



FLASH REPORT

DEBENHAMS (LSE: DEB) 3Q17 Update: Comparable Sales Growth Deteriorates

- UK-based department store chain Debenhams reported that gross transaction value declined by 1.0% year over year in 3Q17. Constant-currency comparable sales declined 2.4%.
- Following weak 3Q17 sales, the company expects to deliver FY17 profit before tax (PBT) within the current range of market expectations, but warned that PBT could be toward the lower end of the range.
- Gross margin guidance for FY17 was unchanged, whereas cost guidance tightened to a 3% increase, or a 1% increase in constant currency.

3Q17 Trading Update

UK-based department store chain Debenhams reported that gross transaction value declined by 1.0% year over year in 3Q17 (15 weeks ended June 17). In 3Q17, group comparable store sales declined by 0.9% year over year, or down 2.4% at constant currency. The company did not provide a comp figure for the UK only.

This performance marked a slowdown from 1H17, when group comps rose 3%, or 0.1% on a constant-currency basis.

Digital sales continued to be driven by mobile demand in 3Q17, and saw an increase of 7.9%.

Full-price sales increased by 1.7% following tight seasonal inventory management. Constant-currency sales performance in the International division improved, as weaker trading in the Middle East and Ireland was offset by sales growth in Denmark.

In the UK, weakness in apparel sales was offset by stronger sales in the beauty, accessories and food and drink categories.

Guidance

The company stated that the UK retail environment has been “more volatile” in 2H17, and should this continue, FY17 PBT could be toward the lower end of market expectations. Following 3Q17 sales, gross margin guidance for FY17 was unchanged at (25) basis points year over year, but cost guidance tightened to a 3% increase year over year, or a 1.0% increase in constant currency.

The consensus estimate for FY17 gross transaction value stands at £2,965 million, implying annual year-over-year growth of 0.9%. Consensus expects PBT of £99.5 million, implying a year-over-year decline of 15.8%. The consensus normalized EPS estimate for FY17 stands at 6.5 pence, implying a year-over-year decline of 17%. These figures were collated before the latest results.



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