Half year results
24 November 2016

Mark Newton-Jones

Chief Executive Officer

Overview for H1 FY16/17

- Group underlying profit before tax at £5.9m (H1 FY16/17 £7m)
- UK turnaround progressing strongly in spite of a difficult 6 month trading period
  - Sales and margin growth stalled as a result of unseasonable weather and warehouse changes
  - Further improvements to intake margin offset by higher markdown
  - Warehouse infrastructure and systems change; first phase completed
  - Digital sales now represent c.40% of total UK sales with c.80% from mobile and 1 million Apps downloaded by our customers. Website re-platformed
  - 32 refurbishments completed, 91 now in total, representing c.60% of our store estate in the new modern format

Overview for H1 FY16/17

- Solid International performance, +7.7% in actual currency in spite of volatile trading across the globe
  - 3 new International web sites created,
    taking our online availability to 14 markets
  - Opened 84 stores (closed 55); added net 29 stores
  - 1.8% increase in space
- Statutory loss of £(0.8)m (H1 FY16/17 £5.8m profit).
  Debt £15.6m

Richard Smothers

Chief Financial Officer

Half year results
28 weeks to 8 October 2016

	H1 FY16/17 £m	H1 FY15/16 £m	% variance
Worldwide sales	637	613	+3.8
Total International sales	406	377	+7.7
Total UK sales	231	237	(2.3)

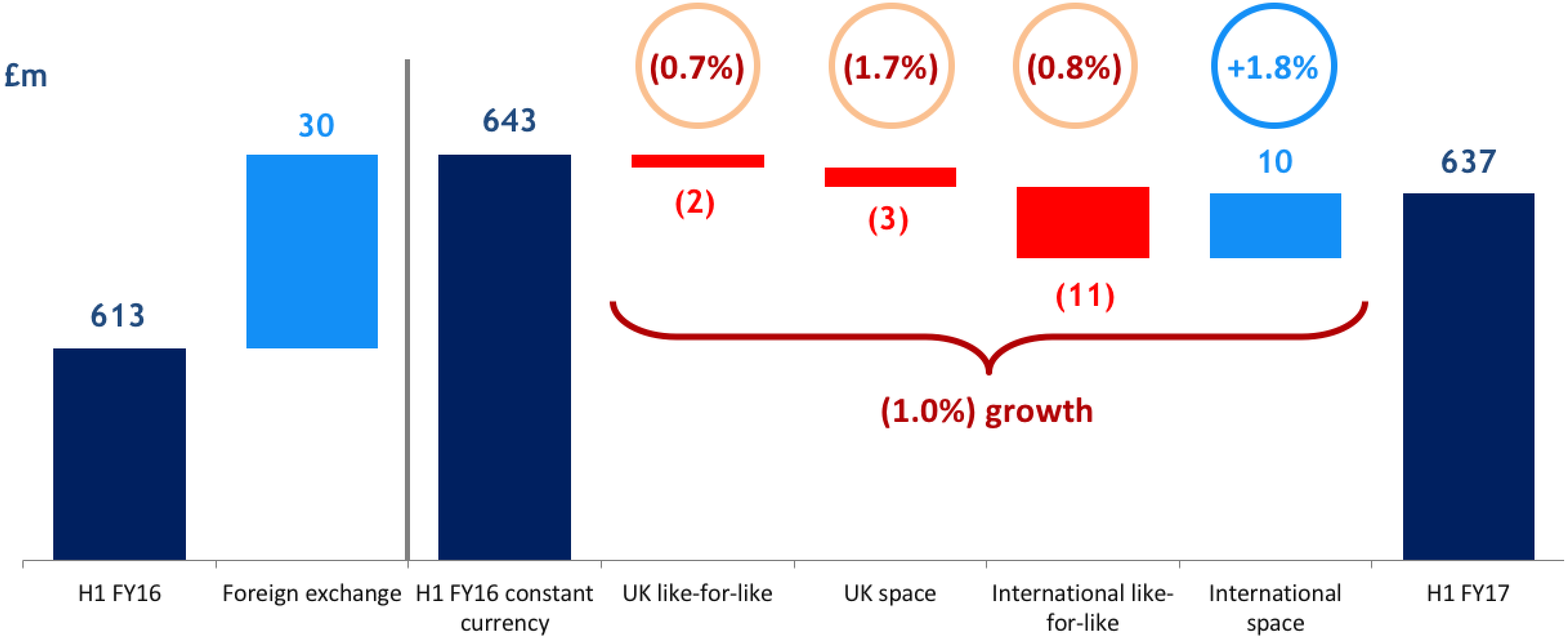
Group revenue	348	350	(0.6)
Net cash/(Debt)	(15.6)	27.2	-

Income statement
28 weeks to 8 October 2016

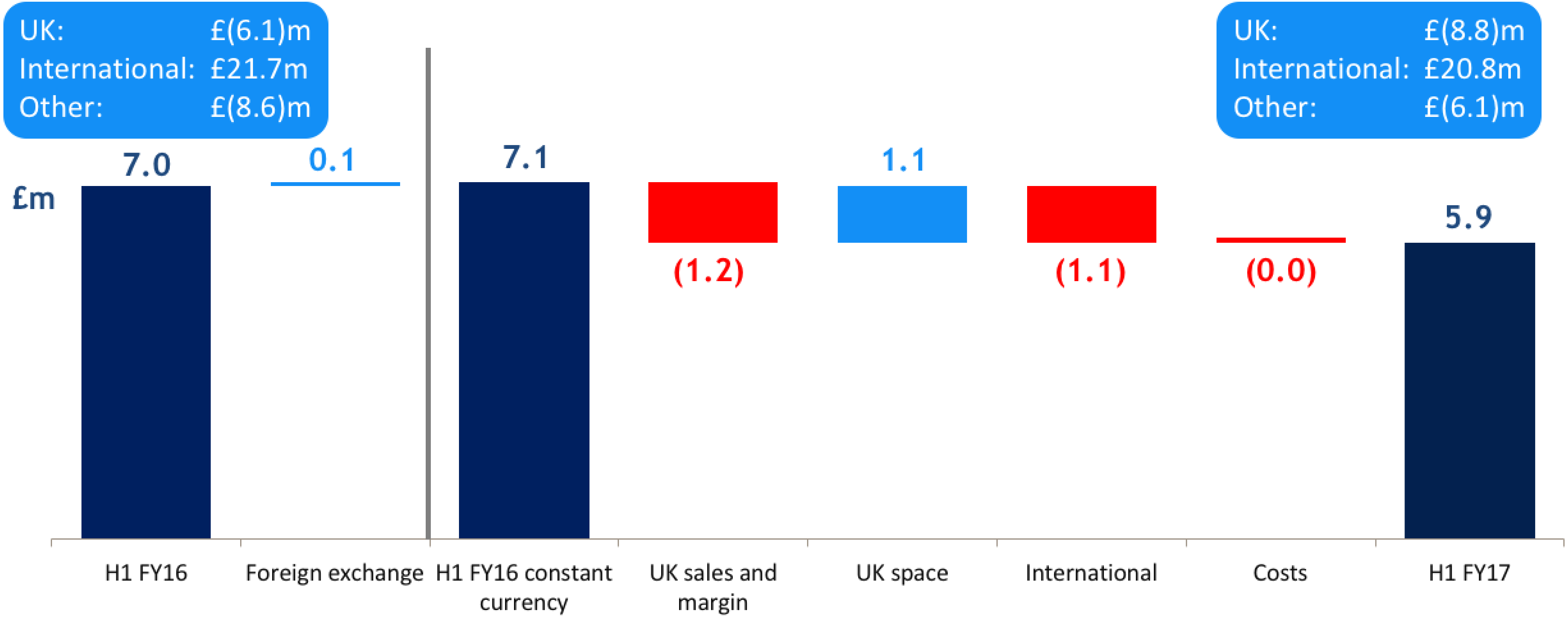
	H1 FY16/17 £m	H1 FY15/16 £m	% variance
Underlying profit from operations	**8.3**	**10.7**	**(22)**
Share based payments	(0.5)	(1.9)	
Net finance cost	(1.9)	(1.8)	
Underlying profit before tax	**5.9**	**7.0**	**(16)**
Underlying earnings per share	**3.4p**	**3.3p**	**+3**
Exceptional items	(10.7)	(1.5)	-
Other non-underlying items	4.0	0.3	-
Reported profit/(loss) before tax	**(0.8)**	**5.8**	**-**

Group sales development

28 weeks to 8 October 2016

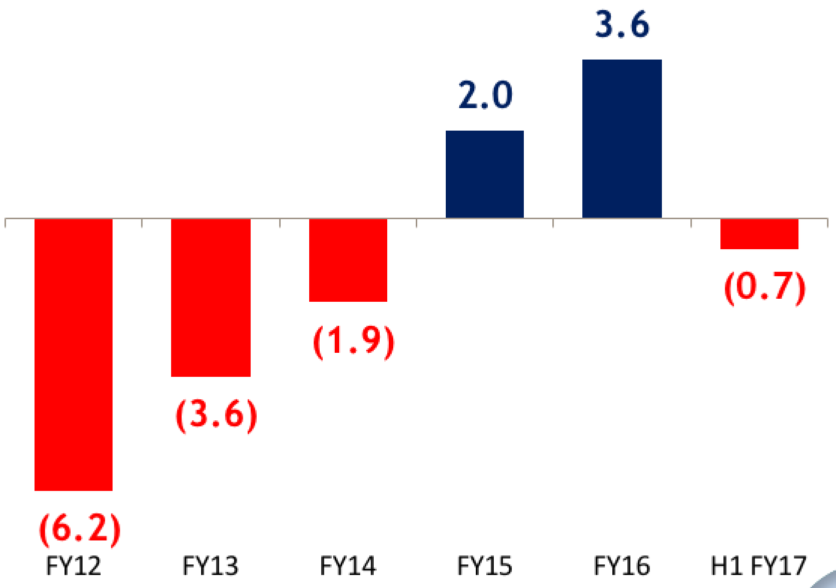


Group profit performance
28 weeks to 8 October 2016

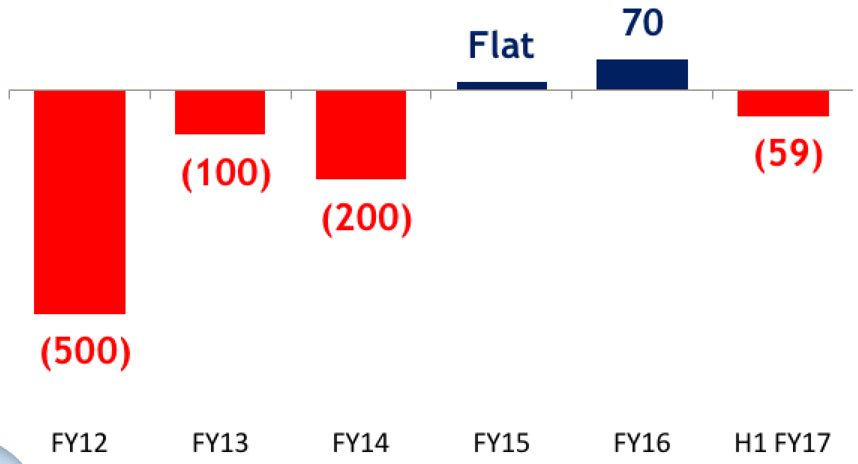


UK sales like-for-like and UK gross margin

UK like-for-like sales (%)



Change in UK gross margin (bps)



Exceptional items
28 weeks to 8 October 2016

	H1 FY16/17 £m	H1 FY15/16 £m
UK property costs	(0.9)	(0.6)
Warehousing infrastructure costs*	(0.9)	-
Head office and other reorganisation	(1.1)	(0.5)
Restructuring costs - International	(3.6)	-
Impairment of investment/debt in China	(4.0)	(0.2)
Other	(0.2)	(0.2)
Total exceptional items	(10.7)	(1.5)
Non-cash foreign currency adjustments	4.5	0.8
Amortisation of intangibles	(0.5)	(0.5)
Total exceptional and non-underlying items	(6.7)	(1.2)

* Cash exceptional in H1 FY16/17: £2.1m
NOTE: excludes impact on sales

Cash flow

28 weeks to 8 October 2016

	H1 FY16/17 £m	H1 FY15/16 £m
Underlying profit from operations	8.3	10.7
Depreciation and amortisation	9.6	8.9
Retirement benefit schemes	(4.4)	(5.5)
Working capital	(6.8)	2.0
Other movements	(5.9)	2.7
Cash generated from operations	0.8	18.8
Capital expenditure	(25.1)	(16.6)
Interest & tax	(1.0)	(0.6)
Underlying free cashflow	(25.3)	1.6
Exceptional items	(2.1)	(4.3)
Free cashflow	(27.4)	(2.7)
Net bank loans (repaid)/raised	30.0	-
Issue of ordinary share capital	-	0.4
Other movements	(1.7)	(2.0)
Change in cash during half year	0.9	(4.3)
Closing net cash/(debt)	**14.4**	**27.2**
Statutory Closing net cash/(debt)*	**(15.6)**	**27.2**

* Statutory cash includes bank loan

Capital expenditure

- £25.1m invested in the business
  - £11.1m invested in store portfolio
    - £1.3m – two new stores: Havant and Rugby
    - £9.8m – 32 refurbishments
- £8.1m invested in IT and digital
- £1.6m invested in infrastructure and warehousing systems
- £4.3m invested in base maintenance

Outlook for FY 2016/17 – P&L

UK

- Continuing digital growth
- UK gross margins broadly flat
- Stores refurbished c.40-50
- Share based payments of c.£2m
- Finance costs: c.£4m
- Limited impact from USD on purchases

International

- Space growth; low to mid single digit growth
- Retail sales in constant currencies; flat to down mid single digits
- Limited benefit from currency tailwinds

Outlook for FY16/17 – Cash

- Trade working capital expected to be small outflow
- Capital expenditure c.£35-40m (FY15/16 £39.2m)
- Other cash flow items:
  - Cash element of exceptional restructuring charges of £3.6m (FY15/16 £12.9m)
  - Pension scheme deficit recovery payment of £9.8m (FY15/16 £9.8m)
- Net debt of £5-15m, following investment into business

Mark Newton-Jones

Chief Executive Officer

Our strategy has not changed and we hold true to our Vision, Six Pillars and Four Foundations

The leading global retailer for parents and young children

"Uniting Mums (and Dads) to Take on Parenting Together"

Become a digitally led business	Supported by a modern retail estate and great service	Offering style, quality and innovation in product and great service	Stabilise and recapture gross margin	Running a lean organisation whilst investing for the future	Expanding further internationally

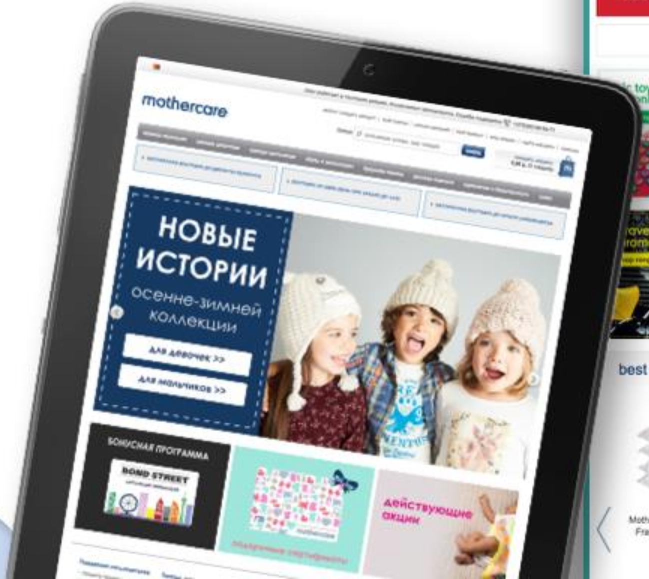
Infrastructure | Systems | Governance | Talented People

Becoming a digitally led business

- Over 3m customers on UK database
- Digital now c.40% of total UK sales and growing
- Mobile now c.80% of on-line sales
- Launch of new responsive website improving conversion and simplified check out
- Upgraded App driving improved performance and conversion
- 1m Apps downloaded

Becoming a digitally led business, globally

- Launched website in three new countries: Turkey, Belarus and Malaysia
- Online presence in 14 markets
- iPads now in advisors' hands in Ireland and China



Supported by a modern retail estate

- 32 refurbishments; 91 now in total, representing c.60% of store estate in new modern format

- Nearing end of planned store closure programme

Modern retail estate globally

- International: 84 stores opened and 55 closed
- Space up 1.8%
- New ‘club’ format in 9 stores in 9 markets

Offering great style, quality and innovation in product

- Additional brands added e.g. Chicco feeding range; Orla Kiely Gro bags; GB strollers
- 20% of product now at ‘best’ end range
- 50 H&T exclusive products launched, +35% on last year

Stabilise and recapture gross margin

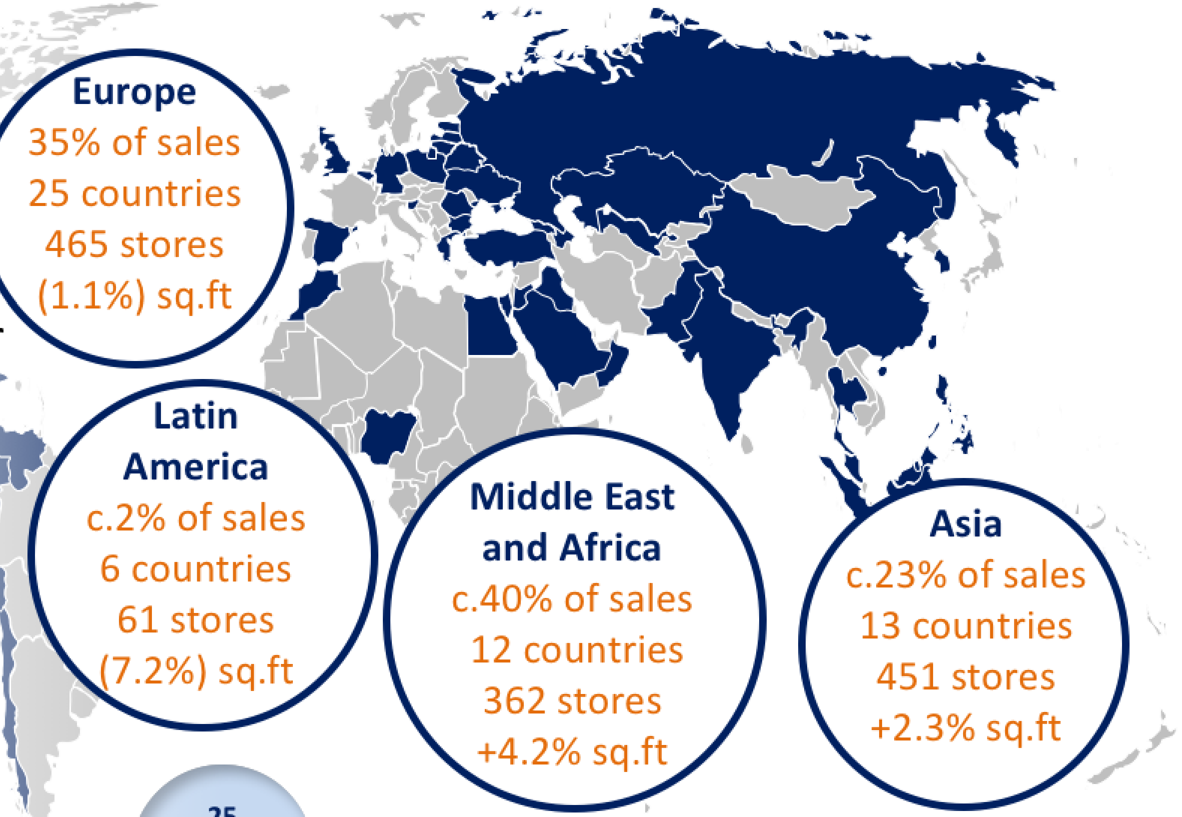
- Unseasonal weather impacted sales and margin
- Underlying bought in margin up year on year
- Bigger discounts to clear excess stock

Running a lean organisation while investing for the future

- Improved efficiencies in stores
- Warehouse upgrade for omnichannel shopping
- Investment in stock systems

Expanding further Internationally

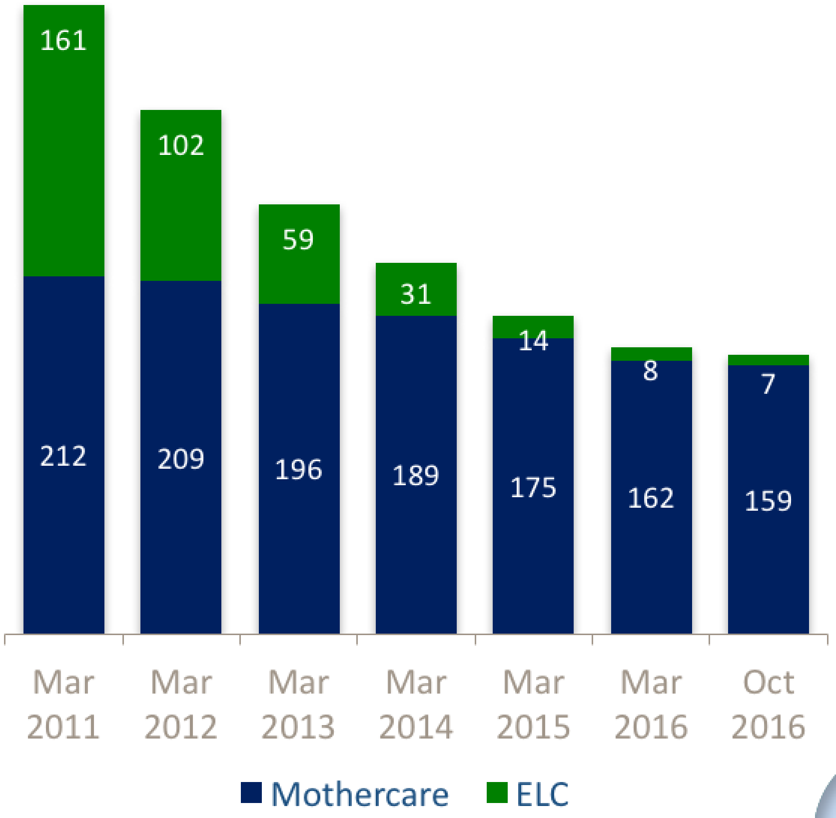
- 1,339 stores in 56 countries
- Opened 84 new stores, closed 55, added net 29 stores
- Space up +1.8% year on year
- Store portfolio actively managed
- Digital sales +46% (+26% in constant)
- Closer working relationships with partners

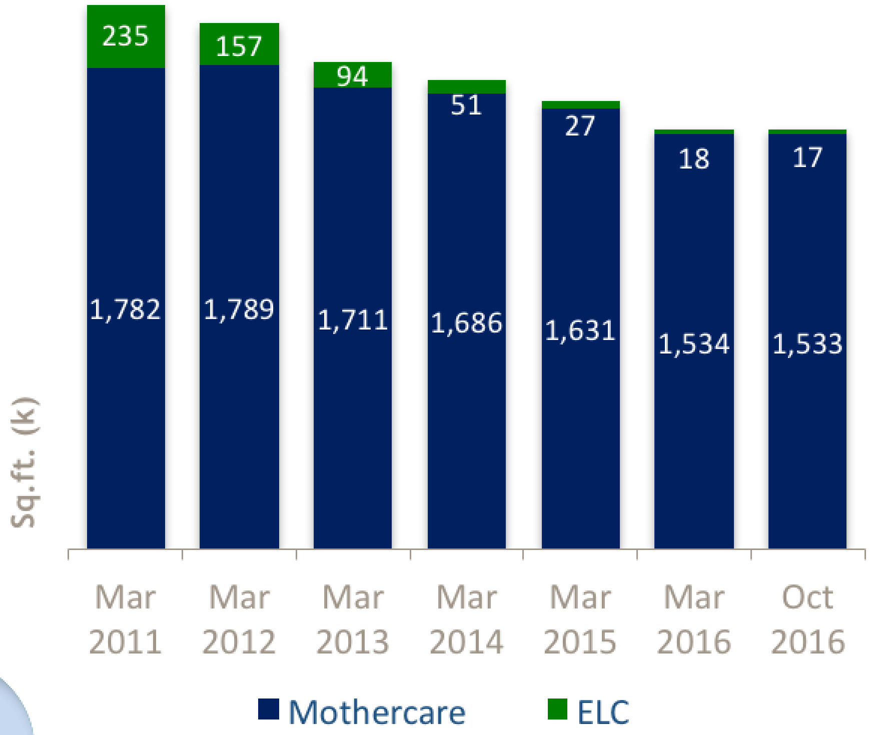


Q&As

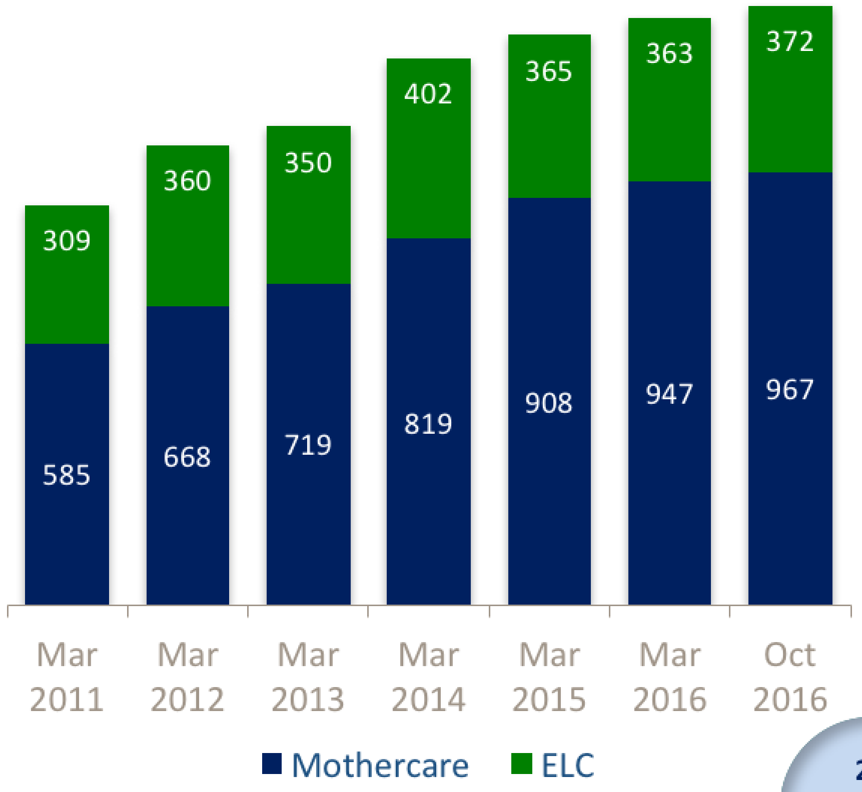
Appendices

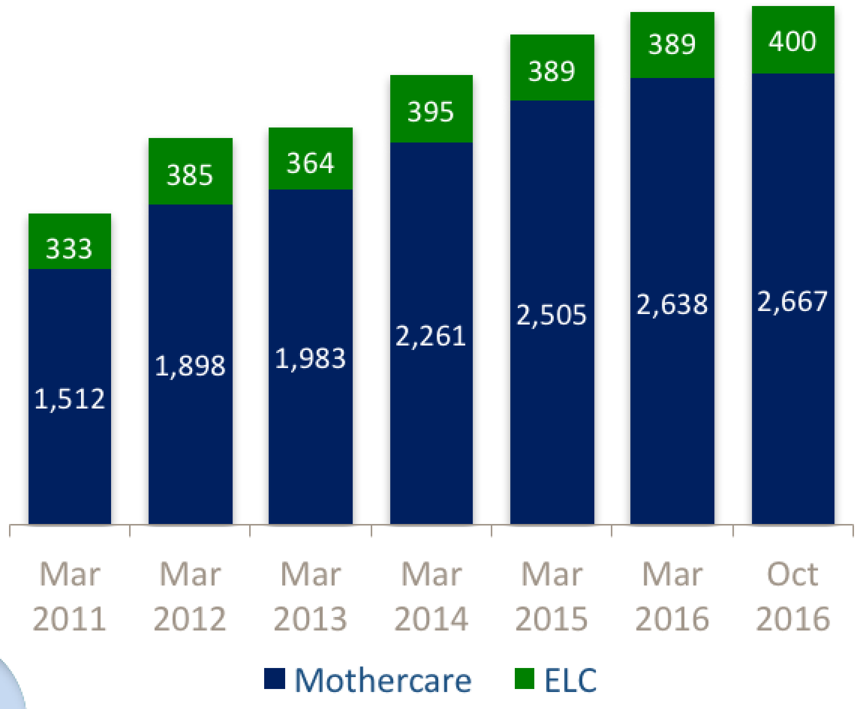
UK store and space numbers





International store and space numbers





Currency impact
28 weeks to 8 October 2016

	Sales £m	Underlying operating profit £m
Saudi riyal	6.5	-
Emirate dirham	4.6	-
Indonesian rupiah	1.9	-
Russian rouble	0.6	(0.4)
Other Middle East countries	4.2	0.1
Other currencies	12.0	0.4
Total currency impact	**29.8**	**0.1**

Currency impact
28 weeks to 8 October 2016

	H1 FY16/17	H1 FY15/16	% variance
Average:			
Russian rouble	88.95	89.38	+0.5%
Indonesian rupiah	18,186	20,720	+12.2%
Saudi riyal	5.17	5.77	+10.4%
Emirati dirham	5.03	5.64	+10.8%
Closing:			
Russian rouble	81.58	94.67	+13.8%
Indonesian rupiah	16,889	20,787	+18.8%
Saudi riyal	4.87	5.75	+15.3%
Emirati dirham	4.77	5.58	+14.5%

Pension scheme

		H1 FY16/17 £m	H1 FY15/16 £m	FY15/16 £m
Income statement	Running costs	(1.6	(1.5)	(2.7)
	Net (interest on liabilities)/return on assets	(1.3)	(1.5)	(2.7)
	Net DB charge	**(2.9)**	**(3.0)**	**(5.4)**
	DC charge	**(1.1)**	**(0.9)**	**(2.0)**
	Total pension charge	**(4.0)**	**(3.9)**	**(7.4)**
Cash funding	Recurring payments	2.4	(1.6)	(2.2)
	Deficit contribution	3.6	(5.4)	(8.9)
	DB cash funding	**6.0**	**(7.0)**	**(11.1)**
	DC cash funding	**(1.1)**	**(0.9)**	**(2.0)**
	Total cash funding	**4.9**	**(7.9)**	**(13.1)**
Balance sheet	Fair value of scheme's assets	329.4	288.4	287.5
	Present value of defined benefit obligations	(435.9)	(341.8)	(361.9)
	Net liability	**(106.5)**	**(53.4)**	**(74.4)**

Sensitivities for modelling assumptions

Using FY15/16 as a base and assuming no change to external factors:

- UK sales of £460m
  - 1% change in like-for-like sales
    - Impact of c.£4m on sales
    - Impact of c.£1.4-1.7m on gross profit assuming no change in margin rate
  - 10 basis point change in margin
    - Impact of c.£0.4m assuming flat sales
- International sales of £690m
  - 1% reduction in constant currency sales
    - Impact of £0.3 to £0.5m
  - 1% change in currency impact
    - Impact of £0.3m to £0.5m