

14 April 2020

BRAND ARCHITEKTS GROUP PLC
("Brand Architekts Group" or the "Group")

Trading Update
Impact and Response to Covid-19

Brand Architekts Group, the personal care and beauty products group with its own portfolio of brands, today provides an update on its strong financial and liquidity position and the actions taken in response to the Covid-19 outbreak.

Employees

We are taking all necessary steps to ensure the health and well-being of our employees, clients and suppliers which remains the top priority for the Group. Following government guidelines all of our team are now working from home and all our operational systems and processes are working well on a remote basis as are internal and external day to day communications.

Retail Customers

More than 90 per cent. of the Group's bricks and mortar sales are through grocery and pharmacy retailers. These customers continue to trade and our products continue to be available for consumers to buy. We are seeing fluctuating patterns of sales in response to varying store footfall and in-store operational focus, including changes to in-store promotional activities.

We have noted differences in sales patterns across different product types. Sale volumes of handcare products have increased significantly and we have been able to secure extra supply to support retailer demand whereas, for example, sales of male haircare and shaving products have, unsurprisingly, declined significantly in recent weeks.

Within our International business a number of our General Merchandise and Department Stores' customers have temporarily closed their doors, which is expected to have a detrimental impact on our sales through those channels whilst lockdowns are maintained.

Online sales, both through large e-tailers and our own branded websites, have increased significantly and we have stepped up promotional activity to capitalise on this route to market.

Combining all of the above, the impact of the Covid-19 situation has resulted in a significant reduction to the Group's overall sales volumes, however, it does remain a very fluid situation and we are focussed on identifying and securing incremental opportunities as well as managing situations of demand reduction.

Supply Chain

6 of our 7 UK based suppliers remain fully operational and we are focussed on adjusting incoming inventory to respond more appropriately to the changes within our volume projections across the portfolio.

All of our suppliers based in China have now returned to normal operation. We have confirmed volumes for our two largest Christmas gift customers and are working through the associated supply plans with our Chinese partners.

Cost Control and Cash conservation

In order to mitigate the possible impact on the business, the Group has taken the following measures to reduce operating costs and associated cash requirements.

We have undertaken a number of short-term reductions on our discretionary expenditure and as part of this, we have also secured a short-term suspension of rent payments on our offices in Teddington.

As all our manufacturing, logistics, R&D and IT functions are outsourced, we currently operate with a lean team of 31 employees and therefore our staff payroll costs are relatively low as a percentage of sales. Whilst we have taken steps to manage staff costs, including the postponement of hiring across a number of current vacant positions. Our team remains fully utilised, managing the ongoing business and developing and adapting the growth opportunities that may arise during, and those that will follow after the government imposed lockdown. We will continue to monitor this closely and respond appropriately to any material change to the trading situation.

As a further step, all the Directors of the Board including our interim Chief Executive have agreed to take a reduction to their respective salaries or fees of 20 per cent at least until the end of this financial year (June 2020).

Balance Sheet and Cash

Our balance sheet remains strong and our available cash balance is £20.1m with a net cash position (including outstanding term loans) of £17.8m, with no material capital expenditure programme to support. Our customer base is made up of major retailers, the vast majority of whom continue to trade and who for the most part, are experiencing strong cash inflows even through lockdown. Whilst we continue to manage our cash resources we are fully confident that our cash position remains secure and indeed positions us well to take advantage of any appropriate strategic or tactical opportunities that may emerge during these fast changing times.

Dividend

Notwithstanding the Group's strong balance sheet, the current environment is one of heightened uncertainty. After due consideration, the Board has decided to suspend the interim dividend for the half year ended 11 January 2020. The Board recognises the importance of dividends to shareholders and, as such, it intends to consider the appropriateness, quantum and timing of this dividend payment when it has a clearer view of the effects and duration of the current Covid-19 situation on the Group's business.

Outlook

As a result of the uncertainty surrounding the impact of Covid-19, the board is withdrawing financial guidance for the full year ending June 2020. The Board continues to monitor the situation closely and remains confident in the Group's long term prospects.

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