Mothercare plc

Pre-close trading update

Mothercare plc ("Mothercare" or "the Company"), the leading specialist global brand for parents and young children, today issues a pre-close trading update for the 53 week period to 30 March 2024 ("FY24"). Comparatives are based on the 52 week period to 25 March 2023. This update is based upon draft figures pending finalisation of the year end audit.

Highlights

- Unaudited net worldwide retail sales by franchise partners of £281 million for the year, representing a decline of 13%.
- Adjusted EBITDA for FY24 marginally above the £6.7 million achieved in the previous year and in line with market expectations.
- Net debt of £14.7 million at the year end.
- Pension scheme deficit remains at £35 million (March 2023: £35 million).

EBITDA before adjusting items, for the financial year to 30 March 2024, is now expected to be marginally above the £6.7 million achieved in the year to 25 March 2023, showing a continuing year on year improvement in the underlying profitability of the business.

Unaudited net worldwide retail sales by franchise partners were £281 million, compared to £323 million for the previous financial year. The year-on-year decline in retail sales of 13% reduces to 8% at constant currency exchange rates. Our Middle East markets (41% of our total retail sales) continued to be the most challenging, particularly in the latter part of the financial year. The UK and Indonesia operations were amongst the markets that increased retail sales year-on-year, with Indonesia growing to become our second largest market by retail sales behind the Kingdom of Saudi Arabia. As previously reported, in addition to the global economic uncertainties which are impacting our retail sales, in many of our territories our partners are still clearing inventory due to the suppressed demand during Covid-19.

We expect these factors will continue to impact the Group results in FY25, notwithstanding ongoing improvements in product and service, although our medium-term guidance is unchanged for the steady state operation in more normal circumstances. We continue to believe our continuing franchise operations remain capable of exceeding £10 million operating profit and maintain our focus on accelerating our growth in both existing and new markets.

Financing

At the year-end Mothercare had total cash of £5.0 million (March 2023: £7.1 million), against the £19.7 million (March 2023: £19.5 million) of the Group's existing loan facility, which remained fully drawn across the year.

With interest rates remaining at an elevated level, the interest rate on the Group's existing loan facility is currently approximately 19.2%, which coupled with the extended time to return to pre-pandemic retail sales levels, particularly in our Middle Eastern markets, highlighted above, means the Board's current forecasts for continuing operations show the Group requires waivers to our covenant tests. We have therefore commenced refinancing discussions with our lender to vary, renegotiate or refinance this debt facility. Additionally, we are well advanced in looking at various financing alternatives (including equity and equity linked structures) to give us both additional flexibility and reduced cash financing costs. For the avoidance of doubt the Group does not require (and is not seeking through this refinancing) additional liquidity.

Clive Whiley, Chairman of Mothercare, commented:

"As highlighted in my last Chairman's statement, it has been six years of hard work and transformative change for the Group and, on behalf of the Board, I would like to thank our colleagues across the business, alongside our pension trustees and all other stakeholders for their unstinting support during these difficult times. That support and the resilience we have built into the business throughout this journey, allows us to deal with the major challenges we have faced and Mothercare operations would not be in the profitable and cash generative position we are today without it.

Given the exogenous factors influencing some of the Company's operating markets, our immediate priority remains to support our franchise partners, ultimately for the benefit of our own business, however we have also redoubled our efforts to restore critical mass and are focused upon monetising the Mothercare global brand IP. This remains an exciting prospect for our partners, our colleagues and all stakeholders."

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