FRENCH CONNECTION

FULL YEAR RESULTS TO 31ST JANUARY 2018

HIGHLIGHTS

- Group revenue of £154.0m was up 0.5% (2017: £153.2m) with growth in wholesale offset by the reduced store portfolio
- Wholesale revenue up 8.6% (7.1% CCY) from UK/Europe and North America
- Growth in LFL sales with UK/Europe up 0.8% over the year with an improved performance in the second half (2017: up 4.4%)
- Improved contribution from retail driven predominantly by portfolio rationalisation
- Licensing income flat on last year at £6.3m
- Composite gross margin of 45.2% (2017: 45.8%) due to the strong growth in the wholesale business
- Further eleven non-contributing locations closed during the year, but new concept store opened in Manchester
- Underlying loss before taxation of £0.6m, an improvement of £3.1m (2017: loss of £3.7m)
- Closing cash of £9.5m (2017: £13.5m)

RESULTS SUMMARY

	12 months to 31-Jan-18	12 months to 31-Jan-17	*Variance*	*Constant currency variance*
Revenue	£154.0m	£153.2m	*0.5%*	*(0.5%)*
Gross margin	45.2%	45.8%	*(60bps)*	*(60bps)*
Operating expenses	£75.8m	£79.3m	*(4.4%)*	*(5.2%)*
Other operating income	£6.3m	£6.3m	*0.0%*	*(0.8%)*
Share of loss from JV's	£(0.6)m	£(0.8)m		
Underlying Group Operating Loss	£(0.6)m	£(3.7)m	*83.8%*	*84.6%*
Closing net cash	£9.5m	£13.5m		

WHOLESALE

Revenue

- Revenue increased 8.6% (up 7.1% CCY)
- Strong growth in both the UK and USA predominantly with online retailers and department stores
- RoW decrease due to lower sales to Australia given rationalisation of their business and tough trading conditions in Hong Kong/China

Gross margin

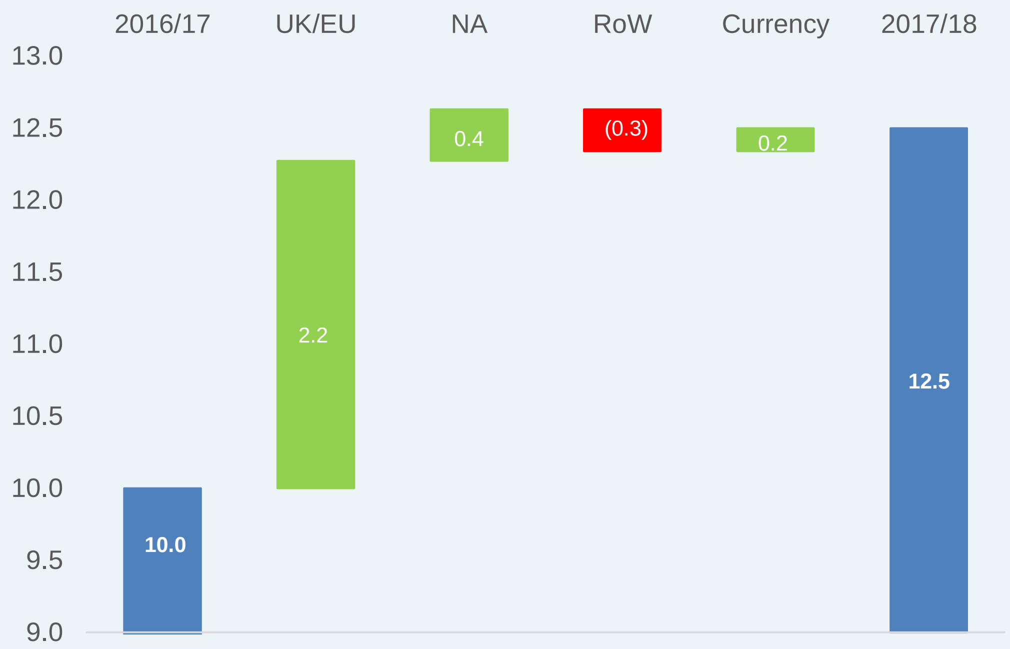
- Gross margin 32.2% (2017: 30.9%) as full price sales drive growth in revenue

Selling and distribution expenses

- Costs down 0.8% at constant currency although up 1.0% overall due to currency impact in North America

		17/18 £m	16/17 £m
Revenue	8.6 % ↑	70.9	65.3
Gross Margin		32.2%	30.9%
Underlying Operating Profit		**12.5**	**10.0**

UNDERLYING OPERATING PROFIT



RETAIL TRADING

Revenue

- Overall revenue including store closures down 5.5% (6.0% lower CCY)
- UK/EU LFL up 0.8% driven by improved LFLs in the second half
- Closure of seven non-contributing stores and four concessions during the period, with a 10.0% reduction in average Group trading space

Gross Margin

- Margin rate 56.3% (2017: 56.8%) due to higher proportion of sales through outlet stores given the reduction in the number of full price stores
- Higher levels of older season stock cleared through outlet stores in second half compared to previous year

Selling and distribution expenses

- Overall overheads down 7.7% as we continue to rationalise the store portfolio
- Continuing stores costs increased by 2.3% mainly due to increases in business rates

		17/18 £m	16/17 £m
Revenue	(5.5) % ↓	83.1	87.9
Gross Margin		56.3%	56.8%
Underlying Operating Loss		**(8.3)**	**(9.8)**

UNDERLYING OPERATING LOSS

RETAIL

- Opening of Manchester store in November under the new store concept and Spitalfields temporary pop-up during the year as well as two new House of Fraser concessions
- Seven non-contributing stores closed in the period, six in UK/Europe and one outlet
- Average lease length remaining of the UK/EU retail estate 2.9 years (2017: 3.2 years)
- Plan to have around 30 full price French Connection stores in the UK/Europe by January 2019, with majority of stores to close this year at minimal cost
- Ecommerce revenue grew 3.1%, increasing to 29.7% of retail revenue (2017: 27.3%), with focus on full price trading
- Mobile constitutes 46.8% of UK/EU eCommerce traffic (2017: 39.7%) and 30.5% of transactions (2017: 26.1%)
- Homeware revenue growth of 7.6% as this successful collection continues to be developed

Planned movement in store locations over the next year

	Historic		Current		Projected	
	31 January 2017		31 January 2018		31 January 2019	
	Locations	sq ft	Locations	sq ft	Locations	sq ft
UK/Europe	41	126,536	36	110,209	30	90,682
North America	4	13,752	4	13,752	3	11,452
Total Full Price Stores	45	140,288	40	123,961	33	102,134
Outlets	12	20,006	11	18,626	10	17,246
Concessions	53	36,651	51	35,556	51	35,359
Total French Connection	65	56,657	62	54,182	61	52,605
Toast	12	13,546	12	13,546	12	13,546
YMC	2	1,355	2	1,355	2	1,355
Total Operated Locations	**124**	**211,846**	**116**	**193,044**	**108**	**169,640**

LICENCE INCOME

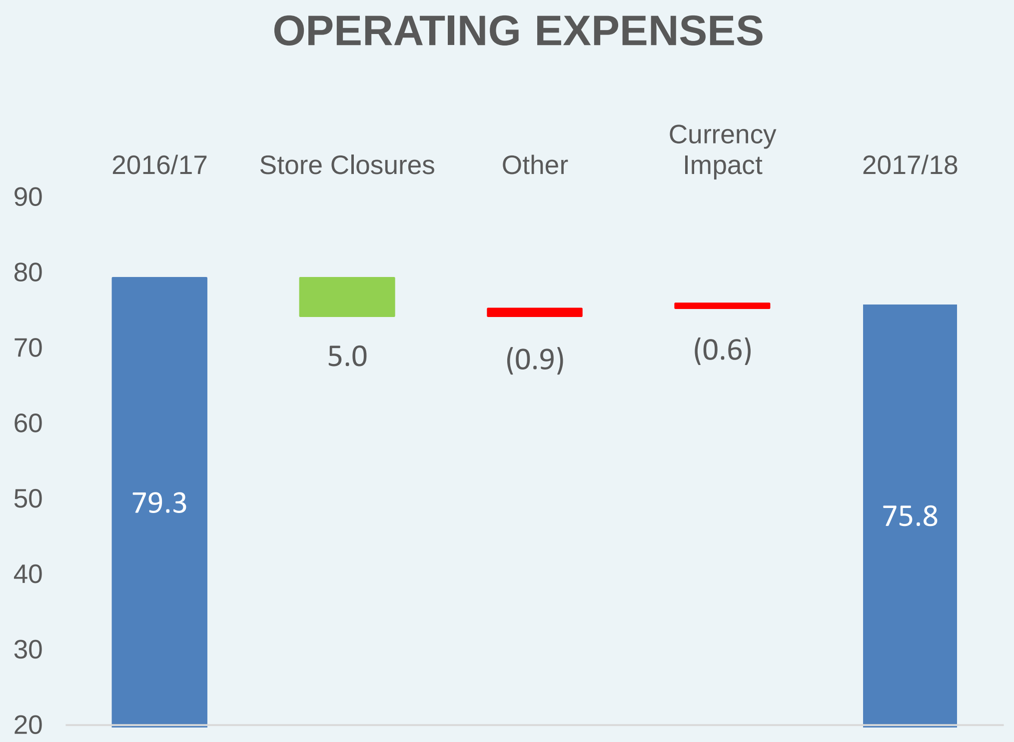
- DFS continues to perform strongly with an enlarged product range and prominent placement in marketing campaigns
- New global fragrance licensee Interparfums performing above expectations with new global fragrance on shelf in Q2 this year
- Corporate reorganisation of Australian licence has impacted overall income for the year, but is now complete
- Strong overseas performance, in particular in North America with three new license agreements for underwear, jewellery and homeware, two of which begin in H1 2018

		17/18 £m	16/17 £m
Other Operating Income	0.0 %	**6.3**	**6.3**

OPERATING EXPENSES

- Total group overheads reduced by 4.4%, (Reduced by 5.2% CCY)
- £5.0m decrease attributable to store closures during the current and prior year
- Some underlying cost increases from business rates
- Operating expenses control and reduction initiatives continue to be a focal point however, some upward pressure still expected from rent, business rates and living wage increases

		17/18 £m	16/17 £m
Operating Expenses	4.4 % ↓	**75.8**	**79.3**



FINANCIAL POSITION

CASH FLOW SUMMARY

- Year end cash balance £9.5m (2017: £13.5m)
- Slight working capital increase with higher inventory to support wholesale growth
- Store disposal costs of £2.0m, while 2017 received benefit of proceeds from the Regent St closure
- Other professional fees relate to the unsolicited offer approach
- Capital expenditure of £1.8m with new store and refit costs of £1.2m, with remainder on IT investment

	Jan 2018 £m	Jan 2017 £m
Underlying operating loss	(0.6)	(3.7)
Depreciation and store disposals	1.3	1.1
Finance expense	0.1	0.0
Share of JV loss	0.6	0.8
Operating result before changes in working capital	**1.4**	**(1.8)**
Movement in working capital	(0.2)	0.9
Cash flows from operations	**1.2**	**(0.9)**
Capital expenditure	(1.8)	(0.7)
Store disposal costs	(2.0)	1.1
Other professional fees	(0.8)	0.0
Investment in joint ventures	(0.3)	0.0
Income tax paid	(0.1)	(0.1)
Interest paid	(0.1)	0.0
Movement in cash	(3.9)	(0.6)
Opening net cash	**13.5**	**14.0**
Exchange rate fluctuations	(0.1)	0.1
Closing net cash	**9.5**	**13.5**

OUTLOOK

- S18/W18 forward orders supporting strong growth in wholesale
- Continued improvement in retail contribution as the store closure program reaches finalisation, supported by underlying LFL sales growth
- Eight further planned store closures over the next year with minimal costs to exit
- Three new US licencees secured recently with two commencing in 2018 and a new global French Connection fragrance launching in Q2
- Investment in the ecommerce platform building further flexibility and functionality to enhance customer experience
- Continued focus on overhead cost control, although still upward pressures on rent and rates
- Continue to improve JV performance with store reductions in Hong Kong
- On track to return Group to profitability

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