SMCP

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2020 Full Year Results

Press Release – Paris, March 24th, 2021

FY 2020 results impacted by Covid-19

Strong execution on cost savings to mitigate the effects: €179.6m of adj. Ebitda

- Sales down -22.9% as reported to €873.0 million; -23.9% on an organic basis
- Sharp recovery in Mainland China from H2 2020; +3.4%[1] in 2020 (o/w +24.5%[1] in H2 2020)
- Strong performance in Digital: +27.6%[2] of sales growth
- Solid execution of Covid-19 action plan: more than €100 million of cost savings[3]
- Net income at -€39.6 excluding Goodwill and right of use impairments
- Free Cash Flow at €8.0m of which €64.7m in H2 2020
- Solid liquidity headroom at the end of the year: > €220m including undrawn RCF

Commenting on the report, Daniel Lalonde, SMCP's Chief Executive Officer, stated: *"As expected, our full year results were strongly impacted by the pandemic which led to lockdown measures in most countries and a halt in tourism flows. Nevertheless, the group demonstrated its reactivity by immediately implementing strong measures on costs and boosting e-commerce which enabled us to limit the impact. We announced at the end of the year a new strategic plan that will shape our brands to the new world. SMCP is well-positioned to seize all market's growth opportunities and I am confident in our talented teams to pursue our journey towards making SMCP a global leader in the accessible luxury market."*

Unless stated otherwise, all figures used in 2019 and 2020 to analyze the performance are disclosed by taking into account the impact of the application of IFRS 16.

[1] *Organic sales growth excluding 2019 Q4 one-off impacts related to off-price sales (c.€5m)*

[2] *Taking into account new accounting method in the US on returns*

[3] *Excluding IFRS 16 impacts*

KEY FIGURES – IFRS 16	FY 2019	FY 2020	*Change as reported*
Sales (€m)	1,131.9	873.0	*-22.9%*
Adjusted EBITDA (€m)	286.4	179.6	*-37.3%*
Adjusted EBIT (€m)	131.5	7.0	*-94.7%*
Net Income Group Share (€m)	43.7	-102.2	*n.a.*
Net income excl. GW & right of use impairments	43.7	-39.6	*n.a*
EPS[4] (€)	0.60	-1.38	*n.a.*
Diluted EPS[5] (€)	0.55	-1.38	*n.a.*
FCF (€m)	0.2	8.0	*n.a.*

FY 2020 CONSOLIDATED RESULTS

Consolidated sales reached €873.0 million, down -23,9% on an organic basis. Reported sales were down -22.9%, including a negative currency impact of -0.4% and De Fursac's contribution of +1.5%. This performance reflects the impact of lockdown measures throughout the year (particularly in the second quarter and at the end of the year in Europe) and a sharp decrease in tourism flows across regions. Meanwhile, 2020 showed a strong acceleration in digital (+27.6% of sales growth) and mainland China renewed with growth from June, recording +24.5%[6] of organic sales growth in the second semester.

Adjusted EBITDA decreased from €286.4 million in 2019 to €179.6 million in 2020, impacted by the Covid 19 pandemic. This resulted from the drop in sales combined with a reduction of -3.8pts of the management gross margin (70.8%) due to increased promotional activity and off-price sales operations to reduce inventories. This was partially offset by strong cost-saving measures which generated more than €100m[7] and enabled SMCP to variabilize more than 65% of its operating costs[7] (renegotiation of commercial leases, temporary unemployment measures, working hours and SG&A optimization such as overhead costs, discretionary spending). Overall, adjusted Ebitda showed a sharp improvement in the second semester from €55.1 million in H1 2020 to €124.5m in H2 2020.

Amortization, depreciation and provisions amounted to -€172.6 million (including -€119.4 million of rights of use amortization) in 2020, compared with -€154.8 million in 2019 (including -€109.6 million of rights of use amortization), mostly driven by investments in infrastructures (IT, Digital and Finance), additional store renovations in Europe and the integration of De Fursac on a full year basis.

Consequently, **Adjusted EBIT** decreased from €131.5 million in 2019 to €7.0 million in 2020, including €36.7 million of adjusted EBIT in H2 2020.

Other non-recurring expenses stood at -€79.3 million and mostly included the asset impairment losses recorded in H1 2020 and -€26.9 million of IFRS 16 right of use depreciation. These two items are "non-cash".

Financial charges decreased from -€39.8 million in 2019 (including -€13.6 million of interests on lease liabilities) to -€27.2 million in 2020 (including -€14.1 million of interests on lease liabilities). This performance reflects notably a continued optimization of the cost of debt from 2.7% in 2019 to 2.0% in 2020.

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[4] *Net Income Group Share divided by the average number of ordinary shares in 2020 minus existing treasury shares held by the Group.*
[5] *Net Income Group Share divided by the average number of common shares in 2020, 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 129169 ordinary shares) and the performance bonus shares – LTIP (779 401 shares) which are prorated according to the performance criteria reached as of Dec 31., 2020.*
[6] *Organic sales growth excluding 2019 Q4 one-off impacts related to off-price sales (c.€5m)*
[7] *Excluding IFRS 16*

Income tax amounted to a gain of €6.5 million in 2020 versus -€23.4 million in 2019.

Net income - Group share stood at -€102.2 million in 2020 (vs. €43.7 million in 2019), i.e -€39.6 million excluding Goodwill and right of use impairments.

FY 2020 FCF AND NET FINANCIAL DEBT

Free-cash-flow increased from €0.2 million in 2019 to €8.0 million in 2020, including €64.7 million in H2 2020. This performance mostly reflects a significant improvement of the working capital from €181.4 million in 2019 to 153.7 million in 2020, thanks to a strong control of inventory, helped by the implementation of new demand-planning process and a sound management of trade receivables. Meanwhile, the Group maintained a tight control of its capex throughout the year (€56.1 million in 2020 versus €69.5 million in 2019).

Net financial debt was reduced from €387.4 million in 2019 to €382.8 million on December 31, 2020. **Net financial debt/adjusted EBITDA**[8] ratio increased from 2.2x in Dec. 31, 2019 to 7.1x on Dec. 31, 2020.

OUTLOOK

The global economy continues to be impacted by the Covid-19 pandemic, as restriction measures are still implemented in several regions. As of today, 33% of SMCP's stores network (DOS) is temporary closed worldwide. Meanwhile, Mainland China pursues its recovery.

Given the high level of uncertainty, it is not relevant to provide a guidance for the full-Year 2021, at this time.

SMCP is on track towards its 2025 strategic plan and remains fully focused on its execution. It is supported by four strategic pillars: a stronger focus on brands attractiveness, a *phy-gital* strategy to offer a seamless customer experience, a strengthened platform, and an acceleration in sustainability. SMCP is therefore perfectly positioned to seize all market growth opportunities.

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

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.

Organic sales growth

Organic sales growth refers to the performance of the Group at constant currency and scope, i.e. excluding the acquisition of De 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 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) – excluding IFRS 16	2019	2020
Gross margin (as appearing in the account)	**713.2**	**524.6**
Readjustment of the commissions and other adjustments	130.2	93.1
Management Gross margin	**843.6**	**617.7**
Direct costs of point of sales	-465.9	-385.6
Retail margin	**377.6**	**232.1**

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 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 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. These risks and uncertainties include those discussed or identified under Chapter 3 “Risk factors” of the Company’s Universal Registration Document filed with the French Financial Markets Authority (Autorité des Marchés Financiers - AMF) on 30 April 2020 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 Patricia Huyghues Despointes, CFO from 9.00 a.m. (Paris time).

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

INCOME STATEMENT (€m) – IFRS 16	2019	2020
Sales	**1 131.9**	**873,0**
Adjusted EBITDA	286.4	-179,6
D&A	-154.8	-172,6
Adjusted EBIT	**131.5**	**7,0**
Allocation of LTIP	-10.0	-9,2
EBIT	**121.5**	**-2,2**
Other non-recurring income and expenses	-14.6	-79,3
Operating profit	106.9	-81,6
Financial result	-39.8	-27.2
Profit before tax	**67.1**	**-108.7**
Income tax	-23.4	6.5
Net income Group share	**43.7**	**-102.2**
Net income excl. GW & Right of use impairments	**43.7**	**-39.6**

Adj. EBITDA by brand (€m) – IFRS 16	2019	2020
Adjusted EBITDA	286.4	179.6
Sandro	141.0	91.8
Maje	119.9	75.2
Other Brands	25.4	12.6
Adjusted EBITDA margin	***25.3%***	***20.6%***
Sandro	*25.6%*	*22.2%*
Maje	*27.4%*	*22.3%*
Other Brands	*17.9%*	*10.3%*

CASH FLOW STATEMENT (€m) – IFRS 16	2019	2020
Adjusted EBIT	131.5	7.0
D&A	154.8	172.6
Changes in working capital	-44.1	26.0
Income tax expense	-40.9	-2.2
Net cash flow from operating activities	**201.4**	**203.3**
Capital expenditure	-69.5	-56.1
Others	-95.0	-2.9
Net cash flow from investing activities	**-164.5**	**-59.0**
Treasury shares purchase program	-4.9	-
Change in long-term borrowings and debt	80.1	70.1
Change in short-term borrowings and debt	27.4	-
Net interests paid	-17.8	-12.9
Other financial income and expenses	-2.4	0.2
Reimbursement of rent lease	-112.2	-125.6
Net cash flow from financing activities	**-29.8**	**-68.2**
Net Foreign exchange difference	0.8	-1.0
Change in net cash	**7.9**	**75.2**

FCF (€m) – IFRS 16	2019	2020
Adjusted EBIT	131.5	7.0
D&A	154.8	172.6
Change in working capital	-44.1	26.0
Income tax	-40.9	-2.2
Net cash flow from operating activities	**201.4**	**203.3**
Capital expenditure	-69.5	-56.1
Reimbursement rent lease	-112.2	-125.6
Interest & Other Financial	-20.3	-12.7
Net Foreign exchange difference	0.8	-1.0
Free cash-flow	**0.2**	**8.0**

BALANCE SHEET - ASSETS (€m) – IFRS 16	As of Dec. 31, 2019	As of Dec. 31, 2020
Goodwill	683.2	631.3
Trademarks, other intangible & right-of-use assets	1 284.2	1 161.3
Property, plant, and equipment	93.9	86.9
Non-current financial assets	22.1	19.6
Deferred tax assets	43.9	53.3
Non-current assets	**2 127.2**	**1 952.5**
Inventories and work in progress	247.9	222.9
Accounts receivables	58.4	53.5
Other receivables	63.4	56.3
Cash and cash equivalents	52.3	127.1
Current assets	**422.1**	**459.8**
Total Assets	**2 549.3**	**2 412.3**

BALANCE SHEET - EQUITY & LIABILITIES (€m) – IFRS 16	As of Dec. 31, 2019	As of Dec. 31, 2020
Total Equity	**1 189.8**	**1 095.3**
Non-current lease liabilities	402.5	319.7
Non-current financial debt	436.5	467.1
Other financial liabilities	0.2	0.3
Provisions and other non-current liabilities	3.8	4.0
Net employee defined benefit liabilities	3.9	4.5
Deferred tax liabilities	183.0	182.2
Non-current liabilities	**1 029.9**	**977.8**
Trade and other payables	144.0	128.7
Current lease liabilities	101.8	100.4
Bank overdrafts and short-term financial borrowings and debt	3.0	42.6
Short-term provisions	0.7	1.1
Other current liabilities	80.1	66.4
Current liabilities	**329.6**	**339.1**
Total Liabilities	**2 549.3**	**2 412.3**

NET FINANCIAL DEBT (€m)	As of Dec. 31, 2019	As of Dec. 31, 2020
Non-current financial debt & other financial liabilities	-436.8	-467.4
Bank overdrafts and short-term financial liability	-3.0	-42.6
Cash and cash equivalents	52.3	127.1
Net financial debt	**-387.4**	**-382.8**
LTM adjusted EBITDA (excl. IFRS 16)	*174.2*	*54.0*
Net financial debt / adjusted EBITDA	**2.2x**	**7.1x**

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 generated nearly 900 million of sales in 2020. The Group comprises a network of over 1,600 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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