



DEBENHAMS
Redesigned

DESTINATION | DIGITAL | DIFFERENT

Full Year Results, 26 October 2017



SIR IAN CHESHIRE

Chairman

HIGHLIGHTS AND INTRODUCTION

- Results in line with expectations
- Introduced exciting new strategy
- Encouraging early activity
- Strengthened management team
- Final dividend maintained,
underpinned by solid cashflow and
confidence in the strategy





MATT SMITH

Chief Financial Officer

FINANCIAL HEADLINES

	FY 17
Group gross transaction value	+2.0%
Constant currency group LFL sales	(0.2%)
Group LFL sales	+2.1%
Gross margin rate	(30 bps)
Underlying Profit before tax ¹	£95.2m
Underlying earnings per share ¹	6.4p
Net debt	£275.9m
Pension surplus	£80.9m
Dividend per share	3.425p

¹ Before exceptional costs

Note: All results are on a 52 week basis unless otherwise stated

SEGMENTAL RESULTS

£m

	FY 17			Variance vs. FY 16		
	UK	Int'l	Group	UK	Int'l	Group
Gross transaction value	2,350.0	604.1	2,954.1	0.0%	11.1%	2.0%
EBITDA	174.0	43.0	217.0	(10.1%)	8.0%	(7.0%)
Operating profit	74.0	33.5	107.5	(22.0%)	5.7%	(15.1%)
Net finance cost			(12.3)			1.6%
Underlying profit before tax ¹			95.2			(16.6%)
Exceptional costs			(36.2)			
Reported profit before tax			59.0			(42.0%)
Taxation			(10.2)			46.9%
Profit after tax			48.8			(40.8%)
Underlying earnings per share ¹			6.4p			(14.7%)
Basic earnings per share			4.0p			(40.3%)

¹ Before exceptional costs

Note: All results are on a 52 week basis unless otherwise stated

EXCEPTIONAL COSTS

£m	FY 17
Warehouse restructure	12.7
IT system costs	5.1
Store impairment	10.4
Strategic development and launch	8.0
	36.2

	FY17	FY18	FY19	Total
Exceptional costs	36.2	c.20	-	c.55
Cash impact in year ¹	8.5	c.16	c.5	c.30

¹ Total cash impact of exceptional costs in FY17 is £15.9m. £8.5m relating to FY17 and £7.4m relating to FY16

INTERNATIONAL

£m	FY 17			Variance vs. FY 16		
	Magasin du Nord	Ireland Franchise Other	Total	Magasin du Nord	Ireland Franchise Other	Total
Gross transaction value	325.9	278.2	604.1	+13.4%	+8.5%	+11.1%
EBITDA ¹	26.6	16.4	43.0	+13.7%	Flat	+8.0%
Operating profit ¹	20.0	13.5	33.5	+9.9%	Flat	+5.7%

¹ Before exceptional costs

Note: All results are on a 52 week basis unless otherwise stated

DIGITAL DRIVES GROWTH. POSITIVE CURRENCY IMPACT

	Contribution to LFL %	DIGITAL GROWTH
UK	0.0%	+12.7% vs LY
International	(0.2%)	GTV £478m
Constant Currency LFL	(0.2%)	
Currency impact	+2.3%	
Reported LFL	+2.1%	

Note: All results are on a 52 week basis unless otherwise stated

SALES GROWTH OF BEAUTY AND CONCESSIONS OFFSET MARKDOWN BENEFIT

GROUP GROSS MARGIN (BPS)

	FY 17
Intake	+20
Markdown	+20
Sales mix ¹	(70)
Total	(30)

¹Includes brand mix and category mix

MARKDOWN REDUCTION OPPORTUNITIES

- Direct to Floor supply chain
- Store re-supply lead time improvements
- Planning stock prudently

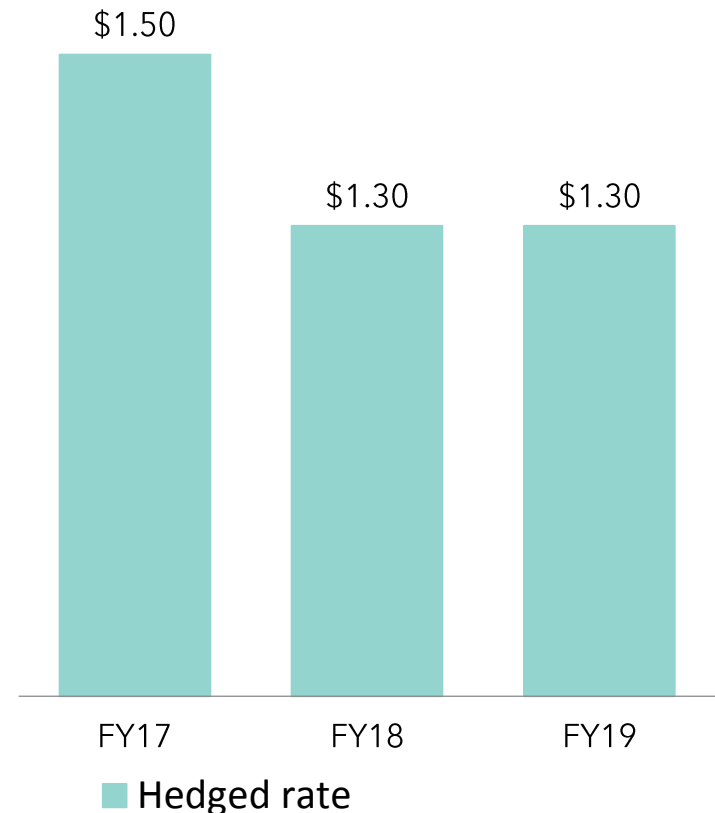
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MITIGATING CURRENCY IMPACT

MITIGATION

- Better buying eg category management
- Alternative sourcing, including more through own offices
- Higher full price sell through
- Maintaining competitive pricing
- Fully hedged for FY18, c50% hedged for FY19

CURRENCY RATES



COSTS WELL CONTROLLED AND IN LINE WITH GUIDANCE

	<i>% change vs LY</i>
<hr/>	
UK	
Store costs	(0.1%)
Digital costs	+7.4%
Digital costs as % sales	70 bps lower
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International	
Store + digital costs	+11.8%
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Other costs	+7.3%
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Total operating costs	+3.3%
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Note: Constant currency operational cost increase is +1.5%

GOOD CASH GENERATION

	FY 17 £m	FY 16 £m
Operating profit ¹	107.5	131.0
Depreciation & amortisation	109.5	108.7
EBITDA¹	217.0	239.7
Working capital	(0.7)	2.5
Exceptional items	(15.9)	(2.0)
Capital expenditure	(124.8)	(126.5)
Cash flow before financing & taxation	75.6	113.7

¹Before exceptional costs

STOCK MANAGEMENT UNDER CONTROL

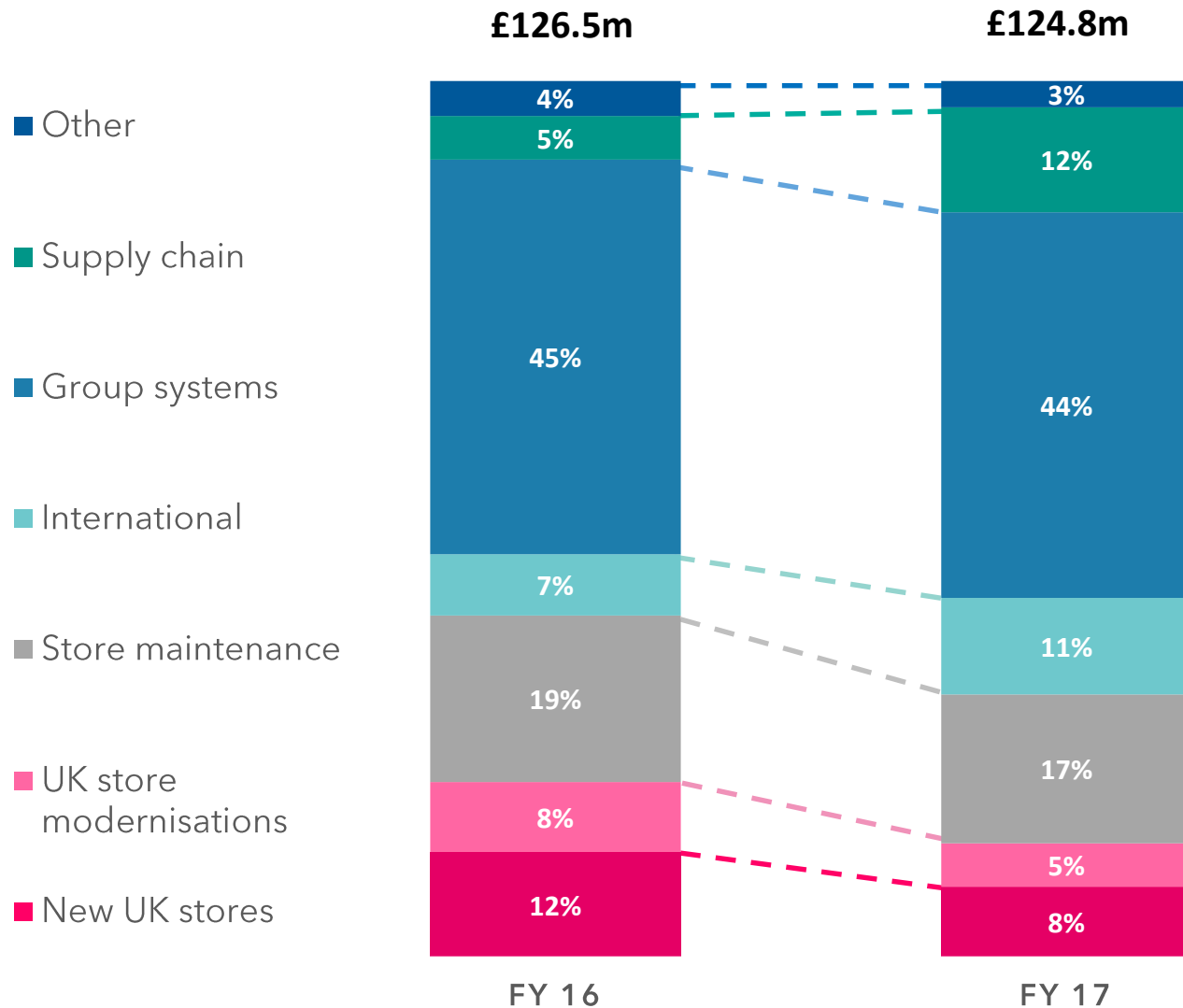
Group closing stock value FY 17 vs. FY 16

	FY 17
Like-for-like stock	(3.3%)
Currency impact	0.7%
Total stock vs. last year	(2.6%)

% of total stock

Terminal stock	2.8%
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CAPITAL INVESTMENT MIX TO SUPPLY CHAIN AND SYSTEMS



NET DEBT

	FY 17 £m	FY 16 £m
Cash flow before financing & taxation	75.6	113.7
Uses of cash		
• Taxation	(16.3)	(11.0)
• Financing	(11.1)	(15.3)
• Dividends paid	(42.0)	(42.0)
Other lease/non-cash movements	(3.1)	(4.6)
Change in net debt	3.1	40.8
Opening net debt	279.0	319.8
Closing net debt	275.9	279.0
Leverage ratio*	1.3x	1.2x

* Net debt/EBITDA

SUMMARY OF GUIDANCE FOR FY18

Group gross margin	c. (25 bps)
Total costs	+1% to +2%
Depreciation & amortisation	c. £115m
Net finance cost	£11m to £13m
Taxation	c. 20%
Capex	c. £150m
Net debt	c. £280m to £300m
Exceptional P&L costs	c. £20m



SERGIO BUCHER

Chief Executive Officer

DEBENHAMS *Redesigned*

OPERATIONAL HEADLINES

- Solid results against a tougher H2 background
- Growth destinations of Beauty and Food mitigating effect of weaker clothing market
- Further progress in full price sales growth and strong growth in mobile
- Making good progress in strategy helped by partnership approach
- Well prepared for peak, but expect uncertain market background to continue



CREATING SHAREHOLDER VALUE



STRATEGIC REPORT CARD

Started

- Added customer service metrics to KPIs
- Reduced stock options by 10% and decluttered stores
- Cut replenishment time from eight days to two
- 2,000 more colleagues in customer-facing roles

Stopped

- Closed 10 regional warehouses
- Started consultation for closure of one DC
- Exited four franchise markets
- Announced two UK stores to close in 2018

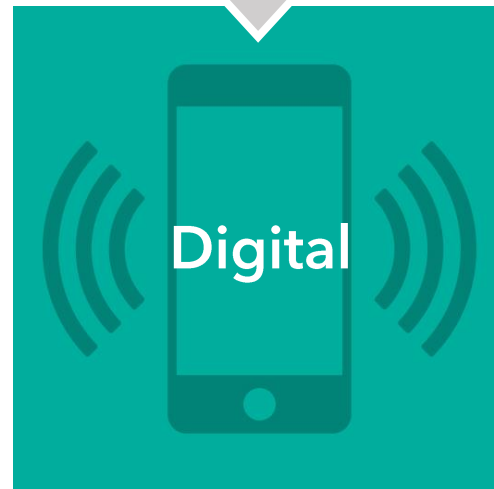
Launching

- Partnerships:
 - Mobify
 - blow LTD.
 - Sweat!
- Trialling new formats:
 - “Lab tests” in Stevenage and Wolverhampton
 - New own bought food offer, Loaf & Bloom
- More to come...

GROWTH FROM DIGITAL



Social Shopping



- Mobile @ everywhere
Speed
Content
Search
Checkout
Delivery

Simplify & Focus



DIGITAL – MOBILE @ EVERYWHERE



What we have done

- Started with adaptive mobile site, scraping desktop
- Worked in small, frequent sprints, using partners to build progressive web app
- Leapfrogged competition and no need for an app

What we are going to do

- Working on four more projects, eg search algorithms
- New digital product presentation coming for peak
- Building blocks for personalisation established

WHERE WE WERE

Adaptive
m-site

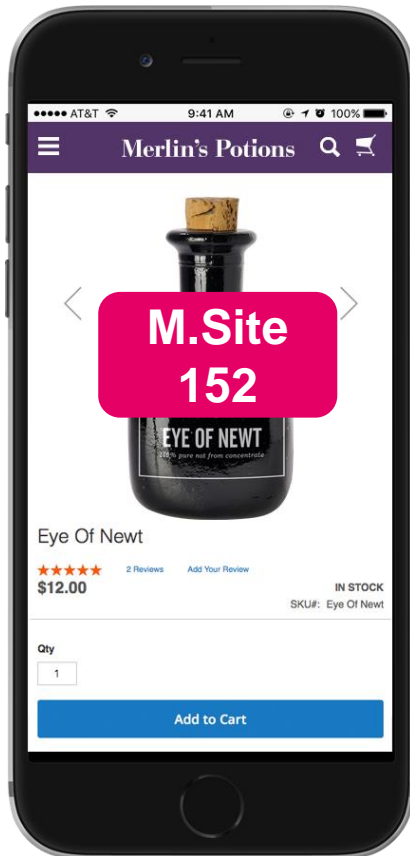
WHERE COMPETITORS ARE

Responsive
m-site

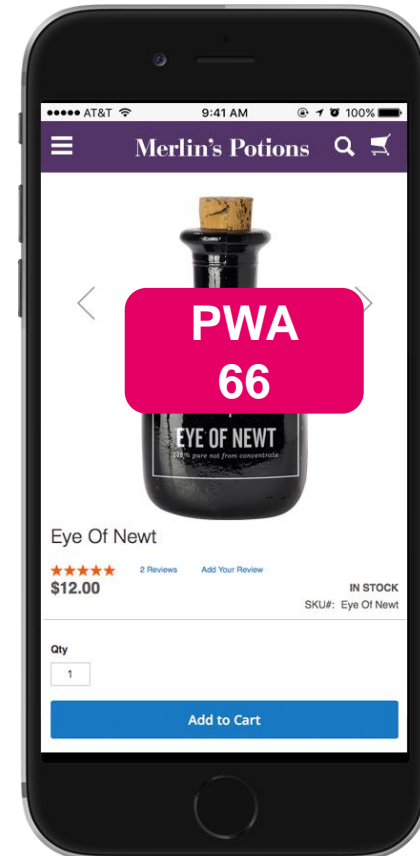
WHERE WE ARE NOW

Progressive
web app

DIGITAL - MOBILE @ EVERYWHERE



M.Site



PWA



GROWTH BY BECOMING A DESTINATION



Social Shopping

Destination



- Beauty Products & Services
- Fashion via Accessories
- Meet Me @ Debenhams

Simplify & Focus



DESTINATION – BEAUTY AND BEAUTY SERVICES



What we have done

- Beauty category grew 5% in FY2017
- New brand launches to keep differentiation, eg KVD, NYX
- Relaunched Beauty Club – 1.2m cardholders, base up c10%



What we are going to do

- Innovative approach to £4bn beauty services market via blow LTD. partnership
- Digital-led and new channel opportunity in-home
- Combination to build customer loyalty and improve brand access

blow.^{LTD}
@DEBENHAMS

DESTINATION – FASHION VIA ACCESSORIES



What we have done

- Reduced stock options by c10%
- Direct-to-floor deliveries
- Reduced visual clutter

What we are going to do

- Stevenage lab test for layout and merchandising
- Lingerie presentation with >30% fewer SKUs and more newness
- Higher-service footwear department with reduced pairage
- Zoned layout for fashion



DESTINATION – MEET ME @ DEBENHAMS



What we have done

- c65 new food and drink offers over last two years
- Improved own bought food menu and service
- Rising food penetration

What we are going to do

- Further 50 new partner offers over next three years
- Trialling new own bought food concept Loaf & Bloom in two stores
- New hire to run food & drink, David Murdin, ex Whitbread



LOAF & BLOOM
DELI KITCHEN

GROWTH FROM BEING DIFFERENT



Social Shopping

- Designers @ Debenhams
- Innovation & culture

Different



Simplify & Focus



DIFFERENT – DESIGNERS @ DEBENHAMS



What we have done

- Designers remains clear point of differentiation
- Studio by Preen confirmed appetite for more fashion-forward ranges

What we are going to do

- Portfolio approach to brand management
- Reinvigorating Principles as style-led brand; phasing out Ben de Lisi
- Remerchandising trials to support premium presentation and drive full price sales
- New design talent to come in 2018



DIFFERENT – INNOVATION AND CULTURE

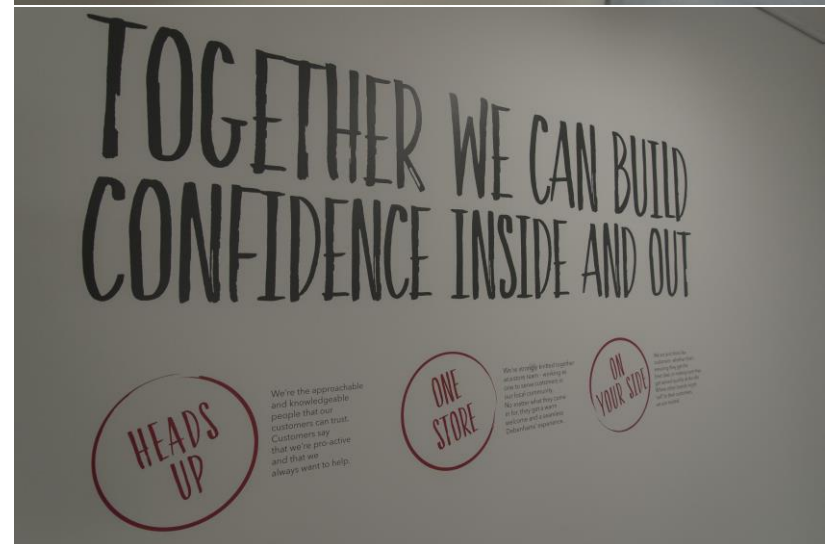


What we have done

- Head office now support centre
- Customer-led culture: 2,000 more colleagues in customer-facing roles
- New service concept – staff training programme

What we are going to do

- New business unit structure to break down silos
- Using partnerships to accelerate pace of change
- Changing recruitment process to favour attitude over skills



EFFICIENCY FROM SIMPLIFY & FOCUS



Social Shopping

Destination



Digital



Different



Simplify & Focus

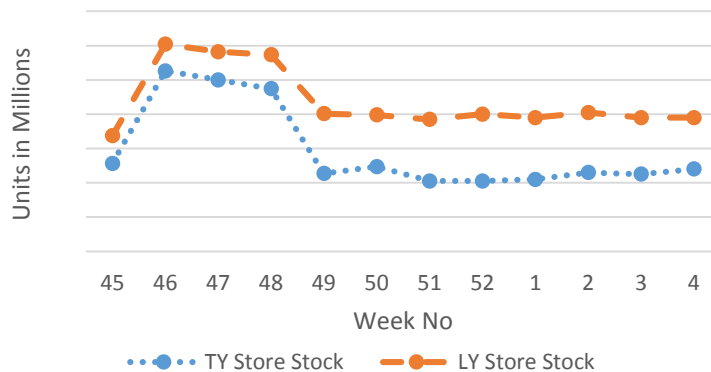


- Simplify the operating model
- Store estate strategy

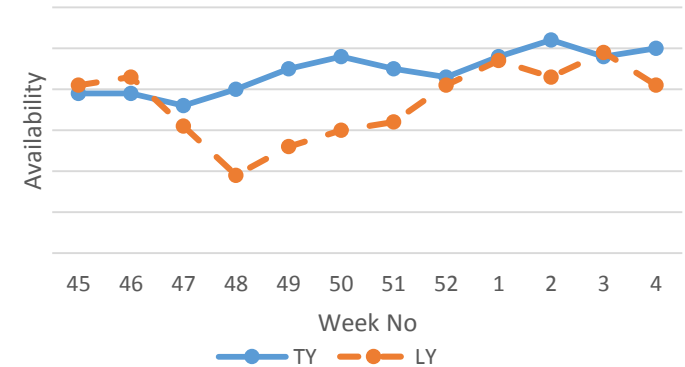
SIMPLIFY & FOCUS – OPERATING MODEL



Store and Stockroom Stock by Week



Availability by Week



SIMPLIFY & FOCUS – STORE ESTATE STRATEGY

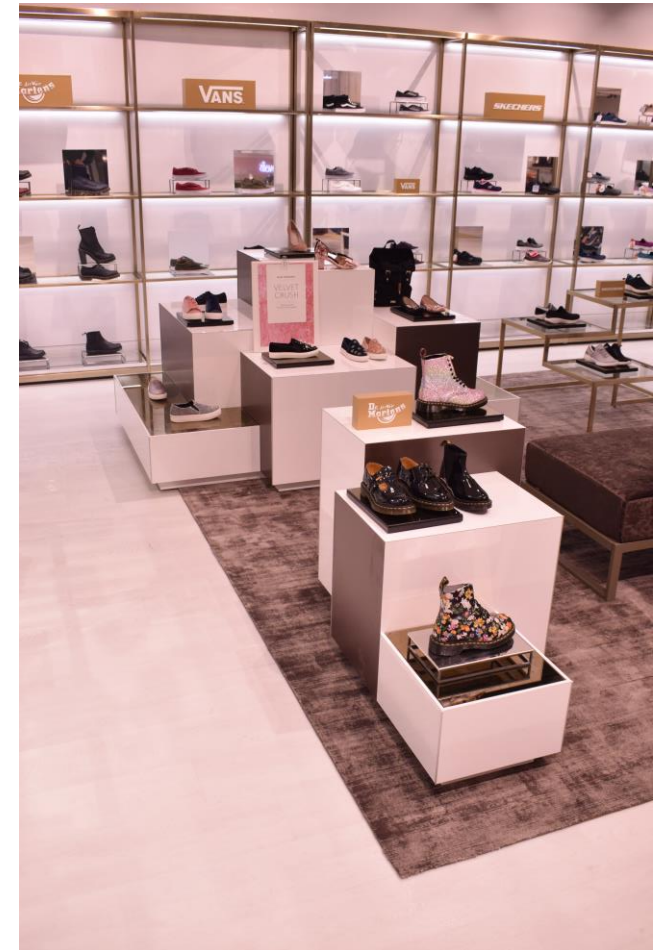


Closures

- Identified 10 stores for potential closure over five year period
- Confirming two closures in early 2018

Right-sizing

- Segmented store portfolio to develop clear strategy by location
- Flagship, vibrant and heartland stores: focus investment where return is greatest
- Identify opportunities to reduce footage and refit for catchment, eg Uxbridge



Footwear presentation in Wolverhampton, October 2017

SIMPLIFY & FOCUS – STORE ESTATE STRATEGY



"Sweating the box"

- Using space more effectively to create Destination categories
- Working the box floor by floor, using partnerships eg blow LTD.
- Sweat! gyms trialling in three locations in Spring/Summer 2018
- Compelling destination in a growing market



SIMPLIFY & FOCUS – STORE ESTATE STRATEGY



Stevenage store opened August 2017

DEBENHAMS *Redesigned*

INTERNATIONAL REDESIGNED

Today

- 20% of group sales and EBITDA
- Largely store-focused via own-operated and franchise
- Small but growing digital business

Future

- Strengthened management team
- Simplify and focus activities
- Apply principles of Debenhams Redesigned
- Exploit digital growth opportunities with partners



Avenues Mall, Kuwait – opening Spring 2018

INTERNATIONAL – MAGASIN DU NORD

Today

- Magasin du Nord is more than half of international profit
- Successful stand-alone business with a strong track record
- A fast-growing digital operation



Future

- Adding a further 150 brands online this season
- New app to build loyalty
- Ambition to become the digital Destination for Scandi brands
- Plans to launch digital offer in other Nordic markets in 2018



INTERNATIONAL – STRATEGIC FRANCHISE MARKETS

Today

- Reviewed international market presence
- Rationalising under-performers: closed nine franchise stores in FY2017



Future

- Concentrating on fewer partners of scale, eg Middle East, Australia
- Opened first Australian store in Melbourne
- Opening flagship in Kuwait in Spring 2018
- New franchise service model



INTERNATIONAL – STRATEGIC PARTNERS & BRANDS

Today

- Digital marketplace partners include Amazon, Zalando
- Brand franchise partnerships in Australia and Vietnam

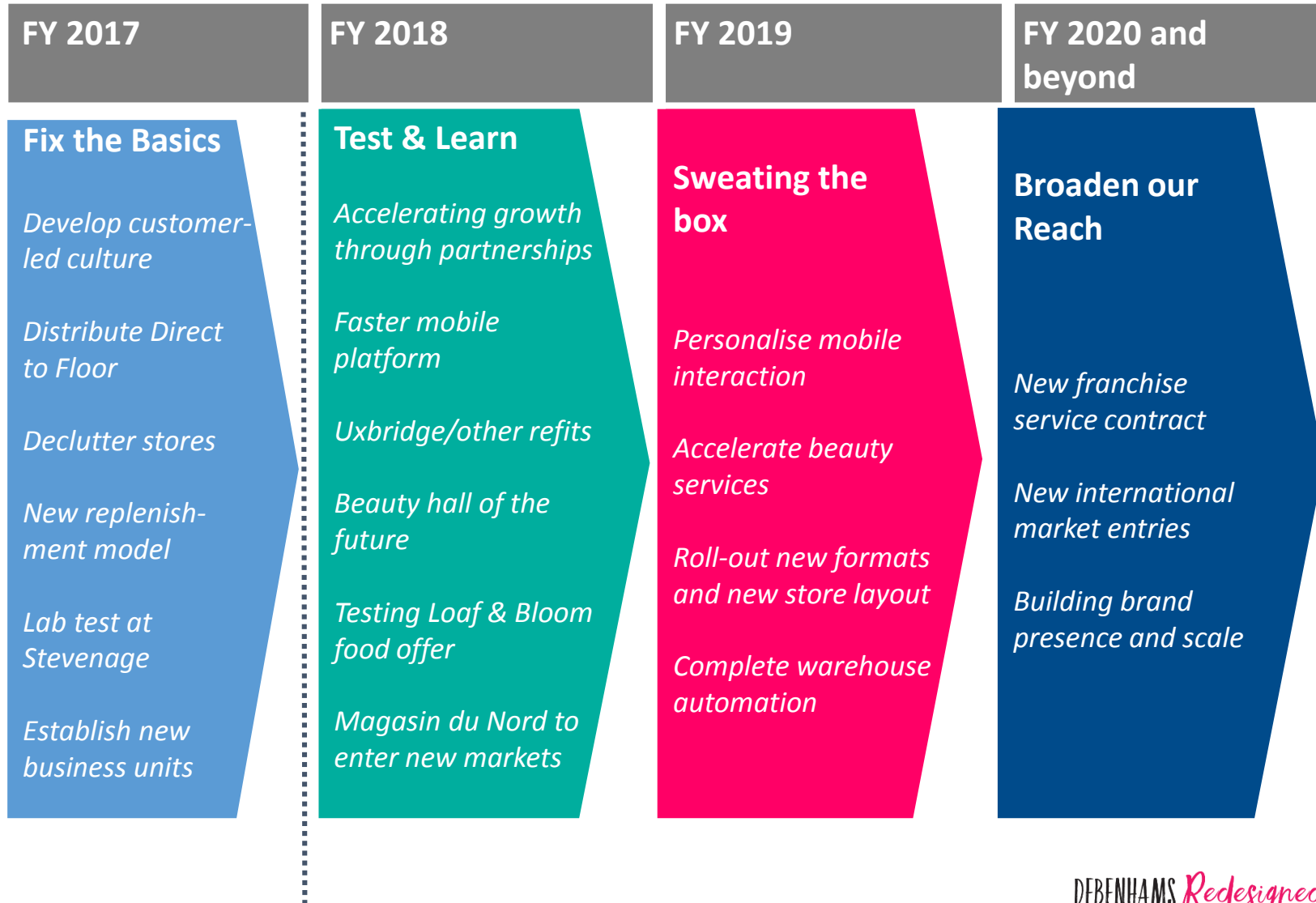


Future

- Expanding newer digital partnerships in Europe and Asia
- Launching in other European markets with Amazon in FY2018
- Build on existing trials in China – developing wider market strategy



STRATEGY TIMEFRAME



HOW WE WILL MEASURE OUR PROGRESS

Strategic KPIs

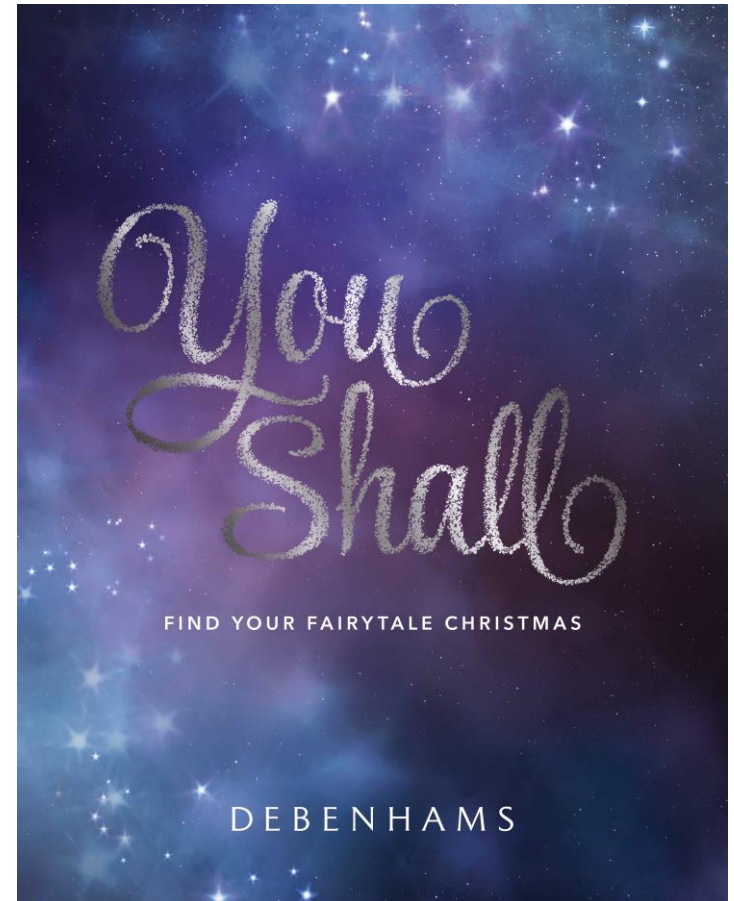
- Growth in Beauty sales From £750m to £1bn
- Growth in Food & Drink sales 5-10% per annum
- Growth in mobile sales 25% per annum

Operational KPIs

- Full price sales growth 1-2% per annum
- Net promoter score 5% growth

SUMMARY AND OUTLOOK

- A year of activity and change
- Pleased with progress to date – but plenty to do
- Clear direction of travel
- Partnerships important to deliver pace of change
- Uncertain trading environment but well prepared for peak
- What's in store for Christmas...



SUMMARY ... DEBENHAMS REDESIGNED

Social Shopping

Destination

- Beauty Products & Services
- Fashion via Accessories
- Meet Me @ Debenhams

Digital

- Mobile @ everywhere
- Click, Collect and Play
- Broaden our Reach

Different

- Designers @ Debenhams
- Brand creation & distribution
- Innovation & Culture

Growth

Simplify & Focus

- Store estate strategy
- Simplify the operating model
- More efficient use of resources

Efficiency

Shareholder Value



APPENDIX

PENSION SCHEME VALUATION IN ACCOUNTS

	FY 17 £m	FY 16 £m
Pension scheme assets	1,123.4	1,057.6
Pension scheme liabilities	(1,042.5)	(1,061.7)
Net surplus/(deficit)	80.9	(4.1)

SUMMARY OF CASH FLOW GENERATION

	FY 14 £m	FY 15 £m	FY 16 £m	FY 17 £m
EBITDA	230.8	238.6	239.7	217.0
Financing	(13.1)	(19.3)	(15.3)	(11.1)
Taxation	(20.6)	1.1	(11.0)	(16.3)
Exceptional items	-	-	(2.0)	(15.9)
Other	9.7	(2.3)	2.5	(0.7)
Net Capital investment	(128.0)	(133.4)	(126.5)	(124.8)
FREE CASHFLOW	78.8	84.7	87.4	48.2
Dividends paid	(41.7)	(41.7)	(42.0)	(42.0)
Other	(26.6)	(1.3)	(4.6)	(3.1)
NET CASHFLOW	10.5	41.7	40.8	3.1
NET DEBT	361.5	319.8	279.0	275.9
Leverage ratio	1.6x	1.3x	1.2x	1.3x

SPACE AND STORE NUMBERS

	Own-operated space (000 sq ft)	UK stores	Int'l own- operated stores	Int'l franchise stores	Group
FY 16 close	13,056	165	17	68	250
Stevenage	81	1			1
Space reduction	(28)				
Franchise openings				4	4
Franchise closures				(9)	(9)
FY 17 close	13,109	166	17	63	246

SOURCES OF FUNDING

- Revolving credit facility ('RCF') of £320m, in place to June 2020 with an option to extend to June 2021
- £200m 5.25% senior bond, in place to July 2021