SMCP

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2019 H1 Results

Press Release – Paris, September 5th, 2019

H1 2019 results, in line with expectations

Full-year guidance confirmed

(Excluding IFRS 16 impacts)

- H1 2019 sales up +9.5% as reported to €540.3 million (+8.0% at constant currency)
- Strong international sales growth up +14.0% at cc. in H1 19 notably driven by mainland China (>30% cc.)
- Adj. EBITDA up +3.5% at €86.8 million, with margin reaching 16.1%
- Net income of €27.8 million excluding one-off refinancing costs
- Stable leverage with Net financial debt/Adj. EBITDA[1] ratio at 1.7x (vs. 1.6x in Dec. 18)
- Full-year guidance confirmed

Commenting on the report, Daniel Lalonde, SMCP's Chief Executive Officer, stated: *"Our H1 2019 results are in line with our expectations, with a solid performance in international regions and particularly in APAC. Despite challenging market conditions, SMCP's business model once again demonstrated its resilience while our full price focus strategy bore fruits, enabling the Group to deliver a sustain high gross margin. Over the first half we also initiated the process of acquiring De Fursac, a French leader in men's accessible luxury, which is soon to be completed. Over the second semester we will remain fully committed to pursuing our key priorities for 2019 and to achieving our full-year financial targets."*

SMCP has applied IFRS 16 – Leases, replacing IAS 17 – Leases, for the first time to its 2019 condensed interim consolidated financial statements. This new standard has a significant effect on the Group's financial statements, due to the size of its network of directly operated stores. Almost all the Group's leases are property rentals (free standing stores, outlets, headquarters and warehouses). These are managed dynamically, in direct relation to the brands' activities and their distribution and development strategies.

When a lease with fixed payments is entered into, the standard requires the recording of a liability in the statement of financial position corresponding to discounted future payments, as a balancing entry to right-of-use assets amortized over the term of the lease.

The Group has applied the "modified retrospective" transition approach, which provides for the recognition of a liability on the transition date equal to only residual discounted lease payments, as a balancing entry to an adjusted right of use of the amount of lease payments made in advance or registered as a charge to pay.

In order to maintain an economic reading of the financial data for 2018 and 2019 presented below, the Group has decided to present two types of data for 2019 in its business report: the 2019 half-year results including and excluding the impact of the new IFRS 16 standard, highlighting the effects of this standard.

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[1] *Last twelve months adjusted EBITDA (excl. IFRS 16)*

KEY FIGURES	H1 2018	H1 2019 excl. IFRS 16	*Change as reported*	H1 2019 incl. IFRS 16	*IFRS 16 impacts*
Sales (€m)	493.3	540.3	*+9.5%*	540.3	-
Adjusted EBITDA (€m)	83.9	86.8	*+3.5%*	141.0	*+54.2*
Adjusted EBITDA margin (%)	17.0%	16.1%	*-0.9pt*	26.1%	*+10.0pts*
Net Income Group Share (€m)	27.4	20.0	*-26.8%*	17.2	*-2.9*
Net Income Group Share excl. one-off refi. costs	28.4	27.8	*-1.8%*	24.9	*-2.9*
EPS[2] (€)	0.374	0.273	*-27.1%*	0.233	*0.0*
Diluted EPS[3] (€)	0.347	0.255	*-26.7%*	0.218	*0.0*
FCF before tax excl. IPO-related items[4]	28.4	20.9	*-26.3%*	-	-

H1 2019 CONSOLIDATED RESULTS (excl. IFRS 16)

Consolidated sales reached €540.3 million, up +8.0% at constant currency, mainly driven by an international sales growth of +14.0% (with mainland China at more than +30% at constant currency). This performance includes a like-for-like sales growth of -0.7% which mainly reflects tough market conditions in France and a positive international LFL growth. Overall, reported sales were up +9.5%, including a positive currency impact of +1.5pts. Over the semester, SMCP benefited from the successful development of its accessories (+23.1% of sales growth) as well as solid progress in digital (+50bps to 14.8% of total sales).

Adjusted EBITDA increased by +3.5% from €83.9 million to €86.8 million. **Adjusted EBITDA margin** stood at 16.1% in H1 2019 impacted by a lower store costs absorption related to the expected low start to the year in sales. In parallel, SMCP demonstrated its strong ability to maintain a high level of **gross margin**[5] at 76.3% with a slight reduction in its discount rate. The Group also efficiently managed its **SG&A costs** (-0.5pt), while maintaining the right pace of investments to support future growth.

Amortization, depreciation and provisions amounted to -€21.9 million (4.1% of sales) in S1 2109, compared with -€17.5 million in H1 2018 (3.6% of sales) due to additional investments in infrastructure & IT as well as the French stores renovation plan. The Group's controlled investment strategy aims to maintain a good balance between the expenditures that support the expansion of points of sale, the expenditures to renovate the network of stores, and infrastructure expenditures.

Other non-recurring income & expenses slightly increased from -€3.8 million in H1 2018 to -€4.1 million in H1 2019 and notably include transition costs related to the strengthening of the Asian platform and some transaction costs linked to the acquisition of De Fursac.

Financial results which included, in H1 2019, -€12.6 million of costs related to the refinancing, decreased from -€10.6 million in H1 2018 to -€21.7 million in H1 2019. Excluding these one-off costs, SMCP showed a continued optimization of its cost of debt from 4.8% in H1 18 to 4.1% in H1 2019, as a result of the successful renegotiation of its financing finalized in May 2019. This reduction in financial charges will become increasingly visible from 2020.

[2] *Net Income Group Share divided by the average number of ordinary shares in H1 2019 minus existing treasury shares held by the Group.*
[3] *Net Income Group Share divided by the average number of common shares in H1 2019, minus the treasury shares held by the company, plus the common shares that may be issued in the future. They include the conversion of the Class G preferred shares (4 696 861 ordinary shares) and the performance bonus shares – LTIP (512 041 shares) which are prorated according to the performance criteria reached as of June 30, 2019.*
[4] *In H1 2019, one-off IPO-related costs amounted to -€1.9m.*
[5] *Management gross margin*

Income tax amounted to -€12.3 million in H1 2019 versus -€17.6 million in H1 2018, representing a Corporate Income Tax (CIT) of 38.0% (versus 39.1% in H1 2018), i.e. 34.4% excluding the French trade Tax (CVAE).

Net income - Group share stood at €20.0 million in H1 2019 (vs. €27.4 million In H1 2018). Excluding one-off costs related to the refinancing, net income Group share was almost stable at €27.8 million in H1 2019.

H1 2019 FREE CASH FLOW AND NET FINANCIAL DEBT (excl. IFRS 16)

Free Cash Flow before tax excl. IPO-related costs[6] stood at €20.9 million in H1 2019 compared to €28.4 million in H1 2018. This performance includes an increase of capex to -€33.9 million (6.3% of sales in H1 19 vs. 4.5% in H1 2018) linked to additional investments in infrastructure & IT and the French stores renovation plan. In parallel, change in working capital excl. IPO-related costs stood at -€28.9 million reflecting early signs of improvement from 2019 Spring-Summer collection stock purchases which should become increasingly visible in H2 2019, helped by new processes of demand planning. Free Cash Flow after tax stood at -€2.8 million in H1 2019, including -€1.9 million of one-off costs related to the IPO.

Net financial debt increased from €274.0 million on December 31, 2018 to €299.9 million on June 30, 2019. Consequently, **Net financial debt/adjusted EBITDA**[7] ratio was stable at 1.7x on June 30, 2019 versus 1.6x on December 31, 2018.

SHARE BUY-BACK PROGRAM

SMCP intends to cover its long-term incentive programs (LTIP) in priority through existing shares. In this context, SMCP announces the implementation from September 6, 2019, of a first mandate with an independent financial services provider, for the purpose of buying back its shares up to a maximum of 400 000 shares over the next 4 months, for a purchase price that cannot exceed the maximum price set by the 17th resolution approved by the Annual General Meeting of June 7, 2019.

DE FURSAC ACQUISITION

In June 2019, SMCP announced that it had entered into exclusive negotiations to acquire De Fursac, a French leader in men's accessible luxury. Through a decision issued on 23 August 2019, the French Competition Authority cleared the transaction without any special conditions. As planned, the closing of the transaction will occur shortly.

FULL-YEAR GUIDANCE CONFIRMED

SMCP confirms its 2019 Full-Year guidance. The Group is targeting a sales growth of between +9% and +11% at constant currency and a stable adj. EBITDA[8] margin compared to 2018. This guidance does not take into account the acquisition of De Fursac.

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[6] *In H1 2019, one-off IPO-related costs amounted to -€1.9m.*

[7] *Last twelve months adjusted EBITDA*

[8] *This guidance is disclosed without taking into account the impact of the application of IFRS 16, effective as of the fiscal year 2019.*

FINANCIAL INDICATORS NOT DEFINED IN IFRS

The Group uses certain key financial and non-financial measures to analyse the performance of its business. The principal performance indicators used include the number of its points of sale, like-for-like sales growth, Adjusted EBITDA and Adjusted EBITDA margin.

Number of points of sale

The number of the Group's points of sale comprises total retail points of sale open at the relevant date, which includes (i) directly-operated stores, including free-standing stores, concessions in department stores, affiliate-operated stores, factory outlets and online stores, and (ii) partnered retail points of sale.

Like-for-like sales growth

Like-for-like sales growth corresponds to retail sales from directly operated points of sale on a like-for-like basis in a given period compared with the same period in the previous year, expressed as a percentage change between the two periods. Like-for-like points of sale for a given period include all of the Group's points of sale that were open at the beginning of the previous period and exclude points of sale closed during the period, including points of sale closed for renovation for more than one month, as well as points of sale that changed their activity (for example, Sandro points of sale changing from Sandro Femme to Sandro Homme or to a mixed Sandro Femme and Sandro Homme store).

Like-for-like sales growth percentage is presented at constant exchange rates (sales for year N and year N-1 in foreign currencies are converted at the average N-1 rate, as presented in the annexes to the Group's consolidated financial statements as at December 31 for the year N in question).

Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA is defined by the Group as operating income before depreciation, amortization, provisions and charges related to share-based long-term incentive plans (LTIP). Consequently, Adjusted EBITDA corresponds to EBITDA before charges related to LTIP.

Adjusted EBITDA is not a standardized accounting measure that meets a single generally accepted definition. It must not be considered as a substitute for operating income, net income, cash flow from operating activities, or as a measure of liquidity.

Adjusted EBITDA margin corresponds to adjusted EBITDA divided by net sales.

Adjusted EBIT and adjusted EBIT margin

Adjusted EBIT is defined by the Group as earning before interests and taxes and charges related to share-based long-term incentive plans (LTIP). Consequently, Adjusted EBIT corresponds to EBIT before charges related to LTIP.

Adjusted EBIT margin corresponds to Adjusted EBIT divided by net sales.

Management Gross margin

Management gross margin corresponds to the sales after deducting rebates and cost of sales only. The accounting gross margin (as appearing in the accounts) corresponds to the sales after deducting the rebates, the cost of sales and the commissions paid to the department stores and affiliates.

Retail Margin

Retail margin corresponds to the management gross margin after taking into account the points of sale's direct expenses such as rent, personnel costs, commissions paid to the department stores and other operating costs.

The table below summarizes the reconciliation of the management gross margin and the retail margin with the accounting gross margin as included in the Group's financial statements for the following periods:

(€m)	H1 2018	H1 2019
Gross margin (as appearing in the account)	**316.1**	**342.8**
Readjustment of the commissions and other adjustments	60.8	69.5
Management Gross margin	**376.9**	**412.3**
Direct costs of point of sales	-196.6	-222.6
Retail margin	**180.4**	**189.7**

Free cash-flow after tax

Free cash-flow after tax is defined as adjusted EBITDA after taking into account changes in working capital requirements, non-current items paid, income tax paid and net cash flows from investing activities.

Net financial debt

Net financial debt represents the net debt portion bearing interest. It corresponds to current and non-current financial debt, net of cash and cash equivalents net of current bank overdrafts.

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METHODOLOGY NOTE

Unless otherwise indicated, amounts are expressed in millions of euros and rounded to the nearest million. In general, figures presented in this press release are rounded to the nearest full unit. As a result, the sum of rounded amounts may show non-material differences with the total as reported. Note that ratios and differences are calculated based on underlying amounts and not on the basis of rounded amounts.

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DISCLAIMER: FORWARD-LOOKING STATEMENTS

Certain information contained in this document may include projections and forecasts. These projections and forecasts are based on SMCP management's current views and assumptions. Such statements are not guarantees of future performance of the Group. Actual results or performances may differ materially from those in such projections and forecasts as a result of numerous factors, risks and uncertainties.

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For more information regarding these factors, risks and uncertainties, please refer to the information contained in the documents filed with the French Financial Markets Authority (Autorité des Marchés Financiers - AMF) as part of the regulated information disclosure requirements and available on SMCP's website (www.smcp.com).

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A conference call to investors and analysts will be held by Philippe Gautier, CFO and Operations Director from 9.00 a.m. (Paris time).

Related slides will also be available on the website (www.smcp.com), in the Finance section.

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT (€m)	H1 2018	H1 2019 excl. IFRS 16	H1 2019 incl. IFRS 16	IFRS 16 impacts
Sales	**493.3**	**540.3**	**540.3**	**-**
Adjusted EBITDA	**83.9**	**86.8**	**141.0**	**+54.2**
D&A	-17.5	-21.9	-74.4	-52.5
Adjusted EBIT	**66.4**	**64.9**	**66.5**	**+1.6**
Allocation of LTIP	-7.0	-6.7	-6.7	-
EBIT	**59.4**	**58.2**	**59.8**	**+1.6**
Other non-recurring income and expenses	-3.8	-4.1	-4.1	-
Operating profit	**55.5**	**54.0**	**55.7**	**+1.6**
Financial result	-10.6	-21.7	-28.0	-6.3
Profit before tax	**44.9**	**32.3**	**27.7**	**-4.7**
Income tax	-17.6	-12.3	-10.5	+1.8
Net income Group share	**27.4**	**20.0**	**17.2**	**-2.9**

CASH FLOW STATEMENT (€m)	H1 2018	H1 2019 excl. IFRS 16
Adjusted EBITDA[9]	82.5	86.8
Changes in working capital	-32.0	-28.9
Non-recurring expenses	-13.6	-5.0
Income tax expense	0.2	-21.9
Net cash flow from operating activities	**37.1**	**31.1**
Capital expenditure	-22.1	-33.9
Others	-	-
Net cash flow from investing activities	**-22.1**	**-33.9**
Net interests paid	-9.0	-13.0
Other financial income and expenses	0.5	-3.4
Issuance and repayment of borrowings	-19.9	13.7
Exchange rate and change accounting principles	0.2	0.2
Net cash flow from financing activities	**-28.2**	**-2.5**
Change in net cash	**-13.2**	**-5.3**

[9] *In H1 2018, adjusted EBITDA excluding LTIP social security charges (-€1.4m)*

FCF (€m)	H1-18	H1-19 excl. IFRS 16
Adjusted EBITDA[10]	82.5	86.8
Change in working capital	-32.0	-28.9
Non-recurring expenses	-13.6	-5.0
Capital expenditure	-22.1	-33.9
Income tax	0.2	-21.9
Free cash-flow after tax (a)	**15.0**	**-2.8**
Cost of share-based payments (b)	-11.2	-
Non-operating expenses incurred during the period (c)	-2.3	-1.9
Free cash-flow after tax and excl. one-off IPO-related items (a)-(b)-(c)	**28.6**	**-1.0**
Income tax	0.2	-21.9
Free cash-flow before tax and excl. one-off IPO-related items	**28.4**	**20.9**

BALANCE SHEET - ASSETS (€m)	As of December 31, 2018	As of June 30, 2019 excl. IFRS 16	As of June 30, 2019 incl. IFRS 16	IFRS 16 impacts
Goodwill	630.1	630.1	630.1	-
Intangible right-of-use assets	736.1	734.9	1,175.6	+440.8
Property, plant and equipment	76.0	77.7	77.7	-
Non-current financial assets	19.5	22.5	22.5	-
Other non-current assets	0.5	0.0	0.0	+0.0
Deferred tax assets	33.4	32.9	34.7	+1.8
Non-current assets	**1,495.5**	**1,498.0**	**1,940.6**	**+442.6**
Inventories and work in progress	221.4	233.6	233.6	-
Accounts receivables	51.4	58.4	58.4	-
Other receivables	39.2	53.2	53.2	-
Cash and cash equivalents	46.5	49.7	49.7	-
Current assets	**358.5**	**394.9**	**394.9**	**-**
Total assets	**1,854.0**	**1,892.9**	**2,335.5**	**+442.6**

[10] *In H1 2018, adjusted EBITDA excluding LTIP social security charges (-€1.4m)*

BALANCE SHEET - EQUITY & LIABILITIES (€m)	As of December 31, 2018	As of June 30, 2019 excl. IFRS 16	As of June 30, 2019 incl. IFRS 16	IFRS 16 impacts
Total Equity	**1,142.2**	**1,167.3**	**1,164.5**	**-2.9**
Bond	174.2	-	-	-
Non-current lease liabilities	-	-	360.3	+360.3
Non-current financial debt	-	335.9	335.9	-
Other financial liabilities	0.2	0.2	0.2	-
Provisions and other non-current liabilities	0.2	1.3	1.3	-
Deferred revenue	-0.1	-0.1	-0.1	-
Net employee defined benefit liabilities	3.3	3.7	3.7	-
Other non-current liabilities	0.0	0.1	0.1	-
Deferred tax liabilities	166.5	158.1	158.1	-
Non-current liabilities	**344.5**	**499.2**	**859.5**	**+360.3**
Interest-bearing loans and borrowings	2.2	-	-	-
Trade and other payables	115.5	119.8	119.8	-
Current lease liabilities	-	-	94.0	+94.0
Bank overdrafts and short-term financial borrowings and debt	143.9	13.5	13.5	-
Short-term provisions	3.2	1.3	1.3	-
Other financial liabilities	102.6	91.7	82.9	-8.8
Current liabilities	**367.4**	**226.4**	**311.5**	**+85.2**
Total Liabilities	**1,854.0**	**1,892.9**	**2,335.5**	**+442.6**

NET FINANCIAL DEBT (€m)	As of Dec. 31, 2018	As of June 30, 2019 excl. IFRS 16
Bond & interest-bearing loans and borrowings	-176.4	-
Non-current financial debt & other financial liabilities	-0.2	-336.1
Bank overdrafts and short-term financial liability	-143.9	-13.5
Cash and cash equivalents	46.5	49.7
Net financial debt	**-274.0**	**-299.9**
LTM adjusted EBITDA	*171.5*	*174.4*
Net financial debt / adjusted EBITDA	**1.6x**	**1.7x**

ABOUT SMCP

SMCP is a global leader in the accessible luxury market with three unique Parisian brands: Sandro, Maje and Claudie Pierlot. Present in 40 countries, SMCP is a fast-growing company which reached the milestone of €1bn in sales in 2018. The Group comprises a network of over 1,500 stores globally plus a strong digital presence in all its key markets. Evelyne Chetrite and Judith Milgrom founded Sandro and Maje in Paris, in 1984 and 1998 respectively, and continue to provide creative direction for the brands. Claudie Pierlot was acquired by SMCP in 2009. SMCP is listed on the Euronext Paris regulated market (compartment A, ISIN Code FR0013214145, ticker: SMCP).

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