SMCP

sandro · maje · claudie pierlot · fursac




Full-year 2023 Results

Press release - Paris, February 28th, 2024

Good sales resilience; profitability impacted by inflationary environment
Acceleration in 2024 of action plan to boost growth and profitability

- FY 2023 Sales at €1,231m, a progression of +4% at constant exchange rates (+3% on an organic[1] basis) vs. 2022, which was a high basis of comparison
- Growth driven by APAC despite a lower-than-expected sales trend in China. Good resilience in the Americas, with a sequential improvement of the second half. Europe, and France in particular, impacted by the slowdown in demand, which progressively intensified throughout the year
- Q4 sales at €326m, in line with 2022 at constant exchange rates (-1% on an organic[1] basis)
- Store network expansion with 47 net openings in 2023 to reach 1,730 POS
- Adjusted EBIT improvement in H2 to reach €79.5m (6.5% of sales) in full-year
- Net profit of €11m, €37m excluding non-recurring impacts (non-cash)
- Improvement of cash generation in H2 (€23m); net debt reduction vs 2022
- Major achievements in ESG ratings: Sustainalytics score improvement, CDP A- (from B in 2022) and validation of carbon footprint strategy by SBTi
- Acceleration in 2024 of mid-term action plan through 4 key priorities:
  - Reignite growth and gain market shares
  - Mitigate risk across geographies
  - Improve efficiency
  - Protect profit, cash and liquidity

[1] *Organic growth | All references in this document to the "organic sales performance" refer to the performance of the Group at constant currency and scope*

Commenting on those results, Isabelle Guichot, CEO of SMCP, stated: "*In a deteriorating macroeconomic environment marked by a slowdown in consumption and high inflation, SMCP achieved double-digit growth in Asia and resilient sales in Europe and the United States. Although the Group's profitability has been impacted and despite an improvement in the second half of the year, we have been able to preserve the company's financial strength. A similar trend is expected for 2024, at least in the first half of the year. We have therefore decided to accelerate our action plan to revive our profitable growth momentum. We will particularly intensify our efforts to enhance the desirability of our brands and in digital, optimize our store network across various regions and deeper delve into cost management, while maintaining our focus on profitability and cash generation. We expect to see the first benefits of this plan by 2024, with further acceleration from 2025 onwards.*"

€m except %	**Q4 2022**	**Q4 2023**	**Organic change**	**Reported change**	**FY 2022**	**FY 2023**	**Organic change**	**Reported change**
Sales by region								
France	119.8	111.7	-6.7%	-6.7%	413.6	413.2	-0.1%	-0.1%
EMEA ex. France	105.0	103.2	-2.0%	-1.7%	377.0	388.8	+3.2%	+3.1%
America	52.2	50.4	+1.3%	-3.5%	184.3	173.4	-3.0%	-6.0%
Asia Pacific	55.0	60.5	+11.3%	+10.0%	230.9	255.2	+12.5%	+10.6%
Sandro	165.0	162.6	-0.4%	-1.5%	582.0	601.4	+4.2%	+3.3%
Maje	123.6	121.6	-0.6%	-1.6%	467.4	462.5	+0.0%	-1.1%
Other brands [1]	43.4	41.6	-4.4%	-4.2%	156.4	166.6	+6.5%	+6.5%
TOTAL	**332.0**	**325.8**	**-1.0%**	**-1.9%**	**1,205.8**	**1,230.5**	**+2.9%**	**+2.1%**

[1] *Claudie Pierlot and Fursac brands*

SALES BREAKDOWN BY REGION

In **France**, sales reached €413m, stable in organic vs 2022 which was a high basis of comparison. The second semester was impacted by traffic slowdown, especially in December, due to the persistent inflation which affected consumer purchasing power. Sandro and the "Other brands" showed a positive annual performance. Digital sales also performed well.
The network is growing with 12 net POS openings in 2023.

In **EMEA,** sales reached €389m, an organic increase of +3% compared to 2022, driven by like-for-like network, despite a high basis of comparison. After a good performance in the first semester (+9%), the second semester was impacted by inflation and demand slowdown. However, several European countries performed well (Germany, Spain and Middle East), while the year was tougher in the UK and in Switzerland due to low tourism flow.
The network remains nearly stable with one net POS opening in 2023. The openings offset the definitive closure of the POS of the former partner in Russia.

In **America**, after two years in a row of outstanding performance, sales reached €173m, and recorded a slight organic decrease of 3% compared to 2022. The trend sequentially improved during the second semester with a positive organic growth in Q4. US sales remained resilient, and Canada returned to growth in Q4.
The network increased by 17 net POS openings in 2023.

In **APAC**, sales reached €255m, +13% organic vs 2022. Except for Korea and Taiwan, all the markets are progressing. Greater China sales signed a double-digit growth vs 2022. The rest of the region benefited from a good performance in Hong-Kong, Macau, Singapore, and Malaysia, and from the internalization of Australia & New-Zealand network.
The network increased by 17 net POS openings in 2023.

Unless stated otherwise, all figures used to analyze the performance are disclosed by taking into account the impact of the application of IFRS 16.

KEY FIGURES (€m)	2022	2023	*Change as reported*
Sales	1,205.8	1,230.5	+2.1%
Adjusted EBITDA	266.6	236.4	*-11.3%*
Adjusted EBIT	110.5	79.5	*-28.0%*
Net Income Group Share	51.3	11.2	*-78.2%*
EPS [1] (€)	0.68	0.15	*-78.2%*
Diluted EPS [2] (€)	0.65	0.14	*-77.9%*
FCF	34.3	14.4	*-57.9%*

2023 CONSOLIDATED RESULTS

Adjusted EBITDA reached €236m in 2023 (adjusted EBITDA margin of 19% of sales), compared with €267m in 2022.

Management gross margin (73.8%, -0.7pp vs 2022) remained at a high level with an improvement in H2 (74.4% in H2 vs 73.1% in H1) due to a very strict full-price strategy. The average in-season discount rate remains nearly stable vs 2022, despite a challenging and very promotional environment in several markets.
Total **Opex** (store costs [3] and general and administrative expenses) have been impacted by inflation specially on rents and staff costs in stores and HQ. This increase has been controlled in particular in the second semester (vs 2022: +10% in H1 vs +3% in H2) resulting from savings plan implemented.

Depreciation, amortization, and provisions remained nearly stable at -€157m in 2023, vs -€156m in 2022. Excluding IFRS 16, depreciation and amortization represented 3.8% of sales in 2023, nearly stable vs 2022 (4.1% in 2022).

As a result, **adjusted EBIT** reached €79.5m in 2023 compared with €111m in 2022. The adjusted EBIT margin is 6.5% in 2023 (9.2% in 2022).

Other non-current expenses reached -€26m, increasing vs 2022 (-€12m), including impairment of stores and goodwill (with no impact on cash).

Financial expenses are increasing at -€28m in 2023 (vs -€24m in 2022) due to the increase in interest rates.

With an income tax expense at -€11m in 2023 (vs -€17m in 2022), **Net income - Group share** remains positive at €11m (€51m in 2022).
Excluding the non-cash impairment effect, the net income stands at €37m.

[1] *Net Income Group Share divided by the average number of ordinary shares as of December 31st, 2023, minus existing treasury shares held by the Group.*
[2] *Net Income Group Share divided by the average number of common shares as of December 31st, 2023, minus the treasury shares held by the company, plus the common shares that may be issued in the future. This includes the conversion of the Class G preferred shares and the performance bonus shares – LTIP which are prorated according to the performance criteria reached as of December 31st, 2023.*
[3] *Excluding IFRS 16*

2023 BALANCE SHEET AND NET FINANCIAL DEBT

The Group maintained a strict control over its inventories and investments during the year. Inventories went down from €292m year-end 2022 to €282m as of December 31st, 2023.

Capex increased as a percentage of sales, representing 4.5% of sales in 2023, compared with 3.7% in FY 2022.

Net financial debt stands at €286m as of December 31st, 2023, vs €293M on December 31st, 2022, and €306m on June 30th, 2023.
The net debt/EBITDA ratio is at 2.55x. The slight gap with the contract level of 2.50x has been waived by the pool of banks.
As a reminder, the maturity of the main lines of financing (including the revolving credit facility) has been renegotiated and extended to 2026 and 2027 depending on the lines, confirming SMCP's financial flexibility.

CONCLUSION AND OUTLOOK

After 2023 was impacted by a challenging macroeconomic environment, 2024 should see a similar trend, especially in the first half of the year. Given the lack of visibility on the timing of the turnaround in consumer demand, the Group will not provide financial guidance for 2024. The management team is fully committed to accelerating its action plan to foster growth through new development opportunities and to protect profitability through significant savings. The action plan is articulated around four key priorities:

1. **Reignite growth and gain market share** by working on brand desirability, maintaining brand relevance, and positioning, and maximizing the product offer. To this end, the Group will seize new digital opportunities and enhance its business model with new opportunities of development

2. **Mitigate risk across geographies**
    - Review systematically the existing network by closing the less contributive points of sales (in particular 15% of China network) to improve retail productivity
    - Accelerate opportunities with partners, such as Middle East and Latin America
    - Challenge operations in low contributive countries (mutualization, externalization and/or closing)

3. **Improve efficiency** with more agility in the way we execute projects, as well as through a strict inventory management

4. **Continue to protect profits, cash and liquidity by**
    - Shifting savings from a one-off to a recurrent approach
    - prioritizing the most productive investments
    - and adjusting the organization to optimize smaller brands

The initial benefits are expected in 2024 with full effect from 2025 onwards. Management will provide an update on mid-term plan during next publication (end of April).

OTHER INFORMATION

The Board of Directors held a meeting today and approved the consolidated accounts for the year of 2023. The review procedures have been carried out by the statutory auditors and the related report is being issued.

FINANCIAL CALENDAR

April 25, 2024 – 2024 Q1 Sales publication

A conference call with investors and analysts will be held today by CEO Isabelle Guichot and CFO Patricia Huyghues Despointes, from 6:00 p.m. (Paris time). Related slides will also be available on the website (www.smcp.com), in the Finance section.

FINANCIAL INDICATORS NOT DEFINED IN IFRS

The Group uses certain key financial and non-financial measures to analyze the performance of its business. The principal performance indicators used include the number of its points of sale, like-for-like sales growth, Adjusted EBITDA and Adjusted EBITDA margin, Adjusted EBIT and Adjusted EBIT margin.

Number of points of sale

The number of the Group's points of sale comprises total retail points of sale open at the relevant date, which includes (i) directly-operated stores, including free-standing stores, concessions in department stores, affiliate-operated stores, factory outlets and online stores, and (ii) partnered retail points of sale.

Organic sales growth

Organic sales growth refers to the performance of the Group at constant currency and scope, i.e. excluding the acquisition of Fursac.

Like-for-like sales growth

Like-for-like sales growth corresponds to retail sales from directly operated points of sale on a like-for-like basis in a given period compared with the same period in the previous year, expressed as a percentage change between the two periods. Like-for-like points of sale for a given period include all of the Group's points of sale that were open at the beginning of the previous period and exclude points of sale closed during the period, including points of sale closed for renovation for more than one month, as well as points of sale that changed their activity (for example, Sandro points of sale changing from Sandro Femme to Sandro Homme or to a mixed Sandro Femme and Sandro Homme store).
Like-for-like sales growth percentage is presented at constant exchange rates (sales for year N and year N-1 in foreign currencies are converted at the average N-1 rate, as presented in the annexes to the Group's consolidated financial statements as of December 31 for the year N in question).

Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA is defined by the Group as operating income before depreciation, amortization, provisions, and charges related to share-based long-term incentive plans (LTIP). Consequently, Adjusted EBITDA corresponds to EBITDA before charges related to LTIP.
Adjusted EBITDA is not a standardized accounting measure that meets a single generally accepted definition. It must not be considered as a substitute for operating income, net income, cash flow from operating activities, or as a measure of liquidity.
Adjusted EBITDA margin corresponds to adjusted EBITDA divided by net sales.

Adjusted EBIT and adjusted EBIT margin

Adjusted EBIT is defined by the Group as earning before interests, taxes, and charges related to share-based long-term incentive plans (LTIP). Consequently, Adjusted EBIT corresponds to EBIT before charges related to LTIP.
Adjusted EBIT margin corresponds to Adjusted EBIT divided by net sales.

Management Gross margin

Management gross margin corresponds to the sales after deducting rebates and cost of sales only. The accounting gross margin (as appearing in the accounts) corresponds to the sales after deducting the rebates, the cost of sales and the commissions paid to the department stores and affiliates.

Retail Margin

Retail margin corresponds to the management gross margin after taking into account the points of sale's direct expenses such as rent, personnel costs, commissions paid to the department stores and other operating costs. The table below summarizes the reconciliation of the management gross margin and the retail margin with the accounting gross margin as included in the Group's financial statements for the following periods:

(€m) – excluding IFRS 16	**2022**	**2023**
Gross margin (as appearing in the accounts)	**769.2**	**775.2**
Readjustment of the commissions and other adjustments	128.3	135.2
Management Gross margin	**897.5**	**907,9**
Direct costs of point of sales	-514.5	-552.0
Retail margin	**383.0**	**355.9**

Net financial debt

Net financial debt represents the net financial debt portion bearing interest. It corresponds to current and non-current financial debt, net of cash and cash equivalents and net of current bank overdrafts.

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METHODOLOGY NOTE

Unless otherwise indicated, amounts are expressed in millions of euros and rounded to the first digit after the decimal point. In general, figures presented in this press release are rounded to the nearest full unit. As a result, the sum of rounded amounts may show non-material differences with the total as reported. Note that ratios and differences are calculated based on underlying amounts and not based on rounded amounts.

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DISCLAIMER: FORWARD-LOOKING STATEMENTS

APPENDICES

Breakdown of DOS

Number of DOS	2022	Q1-23	Q2-23	Q3-23	2023	Q4-23 variation	annual variation
By region							
France	460	456	463	463	472	+9	+12
EMEA	395	391	399	401	409	+8	+14
America	166	164	167	171	176	+5	+10
APAC	259	305	301	314	316	+2	+57*
By brand							
Sandro	551	569	575	583	591	+8	+40
Maje	457	476	477	485	490	+5	+33
Claudie Pierlot	201	203	206	206	210	+4	+9
Suite 341	2	-	-	-	-	-	-2
Fursac	69	68	72	75	82	+7	+13
Total DOS	**1,280**	**1,316**	**1,330**	**1,349**	**1,373**	**+24**	**+93***

Breakdown of POS

Number of POS	2022	Q1-23	Q2-23	Q3-23	2023	Q4-23 variation	annual variation
By region							
France	461	457	464	464	473	+9	+12
EMEA	552	505	520	540	553	+13	+1
America	198	196	200	209	215	+6	+17
APAC	472	477	474	491	489	-2	+17
By brand							
Sandro	752	733	744	765	775	+10	+23
Maje	627	611	615	633	640	+7	+13
Claudie Pierlot	233	223	227	231	233	+2	-
Suite 341	2	-	-	-	-	-	-2
Fursac	69	68	72	75	82	+7	+13
Total POS	**1,683**	**1,635**	**1,658**	**1,704**	**1,730**	**+26**	**+47**
o/w Partners POS	**403**	***319***	**328**	***355***	***357***	**+2**	**-46***

** Including the stores operated in Retail in Australia and New Zealand from January 2023.*

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT (€m)	2022	2023
Sales	**1 205.8**	**1 230.5**
Adjusted EBITDA	266.6	236.4
D&A	-156.1	-156.9
Adjusted EBIT	**110.5**	**79.5**
Allocation of LTIP	-5.6	-3.0
EBIT	**104.9**	**76.5**
Other non-recurring income and expenses	-12.4	-25.9
Operating profit	**92.5**	**50.5**
Financial result	-23.8	-27.9
Profit before tax	**68.7**	**22.6**
Income tax	-17.4	-11.4
Net income - Group share	**51.3**	**11.2**

BALANCE SHEET - ASSETS (€m)	2022	2023
Goodwill	626.3	626.7
Trademarks, other intangible & right-of-use assets	1 128.5	1 120.4
Property, plant and equipment	82.5	83.1
Non-current financial assets	18.7	18.5
Deferred tax assets	35.7	32.0
Non-current assets	**1 891.7**	**1 880.7**
Inventories and work in progress	291.6	281.8
Accounts receivables	62.9	68.2
Other receivables	61.4	69.2
Cash and cash equivalents	73.3	50.9
Current assets	**489.2**	**470.1**
Total assets	**2 380.9**	**2 350.8**

BALANCE SHEET - EQUITY & LIABILITIES (€m)	2022	2023
Total Equity	**1 172.1**	**1 180.1**
Non-current lease liabilities	302.9	305.7
Non-current financial debt	261.9	223.5
Other financial liabilities	0.1	0.1
Provisions and other non-current liabilities	0.7	0.7
Net employee defined benefit liabilities	4.2	4.9
Deferred tax liabilities	169.2	166.9
Non-current liabilities	**739.0**	**701.8**
Trade and other payables	171.8	161.9
Current lease liabilities	100.0	106.6
Bank overdrafts and short-term financial borrowings and debt	104.2	113.6
Short-term provisions	1.6	1.3
Other current liabilities	92.2	85.5
Current liabilities	**469.8**	**468.9**
Total Equity & Liabilities	**2 380.9**	**2 350.8**

NET FINANCIAL DEBT (€m)	2022	2023
Non-current financial debt & other financial liabilities	-262.0	-223.6
Bank overdrafts and short-term financial liability	-104.2	-113.6
Cash and cash equivalents	73.3	50.9
Net financial debt	**-292.9**	**-286.3**
adjusted EBITDA (excl. IFRS) – 12 months	*151.3*	*112.4*
Net financial debt / adjusted EBITDA	**1,9x**	**2.5X**

CASH FLOW STATEMENT (€m)	2022	2023
Adjusted EBIT	110.5	79.5
D&A	156.1	156.9
Changes in working capital	-45.4	-3.7
Income tax expense	-12.2	-16.9
Net cash flow from operating activities	**208.9**	**215.8**
Capital expenditure	-44.5	-55.6
Others	-	-6.1
Net cash flow from investing activities	**-44.5**	**-61.7**
Treasury shares purchase program	-7.4	-2.4
Change in short-term borrowings and debt	-85.0	-43.6
Net interests paid	-9.9	-16.3
Other financial income and expenses	0.5	-0.8
Reimbursement of rent lease	-120.9	-128.2
Net cash flow from financing activities	**-222.7**	**-191.3**
Net foreign exchange difference	0.2	-0.5
Change in net cash	**-58.1**	**-37.7**

FCF (€m)	2022	2023
Adjusted EBIT	110.5	79.5
D&A	156.1	156.9
Change in working capital	-45.4	-3.7
Income tax	-12.2	-16.9
Net cash flow from operating activities	**208.9**	**215.8**
Capital expenditure (operating and financial)	-44.5	-55.6
Reimbursement of rent lease	-120.9	-128.2
Interest & Other financial	-9.4	-17.1
Other & FX	0.2	-0.5
Free cash-flow	**34.3**	**14.4**

ABOUT SMCP

SMCP is a global leader in the accessible luxury market with four unique Parisian brands: Sandro, Maje, Claudie Pierlot and Fursac. Present in 47 countries, the Group comprises a network of over 1,600 stores globally and a strong digital presence in all its key markets. Evelyne Chetrite and Judith Milgrom founded Sandro and Maje in Paris, in 1984 and 1998 respectively, and continue to provide creative direction for the brands. Claudie Pierlot and Fursac were respectively acquired by SMCP in 2009 and 2019. SMCP is listed on the Euronext Paris regulated market (compartment A, ISIN Code FR0013214145, ticker: SMCP).

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