

## DEBENHAMS (LSE:DEB) FY17 Results: Weak Sales and Margin Performance

Figure 1. Debenhams FY17 Key Metrics

	FY17	FY16	YoY Change
Revenues (GBP Mil.)	£2,335	£2,310	1.1%
Gross Margin	12.4%	12.9%	(50)bps
SG&A/Sales	7.8%	7.3%	50bps
Operating Margin	4.6%	5.6%	(100)bps
Diluted EPS (GBP)	6.4p	7.5p	(14.7)%

Source: Company reports/FGRT

- UK-based department store chain Debenhams reported gross transaction value sales of £2,954 million for FY17, up 2.0% year over year, and above the consensus estimate of £2,947 million.
- FY17 statutory revenues came in at £2,335 million, up 1.1% year over, and group comparable-store sales decreased 0.2% year over year on a constant-currency basis. UK reported revenues were down by 0.7% and UK comparable-store sales were flat year over year.
- The FY17 gross margin contracted by 50 basis points to 12.4% and underlying EPS decreased by 14.7% year over year.
- For FY18, Debenhams forecasts gross margin erosion of 25 bps year over year and an increase in total costs of 1.0%–2.0% year over year. Management did not issue sales guidance.

### FY17 Results

UK-based department store chain Debenhams reported FY17 statutory revenues of £2,335 million, up 1.1% year over year. UK reported revenues decreased by 0.7% and international revenues increased by 9.5% year over year. Beauty category sales increased by 5.0% and food sales by 8.0% year over year, while clothing sales declined by 0.5%.

Group comparable-store sales decreased by 0.2% year over year on a constant-currency basis. Comparable-store sales were mainly driven by 12.7% online sales growth. UK store comparable sales were flat.

The FY17 gross margin contracted by 50 bps to 12.4%. The operating margin contracted 100 bps to 4.6% and underlying EPS of 6.4p declined by 14.7% year over year in FY17.

### Outlook

For FY18, Debenhams forecasts gross margin erosion of 25 bps year over year and an increase in total costs of 1.0%–2.0% year over year. Management did not issue sales guidance.

The consensus estimate for gross transaction value sales for FY18 stands at £2,940 million, implying an annual year-over-year decline of 0.3%. Consensus expects operating profit of £100 million, implying a year-over-year decline of 9.2%. For FY18, consensus expects EPS of 5.4p, implying a decline of 15.0% year over year.



FLASH REPORT

---

**Deborah Weinswig, CPA**

Managing Director  
FGRT  
New York: 917.655.6790  
Hong Kong: 852.6119.1779  
China: 86.186.1420.3016  
deborahweinswig@fung1937.com

**Eva Kubicka**  
Senior Research Associate

---

**Hong Kong:**

2nd Floor, Hong Kong Spinners Industrial Building Phase 1&2  
800 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, 18th Floor  
New York, NY 10018  
Tel: 646 839 7017

**[FungGlobalRetailTech.com](http://FungGlobalRetailTech.com)**