

11 March 2015



Q4 trading statement for the 13 weeks to 28th February 2015

Strategy implementation progressing well; investing for the future

N Brown Group Plc, the online, catalogue and stores retailer today announces a trading update for the 13 weeks to 28 February 2015.

Financial highlights:

- Q4 sales +3.6%* as trading momentum recovers well from a challenging Autumn season
- Full year sales flat year-on-year, with Financial Services revenue representing a headwind, driven by measures to further improve the quality of our debtor book
- Full year percentage gross margin in line with expectations. Within this, product gross margin was impacted by both tactical and strategic price investments in Q4
- Full year 14/15 continuing PBT now expected to be slightly below the range previously guided to, and current market consensus of £88m

Strategic highlights:

- Further acceleration in online sales penetration - 62% in Q4, up from 59% last year
- Power brands JD Williams, Simply Be and Jacamo performing strongly, with active customer file growth of 5%
- Q4 product volume growth +11% driven by further product improvements and price investment – the first time product volumes have seen double-digit increases for many years
- Lowest level of customer debt arrears on record as we continue to successfully focus on the quality of our debtor book

FY14/15	Q1	Q2	Q3	Q4	FY
Group turnover*	+1.3%	-2.1%	-2.2%	+3.6%	0.0%

Angela Spindler, CEO, commented:

“We are very encouraged by the momentum seen during Q4, both in terms of trading and strategic progress. Combined with our continued product improvements, during the period we decided to invest more in price; this proved successful, with product volumes returning to double-digit positive growth for the first time in many years.

“We have also accelerated our strategic transformation programme and commenced a major extension of our warehouse to support our future growth. The transformation we are driving is fundamental and necessary for future long-term sustainable growth.

“Whilst we are disappointed by the slower than anticipated progress from a profit perspective, this is because we are taking the right decisions now - in some areas earlier than anticipated by our previous profit guidance - in order to build a better business for an online world. We enter our new financial year with huge enthusiasm about the exciting journey ahead.”

Strategic progress

In line with transitioning the business towards being more retail-led and product focused, we trialled investment in 'first price right price', and also moved to an 'all sizes one price' stance. This pricing strategy represents a significant step towards our ambition of being unquestionably the best value plus-sized fashion retailer. We have received excellent feedback from our customers and returned the business to double-digit volume growth. We will continue to adopt this trading stance going forward.

Brand awareness continues to improve and the recently launched TV campaigns for our Power brands, featuring Lorraine Kelly for JD Williams, should drive further gains.

The USA continues to perform in line with expectations, against the backdrop of contained recruitment investment as previously announced. Since July we have been live with a third party credit provider in the US; this has seen very encouraging early results in customer loyalty and retention rates.

Full Year 14/15 result

Q4 revenue was impacted by the continued rebalancing of the business towards Product sales and away from Financial Services. Although this transition is a planned process and in line with our strategy, as well as consistent with our focus on improving the quality of our debtor book, the pace of adjustment was faster during Q4 than anticipated. This resulted in overall full year 14/15 revenue being a little below expectations and flat year-on-year.

Full year percentage gross margin is in line with expectations. Within this, however, product gross margin represented more of a headwind than we previously anticipated in our earlier guidance. This is because, during Q4, we made substantial price investments in both tactical clearance activity to exit the season with inventory in a good position and strategic price moves in fashion categories. The strategic price moves were successful, both in terms of driving volume and overall customer response. We have therefore decided to continue them into full year 15/16 as we strengthen our value position further in line with our overall strategy.

Consequently, we now expect full year 14/15 continuing PBT to be slightly below the range previously guided to and current market consensus of £88m. Net debt is expected to be in the region of c.£250m.

Following a review of the business and its future profit potential, the Board has decided to close the small Gray & Osbourn catalogue business. This process is ongoing, but is likely to result in exceptional costs of c.£11m to £13m in full year 14/15. At least £8m of these exceptional costs are non-cash. The closure of this business will have an immaterial impact on continuing PBT both in full year 14/15 and in the future. These exceptional costs are in addition to the c.£5m of strategy costs previously guided to.

Outlook for Full Year 15/16

As we enter the new financial year we have accelerated the important and necessary transformation of our business. We continue to lay the required foundations for future growth by both investing in our competitiveness and our infrastructure.

We will give more detailed guidance at our full year results but at this early stage we expect:

- Gross margin -100bps to flat year-on-year as we continue the strategic price investments recently implemented
- Group operating costs up mid-single digit year-on-year
- Depreciation and amortisation in the range of £25m to £28m
- Net interest costs in the range of £8m to £10m
- Capex of £50m to £60m, as we accelerate our systems transformation project and invest in an extension of our warehouse to support future growth.

Conference call

Management will be hosting a conference call at 8.30am for investors and analysts.

Participant Dial in Numbers: +44 (0) 20 3003 2666

Access Pin: 3119902#

Password: N Brown

Conference Name: N Brown Group Q4 Results Conference Call

Full year results

We will be announcing our full year results on 29th April 2015.

Prior year comparatives

* Group turnover has been restated for both full year 13/14 and 14/15 to reclassify Gray & Osbourn as discontinued. Excluding this adjustment Q4 14/15 group turnover growth was +3.4% year-on-year.

FY13/14	Q1	Q2	Q3	Q4	FY
Group turnover*	+7.3%	+9.3%	+4.4%	+5.6%	+6.6%

For further information:**N Brown Group**

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