

Van de Velde

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Regulated information – Interim results 2018

Van de Velde continues with the implementation of the strategic plan which results in decline of EBITDA to €28.5m.

Highlights of the results for the first six months of 2018:

- Turnover (on comparable basis) declined with 2.3% to €114.2m, or a decline of 0.6% at constant exchange rates.
- EBITDA (on comparable basis) fell by 21.5% to €28.5m.
- Decline in profit due to planned costs of initiatives for growth.
- Investments totalling €7.7m.
- On track with the roll out of the omnichannel approach with a central role for speciality boutiques.

TURNOVER (ON COMPARABLE BASIS): €114.2M – DECLINE OF 2.3% – DECLINE OF 0.6% AT CONSTANT EXCHANGE RATES

In the first half of the year of 2018, the consolidated turnover at Van de Velde declined with 3.9% (from €115.3m to €110.9m) compared with the year before.

On a comparable basis (including comparable season deliveries), the consolidated turnover in the first six months of 2018 declined with 2.3% (from €116.9 to €114.2m). At constant exchange rates, on a comparable basis turnover decreased with 0.6%. This turnover trend consists of the following components:

- The comparable turnover of the first six months of 2018 in wholesale (including comparable season deliveries) fell by 2.9% and by 1.4% at constant exchange rates. The fashion collection performed well, posting growth, while the stayer products experienced a tough first half of the year. Marie Jo performed well, due to the successful launch of the swimwear collection.
- Retail turnover in the first half of 2018 on a like-for-like store basis rose by 0.6% compared with the same period in 2017 and by 4.3% at constant exchange rates. Turnover grew by 7.2% in Europe, but slightly fell by 1.6% in the United States. As a consequence of the closure of loss-making stores, the total reported turnover of retail rose slightly by 0.1%.

"The fashion retail market was under pressure in our core markets globally in the first half of the year. The lower number of people in high streets and the change in shopping behaviour had a negative impact of up to more than 2% on retail turnover. Within this context our brands have held up well, we experienced a successful launch of Marie Jo Swim and we saw growth in the new distribution channels. This confirms that the rollout of an omnichannel approach with a central role for speciality boutiques is very important. To develop the different aspects of that omnichannel approach, Van de Velde has set up working groups of speciality boutique owners. This is a unique approach," says Erwin Van Laethem, CEO of Van de Velde.

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EBITDA (ON COMPARABLE BASIS): €28.5M – DECLINE OF 21.5% – PLANNED COSTS OF INITIATIVES FOR GROWTH

Reported EBITDA declined in the first half of 2018 with 25.1% compared with the same period last year, from €35.2m to €26.4m. On a comparable basis (including comparable deliveries), the consolidated EBITDA in the first half of 2018 fell by 21.5% compared with the same period in 2017, from €36.3m to €28.5m. The main reasons for this fall are:

- The contribution of wholesale to EBITDA on a comparable basis decreases with by €6.2m. The fall within wholesale is the consequence of lower turnover, combined with a lower margin and higher sales and marketing costs. The contribution to reported EBITDA fell by €7.2m, because of more spring/summer 2018 deliveries at the end of last year, which resulted in strong delivery reliability.
- The retail contribution to reported EBITDA rose by €0.7m. The rise in the profit contribution is the result of steady turnover, improved margins and the closure of loss-making stores.
- Unallocated costs increased by €2.3m in the first six months of 2018, mainly due to project costs to support future growth, primarily in brand positioning and availability, the reliability and responsiveness of the whole value chain, the ICT and eCommerce infrastructure upgrade and training and development of employees and recruitment of specific talent and expertise.

"Van de Velde continues to invest in a scalable platform for future growth. These costs put pressure on profitability in the short term. The initiatives are being rolled out on schedule. Delivery reliability in the first half of 2018 was better than ever before. The ICT hardware was upgraded successfully. The development of the new ICT and eCommerce functionalities and the raising of process efficiency are ongoing," says Bart Rabaey, CFO of Van de Velde, providing a backdrop to these results.

INCOME TAX AND NET PROFIT

Income tax is lower than last year due to lower pre-tax profit and a lower effective tax rate of 32.3% (34.2% last year).

In the first half of 2018, the net group profit declined with 25% from €20.0m to €15.0m. This resulted in a decline of the profit per share of €1.50 to €1.13.

INVESTMENTS FOR A TOTAL AMOUNT OF €7.7M

The investment level at Van de Velde increased in the first half of 2018 to a total amount of €7.7m. These investments primarily relate to the building of the eCommerce platform, the upgrade of the ICT infrastructure and systems, and continual investment in the entire value chain. Van de Velde finances these investments with its own funds.

Working capital (current assets excluding cash and cash equivalents less current liabilities excluding financial debts) rose to €42.4m on 30 June 2018 (compared with €36.2m on 30 June 2017), which is the consequence of lower tax payables.

The solvency (share of equity in total equity) of Van de Velde Group is very high (78.7%). Current assets were 2.9 times the current liabilities, an indication of strong liquidity.

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PROSPECTS

"Van de Velde operates in an uncertain retail fashion environment and wishes to capitalise on this changing market. As a strong company with firm foundations, the company has decided not to cut the expenditure needed to build a scalable platform for future international growth. However, this puts pressure on the results in the short term," says Erwin Van Laethem.

Van de Velde expects a modest decrease in turnover on a comparable basis over the year as a whole. This is expected to result in a very strong profit decline in comparison with historic results (based on comparable EBITDA) of Van de Velde in 2018, as a consequence of the expenditures with regard to the initiatives for future growth.

INTERIM FINANCIAL REPORT

The full interim financial report (including regulated information and the report of the statutory auditor) is available through [the following link](#):

A number of key figures are presented below and explained more fully in the financial report:

Financial key figures		
Profit and loss statement (in € m)	30.06.2018	30.06.2017
Turnover	110.9	115.3
Turnover on a comparable basis	114.2	116.9
EBITDA (operating profit plus depreciation)	26.4	35.2
EBITDA on a comparable basis	28.5	36.3
EBIT	23.1	31.4
Profit before taxes	22.1	30.7
Group profit	15.0	20.0
Balance sheet (in € m)	30.06.2018	30.06.2017
Fixed assets	73.6	70.6
Current assets	83.9	81.1
Total assets	157.5	151.7
Shareholders' equity (including non-controlling interests and subsidies)	124.2	107.8
Non-current liabilities	4.7	4.8
Current liabilities	28.6	38.6
Total liabilities	157.5	151.7
Key figures in € per share	30.06.2018	30.06.2017
Basic earnings per share	1.13	1.50

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CONTACTS

For more information contact:

Van de Velde NV – Lageweg 4 – 9260 Schellebelle – +32 (0) 9 365 21 00
www.vandevelde.eu

Positron BVBA
always represented by
Erwin Van Laethem
Chairman of the Board

Bart Rabaey Consulting VOF
always represented by
Bart Rabaey
Chief Financial Officer

ABOUT VAN DE VELDE

Van de Velde is one of the global leaders in lingerie, swimwear and sportswear, with its strong brands PrimaDonna, Marie Jo and Andres Sarda. Our mission is to offer every woman the ultimate fitting room experience. Our long-term strategy is based on building brands around the Lingerie Styling fitting room strategy, which brings together fit, style and fashion. We work with 5000 multi-brand lingerie stores worldwide, both online and offline, with a strong focus on core markets Europe and North America. Our own retail channel is run under the labels Rigby & Peller, Lincherie and Private Shop. These stores are classic examples of Lingerie Styling fitting room service. Van de Velde is listed on Euronext Brussels.