IC GROUP

# INTERIM REPORT Q2 2017/18

## ROAD SHOW PRESENTATION

ABG Sundal Collier
Copenhagen
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# Q2 REVENUE DEVELOPMENT

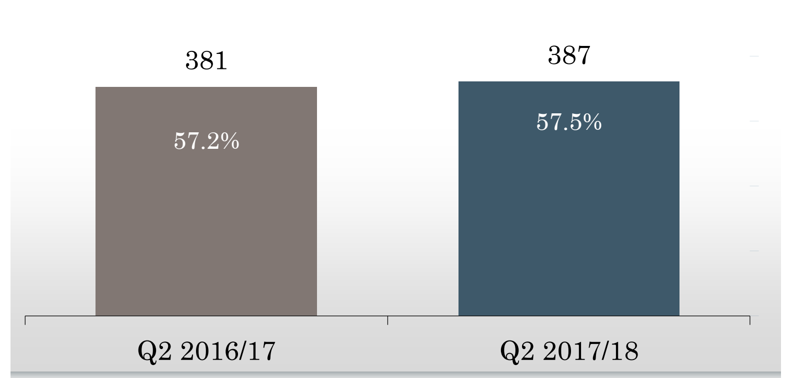
- Revenue increased by 2.1% measured in local currency
- Positive revenue development at Peak Performance and By Malene Birger compensated for the decline at Tiger of Sweden and Saint Tropez
- Wholesale growth to a large extent driven by Peak Performance due to underlying growth and a positive effect from delivery timing of approx. DKK 30m
- Retail decline driven by Saint Tropez and Tiger of Sweden
- Same-store revenue down by 7.1% due to physical store performance in Saint Tropez and Tiger of Sweden in particular

| Revenue by segment (DKKm) | Q2 2017/18 | Y-on-Y growth | Share of revenue |
|---|---|---|---|
| Peak Performance | **313** | 17,2% | 46% |
| Tiger of Sweden | **189** | (14,1%) | 28% |
| By Malene Birger | **78** | 1,3% | 12% |
| Other brands | **92** | (8,0%) | 14% |
| Unallocated | **1** | n/a | 0% |
| Group | **673** | 1,1% | 100% |
| | | | |
| Wholesale | **375** | 4,5% | 56% |
| Retail | **297** | (2,6%) | 44% |
| | | | |
| Net store openings | **0** | | |
| Same-store growth | **(7.1)%** | | |

# Q2 GROSS PROFIT AND OPEX

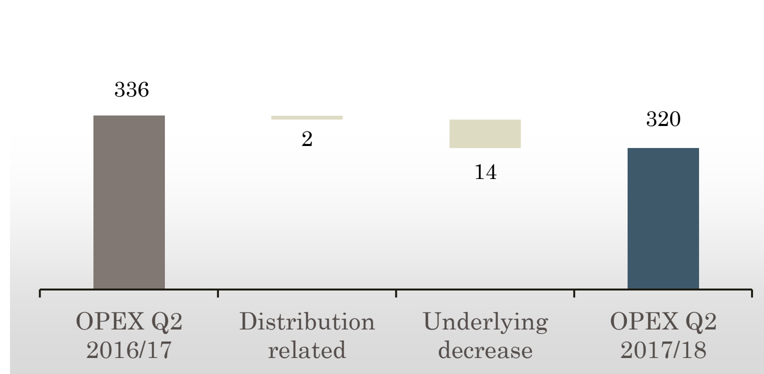
– Gross profit increased due to higher net sales and slightly improved gross margin
– Underlying product margin improvement diluted by negative channel mix effect as a result of delivery timing in Peak Performance

**Q2 gross profit and gross margin**




– OPEX reduced by DKK 16m mainly as a result of the structural changes carried out during Q3 2016/17
– Distribution-related OPEX slightly down due to store closures, savings on agent commission, samples and marketing

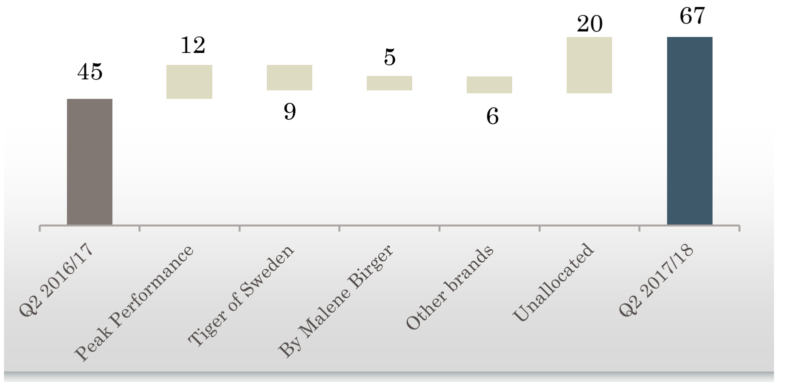
**OPEX bridge vs. Q2 2016/17**



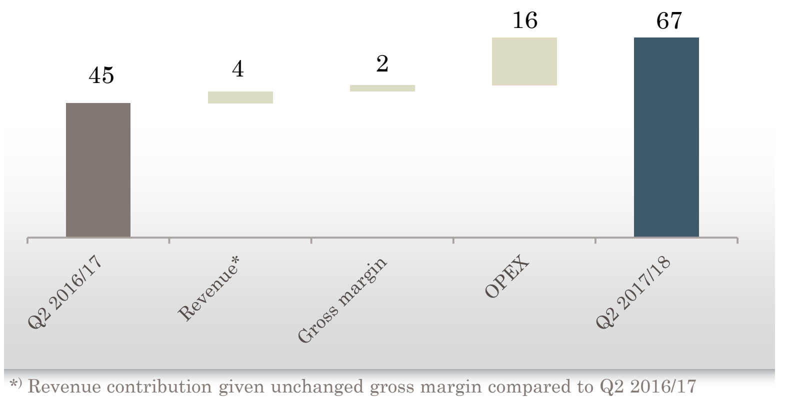
# Q2 EBIT DEVELOPMENT

- EBIT up by DKK 22m driven by Peak Performance, By Malene Birger and savings in Group central functions
- EBIT improvement to a large extent driven by OPEX savings
- EBIT margin up by 3.2pp to 10.0% mainly driven by lower OPEX ratio

**EBIT development by brand vs. Q2 2016/17**




**EBIT development by contribution vs. Q2 2016/17**




*) Revenue contribution given unchanged gross margin compared to Q2 2016/17

# BALANCE SHEET AND CASH FLOW

- Operating NWC roughly in line with last year
- Reduced inventory mainly due to lower amount of collection goods as well as SSP goods (stock service program)
- Trade receivables up driven by Peak Performance due to higher wholesale revenue in Q2 partly off-set by the opposite development in Tiger of Sweden
- Trade payables significantly down driven mainly by lower purchase across all brands
- Free cash flow down by DKK 99m mainly as a result of lower NWC release compared to same period last year
- CAPEX at same level as last year
- Net debt down by DKK 19m at DKK 88m

| DKKm | Q2 2017/18 | Q2 2016/17 | Change |
|---|---|---|---|
| Inventory | **349** | 437 | (20%) |
| Trade receivables | **402** | 371 | 8% |
| Trade payables | **199** | 243 | (18%) |
| Operating NWC | **552** | 565 | (2%) |
| *% of 12m revenue* | ***20.3%*** | *20.7%* | *(0.4%)* |
| Free cash flow | **136** | **235** | (99) |
| CAPEX | **(21)** | **(21)** | |
| *% of revenue* | ***3.1%*** | *3.2%* | *(0.1%)* |
| ROIC | **17.2%** | 29.2% | *(12.0%)* |
| NIBD | **88** | **107** | (19) |
| *NIBD to 12m EBITDA* | ***0.4x*** | ***0.3x*** | ***0.1x*** |

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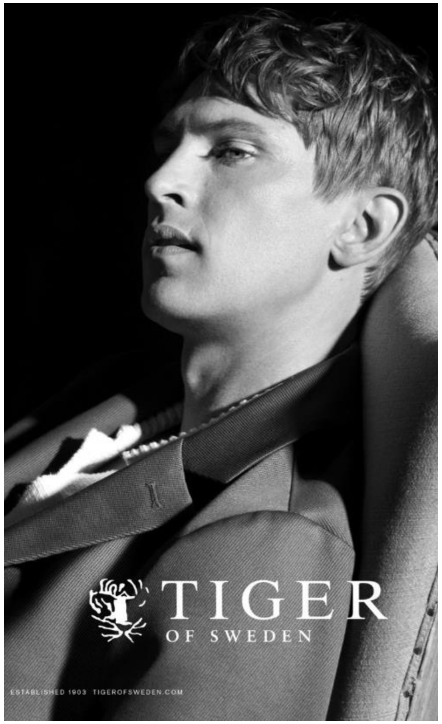
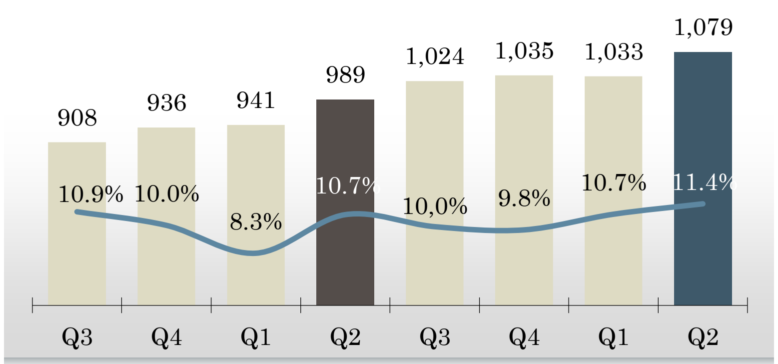


# PEAK PERFORMANCE

- Revenue growth of 18.5% in local currency driven by underlying growth in wholesale as well as delivery timing of approx. DKK 30m
- Retail growth of 3.2% driven by higher outlet activity and e-commerce
- Lower gross margin driven by negative channel and product mix effects
- Growth in all geographical markets
- OPEX increased primarily due to the full-year effect of store openings. The OPEX ratio improved
- EBIT margin up by 1.1pp driven by both gross margin and OPEX ratio
- New store opened in Salzburg, Austria
- Strategic review process on track

| Q2 financials | Q2 2017/18 | Q2 2016/17 | Change |
|---|---|---|---|
| Revenue | 313 | 267 | 46 |
| *Wholesale* | *185* | *143* | *42* |
| *Retail* | *128* | *124* | *4* |
| EBIT | 61 | 49 | 12 |
| EBIT margin | 19.5% | 18.4% | 1.1 |
| **Other key data** | | | |
| Same-store growth | (5.0)% | 16.4% | |
| Net store openings | 1 | 8 | |

**Trailing 12 months revenue and EBIT margin**

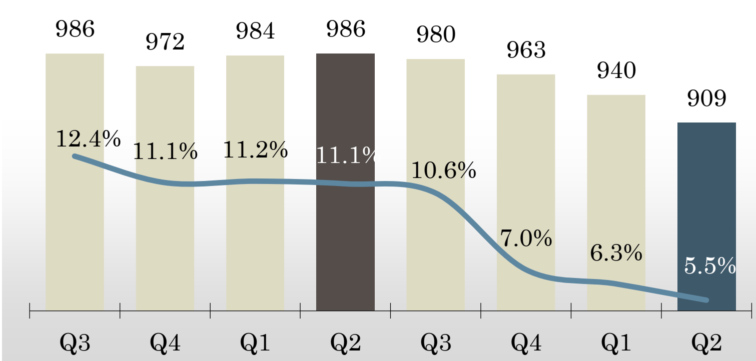


# TIGER OF SWEDEN

- Revenue down by 13.1% in local currency driven by lower order intake and in-season selling in wholesale
- Retail declined by 4.9% due to lower same-store revenue in both physical stores and e-commerce
- Revenue decline across all markets except for Germany
- Gross margin in line with last year, while the OPEX ratio increased
- EBIT margin down by 4.3pp
- No changes to the store portfolio in Q2

| **Q2 financials** | **Q2 2017/18** | **Q2 2016/17** | **Change** |
|---|---|---|---|
| Revenue | 189 | 220 | (31) |
| *Wholesale* | *91* | *117* | *(26)* |
| *Retail* | *98* | *103* | *(5)* |
| EBIT | (3) | 6 | (9) |
| EBIT margin | (1.6)% | 2.7% | (4.3) |
| **Other key data** | | | |
| Same-store growth | (13.5)% | 7.6% | |
| Net store openings | 0 | 0 | |

**Trailing 12 months revenue and EBIT margin**

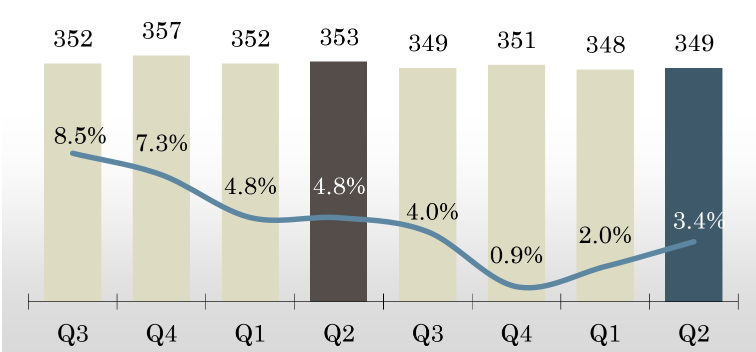


# BY MALENE BIRGER

- Revenue up by 2.2% in local currency driven by retail whereas lower in-season selling caused a decline in wholesale
- Retail growth driven by same-store growth in both physical stores and e-commerce
- Geographically, growth came from Rest of Europe
- Gross margin slightly up due to lower discounting and positive channel mix effects
- OPEX declined compared to last year
- EBIT up by DKK 5m and the EBIT margin increased by 6.4pp

| **Q2 financials** | **Q2 2017/18** | **Q2 2016/17** | **Change** |
|---|---|---|---|
| Revenue | 78 | 77 | 1 |
| *Wholesale* | *46* | *47* | *(1)* |
| *Retail* | *32* | *30* | *2* |
| EBIT | 5 | 0 | 5 |
| EBIT margin | 6.4% | 0.0% | 6.4 |
| **Other key data** | | | |
| Same-store growth | 9.8% | 4.5% | |
| Net store openings | 0 | 1 | |

**Trailing 12 months revenue and EBIT margin**

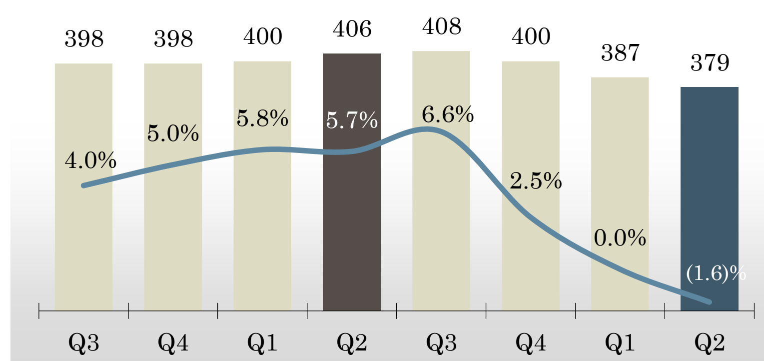


# OTHER BRANDS

- Revenue down by 7.6% in local currency driven by Saint Tropez
- Revenue decline driven by retail in both brands. Same-store revenue down by 14.3% driven by performance in the physical stores
- Gross margin down driven by Saint Tropez partly due to higher discounts and returns in retail and partly due to negative channel mix effects
- OPEX down, but not enough to compensate for the revenue decline
- EBIT margin down by 6.2pp mainly driven by the gross margin
- Saint Tropez closed one store in Sweden

| **Q2 financials** | **Q2 2017/18** | **Q2 2016/17** | **Change** |
|---|---|---|---|
| Revenue | 92 | 100 | (8) |
| *Wholesale* | *53* | *52* | *1* |
| *Retail* | *39* | *48* | *(9)* |
| EBIT | (2) | 4 | 6 |
| EBIT margin | (2.2)% | 4.0% | (6.2) |
| **Other key data** | | | |
| Same-store growth | (14.3)% | (3.8)% | |
| Net store openings | (1) | 1 | |

**Trailing 12 months revenue and EBIT margin**



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# GUIDANCE FOR 2017/18

We maintain our guidance for the financial year 2017/18 for the Group as a whole. Hence, we expect to realize a minor **revenue reduction** compared to the financial year 2016/17 and an **EBIT margin of approx. 5%** (unchanged).

- Moderate revenue growth but significantly higher (previously "moderate growth") earnings are expected in Peak Performance
- For Other brands, we expect that the performance in physical retail in Saint Tropez will lead to a significant revenue and earnings decline leading to an earnings deficit for 2017/18 (not specified previously)

**CAPEX** expected in the region of **3-4% of annual revenue**