



# ANNUAL REPORT 2015/16

ROAD SHOW PRESENTATION

Danske Bank  
Copenhagen  
September 2, 2016



## FORWARD-LOOKING STATEMENTS

---

This presentation contains forward-looking statements, including statements regarding the Group's future operating results, financial position, inventory, cash flows, Group and brand strategies as well as plans for the future. Forward-looking statements include, without limitation, any statement that may predict, indicate or imply future results, performance or achievements, and may contain the words "believes", "expects", "estimates", "projects", "plans", "anticipates", "continues" and "intends" or any variations of such words or other words with similar meaning. The statements are based on Management's reasonable expectations and forecasts at the time of the disclosure of the Annual Report. Any such statements are subject to risks and uncertainties and a number of different factors, of which many are beyond the Group's control, can mean that the actual development and the actual result will differ significantly from the expectations contained in the Annual Report and this presentation. Without being exhaustive, such factors include general economics and commercial factors, including market and competitive matters, supplier issues and financial issues. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

---

# AGENDA

---

Section 1 – Highlights

Mads Ryder, Group CEO

Section 2 – Segment performance

Mads Ryder, Group CEO

Section 3 – Group financials

Alexander Martensen-Larsen, Group CFO

Section 4 – Guidance

Mads Ryder, Group CEO

Section 5 – Q&A



# HIGHLIGHTS

---

## Q4 2015/16

---

- Revenue up by 4.5% in local currency
- Strong e-commerce growth outweighs effects of low traffic in physical stores
- Significant revenue growth at Peak Performance outweighs negative effect from changed delivery timing at Tiger of Sweden.
- Continued gross margin increase as a result of focused initiatives and price increases
- 8 new stores opened in Q4
- Group EBIT margin negatively affected by OPEX related to new stores as well as delivery timing at Tiger of Sweden

### Q4 2015/16

| Revenue         | Gross margin | EBIT             | EBIT margin |
|-----------------|--------------|------------------|-------------|
| DKK <b>509m</b> | 57.2%        | DKK <b>(26)m</b> | (5.1)%      |
| DKK 493m        | 54.4%        | DKK (20)m        | (4.1)%      |

## Full-year 2015/16

---

- Full-year revenue lower than original guidance
  - *FX headwind from SEK and NOK*
  - *Adverse retail climate in H2*
- Full year EBIT affected by a lower than expected top-line
- Strong e-commerce performance throughout the year
- Gross margin improvements across all Premium brands as a result of focused initiatives and price increases
- Retail expansion through 23 new store openings
- Sale of Group HQ and equity stake in DK Company A/S
- Dividend of DKK 85m (DKK 5 per share) proposed

### Full-year 2015/16

| Revenue           | Gross margin | EBIT            | EBIT margin |
|-------------------|--------------|-----------------|-------------|
| DKK <b>2,665m</b> | 56.8%        | DKK <b>243m</b> | 9.1%        |
| DKK 2,638m        | 54.8%        | DKK 207m        | 7.8%        |

# AGENDA

---

Section 1 – Highlights

Mads Ryder, Group CEO

Section 2 – Segment performance

Mads Ryder, Group CEO

Section 3 – Group financials

Alexander Martensen-Larsen, Group CFO

Section 4 – Guidance

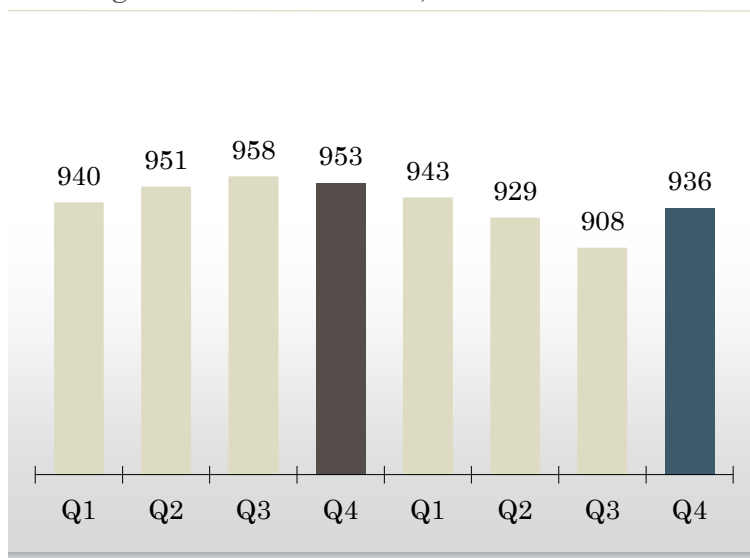
Mads Ryder, Group CEO

Section 5 – Q&A



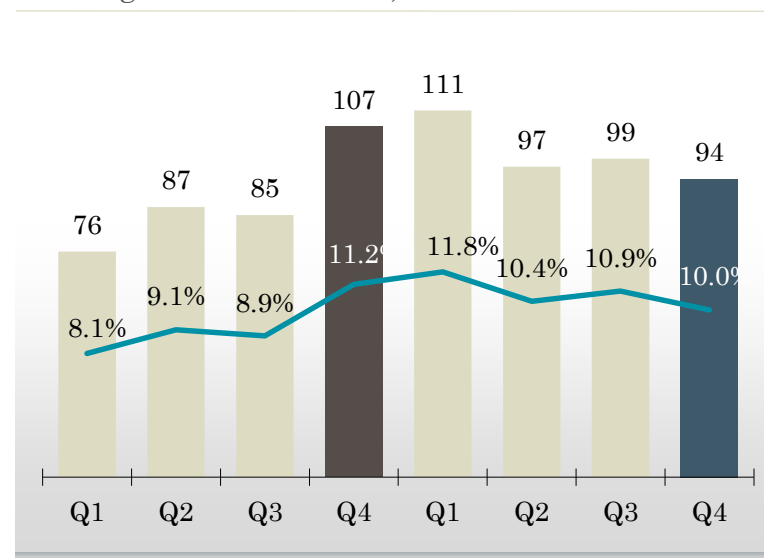
# Q4 REVENUE AND EARNINGS

Trailing 12 months revenue, DKKm



- Q4 revenue of DKK 110m corresponding to growth of 36.2% in local currency
- Positive effect from strong e-commerce performance and new stores
- Same-store revenue increased by 17.9%
- Wholesale positively affected by timing between Q3 and Q4 of approx. DKK 10m

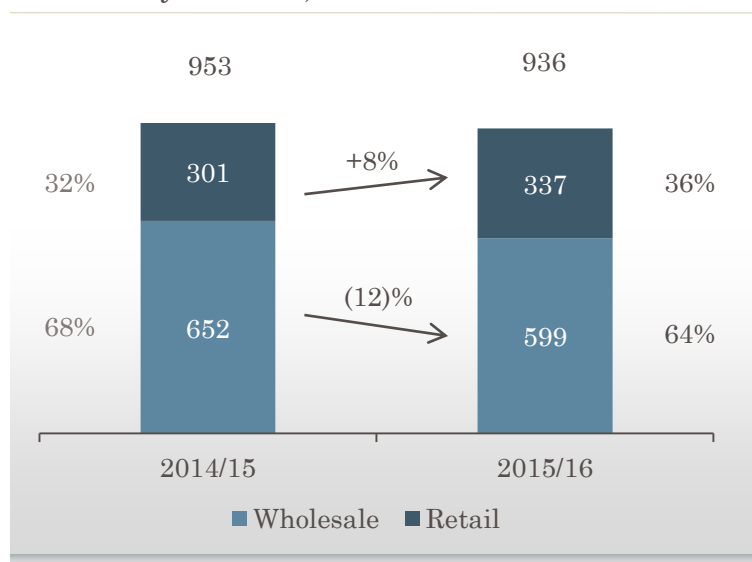
Trailing 12 months EBIT, DKKm



- Q4 EBIT down by DKK 5m to DKK (43)m
- Q4 EBIT margin up by 7.2pp to (39.1)%
- Improved gross margin but increased OPEX due to new stores opened
- Q4 2014/15 EBIT positively affected by reversal of accruals of approx. DKK 12m

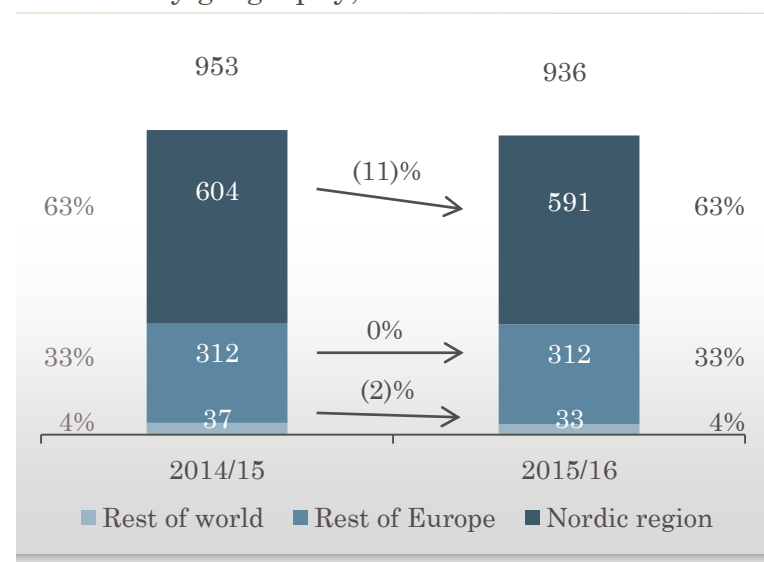
# FULL-YEAR REVENUE BREAKDOWN

Revenue by channel, DKKm



- Retail revenue expansion through new stores and strong e-commerce growth
- Wholesale revenue affected by distribution clean-up
- Same-store growth of 7.9% driven by strong physical store performance in H1 as well as full-year e-commerce performance
- Wholesale/retail revenue split shifted towards more retail

Revenue by geography, DKKm



- Nordic region revenue affected by distribution clean-up partly outweighed by store expansion and e-commerce performance
- FX headwind in Nordic region (lower SEK and NOK)
- Revenue in Rest of Europe unchanged with variations from market to market

## FULL-YEAR OPERATIONAL HIGHLIGHTS

---

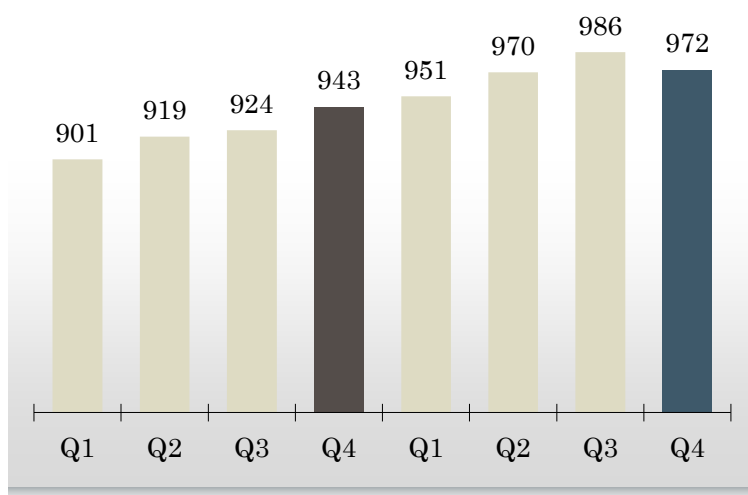
- Revitalized design expression across all collections
- Distribution clean-up finalized – brand sustained
- 10 new own stores opened (incl. 3 outlets) – stronghold build-out
- Tighter discount model in own stores (max 40%) to support brand position and gross margin improvement





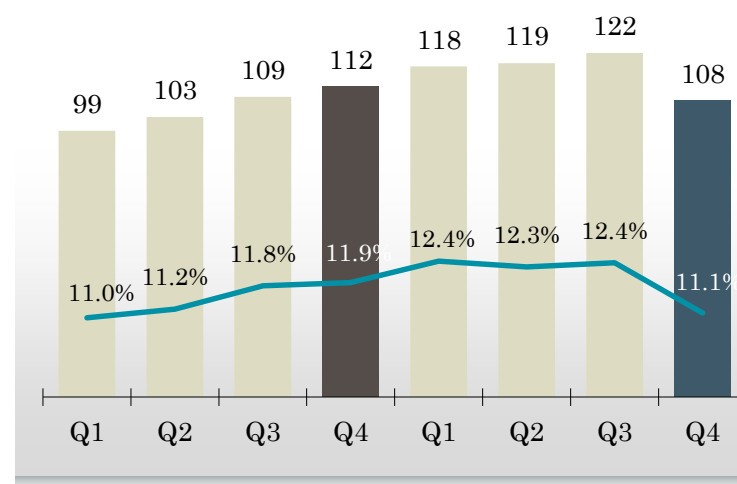
# Q4 REVENUE AND EARNINGS

Trailing 12 months revenue, DKKm



- Q4 revenue of DKK 217m corresponding to a reduction of 4.8% in local currency
- Negative effect of DKK 18m from shift of delivery timing from June to July. Growth of 3.1% in local currency when adjusting for this timing
- Retail growth driven by strong e-commerce and new stores
- Same-store revenue increased by 3.5%
- 40.3% revenue growth in Germany

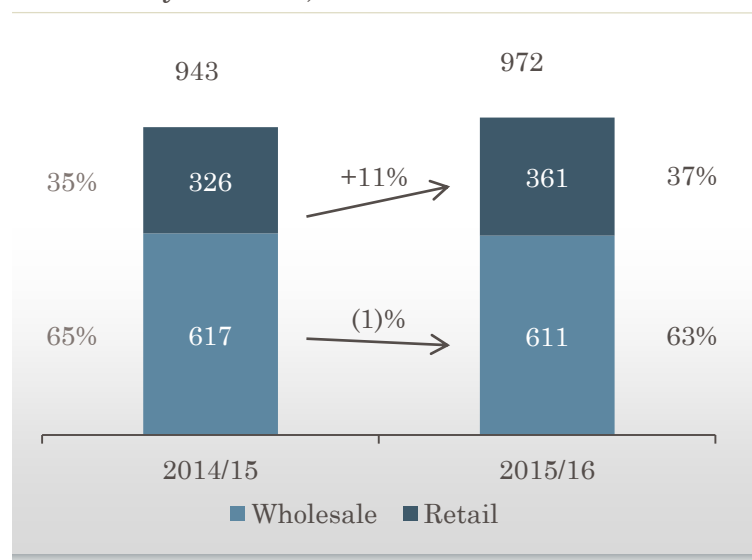
Trailing 12 months EBIT, DKKm



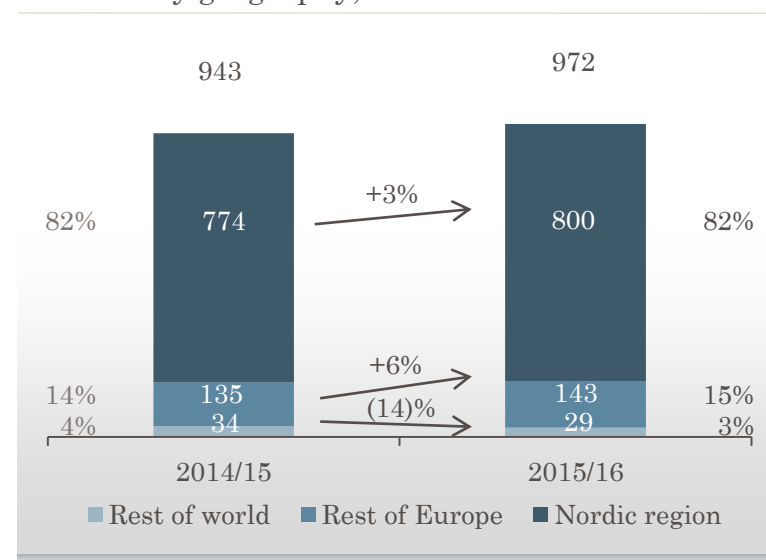
- Q4 EBIT down by DKK 14m to DKK 10m
- Q4 EBIT margin down by 5.8pp to 4.6%
- Negative EBIT effect from changed delivery timing
- Increased OPEX base from new stores opened as well as provision related to change of CEO

# FULL-YEAR REVENUE BREAKDOWN

Revenue by channel, DKKm



Revenue by geography, DKKm



- Reduced wholesale revenue driven by changed delivery timing as well as bankruptcy of former distributor in Switzerland
- Retail growth driven by strong e-commerce growth and store openings
- Same-store revenue increased by 4.0%
- Wholesale/retail revenue split shifted towards more retail

- Wholesale revenue increased despite negative effect from delivery capsule shift
- Nordic region revenue negatively affected by net currency effects (lower SEK and NOK)
- Revenue increased in Rest of Europe primarily due to growth in Germany of almost 40%

## FULL-YEAR OPERATIONAL HIGHLIGHTS

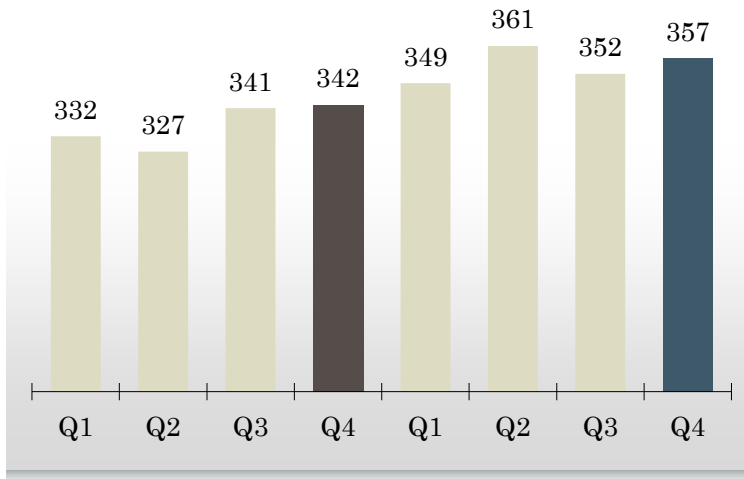
---

- 8 new own stores opened (including 1 outlet)
- First new own store in Germany opened in Berlin (Stuttgart on the way)
- CEO changed towards the end of the financial year
- Management team strengthened with significant international experience



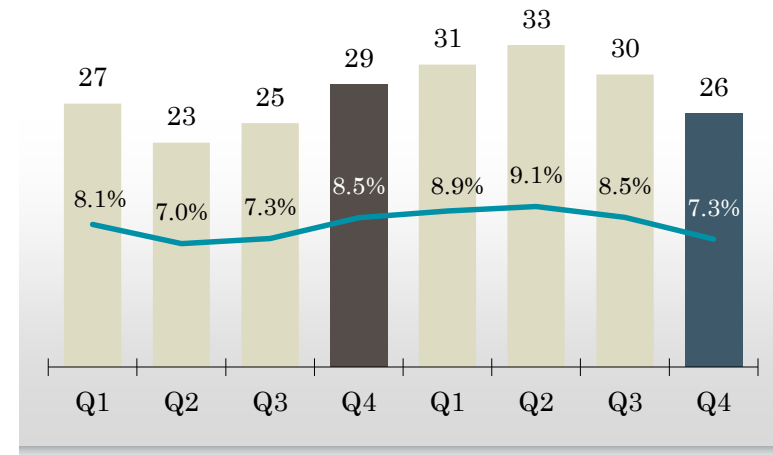
# Q4 REVENUE AND EARNINGS

Trailing 12 months revenue, DKKm



- Q4 revenue of DKK 80m corresponding to growth of 8.1% in local currency
- Growth driven by wholesale and e-commerce, while physical stores underperformed
- Same-store revenue increased by 2.8%

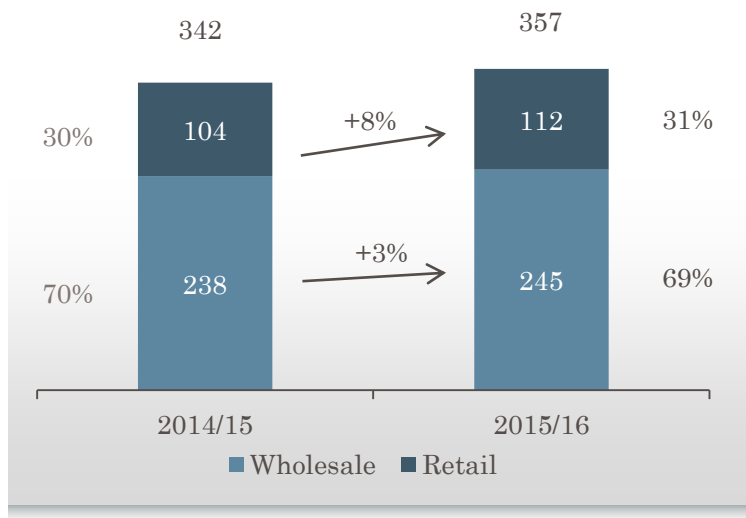
Trailing 12 months EBIT, DKKm



- Q4 EBIT down by DKK 4m to DKK 4m
- Q4 EBIT margin down by 5.7pp to 5.0%
- Gross margin down in Q4 driven by commercial discounts

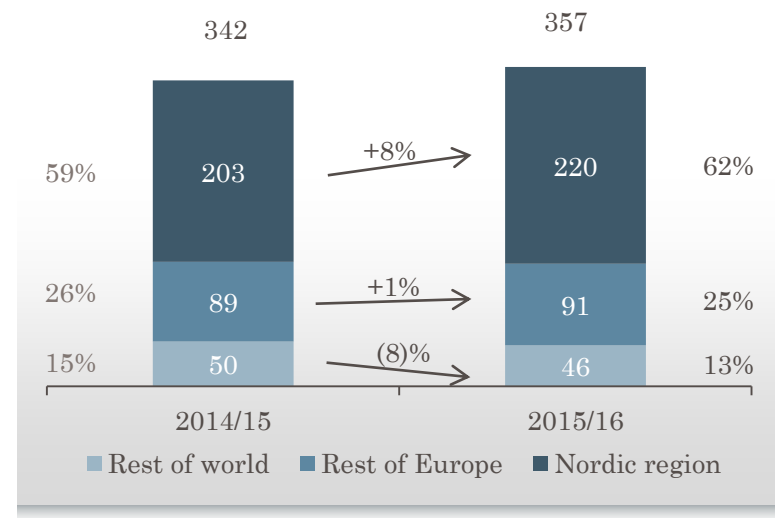
# FULL-YEAR REVENUE BREAKDOWN

Revenue by channel, DKKm



- Good growth in both wholesale and retail
- Retail revenue increase driven by strong e-commerce growth and good same-store performance in physical stores in H1
- Same-store growth increased by 9.2% driven by e-commerce and good physical store performance in H1

Revenue by geography, DKKm



- Solid revenue growth in Sweden and Norway despite FX headwind from lower SEK and NOK
- Revenue slightly up in Rest of Europe driven by UK and Benelux

## FULL-YEAR OPERATIONAL HIGHLIGHTS

---

- Organization reinforced in key positions to drive a more commercial agenda for the brand
  - New brand CEO
  - Centralized commercial responsibility (CCO)
  - Marketing and omni-channel
  - Unification of product management to drive a more commercial control of the product portfolio
- First “Never-out-of-stock” programme implemented



## OTHER BRANDS

---

**FY 2015/16 revenue up** by 1.8% in local currency to DKK 398m (DKK 394m)

- Revenue growth at Saint Tropez in both wholesale and retail
- Store openings (both retail and outlets) at Saint Tropez drove retail revenue growth
- Reduced revenue at Designers Remix primarily due to the bankruptcy of former distributor in Switzerland
- E-commerce growth in both brands

**FY 2015/16 EBIT slightly down** to DKK 20m (DKK 22m)

- EBIT margin slightly down to 5.0% (5.6%)
- OPEX ratio unchanged but gross margin declined slightly due to increased commercial discounts in H2

# AGENDA

---

Section 1 – Highlights

Mads Ryder, Group CEO

Section 2 – Segment performance

Mads Ryder, Group CEO

Section 3 – Group financials

Alexander Martensen-Larsen, Group CFO

Section 4 – Guidance

Mads Ryder, Group CEO

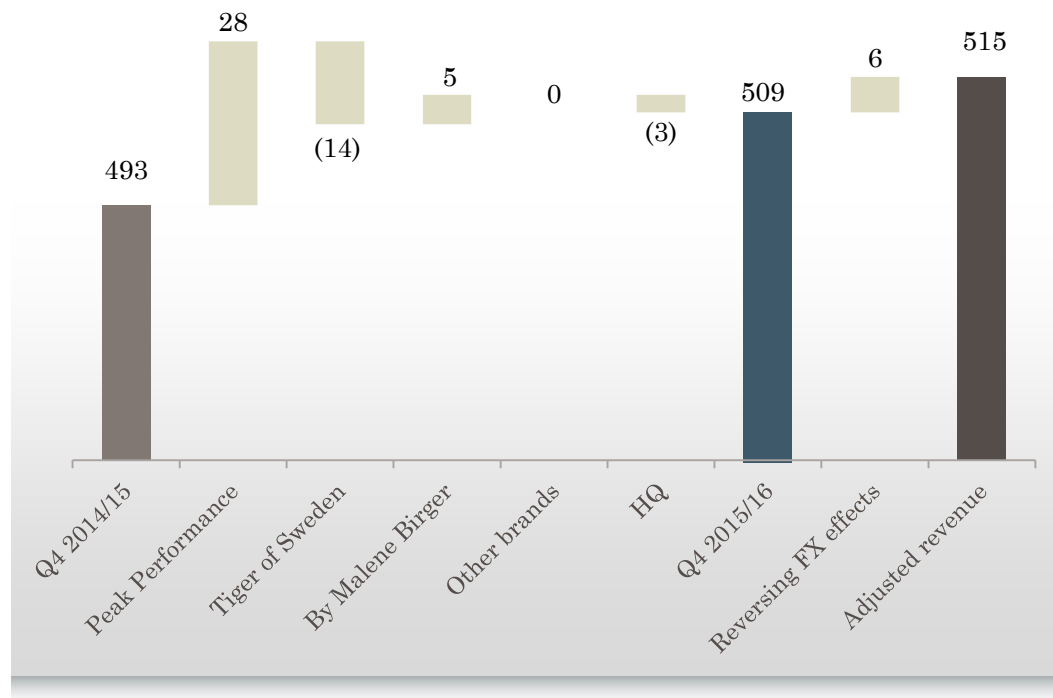
Section 5 – Q&A





# Q4 REVENUE GROWTH

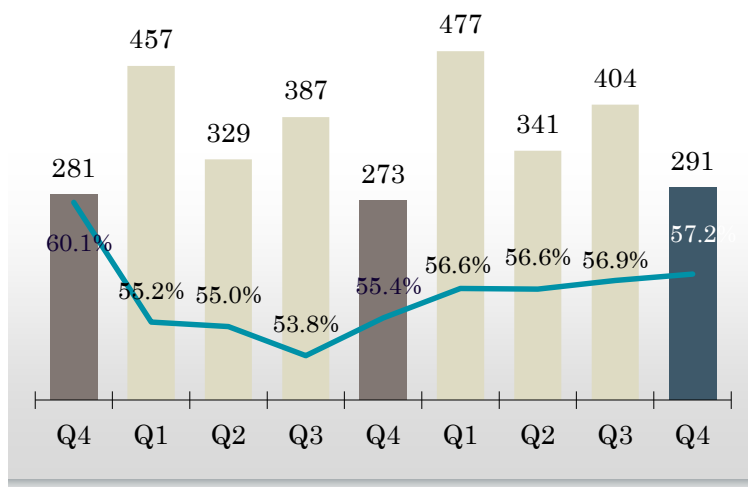
Revenue bridge Q4 2014/15 vs. Q4 2015/16, DKKm



- Revenue up by DKK 16m corresponding to reported growth of 3.2%
- Strong e-commerce growth at Peak Performance
- Changed delivery timing at Tiger of Sweden
- E-commerce and wholesale growth at By Malene Birger
- Total Premium business growth of 6.0% in local currency
- Revenue unchanged in Other brands
- Negative currency effect of DKK 6m primarily from lower NOK
- Total Group revenue growth of 4.5% in local currency

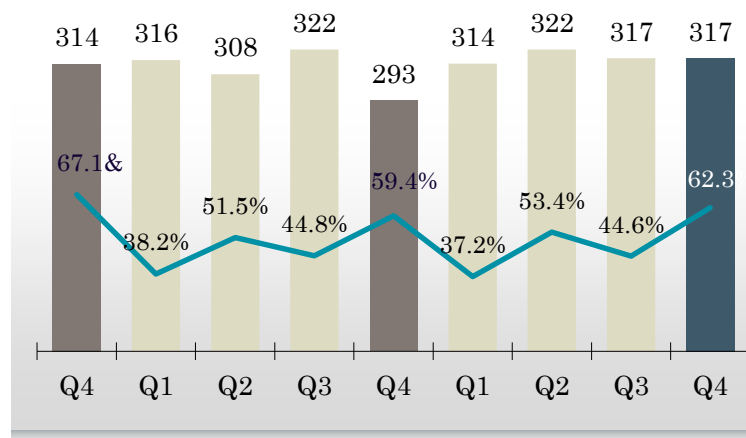
# GROSS MARGIN AND OPEX DEVELOPMENT

Quarterly gross profit and margin, DKKm / %



- Q4 gross margin up by 1.8pp to 57.2%
- Improved margins on products sold as well as price increases and positive mix effects from a higher relative share of retail

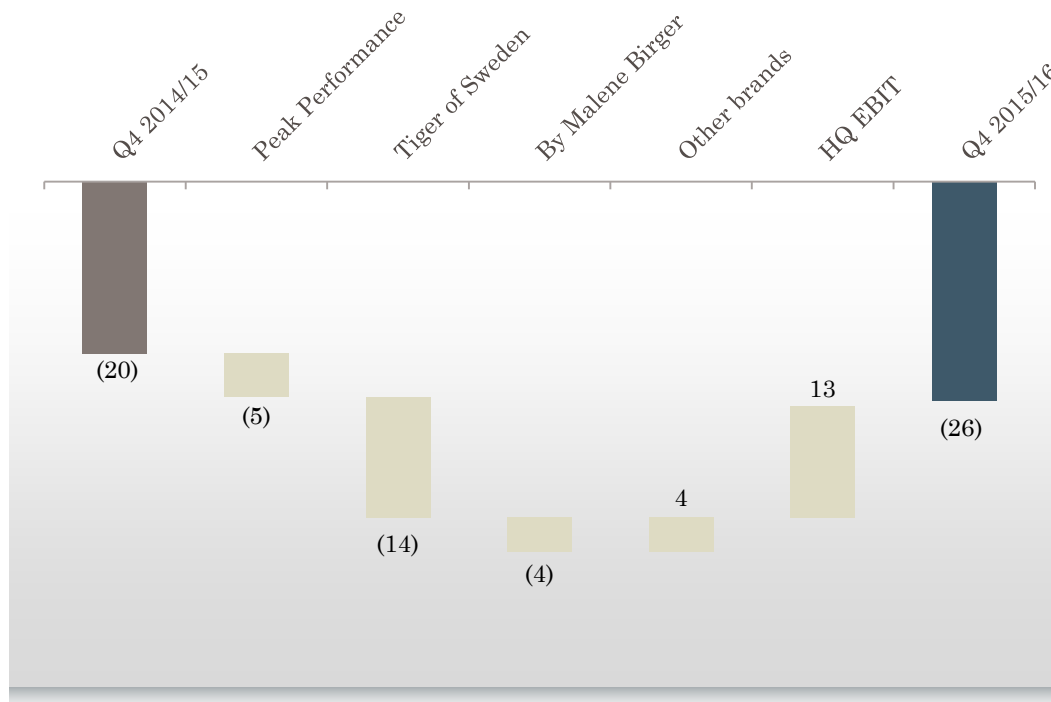
Quarterly OPEX and OPEX ratio, DKKm / %



- Q4 OPEX up by DKK 24m to DKK 317m
- Significant OPEX increase related to new store openings
- One-offs related to organizational changes
- Q4 2014/15 was positively affected by reversal of accruals at Peak Performance by approx. DKK 12m and negatively affected by idle costs of DKK 8m

# EBIT DEVELOPMENT IN Q4

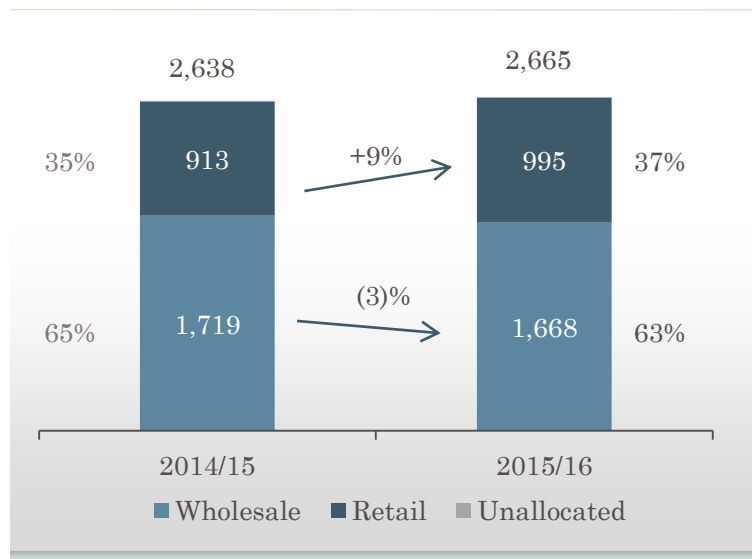
EBIT bridge Q4 2014/15 vs. Q4 2015/16, DKKm



- OPEX increase at Peak Performance due to reversal of accruals in Q4 2014/15 as well as store openings in 2015/16
- EBIT at Tiger of Sweden affected by OPEX related to store openings and CEO change as well as delivery timing
- EBIT at By Malene Birger affected by lower gross margin in Q4
- HQ EBIT up by DKK 13m mainly due to idle costs in Q4 2014/15
- Q4 EBIT margin down by 1.0pp to (5.1%)

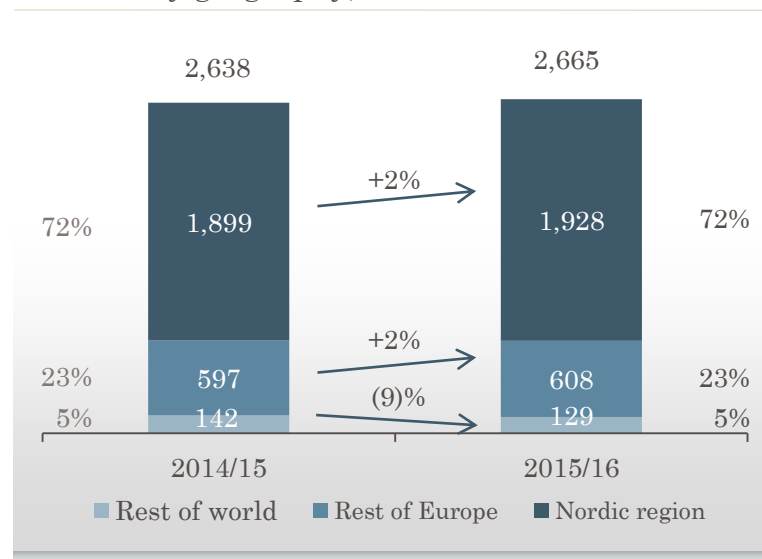
# FULL-YEAR GROUP REVENUE BREAKDOWN

Revenue by channel, DKKm



- Wholesale revenue reduced mainly due to distribution clean-up at Peak Performance and changed delivery timing at Tiger of Sweden
- Strong e-commerce growth and store openings drove retail revenue increase despite adverse physical store traffic in H2
- Channel mix shifted towards more retail revenue

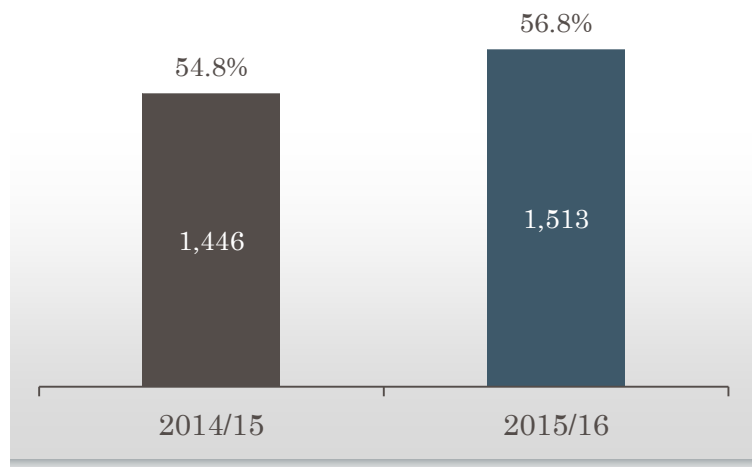
Revenue by geography, DKKm



- Growth in Nordic region driven by both Tiger of Sweden and By Malene Birger. Negative effect from distribution clean-up at Peak Performance
- Negative currency effects from lower SEK and NOK
- Growth in Rest of Europe driven by all Group brands but especially Tiger of Sweden
- Reduced revenue outside Europe driven by franchise closures and market exit decisions

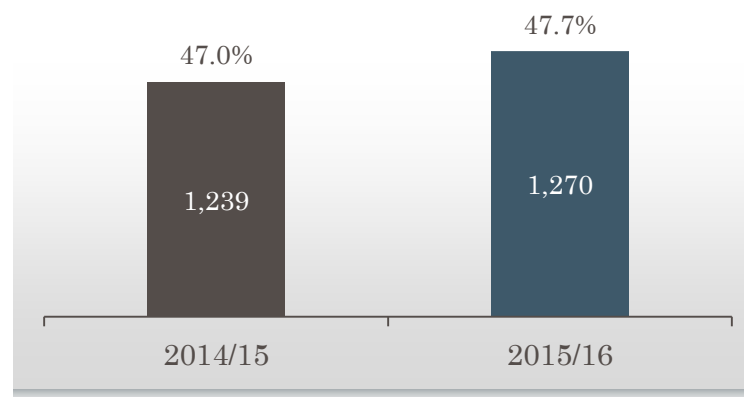
# FULL-YEAR GROSS MARGIN AND OPEX

Gross profit and gross margin, DKKm



- Group gross margin increased by 2.0pp driven by focused initiatives as well as price increases in H2
- Adjusted for the indirect tax case, the gross margin improved by 1.5pp
- Positive mix effects from higher share of retail revenue

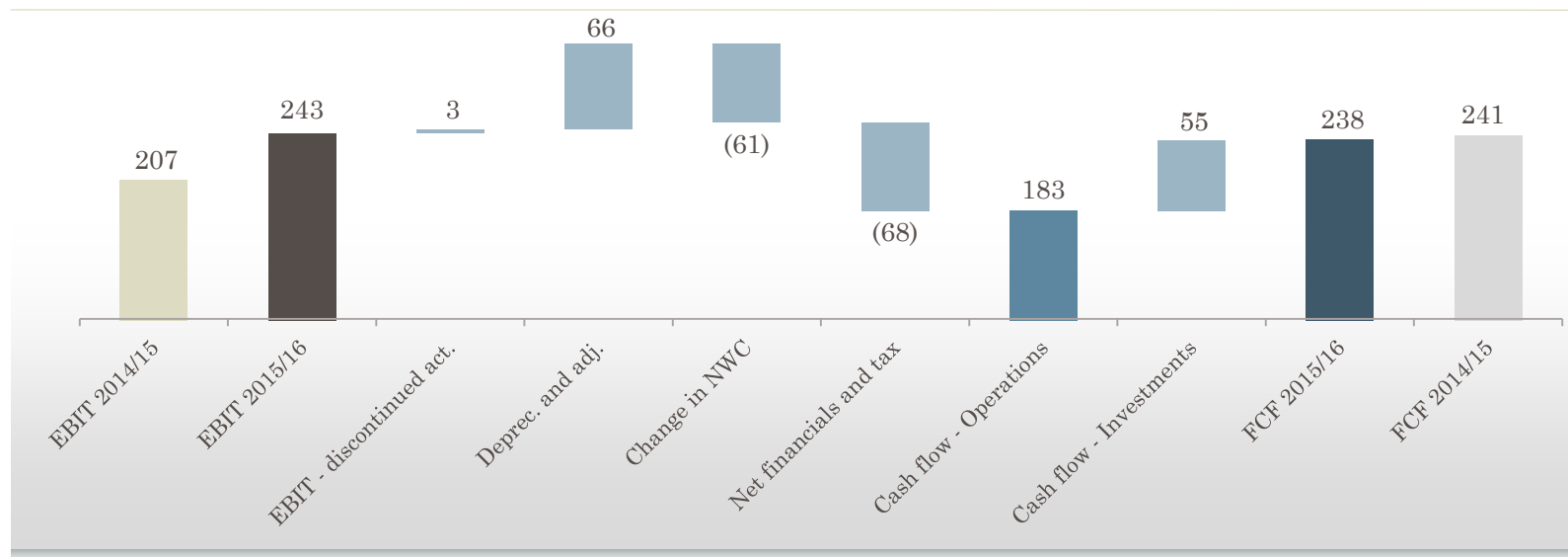
OPEX and OPEX ratio, DKKm



- Increased OPEX related to new stores and organizational changes at both Group and brand level
- One-off gain of DKK 4m from sale of HQ in Q3 2015/16
- 2014/15 OPEX positively affected by reversal of accruals of approx. DKK 12m in Peak Performance and negatively affected by idle costs of DKK 26m and provisions related to the indirect tax case of DKK 4m

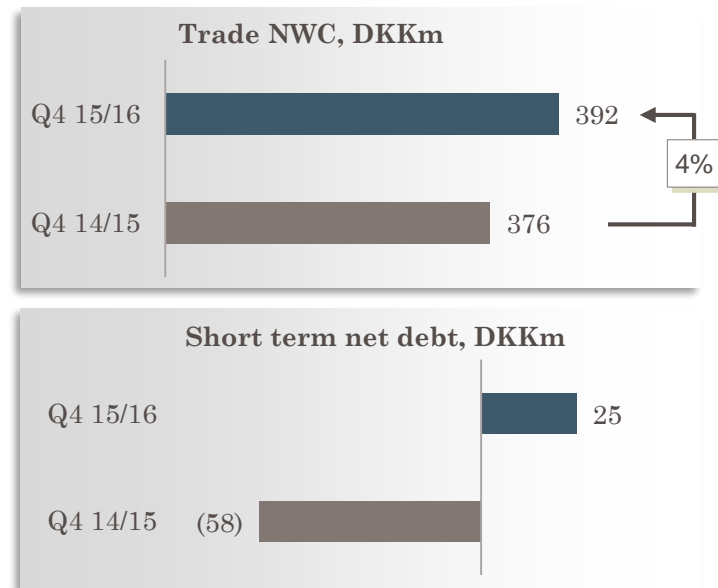
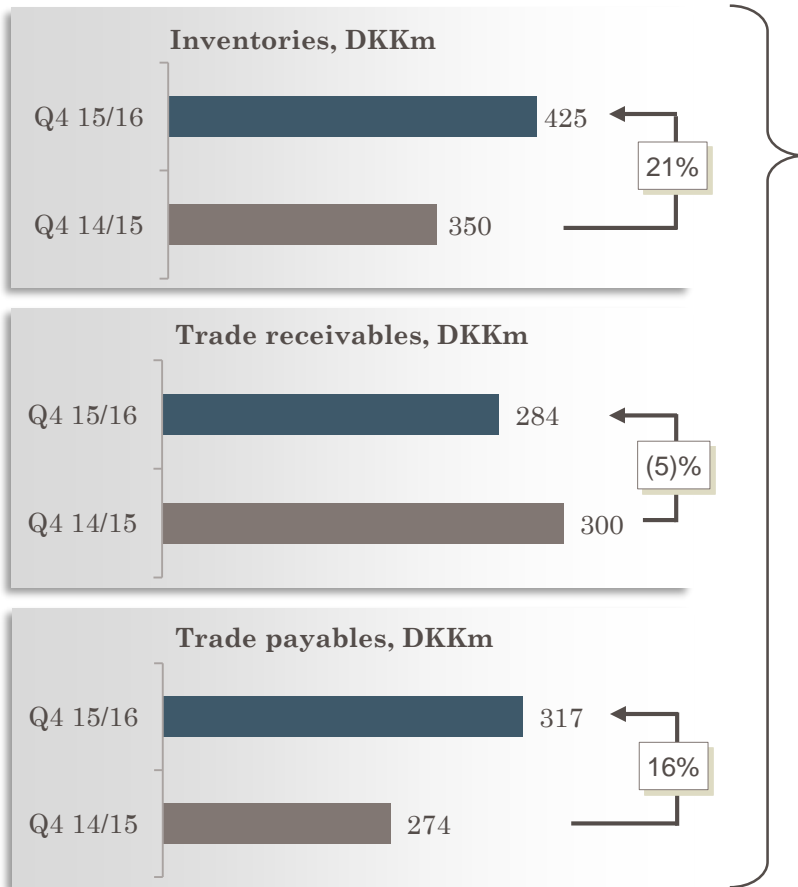
# FULL YEAR EBIT AND CASH FLOW

EBIT and cash-flow bridge, DKKm



- Group EBIT up by DKK 36m to DKK 243m
- Negative cash flow effect from NWC (primarily in H2)
- Net positive cash flow from investments of DKK 55m due to the sale of financial assets of DKK 144m outweighing CAPEX of DKK 91m
- Total free cash flow at the same level as 2014/15

# WORKING CAPITAL AND NET DEBT



## 2015/16 PERFORMANCE VS. GUIDANCE

|  | Original<br>guidance | New<br>guidance | <b>Realized<br/>2015/16</b> |
|--|----------------------|-----------------|-----------------------------|
| <b>Revenue growth</b>                          | Approx. 4%           | Approx. 0%      | 1.0%                        |
| <b>EBIT margin</b>                             | Approx. 10%          | Approx. 9%      | 9.1%                        |
| <b>Investments</b><br>(% of full-year revenue) | 3-4%                 | 3-4%            | 3%                          |

- FX headwind from SEK and NOK
- Good same-store performance across all brands during H1
- Adverse retail climate with significantly reduced store traffic in H2
- Negative EBIT effect from reduced revenue in high-margin channels (retail and OTB)



# AGENDA

---

Section 1 – Highlights

Mads Ryder, Group CEO

Section 2 – Segment performance

Mads Ryder, Group CEO

Section 3 – Group financials

Alexander Martensen-Larsen, Group CFO

Section 4 – Guidance

Mads Ryder, Group CEO

Section 5 – Q&A



## GUIDANCE FOR FULL YEAR 2016/17

---

**Continued expansion in all three Premium brands** – through retail as well as wholesale.

Retail revenue growth supported by **10 to 15 projected store openings**

Group revenue expected to grow by **at least 6% measured in local currency**

Gross margin expansion expected to drive earnings, while **store openings will drive OPEX**

**EBIT margin** expected at **approx. 9%**

**Investments** expected at **3-5% of annual revenue**

# AGENDA

---

Section 1 – Highlights

Mads Ryder, Group CEO

Section 2 – Segment performance

Mads Ryder, Group CEO

Section 3 – Group financials

Alexander Martensen-Larsen, Group CFO

Section 4 – Guidance

Mads Ryder, Group CEO

Section 5 – Q&A



QUESTIONS?