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## **Brand Architekts Group PLC**

("Brand Architekts" or the "Company" or the "Group")

### **Trading Update & Resolution of Legal Claim**

Brand Architekts Group plc, a challenger British Beauty brand business, announces an update on trading for the 52 weeks to 30 June 2023 and a resolution of its legal claim with its joint venture counterpart in Mr Haircare Ltd.

Group sales for FY23 are expected to be c.£20.1million (FY22: £14.2m) an increase of 41% on the prior year due primarily to the full year effect of the acquisition of InnovaDerma Plc, which completed end of May 2022. Excluding InnovaDerma, revenue increased by c7% due to strong international sales offset by challenging trading conditions in UK channels.

Despite the challenging trading environment the Group generated a reduced operating loss in H2, a significant improvement on the performance in H1, due to a focus on better targeted advertising & promotions resulting in improved contribution. Full year losses are expected to see similar improvement.

The Group retains a healthy net cash position of c£8.2m at the year-end, slightly better than the position at the half year and also slightly ahead of market expectations.

### **Business Highlights**

- Continued implementation of the strategy to invest and support our Invest & Nurture brands, which command higher retail prices, engender strong consumer loyalty and deliver stronger margins.
- Completed integration of InnovaDerma, core functions now based in the UK, full synergies to be realised by January 2024.
- New Super Facialist Clear Skin, targeting problematic teenage skin care needs, launched on Amazon in September and in Boots in June 23.
- New Super Facialist D2C site launched in March 23
- New Skinny Tan brand awareness and customer acquisition campaigns launched in July 2023 to capitalise on the tanning season.
- The Solution Menopause range to launch in 2024.
- Strong 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).

**Mr Haircare Limited:**

As announced at the time of the Groups' final results in November, the Group was subject to a legal claim brought by Jamie Stevens Media Limited (JSML), its joint venture counterparty/co-shareholder in Mr Haircare Ltd (premium male haircare brand), which alleged a breach of shareholders' agreement between the parties dating back to the company's acquisition of Fish in 2018. After taking appropriate legal advice and following constructive dialogue the Group has agreed to a full and final settlement of all claims in the sum of £200,000 together with legal costs of £225,000.

The Company has also agreed to purchase JSML's 55% shareholding in Mr Haircare Ltd in cash at a fair value price to be determined by an external valuer later in the year. MR sales for FY23 are expected to be £0.54m (FY22 £0.5m). The transaction is expected to conclude before the end of the 2023 calendar year and a further announcement will be made in due course. The proposed acquisition of the remaining JV shares is in line with the company's strategic vision to invest and build its portfolio of high-performance, problem-solving and margin accretive brands. The brand will be relaunched as 'MR' and the company's vision is to expand the brand into adjacent male grooming problem solving categories and invest in the master brand to accelerate brand awareness and stimulate consumer trial.

**Outlook:**

Against a backdrop of continued challenging market conditions and inflationary pressures the management team is focused on realising both the strategic and financial aims of the Group. The 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.

The Group expects to announce its full year results for the 52 weeks to 30 June 2023 in late October.

**Quentin Higham, Chief Executive, commented:**

"We have successfully integrated InnovaDerma and the new team has worked extremely hard in focussing on improving brand contribution. We continue to focus our resources on our key invest and nurture brands. I am positive about the future and optimistic to see the growth potential in our performance focussed portfolio. We are confident that our brand development and brand reach strategic pillars will help us achieve our profit goals."

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