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Full Year Results

For the 52 weeks 30th June 2021

Presenting today

Quentin Higham
Chief Executive Officer

Quentin joined as CEO on 4 May 2020.

He was previously Managing Director of Yardley of London Ltd/Wipro Consumer Care between 2010-2020.

Prior to that, he was Marketing Director at Coty, with responsibility for the Rimmel cosmetics brand; UK Brand Director at Swatch between 1999-2001 and Head of UK Marketing at global cosmetics company, Revlon between 1992-1999.

In addition, he has first-hand knowledge of our brands having been Commercial Director between 2002 and 2006 at KMI brands with responsibility for the Fish brand and King of Shaves.

Tom Carter
Chief Financial Officer

Tom joined as CFO on 22 June 2020.

Tom was previously Group Finance and Operations Director at Technofix Group Limited, a market leading technology company.

Prior to that, he was Regional Business Controller at Alliance Boots, Financial Controller at Sky Media and Finance Manager at Procter and Gamble.

Tom qualified as a Chartered Accountant at Price Waterhouse Coopers and is also an Oxford Graduate with a Masters in Modern Languages.

Brand Architekts is a British beauty challenger brand business that is focused on:

- Insight led brand development
- Ethical and efficient sourcing and 3rd party manufacturing
- Omni-channel routes to market
- Creating noise and buzz
- Brand invigoration

Exceeding expectations of everyday Beauty

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Overview

Overview of the year

Net sales for FY21 were £15.9m, a decline of 2.5% on the prior year, as the pandemic impacted footfall in our high-street customers.

The Group delivered an underlying operating loss of (£0.3m), absorbing the investment into a TV marketing campaign for Super Facialist in Q4. The Group has a strong net cash position of £19.0m, a £1m improvement versus FY20.

This financial year has been one of consolidation, transition and putting in place the strategic building blocks to achieve our Project 50 goal. We have focussed on four strategic tenets: optimising the portfolio, channel development, operational efficiency and being a responsible business

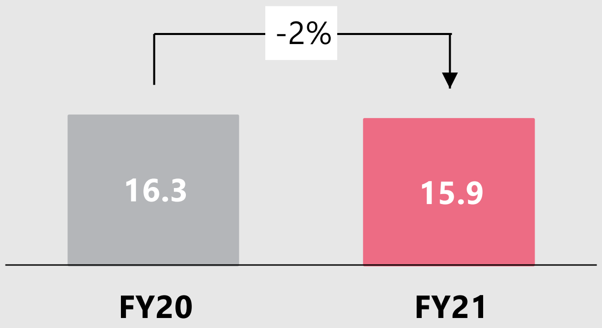
- Productivity: live brands decreased from 22 to 13. The Solution launched and 7 brands repositioned for relaunch in 2021/22.
- Multiple distribution gains & new listings across Waitrose, Morrisons, Tesco, Douglas, Carrefour and Wal Mart
- Super Facialist TV campaign contributed to an annual net sales growth +30%
- DTC silo sites grew by 100% to £0.6m. New 5-year agreement with THG Ingenuity for the launch of our own marketplace.

the unexpekted store

Financial Headlines

Financial Highlights

Net Sales £m

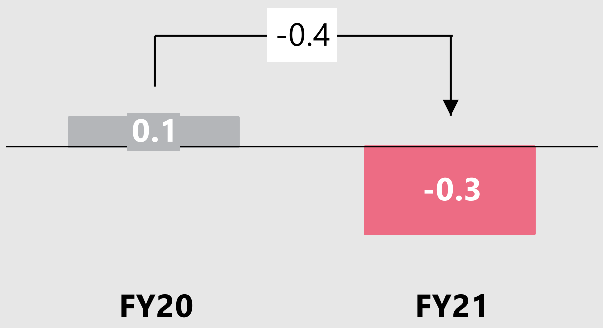


Underlying Gross Profit Margin %

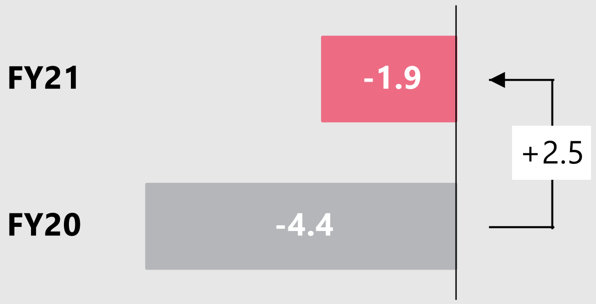
FY 2021: 37%

FY 2020: 35%

Underlying Operating Profit £m



(Loss) / Profit Before Tax £m

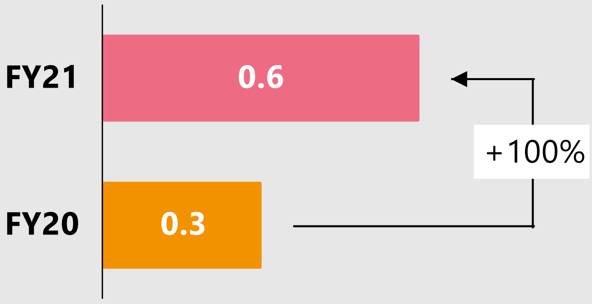


Net Cash £m

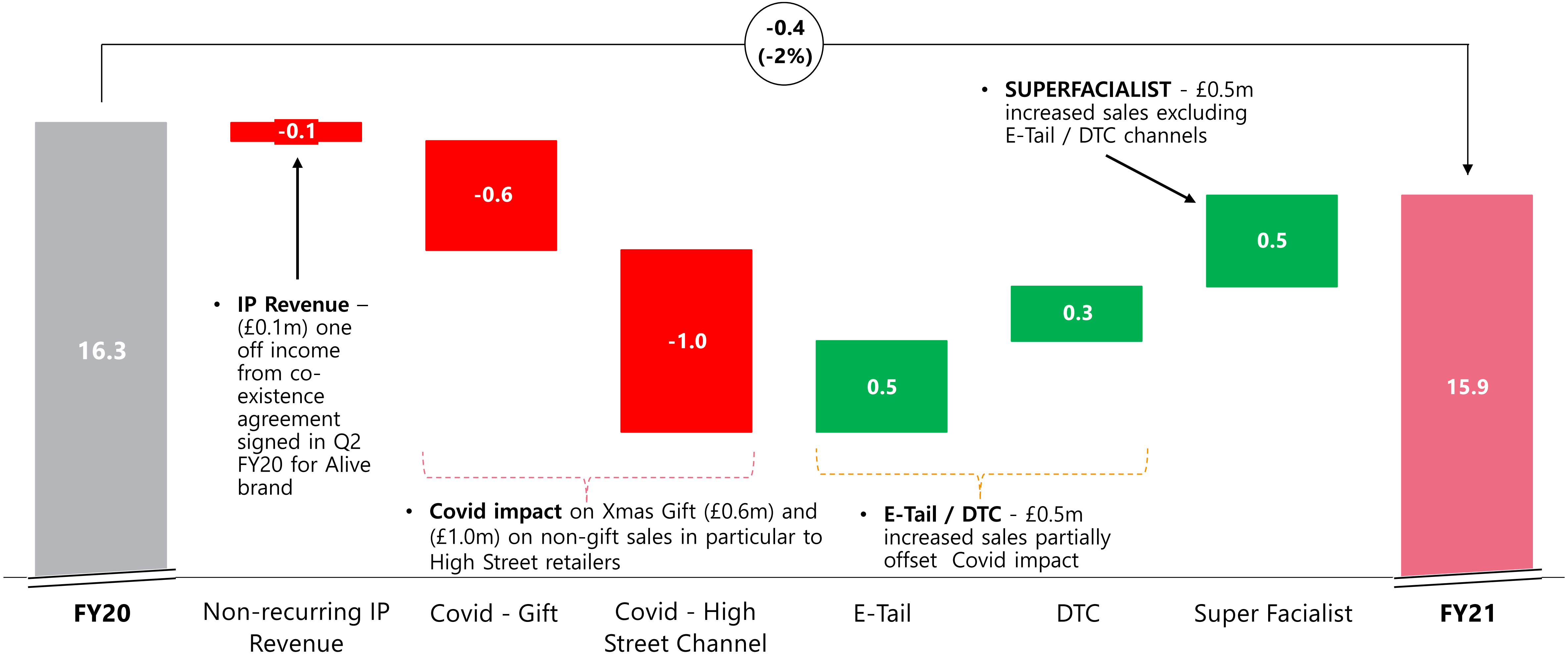
FY 2021: £19.0m

FY 2020: £18.0m

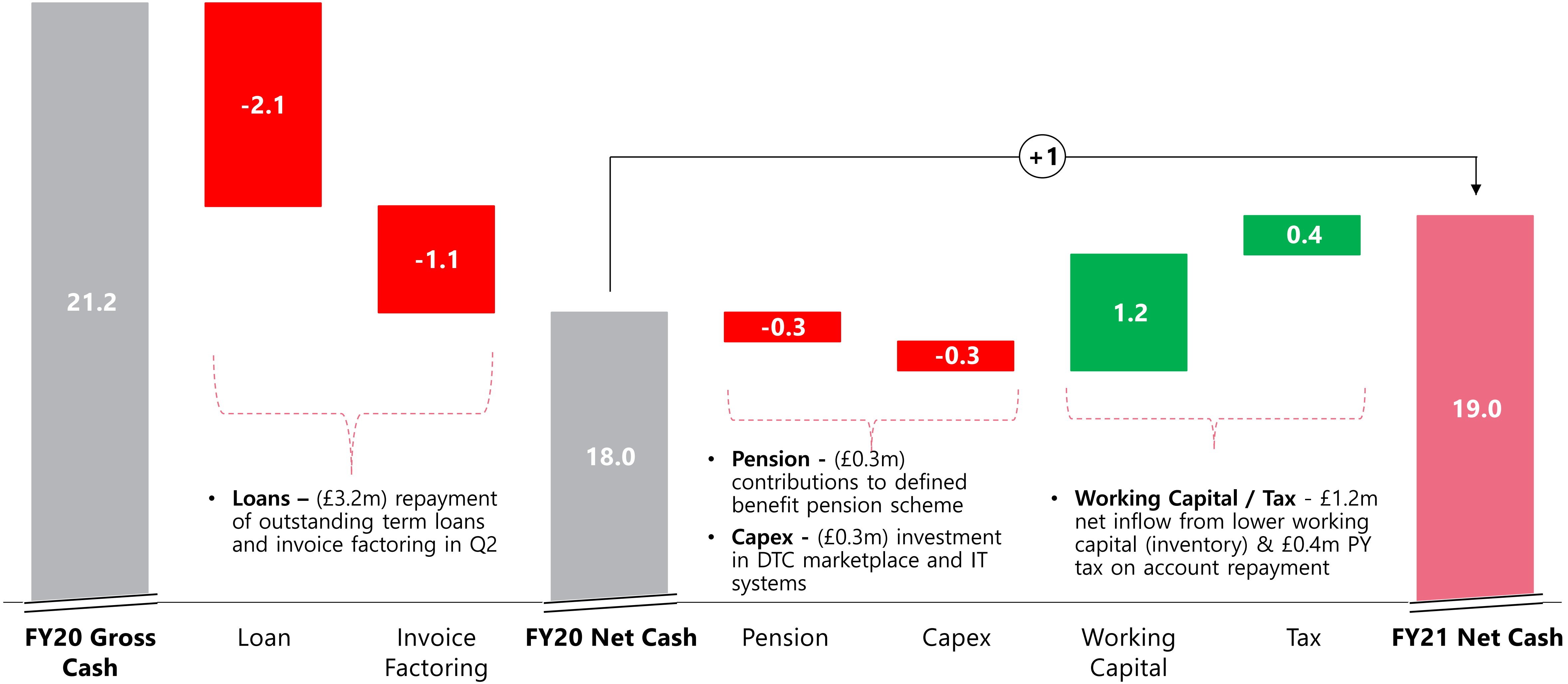
DTC Revenue £m



Revenue FY21 vs FY20



Cash FY21 vs FY20



- **Loans –** (£3.2m) repayment of outstanding term loans and invoice factoring in Q2

- **Pension -** (£0.3m) contributions to defined benefit pension scheme
- **Capex -** (£0.3m) investment in DTC marketplace and IT systems

- **Working Capital / Tax** - £1.2m net inflow from lower working capital (inventory) & £0.4m PY tax on account repayment

Our five-year growth plan

PROJECT 50

Brand Development	Brand Reach	Environmental & Societal Responsibility	The Unexpekted
By listening to the needs of our customers and consumers, we will implement NPD and communication initiatives that ensure our brands remain relevant and desirable.	In today's society we need to ensure that our customers can buy our products wherever and whenever they want. To do this we need an omnichannel distribution approach.	We aspire to be a leader in beauty sustainability and are committed to the journey to make a real difference. We are committed to using recyclable, recycled or reusable packaging.	theunexpekted will become our culture and way of life, a mantra that we live by as a company. Our goal is to challenge the expectations of ourselves and the market we exist in, unconstrained by conventional thinking or ways of working.
• Productivity • NPD • Digital 1st • Advertising & Promotion • Portfolio Management M&A	• UK Omnichannel • DTC the unexpekted store • International	• Sustainability pledge • Employee Development	• Challenger culture

Brand Development

Brand Development

1. Productivity

- Continue to reduce offline sku count and improve productivity, which will lead to better purchasing efficiencies (inventory management; improved cash flow; higher MOQs and lower COGs) and an improvement in shelf position and online ranking.

2. New Product Development

- Each brand/product needs to answer the specific needs of the consumer. NPD focus will be on improving productivity & relevance. Our strategic focus will be on the higher margin categories – skincare, haircare, bath & body. Self-care, wellness and sustainability lie at the heart of 2021 & beyond beauty trends.

3. Digital 1st

- We are changing the way we invest all our resources (brand, financial, human), so that digital first lies at the heart of our business. We will launch all new products or brands online first, thereby enabling us to launch outside the constraints of offline category range builds.
- We will use our own DTC channel as a "test & play" environment, which will enable us to use consumer data to influence NPD, content and asset interaction, as well as being able to provide offline retailers with empirical evidence of success

Brand Development

4. A&P

- To support our omnichannel approach, we need to invest in consumer advertising & marketing activities. As our brands achieve a certain level of scale, we will start to invest in advertising and promotion (A&P) to accelerate sales and return on investment (ROI).
- Initially we will optimise our brand's performance through extensive promotions online and offline (O&O), ideally always with additional instore promotional spaces, between 4 to 6 per annum with savings of between 25-33%.

5. M&A

- Acquisitions will need to strengthen the Group's areas of core competence – category (Skincare; Haircare; Bath & Body); channel & consumer, but also address areas of opportunity (DTC; product; customers and International reach).
- Any acquisition will need to take into consideration current & future consumer behaviour; consumption and proprietary technology and/or product POD

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Brand Reach

Brand Reach

1. UK Omnichannel

- We successfully negotiated with UK retailers to secure non-exclusivity for Dirty Works; Happy Naturals; Beautopia; Kind Natured; Argan+ and SenSpa.
- Our number one priority is now to implement an online and offline distribution drive for these brands, alongside the rest of our portfolio to secure new and incremental listings, both in the UK & International.

2. International

- Investing in some direct key International retailer relationships
- Continue to drive several strong distributor markets, whereby the distributor has a proven track record and desire to market at least three of our brands into multiple retailers
- Develop fast growing smaller markets
- Administratively maintain & support smaller markets.

Brand Reach

3. the Unexpekted store

- The creation of a new integrated marketplace was last year's number one priority. Our agreement with THG Ingenuity will see the launch, later this calendar year, of our new marketplace, theunexpektedstore.com. This development will accelerate our sales growth in 2022 and beyond.
- We are taking advantage of THG Ingenuity's world-leading ecommerce platform – including trading and marketing services - and its sophisticated logistics and warehouse facilities to do this.
- Theunexpektedstore will not only sell all our brands and products, but we are very excited about creating a community, whereby our mission is to break the mould of everyday beauty.
- The Unexpekted store will be a community-driven platform that fuels positivity, inclusivity and exceeds the expectations of everyday beauty.
- We will be investing in a robust marketing program to drive traffic to the site, initially around our better-known brands, to secure customer acquisition, before we start to invest in theunexpektedstore brand.

Environment & Societal Responsibility

Accelerating our Sustainable journey

1. **Plastic reduction**. All our plastics, or packaging made of plastic are now 100% recyclable. Most of our new products (zero increased to 87) are now made of a minimum of 30% PCR (post recycled material) and this percentage increases to 50% on some of our natural brands. The 2021 Christmas gifts collection is free from plastic trays.
2. **Eco-conscious board.** Forestry Stewardship Council (FSC) approved board is now used across all our single products and we plan to extend this certification to all gifts and outer packaging in 2022.
3. **Raw materials transparency**. Our natural brands Kind Natured Happy Naturals and Senspa now all feature sustainable lead ingredients with official accreditation. We have had to re-engineer some of our formulations to reflect the sustainability of key raw ingredients.
4. **Packaging reduction.** We continue to reduce, wherever possible, our packing footprint. A good example are the Super Facialist Retinol cartons which now use 24% less carton.
5. **Raise awareness**. Improved transparency on our packaging and social media on our credentials and ethos.
6. **Engaging suppliers, constantly.** Strengthening our relationship with manufacturers to make sure the production process is as sustainable as the material.

The Unexpekted

The Unexpekted

Over the next few years we expect theunexpekted to become our culture and way of life, a mantra that we live by as a company.

Our goal is to **challenge** the expectations of ourselves and the market we exist in, unconstrained by conventional thinking or ways of working.

Our focus to deliver this will be on the quality and performance of the product, our editorial content and how-to-videos, and how we respond and react to user generated content and recommendations.

If the business lives by theunexpekted mantra, we should be in a position for our brands to flourish and challenge.

Retail Environment

Retail Environment

Current:

As a result of COVID a number of our offline retailers delayed their category rebuilds, resulting in a delay of our relaunches.

Changing consumer behaviour has resulted in retail footfall remaining below pre-pandemic levels and despite an initial surge, post-lockdown pent-up demand has softened. Online sales growth has begun to slow, but still high when compared with pre-pandemic growth rates. This demonstrates how the pandemic has shifted the digital-physical shopping balance and increased the linkage between the two channels.

Inflation is expected to accelerate pressure on household spending, whilst raw material shortages, significant shipping challenges and logistical constraints are affecting supply.

Longer Term:

Retailers will need to offer an omnichannel solution, as consumers will not be constrained in how they shop beauty & personal care products. Consumer experience and community engagement; product efficacy and good value for money; environmental and sustainability initiatives/footprint; 100% availability and personalisation will be key future trends, along with products that address stress; wellness and skin sensitivity.

We are confident that our brand reach (www.theunexpektedstore.com) and brand development (digital 1st) strategies, will enable us to compete successfully in the future.


HAPPY NATURALS
STRENGTHEN
+ REPAIR
SHAMPOO
With sustainably sourced avocado oil
300ml e 10.1fl.oz
HAPPY NATURALS
STRENGTHEN
+ REPAIR
CONDITIONER
With sustainably sourced avocado oil
100% RECYCLABLE PACKAGING
VEGAN FRIENDLY
NATURAL 97% NATURAL
300ml e 10.1fl.oz

Outlook

Outlook

1. The required transformation of the business has taken longer than originally anticipated but is now complete.

2. We have implemented a root & branch change program, which will result in a stronger business in the mid-term.

3. In response to market dynamics, we have relaunched seven brands at the same time, despite some supply chain and retail disruption in the 1st quarter of 21/22.

4. We now have an excellent platform & clear strategies on which to build success.

5. Our own marketplace (www.theunexpektedstore.com) launches imminently, but it will take some time and investment before the upside is material.

6. We are taking a cautious view for the year in prospect but remain confident in our strategy and future growth prospects.

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Appendices

Appendix - Group P&L

	FY21 Full Year			FY20 Full Year		
£m	*Brands*	*Central Costs*	TOTAL	*Brands*	*Central Costs*	TOTAL
Revenue	**15.9**	**-**	**15.9**	**16.2**	**-**	**16.2**
Cost of sales	(10.0)	-	(10.0)	(10.5)	-	(10.5)
Underlying Gross Profit	**5.9**	**-**	**5.9**	**5.7**	**-**	**5.7**
	37%		***37%***	***35%***		***35%***
Commercial & administrative costs	(4.9)	(1.2)	(6.1)	(4.5)	(1.1)	(5.6)
Underlying Operating Profit	**0.9**	**(1.2)**	**(0.3)**	**1.2**	**(1.1)**	**0.1**
Exceptional items in Cost of Sales	0.5	-	0.5	(2.5)		(2.5)
Amortisation	-	(0.2)	(0.2)	-	(0.3)	(0.3)
LTIP	(0.0)	(0.0)	(0.0)	-	(0.0)	(0.0)
Exceptional income/(costs)	-	(1.6)	(1.6)	(0.2)	(1.3)	(1.4)
OPERATING PROFIT	**1.4**	**(3.1)**	**(1.7)**	**(1.5)**	**(2.6)**	**(4.1)**
Finance Income	-	0.0	0.0	-	0.1	0.1
Finance Costs	(0.0)	(0.2)	(0.2)	(0.0)	(0.3)	(0.3)
PROFIT BEFORE TAXATION	**1.4**	**(3.3)**	**(1.9)**	**(1.6)**	**(2.8)**	**(4.3)**

Appendix – Group Balance Sheet

£m	FY21 Year End	FY20 Year End
Tangible fixed assets	0.1	0.1
Intangible fixed assets	10.1	11.7
Deferred tax assets	2.6	2.5
Total non-current assets	**12.8**	**14.4**
Inventories	2.3	3.7
Trade & other receivables	3.7	4.0
Cash and cash equivalents	19.0	21.2
Current tax receivable	0.4	0.8
Total current assets	**25.4**	**29.8**
Trade & other payables	2.6	4.5
Loans & borrowings	-	1.0
Total current liabilities	**2.6**	**5.5**
Loans & borrowings	-	1.1
Other payables	-	0.1
Pension obligations	10.4	13.2
Deferred tax liabilities	1.5	1.2
Total non-current liabilities	**11.9**	**15.5**
NET ASSETS	**23.7**	**23.1**

Appendix – Group Cash Flow

£m	FY21 Full Year	FY20 Full Year
Cash and cash equivalents at beginning of period	**21.2**	**0.4**
Profit excluding depreciation, amortisation and net finance cost	0.2	3.7
Decrease / (Increase) in inventories	1.4	1.5
Net increase / (decrease) in trade & other payables	(1.8)	(2.4)
Net (increase) / decrease in trade & other receivables	0.3	(0.5)
Purchase of fixed assets	(0.4)	(0.1)
Loans repayments	(2.1)	(1.1)
Net finance expenses paid	(0.0)	(0.1)
Taxation refunded / (paid)	0.4	(0.8)
Dividends paid	-	(0.8)
Interest income received	0.0	0.1
Dividend income received	-	-
Issue of new share capital	-	0.0
Contributions to defined benefit pension plan	(0.3)	(0.3)
Impact of disposal of manufacturing business	-	21.8
Increase / (decrease) in cash and cash equivalents	**(2.2)**	**20.9**
Cash and cash equivalents at end of period	**19.0**	**21.2**
Net cash / (debt) at start of period	***18.0***	***(7.2)***
Increase / (decrease) in cash and cash equivalents	(2.2)	20.9
Net cash outflow/(inflow) from decrease/(increase) in borrowings	3.2	4.3
Net cash / (debt) at end of period	***19.0***	***18.0***