



MULBERRY GROUP PLC – INTERIM RESULTS FOR THE 26 WEEKS ENDED 26 SEPTEMBER 2020

Mulberry

# Contents

Highlights	3	<b>STRATEGY OVERVIEW</b>	<b>14</b>
Current Trading	4	Strategy — Our 4 Strategic Pillars	15
COVID-19	5	Strategic Pillar 1 — Omni-channel Distribution	16
<b>FINANCIAL REVIEW</b>	<b>6</b>	Strategic Pillar 2 — International Development	16
Revenue	7	Strategic Pillar 3 — Constant Innovation	17
International Revenue	8	Strategic Pillar 4 — Sustainable Lifecycle	17
Digital Revenue	9	<b>APPENDIX</b>	<b>19</b>
Group Income Statement	10	Store Detail	20
Group Balance sheet	11	Revenue by Product	21
Group Cash Flow	12		
Capital Expenditure	13		

Publication on website:

On 19 November 2020, as a consequence of an announcement by Frasers Group plc that, inter alia, it was reserving the right to make a voluntary offer for the Company, Mulberry entered an “offer period” in accordance with The Takeover Code (the “Code”).

In accordance with Rule 26.1 of the Code, a copy of this presentation will be made available at <https://www.mulberry.com/gb/investor-relations>. The content of the website referred to in this presentation is not incorporated into and does not form part of this announcement.

# Highlights

## FINANCIAL HIGHLIGHTS

- Group revenue down 29% to £48.9m (2019: £68.9m) primarily reflecting impact of COVID-19 and closure of majority of stores from start of period.
- Digital sales up 68% to £23.4m (2019: £13.9m).
- Asia Pacific retail sales increased 28%, driven by ongoing investment in region.
- Adjusted loss before tax of £1.9m (2019: £10.1m) before adjusting items of £0.5m (2019: £nil) reflecting actions taken in response to COVID-19, strong growth in Asian markets and strength of digital business.
- Period end Group net cash increased to £8.6m (2019: £6.4m), maintained through rigorous cost and cash control.
- Inventory reduced by 13% to £33.6m reflecting the benefit of our agile supply chain and actions taken to manage inventory levels in line with anticipated demand as a result of COVID-19.

## OPERATING HIGHLIGHTS

- Sales trajectory improving, down 39% in Q1, and down 18% in Q2.
- Digital sales represented 67% of Group revenue in Q1 (2019: 23%), and 32% in Q2 (2019: 17%).
- Created a successful digital off-price site in April 2020 to replace lost sales from outlet stores.
- New global pricing strategy implemented in April 2020 to apply the same retail price globally for Mulberry goods.
- Optimised store network - now comprises 111 retail and franchise partner stores, a net reduction of 8 stores since the start of period.
- Accelerated relationships with new and existing digital media partners to reach younger audiences and drive new customer growth on digital platforms.

## SUSTAINABILITY HIGHLIGHTS

- Released the most sustainable iterations of the Bayswater and Lily silhouettes in environmentally certified leathers.
- Manufactured PPE gowns in response to COVID-19 producing 17,000 reusable gowns for the NHS.



# Current Trading

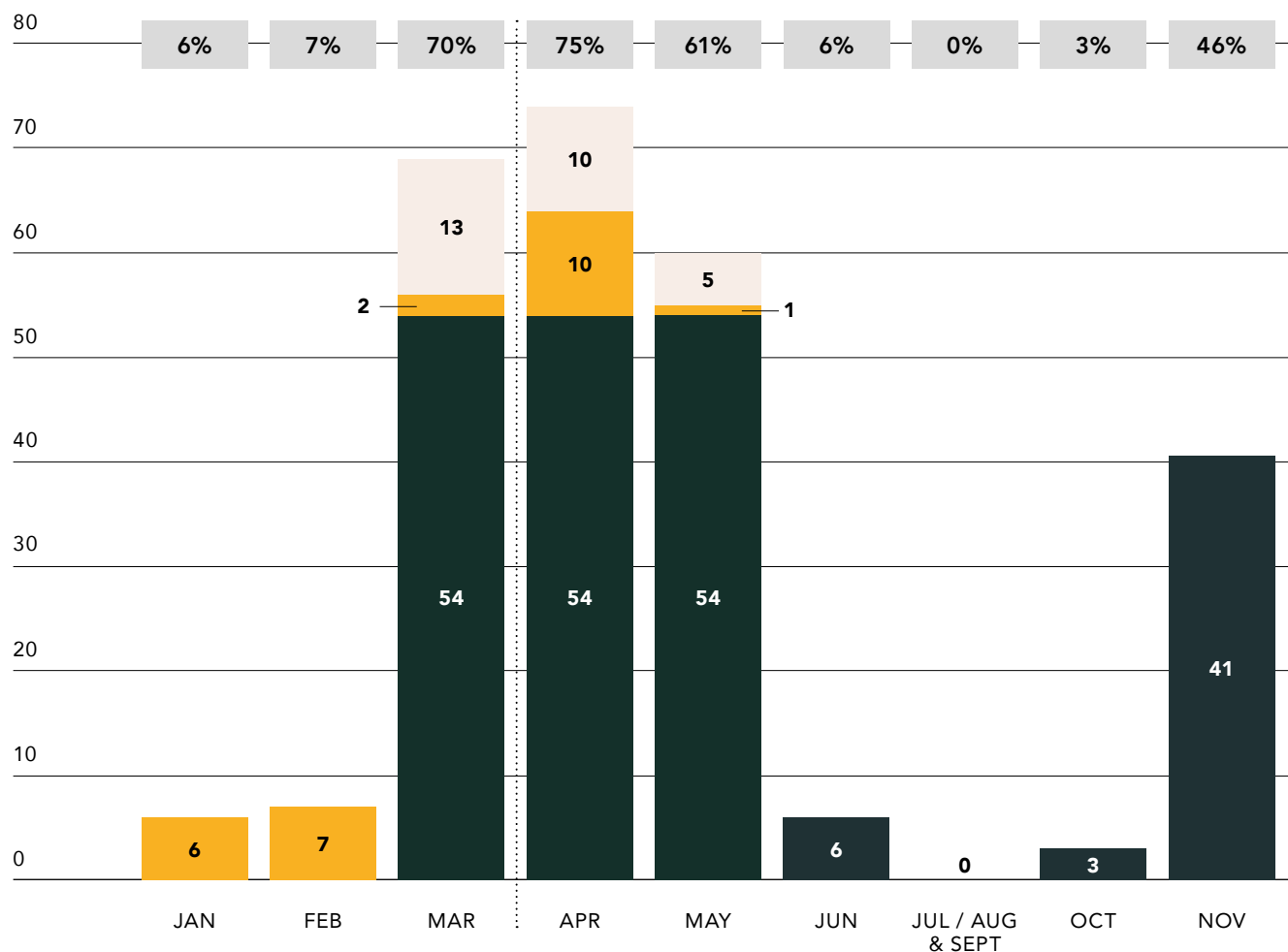
## CURRENT TRADING FOR THE 8 WEEK PERIOD FROM 27 SEPTEMBER 2020

- Sales trends experienced in Q2 continued into October, with improving stores sales, a strong digital performance and continuing growth in Asia.
- Trading in the 8 weeks to 21 November 2020 was down 19% relative to the same period last year.
- Double digit growth in Asia Pacific retail revenue.
- Double digit growth in digital revenue.
- Relaunched our most iconic bag, the Alexa, in sustainable leathers reflecting Mulberry's commitment to responsible innovation.
- Net cash balances of £5.8m at 21 November 2020 and RCF remains undrawn, as at the date of this report.



# COVID-19 — Store Closures

## STORE CLOSURES BY REGION (OWN STORES ONLY)



- Mulberry's international stores started to close in response to the pandemic in mid-January 2020 and by the end of March 2020, we had closed 70% of our stores worldwide and our UK factories. Our stores in China and South Korea re-opened in April 2020, followed by stores in Japan and Europe.
- In line with UK Government advice, we commenced a phased re-opening of our UK stores and factories in June 2020. Detailed additional safety standards and procedures for our staff and customers are in place to allow all our locations to operate safely.
- Our distribution centre in Somerset has remained open, enabling the digital business to continue to operate and the team has done an outstanding job of dealing with the surge in digital demand. Our distribution centre is large enough for proper safety standards to have been put in place from the outset and we are fortunate that cases of COVID-19 in our part of Somerset has been extremely low.

■ UK  
■ ASIA PACIFIC  
■ REST OF WORLD  
⋯ YEAR ENDED 28 MARCH 2020



# Financial Review



# Revenue

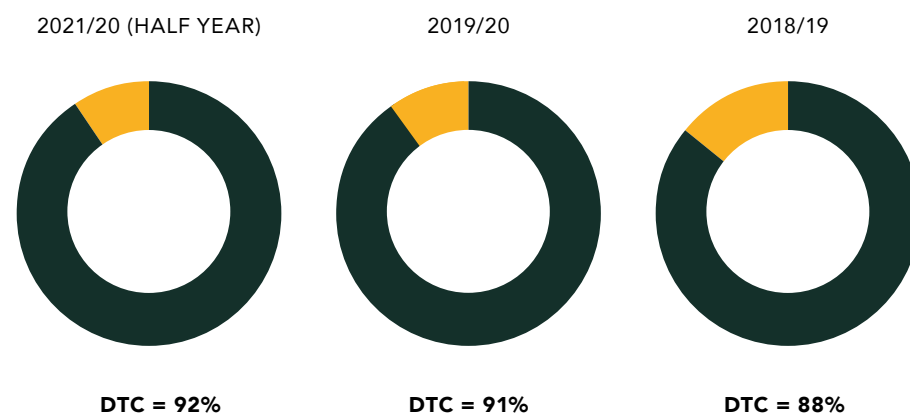
£ MILLION	2020/21	2019/20	% CHANGE
DIGITAL	23.4	13.9	68%
STORES	19.5	43.2	-55%
<b>RETAIL (OMNI-CHANNEL)</b>	<b>42.9</b>	<b>57.1</b>	<b>-25%</b>
<b>WHOLESALE AND FRANCHISE</b>	<b>6.0</b>	<b>11.8</b>	<b>-49%</b>
<b>GROUP REVENUE</b>	<b>48.9</b>	<b>68.9</b>	<b>-29%</b>

£ MILLION	2020/21	2019/20	% CHANGE
DIGITAL	18.0	10.5	71%
STORES	10.0	31.1	-68%
<b>UK</b>	<b>28.0</b>	<b>41.6</b>	<b>-33%</b>
DIGITAL	1.7	0.9	89%
STORES	7.9	6.6	20%
<b>ASIA PACIFIC</b>	<b>9.6</b>	<b>7.5</b>	<b>28%</b>
DIGITAL	3.7	2.5	48%
STORES	1.6	5.5	-71%
<b>REST OF WORLD</b>	<b>5.3</b>	<b>8.0</b>	<b>-34%</b>
<b>RETAIL (OMNI-CHANNEL)</b>	<b>42.9</b>	<b>57.1</b>	<b>-25%</b>

£ MILLION	2020/21	2019/20	% CHANGE
UK	1.1	3.1	-65%
ASIA PACIFIC	0.7	2.1	-67%
REST OF WORLD	4.2	6.6	-36%
<b>WHOLESALE AND FRANCHISE</b>	<b>6.0</b>	<b>11.8</b>	<b>-49%</b>

- Group revenue down 29% to £48.9m (2019: £68.9m) primarily reflecting impact of COVID-19 and closure of majority of stores from start of period.
- Sales trajectory improving, down 39% in Q1, and down 18% in Q2.
- Wholesale and franchise sales decreased 49%, in part due to the continuing focus on our direct-to-customer model, but mainly due to the impact of COVID-19 on our partners.

## DIRECT TO CUSTOMER

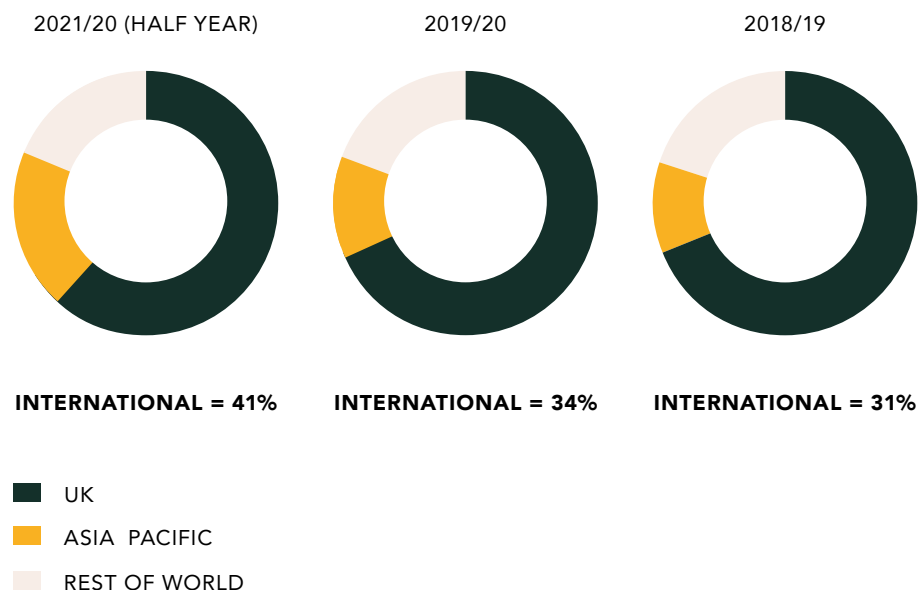


■ DIRECT TO CUSTOMER  
■ WHOLESALE



# International Revenue

## INTERNATIONAL MIX (AS A PROPORTION OF GROUP REVENUE)



- In line with strategy, international revenue continues to grow as a proportion of overall Group revenue.
- International retail sales decreased 4% to £14.9m (2019: £15.5m) representing 35% of retail revenue (2019: 27%).
- Asia Pacific retail sales increased 28%, driven by ongoing investment in this region, with China retail sales up 75% and South Korea retail sales up 35%, offset by a 26% decrease in Japan sales.
- The growth in Asia Pacific was offset by a 34% decrease in rest of world sales.
- The investment in the Group's subsidiaries in China, Korea and Japan is making good progress and after two years of substantial cost and investment, these businesses are approaching break-even.



# Digital Revenue

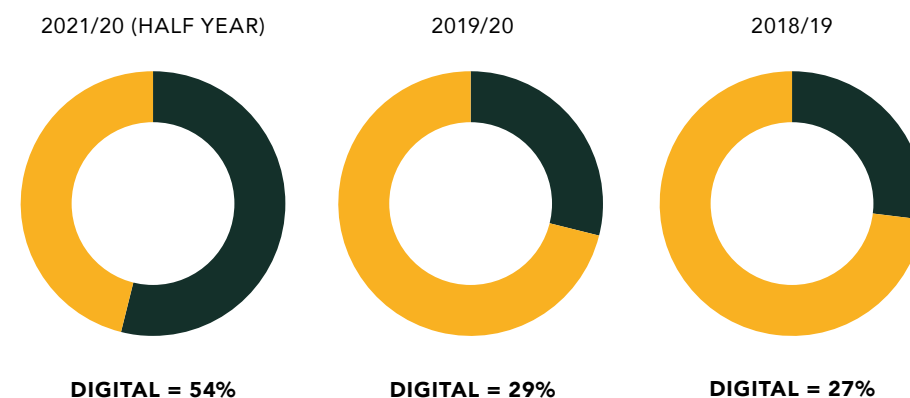
£ MILLION	2020/21	2019/20	% CHANGE
UK	18.0	10.5	71%
ASIA PACIFIC	1.7	0.9	89%
REST OF WORLD	3.7	2.5	48%
<b>TOTAL DIGITAL</b>	<b>23.4</b>	<b>13.9</b>	<b>68%</b>

UK	10.0	31.1	-68%
ASIA PACIFIC	7.9	6.6	20%
REST OF WORLD	1.6	5.5	-71%
<b>TOTAL STORE</b>	<b>19.5</b>	<b>43.2</b>	<b>-55%</b>

<b>TOTAL RETAIL (OMNI-CHANNEL)</b>	<b>42.9</b>	<b>57.1</b>	<b>-25%</b>
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- The strength of our digital business helped to offset the impact of the store closures at the beginning of the period and to achieve overall sales for the period ahead of our initial expectations. Even after our stores re-opened, digital sales continued to grow and represented 32% of Group sales in Q2 (Q1: 67%) reflecting the ever-increasing importance of this channel in the current environment.
- We also created a digital off-price site in April 2020 to replace lost sales from our outlet stores, which has been successful.

## DIGITAL MIX (AS A PROPORTION OF RETAIL REVENUE)



# Group Income Statement

£ MILLION	UNAUDITED 26 WEEKS ENDED 26 SEPTEMBER 2020 £'000	RESTATED UNAUDITED 26 WEEKS ENDED 28 SEPTEMBER 2019 £'000	AUDITED 52 WEEKS ENDED 28 MARCH 2020 £'000
REVENUE	48.9	68.9	149.3
COST OF SALES	(20.0)	(28.0)	(58.2)
<b>GROSS PROFIT</b>	<b>28.9</b>	<b>40.9</b>	<b>91.1</b>
IMPAIRMENT CHARGE RELATED TO PROPERTY, PLANT AND EQUIPMENT	0.0	0.0	(7.1)
IMPAIRMENT CHARGE RELATED TO RIGHT OF USE ASSETS	0.0	0.0	(24.9)
OTHER OPERATING EXPENSES	(33.8)	(49.2)	(103.1)
OTHER OPERATING INCOME	4.7	0.4	1.1
<b>OPERATING LOSS</b>	<b>(0.2)</b>	<b>(7.8)</b>	<b>(43.0)</b>
SHARE OF RESULTS OF ASSOCIATES	(0.0)	(0.0)	0.0
FINANCE INCOME	0.0	0.0	0.1
FINANCE EXPENSE	(2.2)	(2.3)	(5.0)
<b>LOSS BEFORE TAX</b>	<b>(2.4)</b>	<b>(10.1)</b>	<b>(47.9)</b>
<b>TAX CREDIT</b>	<b>0.3</b>	<b>1.1</b>	<b>1.0</b>
<b>LOSS FOR THE PERIOD</b>	<b>(2.0)</b>	<b>(9.0)</b>	<b>(46.9)</b>

- Adjusted loss before tax of £1.9m (2019: £10.1m) before adjusting items of £0.5m (2019: £nil) reflecting actions taken in response to COVID-19, strong growth in Asian markets and strength of digital business.
- Adjusting items in the period amounted to £0.5m (2019: £nil) largely reflecting business restructuring costs, offset by a credit in respect of the closure of our two stores in Canada.

# Group Balance Sheet

£ MILLION	UNAUDITED 26 SEPTEMBER 2020 £'000	RESTATED UNAUDITED 28 SEPTEMBER 2019 £'000	AUDITED 28 MARCH 2020 £'000
NON-CURRENT ASSETS	75.0	130.6	79.2
INVENTORIES	33.6	38.7	34.9
TRADE AND OTHER RECEIVABLES	11.5	13.6	11.1
NET CASH	8.6	6.4	7.2
CURRENT TAX	0.4	0.7	0.4
CURRENT LIABILITIES	(45.0)	(41.3)	(39.9)
NON-CURRENT LIABILITIES	(71.9)	(94.2)	(79.4)
<b>NET ASSETS</b>	<b>12.2</b>	<b>54.5</b>	<b>13.5</b>

- Inventory reduced by 13% to £33.6m reflecting the benefit of our agile supply chain and actions taken to manage inventory levels in line with anticipated demand as a result of COVID-19.



# Group Cash Flow

£ MILLION	UNAUDITED 26 WEEKS ENDED 26 SEPTEMBER 2020	RESTATED UNAUDITED 26 WEEKS ENDED 28 SEPTEMBER 2019	AUDITED 52 WEEKS ENDED 28 MARCH 2019
<b>OPERATING LOSS FOR THE PERIOD</b>	<b>(0.2)</b>	<b>(7.8)</b>	<b>(43.0)</b>
<b>ADJUSTMENTS FOR:</b>			
DEPRECIATION AND AMORTISATION	4.3	11.9	56.3
WORKING CAPITAL	2.5	2.8	8.4
<b>CASH GENERATED FROM OPERATIONS</b>	<b>6.6</b>	<b>6.9</b>	<b>21.7</b>
TAX	0.3	1.3	1.8
INTEREST RECEIVED	(0.9)	(2.3)	(4.9)
DIVIDENDS PAID	0.0	0.0	(3.0)
CAPEX NET OF PROCEEDS	(1.3)	(3.6)	(6.8)
PAYMENT OF LEASE LIABILITIES	(3.3)	(8.1)	(14.3)
OTHER	(0.8)	5.0	0.9
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>0.6</b>	<b>(0.8)</b>	<b>(4.6)</b>

- The net increase in cash and cash equivalents per the cash flow statement of £0.6m (2019: decrease of £0.8m) reflected the cost actions taken to offset the decline in revenue, further working capital benefits, including a 13% reduction in inventory to £33.6m and lower capital expenditure.
- The reduction in lease payments and interest paid was in part due to the negotiation of extended payment terms with landlords, but also the renegotiation and termination of leases where possible.

# Capital Expenditure

£ MILLION



- Capital expenditure during the period related to the opening and refurbishment of stores and further investment in digital IT systems.
- Increased capital expenditure projection, to £2m, recognising further international investment. This figure may be higher depending on further opportunities that fall into the current financial year.

■ STORE + DIGITAL  
■ SYSTEMS DEVELOPMENT  
■ FACTORIES  
■ OTHER  
■ PROJECTED



# Strategy Overview





# Strategy

## — Our 4 Strategic Pillars

OUR AIM IS TO BUILD MULBERRY AS A SUSTAINABLE GLOBAL LUXURY BRAND THROUGH FOUR STRATEGIC PILLARS



## Strategic Pillar 1 — Omni-channel Distribution

### STRATEGY:

We aim to create a luxury experience for our customers, regardless of which channel they choose to shop with us. Our omni-channel approach allows customers to research, buy and return products anywhere across our stores and online. Our digital platform is at the core of this approach, seamlessly integrated with our stores and managed by a multi-disciplinary team with a single global approach to customers and inventory.

### IN 2020, WE:

- Created a digital off-price site in April 2020 to replace lost sales from our outlet stores, which has been successful.
- We have rationalised our store network. At the period-end the store network comprised 111 retail and franchise partner stores, a net reduction of 8 stores since the start of the period. Following a review of anticipated trading levels, we took the decision to close 4 stores and 1 concession in the UK, 2 stores in Canada and a franchise partner closed 1 store in Europe.

## Strategic Pillar 2 — International Development

### STRATEGY:

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

### IN 2020, WE:

- Launched a new global pricing strategy in April 2020. The new pricing applies the same retail price globally. Previously, in common with other luxury brands, prices outside Europe were higher. This appears to be contributing to the strong growth in Asian markets and is relevant for the luxury digital consumer.

## Strategic Pillar 3 — Constant Innovation

### STRATEGY:

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 2020, WE:

- Focused the Spring Summer collection on continuing to create a sustainable legacy through our commitment to responsible innovation, timeless quality and beautiful design for contemporary lives.
- We revisited our most iconic and best-loved silhouettes, in line with our Mulberry Green responsibility targets on both materials and manufacturing. The Bayswater, Amberley, Darley, Lily, Millie and Iris are manufactured at our carbon neutral UK factories, were reinvigorated with updates ranging from gold standard leather from environmentally accredited tanneries to sustainably sourced bag linings and Better Cotton Initiative (BCI) accredited organic cotton care bags.

## Strategic Pillar 4 — Sustainable Lifecycle

### STRATEGY:

Focused on developing Mulberry 'families' that are made-to-last, while delivering best-in-class customer service, including lifetime repair and aftercare. We are building on Mulberry's class-leading quality, focussing on sustainability in supply, craftsmanship, packaging and distribution, which is also emerging as a key focus for all our customers.

### IN 2020, WE:

- In April 2020, we began manufacturing PPE gowns in response to COVID-19, crafted to Government-issued guidelines with a specially sourced material that is fluid-resistant and washable to ensure they can be used safely multiple times. We worked quickly to transform our Somerset factories from leathers goods to PPE, and more than 17,000 gowns were manufactured and sourced by NHS Trusts, dental practices and other front-line workers.
- We raised over £75,000 for the National Emergency Trust via our Coronavirus Appeal.
- In September, we released the most sustainable iterations of the Bayswater and Lily silhouettes in environmentally certified leathers. These feature on our digital site as "Sustainable Icons" on Mulberry.com, where we have enhanced the product information to provide more information on the sustainability credentials for each item.



Our aim is to build Mulberry as a sustainable global luxury brand through four strategic pillars.

- Omni-channel distribution
- International development
- Constant innovation
- Sustainable lifecycle

Trading since the start of the current financial period is ahead of our early expectations.

The Group expects losses to be reduced in the current financial period.





# Appendix





# Store Detail

		FREE STANDING	DEPARTMENT SHOP-IN-SHOP	TOTAL 26 SEPT 2020	CHANGES FROM 28 MARCH 2020	TOTAL 28 MARCH 2020
OWN STORES	UK	19	30	49	-5	54
	EUROPE	5	1	6	0	6
	NORTH AMERICA	5	0	5	-2	7
	ASIA PACIFIC	16	16	32	0	32
	<b>TOTAL OWN STORES</b>	<b>45</b>	<b>47</b>	<b>92</b>	<b>-7</b>	<b>99</b>
FRANCHISE PARTNER STORES	EUROPE	5	3	8	-1	9
	OTHER ASIA PACIFIC	8	2	10	0	10
	MIDDLE EAST	0	1	1	0	1
	<b>TOTAL FRANCHISE PARTNER STORE</b>	<b>13</b>	<b>6</b>	<b>19</b>	<b>-1</b>	<b>20</b>
<b>TOTAL RETAIL FOOTPRINT</b>		<b>58</b>	<b>53</b>	<b>111</b>	<b>-8</b>	<b>119</b>

# Revenue by Product

INTERNATIONAL MIX (AS A PROPORTION OF GROUP REVENUE)

