

MATALAN

19 July 2011

Matalan First Quarter results for the 13 weeks ended 28 May 2011

Matalan, the UK's leading out of town fashion and homeware retailer, announces a trading update for the 13 weeks ended 28 May 2011.

Highlights

- Total revenue of £268.1m was 2.7% down on last year
- EBITDA from continuing operations of £27.6m
- LTM EBITDA of £140.8m
- Online sales continue to deliver strong growth with online sales doubling compared to the same period last year
- Closing cash balance £76.7m
- Opened a new store in Trowbridge, Wiltshire
- Cautious on outlook: priority remains offering outstanding value and quality to consumers while minimising cost inflation impact

Performance overview

The results for the quarter reflect both strong comparatives in the first quarter last year and current challenging trading conditions. The business grew through to the middle of May, however in the last two weeks of the period sales performance lagged against last year's very strong comparatives.

Menswear and Childrenswear have continued to perform well and the changes we have implemented in our Homeware offer are starting to show positive results.

The growth in our online channel continues and we opened one new store in the quarter. The stores which have been refurbished to reflect our new fit-out, are all outperforming the main estate.

Our cash performance remains very strong, with our cash balances ending the period significantly up on last year at £76.7m (2010: £44.7m).

Outlook

Trading conditions remained challenging in June, particularly in the face of earlier competitor Sale activity. July results to date show some improvement in trading. The outlook for trading and the UK consumer remains uncertain and we do not anticipate any marked improvements in the near future.

Against this backdrop, we are applying additional focus to our price positioning and are investing in delivering keener prices and an even clearer proposition to our consumers.

Our priority is to remain competitive while providing value and quality to our customers; and we have a renewed focus on exceeding our customers' expectations in the areas of product design, price and quality in a way that is easier to communicate and understand.

Although we are unlikely to feel the improvements this year, we have seen a stabilisation of input cost prices which should allow us to plan with more confidence for next year.

We will continue to invest modestly in new stores where suitable opportunities arise, and are considering a more extensive store refurbishment programme for early 2012. The strong growth in our on line store is expected to continue.

Commenting on the performance Darren Blackhurst, CEO of Matalan said:

"While our financial performance has been challenging in the first quarter and we expect these conditions to remain for the near future, there are many reasons to be confident and excited about the long-term future for Matalan. The brand has real equity with customers from a value perspective, there is considerable latent potential within our core business and the opportunity for future expansion remains.

"The fact is, customers face tough times at present. Juggling the weekly budget is becoming increasingly difficult for many households. With fuel and food prices taking up more of their spend, Matalan customers tell us they appreciate the work we do in keeping the cost of good quality clothing and homeware as low as possible for them. Summer dresses for £4 & ladies vests for £2 are examples of this.

"Whilst we remain cautious about future trading, we will focus on giving our customers a relevant offering during these uncertain times. As such we have three clear priorities for this year - keeping prices as low as possible for our customers, investing in quality and design to bring customers the most fashionable products for less, and continuing to improve the shopping experience."

Ends

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About Matalan Retail Limited

Matalan is the UK's leading out of town fashion and homeware retailer and operates through 211 stores in the UK, an e-commerce platform and 6 overseas franchise stores. Matalan Retail Limited was taken private in December 2006 by the acquisition of its parent company, Matalan Plc (now delisted and known as Matalan Limited), by Missouri Bidco Limited, subsequently renamed Matalan Finance Limited. Matalan Finance Limited has subsequently become a public limited company and is ultimately controlled by the Hargreaves family.

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