SMCP

sandro · maje · claudie pierlot · fursac

2022 Full Year Results
Press release - Paris, March 2nd, 2023.

Financial targets achieved:
Strong sales performance driven by positive momentum in Europe and America and doubling of Net Income

- Record Sales at €332m in Q4, up +4% on an organic[1] basis vs. 2021, despite a high comparison basis.
- 2022 Sales at €1,206m, up +13% on an organic basis vs. 2021, driven by a like-for-like growth of +14%.
- Sales momentum driven by Europe and America as well as APAC region excluding Mainland China, which has been significantly impacted by the sanitary situation. Excluding Mainland China, the Group recorded an organic growth of +23% vs 2021.
- Success of the full-price strategy with an average discount rate down by 4 points in one year and 9 points in two years.
- Store network stable over the year, but positive momentum with 13 net openings in Q4.
- Strong growth of Adjusted EBIT to €111m (9.2% of sales) from €96m in 2021[2].
- Net profit doubles and reaches €51m.
- Robust financial structure and continued deleveraging to 1.9x adjusted EBITDA[3].
- 2023 objectives:
  - Mid- to high-single digit sales growth vs. 2022 at constant exchange rates,
  - Adjusted EBIT margin up vs. 2022

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[1] *Organic growth | All references in this document to the "organic sales performance" refer to the performance of the Group at constant currency and scope*

[2] *All 2021 figures have been retreated with impacts of IFRS IC decision on the configuration and customization costs software used as a SaaS contract*

[3] *Net debt / adjusted EBITDA excluding IFRS*

Commenting on those results, Isabelle Guichot, CEO of SMCP, stated: *"The Group registers another very good performance this year, with sales growth in all regions except for Continental China due to Covid-related constraints. The work we have been doing for several years on the desirability of our brands has enabled us to adjust our sales prices in line with inflation, while continuing to deploy our full-price strategy. We have thus been able to maintain a solid level of profitability, allowing us to double our net profit compared to the previous year. We also made major progress in our CSR strategy, accelerating our transparency and circular economy initiatives, improving our CDP rating, and announcing the launch of our SMCP Retail Lab training school. Finally, we opened new shops in key areas, notably in China, in anticipation of the business recovery. I thank all the teams for their dedication and together we look forward to 2023 with confidence, perfectly positioned to seize future growth opportunities."*

€m except %	Q4 2021	Q4 2022	Organic change	Reported change	FY 2021	FY 2022	Organic change	Reported change
Sales by region								
France	111	120	+9.1%	+8.1%	341	414	+23.3%	+21.3%
EMEA[1]	90	105	+16.2%	+16.8%	285	377	+31.1%	+32.2%
Americas	46	52	+2.6%	+14.3%	143	184	+16.0%	+29.3%
APAC[2]	67	55	-19.6%	-18.1%	270	231	-20.0%	-14.4%
Sales by Brand								
Sandro	154	165	+4.9%	+7.1%	498	582	+13.3%	+16.9%
Maje	118	124	+3.1%	+4.8%	407	467	+11.4%	+14.8%
Other brands[3]	42	43	+5.0%	+4.5%	134	156	+17.9%	+17.0%
TOTAL	314	332	+4.2%	+5.9%	1 039	1 206	+13.1%	+16.1%

[1] *EMEA covers the Group's activities in European countries excluding France (mainly the United Kingdom, Spain, Germany, Switzerland, Italy) 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 SAR, South Korea, Singapore, Thailand, Malaysia, and Australia).*

[3] *Claudie Pierlot and Fursac brands*

SALES BREAKDOWN BY REGION

In **France**, sales are up by +23% organic compared to 2021 and exceed 2019 level. This growth was driven exclusively by like-for-like, and mainly in physical stores (in Paris, thanks to local customers and tourists, but also in the rest of France). This performance is all the more impressive given that it includes a -5.5 points drop in the discount rate over the year. Digital sales are in line with 2021, with more qualitative sales thanks to a reduction in the number of promotional operations.
The physical shop network optimization plan is coming to an end and the number of stores openings in France picked up in the fourth quarter with five net openings.

The **EMEA** region recorded the strongest growth of the Group with an organic increase of 31% compared to 2021, driven by the largest markets such as the UK, Spain, Germany, Italy, and the Middle East. This performance was driven by brick & mortar as well as digital sales, which grew by +12% compared to 2021. The region is +9% ahead of 2019.
The reduction of the discount rate is -3pts in 2022 and -12pts over two years. After some net POS closures in the first nine months of the year, the network regained growth momentum with eight net openings in the fourth quarter.

In **APAC**, the Group recorded a -20% decline in organic sales vs 2021, mainly due to the sanitary situation in Mainland China. After a first part of the year heavily impacted by the COVID restrictions (stores and warehouse closures for long periods, and a drop in traffic), the fourth quarter was strongly penalized by a spike in positive cases, following the lifting of the anti-COVID restrictions, and resulting in store closures (30% of the network closed or on reduced hours in December).
Outside Mainland China, the region performed well, particularly in Australia with a fully reopened network, in Korea driven by strong local demand, and in Singapore and Malaysia which benefited from a return of tourists. The region continued to expand with four net openings over the year, to seize opportunities linked to the market recovery.

In **Americas**, sales increased by +16% organically compared to 2021, driven entirely by like-for-like growth (+17%). Growth was homogeneous in all markets: United States, Canada and Mexico. Digital sales continued their excellent momentum (+21%).
The pre-pandemic level was largely exceeded (+15% compared to 2019 in organic terms). The average discount rate fell by -5pts in 2022 and -17pts in two years. The region continued to expand with three net openings in the year.

Unless stated otherwise, all figures used to analyze the performance are disclosed by taking into account the impact of the application of IFRS 16.

KEY FIGURES (€m)	2021 retreated	2022	*Change as reported*
Sales	1 038.6	1 205.8	+16.1%
Adjusted EBITDA	245.7	266.6	+8.5%
Adjusted EBIT	95.7	110.5	+15.4%
Net Income Group Share	23.9	51.3	+114.4%
EPS[1] (€)	0.32	0.68	+113.1%
Diluted EPS[2] (€)	0.32	0.65	+102.0%
FCF	69.8	34.3	-50.9%

2022 CONSOLIDATED RESULTS

Adjusted EBITDA increased by €21m from €246m in 2021 to €267m in 2022 (adjusted EBITDA margin of 22% of sales), thanks to Sales growth, combined with a 0.8 point increase in management gross margin (74.4%) and continued rigorous cost management throughout the year.

Improvement in gross margin was driven by a significant progress on our full price strategy, deliberately reducing the proportion of promotional sales (with a reduction in the discount rate of 4 points in 2022 and 9 points over two years).

Total **Opex** (store costs[3] and general and administrative expenses SG&A) as a percentage of sales increased by 0.8 point. The sanitary situation in China and inflation weigh on store costs, partly offset by better SG&A absorption. In addition, in the 2022 accounts, marketing traffic costs (0.8 point) were reclassified from SG&A to store costs.
Depreciation, amortization, and provisions at -€156m in 2022, compared with -€150m in 2021. Excluding IFRS 16, depreciation and amortization slightly decreased in absolute value, and represent 4.1% of sales in 2022 (compared to 4.8% in 2021).

As a result, **adjusted EBIT** increased by €15m, from €96m in 2021 to €111m in 2022. The adjusted EBIT margin is 9.2% in 2022 (in line with 2021), a very satisfactory performance in the second half of the year, reaching 10.2%.

Other non-current expenses went down to -€12m in 2022 (compared to -€26m in 2021) and consisted mainly of store impairments, with no cash impact.

Despite the context, the Group has managed to reduce its financial expenses from -€27m in 2021 to -€24m in 2022 (including respectively -€12m and -11m€ of interests on lease liabilities) thanks to the reduction in the average debt outstanding.

Income tax at -€17m in 2022 compared to -€12m in 2021, reflecting the growth of pre-tax income.

Net income - Group share doubles in 2022 to reach €51m.

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[1] *Net Income Group Share divided by the average number of ordinary shares as of December 31st, 2022, minus existing treasury shares held by the Group.*
[2] *Net Income Group Share divided by the average number of common shares as of December 31st, 2022, minus the treasury shares held by the company, plus the common shares that may be issued in the future. This includes the conversion of the Class G preferred shares and the performance bonus shares - LTIP which are prorated according to the performance criteria reached as of December 31st, 2022.*
[3] *Excluding IFRS 16*

2022 FREE CASH FLOW AND NET FINANCIAL DEBT

The Group generated €34m of **free cash flow** in 2022, with a good performance in the second half of the year (€29m).

Working capital requirements increased from €134m in 2021 to €178m in 2022, due to an increase in inventories to accompany the growth of sales expected in 2023, combined to a restocking in China due to health constraints and to the impact of inflation. Working capital weight on total sales is 15% in 2022, compared with 13% in 2021 and 18% in 2020.

At the same time, the Group maintained a strict control on its investments throughout the year, reaching €45m[1] in 2022, nearly stable compared to 2021 (€43m) and better absorbed in terms of weight on sales by half a point.

Net financial debt decreased by €25m, from €318m at 31 December 2021 to €293m at 31 December 2022. This decrease, combined with the improvement in adjusted EBITDA, results in a decrease in the net financial debt/EBITDA[1] ratio from 2.5x at 31 December 2021 to 1.9x at 31 December 2022.

FINANCIAL OUTLOOK

For the year 2023, SMCP expects a mid- to high-single digit sales growth compared to 2022. In terms of profitability, the Group aims to improve its adjusted EBIT margin (as a % of sales).

The Group's mid-term financial ambitions are:

- Mid- to high-single digit sales growth until 2026 and mid-single digit growth after 2026;
- Continue to selectively grow the physical network, measured not only in terms of number of POS but also in terms of total selling surface;
- Gross margin ratio at 75% by continuing the full-price strategy and optimizing inventories;
- Better absorption of store costs and SG&A.

This will allow SMCP group to target an adjusted EBIT margin of 12% by 2026, then growing by around 0.5 point per year for the following years.

[1] *adjusted EBITDA excluding IFRS*

OTHER INFORMATION

Closing of the annual accounts

The Board of Directors met on March 1st to approve the consolidated accounts for the year 2022. The review procedures have been carried out by the statutory auditors and the related report is being issued.

Evolution of the shareholders' situation

The Board of Directors of SMCP has taken note of GLAS' communication dated March 1st, 2023, according to which GLAS, acting as Trustee in respect of the bonds exchangeable for SMCP shares issued by European TopSoho S.à r.l. in 2018, has indicated that it is initiating a process to sell the 37% of the Company's capital pledged in the context of the above-mentioned bond issue. The Company welcomes this first step, which could allow SMCP to regain a stable shareholding structure on which it could rely to pursue its development strategy. GLAS further indicated that the process should last several months and that it is not yet possible to assess whether it will trigger a mandatory takeover bid.

The Board of Directors has entrusted the ad hoc Committee established in January 2022, composed of Ms. Orla Noonan, Mr. Xavier Véret and Mr. Christophe Cuvillier, all of whom are independent directors within the meaning of the Afep-MEDEF Code, with the task of monitoring developments in this process, while ensuring that the interests of the Company, its employees and all of its shareholders are strictly respected.

The Company has appointed Rothschild & Co as financial advisor to assist in this process.

Board composition

Jean Loez was elected by the social and economic committee as a board member representing the employees to replace Marina Dithurbide.

A conference call with investors and analysts will be held today by CEO Isabelle Guichot and CFO Patricia Huyghues Despointes, from 9:00 a.m. (Paris time). Related slides will also be available on the website (www.smcp.com), in the Finance section.

FINANCIAL INDICATORS NOT DEFINED IN IFRS

The Group uses certain key financial and non-financial measures to analyze 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, Adjusted EBIT and Adjusted EBIT 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.

Organic sales growth

Organic sales growth refers to the performance of the Group at constant currency and scope, i.e. excluding the acquisition of Fursac.

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 of 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) - excluding IFRS 16	2021	2022
Gross margin (as appearing in the account)	**658.4**	**769.2**
Readjustment of the commissions and other adjustments	106.3	128.3
Management Gross margin	**764.7**	**897.5**
Direct costs of point of sales	-419.7	-514.5
Retail margin	**345.1**	**383.0**

Net financial debt

Net financial debt represents the net financial debt portion bearing interest. It corresponds to current and non-current financial debt, net of cash and cash equivalents and 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 first digit after the decimal point. 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 based on rounded amounts.

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DISCLAIMER: FORWARD-LOOKING STATEMENTS

Certain information contained in this document includes 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, including the impact of the current COVID-19 outbreak. These risks and uncertainties include those discussed or identified under Chapter 3 "Risk factors and internal control" of the Company's Universal Registration Document filed with the French Financial Markets Authority (Autorité des Marchés Financiers - AMF) on 19 April 2022 and available on SMCP's website (www.smcp.com).
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FINANCIAL CALENDAR

- April 27, 2023 - 2023 Q1 Sales publication

APPENDICES

Breakdown of DOS

Number of DOS	2021	Q1-22	Q2-22	Q3-22	2022	Q4-22 variation	Full year variation
By region							
France	472	459	462	455	460	*+5*	-12
EMEA	402	395	394	392	395	*+3*	-7
Americas	166	165	167	167	166	*-1*	-
APAC	252	251	251	258	259	*+1*	+7
By brand							
Sandro	552	541	546	547	551	+4	-1
Maje	455	451	453	453	457	+4	+2
Claudie Pierlot	211	209	206	203	201	-2	-10
Suite 341	10	3	2	2	2	-	-8
Fursac	64	66	67	67	69	+2	+5
Total DOS	1,292	1,270	1,274	1,272	1,280	+8	-12

Breakdown of POS

Number of POS	2021	Q1-22	Q2-22	Q3-22	2022	Q4-22 variation	Full year variation
By region							
France	473	460	463	456	461	+5	-12
EMEA	548	545	542	544	552	+8	-1
Americas	195	195	195	198	198	-	+3
APAC	468	467	470	472	472	-	+4
By brand							
Sandro	745	736	742	745	752	+7	+7
Maje	620	618	620	620	627	+7	+7
Claudie Pierlot	245	244	239	236	233	-3	-12
Suite 341	10	3	2	2	2	-	-8
Fursac	64	66	67	67	69	+2	+5
Total POS	1,684	1,667	1,670	1,670	1,683	+13	-1
o/w Partners POS	392	397	396	398	403	+5	+11

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT (€m)	2021 retreated	2022
Sales	1 038.6	1 205.8
Adjusted EBITDA	245.7	266.6
D&A	-149.9	-156.1
Adjusted EBIT	**95.7**	**110.5**
Allocation of LTIP	-6.7	-5.6
EBIT	**89.0**	**104.9**
Other non-recurring income and expenses	-26.2	-12.4
Operating profit	**62.8**	**92.5**
Financial result	-26.7	-23.8
Profit before tax	**36.1**	**68.7**
Income tax	-12.2	-17.4
Net income Group share	**23.9**	**51.3**

CASH FLOW STATEMENT (€m)	2021 retreated	2022
Adjusted EBIT	95.7	110.5
D&A	149.9	156.1
Changes in working capital	5.5	-45.4
Income tax expense	-5.0	-12.2
Net cash flow from operating activities	**246.1**	**208.9**
Capital expenditure	-43.2	-44.5
Others	-0.1	-0.0
Net cash flow from investing activities	**-43.3**	**-44.5**
Treasury shares purchase program	-5.5	-7.4
Change in long-term borrowings and debt	55.4	0.0
Change in short-term borrowings and debt	-114.9	-85.0
Net interests paid	-14.6	-9.9
Other financial income and expenses	0.4	0.5
Reimbursement of rent lease	-120.4	-120.9
Net cash flow from financing activities	**-199.6**	**-222.7**
Net foreign exchange difference	1.5	0.2
Change in net cash	**4.7**	**-58.1**

FCF (€m)	2021 retreated	2022
Adjusted EBIT	95.7	110.5
D&A	149.9	156.1
Change in working capital	5.5	-45.4
Income tax	-5.0	-12.2
Net cash flow from operating activities	**246.1**	**208.9**
Capital expenditure	-43.2	-44.5
Reimbursement of rent lease	-120.4	-120.9
Interest & Other financial	-14.3	-9.4
Other & FX	1.5	0.0
Free cash-flow	**69.8**	**34.3**

BALANCE SHEET - ASSETS (€m)	2021 retreated	2022
Goodwill	626.3	626.3
Trademarks, other intangible & right-of-use assets	1 139.2	1 128.5
Property, plant and equipment	87.6	82.5
Non-current financial assets	19.6	18.7
Deferred tax assets	49.7	35,7
Non-current assets	**1 922.4**	**1 891.8**
Inventories and work in progress	233.5	291.6
Accounts receivables	56.7	62.9
Other receivables	63.7	61.4
Cash and cash equivalents	131.3	73.3
Current assets	**485.2**	**489.2**
Total assets	**2 407.6**	**2 381.0**

BALANCE SHEET - EQUITY & LIABILITIES (€m)	2021 retreated	2022
Total Equity	**1 117.2**	**1 172.1**
Non-current lease liabilities	313.2	302.9
Non-current financial debt	338.7	261.9
Other financial liabilities	0.1	0.1
Provisions and other non-current liabilities	3.4	0.7
Net employee defined benefit liabilities	5.2	4.2
Deferred tax liabilities	181.4	169.2
Non-current liabilities	**842.1**	**739.1**
Trade and other payables	154.7	171.8
Current lease liabilities	99.1	100.0
Bank overdrafts and short-term financial borrowings and debt	110.2	104.2
Short-term provisions	1.4	1.6
Other current liabilities	82.9	92.2
Current liabilities	**448.4**	**469.8**
Total Liabilities	**2 407.6**	**2 381.0**

NET FINANCIAL DEBT (€m)	2021	2022
Non-current financial debt & other financial liabilities	-338.9	-262.0
Bank overdrafts and short-term financial liability	-110.2	-104.2
Cash and cash equivalents	131.3	73.3
Net financial debt	**-317.7**	**-292.9**
adjusted EBITDA (excl. IFRS)	*129.3*	*151.3*
Net financial debt / adjusted EBITDA	**2,5x**	**1,9x**

ABOUT SMCP

SMCP is a global leader in the accessible luxury market with four unique Parisian brands: Sandro, Maje, Claudie Pierlot and Fursac. Present in 47 countries, the Group comprises a network of over 1,600 stores globally and 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 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).

CONTACTS

INVESTORS/PRESS

SMCP	BRUNSWICK
Amélie Dernis	Hugues Boëton
	Tristan Roquet Montegon
+33 (0) 1 55 80 51 00	+33 (0) 1 53 96 83 83
amelie.dernis@smcp.com	smcp@brunswickgroup.com