

10 January 2019

This announcement contains inside information

DEBENHAMS PLC
CHRISTMAS TRADING UPDATE

Debenhams plc today announces its trading update for the 6 weeks and the 18 weeks to 5 January 2019.

Financial Summary

- Against a challenging market backdrop, the Group is currently on track to deliver current year profits in line with market expectations¹, supported by further identified cost savings.
- Group gross transaction value for 6 weeks to 5 January declined (3.8)% with group like-for-like sales down (3.4)%. In this period, the UK declined by (3.6)%, with weak store footfall offset by growth in digital.
- For the 18 weeks, group gross transaction value declined (5.6)%, with LFL down (5.7)%. The UK was down (6.2)% with International down (3.5)%. Digital sales have grown by 4.6% across the period.
- The UK trading environment has continued to be volatile, as expected, with clear evidence that our customers have been seeking out promotions. As a result we reinstated some tactical promotional activity in order to be competitive and manage inventory tightly, which will result in some gross margin erosion in the first half.
- We continue to generate cash, with net debt as at 5 January of £286m, within the context of our total committed debt facilities of £520m.
- In light of the requirement to refinance existing bank facilities within the next 12 months, constructive discussions have commenced with lenders, and the group has put on hold any further asset disposals until the outcome of those discussions is known. This process includes options to bring new sources of funding into the business to ensure the appropriate capital structure. We will update on progress with these plans shortly.

Strategic priority update

- After a slow start to the season, group digital sales rose 6.0% in the 6 week period over peak against a strong comparative performance, delivering two year growth of over 20%. This was supported by improved mobile conversion and customer experience
- New Beauty strategy drove more choice and digital innovation supporting growth in market share in skincare² to mitigate decline in premium make-up market
- Revitalised product has driven improved market share in womenswear³; and differentiated gift offer delivered an improved margin performance over peak, with food sales also delivering overall growth of 2% in the 18 weeks
- Nine stores trading in new design format have outperformed the core chain, with the strongest LFL uplift being seen at Stevenage
- Previously announced cost savings of an annualised £50m, rising to at least £80m taking into account additional opportunities identified.

Sergio Bucher, Chief Executive of Debenhams, said:

“We have worked hard to deliver the best possible outcome in very uncertain times for retailers. We responded to a significant increase in promotional activity in the market, particularly in key seasonal categories, in order to remain competitive for our customers. We have taken decisive steps to maintain rigorous cost and capital discipline and I am grateful to my colleagues for their hard work as we maintain a rapid pace of change.

In order to ensure that Debenhams has a sustainable and profitable future we need a strong customer proposition, a strengthened balance sheet and a reshaped store portfolio. We have a robust plan to deliver this and while there is much work still to do, the performance of our Redesigned stores over peak, and continued outperformance in digital, reinforce our view that we are taking the right steps to protect the future of the business.”

¹ Analyst expectations available at <https://ir.debenhams.com/financial-information/analyst-coverage>

² NPD data for 12 weeks to 24 November 2018

³ Kantar Worldpanel data for 24 weeks to 18 November 2018

Sales performance

	THIS YEAR		LAST YEAR		FY 18
	6wks to 05/01/19	18wks to 05/01/19	6wks to 06/01/18	18wks to 06/01/18	
Percentage change to last year	%	%	%	%	%
Group Gross Transaction Value	(3.8)%	(5.6)%	3.6%	(0.6)%	(1.8)%
Reported LFL	(3.4)%	(5.7)%	2.9%	(1.4)%	(2.3)%
Constant currency LFL	(3.5)%	(5.7)%	2.2%	(1.9)%	(2.7)%

-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 9105 (UK/Europe) or +1 323 794 2551 (US), PIN 7671313. A recording of the call will be available for seven days on +44 (0) 20 7660 0134 or +1 719 457 0820, PIN 7671313.

The Group will hold its AGM this afternoon at 2.00pm, at the Delancey Theatre, ORT House, 126 Albert Street, London NW1 7NE, as announced on Wednesday 2 January.

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Analysts and investors

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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 240 stores and is available online in more than 90 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, Julien Macdonald, Savannah Miller, Jenny Packham, Richard Quinn, Aliza Reger, Ashley Thomas, Preen and Matthew Williamson.