SANDERSON
DESIGN GROUP

YEAR END RESULTS
31 JANUARY 2021

AGENDA

INTRODUCTION

- FY21 defined by Covid-19
- Summary results stronger than anticipated with £93.8m revenues down 15.9%, £7.1m adjusted PBT (inc. £2.7m JRS) down 4.0%, EBITDA £12.6m up 4.0%
- FY21 story of two halves, recovering strongly August to December 2020
- Strong progress against strategic goals, thanks to the commitment of our teams
- Sanderson Design Group plc new name November 2020 signposting simplification and group alignment behind one purpose and set of values

KEY FINANCIAL INDICATORS

	REVENUE	REVENUE CHANGE	ADJUSTED PBT	ADJUSTED PBT %	ADJUSTED EPS
FY21	£93.8m	(15.9%)	£7.1m	7.5%	8.00p
FY20	£111.5m	(1.6%)	£7.4m	6.6%	9.26p

KEY FINANCIAL INDICATORS (Cont.)

	NET FUNDS	NET CASH FLOW	INVENTORY	CAPEX	REPORTED EBITDA
FY21	£15.1m	£14.4m	£20.8m	£1.0m	£12.6m
FY20	£1.3m	£0.9m	£28.5m	£2.4m	£12.1m

FINAL RESULTS
12 MONTHS ENDED 31 JANUARY 2021

SANDERSON DESIGN GROUP

Income Statement	FY21 £'m	FY20 £'m	Change
Revenue	**93.8**	**111.5**	(15.9%)
Underlying profit before tax	**6.2**	**6.4**	(2.5%)
Non-underlying items	(1.2)	(2.0)	
Profit before tax	**5.0**	**4.4**	+14.6%
Tax income / (expense)	(1.1)	(0.7)	
Profit for the period	**3.9**	**3.7**	+4.9%
Underlying profit before tax	**6.2**	**6.4**	
LTIP accounting charge	0.3	0.4	
Net defined benefit pension charge	0.6	0.6	
Adjusted underlying profit before tax	**7.1**	**7.4**	(3.7%)
Underlying adjusted * EPS	8.00p	9.26p	(13.6%)

Non-underlying items	FY21 £'m
Amortisation of acquired intangible assets	**(1.0)**
Restructuring and reorganisation costs	**(0.2)**
Total non-underlying charges included in profit before tax	**(1.2)**

HIGHLIGHTS

Results reflect the impact of Covid-19 on the Group, including the temporary closure of manufacturing sites and the effect of lockdowns on demand

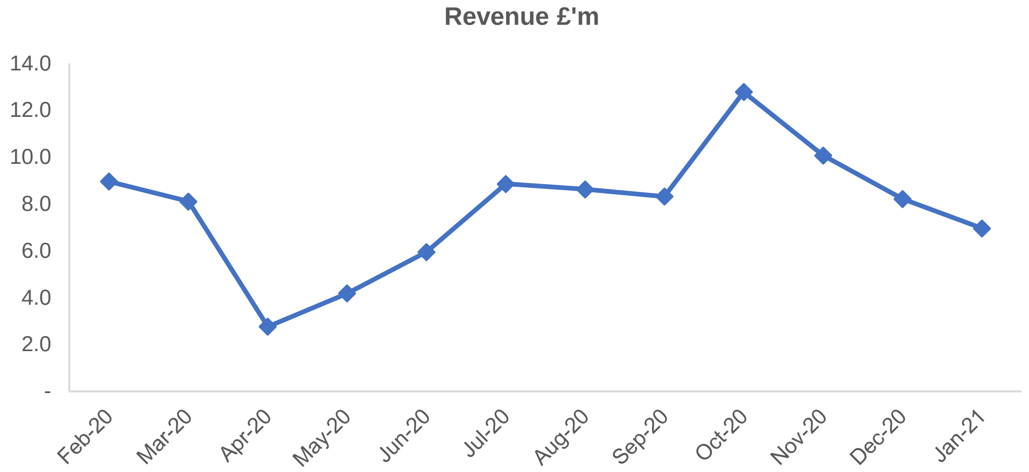
- Revenue of £93.8m (2020: £111.5m), reflecting the difficult global marketplace in the first half year. Trading in the second half recovered to pre-pandemic levels
- Adjusted underlying profit before tax* of £7.1m (FY 2020: £7.4m), including net £2.7m JRS, with stronger sales in the second half-year, coupled with the effect of the measures to reduce discretionary and fixed costs
- The Board will continue to review the dividend policy and an update will be provided at the Company's interim results later in 2021 with the objective of returning to dividend payments at the earliest opportunity

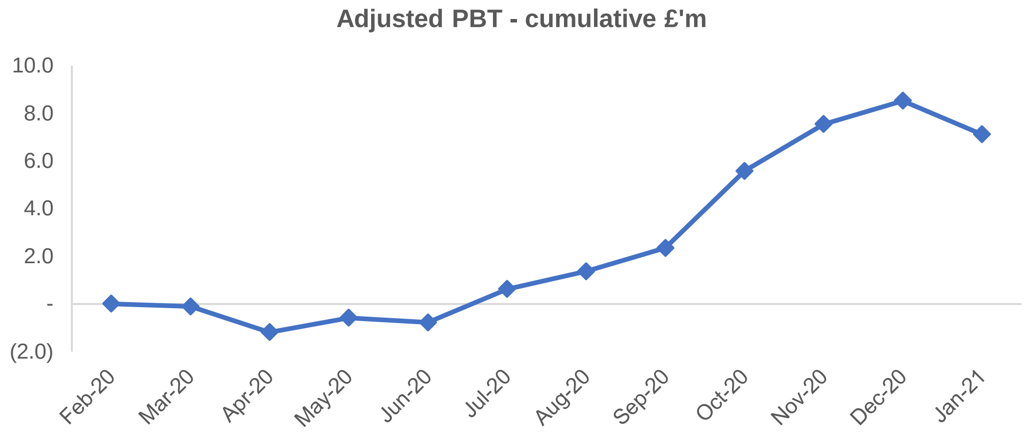
*Adjusted underlying profit before tax excludes accounting charges relating to share-based incentives, defined benefit charge and non-underlying items.

FINANCIAL RESULTS H1 VS H2

	FY21		FY20	
	H1	H2	H1	H2
Revenue	38.8	55.0	55.9	55.6
Adjusted underlying PBT	0.4	6.7	4.9	2.5

- Adjusted underlying PBT of £7.1m (FY20: £7.4m) includes £2.7m of UK JRS monies
- H1 Adjusted underlying PBT of £0.4m on revenues of £38.8m
- H2 Adjusted underlying PBT of £6.7m on revenues of £55.0m





REVENUE SEGMENTAL ANALYSIS

Revenue	FY21 £'m	FY20 £'m	Change
Total Brands (inc. licensing)	76.3	90.2	(15.4%)
Manufacturing	28.4	35.5	(20.2%)
	104.7	125.7	(16.8%)
Internal Manufacturing	(10.9)	(14.3)	(23.6%)
Group	**93.8**	**111.5**	**(15.9%)**

Revenue	FY21	FY20	Change	
	£'m	£'m	Reported	CER
Harlequin, incorporating Anthology & Scion	18.4	25.3	(26.1%)	(25.8%)
Sanderson, incorporating Morris & Co.	24.2	24.1	0.4%	(1.6%)
Zoffany	7.8	9.5	(17.9%)	(18.8%)
Clarke & Clarke, incorporating Studio G	21.7	25.3	(14.2%)	(13.5%
Other Brands	0.5	0.5	(60.0%)	(50.0%)
Total Brand product sales	**72.6**	**84.7**	**(14.3%)**	**(14.4%)**

Revenue	FY21	FY20	Change	
	£'m	£'m	Reported	CER
UK Brand product sales	38.1	44.9	(15.3%)	n/a
International Brand product sales	34.6	39.8	(13.1%)	(13.5%)
- North America	12.5	14.4	(13.0%)	(13.3%)
- Northern Europe	12.5	13.0	(4.3%)	(5.0%)
- Rest of the World	9.6	12.3	(22.5%)	(22.8%)
Total Brand product sales	**72.6**	**84.7**	**(14.3%)**	**(14.4%)**
Licensing Income	3.7	5.5	(33.0%)	(33.2%)
Total Brand sales	**76.3**	**90.2**	**(15.4%)**	**(15.6%)**

- UK affected by the first half lockdown; sales down 15.3%
- North America sales down 13.3%. Improving performance from Kravet
- Northern Europe sales were down 5.0%, with Scandinavia's performance proving most resilient
- Morris & Co. sales 9% up and continue to exceed expectations, particularly in Northern Europe
- Core licensing (excluding accelerated income and one-off contracts) up 3.3%. Reported licensing income reduced to £3.7m (2020: £5.5m), due to significant one off advanced income in FY20

GROUP INCOME STATEMENT

Group Income Statement	FY21 £'m	FY20 £'m	Change
Manufacturing	28.4	35.5	(20.2%)
Brands	72.6	84.7	(14.3%)
Inter-group eliminations	(10.9)	(14.3)	(23.6%)
Product	90.1	105.9	(14.9%)
Licensing	3.7	5.5	(33.0%)
Revenue	**93.8**	**111.4**	**(15.9%)**
Cost of Sales	36.8	43.3	(15.1%)
Gross Margin	**57.0**	**68.1**	**(16.4%)**
Gross margin %	60.8%	61.1%	(0.5%)
Distribution	15.3	17.6	(12.9%)
% Revenue	16.3%	15.8%	3.5%
Net Margin	**41.7**	**50.5**	**(17.5%)**
% Revenue	44.5%	45.4%	(2.0%)
Overheads	34.4	42.8	(18.8%)
% Revenue	36.7%	38.4%	(3.5%)
Adjusted Operating Profit (EBIT)	**7.3**	**7.7**	**(10.4%)**
% Revenue	**7.7%**	**6.9%**	**6.5%**

- Gross margin 60.8% (FY20 61.1%) held up, despite the disruptive effects of Covid-19, Brexit and the enforced manufacturing operation closure for three months
- Distribution costs down by £2.3m – reduced transaction volumes and sampling in H1
- Overhead costs down by £8.4m with efficiency and cost-saving initiatives: staff cost savings, JRS income, reduced travel and tight control of consultancy, legal and professional and marketing
- Restructuring in August 2020 with reduction of 68 positions, a 10% reduction in permanent headcount (£0.2m cost of redundancy), delivering £1.2m in FY21 leading to annualised total £3m of cost savings from FY22

GROUP CASH FLOW

Cash flow	FY21 £'m	FY20 £'m
Reported PBT	**5.0**	**4.4**
Interest, Depreciation and Amortisation	7.6	7.7
Reported EBITDA	**12.6**	**12.1**
Working Capital	6.9	(1.6)
Others *	(1.3)	(1.0)
Net interest	(0.3)	(0.5)
Tax	(0.0)	(0.8)
Cash from operating activities	**18.0**	**8.2**
Capital expenditure	(1.0)	(2.4)
Short term Borrowings	0.4	-
Capital element of lease payments	(3.0)	(2.7)
Dividends	-	(2.2)
Net increase in cash	**14.4**	**0.9**
Opening Cash	1.3	0.4
FX on cash held	(0.2)	(0.0)
Cash and cash equivalents and bank overdraft	**15.5**	**1.3**

* Includes share based payments, pension costs and unrealised exchange gains.

- Increased liquidity and headroom of £30.5m at 31 January 2021 (2020: £13.8m)
  - Net cash position of £15.5m (2020: £1.3m)
  - Net cash position, including lease obligations, £9.3m (2020: net debt £7.1m)
  - Cash inflow from operating activities of £18.0m (2020: £8.2m)
- Working capital has improved significantly through tighter working capital financial controls:
  - Inventory reduced by £8.1m to £20.4m, principally in finished goods
    - Strategy of reducing SKUs and scale of new collection launches was applied
    - New operating replenishment rules and bi-weekly commercial reviews
  - Trade and other receivables reduced by £2.2m to £18.3m with improved credit management

NET FUNDS

£1.3m
£12.6m
£6.9m
(£1.0m)
(£3.0m)
(£2.1m)
£0.0m
£0.6m
(£0.3m)
£15.1m
FY21 Net funds
EBITDA
Working capital
Net capex
Capital lease payment
Pension
Tax
Other
Interest
FY22 Net funds

GROUP BALANCE SHEET

Balance Sheet	FY21 £'m	FY20 £'m
Intangible assets	28.3	29.8
Property, plant & equipment	12.1	14.1
Right-of-use assets	5.8	8.4
Non-current asset	**46.2**	**52.3**
Inventories	20.4	28.5
Receivables	18.3	20.5
Current liabilities	(20.5)	(22.9)
Deferred income tax asset /(liabilities)	(0.5)	(0.8)
Net current assets	**17.7**	**25.3**
Net funds	15.1	1.3
Finance lease liabilities	(5.9)	(8.4)
Retirement benefit obligation	(5.6)	(5.7)
Net assets	**67.5**	**64.8**
Share capital	0.7	0.7
Share premium account & other reserves	58.3	58.6
Retained earnings	8.4	5.5
Equity shareholders funds	**67.5**	**64.8**

- Net assets of the Group increased to £67.5m from £64.8m
- The Group has banking facilities provided by Barclays Bank PLC
    - In October 2019, the Group renewed its £12.5m multi-currency revolving committed credit facility with Barclays Bank PLC for a further five-year period
    - The agreement also includes a £5m uncommitted accordion facility

SANDERSON DESIGN GROUP

"DESPITE THE EXTERNAL HEADWINDS, THE BUSINESS HAS SHOWN RESILIENCE"

STRATEGIC OUTLOOK

- **'2019 Strategic Framework'** - **business transformation** - stabilised the business, simplified our brand and company structure, increased SKU efficiency and launched eight new websites
- **Culture and communication** - building team spirit, organisational agility, and aligned leadership. Connecting with colleagues and customers with regular and transparent communications
- ***live beautiful*** framework - Sustainability, Environmental, Social, and Governance (ESG): Products - reimagine our products, People - empower our people, Planet - inspire our world

OUR **LIVE BEAUTIFUL** FRAMEWORK

BRANDS
ELEVATE OUR BRANDS AND CREATE CONSUMER DEMAND

PRODUCTS
REIMAGINE OUR PRODUCTS: FABRIC, WALLPAPER, PAINT AND HOMEWARES

CUSTOMERS
EXCEED OUR CUSTOMERS' NEEDS IN A DIGITAL WORLD

GEOGRAPHIES
GROW OUR UK, USA AND NORTHERN EUROPE BUSINESSES

PEOPLE – EMPOWER OUR PEOPLE

FINANCIAL HEALTH – TIGHTLY MANAGE OUR INVENTORY, CASH, OVERHEADS AND COLLECTION MANAGEMENT (SKU EFFICIENCY)

PLANET – INSPIRE OUR WORLD

PlanetMark | SANDERSON DESIGN GROUP

ANTHOLOGY | CLARKE & CLARKE | HARLEQUIN | MORRIS & CO | SANDERSON | SCION | ZOFFANY | ANSTEY WALLPAPER COMPANY | STANDFAST & BARRACKS

OUR *live beautiful* VISION

STARTING THE

JOURNEY OF SUSTAINABILITY

0/30

Zero by Thirty
We are committed to being net carbon zero by 2030

#1

The Employer of Choice
We are committed to being a great and happy place to work

" To lead the interiors industry in transforming the way we design, manufacture and distribute, enriching people's lives, helping them to live beautiful"

KEY *live beautiful* MILESTONES

Y1

- Plan produced for us to achieve Net Carbon zero by 2030
- 50% on response on survey for positive employee engagement
- All colleagues to have a *live beautiful* objective
- Rolling out internal and external communication plan with *live beautiful* ambassadors and community groups

Y3

- Reduced our net carbon emissions by 30%
- 60% on response on survey for positive employee engagement
- ISO45001 for our manufacturing sites
- Completed lifecycle analysis across key ranges

Y5

- Reduced our net carbon emission by 50% including scope 3
- 70% on response on survey for positive employee engagement
- Providing thought leadership across the industry on sustainability
- Recognised as Employer of Choice with the industry

PROGRESS AGAINST KEY STRATEGIC MILESTONES

15 MONTHS TO JAN'21

- ✓ Leadership team effective
- ✓ Brands differentiated
- ✓ Trade customers stabilised
- ✓ ESG immersive program in place
- ✓ Kravet distribution showing growth
- ✓ Manufacturing analysis complete
- ✓ Digital strategy complete
- ✓ Website language-enabled
- ✓ Fewer collections launched
- ✓ KPI's in place for SKU ROI
- ✓ Product portfolio reduced to 17,000 SKUS (2020: 20,000)
- ✓ Instagram followers increased 39% from 282,000 (Feb-20 to 393,000 (Jan-21)

27 MONTHS TO JAN'22

- ✓ Rebrand group
- ✓ Brand-led communications
- Brand engagement grows
- Archive launched as business unit
- Growth in key markets UK, US, N.EUR
- Core licensing growth plus new agreements signed
- Contract business re-booted
- Product further reduced to 14,000 SKUS
- Increase ROI per new SKU
- Standfast new server
- Anstey new digital printer
- ✓ Define and measure ESG goals

39 MONTHS TO JAN'23

- Group re-established as market leader in UK
- Growth in all brands
- Brand followers and engagement in rapid growth
- Archive contributing to profit
- Growth in all key territories
- Licensing income double-digit growth
- Contract in double-digit growth
- Product reduced to 12,000 skus (fabric and wallpaper)
- ROI per new sku growing
- Future Factory roadmap
- Improved systems and processes
- Progress expected against ESG goals
- Further enhanced digital capability

CAPEX – invest in innovative printing techniques and digital technology

INVENTORY - tightly manage inventory, optimising the numbers of products in the market; Digital-first launches

LEVERAGE - Barclays 5 year RCF and accordion in place to 2024

CASH - tightly manage cash through working capital and cost control

DIVIDEND - Board remains committed to a dividend strategy and will provide an update at the interims

COLLECTION MANAGEMENT AND PROCESS IMPROVEMENT

EFFICIENCY

- Control SKUs
    - 1,293 new vs. 2,311
- Fewer stronger collection launches
    - 33 new vs. 55
- Reduced pattern books
- Improve forecasting
- Right size inventory

RESPONSIVENESS

- Brexit
- Made in Britain
- Digital printing
- Reduce lead times
- Optimise logistics
- Continuous improvement culture
- Focus on core skills

INNOVATION

- Promote heritage
- Bring the archive to life
- Digital collections
- Virtual showrooms
- Invest in new technology
- Reduce water and energy consumption
- Outsource non-core processes

DIGITAL HIGHLIGHTS

TRADE HUB

- Services wholesale customers with faster, more efficient electronic order processing, stock look-ups and tailored reports

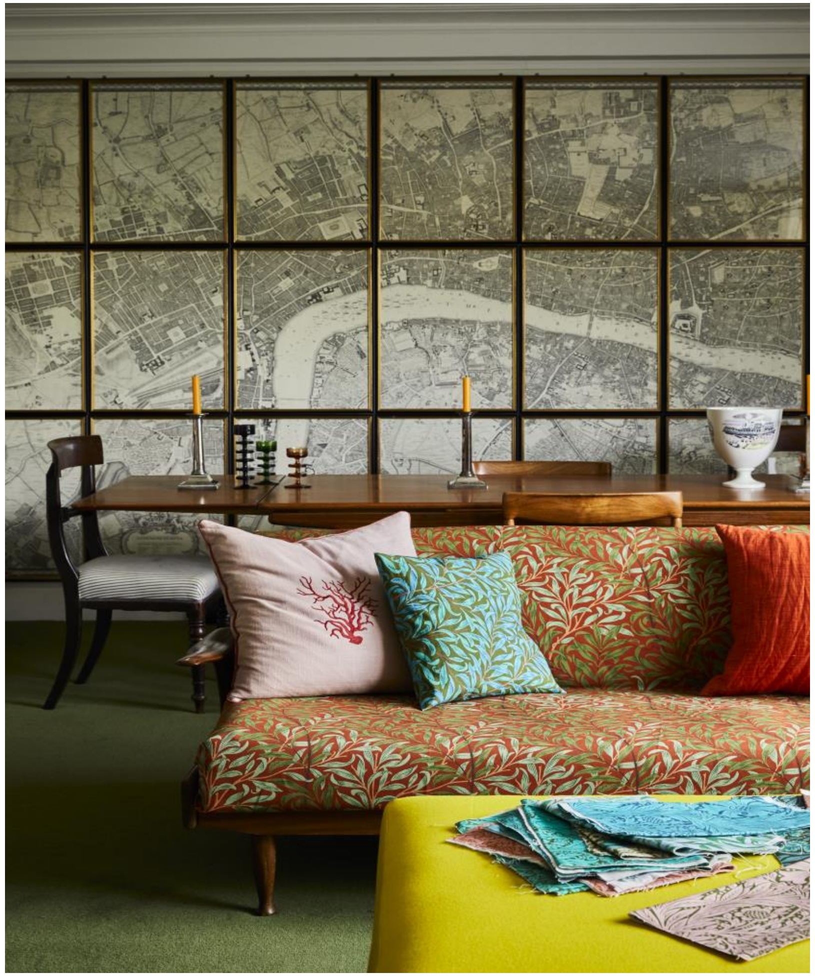
7 CONSUMER SITES

- Individual website destinations for each of our brands
- Increased traffic by 15%
- New inspiration sections linking directly to Instagram
- User generated content increases engagement

SCION ONLINE FRANCHSE

- Announced November 2020, launching early-June
- Product range to include Scion fabrics and wallcoverings, curtains and an extensive range of licensed products

MARKETING HIGHLIGHTS



BRANDS ELEVATED

- Social Media increased by 39% across Brands (now at 50%)
- Total Instagram following reached 423,000 (FY20: 282,000)
- Morris & Co. Instagram followers now exceed 120,000
- Morris & Co. revenues grew by 9% despite of the pandemic
- Maro Itoje to feature in Sanderson campaign

DIGITAL FIRSTS

- First ever Digital Design Book created and now part of launch rhythm
- Collection webinar series preview to get into market faster

PR OUTREACH

- Over £1 million in PR value generated for Morris & Co. Queen Square x Ben Pentreath

LICENSING HIGHLIGHTS

MOMENTUM CONTINUES

- Core licensing up 3.3% on the previous year driven by internet partners
- Extended current partners including Bedeck, John Lewis, Next and Blinds2Go

EXPANDED LICENSING WITH NEXT

- Scion partnership launched August 2020 in Homeware, Nursery and Apparel
- Morris & Co. agreement in Apparel, launching end of May 2021
- Sanderson agreement in Homewares, launching July 2021

JAPAN

- Core licensing income from Japan FY21 £1.06m, up 2.4%
- New agreement with market leader, Sangetsu Corporation announced 12th May 2021 for Morris & Co. wallcoverings to launch 2023 in Japan and across South East Asia

CUSTOMERS

UK & IRELAND

- Diverse customer group, with top 20 contributing 32% of total UK Sales (12 Online and 8 Retailers)
- Online Retailers in total have grown from 8% to 34%

INTERNATIONAL

- USA
  - Regional presence developed with new agent showrooms in Atlanta and Los Angeles
  - New internet relationships established with Perigold, Wallpaper Direct and Smith & Brown
  - Kravet's business with Clarke & Clarke is growing strongly and achieved a near record year in North America
- Russia
  - New agency agreement with central showroom in Moscow, strengthening links with key partners and improved brand loyalty through increased marketing

PEOPLE HIGHLIGHTS

LIVE BEAUTIFUL

- Focused on engagement
- Ambition to be industry Employer of Choice
- Commitment to the Real Living Wage

DIVERSITY

- Korn Ferry reports only female leadership duo
- Design for Diversity Pledge
- Equal pay and opportunities for all

TALENT

- Sanderson Futures Team (SFT) established as an inaugural development program for high potential individuals

AWARDS AND APPRENTICESHIPS

- Sponsored a scholar through QEST, the RWHA charity.
- New Designers Award and RCA Visual Arts Award (MA Textiles)

INTERNAL COMMUNICATIONS AND SUPPORT

- Long-term Service Awards introduced
- Hubs for Wellbeing, Rewards and Appreciation introduced
- Mental Health First Aiders volunteered and in training

C U R R E N T   T R A D I N G   &   O U T L O O K

SANDERSON DESIGN GROUP

- Current sales trends in February, March and April 2021 are slightly ahead of our expectations reflecting increased demand for home interiors
- Morris & Co. brand continues to perform very strongly
- This year, we celebrate the 160th anniversary of Sanderson and also Morris & Co., with special editions and a calendar of events
- North America is showing strong growth in all brands
- Factory order books are full with strong demand for British manufacturing
- Digital initiatives include the Scion online shop, on track to open early-June
- The Group maintains a strong balance sheet with continued control and net cash
- In October 2021 the Board will give an update on dividend policy
- Overall, we remain cautiously optimistic in our outlook for the year ahead, subject to no further significant pandemic disruption

Summary…

- Cultural change underway
- Agile organisation with a focus on talent
- Steadfast on strategy with focus on efficiency
- Digital progress with focus on building capability
- Continued focus on elevating the brands