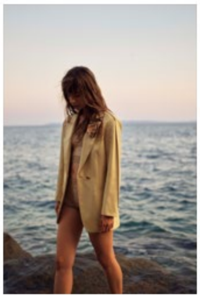
SMCP

sandro · maje · claudie pierlot · fursac


2021 H1 Results
Press release - Paris, September 3rd, 2021

Strong rebound with EBIT and Net Income back to positive
Solid Free Cash Flow generation

- Solid sales performance vs H1 2020: up +21.6% as reported to €453.3 million; +23.3% on an organic[1] basis, despite store closures and restrictions, low traffic, and lack of tourism
- Strong double-digit growth in Mainland China, reaching +54.6% on an organic basis vs H1 2020, and +24% as reported vs H1 2019
- Confirmed momentum in the U.S., going from strength to strength
- Back to positive adj. EBIT, reaching €25.2m (5.6% of sales), and positive Net Income
- Focus on Capex and Working Capital leading to a solid Free Cash Flow generation of €20.2m, vs -€56.7m in H1 2020
- Healthy liquidity headroom of more than €240m

Commenting on these results, Daniel Lalonde stated: *"We delivered a solid performance in H1 2021 in all regions, particularly in APAC and in the U.S., where our sales exceeded or were back to their pre-pandemic levels. Despite challenging market conditions, our EBIT is back to positive thanks to a strong discipline on costs and expenses. Our focus on capex and working capital management enabled us to deliver a strong performance in terms of Free Cash Flow. Over the course of the semester, we also managed to improve our financial structure by significantly reducing our leverage ratio. This overall performance has been possible thanks to the day-to-day contribution of our teams around the world, and I would like to thank them for enabling us to successfully overcome the challenges of the first six months of the year."*

Isabelle Guichot, CEO of SMCP, added: *"Looking beyond the numbers, we have also made strong progress on each pillar of our One Journey strategic plan. On Brand Desirability, we have notably been able to increase full price sales and develop new store initiatives in order to enhance in-store*

---

[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*

experience. We pursued our efforts to consolidate our phygital network through the optimization of our brick-and-mortar network and increasing our digital penetration. We have also implemented a centralized global demand planning that has led to the optimization of our inventories and therefore strengthened our business model. Finally, we have remained deeply focused on our sustainability initiatives, enabling us to get closer to our objectives with each passing day."

Unless stated otherwise, all figures used in 2020 and 2021 to analyze the performance are disclosed by taking into account the impact of the application of IFRS 16.

KEY FIGURES	H1 2020	H1 2021	*Change as reported*
Sales (€m)	372.8	453.3	*+21.6%*
Adjusted EBITDA (€m)	55.1	100.3	*+81.9%*
Adjusted EBIT (€m)	-29.7	25.2	*+54.9m*
Net Income Group Share (€m)	-88.5	0.6	*+89.0m*
Net income excl. GW & right of use impairments	-88.5	0.6	*+89.0m*
EPS[1] (€)	-1.20	0.01	*n.a.*
Diluted EPS[2] (€)	-1.20	0.01	*n.a.*
FCF (€m)	-56.7	20.2	*+76.9m*

H1 2021 CONSOLIDATED RESULTS

Consolidated sales reached €453.3 million, up +23.3% on an organic basis vs H1 2020, including a like-for-like growth of +17%. Reported sales were up +21.6%, including a negative currency impact of -1.7%. This reflects a solid performance despite the impact of lockdown measures throughout the semester, low traffic and lack of tourism. Mainland China recorded a strong double-digit growth, reaching +54.6% on an organic basis vs H1 2020, and +24% as reported vs H1 2019. The momentum observed in the U.S. early this year has been confirmed in the second quarter, going from strength to strength.

Adjusted EBITDA increased from €55.1 million in H1 2020 to €100.3 million in H1 2021.This resulted from the increase in sales combined with an increase of +0.1pts of the management gross margin ratio (71.6%), and the continuing strong cost management.
The improvement of the management gross margin is due to solid progress on our full price strategy, notably by deliberately reducing the promotional sales share, partly offset by liquidation initiatives, especially at the beginning of the year.
Thanks to cost-saving measures, the store costs[3], as a percentage of sales, have been reduced by 7.1pts, and SG&A[3] by 3.5pts, despite an increase in marketing expenses, in line with our strategy.

---

[1] *Net Income Group Share divided by the average number of ordinary shares in H1 2021 minus existing treasury shares held by the Group.*
[2] *Net Income Group Share divided by the average number of common shares in H1 2021, 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 (3 528 783 ordinary shares) and the performance bonus shares - LTIP (572 870 shares) which are prorated according to the performance criteria reached as of June 30, 2021*
[3] *Excluding IFRS*

Amortization, depreciation, and provisions amounted to -€75.1 million in H1 2021, compared with -€84.8 million in H1 2020, and were stable in absolute value excluding IFRS.

Consequently, **Adjusted EBIT** increased from -€29.7 million in H1 2020 to €25.2 million in H1 2021.

Other non-recurring expenses stood at -€4.7 million and did not include any additional impairment of brands and goodwill.

Financial charges were nearly stable, from -€14.0 million in H1 2020 (including -€7.5 million of interests on lease liabilities) to -€15.3 million in H1 2021 (including -€6.6 million of interests on lease liabilities). The average cost of the debt stood at 2.3% in H1 2021.

Income tax amounted to -€0.3 million in H1 2021 (reflecting the return to positive pre-tax income) versus a credit of +€6.3 million in H1 2020.

Net income - Group share stood at +€0.6 million in H1 2021 (vs. -€88.5 million in H1 2020).

H1 2021 FREE CASH FLOW AND NET FINANCIAL DEBT

The Group came back to positive **Free-cash-flow,** from -€56.7 million in H1 2020 to €20.2 million in H1 2021. Apart from the increase of EBITDA, this performance mostly reflects a significant improvement of the working capital from €195.3 million at the end of H1 2020 to 133.7 million at the end of H1 2021, thanks to a strong control of inventory, helped by the efficiency of the demand-planning processes implemented last year, and a sound management of trade receivables. Meanwhile, the Group maintained a tight control of its Capex throughout the semester (€20.8 million in H1 2021 versus €29.1 million in H1 2020).

Net financial debt was reduced from €382.8 million on December 31, 2020 to €365.6 million on June 30, 2021. **Net financial debt/adjusted EBITDA**[1] ratio decreased from 7.1x in Dec. 31, 2020 to 3.6x on June 30, 2021.

CONCLUSION

In the first semester of 2021, SMCP (i) recorded a solid sales performance despite store closures and restrictions, low traffic and lack of tourism, (ii) returned to positive EBIT and Net Income, and (iii) the focus on Capex and Working capital was maintained, leading to an excellent Free Cash Flow generation.

As mentioned in our July sales publication call and given the market uncertainties (such as Covid resurgence, sanitary restrictions impact on traffic, tourism flows), we remain cautiously optimistic about H2 2021, and are confident about our *One Journey* strategic plan.

A conference call with investors and analysts will be held today by Daniel Lalonde, Isabelle Guichot and 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.

[1] *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, 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	H1 2020	H1 2021
Gross margin (as appearing in the account)	**230.0**	**280.9**
Readjustment of the commissions and other adjustments	36.6	43.7
Management Gross margin	**266.6**	**324.6**
Direct costs of point of sales	-179.1	-185.4
Retail margin	**87.5**	**139.2**

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.

***

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.

***

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 and internal control" of the Company's Universal Registration Document filed with the French Financial Markets Authority (Autorité des Marchés Financiers - AMF) on 30 April 2021 and available on SMCP's website (www.smcp.com).
This document has not been independently verified. SMCP makes no representation or undertaking as to the accuracy or completeness of such information. None of the SMCP or any of its affiliate's representatives shall bear any liability (in negligence or otherwise) for any loss arising from any use of this document or its contents or otherwise arising in connection with this document.

INCOME STATEMENT (€m)	H1 2020	H1 2021
Sales	372.8	453.3
Adjusted EBITDA	55.1	100.3
D&A	-84.8	-75.1
Adjusted EBIT	**-29.7**	**25.2**
Allocation of LTIP	-5.0	-4.4
EBIT	**-34.7**	**20.8**
Other non-recurring income and expenses	-46.0	-4.7
Operating profit	**-80.7**	**16.1**
Financial result	-14.0	-15.3
Profit before tax	**-94.8**	**0.8**
Income tax	6.3	-0.3
Net income Group share	**-88.5**	**0.6**

CASH FLOW STATEMENT (€m)	H1 2020	H1 2021
Adjusted EBIT	-29.7	25.2
D&A	84.8	75.1
Changes in working capital	-14.1	6.4
Income tax expense	-0.3	-2.5
Net cash flow from operating activities	**40.6**	**104.1**
Capital expenditure	-29.1	-20.8
Net cash flow from investing activities	**-29.1**	**-20.8**
Treasury shares purchase program	-	-2.3
Change in long-term borrowings and debt	226.2	-56.7
Change in short-term borrowings and debt	-	42.3
Net interests paid	-4.9	-6.7
Other financial income and expenses	-1.6	2.0
Reimbursement of rent lease	-61.3	-59.1
Net cash flow from financing activities	**158.3**	**-80.5**
Net foreign exchange difference	-0.4	0.6
Change in net cash	**169.5**	**3.5**

FCF (€m)	H1 2020	H1 2021
Adjusted EBIT	-29.7	25.2
D&A	84.8	75.1
Change in working capital	-14.1	6.4
Income tax	-0.3	-2.5
Net cash flow from operating activities	**40.6**	**104.1**
Capital expenditure	-29.1	-20.8
Reimbursement of rent lease	-61.3	-59.1
Interest & Other financial	-6.3	-4.7
Other & FX	-0.4	0.6
Free cash-flow	**-56.7**	**20.2**

BALANCE SHEET - ASSETS (€m)	As of Dec. 31, 2020	As of June 30, 2021
Goodwill	631.3	631.3
Trademarks, other intangible & right-of-use assets	1 161.3	1 164.8
Property, plant and equipment	86.9	84.8
Non-current financial assets	19.6	18.9
Deferred tax assets	53.3	56.6
Non-current assets	**1 952.5**	**1 956.4**
Inventories and work in progress	222.9	209.3
Accounts receivables	53.5	48.3
Other receivables	56.3	64.3
Cash and cash equivalents	127.1	130.5
Current assets	**459.8**	**452.4**
Total assets	**2 412.3**	**2 408.8**

BALANCE SHEET - EQUITY & LIABILITIES (€m)	As of Dec. 31, 2020	As of June 30, 2021
Total Equity	**1 095.3**	**1 095.8**
Non-current lease liabilities	319.7	324 .8
Non-current financial debt	358.0	289.4
Other financial liabilities	0.3	0.1
Provisions and other non-current liabilities	4.0	3.6
Net employee defined benefit liabilities	4.5	4.9
Deferred tax liabilities	182.2	184.9
Non-current liabilities	**868.7**	**807.6**
Trade and other payables	128.7	123.2
Current lease liabilities	100.4	98.9
Bank overdrafts and short-term financial borrowings and debt	151.7	206.6
Short-term provisions	1.1	1.4
Other current liabilities	66.4	75.4
Current liabilities	**448.2**	**505.4**
Total Liabilities	**2 412.3**	**2 408.8**

NET FINANCIAL DEBT (€m)	As of Dec. 31, 2020	As of June 30, 2021
Non-current financial debt & other financial liabilities	-358.3	-289.5
Bank overdrafts and short-term financial liability	-151.7	-206.6
Cash and cash equivalents	127.1	130.5
Net financial debt	**-382.8**	**-365.6**
LTM adjusted EBITDA (excl. IFRS 16)	*54.0*	101.4
Net financial debt / adjusted EBITDA	**7.1x**	**3.6x**

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 43 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
Mathilde Magnan

+33 (0) 1 55 80 51 00
mathilde.magnan@smcp.com

BRUNSWICK
Hugues Boëton
Tristan Roquet Montegon
+33 (0) 1 53 96 83 83
smcp@brunswickgroup.com