



Investor Day  
April 6, 2016

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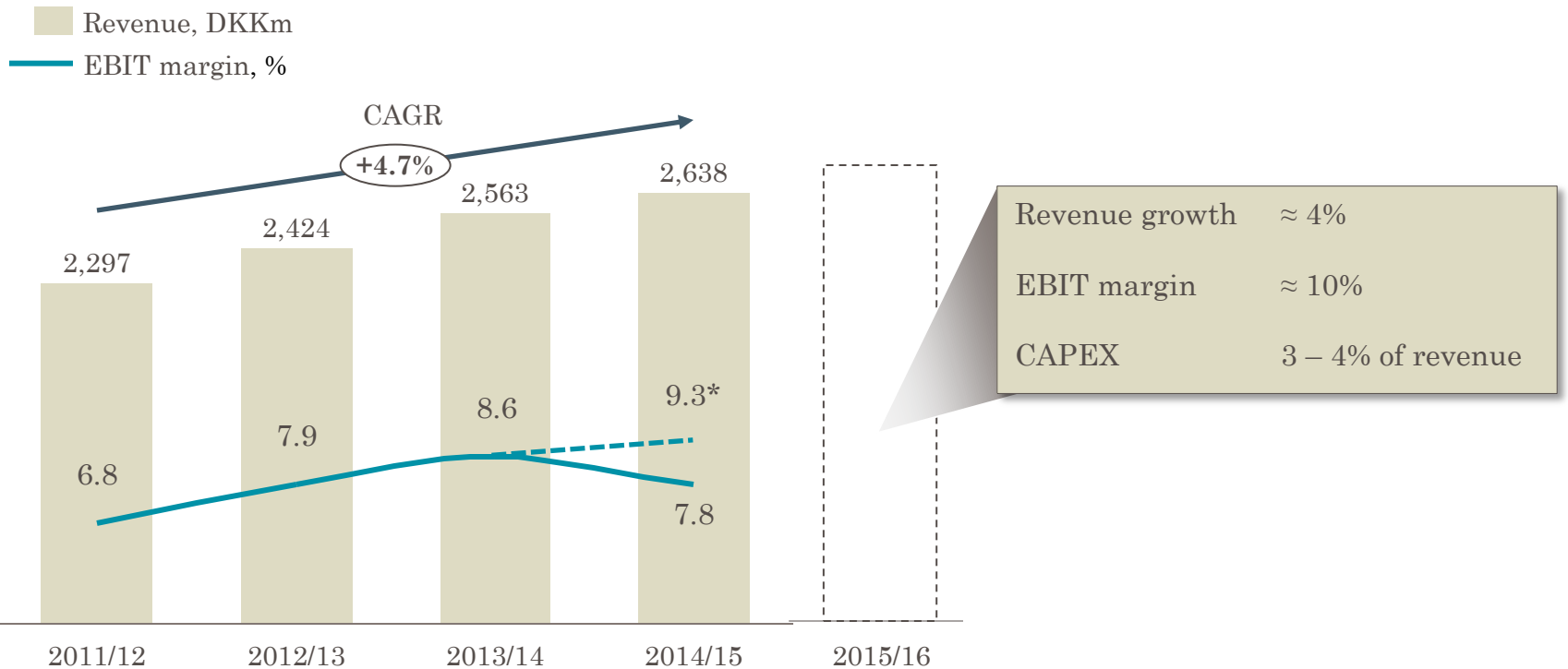
**SELECTED FINANCIAL TOPICS**  
Alexander Martensen-Larsen, Group CFO



# RECENT FINANCIAL PERFORMANCE SHOWS DECENT GROWTH IN BOTH REVENUE AND MARGIN

## Financial performance to date

## Current guidance for 2015/16

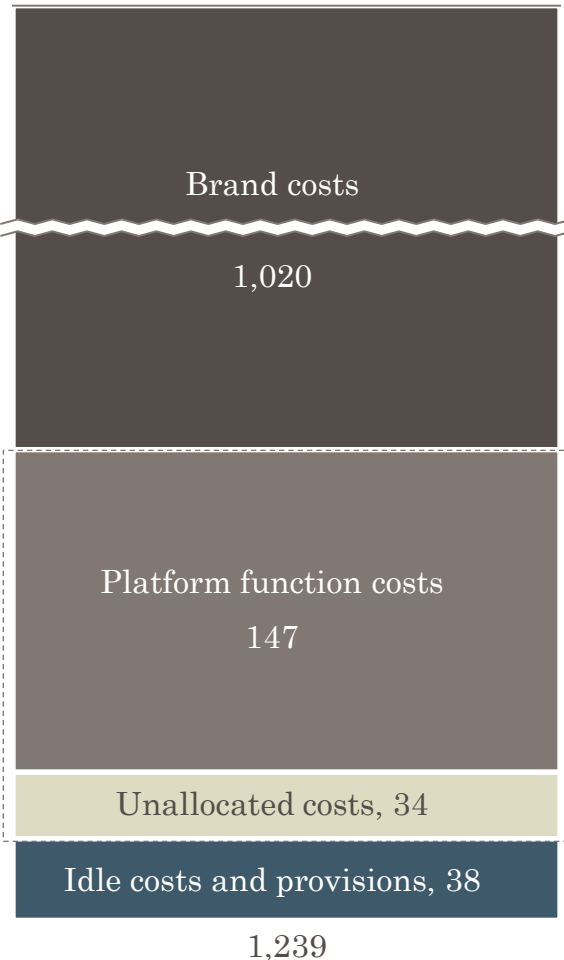


\*EBIT margin adjusted for idle costs and provision for tax case



# OUR OPERATING PLATFORM IS SCALED FOR FURTHER GROWTH

## 2014/15 OPEX, DKKm



## OPEX by type and variability

Relative share of total

Category	Characteristics	Relative share of total
Sales and marketing	(variable)	~30%
Commissions	(variable)	
Staff costs	(semi fixed)	~40%
Other external costs	(semi fixed)	
Depreciations	(fixed)	~30%
Rent & utilities	(fixed)	
Group logistics	(semi variable)	~25%
Group sourcing	(semi fixed)	
IT & E-commerce	(semi fixed)	~45%
Financial Shared Services	(fixed)	
Other corporate functions	(fixed)	~30%
Corporate HQ (staff & rent)	(fixed)	
Costs that remained during a transitional period (26 DKKm) One-off provision made to cover tax case (12 DKKm)		



# GOVERNANCE AND FUNCTIONAL STRUCTURES REFLECT DIVISION OF RESPONSIBILITIES...

...according to specialization as well as customer relations

## Governance structure



### Rules of authority:

All major decisions approved at Group level

- *Store openings, including departments stores*
- *Agency, distributor, franchise and license agreements*
- *CAPEX and expenses above EUR 150,000*
- *All material legal contracts (e.g., commitments of +1 year)*

## Functional structure

- All finance functions are centralised at Group level except for customer facing functions
- Brand CFO responsible for brand business and credit controlling as well as brand reporting (business partner)

### Finance functions at Group level

- Corporate Finance (*financial controlling and reporting*)
- Financial Planning & Analysis (*business controlling*)
- Financial Shared Services
  - *General ledger & accounting*
  - *Accounts payable/receivable*
  - *Payroll*
  - *Cash management*
- Supply Chain Finance
- Corporate Tax and Indirect Tax
- Group Treasury
- Investor Relations

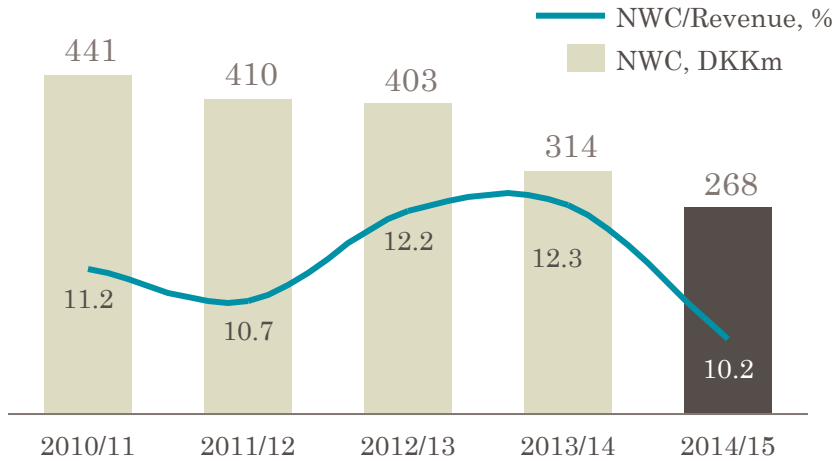


### Finance functions located at brand level

- Credit collection



# WORKING CAPITAL EFFICIENCIES ARE AND WILL CONTINUE TO BE A FOCUS AREA



## Significant reduction in NWC since 2014/15

1. Current improvements have led to a significant shift in the level of NWC/Revenue
  - Q1: 21.9% (15/16) vs. 25.2% (14/15)
  - Q2: 12.6% (15/16) vs. 17.5% (14/15)

### Inventory

- Clearing of old finished goods and fabric
- Tighter control of credit and delivery holds (more goods available for shipping)
- Avoid early shipment from suppliers

### Trade receivables

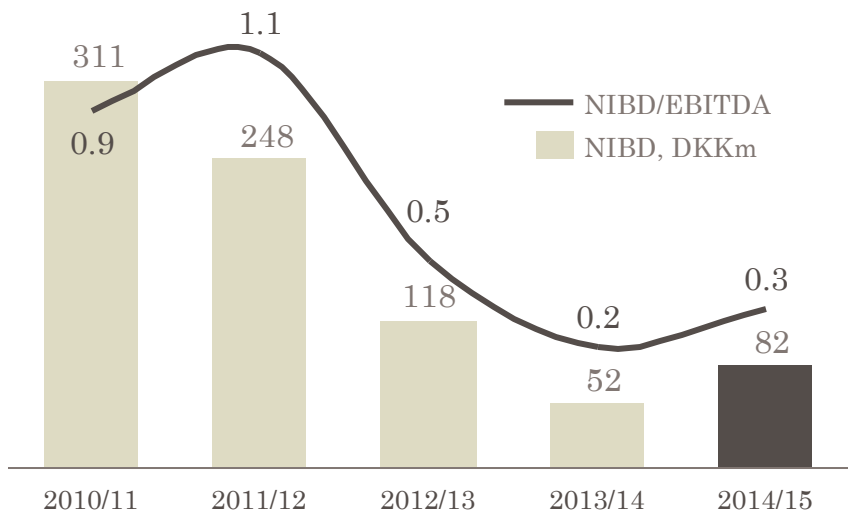
- More strict collection practice (aligned with credit hold process in inventory)
- Standard dunning and interest policies implemented (limited exceptions)
- Standard payment term implemented (deviations can only be approved by brand CFOs)

### Trade payables

- Implement 45+ days payment terms for most suppliers (OPEX)
- Re-negotiate longer payment terms with fabric suppliers (up to 120 days)

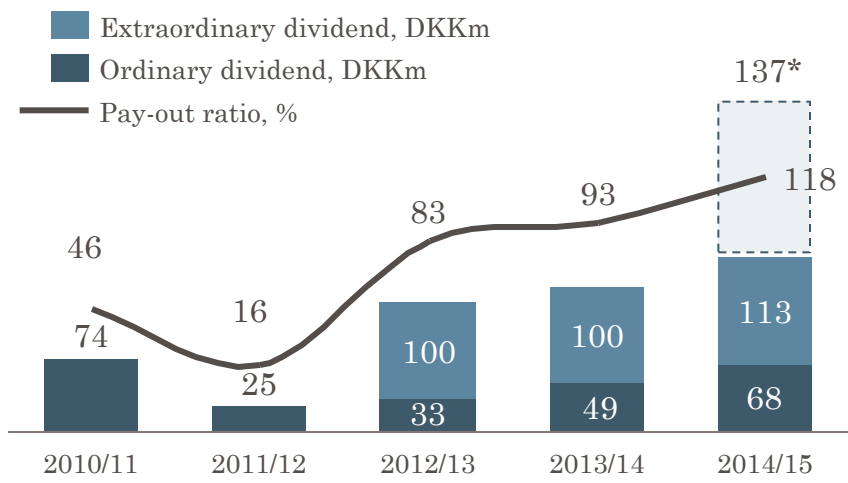


# OUR CAPITAL ALLOCATION PRIORITIES ARE CLEAR AND BASED ON A SIMPLE CAPITAL STRUCTURE



### Capital structure target

1. We aim at maintaining a NIBD level of zero
  - Fluctuations occur during the financial year due to NWC seasonality
2. To maintain a certain degree of strategic flexibility (M&A, etc.), we allow NIBD to attain a level of 3 x EBITDA



### Capital allocation priorities

1. Reduce NIBD if above target
2. Value creating investments
  - Maintenance CAPEX
  - Growth CAPEX (retail expansion, etc.)
3. Allocation to shareholders
  - Ordinary dividends (Q1/Q2)
  - Extraordinary dividends (Q2/Q3)

\*Dividend related to sale of share holding in DK Company A/S