

FLASH REPORT



ASCENA RETAIL (ASNA) 1Q17 RESULTS: ASCENA RETAIL EXPECTS ENVIRONMENT TO CONTINUE TO BE CHALLENGING

	1Q17	1Q16	YoY Change
Revenues (USD Bil.)	\$1.68	\$1.67	0.4%
Gross Margin	60.4%	54.0%	640 bps
SG&A/Sales	31.2%	29.1%	210 bps
Operating Margin	3.1%	(0.7)%	380 bps
Adjusted EPS	\$0.18	\$0.36	(50.0)%

Source: Company reports/Fung Global Retail & Technology

- Ascena Retail reported 1Q17 adjusted EPS of \$0.18, versus the consensus estimate of \$0.20.
- Total revenue was \$1.68 billion, up slightly from \$1.67 billion in the year-ago quarter but below expectations of \$1.71 billion. Comps for the company were down 5% versus consensus expectations of a 3.9% decline. By brand, Ann Taylor comps were down 11%, LOFT comps were down 3%, Justice comps were down 1%, Lane Bryant comps were down 4%, Maurices comps were down 6%, Dressbarn comps were down 5% and Catherine's comps were down 10%.
- Quarter to date, trends have improved following a challenging period ahead of the US presidential election in early November. Comps were up 2% for the nine-day period covering the weekend preceding Thanksgiving through Cyber Monday.

1Q17 RESULTS

Ascena Retail reported 1Q17 adjusted EPS of \$0.18, versus the consensus estimate of \$0.20.

Total revenue was \$1.68 billion, up slightly from \$1.67 billion in the year-ago quarter but below expectations of \$1.71 billion. Comps for the company were down 5% versus consensus expectations of a 3.9% decline. By brand, Ann Taylor comps were down 11%, LOFT comps were down 3%, Justice comps were down 1%, Lane Bryant comps were down 4%, Maurices comps were down 6%, Dressbarn comps were down 5% and Catherine's comps were down 10%.

The company reacted to unfavorable sales trends in September by offering aggressive and targeted promotions as well as by reducing operating expenses and capital expenditures.

Quarter to date, trends have improved following a challenging period ahead of the US presidential election in early November. Comps were up 2% for the nine-day period covering the weekend preceding Thanksgiving through Cyber Monday. During the same period, e-commerce sales increased at a double-digit rate and offset negative sales in the brick-and-mortar channel, which continued to face traffic headwinds.



FLASH REPORT

2017 OUTLOOK

Looking forward, management believes market conditions will continue to be challenging, and it is therefore focusing on the parts of the business that it has control over.

Management provided 2Q17 guidance for EPS of \$(0.05)–breakeven versus consensus of \$0.01.

The company reaffirmed its full-year EPS guidance of \$0.60–\$0.65 versus consensus of \$0.61.



FLASH REPORT

Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Shoshana Pollack

Senior Research Associate

HONG KONG:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

LONDON:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

NEW YORK:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com