

Focus on strategy delivers a strong Christmas

Debenhams plc today announces its trading update for the 19 weeks to 10 January 2015.

Highlights

- **Strong performance in the key Christmas period: 4 weeks to 10 January**
 - LFL sales up 4.9%
 - Online sales up 28.9%
- **Record Group sales in the 7 days prior to Christmas**
- **Good performance on Black Friday within an existing Debenhams promotional event with sales in the week up 10.3%. Online orders on the day up 125%**
- **Good progress on the five priorities laid out at the Interims in April 2014**
 - 10 fewer days on promotion
 - 12.1% increase in own bought full price sell-through
- **Stock levels under control with terminal stock forecast at historically low levels**

Michael Sharp, Chief Executive of Debenhams, said:

“I am pleased with our performance in the critical Christmas trading weeks, driven by our strength in a diverse range of product categories and a strong marketing campaign focussed on gifting. Our performance steadily improved following the well documented challenges in the clothing market in the autumn. We now have a competitive online proposition with next day delivery to home and next day click and collect, which customers took full advantage of and which performed well over Christmas. I would like to thank the whole Debenhams team for their tremendous efforts in delivering this performance.

“We continue to focus on building stable and sustainable profit growth and have made good progress on the five priorities we set out last year”.

Financial Performance

We delivered a strengthening performance during the period. Group gross transaction value (GTV), like-for-like (LFL) and online sales are summarised below:

	19 weeks to 10 Jan	7 weeks to 10 Jan	4 weeks to 10 Jan
Group GTV	+0.2%	+3.3%	+5.9%
Group LFL	-0.8%	+2.4%	+4.9%
Group Online	+6.0%	+11.7%	+28.9%

Our performance for the 19 weeks to 10 January reflects the well-documented challenges in the clothing market and our strategy to be less promotional as part of our ongoing focus to increase the percentage of full price sales. Fewer promotions inevitably led to a slowing in the rate of sales growth online given that it is an inherently more promotional channel. As planned we launched our Sale on Boxing Day and delayed the start of our Blue Cross event by one week to 8 January.

We delivered a strong performance over Christmas driven by the appeal of our gifting offer across a diverse mix of categories including beauty, accessories and home combined with our new competitive online delivery promises. Performance in the 7 weeks to 10 January improved with Group LFL sales increasing by 2.4% and online sales increasing by 11.7%.

This strengthened in the 4 weeks to 10 January with Group gross transaction value increasing by 5.9% and like-for-like sales increasing by 4.9%. Online sales increased by 28.9%. This culminated in a record sales performance for the Group in the seven days prior to Christmas.

Demand for Click & Collect increased during the Christmas period and in the final days peaked at 38% of online orders. Our distribution centres performed well throughout, particularly in relation to next day delivery to home and next day click and collect.

Guidance and outlook

A strong performance from lower margin categories through the period (such as beauty and some concession brands) combined with a challenging season in clothing will result in gross margin being towards the lower end of guidance of +10 to +40 basis points for the year as a whole.

Tight cost control during the period means full year guidance will be at the lower end of the 2% to 4% increase previously guided. Capex, interest and depreciation guidance remains unchanged.

Looking ahead to the rest of the financial year, we don't anticipate a significant change in consumer confidence and we believe the trading environment will remain competitive.

Strategy Update

We made good progress against all of the five priorities we set out last year, namely:

1. Refocusing our approach to promotions
 - We only ran planned events throughout the period with 10 fewer days on promotion, lower participation of stock and shallower discounts than last year.
 - This resulted in an increase in own bought full price sell-through of 12.1% which was achieved despite unprecedented levels of discounting in the sector.
 - Stock levels are forecast to be 5% lower than last year at the end of the first half and significantly lower in clothing categories. Terminal stock at the end of the half is forecast to be in line with historically low levels.
2. Building a more competitive and economic online multichannel business
 - New delivery promises of next day to home with a 10pm cut-off, next day click and collect, nominated day, evening and weekend deliveries were launched in time for peak trading.
 - Next day services accounted for 49% of orders in the last seven days prior to Christmas and we have seen a significant improvement in customer satisfaction with our Click & Collect service.
 - A number of other improvements to the customer experience online, including easier and quicker checkout, were also delivered.
 - Across the 19 weeks online sales grew to 19.4% of our UK business.
 - Sales from our mobile channels increased significantly to 44% of our total online sales.
3. Driving a better performance from stores
 - We have made good progress with the trials to extend our offer and improve the return on space. We now have Costa Coffee in 10 stores, Sports Direct in 4, Mothercare in 3 and Monsoon in 2 stores.
 - Decisions on any roll-out following these concession trials will be made during the next few months and we will update at the Interims.
4. Accelerating growth in International
 - We continued to see good growth from our international franchise stores, especially in the Middle East and South East Asia.
 - We opened 3 new international stores including a flagship store in Yas Island, Abu Dhabi.
 - Magasin du Nord delivered another strong performance with LFL sales increasing by 9.2% in local currency for the 4 weeks to 10 January.
5. Prudent investment in operational and organisational effectiveness
 - Our investments in supply chain and systems to deliver a sustainable international, multichannel business remain within budget and on track.

A conference call for analysts and investors will be held at 8:00am today. To join the call, please dial +44 (0) 20 3427 1903 or +1 212 444 0896, PIN 6308007. A recording will be available for seven days on +44 (0) 20 3427 0598 or +1 347 366 9565, PIN 6308007.

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Notes to editors

Debenhams is a leading international, multi-channel brand with a proud British heritage which trades from 248 stores across 28 countries and is available online in over 60 countries worldwide.

Debenhams offers its customers around the world a unique, differentiated and exclusive mix of own brands, international brands and concessions.

In the UK, Debenhams has a top five market share in womenswear and menswear and a top ten share in childrenswear. It is a market leader in premium health and beauty.

Debenhams has been investing in British design for 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, Betty Jackson, Stephen Jones, Ben de Lisi, Todd Lynn, Julien Macdonald, Jenny Packham, Pearce Fionda, Preen, Janet Reger, John Rocha, Ashley Thomas, Eric Van Peterson and Matthew Williamson.