

MOTHERCARE PLC FY18 trading update

- UK like-for-like decline impacted by lower footfall and spend, both in stores and online, following the continuation of consumer trends flagged in our half year results
- International sales remain challenging, stabilising towards the end of the period
- Overall Group performance below expectations

Mothercare plc, the leading global retailer for parents and young children, today issues the following trading update, which covers the 12 week period to 30th December 2017.

UK

- UK like-for-like sales decline of 7.2%.
- Online sales decline of 6.9%. Online sales now represent c42% of total UK sales.
- Total UK sales lower than last year, reflecting ongoing store closure programme.
- Retail space at the end of the period reduced to 1.4m sq.ft, as planned, with 143 stores (139 Mothercare and four ELC).
- Lower gross margins due to higher discounting, but positive sell through of stock and cash generation.

International

- International retail sales were down 3.0% in constant currency and down 6.8% in actual currency, but key markets showing signs of improvement towards the end of the period.
- Online sales growth of 8.5% in constant currency and 7.4% in actual currency.
- Retail space at the end of the period c2.9m sq.ft with 1,131 stores.

Group performance for 12 weeks to December 30th 2017

	FY2017		FY2018		30 December 2017	
	Q3	Q4	Q1	Q2	% change year-on-year	
<u>UK</u>					12 Weeks:	YTD:
UK like-for-like sales ⁽¹⁾	1.0	4.5	1.9	3.2	(7.2)	(0.9)
Online Sales ⁽¹⁾	5.5	13.6	3.3	7.3	(6.9)	0.9
Total UK sales	0.6	3.2	(1.8)	(0.2)	(11.0)	(4.5)
UK space (change in sq.ft.)	(4.5)	(5.9)	(7.2)	(9.2)	(6.0)	(6.0)
<u>International</u>						
International retail sales in constant currencies ⁽¹⁾	(5.9)	(1.7)	(8.3)	(7.1)	(3.0)	(6.3)
International retail sales in actual currencies ⁽¹⁾	13.2	15.4	2.2	(6.0)	(6.8)	(3.3)
International space (change in sq.ft.)	0.0	0.9	(2.3)	(3.0)	(3.6)	(3.6)
<u>Group</u>						
Worldwide sales ⁽²⁾	7.5	10.7	0.8	(3.8)	(8.2)	(3.6)
Total group sales ⁽³⁾	1.8	(12.2)	(0.0)	(4.9)	(2.4)	(2.4)

Mark Newton-Jones, Chief Executive Officer of Mothercare plc, said:

"As we signalled in November, there has been a softening in the UK market with lower footfall and website traffic resulting in lower spend in both stores and online. This trend has continued, resulting in our UK LFL of (7.2)% in the 12 weeks to 30th December.

International trade was challenging in the quarter overall, but we have seen a return to moderate growth in the Middle East over the last seven weeks. Whilst this is positive news, it is too early to say whether or not this is the beginning of a more sustained up-turn in sales across the region. In Russia, our largest international country by turnover, we also saw a return to growth as the weather became colder, leading to improved trading.

In our UK business, we took a conscious decision to remain at full price to protect our brand positioning prior to Christmas but to then discount more heavily in the end of season sale. We have subsequently seen good progress with strong sell through rates on Autumn Winter clearance lines albeit these carry lower margins and will lead to a further reduction in full year margin as a result. Group cash generation and inventory positions are both strong.

In line with previous announcements and as part of our transformation strategy, we have taken decisive action to reduce our central cost base. The planned financial benefits of this will materialise in the next financial year. We continue to adopt a disciplined approach to cash management with a particular focus on controlling stock levels, together with stringent controls over capital expenditure.

Taking this approach into account we expect net debt at year-end of approximately £(50)m, and at this level we have sufficient liquidity and covenant headroom within our existing facilities.

Going forward, we are not anticipating any improvement in the short-term market conditions for the UK and on this basis the adjusted group profit for the year is likely to be in the range of £1-5m. Whilst the performance of the business has been challenging in the last few months, we remain singularly focussed on transforming Mothercare to be the leading global retailer for parents and young children."

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Notes:

1 – UK like-for-like sales are defined as sales from stores that have been trading continuously from the same selling space for at least a year and include online sales. UK online sales include both website sales and sales taken on iPads in store. International retail sales, including online sales, are the estimated retail sales of overseas franchisees and joint ventures and associates to their customers. International like-for-like sales are the estimated franchisee retail sales from stores that have been trading continuously from the same selling space for at least a year. International sales in constant currency exclude the impact of movements in foreign exchange on translation.

2 – Worldwide sales are total International sales plus total UK sales. Total International sales are International retail sales plus International Wholesale sales.

3 – Total group sales is a statutory number and is made up of total UK sales and receipts from our International partners, which includes royalty payments and the cost of goods dispatched to our franchise partners.

4 – This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

5 – This announcement contains certain forward-looking statements concerning the company. Although the Board believes its expectations are based on reasonable assumptions, the matters to which such statements refer may be influenced by factors that could cause actual outcomes and results to be materially different. The forward-looking statements speak only as at the date of this document and the company does not undertake any obligation to announce any revisions to such statements, except as required by law or by any appropriate regulatory authority.

6 – The Q3 trading announcement was scheduled to be released on the 11th January 2018 covering the 13 week period up to 6th January 2018. This early announcement covers the 12 week period to 30th December 2017.

7 – We will be announcing our preliminary results for the 2017/18 financial year on 17th May 2018.