EDISON

QuickView

TheWorks.co.uk

Consumer

24 July 2026

Turning recovery into growth

TheWorks.co.uk's FY26 results mark an important inflection point in the company's investment case. Management has spent the past 18 months focused on fixing the economics of the business by improving product margins, simplifying the operating model and repositioning around affordable screen-free activities. The operational improvements have rebuilt profitability, which now allows management to move to investing in and growing the business.

Building on a stronger foundation

The operational turnaround and foundations of the company's next phase, being more focused on growth, are visible. Product gross margin has improved by 460bp in the last two financial years, and pre-IFRS 16 adjusted EBITDA increased by 47% to £14m in FY26 despite significant cost inflation. Store optimisation, from a product perspective, remains surprisingly manual, creating opportunities to improve ranging and space productivity through better customer data and new systems. Store expansion also remains an important opportunity with management reiterating its ambition for at least 600 stores in the long term on an FY26 base of 508, while suggesting openings could accelerate if suitable sites become available. The closure of the transactional website reflects a disciplined approach to capital allocation, redirecting resources away from a structurally less profitable channel towards strengthening the store estate and the brand.

Increasing appeal to customers is evident

The strongest evidence the strategy is gaining traction is in customer behaviour, with growth in customer numbers and transaction values. Like-for-like (l-f-l) sales increased by 3.3% in FY26, with an accelerating trend through Q4, followed by further improvement in the first 11 weeks of FY27, with an eye-catching 8.8% growth that compounds a strong comparative of 7% at the start of FY26. The growth is attributed to initial store optimisation and footfall from some prior online customers.

Attractive medium-term growth outlook

From an FY26 base for pre-IFRS 16 adjusted EBITDA of £14m, management reiterated its FY27 guidance of £15m and FY30 goal of at least £22.5m, the latter representing a CAGR of c 13%. Management believes earnings growth will increasingly be generated from a combination of higher store productivity, selective estate expansion, strong l-f-l sales growth and modest operating leverage rather than further significant step changes in product gross margin. The investment is expected to be funded from the stronger cash generation.

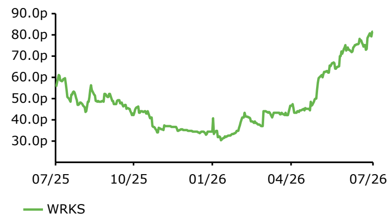
Historical financials and consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	P/E (x)
4/25	252.2	5.0	7.26	11.2
4/26	260.0	7.2	9.09	9.0
4/27e	270.3	7.9	9.49	8.6
4/28e	285.0	9.3	11.12	7.3

Source: Company accounts, LSEG Data & Analytics.

Price	81.40p
Market cap	£51m

Share price performance



Share details

Code	WRKS
Listing	AIM
Shares in issue	62.5m
Net cash/(debt) at 3 May 2026 (excluding IFRS 16 liabilities of £81.9m)	£3.6m

Business description

TheWorks.co.uk is a UK-based retailer with a focus on affordable, screen-free activities for the whole family. Its core product categories include arts and crafts, stationery, toys, games and books.

Bull points

- Multiple self-help opportunities, including store optimisation, data-driven ranging and implementation of new systems.
- Strong growth potential from new store openings and introduction of new products.
- Investment is self-funded and there is potential to reinstate shareholder returns in medium term.

Bear points

- Exposed to consumer discretionary income.
- Future margin improvements more reliant on delivering sustainable sales growth and successful investment.
- Management acknowledges consumer consideration remains below larger competitors, making marketing execution important.

Analysts

Russell Pointon +44 (0)20 3077 5700

Chloe Wong +44 (0)20 3077 5700

consumer@edisongroup.com

Edison profile page

EDISON QUICKVIEWS ARE NORMALLY ONE-OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

General disclaimer and copyright

Australia

New Zealand

United Kingdom

United States

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom