

DEBENHAMS PLC
CHRISTMAS TRADING UPDATE

Debenhams plc today announces its trading update for the 17 weeks to 30 December 2017.

Financial Summary

- Group gross transaction value for 17 weeks declined (0.8%); Group like-for-like sales as reported down (1.3%)
- Group like-for-like sales in constant currency declined (1.8%), including UK LFL down (2.6%) and International up 2.1%. Digital sales have risen 9.9%, with two year growth of 22%
- The early weeks of the quarter were disappointing as the market remained volatile and competitive. We took tactical promotional action to improve our performance which resulted in a stronger 6 week Christmas period against tough comparatives, with LFL sales up 1.2% in constant currency and digital growth of 15.1%.
- However, the first week of post-Christmas Sale was below expectations despite further markdown investment, particularly in the highly seasonal Gift category
- H1 gross margins are now expected to be c150bps down on the prior year, as a result of the promotional market and to deliver a clean end-season stock position
- We have identified cost savings of c£10m above previous guidance. Looking ahead, should the current competitive and volatile environment continue into H2, FY2018 profit before tax is now likely to be in the range of £55m to £65m.

Operational Summary

- The UK trading environment has continued to be volatile and highly competitive with weaker demand in some more discretionary areas. The market has become more promotion-driven and we responded in order to remain competitive for our customers
- Against this background we have grown sales in our Destination categories of Beauty and Food and improved full price share¹ in a Fashion market that continues to decline. A disappointing Gift performance drove increased promotional activity in this important seasonal category
- In response to competitor discounting we have managed inventory tightly through tactical promotional activity whilst flowing stock more efficiently. This is reflected in weaker gross margins, but as a result, we expect to exit H1 with stock levels down year on year in line with our plan
- Positive momentum in digital sales growth has been driven by further strong growth in smartphone demand - up 36% year on year, with a c20% improvement in conversion rate following the progressive web-app driven improvements made to our mobile site
- Internationally, Magasin du Nord in Denmark and Debenhams in the Republic of Ireland delivered positive LFL growth in constant currency. Other markets remain mixed.

Strategic Update and Cost Guidance

- We have seen encouraging indications from initiatives under our Debenhams Redesigned strategy. For example, early signs from our store format trials including new stores at Stevenage and Wolverhampton and our first 'right-sized' store in Uxbridge are promising
- The improvements driven in digital performance through our partnership with Mobify will build through the coming year as we introduce further platform upgrades
- As part of our plan to simplify and focus our operations, we have been working on a new, more flexible operating model that will result in reorganisation and restructuring activity both in our stores and in our support centre
- As a result of this and a review of central costs, we expect to generate further annualised savings of c£20m, of which c£10m will be realised in H2 FY2018. Consequently, FY2018 costs are now expected to rise by c+1% compared with previous guidance of +1% to +2%
- We are accelerating some aspects of our strategic plan to deliver a long term sustainable future for Debenhams and continue to review activities that could be more rapidly and profitably delivered through partnerships.

¹ Kantar Worldpanel 24 weeks to 19 November 2017

Sergio Bucher, Chief Executive of Debenhams, said:

“The market has been challenging and particularly promotional in some of our key seasonal categories and we have responded in order to remain competitive for our customers, which has impacted our profit performance. Nevertheless, we are seeing positive early signs from the changes we have made as part of our Debenhams Redesigned strategy. The market dynamics we have seen have reinforced our view that we need to move even faster to implement the cultural and organisational changes needed to ensure Debenhams is in the best possible shape for today’s fast-changing retail environment.

“I am grateful to my colleagues for their hard work and I am proud of the service improvements we have delivered, whilst maintaining a rapid pace of change throughout the organisation, including strong new hires to important management roles. I look forward to updating on progress with our strategy in April.”

Sales performance

	THIS YEAR		LAST YEAR		FY 17
	17wks to 30/12/17	6 wks to 30/12/17	17wks to 31/12/16	6 wks to 31/12/16	
Percentage change to last year	%	%	%	%	%
Group Gross Transaction Value	(0.8)	2.2	3.6	4.7	2.0
Reported LFL	(1.3)	1.7	3.5	4.9	2.1
Constant currency LFL	(1.8)	1.2	0.4	1.5	(0.2)

-ENDS-

A conference call for analysts and investors will be held at 9.00am today. To join the call, please dial +44 (0) 330 336 9411 (UK/Europe) or +1 323 794 2551 (US), PIN 6444753. A recording of the call will be available for seven days on +44 (0) 20 7984 7568 or +1 719 457 0820, PIN 6444753.

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Notes to editors

Debenhams is a leading international, department store destination with a proud British heritage which trades out of around 246 stores across 26 countries and is available online in more than 60 countries. Debenhams gives its customers around the world a unique, differentiated and exclusive mix of own brands, international brands and concessions. Debenhams has been investing in design for over 20 years through its exclusive Designers at Debenhams portfolio of brands. Current designers include Abigail Ahern, Jeff Banks, Jasper Conran, FrostFrench, Patrick Grant, Henry Holland, Ben de Lisi, Todd Lynn, Julien Macdonald, Savannah Miller, Jenny Packham, Aliza Reger, John Rocha, Ashley Thomas, Preen and Matthew Williamson.