

17 January 2019



N Brown Group plc Q3 Trading Statement

***Robust online Power Brand growth and stable margin performance in a challenging market.
Full year expectations unchanged.***

N Brown, the online specialist fit fashion retailer, today announces the following trading update for the 18 weeks to 5 January 2019 (“Q3” or “the period”).

Change in revenue*	Q3 FY19	YTD FY19	H1 FY19
Group	-1.6%	0.2%	1.5%
Product	-6.0%	-4.3%	-3.1%
Power Brands	0.1%	1.0%	1.8%
Secondary	-5.2%	-6.1%	-6.9%
Traditional	-22.9%	-16.2%	-11.2%
Financial Services	9.7%	11.5%	12.7%
Online performance			
Product	1.3%	2.7%	3.8%
Power Brands	6.4%	7.7%	8.6%

*All figures exclude stores.

Steve Johnson, Chief Executive, commented:

“The Group delivered robust online Power Brand growth and a stable margin performance in what was a challenging and highly promotional peak trading period. We continue to manage the anticipated decline of our legacy offline business and remain focused on improving our customer proposition to drive profitable online growth. Trading over the Cyber and Christmas periods was relatively consistent and in line with our expectations, with the Group benefiting from a more targeted and efficient approach to its promotional activity.”

“Based on maintained margin guidance, continued strong Financial Services performance and improved operating efficiency, our full year expectations remain unchanged.”

Product

Our transformation into a digital retailer continues, with total online Power Brand revenues increasing by 6.4% during the period. The Group’s digital sales now account for 78.5% of Product revenue compared to 71.0% for the same period last year.

Encouragingly, despite the highly promotional retail environment experienced during the period, the Group is maintaining its Product gross margin guidance at between 0 and -100bps for the full year.

As anticipated total Q3 Product sales (exc. stores) declined by 6.0% as the Group continued to scale back its expenditure on offline marketing and recruitment, consistent with its stated strategy of

focusing on online growth and improving its marketing efficiency. This mainly impacted revenues in its Traditional and Secondary segments, which were down 22.9% and 5.2% respectively.

While Power Brand revenues were flat, within this Simply Be and Jacamo continued to grow despite the challenging market conditions, with Product revenues up 1.6% and 5.5% respectively, and by 5.9% and 6.8% for online only. Simply Be's performance reflects the strong prior year comparator and a more targeted approach to discounting by the Group during the period.

Although JD Williams declined 3.3%, having been impacted by the headwind from the migration of Fifty Plus, excluding Fifty Plus it was up 4.2%. For online sales only, JD Williams was ahead by 6.9%. The Group is currently re-evaluating its proposition for JD Williams and will provide further details at its Full Year results later in the year.

Financial Services

Financial Services continues to perform well, driven by the improvement in the quality of the customer loan book and a further reduction in the credit arrears rate compared to the same period in previous years (excluding the temporary impact of changes to the minimum payment rate). As a result, revenue was up by 9.7% mainly driven by increased interest charges, with other non-interest lines marginally ahead.

International

The Group began to stabilise its International performance, with revenue down by 5.0% as it began to better re-engage with its target customer base.

VAT Partial Exemption final ruling

The final ruling on the Group's dispute with HMRC with respect to the VAT recovery of certain marketing costs has been received and it is consistent with the draft ruling (as previously announced in November 2018).

As a result, the Group continues to expect that its marketing costs will increase by £6m to £9m p.a. on a full-year basis from FY20, with a proportionately lower impact anticipated for FY19 of between £1.5m to £2m. There will also be a non-cash exceptional charge relating to the partial impairment of the existing VAT debtor asset. The Group is still considering its position with respect to an appeal.

Senior Manager & Certification Regime ("SM&CR")

The Group is evaluating the likely impact of the recently introduced Senior Managers & Certification Regime by the Financial Conduct Authority ("FCA"). This represents a material change in how companies govern themselves and how the FCA regulates people working in Financial Services. SM&CR replaces the prior "Approved Persons" regime and is to be implemented by December 2019. The Group will update investors more fully on any impact at its Full Year results.

FY19 Guidance

The following update has been made to FY19 guidance:

- Group operating costs: down 2% to 4% (was down 1% to 3%) due to ongoing improved operating cost efficiencies
- Depreciation & Amortisation: £30m to £31m (was £32m to £33m) due to the Welcom impairment and store closures
- Exceptional costs: Previous guidance of c.£67m will increase due to an impairment charge on the Group's VAT debtor asset, to be determined at the year-end

Other FY19 guidance is unchanged:

- Product gross margin: 0 to -100bps
- Financial Services gross margin: -100bps to -200bps
- Net interest: £13m to £14m
- Capex: c.£40m
- Net debt: £450m to £475m
- Underlying Effective Tax Rate: c.22%

Conference call

Management is hosting a call for analysts and investors at 8.30am today to discuss this statement. Please contact Nbrown@mhpc.com for further information.

FY19 Results

The Group will announce its 2019 Full Year results on 2 May 2019.

Further information

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