



Interim Trading Update

Announcing £75m share buyback on the back of robust trading and cash generation

Currys is today providing an interim trading update alongside its investor event at its Staples Corner store which will focus on the strategic progress the Group has made in creating long-term, sustainable value for all stakeholders. Currys will outline its refreshed capital allocation framework and its intention to commence a £75m share buyback programme.

Trading update

Group trading has remained robust over the first six months of the year with Group sales up +15% on a like-for-like basis compared to two years ago.

Sales	Preliminary Like-for-like	
	YoY % change	Yo2Y % change
UK & Ireland	(3)%	+11%
International	0%	+19%
- Nordics	(1)%	+19%
- Greece	+8%	+19%
Group	(1)%	+15%

- **UK & Ireland** – Like-for-like sales were up +11% compared to two years ago as growth in Electricals was offset by the expected decline in Mobile sales. Compared to last year like-for-like sales were down (3)%.

In Electricals, like-for-like¹ sales were up +21% compared to two years ago and down (1)% compared to last year. Sales were very strong at the start of the period as we saw pent up demand from customers choosing to shop in stores after extended lockdowns but strong two-year growth has continued through the Summer and into the Autumn. Our stores contributed slightly over half of sales during the period.

- **International** – In Nordics, like-for-like sales were up +19% compared to two years ago and declined (1)% compared to last year, with healthy trading throughout the period. The online share of business has increased by around 2ppts compared to last year.

In Greece, like-for-like sales were up +19% compared to two years ago with sales at the start of the period particularly strong due to the Government's digital care initiative. Compared to last year like-for-like sales were up +8%.

The Group paid a full year dividend of 3p per share, £34m in total, on 24 September 2021 and had an average net cash balance in excess of £280m throughout the period (1H 2020/21: £194m).

¹ Following the closure of Dixons Travel, Electricals like-for-like sales exclude Dixons Travel from both one-year and two-year numbers

Outlook

The Group expects to deliver a robust Peak trading season. We have put in place measures to mitigate the well-publicised supply chain disruption caused by industry-wide availability challenges and labour shortages. We believe that these measures combined with our scale, stores and expert colleagues, mean we are on track to meet consensus expectations for full year 2021/22 PBT of £161m².

For the full year 2021/22 we expect the following:

- Capital expenditure of around £170m (previous guidance: £190m)
- Net exceptional cash costs of around £70m (previous guidance: less than £100m)
- To finish the year with at least £100m of net cash (previous guidance: net cash position)

Creating long-term, sustainable value for all stakeholders

We are confident in the strength and resilience of the business we are creating and our ability to generate sustainable free cash flow and value for all stakeholders both today and in the long-term.

Technology plays a more important role in our lives today than ever. As the market leader, in every market, with the winning Omnichannel business model, we are making the most of that.

We are delivering on our Omnichannel strategy which combines our strong online business and the benefits of stores to give customers the unique benefits of both channels.

There remains a significant opportunity to grow share of wallet of existing customers, and we will continue to use the foundations of large customer bases and our strong Services offering to build Customers for Life.

We have made our move to one brand, Currys, in the UK & Ireland. Alongside Elkjøp and Kotsovolos we now have a single brand in every market making us the first choice for all things tech in both electrical and mobile, product and services alike.

The hardest yards of our transformation are now done with 75% of our transformation spend due to complete by the end of this year, lowering execution risk going forward, yet with the full benefits still to come.

Our medium-term guidance for 4% EBIT margin and over £1bn cumulative free cash flow by 2023/24 remains unchanged. By that year we expect the Group to be generating over £250m of annual sustainable free cash flow. To do this, we will focus on delivering the following financial profile over the medium term:

- **Revenue growth** – A wide range of complementary initiatives will aid sales growth and enable us to gain further market share.
- **Gross margins stabilisation and operating costs reductions to deliver 4% EBIT margin** – We have already stabilised gross margin in UK&I and will aim to remove a further c.£300m of gross operating costs through programmes covering all aspects of the cost base.
- **Controlled capital expenditure** – The current year will be the peak year for transformation expenditure, which will normalise to around 1.5% of sales.
- **Minimal exceptional cash costs** – After several years of high exceptional costs as we transformed the business our plan does not assume material exceptionals related to our transformation.

² Details can be found on website: <https://www.currysplc.com/investors/analyst-coverage-and-consensus/>

Capital allocation and share buyback programme

Over the last three years the Group's balance sheet position has strengthened significantly. Strong cash generation has meant we've already delivered £547m of our more than £1bn cumulative free cash flow target. At the same time, we have reduced total average indebtedness (including pension and lease liabilities)³ from £2.5bn in 2018/19 to £1.5bn in 2020/21, a material reduction of £1bn.

We have undertaken a detailed review of our capital allocation framework, with a particular focus on the appropriate balance sheet leverage, our ongoing pension commitments, our dividend policy and on our ability to return surplus cash to shareholders.

We intend to maintain a strong balance sheet. We will therefore assess our financial strength on a total indebtedness basis and will target the following metrics⁴;

- Fixed charge cover of greater than 1.5x
- Indebtedness leverage of less than 2.5x

After maintaining a prudent balance sheet and paying the agreed pension contributions⁵, our refreshed capital allocation priorities are:

- 1. Invest to grow the business / profits / cashflow**
- 2. Pay and grow the ordinary dividend**
- 3. Return surplus cash to shareholders⁶**

Based on these priorities, we are confident to announce a share buyback programme, with a tranche of £75m of shares to be repurchased over the next twelve months. The programme will commence after the Group's current close period ends.

³ Total indebtedness is defined as year-end net cash/(debt), pension deficit and lease liabilities, less any restricted cash. Average indebtedness is the same definition using average net cash/(debt)

⁴ Fixed charge cover is calculated as annual operating cash flow plus cash lease costs divided by total annual cash lease costs, interest and pension contributions

Indebtedness leverage is defined as total indebtedness divided by operating cash flow plus cash lease costs

⁵ Monthly pension contributions of £6.5m are due to continue until 31 December 2028

⁶ Annual cash returns including ordinary dividend in excess of £78m per year to be matched by additional pension contributions

Next scheduled announcement

The Group is scheduled to publish its Interim results covering the 26 weeks to 30 October 2021 on Wednesday 15 December 2021.

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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 829 stores in 7 countries. We Help Everyone Enjoy Amazing Technology, however they choose to shop with us.

In the UK&I 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 35,000 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 are supported by a sourcing office in Hong Kong, state-of-the-art repair facilities 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.

Certain statements made in this announcement are forward-looking. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future events or results referred to in these forward-looking statements. Unless otherwise required by applicable laws, regulations or accounting standards, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise. Information contained on the Currys plc website or the Twitter feed does not form part of this announcement and should not be relied on as such.