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# FY 24 Half Year Results

26 January 2024

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# INTRODUCTION

## TODAY'S PRESENTERS

**Julian Dunkerton,**
**Founder & Chief Executive Officer**

**Shaun Wills,**
**Chief Financial Officer**

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# OVERVIEW

## PROGRESS ON OPERATIONAL PROGRAMMES DESPITE CHALLENGING ENVIRONMENT

- HY 24 characterised by challenging consumer retail market and softer financial performance, but strong progress made on operational programmes:
  - Cost efficiency programme set to deliver in excess of £40m of savings in this financial year, with more than £20m achieved in H1
  - Inventory projected to reach c.7m units by FY 24, down from a peak of c.19m in 2019, as clearance of aged stock continues
  - Secondary lending facility of up to £25m agreed with Hilco Capital and £28.3m received for IP joint venture and disposal of assets to Reliance Brands in South Asia
  - Innovating our product, whilst staying true to our heritage, with firmer stance on transitional product and tighter management of option count

# FINANCIAL PERFORMANCE

SHAUN WILLS, CFO

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# INCOME STATEMENT

## FINANCIAL PERFORMANCE IMPACTED BY SOFTER RETAIL SALES, CONTINUED UNDERPERFORMANCE OF WHOLESALE AND BROADER MACRO FACTORS

| **Group (£m)** | **H1 24** | **H1 23** | ***Change %*** |
|---|---|---|---|
| Stores | 106.0 | 117.7 | *(9.9)%* |
| Ecommerce | 51.2 | 63.3 | *(19.1)%* |
| Wholesale | 62.6 | 106.2 | *(41.1)%* |
| **Total Group Revenue** | **219.8** | **287.2** | ***(23.5)%*** |
| *Gross Margin (%)* | *54.0%* | *52.1%* | *1.9% pts* |
| Selling and Distribution Costs | (119.3) | (150.6) | *20.8%* |
| Central Costs | (26.0) | (33.4) | *22.2%* |
| Other Gains | 10.6 | 23.5 | *(54.0)%* |
| **Adjusted Operating (Loss) / Profit** | **(16.0)** | **(11.0)** | ***45.5%*** |
| Finance Costs | (9.3) | (2.6) | *257.7%* |
| **Adjusted (Loss) / Profit before Tax** | **(25.3)** | **(13.6)** | ***(86.0)%*** |
| Adjusting Items | 28.6 | (4.1) | - |
| Tax | (0.5) | 5.5 | - |
| **Statutory Profit / (Loss)** | **2.8** | **(12.2)** | **-** |

- Group Revenue £219.8m; impacted by challenging consumer retail market, unseasonal weather and underperformance of Wholesale
- Gross margin improvement driven by change in mix and price inflation in Retail, offset by markdown participation
- Operating costs significantly lower; reflecting our strategic efforts to reduce costs and volume related savings
- Adjusted loss before tax £(25.3)m; with softer top line and increased finance costs
- Statutory PAT £2.8m; due principally to the sale of intellectual property in APAC, partially offset by a non-cash impairment charge

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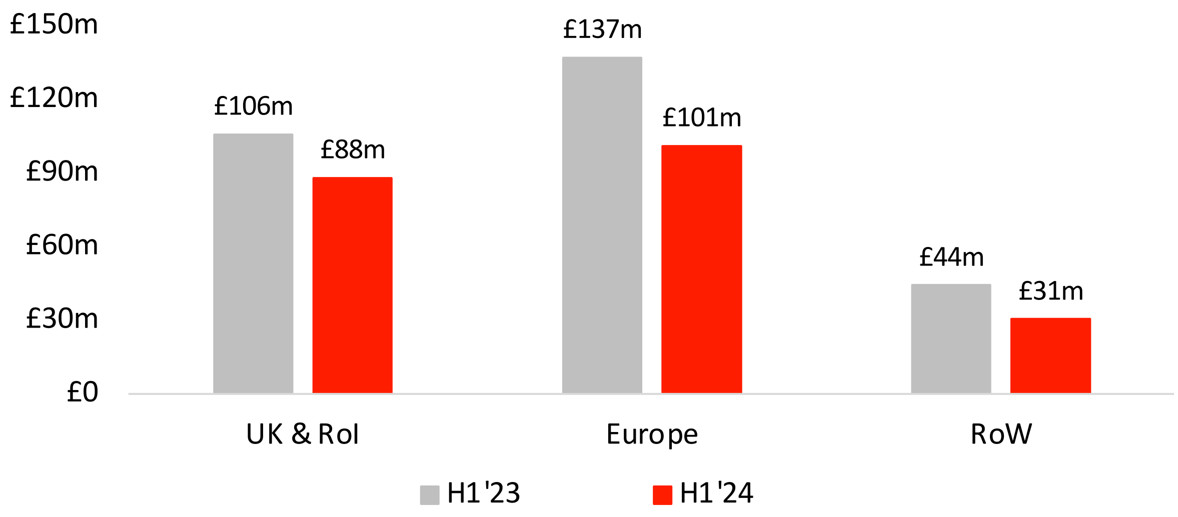
# REVENUE

## SOFTER TRADING UNDER CHALLENGING MARKET CONDITIONS

**YoY % Revenue Movement**

| | Group Revenue | Stores | Ecommerce | Wholesale |
|---|---|---|---|---|
| **H1 24** | (23.5)% | (9.9)% | (19.1)% | (41.1)% |
| **Current Trading[1]** | (13.7)% | (10.4)% | (10.1)% | (38.0)% |

**Revenue by Territory *(£m)***




- Stores and Ecommerce impacted by challenging trading environment, unseasonal weather and ongoing programme to clear aged inventory
- Ecommerce further impacted by profit-focused reduction in spend on digital marketing
- Wholesale continues to underperform, impacted by declining volumes but also steps taken to restructure the segment and wider business

**Current Trading:**

- Retail impacted by softer Christmas trading, due to milder weather and heavy discounting
- Wholesale performing broadly in line with H1, with elevated levels of clearance activity

1 – Current trading reflects the revenue change for the 12-week period to the 20 January 2024 when compared to the same period in the prior year.

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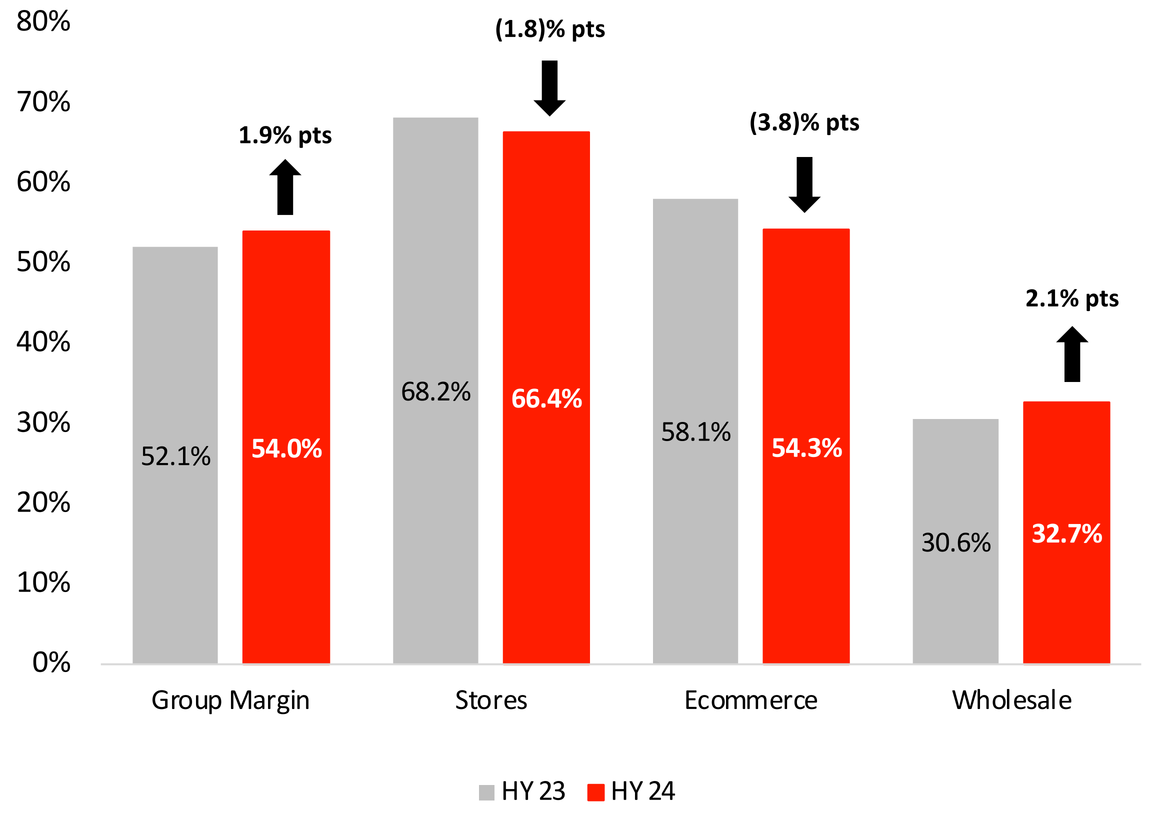
# MARGIN

## CHANGING CHANNEL MIX HAVING POSITIVE MARGIN IMPACT

**Gross Margin %**




- Gross margin improved to 54.0% driven by;
  - Change in mix following decline in Wholesale;
  - Price inflation in Retail across all territories;
  - Partially offset by markdown participation to clear aged stock
- Ecommerce also impacted by higher mix of third-party sales, where commission charges are included in the margin
- Wholesale improvement a result of price inflation and clearance participation taking place at more favourable rates

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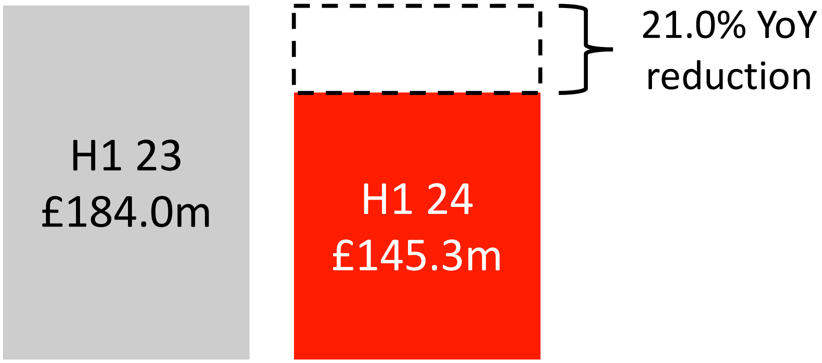
# OPERATING COSTS

## SET TO DELIVER IN EXCESS OF £40M OF SAVINGS, EXCEEDING £35M TARGET

| Group (£m) | H1 24 | H1 23 | *Change %* |
|---|---|---|---|
| Selling and Distribution | (119.3) | (150.6) | *20.8%* |
| Central Costs | (26.0) | (33.4) | *22.2%* |
| ***Total Operating Costs pre-Other Gains*** | ***(145.3)*** | ***(184.0)*** | ***21.0%*** |
| Other Gains | 10.6 | 23.5 | *(54.0)%* |
| **Total Operating Costs pre-Adjusting Items** | **(134.7)** | **(160.5)** | ***16.1%*** |

**YoY Operating Costs, pre-Other Gains**




- Strategic cost reduction programme set to deliver in excess of £40m of savings in this financial year, with more than £20m delivered in H1
- Costs to achieve these savings primarily incurred in FY 23
- Selling and distribution costs £119.3m; a reduction of 20.8% reflecting strategic decisions taken to reduce costs and volume related savings
- Central costs £26.0m; down due to renegotiation and mitigation of cost increases on new and existing contracts and headcount reductions at head office
- Other gains of £10.6m; lower due to a non-repeating £17.2m gain on FX that occurred in prior year
- The Group continues to assess opportunities to further reduce the fixed cost base of the business

# BALANCE SHEET RECAPITALISATION

## IMPORTANT STEPS TAKEN WITH CASH MANAGEMENT AN ONGOING FOCUS IN 2024

### Dec 2022 – Bantry Bay Refinancing

Facility agreed for up to £80m for three years.[1]

### May 2023 – APAC IP Sale

Agreement with Cowell generates proceeds of c.£36.3m.

### May 2023 – Equity Raise

19.1% equity raise generates proceeds of c.£11m.

### Aug 2023 – Hilco Agreement

Secondary lending facility of up to £25m.[1]

### Nov 2023 – South Asia IP Sale

Agreement with Reliance generates proceeds of c.£28m.

### 2024 – 2024 - onwards

Cash management a continued focus for the business.

1 – The amount that we can borrow under our agreement with Bantry Bay is 'headroom capped' based on levels of both inventories and trade receivables. Our subsequent agreement with Hilco Capital offsets some of the restrictions imposed under our agreement with Bantry, and therefore extends availability of borrowing to the full amount.

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# BALANCE SHEET

## INVENTORY REDUCTION AND CONTRACTION IN REVENUES DRIVING LOWER WORKING CAPITAL

| Group (£m) | H1 24 | H1 23 | *Change %* |
|---|---|---|---|
| Fixed assets | 15.6 | 20.9 | *(34.0)%* |
| Right of use assets | 57.2 | 68.1 | *(19.1)%* |
| | | | |
| Inventory | 130.9 | 172.6 | *(24.2)%* |
| Receivables | 81.6 | 120.4 | *(32.2)%* |
| Payables | (134.7) | (178.6) | *(24.6)%* |
| **Net Working Capital** | **77.8** | **114.4** | ***(32.0)%*** |
| Net Cash and Cash Equivalents | 27.8 | 13.9 | *99.7%* |
| Lease liabilities (Current and non-current) | (187.7) | (187.0) | *(0.4)%* |
| Other[1] | (32.2) | 52.2 | - |
| **Net (Liabilities) / Assets** | **(41.4)** | **82.5** | **-** |

- Working capital reduced by £36.6m when compared to H1 23, driven by:
  - Targeted efforts to clear aged inventory as part of our stock clearance programme; and
  - A reduction in payables and receivables, reflecting contraction in revenues, particularly within Wholesale
- Net cash and cash equivalents were £27.8m, but given the drawdown on our ABL facility, our net debt is £(28.9)m
- Net liability position of £(41.4)m reflects accounting adjustments in respect of impairment and deferred taxation

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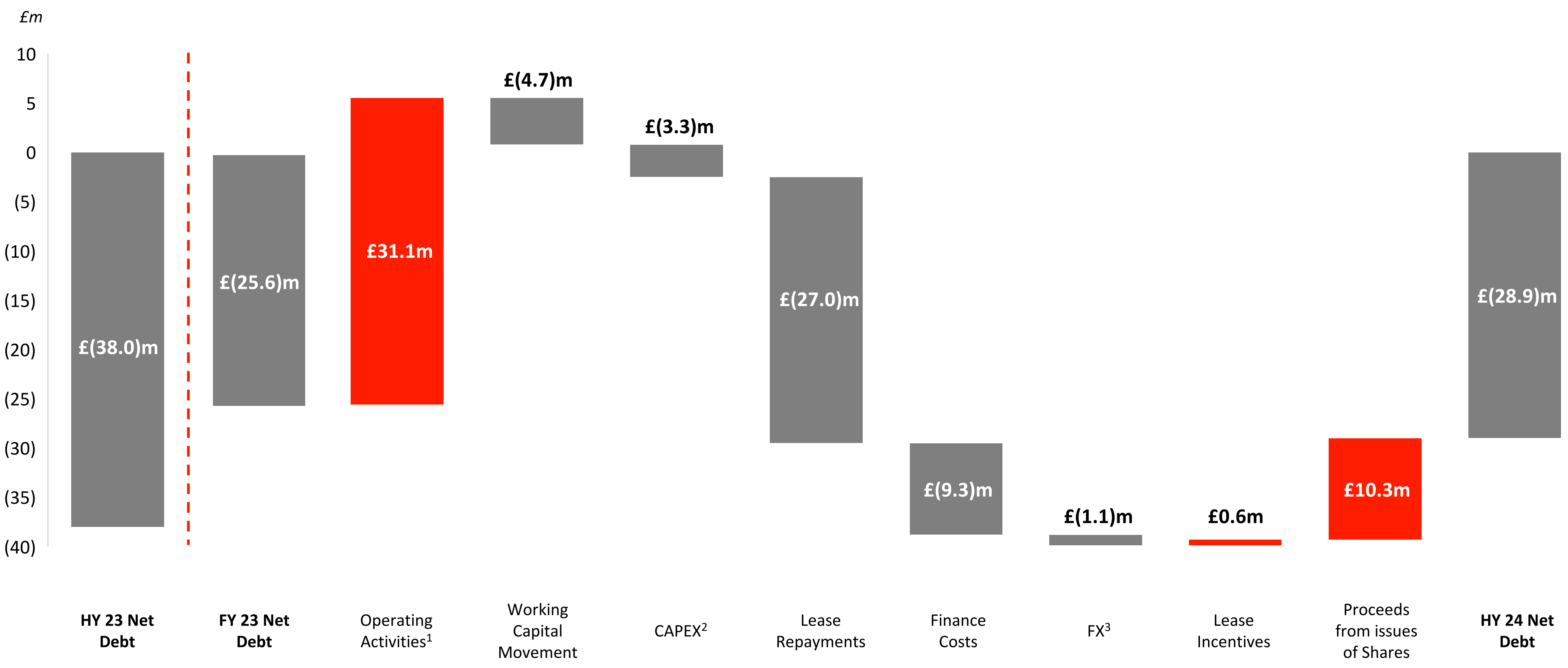
1 – Other includes intangible assets, deferred income tax asset, borrowings: ABL, provisions, non-current liabilities excl. lease liabilities and derivative financial instruments.

# NET DEBT

## NET DEBT OF £28.9M FOLLOWING APAC TRANSACTION




1 – Operating Activates includes £36.3m from sale of brand rights in APAC region. 2 - CAPEX consists of purchases of property, plant and equipment and the purchase of intangible assets. 3 – Change in FX value of cash held.

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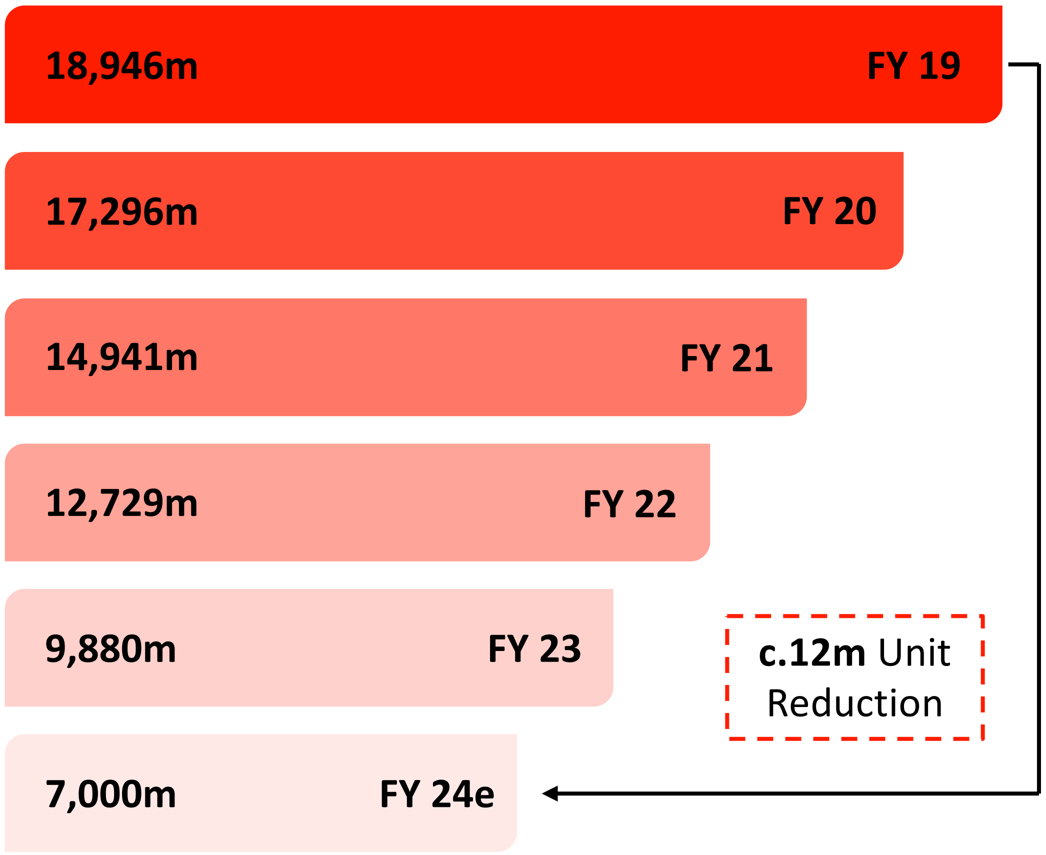
# INVENTORY REDUCTION PROGRAMME

## SIGNIFICANT PROGRESS BUT ELEVATED LEVELS OF CLEARANCE PRESENTS CHALLENGES

**Closing Inventory (m's of units)**




- Year-end inventory projected to be c.7m units, down c.12m over five years
- Reduced inventory drives simplified and leaner business operations
- YoY reductions reflect average of 2.4m additional Superdry units being sold each year over the last five years to clear aged inventory
- Clearly this presents challenges for the business, not least the significant downward pressure such elevated levels of clearance put on the margin

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TURNAROUND
PROGRAMME
JULIAN DUNKERTON, CEO
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# OUR STRATEGY AND TURNAROUND

## REBUILDING THE FOUNDATION OF SUPERDRY AS PART OF OUR TURNAROUND AND POSITIONING THE BUSINESS FOR LONG-TERM SUCCESS

**BE THE #1 PREMIUM SUSTAINABLE STYLE DESTINATION**

| LEAD THROUGH... | INSPIRE THROUGH... | ENGAGE THROUGH... |
|---|---|---|
| **SUSTAINABILITY** | **PRODUCT & STYLE** | **SOCIAL** |

**MAKE IT HAPPEN**

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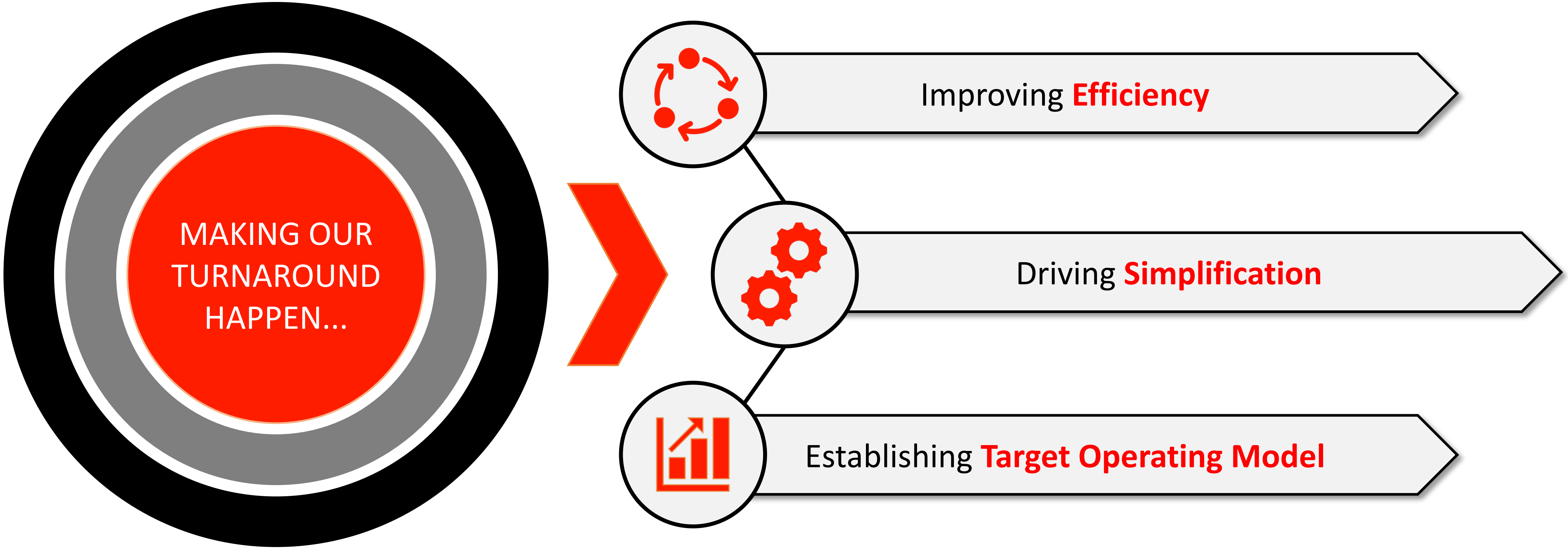
# OUR TURNAROUND PROGRAMME

## POSITIONING THE BUSINESS FOR LONG-TERM SUCCESS



# IMPROVING EFFICIENCY

## SET TO DELIVER IN EXCESS OF £40M OF SAVINGS, EXCEEDING £35M TARGET

### Reducing Operating Costs

- ✓ Managing costs down throughout the organisation.
- ✓ Critical procurement focus on renegotiation and mitigation of cost increases on new and existing contracts.

### Reshaping the Organization

- ✓ Reshaping our global store estate through closures and rental regears.
- ✓ Targeted reduction at UK and US HQ's and strategic decision to exit US Wholesale operation.

### Improving our Processes

- ✓ Targeted non-volume related operational cost savings.
- ✓ Focusing on distribution operations, across order fulfilment and customer returns management.

**MORE THAN £20M DELIVERED IN H1, AND IN EXCESS OF £40M EXPECTED FOR THE FULL YEAR**

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# DRIVING SIMPLIFICATION

## IP SALES & RESHAPING OF STORE ESTATE DRIVING SIMPLIFICATION

*Recapitalising through…*

### Brand IP Sales

- Focus on growing brand and sales in our core territories, where we have strongest expertise.
- Building global brand perception through local experts, in markets where we are underrepresented.
- Provide necessary capital to support the balance sheet and turnaround programme.
- Continue to assess further opportunities as they arise.

**£36.3m**
*APAC Transaction*[1]

**£28.3m**
*South Asian Transaction*[1]

*Reshaping through…*

### Store Estate Strategy

- Rightsizing our store estate globally, to ensure focus on our core territories.
- Exit or regear loss making stores and improve profitability of remaining store estate.
- Accelerated exits of loss-making stores remains a major opportunity.
- Plan for improving sales densities of remaining estate.

**12**
*Strategic Store Closures in HY 24*

**1/3**
*Rental Agreements under Review*

**Simplifying Superdry and positioning the business for long-term success**

1 – APAC transaction received shareholder approval in May and was for 100% rights. South Asian transaction received shareholder approval in November and is a disposal and joint venture agreement.

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# ESTABLISHING TARGET OPERATING MODEL

## CREATING AN OPERATING MODEL MORE SUITED TO THE NEEDS OF THE BUSINESS OVER THE LONGER TERM

TARGET
OPERATING
MODEL

### Product First

- Putting product at the heart of everything we do
- Similarly positive response on Afghan coats to prior year, Athletic Essentials and Party proving popular
- Reduced option count and firmer stance on transitional categories, such as overshirts, enabling year-round sell-through

### Customer Experience

- Reshaping store estate and introducing innovative improvements to customer experience, such as vintage concessions
- Consumer destinations showcasing small capsule collections, such as Merchant Store, for captivating in-store journeys
- Data driven approach to marketing, proving the value of campaigns and enabling more sophisticated forward planning

### Operational Reshape

- Targeted clearance of aged stock, with inventory reducing to levels more appropriate for ongoing needs of the business
- Focus on business wide process review and improvement, driving further simplification
- Logistics reshape and larger operational reassessment of our logistics strategy and network scheduled for FY 25

# OUR TURNAROUND PROGRAMME

## POSITIONING THE BUSINESS FOR LONG-TERM SUCCESS

MAKING OUR TURNAROUND HAPPEN...

- Improving **Efficiency**
- Driving **Simplification**
- Establishing **Target Operating Model**

# SUMMARY

JULIAN DUNKERTON, CEO

# SUMMARY

## POSITIONING SUPERDRY FOR LONG-TERM SUCCESS

- Financial performance impacted by challenging consumer retail market and unseasonal weather driving softer Retail performance, as well as continued underperformance of Wholesale

- Significant progress made on turnaround programme designed to position Superdry for long-term success and which focuses on;

    - **Improving efficiency;** set to deliver in excess of £40m of savings in-year; with further reductions expected next year

    - **Driving simplification;** second IP sale completed in November and further plans to simplify store estate;

    - **Establishing a target operating model;** building a more agile Superdry, with operations aligned to the needs of the business

# Q&A

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