

**N BROWN**



# Interim Results FY22

8<sup>th</sup> October 2021



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# KEY POINTS FOR TODAY

## CONTINUED PROGRESS IN TRANSFORMATION



**+15%**

**STRATEGIC BRANDS PRODUCT  
REVENUE GROWTH**



**+6%**

**TOTAL ORDER GROWTH**



**+1%**

**UPLIFT IN ACTIVE CUSTOMERS IN  
Q2 VS Q1**



**+10%**

**ADJUSTED EBITDA<sup>1</sup> GROWTH**



**42%**

**REDUCTION IN GHG EMISSIONS PER  
ITEM SHIPPED<sup>2</sup> VS BASELINE**



**£268m**

**ADJUSTED NET DEBT, COVERED BY  
£510M NET CUSTOMER LOAN BOOK**

1. Adjusted EBITDA is calculated as operating profit, excluding exceptional items, with depreciation and amortisation added back.  
A full reconciliation of statutory to adjusted measures is included on slide 30 in the Appendix. The full APM definitions are included on slide 29 in the Appendix.
2. Rolling 12-month basis





# H1 '22 Financial Results

# FINANCIAL SUMMARY

| £m  | H1'22          | H1'21 <sup>1</sup> | Better / (Worse) |
|---|----------------|--------------------|------------------|
| <b>Group revenue</b>  | <b>£346.8m</b> | <b>£347.2m</b>     | <b>£(0.4)m</b>   |
| <i>H1'22 strategic brands<sup>2</sup> product revenue vs. H1'21</i> | <i>+14.9%</i>  |                    |                  |
| Adjusted gross profit margin <sup>3</sup>                           | 51.3%          | 44.3%              | 7.0 ppts         |
| <b>Adjusted EBITDA<sup>4</sup></b>                                  | <b>£53.0m</b>  | <b>£48.0m</b>      | <b>£5.0m</b>     |
| Adjusted EBITDA margin  | 15.3%          | 13.8%              | 1.5 ppt          |
| Adjusted Profit before Tax <sup>5</sup>                             | £24.2m         | £22.6m             | £1.6m            |
| Adjusted operating costs to Group revenue <sup>6</sup>              | 36.0%          | 30.4%              | (5.6)ppt         |
| Unsecured net cash / (debt) <sup>7</sup>                            | £41.9m         | (£32.2)m           | £74.1m           |
| Adjusted EPS <sup>8</sup>   | 4.41p          | 6.72p              | (2.31)p          |



1. H1'21 Group Revenue restated for the value added tax element on customer debt written off, previously reported within Revenue rather than offset against Cost of Sales, as disclosed in the FY21 AR&A.
2. JD Williams, Simply Be, Ambrose Wilson, Jacamo and Home Essentials.
3. Adjusted gross profit margin is defined as adjusted gross profit divided by Group revenue.
4. Adjusted EBITDA is calculated as operating profit, excluding exceptional items, with depreciation and amortisation added back.
5. Adjusted profit before tax is calculated as profit before tax, excluding exceptionals items and fair value movement on financial instruments.
6. Adjusted operating costs to revenue ratio is calculated as Operating costs less depreciation, amortisation and exceptional items as a percentage of Group revenue.
7. Cash balances, net of cash utilised to reduce amounts drawn down on securitised debt, less amount drawn on the Group's unsecured debt facilities. Excludes debt securitised against receivables (customer loan book) of £310.2m and lease liabilities of £3.9m.
8. Adjusted earnings per share based on earnings before exceptional items and fair value adjustments, which are those items that do not form part of the recurring operational activities of the Group.

A full reconciliation of statutory to adjusted measures is included on slide 30 in the Appendix. The full APM definitions are included on slide 29 in the Appendix.  
The Half year results are unaudited.

# PRODUCT REVENUE GROWTH OFFSET BY FS DECLINE

## IMPROVING TRAJECTORY IN BOTH PRODUCT AND FINANCIAL SERVICES REVENUE

| £m                                | H1 '22       | H1 '21 <sup>1</sup> | Change        |
|-----------------------------------|--------------|---------------------|---------------|
| Strategic brands <sup>2</sup>     | 180.5        | 157.1               | 14.9%         |
| Other brands <sup>3</sup>         | 41.6         | 57.9                | (28.2)%       |
| <b>Product revenue</b>            | <b>222.1</b> | <b>215.0</b>        | <b>3.3%</b>   |
| <b>Financial Services revenue</b> | <b>124.7</b> | <b>132.2</b>        | <b>(5.7)%</b> |
| <b>Group revenue</b>              | <b>346.8</b> | <b>347.2</b>        | <b>(0.1)%</b> |

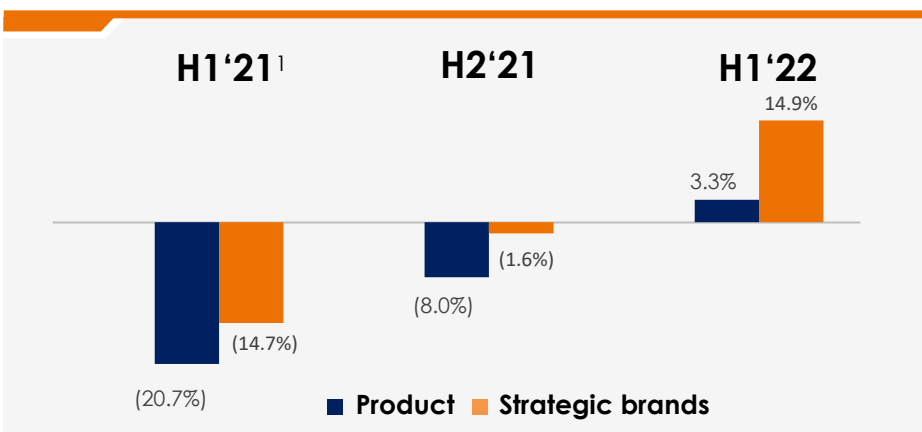
### Product

- Product revenue driven strongly by Strategic brands; Other brands now just 19% of total (H1 '21: 27%)
- Demand for clothing & footwear rose as pandemic restrictions eased, with home settling lower than the exceptional FY21 and higher than pre-pandemic

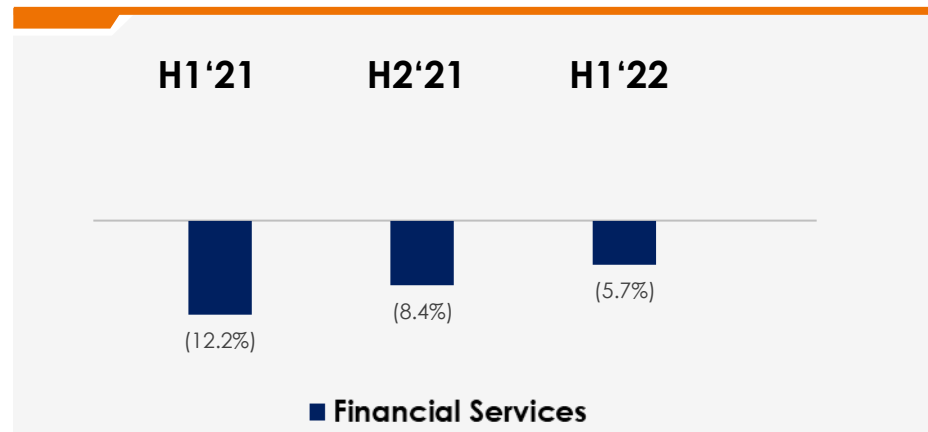
### Financial Services

- Revenue lower, reflecting smaller starting period debtor book and last year's decline in retail sales
- Repayment rates above pre-pandemic levels

## PRODUCT REVENUE RETURNS TO GROWTH



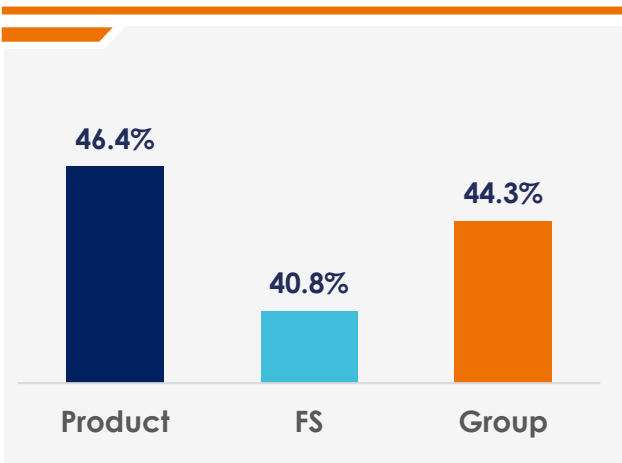
## FS REVENUE MODERATING DECLINE



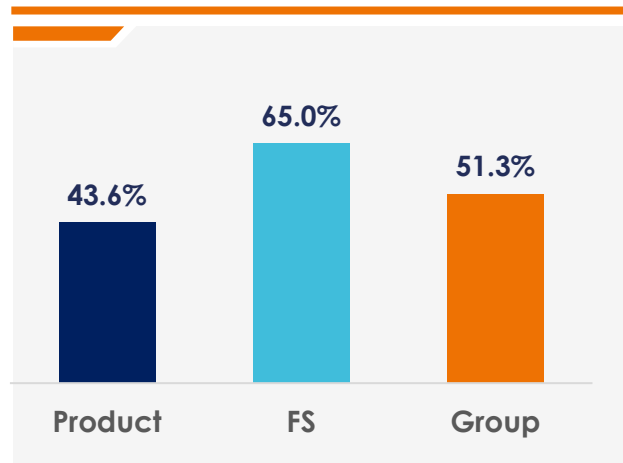
- H1 '21 Product Revenue restated for the value added tax element on customer debt write off, previously reported in Product Revenue rather than Cost of sales. See Appendix slide 31 for more details.
- JD Williams, Simply Be, Ambrose Wilson, Jacamo and Home Essentials.
- Other brands include Fashion World, Marisota, Premier Man and Oxendales. High & Mighty was folded into Jacamo in FY21. House of Bath was folded into Ambrose Wilson in FY21. Figleaves was closed in March 2021 and is now sold on Simply Be.

# ADJUSTED GROSS PROFIT MARGIN<sup>1</sup>

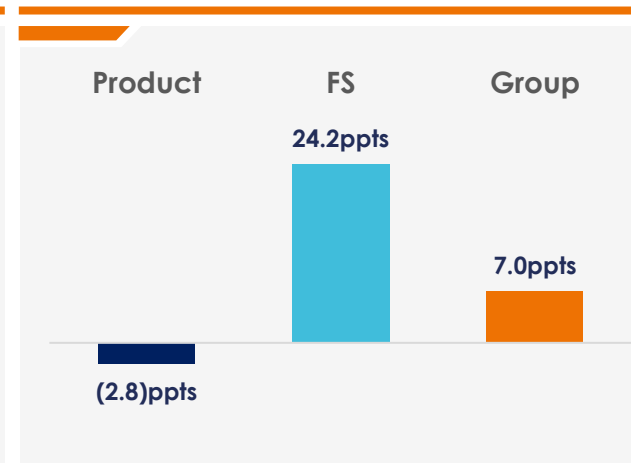
H1'21<sup>2</sup>



H1'22



Change



## Product GM% decline 2.8ppts

- Inflationary pressure in freight rates
- Competitive and promotional retail environment
- Decline in VAT bad debt relief due to lower customer write offs
- Partially offset by growth and mix into higher margin clothing & footwear

## Financial services GM increase 24.2 ppts

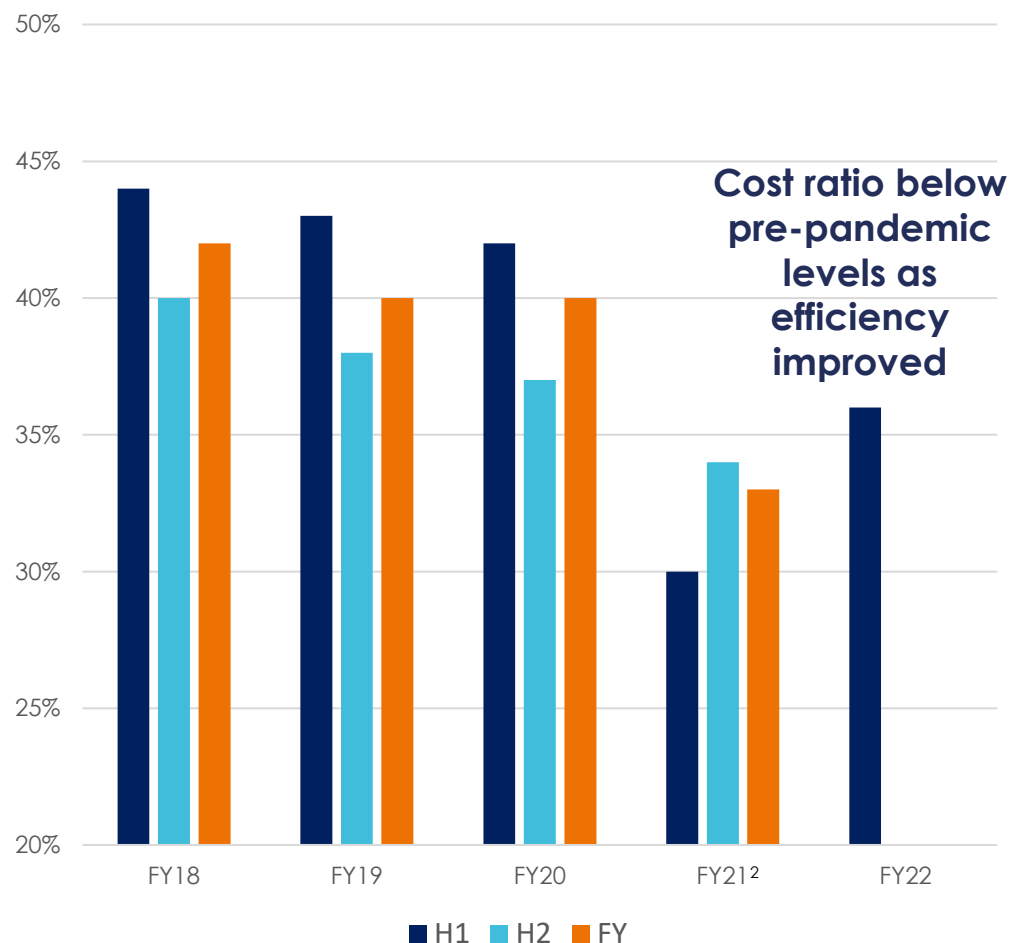
- Year-on-year movement reflects the initial increase in provision rate last year, and a lower than normal level of write-offs this year
- All customers who were previously on Covid payment deferrals are now up-to-date or supported through arrears and forbearance processes
- Bad debt provision rates remain similar year-on-year

1. Adjusted gross profit margin is defined as adjusted gross profit divided by Group revenue.

2. H1'21 Product Revenue restated for the value added tax element on customer debt write off, previously reported in Product Revenue rather than Cost of sales. See Appendix slide 31 for more details.

# ADJUSTED OPERATING COSTS TO GROUP REVENUE

## ADJUSTED OPERATING COSTS TO GROUP REVENUE<sup>1</sup> RATIO BELOW PRE-PANDEMIC LEVELS



### Adjusted operating costs

- Costs to Group revenue rose by 5.6ppts to 36.0% as cost base normalised
- Prior year period included onset of pandemic when costs significantly curtailed
- Costs to Group revenue in H1 '22 substantially below pre-pandemic levels
- Cost base more flexible to move with demand

### Marketing and Production

- Marketing expenditure increased 29% or £7.6m to support our Strategic brands and reach broader set of customers
- Marketing expense remains 57% below pre-pandemic levels as efficiencies are retained

### Admin and Payroll

- Expenses rose 20% or £9.9m due to normalisation on payroll costs

### Warehouse and Fulfilment

- Costs rose 5% or £1.6m due to higher despatch volumes

1. Adjusted operating costs to revenue ratio is calculated as Operating costs less depreciation, amortisation and exceptional items as a percentage of Group revenue. The Directors believe this is the most appropriate measure to demonstrate the efficiency of the Group's operating cost base.  
2. H1 '21 Product Revenue restated for the value added tax element on customer debt write off, previously reported in Product Revenue rather than Cost of sales. See Appendix slide 31 for more details.



# CASH GENERATION

## HEALTHY CASH GENERATION DESPITE INVESTMENT IN INVENTORY

| £m   | H1'22         | H1'21         |
|--|---------------|---------------|
| Adjusted EBITDA <sup>1</sup>                                     | 53.0          | 48.0          |
| Inventory and other working capital                              | (8.3)         | 20.7          |
| <b>Cash flow adjusted for working capital</b>                    | <b>44.7</b>   | <b>68.7</b>   |
| Exceptional Items, non-operating tax and treasury                | (5.6)         | (6.8)         |
| Capital investment   | (10.5)        | (11.3)        |
| Interest   | (6.7)         | (9.3)         |
| <b>Non-Operational Cash Outflows</b>                             | <b>(22.8)</b> | <b>(27.4)</b> |
| Net repayment in customer loan book                              | 10.9          | 44.7          |
| Decrease in securitisation debt in line w/ loan book             | (14.5)        | (40.7)        |
| <b>Net cash (outflow) / inflow from cust. loan book</b>          | <b>(3.6)</b>  | <b>4.0</b>    |
| <b>Net cash generated</b>  | <b>18.3</b>   | <b>45.3</b>   |
| Voluntary flexible repayment of securitisation loan <sup>3</sup> | (57.2)        | -             |
| Repayment of unsecured loans                                     | -             | (50.0)        |
| <b>Net cash decrease</b>   | <b>(38.9)</b> | <b>(4.7)</b>  |

### Cash generation drives further reduction in net debt

- Investment in inventory reflects confidence in product and ensures availability for consumers
- Capex broadly flat with some project spend now included in Opex. Underlying trajectory ramping up
- Voluntary reduction in drawdown on securitisation funding facility; greater balance sheet efficiency and interest savings
- Net debt continues to reduce, £268.3m more than covered by the £509.6m net customer loan book

1. Adjusted EBITDA is calculated as operating profit, excluding exceptional items, with depreciation and amortisation added back.

2. Total liabilities from financing activities, less cash, excluding lease liabilities.

3. During the period we have agreed with our banks that the securitisation does not need to be fully drawn and that surplus cash can be used to repay drawings from time to time.

A full reconciliation of statutory to adjusted measures is included on slide 30 in the Appendix. The full APM definitions are included on slide 29 in the Appendix.

# EXCEPTIONAL ITEMS AND HISTORICAL COSTS

£4.5m



H1'21

H1'22

£nil

■ Exceptional items

## Exceptional items

- Exceptional items were net £nil in H1'22

## Allianz contingent liability

- It is not possible to reliably estimate the amount of any potential financial outflow of this dispute and in accordance with IAS 37 the Group has continued to not provide any amount for Allianz's claim, but has instead disclosed it as a contingent liability
- A material counterclaim has been issued, seeking both restitution and a contribution from Allianz



# FY22 CURRENT TRADING AND OUTLOOK

- Focus on profitable growth
  - Group revenue broadly flat
  - Product revenue growth between 1% and 4%
  - Financial Services revenue down c.5%
- Adjusted EBITDA in the range of £93m to £100m
- Capex of c.£25m
- Depreciation and amortisation of c.£40m
- Net interest costs of c.£15m
- Year-end net debt £270m to £280m
- Leaves Group with strong unsecured net cash position





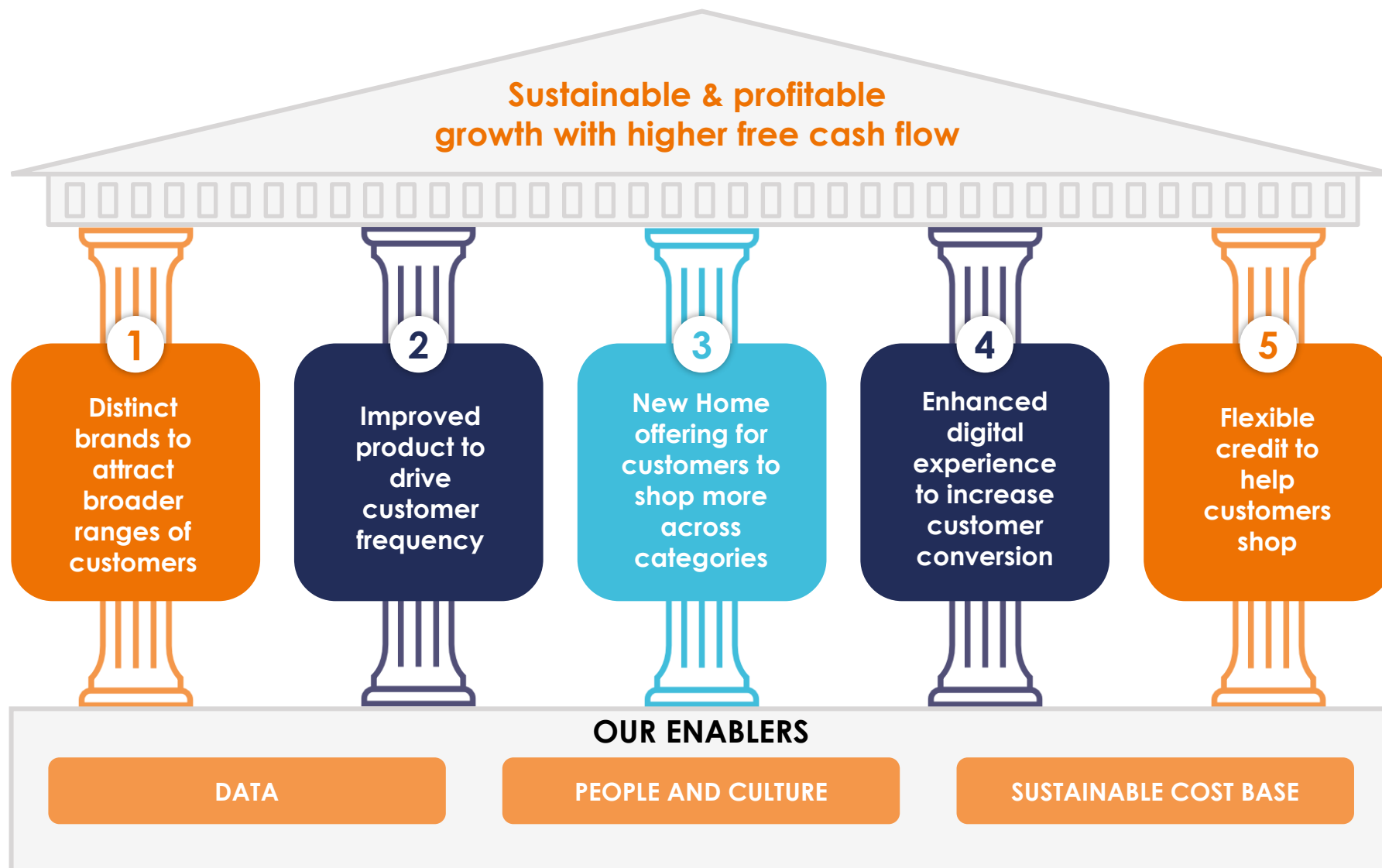


# **STRATEGIC PROGRESS**

**TO DELIVER PROFITABLE AND  
SUSTAINABLE GROWTH**

# KEY PILLARS OF GROWTH

CLEAR STRATEGIC FRAMEWORK AND WELL DEFINED PRIORITIES TO DRIVE GROWTH



# STRATEGIC HIGHLIGHTS

## GOOD MOMENTUM ACROSS EACH OF OUR STRATEGIC PILLARS

**Distinct brands to attract broader ranges of customers**

- ✓ Developing distinctive identity for each brand
- ✓ Increased marketing investment

**Improved product to drive customer frequency**

- ✓ Invested in in-house design team
- ✓ Delivering on good/ better/ best mix and pricing

**New Home offering for customers to shop more across categories**

- ✓ Strong growth in revenues and customer numbers
- ✓ High profile brand ambassadors appointed

**Enhanced digital experience to increase customer conversion**

- ✓ Continue to invest in digital capabilities
- ✓ Working on new front-end websites

**Flexible credit to help customers shop**

- ✓ Stabilisation in customer behaviour; no elevated signs of distress
- ✓ Medium-term target remains new, more flexible FS platform



# KEY PERFORMANCE INDICATORS (KPIs)

|                               |   | H1'22 | H1'21 | FY21  |
|-------------------------------|---|-------|-------|-------|
| <b>Total website sessions</b> | 1 | 119m  | 107m  | 232m  |
| Conversion                    |   | 3.8%  | 3.8%  | 3.8%  |
| <b>Orders*</b>                | 2 | 5.0m  | 4.7m  | 10.0m |
| Average Order value           |   | £69.4 | £68.5 | £69.0 |
| Items per order               |   | 2.9   | 2.8   | 2.8   |
| Average item value            |   | £24.1 | £24.3 | £25.0 |
| <b>Total active customers</b> | 3 | 2.83m | 3.00m | 2.82m |
| <b>Orders per customer</b>    | 4 | 1.8   | 1.6   | 3.5   |
| Financial Services arrears    |   | 7.3%  | 8.0%  | 7.9%  |
| NPS                           |   | 61    | 64    | 63    |

|   |  |
|---|--|
| 1 | <b>Total website sessions +11%</b> <ul style="list-style-type: none"> <li>Positive consumer reaction to refreshed product offering and marketing messages</li> </ul>         |
| 2 | <b>Orders +6%</b> <ul style="list-style-type: none"> <li>Robust demand for clothing and footwear from our Strategic brands</li> </ul>  |
| 3 | <b>Total active customers</b> <ul style="list-style-type: none"> <li>1.1% uplift in active customers Q2 on Q1. Year-on-year decline reflects non-strategic brands</li> </ul> |
| 4 | <b>Orders per customer +13%</b> <ul style="list-style-type: none"> <li>Increased frequency of purchase; greater engagement with our brands and products</li> </ul>           |

For definitions of KPIs see slide 28 in the Appendix.

\* Orders include both offline and online.

# DEEP DIVE INTO BRAND

## FIVE STRATEGIC BRANDS WITH CLEAR TARGET CUSTOMERS

### ACCELERATING USE OF SOCIAL MEDIA

- Increased use of social media with positive results
- 15% increase in revenue driven through social channels versus prior period
- 2.1m followers across Facebook, Instagram and Twitter

### BRINGING BRANDS TO LIFE FOR OUR CUSTOMERS

- High profile celebrity partnerships; Amanda Holden and Davina McCall as brand ambassadors for JD Williams; Frankie Bridge and Nicki Bamford-Bowes for Home Essentials
- Positive early responses to campaigns

### CONTENT PRODUCTION CAPABILITIES

- Built new in-house photographic studio; create content suited to each brand's style
- Create content for different media; social, video



# DEEP DIVE INTO PRODUCT

## IMPROVED PRODUCT OFFERING KEY TO BUILDING OVERALL PROPOSITION

### PRODUCT HANDWRITING

- Investment in in-house design team
- Own brand product increased 15% vs last year
- Increase in returns rate in H1 due to exceptional Covid-19 behaviour; returns are 5.9 pts below pre-pandemic levels

### GOOD / BETTER / BEST

- Replacing “good” elements of third-party ranges
- Greater focus on aspirational third-party brands that resonate with our customer including French Connection, Sonder, Khost and Phase 8 on JD Williams
- New partnerships, exclusively available in our inclusive sizing on Simply Be and Jacamo, including Nobody's Child and Finery for Simply Be alongside 11 degrees and Kings Will Dream for Jacamo



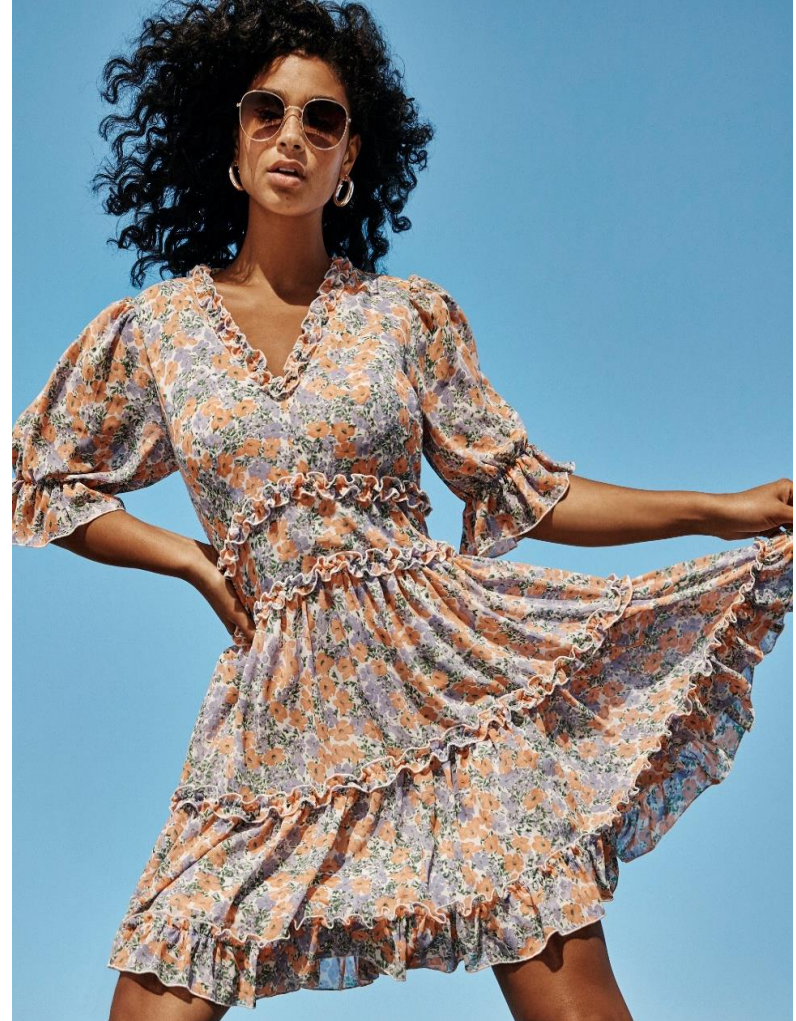


# RESPONSIBLE SOURCING

## FOCUS ON RESPONSIBLE SOURCING AND ENSURING FLEXIBILITY OF SUPPLY

### STRENGTHENING RELATIONSHIPS ACROSS SUPPLY BASE

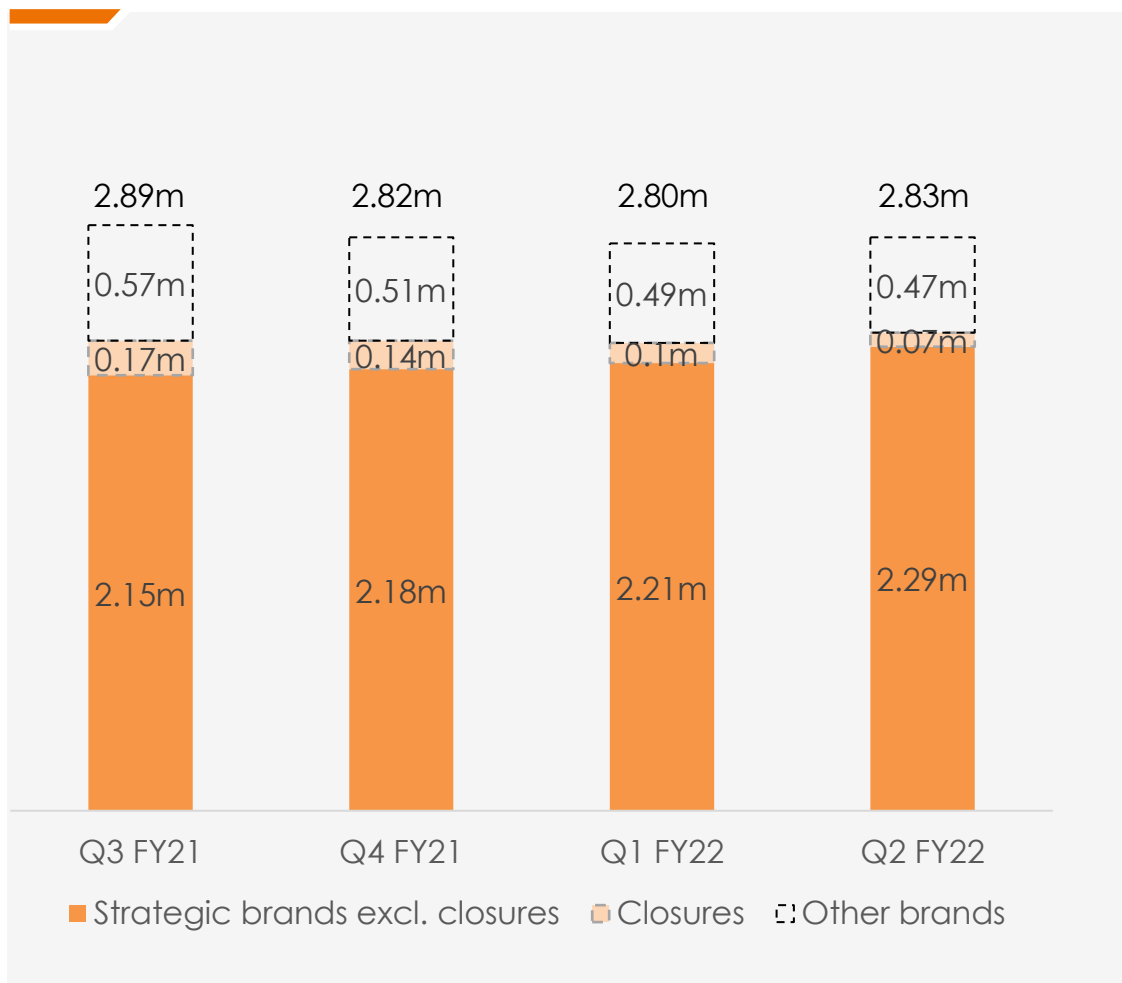
- Published second edition of our full Tier 1 supplier list, encompassing 499 own brand suppliers, part of ongoing partnership with “The Apparel and Footwear Supply Chain Transparency Pledge coalition”
- Strong two year partnership with “Verisio”. We have visibility on where our products are made and ensuring workers are safe and treated with respect
- Over the last six months assessed 345 Tier 1 suppliers (existing and new) whilst also reducing total supply base by 9% year on year
- Committed to UK manufacturing and have aligned with “Fast Forward” a non-profit next generation improvement programme which shares our vision of an ethical UK supply base
- Proud to work with industry leading UK manufacturer social enterprise “Fashion Enter”



# ACTIVE CUSTOMER GROWTH

NUMBER OF ACTIVE CUSTOMERS GREW QUARTER 2 ON QUARTER 1

STRATEGIC BRANDS FUELLING GROWTH IN ACTIVE CUSTOMERS<sup>1</sup>



1. Change in total active customers in the quarter, compared to the previous quarter, where active customers are customers who placed an accepted order in the prior 12 months

# KEY ENABLERS

## FIVE GROWTH PILLARS SUPPORTED BY PEOPLE & CULTURE, DATA AND SUSTAINABLE COST BASE

### PEOPLE & CULTURE

- Remained fully operational throughout the period
- Embraced hybrid working structure

### DATA

- Optimisation of strategy on discounts and promotions
- Built models to maximise revenue, margin or other KPIs through promotional pricing

### SUSTAINABLE COST BASE

- Increased marketing investment to support strategic brands and reach broader range of customers, underlying efficiency maintained
- Cost base normalises post pandemic; retains increased cost flexibility, with a materially improved ratio vs pre-pandemic





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

## CONTINUED PROGRESS WITH SUSTAIN, OUR LEADING SUSTAINABILITY STRATEGY



**SUSTAIN STRATEGY IS CORE PART OF OUR DNA AND LONG-STANDING COMMITMENT TO SUSTAINABILITY**



**RESPONSIBLY SOURCED OWN-BRAND PRODUCT NOW 20% OF CLOTHING & HOME TEXTILE RANGES. ON TRACK TO HIT EXIT RUN RATE TARGET OF 30% BY END FY22**



**SIGNED UP IN JULY 2021 TO BETTER COTTON INITIATIVE (BCI). ON TRACK TO SOURCE 50% OF OWN-BRAND COTTON THROUGH BCI ROUTES BY END OF FY22, RISING TO 100% BY END OF FY24**



**GREENHOUSE GAS EMISSIONS PER ITEM SHIPPED<sup>1</sup> 42% LOWER THAN BASELINE. TARGET REDUCTION OF 35% BY THE END OF THIS YEAR**

1. Rolling 12-month basis

# OUR MEDIUM TERM TARGETS

## RECONFIRMING STRATEGY

### OUR FINANCIAL TARGETS

**+7%**

Medium term product revenue  
growth per annum target

**14%**

Medium term  
Adjusted EBITDA Margin %

### BOARD INTENTIONS

**NET CASH**

Average Unsecured  
Net Cash / Debt <sup>(1)</sup>

The Directors recognise that dividends are an important part of the Company's returns to shareholders and the Board will consider the resumption of dividend payments at the end of FY22

Dividends

1. Cash balances, net of cash utilised to reduce amounts drawn down on securitised debt, less amount drawn on the Group's unsecured debt facilities.



# SUMMARY

# SUMMARY

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**DELIVERING ON OUR PLAN DESPITE VOLATILE CONSUMER MARKET**



**MOMENTUM IN THE BUSINESS WITH CUSTOMERS RESPONDING WELL TO IMPROVED PRODUCT AND INVESTMENT IN BRANDS**



**GROWTH IN STRATEGIC BRANDS AND RECENT UPTICK IN CUSTOMER NUMBERS**



**WE REMAIN ON COURSE TO DELIVER MEDIUM TERM TARGETS OF 7% PRODUCT REVENUE GROWTH PER ANNUM AND 14% ADJUSTED EBITDA MARGIN**



**ACHIEVING OUR MEDIUM TERM TARGETS WILL DELIVER SIGNIFICANT RETURNS FOR SHAREHOLDERS**





# APPENDIX

## ADDITIONAL INFORMATION

# GROUP PROFIT (UNAUDITED)

| £m   | H1'22       | H1'21       | Change       |
|--|-------------|-------------|--------------|
| Operating profit before exceptionals           | 31.0        | 31.0        | 0.0%         |
| Net finance costs                              | (6.8)       | (8.4)       | (19.0%)      |
| <b>Adjusted profit before tax<sup>1</sup></b>  | <b>24.2</b> | <b>22.6</b> | <b>7.1%</b>  |
| Exceptional costs                              | 0           | (4.5)       | n/a          |
| Fair value adjustment to financial instruments | 4.0         | (4.0)       | n/a          |
| <b>Profit before tax</b>                       | <b>28.2</b> | <b>14.1</b> | <b>100%</b>  |
| Taxation                                       | (4.8)       | (1.8)       | 266.7%       |
| <b>Profit for the period</b>                   | <b>23.4</b> | <b>12.3</b> | <b>90.2%</b> |

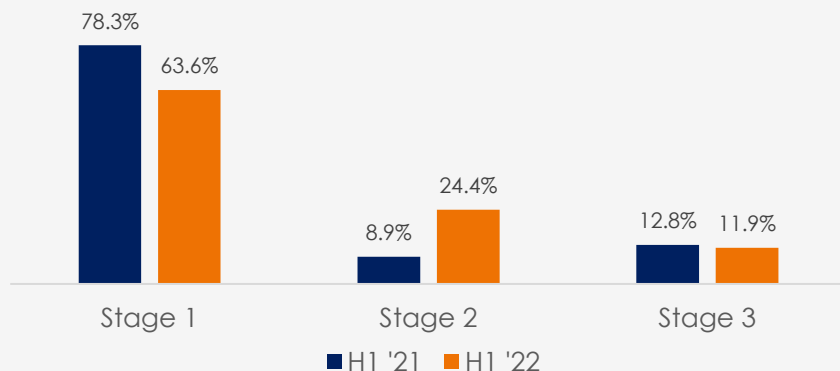
1. Adjusted profit before tax is calculated as profit before tax, excluding exceptional items and fair value movement on financial instruments.



# IFRS 9 PROVISION

## CREDIT LOSS PROVISION RATES ARE LARGELY FLAT, WITH SOFTENING COVID-19 IMPACTS OFFSET BY ENHANCEMENTS TO IFRS 9 MODELLING

Customer Debtor Balance by IFRS 9 stages



IFRS 9 provision rates by stage

| IFRS 9 Provision rate | Stage 1 | Stage 2 | Stage 3 | Total |
|-----------------------|---------|---------|---------|-------|
| H1 '22                | 1.8%    | 21.8%   | 69.3%   | 14.7% |
| H1 '21                | 4.0%    | 28.1%   | 69.7%   | 14.5% |
| (Decrease) / Increase | (2.2%)  | (6.3%)  | (0.4%)  | 0.2%  |

- Balances have been moved from Stage 1 to Stage 2 as part of enhancements to the IFRS9 model to pro-actively predict Stage 1 balances that are likely to move to stage 2 in line with market norm
- Stage 1 and Stage 2: Underlying performance is an improvement versus prior year as customers come out of the Covid-19 support and have not yet had time to move into later stages
- Stage 3: Reflects the underlying improvement in arrears versus prior year
- Overall the IFRS 9 provision is flat year-on-year with differences in the rates in Stages 1 and 2 resulting from the shift in balances noted above
- Covid-19 overlay reduced to £5.2m from £17.0m last year and has been replaced by underlying model refinements including predictive analytics for customer behaviour in moving between expected credit loss stages

# KPI DEFINITIONS

| Measure                | Definition   |
|------------------------|--|
| Total website sessions | Total number of sessions across N Brown apps, mobile and desktop websites in the 6 or 12 month period  |
| Total active customers | Customers who placed an accepted order in the prior 12 months  |
| Total orders           | Total orders placed in the 6 or 12 month period. Includes online and offline orders  |
| AOV                    | Average order value based on accepted demand <sup>1</sup>  |
| AIV                    | Average item value based on accepted demand <sup>1</sup>   |
| Items per order        | Average number of items per order based on accepted demand <sup>1</sup>  |
| Conversion             | % of app/web sessions which result in an accepted order  |
| Orders per customer    | Average number of orders placed per ordering customer  |
| NPS                    | Customers asked to rate likelihood to "recommend the brand to a friend or colleague" on a 0-10 scale (10 most likely). NPS is (% of 9-10) minus (% of 0-6). NPS is recorded on JD Williams, Simply Be, Ambrose Wilson, Jacamo, Home Essentials and Fashion World |
| FS Arrears             | FY21 arrears are stated including both customer debts with two or more missed payments, or customer debts on a payment hold (including Covid-19 payment deferrals)   |

1. Accepted demand is defined as the value of Orders from customers (including VAT) that we accept, i.e. after our credit assessment processes. Excludes Figleaves for FY21 due to different internal reporting systems.



# APM Glossary

| Measure  | Definition   |
|--|--|
| <b>Adjusted Gross Profit</b>                     | Gross profit excluding exceptional items. The Directors believe adjusted Gross profit represents the most appropriate measure of the Group's underlying trading performance.   |
| <b>Adjusted Gross Profit Margin</b>              | Adjusted gross profit as a percentage of Group Revenue. The Directors believe adjusted Gross profit margin represents the most appropriate measure of the Group's underlying trading performance.  |
| <b>Adjusted EBITDA</b>                           | Operating profit, excluding exceptional items, with depreciation and amortisation added back. The Directors believe adjusted EBITDA represents the most appropriate measure of the Group's underlying trading performance as it removes items that do not form part of the recurring activities of the Group.  |
| <b>Adjusted EBITDA margin</b>                    | Operating profit, excluding exceptional items, with depreciation and amortisation added back, as a percentage of revenue. The Directors believe adjusted EBITDA margin represents the most appropriate measure of the Group's underlying trading performance.  |
| <b>Adjusted profit before tax</b>                | Profit before tax, excluding exceptional items and fair value movement on financial instruments. The Directors believe that adjusted profit before tax represents the most appropriate measure of the Group's underlying profit before tax as it removes items that do not form part of the recurring activities of the Group.   |
| <b>Adjusted profit before tax margin</b>         | Profit before tax, excluding exceptional items and fair value movement on financial instruments, expressed as a percentage of Group Revenue. The Directors believe that adjusted profit before tax margin represents the most appropriate measure of the Group's underlying profit before tax as it removes items that do not form part of the recurring activities of the Group.          |
| <b>Cash generation</b>                           | Net cash generated from the Group's operating activities. The Directors believe that net cash generated is the most appropriate measure of the Group's cash generation from underlying performance as it demonstrates the Group's ability to support operations and invest in the future.  |
| <b>Adjusted Operating Costs</b>                  | Operating costs less depreciation, amortisation and exceptional items. The Directors believe this is the most appropriate measure of the Group's operating cost base as it removes items that do not form part of the recurring activities of the Group.   |
| <b>Adjusted operating costs to revenue ratio</b> | Operating costs less depreciation, amortisation and exceptional items as a percentage of revenue. The Directors believe this is the most appropriate measure to demonstrate the efficiency of the Group's operating cost base.   |
| <b>Adjusted net debt</b>                         | Total liabilities from financing activities less cash, excluding lease liabilities. The Directors believe this is the most appropriate measure of the Group's overall net debt in relation to both its secured and unsecured borrowings.   |
| <b>Unsecured net cash/(debt)</b>                 | Cash balances, net of cash utilised to reduce amounts drawn down on securitised debt, less amount drawn on the Group's unsecured debt facilities. The Directors believe that this is the most appropriate measure of the Group's unsecured net cash / borrowings and is used to calculate the Group's leverage ratio, a key debt covenant measure.   |
| <b>Total Accessible Liquidity</b>                | Total cash and cash equivalents and available headroom on secured and unsecured debt facilities. The Directors believe that this is the most appropriate measure of the Group's liquidity.   |
| <b>Adjusted Earnings Per Share</b>               | Adjusted earnings per share based on earnings before exceptional items and fair value adjustments, which are those items that do not form part of the recurring operational activities of the Group. The Directors believe that this is the most appropriate measure of the Group's earnings per share as it removes items that do not form part of the recurring activities of the Group. |

# RECONCILIATION OF STATUTORY FINANCIAL RESULTS TO ADJUSTED RESULTS

| £m (Unaudited)   | H1'22       |                   |              | H1'21       |                   |              |
|--|-------------|-------------------|--------------|-------------|-------------------|--------------|
|  | Statutory   | Exceptional items | Adjusted     | Statutory   | Exceptional items | Adjusted     |
| Group revenue  | 346.8       |                   | 346.8        | 347.2       |                   | 347.2        |
| Gross profit   | 177.8       |                   | 177.8        | 153.7       |                   | 153.7        |
| Group gross profit margin  | 51.3%       |                   | 51.3%        | 44.3%       |                   | 44.3%        |
| Operating profit   | 31.0        | -                 | 31.0         | 26.5        | 4.5               | 31.0         |
| Operating profit margin  | 8.9%        |                   | 8.9%         | 7.6%        |                   | 8.9%         |
| Depreciation & amortisation  | (22.0)      |                   | (22.0)       | (17.0)      |                   | (17.0)       |
| <b>EBITDA</b>  |             |                   | <b>53.0</b>  |             |                   | <b>48.0</b>  |
| <b>EBITDA margin</b>   |             |                   | <b>15.3%</b> |             |                   | <b>13.8%</b> |
| Net finance costs  | (6.8)       |                   | (6.8)        | (8.4)       |                   | (8.4)        |
| <b>Profit before tax and fair value adjustments to financial instruments</b> | <b>24.2</b> | <b>-</b>          | <b>24.2</b>  | <b>18.1</b> | <b>4.5</b>        | <b>22.6</b>  |
| Fair value adjustments to financial instruments                              | 4.0         |                   | 4.0          | (4.0)       |                   | (4.0)        |
| <b>Profit before taxation</b>  | <b>28.2</b> | <b>-</b>          | <b>28.2</b>  | <b>14.1</b> | <b>4.5</b>        | <b>18.6</b>  |
| Taxation   | (4.8)       |                   | (4.8)        | (1.8)       | (0.9)             | (2.7)        |
| <b>Profit for the period</b>   | <b>23.4</b> | <b>-</b>          | <b>23.4</b>  | <b>12.3</b> | <b>3.6</b>        | <b>15.9</b>  |
| Basic earnings per share (p)   | 5.10        |                   | 4.41         | 4.33        |                   | 6.72         |
| Diluted earnings per share (p)   | 5.09        |                   | 4.39         | 4.32        |                   | 6.72         |

# HY UPDATE ON FY21 CHANGE IN TREATMENT OF VAT BAD DEBT RELIEF

1

THE HALF YEAR COMPARATIVE NUMBERS HAVE BEEN RESTATED IN LINE WITH THE CHANGE MADE IN FY21 ON THE TREATMENT OF WHERE WE RECORD VAT BAD DEBT RELIEF (RECEIVED FROM HMRC AS A CONSEQUENCE OF WRITING OFF CUSTOMER DEBTS)

2

- NEW TREATMENT INTRODUCED FOR FY21 AND DISCLOSED IN ANNUAL REPORT AND ACCOUNTS
- H1'21 HAS BEEN RESTATED TO REFLECT CHANGE vs REPORTED AT H1'21
- TREATMENT IMPACTS PRODUCT REVENUE, COST OF SALES, PRODUCT GROSS MARGIN PERCENTAGE AND GROUP GROSS MARGIN PERCENTAGE
- NO CHANGE TO FY21 FULL YEAR NUMBERS
- NO IMPACT ON PROFIT OR CASH

| £m  | H1'21        | Adjustment   | H1'21 Restated |
|---|--------------|--------------|----------------|
| Revenue                                   | 234.7        | (9.5)        | 225.2          |
| Credit account interest                   | 122.0        | -            | 122.0          |
| <b>Total revenue</b>                      | <b>356.7</b> | <b>(9.5)</b> | <b>347.2</b>   |
| Cost of sales                             | (125.7)      | 9.5          | (116.2)        |
| Impairment losses on customer receivables | (77.3)       | -            | (77.3)         |
| <b>Gross profit</b>                       | <b>153.7</b> | <b>-</b>     | <b>153.7</b>   |
| Gross profit margin                       | 43.1%        | -            | 44.3%          |

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