

A woman with long dark hair, wearing sunglasses and a white ensemble consisting of a jacket, crop top, and trousers, standing against a light grey background. She is wearing white sneakers and has her hands in her pockets.

FRENCH CONNECTION

FULL YEAR RESULTS 31st JANUARY 2021

REPORTED RESULTS

- Group revenue of £71.5m (2020: £119.9m), down 40.4% (39.9% CCY) due to store portfolio closure for long periods and reduction in demand from Wholesale customers due to the pandemic
- Underlying loss of £(11.7)m compared to £(2.9)m in the comparative period although performance improved considerably in the second half being in line with last year
- Composite gross margin of 25.7% (2020: 38.3%) with stock provision increase of £3.1m due to higher residual stocks. Further impacted after exclusion of provision by lower levels of full price sales

Gross margin by channel	20/21 Inc provision	20/21 Exc provision	19/20	Exc provision variance %
Wholesale	22.4%	25.3%	30.2%	(4.9)%
Retail	32.9%	40.4%	51.0%	(10.6)%
Gross margin	25.7%	30.1%	38.3%	(8.2)%

- Significant reduction in costs especially in staffing, rents and business rates but generally across all areas
- Permanent closure of 14 non contributing locations during the year, 7 stores and 7 concessions
- Closing net debt of £(1.3)m (2020 funds: £8.1m)
- £15m working capital facility secured in the UK in July and \$6.5m facility in the USA in December

COVID-19 IMPACT

- **Retail** – impacted by the 3 national lockdowns as stores closed for 21 weeks. Reopening saw slow recovery especially in Christmas period
- **E-commerce** – following an initial drop, significant improvement across all territories, sales up 7.1% and gross margin up on prior year with homeware and casual clothing particularly strong
- **Wholesale** – significantly impacted during 1st lockdown as key customers either closed warehouses or saw significantly reduced intake due to social distancing, however recovered strongly as online customers performed well given changing trading environment
- **Overhead savings** – rent renegotiations with landlords, staff cost reductions including both the furlough scheme and head count reductions, and business rates relief. Discretionary costs managed very tightly and eliminated where possible
- **Licensing** – Majority of licensees impacted given their wholesale model, although DFS performed strongly throughout the pandemic with strong in store performance when open and excellent online execution
- **Revenue** – Revenue impact of £(39.7)m across Wholesale (£24.2m) and Retail (£15.5m)
- **Underlying profit** – Impact of £(10.2)m across the business, principally Wholesale revenue reduction and £3.1m one-off stock provision due to higher residual stock levels. Additionally £7.1m of the £8.0m adjusting items driven by COVID

RESULTS SUMMARY

	12 months to 31/01/2021	12 months to 31/01/2020	Variance	Constant currency variance
Revenue	71.5m	119.9m	(40.4%)	(39.9%)
Gross margin	18.4m	45.9m	(59.9%)	(59.6%)
Gross margin %	25.7%	38.3%	(12.6%)	(12.6%)
Operating expenses	(32.7)m	(52.8)m	38.1%	38.1%
License income	3.9m	5.5m	(29.1%)	(29.1%)
Interest expense	(1.3)m	(1.5)m		
Underlying operating (loss)/profit	(11.7)m	(2.9)m		

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

Business rates reduction	1.9m
Furlough savings	4.8m
Stock provisions	(3.1)m
Total	3.6m

WHOLESALE

Revenue

- Total revenue reduced 33.1% (down 32.3% CCY)
- UK/Europe and North America down 25.6% and 39.7% respectively
- All customers reduced orders during first lockdown with those with bricks and mortar stores more heavily impacted in both UK and USA. UK online customers recovered strongly in the second half

Gross margin

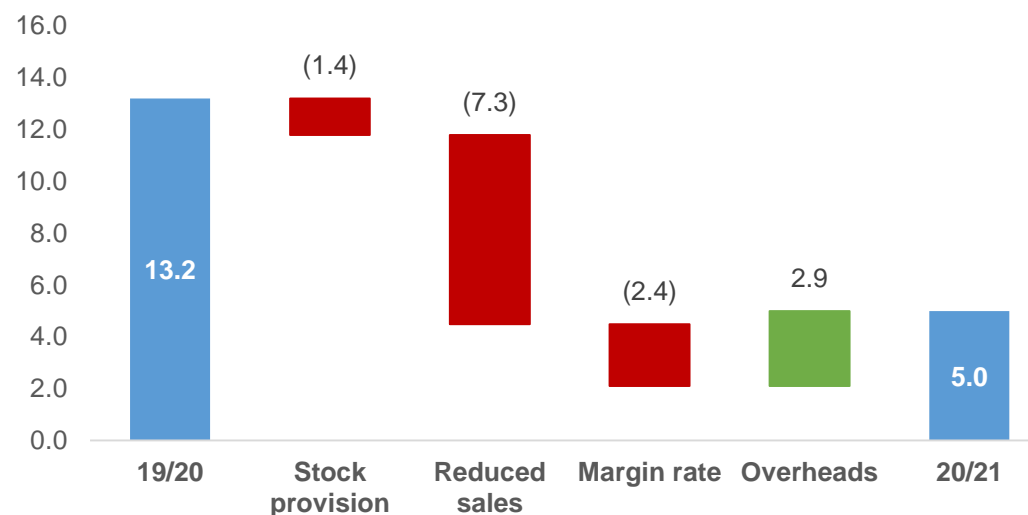
- Gross margin 22.4% (2020: 30.2%) driven by additional stock provision of £1.4m required in light of higher stock levels and loss of full price sales due to the timing of the first closure

Selling and distribution expenses

- Costs down 32.6% driven by furlough schemes and reduction in spend across all areas especially given the cancellation of trade shows and general selling expenses

		20/21 £m	19/20 £m
Revenue	(33.1%)	49.0	73.2
Gross margin		11.0	22.1
Gross margin %		22.4%	30.2%
Gross margin % excl stock prov		25.3%	30.2%
Overheads		(6.0)	(8.9)
Operating Profit/(Loss)		5.0	13.2

UNDERLYING OPERATING PROFIT/(LOSS)



RETAIL TRADING

Revenue

- Overall revenue down 51.8% (51.8% CCY) as impacted by 3 national lockdowns with stores closed for 21 weeks, as well as permanent store closures
- During Summer 2020, revenue did slowly build when stores reopened but that reversed when change of messaging came in September
- Closure of 6 stores, 7 concessions and 1 outlet with a reduction of 22.3% in average selling space

Gross Margin

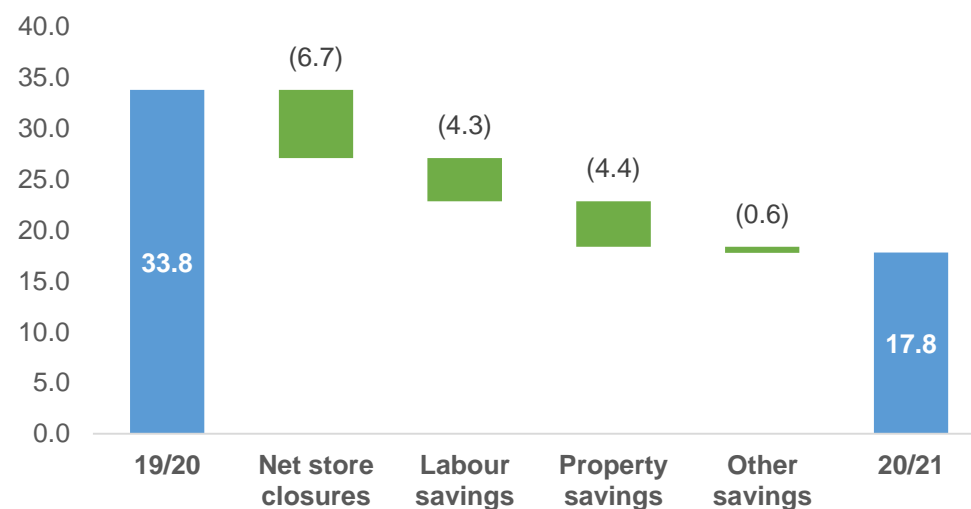
- Margin rate of 32.9% (2020: 51.0%) due to increase in stock provision of £1.7m with higher residual stock
- Margin rate of 40.4% excluding impact of stock provision but reduced by loss of full price selling period and increased promotional activity

Selling and distribution expenses

- Overall overheads down 47.3% due to furlough schemes, rent negotiations, business rates relief and staffing restructures, reducing costs significantly in stores and Head Office

		20/21	19/20
		£m	£m
Revenue	(51.8%)	22.5	46.7
Gross margin		7.4	23.8
Gross margin %		32.9%	51.0%
Gross margin % excl stock prov		40.4%	51.0%
Overheads		(17.8)	(33.8)
Operating (Loss)		(10.4)	(10.0)

UNDERLYING OVERHEADS



RETAIL OVERVIEW

- 6 stores, 7 concessions and 1 outlet permanently closed during the year
- New York and Las Vegas closed by end of January, removing any store presence in North America
- Average lease length remaining of the Group's retail estate is 1.9 years (2020: 2.5 years)
- Rent negotiations have been undertaken on a store by store basis. Ongoing negotiations in relation 2nd and 3rd UK lockdowns
- Ecommerce revenue grew by 7.1% and as a percentage of retail revenue increased to 53.8% (2020: 24.2%)
- Mobile now constitutes 67.4% of e-commerce traffic (2020: 63.7%) and 54.8% of transactions (2020: 48.9%)
- Conversion of 1.62% (2020: 1.44%) and Units per Transaction 2.0 (2020: 2.1)

Movement in store locations over the past year

	31 Jan 2021		31 Jan 2020		Change on Jan 20	
	Locations	sq ft	Locations	sq ft	Locations	sq ft
UK/Europe	19	60,147	23	66,430	(4)	(6,283)
North America	0	0	2	9,102	(2)	(9,102)
Total Full Price Stores	19	60,147	25	75,532	(6)	(15,385)
Outlets	7	11,238	8	13,338	(1)	(2,100)
Concessions	38	35,097	45	40,418	(7)	(5,321)
Total French Connection	64	106,482	78	129,288	(14)	(22,806)
YMC	3	1,805	3	1,805	0	0
Total Operated Locations	67	108,287	81	131,093	(14)	(22,806)

LICENCE INCOME

- Licensing income was £3.9m compared to £5.5m last year
- Both UK and US licensees heavily impacted by COVID particularly those with predominantly wholesale model
- DFS performed extremely well with stores strong when open and good online execution, broadly in line with prior year as demand for Homeware grew during the pandemic
- Some smaller products launched in USA with footwear starting well considering the environment

		20/21	19/20
		£m	£m
Licensing Income	(29.1%)	3.9	5.5



OPERATING EXPENSES

- Total group underlying overheads reduced by 38.1% (38.1% CCY)
- Permanent store closures resulted in £6.7m of year on year savings
- Labour savings of £6.5m, with £4.8m from the government support received globally, as well as £1.7m from Head Office and store payroll re-structure
- Property savings from rent negotiations with landlord as well as UK business rates relief
- Reduced all variable cost base during lockdown, particularly within discretionary spend, marketing and PR, trade shows and T&E
- Continue to look for further cost savings although additional spend will be required to support the brand

		20/21 £m	19/20 £m
Underlying operating expenses	38.1%	32.7	52.8

UNDERLYING OPERATING EXPENSES



ADJUSTING ITEMS

- Impairment of right of use and fixed assets on loss making stores
- Dilapidations for current year and future store closure costs
- Redundancy costs for both Head Office and stores
- Legal and professional fees as part of securing funding
- Bad debt write off including amounts due from Lord and Taylor in the USA

	20/21
	£m
ROU and fixed asset impairment	5.1
Dilapidations	1.0
Department restructures	0.9
Professional fees	0.6
Bad debt	0.4
Total adjusting items	8.0



FINANCIAL POSITION

- Closing net debt £(1.3)m (2020 funds: £8.1m)
- Cash flow from operating result before working capital movement, loss of £(5.0)m (2020: £6.4m profit)
- Favourable movement in working capital; £2.8m inflow (2020: £(0.7)m outflow) due to:
 - Much tighter product buy on recent seasons W20 and S21
 - Lower debtors due to later phasing of S21 UK deliveries
- Effective debtor collection and working closely with product suppliers
- Reduced capital expenditure of £0.2m (2020: £1.1m) spent before lockdown
- Head Office and store restructuring and disposal costs of £1.1m (2020: £1.1m)
- £0.6m of professional fees as part of securing funding

CASH FLOW SUMMARY

	20/21	19/20
	£m	£m
Operating (loss)/profit	(19.7)	(7.8)
Discontinued operations	0.0	0.5
Depreciation	1.0	1.2
Rent concessions	(1.1)	0.0
Non-underlying adjusting items	8.0	4.4
IFRS 16 - ROU asset depreciation/finance expense	6.8	8.1
Operating result before changes in working capital	(5.0)	6.4
Movement in working capital	2.8	(0.7)
Cash flows from operations	(2.2)	5.7
Capital expenditure	(0.2)	(1.1)
Restructuring and store disposal costs	(1.1)	(1.1)
Other professional fees/refinancing costs	(0.6)	0.0
IFRS 16 - payment of lease liabilities	(5.2)	(11.4)
Income tax paid	0.0	(0.1)
Interest paid	(1.3)	0.0
Other	1.1	0.0
Movement in cash	(9.5)	(8.0)
Opening net cash	8.1	16.2
Exchange rate fluctuations	0.1	(0.1)
Closing net cash	(1.3)	8.1

OUTLOOK

- High Street predominantly re-open again and recovering well compared to last year however will take time to see how it develops for both our own stores and our wholesale customers
- Continue to capitalise on the accelerated shift to E-commerce, driving increased performance through good product sell through and increased conversion/traffic
- Strong Wholesale order book for both S21 and W21 with online customers doing well, USA recently started to improve
- Continue with store portfolio strategy, only continuing in a location if deal gives the opportunity to have profitable store
- Negotiations continue with landlords while also working closely with all suppliers
- Financing in place to provide sufficient current cash requirements
- Momentum moving in the right direction so long as no significant adverse economic conditions return



FRENCH CONNECTION



FRENCH CONNECTION
HOME



GREAT PLAINS
LONDON

A full-body photograph of a woman with long, dark, wavy hair blowing in the wind. She is wearing a bright yellow, long-sleeved, belted dress with a white inner lining and a white belt. She is also wearing white high-heeled sandals. The background is a plain, light gray studio setting.

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