



**SuperGroup.Plc**

**Preliminary Results**  
**Year Ended 26 April 2014**

# AGENDA

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- Introduction
- Financial Results
- Business Development
- Summary
- Q&A

Shaun Wills (CFO)

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Susanne Given (COO)

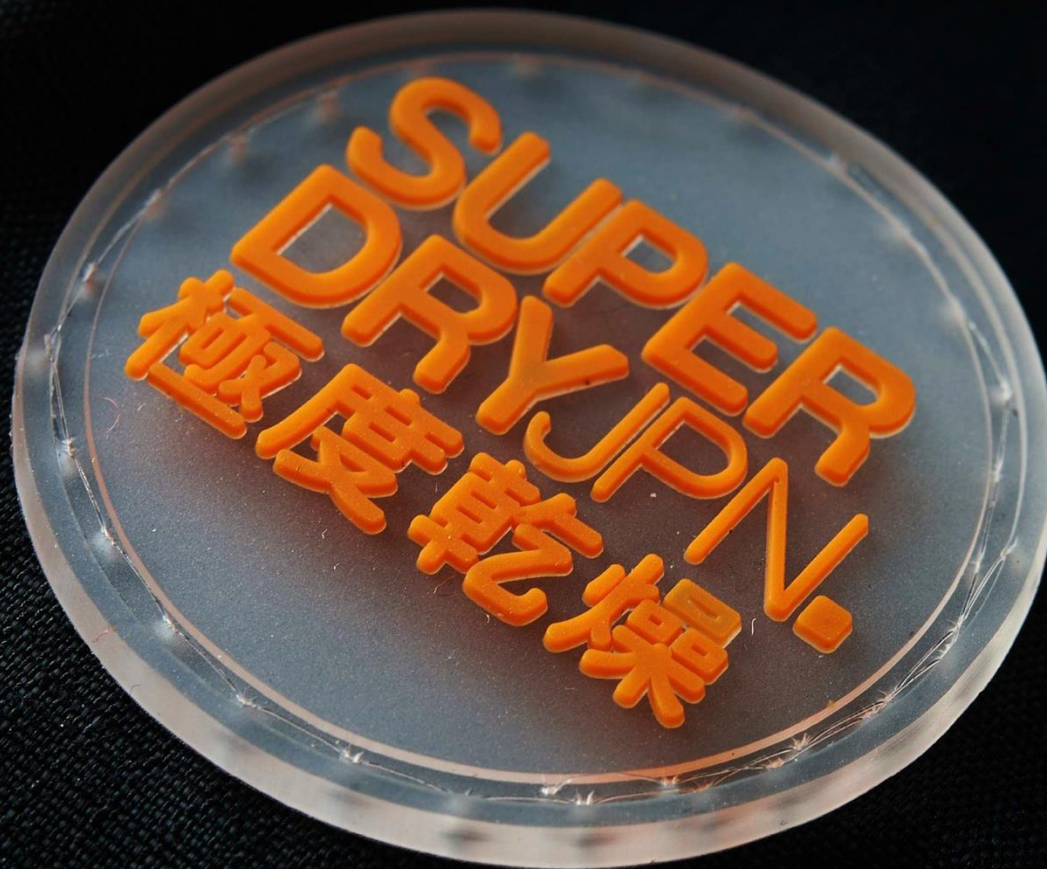
Susanne Given (COO)



# INTRODUCTION

SHAUN WILLS

CHIEF FINANCIAL OFFICER



# INTRODUCTION

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INTRODUCTION FINANCIAL RESULTS BUSINESS DEVELOPMENT SUMMARY Q&A

- Delivered FY profit growth of 19%, comfortably in line with guidance
- Significant infrastructure investment – past the peak
- Bought out and integrated the German and Spanish businesses
- Platform for international growth established
- Range development continues
- Brand remains strong and desirable

**DELIVERING SUSTAINABLE LONG-TERM GROWTH**

# FINANCIAL SUMMARY

SHAUN WILLS

CHIEF FINANCIAL OFFICER



# FINANCIAL SUMMARY

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INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A

- Group sales growth of +19.6%
- Estate growth delivered in line with expectations
  - c.100,000 square feet opened
  - A net increase of 46 franchised and licenced stores opened globally
- LFL sales growth of +3.2% (underlying +4.4%)
- Wholesale growth +23.3%, in line with order books
- Group gross margin percentage improved by 140 basis points
- Underlying profit growth +18.8%
- Cash generation from operations increased +67.9% to £64.3m
- Year end net cash balance of £86.2m; +58.2% YoY
- ROCE increased 410bps to 29.8% despite significant investment

**DELIVERED STRONG RETURNS ON CAPITAL INVESTMENT**

# PROFIT AND LOSS ACCOUNT

INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A

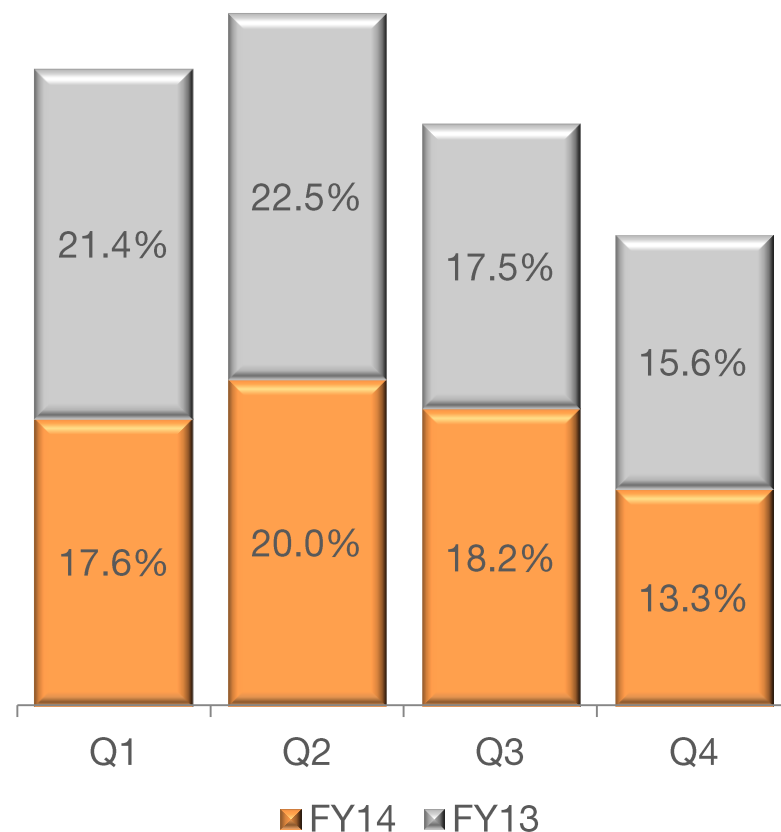
	2014	2013	Growth
<b>Sales (£m)</b>	<b>430.9</b>	<b>360.4</b>	<b>19.6%</b>
Gross profit (£m)	257.3	210.0	22.5%
Gross margin (%)	59.7%	58.3%	140 bps
Costs / Other	(200.5)	(163.3)	22.7%
Other	4.7	5.2	(9.6%)
<b>Operating profit (£m)</b>	<b>61.5</b>	<b>51.9</b>	<b>18.5%</b>
Other & finance income	0.5	0.3	66.7%
<b>Underlying Profit before tax (£m)</b>	<b>62.0</b>	<b>52.2</b>	<b>18.8%</b>
Tax	(14.9)	(13.4)	11.2%
Profit after tax	47.1	38.8	21.4%
EPS (p) basic	58.0	47.8	21.3%
diluted	57.2	47.4	20.7%

# SALES ANALYSIS: RETAIL

INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A

- Building a strong track record
  - Consistent strong quarterly sales growth versus strong FY13
  - New and larger stores in UK performing well
  - New European stores particularly encouraging
- Acquisitions integrated
  - We are only at the start of our owned store European journey
- Strong full year LFL growth
- Full price strategy may cause short term volatility in LFL sales but delivers superior margins, higher returns and maintains brand integrity
- Womenswear saw strong first half growth; overall mix remains level

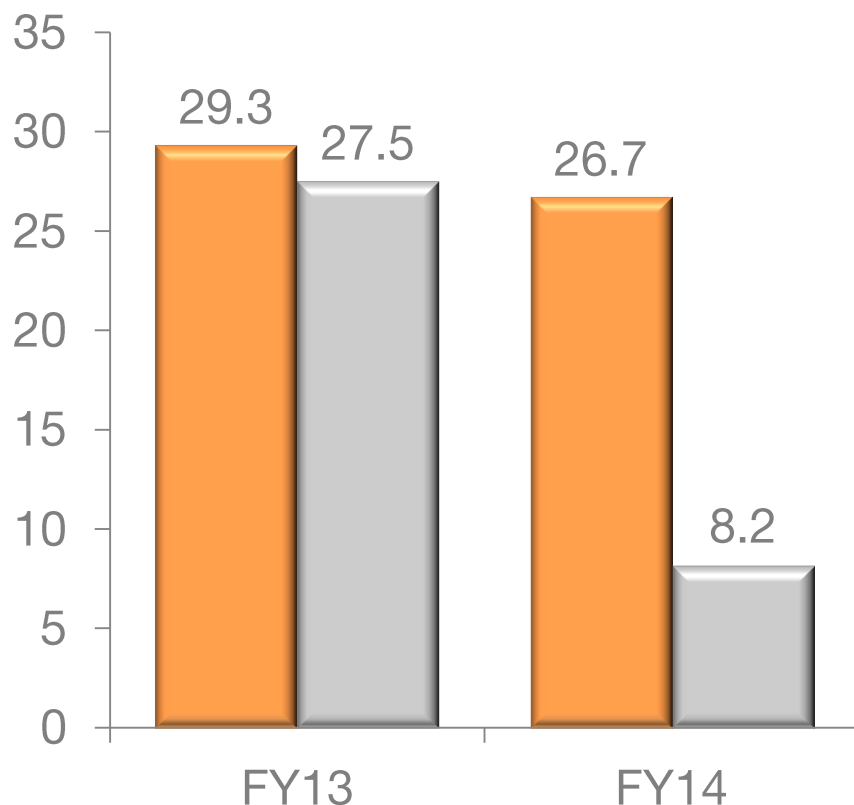
2 YEAR CUMULATIVE SALES GROWTH BY QUARTER





# E-COMMERCE: REVENUE

INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A



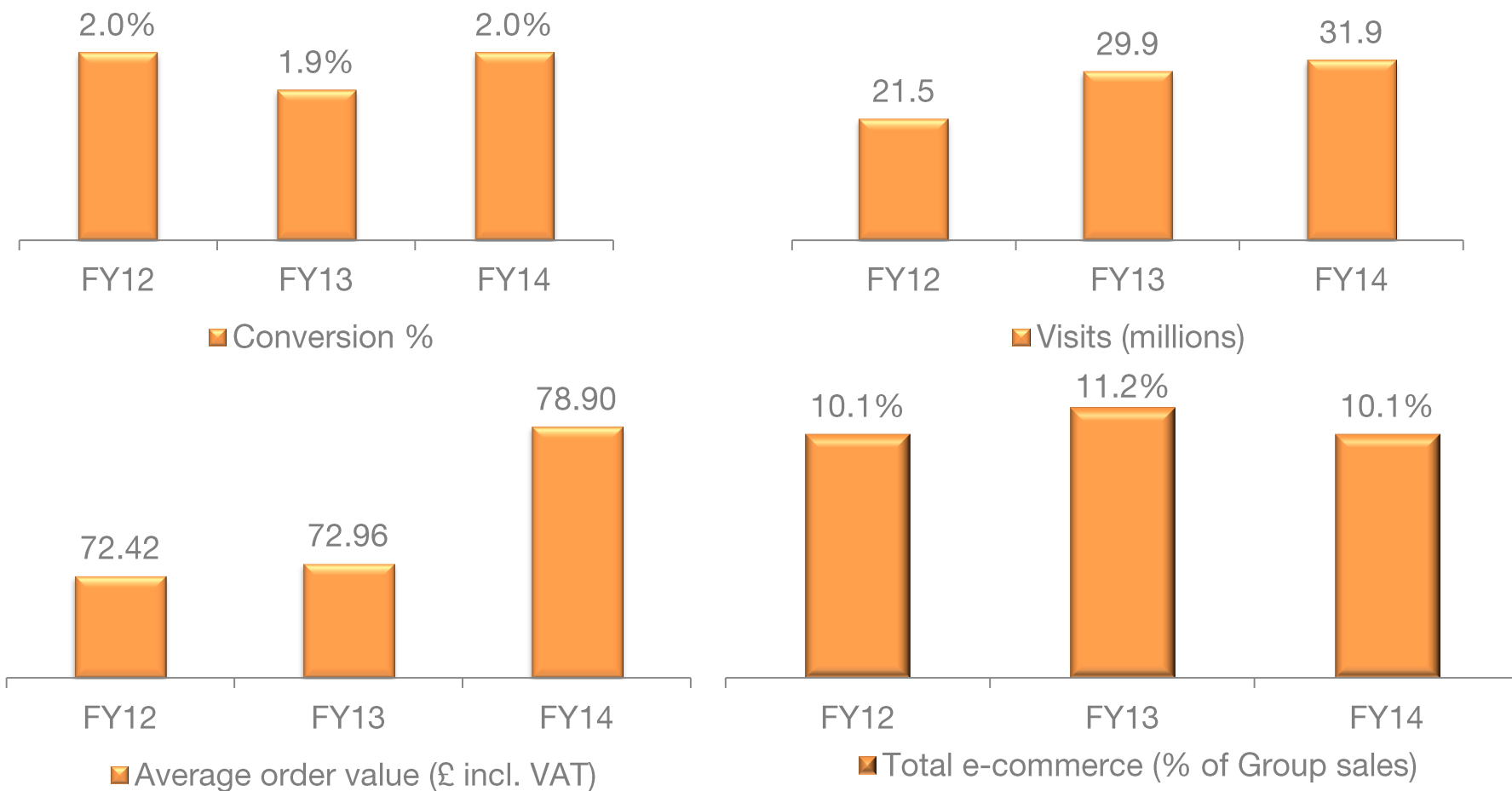
■ Full price brand sites sales growth (%)

■ Total e-commerce sales growth (%)

- E-commerce channel is our most profitable channel
- Full price sites revenue growth of 27% in FY14
- Significant reduction in eBay activity
- <1% of sales subject to a voucher code discount (FY13: 4.8%)
- Traffic and conversion increases despite this reduction

# E-COMMERCE: KPIs

INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A

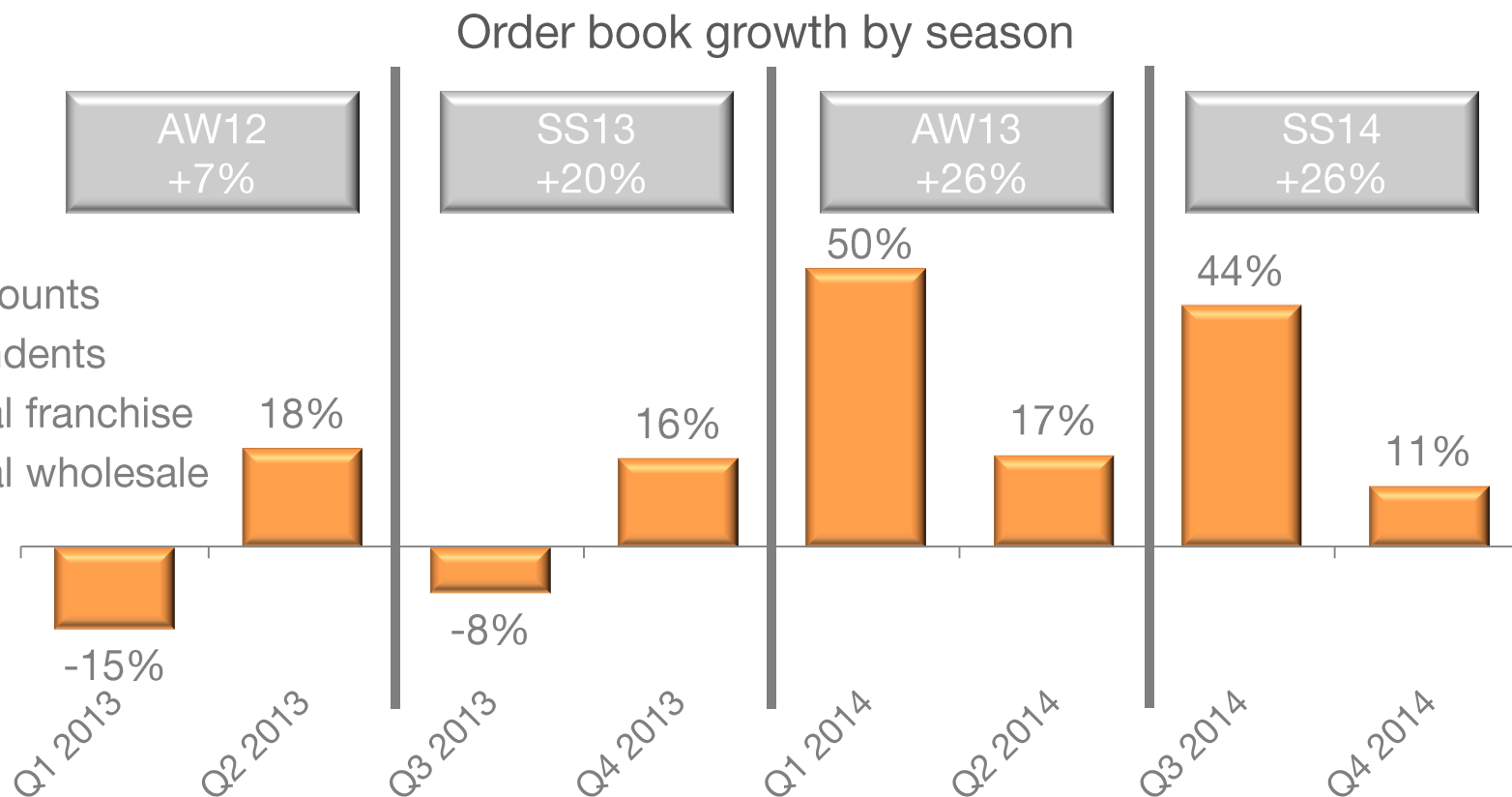


# SALES ANALYSIS: WHOLESALE

INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A

## Wholesale

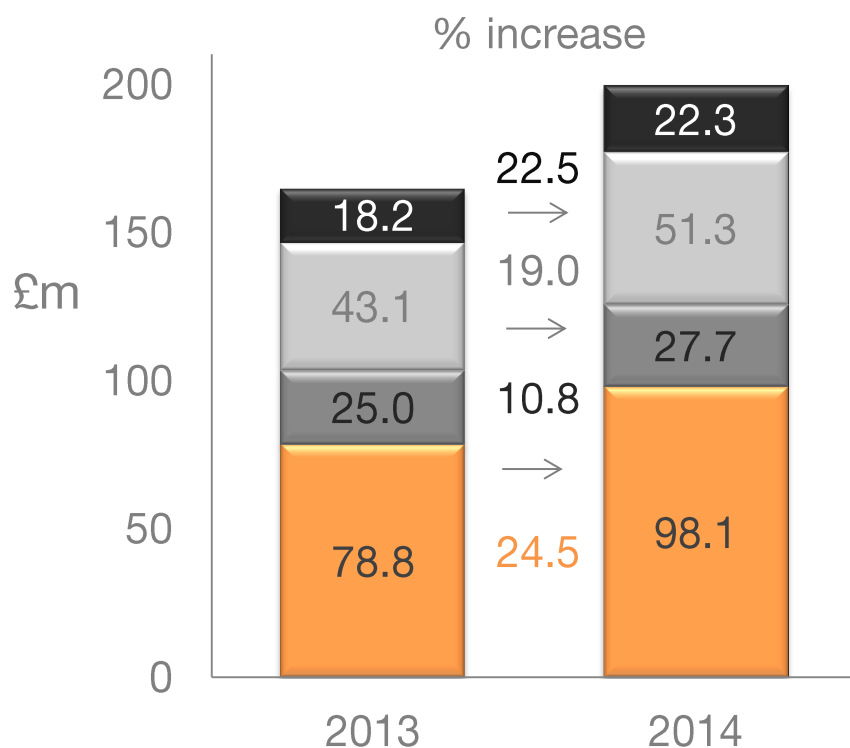
- UK key accounts
- UK independents
- International franchise
- International wholesale



Wholesale sales growth achieved

# UNDERLYING COST ANALYSIS

INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A

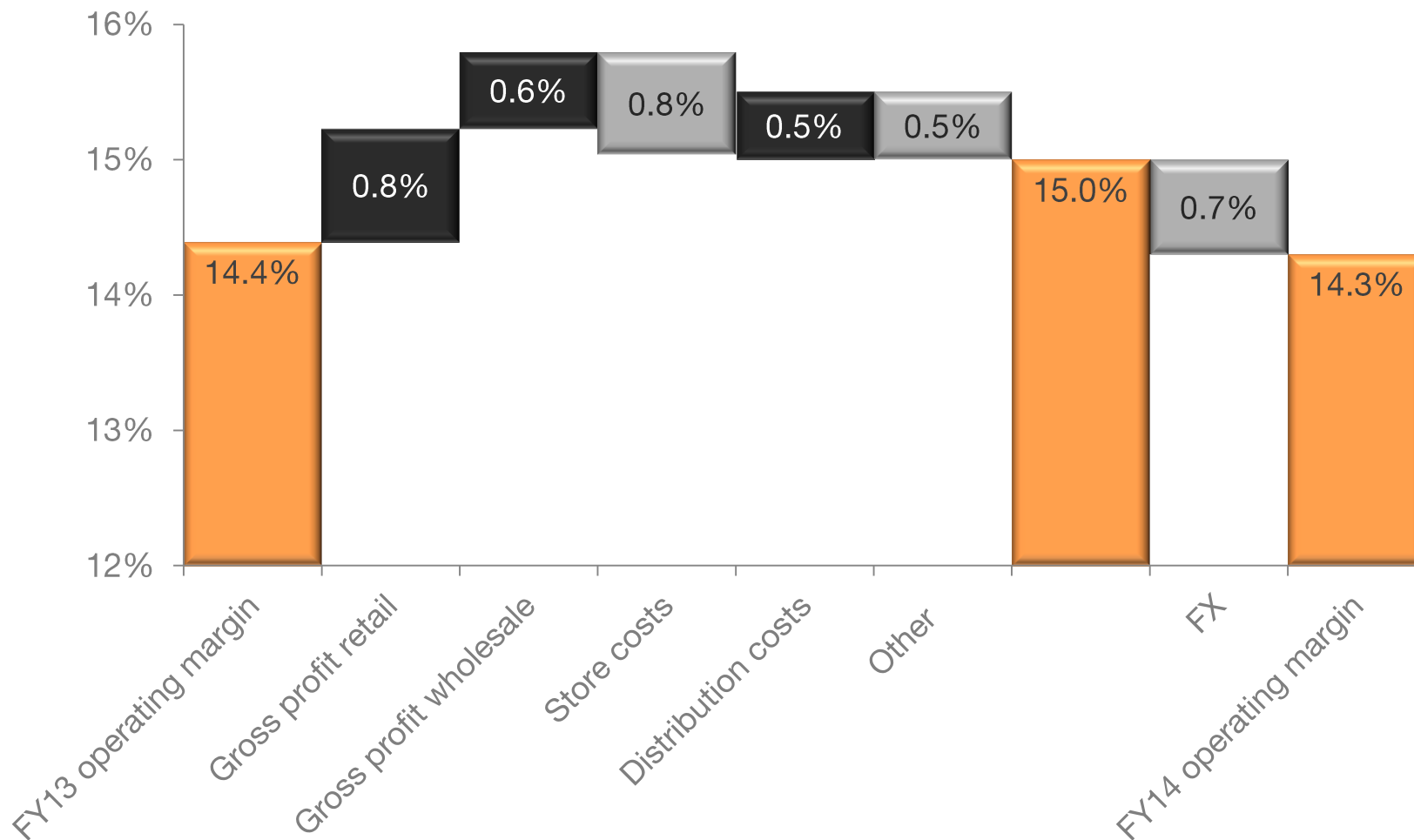


- Depreciation and other
- ▒ Head office costs
- Distribution costs
- Store costs

- Depreciation
  - the outcome of significant increases in investment activity during the year
- Head office
  - Strengthening of management team
  - Investment related costs
- Distribution costs:
  - Operational leverage
  - Reduced clearance activity
  - Lower stock levels
- Store costs:
  - Increase in space opening
  - Increase in European mix

# OPERATING PROFIT MARGIN BRIDGE

INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A



# EXCEPTIONAL ITEMS

INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A

	2014	2013
	£m	£m
Underlying profit	62.0	52.2
<b>Re-measurements:</b>		
Deferred contingent share consideration	(4.0)	(2.5)
(Loss) / gain on financial derivatives	(3.7)	2.6
<b>Exceptional items:</b>		
Set-up and dual running costs regarding the retail distribution centre	(3.4)	(0.5)
Buy out of Spanish and UK agents	(3.3)	-
Buy out of German agent and business combination costs	(2.4)	-
<b>Re-measurements and exceptional items</b>	<b>(16.8)</b>	<b>(0.4)</b>
Reported profit	45.2	51.8

# CASH FLOW STATEMENT

INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT BRAND AND PRODUCT SUMMARY Q&A

£m	2014	2013	Growth
<b>Operating cash flow*</b>	<b>74.9</b>	<b>67.0</b>	<b>11.8%</b>
Working capital movement	(1.6)	(20.5)	(92.2%)
Interest income	0.6	0.3	
Income taxes paid	(9.6)	(8.5)	
<b>Net cash generated from operating activities</b>	<b>64.3</b>	<b>38.3</b>	<b>67.9%</b>
Purchase of property, plant and equipment	(31.8)	(17.8)	80.5%
Cash contributions from landlords	4.6	3.0	
Acquisitions	(2.6)		
Other (including cash costs relating to the new DC)	(0.3)	(0.2)	
<b>Net increase/(decrease) in cash</b>	<b>32.2</b>	<b>23.3</b>	<b>38.2%</b>
Exchange rate movement	(0.5)	0.3	
Opening net cash	54.5	30.9	
<b>Closing net cash</b>	<b>86.2</b>	<b>54.5</b>	<b>58.2%</b>

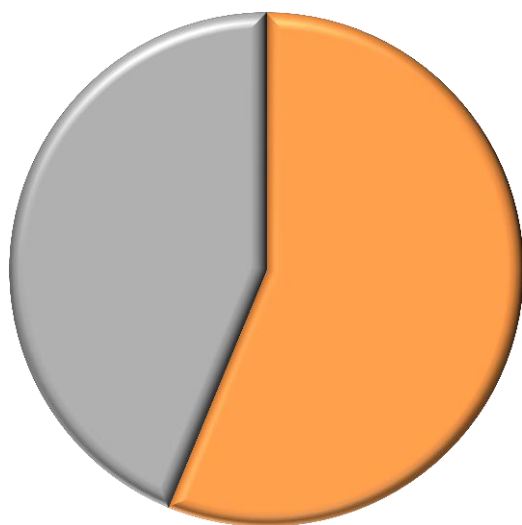
\* Excluding working capital movement, interest income and income taxes paid

# CASH PAYBACK ON STORE OPENINGS

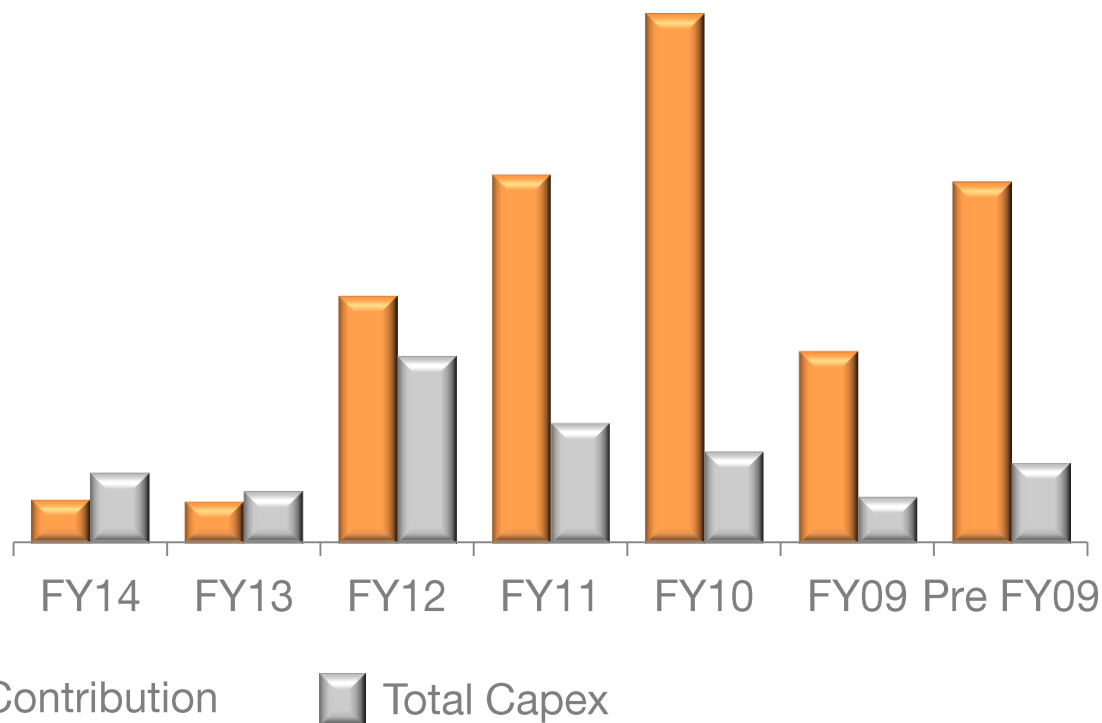
INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A

CUMULATIVE CONTRIBUTION BY YEAR OF OPENING SET AGAINST CAPEX SPEND

Oberhausen  
First 18 months



UK





# ACQUISITIONS

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INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A

- **Germany**
  - Acquired 7 owned retail stores adding 14,000 sq. ft.
  - Strong distribution channel selling into c.200 independent retailers
  - Local management knowledge and relationships
- **Spain**
  - Opened 10 El Corte Ingles concessions since July 2013, roll out to continue in FY15
  - Wholesale continues to be a growth opportunity with improved margins
  - Smoothly integrated
- **Scandinavia**
  - Acquired the SMAC Group (June 2014); Denmark, Norway and Finland
  - 4 owned retail stores, 8 franchise stores
  - Structure will support a more ambitious store roll-out, improve margins on the wholesale operation and retain local operational and management expertise

# GUIDANCE: FY15

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INTRODUCTION **FINANCIAL RESULTS** BUSINESS DEVELOPMENT SUMMARY Q&A

- Retail
  - First half LFL comparative of +8.1%; second half LFL comparatives of -0.9%
- Wholesale
  - 50 new franchised stores expected to open in FY15
- Gross margin uplift of 25bps
- Space growth 80,000 – 100,000 square feet (unchanged)
- Capex: c£26-30m mainly on new space and including £2m of maintenance
- Tax rate guidance of 25%
- Anticipated operating margin improvement of 25bps
  - Depreciation increase of 25%
  - 20% cost per unit saving in Burton DC

# BUSINESS DEVELOPMENT

SUSANNE GIVEN  
CHIEF OPERATING OFFICER

# BUSINESS OVERVIEW

INTRODUCTION FINANCIAL RESULTS **BUSINESS DEVELOPMENT** SUMMARY Q&A

## OPERATIONS AND GROWTH DRIVERS

### INFRASTRUCTURE UPDATE

- New Distribution Centre and replacement Merchandise Management System completed on time and on budget
- Roll out of Point of Sale system currently underway
- Finance systems to be completed in Q2

### OPERATIONS

- Platform now in place to support international growth
- Improved efficiency to support ongoing UK activity
- On track to deliver efficiency gains from investments

### FUTURE GROWTH

- Major projects completed, focus is now on growth
- Increased pace of European roll-out
- Leverage e-commerce platforms
- Multiple opportunities now exist in International business

# EXPANSION STRATEGY

INTRODUCTION FINANCIAL RESULTS BUSINESS DEVELOPMENT SUMMARY Q&A

## Store roll-out

- Flagships (>6000 sq. ft.) in European priority cities
- Large stores (4000-6000 sq. ft.) in cities with >2m population within 30 minute drive time
- Use franchisee model to penetrate secondary locations
- Develop outlet channel to support the Western Europe business

## Leverage e-commerce

- Support brand development through integrated marketing strategy
- Increased integration of the online platforms and physical stores
- Invest in online customer acquisition to enable direct marketing and extend social media reach to drive traffic both on the web and in store

## International opportunities

- Develop partnerships in new markets
- Support smaller independent franchisees expand faster
- Scope to improve profitability

# BUSINESS DEVELOPMENT

## GROWTH

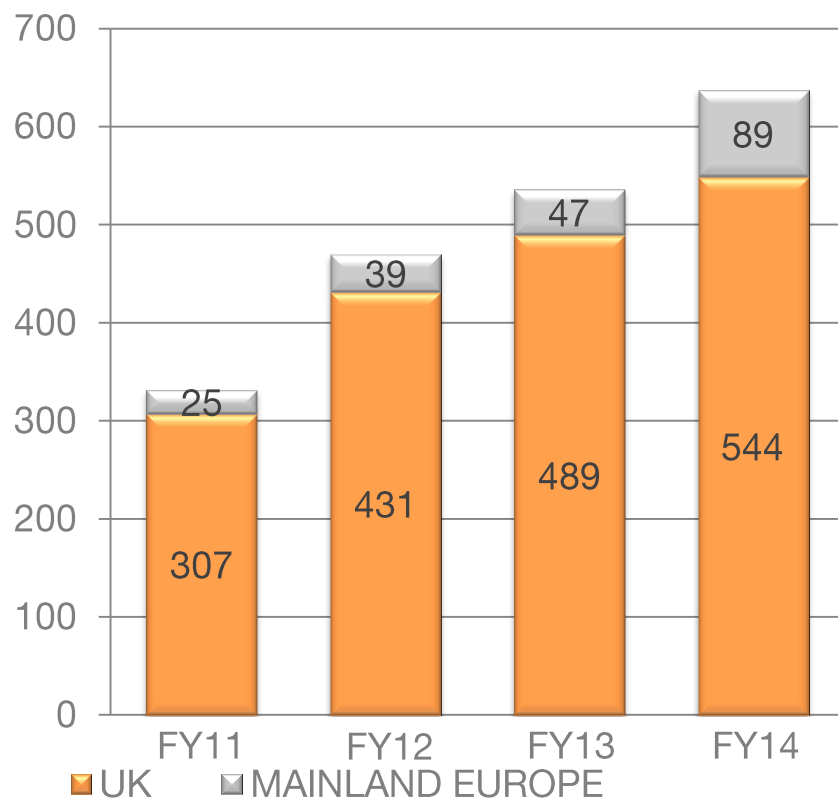


# ESTATE GROWTH

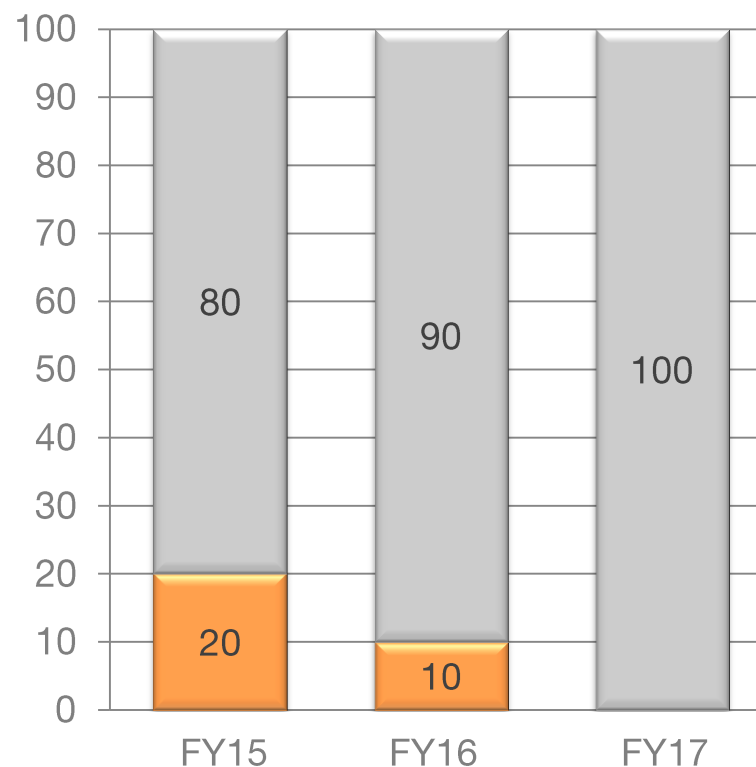
INTRODUCTION FINANCIAL RESULTS BUSINESS DEVELOPMENT SUMMARY Q&A

**FY14 MAINLAND EUROPEAN SPACE WAS 14% OF TOTAL, BY FY17 IT WILL BE 40%**

Historic estate growth (sq. ft. 000s)



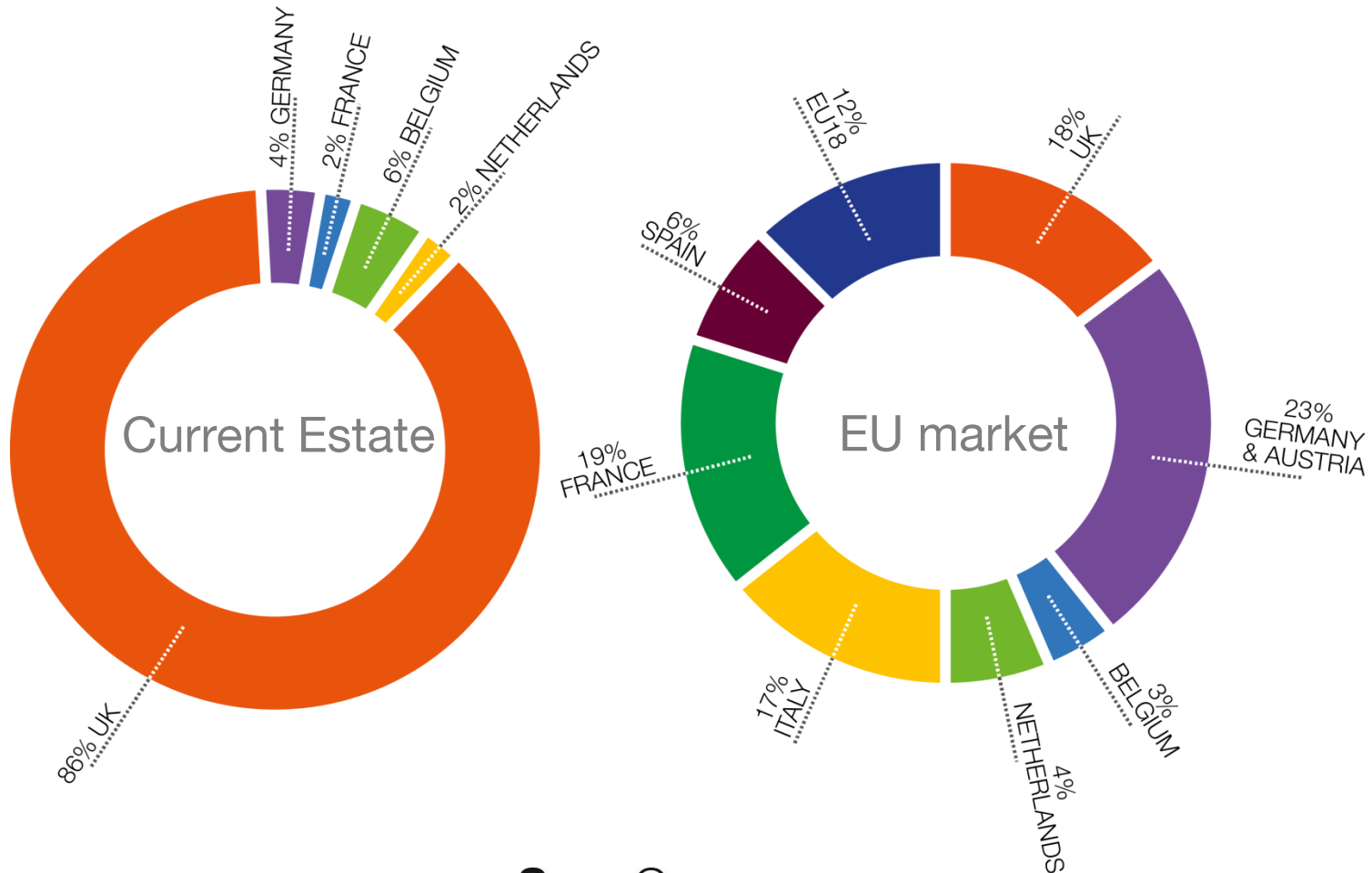
Planned estate growth (sq. ft. 000s)



# ESTATE GROWTH

INTRODUCTION FINANCIAL RESULTS BUSINESS DEVELOPMENT SUMMARY Q&A

## THE EUROPEAN OPPORTUNITY





# ESTATE GROWTH: GERMANY

INTRODUCTION FINANCIAL RESULTS BUSINESS DEVELOPMENT SUMMARY Q&A

## Why Germany?

- German clothing market is c20% larger than the UK and is forecast to grow strongly
- Macro-indicators are supportive
- Leverage local management knowledge and relationships
- Oberhausen in its second year is achieving double digit LFLs
- Proven track record through wholesale and e-commerce

## Approach

- Multi-channel approach to retain flexibility incorporating owned stores, concessions, franchisees and e-commerce
- Target top 10 cities
  - High population densities of >2m
  - Within a 30 minute drive time
  - Average square foot >5,000 square feet
- Strict approach to capital discipline to meet internal hurdle rates of return
- Target cash paybacks per new opening of c.3 years

**GERMANY HAS THE POTENTIAL TO BE LARGER THAN THE UK MARKET**

**Six stores  
planned to  
open in  
major cities  
before  
Christmas  
2014**

- Stuttgart
- Hamburg
- Munich
- Dortmund
- Frankfurt x 2

# ESTATE GROWTH

INTRODUCTION FINANCIAL RESULTS BUSINESS DEVELOPMENT SUMMARY Q&A

## MAINLAND EUROPE

- In FY14 we have opened large store formats in:
  - Amsterdam
  - Aéroville
  - Marseilles
  - Brussels
- Cash payback periods comfortably within target
- Targets for FY15
  - 80% of Group estate growth in Europe
  - Increase presence in Netherlands and France
  - Further concessions to open within El Corte Ingles
  - Plan to open stores in Italy and Sweden



# FRANCHISE BUSINESS

INTRODUCTION FINANCIAL RESULTS BUSINESS DEVELOPMENT SUMMARY Q&A

	FY13	FY14	5 Year Plan
Mainland Europe	96	124	180+
Licencees	20	23	33-40
USA	13	14	15-20
Australia	7	9	18-20
Rest of World	43	60	200+
Asia	17	36	150+
Middle East	15	16	30-40
S America	8	5	10-15
Africa	3	3	10-15
UK	3	1	1
<b>TOTAL</b>	<b>162</b>	<b>208</b>	<b>400+</b>

## Levers of growth:

- New partners in new markets
- China offers significant opportunity
- Leverage FJ Benjamin relationship to build brand awareness in SE Asia
- Opportunity to acquire markets back
- Geo-political risk aside, the RoW will be a key driver of growth

# E-COMMERCE: OPTIMISATION

INTRODUCTION FINANCIAL RESULTS BUSINESS DEVELOPMENT SUMMARY Q&A

極度乾燥(しなさい)  
**Superdry.**  
FREE DELIVERY IN UK, EUROPE & N. AMERICA

store locator  
enter your search...

sign in | register  
saved items (0) | your bag **£0.00** (0 items)

**mens** | **womens** | **new in**

**outerwear**  
Jackets & Coats  
Windcheaters  
Leather Jackets  
Gilets

**tops**  
Dresses  
Hoodies  
Knitwear  
T Shirts  
Tops  
Shirts

**bottoms**  
Shorts  
Skirts  
Jeans  
Joggers  
Trousers  
Chinos  
Swimwear

**accessories**  
Bags  
Sunglasses  
Hats  
Beauty  
Watches  
Underwear & Socks

**Summer Staples**

**WHY NOT TRY**

Thumbnail 1: Pink and black flip-flops with 'beach' text.  
Thumbnail 2: A woman wearing a blue and white striped dress.  
Thumbnail 3: A woman wearing a white t-shirt with 'UPPER PART JAPAN TRUE HEART GRAND' text.  
Thumbnail 4: A pair of brown sunglasses.  
Thumbnail 5: A woman wearing a black t-shirt with 'SKA SuperDry' text.  
Thumbnail 6: A pair of blue and white sneakers.

# E-COMMERCE: INTERNATIONAL

INTRODUCTION FINANCIAL RESULTS BUSINESS DEVELOPMENT SUMMARY Q&A

- We have 18 international websites
  - local language
  - local pricing
  - local payment types
  - local returns (in the case of Europe, Asia and Australasia)
- Device mix
  - Device fragmentation meaning that desktop traffic will soon account for <50%
  - Our conversion rates on mobile and tablet are getting better as we have rolled out device agnostic platforms
- Despatches to non UK addresses up from 38.2% in FY13 to 46.1% in FY14



# E-COMMERCE: FULFILMENT

INTRODUCTION FINANCIAL RESULTS BUSINESS DEVELOPMENT SUMMARY Q&A

- The Superdry e-commerce delivery promise is now one of the best in the market place

UK

- Order until 22:00 for “next day” delivery
- Free 48 hour delivery service across the UK
- 7 days a week service

EU

- Free 72 hour delivery
- Market-leading 24 hour express delivery

USA

- Free 48-72 hour express delivery

# SUMMARY

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INTRODUCTION FINANCIAL RESULTS BUSINESS DEVELOPMENT SUMMARY Q&A

- SuperGroup has delivered all its FY14 objectives
- Two most significant investment projects completed
- 19.6% sales increase and 18.8% profit increase
- Developed a platform for sustainable international expansion
- Well positioned for another year of profitable growth

# Q&A







**SuperGroup Plc**

**Preliminary Results**  
**Year Ended 26 April 2014**