

Mulberry

Interim Report and Accounts

FOR THE TWENTY SIX WEEKS ENDED 25 SEPTEMBER 2021

Mulberry Interim Report and Accounts

26 weeks ended 25 September 2021

FINANCIAL HIGHLIGHTS

- Group revenue increased 34% to £65.7m (2020: £48.9m)
- Profit before tax of £10.2m (2020: loss before tax £2.4m) includes a one-off profit on disposal of Paris lease of £5.7m
- Gross margin of 69% (2020: 59%) due to a strategic focus on full price sales and increased volume efficiencies
- UK retail sales increased 36% to £38.0m (2020: £28.0m)
- China retail sales increased 38%, which contributed to the 23% increase in Asia Pacific retail sales to £11.8m (2020: £9.5m), reflecting ongoing investment in the region
- US retail sales increased 57% to £3.3m (2020: £2.1m)
- International retail sales represented 40% of Group revenue (2020: 41%)
- Franchise and wholesale sales increased 67% to £10.1m (2020: £6.0m)
- Strong period end net cash of £30.3m (2020: £8.6m) and deferred liabilities of £5.0m (2020: £4.6m)

OPERATING HIGHLIGHTS

- Business and infrastructure responded well to increased demand following easing of COVID-19 restrictions
- Digital sales 29% of Group revenue in the period, lower than last year when stores were closed, but up from 20% (H1 2019), reflecting the ongoing strength of this channel

SUSTAINABILITY HIGHLIGHTS

- Launched on 22 November 2021, “The Lowest Carbon collection”, crafted from the world’s lowest carbon leather and using a local and transparent supply chain. This is Mulberry’s first capsule collection of regenerative “farm to finished product”, further supporting our Made to Last manifesto
- Continue to focus on embedding sustainability and circularity across the entire business, following the launch of the Made to Last manifesto in April 2021
- Successful launch of our resale programme “Preloved Bags”, across all channels
- Further investment in the Lifetime Service Centre at The Rookery, which is now restoring more than 10,000 bags a year
- Committed to set science-based targets aligned with our 2035 net zero emissions target
- 86% of the collection now uses leather and suede sourced from environmentally accredited tanneries, on track to increase to 100% by Autumn/Winter 2022. All other non-leather materials are fully sustainable
- Collaborations with contemporary British Designers, emphasising sustainable techniques and materials

CURRENT TRADING

- Retail revenue in the eight weeks to 20 November 2021 increased 35% compared to the same period last year
- Gross margin in the second half is expected to be similar to, or slightly higher than, the 67% achieved in the second half of last year
- The Group is expected to continue generating cash from operations in the second half and, with its deferred liabilities expected to unwind, the Group will maintain a strong cash position at the year end

Chief Executive's report

26 weeks ended 25 September 2021

OVERVIEW

The Group has delivered a strong performance. Group revenue increased by 34%, returning to pre-COVID-19 levels, and profit before tax was £10.2m (2020: loss of £2.4m), which included a profit of £5.7m on the lease in Paris. The underlying profit before tax of £4.5m (2020: loss before tax of £1.9m) and financial strength of the Group reflects the benefits of the actions we took during the pandemic and a strong consumer reaction to the Group's product.

Sales in the UK recovered strongly once our stores reopened. The sales lost from the absence of tourists in the UK and the rationalisation of stores in Europe were replaced by strong growth in Asia.

Gross margin increased to 69% (2020: 59%) driven by a strategic focus on full price sales and increased volume efficiencies.

The combination of our UK factories, careful planning and agile supply chains has enabled us to successfully navigate the well-publicised difficulties in global logistics, with no impact on fulfilment to our sales channels.

We ended the period with net cash of £30.3m (2020: £8.6m) and deferred liabilities of £5.0m (2020: £4.6m).

Looking ahead, our mission continues to be focused on becoming the leading responsible British luxury brand and a pioneer in sustainability. Through our Made to Last manifesto, launched in April, we are committed to transform our business to be a regenerative and circular model that will encompass the entire supply chain, from field to wardrobe by 2030. We believe the opportunity is substantial and we have taken a progressive leadership position in this space, investing in products that are made to last, and offering customers circular repair and buy back options through the Mulberry Exchange.

Mulberry's results demonstrate the continued relevance and popularity of the brand and show ongoing progress against both financial and operational goals.

CURRENT TRADING AND OUTLOOK

The underlying sales trends experienced in the first half continued into October and November with improving store sales, a strong digital performance and continuing growth in Asia. The comparative period in the prior year was affected by sporadic closures and lockdowns which make direct comparisons difficult but, subject to unforeseen events, sales are expected to continue to grow in the second half. Retail revenue in the eight weeks to 20 November increased 35% compared to the same period last year.

Gross margin in the second half is expected to be similar to, or slightly higher than, the 67% achieved in the second half last year.

The Lowest Carbon collection, crafted from the world's lowest carbon leather and using a local and transparent supply chain, launched on 22 November 2021. This is Mulberry's first capsule collection of regenerative "farm to finished product", further supporting our Made to Last manifesto. This collection represents the future of the business as we continue to build a network of regenerative and organic farms to supply the hides to create our leather across the UK and Europe. The capsule was also featured at the recent G20 Summit in Rome.

In view of the strong performance in the first half and the Group's substantial cash reserves, a progressive increase in marketing expenditure is planned in the second half to continue building brand awareness worldwide.

Projects are in place to move the Group's legacy systems forward, and to develop the next generation of digital and omni-channel platforms. This is expected to lead to increased capital expenditure next year and beyond.

The Group is expected to continue generating cash in the second half and with the deferred liabilities expected to unwind, the Group will maintain a strong cash position at the year end.

It should be noted that the outlook continues to be subject to a degree of uncertainty as the important festive period commences. The Group's performance would undoubtedly be negatively affected by any further countrywide lockdowns or a further wave of COVID-19.

FINANCIAL REVIEW

Group revenue and gross profit

By 12 April 2021, all our stores worldwide were reopened following a second wave of global lockdowns due to COVID-19.

Sales analysis for the 26 weeks to 25 September 2021 compared to the same period last year is as follows:

	2021 £'m	2020 £'m	% change
Digital	19.1	23.4	-19%
Stores	36.5	19.5	+87%
Retail (omni-channel)	55.6	42.9	+30%
Franchise and wholesale	10.1	6.0	+67%
Group revenue	65.7	48.9	+34%
Digital	14.2	18.0	-21%
Stores	23.8	10.0	+139%
Omni-channel – UK	38.0	28.0	+36%
Digital	2.2	1.7	+30%
Stores	9.6	7.9	+22%
Omni-channel – Asia Pacific	11.8	9.5	+23%
Digital	2.7	3.7	-28%
Stores	3.1	1.7	+82%
Omni-channel – Rest of World	5.8	5.4	+7%
Total Retail (omni-channel)	55.6	42.9	+30%

Chief Executive's report (continued)

26 weeks ended 25 September 2021

	Q1		Q2		H1 2021	
	Sales		Sales		Sales	
	£'m	% change	£'m	% change	£'m	% change
Digital	9.3	-36%	9.8	+11%	19.1	-18%
Stores	16.6	+202%	19.9	+42%	36.5	+87%
Retail (omni-channel)	25.9	+29%	29.7	+30%	55.6	+30%
Franchise and wholesale	6.4	+276%	3.7	-14%	10.1	+68%
Group revenue	32.3	+48%	33.4	+23%	65.7	+34%

Group revenue increased by 34% and was 3% above the same period in 2019 (pre-COVID-19) on a comparable basis (adjusting for store openings and closures). In the UK, total retail sales recovered strongly and were 7% above the same period in 2019 on a comparable basis. UK digital sales declined by 21% as stores reopened, but represented 37% of UK retail sales, compared to 26% in 2019, reflecting the accelerated shift to digital and omni-channel shopping.

China sales increased 38%, which contributed to the 23% increase in Asia Pacific, driven by ongoing investment in the region. China digital sales represented 43% of China retail sales.

Franchise and wholesale sales increased by 67% as our Franchise partners benefited from the post-COVID-19 recovery and increased demand following the easing of restrictions.

Gross margin increased to 69% (2020: 59%) driven by a strategic focus on full price sales and increased volume efficiencies.

Other operating expenses

Other operating expenses in the period increased by 11.7% to £40.0m (2020: £35.8m) due to further marketing spend to support international growth and additional revenue related costs. The Group continued to benefit from the business rates relief, albeit at a lower level than in the previous year.

Following the cost actions taken in response to COVID-19, the Group is managing its cost base in line with anticipated trading levels.

Other operating income

Included within other operating income in the period is £nil (26 weeks ended 26 September 2020: £4.1m; 52 weeks ended 27 March 2021: £4.9m) of grants receivable under the Coronavirus Job Retention Scheme (CJRS). The Group decided not to utilise the CJRS in the period due to the strong trading performance.

Profit before tax

The Group's reported profit before tax for the period was £10.2m (2020: loss before tax of £2.3m), which included a one-off profit of £5.7m on the early termination and the exit of a lease in Paris. The Group's underlying profit before tax was £4.5m (2020: loss before tax of £1.9m).

See note 2 for further details of Alternative Performance Measures.

Taxation

The Group reported a tax charge for the period of £2.9m (2020: £0.3m), which includes a £2.4m charge on the profit on the disposal of an intangible lease asset, in respect of the early termination of the Paris lease. The effective tax rate is 14% (2020: 14%) on underlying profit and is lower than the UK tax rate for the period of 19% primarily due to the use of brought forward tax losses and not recognising deferred tax assets on the Group's accumulated tax losses.

Balance sheet

Intangible assets decreased by £8.6m to £6.4m (2020: £15.0m), predominantly due to the early termination of the Paris lease. Right-of-use assets decreased by £8.3m to £34.6m (2020: £42.9m) due to an impairment charge against right-of-use assets recorded in the 26 weeks to 27 March 2021.

Net working capital, which comprises inventories, trade and other receivables, and trade and other payables decreased by £2.0m to £19.4m (2020: £21.4m). This was mainly due to the decrease in inventories, as we continue to manage our inventory position, and the increase in debtors and creditors due to increased volume. There has been a slight increase in inventories since 27 March 2021 with increased inventories of raw materials to protect the Group from supply chain delays, balanced by reduced finished goods as the agile supply chain systems continue to deliver results.

The reduction in lease liabilities (current and non-current) by £17.3m to £70.9m (2020: £88.2m) is primarily due to the renegotiation and termination of certain leases.

Cash flow

The net increase in cash and cash equivalents per the cash flow statement of £18.5m (2020: £0.6m) mainly reflected the strong financial performance in the period and the net proceeds from the early termination of the Paris lease, slightly offset by higher capital expenditure in Asia Pacific.

The profit and proceeds from the disposal of intangibles of £5.4m and £13.3m respectively relate to the early termination of the Paris lease.

Borrowing facilities

The Group had no bank borrowings at 25 September 2021. The borrowings shown in the balance sheet are loans from minority shareholders in the Chinese and Japanese subsidiaries.

The Group's net cash balance (cash and cash equivalents less overdrafts) at 25 September 2021 was £30.3m (2020: £8.6m). Net cash comprises cash balances of £30.3m (2020: £8.6m).

During the period, the Group extended its secured revolving credit facility (RCF) with HSBC until March 2023, and renegotiated covenants to reflect the ongoing COVID-19 environment. The RCF covenants are tested quarterly on a "frozen GAAP" basis (excluding the impact of IFRS 16) and contain a net debt to EBITDA ratio, and a fixed charge cover ratio. The RCF was undrawn during the period, and we do not anticipate drawing on the facility in the second half.

In addition, the Group has a £4.0m overdraft facility, which is renewed annually.

Going concern

The Group has continued to trade significantly ahead of the Directors' original base case forecasts with a cash position materially ahead of assumptions, enhanced by the net proceeds from the early termination of a lease in Paris, announced on 6 July 2021. As a result, the Directors remain confident that, despite the current uncertainties, the Group has the financial resources to enable it to continue to operate as a going concern for the foreseeable future.

Chief Executive's report (continued)

26 weeks ended 25 September 2021

PROGRESS AGAINST OUR STRATEGY

With our rich heritage in leather craftsmanship and reputation for innovation, we strive to grow the Group through our four strategic pillars which focus on omni-channel distribution, international development, constant innovation, and a sustainable lifecycle.

Strategic pillar 1 – Omni-channel distribution

Our omni-channel distribution model is designed to allow customers to research, buy and return product anywhere across our stores and digital platforms.

We aim to enhance our customers' experience and drive engagement, and this includes developing our store network through selective store openings and closures, the continued roll out of the new Mulberry store concept and further enhancements to our digital network.

Most of our retail stores were open by 12 April 2021 and except for some localised restrictions, trade was uninterrupted in the first half of the year. UK retail sales also benefited from the development of our omni-channel distribution, providing the customer with a single view of inventory, which helped to drive a stronger full price sales mix.

Virtual and in-store appointments continue to play an important part in the customer journey, even after the stores reopened, representing 8% of all UK store sales and resulting in an increased average transaction value (compared to store walk-ins).

Digital sales represented 29% of Group revenue, which demonstrates the accelerated shift to digital and omni-channel shopping across all regions. In Asia Pacific, digital sales grew to 19% of the region's sales, supported by local fulfilment in Japan and the development of strategic partnerships, including T-Mall in China. China digital sales grew 22% and represented 43% of total China sales. On 15 July 2021 we also launched a We Chat programme in China, which coincided with the Alexa x Alexa launch. This is a long-term programme with the aim of building brand awareness in the region, with content regularly updated and tailored to relevant campaigns, products and customers.

We have continued to refine the retail network. Our store network closed the period with 113 points of sale inclusive of retail and franchise. This included the opening of 7 doors internationally, with 6 in our new store concept. There were 7 closures in the same period, including the early exit of our Paris store. In the UK, we operated 45 retail stores⁽¹⁾ at the period end (2020: 45), which included 12 John Lewis and 7 House of Fraser concessions. We will continue to manage the business proactively and focus on optimising the store network.

Strategic pillar 2 – International development

We are optimising our digital channels and global store network, with a particular focus on Asia Pacific, which continues to offer significant growth opportunities.

Asia Pacific retail sales increased by 23%, driven by ongoing investment in the region, with China retail sales up 38%, South Korea retail sales up 7% and Japan retail sales up 54%. Retail sales in South Korea and Japan were disrupted to some extent by regional and local lockdowns in the period. In Asia Pacific, we operated 38 retail stores at the period end (2020: 34). During the period, we opened 4 retail stores in China: 2 in Beijing, 1 in Chengdu and 1 in Wuhan, as well as 2 retail stores in South Korea, which included our new store concept. This features design elements that represent our distinctive British heritage and enables us to better display and promote our collections.

⁽¹⁾ Store numbers include own stores and concessions operated by Mulberry employees.

The concept includes innovative customer-facing technology, creates more space and supports our omni-channel proposition. It has helped to elevate our brand position with the new concept stores outperforming more traditional outlets.

As stated above, the 4 stores opened in China were Beijing World Financial Centre, Beijing Shin Kong Place and Wuhan Heartland 66, along with a pop-up in Chengdu International Finance Square. A further opening in Shanghai International Finance Centre is due in November 2021.

The investment in the Group's subsidiaries supported the overall growth, with China and South Korea making further progress in the period. Higher sell throughs and reduced mark down periods also contributed to this success as well as better positioning for the brand.

Our global pricing strategy, which sets retail prices in all markets and currencies at the same level, is a competitive difference giving our customers the confidence to shop the brand in their home markets.

During the period, it was agreed to terminate the lease of our Paris store, which closed on 24 July 2021. We plan to open a new store in Paris once international tourism returns in a location that supports the Company's omni-channel approach and optimises its customer-centric retail experience.

Strategic pillar 3 – Constant innovation

We continue to innovate with new services, new materials and methods of creation and production to adapt to changing customer tastes and meet demand. At the same time, we are transforming our agile supply chain, enhancing market reactivity and reducing lead time to match the increase in digital demand.

In September, we launched the Sadie family, a timeless satchel with the new Typography lock, and the Billie family, a youthful crossbody slouchy silhouette. Both families are crafted from leather sourced from our partner tanneries with positive environmental credentials and Leather Working Group ratings.

We have continued our 50th anniversary celebrations through a series of joyful collaborations with three of the most visionary designers of their generation – Priya Ahluwalia, Richard Malone and Nicholas Daley. Each designer has created a capsule collection as part of Mulberry Editions, a new offering of limited edition accessories that have been delivered throughout 2021. Crafted entirely from surplus fabrics and leather, the Mulberry x Ahluwalia collection heroes the Portobello Tote silhouette, which was our first 100% sustainable leather bag, launched in 2019. The Richard Malone capsule sees the Irish designer reinvent the iconic Bayswater with his signature authenticity, resourcefulness, sustainability, and experimentation. This Bayswater updates the silhouette's timeless detailing and is crafted with our sustainable Eco-Scotchgrain, made from recombined bio-plastic materials, and embossed with a distinctive pebble grain finish. The Nicholas Daley capsule will launch in January 2022.

Chief Executive's report (continued)

26 weeks ended 25 September 2021

Strategic pillar 4 – Sustainable lifecycle

Mulberry products have been Made to Last from the outset and we are committed to lifetime service for a Mulberry item. In April 2021, we launched our Made to Last manifesto, which sets us apart from our competition. We are committed to transform our business to be a regenerative and circular model that will encompass the entire supply chain, from field to wardrobe, by 2030.

We launched Mulberry Exchange in February 2020: our circular buy-back and resale programme. This was further extended in April 2021 through the digital launch of the Mulberry Exchange programme on Mulberry.com. Through the Mulberry Exchange programme, we buy back bags from customers who are ready for a change, and we repair and restore them in our Lifetime Service Centre at The Rookery, and then list them through one of our resale channels. Any bags that are not fit for repair are sent for energy reclamation at our strategic partner, Scottish Leather Group, powering the production of new leather to make the next Mulberry bags.

In July, Mulberry committed to setting science-based targets, and joined a group of over 650 global businesses working to hold temperature rise to 1.5°C above pre-industrial levels. Mulberry's listing as "committed" is just the first step on our journey towards our aim of achieving net zero emissions by 2035.

86% of the collection now uses leather and suede sourced from environmentally accredited tanneries; this is expected to increase to 100% by Autumn/Winter 2022. All other non-leather materials are fully sustainable.

MARKETING AND BRAND

To mark our 50th anniversary year, Mulberry announced the launch of the Made to Last manifesto, laying out an ambitious commitment to transform the business to a regenerative and circular model, encompassing the entire supply chain, from field to wardrobe by 2030. The 360-campaign kicked off with a livestreamed launch event (due to COVID restrictions), which featured a series of global brand advocates in the sustainability sphere and was supported by a global media plan featuring the manifesto. May 2021 saw the launch of The Mulberry Exchange on Mulberry.com; to support this we partnered with Dazed on a TikTok-focused activation, commissioning a series of up-and-coming TikTok stars to style a selection of our pre-loved bags.

As mentioned above, to support our collaborations with designers Priya Ahluwalia, Richard Malone and Alexa Chung, we held a series of events to promote these visionary designers and their collections globally. A highlight of these was an event at the V&A in September's London fashion week to showcase Malone's eco-friendly version of our timeless Bayswater bag using Eco-Scotchgrain and leather from gold standard environmentally accredited tanneries.

We continued our focus on building relationships in the digital marketing space, with new and existing digital media partners and third-party affiliates to reach younger audiences and drive new customer growth on our digital platforms. Our designer collaborations across the year were aligned to reach these younger fashion-forward audiences, with Alexa x Alexa being the peak of this in July. The success of Alexa x Alexa also ran into August, with additional spend and placements booked to continue the strong performance seen here.

Consolidated income statement

26 weeks ended 25 September 2021

		Unaudited 26 weeks ended 25 September 2021 £'000	Unaudited 26 weeks ended 26 September 2020 £'000	Audited 52 weeks ended 27 March 2021 £'000
	Note			
Revenue		65,719	48,919	114,951
Cost of sales		(20,326)	(20,019)	(41,879)
Gross profit		45,393	28,900	73,072
Impairment charge related to property, plant and equipment		–	–	(590)
Impairment charge related to right-of-use assets		–	–	(5,725)
Store closure credit ⁽¹⁾		5,700	1,992	3,702
Lease modification		–		3,951
Other operating expenses		(39,960)	(35,785)	(71,638)
Other operating income ⁽²⁾		779	4,691	6,006
Operating profit/(loss)		11,912	(202)	8,778
Share of results of associates		61	(32)	(60)
Finance income		8	3	12
Finance expense		(1,769)	(2,121)	(4,176)
Profit/(loss) before tax		10,212	(2,352)	4,554
Tax (charge)/credit	4	(2,929)	330	43
Profit/(loss) for the period		7,283	(2,022)	4,597
Attributable to:				
Equity holders of the parent		7,568	(1,713)	4,773
Non-controlling interests		(285)	(309)	(176)
Profit/(loss) for the period		7,283	(2,022)	4,597
Basic profit/(loss) per share	5	12.2p	(3.4p)	7.7p
Diluted profit/(loss) per share	5	12.2p	(3.4p)	7.7p

All activities arise from continuing operations.

⁽¹⁾ For the 26 weeks ended 26 September 2020, the store closure credit of £1,992,000 was included within other operating expenses.

⁽²⁾ Included within other operating income is £nil (26 weeks ended 26 September 2020: £4,089,000; 52 weeks ended 28 March 2021: £4,868,000) of grants receivable under HM Revenue & Customs Coronavirus Job Retention Scheme and £435,000 (26 weeks ended 26 September 2020: £448,000; 52 weeks ended 28 March 2021: £471,000) from similar overseas schemes.

Consolidated statement of comprehensive income

26 weeks ended 25 September 2021

	Unaudited 26 weeks ended 25 September 2021 £'000	Unaudited 26 weeks ended 26 September 2020 £'000	Audited 52 weeks ended 27 March 2021 £'000
Profit/(loss) for the period	7,283	(2,022)	4,597
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(295)	412	(49)
Total comprehensive income/(expense) for the period	6,988	(1,610)	4,548
Attributable to:			
Equity holders of the parent	7,287	(1,506)	4,294
Non-controlling interests	(299)	(104)	254
Total comprehensive income/(expense) for the period	6,988	(1,610)	4,548

Consolidated balance sheet

26 weeks ended 25 September 2021

	Unaudited 25 September 2021 £'000	Unaudited 26 September 2020 £'000	Audited 27 March 2021 £'000
Non-current assets			
Intangible assets	6,412	15,032	14,965
Property, plant and equipment	13,521	15,436	13,608
Right-of-use assets	34,592	42,936	33,511
Interests in associates	253	128	134
Deferred tax asset	635	1,487	1,234
	55,413	75,019	63,452
Current assets			
Inventories	32,041	33,580	31,476
Trade and other receivables	13,204	11,453	12,609
Current tax asset	–	432	525
Cash and cash equivalents	30,328	8,595	11,820
	75,573	54,060	56,430
Total assets	130,986	129,079	119,882
Current liabilities			
Trade and other payables	(25,845)	(23,739)	(22,629)
Current tax liabilities	(1,912)	–	–
Lease liabilities	(15,356)	(17,849)	(14,820)
Borrowings	(1,321)	(3,431)	–
	(44,434)	(45,019)	(37,449)
Net current assets	31,139	9,041	18,981
Non-current liabilities			
Lease liabilities	(57,342)	(70,400)	(59,054)
Borrowings	(3,504)	(1,491)	(4,673)
	(60,846)	(71,891)	(63,727)
Total liabilities	(105,280)	(116,910)	(101,176)
Net assets	25,706	12,169	18,706
Equity			
Share capital	3,004	3,004	3,004
Share premium account	12,160	12,160	12,160
Own share reserve	(1,272)	(906)	(1,277)
Capital redemption reserve	154	154	154
Foreign exchange reserve	979	1,735	1,274
Retained earnings	14,546	(54)	6,957
	29,571	16,093	22,272
Equity attributable to holders of the parent	29,571	16,093	22,272
Non-controlling interests	(3,865)	(3,924)	(3,566)
Total equity	25,706	12,169	18,706

Consolidated statement of changes in equity

26 weeks ended 25 September 2021

	Share capital £'000	Share premium account £'000	Own share reserve £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
As at 28 March 2020	3,004	12,160	(1,061)	154	1,323	1,761	17,341	(3,820)	13,521
Loss for the period	-	-	-	-	-	(1,713)	(1,713)	(309)	(2,022)
Other comprehensive income/ (expense) for the period	-	-	-	-	207	-	207	205	412
Total comprehensive income/ (expense) for the period	-	-	-	-	207	(1,713)	(1,506)	(104)	(1,610)
Charge for employee share-based payments	-	-	-	-	-	53	53	-	53
Impairment of shares in trust	-	-	155	-	-	(155)	-	-	-
Non-controlling interest foreign exchange	-	-	-	-	205	-	205	-	205
As at 26 September 2020	3,004	12,160	(906)	154	1,735	(54)	16,093	(3,924)	12,169
Profit for the period	-	-	-	-	-	6,486	6,486	133	6,619
Other comprehensive (expense)/ income for the period	-	-	-	-	(686)	-	(686)	225	(461)
Total comprehensive (expense)/ income for the period	-	-	-	-	(686)	6,486	5,800	358	6,158
Charge for employee share-based payments	-	-	-	-	-	52	52	-	52
Own shares	-	-	101	-	-	5	106	-	106
Exercise of share options	-	-	-	-	-	(4)	(4)	-	(4)
Release of impairment of shares in trust	-	-	(472)	-	-	472	-	-	-
Non-controlling interest foreign exchange	-	-	-	-	225	-	225	-	225
As at 27 March 2021	3,004	12,160	(1,277)	154	1,274	6,957	22,272	(3,566)	18,706
Profit/(loss) for the period	-	-	-	-	-	7,568	7,568	(285)	7,283
Other comprehensive expense for the period	-	-	-	-	(281)	-	(281)	(14)	(295)
Total comprehensive (expense)/ income for the period	-	-	-	-	(281)	7,568	7,287	(299)	6,988
Charge for employee share-based payments	-	-	-	-	-	24	24	-	24
Own shares	-	-	5	-	-	-	5	-	5
Exercise of share options	-	-	-	-	-	(3)	(3)	-	(3)
Non-controlling interest foreign exchange	-	-	-	-	(14)	-	(14)	-	(14)
As at 25 September 2021	3,004	12,160	(1,272)	154	979	14,546	29,571	(3,865)	25,706

Consolidated cash flow statement

26 weeks ended 25 September 2021

	Unaudited 26 weeks ended 25 September 2021 £'000	Unaudited 26 weeks ended 26 September 2020 £'000	Audited 52 weeks ended 27 March 2021 £'000
Operating profit/(loss) for the period	11,912	(202)	8,778
Adjustments for:			
Depreciation and impairment of property, plant and equipment	1,850	2,311	4,777
Depreciation and impairment of right-of-use assets	3,257	3,654	13,245
Amortisation of intangible assets	914	542	1,476
Gain on lease modifications and disposals	(548)	(2,215)	(10,314)
(Profit)/loss on sale of property, plant and equipment	(8)	–	188
Profit on sale of intangible assets	(5,343)	–	–
Own shares transferred from trust	5	–	106
Share-based payments charge	24	53	105
Operating cash flows before movements in working capital	12,063	4,143	18,361
(Increase)/decrease in inventories	(604)	1,335	3,420
Increase in receivables	(595)	(378)	(1,534)
Increase in payables	2,966	1,532	75
Cash generated by operations	13,830	6,632	20,322
Income taxes received	101	332	201
Interest paid	(1,772)	(943)	(3,960)
Net cash inflow from operating activities	12,159	6,021	16,563
Investing activities:			
Interest received	8	3	12
Purchases of property, plant and equipment	(1,260)	(657)	(1,895)
Proceeds from disposal of property, plant and equipment	8	–	26
Acquisition of intangible fixed assets	(868)	(633)	(2,233)
Proceeds from disposal of intangible assets	13,316	–	–
Net cash generated/(used) in investing activities	11,204	(1,287)	(4,090)
Financing activities:			
Increase in loans from non-controlling interests	165	–	167
Repayment of borrowings	–	(750)	(750)
Principle elements of lease payments	(4,989)	(3,343)	(7,735)
Settlement of share awards	–	–	(4)
Net cash used in financing activities	(4,824)	(4,093)	(8,322)
Net increase in cash and cash equivalents	18,539	641	4,151
Cash and cash equivalents at beginning of period	11,820	7,998	7,998
Effect of foreign exchange rate changes	(31)	(44)	(329)
Cash and cash equivalents at end of period	30,328	8,595	11,820

Notes to the condensed financial statements

26 weeks ended 25 September 2021

1. GENERAL INFORMATION

Mulberry Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The half-year results and condensed consolidated financial statements for the 26 weeks ended 25 September 2021 (the "interim financial statements") comprise the results for the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The interim financial statements for the 26 weeks ended 25 September 2021 have not been reviewed or audited.

The information for the 52 weeks ended 27 March 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The statutory accounts for that period were approved by the Board of Directors on 20 July 2021 and have been filed with the Registrar of Companies. The Auditor's report on those statutory accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) (3) of the Companies Act 2006.

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The accounting policies and methods of computation followed in the interim financial statements are consistent with those as published in the Group's Annual Report and Financial Statements for the 52 weeks ended 27 March 2021.

These condensed consolidated interim financial statements for the 26 weeks ended 25 September 2021 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. This report should be read in conjunction with the Group's financial statements for the 52 weeks ended 27 March 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Annual Report and Financial Statements are available from the Group's website (www.mulberry.com) or from the Company Secretary at the Company's registered office: The Rookery, Chilcompton, Bath BA3 4EH, UK.

Critical accounting judgements and key sources of estimation uncertainty

Preparation of the condensed consolidated interim financial statements requires the Directors to make certain estimates and judgements that affect the measurement of reported revenues, expenses, assets and liabilities.

The significant accounting judgements and key sources of estimation uncertainty applied in the preparation of the condensed consolidated interim financial statements are consistent with those described on pages 74–76 of the Group's Annual Report and Financial Statements for the 52 weeks ended 27 March 2021.

Principal risks and uncertainties

The management of the business and the execution of the Group's growth strategies are subject to a number of risks and uncertainties that could adversely affect the Group's future development. The principal risks and uncertainties for the Group, and the key mitigating actions used to address them are consistent with those outlined on pages 21–27 of the Group's Annual Report and Financial Statements for the 52 weeks ended 27 March 2021.

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Alternative performance measures

In reporting financial information, the Group presents alternative performance measure (APMs), which are not defined or specified under the requirements of IFRS. The APM used by the Group is adjusted profit/(loss) before tax.

The Group makes certain adjustments to the statutory profit or loss measures in order to derive APMs. Adjusting items are those items which, in the opinion of the Directors, should be excluded in order to provide a consistent and comparable view of the performance of the Group's ongoing business. Generally, this will include those items that are largely one-off and material in nature as well as income or expenses relating to acquisitions or disposals of businesses or other transactions of a similar nature. Treatment as an adjusting item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group.

A reconciliation of reported profit/(loss) before tax to adjusted profit/(loss) before tax is set out below.

	Unaudited 26 weeks ended 25 September 2021 £'000	Unaudited 26 weeks ended 26 September 2020 £'000	Audited 52 weeks ended 27 March 2021 £'000
Reconciliation to adjusted profit/(loss) before tax			
Profit/(loss) before tax	10,212	(2,352)	4,554
Restructuring costs	–	2,151	2,370
Store closure credit	(5,700)	(1,992)	(3,702)
Impairment charge related to property, plant and equipment	–	–	590
Impairment charge related to right-of-use assets	–	–	5,725
Lease modification	–	–	(3,951)
Licence agreement exit costs	–	300	300
Adjusted profit/(loss) before tax – non-GAAP measure	4,512	(1,893)	5,886
Adjusted basic profit/(loss) per share (note 5)	6.8p	(3.4p)	10.5p
Adjusted diluted profit/(loss) per share (note 5)	6.8p	(3.4p)	10.5p

Notes to the condensed financial statements (continued)

26 weeks ended 25 September 2021

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Restructuring costs

During the period, one-off charges of £nil (2020: £2,151,000) were incurred relating to people restructuring costs.

Store closure credit

During the period, 1 international store (2020: 2) was closed. The credit/profit on disposal is net of any closure and redundancy costs.

Licence agreement exit costs

During the period, the Group incurred charges of £nil (2020: £300,000) from the write-off of its ready-to-wear and footwear licence relating to final samples and materials on non-renewal of the licence and distribution agreement for these lifestyle products.

3. GOING CONCERN

In determining whether the Group's accounts can be prepared on a going concern basis, the Directors considered the Group's business activities and cash requirements together with factors likely to affect its performance and financial position.

The Group had net cash of £30.3m (2020: £8.6m) and deferred liabilities of £5.0m (2020: £4.6m) at 25 September 2021, and had not drawn down on its revolving credit facility. The Directors have also reviewed the 12-month forecasts including their resilience in the face of possible downside scenarios.

Based on the assessment outlined above, the Directors have a reasonable expectation that the Group has access to adequate resources to enable it to continue to operate as a going concern for the foreseeable future. For these reasons, the Directors consider it appropriate for the Group to continue to adopt the going concern basis of accounting in preparing the interim report and financial statements.

4. TAXATION

The tax charge/(credit) is calculated by applying the forecast full year effective tax rate to the interim profit/(loss) and calculating the deferred tax balance for the period. The charge for the 26 weeks ended 25 September 2021 also includes a charge of £2.4m (2020: £nil) for the tax on the gain on disposal of an intangible lease asset.

5. EARNINGS PER SHARE (EPS)

	Unaudited 26 weeks ended 25 September 2021	Unaudited 26 weeks ended 26 September 2020	Audited 52 weeks ended 27 March 2021
Basic profit/(loss) per share	12.2p	(3.4p)	7.7p
Diluted profit/(loss) per share	12.2p	(3.4p)	7.7p
Adjusted basic profit/(loss) per share	6.8p	(3.4p)	10.5p
Adjusted diluted profit/(loss) per share	6.8p	(3.4p)	10.5p

Earnings per share is calculated based on the following data:

	Unaudited 26 weeks ended 25 September 2021 £'000	Unaudited 26 weeks ended 26 September 2020 £'000	Audited 52 weeks ended 27 March 2021 £'000
Profit/(loss) for the period for basic and diluted earnings per share	7,283	(2,022)	4,597
Adjustments to exclude exceptional items:			
Restructuring costs*	–	1,757	1,931
Store closure credit*	(3,242)	(1,992)	(3,611)
Impairment relating to retail assets	–	–	590
Impairment relating to right-of-use assets	–	–	5,725
Lease modification*	–	–	(3,200)
Licence agreement exit costs*	–	243	243
Adjusted profit/(loss) for the period for basic and diluted earnings per share	4,041	(2,014)	6,275

* These items are included net of tax.

	Unaudited 26 weeks ended 25 September 2021 Million	Unaudited 26 weeks ended 26 September 2020 Million	Audited 52 weeks ended 27 March 2021 Million
Weighted average number of ordinary shares for the purpose of basic EPS	59.5	59.5	59.5
Effect of dilutive potential ordinary shares: share options	–	–	–
Weighted average number of ordinary shares for the purpose of diluted EPS	59.5	59.5	59.5

The weighted average number of ordinary shares in issue during the period excludes those held by the Employee Share Trust.

Notes to the condensed financial statements (continued)

26 weeks ended 25 September 2021

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM), defined as the Board of Directors, to allocate resources to the segments and to assess their performance. Intersegment pricing is determined on an arm's length basis. The Group also presents analysis by geographical destination and product categories.

(a) Business segment

The Group has identified one reportable segment.

The principal activities are as follows.

The accounting policies of the reportable segment are the same as described in the Group's financial statements. Information regarding the results of the reportable segment is included below. The distribution of product globally is monitored and optimised at a Group level and effected via the Group's distribution centres in the UK, Europe, North America and Asia. Performance for the segment is assessed based on operating profit/(loss).

The Group designs, manufactures and manages the Mulberry brand for the segment and therefore the finance income and expense are attributable to this segment.

Group income statement

26 weeks ended 25 September 2021

	Unaudited 26 weeks ended 25 September 2021 £'000	Unaudited 26 weeks ended 26 September 2020 £'000	Audited 52 weeks ended 27 March 2021 £'000
Note			
Retail	36,585	19,539	43,586
Digital	19,066	23,364	56,365
Wholesale	10,068	6,016	15,000
Total revenue	65,719	48,919	114,951
Cost of sales	(20,326)	(20,019)	(41,879)
Gross profit	45,393	28,900	73,072
Impairment charge related to property, plant and equipment	–	–	(590)
Impairment charge related to right-of-use assets	–	–	(5,725)
Store closure credit	5,700	1,992	3,702
Lease modification	–	–	3,951
Other operating expenses	(39,960)	(35,785)	(71,638)
Other operating income	779	4,691	6,006
Operating profit/(loss)	11,912	(202)	8,778
Share of results of associates	61	(32)	(60)
Finance income	8	3	12
Finance expense	(1,769)	(2,121)	(4,176)
Profit/(loss) before tax	10,212	(2,352)	4,554
Tax (charge)/credit	4 (2,929)	330	43
Profit/(loss) for the period	7,283	(2,022)	4,597
Segment capital expenditure	2,170	1,592	3,996
Segment depreciation and amortisation	6,021	6,507	19,498
Segment assets	130,351	127,592	118,648
Segment liabilities	105,280	116,910	101,176

For the purposes of monitoring segment performance and allocating resources between segments, the Chief Operating Decision Maker, which is deemed to be the Board of Directors, monitors the tangible intangible and financial assets attributable to each segment. All assets are allocated to the reportable segment.

Notes to the condensed financial statements (continued)

26 weeks ended 25 September 2021

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(b) Geographical markets

	Sales revenue by geographical market ⁽¹⁾			Non-current assets by geographical market		
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	26 weeks	26 weeks	52 weeks	26 weeks	26 weeks	52 weeks
	ended	ended	ended	ended	ended	ended
	25 September	26 September	27 March	25 September	26 September	27 March
	2021	2020	2021	2021	2020	2021
	£'000	£'000	£'000	£'000	£'000	£'000
UK	40,002	29,038	68,573	45,829	61,037	50,792
Rest of Europe	8,651	7,132	15,014	1,483	9,564	8,487
Asia	13,313	10,199	24,636	4,160	3,274	3,362
North America	3,562	2,368	6,261	3,941	1,144	811
Rest of World	191	182	467	–	–	–
Total revenue	65,719	48,919	114,951	55,413	75,019	63,452

⁽¹⁾ Revenue by geographical market includes wholesale sales based on the location of the customer.

(c) Product categories

Leather accessories account for over 90% of the Group's revenues, of which bags represent over 70% of revenues. Other important product categories include small leather goods, shoes, soft accessories and women's ready-to-wear. Net asset information is not allocated by product category.



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