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SMCP Investor Day

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Introduction and Agenda for Investor Day

Celia d'Everlange: Good morning, everyone. Thank you for being with us this morning. We are pleased today to organise our first investor day exactly three years after the IPO. It is also a first in this singular period. Today's agenda will be structured on three axes. The first one, a quick snapshot on Q3 followed by the presentation of the group strategy by Daniel Lalonde. Then a deep dive into each brand, Sandro, Maje, Claudie Pierlot, De Fursac. And to conclude, a couple of comments on the financial profile of the group and the outlook for the next five years.

During this morning we will organise two Q&A sessions about 15 minutes each; the first one just after the group strategy and the two global brands Sandro and Maje and the other one after the outlook for the next five years. One break about ten minutes at ten past eleven. Another element before to conclude; we would like to apologise for the absence of Jean-Baptiste Dacquin. Unfortunately, Jean-Baptiste has been in contact with a positive COVID case, so for sanitary reasons, we have decided not to be all together for the full session and to have Jean-Baptiste just for the presentation and not for the Q&A.

I hope that this morning's results will help you to better understand the group, the strategy, who we are, where we are going, our ambition, what will change and what will not change. Thank you very much for your attention, and now I will leave the floor to Daniel. Daniel?

Daniel Lalonde – A Snapshot on the Highlights of Q3

Daniel Lalonde: Very good morning, everyone. I hope you're all well. What I'd like to do before we start is give a little snapshot in the highlights of Q3 and then go into our – what I call our Chapter four. Our strategy of the group for the next five years.

There are the speakers.

And Q3 sales, the first thing is if you look at the – the last three quarters we've had a sequential improvement since Q2. You can see Q1; we had a decline in sales of 20% – 20.4%, followed by Q2 of -47 when most – a big part of our stores was closed. And Q3, which we're announcing today, a decline of minus 10.6. So, an exit rate at minus 10.6 and 9.5 negative at constant currency.

So, let's talk more about Q3. So, as I mentioned earlier, it's a sequential improvement driven by many things, one of which was China and digital. Organic sales growth, again, minus 10.6. We achieved sales of €248.4 million last quarter. Reported sales growth was minus 9.5 and our directly-operated stores plus six in Q3, which brings our total count to 1330 for all of our four brands.

Again, Q3 sales performance was above our expectations. It was a sequential improvement throughout the quarter. Mainland China sales contributed to really accelerate with a very strong exit rate and strong double-digit growth. We had selective net openings. Again, I mentioned plus 6 in Q3, mostly driven by APAC and we continued to optimise our network in France at minus 4 DOS.

And last but not least, a strong performance in e-commerce. At group level, our growth was 27.6%, excluding the De Fursac. And that was driven by all regions. In particular, APAC.

Deep-Dive into Performance by Region

Now, if we deep-dive into the performance by region. So, again, Q3 sales were very dynamic by region. We had a broad-based sequential improvement across all regions. I begin with France at minus 8.3. So again, a sequential improvement with the strong – the stronger resilience of our sales and our business outside of Paris and a good traction with domestic customers. Again, we had a strong double-digit growth in sales in digital, and we continue to optimise the network.

EMEA

In EMEA, again, gradual improvement in all countries throughout the quarter. And we see continued contrasted trends with more resilience in Germany, Northern Europe and Russia and challenging market conditions in Spain, Italy, and the UK. And that's been very consistent throughout this year. We also had in EMEA a strong double-digit digital sales growth.

Americas

In the Americas, again, a gradual improvement throughout the quarter. Conditions remain very challenging in New York, Florida and California, our key markets. Traffic remains weak. We did increase conversion, but traffic is quite weak. And again, in this region, we achieved double-digit digital sales growth.

APAC

And last but not least, plus 13.8 in APAC. A strong performance mainly driven by China, which grew at 30% in the quarter, including a double-digit like for like growth rate both in brick and mortar and digital. So very qualitative growth.

Across the region, we see some to trends, strong performance in markets like South Korea and Taiwan and tougher market conditions still in markets like Hong Kong, Macao and Singapore. So that's all I wanted to say about Q3. I think you've read the press release and we can take questions later if you wish.

Group Strategy Over the Next Five Years – Daniel Lalonde, CEO

Introduction

So, what I'd like to do now is open a new Chapter and talk about the strategy of the group for the next five years, and each brand will lay out their specific plans.

So, what does SMCP look like in the next four years – the next five years? It's what I call Chapter four. We are here to talk about this Chapter. It's a different Chapter in response to accelerated trends. And the profile of growth of the group will be different in the next five years than it was in the previous five years.

Very quickly, Chapter one was the creation of the brand Sandro and Maje by Evelyne and Judith in the 1980s and 1990s with the wholesale model. Chapter two was a big switch in business model, from wholesale to becoming a pure player with a focus in France. Chapter three, which we've just left last year, was about international expansion and bringing up omnichannel services, and now Chapter four is all about global, sustainable and digital brands.

So let's talk a little bit about the markets before we lay out our strategy. So there are some very meaningful macroeconomic trends. We've selected two. There's an increasing number of middle-class consumers everywhere, and in particular in China. There's also a rising demand from the Chinese millennials and what we call the Gen Z.

From the consumer trends, there's a big shift to online shopping with a digital mindset, but I think you know all of this, an upgrade of mass consumers or customers. And what I mean by that is we've seen an upgrade from fast fashion or mass fashion into accessible luxury, and we think this will continue for some time. There's a new balance between experiences versus goods. And a heightened environment and social consciousness, which, again, I'm sure you're all aware of.

If you look at the last seven years, we've had – we've strongly outperformed the accessible luxury market. According to Bain and other consultants, this market has grown 4.5% over the last seven years. SMCP has grown at 18.1%, so we have gained some very, very meaningful market share over the past seven years in this market. It's a big market, accessible luxury, purportedly €130 billion. And as you know, our sales last year were €1.1 billion.

But what has COVID done? It has simply accelerated very meaningful consumer trends in a very volatile and a fast-changing world. The trends that we think have been accelerated the most that are the most relevant are these three – an accelerated shift to online shopping with a digital mindset. Again, maybe I should explain digital. Digital is obviously the mix or the blend between the physical approach and digital and blending them all together to create one experience from the customer's perspective. And you'll see this word used a lot throughout our presentation today.

There's also a new balance between experiences versus goods with a very strong demand for entertainment and emotions. And I'm sure you'll see that from all our brands today, particularly the entertainment and emotion part. And last a very heightened environmental and social consciousness, which is in the mindset of all customers, not just the millennials and Gen Zs, but all customers.

In this changing world, SMCP – remember, we're very well equipped to take advantage of all these changes. Why? Because we have a strong exposure to the Chinese cluster, which represents about 30% of our sales. We have a solid presence and digital – presence in digital with more than 15% of our sales. But it's been supported by a very strong investment platform that we've created. And we've begun to invest three or four years ago to develop all these new services for the future.

We also have a solid commitment and action towards sustainable fashion against the brands. The brands will lay that out. We've begun several years ago on this roadmap, and our group and our brands attract the Gen Zs and millennials today, which represent over 50% of our customer base.

We also have a strong track record of growth in the past, not just strong growth, but qualitative growth. We've also moved our digital platform, our digital penetration, from 2% to 15% of sales since 2012. And as you can see, we've internationalised the group and our brands very much over the past seven years from a few countries to 40 countries and from the international penetration from 28% of sales to last year, 66% of our business. So we're a very well-diversed Root and branch across all regions.

Chapter Four: building global sustainable and phy-gital brands

So now if I turn over to Chapter four. Chapter four is all about building global, sustainable and digital brands. With the team we've spent much energy in the past, I'd say nine months, both on navigating the crisis from a security, from a safety perspective, from closing stores, reopening stores, etc., and we're still doing that today on a daily basis, but we've also taken time at the leadership team to shape SMCP into this new world, what is the SMCP of tomorrow.

And our roadmap is articulate around four pillars. Four important pillars which I'll describe briefly. First is all about achieving brand desirability and making our brands even more attractive and desirable on a global basis. Secondly, I want to explain to you our, what we call, one journey, which is really our digital approach per market. Three, enriching our unique and proven business model to make it even more agile, quicker and more efficiency and last, I want to share with all of you for the first time our very specific engagement and objectives that we've given to the group and the brands around sustainability.

Enhance brand Desirability

So let's begin with brand desirability.

Before I do that, I just wanted to position all of our brands into where they are in terms of their path to becoming global. Today, clearly, we have two very meaningful global brands which are leaders in accessible luxury today; Sandro and Maje, which play in all markets. Claudie Pierlot is more of a regional brand, I would say – regional meaning Europe with some stores in Asia, but it's still working on its – consolidating its regional positioning and platform. One day we will be more meaningful in Asia, and that's part of the plan. But I don't want to skip any steps along the way. And De Fursac, our beautiful jewel that we acquired last year is still principally in France today. Ilina will talk about the steps to making De Fursac more European, and then one day we will go to Asia. But each brand is positioned today at different paths in their life cycle. And as I mentioned earlier, I don't – we don't want to miss a step and go too quickly rather than – we'd rather consolidate where we are today and then build on the path to becoming global in the future.

So we'll talk about our brand's first priority, that all the teams went through this exercise, I'd say over the last two years and up to just six months ago, is to really sharpen and reinforce the brand identity and positioning of each brand. I won't take you through the details here, because I'm sure the brands will love to talk to you about how they see their DNA, the history, the positioning of their brands. I'll let them do that.

Suffice to say that we still have very, very little cannibalisation among our three women's brands, so if I look at the women in our customer database that shop two or three brands. It's less than 20%, so the Sandro woman is not the Maje woman and is not the Claudie Pierlot woman, although we aim for this in the accessible luxury market, each brand is so specific that it attracts a different clientele.

Part of our journey as well on Chapter four is to look at the collection planning, so here are a couple of examples of what we've reengineered for the next five years. So we are simplifying, as you'll see, our collection structure principally by reducing the number of SKUs per brand. We want to improve the visibility in the store, increase productivity per reference and reduce leftover. So we're convinced that we can achieve our sales goals by having fewer references.

Secondly, we're optimising the collection structure to strive for consumer engagement. Brand actions are to increase profitability, limit fashion risk, create brand legitimacy and create buzz and cultural relevance. The histogram that you see below, I will let the brands talk about it because it's part of their presentation today. But we are making some optimisation in our collection structures, which we think is the right – obviously, the right thing to do for the future. And last, creating a sense of scarcity. There are no seasons. Be now, wear now. We're also continuing with our very successful capsules and limited editions and collaborations when they make sense.

Third is enhancing our in-store experience to nurture the brand desirability. Here, each store that we've built over the past years very clearly takes into account the DNA, very specific DNA of the brand. We're also fostering emotional and entertainment experiences in-store, offering personalised in-store experience. And lastly, all our stores are connected – connected along the digital principle that I described earlier.

Accessories is still an important part of our business. It's more than 8% of our business overall for the group. We will continue to develop accessories, and there have been some very, very strong successes in the past years, examples – the M bag from Maje, the Flame Sneaker from Sandro and the new bag from Claudie Pierlot. So this will continue, and the brands will talk about this in their presentation.

We also want to win on social media, not just Instagram and WeChat, but other medias as well. And really, have we began a journey to engage directly with our consumers and let them engage with the brand and bring new people to the brand.

Our marketing investments over the next five years will increase – will double from 2% to 4% of sales. This is really important for us because as you see, part of the growth profile of the company in the future and probably the most important KPI we have is like for like growth. This is our big, big, big focus for all brands.

Examples of customer engagements, as you can see by the pictures here of Maje. This is the meme campaign, and also some examples of live – recently live streams in China. We're not just going to work with the current medias – social media but also challenging ourselves to go further, go further and participate in millennial concepts – millennial concepts like gamification and new social networks in China. So this is all part of the plan, and again, I will let the brands take you through this in more detail.

In terms of customers, well, we love all customers, but we are focusing, investing in the new generations and especially the Chinese customer. What has also become important for us as well during the past nine months is the importance also to reach out and work with our local customers, as well as we see less tourists over the past nine months and for some time to come.

So here for the new generations, millennials and Gen Z, there's a whole pack of initiatives that we have, and we think this customer base will represent over 60% of our business in 2025. The

Chinese consumers, obviously, it's not just working with them and personalising our experience with them at home, but also abroad, because they will travel, they will travel one day. And here we estimate that more than 50% of our customer base in 2025 will be the Chinese consumer. And last, as I mentioned, important not to forget our local customers. When tourists are not travelling, they're a very, very important part of our business.

Create one Journey

So now I'd like to move to Chapter two or Chapter four, part two, which is talking about one journey. One journey, if you look at our digital path over the past six years. So we've really invested a lot in digital. It's been strategic for us for many, many years and it began in 2014, I'd say, as the first starting point where we created our own websites, so we in-housed them all and begin to invest and build on these platforms. This was followed by rapid deployment of omnichannel services over the past years, and we continue to do this. And you'll see one of the most exciting ones called Unified Commerce has just been launched very recently in France with our – with Sandro and with Maje. All this journey has led us to go from digital, representing 3% of sales to 15% last year with a very strong ambition for the future.

As you know, in this approach, we've always like to stay in control over the execution; over 55% of our business is on our own websites. This is great because it's the most profitable part of our channel of our business model, and we have a very, very strong focus, as you can see, by the actions on mobile and on conversion. By the end of 2019, we had 29 owned websites present in over 100 countries with the partners and again represented about 15% of our sales.

So let me talk about one journey, our one journey ambition to enhance the customer experience and to never miss a sale. So what is one journey? One journey for us is one plus one plus one. And what does that mean? It means it's one customer, one client. We know them. We know them well. We have a 366-degree approach to understanding the customers. Either they're in our store at Taikoo Li and Chengdu or making an online transaction from Los Angeles. We know who they are. We follow them. We also are planning to use artificial intelligence to personalise suggestions to them to better understand and to make more relevant propositions to them and personalise the approach. So this is a holistic 360-degree view and understanding of the client. One client.

Plus, one inventory. And what that means is conceptually and pragmatically, it's connecting our warehouses, our four warehouses throughout the world and our store inventory in real-time. This is something that's not easy to do. We've been working on this for many years with a lot of CapEx and OpEx, and we've arrived, and this is very, very exciting. So you look at the world as having global inventories, using the store's inventories with the warehouse and always finding the best method to bring the product to the customer, either via the warehouse or from the store closest to the consumer. And again, here we'll be using artificial intelligence to project product quantities and stock allocation to never, ever miss a sale.

And then plus one channel. Again here, as you've heard me speak in the past, there are no channels, there's one channel. And here we're strengthening our digital mainly through organic growth and tethering our brick and mortar presence in each region.

So we're really looking at each market with a digital mindset; saying what's the best ecosystem or network in each market and how that matches with the existing footprint and the potential that we see. We are completing omnichannel services rollouts and harmonising our e-commerce and store payment systems, so there's a lot of initiatives behind the one journey LF, and all of this to accelerate our digital sales and reach 25% of sales by 2025. And obviously, this has a big, big impact, all these investments in this vision on one journey and revitalising our like for like.

Expansion strategy Per Region

So now if I take it to the markets and explain our digital approach per region. Overall, we begin with 1644 POS. Very important to note, this is for four brands, and you see our distribution – our current distribution today by market. France has gone up because of De Fursac, of course, last year. And our plan, as you'll see, in the next five years has a strong focus on existing countries because we have the proof of concept in these markets, we know them well, and we see also tremendous whitespace potentials in many of these markets.

So DOS, our directly-operated stores, not the POS, represent 93% of our business. So that's the focus as well, DOS in the existing markets. There are also some tactical new markets, new countries that we'll enter in the next five years. But again, they're more tactical, and we will enter these markets with our partner-in-retail approach.

APAC

So now, if I take a zoom on each region, let's begin with APAC. Simply we're investing to grow. Why? As you've seen from the Q3 results today, the very strong ones, it's been a very fast-growing region over the past six years. It started not too long ago – six or seven years ago. We're one of the favourite brands if not the favourite brands of the Chinese in accessible luxury. So it's a fast-growing region, and also, it's the most profitable region that we have. So we're continuing to invest in this region; 50% of our plan for growth from now until 2025 – over 50% will come from this region and will represent over 30% of our business by 2025.

So within APAC, it's hard not to talk about mainland China, but there is a focus also within APAC on mainland China, and our digital acceleration approach represents our calls for at least 20 new DOS per year. So if I look at our digital acceleration, talk a little bit about brick and mortar and digital at the same time. So we're entering new cities, new tier two cities, 11 new cities by 2025, which will bring the count to roughly 40 cities.

Interesting to note that in some of these new cities, these 11 cities, there's a big retail presence. There are already luxury stores that are present there. So it's not new areas for retail or luxury. We just are taking our time and doing it step by step. So we'll be present in roughly 40 cities. And we've recently launched some very successful airport concepts in Shanghai for Maje and Sandro so we'll continue to rollout domestic airport channel.

On the digital side, at the same time, we will continue to invest in building our digital business there. Today, our digital penetration in China is roughly the same as the group average of 15%, and we have the same ambition in the future to get it to at least 25%. So, again, in mainland China, it's really a digital approach where we invest both in brick and mortar and digital at the same time because we see so much potential. On the digital side, we've had a very successful partnership, and we'll continue to invest in it with Timo. We'll accelerate our brand's e-shops through WeChat mini programmes, and we're exploring new media in this market.

France

Now, if I turn over to France, our home market, here our strategy is to revitalise like for like and continue to gain market share. We have gained market share over the last seven years. It's just that the market has been in slight decline overall. So here, again, the objective – our ambition is to continue to gain market share. We will optimise the network and improve brand desirability. It's something that's a path that we've entered several years ago and will be accelerated in 2021. It will optimise our presence in tier two and tier three cities. We've decided to end the Suite 341 format, which was a multi-brand format that we had of Sandro, Maje and Claudie Pierlot bestsellers in small stores – very small stores in some very small cities in France. So we decided that's not – no longer strategic for us because we want each brand to stand on their own to project their unique image, their unique positioning. So that represents about 40 stores in those stores will close throughout 2021.

We're also upgrading our networks. We're investing in some key stores in France and De Fursac obviously will complete its network, not the focus for De Fursac, which is to develop this beautiful gem outside of France. But there are still some areas where we have some white space for De Fursac in France. All of this while accelerating organic digital sales growth. So in terms of approach for the next years in terms of network, we expect 40 to 50 net closures in France in 2021 mainly driven by closing some very small – again small, Suite 341 stores – around 40. And from 2022 to 2025 our network will be flattish in France, so we'll continue to work primarily on like for like growth.

EMEA

In EMEA here, our tailored digital expansion approach will be not equal in all markets. We will complete our existing network. We need to strengthen, and we have the proof of concept to strengthen our presence in Portugal – markets like Portugal, Germany, Poland and Austria. De Fursac, as I mentioned earlier, will expand its brand and business in the UK., Spain and Germany, and there are a few key cities where we will introduce flagships for some of the brands.

We will reinforce our partnership in the partnership markets and open some new countries. Greece was open – will open very recently or very, very soon. And also there are some markets which were not present in Eastern Europe. So we will do this through partners. And our partnership in Russia has been very, very successful. We have over 35 stores in Russia today. And it's been – it's been a market that's been growing over the past – past nine months. So we will continue to develop our positions in this market, all while accelerating digital organic growth. Again, rolling out all our omnichannel services and with a special boost in digital in some of the southern European markets, which structurally a little bit low in digital. But we think they have a lot of potential and we need to get them up to group – to group level.

So in Europe overall we can expect more than 15 DOS per year from now 2021, to 2025 of which 40% of them will be – will be De Fursac.

North America

Now, if I turn over to North America, so here we're applying our strategy consistently for many years, which is all about digital first and then leveraging – enhancing our presence in the key cities we are today. On our digital first ambition, we have new initiatives which are to develop drop ship with some of our key retailers such as Sachs[?] and Nordstrom. So this is very exciting because we can market and make our products available to all of their customer database and do it in a very efficient way through the drop ship concept.

We'll launch our own websites in Canada and explore new partners and then continue rolling out all the omnichannel services with a very specific focus on developing our mobile experience.

Today, the US has a digital penetration of above 20%, and clearly, we expect that to continue or to grow in the future. From a brick and mortar perspective. Our approach here is just to stabilise the network at roughly 170 DOS. It doesn't mean they will just stay that way until the end of the plan. We are making some closings and also some new stores, but the net count will be flat over the plan but with better, higher quality stores reflecting the image of our brands.

We will also always be in the process of closing some non-strategic and some low profitable – some low profitable locations as well. So this has been a constant journey.

Overall, what does this mean? It means our expansion roadmap in DOS is really a tailored digital approach. And as you can see over the past years, and this is a change in Chapter four, we had a growth of 80 to 90 DOS per year.

Going Forward

Going forward, this year, we expect 20 net new stores. Next year we will close roughly 40 to 50 stores in France but still grow on an international basis of 30 stores and then beyond, from 2022 to 2025 roughly move at 30 to 50 DOS per year. You can average it out and say it's about 40. So the difference is 80 to 90 DOS per year and now 40 DOS per year. And we think this is the right approach at the right time with a big focus as I've outlined in building our digital business and focusing on like for like growth.

Probably last thing to mention is that from 2025 – 2022 to 2025 in these 30 to 50 openings per year, 50% of them are earmarked for APAC, and a big part of those are in China.

Strengthening Our Business Model

So we'll turn over to part three, which is all about strengthening our business model. We have a wonderful engine. I've always called it our engine of growth. It is our unique business model which combines the codes of luxury and let's call it mass fashion. From luxury, we take inspiration from the creative process. That's how we're set up. We have a very high-end image and prestigious locations. We use the same photographers as luxury houses do, and we believe in personalised service. But what we take from some aspects of fast fashion is this fast and agile product lifecycle. We go quick. We are very reactive. We have newness all the time. Every week there are new pieces and products in the stores, and we have a very scalable retail model as well where we can build stores in less than two months. So we're fast but luxurious at the same time.

The second part of our business model is also very important. It was very structural as you see in Chapter two is we're a retail pure player. These two concepts of our business model continuously give us strong growth – consistent and qualitative growth. Strong pricing power as you know, we have gross margins which are basically best-in-class and are often higher than a lot of luxury brands.

Newness as I mentioned – new products every week in the stores to give reasons for customers to come back and see what's new. We replenish bestsellers within season. We still do this. It's very, very important for us. It gives us that extra full-price sales that we need, and it's a big part of our business model. And last, because we are in control of all our retail stores, we can play and implement all the full omnichannel capabilities. It's hard to do if you're a wholesaler because you can't tie your tie all of the stores together. We're a retail player, so we believe this is a strategic advantage for us. So this is the engine, if you will, in our Ferrari.

What we're investing on for the future in Chapter four on our business model is making us stronger, and we're moving from a regional buying organisation to centralised global demand planning; it's a big change. It's a big change and the key principles of making this journey, which we've already begun a year ago, is that we will have strong brands, governance of inventory. They're in charge by brand; centralised inventories, and we're investing in digital platforms to improve our efficiency in order to enable this vision of centralised global demand planning.

Why are we doing this? Well, there are some big benefits. For sure, it's to get the right product at the right time, at the right price. It also enables us to buy less, which is good for the environment and buy better. And we expect this tool and this approach to really help us increase our full-price sales, which is, you'll see, an objective for all our brands.

One of the key KPIs as well on the balance sheet is that we are convinced that by implementing such a planning system – centralised global demand planning system, we will optimise – it will help us optimise our working capital.

Our outlet business historically has been really a destocking channel, opportunistic, depending on how much stock we have from previous seasons and leftovers were sent to the outlets. So we think there's potential here because this channel has become more qualitative over the past years. And our vision is to make it an independent, qualitative and profitable channel – even more profitable channel. And we have a strategy in place to make that happen.

We will also – part of it is to increase some of the specific production for the outlets. Don't be frightened. I've always maintained that it cannot represent a big part of our business, and it will not. But it can be a better quality of business for us; a more profitable business for us but it will always be, you know, less than 20% of our business, if not in the mid-double-digits – mid-teens. This new outlook will help us gain obviously a lot in quality, I would say, and also in profitability.

And let's talk about our global infrastructure, so we will leverage our agile and robust supply chain to help us enable the one journey. Here, we already have a very fully integrated global supply chain. As you can see, and take your time throughout the graph, I won't explain all the flows, but it's a global supply chain that we've had in place for some time, and it's scalable, which is very, very good for us. We have efficient lead time replenishment within season. And on the sourcing perspective, I may get a question from that today, our sourcing from a regional perspective is about 60% across France. This is the average of the brands in the Euro-Med region and 40% in Asia. I don't expect many meaningful changes in this equation in the next five years. And we have a very, very strong group of partners in sourcing that have been historical and that I consider – we consider a strategic advantage as well.

Our IT platform has been built step by step by step, and it's a solid roadmap to again support all this future growth as a big, big, big enabler. We've implemented best-in-class solutions, as you can see from some of the names here. I don't want to do too much publicity for them, but we've chosen some best-in-class IT platforms and again to support our business and future growth.

Some projects we have in the pipe for the next five years – some big projects. There's our new retail ERP with a lot more functionality again to enable our objectives and our strategy. Demand planning tools, which I talked about earlier. A promotional tool, AI-based, to help us improve margin levels during commercial operations; this is very important for us, and last, we also have in the pipe the implementation of RFID which will give wonderful efficiencies, particularly in the operation part.

Acceleration in Sustainability

And priority number four is to accelerate in sustainability. Our road map has not just begun now. The brands have been making some wonderful actions in sustainability for several years, and we are simply accelerating those. And again, I will let each brand talk about their sustainability programme.

Overall, for the group, we've articulated our – and this is the first time we're really presenting our global sustainability programme to reinforce engagement and contribute to ethical and responsible fashion. We've articulated around four Ps; SMCP products, SMCP Planet and SMCP people.

On the product side, obviously, we want to develop desirable and responsible offers, and you'll see more of that later. We want to preserve our planet and all the natural resources and last, develop our, what we call, passionate entrepreneurs; our 6500 passionate entrepreneurs throughout the world.

On the product side, we're moving forward with responsible sourcing. So, here are the idea is to develop desirable and responsible offers, source materials and produce fashion in a very sustainable way, ensure ethical sourcing throughout our supplies and auditing them and really engaging very proactively in the circular economy. Now, we believe new models – not so new now, but rental, resale, up-cycling, etc., are very relevant for the future. As you can see, they're still relatively small markets but developing very fast and as you can see our approach is not to wait, it not to be passive; it is to proactively engage in these new models. Our customers are there anyway, and so we need to be a proactive participant in these news models.

Today, our eco-responsible number of – percentage of products that we classify as eco-responsible is around 27% at this time, and you'll see we have objectives to increase that for the future and the number of strategic suppliers which are audited today which – are around 50%, and that represents roughly 80% of our business today. And we have objectives to – to increase that in the future.

On the planet, we want to preserve our planet and all the natural resources. It makes sense just as people. We need to do this. So we're rethinking transportation flows; obviously, less air, more boat; developing our green store concept which is based on five parameters. So we're measuring all our new stores and all the renovations to make sure that they're all what we call green. And these are five – five parameters which we can talk about later if you'd like— and obviously innovating to use – to limit single-use inputs and switch to more sustainable options.

This is our carbon footprint in 2019. We measured it. It's full-scope, and it's 181,000 tonnes of CO2, and as you can see, it's mainly impacted and driven by production – production of our clothes. So again, we have some specific objectives to improve this in the future and make progress.

Last but not least is empowering our people. We want to continue to develop what we call our passionate entrepreneurs, and that's part of the – our values. We're 6500 passionate entrepreneurs. Here were engaging our teams and all stakeholders, developing our people and their wellbeing at work and foster inclusiveness and diversity. In our teams today – global teams, we have over 100 nationalities; 52% of women on the executive committee and 59% are women on the board today, but we think we can improve.

Recent initiatives are the launch of SMCP school, which was done several years ago to develop our talents and brand ambassadors. We have 95% of our global people trained already through SMCP school through this digital platform. They've spent on average 10 hours per person per year, and we've had over 250,000 connections just in 2020. So it's a very active tool – participative tool, and it runs from management sessions to product information before the product drops in the store. So it's been a massive enabler for us and a very strong success.

36% of our HQ and store management open jobs are filled internally. So we promote internal mobility, and we have initiatives in recruitment to foster diversity in the future. We've created a Head of Diversity and Inclusion role within our teams.

So, what does this mean for the future? So we're going to commit and engage to several KPIs because we really believe it's – and it's part of moving step by step and knowing the journey will never be over, but our commitment for the next five years is to move from a product perspective, the number of sourced what we call sustainable material and products from 27% which I mentioned earlier to 60, ensure ethical sourcing and auditing all of our key suppliers. To date, it's 50%. Represents 80% of our business, but we're committing to 100% and accelerate all our initiatives in the circular economy, which I mentioned earlier.

From a planet perspective, we are committing to reduce our environmental footprint at full scope by minus 20% by 2025; rethinking our transportation flows which are today mainly over 50% by plane to less than 50% by plane in the future and again developing our green store concept where 80% of our openings and renovations are qualified green today 200% by 2025.

From the people perspective, at least fostering and privileging internal mobilities which is 36% of mobilities today to greater than that in the future – developing our people on the e-learning platform. Here we don't have much to go, from 95-100% and then increasing – there are some specific initiatives to increase the diversity and inclusiveness at SMCP, maintaining our high rate of women and pursuing our journey to ensure even more diversity, not all – all across the people but also in our leadership teams.

Conclusion

So here we are. So I've gone through what I call the pillars – the important pillars to our journey to becoming a global leader in accessible luxury. Again, the four important pillars and they're very structural for the future, and they're very different. The next five years will look very different than the previous five years.

Number one. Brand desirability. Here we increase like for like growth and full-price sales. All the initiatives that the brand will speak about is mainly for this objective, like for like; one journey. It's really our digital journey; one customer, one global inventory, one channel.

There's a focus as well as you've seen on building our business in China. 50% of our CapEx will be destined for this region and also our millennials, Gen Z and Chinese consumer. Our digital business will project to grow at 25% of total sales, and again, all of this journey will help us increase our like for like growth and will have a positive impact on EBIT.

Three, our business model. Enriching our business model on its agility, speed and efficiency. The big – the big break here is moving from a regional buying organisation to global demand planning organisation focused on the brands. To buy less but buy better. And here the big KPI is to optimise our working capital. And last, sustainability. Again, this directly contributes to brand desirability, preserving our planet, and again, we think some – very linked to our like for like growth.

So that's the journey we want to talk about, and I would like now to invite Isabelle Allouch to talk about the strategy for Sandro over the next five years. Thank you very much.

Sandro – Isabelle Allouch, CEO

Isabelle Allouch: Hello, everyone. Sandro is a success story that started 36 years ago in Paris when Evelyn Chetrite emigrated from Morocco and created the brand. This is the rich and remarkable story of a brand born in the Sentier district, developing into a leading position in the fashion industry.

Sandro through the years

There have been four key milestones in the expansion of Sandro starting first with wholesale, then shifting to a retail model, expanding internationally and making its first step in e-commerce business. The fourth milestone started two years ago with the desire to continue the transformation of the brand towards more sustainable fashion and to become fully global and digital.

Sandro a leading player in the accessible luxury market

Today, Sandro is a leading player in the accessible luxury market with €552 million sales in 2019 and with a proven and scalable business model. We have a strong presence in 19 countries, driving 75% of sales internationally with more than 700 digital – of digital stores.

What makes Sandro stand out?

But what makes Sandro stand out? Sandro is the brainchild of Evelyn Chetrite, a truly creative woman with a distinctive sense of style. One day in 1984, she turned a personal adventure into a strong brand with an identity of its own, appealing to women than men, under the leadership of her son Ilan Chetrite.

Sandro's uniqueness hinges on six fundamentals. Five signature attributes and three areas of expression inspired by Evelyn and Ilan's story.

Fundamentals inspired by the history of our founders

To start with the fundamentals, Sandro is about contrast. It comes from Evelyn's life philosophy – feet on the ground, head in the stars. Sandro is also about tension. Like Evelyn, the Sandro woman is always on the go. This creative tension is rooted in the yearning to make something beautiful with a capital B and in a strong desire for perfection. Sandro is about fashion and the skills involved in the craftsmanship of tailoring, which dates back to Evelyn's childhood in Rabat. She inherited a love for clothes from her tailor grandfather, who taught her how to recognise quality fabrics and beautiful clothing.

Sandro is also about family in the double incarnation of the mother and a son. And along the way, these blood relations are extended and welcomed into the family staff members, suppliers and customers. Sandro is a collective story rooted in community and fostering a strong sense for solidarity.

Sandro's fashion is immediately and universally comprehensible. It is inspired by the modern world and merges with the present to make current trends inspiring, daring and accessible. Finally, Sandro is about Paris, like the unwavering landmark of effortless chic..

Stylistic signature attributes

You often raise the question, what's the difference between Sandro and other accessible luxury brands? The Sandro style has been built around five stylistic signature attributes, which season after season clearly define the Sandro silhouette.

The first is balance. The Sandro silhouette is thoughtful and measured. Everything is about subtlety. The second is structure; the construction of the Sandro garment is about discipline and precision to give it a unique signature, highlighting the body to make it look beautiful. Sandro is sleek. Less is more is the motto guiding our look. Our clothing is devoid of anything that is non-essential. It's all about refinement rather than perfusion. Details are also a signature attribute. They are often subtle and discreet, but in any case, they give the Sandro garment its uniqueness and ensure it is always fashion-forward.

Finally, Sandro's style is offbeat. Chic is always twisted, vintage touched are modernised and mixing and matching – matching becomes an art. These five signature attributes give birth to a unique style that we like to describe as sleek, chic and cool. They make Sandro a key destination for active, trendy customers, looking either for workwear or for clothing for special events. Sandro is also beloved for more laidback outfits for more casual occasions.

Areas of inspiration & expression

The alchemy of Sandro shines through in three main areas, the arts that have always been a source of inspiration for Evelyn and Ilan, driving creativity and constant reinvention. The powerful and evocative energy of music also has ideas flowing into the creative studios, and finally, acts of solidarity emphasise the spirit of family and inclusion that are so dear to Evelyn and Ilan.

Brand statement

In a nutshell, the uniqueness of Sandro is its ability with an inherited skill for tailoring to transform luxury material into impactful clothing, impactful clothing into magnetic elegance, and this unique, sleek, chic and cool style into those trends, the strength to be yourself.

Strategic priorities

As Daniel explained, the world is changing. The growth of Sandro over the 36 past years has been mainly driven by the opening of new stores and of new countries. It's now time to shape Sandro for the new world building on the core, consolidating and optimising the strong engine that we have built, aiming at driving like for like growth and rising profitability, albeit for long-term sustainable growth.

But it is also time for reinvention, focusing on the levers that will enable us to ensure this continues organic growth to strengthen Sandro globally and to ensure a long-lasting and exciting continuation of this story.

For this, we focus on three priorities. Redress the brand's desirability and singularity, continue moving towards more sustainable fashion and revamp our global distribution model for a seamless digital customer experience.

This plan also implies having a strong focus on Asia, and especially China, which is forecasted to be Sandro's number one market by 2025. And to show this growth, we will prioritise CapEx and marketing investment in this region and adopt each level of our strategy to ensure we address the specific needs of the Chinese customers.

Recast brand's desirability a singularity

Redressing Sandro's desirability and singularity means working on two areas in conjunction. Designing desirable, creative and customer centric-connections, and rethinking our communications strategy.

Fashion forward & global

One point of differentiation of Sandro for both men and women is the ability to offer season after season fashion-forward connexions catered to global needs, fostering desirability and customer centricity. Offering newness at all times and making sure we continue to set the trends is at the heart of what Evelyn and Ilan do. For this, we are constantly searching for new shapes, innovative fabrics or techniques. When doing so, we're sure to remain a step ahead from the competition, as we did, for example, when we launched the Cardicoat. We also make sure to offer the right balance in our collections both in terms of positioning versus fashion trends or versus price.

Thus, we constantly fine-tune the architecture of our collection, the share of carryover products now represents 20%, meaning products that are identical from one season to the other. We significantly rely on updated products, meaning bestsellers from previous seasons for which we know that the style or fit pleases the customers and we adapt them to the trend of the current season, changing the colour, the fabric or details.

40% of the collection are completely new products, 35 of which embody the latest fashion trends. The last 5% are either capsules which – or collaborations or more elitist products that help us strengthening our fashion image and our visibility in the media.

This collection structure helps us to mitigate the risk of leftovers while continuing to bring newness, which means traffic to our 52 stores. We also constantly fine-tune price positioning. We split the offer into clusters from entry price below €100, aiming at recruiting younger customers, up to a more high-end offer above €300. Our main concern is to make sure we offer the best balance between newness, quality and price to maximise the share of sales at full price.

Aiming to grow like for like sales, we are also increasing the share of exclusive items, catering, to local consumer needs. We've developed specific capsules to add up to local seasonality, calendar specificity or local fitting. For example, we launch each year for Chinese New Year, a dedicated capsule for our Asian customers.

Quality oriented & inclusive

Design desirable collection also means paying attention to the technical know-how of the brand in designing and producing a garment to ensure perfect quality and fitting. The objective of this is to further differentiate our offer from fast-fashion competitors, improving the customer's value for money perception to drive more sales at full price. The Flame Sneakers are a good example of that technicity.

Building desirable collections is also about inclusivity and the ability to recruit and dress the majority of men and women. For this, we have, for example, been growing significantly season after season, the share of products available in broader sizes, and the ambition is to continue this way. We also adapt the fit or the length of certain products to cater to regional customer needs like we do for our Middle Eastern customers.

Towards responsible fashion

Building desirable collections also means moving activity towards sustainable fashion. First, we rely on our favourite motto which is less is more. Concretely, it means reviewing our buying strategy to limit leftover. For the past two years, we have been reducing the size of our collection by almost 20%, and we plan to remain stable like this in the future. This enables us to improve the attractivity of the visual merchandising in-store and to grow profitability per SKU.

We also monitor commitment rates at 75% at the beginning of the season, both to limit the risk in case of unexpected situations such as the one we are currently facing or to have the opportunity to replenish our bestsellers in season. The efficiency of our operation plays also a significant role, both in accelerating like for like growth and in limiting leftovers. It is closely related to our new buying strategy as it requires to be much more efficient on production lead times to maximise the impact on sales of re-orders of bestsellers.

To achieve this, we prioritise Euro Med sourcing which allows us to reduce lead time, for instance, for women from 3.5 months in full winter 18 to 1.9 months in full winter 20. We also work at improving our allocation policy. We do it at a global level, implementing a global buying and human planning strategy, leading us to relocate stock within the season to the region of the world having the best sales.

We also set up an accurate clustering policy for our stores, both based on visual merchandising capacity and on customer profile. All this is to always have the right products at the right place at the right time to boost like for like growth. And of course, we are very much engaged in continuing to increase our offer of eco-responsible products, sourcing compliance and innovative fabrics, production techniques and suppliers to reach the target of at least 60% of eco-responsible collection by 2025.

Women's: win on accessories

To be more specific by gender, we also work at increasing the desirability of women's collection by growing the share of accessories, the main interest of this category being to attract a new generation of customers and to increase brand awareness. Our specific focus is to innovate, to design THE it bag, to continue building on the success of shoes and to increase the visibility of accessories both in our stores as well as in communication.

Men's : win outside France

Concerning men, the priority is to grow our share of sales outside of France, targeting 30% of total sales. The first lever is to increase brand identity for instance through a strong signature logo and to innovate and surprise the customer through more capsules and collaboration as we did with the Casper capsule collection that had a very good reception from our Asian customers.

Beside increasing customer centricity, we also focus on enhancing dedicated expertise on men, both in-store through visual merchandising, implementing the specific codes of men or through dedicated services or in-store scenario, enhancing the male customer experience.

Leverage Sandro's fundamentals…

Moving to the second key lever, which is recasting Sandro's desirability and singularity, we need to reinvent ourselves, remaining authentic and loyal to our brand heritage, but using new codes, talking to new clients, building a new relationship with our audiences.

Our communication will remain inspired by the latest fashion trends as the nature of who we are. But we will put a lot more emphasis on the incarnation of Sandro, building on the talents and life philosophy of our founders, capitalising on the unique technical and stylistic know-how of the brand and raising our voice around our historical areas of expression. All this with will only be achieved by taking over new responsibilities, desirability drivers, inspiring new generations of existing or potential customers.

…taking over new desirability drivers

The first driver is purpose and engagement. And for this, we capitalise on our very rich heritage and communicate on who we are and what we believe in and take clear positions, which means not speaking only about products or fashion, but also on what really matters for us as a brand.

The second lever is our ability to build a strong community of people passionate about the Sandro brand, the Sandro story, values and protected way of life, and create an emotional bond with the brand.

The two other levers we built on are entertainment and experience. And they rely on our ability to connect differently with our audiences beyond the traditional transactional relationships, adding value, fun, discovery or culture. And to be more explicit, I will give you an example of what we've done recently working on for the coming season.

Strengthen the bond with our community through collaborations

The first example is collaboration, and it is quite traditional in the fashion industry. What is new is the way we treat them, creating what we call offbeat collaborations, such as the one we just had with the French famous singer Clara Luciani. The idea was to give the opportunity to an artist from the new generation where style and value resonate for the brand to co-design a capsule collection where our artistic director Evelyne. This type of initiative both helps us to add desirability to the collection through the design of an exclusive and limited capsule available in a selected number of stores; it enables us to speak to our audiences in a more intimate way, inviting them behind the scenes, showing the step of the creation of the capsule with Clara and Evelyne. All this content was projected on Instagram and on our websites and was emphasised through KOL and influences for both perception and amplification.

In the end, this project was the end product as the capsule was more of a pretext to offer our communities an experience, partnering with a muse and strengthen the connection with the brand.

Embrace social media codes to connect with new audiences

The next example is to show you how we proceed in China to connect with millennials and Gen Z, embracing social media codes. Through live streaming, we give massive visibility to our collections on Weibo or WeChat, creating dedicated events with influencers who animate the launch of the collection with models showing the products. We also create a connection with our e-stores to drive traffic and conversion.

The other example is gamification, which consists in integrating Sandro in a famous video game, such as Honor of Kings in Asia or League of Legends in occidental markets breaking boundaries between real and digital worlds; the brand becoming part of your audiences digital world – virtual world I would say.

You will, for instance, be able to dress up your Avatar in Sandro clothes, and the brand will become part of your virtual life. This new trend is already very strong in Asia and is rising in Europe with platforms like Twitch. And we are working on it for Asia for Spring-Summer 21.

Create experience beyond product building on Sandro's areas of expression

The last example is how we create experience beyond products building on the area of expression of Sandro and in that precise case around the Arts. Sandro is acting there as an art gallery building on the power of the brand to promote an artist.

This is what we will do next month with Youko Nishikawa, a young Brooklyn based Japanese. His collaboration will give us the opportunity to surprise and seduce our community, creating poetic storytelling content. We will also enhance customer experience with beautiful windows in our physical stores and graphic assets to animate our stores. Furthermore, this collaboration is a way to illustrate our engagement in sustainability as Yuko's pieces of art are made from recycled paper.

Leverage social media as Sandro's main eco-system

So as you must have noticed in all these examples, rethinking our communication means building on social media as a main ecosystem, implementing new codes for content creation with animated shorts and engaging assets, and with an adapted tone of voice; multi-platform and social media enable us to reach complementary targets; Weibo and WeChat for Chinese audiences, Instagram for millennials, Snapchat, TikTok and Twitch for Gen Z. The social media journey will be the pillar of our digital strategy, and we echo in the physical experience and in every customer's touchpoint to be complete and efficient.

Invest in marketing and prioritize allocation to Asia

Rethinking communication also means sizing budgets and prioritising allocation to meet the ambitions of Sandro. Marketing budgets will more than double by 2025 towards 4% of global sales. In terms of allocation, we will dedicate 75% to content diffusion to raise awareness and visibility and to generate traffic in our physical store – digital stores, investing in multi-platforms and full funnel digital media strategy, recasting the new physical experience.

The objective is to continue to allocate a well-balanced part of the budget to Europe to further establish the desirability of Sandro in its home market, but also to prioritise investments in Asia with the budget representing 4.5% of total sales.

Continue moving towards a more sustainable fashion

Coming back to the strategic priorities to set Sandro for the new world, our second priority is to continue moving towards a more sustainable fashion business.

Anchor Sandro's commitments into the brand DNA

Our desire is to anchor our CSR commitments into Sandro's purpose, considering sustainability as a common thread in all our actions and building on our three pillars, product, planet and people.

On the product path, as I told you before, we are – we act by limiting our leftovers, by increasing the share of eco-responsible materials in our collections, and by fostering sustainable production processes. On the planet part, we'll reduce our carbon footprint by promoting Euro Med sourcing and shipping by boat.

We also started implementing a new store concept, meeting those CSR standards. Also breakthrough in this is the gold certification of lead we received recently for our new Beijing Taikoo Li store.

On the people part, we pay a great attention to our employees focusing on the happiness and wellbeing at work, building career paths, training programmes and prioritising international mobilities and promotion. We also monitor the certification and compliance of our suppliers. We are committed to further promote equality and increase diversity, and for example, women account for 86% of Sandro's management committee.

Implement dedicated communication approach

Sandro's point of differentiation in CSR will be, above all, the way we raise our voice through specific and authentic actions centred on craftsmanship and solidarity in line with our DNA, such as all the initiatives we had during lockdown. In the coming months, will go even further with the creation of a fund called Sandro for the Future, the ambition of which will be for actions that can be rolled out in Europe, Asia or in the US to raise funds and donate them to local charities.

Revamp global distribution for one journey

The last strategic priority for Sandro is our ability to revamp our global distribution to create one journey for our customers. For these, we work on four pillars providing a seamless customer – a seamless customer journey accelerating on digital, enhancing in-store experience, and prioritising our expansion in Asia.

Increase personalization and customer satisfaction for existing and Next gen customers

Sandro's customer journey will be built on increased personalisation, focused on maximising customer satisfaction and anticipated for the upcoming generations of customers. Today, customers expect a communication tailored to their history, preferences, context and intentions. That is why we plan to enrich usual RFM segmentation with behaviior clusters to manage customer lifecycles with appropriate loyalty programmes and communication.

Customer satisfaction also becomes a central point in a seamless journey. We track this KPI through NPS tool and qualitative focus groups and work at improving it in order to increase loyalty and turn our customers into brand ambassadors.

The last challenge for Sandro remains to attract, transform and retain the next generation of clients, meaning millennials and Gen Z. We will continue to nurture our customers' knowledge through focus groups or data analysis and then build the appropriate plans, such as the one I presented earlier in the communication part.

The future starts now aiming to reach 25% of sales in 2025

As you can imagine, e-commerce will play a key role in Sandro's customer journey, aiming towards 25% of our sales by 2025. And for this, Sandro will accelerate its e-commerce transformation.

Mobile commerce is dominating the global e-commerce marketplace, and we will build the journey from mobile-only featuring navigation inspired from social media, for example, side right, side up, stories, icons and overall functionality such as mobile payments. To remain agile in such a mobile-centric context, we plan to develop a progressive web app which will be very efficient from one-click – for one-click ordering or for push notification with real-time offers based on factors such as location.

We also plan to integrate new technology opportunities such as voice search, chatbots or Augmented Reality. Social commerce will drastically increase through the coming Instagram checkout options, allowing customers to have a more direct way to buy products. We are preparing to be operational on this by end 2021.

Digital pure players such as FARFETCH that we launched mid-2019 are amazing sparring partners to recruit new clients in terms of nationality, but also gender, age and behaviour. We will leverage these partnerships through a deeper and bespoke plan focusing on Timmo, FARFETCH and Selfridges.com. Our digital network will also play a decisive role in Sandro's customer journey to provide an emotional and entertaining experience to our customers and have them dive into Sandro's heritage.

Enhance experience to nurture brand's desirability

For this, our network will continue to evolve with a less is more approach closing small mono gender stores open in our first phase of expansion and targeting beautiful dual-gender stores with a minimum selling space of 150 square metres, enabling us to display a much more elevated environment for our collections.

We just started to implement our new store concept embodying Sandro's fundamental end values and, for example, emotion for the choice of natural, warm and noble materials like wood, stone or ceramics; sleekness through the design of the furniture and the chic but sober set-up of the store or culture integrating contemporary art pieces, offering our customer a personalised selection of music.

Emotional and entertaining

This new version of the physical store will be the heart of a new emotional and entertaining experience. It will go through a brand speech putting our founders, our know-how and the generosity of Sandro at the centre of the customer journey. And the storytelling will be expressed by the new store concept on the one hand and by the selling ceremony implemented by our sales staff on the other end. The E-learning will, therefore, play a major role in this process.

Finally, we will continue to invest in cross-channel technology for a seamless digital customer journey, extending progressively to all markets our omnichannel services such as e-ticket, e-reservation, click and collect, store to web or web to store.

Prioritize Asia

Regarding our digital expansion, the objective is to have a tailored approach. We will personalise and upgrade our current network, continue to optimise our footprint in metro countries and complete our distribution with a strong focus on Asia. Indeed China will benefit from 50% of our global CapEx allocation, focusing our expansion in tier two cities further expanding in travel retail and opening Taiwan and Malaysia.

In France, we will further implement our optimisation plans closing small and outdated stores and relocating selectively in big cities. We will gradually renovate our network, implementing our new store concept. In EMEA we will identify our footprint towards critical size in Portugal, Italy and the Netherlands and to boost digital in Spain and in Italy.

In the US, we will prioritise on digital, strengthening our relationship with e-partners such as Sack's or Nordstrom through dropship and rationalise our physical network.

Conclusion

To conclude this presentation, Sandro is already a strong player in the accessible luxury market with a proven business model across 39 countries. We are proactively shaping the brand for the new world, recasting brand desirability, continuing moving forward a more sustainable fashion business and revamping our global digital network for one journey. This way, we will sharpen the emotional value of the brand and strengthen our global community of new generation of customers. We will prioritise our investments in China and make sure we address Asian customers wherever they are. We will further build a strong and agile physical business leveraging social media and omnichannel platforms as our main ecosystem.

All this will guarantee to further drive dynamic like for like growth and rising profitability for long-term sustainable growth. This way, Evelyn, Ilan and the Sandro family – with Evelyn Ilan and the Sandro family, we will continue to further build the amazing success story of Sandro and strengthen our position of global digital leader in accessible luxury. Thank you very much, and I will leave the floor to Isabelle Guichot from Maje.

Maje – Isabelle Guichot, CEO

Isabelle Guichot: Good morning. I'm extremely happy to run you through the priorities of Maje over the coming years. It's better without my mask – with a clear vision to be a brand of tomorrow. These five priorities that you see on the chart will all contribute to reinforce and perpetuate the business model, which has made a success of the brand over the last 22 years.

The first priority is to sharpen our brand DNA incarnated by our founder Judith Milgrom, which is on the picture on the left and her unique vision of femininity. This would lead to an enhanced brand desirability which should translate into a seamless and more digitalised customer experience.

As a retail pure player, our ambition would be to optimise our retail execution to become best-in-class retailers to support the profitable growth of the brand within a framework of sustainability obviously to contribute our fair share to the industry of tomorrow.

A resilient Brand Identity, paving the way for a Success Story

As you can see on this chart which is almost unreadable, these 22 years of history for Maje have been extremely intense and consistent with early and parallel steps of the brand in all forms of expression and territories from advertising to collaboration, worldwide expansion and new categories, but it really indicates this density in the process of building a brand. It clearly exemplifies the resilience and the fast-growing business model.

Assert and sharpen our brand DNA

Let's now roll out the priorities of the brand development. The first one being to assert and sharpen our DNA around the key features characterising the brand. Maje is a brand which excels femininity; a woman 100%, even 200% in all aspects; family, life, love, vitality, but also sexiness and seduction. The brand is also triggering emotion; memories of unforgettable moments, the reminiscence of a special day; the inner pleasure of feeling confident and attractive.

The third feature will be the freedom the brand conveys, that ability, very unique, to marry the contrast; to express its creativity without overplaying. To be wearing a flower dress in a lawyer's practice this "en même temps" as we say in French.

This tension between opposite worlds is the key to the dynamic of the brand and probably stems from "here and away" that stretches between the Moroccan roots of the family and the Parisian birthplace of the brand. Colours, flowers, smells and scents of Morocco blending with the streets of Paris, the unique smells of Paris and the French cultural heritage.

Maje, a growing Business model

In these 20 years of history – 22 years of history, the brand has achieved a remarkable growth path, reaching at the end of 2019 €438 million of sales. Originally driven by the French market but as seen on the previous chart, very quickly establishing an international retail footprint allowing Maje today to be extremely balanced geographically speaking with more than 570 stores in more than 40 countries including partners and e-commerce of course.

Capitalising on the potential of digital retail, Maje has been catching the wave of e-commerce very early, allowing the brand to reach 15% digital penetration at the end of '19 with an obvious ambition, as Daniel mentioned earlier, to go further.

Leverage our key pillars to boost strategy development

Let's now dwell on the levers to boost our strategy deployment over the coming years. Our brand genome which sets Maje as a very unique and clearly defined brand on the market needs to be constantly and further highlighted to reassure the loyal and faithful consumer but also to attract new generations; Gen Z and beyond. On the product side, in order to secure full-price sales and like for like growth, the consistency and productivity of collections will be a key priority along with a 360 client-centric approach across brand expression to engage and interact with a more and more diversified and demanding client profile.

Last but not least, becoming a best-in-class retailer would be crucial to our profitability and roadmap, which means a special attention to the alignment of our management tools to our ambition and as Daniel explained very clearly in his IT road map.

Taking into consideration the shift in Customers values

Taking into consideration – obviously, we will take into consideration in our available thinking process the fundamental shift in consumer values, which has been exacerbated by the current crisis. The consumer no longer only expects from a brand design aesthetics and attractiveness but also actually to convey an emotional experience around personal reward, a sense of feeling good, a family spirit, a sense of belonging, affiliation and eventually self-actualisation. This profound shift has to be mirrored in brand strategy and expression.

Let’s now deep dive into our priorities

Refine our product strategy to sustain desirability

Priority number one. Priority number one is to keep on sustaining brand desirability by further sharpening the Maje silhouette characterised by Judith’s unique take on femininity. The mass silhouette is versatile. While remaining adequate, learning the codes of daywear and eveningwear without a jarring note, this Parisian attitude with an offbeat touch – this unique ability to convey sexiness without overplaying and to offer a timeless wardrobe.

The Maje silhouette has been established over the last 22 years through staple products that our faithful and loyal client base is able to find from any store with updated materials and new details of this season. Our collection features icon products such as the little black dress, the long bohemian dress, the pleated skirt but also leather jackets and accessories thanks to our medallions and charms line, the famous M bag lineand a recent addition with a belt collection to fine-tune the Maje silhouette.

Over the years, Maje has also become the key destination for ceremony outfits, capitalising on style such as a mesh and sequin dresses with matching accessories. Maje is a store to visit for any family, religious or festive event if we ever have some in the coming months and this across generations, triggering a mother and daughter combined shopping experience which is also a very unique feature of Maje. This unique brand feature will be further drilled down as a key lever of elevation and sales potential.

On this first map to sustain desirability, further developing accessories will play a key role completing the silhouette and increasing the transaction values. The language and codes the brand has established through the success of the M Bag line with its key features, the padded handle and the fringes, will be further enriched with seasonal additions.

Footwear will be further developed to complete the silhouette in all function and services day, night, winter styles and sneakers obviously. The success of our lines of medallions and charms has the Maje language enduring, naturally stemming from this ”here and away” DNA that I mentioned earlier will be further developed to enrich the shopping experience with dedicated gift line stores to become a gift destination as well as to enter travel retail locations. M Logic for adult collections as a natural extension of the ready-to-wear sales.

Adjust merchandising strategy to the new normal to increase sell-through

In this context of new normal, our ability to exceed sell-through will be fully linked to our agility which means proposing buy-now wear-now offers in sync with the real seasons. You see on the little chart on the left what you mean by fashion winter and real winter, so really adapting to the reality of the season. This can be achieved by developing multiple drops narrating the brand creativity within the same season tone but also through decomplexifying the offer. A steady decrease towards the stabilisation of our number of SKU to roughly 300 SKUs in ready-to-wear and 115 accessories per season in order to display a more readable collection in stores to increase SKU efficiency of the offer around four collection pillars will detail further that – but my colleagues already well detailed.

This adjusted product architecture will be organised around four pillars; carryover, updated, fashion and capsule and collaboration, each of them playing a distinctive role in the global balance of the collections in terms of pricing, margins, time to market, theme and planning for an optimised efficiency. So you have the carryovers, the iconic brand pieces and product champions, the updated multi-seasonal creativity on icons with updated material and details of the season, traditional fashion creativity in the pure sense of the industry and some injection – it is a very creative narrative beyond calendars.

Those episodic creative injections beyond calendars are there to renew the interest around the brand and triggering attention and engagement from the consumer, and they will be giving a new face to the season.

A history filled with creativity & collaborations to sustain desirability

It's not new in the brand history [inaudible] brand is that of colouration and capsules that have been used by Judith to give a special tone of voice to Maje with collaboration with influencers such as Alexa Chung in 2012 or co-branding with K-Way in 2014. This tradition of audacity will be further sustained.

Accelerate the pace of capsules & inject Collaborations to sustain desirability

This injection will also contribute to trigger rarity, visibility, full-price conversion leading to improve like for like. As an example, we developed last year a capsule with a photography of Slim Aaron. We keep on developing every year a Chinese New Year capsule as an exclusive for the Chinese market, sorry. We develop a Ramadan capsule for our Middle Eastern market and this Christmas we've developed an eco-responsible capsule of underwear and little light pieces with the leftover materials from past collections as gifting opportunities for Christmas in-store. This new rhythm of animation on top of regular calendars brings a new vitality in the shopping experience and new angles of engagement with our client base.

Fine-tuning our pricing strategy to bolster Full price

In our search for increased like for like, fine-tuning our pricing strategy will be carried out driving the opportunities on the market. Core offer playing a central role to engage in cross-sale, entry prices to brief our creativity and attract power spending while we foster loyalty in the IN segment. In this pricing strategy on the left, smarter discount policy using AI tools as well as a professionalised and more tailored offer in outlets will help enlarge our client base.

As an example of price fine-tuning, a competitive benchmark of the industry and accessories shows on the right-side opportunities to higher price points in leather goods, for instance, and entry prices in footwear.

Trigger a holistic & innovative communication strategy

The second lever of our strategy to sustain desirability are marketing and communicative strategies based on a holistic and engaging approach.

Review our marketing model

As mentioned by Daniel during his introductory presentation, doubling our marketing budget to 4% of sales is a key strategic decision, aiming at increasing our brand awareness across geographies with a special emphasis on the Chinese consumer. This meaningful communication effort will be focusing on spreading further and better contouring the brand key features as well as engaging in authentic dialogue, mainly digital, with our existing client base and future audiences.

This review of our marketing business model to total spending of 4% of sales will be achieved through – as you see on the pie on the left – a strong push of marketing spending towards traffic marketing, as you all know the traffic-building medias, online diffusion of our account creation with a digital mindset. Additional spending and retail marketing will also benefit the CRM programmes and the loyalty programmes as well as in-store activation.

The second action consists in designing a marketing roadmap per country including creation of a localised content on top of global content awaiting the same tone of voice as you see, with China as a key driver in the roadmap. You have an example of the main campaign including Chinese meme with the sentence adapted to the Chinese sense of humour and the digital campaign Maje might organise which was a great success in traffic and in-store activation in China.

Reinforce our communication around brand identity

As we are lucky enough to have our founder as an artistic director, we'll keep on strengthening our communication tone of voice around Judith Milgrom to create an emotional bond with our community and generate awareness. You find a good example of the mood, which is a monthly takeover by Judith of our Instagram page around various topics such as styling and shopping tips. Let's look at the video.

Finding our digital tone of voice to engage with our client base and approach – and approach new generations looking for authenticity in the messaging has led us to initiate a campaign of decentralisation of speech. I think, for instance, our store managers talk about the collection or the brand loyal clients instead of a centralised and a little packaged message. Let's look at a video from Francesca, a store manager in Milan.

[VIDEO]

Adopt a digital & authentic approach

This is a key approach for digital on the existing platforms such as Instagram, Facebook and YouTube but also on the new platforms and you know them – you know them all. New platform formats like TikTok or Douyin where content and messaging have to be authentic and specific with formats in constant evolution. Let's look, for instance, at a little format that we did with one of the KOLs that we hired for the life campaign and which is Emily, and she has a very special working life. She's an underwear graphic artist.

[VIDEO]

Okay, this is a little short story that helps us to give more rhythm to our digital expression.

Speak in a relevant way to our Chinese customers

Special focus obviously on our communication policy towards the Chinese consumer where we will be paying extreme attention to foster Asian inclusivity in all communication and production content, whether it's casting Asian models obviously using Asian KOL or Influencers, as well as marketing-specific capsule products for local key events or celebrations we did last year in China.

Last but not least, China is a game field for new and specific digital media formats. We'll keep on designing special content for Asian-native formats doing Weibo live streaming even in-store or new hybrid media such as gamification tools using brand avatars, and Isabelle – my colleague Isabelle already mentioned the use of that very powerful tool for Spring-Summer 21 to be relevant in our messaging.

Towards a seamless and Digitalized customer experience

Let's move to priority number two. Priority number two, as we're entering towards a simulated and digitalised customer experience. As we're entering a new-normal phase – priority number two as we're entering a new normal phase is our ability to offer similar, and further digitalised shopping experience whether in-store or online and that will be crucial.

Offer a new customer experience

You'll find in the slide a gallery of pictures from our newly opened store rue Saint Honoré in Paris which embodies a more authentic version of retail with less of a standardised format. The use of vintage furniture serving of course a sustainability purpose but also a uniqueness in the journey and in the storytelling. At the time we are focusing on the local client will be key to securing like for like growth and increased investment in clienteling tools to enhance customer experience that, including conversion, will be key. Thanks to the implementation of salesforce and the newly implemented Maje loyalty programme that will be further rolled out internationally with local customisation of course after the initial launch in France last spring, we'll be aiming at increasing science commitment to the brand and tracking season after season thoroughly.

Same approach and continuous effort to focus on retail excellence programmes empowering our sales teams, thanks to an extensive programme of e-learning and collection selling techniques, brand DNA and vocabulary. The final shot, the little goodies that we developed for loyal customers according to their profile with the brand.

In parallel we'll keep on developing info-animations and tools to develop and shape the Maje experience and make it unique and memorable. We for instance have developed special care products that we give away to clients for high-ticket item purchases such as leather goods pieces or Kashmir as part of the Maje experience.

Further Boost our Stores' Digitalization to Offer One Client Journey

The same approach for the digital store with the acceleration of the One Journey project. Through our digital logic, we will promote and expand our in-store omnichannel experiences, whether we're talking about tablets in-store, e-Maje, click and collect services, e-reservations and a seamless one-channel approach for which Maje has acted as a pilot starting last spring. On top of this, new client services such as bike deliveries, video shopping, queuing – virtual queuing are being developed as we speak. In parallel, digital projects such as new digital and remote payment methods and terms as well as digital store concepts will be soon tested.

Make our website part of our client journey to increase full price sales

On the online site we'll keep on investing in our website ergonomic and attractiveness with special attention in conversion levers. In order to trigger emotions online, which is not always obvious, we'll mirror a personalised experience online, valuing the consumer, and rewards its loyalty to the brand. Temporary activation such as an advent calendar for instance, as we are reaching December – our personalised gift shop will be developed and targeted according to user profile.

Our solid experience into e-commerce business should lead us to remain a digital pioneer and be among the first ones to implement new technologies and innovation in terms of payment systems, virtual reality, virtual stores, exchanges of retail platforms in order to lower our return rate.

Accelerate digital penetration to reach 25% of sales by 2025

Combining all these efforts and this omnichannel approach, our ambition will be to reach a digital penetration of 25% by 2025 relying mainly on the future growth of our own website including new geographies, but also the outside with our existing partners in brick and mortar such as department store websites and new partners in concession or wholesale models such as Farfetch that Maje is targeting for 2021 and eventually a tactical approach for a pure player that could be relevant for our product categories.

Optimise Retail Efficiency & execution to support growth

Let's move to the third priority. The third priority will be to support our growth which is to optimise retail efficiency and execution.

Improve our retail efficiency and increase profitability

Our profitability per square metre can be optimised through the injection of new technology for RFID to secure and speed up product flows in and out from stores and focus sales teams on the client and other tools helping us to deal with a smarter and lighter promotional message. Buyers, meaning Daigu flows will be dealt with B2B in order to better focus our sales teams on local client bases.

On the supply chain side, the implementation of a demand planning policy which means, you've already heard it several times, to have the right product at the right price at the right time and at the right price. As already stated, earlier this year with important steps taken into more sophisticated store clustering, reduced initial allocation in stores, faster re-order processes as well as more linear flows on carryover products.

Optimize our retail network to revitalize LFL growth

As far as the brick and mortar network is concerned, we keep on streamlining our existing footprint, especially in natural markets to revitalise like for like growth. This encompasses some store relocations and store closures. Part of the strategy will also involve a shift in our asset business models from the pure depreciation network – pure relative network with dedicated production using material buffers which are part of that demand planning policy; dedicated teams, specific marketing calendar addressing a new and untapped audience.

Adopt a tailored expansion approach focused on profitable markets

Retail expansion will continue though in markets showing untapped potential with the main focus of our CapEx over 50% in China obviously that have been emphasised by Daniel. Southeast Asia and countries such as Korea, Australia or Poland will be part of attention for us in terms of retail extensions in direct operations or with partners. In Europe, as you can see on the chart, minor adjustments to the network could be done in countries such as Germany and Portugal. America mainly focuses on maintaining and adjusting the existing network with some opportunities left in Mexico and Central America.

Proactively enter new channels for growth opportunities

We will also use this time to proactively explore new channels for growth opportunities such as travel retail thanks to our focus on accessories and folded pieces, with first initiatives in Q1 2021 in Chinese airports and duty-free malls in town. A project on rental for 2021 using our strengths in ceremony category will be carried out in the US and Europe consisting of different business models, whether it's wholesale with pure players or in white label on our side.

Already launched last year, we will emphasise our initiative and secure our economy by strengthening our existing partnership with the key players of second-hand such as vestiaire collective and potential other partners.

Contribute to sustainable fashion

Let's move to priority number four. Priority number four is to contribute our fair share to the industry of tomorrow and eventually to the wellbeing of the planet. Following the group framework presented by Daniel, Maje has been working along those three Ps of sustainability, meaning, products, planet and people.

Last for the roadmap in terms of sustainability encompasses the whole lifecycle of the product from eco-design conception to the choice of materials with 50% of our materials and even more on leather, cotton, wool, viscose and polyester being sustainable by 2025 and obviously our strategic supplier portfolio fully compliant and CSR certified for the majority of them.

At the end of the lifecycle, defective items will be repeated whenever possible with a global launching of our optimum planning to reduce and produce less.

Concerning the planet reducing our global footprint will be achieved through greener freight choices, of course, closer supplier sourcing, more eco-friendly store conceptions and first approach to circular economy business model as mentioned earlier.

And obviously, this whole roadmap won't be achieved without our teams embracing these new challenges and commitments. We have been extremely involved in our various CSR partnerships, for instance, the whole programme that we did with Médecins sans Frontières to produce – to design, produce and sell Maje and for which we have already gathered more than €50,000 and other charities supporting hospitals and healthcare employees.

Conclusion

As a conclusion, this little planet sums up our strategic approach and what Maje wants to stand for by 2025. A leader in accessible luxury, a committed brand; a world of meaningful and family products and a digitalised and innovative brand, led by Judith's unique creative vision. Thank you for your attention.

Questions and Answers

Celia d'Everlange: Isabelle, we will start the Q&A session before a break of ten minutes. So we will take the questions on the conference call. Do we have a question operator?

Operator: Of course. We do already. Before moving to the first question, I'd like to remind all the participants connected via the audio line that if you'd like to ask a question or make a contribution on today's call, please press star one on your telephone keypad. Please ensure your line remains unmuted locally. You will be advised when to ask your question. So again, that's star one on your keypad.

And the first question comes from the line of Chiara Battistini from JP Morgan. Please go ahead.

Chiara Battistini (JP Morgan): Hello. Thank you very much for taking my questions and thank you for the presentation so far. The first question would be on – on pricing – on the pricing architecture of Sandro and Maje. If you could expand a little bit more on how you see the pricing architecture today and if you see any scope for either price increases or maybe lowering prices in the end price point level. So, how you see that evolving over the next three to five years.

And the second question is on the –

Speaker: First question, and we will go step by step.

Chiara Battistini: Okay, yes.

Speaker: So let's start with the first question. So the question is related to the price activity vector for Maje and Sandro?

Chiara Battistini: Yes.

Speaker: The evolution – how we see the evolution on that. Daniel do you want to take the question or do we –

Daniel Lalonde: Sure, sure. But sorry, maybe Chiara did you have other questions as well? We can note the other questions.

Speaker: We will do that.

Chiara Battistini: Yes. I had another one if that's okay. It's also on both Sandro and Maje. So I'll – so basically if you could share where the share full price is today for Sandro and Maje and how you see – how you see that evolving over the next three to five years if you had explicit targets for the share full price for Sandro and Maje by 2023 or 2025 that you have included in your plan basically. Thank you.

Daniel Lalonde: Okay. Thank you, Chiara. I hope you can hear me okay.

Chiara Battistini: Perfectly, thank you.

Daniel Lalonde: So two questions for Sandro and Maje, and thank you for those because we just – both Isabelle and Isabelle presented their plans. Again, just to repeat the first is on the pricing architecture – the evolution of that in the next five years and the share of full price – full price – the evolution and what we see for 2023 and 2025. So I'll let – I'll let Isabelle and Isabelle answer. Perhaps Isabelle Guichot from Maje maybe take the first question on pricing architecture and maybe Isabelle Allouch you can take the second one on the share full price evolution that we see in the future.

Just on that second question, obviously, we're in a very particular environment today of course as we know affected from the – from the pandemic. So I think it's the right question for the future and clearly the strategy of the group has been, over the past years to decrease our discount rate and to sell more at full price. And we hope that you saw very clearly in all the strategies we presented from Sandro and Maje today or this morning that we have a lot of plans and initiatives going to sell more at full retail. So I'll let Isabelle begin on the first question.

Isabelle Guichot: As I mentioned during my presentation, we don't expect any major – any major change in our pricing strategy. More fine-tuning that we mentioned. We are always very, very – we pay a lot of attention to the competitive benchmark to – not only in France but in all countries, all geographies and we keep on adjusting our offer to make sure that we always have a perfect balance between entry prices, core prices and the higher part of the segment and every time we see an opportunity in one category to adjust we adjust that, but it is very – it's very tactical.

Same story on accessories. I mentioned in my – as an example in my presentation that we still have opportunity for higher price points at Maje in bags and also, we know that in leather goods it's – the full-price sale. It is an easier – it is an easier achievement that's all ready-to-wear and we also saw at the same time that we could have an opportunity in enterprise in footwear. But it's always made – having in – keeping in mind the balance of margin contribution potentially to sell at full price. So it's a delicate exercise. It's a delicate equation, but overall it is stability that we are aiming at.

Daniel Lalonde: Isabelle, did you want to say anything about the target on share full price? Okay, so I think again on the second question which we've answered, the share full price will increase – will increase. It's a good horizon in the mid-term, clearly. We had – we embarked on a very good path in 2019. As we've explained, our discount rate came down. We did less promotional days, etc. etc. And then COVID hit. So it's definitely a key priority for all of the brands and all of the regions to sell more at full price. We also – you know, that's why it's such an important driver in our plans as you've seen so far, is to drive like for like growth and drive brand desirability and that's the name of the game.

The more our brands are desirable, the less we buy, but we buy more, etc. Those are all objectives and investments oriented to drive like for like growth and hence – and that goes with increasing our share at full retail.

Celia d'Everlange: Okay, thank you, Daniel. Chiara, do you have another question?

Chiara Battistini: If I – yes, if I may actually? A very quick one on follow up on the Q3 sales, if I could because it's particularly topical these days, I guess. Any colour you could give on current trading on October. Anything you could give us on the latest trends, please? Thank you.

Celia d'Everlange: Daniel, on current trading?

Daniel Lalonde: Oh, that's always a tough one. It's October. We're almost –

Chiara Battisini: I'm sorry.

Daniel Lalonde: We're almost done. We're almost done October. Listen, I think, Chiara what can I say without Celia getting upset with me because I say a lot often. So, listen, I think, if I look at it very quickly by region without getting too specific. You know, Asia, APAC, China, you know, we still some good things happening from this region. Europe is a little bit more challenged. As you can see and as you know if you look at all the number of cases – the positive cases in a lot of European countries, I'm sure where you're all standing today, it's creating a – you know, a challenging climate I think on COVID that we see in Europe so that's – that's the only thing I would say at this point in time.

Still – you know, the [inaudible] in France and other regions outside of the big capitals I think are still doing better and then in North America, again a couple of factors with the upcoming elections and still some concerns on the high level of cases, etc. I think that the overall environment has not changed very much. So I hope that's helpful. That's what I would say at this point in time.

Celia d'Everlange: Thank you, Daniel.

Chiara Battisini: Thank you.

Celia d'Everlange: Thank you, Chiara. I think that we have another question, operator?

Operator: Yes, we do. Thank you. Of course, thank you. So before moving to the next question, please bear in mind that you may press star one to ask a question. So the next question comes from the line of Kathryn Parker from Jeffries. Please go ahead.

Kathryn Parker (Jeffries): Good morning and thank you for your presentation so far and for taking my question.

So, my first question is on the new countries or markets that you have identified. So I just wondered how these were chosen because there were a couple of surprises, i.e., India and not Japan and if you have maybe a longer-term aim to internalise any of your partners such as South Korea.

And then my second question is just a clarification really. So I think in both the Sandro and the Maje presentations, in terms of the marketing, you showed the percentage of the marketing budget which goes on content creation versus the diffusion and I just wondered if you could explain the diffusion costs in more detail because going forward I see the marketing becomes more digital maybe on Instagram and those costs should actually reduce because you don't have to pay say a magazine for the editorial position. Thank you.

Celia d'Everlange: Yes, thank you, Kathryn. I will maybe repeat the questions because the sound is not perfect. So your first question is related to the new countries. So you've heard it, Daniel. The second is on Korea, and the last one is about how do we spend the 4% for the marketing on diffusion.

Kathryn Parker: Yes, exactly.

Daniel Lalonde: Okay, all right. I'll take the first one then Kathryn. So I'd say a couple of points. First of all, new countries, you saw in one of the charts we've highlighted some of the new countries that we plan to enter in the next – next five years. I'd say again they're more tactical. They're more tactical. It's to complete our distribution of the brands in some of these other markets, but the main investments and the main part of our plan is focused on the potential in existing countries.

These markets – markets – you mention India, for example, and there are a few other ones as well, are market entry and some in Latin America, some in Eastern Europe. Our market entry into those countries will be using our model, which is partnered retail. So we work with local partners who have the – all the brands on an exclusivity basis and who are basically running retail operations just like we do. We have a push model with them so that we – they don't come in by the product necessarily. We push the product based on bestsellers and on the initial launches of product collections just like we would with our directly operated stores. They're really an extension of what we do in directly operated markets. India, we think has potential, again some countries in Latin America, some in Eastern Europe. So these will be tactical entries into new markets but they're not I'd say meaningful part of our growth for the future.

Why not Japan? Japan is not in our plan at this point in time. We know the market well. I have been there many times. We even had McKinsey do a study for us, or Bain, actually, in Japan a while ago. We just want to pick the right time to go into the Japanese market. It may happen over the course of our – of the VP over the next five years. But at this point in time, it's not locked in. I think it's a very exciting market. It's an exciting market for luxury brands. Clearly, on the accessible luxury brands it's still a market that's dominated by local brands in ready-to-wear. And so, we're very mindful and careful about when we will introduce our brands in Japan, but it's not in our strategy for the next five years.

And, sorry, did we have one more part of that question?

Celia d'Everlange: Marketing spend. Can you please repeat the question Kathryn?

Daniel Lalonde: I'm sorry, Kathryn, you had one more question on internalising. I'm sorry, I'm not taking good notes. Internalising some of the partner region markets, that's a good question. That's a very good question. You mention South Korea. We have some, what we call strategic partner regions where we see very good business. We have a meaningful distribution and room to grow. And those are South Korea, Australia, which has been a very successful market for us. I can combine also some countries in Southeast Asia. We also have Russia and the Middle East, which are our biggest partnerships if you will. One day, we don't – again, we didn't market this, or we didn't mention this as a key point in our plan – yes, we, when the time is right, and we think we have the ability and the priority to be able to integrate some of these businesses to move from partner retail to direct operations, yes, we will do that. At this point in time, we have no specific, I guess, plans or announcements to make in the next five years. But, we're pragmatic and if we do feel, as I mention again, that there is an opportunity that we feel comfortable to make the transition to operate directly, we will not hesitate to do so.

Celia d'Everlange: Kathryn, do you have some other questions?

Daniel Lalonde: Yeah, I think there was a question on the marketing.

Celia d'Everlange: Yes, the marketing. Yes, exactly.

Kathryn Parker: Yes. And my second question was on the marketing budget and just how it pivoted to more digital marketing, how that's changed the balance between the content creation versus the diffusion and how the social media diffusion cost of difference, whether it's paying influencers to market the product directly or to existing or, as you are, advertising through maybe online magazines such as Vogue, just a bit more clarity on the marketing strategy.

Isabelle Guichot: Okay. Thank you, Kathryn. So, maybe we will answer that question. I think I will answer for my colleague because we have a very similar approach on that. And I think in our presentation, we did a tie about the fact that we're shifting our budget towards content creation but that will remain in large in the global spending. But all our efforts will be targeted at online diffusion and traffic marketing to trigger engagement and traffic on our site and all the media that are conveying the brand message. We will also keep on partnering with the major, important titles – the Vogues, and other, and Elle, and other key press magazines, feminine press magazines, but more in a digital way now because we are away from print, most of us.

The only, I would say, material support that we keep on using are the outdoor. The print and outdoor are actually very efficient – the subway billboards and other material prints. But for the rest, it will be mainly digital traffic and both digital supports.

Operator, I don't think that we have some other questions. Can you please confirm?

Operator: Of course. No further questions in the queue at the moment.

Celia d'Everlange: Okay, thank you very much. So what I propose is that we start the break now, and we will come back at 11.20. Thank you very much.

Hi again, so we will continue this morning with Claudie Pierlot with Jean-Baptiste again, but he will be there just for the presentation, unfortunately. Jean-Baptiste.

Claudie-Pierlot – Jean-Baptiste Dacquin, CEO

Jean-Baptiste Dacquin: Thank you, Celia. Good morning, everyone. Let's start with a few key dates in Claudie Pierlot's history. If you are not familiar, our brand was borne in 1984. She designed and offers fashion, bucking the trend of her time. Success came quickly. The brand develops and becomes a benchmark in Parisian fashion. In 2009, when she knew she ill, she entrusted her brand to the SMCP Group. Two years later, the brand starts its development in Europe with four stores outside France. In 2014, the brand launched its first real leather goods line and accelerated by internalising its e-commerce. In 2016, the retailer takes her first steps in Asia. And finally, last year the brand launches its ClaudieCares programme and places CSR at the heart of its strategy.

So where is Claudie Pierlot today? The last six years have been marked by exceptional growth. Sales have doubled, international sales have quadrupled, and digital sales have multiplied by a factor of seven. These are exceptional performances. The brand has a style identified by a certain classicism, based on the bourgeois code – elegance and chic.

But, our recent customer surveys have shown that Claudie Pierlot is perceived as too static in terms of style and communication and is facing an ageing clientele. In addition, after rapid and successful development in Europe the brand must prepare to accelerate its international development, especially in China. And finally, the coming world will call for changes to the pattern of consumption and, in particular, a more relaxed and a more approachable fashion.

So, the brand needs now to turn a new chapter in its history. To write this new chapter, we decided to immerse ourselves in the DNA of its founder. Who was Claudie Pierlot? Two characteristics emerge from her history. She broke free from code and progression to live her life as she saw fit. She founded her own businesses and chose not to have children to devote herself to her brand and to the pleasure of life. Everyone who knew her, described her as a genuine free spirit, who travelled a lot, at a time when we travel little. Private memories marked her fashion and her universe. And finally, we see it in this photo, the smile in front of the men's toilet. She liked humour and the situation. She dared to take risk. There was in her what is called in France a form of *folie douce*, a kind of gentle madness.

We started from this DNA to build our ambition with one of the most-beloved brands of women in Europe and China with a mission of freedom as a state of mind. And I will explain how we are going to do it.

To succeed, we have designed four main priorities. First, rejuvenate the brand, to boost its desirability. Make Claudie Pierlot, a resolutely modern and committed brand combines the best of DNVB – Digital Native Vertical Brands - and the strength of a physical network to be a "phygital" brand loved by its customers. And finally, get us in working order to speed up in China. To succeed in this plan, we are controlling our cost and investment. We will be vigilant in being extremely agile. An agility I would characterise by lean organisations, the right use of innovation and technology, and maximum cost efficiency towards perfect and rapid execution.

3-phase plan, strong focus on desirability and Like-for-Like

The last few months have been spent designing our strategy and building the new team. It is done. Two major objectives – desirability and connecting with a powerful like-for-like in this pre-phase time. Next year will be dedicated to showing the change in our communication and in our collections and to cleaning-up our distribution. 2022 will be a year of amplifying our actions on like-for-like with few strategic stores, refurbishments and opening, and acceleration of digital services. The aim is to raise development focussed on key cities in Europe and China starting 2023.

Brand desirability – A new brand platform

To revitalise the brand, we therefore designed a new brand platform. We started by looking back at the DNA of then founder and the free spirit that guided her in the past. Moreover, the insouciance and they joy she talks about in this quote struck us as perfectly in line with the expectations of clients in the world that is coming. We therefore kept the two pillars of the DNA that I shared with you, but by making them part of the modernity of the connected world by turning them towards the younger generations.

We have defined our holistic positioning around one sentence – timeless pieces with a fashion twist inspired by travel an key words – boyish, effortless, timeless, quality, strong details and twist. Our new visual territory will be based on these kind of images – on the move, spontaneous, offbeat and surprising.

On this slide, you can see a summary of our platform with the axes of our communication in the "how", freedom, audacity, escape, sharing, offbeat, and social networks. Second axis of this brand renewal: collections.

Brand desirability – Desirable collections

First, a revitalised style. On the left, the image of a brand which emerged from our customer survey. On the right, the image we now want to show,diversity, modernity and movement. From next season, we are going to implement a "smile" and the movement brought by the new platform. Then we consider that there are too many clothes on the planet, but also too many in our stores. But fewer references are better for desirability, but also better for profitability. We are therefore going to drastically reduce the number of ready-to-wear references from 350 to 250 per season. This will help streamline our offer, concentrate on our creative work, reduce the constraints of our stock and therefore ultimately maximise our sales at full price and reduce our discount. We will also gradually increase the weight of updated products to improve efficiency and profitability. And last, our leather goods have become a must-have for our young customers. We will capitalise on our accessory range as a vehicle for recruiting new customers.

We are redoing our pricing policy to broaden our customer base. We are developing entry prices to compete with the DNVBs and attract the young customers. And at the same time, we are investing in noble materials in very beautiful and more expensive products to strengthen our legitimacy.

A second positive consequence of a reduction in our inventory is the reduction of our residual stocks. This will allow us to change our outlet business model and increase its profitability by gradually pushing our productions to 50% of the volume sold in outlet stores

Brand desirability – marketing strategy

Third axis of desirability, our marketing strategy. Our current client is essentially a working girl, around 40 years old. Without losing it, our main targets will now be as a urban woman, 25 to 45 years old, Gen Z, and the Chinese clients.

We are going to address these new targets with a resolutely digital strategy and with key – four key drivers – influencers and opinion leaders. For each target, we will work regularly with a team of influencers chosen for their community. The goal is to make the brand cool, to develop desirability, and conversions.

Second axis, branding, with qualitative content on social and digital media to win prestige, status, and positioning. Third, local and social marketing. It is about working on proximity while complicitly by setting up modern, Instagram-friendly events with local opinion leaders and with our clients. And finally, fourth axis, the personalised relationship via CRM, customer service, and community management to bring permanent, individualised dialogue and consideration. Each target will be – will first be touched by these four types of actions.

Our investments will be massively oriented towards qualitative digital content. Work that we have started this season by investing in better for the workers – better models, more elaborate tightening. Starting in Spring-Summer '21, we will continue in this direction by also introducing the consistency provided by the new platform. This content will be deployed in 360 degrees across all customer touchpoints.

All these actions will be supported by strong marketing investments representing 4% of sales. This will allow us to gradually improve the quality of our content, but also our level of diffusion, especially digital, to attract and convert new customers. About 20% of these marketing investments will be directed towards the Chinese market to increase brand awareness and desirability.

Become a committed brand

Second priority – become a committed brand. The artists that young generations love are not only the talented one. They are also those who have character, opinions, and a point of view. I am convinced that it's the same programme. They don't buy what we sell, they buy what we believe in, what we stand for.

We have chosen two commitments with sincerity and which we have glued together under the name, ClaudieCares. ClaudieCares, it means Claudie cares about the product and the planet. And Claudie cares about people with our statement, 'Freedom as a state of mind', dedicated to women, inclusion, and diversity.

Regarding the product, we are committed to making 80% of our references are eco-friendly by 2025. As you can see on the curve on the right, in one year, we have gone from 7% to a third of the collection. We are on track to achieve this goal, which is accompanied by an increase in the quality perceived by our customers.

Each season, we've had new commitments such as, for example, the fact that 100% of our labour is now certified. In addition to products, we are working to reduce our impact on the environment, in particular, by promoting clothing costs. Two thirds of our production are carried out in the EuroMed zone or with almost no use of air transport. We are also working to ensure that our new stores and renovations are eco-designed.

Secondly, in connection with our mission, 'Freedom as a state of mind', we subtly, but clearly engaged our brand on contemporary social topics such as gender equality, inclusion, and diversity to engage Gen Z.

Be a competitive, client-centric, and digital brand

Third point – third priority – be a competitive, client-centric, and digital brand. What we want to do is take the best practices of DNVBs and combine them with the strength of a physical network. The ambition is to strengthen the affinity bond between each customer and the brand.

This involves enhancing the training of our teams so that they transition from ambassador of a store to ambassador of our brand by a more inclusive brand posture via all means of contact: CRM, customer service, and community management, and new services to meet new customer needs such as rental or second-hand.

Digital first – we shop as the brand's first showcase. We constantly invest both in the aesthetic of the site, the artistic direction of the images to develop the attractiveness in the ergonomics, and in the traffic and the retargeting to ensure the best conversion. At the same time, we are developing services to guarantee a seamless digital experience for customers, such as ship from store, two-hour delivery, or social shopping.

We are focussing how investment into the physical network and renovations and openings only in key cities. We are cleaning up the network by closing small and unprofitable stores across Europe and China. The objective is to focus on point-of-sale with high potential and high visibility, which are both money makers and billboards for the brand to boost brand awareness and digital sales.

We are developing experiential stores in key cities such as London's Regent Street, where we opened a small, Instagrammable, monochrome cafe. And in 2021, we will launch a new store concept linked to the new brand platform.

International – Focus on China

Last priority – the Chinese market. We are going to relaunch the brand in China via a strategy heavily oriented towards the digital and several flagships focused on Tier One cities. In 2021, we will we close the small, unprofitable shops to refocus our efforts on digital marketing. We will also launch our Claudie Pierlot Rest of Asia e-shop and the virtual 3D stores to serve the entire region.

We will also open a new concept flagship in Shanghai Grand Gateway. The goal is to first increase brand awareness and desirability through a strong digital marketing presence before resuming selective retail development with the next generation in 2023. Considering the investment in content creation and digital diffusion in Asia, around 20% of our marketing budget will be dedicated to supporting desirability in China.

Conclusion

So, to conclude, what will Claudie Pierlot be like in five years? Our goal is to have become a highly desirable brand which has found a powerful like-for-like, is recognised as a committed brand with strong values, is a world real digital brand and, finally, has successfully answered the Chinese market on its way to achieving the next step and building a global one.

Thank you for your attention. And I give the floor to Elina Kousourna, CEO of De Fursac.

De Fursac - Elina Kousourna, CEO

[VIDEO]

Elina Kousourna: Hello, everyone. I hope you enjoyed the video for our Fall-Winter campaign. Let me start this presentation by telling you what De Fursac is, in a nutshell.

First of all, it's a French leader in mind. A local champion, I would say. It offers a unique balance of quality in accessible prices and is the undisputable leader of tailoring in France, a reference since 1973, but has a rapid growing rurban casual segment, a key focus for the future.

It has a very distinctive image built on French elegance and has been very selective in its distribution. We can find De Fursac in around 60 directly operated stores mainly in France. We are leaders in the department stores that are holding us and we offer a very unique customer experience, personalised advice in our stores.

Most importantly, De Fursac has a huge potential to expand internationally, digitally, and to expand its product offerings. In order to see this potential, we have defined four key priorities for the brand and for the years to come – first, invigorates the brand image, second, strengthen our product offering, third, expand the network and the ecommerce, and fourth, reinforce operations.

Invigorate the brand image

Let's start with the first one. As I told you, De Fursac has really built a very pure and clear image over the past years. But it was important to clearly define and sharpen, as Daniel says, the brand platform as we are starting our expansion journey and we will need to introduce ourselves to new markets.

For De Fursac, clothing is a means of expression. It's just one thing among others that allows us to be noticed for who we really are. We prefer to say that we dress men, rather than design clothes.

In this context, De Fursac offers a reasoned French wardrobe – a wardrobe because our offer ranges from urban casual to tailoring entries anywhere; French, not just because of our origins, which are French, but also because our stylistic approach blends exactitude and freedom.

The British sense of geometry and the Italian sense of fluidity – from this blend comes the French style, ours, where *savoir faire* is as important as appearance. Our values and reasons because everything is a matter of balance between comfort, and functionality, and quality, but also a quality and price. Nothing is useless at De Fursac. Every garment has its own *raison d'être*.

Our values are kindness or attentiveness, if you wish. We believe that a man should be agile, free, and confident in his clothing. And comfort is a key concern when we design our clothes. Exactly to the precision, we are committed to constantly deliver quality, to be uncompromising on the beauty of the fabrics we use, and to never offer anything that makes no sense and that is not wearable.

Inclusion – we are mindful about making beautiful clothing available to as many people as possible, animated by the conviction that appearance is not a question of morphology or means.

To sum up, we dress men who stand out for who they are and we offer the panache of French spirit through a timeless style and a focus on quality, noble and authentic fabrics.

In the light of our international expansion, we have defined a new store concept which is an evolution of the current one. It is characterised by simplified forms and minimalistic architectural elements, combined with strong established De Fursac codes such as the navy blue colour and the usage of wood.

This new store concept, which is already present in our first free stand – free store – freestanding store opening in London, engages better with a complete product offering versus the current one, which has a stronger tailoring focus. It interfaces with a store exterior and modernises the customer experience. It will also be greener than the current one.

Our stores, being in premium locations and key communication vectors, we plan to animate in a stronger and more frequent way our windows. De Fursac has historically been quite quiet, in terms of communication, in order to better support our expansion outside France as well as the expansion of our urban casual offering.

We plan a richer and more engaging digital communication. We have thus started creating more material for using social media, notably Instagram, images as well as short videos. We have also started co-creating content with brand ambassadors and influencers who are women, in some cases, and we will engage even more with our community through Q&A sessions, contests, etc.

De Fursac Music, for instance, is an initiative that we started during lockdown where friends of the brand proposed playlists and that we are planning to continue. Here is an example of Conversations of Style, an initiative that we created for our recent entry in the London market.

[VIDEO]

Yeah, the cliché of meeting his wife in Paris was not expected or prepared. But this is typically a way of subtly speaking about the French style and what we represent and creating punch with the countries that we enter.

You can see here some of our Fall-Winter visuals where we have much more urban casual silhouettes, more colour, and more movement, and this will be the way forward, as well as some snapshots of short videos which we typically engage on Instagram.

[VIDEO]

Last but not least, our CSR approach, for which we will also be more vocal in the future. Our approach is sustainable by nature as a timeless style that does not need to be renewed every season. Almost 100% natural materials like wool, cotton, and viscose – high-quality, long-lasting fabrics. Most of our T-shirts come from Vienna in Italy. Kindness and inclusion as our core values. In the coming years, we will further develop certified products. We will ensure a reduced environmental footprint for our stores through our new store concept. We will also work on sustainable packaging. We will also continue an initiative that we started last year to plant trees in France in cooperation with an association. Developing our teams while growing will be one of our key concerns.

Strengthen our product offering

As we said, our roots are in modern tailoring. We are convinced that we have a tremendous potential in the urban casual segment, where we apply the culture of the brand – focus on the quality of the garment, noble fabrics, perfect cut, attention to detail.

The urban casual offering represents today around 100 references and 20-25% of sales, depending on the seasons. As you might know, we already operate with very good results, six urban casual corners in France, of which two opened in the last six months. Those corners offer us a double exposition in a different environment of the department stores without cannibalising our historic corners that carry the full product assortment.

During our three months pop-up in Selfridges, sales were mainly driven by casual offering, confirming their appeal. And our casual categories showed great resilience and even growth during the pandemic. We will thus continue to pursue this opportunity and grow this offer to reach at least 50% of the offering and 40% of sales by the end of the plan.

Outerwear, knitwear, T-shirts, polo shirts as well as more casual shoes are categories that are planned to grow. This assortment will be dropped in stores in a more dynamic way and is more adapted for animations, capsules, and collaborations.

In addition to that, we will reinforce and develop new product categories, especially in accessories. Ties represent today a big part of our textile accessories, but the offering of scarves, hats, and even swimming suits will be reinforced already in the seasons to come.

New categories of shoes are either under development or ready to drop, notably boots and sneakers. We strongly believe that leather goods are a very compatible offer with our positioning, and they represent a great opportunity that we will follow in the coming years.

Expand network & develop e-commerce

But the most important pillar of our future strategy is our expansion plan that has already started. We plan around ten brick and mortar openings per year that will almost double our network in 2025.

In France, we still have some whitespace opportunities that we are planning to pursue as well as some optimisations to operate. But the most important plan of our opening plan in the coming years will be in Europe. UK, and specifically London, will be a key focus for us.

After a very successful pop-up at Selfridges, we opened some weeks ago our first freestanding store in Chelsea in King's Road and others will follow. The picture is taken from this store, by the way, and feature our new store concept.

Switzerland and Luxembourg, where we are already present as well as markets close to the French one, such as Belgium, will be short-term opportunities for us. And Spain, Germany, the Netherlands, and Portugal, the key European countries for the other SMCP brands, are targeted via our expansion plan.

We are convinced of the potential of the brand in Asia and we will pursue China and we will enter China in the midterm. We will, of course, follow the successful SMCP expansion model, a combination of partnerships with key department stores and freestanding store openings.

We will manage the pace in order to remain focussed and to invest in brand awareness in each market we enter. The pace of this expansion plan has been adapted to the COVID reality but has remained unchanged since the acquisition of the brand. Its results will be 30% of sales outside France in 2025.

Digital is another area where De Fursac has room for growth. We target 15% of digital penetration in 2025. Our eCommerce business will expand to support our brick-and-mortar expansion and we also plan for e-partnerships to reach new clients.

Our brand website will be redesigned next year to offer a new look and feel, but also improved navigation and functionalities such as the ergonomy of the mobile version. Having a seamless digital experience as a target, we will take advantage of the SMCP infrastructure in order to progressively offer omnichannel services.

Reinforce operations

Of course, in order to execute on this plan, we need to reinforce operations as well as our organisation. We will selectively migrate to the SMCP IT and Supply Chain platforms and we will take advantage of the SMCP experience concerning CRM and omnichannel services. As initially planned, we will invest in our organisation in order to integrate new skills and accompany growth.

Conclusion

In conclusion, De Fursac aims at bringing the panache of French spirit outside France and reaching 30% of international sales, 50% of urban casual offering, and 15% of digital sales by 2025.

Thank you very much. And I leave it to Célia for the Q&A session – no, sorry, to Philippe.

Célia d'Everlange: Thank you, Elina. So we will continue with the financial profile of the Group with Philippe.

Financial Profile, Philippe Gautier, CFO

Philippe Gautier: Good morning, everyone. After all this very rich discussion in this session, I will focus on sharing with you how the Group will reach its ambition. And Daniel will then conclude with the financial guidance for 2025.

SMCP 5 years track record

Before I do that, I think it's important to come back on what we have achieved so far and what we feel should improve. So you have here the KPIs for '15 to '19. Sales growth has been at 14% between '15 and '19. Growth has been consistent double-digits every single year.

Like-for-like, on average, we generated about 6% over the past five years. This is overall solid, but it includes a slowdown since '19, which is not satisfying, as already mentioned by Daniel. Like-for-like will be a key focus in the next five years. And the ambition of the roadmap that we presented this morning is to revitalise this very important KPI.

Digital has been +41% CAGR. This is a key strength of the company. We have been investing on our digital platforms since '14 and we have today a strong foundation to accelerate and reach the next steps we want journey.

Finally, that adjusted EBITDA with +13% CAGR. It has grown with approximately the same pace as sales growth, even if it was impacted in '19 by strong headwinds in France and Hong Kong.

In parallel, in the same period, we have worked a lot to control our cost and to generate efficiencies. But really, in the current environment, that is and will be volatile.

First, on gross margin, we were at 74.5% in '19. This below the level of '15 as we faced an increasingly promotional market, partially with the yellow-vest period in France and also as a consequence of mixed effects related to the growing contribution of digital. However, gross margin remains very high, probably one of the best among our competitors and even bigger than some luxury players.

Reflecting our global presence. A unique – our unique profile as a retail pure player with a strong control of distribution, meaning we don't share the margin with anybody else. And also efficient store sales strategy, with about 60% of our production in the EuroMed area.

At the same time, we recorded a good control of our store costs despite meaningful investment, including a continued expansion in Asia, which is accretive, but also in Europe, where we opened new stores – mostly freestanding stores – in very prestigious locations such as, for example, we talked about Regent Street today. We are at Paseo de Gracia, , Champs-Élysées.

Then, we also had the rollout of our omnichannel services since 2017. It will create a lot of value in the future as we are considerably improving the customer experience. But this requires also additional investment and cost. All in all, we have been able to absorb an important part of this investment and, more importantly, the impact linked to the slowdown of the like-for-like in 2019.

And finally, on SG&A. I think the chart is quite explicit. We have meaningfully reduced our SG&A ratio while investing, in the same time, to support international and digital growth. This has been achieved through a strict discipline on cost and the rollout of many IT projects that enable us to operate more efficiently.

Before we deep-dive into our journey towards 2025, a couple of comments on the bottom of the P&L. Since the IPO, one of our key priorities has been to optimise our financial costs from a very high level linked to the high-yield bonds we had in our private equity existence to much more comfortable rate of 2.7% in '19.

Thanks to the early redemption of the high-yield bonds in '18 and '19 and the full refinancing of our balance sheet structure, we were able to cut by more than half our interest charge in two years.

On the tax rate, we emerged from the private equity world as we used to record relatively high rates with several one-off effects. Now, our tax rate has reached a much more normalised rate. This is based on the implementation of a robust transfer pricing policy consistently with our international expansion, the recent deductibility of LTIP charges since the launch of our first share buyback programme.

So tax rates in ’19 was particularly low. This included some positive one-offs related to the share buyback programme. However, in the future, our objective is to gradually reach that level alongside the reduction of tax rate in France.

Our journey towards 2025

So what about our journey towards 2025? Our objectives are clear. Revitalising like-for-like, driving efficiency in our business model, changing the allocation of our resources with a strong focus on supporting like-for-like rather than expansion. And then nurturing future growth for an increase of brand investments with a double marketing budget.

Regarding the trajectory of our top line growth. First, APAC will contribute to 50% of the total growth. As you understood, APAC is the priority region in terms of expansion. This is recurring area, the highest. And our track record is very strong both in terms of like-for-like and total growth, so also the most profitable. By 2025, APAC should represent more than 30% to more than France.

Second, digital. This is mostly about organic growth as we have today a large network of digital point of sales across the globe. Here the objective is to grow the existing network capitalising on one journey with notably a 360 knowledge of our clients and the rollout of omnichannel services. By 2025, the objective is to reach 25% of sales penetration against 15% in 2019.

Third, like-for-like contribution. Our roadmap is mostly based on improving like-for-like growth. We expect 50% of contribution to total organic growth compared to ‘15-‘19 period, which was based on two-third of store expansion contribution. This will be the result of all the actions putting in place to continue to grow the desirability of our brands and accelerate digital. But importantly, the adoption of tailored expansion approach leveraging a phygital mindset and the optimisation of inventory management.

The latter is probably one of the most powerful. Demand planning process, global organisation, one journey will ensure to have the right product at the right place and at the right time. It's all about buy less, buy better.

So as said by Isabelle Allouch, "less is more".

Regarding the P&L, here is another view of the main drivers of the margin bridge. First on gross margin, pluses and minuses will lead to a stabilisation compared to '19 based on the following elements. On the positive side, the plan will foster full price sales. The plans will optimise the collections structure and increase the productivity per SKU. You have the implementation of the demand planning which will also contribute to boost like-for-like, optimise inventory and push full price sales. And that the shift to an outlet business model that will bring more profitability.

On the flip side, we expect gradual and slight pricing mark-up adjustment in China. We had a growing contribution of e-commerce, which is slightly more promotional. And you'll also have the ramp up of the sustainability strategy will lead to additional investments in eco-responsibility, responsible products.

Second, on store costs ratio. The Group expects a moderate reduction compared to '19 based on the growing exposure to China, which is the most profitable area. The optimisation of footprint, especially in France, and the continued disciplined management of staff working hours. However, at the same time the roll-out of omnichannel services will continue to have an impact on the cost base.

Finally on SG&A. An important work has been already done over the past years. SMCP will continue to manage costs with a lot of discipline, notably, overhead as well as logistics cost. This will partially absorb the negative impact linked to the increase of marketing spend and IT OpEx. As a result, the Group expects a slight increase in its SG&A ratio.

Moving to cash flow generation. We put a lot of focus on cash generation and we'll expect a gradual increase from 2021 based on three key levers. First, gradual increase of EBITDA. Second, reduction in CapEx from 5-6% historically to 4-4.5% in the plan. And last, the optimisation of working capital, mostly led by the reduction of inventories level, thanks to all the changes that we mentioned this morning. And post the COVID effects, we expect to go back to 15% of sales in working capital by 2023 with the objective to be below 10% in 2025.

To conclude on cash allocation, the key priorities are, first, to continue to invest to nurture future growth. And second, to deleverage the company. That said, we will reduce our CapEx and the percentage of sales consistently with the strategy that will be executed. Expansion CapEx would represent around 40% of total CapEx compared to more than 50% previously.

We will also invest significantly in digital, in infrastructure which represent about 30% for a total CapEx. And talking more about expansion CapEx in the Group, we'll allocate roughly 60% to APAC, the fastest growing area.

Regarding debt, with €605 million of long-term debt, including a five-year term loan of €265 million and five-year RCF of €200 million and €140 million of state guaranteed loan, SMCP has today a very solid capital structure to finance its mid-term strategy.

In addition, the recent negotiation of our covenants brings further financial flexibility to face the current context this year and next year. Overall, the Group expects leverage ratio to be below 2 times at the end of 2023.

So thank you for your attention. And I will now give the floor to Daniel.

Financial Outlook, Daniel Lalonde, CEO

Daniel Lalonde: All right. I'm back. Thank you, Philippe. So I'll just finish up on the financial outlook, which is – which will be very simple. Again, a reminder of our Chapter 4 at SMCP. It's a very exciting chapter. It's a very new chapter as well with a lot of exciting initiatives and a lot of excitement over brand-building on a global basis. Again, brand desirability being first pillar followed by one journey, which is our phygital journey, enriching our business model, agility, speed and efficiencies and putting a focus and a priority on sustainability in everything we do.

So the financial outlook. For 2023 and 2025, we look at sales growth at constant currency. We are guiding and providing an outlook at plus 10% versus 2019. And then from 2023 to 2025, a CAGR of 6%. The adjusted EBIT margin will be circa 10.5% in 2023 and above 12% in 2025. Debt leverage, as Philippe explained earlier, will be at less than 2 times by December 2023.

All of this is supported by things we said all along the presentation and demonstrated our belief, our ambition, our plans, our creativity supported by like-for-like, which would contribute over 50% of total organic growth per year, again, very different than the past. And then in terms of expansion 2020, circa 20 stores.

In 2021, minus 10% to minus 20% DOS net closures. But again, remember, that includes minus 40 to minus 50 DOS in France, primarily Suite 341, and a growth of 30 DOS internationally. And then from 2025 to – 2022 to 2025, a growth in DOS on average of 40 per year from 30 to 50 net openings per year, of which, 50% will be in the APAC region and again primarily in China.

So that's our financial outlook. And I think Célia, this is the time now for the second Q&A.

Questions and Answers

Célia d'Everlange: Yes, Daniel. Thank you very much. So we will start the second Q&A session. Are we connected with the operator?

Operator: Of course. Thank you. So just as a further reminder, please press star one on your telephone keypad if you'd like to ask a question. The next question comes again from the line of Chiara Battistini from JP Morgan. Please go ahead.

Chiara Battistini (JP Morgan): Hi. Thank you for taking my follow-up questions. So few questions for Philippe, if that's okay. Firstly, on the marketing spend and the doubling up on marketing spend, I was just wondering if there is a particular cadence that we should be thinking about? Is it going to all double up next year and then stay stable from next year? And is there elevated levels, or is it going to be more gradual pick up between here and 2023?

Second question is on the gross margin. One of the elements – negative elements to the gross margin over the next three years that you mentioned is investments in sustainability. Could you please expand them that is this for more organic materials or anything else?

And finally, on the use of cash. I was just wondering if you haven't mentioned. Is there any plan for cash returns to shareholders over the next three to five years, or that's not a priority over the medium term? Thank you.

Célia d'Everlange: Thank you, Chiara. So you have three questions for Daniel. First one is about marketing. What's the pace between 2020 and 2025? The second one is about gross margin about the investment on CSR product? And the last one – did you hear the last one?

Daniel Lalonde: I did not.

Célia d'Everlange: Yeah. The question I think is about a plan for share buyback. I'm not sure that I heard share buyback, Chiara.

Chiara Battistini: No, for dividend – rather dividend I was wondering more than buyback.

Célia d'Everlange: Okay, dividend. Okay.

Daniel Lalonde: Dividends. Okay. That's clear. All right, Chiara. Listen, I'll – I can take the first two questions and then perhaps I'll give the last one to Philippe on dividend and how that implies with the PGE loan as well as an implication on our dividend policy.

Marketing spend. So Chiara, this is a plan doubling of marketing spend, which is again as a percentage of sales. We were operating in the past at roughly 2% of marketing and contributions, 2% of sales, which frankly is not significant enough to really drive the like-for-like growth. As you may know, in the luxury space, I think the budgets – the marketing and comm budgets are included.

And I'm talking about digital marketing. I'm talking about traffic marketing, retail, etc., etc. are in the higher single digits up to lower double digits to nourish the brand. We've been operating at 2%. So we've decided as of 2021, so this plan starts next year, 2021, to increase that for the brands on a global basis from, on average, let's say, 2% of sales of 4% of sales.

So to be very clear, it starts in 2021 through to 2025. And it's a big – it's an enabler clearly to do all the wonderful things that the brands presented today in order to execute them on a global basis with priorities on certain regions as you certainly heard from today, but in order to revitalise the like-for-like, which is a good growth and the high quality growth and the most profitable growth. So that's one point.

The second one on gross margins. So as we – as Philippe indicated, I did indicated specifically in the financial outlook, but we will stabilise our gross margin, which is roughly 75%, which is by the way best-in-class. I mean, the 75 % gross margin is higher than most luxury brands today and much higher than accessible luxury brands. So it's a very, very rich gross margins and we have balances, some positive, some negatives in order how it drives the gross margin in the future, but we will stabilise it.

How does sustainability contribute to it? Well, that's a good question. Products are – materials are slightly more expensive. It depends where, but our suppliers – our key suppliers are all making vast inroads into eco-responsible materials. So it's – they've already entering their products that way. And I'd say it's very marginal, very marginal the impact of – as our roadmap goes to higher penetration of sustainable eco-responsible materials. It's marginal. It's more expensive, but it's part – it's certainly part of the journey.

Philippe, can you say some words on the dividends?

Philippe Gautier: Well, so Chiara on the – what we explain is that we will continue to do some share buyback but it's relatively minimal. It's to serve the LTIP programme that we have in place. So we're talking about it could be around 300,000 shares per year. And today, we don't have any dividend plan. As we mention, our priority will be to support the growth and the investment and deleverage the company. So that's our two priorities.

Chiara Battistini: Thank you very much. And Philippe, best of luck for your next job.

Daniel Lalonde: There hasn't been any dividends in the past and it's really not the priority and the strategy. We want to – we invest to keep growing our business.

Célia d'Everlange: Thank you. I think that we have another question.

Operator: Yes, we do. Thank you very much. And the next one comes from the line of David Da Maia from CIC . Please go ahead.

David Da Maia (CM CIC): Hello. Can you hear me?

Célia d'Everlange: Maybe try your question, but the – yeah, the sound is really not great.

David Da Maia: Yeah. Do you hear me? Okay now?

Daniel Lalonde: Go ahead.

David Da Maia: Okay. I'll give a try. So three questions for me please. The first one on France. Can you quantify the impact of the store closure you expect in 2021 in terms of sales and EBIT? Second question on inventories. When do you think your omni stock, unified stock approach will be fully operational worldwide? That is the second one. And the third one on digital. I know 2020 will be – it's a special year, but you will be already not too far from your 2025 target of 25% on my calculations. So are you anticipating a stabilisation or even a slight decrease of this contribution next year, which would imply that we expect to roughly similar growth from digital and brick-and-mortar stores on a much lower comparable basis? Thank you.

Célia d'Everlange: Thank you, David. So Daniel, there are three questions. First on France to quantify the impact of store closures.

Daniel Lalonde: Yeah. I just I'd take the third one if you could clarify for me that would be great.

Célia d'Everlange: The third one is about the trends of digital growth next year. We are almost at the 25% this year because it's a specific year. And the question is, do we anticipate a stabilisation or an increase next year in terms of growth? Not sure that we will guide already for 2021.

Daniel Lalonde: Okay. All right, David. Listen, France, the first one, the first question. The impact of the store closures. Well, the stores that were earmarked for closure again are mainly Suite 341 stores, about 40 of them. Again, they're not on strategy to simply put. And we had decided – I decided to close this concept even prior to COVID. So it's a conscious decision at the end of last year.

They're very small. They're small stores, on average maybe 40 or 50 square metres and in small cities in France. So there's very – there's a very small impact on top line simply because we expect some of these sales on these customers either go to proximity stores or to purchase online simply put. So that's one part.

And I think from a profit perspective, it will be most likely a profit accretive exercise because we have existing fixed cost in some of the stores obviously that are in the proximity stores. And if some of the volume goes to those stores, it should be margin neutral or margin slightly accretive. So that's how we're looking at it. And again, they're very small stores kind of legacy store concept that was built in days prior to the advent of e-commerce and digital.

Second question is more technical. When do we have our unified stock on a worldwide basis? Today, we have it almost in Europe, I'd say probably over the next 12 to 18 months, we'd probably be even rising but we have all our stock in most of the major countries unified. Unified and real time, which is very, very important as well.

And last, digital trajectory. Clearly, if you look at all the brands, our brands as well, the digital penetration this year will be higher on not a normalised basis simply because there were about two or three months of the year where stores were closed. So I think it's not the right number to look at.

The right number is to look at more of the trajectory from 2019 to 2025. And it's not necessarily linear, but it's more that line that you need to drop between 15% in 2019, 25% in 2025 and that's really the – I think the most meaningful path to look at in terms of the increase of our digital penetration.

Célia d'Everlange: Thank you. David, is it okay for you? You have another question?

David Da Maia: I understood. No, it's okay. Thank you.

Célia d'Everlange: Operator, do we have another question?

Operator: Yes, we do. Thank you very much. The next one comes from the line of Geoffroy Michalet from ODDO BHF. Please go ahead.

Geoffroy Michalet (ODDO BHF): Hello, and thank you for taking my question. I just actually had one. The one was on CapEx reduction. If I do my math well, I understand that the CapEx reduction is fully driven by just less store opening in the coming years. Is that a correct assumption so far?

Daniel Lalonde: Yeah. That's right, right, Philippe? Yeah, that's a correct assumption. As you know, the number of new stores in our plan going forward is in the US is almost 50% of what we used to have in the past. So that has an impact. It's the primary impact overall of it. We are investing though clearly more in on a relative basis to fund our plan, our digital ambition, IT ambition as well, which is a key enabler to the plan. So there will be step up investments in that overall envelope on the digital side of our business and the IT infrastructures as well. But more or less, your read is the right one.

Geoffroy Michalet: All right. Maybe a second quick one on the like-for-like. I understand the 6% organic growth will be held for like-for-like from 2023 and onward. Just wanted to know what kind of ramp-up on the like-for-like maybe except for the catch up in 2021, but what kind of like-for-like would you expect in 2022 for instance?

Daniel Lalonde: Yeah. So I'm looking at Célia, who doesn't want me to be very specific on that. I think at this time, I would just stick to what we said today that where we see in the past two-thirds of our growth was space and one-third like-for-like. We expect that balance of 50-50 already beginning next year for example. So it's something that starts early on in the process just like our marketing investments as well, which I mentioned begin again next year.

And then again, I think over the next five years slightly more than 50% of our growth will come from like-for-like.

Geoffroy Michalet: Okay. Thank you. That's clear for me.

Célia d'Everlange: Operator, do we have another question?

Operator: Yes. Thank you. The next one comes from the line of Kathryn Parker from Jefferies. Please go ahead.

Kathryn Parker (Jefferies): Thanks very much. Just two more questions from me. So my first question is where do you see an opportunity for additional M&A, and particularly as COVID has caused a lot of high-quality brands to become distress? And whether you would prioritise the acquisition of an accessories business rather than another ready-to-wear brand? And if you think it would be beneficial in terms of your know-how for accessories within your existing brands? And then my second question is on the digital ambition. And how you see the penetration developing in the different geographical regions? Thanks.

Daniel Lalonde: Okay. Thank you. Maybe repeat, sorry, for me the second question. The first one is clear.

Célia d'Everlange: So the first one is clear. And the second one is about the digital penetration evolution by geography from now to 2025.

Daniel Lalonde: Okay.

Daniel Lalonde: All right. Kathryn, listen, the first question from an M&A perspective, it's not our priority right now. We have a beautiful brand that we just bought last year and we need to grow it, develop it. There's a great plan in place. It's De Fursac.

And in our presentation today the next five years, Chapter 4 for SMCP, it's not the priority on M&A. There's still so many things to do on a global basis for all our brands. That's where we want to put the time and the energy and the investment.

Ask me that question maybe in a couple years, we'll see. We are – but it's certainly not the focus in the next couple of years. Theoretically, you asked a very good question. If we did what would it be? That would make sense. What you said I think makes sense. It would be more brand and accessible luxury on the accessory side. I think to complement and start building another pillar to our business on the path to becoming a global leader. But it's certainly not the priority in the short-term, probably not the mid-term, but after then we can see.

The digital penetration evolution, if I'm correct by region, big picture if I start East Asia China, as I mentioned earlier, I think we definitely see at least the same penetration as we have or expecting on a global basis, i.e., 25%. I think that's where we get to, simply because also our brick-and-mortar stores are very successful. They have quick payback and there's still many areas that were not present in China. So I think that will move quickly, but in line with the overall company.

If I take maybe the last, North America. I do expect that to be in time probably growing slightly faster than may the Group average growth necessarily. And then in Europe, France has always been pretty much in line with the overall Group growth. UK and Germany have been slightly higher. I think that will continue. And Southern Europe I think still will be a challenge. I think it's just structurally the digital penetration is low. We're doing all we can to move with our partners, and our own websites, but I think that still may lag a little bit overall in the next – in the mid-term.

Célia d'Everlange: Daniel. Operator, do we have another question?

Operator: Yes, we do. Thank you. The next one comes from the line of Antoine Belge from HSBC. Please go ahead.

Antoine Belge (HSBC): Yes, hi. It's Antoine at HSBC. Three questions. The first one relates to your two main profitability drivers which at the time of the IPO were online and Asia. It seems that over the years the sort of aggression from online is maybe less obvious than in the past, especially with maybe more promotion online. So could you comment maybe about the profitability metrics of online today and for the sort of outlook of the strategic plan?

My second question is more general. I think we saw at the time of the IPO the idea was that affordable luxury was well positioned versus luxury, and it seems that since luxury has been outperforming massively because I think you mentioned that your brands are not really losing market share. It's more that the market is not growing that much. So maybe a comment on that?

And finally, and if I may, you haven't really spoken about mistakes or things which went wrong in the last couple of years, and of course I'm absolutely convinced that you've been more exposed to the yellow vests and other brands, so that we have COVID situation. So leaving those two aside, where do you think that things could have been done in maybe in a different way? Thank you.

Célia d'Everlange: Thank you, Antoine. So first question is related to the positive impact on margin from China and e commerce and the question of Antoine is:does online still very accretive on margin, or do we see a deceleration on that side due to the promotional market?

The second question is that at the IPO, we said that affordable luxury is well positioned versus luxury. And we can see that now the luxury is outperforming.

Daniel Lalonde: Yeah. Perfect. Thank you, Antoine. I'll ask maybe Philippe to take the first question. I can take the two and three.

Philippe Gautier: Yeah. Hi Antoine. Couple of comments. If we take online only, there is no change in the sense that it continues to be very profitable even if we had – it's a bit more promotional, but we still have high gross margin across the board. And then the cost to – yeah. And the cost to operate are quite reasonable to operate digital, where we had a little bit less profitability in on the store when we had less traffic and obviously it's a bigger impact with the COVID and hence the actions to optimise as well our net footprint in France.

So I would say, yeah, online continues to be very profitable. And then the separation between online and the stores is less and less relevant as we move to phy-gital, makes more sense to look at the combined profitability of online and brick-and-mortar.

Daniel Lalonde: All right. Question two. So that's Antoine about the market overall. It depends. When we did the IPO, I remember the accessible luxury market was more reportedly exciting than luxury and was getting good valuations and bigger growth than luxury. I remember telling that story in 2017 based on very specific data. You go three years later like today and while it's changed, of course, I think you're seeing some strong performance overall as a segment in luxury more than accessible luxury today. So I think it matters. It changes over time clearly. I think that's the first point.

The second one is from a market perspective, it's about the same size as luxury, let's remember that. Accessible luxury market is about the same size as luxury. Will it grow less? Maybe in the next couple of years than luxury, maybe, most likely. But we still see some very interesting things happen in our business as we have a lot of luxury customers that come in our stores. They buy their accessories in luxury and they buy their clothing.

We also see a trend that we worked on with Bain, where a lot of mass, let's say, the fast fashion or mass fashion customers are operating for those special occasions as well. So we'll see some of those customers in our stores as well.

But yeah, I think things have changed in the past three years. The most important thing though I think is to be best-in-class in your segment. That for me is the key driver. So the markets might have tailwinds, headwinds, structurally ones and that will evolve over time. The objective is to be best-in-class in accessible luxury, which I think we are, just like LVMH and maybe Kering and how mass might be in luxury, although it's very, very consolidated industry as you know.

So it's one of most important, more relevant to be best-in-class. In some markets, we're clearly gaining our market share. That's our approach. France, we're gaining market share. Some European countries gaining market share. Asia setting the market, leading the market, creating a bigger pie in Asia. So it depends – it's very different per market.

Now your last question, that's a pretty tough question because I've been, Antoine, overall happy with the performance, our track record over the last years. Probably if I've had to say one thing that a little bit disappointed and it's a big part of our plan going forward is our like-for-like. I think our like-for-like growth has not been where it needs to be in the past years. It was very strong for some periods, '15-'16 very, very strong.

And it's declined in the past couple of years. And that's certainly something that is really important to me, to our team and I hope you saw that today in all the ideas that we've had, all the innovation, all the support, the extra additional investment in marketing, in comm on a global basis, which is digitally based. That's all to – really to address and revitalize like-for-like. I think it's the key metric in any retail-led business, retail/digital phy-gital business. It's the key driver. So that's where I think we probably – I was a little disappointed over the past – the trend in like-for-like over the past years and we're definitely committed to bringing that to very, very healthy levels going forward.

Célia d'Everlange: Okay. Thank you, Daniel. We will take last question, operator?

Operator: Perfect. Thank you. So the last question comes from the line of Geoffroy Michalet from ODDO BHF. Please go ahead.

Geoffroy Michalet: Hello, thank you again for taking the question. It's a perfect transition with the last question from Antoine. On the like-for-like guidance, 50% of the total organic growth, I just want you to know if you could share with us which brand will lead the like-for-like? Will it be Claudie Pierlot and De Fursac or do you have less expectation from different brands or is it all equal? Thank you.

Célia d'Everlange: Thank you, Geoffroy.

Daniel Lalonde: Well, I'm going to challenge all my CEOs of each brands, it's all equal. It's all equal. It's the same importance to the development of all brands, with the slight – I say slight exception to De Fursac, slight. But listen, I'd say regardless each brand needs to get to very comfortable level of like-for-like every month. So equal. And it's super important. And we're – we have the plans and the investments to make that happen. I'm very, very proud of that.

De Fursac, because it's growth path is still space growth because we're just in France. So obviously, it might not have the exact characteristics of 50-50 like-for-like and space growth. It might be a little bit more based on our brands in the past because it's where it is and it's growth trajectory. Sandro and Maje absolutely 50-50 in terms of growth in the future. And Claudie Pierlot, a little about the same because we're making sure that what we've developed in terms of store counts for Claudie Pierlot is working well before going on a big expansion plan.

So I'd say it applies probably only to Sandro, Maje on a global basis and Claudie Pierlot, maybe a little bit less to De Fursac for the next year.

Geoffroy Michalet: All right. Thank you very much.

Célia d'Everlange: Thank you, Daniel. I think that we are at the end of this morning. So maybe it's time to conclude. Daniel?

Daniel Lalonde: All right. Well, I just – it was great not while we don't see you, but it was great to be with you today. I hope it came out okay. We have lot. I hope our make-up was fine and everything else and that we were articulate in our presentations, in our answers.

I want to thank that my team as well for preparing this, because as I mentioned earlier, we tried to do this at the same time navigating COVID and there's some news every day. And at the same time, we've had this big desire to pivot to shape SMCP into the new world and not wait to make that happen.

I hope that came across clearly today that the SMCP of the future is not of the past. There's still some people on [inaudible] of course on the DNA and a lot of things like this. We're in a good position. But we need to pivot and that's what we wanted to show today.

So thank you for the – to the team for putting this together. And I wish – thank you for your attention. And we wish you all a good day. Thank you.

Operator: Thank you for joining today's call. You may now disconnect. Hosts, please stay on the line.

[END OF TRANSCRIPT]