SuperGroup ■ Plc

Strategy Update

Thursday 26 March 2015

Peter Bamford, Chairman

Good afternoon. It's my pleasure as chairman to welcome you to this strategy update. It's almost five years exactly to the day, 24th March 2010, since SuperGroup became a public company and just as that event signalled a new phase in the development of SuperGroup, today's strategy update signals another new phase following the appointment of Euan Sutherland as CEO back in October. And in a moment I'd like to make some comments about the phases and in particular the board's perspective on the phases. But first I'd like to say a few words about people and leadership and management.

And the first of those is that clearly as a board we were very disappointed to have to part company with Shaun Wills last month. It's also important to say that as a board we have confidence that we have taken every possible step to ensure that Shaun's personal situation did not impact upon the Group's business. And in addition to internal checks KPMG have carried out an independent review, both of the overall control environment and of the specific controls related to key assets. And the board reviewed that report yesterday and the clear conclusion is that both the overall controls, and the specific, have remained satisfactory and there are no new or material issues of concern. And I know that one or two shareholders have raised it with us and so it's important here today that I give that clarity and that reassurance.

Also, more positively, very pleased to have Nick Wharton here as interim CFO and you will hear from Nick later on.

We are also delighted to announce Penny Hughes' appointment as a non-executive director. You will see her, she has a wealth of highly relevant experience and we very much look forward to having her insight, input, challenge and value added to our board discussions.

I think the other important piece of context which a number of people have asked me about has been Euan's appointment and how's that working with Julian and how did it come about. And here it's important to say that just over five years ago when Julian and I first met, Julian was very, very clear that the day would come when it would be right and he would want and we would need somebody else to take on the role of CEO. And again this is another kind of anniversary because it was in March last year that we all concluded, and I have to say very much with Julian in the driving seat, that the time had come to make that change and move on. And we all agreed in turn that Euan was the best possible candidate for the job and because Julian had worked with Euan as a non-exec for two years beforehand Julian not only felt very comfortable but actively sponsored Euan's appointment.

So then how's all of this working? Well you'll see plenty of that later on, but my perspective is that Euan has done a great job in bringing the team together, working with Julian, working with James, particularly, to first of all identify those things about this brand, about Superdry that are special and unique. And it is special and unique and the guys will show you the data this afternoon, the data, the feedback from our customers which demonstrates that, and we're showing that for the first time. And how we then embed those things in the business so the brand is institutionalised.

So the second bit then that I think Euan has been achieving real clarity and alignment around is what are the things in the business that need improving and need fixing, and I can tell you there are plenty of things that we need to and we can do better. Again you'll hear more of that.

And the third thing is then the real priorities for extending the reach of the brand and executing growth internationally.

So that's been a team effort to do that. What I see with Julian is, I think he's liberated, I think is a good word, to really, really focus with James on driving the proposition forward, the brand, the customer interface, the product, the ranges. And it’s I think, again you'll form your own judgement, but I think and the Board thinks that this is coming together pretty well.

So if I then comment on the phases, I think if the last five years has been about the scale of the group multiplying several times, about a complete replacement for every key system in the business, about the development, appointment of management at all levels in the business, together with a vast increase in the international reach of the brand. And I'll just quote two statistics here which relate to the half-year that we announced in December.

The one is that if you look at Superdry branded retails square footage, a combination of owned and franchised, at the half-year we had more, in fact 50% more retail Superdry branded square footage outside the UK than we had in total in March 2010.

Second fact is that if you take the total revenue which SuperGroup and its partners generate from the sales of Superdry product, there's now more revenue generated from outside the UK than there is inside the UK. So it’s a mark of the real transition and again confirmation that this brand travels.

So if I look forward to the next five years the things I suppose that from a Board point of view are very, very symbolic and important for today are the USA deal. This is a real commitment to building a global lifestyle brand. It’s a commitment to getting control of our distribution and control of our brand where it’s appropriate and where it matters.

And the second bit that I think is really important is then the announcement of the dividend policy, because I think the message here again from the Board is first of all we have confidence in the ability of this business to generate cash but we're also making a commitment to improve returns to our shareholders.

So that's my perspective on opening. I'm going to now hand to Euan to take you through the main proceedings of the afternoon. Thank you for coming and giving us your time and for those of you who are investors and shareholders thank you for your support. Euan.

Euan Sutherland, CEO

Thank you Peter, good afternoon everybody. We're going to walk you through, at a reasonable pace, the book which I hope you've got in front of you now. The structure, Jon Wragg, who runs our marketing and online business will come and help us and give us an update on a lot of information that's been added in the last few months, understanding the brand, understanding the customer. So data driving into strategy.

We'll then get Nick to come up and do most of the US acquisition and some real detailed points on the accounting there and give you guidance towards the end of the pack as to where you should be looking forward in the next few years. Please just don't skip right to the end, there are pages at the back in terms of guidance but walk with us through the journey over the next half an hour or so.

And then Laura is really going to bring that to life - we're going to put product in front of you and show you, taking the strategy into action in front of customers, because our business is a unique business in its model and in its combination of a strong brand and retail format. So we take the brand thinking and we drive it into actual product in front of customers with a very strong and direct link.

Back in December these were the words that I said, so I'd just arrived, it was a pretty difficult period of time, after a pretty difficult autumn/winter season for all retailers, especially fashion retailers, and we came through with the opportunity to lift the bonnet, to understand, to put some clarity, control and order into where we were five years after the float. And we said we would come back and look at three big areas - so our founding principles, so what's the brand? Why is it unique? Who are our customers? Drive forward into strengthening our capability to enable growth, to keep investing in infrastructure, product, processes and people; and then really lay out for you a roadmap for global growth and we'll do all of those things in the next half an hour to an hour or so.

So quite a complicated slide here but if I can just group these statements into three groups. The first four points all speak to the brand clarity, data, driving strategy. Now so clarity on the brand health which is in good shape, we promised to come back to you and show you the brand metrics, not just in the UK but across Europe and also the first data points that we've got into the US as well. All of those incredibly consistent and pointing in the same key directions.

There's a big point today which is about the clarity of who our customer is and we have a broader customer base than I think even we really understood. There was an instinctive move that Jules and James had made especially in our male ranges where we had extended and that customer group had grown up with us, but there's some very distinct value creation to be had, not just at the 18 - 24 market but also in mid-20s and in mid-30s as well.

Our passion is about innovation and that continues, and we're putting a more formal, professional group around our product extensions and product work, supporting Jules and James within that key part of our engine room.

And finally that cascades down into a three point brand strategy which we will share with you.

The next chunk is really about our routes to market. So if you look at that our key focus remains expanding into EU with our own stores and then driving online globally. Add to that now the access that we've got into the US and that makes it a stronger global play.

We do have to reset bits of our business and one of the things that I've found is that we're not optimised in Wholesale. And we are working incredibly hard now to understand, refine and reset our wholesale market and we'll take you through that as well.

And then coming into the engine room there is continued infrastructure investment required as we drive the brand globally and we strengthen our systems and processes.

Dividend was a key headline today and the only point I guess we'll really say here with Q4 and the end of the year almost finished is that trading remains very comfortably within the guidance that we gave you at half-year and at the end of Q3. So there's no update really on that really because there's no change to any of those metrics that we've seen through the last few weeks.

So I think it's fair to say in the last five years we have delivered growth and we do generate a lot of cash. Where we'd like to go, and where our commitment is for you is that we will keep driving global growth, strong returns across the global marketplace, and more consistency and transparency in how we explain the business and update you every quarter.

This slide I guess is what we're not going to say today. So we won't give you a detailed strategy on the US, we've just acquired it this morning, or as it's just opening up right now, but we will come back and give you a detailed update on what that looks like. We will be able to give you a shape of it today and we'll get that at the end of the presentation.

China remains very big in our plans but we don't have a detailed market entry today but in the next 12 months we will have that for you and we're still working very hard on that opportunity too. It's really sequencing and putting order and control into our prioritisation list.

We'll also come back in a relatively short order with our long-term KPIs and the market reporting calendar in terms of how we go forward. So just a little bit of structure around what's to come in the next 12 months.

Now the strategy that we have built is in four parts or four pillars really. The first one is around those founding principles, embedding the brand values, really taking it out of Jules and James' inspiration and getting that to every single colleague, in every single store, in every country in the world, really understanding what does the brand stand for, why it's unique and why it's different.

The second one is enabling that growth, so really continual investment in people, systems and processes so that we would drive more efficiency and greater profit opportunity as we go through our growth story.

The third one is extend. So extending our innovation in existing product categories and into new, and you will see practical examples of that in front of you as we go through the product display at the end.

And finally executing, so executing, bringing all of that together and landing it across the global world marketplace, and bringing that online as well as offline. So simultaneous expansion, both online and offline.

So that's the structure and that structure I think has really helped a lot of people in the organisation get their heads around where do I contribute and what do I do?

So the first element of that, we'll go through each of those four parts in turn. The first is around embedding the brand value: two aspects to that, what's the brand and why is it different, special and unique? And then who are our customers? The best way to access that is to hear from Jules and James. So.

((video))

“There are very few brands that actually people are proud to wear. We have absolutely conquered that market.”

“It’s a great global story. In the same way you have that kind of genuine belief in say Apple, we have the same sort of feeling but obviously in a more kind of rock and roll way.”

“What we do at Superdry is have the breadth of product so we are the best in class in every product that we do, we own every section that we go into. So we've got the best cargo short on the planet, we've got the best outerwear on the planet, we've got the best skiwear on the planet, we're about to completely turn that industry on its head and shock that one with what we've got coming up for the next collection of skiwear.”

“This is a refreshing place to be because when people walk into a Superdry shop they feel the integrity of every single aspect of it whether it’s the shop fit, the product, the people - it’s all kind of things.”

“Our momentum is probably the strongest in the world in this market which is very exciting.”

“I don’t think anybody’s achieved what we’ve achieved in 12 years. We’re a half a billion pound company. I think people should be really excited about what we can achieve in the future because our hunger is greater now than it’s ever been. We’ve got tools that we didn’t have before and the market opportunity is actually bigger than it was when we started.”

“We launched Snow for the first season last winter to a very small capsule collection, amazing success. We’ve launched that properly for this autumn/winter with a 200 piece collection.”

“If you take rugby it’s adding a new demographic, a new turnover, an ability to draw in a new consumer.”

“We’ve got some incredibly exciting collaborations coming up. And these individuals and brands that we work with will really reinforce the British-ness of Superdry but in a non-obvious way. To have these individuals and other brands choosing to work with Superdry when they could work with any other fashion brand.”

“One of the main reasons that we’re growing so fast as a global brand is because people become very loyal to the product.”

“Not only is it longevity for this brand there’s actually incredible growth to be had even in our domestic market.”

“We’ve made a lot of progress in the last few years. I think Euan coming in and freeing me up to work closer with James will mean that momentum with finding those gaps, identifying the opportunities will grow rapidly which is brilliant because actually we believe in the long-term growth of this brand with the core demographic that we’re servicing. And that’s absolutely vital. So we don’t make short-term decisions. But in terms of globalisation we now can move it pretty much into any market in the world and have a market position.”

“The global brands are starting to now just become apart from a few, they’re becoming famous for one product per development brand and that is their thing. What we do at Superdry is have the breadth of products so we are the best in class in every product that we do.”

So I think just a couple of comments on that. Some people have said to me are Jules and James really committed to this next phase of the journey, are they really engaged with that? I've never seen two more passionate, engaged almost obsessive people around what does this brand stand for? How is it going to succeed? What is that sustainability? How do we keep it fresh? And I think you get a part of that out of the sense and tone and energy out of that overall video.

Very important to us is to say well what is the brand, who are we? Well this is it: innovative, British premium lifestyle brand with a global appeal. That's who we are. And driving that through and understanding of every single colleague, or every single customer is very important. As is the brand values. And this is how we do it. So it starts with people, it's that commitment to customer and to colleagues and doing the right thing for them. As James said in the video we are a series of perfect products, a series of icon products that we can continually innovate. And that strand between strong brand value and strong product attributes is incredibly tight and incredible strong.

The progression element I just see everywhere in our business. That's a combination of staying grounded, and those of you who have been to our head office in Cheltenham knows how grounded that is in a series of sheds there and innovating like mad out of that. So it's very much feet on the ground and aiming for the stars. And that passion that comes through you see it, you feel it, you can touch it everywhere in the business and that's a major selling point for me. One of the reasons that I love the brand and the role and the opportunities it just comes out of everyone, and hopefully you'll see that when you go to the store next.

That link between the brand values and the product attributes are very clear. And when we drop into this next phase that really makes clear that link between a brand and a retailer. So we've got four very strong product attributes: design detail, quality obsession, complete innovation through end-to-end process from product through to stores; and then being affordable. It has to be accessible to everyone. It's a democratic brand. You get that just in the core and the history of our product. Four million units of the graphic T every single year. 1.5 million of the graphic hood, 1.2 million units of our core iconic windcheater. Constant core attributes that drive through the business.

That then takes us down to so what does that mean going forward? We have three principal elements of our brand strategy. The first is to build that global lifestyle brand, which is more than just product, it's the product, the brand and the retail experience altogether as one.

The second point is to drive awareness of the breadth of the Superdry range. Almost we've become too famous for the graphic product that core 18 to 24 age group. And Jon will show you some very compelling data that says that our customer groups are much broader and wider than we've had before. And today what we've been able to do is to launch our first global brand icon, if you like, in someone who's been described to me multiple times already today as 'the hottest man on the planet'. I always thought it was James Holder but clearly that's not the case. And probably better to show you a video representation of what we mean.

((video))

So a big part of our strategy, and actually I think as you walk the store, what I'd ask you do is look at how much of our product has got that large logoed element of it and which has moved on to be that older, slightly balanced customer as well. Because as you look at the store we're naturally moving to there. The customer and brand communication that the Idris range can add to our overall brand understanding I think is very significant.

And the third point in the brand strategy is monetising that simultaneous growth in online and offline - the multichannel customer is very significantly higher value to us in economic terms than a single channel customer; and Jon, again, will quantify that for you as we go through the presentation.

So what does that mean? We need to bring that together in a consistent approach across the whole world. This is where we add the economic value from the brand into the retailer. By doing that we'll drive densities, we'll drive efficiency and we'll drive greater returns for our business. How do we do that? Single team focus. Best practice across very single market place. We have a global icon that connects the customers and the brand together. We have the engineering elements of centralising the merchandising range selection and efficiency with that and an understanding of how we drive our space. So that whole consistency model is part of the next phase of efficiency that we drive into the brand and the retail format.

Now pricing. Lots of you have asked me about pricing and we have looked at this in some depth. We only have one summary slide here, we're happy to take questions at the end. Again just to clarify this; we do zonally price across the world. That optimises our brand position and our profit execution as we go across different market place. We have a core model which is full price in full price stores, dropping into outlet and then dropping into eBay and then residual at the end being put into clearance channels as we move through the seasons. That said, there are some differences in some markets and we'll be sensitive to that. And that said, if we get to a situation like last autumn/winter when we do have an unexpected market impact we will have the freedom to move around to move around and do some specific promotions. But the main flow of our product is one that retains more margin even at a slightly higher distribution cost.

So I'm going to hand you over to Jon now who's going to talk you through a lot of the data that we have pulled out on customer which is a very important key element of our infrastructure. John.

Jon Wragg, Director of E-Commerce & Marketing

Thanks Euan. We've had a pretty big programme over recent months of market research, both qualitative and quantitative to try and gain a better insight into our customers; an understanding of how they are, how they perceive us, where else they shop, and importantly we've done it across territories so it's not just UK focused.

So to take you through, almost jump to the endpoint and give you the conclusions first and then I'll give the data that backs these conclusions up. Superdry is a very democratic and inclusive brand, it's not elitist. People feel they can access the brand across various groups in the population. And it has a common brand profile across the globe. It doesn't differ from country to country. The brand is still very, very strong in the UK which is its most established market. And there is importantly an opportunity to better communicate the breadth of the offer, particularly to women, and to develop the offer amongst that population.

So one of the questions we wanted to answer first was about the age of our customer. And this, if I'm honest, kind of surprised us a little bit. So there are two things for me that come out of these graphs and these are based on the age of the wearer of Superdry clothing not the purchaser of Superdry clothing. I think the first takeout from it is how well balanced our appeal is across age groups. So we're well balanced across the under 25, the 25 to 35 and the over 35s. And then if you look at the movement over time over the last four years, and of course the pie on the right is much bigger than the pie on the left, so all the segments have grown over that time, but you can see as the offer has broadened its appeal so our customer base has broadened - we've brought new customers into the fold.

So we wanted to understand as well if that's where we are how does that benchmark against some of our competitors. So we looked at ourselves against Hollister and against Next and you can see from this data that Hollister has a very predominant young appeal to the under 25s. Next is much more mainstream. And we kind of sit appealing to a younger customer than Next but not in the extreme way that Hollister is. And I think that's a real strength for the brand.

We then tried to have a look at how it changed across the markets that we operate in across the globe. And again you can see that although we've probably got an older profile in Germany, in Holland and in the UK we're still pretty well balanced in all the countries that we're in. We're appealing materially to each of the key age segments. So I think what that starts to say is that it gives us a clue that it's not really about age, it's about something other than age - appeal of the Superdry brand isn't about how old you are.

If we think about socioeconomics we get more similarity across the globe; so looking at the eight key markets that we operate in you can see that our shopping population or the wearers are dominated by ABs and C1s with some consistency. What's also consistent is what people say about the brand, how they perceive a brand and how they describe a brand in each of the markets that we operate in: cool, quality, style are common words that come out.

And we wanted to understand who are competitors were. And we looked at this in two ways. First of all the propensity of our customers to shop with other retailers which is the chart on the left. And secondly, what proportion of them indeed shopped with another brand or another retailer. And on the left hand side you can see that our customers are roughly three times as likely as the average member of the UK population to shop with Hollister, Abercrombie, Jack Wills; twice as likely with Diesel and Tommy. But actually in terms of where they do they shop in their greatest numbers, and taking it from a share of wallet perspective, most of our customers shop with Next 60% of them , 67% of them and with other core retail brands. So it gives us an interesting lens on how we view our competitor set.

In terms of the health of the brand we've been doing some brand tracking research with TNS for about three years now looking at awareness, looking at consideration - would you consider buying the brand, looking at purchase - have you bought the brand and looking at loyalty, commitment as well. And you can see that awareness, consideration, purchase have all risen over that time, and commitment has remained solid at the level that it was previously. So some really solid, fundamental underpinnings for the brand there.

What's really interesting about the consideration one in the light of the comment about Womenswear is that the our consideration score amongst women is actually slightly higher than it is amongst men. It then falls away when you get to purchase. So once we give women the product that they want to buy we're definitely in their consideration set and I think that's an important asset for us.

We then compared ourselves to some other brands and we've got competitor A, B, C and D here. These competitors are single brands that have their own retail stores as well that are not dissimilar to us. And as you can see if we index our own scores at 100 we perform well across all the metrics particularly on commitment, on loyalty as the final score.

We also carried out quite an extensive piece of qualitative research to understand better and get under the surface of what customers really thought about us. It came out about us being a strong, well respected brand with considerable democratic appeal. We were renown for high quality and we famous for some iconic styles often associated with big logos. But the other side of that was that rest of the range that we developed and sold was less well understood.

The brand is still perceived as being masculine and there's an opportunity within Womenswear, Womenswear has a narrower appeal particularly towards younger customers. And the Superdry brand story isn't well understood - is it Japanese, is it American, is it British - where does it come from? But that creates a bit of a mystic about the brand which is not necessarily a bad thing.

So putting all that inside together who's our target customer? Well it's not about age, it's more about attitude. They're from a broad base. Our customer base is aspirational, our customers appreciate style, they appreciate quality and they appreciate detail. They do though want their clothes to be affordable. But most important of all they want to feel absolutely amazing in what they wear. And that's what holds our customers together.

Euan Sutherland

Thanks, Jon. So moving on to the next phase of the plan, the Enable phase which is the engine room of growth. Four bits to this that we just want to walk you through. The overall design to customer optimisation. EU distribution centre, and more importantly than that, the one visibility of stock because we still have siloed stock piles. Looking at what we need to do with our wholesale model and then moving on to the strengthening of our team.

So what do we do now? In the overall process of bringing products to market there are some opportunities to improve, drive better speed to market and lower cost. Currently we source through lots of agents and in concentrated locations. We commit to our buyers too early and therefore we haven't seen some of the benefits and some of the latest impacts of the current season. And sometimes we're not as optimised to the market to optimise our margin plans. So that's actively under review now.

We're looking at increasing direct sourcing and that plan will continue as we go through the next five year phase. We will be phasing in orders and deliveries. Very important for Womenswear but important for the whole portfolio as well. And the buyer will be supported by a category management approach and the data that John provides from his insight team and the previous season's buys.

What does that look like? Well, the current system looks a little bit like this: we have different ranges for different routes to market, which is not particularly efficient or effective, with a lot of the wholesale range being very different from our different retail ranges, and even as a part of that, we've got EU different from the UK.

Where we're moving to is a single integrated plan, where Wholesale is a subset of Retail, which is a subset of Online, so that we drive greater efficiencies and effectiveness through that planning process. That takes quite a bit of time to unwind, to understand and to land in an integrated way, because we have two different approaches to market running at two different speeds with Wholesale and Franchise and Retail. So there's a big engineering job over the next two years to integrate that plan, but when we do that there is clear benefit out of that.

And then when we look at our buying calendar, what we were doing was buying and designing very, very early. That then allowed the market, the current season to flow without being able to effectively drop into that season's newness.

So what we're doing is extending that design development, extending the buy and creating open to buy. It's not all rocket science, but a new part to our model, which allows us to be faster to market and more flexible into seasons. Again, that doesn't happen overnight, it takes time to unwind the old system and to land in the new system as we continue to trade.

On the new EU distribution centre, we've clearly done lots of work over the last two or three years improving our distribution facility and supply chain and routes to market. We've opened our new large DC up in Burton-upon-Trent, which does house E-comm, Retail and Wholesale, but most of our growth is in the EU, not in the UK, and we still have a fairly complex stock movement plan between our Wholesale DC in Belgium and our UK DC.

So as we move forward, two or three things happening over the next two years: firstly, we establish Zone One, which is the UK and Ireland, and Zone Two, which is mainland Europe. That balances our stock, it means that we're closer to market and we'll support our growth, which is all happening in the EU.

The second point there is that we move to a single view of stock. At the moment, we have separate views of stock, so even although we have the stock in the DC, it will be allocated into an online profile and of stores' profile and a wholesale profile. It's very difficult to predict which rate of sale will move in each different channel, and optimising that means we have a single view of stock as a two-stage process in doing that. So the EU DC will begin to have operation as we go into the beginning of next year.

Now we have done a lot of systems improvement and supply chain improvement in the last two or three years, but that's only the start of a longer term plan. As we've said, as we move into the end of this year, we will have a single pick face for online and all retail stock, which means that we can balance availability and support both of those growth rates.

As we move into 2016 and 2017, we'll have a single pick face across Retail, Wholesale and Online. We will start to grade stores, we will have category-specific grading and not just space-specific grading, and we will automate our assortment planning and our space planning systems as well, so bringing it up into a more efficient model. I guess what this says is there is a continual investment in improving efficiency as we go through the next five years. The job has been started, but not completed.

And then into Wholesale: I guess what I've found here is a part of the business that's been underinvested in the last two or three years and we need to reset that and refine that. We've lost some of our core accounts as the marketplace has consolidated, but really the optimisation here is around aligning the design to customer process of Retail and Wholesale into a single optimised structure.

So what do we do? Well, we'll improve performance within Wholesale and Franchise accounts now; we're testing out concession models starting in autumn/winter 2015, and we're back into opening aggressively franchise accounts across the EU and beyond. We're opening up new customer channels, both in Travel, Retail and in Central and Eastern Europe, which are territories which previously we hadn't looked at. And we'll improve the wholesale ranging, as we've said, to be a subset of our core Retail range, and we're strengthening and improving the team.

As you go through those three key steps, we believe that provides a three times multiplier in terms of growth on the 'do nothing' scenario in which we are now, so very much getting back into Wholesale having a structure that will support all of the key accounts and the Franchise growth that we've got across the world.

And finally, our management team, this is a blend, it's a blend of the entrepreneurial drive and spirt that we've got from our founders, through to actually a very strong, core senior management team, through to some new arrivals that will help to shape and drive the future of the brand. And we've got the Global Retail Director and Transformation Director coming to a conclusion to add to the Exec team, so some strong principles and some strong foundations, but more investment required, as we move into the next phase of growth.

The third element to the plan is Extend, and principally this is around focusing on growing our product categories. It really drives professionalism data-driven insight into action. Now I think it's fair to say that this is where we are now. We are fairly well known and we lead the market in Male Outerwear upper-half of the body. We are weaker in probably every other aspect of that, so therefore that gives us some fairly good growth opportunities.

Two elements to that is to focus in on the categories and the subcategories that will drive the next phases of growth.

Now I know that Womenswear has been talked about I think probably over the last five years as a big opportunity. It has been improving as we've gone through those five years and we're seeing step-change by step-change in each season that lands. However, in our addressable marketplace we still have a relatively low market share, apart from those subcategories where we are incredibly strong, so logoed T's and logoed hoods.

Knitwear accounts for the large proportion of value and volume in there and we're growing quite rapidly into that marketplace, and Dresses and Outerwear are very significant in the value creation that that can add to us, so already data-driving the next phase of growth there.

So the strategy is very much hold our more dominant position around the logoed T's and hoods, extend newness and frequency of drops as we go through different seasons, and grow into outerwear tops and shirts and denim across the whole of Womenswear.

This is part of that move that we're not just known as a Menswear brand. This will continue to be a high focus for us and you'll see this continually as we go through the next few years and presentations.

In Denim we have a huge opportunity, and as you go to Regent Street you'll see the next iteration of our denim range. Again, this has been on our list for some time, and again, it has been improving. However, the data is now giving us a very clear insight into how our customers shop and what we need to do to satisfy their demand.

This is a very large sample of 1.2 million male shoppers in the UK who have shopped Superdry. They shop and spend more money than on average, they shop more frequently and they buy more items. However, they don't buy denim. So there's a big opportunity to really grab that market, because they have a higher propensity to shop in our stores.

What do we need to do and what have we been looking at to improve that range? It's about fit, it's about brand recognition and it's about quality. And if you look at the store environment as being the extra added element to bring all that together, you'll see a real step-change as you walk into Regent Street this afternoon.

I've just dropped rugby in here because this was our first attempt at having an integrated campaign, so it's the new element of our range, so Active Sportswear, and you'll see some demonstration of that later by Laura and the team. And rugby was a big opportunity this year, Six Nations and also the World Cup coming through, and has started to sell very well.

The important aspect of this, though, is it's the first time that we've integrated Retail, Franchise and Wholesale with the same collateral, with the same plan. We've added social media and PR so it's one campaign. That's allowed us to use very effectively the campaign material across the world in all channels, and also be very specific in tailoring that to individual country needs, so we've got very specific marketing off the back of that, and some strong campaign material shown on the next video.

((video))

So all of that done in-house at very low cost. That goes on to social media, it's high-impact and it explains the rationale for new categories coming through, so integrated across all channels.

The final part of the plan is in Execute, so how do we bring all of that together and how do we drive global growth? And the key things we want to outline here are how we see the world in the next five years, what Europe and Online looks like for us, and in Europe we'll drive into a bit more detail on Germany, and then clearly give you some more insight into the US acquisition that we've announced earlier on today.

So this is the global footprint view or map, if you like, over the next five years to 2020: three powerhouse elements of our strategy surrounded by global online growth with Franchise filling into the territories that will come in the phase after that. So Europe, a complex mix of owned Retail, Franchise and Wholesale, partly through history and partly through opportunity; there's very different markets working in different ways, but we have a clear order of where we put owned stores and franchised stores within that.

The US, clearly what we've outlined today, Wholesale and Retail simultaneously landing into that market.

And then in China, it's likely to be a joint venture. A huge marketplace there, very complex, it will probably be owned stores and franchised stores if you look at how the best brands have landed there, but again, in the next 12 months we'll update on that element too.

I'm going to pass you back to John just to outline some of the online plans.

Jon Wragg

Thanks Euan.

We're having a good year in FY15 on e-commerce and we've seen strong growth continuing in Europe and in the UK and very strong growth in the rest of the world. And the rest of the world is going to be the place with the biggest opportunity going forward. It's the smallest segment at the moment, but a very significant opportunity for us.

Our philosophy has been to enable customers to order anywhere they are, on any device that they want to order on, using any payment method, and have it delivered to wherever they want to have it delivered. And it's really key and we try and live and breathe that through everything that we do within e-commerce.

I'm going to pick on two particular building blocks this afternoon: one is going global and one is multichannel.

So the secret, I think, to the growth that we've seen internationally is that we've kind of done it properly. We've got 17 fully localised sites, and to give you a little bit of a benchmark, Zalando would be at 15, ASOS would be at eight, so we're in good territory here in terms of the number of properly localised sites we've got.

And it's important to know that it's not just about translation, it's also about zonal pricing, it's about having the local currency, it's about having local payment methods, local customer service hours, it's about having local returns. And it's even about having local hosting so that the response of the site in each territory is really fast and rapid. Our 17 sites are actually translated into 21 languages because of the dual-language countries, and so it's a really big portfolio that we have.

And it's not just about having them localised either, it's about publishing localised content on them, and when you multiply it up, that's quite a number of visual creative assets that we have to produce and maintain regularly on the site, so across the 21 sites, there are some 900 assets that we maintain. But managing it across 21 sites sometimes isn't enough. So Euan mentioned the rugby launch earlier. Imagine the catastrophe if on the home page the main banner would have been an England shirt if you lived in Scotland! And so we actually IP sniffed where people were coming from and we showed them the banner with their home country shirt on, based on where they actually lived, a really important difference for us.

Our Partner Programme is another important part of how we're growing our business. Our Partner Programme is where we offer our product for sale on third party retailer sites. It's a really good model for us, it gives us access to new markets, it enables us to expand in markets that we're already in. We publish product on the retailer's site, they take the order and the payment, they send us the order, and we dispatch the goods to their customer. Importantly, we're in control of the brand experience.

We've now rolled this out to eight sites in total and the most recent one has been The Iconic and Tmall that we launched last week, so we're on Tmall global now with the Superdry brand shop. And whilst it's a relatively small part of our e-commerce business at the moment, this has got the potential to grow very rapidly indeed.

One of the things that obviously concerned us about it in the early days is would it cannibalise our other channels? The good news is that it doesn't seem to at all. So in Zalando, Germany, which is our most mature Partner Programme operation, we've actually seen our Wholesale business growth with that business, and we've also seen Superdry.de grow. So the partner channels seem to be getting different customers to the customers we can get with our own channels, so it's truly incremental and, as I say, has big potential going forward.

Now whichever site we're on, whether it's our own or somebody else's, getting the product ranges right, and the obvious one is about seasonality and northern hemisphere and the southern hemisphere, and that kind of works well for us because we flow one season from the northern hemisphere down to the south. But we also do it properly in that we get down to the granular detail. So Germany, for example, is a really important market for Outerwear, and on the left-hand side you've got our windcheater, which is a great seller in the UK. In Germany, because it's a good market for Outerwear, we take about 30% of the units across our German sites that we do on our UK sites.

But look at the line on the right, a completely different product, and on that line we actually take four times the sales that we take in units on our German sites. Now that's really important information to have, because we can reflect that in digital marketing, we can reflect it in our merchandising on the site, and it's really important that we show customers in each market what's relevant to them in that market.

So to move to Multichannel: you'll have seen charts like this from online retailers before, or multichannel retailers before. What it's saying is that when we've done the numbers, we've found that multichannel customers spend about 2.6 times with us what single channel customers spend.

And just as importantly, the retention index amongst customers who shop both channels is far higher, about 80% higher than it is for single channel customers, so two really good commercial reasons to form a multichannel relationship with a customer.

There have been two key facets to this in the UK for us. The first has been our click and collect operation, we call it Superdry Collect. It enables you to order up until 10pm at night and to collect from 12 noon the next day in any of our UK stores. It's been a really successful operation for us.

But we've also complemented that with in-store ordering, and you'll see this in the store this afternoon. This is an iPad Mini with an integrated chip and pin device. We've developed a bespoke app on it which gives a really clean and easy to use customer journey; so no matter how big or how small the store is, customers in the store can have access to the full range from Superdry.com. And also we can capture lost sales from items being out of stock.

We ran this in 50 or 60 stores pre-Christmas in the UK and it worked for us, and so we've now rolled it out already to every store in the UK. Within the next ten days we'll trial it in Germany. That's not just the iKiosk, but it's the combination of the iKiosk and Click and Collect, so in Germany, you order something on the iKiosk and have it delivered to the store.

There's no reason why, going forward, we can't then take this technology and this proposition into stores around the globe, whether they're owned stores or not. So imagine a franchise store in Indonesia that might be a relatively small unit having access through this device to the full Superdry range for their customers, and having that delivered to the store for the customer to go back in and collect. It's a really powerful formula.

So in summary, e-commerce continues to grow really strongly. We are being data driven but we're moving with real pace. And finally, the opportunity that we've got with our business model to use multichannel to really grow this brand much faster in overseas market, is very large.

Euan Sutherland

So just picking up the other core element of our growth plan, the retail expansion own stores in Europe, with a particular focus on Germany, but just to give you some guidelines as to where we optimise profit first. The core owned estate that we've got, the kind of sweet spot in terms of profit delivery, is between 3,000-6,000 square feet. Its major city locations or prime pitch in shopping malls, and the return is 2 to 2½ years, very consistent across all European markets.

The UK is fairly mature, still in a very small part of growth, especially in the South East, especially in London, there are probably two or three extra locations that we could or we would like to pitch there. But it's not one that we are moving away from. Germany is the big focus, up from 18 stores, there are 4 franchises, so 22 in total, up to 50 plus, so a major focus. And the guidelines in this year and next year, over 100,000 square foot of extra new space per annum, growing as we grow the total estate, including the US. The priority list is set and very clear across all of the retail teams, with Germany moving into Austria, moving up to Poland, we're very strong in the northern end of the European market, and then dropping down into Italy and Spain in the outer years of the 5 year period.

So in Germany, just a bit more of a deep dive. We have 22 stores in Germany, 4 of them franchise stores, 6 of them are smaller legacy stores from our licence partner. Most of those 12 stores are very young, so they haven't been up and running for over a year. The key store performance looks like this. Munich flagship is in line with expectations, almost as big as the Regent Street store, and is performing well. We have some star performers in there in Dortmund, Frankfurt and Oberhausen, consistently well performing paying back in under 2 years. So a very readily accepted model in Germany. As you always have, we have a couple of stores that are taking longer to mature, and that's the other Frankfurt store and Stuttgart. Some specific locational issues in the Stuttgart shopping centre which is taking time to establish itself. And you always get that in any mix and any portfolio.

Some of the dynamics are quite interesting in that the average basket size is greater than the UK already, so the German customer is buying more. The conversion rate is slightly below, and we think that's part of that maturity rate as we increase the understanding of the brand in that marketplace. We're also, as Jon said, getting some really interesting data on individual products: size mix, which tends to be slightly larger, so we're skewing our range mix on that; and product mix, as Jon said, we're getting some very high sellers in Germany, and the rate of sale is so high it makes it into our global top 10 as we look at the product-by-product every week. And a little bit around the Euro price architecture, that's moved around a bit and we now have a sizable estate there to understand the real sweet spots in terms of driving volume and price as we go through. In the next 12 months the investment continues. There are 11 more stores landing in the next 12 months, all within the capex returns of about 2 to 2½ years. So a strong focus development in Germany.

Then finally the US. A bit more detail on this because clearly this is very new and just updated today. This is an important slide in terms of our approach and the principles and the benefits that will come out of the US, so I'll just spend a little bit of time on this slide. We will have a dedicated US team that's a mix of some of our core high performers from the UK and Europe, and also some US centric people. So there's a mix of team that starts today. We need to ensure that the brand is properly understood, so investing in the brand story. Elements like Idris Elba will really help us establish the brand in the right way with the right partners.

The best practice seems to be for us and other brands is to simultaneously grow online and offline at the same time so that customers can access the whole range and see the retail proposition in front of them. This is actually about sorting the existing business, dealing with the existing losses very quickly, and then moving onto a growth phase. And it's a slow, steady approach. Our core is EU own stores and global online, with now the opportunity at the right price for the US marketplace. In terms of medium-term aspiration, why does this make sense? Well, it should be brand enhancing because we control and understand the brand and its representation in that market. It should be sales enhancing because it's an under-penetrated market, and EBIT enhancing because we strip out a lot of that core central cost and run it from the UK. As we've said, the US team structure is a blend of some of our best people from the UK who really understand the brand and the merchandising and the operation, with some US team as well. So that's in place now and won't distract us from our core growth engine of the EU and from global online.

I'll pass you over to Nick to talk through some of the numbers.

Nick Wharton, Interim CFO

Thanks Euan, and good afternoon everybody. I'm going to cover three topics this afternoon. I'm going to give guidance regarding the financial development of our existing and our US business, a reminder of the capital policy announced today, and the finally I'll give you some indication of the principles we'll be guided by in our consideration of a revised communications strategy that we'll return to at the prelims in July.

So firstly to the US. Here I'll cover our operational and financial plans, but also the envisaged impact on both current and future earnings from business combination and fair value accounting. As Euan highlighted, we've acquired the trade and assets of our existing licence holder. The consideration of around £22m is a bit less than one year sales and is half covered by the assets that we acquire. We're also utilising our existing cash resources to fund the initial investment, any reorganisation, but also funding the business during its turnaround under our leadership.

Our due diligence identified a number of clear synergies and operational improvements we can make to the business over time. I'll cover these in more detail in a moment, but in short we are confident in our ability to halve the operating loss in our first year of ownership, and then deliver a small operating profit in our second year. The turnaround will adopt sound retailing practice. Our immediate focus will centre on reducing the cost base, addressing loss making stores, and improving product availability. Longer-term, in addition to the scale opportunity from maybe up to 75 own stores and a more significant wholesale operation, we are very confident we can introduce a better and indeed denser assortment of products. If you look at the headlines in terms of the return of our investment, our plan generates an NPV of around £90m at an IRR of around 20%.

This slide seeks to illustrate the impact on Group earnings in FY15 and FY16. In the current year we anticipate that our underlying trading performance will reduce by about £0.25m, and this is from the compound impact on both the loss of an existing royalty stream, but also the US losses in the month of April. Much more significant in FY15 will be the impact from fair value and business combination adjustments required under IFRS 3. The key elements of this are the write-off of the assumed £11m value of the pre-existing relationship, but this will be partially offset by our estimated negative goodwill, which will depend on the amount of stock that we acquire but will be around £8m. We also envisage reorganisation costs primarily associated with the close of loss making stores, and these will total around £4m. But importantly only £1m of these costs are cash.

By halving the US operating losses in FY16 we would envisage an underlying loss of approximately £2.5m at the Group level. Year-on-year this represents about a £3m dilution in earnings, but we are confident that this will reverse in the following year as the US achieves profitability. Finally, we also anticipate there'll be a further non-underlying charge of around £8m in FY16 as we write back the fair value of the stock we acquired to cost as it is sold through the business.

This slide illustrates the key value drivers within our plan. In summary again, our immediate priority is to improve the basics of store retailing such as availability, address poor performing stores, and again rationalise that cost base. I won't cover all of the actions on this slide but rather select a few to illustrate the basis of our confidence in rapidly reducing losses, and more significantly and importantly, growing a material and profitable business in the long-term.

Our ability to significantly reduce losses assumes the closure of three poor performing stores where in calendar 2014 the operating losses just in those three stores totalled some £2m.

While improved retail practices on those stores should reduce those losses, we'd currently intend to exit those stores through landlord negotiation, with an ambition of achieving that by the end of 2015 calendar year. In addition, we see a material opportunity to reduce the operating costs of the business by a much tighter cost focus, and importantly consolidating key activities such as merchandise planning within our existing global infrastructure. Countering this, as Euan has said, will be the necessary investment to create a scalable wholesale account management structure, and also we will be impacted by the drag-on costs by still being sub-scale, and indeed the nature of some of the transitional arrangements we have in place with the vendor.

Looking more long-term the scale opportunity is clear. The retail footprint that we inherit at 15 stores is roughly equal to that we have in The Netherlands. The Netherlands has a population of 17 million, the US has a population of 320 million. Our rollout, however, will be cautious and steady. We'll make sure that our format merges the best of our global best practice with an understanding of the nuances of the US market. But once proven, there could be an opportunity to accelerate to a store opening plan of around 10 stores per year in the US.

Finally, in terms of the opportunity in wholesale we see clear near-term winds to increase profitability by reducing our mix in off-price outlets such as Saks off Fifth Avenue or Nordstrom Rack, and also re-entering the Canadian market where wholesale sales have almost ceased over the last couple of years. Longer-term our current wholesale sales participation in the US is significantly below our global average, and this gives us great confidence in our ability to grow this route to market.

In addition to the US, the other key announcement for us today is the commencement of a progressive dividend starting with the interim in FY16. I hope the mechanics of the dividend policy are covered adequately within this morning's RNS, so I will focus today on giving a brief context to our policy. The foundation to this policy is a consistently cash generative business model, and that is illustrated by the chart to the top right of this slide. Our average conversion of EBITDA to operating cash flow in the period since IPO has not only steadily improved but has average around 40%.

The returns we generate from our investments are also very attractive. The chart to the bottom of this slide – which is a little bit busy for which we apologise – details the cumulative contribution from almost 100 own stores, in either the UK or Germany, opened over the last 7 to 8 years. These deliver an average payback of 21 months after absorbing any cannibalisation. Now looking forward, our stores may incur greater sales cannibalisation and may not benefit from the quality of property incentives available particularly in the UK following the financial crisis. However, we remain confident of achieving our payback goal of up to 30 months, and that represents an approximate 40% return on our capital, so very attractive.

While our investments in infrastructure and multichannel are more cost of doing business in nature, our targeted paybacks again will ensure a return on capital significantly above our weighted average cost of capital. However, even after our targeted capital programme and funding the working capital necessary to support our growth, we have sufficient capital headroom and flexibility to fund a prudent ordinary dividend. Preferring the flexibility provided by maintaining a positive cash balance, we're also committing today to return excess capital once it is viewed as material and beyond our business needs.

What I want to do now is cover some of the drivers of performance in our core business over the next year and indeed beyond, and this is presented in a format with upward arrows to represent tailwinds or favourable drivers, with downward arrows as negative impacts; and naturally what I'll do is look to give some directional guidance where possible. From a space perspective with the benefit of a larger geographical footprint for own stores, as referred to previously by Euan, we target own space growth in FY16 of around 100,000 square feet, and this could increase to maybe 130,000 square feet per annum as our confidence in our retail format for each country grows and we commence laying down space in the US.

Turning now to gross margin. With currency well hedged our exposure to the current deterioration in key currencies in FY16 is negative but is limited. I would therefore expect our margins to accrete slightly in FY16 as we benefit from sales mix in higher margin geographies. Beyond that the positive drivers for continued margin growth through improved inventory processes that Euan has talked about, and also greater direct sourcing, remain. However, at this stage it is difficult to judge how much of this will finally crystallise as at this point the gains we envisage could be totally offset by currency were current forward rates to extend.

To sales and distribution costs. And just to be clear, these are the vast majority of our operating costs. Again, we're confident in improving cost productivity within our retail estate through better labour management and scale benefits. However, the majority of this efficiency will be offset by the incremental costs associated with the fulfilment of our fast growing e-commerce business that Jon has just talked about.

Finally, in terms of central operating costs, core to our strategy to create sustainable long-term value is the ongoing investment in people, processes and infrastructure. These are all sound investments that will yield benefits elsewhere in the P&L, but they will also lead to our central cost base growing ahead of sales in the near to mid-term.

So if we put all that together what does that mean for FY16? We have clear opportunities and plans in place to enhance the operating efficiency of the business over the mid-term and that will be after funding the continued investment in key infrastructure. However, for FY16 we'd anticipate that our plans will deliver small operating margin accretion with the position beyond that slightly more uncertain due to the impact of currency.

Turning now to the drivers of cash, our capex is primarily driven by new stores. At guided levels of space growth this would suggest a store related capex of around £20m in FY16 and that may extend to maybe £24m once a US rollout commences.

Other investments in digital and other capability, including the development of our EU warehouse suggest a total capex for FY16 within the low 30s millions, which is more or less in line with our recent norm.

Finally, we see no material change to our existing model with regard to working capital which sees it grow approximately in line with sales.

So to communication. As Euan highlighted earlier we plan to announce any changes to the frequency and content of our reporting in July this year. At this point I would just emphasise our commitment to provide fulsome disclosure on a transparent and consistent basis, and hopefully those of you who know Euan and I from previous businesses will see this as a continuation of the approach we've each adopted in those businesses.

However, there is one specific change which we'd like to announce today, which is the acceleration of our Q4 IMS by one day and that is very simply so we can all vote very early on the day of the General Election, where our current IMS is scheduled.

So thank you, and now what I'll do is I'll pass over to Laura who is our head of design who I hope you'll agree is going to wow us with product, some examples of the breadth and quality of what we do, but also clearly demonstrate what we've talked about, which is our relentless drive for innovation. Thank you.

Laura Nutter, Head of Design

Hello everyone. So I'm Laura Nutter and I'm Head of Design Management and I've been with the business for two years now and I've got a buying background and my role in the design team is to make sure that I'm leading the designers, we've got 30 of them, and we're delivering to all of our business functions in line with the critical path.

So I'm really excited that I get to take you shopping this afternoon and you're going to get to meet some of our team members who are going to give you the opportunity to get really close to the product and learn more about our Denim, about Rugby and Womenswear. So I was thinking for this session, I mean I'm so privileged to get a slot on this because I'm going to show you some of the latest products that we've been working on, so you won't see these in store this afternoon, this is what the design team are up to at the moment.

And there's probably three things that I'd like you to leave knowing today; and that's that the first one is that we are looking after our iconic products, we want to keep them alive and refreshed, season after season. We shoot ourselves in the foot really because the quality is so sublime the customer doesn't really need to reinvest every season so we've got to be convincing enough to move that product on to create that desire for the new stuff.

Point number two, we've never been more focused about who the customer is. Jon spoke about the insight that we're learning and this is infiltrating into the design team and the design team are absorbing this and it's so exciting, we know we're pretty good at under 25s, we also thought we were pretty good at over 25s but we know that that product needs a loud voice in store. So we're really clear about where we want our market share growth to come from. And then finally that we're not standing still, we're committed to bringing the hottest, coolest, newest design concepts to the market to keep our brand fresh.

So because I work in the design team I definitely need props so we've got ten very attractive models what are about to come out and these are going to help me articulate those three messages that I've just spoken about. So with the under 25s I think this is probably the product that most people think about when they think about Superdry, and really exciting, when we talk about iconic products you probably think about the windcheater, about outerwear, about the graphic tee, and a really exciting thing that you'll see in store this afternoon is prints and so a new expression of design for Superdry, especially our graphic tee-shirts is the all over print, so that's on men's and on women's and the appetite for that product is great and so you're going to see a lot more of this coming through in accessories, in women's wear and in men's wear. So we're really excited about printed outerwear as seen here on our Fuji jacket. And also in store this afternoon you'll see really clever men's use of print, so a tiny little Superdry monogram on shirts for guys, and again we've got one of them here.

We've got some great washes and you'll get to meet one of our menswear designers in store this afternoon who is going to show you the breadth of offer, the amazing fits that we offer, and we're just about to launch a hundred new washes, sublime washes, so that's going to enable us to trade back on the best ones.

So we know on Womenswear we want to improve our market share on the older demographic, so 25 to 35, 35 plus. We're working really hard on the appropriate womenswear offer, dropping our hemlines so they're a bit longer, we're using much more feminine fabrics that drape and suit the women's body; you know, we get accused of being masculine. And also we are a 360 degree brand, every time you buy something and take it home you find something you didn't know was there, so for example yes we are offering the customer the overt branding but we're also offering her subtle, and so the use of print, if you're overt you buy the all over printed jacket, if you want to know it's there you've also got it in really subtle places.

And the attention to detail is something that's so important, every product in our store, like I said, you take it home, you didn't realise it had the Sherpa hood. Oh my gosh, the fur on the hood is so soft. They smell nice, I mean don't get me started. So there's loads of opportunity and I could talk for ages.

Accessories is another really exciting product area and we're geared up for Christmas to drive volume, to increase basket spend, there is literally something for everyone, so our bags, we've got printed bags, sequinned bags, we've got bags for guys, bags for girls, bags for women. We have a better fragrance range, we've improved our underwear offering, the cosmetics are fantastic. So we are ready for Christmas.

So again, iconic products, we are world class at our leather and we continue to drive innovation in that, in the skins that we're using and the way that we're moving on our iconic products and in the internal branding, giving the customer a reason to buy the next version.

Denims again, so this is just one great pair, because we've got the branding in a really surprising way, turned up at the hem, so you can get up close and personal with this with Terri in store later, but it's just again this whole 360 degree experience in store.

And then we've got to be convincing as well to this woman, the 35 plus market we're trying to grow in, and that is making sure that we're offering her a wearing solution for every occasion, so that's smart and it's casual. Timothy Everest was a great platform for us to take the learnings from that collaboration and now offer better values all store with the same product. So we've got amazing tailoring with again, gorgeous attention to details, beautiful fabrics, amazing cuts, and again, more grownup sumptuous Italian yarns with like iridescent feelings and more grownup bags, we've got totes as well as rucksacks, the ultimate school bag.

And again, with the Timothy Everest platform for guys, more tailoring in the form of the town coat, again with the gorgeous detailing on the lapel and the back collar. And the blazer as well, another really important piece, not forgetting another iconic product, the actual button down shirt, so we're being really innovative about the cottons that we're using and offering newness continually.

So I said my third point was all about innovation, and I'm so excited to follow on the back of what James was saying about ski and snow. Yes, we have launched our first collection and we're working on the next collection, so James said it was about 200 options, that's because yes we are offering the technical skiwear, but we're a lifestyle brand, so there's a whole lifestyle around snow that's you don't have to be on the slopes to wear it, so there's outerwear, there's accessories, it's a really cool vibrant overt collection.

The windcheater has many guises and again we're taking the learnings from Snow and making sure that the fabrics that we're using on the windcheater are also improved and this is one of the marl fabrics, so again everything is infiltrating together and we've got real synergy between products.

So you may have already shopped Snow in store and you will have seen Rugby, and the Rugby designer is going to be in store this afternoon so I can't wait for you to meet him, but something that's really exciting that's going to launch in time for Christmas is active performance wear for girls, sport, so it's performance gym wear, again it's super branded, we're a lifestyle brand, we need to be offering the customer this, and it's not just shorts and bra tops, we've got longer tops and we've got leggings as well, but it's my last outfit so we thought we'd perk you all up.

And so that's us today and I can't wait to go with you to store. I just want you to remember and feel comfortable that we're looking after our iconic products, our core business, and we know where our new innovation needs to come from and that we're not standing still and like James and Julian say we are committed to being the best in class for the new exciting products. Thank you.

Euan Sutherland

I get to join just the end of the catwalk show, that's about the closest I'm ever going to come to that. Thank you, Laura, I think that was a great demonstration of taking the brand into the reality and the next phase after Q&A we'd like to take you and walk you round a store and give you even more of that detail.

So I guess what we've tried to do today is to provide you with a framework for the strategy for the next five years or so for the plan of the business, chunked into four distinct phases with some clarity and order and discipline around that. The Embed phase is absolutely about taking the brand values and understanding and driving that through every single colleague in store in the business through to customers. That is about leveraging a very strong brand using data and implying the strength of that across the world. The big next step with Idris Elba and the rest of the ranging that we've just gone through is driving awareness of the breadth of the brand.

On Enable this is continued profitable investment to drive sustainable long term growth, very sensible as Nick has outlined and within the boundaries of our financial plan. On Extend we've just started to see some of the extension in core categories and in to new categories, again data driven, bringing category management together and really driving the incremental opportunity we've got with product.

And finally, executing the global growth across online and offline. Clearly EU in stores, own stores right now supported by global online and with the extension of the US as we go forward into the next four or five years.

So going forward we will continue to commit to you to grow fast and globally, to give strong returns globally and transparency and consistency of reporting and results. That concludes the presentation in the detail, we're happy to take questions, I'll invite Jon and Nick to come up and help me with some of those answers. Perhaps we can put some of the lights up a little bit, we might be able to see. We've got a question, Michelle, in the front.

Q&A Session

Question 1

Michelle Wilson, Berenberg

I'll limit myself to three if that's okay. We didn't really talk much about delivery offering and how that compares in Europe versus the UK and whether you think there's any improvements you think you can make in the European delivery offering over the next year or so.

Jon Wragg

So e-commerce delivery?

Michelle Wilson

Yes.

Jon Wragg

Yes, sure. We've got a pretty good offering at the moment, so if I contrast it in the UK our free delivery service is 48 hours, we have a paid for premium service which is 24 hours and we're actually pretty similar in most of Europe so we tend to get parcels through on a free basis in 48 hours or we can do it in 24 hours. We can actually get to every US state except Hawaii in 48 hours, we can even do the east coast on an accelerated basis in 24 hours, so I genuinely don't think that having a UK base for our distribution centre at this stage of our evolution is holding us back, we are pretty competitive in terms of delivery proposition. The other angle of course is returns and we've got localised returns in Europe and that's really, really important in e-commerce.

Michelle Wilson

Thank you. And then just in terms of, I don't think you've guided before in terms of your profitability of the online business versus the offline business, can you give any guidance there?

Jon Wragg

Nick?

Nick Wharton

We have said before that it's profit accretive, that's all we've said I believe.

Jon Wragg

Yes, and I think the point we'd make here is actually our choice is not really in where the customer shops, it is largely incremental but not totally incremental. What we've got is a massive growth engine and I think probably we haven't guided about that mix in the past, I think it's maybe something we'll consider when we look at our KPIs and our reporting content as we go forward, but it's not something we've commented on in the past but we're very pleased with our e-commerce performance, both top line and bottom line.

Michelle Wilson

Thanks. And then just on the German stores, you said they're kind of in line with where you want them to be but in terms of the actual sales densities and the profitability of the German stores versus the UK stores, are they similar kind of levels of sales senses and profitability?

Euan Sutherland

Yes, I think we're seeing fairly similar densities across that, it's still very early days and I think what we're seeing as we establish new markets, there is a maturity curve on that, but the densities are pretty similar to what we've got, we've got a very similar UK and German kind of portfolio. And store by store you might see some differences but we see that in the UK too, but in general terms very similar.

<u>Question 2</u>

John Stevenson, Peel Hunt

Just two questions, you talked about pricing briefly, I'm interested in how the pricing pitch differs between different countries, so in the UK if we take the variance to say Jack Wills, Abercrombie, obviously great value, how does that translate as you move through the territories?

And the second question: you mentioned a concession trial; can you give a little bit more detail?

Euan Sutherland

I'll pass over to Jon on the pricing piece and then come back to the franchise model.

It's relatively similar, if you're looking at the competitive differences across the world I think most people zonally price. So we've got a similar difference I think if we look at key competitors across the world, and then differences as you go from UK into Europe and out to Asia etc. I don't know if there's anything else you want to say.

Jon Wragg

I think that's right. I think the big advantage is, both online and in stores, we can zonally price and other retailers haven't always been able to do that. It's a big advantage. It means we can do the right thing for the brand in each territory and it means we can pitch ourselves in the right place against our competitors in each territory.

John Stevenson

So where you have a premium you're quite happy with the sort of pitch?

Jon Wragg

Yes. We do review it, so we look at how the market is moving. And of course, exchange rates move the real position, and we take cognisance of that. But I think we've got a pretty good handle on it, yes.

Euan Sutherland

And then in concessions we are looking at controlling and optimising the merchandising of as many of our stores as possible, both those that have moved into owned estate from partners, and then also looking to help franchise partners in terms of their stocking densities, merchandising and range selection. So in autumn/winter '15 we'll start to move a few trial stores into that. We tried one in the UK, and we're moving into some franchise partners into the second half. So more detail perhaps of that at the Half Year.

Question 3

Unnamed Analyst

Well done on Superdry; that's a really good show. One thing I'm seeing that wearing Superdry jeans really takes off 15 years from each of you, so that's well done.

Now, is the German market less competitive than the UK market in general specifically for our category?

And number two is Laura did mention the word accessories, but otherwise I didn't hear much around it. It seems a lot of the companies are going towards that market because it's very lucrative and very high margins. Any thoughts please?

Euan Sutherland

I think you've got an EU market which is pretty competitive in every single marketplace. And I think that if you take the wider clothing market it's a pretty competitive place. So I don't think there are that many differences in terms of the competitive set as you go round Europe. And I think we've got to be conscious of the fact that we are landing fairly new in each of those markets, so we're fairly humble in landing in that and learning and understanding it.

The resultant store densities, as we talked about before, don't differ that much so we're performing pretty well and the returns are pretty good.

We didn't cover any of the other categories, just because of time. We can talk about them and we will talk about them in the store tour. So perhaps we can leave the second question till there, because we can show you the product and show you the product development there. But it's just a function of time because we've already taken about 90 minutes to get to where we've got.

Unnamed Analyst

Thank you. Good show.

Question 4

Tim Steer

You talk about excess capital but you've said very little else about it. Can you tell us what level of cash at the year-end would be the required amount for the business to be happy with throughout the year so that we can have an idea about what we can expect in a year or two's time in terms of that excess capital being distributed?

Nick Wharton

I think at this stage we prefer not to be formulaic. We have a commitment and we will live up to that commitment but it is very dependent on the better investments we have available to us. So, you've seen the returns on capital we can make on our organic growth, and indeed seen the return we can make on…

Tim Steer

You have said how many stores you're going to roll out in Germany. You have said how many stores you're going to roll out in the UK. We know what is required we think we know what's required in the US, so you've kind of put a few markers down there. Putting that all in the mix you must have an idea about what capital is required for that plan, and therefore what capital might be excess going forward to be distributed?

Nick Wharton

You're right, but we will still look at it at a frequency and decide what is excess looking at the working capital demands of the business, the capital demands of the business, and then return to our shareholders anything we view as being excess. There is no formula I can refer to. There is no minimum cash holding that we want because we are going to look at it at a point in time based on the business needs. If it is excess and permanent we will return it.

Euan Sutherland

I think we've got to overlay on top of that we still have the potential Chinese plan and the Asian expansion too. So we're still working on that element of the plan. We wanted to come and confirm to you the capital allocation plans as much as we've got now. Clearly we're going to update as we go through the updates in the next quarters. So we'll try and provide you with some more guidance on that.

<u>Question 5</u>

Paul Steegers, Bank of America Merrill Lynch

Just one question on the US: you've talked about getting it back to profitability in two years or so; you've talked about 75 owned stores in the US – have I got that right? – earlier. I just want to know what you see as the top-line growth opportunity medium term. How big? What kinds of sales growth numbers do you have in the back of your mind over, say, the next five years, in the US please? Thank you.

Euan Sutherland

We haven't really got to that detail yet. So first phase is to eradicate the loss and we think we can do that within that two-year period. We think we've got a fairly clear plan to do that through exiting of those one or two fairly significant loss-making stores, improving the range density, the skew density and the options, addressing pricing. So we think that that translates through to a breakeven and then into profitability.

We are going to take this fairly slowly and steadily. It will be a wholesale lead probably and retail. We're not confirmed on 75 stores. There are 75 top markets when you start to look at the potentials for owned stores. But I think it's a two-step process. The first is to establish the fact that we've now got access to the market is very significant for the long-term. We'll establish a profitable base. And then through that process we'll understand the wholesale market, the online market and the owned retail market. So you can expect us to update as we go through the following quarters on a more detailed US plan as soon as we have it.

Once we have that then we can give you a guidance on just how big and how fast we can go. But at the moment it's a slow and steady approach.

Question 6

Tushar Jain, Bank of America Merrill Lynch

When you look at the vertical integration in European countries it looks like Germany you are more focused on the retail side, whereas France more franchise. So how are you looking at on a country by country basis in Europe? Where do you want to have retail presence versus franchise? That's the first question.

Second one is on the conversion on 25 to 34. It looks like over the last four years the pipe hasn't grown as fast in that. What was the key reason for that? Are you not recruiting enough there? Just a clarification on that one.

Euan Sutherland

I'll ask Jon to come in on that one. I'll deal with the kind of order around Europe.

I think what we've had is a historic build of a great many small franchise stores in France. So, where we're adding our own stores right now is in the Greater Paris area, because that we feel will give us the best returns. We've now agreed across wholesale franchise and own retail a process of signing off which is the most profitable route to market in which format or city. So in effect we have profiled each of the potential locations across Germany, France, now into Poland, so that we know we can give guidance on that. That's seeing accelerated franchise growth in those markets because the team that runs that in wholesale are able to go and sign those up and also protects key cities, key locations, key malls where we want to land own retail. So we're able now to move forward on all of those things at the same time. So that's just been a series of ordering where the priorities are and what the returns will look like. So that's kind of mapped across most of Europe now, so that allows us to proceed with the growth plan that we've got there.

On the segmentation, good question.

Jon Wragg

From 2010 to 2014 all of those three segments have grown numerically. So the under-25, 25 to 34 and so on – they're all bigger than they were. It's just that the over-35 and the under-25 have grown more rapidly than the 25 to 35 age band.

Is there an opportunity there? Well, actually I think it's probably linked to this idea that people don't appreciate the breadth of the offer that we've got. And we've got a job to do to communicate that to them. But we do resonate with people when they do discover that extended product range. So I think it is an opportunity, yes.

Question 7

Niko de Walden, Royal London

It's just an extenuation of that theme: anecdotally, and looking at clothes on show, these are clothes for young people essentially, and they're getting worn more and more by old people.

Euan Sutherland

It's about attitude; it's not about age.

Niko de Walden

And the data is showing that. Are you not worried that old people are wearing them because they think they're trendy, and if young 15 year olds see their dads wearing hoodies that are so visibly Superdry because of the branding, that's going to alienate the younger market going forward? I know it's not coming through in the data at the moment but that would be a big worry for me from the data. I wondered if it's something you guys talk about for the brand going forward.

Euan Sutherland

I think it is a fairly clear segmentation, as you say. I tend to wear less – if I'm putting myself in the old category; I guess I am in the old category now, even though my attitude doesn't feel that way – I'm dressed like this: everything I'm wearing is Superdry, and feel very comfortable with that. And I think people of my age – I'm probably off the top of the chart actually – it feel very comfortable. That is a very different market or segment to my teenage sons who are very active and very comfortable in their segment of Superdry.

We actively talk about it all the time. We actively think about that in the range building, design and everything else. And I think one of the big things we've been able to access in the last four months is just to think through from the data which part of the buy, which part of the key design looks fit into which customer.

Now, I know that may sound fairly basic, because other fashion brands have been doing it for a long period of time. It's been more instinctive before, it's now data driven. So I think there is a significant opportunity of segmenting the range in the right way, of ensuring that there is separation. And I think it is that attitude, it is that we will not be moving away from big graphic T's and big graphic hoods as some of our other competitors have done. We think that's probably the wrong strategy. It's definitely the wrong strategy for us, and may well have been the wrong strategy for them too. But I think there's a very clear segmentation.

Jon, I don't know if you want to add anything to that.

Jon Wragg

Yes, I think the under-25 participation over those four years has held reasonably solid, which means it's growing at the same rate as the rest of the business which also means because people are growing out of it there's a funnel that's been filled from underneath. And the evidence that we have is that it is very aspirational to people who are coming into their teens and want to wear the brand. But as Euan says, they do buy into different products to people who are in the more mature segments, if you like.

But increasingly it just genuinely isn't about age it is an attitude to the clothes. So I don't think what you fear will transpire.

<u>Question 8</u>

Richard Chamberlain, RBC

A couple of questions please. The first one is on sourcing: I just wondered how your approach to sourcing might change given the US transaction. I guess also open to buy and also recent currency moves.

Euan Sutherland

We'll split that up into a couple and get Nick to comment on the currency.

The US gives us an opportunity to accelerate more of a Chinese mix into that. Then there is a reverse round the world route to come into the west coast of the US. So there are all of those elements that will play into it. It also plays favourably into duties and other opportunities to access better priced goods. So I think there is a constant flexibility that we're now adding into the model, and more direct sourcing, and a balance between China, India and Turkey to meet each of those global market needs.

So still a lot of work to do on that. The first four months of my tenure here I haven't spent as much time back in that element of the value chain. But I think as we go through the next five years more flexibility, more speed to market and there should be margin that we can invest in price or play around with as we flex the markets. A little early to say exactly what those are, but again that will be one of the updates as we go through the next year.

Nick Wharton

In terms of currency our two key currencies that we hedge are the US dollar for buy purposes, and the euro for sell purposes. We have a fairly prudent hedging policy: we hedge quite long out. And that's all about providing certainty to the commercial areas of the business in terms of certainty in terms of buy.

What that means in terms of next year is that we've got a deferral of the current headwinds in terms of each of those currencies. So we are pretty much protected all the way through to Christmas. But there will be a drag on performance after that.

And I guess the other observation with a US revenue generating business we've got a greater natural hedge going forward as well. But in terms of that hedging we're comfortable with where we are in terms of that as a policy.

Richard Chamberlain

Thanks. Looking out then to next year, given you've got that currency headwind or margin, you said Germany I think is going to be roughly the same sales densities and margin, or price margin. Where is that op leverage going to come from looking out a year or two? Is that just natural like-for-like op leverage or is it something else?

Nick Wharton

There are sort of four things at play on the gross aspect of the op margin. At the gross level you've got the favourables of direct sourcing; you've got the favourables of buying scale and the process development that Euan has talked about. And then offsetting that you've got the impact of currency, were it to extend at current forward rates. So those are the things that play there.

In terms of sales and distribution essentially we've got efficiency plays through to scale. We have got a targeted efficiency programme in our stores around labour productivity; and you offset that against the fulfilment costs associated with the fast growing ecommerce business. You then put that into play with head office costs, that's where the infrastructure investment comes to bear. So it's not unreasonable to expect our head office costs to grow ahead of sales in the near term. Put all of those three together and you've got flat to positively accreting margins.

Euan Sutherland

We've got time for one more question now, but then if you want to come with us across to stores lots more time for individual questions. Are there any more questions here? I'm just getting signals from the back of the room that we've got to the end of the session. We've got store teams waiting to take you round the more detailed plan.

I think we're done now. We've got teams that will be able to escort you across the stores. We'll split you into different groups, and happy to answer any more questions there. Thank you.