

I am Woman, India Menuez 2015 xx



HALF YEAR RESULTS TO 31ST JULY 2015  
FRENCH CONNECTION



# HIGHLIGHTS

- / Disappointing trading period as anticipated
- / UK/EU LFLs -10.7% however margins not impacted significantly
- / 6 non-contributing stores closed, more expected in the second half
- / UK/EU wholesale growth offset by NAM
- / Action already taken in response with personnel and operational changes in both design and merchandising
- / Continued growth in Licensing
- / Costs under control, a combination of store closures and underlying 1.4% saving
- / First 6 weeks of the second half has seen a change in trend with UK/EU Retail LFLs flat and within that full price LFLs of around +6.0% and improved margins against the prior year

# RESULTS SUMMARY

	6 months to 31 July 2015	6 months to 31 July 2014	<i>Variance</i>	<i>Constant currency variance</i>
Revenue	£75.8m	£84.0m	<i>(9.8)%</i>	<i>(10.8)%</i>
Gross margin	45.5%	47.4%		
Operating expenses	£45.3m	£46.7m	<i>(3.0)%</i>	<i>(4.0)%</i>
Other operating income	£3.0m	£2.9m	<i>+3.4%</i>	<i>+1.5%</i>
Loss before tax	£(7.9)m	£(3.9)m		
Closing net cash	£15.0m	£19.4m		



# RETAIL

## Underlying Operating Loss

- Losses increased due to LFL performance

## Revenue

- Decline at constant currency -14.2% from a combination of store closures and negative LFLs
- Closure of 6 non-contributing stores during the period (3 UK/EU, 3 NAM)

## Margin

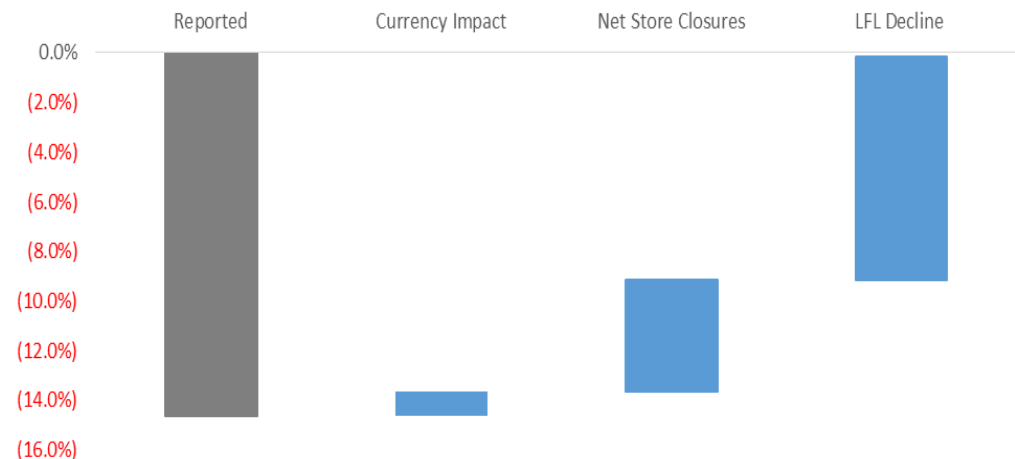
- Overall margins down due to discounting in reaction to the poor sell through and stock clearance in closed stores
- UK/EU controlled well with a 50 bps decline from cautious discounting

## Selling and distribution expenses

- Total trading overheads reduced due to store closures

		15/16 H1	14/15 H1
		£m	£m
Revenue	14.6% ↓	42.6	49.9
Gross Margin		56.3%	57.5%
<b>Underlying Operating Loss</b>		<b>(11.1)</b>	<b>(7.5)</b>

## Revenue Variance



# RETAIL TRADING

- UK/EU Retail LFLs of -10.7% against a strong comparator last year (+6.0%)
- Personnel and operational changes in both design and merchandising in response
- Margins not impacted significantly given the LFL performance
- Ecommerce represented 22.3% of Retail revenue (2014: 22.4%)
- Mobile and tablet sales constitute 47% of UK/EU Ecommerce revenue (2014: 41%)
- First 6 weeks of the second half has seen a change in trend with total LFLs flat and within that new season full price LFLs of around +6.0% with improved margins
- Against difficult trading conditions stock reduced -3.4% and within that Spring 15 reduced further through close management



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# RETAIL STORE ESTATE

- 6 non-contributing stores closed in the period as the store estate continues to be rationalised
- 3 stores in UK/EU and 3 stores in North America
- 2 new Outlet stores opened
- A further 3-4 stores are targeted for closure in the second half
- 3 new House of Fraser concessions opened
- 2 concessions closed over the period
- The average lease length of the UK/EU retail estate is 5.1 years (2014: 5.0 years)

	31 July 2015		Change on Jan 15		Change on Jul 14	
	Locations	sq ft	Locations	sq ft	Locations	sq ft
<b>UK/Europe</b>						
Stores	74	194,676	(1)	(3,462)	(4)	(12,712)
Concessions	56	36,308	1	945	6	2,732
<b>Total UK/Europe</b>	<b>130</b>	<b>230,984</b>	<b>0</b>	<b>(2,517)</b>	<b>2</b>	<b>(9,980)</b>
<b>North America</b>						
Stores	10	29,672	(3)	(8,172)	(4)	(11,394)
<b>Total North America</b>	<b>10</b>	<b>29,672</b>	<b>(3)</b>	<b>(8,172)</b>	<b>(4)</b>	<b>(11,394)</b>
<b>Total Operated Locations</b>	<b>140</b>	<b>260,656</b>	<b>(3)</b>	<b>(10,689)</b>	<b>(2)</b>	<b>(21,374)</b>



# WHOLESALE

## Underlying Operating Profit

- £0.7m reduction in profit as the Spring collection impacted sales in NAM

## Revenue

- Decline at constant currency of 5.9%
- Within this UK/EU grew 4.7%
- Whilst forward order book for Spring 15 was strong, lower reorders in season

## Margin

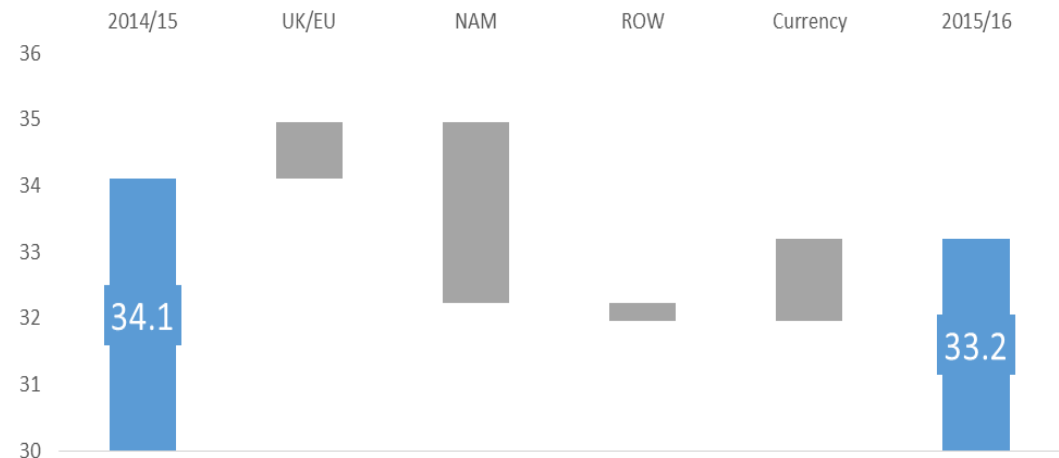
- In season discounting to clear stock impacted the overall margin

## Selling and distribution expenses

- Costs well controlled and reduced by 2% on a constant currency basis

	15/16 H1	14/15 H1
<b>Wholesale</b>	<b>£m</b>	<b>£m</b>
Revenue	2.6% ↓ 33.2	34.1
Gross Margin	31.6%	32.6%
<b>Underlying Operating Profit</b>	<b>5.5</b>	<b>6.2</b>

## Revenue Variance



# LICENCE INCOME

- Net income received from global licensing was £3.0m, growth of +3.4% (constant currency +1.5%)
- Newer licensees performed strongly, particularly shoes and furniture
- Furniture licence with DFS performing well with more growth expected in the second half
- First half of revenue from new jewellery licence
- Underlying first half growth higher due to phasing of deliveries, now expected in the second half

		15/16 H1	14/15 H1
Other Operating Income		£m	£m
Licence Income	3.4% ↑	3.0	2.9



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# OPERATING EXPENSE REVIEW

- Continued focus on overheads across the Group
- Total Group Operating Expenses were reduced by 3.0% on a reported basis (4.0% at constant currency)
- After adjusting for currency and store closures, underlying savings are 1.4%
- Overheads remain a focus area however rent reviews in key London locations will put pressure on further net savings in the second half

		15/16 H1	14/15 H1
Operating Expenses		£m	£m
Operating Expenses	3.0% ↓	45.3	46.7

## Operating Expenses Variance





# FINANCIAL POSITION

- A strong cash position throughout the year
- Although stock levels reduced YoY, inventories have increased since the year end reflecting early delivery of Winter product
- Largely offset by a corresponding increase in payables
- Increase in receivables due to seasonal phasing

## Cash Flow Summary

	15/16 £m	14/15 £m
<b>Opening Net Cash</b>	<b>23.2</b>	<b>28.2</b>
<b>Operating Result before changes in working capital</b>	<b>(7.0)</b>	<b>(3.2)</b>
Decrease/(increase) in inventory	(2.0)	0.0
(Increase)/decrease in trade and other receivables	(0.6)	(1.3)
(Decrease)/increase in trade and other payables	1.7	(3.3)
Movement in working capital	(0.9)	(4.6)
<b>Cash flows from operations</b>	<b>(7.9)</b>	<b>(7.8)</b>
Capital expenditure	(0.4)	(0.4)
Store disposal costs	0.2	(1.0)
Dividends from joint ventures	0.0	0.2
Income tax paid	(0.1)	0.0
Other	0.0	0.2
<b>Closing net cash</b>	<b>15.0</b>	<b>19.4</b>

	15/16 £m	14/15 £m
Cash High	15.0	19.4
Cash Low	10.4	11.3
Average	12.7	14.4



# OUTLOOK

- / First 6 weeks of the second half has seen a change in trajectory with total LFLs flat and within that new season full price LFLs of around +6.0% and improved margins
- / Wholesale orders for Spring 16 are ahead in year-on-year ordering levels
- / Accelerating growth in second half Licensing, a combination of first half phasing and underlying growth
- / Focus on cost control however opportunities for savings flattening out and pressure from rent reviews due on key London properties
- / Continued investment in targeted Retail and Ecommerce growth opportunities
- / As ever we remain dependent on the Christmas trading period



*I am a woman, by nature and by choice*

*Lupina Mauer 2015 xx*