

19 January 2017



Q3 TRADING STATEMENT

DOUBLE DIGIT GROWTH IN LADIESWEAR DRIVES STRONG PERFORMANCE STRATEGIC TRANSFORMATION ON TRACK

N Brown, the leading multi-channel, specialist fit fashion retailer, issues the following trading update covering the 18 week period to 31 December 2016.

Q3 financial highlights:

- Group revenue +4.1%
- Product revenue +5.9%
- Financial services revenue -0.5%, diluted by non-interest lines
- On track to meet full year expectations

Q3 strategic highlights:

- Online revenue up 12%, with penetration now 70%, up 4ppts year-on-year
- 77% of new customer demand generated online
- Strong performance of Power Brands:
 - Revenue up 10%
 - Active customer file up 13%
- Quality of the debtor book significantly improved
- Christmas trading driven by record Cyber fortnight

Revenue growth yoy	FY16/17		
	Q1 (13wks)	Q2 (13wks)	Q3 (18wks)
Product	-1.6%	+2.7%	+5.9%
Financial Services	+3.4%	+0.7%	-0.5%
Group	-0.2%	+2.1%	+4.1%

Angela Spindler, CEO, commented:

"I am pleased to report a good trading period, with standout performances from Ladieswear and the Simply Be brand. All key brands and categories grew in the period, including our Traditional titles which had diluted performance in the first half.

Online sales were up 12%, accounting for 70% of Group revenue. Mobile devices made up 72% of traffic and conversion on mobile devices continues to improve.

We are benefitting from improved trading agility as a result of the transformational changes we have made. This was reinforced by our performance across Cyber fortnight which resulted in two record-breaking weeks for the business. In light of our trading performance, as we approach the year-end, we are comfortable with current market expectations.

We are operating in what continues to be a challenging period for the industry and are still in the process of delivering some key elements of our transformation plan. I am, however, very pleased with the progress we are making.”

Q3 performance

Retail

We continue to focus on driving our three Power Brands – JD Williams, Simply Be and Jacamo – and this strategy worked well during the period. Power Brand revenue was up 10% and the active customer file increased by 13%, outperforming the total active customer file which was flat.

As previously disclosed, we are in the process of migrating customers from the Fifty Plus title into the JD Williams brand. This process is on track and, although it still represents a headwind, this has materially lessened, with Fifty Plus broadly flat year-on-year.

The JD Williams brand achieved double-digit revenue growth, with online performance especially strong. Our new “The Cut” collection, featuring current season styles at excellent value price points, significantly exceeded our expectations. If we include the Fifty Plus title, revenue of JD Williams overall was up high single-digit year-on-year.

Simply Be revenue grew double-digit year-on-year, driven by our continued improvements in the product range and a strong online marketing campaign.

Jacamo grew mid single-digit, against a tough comparative last year. We continue to champion diversity in male fashion, with our Real Man Runway model search and recent #FashionForEveryMan demonstration both attracting great customer and media attention.

The Support Brands and Traditional segment both recorded low single-digit revenue growth. Within the Support Brands the strongest performer was Fashion World. The Traditional titles are now back into positive year-on-year growth, benefitting from the actions we took to improve product and presentation over the season.

At the category level, Ladieswear recorded the strongest growth by some measure, up double-digit. Menswear and Homewares both recorded mid-single digit revenue growth year-on-year, and Footwear was flat. Encouragingly, we saw a further improvement in Group returns rate year-on-year.

Overall, online penetration increased 4ppts year-on-year to 70%, with total online sales up 12%. A record 77% of new customer demand was generated online during the period, up 2ppts year-on-year. Order frequency and units per basket both recorded good year-on-year growth, whilst average selling price was slightly down, as planned, as we invested in price.

During the period mobile devices generated 72% of all traffic, up 5ppts year-on-year. Within this, smartphones now account for 49% of all traffic and smartphone conversion increased by 7% year-

on-year. Overall, the significant increase in traffic from this device type, which naturally has a lower conversion rate, meant that the overall rate was slightly down, as expected.

We launched our new USA website in September, slightly later than initially planned, as communicated in our first half results. This impacted performance through peak, as expected, with revenue down 3.5% year-on-year (19% on a constant currency basis). The site is performing well and we remain very confident in the market opportunity going forward.

Financial Services

During the period Financial Services revenue was marginally down year-on-year. This masks two moving parts, with interest received up and non-interest lines such as admin charges down, as we continue to improve the quality of the debt book. This resulted in higher overall gross profit from Financial Services, and we have therefore upgraded our gross margin guidance for the year, as detailed below.

During the period we launched a trial of differing interest rates for new customers. Whilst it is too soon to assess the trial fully, the initial view is encouraging.

Fit 4 the Future

Fit 4 the Future, our systems transformation project, is on track. The first UK site, which will be High & Mighty, is still planned for Q1 FY18. In Q3, we will now be launching Fashion World instead of Simply Be as previously announced. Fashion World is similar to Simply Be in terms of its online penetration, and it also has a greater proportion of Financial Services usage. There is no change to the overall programme costs and benefits, or to the timing of these.

The launch of the new Fashion World site represents the point in the project where the majority of the online customer functionality will have landed, and we will then be able to significantly step down the programme. Site rollout, including Simply Be, will then be moved into normal business activity. We continue to expect rollout to finish by summer 2018.

Full Year 16/17 Guidance

Updates:

- Product gross margin guidance range narrowed to -100bps to -150bps (from -50bps to -150bps) due to focussed and planned promotions
- Financial Services gross margin guidance improved to +75bps to +125bps (from +50bps to -50bps) due to continued improvement in the quality of the credit book
- Group operating costs (excluding Depreciation & Amortisation) range narrowed to +3% to +4% (from +2% to +4%) predominantly due to higher volumes
- Depreciation & Amortisation £28m to £29m (from £29m to £30m)

All other guidance remains unchanged from that provided at the half year results:

- Net interest costs £8m to £9m
- Tax rate c.20%
- Net debt £280m to £300m
- Exceptional costs of c.£12m
- Capex c.£40m
- FY17 will be a 53-week year, this will result in a PBT benefit of c.£2m
- The above guidance is all given on the basis of a 52-week year

Analyst conference call

CEO Angela Spindler and CFO Craig Lovelace will be hosting a conference call for investors and analysts at 8.30am. Please contact MHP (gina.bell@mhpc.com) for dial-in details.

Reporting calendar

We will be announcing our full year results on 27th April 2017.

Market expectations

The Board considers that market expectations for FY17 are best defined by forecasts published by analysts who consistently follow the Group. The current consensus 52-week Trading PBT as at 16 January 2017, of which the Board is aware, is £79.5m (range: £77.1m to £81.5m).

About N Brown Group:

An expert in fashion that fits and flatters, N Brown is one of the UK's leading digital retailers. Its key retail brands are JD Williams, Simply Be and Jacamo. It offers an extensive range of products, predominantly clothing, footwear and homewares. N Brown is all about democratising fashion and is size inclusive, focusing on the needs of underserved customer groups – size 20+ and age 50+.

N Brown is headquartered in Manchester where it designs, sources and creates its product offer, and employs over 2,600 people across the UK.

For further information:

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