



By Appointment to Her Majesty The Queen
Outfitters and Suppliers of Household Goods House of Fraser (Stores) Ltd T/A House of Fraser London

HOUSE OF FRASER

SINCE 1849

18 April 2017

Full Year 2016/17 Trading Update

House of Fraser, the UK and Ireland's premium department store group, today updates the market on its performance for the 52 weeks to 28 January 2017.

Financial highlights include:

- Total GTV of £1.3 billion in line with last year, like-for-like sales growth (excluding VAT) of 0.9%;
- Continued growth of online business, delivering 16.1% like-for-like sales growth in the year, online sales now represent 21.8% of total sales;
- Gross Profit of £483.1 million and gross margin of 36.9% in line with last year;
- Profit before tax and exceptional items of £3.4 million (2015/16: profit of £1.3 million);
- Profit after tax of £14.7m (2015/16: loss of £18.4m); and
- EBITDA of £63.6 million, a decrease of £2.7m on the previous year due to a reduction in financial services income of £3.9m in the first half of Fiscal Year 2017.

Colin Elliot, CFO of House of Fraser said:

"We are pleased to report another strong set of results despite continued challenging trading conditions across the retail sector. To deliver such a strong set of results for the year is a testimony to the resilience of our business model, and credit to the expertise and dedication of the new senior management team and our thousands of colleagues across the Group who strive to exceed our customers' expectations every day.

I, on behalf of the executive team at House of Fraser, would like to take this opportunity to thank our staff, brand and concession partners for their hard work over the period.

This is an exciting time for House of Fraser and I am confident that the actions taken by the new leadership team places us in a strong position for the future."

Operational highlights include:

- Like for Like sales growth of 0.9% for the year:
 - Strong growth of 3.6% in Branded sales, Concession sales in line with prior year while House Brand sales declined by 2.1%;
 - Continued strong performance in Beauty with sales increasing by 4.1%;
 - Womenswear sales decline by 0.6%; and
 - Growth in all other categories.
- Continued investment in enhancing the Group's store portfolio, including the completion of five store refurbishments during the year: London Victoria, Chichester, Shrewsbury, Darlington and Belfast.
 - Rushden Lakes – Anchoring a new shopping centre development in Rushden Lakes in Northamptonshire, due to open in Autumn 2017 with 64,000 sq. ft. of retail space; and
 - Chester Northgate – Committed to anchor a store at the new Chester Northgate retail and leisure complex in Chester City Centre.

- Launched a major £25m upgrade of House of Fraser's ecommerce platform in April 2017, which will:
 - Greatly enhance the customer online experience;
 - Significantly improve ecommerce margins; and
 - Provide the necessary capacity to allow the Group to double its online sales.

- Continued progress on expansion plans in China, through House of Fraser Group Limited. The first store opened in December 2016 in Nanjing.

Business review:

Over the year, the Group continued to strengthen the senior management team with the appointment of Maria Hollins to the position of Executive Director, Product and Trading and David Walmsley to the position of Chief Customer Officer.

The Group has also developed a new vision for the future strategic direction of the business encompassing three key strategic pillars: Product, Customer and Infrastructure, all under an overarching objective of transforming its relationship with customers from a transactional interaction to an experiential, lifestyle-led relationship.

Product

The Group will maintain its commitment to offer its customers premium products and services at competitive prices. House of Fraser continues to develop its brand offering across all categories and routes to market, but will focus over the next 18 months on refreshing its House Brands. As a result, five under-performing House Brands will be discontinued this Fiscal Year with the focus now being on improving the quality and designs of the most popular and best performing brands. The new House Brand womenswear offer will be available in stores and online from the Autumn/Winter 2017 season, with the full benefit being realised in Fiscal Year 2019.

Customer

The Group has carried out extensive research and analysis during the period to strengthen and deepen its understanding of its core customer base and to develop a stronger brand identity to align it with customer needs and expectations. In line with findings, the Group has launched a number of strategic marketing initiatives aimed to considerably improve the customer experience, both instore and online, drive better engagement and increases retention.

Infrastructure

The Group continues to invest in its portfolio of stores, completing a further five major refurbishments across the estate in Fiscal Year 2017, and in its IT infrastructure and logistics operations. In April 2017, the new web platform was launched which will greatly enhance the customer experience, significantly improve online margins and provide the necessary capacity to allow the Group to scale with the trend of growing online sales.

The Group has also conducted a thorough review of its warehouse operations and stock buying patterns to identify productivity and efficiency improvements. Significant changes to improve the performance of logistics and supply chain will be implemented over the coming 18 months.

Current trading:

The volatility experienced throughout Fiscal Year 2017 has continued into the current financial year. Whilst trading remained subdued in February, as witnessed across the retail sector, the Group saw significant improvement in March, with House of Fraser delivering a strong performance for the month ahead of expectations.

Frank Slevin, Executive Chairman of House of Fraser said:

“The Retail environment is changing and we must continue to innovate, challenge and strive to be what our customers want us to be. The strengthened leadership team have meticulously reviewed every part of our business and have set out a clear vision for the future direction of the business.

It is important that House of Fraser leads in providing the space and experience that attracts our customers to come and spend time in our stores, to make shopping with House of Fraser a lifestyle-led experience. With great teamwork, newly refurbished stores and a greatly improved web platform, I am confident that the Group has the solid foundations to deliver long term growth and sustainable profitability over the coming years.”

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Notes to Editors

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About House of Fraser:

House of Fraser is a department store group with 59 enviable locations across the UK and Ireland. As one of the best known names on the high street, House of Fraser has presented customers with an unrivalled nationwide department store for over 168 years. The Group has annual sales of £1.3bn and employs 5,000 House of Fraser employees and 12,500 concession staff through over 4 million sqft of selling space. Customers can shop at House of Fraser from <http://www.houseoffraser.co.uk>.

House of Fraser (UK & Ireland) Limited (formerly Highland Group Holdings Limited) is the parent company of the House of Fraser business in the UK and Ireland. It is 89% owned by House of Fraser Group Limited, which is also the parent company of House of Fraser's planned operations in China (the remaining 11% interest in House of Fraser (UK & Ireland) Limited is owned by West Coast Capital (HOF CO) Limited). Nanjing Cenbest, a listed company in China is the Group's ultimate parent company, following the acquisition on 2 September 2014.