

# Mulberry

Interim Results

FOR THE 26 WEEKS ENDED 28 SEPTEMBER 2019

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## Business and Strategic Highlights

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### DIRECT TO CUSTOMER AND INTERNATIONAL STRATEGY ADVANCED

- Direct to customer sales\* account for circa 90% of Group revenue (2018: 84%)
- Asia represents 14% of Group revenue (2018: 9%) with 32 Retail stores (2018: 29) and Mulberry Korea now a wholly owned subsidiary
- Global Digital sales up 23%
- UK business impacted by an increasingly promotion led environment and lower traffic to stores
- Newly launched bags are over 80% of full price bag sales with two new popular styles, Millie and Iris
- Further developing sustainable product ranges, using recycled materials and maintaining an accessible luxury price positioning
- 65% of leathers sourced from environmentally certified tanneries
- Against an uncertain backdrop, the Board expects the Group to trade profitably and to generate cash during the second half of the financial year

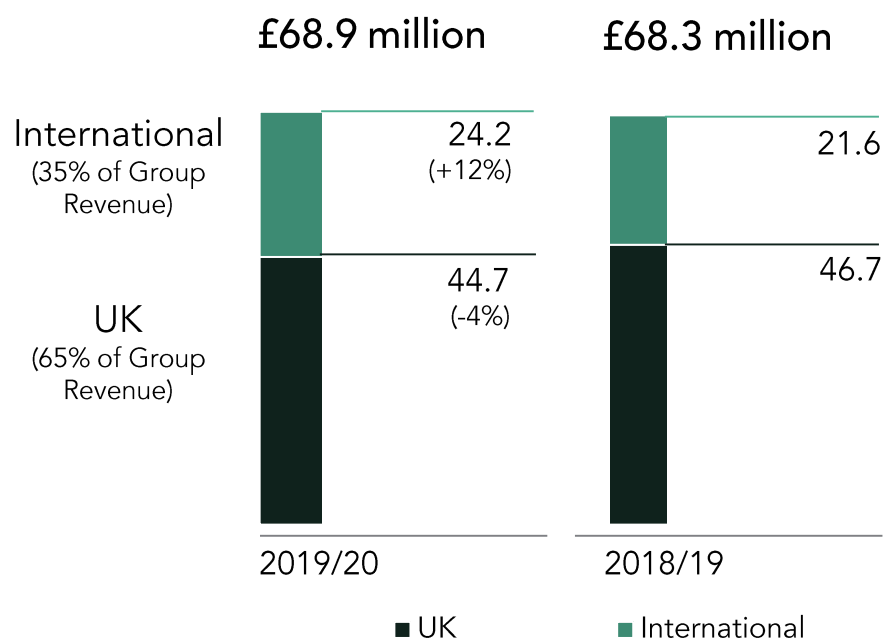
\* Direct to customer represents sales generated through all Mulberry stores, department store concessions and digital channels



# 1. Financial Review

## Revenue by region

### TOTAL REVENUE (£ MILLION)



Note: Digital included in Retail sales

### INTERNATIONAL SALES UP 12%:

- International mix rising to 35% of revenue (2018: 32%)
- Driven by conversion of South Korea from wholesale to retail (Aug 2018) and encouraging growth in Japan
- Hong Kong down double digits due to ongoing disruption

### UK SALES DOWN 4%:

- Management actions to advance direct to customer strategy; successful conversion of John Lewis (Nov 2018)
- Digital sales increased whilst store sales impacted by lower traffic

### GLOBAL DIGITAL SALES UP 23%:

- Network of digital concessions further developed
- mulberry.com functionality enhanced, localisation introduced

# Income statement

£ MILLION	26 WEEKS TO 28 SEPTEMBER 2019	26 WEEKS TO 22 SEPTEMBER 2018
Revenue	68.9	68.3
Gross profit	40.9	42.0
Gross margin	59.4%	61.5%
Operating expenses (net)	(51.1)	(48.3)
Other operating income	0.4	0.2
One off costs*	-	(2.1)
Net finance costs	(0.1)	-
<b>Loss Before Tax, IFRS 16</b>	<b>(9.9)</b>	<b>(8.2)</b>
Adjusted basic loss per share (pence)	(14.9)	(6.1)
IFRS 16	(1.1)	-
<b>Loss Before Tax</b>	<b>(10.9)</b>	<b>(8.2)</b>
Basic loss per share (pence)	(16.4)	(8.9)

\* One off costs in respect of House of Fraser administration



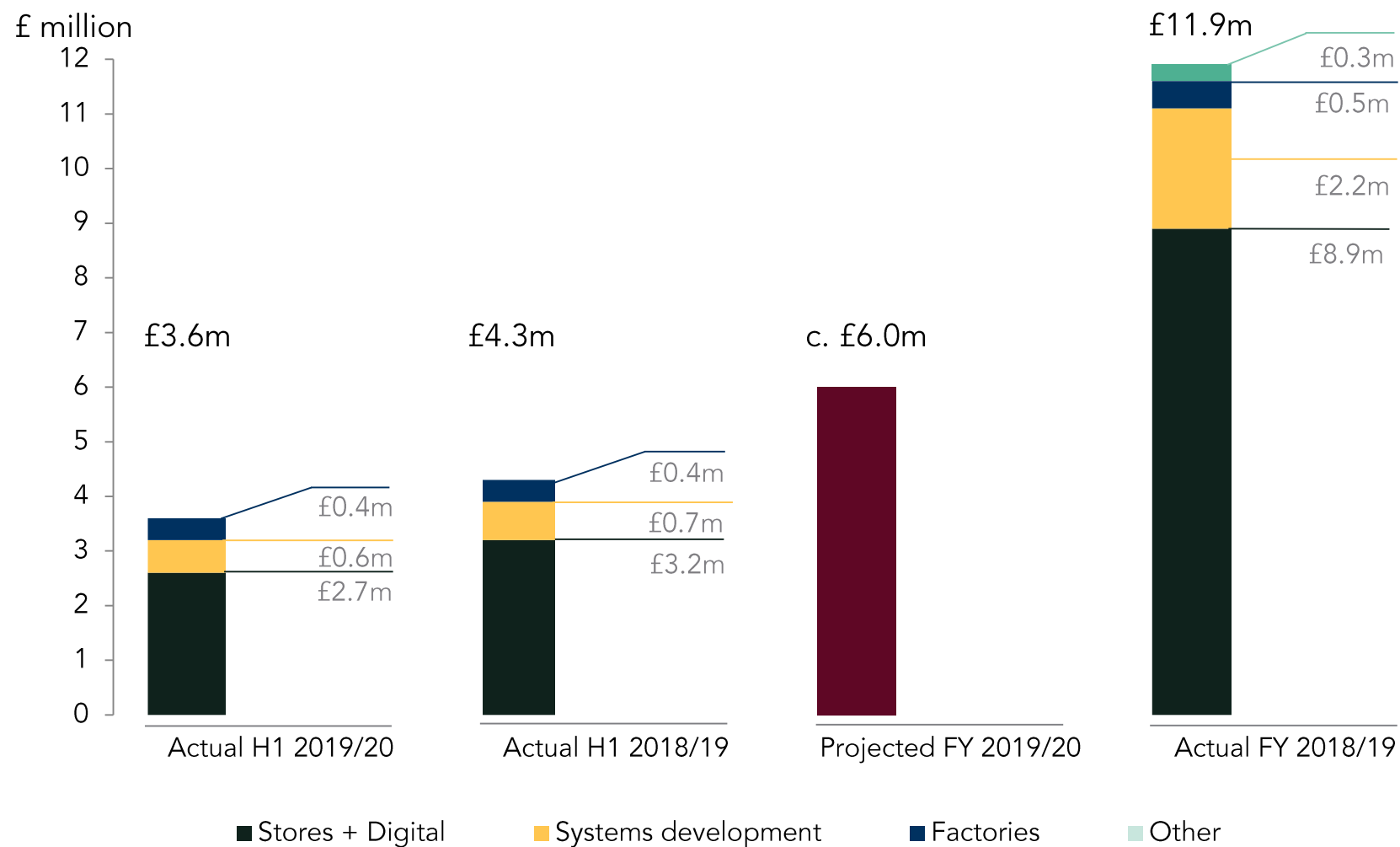
## Balance sheet

£ MILLION	28 SEPTEMBER 2019	22 SEPTEMBER 2018	VARIANCE
Non-current assets	42.3	40.0	+6%
Right of use assets*	105.3	-	n/a
Inventories	38.7	47.1	-18%
Other current assets	14.2	16.2	-12%
Net cash**	6.4	12.1	-47%
Current liabilities	(26.3)	(31.7)	-17%
Lease liabilities*	(109.2)	-	n/a
<b>Net assets</b>	<b>71.4</b>	<b>83.7</b>	<b>-15%</b>

\* The Group adopted IFRS 16 'Leases' from the beginning of the period

\*\* Net cash comprises cash balances of £11.7 million less bank borrowings of £5.3 million (this excludes loans from related parties and controlling interests of £4.3 million)

## Capital Expenditure Analysis





## 2. Strategy



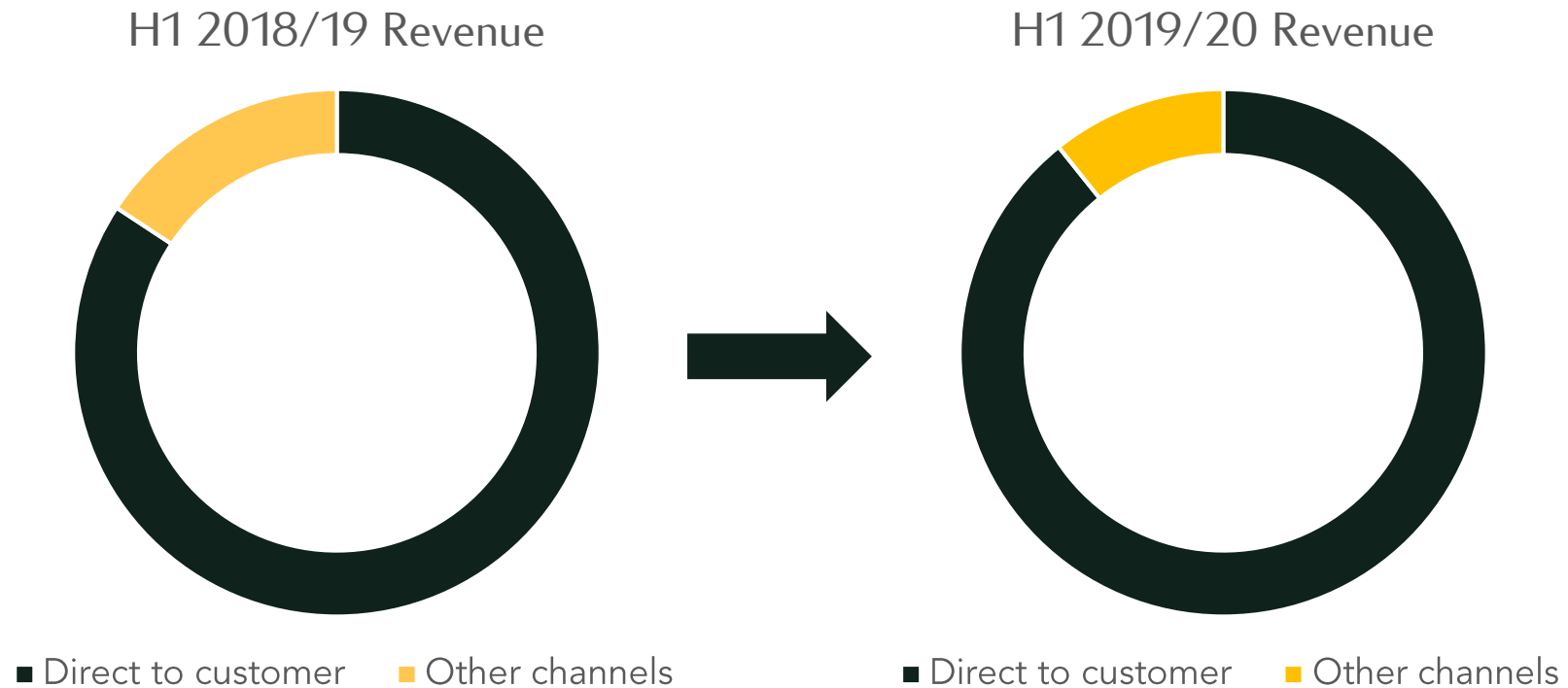
## Strategy overview

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FOUR STRATEGIC PILLARS TO DEVELOP MULBERRY AS A GLOBAL LUXURY BRAND:

1. DIRECT TO CUSTOMER MODEL
2. INTERNATIONAL DEVELOPMENT
3. PRODUCT
4. UK MANUFACTURING

## 1. Direct to customer model



### DIRECT TO CUSTOMER MODEL ADVANCED, NOW REPRESENTS C. 90% OF REVENUE

- Direct to customer includes all Mulberry stores, department store concessions and Digital channels
- Highly valued multi-brand, partner businesses remain in USA, Europe, Australia, Southeast Asia, UK
- Continued development of omni-channel offering with enhanced customer service
- New store concept enhancing in store customer experience

# 1. Direct to customer model

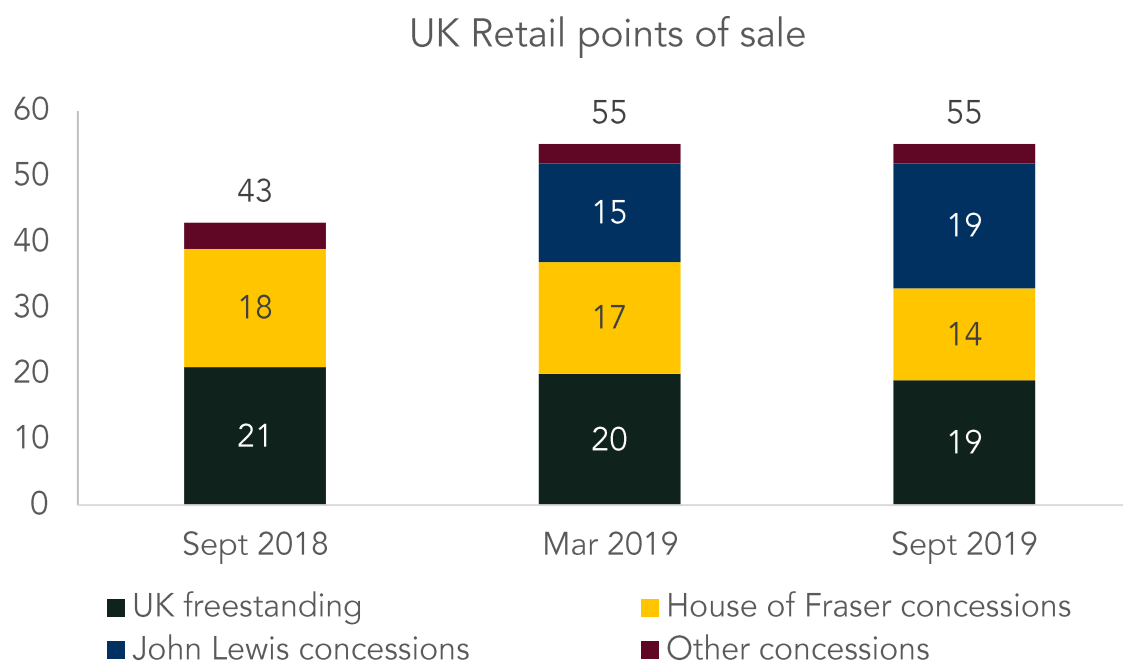
## GLOBAL RETAIL AND FRANCHISE PARTNER STORE NETWORK

	Free Standing Stores	Department store Shop-in-Shop	Total 28 Sept 2019	Changes from 30 March 2019	Total 30 March 2019
<u>Own Stores</u>					
UK	19	36	55	–	55
Europe	6	1	7	–	7
North America	8	–	8	+1	7
Asia Pacific	14	18	32	+1	31
<b>Total Own Stores</b>	<b>47</b>	<b>55</b>	<b>102</b>	<b>+2</b>	<b>100</b>
<u>Franchise Partner Stores</u>					
Europe	8	3	11	–	11
Asia Pacific	7	2	9	–	9
Middle East	1	–	1	-1	2
<b>Total Franchise Partner Stores</b>	<b>16</b>	<b>5</b>	<b>21</b>	<b>-1</b>	<b>22</b>
<b>Total Retail Footprint</b>	<b>63</b>	<b>60</b>	<b>123</b>	<b>+1</b>	<b>122</b>

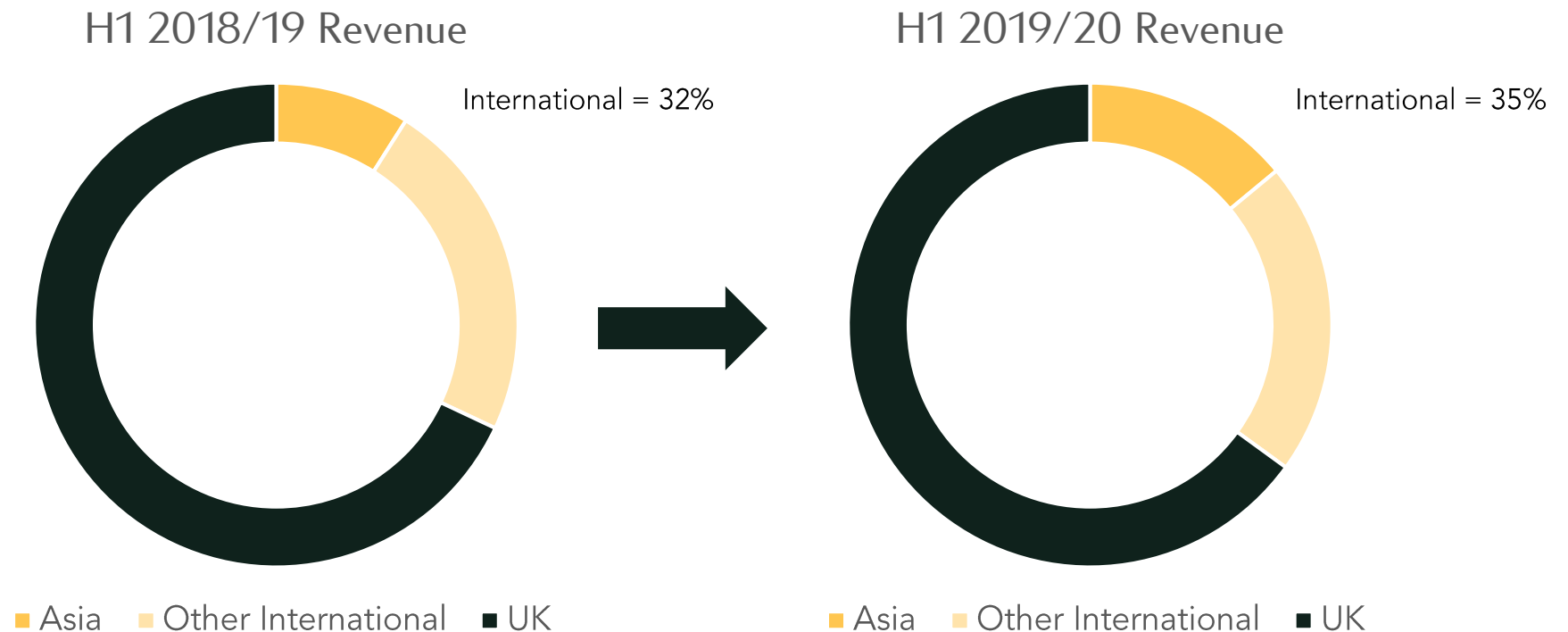
## 1. Direct to customer model (UK)

### DIRECT TO CUSTOMER FURTHER ADVANCED IN THE UK

- 55 retail points of sale at the end of the period (2018: 43)
  - John Lewis: 4 new concessions opened
  - House of Fraser: 3 stores closed
  - Closure of 2 pop up stores; 2 pop up stores opened after the period end (Gatwick Airport, Canary Wharf)
- Continued omni-channel enhancements introduced
  - Additional capability introduced including same day delivery in all standalone UK Retail stores
  - johnlewis.com performing well as a new digital concession (established November 2018)



## 2. International development



### INTERNATIONAL DEVELOPMENT PROGRESSED, NOW REPRESENTS C. 35% OF REVENUE

- **Asia:** represents a significant growth opportunity and remains a key strategic focus; local management teams focused on implementing the Group's direct to customer model
- **North America:** a store featuring the new concept was opened in Rockefeller Center, New York on 5th Avenue
- **Europe:** Paris store impacted by well documented social disruption



## 2. International development / Asia

ASIA REMAINS A KEY STRATEGIC FOCUS, REPRESENTS 14% OF SALES (2018: 9%)

- **South Korea:** Retail store network further enhanced, new management team introduced in Seoul office, Group's merchandising systems implemented, Mulberry Korea now wholly owned subsidiary
- **China, Hong Kong, Taiwan:** steady progress in China and Taiwan, Hong Kong impacted by ongoing disruption with sales down double digits (small proportion of Group revenue)
- **Japan:** #MulberryxTokyo customer event held during August 2019, momentum accelerated post event



Mulberry England  
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カプセルコレクションが日本で先... [詳細はこちら](#)

待望のカプセルコレクションが新宿伊勢丹で販売開始! ロンドンタータンコレクションをいち早く手に入れよう。期間限定ストアは8月21日~27日まで開催中。





### 3. Product / Leather Goods

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#### INNOVATIVE AND DISTINCTIVE LEATHER GOODS

- Further developing sustainable product ranges, including the use of recycled materials and maintaining an accessible luxury price positioning
- New women's bags over 80% of full price bag sales; successful launch of two new soft bags, Millie and Iris
- Category of mini bags further enhanced and developed, with positive results
- Personalisation offer introduced, with plans to further enhance in coming seasons



### 3. Product / Lifestyle

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#### LIFESTYLE CATEGORIES FURTHER DEVELOPED TO ACQUIRE NEW CUSTOMERS

- Encouraging momentum from men's leather accessories with new, more modern direction introduced; bestselling ranges are the relaunched Anthony messenger bag and new Urban family
- Ready to wear, shoes, soft accessories, jewellery and eyewear continue to be developed
- Trainers performing particularly well following introduction of new ranges



## 4. UK manufacturing

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### DISTINCTIVE “MADE IN ENGLAND” POSITIONING

- Rich heritage in craftsmanship and innovative design with a sustainable approach
- 2 factories in Somerset are carbon neutral and manufacture approximately 50% of bags
- Furthering use of sustainable materials with all new Men’s nylon bags made from 100% recycled materials and 65% of leathers from environmentally certified tanneries (25% are gold standard)
- Further investments in agile supply chain enhancing market reactivity and reducing lead times
- Extensive apprenticeship programme to develop the next generation of craftspeople
- Products ‘made to last’ since brand’s establishment in 1971, supported by a lifetime service commitment





### 3. Current Trading and Outlook



## Current Trading & Outlook

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### GROUP RETAIL

- Retail sales have continued to reflect similar trends as the period
- Asia is generating double digit sales growth, driven by South Korea and Japan, whilst trading in the UK remains challenging

### INTERNATIONAL RETAIL

- Sales growth in South Korea and Japan accelerated in recent months and this momentum has continued into the second half of the financial year
- Performance of China and Taiwan business is promising, driven by ongoing enhancements to the store network and Digital and Omni-channel platform
- Sales in Hong Kong remain down double digits, with ongoing disruption likely to continue to impact performance
- The Board anticipates that International will continue to grow and increase as a proportion of revenue

### UK RETAIL

- UK retail environment has remained challenging, as has been well documented
- 2 new pop up stores since the end of the period opened in Gatwick Airport and Canary Wharf
- Group will continue to invest in enhancing the customer experience and in optimising the store network

## Current Trading & Outlook

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### SELECTIVE FRANCHISE & WHOLESALE

- Group continues to focus on Direct to customer model
- Selective Franchise and Wholesale Revenue for second half of the financial year will decline, primarily reflecting the conversion of John Lewis to concession from November 2018

### CAPEX

- Selective roll out of new store concept will continue during the year to 30 March 2020
- Capital expenditure for the 52 week period ending 30 March 2020 is expected to be in the region of £6.0 million (2019: £11.9 million), the majority of which will be on stores and ongoing investment in Digital and IT systems

### FY OUTLOOK

- Against an uncertain backdrop in the UK and with the important Christmas period ahead, the Board expects the Group to trade profitably and to generate cash during the second half of the financial year

## Contacts

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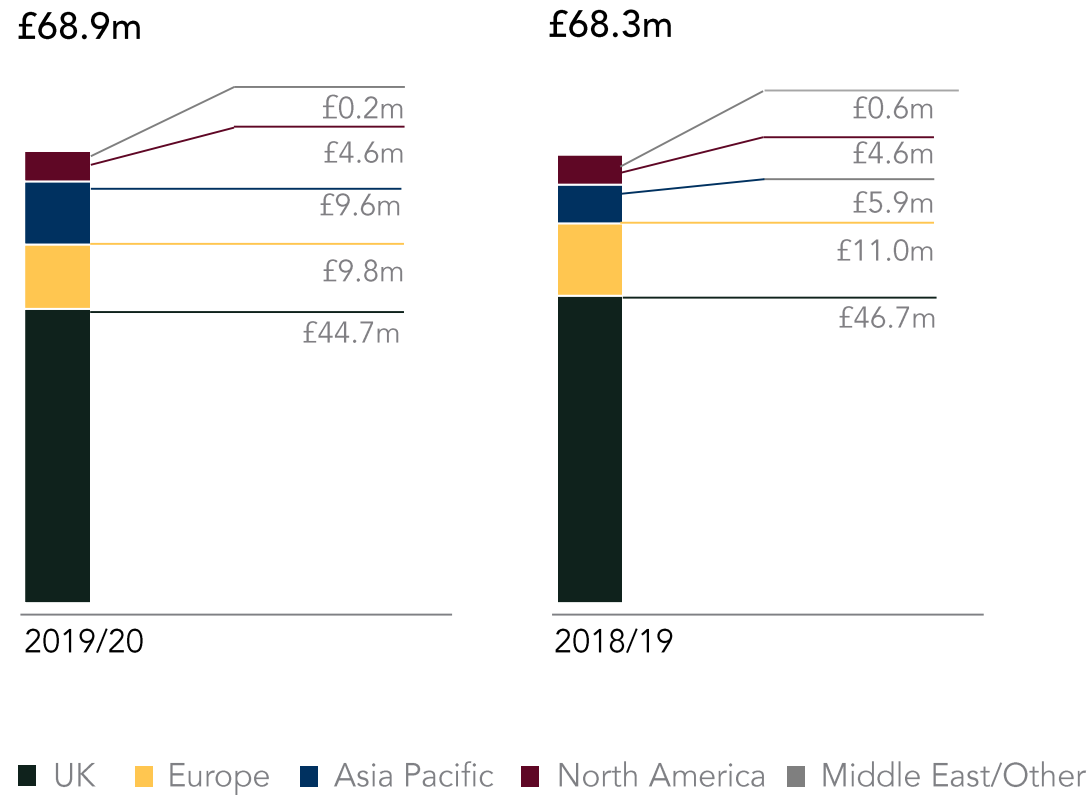


## 4. Appendix





## Appendix – Revenue by region

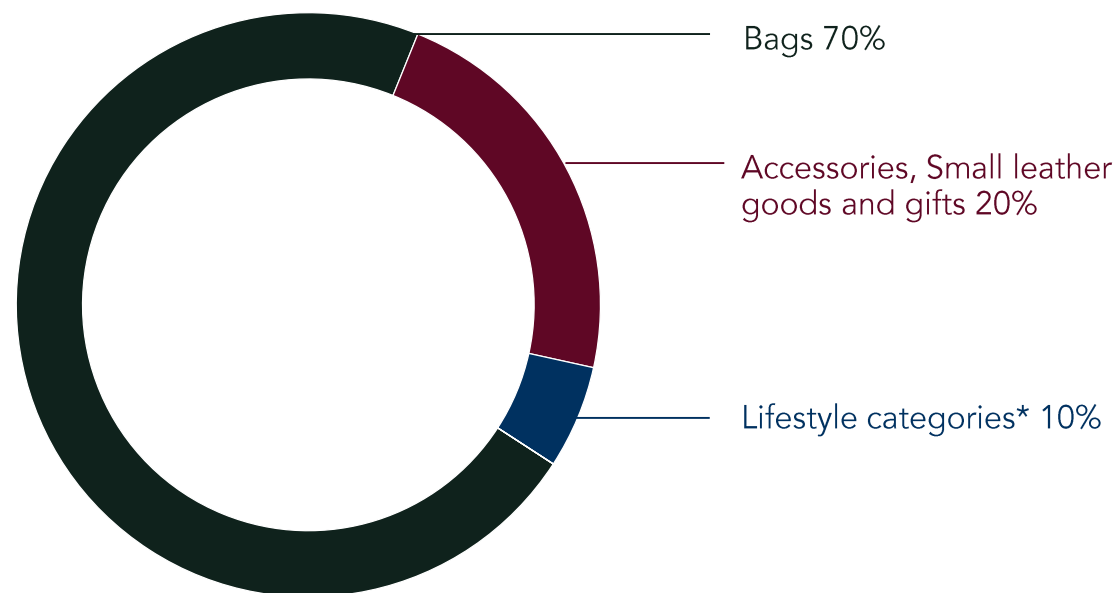


## Appendix – Revenue by region/channel

	2019/20 £m			2018/19 £m		
	Retail	Wholesale	Total	Retail	Wholesale	Total
UK	41.6	3.1	44.7	40.4	6.3	46.7
Europe	3.7	6.1	9.8	4.3	6.7	11.0
Asia Pacific	7.5	2.1	9.6	3.7	2.2	5.9
North America	4.3	0.3	4.6	4.4	0.2	4.6
Middle East/Other	-	0.2	0.2	-	0.1	0.1
<b>Total Revenue</b>	<b>57.1</b>	<b>11.8</b>	<b>68.9</b>	<b>52.8</b>	<b>15.5</b>	<b>68.3</b>

## Appendix – Revenue by product

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