Audited Results for the Year Ended 30 April 2022

A stronger Currys, doing more to help customers

We Help Everyone Enjoy Amazing Technology

Alex Baldock, Group Chief Executive

"These strong results show the vital role that technology plays in millions of lives, and that more and more customers are turning to Currys to help them enjoy that technology to the full.

We owe this performance to our thousands of capable and committed colleagues, who've built a stronger Currys. They've loved seeing customers returning to our stores in droves, and helping them with face-to-face expert advice and the full range of our services that ensure customers stick with us. Stores, in tandem with online, give our customers the omnichannel best of both worlds they clearly prefer.

A stronger business allows us to help customers through the cost of living crisis. Our well-established price promise means customers "won't get it cheaper. Full stop" on all products and today we're going even further with "2021 Price Lock", our new price freeze on dozens of great products. We're investing in our energy-efficient "Go Greener" range. We're doing more to help customers spread the cost, announcing "12 month Pay Delay" on every purchase over £99. And we're doubling down on giving longer life to the technology customers already have; as leaders in protection, repair, trade-in and recycling, we're uniquely placed to do so.

Our scale as an international market leader, our grip on costs and our strong relationships with suppliers will allow us to manage inflationary headwinds and keep amazing technology within reach of everyone, even now. That's what Currys exists to do, and it's never mattered more."

Key Highlights

- Strong operational and financial performance; adjusted EBIT margins improved to 2.7% (2020/21: 2.5%)
- Record highs in colleague engagement and customer satisfaction
- Group store sales up +24% (UK&I +61%), higher than expected as customers rediscovered the benefits of stores
- International: Generated 46% of sales and 59% of adjusted profits; entered new market with two stores in Cyprus
- UK&I: Returned to market share growth; sustainable in-year cost savings of £69m
- Repaired over 1.7m pieces of tech during the year
- Ended year with good availability and prudent stock levels

Financial Performance

- Group LFL (3)% (Yo2Y +10%); Revenue (2)% (Yo2Y flat)
- Group adjusted PBT £186m included a level of unexpected network debtor revaluations and settlements (2020/21: £156m)
- Group Profit before tax £126m (2020/21: £33m)
- Free cash flow £72m inc £(88)m working capital outflow (2020/21: £438m inc £454m working capital inflow)
- Year-end net cash £44m (2020/21: £169m) with average net cash £290m, compared to average borrowings of over £350m two years ago
- IAS 19 Pension liability reduced to £(257)m (2020/21: £(482)m)
- £78m returned to shareholders in dividends and buybacks, proposed final dividend of 2.15p to take full year dividend to 3.15p, +5% YoY and remainder of buyback to be executed

All figures are year-on-year unless stated. There are a number of non-GAAP measures and alternative profit measures "APMs" discussed within this announcement. Adjusted results are consistent with how business performance is measured internally and presented to aid comparability of performance. Refer to the glossary and definitions section set out at the end of this report for further details on definition, purpose, and reconciliation to nearest statutory measure.

Performance Summary

Our financial results are encouraging, particularly as they were achieved during a year of significant change, uncertainty, and disruption. Group sales were flat YoY on a currency neutral basis, as growth in our International business was offset by the decline in UK & Ireland. This is on the back of a very strong 2020/21 and compared to two years ago Group sales excluding the mobile product category were up +14%.

			Year-on-year			Year-on-2-year		
Revenue	**2021/22 £m**	2020/21 £m	**Reported % change**	**Currency neutral % change**	**Like-for-Like % change**	**Reported% change**	**Currency neutral % change**	**Like-for-Like % change**
UK & Ireland	**5,485**	5,642	**(3)%**	**(3)%**	**(4)%**	(10)%	(10)%	6%
International	**4,659**	4,702	**(1)%**	**3%**	**(1)%**	15%	17%	15%
- Nordics	**4,105**	4,186	**(2)%**	**2%**	**(2)%**	15%	17%	15%
- Greece	**554**	516	**7%**	**13%**	**4%**	18%	22%	14%
Group	**10,144**	10,344	**(2)%**	**-%**	**(3)%**	-%	1%	10%

Group adjusted EBIT increased +5% YoY, +6% on a currency neutral basis. UK & Ireland adjusted EBIT grew +£19m as headwinds from increased business rates taxes, changes to reflect IT cloud expenditure and cost inflation were more than offset by considerable improvements in gross margin, £69m savings from cost reduction programmes and a positive impact of movement of the network debtor. The in-period movement was £22m higher than we budgeted and is not expected to repeat at this level next year, which explains approximately two-thirds of the beat against our previously announced guidance for adjusted Group PBT of £155m.

At the end of the year we made the decision to discontinue our new credit-based mobile offer and impaired the asset. We will continue selling our now smaller, but profitable, post-pay connectivity proposition. The decision, whilst having no impact on adjusted in-year performance, is likely to reduce future working capital inflows from the network debtor.

The UK&I performance was partially offset by the lower Nordic profits compared to record profits during the first year of Covid. The overall strong performance was delivered alongside a large IT transformation, changing the front-end systems for all colleagues and customers. Gross margin was flat as increased logistics costs were offset by the benefit of stores sales increasing. Operating expenses were higher due to lower government support and additional expenditure on new stores and IT software, offset by cost efficiencies and operating leverage.

Adjusting items to EBIT of £(52)m were mainly impairment losses and onerous contracts related to right-of-use assets, intangible assets and IT contracts.

Profit and Cash Flow Summary	**2021/22 £m**	2020/21 £m	**2021/22 Adjusted £m**	2020/21 Adjusted £m	% change	Currency neutral % change
Segmental EBIT						
UK & Ireland	**71**	(11)	**111**	92	21%	22%
International	**151**	158	**163**	170	(4)%	(2)%
- Nordics	**130**	139	**142**	151	(6)%	(5)%
- Greece	**21**	19	**21**	19	11%	22%
EBIT	**222**	147	**274**	262	5%	6%
EBIT Margin	**2.2%**	1.4%	**2.7%**	2.5%	20 bps	20 bps
Net interest expense on leases	**(70)**	(77)	**(70)**	(77)		
Other net finance costs	**(26)**	(37)	**(18)**	(29)		
Profit before tax	**126**	33	**186**	156	19%	21%
Tax	**(55)**	(33)	**(51)**	(33)		
Profit after tax	**71**	-	**135**	123		
EPS – continuing operations	**6.3p**	-p	**11.9p**	10.7p		
Operating cash flow			**361**	338	7%	8%
Operating cash flow margin			**3.6%**	3.3%	30 bps	30 bps
Free cash flow			**72**	438	(84)%	(83)%

Year-end net cash	**44**	169

Operating cash flow increased +7% as reductions in exceptional cash costs more than offset increased capital expenditure. Towards the end of the year the business invested in working capital to secure supply of stock and lock in good prices, resulting in a temporary working capital outflow and a year-end net cash position of £44m, below previous guidance of greater than £100m. On reported measures, cash generated from operations decreased (43)% to £524m, a +7% improvement excluding working capital. Total average indebtedness was £(1,260)m for the year, almost half of the level of two years ago.

The robust cash flow and balance sheet allowed the business to return £78m to shareholders during the year in dividends and share buybacks. We are proposing a full year dividend of 2.15p, taking the total dividend for 2021/22 to 3.15p and will complete the remainder of the previously announced £75m buyback.

Outlook

Clearly, the outlook for consumer spending is uncertain and although the tech market is still larger than pre-pandemic we are taking a prudent view of our market. Operating an efficient business is a core strength of Currys and we will continue to offset cost inflation with our ongoing saving programmes and vigilant day-to-day cost control. While we are not alone in facing these headwinds we can ride out these issues in ways many competitors can't because of the strength and scale of our business; we are well diversified by geography, retailing products and services that are increasingly essential, across a true omnichannel platform and have balance sheet strength.

Consequently, we will use the expected market weakness as an opportunity to gain share and build long term value. This we will do through building on our strategic priorities and continuing to help customers choose, afford and enjoy amazing technology in what we expect will be a challenging environment.

Against this backdrop and at this early stage in the year, forecasting 2022/23 is difficult. However, based on current trends, and allowing for flexibility to continue investing in our customer propositions, we currently expect adjusted PBT to be in range of £130-150m[1] and for the business to continue to be free cash flow generative during the year.

Looking further ahead, we remain well placed and continue to see opportunities to improve profitability over the medium term. However, given the shift to online and the delays to transformation caused by the Covid-19 pandemic, coupled with the current economic outlook and inflationary headwinds, we are now targeting a 3.0% adjusted EBIT margin by 2023/24 although we would aim to continue to improve it thereafter.

Current year guidance

- Adjusted PBT of £130-150m
- Capital expenditure of £140-160m
- Net exceptional cash costs of around £40m
- Annual pension contribution of £78m

Medium term guidance

- Group targeting 3.0% adjusted EBIT margin by 2023/24 (from 4.0%)
- Remaining £43m of £75m buyback to be completed

[1] Consensus available here: https://www.currysplc.com/investors/analyst-coverage-and-consensus/. 2022/23 consensus PBT of £145m covers a range of £127-167m.

Results presentation

There will be a live presentation followed by Q&A call for investors and analysts at 9:30am.
It will be webcast here: https://webcasting.emperor.works/broadcast/629f218fc954c05a392bfa25

Next scheduled announcement

The Group is scheduled to publish its Interim results statement covering the 26 weeks to 29 October 2022 on Thursday 15 December 2022.

For further information

Press Office – corporatePR@currys.co.uk

Dan Homan	Investor Relations
Toby Bates	Corporate Communications
Tim Danaher	Brunswick Group

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