

# **MOTHERCARE PLC**

## **FY19 Q3 Trading Update**

### ***Strategic progress in spite of UK headwinds***

Mothercare plc, the leading specialist global retailer for parents and young children, today issues the following trading update, which covers the 13 week period to January 5<sup>th</sup> 2019.

#### **Highlights**

- Improved trend in International retail sales relative to prior quarters
- Challenging trading conditions in the UK persist, in part due to the ongoing store closure programme
- Sales were impacted by lower levels of discounting and less clearance stock relative to the prior year
- On-track to achieve all elements of the Group's strategic transformation plan, together with at least £19 million of annualised cost savings and a cash sum of £14.5 million from the completed sale of the UK head office
- Plans for the full-year remain unchanged and in line with our previous guidance

#### **International**

- International retail sales down 1.1% in constant currency and down 3.2% in actual currency
- Retail sales in core markets are in line with last year in constant currency
- Retail space at the end of the quarter of c3.0m sq.ft with 1,191 stores

#### **UK**

- UK like-for-like sales decline of 11.4% during the quarter, reflecting a combination of the difficult consumer backdrop and the aggressive discounting activity undertaken in the prior year that inflated sales in that period
- Successful reduction in stock for the end of season sale, 23% lower than the prior year, with stock clearance activity in line with plan
- Online sales decline of 16.3% impacted by lower website footfall, lower iPad sales in store due to the store closure programme and a smaller Toy offer with less discounting

#### **Strategic Transformation Plan**

- On track with strategic transformation plan to deliver at least £19 million of annualised cost savings
  - UK store closure programme is ahead of schedule with 36 stores currently in closing down mode; these closures will complete by April 2019. On course to have 79 stores by the end of March 2019, down from 137 in May 2018
  - Good progress being made with the creation of a leaner organisational structure, dividing the group into Mothercare global brand, Mothercare UK and Business Services
  - Completion of the first season's product buy with an outsourced provider, which is anticipated to yield margin benefits from Autumn 2019
- Completed the sale and leaseback of the UK head office, further improving the company's net debt position, following receipt of the £14.5 million consideration

## Group performance for 13 weeks to January 5<sup>th</sup> 2019

	FY18 FY	FY19 H1	13 Weeks: 05-Jan-19 % change year-on-year	41 Weeks: Q3 YTD
<b><u>International</u></b>			<b>Q3</b>	<b>Q3 YTD</b>
International retail sales in constant currencies <sup>(1)</sup>	-5.8	-2.0	-1.1	-1.7
International retail sales in actual currencies <sup>(1)</sup>	-5.0	-7.3	-3.2	-6.0
International space (change in sq.ft.)	-2.6	1.6	3.8	3.8
<b><u>UK</u></b>				
UK like-for-like sales <sup>(1)</sup>	-1.3	-11.1	-11.4	-11.2
Online sales <sup>(1)</sup>	1.2	-7.8	-16.3	-10.8
<i>Website sales</i>	2.8	-6.8	-16.7	-10.7
<i>Store iPad sales</i>	-1.1	-9.0	-15.5	-11.0
Total UK sales	-4.8	-14.3	-18.4	-15.7
UK space (change in sq.ft.)	-10.7	-17.6	-18.4	-18.4
<b><u>Group</u></b>				
Worldwide sales <sup>(2)</sup>	-4.8	-9.8	-9.7	-9.8
Total group sales <sup>(3)</sup>	-1.9	-13.1	-18.0	-14.8

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

"In our interim statement we updated on progress with our strategic plans to ensure a more sustainable and ultimately profitable Mothercare business. Whilst the UK continues to be challenging, in part as a result of our planned restructuring, we are still on course to deliver the necessary transformation.

Crucially, the Group continues to be disciplined in its management of cash and is progressively reducing its net bank debt. We recently completed the sale and leaseback of our UK head office and have created a leaner organisational structure. Together with other improvements, this has allowed us to reduce the levels of debt in the business, supporting our aspiration to be bank debt free by the end of 2019.

Our UK store closure programme continues apace and is ahead of schedule, with 36 stores currently transitioning for closure, meaning we will have a total UK estate of 79 stores by the end of March 2019. The UK business will now operate with the discipline of a franchise, allowing the wider group to focus on the Mothercare brand and making it stronger globally.

Looking ahead, our International business continues to show signs of recovery, although we expect market conditions in the UK to remain challenging with further disruption until April from our store closure programme. However, given the pace of our strategic transformation plan, our full year profit guidance is unchanged."

### Investor and Analyst enquiries to:

#### Mothercare plc

Mark Newton-Jones, Chief Executive Officer  
Glyn Hughes, Chief Financial Officer

01923 206064  
01923 206064

### Media enquiries to:

#### MHP Communications:

Simon Hockridge, Tim Rowntree, Alistair de Kare-Silver

020 3128 8789

**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 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.

**5** – 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.

**6** – 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.

**7** – Mothercare plc's Legal Entity Identifier ("LEI") number is 213800ZL6RPV9Z9GFO74

**8** – We will be announcing our Preliminary Results on May 23<sup>rd</sup> 2019.