



Q2 FY23 RESULTS PRESENTATION

ARVIND fashions

November | 2022

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AGENDA



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Q2 FY23 Performance
Highlights



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Q2 FY23 Results



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Way Forward

Q2 FY23 PERFORMANCE HIGHLIGHTS

MARKET & ECONOMY UPDATE



Retail channel continues to stay strong (compared to pre-Covid levels) leading to sharper recovery across the industry

Changing consumer preferences towards pre-Covid with offices opening, marriage & occasion-led demand

Premiumization continues to be a key trend across multiple categories

Inflation continues to stay elevated while consumer sentiment stays strong

Cotton prices are moderating after big spike last year

FY23 TARGETS & OBJECTIVES - WHAT WE HAVE SET FOR OURSELVES

Sales & Profitability <ul style="list-style-type: none"> • Amongst industry leading growth rates (over FY22) • Expansion in operating margins with significant growth in PAT 	Inventory <ul style="list-style-type: none"> • Further improvement in inventory turns to >4x 	Omni-channel business model <ul style="list-style-type: none"> • Build scalable omni-channel model with higher contribution of direct-to-consumer (D2C - NNNOW + Marketplace) helping drive higher customer loyalty
Working capital & Balance sheet <ul style="list-style-type: none"> • Efficient working capital management leading to free cash flow generation • De-leveraging to continue 	Return on capital employed (ROCE) <ul style="list-style-type: none"> • Significant improvement in ROCE profile 	Deeper penetration and store expansion <ul style="list-style-type: none"> • Acceleration in store network expansion across smaller towns by opening 200+ stores

Q2 FY23 BUSINESS HIGHLIGHTS



QUARTERLY SALES

46% sales growth Y-o-Y;
32% growth vs. pre-COVID (Q2 FY20)

Retail LTL of ~25%; continued strong execution as witnessed in Q1 as well



POWER BRANDS

Double digit EBITDA margin (pre-IndAS) continued for USPA & Tommy Hilfiger

USPA strengthened its leadership position in casual wear segment with achievement of 1000+ Crs NSV at end-Oct'22

Significant improvement in EBITDA margins by 310 bps (Y-o-Y)



CHANNEL-WISE PERFORMANCE

70% growth in retail channel Y-o-Y and ~35% growth (vs. pre-COVID); sharp execution continued

~75% growth in online channel (vs. pre-COVID) with revenue mix of 25%+

100% Y-o-Y growth in MBO channel and ~40% (vs. pre-COVID)



GROWTH DRIVERS (CATEGORY / FORMAT)

50%+ growth each in footwear and kidswear businesses (Y-o-Y)

Successful foray into dedicated outlet model for efficient liquidation strategy for our 5 apparel brands; in-line with industry practice. Opened 20 stores of avg. 3000 Sq. ft. each



GROSS MARGINS

Record full price sell-thru's across brands for SS'22 and AW'22

Lowering of discounts and better channel mix led to gross margin expansion of 280 bps



EBITDA & ROCE

~90% growth in EBITDA to ₹ 136 crores (Y-o-Y)

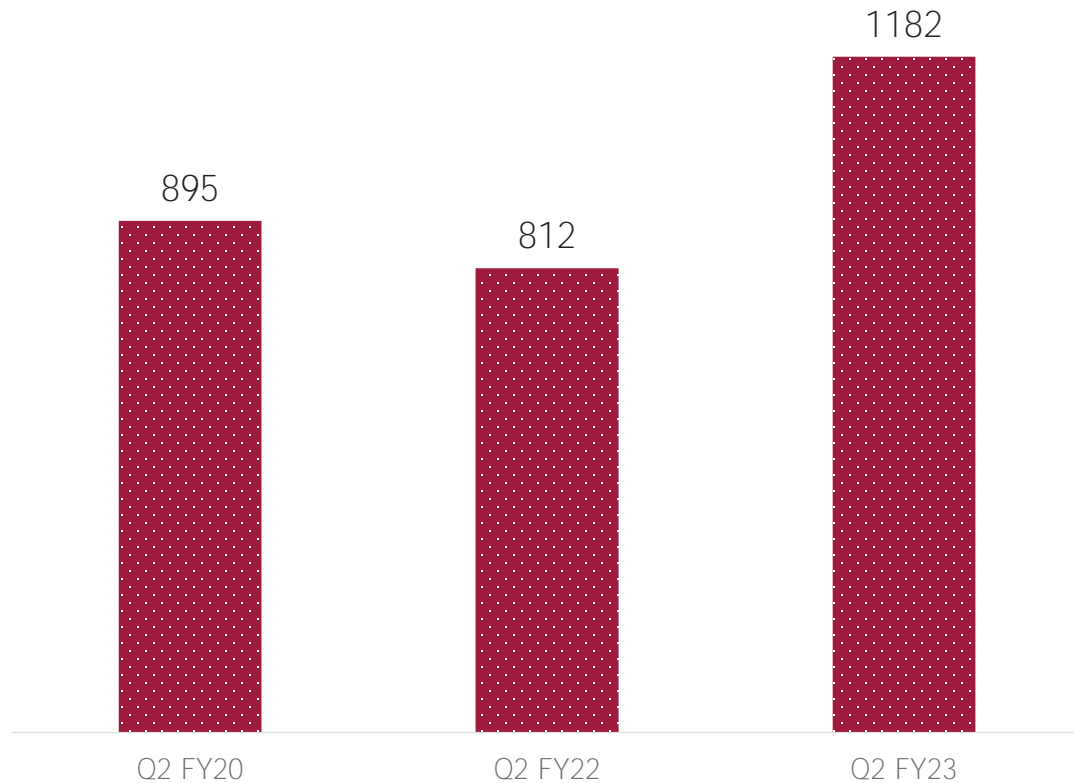
EBITDA margins increase by 260 bps despite higher advertising spends of 70 bps (Y-o-Y)

Achieved milestone of ROCE (annualized) at ~15%

AFL POSTED HIGHEST EVER QUARTERLY SALES

Sales

(₹ in crores)

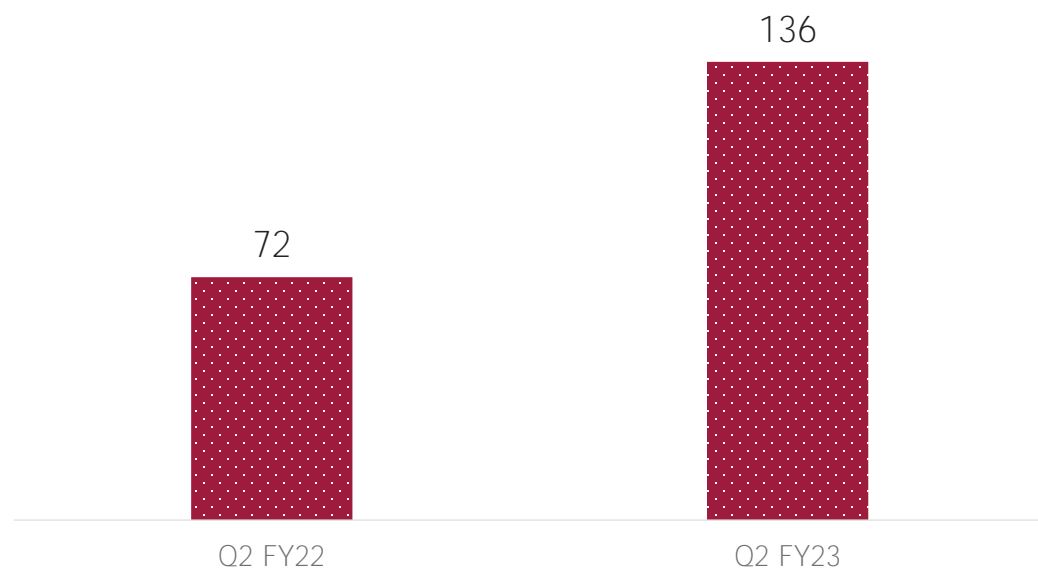


- Recorded highest sales quarter led by continued buoyancy in demand and sharp execution in retail channel resulting in ~25% LTL growth and strong EOSS
- Strong performance in the MBO channel
- Investment in brand advertisement, new retail identities and multi-category play continues to drive higher footfalls and brand loyalty

RESULTING IN RECORD BOTTOM LINE PERFORMANCE

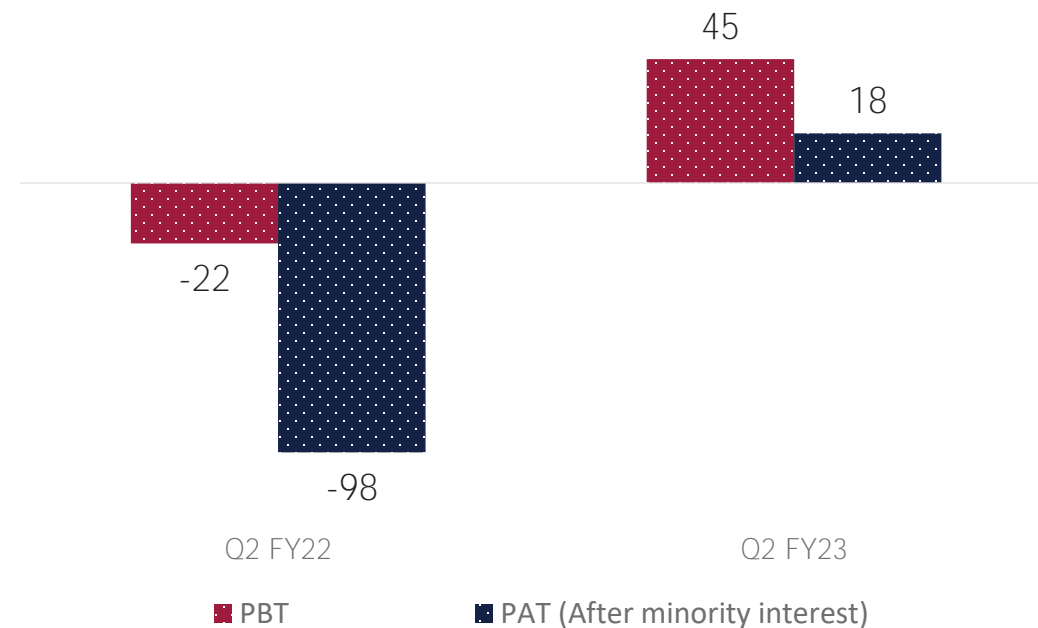
EBITDA

(₹ in crores)



PBT and PAT (after minority interest)

(₹ in crores)



Y-o-Y improvement in gross margin leading to 260 bps increase in EBITDA margin despite higher advertising spends of 70 bps



U.S. POLO ASSN.
SINCE 1890



SEPHORA

Q2 FY23 PERFORMANCE HIGHLIGHTS

BRAND HIGHLIGHTS



U.S. POLO ASSN.
SINCE 1890

Brand Highlights

- Q2 FY23 witnessed highest quarterly revenue ever
- Very strong retail sales backed by industry-leading LTL, with sharp reduction in discounting
- **Market leader in men's** casualwear in India with leadership in online portals, department stores and MBOs
- Reaping results of strategic work done in FY22 - brand refresh, energizing the brand with new retail identity, varied product designs, new visual merchandising standards



- First time ad campaign with Indian celebrity, Bollywood actor Arjun Rampal. Great response to campaign focused on twinning
- With strong execution, brand successfully delivered double digit EBITDA (pre-IndAS) and is poised for rapid growth through expansion of adjacent categories like footwear, kidswear and accessories supported by robust expansion of store network



Brand Highlights

- Key focus area for us and delivering strong results with brand doubling its NSV in H1 FY23
- EBITDA positive trajectory with 20%+ LTL growth in full price season and >5% reduction in discounting



- Brand refresh involving new retail identity, premium and ceremonial designs in formal line and bigger assortment of **smart casual 'Arrow Sports'** line post Covid as well as logoization of the brand leading to strong success
- Great response to recently launched super premium **'Arrow 1851'** line



Brand Highlights

- Leading super-premium brand in India, with double digit EBITDA (pre-IndAS)
- Much loved for its consistently high standards of retailing across more than 70 cities in India
- Uniquely wide assortment of product categories ranging from smart casuals for men, women, kids, footwear and accessories



- Leadership in premium watches, eyewear, belts and wallets segments in India
- Fast growing and very profitable online business
- Growth opportunity in **recently launched 'Tommy tailored' line**



Brand Highlights

- The fastest growing bridge to luxury fashion brand in India having doubled its revenue in H1 FY23
- Industry leading full price sell-thru and LTL full price growth



- Market leadership of bridge to luxury segment in jeans, Tees and innerwear segments
- Much talked about association with celebrity Disha Patani as **brand's key influencer in India**



Brand Highlights

- Strategic partnership with Flipkart group gives brand a unique advantage to reach online first mindset young consumers across India including in small tier towns
- Focusing on re-energizing the brand for young millennials / **Gen Z's with upgraded** product designs, especially in jeans



- Fueling of growth through adjacent categories across footwear, innerwear and kidswear in the medium term
- Investing in omni capabilities for strengthening business with key consumers in both online and offline channel

SEPHORA

Brand Highlights

- Leading player in the prestige segment with presence in 26 EBOs across key malls in the country
- Unique engagement with women consumers through top of the line shopping experiences at its large sized offline stores



- Strengthening of categories like fragrances, haircare and skin care through launch of multiple brands during the quarter like Hanz De Fuko, MAC and Too Faced
- Delivers industry leading sales density per sq. ft. in malls across India

Q2 FY23 - GROUPWISE PERFORMANCE

				(₹ in crores)			
	Sales			EBITDA		EBITDA %	
	Q2 FY23	Q2 FY22	% Growth	Q2 FY23	Q2 FY22	Q2 FY23	Q2 FY22
Power Brands	998	674	48%	131	67	13.1%	9.9%
Emerging Brands	184	138	34%	6	5	3.0%	3.7%
Total	1182	812	46%	136	72	11.5%	8.9%

Strong scale of ~1000 Crs in power brands in a single quarter with huge improvement of 310 bps in EBITDA margins

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

H1 FY23 - GROUPWISE PERFORMANCE

	<i>Sales</i>			<i>EBITDA</i>		<i>EBITDA %</i>	
	H1 FY23	H1 FY22	% Growth	H1 FY23	H1 FY22	H1 FY23	H1 FY22
Power Brands	1746	936	87%	214	55	12.3%	5.9%
Emerging Brands	356	195	82%	16	(8)	4.5%	(4.1)%
Total	2102	1131	86%	230	47	11.0%	4.2%

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

CONTINUED FOCUS ON INVENTORY & WORKING CAPITAL MANAGEMENT

	(₹ in crores)		
	Sep'22	Sep'21	June'22
Inventory	1221	948	1013
Inventory days	86	94	98
Receivables	686	622	549
Debtor days	52	69	54
Payables	1342	1093	996
Creditor days	102	121	97
NWC	566	477	566
NWC days	36	42	54

*Inventory control continues to be key monitorable; resulted in >4x turns
Improvement in inventory & debtor days drove efficient NWC cycle; generated higher cash flows*

Q2 FY23 RESULTS

Q2 FY23 - PERFORMANCE SNAPSHOT

(₹ in crores)

	Q2 FY23	Q2 FY22
Revenue from Operations	1182	812
Other Income	20	16
Total Income	1202	828
EBITDA	136	72
PBT	45	(22)
Discontinued operations	-	(69)
Minority Interest	10	3
PAT	18	(98)



Strong financial performance with huge improvement in operational profitability

BALANCE SHEET AS ON 30-SEP-2022

(₹ in crores)

Particulars	30-Sep-22	30-Sep-21
Net Worth*	1041	886
Borrowings	573	843
Capital Employed	1614	1729
Inventory	1221	948
Receivables	686	622
Creditors	1342	1093
Net Working Capital	566	477
Net Fixed Asset	262	297
Other Assets	781	913#
Discontinued Business	5	42
Capital Employed	1614	1729

Includes preferential issue funds

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



WAY FORWARD

WAY FORWARD

AFL

Growth momentum to stay strong led by festive demand, build-up of adjacent categories across brands, LTL growth and multi-channel play

Expanding the retail network into smaller towns through the franchisee model

Focus on improving profitability further through operating leverage and sharper execution through lower discounting, higher productivity & efficient channel mix leading to higher ROCE

Strong balance sheet through improved inventory turns and working capital control

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THANK YOU