

**N BROWN  
GROUP PLC**

*Where Fashion Fits!*

N Brown Group First Half FY18

**Angela Spindler**

Hello everyone. Thank you for joining Craig and I this morning. I'm going to kick things off with our latest ad campaign, "We are Curves," for Simply Be. There will be a bit more on Simply Be later, but I thought this might be a good way to start.

*Video plays*

So our "We are Curves" campaign has been working really well on Simply Be, more on that later.

Thank you for joining us. As I said, I'm going to hand over to Craig in a moment. But let me first start by introducing the team. You may have been mingling with them. We're joined by Ralph Tucker, our Product Director. Ann Steer, Marketing Director. Steve Johnson, Financial Services Director, and the newest member of the team, Rich Clark, who's heading up International for us. And also, obviously, we've got Bethany, who most of you, if not all of you, know.

So, I'm going to take you through the headlines for H1, and then I'm going to hand it over to Craig, who's going to go through the financials and update you on Financial Services. Then I'm going to come back and give you some more perspective and insight on the half, and also share plans on our strategic growth levers.

So, this half has been about momentum and we continue to trade well. We're bringing relevant product and tailored promotions to our customers, innovating at pace, and ensuring continued progress by investing in new and developing talent.

Our trading agility continues to drive the business forward, with a 7.5% increase in product revenue and significant gains in ladies wear market share. Financial Services also had a strong half, with revenue back into growth in Q2 and gross margin also ahead. The final component of our business transformation, our systems investment, is well underway. Our first U.K. brand, High and Mighty, went live on the new platform in July. This included our new Financial Services system for the first time. So, we've now stepped down costs and we've moved the program into the business as usual IT change team. Our priority is delivering the return on our investment with international growth as a significant contributor to this.

Current trading is on track with our plan, and we're focused and well prepared for the peak trading period ahead.

Then finally, today, I'm going to share with you some context on our growth strategy over the medium term; gaining share in the U.K., international expansion, and partnerships. These are already contributing to the business, but they will incrementally build over the coming years. So, I'm going to now hand over to Craig, to take you through the financials.

### **Craig Lovelace**

Thank you, Angela, and good morning, everybody. So, before we go into the detail, the financial summary first. Group revenue was up 5.6% with product revenue up 7.5%, and Financial Services revenue up 1.1%.

Product gross margin was down 190 basis points to 54%, driven by FX, as expected, and Financial Services margin up 150 basis points to 56.5. Group trading profit was 32.2 million, up 1.8%, and ahead of consensus expectations.

Group-adjusted EPS was 8.77 pence, down 2%, driven by a slightly higher effective tax rate. Net debt was 305.7 million, again, in line with expectations. And finally, we're holding the dividend consistent over the last year, as we continue to invest in the business.

So, I've already touched upon the revenue performance split by Product and Financial Services. This slide also shows our performance as we progressed through last year, and then into the half we're reporting today. In Q2, Product revenue was up 4.9%, compared to 10.2% in Q1 -- although, if we adjust for the comparatives the difference is only one percentage point.

Onto Financial Services; Q2 growth of 7.2% was a good result. This was driven by our Product performance, a continued strengthening in credit book quality, new credit recruitment, and a minor change to minimum payments as part of our ongoing readiness work for variable APR.

Again, the comparatives do skew the underlying trends somewhat. Overall, therefore, we reported 5.6% revenue growth at the group level for both Q1 and Q2.

Turning now to look at revenue by brand, JD Williams was up 6.9%. As you're aware, there are two moving parts within this; the JD Williams brand was up 12%, and Fifty Plus which, during the half, we were still in the process of migrating into JD Williams; was down 5%. The migration went well and is now complete. And so, for Half 2 and beyond, we'll no longer need to split out these two titles.

Simply Be was the standout performer, up 21%. And Jacamo was up 6.7%. Overall, Power Brand revenue is up 11.5% or 14%, if we exclude Fifty Plus. Secondary brands were up 1.4%. Within this, Fashion World and Marisota were both strong. Figleaves revenue declined in line with our expectations, as the new management team restructured the business and optimised

its marketing approach. Going forward, we're now in a position to drive growth in this business.

Revenue in the traditional segment was 4.4%, as the actions we took to address performance continued to come through. Our medium-term view for broadly flat revenues in this segment remains unchanged.

I will also touch upon the USA and Ireland Revenue at this point. USA revenue, where we currently trade with the Simply Be and JD Williams brands, was 8.1 million, up 6.1% yoy, or down 4% in constant currency terms. This was in line with expectations with Q2 and improvement on Q1. We stepped up our marketing investment toward the end of the half and expect this to drive revenues going forward. Ireland delivered revenues of 8.5 million, up 17.3% or 7.4% in constant currency terms.

Turning now to revenue by category. This is in the new categorisation we introduced at the prelims. Ladieswear revenue was up 9.5%, a great performance, and driven by the changes we have made over the past few years. Our new design capabilities in particular are really yielding results.

The 13% increase in footwear and accessories is also driven by our new capabilities, with designers added over the past year. Within this, own brand footwear outperformed, as we continued to make strides in owning the wide-fit market. Within accessories, we had particular success with handbags, where we've moved to a direct sourcing model. Menswear was up 5.9%. This was somewhat held back by High and Mighty, as we slowed this brand during the site go-live. And finally, home and gift revenue was up 3.3%. Our strategy in Home remains unchanged. We aim to recruit new customers to our fashion offering, but then see customers also buying homewares. We continue to focus on higher-margin categories, such as home textiles and décor, and these, again, outperformed. During the half, we had particular success with furniture, up 18%, and outdoor living up 10%.

Now, to give some more details on gross margin movements. Product gross margin was significantly impacted by FX, as guided. The bridge here hopefully helps you understand the factors at play. The FX cost headwind, at a negative 140 basis points, refers to indirect costs. As you'll remember, around half of our purchases are sterling denominated. But here, we're still exposed to weaker sterling, as these supplies are operating in a range of other currencies. We also called out to the prelims a circa 10 million headwind for FY18 purely due to different dollar hedge rates year-on-year, and talked about the Half 1 loaded nature of this. This impacted margins by negative 240 basis points. Partially offsetting these two factors, we continued to see underlying better buying rates and also improved our promotion efficiency year-on-year, both good results.

Financial Services gross margin was up 150 basis points, and as you will have seen, we've increased full-year guidance to plus 100 basis points to plus 200 basis points. I'll also do a broader update on Financial Services later on.

Turning to FX sensitivity, on the specific dollar element of our buying, roughly half our net annual purchases are made in dollars. And here, we have a hedging strategy to enable us to have clarity over our buying rate.

We are now entirely hedged for this year. For next year we are 56% hedged. And for FY20, 20% hedged. With a spot rate of \$1.3. There is a marginal benefit next year and no impact in FY20. And we've also shown on this slide the sensitivity of the unhedged element from changes in spot.

Now turning to operating expenses. Warehouse and fulfillment costs increased by 11%. Breaking down this increase, roughly two thirds was volume linked with volumes up around 7% yoy. Inflation in both fuel and labour accounted for just over 3ppts of the growth. And we also continue to invest in our service proposition funded by efficiency savings.

Admin and payroll increased 7%. As guided at the Prelims, this cost line involves an element of IT double running costs and also reflects investments in recruiting and developing talent in the business.

These investments were partially funded by marketing costs which were tightly managed, growing just 0.8%, below the rate of product revenue growth as we drove spend efficiency. Depreciation and amortisation was lower yoy purely due to timing factors. Full guidance remains unchanged, so we're still expecting quite a step up in half two.

So we now move further down the P&L. Breaking down our net finance costs, roughly a quarter is associated with our revolving credit facility and three quarters with our customer loan book securitisation facility. I'll cover exceptional costs on the following slide. We saw quite a change in the unrealised FX movement, this being a marked market accounting outcome. So it was impacted clearly by the significant change in rates year on year.

We recognised a net tax credit of £6.4 million. This is made up of an effective tax charge of £6.3 million which is more than offset by a tax credit of £12.7 million as the exceptional provision is tax deductible. Our statutory net result was therefore a loss of £21 million compared to a £16.9 million net profit last year.

Now turning to exceptionals. And I'll remind you that these were all previously announced. We incurred a £40 million charge for customer redress related to historic general insurance products. This was as a result of identifying flaws in certain products which were provided by a third party and sold by the group between 2006 and 2014. The vast majority of these products were sold leading up to 2011 and sales ceased in early 2014. We continue to explore mitigating actions to reduce the overall cost. The cash flow impact of this is forecast to occur predominantly from FY19 onward. And we anticipate funding the full costs of customer redress from existing resources.

During August we closed five dual fascia Simply Be and Jacamo stores as announced in our Q1 trading statement and have booked a £13.8 million exceptional costs as a results. We took this decision due to weak high street footfall together with significant future business rate increases for some of our stores. Together these five stores accounted for the entire £2 million pound operating loss of our store estate last year.

Finally as you know we have ongoing tax disputes with HMRC and this resulted in a £1.1 million cost in the half. I'd expect circa £2 million in the second half on this matter. Of the £54.9 million, £1.4 million was incurred as cash in the half. And we also saw £6.4 million cash outflow from previous exceptional items.

Next on to the balance sheet. Inventories were up 5.9%, lower than the product revenue growth rate. There we also some timing factors in here with a half year end date a week later than last year. Creditors are ahead of last year with the increase reflective of both our improved product performance and buying patterns.

The substantively increased number for provisions reflects the impact of exceptional costs. And finally our retirement benefit surplus is broadly in line with the year-end figure, with H1 last year being impacted by weak bond rates, so a normalisation.

So funding. Our total drawn funding, £365 million, is made up of a revolving credit facility of £95 million and our securitisation facility of £270 million. As we've just discussed, our net debt at the end of the half was just over £300 million. Outside of this net debt calculation, however, is our customer loan book, effectively deferred cash to us. As you can see this more than eclipses our net debt. On receivables and provisioning our closing bad debt provision was down 17% with a rate of 10.3% compared to 12.7% last year. There are three dynamics at play here. We carried out a small sale of high risk payment arrangement debt as we also did in H2 last year. This was a small amount of debt, however, the risk profile of it reduced the provision rate significantly. We also continue to see an underlying improvement in the quality of the book again reducing the rate. Partially offsetting these two factors is an increase in new credit recruits and average balance growth, both of which are great signs to see and bode well for the future but do clearly put upward pressure on the provision rate.

Onto the cash flow slides and clearly the full tables are shown in the appendix. We saw a small working capital improvement and invested £21.8 million on capex. £24.2 million was paid out in dividends. And as you can see the main movements were linked to exceptional costs with the difference between the exceptionals of £54.9 million and the provision of £47.2 million being the cash outflow in the half.

Now on to full year guidance with the update elements highlighted in orange. We've tightened product rate margin guidance to negative 120 basis points to 70 basis points from negative 20 to 120 previously. As I've already touched upon, we've upgraded Financial Services gross margin to up 100 basis points to 200 basis points from flat to up 100 previously.

We've tightened the opex guidance to 4.5% to 5.5%, up from 3.5% to 5.5% previously. This is due to both a step up in investment in our US business. And here we include marketing costs and recruiting new talent to the team and also investments in our service proposition, particularly over the key peak period.

And finally net debt guidance is now £325 million to £335 million with the main driver being the legacy exceptional costs you know about. I'm expecting around £15 million cash outflow in H2 from these. Together with growth of the customer loan book clearly a positive trend. Our tax guidance has changed to 22% reflective of further minor provisions against historical tax cases. Guidance for depreciation and amortisation, net interest costs, capex, and H2 exceptional costs all remain unchanged.

I'll now give you a quick update on Financial Services performance before handing back to Angela. We had a good performance in our Financial Services KPIs. Our arrears rate declined by 50 basis points helped by the improving quality of the debt book. Our provisions rate was down 240 basis points to 10.3% as I've just discussed.

We had an encouraging performance recruiting new credit customers who roll the balance with an increase of 13% yoy. This was driven by both a good product revenue performance in the half and encouraging early results from the trial offering a lower APR for qualifying new customers on our power brands. This trial continues ahead of the rollout of variable APR functionality.

As with all parts of our business we continually challenge ourselves to improve and innovate. In Financial Services we've introduced the use of social media data for customers with thin credit files and also started to use machine learning to further improve our fraud modeling. And with that I'll hand back to Angela.

### **Angela Spindler**

Thank you, Craig. So onto our KPIs in H1. Craig has talked you through the Financial Services KPI, so this slide covers customer, online, and product KPIs. The full tables are in the statement on the appendix to your deck. But to just call out a few highlights.

So active customers grew 5.2% to 4.42 million, with power brands outperforming. Our online KPIs continue to progress well with online revenue up 14% in the half. Our conversion rate of 5.3% is stronger than the sector average. And while its conversion is lowest on smartphone I'm pleased to report that it's reached four percent for the first time.

And finally on to product. We're delighted to report a 90 basis points increase in our ladieswear market share. So this chart breaks down our share by both size and age ranges. And we further strengthened our number one position in the size 20 plus market. We've also seen encouraging growth in size 16 to 18. We gained share in each age range we operate in.

We gained share in each age range we operate in, with Simply Be being a particular driver of growth in the age 25 to 45 age bracket.

Onto Power Brand performance. Firstly, Simply Be, which is the go-to online brand for the 25 to 45-year-old curvy, confident woman. It had a great half, with revenue up 21% and active customers up 26%. And the "We are Curves" campaign, which I showed you earlier, was a great success and really inspired our customers. We've built on the campaign this season. Sales of denim, which is one of the key categories featured in the ad campaign, were up over 80%. And as part of our continued championing of size-inclusivity and body confidence, we held a Curve Catwalk on the eve of London Fashion Week, with models and influencers, including Tess Holliday, Hayley Hasselhoff, and Felicity Hayward walking the runway. Over 250 guests attended the event, including key press, bloggers, curve models, and customers, and I think a few of you too. The show was shoppable online and was backed with intensive social media activity. Press on the event had a total media reach of around 10 million.

Onto Jacamo. Jacamo caters for men of all body shapes and sizes, from small to 5XL, targeting, again, the 25 to 45-year-old online male shopper. Jacamo had a good half, with revenue up 6.7%. Our subscription delivery model, Jacamo Unlimited, performed well with double-digit increase in order frequency and net sales per customer. We'll be extending a delivery subscription offer to other brands in the near future. Athleisure was the best performing category within Jacamo, up over 30% yoy. Our brand ambassador, Freddy Flintoff, continues to do a great job for us. We're now in our sixth year of working together.

We also teamed up with Tom Morgan who emerged as a social media star, having appeared on the TV show "The Undateables." Tom suffers from Aspergers and Tourettes Syndrome, and he posed for a series of untouched images in our summer campaign. This further reinforces Jacamo's principle of inclusivity.

Finally, our biggest brand, JD Williams, we've given the brand a refresh this season. We've launched the JD Williams The Lifestore. We're sharpening our focus on the 45-plus woman and ensuring we know our customers better than anyone. So, linked to this, we've launched the Midster report, a state of the nation report surveying over 2,000 women, aged between 45 and 65, looking into body confidence, style, and shopping behaviors, as well as women's attitudes to key life moments. So, two-thirds of revenue on JD Williams now comes online, and smartphone sessions were up a huge – 130% yoy. So, these statistics really demonstrate that the 45-plus shoppers are digitally engaged, and we are the brand that really speaks to that contemporary online customer.

### *Video plays*

Okay. I'd now like to give you an overview of our growth strategy over the medium term. So, before I talk through the growth levers, I want to take a moment to touch on Financial Services, which is a key underpin to our growth. The loyalty that having a personal account relationship with customers drives continues to be an important part of our business model. We manage

Financial Services in-house and benefit from high barriers to entry, which include our years of experience, our balance sheet strength, and our full FCA authorisation, of which we're very proud.

We value the relationship we have with our account holders, and we work hard to ensure we offer them excellent service. As you know, cash customers have been a growing part of our customer base over the past few years, and they are good, profitable customers. They also help us to grow and to gain scale. For every customer for whom it's relevant, however, we would ultimately like them to have a personal account, even if they never incur or pay interest. As we know, they go on to be our most engaged and loyal customers.

So, today we're going to share more detail on our plans to grow the business over the medium-term. These levers won't be a surprise to you. We've been making progress on them for some time now, as we benefit from the modernisation the business has undergone and the investments we've made over the past few years. So, our levers are growing our share in the U.K., International expansion, and partnerships.

These incrementally build in this order, over time. Across all of them we have a focus on recruiting and delighting our new and existing customers. So, growth will be enabled by continued investment in the business, in service in talent, and in technology.

So, to give you a bit more detail, firstly, on gaining share in the U.K. - this is through improving the customer experience, developing our product offer, and improving brand cut-through. The key indicators of success here, which we already disclosed, are market share gains, growing active customers, and our customer satisfaction score. There are a number of enablers. So, continuing to strengthen our supply chain: short lead times and in-season flexibility are so important. We will have the capability to integrate new technologies fast and frequently. So, we'll continually improve the customer experience. Our product offer must offer great value for money. And here we're not only talking about low prices, but we're talking about the best quality at that price. Compelling brand campaigns are crucial if we're to continually engage with our customers and engender loyalty. And finally, to enable us to increase basket size and attract new customers, we will expand in adjacent relevant categories and continue to attract third-party brands to our site. We've been doing this successfully over the past year or so, and often have exclusivity on larger sizes, which further help us to be the go-to sites for larger customers everywhere. So, I'm confident we'll continue to gain share in the U.K. And of course we're helped by a favorable backdrop, both in terms of customer demographics and shopping habits.

Our second growth lever is International expansion. So, this leverages our capabilities, processes, and operations here in the U.K. Our ambition is to be the go-to retailer globally for plus-size. And our confidence comes from our capabilities in fashion that fits and flatters that underserved customer. There is a world of customers for whom we believe our brands are relevant. We've been, as you know, in the USA for some time, and we now feel confident to put



our foot on the accelerator, as we have the right system and the right people leading the charge.

Beyond the USA, our Global Ship Anywhere tool will allow us to serve many more countries in an efficient and effective way. International expansion will also benefit in other ways, through buying efficiencies, and offering us resilience in terms of a natural currency hedge and reducing our exposure to the individual countries' economic volatility. As we establish a presence in new markets, we need to build brand awareness. And we'll do this by having a small but targeted local team. So, in the coming year, we intend to start this process with a small team on the ground in New York. Throughout the business, however, we are working hard to embed a global culture.

The third lever is partnerships. So, working with other companies in mutual, beneficial ways. This includes selling capsule ranges of our brand on other sites, both wholesale and marketplace. We've made further good progress this half and I'm pleased to announce that in addition to the relationships we already have with Tesco and Asos we're in the process of launching capsule ranges of Simply Be and Jacamo on Amazon Fashion, providing plus size fashion for Debenhams online with Jacamo, and selling a capsule Simply Be range through Namshi in the Middle East. There are more partnerships in the pipeline. These relationships are made possible by the strength of our own label, our fit expertise, and our brand credibility. On influence and marketing we're increasingly working with bloggers, celebrities, and opinion formers to improve brand cut through and drive customer engagement both in the UK and Internationally.

So in summary we are now benefiting from the changes that we've made over the past three years. We'll continue to make further progress as we invest in people, in new markets, and in technology. The results we've shared with you today demonstrate continued momentum and I'm really pleased that our hard work is paying off, particularly in the areas of ladieswear, Power Brands, and our Financial Services proposition. We can now move the conversation from transformation to our strategy for growth.

I'm pleased to be able to share how we see this developing as we move forward. We do continue to operate in a subdued consumer backdrop with inflation, low wage growth, and political turbulence all feeding into weak consumer confidence. And of course we are not immune to this. But we are confident that our strategy will enable us to continue to gain traction with customers.

Five weeks into the second half and trading is on track with our plan. And we feel well prepared for the upcoming key peak trading period. So thank you all for listening. We're now very happy I think to take your questions.

**John Stevenson, Peel Hunt**

Couple questions if I can. Just on the branded mix, could you talk a little bit about this? Second question just on margin costs, obviously the campaign has done really well, how should we expect marketing costs to evolve going forward? And a third question, could you talk a bit about some of your customer characteristics.

**Angela Spindler**

Okay. So I'll take the question on brand mix. Craig can talk to marketing costs and then I'll come back and talk about shopper behavior. So brand mix. To be clear our top priority is the development of our own label. And that's the thing that sets us apart and that's the thing that will continue to set us apart. And that's the thing that we feel has traction both as a product brand, Simply Be, but also as a retail brand in terms of the experience on our site. So that is first and foremost in our development, our efforts, and our energies. But our ability to add to other brands by providing plus size options for other brands, we've talked in the past about our relationship with Coast that we have, Levis are now on our site, etc. It is still a small part of the mix but it is a good builder of traffic to the site. And so it plays an important part but it will always be secondary to our own brand which is absolutely front and centre in terms of our efforts. And it is about fit capability. And us applying that to other brands that are of interest to our customers. So providing more choice.

**John Stevenson, Peel Hunt**

Is it single digit percent.

**Angela Spindler**

It's double digit percent.

**Craig Lovelace**

So on marketing cost, John, I mean obviously we were pleased with the efficiency. We've talked in the past to using data more, analytics more, to inform that journey. And that isn't a journey that stops. I expect that to continue. So that has paid off. We've also talked about how we've had cost changes from traditional paper into people. So you're getting a shift around in P&L lines.

I think in terms of looking forward to half two the realism is we're probably going to be increasing investment in the US as we called out. So that is going to influence this line. We're also going into peak so it's part of our armory. So my general expectation is this type of percentage is probably not going to be reflected in the second half because of those reasons. But the efficiency and the moving of the parts to people is an ongoing point through this year and ongoing.

**John Stevenson, Peel Hunt**

Yeah. It's more the sort of two to three year view as opposed to second half.

**Craig Lovelace**

I think we are still as a business focused on increasing the efficiency of spend as a crude percentage of revenue. And that is an ongoing pattern and I expect that to continue to improve.

**Angela Spindler**

And then on to sort of shopper behavior. So in relation to average spend, basket size, frequency, loyalty there isn't really much to say. In the half we've seen all of our brands tick up positively in terms of the Power Brands. And we've seen all of our categories tick up positively. We've also seen all of the aspects of shopper behaviour that you've referred to tick up positively. So it's very much a balanced but positive momentum in terms of those dimensions as well. So there isn't one of them that is a kind of leading indicator, i.e. all of the benefits have not come from frequency or all of the benefits come from increased basket. There is a general improvement in each of those metrics that have fed into improvements overall. Thank you.

**Kate Calvert, Investec**

You mentioned handbags are now direct source. Where are you up to in terms of direct sourcing and also open to buy? And what's the potential to keep improving your buying margin?

**Angela Spindler**

So thanks, Kate, for your question. So in terms of direct sourcing we have increased our participation of direct sourcing. We have a small office in Bangladesh but we'd like to keep the flexibility of the supply chain available to us, so we're not going to be setting down big direct sourcing resources in any particular market because we do have the opportunity to move our business around as the economics and specialisms and trends support.

You also asked about our ability to continue to grow margin. So obviously the FX pressures have put a big pressure on gross margin. We have not passed that pressure on to customers in price because we believe our continued momentum is down to our product but also down to our value for money and that's key going forward. So it's a last resort for us in terms of increasing prices. We have managed though to offset a lot of that foreign currency headwind by improving our buying. We were quite unsophisticated if I'm honest when we started this transformational journey three and a half years ago. I would say now that we are in the pack and we do a very good job.

You asked the question about open to buy. I would say we're working towards a 50/50 model in terms of how much we commit at the start of the season and how much we buy in season. And that kind of feels optimal. So there are still opportunities for further consolidation of the supply chain. We've got some exciting conversations in train with new suppliers. And we're constantly open to dialogue in that respect and there is more we can do. But I think quite a lot of the low-hanging fruit has been picked, and we've reflected that in the progress that we've made, certainly, in the last 18 months. There is still more we can do, but I think we've made big strides in the last 18 months.

**Matthew McEachran, N+1 Singer**

Just a few questions from me, please. Could we start with the FCA redress, and the obviously unfortunate announcement during the first half - has the team been through every single historical product with the FCA now? Is there anything that is potentially in a space that hasn't been fully audited and boxed off by the FCA?

**Craig Lovelace**

So, we have reacted obviously, to where the FCA has been focused. We haven't gone through every single product sale, going back the last 10 to 11 years, because there are both regulated and non-regulated products there. But where we feel the FCA focus have been, we've clearly had to do a detailed review. What I can't call out is where regulation is going in the future and if there's retrospective change in the next two to three years. But we've tried to work collaboratively and approach this in a proactive way. And from that perspective, I'm confident the £40 million we called out is an adequate representation of the risk we think is in that area.

**Matthew McEachran, N+1 Singer**

Okay, thank you. And then, just a question on the partnerships. Obviously, you've announced new partnerships. The list of potential partnerships in other overseas markets could grow dramatically. What does the pipeline look like? What about the pipeline of entry into other markets with your other partnerships? How does that look?

**Angela Spindler**

Yes. For markets that are less familiar to us it's more challenging, and that's an obvious and interesting way forward. I mean, we announced Namshi in the Middle East. That's obviously an interesting way to approach that market. We do see that as a nice source of incremental growth as we look forward, over the medium-term. So, it's a tiny, immaterial participation in our immediate forecast for the business. But we do see it building over time. And as you've described there are many opportunities. I think we will be focused on picking the right ones that work for us, both operationally and commercially. And that's the lens with which we'll view them, as well as their customer impact. We do see it as one of our three growth levers. It's probably the smallest and it's the one that kind of is the third in line, in terms of making a contribution, realistically, to revenue growth, but an important and interesting one, and like you say, lots of opportunities to consider.

**Matthew McEachran, N+1 Singer**

To aid and develop the brand awareness push into the U.S., is there any possibility you might do something in the U.S. on partnerships?

**Angela Spindler**

Yeah, that's certainly in the pipeline, some partnerships in the U.S.

**Matthew McEachran, N+1 Singer**

Okay. Thank you. And then, just a final question was on the new campaign, JD Williams. I mean, it looks like a very exciting, new contemporary campaign. Does your Midster report indicate those customers are ready for a campaign like that? Is the time right for that campaign?

**Angela Spindler**

It's a really good question, because our report does give us the confidence that there is a very receptive consumer out there for this, the sort of 45-plus to 65-plus - but everyone is welcome. But certainly, there is a very interested online, engaged community of female shoppers who have been alienated by the fashion industry and are excited about this positioning. The thing to sort of add into the mix in terms of risk mitigation is we have, of course, and we talked about this last time, migrated the more traditional shoppers within the JD Williams portfolio through to the Ambrose Wilson brand, which now sits within the traditional segment. So, you know, to all intents and purposes now, we run this business from a process and a buying, and an operational perspective, as an online business. But we still have an interesting and important segment called the traditional segment, which still hangs off that online operating model efficiently. And we've therefore protected ourselves with that consumer by continuing to market to them in ways that are more relevant to them. So, you can see, from the performance on traditional, which was up 4.4% in the half, that we've kind of got that balance back in sync now, which we're pleased with.

**Adam Cochrane, UBS**

You haven't mentioned it today, you have in the past, about increasing the proportion of buy and repeat, where you sort of do small lines, and then repeat them. You talked about open to buy, is that increased flexibility, continuing year-over-year? Is that something we can continue to expect for the sort of year-over-year increases for the rest of this year and into next year?

**Angela Spindler**

So, we've got the repeat capability down on key lines, in some instances, to 7 days. So, you know, we are able to repeat on lines and in season. But that doesn't apply to all lines. So, yes, there is an opportunity for us to re-look at some of the near-sourcing opportunities. So, we might buy a line in China and then we might repeat it in another market. And the blended impact of working that way is still beneficial commercially, even though you'll pay a slightly higher price in the nearer market, for example. So, still opportunities for us to do that, as we look across different product categories. But for, you know, the momentum we're seeing in our ladieswear, our ability to repeat in seasonal winners is an important driver of that. So, it's contributing already to improvements.

**Adam Cochrane, UBS**

And when do you think about the increased sales that you're having do you think that this is your brand consumers who had used you, gone off you, and come back or is it genuinely new consumers to your brand?

**Angela Spindler**

It's difficult to say definitively. But I think we have always been quite good at reactivating customers. We don't give up on customers easily. So, if a customer hasn't shopped for a couple of seasons, we will continue to, albeit in a cost-efficient way, think about good ways of reconnecting with those customers. And that's really important to the efficiency of the model, because that's less expensive than going out there, finding new customers all the time. But I would say, in the last half, we've had a really strong performance, in terms of new recruits to the business. And I do think that's as a function of us moving out of more direct action-oriented marketing and moving more to driving brand awareness and compelling campaigns, that then go on to attract traffic, which converts on the basis of the experience on our site. So, a lot of new customers coming to the business.

**Adam Cochrane, UBS**

It continues to make it easier for new customers in order to be a cash customer, just to make it as quick for them as possible?

**Angela Spindler**

Yeah. So, our absolute focus, and we've continued to build it, sits within marketing. And we've continued to build this, we talk about bringing new talent into the organisation, in terms of capability, customer experience, and continuing to keep our websites as clean and as simple as they can be for customers, to sort of get them through that journey, right through the checkout, is a top priority for retailers, not only things like page load speeds, but, you know, the location of click-through buttons, the way that we navigate sites. So, that is a hugely important activity within the mix.

**Andy Wade, Numis.**

A few questions. The first one on JD Williams. You talk about Fifty Plus, the transition of those customers is now done. So, I'm just trying to get my head around what that means for the JD Williams run rate. Does it mean that we're not going to have that drag anymore at all and that 12% is the normalised run rate?

**Angela Spindler**

The Fifty Plus customers are good customers. We just haven't been recruiting to Fifty Plus. We've been recruiting to JD Williams. Fifty Plus customers who behave like a more contemporary online shopper now sit within JD Williams and will benefit from the JD Williams campaigns that you've seen. So, that brand will resonate, and they will engage with that brand, in our view, because of the way that they shop and the things that they are attracted to. The Fifty Plus customers, for whom, they are a more traditional shopper, they have been migrated into Ambrose Wilson. So, we should see the dilution that we've talked about on Fifty Plus softening, because of course now those customers are in action chains that are absolutely

relevant to their shopping behaviour and they've got above the line campaigns that speak to them. So we should see that the headwinds from Fifty Plus disappearing.

**Andy Wade, Numis.**

Okay. Great. That's helpful. The second one. Obviously in the statement your growth rates from Q1 to Q2 on product went from round numbers sort of 10 down to five. But you obviously rightly called out the tougher comp, four percentage points tougher, in Q2 than Q1. If we roll that forward, second half we go up plus six percent I think was the comp for the second half. If you roll through that two year run rate we'd be looking at sort of one or two percent product revenue growth in the second half. Is there any reason to think that that two year comp is going to change? I guess is there any operational reason for why we shouldn't expect that two year run rate to play through? Because I mean you did call it out yourself as a reason for the variation between Q1 and Q2.

**Angela Spindler**

If I was in your shoes I'd be looking at momentum and I'd be looking at comps in combination rather than either of those in isolation. Because it's about comps but it's also about, you know, momentum driven by the power and impact of campaigns which I would say looking at them in combination would be the way to think about it.

Well, thank you very much for coming. Thanks for your questions.

[end of transcript]