SMCP

sandro · maje · claudie pierlot · fursac





H1 2023 Results

Press release - Paris, July 27th, 2023

Good sales performance driven by APAC and Europe
Resilient profitability in a challenging environment
Extension of financing successfully secured

- H1 2023 Sales at €610m, a progression of +8% on an organic[1] basis (+9% at constant exchange rates) vs. H1 2022, despite a high comparison basis. The performance comes from both like-for-like (+5%) and from network expansion;
- Good performance in Europe despite a challenging environment in France and a high basis of comparison. After two years with an outstanding performance, slight decline in America in the first semester, particularly in Canada, offset by US resilience. Asia Pacific's strong improvement of trend during the semester with Mainland China back to growth and a good performance in the rest of the region;
- Store network is increasing in the second quarter (23 net openings) to reach 1,658 POS;
- Adjusted EBIT at €36m (6% of sales) from €45m in H1 2022 (8% of sales) impacted by inflation and old seasons liquidation plan;
- Net profit at €14m from €21m in H1 2022;
- Sound balance sheet structure and financial flexibility secured in the mid-term;
- **Confirmation of 2023 objectives.**

Commenting on those results, Isabelle Guichot, CEO of SMCP, stated: *"The Group recorded a good performance over the first half, driven by strong momentum in Asia and Europe. After two years of very strong growth, the America posted a slight decline. By brand, SMCP benefitted from the double-digit growth of Sandro and the "Other brands" division (Claudie Pierlot and Fursac). Despite a complex economic environment, we were able to capitalize on the desirability of our brands to pursue our growth trajectory and post resilient profitability over the first six months of the year. We also successfully pursued the deployment of our CSR strategy, with an increasing proportion of our collections*

[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*

produced from sustainable materials, and all boutiques in eight of our European countries powered 100% by green energy. For the second half of the year, we have a clear action plan focused on pursuing our full-price strategy, excellent cost control and prioritizing our investments, while continuing to expand our network and improve the productivity of our teams. We are therefore confident in our ability to achieve our objectives for the full year 2023."

€m except %	Q2 2022	Q2 2023	Organic change	Reported change	H1 2022	H1 2023	Organic change	Reported change
Sales by region								
France	101.0	98.0	-3.0%	-3.0%	194.7	203.9	+4.7%	+4.7%
EMEA ex. France	90.3	100.6	+11.6%	+11.4%	173.4	189.1	+9.4%	+9.1%
America	44.5	41.3	-4.8%	-7.2%	83.1	80.3	-3.7%	-3.4%
Asia Pacific	46.6	65.5	+43.1%	+40.4%	114.2	136.5	+19.0%	+19.5%
Sales by brand								
Sandro	132.7	149.5	+13.4%	+12.7%	266.8	295.5	+10.6%	+10.8%
Maje	111.7	114.6	+3.4%	+2.6%	223.9	228.5	+1.9%	+2.0%
Other brands [1]	37.9	41.1	+8.2%	+8.3%	74.7	85.9	+14.9%	+14.9%
TOTAL	282.4	305.3	+8.7%	+8.1%	565.4	609.8	+7.7%	+7.9%

[1] *Claudie Pierlot and Fursac brands*

SALES BREAKDOWN BY REGION

In **France**, sales reached €204m, up +5% organic compared to H1 2022 which was a record level. The second quarter was impacted by a challenging economic and social environment. Strikes, social tensions and persistent inflation discouraged consumption and touristic flows. In addition, the second quarter suffered from unfavorable calendar effects, with the start of public sales being delayed by one week compared to last year. The semester's performance is driven by Sandro and by "Other brands" as well as digital sales.
The network is growing with seven net openings in the second quarter.

In **EMEA,** sales reached €189m, an organic increase of +9% compared to H1 2022 despite a high basis of comparison. The semester's performance is driven by the largest markets such as Germany, Spain, Italy, and the Middle East, except the UK, impacted by a challenging economic environment. Such growth is driven by like-for-like (B&M and digital) but also by network expansion.
The latest regained growth momentum in the second quarter with fifteen net openings (notably in Spain, Germany and Turkey).

In **America**, after two years in a row of outstanding performance, sales reached €80m, a slight organic decrease of 4% compared to H1 2022. This slowdown is particularly due to Canada's slow post-Covid recovery, accentuated by the retail market's recomposition and by the lack of tourism from China. Sales in the US are resilient and are close to 2022 level, despite a challenging, promotional environment.
The network regained growth momentum in the second quarter with four net openings.

In **APAC**, sales reached €137m, +19% organic vs H1 2022. The trend is strongly improving during the semester with +3% organic in the first quarter and +43% in the second quarter. Mainland China is back to growth in the second quarter (+53%), resulting in a double-digit growth in H1.
Excluding Mainland China, the region also recorded a particularly good performance notably in Hong-Kong, Macau, Singapore and Malaysia, with good touristic flows.
The network is slightly decreasing by three POS in the second quarter from network evolution's phasing (but +2 POS overall in H1).

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)	H1 2022	H1 2023	*Change as reported*
Sales	565.4	609.8	+7.9%
Adjusted EBITDA	121.8	115.7	*-5.0%*
Adjusted EBIT	45.2	36.3	*-19.6%*
Net Income Group Share	20.7	14.0	*-32.1%*
EPS [1] (€)	0.28	0.19	*-32.9%*
Diluted EPS [2] (€)	0.26	0.18	*-31.4%*
FCF	4.9	-8.7	-

H1 2023 CONSOLIDATED RESULTS

Adjusted EBITDA reached €116m in H1 2023 (adjusted EBITDA margin of 19% of sales), compared with €122m in H1 2022.

Management gross margin (73%) decreased by one point due to a bigger part of liquidation of previous years' collections (especially in China and at Claudie Pierlot), resulting in a reduction of the level of inventories. However, retail gross margin remains at a very high level on current collections, and the average discount rate in season is stable vs 2022, despite a competitive and promotional environment in most of the regions.
Total **Opex** (store costs [3] and general and administrative expenses) as a percentage of sales increased by one point, due to the impact of inflation on rents and wages, and the pursuit of investment in infrastructure and IT systems.

Depreciation, amortization, and provisions amounted to -€79m in H1 2023, compared with -€77m in H1 2022. Excluding IFRS 16, depreciation and amortization represent 4.0% of sales in H1 2023, nearly stable vs 2022 (4.2% in H1 2022).

As a result, **adjusted EBIT** reached €36m in H1 2023 compared with €45m in H1 2022. The adjusted EBIT margin is 6% in H1 2023 (8% in H1 2022).

Other non-current expenses are not very significant (-€1m), and stable vs 2022.

Financial expenses are slightly increasing at -€13m in H1 2023 (vs -€12M in H1 2022), the increase in interest rates was offset by a reduction in average outstanding gross debt.

With an income tax expense at -€5m in H1 2023 (vs -€9m in H1 2022), **Net income - Group share remains positive at** €14m (€21m in H1 2022).

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[1] *Net Income Group Share divided by the average number of ordinary shares as of June 30th, 2023, minus existing treasury shares held by the Group.*
[2] *Net Income Group Share divided by the average number of common shares as of June 30th, 2023, 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 June 30th, 2023.*
[3] *Excluding IFRS 16*

H1 2023 BALANCE SHEET AND NET FINANCIAL DEBT

The Group maintained a strict control over its inventories and investments during the semester. Inventories went down from €292m year-end 2022 to €278m as of June 30th, 2023.

Capex was relatively stable as a percentage of sales, representing 3.9% of sales in H1 2023, compared with 3.7% in FY 2022.

Net financial debt at €306m as of June 30th, 2023, vs €293M on December 31st, 2022, and €314m on June 30th, 2022.
The maturity of the main lines of financing (including the revolving credit facility) has been renegotiated and extended to 2026 and 2027 depending on the lines, confirming SMCP's financial flexibility. Banks' agreement has been obtained, and the effective extension is in the course of being executed.

CONCLUSION AND OUTLOOK

After a good performance in the first semester in terms of growth, with a resilient profitability in a challenging macro-economic and social environment, SMCP defined a roadmap for the second semester around 4 pillars:

- Pursuit of full-price strategy;
- Costs discipline;
- Prioritization of infrastructure investments while continuing network expansion;
- Improved productivity.

In addition, the second semester, traditionally more profitable than the first semester, will also benefit from:

- The normalization (vs Q4 2022) of the situation in Greater China, a key market for the Group both in terms of sales and profitability;
- And from a more homogeneous performance by brand, notably at Maje, the most profitable brand of the Group.

Based on these elements and provided geopolitical situation and macro-economic/social context do not deteriorate during the rest of the year, SMCP confirms its 2023 full-year guidance.

OTHER INFORMATION

The Board of Directors held a meeting today and approved the consolidated accounts for the first half of 2023. The limited review procedures have been completed by the auditors and the related report is being issued.

FINANCIAL CALENDAR

October 26, 2023 - 2023 Q3 Sales publication

A conference call with investors and analysts will be held today by CEO Isabelle Guichot and CFO Patricia Huyghues Despointes, from 6:00 p.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, 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	H1 2022	H1 2023
Gross margin (as appearing in the accounts)	**363.3**	**384.3**
Readjustment of the commissions and other adjustments	57.6	61.8
Management Gross margin	**420.9**	**446.1**
Direct costs of point of sales	-243.0	-269.8
Retail margin	**177.9**	**176.3**

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 11 April 2023 and available on SMCP's website (www.smcp.com).

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APPENDICES

Breakdown of DOS

Number of DOS	H1-22	2022	Q1-23	H1-23	Q2-23 variation	H1-23 variation
By region						
France	462	460	456	463	+7	+3
EMEA	394	395	391	399	+8	+4
America	167	166	164	167	+3	+1
APAC	251	259	305	301	-4	+42*
By brand						
Sandro	546	551	569	575	+6	+24
Maje	453	457	476	477	+1	+20
Claudie Pierlot	206	201	203	206	+3	+5
Suite 341	2	2	-	-	-	-2
Fursac	67	69	68	72	+4	+3
Total DOS	1,274	1,280	1,316	1,330	+14	+50

** Including the stores operated in Retail in Australia and New Zealand from January 2023.*

Breakdown of POS

Number of POS	H1-22	2022	Q1-23	H1-23	Q2-23 variation	H1-23 variation
By region						
France	463	461	457	464	+7	+3
EMEA	542	552	505	520	+15	-32*
America	195	198	196	200	+4	+2
APAC	470	472	477	474	-3	+2
By brand						
Sandro	742	752	733	744	+11	-8
Maje	620	627	611	615	+4	-12
Claudie Pierlot	239	233	223	227	+4	-6
Suite 341	2	2	-	-	-	-2
Fursac	67	69	68	72	+4	+3
Total POS	1,670	1,683	1,635	**1,658**	**+23**	**-25**
o/w Partners POS	396	403	*319*	**328**	**+9**	**-75****

** Including the closure by the local partner of the POS in Russia, which were not supplied since February 2022*
*** Including the closure by the local partner of the POS in Russia, which were not supplied since February 2022, and the transfer of Australia/NZ stores from POS to DOS*

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT (€m)	H1 2022	H1 2023
Sales	**565.4**	**609.8**
Adjusted EBITDA	121.8	**115.7**
D&A	-76.7	-79.4
Adjusted EBIT	**45.2**	**36.3**
Allocation of LTIP	-3.2	-3.5
EBIT	**42.0**	**32.8**
Other non-recurring income and expenses	-0.8	-0.9
Operating profit	**41.2**	**31.9**
Financial result	-11.8	-12.7
Profit before tax	**29.4**	**19.2**
Income tax	-8.7	-5.1
Net income - Group share	**20.7**	**14.0**

BALANCE SHEET - ASSETS (€m)	As of Dec. 31, 2022	As of June 30, 2023
Goodwill	626.3	631.3
Trademarks, other intangible & right-of-use assets	1 128.5	1 116.9
Property, plant and equipment	82.5	76.3
Non-current financial assets	18.7	18.6
Deferred tax assets	35.7	36.3
Non-current assets	**1 891.7**	**1 879.5**
Inventories and work in progress	291.6	278.1
Accounts receivables	62.9	65.5
Other receivables	61.4	86.7
Cash and cash equivalents	73.3	33.8
Current assets	**489.2**	**464.1**
Total assets	**2 380.9**	**2 343.6**

BALANCE SHEET - EQUITY & LIABILITIES (€m)	As of Dec. 31, 2022	As of June 30, 2023
Total Equity	**1 172.1**	**1 191.6**
Non-current lease liabilities	302.9	295.5
Non-current financial debt	261.9	84.4
Other financial liabilities	0.1	0.2
Provisions and other non-current liabilities	0.7	0.5
Net employee defined benefit liabilities	4.2	4.5
Deferred tax liabilities	169.2	176.5
Non-current liabilities	**739.0**	**561.6**
Trade and other payables	171.8	158.3
Current lease liabilities	100.0	94.8
Bank overdrafts and short-term financial borrowings and debt	104.2	255.2
Short-term provisions	1.6	1.6
Other current liabilities	92.2	80.5
Current liabilities	**469.8**	**590.4**
Total Equity & Liabilities	**2 380.9**	**2 343.6**

NET FINANCIAL DEBT (€m)	As of Dec. 31, 2022	As of June 30, 2023
Non-current financial debt & other financial liabilities	-262.0	-84.5
Bank overdrafts and short-term financial liability	-104.2	-255.2
Cash and cash equivalents	73.3	33.8
Net financial debt	**-292.9**	**-306.0**
adjusted EBITDA (excl. IFRS) - 12 months	*151.3*	*139.5*
Net financial debt / adjusted EBITDA	**1,9x**	**2.2x**

CASH FLOW STATEMENT (€m)	H1 2022	H1 2023
Adjusted EBIT	45.2	36.3
D&A	76.7	79.4
Changes in working capital	-27.7	-11.4
Income tax expense	-5.4	-13.3
Net cash flow from operating activities	**88.8**	**91.0**
Capital expenditure	-18.7	-24.0
Others	-	-6.1
Net cash flow from investing activities	**-18.7**	**-30.1**
Treasury shares purchase program	-2.4	-
Change in long-term borrowings and debt	-	-
Change in short-term borrowings and debt	-74.1	-73.0
Net interests paid	-6.8	-9.0
Other financial income and expenses	0.6	-0.9
Reimbursement of rent lease	-59.8	-65.3
Net cash flow from financing activities	**-142.5**	**-148.2**
Net foreign exchange difference	0.8	-0.5
Change in net cash	**-71.6**	**-87.8**

FCF (€m)	H1 2022	H1 2023
Adjusted EBIT	45.2	36.3
D&A	76.7	79.4
Change in working capital	-27.7	-11.4
Income tax	-5.4	-13.3
Net cash flow from operating activities	**88.8**	**91.0**
Capital expenditure (operating and financial)	-18.7	-24.0
Reimbursement of rent lease	-59.8	-65.3
Interest & Other financial	-6.2	-9.9
Other & FX	0.8	-0.5
Free cash-flow	**4.9**	**-8.7**

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 46 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).

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