

N Brown FY24 Results Presentation Transcript 6 June 2024

Steve Johnson – *N Brown – Interim Executive Chair and Chief Executive Officer:*

Good morning everybody and welcome to N Brown's full year results for the 52 weeks ended 2nd March 2024.

I am joined by Dominic Appleton, our CFO. Let's turn to the agenda for today.

First, I'll give you an update on our highlights this year. Then, I will hand over to Dominic who will take you through the financial performance and the outlook for FY25.

I will then return to talk in a little more detail about our KPIs, our strategic progress and our strategic priorities for the year ahead. After that, we'll open up for Q&A.

We're pleased to be able to talk to you today about a strong year of execution against both our strategic and financial objectives.

We entered the year with a set of streamlined transformational priorities and during the year we've self-funded a further £23m of capital expenditure in order to make significant progress in these targeted areas.

As we talked to at Interim results in October, we successfully launched our new mobile-first website on Jacamo, following last year's successful launch on Simply Be. And, as we closed the year, we have launched our Product Information Management system, otherwise referred to as 'PIM'. I will talk further about these areas and the other progress which we have made, later in the presentation, along with the clear set of priorities which we have in train for the year ahead.

As we anticipated, macro-economic pressures continued through FY24 but we have delivered against the actions which we talked about in the Interim results, as we have kept a strong focus on managing our cost base and driving profitable sales.

This improved our EBITDA margin rate in the second half, delivering full year Adjusted EBITDA of £47.6m and Adjusted PBT of £13.3m, each ahead of market expectations. We've also returned to a statutory PBT this year, reporting £5.3m.

After the year's capital expenditure, we have generated cash of nearly £30m. We continue to have a strong balance sheet, with total accessible liquidity of over £148m and which provides a solid base for the continued investment in our priorities. And, our customer receivables book continues to significantly exceed our adjusted net debt.

The product revenue trend at the start of the new financial year reflects an improvement against FY24's performance. Looking forward to the rest of the year, we anticipate returning to a moderate level of product revenue growth, weighted towards H2, supported by scaling marketing investment.

I'll now hand over to Dominic to talk you through the financial results.

Dominic Appleton – *N Brown – Chief Financial Officer:*

Thank you, Steve.

Let me start with giving you a summary of the Group's financial performance in the year.

Note that the P&L figures presented here and on the following slides use prior year comparatives on a 52 week basis, excluding the additional 53rd week.

Overall, the continuing challenging macro-economic conditions saw Group Revenue down £65m, including softer product revenue and lower financial services income, with the latter reflecting the smaller customer debtor book from the start of the year and flow through from product revenue.

Adjusted Gross Profit Margin has increased by 150 bps driven by progression across both product and Financial Services gross margin. I'll talk in more detail about this later.

Our adjusted operating costs to sales ratio has increased, driven by the impact of lower operational leverage. This is despite management initiatives driving absolute costs £15m lower than the prior year.

The lower gross profit, driven by product volumes, led to an adjusted EBITDA of £47.6m, £7m lower than last year, but ahead of market expectations of £44.7m.

Below EBITDA, we saw a £15m reduction in depreciation and amortisation following last year's impairment of intangible assets. Interest costs were in line with last year, giving an adjusted profit before tax of £13.3m, up £8m on the prior year and also ahead of market expectations.

Unsecured net cash was up £30m on prior year, at £65m, and reflecting the strong cash generation in the year. This is after £23m of further capital expenditure as part of the continued investment into the transformation of the business. The balance sheet continues to be robust, with total accessible liquidity of over £148m.

Finally, Adjusted EPS of 1.65p reflects the positive profit performance during the year.

You'll see from this slide that the majority of the EBITDA reduction, has come from lower revenues across product and financial services, with the EBITDA being ahead of market expectations.

The product revenue has been partially offset by a better margin rate, across both product and Financial Services, and a continuation of good cost control, with costs reducing by £15m as we have managed volume reductions through the cost base, and despite inflationary impacts of £12m.

Consistent with our expectations for macro-economic pressures to continue in FY24, product revenue performance has continued from H2 of prior year. The context of the market and weaker UK consumer confidence continues to be important. Over the year, according to IMRG, the online pureplay market reduced by 10%. We also reduced marketing spend by around 12% as we focussed on profitable sales in the subdued market.

Our strategic brands performed ahead of the pureplay market, contracting by 8%. We've seen a managed decline in heritage brands product revenue, with this portfolio of brands being managed for value rather than growth. H2 saw a slight improvement over H1, particularly in Heritage brands where we continue to seek opportunities to maximise value, but held back by a softer finish to the year through January and February in the market.

A lower opening debtor book position and lower product revenue saw FS revenue reduce 8%.

So, partially mitigating the lower volumes, adjusted gross profit margin has improved, up 150 basis points versus last year. The progression is part of the strategic change in the business, where we are focused on delivering margin and profitability improvements, rather than volume growth at any cost.

Looking at what has driven that. Firstly, a positive impact from trading of around half a percentage point from a combination of, around 100 basis points of benefit from the significantly cleaner year-on-year stock position as we annualised against additional provisioning when year end stock was higher than normal for the forward level of sales; and adverse product mixes impacting rate by around 50 basis points.

Secondly, we've seen the flow through of lower freight rates, improving gross margin by around 70 basis points, following the drag which we saw from freight rates in prior year.

Thirdly, we have claimed back a lower amount of VAT bad debt relief on write offs in Financial Services due to lower write offs having taken place this year. We credit that to the product gross margin, as we can only reclaim it due to the benefit of being a combined retail and credit provider. This reduced the gross margin by around 50 basis points.

Finally, there was a 70 basis point benefit from FS margin, reflecting improvement in write offs and a more active debt management strategy being adopted.

Our Adjusted EBITDA margin was lower in the first half, and not where we wanted the full year to be, so we put in place actions to address this, as we outlined at the Interim results in October including further cost actions in H2 and FS margin rate initiatives.

As I just talked to, full year adjusted gross margin improved by 150 basis points. As I showed on the EBITDA bridge earlier, we have reduced our Adjusted Operating Costs by £15m against last year, despite an inflationary headwind of £12m. This reflects flexing within the variable components of our model with the lower volumes, as well as management actions.

As a result of operational gearing, with lower revenue impacting the cost ratio for our fixed costs, particularly in admin and payroll, the Adjusted Operating Costs ratio has increased by 170 basis points, broadly offsetting the gross margin improvement.

Looking at the individual areas, Warehouse and Fulfilment and Marketing and Production have each flexed broadly in line with the lower revenues, with approximately £4m and £2m, respectively, of inflationary impact being largely offset by higher average order values and management actions.

Admin and Payroll costs were £4m lower than the prior year, after inflationary impacts of £6m. However, combined with the operational deleverage, this is the area which has driven the increase in the total cost ratio.

Actions we have taken have contributed to an improvement in the H2 cost ratio of 4ppts against H1, also benefitting from some easing as we annualised against higher inflationary impacts in H2 of prior year.

You'll see the graph on the right hand side where I've rolled back to look at the cost base from 5 years ago. On the positive side, the business has done a lot of good work to flex the cost base down to reflect its evolving size, with the overall cost ratio being at 40% in each of FY19 and FY24. However, the shape is very different, with a fairly stubborn level of admin & payroll costs, having increased as a proportion of revenue, and the opposite trend in marketing & production costs, which have heavily reduced, much more so than revenue. As we look to return the business to growth, scaling investment into marketing is a focus for us and which I'll talk about further in the FY25 Outlook section.

We have incurred restructuring costs in the year, reflecting management's focus on driving further cost efficiency and ensuring that the cost base is right-sized for our volumes. Around £2.4m of the strategic change caption plus the £3.3m of warehouse impairment, reflects the rationalisation of warehousing facilities following a review of capacity and utilisation.

Strategic change also includes £1.7m of further redundancy charges following the restructuring programme which was initiated at the end of prior year.

Adjusting items have reduced significantly over the prior year, when we had an accounting impairment against non-financial assets and a charge to cover settlement and legal costs to completion following the Group reaching full and final settlement in respect of a legal dispute with Allianz.

This slide shows how adjusted EBITDA of £47.6m has converted to net cash generation of around £30m, which is really pleasing given the softer trading conditions.

Starting on the left at the top, we have seen an inflow of around £11m driven by £20m, or 21%, lower inventory, through moderating intake and clearing of older items. The £7m of net cash flow from the customer loan book is reflective of the lower loan book against last year.

Non-operational cash outflows of around £33m include capital investment of £23m as part of our ongoing transformation, and interest costs.

This resulted in £33m of net cash generation, before adjusting items of £3m. The adjusting items relate to cash outflows for restructuring costs as we right-size the cost base, with around £30m of cash generated after these outflows.

I'll now walk through what that practically means in terms of our robust cash and funding positions.

The three key points to highlight are, firstly, we have significant customer balances on our balance sheet, with our year end gross customer receivables being £517m.

Secondly, looking at the different components of our funding, starting with our securitisation facility, we use this to fund an element of the customer balances. We do this prudently, with up to 72 per cent of the current and 0-28 days past due balances being funded. The securitisation facility was drawn by £302m at the year end. This has further headroom, with a lender commitment of £340m and a total facility of £400m.

We also had a significant unsecured net cash position of £65m, which increased by £30m in the year, as outlined on the previous slide; and the Revolving Credit Facility of £75m and overdraft facility of £12.5m remain undrawn.

Thirdly, looking at the combination of the securitisation drawings and the unsecured net cash gives an adjusted net debt position of £236m. This is a well controlled position and is under half the level at which this peaked at FY20 year end. Securitisation borrowings and net debt are well placed to be able to grow in the future according to debtor book growth.

So, in summary, our balance sheet remains strong, including the level of cash and accessible liquidity which is available to us. Our net debt position is very well covered by the gross customer receivables.

The combination of the cash position and the undrawn RCF and overdraft gives a total accessible liquidity position in excess of £148m.

Now turning to FY25 outlook and guidance. Trading during Q1 of FY25, which was the 13 weeks to 1st June, has shown an improvement in trend against FY24, with product revenue declining by 6%.

We are assuming that the macro-economic conditions will continue to be a feature on performance but believe that conditions will gradually improve. We currently anticipate FY25 product revenue returning to a moderate level of growth, weighted towards H2. As mentioned earlier, management actions are in place to help drive product revenue, through increased marketing & production investment. We are planning for around £10m of additional investment in this area funded by cost efficiencies.

FS revenue is expected to decline at a slightly improved rate to FY24.

We expect the Group gross margin to be consistent with FY24's level.

We are expecting a low single-digit £m increase across depreciation & amortisation and finance costs.

The business continues to be well positioned to self-fund strategic change, with increased investment in FY25 aligned with transformational priorities. At the end of FY25, we expect adjusted net debt to be similar to FY24's closing position and for strong liquidity levels to be maintained. We remain confident in our strategic direction and our digital transformation as we focus on driving sustainable profitable growth.

So with that, I'll now hand you back to Steve to talk you through progress on our strategy.

Steve Johnson – *N Brown – Interim Executive Chair and Chief Executive Officer:*

Thank you, Dominic. I'll now talk about some of the transformational progress in further detail.

We have continued to make good progress across each of our strategic pillars in the year, and are executing this on a self-funded basis.

Within Build a differentiated brand portfolio, we secured a number of new partnerships, each highly relevant to the positioning of our three strategic brands.

JD Williams partnered with ITV and Global as headline sponsor of My Mum Your Dad, a prime-time ITV show. This had over 33 million views during the series and led to a 36% increase in awareness of the brand.

Jacamo's partnership with LADbible has paved the way for connection with where Jacamo's customers spend their time. The first year of the partnership received over 95 million views and our 'No Average Jack' campaign was recognised in the Campaign Media awards in March 2024.

Simply Be embarked on a journey of empowerment, focusing on fashionable fit with the introduction of the 'Serious about Shape' campaign, with a group of diverse affiliates to demonstrate 'Every body deserves fashion that fits'.

Now, moving onto Elevate the fashion and fintech proposition.

The launch of Simply Be on Sainsbury's online platform and selected stores has performed strongly in its first year. It marked a significant milestone in the selling of our ranges via partnerships and other retailers, providing enhanced exposure to a variety of different customer segments.

Reflecting further progress within our own brand proposition, we launched Anthology, a JD Williams own brand premium line. It's part of JD Williams' ongoing efforts to increase prominence of its own brand offering whilst enhancing product choice further with third-party offerings.

In line with one of our transformational priorities, our new FS platform has progressed as planned in the year, with all discovery phases now concluded. All brand development work has been completed, including how it will be marketed on our strategic brands' websites, and the build of a new platform has begun.

Now onto Transform the customer experience. The transformational priorities of mobile-first websites and Product Information Management are each within this pillar. I'll talk more about the Jacamo website and PIM launches on the next slides.

Within Win with our target customer, we have diversified our Customer Relationship Management levers by launching SMS, with an emphasis on acknowledging and rewarding our valued customers for their repeat purchases. With a focus on customer engagement, we have seen a year-on-year increase of 20% in the number of customers opting into our loyalty programmes.

As part of data-driven decisions and testing around customer experience enhancements, we have diversified payment options including the addition of Apple Pay.

In Establish data as an asset to win, we have leveraged data driven insights in Customer Lifetime Value models to shape our predictive models for customer behaviour, ensuring a benefit to them through a more personalised marketing approach and consistent experience. We have used this insight to send targeted onsite messaging to customers who might benefit from using our credit proposition.

We have broadened the use of PriceTagger, our in-house tool which helps us optimise product promotion using pricing elasticity, now adopted across 34% more of our products. We continue to advance our prediction models to cater for seasonal trends in consumer behaviour.

Our Jacamo customers are now benefitting from our new mobile-first website. We're executing change more efficiently as a business, having taken less than a third of the time to build and rollout than when we did this for Simply Be.

Customers are benefitting from site speeds 20% faster than the legacy ones; site performance and user-experience as measured by Google Lighthouse score have doubled; and conversion rates have been promising, with that seen during Black Friday week reaching the highest level in 3 years.

We are now working on launching JD Williams' site before peak trading. We are also continuously iterating on the existing launches with new feature releases.

As we exited FY24, we have successfully launched our Product Information Management system on the first of our strategic brands, Simply Be, another of our transformational priorities.

This provides a number of benefits for both the customer and colleagues.

The customer sees more consistent and accurate communications – which means that they make more informed decisions and so should reduce returns – for the benefit of both the customer and for our business processes. From a colleague point of view, PIM streamlines the updating of existing products and the introduction of new ones, with a faster speed to market of front end changes.

Consistent with the broader market, we have seen the impact of macro-economic challenges and customer behaviour, which can be seen in some of our KPIs. However, alongside this, we are reporting mitigation through growth in average item value, along with pleasing progress in our Net Promoter Score and well controlled arrears.

Today I'll talk through five of the KPIs. Firstly, conversion is flat on the year, which includes an improvement in H2. This is despite the market softness and includes benefits coming through the Jacamo website launch and other website improvements.

Secondly, number of orders, is 16% lower than the prior year driven by lower website sessions, reflecting the challenging pureplay market.

Thirdly, average item value rose by 7%. The impact on consumer demand of a more subdued backdrop has been partially mitigated through customers buying into more premium ranges, and measured price increases.

Fourthly, our arrears rates excluding the impact of holding a higher level of insolvent accounts are up 0.3%pts due to the greater mix of payment arrangements held at year end. This is due to a debt sale not taking place at year end, unlike in prior year.

And finally, we have seen really good progress in our net promoter score, which is up 6pts. We're pleased with the traction through a number of operational areas, including extension of cut-off for next day delivery to 11pm, and the website improvements.

At N Brown we are fully committed to embedding sustainability throughout the organisation, our product ranges and our processes to continue to progress with our ESG strategy, SUSTAIN.

Developments in the year include the approval of our science-based targets to reduce greenhouse gas emissions by the Science Based Targets Initiative. The Group has committed to reduce Scope 1, 2 and 3 emissions by 46% by FY31 against an FY22 base year. These targets are part of the Group's ambition to achieve net zero emissions by 2040.

Responsibly sourced products now make up 47% of our own-brand clothing and home textile ranges as we target 100% by 2030, in line with our Textiles 2030 commitment.

We have also reached 70% of cotton use being responsibly sourced as we focus on transitioning to 100% responsibly sourced cotton by FY26.

During the year we have driven engagement with our colleague led charity partners - the Retail Trust and FareShare Greater Manchester. Through a variety of fundraising activities we reached the fundraising milestone of £50,000 just over one year into the partnership.

Following our announcement that Ron McMillan would retire as Chair and step down from the Board, I would like to reiterate my thanks to Ron for his dedication to N Brown and for the critical role he has played in the transformation of our company.

Following Ron's departure I was appointed as Interim Executive Chair and Chief Executive Officer until a new permanent Chair is appointed. The search for a permanent Chair has commenced and is progressing well. We will provide a further announcement in due course. We have also begun the search for an additional independent non-exec director.

We have welcomed 2 new members to the Executive Leadership Team since the start of the calendar year. Clare Empson joined as Director of Supply Chain, and Natalie Rogers joined as Chief People Officer.

I'm delighted to have their fresh thinking, new skills and energy around the table.

We already have great talent in the business and I'm really pleased with these further appointments.

I believe we have the right team to continue to drive the transformation of the business forward.

Now, looking ahead to FY25, we have a clear set of activities planned against our strategic pillars. We'll continue to focus on the transformational priorities which will deliver the biggest benefits, which as a reminder are:

Firstly, the rebranding of our FS offer, with the build and deployment, of a new platform to customers.

Secondly, we'll complete the job of moving all of our strategic brands to new customer facing mobile-first websites, which of course we're already well progressed against.

Thirdly, we will continue to embed a data culture and begin transitioning to a cloud-native analytics platform. Colleagues will be empowered to meaningfully engage with data to identify and leverage analytical opportunities which will allow us to make better-informed decisions to enrich the customer experience.

Fourthly, having launched our new Product Information Management system, we'll roll this out to our other brands.

Finally, by the end of calendar year 2024 we will have fully moved to an agile way of working. This agility will transform the focus and execution of the work our colleagues will undertake, which will deliver value to our customers much faster.

Within Build a Differentiated Brand Portfolio, we have specific plans in place for each of our brands – investing more marketing budget to raise brand awareness and consideration – and therefore increase acquisition through earned, rather than paid channels.

JD Williams will continue to focus on engagement with midlife women. Our campaigns include a partnership with Sky and Channel 5, which took place in Q1, fronted by Gok Wan, Judi Love and Helen Skelton.

Simply Be's target will remain as trend-led women aged 25-45 who prioritise great fit – but we've recognised it's helpful to be more specific within that age range as to who we're specifically designing for. In H1 we'll reposition to target a slightly older customer in a less congested area of the market, and in H2 we'll invest in brand awareness.

Jacamo enters the second year of the successful partnership with LADbible. This year we'll move beyond areas our customers are interested in, towards 'style missions' – by which we mean important moments coming up when he wants to look and feel confident.

Within Elevate the Fashion and Fintech proposition, we again have specific areas of focus for each of our strategic brands. For example within JD Williams, we recognise the potential to expand the presence of premium products.

And on the key transformational priority of the FS platform, we'll first release the new FS brand to colleagues once the minimum viable product has been built. Once successfully tested, the external minimum viable product rollout will commence in the following financial year.

In the meantime, before the new platform delivery, our teams are working hard to make the most of our existing offer – through maximising its competitiveness and visibility.

Two of our transformational priorities fall into the Transform the Customer Experience pillar – new websites, and PIM – and we've already spoken about the significant progress in FY24.

Ahead of peak trading FY25, we're planning to launch JD Williams' new website. We'll then start to sequentially move heritage brands to the new platform. We'll also continue to iterate website capabilities via new releases through the year to enhance the customer journey.

On PIM, following the successful Simply Be launch, we'll rollout on our remaining two strategic brands.

The other point I'll highlight on this pillar is improving the mobile app for strategic brands. In doing so, we'll be better placed for future improvements to our loyalty programme, for both retail and FS.

Within Win With Our Target Customer in FY25 we'll focus on increasing customer acquisition, cultivating the existing customer base, and rewarding customer loyalty.

We're clear around the higher conversion and loyalty shown by app and credit customers and so we will increase the focus on these higher engaged customer groups.

In relation to opted-in loyalty members, we'll communicate in a more engaged and personalised manner. We'll focus more on brand specific content and so reduce the use of discount and promotional activity.

And so onto the fifth pillar, Establish Data as an Asset to Win. In FY25:

We'll increase our focus on marketing analysis to ensure optimal channel mix by brand whilst ensuring efficiencies in spend

Data, analytics and reporting will remain key, and we intend to further enhance the customer lifetime value models which we have built

We will begin the transition to a cloud-native analytics platform – which will allow better consolidation of data, acceleration of analytics, ability to self-serve through the platform and also mitigate compliance risks

And, we'll also need to make an upgrade to Google Analytics 4 as well as ensuring compliance through transitioning to first-party data collection in relation to cookies.

Before summarising, I wanted to provide some more colour on how we're feeling about the momentum of the business.

To reiterate some important points from earlier:

The product revenue trajectory has improved in Q1. We are anticipating a return to product revenue growth in FY25. And, we will scale marketing spend to support this.

So, why do we think it is the right time to scale marketing spend? Well, before talking about market dynamics, we're clearly now better placed in terms of the tangible customer improvements which have been made – including new websites, PIM and a better product assortment.

In terms of market dynamics, firstly, inflation has moderated significantly, clearly an important factor for both consumers and our cost base. CPI was at 2.3% in the 12 months to April and inflation is now significantly lower than wage growth, which is currently running at around 6%. Alongside this, employment levels remain relatively high.

Secondly, although consumer confidence is still low by historic standards, the GFK Index has shown significant improvement to -17 at May from the low of -49 in September 2022.

On top of this, expectations are for online retail to return to a moderate level of growth in calendar year 2024, with GlobalData forecasting approximately 3%, followed by slightly stronger growth in following years.

In summary, when we consider the strategic actions which we have taken as a business, and the wider market dynamics, we feel well placed to start to scale marketing spend.

We have made tangible, self-funded, strategic progress in the year which our customers are benefitting from. The clear set of priorities we have in train for the year ahead will set the business up for 2024 peak trading and beyond.

Despite the continued macro-economic challenges we've reported Adjusted EBITDA and Adjusted PBT ahead of market expectations.

The actions which we have taken during the year – particularly around managing our cost base and driving profitable sales – drove a much stronger EBITDA margin in H2.

We have generated considerable cash in the year, building further balance sheet resilience.

And into FY25, the trading trajectory has improved with inflation falling, wages still rising, and consumer confidence picking up. We're well placed to scale marketing spend with a gradually improving backdrop, and anticipated return to product revenue growth.

We'll now turn to Q&A, so if you are not already dialled into the conference call, please do so now and we will take your questions in a moment. Thank you.

Conference Call Operator:

We will take our first question from Darren Shirley of Shore Capital. Your line is open. Please go ahead.

Darren Shirley – Shore Capital Markets:

Yes. Morning, folks. A couple from me, if you don't mind. Obviously, we've now got Simply Be and Jacamo on the mobile and mobile capabilities. You gave us a little bit of colour in terms of what you've seen in with Jacamo but Simply Be has obviously been live on that front for a little bit longer. I wondered if you could give us some sort of data, please, in terms of how that has performed and maybe relative to other brands within the portfolio and maybe relative to what it was doing previously, please?

Steve Johnson – N Brown – Interim Executive Chair and Chief Executive Officer:

Hi, Darren. You said you had a couple of points. Is there anything else you want to ask is then I'll come back?

Darren Shirley – Shore Capital Markets:

Yes. Well, what I was also going to ask then is something that's obviously come out in the headlines over the last week or so is freight, which you saw the benefit to margin from last year but seems to have risen quite strongly in recent weeks. I just wondered how you saw that within your P&L over the next 12 months? Then the FS platform – you talked about a continuance. It's progressed so I wonder if you can give us a bit more colour in terms of staging points we should be looking for and when we should be looking for that as a meaningful contributor to the P&L as well, please?

Steve Johnson – N Brown – Interim Executive Chair and Chief Executive Officer:

Sure. Okay, so three questions.

Darren Shirley – Shore Capital Markets:

Yes.

Steve Johnson – N Brown – Interim Executive Chair and Chief Executive Officer:

Well, first of all, thanks, Darren. Thank you for the questions. Listen, what I'll do is I'll probably just talk about the first one in relation to Simply Be and Jacamo's new front end launch and the FS platform. Then I'll probably ask Dominic to pick up on the freight question, if that's okay. I mean, when we launched our new front end – well, there's a lot more to this, by the way – it is a mobile first website. Effectively, it's replacing something that was built for a desktop many, many years ago, which was built from our mainframe.

In doing that, we're actually changing out a lot of the technology components that sit with it, as well as creating a new website experience, which is mobile first for our customers. Simply Be went first on the minimum viable product. The idea of our new technology is that we can improve the velocity of change. On our old mainframe, we're not able to make significant changes quickly. On our new technology, we are making changes on a weekly basis. This is quite an important point, actually, because it's not necessarily about the initial site performance. It's about the velocity of change of changing out the technology, as well as the customer experiencing the better journey.

On Simply Be, we launched the minimum viable product. We built the features up to Jacamo. Jacamo then went live. We are getting significant improvements through the site in terms of user experience, as you would expect. It also helps us from a digital marketing perspective, and we're seeing the same benefits on Simply Be. So, the datapoints are not quite the same because Simply Be was an MVP but fundamentally, we are in a place where we are seeing the same benefits on those sites and we expect to see the same benefits on J D Williams' site when we launch that – hopefully around August, September time.

So, from my perspective, we're going in a really, really good direction – customer improvements, velocity has changed in terms of our delivery methodology and replacing our old technology as well. On the FS platform, this is something that's going to be unique to N Brown. We're building it effectively ourselves. We've been operating in a fintech incubator for the last couple of years now. They're pretty much through discovery. I mean, that is the key thing. They're into build mode.

We're starting to see some evidence of that build. In fact, in the recent Board meeting, we went through a demo with live code, which was really great to see, actually. It's always great when it starts to come to life. By the end of this year, I would expect our colleagues to effectively be able to access the minimum viable product that we will launch, again. Then we'll build features based on the feedback from our colleagues and hopefully put this live for real customers towards – in the next financial year, which we sort of alluded to in the presentation.

I would expect therefore when it goes live to customers, that it's already been through a series of testing. The MVP will have had some product – some features released, and hopefully we'll go live with a more modern standard credit product – I won't go into the detail of that just at this point in time – which will enable us to hopefully drive a few more sales straight away, frankly. The platform will, however, be part of our sustainable strategy, so ultimately what we want to be able to do is launch products and features on it, which again, we can't really do at the moment.

This is all taking us in a really positive direction, and as I say, we will build something that is unique to N Brown. It isn't something which will exist anywhere else. It will give us some decent intellectual property rights as well. On that basis, hopefully that gives you enough information on our technology changes, but I will just look forward, Dominic, just to reach out and answer on the freight question.

Dominic Appleton – *N Brown – Chief Financial Officer:*

Thanks, Steve. Good morning, Darren. Thanks for your question. It goes without saying, I'm really pleased with the progress we've made in terms of margin improvements in FY24, but looking ahead to FY25, and specifically around freight costs, I recognise that spot rates around freight have spiked over the last couple of weeks. I am pleased to say that the impact is minimal as I look forward to FY25. Let me explain that.

We've already got secured, a 12-month freight contract out to March '25. It's significantly lower levels than the current spot rate. There is a slight increase on the prior year's cost, and that reflect moving

freight around the tip of South Africa rather than through the Red Sea, but we've been able to mitigate that in two ways – (1) we've worked with suppliers to support the freight cost increase through our price negotiations, and secondly, it's mitigated further because you purchase stock in advance for the season and then you're selling through your stock on hand. In summary, minimal impact from the freight increase from the stock market because we've got a freight contract out to the end of March 2025.

Darren Shirley – *Shore Capital Markets:*

No. That's very clear, Dominic. Thanks. It gives us a bit of comfort. Then just one more then, if you don't mind. Because you talk about a step up in marketing – I think it was funded by savings elsewhere. Does that lead me to think that – would I be right in thinking then that that sort of rump of admin costs that has remained stubbornly around [£120 million], or something like that? There's a possibility of making some savings within there – is that the right way to think about it?.

Dominic Appleton – *N Brown – Chief Financial Officer:*

Yes. I'll take that question. Again, thanks very much, Darren. Yes, so we're really proud in terms of the performance in FY24 and the return to profitability. Managing our cost base has been a key component of that success, Darren. As I joined the business, I've really focused the business on investing to improve the customer experience and to improve the colleague experience, so as we go through the transformation, I would expect to right-size the cost base, specifically in admin and payroll, to reflect that transformation and to reflect prioritisation of our investment choices around improving the customer experience and the colleague experience.

Darren Shirley – *Shore Capital Markets:*

Okay. All right, then. Thanks, gents.

Steve Johnson – *N Brown – Interim Executive Chair and Chief Executive Officer:*

Thanks for your questions, Darren. Appreciate it.

Dominic Appleton – *N Brown – Chief Financial Officer:*

Thanks, Darren.

Conference Call Operator:

Thank you. Once again, as a reminder, if you would like to ask a question, please press star, one on your telephone keypad. Thank you. There are no further questions coming through. I will now hand it back to Steve Johnson for closing remarks. Thank you.

Steve Johnson – *N Brown – Interim Executive Chair and Chief Executive Officer:*

Thank you very much for joining. We're pretty pleased with, actually, where the business is right now. We're moving in a really great direction. Our results are slightly ahead of market expectations. We have £66 million worth of cash and the business is feeling like the balance sheet can support further investment. We're seeing an improving run rate. At the same time, we feel that the macro conditions are looking a little bit more favourable so we're feeling like we're going in a great direction. From that perspective, I'll just end the call there. Thank you for your time in joining us.

Conference Call Operator:

Thank you. Ladies and gentlemen, this concludes today's call. Thank you for your participation. You may now disconnect.

[end of transcript]