Q2 FY24 Investor Call
October 2023

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Contents

Introduction from the Chair

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Executive Summary

Strong Q2 performance against a backdrop of ongoing market challenges

Leadership team continue to drive business transformation

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Performance

- Strong store sales performance of +8% supported stable overall Q2 sales growth of +1%
- Online performance has remained challenging with a decline in Q2 revenue of (35%) due to product offer weakness from option and value reduction, website development post launch and tough market conditions with strong competition and a shift to physical store shopping
- Significant increase in gross margin of +500 bps driven by improvements in underlying product margins and shipping costs offset in part by FX positions
- Transformation programs delivering great progress, such as Value Creation Program securing product cost price improvements, Visual Merchandising pilots being rolled out and cost re-tendering activities realising in year savings
- EBITDA (IAS17) increased by +£12m against last year to £25m, predominantly driven by gross margin improvement
- Strong liquidity management ahead of H2 working capital build resulted in unrestricted cash at Q2 closing of £130.4m

Outlook

- Tough market conditions with high level of market volatility, Autumn heatwave and continued disposable income pressures as we entered H2
- Market promotional intensity is increasing and online customer demand remaining weak as we look to recover online performance
- In response we are keeping our trade and promotional plans flexible, investing in value across 500 lines and focusing on online recovery action plans
- We are looking to mitigate these challenges by focusing on cost and stock control
  - Autumn/winter buy much tighter managed than last year, entering H2 with 16% less new season stock
  - Value Creation Program phase 1 covers AW23 actions to identify product cost reductions and more flexible and profitable promotions

Q2 Results

(All prior year comparatives are Q2 Missouri TopCo Ltd)

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Strong Q2 performance with significant EBITDA and cash delivery

Sales growth and better margins more than offset FX headwinds and targeted investments

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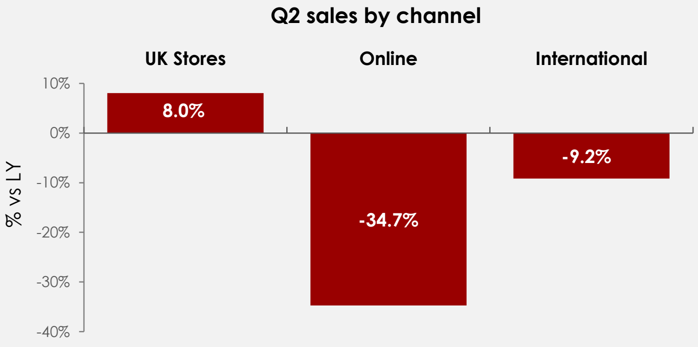
£m	13 weeks ended 26 August 2023	13 weeks ended 27 August 2022	vs. Prior Year
Revenue	**288.6**	**286.4**	**2.2**
EBITDA post adoption of IFRS16	**47.9**	**36.7**	**11.2**
EBITDA post adoption of IFRS16 %	16.6%	12.8%	3.8%
EBITDA restated under IAS 17	**25.1**	**13.1**	**12.0**
EBITDA restated under IAS 17 %	8.7%	4.6%	4.1%
Unrestricted closing cash	**130.4**	**101.6**	**28.8**

- Strong store sales in June with July & August tougher and hindered by softening weather
- Significant margin improvement from better underlying product margins and well managed stock liquidation
- FX rates weaker than last year but partially offset by lower freight costs, and improvements in levels of stockloss
- Reduced property costs and targeted investments in marketing and business transformation projects
- Strong liquidity reflective of working capital discipline and tighter bought stock position

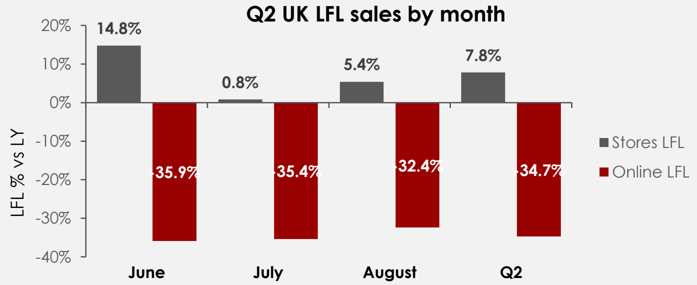
Sales growth fuelled by strong store performance, mitigating weakness online

Mix of sales at full price increased to 74%, +5pp ahead of last year as trading calendar flexed to mirror market conditions

- Total sales of £288.6m for the quarter were 0.8% ahead of last year
- Growth in absolute full price sales value of +7.4%
- Several strong categories including a record season for school wear
- Online conversion levels remained weak ahead of interventions starting to impact
- Some timing of international sales between Q2/H2, due to shipment timing

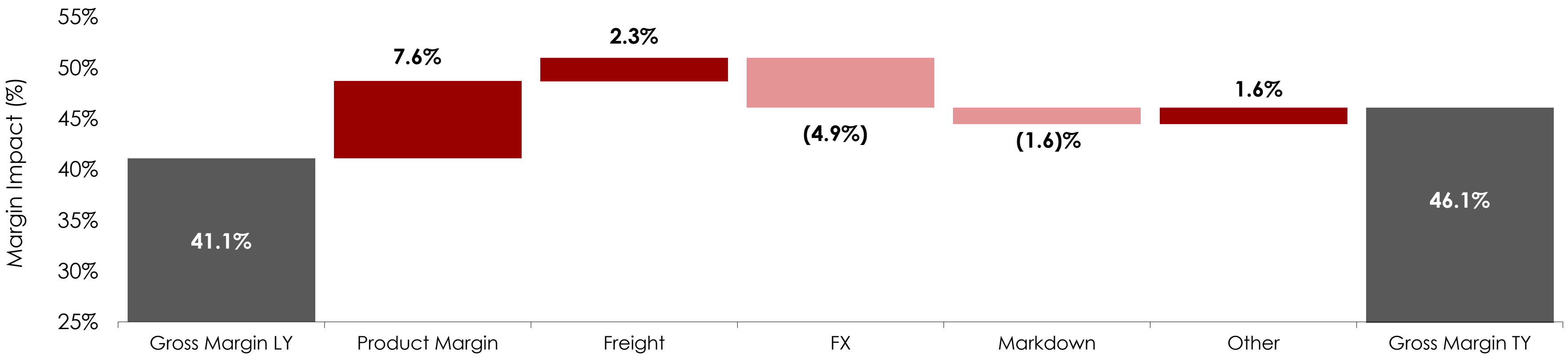


- Strong store trading in June as summer weather emerged, igniting the market
- Tougher market in July as good weather receded
- Sale events re-timed to extend full price selling window and improve margins
- Strong early autumn sales in August due to ongoing poor weather



Significant improvements in underlying product margins and shipping costs

Product margin improvement mitigated ongoing FX dilution and investment in seasonal stock clearance



- Product: Average selling price and range mix changes more than offset product cost price inflation adding 760bps to margins
- Freight: Reduced inbound freight costs added 230bps to margin in Q2
- FX: Q2 margin erosion of (490)bps from FX. Differential vs last year lessens in H2
- Markdown: Well managed in dealing with carryover of Q1 stocks, albeit diluted margins by (160)bps
- Other: Reduced online fulfilment volumes, improved stock loss and stock valuation movements added a further 160bps
  Changes in operational process in stores positively benefited stock loss, albeit this continues to be a challenging area

Costs well contained despite inflationary pressure and additional investments

Reduced property costs and targeted investments in marketing activity and business transformation projects

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	13 Weeks ended 26 August 2023	13 Weeks ended 27 August 2022	vs Prior Year
	£m	£m	£m
Revenue	**288.6**	**286.4**	**2.2**
Cost of Goods Sold	(155.5)	(168.8)	13.3
Gross Margin	**133.1**	**117.6**	**15.5**
% of sales	46.1%	41.1%	5.0%
Selling costs (IAS 17)	(80.3)	(79.8)	(0.5)
% of sales	-27.8%	-27.9%	0.1%
Distribution costs (IAS 17)	(14.1)	(12.6)	(1.5)
% of sales	-4.9%	-4.4%	-0.5%
Admin costs (IAS 17)	(13.6)	(12.1)	(1.5)
% of sales	-4.7%	-4.2%	-0.5%
Total Operating Costs (IAS 17)	**(108.0)**	**(104.5)**	**(3.5)**
% of sales	-37.4%	-36.5%	-0.9%
EBITDA (IAS 17)	**25.1**	**13.1**	**12.0**
% of sales	8.7%	4.6%	4.1%
IFRS 16 Lease Adjustment	22.8	23.6	(0.8)
EBITDA (IFRS 16)	**47.9**	**36.7**	**11.2**
% of sales	16.6%	12.8%	3.8%

Note – operating costs shown exclude depreciation, amortisation and exceptional items

Selling Costs

- Lower sales volumes were reflected in retail staffing levels, offsetting wage rate inflation and lowering staffing costs by £0.2m
- Lower property rateable values and favourable rent reviews reduced property costs by £1.3m
- £(0.6)m increase in IT costs driven by post online platform cutover early life costs
- £(1.4)m additional marketing investment to support trading

Distribution Costs

- Lower volumes, improved productivity and reduced 3rd party reliance reduced costs by £1.6m
- Cost increase driven by timing of £(3.4)m stock valuation adjustment due to lower stock levels at the quarter end (reversing some of Q1 benefit)

Admin Costs

- Admin expenses include pay rate inflation, investment in transformation projects and build out of senior team, contributing £(1.3)m of the increase

£130m of liquidity driven by disciplined working capital management

Liquidity further bolstered by £25m debt issuance in June

	13 Weeks ended 26 August 2023	13 Weeks ended 27 August 2022	vs Prior Year
	£m	£m	£m
EBITDA (IFRS 16)	**47.9**	**36.7**	**11.2**
Working capital movements	24.9	3.2	21.7
Interest	(11.0)	(27.0)	16.0
Non-cash	(0.5)	0.0	(0.5)
Net cash from operations	**61.3**	**12.9**	**48.4**
Purchase of PPE	(6.2)	(8.3)	2.1
Purchase of Intangibles	(5.1)	(3.1)	(2.0)
Other	0.1	0.0	0.1
Net cash from investments	**(11.2)**	**(11.4)**	**0.2**
Exceptional finance costs	(0.4)	0.0	(0.4)
Repayment of lease liabilities	(15.0)	(19.1)	4.1
Loans issued/repaid	25.0	(44.4)	69.4
Net cash from financing activity	**9.6**	**(63.5)**	**73.1**
Net Cashflow in period	**59.7**	**(62.0)**	**121.7**
Net cash at beginning of period	76.9	103.9	(27.0)
Net Cash at end of period	**136.6**	**41.9**	**94.7**
Restricted Cash	6.2	0.3	5.9
Unrestricted Cash	**130.4**	**101.6**	**28.8**

Note: Prior year cashflow reported net of £60.0m term loan

Working Capital

- July Summer Sale entry volumes well managed with good sell through
- Autumn/Winter stock profile bought tighter and less front loaded, entering H2 with 16% less new season stock than last year
- Some outgoing high summer sale volume dealt with in September

Capex

- Q2 Capex focused around supply chain and online
- Full year Capex forecast remains c£40m
- Medium term investment programme will align with refreshed strategy, to be briefed early in 2024

Liquidity

- Strong overall liquidity position
- Liquidity further bolstered by additional £25m debt issuance in June
- Liquidity comfortable to manage next working capital peak in late October/ early November

Key takeaways, outlook & priorities

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Key takeaways, outlook and priorities

Strong Q2 performance with progress made on business transformation initiatives and focus on the months ahead

Key takeaways from Q2

- Strong store sales but weakness in online and international channels being actively targeted for improvement
- Strong margin performance with challenges into H2 from weather, consumer spend resistance and challenging competitor responses
- Management continues to drive business transformation with good progress whilst developing flexible trading options to respond to market conditions

Outlook

- Q3 has seen a slow start as Autumn heatwave impacted market demand but new stocks are under tighter control entering H2 16% lower YoY
- Online diagnostic completed in Q2 with recovery action plans now established and key actions on website and product range improvements landing throughout H2 ahead of a material step forward in performance for FY25
- Transformation initiatives are in flight with some in year benefits flowing from Value Creation Program phase 1, goods-not-for-resale re-tendering activities are well progressed and Ladieswear visual merchandising trials are being rolled out

Priorities and focus

- Establishing improved prices and stronger product range assortments for SS24 and AW24 alongside trialling new marketing and loyalty plans
- Value Creation phase 2 underway covering product cost improvements and improved ranging and promotions for periods SS24 and beyond
- Continued improvements to layout, merchandising and value communication in store with trials planned on Home in Q4
- Plan to present FY25 plan in January and broader strategy update early 2024

Q&A

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Thank you for joining

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