RNS Number : 5914N
Sosandar PLC
26 November 2024

Date:	26 November 2024
On behalf of:	Sosandar plc ('Sosandar' or 'the Company')
Embargoed until:	0700hrs

Sosandar plc
Half Year Results

Focus on sustained profitability and transitioning to a true multi-channel retailer

Sosandar PLC (AIM: SOS), the women's fashion brand, creating quality, trend-led products for women of all ages, is pleased to announce its financial results for the six months ended 30 September 2024 and an update on current trading.

The Company is delighted that it successfully opened its first four physical stores in the UK during the period, as it continues to further expand its multiple routes to market. The period under review, once again, reflects the prioritisation of margin enhancement and profitability with substantial positive swings in both.

Half Year Financial Highlights
- Revenue of £16.2m (H1 FY24: £22.2m) as the Group continued to transition away from price promotional activity outside the major scheduled sale events
- Strong gross margin of 62.2%, versus 55.4% in the previous year, reflecting margin enhancement prioritisation
- £0.7m substantial positive swing to £0.7m pre-tax loss from £1.3m pre-tax loss in H1 FY24 as a result of margin enhancement and continued careful cost management
- Robust net cash of £7.0m as at 30 Sept 2024 (£8.3m at 31 March 2024), reflecting timing of inbound stock for the Autumn/Winter collection and capital expenditure for roll-out of own stores

Operational and Strategic Highlights
- Successfully opened first four own stores, with strong trading across all stores, coupled with a demonstrable uplift in traffic to the website in the areas where the stores are located
- The stores have strong footfall and conversion, and we have seen circa 65% of purchases in store being made by brand new customers
- Product across all categories continued to resonate with customers with particularly strong sales of denim, holiday wear and dresses in the Summer months and partywear and knitwear as we have moved into Autumn
- Trading with well-established third-party partners, including NEXT and Marks & Spencer, has continued to be strong. Successfully launched in store with Arnotts in Dublin, Ireland, in September, after initially selling online through Arnotts' website.

Post-period Trading Highlights (October and November to date)
- Trading in the second half of the financial year has been in line with full year market expectations*
- Post period, margin and profit continue to show a significant positive swing versus last year. Average gross margin was 64% (H1 FY25: 62.2%)
- Revenue in October and November is providing further evidence of the performance that we anticipated as customers become accustomed to paying full price
- Signed a licensing agreement with NEXT for a Sosandar homeware range following the success of Sosandar's clothing range sold through NEXT
- Balance sheet remains robust with cash position of £7.0m at 22 November 2024

Ali Hall and Julie Lavington, Co-CEOs commented:

"The past six months have been incredibly important steps in Sosandar's development. We are now well on our way to becoming a true multichannel retailer following the opening of our first four stores during the half. Seeing the Sosandar brand on high streets, and the reaction we have received so far, validates our decision to give our customers more ways to shop with our brand. Post period end we signed an agreement with NEXT for our brand to be licensed to develop a homeware range, providing further validation of the strength of the Sosandar brand. This shows the leverage and brand equity that we have built and will allow us to broaden our reach into new audiences and enable existing customers to deepen their affinity to our brand.

Trading in the second half of the financial year to date has been encouraging, across all our channels, as we head into peak season. In the lead up to Christmas we have seen extremely strong sales of occasionwear, knitwear, including knitted dresses, and denim.

Looking ahead, we remain incredibly excited for what lies ahead for Sosandar as we take advantage of the multiple opportunities available to us, and we take the Sosandar brand to more customers across the UK and worldwide and continue on our journey to become one of the largest womenswear brands globally."

** Sosandar believes that market expectations for the year ending 31 March 2025 are currently revenue of £40.5 million and profit before tax ("PBT") of £1.0 million.*

Presentations

Sosandar is hosting a webinar for retail investors at 13:00 today. If you would like to attend, please register here: https://bit.ly/SOS_H1_results_webinar

The Company is also hosting webinar for analysts at 09:00 tomorrow. If you would like to register, please contact sosandar@almastrategic.com contact sosandar@almastrategic.com

Enquiries

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About Sosandar plc

Sosandar is a women's fashion brand in the UK targeting style conscious women who have graduated from lower quality, 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 and tested 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 its own stores, and has a number of high value brand partnerships including with NEXT and Marks & Spencer.

Sosandar's success has been built on an exceptional product range, seamless customer experience and impactful, lifestyle marketing, all of which is underpinned by combining innovation with data analysis. Our growth strategy is focused on continuing to grow brand awareness and expand our addressable market and routes to market, reaching customers wherever they wish to shop. This is achieved both through direct to consumer channels and through chosen third-party partners.

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

Co-CEOs' Statement

The first half of FY25 has been a significant period in Sosandar's development. We opened our first four stores, with one more opening since the period end, and have seen a demonstrable uplift in traffic to our own site in the areas where the stores are located.

The period under review, once again, reflects the strategic decision we took in the second half of last year to reduce price promotional activity outside the major scheduled sale events and only undertake selective marketing campaigns, and to focus on driving margin and profitability as we started the transition to becoming a true multi-channel retailer and commenced our store rollout.

Whilst revenue has inevitably been impacted, the narrowing of pre-tax losses during the period and uplift in margin that we are now seeing on a sustained basis clearly demonstrates that this was the right course of action in order to drive sustainable profit over the long-term.

We have delivered revenue of £16.2m in the first half which reflects our continued transition away from price promotional activity outside the major scheduled sale events.

Our focus on gross margin is delivering, with gross margin for the period being 62.2%, up from 55.4% in the prior year.

Demonstrating the impact of improved gross margin, we delivered a £0.7m substantial positive swing in profitability to a £0.7m pre-tax loss from £1.3m pre-tax loss in H1 FY24. We expect to deliver a further large upwards swing in profitability in the second half of the year.

We would like to extend our thanks to our team, partners and suppliers for their unwavering commitment and support of the business.

Our unique product range delivering what women want

The strength of our brand and unique product range remain the key drivers of our success and keep our customers returning to us for their wardrobe needs. We create head-to-toe outfits at a mid-level price point that are high quality, long lasting, with a wide selection of choice that covers all occasions and unique prints that are designed in-house. We are incredibly proud to see the success that our Sosandar clothes are having across all our different routes to market.

Our routes to market

As stated above, our product is what makes Sosandar unique. As a clothing brand, without an exceptional product the success we have delivered to date would not have been possible. In order to ensure that our customers can shop with Sosandar whichever way they wish, becoming a multichannel retailer was a necessary next step in our development, allowing us to take full advantage of the £62bn UK clothing market. We can now reach our customers through our own site Sosandar.com, our app, third-party partners and our own stores.

1) *Our own site*

Sosandar.com remains the bedrock of the Sosandar hub. It is where our customers access the complete Sosandar experience including the full extent of our diverse range. This site is also continually updated with new product and content.

We are constantly working and investing to ensure that we maintain a seamless customer experience through this channel. Our own site has always had the capabilities to operate for a multichannel model, so following the opening of our own

Our own site has always had the capabilities to operate for a multichannel model, so following the opening of our own stores we have been able to integrate increased new functionality such as click and collect and order in store from online.

2) Continued strong trading with third-party partners

Trading with our well-established third-party partners has continued to be strong, with the success of our product resulting in Sosandar being one of the top selling brands across all third-party partners including NEXT and M&S in the UK and The Iconic in Australia.

In September we also launched in store with Arnotts in Dublin, Ireland, after initially selling online through Arnotts' website. We've seen strong demand from customers in Ireland via our own website, so this was naturally one of the next markets for us to move into. Being in store with Arnotts, the oldest and largest department store in Ireland, is also helping to cement the brand's presence in the country.

Highlighting the success we have had through our third-party partners, post period end, we were delighted to announce that we had extended our partnership with NEXT to licensing the Sosandar brand to develop a homeware range. NEXT is one of the largest homeware retailers in the UK and the licensing deal will combine NEXT's sourcing and quality expertise with Sosandar's design inspiration. The range will include a full set of living room furniture and accessories, including sofas, accent chairs, rugs and lighting. It will be sold online exclusively at NEXT.co.uk and expects to launch in Autumn 2025. This licensing agreement will not require any capital expenditure on our behalf.

Third-party partnerships, both domestically and internationally, remain a key facet of our higher margin multi-channel model and we have a strong pipeline of additional opportunities at various stages of delivery.

3) Our first own stores

We are delighted to have opened our first stores in Marlow, Chelmsford, and the Metrocentre in Gateshead, and post period end in St David's centre, Cardiff. These locations were carefully selected for being affluent, thriving locations where Sosandar customers over-index. We are incredibly proud of seeing the Sosandar brand on thriving high streets and are delighted with the reception we have received so far.

We are pleased with the progress of our store portfolio thus far, with sales tracking in line with our expectations. We have hit the ground running with strong footfall and conversion, we have seen circa 65% of purchases in store being made by brand new customers to the brand and have also seen a demonstrable uplift in traffic to our website in the areas where our stores are located.

The feedback on our product range and store environment from both new and existing customers has been fantastic, which shows the power of the Sosandar brand. Our customers have commented on the great customer service, the feel of the stores and the way the stores are laid out. We've also seen people start using stores to click and collect, as well as going into store to order and try on clothes that they had seen online, creating a seamless interaction between online and offline, as we had expected.

As a reminder, we believe that having our own stores will:

- Deliver multiple benefits both to our total addressable market, profitability and to the brand as a whole
- Bring increased brand awareness
- Drive higher margins
- Result in more efficient marketing
- Deliver overall lower returns rates

Current Trading and Outlook

Trading in the second half of the financial year has been in line with full year market expectations. October and November to date has been strong, across all channels, with a continuation of a strong gross margin as we head towards our seasonal peak, and post period revenue in line with last year.

Looking further ahead, we are increasingly informed by our learnings from the roll-out of our own stores and reduction in price promotional activity. We continue to focus on margin enhancement as we begin to drive sustainable profitable growth. Our strategic goal remains to deliver a pre-tax profit of at least £10m.

We remain incredibly excited for what lies ahead for Sosandar as we take advantage of the multiple opportunities available to us, and we take the Sosandar brand to more customers across the UK and worldwide and continue on our journey to become one of the largest womenswear brands globally.

FINANCIAL REVIEW

KPIs

	6 months ended 30 September 2024 £'000	**6 months ended 30 September 2023 £'000**	Change
Revenue	**16,187**	**22,163**	-27%

Revenue	**16,187**	**22,163**	-27%
Gross Profit	**10,066**	**12,289**	-18%
Gross Margin	**62.2%**	**55.4%**	+680bps
PBT	**(659)**	**(1,349)**	+51%

Revenue and PBT

Revenue in H1 FY25 reflected the continued transition away from price promotional activity outside of the major scheduled sale events, resulting in a substantial positive swing in the pre-tax loss of £0.7m, to a loss of £0.7m (H1 FY24: £1.3m). Revenue in the period was £16.2m (H1 FY24: £22.2m), with the quantum of price promotions on Sosandar.com reducing by 85% in H1 FY25 compared with the previous year. During each month of the period, the year on year variance narrowed as the comparatives started to become more like for like, and importantly customers are becoming increasingly accustomed to the paying full RRP, as they do when purchasing through our third-party partners. In terms of revenue through our third-party partners, this has continued to be strong, in particular through our largest partners NEXT and Marks & Spencer.

Gross Margin

The Gross Margin in H1 FY25 is 62.2% which increased by 680bps compared to the same period in the prior year (H1 FY24: 55.4%). The vast majority of this improvement is due to the reduction in price promotional activity on Sosandar.com. In addition, there is also some benefit as a result of improved intake margin including from Sterling strengthening against the Dollar.

Operating Costs

Total Operating Costs decreased by 21% to £10.7m (H1 FY24 £13.6m). Fulfilment was £1.0m lower which is as a direct result of the strategic change with regards to price promotions. As each order through Sosandar.com is at improved gross margin, it also means that the fulfilment operation is more cost effective as a percentage of revenue, reducing to 11.6% from 12.9% in the previous year. In addition, we have chosen to do less direct mail brochures in the period in order to redirect resources to the opening of our first physical retail stores which, in time, will become the primary marketing vehicle for the business, with positive results already clear with increased traffic and revenue being generated on Sosandar.com from the local area to each new store. In the period, we have incurred £0.2m of store related operating costs including depreciation in the P&L.

Balance Sheet

Net assets increased to £17.7m at 30 September 2024 compared with £17.2m at 30 September 2023. Cash at 30 September 2024 was £7.0m (30 September 2023 £7.0m).

In the period, £1.0m was invested in CAPEX, with spend across the four UK physical stores and the Arnotts concession in Dublin, Ireland. The investment required per UK store has been in line with our expectations, at £250k.

Inventory has reduced to £12.2m (H1 FY24: £14.2m) which reflects the planned reduction in stock through both the second half of last year and first half of this year as new styles were complemented by carry over stock to form the whole range. The lower stock holding also reflects the managed reduction as a result of lower orders on our own website and the higher margin being generated. There will be further reductions in stock, although not as substantial as already reported, which is helping to fund the physical store openings from existing resources.

Receivables increased marginally to £3.9m (H1 FY24: £3.8m) with the primary element being amounts owing from our third-party partners. There has been no change to payment terms with any of our partners in the period and all partners have continued to pay in full and on time.

Payables decreased to £7.7m (H1 FY24 £9.2m) reflecting the reduction in stock being purchased for the Autumn / Winter season compared to H1 2024. More stock has been purchased earlier in the season, for the second year running in readiness for the first physical retail stores opening and to ensure our new season ranges launches on time with our third-party partners. As a result, payments are slightly earlier compared with last year, which results in the payables balance being reduced.

UNAUDITED CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2024

		6 Months to 30 Sept	6 Months to 30 Sept	Year ended 31 March
		2024	2023	2024
	Notes	£'000	£'000	£'000
Revenue		16,187	22,163	46,277
Cost of Sales		(6,121)	(9,874)	(19,672)
Gross profit/(loss)		**10,066**	**12,289**	**26,650**
Other operating income		-	-	-
Administrative expenses		(10,748)	(13,342)	(26,984)
Operating profit/(loss)		**(682)**	**(1,331)**	**(334)**
Finance income		62		38
Finance costs		(39)	(18)	(36)
Profit/(loss) before taxation		**(659)**	**(1,349)**	**(332)**
Income tax credit/(expense)		-	-	(91)

Income tax credit/(expense)				[illegible]
Group profit/(loss) for the year		**(659)**	**(1,349)**	**(423)**
Other comprehensive income		-	-	-
Total comprehensive profit/(loss) for the period		**(659)**	**(1,349)**	**(423)**
Earnings/(loss) per share:				
Earnings/(loss) per share - basic & diluted, attributable to ordinary equity holders of the parent (pence)	5	(0.27)	(0.54)	(0.17)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

	Notes	As at 30 Sept 2024 £'000	As at 30 Sept 2023 £'000	As at 31 March 2024 £'000
Assets				
Non-current assets				
Intangible assets		459	367	391
Property, plant, equipment		1,201	339	407
Right of Use asset		2,093	592	584
Deferred income tax asset		605	696	605
Total non-current assets		**4,358**	**1,994**	**1,905**
Current assets				
Inventories		12,165	14,216	10,920
Trade and other receivables		3,864	3,798	2,768
Cash and cash equivalents		6,951	6,981	8,313
Total current assets		**22,980**	**24,996**	**22,001**
Total assets		**27,338**	**26,989**	**23,906**
Equity and liabilities				
Equity				
Share capital	4	248	248	248
Share premium	4	52,619	52,619	52,619
Capital Reserves		4,648	4,648	4,648
Other reserves		1,617	1,360	1,485
Reverse acquisition reserve		(19,596)	(19,596)	(19,596)
Retained earnings		(21,855)	(22,126)	(21,196)
Total equity		**17,681**	**17,157**	**18,208**
Current liabilities				
Trade and other payables		7,675	9,198	5,076
Lease liability		294	111	197
Total current liabilities		**7,969**	**9,309**	**5,270**
Non-current liabilities				
Lease liability		1,688	523	428
Total non-current liabilities		**1,688**	**523**	**428**
Total liabilities		**9,657**	**9,832**	**5,698**
Total equity and liabilities		**27,338**	**26,989**	**23,906**

UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE 6 MONTH PERIOD ENDED 30 SEPTEMBER 2024

SEPTEMBER 2024

	Notes	6 Months to 30 Sept 2024 £'000	6 Months to 30 Sept 2023 £'000	Year ended 31 March 2024 £'000
Cash flows from operating activities				
Group profit/(loss) before tax		(659)	(1,349)	(332)
Share based payments		132	137	262
Depreciation and amortisation		266	141	316
Finance costs		39	18	36
Finance income		(62)		(38)
Working capital adjustments:				
Change in inventories		(1,245)	(1,855)	1,441
Change in trade and other receivables		(1,096)	(1,068)	(38)
Change in trade and other payables		2,559	843	(3,279)
Net cash flow from operating activities		**(66)**	**(3,133)**	**(1,552)**
Cash flow from investing activities				
Addition of property, plant and equipment		(1,045)	(30)	(81)
Addition of intangibles		(114)	(324)	(458)
Initial direct costs on right of use asset		-	-	-
Interest paid		-	-	-
Net cash flow from investing activities		**(1,159)**	**(354)**	**(539)**
Cash flow from financing activities				
Net proceeds from issue of equity instruments	4	-	-	-
Lease payment		(199)	(107)	(210)
Finance income		62		38
Net cash flow from financing activities		**(137)**	**(107)**	**(172)**
Net change in cash and cash equivalents		**(1,362)**	**(3,594)**	**2,263**
Cash and cash equivalents at beginning of period		8,313	10,576	10,576
Cash and cash equivalents at end of period		**6,951**	**6,982**	**8,313**

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTH PERIOD ENDED 30 SEPTEMBER 2024

	Notes	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Other reserves £'000	Total £'000
Balance at 30 September 2023		**248**	**52,619**	**(19,596)**	**4,648**	**(22,122)**	**1,360**	**17,157**
Profit (Loss) for the period		-	-	-	-	926	-	**922**
Share-based payments		-	-	-	-	-	125	**129**
Issue of share capital	4	-	-	-	-	-	-	**-**
Costs on issue of share capital	4	-	-	-	-	-	-	**-**
Balance at 31 March 2024		**248**	**52,619**	**(19,596)**	**4,648**	**(21,196)**	**1,485**	**18,208**
Profit (Loss) for the period		-	-	-	-	(659)	-	**(659)**
Share-based payments		-	-	-	-	-	132	**132**
Issue of share capital	4	**-**	**-**	-	-	-	-	**-**
Costs on issue of share capital	4	**-**	**-**	-	-	-	-	**-**
Balance at 30 September 2024		**248**	**52,619**	**(19,596)**	**4,648**	**(21,855)**	**1,617**	**17,681**

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses.

Share based payments reserve relate to the charge for share-based payments in accordance with International Financial Reporting Standard 2

Reporting Standard 2.

Retained earnings represent the cumulative loss of the Group attributable to equity shareholders.

Reverse acquisition reserve relates to the effect on equity of the reverse acquisition of Thread 35 Limited.
Capital redemption reserve represents the aggregate nominal value of all the deferred shares repurchased and cancelled by the Company. The reserve is non-distributable.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. General Information

Sosandar Plc is a company incorporated and domiciled in England and Wales. The Company's offices are in Wilmslow. The Company is listed on the AIM market of the London Stock Exchange (ticker: SOS).

The financial information set out in this Half Yearly report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Company's statutory financial statements for the year ended 31 March 2023, prepared under International Financial Reporting Standards ("**IFRS**"), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Sections 498(2) and 498 (3) of the Companies Act 2006.

Copies of the annual statutory accounts and the Half Yearly report can be found on the Company's website at http://www.sosandar-ir.com/content/investors/annual-reports.asp.

2. Basis of preparation and significant accounting policies

This Half Yearly report has been prepared using the historical cost convention, on a going concern basis and in accordance with "**IFRS**" as adopted by the European Union, using accounting policies which are consistent with those set out in the financial statements for the year ended 31 March 2024.

3. Segmental reporting

The directors have considered the requirement of IFRS 15 with regards to disaggregation of revenue and do not consider this to be required as the group only has one operating segment which is retail sales.

The income recognition for delivery receipts, commissions on partner-fulfilled sales and wholesale revenue are in line with that of retail sales and linked to dispatch/delivery to customers.

Due to the nature of its activities, the group is not reliant on any individual major customers.

During the prior year, the Group expanded into international markets. The major geographical market remains the UK.

	Period ended 30-Sept 2024 £'000	**Year ended 30-Sept 2023 £'000**
UK	16,015	22,163
Rest of World	172	-
Total	**16,187**	**22,163**

4. Share capital and reserves

Details of ordinary shares issued are in the table below:

Ordinary Shares (£0.01)					
	Date	**Number of shares**	**Issue Price £**	**Total Share Capital £'000**	**Total Share Premium £'000**
At 31 Mar 2023		**248,226,513**	**0.001**	**248**	**52,619**
Shares issued:		-	-	-	-
At 31 Mar 2024		**248,226,513**	**0.001**	**248**	**52,619**
Shares issued:		-		-	-
At 30 September 2024		**248,226,513**	**0.001**	**248**	**52,619**

5. Earnings per share: profit / (loss)

Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period:

	6 Months to 30 Sept 2024	**6 Months to 30 Sept 2023**	**Year Ended 31 March 2024**
(Loss) / Profit after tax attributable to equity holders of the parent (£'000)	(659)	(1,349)	(423)
Weighted average number of ordinary shares in issue	248,226,513	248,226,513	248,226,513
Basic / Diluted earnings / (loss) per share (pence)	**(0.27)**	**(0.54)**	**(0.17)**

6. Post balance sheet events

The Company had no post balance sheet events.