

DEBENHAMS PLC**Trading Update**

Debenhams plc, the international department store group, today announces a trading update for the 15 weeks and 41 weeks (financial year to date) to 16 June 2018.

Financial Headlines

- Group gross transaction value: 15 weeks (1.5%); 41 weeks (1.6%)
- Group like-for-like sales: 15 weeks (1.7%); 41 weeks (2.1%); in constant currency LFL sales: 15 weeks (2.2%); 41 weeks (2.6%)
- Digital sales growth: 15 weeks +16.0%; 41 weeks +11.5%
- Gross margin guidance revised to c.(150bps), cost guidance tightened to c.0%, down c.0.5% in constant currency
- Committed £20m cost savings on track, new structure unlocks further opportunities to right-size our cost base

Guidance update

Against a background of increased competitor discounting and weakness in key markets, trading in May and early June has been below plan despite weak comparatives. We have reassessed our expectations for the balance of the year and now expect pre-tax profit for FY2018 to be in the range of £35m-£40m, with EBITDA in the range £160-£165m. This compares with current market PBT consensus of £50.3m¹.

We are driving out further cost opportunities beyond those already announced, focusing on self-help and prioritising cash generation. We anticipate year end net debt will be in line with our previous guidance, at c.£320m, retaining significant headroom on our £520m facilities. In order to give us maximum flexibility amidst difficult trading conditions we are taking the opportunity to strengthen our balance sheet further. Whilst still pushing ahead with key strategic initiatives, we are planning for a material reduction in FY2019 capex. As a result we expect net debt to be lower in FY2019 than in FY2018. We also intend to conduct a strategic review of non-core assets, aiming to focus investment behind our strategy.

We continue to focus on five priority actions to mitigate current market conditions and drive progress in FY2019:

1. Delivering above-market digital sales growth driven by technological change focused on mobile.
 - Digital growth accelerated in the last quarter, ahead of the market due to website improvements and mobile platform acceleration.
 - We appointed a new head of Digital last month to drive growth initiatives.
2. Sustaining leadership in Beauty through innovative customer engagement both in-store and online.
 - The Beauty market remains competitive and promotional, and has declined this past quarter.
 - We launched a new multi-brand format trial that will significantly broaden our brand offer in smaller stores. We have a number of exciting developments that will start to roll out in September.
3. Revitalising fashion product under new leadership, with Designers@Debenhams reinvention under way.
 - We are delivering progressive product improvement and seeing positive early results: high full price sell-through on Studio by Preen and our first capsule collection by designer Richard Quinn.
 - We opened our first furniture concessions with new partners Maisons du Monde and Swoon, as we continue testing profitable opportunities to deliver exciting products and services to customers.
4. Changing in-store experience for customers through redesigned service model and store presentation.
 - New format trials are delivering a better customer experience, higher sales densities and lower markdown.
 - We are working on plans to reduce roll-out costs whilst capturing the majority of expected benefits.
5. Accelerating cost-reduction activity to underpin announced annualised savings of £20m
 - We expect to deliver cost savings over and above our previously-announced plan
 - A new leaner operating model will unlock further opportunity to drive efficiencies in the future.

Sergio Bucher, CEO, commented:

“It is well-documented that these are exceptionally difficult times in UK retail, and our trading performance in this quarter reflects that. We don’t see these conditions changing in the near future and, because it is our priority to maintain a robust balance sheet, we are making very careful choices about how we deploy capital. We see clear evidence of progress as our digital growth outperforms the market and customers respond positively to our product improvements and format trials. We have also put in place a leaner operational structure and made a number of important hires so that we are well-equipped to navigate the market turbulence.”

¹ Company-compiled consensus published on www.debenhamsplc.com

A conference call for analysts and investors will be held at [8.30am] today. To join the call, please dial +44 (0) 330 336 9105 (UK/Europe) or +1 323 794 2423 (US), PIN 9923676. A recording of the call will be available for seven days on +44 (0) 20 7660 0134 or +1 719 457 0820, PIN 9923676.

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