



Q3 FY23 RESULTS PRESENTATION

ARVIND FASHIONS

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AGENDA



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Q3 FY23 Performance
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Q3 FY23 PERFORMANCE HIGHLIGHTS

MARKET & ECONOMY UPDATE



Consumption and retail demand continued to stay stable in big cities compared to smaller towns

With work from office gaining momentum, categories like shirts, jeans and occasion-wear see strong demand

Premiumization continues to witness strong demand and remains a key differentiator across categories

Clear shift towards organized segment - stronger brands doing better

Markets witnessed muted Diwali and delayed onset of winter

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

Q3 FY23 BUSINESS HIGHLIGHTS



QUARTERLY SALES

17% sales growth Y-o-Y;
41% growth vs. pre-COVID (Q3 FY20)

Industry leading retail LTL of 12%+; focused execution on season-launch & superior customer experience



POWER BRANDS

Double digit EBITDA margin continued for USPA & Tommy Hilfiger

USPA continued its leadership dominance in casual wear segment with NSV clocking 1500+ Crs at end-Jan'23

Strong improvement in EBITDA margins by ~140 bps (Y-o-Y)



CHANNEL-WISE PERFORMANCE

~25% growth in retail channel Y-o-Y and 40%+ growth (vs. pre-COVID)

40%+ growth in department stores Y-o-Y with business returning to normalcy

~25% revenue mix continues from Online; 40%+ growth in direct-to-consumer business (marketplace + NNNow)



GROWTH DRIVERS

45%+ growth each in footwear and kidswear businesses (Y-o-Y)

Footwear becoming significant growth engine; grew by ~3.3x (vs. pre-COVID) with healthy profitability



GROSS MARGINS

Industry leading full price sell-thru's for AW'22; conscious decision to delay EOSS

Lowering of discounts and higher sell-thru's led to gross margin expansion of 160 bps



EBITDA & ROCE

29% growth in EBITDA to ₹ 136 crores (Y-o-Y)

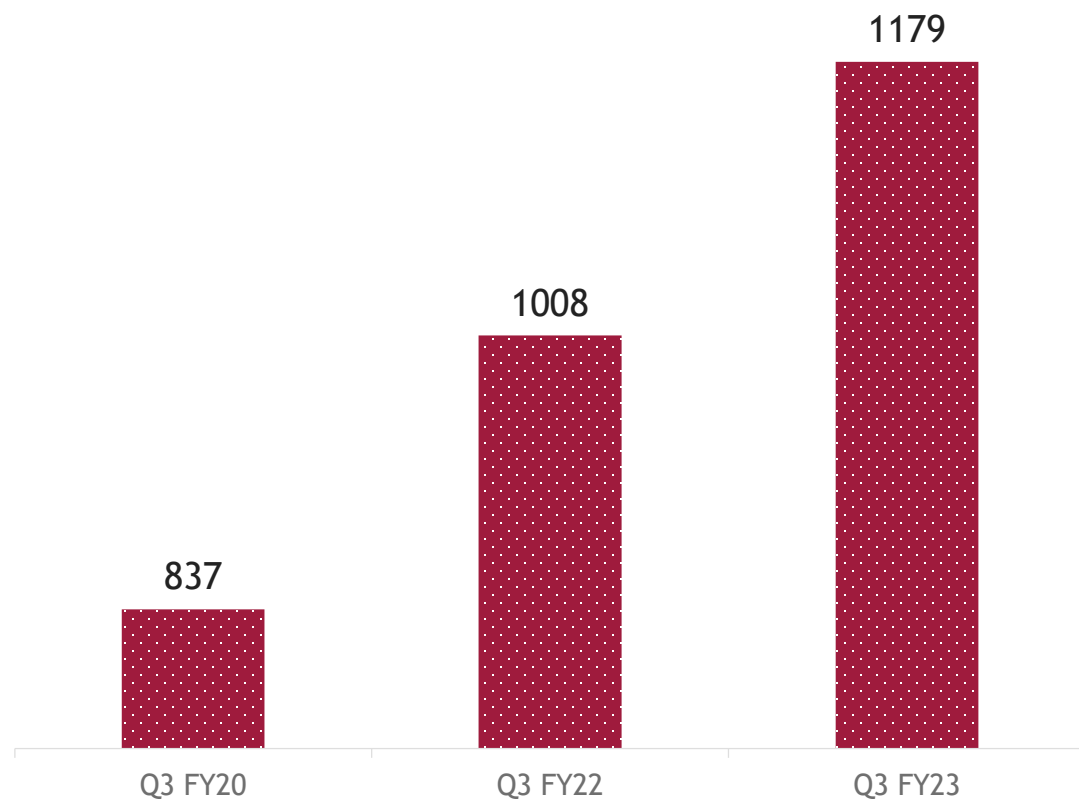
EBITDA margins higher by 110 bps led by gross margins and operating leverage (Y-o-Y)

ROCE (annualized) sustained at ~15%

AFL POSTED BEST EVER Q3

Sales

(₹ in crores)

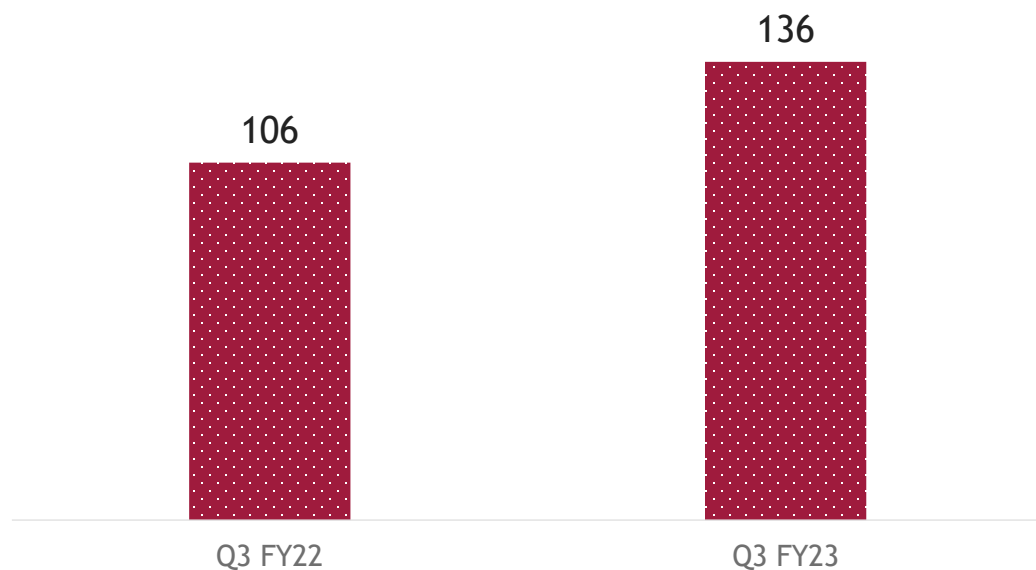


- Recorded highest quarterly sales in Q3 led by strong affinity for our brands registering industry leading 12%+ retail LTL growth
- Strong performance in the department stores channel
- Sharp execution on retail experience, investment in brand building and healthy channel mix driving superior results

RESULTING IN STRONG PROFITABILITY

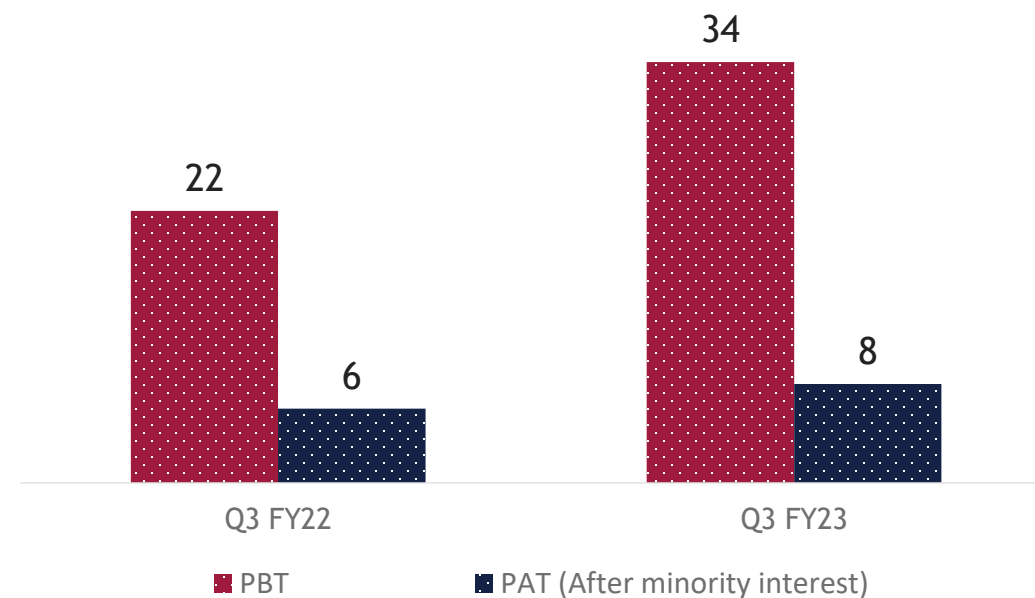
EBITDA

(₹ in crores)



PBT and PAT (after minority interest)

(₹ in crores)



110 bps improvement in EBITDA margins on account of higher gross margins and operating leverage



U.S. POLO ASSN.
SINCE 1890



SEPHORA

Q3 FY23 PERFORMANCE HIGHLIGHTS

BRAND HIGHLIGHTS



U.S. POLO ASSN.
SINCE 1890

Brand Highlights

- Achieved milestone of NSV 1500+ Crs in YTD Jan'23
- Strong retail LTL coupled with high growth in department stores resulted in significant reduction in discounting
- Continued to dominate men's casualwear category across channels
- Premiumization of brand through superior product designs and delightful customer experience
- Rapid rollout of new retail identity



- Much loved brand campaign with Indian celebrity, Bollywood actor Arjun Rampal resulting in strong brand recall & loyalty
- Nearly 50% sales growth in footwear, kids wear and denim categories; brand poised for faster growth through expansion of adjacencies



Brand Highlights

- Brand turnaround completed; sales growth of ~60% in YTD Q3
- Continued double-digit LTL and positive EBITDA for three consecutive quarters
- Strong improvement in full price sell-thru's and reduction in discounting



- Strong momentum led by refreshed retail identity, premium and ceremonial designs in formal line and larger assortment of 'Arrow Sports' as well as logoization of the brand
- Super premiumization of brand through 'Arrow 1851' line



Brand Highlights

- Strategic partnership with Flipkart group gives brand a unique advantage
- Consumer connect with sharper focus on young millennials / Gen Z's with upgraded product designs, especially in jeans
- Launched footwear category across online channel



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

Brand Highlights



- Continued leadership in super-premium segment, with double digit EBITDA
- Superior customer retail experience along with high quality product designs across 100+ stores in India
- Growth opportunity in recently launched 'Tommy tailored' line; tied-up with Guru Randhawa as category ambassador





Brand Highlights

- Strong traction in super premium category aiding brand's robust performance with industry leading full price sell-thru, retail LTL and lower discounting



- Market leadership of bridge to luxury segment in jeans, Tees and innerwear segments
- Continued strong partnership with brand ambassador - Disha Patani

SEPHORA

Brand Highlights

- Leading player in the prestige segment with presence in 26 EBOs across key malls in the country
- Strong retail LTL growth during the quarter; fragrance business doubled Y-o-Y
- Unique engagement with women consumers through top of the line shopping experiences at its large sized offline stores



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



Q3 FY23 - GROUPWISE PERFORMANCE

				(₹ in crores)			
	Sales			EBITDA		EBITDA %	
	Q3 FY23	Q3 FY22	% Growth	Q3 FY23	Q3 FY22	Q3 FY23	Q3 FY22
Power Brands	952	806	18%	122	93	12.9%	11.5%
Emerging Brands	227	202	12%	14	13	6.2%	6.4%
Total	1179	1008	17%	136	106	11.6%	10.5%

Strong growth in power brands coupled with operating leverage drive its EBITDA margins higher by ~140 bps

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

YTD FY23 - GROUPWISE PERFORMANCE

	Sales			EBITDA		EBITDA %	
	YTD FY23	YTD FY22	% Growth	YTD FY23	YTD FY22	YTD FY23	YTD FY22
Power Brands	2699	1743	55%	337	148	12.5%	8.5%
Emerging Brands	582	397	47%	30	5	5.2%	1.2%
Total	3281	2139	53%	367	153	11.2%	7.2%

(₹ in crores)

Robust 50%+ sales growth aiding 140% increase in EBITDA and margin improvement of 400 bps

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

WORKING CAPITAL EFFICIENCY LEADING TO STRONG CASH FLOW GENERATION

(₹ in crores)

	Dec'22	Dec'21	Sep'22
Inventory	1041	985	1221
Inventory days	88	88	86
Receivables	572	522	686
Debtor days	44	47	52
GWC	1613	1506	1908
GWC days	132	135	138
Payables	1038	1088	1342
Creditor days	80	99	102
NWC	575	418	566
NWC days	51	36	36

Continued focus on debtor controls helping generate higher cash flows
Tightened inventory management sustaining >4x turns, leading to healthy sell-thru's

Q3 & YTD FY23 RESULTS

Q3 FY23 - PERFORMANCE SNAPSHOT

	(₹ in crores)	
	Q3 FY23	Q3 FY22
Revenue from Operations	1179	1008
Other Income	16	9
Total Income	1195	1017
EBITDA	136	106
PBT	34	22
Taxes	12	4
Minority Interest	14	11
PAT	8	6



Strong improvement in financial performance across all parameters

YTD FY23 - PERFORMANCE SNAPSHOT

	(₹ in crores)	
	YTD FY23	YTD FY22
Revenue from Operations	3281	2139
Other Income	38	46
Total Income	3319	2185
EBITDA	367	153
PBT	92	(120)
Taxes	34	7
Minority Interest	33	9
PAT	26	(268)



Sharp turnaround in bottom line performance

WAY FORWARD

WAY FORWARD

AFL

Continue growth momentum powered by portfolio of strong brands, aided by upcoming festival period, wedding season & SS'23 launch

Expansion of retail network across brands through the franchisee model

Focus on improving profitability further through operating leverage and sharper execution, leading to higher ROCE

Strong balance sheet with improved inventory turns and working capital control

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THANK YOU