

# MATALAN

**18 October 2011**

## **Matalan Second Quarter results for the 13 weeks ended 27 August 2011**

Matalan, the UK's leading out of town clothing and homeware retailer, announces a trading update for the 13 weeks ended 27 August 2011.

### **Highlights**

- Total revenue of £258.5m; in line with last year
- EBITDA from continuing operations of £13.6m
- LTM EBITDA of £117.7m
- Online continues to deliver strong growth
- Opened a new store in Crawley, West Sussex
- Successful promotional activity to clear summer terminal stock
- Closing cash balance £75.1m
- Outlook remains cautious

### **Performance overview**

The results for the quarter reflect ongoing challenging trading conditions.

The tough economic environment led to weaker footfall in the quarter. As a result we invested in promotional activity to drive footfall and clear summer stock, leading to a clean terminal stock position at the end of the period. This activity coupled with higher input costs had a negative impact on margin.

June was a particularly difficult month with competitor sale activity starting earlier than last year. We started to see improvements in LFL trading in July with the implementation of our "Line & Price" strategy which was aimed at simplifying our message to our customer. This improvement continued into August where we finished the half strongly.

Menswear and Childrenswear have continued to perform well and our Homeware offering is showing strong positive results as a result of the changes that we implemented towards the end of last year. Ladieswear remains the most challenging area of our offer.

Cost base inflation remains largely subdued, and our operational cost base is under constant review for opportunities to reduce costs and drive efficiency. Additional costs have been incurred on new space (both annualisation of FY11 openings and FY12 new space) and investment in marketing.

We opened a new store in the quarter in Crawley, our second of the year, and are continuing to see strong performance in new stores and our reopened store at Grimsby. A third store is planned for Newtonards in Northern Ireland in November and we have recently relocated our Scunthorpe store. The existing stores which have been refurbished to reflect our new fit-out are all outperforming the main estate.

Our online channel continues to deliver strong growth with the conversion rate continuing to improve compared to last year, and turnover doubling.

Our cash position remains very strong. We ended the period with cash of £75.1m (2010: £63.8m).

## **Outlook**

The outlook for the UK consumer remains uncertain with well documented pressure on disposable incomes and confidence levels. As these conditions are unlikely to change in the near future, we remain cautious about the outlook. As a result, we will continue to take action to ensure our retail offering is appealing and competitive for our customers.

We continue to apply additional focus to our price positioning and are investing in delivering keener prices and an even clearer proposition to our consumers, whilst maintaining outstanding value and quality.

Although we are unlikely to see the benefits this year, we have started to see input cost price pressure ease which should allow us to plan with more confidence for next year.

We have signed three new stores for next year and will continue to refurbish the existing estate where cash paybacks are strongest. The strong growth in our on line store is expected to continue and we are looking at opportunities to increase our multichannel offering in ways that are not capital intensive.

September started strongly, although this was hampered by the unseasonably hot and sunny weather in the last week. Our focus remains on managing the seasonal risk in our stock package and optimising our cash balances at the end of the season.

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

“Our customers continue to tell us that our value proposition, selling higher quality low cost product, is exactly what they need as they face increasing pressures on their disposable income.

“The challenging conditions that we faced in the first quarter continued into the second quarter. Whilst we do not expect these conditions will change in the near future, Matalan continues to be a profitable, cash generative and robust business with growth opportunities.”

**Ends**

## **Enquiries:**

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**About Matalan Retail Limited**

Matalan is the UK's leading out of town fashion and homeware retailer and operates through 212 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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