

# Currys

## Peak Trading Update Webcast and Conference Call

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Transcript



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Alex Baldock:

Good morning ladies and gentlemen.

We're pleased with a strong performance and accelerating growth this peak, with the UK growing profitably in the areas that we targeted, and the Nordics keeping its hard-won margin and cost disciplines as the market and our sales growth both come back strongly. Everywhere, you can see a strategy that's working and a business that's on a really good trajectory with colleague, customer and financial metrics all in growth. Growth in sales, market share, profits, free cash flow, resting on a strong balance sheet and able to produce increasingly healthy shareholder returns. I'll say more on how we've delivered this improving performance and then we'll take your questions after Bruce has taken you through the numbers.

Bruce Marsh:

Thank you, Alex. Good morning, everyone. So let me start by reminding you about our H1 performance, which showed growth across the board. Group revenue was £4.2b, up +8% YoY. Adjusted EBIT was £54m, up +32%, which gave us an adjusted EPS of 1.6p. Our free cash flow was £84m, up +68%, leaving closing net cash at £133m. And finally, shareholder returns in the first half were £46m, of which £16m was dividend and £30m was buyback.

Moving on to peak like for like sales, we enjoyed growth in both of our segments with Nordic's improving rapidly. Starting with UK and Ireland, peak like for like was +3%, and that follows the +4% like for like we saw in H1 and the year to date, therefore is now +3%. So, we've now enjoying two years of consistent growth. In the Nordics, sales accelerated over peak, we'd enjoyed double-digit like for like growth at +12%, which means that year-to-date trend is now +7%.

Moving on to outlook and guidance. Now that we're through peak trading, we're able to share our full year expectations. So, for the current year, we expect group profit before tax of between £180 - £190m. That would be an increase of between 11% and 17% year-on-year. At the top end, we're 5% above the consensus of £180m, and we're 10% above the consensus pre our interim results. Within those numbers, UK adjusted EBIT is broadly stable year on year, and that's despite the government's inflationary headwinds. Nordic adjusted EBIT, we expect to grow significantly year on year, and interest expense will be between £60 and £65 million. Given the strong trading, we expect year-end net cash to finish above our £100m target, and that's despite £82m of pension contributions and £75m of returns to shareholders.

Finally, and quickly, just to reiterate our capital allocation priorities, which remain unchanged, our balance sheet is strong, and I guess there are just two points to highlight. The first, to remind you, in December, we declared a 0.75p interim dividend, and today we will restart the £50m buyback of which £30m was completed in the first half. I'll hand back to Alex.

Alex Baldock:

Thanks Bruce. Yeah, a strong peak period and some highlights from it. I mean, Mobile was the category, the star of the show, continued its profitable growth

and share gain up +10.6% in the UK with iPhone and iD to the fore. iD, our own MVNO has added a 1m customers over the past two years. In Appliances, Coffee, we talked about in December as being a growth driver, so it's proved +31% with premium bean to cut coffee machines flying off the shelves. Robot floor care has been really strong +65%. And then in the new categories that are doing so much to grow our total accessible market, we've seen some success in Toys, in Health and Beauty Tech and in Wearables, smart glasses is a form factor whose time has definitely now come with Meta, Rayban and Oakley up +270%, for example, as well as a bunch of successes on Gifts. So, we'll talk a little bit more about how we've pretty much trebled our total accessible market a little later and that some of these products are driving that growth.

And those are highlights from a strengthening performance that's down to a strategy that we've stuck to for some time, and that's clearly working. It rests on the fact we exist to help everyone enjoy amazing technology. Technology for many people is exciting, but it can be confusing and it's often expensive and they do need help. They need help discovering it, choosing, affording, and enjoying to the full the benefits of technology, and Currys, as the number one specialist omnichannel retailer and services provider, is best placed to help with all of that.

How have we been doing so? Well, first of all, it starts with colleagues. Happy colleagues make for happy customers, and those happy colleagues in turn can make it easier for customers to show up and then build customers who keep coming back, customers for life, in other words, so growing profits and cash flow.

And as the market leader, the number one in every market, we're best placed to do all of this for customers. And one sign that we are doing it is that we're extending our lead and growing share. UK share was up +60bps at peak. Nordics we're still waiting for the final numbers, but share grew there as well. And this picture of share gain in our core markets, encouraging though it is, does understate our progress. Our like-for-likes are growing faster, including as they do growth in some newer categories like wearables and newer customers like SMBs. For example, on the left-hand side of this chart, you see the UK. The bottom line is our core market. The middle is our core sales, which are beating that market, but not as much as the top line, which is our like for likes, includes all the products that we sell, all the customers that we sell to, and that's growing even faster.

We owe this number one position to progress on every leg of our strategy, progress on colleague engagement, where the group engagement was up again to 82 Nordics at 79. In the UK in the top 3% of companies worldwide, up again two points to 84. This is the fruit of all the investment we've made in tools, learning, development, reward, wellbeing, leadership, communications, culture, listening and acting to colleague feedback on pain points.

All of this has seen us climb up the ranks of UK retailers as a great place to work. And Glassdoor is the transparent measure of that, and we're pretty proud of this chart. Currys has gone from the bottom quartile of retailers to number one, top of the 28 leading retailers in the UK as a place to work as of this January. And happy colleagues, as I say, make for happy customers.

We've seen another year of progress on customer satisfaction, whether it's in the UK, nudging up again to 56, a new record NPS. And by the way, our trust pilot in the UK over five years has gone from poor to excellent, from 2.7 to 4.4. The Nordics, even better. They've come in as they converted to NPS, they've come in at 64, +8pts higher than the UK, which is leading to some mostly healthy internal competition, which I thoroughly welcome. Customer satisfaction, of course, is the product of more than just colleague engagement. It also comes from how easy we're making it for customers to shop, how they want to shop, which in technology retail is omnichannel.

Customers prefer to shop for technology in both online and stores. Currys is big in both. So, it's on us to make the most of it, and we've been working hard to do so. For example, in stores, we've introduced new tools into the UK like electronic shelf edge labels, which improve the customer experience, enable more nimble pricing, take cost out. We've introduced headsets. All colleagues are now connected for faster customer service and better security. And you'll hear more on all of this at the UK stores event in March.

We've made big improvements online as well, whether in site speed, discovery, search, navigation, comparison, filtering, checkout, everything from richer content to better recommendations, to better search accuracy, more meta reviews, better product descriptions, better labelling, better sort by options, faster payments and so on. And all of this is leading to our growing market share in online, as well as our growing market share in stores and to higher conversion. Good progress, much more to do.

Including in how we make both channels work together. And so a customer can easily shop across both, for example, ordering online and collecting in store a good double-digit growth, both the UK and the Nordics on that. Likewise, helping the customer in a store shop from the full online range also in growth. And our omnichannel sales, the sales that touch both channels in this way, is growing fastest, which another sign that customers prefer our model and a big part of making us easier to shop.

It's on these foundations that we can then build more customers for life, customers who keep coming back to shop at Currys. And this is built on solution selling. We want to sell customers a complete solution, not just a product on its own, but the product, the accessories, the services, giving them everything they need and good value for money. And of course, Currys makes more profit when we sell that full solution. So, it's good for everyone when we sell more solutions and as we are, adoption's growing fast. I mean, the Nordics doubled adoption rates to over 25% year to date, even if we couldn't quite sustain last year's sugar

rush of mobile screen protection. It's still, as I say, double where it was three years ago. Likewise, more than doubled in the UK to 43% Sold With adoption. Good progress, but still a lot further to go.

A big part of those solutions are services because customers need to enjoy their technology right the way through its life, and for us, services produce high margin and often recurring revenues that we are best able to generate better than any of our competitors.

Services like credit. Customers like credit because it helps them afford the sometimes-expensive tech that we sell. It's why credit customers' NPS is +12pts higher than non-credit customers. And it's good for us because credit customers spend more, they shop more often and they have twice the lifetime sales. Plus, on the right-hand side, you'll see the non-trivial direct P&L benefit from commission, which is back into growth with lowering base rates and also avoided card acquirer fees. And circa 50bps of cost avoided on over £1bn of sales, it adds up. So low double-digit millions straight to the bottom line, which is gratifying, but part of the benefit of credit to us.

So, it's good for everybody when credit grows, and it is, we're up to 24% of our sales are on our own credit product in the UK. 25% it was over peak, over 2.9m credit customers.

We're now quite a big credit provider - Number three in retail credit now, we've overtaken Argos, behind only Next and Very, but still with plenty of headroom for further growth.

The services that help customers get started with their tech was also growing nicely. For example, installation up to over a third of our big box sales in the UK, but it's not high enough. In the Nordics, it's 46%, which gives our UK colleagues something to go for, and we're working hard to achieve that

Just as we are to grow repair, possibly the most important service of all to our customers. Customers like giving their laptop longer life. It saves them money and it's also good for sustainability. And it's important to us too that repair plans are profitable and they also help with cost avoidance. So again, it's good for everybody when repair is in growth as it has been.

And good not least, because competitors can't follow us here. No one else has, or realistically ever will, build what we've got. For example, in Newark, Europe's number one biggest repair centre for technology with 1,200 colleagues and 3m devices a year going through it. Three others like it in the Nordics. We've got assets here that are unique to Currys, which we intend to continue to exploit.

And lastly under services, connectivity. Helping customers get the most out of their tech, and iD is the big example here. 1M customers added to iD in the last two years. We grew customer numbers by 19% year to date. Over two and a

half million customers now, we're already at our full year target, helped by a good contract, which allows us to price competitively and an improving customer experience. The iD app now has more than 2m users and iD's Trustpilot up over broken 4.0, now 4.1 and still climbing.

We're building a valuable asset here in iD, and it's part of a mobile category that's itself back into profitable growth and share gain +300bps year on three.

One big thing we like about services is that many of them have recurring revenue, which is up +11%, to 30% of sales and increasing share of the overall.

Services also drive higher gross margins along with being able to charge more for a better customer experience, along with not chasing less profitable sales and along with making our supply chain and service operations more efficient.

We've worked hard on costs too. We've had to, as Bruce said, we're facing some unwelcome government cost headwinds. And you see on the left-hand side, a bunch of the initiatives in the UK that add up to nearly £40m of mature annual cost savings. We won't get them this year, but we will ultimately, and that will counter those unhelpful cost headwinds.

It's on the back of those margin and cost disciplines that we've got the license and the bandwidth to go for profitable growth, selectively go for profitable growth. And we've been getting behind some growth opportunities for the past couple of years that we've told you about, and now we can tell you about our progress against them. And the growth areas that we've targeted, not just in our core market, the £17bn+ you see on the left-hand side here, but new products, new services and new customers, areas that effectively multiply our total addressable market by 3x.

And, we are growing in all of the targeted areas. Whether it's in our core, in mobile that we talked about, but AI computing's another good example, whether it's in new products, up +42% this peak, our sales in categories that are adjacent to our core, like health and beauty tech, like seasonal, outdoor accessories, wearables, robots. And the new products, as you see, it's a pretty big market, 12 billion and growing. And we've only got a 50bps share. So, we intend to do something about that. Plenty of headroom for profitable growth there.

Then of course, there's new customers, particularly small and medium-sized businesses. And that's a big opportunity.

I mean, SMBs alone grow our total addressable market by +60%, and plenty of headroom is only 8% of our sales today. And we have a right to win with SMBs. I know this is a question on some of your minds, and so we can come back to this in Q&A if you like. But the thing about 1-50 seat small and medium-sized businesses, which is our bullseye target, they're the same customers. They're

already coming to Currys in their capacity as consumers. It's the same suppliers, the same products, often the same solutions, the same channels that we serve it through, the same supply chain and service operations. We've already built all this and we can leverage it for this adjacent market. And the bits on the right-hand side here you see that we lacked, whether it was the right leadership or specialisms in the stores, online presence or account management. We've built and we've added those missing pieces, and the proof of it is that we are growing fast. I mean, +21% up in the UK, +25% up in the Nordics B2B this peak, a big part of getting the group back to profitable growth.

All this allows us to look ahead with confidence finally.

I mean, we're on a good trajectory as a business. I mean, the improving results for colleagues, customers, and shareholders within the financial results, we've got growth in sales, we're gaining share against the competition, we're doing it profitably, we're generating more free cash flow, and in every market and across every product in all categories, we've got profitable growth growing. So, as on these foundations of a net cash balance sheet that we can be confident in returning more cash to shareholders.

We know how to do it and we're going to keep doing it. And this is where I'll close. Just by reminding, we believe that we've shown sometimes uncooperative markets that we've got plenty of opportunity for steady, but reliable growth from lots of different sources, not least from the Nordics, from credit and from iD. And resting on a strong balance sheet and keeping to our discipline on margin and on cost disciplines, that gives us confidence in growing the free cash flow that in turn allows accelerating shareholder returns.

And with that, thank you, and we can go to your questions.

Operator: We will begin with John Stevenson, Peel Hunt

Alex Baldock: Morning, John.

John Stevenson: Good morning, guys. Morning. Can we start with the UK please, delve a little bit into the UK performance. I mean, I suppose how would you rate UK confidence when you look at things like sort of ASP basket levels, general spending? And then secondly, how easy are you finding it to drive awareness and discovery in the new product categories? And then finally, can we talk through the sort of GM improvement that came through on peak, and in light of that and the sort of moving parts for the year ahead, do you feel confident that the UK can move profits forward next year?

Bruce Marsh: When you look at our first half performance, we showed gross margin % falling by 40bps. All of that was caused by the government imposed inflationary headwinds, so living wage, national insurance. Our underlying gross margin actually stepped forward in the first half. Now, when we look at peak, actually

the underlying activity that Alex just described in terms of solution selling, services, et cetera, the upside from that exceeded the inflationary headwinds and therefore net-net, we saw a step forward in our gross margins.

Alex Baldock:

John, on your question on confidence, I mean, if you look at the headline UK consumer confidence, and GFK are the best single source for this, I mean, it's been bumpy and it's still low by historical levels at minus 17, and we've seen that translate into a declining core technology market. We were declining at (1.2)% in the first half and (2)% over peak. So, on the other hand, within the consumer confidence, there's the major purchase index, which is probably the better measure for Currys. And we've seen a steady climbing of that, and that's back into positive territory, which is good. And of course, the consumers might be sitting on their cash, but at least they've got the cash and households in aggregate now are saving more than they're borrowing. So yes, of course, there's still caution about the outlook on inflation, on jobs, on interest rates from consumers, but there are also reasons for cautious optimism for the year ahead.

But, the point is that's not what we're depending on. So, we don't need or expect market growth. We plan super prudently. And I think what we've demonstrated with these strong and strengthening results this peak, what we've demonstrated with the accelerating like-for-like performance, +6% over peak up from +4% in the first half, is that on the back of these strong margin and cost disciplines, which we're not going to let go of, we've identified, are getting behind and successfully a series of profitable growth initiatives. And the biggest of these is credit, up to 25% of our sales. There's iD, up 1m extra customers over the past two years and +19% growth over peak. And then there's the Nordics, which is over 40% of our business and grew at +12% over peak.

There are others as well. I mean, we're selling other services to customers. We're selling to new customers like small and medium-sized businesses. We're selling new products, new categories to the customers that we've got. But when we talk about our confidence and steady growth, I think we're just talking about what we're already doing rather than what we intend to do.

Finally, you asked about how we build awareness and discovery amongst the new product categories. It's a good question. But I mean, here in simple terms, we benefit from being number one, and we benefit from the omnichannel model that we've got. Because we're number one in the market, we don't have to try too hard to go looking for new products. They come to us. I mean, suppliers know that if they want to sell in the UK and the Nordics, we're the place to start. And so things like the Eufy X10 Vacuum Robot, I mean, the supplier comes to us and pitches their wares.

I mean, I'm not saying the commercial teams don't work hard, of course they do, but we have an easier time of it than also RAM retailers at defining the new stuff. Then when it comes to presenting it to customers, of course, we benefit from our channels, in particular from being an omnichannel retailer at scale.



We can display. We've got the number of stores, and the space in the stores, and the expert colleagues and the investment in the fabric of the stores to display all of this new product to best effect. You'll see more space in a Currys store, just as you'll see plenty of space in an Elkjop store devoted to these new and growth categories. It's good in and of itself because it's a meaningful growth driver. It also helps drive traffic into the stores, when customers who might have a spare 15 minutes on a retail park know that they can head to Currys and find something new and interesting.

So, I hope that answers your questions, John.

John Stevenson: Yeah, that's really helpful

Just back on the confidence thing, I guess I was a very roundabout worth saying what was happening with basket and ASP. Did you find that people have been spending more, I guess, at Currys, I guess through credit, they probably have been.

Bruce Marsh: John, as you know, we don't break that out. So no, we're not going to comment on that.

Alex Baldock: We don't break out the ASP, no, as Bruce says. And if you're asking about credit as well, John, of course we do talk about that and the credit adoption year-to-date is up +200bps, and just shy of 24% of our sales are on our own flexypay account. At peak, that was 25% - The first time we reached a quarter of our sales on our own credit products, which is good for customers and it's obviously very good for Currys.

John Stevenson: Brilliant. Thanks a lot, guys.

Operator: Next question will be coming from Wayne Brown, Panmure Liberum.

Alex Baldock: Morning Wayne.

Wayne Brown: Morning, morning all, well done on the statement. You've given some really interesting news slides on the market and TAMs, et cetera, which are very clear. I suppose mine is more qualitatively around those and it's more about what competitors are able to do and what they are doing. So if you can just expand, you've got new categories, which are clearly driving quite a bit of growth and you're expanding into new TAMs. Are these less or are they more competitive than the core categories? Are your competitors able to respond in kind? And of course, you've got that service overlay too, which is helping drive growth, but I'm just wondering, are competitors actually able to respond in a competitive way and therefore, if they aren't, should you expect market share gains to continue this really nice progression that they are? So just a little bit of colour around that would be lovely.

Alex Baldock:

It's a good question, Wayne. I mean, if you cast your mind back to that slide where I showed the expanding TAM that we're playing in. Clearly things like mobile handsets are a competitive market. The mobile network operators have got strong retail arms of their own. I mean, in new categories, Currys isn't the only place you can find wearables or coffee machines or smart tech or the like. That said, I come back to what I said about the suppliers beat a path to our door because they know that 80% of consumers are our customers. They know that we're the number one in the market and we're extending our lead with the market share gains that we're talking today. They know that we're a very big online player as well as a store player. So, they know that their new products are going to get a prominent outing by thinking about stocking in us first.

So that's the first thing to mention. I think that as to the competitive environment, you're right to point to the fact that some of these areas, the competition is much more fragmented and arguably weaker than it is in our very competitive core market, and B2B is the best example of that. When we focus on serving 1-50 employees small to medium sized businesses, we're deliberately pitching that at the area that is, yes, it's adjacent to our B2C core. So, we can leverage all of the things like supplier relationships like the channels, the supply chain, the service operations, as I say. So, we start with a big advantage from our core B2C business in serving SMBs, but also the competition is significantly weaker and more fragmented. And there's a lot of local independents, from whom that we are already taking share with the +21% growth that we've just posted in B2B. We've said publicly that we can double the size of our B2B business in the UK within three years. You can be sure that we're going for more than that. And so, this is an area that we're particularly excited about and we would expect B2B to account for significantly more than 8% of share of our sales in the future.

Finally, the bigger point here, Wayne, is back to this promise of steady growth. When you look at, yes, we're gaining share in our core, we're not going to forget about that, and we're gaining share, including in mobile in our core, but we're also growing in services like credit. We're also growing, as I say, in B2B, we're also growing in new categories and that gives us some confidence, that there's no room for complacency, but it gives us some confidence that we can continue the steady growth.

Wayne Brown:

Well, that's very clear. I just got one further question. Delivering amazing service at scale we know is incredibly difficult and very expensive and few people will pay a premium for it. So the question's really about engineering the best service at the lowest cost, and you've done some great work in the cost side of the business over the last few years in outsourcing and AI, et cetera. Are there any other big projects that we can look forward to in the next 12 months or is it much more of the same, or anything else that you can point to on just trying to obviously maximise the service and bring down the cost side of things?

Bruce Marsh: Hi, Wayne. Alex had a slide in his deck, which I think largely touches the same four groupings of area of cost opportunity that we have been talking about for the last three or four years. We've put electronic self-edge labels within our store that obviously allows us to reduce our cost base. From an IT perspective, we're moving some of our data centres into the cloud, which allows us to reduce overall levels of cost. Very focused within our supply chain and service operation about getting things right first time. And from a back-office perspective, it's about driving efficiency. So very similar, same kind of buckets, but there are always new opportunities that we're going after to make our business more efficient and more effective.

Alex Baldock: I mean, the one build on that Wayne, I think you said that the customer won't pay for superior service, and of course, the customer's got a keen sense of value for money and we wouldn't be growing our market share if the customers didn't, and growing customer satisfaction, if the customers didn't find us good value for money. And that said, I mean, installation's a good example of a service that as it's got better, as our service delivery has got significantly better in recent years, so we've been able to charge more for it and the customer's still getting good value for money for a better service, and we make more money. So it's win-win.

In repair, we're able to give the customer a better service at lower cost to us. Repair live is an example of a good innovation that we've already got a market leading seven-day promise for repair that no competitor can match. Well, we're taking that down in some cases to 7 seconds - From 7 days to 7 seconds. If the customer's on a VC with one of our experts and they can diagnose a fault in the customer's laptop remotely and instantly, that's great for the customer. They're getting unmatched service. It's also fantastic for us because we avoid the cost of having to ship the product back and forth.

Two examples of where the customer, you can make more money out of better service.

Wayne Brown: No, very fair point. Thank you very much and well done again.

Operator: Next question will be coming from Richard Chamberlain, RBC.

Alex Baldock: Hi, Richard.

Richard Chamberlain: Thank you, morning Alex, morning Bruce. I'll ask you just a bit more about the Nordics, if that's okay. I mean, it looks like the relative outperformance, the market share gains accelerated over peak, and I just wondered how you would go about explaining that. And then in particular, I guess it sounds like you've been performing very well in mobile in the Nordics. Can you just talk to whether you sort of over-index in that category, I guess with one mobile, four estate and so on, and any particular development sort of upgrades in mobile that you've seen over fee. Thanks a lot.

Alex Baldock: Thanks Richard. I think on the Nordics, we've obviously had a tough two or three years in that market, but the last year has seen a really strong return of the market, and of course, a significant improvement in our own performance within it. So, the fundamental facts of the Nordics being healthy, wealthy markets haven't changed, and what we've seen with the macro improvements, so interest rates and inflation are coming with the exception of Norway. I mean, the interest rates and inflation are under 2% for all of the markets now, and the markets have come back really strongly. Consumer confidence has rebounded, the market is back into healthy growth, and we've kept our margin and our cost disciplines that have been hard won during the tougher times, and we've applied that to a more buoyant market. And we're rewarded with a very profitable +12% like-for-like growth in the Nordics over peak as a result.

A couple of things that are worth bringing out. I think you mentioned building on the market share gains. Actually, we lost a bit of market share in the Nordics in the first half, you'll recall. That was the one sort of blemish on an otherwise splendid first half performance in the Nordics. Well, we're back into share growth over peak. We haven't got the final numbers yet, but it will show market share growth, so that final box has been ticked, and the Nordics is back to being a really strong contributor to this business, which is great because it's 40% of the whole.

On mobile, I think that mobile, again, we've had some well publicised issues in the past in this category; they're well behind us now. And yes, our market share in mobile is smaller than it is in the core electricals product, but it's growing fast, and we're back into profitable share gain in mobile. And you ask what's behind it. And the biggest single thing is iD. I mean, iD, our own mobile virtual network operator, is back into healthy subscriber growth. We've added 1m subscribers over the past two years. It grew at +19% at peak. And there's every reason, with the good contract that we enjoy, the better customer experience that we're providing that we'll keep continuing that. That's what we intend to do as we build a valuable asset here.

Richard Chamberlain: Okay. Thank you very much.

Operator: I'm going to move to Allison Lygo, Deutsche Numis.

Alex Baldock: Hi, Allison.

Allison Lygo: Good morning. Good morning, team. So, three for me, if that's okay, please. The first is just on B2B. So, clear that you're leveraging a lot of the same capabilities that you've built and you've got through the stores and omnichannel, but interested in terms of how you're working to really grow the kind of customer base in terms of building awareness and acquiring customers. If you could share a bit more detail on that, that would be great. And then the second one is on the Nordics, and appreciate its very early days with your virtual mobile network over there, but just interested as to how you're seeing the competitive landscape in that market and kind of the addressed opportunity you think

you're running at there. And then the final one, just on any update on the migration to the new cloud-based system, if you could just remind us on what's actually being transitioned there, maybe some of the benefits you're expecting and anything we should be watching out for.

Alex Baldock:

To take your B2B question first, I mean, the simple answer to how we're growing awareness of the proposition is through our existing channels and with existing customers. So, when we serve 80% of households, most SMB owners are already Currys customers. So in one sense, our challenge is easier. And when they come to Currys channels, stores or online, in their capacity as consumers, we just need to let them know that we can serve their business needs as well. And we're getting better at doing that. So again, that's a very low cost of customer acquisition. If we can do all of our marketing to existing Currys customers and existing channels, that'll make me happy. We have to spend a bit on top of that, but we're being quite careful in standalone B2B marketing. You'll see a bit of it, but mostly we can lean on the B2C machine for customer acquisition as well.

It's worth saying that we now have over 50, I think it's near a 60, B2B hubs in Currys stores in the UK. And so this is the most prominent way of showing customers that we serve the B2B market. When we have dedicated specialist, expert Currys colleagues in a very visible B2B hub in the store, that's not only a way of building awareness, but it's also a good way of converting them and serving existing customers to build the share of wallet there.

That's the B2B answer. In the Nordics, Giga, our new MVNO in Finland is small. It's had a good start. We're not breaking out too much detail on its early performance, but it's ahead of what we targeted, which is a nice start. And we chose Finland because as you see on the chart, our market share in mobile in Finland is the lowest of our markets in the Nordics, and of course, Finland is a relatively small market, so it's a relatively low risk place to test something. If we are happy with how it works, then it's not impossible that we might see an MVNO in other markets, but let's see. I mean, at the very least, what this is doing is making sure that our valued partners in the mobile networks in the Nordics know that we've got alternatives, which always improves your negotiating position. And plus, we're building a valuable asset there, as well as we've done with iD in the UK.

We haven't got too much more detail to announce on the migration to the cloud at the moment, except to say that we did delay it during the peak trading period. It's back underway now, and we intend to get it landed in full as soon as possible in 2026, not least because we want the benefits, and you ask about those, they're basically in two parts. I mean, first, there are security benefits to migrating to a secure cloud, but second, there's a significantly lower cost and we talk about at least a £10 million mature annual benefit of getting that up and running, which we are keen to get after. So, we're doing it as fast as we can.

Allison Lygo:

That's really helpful. Thank you.

Operator: Next question will be coming from Ben Hunt, Panmure Liberum.

Alex Baldock: Morning, Ben.

Nicholas Barker: Morning there. Just on the Nordics, obviously a very strong performance. You've referenced a bit of gross margin investment. Was there anything that sort of held back potential profitability there, investment in marketing, gross margin investment, as I said, or is it a case of maybe keeping your power to dry? And I guess added to that, is there any reason why you couldn't see margins now go back to prior highs in quick succession?

Bruce Marsh: Well, let me kick off with your first question, Ben. So again, I'll remind you in the first half, the gross margins within the Nordics were flat. We saw the opportunity for us to accelerate our sales in what was becoming a very buoyant market over the November and December period. But I think it's critical to say, as Alex reflected, that we maintained our margin discipline. I think we've got a very good handle using our end-to-end knowledge of profitability to understand where we might want to turn up the dial, whether it be promotions or marketing or advertising or even price investments to be able to profitably grow our margin and our cash flow. So that's very much what we did, when you look at the +12% like-for-like, a component of that has come through our investment and certainly once we get to see the final market share numbers for the Nordic business, we expect to have benefited from that.

I think in terms of more broadly, in terms of being able to get the Nordic margins, EBIT margins back to where they were, I think we've been consistent what we say, that our goal is to get to at least 3% EBIT margins. We're really pleased with the trajectory that we've seen over the course of this year, and particularly over peak period. Now, we are assuming in the profit guidance we've given, in terms of the balance of year, that we expect sales to be in line with the first half. That's a prudent assumption. And I guess we'll talk more about expectations for next year as we get towards year-end.

Ben Hunt: All right, great. And just on the new categories, how many extra SKUs are now in the business compared to 18 months ago? And do you actually have any sort of anecdotal evidence perhaps of the cross-sell-ability from those new categories that's coming in and people moving on to your core categories?

Alex Baldock: We haven't broken out the SKU count in quite that way, Ben, nor have we given numbers on the cross-selling. What I would say is a couple of things. Firstly, we are bringing more stock. We have judiciously invested in some more stock in the business, particularly in these new categories. But one of the things that we're pleased about is that we've come out of the peak trading period very clean on that stock, so it sold through - tick.

Second, if you go into the Currys stores, one thing you will see is a greater number of the newer, more frequently purchased, more innovative categories

in those stores. And that's one of the things that is important for driving traffic, driving footfall into the stores, as well as for the sales of those categories. Batteries, for example, was one of our best performing accessories. It doesn't sound like the most exciting category, but it's a great thing to sell. Everyone needs them. And we shifted large numbers of Duracell over peak and it gives customers a reason to come into the Currys store.

The third thing I say is that it's worth remembering that we do have a stockless model for the long tail, so-called SBRE we call it, range extension. And what that allows us to do is to experiment on the long tail without taking the stock risk ourselves, and if we like it, it can come into stock a little bit later. The overall SKU count in the UK is 24,000, which is up 7,000 year-on-two, but a big part of that, as I say, is dropship.

Ben Hunt: Okay. And one final question, if I may, it's a bit cheeky, but I mean, quite a decent step up in market share in the core categories, +60bps. Who are you taking it off?

Alex Baldock: Yeah, GFK sadly don't break that out for us, so I can't tell you precisely. I think you can draw your own conclusions from the fact that omnichannel wins in our market, and so you can draw your own conclusions about who we might be taking market share away from. I mean, what's really clear is that customers prefer shopping through a mix of online and stores, and they value the specialism that we can provide as the specialist retailer in the category, and they value the services that we can provide that others cannot. So we're big online and big in stores, we've gained market shares in both. We've seen the growth in recurring revenues that services provide, up to 30% of our sales over peak, and that's a reflection of how appealing these services are to customers. So, I would look to those who don't have the omnichannel offer at any scale. I would look to those who don't provide the services at any scale, and those are probably the ones who are doing less well.

Ben Hunt: Perfect. That's great. Many, thanks.

Operator: We'll now go to Nicholas Barker, BNB Paribas.

Alex Baldock: Good morning.

Nicholas Barker: Good morning. Thank you very much for taking my question. So, I'm going to start with credit adoption. So that's grown quickly in the UK and it's now a quarter of sales. So how do you see credit adoption progressing from here and what's the ceiling for it as a percentage of sales? And then my second question is that you've already met your year-end target for 2.5m iD mobile subscribers. Are you setting a new target for year-end or are you pausing here to regroup? How do you see things playing out for the rest of the year?

Alex Baldock: Let me take the iD one first, Nicholas. Neither of the above. We're neither publicising a new target nor pausing in any way. The fact that we hit the full year target at this stage of the year is pleasing, but on we go, and the profitable growth of iD continues.

As to your first question, I mean, we don't set a ceiling on our credit adoption either. I mean, we've got a slide in the pack that shows us overtaking some other people's credit adoption, but there's still next, a third of their sales are on credit. I mean, we don't necessarily need to get to Very's 90%+, but there's still significantly further headroom for growth here. I mean, we're showing this growth time after time when we come back and talk to you in +200bps increase in adoption. Customers find it compelling, particularly in this category. They obviously find our offer compelling enough. I mean, the NPS is +12pts and they wouldn't be taking it, the adoption wouldn't be growing if they didn't, and of course, we've got every interest in continuing to grow it with a +10% higher spend on average from a credit customer, with the +27% greater likelihood to return and shop in the following 12 months of a credit customer, with the over 2x lifetime sales, as well as the healthy non-trivial direct profit contribution from credit. So, it's in everyone's interest to continue to grow it, including our partner bank, because we're super responsible in who we lend to and how much we lend. So, we've been able to grow this book clean. We could have grown it faster if we'd been less discriminating, but we've been very picky to everyone's benefit and very, very careful on growing this book.

There's significantly further to go here, and I would expect and hope to be talking about further credit growth when we next get together.

Nicholas Barker: Thank you very much.

Operator: Next question will be coming from Vandita Sood, Citi.

Alex Baldock: Morning.

Vandita Sood: Morning. Thank you very much for taking the questions. I've got two. Firstly, you flagged about £40m or so of cost savings on an annualized mature state. This year, obviously you had material headwinds around £30m. I know it's early, but any view into how these inflationary headwinds could look like going into next year, could we be looking at sort of a net positive impact as a result of all your good work? And secondly, just a quick one. Do you have a view of, in the new categories, are you seeing a completely different profile of customer coming in or are you growing share of wallet with your existing customers? And are there more new categories in the pipeline that you wish to start doing? Thank you.

Bruce Marsh: Good morning, Vandita. So, on your cost question, we were, I guess, pleased with the budget in that it wasn't as bad as we saw last year. So as you say, £32m worth of cost headwinds. The equivalent numbers for next financial year in terms of headwinds is high single digit impact, a negative impact from living



wage, but with the rates reform, the changes to the multiplier, et cetera, we are expecting to see a mid-single digit upside year-on-year in terms of our rates bill. So net-net, you can see that we are expecting a negative impact from inflation, but it will be much smaller than we saw in this financial year.

Alex Baldock:

And on the new categories you talk about, I mean, I think the short answer is that we serve 80% of UK households, we're the market leader. The distribution of our customers by socioeconomics and by age is pretty representative of the country as a whole. I mean, that said, at the margin, as you might expect, when we look at things like smart wearables like the Oakley and Rayban Meta AI glasses, they attract slightly younger than overall. As we get bigger into categories like toys, whether it's Tony's or Lego or the others, again, that tends to attract younger parents. But overall, I think one of the things about our scale is that we can bring these products to everybody, and everyone in that sense is our target customer. And you ask about new versus existing, and think about it as pretty broad-based. I mean, clearly, we've got serving 80% of UK households, but only having 24% market share, we've got room to grow, we've got headroom to grow our share of wallet, but we're also attracting new customers too.

As to what's coming down the track, I mean, in one sense, we don't need to know because as soon as anyone has anything innovative, they bring it to us, whether it's a new supplier or an existing one, we're the first place they come to. So, we don't need to pick trends in advance. We can just exploit them as they develop, which gives you less to believe that we're going to pick up any new trend. That said, we do keep our eyes open clearly, and there are AI powered technology in its various guises is going to continue to become a bigger thing. There's real utility for customers. They're seeing it and they're increasingly asking for it, and that utility is making itself felt across the number of different product categories. It's driving the replacement cycle in premium mobile phones as customers really enjoy having an instant assistant, instant translate, the creativity and the productivity benefits that AI can provide them with, they're really beginning to see the benefits of. Likewise, in computing, we've got getting on for 75% market share of AI laptops, and as an increasing proportion of laptops are AI suitable, then more of that's going to come to us. I've talked already about wearables, like the AI glasses, the Meta glasses. Robots is a very rapidly growing category across the whole of our group Nordics, as well as the UK with things like Floorcare and again, AI powered, which are all to the good. So, I would expect to see new form factors, new applications of AI, new types of device emerge and possibly quite rapidly as AI adoption and appreciation of its utility takes root, and that's why we've invested so much and so carefully to build ourselves as the home of AI in customer's eyes, and we expect to benefit disproportionately as this trend continues.

Vandita Sood:

Perfect. Thank you.

Operator:

Our next one should be coming from Adam Tomlinson, Berenberg.

Adam Tomlinson: Morning. Good morning, gents. Hopefully you can hear me okay.

Alex Baldock: We can.

Adam Tomlinson: Great. Thanks very much. So just first two questions, just a couple of general ones on the Nordics, if that's okay. So, I think when we speak to people in the market, I still think that the quality of your Nordics franchise is somewhat underappreciated. So, the first question is just, could you just give us a reminder, a quick recap on just what makes that such a high-quality asset? And maybe with reference to its market share and its strength versus your UK operations, that's the first question. The second question on the Nordics is, in terms of the growth opportunity, you showed that helpful slide. I think it was just on the UK and Ireland where you showed the new categories offering 3x or tripling your market size. I think that was just the UK and Ireland, but I'm just wondering how you think about the Nordics in that respect and the opportunity for new categories there. So, that's the second question on the Nordics.

And then a third question, if I can, just on the UK, just pulling out that Glassdoor review improvement that you showed on the slide. I know analysts and investors do look at that, so I really hope that gets noticed, but really strong improvement there. So, can you just give a summary of over the last few years, just how you've, I suppose, improved that colleague's satisfaction? And obviously that's been reflected in the Glassdoor review, but that would be great. Thank you.

Alex Baldock: Thanks, Adam. So, I'll take those in turns. We're delighted to take the opportunity to point to the quality of our Nordics business. I mean, perhaps not everyone does notice that it's over 40% of the group, and it's had, of course, a tough two or three years recently, but the long-term trend has been a business that's grown sales, grown customer satisfaction, grown profits, and grown cashflow dependably over a decade prior to the recent problems, and is back into that long-term trend. So, you ask about the quality measures. I mean, it starts with market share. We've got 28% of the market in the Nordics, which is higher than our market share in the UK. We're the market leader in both, of course, but we're more than twice the size of the nearest competitor in the Nordics. We're significantly bigger online than anybody else, as well as big in store, and you get down to the bottom line, Nordics historically has been over the 3% EBIT margin target that we intend to do at least as well as that for the group. So, you can conclude where we intend to get it back to.

So, that's on the financial side, but this is a business that deeply embedded into the fabric of the Nordics. You go to Denmark or Sweden or Norway, and the Elgiganten and Elkjop brands are some of the most well-known brands in any category in those markets. You only have to go there to appreciate that. The colleague engagement and the customer satisfaction, which are two really important lead indicators are also high and on the rise in both of those markets. So that's the short version of the quality of the asset. Thank you for giving me an opportunity to draw everyone's attention to it.

I mean, in the UK and Ireland, you asked about the growth and the TAM in Nordics, and are we seeing the equivalent in the Nordics? The short answer is yes. I mean, B2B is a bigger part of our Nordics business than it is in the UK. It was the Nordics example that inspired our focus on B2B in the UK, and it's still growing faster, 25% in the Nordics compared to 21% in the UK over peak. So, we've got some healthy internal competition on this dimension as well, as well as some meaningful collaboration on a joint initiative on this one. So that's all to the good. But whether you look across new categories, B2B I've just talked to, mobile, of course, and on services, you can think about a similar scale of opportunity relative to the core in the Nordics as with the UK.

On the third, on Glassdoor, thank you for picking that up, Adam. Not everyone does, but we pay a lot of attention to colleague engagement and capability, and we have done for some time, and it's not just because we're lovely people, it's because it's a commercial imperative. I mean, in our category, it's very hard for the experience of the customer to be better than that of the colleague, which is why we pay so much attention to giving the colleagues good tools to work with, like electronic shelf edge labels and headsets, why we invest a lot in their training so that when they talk to a customer about AI, the customer finds someone who knows what they're talking about, their careers, we give them career development options as we do now in the UK by filling 50% of corporate roles internally, we give them good reward. I mean, base payers up +32% in the UK year-on-three. We invest in wellbeing. We have over 1000 mental health coaches and representatives available to our colleagues. We invest in better leadership so that they're well-led, and better communication so that they know what they need to do to do a good job and they're motivated to do it, and we invest in a growth mindset and performance-oriented culture. I could go on, and we do all of this, as I say, not just because it's the right thing to do, but because it has real commercial benefits, and you see, and those improvements have come through particularly in the past two or three years, and why we're really proud that amongst some really good top-tier retailers, we're currently at least rated as the best place to work and we intend to keep that.

Adam Tomlinson: Yeah, that's really helpful. Thank you very much.

Operator: As we have no further questions, Mr. Baldock, I'd like them to call back over to you for any additional closing remarks. Thank you.

Alex Baldock: Very brief closing remarks from me. Thank you everybody. Strong peak trading and an upgraded profit outlook, resting on accelerating growth, good margin and cost disciplines, which is all translating through to improving free cash flow and shareholder returns.

That's a good trajectory that we're on. We're happy with the trajectory, not yet with a score, plenty more in the tank, and we aim to get back to work right now to deliver it.

Thank you all.

