

MOTHERCARE PLC

FY20 Q1 Trading Update

“Strategic progress continues but slower UK margin recovery”

Mothercare plc, the leading specialist global retailer for parents and young children, today issues the following trading update, covering the 15-week period to 13th July 2019, ahead of its AGM this morning.

Strategic Transformation and Group Outlook

- Progress made in creating the optimal structure for UK retail operations as an independent Mothercare UK franchise
- Revised expectation that the medium-term outlook for the UK market will continue to be uncertain and volatile, accompanied by fragile consumer confidence
- Against this backdrop and the need for continued promotional activity, gross margin improvements in the UK are expected to take longer to materialise than previously anticipated
- Accordingly underlying full-year profitability before tax is forecast to be broadly comparable to the prior year, inclusive of an estimated negative impact of £2 million of adopting IFRS16
- Continuing support from lending banks, including agreement to a temporary deferral of the planned loan reductions and other waivers under our debt facilities

International

- International retail sales decline of (4.5%) in constant currency and down (2.1%) in actual currency
- Growth in the key markets of India +5.5%, Indonesia +10.5% and Russia +3.4%, offset by retail sales decline in the Middle East of 11.1% (in constant currency)
- Franchise partners continue to invest in the Mothercare brand, increasing space by 5.6% to 2.7m sq.ft. across 1,014 stores

UK

- LFL sales improved to (3.2%), with stronger performance towards the end of the quarter. Higher promotional activity in both Clothing (clearance of surplus inventory) and Toys (making way for the Entertainer’s extended range, in line with new agreement)
- Online sales impacted by the extensive store closure programme and the loss of iPad sales in those stores, leading to an overall reduction in on-line sales of 12.1%
- Total UK sales 23.2% lower than last year, as a result of the extensive store closure programme
- Store estate now comprises 79 stores with 0.9m sq.ft. of space, down from 134 stores and 1.3m sq.ft. of space last year

Group performance for 15 weeks to 13th July 2019

% change	FY19			15 weeks: 13 July 2019
	H1	Q3	Q4	% change year-on-year
<u>International</u>				Q1
International retail sales in constant currencies ⁽¹⁾	(2.0)	(1.1)	(4.9)	(4.5)
International retail sales in actual currencies ⁽¹⁾	(7.3)	(3.2)	(4.5)	(2.1)
International space (change in sq.ft.)	1.6	3.8	5.5	5.6
<u>UK</u>				
UK like-for-like sales ⁽¹⁾	(11.1)	(11.4)	(8.8)	(3.2)
Total UK sales	(14.3)	(18.4)	(14.5)	(23.2)
UK space (change in sq.ft.)	(17.6)	(18.4)	(21.2)	(29.9)

Group				
Worldwide sales ⁽²⁾	(9.8)	(9.7)	(8.8)	(9.4)
Total group sales ⁽³⁾	(13.1)	(18.0)	(13.9)	(9.2)

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

"We have continued to make good strategic progress in the first quarter in our transformation to deliver a sustainable and profitable future for the Mothercare brand.

The UK retail market remains challenging and though the rate of decline in LFL sales has moderated, margin investment in promotional activity has been necessary to stimulate sales, both in our stores and online. The impact of this has negated much of the margin benefits we had expected to materialise. Furthermore, we have observed a lower than expected transfer of sales following the CVA store closure programme which completed in early April 2019.

Despite a difficult backdrop, we continue to improve our customer offer and have launched a number of new initiatives including specialist sales and service training to all our store colleagues. We have also launched an improved customer credit offer, both online and in-store. At an early stage, we are observing increased basket sizes for those customers taking up this offer.

International performance has been mixed with good progress in our growth markets of Russia, India and Indonesia offset by macro and micro challenges in the key markets across the Middle East. We have recently presented the newly designed global product range and the global brand marketing campaign to our franchise partners, both of which have received a positive response.

The process of restructuring and rebuilding a sustainable business continues, and we have in place financing plans to support these actions as we aim to be bank-debt free by the end of the year. Our immediate priority is to complete the transformation of the business with a near-term focus on evolving and optimising the ownership, structure and model for our UK retail operations as an independent franchise.

We will provide a further update at our Interims Announcement on the 28th November 2019."

Investor and Analyst enquiries to:

Mothercare plc

Mark Newton-Jones, Chief Executive Officer

01923 206064

Glyn Hughes, Chief Financial Officer

01923 206064

Media enquiries to:

MHP Communications:

Simon Hockridge, Tim Rowntree, Alistair de Kare-Silver

020 3128 8742

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. 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 – Financial year 2018/19 contained 53 reporting weeks compared to a standard 52-week financial year. Like-for-like sales have been prepared on a 52-week basis and reported sales have been prepared on a 53week basis. Early Learning Centre sales comparatives have been restated at the current commission rate to reflect the commencement of new concession agreements from 13th May 2019.

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 information contained within this announcement is deemed by the Company to constitute inside information for the purposes of the Market Abuse Regulation (EU) No 596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

7 - The person responsible for the release of this announcement is Lynne Medini, Group Company Secretary at Mothercare plc, Cherry Tree Road, Watford, Hertfordshire, WD24 6SH.

8 - Mothercare plc's Legal Entity Identifier ("LEI") number is 213800ZL6RPV9Z9GFO74

9 - We will be announcing our Interim Results on 28th November 2019.