

## **N Brown Q3 FY24 Trading Update 18 January 2024**

### **Conference Call Transcript**

**Steve Johnson** – *N Brown – Chief Executive Officer:*

Thank you and good morning, everyone. Thanks for joining the trading update call. This is Steve. And also with me is our CFO, Dominic.

I hope you're all well. Turning to this morning's statement covering the 18-week period to the 6th of January. I'm sure you have read it, but let me cover a few main points for you before opening up for Q&A.

The Q3 product performance, which we've reported, reflects a sequential improvement across the three quarters of the year so far, with the improvement seen across both the clothing and footwear and home businesses in Q3. Strong performance has been seen in categories including third party branded womenswear, lingerie, beauty, gaming consoles, and our own premium own brand Anthology. Average item values have continued to be higher, driven by pricing discipline and product mix, whilst volumes reflect the anticipated continuation of lower consumer confidence and measured choices which we have taken around margin, including the level of marketing investment.

Starting the 2024 calendar year, our balance sheet remains strong. On the 6th of January, we had a total of 66 million of unsecured net cash and amounts voluntarily undrawn on the securitisation facility. We had total accessible liquidity of over 150 million, and adjusted net debt was 246 million. These were all favourable to where we started the year in March, largely reflective of the fact that we have generated significant cash in the year to date, growing our cash position by 31 million.

We've also extended the commitment on our securitisation facility to December 2026, which maintains a facility limit of 400 million and is well covered by the customer receivables book, with up to 72% of the eligible customer receivables book funded. This facility continues to provide an efficient form of funding for the group.

Following on from the good work on stock management in the first half, we continued to handle our stock position well through the quarter, which is down 26 million on prior year. Our performance through the last quarter means that our guidance for FY24 adjusted EBITDA remains unchanged. The dynamics during Q3 result in the full year shape having evolved to reflect further margin discipline, offsetting slightly softer revenues.

At the end of FY24, net debt is anticipated to improve on previous guidance and be under 260 million. We remain confident in the strategic direction of the business and in the benefits of the ongoing investment in our digital transformation, with a focus on delivering sustainable, profitable growth.

There's been a slight uptick in consumer optimism during 2023, and although we are assuming the macroeconomic conditions felt by consumers will still be a feature on performance during 2024, we believe that conditions will gradually improve.

Focusing on our strategic initiatives, we expect to make further progress to enhance the customer experience in 2024, including the rollout of the new JD Williams website and the addition of new technologies such as our Product Information Management system, which will enhance product descriptions for customers to inform their purchases.

So, in summary, the revenue trajectory has progressed in Q3. Our full year EBITDA is on track. We're seeing benefits from the transformation and expecting to land further progress in 2024. And we have

generated strong cash flows in the year to date, further strengthening our balance sheet position. And with that we will open it up to questions. So over to the operator.

**Operator:**

Thank you. Ladies and gentlemen, if you would like to ask a question or make a contribution on today's call, please signal by pressing star one on your telephone keypad. That is star one for your question today. We will pause for a brief moment.

And once again, ladies and gentlemen, that is star one for your questions today. And our first question now comes from Darren Shirley from Shore Capital. Please go ahead.

**Darren Shirley – Shore Capital:**

Yeah. Morning. Morning, gents. Just a question in terms of the upgrades that we're expecting to see in 2024. Could you give us a bit more colour in terms of what you'd expect around the JD Williams site change to go live? And then the PIM system that you're implementing. Can you just give us a bit more colour in terms of what that will bring to the business and what benefits you'd expect to see from that, please.

**Steve Johnson – N Brown – Chief Executive Officer:**

Yeah, absolutely. Thanks for the question, Darren. So, look, just, you know, let's take a step back. We are transforming a legacy business. We are absolutely clear that we are going to move forward as a very successful digital business. And to do that, we might need to make several investments. We're investing in everything from culture, to the way that we operate, to the colleague capabilities, to the technology as well as our product and our brand. So, the two things that you've called out are obviously the next things that we would expect to land principally before our results, which I believe are going to be in the start of June.

So the five key technology pieces, really. Well, the five key elements to this are well documented, but ultimately the JD Williams website is part of transforming the customer experience, our strategic pillar. We've already gone live with Simply B and with Jacamo. We referred to the improvements that we're seeing with Jacamo in our statement. We hope to see the JD Williams site live in the first half of this year, not financial year, the first half of this year. And as we get closer to the time, we will be able to sort of shore that up. But fundamentally, when we talk in June, I would hope that we've either launched that or frankly, we're in the process of launching that. And we'll again, we'll talk about that.

What it will bring is effectively benefits that hopefully we will transfer from the site that we've launched so far, which is the Jacamo site, particularly, where we're seeing conversion benefits and site load page benefits. And that's all about improving the customer experience and all about ensuring that we obviously monetize that customer journey as much as possible.

And in fact, if you look at our NPS score, you can start to see some improvements coming through that. We are very delighted, actually, with the improvement in customer satisfaction. So that's the website.

The product information management system, again, is one of the five critical things that we're really doing. And it's not gone live yet. So, this is -- this will be a new one for us. And it's quite exciting, actually. We've got a way of loading our product at the moment, which unfortunately is spreadsheet driven. And because it's spreadsheet driven, we do have inconsistencies in the way that we describe our product. So therefore, the customer sees inconsistencies in the way that it's articulated, but also

in terms of hooking up the same critical words, it means that our SEO is not quite as effective as we would want it to be, particularly in relation to search.

So, the launch of this is actually imminent. And we will go live with it on Simply Be first of all. I think we're probably three or four weeks away, maybe five. But from what I've seen so far, I would expect us to launch that in the first quarter of this calendar year. And again, in June, I can talk a little bit more, hopefully about the benefits and hopefully about the roll out from Simply Be to other brands. So, thank you for the question. We've got a lot going on. And these two really sizable transformative developments I believe will help this business greatly into the second half of the year.

**Darren Shirley** – *Shore Capital:*

Okay. To answer that following statement. If I could just ask on the balance sheet? I mean, obviously you're talking down. You sort of get the adjusted debt numbers for the end of the year. And it seems to me that that's driven by sort of inventory, in stock. I mean, how sustainable is that improvement in inventory, in stock? Is it just you guys being maybe temporarily cautious in terms of what you're ordering and what you're holding in the current market, or is this a step change which can, which you'll see the benefits for the medium to long term?

**Steve Johnson** – *N Brown – Chief Executive Officer:*

Well, let me give you a sort of perspective from a CEO first, and then I'll hand to Dominic. So, if we again -- if we take a step back, what we're trying to do here is modernize the business and get it ready to effectively grow. To deliver, you know, a sustainable business for the future. In doing that, many things need to be addressed. Or have already been addressed. And this year, we were keen to deliver some of our technology advancements and keen to sort of try and get the business ready for growth, which we are going to try and push on in the, you know, hopefully in the second half of 2024 as the customer conditions change.

I'm hoping that we have actually delivered enough of the change to start to really get after it. Now, in doing that, we need to ensure that we have the working capital available to create the right stock for our customers if we want to try and move the business forward. So, on one hand it looks like we have adjusted that stock position, but actually it is all part of a bigger transformation story. And as I said, this is transformation on a large scale. Everything needs to be considered to get the business ready for growth, which we are hopeful we will start to see at the back end of 2024. So, with that, I'll hand over to Dominic.

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

Yeah. Thanks, Steve. Thanks for your question, Darren. As I spoke at the half year, we are focused this year on working capital management and specifically stock, where we've been focused on clearing some of our terminal stocks and giving ourselves the headroom to be able to invest in units, which has the benefit that comes through in terms of margin when you can sell out at full price. So, we are pleased in the progress made around our working capital and specifically stock, which as you say Darren, is coming through in the strength of our balance sheet and the available liquidity that we've got today.

**Darren Shirley** – *Shore Capital:*

So, you're basically seeing the work you do and at the moment is basically going to be creating the headroom for you guys to be a bit more, I don't know if aggressive is the word or more on the front foot over the medium term. Is that the way to think about it?

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

Yes, it is Darren. We're creating headroom to allow us to make those investment choices as we go through the medium term.

**Darren Shirley** – *Shore Capital:*

Okay. Thanks for that, gents. Thank you.

**Operator:**

Thank you. And as a further reminder, that is star one if you'd like to ask a question today. We will be paused for the moment.

And our next question now comes from Mark Photiades from Canaccord. Please go ahead.

**Mark Photiades** – *Canaccord:*

Morning, Steve.

**Steve Johnson** – *N Brown – Chief Executive Officer:*

Hey, Mark.

**Mark Photiades** – *Canaccord:*

Hey, just a quick question on, I guess, the pattern of trading across Q3. So you talked about the improvement compared to the first half. How did Q3 pan out? Was it pretty consistent across the period of the 18 weeks? I think you talked about the first five weeks improvement on the Q2 trend. So could you maybe just give a bit more colour on how it panned out?

**Steve Johnson** – *N Brown – Chief Executive Officer:*

Thank you. Of course. Yeah, so Q3 was not straightforward, through the whole Q3 if I'm honest. I think what we saw, is we saw it start quite well. And then we took a choice through the Black Friday event and that sort of trading period to be less discounted than we were in the prior year at a time where the market seemed to be quite discounted. So, we took a sort of softer set of sales through that period as we tried to manage the margin. And then we saw the benefits actually, on the run up to Christmas. And our customers, were seeing a delivery service that was delivering for them really well and clearly had confidence to continue ordering a bit later towards Christmas versus this time last year. So that's the sort of pattern through the quarter. And then within there, there were various, sort of, upsides and downsides by categories, etc. But we've pulled out some of the points that we actually were pretty comfortable with. But actually footwear for us was in growth year on year through Q3, only marginally. But footwear was actually in growth. And also, beauty was in growth as well. So, we were pretty pleased with a couple of those category performances as well. Hopefully that helps a little bit with the colour more.

**Mark Photiades** – *Canaccord:*

Yeah, that's perfect. Thank you very much.

**Operator:**

Thank you. And at the moment we have no further questions in the queue.

**Steve Johnson** – *N Brown – Chief Executive Officer:*

Excellent. Well, I just want to thank you for joining. Again, just finishing with the key points. We are pleased, actually, with the performance of the business. We're delivering against our transformation. We are managing through this very carefully. But we also see an improving revenue trend. Our EBITDA is on track, and our cash flow has improved and strengthened our balance sheet further. And we're looking forward, actually, to continuing delivering on this transformation. And we are looking forward and are excited to see how that plays through the next calendar year. And with that, I'll speak to you again probably around June. So thank you.

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

Thanks, everyone.

**Operator:**

Thank you for joining today's call ladies and gentlemen. You may now disconnect.