

ProCook®

FY23 Preliminary Results

28 June 2023

Certified



Corporation





FY23 Review

Dan Walden

CFO

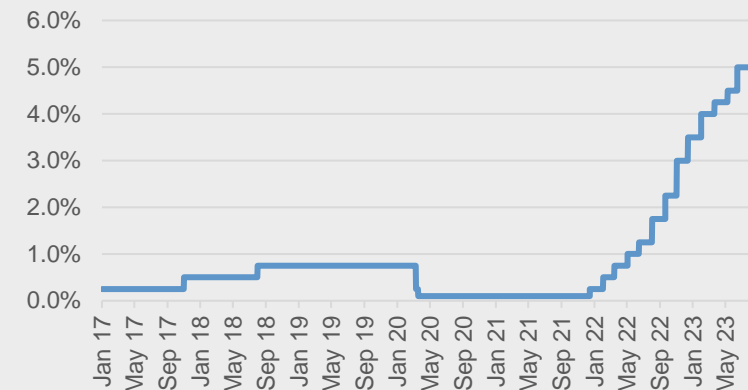
Market context

The macro environment has impacted consumer confidence, reduced disposable incomes and increased our cost base

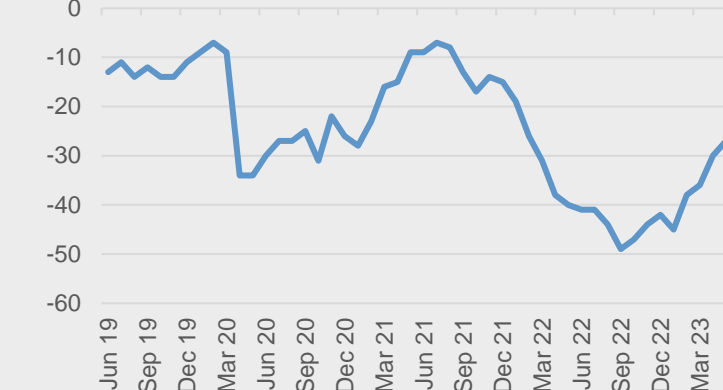
Inflation YoY



Interest rates



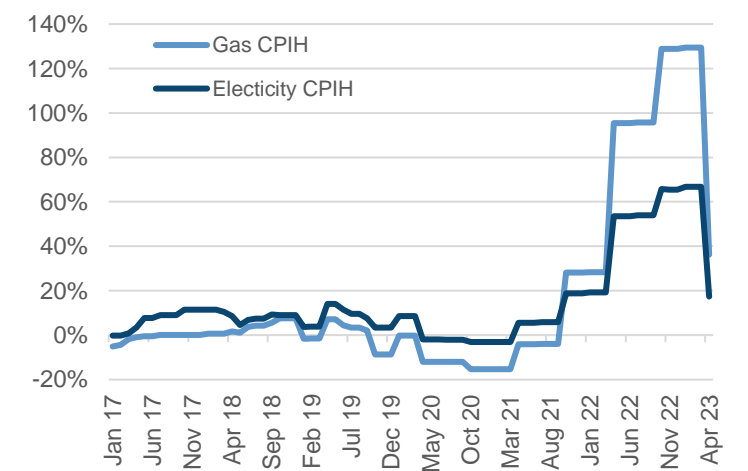
Consumer confidence



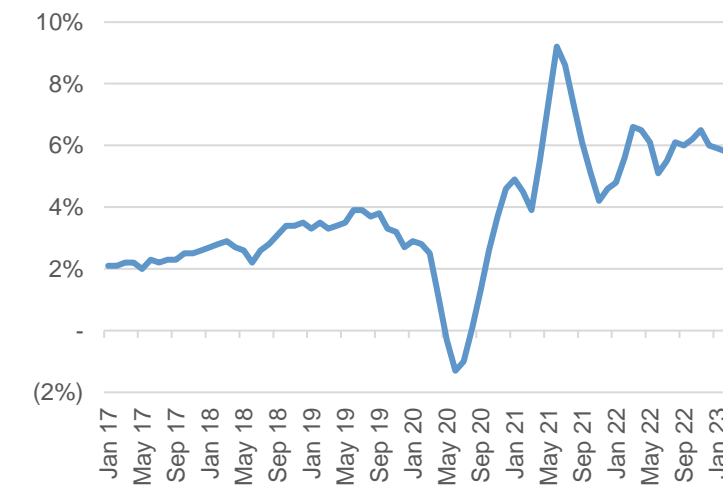
Supply Chain costs \$'000



Energy costs YoY



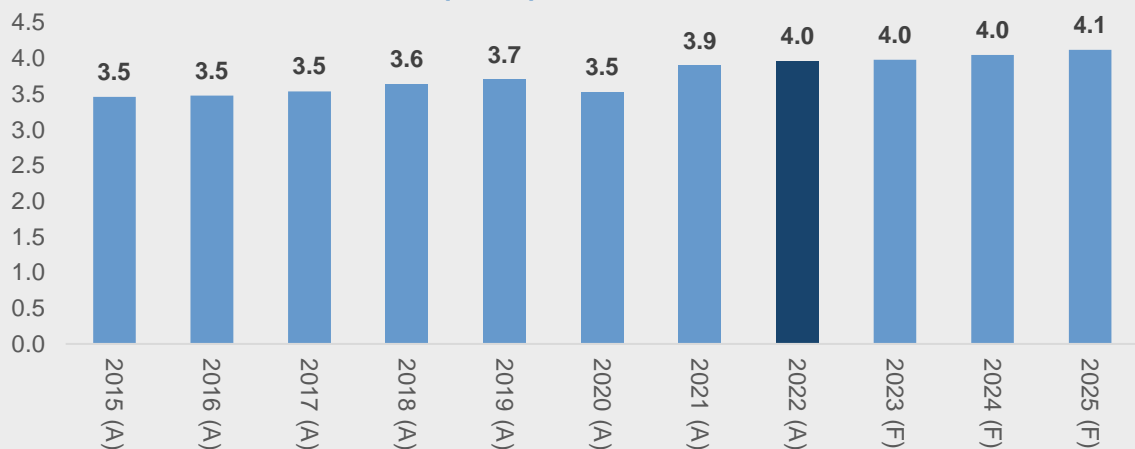
Wage inflation [ONS]



Market context (cont.)

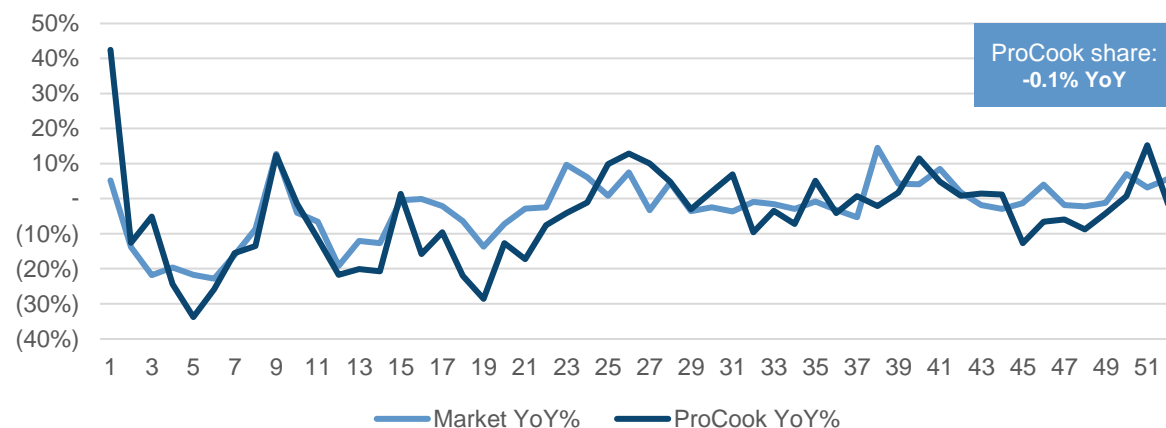
The kitchenware market has remained steady, albeit with significant channel, category and price / volume shifts year on year

UK Kitchenware Market (£'bn)



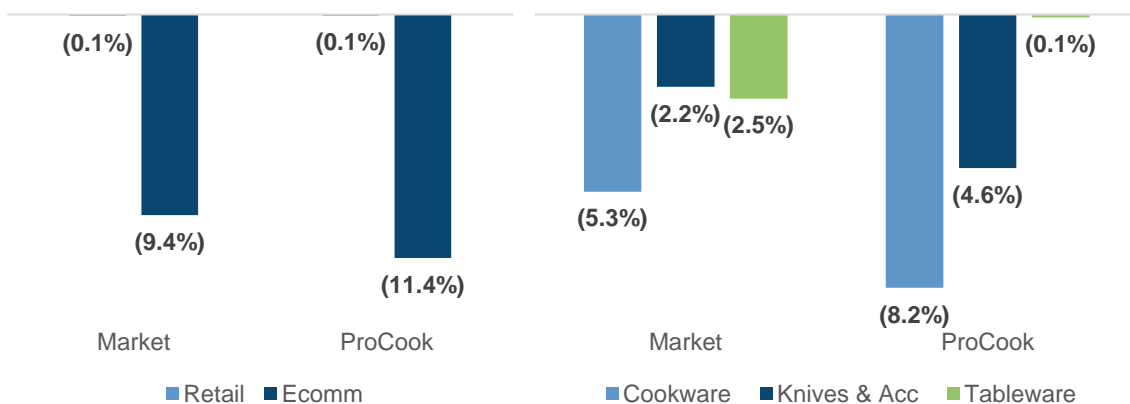
Source: Euromonitor, calendar year

UK Market vs ProCook UK (ex. Amazon) growth %



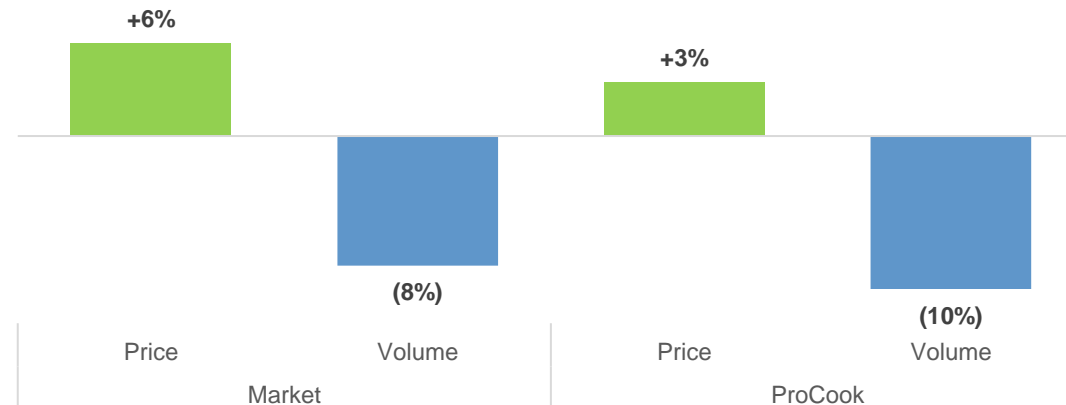
Source: GfK and Management Information, FY23

Channel and category shift



Source: GfK and Management Information

Price vs volume impacts

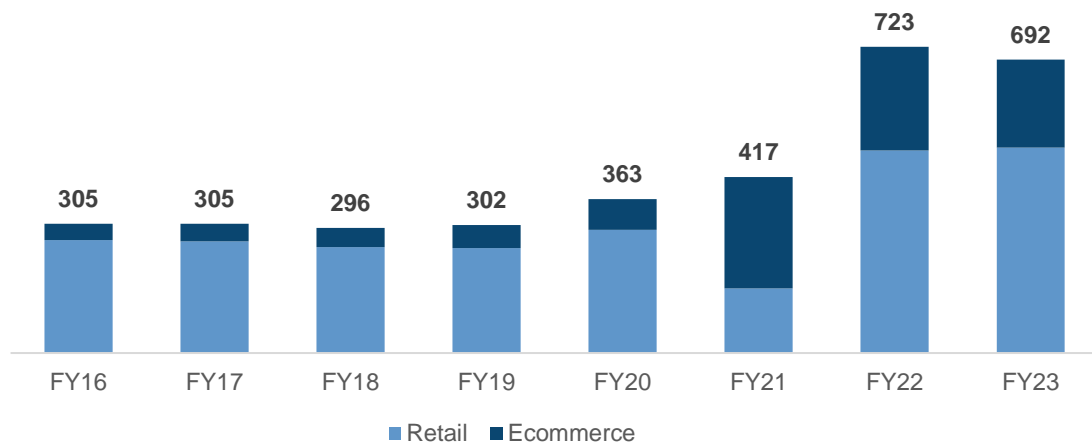


Source: GfK and Management Information

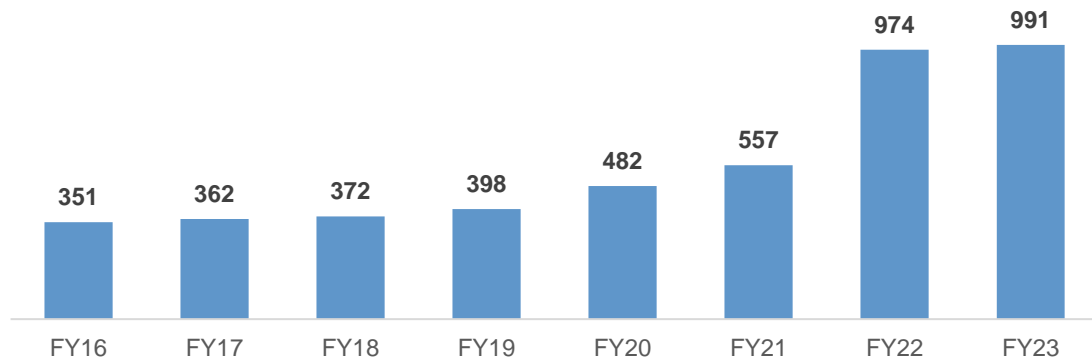
Customers

We have attracted almost 700,000 new customers and increased our active customer base. Conversion remains challenging

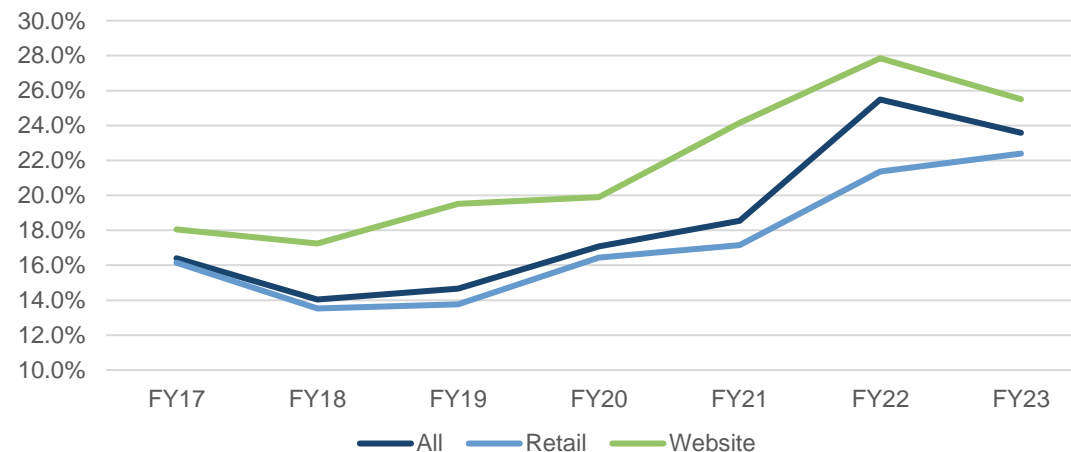
New customers ('000)



Number of active customers L12M ('000)



12 month repeat rate



Ecommerce

- AOV -2% in H1, **improving** to +18% in H2. Full year +8%
- Conversion -8% in H1, **declining** to -22% in H2. Full year -16%

Retail

- ATV down -5% in H1, **improving** to flat in H2. Full year -3%
- Conversion -10% in H1, **improving** to -7% in H2. Full year -9%

Revenue

Revenue of £62.3m was down 5.0% excluding the discontinued Amazon channels. LFL revenue remains +112.2% vs pre-pandemic

£m	FY23	FY22	YoY%	FY20	Yo3Y%
Revenue	62.3	69.2	(9.9%)	39.0	+60.0%
Ecommerce	25.6	32.3	(20.7%)	14.5	+77.1%
Retail	36.7	36.8	(0.4%)	24.5	+49.9%
LFL Revenue¹	54.1	60.6	(10.7%)		+112.2%
LFL Ecommerce	24.9	27.9	(11.0%)		+207.6%
LFL Retail	29.2	32.6	(10.4%)		+52.5%

Ecommerce

- Own website -11.0% YoY (+207.6% Yo3Y)
- Total Ecommerce -20.7% YoY including -£3.6m (-11.2%pt) impact of Amazon

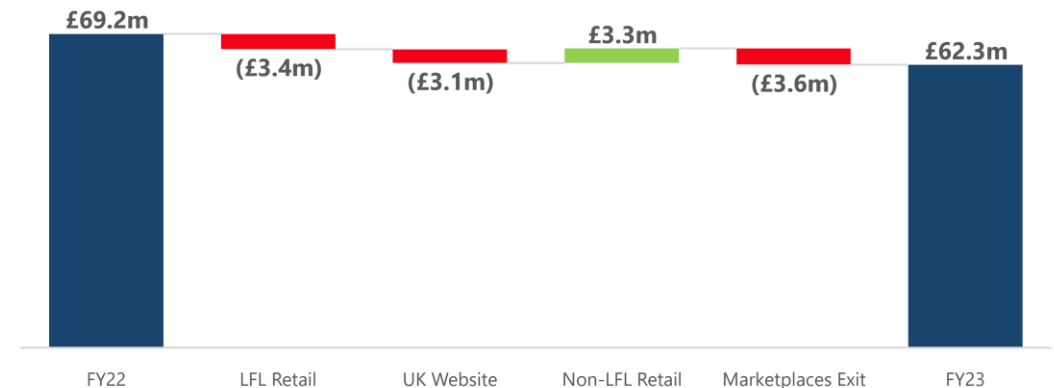
Retail

- Retail -0.4% YoY, with one new store opened in H1 and two in H2
- Yo3Y LFL of +52.5%

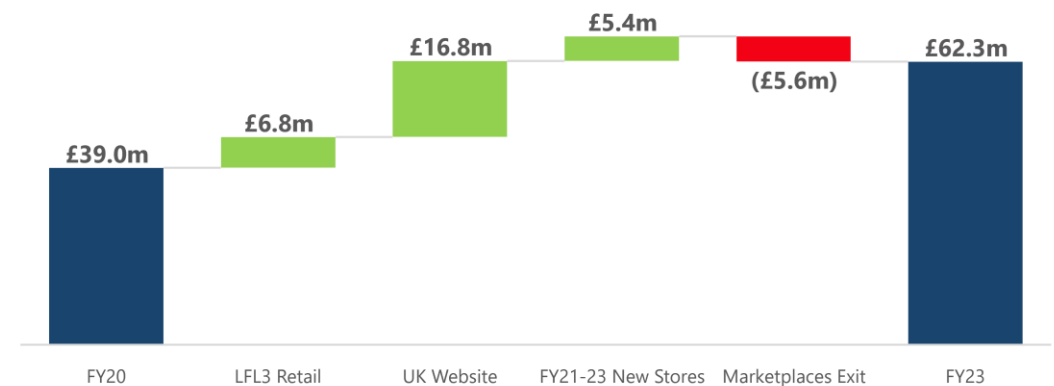
¹ LFL (Like For Like) revenue reflects:

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- Retail YoY: Continuing Retail stores which were trading for at least one full financial year prior to the 3 April 2022, inclusive of any stores which may have moved location or increased/ decreased footprint within a given retail centre.
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Year on Year revenue £m



Year on 3 Year revenue £m

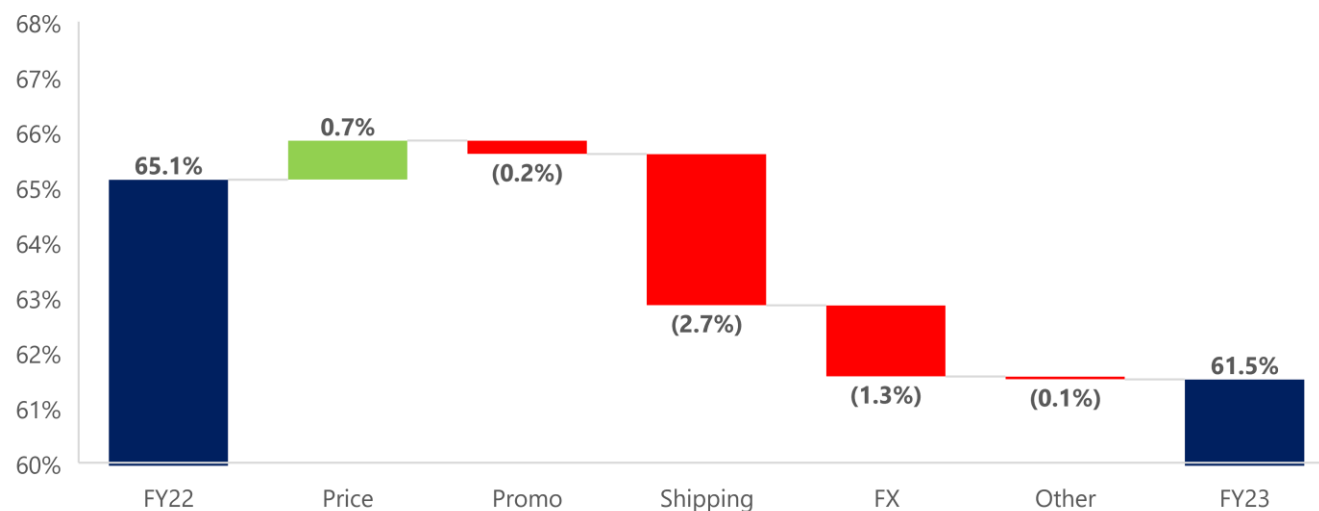


Gross margin

Gross margin of 61.5% reflects higher shipping costs and FX impacts, partly offset by price increases

£m	FY23	FY22	YoY %
Gross profit	38.3	45.0	(14.9%)
Gross margin %	61.5%	65.1%	-360bps
<i>Ecommerce gross margin %</i>	61.7%	65.8%	-410bps
<i>Retail gross margin %</i>	61.4%	64.4%	-300bps

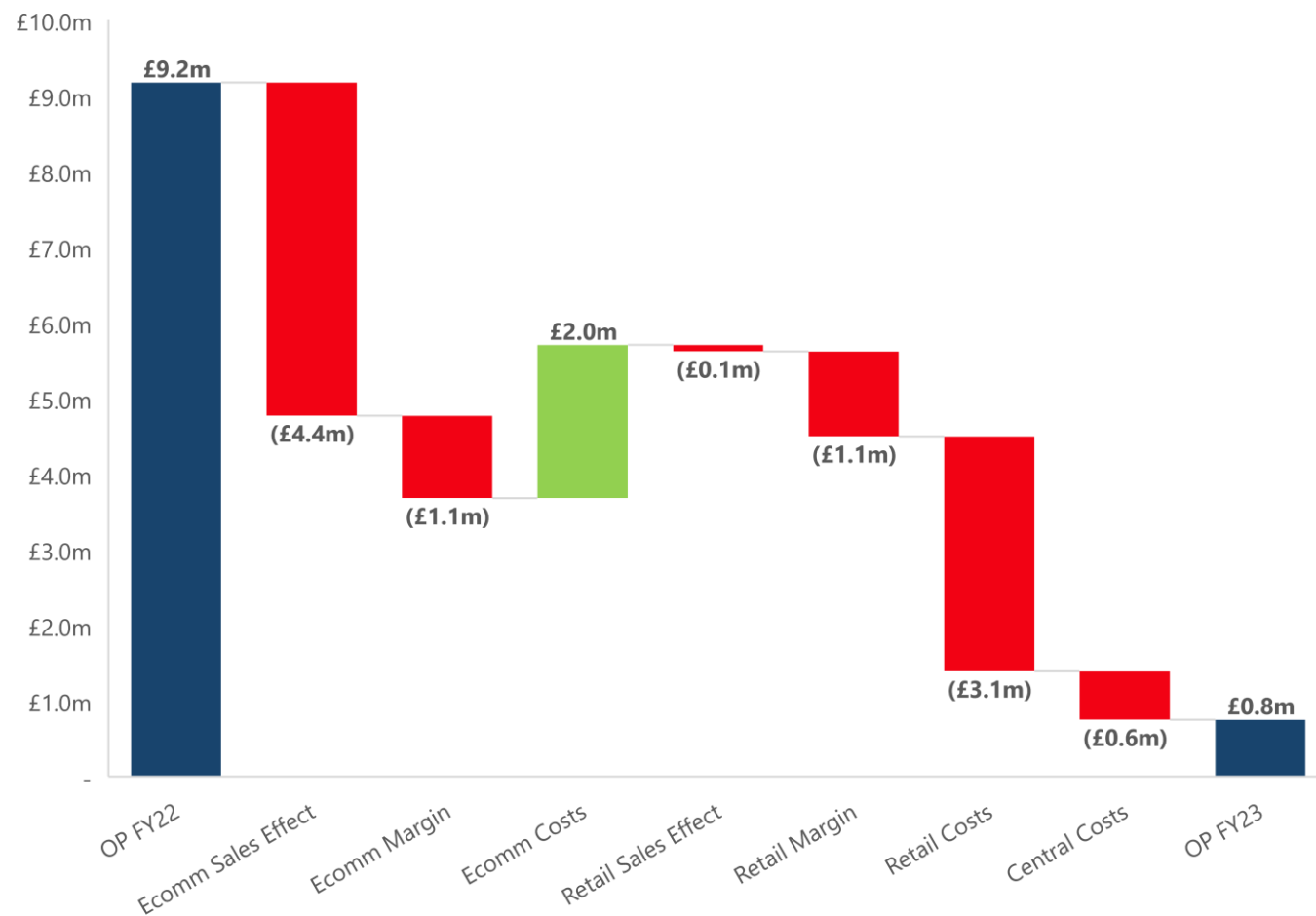
Gross margin % year on year



Underlying operating profit

Underlying operating profit of £0.8m¹ reflects the impact of lower sales and GM%, and higher costs YoY

Underlying operating profit £m



Operating profit £m	FY23	FY22	YoY %
Ecommerce	4.6	8.1	(43.0%)
OP%	17.9%	24.9%	
Retail	5.3	9.6	(44.8%)
OP%	14.5%	26.2%	

Ecommerce

- Increased digital marketing costs -£1.1m
- Volume / Amazon cost savings +£3.1m

Retail

- Store rent and rates uplifts -£1.3m
- New stores impact -£2.0m
- Reduced catalogue and marketing spend £+0.2m

Central

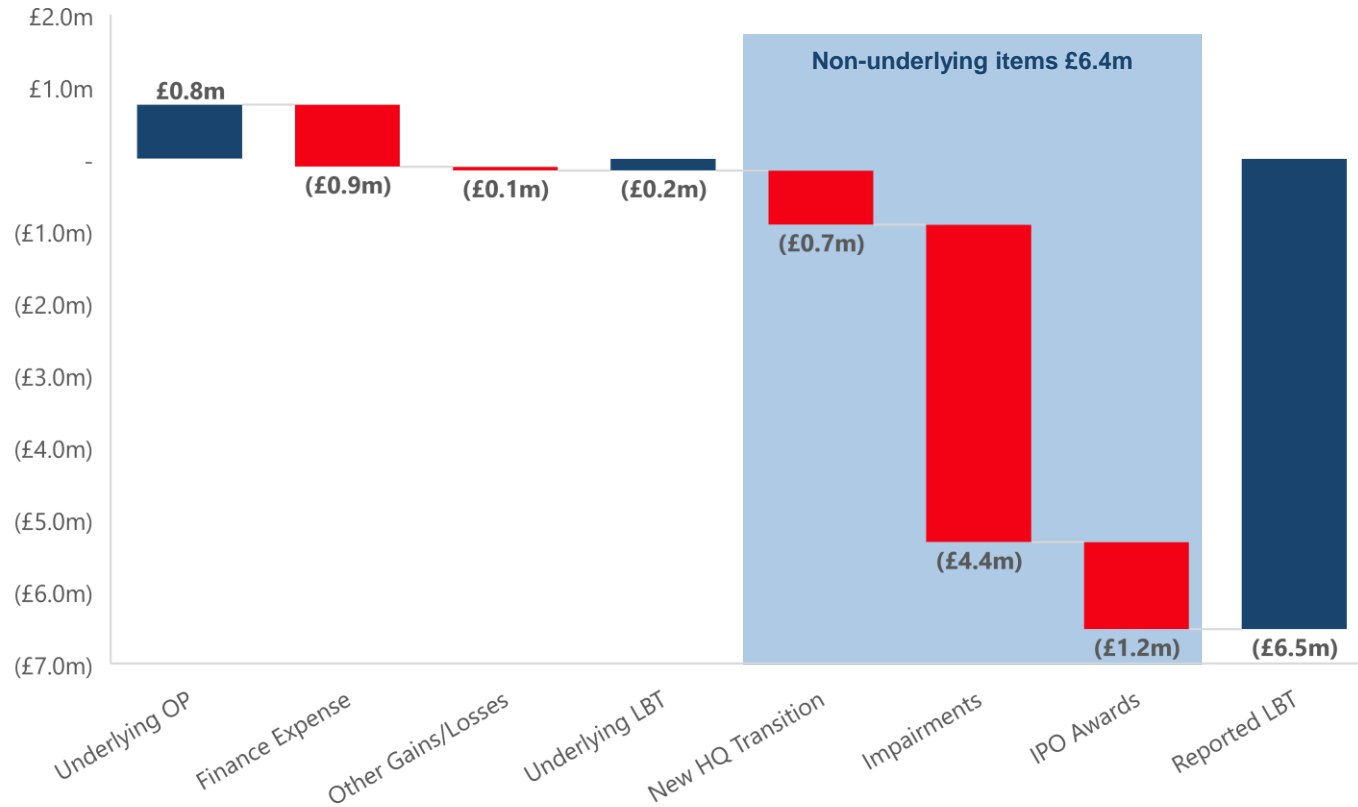
- Annualisation of plc costs post IPO -£1.1m
- Lower brand marketing spend +£1.0m
- Central wage inflation and investment -£0.5m

¹ Underlying operating profit / (loss) presented before non-underlying costs

Profit before tax reconciliation

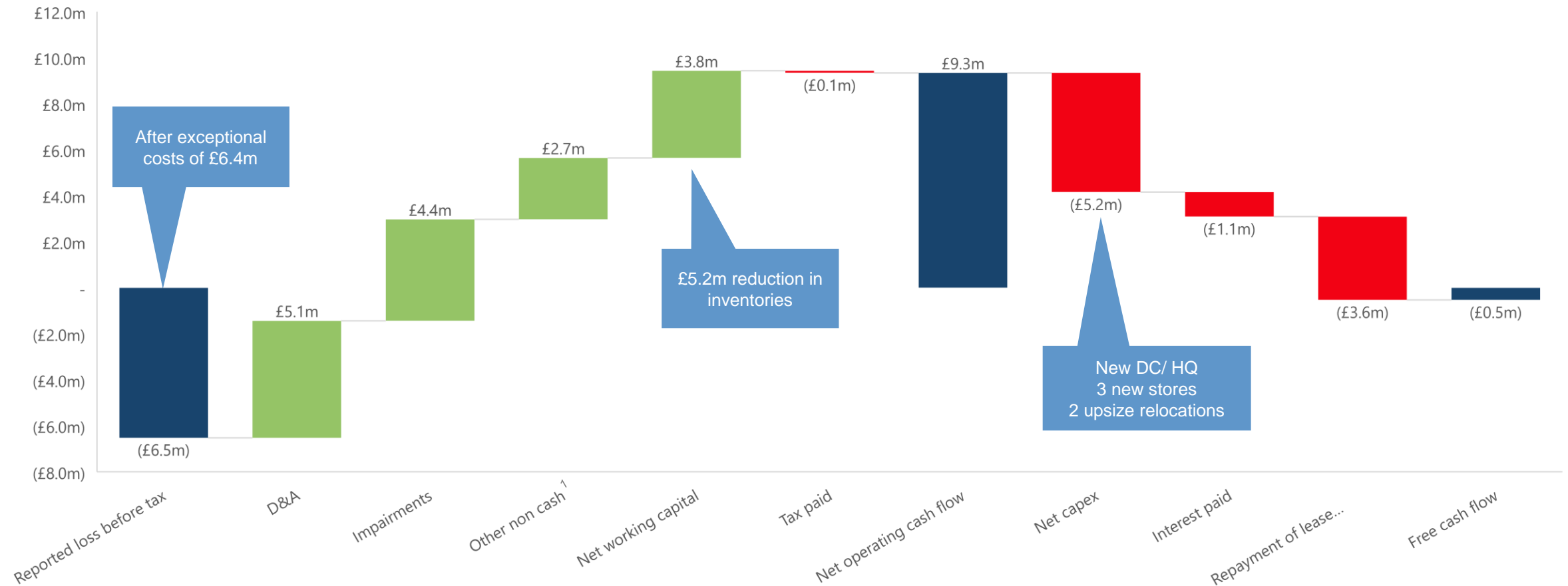
Non-underlying items included the development and transition costs for our new HQ, impairment charges and IPO share based payment awards

Underlying operating profit to reported loss before tax £m



Free cash flow

£2.5m improvement in free cash flow year on year, despite £5.2m investment in new HQ and retail stores, funded by planned inventory reduction



¹ Other non cash includes share based payments and finance expenses



Current trading

Dan Walden

CFO

FY24 Q1 trading results

Challenging conditions persist, but holding market share

£m	Q1 FY24	Q1 FY23	YoY%
Revenue	10.7	11.4	(6.7%)
Ecommerce	3.9	5.1	(24.1%)
Retail	6.8	6.3	7.3%
LFL Revenue¹	10.2	11.1	(7.9%)
LFL Ecommerce	3.9	4.8	(18.8%)
LFL Retail	6.3	6.3	0.2%

- Q1 represents ~15% of full year
- Holding market share
- Excluding Amazon, revenue -3.9% year on year
 - Strong promotional activity online in Q1 LY
- Softer comps ahead including summer heatwave last year

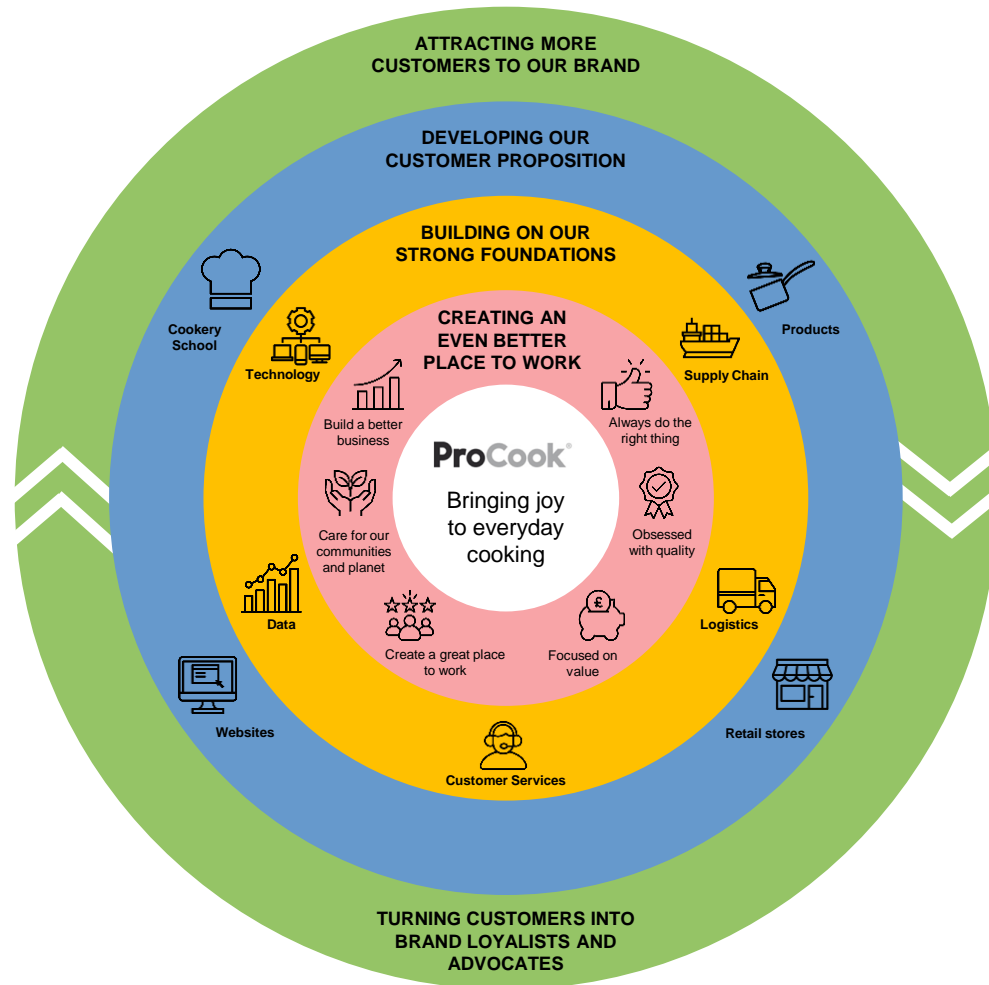
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Our business model

Specialist proposition with clear price advantage, and control over all operations and routes to market



- 1 Price advantage on high quality product range
- 2 Control of own channels, marketing and operations
- 3 Excellent-rated service
- 4 Strong gross margins, well established supplier base
- 5 Profitable on first acquisition
- 6 Bespoke tech, own customer data

FY24 guidance

Our guidance for FY24 remains unchanged

- Cautious about sales growth expectations in difficult trading conditions
 - Broadly flat retail LFLs, 2 new stores
 - Small recovery in website performance
 - Amazon EU exit LY sales impact -£0.8m
- GM% improves through year towards FY22 level
- Cost pressures persist, with investment for growth:
 - Wage inflation ~£1m
 - Brand marketing ~£1m
- More than offset by savings:
 - £3m cost savings plan implemented
 - Amazon channel costs eliminated
- Capex of £1-2m anticipated in FY24
- Net working capital flat





Strategy update

Daniel O'Neill

CEO & Founder

Strategy overview

Becoming the customers' first choice for kitchenware

- 1 Raise brand awareness
- 2 Improve retail service excellence
- 3 Expand our retail estate
- 4 Develop a world class website
- 5 Extend and improve our product ranges
- 6 Deliver efficiencies in logistics



Attracting more customers to our brand

Customer awareness of ProCook remains relatively low, providing a significant opportunity for continued growth

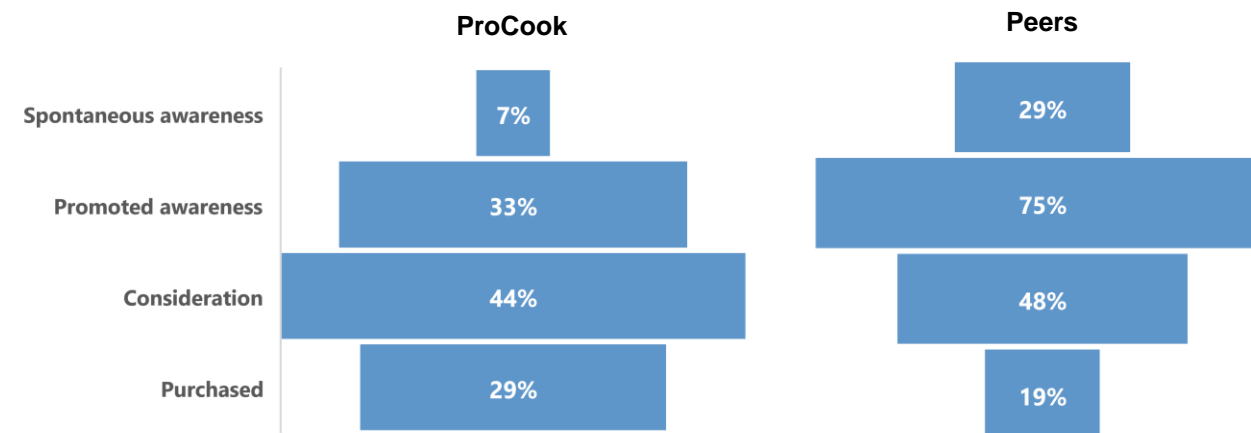
Progress this year

- Attracted 692,000 new customers
- Increased L12M active customers to 994,000
- Implemented new CRM platform

Our priorities for FY24

- Embedding new brand purpose
- Raising brand awareness:
 - Alternative recruitment channels
 - New brand campaigns
- Creating brand loyalists and advocates
 - Improved segmentation
 - Personalised content

Awareness to purchase funnel



Source: YouGov survey January 2023

Our brand purpose

We don't just sell **products**. We design, source and share the right **advice** to help you find what **you need**

Whether you are boiling an egg or cooking a feast, **we are here** for it all

Equipping everyone with the tools to bring joy to everyday cooking

We welcome everyone and want you to find just what you need for **your** kitchen

Even when it feels like a chore, our choice of kitchenware can transform the **experience**

Retail service excellence and expansion

Providing customers a convenient and inspirational shopping experience with exceptional service

Progress this year

- Retained Trustpilot “excellent” rating - 85,000 5 star reviews
- Added 3 new stores and 2 upsize relocations
- Improved conversion and ATV through the year
- Completed retail expansion research

Our priorities for FY24

- Deliver retail service excellence
 - Engagement, training & development
 - Right people at the right time
 - Strengthening management and performance culture
- Expand retail estate
 - Continue to open stores - strict payback criteria
 - Complete upsize relocations for stores with space constraints



Developing a world class website

Our website must be our biggest and best shop to attract, inspire and engage customers

Progress this year

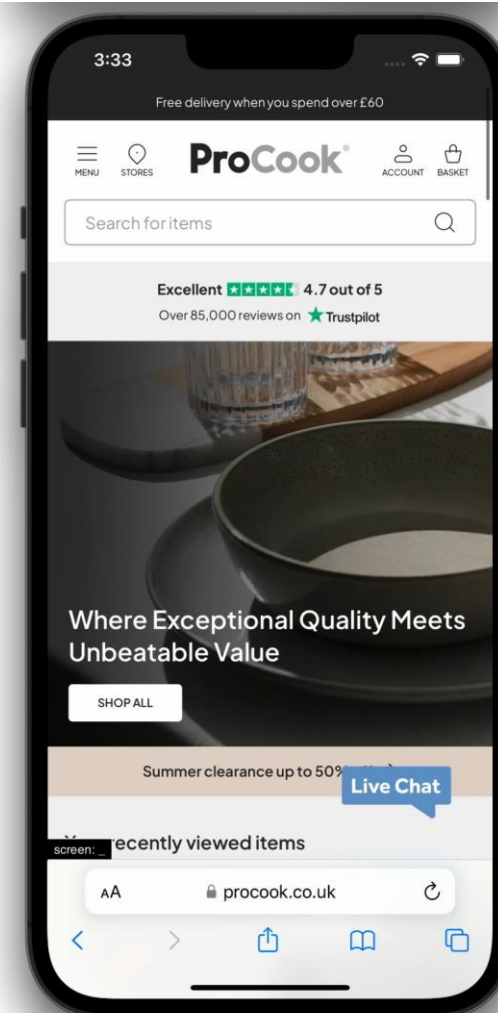
- Exit of Amazon channels to focus on core
- Technical re-platform complete
- Improved UX
- Began UX and redesign project

Our priorities for FY24

- Complete UX and redesign development
- A/B test during Summer 2023, pre-peak
- Change payment providers, adding more choice
- Continue roadmap of experimentation and UX improvements

Website key facts

- 77% of adults are likely to research kitchenware online before making a purchase, either in store or online
- AOV over 2x in-store purchase
- 13.1m customer visits in FY23



Mobile first design

Clean, modern styling

Improved inspiration, clearer messaging

User experience improvements

Improved payment choice

Extend and improve product ranges

We are obsessed about our product quality and the better value we offer customers by cutting out the middle-man. Our new small electricals category will expand our market boundaries

Progress made this year

- Range refresh of 20%
- Designed and ordered phase 1 small electricals
- “Recommended Provider” award by Which?

Our next priorities

- Launch phase 1 small electricals in Autumn, expand range through year
- Introduce more fashion, colour, and space-saving cookware
- Introduce new tableware ranges to offer



Efficient logistics and supply chain

Now we have completed our move into our new DC, our focus is on capturing the operational efficiencies

Progress made this year

- Completed development of new DC & HQ
- Began transition during February 2023

Our priorities for FY24

- Eliminate multiple handling / transport costs
- Add more automation
- Optimise stock file
- Reduce cost in our supply chain



New DC & HQ key facts:

- 167,000 square feet, capacity for 5x volume growth
- Space for office colleagues to collaborate and be more efficient
- BREEAM “Excellent”, highly energy efficient

Summary

Taking bold action to emerge stronger

- FY23 was challenging with disappointing results but was a pivotal year to position our business for future growth
- Market remains difficult, consumers under significant pressure
- Cost pressures remain, but margins improving and cost action being taken
- Protecting cash to invest in areas which support future growth
- Proposition remains highly compelling
- A clear plan to ensure we emerge stronger





Appendices

Creating an even better place to work

Our people are key to our success and we continue to take big steps forward in creating an even better place to work

Progress this year

- Launched Colleague Advisory Panel with appointed NED role
- Improved communications, total reward package and development
- Increased focus on colleague wellbeing, diversity and inclusion
- Great place to Work™ certified second year in a row

Our next priorities

- Embedding our values and purpose in our culture
- Developing our leadership capabilities
- Focused learning and development on identified skills gaps
- Increasing our support to our communities and charity partner Life's a Beach



Reducing our environmental footprint

As a B Corp we are committed to reducing our impact on the environment for the benefit of our stakeholders as a whole

Progress this year

- B Corp certified in September 2022
- Completed our Scope 3 emissions measurement
- Reduced Scope 1 and 2 emissions 17% in year

Our next priorities

- 8-point Net Zero priority plan for FY24
- Continuing transition to green energy in UK
- Continual action to improving our B Corp measures

Certified



This company meets the highest standards of social and environmental impact

Corporation

Progressing to Net Zero – FY24 Action plan

 <p>Policies</p> <p>Strengthen and update environmental and ESG policies (e.g., Purchasing, energy, waste management, human rights)</p>	 <p>Data Quality</p> <p>Identify operational data gaps and improve collection and management (e.g., business travel)</p>	 <p>Environmental Management System (EMS)</p> <p>Improve and fully align EMS documents to ISO14001</p>	 <p>Engage Suppliers</p> <p>Identify key suppliers for initial engagement and understand their environmental targets</p>
 <p>Reduce and Recycle Packaging</p> <p>Continue to improve our product packaging recyclability and remove single-use plastics</p>	 <p>Engagement and Education</p> <p>Develop a communication plan informed by a stakeholder analysis to engage colleagues and achieve cross company commitment</p>	 <p>More Efficient Property</p> <p>Improve store efficiencies. Understand differences in energy usage of similar size ProCook stores to make improvements and reduce overall energy consumption</p>	 <p>Travel</p> <p>Improve WFH and employee commuting data and distribute sustainable travel plans for our new headquarters</p>

Income Statement

£m	FY23			FY22			YoY% (FY22 Underlying)
	Underlying	Non-underlying	Reported	Underlying	Non-underlying	Reported	
Revenue	62.3		62.3	69.2	-	69.2	(9.9%)
Gross profit	38.3		38.3	45.0	-	45.0	(14.9%)
<i>GP%</i>	<i>61.5%</i>		<i>61.5%</i>	<i>65.1%</i>		<i>65.1%</i>	
Net operating costs	(37.6)	(6.2)	(43.8)	(35.9)	(9.4)	(45.3)	4.8%
Operating profit	0.8	(6.2)	(5.4)	9.2	(9.4)	(0.2)	(91.8%)
<i>OP %</i>	<i>1.2%</i>		<i>(8.7%)</i>	<i>13.3%</i>		<i>(0.3%)</i>	
Finance expense	(0.9)	(0.2)	(1.1)	(0.6)	-	(0.6)	38.1%
Other gains/ losses	(0.1)		(0.1)	0.9	-	0.9	(105.8%)
Profit before tax	(0.2)	(6.4)	(6.5)	9.5	(9.4)	0.1	(101.7%)
<i>PBT %</i>	<i>(0.3%)</i>		<i>(10.5%)</i>	<i>13.7%</i>		<i>0.1%</i>	
Taxation	0.0	1.6	1.6	(1.9)	1.7	(0.2)	
Profit for the period	(0.1)	(4.8)	(4.9)	7.6	(7.7)	(0.1)	(101.8%)

Financial position

£m	02 April 23	03 April 22
Non current assets	10.5	7.3
Right of use assets	25.4	21.0
Inventories	11.5	16.8
Trade and other receivables	2.2	2.0
Corporation tax	0.6	0.3
Cash and cash equivalents	2.0	3.8
Total current assets	16.3	22.8
Trade and other payables	(7.3)	(8.3)
Lease liabilities	(2.8)	(2.8)
Borrowings	(4.7)	(5.5)
Other current liabilities	(0.2)	(0.2)
Total current liabilities	(15.0)	(16.8)
Lease liabilities	(26.4)	(16.7)
Other non-current liabilities	(1.6)	(0.4)
Total non current liabilities	(28.0)	(17.1)
Net assets	9.3	9.5

Cash flow and financing facilities

£m	FY23	FY22
Reported (loss)/profit before tax	(6.5)	0.1
Depreciation, amortisation, impairment and profit/loss on disposal	5.1	4.1
Impairments	4.4	
Share based payments	1.1	5.8
Net working capital	3.8	(3.2)
Finance expense	1.1	0.6
Unrealised FX (gains)/losses	0.5	(1.1)
Tax paid	(0.1)	(2.0)
Net operating cash flow	9.3	4.3
Net capital expenditure	(5.2)	(3.8)
Interest	(1.1)	(0.6)
Payment of lease liabilities	(3.6)	(2.9)
Free Cash Flow	(0.5)	(3.0)
Dividends	(0.3)	(1.9)
Proceeds from share issue	-	0.1
Change in borrowings	(1.0)	2.8
Net movement in cash and cash equivalents	(1.8)	(2.1)
Cash	2.0	3.8
Borrowings	(4.8)	(5.5)
Net debt / cash	(2.8)	(1.8)

Revolving credit facility

Facility	£10.0m
Expiry	April 2025
Committed	Yes
Covenants¹	
Leverage: (net debt : EBITDA)	<2.0x
Fixed charge cover: (EBITDAR : Fixed charges) Q4 FY23 & Q1 FY24	>1.25x
Fixed charge cover: (EBITDAR : Fixed charges) Q2 FY24 onwards	>1.4x

Trade finance facility

Facility	£6.0m
Expiry	September 2023
Committed	No
KPI tests	
KPI: Stock ratio (Inventory : facility)	>1.5x

¹ Covenants are tested quarterly and calculated on a pre-IFRS 16 basis.

Glossary of terms

12m	12 month full financial year period	GP	Gross profit
%pts	Percentage points	H1	First half of the financial year (28 weeks)
AOV	Average Order Value (ex-VAT)	H2	Second half of the financial year (24 weeks)
ATV	Average Transaction Value (ex-VAT)	IPO	Initial Public Offering
bps	Basis points	L12M	Last 12 Months
BREEAM	Building Research Establishment Environmental Assessment Method	LBT	Loss before tax
CPIH	Consumer Prices Index including owner occupiers' Housing costs	LFL	Like for Like ¹
D2C	Direct to Consumer	LY	Last financial year
DC	Distribution centre	ONS	Office for National Statistics
EBITDA	Earnings before interest, taxes, depreciation and amortisation	OP	Operating profit
EBITDAR	Earnings before interest, taxes, depreciation, amortisation and rents	PBT	Profit before tax
EU	European Union	UX	User experience
FY	Financial Year	YoY	Year on Year (same financial weeks)
GM	Gross margin	Yo3Y	Year on three Year (same financial weeks)
		YTD	Year to date

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