



# SAN DER SON

DESIGN GROUP

FULL YEAR RESULTS TO  
31<sup>st</sup> JANUARY 2023





# **AGENDA**

INTRODUCTION

FINANCIALS

STRATEGIC PROGRESS

OUTLOOK



# INTRODUCTION

We are Sanderson Design Group plc, an international luxury interior furnishings company that designs, manufactures and markets wallpapers and fabrics. We also benefit from strong licensing partnerships that produce a wide range of ancillary interior products.

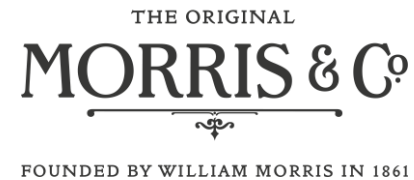
The group is home to 6 consumer brands, of which 3 are heritage-powered, 3 contemporary; and 2 manufacturing brands.

We operate in the upper sector of the market, producing high value products. Our UK domestic market is strongly penetrated, and our USA subsidiary shows important growth potential. We recognise strong export opportunities.

Design is at the heart of everything we do.



CLARKE & CLARKE



HARLEQUIN

**Sanderson**



STANDFAST  
& BARRACKS  
FABRIC PRINTING COMPANY

ZOFFANY

scion

# HIGHLIGHTS



- FY23 Revenue of £112m yielded adjusted underlying PBT at £12.6m
- Targeted growth in key USA market continues at 19%
- Morris & Co. continues to grow at 16% to reach £19m
- Momentum continues with licensing income at £6.4m grew 23%
- Gross margin improvement to 66.3%
- Strong balance sheet with £15.4m of cash
- Continued investment in digital manufacturing capability
- Planet Mark Year 5 certificate reflects our Live Beautiful pledge
- Dividend proposed full year 2.75p, in addition to 0.75p interim

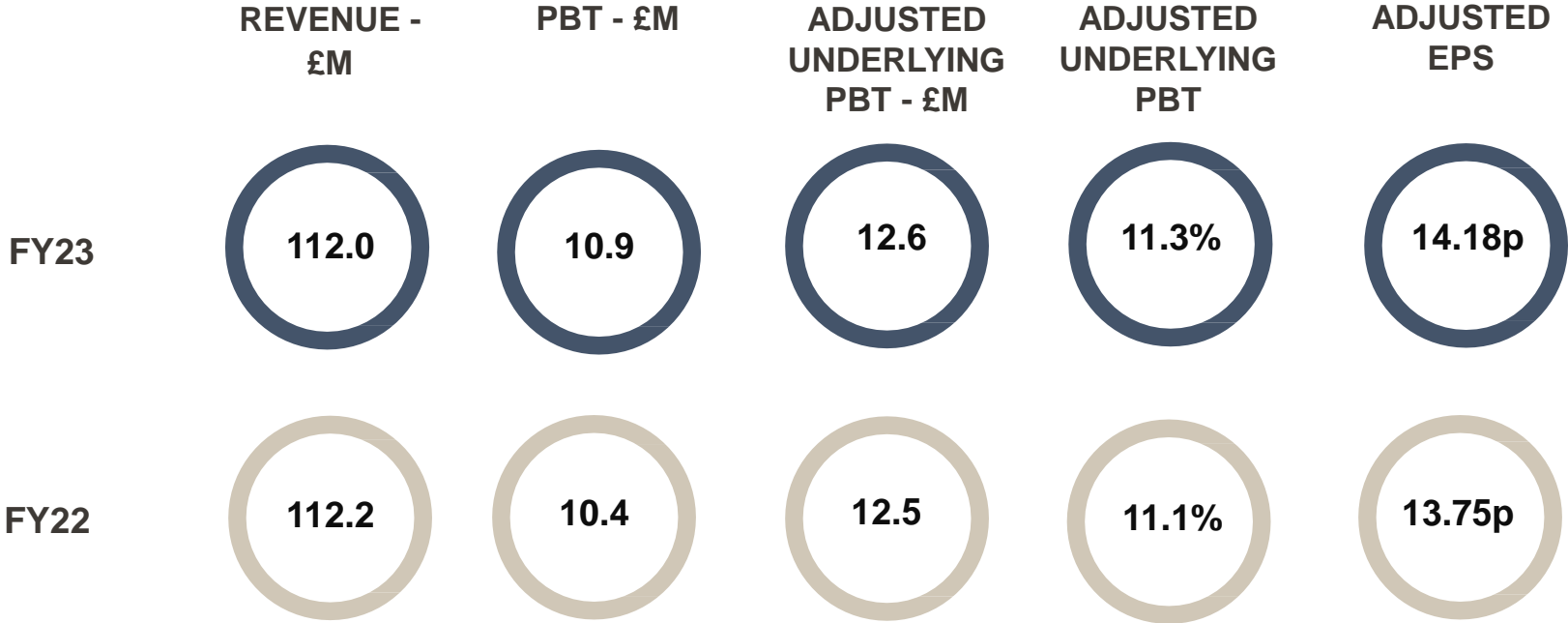


# FINANCIALS



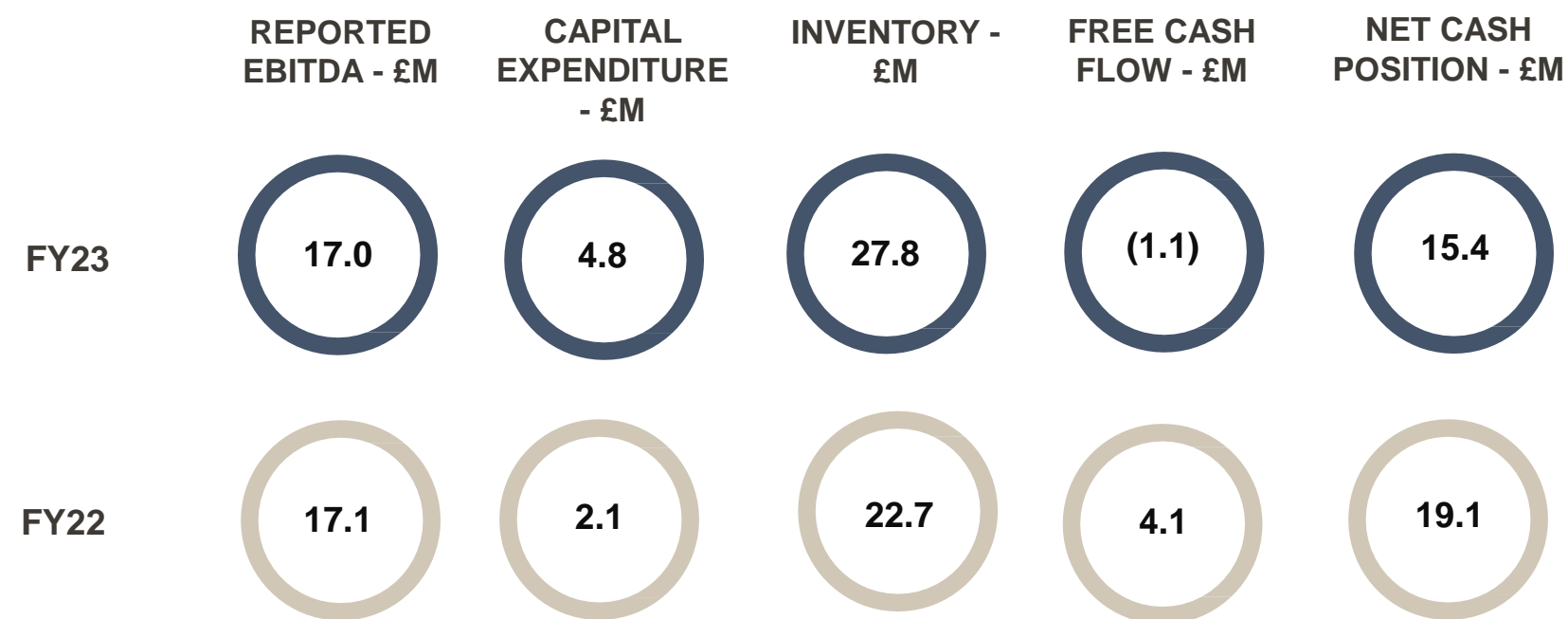


# KEY FINANCIAL INDICATORS





# KEY FINANCIAL INDICATORS (CONT...)





# REVENUE - CHANNEL

	FY23 £M	FY22 £M	FY23 v FY22	
			VAR	% CHANGE
Brands	83.4	84.1	(0.7)	(0.8%)
Licensing	6.4	5.2	1.2	23.1%
<b>Total Brands</b>	<b>89.8</b>	<b>89.3</b>	<b>0.5</b>	<b>0.6%</b>
Manufacturing – external	22.2	22.9	(0.7)	(3.1%)
Manufacturing - internal	16.8	18.8	(2.0)	(10.6%)
<b>Total Manufacturing</b>	<b>39.0</b>	<b>41.7</b>	<b>(2.7)</b>	<b>(6.5%)</b>
<b>Total Group</b>	<b>112.0</b>	<b>112.2</b>	<b>(0.2)</b>	<b>(0.2%)</b>

- Brand product sales impacted by the cessation of trade in Russia where prior year sales were £1.8m
- Licensing income driven £2.4m of accelerated income (FY22 £1.4m)
- Third-party manufacturing sales robust. FY22 boosted by customers restocking following Covid



# REVENUE - GEOGRAPHY

	FY23 £M	FY22 £M	% CHANGE v FY22	
			REPORTED	CER
UK	42.6	43.7	(2.5%)	(2.5%)
North America	19.8	16.6	19.3%	6.3%
Northern Europe	10.8	13.2	(18.2%)	(16.5%)
Rest of the World	10.2	10.6	(3.8%)	(3.1%)
<b>Brand product Revenue</b>	<b>83.4</b>	<b>84.1</b>	<b>(0.8%)</b>	<b>(2.8%)</b>

- UK, small independent distribution experienced declines, our larger accounts delivered a robust performance
- The US, where the Group's brands have historically been under-represented, is an area of strategic focus
- Northern Europe impacted particularly by the cessation of trade in Russia where prior year sales were £1.8m
- Northern Europe and Rest of the World FY22 boosted by £0.6m of shipments delayed from FY21 due to Brexit
- Excluding these one-off elements, Revenue up 2.0% v FY22



# REVENUE - BRANDS

	FY23 £M	FY22 £M	% CHANGE v FY22	
			REPORTED	CER
Clarke & Clarke	23.6	24.6	(4.1%)	(5.7%)
Morris	19.0	16.4	15.9%	13.8%
Harlequin	15.8	17.6	(10.2%)	(12.9%)
Sanderson	14.0	14.4	(2.8%)	(4.6%)
Zoffany	8.8	8.6	2.3%	1.0%
Scion	1.8	2.2	(18.2%)	(18.8%)
Other	0.4	0.3	33.3%	12.6%
<b>Brands</b>	<b>83.4</b>	<b>84.1</b>	<b>(0.8%)</b>	<b>(2.8%)</b>

- Clarke & Clarke: record performance in the USA
- Morris & Co.: another year of strong growth and now our second biggest brand, +20.0% UK and +53.1% USA
- Harlequin: embedded its colour science credentials, consolidating product portfolio for a clear and focused offer going forwards
- Sanderson: has fewer stronger launches with one big launch each year
- Zoffany: achieved a 5.1% growth in the USA market
- Scion: operates mainly as a licensing brand, generating strong royalty income for the Group. Launching capsule collections to bring newness to the brand

# REVENUE - MANUFACTURING

	FY23 £M	FY22 £M	FY23 v FY22	
			VAR	% CHANGE
Anstey	18.3	20.4	(2.1)	(10.3%)
Standfast	20.7	21.3	(0.6)	(2.8%)
<b>Total Manufacturing</b>	<b>39.0</b>	<b>41.7</b>	<b>(2.7)</b>	<b>(6.5%)</b>

Revenue - external	22.2	22.9	(0.7)	(3.1%)
Revenue - internal	16.8	18.8	(2.0)	(10.6%)

	FY23 £M	FY22 £M	FY23 v FY22	
			VAR	% CHANGE
Digital	46.8%	44.5%	2.3%	5.1%
Conventional	53.2%	55.5%	(2.3%)	(4.1%)

- Third party Manufacturing sales down 3.1% after a record year post covid restocking in FY22
- Strong third-party performance at Standfast (significant US customer base) offset by weaker Anstey sales (greater European distribution)
- Digital printing as a proportion of factory output Standfast 74% and Anstey 16%
- Benefit of investment in new digital technology at Anstey to be realised in FY24



# LICENSING INCOME

	UNDERLYING PERFORMANCE - £M	PRIOR YEAR ACCELERATED INCOME - £M	CURRENT YEAR ACCELERATED INCOME - £M	IFRS - £M
Core (regular)	4.3	(1.3)	2.0	5.0
Collaboration (one off)	1.0	-	0.4	1.4
<b>FY23 Total</b>	<b>5.3</b>	<b>(1.3)</b>	<b>2.4</b>	<b>6.4</b>

Core (regular)	4.4	(0.8)	1.3	4.9
Collaboration (one off)	0.6	(0.4)	0.1	0.3
<b>FY22 Total</b>	<b>5.0</b>	<b>(1.2)</b>	<b>1.4</b>	<b>5.2</b>

- Licensing income on IFRS basis increased by 23% to £6.4m
- FY23 accelerated income £2.4m: includes renewal of Bedeck (£1.1m) and NEXT (£0.3m) agreements
- Morris & Co. kitchenware with Williams Sonoma; product launched October 2022 licensing agreement extended to 2025

# GROSS MARGIN

	FY23 £M	FY22 £M	CHANGE FY22
Product Revenue	105.6	107.0	(1.3%)
Licensing	6.4	5.2	23.1%
<b>Revenue Total</b>	<b>112.0</b>	<b>112.2</b>	<b>(0.2%)</b>
Product Gross Profit	67.8	68.6	(1.1%)
Licensing Gross Profit	6.4	5.2	23.1%
<b>Gross Profit Total</b>	<b>74.2</b>	<b>73.8</b>	<b>0.6%</b>
Product Gross Margin %	64.2%	64.1%	10bps
Licensing Gross Margin %	100.0%	100.0%	-
<b>Gross Margin Total %</b>	<b>66.3%</b>	<b>65.8%</b>	<b>50bps</b>

- Licensing income generates 100% gross margin
- Product Gross Margin:
  - Margin performance achieved through improved business efficiency and proactive product pricing
  - Price increases in February and August 2022
  - Costs tightly controlled
  - Fixed price electricity contract renewed in October 2022
  - Long-term gas fixed rate agreement expires in October 2023



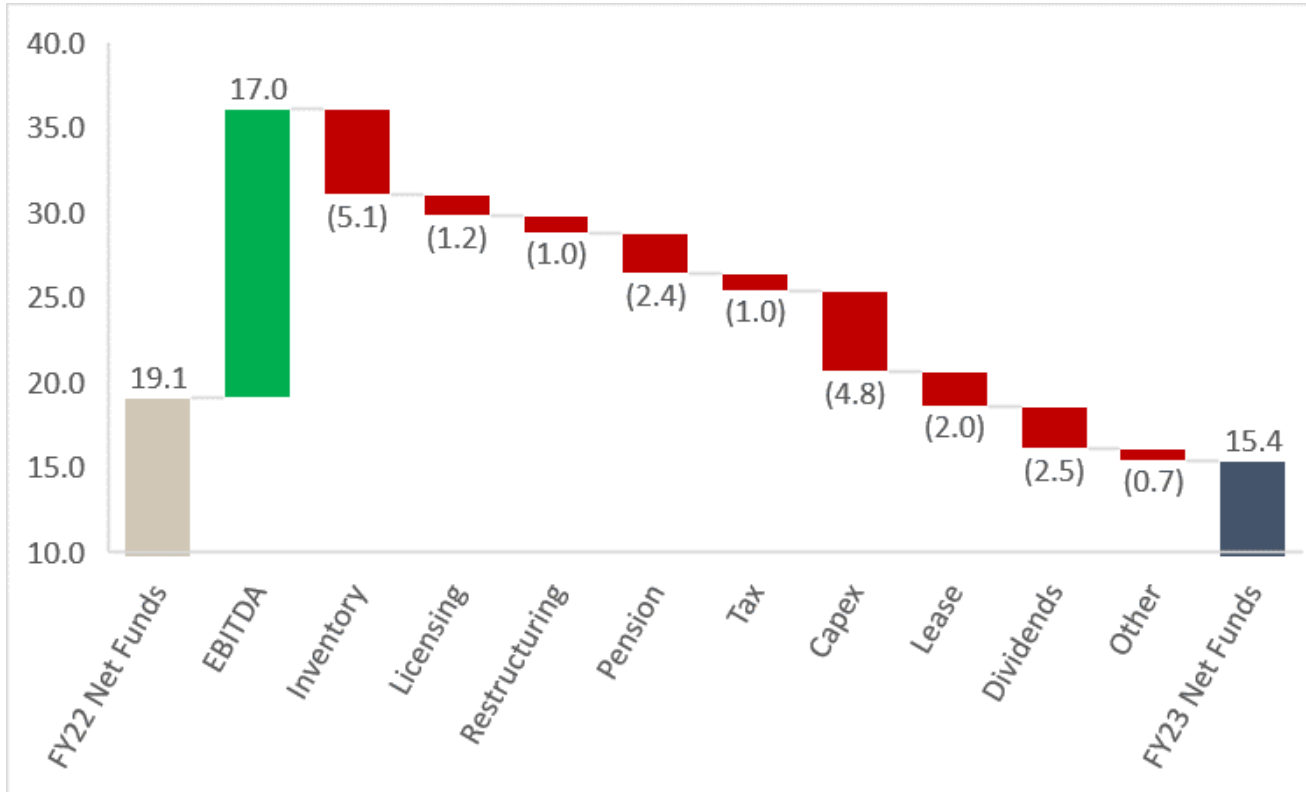
# GROUP INCOME STATEMENT

	FY23 £M	FY22 £M	% CHANGE FY22
Revenue	112.0	112.2	(0.2%)
Cost of Sales	(37.8)	(38.4)	1.6%
<b>Gross Profit</b>	<b>74.2</b>	<b>73.8</b>	<b>0.5%</b>
Distribution and selling expenses	(25.0)	(25.1)	0.0%
Administration expenses	(43.0)	(42.8)	(0.5%)
Other operating income	4.5	4.3	2.9%
<b>Profit from operations</b>	<b>10.6</b>	<b>10.3</b>	<b>3.1%</b>
Finance income/(costs) - net	0.3	0.0	-
<b>Profit before tax</b>	<b>10.9</b>	<b>10.4</b>	<b>5.6%</b>
Add back: Non-underlying and adjusting items	1.7	2.1	(18.9%)
<b>Adjusted underlying profit before tax</b>	<b>12.6</b>	<b>12.5</b>	<b>1.5%</b>

	FY22	FY21
Gross Margin	66.3%	65.8%
Distribution and selling expenses	22.4%	22.3%
Administrative expenses	38.4%	38.1%
Profit from operations	9.5%	9.2%
Profit before tax	9.8%	9.2%
Adjusted underlying profit before tax	11.3%	11.1%

- Distribution and selling expenses represents 22% of revenue in line with the prior year
- Administration expenses are tightly controlled. Inflationary pressures have impacted all areas of spend, including salary increases
- Administration expenses are still £2.7m below pre-Covid FY20 levels

# GROUP CASHFLOW



- Strong balance sheet with cash of £15.4m
- Inventory: strategic investment in best selling ranges and inflation impact on finished goods and raw materials
- Accelerated licensing income £1.2m higher than January 2022 as a result of new IFRS 15 agreements
- £1.0m of payments related to the French restructuring
- Cash contribution of £2.4m to legacy defined benefit schemes
- Capital expenditure includes:
  - new Digital printer project at Anstey; and
  - environmental/energy saving projects



# STRATEGIC PROGRESS





## 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



‘TO BRING THE BEAUTIFUL INTO  
PEOPLE’S HOMES AND 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 WHO LIVE ON IT.



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

**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





**The management team has navigated external headwinds, delivered business transformation and strengthened foundations for the future.**

## STRONGER FOUNDATIONS

- The brands are clearly defined, US market is in sharp focus, topline has held through SKU reduction, costs and overhead controlled and investments targeted to enable future growth

## LIVE BEAUTIFUL

- Live Beautiful is embedded in the strategic framework. Zero by 30 pledge has defined ESG workstreams. Planet Mark Year 5 certificate. Engagement Survey 78% in 2021, next 2023. Real Living Wage. Training, Development and Welfare supported, all with strong internal communication

## CUSTOMER CENTRIC

- New US relationships established, top UK customers grew in FY23, UK600 focus, regional customer days and events in UK, US and Sweden. Focus on service: best-sellers fully stocked, trade portal payment enabled, sampling product QR codes introduced for price and stock look-ups



# STRATEGIC MILESTONES IN PROGRESS

## J A N ' 2 3

- ✓ Product reduced to 11,800 SKUS (fabric and wallpaper)
  - ✓ ROI per new SKU growing
  - ✓ Group re-established as market leader in UK
  - ✓ Brand followers and engagement in rapid growth
  - ✓ Licensing income double-digit growth
  - ✓ Contract in (double-digit) growth\*
  - ✓ 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
  - Growth in all brands →
  - Growth in all key territories →
  - × Archive contributing to profit
- \*carried forward from Jan'22*

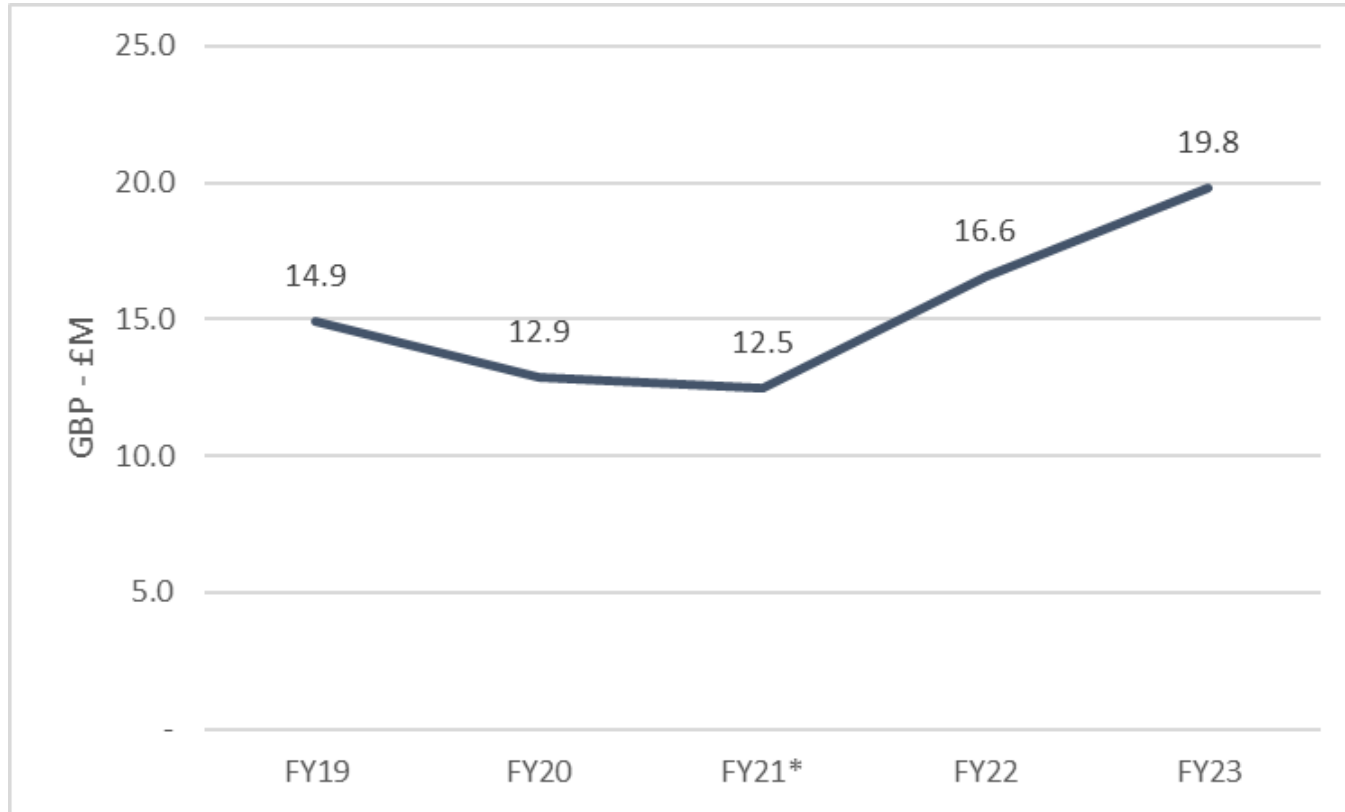
## J A N ' 2 4

- Product reduced to 10,000 Live SKUS of fabric and wallpaper and retain discipline
- All markets growing with UK steady and US leading growth
- Dominate UK market share in high-end competitive set
- Licensing in UK and US accelerated
- Clarke & Clarke wallpaper launch
- Factories both optimised
- Head office relocation and showcase archive
- Significant progress made against *Live Beautiful* goals including employee engagement and Zeroby30
- Nurturing Talent

## J A N ' 2 5

- Growth in all brands
- USA market share doubled from FY20
- UK destination for fabrics and wallpaper
- Retain product focus on core fabric, wallpaper and paint
- Clarke & Clarke wallpaper sales growth
- Licensing program extended by brand
- Licensing rapid growth in Japan
- Licensing in new territories
- Digital Channels performing
- Design archive assets celebrated
- First half of 0/30 roadmap achieved
- 0/30 second half roadmap defined
- Talent and Apprenticeship Program

Amendments made to FY24 Milestones: Homewares as 3rd lever with Wallpapers and Fabrics, Sourcing division established within the group, Relocation of logistics warehouse



- Clarke & Clarke changed distributor to Kravet in FY20. Collaboration with US TV makeover star for AW23
- Morris & Co led the Brands' growth, representing 48% in total over the 4 years
- Collaboration Studio McGee x Morris & Co edit of 4 wallpapers high impact to huge audience SS23
- Ecommerce partnerships now 17% of US sales +52% FY22 including Perigold sales +46% LY
- Network improved with "Boots on the Ground" sales force expansion of showrooms and road reps
- Licensing partnerships developing in USA. Williams Sonoma x Morris & Co cookware and tableware launched October 22, extended for two more years. Ruggable new washable rugs launch Fall 23

\* Covid-19 impacted

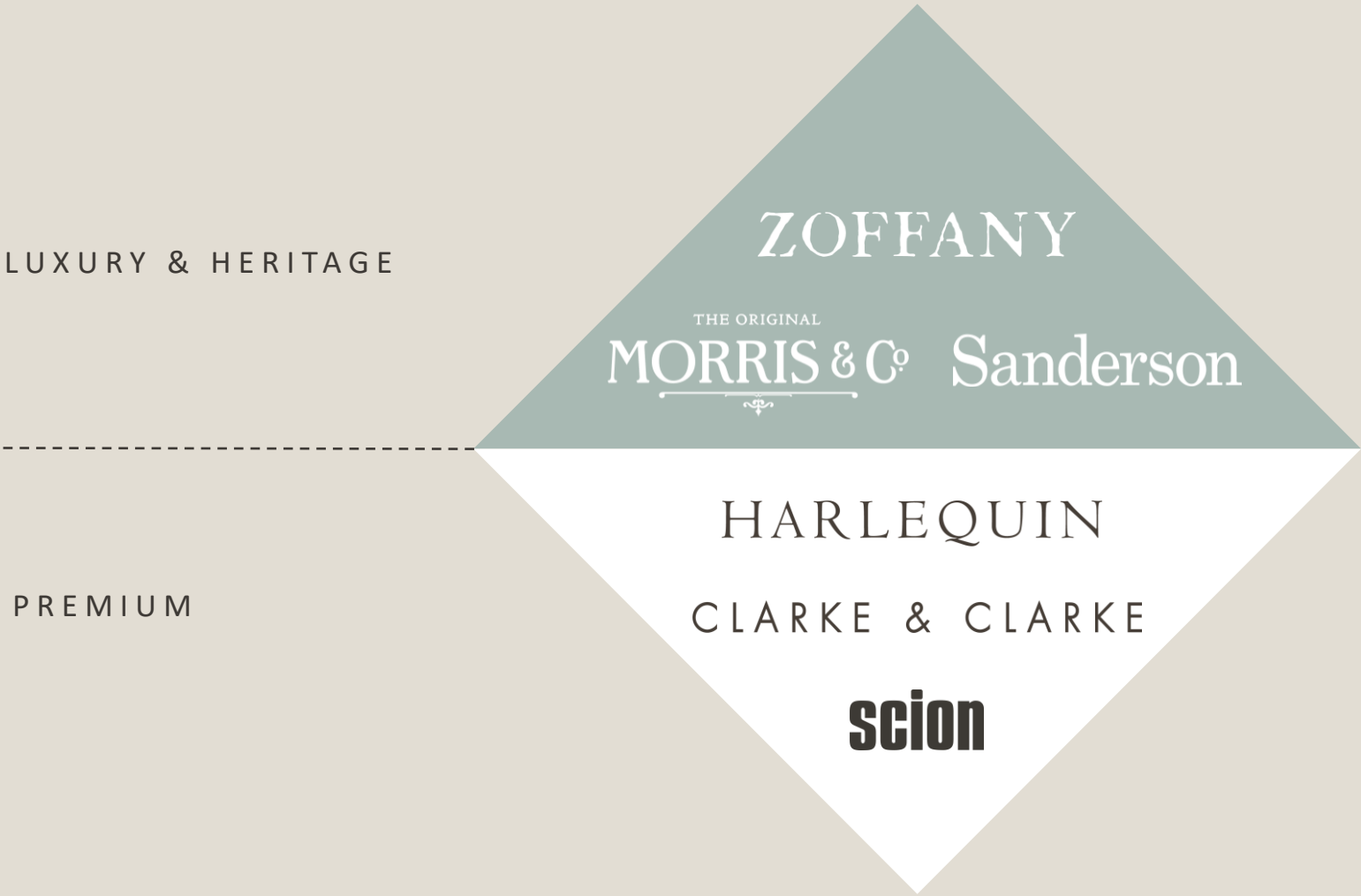
# USA SPOTLIGHT



- New York showroom has relocated to a higher floor in the D&D building with reduced, better space and a welcoming environment, reporting very positive feedback on flow and dwell-time. Celebrations planned for 11th May
- GLT and Board support US team in key regions e.g. Dianne and Lisa hosting showroom event in May, Houston and Dallas design weeks Harlequin Colour Panel talks with Design Director Claire Vallis later in May
- Brand marketing, styling and product all thinking US first



# BRAND PRICE POSITIONING





## CLARKE & CLARKE

- Strategic new launches of wallpaper delivered category growth of 20% FY23 vs. FY22
- First strategic licensing agreement with Asiatic rugs

## LOOKING FORWARD

- NEXT x Clarke & Clarke homewares licensing deal for SS24
- SS23 launch includes William Morris inspired designs to harness market demand, very well received by wholesale customers
- Alfresco, Clarke & Clarke's first Outdoor performance fabrics to launch in June building on market opportunities in the US
- Collaboration with TV home maker celebrity Breegan Jane to drive US brand awareness SS24



## HARLEQUIN

- Harlequin Colour set of wallpaper and fabric books for the four profiles was complete in SS23 with the launch of Colour 4 Renew
- 'Own the Room' ALL4 VOD takeover, reached 7.4 million viewers
- Colour Panel talks with Professor Stephen Westland and Design Director Claire Vallis very well attended at Chelsea Harbour, Maddox Gallery and the Keynote auditorium spot in Atlanta
- Colour Room pods in two John Lewis stores delivered sales uplift

## LOOKING FORWARD

- USA Colour Panels at Dallas and Houston Design weeks in May
- Harlequin x Sophie Robinson collaboration launches AW23 to amplify the Harlequin concept, refresh the quiz, generate content and appeal to media, home makeovers and Rewild colour lovers
- Henry Holland, London designer collaboration for AW24 to attract design, fashion and art communities to the Reflect colour concept





## MORRIS & CO.

- Morris & Co. Gold award garden with Ruth Willmott at RHS Chelsea in May 22 received £1.8m media coverage including BBC TV
- Harrods concession trial April 2022 to January 2023
- Williams Sonoma table and kitchenware marked the first major North America licensing partnership in October 22
- NEXT extended womenswear licence to AW23 due to strong demand

## LOOKING FORWARD

- Emery Walker's House Trust collaboration was unveiled with World of Interiors Jan 23. A privilege to produce 7 original designs for the first time, celebrating the authenticity and integrity of Morris & Co
- Inaugural Outdoor-Performance collection launch SS23 responding to international demand, particularly from USA
- Sangetsu, the lead distributor in Japan, launches Morris Chronicles wallcoverings, fabrics and flooring under licence in June 23





## SANDERSON

- One important launch per year very well received by customers, showcasing Water Garden in SS22
- Arboretum, SS23, includes Pinetum small-scales, hugely in demand, launched with a panel discussion at Design Week
- Paige womenswear, the first US partnership launched SS22
- Anthropologie sofa collaboration AW22 reaching a new audience

## LOOKING FORWARD

- Investing for global growth – Sanderson bring back the chintz!
- Advertising shoot by photographer Damian Foxe for high impact media imagery AW23, taking a new direction following Maro Itoje
- Disney Home x Sanderson launches AW23 charming vintage designs to bring smiles and partnerships
- Salvesen Graham, London design duo, style their edit and design a trimmings collection for AW23
- Giles Deacon, illustrator & designer, twists classics for launch SS24





## ZOFFANY

- Cotswolds Manor and Luxury Coordinates Volume II collections well received in FY23
- Royal College of Art collaboration with Ruth Blanke
- Sponsorship of House and Garden Rising Star designer award
- Temple Newsam customer event in Zoffany's historic birthplace

## LOOKING FORWARD

- Arcadian Thames Fabric and Wallpaper collection showcase at The prestigious Eye of the Collector show in May
- Collaboration with excellent British weavers to produce exquisite Damasks, including a USA bespoke project, for 2024
- QEST masterclass event in July on interior design collaboration, with Peter Gomez and artist Melissa White in discussion
- Elevating Zoffany product, working with interior designers, British makers and artists, offering bespoke projects



## SCION

**Scion brand is focused on D2C through Scionliving.com and licensing partnerships**

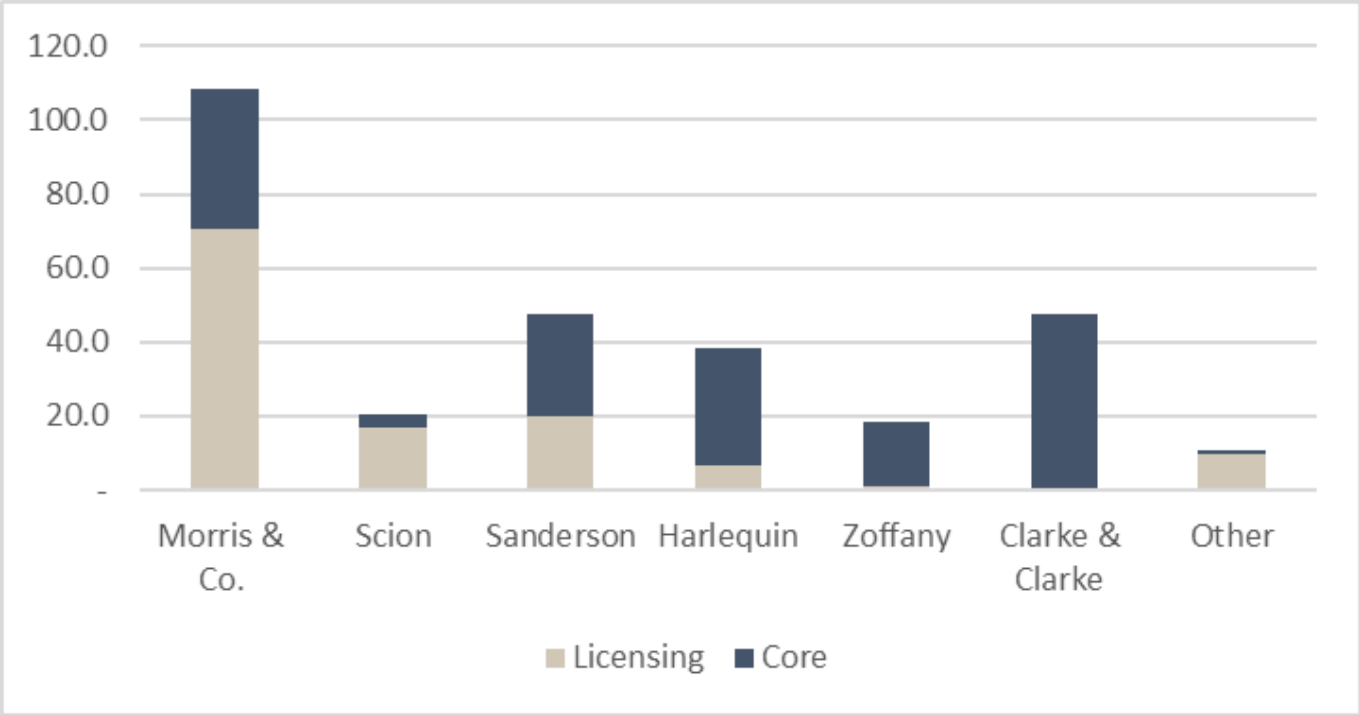
- Scion x Designs In Mind capsule collaboration, a social enterprise supporting adults with mental health challenges
- Going Lohko wallpapers SS23 celebrate 10 years of iconic design
- Scion turns 10! Birthday campaign and licensed product launches
- Strong licensing program with NEXT and Sangetsu Japan
- Awareness built through social media activity

## LOOKING FORWARD

- Tu licensing agreement reaches Sainsbury's vast audience
- Further licensing and partnership opportunities in export markets
- Limited collection refresh with targeted capsules



Brand Equity Retail Value  
FY23 - £M



NETWORK VALUE OF PRODUCT

Total Brand Equity - The retail value of all Brand sales is equivalent to c.£295m in FY23

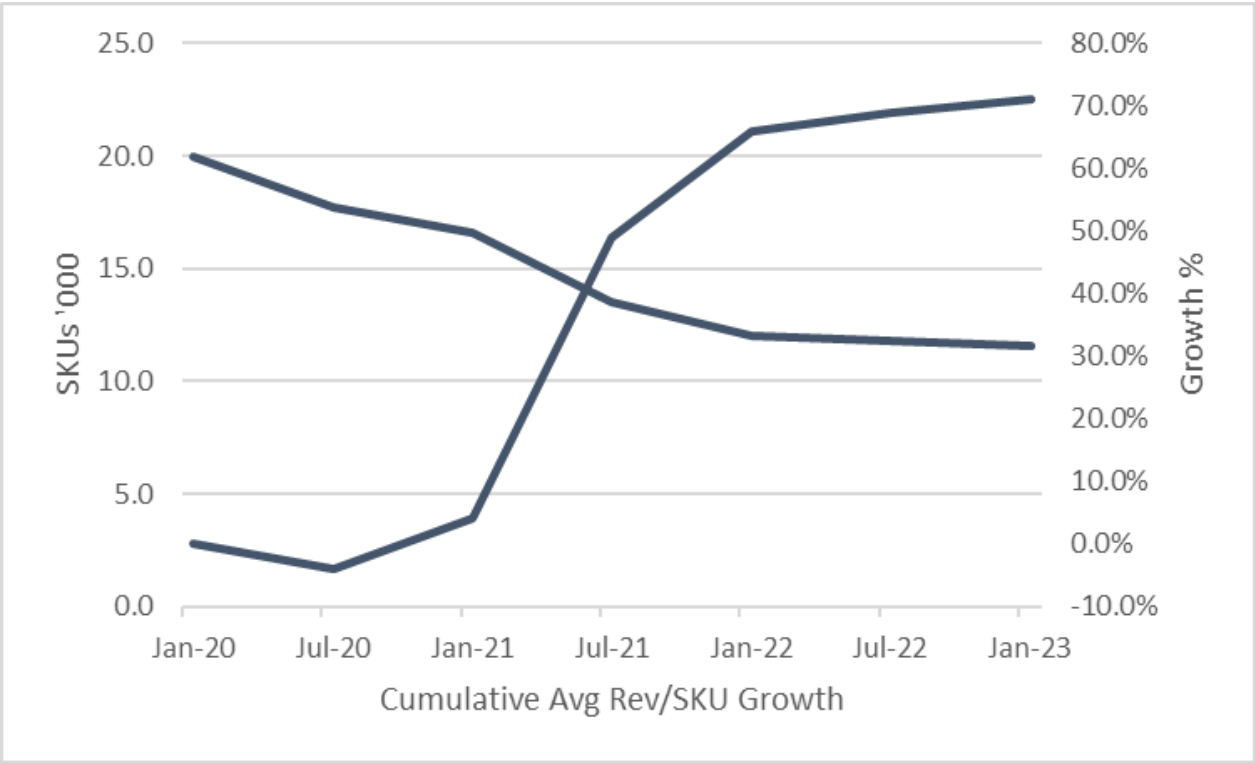
FY23 Trade value:

- Wallpaper, fabric and paint - £83.4m
- Licensing income through partners - £5.3m (underlying performance)

Opportunities:

- Clarke & Clarke licensing agreement with NEXT for homewares
- Sanderson has significant further partnership potential

Revenue/Live sku  
Fabric and Wallpaper only

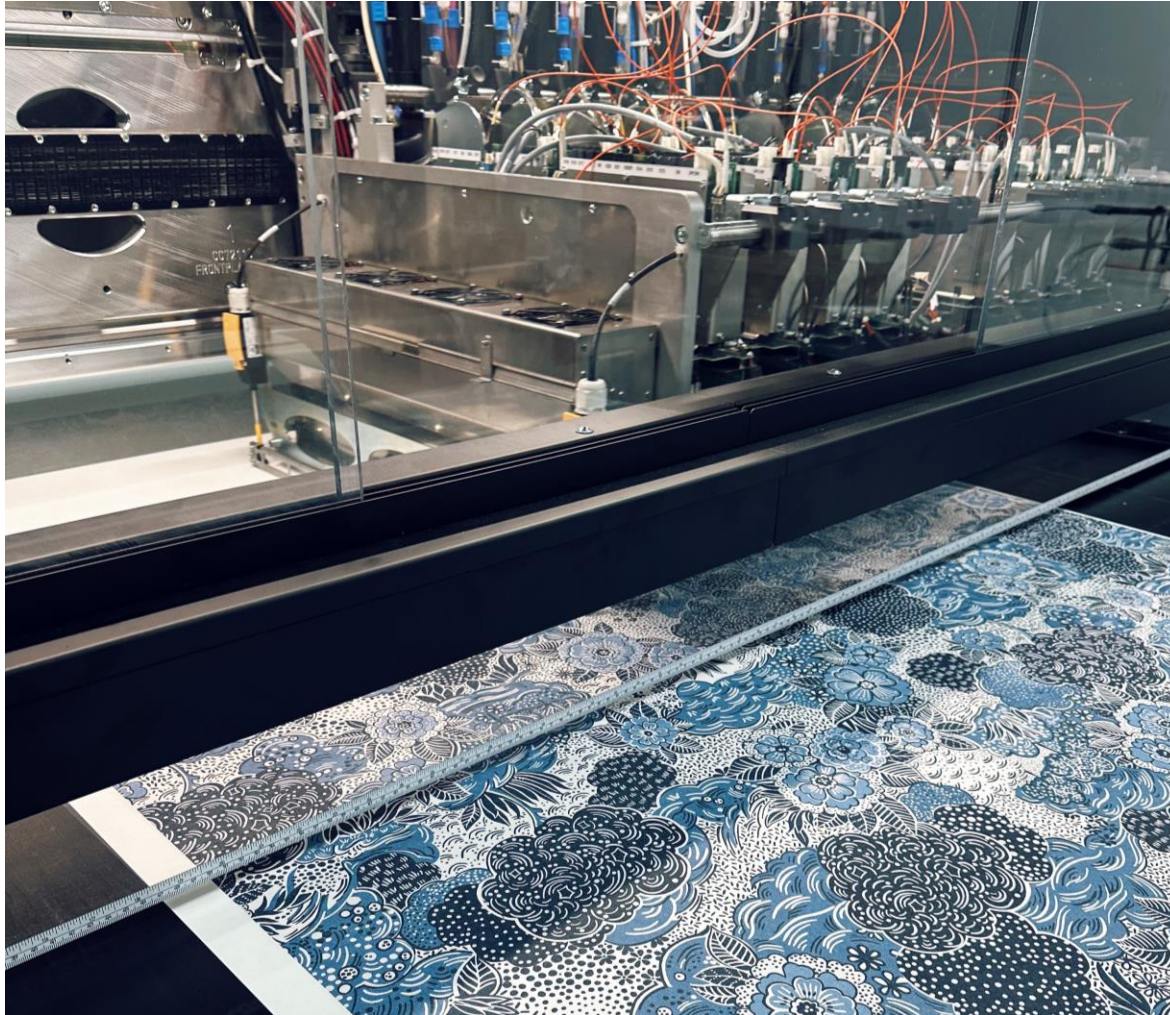


Further reduction in number of SKUs as we move forward with our collection management. £/sku continued to increase

- 32 collections planned for FY24 (SKUs: 866, 96% new, 4% existing)
- 31 collections FY23 (SKUs: 867, 86% new, 14% existing)
- Reduction in live SKUs from 20K to 11.6K
- Focus this year to consolidate our collection, reducing further to 10,000 then fill gaps back to 11,000 and maintain discipline
- Future focus and reporting will be on sales per SKU as portfolio size is maintained
- Continuing to work with our suppliers on quality and scope 3 CO2 reduction



# MANUFACTURING HIGHLIGHTS



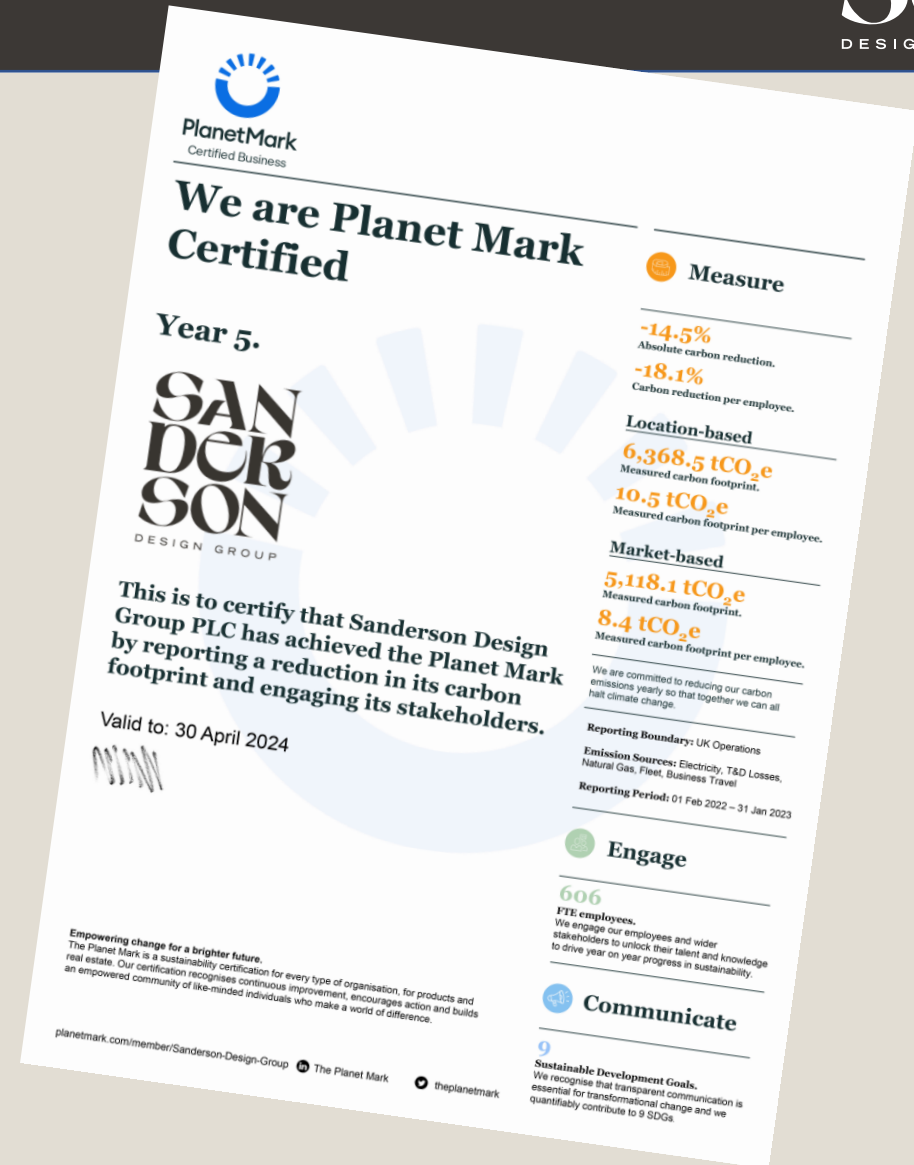
- 2 new digital printers fully commissioned and producing customer orders at Anstey
- Investment in technology leads to competitive advantage in design offer across a full range of conventional/digital print techniques
- ISO45001 certification at Anstey Wallpaper Company
- ERP system on plan for initial go live in May 2023 at Standfast & Barracks
- Year 5 of our Planet Mark certification with reductions ahead of Zero by 30 plan



**PlanetMark**

## FIFTH YEAR OF PLANET MARK

- Achieved The Planet Mark certification for Year 5
- Solar Panels to be installed at Standfast & Barracks
- Work with our key suppliers on scope 3 CO2 reductions
- Identifying opportunities to improve the sustainability of the packaging we receive our goods in from our suppliers
- Continued focus on energy management across all sites
- Increased use of low carbon footprint technology in manufacturing operations







- The first cohort of 10 Sanderson Futures Team graduated
- Real Living Wage commitment positively impacted 105 people
- Average salary increase of 7.1% to support with the cost-of-living for FY24
- Talent nurtured: bespoke training for 144-line managers. A group-wide CMI-accredited Apprenticeship scheme introduced
- Mental Health First Aiders increased, added resources on Menopause, Cancer, Men's Mental Health, Cost-of-Living challenges
- Community groups support local charities
- Furniture Makers Company support including Young Maker Textiles Award and the Step2It campaign
- QEST fundraising support, warrant-holding Trusteeship, Royal Parks half marathon runners



- Full year results reflect strategic progress in a difficult market
- Strategy continues to deliver.
- Careful cost control
- Focus on international market given the ongoing UK uncertainty
- Inflationary pressures on input costs persist
- US market continues to perform well
- Licensing income performing strongly
- Hospitality contract orders encouraging
- New launches include Sophie Robinson for Harlequin and the vintage Disney Home x Sanderson collection
- Board expectations for the year remain unchanged



# SAN DER SON

DESIGN GROUP

