

16 September 2014

N Brown Group plc

Where Fashion Fits

Trading Update for the 26 Weeks to 30 August 2014

Flagship Oxford Street store opens for Simply Be/Jacamo

N Brown Group, the online, catalogue and stores retailer, today announces a trading update for the 26 weeks to 30th August 2014.

Highlights:

- First half group revenues were down by 0.6%, (-0.5% like-for-like).
 - JD Williams brand sales down 3% in the half but new customers up 20% for this season to date.
 - Performance of Simply Be and Jacamo fashion ranges were up 4% and 10% respectively.
 - Store like-for-like sales were strong at +17%.
 - Demand for our product in the USA was up 16%.
 - Active customer base increased by 3.7%.
 - The quality and profitability of sales has improved.
- Transitional year progressing well.
 - Home & Gift sales down 9%, with improved profitability, due to planned reduction in non-core home and electrical ranges.
 - Planned phasing adjustments to Simply Be & JD Williams fashion ranges has impacted sales in the half.
 - Marketing investment in catalogues was reduced by 24%. This was most significant from July and contributed to sales being down 3.2% in the second quarter. Spend has moved into customer recruitment and has been re-phased to the second half.
 - Financial income is down 1.0% in the half due to lower charges.
- With these substantial product, marketing and other activities re-phased to the second half, we remain on track to deliver our year end forecast.
- Online penetration is at 58%, +1.0% year-on-year, fuelled by online recruitment.
- Lorraine Kelly and Kelly Brook appointed brand ambassadors for JD Williams & Simply Be.
- Our latest Simply Be/Jacamo dual branded store opens tomorrow on Oxford Street.
- US Credit offer launched.
- Systems development programme on track, now led by new CIO - Andy Haywood.

Angela Spindler, Chief Executive, commented:

“During the second quarter we have sharply accelerated the pace of our drive to be the global retailer famous for making shopping for fashion easy and enjoyable regardless of size. We have pushed on with our programme of far-reaching change aimed at modernising the way we operate and how we go to market, equipping the business to capitalise on the attractive long-term opportunities we see in our space. The combined effect of changes to our category focus, the planned reduction in credit sales from high risk areas and the reduction and re-phasing of our mailing programme has reduced revenues in the half, however we have improved the quality and profitability of our sales.

“I am pleased with progress so far; the team is implementing the plan effectively, delivering our differentiated offer for customers and continuing N Brown’s record of strong financial performance. With a strong activity plan for the second half we are on track to deliver our full year forecast.”

TRADING & STRATEGY UPDATE

Our programme of change has gathered pace during the first period as we implement the strategy we laid out in February 2014 to position the Group for long-term growth.

- **Re-shaping our marketing programme**

We have continued to re-shape the quantum and the timing of our direct mail and other marketing activities. The phasing of our marketing is now more aligned to the way consumers shop. This year's step re-alignment will move us from a 50:50 to a more normal seasonal ratio of 40:60 for Spring/Summer vs. Autumn/Winter.

In addition to these phasing changes, we have significantly reduced the weight of direct mail sent to customers in the quarter and for the half overall. We have shifted spend into new recruitment activities. For instance, since the start of the autumn winter season (from July) mailings to JD Williams customers are down 26% year-on-year, however new customers are up by an encouraging 20%, this will have a positive impact on next seasons revenues.

Despite the impact on recruitment of our new credit rules (see below) our overall active customer base continues to grow strongly, up 3.7% year-on-year.

This is a transitional year in which we are moving further away from a traditional mail order model and the changes we are implementing have had the effect of slowing sales growth in the first half and deferring some of our annual sales into the second half.

- **Realigning the product offer**

We are making good progress modernising our fashion offer for JD Williams. The new Lorraine Kelly range is working well and attracting customers. We will provide a more detailed update in our interim results statement.

In womenswear our dresses range, Fast Fashion offer and swimwear have all performed strongly. In menswear we have seen good growth, helped by sales of cargo shorts and t-shirts. Sales, year-on-year, have been more challenging in areas like knitwear and outerwear and boots, which are up against tough comparatives, however these are showing signs of recovery.

Overall Home & Gift category sales in the half were down 9% year-on-year – in line with plan. This is as a consequence of our decision to reduce sales from high bad debt risk, low margin, categories (eg. electrical sales were down 25% for the half). Home & Gift was also impacted by the reduction in our mailing programme, with investment deferred into the second half. As a result of these changes we have seen an improvement in contribution from the Home and Gift category.

These initiatives have significantly improved the quality of our sales whilst reducing like-for-like sales growth in the second quarter by around two percentage points. The £8m impact of the credit policy changes on headline sales growth is in line with guidance given at our Preliminary Results in May. We will begin to annualise on these impacts from the end of this month.

- **Evolving the channel mix**

We continue to improve our customers' experience online, in stores and through our contact centres. Online remains our key channel and participation grew again to just over 58% in the quarter. Traffic from mobile devices and tablets continues to grow and now accounts for 48% of the total (up from 35% last year) and 36.5% of demand (up from 26%). We launched a number of systems enhancements in the quarter to further improve our mobile optimisation ahead of Christmas trading.

Our stores channel continues to perform well, delivering like-for-like growth of 17% for the half. Our new store in Belfast opened in August and delivered record opening sales. Tomorrow we open our flagship store on Oxford Street. The store is the most size-inclusive store in town and benefits from the latest developments in in-store technology driving ease of shop, speed of

service and choice. Following the Oxford Street opening we will open a further three stores before Christmas, taking the total to 14 stores as we exit the calendar year.

- **Launching our brand ambassadors**

In July, we launched Lorraine Kelly as our Brand Ambassador for JD Williams. Sales of her endorsed range were strong and she features in the TV advert on air from 5th September, our association with her has attracted a good deal of positive PR coverage.

In August, we announced that Kelly Brook will be the new Brand Ambassador for Simply Be. Kelly's collection will feature in our Autumn range launched in September. She will also star in our Autumn Simply Be TV campaign.

- **Cash Payment option for customers**

We have improved the flexibility of our proposition by introducing the option for new customers to pay by debit or credit card. This has resulted in an increased level of cash-based payments which is both in line with our expectations and stable at around 32% of new account set-ups, accounting for around 30% of accepted demand from new customers. In addition, order rates for cash customers are running just five percentage points lower than non-rolling account holders. Across our core brands, cash accounts for 5% of overall demand.

Through the first and second quarter we have seen a marked reduction in the number of customers in arrears. As expected, the financial income has reduced and is down 1.0% year-on-year due to a reduction in administration charges.

- **Transforming our systems infrastructure**

Our systems infrastructure project, which is a key enabler for our business transformation, is on track and is now being led by Andy Haywood, our new CIO who has joined us from the Co-op and has significant experience in successfully delivering business transformation programmes in Asda, HBOS and Boots. The major activity in the quarter has been the completion of high level design across the functions and processes in the business. We are now moving into the implementation phase for our first main release.

- **Outlook**

This is a transitional year for the business. Two weeks into September we remain on track to deliver our full year forecast. The adjustment to the profile of our marketing investment impacts from October and is designed to underpin peak seasonal trading up to the end of the calendar year. This, coupled with weaker comparatives, underpins our confidence in achieving the full year outturn. We will update on this at the interim results.

N Brown Group plc will be announcing Interim Results to the 30th August 2014 on the 9th October 2014.

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