
SANDERSON
DESIGN GROUP
INTERIM RESULTS
13th October 2021

AGENDA

INTRODUCTION

- Strong recovery continues with key financial metrics ahead of the previous two half years with continued strategic focus delivering results
- Revenue of £57.5m and adjusted PBT of £6.0m
- Good progress with digital through D2C launches
- People – major engagement improvement at 78% against 58% in 2019
- Planet Mark certification for Year 3, reflecting our *live beautiful* sustainability commitment
- Dividend – interim to be paid in November 2021 of 0.75p per share (H1 FY20: 0.52p)

KEY FINANCIAL INDICATORS - £millions

	REVENUE	ADJUSTED PBT	ADJUSTED PBT %	ADJUSTED EPS	REPORTED EBITDA
H1 FY22	57.5	6.0	10.4%	6.53p	8.4
H1 FY21	38.8	0.4	1.0%	0.54p	3.0
H1 FY20	55.9	4.9	8.8%	5.54p	7.3

KEY FINANCIAL INDICATORS - £millions

	NET FUNDS	INVENTORY	CAPEX	NET CASH FLOW
H1 FY22	15.4	19.4	1.2	(0.1)
H1 FY21	4.5	23.4	0.4	3.2
H1 FY20	0.9	28.8	1.2	0.5

RESULTS
6 MONTHS ENDED 31 JULY 2021

SANDERSON DESIGN GROUP

Income Statement	H1 FY22 £'m	H1 FY21 £'m	H1 FY20 £'m
Revenue	**57.5**	**38.8**	**55.9**
Statutory profit before tax	**4.9**	(0.9)	3.5
Add back: Non-underlying items	0.5	0.9	1.1
Underlying profit before tax	**5.4**	-	**4.6**
Add back: LTIP accounting charge	0.4	0.1	-
Add back: Net defined benefit pension charge	0.2	0.3	0.3
Adjusted underlying profit before tax*	**6.0**	**0.4**	**4.9**

Non-underlying items	H1 FY22 £'m	H1 FY21 £'m	H1 FY20 £'m
Amortisation of acquired intangible assets	**0.5**	0.5	0.5
Restructuring and reorganisation costs	**-**	0.4	0.7
Total non-underlying charges included in profit before tax	**0.5**	0.9	1.1

HIGHLIGHTS

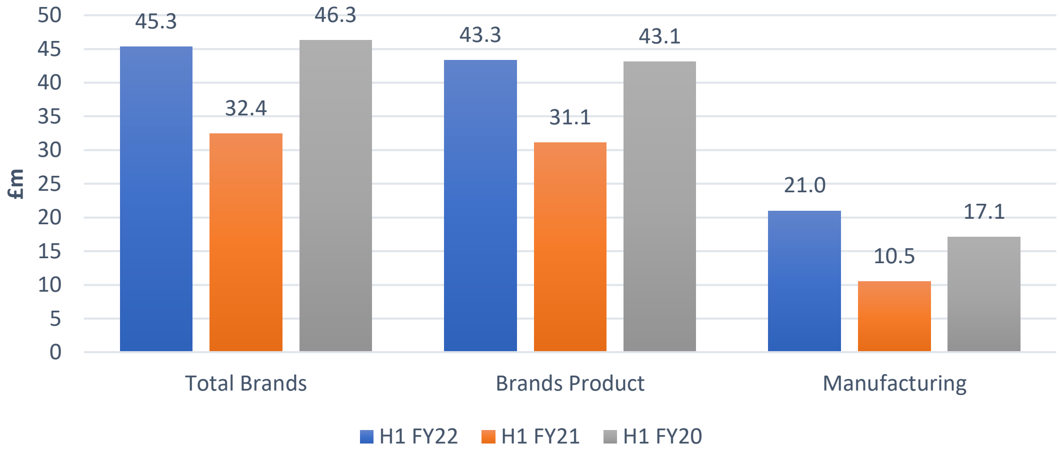
- Reported revenue for the period was £57.5m (H1 FY21: £38.8m and H1 FY20: £55.9m) an increase of £19.3m (or 48.2%) over H1 FY21 and an increase of £1.6m (or 2.9%) over H1 FY20, reflecting the continued demand for home interior products and the strength of our UK manufacturing
- Adjusted underlying profit before tax of £6.0m on the back of stronger sales and the positive effect of the operational measures introduced to reduce and control discretionary and fixed costs
- The Board has decided to pay an interim dividend of 0.75p per share payable on 26 November 2021 (H1 FY21: nil; H1 FY20: 0.52p)

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

REVENUE

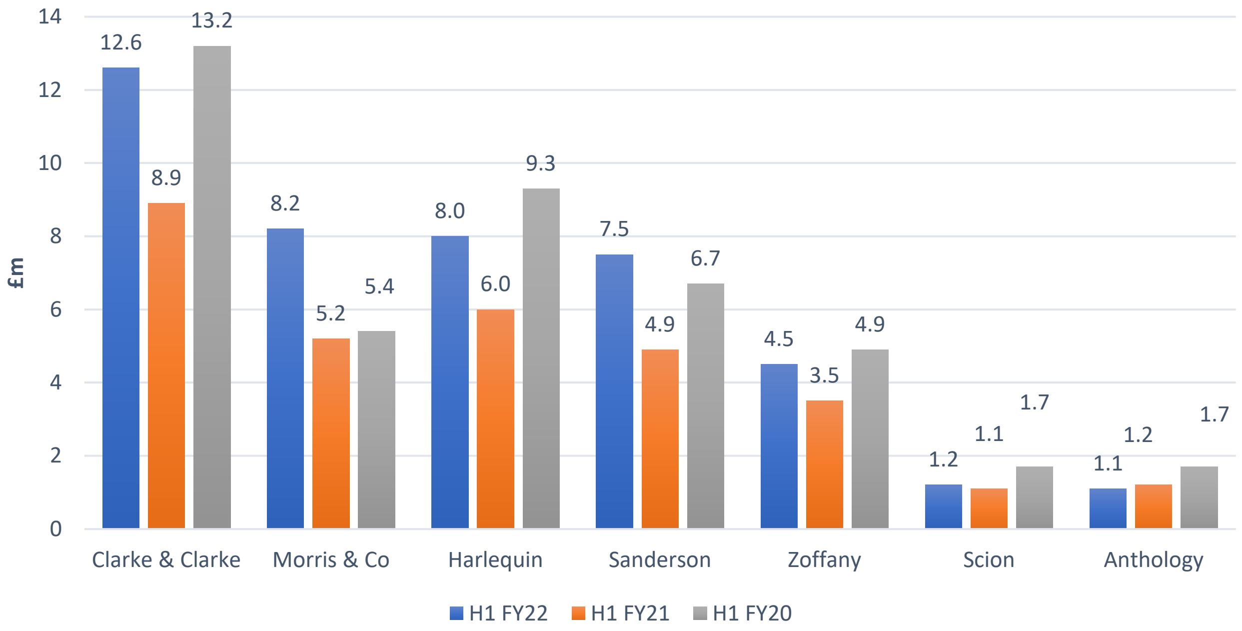
Revenue	H1 FY22 £'m	HY FY21 £'m	HY FY20 £'m	Change H1 FY21	Change H1 FY20
Total Brands (inc. licensing)	45.3	32.4	46.3	39.8%	(2.2%)
Manufacturing	21.0	10.5	17.1	100.0%	22.8%
	66.3	42.9	63.4	54.5%	4.6%
Internal Manufacturing	(8.8)	(4.1)	(7.5)	114.6%	17.3%
Group	**57.5**	**38.8**	**55.9**	**48.2%**	**2.9%**

Revenue	HY FY22	H1 FY21	H1 FY20	Change H1 FY21		Change H1 FY20	
	£'m	£'m	£'m	Reported	CER	Reported	CER
UK Brand product sales	22.3	15.5	22.2	43.9%	43.9	0.5%	0.5%
International Brand product sales	21.0	15.6	20.9	34.6%	40.0%	0.5%	6.6%
- North America	8.6	5.4	8.1	59.3%	75.5%	6.2%	11.0%
- Northern Europe	6.9	5.7	6.5	21.1%	21.1%	6.2%	7.8%
- Rest of the World	5.5	4.5	6.3	22.2%	22.2%	(12.7%)	(8.3%)
Total Brand product sales	**43.3**	**31.1**	**43.1**	**39.2%**	**42.3%**	**0.5%**	**5.4%**
Licensing Income	2.0	1.3	3.2	53.8%	53.8%	(37.5%)	(35.5%)
Total Brand sales	**45.3**	**32.4**	**46.3**	**39.8%**	**-**	**(2.2%)**	**-**



- Group sales +2.9% on H1 FY20
- Brand product sales +5.4% on H1 FY20 at constant exchange rates
- Manufacturing sales +22.8% on H1 FY20
- Strong growth in USA +11% and in Northern Europe +7.8% on H1 FY20
- Progress made on licensing income, including new Sangetsu contract minimum guarantees of £0.5m

BRANDS PRODUCT REVENUE



- The Morris & Co. and Sanderson heritage brands performing exceptionally well in their 160th anniversary years
- Clarke & Clarke, our largest brand, strong underlying performance with Kravet in the USA
- Harlequin reboot with the OWNTHEROOM campaign in September 2021
- Anthology merged into Harlequin going forward
- Scion Living online franchise launched in June 2021

GROUP INCOME STATEMENT

Group Income Statement	H1 FY22 £'m	H1 FY21 £'m	H1 FY20 £'m	Change FY21	Change FY20
Manufacturing	21.0	10.5	17.1	100.0%	22.8%
Brands	43.3	31.1	43.1	39.2%	0.5%
Inter-group eliminations	(8.8)	(4.1)	(7.6)	114.6%	15.8%
Product	55.5	37.5	52.7	48.0%	5.3%
Licensing	2.0	1.3	3.2	53.8%	(37.5%)
Revenue	**57.5**	**38.8**	**55.9**	**48.2%**	**2.9%**
Cost of Sales	21.6	15.9	20.4	35.8%	5.9%
Gross Margin	**35.9**	**22.9**	**35.5**	**56.8%**	**1.1%**
Gross margin %	62.4%	59.0%	63.5%		
Distribution	10.0	6.2	9.0	61.3%	11.1%
% Revenue	17.4%	16.0%	16.3%		
Net Margin	**25.9**	**16.7**	**26.5**	**55.1%**	**(2.3%)**
% Revenue	45.0%	43.0%	47.4%		
Overheads	21.0	17.5	22.8	20.0%	(7.9%)
% Revenue	36.5%	45.1%	40.8%		
Profit from operations	**4.9**	**(0.8)**	**3.7**	**814.3%**	**32.4%**
% Revenue	**8.5%**	**(2.1%)**	**6.6%**		

- Gross margin 62.4% (H1 FY21 59.0%) – in H1 FY21 Covid lockdowns severely affected brand sales and manufacturing was closed for three months
- Distribution costs increased in H1 FY22 on the back of a recovery in sales and additional costs from higher container costs, carrier capacity issues and the Brexit effect
- Overhead costs, include the restructuring effects from August 2020, and efficiency measures implemented are 7.9% lower than H1 FY20
- H1 FY22 performance includes £0.4m relating to the forgiveness of the loan received in the USA

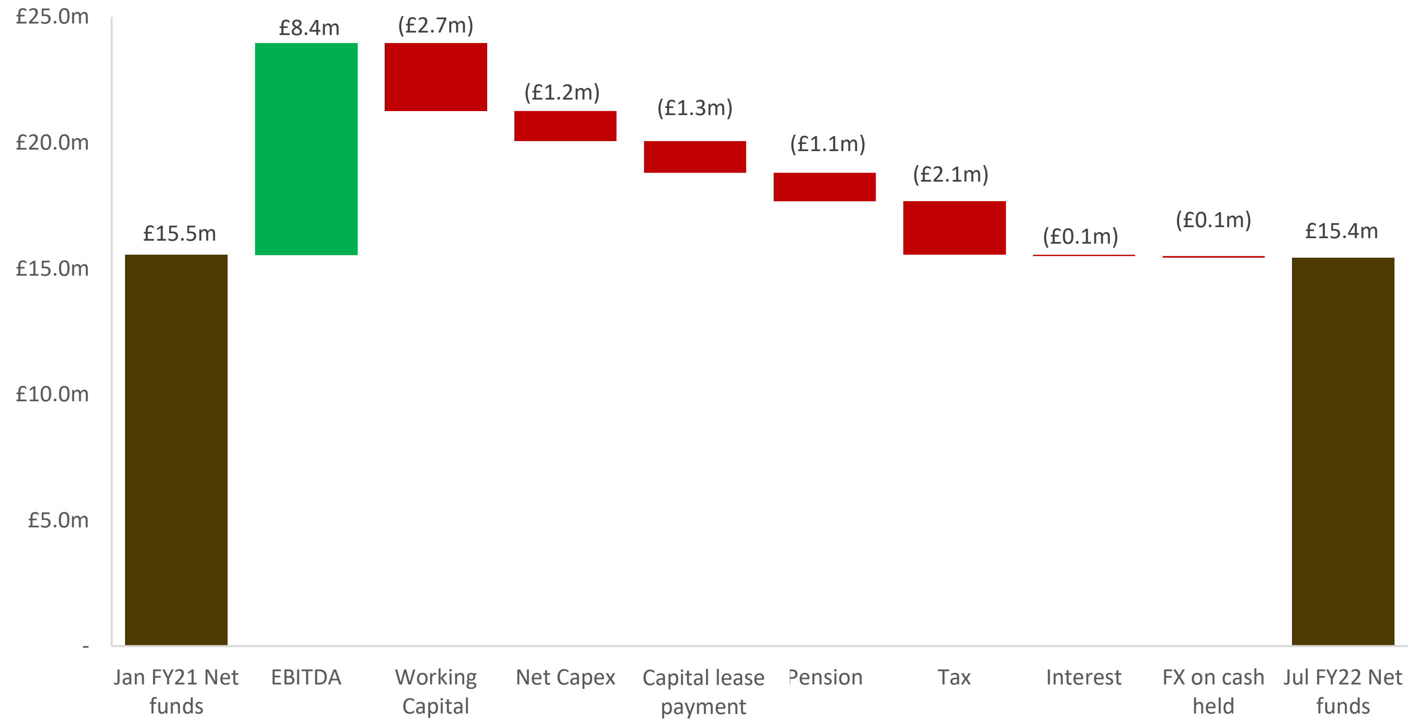
GROUP CASH FLOW

Cash flow	H1 FY22 £'m	H1 FY21 £'m	H1 FY20 £'m
Underlying EBITDA	**8.4**	3.0	5.1
Interest, Depreciation and Amortisation	-	-	-
Reported EBITDA	**8.4**	**3.0**	**5.1**
Working Capital	(2.7)	2.3	(3.1)
Others *	(1.1)	(0.2)	1.6
Net interest	(0.1)	(0.2)	(0.3)
Tax	(2.1)	0.1	(0.4)
Cash from operating activities	**2.4**	**4.9**	**2.9**
Capital expenditure	(1.2)	(0.4)	(1.2)
Capital element of lease payments	(1.3)	(1.4)	(1.3)
Free cash flow	**-**	**3.1**	**0.4**
Opening Cash	15.5	1.3	0.4
FX on cash held	(0.1)	0.1	0.1
Cash and cash equivalents and bank overdraft	**15.4**	**4.5**	**0.9**

- Increased liquidity and headroom of £27.9m (31 July 2020: £19.5m)
    - Net cash position of £15.4m (31 July 2020: £4.5m)
    - Net cash position, including lease obligations, £10.5m (31 July 2020: net debt £2.6m)
- Receivables have increased as the business grew in H1 FY22, in particular in June and July 2021, driving the £2.7m movement on working capital
- Working capital financial controls have been maintained and we have seen limited bad debts
- Inventory levels have continued to be tightly controlled despite supply chain pressures and cost increases
- We continue our strategy of reducing SKUs and scale of new collection launches

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

NET FUNDS



- EBITDA is £8.4m on the back of strong performance across the business in the first half – an EBITDA margin of 14.6%
- Working capital movement is principally driven by an increase in receivables due to higher sales
- Capital expenditure has been returned to pre-pandemic levels and in the second half year we have committed to the new ERP for Standfast and a new digital printer at Anstey. Total anticipated capex level returns to full-year expectations of £3.5m
- Pension payment includes our contributions to the closed defined benefit scheme
- Taxation of £2.1m includes the catch-up payments relating to the pandemic year

GROUP BALANCE SHEET

Balance Sheet	H1 FY22 £'m	FY21 £'m	H1 FY21 £'m
Intangible assets	27.6	28.3	29.1
Property, plant & equipment	11.8	12.1	13.1
Right-of-use assets	4.9	5.8	7.0
Non-current asset	**44.3**	**46.2**	**49.2**
Inventories	19.4	20.4	23.4
Receivables	23.4	18.3	17.1
Current liabilities	(20.6)	(20.5)	(16.8)
Borrowings	-	(0.4)	-
Deferred income tax asset /(liabilities)	(0.7)	(0.5)	0.1
Net current assets	**21.5**	**17.3**	**23.8**
Net funds	15.4	15.5	4.5
Lease liabilities	(5.0)	(5.9)	(7.1)
Retirement benefit obligation	(4.7)	(5.6)	(9.2)
Net assets	**71.5**	**67.5**	**61.2**
Share capital	0.7	0.7	0.7
Share premium account & other reserves	58.2	58.4	58.6
Retained earnings	12.6	8.4	1.9
Equity shareholders funds	**71.5**	**67.5**	**61.2**

- Net assets of the Group increased to £71.5m - the balance sheet strengthened with a strong cash position and tighter working capital management
- Inventory has been reduced by £4m since H1 FY21 with the focus on SKU reduction and inventory management efficiencies
- Retirement benefit obligation liability has decreased with further contributions
- 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 five-year period
  - The agreement also includes a £5m uncommitted accordion facility

OUR LIVE BEAUTIFUL STRATEGIC FRAMEWORK

BRANDS

ELEVATE OUR BRANDS AND CREATE CONSUMER DEMAND

PRODUCTS

REIMAGINE OUR PRODUCTS: FABRIC, WALLPAPER, PAINT AND HOMEWARES

GEOGRAPHIES

GROW OUR UK, USA AND NORTHERN EUROPE BUSINESSES

CUSTOMERS

EXCEED OUR CUSTOMERS' NEEDS IN A DIGITAL WORLD

PEOPLE – EMPOWER OUR PEOPLE

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

PLANET – INSPIRE OUR WORLD

OUR PURPOSE & VALUES

SANDERSON
DESIGN GROUP

"TO BRING THE BEAUTIFUL INTO PEOPLE'S HOMES & LIVES"

INTREPID

WE'RE BRAVE, WE'RE BOLD, WE TAKE THE LEAD AND INSPIRE OTHERS AROUND US.

IMAGINATIVE

WE TAKE A CREATIVE AND INNOVATIVE APPROACH TO EVERYTHING WE DO.

RESPECTFUL

WE CONSIDER CUSTOMERS, COLLEAGUES, THE PLANET AND THE PEOPLE WHOO LIVE ON IT.

STRATEGIC OUTLOOK

2019 Strategic Framework - business transformation – elevating the brands has brought traction, strengthened the foundation and is starting to show results. We also see the benefit of overhead savings, cost control, inventory efficiency and focus on strategic levers

live beautiful **– Products, People and Planet –** are now fully embedded in the business strategy with ESG workstreams to deliver ambitious goals. Engagement Survey results increased to 78% in May 2021 from the previous 58% in 2019

Culture and communication – agility and alignment – are delivering enhanced team spirit, agility, and group leadership fully aligned to common goals. Internal and external communications continue to improve connectivity engagement with the brands and the business

OUR LIVE BEAUTIFUL VISION

SANDERSON DESIGN GROUP

“TO LEAD THE INTERIORS INDUSTRY IN TRANSFORMING THE WAY WE DESIGN, MANUFACTURE AND DISTRIBUTE, ENRICHING PEOPLE’S LIVES, HELPING THEM TO LIVE BEAUTIFUL”

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

PROGRESS AGAINST KEY STRATEGIC MILESTONES

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)

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
- ✓ Product further reduced to 14,000 SKUS
- ✓ Increase ROI per new SKU
- ✓ Standfast new server
- ✓ Define and measure ESG goals
- → Contract business re-booted
- → Anstey new digital printer

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
- Anstey new digital technology installed*
- Improved systems and processes
- Progress expected against ESG goals
- Further enhanced digital capability
- Increase average order size

**carried forward from Jan'22*

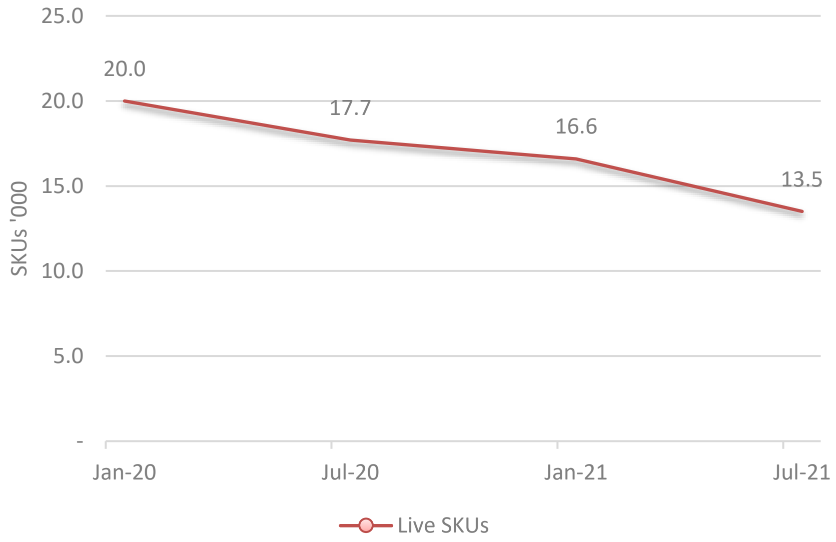
JAN'24

- B2C new income streams
- All markets growing with UK steady and US leading growth
- Homewares as 3rd lever with Wallpapers and Fabrics
- Dominate market share in high-end competitive set
- Sourcing division established within the group
- Licensing in UK and US growing steadily
- Relocation of logistics warehouse
- Factories both optimised
- Optimise head office location and showcase archive
- Significant progress made against live beautiful goals including employee engagement and zero by 30

PRODUCT EFFICIENCY

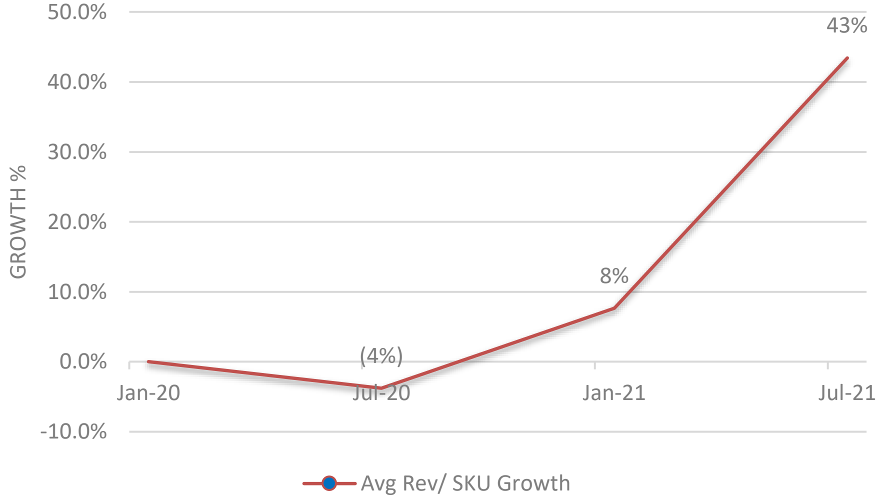
SKUs

(Fabric and Wallpaper sales only)



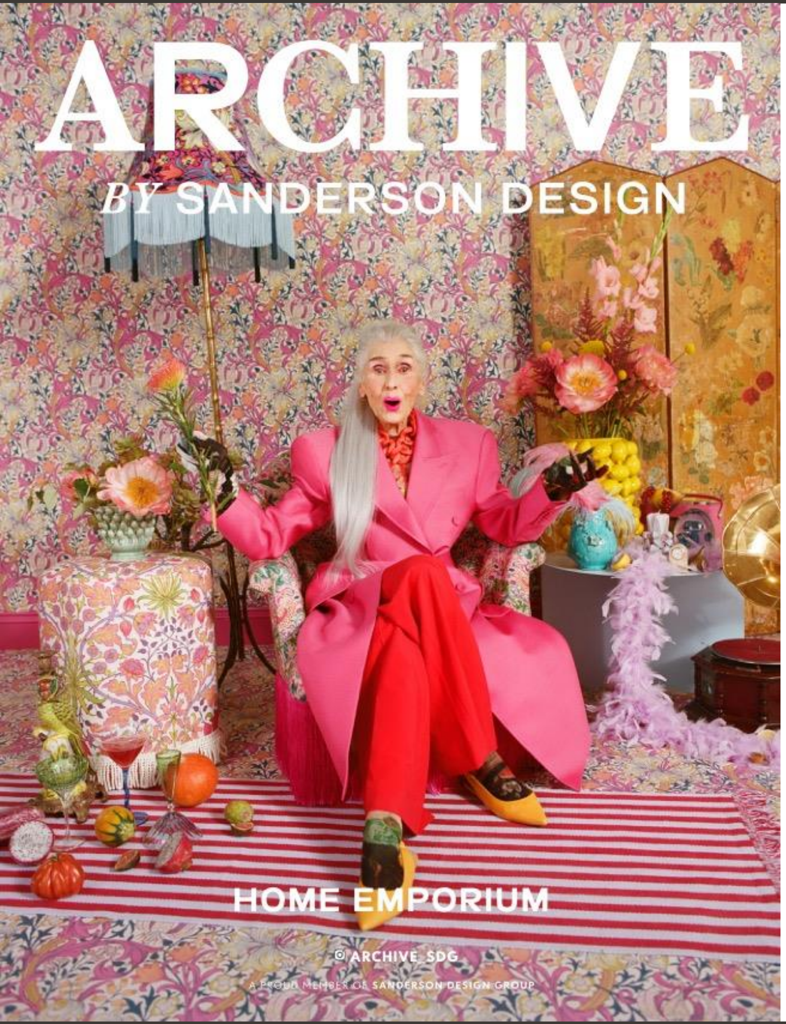
REVENUE / SKU

(Fabric and Wallpaper sales only)



- 21 collections launched in FY21 (SKUs: 935, newness: 83%, existing: 17%)
- 22 collections launching in FY22 (SKUs: 597, newness: 71%, existing 29%)

MARKETING & DIGITAL HIGHLIGHTS



NEW ARCHIVE BRAND

- Developed in-house and launched on 1st September 2021 direct to consumer
- Product range to include fabrics and wallcoverings, curtains and, cushions and lamps
- 16k* website sessions (12k users), 197* product samples and over 57 sample orders since 1st September 2021 launch
- Instagram following of 1493*, with Facebook and Pinterest as secondary. Mobile most popular device
- Launch with Selfridges online and in store mid-October 2021

SCIONLIVING.COM

- 50k website users since launching on 6th June 2021
- 30k Instagram followers

HARLEQUIN

- Harlequin #OWNTHEROOM launched with first TV commercial for the group; website traffic up 30%
- 'Colour Science White Paper' commissioned with Professor Stephen Westlake (Leeds University), unlocking 'Physical' and 'Emotional' responses to colour
- John Lewis new initiatives include Harlequin Colour Pods in 3 stores and Express Fabrics

*as of 7th October 2021

MARKETING & DIGITAL HIGHLIGHTS

BRAND FANS	PR POUNDS	TRADE HUB USERS	CONSUMER WEB VISITS	PATTERN BOOK COST
UP BY 64%	**UP BY 15%**	**UP BY 22%**	**UP BY 35%**	**DOWN BY 33%**
Increased Instagram followers to 463k* (from 282K '20) Morris & Co. followers now exceed 135k	Increased PR Media Value (AVE**) monthly run-rate of £1,800k (vs. last year)	Increased average unique weekly Trade Web visits from 0.9k to 1.1k	Increased average unique weekly Consumer Web visits from 5.2k to 7.0k	Cost reduced to £2.2m*** from £3.3m ('20) Digital Design Book now part of the regular launch rhythm

*: Actual as at 7th October 2021, vs. full year '20.
** AVE refers to the cost of buying the space taken up by a particular article, had the article been an advertisement.
*** At end of reporting Period 6 vs. reporting Period 6 '20.

LICENSING HIGHLIGHTS

MOMENTUM CONTINUES

- Core licensing income up 20% on FY20 driven by bedding, blinds and rugs
- Clarke & Clarke first ever licensing agreement signed with Asiatic rugs
- Morris & Co. USA licence with Williams Sonoma, America's market leader in high quality kitchenware, tableware and cookware for Morris & Co. to launch in AW22
- Sangetsu new partnership for Morris & Co. wallcoverings in Japan and across Asia

NEXT

- Additional categories of lingerie added to Scion and Morris & Co. collections
- H2 launches include Scion furniture, Morris & Co. AW womenswear and Sanderson homeware
- New agreement announced for home with Morris & Co. from February 2022 for three years

USA - A CORE GROWTH MARKET

H1 REVENUE

- H1 2021 v H1 2020 +75.5% , v H1 2019 +11%

KRAVET - CLARKE & CLARKE

- August 2021 v 2020 +74%, vs 2019 +53%

BRANDS

- Morris +113%, Sanderson +80%, Harlequin +61%, Zoffany +53%

E-COMMERCE

- Represents 10% of total sales SDG Inc., 25% of Morris sales and 45% of total Morris growth

PRESENCE & NETWORK

- 3 additional full line territory showrooms added H1 2021 in Michigan, Missouri and Kansas; 25 in total
- 30 new sub-trade agency showrooms

MANUFACTURING

- Brexit and post-Covid demand drive order books to record levels
- Increased productivity driving high levels of profit and group contribution
- Third-party experience enhanced through digital pattern books and 3D virtual showroom tours
- New ERP system implementation on track at Standfast & Barracks
- Expanded digital capacity at Standfast & Barracks reduces lead times
- Next generation of digital printer at Anstey expected for FY23
- Proportion of digital increased to 18% at Anstey and 72% at Standfast
- Net Zero Carbon by 2030 launched across all sites working with Planet Mark
- Significant energy hedging contract secured through to October 2023

PEOPLE HIGHLIGHTS

LIVE BEAUTIFUL

- Employee engagement at all time high 78%, new goal 80% 2023
- Ambition to achieve the Great Place to Work status by 2024
- Variable-pay for all employees including personal objective on sustainability
- Collaborating with United in Design to widen access to our profession

APPRENTICESHIPS & INTERNSHIPS

- Launched apprenticeship programme for Customer Service, Finance departments
- 5 internships including 2 New Designers prizes, 2 design, 1 marketing

AWARDS & PARTNERSHIPS

- Standfast & Barracks won Manufacturer of the year BIBA award 2021
- Strategic partnerships Factory with Furniture Maker Company on fundraising initiatives

INTERNAL COMMUNICATIONS AND SUPPORT

- Increased the number of qualified Mental Health First Aiders
- Launched SDG Wellness Calendar and group-wide site community forums

CURRENT TRADING & OUTLOOK

The first six months of our financial year have continued the strong recovery of the business.

As we enter the second half of the financial year, we are mindful of the cost, supply chain and other issues affecting the UK and international business environment. We are focused on mitigating the potential impact of those issues on our business.

Since the half year, manufacturing sales and licensing income remained robust and offset a slight softening in brand sales.

Our key Autumn selling weeks in October and November have just started and we remain confident of meeting the Board's expectations for the full year.