FRENCH CONNECTION

FULL YEAR RESULTS 31ST JANUARY 2019

HIGHLIGHTS

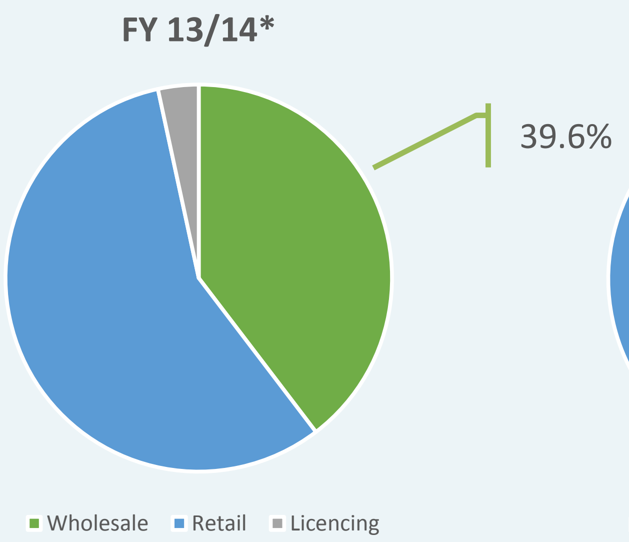
- Return to profitability as anticipated with £0.1m underlying operating profit (2018: loss of £2.1m)
- Group revenue of £135.3m (2018: £135.0m), up 0.2% (up 1.9% CCY) with continued growth in wholesale offset by the ongoing rationalisation of the store portfolio and impact of the tough retail trading environment in the UK
- Wholesale revenue up 10.3% (13.2% CCY) across UK/Europe and North America
- Decline in LFL sales in UK/Europe of 6.8% for the year given the well publicised general retail trading conditions (2018: up 0.8%)
- Composite gross margin of 42.3% (2018: 42.7%) due to higher proportion of wholesale sales as growth continues
- Five non-contributing stores closed during the year in addition to five concessions. One new store and one new concession opened
- Sale of the Toast brand in April with proceeds of £11.7m, offset by provisions for onerous retail leases, debt impairment, store closure costs and Canada restructure
- Closing cash of £16.2m (2018: £9.5m)

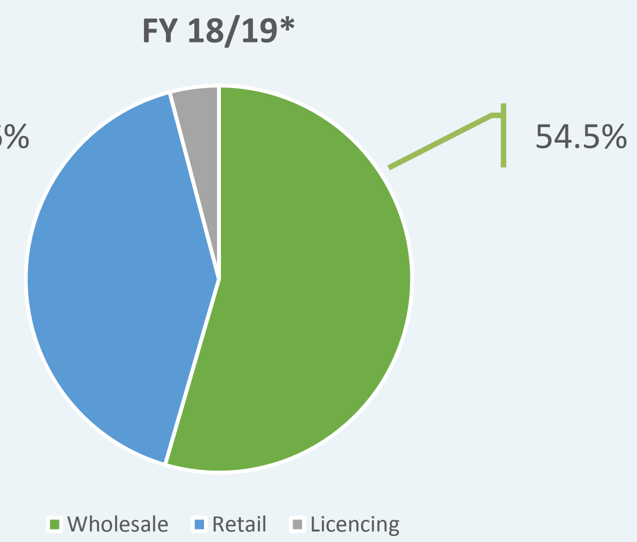
RESULTS SUMMARY

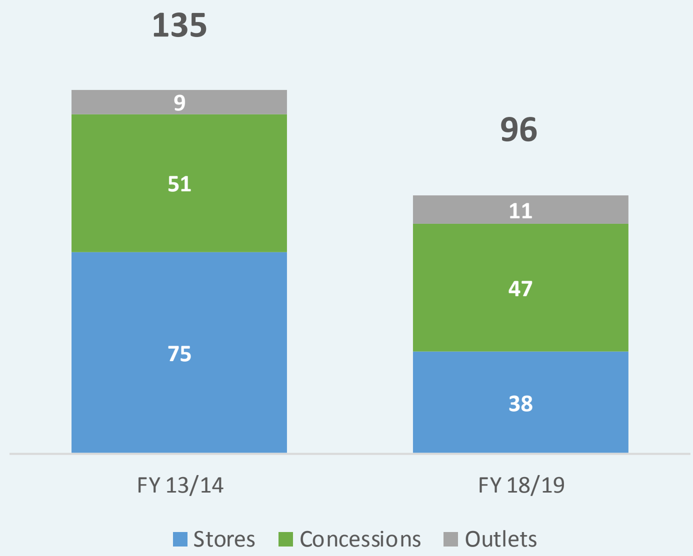
	12 months to 31/01/2019	12 months to 31/01/2018	*Variance*	*Constant currency variance*
Revenue	135.3m	135.0m	*0.2%*	*1.9%*
Gross margin	42.3%	42.7%	*(40bps)*	*(50bps)*
Operating expenses	62.2m	65.4m	*(4.9%)*	*(3.5%)*
Other operating income	5.8m	6.3m	*(7.9%)*	*(5.9%)*
Share of loss from JV's	(0.7)m	(0.6)m		
Underlying Operating Profit/(Loss)	**0.1m**	**(2.1)m**	***104.8%***	***(113.3%)***
Exceptional items & taxation	(0.1)m	(0.2)m		
Profit/(Loss) for the period	**-**	**(2.3)m**	***0.0%***	
Closing net cash	16.2m	9.5m		

STRATEGIC PROGRESSION

- Wholesale is now 54.5% of revenue compared to five years ago at 39.6%, as the wholesale channel continues to grow and develop and the retail store portfolio reduces
- 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 flagships 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 being sourced







* Excluding Toast

WHOLESALE

Revenue

- Total revenue increased 10.3% (up 13.2% CCY)
- Growth continues to be strong in the UK especially in menswear, particularly in the pure-play online channel
- US growth driven through the major department stores

Gross margin

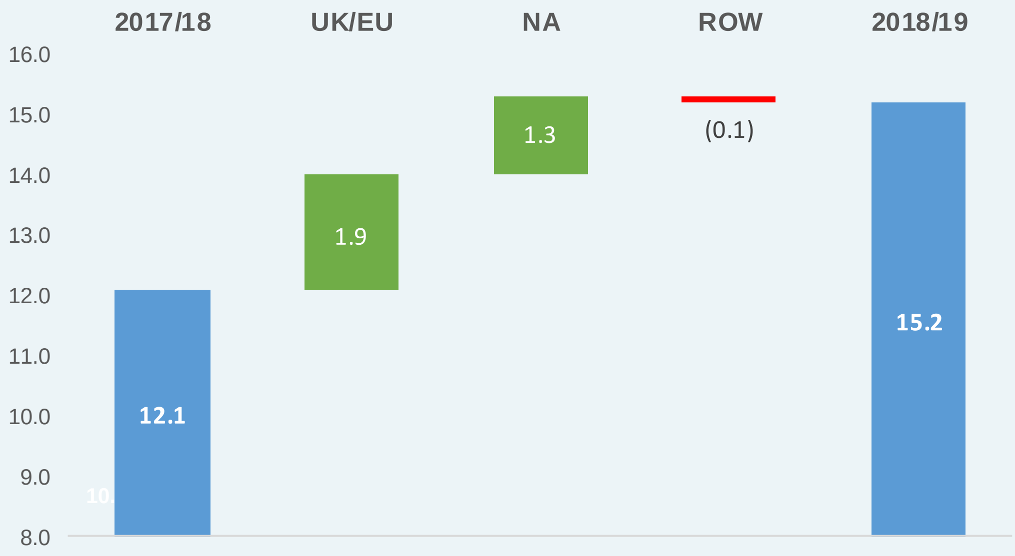
- Gross margin 32.5% (2018: 32.1%) driven by the UK higher full price sales and reduced margin support in US

Selling and distribution expenses

- Costs down 4.9% (down 0.3% CCY) with continued tight control

		18/19 £m	17/18 £m
Revenue	10.3 % ↑	76.9	69.7
Gross Margin		32.5%	32.1%
Underlying Operating Profit		**15.2**	**12.1**

UNDERLYING OPERATING PROFIT



RETAIL TRADING

Revenue

- Overall revenue including store closures down 10.6% (10.2% CCY)
- UK/EU LFL down 6.8% for the year, impacted by the continued difficult trading conditions
- Closure of five non-contributing stores and five concessions during the period with a 5.7% reduction in average Group trading space
- Opened new You Must Create (YMC) London, Bloomsbury store and Belfast HoF concession

Gross Margin

- Margin rate 55.1% (2018: 54.1%) driven by improved base margins and lower markdown despite proportionately higher outlet sales

Selling and distribution expenses

- Overall overheads down 5.6% with continued store portfolio rationalisation, partially offset by new store and concession openings and rate increases

		18/19 £m	17/18 £m
Revenue	(10.6) % ↓	58.4	65.3
Gross Margin		55.1%	54.1%
Underlying Operating Loss		**(10.3)**	**(9.7)**

UNDERLYING OPERATING LOSS

RETAIL OVERVIEW

- Five non-contributing stores and five concessions closed in the year
- Average lease length remaining of the Group's retail estate is 2.3 years (2018: 2.4 years)
- Opening of new You Must Create London, Bloomsbury store in December, along with a further concession
- Ongoing management of the retail portfolio essential especially in light of current issues affecting the UK high street with provisions made for onerous lease contracts
- Additional UK/Europe retail stores and outlets compared to projection remain open due to more favourable rental terms and short lease periods being secured
- Ecommerce revenue declined 3.7%, but grew as a percentage of retail revenue to 21.2% (2018: 19.8%). Further enhancements to the Ecommerce platform and customer experience planned in 2020
- Mobile constitutes 56.8% of UK/EU eCommerce traffic (2018: 50.9%) and 41.9% of transactions (2018: 34.4%)*

Movement in store locations over the past year

	31 January 2019		Change on Jan 18		Projected 31 January 2019	
	Locations	sq ft	Locations	sq ft	Locations	sqft
UK/Europe	32	99,430	(4)	(10,779)	30	81,621
North America	3	11,452	(1)	(2,300)	3	11,452
Total Full Price Stores	35	110,882	(5)	(13,079)	33	93,073
Outlets	11	21,039	0	2,413	10	17,381
Concessions	47	43,214	(4)	7,658	TBC	TBC
Total French Connection	93	175,135	(9)	120,953	TBC	TBC
Toast	0	0	(12)	(13,546)	0	0
YMC	3	1,805	1	450	3	1,355
Total Operated Locations	**96**	**176,940**	**(20)**	**(16,104)**	**TBC**	**TBC**

* Excluding Toast

LICENCE INCOME

- DFS continues to be one of our best performers with additional styles being launched for Spring
- Offset by reduction in Australian income, cessation of Boots ladies toiletries gifting and benefit from previous shoe licensee last year
- New US licensee for homewear had a very successful first year exceeding expectations
- Interparfum launched the new global French Connection fragrance during the year and two other new licensees in underwear and jewellery commenced trading
- New luggage line starts this year in North America

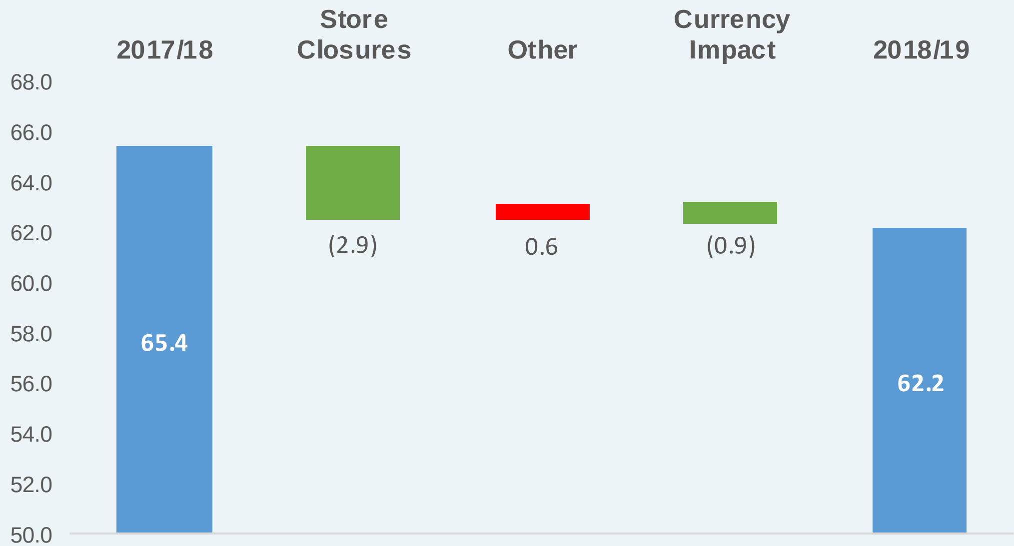
		18/19 £m	17/18 £m
Other Operating Income	(7.9) % ↓	**5.8**	**6.3**

OPERATING EXPENSES

- Total group overheads reduced by 4.9% (3.5% CCY)
- £2.9m decrease attributable to store closures during the current and prior year
- Upward pressure from living wage, pension increases and business rates offset by rent renegotiations and continued cost saving initiatives
- Canadian business will be absorbed into the US operations for additional efficiencies in the coming financial year

		18/19 £m	17/18 £m
Operating expenses	(4.9) % ↓	**62.2**	**65.4**

OPERATING EXPENSES



EXCEPTIONAL ITEMS

- Profit on disposal of 75% holding in Toast brand of £9.7m
- Impact in relation to requirements of IFRS 9 with regards to impairment of Indian Licensee debt
- Bad debt provision relating to the amounts owing from House of Fraser administration
- Provision for onerous retail lease contracts following detailed portfolio review
- Store closure costs as part of the ongoing review and management of the retail portfolio
- Provision for restructure of Canadian operations to be absorbed into the US

	18/19 £m
Profit on disposal of Toast	9.7
Indian Licence IFRS 9 Impairment	(2.0)
HOF bad debt provision	(0.8)
Onerous lease contracts	(5.2)
Store closure costs	(0.9)
Canada restructure	(0.5)
	0.3
Toast operating loss	(0.4)
Total Exceptional items	**(0.1)**




FRENCH CONNECTION

GREAT PLAINS
LONDON

FRENCH CONNECTION
HOME

FINANCIAL POSITION

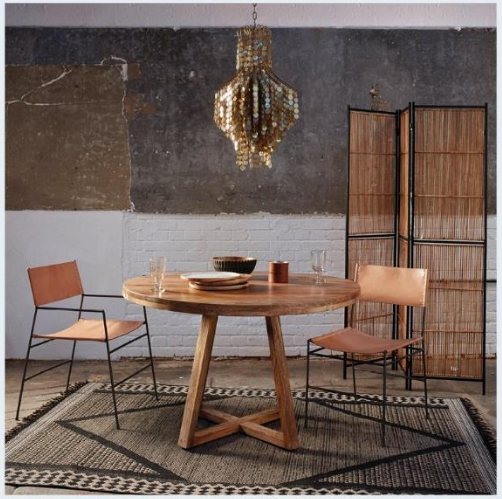
- Year end cash balance £16.2m (2018: £9.5m) with proceeds from the sale of the Toast subsidiary £11.7m, offset by £0.5m dividend
- Decrease in stock of £0.3m (-1.1% excluding Toast) and increase in receivables driven by shipment timing and increase in wholesale business
- Decrease in payables due to lower S19 purchases, VAT on reduced sales volumes and Toast payables in the prior year
- Lower capital expenditure with store and IT costs of £0.8m (2018: £1.8m including Manchester store opening)

CASH FLOW SUMMARY

	Jan 2019 £m	Jan 2018 £m
Profit/(loss) for the period	-	(2.3)
Depreciation and impairment	1.2	1.3
Share of loss of joint ventures	0.7	0.6
Exceptional items	(0.3)	1.7
Finance expense	-	0.1
Income tax credit	(0.1)	0.0
Operating result before changes in working capital	**1.5**	**1.4**
Movement in working capital	(4.6)	(0.2)
Cash flows from operations	**(3.1)**	**1.2**
Income tax received/(paid)	0.2	(0.1)
Investment in joint ventures	-	(0.3)
Acquisition of property, plant and equipment	(0.8)	(1.8)
Disposal of subsidiary	11.2	-
Net costs from store closures	(0.9)	(2.0)
Other professional fees	-	(0.8)
Interest paid	-	(0.1)
Proceeds from exercise of share options	0.2	-
Movement in cash	6.8	(3.9)
Opening net cash	**9.5**	**13.5**
Exchange rate fluctuations	(0.1)	(0.1)
Closing net cash	**16.2**	**9.5**

OUTLOOK

- Continued wholesale growth supported by forward especially in the US
- Further planned store closures in the coming year with low costs to exit, along with continued review and management of the remaining portfolio
- New US licensees including luggage secured and others being worked on
- Continued investment in the ecommerce channel with new checkout now live and further enhancements to help provide an improved customer experience
- On track to grow Group profitability with a good start to the new year



FRENCH CONNECTION

GREAT PLAINS
LONDON

FRENCH CONNECTION
HOME


frenchconnection.com