

# Strategic Update

20 June 2011

# Highlights of the day

- ▷ **12:00 – Arrival and meet for lunch / refreshments**
  
- ▷ **12:20 – Strategic update presentation**
  - Peter Bamford, Chairman
  - Julian Dunkerton, Chief Executive Officer
  - Chas Howes, Group Finance Director
  
- ▷ **12:40 – Questions and answers**
  - Peter, Julian and Chas plus:
    - James Holder, Brand and Design Director
    - Theo Karpathios, Chief Executive (Wholesale and International)
  
- ▷ **13:20 – Split into groups covering key topics**
  - Product – James Holder
  - Europe / CNC / Franchise – Luc Clement, Head of European Development
  - Property – Europe / UK – Nigel Jobson, Head of Property
  - Internet – Chris Griffin, Head of e-Commerce
  - Sourcing / Supply Chain – Theo Karpathios
  
- ▷ **15:00 – Conclusion – Peter Bamford / Julian Dunkerton**
  
- ▷ **15:15 – Depart**

# Contents

- ▷ **SuperGroup today**
- ▷ **Regent Street**
- ▷ **Retail**
  - UK retail roll out
  - Internet
- ▷ **Wholesale and International**
  - International franchises
  - European own retail stores
- ▷ **Management team development**
- ▷ **Key strategic issues**
- ▷ **Summary**
- ▷ **Strategic Plan Initiatives**

# A fast growing business

## ▷ Youth fashion market

- Affordable premium quality clothing and accessories
- Menswear and womenswear through distinctive Superdry brand
- Target 15-25 age group but with broader appeal

## ▷ Fast growing UK retail business

- 60 standalone stores at the end of FY11 (61 today)
- 75 concessions (including Harrods)

## ▷ Accelerating online business

- Sold to 85 countries worldwide
- Local language websites launched in France, Germany and Belgium

## ▷ Fast growing wholesale business

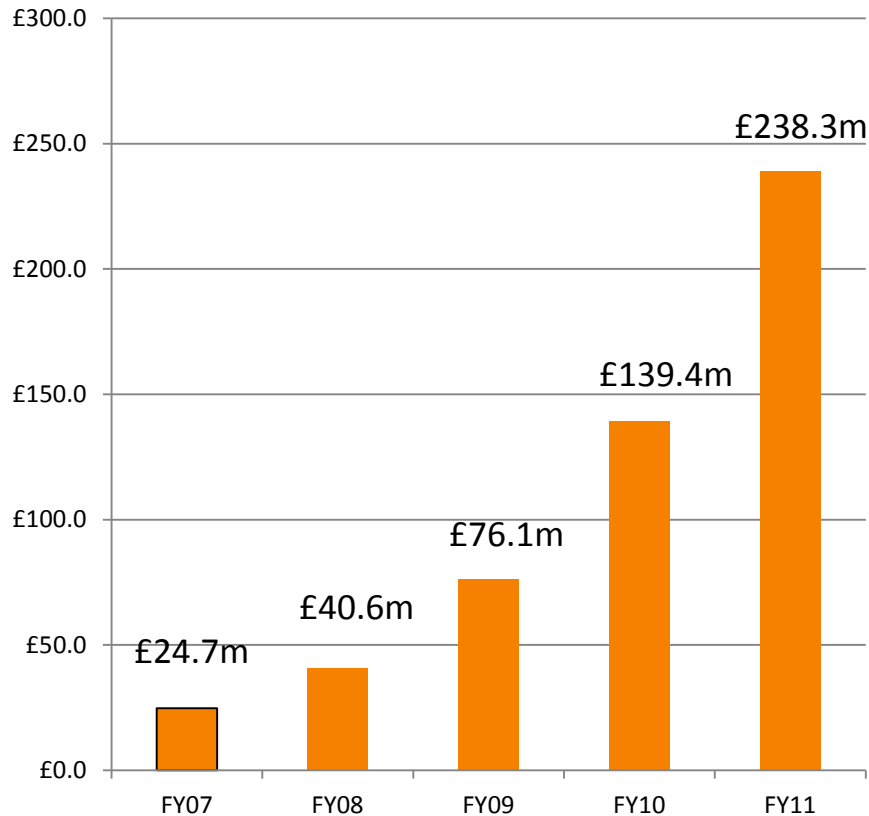
- UK and international
- 73 international franchise stores in 20 countries
- 25 concessions in 8 countries

# Strong fundamentals

- **Highly profitable**
  - Improving underlying Group margins
  
- **Sound balance sheet and cash generative**
  - Growth internally funded and therefore debt free
  
- **High growth potential through multiple routes to market**
  - Particularly internationally with further openings across the globe

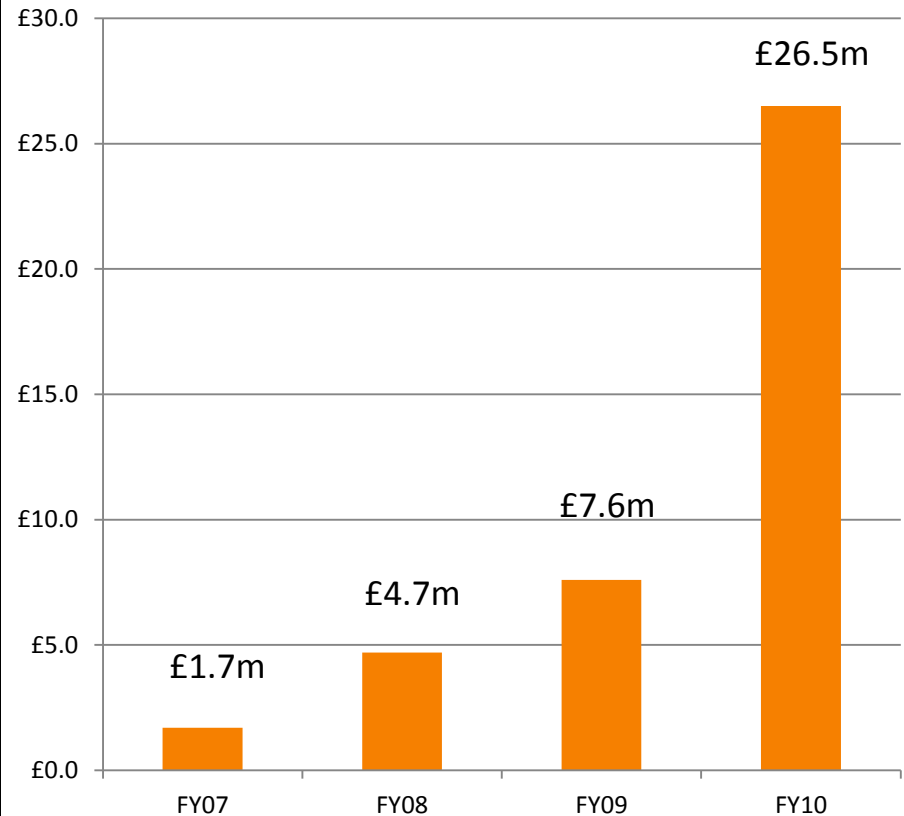
# Proven track record

## Group Consolidated Revenue £m



*FY11 is unaudited*

## Group Consolidated PBT £m

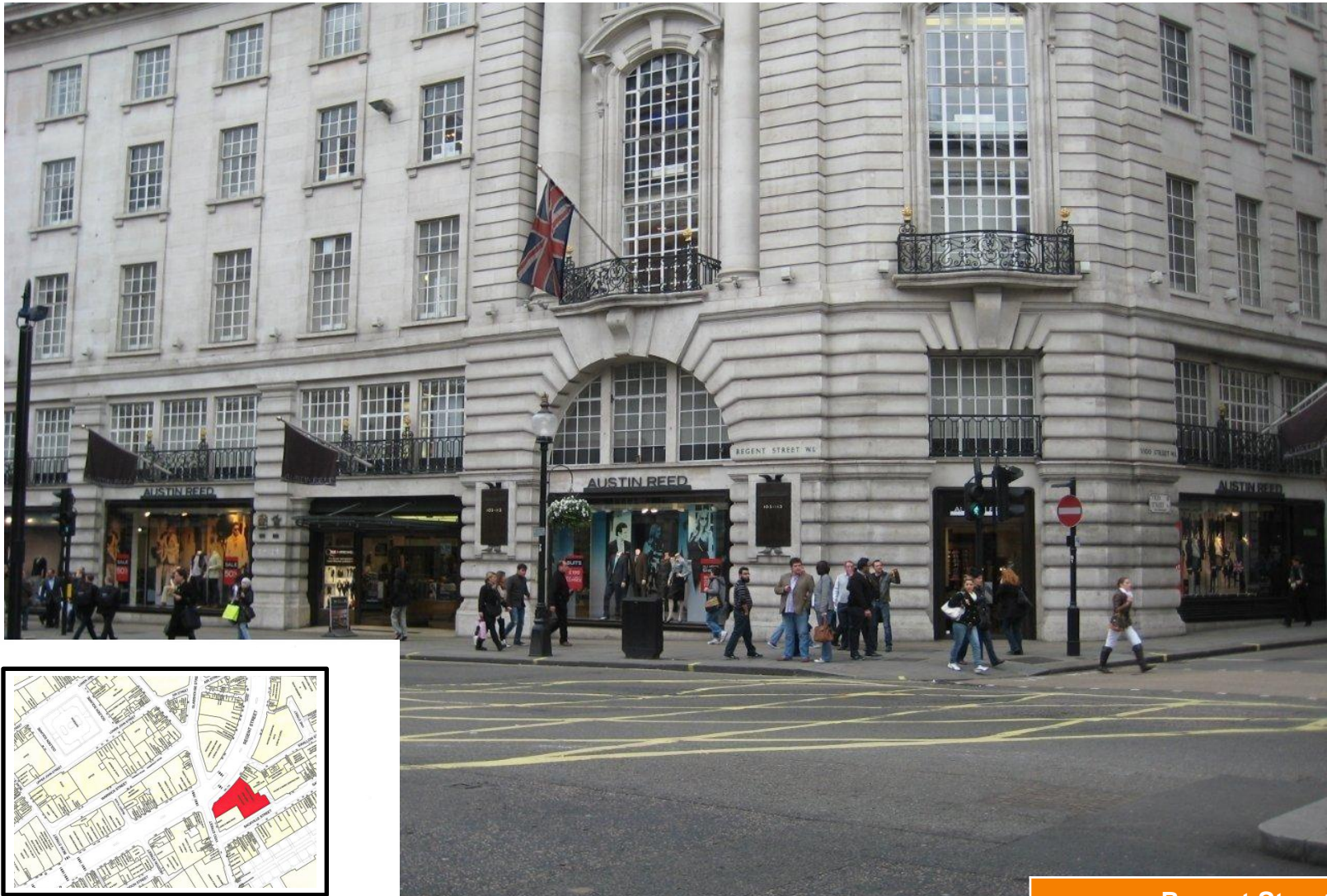


**SuperGroup today**

# Current trading

- **The Group's strategy remains on track**
- **Trading across the Group is in line with management's expectations**
- **Within this UK Retail growth remains at similar levels to Q4 FY11 but has seen a marked improvement over the last 3 weeks and is complemented by strong wholesale growth**

# An iconic London Superdry flagship

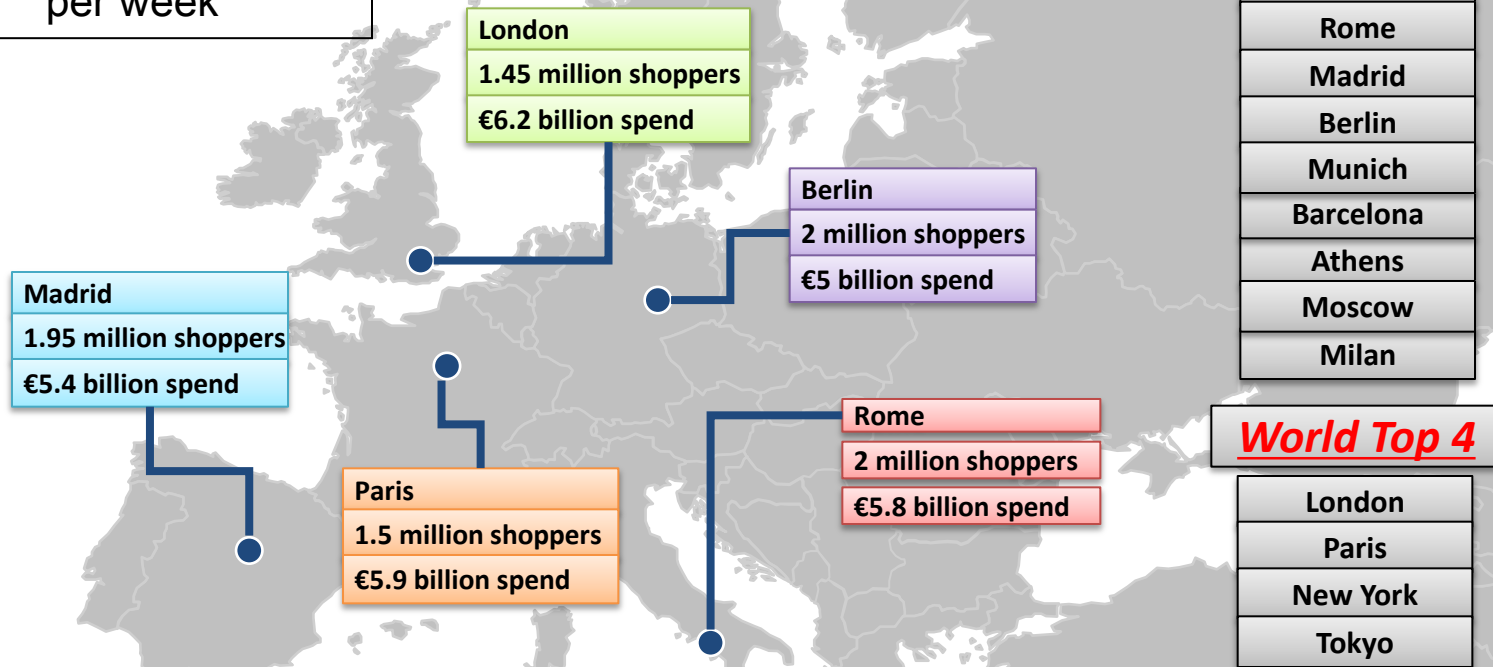


Regent Street



# London leads Europe for retail sales

200m visitors per year,  
7.5m population living  
in London, 6m+ footfall  
per week



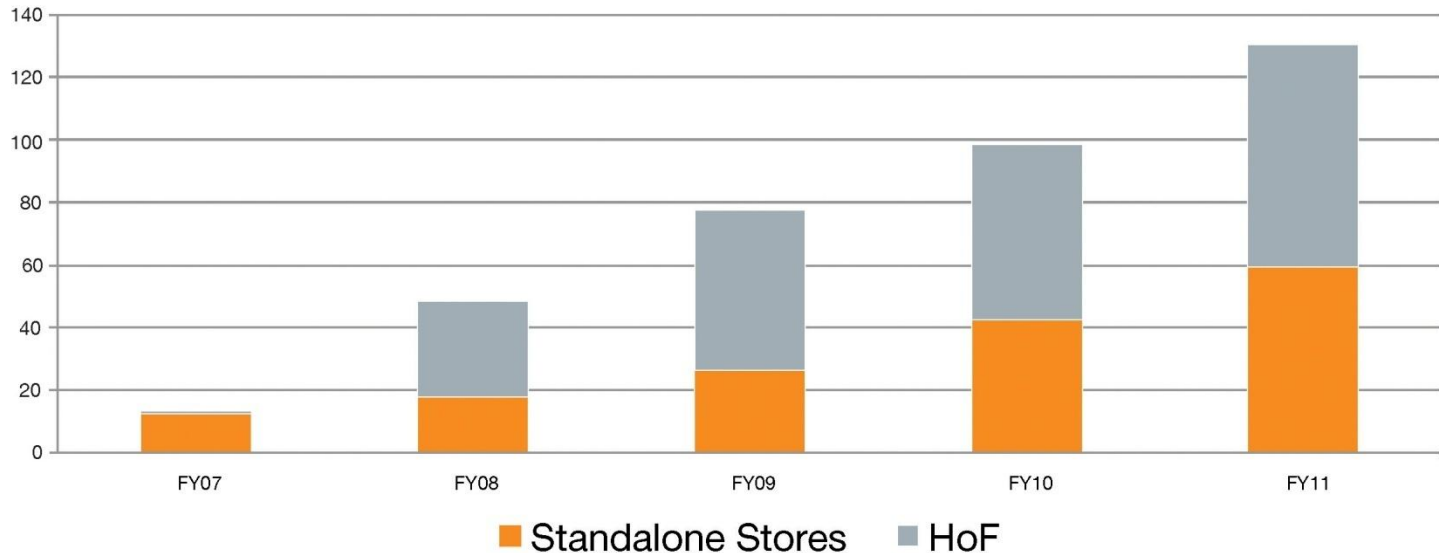
London has 26,000 stores housing 138 of the world's top 250 retail brands (city average 90)

Source: Core Shopping Districts - Experian

# Regent Street – an international showcase

- ▷ **SuperGroup Plc has acquired the lease of the former Austin Reed store on Regent Street, central London**
  - 58,924 sq ft, of which 38,130 sq ft is retail over 4 floors
- ▷ **Sufficient capacity for a London showroom to provide an international showcase for Superdry**
- ▷ **Broader Regent Street regeneration**
  - Adjacent to Hollister (former National Geographic store) and Burberry and close to Abercrombie & Fitch
  - Transforming a previously strong pitch into a major fashion location
- ▷ **Plan to open towards end of the financial year (subject to Landlord's consent) – phased approach**
- ▷ **Impact in FY12 will be modest but likely to outperform in FY13 due to Olympic games**

# Store and concession progression



Store Format	FY07	FY08	FY09	FY10	FY11
Standalone Stores	12	18	25	42	60
Concessions	1	30	51	56	75
Standalone Stores - Sales Sq ft	58,254	88,939	126,704	211,680	306,571
Average	4,845	4,941	5,068	5,040	5,110

# UK Retail roll out

- ▷ **Focus on high quality locations that:**
  - Match the brand demographics
  - Target specific customer bases, without diluting brand equity
  - Show the greatest profit potential
  
- ▷ **Expand the number of standalone stores**
  - Opening 20 new sites (including re-sites) in the British Isles (including Eire)
  - Capacity for a retail estate of up to 150 standalone stores
  
- ▷ **Consolidate the concession estate**
  - Limited opportunity to grow
  - Add selectively to complement the standalone estate

# Impact of increasing number of stores

Average Store Count Growth - Standalone Stores												
Period	FY10		FY11		Var %	FY12						
	Qtr end	Ave	Qtr end	Ave		To Open						
						Min	Max	Ave	Qtr end	Ave	Var %	
Q1	28	27	47	45	67.9%	3	3	3	63	62	38.2%	
Q2	32	30	55	51	70.0%	3	7	5	68	66	28.4%	
Q3	39	36	59	57	60.6%	5	9	7	75	72	25.4%	
Q4	42	41	60	60	46.9%	4	6	5	80	78	30.3%	
						15	25	20				
H1	32	29		49	70.2%					64	32.0%	
H2	42	37		58	55.4%					74	28.7%	
FY11		34		51	52.2%					70	37.3%	

*Note: - of the 34 stores in the pipeline, 12 are legally committed, 5 have Heads of Terms agreed and 17 are in negotiations or being evaluated*

# Non linear nature of opening programme

	Q1	Q2	Q3	Q4	Total	At Y/E
FY09	1	2	1	3	7	25
FY10	3	4	7	6	20	42
FY11	5	9	6	1	21	60
FY12 Target	3	3-7	Balance to achieve 20 in the year			80

- **Store performance can vary depending on location, size, competitor presence, etc**
- **Lead times also can vary from c. 21 weeks to c. 94 weeks depending on the process and issues arising**

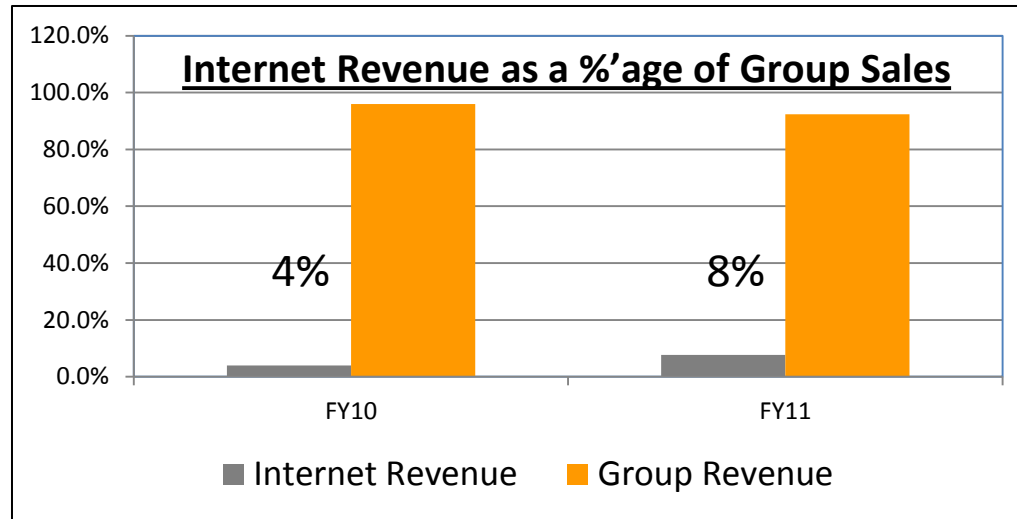
# Strong site pipeline

Legally Committed (12)	Heads of Terms Agreed (5)
Regent Street, London	Durham
Stratford	High Wycombe
York	Ashford (Outlet)
Nottingham	Arndale, Manchester
Merry Hill (re-site)	East Midlands (Outlet)
Livingston	
Maidstone	
Dundee	
Birmingham Airport	
Covent Garden (upsized)	
Croydon	
Newbury	

Status	No.
Legally committed	12
Heads of Terms agreed	5
Negotiating or evaluating	17
Total pipeline	34

# Internet growth

## ➤ Objective - 20% of Group revenue



## ➤ UK : To maximise UK revenue that supports UK retail roll-out without compromising brand equity

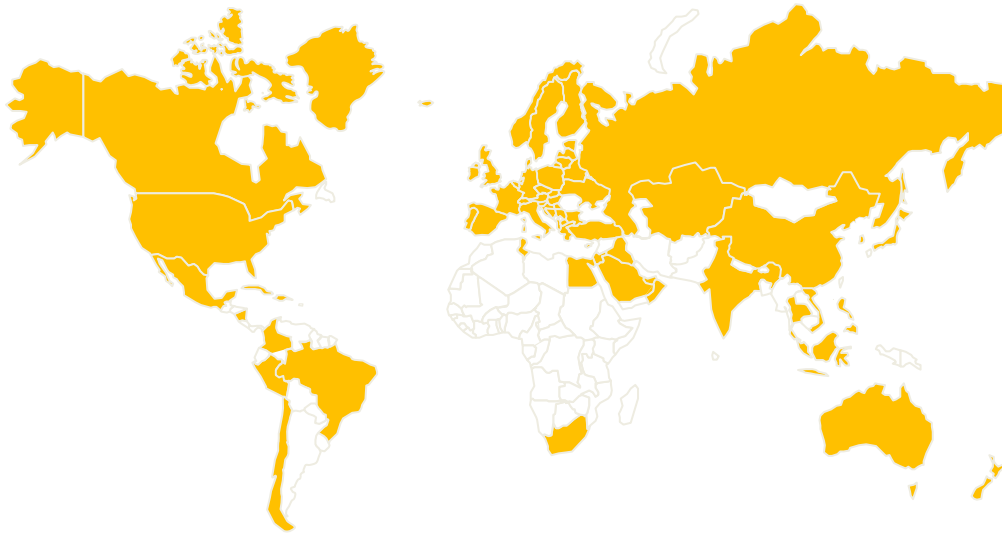
## ➤ Overseas :

- To launch local language / currency websites to build brand awareness and complement franchise store roll-out
- Participation from overseas websites increasing



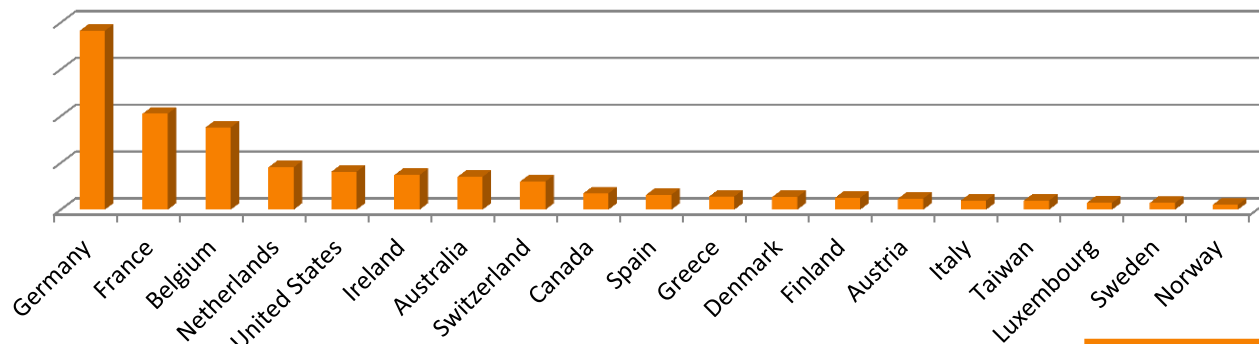
# Expanding internet reach

## Currently sold to 85 countries worldwide



Overseas Revenue (Mar / April)	%
FY10	21
FY11	27

### Sales to top overseas countries



Internet

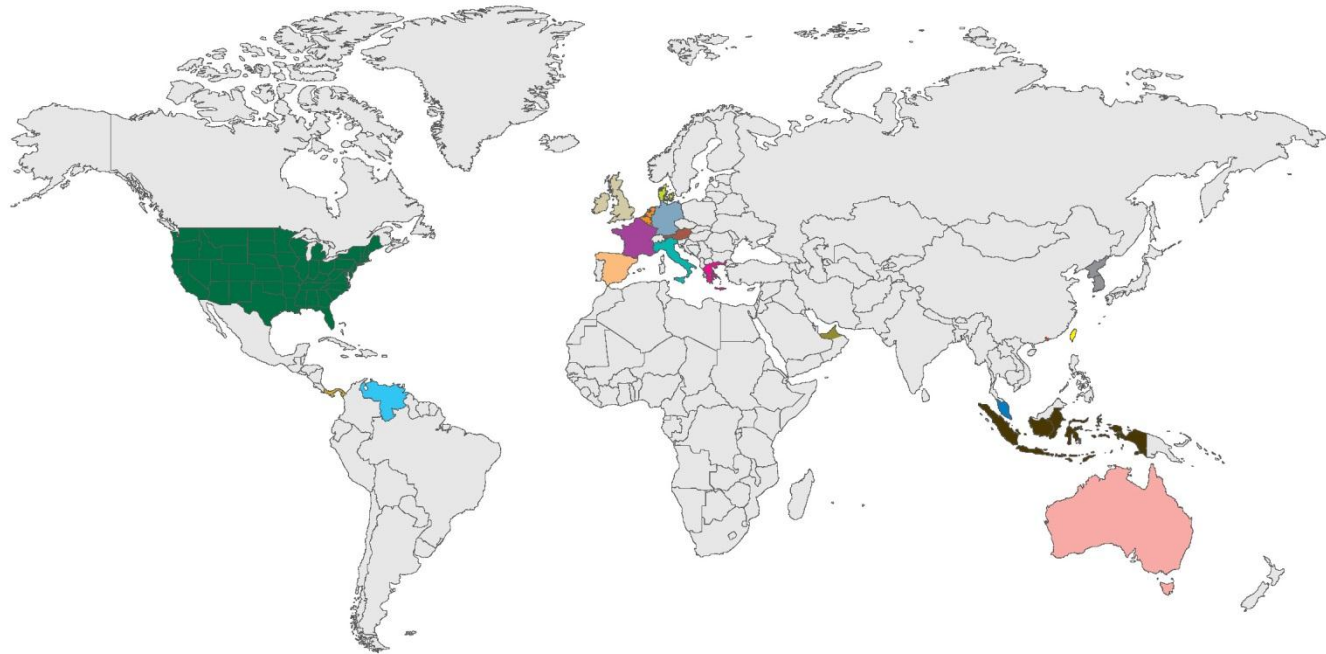
# Accelerating international franchising

<u>Locations</u>	Stores			Concessions			Licensee			Total		
	FY10	FY11	Var	FY10	FY11	Var	FY10	FY11	Var	FY10	FY11	Var
UK	10	7	- 3							10	7	- 3
Europe	19	48	29		3	3				19	51	32
Asia	2	4	2	2	21	19				4	25	21
Mid East		2	2								2	2
S. America	5	5								5	5	
ROW					1	1	3	14	11	3	15	12
<b>TOTAL</b>	<b>36</b>	<b>66</b>	<b>30</b>	<b>2</b>	<b>25</b>	<b>23</b>	<b>3</b>	<b>14</b>	<b>11</b>	<b>41</b>	<b>105</b>	<b>64</b>

- Plan to open a minimum of 50 stores in the current financial year

# Our international franchise network

- > 80 Franchise stores (including the UK and Eire) and 25 concession stores in a total of 22 countries



- > **Objective** - to develop a worldwide network of franchise stores that is consistent with the Superdry brand image and maximise the potential in each territory.

# European own store expansion

## ▷ Objective

- To have an estate of premium owned stores in key shopping centres / cities across Continental Europe, that provides a supporting halo to international franchise outlets,

## ▷ Status

- Jones Lang LaSalle engaged to research and identify the most profitable and likely locations which will support own retail and/or franchise stores

## ▷ **No specific sites identified yet but most likely locations will initially be in Germany / France**

## ▷ **Property deals differ from the UK and vary by country**

# Management team development

<b>Title</b>	<b>Name</b>	<b>Date Joined</b>
Head of HR	<b>Sue Baldwin</b>	01/02/10
Head of E Commerce	<b>Chris Griffin</b>	01/06/10
Head of Business Assurance	<b>Clive Baldwin</b>	01/06/10
Finance Director - Wholesale and International	<b>John Bailey</b>	05/07/10
Head of Planning & Analysis	<b>Steve Smith</b>	22/09/10
Head of Merchandising	<b>Denise Fairbairn</b>	29/11/10
Head of Property	<b>Nigel Jobson</b>	17/01/11
Head of IT	<b>Cormac McCarthy</b>	28/02/11
Head of European Development	<b>Luc Clement</b>	01/03/11
Company Secretary & General Coun.	<b>Romny Gray</b>	04/04/11
Head of International Bus. Dev.	<b>Greg Roberts</b>	03/05/11
Head of Sourcing	<b>Shaun Packe</b>	22/08/11

In addition the business is recruiting a Head of Logistics

# Summary

- ▷ **Strategy is on track**
- ▷ **Product design and development is key to brand longevity**
- ▷ **All growth routes are still relevant and offer high potential for the brand remains both in the UK and internationally**
- ▷ **Regent Street offers a jump in both brand and company profile**
- ▷ **Continual development of the management team and infrastructure to support growth**
- ▷ **We remain positive about the outlook and continued development of the Group in the current year**

# Questions and Answers

20<sup>th</sup> June 2011

Senior management team

# Strategic plan initiatives

## Strategic Initiative

- > Brand Development
- > UK retail roll-out
- > Regent Street
- > European own retail
- > International franchise
- > Internet growth
- > Sourcing
- > Supply chain

## Executive Leader

- > James Holder
- > Nigel Jobson
- > Nigel Jobson
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- > Luc Clement
- > Chris Griffin
- > Theo Karpathios
- > Theo Karpathios



# Appendices

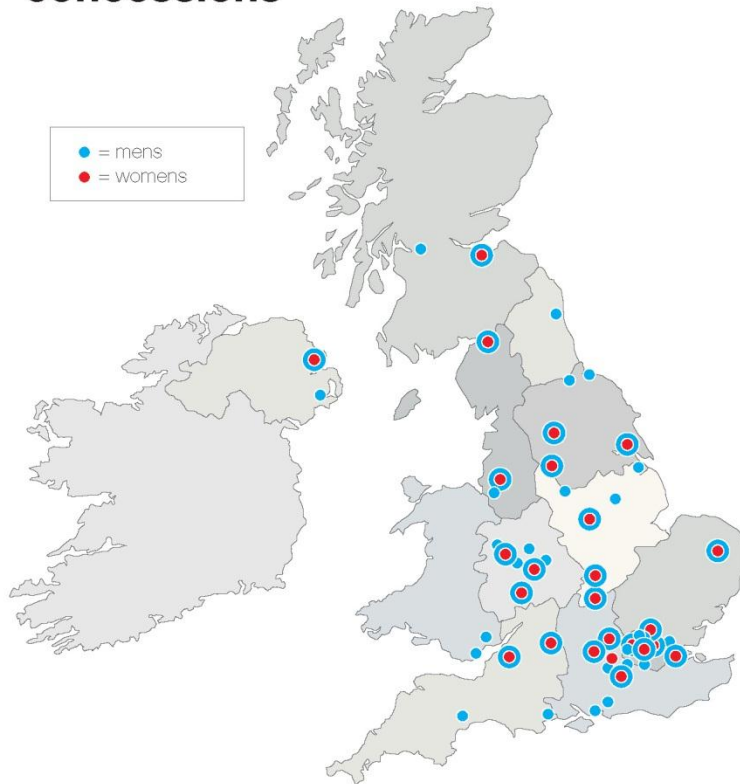
- **Product strategy**
- **Map of UK retail locations**
- **Wholesale routes to market**
- **Wholesale worldwide partners**
- **Typical profile of a franchise store**

# Product strategy

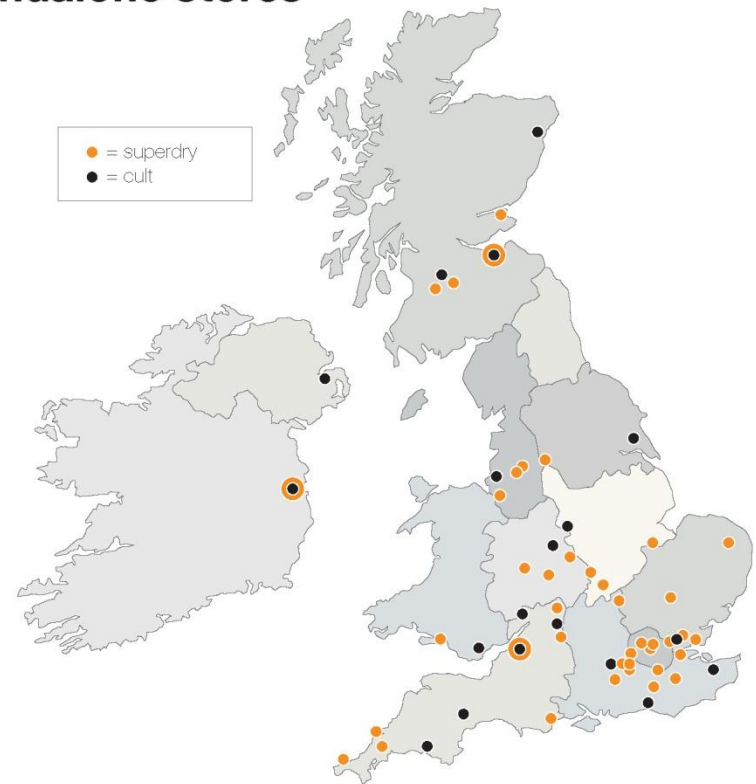
- **Superdry was created in 2003 (following an inspirational trip to Tokyo) to become a brand that focused on high quality products, fused with vintage Americana / Japanese inspired graphics with the following product philosophy**
  - Super soft hand feel cotton
  - Authentic vintage washes
  - Premium fabric
  - Vintage detailing
  - World leading hand-drawn graphics
  - Impeccable tailored fits
  - Diverse styling

# Map of UK Retail locations

concessions



standalone stores



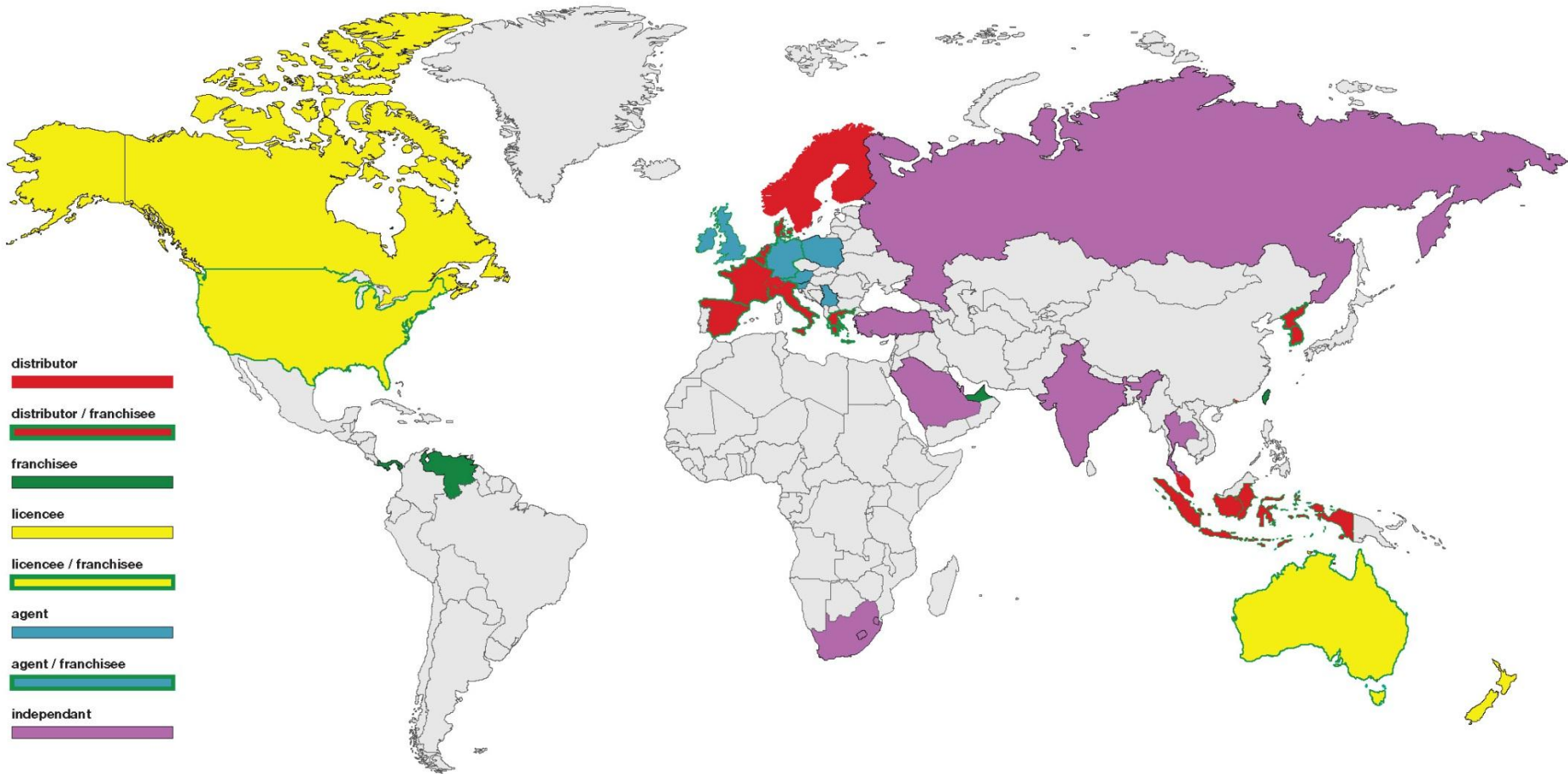
# Wholesale routes to market

	Key Accounts	Agent	Distributor	Franchise	Licensee
W/sale Margin	Yes	No	Yes	Yes	No
Vol. Discounts	Yes	No	Yes	No	No
Commission	No	Yes	No	No	No
Royalty payable	No	No	No	Yes	Yes
Relationship to SuperGroup	Arms length direct sales	Sell product on behalf of SuperGroup in exchange for a commission	Purchase stock from SuperGroup for onward sale in their territory	Take all retail risk, purchasing stock from SuperGroup for sale in stores	No direct fiscal relationship with SuperGroup. All purchases direct from factories

**Note: - partners can play one or more roles**

- **Agents beginning to open franchise stores**
- **Distributors are opening franchise stores**
- **Licensees open retail stores and concessions**

# Wholesale worldwide partners



# Typical profile of a franchise store

- ▷ **Average square footage – 1,000 to 2,000**
  - Can be as small as 500 sq ft or as large as 3,000 sq ft
  - New York store is 6,000 sq ft
  
- ▷ **Average density c. £500 – £700 / sq ft**
  - Range from £250 to £1,500 / sq ft depending on location, brand recognition in the territory, size and configuration
  
- ▷ **Franchisee takes the majority of the financial risk**
  - Signs the lease, employs the staff, purchases and owns the stock, pays for the fit-out, etc.
  - SuperGroup makes a wholesale margin and takes a small royalty based on retail sales
  
- ▷ **Locations in Europe generally tend to be high street, small and “boutique” in nature, rather than shopping centre based.**