Ashley (Laura) Hldgs PLC - ALY
Released 07:00 16-Feb-2017

Interim Results

RNS Number : 0139X
Ashley (Laura) Hldgs PLC
16 February 2017

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LAURA ASHLEY HOLDINGS plc
("the Group")

Laura Ashley Holdings plc announces its interim results for the 26 weeks to 31 December 2016.

Summary

- Total Group sales of £146.0m (26 weeks to 30 January 2016: £149.8m).
- Total like-for-like retail sales down 3.5%.
- Profit before tax of £7.8m (26 weeks to 30 January 2016: £11.0m)
- Online revenue of £25.6m. (26 weeks to 30 January 2016: £25.0m).
- Hotel revenue of £1.4m (26 weeks to 30 January 2016: £1.3m).
- Interim dividend of 0.5 pence.

Commenting on the results, Tan Sri Dr Khoo Kay Peng, Chairman, said:

"Trading conditions have been demanding during the first six months of the year ending 30 June 2017. The Board have reviewed the first half results and forecasts for the remainder of the year to 30th June 2017 and, given the continued market challenges, feels that net pre-tax profit for the year will fall below market expectations.

Despite the well-documented pressures in the broader commercial environment, there have been a number of positives in the first half and the business is well placed to respond to the challenges ahead. We are committed to delivering the best possible multichannel experience for our customers. Looking ahead, the ongoing investment to enhance the online experience will add to the already rich heritage of this great British Brand and bring Laura Ashley to a larger and more international audience.

Continuing to grow and develop our international presence and explore new partnership opportunities is an important part of our strategy and we have made good progress in the half. We signed a new licence partner for the India market which strongly positions the brand for advancing in a major country. We are also pleased to now have a presence in China, having launched a website in November.

As we connect with new customers, both in the UK and worldwide, our ongoing commitment to design, quality and innovation will ensure that the Company and the Brand continues to resonate with its existing loyal customer base. I am confident that Laura Ashley is well positioned to continue its progress and make the most of the opportunities ahead."

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This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014 (MAR).

Overview

The period under review has been a challenging period for the Group as it dealt with a softening of the market and increasing cost pressures. For the 26 weeks to 31 December 2016, total Group sales were £146.0m (26 weeks to 30 January 2016: £149.8m), a fall of 2.5%. Like-for-like retail sales fell by 3.5% over the same period. e-Commerce sales grew to £25.6m (26 weeks to 30 January 2016: £25.0m). Like-for-like e-Commerce sales grew by 2.1%.

Margins in the period have been impacted as the Company has had to contend with the combined effect of adverse foreign currency rates and underlying cost increases due to rise in national living wage which has contributed to an increase in operating expenses in the period to £52.3m (26 weeks to 30 January 2016: £49.5m). As a result, group profit before taxation decreased to £7.8m (26 weeks to 30 January 2016: £11.0m).

Cash Flow and Balance Sheet

As at 31 December 2016, net debt for the Group stood at £25.1m of which £22.2m related to the purchase of the office building in Singapore. This is in line with cash levels at this time of year. Inventory of £50.2m (26 weeks to 30 January 2016: £55.2m) was in line with requirements.

Dividend

The Board has recommended the payment of an interim dividend of 0.5 pence per share (26 weeks to 30 January 2016: 1 pence per share). The interim dividend will be paid on 17 March 2017 to all shareholders on the register at the close of business on 24 February 2017. The ex-dividend date will be 23 February 2017.

UK Retail and E Commerce

As at 31 December 2016, the property portfolio in the UK comprised of 190 stores (June 2016: 192). The portfolio is as follows: 115 Mixed Product stores, 48 Home stores, 25 Concession stores, 1 Gifts & Accessories store and 1 Clearance outlet. During the reporting period, two stores were closed and none were opened. 22 concession stores in Homebase will be closed by June 2017 following the acquisition of Homebase by Bunnings. Actions are being taken to minimise the impact to profit of the closure of these concessions.

Total UK retail sales of £133.4m were recorded during the period (26 weeks to 30 January 2016: £136.7m). On a like-for-like basis, UK retail sales fell by 3.5%

Total e-Commerce sales of £25.6m were recorded during the period (26 weeks to 30 January 2016: £25.0m). We continue to improve and enhance our e-commerce reach and capability as we see this as an important part of our proposition going forward. Already delivering to eight European countries, we have recently added delivery to the Czech Republic and Hungary. New payment solutions will be added to the online platforms in Germany, Benelux and France over the coming months. The Company also launched its digital platform in China in November 2016. This will continue to be developed during the current year.

Product

The UK business is split into four main categories. For the 26 weeks ended 31 December 2016, the relative split of UK sales was as follows: Home Accessories 34%, Furniture 30%, Decorating 20% and Fashion 16%.

<u>Furniture</u>
The Furniture product category includes upholstered and cabinet furniture, beds and mirrors.

Furniture sales for the 26 weeks to 31 December 2016 decreased by 9.3% with like-for-like sales down 8.0%. In spite of a soft performance in this category over the whole period, the performance of furniture improved during the second quarter. Our new season product range has recently been launched and the early reaction to this has been encouraging so we are hopeful for a stronger second half for this category.

<u>Home Accessories</u>
The Home Accessories product category includes lighting, gifts, bed linen, rugs, throws, cushions and children's accessories.

Home Accessories sales for the 26 weeks to 31 December 2016 increased by 0.3% with like-for-like performance up by 2.5%. This category continues to expand and complement our decorating products. Our seasonal ranges were the most successful element of the first half and these will be enhanced and grown over the coming seasons.

<u>Decorating</u>
This category includes fabric, curtains, wallpaper, paint and decorative accessories.

Decorating sales for the 26 weeks to 31 December 2016 fell by 7.7% with like-for-like sales down by 6.4%. Despite a disappointing first half, we are very pleased with the early reactions to our new season ranges and themes. Building on known best sellers and classic designs with the addition of a contemporary twist, the breadth of our collections provides the platform for our uniquely British handwriting.

Fashion
This category includes adult fashion, fashion accessories and perfumery.

Fashion sales for the 26 weeks to 31 December 2016 decreased by 5.0% over the same period last year with like-for-like sales down 3.2%.

Hotel

The Laura Ashley hotel recorded sales of £1.4m (26 weeks to 30 January 2016: £1.3m) over the period, reflecting the continued growth trend of recent years.

International Operations

Continuing to grow and develop our international presence and explore new partnership opportunities remains an important part of our strategy and, in the period, our international operations contributed 7.0% of total Group revenue. As at 31 December 2016, there were 251 franchised stores (252 as at 30 June 2016) in 29 territories worldwide.

Franchise and Licensing revenue of £10.2m was recorded during the period to 31 December 2016. (26 weeks to 30 January 2016: £10.6m). This decline was primarily due to the performance of the licensing business where a number of agreements were terminated.

We successfully signed a new licence partner (the Future Group) for the India market in the period which strongly positions the brand for future advances in this country. As noted above, we are also pleased to now have a presence in China, having launched a website in November 2016. We believe that the Chinese market offers exciting long term growth opportunities given the appeal of British brands in the region.

We are continuing to broaden our international reach and capability and new agreements are being negotiated which should strengthen revenue during the second half and into the years to come. In addition, we will continue to work closely with our existing partners and are confident that the Franchise and Licensing business will continue to grow, develop and become an increasingly important part of Group revenues.

Current Trading and Outlook

Trading conditions have been demanding during the first six months of the year ending 30 June 2017. The Board have reviewed the first half results and forecasts for the remainder of the year to 30th June 2017 and, given the continued market challenges, feels that net pre-tax profit for the year will fall below market expectations. Like-for-like sales for the six weeks to 11th February 2017 were 0.6% down on last year.

As we connect with new customers, both in the UK and worldwide, our ongoing commitment to design, quality and innovation will ensure that the Company and the Brand continues to resonate with its existing loyal customer base. I am confident that Laura Ashley is well positioned to continue its progress and make the most of the opportunities ahead.

Acknowledgements

I wish to convey my thanks to our staff, management and my fellow Board members for their hard work and commitment.

I would like to thank our customers, franchise partners, license partners, shareholders and suppliers for their continued support and loyalty to the Group.

Tan Sri Dr Khoo Kay Peng
Chairman

Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and beyond, and could cause actual results to differ materially from expected and historical results. The Board considers that the majority of significant risks and uncertainties remain as published in the Annual Report for the period ended 30 June 2016. These comprise:

- Failure of the business to meet sales and margin targets
- Failure to maintain or increase market share
- Failure to optimise store portfolio
- Failure to develop innovative product ranges
- Failure to attract, develop and retain talent with the correct skill and capability for further development as part of the Group's succession policy
- Failure to deliver sales growth online by failing to meet customer expectations or through failure of the website. Disruption to key IT systems from a major incident, including a cyber-attack

- Failure to grow our international business successfully through Franchise and Licensing partnerships
- Failure to maintain cost efficient funding and react to changes in foreign currency exchange fluctuations. Unforeseen financing requirements or treasury exposures
- Failure of central computer servers that manage points of sale, contact centre or website
- The risk of theft of staff, customer or corporate data.

A detailed explanation of these risks can be found on pages 17 to 18 of the 2016 Annual Report which is available at www.lauraashley.com.

Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

- The interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial period and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remainder of the period; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial period and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

By order of the Board
Seán Anglim
Chief Financial Officer

Condensed Group Statement of Comprehensive Income
For the 26 weeks ended 31 December 2016

	Note	**26 weeks to 31 December 2016 (unaudited) £m**	26 weeks to 30 January 2016 (unaudited) £m	74 weeks to 30 June 2016 (audited) £m
Revenue	2	**146.0**	149.8	400.9
Cost of sales		**(85.5)**	(85.5)	(228.9)
Gross profit		**60.5**	64.3	172.0
Operating expenses		**(52.3)**	(49.5)	(143.0)
Profit from operations		**8.2**	14.8	29.0
Share of operating (loss) of associate		**-**	(1.6)	(1.9)
Finance costs		**(0.4)**	(0.8)	(1.3)
Profit before taxation excluding exceptional items		**7.8**	12.4	25.8
Exceptional items		**-**	(1.4)	(1.9)
Profit before taxation		**7.8**	11.0	23.9
Taxation		**(1.6)**	(2.4)	(6.9)
Profit for the financial period*		**6.2**	8.6	17.0
Other comprehensive income:				
Actuarial gain on defined benefit pension scheme		**-**	2.4	1.1
Deferred tax effect		**-**	(0.5)	(0.2)
Total that will not be subsequently reclassified to profit and loss		**-**	1.9	0.9
Exchange differences on translation of investments		**0.9**	(0.7)	(2.2)
Other reserve movements		**0.6**	0.2	1.8
Total that may be subsequently reclassified to profit and loss		**1.5**	(0.5)	(0.4)
Other comprehensive profit for the period net of tax		**1.5**	1.4	0.5
Total comprehensive income for the period		**7.7**	10.0	17.5

***Earnings per share - basic and diluted calculated based on profit for the financial period**	**0.85p**	1.18p	2.34p

The Group's results shown above are derived entirely from continuing operations.

Condensed Group Balance Sheet
As at 31 December 2016

	At 31 Dec 2016 (unaudited) £m	At 30 Jan 2016 (unaudited) £m	At 30 June 2016 (audited) £m
Non-current assets			
Intangibles	**2.2**	2.3	2.4
Property, plant and equipment	**50.2**	55.2	52.0
Investment property	**4.0**	-	3.9
Deferred tax asset	**3.2**	3.0	3.2
Investment in associate	**3.9**	2.6	2.6
	63.5	63.1	64.1
Current assets			
Inventories	**53.6**	50.5	51.9
Trade and other receivables	**17.6**	18.2	17.2
Cash and cash equivalents	**5.3**	17.1	19.8
	76.5	85.8	88.9
Total assets	**140.0**	148.9	153.0
Current liabilities			
Current tax liabilities	**1.6**	1.8	3.0
Trade and other payables	**47.6**	65.0	48.3
Short-term borrowings	**9.6**	1.1	16.1
	58.8	67.9	67.4
Non-current liabilities			
Retirement benefit liabilities	**16.2**	15.0	16.2
Deferred tax liabilities	**0.2**	0.2	0.2
Long-term borrowings	**20.8**	19.7	21.7
Provisions and other liabilities	**0.3**	0.9	0.6
	37.5	35.8	38.7
Total liabilities	**96.3**	103.7	106.1
Net assets	**43.7**	45.2	46.9
Equity			
Share capital	**37.3**	37.3	37.3
Share premium	**86.4**	86.4	86.4
Own shares	**(0.8)**	(0.8)	(0.8)
Retained earnings	**(79.2)**	(77.7)	(76.0)
Total equity	**43.7**	45.2	46.9

Condensed Group Statement of Changes in Shareholders' Equity
For the 26 weeks ended 31 December 2016

	Share capital £m	Share premium £m	Own shares £m	Retained earnings £m	Total equity £m
Balance as at 31 January 2015	37.3	86.4	(0.8)	(79.0)	43.9
Profit for the 52 weeks ended 30 January 2016	-	-	-	15.3	15.3
Dividend paid	-	-	-	(14.5)	(14.5)
Other comprehensive income	-	-	-	0.5	0.5
Balance as at 30 January 2016	37.3	86.4	(0.8)	(77.7)	45.2
Profit for the 22 weeks ended 30 June 2016	-	-	-	1.7	1.7
Dividend paid	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Balance as at 30 June 2016	37.3	86.4	(0.8)	(76.0)	46.9
Profit for the 26 weeks ended 31 December 2016	-	-	-	6.2	6.2
Dividend paid	-	-	-	(10.9)	(10.9)

Other comprehensive income	-	-	-	1.5	1.5
Balance as at 31 December 2016	**37.3**	**86.4**	**(0.8)**	**(79.2)**	**43.7**

Condensed Group Cash Flow Statement

For the 26 weeks ended 31 December 2016

	Note	**26 weeks to 31 December 2016 (unaudited) £m**	26 weeks to 30 January 2016 (unaudited) £m	74 weeks to 30 June 2016 (audited) £m
Operating activities				
Net cash generated from operations	5	**7.3**	17.4	16.3
Corporation tax paid		**(3.0)**	(2.3)	(5.8)
Dividend paid		**(10.9)**	(7.3)	(14.5)
Finance cost		**-**	(0.5)	-
		(6.6)	7.3	(4.0)
Investing activities				
Purchase of intangible assets		**(0.1)**	-	(1.7)
Purchase of property, plant and equipment		**(0.1)**	(30.9)	(39.5)
		(0.2)	(30.9)	(41.2)
Financing activities				
Bank loan received		**-**	21.3	24.1
Repayment of bank loan		**(0.7)**	(0.5)	(1.1)
Interest expense		**(0.4)**	(0.3)	(0.6)
		(1.1)	20.5	22.4
Net (decrease) in cash and cash equivalents		**(7.9)**	(3.1)	(22.8)

Reconciliation of Net Cash Flow to movement in Net Funds

For the 26 weeks ended 31 December 2016

	26 weeks to 31 December 2016 (unaudited) £m	26 weeks to 30 January 2016 (unaudited) £m	74 weeks to 30 June 2016 (audited) £m
Net (decrease) in cash and cash equivalents	**(7.9)**	(3.1)	(22.8)
Net funds at the beginning of the period	**5.0**	20.2	27.8
Net funds at the end of the period	**(2.9)**	17.1	5.0

The above reconciliation includes an amount of £8.2m which is a restricted overdraft.

Notes

1 Basis of preparation

This condensed set of financial statements has been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting' as adopted by the European Union ('EU').

As required by the Disclosure and Transparency Rules of the UK's Financial Conduct Authority and other than described below, this condensed set of financial statements has been prepared by applying the accounting policies and presentation that were applied in the preparation of the Group's published financial statements for the financial period ended 30 June 2016, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU.

No new or amended financial accounting standards have been adopted in these financial statements.

The statutory audited accounts for the period ended 30 June 2016 have been delivered to the Registrar of Companies in England and Wales. The Auditor's report on these accounts was unqualified and did not contain statements under Section 498 of the Companies Act 2006.

These six months condensed financial statements are unaudited, not reviewed in accordance with 'International Standard on Review Engagements (UK and Ireland) 2410' and do not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006.

2 Segmental analysis

	26 weeks to 31 December 2016 (unaudited) £m	26 weeks to 30 January 2016 (unaudited) £m	74 weeks to 30 June 2016 (audited) £m
Revenue			
Retail:			
Stores	**106.5**	109.6	291.3
e-Commerce & Mail Order	**27.5**	27.6	73.5
Hotel	**1.4**	1.3	3.5
Total Retail	**135.4**	138.5	368.3
Non-Retail	**10.6**	11.3	32.6
Total Revenue	**146.0**	149.8	400.9
Retail			
Contribution:			
Stores	**6.1**	12.0	22.7
e-Commerce & Mail Order	**6.8**	6.5	17.0
Hotel	**(0.1)**	(0.2)	(0.3)
Total contribution	**12.8**	18.3	39.4
Indirect overhead costs	**(10.0)**	(8.4)	(23.9)
Finance costs	**(0.4)**	(0.8)	(1.3)
Exceptional costs	**-**	(1.4)	(1.9)
Profit before taxation	**2.4**	7.7	12.3
Non-Retail			
Contribution	**5.4**	4.9	13.5
Share of associate profit	**-**	(1.6)	(1.9)
Profit before taxation	**5.4**	3.3	11.6
Total Retail and Non-Retail			
Contribution	**18.2**	23.2	52.9
Indirect overhead costs	**(10.0)**	(8.4)	(23.9)
Share of associated profit	**-**	(1.6)	(1.9)
Finance costs	**(0.4)**	(0.8)	(1.3)
Exceptional costs	**-**	(1.4)	(1.9)
Profit before taxation	**7.8**	11.0	23.9

2 Segmental analysis (continued)

	As at 31 December 2016 (unaudited) £m	As at 30 January 2016 (unaudited) £m	As at 30 June 2016 (audited) £m
Non-Current Assets			
Destination			
UK, Ireland & France	**22.2**	24.5	23.7
Rest of the World	**41.3**	38.6	40.4
Total Non-Current Assets	**63.5**	63.1	64.1
	26 weeks to 31 December 2016 (unaudited) £m	26 weeks to 30 January 2016 (unaudited) £m	74 weeks to 30 June 2016 (audited) £m

Revenue			
Destination			
UK, Ireland & France	**136.1**	141.6	372.3
Continental Europe	**1.4**	1.2	4.0
Rest of World	**8.5**	7.0	24.6
Total Revenue	**146.0**	149.8	400.9

The reported segments are consistent with the Group's internal reporting for performance measurement and resource allocation.

Retail revenue reflects sales through Laura Ashley's Managed Stores, Mail Order, e-Commerce and Hotel. Non-retail revenue includes Licensing, Franchising and Manufacturing. Contribution is stated after deducting direct operating expenses, buying, marketing and administrative costs.

3 Taxation

Taxation has been calculated by applying the forecast full year effective rate of tax in the individual fiscal territories to the results for this period.

4 Earnings per share

Earnings per share are calculated by dividing the profit for the financial period by the weighted average number of ordinary shares during the year (excluding treasury shares of 18,272,500).

	26 weeks to 31 December 2016 (unaudited) £m	26 weeks to 30 January 2016 (unaudited) £m	74 weeks to 30 June 2016 (audited) £m
Profit for the financial period (£m)	**6.2**	8.6	17.0
Weighted average number of ordinary shares - basic and diluted ('000)	**727,763**	727,763	727,763
Earnings per share	**0.85p**	1.18p	2.34 p

5 Reconciliation of profit from operations to net cash inflow from operating activities

	26 weeks to 31 December 2016 (unaudited) £m	26 weeks to 30 January 2016 (unaudited) £m	74 weeks to 30 June 2016 (audited) £m
Profit from operations	**8.2**	14.8	29.0
Exceptional items	**-**	(1.4)	(1.9)
Amortisation charge	**0.4**	0.5	1.2
Depreciation charge	**1.7**	1.9	4.6
Gain on sale of property, plant and equipment	-	0.2	0.2
Exchange movement on property, plant and equipment	**0.1**	(1.6)	0.1
(Increase) in inventories	**(1.7)**	(2.4)	(0.9)
(Increase)/decrease in receivables	**(0.4)**	1.2	4.9
(Decrease)/increase in payables	**(0.7)**	5.0	(17.8)
Movement in provisions	**(0.3)**	(0.8)	(3.1)
Net cash inflow from operating activities	**7.3**	17.4	16.3

6 Related party transactions

The related party transactions that have occurred in the 26 weeks ended 31 December 2016 are not materially different in size or nature to those reported in the Group's Annual Report for the financial period ended 30 June 2016.

7 Group pension arrangements

The assets and liabilities of the defined benefit pension scheme are considered on an annual basis at the end of each financial year.

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