# MULBERRY GROUP PLC ("Mulberry" or the "Group")
# PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2014

Mulberry Group plc, the English luxury brand, announces its results for the year ended 31 March 2014.

## GODFREY DAVIS, EXECUTIVE CHAIRMAN, COMMENTED:

"Mulberry ended the year to 31 March 2014 in line with the guidance given in April.

We are taking steps to restore the business to growth by creating desirable new product across the entire Mulberry range whilst continuing to invest for the longer term.

We have listened to our customers and are introducing attractive new products in the key £500-800 price range. As a first step we introduced the new Tessie collection two weeks ago which is proving popular.

We are proud of having created 320 new manufacturing jobs by opening our second factory in Somerset during June 2013. With everyone now in place, we have doubled our UK production capacity and more than 50% of our handbags are now made in the UK using traditional skills and craftsmanship.

While the business faces a challenging year, I am confident that we can build on Mulberry's solid foundations and unique brand positioning in the luxury market to restore growth in the medium term."

## FINANCIAL HIGHLIGHTS

- Total sales of £163.5 million (2013: £165.1 million)
    - Retail sales up 2% to £109.0 million, down 3% like-for-like
    - Wholesale sales down 6% to £54.5 million
- Profit before tax of £14.0 million (2013: £26.0 million), reflecting the increase in costs associated with new stores opened this year and last year (£4.8 million) as well as £3.4 million of exceptional, non-recurring costs as previously announced
- Basic earnings per share of 14.5p (2013: 32.2p)
- Proposed dividend of 5.0p per share (2013: 5.0p per share)

## OPERATING HIGHLIGHTS

- Construction of second UK factory completed during June 2013, with 320 new jobs created
- Nine new international stores opened, two closed
- Commenced the implementation of new supply chain management system which will allow us to forecast demand and allocate production more effectively as well as improve inventory management

## CURRENT TRADING AND OUTLOOK

- Product range rebalanced following management changes during March 2014
- During the 10 weeks to 7 June 2014, total Retail sales were 9% below the same period last year (like-for-like sales down 15%)
- Launch of the new Tessie collection has been well received
- Double digit decline in Wholesale sales expected for 2014/15
- Acquisition of new Paris flagship store; due to open during early 2015/16

## FOR FURTHER DETAILS PLEASE CONTACT:

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## BUSINESS REVIEW

Total revenue for the year to 31 March 2014 was £163.5 million, down 1% from £165.1 million last year, reflecting growth in Retail sales offset by a decline in Wholesale sales.

### Retail

The Retail business grew by 2% to £109.0 million (2013: £107.2 million), driven by new store openings with like-for-like sales down 3%.

- UK Retail sales were unchanged at £91.9 million (2013: £91.8 million), reflecting a decline in full price stores offset by significant growth in outlet;
- International Retail sales were up 11% to £17.1 million (2013: £15.4 million);
- Online sales, which are included in UK and International Retail sales, were down 11% to £15.6 million, accounting for 10% of Group sales (2013: 11%); and
- During the year we opened seven new directly operated stores in the USA, Austria, Germany and Canada.

### Wholesale

Wholesale sales were down 6% to £54.5 million (2013: £57.9 million), reflecting slower UK and Asian sales.

During the year we opened two partner stores (one in Europe, one in Asia) and closed two partner stores in Korea and the Middle East.

### Financial

Gross margin was 63.3% for the year to 31 March 2014, in line with the prior year (2013: 63.3%).

Net operating expenses for the period increased by £10.7 million to £89.7 million (2013: £79.0 million). This includes £4.8 million additional costs related to new directly operated international stores opened during this year and the previous year as well as £3.4 million of non-recurring costs relating to the impairment of two US stores and to the recent management change.

Due to the continued investment in directly operated international stores both this year and last year and the non-recurring items identified above, profit before tax fell 45% to £14.0 million (2013: £26.0 million).

The Group had an effective tax rate of 38.6% for the year (2013: 28.2%) resulting in a tax charge of £5.4 million (2013: £7.3 million). The effective rate has risen due to losses arising in the new Canadian and European businesses where a deferred tax asset has not been established.

Capital expenditure for the period was £15.5 million, of which £8.1 million related to stores, £4.4 million to factories and £2.8 million to investment in IT systems.

Inventories have decreased to £33.8 million from £35.7 million at the start of the period reflecting effective purchasing and stock management. Overall, the Group balance sheet remains strong with cash of £23.4 million at 31 March 2014 (2013: £21.9 million) and no debt.

Basic earnings per share for the year decreased to 14.5p (2013: 32.2p).

The Board is recommending the payment of a dividend on the ordinary shares of 5.0p per ordinary share (2013:

5.0p) which will be paid on 10 September 2014 to shareholders on the register on 15 August 2014.

## STRATEGY

The long term strategy remains to grow Mulberry as an international luxury brand and we are confident that we can grow sales and profits in the medium term. We are taking the following key steps to achieve this:

1. Re-focus the product offering:

   The new handbag offering introduced over the last two seasons has focused on bags priced above £1,000, but has lacked new and interesting products in the key price range of £500 to £800. The design team will ensure that they deliver attractive new product within this key price range while continuing to refresh the collections across our full price spectrum. The benefit of this will be progressive.

2. Stores:

   We have invested in the growth of the Mulberry store network over the last three years and will continue to invest in the current financial year. Due to the major investment in the Paris flagship store, which is expected to open at the beginning of the next financial year, we will open fewer stores in the current financial year and take the opportunity to focus on improving the productivity of existing stores.

3. Supply chain:

   Continued investment in supply chain management is enabling us to build a scalable platform for the business. We are on track to complete the implementation of a new integrated supply chain management system during the course of the current financial year; this will allow us to forecast demand and allocate production more effectively as well as improving inventory management.

## CURRENT TRADING AND OUTLOOK

During the 10 weeks to 7 June 2014, total Retail sales were 9% below the same period last year (like-for-like sales down 15%).

The outlook for the current financial year remains challenging. Although there are encouraging signs in our own full price Retail business, including the well-received launch of the new Tessie collection, we expect the improvement in sales will be progressive. Following effective stock clearance during 2013/14, outlet sales have settled at more normal levels this year. The new Spring Summer 15 collection has been well-received by our Wholesale customers but this channel will take longer to recover and we expect there to be a double digit decline for the year as a whole.

We remain committed to our strategy of international expansion and traction has been gained in new markets in recent years through the opening of high quality stores. For 2014/15 we plan to open five new directly operated stores and fit out the Paris flagship store which we plan to open at the beginning of the next financial year.

There will be some effect on gross margin during the year from our second factory in Somerset, which is still building up to full production capacity.

Capital expenditure for the year to 31 March 2015 is expected to be approximately £18.0 million, of which £14.6 million will be on stores (2014: £15.5 million, £8.1 million on stores), subject to the timing of new store openings and other investments. This includes a significant investment in a Paris flagship store which will be an important step for the brand. The Group is expected to continue to generate sufficient cash from operations to fund its investment programme.

Notwithstanding the short-term pressures, we are confident that we can build on Mulberry's solid foundations and unique brand positioning in the luxury market to restore growth in the medium term.

# Consolidated income statement
# Year ended 31 March 2014

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Revenue | | 163,456 | 165,130 |
| Cost of sales | | (59,992) | (60,623) |
| Gross profit | | 103,464 | 104,507 |
| Other operating expenses | | (86,806) | (79,413) |
| Exceptional operating expenses | 3 | (3,388) | - |
| Operating expenses | | (90,194) | (79,413) |
| Other operating income | | 447 | 437 |
| Operating profit | | 13,717 | 25,531 |
| Share of results of associates | | 292 | 477 |
| Finance income | | 35 | 48 |
| Finance expense | | (30) | (30) |
| Profit before tax | | 14,014 | 26,026 |
| Tax | | (5,412) | (7,333) |
| Profit for the year | | 8,602 | 18,693 |
| Attributable to: | | | |
| Equity holders of the parent | | 8,602 | 18,693 |
| Basic earnings per share | 5 | 14.5p | 32.2p |
| Diluted earnings per share | 5 | 14.3p | 32.0p |

Reconciliation of adjusted profit before tax:

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| Profit before tax | | 14,014 | 26,026 |
| Exceptional items: | | | |
| Impairment relating to retail assets | | 2,740 | - |
| Net non-recurring Director costs | | 648 | - |
| Adjusted profit before tax - non-GAAP measure | | 17,402 | 26,026 |
| Adjusted earnings per share - non-GAAP measure | | | |
| Basic earnings per share | 5 | 19.8p | 32.2p |
| Diluted earnings per share | 5 | 19.6p | 32.0p |

## Consolidated statement of comprehensive income
## Year ended 31 March 2014

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Profit for the year | 8,602 | 18,693 |

| | | |
|---|---|---|
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange differences on translation of foreign operations | (981) | 215 |
| Tax impact arising on above exchange differences | 545 | (170) |
| Total comprehensive income for the year | 8,166 | 18,738 |
| Attributable to: | | |
| Equity holders of the parent | 8,166 | 18,738 |

## Consolidated balance sheet
## At 31 March 2014

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 7,323 | 5,740 |
| Property, plant and equipment | 35,139 | 33,494 |
| Interests in associates | 64 | 281 |
| Deferred tax assets | 770 | 201 |
| | 43,296 | 39,716 |
| **Current assets** | | |
| Inventories | 33,780 | 35,698 |
| Trade and other receivables | 13,574 | 14,233 |
| Cash and cash equivalents | 23,414 | 21,858 |
| | 70,768 | 71,789 |
| Total assets | 114,064 | 111,505 |
| **Current liabilities** | | |
| Trade and other payables | (29,423) | (29,800) |
| Current tax liabilities | (683) | (2,996) |
| | (30,106) | (32,796) |
| Total liabilities | (30,106) | (32,796) |
| Net assets | 83,958 | 78,709 |
| **Equity** | | |
| Share capital | 3,000 | 2,992 |
| Share premium account | 11,961 | 11,835 |
| Own share reserve | (1,676) | (2,937) |
| Capital redemption reserve | 154 | 154 |
| Special reserves | 1,467 | 1,467 |
| Foreign exchange reserve | (212) | 224 |
| Retained earnings | 69,264 | 64,974 |
| Total equity | 83,958 | 78,709 |

## Consolidated statement of changes in equity
## Year ended 31 March 2014

| | Equity attributable to equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | Share premium account | Own share reserve | Capital reserve | Special reserve | Foreign exchange reserve | Retained earnings | Total |

| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 April 2012 | 2,982 | 11,578 | (3,966) | 154 | 1,467 | 179 | 50,069 | 62,463 |
| Total comprehensive income for the year | - | - | - | - | - | 45 | 18,693 | 18,738 |
| Issue of share capital | 1 | - | - | - | - | - | - | 1 |
| Charge for employee share-based payments | - | - | - | - | - | - | 888 | 888 |
| Exercise of share options | 9 | 257 | - | - | - | - | (1,770) | (1,504) |
| Own shares | - | - | 1,029 | - | - | - | - | 1,029 |
| Ordinary dividends paid | - | - | - | - | - | - | (2,906) | (2,906) |
| As at 31 March 2013 | 2,992 | 11,835 | (2,937) | 154 | 1,467 | 224 | 64,974 | 78,709 |
| Total comprehensive (expense) / income for the year | - | - | - | - | - | (436) | 8,602 | 8,166 |
| Charge for employee share-based payments | - | - | - | - | - | - | 81 | 81 |
| Exercise of share options | 8 | 126 | - | - | - | - | (1,461) | (1,327) |
| Own shares | - | - | 1,261 | - | - | - | - | 1,261 |
| Ordinary dividends paid | - | - | - | - | - | - | (2,932) | (2,932) |
| As at 31 March 2014 | 3,000 | 11,961 | (1,676) | 154 | 1,467 | (212) | 69,264 | 83,958 |

## Consolidated cash flow statement
## Year ended 31 March 2014

| | 2014<br>£'000 | 2013<br>£'000 |
|---|---|---|
| Operating profit for the year | 13,717 | 25,531 |
| Adjustments for: | | |
| Depreciation and impairment of property, plant and equipment | 9,870 | 5,553 |
| Amortisation of intangible assets | 1,428 | 803 |
| Profit on disposal of property, plant and equipment | (13) | (26) |
| Effects of foreign exchange | (40) | (270) |
| Share-based payments charge | 127 | 1,011 |
| Operating cash flows before movements in working capital | 25,089 | 32,602 |
| Decrease/(increase) in inventories | 1,931 | (3,101) |
| Decrease in receivables | 558 | 533 |
| Decrease in payables | (377) | (5,657) |
| Cash generated from operations | 27,201 | 24,377 |
| Corporation taxes paid | (7,749) | (10,922) |
| Interest paid | (30) | (30) |
| Net cash inflow from operating activities | 19,422 | 13,425 |

| | | |
|---|---|---|
| Investing activities: | | |
| Interest received | 35 | 49 |
| Dividend received from associate | 441 | 518 |
| Purchases of property, plant and equipment | (13,199) | (13,976) |
| Proceeds from disposal of property, plant and equipment | 44 | 37 |
| Acquisition of intangible fixed assets | (3,023) | (2,108) |
| Net cash used in investing activities | (15,702) | (15,480) |
| Financing activities: | | |
| Dividends paid | (2,932) | (2,906) |
| Proceeds on issue of shares | - | 1 |
| Settlement of share awards | (493) | (1,504) |
| Disposal of own shares | 1,261 | 1,029 |
| Net cash used in financing activities | (2,164) | (3,380) |
| Net increase/(decrease) in cash and cash equivalents | 1,556 | (5,435) |
| Cash and cash equivalents at beginning of year | 21,858 | 27,293 |
| Cash and cash equivalents at end of year | 23,414 | 21,858 |

# Notes

## 1. Basis of preparation

The financial information in this announcement, which was approved by the Board of Directors on 11 June 2014, does not constitute the Company's statutory accounts for the years ended 31 March 2014 or 2013, but is derived from those accounts.

Statutory accounts for the year ended 31 March 2013 have been delivered to the Registrar of Companies and those for the year ended 31 March 2014 have been approved and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on those accounts, their reports were unqualified and did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been completed in accordance with International Financial Reporting Standards (IFRS), this announcement itself does not contain sufficient information to comply with IFRS.

## 2. Accounting policies

The Group's financial statements for the year ended 31 March 2014 have been prepared in accordance with the measurement criteria of the International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

For the year ended 31 March 2014, the financial year runs for the 52 weeks to 29 March 2014 (2013: 53 weeks ended 30 March 2013).

During the current year the following new and revised Standards and Interpretations have been adopted but have not had an impact on the Group:

- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- Amendment to IAS 27: Separate Financial Statements
- Amendment to IAS 28: Investments in Associates and Joint Ventures
- IFRS 13: Fair Value Measurement
- IAS 12: Deferred Tax
- IAS 19: Employee Benefits

- IAS 36: Impairment of Assets
- IFRS 7 (amended) and IAS 32 (amended): Disclosures - offsetting financial assets and financial liabilities
- IFRS 1 (amended): Government Loans
- IFRS 10, IFRS 12 and IAS 27 (amended): Investment Entities

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 9: Financial instruments
- IFRS 12: Disclosure of Interests in Other Entities

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except IFRS 12 will impact the disclosure of interests the Group has in other entities. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these Standards until a detailed review has been completed.

## 3. Exceptional expenses

The exceptional operating expenses for the year include:

- An impairment charge of £2.7 million relating to the retail assets of two stores on Spring Street, New York, and Short Hills, New Jersey. Neither location has traded in line with their expected potential; and

- Net non-recurring Director costs associated with the settlement agreed with Bruno Guillon following his resignation from the Company. This includes £0.8 million for compensation and payment in lieu of notice, £0.1 million relating to social security costs and a credit of £0.3 million from the forfeiture of his share awards.

There were no exceptional income or expenses in the prior year.

## 4. Dividends

The dividends approved and paid during the year are as follows:

| | 2014<br>£'000 | 2013<br>£'000 |
|---|---|---|
| Dividend for the year ended 31 March 2013 of 5p (2012: 5p) per share paid in September 2013 | 2,932 | 2,906 |
| Proposed dividend for the year ended 31 March 2014 of 5p per share (2013: 5p) | 3,000 | 2,992 |

The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## 5. Earnings per share ('EPS')

| | 2014<br>pence | 2013<br>pence |
|---|---|---|
| Basic earnings per share | 14.5 | 32.2 |
| Diluted earnings per share | 14.3 | 32.0 |
| Adjusted basic earnings per share | 19.8 | 32.2 |
| Adjusted diluted earnings per share | 19.6 | 32.0 |

Earnings per share is calculated based on the following data:

| | 2014<br>£'000 | 2013<br>£'000 |
|---|---|---|

| | | |
|---|---|---|
| Profit for the year for basic and diluted earnings per share | 8,602 | 18,693 |
| Adjustments to exclude exceptional items: | | |
| Impairment relating to retail assets | 2,740 | - |
| Net non-recurring Director costs | 648 | - |
| Tax impact of above | (216) | - |
| Adjusted profit for the year for basic and diluted earnings per share | 11,774 | 18,693 |

Earnings per share is calculated based on the following data:

| | 2014 million | 2013 million |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic EPS | 59.4 | 58.1 |
| Effect of dilutive potential ordinary shares: share options | 0.8 | 0.4 |
| Weighted average number of ordinary shares for the purpose of diluted EPS | 60.2 | 58.5 |

The weighted average number of ordinary shares in issue during the year excludes those held by the Mulberry Group Plc Employee Share Trust.

## 6. Acquisitions and subsequent events

On 19 November 2013, the Group entered into an agreement to purchase KJ Saint Honoré SA, a company registered in France, for approximately €9 million. This company owns the rights to a lease for a store on Rue Saint-Honoré, Paris, where it is planned to open a new flagship store in 2015. This acquisition is subject to various conditions being fulfilled by the vendor. These are due to be completed at the end of June 2014. The acquisition will be undertaken by Mulberry Company (France) SARL. Included within other debtors at the year end is a deposit of £0.7 million paid in relation to this acquisition.

## 7. Information

Copies of the Annual Report and financial statements will be posted to shareholders. Further copies can be obtained from Mulberry Group plc's registered office at The Rookery, Chilcompton, Bath, Somerset, BA3 4EH. Copies of this announcement are available for a period of one month from the date hereof from the Company's registered office, and from the Company's nominated adviser, Altium Capital Limited, 30 St James's Square, London, SW1Y 4AL.



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