

# DEBENHAMS

27 June 2017

## DEBENHAMS PLC TRADING UPDATE

Debenhams plc, the international department store group, today announces its trading update for the 15 weeks and the 41 weeks (financial year to date) to 17 June 2017.

### Financial Highlights

- Group gross transaction value: 15 weeks (1.0%); 41 weeks +1.7%
- Group like-for-like sales: 15 weeks (0.9%); 41 weeks +1.8%
- Constant currency like-for-like sales: 15 weeks (2.4%); 41 weeks (0.7%)
- Digital sales growth: 15 weeks +7.9%; 41 weeks +12.6%
- Gross margin guidance unchanged, cost guidance tightened to +3%, +1% in constant currency
- We currently anticipate that 2017 profit before tax will be within the range of market expectations. However, should current market volatility continue, the outcome could be towards the lower end of the current range.

### Operational Highlights

- The UK trading environment has been more volatile in the second half of our trading year. However, our targeted destination categories of Beauty, Accessories and Food & Drink have helped to mitigate the impact of a weaker clothing market. With 13 new food offers in the period, food sales have risen 5%.
- We have delivered further improvement in full price sales, with growth of 1.7% in the period. Action to manage seasonal stock tightly in a continuing weak market for clothing is expected to deliver terminal stocks in line with historical low levels, and within our gross margin guidance.
- Digital growth continues to be driven by mobile demand, with further enhancements supporting rapid mobile growth, up 47% year on year and improved conversion rates up 12%.
- Across the international division our constant currency performance has improved, and the foreign exchange impact has remained positive in this period. Underlying markets remain mixed: positive growth in Denmark has been offset by weaker trading in the Middle East and the Republic of Ireland. A core Debenhams offer launched on Amazon.de this month, as planned.
- Having announced our new strategy, Debenhams Redesigned, in April 2017, we are making good progress putting in place our plans to drive growth through Social Shopping and our shorter term “Fix the Basics” plan. This has included establishing a training programme to support up to 2,000 colleagues switching to customer-facing roles; implementing direct-to-floor deliveries, which will cut replenishment times from eight days to two; and completing the transition to a single warehouse management system.

*Sergio Bucher, CEO of Debenhams, said:*

“We are making progress in implementing our exciting and ambitious new strategy, Debenhams Redesigned, which will make us the destination for Social Shopping. We have already started to deliver changes that will improve service for our customers and simplify and focus our operations.

“As industry data has confirmed, May was a tough month for retailers and we continue to see volatility in trading week to week. As a result we are focused on delivering cost control and self-help through our “Fix the Basics” plan. We continue to build good foundations for longer term growth at Debenhams by becoming a Destination, Digital and Different.”

## Strategic and Operational update

We launched our new strategy, Debenhams Redesigned, at our interim results presentation in April. This will position us to become the leader in Social Shopping - shopping as a fun leisure activity centred around mobile interaction with our customers. We aim to drive Growth by becoming a Destination, Digital and Different, and Efficiency by simplifying and focusing our operations.

**Destination:** We have seen good growth in our strategic destination areas of Beauty, Accessories and Food. This has helped to mitigate the impact of a weaker clothing market.

**Digital:** Sales growth has slowed in recent weeks in line with the UK online market, but year-to-date growth remains strong, supported by enhancements including new beauty brand presentations and a new payment page.

**Different:** We launched a new contemporary Designers@Debenhams range this season, Studio by Preen, which has been very positively received. We have seen a strong positive response to our brands on third party platforms.

**Simplify & Focus:** We have welcomed two new directors to our senior leadership team. Sally Hyndman, who has joined from Dixons Carphone as HR Director, will lead the culture transformation in our business. Angela Morrison, who has joined from Direct Line as Technology and Supply Chain Director, will lead the changes that will make our supply chain customer-led rather than process-driven. We continue to make good progress in our "Fix the Basics" plan:

- launched training programme to support up to 2,000 colleagues switching to customer facing roles;
- completed transition to single warehouse management system;
- begun consultation on closure of Northampton distribution centre and 10 regional warehousing facilities;
- introducing direct-to-floor distribution supporting targeted improvement in replenishment time from eight days to two days; and
- reduced stock options by c10% to declutter stores.

### Outlook and guidance

The UK trading environment has been less predictable since Easter, with industry data confirming May was tough for the retail industry. There is no change to gross margin guidance for FY2017, which remains at c(25bps) but as we focus on driving self-help opportunities, we are tightening guidance on cost growth to +3% (from +3% to +4%), which is approximately +1% in constant currency. In light of the above, the group currently anticipates that FY2017 profit before tax will be within the range of market expectations, but should current market volatility continue, profit before tax could be towards the lower end of the current range.

-ENDS-

A conference call for analysts and investors will be held at 8.30am today. To join the call, please dial +44 (0) 330 336 9411 (UK/Europe) or +1 719 325 2202 (US), PIN 4619768.

A recording of the call will be available for seven days on +44 (0) 20 7984 7568 or +1 719 457 0820, PIN 4619768.

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## **Notes to editors**

Debenhams is a leading international, department store destination with a proud British heritage which trades out of over 250 stores across 27 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, Sadie Frost and Jemima French, Patrick Grant, Henry Holland, Ben de Lisi, Todd Lynn, Julien Macdonald, Savannah Miller, Jenny Packham, Aliza Reger, John Rocha, Ashley Thomas, Justin Thornton and Thea Bregazzi, Eric Van Peterson and Matthew Williamson.

The range of market expectations is sourced from the reports of 18 analysts dated between 13 January 2017 and 17 May 2017.