PERFORMANCE REVIEW

Our performance in detail

JD Williams
goes from strength to strength, with our stylish product offer, digital marketing skills and 'life begins at 50' mantra really resonating with customers.

4.7%
Product revenue increase, to £151.2m

- New customers up 5%
- Overall online penetration 51%, up 6ppts year on year
- Online penetration of new customers now at 65%, up an impressive 13ppts year on year
- Online market share up from 1.0% to 1.6%, as measured by Hitwise
- VIP scheme, offered to our most loyal JD Williams customers, performing well
- Williams & Brown, the menswear offer within JD Williams, relaunched for SS16 and performing strongly

The JD Williams brand continues to perform well, as the improvements we are making to our products, our PR activity and our digital marketing campaigns continue to yield strong results.

This season we significantly extended the menswear range within JD Williams, which is called Williams & Brown, and performance has exceeded expectations.

Our JD Williams VIP scheme, first launched in May 2015 and offered to our most loyal JD Williams customers, continues to drive encouraging results in both frequency of spend and customer retention.

In February, on the eve of London Fashion Week, we hosted a JD Williams fashion show dedicated to females over 50 in partnership with the London College of Fashion. This was live-streamed onto JDWilliams.co.uk and received significant press coverage, further building brand awareness.

Simply Be
is an empowering online fashion brand, bringing stylish products to all regardless of size. The brand is gaining significant momentum both at home and in the USA.

15.6%
Product revenue increase, to £103.9m

- Overall online penetration stands at 89%
- For new customers, online penetration (excluding stores) is now 97%
- Constant improvement in social engagement and digital campaigns
- New ranges launched including Sprinkle of Glitter, Simply Be Unique, Coast at Simply Be and Jameela Jamil

We continue to improve our digital marketing expertise and social engagement, championing size inclusivity and body confidence.

We also continue to improve our products, delivering newness to customers every week and extending our ranges with Coast (exclusively in larger sizes) and Sprinkle of Glitter in SS16 after a great customer reaction in AW15.

Our digital marketing capabilities – increasing personalisation, offering exciting offers to our customers, and ensuring our site looks inspirational – continue to drive conversion and frequency of spend. In the coming year we are planning to launch a loyalty app to further drive retention.

We are excited about the global growth opportunity that Simply Be represents.

Jacamo

continues to grow strongly, with customers loving its digital offer and collections available in a market-leading range of sizes, from Small to 5XL.

14.6%

Product revenue increase, to £62.8m

- Overall online penetration now at 90%
- Excluding stores, 97% of new customer orders now come online
- Refreshed the brand look and feel during the past year
- Driving on Dave sponsorship
- Improved the fit of our smaller sizes

We have made significant product improvements during the quarter, focused particularly on broadening the brand appeal, the styling of the product range and the fit of our smaller sizes, which has resulted in strong sales and an encouraging reduction in the returns rate of these sizes.

During the second half of the year we refreshed the look and feel of the brand, improving cut-through. In December Jacamo became the official sponsors of the Driving shows on Dave TV, which has a real resonance with our customers.

Jacamo has also teamed up with Paralympian Jonnie Peacock for our new SS16 campaign, championing inclusivity and promoting body diversity and confidence.

Secondary Brands

delivered a pleasing performance during the year.

1.9%

Product revenue increase, to £152.7m

Whilst we see greater near-term growth opportunities in our Power Brands, our Secondary Brands – the main brands here being Figleaves, High and Mighty, Fashion World and Marisota – are all strong, with specific customer niche focuses, and all have attractive growth potential.

Overall revenue of this Group was up 1.9% year on year to £152.7m, with Fashion World performing particularly well within this.

All four of these brands are digital-first in their approach. Our central approach also means that running them is highly efficient.

Traditional Segment

revenue was down 5.5% year on year, and we are taking decisive actions to improve performance.

5.5%

Product revenue decrease, to £136.0m

Whilst not a future growth driver, the Traditional Segment remains relevant to the Group's overall portfolio. We have loyal customers who we know well, and long-established internal skillsets and capabilities in serving these customers. It is an attractive and accessible market, underserved by other retailers, and we generate a good financial return. In addition, our central approach to running our portfolio of brands means that operating these traditional titles is highly efficient for us.

Our Traditional titles have seen a disappointing revenue performance during FY16, with revenue down 5.5%.

We believe that we could serve these customers better, and have therefore taken a number of actions to improve performance. These actions include establishing a dedicated marketing team, changing our approach to promotions and giving a renewed focus on ensuring our product offering inspires and delights these customers. The low online penetration of this segment means that it is likely to take until the Autumn season before performance is improved, although we are confident that the actions we are taking will yield results.

International

continues to deliver impressive results. This year our USA business grew revenue by 29%, and delivered a profit for the first time in H2.

We are pleased with our performance in the USA, with revenue of £14.3m, up 29% year on year and 20% in constant currency terms. We reduced the operating loss significantly, from £2.5m last year to £1.0m this year.

In H2 we made a profit for the first time on a constant currency basis, of $0.2m compared to a loss of $0.9m in H2 FY15. This marks an important milestone for our USA operations. The significant improvement year on year was driven by a combination of factors, including the loyalty of our customer base, continued marketing efficiency, an improvement in promotional efficiency and a small change to our delivery offering.

In March 2016 we launched the JD Williams brand in the USA and, whilst early days, the initial performance has been very encouraging.

Our new international web platform goes live in the USA in August. This will give us much improved personalisation tools and a more agile site from an operations perspective. Until this platform is live we will remain in cautious expansion mode in the USA, with a focus on further improving customer loyalty, building brand awareness and increasing profitability.

Ireland

Our Ireland business delivered a good performance in FY16, with revenue growth of 4% in constant currency terms. We have a well-established and loyal customer file in Ireland, and, encouragingly, the revenue growth in FY16 was also driven by new customers, who are responding well to our improved product offering. In sterling terms Ireland revenues were £13.4m in FY16, down 7% year on year.

Stores

remain an important enabler for our business, driving both online sales in their catchment areas and brand awareness.

Stores remain a small part of our overall Group, although we see them as an important enabler of our overall growth strategy. Sales from our store estate were up 18% to £27.0m. The operating loss was £1.0m versus £0.8m last year. There remains more to do in terms of improving the efficiency of our store estate.

We have 14 dual-fascia Simply Be and Jacamo stores. Our long-term strategy here is unchanged – we plan to ultimately have 25 stores in total, covering 85% of the population. We continue to see a positive halo effect from our store portfolio and they are also important in terms of serving customers and building brand awareness.

Financial Services

performed well during FY16 and offers our customers a way of spreading the cost of their purchases over time.

2.1%

Revenue increase, to £259.6m

Financial Services revenue was up 2.1% to £259.6m. This includes the £19.0m increase to revenue as a result of the IAS 39 restatement (FY15: £19.2m); more detail on the restatement is within the Financial Review.

Our aim is to grow two key customer bases – customers who utilise their account (internally termed our 'rollers') and cash customers, who pay immediately on a credit or debit card. Currently half of new customers opt to open a credit account, and half are cash customers. Whilst less profitable, cash customers generate attractive returns, and are important in terms of driving our growth, broadening our appeal and enabling us to gain economies of scale. Once our new Financial Services offering is live we will aim to convert some of our new and existing cash customers to account customers; this is not currently a focus given our relatively inflexible offering.

At the first half results we reported an increase in new credit customer recruits who roll a balance, the first such increase for three years. We are pleased to report that this trend has continued, up 2% in the second half. This is a slowdown on the figure reported in the first half, however, primarily as a result of tightened fraud rules. We continue to believe that the primary driver of an increase in new credit customers is our improved product proposition.

Over Christmas we ran a small trial on a few of our brands offering 0% interest to new customers. The initial results of this trial are positive, although we need to assess the behaviour of customers who took up the offer over the course of the current season before we will be able to fully judge the result.

Our new Financial Services Director Steve Johnson joined in February and is already making a significant contribution in improving and modernising our operations. We are assessing our approach to data capture and processes, and believe there are changes we could make to not only improve our efficiency, but also the customer experience.

The Credit release of Fit 4 the Future goes live from Autumn 2016, with the main brands moving onto the new credit platform in early calendar 2017. The new platform will allow us to charge variable APRs for the first time, as well as offer promotional interest free periods and other new credit products. This will broaden our appeal and further enable future growth.

In common with the wider industry, we are now regulated by the FCA, having historically been regulated by the OFT. Our FCA application is progressing in line with expectations.