



Q3 FY24 RESULTS PRESENTATION

ARVIND FASHIONS

Feb | 2024

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AGENDA



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Q3 & YTD FY24 Results



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Way Forward

Q3 FY24 PERFORMANCE HIGHLIGHTS

MARKET & ECONOMY UPDATE



Weak consumer sentiment continued despite festive season

Cricket fever over important weekends during Diwali impacted the retail sales

Early start of end of season sale (EOSS) and aggressive discounting across the industry

Premium product categories & casualization trend continue to drive footfalls and growth

FY24 OBJECTIVES - WHAT WE HAVE SET FOR OURSELVES

	Objectives
Sales & Profitability	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Drive higher market share through increased investments in advertising• Product innovation
Retail rigor & key performance indicators	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• To open ~200 stores, largely through FOFO route
Working capital, debt, ROCE & ROE	<ul style="list-style-type: none">• Focus on better inventory turns & NWC days leading to higher free cash flow• De-leveraging to continue• Further improvement in ROCE & ROE

DISCONTINUED BUSINESSES

Brands	P&L Remarks
Sephora, Ed Hardy & Aeropostale	<ul style="list-style-type: none"> Post the consummation of sale of Sephora business during Q3 and receipt of consideration, we have classified all the other dormant brands (Ed Hardy & Aeropostale) along with Sephora as part of discontinued businesses in Q3 FY24 After realizing gain from Sephora transaction, we have accounted for all the future liabilities (royalty payments pertaining to those brands etc.) in current quarter's P&L and recognized net gain of ₹ 35 Crs at PAT level Accordingly, all the previous quarter(s) P&L has been re-stated for like-to-like comparison Helps AFL drive higher profitability (from 5 marquee brands) and takes away the drag on account of discontinued businesses moving forward Effective Q3, all the 5 brands (U.S. Polo Assn., Tommy Hilfiger, Arrow, Flying Machine and Calvin Klein) have been together re-classified as 'Power Brands'

(₹ in crores)

Summary

Net gain on discontinuation of Sephora business
Present value of Royalty for Ed Hardy & Aeropostale and other charges
Profit from discontinued operations

Q3 FY24

74

39

35

Q3 FY24 BUSINESS HIGHLIGHTS



QUARTERLY SALES

5% sales growth Y-o-Y; 2-yr revenue CAGR stood at 12%

Retail LTL of 2%; aided by sharper execution in retail channel

Resilient growth driven by casualization & winterwear strength despite conscious delay of EOSS



GROWTH DRIVERS

15%+ growth in kidswear Y-o-Y; **womenswear** showing strong traction

Product innovation and premiumization across brands along with significant marketing investments

Gross addition of 31 EBOs; YTD addition at 122



CHANNEL-WISE PERFORMANCE

15%+ growth in MBO channel Y-o-Y

Online direct-to-consumer business (marketplace + NNNow) nearly **doubled** Y-o-Y

Continued weakness in online B2B business witnessed **de-growth**



GROSS MARGINS

Lower discounting along with higher retail channel mix resulted in **480 bps** improvement in gross margin (Y-o-Y)



EBITDA

EBITDA at ₹ 150 crores; 18% growth Y-o-Y

EBITDA margins improved by **~150 bps** through higher gross margins & costs control

Significant **investments in advertising**; higher by 130 bps Y-o-Y



WORKING CAPITAL & PAT

GWC improved by 5 days; **debtor** days lower by 7 days

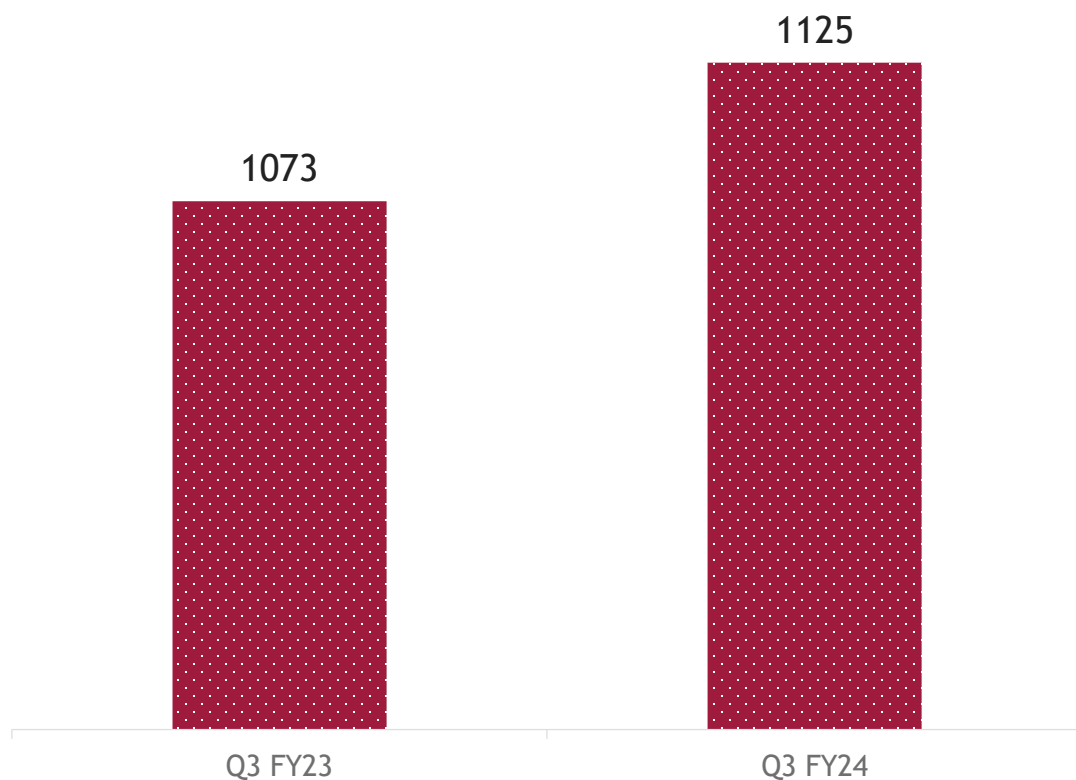
Agile supply chain aiding strong control over inventory

PAT from continuing business (excl. exceptional item) grew **>80%** to ₹ 22 crores

AFL POSTED GOOD GROWTH DESPITE MUTED ENVIRONMENT

Sales

(₹ in crores)

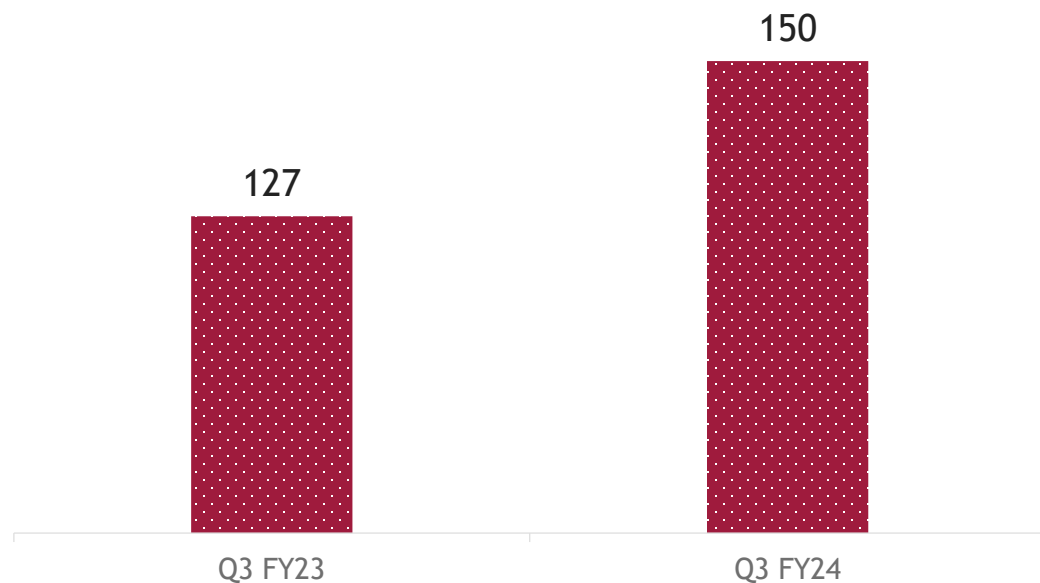


- Overall revenue growth of 5%, despite weak consumer sentiment and muted festive season
- Transformation in retail channel & sharper execution continued, resulting in revenue mix higher by 2%
- Retail LTL of 2%
- Gross addition of 31 EBOs during Q3, YTD additions at 122
- Strong growth in MBO channel by >15%

GROSS MARGINS & COST OPTIMIZATION LEADING TO STRONG PROFITABILITY IMPROVEMENT

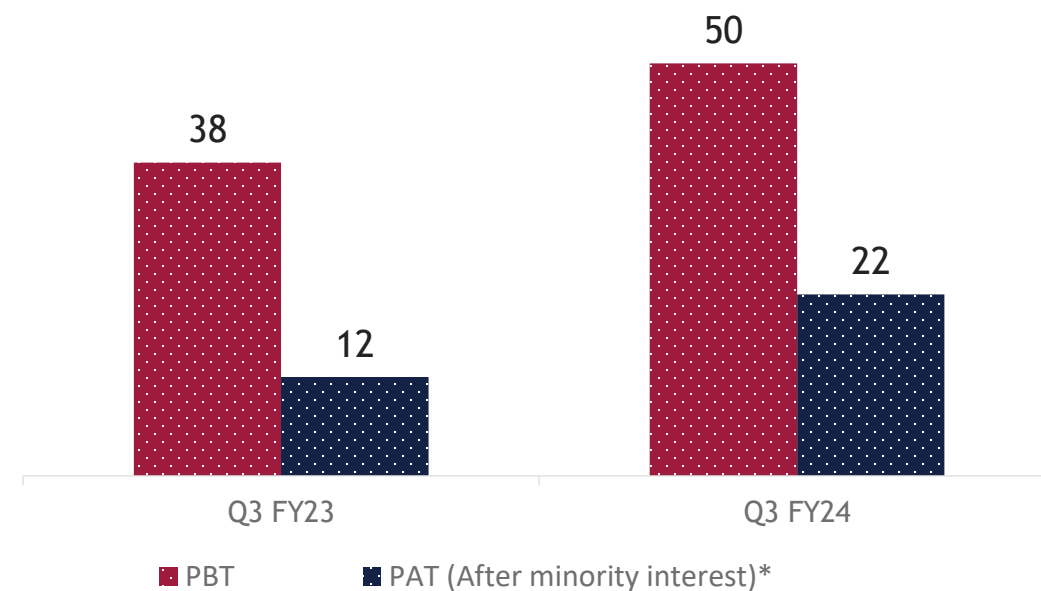
EBITDA

(₹ in crores)



PBT and PAT (after minority interest)

(₹ in crores)



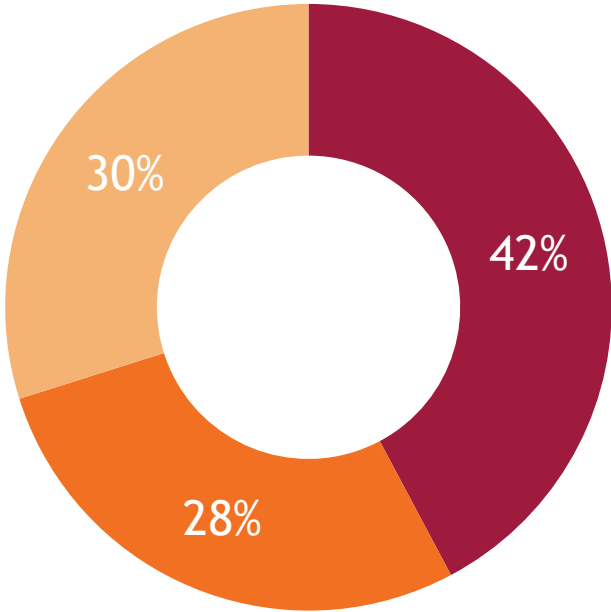
* For continuing business and excluding exceptional item



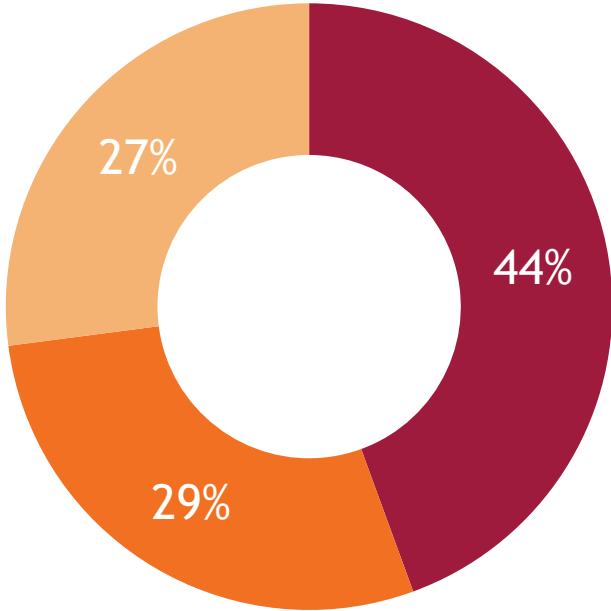
Improvement in EBITDA margins by ~150 bps aided by gross margin and despite higher advertising expense of 130 bps Y-o-Y

CHANNEL MIX

Q3 FY23



Q3 FY24



Wholesale (MBO + Dept. Stores) Retail Online & Others



U.S. POLO ASSN.
SINCE 1890



FLYING MACHINE



ARROW
USA • 1851



Q3 FY24 PERFORMANCE HIGHLIGHTS

BRAND HIGHLIGHTS

Brand Highlights

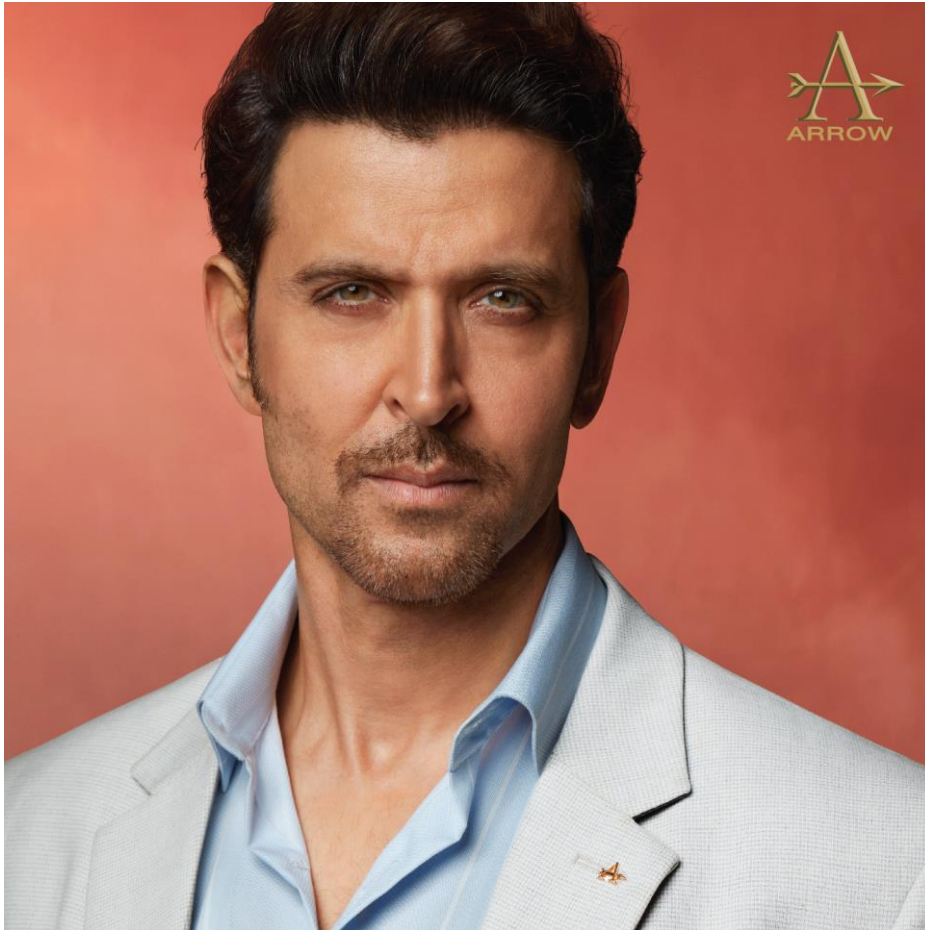


U.S. POLO ASSN.
SINCE 1890

- Continue to command leadership position in casual lifestyle category across channels driving it towards 2,000+ Crs NSV brand
- Premiumization continue to be key differentiator and winterwear products having strong sell-thru's
- Significant results with marketing investments through #LegendsTogether campaign
- Thrust on opening larger sq ft. iconic stores (e.g. Jayanagar, Bangalore & Goa)
- Adjacent categories continue to strengthen the brand - growth in footwear & kidswear and strong traction in womenswear



Brand Highlights



- Steady revenue growth Y-o-Y across channels
- Premiumization through '1851' line continue to have robust sell-thru's
- Significant investment in marketing through new campaign featuring Hrithik Roshan
- Launched new retail identity with sharper focus on retail experience and expansion of EBOs



Brand Highlights



- Transformational journey started with fresh brand identity including new logo, design and brand positioning
- Launched capsule collection in association with 'Muhammad Ali'
- Positive response from trade channel partners resulting in rapid expansion of distribution
- Adjacent category extension through footwear delivering encouraging results

Brand Highlights



- Affinity towards premium products despite market slowdown, continue to help brand deliver superior sales growth and profitability
- Continued focus on differentiated customer experience along with high quality product designs & winterwear products across 100+ EBOs
- Signed up Neeraj Chopra as brand ambassador during AW'23



Brand Highlights



- Premiumization trend helping brand deliver strong financial performance with industry leading sell-thru's and LTL growth
- Market leadership in bridge to luxury segment in Jeans, Tees and Innerwear categories

Q3 FY24 - GROUPWISE PERFORMANCE

(₹ in crores)							
	Sales			EBITDA		EBITDA %	
	Q3 FY24	Q3 FY23	% Growth	Q3 FY24	Q3 FY23	Q3 FY24	Q3 FY23
Power Brands	1125	1073	5%	150	127	13.3%	11.9%
Total	1125	1073	5%	150	127	13.3%	11.9%

EBITDA margin expansion of ~150 bps despite higher investments (of 130 bps Y-o-Y) across brands in advertising

Note:
Power Brands - US Polo Assn., Tommy Hilfiger, Flying Machine, Arrow and Calvin Klein
We have added Calvin Klein as Power Brand, post sale of Sephora business

YTD FY24 - GROUPWISE PERFORMANCE

(₹ in crores)							
	Sales			EBITDA		EBITDA %	
	YTD FY24	YTD FY23	% Growth	YTD FY24	H1 FY23	YTD FY24	YTD FY23
Power Brands	3165	3014	5%	396	347	12.5%	11.5%
Total	3165	3015	5%	396	347	12.5%	11.5%

Sharper focus on retail execution & cost control leading to EBITDA margins increase by 100 bps

Note:
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Q3 & YTD FY24 RESULTS

Q3 FY24 - PERFORMANCE SNAPSHOT

	(₹ in crores)	
	Q3 FY24	Q3 FY23
Revenue from Operations	1125	1073
Other Income	7	16
Total Income	1132	1088
EBITDA	150	127
PBT	50	38
Exceptional item	(6)	-
Taxes	14	12
Minority Interest	14	14
PAT	16	12
Profit/(loss) from discontinued operations	35	(4)
Reported PAT	51	8



YTD FY24 - PERFORMANCE SNAPSHOT

	(₹ in crores)	
	YTD FY24	YTD FY23
Revenue from Operations	3165	3014
Other Income	21	37
Total Income	3186	3051
EBITDA	396	347
PBT	116	111
Exceptional item	(6)	-
Taxes	44	34
Minority Interest	41	33
PAT	25	45
Profit/(loss) from discontinued operations	31	(19)
Reported PAT	56	26



EFFICIENT WORKING CAPITAL MANAGEMENT

(₹ in crores)

	Dec'23	Dec'22	Sep'23
Inventory	1068	1041	1283
Inventory days	95	92	93
Receivables	547	572	644
Debtor days	45	52	45
GWC	1615	1613	1927
GWC days	139	144	138
Payables	968	1038	1153
Creditor days	82	96	83
NWC	647	575	774
NWC days	57	48	55

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

Tighter control over inventory & debtors leading to 5 days improvement in GWC

WAY FORWARD

WAY FORWARD

AFL

Demand trends continue to remain soft; improvement expected by Q1 FY25

Continued focus on profitability improvement from full price sell-thru's, operating leverage and 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

Strong working capital control and FCF generation leading to higher ROCE

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THANK YOU