



Q3 TRADING UPDATE FOR THE 18 WEEKS ENDED 31 DECEMBER 2022

Solid trading in a tough environment with balance sheet strength maintained

Highlights

- Q3 product revenue in line with Q2 trends and management expectations, reflecting a soft and highly promotional market
- Outlook for FY23 Adjusted EBITDA¹ in line with market consensus²
- Planning for 2023 UK discretionary consumer goods market conditions to be soft, reflecting ongoing macroeconomic pressures
- As announced on 9 January 2023, long-standing legal dispute with Allianz settled
- Strong balance sheet, with significant liquidity and positive unsecured net cash, which will be maintained post Allianz settlement

Q2 retail trends have continued into Q3

	Q3 FY23	Change Q3 FY23 v Q3 FY22 ³	FY23 YTD	Change FY23 YTD v FY22 YTD ³
Product revenue	£166.4m	(9.2)%	£377.6m	(7.0)%
<i>Strategic brands</i> ⁴	£120.9m	(5.5)%	£271.5m	(3.7)%
<i>Heritage brands</i> ⁵	£45.5m	(17.6)%	£106.1m	(14.4)%
Financial Services revenue	£82.8m	(4.2)%	£203.1m	(3.7)%
Group revenue	£249.2m	(7.6)%	£580.7m	(5.9)%

The well-documented cost of living pressures continued to impact our customers during Q3. Product revenue performed in line with Q2 trends and management expectations, as set out in the interim results published in October 2022. Our customers have been more intentional in their spend during the period, buying what they need or what they love, with a greater focus towards either the value or premium end of our ranges. We have also seen the impact of the cold weather, moving outerwear demand later in the season.

Product mix, returns rates and credit arrears rates have broadly returned to pre-pandemic norms.

Financial Services revenue has reduced, driven by the softening in retail sales in H1. This has been partially offset by a greater proportion of customers utilising our credit option. Our responsible and flexible credit offering remains an integral part of our customer proposition, particularly in the current macroeconomic environment.

Strong balance sheet

At 31 December 2022 the Group had unsecured net cash of £82.9m⁶, which is in line with the prior year total of £83.4m (unsecured net cash of £33.5m and an additional £49.9m voluntarily undrawn on the securitisation facility). The Group also has access to a RCF of £100m and an overdraft of £12.5m, both fully undrawn, which

combined with the unsecured net cash at 31 December 2022 resulted in period end total accessible liquidity of almost £200m. As announced on 9 January 2023, a payment of £49.5m is being processed relating to the settlement of a legal dispute with Allianz. After satisfying this, the Group will retain a strong unsecured net cash position of c.£30m, with both the RCF and overdraft facilities remaining undrawn.

FY23 outlook and guidance

The Group's Q3 trading performance has been in line with our expectations. With peak season behind us, we expect Q4⁷ to be softer than Q3, in what are typically our quietest months of the year. Against this retail backdrop and assuming a continuation of the trends we have been seeing in Financial Services revenue and margin, we expect FY23 Adjusted EBITDA¹ to be in line with market consensus².

The Group maintains strong unsecured net cash and total accessible liquidity positions. At year end we expect net debt to be higher year-on-year after the cash outflow associated with the settlement with Allianz, with net debt well covered by the gross debtor book.

We expect the market for UK discretionary consumer goods to be soft in calendar year 2023, particularly in the first half. This, together with the difficult trading environment in FY23, means we will commence FY24 with lower active customers year-on-year. Against this backdrop we will continue to carefully monitor consumer credit conditions whilst maintaining our focus on self-help measures through tightly managing both costs and margins, and continuing to invest in and deliver strategic change.

Steve Johnson, Chief Executive, said:

"We have traded in line with our expectations through a challenging period, as customers continue to be more cautious with their discretionary spending in the face of the various, well-documented consumer pressures.

Although we are cautious about the macro environment over the next 12 months, we remain confident in the resilience of our business and in the strategic investments which we are making for the long term.

With many returning to festive activities for the first time in three years, we're proud of the role which we played in helping our customers look and feel amazing during Christmas."

1. Adjusted EBITDA is defined as operating profit, excluding exceptional items, with depreciation and amortisation added back. FY23 is a 53 week financial year, ending 4 March 2023, and Adjusted EBITDA expectations include the 53rd week.
2. The market consensus for FY23 Adjusted EBITDA is £57.5m as at 11 January 2023.
3. Q3 FY23 is the 18 weeks to 31 December 2022; FY23 YTD is the 44 weeks to 31 December 2022. FY22 product revenue has been rephased to reflect the year end adjustment described in Note 4 to the FY22 Annual Report and Accounts and better reflect the actual returns performance in the year.
4. JD Williams, Simply Be and Jacamo. Note that Ambrose Wilson and Home Essentials were previously included in Strategic brands but, consistent with the strategic evolution outlined in the FY22 Preliminary Results, are now included in Heritage brands.
5. Ambrose Wilson, Home Essentials, Fashion World, Marisota, Oxendales and Premier Man.
6. Based on operational cash reporting as at 31 December 2022, consistent with RNS issued on 9 January 2023. Year end cash is reported on a full statutory consolidation basis.
7. Reference to revenue is on a comparable 52 weeks basis against FY22, excluding the 53rd week in FY23.

Conference call

A conference call will be held at 10:00am today for analysts and investors. To register for access, please contact MHP Communications on +44 (0) 20 3128 8193 or email Nbrown@mhpc.com

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About N Brown Group:

N Brown is a top 10 UK clothing & footwear digital retailer, with a home proposition. Our retail brands include JD Williams, Simply Be and Jacamo, and our financial services proposition allows customers to spread the cost of shopping with us. We are headquartered in Manchester where we design, source and create our product offer and we employ over 1,800 people across the UK.