14 June 2018

**Q1 TRADING STATEMENT FOR THE 13 WEEKS TO 2 JUNE 2018**

***A SATISFACTORY PERFORMANCE IN A CHALLENGING PERIOD***
***OUR FULL YEAR EXPECTATIONS ARE UNCHANGED***

N Brown Group Plc, the online, specialist fit, fashion retailer, today announces the following trading update covering the 13 week period to 2 June 2018.

**Q1 highlights:**

- Group revenue +0.4%
- Product revenue -2.8%
- Financial services revenue +9.0%
- Total online revenue +3% and Power Brand online revenue +9%
- 75% of total revenue now generated online, and 84% for new customers
- Total and Power Brand active customers (12 month rolling basis) both broadly flat year-on-year
- In line with our online strategy, consultation begun to consider closing our 20 stores
- Full year guidance unchanged, aside from exceptional costs relating to these proposed store closures

| Revenue yoy growth | **FY18** | | | | | **FY19** |
|---|---|---|---|---|---|---|
| | Q1 (13wks) | Q2 (13wks) | Q3 (18wks) | Q4 (8wks) | FY (52wks) | **Q1 (13wks)** |
| Product | +10.2% | +4.9% | +2.7% | (4.1%) | +4.1% | **(2.8%)** |
| Financial Services | (4.9%) | +7.2% | +4.6% | +8.2% | +3.5% | **+9.0%** |
| Group | +5.6% | +5.6% | +3.2% | +0.0% | +3.9% | **+0.4%** |

**Angela Spindler, CEO, commented:**
*"As highlighted in our full year results, this was a challenging period for fashion retail. Against this backdrop and a double-digit comparative in Product revenue, I am satisfied with our Q1 performance. At this early stage in the financial year our full year expectations are unchanged.*

*"In line with our online strategy, and given continued weak high street footfall, we have today commenced a consultation process with colleagues over the future of our small store estate. This action has not been taken lightly and we will do all we can to support the colleagues affected during this process.*

*"We continue at pace our journey to become a global online retailer, uniquely delivering fashion that fits. This will underpin our future growth, both in the UK and Internationally."*

## Q1 performance

### Product revenue

| **Product revenue by brand** | % change yoy |
|---|---|
| **JD Williams** | **-2.0%** |
| **Simply Be** | **+9.3%** |
| **Jacamo** | **+2.0%** |
| **Power Brands** | **+2.7%** |
| Secondary Brands | -9.1% |
| Traditional Segment | -9.8% |
| **Product Revenue** | **-2.8%** |

In line with our strategy, Power Brands outperformed. The relaunched JD Williams brand continues to perform well. As expected, there remains a headwind from the migrated Fifty Plus customers, although we are confident that the actions we have taken will address this as we move through the year. Excluding these customers, JD Williams was up double-digits.

Simply Be's performance was strong, against a particularly tough comparative. The reported revenue of both Simply Be and Jacamo was diluted, by approximately three percentage points, by a weak performance of our store estate during the period.

The revenue decline in Secondary brands reflects the planned shift in marketing investment away from Fashion World, towards Power Brands. Traditional revenues declined as we focused on the online element within this segment, and reduced our recruitment activity in the declining offline segment, as guided to in our full year results. We would expect this dynamic to continue through the year.

| **Product revenue by category** | % change yoy |
|---|---|
| Ladieswear | -4.2% |
| Menswear | -3.2% |
| Footwear & Accessories | -5.4% |
| Home & Gift | +0.8% |

Within Home & Gift we saw a particularly strong performance in the Furniture and Outdoor Living categories.

### Online metrics

Our online performance continues to be encouraging, with online revenue up 3%, and up 9% in our Power Brands. 75% of revenue is now generated online, up 5ppts year-on-year. For new customers, online penetration was 84%, up 6ppts year-on-year.

Overall traffic was up 3% year-on-year, however traffic to our Power Brands was up 14%. Smartphones now account for 57% of all sessions, up from 51% last year, with mobile devices as a whole accounting for 75%.

**International**

International revenue was down 8.0%, or down 5.2% in constant currency terms.

Revenue from the USA was down 15.9%, and down 7.2% in constant currency. This performance was impacted by significantly reducing investment in offline recruitment, in line with our wider strategy. We have also transitioned to new agencies in the USA, in order to support our digital approach. Marketing spend has been deferred into the second half to support exciting new initiatives and drive a stronger trading performance.

Revenue from Ireland was flat, or down 3.2% in constant currency terms, again driven by a reduction in offline recruitment activity.

**Stores**

We are focused on becoming a global online retailer. Reflecting this strategy, we have undertaken a review of our store estate. Given continued very disappointing footfall, and despite significant cost efficiencies being achieved, we are today entering into a consultation with store colleagues to consider closing our 20 stores ahead of lease expiry. In FY18 these stores generated £15m revenue (2% of Group revenue) and an EBITDA loss of £3m.

We anticipate that the consultation process will be completed around the time of our half year results in October. Should the decision be taken to close all 20 stores, we anticipate an exceptional cost of £18m to £22m, of which approximately half will be in cash.

**Financial Services**

Revenue from our Financial Services business was up 9.0% year on year, against a weak comparative. This performance was in line with our expectations. Within the revenue performance, interest lines were up double-digit, whilst non-interest lines were down double-digit, continuing the trends reported during the last financial year.

As part of our full year results we detailed the impact of moving from IAS39 to IFRS9 on our receivables provision accounting. Further to this, on 8th May, we confirmed that undrawn credit balances will be excluded from the IFRS9 provision. Our first half results in October will be the first time we report under IFRS9, with FY18 results restated to reflect the new accounting standard, and an associated reduction in net assets. For FY19 as a whole, we anticipate an IFRS9 provision of between £105m and £125m, compared with an IAS39 reported provision in FY18 of £49.2m. We continue to expect the FY19 P&L impact to be broadly neutral versus the FY18 restated results.

## FY19 Guidance

Aside from the exceptional cost guidance, as discussed above, all other FY19 guidance is unchanged.

- Product gross margin flat to +100bps
- Financial Services gross margin -100bps to -200bps
- Group operating costs +1.5% to +3.5%
- Depreciation & Amortisation £32m to £33m
- Net interest £12m to £13m
- Tax rate c.22%

- Capex c.£40m
- Net debt £425m to £450m, which assumes £25m to £50m growth in the Financial Services customer loan book
- Exceptional costs £22m to £26m, with the majority related to proposed store closures, as discussed above, together with c.£4m advisory fees associated with our ongoing legacy tax cases

**Reporting calendar**

We will be announcing our first half results on 11th October 2018.

**For further information:**


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