<u>N Brown H1 FY25 Results Presentation Transcript 10 October 2024</u>

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

Good morning everybody and welcome to N Brown's interim results for the 26 weeks ended 31st August 2024.

I am joined by Dominic Appleton, our Chief Finance Officer.

Let's turn to the agenda for today.

First, I'll give you an update on our highlights for the half. Then, I will hand over to Dominic who will take you through the financial performance and the outlook for full year FY25. I will then return to talk in a little more detail about our strategic progress, our KPIs and the marketing activity underway in H2 as we look to make continued progress in the product revenue trajectory. After that, we'll open up for Q&A.

We're pleased to be able to talk to you today about another good half of progress at N Brown. Last year we returned to profit and our customers are benefitting from our transformational priorities we have invested in. We've followed this up in H1 with year-on-year profit growth and we have continued the momentum with strategic progress.

Our profit performance has been achieved in a continued soft market through a focus on profitable sales, with improving margin, and cost discipline. Adjusted EBITDA of £18.8m is up from £17.5m last year, and Adjusted PBT of £3.6m is up from £0.1m last year. Capital expenditure stepped up to £14m in the half, aligned to our transformational priorities. JD Williams' mobile-first website successfully launched following the previous launches on Simply Be and Jacamo.

Following the launch at the end of FY24 of our Product Information Management system, otherwise referred to as 'PIM', we have now rolled this out on all strategic brands. And, our new Financial Services platform is making good progress, and is now in testing.

After the higher capital expenditure, we have remained cash generative and continue to have a strong balance sheet, with total accessible liquidity in excess of £150m. This provides a solid base for the continued investment in our priorities. And, our customer receivables book continues to significantly exceed our adjusted net debt and we have no unsecured borrowings.

Our full year Adjusted EBITDA outlook is unchanged and the product revenue trend at the start of Q3 is showing encouraging progress. We commenced rebalancing the cost base into marketing in H1 and brand building activity is underway at the start of Q3 as we anticipate a continued improvement in the product revenue trajectory in H2.

I'll now hand you 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 half.

Overall, the continued challenging market saw Group Revenue down circa £20m, 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 the flow through from product revenue.

Adjusted Gross Profit Margin has increased by 160 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 after management initiatives driving absolute costs £6m lower than prior year.

The lower costs more than offset the impact of product volumes on gross profit, leading to an adjusted EBITDA of £18.8m, progressing by £1.3m over prior year. Below EBITDA, depreciation & amortisation was broadly flat on the year whilst net finance costs were £2.3m lower, giving an adjusted profit before tax of £3.6m, up £3.5m on the prior year.

Unsecured net cash was up £17m on the year, at £66m, reflecting the strong cash generation over the last 12 months. This is after a step up in capital expenditure to £14m 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 £150m.

Finally, Adjusted EPS of 0.61 pence increasing from 0.15 pence in prior year reflects the positive profit performance during the half.

You'll see from this slide how EBITDA has increased by £1.3m. Stronger gross profit margins and management of the cost base have more than offset lower revenues in the half.

In the first two bridging items, revenue is lower across product and financial services, but each reflect an improvement in trajectory.

The better margin rate shown in the third bridging item reflects improvement across both product and Financial Services, whilst the management of the cost base has driven a reduction in costs of £6m, shown in the fourth bridging item.

Although there has been improvement in macro-economic indicators, the online pureplay market remained weak in the half, declining by 6% according to IMRG, and we saw unseasonal weather conditions during the period. We also made progress in utilising promotional investments more efficiently, as we focus on profitable sales.

Product revenue declined by 7.9% in the half but this does reflect an improvement in trend. The strategic and heritage portfolios each reported a similar performance in the half, which includes a significant moderation in heritage brands' rate of decline, where we continue to seek opportunities to maximise value.

A lower opening debtor book position and lower product revenue saw FS revenue reduce by 4.6%. This is an improvement in the rate of decline, as we guided. FS revenue performance has been better than the debtor book decline of 9%, reflective of a better yield, including through APR increases applied since the comparative period.

So, partially mitigating the lower volumes, adjusted gross profit margin has improved, up 160 basis points in the half. This progression continues to be 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 150 basis points through good retail disciplines including a significantly cleaner year-on-year stock position.

Secondly, we've seen a headwind in FX, impacting gross margin by around 100 basis points, largely reflecting the FX hedging position which this half annualised against.

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 150 basis point benefit from FS margin, reflecting a better yield which includes the APR increases, and lower write offs.

As I just talked to, full year adjusted gross margin improved by 160 basis points. As I showed on the EBITDA bridge earlier, we have reduced our Adjusted Operating Costs by £6m against last year. This reflects planned management actions and flexing within the variable components of our model with the lower volumes.

As a result of operational gearing, with lower revenue impacting the cost ratio for our fixed costs, the Adjusted Operating Costs ratio has increased by 80 basis points, partially offsetting the gross margin improvement.

Looking at the individual areas, Warehouse and Fulfilment costs have slightly increased as a proportion of revenue, reflecting a headwind from inflationary price impacts on carrier and resource costs of c. £1m. Marketing and Production costs have increased by around £1m, or a percentage point of revenue, as we have chosen to invest more in the half. Admin and Payroll costs were £6m lower, reflecting nearly one percentage point of revenue, through planned management actions.

You'll see the graph on the right hand side which shows year-on-year movements in marketing and admin costs over the last 3 halves. As we said at our year end results in June, admin and payroll costs had increased over time as a proportion of revenue whilst the opposite was true in marketing and production costs. We said that as we look to return the business to growth, scaling investment into marketing is a focus and the graph shows the start of this rebalancing – with our intent on admin and payroll costs and marketing and production costs being reflected in the direction of these numbers in the half.

Just touching on Adjusting items. We have not included a slide on these due to the quantum and relative consistency against the first half of last year. Adjusting items of £2.8m in H1 of this year are slightly lower than last year's restated figure of £3.2m, with the costs reflecting the restructuring related to operations and head office.

This slide shows a number of our key cash and liquidity measures.

Our self-funded capital investment of £14m in the half is a significant increase over the prior year and reflects a business now making change faster, as part of our ongoing transformation.

After this investment, cash generation has remained positive, at £1m. Included within this performance we have kept strong control over our stock balance following all of the work which was done last year when stock was reduced by £20m and we exited the year with a cleaner stock position. The cash inflow is also stated after a cash outflow from adjusting items of £2m for restructuring costs, as we right-size the cost base.

The cash generation means that we closed the half with £66m of unsecured net cash.

Combined with the undrawn Revolving Credit Facility of £75m and overdraft facility of £12.5m gives a total accessible liquidity position in excess of £150m.

Finally, our adjusted net debt position reduced to £211m, which reflects the £66m of unsecured net cash, and securitisation borrowings of £278m which we continue to use to prudently fund an element of our customer balances. The securitisation borrowings are lower than prior year, aligned to the size of the debtor book.

The adjusted net debt continues to be a well controlled position with securitisation borrowings and net debt well placed to be able to grow in the future according to debtor book growth. We have significant customer balances on our balance sheet which support the securitisation and adjusted net debt positions, with our end of half gross customer receivables being £480m.

So, in summary, we're happy with the level of investment we've been able to execute in the period, whilst still growing our liquidity position. And, we remain very comfortable with our adjusted net debt and the level of gross customer receivables, which provides strong backing to this position.

Now turning to current trading and FY25 outlook.

Trading during the first five weeks of Q3, has been encouraging, with the product revenue trajectory improving to -2% against prior year. We are expecting a continued improvement in the product revenue trajectory in H2 supported by delivery of our strategic initiatives, and the additional marketing spend which we talked to in the guidance we gave at the start of the year.

FY25 adjusted EBITDA is expected to be in line with management expectations. The management team will continue to focus on margin rate and operating cost efficiencies.

Strategic investment will continue to be self-funded through carefully managed cash flows.

The Board has continued confidence that the progress made against the Group's strategic transformation plans and its differentiated brands leave it well positioned to deliver future sustainable growth.

So with that, I'll now hand you back to Steve to talk you through the 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, as Dominic referred to we have commenced the rebalancing of spend into marketing. I'll talk later on about some of the activity which we've recently launched as we progress through evolving our creative and marketing platforms and continue to concentrate on our target brand positioning. Within this pillar we have also seen success in moderating the decline seen in revenue from the heritage brands portfolio, as Dominic referred to earlier.

Now, moving onto Elevate the fashion and fintech proposition. Within women's brands, we continue to evolve our portfolio for JD Williams, expanding our offering with brands which resonate most with our customers and phasing out those that do not. Notably, Adidas and Under Armour have shown particularly strong progress in H1. Looking ahead to H2, we are excited to launch Sweaty Betty on JD Williams at the end of October, further enhancing our successful sportswear branded offerings.

In line with one of our transformational priorities, our new financial services platform has progressed with good momentum. The platform is in testing and we have a roadmap of further internal testing planned. We remain on track to commence the external minimum viable product rollout in FY26, providing a modern, market-standard credit proposition.

Now onto Transform the customer experience. Progress in transforming the customer experience has built on the momentum gained in FY24. The launch of our new mobile-first website for JD Williams marked a significant milestone in our transformation, being the last of our strategic brands to launch. With the experience and learnings gained from the Simply Be and Jacamo releases, we were able to deliver the fastest roll out to date despite JD Williams being the most complex site due to its wide product categories. The efficient delivery of the new site is testament to the level of collaboration which our agile ways of working have unlocked.

Following on from FY24's successful launch of PIM on our first strategic brand, Simply Be, progress has continued with PIM sequentially launched on Jacamo and JD Williams during H1. This marks the completion of delivery across all of our strategic brands. The Retail Systems Awards recognised this key milestone in one of our transformational priorities, by awarding PIM the "Technology Project of the Year" award in June this year. PIM is now enabling us to provide better product descriptions, including information on sizing, fit, and fabric. Greater consistency and accuracy in our pre-purchase communications is improving the experience of customers.

Within Win with our target customer, we continued to increase the focus on our target customer. We have identified a series of virtues, unique to each brand, which align with our most valuable customers. We have ensured our marketing channels align with these virtues, which will allow each brand to be more targeted and personalised in communication, which we believe is ever more important in a challenging consumer market.

One of these virtues, shared by both Simply Be and JD Williams, is being a member of the loyalty schemes. The loyalty programme across the Group has shown significant growth in H1. The number of engaged accounts increased by 45% during this period, which has increased our reach and highlighted our ability to attract high-value customers.

In Establishing data as an asset to win, we have successfully transitioned from Google Analytics 3 to Google Analytics 4, which significantly enhances our data analytics capabilities. This transition was a critical piece of work to continue to establish data as an asset to win via our data culture strategy, resulting in a notable increase in colleagues accessing our data estate and a reduction of interactions with our legacy data estate.

The completion of GA4 was also pivotal for our shift from third-party cookies to first-party data collection, ensuring compliance with upcoming UK privacy law changes. Additionally, it serves as a gateway to the future transition to a cloud-native Analytics Platform, which consolidates data, accelerates analytics, facilitates self-service use cases, and mitigates compliance risks.

Now looking at what that looks like against the transformational priorities we have set ourselves.

Firstly, looking at the two items flagged green on the slide. We said we would complete the job of moving all of our strategic brands to new customer facing mobile-first websites. And, in launching the JD Williams site in H1, this is what we have done.

Having launched our new Product Information Management system on Simply Be, we said we would roll this out to our other strategic brands. Again, that's what we've done during H1.

And, good progress has been made against each of the other three priorities.

As I mentioned earlier, the minimum viable product has been built for our FS platform and is in testing. We're excited about what this will provide to customers when it launches in FY26.

Against the Data Culture priority, I talked about the transitioning to Google Analytics 4 which has taken place. And, we have continued to embed a data culture as colleagues are 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.

Finally, good progress continues to be made with the shift to our new agile ways of working model in our head office, with the anticipated efficiency and operational improvements coming through. We expect 80% of the retail business function to be fully embedded in these ways of working by the end of Q3.

Consistent with the broader market, which has remained soft, we have seen this impact certain KPIs. However, we are reporting some improvements in trends, a growth in average item value, and Net Promoter Score and arrears each continuing to perform strongly.

Today I'll talk through four of the KPIs. Firstly, total orders down 8% represents a significant improvement against the prior year trajectory, driven by a better trend in website sessions, which is benefitting from additional marketing spend. The softer conversion rate includes the impact from cautious consumer behaviour, and a higher sessions mix within paid traffic, which has a naturally lower conversion rate.

Secondly, our active customers down 10% masks a significant moderation seen in the last 6 months with about ¾ of that decline seen in H2 of FY24 and ¼ in the first half of FY25, reflecting better retention rates. Scaling the marketing spend in H2 on top of our strategic execution achieved is really important as we look to further improve the active customers trajectory.

Thirdly, our arrears rates, excluding the impact of holding a lower level of insolvent accounts, are up 0.5%pts due to the greater mix of payment arrangements held at the end of the half. This greater mix reflects a different debt sale timing, with a sale not taking place at the end of the half, unlike in the prior year.

Fourthly, our net promoter score progressed significantly last year and has remained strong in the half. The slight reduction includes a greater mix of new customers during this period, which inherently scores lower than the mature customer base.

We've been busy at the start of H2 launching new campaigns as we rebalance spend into marketing. Each of these are highly relevant to the positioning of our three strategic brands and I'm really proud of the quality of the creative which our teams have delivered, some of which you will see here.

At JD Williams, the brand has once again been the headline sponsor for ITV's popular relationship show, My Mum, Your Dad. Gok Wan was introduced as the new brand ambassador, a collaboration which is further connecting with, and inspiring, our customers and we saw a significant increase in brand consideration pre to post the show's airing. This partnership aligns perfectly with JD Williams' commitment to celebrating midlife and will continue to engage with its core audience through this platform.

Over at Simply Be, as previously outlined in our focus areas for the year, H1 has been spent refining the proposition. At the start of H2, we saw the launch of the brand's latest campaign "Find That Feeling". The campaign showcases a diverse cast of women, highlighting how fashion can evoke powerful feelings. It is showing up on a variety of places where Simply Be target customers spend their time, including mobile streaming services and terrestrial TV.

And, at Jacamo, the partnership with LADbible has continued to captivate the target consumer, with 38 million views of the campaign content, and the receipt of a nomination for the upcoming Retail Gazette awards for the "Marketing Game-Changer". In late September Jacamo launched its "Men's Style. Sorted" campaign to showcase this year's Autumn / Winter collection. The campaign, aimed at redefining men's fashion for the season is being displayed across multiple platforms including billboards, YouTube, Sky Sports and various social media platforms.

I'm confident in our plans for the second half, and the performance seen at the start of Q3 has been promising.

We have made further tangible, self-funded, strategic progress in the half, building on last year, and which our customers will benefit from. We've reported year-on-year growth in profit as we've focused on profitable sales, with improving margins, and cost discipline, in a market which has remained soft.

Our transformational plans are on track and we increased capital expenditure in the half. What we've delivered to-date against our clear set of priorities means that we are well set up for the 2024 peak trading period. After the increased capital investment, we have continued to generate cash, and which further builds balance sheet resilience.

Our full year Adjusted EBITDA outlook is unchanged and the product revenue trend at the start of Q3 is showing encouraging progress.

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:

Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. We'll pause for just a moment while waiting for them to queue for questions. Thank you. We will now take our first question from Clive Black from Shore Capital Markets. Your line is open. Please go ahead.

Clive Black – *Shore Capital Markets:*

Thank you. Thank you, Steve and Dominic, for a really interesting and positive outlook, actually, or update. There are three questions, if I may. Firstly, Dominic, you mentioned the word pace in your financial review. I just wonder, could you give us a little bit more colour as to how pace is manifested in the operation of the business? Most evidently, it may be going forward, too. Secondly, it's great to see progress with the financial services re-platforming and the fact that that's actually started. What does that actually mean, though, for customers when it's fully implemented? Lastly, good to see you've got the confidence to up the rate of marketing and you've talked about some various sponsorships, but what's the magnitude of marketing change in the second half, maybe also going into the first half of next year, and how would you like us to measure that market impact apart from the obvious of hopefully by improving sales trend? Thank you.

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

Hi, Clive. Thanks very much for the questions. We'll take the marketing side of things first of all. Predominantly looking to increase the cost of that marketing, we need to see how we navigate through the second half. The first thing I would say is that it definitely will be up. That is absolutely our intention. We would like for it to be up 20% 25%, but we need to see how the customer responds through the period. I think that's quite important. We are moving in that direction. We're moving in that direction because we're feeling reasonably confident on the back of the strategic change delivery that we've made. We have customers that are starting to really experience something that we've been trying to create in the organisation, and we are seeing that the customers are responding well to it. When we think about the revenue trends that the business has been on, I mean broadly minus eleven point something this time last year, broadly minus seven point something in the first half. So far in this half, minus two is what we've referenced in the RNS. I think you know that's giving us the confidence effectively to try and push on. We hope that will push us through into revenue growth, but we are only five weeks into the second half. Hopefully, that answered the first bit of it.

The second bit in terms of how do you measure it. Again, the business has gone through a lot of change in investment into improving the customer experience, and we would therefore hope to see that translate into sales, frankly as we move through. As we move into Q4 particularly, there's a few things that I would say go in our favour a little bit. The first point is that the comparators are a little bit soft on last year. I think we should recognise that. The second thing is the momentum that I've spoken to, and also in the presentation, the customer file starting to stabilise with three-quarters of the decline in FY24 and a quarter in FY25. Then the third thing is we're actually intending to spend more money on marketing, so we should get something back for it. I feel like the answer to the third question is hopefully, we'll start to see the business push through and [unclear] towards Q4 for that, and we hope for a good peak.

On the second question in relation to the financial services platform. We're a business that effectively has been born out of the catalogue organisation and our current financial services product, whilst we've enhanced it significantly and is doing a great job, but it's effectively something that's been enhanced from a catalogue proposition. This financial services platform that we've been building will enable us to effectively create different payment options for our customers and improve the user experience. When I say user experience that ranges from the site experience to the experience in relation to things like My Account, et cetera, and how many payments customers have to make within the cycle of the year as well. There's huge opportunities to create a more engaged customer through this platform. We retain our element of excitement about how this can help the organisation and our customers in the future.

We've built it in MVP. The Minimum Viable Product has been in build for the last couple of years. I'm pleased to say that it is in testing. We're about 70% through that testing, and we're not seeing showstoppers, we're seeing defects, but we would expect that but there are no showstoppers and we're 70% through it. With a fair wind, we'll continue going through that testing and with a fair wind we'll get it live to customers in FY26. As soon as I can get it live for customers, I will do so. Hopefully, that answers the first two questions. On the first one, you asked Dominic, so I'm going to hand over to Dominic if that's okay, given the direct question was for him. Thank you.

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

Thanks, Clive. Yes. We did talk about pace and velocity. Specifically, in terms of the pace of change in our transformation, you can see it in our investments of CapEx. It's substantially up year on year. That's reflected in our three strategic brands now being on new mobile-first websites. All three of those brands now have a product information management system. That's a single place where we can collect, manage, and enrich our product data. Steve has just pointed out we've built our FS platform, and that's now in testing. The pace is all around our pace of transformation and improving the customer experience.

Clive Black – *Shore Capital Markets:*

Thank you for that as well, Dominic. If we could just come back, Steve. Do you have a rough date as to when the FS platform goes live in FY26? Is it something first half or second half? I guess what you're saying then, just be clear, is the full benefit of that is March '27 on an annualised basis?

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

Yeah, sure. The question, because of the way we work, is always a little tricky because I don't really give definitive dates based off the agile methodology that we apply in that we go into testing, we understand the level of testing. As I say, there's no showstoppers, so if it continues as it is, I would hope, and I can, if I'm allowed to give you a view rather than a definitive, I would hope to get this live towards the back end of the first half of FY26. Our current plan, and I'll just share the current plan rather than it's a definitive plan, would be to start with Jacamo.

Clive Black – *Shore Capital Markets:*

The second half of FY26 that should be feeding in, and then you get a full-year benefit in FY27, then?

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

That is what we're hoping for. Yes.

Clive Black – *Shore Capital Markets:*

Cool. Sorry for holding the mic for so long. Thank you very much for the comprehensive answers.

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

Perfectly fine to have the questions. Thanks, Clive.

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

Thanks, Clive.

Conference Call Operator:

Thank you. There are no further questions in queue. I'll now have you back to Steve for closing remarks.

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

Thank you.

Conference Call Operator:

Sorry, pardon me. There's one that just popped up. I'm so sorry. We'll now take our next question from Darren Shirley of Shore Capital. Your line is open. Please go ahead.

Darren Shirley – *Shore Capital Markets:*

Yeah, sorry. Sorry, gentlemen, another one from Shore, but I just thought I'd take the chance while I'm here. It's nice to see that improving trajectory in Q3, that minus two or there or thereabouts. Do you get a sense whether that's just a function of a better marketplace that you're operating in, benefiting from a bit more inclement weather, or do you get a sense in terms of whether your relative performance is improving in that, or is it a bit too early to say?

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

Yeah, look, there's no doubting that the weather is actually favourable to a business that sells clothes. We've been able to sell our new season stock and transitional stock pretty well, actually. I also believe that's because we were set up to try and push the business from the second half. That's something I stated six months ago when we last went through this process, so it was all geared towards it. We started increasing the marketing spend. Whilst on the one hand, we are getting some favourable weather benefits, let's say, as we moved into transitional clothing products we're also seeing the underlying trends which are, for us, proof points to enable us to start to increase the marketing spend. Whilst a lot of it is brand building and investment for the future, we would've expected to have seen some return from it. That's what we're seeing, so all I can really say is it's five weeks into a 26-week period. The golden quarter is important to every retailer. For us, we'll see how we get through it, but we've started positively. We believe that's because of the actions that we're taking. We may have had some benefit from weather, but fundamentally, momentum continues, and it's a good path for us to be on.

Darren Shirley – *Shore Capital Markets:*

In terms of not just for Q3 but also the first half of the year, there's different pockets of your business in terms of your product. There's obviously apparel as a base bucket, but there's also broader general merchandise type of stuff. Are they moving in sync, or is there any differential in performance in them we should be aware of?

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

I don't think there's anything substantive that you should be aware of, Darren. We would've called that out. We're predominantly a clothing and footwear business. We want to maintain our focus on clothing and footwear. We're very happy to service our customers with homewares and tech as well in terms of different categories, but the business is majority clothing and footwear. Our job is to make our customers look and feel amazing, and we like designing clothes for our customers and selling them to them.

Darren Shirley – *Shore Capital Markets:*

Thanks, Steve. Then, just one last one, if you don't mind, because it's great to see mobile-first is now up across your strategic brands, and PIM is also up and running there. How should we look at signs that those initiatives are starting to bear fruits? Is there any particular ones of the KPIs we should be looking for moving forward?

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

Yeah, that's a great question, Darren. I think what we're hoping is to create the best user experience, which effectively, therefore starts to flow into customers being more engaged, which therefore flows into customers effectively shopping more with us, and we're focused on higher value customers. I think if you look at the KPIs, whilst some of them have gone backwards, there is some sign that baskets are getting a bit bigger and average item values are getting a bit bigger as well. That, for us, means we can be a little bit more confident that our customer proposition that we're building here, which is something that does need some level of consideration from our customers in purchasing, is playing through, and we're seeing our customers put more in the basket and spend a bit more and come back a bit more. I think, from my perspective, that's what we're trying to do over the medium to longer term. I just set the tone that we're not expecting to see significant changes in the short to medium term there, but over the medium to longer term, that's our focus.

Darren Shirley – *Shore Capital Markets:*

Okay. Keep one to keep an eye out. Thanks a lot, Steve. Thanks, Dominic.

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

Yeah, thank you.

Conference Call Operator:

That's all the questions we had. I will now hand it back to Steve for closing remarks. Thank you.

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

Thank you. Listen, thanks for joining. Thanks for listening. Thanks for the questions. We're a business that feels like it's going in the right direction. We're very pleased with the progress the business has made, and we're looking forward to hopefully a successful golden quarter. We'll update you further after that. Have a good day. Thank you very much.

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