# Q2 FY24 RESULTS PRESENTATION

Arvind FASHIONS

Nov | 2023

DISCLAIMER

This document by Arvind Fashions Limited ('the Company') contains forward-looking statements that represent our beliefs, projections and predictions about future events or our future performance. These forward-looking statements are necessarily subjective and involve known and unknown risks, uncertainties and other important factors that could cause our actual results performance to differ materially from any future results or performance described in or implied by such statements. The forward-looking statements contained herein include statements about the Company's business prospects, its ability to attract customers, its expectation for revenue generation and its outlook. These statements are subject to the general risks inherent in the Company's business. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, the Company's business and operations involve numerous risks and uncertainties, many of which are beyond the control of the Company, which could result in the Company's expectations not being realized or otherwise materially affect the financial condition, results of operations and cash flows of the Company. The forward-looking statements are made only as of the date hereof, and the Company does not undertake any obligation to (and expressly disclaims any obligation to) update any forward-looking statements to reflect events or circumstances after the date such statements were made, or to reflect the occurrence of unanticipated events.

AGENDA
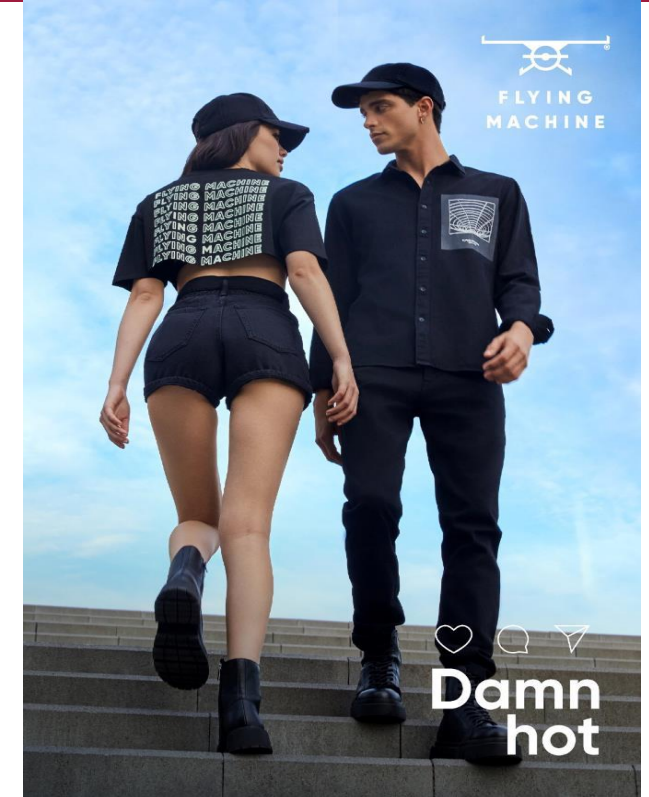
01

Q2 Performance Highlights

02

Q2 & H1 FY24 Results

03

Way Forward

Q2 FY24 PERFORMANCE HIGHLIGHTS

MARKET & ECONOMY UPDATE

Continued sluggishness in consumer demand

Premiumization theme continues to be key lever for growth & differentiation

Affinity towards stronger brands by customers

Shift of demand across quarters due to movement in festive calendar

FY24 OBJECTIVES – WHAT WE HAVE SET FOR OURSELVES

	Objectives
Sales & Profitability	• Focus on profitable revenue growth and aspiration to grow ahead of industry • Continue sharper focus on further expanding EBITDA & PAT margins
Re-energizing the brands	• Drive higher market share through increased investments in advertising • Product innovation
Retail rigor & key performance indicators	• Focus on high quality season launch, helping drive superior customer experience with better sell-thru's and lower discounting • Pilot new retail format(s) for existing brands & execute multi-category play
Accelerate store expansion	• To open ~200 stores, largely through FOFO route
Working capital, debt, ROCE & ROE	• Focus on better inventory turns & NWC days leading to higher free cash flow • De-leveraging to continue • Further improvement in ROCE & ROE

SEPHORA TRANSACTION

Key points	Description
Transaction Structure	• Signed definitive agreement with Reliance Beauty & Personal Care Limited (RBPCL) to sell our wholly owned subsidiary Arvind Beauty Brand Retail Limited (ABBRL) which ran Sephora India business, in an all cash transaction
Transaction closure, payouts and timelines	• Transaction closed effective 3-Nov-23 • Total cash consideration received by AFL is Rs. 216 Crs • ABBRL ceases to be subsidiary of AFL

Way forward

• To utilize the proceeds to invest in growth of our brands portfolio and repayment of debt

• AFL becomes pure-play branded fashion company

• Further sharpens focus on profitably growing 5 marquee industry leading brands and improve FCF & ROCE

Q2 FY24 BUSINESS HIGHLIGHTS

QUARTERLY SALES

7% sales growth Y-o-Y, leading to the highest ever Q2 revenues

---

Retail LTL of 9%; despite challenging market conditions

POWER BRANDS

Steady improvement in EBITDA margins Y-o-Y to 13.2%

Significant investments in advertising across all brands

Continued double digit EBITDA margin profile for USPA & Tommy Hilfiger

CHANNEL-WISE PERFORMANCE

15%+ growth across retail and MBO channel Y-o-Y

Continued strong traction in online direct-to-consumer business (marketplace + NNNow); 65% growth Y-o-Y

GROWTH DRIVERS

~20% growth in footwear Y-o-Y; launch of Flying Machine footwear

---

Product innovation across brands – USPA liquid cotton Polo, Autopress shirts in Arrow etc.

Gross addition of 46 EBOs; H1 addition stood at 91

GROSS MARGINS

Strong sell-thru's across brands for SS'23

Strong LTL along with higher retail channel mix led to ~510 bps improvement in gross margin (Y-o-Y)

EBITDA & ROCE

Highest ever EBITDA at ₹ 152 crores; 11% growth Y-o-Y

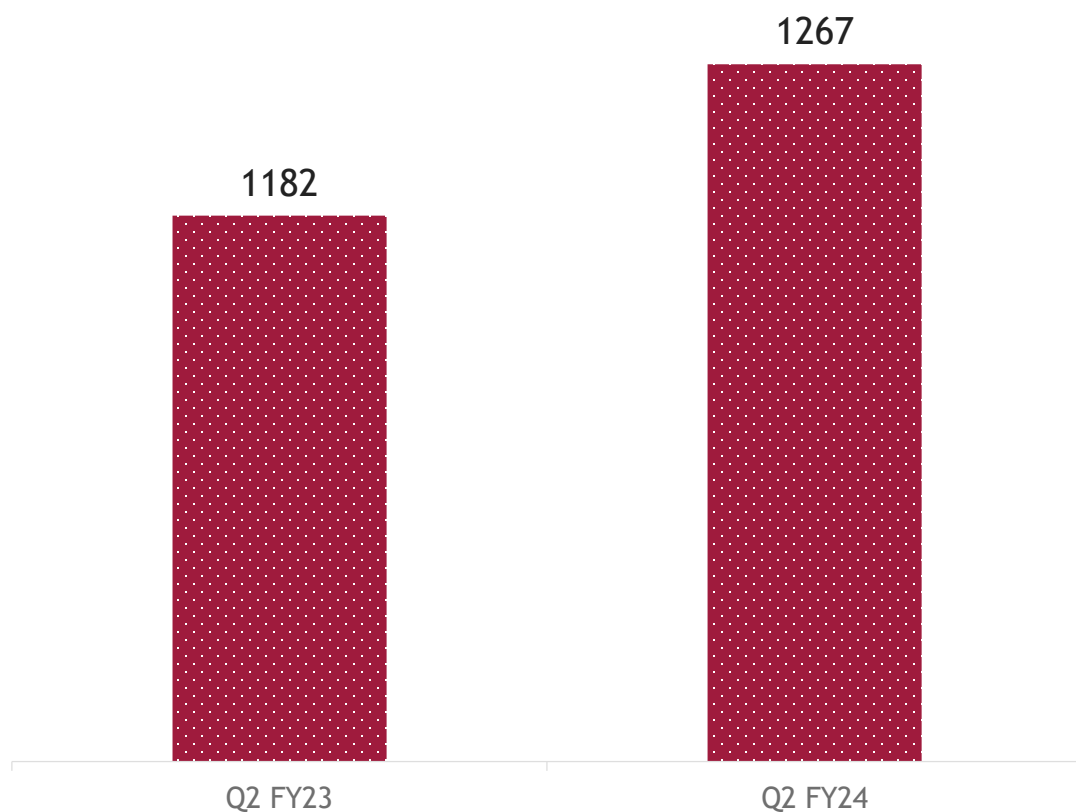EBITDA margins higher by ~50 bps despite higher advertising spends by ~100 bps in Q2 (Y-o-Y)

ROCE (TTM) at ~14%

AFL POSTED THE HIGHEST EVER QUARTERLY SALES

Sales

(₹ in crores)

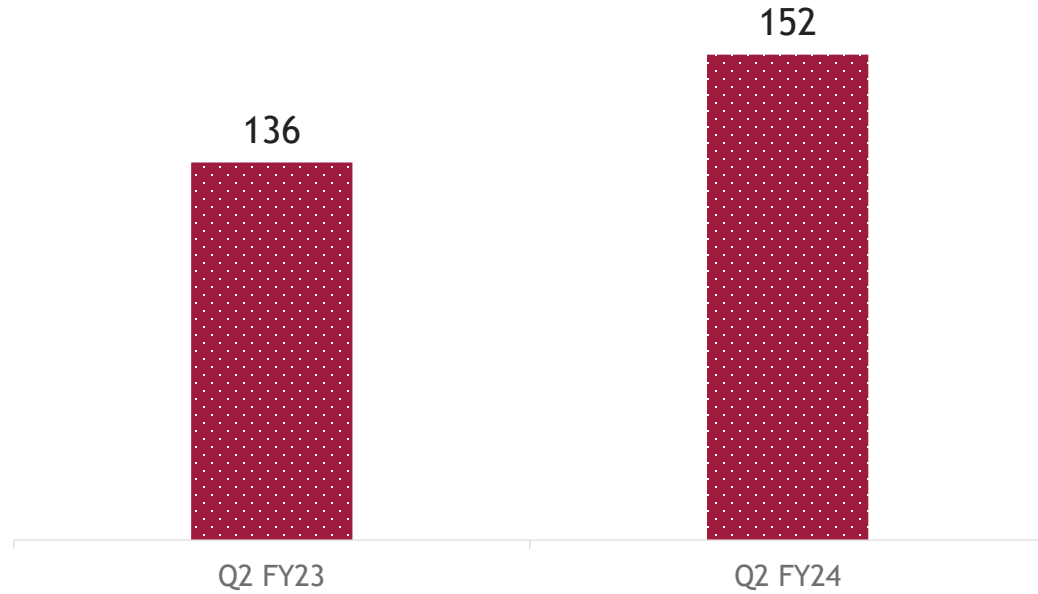|	
1182	1267
Q2 FY23	Q2 FY24

- 7% growth in revenues, despite soft consumer demand

- Sharp execution in retail channel leading to 9% LTL growth

- Strong performance in MBO channel, growth of 15%+

- Gross addition of 46 EBOs during Q2

EBITDA

(₹ in crores)

136	152
Q2 FY23	Q2 FY24

PBT and PAT *(after minority interest)*

(₹ in crores)

Q2 FY23		Q2 FY24	
45	18	48	22

■ PBT ■ PAT (After minority interest)
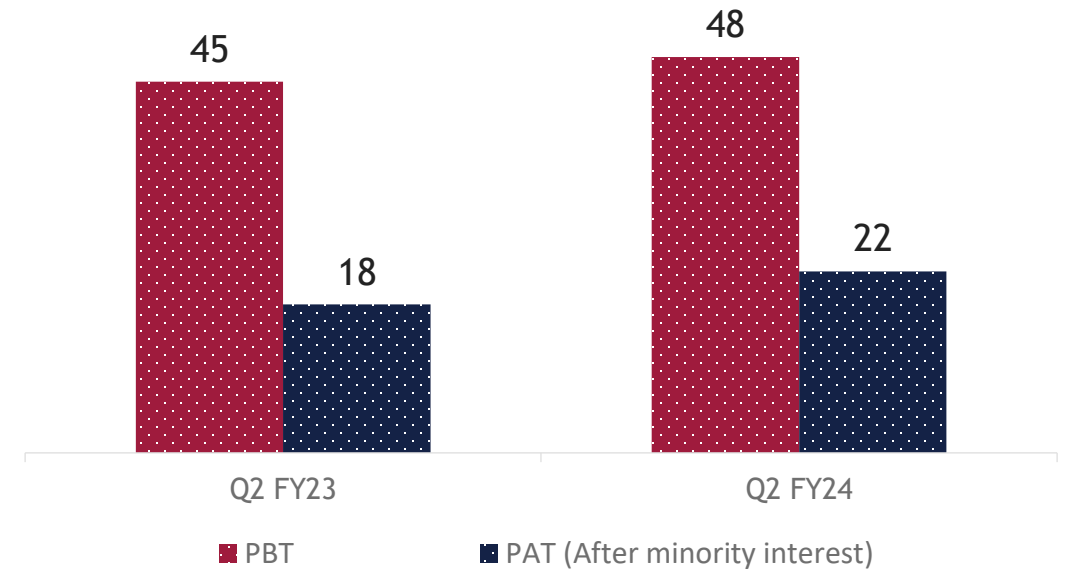
Improvement in EBITDA margins by ~50 bps despite higher marketing & advertising expense by ~100 bps Y-o-Y

Q2 FY24 PERFORMANCE HIGHLIGHTS

BRAND HIGHLIGHTS

Launch of website and #LegendsTogether campaign

Brand Highlights

- Continued domination in casual lifestyle category in its journey towards 2,000+ Crs NSV

- Driving product innovation to premiumize the brand – introduction of Liquid cotton Polo

- Significant investments in marketing with launch of brand website, www.uspoloassn.in & #LegendsTogether campaign

- Adjacent categories continue to strengthen the brand with growth in footwear and launch of women's wear

Marketing campaign with Hrithik Roshan having #MyArrowMoment

Brand Highlights
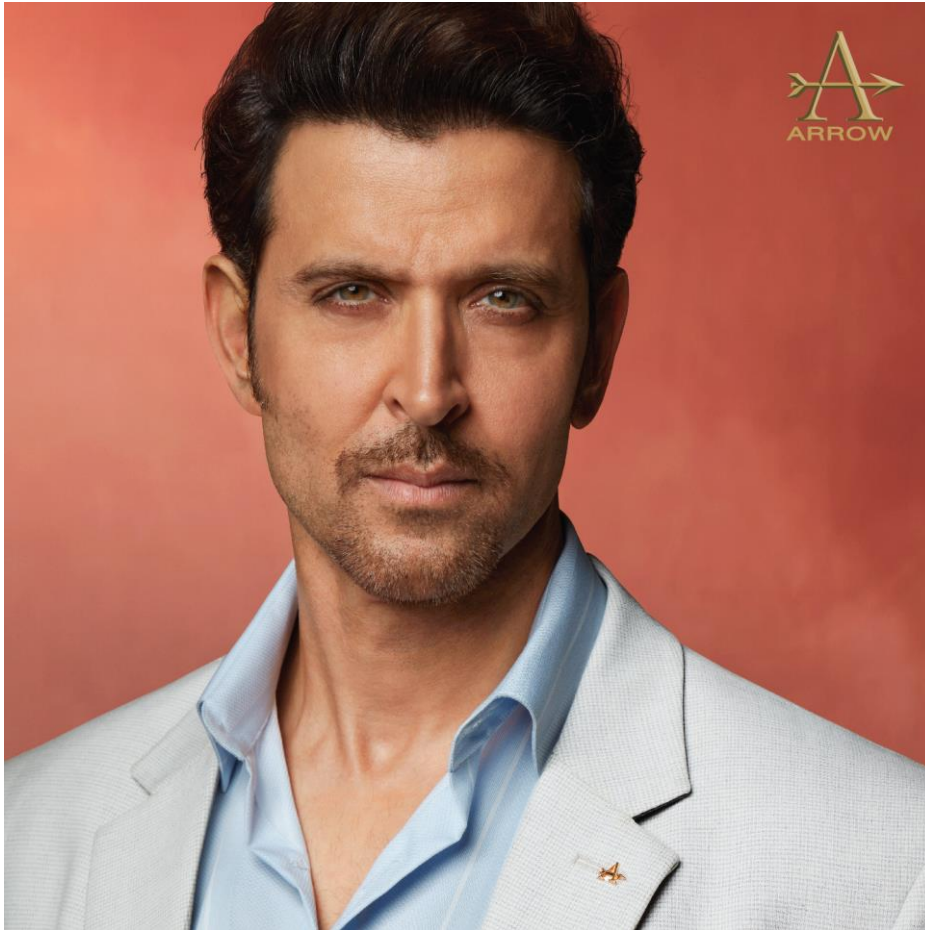
- Continue to make good progress on financial performance

- Further rollout of '1851' line to drive premiumization

- Continued focus on superior retail experience and expansion of retail footprint

FLYING MACHINE

New brand appeal and design architecture

Arvind FASHIONS

Brand Highlights

- Launched new brand identity through new logo, design and brand positioning

- Strong improvement in sell-thru's despite muted market environment

- Encouraging response by the trade partners and channel expansion strategy

- Footwear category extension showing good traction

Brand Highlights

- Superior sales growth and profitability, despite market slowdown

- Focus on excellent customer retail experience along with high quality product designs across 100+ stores in India

- Encouraging response to 'Tommy tailored' line and handbags

Brand Highlights

- Premiumization aiding brand's strong financial performance with industry leading sell-thru's

- Market leadership in bridge to luxury segment in Jeans, Tees and Innerwear segments

- Continued strong partnership with brand ambassador - Disha Patani with launch of new watch campaign

Q2 FY24 - GROUPWISE PERFORMANCE

(₹ in crores)

	Sales			EBITDA		EBITDA %	
	Q2 FY24	Q2 FY23	% Growth	Q2 FY24	Q2 FY23	Q2 FY24	Q2 FY23
Power Brands	1047	998	5%	138	131	13.2%	13.1%
Emerging Brands	220	184	19%	14	6	6.3%	3.0%
Total	1267	1182	7%	152	136	12.0%	11.5%

EBITDA margin expansion of ~50 bps despite significant investments across brands in advertising of ~100 bps Y-o-Y

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

H1 FY24 - GROUPWISE PERFORMANCE

(₹ in crores)

	Sales			EBITDA		EBITDA %	
	H1 FY24	H1 FY23	% Growth	H1 FY24	H1 FY23	H1 FY24	H1 FY23
Power Brands	1808	1746	3%	232	214	12.8%	12.3%
Emerging Brands	416	356	17%	36	16	8.5%	4.5%
Total	2224	2102	6%	268	230	12.0%	11.0%

Continued sharper focus on profitability & cost optimization leading to EBITDA margins higher by 100 bps

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

Arvind FASHIONS

Q2 & H1 FY24 RESULTS

Q2 FY24 - PERFORMANCE SNAPSHOT

(₹ in crores)

	Q2 FY24	Q2 FY23
Revenue from Operations	1267	1182
Other Income	5	20
Total Income	**1272**	**1202**
EBITDA	152	136
PBT	48	45
Taxes	11	17
Minority Interest	15	10
PAT	22	18

H1 FY24 - PERFORMANCE SNAPSHOT

(₹ in crores)

	H1 FY24	H1 FY23
Revenue from Operations	2224	2102
Other Income	15	22
Total Income	2240	2124
EBITDA	268	230
PBT	63	58
Taxes	30	22
Minority Interest	27	19
PAT	5	18

EFFICIENT WORKING CAPITAL MANAGEMENT

(₹ in crores)

	Sep'23	Sep'22	Jun'23
Inventory	1283	1221	1174
Inventory days	93	95	93
Receivables	644	686	451
Debtor days	45	53	46
GWC	1927	1908	1625
GWC days	138	148	139
Payables	1153	1342	916
Creditor days	83	101	88
NWC	774	566	709
NWC days	55	46	52

Note for days calculation, for example:
Inventory days = Average TTM Inventory / TTM Revenues * 365

Tighter control over inventory & debtors leading to 10 days improvement in GWC

WAY FORWARD

WAY FORWARD

AFL

Demand trends continue to remain volatile; gradual recovery expected

Improve profitability further by better full price sell-thru's, operating leverage through cost optimization etc.

Retail network expansion across brands through the franchisee model

Continue decisive focus on scaling existing 5 brands through cash accruals

Increased investments in advertising to re-energize our brands

Strengthening balance sheet through FCF generation leading to higher ROCE

Arvind fashions

ARVIND FASHIONS

THANK YOU