

Full Year Results

For the 52 weeks 30th June 2023

brandarchitekts

Presenting today



Quentin Higham
Chief Executive Officer

Quentin joined as CEO in 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, Ted Baker and King of Shaves.



Geoff Ellis
Chief Financial Officer

Geoff joined as CFO in June 2023.

Geoff has had a distinguished career as an experienced Chief Financial Officer & Chief Operational Officer, with consistent achievement in international business development, combined with expertise in post-merger integration and restructuring.

Geoff is a chartered accountant and previously was CFO at Proteome PLC.

Between 1995 and 2009 Geoff held a variety of senior executive roles at Walt Disney Incorporated.



BAR proposition

Who WE ARE?

Brand Architekts are a British based beauty challenger brand **house**

Focused On:

- Insight-led, profitable, problem-solving solution brands
- Omni-channel routes to market
- Ethical and efficient outsourcing
- Digital 1st Brand thinking + invigoration

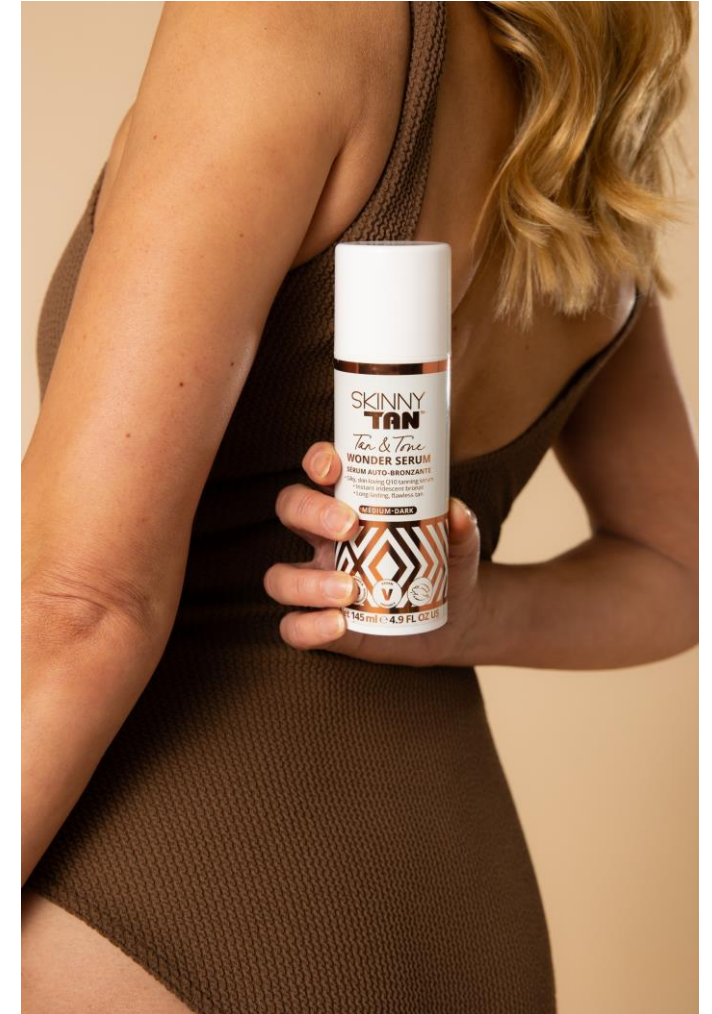
"Problem-solving solutions for everyday beauty"



Overview

Financial overview of the year

- Group sales for FY23 were up 41% to £20.1m (2022: £14.3m), primarily due to the full year effect of the acquisition of InnovaDerma Plc, which completed at the end of May 2022. Excluding InnovaDerma, revenue increased by 7% due to strong international sales, offset by challenging trading conditions in UK channels.
- Underlying gross profit margins increased by 6.2% to 39.7% (2022: 33.5%) driven by a full year of sales from Skinny Tan.
- Despite the challenging trading environment, the Group generated a reduced operating loss of £1.2m, £0.6m lower than the prior year (2022: £1.8m), primarily as a result of better targeted advertising & promotions.
- The Group retained a strong net cash position of £8.2m at the year-end.



Operational overview of the year

- Continued implementation of the strategy to support our Invest & Nurture brands, which command higher retail prices, engender strong consumer loyalty and deliver stronger margins.
- Branded Super Facialist instore merchandising trays rolled out to Boots and Morrisons. New Super Facialist Clear Skin, targeting problematic teenage skin care needs, launched on Amazon in September 22 and in Boots in June 23. New Super Facialist D2C site launched in March 23.
- 49% growth vs the prior year in international channel sales driven by post COVID-19 rebound in volumes from General Merchandise stores across North America and Europe, benefitting Dirty Works.
- Confirmed distribution roll out to AS Watson stores in 2023 & 2024 across the Middle East and Asia (Thailand – 200 stores, Vietnam – 7, The Gulf – 16, Philippines - 100, Malaysia – 66, Taiwan – 200, Singapore - 40, Turkey -100).
- Good sales growth from key historical Brand Architekts' Nurture and Harvest brands including Fish, MR, The Solution, Argan, SenSpa and Root Perfect.



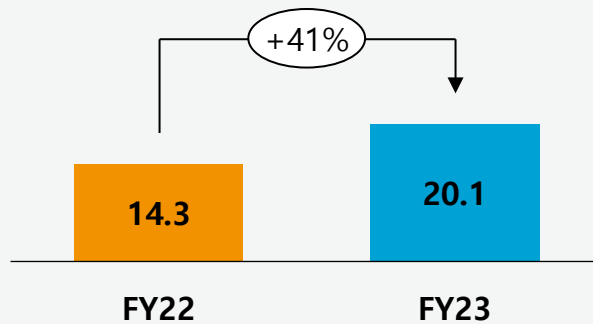


Financial Headlines

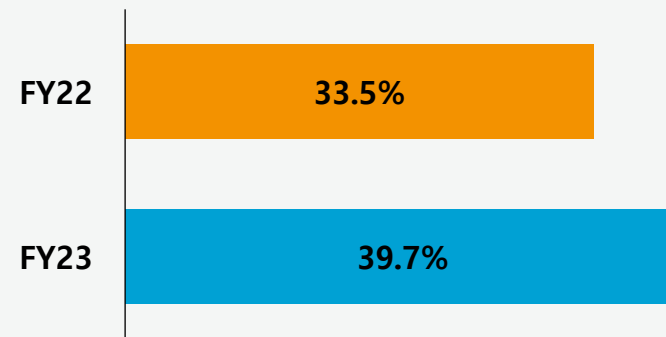
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Financial summary

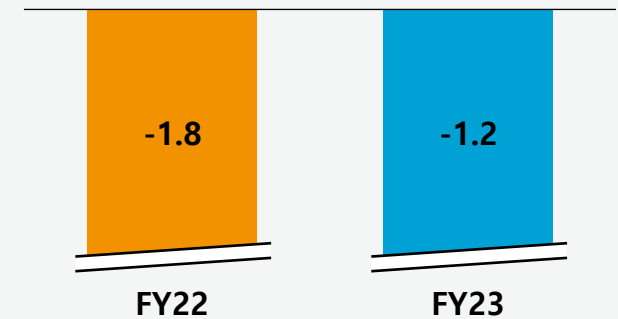
Net Sales



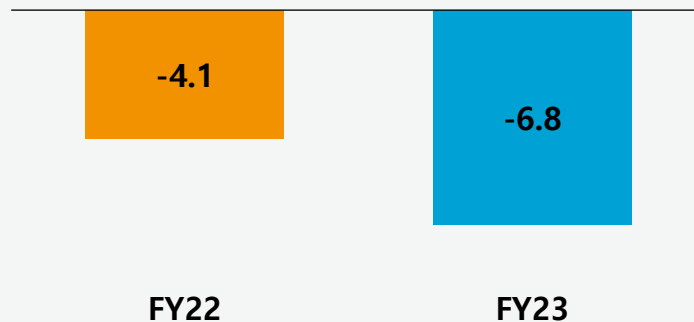
Gross Profit Margin



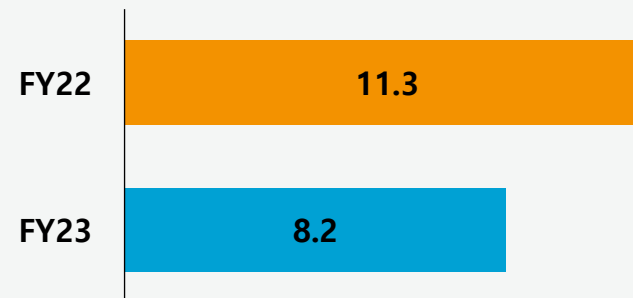
Underlying EBITA



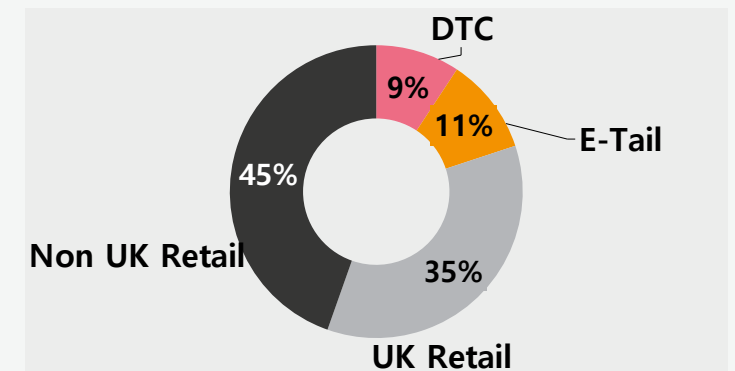
Loss Before Tax



Net Cash



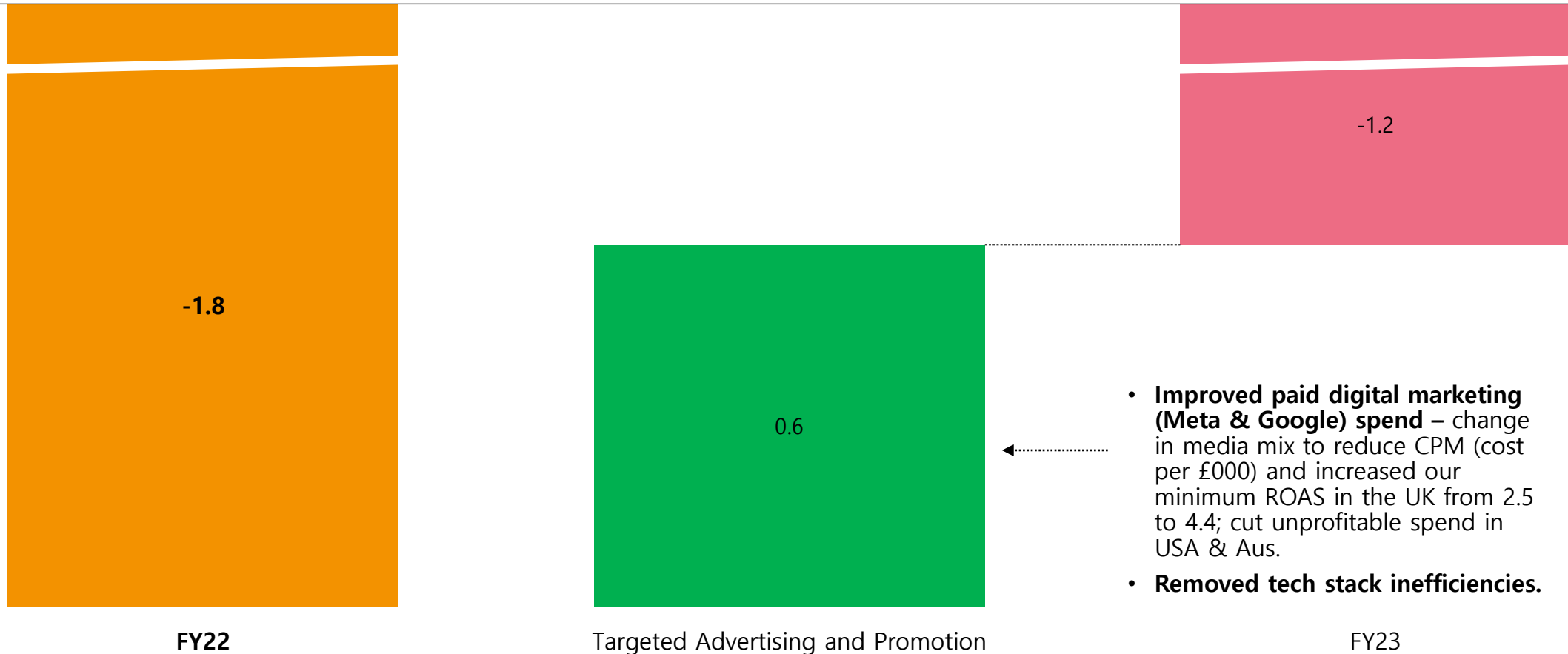
FY23 Revenue Split %



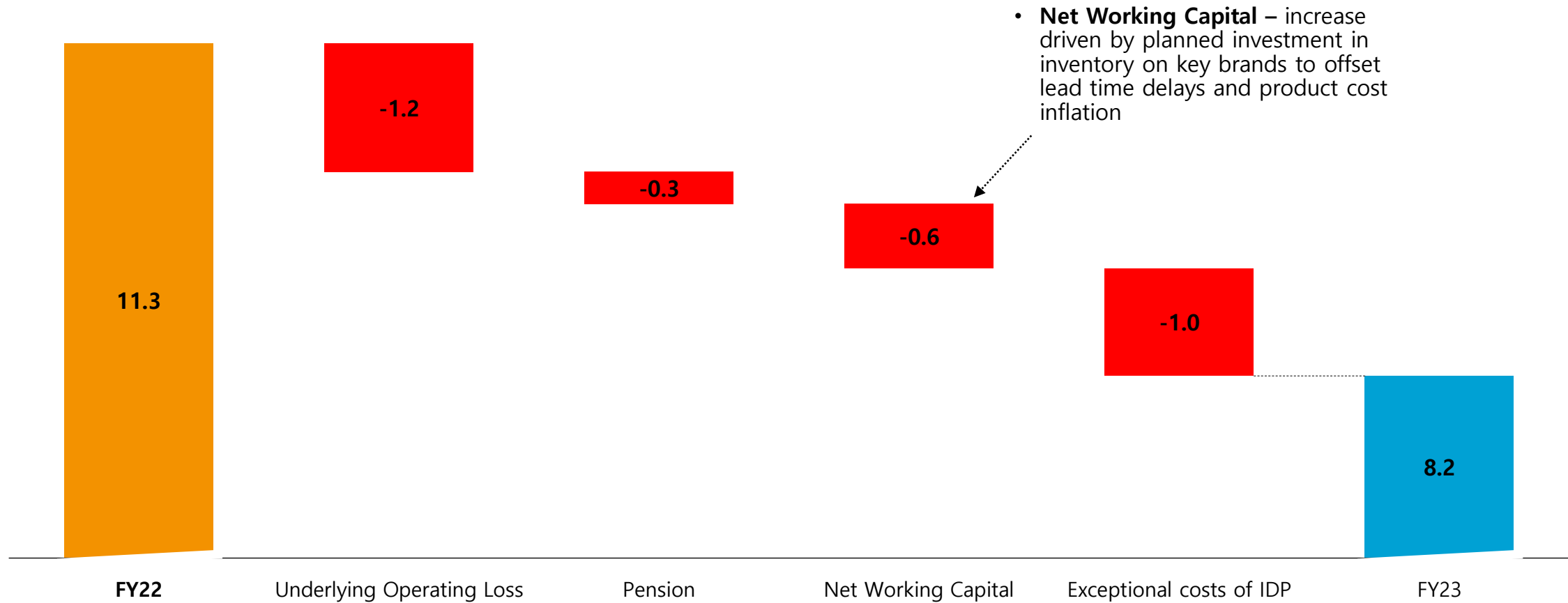
Net sales FY23 vs FY22



BAR underlying operating profit FY23 vs FY22



FY23 cash vs FY22



BAR proposition

Our JOURNEY

3 Year Transition to problem solving & high performance

BRAND DEVELOPMENT

Focus on brands and products that engender high levels of consumer loyalty and reflect the redefined company purpose of focusing on high-performance problem-solving solution led brands.

- Portfolio strategy & positioning – Focus, Nurture, Harvest
- Profitability & productivity
- Advertising & promotion
- NPD & customer insights – ideally proprietary technology or clear USP/POD

BRAND REACH

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.

- Omnichannel – Offline & Online
- D2C
- International

ESG

We aspire to improve our all round beauty sustainability and are committed to the journey to make a real difference. We take our role as an employer, and in society in general, seriously.

- Sustainability Pledge – 78% brands are recyclable and use either reusable or bio-sourced plastic and packaging. Target 100% by 2025
- Employee Development

BAR proposition

portfolio

STRATEGY

FOCUS BRANDS



- Scaled higher margin, masstige positioned brands in problem solving categories
- Strong point of difference: product & brand DNA/personality
- Extensive NPD pipeline. Propriety technology.
- Omnichannel distribution potential
- Own D2C Websites.
- 360 Marketing Activation inc. prioritized A&P budget allocation.
- Accelerated "direct touch" footprint (social, CRM, D2C) roadmaps.

NURTURE BRANDS



- Significant growth potential.
- Margin accretive problem-solving high performance (MR & The Solution) – outlier Dirty Works.
- Strong point of difference: product & brand DNA/personality.
- Master brand potential (category extensions)
- Omnichannel global distribution
- 360 Marketing Activation w. mid level A&P budget
- Own D2C Websites – excl. Dirty Works
- Accelerated "direct touch" footprint (social, CRM, D2C) roadmaps.

HARVEST BRANDS



- Niche/channel exclusive.
- Offset corporate overheads.
- Provide retailer SOV.
- Trade investments only.

DIVESTMENT BRANDS

CHARLES + LEE



- Potential to sell C+Lee
- Exit when margin decreative licenses expires (SenSpa).
- Discontinue Beautopia; Kind Natured; Roots; Nuthing; RSC; Happy Naturals.



Brand Development

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Brand Development (Invest):

- Both Skinny Tan and Super Facialist have a degree of scale and are masstige positioned brands, which address key problem-solving needs. They have a clear point of difference and recognisable brand personalities.
- Extensive annual NPD pipelines - that incorporate either proprietary technology or trademarked ingredients (eg Super Facialist Sleep Smart technology).
- Focus on 360-degree marketing activation plans, which will result in “fewer-bigger-better” holistic omnichannel communications; an investment in the creation of best-in-class assets, which will then be used across organic social, paid social, PR and retail channels.
- We are implementing new customer acquisition initiatives (Meta; Tik Tok; Google; Affiliation etc) and we will invest in consumer mechanics, such as user generated content (UGC); VIP product testing & feedback loops, that will enable us to get closer to the consumer, which in turn will provide strong reasons for consumers to follow the brand and to join the email database.
- New Skinny Tan Wonder Serum brand awareness & customer acquisition campaigns launched in July 2023 to capitalise on the second half of the tanning season.
- The Solution Menopause range to launch in 2024.





Brand Reach

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Online & Offline: Omnichannel Strategy

- The number one objective of our brand reach strategy is to secure new distribution across our Invest and Nurture brands, both domestically and internationally.
- We will be aggressively pushing Dirty Works: Middle East (Watsons), Asia (Watsons) and USA (TJ Maxx); Skinny Tan: USA, Middle East (Boots), Europe (Mueller, Amazon, Zalando); The Solution (Europe & South Africa) into new international retailers and territories.
- Domestically we will look to land all new product development in FY24 and to consolidate and drive productivity on Skinny Tan and Super Facialist within existing distribution.
- We will be looking to capitalise on the recent success of Super Facialist Clear Skin
- The relaunch of MR Expert Solutions; the launch of The Solution Menopause and the relaunch of Fish and Dirty Works in 2024.



DTC: Omnichannel Strategy

- Despite the global softening of the DTC channel, DTC sites play an integral role in our omnichannel distribution strategy.
- We believe in a digital first approach, initially to launch new products but also to generate traffic and consumer interest, prior to roll out online and offline.
- DTC helps with digital engagement and brand education. To drive customer acquisition, we will be increasing pay-per-click advertising and Meta spend behind our social footprint and database activity, given the upcoming reduction of third party-cookies.
- Our focus last year was on improving the profitability of the Skinny Tan site. Applying an ongoing test and learn approach, will enable us to focus more on delivering a cash contribution, rather than % contribution.
- By the end of 2024 all Invest and Nurture brands will have their own DTC offering (excluding Dirty Works); we will have exited The Unexpected Store and Skinny Tan Australia.
- Our strategic focus and investment will be behind four DTC sites, whereby we can generate an appropriate AOV (average order value) and margin.





ESG

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Environmental Responsibility

Good progress has been made against our **Sustainability Code of Conduct**. 78% of brands either use reusable or bio sourced plastic and packaging. Our target is 100% for 2025.

% PCR penetration

We have continued to roll out the use of Post Consumer Recycled material in all our plastic packaging, to meet or exceed the minimum 30% inclusion threshold set under the Plastic Packaging Tax, which came into force in the UK in 2022.

- 78% of our plastic packaging now contains PCR – including 91% of our Christmas gift offering.
- All Skinny Tan aerosols now use PCR and 100% recyclable shrink wrap, versus 0% last year.
- Super Facialist Men tubes are now fully PCR and feature in-mould labelling technology.



PCR content	FY22	FY23
Skinny Tan	63%	63%
Super Facialist	60%	88%
Dirty Works	43%	45%
Fish	100%	100%
MR	9%	100%



Outlook

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Outlook

- Against a backdrop of continued challenging market conditions and inflationary pressures, we are focused upon realising both the strategic and financial aims of the Group.
- Our immediate priorities are driving brand awareness of key Invest and Nurture brands, delivering revenue synergies through international expansion, a laser focus on brand contribution and releasing working capital tied up in harvest brands.
- We remain confident that the foundations we are building will enable us to return to profitability and achieve our medium and long-term goals.





Appendices

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Appendix - Group P&L

£m	FY23 Year End			FY22 Year End		
	<i>Brands</i>	<i>Central Costs</i>	TOTAL	<i>Brands</i>	<i>Central Costs</i>	TOTAL
Revenue	20.1		20.1	14.3		14.3
Cost of Sales	(12.1)		(12.1)	(9.5)		(9.5)
Underlying Gross Profit	8.0		8.0	4.8		4.8
	40%		40%	34%		34%
Commercial & administrative costs	(8.0)	(1.1)	(9.1)	(5.5)	(1.1)	(6.6)
Underlying Operating Profit	0.0	(1.1)	(1.1)	(0.7)	(1.1)	(1.8)
Exceptional items in Cost of Sales						
Impairment of intangible assets		(3.5)	(3.5)			
Amortisation		(1.1)	(1.1)		(0.2)	(0.2)
Exceptional income (costs)	(0.4)	(0.6)	(1.1)	(0.7)	(1.2)	(1.9)
OPERATING PROFIT	(0.4)	(6.3)	(6.8)	(1.4)	(2.5)	(3.9)
Finance Income		0.1	0.1			0.0
Finance Costs	0.0	(0.1)	(0.1)	0.0	(0.2)	(0.2)
PROFIT BEFORE TAXATION	(0.4)	(6.3)	(6.8)	(1.4)	(2.7)	(4.1)

Appendix – Group Balance Sheet

£m	FY23 Year End	FY22 Year End
Tangible fixed assets	0.0	0.1
Intangible fixed assets	14.5	18.9
Deferred tax assets	0.5	0.7
Total non-current assets	15.0	19.7
Inventories	6.1	7.4
Trade & other receivables	4.8	5.1
Cash and cash equivalents	8.2	11.3
Current tax receivable		
Total current assets	19.1	23.8
Trade & other payables	4.7	6.8
Total current liabilities	4.7	6.8
Pension obligations	1.6	2.4
Deferred tax liabilities	2.2	2.4
Total non-current liabilities	3.8	4.9
NET ASSETS	25.6	31.8
Share capital	1.4	1.4
Share Premium	18.6	18.6
Re-measurement of pension liability	(2.2)	(2.7)
Retained earnings	7.6	14.2
Subtotal equity	25.4	31.5
Non-controlling interest	0.2	0.2
TOTAL EQUITY	25.6	31.8

Appendix – Group Cash Flow

£m

	FY23 Year End	FY22 Year End
Cash and cash equivalents at beginning of period	11.3	19.0
Profit excluding depreciation, amortisation and net finance cost	(2.3)	(2.6)
Decrease / (increase) in inventories	1.3	(3.1)
Net increase / (decrease) in trade & other payables	(2.1)	0.6
Net (increase) / decrease in trade & other receivables	0.3	0.1
Purchase of fixed assets	(0.1)	(0.3)
Purchase of subsidiary	0.0	(2.0)
Loans repayments / net cash acquired	0.0	0.3
Net finance expenses paid	0.1	0.0
Taxation refunded / (paid)	0.0	0.4
Contributions to defined benefit pension plan	(0.3)	(1.3)
Increase / (decrease) in cash and cash equivalents	(3.1)	(7.7)
Cash and cash equivalents at end of period	8.2	11.3