MOSS BROS.

GROUP PLC

TRADING UPDATE

Moss Bros Group PLC ("the Group") today issues its Trading Update for the 23 week period from 30 July 2017 to 6 January 2018.

The Group continued to make progress, growing retail sales against a very challenging consumer backdrop but due to lower footfall than anticipated during December, particularly in stores, the business expects to report a full year profit before tax performance within a range of £6.5m to £6.8m, which is slightly below current market expectations.

Highlights:

- Total sales for the 23 weeks to 6 January were 1.1% ahead of last year.
- Total retail sales, including e-commerce, comprised 90% of Group revenue during the 23 week period and were up 1.6% vs the same period last year.
- Like for like total sales for the first 23 weeks of the second half were -0.1% lower than last year. On a like for like basis, retail sales including e-commerce were up 0.4% in the period under review.
- We have seen volatility towards the end of the period, with Aug-Nov store sales performing markedly better (+1.2% LFL) than the period since the beginning of December, to date (-8.0% LFL).
- E-commerce sales for the 23 weeks to 6 January were up 12.3% on last year. E-commerce sales comprised just under 13% of group revenue during the period and have performed consistently well across the half to date.
- Hire sales, which only account for 10% of group revenue in the period under review, were -3.6% on a like for like basis. Whilst down on the previous year, hire sales did improve on the previously reported first half performance, which was -8.4% below H1 last year.
- Overall, gross margins for the 23 weeks of the second half fell by -3.0% on last year. A fall of -0.7% was seen in the first half of the year. We had expected to see greater retail store margin reduction during the second half, but given the tightly controlled buy levels for the Autumn/Winter season, the deepest level markdowns were avoided and we expect to close the half with a clean stock position. However, these store margin upsides have been offset by variances in other gross margin cost lines and the increasing mix of e-Commerce and reducing mix of Hire within the half.
- Five new stores have been opened during the year and a further three stores have been re-located. We have also closed four marginal stores. The total estate is now 128 outlets. Seven stores have been refitted during the financial year to date. 108 new and refitted stores currently trade in the new format.
- The Group continues to maintain a healthy cash balance as it is strongly cash generative and expects to end the 2017/18 year with net cash of c. £17.0m (£19.5m as at 28 January 2017).
- The business continues to make progress against a backdrop of weaker consumer demand and increasing cost headwinds and we will continue to invest to ensure that we remain both relevant and competitive for our customers as we enter 2018. Given that we expect these challenging retail conditions to continue for the foreseeable future, the Board anticipates that this will impact anticipated profits for FY2018/19. We do however believe continued investment is essential to ensure we retain a sustainable point of differentiation and that we leverage our niche position on the high street.

Commenting on the outlook, Brian Brick, Chief Executive Officer, said:

"Having made considerable progress in building a strong, profitable, cash-generative menswear business which has outperformed the market in recent years and despite continued progress throughout much of 2017, we faced a very tough December trading environment, which led to a significant reduction in store footfall and a hardening of the corresponding competitive environment in which we operate. This, coupled with strong cost headwinds and a desire to protect margins, led to a disappointing year end short fall to sales and subsequently to our anticipated profits for the full year. This is all the more frustrating given that we have continued to make progress with LFL retail and online sales and with our Hire proposition.

In common with many UK retailers, the year ahead looks like being an extremely challenging one, not least because of the uncertain consumer environment, wider political backdrop and significant cost headwinds we face from a weaker pound, business rates and increasing employee related costs. However, we have a strong consumer proposition and our ambition remains to be the first choice for men's tailoring and we are determined to ensure that we continue to invest in this proposition to protect our position. We see the weaker environment as an opportunity to strengthen our core brand proposition and to utilise our strong balance sheet credentials to invest. Whilst this will inevitably impact anticipated profits for FY2018/19, we do believe continued investment is essential to ensure we retain a sustainable point of differentiation and that we leverage our niche position on the high street.

We are confident of our ability to continue to deliver enhanced returns to our shareholders".

The Group will announce its Preliminary Results on 27 March 2018.

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

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