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SMCP

Q1 2023 Sales Presentation

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Operator: Hello and welcome to the SMCP 2023 Q1 Results Call. My name is Andrea, and I'll be your coordinator for today's event. Please note, this call is being recorded and for the duration of the call, your lines will be on 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 to register your question. If you require assistance at any point, please press star zero. I will now hand you over to your host, Amelie Dernis, Investor Relations Manager, to begin. Thank you.

Amelie Dernis: Thank you, Andrea. Good morning everyone. This is Amelie Dernis speaking, in charge of Investor Relations. Thanks for being with us today for the publication of SMCP Q1 2023 sales. I'm here with our CEO, Isabelle Guichot, and our CFO, Patricia Huyghues Despointes. As usual, we'll go through the presentation, and then we'll 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, Amelie. Good morning everyone. Thank you all for joining us today. We will first have a look at the key figures of this quarterly sales and share an overview of main business initiatives. Then, Patricia will deep dive in our performance by area, and I will briefly conclude. Let's move on to page four.

On page four, we are happy to announce Q1 sales at the level of €305 at 7% on an organic basis, driven by like-for-like, and growing 8% at constant exchange rates.

Let me share with you some key messages from this quarter's performance.

On a global basis, a strong performance resulting in a solid level of growth with a high basis of comparison. 2022, as you remember, was a record year. Both volume and prices contribute to Q1 growth, volume contributions slightly higher than price. Digital sales progressing at the same pace as brick-and-mortar, which is very good news. And the direct network reached 100,000 square meters, including Australia. That's now a new metrics that we would like to follow. Discount rate continues to decrease as anticipated. It's more marginal than in '22, obviously, and it's mainly driven by digital in Asia due to a higher basis of comparison.

We now move to page five.

You will find, here, performance by region. Patricia will get back into more detail later in the presentation.

By brand, I would like to highlight the robust performance for Sandro with a high-single-digit growth. A solid performance for the other brands division, Claudie Pierlot and Fursac, with a strong double-digit growth. Maje registers a slower start the season, due to a very strong basis of comparison and a collection composed by very summery pieces this year. This should improve as the summer is coming.

Page six, the major pillar of our strategy roadmap. Let's have a look at our main sustainability initiatives.

Let's start with the first pillar, SMCPProduct we continue implementation of our traceability project, and reach now one-third of SKU fully traceable for spring/summer '23 collection, and this will be improving season after season.

Now, let's talk about SMCPPlanet. As far as circular economy is concerned, after a successful launch in France and Germany, Sandro launched rental services in the UK, in collaboration with HURR collective for spring/summer '23 collection. In addition, you know SMCP's commitment to sustainability, also translating the design with the use of more eco-responsible materials. It's not shown in that page, but we are also proud to announce that one of our stores in China, Maje at Hangzhou MixC, has received a GOLD grade of LEED certification, LEED meaning leadership in energy and environmental design.

Regarding the third pillar, SMCPeople, the official launch of the omnichannel sales advisor training took place in Paris on 13th January. Since then, the students have started their training at EMA SUP, and also taken courses on fashion culture at Institut Français de la Mode and masterclass dedicated to the discovery of our Brands. They have also integrated, their point of sales, as in our programmes.

Another point to highlight is the SMCP partnership with Medecins Sans Frontieres to help the victims of the earthquake that devastated Turkey and Syria in February

Finally, the Board of Directors of SMCP decided to create a Sustainability Committee, which will ensure we are following all topics in relation with social and environmental matters. This committee will also oversee the integration of those topics in the implementation of the Group's strategy.

Now, on page seven, let me present you some initiatives in terms of marketing strategies and creative collections to foster our brand's desirability.

Starting with the celebration of the Lunar New Year, Sandro, Maje and Claudie Pierlot have created, once again, a dedicated New Year capsule collection featuring an exclusive product offer. In particular, to celebrate the of the Year of the Rabbit, Maje, and the illustrator of Jihayi Li deep dive into poetic scenes of Chinese mythology and capture some spontaneous moments that occur during the celebration. With her own vision, she created a strong vivid and creative images honoring the Year of the Rabbit, as you can see on the left side with that t-shirt.

Page eight. Now, let's talk about specific initiatives on each of our brands starting with Sandro. You can discover the Sandro unisex pieces, which women can borrow from men's wardrobe to make it their own. Purchasing in the other gender is a more and more common phenomenon, and many customers, especially the young, adopt gender-fluid consumer behaviours. Strengths are positioning in men and women with a timeless approach. This brand is perfectly positioned to seize this opportunity.

Page nine now. To celebrate the month of Ramadan, Maje has released a capsule of colourful, elegant, and delicate dresses. The collection features feminine pieces that can be worn during the day for the evening. Once again, the femininity of Maje and its expertise in ceremony dresses enable the brand to offer a perfect wardrobe for such an occasion. And what is displayed here on that chart is the specific assets that we've developed for the launch of that collection.

Page ten now. Let's move on to Claudie Pierlot.

The story of the brand is first and foremost one of allure, roots and a true Parisian style, as its creator, Claudie Pierlot. This season, the brand has reinvented the wardrobe of a Parisian woman in need of timelessness. A style composed of occasionally updated basics – stripes, dots, blue shades, new workwear, and signature accessories. The perfect expression of the DNA of the brand, as you can clearly understand it from the pictures that are featured on the chart.

Let's move on to Fursac on page 11.

For the second season, as part of the official Paris Menswear Fashion Week, Fursac take up residence at the very famous La Comedie Francaise theatre in January. In line with the brand's strategy, Fursac autumn/winter '23 menswear collection is made of elegance and panache combined with casual pieces.

A few openings now, in the brick-and-mortar network. Moving on to page 12, we can see some openings in Asia, with, at the same time, opening in China (both in tier-one and tier-two cities) and in other areas of the region, for example, in Singapore, where we want to take advantage of the strong dynamism of this market. As you know, from one quarter to another, the seasonality of openings is very different. In the second quarter, the network will continue to grow in this region and we also get back to growth in Europe.

I will leave it now to Patricia to do a deep dive on our regional performances.

Patricia Huyghues Despointes: Thank you, Isabelle.

Good morning, everyone. So, regions now, starting with France, with an excellent performance, this quarter. Sales reached a record level of €106 million, and were up 13%, driven by like-for-like.

The quarter recorded double-digit growth, both on brick-and-mortar and digital, and was sustained at the same time by local customers and tourists. We are all the more satisfied about the performance in France, as the context was quite adverse with several days of demonstrations in many cities, which had a negative impact on traffic in the stores and on opening hours.

In this challenging environment, we over-performed the market trend, and we continue to gain market share, reflecting the work performed on retail excellence and brand desirability. Other brands, Claudie Pierlot and Fursac, benefit from a good momentum and performed very well with strong double-digit growth. Discount strategy is continuing with the discount rate optimisation on digital. And finally, the network is slightly decreasing by four POS, including the closure of the remaining 341 stores, which was expected. So, this format is now officially over.

In EMEA, the Group maintained a very good momentum with robust growth despite the a high basis of comparison. Sales of €89 million were up 7% organic, with a strong retail like-for-like growth of 15% from both brick-and-mortar and digital sales. This performance was driven by the largest markets such as the UAE, Italy, and Spain, and was supported by touristic flows. The significant difference between retail growth and total evolution in EMEA comes from wholesale. As you may remember, we stopped our partnership in Russia, and the last deliveries took place in Jan and early Feb '22, before the start of the war. No deliveries this year, since this partnership is now finished. The average discount rate registered a slight decrease, which

comes from digital, same as in France. And finally, the network is done by seven POS in Q1, excluding the impact of Russia, 40 POS closed by the partner. But POS network is expected to get back to growth during the year.

Moving on to slide 15 now.

In America, we recorded a revenue of €39 million in line with last year, which is quite good, considering the outstanding performance that we had registered in 2022. During the first quarter of '23, sales in the US were resilient with a positive like-for-like growth in brick-and-mortar. Actually, the slightly negative trend for America at minus 3% in Q1 mostly comes from Canada with a slow traffic normalization due to level of tourism, which is low from Asia and rather weak local demand. Finally, the network is down by two POS in Q1, that is expected to grow in the second half of the year.

APAC is getting back to growth at 3% organic with a gradual recovery of the traffic in Mainland China month after month, and a return to growth since March. A good performance in Hong-Kong, Singapore Malaysia Macau, which was supported by a dynamic to tourist flow in the region. Australia and New Zealand are fully integrated in our retail network. The average discount rate decreased by more than four points. It was the only region with an increase in 2022, considering the COVID situation, but now discount is on its way to normalise.

Regarding the network, the region continues to expand with five openings net in the quarter, as explained earlier by Isabelle, to whom I will now hand over, for a few words of conclusion.

Isabelle Guichot: Thank you, Patricia. I won't repeat the main messages of this quarter. In a nutshell, we are satisfied by the resilience of our brands in all our markets. The growth recorded in Q1 enables us to confirm our guidance for the full year. April also shows a good level of growth and especially, of course, in China with a very strong double digit-growth given last year's basis of comparison.

Before we turn to the Q&A, I will answer the question you will all ask me about the shareholder situation.

As you remember, Glass has announced early March, the launch of the sale process for 37% of our share. You may remember that in their statement, they had also announced that it would start with the first phase of a few months to initiate contact on their side on the basis of publically available information. Therefore, it's too early for an update on this operation, and it was totally expected given the timeline they announced. So, no big news today, but we will update the marketing in due course, in case of any significant evolution of this process.

I thank you all for your attention. We'll be happy to share with you our half-year figures at the end of July, and we'll now take your questions.

Questions and Answers

Amelie Dernis: Thanks, Isabelle. Operator, I think we have one question.

Operator: The first question comes from the line of David Da Maia from CIC. Please go ahead.

David Da Maia (CIC): Hi, good morning. Two questions for me, please. The first on China. So, you are mentioning a gradual recovery there, with a return to positive growth in March.

Obviously, considering the lower counts in March, that this sounds quite logical. But in this context, is it fair to assume that trends have also sequentially improved during the quarter compared to 2021 in a two-year stack? And if so, is this trend continuing in April again compared to two years ago?

The second question on shareholding. Can you give us a bit, maybe a bit more detail, on the way the sales process is organised by Glass? What is your level of involvement in this sales process? I mean, are you being consulted by Glass? Thank you.

Isabelle Guichot: First question about China. Yeah, your analysis is absolutely right, and I can confirm that we see a clear evolution of the trend in April. And, you know, if you read the – there was a very interesting article in Women's Wear Daily yesterday about the recovery in China, and they were mentioning that there is studies saying that, you know, the back to '21 levels should happen between first and second semester of the year. And that's clearly what we are seeing. But we can confirm that we see a very clear and gradual recovery of China. I've just come back from China and I toured five cities. So, what we see is a country that is back to normalisation, and it's very clear in the consumption.

It's true, nevertheless, that the growth for funding of luxury companies is mainly driven by a few, big spenders. We have a more mixed clientele. We have mixed spenders. We have also middle-upper-class, which is a slightly more cautious due to the economic outlook than the measures that are expecting from the government. So, we have a mixed clientele. So, the way ourselves are recovering is slightly different from luxury, but it's really on a positive curve.

Patricia Huyghues Despointes: Regarding the process, just like Isabelle explained in the conclusion, Glass is still at the beginning, and the first phase of this process. So, obviously, it's a bit early to comment on that. And, we will probably have more update in the coming weeks and months. But, obviously, too early to say more, today.

Amelie Dernis: Thank you. Do we have another question?

Operator: The next question comes from the line of Geoffroy Michalet from Oddo BHF. Please go ahead.

Geoffroy Michalet (Oddo BHF): Hello. Thank you for taking my question. I have two, and they're on the store network. Two things. First, on America, we see a slight decrease of the network, whereas I had in mind that you would wanted maybe to focus a bit more on America. So, could we expect in the coming quarters, a network going up in the US?

Second thing is on APAC, and the fact that you bought back your Australian and New Zealand stores. Just wanted to know if there were any, cost, be it OPEX or CAPEX, related to that, that we should take into account? Thank you.

Isabelle Guichot: First, on America, you're right, as Patricia mentioned, it's a phasing issue. Yes, we have some openings that are planned in different cities, New York and other regions, especially in the South, on Q3 and Q4. So, that's only phasing on this first part of the year.

Patricia Huyghues Despointes: And your second question, regarding Australia and New Zealand, yes, we brought back the network. The amount of the – the buyback was not disclosed, but it's a very limited investment, corresponding roughly to the net accounting value of the stores and the inventory. So, nothing else specific.

Isabelle Guichot: And also, the CAPEX request for this network will be the same as all our mature markets in the world, which is global maintenance, some reorganisation, a few openings and closing, you know, nothing.

Patricia Huyghues Despointes: It's not a material investment for the Group.

Geoffroy Michalet: Okay. Very clear. Thank you very much.

Amelie Dernis: Thank you. I think we'll take the last question.

Okay. Before we take the next question, just a quick reminder, if you would like to ask a question, please press one on your telephone key now.

Operator: The next question comes from the line of Marie-Line Fort from Société Générale. Please go ahead.

Marie-Line Fort (Société Générale): Yes, good morning. I've got one question on the division "other brands", could you comment, is there any difference between the two brands? And also, on the discount rate, which is significantly down, particularly in Asia, is it a trend that we could extrapolate over the year, or is it some base comps which is making the Q1 particularly variable? Thanks.

Isabelle Guichot: Yes, as you can read in the figure, there was a slight difference in the growth between our two major engines, as I will call them. There is several reasons for that. First one, Maje had an exceptional quarter last year. So, a very high basis of comparison. And it's true that this season being a little summery, probably in its first phase, had a softer beginning versus last year, and that translates into the figure. And Sandro had a very good beginning of the year. So, that's clear, there was a slight difference between our two brands. And you also remember that we did some management changes at Maje, and that the new CEO started last week, and that's also part of our strategy.

And now on the other brand, Fursac and Claudie Pierlot, we're extremely happy because all the work and the energy, and creativity that was injected in the brand now translates into the figures, and that's always very gratifying, I would say.

Marie-Line Fort: And are they performing at the same pace between Fursac and Claudie?

Isabelle Guichot: Yes, it's very homogeneous. Yeah.

Marie-Line Fort: Okay, thanks.

Patricia Huyghues Despointes: Regarding the discount rate in Asia, Marie-Line, as we explained earlier, the decrease is mostly explained by a normalisation of the situation. Since, last year in China, there were quite a lot of the COVID constraints. We could not have the same result in our full price strategy as we did in the other areas. So, as those constraints lasted for the biggest part of the year, 2022, we expect in comparison 2023 in Asia to improve in most of the quarters.

That being said, it's mostly in Asia. But the rest of the world, as we already discussed, we think we are at a level which is quite optimal. So, at the level of the Group, it will result in a marginal improvement with this normalisation of Asia.

Marie-Line Fort: Many thanks. It's very clear.

Amelie Dernis: Thank you. I think we have a last question.

Operator: The next question comes from Gilles Crespel from Alizes. Please go ahead.

Gilles Crespel (Alizes): Yes. Good morning, Patricia. Good morning, Isabelle. I'm sorry, the line was pretty bad, so I didn't hear very clearly the full comment on the China point. Could you come back, please, on the last quarter in APAC, commenting on the way these stores have been reopening, and what the traffic has been against last year, and possibly quarter-on-quarter? So, for APAC, how the metrics for the last quarter have been against last quarter and last year? Thank you very much.

Patricia Huyghues Despointes: Okay. Thank you, Gilles, for your question. Sorry, you couldn't hear the comments. Basically, the idea was that the traffic improved month after month. So, you know that, in December, it was probably a low point, due to the loss of cases that there were in China at the reopening. So, December was a low point. January was a bit better. February was better than January, and March was better than Feb. So, we can say, I don't have the exact figure in mind, but we can say that from minus 30-35%, we went to a minus 10-15%. So, it's really improving. It's not exactly back to pre-COVID. But now, it's not far.

Isabelle Guichot: And as I mentioned in my comment, I would say that, our clientele is much more mixed than the one from high luxury. So, we have a mix of big spenders, obviously, but also middle-upper-class that is still a little cautious about the challenging economic outlook. And I think that that's important to mention.

The big thing that we would be carefully watching in the coming weeks are the Labour Day festival. So, it's a first week of May, which is important shopping around Group for all China, and also the Dragon Boat Festival, which is in June. So, we have two major events coming, in the coming months that should, I would say pimp, the Chinese scenario. I said I was just coming back from China last week, and I did five cities all around China, so have a pretty clear view of how much the recovery is there. It's a steady recovery, and we see the country are on a normalisation path.

Amelie Dernis: Thank you, Isabelle. So, I think we are done with the questions now. I wish you a very good day.

Isabelle Guichot: Thank you.

Patricia Huyghues Despointes: Thank you.

Operator: Thank you for joining today's conference call.