



Quidco overview & update to financial reporting

February 2022

How Quidco works for users

The Quidco website or app provides access to cashback across retail, travel and other services

- Users must sign up and log in
- They activate an offer by clicking through from Quidco to the merchant site to make a transaction
- Assuming the user does transact then after a certain period, the merchant pays Quidco
- Quidco places the cashback into the user wallet
- The user can withdraw as cash or exchange for a voucher

The model drives high engagement and frequency

- Around 1m transacting users in the past year, who earned cashback on average 11x during the year
- 10m registered members (all-time sign-ups)

Two-tier membership model with purchase volumes roughly evenly split

Basic

Free
Access to full range of merchants

Premium

£1 in any month in which user transacts
Higher cashback rates and payout bonuses
Ad-free experience
Can shift to Basic at any point

How Quidco works for merchants

Quidco represents an attractive marketing channel for wide range of merchants

- Drive incremental volume by subsidising to high-intent customers within a closed environment
- Ability to advertise on site within relevant categories and against specific search terms

Purchases are tracked through affiliate networks

- Users click through to the merchant via an affiliate network (e.g. Awin) which drops a cookie on their device, allowing purchases to be tracked
- Once the merchant validates the purchase, usually after the expiry of the return period, the cashback is confirmed and paid
- The process from purchase to payment can take 3-6 months

4,500 merchants across retail, travel, telecoms and financial services

M&S
EST. 1884

Boots

currys

Booking.com

MONEY
SUPERMARKET

SELFRIDGES&CO

ao

GAP

AVIVA

ebay

sky

LOOKFANTASTIC

Quidco financial reporting within MSMG

Quidco will be reported as a separate segment, "cashback".

In FY21, Quidco is consolidated from 1 November 2021, the date the acquisition completed.

Following the acquisition, we have aligned Quidco financial reporting with MSMG accounting policies and IFRS (Quidco previously reported under UK GAAP). EBITDA is not impacted, however there are two changes to disclosure:

1. Certain costs directly incurred by Quidco to drive user retention and engagement, but which are only incurred when the user completes a transaction, will be moved from operating costs to cost of sales. For example, these include temporary promotions with elevated cashback for a particular merchant.
 - For Quidco's financial year to 31 July 2021, these costs totalled £4.5m
2. In line with IFRS-15, the fees payable by users for premium membership will be accounted for as a reduction in cost of sales, rather than as revenue. This is because currently this membership fee is for cashback-related incentives, payable if the user completes a transaction.
 - For Quidco's financial year to 31 July 2021, these totalled £2.5m

Overview of Quidco financials – adjusted to MSMG accounting policies and IFRS

Y/E 31-Jul-21 (unaudited)	Quidco reporting £m	MSMG accounting policy reporting £m	Comment
Revenue	59.2	56.7	<p>£44.8m of commission for sales generation:</p> <ul style="list-style-type: none"> Majority is the cashback earned by users (not the value of the item purchased) Other revenue now <i>excludes</i> premium membership fees (£2.5m) - <i>see previous slide</i> <p>£11.9m of activity based marketing fees including:</p> <ul style="list-style-type: none"> Merchant fees for prominent advertising on the Quidco site and emails Merchant bonuses for driving traffic to that merchant
Cost of sales	(37.8)	(39.8)	<ul style="list-style-type: none"> Majority of commission offset by cashback paid to users Balances from user accounts that have been inactive for 12 months are removed from creditors and recognised as income within cost of sales Now <i>includes</i> user engagement bonuses (£4.5m cost) net of premium membership fees (£2.5m income, previously included as revenue) – <i>see previous slide</i>
Gross profit	21.4	16.9	
Admin expenses	(13.5)	(9.0)	<ul style="list-style-type: none"> Staff costs Marketing costs (not linked to a user transaction) Now <i>excludes</i> user engagement bonuses (£4.5m) moved to cost of sales
EBITDA	7.9	7.9	

As a result of the transaction we will see a 'gross up' of our balance sheet arising from a greater liability of c.£40m cashback owed to Quidco users and c.£20m current receivables from merchants.