



# H1 FY20 RESULTS

10 October 2019



# **AGENDA**

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## **INTRODUCTION**

Steve Johnson, CEO

## **FINANCIAL REVIEW**

Craig Lovelace, CFO

## **REVIEW OF H1**

Steve Johnson, CEO

## **STRATEGIC PROGRESS**

Steve Johnson, CEO







# **STEVE JOHNSON, CEO**

## Introduction



# HIGHLIGHTS

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**4 FOCUSED WOMENSWEAR & MENSWEAR BRANDS**  
**DIGITAL REVENUE GROWTH +5%**

**DIGITAL PRODUCT REVENUE 84% +4PPTS**

**OPERATING COSTS DOWN 9.5%**

**ADJUSTED EBITDA £54.1M +4.0%**

**ADJUSTED PBT £31.8M +3.9%**



A man with short brown hair and a light beard, wearing a light blue short-sleeved button-down shirt and khaki pants, is sitting in a locker room. He is looking directly at the camera with a serious expression. The background consists of red lockers with black handles and numbers. The lighting is dramatic, with the man's face and shirt well-lit against the darker background.

# **CRAIG LOVELACE, CFO**

## Financial Review

15

9

# REVENUE

£m	H1 FY20	H1 FY19	Change
JD Williams	75.7	78.6	-3.7%
Simply Be	60.9	59.7	+2.0%
Ambrose Wilson	23.2	27.1	-14.4%
<b>Womenswear</b>	<b>159.8</b>	<b>165.4</b>	<b>-3.4%</b>
<b>Menswear</b>	<b>32.4</b>	<b>30.7</b>	<b>5.5%</b>
Product Brands	88.1	102.8	-14.3%
<b>Product revenue<sup>1</sup></b>	<b>280.3</b>	<b>298.9</b>	<b>-6.2%</b>
USA	2.0	5.6	-64.3%
Stores	-	6.9	-100%
<b>Total Product revenue</b>	<b>282.3</b>	<b>311.4</b>	<b>-9.3%</b>
<b>Financial Services revenue</b>	<b>150.6</b>	<b>146.4</b>	<b>+2.9%</b>
<b>Total revenue</b>	<b>432.9</b>	<b>457.8</b>	<b>-5.4%</b>

1. Product revenue excluding stores and USA

# GROSS PROFIT

£m	H1 FY20	H1 FY19	Change
<b>Product</b>			
Revenue	282.3	311.4	-9.3%
Gross Profit	145.3	166.3	-12.6%
Gross Margin	51.5%	53.4%	-190bps
<b>Financial Services</b>			
Revenue	150.6	146.4	+2.9%
Gross Profit	86.5	82.0	+5.5%
Gross Margin	57.4%	56.0%	+140bps
<b>Group</b>			
Group Gross Profit	231.8	248.3	-6.6%
Group Gross Margin	53.5%	54.2%	-70bps

# EBITDA

£m

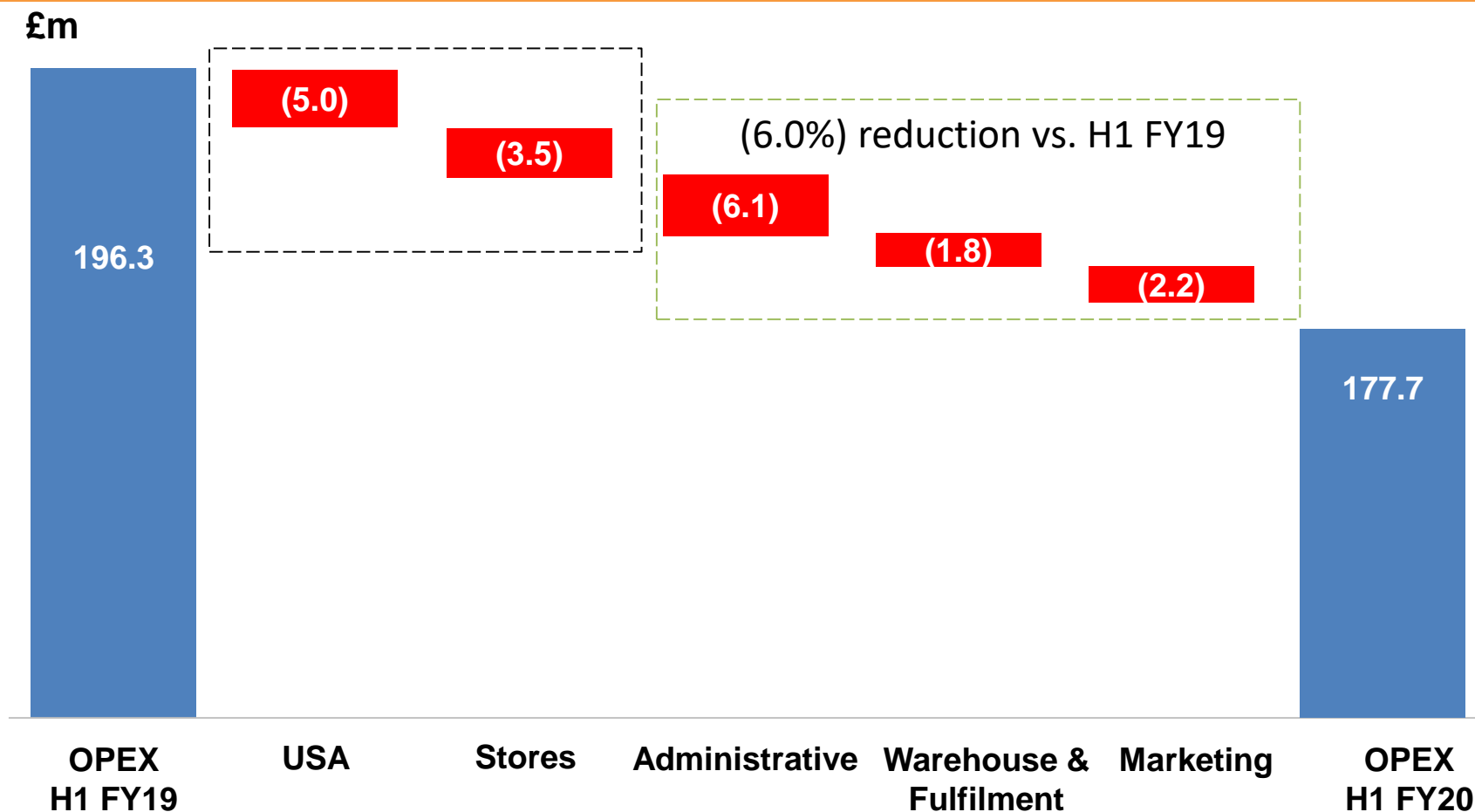




## OPERATING EXPENSES AND EBITDA

£m	H1 FY20	H1 FY19	Change
Group Gross Profit	231.8	248.3	-6.6%
Warehouse & Fulfilment	(39.9)	(42.4)	-5.9%
Marketing & Production	(78.4)	(84.4)	-7.1%
Admin & Payroll	(59.4)	(69.5)	-14.5%
<b>Total Operating Costs</b>	<b>(177.7)</b>	<b>(196.3)</b>	<b>-9.5%</b>
Adjusted EBITDA	54.1	52.0	+4.0 %
Adjusted EBITDA Margin	12.5%	11.4%	+110bps
Depreciation & Amortisation	(14.4)	(14.9)	-3.4%
Operating Profit	39.7	37.1	+7.0%
Operating Profit Margin	9.2%	8.1%	+110bps

# OPERATING EXPENSES BRIDGE





## GROUP PROFIT

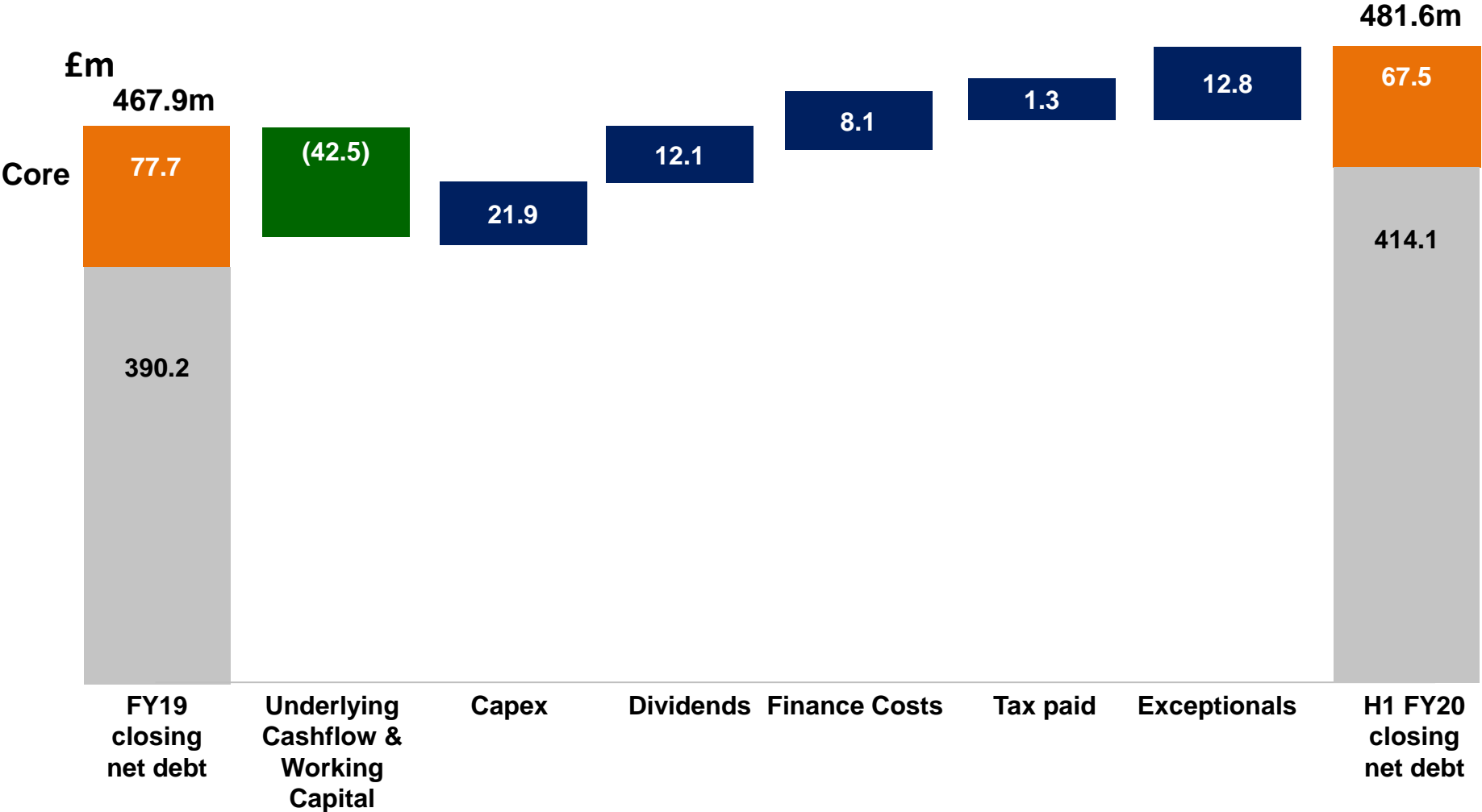
£m	H1 FY20	H1 FY19
Operating Profit	39.7	37.1
Net Finance Costs	(7.9)	(6.5)
Adjusted Profit Before Tax	31.8	30.6
Exceptional Costs	(25.0)	(65.4)
Unrealised FX Movement	12.0	7.7
Profit / (Loss) Before Tax	18.8	(27.1)
Taxation	(4.7)	1.1
Net Profit / (Loss)	14.1	(26.0)

## EXCEPTIONAL ITEMS

£m	H1 FY20	H2 FY19	H1 FY19
Customer redress	25.0	22.6	22.4
Store closure costs	-	-	22.0
Impairment of intangible assets & brands	-	1.7	18.3
VAT debtor impairment	-	49.4	-
External costs in relation to tax	-	6.2	2.7
GMP Equalisation	-	0.3	-
<b>Total</b>	<b>25.0</b>	<b>80.2</b>	<b>65.4</b>



**NET DEBT**



## US DOLLAR HEDGING

£m	% Hedged	Hedge Rate
FY20 H2	100%	1.36
FY21	69%	1.32

- Fully hedged at 1.36 for the remainder of this financial year
- Solidly placed to mitigate short-term impact of currency volatility



## FINANCIAL SERVICES

£m	H1 FY20	H1 FY19	Change
Gross Customer Loan Balances	658.0	677.6	-2.9%
IFRS 9 Bad Debt Provision	(78.2)	(111.9)	-30.1%
IFRS 9 Provision Ratio	11.9%	16.5%	-460bps
Net Customer Loan Balances	579.8	565.7	+2.5%

	H1 FY20	H1 FY19	Change
Customer Account Arrears (>28 days)	9.0%	9.7%	-70bps

# FINANCIAL SERVICES

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- Continued focus on improving the financial services proposition to support customer acquisition and retention
- Initiatives underway include:
  - 0% interest offers for new and existing customers, competitive headline rates across Simply Be, Jacamo and JD Williams
  - Offering larger initial limits (up to £850) to eligible customers to support the sale of higher value items
- Enhancement to creditworthiness assessment through new partnership with Aire launched in October



# FY20 GUIDANCE



	New Guidance	Previous Guidance
Product gross margin	-50bps to -150bps	Flat to -100 bps
Financial services gross margin	Flat to +100bps	Flat to -100 bps
Operating costs	-3.5% to -5.5%	-2.5% to -4.5%
Depreciation & amortisation	£31 to £33m	£31m to £33m
Net interest	£18m to £19m	£17m to £18m
Tax rate	20% to 21%	20% to 21%
Capex	£35m to £40m	£35m to £40m
Net debt	£470m to £490m	£440m to £460m





# **STEVE JOHNSON, CEO**

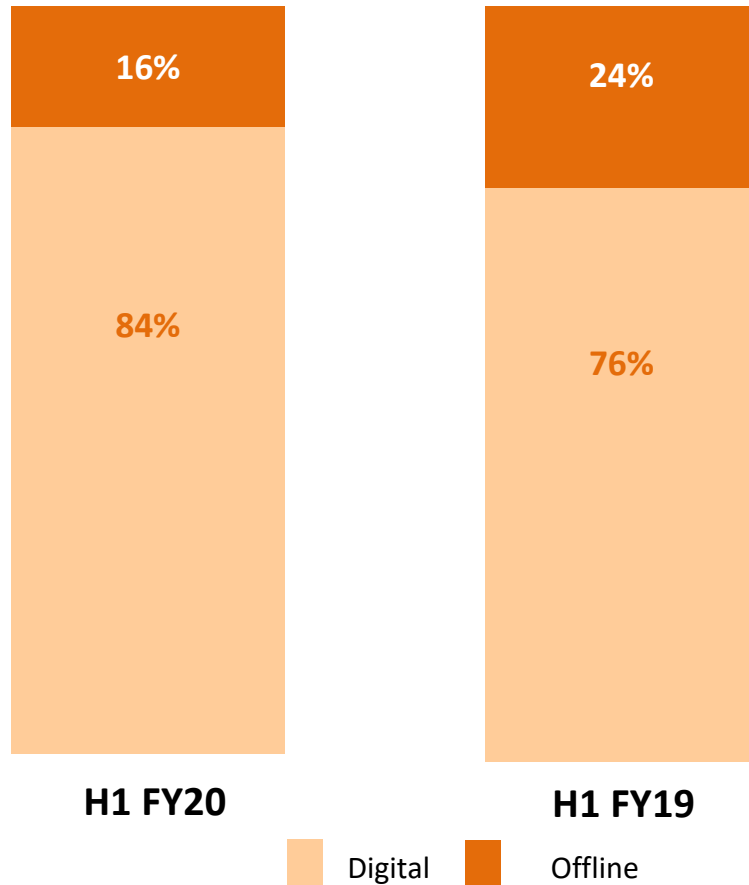
## Review of H1

# PROFITABLE, DIGITAL TRANSFORMATION

## Continued progress in the last 6 months



### PRODUCT REVENUE



# DRIVEN BY STRONG DIGITAL PERFORMANCE

## Continuous focus on the customer

**N BROWN**

### WOMENSWEAR & MENSWEAR BRANDS

H1 DIGITAL GROWTH

JDWILLIAMS

+4.0%

**simply be.**

+4.0%

ambrose\*  
**Wilson**

+10.5%

**JACAMO**

+6.6%

### PRODUCT BRANDS

H1 DIGITAL GROWTH

**fashion**

FIGLEAVES

Oxendales

*Marisota*

HIGH AND MIGHTY

*Julipa*

**PREMIER  
MAN**

HOUSE of BATH  
HOME OF INSPIRATION

-5.7%



A photograph of two women walking outdoors on a paved street. The woman on the left has long dark hair and is wearing a dark red blazer over a black top with gold buttons. The woman on the right has long reddish-brown hair and is wearing a red patterned dress with a wide silver belt. They are both smiling and looking down. In the background is a light-colored building with windows and a black metal fence. A semi-transparent white banner is overlaid at the bottom of the image.

# **STEVE JOHNSON, CEO**

## **Strategic Progress**



# **NEW CUSTOMER CENTRIC STRATEGY**

## **Drive profitable, digital growth**

- **FY20 is a year of transition**
- **Review of brand portfolio will be announced at Full Year results in April 2020**
- **Ambition to deliver profitable, digital growth while generating sustainable free cash flow**
- **Focused on bringing down net debt, investing in the business and delivering shareholder returns**
- **Good progress against each of the five strategic pillars**



# STRATEGY TO DRIVE PROFITABLE, DIGITAL GROWTH

**1**

**FOCUS ON THE UK**

**2**

**SIMPLIFY THE BUSINESS TO IMPROVE  
THE EXPERIENCE**

**3**

**DELIVER BETTER PRODUCTS FOR OUR  
CUSTOMER**

**4**

**TRADE SMARTER WITH DATA**

**5**

**INSPIRE COLLEAGUES TO FURTHER  
DELIGHT OUR CUSTOMERS**



# 1 FOCUS ON THE UK

## Increased investment in brands

### PROGRESS IN H1

JDWILLIAMS

JACAMO

simply be.

ambrose\*  
Wilson

- Pivoted the UK around 4 key brands
- Increased investment in brands
  - New agency partners
  - New brand building channels
- Maintained online market share
  - Womenswear 4.1%<sup>1</sup>
  - Menswear 3.2%<sup>1</sup>
- Closed down and exited marketing to the USA



1. N Brown's 'online womenswear' market share and 'online menswear' market share as measured by Kantar Worldpanel. 52 weeks to 25/08/19



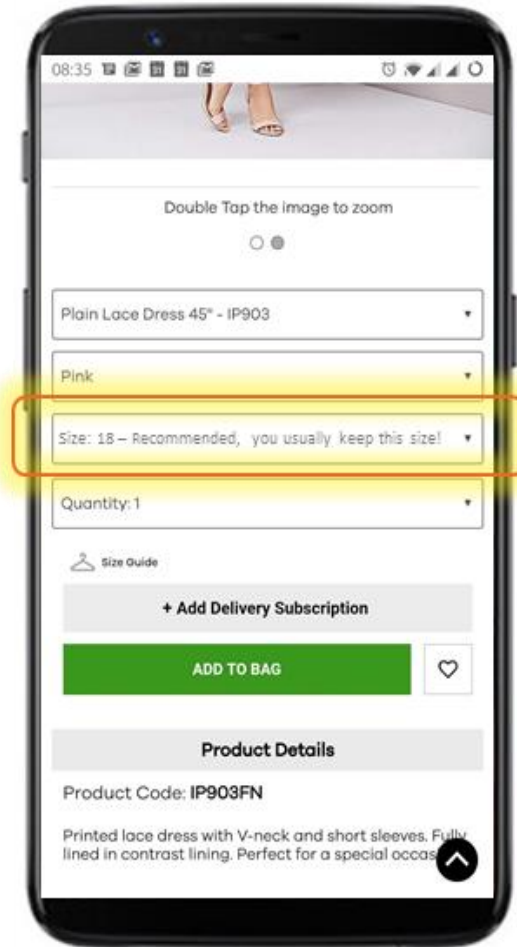
**PROGRESS IN H1**

- Step change in social media strategy
- Complete relaunch of social channels

**BEFORE****AFTER**

**PROGRESS IN H1**

- Significant changes to ways of working
  - Large scale approach terminated
  - Agile, squad based
- Numerous improvements to customer experience:
  - Crisper navigation on Simply Be app
- New photography studio continues to deliver sustainable efficiencies
- Good momentum and will deliver more improvements in next six months and beyond



## SIMPLIFY THE BUSINESS

### Automated returns facility to drive sustainable efficiencies

#### PROGRESS IN H1

- New returns automation facility launching in November
  - Faster refunds, better stock availability
  - 66% decline in receiving activity

BEFORE



AFTER



## BETTER PRODUCTS FOR OUR CUSTOMERS

### Customer feedback driving improvements

#### PROGRESS IN H1

- Focus on customer views on our product
  - Digital product reviews
  - Weekly blind tasting sessions
- Significant shift in listening to real-time customer feedback now embedded
- Good progress on Fit
  - Scanned over 1,000 shapes
  - Selected clothing ranges using virtual technology





## BETTER PRODUCTS FOR OUR CUSTOMERS

### Growth in brands

#### PROGRESS IN H1

##### NEW BRANDS FOR JD WILLIAMS

**HOBBS**  
LONDON

  
**SEASALT**  
CORNWALL

*joules*

##### NEW BRANDS FOR JACAMO

TOMMY  HILFIGER

CALVIN KLEIN

##### INCREASED RANGE

  
**LYLE & SCOTT**  
EST 1874

**MONSOON**

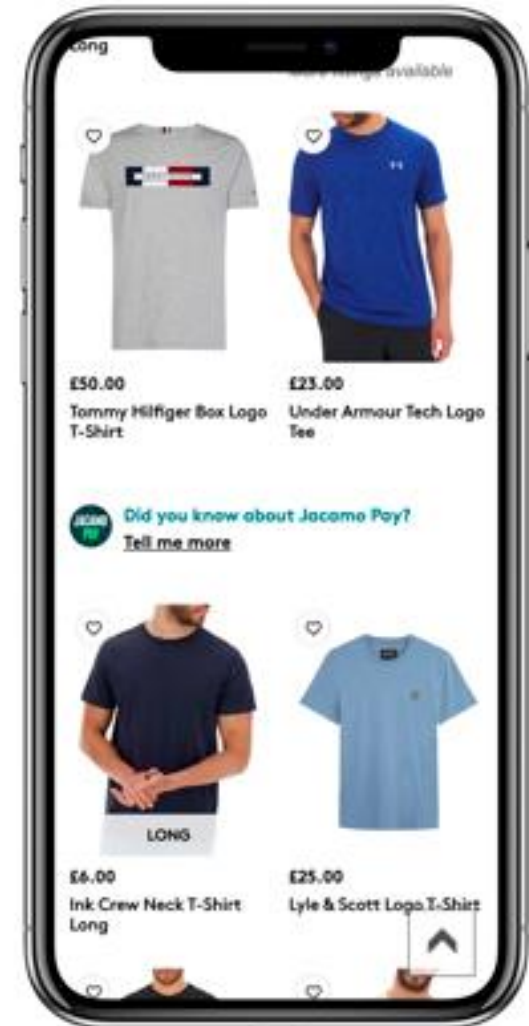
**OASIS**

  
**LACOSTE**



**PROGRESS IN H1**

- Focused on building the foundations
  - Move to CLTV models
  - Focus on AI decision making
- Data Fellowship
- Data has driven efficiencies through allocation of marketing spend
  - Key driver of +4ppt in digital revenue



## INSPIRE COLLEAGUES

Better engaged colleagues deliver better customer experience

### PROGRESS IN H1

- Changes made to internal commercial teams to create focus and accountability
- Improvements to internal reward & performance management and launch of bonus for all colleagues
- Development of Mission, Vision & Purpose



## INSPIRE COLLEAGUES

### Significant hires at Executive Board

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**Kenyatte Nelson**  
**Chief Brand Officer**



**Tami Hargreaves**  
**Operations Director**



**Joanne Clarke**  
**Strategy  
Transformation  
Director**



# SUMMARY

**1****DIGITAL SALES****+1.5%****2****EBITDA****+4.0%****3****NET PROMOTER SCORE****61  
+2pts****4****FINANCIAL SERVICES  
ARREARS RATE****70bps  
Improvement****5****EMPLOYEE ENGAGEMENT****69%**



## APPENDIX



# CASH FLOW

£m	H1 FY20	H1 FY19
Operating Profit	14.7	(28.3)
Depreciation & Amortisation	14.4	14.9
Impairment & Disposal of Assets	-	23.5
Working Capital	(11.0)	(29.7)
Provisions	12.2	(2.3)
Other	(0.6)	(0.4)
Operating Cash Flow	29.7	(22.3)
Tax	(1.3)	(1.9)
Dividends	(12.1)	(24.2)
Capital Expenditure	(21.9)	(17.9)
Net Finance Costs	(8.1)	(7.4)
Free Cash Flow	(13.7)	(73.7)

# FY18 AND FY19 REVENUE BASED ON WOMENSWEAR AND MENSWEAR SEGMENTATION



£m	FY19	FY18	Change	FY19 H1	FY18 H1	Change	FY19 H2	FY18 H2	Change
JD Williams	159.5	163.4	-2.4%	78.6	81.1	-3.1%	80.9	82.3	-1.7%
Ambrose Wilson	51.3	47.3	+8.5%	27.1	20.1	+34.8%	24.2	27.2	-11.0%
Simply Be	120.1	110.3	+8.9%	59.7	53.1	+12.4%	60.4	57.2	+5.6%
<b>Womenswear</b>	<b>330.9</b>	<b>321.0</b>	<b>+3.1%</b>	<b>165.4</b>	<b>154.3</b>	<b>+7.2%</b>	<b>165.5</b>	<b>166.7</b>	<b>-0.7%</b>
<b>Menswear</b>	<b>64.0</b>	<b>61.6</b>	<b>+3.9%</b>	<b>30.7</b>	<b>29.9</b>	<b>+2.7%</b>	<b>33.3</b>	<b>31.7</b>	<b>+5.0%</b>
<b>Product Brands</b>	<b>202.6</b>	<b>237.1</b>	<b>-14.6%</b>	<b>102.8</b>	<b>122.5</b>	<b>-16.1%</b>	<b>99.8</b>	<b>114.6</b>	<b>-12.9%</b>
US revenue	11.4	15.6	-26.9%	5.6	7.4	-24.3%	5.8	8.2	-29.3%
Stores	6.9	17.3	-60.1%	6.9	9.4	-26.6%	-	7.9	-100%
<b>Total Product revenue</b>	<b>615.8</b>	<b>652.6</b>	<b>-5.6%</b>	<b>311.4</b>	<b>323.5</b>	<b>-3.7%</b>	<b>304.4</b>	<b>329.1</b>	<b>-7.5%</b>
<b>Financial Services revenue</b>	<b>298.6</b>	<b>269.6</b>	<b>+10.8%</b>	<b>146.4</b>	<b>129.9</b>	<b>+12.7%</b>	<b>152.2</b>	<b>139.7</b>	<b>+8.9%</b>
<b>Total revenue exc. stores and US</b>	<b>896.1</b>	<b>889.3</b>	<b>+0.8%</b>	<b>445.3</b>	<b>436.6</b>	<b>+2.0%</b>	<b>450.8</b>	<b>452.7</b>	<b>-0.4%</b>
<b>Total revenue</b>	<b>914.4</b>	<b>922.2</b>	<b>-0.8%</b>	<b>457.8</b>	<b>453.4</b>	<b>+1.0%</b>	<b>456.6</b>	<b>468.8</b>	<b>-2.6%</b>