6 July 2023

Audited Results for the Year Ended 29 April 2023

Strengthening UK&I offset by poor Nordics performance

We Help Everyone Enjoy Amazing Technology

Summary

- Group full year profits at top end of guided range
- Transformation in UK&I delivering improved colleague and customer experience, and better profits
- Very challenging year for Nordics business, but decisive action on margins and cost underway from new leadership
- Growing recurring revenue generated from credit, services and iD Mobile
- Prudent and proactive actions taken to improve cash flow and further strengthen balance sheet

Financial performance

- Group LFL (7)%; Revenue (6)%
- Group adjusted profit before tax £119m, at top end of guidance, down £(73)m YoY due to lower Nordic profits
- UK&I adjusted EBIT £170m, +45% YoY – gross margin improvement and costs savings offset sales decline
- Nordic adjusted EBIT £26m, (82)% YoY – impacted by market challenges; taking action to improve performance
- Greece adjusted EBIT £18m, (14)% YoY – delivering another year of robust profits
- Statutory loss before tax of £(450)m, driven by previously announced non-cash goodwill impairment of £(511)m
- Year-end net debt of £(97)m, from £44m net cash in prior year

Outlook

- Trading at the start of the year has been consistent with the Board's expectations
- Nevertheless, the economic outlook remains uncertain in our main markets
- Accordingly, the business has been prudent in its planning, and has taken actions to maximise operating cashflow through continuous margin improvement, delivering cost savings and reducing capital expenditure
- Further actions to mitigate risk include agreeing the previously announced temporary covenant relaxation, and lowering cash contributions to the pension scheme
- Consistent with this cautious approach, the Board has decided not to declare a final dividend
- We expect these measures to strengthen our balance sheet and leave us well positioned if our market forecasts prove to be too prudent

Alex Baldock, Group Chief Executive

"We've had a very mixed year. Our strengthening UK&I performance shows our strategy is working well. But our long track record of success in the Nordics was brought to an abrupt halt.

Our market has been tough everywhere, with depressed demand, high inflation and unforgiving competition. I'm proud of how our colleagues rose to this challenge, continuing to bring the benefits of technology within easy reach of millions of customers - to you all, thank you.

Our UK&I colleagues' great work shone through in world class engagement scores; in another year of record customer satisfaction; in maintaining number one market share; and in more customers for life as we grew services. All this was reflected in another year of growing UK&I profits, with improving gross margins and continued cost discipline.

Looking ahead, we're wary of optimism about consumer spending power. Accordingly, we're being prudent in our planning, and in further strengthening our balance sheet. Our focus is on continuing a very encouraging trajectory in the UK&I while we get the Nordics back on track, and being attentive to mitigating any downside risk. We may be cautious in our promises for the short-term, but our confidence is undimmed as we build a stronger and more resilient business that is fit to prosper in the longer term."

Performance Summary

Group sales decreased (7)% on a like-for-like basis with a decline in all markets except Greece driven by a fall in consumer spending due to persistent inflation and rising interest rates, as well as a normalisation of spend on technology after strong growth during the pandemic.

Revenue	2022/23 £m	2021/22 £m	Year-on-year Reported % change	Currency neutral % change	Like-for-Like % change
UK & Ireland	**5,067**	5,485	(8)%	(8)%	**(7)%**
International	**4,444**	4,659	(5)%	(4)%	**(7)%**
- Nordics	**3,807**	4,105	(7)%	(6)%	**(10)%**
- Greece	**637**	554	**15%**	12%	**12%**
Group	**9,511**	10,144	**(6)%**	(6)%	**(7)%**

In UK&I adjusted EBIT increased +45% YoY. Improvements to gross margin were driven through higher adoption of credit and other services, better monetisation of our improved proposition, focus on more profitable sales through improved use of data and analytics to drive better marketing returns and cost savings in supply chain and service operations. Operating costs fell in absolute terms as savings more than offset inflationary cost pressures and increased business rates tax.

As previously announced, we have recorded a £(511)m non-cash impairment of UK&I goodwill arising out of the Dixons Carphone merger in 2014. This impairment was primarily driven by increased discount rates as a result of the sharp increases in UK bond yields, as well as more prudent economic assumptions within our internal valuation models.

In International, adjusted EBIT declined a disappointing (73)% YoY. In our Nordic markets, the consumer spending environment has deteriorated rapidly over the past 12 months, with falling consumer demand exacerbated by a general overstocking in the market. This has meant several competitors have heavily discounted products, preventing the pass-through of inflated cost of goods, resulting in lower profits.

Due to lower International profitability, Group operating cash flow declined (29)% YoY, while free cash flow was an outflow of £(74)m, reflecting the lower operating profitability, continued investment and a working capital outflow as a result of the sales decline.

Profit and Cash Flow Summary	2022/23 £m	2021/22 £m	2022/23 Adjusted £m	2021/22 Adjusted (restated)[1] £m	Reported % change	Currency neutral % change
Segmental EBIT						
UK & Ireland	**(353)**	71	**170**	117	45%	44%
International	**7**	151	**44**	163	(73)%	(73)%
- Nordics	**(11)**	130	**26**	142	(82)%	(81)%
- Greece	**18**	21	**18**	21	(14)%	(18)%
EBIT	**(346)**	**222**	**214**	**280**	**(24)%**	**(24)%**
EBIT Margin	**(3.6%)**	2.2%	**2.3%**	2.8%	(50) bps	(60) bps
Net interest expense on leases	**(68)**	(70)	**(68)**	(70)	n/a	
Other net finance costs	**(36)**	(26)	**(27)**	(18)	n/a	
(Loss) / profit before tax	**(450)**	126	**119**	192	(38)%	(39)%
Tax	**(31)**	(55)	**(27)**	(52)		
(Loss) / profit after tax	**(481)**	71	**92**	140		
(Loss) / earnings per share	**(43.6)p**	6.3p	**8.3p**	12.4p	(33)%	
Operating cash flow			**268**	375	(29)%	(29)%
Operating cash flow margin			**2.8%**	3.7%	(90) bps	(90) bps
Cash generated from operations	**386**	524				
Free cash flow			**(74)**	72	n/a	
Net (debt) / cash			**(97)**	44	n/a	

Balance sheet and capital allocation

In November 2021, the Group laid out its capital allocation framework and priorities:

1. Maintain prudent balance sheet (defined as meeting banking covenants and meeting our own targets for indebtedness fixed charge cover of >1.5x and indebtedness leverage <2.5x)
2. Pay required pension cash contributions
3. Invest to grow business/profits/cashflow
4. Pay and grow ordinary dividend
5. Surplus capital available to return to shareholders

Since we set these priorities, trading conditions have deteriorated, particularly in the Nordics. At this year-end, net indebtedness leverage was 2.91x and total indebtedness fixed charge cover was 1.42x, outside of our targets. We are focussed on rebuilding these metrics over the next year and have accordingly taken actions to reduce costs and capital expenditure. We have agreed a covenant relaxation for the period to up to October 2024 and a reduction in contributions to the pension scheme over the next two years. Consistent with these actions and cognisant of the uncertain economic outlook, the Board has decided not to declare a final dividend for the 2022/23 financial year. Our capital allocation priorities remain unchanged.

Current year guidance

- Trading at the start of the year has been consistent with the Board's expectations
- Capital expenditure of around £80m, down more than 25% YoY due to tighter control and lower transformation spend
- Net exceptional cash costs around £50m, up YoY due to additional property costs and restructuring
- Pension contributions of £36m, reduced from £78m in 2022/23

Other technical cashflow items:

- Depreciation & amortisation of £320-330m
- Cash payments of leasing costs, debt & interest of £280-290m
- Cash interest of around £40m

Longer term guidance

- Group continuing to target at least 3.0% adjusted EBIT margin
- Exceptional cash costs expected to fall significantly from 2024/25 onwards
- Pension contributions will rise to £50m in 2024/25 and to £78m for the following three years before a final payment of £43m in 2028/29

[1]In the reporting of financial information, the Group uses certain measures that are not required under IFRS. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ('ESMA') and are consistent with those used internally by the Group's Chief Operating Decision Maker to evaluate trends, monitor performance, and forecast results.

We consider these additional measures to provide additional information on the performance of the business and trends to shareholders. Adjusted results and adjusting items for the comparative period ended 30 April 2022 have been restated to reflect the updated adjusting items policy that reflects management's belief that the revised classification provides greater clarity on the current and future performance of the Group's ongoing omnichannel retail operations. There has been no impact on statutory results as a result of the restatements.

The below, and supplementary notes to the APMs, provides further information on the definitions, purpose, prior period restatements and reconciliations to IFRS measures of those APMs that are used internally to provide parity and transparency between the users of this financial information and the CODM in assessing the core results of the business in conjunction with IFRS measures.

These APMs may not be directly comparable with other similarly titled measures of 'adjusted' or 'underlying' revenue or profit measures used by other companies, including those within our industry, and are not intended to be a substitute for, or superior to, IFRS measures.

We Help Everyone Enjoy Amazing Technology

Chief Executive's Review

The year has been mixed. We've shown, through our strengthening UK&I results, that our long-term strategy is working and is now delivering improved financial results as well as happier colleagues and customers. In the Nordics, our long track record of sales and profit growth was brought to an abrupt halt, but, as previously announced, we have taken decisive action and expect to see profits start to recover. Meanwhile Greece has delivered another solid year of performance in a prospering economy.

The UK&I's performance strengthened again, in the face of challenging circumstances. We maintained our #1 market share position and profits were up again despite like-for-like sales falling (7)%. Gross margins improved significantly as services growth, our increasing ability to charge for an improving customer experience, improved promotional understanding and discipline, and strong cost efficiency in our supply chain and service operations, have all contributed to improvements. Overall, we reduced costs by £120m during the year, more than offsetting inflationary and tax headwinds.

We've been able to achieve this because our long-term strategy in the UK&I is working. We have supported colleagues with tools, training and rewards and now have world class colleague engagement scores to show for it. Customers tell us they're happier with another year of increased customer satisfaction scores. This reflects a strong year of progress in systematically taking pain out of the customer's experience, in purchase, delivery, installation, collection and returns, online and in-store. I'm proud of the team's work here. Years of necessary improvements in customer experience are increasingly allowing us to solve for improved profit and cash as well as customer satisfaction: the right range, at better availability, at the right price, for us as well as the customer; and an easier customer experience, increasingly right first time, is lower cost to us and more satisfactory to the customer.

Our ambition is to turn all these more satisfied customers into customers for life. This year has seen increases in services adoption, and healthy growth in our Perks and iD Mobile customer bases.

Credit has never been more important for customers than during a cost of living crisis, as they've shown by adopting our credit in record numbers. Growing our credit customer base by +12%, and credit sales to up to 17.7% of total sales, as we did last year, has been important for society, as well as for our economics. Credit sales are partly incremental, tend towards higher priced products, attract higher levels of supplier support, carry a higher adoption rate of other services, and build stickier customers with a +52% higher likelihood to return to shop with us.

Likewise, Care & Repair is good for customers, society and for the business. In the current environment, customers can't afford for their (sometimes expensive) technology to go wrong, and value the peace of mind our protection offers. With 14 million protection plans, Europe's largest technology repair centre, and performing over 600,000 repairs last year, we can offer this protection better than any competitor. In giving longer life to customers' technology, we're a force for sustainability as well as affordability. These are powerful reasons for the customers to prefer shopping with us, as well as making a substantial economic contribution in their own right - purpose and profit going hand-in-hand, as we believe they must. So our success last year in returning our care and repair book to growth was important all round.

And iD, our own Mobile Virtual Network Operator, grew again to 1.3m subscribers. This is up +13% year-on-year, and up +24% year on three years. This growth reflects a mobile category back into profitable growth for us, and shows the competitive advantage iD Mobile enjoys from our much-improved deal with Three. This faster growth has continued into the current financial year and has clear value; mobile subscriptions produce more predictable, recurring revenues, reflected in £221 million of mobile receivables on the balance sheet.

So, between our large and growing books of credit customers, Care & Repair customers, and iD Mobile subscribers, we're building millions of stickier and more valuable customer relationships.

In the Nordics, the markets we operate across have been experiencing a painful period with softer demand coupled with cost of goods sold inflation, exacerbated by excess stock and some competitors pursuing strategies focussed on growth at the expense of profit or cashflow. This combination has eroded the market profit pool. We maintained our leading market share, but have not been immune from these pressures. We don't see anything structural or permanent in these pressures, intense though they are. The Nordics remain healthy, wealthy markets. Consumer confidence and disposable income will recover from current multi-decade lows, just as inflation and market stock levels will normalise. Competitors will need to generate cashflow, just as we do. However, we're too cautious to put a time on this market recovery, and cannot merely wait for it. We have taken decisive actions on gross margin and costs, including making operational changes that will deliver at least £25m of annual saving and we have installed new local leadership who are bringing new clarity, grip and energy to this strategic plan.

In Greece, the combination of a strong economy and government subsidies has seen sales grow strongly, but the market has not been immune from inflation in cost of goods and operating costs, which have not been fully offset by the increased sales.

Altogether, this has delivered a financial performance that we are not happy with. The improvement in the UK&I have not offset the hole created by the Nordics profit decline. Furthermore, the fall in sales has driven a working capital outflow and our balance sheet has moved from net cash to net debt during the year.

Looking forward, our job is clear. We need to keep the UK&I on its current upwards trajectory and get the Nordics business back on track. We are doing this against an unfriendly and uncertain economic backdrop in our principal markets. So we are planning cautiously, expecting sales to decline, whilst setting the business to be resilient in the case of a downturn but ready to capitalise if the macro picture improves.

Our liquidity is strong, as the relaxed fixed charge covenant with our supportive lending group gives us plenty of headroom on our revolving credit facilities. Our balance sheet is robust, and certainly much stronger than three years ago, but we are planning to strengthen it further, even if trading stays weak, to make sure that we are prepared for a worst case scenario. This starts with maximising our operating cashflow even in a difficult environment. We are cutting costs in UK&I and Nordics and while this doesn't come for free, we target fast payback periods on any exceptional cash spend. We are also lowering capital expenditure significantly, and can do so without jeopardising the business because the majority of the transformation spend is now behind us and we are better at controlling the expenditure we do have. As well as operational actions, we have lowered our pension contributions, with most of the benefit in the next two years. As a final sign of prudency, the Board has decided not to recommend a full-year dividend.

We believe that these actions will set us up for long-term success, achieving at least a 3.0% adjusted EBIT margin with a solid balance sheet that enables healthy returns to shareholders.

Grow Profits

We've recently added "Grow Profits" to turn our "big three" into the "big four" priorities internally. This is more than merely symbolic. We know that our improvements for the colleague and customer experience, substantial and essential though they have been, have yet to translate into improved cash generation. They must, and such has been their progress, that they now can. We believe we can now build on our progress on gross margins and cost while being confident in maintaining our top-line market leadership.

- Gross margin increased by +160bps in the UK&I as we saw improvement across all levers of gross margin (higher adoption of credit and services, better monetisation of improved proposition, not chasing less profitable sales and supply chain and service operation cost savings), alongside some benefit from mobile revaluation.
- In November 2021, we announced a plan to save £300m of annual costs in the UK&I by the end of 2023/24. We are progressing well with those initiatives and have saved almost £190m on a cumulative basis as at the end of 2022/23. We are on track to save over £300m by the end of 2023/24.
- In UK&I, our programmes drove £120m of savings with the largest areas of saving including supply chain efficiencies of £42m, store payroll of £36m, and central, IT and procurement savings of £26m.
- In Nordics, savings were spread across several areas including marketing, store and head office payroll, IT expenditure and consultant fees. These actions will see around £25m of costs permanently removed from the business.
- Infosys is a global leader in next-generation digital services and consulting. Our partnership with them commenced in July 2022, since then we have engaged Infosys to deliver a large range of activities across our business functions including IT, Data & Analytics, E-Commerce, Finance and Commercial, for our UK&I and Nordics businesses. This has involved moving 800 roles to Infosys so far, with significant potential to extend the partnership in the future. In time, we expect these actions to result in an annualised cost saving of over £15m, with £5m saving realised in 2022/23.

Capable and Committed Colleagues

Expert face-to-face help is at the heart of why customers shop with us, and that takes skilled and dedicated colleagues. We know that happy colleagues make for happy customers, so we go above and beyond in making sure that our colleagues are rewarded for their hard work.

- Our colleagues are our strongest advantage. Our Group eSat (how happy you are to work at Currys) increased +1 to 78 and puts Currys in the top 25% of all businesses. In the UK&I eSat has increased to 81, putting the UK business in the top 10% of all businesses.
- All UK store colleagues moved on to a single contract, driving greater efficiency in store while allowing colleagues to retain expertise in chosen areas. This has enabled a +10% increase in customer facing hours while reducing store payroll costs by (14)%. At the same time we saw a +3ppt improvement in store colleague engagement and a +2ppt improvement in store customer satisfaction.
- In the UK&I our frontline colleague pay has increased by +14% in the last year and +37% over the past five years with 12,000 colleagues benefitting from these increases.

Easy To Shop

Omnichannel is the preferred model for customers in technology retail: two-thirds of customers prefer to shop using stores, underlined by the slight increase in our store share of business. We're continuing to build on this advantaged business model.

Online Share of Business	2022/23	2021/22	2019/20	Year-on-Year	Year-on-3-Year
UK & Ireland	**45%**	45%	32%	**-pt**	13pt
International	**22%**	23%	18%	**(1)pt**	4pt
- Nordics	**25%**	25%	19%	**-pt**	6pt
- Greece	**7%**	9%	8%	**(2)pt**	(1)pt
Group	**34%**	35%	27%	**(1)pt**	7pt

- We have reinvigorated our 'sold with' solution selling offer in the UK&I, which provides customers great value bundles when buying tech. It helps customers get more out of tech and provides additional revenue at good margins. Over the second half of the year we saw in-store adoption on relevant products increase +1180bps YoY driven by simplifying the bundles, colleague training and better in-store displays.

- We are continuously trying to find ways to reduce tasks in stores so we can spend more time selling and serving our customers to further improve NPS and Colleague engagement scores. A key change this year has been the introduction of digital pricing across laptops and TVs.

- Lease costs continue to fall, as we have closed another eight UK&I stores at the lease expiry, bringing net closures to 24 over three years, and also negotiated an average effective net rent reduction of more than 25% on the 23 leases renewed during the year.

- We maintain a flexible store portfolio and have average lease lengths of 4 years in the UK&I, less than 3.5 years in the Nordics and less than 2.5 years in Greece.

- During the year we have made significant improvements to our UK&I website, Colleague Hub, ShopLive and Store Mode, which means that we now have a website that is fast, future proof, and provides a richer, seamless, more personalised experience. It also enables better upsell, cross-sell credit and other service adoption online, all of which increase gross margins and "level up" profitability between channels. By introducing the new Colleague Hub, and improving Store Mode and ShopLive, we're arming our colleagues in store with the tools, technology and information they need to have more meaningful conversations with customers.

- We started work on a new 870,000 sq ft warehouse in Jönköping, Sweden, increasing the total capacity at the Nordic Distribution Centre to 1,940,000 sq ft. This will facilitate the move of our Nordic kitchen distribution from Brno to Jönköping, as well as providing increased flexibility, faster deliveries and improved logistics. It is due to be operational during 2024/25.

Customers For Life

We help customers afford amazing technology:

- UK credit adoption increased +440bps to 17.7%, well ahead of the 16% adoption we have targeted for 2023/24 as active credit accounts rose +12.5% to 1.93m. Online credit adoption increased +700bps to 19.7% and store credit adoption +220bps to 15.9%. The largest increases in adoption were from repeat customers, particularly online, as our easier to access accounts and targeted marketing have stimulated repeat spend. We take no risk on credit.
- Nordics launched integrated financing services in the online channel together with our consumer financing bank partners in Norway, Sweden and Finland. This has been a successful change, contributing to +17% growth in financed sales. We are aiming to increase financing sales even further by optimising the sales processes in stores.

Our Services help customers get tech started:

- During the year, we introduced charging for all two-person deliveries in the UK. The average delivery, installation and recycling revenue on the 3m big box deliveries we do each year is now more than £10 higher than before we introduced this charge. We have been pleased to see that it has not had a detrimental impact on sales, customer satisfaction or adoption rate of our services.
- Our installation services are becoming ever more valued by customers, and one-quarter of UK big box deliveries now include installation. Our in-home customer satisfaction is amongst the highest of all activities we carry out, highlighting how much customers value the service we provide.

We help give tech a longer life through protection, repair, trade-in and recycling services:

- Protection products performed well across the Group and we have 14m Protection (warranty and insurance) agreements in the Group.
- In the UK, our Care & Repair adoption climbed +310bps compared to last year, with improvements in-store and online as customers look to benefit from our improved propositions, which we are doing a better job of highlighting.
- In Nordics, we launched insurance for devices with monthly payment in all our markets, initially on phones and tablets. Customers have welcomed this, and a high share choose this option over up-front payment. The recurring revenue this generates is growing month by month.
- In Greece, customers adopt care & repair on over one-third of eligible products.
- In Nordics, our trade-in business is still nascent, but growing rapidly, having more than doubled during the year, and quadrupling in Norway.
- In the UK, we collected over 1.6m items for recycling, up +51% YoY driven by our well-received "Cash for Trash" initiative. As customers become more aware of the environmental consequences of their actions, we are there to help them.

We help customers make the most out of their tech with connectivity and subscriptions:

- iD Mobile, our award winning MVNO, grew to 1.3m subscribers, +13% YoY and +24% Yo3Y, demonstrating the great value, flexibility and control it offers to our customers. iD Mobile is a growing source of recurring, predictable revenue and cashflow, so although accelerated growth in subscribers does negatively impact near term margins and cashflows, we will continue to drive growth.

We will collect, protect, and use data to build more valuable customer relationships:

- Our 11m Currys Perks members represented over half of UK sales, Perks customers are happier, shop more frequently, have higher average order values and greater adoption rate of credit and other services than non-Perks customers.
- Nordic customer club grew +13% YoY to 7.6m customers. Club members spend more with us at better margins as increased shopping frequency outweighs lower average order values.

Results call

There will be a live presentation followed by Q&A call for investors and analysts at 9:30am today.
It will be webcast here: https://brrmedia.news/CURY_FYR

Next scheduled announcement

The Group is scheduled to publish a trading update at its AGM on 7 September 2023.

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Information on Currys plc is available at www.currysplc.com
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About Currys plc

Currys plc is a leading omnichannel retailer of technology products and services, operating online and through 823 stores in 8 countries. We Help Everyone Enjoy Amazing Technology, however they choose to shop with us.

In the UK & Ireland we trade as Currys; in the Nordics under the Elkjøp brand and as Kotsovolos in Greece. In each of these markets we are the market leader, employing 28,000 capable and committed colleagues. Our full range of services and support makes it easy for our customers to discover, choose, afford and enjoy the right technology for them, throughout their lives. The Group's operations include state-of-the-art repair facilities in Newark, UK, a sourcing office in Hong Kong and an extensive distribution network, enabling fast and efficient delivery to stores and homes.

Our vision, we help everyone enjoy amazing technology, has a powerful social purpose at its heart. We believe in the power of technology to improve lives, help people stay connected, productive, healthy, and entertained. We're here to help everyone enjoy those benefits and with our scale and expertise, we are uniquely placed to do so.

We're a leader in giving technology a longer life through repair, recycling and reuse. We're reducing our impact on the environment in our operations and our wider value chain and we will achieve net zero emissions by 2040. We offer customers products that help them save energy, reduce waste and save water, and we partner with charitable organisations to bring the benefits of amazing technology to those who might otherwise be excluded.