21 January 2016

Q3 TRADING STATEMENT

GOOD PERFORMANCE, WITH POWER BRANDS ALL RECORDING DOUBLE-DIGIT GROWTH. 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 2 January 2016.

Q3 financial highlights:

- Group revenue +4.1%, with LFL +4.1%
- Product revenue +4.3%
- Financial services revenue +3.7%
- On track to meet full year expectations, see guidance below

Q3 strategic highlights:

- Online penetration up 5ppts year-on-year to 66%, with online sales up 13%. 75% of new customer demand was generated online during the period, up 7ppts year-on-year.
- Power Brands active customer file growth of 12% and total file growth of 1%.
- All three Power Brands continued to outperform:
  - Digital brands Simply Be and Jacamo performed strongly, both recording double-digit year-on-year growth
  - JD Williams brand also performed well, with revenue up double-digit year-on-year; JD Williams group of titles overall marginally positive, diluted by performance of traditional brands
- Good performance over the Christmas trading period

	FY15/16		
	Q1 (13wks)	Q2 (13wks)	Q3 (18wks)
Product turnover	+4.3%	+7.9%	+4.3%
Financial Services turnover	-1.9%	+1.0%	+3.7%
Group turnover	+2.5%	+5.8%	+4.1%

Angela Spindler, CEO, commented:

"We are pleased with our performance in Q3, during which we saw clear evidence of the benefits of the way in which we are transforming the business. After the well-documented difficult start to the season for our sector, our more agile approach enabled us to trade the business well and we delivered particularly good results over the cyber weekend and in the weeks that followed. This was driven by our improved product offering, which continues to gain traction with customers, together with our new digital marketing initiatives.

"Simply Be and Jacamo continue to show strong growth, and the potential of these brands is significant. We are also very pleased with the double-digit revenue growth in the JD Williams brand which is testament to the hard work over the past few years, and we are excited about the further potential of the online 50-plus fashion market.

"Our digital-first strategy has continued to make good progress and I am encouraged by the transformation underway in the business. We are on track to meet full year expectations, and we move into 2016 with real energy and confidence in our future."

Q3 performance

Retail

Our Power Brands – JD Williams, Simply Be and Jacamo – are central to our growth strategy, and all three continue to outperform. The active customer file of the Power Brands increased by 12% with the total active customer file growing by 1%.

The JD Williams group of titles overall saw marginally positive product revenue growth. As highlighted in the half year results, there remains a notable divergence in performance between the core JD Williams brand, which has undergone a comprehensive modernisation and is generating strong results, and the traditional brands Ambrose Wilson and Fifty Plus. The core JD Williams brand achieved double-digit revenue growth in the period, driven by the improved product offering, strong PR activity and our Autumn Winter digital-first marketing campaigns. The traditional brands Ambrose Wilson and Fifty Plus saw revenue declines of high single-digits. We are focused on stabilising performance here, including a refinement of our marketing programme and a clearer articulation of our product offering for these customers.

Simply Be achieved low double-digit revenue growth year-on-year and we continue to view the long-term opportunity for the brand as considerable, both in the UK and globally. Our new Autumn ranges, particularly Simply Be Unique and Coast were very well received by customers.

Jacamo also saw double-digit revenue growth, driven by the continued success of own-label, together with innovative digital content which is resonating well with target customers.

At the category level, Ladieswear saw moderate growth, a solid result against the challenging market backdrop. Menswear recorded mid single-digit revenue growth year-on-year, driven by Jacamo. Homewares was the best performing category during the period, up high single-digit, driven by Furniture, Home Textiles and Beauty.

Consistent with our focus on recruiting customers predominantly to our Power Brands, overall Support Brands product revenue was broadly flat year-on-year.

Overall, online penetration increased 5ppts year-on-year to 66%, with total online sales up 13%. 75% of new customer demand was generated online during the period, up 7ppts. Online metrics continue to be very pleasing. Order frequency and units per basket both recorded positive year-on-year growth, whilst average selling price was flat. Conversion and abandonment rates improved further, both overall and across each device type. During the period mobile devices generated 68% of all traffic, up 10ppts year-on-year.

Simply Be USA continues to perform well; in the period we achieved 28% growth in turnover year-on-year, or 20% on a constant currency basis. We continue to be in cautious expansion mode in the USA, ahead of the new International web platform going live in mid-2016.

Whilst stores remain a small part of the group overall, their performance was disappointing, with sales flat on a LFL basis year-on-year. In line with the wider retail sector, footfall was weaker, and this was the primary cause of the muted sales performance, with conversion in store up year-on-year. We continue to focus on the ongoing efficiency and profitability of our store estate.

Financial Services
We achieved a good performance in our Financial Services division in the period, with revenue growth of 3.7% and gross margin benefiting from the continued improvement in the quality of our credit book. The encouraging trend of a year-on-year increase in new credit recruits who are rolling a balance, first reported at our half year results, has continued.

Fit 4 the Future
Fit 4 the Future, our systems transformation project, saw two important milestones during the period: the launches of our Simply Be Euro website (the first phase of our Global Multi-channel release) and Powercurve (the foundation of our Credit release). Both launches were on time and early results are encouraging.

Having reviewed the launch of the first stage of our new web platform, we have identified additional opportunities to improve the customer experience through implementation, and have therefore refined the phasing of our Credit and Global Multi-channel releases. Additionally, to avoid any disruption to 2016 peak trading, we plan to defer the roll-out for the main brands until early 2017. This will therefore result in a slight delay to the projected flow of benefits previously discussed. Importantly, however, our view of the overall costs and benefits of Fit 4 the Future are unchanged.

Full Year 15/16 Guidance

Updates:

- Product gross margin guidance range changed to -75bps to flat (from -25bps to +50bps), driven by seasonal mix
- Financial Services gross margin guidance range improved to -100bps to flat (from -300bps to -200bps), due to continued improvement in the quality of the credit book

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

- Group operating costs up 3% to 5% (excluding Depreciation & Amortisation)
- Depreciation and amortisation £26m to £28m
- Net interest costs £8m to £10m
- Capex £58m to £60m
- Tax rate c.20%
- H2 Exceptional costs of £2m to £3m

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 (tess.harris@mhpc.com) for dial-in details.

Reporting calendar
We will be announcing our full year results on 20th April 2016.

Market expectations

The Board considers that market expectations for FY16 are best defined by forecasts published by analysts who consistently follow the Group. The current consensus Trading PBT as at 20 January 2016, of which the Board is aware, is £84.3m (range: £81.5m to £86.8m).

About N Brown Group:

N Brown Group is a leading multi-channel, specialist fit, fashion retailer headquartered in Manchester employing over 2,800 people. The Group's strategy has been to focus each of the brands in its portfolio towards niche markets which are poorly served on the high street, such as the plus-size and more mature customer segments. The Group had total sales of £818.0m as of February 2015. N Brown's retail brands include JD Williams, Simply Be and Jacamo – our three Power brands, together with brands including Fashion World, Marisota, House of Bath, Figleaves and High & Mighty.

For further information:

N Brown Group

Angela Spindler, CEO	0161 238 2202 / 1845
Craig Lovelace, CFO	
Bethany Hocking, Director of Investor Relations	

MHP

John Olsen	07770 272082
Tess Harris	0203 128 8100
	nbrown@mhpc.com