MOSS BROS GROUP PLC

TRADING UPDATE

Moss Bros Group PLC ("the Group") today issues the following Trading Update for the 23 week period from 29 July 2018 to 5 January 2019, including the Christmas trading period.

The Group continued to make progress in a tough marketplace, having fully resolved all of the stock issues that the business faced with its supplier consolidation in the first half of the year. Total sales improved year on year, despite the challenging consumer backdrop and there has been an improving trend in the fourth quarter. However, the period post Black Friday required deeper discounting than planned, in order to remain competitive, with gross margin rates impacted.

Physical stores, notably those in the most high profile retail locations, underperformed as a result of reduced customer footfall. More positively, the strong momentum of our E-commerce channel, up 27.8% on the year, has been maintained throughout the period.

The Group anticipates delivering performance in line with current revised market consensus of an adjusted loss of £0.6m.

Highlights:

- Total sales for the 23 weeks to 5 January 2019 were 0.6% ahead of last year and -1.0% on a like for like basis.

- Performance has shown an improving trend across the first ten weeks of the fourth quarter (spanning late October 2018 – early January 2019) with total sales for the most recent period +3.8% vs the same period last year.

- Total retail sales, including E-commerce and wholesale, comprised 91% of Group revenue during the 23 week period and were up 1.9% vs the same period last year and 0.1% on a like for like basis.

- E-commerce sales for the 23 weeks to 5 January were strong, up 27.8% on last year. E-commerce sales comprised 16.2% of Group revenue (up from 12.8% last year) during the period and have performed consistently well across the half to date.

- Hire sales, which account for less than 10% of Group revenue in the period under review, were -11.2% lower on a like for like basis, and across the first ten weeks of the fourth quarter -8.5% vs the same period last year.

- Overall, trading gross margins for the 23 weeks of the second half fell by c. -2.6% vs last year, as a result of increased promotional activity, particularly from late October onwards and despite a favourable exchange rate variance versus the same period last year.

- Two new stores were opened during the year, one store was re-located and one store closed. The total estate is now 129 outlets. Average lease length is now 48 months compared with 55 months at January 2018.

- The Group maintained a healthy cash balance following the one-off investment of over £2m in recovering the stock position and expects to end the 2018/19 year debt free, with cash of c. £10.0m (£17.5m as at 27 January 2018).

- The business continues to make progress against a backdrop of weak consumer demand and substantial external cost headwinds, which we expect to continue throughout 2019. We will however invest to ensure that we remain both relevant and competitive for our customers as we enter the new year. This continued investment is essential to ensure we retain a sustainable point of differentiation, that we leverage our niche position on the high street and that we support continued strong growth in our E-commerce channel.

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

"As I noted at the time of our Interim results in September, we had already seen more intensive discounting from our competitors and this has continued throughout the period. Having originally sought to resist discounting pressures, we too have found the need to adopt a more tactical, discount–led pricing stance across all retail channels. Whilst this proved successful in delivering top line sales growth, there has been an expected negative impact on gross margin rates, which ensured that the Group managed the level of terminal stock.

Despite the improving trend in performance, we anticipate the period ahead will continue to be extremely challenging, as a result of the uncertain consumer environment, wider political backdrop and the significant cost headwinds that we continue to face from a weaker pound and further increases in business rates and employee related costs.

We do however see the weaker environment as an opportunity to enhance our specialist market position and strengthen our core brand proposition, so we retain a sustainable point of differentiation.

We remain debt free, with a strong balance sheet and are confident in our ability to deliver enhanced returns to our shareholders over the longer term".

The Group will announce its Preliminary Results on 26 March 2019.

For further information please contact:

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