

SMCP

sandro · maje · claudie pierlot · de fursac



2020 First quarter

Press release - Paris, April 29th, 2020

Sales performance in line with expectations

- Q1 2020 sales down -16.7% as reported; -20.4% on an organic¹ basis
- Following good start to the year, Q1 sales impacted by Covid-19 in all regions from end of January
- China traffic and sales gradually improving since March, showing early signs of recovery
- Closure of 6 DOS² in Q1 20, driven by a slowdown of international store openings and the French network optimization plan
- Execution of action plans to mitigate the impact of crisis and protect cash position
- Good performance in e-commerce driven by China; teams mobilized to foster digital sales

Commenting on the report, Daniel Lalonde, SMCP's CEO, stated: *"Following a good start to the year, all regions have progressively been impacted by the lockdown measures due to the Covid-19 epidemic. In this context, SMCP's key priority has been to ensure the safety and health of its employees and stakeholders around the world. I would like to express my gratitude to them, as they have been fully mobilized and done amazing work in the last few weeks. The Group has also taken a large number of measures to mitigate the impact of the pandemic on its activity and balance sheet, reducing capital expenditure to the essential, reducing operating expenses, adjusting inventories and collections, securing liquidity position and fostering operations in e-commerce. Our team are now mobilized to prepare for the post lockdown period. In line with our values and commitments, it was also important to think about others and contribute to the collective effort through solidarity actions from our brands. Looking forward, although the pandemic will have a strong impact on our Q2 performance, the early signs of recovery in China are encouraging. I am confident that SMCP's strong fundamentals and brands will enable us to emerge from this period in a stronger position".*

¹ All references in this document to the organic sales performance refer to the performance of the Group at constant currency and scope", i.e. excluding the acquisition of De Fursac

² Including De Fursac

<i>Unaudited figures</i> Sales in €m except %	Q1 2019	Q1 2020	Organic sales change	Reported sales change
Sales by region				
France	96.0	85.7	-19.4%	-10.7%
EMEA ¹	79.4	70.9	-11.9%	-10.8%
Americas	31.7	26.9	-17.4%	-15.1%
APAC ²	67.5	45.2	-33.4%	-33.1%
Sales by Brand				
Sandro	132.5	105.5	-20.9%	-20.4%
Maje	106.9	85.7	-20.5%	-19.9%
Other brands ³	35.2	37.5	-18.4%	+6.6%
TOTAL	274.6	228.7	-20.4%	-16.7%

2020 FIRST QUARTER SALES

In the first quarter of 2020, consolidated sales reached €228.7 million, down -20.4% on an organic basis. Reported sales were down -16.7%, including a positive currency impact of +0.5% and De Fursac's contribution of +3.7%. This performance reflected the impact of the Covid-19 epidemic, which resulted in extensive store closures in Asia from the end of January, and then in Europe and North America from mid-March, as well as the suspension of tourism (especially Chinese tourism).

Over the last twelve months, SMCP net openings⁴ amounted to +77 directly operated stores (DOS). This includes +29 net openings in APAC, +38 in EMEA and +20 in the Americas. Meanwhile, the Group has pursued the optimization of its network in France with -10 net closings (DOS). In Q1 2020, SMCP closed 6 DOS⁵ globally, reflecting 6 store closures in France and a slowdown of international store openings.

Sales breakdown by region and by brand

In France and EMEA, sales were down -19.4% and -11.9% respectively on an organic basis. Following a good start to the year, performance has been impacted by a sharp decline in tourism from February (especially Chinese tourism), followed by a total closure of stores from mid-March. Meanwhile, the Group generated a solid performance in Digital in EMEA. Finally, further progress has been made in the French network optimization, with 6 closures in Q1 2020 vs. Dec 19.

In the Americas, sales were down -17.4% on an organic basis also impacted by the Covid-19 epidemic. Since February, the Group has seen a slowdown in tourism (especially Chinese tourism) and has experienced further deterioration in sales in March following the store closures. The Group's distribution centre continues to operate normally to ensure e-commerce operations. At this stage, digital sales performance remains soft.

¹ EMEA covers the Group's activities in European countries excluding France (mainly the United Kingdom, Spain, Germany, Switzerland, Italy and Russia) as well as the Middle East (including the United Arab Emirates).

² APAC includes the Group's Asia-Pacific operations (mainly Mainland China, Hong Kong, South Korea, Singapore, Thailand and Australia).

³ Claudie Pierlot and De Fursac brands

⁴ Excluding De Fursac

⁵ Including De Fursac

In **APAC**, sales were down -33.4% on an organic basis. Following a strong start to the year, sales were significantly impacted in February by the lockdown in most Asian countries, especially mainland China. Since then, the Group has seen some early signs of recovery in mainland China with a gradual improvement in sales and traffic from March. In parallel, the e-commerce channel which remained open throughout the crisis, recorded strong results in mainland China (+39% of sales growth in Q1 2020). In other regions, traffic remained weak in Hong-Kong and in Singapore where all stores are closed. In parallel, South Korea, Taiwan and New Zealand recorded better resilience in sales.

On an organic basis, **Sandro** (-20.9%), **Maje** (-20.5%) and the **Other Brands** division (-18.4%) recorded a strong decline in sales, impacted by the Covid-19 epidemic. Over the quarter, SMCP's brands showed a dynamic approach on social media, with a change of tone to adapt to the current global environment, and to maintain a close connection with their community and prepare for the post lockdown period.

UPDATE ON COVID-19 OUTBREAK AND 2020 OUTLOOK

Since SMCP's last communication on March 25, 2020, the situation regarding its stores network has slightly evolved. While most of stores are closed in France, EMEA and Americas, all stores in Greater China have since reopened.

As of today, 82% of DOS stores are closed:

- In **APAC**, all stores have re-opened in Greater China, while they have been closed in Singapore since April 22. In the meantime, the region's distribution centre continues to operate normally. In countries operated by partners, stores are open in South Korea and partially closed in Australia.
- In **France and EMEA**, most stores are closed in Europe, except for Scandinavia. Germany has just started to gradually reopen from April 23. In countries operated by partners in the Middle East, all stores are closed. In parallel, the European distribution centre remains open to ensure exports and e-Commerce.
- Finally, in **Americas**, all stores have been closed since March 18. The Group's distribution centre continues to operate normally to ensure the e-commerce operations.

Against this backdrop, the Group has taken immediate measures to mitigate the impact of the crisis and protect its cash-flow, including:

- **Selecting essential capital expenditure** (c.-40%) with several infrastructure investments postponed, along with the reduction of 2/3 of its store openings plan (c. 20 DOS net openings expected this year)
- **Reducing operating expenses:**
 - Renegotiation of commercial leases
 - Almost all retail teams in Europe and North America are on temporary unemployment since the end of March, with support from local governments
 - Strong adjustment in Selling, General & Administrative Expense (mainly overheads costs optimization and discretionary spends decrease such as A&P in H1 2020 and travel expenses)
- **Adjusting inventories and collections** with a strong reduction of the FW20 collections buy and some adjustments in the SS20 collections.
- **Fostering operations in e-commerce** alongside brands' initiatives to engage customers on digital, and all teams fully mobilized in distribution Centers

SMCP drew the full capacity of its Revolving Credit Facility (RCF) in March and benefits from a secured liquidity position of more than €200 million at the end of Q1 2020 to face the crisis period. In addition, the Group has initiated discussions with its banking partners to further strengthen its financial flexibility.

In this unprecedented situation, SMCP stands more than ever alongside its employees, partners and all of its stakeholders. The global crisis management team, whose priority is to ensure the safety and health of teams around the world, is currently working to organize and prepare for the coming transition period. In order to ensure their protection when stores and headquarters reopen, the Group has ordered all the necessary protective equipment including surgical masks, hydro-alcoholic gel and gloves.

Considering the uncertainties around the duration and the severity of the epidemic, it is not relevant to provide forecasts for the full-Year 2020 at this stage, both in sales and profitability. The Group will monitor the situation closely and will update the market in due course.

The Group remains confident in its business model and the attractiveness of its brands. The dedication of its teams towards ensuring a strict control of its costs will contribute to mitigating the impact of COVID-19. SMCP's financial structure and level of liquidity put the Group in a solid position to face these exceptional circumstances.

FINANCIAL CALENDAR

- June 4, 2020 - Annual General Meeting of Shareholders
- July 29, 2020 - 2020 H1 sales
- Sept. 4, 2020 - 2020 H1 results

APPENDICES

Breakdown of DOS

Number of DOS	Q1-19 <i>(excl. DF)</i>	2019 <i>(incl. DF)</i>	Q1-20 <i>(incl. DF)</i>	Var. Q1 20 vs. Dec. 19 <i>(incl. DF)</i>	Var. Q1 20 vs. Q1 19 <i>(excl. DF)</i>
<u>By region</u>					
France	476	528	522	-6	-10
EMEA	372	413	413	-	+38
Americas	144	162	164	+2	+20
APAC	188	219	217	-2	+29
<u>By brand</u>					
Sandro	505	550	554	+4	+49
Maje	414	444	443	-1	+29
Claudie Pierlot	214	224	222	-2	+8
Suite 341	47	44	38	-6	-9
De Fursac	n.a.	60	59	-1	n.a.
Total DOS	1 180	1 322	1 316	-6	+77

Breakdown of POS

Number of POS	Q1-19 <i>(excl. DF)</i>	2019 <i>(incl. DF)</i>	Q1-20 <i>(incl. DF)</i>	Var. Q1 20 vs. Dec. 19 <i>(incl. DF)</i>	Var. Q1 20 vs. Q1 19 <i>(excl. DF)</i>
<u>By region</u>					
France	476	530	522	-8	-10
EMEA	491	535	531	-4	+37
Americas	176	189	191	+2	+15
APAC	342	386	388	+2	+46
<u>By brand</u>					
Sandro	653	707	711	+4	+58
Maje	549	577	576	-1	+27
Claudie Pierlot	236	250	248	-2	+12
Suite 341	47	44	38	-6	-9
De Fursac	n.a.	62	59	-3	n.a.
Total POS	1 485	1 640	1 632	-8	+88
<i>o/w Partners POS</i>	305	318	316	-2	+11

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).

Organic sales growth

Organic sales growth corresponds to total sales in a given period compared with the same period in the previous year, expressed as a percentage change between the two periods, and presented at constant exchange rates (sales for period N and period N-1 in foreign currencies are converted at the average year N-1 rate) excluding scope effects, i.e. excluding the acquisition of De Fursac

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.

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.

DISCLAIMER: FORWARD-LOOKING STATEMENTS

Certain information contained in this document include projections and forecasts. These projections and forecasts are based on SMCP management's current views and assumptions. Such forward-looking 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. These risks and uncertainties include those discussed or identified under Chapter 4 "Risk factors" of the Company's registration document (document de référence) filed with the French Financial Markets Authority (Autorité des Marchés Financiers - AMF) on 26 April 2019 and available on SMCP's website (www.smcp.com).

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A conference call to investors and analysts will be held today by Daniel Lalonde, CEO and 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.

ABOUT SMCP

SMCP is a global leader in the accessible luxury market with four unique Parisian brands: Sandro, Maje, Claudie Pierlot and De Fursac. Present in 41 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 and De Fursac were respectively acquired by SMCP in 2009 and 2019. SMCP is listed on the Euronext Paris regulated market (compartment A, ISIN Code FR0013214145, ticker: SMCP).

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