Arvind Fashions Limited

Q4 FY22 Results Presentation

May 2022

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Agenda

- Q4 and FY22 Performance Highlights
- Q4 and FY22 Results with IndAS
- Way Forward

FY22 Priorities - What we had set out for ourselves at the start of the year

	Targets	Achievement
1. Portfolio Rationalisation	• Absolute focus on our high conviction brands • Exit of loss making and marginal brands; financial impact to complete within H1 FY22	• Robust operational performance with 30%+ sales growth in H2 FY22 despite Covid impact • Discontinued brands exit completed; no losses post H1 FY22. EBITDA growth of 30% in H2 to Rs. 200 Crs
2. Working Capital Optimization	• Efficient working capital management and significantly improved inventory turns • Flexibility in the supply chain to react quickly to changes in demand	• Tighter inventory controls with 4x inventory turns (based on H2 revenues); highest in recent history • Improved inventory freshness along with sharper retail execution led to better gross margins, industry leading LTL growth and full price sell-thru's
3. Leadership in online channel	• Building omni-channel capabilities • Significant scaling up of online business	• 800+ omni-enabled stores • Online became ~1000 Crs profitable revenue channel

FY22 Priorities - What we had set out for ourselves at the start of the year

	Targets	Achievement
4. Re-capitalisation of the business & de-leveraging	• Reduction in debt to ~600 Crs by year-end • Adequately capitalizing balance sheet to fund growth	• Net debt at <400 Crs as of Mar'22 • Significant strengthening of balance sheet through equity raise and cash flow; cash profit of ~Rs. 75 Crs in H2
5. Under performing brands - Turnaround or Exit	• Make Arrow a more desirable & updated brand with product refresh, new retail identity etc. • Strategic solution to 'Unlimited'	• Structural turnaround of Arrow completed; marginal impact on account of 3rd Covid wave • Sold 'Unlimited' retail business to V-Mart Retail
6. Bolder and better AFL 2.0	• Become PAT positive in FY23 • New capabilities • Transformational projects • Stronger team and talent	• Achieved PAT positive milestone in H2 FY22 • Evolution of central sales structure • Supply chain, inventory turns, cost control • Built highly experienced management team

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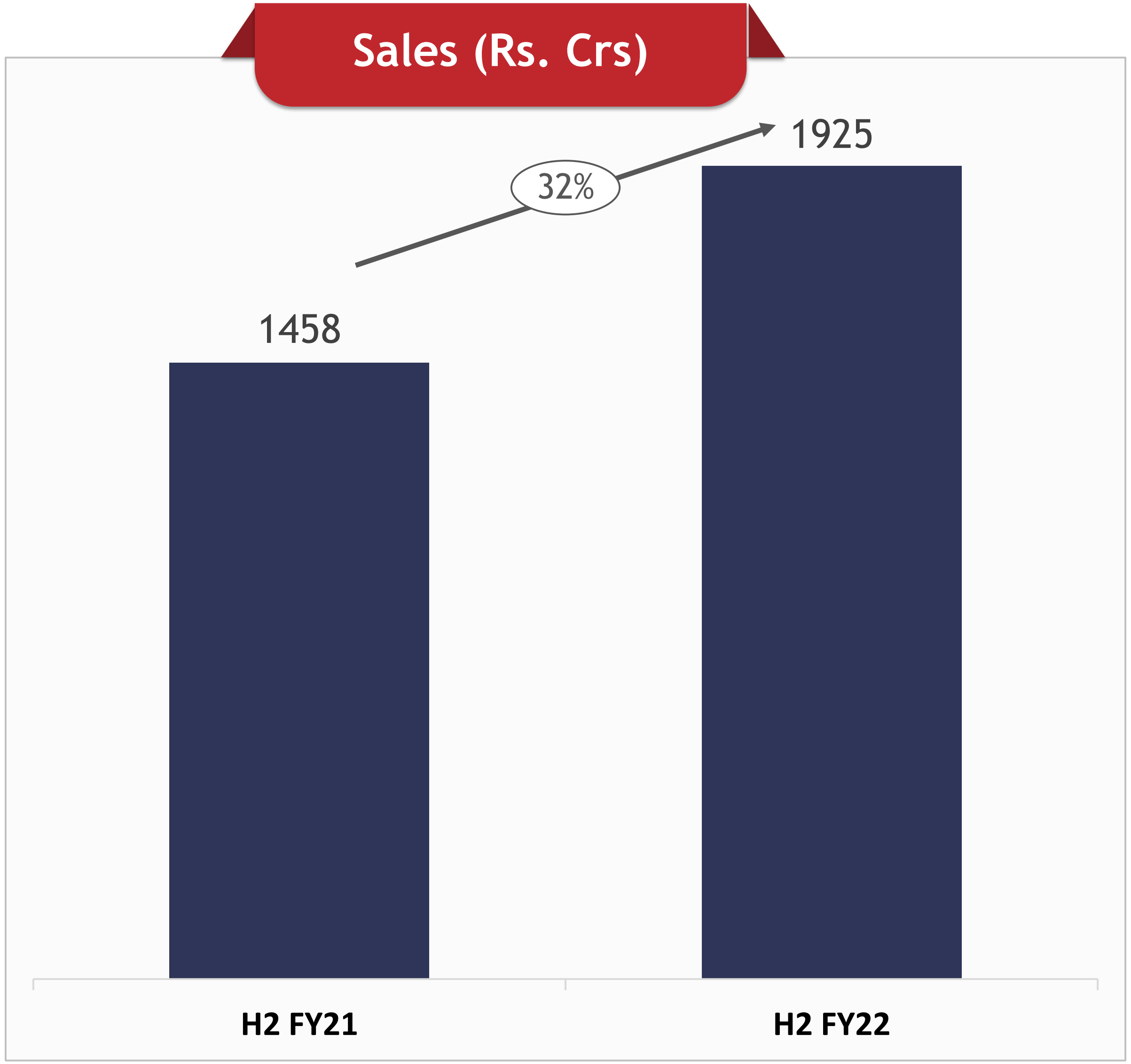
Strong financial performance in H2 FY22 despite Covid 3rd wave impact



- Significant focus on core brands along with fresh brand retail identities drove higher like-to-like growth
- Strong multi-channel play
- Aggressive retail expansion across brands with addition of 150+ stores in FY22

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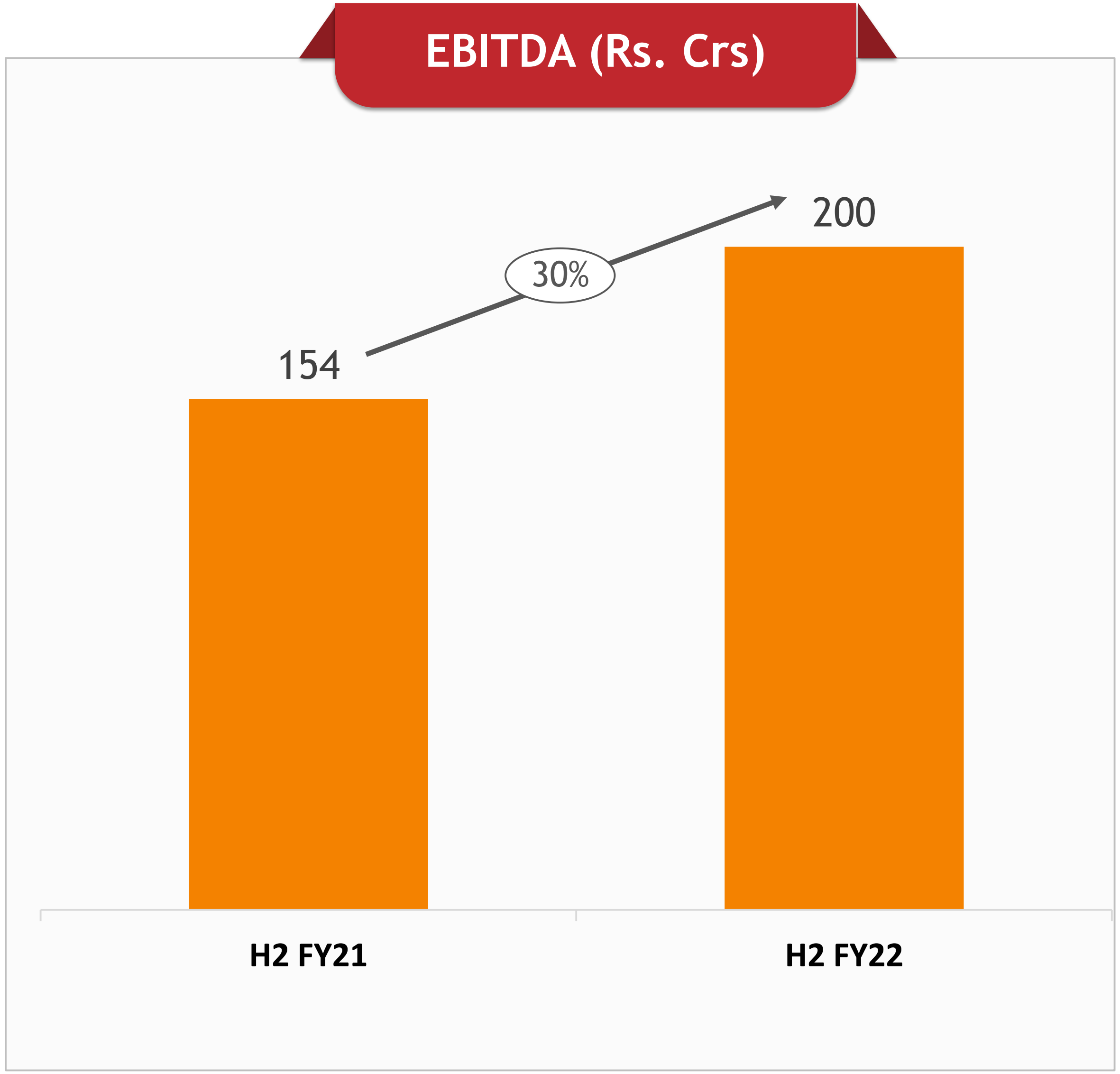
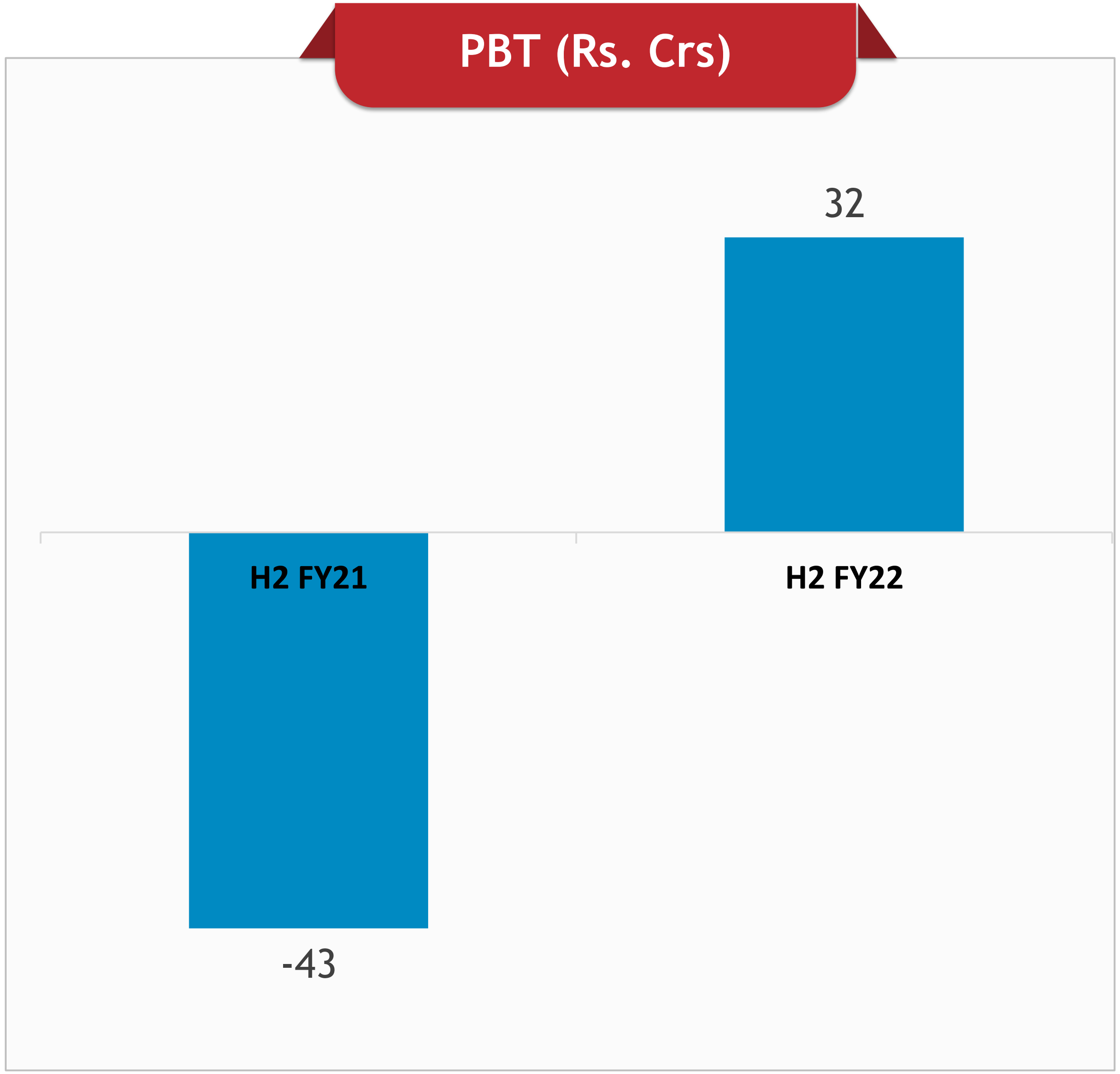
Leading to significant improvement in all operational parameters

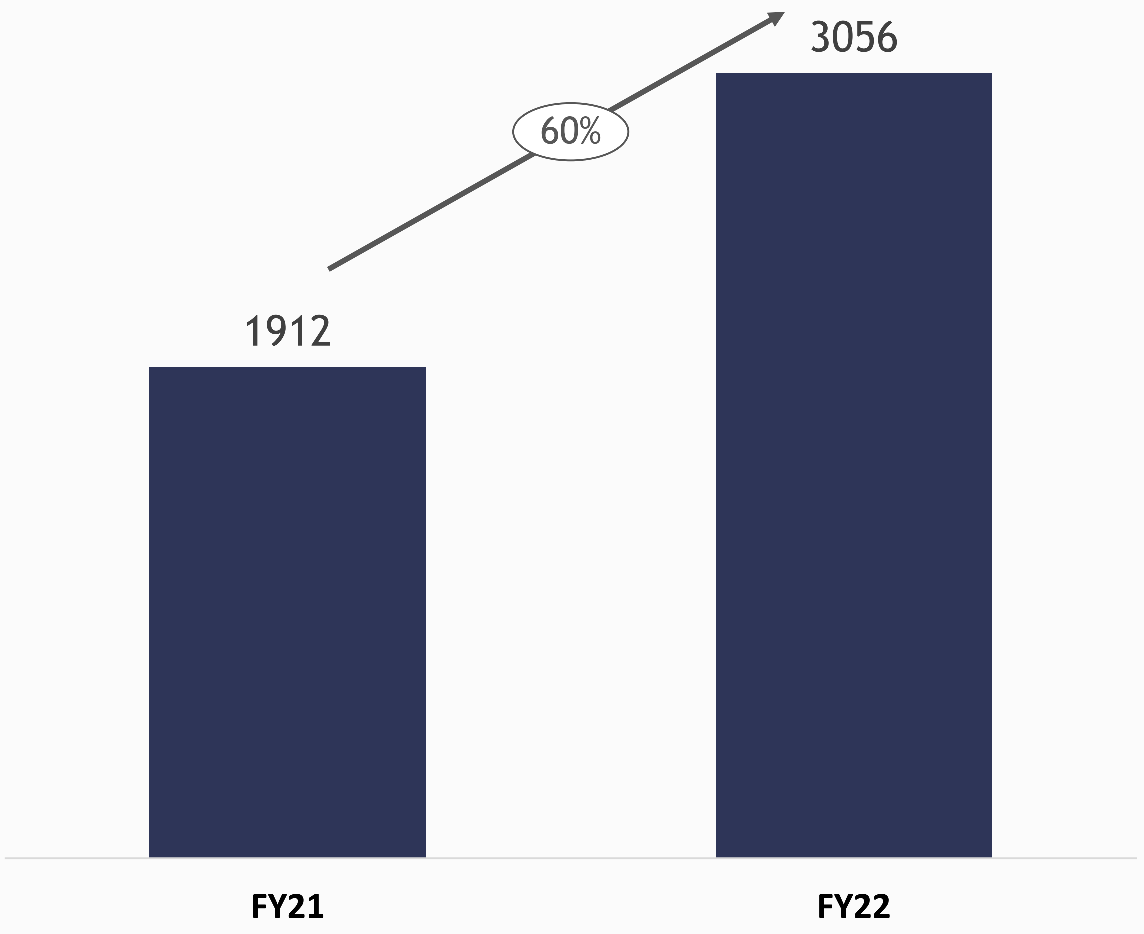




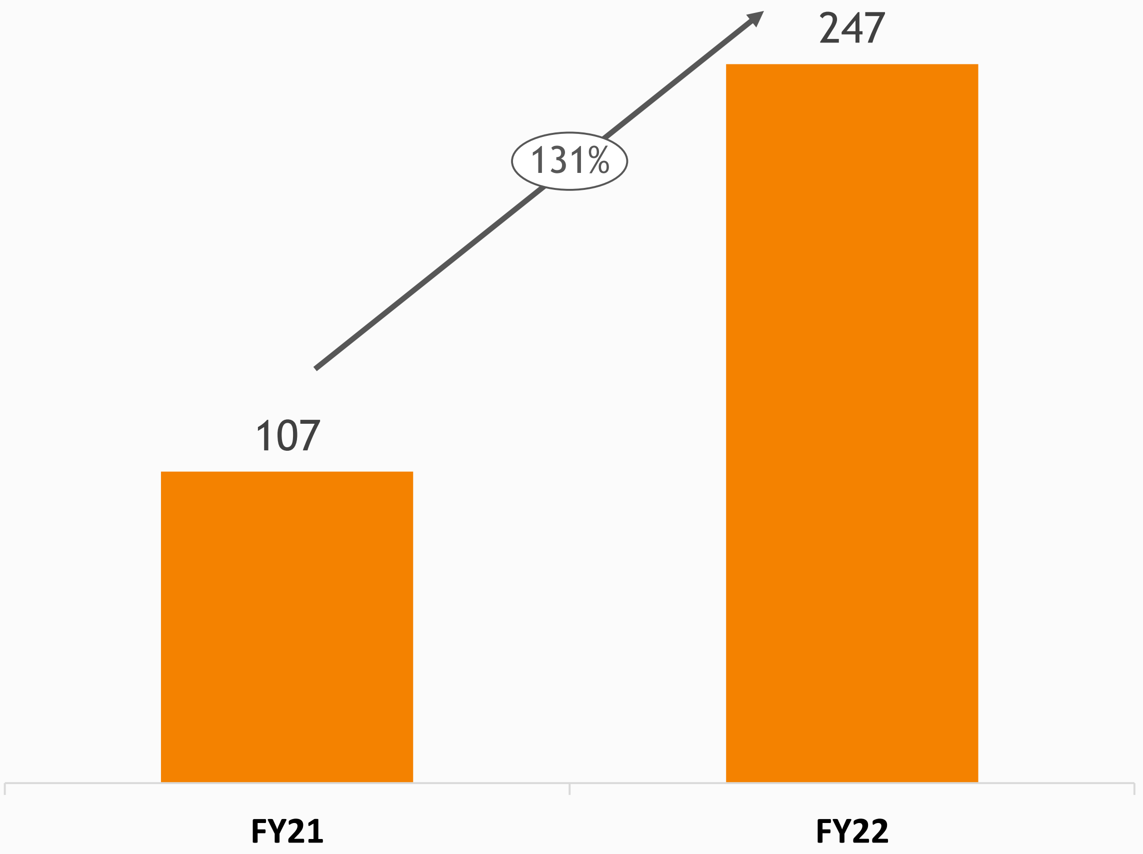
Gross margin improvement of 180 bps to 45.3% leading to improvement in profitability

Posts strong FY22 performance after setback due to pandemic

Sales (Rs. Crs)



EBITDA (Rs. Crs)



Revenues crossed pre-Covid levels with sharp turnaround in profitability

H2 FY22 - Groupwise Performance

	Sales (Rs. Crs)				EBITDA (Rs. Crs)	
	H2 FY22	H2 FY21	% Growth	% Growth vs H2 FY20	H2 FY22	H2 FY21
Power Brands	1538	1201	28%	34%	180	150
Emerging Brands	386	257	50%	36%	20	4
Total	1925	1458	32%	34%	200	154

Note:
Power Brands – US Polo Assn., Tommy Hilfiger, Flying Machine and Arrow
Emerging Brands – Calvin Klein, Sephora, Ed Hardy, Aeropostale and Others

FY22 - Groupwise Performance

	Sales (Rs. Crs)				EBITDA (Rs. Crs)	
	FY22	FY21	% Growth	% Recovery vs FY20	FY22	FY21
Power Brands	2475	1529	62%	104%	236	116
Emerging Brands	581	384	51%	100%	12	(9)
Total	3056	1912	60%	103%	247	107

Note:
Power Brands – US Polo Assn., Tommy Hilfiger, Flying Machine and Arrow
Emerging Brands – Calvin Klein, Sephora, Ed Hardy, Aeropostale and Others

Strong working capital controls yielding better inventory turns and cash flow

	Figures in Rs Crs.			
	Mar'22	Mar'21	Change	Dec'21
Inventory	965	900	65	985
Receivables	572	626	(54)	522
GWC	1537	1525	11	1506
Payables	1048	918	130	1088
NWC	489	607	(118)	418

- Sharp working capital management through quick actions to largely offset Covid-led impact

Q4 FY22 Highlights

Q4 FY22 Business Highlights

Strong revenue performance

- **34%** sales growth Y-o-Y; **59%** growth (vs. pre-COVID)
- **Recovered** strongly in March'22 posting LTL growth of 20% in Feb-Mar'22 and 15% in Q4; despite impact of Covid 3rd wave

Power Brands

- **Continued double-digit** EBITDA margin (pre-IndAS) trajectory in USPA & Tommy Hilfiger

Profitability

- **36%*** growth in EBITDA to Rs. 94 crores; despite normalization of costs & Covid impact in Jan
- **Better** full price sell-thru's and lower discounts
- **Positive** cash flow from operations

Channel-wise

- **45%+** overall growth in retail channel in Mar'22; momentum continued thereafter
- **4.6x** growth in online channel (vs pre-COVID); **20%+** Y-o-Y growth
- Strong bounce back in department stores; sales growth of **>2.2x**

Working capital management

- Tighter inventory control despite seasonal build-up
- Strong focus on inventory turns; delivered **4x** turns (based on H2) despite sales impact due to Covid

Leaner balance sheet

- **~Rs. 400 crores** net debt; reduction of >50% compared to Mar'21
- Debt Equity ratio at **0.67x** compared to 1.81x in Mar'21

* Adjusted for rent concessions received in base quarter (Q4 FY21)

USPA : Opened the largest store with new retail identity in South market

U.S. POLO ASSN.
SINCE 1890

Q4 FY22 - Groupwise Performance

	Sales (Rs. Crs)				EBITDA (Rs. Crs)	
	Q4 FY22	Q4 FY21	% Growth	% Growth vs Q4 FY20	Q4 FY22	Q4 FY21
Power Brands	732	555	32%	55%	87	85
Emerging Brands	185	129	43%	76%	7	4
Total	917	685	34%	59%	94	89

Note:
Power Brands – US Polo Assn., Tommy Hilfiger, Flying Machine and Arrow
Emerging Brands – Calvin Klein, Sephora, Ed Hardy, Aeropostale and Others

Agenda

Q4 and FY22 Performance Highlights

Q4 and FY22 Results with IndAS

Way Forward

Q4 FY22 - Performance Snapshot

	Reported (Rs Crs.)		
	Q4 FY22	Q4 FY21	% growth
Revenue from Operations	917	685	34%
Other Income	21	21	(2%)
Total Income	938	706	32%
EBITDA*	91	67	36%
Reported EBITDA	94	89	6%
Finance Costs	23	41	(44%)
Depreciation and amortisation	61	62	(1%)
PBT from continuing operations	10	(14)	-
Discontinued operations	-	(58)	-
PAT	1	(103)	-

* Adjusted for rent concessions included in other income

FY22 - Performance Snapshot

	Reported (Rs Crs.)		
	FY22	FY21	% growth
Revenue from Operations	3056	1912	60%
Other Income	65	109	(39%)
Total Income	3122	2021	54%
EBITDA	247	107	131%
Finance Costs	124	180	(31%)
Depreciation and amortisation	233	238	(2%)
Exceptional items	-	(45)	-
PBT from continuing operations	(104)	(398)	-
Discontinued operations	(133)	(198)	-
PAT	(267)	(580)	-

Balance Sheet

Particulars (Rs Cr.)	Mar'22	Mar'21
Net Worth*	996	734
Borrowings	502	903
Capital Employed	**1498**	**1637**
Inventory	965	900
Receivables	572	626
Creditors	1048	918
Net Working Capital	489	608
Net Fixed Asset	273	381
Discontinued Operations Assets	5	81
Other Assets	731	567
Capital Employed	**1498**	**1637**

* Includes Compulsorily Convertible Preference Shares issued by AYBPL and sold to FK, presented in the books as financial liability

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Q4 and FY22 Performance Highlights

Q4 and FY22 Results with IndAS

Way Forward

Way forward

FY23 Priorities

- Strong revenue growth coupled with improvement in profitability & ROCE

- Significant scaling up of adjacencies across brands - footwear, kidswear, innerwear and women's wear

- Acceleration in store network expansion across brands & markets by opening 200+ stores

- Investments to maintain digital channel leadership and focusing on omni and D2C

- Continued focus on de-leveraging & driving higher inventory turns leading to improved cash flow

Short term

- Growth momentum to continue after strong bounce back in Mar'22; witnessing similar trend in Apr-May'22

- Profitability improvement through various levers including gross margin, better sell-thru's etc.

- Increase in raw material costs & inflation remains a key challenge; being managed through pricing power in focus brands and efficiencies of lower discounting and economies of scale to improve margins

Thank You