SMCP

sandro · maje · claudie pierlot · fursac




H1 2022 Results
Press release - Paris, August 1st, 2022

All-time H1 sales record driven by strong momentum in Europe and Americas
Substantial adjusted EBIT growth

- H1 2022 Sales at €565.4m, up +21.4% vs. LY on an organic[1] basis, fully driven by LFL[2] growth of +24.5%, despite the significant impact of Covid restrictions in APAC
- Strong performance in Europe, driven by local demand and progressive recovery of tourism, supported by an excellent Q2 exceeding 2019 level
- Substantial growth in Americas, both vs. 2021 (+28.1%[1]) and 2019 (+16.3%[1])
- APAC performance strongly impacted by Covid restrictions (incl. the complete shutdown of our brick-and-mortar and digital warehouses)
- Substantial adjusted EBIT growth of +76%, reaching €45m (8.0% of sales) vs. €26m in H1 2021 (5.7% of sales); Net Income up sharply, reaching €20.7m
- Healthy financial structure with a continued effort in decreasing the leverage ratio[3], from 2.5x at year-end 2021, to 2.1x adjusted EBITDA
- Strategic plan well executed, including:
  - Increased brand desirability with successful pricing power and local marketing strategies
  - Full price strategy continuation with discount rate down by -6 pp vs. H1 2021,
  - Normalization of digital penetration, reaching 22%
- 2022 Full-Year guidance confirmed

[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, excl. Suite 341 related sales (end of format)*
[2] *Like-for-like*
[3] *Net Debt / adjusted EBITDA excluding IFRS 16*

Commenting on these results, Isabelle Guichot, CEO of SMCP, stated: *"We are very satisfied with our strong achievement over the first half of the year. We were able to perform very well in all our regions where local clients spending was above pre-pandemic levels, apart from Asia, where our stores were temporarily closed due to Covid restrictions. This enabled us to reach an all-time H1 sales record. This momentum, which could not have been possible without the strong commitment of our teams, confirms the relevance of our strategy focusing on brand desirability, with local marketing strategies which boost customer engagement. Over the first half, we also managed to strongly increase our profitability thanks to tireless efforts to increase full price sales. In addition, we accelerated on our CSR policy, by implementing a traceability program, and on our omnichannel ambition. Looking forward, while the current geopolitical and macro-economic environment creates some uncertainty, we confirm our 2022 full-year guidance if the situation does not further deteriorate."*

€m except %	Q2 2021	Q2 2022	Organic change	Reported change	H1 2021	H1 2022	Organic change	Reported change
Sales by region								
France	63.2	101.0	+63.1%	+59.8%	141.9	194.7	+40.8%	+37.2%
EMEA[1]	66.4	90.3	+34.3%	+35.8%	114.0	173.4	+50.4%	+52.1%
Americas	34.2	44.5	+16.1%	+30.1%	59.1	83.1	+28.1%	+40.6%
APAC[2]	65.5	46.6	-34.9%	-28.8%	138.4	114.2	-23.8%	-17.4%
Sales by Brand								
Sandro	108.4	132.7	+17.7%	+22.4%	212.0	266.8	+21.7%	+25.8%
Maje	93.5	111.7	+15.1%	+19.4%	182.9	223.9	+18.5%	+22.4%
Other brands[3]	27.4	37.9	+39.2%	+38.5%	58.4	74.7	+29.6%	+27.9%
TOTAL	229.4	282.4	+19.2%	+23.1%	453.3	565.4	+21.4%	+24.7%

H1 2022 SALES

In H1 2022, consolidated sales reached €565.4m, up +24.7% compared to H1 2021, including an organic increase of +21.4% (fully driven by like-for-like growth of +24.5%) and a positive currency impact of +4.2%. SMCP recorded a sharp performance in Europe throughout the semester, a strong momentum in the Americas, partially offset by the significant impact of the Covid restrictive measures in APAC.

The Group generated stable digital sales compared to H1 2021, resulting in a digital penetration of 22%, well above the pre-pandemic level (15% in 2019).

In line with our strategic plan, we continued to make strong progress on our full price strategy, notably through our deliberate reduction of the promotional sales share, and achieving a significant decrease in the discount rate, both in brick-and-mortar and digital, with -6.1 pp in H1 2022 vs. H1 2021.

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[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*

At the beginning of the year, SMCP finalized its brick-and-mortar network optimization plan, with 14 net closures in H1 (of which -17 in Q1 and +3 in Q2). Among these net closures, the discontinuing of the *Suite 341* format in France represented eight closures. In EMEA, SMCP recorded six POS net closures, mainly from store consolidation (such as Sandro women and Sandro men becoming a unisex store), partly compensated by key openings in Belgium, Estonia and Spain. In APAC, SMCP opened new stores in China and Korea.

Sales breakdown by region

In **France**, sales were up +40.8% on an organic basis vs. H1 2021, a sharp improvement over the semester, fully driven by like-for-like (+44.0%) and leading to a level exceeding 2019. Since the beginning of the year, SMCP outperformed the market, gained market shares thanks to the success of its spring-summer collections and recorded a strong sales growth in Q2 2022 vs Q2 2019 of + 8.2% on an organic basis. This performance includes a discount rate reduction (throughout the semester) of more than 10 pp vs H1 2021 (benefitting all brands and channels), and the finalization of SMCP's network optimization plan (-10 POS in H1, of which -8 Suite 341), mostly in Q1.

In **EMEA**, Group sales were up by +50.4% on an organic basis vs. H1 2021, including a like-for-like growth of +68.6%; a strong performance driven by both local demand and the progressive recovery of tourism. As in France, the second quarter was excellent, exceeding 2019 by +10.6% on an organic basis. In addition, we achieved a material decrease of discount rate by -6pp and a slight store network's reduction as part of SMCP's optimization strategy.

In **APAC**, the intensifying Covid restrictions, first in Hong-Kong and then in Mainland China, had a sharp impact on sales, leading to a -24% decrease on an organic basis vs. H1 2021. These restrictive measures implemented in Mainland China led to (i) long store closures, peaking from March to May, of which a closure of an average of 25%[1] of our physical stores during more than two months (mainly large stores, located in 'Tier 1' cities), (ii) the complete shutdown of our brick-and-mortar and digital warehouses slowing the business: immobilizing inventory, affecting digital orders and the replenishment of the other stores, (iii) an important traffic drop. Hong-Kong SAR and Macau SAR also suffered from these restrictions leading to a drop in traffic and low tourism.
The desirability of our brands remains intact in APAC, and especially in China, where we recorded an excellent Tmall "6.18" event, with both Sandro and Maje ranking in the top 3 of Accessible Luxury.

In the **Americas**, sales increased on an organic basis by +28.1% vs. H1 2021, a substantial growth, both vs. 2021 and vs. 2019 (+16.3% on an organic basis), with: (i) a strong performance in all our distribution channels, fully driven by like-for-like growth (+29.8% vs.2021), (ii) a sharp reduction of discount rate of 10 pp, coming from both digital and brick-and-mortar. Both the United States and Canada had an excellent semester, driven by high demand.

[1] *In number of stores*

Unless stated otherwise, all figures used in 2021 and 2022 to analyze the performance take into account the impact of the application of IFRS 16 and IAS 38 [1]

KEY FIGURES (€m)	H1 2021[1]	H1 2022	*Change as reported*
Sales	453.3	565.4	+24.7%
Adjusted EBITDA	98.5	121.8	+23.6%
Adjusted EBIT	25.7	45.2	+75.8%
Net Income Group Share	0.9	20.7	+19.7m
EPS[2] (€)	0.01	0.28	na
Diluted EPS[3] (€)	0.01	0.26	na
FCF	20.2	4.9	-15.3m

H1 2022 CONSOLIDATED RESULTS

Adjusted EBITDA increased from €98.5 million in H1 2021 to €121.8 million in H1 2022. This resulted from the rise in sales combined with an increase of +2.8pp of the management gross margin (at 74.4%, thanks to SMCP's efficient pricing policy and discipline on discount rate), and the continuing strong cost management.

Store costs[4], as a percentage of sales, stood at 41.9%[5], reflecting a slight increase mainly due to the channel mix (less digital), and to a lesser extent, due to the sharp restrictions in China. **SG&A**[4] decreased slightly to reach 21.6%[5] of sales, reflecting continued strong cost management and better absorption of all main expenses

Amortization, depreciation, and provisions amounted to -€76.7m in H1 2022 (vs. -€72.8m in H1 2021). Excluding IFRS 16, they represent 4.2% of sales (vs. 5.9% in H1 2021).

As a result, **adjusted EBIT** jumped by 75.8% to €45.2m in H1 2022 (from €25.7m in H1 2021). An excellent performance compared to the sales growth of +24.7%. The adjusted EBIT margin gained +2.3pp at 8.0% (vs. 5.7% in H1 2021.

Other **non-recurring income and expenses** totaled -€0.8m, decreasing vs. last year (-€4.7m in H1 2021).

[1] *Including the impacts of the IFRS IC decision on the configuration and customisation costs of software used as a SaaS contract*

[2] *Net Income Group Share divided by the average number of ordinary shares as of June 30th, 2022, minus existing treasury shares held by the Group*

[3] *Net Income Group Share divided by the average number of common shares as of June 30th, 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 (2,791,588 shares) and the performance bonus shares - LTIP (642,299 shares) which are prorated according to the performance criteria reached as of June 30th, 2022*

[4] *Excluding IFRS 16*

[5] *Excluding one-off traffic marketing reclassification: +1.1% of sales (accounted for in SG&A LY, and in store costs in H1 2022)*

Financial expenses decreased to -€11.9m (vs. -€15.3m in H1 2021). This amount includes the cost of net debt of "leases" (IFRS 16) of -€5.5m (vs -€6.6m in H1 2021). The average cost of debt stood at 1.5% in H1 2022.

Income tax significantly increased to -€8.7m (from -€0.4m in H1 2021), as a result of the strong increase in profit before tax.

Resulting from all factors described above, **Net income - Group share** stood at a net profit of €20.7m (vs. €0.9m in H1 2021).

H1 2022 FREE CASH FLOW AND NET FINANCIAL DEBT

The Group maintained a **strict control of its investments** throughout the semester, amounting to €18.7m (vs. €19.0m in H1 2021), representing 3.3% of sales (vs. 4.2% in H1 2021), a slightly lower level due to a phasing effect.

Working capital increased to €160.3m (from €133.6m in H1 2021), remaining stable at 14% as a percentage of sales[1]. This increase enabled to support the significant growth in the activity of our brands, within the framework of our demand planning policy and in the current external environment.

As a result, the Group generated a **Free-cash-flow** of €4.9m.

Net financial debt stood at €314.4m as of June 30, 2022, a slight decrease vs. €317.7m at year-end 2021. Significant reimbursements (c. €70m) were performed during the semester, in line with contractual schedules. The **Net financial debt/adjusted EBITDA**[2] ratio decreased to 2.1x (2.5x at year-end 2021).

The Group benefits from a strong liquidity headroom including an undrawn RCF of €200m.

FINANCIAL OUTLOOK

The strong results in H1 2022, despite adverse external factors (war in Ukraine, continued inflation, Covid resurgences in Asia), demonstrate once again the resilience of SMCP and the strength and desirability of its brands portfolio.

Based on this performance, and provided the geopolitical situation, macro-economic context and sanitary conditions do not further deteriorate during the rest of the year, **SMCP confirms its 2022 full-year guidance**.

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[1] *Last twelve months sales*
[2] *Excluding IFRS 16*

MANAGEMENT

Jean-Baptiste Dacquin, former CEO of Claudie Pierlot, has chosen to pursue other professional projects outside SMCP. Isabelle Guichot, CEO of the SMCP group, acts as interim CEO of the Claudie Pierlot brand. The recruitment process of a new CEO for the brand is being finalized and should be announced by the autumn.

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.

The Board of Directors met on 1st of August to approve the consolidated accounts for the first half of 2022. The limited review procedures have been completed and the related report is being issued.

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 (POS)

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 (DOS), including free-standing stores, concessions in department stores, affiliate-operated stores, outlets and online stores, and (ii) partnered retail points of sale.

Organic sales growth

Organic sales growth is the total sales in a given period compared to the same period in the previous year. It is expressed as a percentage change between the two periods and is presented at constant rates (sales for period N and period N-1 in foreign currencies are converted at the average rate for year N-1) and excluding the effects of changes in the scope of consolidation.

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 and accounting 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 2021	H1 2022
Gross margin (as appearing in the account)	**280.9**	**363.3**
Readjustment of the commissions and other adjustments	43.7	57.6
Management Gross margin	**324.6**	**420.9**
Direct costs of point of sales	-185.4	-243.0
Retail margin	**139.2**	**177.9**

Net financial debt

Net financial debt 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).

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.

FINANCIAL CALENDAR

- October 26th, 2022 - Q3 2022 Sales publication

APPENDICES

Breakdown of DOS

Number of DOS	H1-21	2021	Q1-22	H1-22	Q2-22 variation	H1-22 variation
By region						
France	494	472	459	462	+3	-10
EMEA	408	402	395	394	-1	-8
Americas	168	166	165	167	+2	+1
APAC	245	252	251	251	-	-1
By brand						
Sandro	559	552	541	546	+5	-6
Maje	453	455	451	453	+2	-2
Claudie Pierlot	213	211	209	206	-3	-5
Suite 341	24	10	3	2	-1	-8
Fursac	66	64	66	67	+1	+3
Total DOS	1,315	1,292	1,270	1,274	+4	-18

Breakdown of POS

Number of POS	H1-21	2021	Q1-22	H1-22	Q2-22 variation	H1-22 variation
By region						
France	494	473	460	463	+3	-10
EMEA	554	548	545	542	-3	-6
Americas	193	195	195	195	-	-
APAC	445	468	467	470	+3	+2
By brand						
Sandro	740	745	736	742	+6	-3
Maje	608	620	618	620	+2	-
Claudie Pierlot	248	245	244	239	-5	-6
Suite 341	24	10	3	2	-1	-8
Fursac	66	64	66	67	+1	+3
Total POS	1,686	1,684	1,667	1,670	+3	-14
o/w Partners POS	371	392	397	396	-1	+4

CONSOLIDATED FINANCIAL STATEMENTS[1]

INCOME STATEMENT (€m)	H1 2021	H1 2022
Sales	**453.3**	**565.4**
Adjusted EBITDA	98.5	121.8
D&A	-72.8	-76.7
Adjusted EBIT	**25.7**	**45.2**
Allocation of LTIP	-4.4	-3.2
EBIT	**21.3**	**42.0**
Other non-recurring income and expenses	-4.7	-0.8
Operating profit	**16.6**	**41.2**
Financial result	-15.3	-11.9
Profit before tax	**1.4**	**29.4**
Income tax	-0.4	-8.7
Net income Group share	**0.9**	**20.7**

CASH FLOW STATEMENT (€m)	H1 2021	H1 2022
Adjusted EBIT	25.7	45.2
D&A	72.8	76.7
Changes in working capital	6.4	-27.7
Income tax expense	-2.5	-5.4
Net cash flow from operating activities	**102.4**	**88.8**
Capital expenditure	-19.0	-18.7
Others	0.0	-0.0
Net cash flow from investing activities	**-19.0**	**-18.7**
Treasury shares purchase program	-2.3	-2.4
Change in long-term borrowings and debt	-56.7	0.0
Change in short-term borrowings and debt	42.3	-74.1
Net interests paid	-6.7	-6.8
Other financial income and expenses	2.0	0.6
Reimbursement of rent lease	-59.1	-59.8
Net cash flow from financing activities	**-80.5**	**-142.5**
Net foreign exchange difference	0.6	0.8
Change in net cash	**3.5**	**-71.6**

[1] *Including the impacts of the IFRS IC decision on the configuration and customisation costs of software used as a SaaS contract*

FCF (€m)	H1 2021	H1 2022
Adjusted EBIT	25.7	45.2
D&A	72.8	76.7
Change in working capital	6.4	-27.7
Income tax	-2.5	-5.4
Net cash flow from operating activities	**102.4**	**88.8**
Capital expenditure	-19.0	-18.7
Reimbursement of rent lease	-59.1	-59.8
Interest & Other financial	-4.7	-6.2
Other & FX	0.6	0.8
Free cash-flow	**20.2**	**4.9**

BALANCE SHEET - ASSETS (€m)	As of Dec. 31, 2021	As of June 30, 2022
Goodwill	626.3	626.3
Trademarks, other intangible & right-of-use assets	1,139.2	1,154.9
Property, plant and equipment	87.6	82.6
Non-current financial assets	19.6	19.9
Deferred tax assets	49.7	48.6
Non-current assets	**1,922.4**	**1,932.3**
Inventories and work in progress	233.5	262.1
Accounts receivables	56.7	56.6
Other receivables	63.7	87.5
Cash and cash equivalents	131.3	59.7
Current assets	**485.2**	**466.0**
Total assets	**2,407.6**	**2,398.3**

BALANCE SHEET - EQUITY & LIABILITIES (€m)	As of Dec. 31, 2021	As of June 30, 2022
Total Equity	**1,117.2**	**1,143.7**
Non-current lease liabilities	313.2	328.7
Non-current financial debt	338.7	262.8
Other financial liabilities	0.1	0.1
Provisions and other non-current liabilities	3.4	1.1
Net employee defined benefit liabilities	5.2	5.4
Deferred tax liabilities	181.4	181.7
Non-current liabilities	**842.1**	779.9
Trade and other payables	154.7	172.4
Current lease liabilities	99.1	100.6
Bank overdrafts and short-term financial borrowings and debt	110.2	111.2
Short-term provisions	1.4	1.5
Other current liabilities	82.9	89.0
Current liabilities	**448.4**	474.6
Total Liabilities	**2,407.6**	**2,398.3**

NET FINANCIAL DEBT (€m)	As of Dec. 31, 2021	As of June 30, 2022
Non-current financial debt & other financial liabilities	-338.9	-262.9
Bank overdrafts and short-term financial liability	-110.2	-111.2
Cash and cash equivalents	131.3	59.7
Net financial debt	**-317.7**	**-314.4**
LTM adjusted EBITDA (excl. IFRS 16)	*129.3*	*150.1*
Net financial debt / adjusted EBITDA	**2.5x**	**2.1x**

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).

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