BRUNSWICK GROUP

Moderator: Julian Dunkerton
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OPERATOR: This is Conference #: 1593729.

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Superdry Q4 Trading Update Conference Call.

At this time, all participants are in a listen-only mode. There will be a presentation followed by question-and-answer session. At which time, if you wish to ask a question, you will need to press star and one in your telephone and wait for a name to be announced. I must advise you that this conference is being recorded today, Thursday, 9th of May, 2019.

I would now like to hand the conference over to your first speaker today, Mr. Peter Williams. Thank you. Please go ahead, sir.

Peter Williams: Thank you very much, (Maria). A very good morning, everyone. My name is Peter Williams, I'm the Chairman of Superdry. I'm joined here this morning by Julian Dunkerton who's the Interim Chief Executive and by Adam Smith who is Head of Financial Planning and Analysis at Superdry.

So, I'm very excited to be chairing Superdry. It's a fantastic British brand which I really firmly believe can be made a great success story once again. Obviously, I'm working very closely with Julian and he's going to talk a lot – a bit more about what he's been doing in the last five weeks since he rejoined the company.

I'm also very focused on ensuring we put in place a strong board and corporate governance structure following the recent changes at that level in the company.

So, first, a very quick word on today's trading update. You can see that it was a difficult fourth quarter for the business with an improved store performance outweighed by poor showing – by poor performance really showing from wholesale and e-commerce.

Global brand revenue was down 5.2 percent in the quarter with group revenue down 4.5 percent. These declines are driven by the weak wholesale performance which is down 9.3 percent in the quarter reflecting lower than anticipated end-season orders, increased returns and a decision not to ship to customers who had reached their credit limits.

E-commerce revenues were down 3.9 percent in the quarter, reflecting lower discounting while store revenues were up 2.2 percent. Primarily, as a result of the weak wholesale and e-commerce performance, we now expect full-year '19 underlying profit before tax to be below the current consensus range.

In addition, the store portfolio review announced by the previous management team will also lead to a non-cash onerous lease and store impairment provision in the results. We'll obviously provide full details at the prelims on the 4th of July.

So, I'll now hand over to Julian to update on progress since he and joined the business five weeks ago. Thank you.

Julian Dunkerton: Thanks, Peter. So, I'm very positive. So, it's only been five weeks since I returned to Superdry. But in that short space of time, it has become even clearer to me just how big the opportunity is.

You'll all be familiar with the strategy we set out before the (EGM) and we are underway within implementing all aspects of that plan and getting (shifted) toward back to being the brand and business I know it can be.

Today, I want to talk about some of the things we're doing immediately to stabilize the business and improve performance. And then I'll give you a full update of the strategy at the prelims on July the 4th.

Since coming back, I've been taking a forensic look at the business and what I found is there is enormous amount we can do straightaway to improve the retail basics. Simple actions which will either make us money, save us money or both.

You can't sell product if it isn't available for customers to buy and let me explain what I mean by that. Four weeks ago, we have 18 million garments sitting in the warehouse and of the 20,000 products available in the company and in warehouses around the world, only 4,000 were available online.

So, you can see the scale of that opportunity, and obviously, we're repopulating the website currently and that is happening as we speak.

Our Regent Street had only – Regent Street store had only 2,800 products out from a shop floor. Two years ago, that was 4,000. So, again, we're in a process to rectify that and put us on a journey.

This is a fundamental issue and we're dealing with it. In the space of four weeks, the space of four weeks, the 18 million products in the warehouse is down to 17 million. We're transferring product, re-photographing it for online, and then, in fact, the stock that had been sitting in the warehouse is outselling the new and that's a very interesting fact.

We're repopulating the stores. So, again, to take Regent Street to example again, it's moving back up to 350,000 products on the shop floor.

We've also taken immediate steps to reduce promotional activity, not only thus having stores full of markdown products, reduced margin, it also devalues the brand.

We are taking out two-for-one offers, 70 percent of discounts and stopping buying product specifically for promotion and replacing product and promotion with core product.

With product, we are de-risking the range of focusing on the classic that we know that customers and particularly the wholesale partners want. If you look at why old product is outselling the new, that's why.

Our wholesale customers are desperate for more of the type of products that we are famous for. Looking ahead, we are going to grow the range and plan to double the mainline ranges within two years. (Super Design Lab) is underway with 500 new products and will – which will land over the next six months and we will also be more flexible, for example, so that the Chinese market, which has been clamoring for product which suits the fit there, we're going to do.

This is just a flavor of what's in train and there's a huge amount more I can tell you. I will not update you more of the results since July 4th on the plans and detail but I think it's important that you have a sense of the energy that we're putting in to these and we're not hanging around. We are getting on with the job.

And so, while this is a for trading update today, to me it simply shows why change is needed. And hopefully, you can see why I'm approaching the future with confidence.

Now, back to Peter.

Peter Williams: Thanks, Julian. So, to conclude, there is a lot to do (and there's) the backdrop of the update we are providing today. So, it will take a bit of time to get the financial performance to where it should be but we are very confident. We are heading in the right direction.

So, now we're very happy to take your questions and I'll hand back to (Maria).

Operator: All right. Thank you. Ladies and gentlemen, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. Once again, that is star one if you wish to ask a question.

Julian Dunkerton: Nobody wants to talk to us.

Operator: Once again, star one if you wish to ask a question.

Your first question comes from the line of (Wyan Bowen). Please ask your question.

Wayne Brown: Good morning, gents. It's Wayne Brown here. (Inaudible).

Julian Dunkerton: Hi, Wayne.

Wayne Brown: Hi.

Julian Dunkerton: How are you?

Wayne Brown: Not bad, thank you.

So, just – first, I just wanted to ask about staff turnover. So, both in the senior roles within the organization particularly in the key roles such as design, brand, et cetera. Just get the flavor of the element of stuff turnover that you initially have to rehire for or if there's any key roles there that may either help you address your strategy further or kind of into and over the short term just to get ahead of what's going on …

Julian Dunkerton: So, actually, we've had a relatively steady shift as the hemorrhaging never happened which I'm very pleased about. I'm with – certainly listen to a sort of – a very positive, bit by bit, team by team, we're turning this into a positive story. From a recruitment point of view, in the design and marketing area, obviously, social media is where we're really going to focus in on and bring in and bolster that skills base.

Wayne Brown: OK. And with regards to the recent appointments such as head of brand, et cetera, has there been movements on that front?

Julian Dunkerton: So, Phil and I seem to be working well together. I have no reasons currently to think otherwise. We are there together. We are there together sort of formulating plans to develop and move forward.

So, we've already got in-house 400 extra products in being designed by the in-house team, so that's Phil and I working together to create those products with the design team. And then, of course, there's 500 products being designed by the Super Design Lab.

Wayne Brown: OK.

Julian Dunkerton: So, we're going to have far more choice for the wholesale and retail ranges coming in to Christmas which is what we need to push us back into the right place.

Wayne Brown: Sure. And then just also I want to get a flavor of the organizational structure internally. Clearly, there was a focus more towards being merchandised and buying it as opposed to being design-led, is that a fairly easy transformation view to reshape the internal communications between the different (process were)?

Julian Dunkerton: Yes. So, obviously, that's within process and interestingly, the 400 extra products created by the in-house team are very design-led. And we have been reengaging the branding department which I think has been neglected, shall we say. And, really, reinvigorate – we've reinvigorated the whole team to really realize what – how importantly creative department is for these companies so that is definitely happening.

Wayne Brown: OK.

Julian Dunkerton: I mean, we have – I mean, the actual fact is we haven't lost anybody yet. Just been – somebody put it in front of me. We haven't lost anybody in the company as yet.

Wayne Brown: OK. And …

Julian Dunkerton: I'm sure there will be some small turbulence, but as of yet, we are good.

Wayne Brown: OK. And then it may be a little bit too early to have a accurate number to hand. And any view at this moment in time of the magnitude of the exceptionals of the impairments of the onerous lease provisions that we couldn't necessarily expect on the fall?

Julian Dunkerton: I will pass you over to somebody who's better qualified. Adam, he's next to me, he will answer that question.

Adam Smith: Hi, Wayne.

Wayne Brown: Hi.

Adam Smith: You expect the answer to be which is too early in the process. It’s just trading updates and we'll come back on the 4th of July around the exceptionals.

Wayne Brown: OK. Thank you very much. Thank you. Thanks. Thanks.

Julian Dunkerton: Cheers. Thank you.

Wayne Brown: Cheers. Cheers.

Operator: Your next question comes from the line of John Stevenson, please ask your question.

John Stevenson: Hi, morning all.

Julian Dunkerton: Hi, John.

John Stevenson: A couple questions as well, please. Hi. Morning. Just on wholesale, I guess, should we be worried by how long it might take to turn it around? Also, there's quite a few comments in terms of return levels in Q4 and (inaudible).

Julian Dunkerton: Yes …

John Stevenson: … worst of it. What does autumn-winter order book look like and how long is it going to take to sort of to get it back into ...

Julian Dunkerton: So, I won't talk about the specifics of the autumn-winter order book because the exact number, I don’t think we published. But the reality is if you layer on this extra product, it will have a massive boost to sales. So, I'm fully expecting the wholesale to participate in a huge amount of the product that we're creating for both retail and wholesale.

John Stevenson: OK. And things – the previous months as we talked about like the sort of new premium ranges, are they part of the order book? I guess I know you probably catch (orders) already but in terms of some of the new stuff, is that still in (train)?

Julian Dunkerton: So, I haven't chopped away anything that has been preordered. That would be (fearless). Now, I have not done anything (rushed). This is about delivering what has been ordered and then layering on top. So, everything we are doing should be incremental.

John Stevenson: OK. OK. Perfect.

And just following on from that, just in terms of your thoughts and the core ranges, obviously, you touched on it a little bit. Obviously …

Julian Dunkerton: Yes.

John Stevenson: … there's a lack of innovation. It's not just the top of the pyramid, how do you feel about the core lines and how long do you think it's going to be you're looking into – if you're looking to spring (summer).

Julian Dunkerton: OK. So, yes, good question. So, I have reengaged the branding departments to engage with the designers and that’s key. So, four this autumn, we will have a number of jackets at our very core within the 900 products that are going to be designed in the next six months.

And we are now in the process of starting – so not only we're layering on a constant basis and setting up a team two layer on on a constant basis, but we're also now going to be starting to work on next autumn. So, that process has begun. We will be increasing our range plan by 30-40 percent and we're just in the process of starting to work out what that’s going to look like.

And, obviously, the real key is getting clear product classics and delivering them in a Superdry way. So, it's quite simple, actually, the design process in a way and we just got to looking forward and understanding why we're so successful rather than chasing sort of (fashionability) that – or high street fashion which is just (is) enough.

John Stevenson: OK. OK. Fine. And last question for me just on the numbers, I mean, if I'm sort of playing with them all this morning, I came up with a profit figure. It's below 45 million just on trading performance. I think, obviously, it's a lot of extra work, getting in extra cost.

I mean, aside from impairment, there is – there are going to be – should we expect more cost and more one-offs beyond trading performance that would affect this year's profit figure?

Julian Dunkerton: So, are you talking about – I mean, I'll that Adam talk to that.

Adam Smith: Yes, John. I think the approach that you've done in terms of modeling the underperformance (best) is forecast on wholesale and ecomm to get you directionally. It'll obviously depend on where your model was before.

But I think talking to the yearend process, we've got a lot (to go through) anyway, plus we've got, obviously, the strategic overlay is Julian and Peter coming in and taking a look at what they want to do for them as well. So, we have got more moving parts than we typically have at yearend, so we'll come back and update on the 4th of July on those (ones).

If you've got accounting standards, IFRS 9, IFRS 15 that we need to work through that the store portfolio review based – which we predicated on the new five-year plan. So, there's a lot of moving parts which is why we're just not comfortable putting a specific range on at the moment.

John Stevenson: Fine. So, I mean, I guess, directionally, obviously, there are plenty of one-offs to come in on top of what you've reported today from a trading point of view?

Adam Smith: There's a lot to work through. I think, yes, directionally, there's moving parts ups and downs to come through that. But I think it's just too early to put a specific figure on at the moment.

John Stevenson: And from a stock point of view, when should we expect sort of write-offs and et cetera in provisioning the stockpile or you have (to of) what you got?

Julian Dunkerton: So, I'll talk about stock. So, I think on a very positive note, what I discovered very quickly was – so, historically, what happened is they've tried to align all the channels with the same stock file. What that's meant is that they haven't been looking at what's actually available in the business.

Now, if I tell you this number, you're going to be quite surprised. So, when I arrived, there were 4,000 items about on the website. They were something close to 20,000 available in the business.

So, were only 20,000 visible online. We are patently rectifying that and that is a massive opportunity for us to, actually, if you look forward to Black Friday, what that will mean is we have plenty of stock that doesn't – that we can use as a sort of lever to pull people in without affecting our core store state stock.

So, we can actually protect Christmas and layer on these designs to go on forward. But I mean, we are talking, probably, we're not going to end up with five times the amount of products available but I would imagine it's going to be an excess of two times the product available in a very short space of time. Now, we're already populating from that stock base and it's already adding to our full price sales.

John Stevenson: OK. That's helpful.

Julian Dunkerton: We've got quite a lot of low-hanging fruit if we talk about discounting and stopping discounting and so on. And the positive effects that already had in outlets, for instance. There's quite a lot of low-hanging fruit just in core disciplines in retails that have not been tested and applied.

John Stevenson: OK. OK. Thanks, Julian.

Operator: All right. Your next question comes from the line of (Matthew McNutren). Please ask your question.

(Matthew McNutren): Good morning, gents.

Julian Dunkerton: Hi.

(Matthew McNutren): The primary question I had was in relation to stock, actually. So, you partly answered this already and it's clear that there's some opportunity there.

I just wanted to ask it a slightly different way. Once you regard the principal issue around stock being it's location as opposed to configuration or long or short in any particular areas, have you been able to probe down a bit more into sort of more detail?

Julian Dunkerton: Yes. So, we're not talking about moving and adding huge costs to allowing it to be sold online if that's what you mean. Patently, there is – the releasing of wholesale stocks and that'd be moving them in to a retail environment. But what's been happening over the last couple of years is there has been a buildup of stocks that we will be dealing with in a very positive way.

(Matthew McNutren): But you've – so, aside from returns coming back from wholesale customers which you regard generally the quality of the stock to be decent, i.e. there is …

Julian Dunkerton: So, I'll tell you a fact. So, we are selling more of the products that haven't been on sale in store. Then by populating the stores, then they're ranging in there at the moment. So, they're – so, it's actually slightly greater. That's quite interesting.

(Matthew McNutren): And indeed that is, yes, very interesting. OK. That's fine on that one.

Can we go back to the staff and incentivization and the buy in to the plan and try and connect that with your desire to improve in-store processes and shop keeping standards and generally get the presentation right to consumers in the story state.

Julian Dunkerton: Yes.

(Matthew McNutren): Could you just talk a little bit more and more detail about the process – how far down the line you are in terms of engaging those store teams and at what point do you think that the broad amount of the state is going to be fully operational on the new standards?

Julian Dunkerton: OK. So, we've already brought together merch store ops and shop fitting teams to release and repopulate fixes and to get the stock levels right. We are testing – I think it's five (greater) stores, about 15 stores currently with three different amounts of depth and choice and fixture fill.

So, we are working out how to deliver the optimum before we roll it out throughout (these). So, within the next few – three to four weeks, we will start really accumulating data about what is the optimum way to move forward.

Now, when I give you a number, this is quite interesting, so two years ago, Regent Street had 4,000 products to buy from. When I joined or a couple of weeks ago, had 2,800, so the opportunity for us to move forward and to deliver more choice and more excitement to the consumer and bring back some growth in stores is patently there.

We're rectifying that to 350,000 in the short term and we will be working out what the exact optimum number is for every store. And I'll give you a number stat.

So, when historically this company has delivered five sizes in store, could be from extra small to double extra large or whatever. What happened is we've added two sizes to the store portfolio, the store state. So, we've now got seven sizes on sale. Well, of course, the two extreme sizes only deliver probably close to 5 percent of your sales of that product.

So, by taking them out and you can maintain your stock levels and deliver 30-40 percent more product choice. So, really, this is just a process of understanding the retail journey and making sure that the design capability is providing enough product choice to take us there. So, that’s exactly what we're doing.

(Matthew McNutren): And the tests, so it's good that you were testing various different kind of options.

Julian Dunkerton: Yes.

(Matthew McNutren): How long do you think you – how long do you need to run those for before you have sufficient dates to make decisions? I mean, is it …

Julian Dunkerton: We are …

(Matthew McNutren): … to affect spring or summer or …

Julian Dunkerton: No, no, no. No. No, no. Absolutely not.

We are very agile. I think the reality is what – I mean, I'm not looking backwards, really. But I mean, what had happened is we haven't been testing actions. So, what's happened is multiple action have happened at the same time.

A strategy has been put in place. Multiple actions have happened and they haven't been tested. The exact opposite. We test everything and then roll. And that is the safe way to deliver the future of this business. So, actually, it's really exciting and very clear and obvious what we have to do.

(Matthew McNutren): Very good. Excellent. OK. Thank you very much for that. Cheers.

Julian Dunkerton: Pleasure. Pleasure.

Operator: Thank you. Your next question comes from the line of Michelle Wilson. Please ask your question.

Michelle Wilson: Hi. Good morning.

Julian Dunkerton: Hi.

Michelle Wilson: Just from the wholesale business. You’ve confronted the …

Julian Dunkerton: Yes.

Michelle Wilson: … some of the wholesale partners reaching their credit limits. Could you just give us a kind of magnitude of that and also should we expect that to be an ongoing issue of those wholesale partners like to come, I guess, backwards in their limit and be able to work with them again?

Adam Smith: Yes …

Julian Dunkerton: I will pass that over to Adam.

Adam Smith: Yes. I think that's one of the moving parts that say less than 5 million of revenue related to the credit holds. And so, that forms part of the underperformance.

The guidance for Q3 was high single digit revenue growth of the wholesale. We saw a stronger performance in Q3 and we flagged at the time that we expected it to normalize.

So, in terms of forward orders, we actually – after that credit hold and various other movements, we actually saw low-single digit growth in the forward orders delivered and there was just other movements off the back of that.

So, yes, probably less than 5 million in terms of credit hold.

Michelle Wilson: OK. Great. And terms of the reduction and discounting, those plans have already started.

Julian Dunkerton: Yes.

Michelle Wilson: Should we see or would you expect any negative impact on the topline from that in 2020 or it sounds like you're confident that you're already seeing growth …

Julian Dunkerton: Yes. So, I am very confident that – I'm a protector of brand and I'm a protector of gross margin. But I also have been retailing a long time. So, I know emotionally what the right thing to do is.

So, within a very short space of time, I took down all the two-fours and four-fours and whatever multiple offers there were in outlets. What happened? Well, I'll tell you what happens. Gross margin went up and gross sales went up.

So, the reality is that we have been putting in marked down products that just wasn't necessary and we've proven that very quickly. So, we will be taking out the further marked down product and going back to the core product areas that we always historically have put in outlets, well, that's something like a 17 percent of stock delivering 12 percent of sales, and obviously, a much lower gross margin than the core product.

I mean, if you're walking in to an outlet, you know it's discounted. You don't need to further discount.

And then we look at the full price. Obviously, we're going through a process of eradicating multiple – multi-offers that don't work. We will not be buying for offers anymore. So, we will not be buying promotional product as they historically have done.

And you know what? I mean, I tested these a couple of years ago and most of them didn't work then. So, the reality is no real surprises there, that too much promotional product is not good for either sales or the brand or gross margin.

Michelle Wilson: OK. Great. So, I guess you – the increase in full price will immediately offset any decline in discounted (sells).

Julian Dunkerton: Well, I haven't got the exact numbers with me and what we're looking at is more of an issue of the range at the moment. But I mean, certainly, the testing that's gone on in the outlets has delivered that already.

Michelle Wilson: OK. Great. And just one final question. Just during the, I guess, restructuring phase, should we expect store openings to continue in and store (fee) space expansion?

Julian Dunkerton: So, patently, we have to establish and reestablish what is right in the retail. We are looking at the stores and looking at the portfolio and going through a rationalization, obviously.

Now, that doesn't mean there aren't opportunities. So, of course, there are opportunities. But I think the real focus is to get the like-for-likes in a better place in the stores and getting those stores to be as desirable as they always historically were.

Julian Dunkerton: OK. Great. Thank you.

Operator: Thank you. And your next question comes from the line of Kate Calvert from Investec. Thank you. Your line is now open.

Kate Calvert: Morning, all. A couple question from me.

Julian Dunkerton: Hi.

Kate Calvert: Hi. Going back to your fourth quarter performance from wholesale, can you give some color on which geography saw the most issues in terms of stock being returned.

The second question is on retail, again, in turn to the improvement in performance, can you give a bit more color in terms of which geographies rebounded the best.

And I think the final question is just going back to your stock quality of the 20,000 lines you got in the warehouse. Can you tell me sort of what percentage of that number of lines from broken ranges and sort of things which are more than two seasons old?

Julian Dunkerton: So, I can do a bit about the stock. I mean, I haven't got the exact numbers in front of me but the vast majority or the majority of the product is to – one, two, three seasons old. So, reasonably, new.

And really, it comes about from a change in model and a change in bimodal that has increased and as I discussed prior to this whole process and me coming back in, it's exactly why I said was actually, what you get when you do 12-week buys is you end up with inefficiency and you end up with a warehouse full of stock.

So, reality is it's proportionately more new. So, therefore, we are looking at as I think I said earlier at the Black Friday opportunity to really cleanse that. But equally, we are putting it on line and delivering full price sales. So, it's – and it's increasing every week, so it's a very interesting, exciting opportunity (as well) as you either look at these things as a problem or you look at them as opportunity. I tend to look at them as an opportunity.

Kate Calvert: Great.

Adam Smith: Kate, on your question on the Q4 wholesale, it's redundant to what the main driver would be the franchise state in the EU.

Kate Calvert: So, they have a (inaudible) franchise EU. OK.

Adam Smith: Yes. The breakdown, we'd come back to you on the 4th of July on the client geographic basis for these stores in wholesale.

Julian Dunkerton: So, they will respond incredibly well. So, the franchise stores will respond incredibly well to the layering on the product that we are currently doing.

So, the 900 products that are being designed pre-Christmas is exactly the sort of product that they buy into.

Kate Calvert: OK.

Julian Dunkerton: In fact, we look at the bestsellers, the trading update. Yesterday, they were (four) and you could have picked them out from a few years ago. It's all the classics. So, what they want to do is classic product, basically, and we're going to deliver that for them.

Kate Calvert: Great. And on retail?

Julian Dunkerton: Well, obviously, retail will benefit from the space that we have – are identifying into what products we should be putting in there. So, at the moment, we are putting in the stock that is available to us, but obviously, moving towards Christmas, we will be then be putting layering in new product to make the stores more exciting.

And, obviously, online, we will be really taking advantage of the new product.

Kate Calvert: And in terms of the retail performance and the bounce back in the fourth quarter, because obviously, in the circles so there's a lot of weather issues and things like that. Which sort of geographies bounce back the best?

Adam Smith: Yes. So, you're right, Kate. The comparatives from the (inaudible) last year were a little bit softer plus we had the benefit of a mid-season sale in the store state. But across all the key geographies, U.K., you actually saw a better performance in the fourth quarter. There was …

Kate Calvert: Was there much differential between Europe and U.K.?

Adam Smith: We'll come back with a bit more geographic detail at the 4th of July. But, yes, all of those territories improve quarter on quarter.

Kate Calvert: Great. Thanks so much.

Operator: Thank you. And your next question comes from the line of Eleonora Dani from Stifel. Thank you. Your line is now open.

Eleonora Dani: Good morning. Can you hear me?

Julian Dunkerton: Hi.

Eleonora Dani: Hi. Just two for me. I appreciate that you’ve done this close at a turn rate in the wholesale channel. But could you explain what was the reason why of those return?

Adam Smith: So, Elenora, it will be wholesale being a lag indicator will be the same product issues as we've suffered in the retail state. So, that will be what's driving that.

Eleonora Dani: OK. Thank you for that. Secondly, how's the search for the new CEO going? Is there a search happening at all at the moment?

Peter Williams: Yes. We've kicked – I'm looking, after all the searches for both the non-execs and the exec and we've appointed headhunters and we're getting on with it.

Eleonora Dani: OK.

Julian Dunkerton: But the …

Eleonora Dani: Thank you.

Julian Dunkerton: So, I mean, really, what we're doing first is the CFO and the HR and we're steadying the ship here and getting the strategy correct before we do the CEO search and then we'll do that as soon as we've studied the whole business which patently we are doing as we speak.

Eleonora Dani: OK. Thank you.

Operator: Thank you. And your next question comes from the line of (Paul Bennett). Thank you. Your line is now open.

(Paul Bennett): Hi. It's (Paul Bennett) from Bank of America. So, just one question from me. To what extent of outside factors affected your performance in the first – the fourth quarter because some of your – some of the online players have mentioned that there was a pull forward of sales in March due to good weather and that April-May have been a little bit softer with Easter and do you think there is increased discounting risk going into May and June if the weather doesn’t improve? Thank you.

Julian Dunkerton: Look, the reality is we are trying to hold – the reason why wholesale numbers, really, one of the reasons is with the retail state has gone into too much sale and the wholesale customers get really affected. So, you can't do one channel without the other channel.

So, what we will be looking at is the product that is in the warehouses that is slowing – the slowest selling and actually moving our way through that rather than affecting the current season product which we will hold as long as we can before we go on sale.

(Paul Bennett): OK. Thank you so much.

Julian Dunkerton: Thank you.

Peter Williams: Thank you. And the next question comes from the line of Simon Bowler from Numis. Thank you. Your line is now open.

Simon Bowler: Thank you. I want to go – two quick questions from myself. Firstly, can you just give a little bit of color on what kind of reaction engagement, conversations you've had with wholesale partners and about the changes that are going through the business.

And then secondly, you gave a number on the kind of volume of products in the warehouse kind of being 18 million now down to 17 million. Have you got an idea where you want that to get to and at what period of time that happens? I guess, that happens …

Julian Dunkerton: This is a process and I think the reality of that, I don't want to put a number in but we will be looking at that and saying, look, this is not a good use of our working capitals that we will be working on the -- (Lucy) in merchandising and I have a very good relationship already and there is a determined effort to reduce that stockholding. So, we will be doing that.

I'm sorry, what was the other one? I've forgotten the other part of the question.

Simon Bowler: Any kind of color you can give on reaction engagement that you've had so far …

Julian Dunkerton: Oh, wholesale. So, look, everything I've heard anecdotally is they are absolutely delighted I'm back because the reality is I – the vision of the brand and what the product should be really has gone a little bit of drift in the last 16 months. So, questioning it back and bringing it back as, I think, really the wholesale customers.

And obviously, giving them choice that they didn't have for this autumn, to protect themselves going into Christmas is going to be key. So, yes, I've only had incredibly positive thing. I haven't picked up the phone to many because I've been so busy but I've had, like, tons of messages saying thank goodness you're back.

Simon Bowler: Thanks. Thank you.

Operator: Thank you. And your next question comes from the line of (Kate Hasselton) from Edison. Thank you, your line is now open.

(Kate Hasselton): Good morning, gentlemen. I just wondered if you could talk in a little bit more detail about what you see is Superdry's core customers you're introducing new ranges?

Julian Dunkerton: Well, that's very interesting. So, I don't know if you remember but a couple years ago, the data was showing us that it was a third, a third, a third between the sort of 16-24, 15-24, 24-32 and 32 plus. We must never forget that we actually do engage with all of those customers.

So, it's very important that demographically, when we're designing product, we understand who we're designing for. And, actually, very interestingly, I come from a product up and Phil comes from that sort of thought process down as in Phil Dickinson. So, we're ending up in a place where I think we're going to have a quite a sophisticated range plan.

(Kate Hasselton): Sure. OK. And just across the categories, which ones have really been the weakest performers and those in need of the most attention, do you think?

Julian Dunkerton: The biggest miss is on the graphic-based product, that's been a huge miss. So, what happened is the choice has been taken out of the graphic and we are famous for all those sorts of products. I mean, at this time, it should be representing 20 plus percent of retail sales in T-shirts and when you try and force a customer and all customers in the world into buying the same print and you lose the heritage of what we are historically, you're going to miss out.

So, that's one of the biggest misses, a clear win, shall we say. A clear win available to us.

(Kate Hasselton): Sure. OK. Thank you. And then just currently on your returns rate, I know you talked a little bit about wholesale, what's your online returns rate and has that changed significantly from the recent past?

Julian Dunkerton: OK. We've not disclosed that before. It varies by channel and home sites that (inaudible) et cetera, as well. It depends on the mix.

(Kate Hasselton): OK. All right. Thank you.

Operator: Thank you. Once again, ladies and gentlemen, if you wish to ask a question, please press star one on your telephone keypad.

And the next question comes from the line of Niraj Amin from UBS. Thank you. Please go ahead.

Niraj Amin: Hi. Morning. (Inaudible). Actually, all my questions …

Julian Dunkerton: Hi.

Niraj Amin: … have been answered, actually. So, I'll pause. But thank you.

Operator: Thank you. And your next question comes from the line of Caroline Gulliver from Jefferies. Thank you. Please ask your question.

Caroline Gulliver: Good morning, guys. You mentioned at the start …

Julian Dunkerton: Good morning.

Caroline Gulliver: You mentioned at the start of the call that you're going to be increasing staff and talent in sort of the social media aspect to further things. And I just wondered if you could comment a bit further on what you think you need to do brand-wise on social media as you're sort of first priority.

Julian Dunkerton: So, the reality is we've fallen way behind the curve here. This is an area that we really need to bolster. Obviously, particularly, for younger people, influencers, celebrities, we're certainly not engaging and not messaging with young people at the moment in any real sense.

So, the opportunity for us and we are casting our eyes around who is best in the market to look at who we might recruit. But that plainly is the – one of the key obvious wins for us.

Caroline Gulliver: Thank you.

Operator: Thank you. And we don’t have any further questions at this time. Please continue.

Peter Williams: OK. So, you're handing back to us then, (Maria)?

Operator: Yes, sir.

Peter Williams: OK. So, just to thanks you all. Thank you very much for joining and we look forward to seeing you all again on July the 4th.

Julian Dunkerton: Thank you.

Operator: Thank you. Ladies and gentlemen, that does include the conference for today. Thank you all for participating. You may now disconnect.

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