

Strategy Update

BACK TO THE MULBERRY SPIRIT

London, 30 January 2025

CEO profile



Since September 2024, Andrea Baldo has been the Chief Executive Officer of the British luxury goods brand Mulberry.

Previously, he served as the CEO of the progressive luxury brand GANNI for five years. Before joining GANNI, Baldo was the CEO of the Italian leather goods brand Coccinelle and also held the position of General Manager at luxury fashion houses Marni and Maison Martin Margiela. Additionally, he has held several top management positions at Diesel.

Baldo began his career in strategic management consulting and entered the fashion industry while consulting at Bain & Company in 2000.

He earned his degree in Economics with honors from the University of Verona and is a graduate of the General Management Program at Harvard Business School.

Baldo is also a Fellow of Strategic Management at IESE Business School, where he co-teaches the MBA course “Strategic Management in the Fashion and Luxury Goods Industry.” He also writes business cases and technical notes on the luxury industry.

Executive Summary

- ▶ Back to the Mulberry spirit – returning the brand to its original values & proposition
- ▶ Acting with pace, change underway – cost-cutting, simplification, restructuring
- ▶ Keep positioning the brand in entry to luxury segment
- ▶ Prioritise UK and US markets
- ▶ Cluster strategy using selective wholesale distribution to enter markets
- ▶ Lead with creativity & strong brand management
- ▶ Active cost control
- ▶ Mid term goal: £200m+ with 15% EBIT margin

Today's agenda

- ▶ Observations
- ▶ Back to the Mulberry spirit
- ▶ Actions taken to date
- ▶ Our priorities
- ▶ Looking ahead

The market has changed

Luxury segment currently under pressure, although long term fundamentals remain positive

▶ **Challenging economic backdrop**

- Sluggish revenue growth across the market due to headwinds and consumer demand
- Consumers are prioritising cost-conscious behaviour, driving growth in resale and off price

▶ **Different market dynamics by geography**

- UK consumer confidence is decreasing overall making clients increasingly price and value conscious
- US sees resilience in high-net worth spending
- Europe benefits from increased tourism but continues to have mixed recovery
- China's slowdown leads brands to focus on other Asian markets

▶ **Luxury needs to lead with creativity and be culturally relevant**

- Luxury recently led growth with pricing power, big advertising spending, product stunts and quite luxury trend
- In the future luxury brands need to maintain coherent image and storytelling that customers love, while embracing a more creative lens and reacting quickly to cultural moments

▶ **Sustainability is not optional**

- Consumers continue to have expectations for brands to be responsible

Diagnostic of the current performance

Our underperformance comes from several factors and are consequences of decisions

▶ **Brand Proposition**

- Lack of focus on the UK, neglecting the core customer persona, weakening the brand unique selling proposition
- Inconsistent brand direction
- Over reliance on digital marketing, losing affinity with tastemakers and opinion formers

▶ **Product Performance**

- Unsuccessful product launches: out of, or late vs major trends
- Global and UK pricing coupling: ASP increased in UK and lowered internationally, negatively impacting sales per sqm

▶ **Channel Performance**

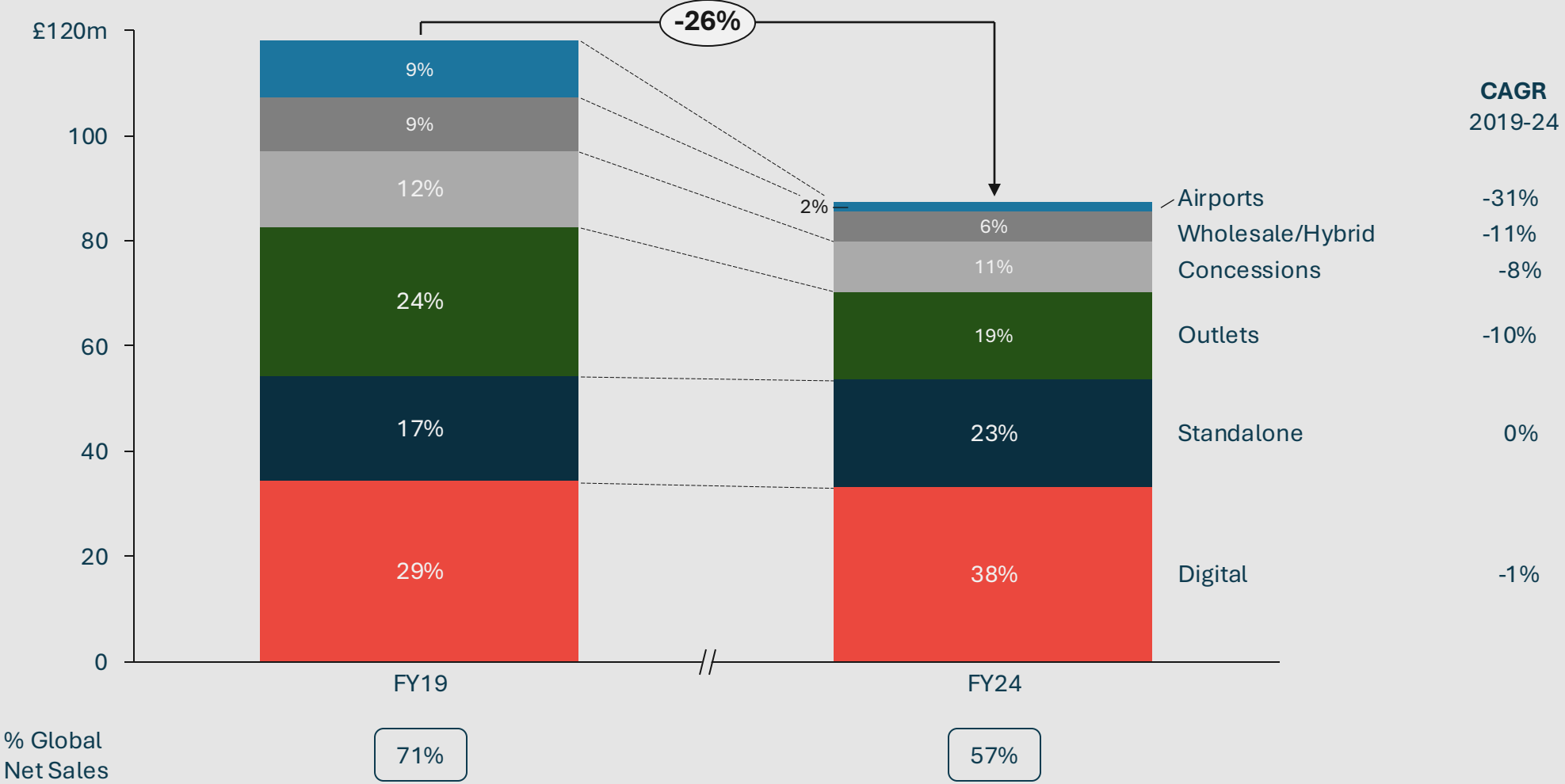
- Inorganic retail growth in APAC, covering continuous negative LFL in the UK
- Lack of performance management metrics linked to sales growth

▶ **Company Culture**

- Bureaucracy with siloed teams: delay in communication, avoidance of tough conversations, pulling in different directions

UK sales have not recovered to pre-pandemic level yet

Significant upside in our home market



Note: Mulberry fiscal year

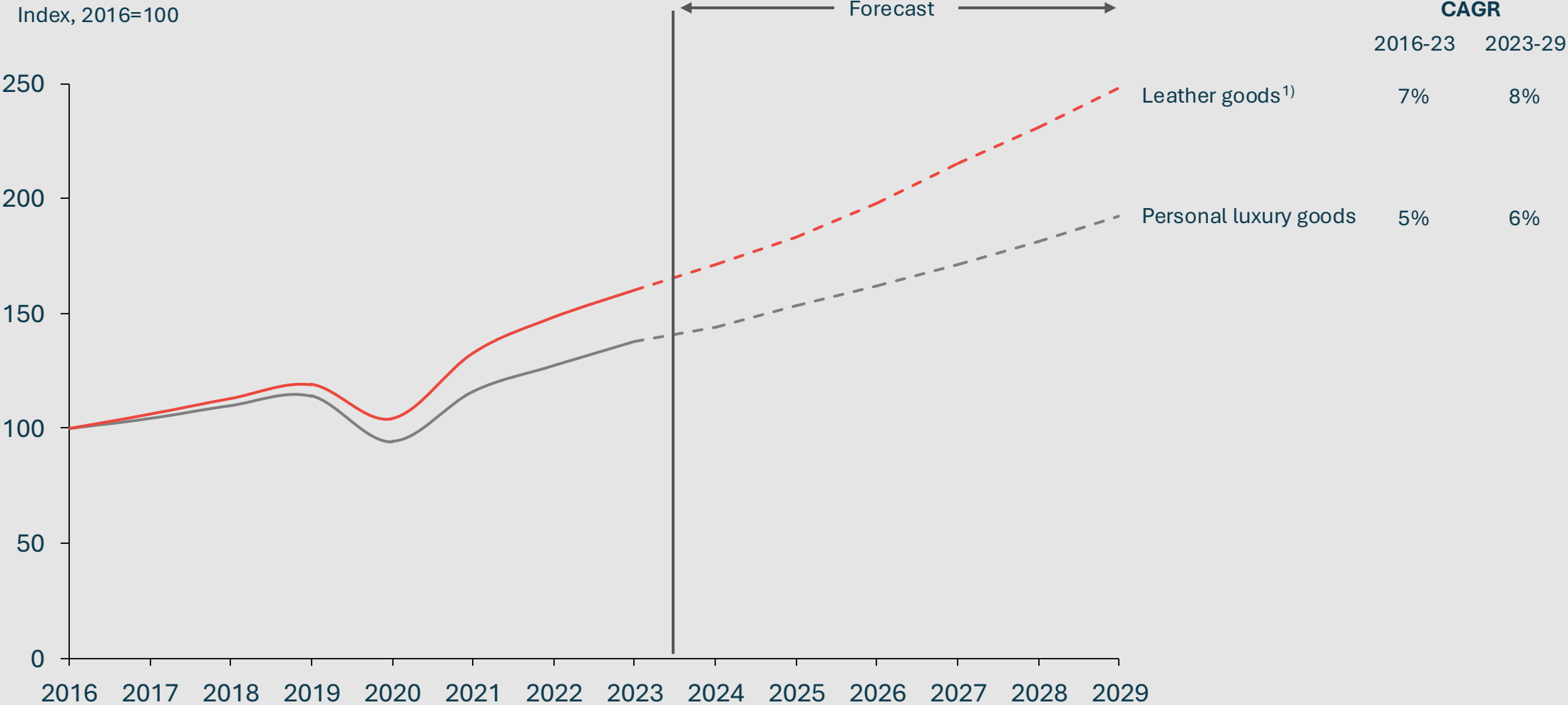
Leveraging Mulberry's strengths, building on our potential

Mulberry has several strengths which set it apart in the market:

- ▶ Beloved UK brand – recognized icons & families
- ▶ British craftsmanship – made in the UK
- ▶ Sustainability champion – B-Corp
- ▶ Tight and controlled distribution – 90% Direct-to-Consumer
- ▶ Unique entry-to-luxury price value position in an increasingly fragmented market
- ▶ Leather goods is a resilient category

Leather Goods is a resilient category

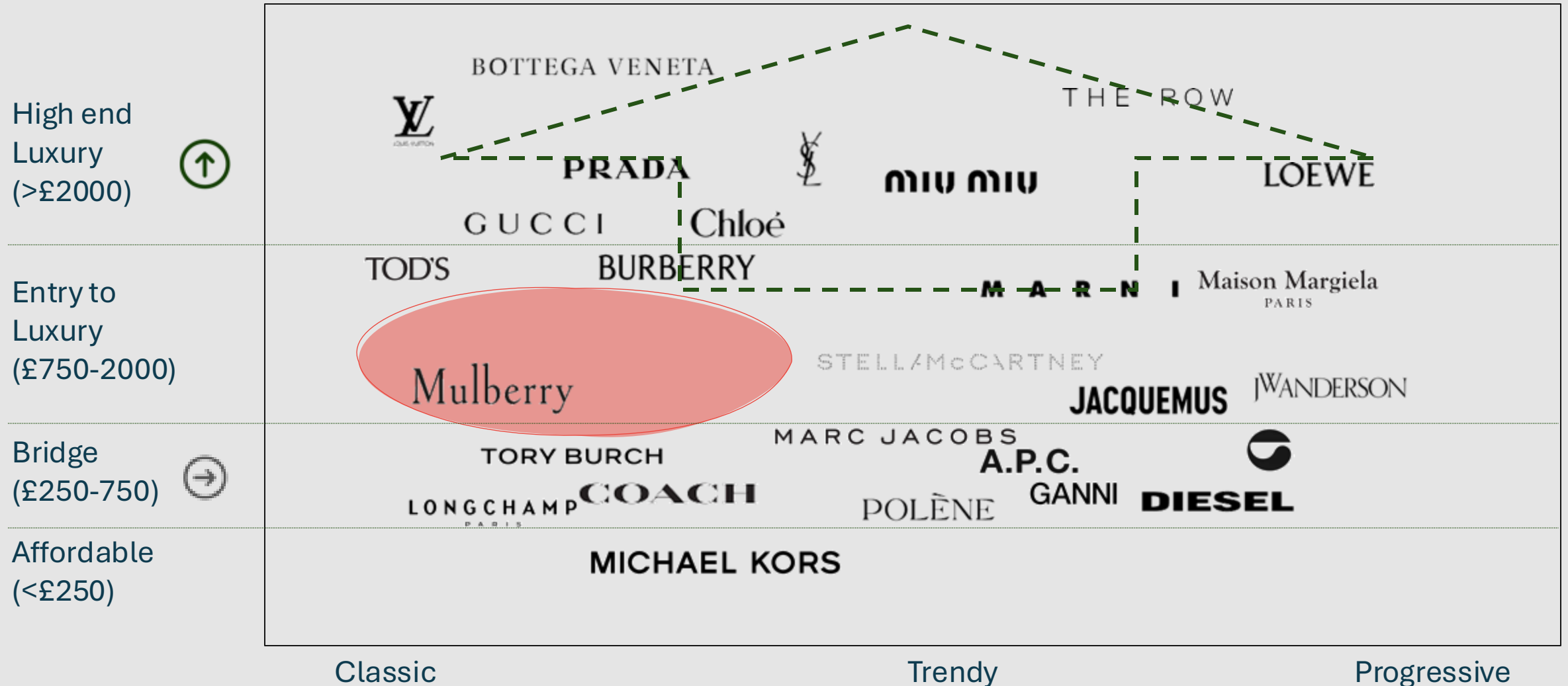
Leather goods is expected to continue outperforming personal luxury goods categories



Notes: 1) Includes handbags, small leather goods and travel goods
 Source: Euromonitor, Strategy& Analysis

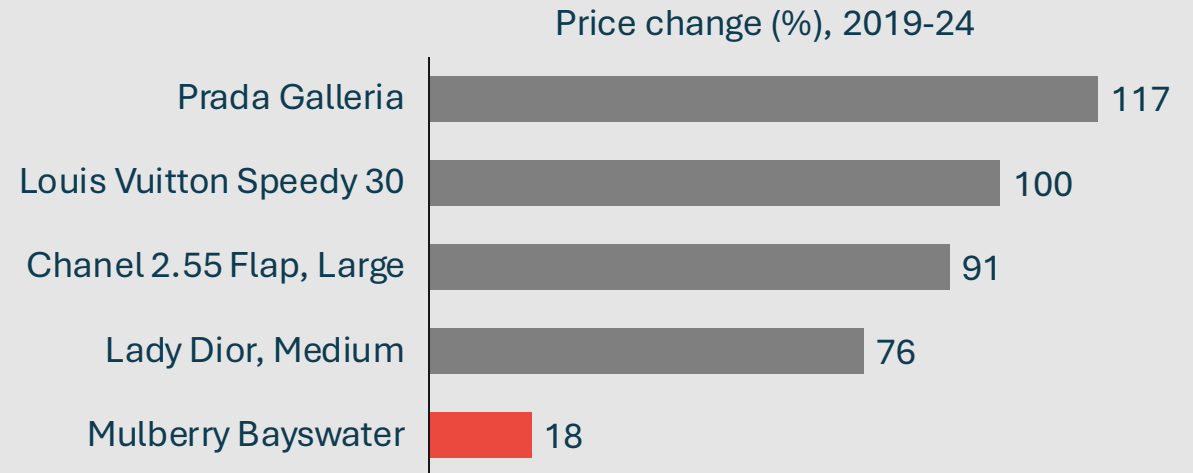
Significant price increases by luxury brands create “white space”

Mulberry is again positioned in entry to luxury



Our price position is a clear differentiator

- ▶ Mulberry has not increased prices in line with luxury peers
- ▶ Consumers are becoming increasingly price and value conscious
- ▶ Mulberry handbags are almost half the average price of European luxury brands for similar shapes
- ▶ Moving away from Global Pricing strategy and offer entry to luxury prices ensuring value for money for the quality of product on offer
- ▶ We will focus on our core price positioning, flexing by market. **Core pricing segment in the UK is £595 - £1,095**



Source: Business of Fashion, Mulberry

Region	Currency	Core segment** Bags/Mini Bags	European Lux Brands*
UK	GBP	£595 - £1,095	+112%
Europe	EUR	€695 - €1,195	+82%
Japan	JPY	¥695 - ¥1,195	+106%
USA	USD	\$975 - \$1,495	+120%
China	CNY	¥895 - ¥1,395	+111%

* Chloé, Loewe, Celine, Saint Laurent

** converted at current exchange rate

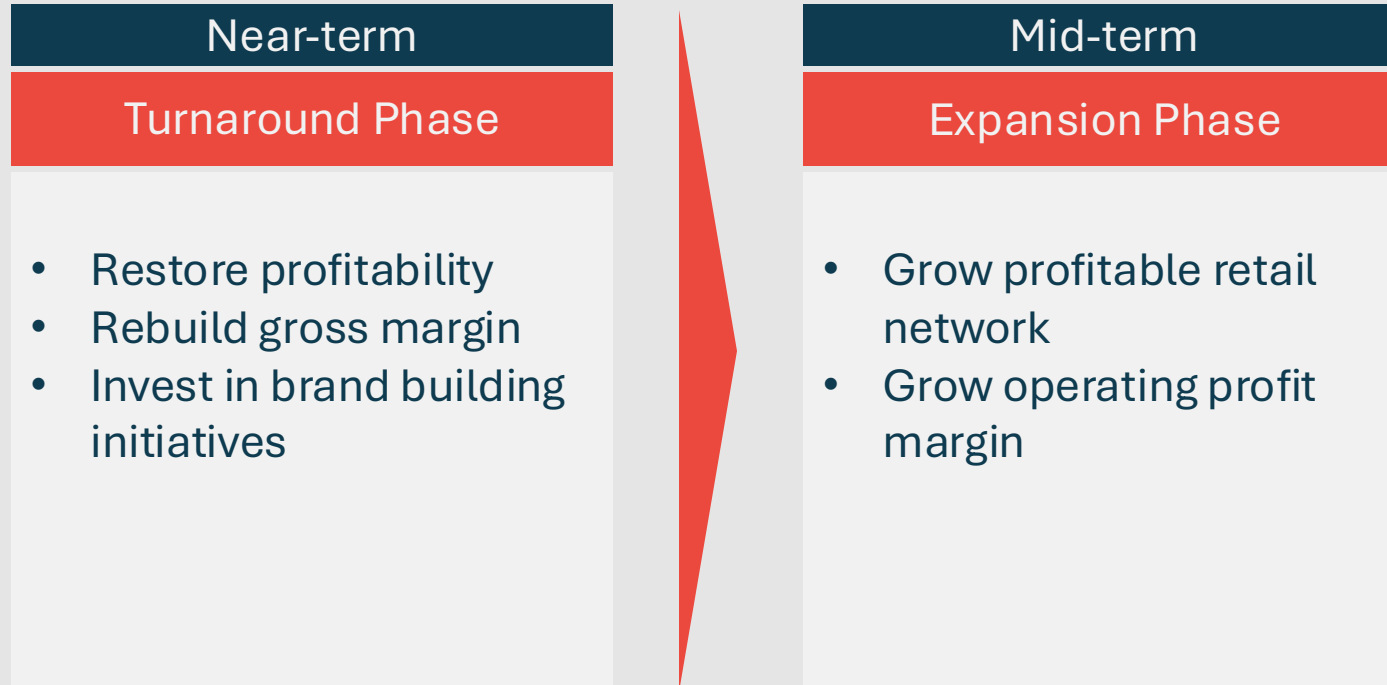
The new strategy: “Back to the Mulberry Spirit”

Our strategy to bring the business to sustainable profitability and drive long-term value creation

<i>Purpose</i>	Born in Somerset, Mulberry is an iconic lifestyle brand with a playful and uniquely British blend of creativity, community, craft and culture
<i>Values</i>	Honest Community-spirited Dynamic
<i>Mission</i>	To become the most loved British lifestyle brand
<i>Competence</i>	UK Craft and Manufacturing – Design & Creativity – Excellence in Service – Performance culture

	<i>Guiding Principles</i>	<i>Strategic Priorities</i>
<i>Business Strategy</i>	Customer at the center	1. Develop an asset-light growth engine we can scale
	Lead with Creativity	2. Energise handbags and adjacent categories with fashion design
	Simplify the business	3. Lead with Direct-To-Consumer operations and customer insights
		4. Revitalise the brand as modern British lifestyle
		5. Develop a performance-driven culture

Strategy in Two Phases



Actions taken to date

- ▶ Strengthened the balance sheet and renegotiated terms with the banks
- ▶ Root and branch review of business structure
- ▶ Improved product, pricing, and distribution strategies
- ▶ Reviewed store network, right-sizing or closing loss-making stores
- ▶ Changed team structures & reduced size to improve agility

A new leadership team & structure

Extended the Executive Committee to 10 members, 80% female



Dharmini Chauhan

*Chief Operations Officer
(COO)*

*Mulberry, Currys, easyJet,
Royal Mail, Accenture.*

*Sourcing, Production, Sales
and Operating Planning,
Logistics and Technology*



Billie O'Connor

*Chief Financial Officer
(CFO)*

*Muller Group, Selfridges Group,
Walgreens Boots Alliance*

Finance, FP&A, Legal, IR



Azalee Beaux

Director of Product

Mulberry, Lanvin

*Merchandising, Product
Development, Retail Buying
and Planning*



Henrietta Gallina

Director of Creative Studio

*Mulberry, Citizen Magazine,
Universal Standard, Karla Otto*

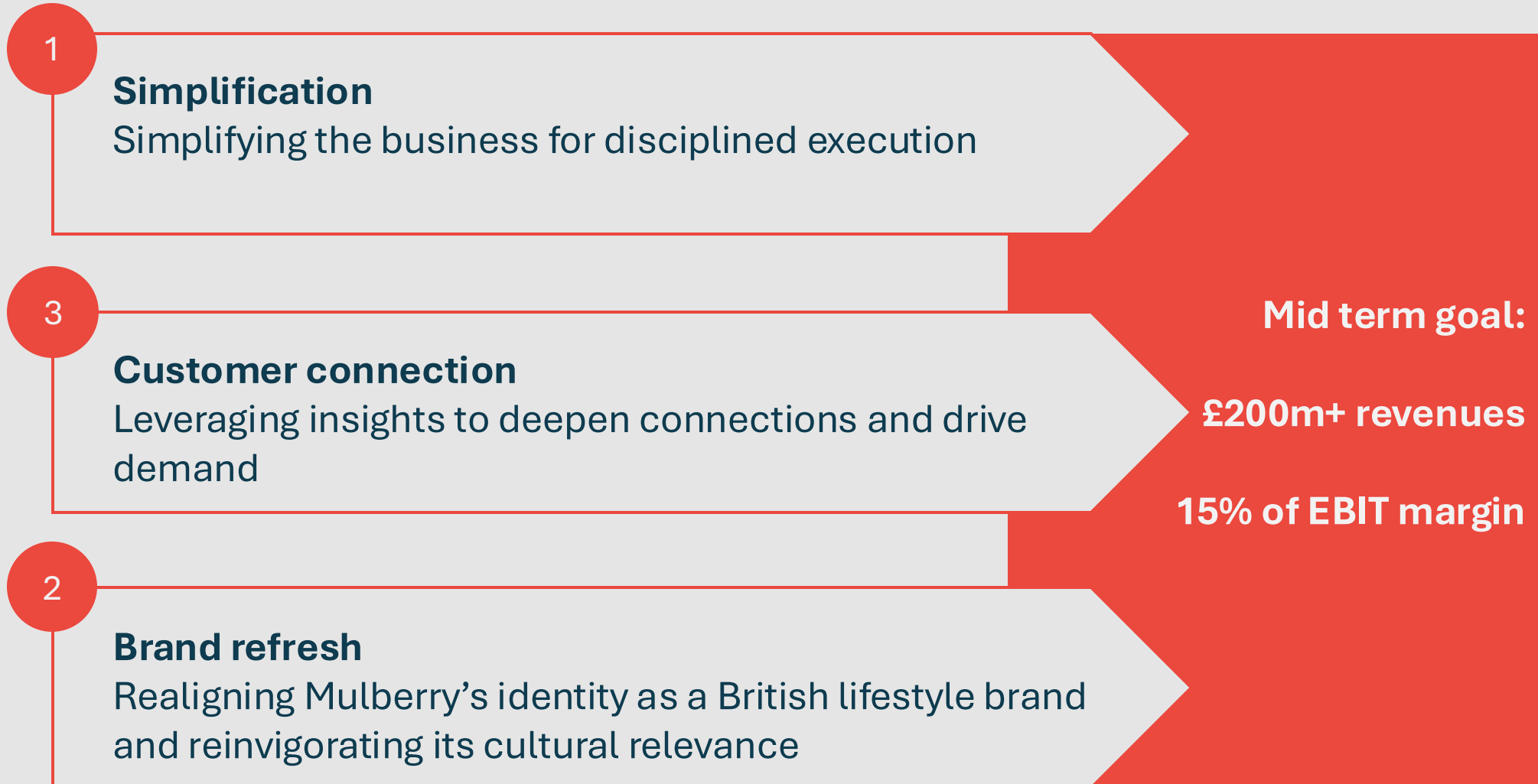
*Design Studio, Art Direction,
Image, Brand*

Key DTC transformation short term actions

- 1 Set up the Product Department** ▶ New function with End-to-End responsibility from collection briefing to in store merchandising and to have the right product in the right channel at the right time.
- 2 Quarterly product drop** ▶ Align supply with peaks in market demands and reduce innovation lead times
- 3 Chase the bestsellers approach** ▶ Add flexibility with 80% initial buy and 20% in season replenishment on best selling items
- 4 New COO role integrating IT & Operation** ▶ To ensure tech investments will deliver efficiency and speed
- 5 Invest in CRM, CDP and E-com** ▶ Properly support the top line growth while generating insights from client transactions and interaction
- 6 Radical transparent supply chain** ▶ Lead in responsibility among luxury players and fulfill company community purpose

Our Priorities

Bring the business to sustainable profitability and drive long-term value creation



1. Simplifying the business for disciplined execution

▶ **Markets**

- Refocus attention on the UK market whilst accelerating the growth in the US
- Re-align opportunities in Asia, with a de-emphasis on China

▶ **Channels**

- Channel agnostic and cluster-oriented growth strategy – re-prioritise wholesale and outlets
- Right-size the store estate – evaluating size of stores and closing unviable or non-strategic sites

▶ **Operations**

- Active and continuous cost control management – supply chain agility and operational efficiency
- Drive operational improvements via agile processes, and an integrated operations and technology model

▶ **Product & Pricing**

- Implement a more focused product offering and price range
- Reduce promotional dependency to improve margin

2. Leveraging insights to deepen connections and drive demand

▶ Improving insight capabilities

- Enhance customer insights also using CRM tools and AI-powered data platforms

▶ Customer personalisation

- Tailor offerings and messages to distinct customer personas and guide segmentation and channel alignment
- Improve in-store experiences and incentivise sales teams for better retail performance

▶ Reactive and agile operations

- Strengthen DTC operations with quarterly drop structure to align with market demand and improve seasonal replenishment

3. Realigning Mulberry's identity as a British lifestyle brand and reinvigorating its cultural relevance

▶ Brand positioning

- Reposition the brand with codes that celebrate British lifestyle elements
- Balance heritage narratives with cultural relevance and seasonal fashion innovations to appeal to global, fashion-forward audiences in a unique way

▶ Lead with creativity

- Creativity is the key to reignite brand desirability
- Brand director to oversee the Creative Studio

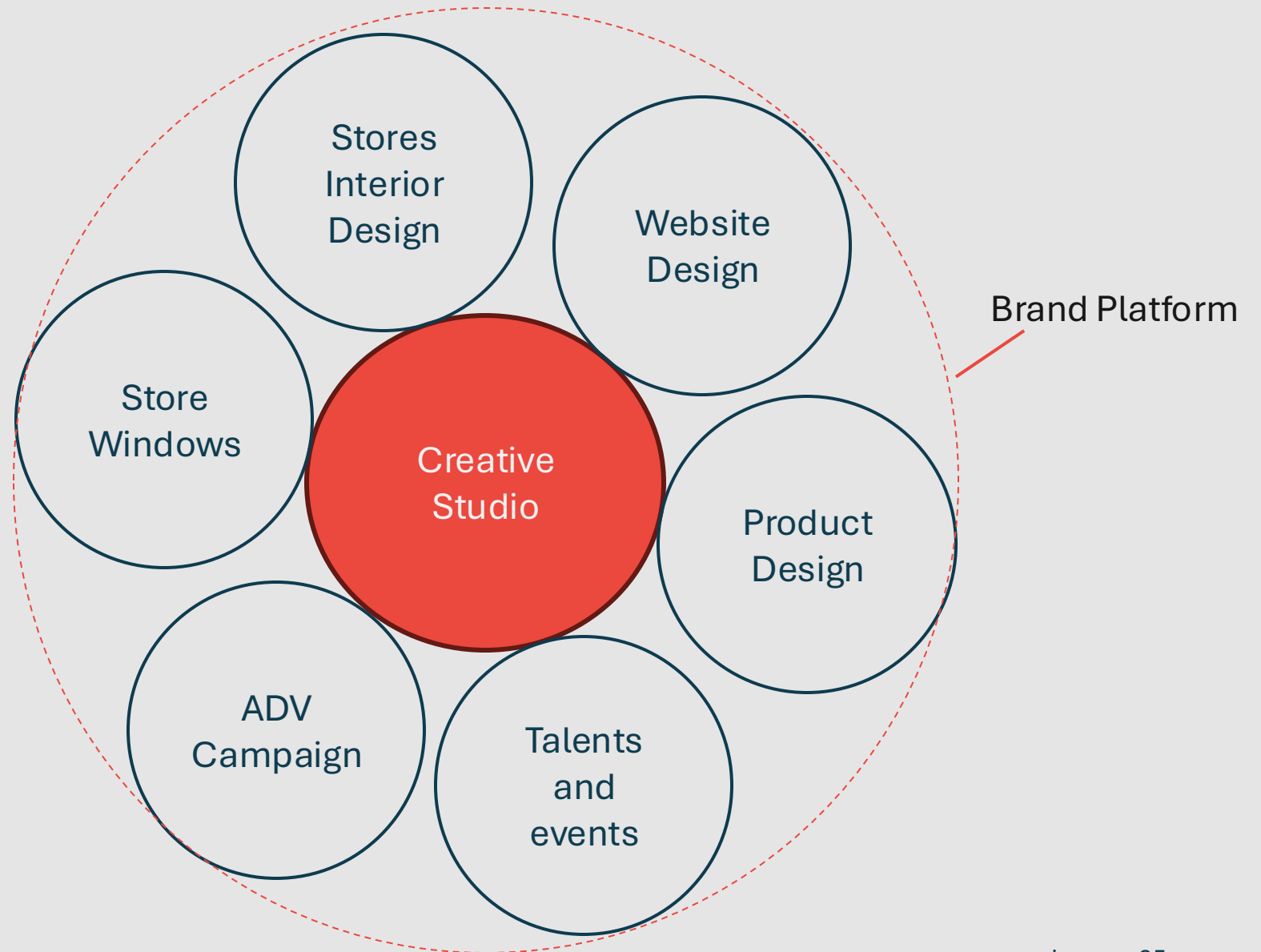
▶ Activations & marketing

- Focus marketing and inventory investments on impactful seasonal moments and store activations supported by a household talent that core customer can relate to
- Engage tastemakers and the cultural ecosystem to boost brand desirability via partnerships with influential talent, fashion designers and craftsmanship in product
- Use fashion shows to create brand halo effect to support the sales of handbags

Creativity is the key to reignite brand desirability

Set up of the Creative Studio

- ▶ New function of Creative Studio Director reporting to the CEO and member of the ExCo
- ▶ Creative studio oversee all customer touchpoints in alignment with the brand platform
- ▶ Creative Studio is responsible for product design, coherent image and art direction, and generating cultural relevancy that excites current and new clients
- ▶ Creative Studio is part of the brand committee together with Marketing, Product, Commercial and General Management



Strategy in action

Initiatives already started and early wins

- ▶ **UK Distribution** – Flannels wholesale agreement, John Lewis partnership agreement
- ▶ **International** – doors expansion in Nordstrom (US) and David Jones (AU)
- ▶ **Product development** – expanding icon families (Islington, Bayswater, Darley), Made for Outlet
- ▶ **Brand enhancement** – new campaign, bringing new purpose alive with higher engagement
- ▶ **Customer service** – new incentive system in stores based on Conversion Rate objectives
- ▶ **Cost Cutting** – closed 12 loss-making stores in APAC; Reduced 25% the Head Count in HQ locations; Forensic spending review

Building a scalable model for long-term success

▶ **Cluster strategy to grow markets**

- Scale growth through an asset-light model: wholesale-first market entry followed by DTC and retail

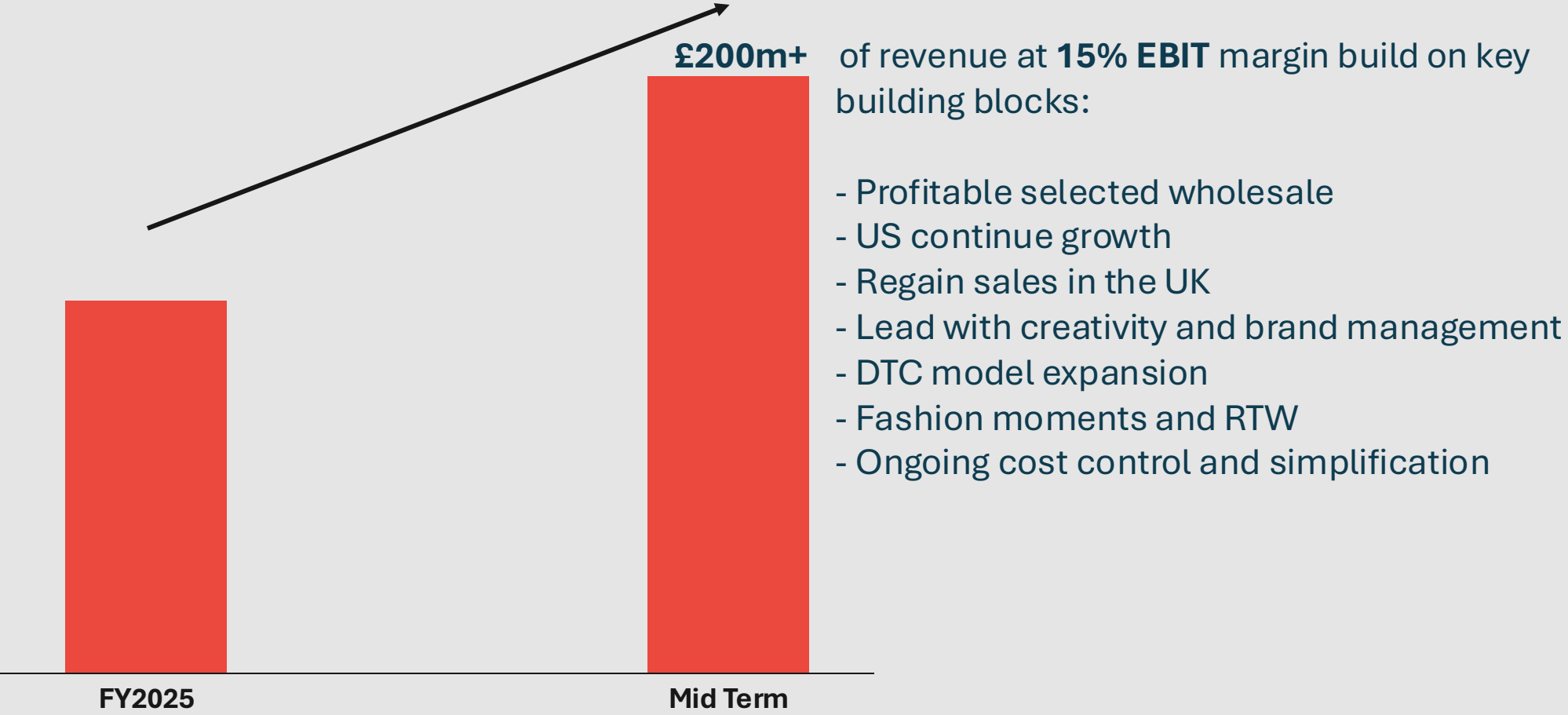
▶ **Performance-driven culture**

- Build a culture of transparency and accountability, with leadership emphasising results, innovation, and collaboration

▶ **Product expansion**

- Position handbags as a leading category while expanding adjacent categories with competitive pricing and desirability
- Invest in new categories like RTW and Shoes, at same price position as handbags, to bring the brand universe to life and generate halo effect

Delivering shareholder value creation



The fundamentals are in place, and we have a strategy to deliver

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Thank you!