

# **Q1 2012/13** *Investor Meeting*

November 2012

# Financial achievements Q1 2012/13

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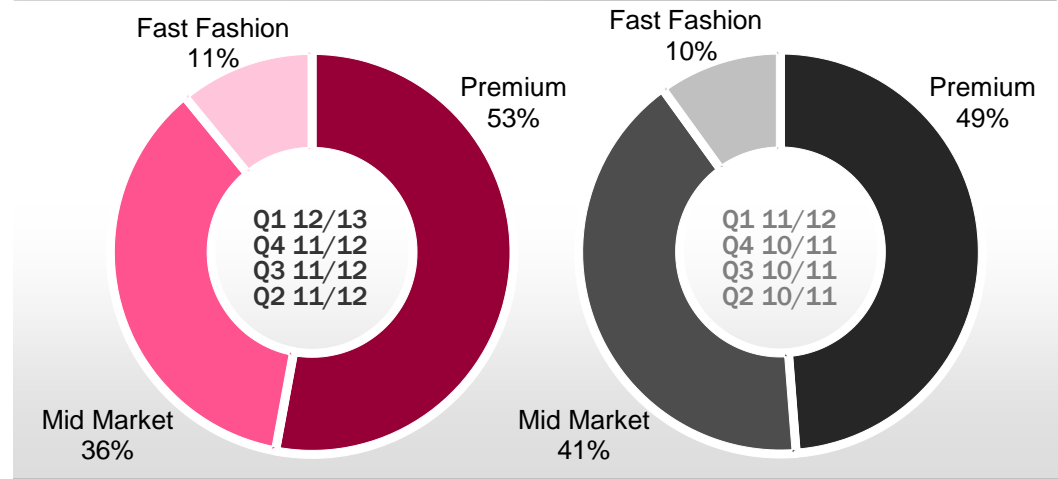
	2012/13	2011/12
<b>Revenue</b> up by 2% to	DKK <b>1,197</b> m	DKK 1,175m
<b>Gross Margin</b> up by 0.9pp to	<b>57.9%</b>	57.0%
<b>Costs</b> up by 1% to	DKK <b>527</b> m	DKK 523m
<b>EBIT</b> up by 13% to	DKK <b>166</b> m	DKK 147m
<b>Free cash flow</b> up by DKK 4m to	DKK ( <b>189</b> m)	DKK (193m)

# New segment reporting: Premium, Mid Market and Fast Fashion

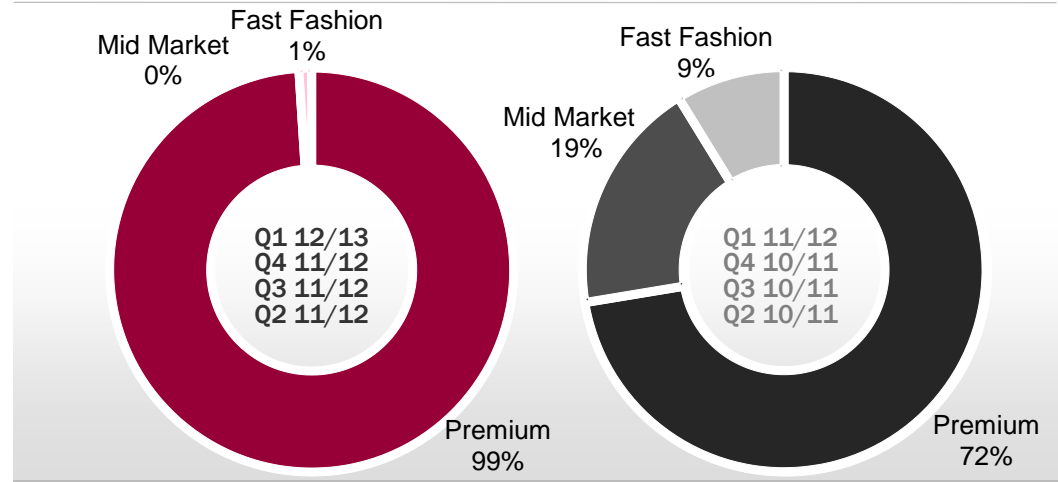
## – Full distribution of group costs and earnings

- **Premium:** Generate growth and earnings through enhanced market penetration and internationalisation
- **Mid Market/Fast Fashion:** Generate earnings through optimisation and consolidation
- Premium constitute 53% (49%) of revenue and 99% (72%) of EBIT
- Mid Market ttm reported a loss driven by 2 unprofitable brands
- Fast Fashion ttm generated a small profit
- Initiatives to increase earnings in all brand segments – in particular in Mid Market

Segment revenue, ttm



Segment profit, ttm



# Segment development Q1 2012/13

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**Premium** realised **11% growth** and improved **profitability** by 30%

- Growth strategy with focus on profitable growth
- Same-store growth of 7% in local currencies
- Spring order intake growth of 3% in local currencies
- Positive effect from improved delivery performance

**Mid Market** reported revenue **decline** and lower profitability

- Revenue decrease on some core markets
- Same-store decline of 10% in local currencies
- Spring order intake decline of 12% in local currencies
- Consolidation of revenue building on fixed cost decreases cost efficiency

**Fast Fashion** realised **15% growth** and improved **profitability** by 59%

- High growth in core markets lifting profitability
- Same-store growth of 1% in local currencies
- Expected spring order intake growth of 21% in local currencies

# Unacceptable performance in Mid Market requires action

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## Addressing the Mid Market challenge

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High **market pressure** affecting wholesale customers

- Revenue decline in some core markets

**Loss** on a trailing 12 month basis

- Driven by 2 unprofitable brands
- Consequently pursuing a separate strategy

Further **restructuring** initiatives to increase segment profitability

Further focus on **gaining strength in core markets**

# Focus on reducing complexity and costs

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## Current status on cost reductions

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Initiatives expected to improve **profitability** by min. **DKK 100m**

- Compared to 2011/12

**Transparency** and portfolio strategy define a **clear direction**

- Organisational structure and portfolio strategy
- Ambition of developing IC Companys towards the Premium segment

Prerequisites for **reducing complexity and costs** in place

- Adjusting the corporate shared services
- Consolidating revenue, removing loss-making activities and ensuring a more flexible set-up

# Guidance FY 2012/13

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## **Volatile market conditions** expected to continue

- Abating gross margin pressure due to normalised industry discounting and positive impact from sourcing project
- Wholesale market still under pressure and many customers are struggling
- Further store closures expected

## **Revenue** lower than 2011/12

- Unchanged

## **EBIT** on the same level or better than 2011/12

- Unchanged

## **Investments** on the same level as 2011/12

- Primarily for expansion of distribution in the Premium segment
- Unchanged

## Peak Performance

- Improving gross margin and selling procedures

**One of the most recognised  
ski brands globally**

**Gross margin improvement**

Buying processes, on time deliveries, lower inventories

**New management in place**

Working on how to recreate growth

**E-commerce growth**



**Tiger of Sweden**

– Internationalisation and jeans brand of the year

# **Jeans brand of the year in Sweden**

## **Organisation tuned in**

### **Profitable growth**

In core markets

## **Internationalisation**

Department stores UK and Germany

## **E-commerce growth**



# A Clear Direction Has Been Paved for the Future of IC Companys

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## **Services based on brands' needs**

- ability to support several brand segments with different needs

## **Asset light**

- reduce tied-up capital in assets and leases

## **Fixed to variable costs**

- enhance flexibility in a challenging economic climate

## **Growth:**

### **Premium**

- Internationalisation and increased market penetration

## **Optimisation:**

### **Mid Market and Fast Fashion**

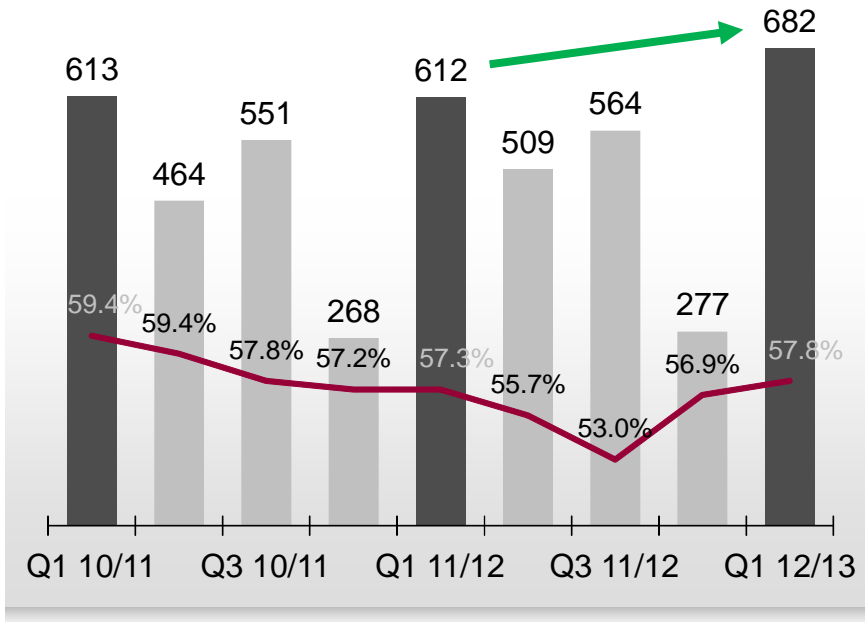
- Focus on core markets



**Appendix**  
*Q1 2012/13 financials*

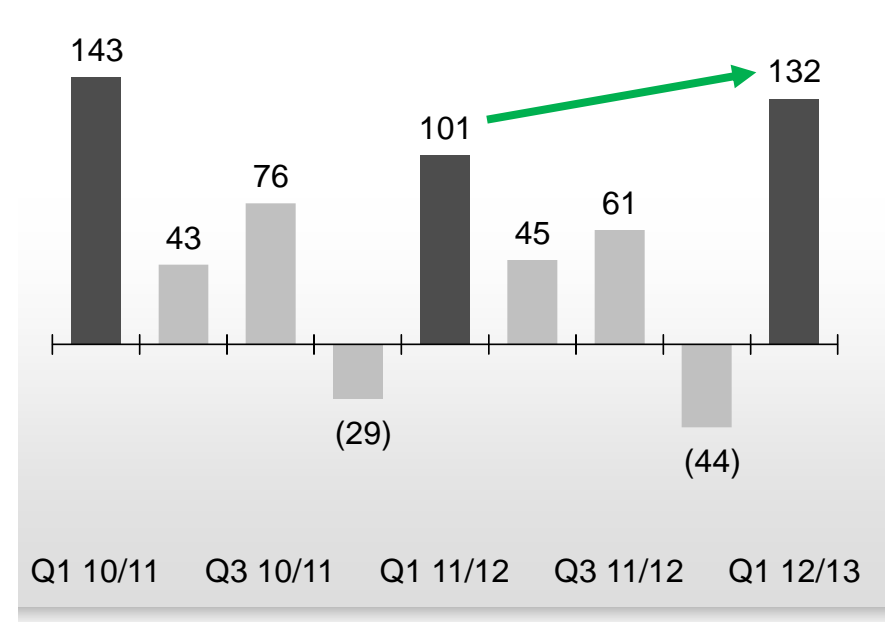
# Premium realised growth and improved profitability

Quarterly revenue, DKKm and gross margin, %



- Revenue up by **11%** to DKK 682m
- Same-store growth of **7%** including enhanced e-commerce sales
- Positive effect from changes in delivery
- Gross margin up by **0.5pp** to **57.8%**

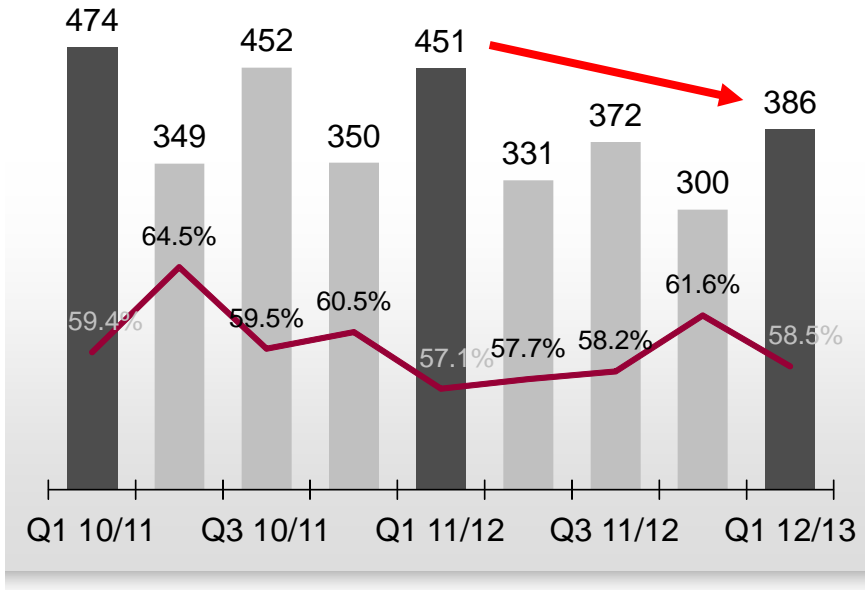
Quarterly EBIT, DKKm



- OPEX% down by **2.3pp** to **38.5%**
- Enhanced processes and lower costs in Peak Performance
- EBIT up by DKK **30%** to DKK 132m
- EBIT margin up by **2.8pp** to **19.3%**

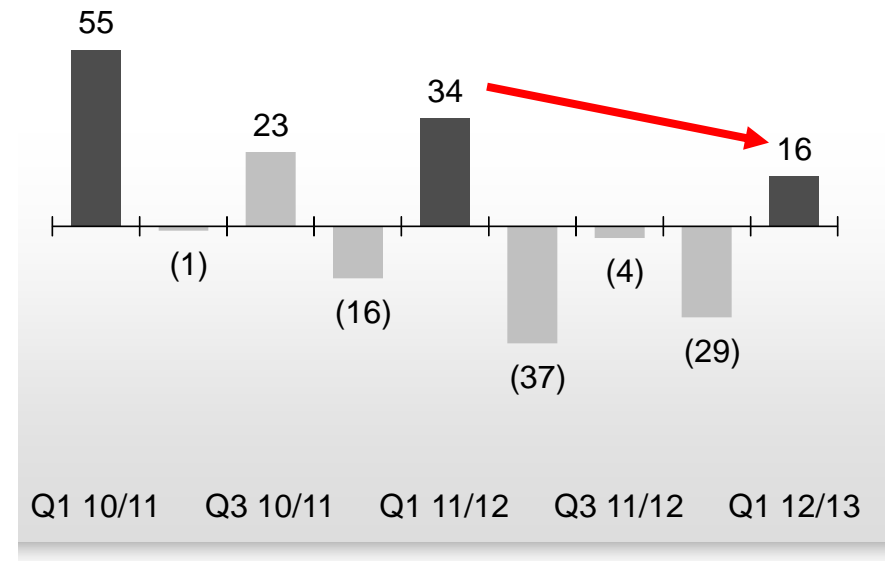
# Mid Market reported revenue decline and lower profitability

Quarterly revenue, DKKm and gross margin, %



- Revenue down by 14% to DKK 386m
- Same-store setback of 10%
- Gross margin up by 1.4pp to 58.5%

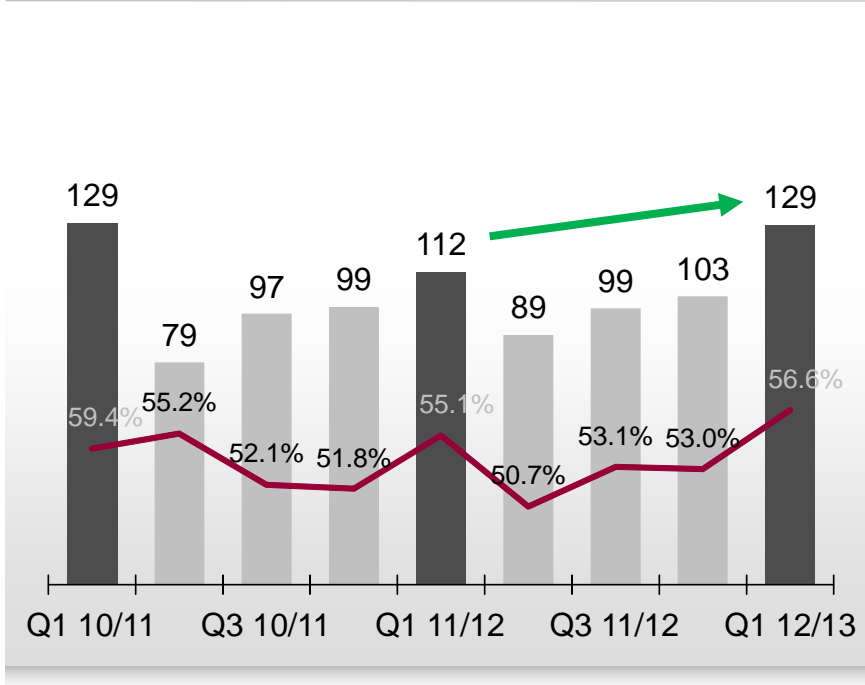
Quarterly EBIT, DKKm



- OPEX% up by 4.8pp to 54.4%
- Closing unprofitable revenue with many fixed costs
- EBIT down by DKK 54% to DKK 16m
- EBIT margin down by 3.4pp to 4.0%

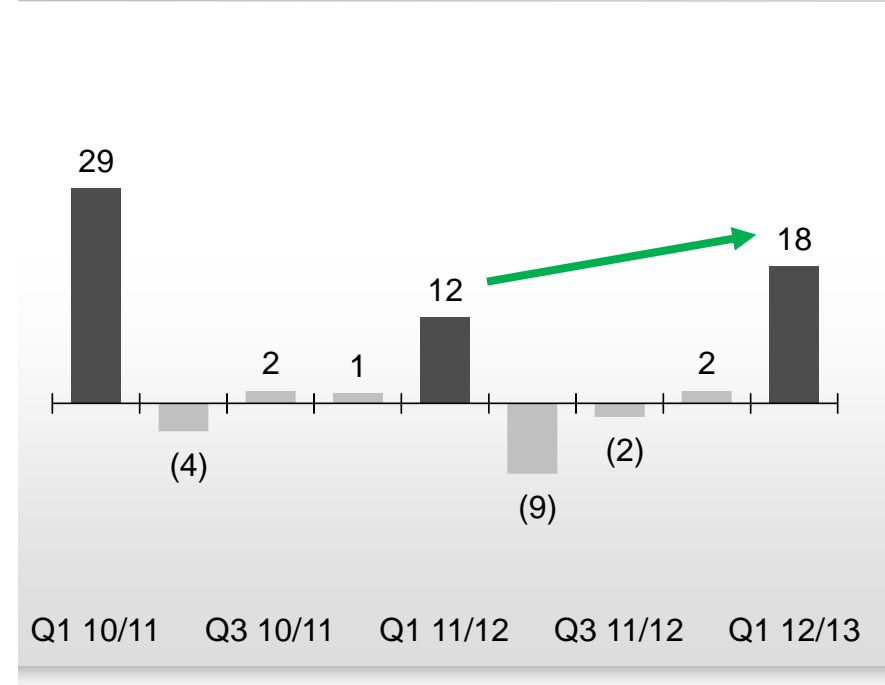
# Fast Fashion realised growth and improved profitability

Quarterly revenue, DKKm and gross margin, %



- Revenue up by 15% to DKK 129m
- Same-store growth of 1%
- Gross margin up by 1.5pp to 56.6%

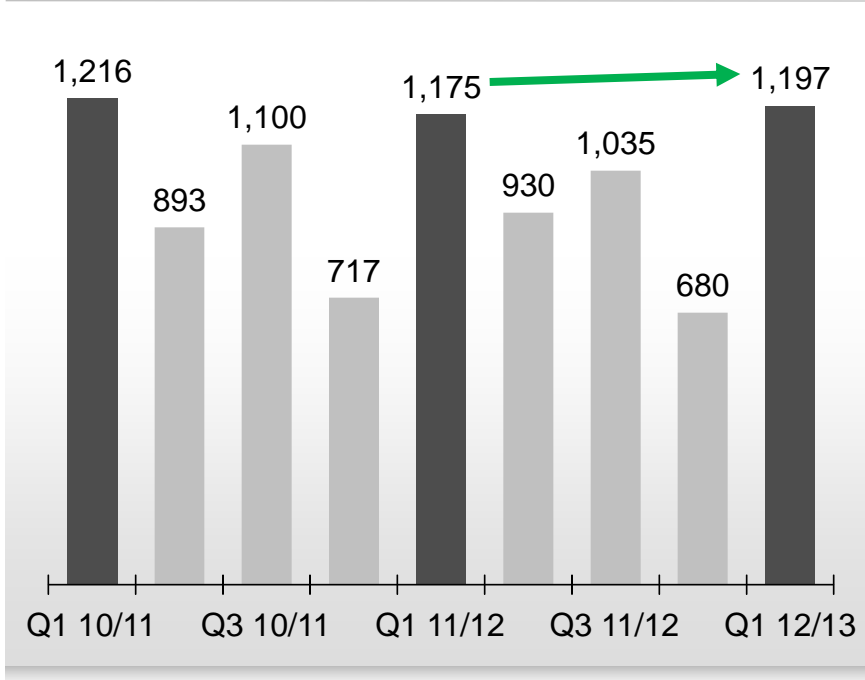
Quarterly EBIT, DKKm



- OPEX% down by 2.4pp to 42.3%
- Fewer discounts and cancellations
- EBIT up by DKK 59% to DKK 18m
- EBIT margin up by 3.9pp to 14.3%

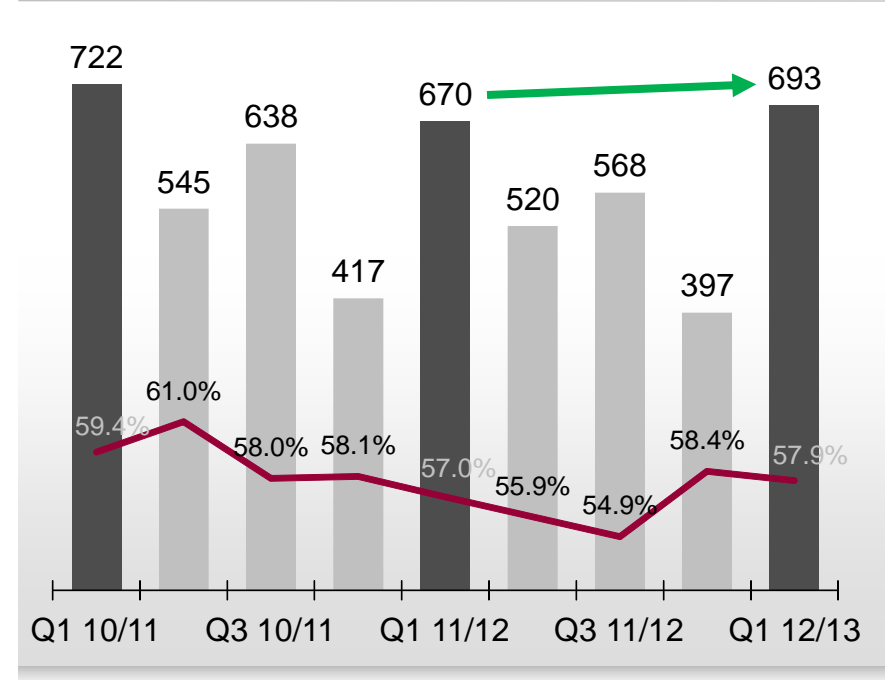
# Revenue growth driven by Premium segment and gross margin improved due to better discount levels

Quarterly revenue, DKKm



- Revenue up by 2% to DKK 1,197m
- Positive currency effect of DKK 36m
- Positive effect from changes in delivery flows of DKK 24m while delay of DKK 24m last year was avoided due to improved processes

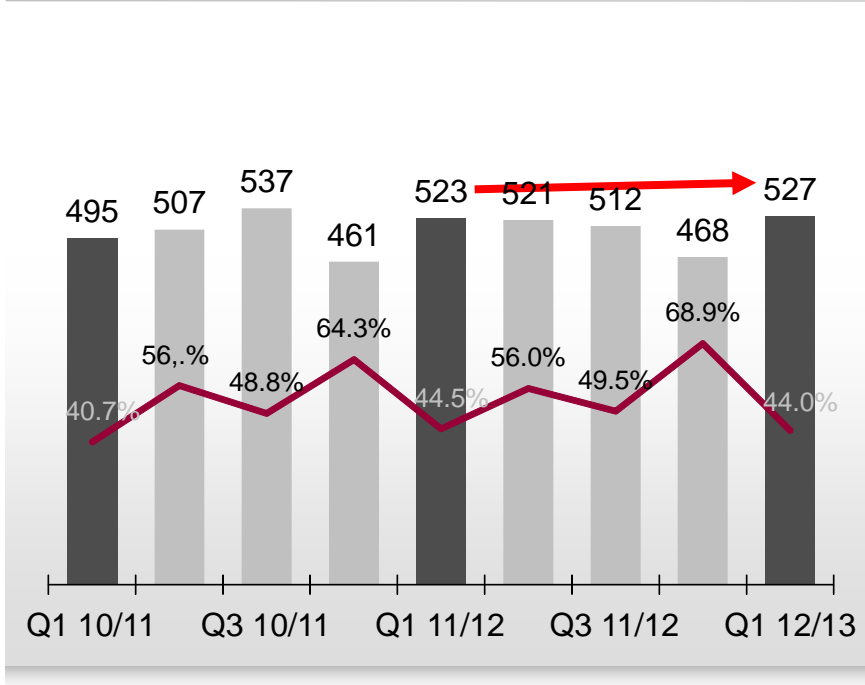
Quarterly gross profit, DKKm and gross margin, %



- Gross profit up by 3% to DKK 693m
- Gross margin up by 0.9pp to 57.9%
- Lower discount levels
- Still influenced by sourcing pressure

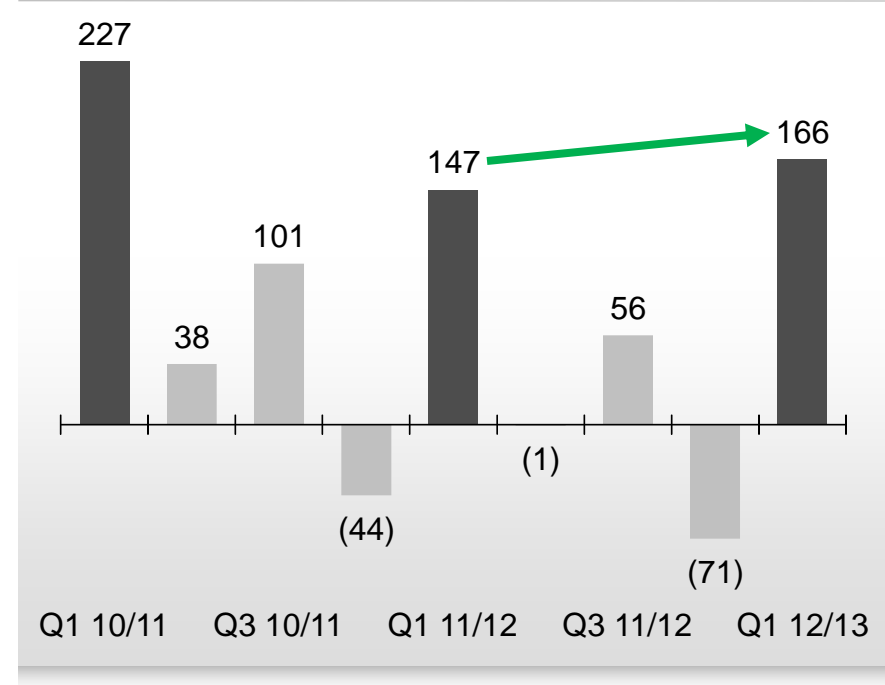
# Growth, continued cost base reduction and gross margin improvement enhance profitability

Quarterly OPEX, DKKm and OPEX efficiency, %



- OPEX up by 1% to DKK 527m
- Negative currency effect of DKK 15m
- Negative debtor effect of DKK 14m
- Adjusted OPEX down by 5%

Quarterly EBIT, DKKm



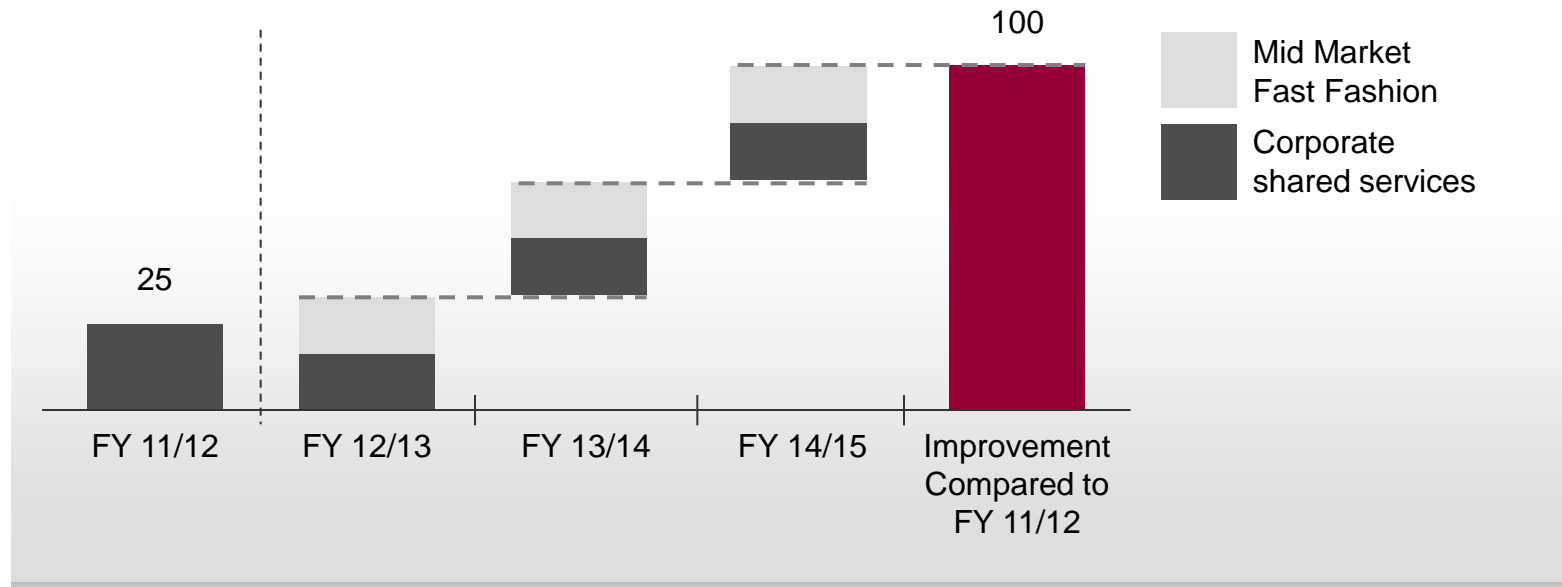
- EBIT up by DKK 13% to DKK 166m
- Driven by growth, cost base reductions and GM improvement



# Earnings-improving initiatives

## – minimum improvements of DKK 100m

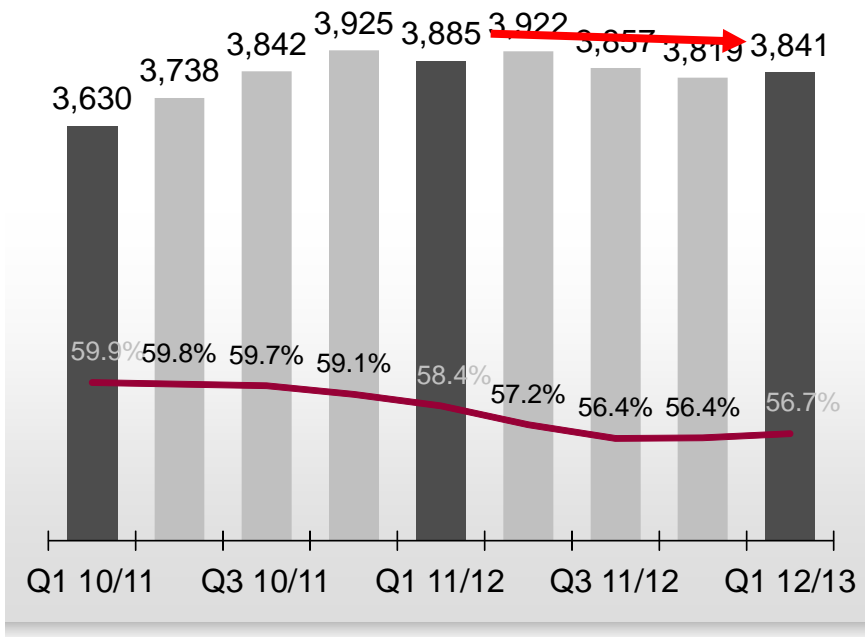
### EBIT improvements, DKKm



- Mid Market in particular continues consolidation and implements more efficient processes
- Corporate shared services reduce numbers of services and complexity while converting fixed costs to flexible costs by means of outsourcing in certain non-core functions
- 25m DKK realised in 2011/12 and minimum 100m DKK to be realised over the next three years with full effect in 2014/15

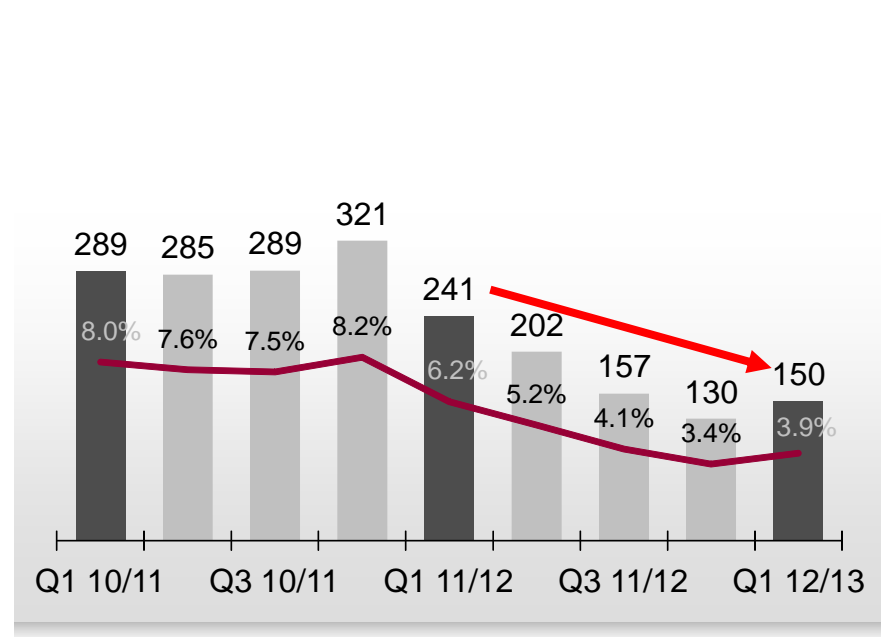
# Still negative development in 12 months revenue, gross margin and profitability – but downward trend has been broken

Ttm revenue, DKKm and gross margin, %



- Ttm revenue down by 1% to DKK 3,841m
- Ttm gross margin down by 1.7pp to 56.7%

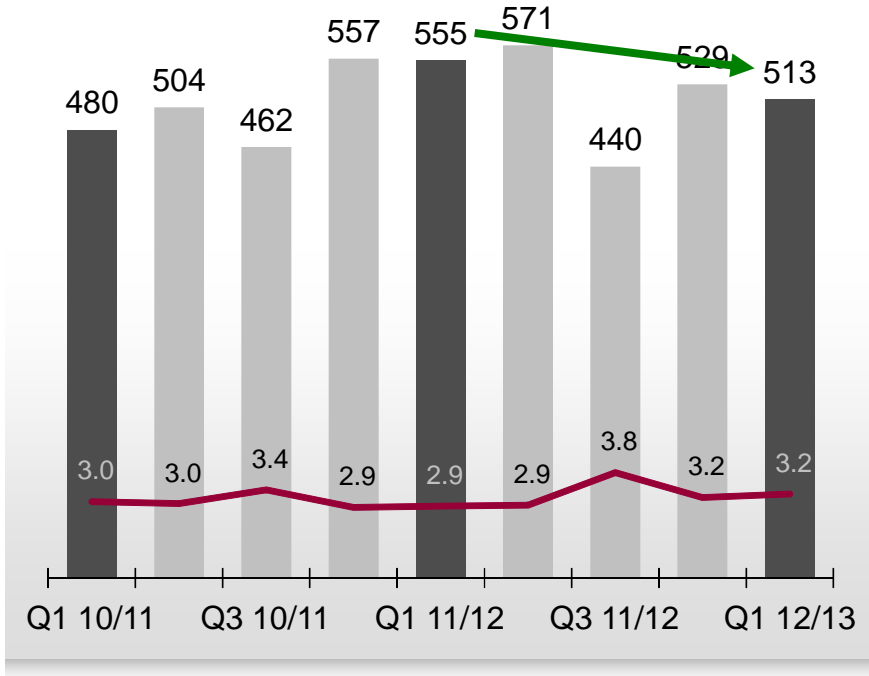
Ttm EBIT, DKKm and EBIT margin, %



- Ttm EBIT down by 38% to DKK 150m – a trend shift from 59% decline in Q4
- Ttm EBIT margin down by 2.3pp to 3.9% – a trend shift from 4.8pp decline in Q4

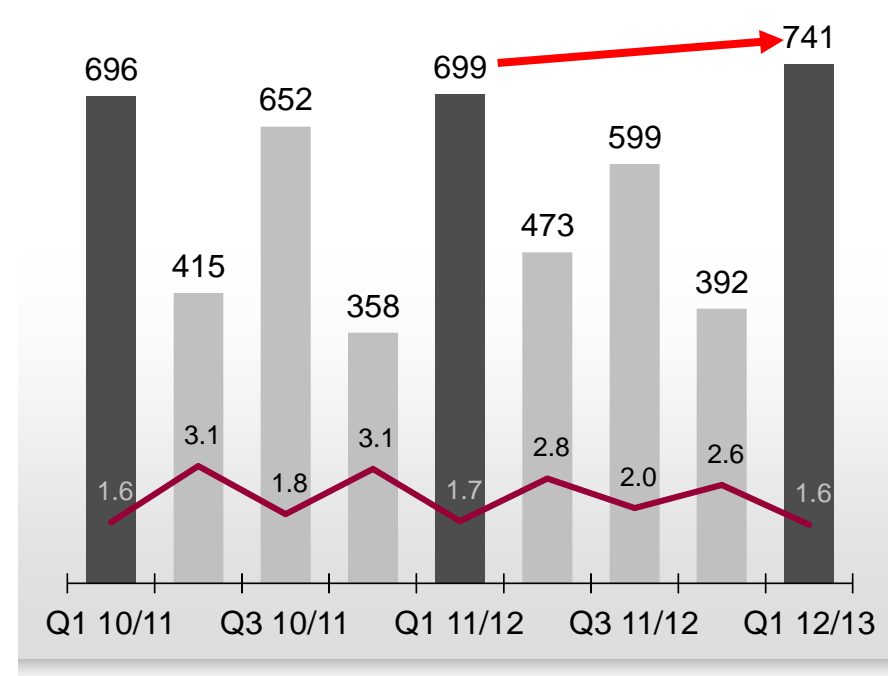
# Inventories reduced despite growth while debtor situation continues to suffer from challenged wholesalers

End of quarter inventories, DKKm and rate of turnover



- Inventories decreased by 8% to DKK 513m due to faster deliveries and improved turn rate
- Age distribution on inventory improved due to focussed clearance activities

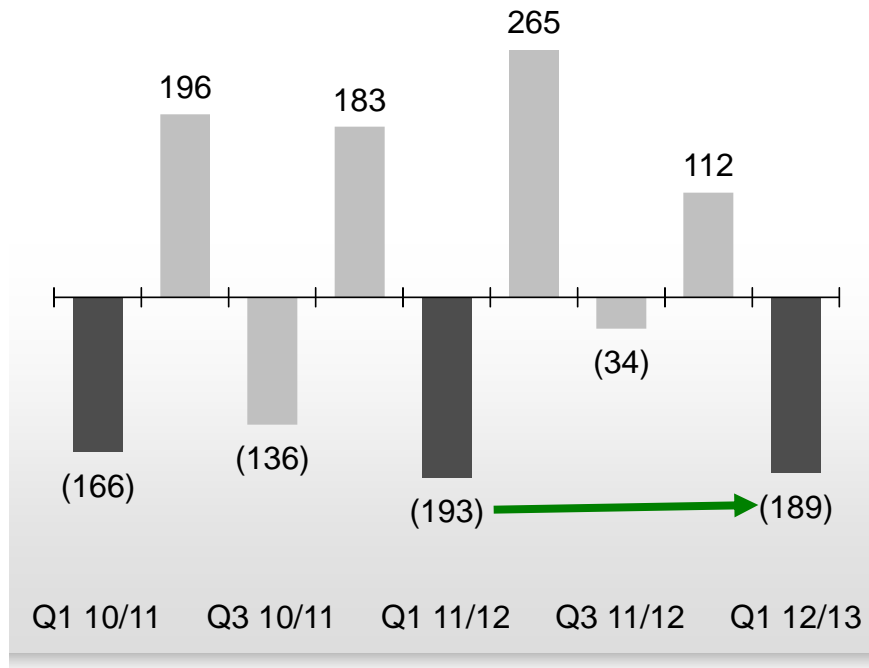
End of quarter debtor, DKKm and rate of turnover



- Debtors increased by 6% to DKK 741m due to wholesale growth and more prompt deliveries
- Challenging wholesale conditions continue to affect negatively

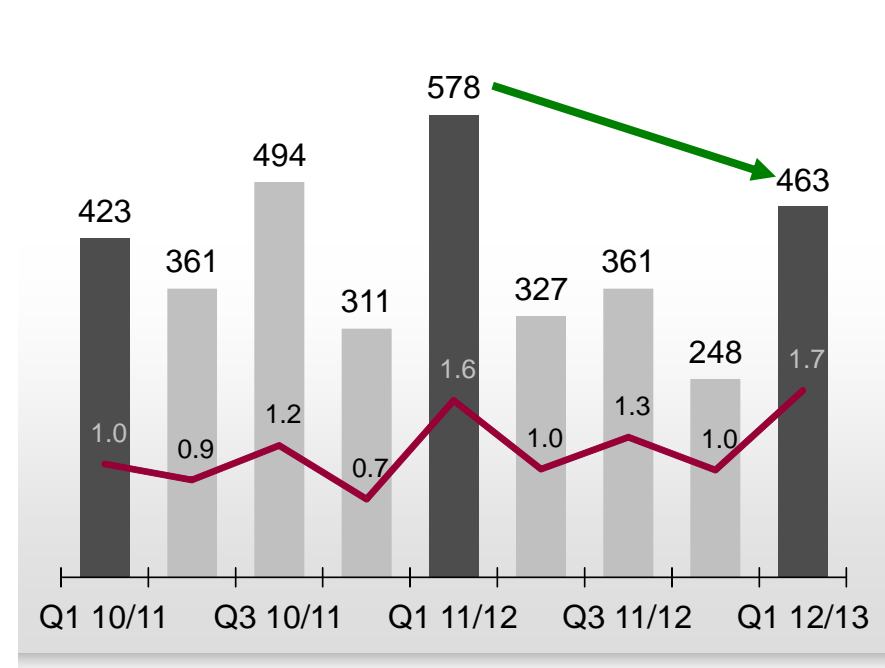
# Slight cash flow improvement despite negative working capital impact while debt reduction continues

Free cash flow, DKKm



- Free cash flow up by DKK 4m to outflow of DKK 189m
- Negative impact from working capital changes driven by debtor situation

End of quarter NIBD, DKKm and NIBD/EBITDA



- NIBD reduction of 20% to DKK 463
- NIBD/EBITDA of 1.7

# IC COMPANYYS

HOME OF FASHION BRANDS

*InWear* Matinique PART TWO *Jackpot* COTTONFIELD ESTABLISHED 1986 DESIGNERS REMIX CHARLOTTE ESKILDSEN SAINT TROPEZ TIGER OF SWEDEN MALENE BERGER *Copenhagen* PeakPerformance SOAKED IN LUXURY