulate customer demand. As a result, the level of markdown in the third quarter was £17m higher than last year. These actions contributed to the adverse impact on profitability, reducing EBITDA to £8.8m (pcp: £36.2m).
- Customer demand improved in December with sales growth of 14.6% being delivered. A high level of markdown investment continued to be required to liquidate surplus volume, markdowns being £18m above last year. However, having already taken decisive action during the third quarter, this enabled an improvement in the scale of margin dilution during December, evident in a closing of the year on year profitability gap. As a result of the heavy markdown investments made during the third quarter and December period, consistent with our reforecast, we expect to close in a clean terminal stock position, supporting a strong recovery in the full price sales mix during the coming spring/summer season where the significant stock volume challenge faced during autumn/winter is not present.
- The impact of the third quarter and peak trading period on the expected FY23 outturn as previously published in the 26 September business update is outlined on the following slide.

Financial highlights for the 13 weeks ended 26 November 2022

£m	13 weeks ended 26 November 2022	13 weeks ended 27 November 2021	vs. Prior Year
Total revenue	312.8	291.4	21.4
EBITDA post adoption of IFRS16[1]	33.0	61.1	(28.1)
Restated EBITDA under IAS17	8.8	36.2	(27.4)
Closing cash per the balance sheet	82.3	182.9	(100.6)

Peak trading for the 5 weeks to 31 December 2022

£m	5 weeks to 31 December 2022	5 weeks to 01 January 2022	vs. Prior Year
Total revenue	149.8	130.7	19.1
EBITDA post adoption of IFRS16[1]	24.4	30.2	(5.8)
Restated EBITDA under IAS17	15.0	21.0	(6.0)
Closing cash per the balance sheet	90.7	163.3	(72.6)

[1] EBITDA is reported before and after the adoption of IFRS 16-Leases, to also reflect performance under the previous accounting standard IAS17-Leases.

FY23 OUTTURN

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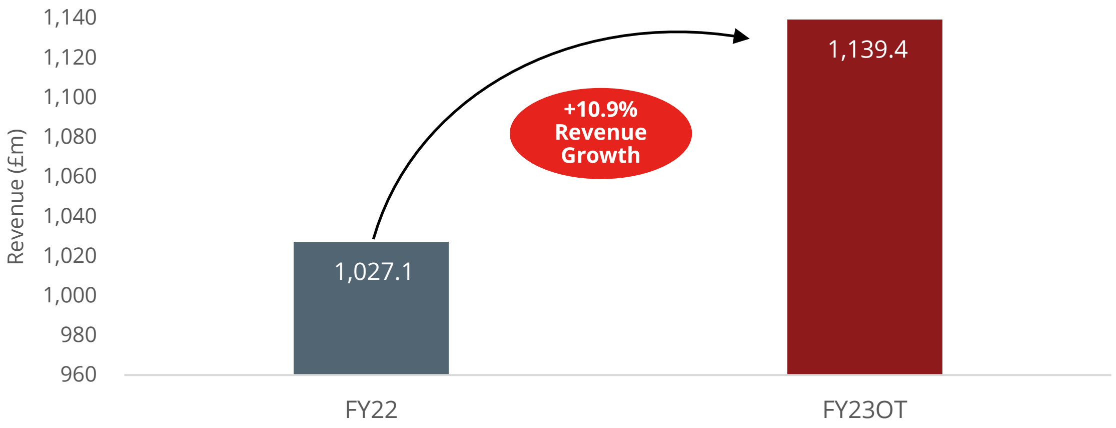
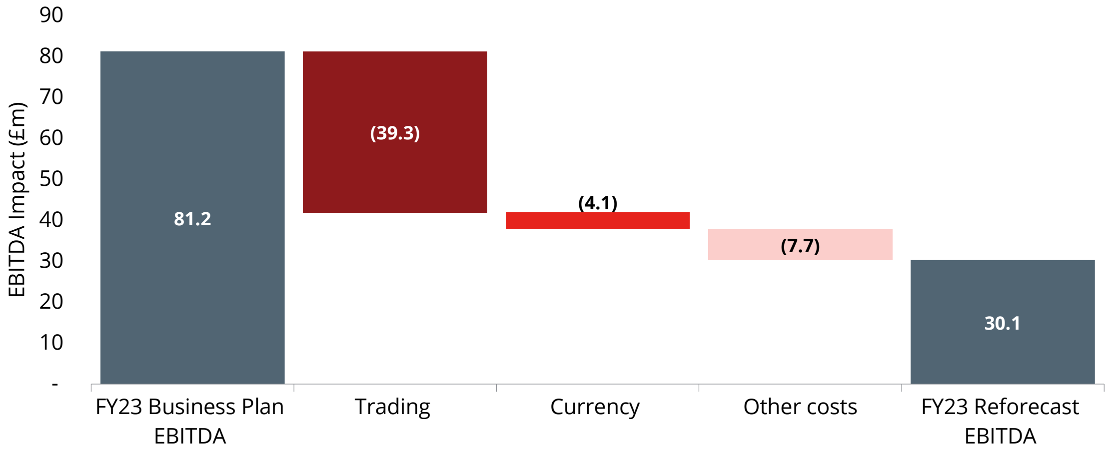
- Despite market headwinds, material sales growth is still expected for the full Fiscal Year 2023, with the full year expectation at £1,139m, representing revenue growth of 10.9% over the prior year period.
- The revised full year EBITDA of £30.1m reflects current market dynamics, clearing of seasonal stock and investment in stimulating customer demand. This represents a reduction of £51.1m from the £81.2m outlined in the 26 September Business Update.
- The key drivers of the £51.1m reduction include:
  - ➢ Reduction in full price trading volumes that reflect the overall weakening in customer demand that has been experienced across the UK retail sector since the end of September
  - ➢ A revised markdown rate of 23.5% between October and February is reflected in the reforecast (previously 18.1%) as a result of higher promotional activity. Markdown spend across the third quarter and December totalled £35m more than last year
  - ➢ FX rate assumption on unhedged portion of cost of goods sold updated to $1.15 due to GBP deterioration versus USD since the business plan was published
  - ➢ Other higher than expected costs include freight costs and increased levels of shrinkage / write off, partly offset by improvements in property and other costs
- Despite the reduction to profitability in FY 2023, the business is well positioned to enter FY 2024 having dealt with the risk of a substantial terminal stock overhang and favourably renegotiated its primary freight contract, worth £24m in FY 2024. These factors, together with the completion of its recapitalisation, will allow Matalan to deliver on its strategic objectives and growth aspirations.
- Further details of the revised FY24-26 business plan follow in the next section.

FY23 Revenue – outturn vs FY22



FY23 EBITDA Bridge – Business Plan to Reforecast



4. BUSINESS PLAN UPDATE

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OVERVIEW

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Reforecast of the business plan during Autumn 2022

- Following a significant and sustained period of macro economic headwinds and increased costs to the business over the Autumn period, Matalan undertook a reforecast of the business plan.
- The reforecast reflects a robust bottom up process with all input assumptions revisited including currency, freight market, energy costs and wage rate pressure, with a particularly detailed bottom-up review done around our FY24 product range, pricing strategy and buy plan. The reforecast benefited from a granular level of input from across the business.

Return to material profitability in FY24 and beyond

- A series of swift actions were undertaken by management to enable a material recovery in earnings for FY24. EBITDA (pre-IFRS 16) was reforecast at £76m, rising to over £100m by FY26 as the business continues to execute against its omni-channel growth strategy, retaining its belief and commitment to this being the fundamental route to sustainable value creation for the medium and long term.
- Immediate recovery actions taken include:
    - Stock control and range optimisation
    - Supply chain and logistics productivity which includes the renegotiation of our freight contract to unlock immediate savings
    - Markdown management to closely align to historic best levels
    - Key channel focus areas which include the website transition to THG on track for March 2023 and further supply chain automation
- We have hedges in place to cover 68.4% of forecast foreign exchange exposure in H1 FY24 with the remainder forecast at £1/$1.15. We note that currently the spot market is trading above this level, representing further potential upside to the business should this remain the case.
- We have also recently renegotiated and extended our multi-year freight contract to capture some of the benefits of falling spot shipping rates, reprofiling our capacity commitments and pricing agreements in order to make material cost savings in FY24 (the freight costs reduction between FY23 to FY24 is £24.1m – see bridge on page 23) and FY25.

FY24 – FY26 BUSINESS PLAN UPDATE HEADLINES

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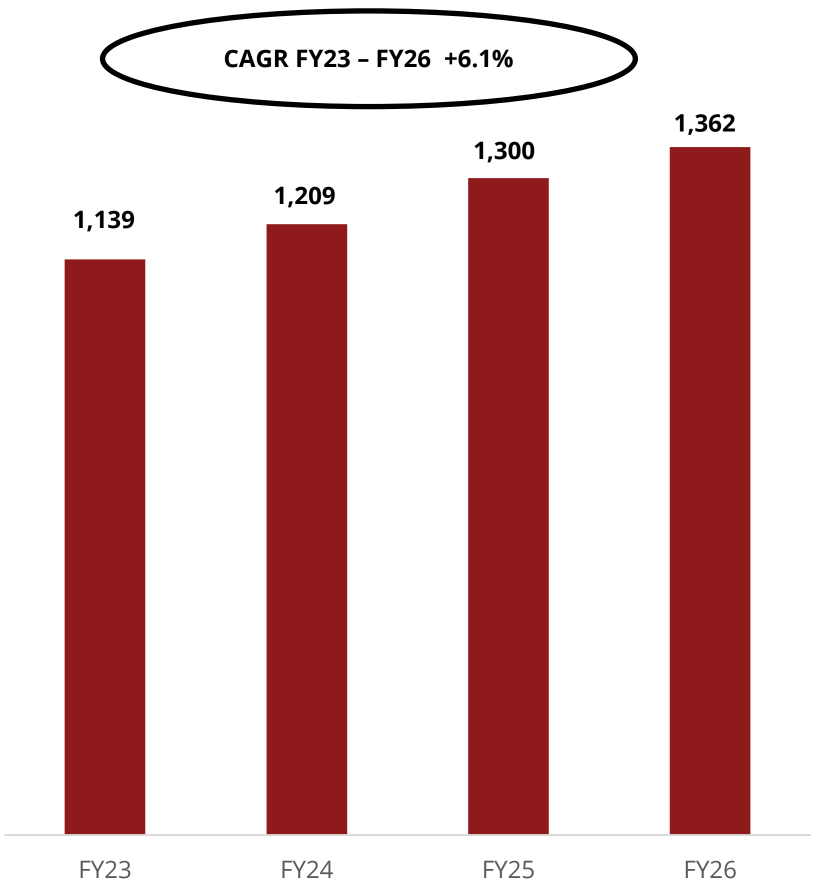
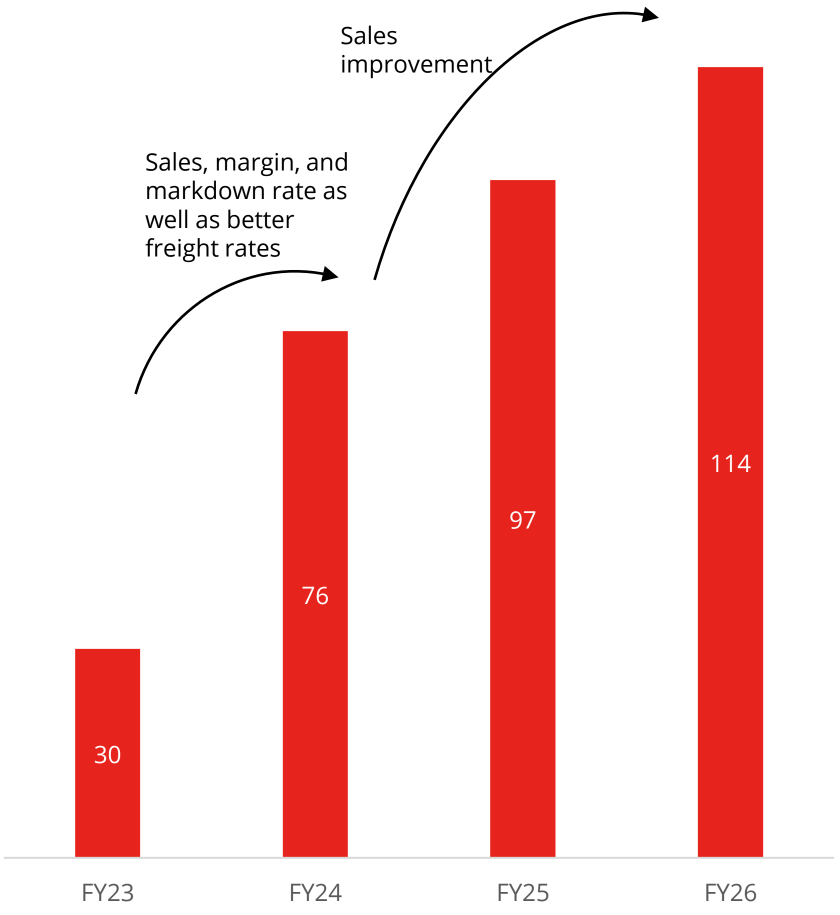
MATERIAL GROWTH OPPORTUNITY EXISTS FOR THE BUSINESS, SUPPORTED BY MARKET CONTEXT PRICE CHANGES IN FY24 ALONGSIDE SUSTAINABLE AND INCREMENTAL ONLINE VOLUME PENETRATION IN PARALLEL WHICH WILL GENERATE STRONG PROFITABILITY AND CASH GENERATION

FY23-FY26: Sales (£m)



EBITDA TRAJECTORY FY23 - FY26, £m



- ✓ The online sales channel[1] continues to increase its share of total group revenues over the planned periods at 18%, 20%, 23% and 25% respectively
- ✓ Recent inflationary headwinds from shipping now reversing and will materially benefit FY24 and the ongoing supply chain automation programme offers material productivity gains in FY25 and FY26
- ✓ Currency expectations have been re-based to £1/$1.15 unhedged spot rate through the planning horizon offering upside potential
- ✓ Product cost price deflation for FY24 is emerging as commodity costs fall and surplus capacity within the supply base emerges as a result of reduced sector volumes

[1]Online sales percentages include online and dropship sales as a proportion of total group revenue in each of the forecast years from FY23 – FY26

FY23 – FY26 BUSINESS PLAN UPDATE OVERVIEW

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FOLLOWING A PERIOD OF CHALLENGING PERFORMANCE THAT AROSE THROUGHOUT AUTUMN 2022, A REFORECAST OF FY23 – FY26 WAS UNDERTAKEN IN NOVEMBER 2022

(£M)	FY23 Reforecast	FY24 Reforecast	FY25 Reforecast	FY26 Reforecast
Sales	**1,139.4**	**1,209.4**	**1,300.1**	**1,361.7**
Gross Margin	458.7	548.3	588.9	620.9
EBITDA pre IFRS 16	**30.1**	**75.7**	**97.4**	**113.6**
IFRS 16 adjustments	96.4	98.8	98.8	98.8
EBITDA post IFRS 16	**126.5**	**174.5**	**196.2**	**212.4**
Decrease/(Increase) in Inventories	(1.7)	(3.6)	(6.1)	(1.2)
Decrease/(Increase) in Trade and Other Receivables	3.2	(2.1)	(1.0)	(1.0)
Decrease/(Increase) in Trade and Other Payables	(27.3)	13.6	18.2	12.2
Changes in working capital	**(25.8)**	**7.9**	**11.1**	**10.0**
Cash generated from operating activities	**100.7**	**182.4**	**207.3**	**222.4**
Repayment of lease liabilities (incl. interest)	(115.5)	(100.5)	(101.7)	(100.0)
Capex	(39.0)	(35.3)	(38.6)	(32.1)
Tax	-	0.4	-	-
CFADS	**(53.8)**	**47.0**	**67.0**	**90.3**

[1] *Total capex expenditure (includes maintenance and discretionary)*

5. KEY TAKEAWAYS

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KEY TAKEAWAYS

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THE SUCCESSFUL RECAPITALISATION PROVIDES THE BUSINESS WITH FRESH CAPITAL, A DELEVERED BALANCE SHEET AND SUSTAINABLE DEBT SERVICING OBLIGATIONS, SECURING A STABLE 4-YEAR PLATFORM UPON WHICH TO DELIVER A NEAR-TERM EARNINGS RECOVERY AND LONG-TERM VALUE CREATION

- **£100m of new capital to invest in the acceleration and delivery of our strategy and exciting growth ambitions**
- **£257m overnight reduction in balance sheet debt**
- **Stable four year platform to execute and deliver on strategic initiatives and growth plans with maturities in January 2027**
- **Sustainable debt servicing obligations and a flexible debt structure incorporating a range of cash conservation measures which can be activated in the event of adverse market conditions and/or a deep recession.**
- **A robust base upon which to enter FY24, including a renegotiated freight contract, online re-platforming on track to go live in early Spring 2023, stabilising of the GBP / USD rate, and no seasonal stock overhang from FY23**
- **The transaction will support the ongoing development and enhancement of our stores, logistics network and website, all of which are unaffected directly by the transaction, supporting our colleagues, suppliers and other partners in continuing to deliver the great customer value Matalan is famous for**

6. APPENDICES

A SUMMARY CORPORATE STRUCTURE

B FY24 – FY26 YEAR ON YEAR EBITDA BRIDGES

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POST-RECAPITALISATION CORPORATE STRUCTURE

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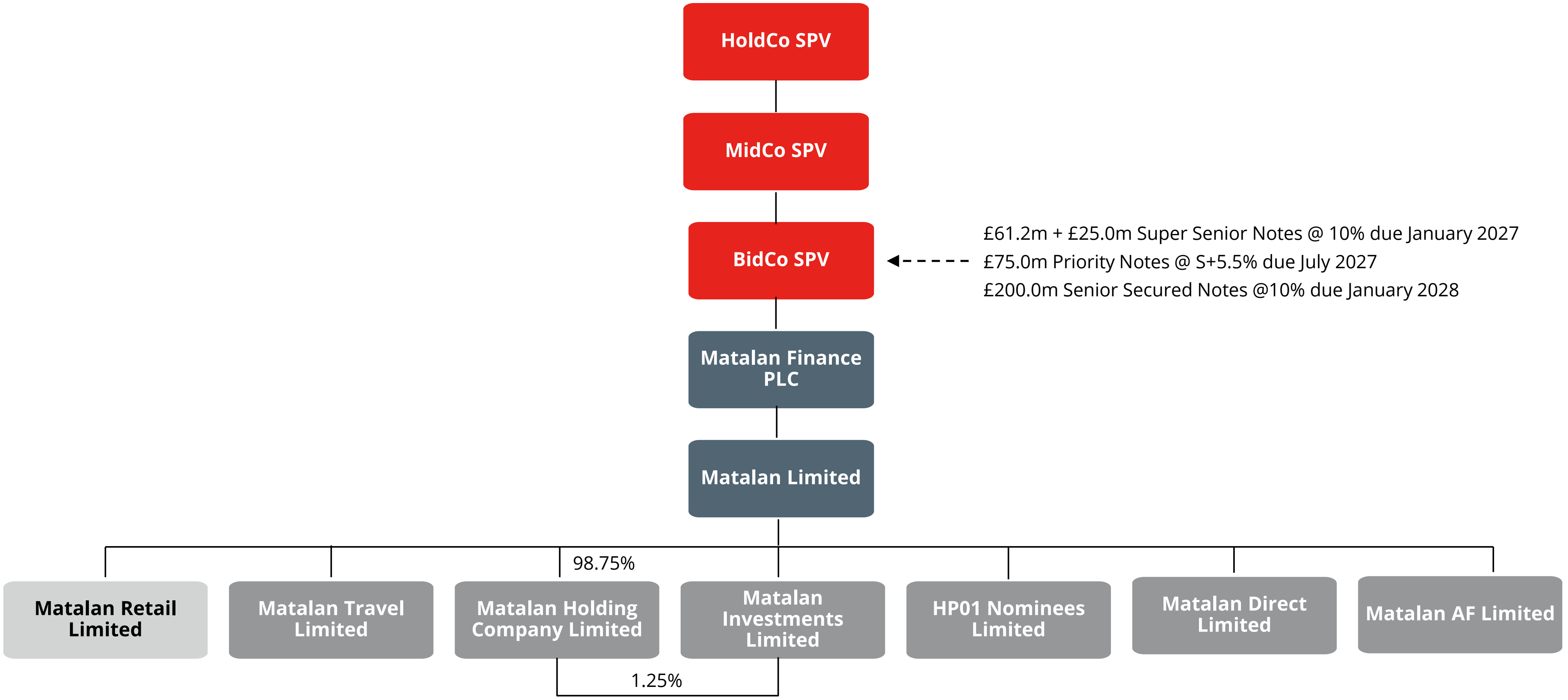

Key

- Existing Holdco entities
- Existing trading entity
- Existing non-trading entities
- New SPV

All entities listed are 100% owned, unless otherwise stated

EBITDA BRIDGE FROM FY23 TO FY24

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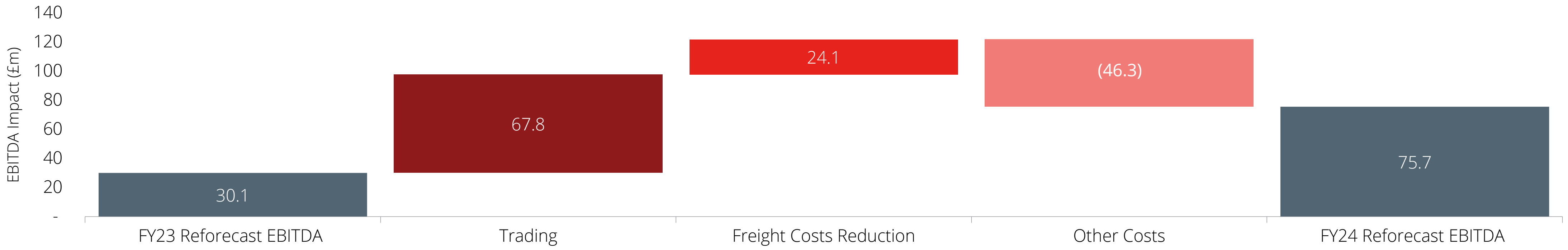
FY24 EBITDA OF £76M REFLECTS IMPROVEMENT DRIVEN BY RANGE AND PRICE ARCHITECTURE MOVEMENTS & LOWER MARKDOWNS, TOGETHER WITH STOCKLOSS & FREIGHT RATE IMPROVEMENTS, PARTIALLY OFFSET BY HIGHER ENERGY, PEOPLE & PROPERTY COSTS AS WELL AS GROWTH IN ONLINE AND REMOVAL OF FY23 ONE-OFF SAVINGS

FY23 to FY24 EBITDA Bridge



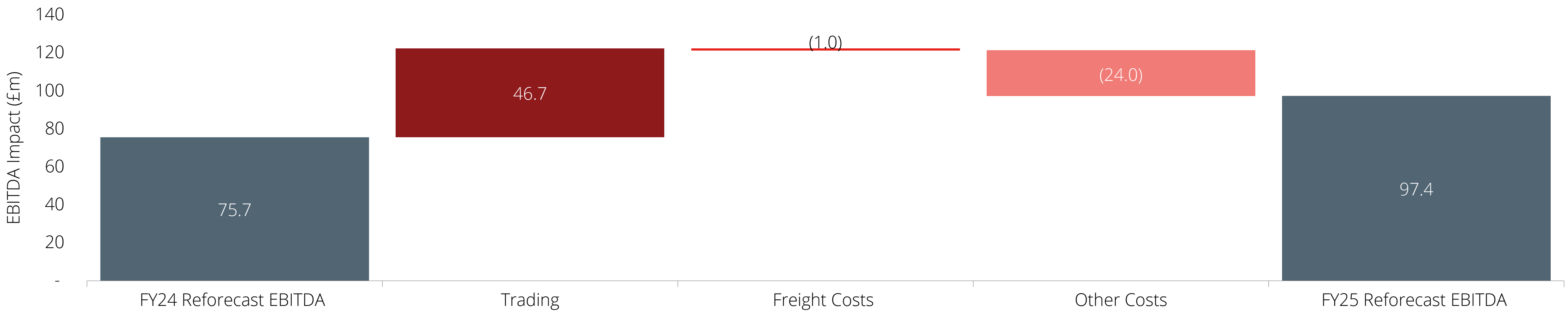
Trading	▪ Material markdown reduction reflecting tightening of store buy volume, improved management of open to buy, and option consolidation ▪ Volume growth online following website re-platforming enhancements with THG (on track for early Spring 2023)
Freight costs reduction	▪ Reflecting a renegotiated freight contract, the average freight container rate has been materially reduced year on year
Other Costs	▪ Includes a reduction in stock loss with a number of initiatives put in place, including a trial of fitting room closures, increases in the number of stores trialling enhanced security monitoring devices, and additional use of security tagging across high loss departments. ▪ Forecast pay rate impacts include national minimum wage increases for store colleagues and unionised settlements within the distribution centres ▪ Energy costs increased, as driven by current market rates with exposure largely in H2. ▪ Cost impact of online volume growth, largely associated to pay rates (as described above), as well as delivery and transaction charges. These costs can also be attributed to the changeover costs associated with the website platform transition and Buy Now Pay Later. Increase in online costs are more than offset by online sales and margin growth ▪ Higher property costs driven by insurance market increases ▪ One-off FY23 credits and cost savings including rates relief ▪ Other cost movements are driven by the opening of new stores, marketing investment and contract indexation.

EBITDA BRIDGE FROM FY24 TO FY25

MATALAN

FY25 EBITDA OF £97M SHOWS IMPROVEMENT DRIVEN BY UPLIFT IN ONLINE TRADING VOLUMES, ASP GROWTH, H1 BENEFIT OF SGM AND MARKDOWN IMPROVEMENTS AS WELL AS INCREMENTAL DISTRIBUTION CENTRE PRODUCTIVITY, PARTIALLY OFFSET BY HIGHER ENERGY, PEOPLE AND PROPERTY COSTS, TOGETHER WITH GROWTH IN ONLINE AND OTHER SMALLER INFLATIONARY COST MOVEMENTS

FY24 to FY25 EBITDA Bridge



Trading	▪ Increase is driven by volume growth in online channel and the addition of 3 new stores and ASP increases ▪ Improvement on SGM and markdown rate during H1 due to annualisation of product cost benefit assumed within H2 of FY24
Freight Costs	▪ Freight costs remain broadly consistent with a minimal uplift in the average container volume.
Other Costs	▪ Increase of national minimum wage combined with an uplift due to increased cost of living, partially offset by productivity improvement due to automation in distribution centres ▪ Higher energy costs due to expiry of hedges, partially offset by improved rates assumption ▪ Costs of online growth, largely associated to pay rates (as described above), as well as delivery and transaction charges. Increase in online costs are more than offset by online sales and margin growth above ▪ Other cost movements are driven by the opening of 3 new stores, marketing and higher IT costs and general inflation

EBITDA BRIDGE FROM FY25 TO FY26

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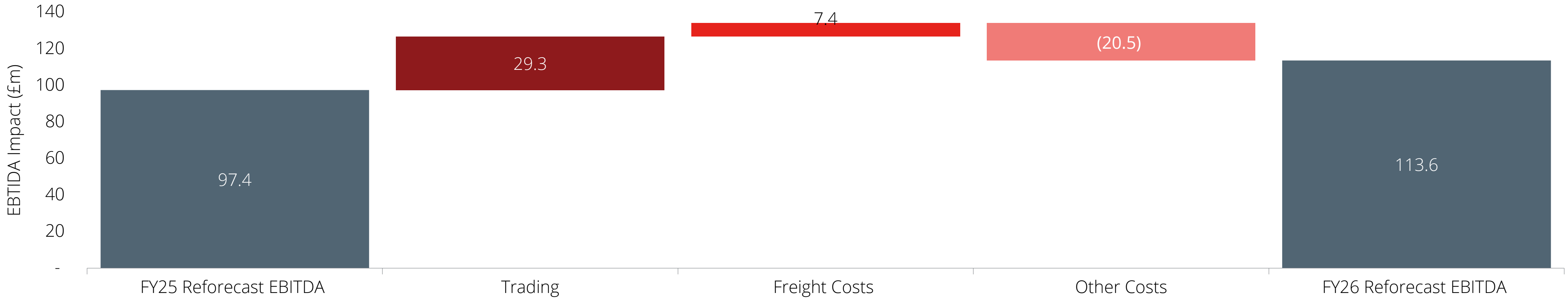
FY26 EBITDA OF £114M IS DRIVEN BY AN UPLIFT IN ONLINE TRADING VOLUMES, FURTHER UNWIND OF FREIGHT AND ENERGY MARKET COSTS AND PRODUCTIVITY IMPROVEMENT BY DISTRIBUTION CENTRE AUTOMATION, WHICH ARE PARTIALLY OFFSET BY INFLATIONARY INCREASES, GROWTH IN ONLINE COSTS AND OTHER SMALLER COST MOVEMENTS

FY25 to FY26 EBITDA Bridge



Trading	▪ Increase is driven by volume growth in the online channel and the addition of 3 new stores. Flat volume in stores and no ASP growth
Freight costs	▪ Freight costs reduce as market levels continue to re-base and are captured via the contract's downward indexation mechanic
Other Costs	▪ Pay rates expected to increase due to national minimum wage, partially offset by productivity improvement due to automation in distribution centres ▪ Energy costs includes c£3m of assumed market unwind ▪ Cost impact of online volume growth, largely in payroll, marketing, delivery as well as transaction charges. Increase in online costs are more than offset by online sales and margin growth, as above. ▪ Increased other cost due to 3 new store openings, marketing, higher IT costs as well as general inflation