

Date: 18 October 2023
On behalf of: Sosandar plc ('Sosandar' or 'the Company')

Sosandar plc

Trading & Strategic Update

Sosandar expands omnichannel strategy, launching its first bricks and mortar stores plus international launches in Australia and Canada

Sosandar PLC (AIM: SOS), one of the fastest growing fashion brands in the UK creating quality, trend-led products for women of all ages, is pleased to provide a trading update covering the six-month period ended 30 September 2023 and an update on the expansion of its omnichannel strategy.

Sosandar has rapidly grown from a start-up into one of the fastest growing fashion brands in the UK. Over the last three years, the Company has added to its own successful online presence by becoming a top selling brand with third party online partnerships including M&S and Next. This was followed by the recent launch as a flagship brand with Sainsbury's both online (since February 2023) and in-store (since October 2023).

The Company carefully monitors consumer shopping habits and trends on an ongoing basis. With clear evidence of consumers increasingly shopping on the high street coupled with the growing strength of the Sosandar brand, the Company is perfectly placed to develop its omnichannel strategy with its own bricks and mortar presence. This initiative, which will launch in spring 2024, has been informed by the success of recent partnerships and will open up 60% of the £55bn annual clothing market in the UK that is transacted in physical stores. This will significantly expand the Company's addressable market into more locations where our loyal customers want to shop. In addition, due to strong interest from third parties overseas, the Company is expanding its presence internationally, and today announces that it has signed agreements with The Iconic in Australia and The Bay in Canada to begin selling online in Q4 of the current financial year ending 31 March 2024 ("FY24").

These pivotal developments will propel the business further towards reaching its strategic goal of becoming one of the world's largest womenswear brands globally, in the medium-term targeting £100m+ revenues and a pre-tax profit margin of at least 10%.

Investment Programme

The investment in the store opening programme will be self-funded from the Company's existing cash resources. This investment will include people, store execution, infrastructure as well as supporting margin growth. As the Company moves to being an omnichannel retailer, it is investing in moving away from price led promotions, one of the key operating norms of pureplay retail. It will significantly reduce price promotions in order to grow its margin by transitioning customer behaviour to the non-promotional led proposition it already operates successfully across all its third-party channels.

The Company intends to operate this reduced promotional proposition across all sales channels by the time the stores launch in spring 2024. The aim is to begin delivering significantly higher gross margins, putting the Company on a trajectory to deliver pre-tax profit margins of at least 10% in the medium-term.

The Company has spent much of Q2 FY24 trialling the planned reduction in promotional activity in order to validate its assumptions on consumer behaviour and the associated KPIs. The trial has validated the belief that it can create significant longer-term profit through increased margin and average order value. In the near term, the trial has also validated the assumption that traffic and conversion will be lower, resulting in a short-term revenue reduction which can be supported from existing cash resources.

The Company expects revenue to grow by 10% year on year for FY24 to £46.8m and to remain in profit during the transition. It expects revenue in the year ending 31 March 2025 ("FY25") to grow by 17% year on year to £54.6m with an upward trajectory in profitability. The Company believes this is the right strategic course of action to deliver significantly higher gross and pre-tax profit margins for the business and ultimately generate greater shareholder value.

Net Cash as at September 2023 is £7.0m which reflects the timing of stock purchases ahead of the Autumn season.

Autumn Trading

Autumn trading has started very well despite the unseasonably warm weather in September. Net revenue for the week commencing 9th October was the highest on record (excluding black Friday) and the highest ever for gross margin. Sales on Sosandar.com are in line with the results of the Q2 trial, with margin and AOV significantly increased, and orders and revenue aligned to the Company's expectations of the new reduced promotional plan.

Sales through third party partners have also been very strong with Next and M&S in particular having a great start to the autumn season. The Sainsbury's brand-new fashion concept stores have just gone live over the first two weeks of October with a wide range of Sosandar product selling well in all of the nine stores. In addition, the partnership with Freemans, which launched in September, has also had a very strong start to trading with Sosandar.

Highlights for the six months ended 30 September 2023:

Half Year Trading	H1 FY24	H1 FY23	% change
Net revenue	£22.3m	£21.0m	6.0%
Gross margin *	55.8%	54.4%	140bps
(Loss)/profit Before Tax **	(£1.3m)	£0.1m	-

Sosandar.com KPIs ***	H1 FY24	H1 FY23	% change
Average Order Value	£99	£90	11%
Unit Value	£46	£41	11.6%
Units per order	2.2	2.2	0%
Conversion	3.6%	4.5%	-19.6%
Traffic	7.7m	7.8m	-0.7%
Orders	276,989	347,137	-20.2%

**Gross Margin increased by 140bps year on year. This includes the effect of an increase in the wholesale channel as a proportion of revenue. Excluding the wholesale channel, gross margin increased by 240bps. The trial in Q2 resulted in own site margin increasing by 570bps year on year in the quarter.*

***The pre-tax loss is driven by lower revenue following the trialled reduction in promotional activity in Q2. The year-on-year movement is driven by higher overheads which is primarily staff related, with the team in place to deliver the next stage of growth. Run-rate staff costs are at a similar level to the year ended March FY23.*

**** The trialled reduced promotions in Q2 resulted in lower traffic and conversion, whilst the key metrics of margin and AOV were significantly up.*

The performance in the first half of the financial year has been resilient against a backdrop of macro-economic challenges and the strategic decision to trial reduced promotional mechanics and activity. The Company's unique product range has continued to resonate with its customer base with particularly strong sales of summer occasion wear and holiday clothing. Following this success, the Company will be launching its biggest ever occasion wear range in time for the key trading period towards Christmas.

Trading with now well-established third-party partners, Marks and Spencer, NEXT, The Very Group and JD Williams has been extremely strong, with all product categories performing well.

As previously announced, a number of strategic initiatives were launched in the half. The mobile app, which went live in July, has exceeded expectations with c41,000 downloads to date and 20% of sales already being generated through the app.

Store Strategy

The Company, having carefully assessed the commercial landscape, believes that being a truly omnichannel retailer, diversifying its routes to market and increasing brand awareness across its target demographic, is a key next step in its growth journey. Opening its own stores will deliver multiple benefits both to profitability and to the brand as a whole. It will bring increased brand awareness, higher margins, more efficient marketing and overall lower returns rates. Over the last two years there has been ample and growing evidence highlighting the financial importance of store locations.

By spring 2024, the Company expects to have opened its first identified stores in the UK in affluent towns with thriving high streets where Sosandar customers over-index. The same meticulous planning, risk mitigation, in-depth research and successful execution that the Company has continually demonstrated will also be applied to the store roll out.

The Company is hiring additional store expertise to further build on the extensive experience that it already has within its existing teams. In addition, the Company will be investing in technology, including EPOS systems, to ensure that the customer journey, both online and offline, is seamless.

International

The Company recently launched with Global-e, the world's leading platform to enable and accelerate global, direct-to-consumer, cross-border ecommerce. The Company now transacts and fulfils orders worldwide to over 60 countries in a cost-effective manner.

As previously communicated, the Company has been exploring and researching opportunities to serve an international customer base whilst remaining conscious of managing costs and implementation risk. The Company is delighted to announce that it has signed new agreements with two large prestigious international third-party partners: The Iconic in Australia and The Bay in Canada, exceeding its previously stated target of launching with one such partner in FY24. These consignment agreements selling a wide range of the Sosandar collection will launch during H2 FY24.

Ali Hall and Julie Lavington, Co-CEOs commented:

"We are extremely excited about the next stage of our growth journey. Our decision to open our own stores is the logical next step as we look to offer our customers more ways to engage and shop with Sosandar. We know that the added value of being able to touch and feel our clothes will appeal to our target customers. With a clear rollout plan in place and strict criteria around the location of potential stores, we are confident that our stores will enable us to accelerate our market share and increase the awareness of our brand."

"We are also delighted to announce our first international third-party partners. Over the last few years, we have demonstrated how successful these types of agreements can be, and after an extensive and

thorough period of research, we believe that the first partners we have selected are the perfect fit to launch our international growth. We have no doubt that our unique and diverse product range will resonate with customers globally, just as it has done in the UK.

“Whilst we do expect to see a short-term impact as we transition the business to offer less promotional activity, we still expect to be in growth and remain profitable. This strategy is undoubtedly the right course of action to deliver greater profitability and therefore greater value to our shareholders. To be able to capture the 60% of clothing expenditure coming from physical stores is a massive opportunity. The Sosandar brand could not be in a stronger position, and we have every confidence in our brilliant team to execute successfully as they always have done.

“We believe that the future is very bright as we take the Sosandar brand to more customers across the UK and worldwide, we continue on our journey to become one of the largest womenswear brands globally.”

Conference call

Sosandar is hosting a Q&A call for analysts and investors today at 8:30am to discuss the Trading Update. If you would like to register for the call, please follow this link: https://bit.ly/SOS_TU_webinar

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This announcement contains inside information for the purposes of the retained UK version of the EU Market Abuse Regulation (EU) 596/2014 ("UK MAR").

About Sosandar plc

Sosandar is one of the fastest growing women's fashion brands in the UK targeting style conscious women who have graduated from price-led alternatives. The Company offers this underserved audience fashion-forward, affordable, quality clothing to make them feel sexy, feminine, and chic. The business sells predominantly own-label exclusive product designed in-house.

Sosandar's product range is diverse, providing its customers with an array of choice for all occasions across all women's fashion categories. The company sells through Sosandar.com and has a number of brand partnerships including with Next, Marks & Spencer and J Sainsbury.

Sosandar's strategy is to continue growing brand awareness and expand its routes to market, reaching customers wherever they wish to shop. This is achieved both through direct to consumer channels and through third party partners. Sosandar offers an exceptional product range, seamless customer experience and impactful, lifestyle marketing, all of which is underpinned by combining innovation with data analysis.

Sosandar was founded in 2016 and listed on AIM in 2017. More information is available at www.sosandar-ir.com

