SANDERSON

DESIGN GROUP

INTERIM RESULTS FOR THE PERIOD ENDED 31 JULY 2023

AGENDA

HIGHLIGHTS

FINANCIALS

STRATEGY

OUTLOOK

HIGHLIGHTS

- Adjusted underlying profit before tax of £6.8m, +8% v H1 FY23
- Strong licensing momentum continues with major new agreements signed in H1 generating £5m of accelerated income with strong pipeline of potential future partnerships
- Continued growth in North America, +10% and now representing 27% of brand revenues v 23% H1 FY23
- Careful cost control and realignment of UK support function
- Strong balance sheet with £15.9m cash
- Interim dividend of 0.75p in line with prior year
- The Board's expectations for the full year remain unchanged

FINANCIALS

KEY FINANCIAL INDICATORS

	REVENUE £M	PBT £M	ADJUSTED UNDERLYING PBT £M	ADJUSTED UNDERLYING PBT	ADJUSTED EPS
H1 FY24	56.7	6.2	6.8	12.0%	7.39p
H1 FY23	57.9	5.5	6.3	10.9%	6.90p

KEY FINANCIAL INDICATORS (CONT'D)

	REPORTED EBITDA £M	CAPITAL EXPENDITURE £M	INVENTORY £M	FREE CASH FLOW £M	NET CASH POSITION £M
H1 FY24	8.7	1.5	26.2	0.6	15.9
H1 FY23	8.7	1.5	26.7	(4.1)	15.0

GROUP REVENUE – CHANNEL

	H1 FY24 £M	H1 FY23 £M	H1 FY24 v H1 FY23 VAR	% CHANGE
Brand Product	40.3	42.2	(1.9)	(4.6%)
Licensing	6.9	3.8	3.1	81.6%
Total Brands	**47.2**	**46.0**	**1.2**	**2.5%**
Manufacturing – external	9.5	11.9	(2.4)	(20.2%)
Manufacturing – internal	7.6	9.8	(2.2)	(22.6%)
Total Manufacturing	**17.1**	**21.7**	**(4.6)**	**(21.3%)**
Total Group	**56.7**	**57.9**	**(1.2)**	**(2.1%)**

- **Brand Product:** Tough trading environment in most territories, especially UK
- **Licensing:** Record agreements signed in the first half with both major retailers and niche partners
- **Manufacturing – external:** H1 FY23 exceptional sales generated by post COVID-19 restocking. H1 FY24 revenues in line with pre-pandemic levels

BRAND PRODUCT REVENUE – BY GEOGRAPHY

	H1 FY24	H1 FY23	% CHANGE v H1 FY23	
	£M	£M	REPORTED	CER
UK	19.5	22.1	(11.8%)	(11.8%)
North America	10.7	9.7	10.3%	5.9%
Northern Europe	5.1	5.5	(7.3%)	(8.9%)
Rest of the World	5.0	4.9	2.0%	0.0%
Brand Product Revenue	**40.3**	**42.2**	**(4.5%)**	**(5.8%)**

- **UK:** Sales declined 11.8% reflecting challenging market conditions
- **Northern Europe:** Weak sales in Scandinavia and Republic of Ireland. More resilient performance in Germany and Holland
- **North America:** Strategic priority. Growth driven by Zoffany and Morris & Co. Robust Clarke & Clarke performance
- **Rest of the World:** Increasing in contract sales to the hospitality market in the UAE

BRAND PRODUCT REVENUE – BY BRAND

	H1 FY24 £M	H1 FY23 £M	% CHANGE v H1 FY23 REPORTED	 CER
Clarke & Clarke	11.6	11.8	(1.7%)	(4.1%)
Morris & Co.	9.4	9.5	(1.1%)	(2.1%)
Harlequin	7.2	8.3	(13.3%)	(14.3%)
Sanderson	6.9	7.2	(4.2%)	(5.5%)
Zoffany	4.4	4.2	4.8%	2.3%
Scion	0.7	1.0	(30.0%)	(30.0%)
Other	0.1	0.2	(50.0%)	(50.0%)
Brands	**40.3**	**42.2**	**(4.5%)**	**(5.8%)**

- **Clarke & Clarke:** Recently renewed US distribution agreement with Kravet Inc for five years. Homeware transitioning to licence with NEXT launching in spring 2024
- **Morris & Co:** Second biggest brand by product sales, and a significant source of licensing income. Launch of outdoor performance collection
- **Harlequin:** Predominantly UK focused brand so heavily impacted by softness in the home market. Collaboration with Sophie Robinson launched early H2
- **Sanderson:** Launch of the Disney Home x Sanderson collection featuring vintage-inspired wallpapers and fabrics
- **Zoffany:** Returned to growth driven by large one-off designer driven domestic and contract orders
- **Scion:** Key licensing brand and scionliving.com

MANUFACTURING REVENUE

	H1 FY24 £M	H1 FY23 £M	H1 FY24 v H1 FY23 VAR	 % CHANGE
Anstey	8.2	10.4	(2.2)	(21.2%)
Standfast	8.9	11.3	(2.4)	(21.4%)
Total Manufacturing	**17.1**	**21.7**	**(4.6)**	**(21.3%)**
Revenue - external	9.5	11.9	(2.4)	(20.2%)
Revenue - internal	7.6	9.8	(2.2)	(22.6%)

	H1 FY24 £M	H1 FY23 £M	H1 FY24 v H1 FY23 VAR	 % CHANGE
Digital	51.0%	47.3%	3.7%	7.9%
Conventional	49.0%	52.7%	(3.7%)	(7.1%)

- **Internal & External revenue H1:**
  - Return to pre-COVID-19 levels, after restocking in the prior year
  - Reduced repeat orders from the general consumer slowdown
- **Strong performance in new collection orders:** Ongoing improvement in order books over recent weeks
- **Digital printing as a proportion of factory output:** Boosted by new digital printer at Anstey

LICENSING INCOME

	UNDERLYING PERFORMANCE £M	PRIOR YEAR ACCELERATED INCOME £M	CURRENT YEAR ACCELERATED INCOME £M	IFRS £M
Core (regular)	2.2	(0.5)	3.6	5.3
Collaboration (one off)	0.5	(0.3)	1.4	1.6
H1 FY24 Total	**2.7**	**(0.8)**	**5.0**	**6.9**
Core (regular)	1.9	(0.3)	1.6	3.2
Collaboration (one off)	0.6	(0.3)	0.3	0.6
H1 FY23 Total	**2.5**	**(0.6)**	**1.9**	**3.8**

- **IFRS based income:** increased by 81.6%
- **Accelerated income:** record level of agreements signed in H1 FY24 including NEXT and Tu/Habitat
- **Underlying performance:** increased by 8% YoY. Strong contribution from new Morris & Co. partnership with Ruggable

GROSS MARGIN

	H1 FY24 £M	H1 FY23 £M	CHANGE FY23
Product Revenue	49.8	54.1	(7.9%)
Licensing	6.9	3.8	81.6%
Revenue Total	**56.7**	**57.9**	**(2.1%)**
Product Gross Profit	31.6	34.3	(7.9%)
Licensing Gross Profit	6.9	3.8	81.6%
Gross Profit Total	**38.5**	**38.1**	**1.0%**
Product Gross Margin %	63.5%	63.4%	10bps
Licensing Gross Margin %	100.0%	100.0%	0bps
Gross Margin Total %	**67.9%**	**65.8%**	**210bps**

- **Licensing income:** Generates 100% gross margin
- **Improved product margins in Brands:** Benefit of completed SKU reduction initiative
- **Decline in Manufacturing margin:** Increased electricity costs, salary inflation, and efficiency reductions due to decreased volumes
- **Selling price increases:** 6% on 1 February 2023
- **Utility cost increases:**
    - Electricity from October 2022 c£1.1m increase per annum
    - Gas contract expired 1 October 2023, increase c£0.9m per annum

GROUP INCOME STATEMENT

	H1 FY24 £M	H1 FY23 £M	% CHANGE H1 FY23
Revenue	56.7	57.9	(2.1%)
Cost of Sales	(18.2)	(19.8)	8.1%
Gross Profit	**38.5**	**38.1**	**1.0%**
Distribution and selling expenses	(12.8)	(12.7)	(0.8%)
Administration expenses	(22.1)	(22.4)	1.3%
Other operating income	2.4	2.3	4.3%
Profit from operations	**6.0**	**5.4**	**11.1%**
Finance income/(costs) - net	0.2	0.1	100.0%
Profit before tax	**6.2**	**5.5**	**12.7%**
Add back: Non-underlying and adjusting items	0.6	0.8	(23.0%)
Adjusted underlying profit before tax	**6.8**	**6.3**	**8.2%**

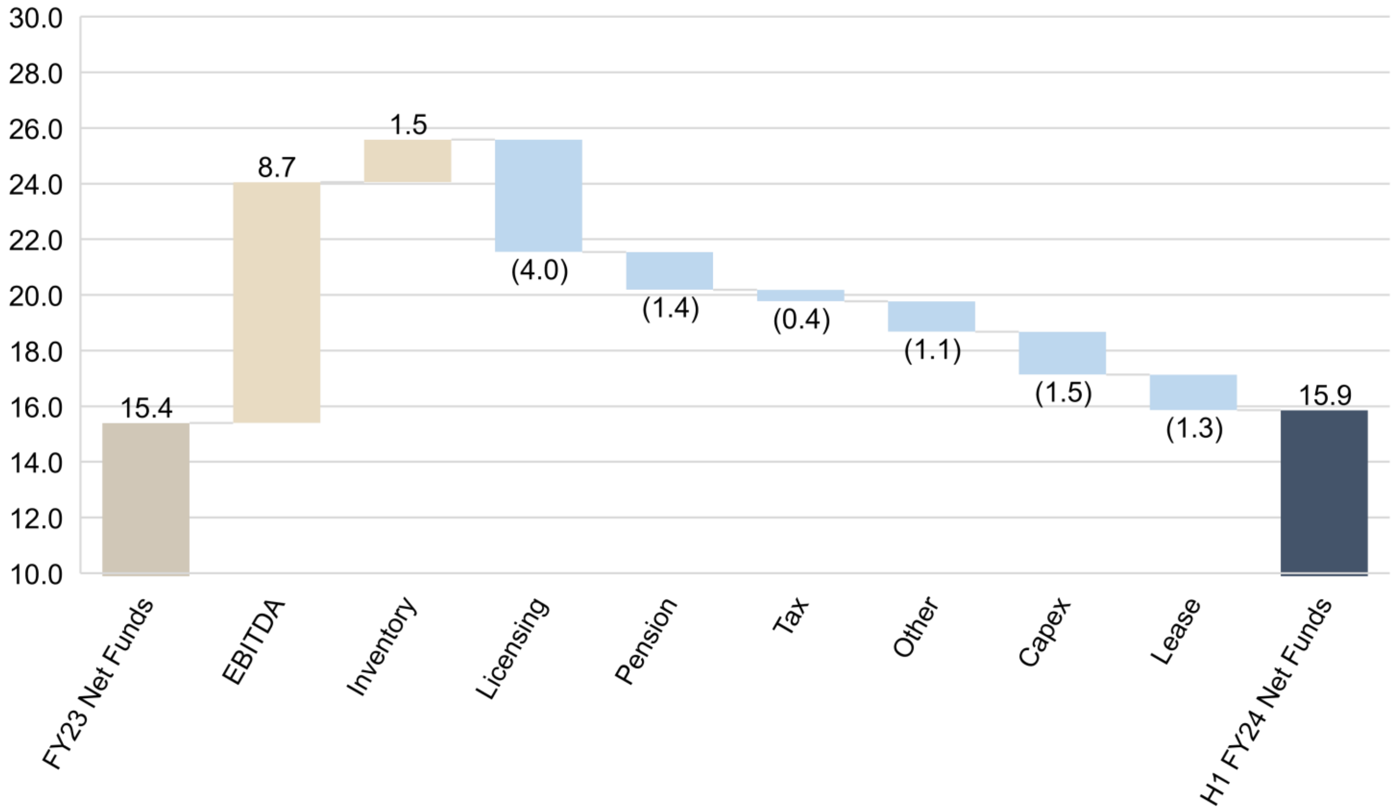
	H1 FY24	H1 FY23
Gross Margin	67.9%	65.8%
Distribution and selling expenses	22.6%	21.9%
Administrative expenses	39.0%	38.7%
Profit from operations	10.6%	9.3%
Profit before tax	10.9%	9.5%
Adjusted underlying profit before tax	12.0%	10.9%

- **Distribution and selling expenses:** Increased commission payments – shift in sales mix towards markets with agency model
- **Administration expenses:**

  Marketing investment: Reduced following investment in the Chelsea Flower Show in H1 FY23

  Tight control: to minimise inflationary pressures including 7% salary increases

GROUP CASH FLOW



- **Strong balance sheet:** cash of £15.9m
- **Inventory:** Benefit of our SKU reduction strategy. Further reduction forecast in H2
- **Licensing:** New agreements including NEXT and Tu/Habitat
- **Pension:** Cash contribution to legacy defined benefit schemes
- **Capital expenditure:** New steamer at Standfast. Final payments for new digital printer at Anstey

STRATEGY

STRATEGIC PRIORITIES

- Poised for global growth
- Primary focus on USA
- Growth in Japan, France and Germany
- Sanderson heritage brand being re-energised
- Licensing continues to grow ahead of product sales
- Factories both design led
- Technology investment to drive innovation, efficiency and environmental benefit

OUR PURPOSE & VALUES

"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.

OUR LIVE BEAUTIFUL VISION

“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

5-YEAR KEY STRATEGIC LEAVERS

SANDERSON
DESIGN GROUP

OUR LIVEBEAUTIFUL FRAMEWORK

BRANDS

SANDERSON & CLARKE & CLARKE

PRODUCTS

CORE PRODUCT & LICENSING

CUSTOMERS

INTERIOR DESIGNERS

GEOGRAPHIES

ACCELERATE GROWTH IN THE USA

PEOPLE – EMPOWER OUR PEOPLE

FINANCIAL HEALTH – ADDITIONAL LICENSING PROFIT DRIVEN BY THE MARKETING BUDGET TO ACCELERATE GROWTH

PLANET – INSPIRE OUR WORLD

5 YEAR STRATEGY

STRATEGIC OBJECTIVE
GROW USA & INTERNATIONAL

MEASURES OF SUCCESS:
Increase sales in USA
Focus on top interior designers globally
Increase sales per SKU

YEAR1 FY25

- Interior designer focus globally
- Sanderson x Giles launches internationally
- Assets created with a US lens
- UK shop-in-shops, enhanced display
- Japan Sanderson event September Tokyo
- Websites translated into French & German
- International PR activity increased
- Standfast & Barracks 100 years

YEAR2 FY26

- Paris Deco Off takeover
- USA collaboration Morris & Co.
- Licensing programme in USA
- Further investment in digital
- Inventory efficiency

YEAR3+ FY27+

- Re-launch Pure Morris
- Sanderson global appeal
- Product margin increased
- Factories improved capacity
- Net Zero final leg defined

KEY STRATEGIC GROWTH AREAS

USA FIRST

To be the biggest imported resource in fabric and wallpapers for Interior Designers in America

US FIRST

Double digit year on year growth in the US business

WHO

Interior Designers, E-Commerce Retailers, Trade Showrooms, Kravet Trade Distribution

HOW

Think US first

Marketing communications:

Build relationships with interior designers

Host events – Disney, Giles, Henry Holland

Sponsor showhouses – Kips Bay, Whole Home

Style product with US appeal

Breegan Jane x Clarke & Clarke collaboration

Brand:

US pricing architecture

Product Mix - performance, outdoor fabrics, expand wallcoverings

Increase average order value

Clarke & Clarke

- dedicated bays in Kravet showrooms NY, Boston, LA and Dallas
- dedicated landing page on Kravet.com

Growth through E Commerce partners

New licensing opportunities

UK

Maintain market leadership
in a challenging environment

UK

Maintain market leadership in a challenging UK environment by strengthening current relationships

WHO

Prime Accounts, Interior Designers and Contract

WHICH BRANDS

Clarke & Clarke, Sanderson, Harlequin

HOW

Marketing

Customer-centric approach for all customers, understanding what they need to help them grow with our products

Window displays to attract footfall

In-store room sets to inspire customers

Creative digital assets freely distributed to all

Service

Retailers – grow share of voice in a challenging market

Incentivise Trade Hub loyalty scheme

Contract – fast growth in health, cruise and hospitality

Prime Accounts – restructured team to service, increase share of customer

Interior Designers – identify, prioritise and entertain

LICENSING – KEY PILLARS

TERRITORY FOCUS

- Continue to build US partnerships alongside UK and Japan
- Grow the licensing programme in different territories
- Secure worldwide deals with global reach

ENGAGING RETAILERS

- Target and secure partnerships with major retailers globally
- Exploit marketing / PR opportunities aligned with brands

SANDERSON BRAND FOCUS

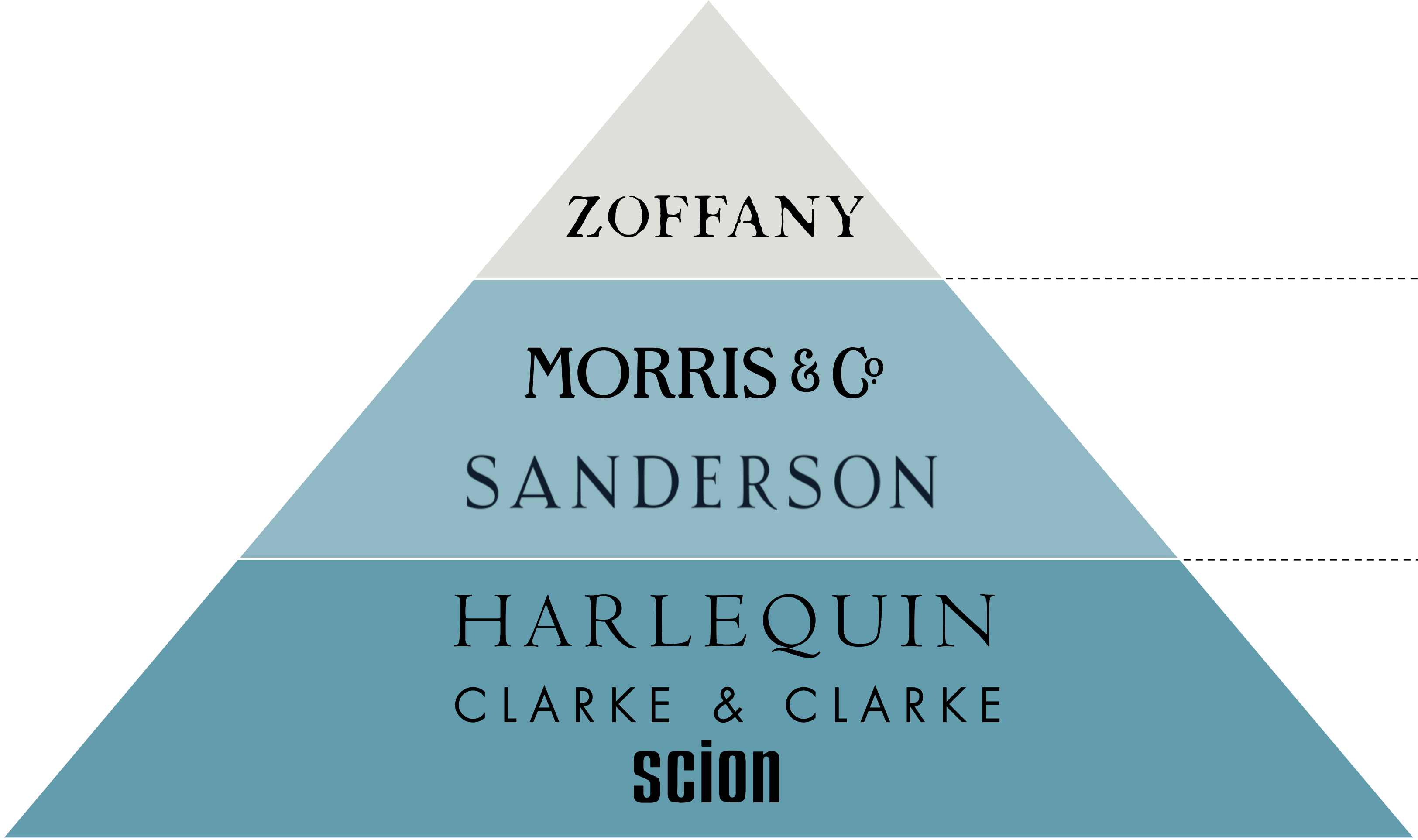
- Elevate and build Sanderson brand using strong PR and marketing support to secure new partnerships
- Enhance brand share of mind, increase brand awareness and further reinforce brand values

NURTURING PARTNERSHIPS

- Support, nurture and build current partnerships
- Identify growth opportunities
- Work with evergreen partners to drive growth resulting in increased revenue

STRATEGIC BRAND DEVELOPMENT

PRODUCT BRAND PYRAMID



ZOFFANY

MORRIS & Co

SANDERSON

HARLEQUIN

CLARKE & CLARKE

scion

LUXURY

Luxury brand laser focused on high-end interior design partnerships

HERITAGE

Heritage brands, continue to build the legacy. Strong collaborations and licensing opportunities

CONTEMPORARY

Contemporary brands, licensing and retail partnership potential

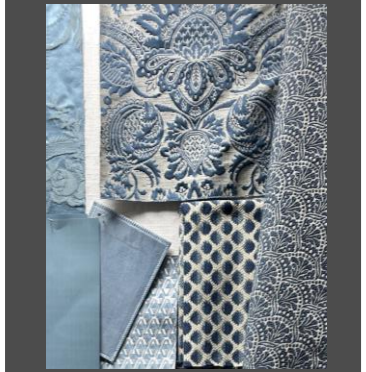
PRODUCT BRAND DESIGN PILLARS

LUXURY

ZOFFANY

SIGNATURE

RESTORATION



Masterpiece
Damask
Luxury Plains
Luxury Co-ordinates

HERITAGE

MORRIS & Co

SIGNATURE

ARTS & CRAFTS

Authentic
Simply
Pure
Disruptor

SANDERSON

SIGNATURE

BOTANICAL

Authentic
Simply
Pure
Disruptor

CONTEMPORARY

HARLEQUIN

SIGNATURE

COLOUR

Statement
Transitional Weaves
Plains
Performance

CLARKE & CLARKE

SIGNATURE

LUXE

Statement
Transitional weaves
Plains
Contract

scion

SIGNATURE

CHARACTERS

Statement Design

PRODUCT BRAND DESIGN PILLARS CONT'D

LUXURY

ZOFFANY

SIGNATURE

RESTORATION

Masterpiece
Damask
Luxury Plains
Luxury Co-ordinates

- Edited portfolio
- Identified masterpiece designs
- Launching Damask

Building a portfolio of luxury key interior design qualities.
E.g. Mohair, Velvet, Linen

HERITAGE

MORRIS & Co

SIGNATURE

ARTS & CRAFTS

Authentic
Simply
Pure
Disruptor

- Established the four pillars

Build and delve deeper into each individual pillar
E.g. Pure- into more sustainable collection

SANDERSON

SIGNATURE

BOTANICAL

Authentic
Simply
Pure
Disruptor

- Iconic launches of Disney and Giles Deacon

Use proven Morris Playbook to establish the four pillars

CONTEMPORARY

HARLEQUIN

SIGNATURE

COLOUR

Statement
Transitional Weaves
Plains
Performance

- Sophie Robinson brings focus
- Launch Henry Holland to reflect new audiences
- Increase weave SKU count

Build on US focus adding performance weaves and plains
US collaboration in plan

CLARKE & CLARKE

SIGNATURE

LUXE

Statement
Transitional weaves
Plains
Contract

- Manage strong portfolio of product
- Breegan Jane Collaboration brings US audiences

Add in wide width and contract suitable product
Build on relationship with Kravet

scion

SIGNATURE

CHARACTERS

Statement Design

- License agreement to Habitat

Build on iconic designs and partnerships

MARKETING KPI’s FY29

INCREASE BY 40%

BRAND ENGAGEMENT

INCREASE BY 33%

BRAND REACH

INCREASE BY 100%

WEBSITE VIEWS

REVENUE

OPERATIONS & MANUFACTURING

OPERATIONS STRATEGY

To be the best design-led interiors company through offering a design service utilising our technical expertise and range of printing capabilities for competitive advantage

SALES AND MARKETING

DESIGN AND TECHNICAL

MANUFACTURING AND SUPPLY

HEADLINE OBJECTIVES FY24 TO FY29

HEALTH & SAFETY

To implement a Health and Safety culture throughout operations team.

LIVE BEAUTIFUL

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

CUSTOMER CENTRIC

Establish customer centric alignment throughout the supply chain with focus on the external customer

OPERATIONAL EFFICIENCY

To underpin our strategy working in an efficient and effective manner

WHAT DOES THIS MEAN?

- Optimising solutions for Group brands
- Design at the centre of everything we do
- Focus on export markets for third-party sales
- Offer volume flexible solutions that balance capacity
- Continued growth in digital printing whilst maintaining benefit of specialist conventional printing
- Maintain UK market leading position
- Anstey to move from 25% to 50% digital printing

LIVE BEAUTIFUL

- A diverse, engaged and enthused work force
- An end-to-end approach of the product lifecycle, continually challenging ourselves to minimise the impact our supply chain has on the planet
- As Zeroby30 nears conclusion, plans for capture of the residual CO2 emissions will be completed
- SDG to be recognised as a leader in sustainability, not just in the sector
- Sustainability Project Coordinator appointed to:
  - Strengthen Live Beautiful communications plan
  - Work with suppliers on scope 3
  - New workstream to foster biodiversity

PEOPLE

PEOPLE STRATEGY – EMPOWERING OUR PEOPLE

Developing great people to deliver a great performance and create a great place to work

- To be the employer of choice in the industry
- Foster a positive, inclusive, vibrant culture, driving organisational excellence
- Enhance employee experience through continuous learning
- Create a motivated and engaged, dynamic workforce with a global outlook

DEVELOP EFFECTIVE **LEADERSHIP** TO DRIVE GREAT PERFORMANCE

BUILDING OUR **TALENT** CAPABILITY

CREATE A **CULTURE** FOR OUR PEOPLE TO THRIVE

PEOPLE PRIORITIES

OBJECTIVE

Developing great people to deliver a great performance and create a great place to work

FOCUS

ACCELERATE GROWTH by focusing on key brands Sanderson, Clarke & Clarke

GROW USA

GROW INTERNATIONAL

HOLD & MAINTAIN UK market leadership

SUPPORT LICENSING PARTNERS with marketing to accelerate growth

GROW BRANDS sourced product supplied from our factories

INITIATIVES

Developing Core Competencies to drive the US and International growth plans

Cultural awareness training on growth markets of the USA, Germany, France and Japan

Implement strategic Talent Management Process with succession plans for critical & senior roles prioritising growth markets

OUTLOOK

OUTLOOK

- Focus on growth opportunities in the US, currently under-weighted
- Licensing as a core pillar with strong pipeline
- Sampling of new autumn launches encouraging
- Cost saving measures mitigate UK market softness
- Strong balance sheet and cash reserves
- The Board’s expectations for the full year remain unchanged


SAN
DER
SON
DESIGN GROUP