FRENCH CONNECTION

FULL YEAR RESULTS 31ST JANUARY 2020

New York fashion show Aw20

HIGHLIGHTS

- Group revenue of £119.9m (2019: £135.3m), down 11.4% (down (11.1%) CCY) impacted by the planned closure of stores and the difficult retail trading environment in the UK
- Underlying loss of £(2.9)m compared to a restated underlying profit of £0.8m in the comparative period
- Closure of net 15 non contributing locations in the year
- Wholesale revenue down 4.8% ((4.6%) CCY) although up 15.7% (16.1% CCY) in North America
- Decline in LFL sales in UK/Europe of 2.5% (2019: down 6.8%) reflecting the generally poor UK retail trading conditions in the second half of the year
- Composite gross margin of 38.3% (2019: 42.3%) due to an increased proportion of Wholesale in the mix together with reduced FX benefit and additional import duty into US
- Closure of the China and Hong Kong joint venture during the year
- Closing cash of £8.1m (2019: £16.2m)

RESULTS SUMMARY

	12 months to 31/01/2020 Inc IFRS 16	*Remove IFRS 16 impact*	12 months to 31/01/2020 Exc IFRS 16	12 months to 31/01/2019	*Variance (exc IFRS 16)*	*Constant currency variance (exc IFRS 16)*
Revenue	119.9m		119.9m	135.3m	*(11.4%)*	*(11.1%)*
Cost of Sales	(74.0)m	(1.4)m	(75.4)m	(78.1)m		
Gross margin	38.3%		37.1%	42.3%	*(516bps)*	*(513bps)*
Operating expenses	(52.8)m	(1.7)m	(54.5)m	(62.2)m	*12.4%*	*12.1%*
Other operating income	5.5m		5.5m	5.8m	*(5.2%)*	*(5.1%)*
Interest expense	(1.5)m	1.5m	0.0m	0.0m		
Underlying Operating (Loss)/Profit	**(2.9)m**	**(1.6)m**	**(4.5)m**	**0.8m**	*(662.5%)*	*(663.3%)*
Exceptional items	(4.4)m		(4.4)m	(9.4)m		
(Loss) for the period*	**(7.3)m**	**(1.6)m**	**(8.9)m**	**(8.6)m**	*(3.0%)*	
Closing net cash	8.1m			16.2m		

* Excludes impact of JV and discontinued operations

WHOLESALE

Revenue

- Total revenue reduced 4.8% (down 4.6% CCY)
- Strong North America growth of 15.7% (CCY 16.1%) offset by drop in UK Wholesale, due to reduced demand in H2 and timing changes to deliveries
- North America Wholesale division now largest wholesale segment

Gross margin

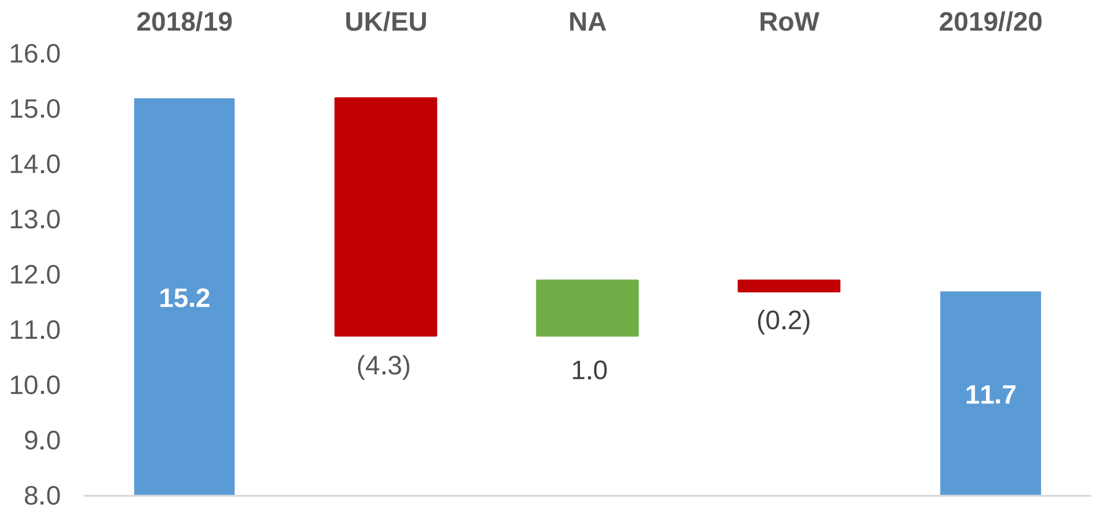
- Gross margin 29.0% (excl. IFRS 16 adjustment) (2019: 32.5%) driven by additional US import duty and lower relative year on year FX benefit

Selling and distribution expenses

- Costs down 3.1% (excl. IFRS 16 adj.) with continued tight control

		19/20 £m	18/19 £m
Revenue	(4.8%)	73.2	76.9
Gross Margin (excl IFRS 16)		29.0%	32.5%
Operating Profit		**13.2**	**15.2**
IFRS16 adjustment		(1.5)	-
Underlying Operating Profit		**11.7**	**15.2**

UNDERLYING OPERATING PROFIT



RETAIL TRADING

Revenue

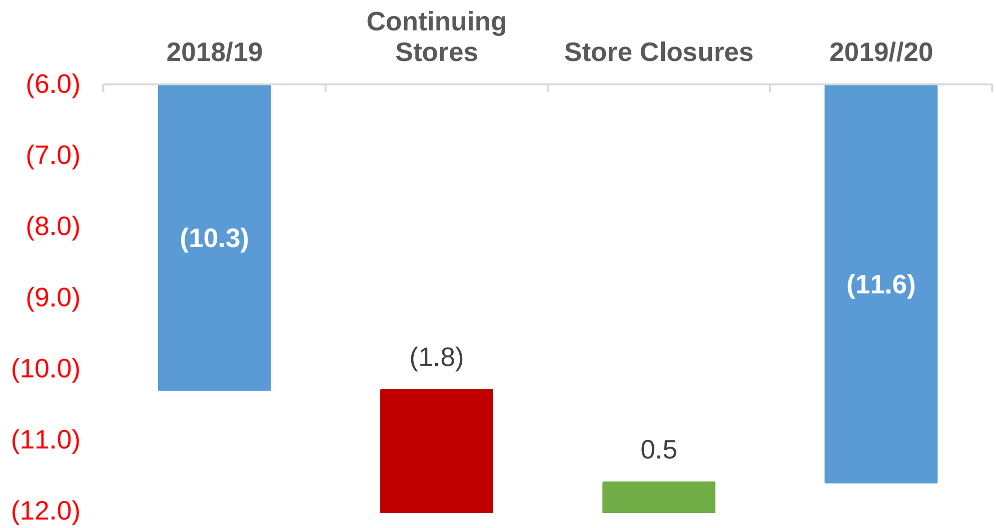
- Overall revenue including store closures down 20.0% (19.7% CCY)
- UK/EU LFL down 2.5% for the year, impacted by the continued difficult trading conditions
- Closure of 11 non-contributing stores, four concessions and three outlets during the period with a 26% reduction in total selling space at year end
- New store opened in Duke Street, London and two new concessions

		19/20 £m	18/19 £m
Revenue	(20.0%)	46.7	58.4
Gross Margin (excl IFRS 16)		49.9%	55.1%
Operating Loss		**(10.0)**	**(10.3)**
IFRS16 adjustment		(1.6)	-
Underlying Operating Loss		**(11.6)**	**(10.3)**

Gross Margin

- Margin rate (excl. IFRS 16 adjustment) of 49.9% (2019: 55.1%) driven by higher levels of clearance sales and increased outlet store mix

UNDERLYING OPERATING LOSS



Selling and distribution expenses

- Overall overheads down 17.9% (excl. IFRS 16 adj.) with the continued store closures. Underlying reduction of 5.5% driven by savings in rent and commission

RETAIL OVERVIEW

- 11 non-contributing stores, three outlets and four concessions closed in the year
- Opening of new Duke Street Studios store in London in July, along with two further concessions
- Average lease length remaining of the Group's retail estate is 2.5 years (2019: 2.3 years)
- Ongoing management of the retail portfolio essential in light of current issues affecting the UK high street with further provisions made for onerous lease contracts
- A number of UK retail stores remain open due to more favourable terms and flexible lease periods being secured
- Ecommerce revenue declined 8.1%, but grew as a percentage of retail revenue to 24.2% (2019: 21.2%). Further enhancements to the Ecommerce platform and customer experience planned in FY21
- Mobile now constitutes 63.8% of UK/EU eCommerce traffic (2019: 56.8%) and 48.9% of transactions (2019: 41.9%)

Movement in store locations over the past year

	31 January 2020		Change on Jan 19	
	Locations	**sq ft**	**Locations**	**sq ft**
UK/Europe	23	66,430	(9)	(33,000)
North America	2	9,102	(1)	(2,350)
Total Full Price Stores	25	75,532	(10)	(35,350)
Outlets	8	13,338	(3)	(7,701)
Concessions	45	40,418	(2)	(2,796)
Total French Connection	78	129,288	(15)	(45,847)
YMC	3	1,805	0	0
Total Operated Locations	**81**	**131,093**	**(15)**	**(45,847)**

LICENCE INCOME

- Licensing income for the year was £5.5m compared to £5.8m last year

- Steady performance with DFS again growing but offset by the closure of our bag licensee in North America

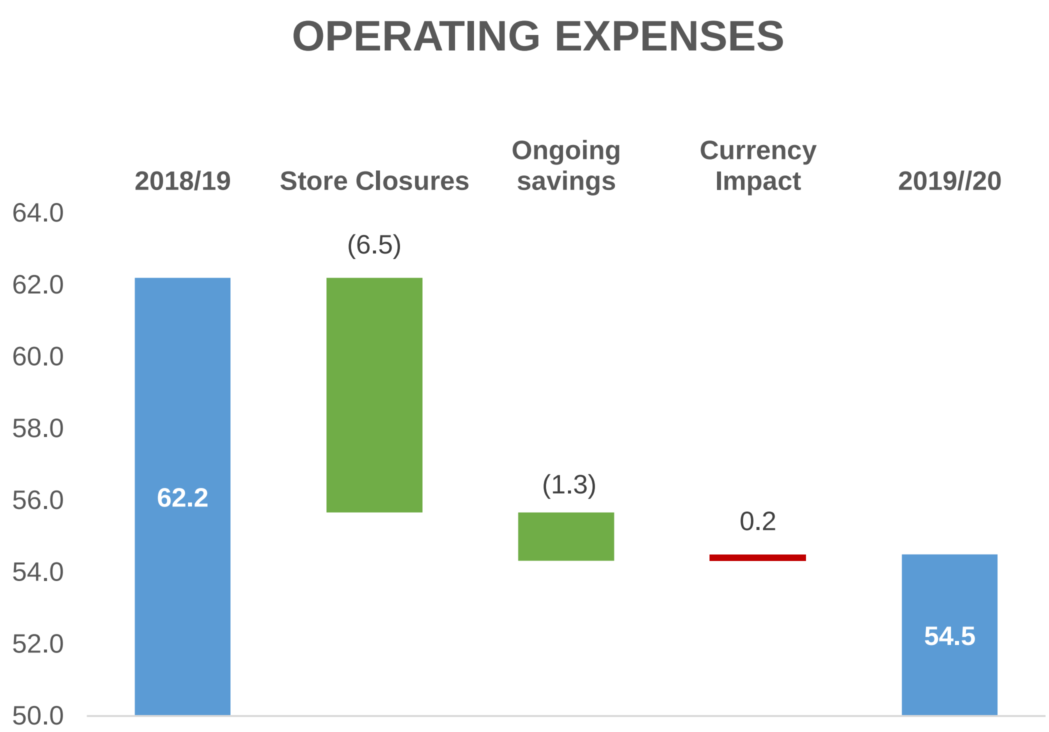
- New ladies footwear, kidswear and hosiery licences commencing deliveries in North America in the second half of the year

		19/20	18/19
		£m	£m
Licensing Income	(5.2%)	**5.5**	**5.8**

OPERATING EXPENSES

- Total group overheads reduced by 15.1% (14.8% CCY). (12.4% excl. IFRS 16 adj.)
- £6.5m decrease attributable to store closures during the current and prior year however 3.7% underlying reduction
- Upward pressure from living wage and pension increases offset by rent renegotiations and continued cost saving initiatives
- Further alignment of Head Office departments took place during the year

		19/20 £m	18/19 £m
Operating Expenses		**52.8**	**62.2**
IFRS16 adjustment		1.7	-
Operating Expenses	(12.4%)	**54.5**	**62.2**



ADJUSTING ITEMS

- Adjusting items of £4.4m (2019: £9.4m) recognised in the period
- Professional fees relate to the Strategic Review process
- Store closures covers current year costs and provision for future dilapidations charges
- The onerous lease provision has been updated and includes the write off of assets in these stores
- Bad debt provision for International franchise customers

	19/20
	£m
Professional fees	(0.4)
Store closure costs	(1.6)
Onerous lease provision & asset write off	(1.4)
Wholesale bad debt	(1.0)
Total exceptional items	**(4.4)**

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HOME

GREAT PLAINS
LONDON

FINANCIAL POSITION

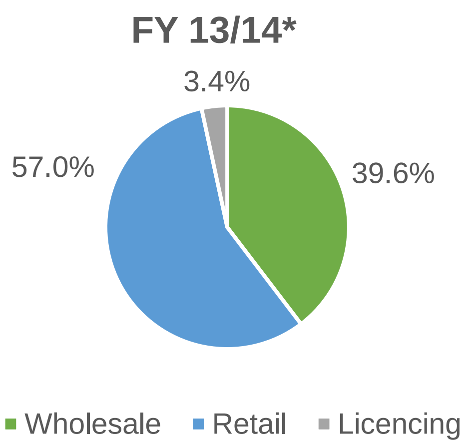
- Year end cash balance £8.1m (2019: £16.2m) reflecting the loss in the year
- Reduced working capital outflow of £0.7m (2019: £4.6m) due to lower levels of stock and trade debtors as a result of reduced trading volumes
- £1.1m cost of withdrawal from the 18 locations exited through the year
- Capital expenditure of £1.1m in new store, ecommerce improvements and IT costs

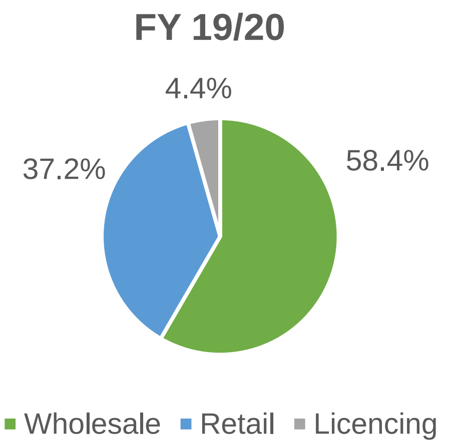
CASH FLOW SUMMARY

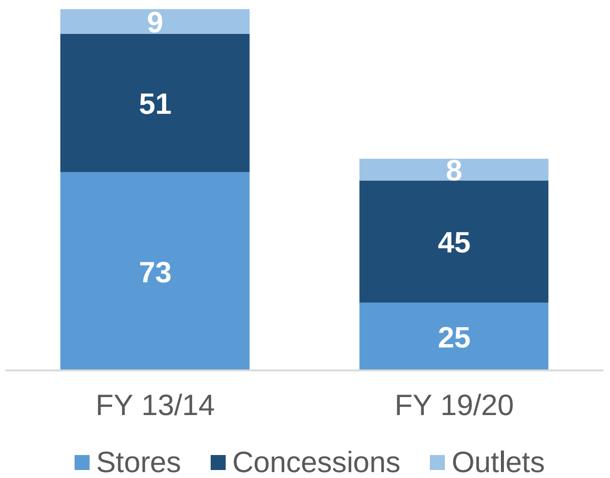
	Jan 2020 £m	Jan 2020 £m	Jan 2019 £m
	Total	Underlying	Underlying
Underlying operating (loss)/profit	**(7.8)**	**(2.9)**	**0.8**
Discontinued operations	0.5	0.0	(0.5)
Depreciation	1.2	1.2	1.2
Non-underlying adjusting items	4.4	0.0	0.0
IFRS 16 - ROU asset depreciation/finance expense	8.1	8.1	0.0
Operating result before changes in working capital	**6.4**	**6.4**	**1.5**
Movement in working capital	(0.7)	(0.7)	(4.6)
Cash flows from operations	**5.7**	**5.7**	**(3.1)**
Capital expenditure	(1.1)	(1.1)	(0.8)
Store disposal costs	(1.1)	(1.1)	(0.9)
Disposal of subsidiary	0.0	0.0	11.7
IFRS 16 - payment of lease liabilities	(11.4)	(11.4)	0.0
Issue of share options	0.0	0.0	0.2
Dividend paid	0.0	0.0	(0.5)
Income tax paid	(0.1)	(0.1)	0.2
Movement in cash	**(8.0)**	**(8.0)**	**6.8**
Opening net cash	16.2	16.2	9.5
Exchange rate fluctuations	(0.1)	(0.1)	(0.1)
Closing net cash	**8.1**	**8.1**	**16.2**

STRATEGIC PROGRESSION

- Focus on expanding with key wholesale customers both in the UK and North America, with targeted growth in department stores and leveraging online presence
- Continued progress with the rationalisation of the store portfolio, with a focus on profitable stores and strategic locations that best encapsulate the French Connection brand
- Further investment in online platform enhancing the customer experience to increase conversion and increased marketing spend to drive traffic
- Development and extension of licences, with newer North American licensees becoming established and additional licensees coming online
- Seek out further cost reductions
- Current trading conditions and the impact of coronavirus on our supply chain likely to impact current year although reaction to winter collections positive







* Excluding Toast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