# FY2019 RESULTS

ANALYST MEETING

JUNE 26, 2019

GLOBAL BRANDS GROUP

# FY2019 - Highlights

- Strategic divestment of select businesses
- Special dividend of US$305m paid in cash and scrip
- Replacement of Global Brands' long term debt
- Loss attributable to shareholders improved by approximately 56%
- Performance significantly improved in 2$^{nd}$ half FY2019
- Restructuring plan achieves US$140m operating cost reductions as apposed to US$100m original forecast
- Bank loan reduced through shareholder's loan subsequent to year end

# Financial Headlines – Continuing Operations

| (US$m) | FY18 | FY19 | CHANGE |
|---|---|---|---|
| **Revenue** | **1,585** | **1,513** | *-4.6%* |
| **Total Margin** | **500** | **458** | *-8.4%* |
| *% of Revenue* | *31.5%* | *30.2%* | |
| **Operating Loss** | **(114)** | **(215)** | *-88.8%* |
| *% of Revenue* | *-7.2%* | *-14.2%* | |
| **EBITDA** (1) | **115** | **(19)** | *-116.5%* |
| *% of Revenue* | *7.2%* | *-1.3%* | |
| **Net Loss Attributable to Shareholders from Continuing Operations** | **(169)** | **(261)** | *-54.7%* |
| *% of Revenue* | *-10.7%* | *-17.3%* | |
| **Net Loss Attributable to Shareholders – All Operations** | **(903)** | **(400)** | *55.7%* |
| *% of Revenue* | *-57.0%* | *-26.4%* | |

(1) EBITDA is defined as net profit / (loss) before net interest expenses, tax, depreciation and amortization. This also excludes share of results of an associate and joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs, discontinued operations and non-cash gain on remeasurement of contingent consideration payable.

# First Half vs Second Half

| (US$m) | FY2019 1H (Interim Results) | FY2019 2H | **Total FY2019 (Annual Results)** |
|---|---|---|---|
| **Revenue** | **699.2** | **813.6** | **1,512.8** |
| **Total Margin** | **187.5** | **270.1** | **457.6** |
| *% of Revenue* | *26.7%* | *33.2%* | *30.2%* |
| **Operating Costs*** | **353.7** | **346.9** | **700.6** |
| **Operating Loss** | **(158.5)** | **(56.3)** | **(214.8)** |
| **Net Loss** | **(184.2)** | **(65.4)** | **(249.6)** |
| **EBITDA** | **(53.7)** | **34.7** | **(19.0)** |

* Represents selling and distribution expenses, merchandising and administrative expenses

# Strategic Divestments of Non-Core Businesses

## North America

- Divestment of Kids, Accessories, and West Coast Fashion business in North America
- Transaction closed on October 29, 2018
- At closing, received US$1.2 billion in cash
- Long-term debt retired
- Special cash dividend paid on April 4, 2019

## China Kids

- Sold for net tangible asset value US$20m to Fung Group
- US$18m operating loss in 1H FY2019
- Going forward, Asia will continue to focus on Spyder Korea, and expanding Brand Management business

# GBG's Segment Reporting

- More focused portfolio
- Dominant Brand Management business
- Clear operating structure

## NORTH AMERICA

SPYDER
SEAN JOHN
JONES NEW YORK
TAHARI
ELY & WALKER SINCE 1878
FRYE SINCE 1863
AQUATALIA
Calvin Klein
TARYN ROSE
KATY PERRY
ALLSAINTS

## EUROPE

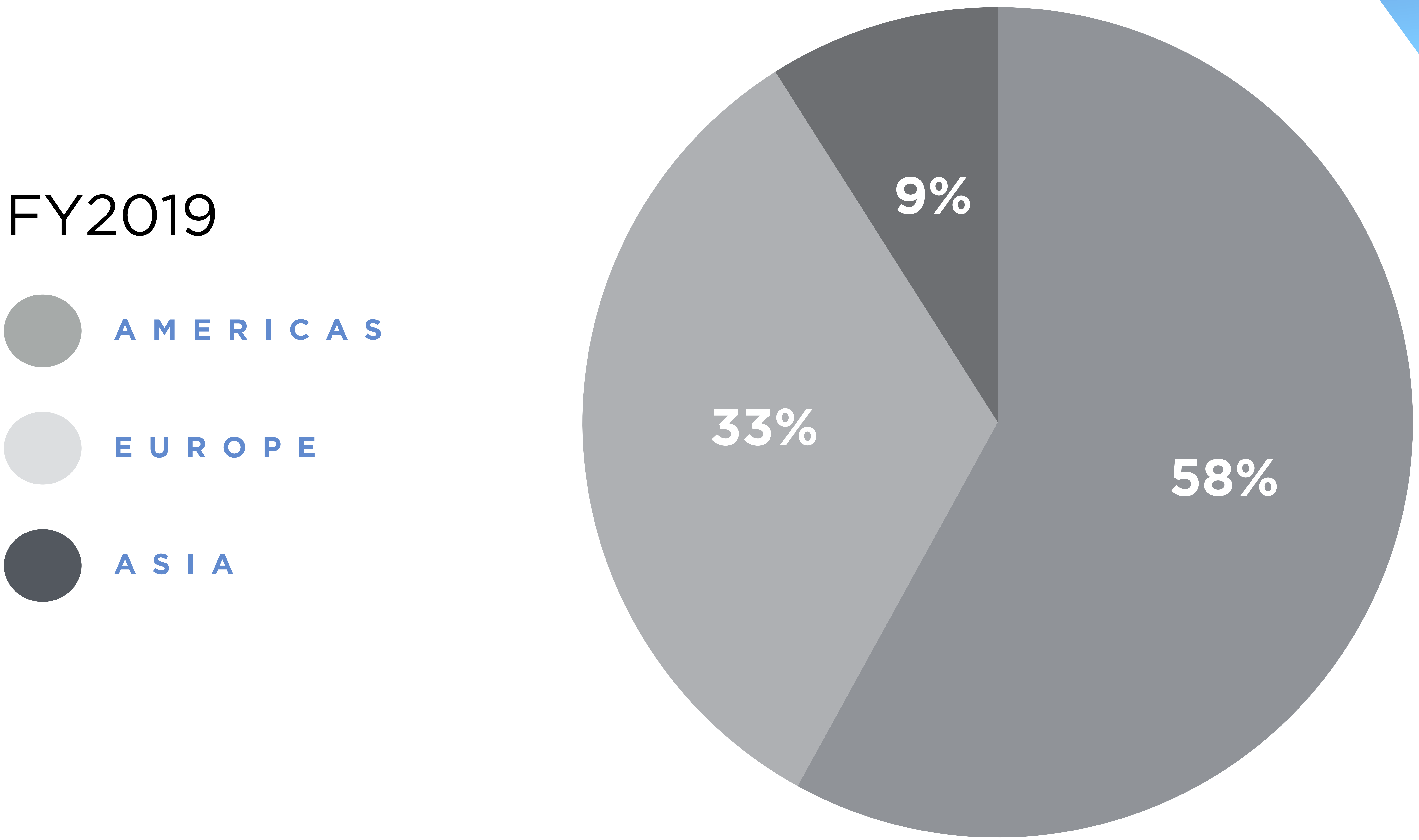
SPYDER
ALLSAINTS
REISS
FIORELLI
NATIONAL GEOGRAPHIC
Disney
Calvin Klein
BIKKEMBERGS
KAREN MILLEN

## BRAND MANAGEMENT

Coca-Cola
PLAYBOY
JLO JENNIFER LOPEZ
DAVID BECKHAM
Budweiser
HERSHEY'S
21ST CENTURY FOX
The Cheesecake Factory
Crayola
NETFLIX

# Greater Geographic Balance

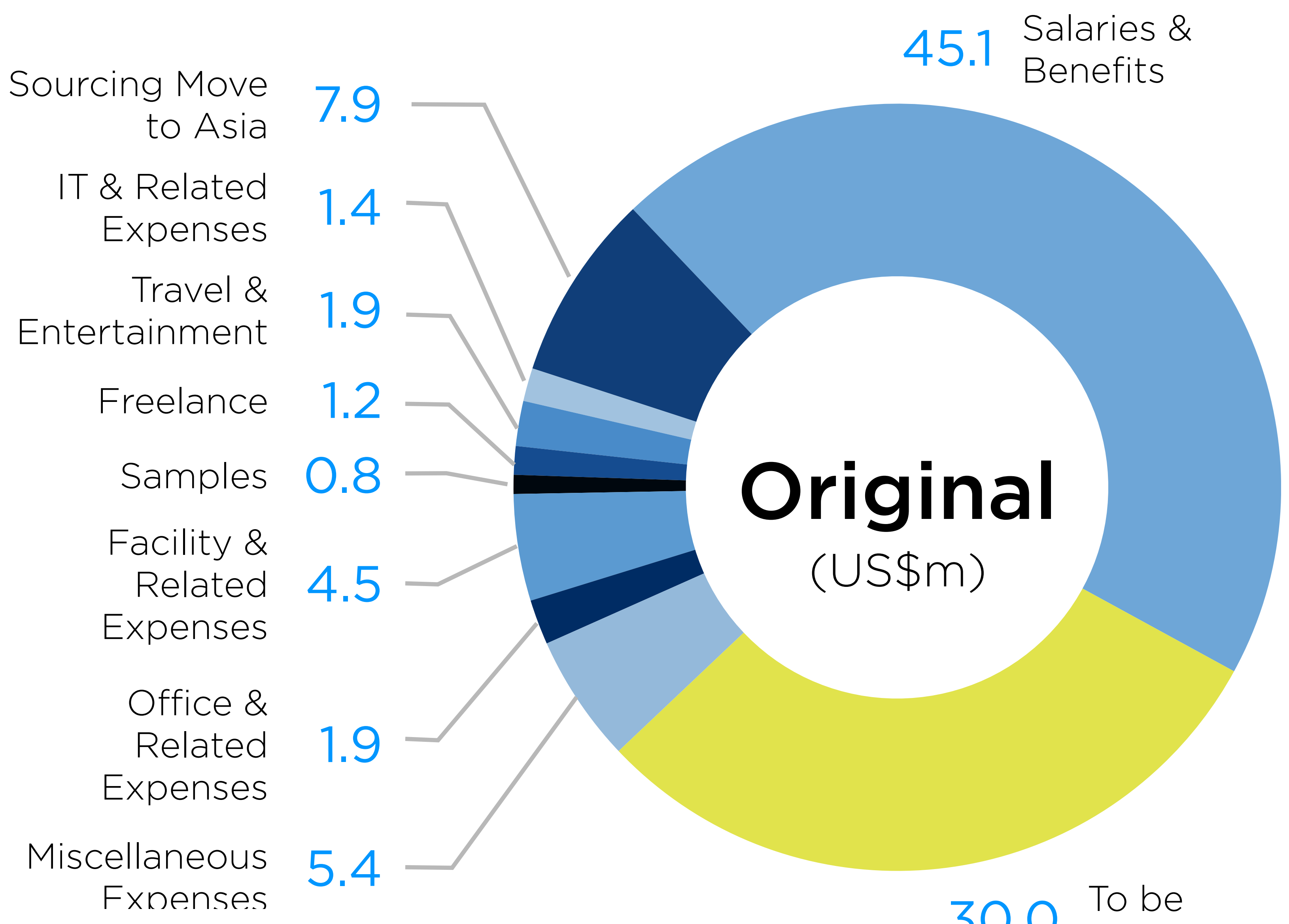
## FY2019



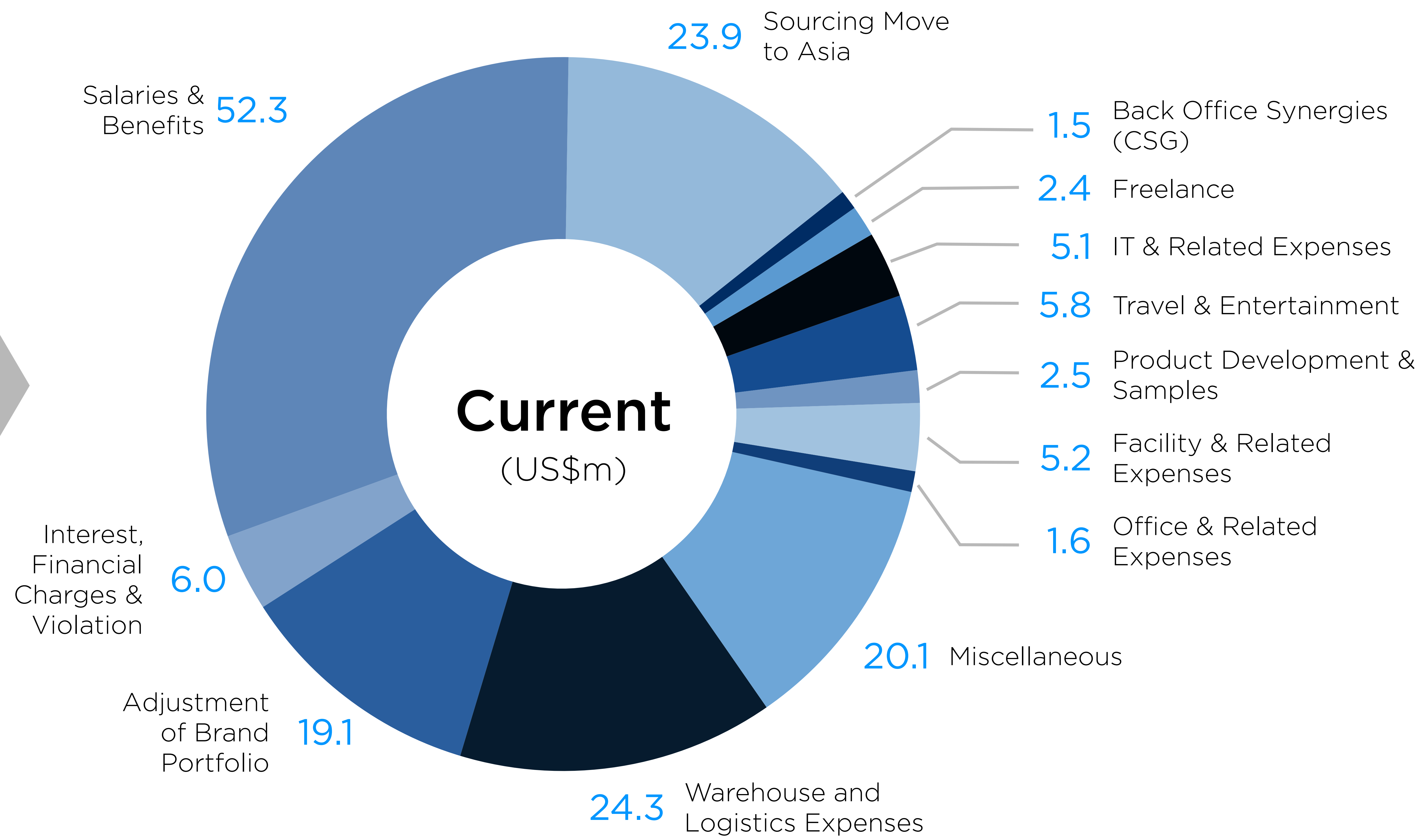
# Restructure Plan

- Original plan to reduce US$100m operating expenses
- Achieved US$170m run rate... US$140m completed
- Moved sourcing and product development closer to needlepoint
- Globally consolidated third party warehouses
- Developed 3-D design and virtual samples to significantly accelerate product development cycle
- Flattened organization by reducing grade levels from 25 to 11
- Appointed new management team to move business forward

# Restructuring Plan – Phase 1 (Run-Rate Basis)




**US$100m**




**US$170m run rate**
**US$140m expense impact**

# Bank Restructuring

- Revolving Credit Facility loan after strategic divestment was US$375m
- Fully subordinated, non-interest bearing loan from controlling shareholder:
  - Special dividend left in company US$92.2m
  - Additional loan's received US$200m
  - Total shareholder loan US$292.2m
- Revolving Credit Facility loan reduced to US$174.1m through shareholder loan
- Reduces interest payments

# Key Financial Highlights – FY 2019 (Continuing Operations)

| (US$m) | FY18 | FY19 | CHANGE |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| **Revenue** | 1,585 | 1,513 | *-4.6%* |
| **Total Margin** | 500 | 458 | *-8.4%* |
| *% of Revenue* | *31.5%* | *30.2%* | |
| **Operating Costs** | 614 | 701 | *14.0%* |
| *% of Revenue* | *38.8%* | *46.3%* | |
| **Other (Losses) / Gains (1)** | (31) | 28 | |
| **Impairment of Goodwill** | 35 | - | |
| **Operating Loss** | (114) | (215) | *-88.8%* |
| *% of Revenue* | *-7.2%* | *-14.2%* | |
| **EBITDA (2)** | 115 | (19) | *-116.5%* |
| *% of Revenue* | *7.2%* | *-1.3%* | |
| **Net Loss Attributable to Shareholders from Continuing Operations** | (169) | (261) | *-54.7%* |
| *% of Revenue* | *-10.7%* | *-17.3%* | |
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- Revenue slightly lower due to disposal of home business and exiting low performing brands
- Margins were impacted by high discounting in 1H 2019. Margins increased in the 2H 2019 as discounts were pulled back
- Prior year included US$125m primarily from sale of Frye IP, and Sean John Asia
- Operating expenses were also higher primarily due to non-recurring marketing expense reimbursements in FY2018, new Spyder Korea retail locations, addition of Tahari ASL, higher DTC expenses and higher warehouse and distribution costs
- Commenced restructuring plan to reduce operating costs
- Disposals will further reduce working capital needs

(1) **FY2018:** Gain on remeasurement of contingent consideration payable of US$2m, gain on disposal of business of US$12m, gain on disposal of trademarks of US$11m, net off with write off of loan receivable of US$34m and write off of intangible assets of US$21m
**FY2019:** Gain on remeasurement of contingent consideration payable of US$36m, net off with write off of loan receivable of US$5m and write off of intangible assets of US$4m

(2) EBITDA is defined as net profit / (loss) before net interest expenses, tax, depreciation and amortization. This also excludes share of results of an associate and joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs, discontinued operations and non-cash gain on remeasurement of contingent payable

# Macro Environment

- U.S. likely to raise tariffs on Chinese goods - Impact in 2nd half
- The U.S. retail climate is strong, however, consumers will be impacted by trade war
- Retail sales across Europe remain a challenge and consumer confidence is low
- Smaller emerging brands take market share
- Brick and mortar locations continue to be reduced

# 2020 Goals + Objectives

- Complete phase 1 of restructuring plan
- Stabilize revenue
- Improve margin by 100bps
- Reduce working capital requirements
- Greater integration of the North America and Europe business
- Maximize high performing brands

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