
FRENCH CONNECTION
HALF YEAR RESULTS 31ST JULY 2021

REPORTED RESULTS

- Group revenue of £40.2m (2019: £51.0m), down 21.2% (19.4% CCY) driven by temporary COVID store closures and reduced store portfolio. Offset partially by an increase in Wholesale due to strong S21 performance and improved Ecommerce
- Underlying loss of £(0.9)m compared to £(3.6)m in 2019 driven by continued closure of non-contributing stores, bounce back of Wholesale volumes and tight focus on overhead base
- Composite gross margin of 31.6% (2019: 42.7%) due to mix shift towards lower margin Wholesale channel and the level of fixed product development and logistics costs on the lower overall volumes
- Overheads reduced to £15.2m (2019: 27.3m) due to permanent and temporary store closures, restructuring initiatives, a tight focus on all costs as well as COVID relief from business rates and furlough
- Permanent closure of 3 non contributing locations during the half and 26 since July 2019
- Closing net cash of £1.0m

The comparisons in this document are presented relative to two years ago (six months ended 31 July 2019) where the one-year comparisons (six months ended 31 July 2020) are generally not reflective of typical trading performance due to disruption from COVID-19

RESULTS SUMMARY

	6m to 31/07/2021	6m to 31/07/2019	Variance	Constant currency variance	*6m to 31/07/2020*
Revenue	40.2m	51.0m	*(21.2%)*	*(19.4%)*	*23.9m*
Gross margin	12.7m	21.8m	*(41.7%)*	*(40.1%)*	*3.6m*
Gross margin %	31.6%	42.7%	*(11.2%)*	*(11.0%)*	*15.1%*
Operating expenses	(15.2)m	(27.3)m	*44.3%*	*43.2%*	*(16.7)m*
Licence income	2.4m	2.7m	*(11.1%)*	*(11.1%)*	*1.5m*
Interest expense	(0.8)m	(0.8)m	*0.0%*		*(0.6)m*
Underlying operating (loss)	**(0.9)m**	**(3.6)m**	*75.0%*		***(12.2)m***

Non-recurring items included within operating (loss)/profit:

Business rates relief	1.1m
Furlough savings	0.7m
Total	**1.8m**

WHOLESALE

Revenue

- Revenue increased by 5.9% on 2019 (8.9% CCY)
- UK/Europe up 21.9% and North America down 9.2%
- Strong performance of S21 season, with element of pent up demand post lockdown. Online customers performing particularly well

Gross margin

- Gross margin 26.4% (2019: 34.2%) with an increased proportion of fixed overhead base as Retail portfolio declines

Selling and distribution expenses

- Savings of 31.1% in overheads driven by team restructure in late FY21 and reduced motor and travel, trade shows and model spend

		21/22 £m	**19/20 £m**	***20/21 £m***
Revenue	5.9%	28.8	27.2	*13.8*
Gross margin		7.6	9.3	*1.7*
Gross margin %		26.4%	34.2%	*12.3%*
Overheads		(3.1)	(4.5)	*(3.0)*
Operating Profit/(Loss)		**4.5**	**4.8**	***(1.3)***

UNDERLYING OPERATING PROFIT

RETAIL TRADING

Revenue

- Revenue down 52.1% on 2019 (51.7% CCY) driven by the permanent closure of 26 stores over the last 2 years plus temporary COVID closures
- Trading stronger vs the post lockdown periods in 2020
- Closure of 3 stores with a 6.7% reduction in selling space over the half and 35.1% reduction in average selling space vs 2019

Gross Margin

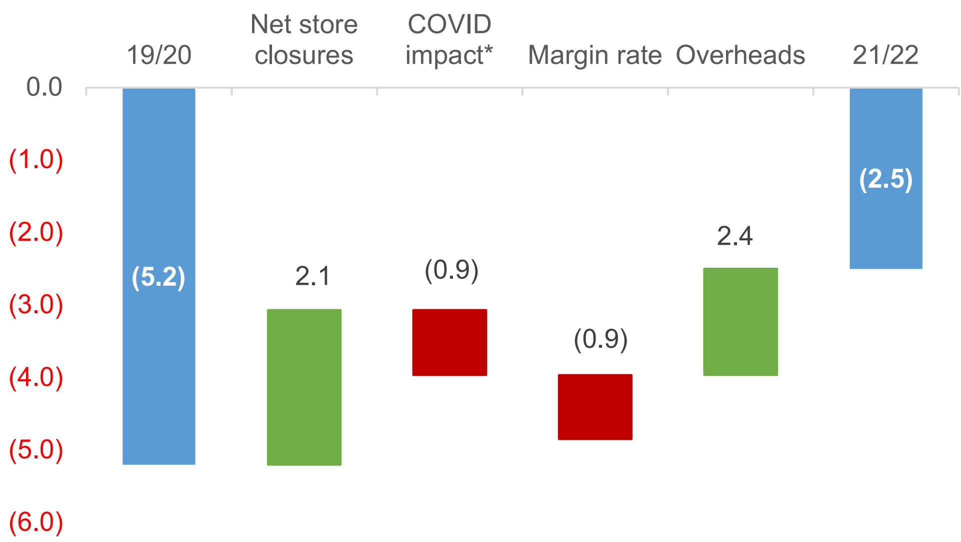
- Margin rate of 44.7% (2019: 52.5%) driven by higher outlet store mix and increased clearance sales of stock built up during the pandemic

Selling and distribution expenses

- Overall overheads down 57.1% due to permanent and temporary store closures, store and Head Office staffing restructures and business rates relief

		21/22 £m	19/20 £m	*20/21 £m*
Revenue	(52.1%)	11.4	23.8	*10.1*
Gross margin		5.1	12.5	*1.9*
Gross margin %		44.7%	52.5%	*18.8%*
Overheads		(7.6)	(17.7)	*(9.4)*
Operating (Loss)		**(2.5)**	**(5.2)**	***(7.5)***

UNDERLYING OPERATING LOSS



* *Represents the shortfall in margin linked to COVID offset by furlough and rates relief*

RETAIL OVERVIEW

- 3 locations permanently closed in the half year and 26 since July 2019
- Average lease length remaining of the Group’s retail estate is 1.7 years (2019: 2.3 years)
- Ecommerce revenue grew by 9.4% and as a percentage of retail revenue increased to 50.9%
- Mobile now constitutes 71.6% of e-commerce traffic (2019: 63.7%) and 59.8% of transactions (2019: 48.1%)
- Average order value increased to £101 (2019: £95)

Store location movements

	31 Jul 2021		Change on Jan 21		Change on Jul 19	
	Locations	**sq ft**	**Locations**	**sq ft**	**Locations**	**sq ft**
UK/Europe	17	53,077	(2)	(7,070)	(11)	(25,052)
North America	0	0	0	0	(2)	(9,102)
Total Full Price Stores	**17**	**53,077**	**(2)**	**(7,070)**	**(13)**	**(34,154)**
Outlets	7	11,238	0	0	(1)	(2,100)
Concessions	38	35,362	0	265	(11)	(7,963)
Total French Connection	**62**	**99,677**	**(2)**	**(6,805)**	**(25)**	**(44,217)**
YMC	2	1,355	(1)	(450)	(1)	(450)
Total Operated Locations	**64**	**101,032**	**(3)**	**(7,255)**	**(26)**	**(44,667)**

LICENCE INCOME

- Licensing income during the half was £2.4m (2019: £2.7m)
- DFS continues to perform well as demand for Homeware remains strong, mirrored by the US Homeware licensee
- US footwear and childrenswear licensees launched in FY21 and have developed well
- Offset by decline in India and UK formalwear licensee

		21/22 £m	**19/20 £m**	*20/21 £m*
Licensing income	**(11.1%)**	**2.4**	**2.7**	*1.5*



OPERATING EXPENSES

- Total group underlying overheads reduced by 44.3% (43.2% CCY)
- Permanent store closures resulted in £6.4m of savings vs 2019
- Excluding impact of store closures, labour savings of £3.2m due to restructuring initiatives both in store and at Head Office as well as furlough benefit received in first few months
- Property savings from UK business rates relief and rent negotiations with landlord
- Tight cost control over variable cost base including marketing and PR, T&E and trade shows

		21/22 £m	19/20 £m	*20/21* *£m*
Underlying operating expenses	**44.3%**	**15.2**	**27.3**	*16.7*

UNDERLYING OPERATING EXPENSES

FINANCIAL POSITION

- Closing net funds £1.0m
- Cash flow from operations of £6.4m, from combination of improved trading results and the build-up of new season Winter stock as a result of the growing wholesale volumes offsetting the older seasons cleared during the period
- Effective debtor collection and working closely with product suppliers
- Capital expenditure of £0.2m
- Store disposal costs of £0.2m relating to the closure of 3 stores in the half

CASH FLOW SUMMARY

	Jul-21	Jul-20	Jul-19
	£m	**£m**	**£m**
Operating (loss)/profit	**(0.9)**	**(13.2)**	**(4.7)**
Depreciation	0.5	0.6	0.6
Non-underlying adjusting items	0.0	1.0	1.1
ROU asset depreciation/finance expense	2.0	3.8	4.1
Operating result before changes in w/cap	**1.6**	**(7.8)**	**1.1**
Movement in working capital	4.8	11.5	0.1
Cash flows from operations	**6.4**	**3.7**	**1.2**
Capital expenditure	(0.2)	(0.2)	(0.6)
Store disposal costs	(0.2)	(0.4)	(0.9)
IFRS 16 - payment of lease liabilities	(3.4)	(5.6)	(5.8)
Income tax paid	0.0	0.0	(0.1)
Interest paid	(0.3)	0.0	0.0
Other	0.0	(0.5)	0.0
Movement in cash	**2.3**	**(3.0)**	**(6.2)**
Opening net cash	**(1.3)**	**8.1**	**16.2**
Exchange rate fluctuations	0.0	0.1	0.0
Closing net cash	**1.0**	**5.2**	**10.0**


FRENCH CONNECTION