19 June 2015

N BROWN GROUP PLC

Where fashion fits!

Q1 TRADING STATEMENT FOR THE 13 WEEKS TO 29 MAY 2015

"TRANSFORMATION ON TRACK"

Q1 financial highlights:

- Group revenue +2.5%, with LFL +1.5%
- Product revenue +4.3%
- Financial services revenue -1.9%, impacted by the change in credit policies from May 2014, as previously guided
- Gross margin and operating costs broadly in line with expectations
    - Product gross margin impacted year-on-year by increased mix towards Home & Gift, together with greater than expected participation of strategic price investment lines
    - Benefits of investments made, and restructuring implemented, expected to flow through as planned in H2
- Full year guidance unchanged

Q1 strategic highlights:

- Step change in online sales penetration, up 400bps to 62%. 68% of new customer demand was generated online.
- Power Brands active customer file growth of 9% and total file growth of 4%.
- Product volume growth of 9% due to continued product improvements and strategic price investments

	FY14/15					**FY15/16**
	Q1	Q2	Q3	Q4	FY	**Q1**
Group turnover	+1.3%	-2.1%	-2.2%	+3.6%	-0.1%	**+2.5%**
Product turnover	+1.6%	-1.9%	-2.0%	7.7%	+1.1%	**+4.3%**
Financial Services turnover	+0.5%	-2.5%	-2.9%	-6.4%	-2.9%	**-1.9%**

Angela Spindler, CEO, commented:

"We have had an encouraging start to the year, but there remains a lot to do. We have seen double-digit growth in both Simply Be and Jacamo as the shift from Support Brands to our Power Brands continues. Although revenues were slightly down year-on-year, JD Williams continues to show signs of progress with new recruits up 27%.

"Our strategy remains on track. During the quarter we continued to streamline our organisation and our processes to embed a digital-first model. This year will be more significantly H2 weighted as the planned benefits of the changes made flow through, and we become more aligned with typical retail phasing. The scale of change is significant, but we are excited about the transformation under way. Full year guidance remains unchanged."

Q1 performance

Retail

Power Brands continue to outperform the wider group performance, as planned. The active customer file of the Power Brands increased by 9%, ahead of the total active customer file growth of 4%.

In JD Williams, strategic price investments led to product revenues broadly flat. This, combined with Financial Services revenues down mid-single digit, resulted in total revenues slightly down year-on-year. Encouragingly, however, JD Williams volumes were up 4% and new customers up 27%.

We delivered a strong start to the year in both Simply Be and Jacamo, driven by an improved product proposition and increased brand awareness. Both brands achieved mid double-digit total revenue growth year-on-year. Both Simply Be and Jacamo have online sales penetration of around 90%.

In Homewares, our Famous Five strategy delivered revenue growth of 20% in these categories, driven by Outdoor Living and Gifting. Our strategy in Homewares remains unchanged – we aim to recruit new customers to our Fashion offering, but then see customers utilising their account to buy homewares in addition to this core Fashion proposition.

In line with our consistent strategy of shifting focus towards our Power Brands, overall Support Brands revenue was down mid-single digit year-on-year.

Online metrics continue to be encouraging. We saw pleasing improvements in both order frequency and units per basket, partially offsetting the impact of average selling price declines. Online conversion remained steady and industry leading at c.5.5%. Mobile devices now generate 57% of all traffic, and we improved abandonment rates for each device type.

We saw a good performance in the USA, with turnover up 31% year-on-year, or 18% on a constant currency basis. We remain in cautious expansion mode in the USA, ahead of the new International web platform going live in mid-2016.

Our Simply Be and Jacamo stores continue to perform well, with LFL sales growth of 8%. One store, Exeter, was opened at the start of the period. Compared to H1 last year we have seven more stores, and the resultant operating costs represent a headwind year-on-year, which will unwind as we enter H2. We are in the process of conducting a store efficiency review and will present the findings of this at the first half results.

Financial Services

We had a solid performance in our Financial Services division in Q1. The continuing impact of the credit policy changes made last year annualised as we entered Q2. We continue to focus on the quality of our credit book, with encouraging results.

In common with the wider industry we are now regulated by the FCA, and we continue to progress with our full FCA authorisation application.

Fit 4 the Future

Our systems transformation project, Fit 4 the Future, is on track and to budget. We will provide a more detailed update at the interim results.

Full Year 15/16 Guidance

All FY15/16 guidance is unchanged to that previously announced:

- Gross margin -100bps to flat year-on-year
- Group operating costs up mid-single digit year-on-year
- Depreciation and amortisation £25m to £28m
- Net interest costs £8m to £10m
- Capex £50m to £60m
- Tax rate c.20%
- Exceptionals £5m to £7m

This year will be more significantly H2 weighted than last year, with H1 PBT expected to be down year-on-year. This is due to the planned benefits of investments and restructuring flowing through in H2, together with the continued shift to a more typical retail phasing.

Reporting calendar

We will be announcing our first half results on 14th October 2015.

FY13/14 comparatives

FY13/14	Q1	Q2	Q3	Q4	FY
Group turnover	+7.3%	+9.3%	+4.4%	+5.6%	+6.6%
Product turnover	+7.1%	+11.3%	+3.4%	+4.8%	+6.5%
Financial Services turnover	+7.6%	+4.7%	+7.3%	+7.4%	+6.7%

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