

DEBS Boohoo Group Plc

Debenhams Group returns to statutory profit as H1 adjusted EBITDA rises 14.6%

Following the Results for the six months ended 31 August 2026 · 23 October 2026

H1 ADJUSTED EBITDA £24.0m ▲ up 14.6% on £21.0m in H1 FY26	STATUTORY PROFIT BEFORE TAX £28.3m ▲ against a £17.9m loss; includes a £40.6m non-cash sublease credit	MARKETPLACE SHARE OF GMV 38.9% ▲ up from 32.7%; ambition of well over 50%	NET DEBT AT 31 AUGUST £98.5m ▼ £111.1m a year earlier, £93.2m at February; guided to negligible by year-end
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Share price, past 12 months

Daily close; latest price as at 12:23 on 23 October 2026 · Ticker Data API



Debenhams Group's interim results today showed the first positive statutory profit before tax since August 2021: £28.3m for the six months to 31 August 2026, against a £17.9m loss a year earlier. Adjusted EBITDA rose 14.6% to £24.0m, gross margin widened 220 basis points to 54.1% as marketplace sales reached 38.9% of GMV (gross merchandise value, the total value of goods sold), and GMV growth accelerated from 0.5% in the first quarter to 2.9% in the second. The board held its full-year floor of at least £59m of adjusted EBITDA and expects net debt to be negligible at the February 2027 year-end after the Sheffield and Nasty Gal disposals, which closed in September.

The headline flatters the trading. The profit includes a £40.6m non-cash gain on subletting the US distribution centre, and without it the half was a pre-tax loss of about £12m. Most of the £23.2m improvement in reported EBITDA came from lower exceptional costs, and free cash flow of £5.6m, as the company defines it, is struck before £10.0m of interest and £6.3m of lease payments. Most of these numbers were already in the 17 September trading update. What is new is a medium-term ambition of £100m-plus profit before tax and detail on FY28 cost savings. Peak trading now has to deliver at least £35m of adjusted EBITDA in the second half to meet the floor, and that second half is where the turnaround either starts paying its own way or keeps leaning on asset sales.

“The turnaround continues at pace. The Group has returned to GMV growth, gross margins are expanding and returns rates lowering.”

Dan Finley, Group Chief Executive Officer · Results for the six months ended 31 August 2026, 23 October 2026

Debenhams now carries the group, and the marketplace carries Debenhams

The company still trades on AIM as boohoo group plc but now presents itself as Debenhams Group, an online platform across five destinations: Debenhams, Karen Millen, boohoo, MAN and PLT. The Debenhams brand grew GMV 14.1% to £363.8m in the half and is now about 42% of group GMV. PLT and boohoo together grew 1.1% to £368.8m, helped by merging the two management teams. MAN fell 28.0% to £79.8m, with the focus there on profitability over volume.

The central change is the marketplace. Third-party sellers list goods on the group's sites, and the group books only its commission as revenue, so it carries no stock on those sales. Marketplace sales rose to 38.9% of GMV from 32.7% a year earlier and 19.5% two years ago, against an ambition of well over 50%. The mix shift explains why GMV rose 1.8% while revenue fell 3.0% to £409.6m, and it is the main reason gross margin reached 54.1%.

One inconsistency deserves attention. The narrative says Karen Millen has returned to growth, yet the summary table shows Karen Millen GMV down 4.8% to £51.4m for the half. Segment revenue tells the same story of a group pivoting towards Debenhams: Debenhams revenue rose to £118.2m from £98.2m, while the youth brands fell to £267.5m from £298.0m.

After the period, the group appointed GXO as its third-party logistics partner. Fulfilment moves from Sheffield to the group's Burnley site after Peak, at a total cost expected to be no more expensive than Sheffield. Burnley, which was held for sale at 31 August, is now being kept.

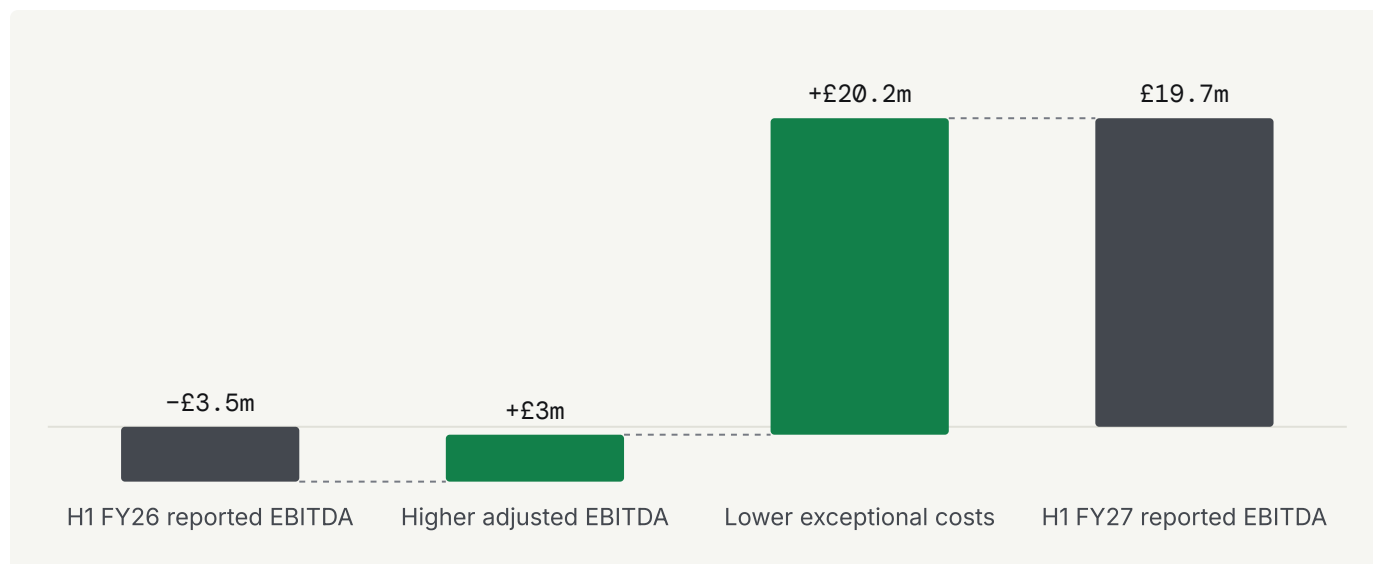
H1 FY27

VALUE CHANGE

Group GMV pre returns	£863.8m		+1.8%
Debenhams brand GMV	£363.8m		+14%
PLT and boohoo GMV	£368.8m		+1.1%
Karen Millen GMV	£51.4m		(4.8%)
MAN GMV	£79.8m		(28.0%)
Marketplace mix	38.9%		+33% +6.2pp on
Returns rate	28.3%		-30% 1.3pp lower than
Debenhams segment revenue	£118.2m		£98.2m in H1 FY26
Youth Brands segment revenue	£267.5m		£298.0m in H1 FY26

Sources: Interim results RNS, 23 Oct 2026; Interim results RNS, segmental analysis, 23 Oct 2026

How reported EBITDA swung to profit



Adjusted EBITDA rose from £21.0m to £24.0m and EBITDA-level exceptional costs fell from £24.5m to £4.3m, as stated in the results.

Lower exceptional costs did most of the work

Adjusted EBITDA rose £3.0m to £24.0m, a margin of 5.9% against 5.0%. Gross profit grew only £2.2m to £221.5m because revenue fell, while operating costs were broadly flat at £199.8m. The jump in reported EBITDA from a £3.5m loss to a £19.7m profit came mainly from exceptional costs falling to £4.3m from £24.5m, as warehouse restructuring charges faded.

Statutory profit before tax of £28.3m rests on a £40.6m gain recognised when the group sublet its Elizabethtown, Pennsylvania distribution centre. That gain is the present value of future sublease rent, booked up front as a finance-lease receivable. No sublease cash arrived in the half. The company itself says that, excluding lease credits in both years, the pre-tax loss narrowed from about £52m to £12m. Underneath the exceptional items, the pre-exceptional loss before tax was £8.7m against £27.7m.

The improvement is real at the operating level, and so is the help from lower depreciation and amortisation. Depreciation halved to £9.9m and amortisation of other intangibles fell to £3.0m from £8.9m, largely because earlier impairments shrank the asset base. That pushed adjusted EBIT to £10.8m from a £7.7m loss. Finance costs rose to £13.4m, and adjusted loss per share was 0.13p against 1.04p. The basic earnings per share of 1.64p is driven by the sublease gain.

H1 FY27	VALUE	CHANGE
Revenue	£409.6m	(3.0%) on £422.4m
Gross margin	54.1%	+52% +220bps on
Adjusted EBITDA	£24m	+15% +on £21.0m
Exceptional costs at EBITDA level	£4.3m	-82% from £24.5m
Reported EBITDA	£19.7m	loss of £3.5m in H1 FY26
Adjusted EBIT	£10.8m	loss of £7.7m in H1 FY26
Gain on US sublease	£40.6m	non-cash, in exceptional items
Statutory profit before tax	£28.3m	loss of £17.9m in H1 FY26

Pre-exceptional loss before tax	£(8.7)m	£(27.7)m in H1 FY26
Adjusted diluted loss per share	(0.13p)	(1.04p) in H1 FY26

Sources: Interim results RNS, 23 Oct 2026; Interim results RNS, note 11, 23 Oct 2026; Interim results RNS, income statement, 23 Oct 2026

Disposals clear the bank debt, but the half still burned cash

Interest paid, H1 FY27

£10.0m

Lease payments, H1 FY27

£6.3m

Nasty Gal sale, 15 Sep 2026

\$16m (£11.9m)

At 31 August cash was £46.9m against £145.4m drawn on a £175m revolving credit facility that matures in August 2028, giving net debt of £98.5m. That was lower than a year earlier but £5.3m higher than the £93.2m at February. Since then the group has received £76.5m from the Sheffield deal and £11.9m from selling Nasty Gal, £88.4m in all. A further £13.5m from Sheffield is due on vacant possession early in 2027. Negligible bank net debt at year-end looks credible on that arithmetic, and the guidance assumes nothing from Burnley.

Cash generation is weaker than the headline free cash flow suggests. Free cash flow, defined as operating cash flow less capital expenditure, was a £5.6m inflow. Paying £10.0m of interest and £6.3m of lease costs turns that into an outflow of £10.7m, before £5.2m of property-sale proceeds. Cash fell £5.2m over the half. Inventory absorbed £19.1m and rose to £124.4m, up 17.5% on a like-for-like basis, which the company calls deliberate investment to support growth. An £18.0m rise in trade and other payables funded most of it.

The net debt measure leaves out £69.1m of lease liabilities, and the US head lease stays on the books alongside the new £43.6m sublease receivable. Equity remains negative at £28.4m, an improvement on £57.7m at February, and includes a £51.4m deferred tax asset that depends on future profits. Covenant headroom on the facility, which tests interest cover and adjusted leverage, is not disclosed. Trade and other payables include £10.8m of claims that crystallised in the half.

FIGURE

VALUE CHANGE

Cash and cash equivalents 31 Aug 2026	£46.9m	£52.1m at 28 Feb 2026
Revolving credit facility drawn 31 Aug 2026	£145.4m	facility up to £175m, maturing August 2028
Net debt 31 Aug 2026	£98.5m	£93.2m at 28 Feb 2026; £111.1m at 31 Aug 2025
Free cash flow (company definition) H1 FY27	£5.6m	outflow of £22.1m in H1 FY26
Inventory 31 Aug 2026	£124.4m	+18% +on £105.9m like-for-like
Lease liabilities 31 Aug 2026	£69.1m	£74.4m at 28 Feb 2026
Net assets 31 Aug 2026	£(28.4)m	£(57.7)m at 28 Feb 2026

FIGURE	VALUE	CHANGE
Sheffield proceeds received 10 Sep 2026	£76.5m	£13.5m more due on vacant possession early 2027
Sources: Interim results RNS, balance sheet, 23 Oct 2026; Interim results RNS, note 16, 23 Oct 2026; Interim results RNS, net debt reconciliation, 23 Oct 2026; Interim results RNS, 23 Oct 2026; Interim results RNS, note 17, 23 Oct 2026; Interim results RNS, events after the period, 23 Oct 2026; Interim results RNS, cash flow statement, 23 Oct 2026		

“I am pleased to report that net debt is expected to be negligible at year-end. This is significantly ahead of our original guidance provided at the start of the year.”

Dan Finley, Group Chief Executive Officer · Results for the six months ended 31 August 2026, 23 October 2026

The £59m floor needs a stronger second half

The board expects full-year GMV growth and adjusted EBITDA of no less than £59m, as previously guided, along with positive profit before tax, free cash flow and negligible net debt. September trading continued to be good, with further accelerated growth. The £100m fixed cost target remains on track. The floor was repeated from the 17 September trading update and was not raised.

Subtracting the first half's £24.0m from the £59m floor leaves at least £35m to earn in the second half. A year earlier the group made £53.3m of adjusted EBITDA for FY26 and £21.0m in the first half, implying about £32m in the second half. Meeting the floor therefore needs a modest step up over last year's peak season, at a time when CPIH inflation was 3.6% in September and Brent crude was up 16.0% over three months.

For FY28 the company expects depreciation to fall to £14m from £22m, lease costs to £4m from £14m and interest by at least about £10m on the current facility, with possibly more under a new facility. The depreciation saving does not involve cash. The lease and interest savings will be offset in part by GXO's fulfilment charges, which the company says will cost no more than Sheffield. Over £200m of tax losses brought forward should shelter future profits. Further out, management sees a multi-billion-pound GMV business making more than £100m of profit before tax. The next scheduled update is expected around 21 November 2026.

FY28 against the prior period

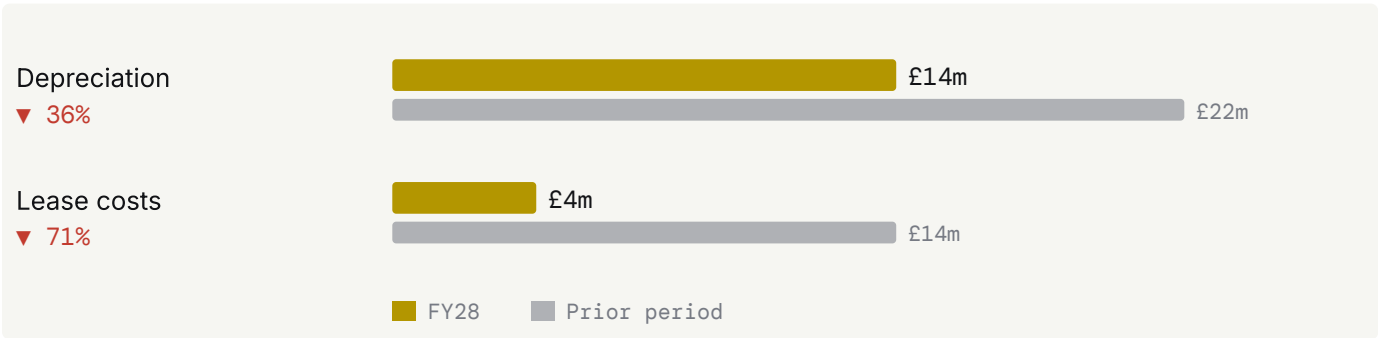


FIGURE	VALUE	CHANGE
FY27 adjusted EBITDA guidance FY27	no less than £59m	reiterated
FY26 adjusted EBITDA FY26	£53.3m	+35% prior year £39.6m

FIGURE

VALUE CHANGE

FY28 depreciation FY28	£14m		-36% FY27: £22m
FY28 lease costs FY28	£4m		-71% FY27: £14m
FY28 interest reduction FY28	at least c.£10m		based on current facility
Brought forward tax losses	over £200m		
Medium-term profit before tax ambition	£100m+		
CPIH inflation Sep 2026	3.60%		+0.80 points over three months

Sources: Interim results RNS, 23 Oct 2026; Final results, 16 Jun 2026; UK economy data, 2026-09-01

The price already reflects the floor

Market capitalisation, 23 Oct 2026

£411m

Director purchase, 17 Sep 2026

**390,966 shares at
25.45p**

February 2026 fundraise, 17 Feb 2026

£40.0m at 18p

At a market capitalisation of £411m, with 1,619,720,334 shares in issue, the group is valued at about seven times the £59m adjusted EBITDA floor once bank net debt is cleared. That comparison excludes £69.1m of lease liabilities and assumes the disposal cash reduces borrowings as guided. On those terms the shares look modest only if the FY28 cost savings arrive and the business moves towards the £100m-plus pre-tax ambition. None of these accounts yet shows recurring pre-tax profit or cash flow after interest and leases.

Shareholder signals cut both ways. Frasers Group holds 26.94% and Camelot Capital Partners 7.98%. Non-executive director Tom Handley bought 390,966 shares at 25.45p on 17 September. The group raised £40m at 18p in February 2026, so new money has come in recently well below the current price. Disclosed short positions totalled 11.62% of the shares as at 2 October. The 52-week range runs from 10.30p to 29.50p, so much of the recovery has already been priced in over the past year.

FIGURE

VALUE CHANGE

Shares in issue	1,619,720,334
Frasers Group holding disclosed 19 Feb 2026	26.94%
Disclosed short positions as at 2 Oct 2026	11.62%

Sources: Interim results RNS, 23 Oct 2026; Major shareholders register; Disclosed short positions; Market data, 23 Oct 2026; Director Dealings RNS, 22 Sep 2026; Fundraisings record

A flat, thin results day after an October surge

The shares stood at 25.37p on 23 October, down 2.00% on the day within a 24.75p to 25.50p range and 1.1% up on the year to date. Their position near the top of a 52-week range of 10.30p to 29.50p reflects a

rally that ran mainly on the 17 September trading update. The shares rose about 15% on 2 October, after a heavy-volume fall on 18 September, and were roughly 91% higher over twelve months.

The chart is in an uptrend, with the 50-day moving average above the 200-day since 5 June, but the trend is weak and volume has not backed the recent rise. Results day itself drew roughly a quarter of normal volume. The nearest levels on the chart sit at about 25.8p above and 22.4p below. A close above the upper level on heavy volume would show fresh buying. A break below the lower one would undo the pattern of rising lows. Daily turnover of around £400,000 is small for a £411m company, and recent daily swings of about 4.5% mean the next update could move the shares sharply.

FIGURE	VALUE	CHANGE
Share price	25.37p	-2% on the day
23 Oct 2026		
Day range	24.75p - 25.50p	
23 Oct 2026		
52-week range	10.30p - 29.50p	
Year-to-date performance	+1.1%	
to 23 Oct 2026		

Sources: Market data, 23 Oct 2026

The case for and against

FOR

The case for rests on operating evidence. Gross margin rose 220 basis points to 54.1%, the returns rate fell to 28.3% and GMV growth accelerated through the half into September. Each rise in marketplace mix lifts margin without adding stock. Exceptional costs are down 82.4%, and the disposals should take bank net debt close to nil at the year-end, 18 months before the facility matures. The FY28 savings in depreciation, leases and interest are largely mechanical, and over £200m of tax losses would shelter profits as they come through. Management has also done what it said in the near term: the £24m first-half EBITDA, the US sublease and both disposals all arrived as announced.

AGAINST

The case against rests on cash and quality. Without the £40.6m sublease gain the half lost £12m before tax, and after interest and lease payments it consumed £10.7m. Net debt rose between February and August, and the balance-sheet repair comes from selling Sheffield's automation and a brand. Revenue fell 3.0%, and inventory rose 17.5% to £124.4m, funded mostly by suppliers. Fashion stock that does not sell gets marked down, and a markdown would hit the margin the case for depends on. The move to GXO falls after Peak, in the returns-heavy weeks of early 2027. Covenant headroom is undisclosed, equity is negative and the group faces a reported £10m legal claim over Leicester suppliers and a €2.3m French fine for misleading discounts. Two special resolutions failed at the July AGM.

WHAT TO WATCH

Several things will show which reading holds. The update expected around 21 November and the Christmas trading statement will show whether the second half is on course for the £35m-plus of adjusted EBITDA the floor requires, or whether the floor is raised or quietly reframed. The February 2027 accounts will show whether the facility is actually repaid, whether cash is generated after interest and leases and whether inventory has come down. Further tests are the receipt of the final £13.5m from Sheffield on vacant possession, collection of the US sublease rent, and the cost of the Burnley migration against the claim that it will cost no more than Sheffield.

Risks

- ! Peak trading falls short of the at least £35m of second-half adjusted EBITDA needed for the £59m floor, in a market with 3.6% CPIH inflation and higher oil prices.
- ! Inventory of £124.4m, up 17.5% like-for-like, has to be cleared with markdowns that cut into the 54.1% gross margin.
- ! The post-Peak move of fulfilment from Sheffield to Burnley under GXO disrupts service or costs more than the company expects.
- ! Covenant headroom on the £175m facility is not disclosed, and equity is negative at £28.4m, leaving little room if trading weakens.
- ! The final £13.5m from Sheffield depends on vacant possession early in 2027, and the £43.6m US sublease receivable depends on the tenant paying.
- ! Legal and regulatory exposure persists, including a reported £10m Leicester supply-chain claim, a €2.3m French fine and £10.8m of claims that crystallised in the half.
- ! Daily turnover of £400,000 and high price volatility could make moves in the shares abrupt.

THE OTHER VIEW

The sceptical reading says the first statutory profit since 2021 is an accounting event and that the operating gains are too small to carry the plan. Adjusted EBITDA rose £3.0m, and revenue fell. Strip out the sublease gain and the half lost £12m before tax. Measure cash after the interest and lease bills and it consumed £10.7m. The net debt guidance is met by selling Sheffield's automation and the Nasty Gal brand, so the debt goes away through one-off receipts while the cash burn underneath continues. Inventory grew faster than GMV and was paid for by stretching suppliers, which is what retailers do when stock is building ahead of discounts. The £100m-plus ambition sits against a business that has yet to make a recurring pre-tax profit, and part of its bridge, the depreciation cut, is non-cash. On this view the first test is whether the second half converts EBITDA into cash after interest and leases without another disposal. Until that happens, the profit headline says more about lease accounting than about the business.

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