



COMPANY WEBCAST

A EURONEXT COMPANY

SMCP 2022 Q1 Sales

Tuesday, 26th April 2022

SMCP 2022 Q1 Sales

Operator: Hello, and welcome to the SMCP Quarter One Sales Call. My name is Judy, and I'll be your coordinator for today's event. Please note that this call is being recorded, and for the duration of the call, your lines will be in listen-only. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad at any time. If you require technical assistance, please press star zero and you'll be connected to an operator.

I would now like to hand you over to your host, Mathilde Magnan, Head of Investor Relations, to begin today's conference. Thank you.

Mathilde Magnan: Thank you, Judy. Good morning, everyone. This is Mathilde Magnan, Head of Investor Relations speaking. Thanks for being with us today for the publication of SMCP's Q1 Sales. I'm here with Isabelle Guichot, our CEO, and Patricia Huyghues Despointes, CFO. As usual, we will go through the presentation and then we'd have the Q&A session.

Before I hand it over to Isabelle and Patricia, I invite you to go through our usual disclaimer on page two. And I think we can start now.

Isabelle Guichot: Thank you, Mathilde. Good morning, everyone. Thank you all for joining us today. I'll begin with a quick overview of Q1 sales and key initiatives, and Patricia will detail out the performance by region.

So if you turn to slide number four, as you've seen from the press release, we are very happy to announce Q1 sales of +23.7% on an organic basis, driven by like-for-like, thanks to strong local demand. In the first quarter, we achieved reported sales of €283 million, up 26% reported.

Let me share with you some of the key messages from this quarter's performance. First, on a global basis, this strong performance results from our brands' desirability and local demand, (tourism flow remaining low, unfortunately), fully driven by like-for-like at +23.6%.

Americas and EMEA posted an outstanding momentum relying on a very high local demand. Despite a good start to the quarter in APAC with a successful Chinese New Year, our performance was significantly impacted, as everyone knows, by tough COVID restrictions.

Finally, France has outperformed the market with a progressive improvement over the quarter. Our teams continued to be fully committed in the execution of our One Journey strategic plan, leading to a new successful steps including, notably, first a continuation of the full price strategy with a discount rate down by 600 basis points in Q1. Second, the finalisation of our network optimisation in France, then the strong digital penetration reaching 25%, +1,000 basis points versus '19 level.

To conclude, SMCP posted a strong first quarter above our expectations in these non-typical context, with notably low tourism and less promotional sales. APAC was impacted by very high COVID restrictions including lockdowns. Americas and EMEA recorded an outstanding momentum, and France outperformed the market with a progressive improvement over the quarter.

Moving on very quickly to page number five, you will find here the performance by region, mainly driven by Americas and EMEA, as I've just explained, and a breakdown of sales in Q1. Patricia will get back in more detail later in the presentation.

Now on page six, let me present you some relevant brand initiatives implemented during Q1. Starting with the first pillar of our One Journey strategy, brand desirability, and how our three brands operating in China celebrated the Lunar New Year.

Sandro, Maje and Claudie Pierlot created again dedicated New Year capsule collections featuring an exclusive product offer with a strong impact. Our brands have innovated their signature codes with refined elegance and fashionable allure, showcasing a unique vision of French elegance and style.

To celebrate the year of the Tiger, as you all know, and promote our capsules, dedicated contents (images, videos) were produced and displayed across all digital platforms, including social media, e-commerce, and Tmall flagships in China.

To develop these local assets, Maje decided, for instance, itself to collaborate with Estelle Chen, (with more than 700k followers on Weibo) and Sandro with a native Illustrator to design special Tiger family illustration.

These key initiatives demonstrate our strategy to invest in APAC and particularly in China to benefit from our fastest growing region of the Group (in normal circumstances, obviously). Image-wise, it offers an opportunity to boost visibility while preserving rarity. And when it comes to figures, they are an enabler for full price conversion and to improve like-for-like.

Moving on to page seven, where you will see a few innovative and creative collaborations displayed in Q1 by our brands.

Let's start with Sandro. For the last few years, Sandro and Smiley have been annually creating cheerful collaborations together. To mark the 50th anniversary of this pop culture icon, Sandro has designed a unique iteration of their most iconic products. Smiley's mission has been to spread good news and the founding mantra of 'Take the time to smile' which feels more relevant than ever in 2022.

The Spring-Summer '22 Claudie Pierlot – this Spring-Summer '22, Claudie Pierlot has collaborated with the legendary American cap manufacturer, New Era, known for its iconic NY embroidery for over 100 years. The collection features four caps embroidered with the Claudie Pierlot logo and a full-size monogram. To accompany them, three sweatshirts, and two T-shirts complete the silhouette. And the result is very cool outfits, which are elegant at the same time and stand out from the crowd.

Its initiatives add desirability to our collections and enable us to speak to our audiences in a more intimate way, more engaging way, giving the opportunity to surprise and seduce our community and to enhance customer experience. And the results are promising, boosting sales, driving traffic and new consumers.

Now on to page five –on page eight, sorry. Let me show you some highlights of our worldwide disruptive communication. To promote its Spring-Summer Campaign, Maje has decided to deploy a worldwide XXL outdoor plan and in the streets of key cities, including notably a bus campaign in Berlin, displays in Paris, and the fantastic billboard in New York City.

For its Spring-Summer collection called Fly Away, Sandro has done big, organising a 360-degree campaign with a strong social media presence and signalling its entrance into the metaverse, thanks to an immersive overlap reality experience.

Now let's speak about Fursac, which took place in Parisian cinemas to promote its new campaign and has launched its first tram display in Geneva to celebrate the opening of its first store in Switzerland. Gauthier Borsarello, Fursac's Creative Director, brought a new take on his first Spring-Summer Collection with the #FURSACFRIENDS, a very innovative campaign. For this shooting, close friends of the brand mixed pieces from the Fursac collection with their own clothes and the result is outstanding.

These are key ways to engage millennials and Gen-Z through disruptive communication, and also to activate key traffic levers.

Page nine, a very important topic. We wanted to highlight our team's key initiatives on sustainability. Let's start with Sandro: by looking through its archives, the Sandro designed studio wanted to give new life to fabrics from previous collections. Endless Love is a capsule of 100% upcycled pyjamas, made using leftover silk and cotton fabrics. Available in limited edition, on sandro-paris.com, the brand will donate all the profits to the 'Sandro Fund', working for charities and causes that reflect the spirit of the Sandro's family.

As part of the SMCP's commitment to sustainability and our desire to rethink our stores with respect to the environment in terms of constructions and design, with the use of more eco-responsible materials, we're proud to announce that our Maje Chengdu Taikoo Li store has received the highest certification in LEED (Leadership in Energy and Environmental Design), which is a platinum grade. And we're extremely happy about that award.

And then on traceability, as we announced a few months ago, we have signed a partnership with Fairly Made to offer our consumers detailed and transparent information on the traceability of our products. Our teams are fully committed on this very important project. And we're proud to invite you to visit our websites and even our stores to see the first references updated with that QR code.

For all our teams, the notions of environmental and societal commitment have become a daily source of inspiration. These key initiatives, which are in line with our brand's commitments, are the first of a series of action that will be unveiled during '22.

Let's – now on page 10, let's look at some key openings of the quarter.

In EMEA, for instance, Claudie Pierlot opened a new store in Lisbon with an eco-friendly design approach, within a very stunning history building.

As part of Fursac's international expansion, we're happy to announce the opening of Fursac in Antwerp, our second store in Belgium after Brussels opened in June '21, and Geneva so that I just mentioned, where we feel very proud to have opened our first Fursac free standing store in Switzerland. After our openings within the Globus department store (in Geneva and Lausanne), it was natural for Fursac to extend its French wardrobe to a store with a brand's owned unique architectural concept. We're convinced of the potential of Fursac's French style in the Swiss market.

Page 11. Few other openings with our partners, opening of a store of Sandro and also Maje store, which are next to each other in Tallinn, Estonia. It's a new country for the Group.

Page 12, key openings in APAC. As you can see here in the picture, first, an opening in China. The new Sandro store in the famous Nanjing, Hexi Golden Eagle Mall, described as Asia's largest shopping mall. And then in Korea, two new stores – two new malls in Korea at Seoul, Lotte Jamsil and Hyundai Daegu.

Patricia now will get more – back in more detail to this quarter's performance by area. Thank you.

Patricia Huyghues Despointes: Thank you, Isabelle. Good morning, everyone. So moving on to slide 14, let me highlight some key messages on our sales performance by region.

In France, sales at €94 million, grew nearly +23% organic. We noted the progressive improvement over the quarter. Since the beginning of the year, SMCP outperformed the market, thanks to a good start of our Spring-Summer Collections. A performance almost exclusively driven by like-for-like growth at +22%, which includes a sharp reduction in discount rates, down -10 pp, and the finalisation of our network optimisation plan with -13 points of sales, of which -7 Suite 341.

In EMEA, Group sales grew by +73% organic versus '21, exceeding 2019 level for the first time since the beginning of the pandemic, from a significant acceleration over the quarter, driven by local demand. In addition, this strong sales momentum supported by an historical like-for-like growth, includes an impressive -7 pp decrease in the discount rate and a rather stable network base.

Now let's move on to slide 15. In APAC, despite a good start to the year (with a successful Lunar New Year), the intensifying COVID restrictions, first in Hong Kong, and later in mainland China, with lockdowns impacting mobility and traffic, had a significant impact on sales, leading to a -13.9% decrease organic versus '21. This figure takes into account a high comparison base, especially in mainland China.

However, versus 2019, mainland China sales were up +4% organic almost, including growth compared to Q4 '21. The desirability of our brands is still strong in Asia, and especially in China. Over the quarter, SMCP recorded a growth of the digital penetration, +3 points versus last year and a stable network base.

In the Americas, sales grew by more than +44% organic versus '21, an outstanding momentum nearly exclusively driven by like-for-like growth at +42%. We observed a new sharp reduction in discount rate, down -14 pp versus '21. Network is quite stable. The US and Canada both outperformed, driven by high demand across all our distribution channels. The region also recorded a strong growth versus 2019, plus 20% organic for the area, of which plus 25% in the US.

Isabelle Guichot: Thank you, Patricia. Now looking forward, the outlook.

SMCP is closely monitoring the health context in APAC and the impact of the restrictions on the in-store traffic as well as on its supply chain capabilities and remains cautious as the situation in Mainland China can evolve rapidly and new cities could be impacted.

SMCP confirms its financial guidance for '22 provided that the health context in APAC improves fairly rapidly.

As a reminder, for full year '22, SMCP anticipates solid double-digit sales growth versus '21 and mid-single-digit sales growth versus '19. Regarding profitability, the Group expects an adjusted EBIT margin (as a percentage of sales), in line with '21 in a context of significant inflation. SMCP thus anticipates a net debt leverage ratio of <2 times at the end of '22 (instead of end of '23).

Thank you for your attention. We're now happy to take your questions.

Mathilde Magnan: Thank you, Isabelle. Judy, I think that we have one question.

Questions and Answers

Operator: Yes, we do. As a reminder, if you would like to ask a question on today's call, it is star one on your telephone keypad. The first question is coming from the line of Geoffroy Michalet from ODDO BHF. Geoffroy, you're unmuted and may now go ahead.

Geoffroy Michalet (ODDO BHF): Hi, thank you. Congrats for the good set of results so far. A couple of questions from me. First one, it is the first time that you read so much granularity on the like-for-like basis in a quarterly sales publication. Can we expect it to last? And why is the change in the communication? Just to be precise. It is much appreciated.

Second question about China. What is your biggest source of concern? Is it the sales level in China? Or is it the sourcing from there, although we all know that part of your sourcing is from the South of China area?

Third question, how is the beginning of Q2 so far? Can we have an update on the current trading?

And finally, last question. Do we have any updates from the shareholder situation since your full year results on 9th March? Thank you.

Isabelle Guichot: Thank you, Geoffroy. I will take number of two, three, four. And I will leave Patricia the first question on like-for-like.

Current trading in China, as you know, we're closely monitoring in China the impact of the tough restrictions on the internal traffic and supply chain capabilities. As you mentioned, a big part of our sourcing is more in the south of China. But overall, as you know, our logistics is also impacted because our warehouse is in Shanghai. So you got also add some effects on our ability to resupply stores and to also deliver the online sales.

So for Shanghai and the full lockdown since the end of March, including our warehouse, and then Macau also highly impacted in Q1. And we have – as we speak this morning, we have 40-something, so which is one-fourth of our network, which is closed in seven cities. So that's my answer.

On the – that's also – for the other countries as you wanted to have some update on the current trading. Americas and EMEA are still doing a good momentum. It's also the case of the Middle East, where I was a couple of days ago. France is doing very well, driven by the brick and mortar and helped, as you know, by a lower comparison base. And what's also interesting in Europe and that we start feeling a return of European and American tourism flow in Europe, which definitely helps for the coming months. So that's all I can say on the current trading.

And then on the shareholding situation, the only thing that we can say is, as far as we know, GLAS has not initiated any selling process so far, so that there is not much of an update at this point.

Patricia Huyghues Despointes: And on like-for-like, Geoffroy, thank you for your question. As you have seen, like-for-like represents nearly all of the growth of the quarter. So that's a very good thing. You know during the COVID period, when some stores were closed, like-for-like used to not completely reflect the situation. Maybe this is why we have spoken about like-for-like a bit less.

Now we are all convinced that it's a very important KPI, which is important to reactivate in terms of communication. So we take this note that you like it. And yes, we will continue to communicate on that.

Mathilde Magnan: Thank you, Geoffroy. And, Judy, I think we have another question.

Operator: Yes, we do. The next question is coming from the line of Kathryn Parker from Jefferies. Your line is unmuted, and you may now go ahead.

Kathryn Parker (Jefferies): Good morning, everyone. Congratulations on the good results. I have three questions for you. My first question is on the reconfirmation of the financial guidance. So you say in the press release, but you reconfirm provided that the health context improves fairly rapidly in Asia Pacific. And I just wondered what your expectations were for fairly rapidly, whether it's a return to growth in May or in June? And what you're thinking at the moment around that?

My second question is a follow-up question on sourcing. So I believe that you do some sourcing in mainland China for stores in the rest of world. And I wanted to check that you're not anticipating any missing items or delivery delays going forward.

And then my final question is on Americas. So you're obviously showing very strong growth on a store base that has been fairly stable since 2019. And we've heard from other companies in the sector that the growth is much broad based than Americas, so southern states outperforming. And I wondered if you're rethinking your store footprint there. And if you see additional opportunities, given your strong performance in the market, also with the reduced discount rate? Thank you.

Isabelle Guichot: Okay. Maybe, Patricia on the –

Patricia Huyghues Despointes: On the first question.

Isabelle Guichot: On the first question.

Patricia Huyghues Despointes: Yeah. On the first question, so yes, we said that we reconfirm our guidance, provided that the situation improves fairly rapidly. As you know, it's very difficult to have clear visibility about the situation in China, and it may evolve from one day to another, and it does evolve from one day to another in terms of the number of stores closed. So I would say that we hope it will improve in the coming weeks, and hopefully as soon as possible.

Regarding the sourcing in China, yes, it's true that our supply chain teams are directly impacted these days, because they have really to anticipate what's going on in China. But so that we work with kind of events over a few months in that industry. So there is no risk of having

empty stores. You may have some few delays in some SKU arrivals. But in the lack of our collections, this might not be a huge issue. And we are anticipating what can be done to make sure that we mitigate that sourcing risk in China.

Isabelle Guichot: As far as America is concerned, yes, as a lot of our peers and competitors, we will see some opportunities in the southern states of the US. We are presently looking at an opportunity in the cities that are really seeing a boom in their vitality, that might anyway more impact '23 than the present fiscal year.

Kathryn Parker: Thank you.

Mathilde Magnan: Thank you, Kathryn. Judy, I think it was the last question.

Operator: The person has removed their questions from the queue. So I'm just going to remind everyone, it is star one to ask a question on today's call. Okay, the next question is coming from the line of Marie-Line Fort from SG. Your line is unmuted and may now go ahead.

Marie-Line Fort (Société Générale): Good morning. My line is not very good. So I hope you will listen clearly my question. I just would like to know in million euro or in percentage of sales, can we have a measure of the COVID impact in Asia in Q1 2022? And also second questions is –

Isabelle Guichot: I'm sorry, but we can't – we hear one word out of two.

Marie-Line Fort: Yes. Hello. So can we have an idea of the COVID impact in Asia?

Isabelle Guichot: Yes, this one I have.

Patricia Huyghues Despointes: We just didn't hear the – your second question, Marie-Line.

Marie-Line Fort: And the tourist flow in Europe and in Americas can – is it improving? Can you – we see impact as soon as Q2?

Isabelle Guichot: This one I mentioned, yes, we see some tourism flow – intra-European tourism flow coming back in Europe and even American tourism coming back in Europe. So this is something that we expect with the spring-summer season to improve. Yes.

Patricia Huyghues Despointes: And so regarding your first question. In China, the number of days of closing that were very diverse in terms of which stores, because it changed many times during the quarter. The percentage of stores closed over the quarter was very, very in line with the decrease of – the organic decrease of sales versus '21. So this is clearly a direct mechanic link between store closures and things.

Isabelle Guichot: And opening hours reduction too because you have some closures and also some stores which are affected by opening hour reduction.

Patricia Huyghues Despointes: Yeah. Let's say store restrictions.

Isabelle Guichot: Store restrictions.

Mathilde Magnan: Thank you, Marie-Line. Judy, I think it was the latest question.

Operator: That is correct. That was the last question in the queue. So a final reminder, it is star one on your telephone keypad if you would like to ask a question on today's call.

Mathilde Magnan: So I think we're all done with the questions. Thank you very much, and we wish you a nice day.

Isabelle Guichot: Thank you, everyone.

Patricia Huyghues Despointes: Thank you.

Mathilde Magnan: Thank you.

Operator: Thank you everyone for joining us on today's call. You may now disconnect your handsets. Hosts, please stay connected.

[END OF TRANSCRIPT]