

DEBENHAMS

Life made fabulous

22 June 2016

DEBENHAMS PLC TRADING UPDATE

Debenhams plc, the leading international, multi-channel brand, today announces its trading update for the 15 weeks and the 41 weeks to 11 June 2016.

Financial Highlights

- Group gross transaction value: 15 weeks +0.5%; 41 weeks +1.3%
- Group like-for-like sales: 15 weeks (0.2%); 41 weeks +0.7%
- Constant currency like-for-like sales: 15 weeks (1.6%); 41 weeks +1.2%
- Online sales growth: 15 weeks +7.0%; 41 weeks +9.1%
- Gross margin guidance for FY2016 revised to flat vs previous guidance range of +0bp to +50bp
- Cost growth for FY2016 expected to be at the lower end of previous guidance range of +2% to +4%, including the impact of introducing the National Living Wage in April
- Despite volatility in the trading environment, we currently anticipate that FY2016 PBT will be within the range of market forecasts
- Strong cash generation with net debt for FY2016 expected to be in line with guidance range of £270-£290m

Operational Highlights

- Our focus on strategic priorities continues, and in response to a more volatile trading environment, we are keeping costs tight, managing margin and driving cash generation
- Tight control of stock in all divisions and strengthened promotional stance in a weak clothing market is expected to deliver terminal stocks in line with historical low levels
- Space optimisation progressing with 75% of 1m sq ft to be filled by Christmas, in line with plan
- Roll-out of new food concessions progressing with additional 30 offers in place by October
- Within our international division, constant currency sales are up, although the overall performance has remained mixed. As guided, the foreign exchange impact is positive in the latest period. Our Irish business has successfully applied for Examinership, which should complete by the year end

Michael Sharp, Chief Executive of Debenhams, said:

“Our strategy remains unchanged, with further progress in driving our non-clothing mix, continuing to improve service for multi-channel customers, and offering a wider choice of products and services in under-optimised space. In response to more uncertain trading conditions in this period, particularly in clothing, we have focused on managing stock and margins and generating cash.

“I am confident that I am leaving the business in the hands of a very strong management team, who will continue to execute our strategy and support our new CEO, Sergio Bucher, through the next phase of Debenhams’ development. Our wide product choice, clear destination departments and improving service proposition gives us a strong platform from which to deliver long term sustainable growth.”

Performance in the second half to date

In the 15 week period, Group gross transaction value rose by 0.5%, taking the cumulative year-on-year performance to growth of 1.3%.

The UK trading environment has been weaker since the new year, particularly in clothing, and our strategy to increase the mix of non-clothing sales has supported our performance against this background, with Health and Beauty sales in particular continuing to show good growth. Having tightened our initial buy, we are also taking action to manage seasonal stocks, particularly in womenswear, including selected promotional activity. As a result, we expect to end the year in a clean seasonal stock position, in line with our plan.

Online sales grew by 7.0% against strong comparatives in the 15 week period, with cumulative growth for the year to date of 9.1%. We continue to see positive trends in mobile, which now represents over 50% of UK online orders and strong growth in Click & Collect, up 19% year on year.

We have plans in place to fill 75% of the identified 1m sq ft in our space optimisation programme for the Christmas peak. We are rolling out a further 18 Jack & Jones concessions by October and launching Claire's Accessories in 15 stores. Having trialled two furniture display concepts in Manchester and Gateshead, we are opening a further six for the Autumn/Winter season.

Our plan to increase casual dining options across the Debenhams store estate is making good progress, with a further 30 food offers planned to open by the Autumn, so that approximately 40% of our stores will have a new food offer by Christmas 2016. Westfield White City will increase its food offers to three with the opening of Italian restaurant concept, Franco Manca, and we are planning to launch another new casual dining partnership in our modernised Lakeside store.

Within our International division, performance has remained mixed. However, constant currency sales are ahead year on year and the foreign exchange impact became positive, as guided, in the latest period. Magasin du Nord's growth has slowed somewhat, reflecting similar trends in Denmark to the UK. International online continues to grow strongly from a small base, supported by our new web platform. As previously announced, our Irish subsidiary, Debenhams Retail (Ireland) Ltd has successfully applied for Examinership and the process is expected to be completed by the financial year end.

Group gross margin for FY2016 is now expected to be flat, compared with previous guidance of +0bp to +50bp, reflecting the tactical response to more challenging trading conditions in the second half. With continuing tight control of operating costs and good cash generation against a more uncertain trading background, the group currently anticipates that FY2016 PBT will be within the range of market forecasts.

-ENDS-

A conference call for analysts and investors will be held at 8.30am today. To join the call, please dial +44 (0) 20 3427 1915 (UK/Europe) or +1 646 254 3361 (US), PIN 745106. A recording of the call will be available for seven days on +44 (0) 20 3427 0598 or +1 866 932 5017, PIN 745106.

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Notes to editors

Debenhams is a leading international, multi-channel brand with a proud British heritage which trades out of over 250 stores across 27 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, Sadie Frost and Jemima French, Patrick Grant, Henry Holland, Betty Jackson, Stephen Jones, Ben de Lisi, Todd Lynn, Julien Macdonald, Jenny Packham, Aliza Reger, John Rocha, Ashley Thomas, Justin Thornton, Eric Van Peterson and Matthew Williamson.