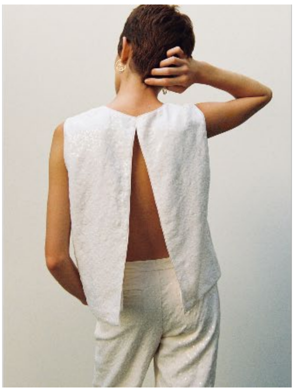
SMCP

sandro · maje · claudie pierlot · fursac






H1 2024 Results

Press release - Paris, July 25th, 2024

Resilient sales excluding China
Continued financial discipline and execution of the action plan

- **H1 2024 Sales at €585m**, decreasing by -3.6% on an organic[1] basis vs. H1 2023 Sales at €610m
  - Sales growth in America in S1, resilience in Europe, sequential improvement in Q2 in France and continued very slow consumption in China
  - Growth for Sandro and Maje in the first semester in all regions excluding China
  - Strict full-price strategy with a two-point decrease of average in-season discount rate vs H1 2023

- **Q2 2024 Sales** at €298m, decreasing by -2% on an organic basis vs Q2 2023 Sales at €305m; positive sales performance excluding China

- **Pursuit of network optimization** with 29 net closings in the semester, mainly in Asia and for Claudie Pierlot, to reach 1,701 POS

- **Adjusted EBIT** at €19m (3.2% of sales) from €36m in H1 2023 (6% of sales). One-off effects such as restructuring costs, and inflationary effects, are partially offset by cost reduction plans

- **Net income** at -€28m includes €30m of non-recurring accounting impacts of impairment (non-cash). Excluding these effects (net of income tax), net income is breakeven.

- **Continued financial discipline** with a reduction in inventories (-7% vs FY 2023) and a strict control of investments, resulting in a decrease in net debt vs June 30th, 2023 and in a stable free-cash-flow

- Pursuit and acceleration in the second semester of **mid-term action plan** to return to profitable growth

- Continued efforts in **CSR** with the implementation of the Diversity and Inclusion policy and satisfactory results in reducing the carbon footprint (-15% in 2023)

[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

Commenting on those results, Isabelle Guichot, CEO of SMCP, stated: *"In a persistently challenging macroeconomic environment, as anticipated, the Group demonstrates resilient performance outside China. The dynamic in America and sound sales in Europe have partially offset the continued weakness in consumption in Asia, particularly in China, where SMCP has already begun to adjust its network of points of sales, while continuing initiatives aimed at revitalizing medium-term growth in the country. At Group level, our action plan launched at the beginning of the year, aimed at reviving our profitable growth, is beginning to bear fruit. Nevertheless, our profitability is still affected by one-off effects related to the restructuring of our store network in China and that of Claudie Pierlot, as well as additional costs linked to inflation. In the second half of the year, we will continue our efforts to deploy our action plan both in terms of driving our sales in promising markets and optimizing our costs, whose effects should accelerate in 2025 (with the goal of having a positive impact of 25 million euros on our profitability by 2026). SMCP teams are fully committed to this trajectory, and I would like to thank them for their unwavering dedication."*

FINANCIAL INDICATORS

€m	**H1 2023**	**H1 2024**	***Reported change***
Sales	609.8	585,3	-4,0%
Adjusted EBITDA	115.7	98.5	-14.9%
Adjusted EBIT	36.3	18.8	-48.5%
Net Income	14.0	-27.7	-€41.7m
FCF	-8.7	-8.8	-1.1%
Net Debt	306.0	292.5	-4.4%

SALES

€m	**H1 2023**	**H1 2024**	**Organic change**	***Reported change***
Sales by region				
France	203.9	**202.5**	-0.7%	-0.7%
EMEA ex. France	189.1	**191.8**	+0.8%	+1.4%
America	80.3	**84.8**	+5.8%	+5.6%
Asia Pacific	136.5	**106.2**	-19.9%	-22.2%
Sales by brand				
Sandro	295.5	**292.3**	-0.7%	-1.1%
Maje	228.5	**218.8**	-3.7%	-4.2%
Other brands[1]	85.9	**74.1**	-13.8%	-13.7%
TOTAL	**609.8**	**585.3**	**-3.6%**	**-4.0%**

[1] *Marques Claudie Pierlot et Fursac*

SALES BREAKDOWN BY REGION

In **France**, sales reached €202m, nearly stable (-1%) compared to H1 2023. The trend is significantly improving in the second quarter (+6% vs Q2 2023) with increased consumption in stores both in Paris and in other regions, particularly for Sandro and Maje. Both brands outperformed market indices[1] in the second quarter. Sales performed very well in B&M, while the continued strategy of discount rate reduction limited digital growth.
The network is increasing with four net openings during the semester.

In **EMEA,** sales reached €192m, an organic increase of +1% compared to H1 2023, which was a high basis of comparison (+9% vs H1 2022). The second quarter's performance is in line with the first quarter's trend, driven by increasing traffic and a strict full-price strategy. Like-for-like sales are growing in B&M in nearly all retail markets. Retail partners signed a positive performance during the semester, notably in the Middle East.
The network recorded nine net closings during the semester (mostly Claudie Pierlot).

In **America**, sales reached €85m, an organic increase of 6% compared to H1 2023, despite a volatile environment. In a very promotional context, the Group maintained a strict policy (+2 points improvement of discount rate). In the US, positive like-for-like performance is driven by B&M, especially in corners, and by an outstanding success of Sandro Spring-Summer collection. In Mexico, sales recorded a strong performance throughout the semester. The network is increasing with six net openings during the semester.

In **APAC**, sales reached €106m, an organic decrease of -20% vs H1 2023. In China, sales continue to be strongly impacted by the persistent traffic decline and the network optimisation, in line with the strategy of the Group. The network is decreasing with 30 stores closed during the semester. The Group is working on its action plan to renew with sales growth in the country by working on brands' desirability and retail excellence in B&M. In the rest of the region, sales remain resilient in several markets (Singapore, Vietnam, Malaysia and Thailand).

[1] *Retail Int. and Institut Français de la Mode*

H1 2024 CONSOLIDATED RESULTS

Adjusted EBITDA reached €98m in H1 2024 (adjusted EBITDA margin of 17% of sales), compared with €116m in H1 2023.

Management gross margin ratio (74.3%) increases compared to H1 2023 (73.1%), supported by a strict full-price strategy.
Total **Opex** (store costs [1] and general and administrative expenses) are nearly stable vs H1 2023, excluding one-off costs linked to China network optimisation. Cost reduction plans partly mitigate the effects of inflation, notably the 2024 impact of 2023 increases in salaries and rents. However, due to the sales decrease, Opex are less absorbed in percentage of sales, by 3 points.

Depreciation, amortization, and provisions amounted to -€80m in H1 2024, nearly stable vs H1 2023 (-€79m). Excluding IFRS 16, depreciation and amortization represent 4.0% of sales in H1 2024, in line with H1 2023.

As a result, **adjusted EBIT** reached €19m in H1 2024 compared with €36m in H1 2023. Adjusted EBIT margin is 3.2% in H1 2024 (6% in H1 2023).

Other non-current expenses reached -€30m, increasing compared to H1 2023 (-€0.9m); they include impairment of stores and goodwill (with no impact on cash).

Financial expenses are increasing at -€18m in H1 2024 vs -€13M in H1 2023 (including -€7m of interests on rental debt vs -€5m in 2023). Interest expenses on financial debt increase (-€9m in H1 2024 vs -€7m in H1 2023), due to the growth in market interest rates.

Taking into account an **income tax** credit of €3m in H1 2024 (vs an expense of -€5m in H1 2023), **Net income - Group share** stands at -€28m (€14m in H1 2023). Net result excluding the effect of non-recurring, non-cash entries (net of income tax) is breakeven.

H1 2024 BALANCE SHEET AND NET FINANCIAL DEBT

The Group maintained a strict control over its inventories and investments during the semester. Inventories went down from €282m at year-end 2023 to €263m as of June 30th, 2024.

Capex investments were stable as a percentage of sales, representing 4% of sales in H1 2024.

Net financial debt stands at €293m as of June 30th, 2024, vs €306m a year earlier. Net debt/EBITDA ratio stands at 3.1x. The gap vs contractual level of 2.5x was waived by the pool of banks on June 28th, 2024. This waiver was granted at a level of 3.4x for the test as of June 30, 2024.

[1] *Excluding IFRS 16*

CONCLUSION AND OUTLOOK

In an environment that remains complex and uncertain, on macro-economic, political and geopolitical sides, SMCP continues to focus on executing the action plan to foster profitable growth.

Network adjustment, started in H1 in particular in China, and the strategic repositioning of Claudie Pierlot, will continue in the second semester.

SMCP will accelerate the retail partners activity in the second half of 2024, with the first openings in India and the pursuit of development in South-East Asia.

Action plans aimed at increased cost control are all initiated and ongoing. Some (optimization of indirect purchases and personnel costs) will start to bear fruit as early as 2024, with an amplified effect in 2025 and 2026; others have been launched but with a more gradual positive effect that will materialize starting in 2025 (optimization of products' purchase costs).

The target of 25m€ positive impact on EBIT by 2026 is confirmed.

OTHER INFORMATION

Consolidated accounts approvement

The Board of Directors held a meeting today and approved the consolidated accounts for the first half of 2024. The limited review procedures have been completed by the auditors and the related report is being issued.

Update on the proceedings in relation to the transfer of a 15,9% SMCP stake in 2021

SMCP has been informed that on July 12, 2024, the English High Court, upon request from GLAS SAS (London Branch) as trustee of the exchangeable bonds issued by European TopSoho S.à r.l. ("ETS"), has ruled that the transfer of a 15.9% stake of the Company's share capital from ETS to Dynamic Treasure Group Ltd ("DTG") in 2021 was invalid. The Judge issued consequently on July 18, 2024 an order requiring, subject to potential legal recourses, the return by DTG of the 15.9% stake to ETS, which is currently under liquidation in Luxembourg, by July 26, 2024 at the latest.

FINANCIAL CALENDAR

October 29, 2024 – 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.

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, including the impact of the current COVID-19 outbreak. These risks and uncertainties include those discussed or identified under Chapter 2 “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 5 April 2024 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.

Breakdown of point of sales by region

Number of DOS	H1-23	2023	Q1-24	H1-24	Q2-24 variation	H1-24 variation
Par région						
France	463	470	473	475	+2	+5
EMEA	399	411	410	406	-4	-5
Amérique	167	176	177	180	+3	+4
Asie Pacifique	301	316	304	280	-24	-36
Par marque						
Sandro	575	591	586	579	-7	-12
Maje	477	490	488	479	-9	-11
Claudie Pierlot	206	210	209	201	-8	-9
Fursac	72	82	81	82	+1	-
Total DOS	**1,330**	**1,373**	**1,364**	**1,341**	**-23**	**-32**

Number of POS	H1-23	2023	Q1-24	H1-24	Q2-24 variation	H1-24 variation
Par région						
France	464	471	473	475	+2	+4
EMEA	520	555	549	546	-3	-9
Amérique	200	215	218	221	+3	+6
Asie Pacific	474	489	479	459	-20	-30
Par marque						
Sandro	744	775	767	764	-3	-11
Maje	615	640	636	628	-8	-12
Claudie Pierlot	227	233	234	226	-8	-7
Fursac	72	82	82	83	+1	+1
Total POS	**1,658**	**1,730**	**1,719**	**1,701**	**-18**	**-29**
o/w partners	**328**	**357**	**355**	**360**	**+5**	**+3**

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT (M€)	H1 2023	H1 2024
Sales	**609,8**	**585.3**
Cost of sales	-225,5	-215.8
Gross margin	**384,3**	**369.5**
Other operating income and expenses	-126,1	-127.8
Personnel costs	-142,5	-143.3
Depreciation, amortization, and impairment	-79,4	-79.7
Share-based Long-Term Incentive Plan	-3,5	-0.9
Current operating income	**32,8**	**17.8**
Other non-current income and expenses	-0,9	-30.4
Operating profit	**31,9**	**-12.6**
Financial income and expenses	-0,3	-1.2
Cost of net debt	-12,4	-16.5
Financial income	**-12,7**	**-17.7**
Profit/(loss) before tax	**19,2**	**-30.3**
Income tax expense	-5,1	2.6
Net profit/(loss) for the period	**14,0**	**-27.7**
Basic Group share of net earnings per share (EUR)	0,19	-0.37
Diluted Group share of net earnings per share (EUR)	0,18	-0.37

BALANCE SHEET - ASSETS (€m)	As of Dec. 31, 2023	As of June 30, 2024
Goodwill	626.7	604.3
Trademarks, other intangible & right-of-use assets	1 120.4	1 115.0
Property, plant and equipment	83.1	79.1
Non-current financial assets	18.5	18.5
Deferred tax assets	32.0	26.5
Non-current assets	**1 880.7**	**1 843.4**
Inventories and work in progress	281.8	262.5
Accounts receivables	68.2	62.7
Other receivables	69.2	64.6
Cash and cash equivalents	50.9	37.2
Current assets	**470.1**	**427.0**
Total assets	**2 350.8**	**2 270.4**

BALANCE SHEET - EQUITY & LIABILITIES (€m)	As of Dec. 31, 2023	As of June 30, 2024
Total Equity	**1 180.1**	**1 156.5**
Non-current lease liabilities	305.7	319.5
Non-current financial debt	223.5	160.0
Other financial liabilities	0.1	0.6
Provisions and other non-current liabilities	0.7	0.2
Net employee defined benefit liabilities	4.9	4.9
Deferred tax liabilities	166.9	165.4
Non-current liabilities	**701.8**	**651.1**
Trade and other payables	161.9	134.4
Current lease liabilities	106.6	95.9
Bank overdrafts and short-term financial borrowings and debt	113.6	169.1
Short-term provisions	1.3	3.6
Other current liabilities	85.5	59.7
Current liabilities	**468.9**	**462.7**
Total Equity & Liabilities	**2 350.8**	**2 270.4**

CASH FLOW STATEMENT (€m)	H1 2023	H1 2024
Cash from operations before changes in working capital	120.1	101.6
Changes in working capital	-14.0	-4.5
Income tax expense	-13.3	-3.7
Net cash flow from operating activities	**92.9**	**93.4**
Capital expenditure	-23.7	-24.1
Others	-6.1	0.0
Net cash flow from investing activities	**-29.7**	**-24.0**
Change in borrowings and debt	-73.0	-37.7
Net interests paid	-9.0	-11.7
Other financial income and expenses	-0.9	-0.7
Reimbursement of rent lease	-67.5	-66.2
Net cash flow from financing activities	**-150.3**	**-116.3**
Net foreign exchange difference	-0.5	0.3
Change in net cash	**-87.8**	**-46.6**

Réconciliation entre indicateurs de performance opérationnelle comptable et de gestion

GROSS MARGIN (€m) – excluding IFRS 16	H1 2023	H1 2024
Gross margin (as appearing in the accounts)	**384.3**	**369.5**
Readjustment of the commissions and other adjustments	61.8	65.5
Management Gross margin	**446.1**	**435.0**
Direct costs of point of sales	-269.8	-274.8
Retail margin	**176.3**	**160.3**

OPERATING PROFIT (€m)	H1 2023	H1 2024
Adjusted EBITDA	**115.7**	**98.5**
Depreciation. amortization. and impairment	-79.4	-79.7
Adjusted EBIT	**36.3**	**18.8**
Allocation of LTIP	-3.5	-0.9
EBIT	**32.8**	**17.8**
Other non-recurring income and expenses	-0.9	-30.4
OPERATING PROFIT	**31.9**	**-12.6**

FCF (€m)	H1 2023	H1 2024
Cash from operations before changes in working capital	120.1	101.6
Change in working capital	-14.0	-4.5
Income tax	-13.3	-3.7
Net cash flow from operating activities	**92.9**	**93.4**
Capital expenditure (operating and financial)	-23.7	-24.1
Reimbursement of rent lease	-67.5	-66.2
Interest & Other financial	-9.9	-12.4
Other & FX	-0.5	0.3
Free cash-flow	**-8.7**	**-8.8**

NET FINANCIAL DEBT (€m)	As of Dec. 31. 2023	As of June 30. 2024
Non-current financial debt & other financial liabilities	-223,6	-158.0
Bank overdrafts and short-term financial liability	-113,6	-171.7
Cash and cash equivalents	50,9	37.2
Net financial debt	**-286,3**	**-292.5**
adjusted EBITDA (excl. IFRS) – 12 months	*112,4*	*95.9*
Net financial debt / adjusted EBITDA	**2,55x**	**3.05x**

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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