

# SuperGroup Plc

## Strategy Update – building a global lifestyle brand

*Buy-out of US licence; maiden dividend; Idris Elba collaboration; strengthened Board*

26 March 2015

SuperGroup Plc ('SuperGroup' or 'Group') is today hosting a strategy update. The presentation will be made available on [www.supergroup.co.uk](http://www.supergroup.co.uk) at 2pm and a recording of the event will be available on the Group website after the event.

### Key highlights

- Strategy update to provide an overview of the Group's plans to deliver sustainable, long-term growth
- SuperGroup gains the exclusive rights to distribute Superdry products in the US, Canada and Mexico ('North America') by terminating the existing US licence
- Commencing dividend payments with an interim dividend in FY16
- Idris Elba to collaborate with Superdry and design, with James Holder, a premium line of clothing
- Board strengthened with the appointment of Penny Hughes as non-executive director
- Group's expected profit outcome for FY15 remains in the range £60 – £65 million; in line with previous guidance

**Euan Sutherland, Chief Executive Officer of SuperGroup, said:** "Today we are setting out our strategy to deliver sustainable growth at SuperGroup, as we continue progressing towards our goal of creating a global lifestyle brand. Superdry represents British innovation, quality premium products at affordable prices sold to customers around the world. Superdry is an iconic brand with a strong heritage and we will continue to broaden and strengthen its appeal to customers across countries and age groups."

### Strategy Update

In the strategy update today, we will set out the four pillars of our growth strategy. These are:

- Embedding the Superdry brand to further broaden and strengthen the brand's appeal;
- Enabling the business to deliver long-term growth through continued investment in people, processes and systems;
- Extending the Superdry product range to capture significant growth opportunities; and
- Executing global growth opportunities, in new markets and online.

Central to this strategy update, we are delighted to announce two key strategic milestones.

#### 1. SuperGroup buys out US licence

SuperGroup has acquired the exclusive rights to distribute Superdry products in North America, by terminating the 30 year licence granted to SDUSA LLC, the Group's US licence partner, in 2008. The Group has also acquired certain assets from that Company. This follows the acquisitions of our Scandinavian, Spanish and German partners over the last 18 months.

Strategically, taking control of our product and presence in North America is an important and natural step in realising our ambition to create a global business. It gives us the opportunity to enhance our brand presence there and significantly build the long term value of our business.

The cash consideration of £22.3 million (US\$33.5 million) gives us direct control of the distribution of

Superdry products in the key strategic markets across North America. The consideration, funded entirely from the Group's existing cash resources, includes stock, shop fixtures and fittings valued at c.£11.0 million (US\$16.0 million) and, as part of the transaction, 15 leases will be assigned to the Group.

The one-off transaction costs are expected to be c. £0.7 million (US\$ 1.0 million) and other non-underlying costs are expected to be £9.0 million in FY15 and c£8.0 million in FY16. The business made an operating loss of £5.1 million (US\$7.9 million) in the year ended 31 December 2014. The Group expects to halve the operating loss in FY16 and accordingly, it is anticipated that the impact of this transaction will be earnings dilutive in FY16. The Group expects the North American operations to be profitable from FY17.

## **2. Dividends policy reflects strong cash generation**

The Board has kept the Group's dividend policy under review since listing and the introduction of this policy acknowledges the Board's confidence in the brand as well as the Group's ability to deliver sustainable profitable growth, cash generation and return on capital. The policy also recognises the significant range of investment opportunities available to the Group to grow shareholder value and provides flexibility for the organic and other opportunities that may require investment concentrated within a short time period.

The Board has concluded that the payment of dividends will commence with an interim dividend payment in FY16. Key parameters of the dividend policy are as follows:

- the Board intends to adopt a progressive dividend policy at a prudent cover targeting 3.0x – 3.5x;
- the Board also intends to adopt a dividend formula so that the interim dividend will be the equivalent of approximately one third of the total dividend for the previous year; and
- if, over an extended period, excess capital has not been deployed, the Board will consider one-off returns to shareholders whilst maintaining flexibility through a positive cash balance.

### **Idris Elba to collaborate with Superdry**

Idris Elba will collaborate with Superdry to design and produce a premium line of clothing which will be sold globally in stores and online, as well as through wholesale partnerships from Autumn/Winter 2015.

This new collaboration is part of our strategy to create a global lifestyle brand, building on the iconic heritage of Superdry to broaden and strengthen customer appeal. Idris, who will be designing the range with James Holder, will be the face of the line. This exciting collaboration is evidence of SuperGroup's commitment to British innovation, and the development of a premium range.

### **Strengthening the Board**

SuperGroup is pleased to announce that Penny Hughes has been appointed as an independent non-executive Director of the Group with effect from 1 April 2015. Penny is currently a non-executive director of WM Morrison Supermarkets plc and The Royal Bank of Scotland Group plc. A separate announcement, also released today, contains further detail on Penny's career and background.

### **For further information:**

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**Notes to Editors**

SuperGroup is the owner of the Superdry brand. Since the first Superdry store opening in 2004, the business has grown rapidly. There are 96 owned stores and 64 concessions in the UK. There are 50 owned stores, 126 franchised and 13 concessions in Europe. The remainder of the estate is made up of franchised and licensed stores in the rest of the world. The Group also has a successful ecommerce business. In addition to superdry.com, the Group operates 20 country specific Superdry websites. The Group's strategy is to further internationalise the business, with the focus of its future roll out of owned stores on mainland Europe and North America.

SuperGroup entered into a licence agreement with SDUSA LLC to market and distribute Superdry in North America in 2008. SDUSA LLC's retail business operates through a network of 15 stores (trading as Superdry), employs c.230 people in 18 locations. Its wholesale customers include multiples, specialty stores and discounters.