

Mulberry

Interim Results

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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Highlights

1. INTERNATIONAL STRATEGY DELIVERING RESULTS

- New Korea and Japan entities complete Asia; own Retail network expanded to 29 stores (2017: 1 store)
- New Digital partnerships in China with Toplife, Secoo, VIP.com
- North America and Europe store networks fine tuned leading to lower operating costs
- International Retail sales up 13% in H1 and up 25% for 6 weeks to 3 Nov 2018

2. UK RETAIL CHALLENGING

- UK business profitable, but impacted by House of Fraser, weak UK consumer demand, lower tourist footfall
- New Mulberry store concept launched with flagship store on Regent Street (Sept) and Heathrow T4 (Oct)
- Concession agreement signed with John Lewis & Partners, previously wholesale

3. H1 AFFECTED BY ONE-OFF COSTS

- Underlying loss before tax* of £3.6 million (2017: £0.6 million) before one-off costs
- One-off costs comprise House of Fraser provisions (£2.1 million) and Korea launch (£2.5 million)
- Reported loss before tax £8.2 million (2017: loss before tax £0.6 million)
- Net cash of £12.1 million at 30 September 2018 (2017: £16.4 million)

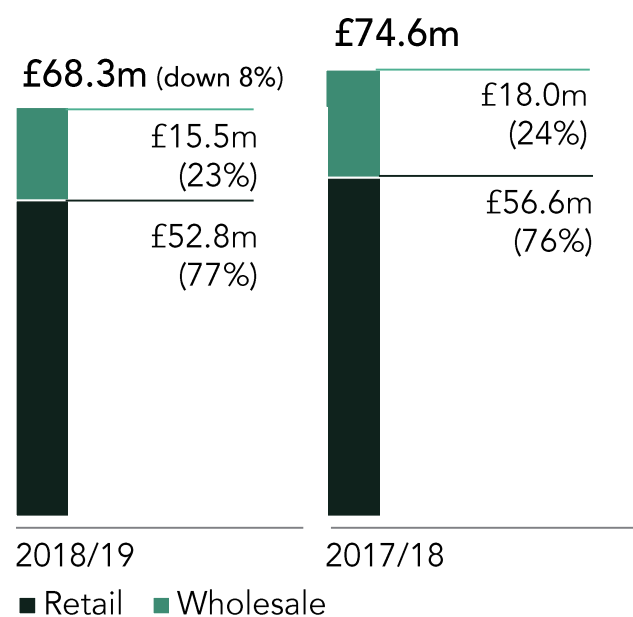
* Underlying loss or profit is before tax and one-off costs for House of Fraser provisions (£2.1 million) and Korea launch (£2.5 million)

A photograph of three people walking down a set of stairs. The person on the left is wearing a light blue dress and black pointed-toe shoes with white fur trim. The person in the middle is wearing a dark plaid skirt and yellow fuzzy mules. The person on the right is wearing a yellow top and a yellow bag. The stairs have a black metal railing. The text "1. Financial Review" is overlaid in the center.

1. Financial Review

Revenue by channel

TOTAL REVENUE



Note: Digital included in Retail sales

RETAIL DOWN 6%, LIKE-FOR-LIKE DOWN 6%:

- UK Retail like-for-like sales down 7% (excludes House of Fraser)
- International Retail sales up 13%
- Global Digital Retail up 5%; representing 17% of revenue (2017: 14%)

WHOLESALE DOWN 14%:

- Transition of Asia businesses to own Retail impacted H1 Wholesale sales:
 - China: Mar 2018
 - Japan: May 2018
 - South Korea: Aug 2018
- UK Wholesale reduced in preparation for John Lewis concession arrangement

Income Statement

£ MILLION	30 SEPTEMBER 2018	30 SEPTEMBER 2017	VARIANCE
Revenue	68.3	74.6	-8%
Gross profit	42.0	45.9	-8%
Gross margin	61.5%	61.5%	
Operating expenses (net)*	(48.3)	(45.8)	+5%
Operating (loss)/profit	(6.3)	0.1	n/m
Other operating income/(loss)	0.2	(0.7)	n/m
Loss Before Exceptional items	(6.1)	(0.6)	n/m
Exceptional items**	(2.1)	-	n/m
Loss Before Tax	(8.2)	(0.6)	n/m
Basic loss per share (pence)	(8.9)	(0.6)	n/m

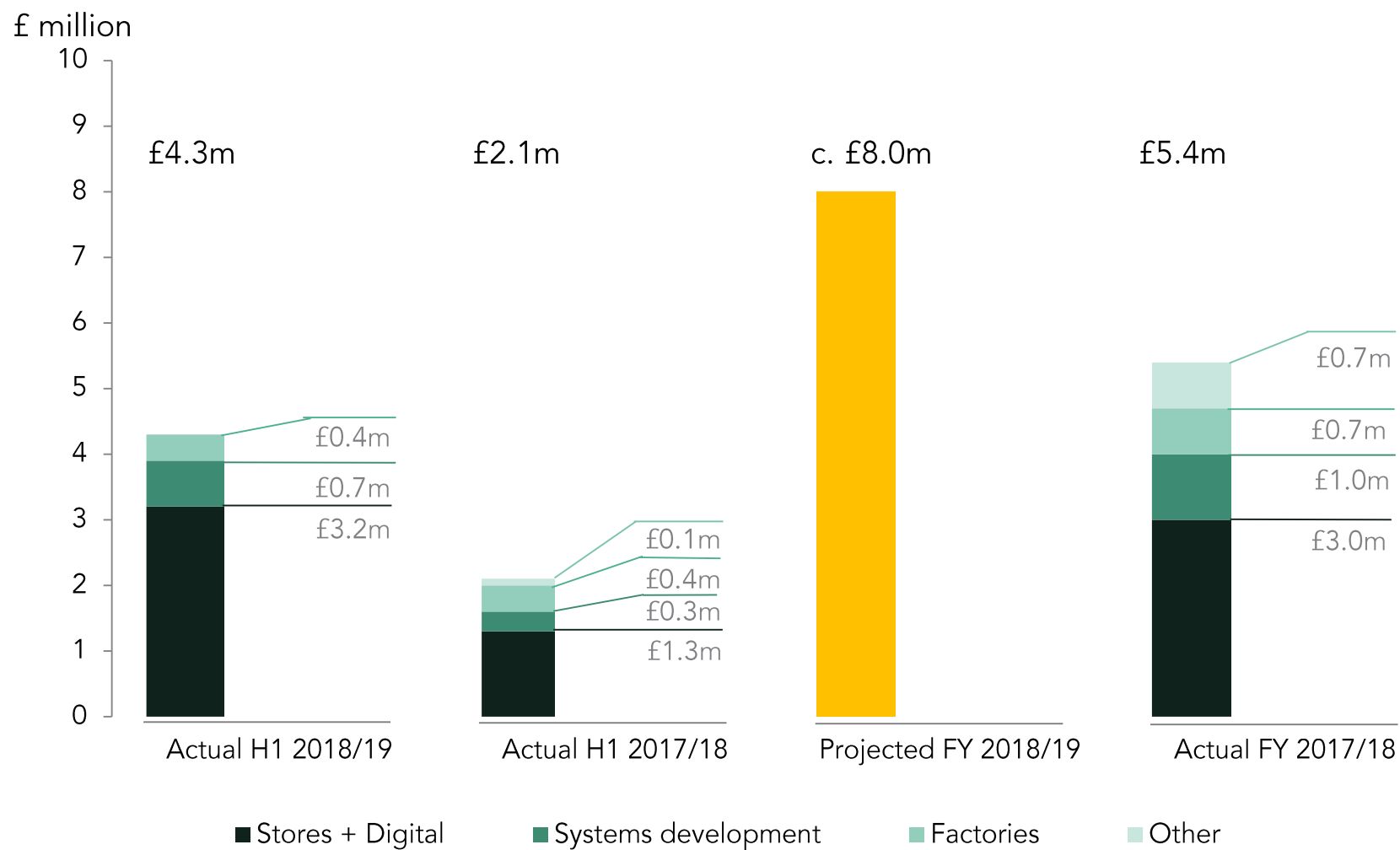
* Includes Mulberry Korea set up (£2.5 million)

** House of Fraser bad debt and asset write down (£2.1 million)

Balance Sheet

BALANCE SHEET (£ MILLION)	30 SEPTEMBER 2018	30 SEPTEMBER 2017	VARIANCE
Fixed assets	40.0	34.9	+15%
Inventories	47.1	45.8	+3%
Other current assets	16.2	17.6	-8%
Net cash	12.1	16.4	-26%
Current liabilities	(31.7)	(29.3)	+8%
Net assets	83.7	85.4	-2%

Capital Expenditure Analysis



A fashion photograph of a woman with short, wavy reddish-brown hair and blue eyes. She is wearing a textured, pinkish-red coat with a wide collar and large buttons. She is holding a large, silver, metallic-looking tote bag with a black strap. The background is a dark green, textured curtain. The lighting is dramatic, casting shadows on the curtain.

2. Strategy

Product

CONTINUED FOCUS ON CREATIVITY, INNOVATION UNDER JOHNNY COCA

- Amberley family continues to perform strongly with new animations introduced
- Group revenue continues to diversify, with new silhouettes launched, replacing discontinued lines
- Core commercial focus to remain leather goods with an accessible luxury positioning
- Complementary lifestyle products* to be further developed and enhanced; new Mulberry eyewear range to launch from Spring 2019 as part of new licence agreement with De Rigo



* Including shoes, ready-to-wear, soft accessories, jewellery and eyewear

Marketing and Brand

CUSTOMER DRIVEN, INTERNATIONAL FOCUS

- Consumer marketing event held in Seoul during Sept to launch Mulberry Korea featuring instantly shoppable, real time global consumer experience (Global reach >300 million)
- Continued 360 approach coupling traditional formats with extensive use of digital and social media
- New Mulberry store concept introduced with new flagship store on Regent Street (Sept) and relocated store in Heathrow Terminal 4 (Oct); global roll out over next few years



Retail, Digital and Omni-channel

OMNI-CHANNEL NETWORK AND SERVICES EXPANDED AND ENHANCED

- Asia Pacific stores: 29 Retail stores, an increase from 1 store (30 Sept 2017)
 - China: 3 stores moved to own Retail network (Mar 2018) as part of Mulberry Asia; new store opened in Xian Shin Kong Place during April 2018
 - Japan: 5 stores moved to own Retail network (May 2018) as part of Mulberry Japan
 - Korea: 18 stores moved to own Retail network (Aug 2018) as part of Mulberry Korea
- Digital partnerships in China:
 - Partnership with Toplife, JD.com's luxury digital platform (Mar 2018)
 - Further partnerships were launched in China with Secoo and VIP.com
- Omni-channel services enhanced with greater functionality in the UK and launch of local fulfilment in Japan
- 107 global stores (including partner) as at 30 Sept 2018 (31 Mar 2018: 114)

New Mulberry Store Concept

NEW MULBERRY STORE CONCEPT UNVEILED

- New Retail flagship store opened in Regent Street featuring new Mulberry store concept (Sept 2018):
 - Collaboration between Mulberry Creative Director Johnny Coca and British architect Faye Toogood
 - Features design elements that represent the brand's distinctive British heritage
 - Enhanced customer experience enabled through new technology including mobile POS, traditional EPOS tills removed (partnership with Tulip)
- New store concept introduced in Heathrow Terminal 4 (Oct 2018) and in new partner store in Melbourne, Australia (Aug 2018)
- First International Retail store in new concept due to open in Seoul by end 2018
- Global roll out expected to be completed over next few years



Retail, Digital and Omni-channel

WORLDWIDE RETAIL FOOTPRINT: 30 SEPTEMBER 2018

	Free Standing Stores	Department store Shop-in-Shop	Total September 2018	Changes from 31 March 2018	Total March 2018
<u>Own Stores</u>					
UK	21	22	43	-3	46
Europe	7	2	9	–	9
North America	7	–	7	-1	8
Asia Pacific*	13	16	29	+23	6
Total Own Stores	48	40	88	+19	69
<u>Partner Stores</u>					
Europe	8	3	11	–	11
South Korea	–	–	–	-18	18
Other Asia Pacific	5	1	6	-6	12
Middle East	2	–	2	-2	4
Total Partner Stores	15	4	19	-26	45
Total Retail Footprint	63	44	107	-7	114

* Includes Hong Kong, China, Taiwan, Japan and South Korea

UK Manufacturing

PROUD TO BE LARGEST UK MANUFACTURER OF LUXURY LEATHER GOODS

- Group remains committed to “Made in England” strategy with c. 50% of handbags produced in the UK
- Continued investment in technical development and craftsmanship skills in 2 Somerset factories
- Artisan Studio provided small quantities of exclusive products; recent examples include Korea launch, one-year anniversary of Ginza G6 store opening and new Digital concessions with Toplife and Secoo
- UK manufacturing remains a point of distinction in the Group’s product offering



3. Current Trading and Outlook



Current Trading

	Retail like-for-like sales*		Retail total sales***	
This year vs. last year (%)	26 weeks to 30-Sep-18	6 weeks to 3-Nov-18	26 weeks to 30-Sep-18	6 weeks to 3-Nov-18
UK Retail**	-7%	-7%	-11%	-22%
International Retail**	-1%	-14%	+13%	+25%
Total Retail	-6%	-8%	-6%	-11%

* LFL is defined as the year-on-year change in sales from stores which have been trading for 12 months after the store opening; LFL sales exclude House of Fraser sales from mid-August both this year and last year

** Regional splits include Digital sales

*** Total UK Retail sales include a press sale held during October 2017 which did not occur during the corresponding period this year

Current Trading & Outlook

UK

- UK Retail remains very challenging
- Sustained increase in rent and business rates over last 5 years impacting Group's UK business
- New concession agreement with John Lewis & Partners:
 1. Increase direct to consumer reach in UK, in particular the Digital and omni-channel experience
 2. Estimated one-off charge of c. £1.4 million to adjust the value of stock purchased from John Lewis & Partners in H2
- Agreement with Sports Direct International plc to operate House of Fraser business on a rolling basis in medium term
- Group investing in new store concept and ongoing development of Digital and omni-channel experience

Current Trading & Outlook

INTERNATIONAL

- The Group anticipates that International will continue to increase as a proportion of sales
- Continued investment planned following creation of three Asia subsidiaries since March 2018
- Three further stores opened in Asia Pacific post period-end: two in Japan, one in South Korea
- North America and Europe refocused with fine tuning of store networks significantly reducing operating costs; potential for new stores in strategic, high visibility locations

OMNI-CHANNEL

- Further enhancements being introduced to the Digital and omni-channel offering
- Enhanced omni-channel functionality to be added to key markets including UK, China, Japan with a new site due to launch in Australia
- Further Digital agreements planned
- Omni-channel to remain a key area of investment for the Group

Outlook

WHOLESALE

- Wholesale revenue in H2 will be reduced by the following factors:
 - Mulberry Asia: Transfer of business in China from Wholesale to Retail from Mar 2018
 - Mulberry Japan: Transfer of business in Japan from Wholesale to Retail from May 2018
 - Mulberry Korea: Transfer of business in South Korea from Wholesale to Retail from Aug 2018
 - UK: 19 concessions to open with John Lewis & Partners, business converting from Wholesale to Retail

CAPEX

- New Mulberry store concept for Group's stores revealed with the new Regent Street store
- The store in Heathrow Terminal 4 was relocated and furnished in the new store concept post H1
- Global roll out expected to accelerate during 2019, leading to increased capital expenditure during H2 of current financial year and in coming years
- Capital expenditure for full year ending 31 March 2019 expected to be in the region of £8.0 million (2018: £5.4 million), of which the majority will be on stores

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DIGITAL PLATFORMS

mulberry.com

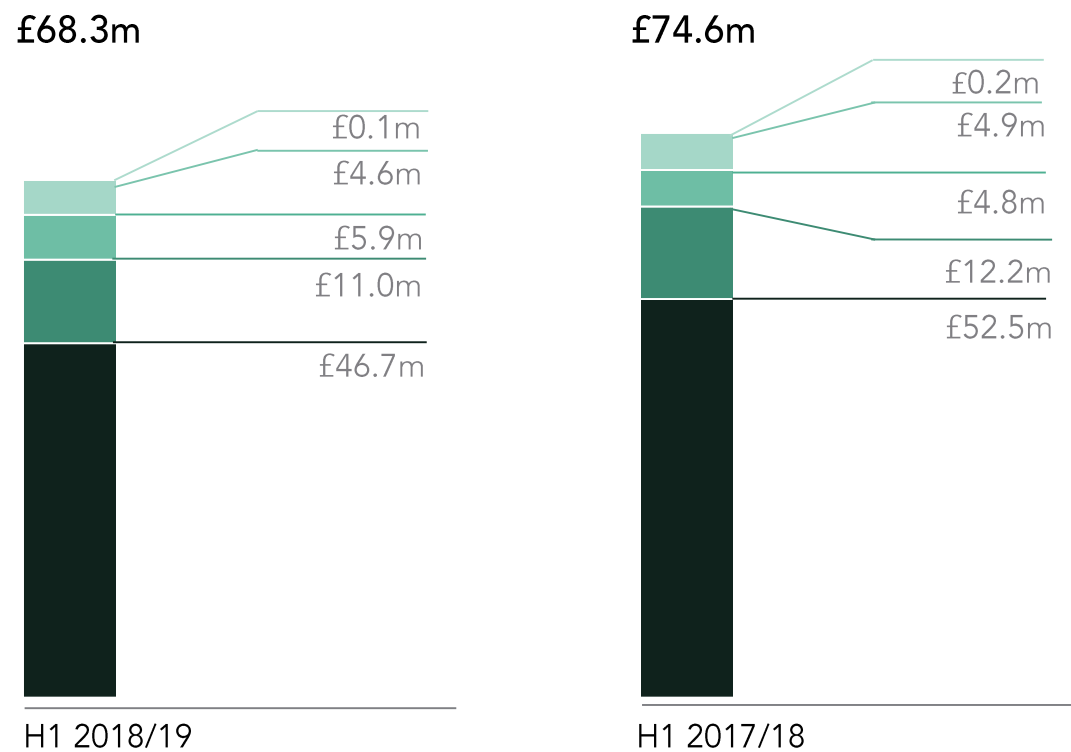
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4. Appendix



Appendix – Revenue by region

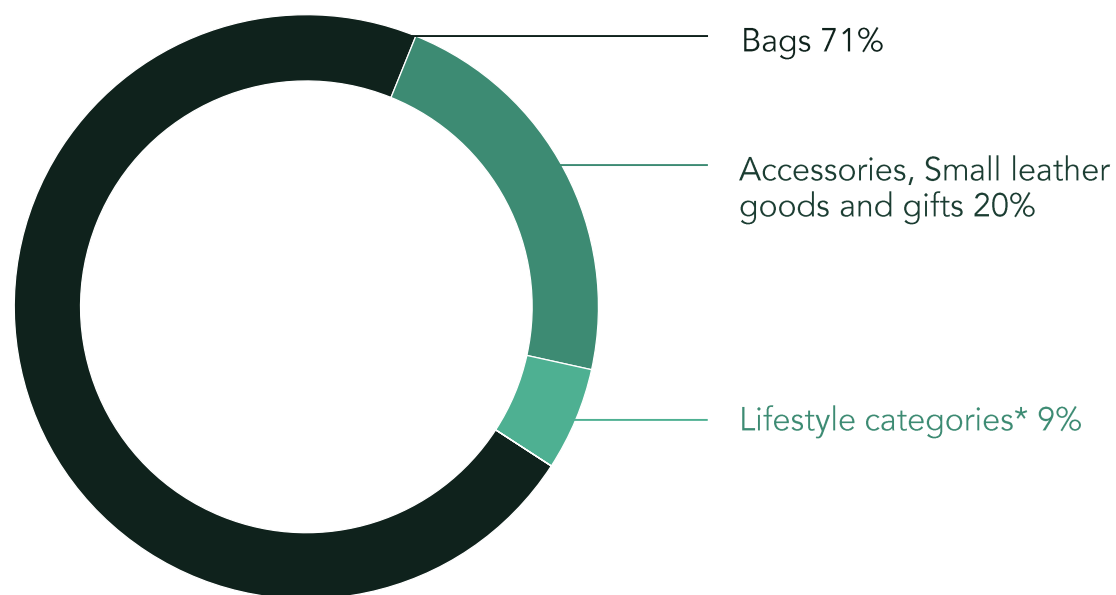


■ UK ■ Europe ■ Asia Pacific ■ North America ■ Middle East/Other

Appendix – Revenue by region/channel

	2018/19 £m			2017/18 £m		
	Retail	Wholesale	Total	Retail	Wholesale	Total
UK	40.4	6.3	46.7	45.3	7.2	52.5
Europe	4.3	6.7	11.0	5.4	6.8	12.2
Asia Pacific	3.7	2.2	5.9	1.3	3.5	4.8
North America	4.4	0.2	4.6	4.6	0.3	4.9
Middle East/Other	-	0.1	0.1	-	0.2	0.2
Total Revenue	52.8	15.5	68.3	56.6	18.0	74.6

Appendix – Revenue by product



** Lifestyle categories includes Luggage, Footwear, Ready-to-wear*